

**Office of the Chief Investment Officer**

**TO MEMBERS OF THE INVESTMENTS SUBCOMMITTEE:**

**DISCUSSION ITEM**

*For Meeting of September 25, 2018*

**UPDATE ON INVESTMENT PRODUCTS**

**EXECUTIVE SUMMARY**

The Office of the Chief Investment Officer managed \$118.7 billion in assets as of June 30, 2018. The UC Entity assets are comprised of the Endowment (\$12.3 billion), Pension (\$66.8 billion), Working Capital (\$14.4 billion, including Total Return Investment Pool \$9.3 billion and Short Term Investment Pool \$5.1 billion), Retirement Savings Program (\$24.3 billion), and Fiat Lux (\$0.9 billion).

**GENERAL ENDOWMENT PLAN INVESTMENT REVIEW FOR PERIODS ENDING JUNE 30, 2018**

As of June 30, 2018, the Office of the Chief Investment Officer (CIO) managed \$12.3 billion in the General Endowment Pool (GEP), which increased by \$1.5 billion since the end of June 2017. The GEP gained 8.9 percent for the fiscal year (12 months) ahead of its benchmark by 0.4 percent.

GEP Performance as of June 30, 2018 is shown in the table below:

As of June 30, 2018	Market Value in Millions (\$)	3 Months	1 Year	3 Year	5 Year	10 Year	20 Year
Endowment	\$12,302	1.5	8.9	6.5	8.8	6.4	6.7
Policy Benchmark		1.2	8.5	6.2	7.7	5.6	5.9
Value Added		0.3	0.4	0.3	1.1	0.8	0.8
<b>Public Equity</b>	5,144	0.6	11.5	7.3	9.8	6.5	5.8
GEP Public Equity BM		0.8	11.6	8.5	9.6	6.3	4.7
Value Added		(0.2)	(0.1)	(1.2)	0.2	0.2	1.1
<b>Liquidity (Income)</b>	1,638	(0.6)	1.0	2.7	3.0	4.7	4.8
Policy Benchmark		(0.2)	(0.4)	1.1	1.9	3.5	4.8
Value Added		(0.4)	1.4	1.6	1.1	1.2	0.0
Treasury	658	0.2	0.5	1.3	1.9	3.4	4.8
Opportunistic	980	(1.1)	1.6	4.6	4.6	6.9	-
<b>Other Investments</b>							
Private Equity	1,304	8.6	22.7	19.4	22.5	13.9	17.4
Private Equity Benchmark		4.1	16.3	17.2	21.2	13.3	9.8
Value Added		4.5	6.4	2.2	1.3	0.6	7.6
Absolute Return	2,418	1.3	6.4	2.0	5.4	4.0	-
Absolute Return Policy Benchmark		0.8	5.5	(0.9)	1.3	1.7	-
Value Added		0.5	0.9	2.9	4.1	2.3	-
Real Estate (Real Assets)	492	4.4	9.7	9.7	12.2	1.6	-
NCREIF ODCE		2.0	7.1	9.0	10.5	2.1	-
Value Added		2.4	2.6	0.7	1.7	(0.5)	-
Real Assets (Non-Real Estate)	353	1.9	5.6	(1.2)	0.2	-	-
Cash	952	0.5	1.5	1.3	1.3	-	-

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN INVESTMENT REVIEW FOR PERIODS ENDING JUNE 30, 2018**

The Office of the CIO managed \$66.8 billion for the University of California Retirement Plan (UCRP) as of June 30, 2018, which increased \$5.2 billion this fiscal year. The portfolio gained 7.8 percent for the fiscal year (12 months) trailing its benchmark by 0.6 percent.

**UCRP Performance as of June 30, 2018 is shown in the table below:**

As of June 30, 2018	Market Value in Millions (\$)	3 Months	1 Year	3 Year	5 Year	10 Year	20 Year
Pension	\$66,753	0.4	7.8	6.5	8.2	6.4	6.0
Policy Benchmark		1.0	8.4	6.6	7.7	5.8	5.6
Value Added		(0.6)	(0.6)	(0.1)	0.5	0.6	0.4
<b>Public Equity</b>	36,326	(0.2)	10.7	8.2	10.2	6.8	5.5
UCRP Public Equity BM		0.8	11.6	8.4	9.7	6.4	5.2
Value Added		(1.0)	(0.9)	(0.2)	0.5	0.4	0.3
<b>Fixed Income (Liquidity)</b>	13,419	(0.4)	0.6	2.8	3.0	4.8	5.5
Core	8,135	(0.3)	(0.1)	2.3	2.7	4.4	5.1
Barclays U.S. Aggregate Bond Index		(0.2)	(0.4)	1.7	2.3	3.8	4.9
Value Added		0.1	0.3	0.6	0.4	0.6	0.2
High Yield	2,016	0.9	2.8	5.4	5.6	8.0	-
Merrill Lynch High Yield Cash Pay Index		1.0	2.5	5.5	5.5	8.0	-
Value Added		(0.1)	0.3	(0.1)	0.1	0.0	-
Emerging Market Debt	1,538	(3.5)	(1.3)	3.7	3.4	5.6	-
JP Morgan Emerging Markets Bond Index		(3.5)	(1.6)	4.6	5.1	6.6	-
Value Added		0.0	0.3	(0.9)	(1.7)	(1.0)	-
TIPS	1,730	0.8	2.3	2.1	1.8	3.3	-
Barclays U.S. TIPS		0.8	2.1	1.9	1.7	3.0	-
Value Added		0.0	0.2	0.2	0.1	0.3	-
<b>Other Investments</b>							
Private Equity	3,059	5.4	19.1	13.0	15.2	10.4	14.9
Private Equity Benchmark		4.1	16.3	12.1	14.7	10.1	8.7
Value Added		1.3	2.8	0.9	0.5	0.3	6.2
Absolute Return	3,715	1.3	6.4	2.0	5.4	4.0	-
Custom Absolute Return Benchmark		0.8	5.5	0.6	2.1	2.1	-
Value Added		0.5	0.9	1.4	3.3	1.9	-
Real Estate	3,141	4.5	8.8	9.4	11.8	1.3	-
NCREIF ODCE Index (lagged 3 months)		2.0	7.1	9.0	10.5	1.1	-
Value Added		2.5	1.7	0.4	1.3	0.2	-
Real Assets	1,147	3.1	9.2	0.4	1.2	-	-
Cash	5,946	0.5	1.6	1.3	1.5	-	-

**WORKING CAPITAL INVESTMENT REVIEW FOR PERIODS ENDING  
JUNE 30, 2018**

The Office of the CIO managed \$9.3 billion in the Total Return Investment Pool (TRIP), which increased by \$400 million since the start of the fiscal year. TRIP gained 4.5 percent for the fiscal year (12 months), outperforming the benchmark by 0.2 percent. The Short Term Investment Pool (STIP) held \$5.1 billion as of June 30, 2018, a decrease of \$0.2 billion since June 30, 2017. STIP gained 1.7 percent over the last year, outperforming its benchmark by 0.2 percent.

**Working Capital Performance as of June 30, 2018 is shown in the table below:**

As of June 30, 2018	Market Value in Millions (\$)	3 Months	1 Year	3 Year	5 Year	7 Year
Total Return	\$9,257	0.4	4.5	4.1	5.8	6.3
Policy Benchmark		0.3	4.3	4.0	5.5	5.9
Value Added		0.1	0.2	0.1	0.3	0.4
<b>Growth</b>	3,373	1.0	12.1	8.0	-	-
MSCI All Country World Index Tobacco Free		0.8	11.6	8.4	-	-
Value Added		0.2	0.5	(0.4)	-	-
Public Growth	3,296	1.0	11.9	7.6	9.8	9.7
Private Growth	77	(0.5)	19.4	-	-	-
<b>Income</b>	4,417	(0.1)	0.4	2.5	3.3	4.0
Barclays U.S. Aggregate Bond Index		(0.2)	(0.4)	1.7	2.3	2.6
Value Added		0.1	0.8	0.8	1.0	1.4
Public Income	4,050	(0.2)	0.0	2.5	3.3	4.0
Private Income	366	0.4	3.6	3.2	-	-
Absolute Return	1,089	0.3	(0.5)	0.3	-	-
Absolute Return Policy Benchmark		0.7	3.0	1.9	-	-
Value Added		(0.4)	(3.5)	(1.6)	-	-
Cash	379	0.5	1.5	1.3	-	-

As of June 30, 2018	Market Value in Millions (\$)	3 Months	1 Year	3 Year	5 Year	10 Year	20 Year
Short Term	\$5,100	0.5	1.7	1.4	1.4	2.1	3.4
Policy Benchmark		0.5	1.5	0.9	0.7	0.7	2.3
Value Added		0.0	0.2	0.5	0.7	1.4	1.1

**ATTACHMENTS:**

The attached Product Reports for periods ending June 30, 2018 are submitted for discussion:

*Attachment 1: Endowment Investment Review for Periods Ending June 30, 2018*

*Attachment 2: Pension Investment Review for Periods Ending June 30, 2018*

*Attachment 3: Retirement Savings Investment Review for Periods Ending June 30, 2018*

*Attachment 4: Working Capital Investment Review for Periods Ending June 30, 2018*