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Notes on asset class benchmarks:

1. Global Equity: The Chief Investment Officer will determine what constitutes a tobacco company based on standard industry classification of the major index providers (e.g., Russell, MSCI) and communicate this list to investment managers annually and whenever changes occur.
2. Private Equity: *Long-term* portfolio returns will be compared to investable public equity alternatives as well as non-investable peer group indices. There is no appropriate market benchmark to use for *short-term* performance evaluation or decision making.
3. Real Assets (all strategies ex-commodities): similar to Private Equity

### C. Total Retirement Fund Performance Benchmark

This is the composition of the total Fund performance benchmark referred to in the Investment Policy Statement, Part 4(d). The percentages below add to 100%.

<u>Percentage</u>	<u>Benchmark</u>
28.5%	× Russell 3000 Tobacco Free Index
22%	× MSCI World ex-US (Net Dividends) Tobacco Free
5%	× MSCI Emerging Market Free (Net Dividends)
2%	× MSCI All Country World Index Net – IMI – Tobacco Free
12%	× Barclays Capital US Aggregate Index
2.5%	× Merrill Lynch High Yield Cash Pay Index
2.5%	× [JP Morgan Emerging Market Bond Index Global Diversified × 33%] + [JP Morgan Government Bond Index Emerging Markets Global Diversified × 67%]
8%	× Barclays Capital US TIPS Index
6%	× Actual return of private equity portfolio
6%	× [HFRX Absolute Return Index × 50%] + [HFRX Market Directional Index × 50%] [Abs. Ret. - Diversified]
0.5%	× Aggregate UCRP Policy Benchmark [Abs. Ret. - Cross Asset Class]
1%	× Aggregate Real Assets benchmark (see section B), with components weighted by their actual weights within the total real assets portfolio
4%	× Aggregate of Public and Private Real Estate benchmarks (see section B), with components weighted by their actual weights within the total real estate portfolio

Notes on total fund benchmark:

1. The benchmark for private equity is replaced by the private equity portfolio's actual performance. This has the effect of neutralizing the active performance of this class for purposes of total fund performance evaluation. Similar comments apply to private real estate – non-core strategies (closed end funds) and Real Assets (all strategies ex commodities).
2. The calculation of the total fund benchmark will assume a monthly rebalancing methodology.
3. In the event of a significant change in asset allocation, The Regents' generalist consultant may specify an alternative weighting scheme to be used during a transition period.

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN  
INVESTMENT POLICY STATEMENT**

**D. Rebalancing Policy**

There will be periodic deviations in actual asset weights from the long-term/current policy asset weights specified above. Causes for periodic deviations are market movements, cash flows, and varying portfolio performance. Significant movements from the asset class policy weights will alter the intended expected return and risk of the Fund. Accordingly, the Investment Committee authorizes the Chief Investment Officer to rebalance the Fund when necessary to ensure adherence to the Investment Policy.

The Chief Investment Officer will monitor the actual asset allocation at least monthly. The Committee directs the Chief Investment Officer to take all actions necessary, within the requirement to act prudently, to rebalance assets to within the policy ranges in a timely and cost effective manner when actual weights are outside the prescribed ranges. The Chief Investment Officer may utilize derivative contracts (in accordance with Appendix 4) to rebalance the portfolio.

The Chief Investment Officer shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. With approval from the Chair of the Committee, the Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of the Plan. Results of rebalancing will be reported to the Committee at quarterly meetings.

Pending Approval

**Additions shown by underscoring; deletions shown by strikethrough****UNIVERSITY OF CALIFORNIA  
APPENDICES TO INVESTMENT POLICY STATEMENTS****APPENDIX 7O**Effective: ~~April 1, 2010~~ July 19, 2012Replaces version approved ~~March 1, 2009~~ April 1, 2010

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**ABSOLUTE RETURN (AR) STRATEGIES  
INVESTMENT GUIDELINES**

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The purpose of portfolio guidelines is to clearly define performance objectives, state the investment approach, and to control risk. Portfolio guidelines should be subject to ongoing review. A change in the allocation to the strategy or the Investment Committee's risk tolerance can be among the reasons for a guideline review.

*Performance Objective:*

The objective of the absolute return strategy (AR) portfolio is to earn an annualized return that exceeds the Performance Benchmark (below). The AR portfolio should also provide diversification benefits to the overall portfolio by offering returns that ~~have low~~ exhibit moderate correlation to the performance of other asset classes. The portfolio shall be ~~roughly~~ composed of ~~one half low volatility, absolute return type strategies and one half higher volatility, market directional type strategies.~~

*Portfolio Performance Benchmark*

The performance benchmark is a weighted combination of 50% times the return of the HFRX-Absolute Return Strategies Index plus 50% times the return of the HFRX Market Directional Index

*Portfolio Guidelines*

1. Permissible investments include ~~funds~~ vehicles that invest primarily in Long/Short strategies (including U.S., dedicated Non-U.S., short bias, and global equities), Relative Value strategies (including equity market neutral, convertible bond arbitrage, relative value credit, and fixed income), Event Driven strategies (including distressed securities, special situations, ~~capital structure arbitrage, relative value credit, and risk arbitrage strategies~~), and Opportunistic strategies (including macro, CTA and portfolio hedge).
2. Investments may be made in ~~funds~~ vehicles that ~~manage~~ invest in single or multiple strategies.
3. ~~Fund of funds investments are permitted.~~ Investments may be made in a variety of vehicle structures, which may include: separate accounts, funds-of-one, comingled hedge funds, fund of hedge funds, and drawdown structures.

4. Policy ranges for the strategies are:

	<b><u>Range</u></b>
Long/Short Equity	<del>30-60</del> <u>10-50%</u>
Event Driven	<del>20-50</del> <u>10-50%</u>

















**SCHEDULE OF REPORTS TO THE REGENTS**  
**[Pursuant to Bylaw 16.8(a)]**  
**Amended ~~January~~ July 2012**

	<b>Month(s) Presented or Mailed to Regents</b>
Annual Report on the Net Fee Income Received as Owner of a Limited Liability Company Managing a Department of Energy National Laboratory and Expenditures Made Therefrom ( <i>mbm*</i> )	November
Annual Report on the Commission on the Future Recommendations	March
<b>COMMITTEE ON GROUNDS AND BUILDINGS</b>	
Annual Report on Sustainable Practices ( <i>mbm*</i> )	January
Annual Report on Chancellor’s Residence and Office Capital Projects ( <i>mbm*</i> )	September
Annual Report on Major Capital Projects Implementation ( <i>mbm*</i> )	October
Ten Year Consolidated State and Non-State Capital Financial Plan	November
<b>COMMITTEE ON HEALTH SERVICES</b>	
Biannual Activity and Financial Status Report on Hospitals and Clinics ( <i>mbm*</i> )	March November
<b>COMMITTEE ON INVESTMENTS</b>	
Annual Endowment Investment Report ( <i>mbm*</i> )	February
Annual Report of the Treasurer ( <i>mbm*</i> )	November
<b>COMMITTEE ON LONG RANGE PLANNING</b>	
Annual University of California Accountability Report	July