

The Regents of the University of California

INVESTMENTS COMMITTEE

March 18, 2025

The Investments Committee met on the above date at the UCLA Luskin Conference Center, Los Angeles campus and by teleconference meeting conducted in accordance with California Government Code §§ 11133.

Members present: Regents Anguiano, Cohen, Leib, Makarechian, Matosantos, Pack, Park, and Robinson; Ex officio member Drake; Advisory members Wang and Zager; Chancellors Khosla, and Lyons, Wilcox; Staff Advisor Emiru

In attendance: Regents Beharry and Sures, Regents-designate Brooks and Komoto, Staff Advisor Frías, Secretary and Chief of Staff Lyall, Chief Investment Officer Bachher, Executive Vice President and Chief Financial Officer Brostrom, and Recording Secretary Li

The meeting convened at 1:05 p.m. with Committee Chair Robinson presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of November 12, 2024 were approved, Regents Anguiano, Cohen, Makarechian, Pack, and Robinson voting “aye.”¹

2. PUBLIC COMMENT

Committee Chair Robinson explained that the public comment period permitted members of the public an opportunity to address University-related matters. The following persons addressed the Committee concerning the items noted.

- A. Peter Racioppo, UCLA student, stated that Israel has resumed genocidal bombing in Gaza, and the University was investing in companies such as Boeing, Northrup, Raytheon, and Lockheed Martin that were building the bombs being dropped on refugee camps and making millions of dollars. While all should be outraged by this, the Regents were outraged at UC students for opposing genocide and have vilified students and created a McCarthyist atmosphere in order to justify crackdowns on protests. Mr. Racioppo added that UC leaders were enabling violent attacks on students and U.S. President Trump’s attacks on democratic rights.
- B. Roxas Haze, UCLA disabled student, called for funding for UCLA’s paratransit service BruinAccess, suggested that more resources and higher pay for disabilities

¹ Roll call vote required by the Bagley-Keene Open Meeting Act [Government Code § 11123(b)(1)(D)] for all meetings held by teleconference.

services staff could address high turnover, and expressed opposition to the new Regents meeting policy that did not allow nontransparent masks to be worn.

- C. Jennifer Miyaki, UCLA disabled student, called for more funding for disability services, noting that there were students who could not attend this meeting due to the new masking policy, and cited the Americans with Disabilities Act requirement of providing adequate and reasonable accommodations to students. The UCLA Center for Accessible Education supported about 4,000 disabled students but was extremely understaffed and underfunded. One disability specialist was assigned to about 1,281 students, compared with the national average of one specialist for every 133 students. This has led to a very high turnover rate, and many disabled students were not able to receive academic accommodations.
- D. Evelyn Guerra, UC Riverside undocumented graduate student, called for more experiential fellowships and either maintaining current funding or increasing funding by \$10 million for undocumented students. This would enhance career opportunities and benefit undocumented student centers. Additional funding could go toward summer fellowships, which were opportunities that undocumented students usually did not have.
- E. Max Belasco, UCLA staff member and Chapter Co-Chair of University Professional and Technical Employees (UPTE), emphasized the effect of the staffing crisis on UC health care and called on UC to bargain for a real contract. UPTE's contract proposals were the result of two years of consultation with thousands of members, who identified the most important issues and devised research- and evidence-based solutions. After 24 days of bargaining over eight months and no contract, it was Mr. Belasco's belief that UC representatives were not empowered to negotiate but instead misrepresented UC's proposals and failed to consider members' priorities, which he regarded as union-busting. Workers did not wish to strike but were prepared to strike again.
- F. Megan Pike, UCLA staff member and UPTE member, asked UC to bargain in good faith and to support fair career progression and guaranteed reclassification. Her department was the foundation of excellence in pediatrics at UCLA, but without fair career progression, her colleagues have left their jobs. Many reclassification requests were denied or were not reviewed.
- G. Alex Mercier, UCLA alumnus, called for divestment from weapons manufacturing and the war machine. He recalled learning about history of UCLA student activism when he was deciding where to go to college, such as Robert and Helen Singleton, who were part of the Freedom Riders movement, and the Afrikan Student Union, which led the movement to divest from South African Apartheid. After UC's violent response to student organizers last year and thereafter, Mr. Mercier's pride in the University has been replaced by disappointment and disgust. He could no longer recommend this institution to the youth in his family or community.

- H. Sue Pearce, parent of a UCLA alumna, asked what side of history the Regents chose. She declared that the Regents must stop investing in war, as it was not good for world and for one's soul.
- I. Jennifer Jajeh, UCLA alumna, stated that she would no longer donate to UCLA, recommend UCLA, or support UCLA programs, citing egregious attacks on students and freedom of speech as well as violations of student and faculty rights. She expressed outrage that peaceful student protesters had been subject to military force and attacks by far-right thugs. Ms. Jajeh called on UCLA to divest all funds that go toward Israel, weapons manufacturing, genocide, and apartheid.
- J. King-Kok Cheung, UCLA professor, spoke in support of the intercollegiate Save Cantonese initiative, which was raising \$1 million for Cantonese instruction at UCLA. Ms. Cheung compared not teaching Chinese literature in Cantonese, which retained much of Middle Chinese, to not teaching Geoffrey Chaucer (ca. 1343–1400), William Shakespeare (1564–1616), or John Milton (1608–1674) in a college English department. She planned to work with the UCLA Humanities Division to fundraise for an endowed chair to teach Cantonese-American literature and Cantonese opera. An endorsement from the Regents would be very helpful.
- K. Isabel Velasquez, UCLA Health staff member and UPTE member, called for a fair contract and support for staff, noting that there was much turnover at the emergency department due to high stress and unfair wages. It did not seem to be the view of the University that workers should be paid and departments should be staffed appropriately. She stated that patients cannot receive the best care when staff do not.
- L. Kyla Grunden, UCLA staff member and UPTE member, shared that her reclassification request had been ignored for five months before it was ultimately denied. Many of her colleagues had similar experiences. UPTE has asked UC to fix the reclassification process in its next contract, but the University has not acknowledged the problem. A transparent and well-structured reclassification process would create a stronger, more dedicated workforce and ultimately advance UC's mission. She urged UC to bargain fairly with UPTE and commit to a transparent and timely reclassification process.
- M. Asiya Junisbai, UCLA student, demanded that UC divest all funds from weapons manufacturing and war. She stated that police and barricades would not deter the 300 people outside who would not leave until the Committee converses with them and there is concrete movement toward divestment. The group had 60 pages of extensive research on every UC investment that was perpetuating the war and weapons manufacturing industries, as well as demands and questions. Ms. Junisbai stated that the public comment period was performative and did not lead to action.
- N. Dylan Nilsson, UCLA student, called on the University to approve \$10 million in funding for paid learning opportunities for undocumented students and a

systemwide oversight committee comprised of students, faculty, staff, and Regents to equitably manage the funds, centralize implementation, and assess effectiveness. This action was critical at a time of rising fascism in the U.S., which would lead to credible threats to the livelihoods of students and workers across the state. Mr. Nilsson stated that the University must do everything in its power to ensure the rights and safety of those who work and study there. UC must divest from displacement and genocide and must choose students and workers over profits and politics. He invited the Regents to meet with the students who were waiting outside.

- O. Kay P., UCLA student, stated that about 300 people waiting outside would not leave until the Regents take action and engage with the public instead of making decisions behind closed doors. The group called for the full divestment from Israel's genocidal occupation of Palestine, Blackrock, Blackstone, Sequoia Capital, and weapons corporations funding the displacement of people in Palestine, the Philippines, and in local communities in the U.S. Ms. P. stated that undocumented students have heard nothing from the Regents and Chancellor Frenk.
- P. Luna Hernandez, representative of the Revcom Corps for the Emancipation of Humanity, called for an end to the U.S./Israeli genocide in Gaza, demanded that Regents not collaborate with Trump/MAGA fascists, and called for an end to the Nazification of universities, citing the arrest of Mahmoud Khalil for political speech in support of Palestine, the criminalization of protest, the defunding of scientific research, the purge of diversity, equity, and inclusion programs and the true history of racism and gender oppression, and the threat of federal takeover of academic departments. Universities should have shut down in protest when Columbia lost \$400 million in federal funding and Mr. Khalil was arrested. Ms. Hernandez concluded her comments by sharing a quote from Robert Bruce Avakian, founder and chairman of the Revolutionary Communist Party, U.S.A.
- Q. Sanghyuk Shin, UC Irvine faculty member, expressed pride in the students calling for divestment from genocide and urged the Regents to engage with them and to take their demands seriously. He echoed calls for the approval of \$10 million for paid opportunities for undocumented students, and he agreed that targeting vulnerable members of the community was fascist behavior. Mr. Shin stated that the University should not capitulate but rather support its students.
- R. Molly Fox, UCLA professor, stated that her child's UCLA Early Care and Education teacher was arrested for sexual abuse of multiple children and that UCLA leadership mishandled the situation by lying to and withholding time-sensitive information from faculty parents. More than one year has passed, but the absence of communication or support from UCLA has left parents to navigate the crisis on their own, which has taken a personal and professional toll. She implored the Regents to help heal UC's broken relationships with faculty and others.

3. **REVIEW OF FIRST QUARTER 2024–25 FISCAL YEAR PERFORMANCE FOR UC RETIREMENT, ENDOWMENT, AND WORKING CAPITAL ASSETS**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chief Investment Officer Bachher stated that he and his team took note of requests and considerations shared during the public comment period. Noting that information on performance as of December 31, 2024 was available in the background materials, he provided an overview of performance as of March 14, 2025, when total assets stood at \$184 billion, up from \$180 billion at the start of the fiscal year. Within working capital, which stood at around \$11 billion, the Short Term Investment Pool (STIP) had \$1.3 billion and the Total Return Investment Pool (TRIP) had \$9.4 billion. Mr. Bachher suggested that chancellors move unrealized gains from TRIP to STIP so that campuses have liquidity. The Retirement Savings Program had about \$41 billion and the pension had about \$102 billion. The endowment, a combination of the Blue and Gold Pool and the General Endowment Pool (GEP), totaled about \$30 billion. Despite much fluctuation, UC assets have not moved much over the last nine months. In the last year, working capital was earning about a four percent return due to a large amount of investment in fixed income. Equities earned about six percent, though the Standard and Poor's 500 (S&P 500) earned as much as 13 percent in the last nine months. The pension earned about 4.1 percent and the endowment about 4.5 percent. Mr. Bachher presented a graph comparing U.S. and global equities. He did not expect that what transpired in the U.S. markets between February 19, 2020 and February 19, 2025, during which the S&P 500 rose up to 104 percent, would happen again. However, despite volatility in the short term, he still believed that equities were a better investment than bonds in the long term. Given how countries have reacted to recent events in the U.S., he opined that global equity markets would keep pace with the U.S. equity markets. The Office of the CIO was shifting the way it was considering investment opportunities and must begin seeking them everywhere in the world.

Committee Chair Robinson remarked that there were many reasons why foreign investment might be more attractive, but the performance of companies would not change overnight. He asked what change would drive overperformance outside of the U.S. and over what period of time. Mr. Bachher replied with his belief that Europeans have decided to come together and stimulate their economy. With a rise in individualism and uncertainty, the need for countries to fend for themselves could spur creativity. One must also pay attention to the U.S. dollar as the reserve currency in the rest of the world. Europe and China were outperforming the U.S. in the stock market. The U.S. might not adopt Chinese technology, but foreign creativity and innovation should not be discounted. The U.S. deficit was ballooning, but the proposed intervention has not been well received. Mr. Bachher still believed that equities were a good investment and advised participants in the Retirement Savings Program to stay invested, as it could be difficult to know when to reinvest after getting out of certain investments, which could create bigger problems.

Regent Sures asked whether tariffs would be an intermediate market issue or a matter of concern over time. Torsten Sløk, Partner and Chief Economist at Apollo Global

Management, replied that, in the short term, he was concerned about the effect of tariffs on the stock market and the growth of gross domestic product (GDP), but the focus of the Trump administration could change. In the long term, the U.S. was the most dynamic economy in the world and presented many investment opportunities in venture capital, public and private credit, and public and private equity. Capital, labor, and productivity were needed for long-term GDP growth, and the U.S. had an advantage in productivity given that its gains in technology, artificial intelligence (AI), and productivity have been more substantial than in other countries and have driven U.S. outperformance. Mr. Sløk noted that Germany's infrastructure and defense spending would have a positive effect on Europe, add to the global growth outlook, and increase investment opportunities.

Regent Sures remarked that Mr. Sløk's comments seemed to contradict Mr. Bachher's comments about overseas opportunities. Mr. Bachher clarified that there were investment opportunities both inside and outside of the U.S. The Office of the CIO was busier last month than in the last two years due to the range of opportunities from all around the world.

Mr. Bachher asked Mr. Sløk about the volatility in the stock market. There was fear of a bubble in the technology sector; the stock value of the "Magnificent Seven," a group of major technology companies with high-performing stocks, dropped 20 percent in the last several weeks. Mr. Sløk responded that it was very difficult to make strong conclusions and to anticipate the Trump administration's next move. During his first term, President Trump enacted business-friendly policies that boosted the stock market: deregulation, tax cuts, and an increase in energy production. This term, he and his administration focused on the Department of Government Efficiency and tariffs, which involved more adjustment and volatility. Government layoffs could increase the unemployment rate. Perhaps this administration wished to do things that were more politically challenging first, followed by a return to deregulation, tax cuts, and energy production closer to the 2026 midterm election. Mr. Sløk cautioned against making panicked decisions and stressed the importance of keeping a well-diversified portfolio and staying the course. One expected ups and downs in the financial markets.

Mr. Bachher presented a chart of the asset allocation. Public equities made up 61.7 percent of total assets, fixed income made up 16.6 percent, private assets made up 20.6 percent, and cash made up 1.1 percent. He remained comfortable with an overweight investment in public equities, a decision he made five years ago. In February 2020, UC had close to \$32 billion in liquidity from cash and STIP. In May 2020, the Office of the CIO added \$3 billion in public equity investments per week for ten weeks, which propelled UC assets to their current position. The asset allocation has not been changed in the last four months, but he wished to reallocate assets taken from the Absolute Return program, which he would present to the Regents for approval at a future meeting.

Regent Makarechian asked how UC should allocate its public equity investments globally. In his view, how much the University's investments earned over ten years was not important. Ten years ago, the funded ratio and liabilities stayed the same. During the 1980s and 1990s, the funded ratio was past 100 percent to 160 percent. Regent Makarechian attributed this to choosing to invest in Google, which he compared to the current growth

of AI, over legacy industries. At the time, UC stopped taking employee contributions to the pension because it exceeded its liabilities. The market value and actuarial funded ratios have stayed at around 85 and 87 percent for the past ten years. Regent Makarechian stated that UC ought to rethink where it should invest in order to return to a funded ratio of 100 percent or more. He asked when the Office of the CIO would focus investment on sectors, such as those that incorporate technological advances, to increase the funded ratio. Mr. Bachher replied that he had more of an appetite for growth and risk than many on his team, but data had demonstrated that stock-picking was not easy, and the Office of the CIO would be penalized if it picked the wrong stock. On the other hand, the S&P 500 has performed well, and the Office of the CIO did focus on growth markets, emerging markets, and new technologies. One of UC's best investments recently has been in data centers. There were many factors affecting liability and the funded ratio that did not correlate to a rise in the stock market, but the University would not increase the funded ratio by earning returns in the bond market. Mr. Bachher proposed that 100 percent of the Absolute Return allocation in the pension and the endowment be moved to public equities. In his view, opportunities would come from AI, life sciences, technology, growth industries, defense, drones, and a variety of sectors poised to transform the way business is done.

Regent Makarechian clarified that he was not suggesting picking individual stocks but rather sectors and regions. Investing in Google was an example of that. Mr. Bachher replied that the stock market has become so efficient that exchange-traded funds (ETFs) could provide aggregations of sectors and countries.

Regent Park asked about AI's impact on productivity and its potential to lead to higher poverty. Mr. Bachher replied that he did not have an answer to this question and that the Office of the CIO was speaking to experts about this topic. There was a large amount of money going into AI infrastructure, but he and his team were looking for real-life applications of AI that might be transformative. Mr. Sløk expressed agreement that some segments of the population, especially those with lower levels of education, would be affected. Unlike in the 1990s, when information on the internet was freely available, education and skills were needed to use AI. This would require education policies so that everyone could benefit from AI, and it would be the role of government and fiscal policy to find ways to compensate the groups who are negatively affected by this technology. Forms of AI like large language models were very helpful to those who were already well-versed in their field. Mr. Bachher added that this was a call to action for the Regents and the University to consider these questions, such as how to train people to use AI.

Regent Park asked if the Office of the CIO was considering the impact of declining birth rates, aging populations, and tightening immigration policies on productivity, creativity, and the attractiveness of global equities. Mr. Bachher replied that the combination of immigration policies and tariffs was a challenge to growth, and this was a particular concern in the U.S. One would have to observe how this would affect the rest of the world.

Regent Park asked if decreases in research funding would be factored into the market and whether the private sector or other countries would benefit from this change. Mr. Bachher replied that he did not have an answer to this question. It was unfortunate that these policies

were affecting academic institutions, but they have presented unexpected investment opportunities. He expressed hope that the current uncertainty would subside. With the University potentially facing billions of dollars in funding cuts, his focus was on ensuring that chancellors have the liquidity they need to manage such cuts. In the future, he and the chancellors could discuss investment opportunities given the long-term impacts of funding cuts. In his view, this was a better question for the chancellors.

Regent Leib asked how federal funding cuts would affect Mr. Bachher's bullish approach to AI, health care, and health sciences. Mr. Bachher replied that he was looking ten years ahead. UC had experience with the chaos of President Trump's first term, and UC's healthcare enterprise needed to continue advancing treatments to eradicate cancer and other diseases. He acknowledged the reality of funding cuts, tariffs, and uncertainty, and emphasized that the future was being harmed by the chaos that was transpiring. Mr. Bachher was disheartened that he did not feel he could express his views confidently at places other than a Regents meeting because he did not know how others voted.

Regent Leib asked if diminishing federal funding presented opportunities in the private sector. Mr. Bachher replied that he has not yet considered research funding opportunities. Rather, he observed an opportunity at the onset of the COVID-19 pandemic five years ago, when companies needed technology to serve customers and maintain supply chains. The private sector was putting much effort and capital into transformative technologies.

Regent-designate Wang asked about the process in deciding to invest in data centers and what aspect of AI would grow in the next two years. Mr. Bachher responded that, in the future, large language models might cost significantly less to run and might not be proprietary. The Office of the CIO struggled to value companies whose revenue generation paled in comparison with their huge valuation. The Magnificent Seven companies have invested large sums of money in AI infrastructure, a part of which were data centers. UC began to invest in data centers before the pandemic, when they would not have been considered a real estate investment. The Office of the CIO joined UCI Health to invest in AI that aided clinical documentation; the company was now generating \$100 million in annual recurring revenue. In addition to its impact on health care, Mr. Bachher predicted that AI would also be important in defense. Since Magnificent Seven companies were involved in AI, investing in the S&P 500 meant one was also investing in AI.

Regent Cohen emphasized the role of the Office of the CIO to earn money for the campuses and to ensure their access to liquidity. He suggested that Mr. Bachher consider the ways his contacts and partners could help the University with its federal strategy. Mr. Bachher had asked U.S. Secretary of the Treasury Scott Bessent to help UC, recalling that UC had been an anchor investor in Key Square Group, a hedge fund that Mr. Bessent founded. In Mr. Bachher's view, many leaders of major companies had the ear of President Trump.

Regent Beharry asked how expanding the Voluntary Recall Appointment Program (VRAP) would affect the long-term sustainability of the UC Retirement Plan and whether there would be pension liabilities, noting that UC Santa Barbara relied on VRAP to address

budgetary issues in 1993. Mr. Bachher replied that this was a question for Executive Vice President and Chief Financial Officer Brostrom.

Advisor Zager asked whether Mr. Bachher would reconsider investment in China, having previously reduced assets allocated to Chinese investments. Mr. Bachher replied that he was not considering active investment in China because investing in a Chinese company with ties of another entity would violate an executive order of the U.S. government. Still, UC was benefiting from China's performance through its exposure to China in the MSCI All Country World Index (ACWI) and through venture capital firms with Chinese investments. A trade agreement between the U.S. and China would benefit both countries, and BYD, a Chinese electric vehicle brand, could compete with Tesla.

Mr. Bachher asked Mr. Sløk to comment on inflation, which was now down to 2.8 percent. Mr. Sløk stated that the Federal Reserve (Fed) kept interest rates elevated because inflation has not reached the Fed's goal rate of two percent, and federal policies could push inflation higher. According to the Fed's FRB/US model of the U.S. economy, proposed tariffs would increase inflation by about 0.5 percent as goods and energy become more expensive. *The New York Times* reported that President Trump was planning to remove exemptions from the U.S.-Mexico-Canada Agreement, meaning that tariffs would apply to all goods coming into the U.S. from these countries. The cost of housing would also go up; 25 percent of building materials came from Canada. The financial markets anticipated only two rate cuts this year, an indication that interest rates would stay higher for longer. A recession was not anticipated, but the economy might slow down modestly. With interest rates staying higher for longer, bonds would still give higher yields.

In response to an earlier comment from Regent Cohen, Mr. Bachher noted that Wall Street firms benefited from the pensions and endowments from universities. He offered to speak to Regent Cohen separately about convening financial institutions for federal advocacy.

Committee Chair Robinson asked whether there were other recent changes worth noting. Matthew Webster, Managing Director of Private Equity, replied that the private equity market was in a "risk-off" environment following a slow 2024 and what was becoming a slower 2025. A flood of recent government policies has kept investors on the sidelines. UC has returned \$1.25 billion in capital in the last nine months, much of which came from dividend recapitalization. Private equity was benefitting from an influx of high-net-worth capital into private credit markets, where the cost of debt is 75 to 300 basis points lower.

Marco Merz, Managing Director of Defined Contribution Products, stated that, in light of the persistence of higher interest rates, the Office of the CIO launched a short duration bond portfolio to give participants of the UC Retirement Savings Plan access to the same bond exposure as the pension, as well as the ability to purchase certificates of deposits.

Craig Huie, Managing Director of Private Credit, stated that the Office of the CIO has been building "dry powder," or capital, and keeping the private credit portfolio diversified with corporate assets, real estate, and niche opportunities. Prices for many risky assets were elevated, and the team was trying to maintain flexibility in case of market dislocation.

Dianne Klein, Investment Director and Senior Advisor to the CIO, echoed Mr. Bachher's comments about unprecedented opportunities. She anticipated that, 20 years from now, UC would look back and marvel at how lucky it was to encounter such opportunities.

Satish Ananthaswamy, Senior Managing Director of Asia Investments, Global Rates and Trading, and Real Estate, emphasized the importance of the remarks that Fed Chair Jerome Powell would make at the Federal Open Market Committee meeting the following day. In Mr. Ananthaswamy's view, the markets have experienced more of a sentiment shock than an economic shock, since long bond yields have risen 15 to 20 basis points in the last month. The bond market reflected more concern about inflation than a recession.

Arthur Guimaraes, Chief Data and Operating Officer, stated that, despite interest rates staying higher for longer, lenders were ready to engage and interesting and unexpected assets, including real estate, were coming to market.

Chris Tachiki, Investment Officer in Public Equity, stated that this was an exciting time for regional diversification, emerging markets in India and Europe, and sectors such as AI, which also created opportunities for investment in the power companies and utilities needed to power data centers. There would be growth opportunities for several decades.

Mr. Bachher stated that he has been observing the energy markets and the many shifts in energy policy. UC was not currently investing in fossil fuel companies, but he was entertaining the idea of investing in fossil fuel, oil, and gas in light of these changes. Policy shifts, in addition to the current political and economic climate, have also led to incredible dislocation. Mr. Bachher stressed that this was the time to be bold, decisive, and to take advantage of opportunities. He did not foresee real estate making a V-shaped recovery as was expected. For instance, he did not anticipate that UC's investment in the Blackstone Real Estate Investment Trust (BREIT) would continue to earn its target return of 11.25 percent.

The meeting adjourned at 3:00 p.m.

Attest:

Secretary and Chief of Staff