

Office of the Chief Investment Officer

TO MEMBERS OF THE INVESTMENTS COMMITTEE:

DISCUSSION ITEM

For Meeting of May 19, 2020

UPDATE ON UNIVERSITY OF CALIFORNIA INVESTMENTS PRODUCTS – RETIREMENT, ENDOWMENT AND WORKING CAPITAL

EXECUTIVE SUMMARY

The Office of the Chief Investment Officer of the Regents (UC Investments) managed \$119.0 billion in assets as of March 31, 2020. UC Investments assets are comprised of the Endowment (\$13.0 billion), Pension (\$64.6 billion), Retirement Savings Program (\$23.6 billion), Blue & Gold (\$1.7 billion), Working Capital (\$14.8 billion, including Total Return Investment Pool \$7.7 billion and Short Term Investment Pool \$7.1 billion) and Fiat Lux (\$1.1 billion).

GENERAL ENDOWMENT PLAN REVIEW FOR PERIODS ENDING MARCH 31, 2020

As of March 31, 2020, UC Investments managed \$13.0 billion in the General Endowment Pool (GEP), which decreased by \$0.4 billion since the end of June 30, 2019. GEP returned (4.0) percent for the fiscal year (9 months), outperforming its benchmark by 4.1 percent.

GEP Performance as of March 31, 2020 is shown in the table below:

As of March 31, 2020	Market Value in Millions (\$)	QTD 3 Months	Fiscal YTD 9 Months	Annualized Returns						
				1 Year	3 Year	5 Year	6 Year	10 Year	20 Year	25 Year
Endowment	\$ 13,017	(9.3)	(4.0)	0.6	5.4	5.1	5.8	7.3	5.4	8.5
Policy Benchmark		(13.3)	(8.1)	(5.2)	2.9	3.4	3.8	5.4	4.6	7.6
Value Added		4.0	4.1	5.8	2.5	1.7	2.0	1.9	0.8	0.9
Public Equity	\$ 4,347	(20.0)	(12.5)	(9.2)	2.2	2.7	3.7	6.5	3.3	7.4
Public Equity Policy Benchmark		(22.5)	(15.6)	(12.7)	1.0	2.5	3.0	5.8	4.1	8.3
Value Added		2.5	3.1	3.5	1.2	0.2	0.7	0.7	(0.8)	(0.9)
Liquidity (Income) Policy	\$ 1,393	0.0	2.5	5.2	3.9	2.8	3.0	4.2	5.7	6.9
Liquidity Policy Benchmark		3.1	5.7	8.9	4.8	4.0	4.1	4.8	6.1	6.4
Value Added		(3.1)	(3.2)	(3.7)	(0.9)	(1.2)	(1.1)	(0.6)	(0.4)	0.5
Treasuries	\$ 873	3.7	5.7	8.2	4.4	2.9	3.2	3.7	5.2	6.6
Opportunistic	\$ 520	(5.8)	(2.4)	1.2	3.2	3.8	3.7	5.6	-	-
Other Investments										
Private Equity	\$ 2,102	1.6	11.6	26.7	22.9	21.7	21.1	19.0	12.0	20.3
Private Equity Policy Benchmark		(20.5)	(11.4)	(7.5)	6.6	11.8	12.8	14.1	7.6	12.3
Value Added		22.1	23.0	34.2	16.3	9.9	8.3	4.9	4.4	8.0
Absolute Return	\$ 2,764	(10.9)	(7.2)	(4.3)	2.0	1.4	2.8	4.2	-	-
Absolute Return Policy Benchmark		(7.3)	(5.6)	(4.0)	0.5	(1.3)	(0.6)	(0.2)	-	-
Value Added		(3.6)	(1.6)	(0.3)	1.5	2.7	3.4	4.4	-	-
Real Estate	\$ 996	2.8	3.5	6.7	8.1	8.9	10.0	11.8	-	-
Real Estate Policy Benchmark		1.3	3.2	4.4	6.1	8.1	8.6	10.9	-	-
Value Added		1.5	0.3	2.3	2.0	0.8	1.4	0.9	-	-
Real Assets	\$ 655	1.7	3.8	11.0	5.5	(0.1)	0.8	4.4	-	-
Cash	\$ 761	0.5	1.6	2.2	2.0	1.7	1.6	1.9	3.1	3.7

UNIVERSITY OF CALIFORNIA RETIREMENT PLAN REVIEW FOR PERIODS
ENDING MARCH 31, 2020

As of March 31, 2020, UC Investments managed \$64.6 billion for the University of California Retirement Plan (UCRP), which decreased by \$5.4 billion since June 30, 2019. UCRP returned (7.3) percent for the fiscal year, outperforming its benchmark by 1.6 percent.

UCRP Performance as of March 31, 2020 is shown in the table below:

As of March 31, 2020	Market Value in Millions (\$)	QTD 3 Months	Fiscal YTD 9 Months	Annualized Returns						
				1 Year	3 Year	5 Year	6 Year	10 Year	20 Year	25 Year
Pension	\$ 64,624	(12.4)	(7.3)	(4.0)	3.2	3.7	4.4	6.5	4.7	7.8
Policy Benchmark		(14.4)	(8.9)	(6.0)	2.6	3.2	3.7	5.8	4.3	7.3
Value Added		2.0	1.6	2.0	0.6	0.5	0.7	0.7	0.4	0.5
Public Equity	\$ 31,236	(21.7)	(14.1)	(11.0)	1.6	3.0	3.8	6.6	3.2	7.2
Public Equity Policy Benchmark		(22.5)	(15.6)	(12.7)	0.9	2.5	3.0	6.0	4.1	8.2
Value Added		0.8	1.5	1.7	0.7	0.5	0.8	0.6	(0.9)	(1.0)
Fixed Income (Liquidity)	\$ 14,389	(2.0)	0.5	3.4	3.4	3.1	3.3	4.3	5.7	7.1
Liquidity Policy Benchmark		(1.0)	1.7	4.9	3.7	3.2	3.5	4.3	5.7	6.3
Value Added		(1.0)	(1.2)	(1.5)	(0.3)	(0.1)	(0.2)	0.0	0.0	0.8
Core	\$ 9,805	1.5	3.8	6.7	4.3	3.3	3.6	4.1	5.5	6.9
Barclays U.S. Aggregate Bond Benchmark		3.1	5.7	8.9	4.8	3.4	3.7	3.9	5.4	6.1
Value Added		(1.6)	(1.9)	(2.2)	(0.5)	(0.1)	(0.1)	0.2	0.1	0.8
High Yield	\$ 1,861	(11.4)	(7.5)	(5.3)	1.3	2.9	2.9	5.9	-	-
Merrill Lynch High Yield Cash Pay Benchmark		(13.1)	(9.7)	(7.4)	0.6	2.7	2.6	5.5	-	-
Value Added		1.7	2.2	2.1	0.7	0.2	0.3	0.4	-	-
Emerging Market Debt	\$ 1,628	(13.2)	(10.5)	(6.9)	0.4	2.1	2.3	3.8	-	-
JP Morgan Emerging Markets Bond Benchmark		(13.4)	(10.5)	(6.8)	0.4	2.8	3.3	4.6	-	-
Value Added		0.2	0.0	(0.1)	0.0	(0.7)	(1.0)	(0.8)	-	-
TIPS	\$ 1,094	1.6	3.6	6.5	3.5	2.8	2.9	3.6	-	-
Barclays U.S. TIPS Benchmark		1.7	3.9	6.8	3.5	2.7	2.7	3.5	-	-
Value Added		(0.1)	(0.3)	(0.3)	0.0	0.1	0.2	0.1	-	-
Other Investments										
Private Equity	\$ 4,169	2.9	4.4	14.2	14.2	12.5	12.4	13.4	8.9	18.0
Private Equity Policy Benchmark		(20.5)	(11.4)	(7.5)	6.2	7.7	8.4	11.0	6.5	11.4
Value Added		23.4	15.8	21.7	8.0	4.8	4.0	2.4	2.4	6.6
Absolute Return	\$ 3,939	(11.9)	(8.4)	(5.7)	1.5	1.1	2.5	4.1	-	-
Absolute Return Policy Benchmark		(7.3)	(5.6)	(4.0)	0.5	(0.5)	0.1	0.2	-	-
Value Added		(4.6)	(2.8)	(1.7)	1.0	1.6	2.4	3.9	-	-
Real Estate	\$ 4,302	2.2	2.7	6.5	7.2	8.6	9.6	11.6	-	-
Real Estate Policy Benchmark		1.3	3.2	4.4	6.1	8.1	8.6	10.6	-	-
Value Added		0.9	(0.5)	2.1	1.1	0.5	1.0	1.0	-	-
Real Assets	\$ 2,090	2.1	3.9	9.6	6.0	0.4	1.2	5.0	-	-
Cash	\$ 4,500	0.5	1.6	2.2	2.0	1.7	1.6	1.9	3.1	3.7

BLUE & GOLD REVIEW FOR PERIODS ENDING MARCH 31, 2020

As of March 31, 2020, UC Investments managed \$1.7 billion in Blue & Gold, which increased by \$0.4 billion since the end of June 30, 2019. Blue & Gold investment performance was (8.9) percent for the fiscal year, outperforming its benchmark by 0.2 percent.

Blue & Gold Performance as of March 31, 2020 is shown in the table below:

As of March 31, 2020	Market Value in Millions (\$)	QTD 3 Months	Fiscal YTD 9 Months	1 Year
Blue & Gold	\$ 1,714	(15.0)	(8.9)	(5.7)
Policy Benchmark		(15.0)	(9.1)	(6.0)
Value Added		0.0	0.2	0.3
Growth	\$ 1,119	(22.3)	(15.2)	(12.1)
MSCI All Country World Index Tobacco Free Benchmark		(22.5)	(15.6)	(12.7)
Value Added		0.2	0.4	0.6
Income	\$ 595	3.2	5.7	8.7
Barclays U.S. Aggregate Bond Benchmark		3.1	5.7	8.9
Value Added		0.1	0.0	(0.2)

WORKING CAPITAL REVIEW FOR PERIODS ENDING MARCH 31, 2020

As of March 31, 2020, UC Investments managed \$7.7 billion in the Total Return Investment Pool (TRIP), which decreased by \$1.4 billion since June 30, 2019. TRIP returned (3.6) percent for the fiscal year, underperforming the benchmark by 0.4 percent. The Short Term Investment Pool (STIP) held \$7.1 billion, an increase of \$1.6 billion since June 30, 2019. STIP gained 1.6 percent for the fiscal year, outperforming its benchmark by 0.3 percent.

Working Capital Performance as of March 31, 2020 is shown in the table below:

As of March 31, 2020	Market Value in Millions (\$)	QTD 3 Months	Fiscal YTD 9 Months	Annualized Returns					
				1 Year	3 Year	5 Year	6 Year	10 Year	
Total Return	\$ 7,733	(7.8)	(3.6)	(0.9)	3.1	2.9	3.6	5.7	
Policy Benchmark		(7.6)	(3.2)	(0.3)	3.0	2.7	3.3	5.4	
Value Added		(0.2)	(0.4)	(0.6)	0.1	0.2	0.3	0.3	
Growth	\$ 2,699	(21.4)	(14.4)	(11.2)	2.1	2.9	3.7	6.9	
MSCI All Country World Index Tobacco Free Benchmark		(22.5)	(15.6)	(12.7)	0.9	2.5	2.9	5.8	
Value Added		1.1	1.2	1.5	1.2	0.4	0.8	1.1	
Public Growth	\$ 2,591	(22.1)	(15.0)	(11.8)	1.5	2.4	3.3	6.7	
Private Growth	\$ 108	0.5	2.9	10.3	22.5	-	-	-	
Income	\$ 4,485	1.2	3.7	6.8	4.6	3.5	3.9	5.0	
Barclays U.S. Aggregate Bond Benchmark		3.1	5.7	8.9	4.8	3.4	3.7	3.9	
Value Added		(1.9)	(2.0)	(2.1)	(0.2)	0.1	0.2	1.1	
Public Income	\$ 4,166	1.2	3.8	6.9	4.5	3.5	3.9	5.0	
Private Income	\$ 319	1.2	3.0	5.3	5.8	-	-	-	
Absolute Return	\$ 521	(0.3)	1.8	1.8	0.2	0.4	1.2	-	
Absolute Return Policy Benchmark		(5.8)	(3.3)	(2.2)	0.2	0.6	1.0	-	
Value Added		5.5	5.1	4.0	0.0	(0.2)	0.2	-	
Cash	\$ 28	0.5	1.6	2.2	2.0	1.7	1.6	-	

As of March 31, 2020	Market Value in Millions (\$)	QTD 3 Months	Fiscal YTD 9 Months	Annualized Returns						
				1 Year	3 Year	5 Year	6 Year	10 Year	20 Year	25 Year
Short Term	\$ 7,124	0.5	1.6	2.2	2.0	1.7	1.6	1.9	3.1	3.7
Policy Benchmark		0.4	1.3	1.9	1.8	1.3	1.2	0.8	2.0	2.8
Value Added		0.1	0.3	0.3	0.2	0.4	0.4	1.1	1.1	0.9

FIAT LUX REVIEW FOR PERIODS ENDING MARCH 31, 2020

As of March 31, 2020, UC Investments managed \$1.1 billion in Fiat Lux, which increased by \$33 million since the end of June 30, 2019. Fiat Lux returned (1.6) percent for the fiscal year, underperforming its benchmark by 2.0 percent.

Fiat Lux Performance as of March 31, 2020 is shown in the table below:

As of March 31, 2020	Market Value in Millions (\$)	QTD 3 Months	Fiscal YTD 9 Months	Annualized Returns	
				1 Year	3 Year
Fiat Lux	\$ 1,107	(4.3)	(1.6)	0.3	2.0
Policy Benchmark		(2.2)	0.4	2.7	2.7
Value Added		(2.1)	(2.0)	(2.4)	(0.7)
Income	\$ 671	(2.5)	(0.3)	1.9	2.4
Income Policy Benchmark		2.5	4.4	6.9	3.9
Value Added		(5.0)	(4.7)	(5.0)	(1.5)
Growth	\$ 109	(22.4)	(15.4)	(12.5)	1.0
Growth Policy Benchmark		(22.4)	(15.6)	(12.7)	0.8
Value Added		0.0	0.2	0.2	0.2
Alternatives	\$ 79	(0.2)	1.6	2.3	-
Diversifiers Policy Benchmark		(7.3)	(5.6)	(4.0)	-
Value Added		7.1	7.2	6.3	-
Cash	\$ 248	0.3	1.3	1.9	1.7
Liquidity Policy Benchmark		0.4	1.4	2.0	1.7
Value Added		(0.1)	(0.1)	(0.1)	0.0

Attachments:

1. Endowment
2. Pension
3. Retirement Plan
4. Working Capital
5. Fiat Lux