

Office of the Chief Investment Officer of the Regents (UC Investments)**TO MEMBERS OF THE INVESTMENTS COMMITTEE:****DISCUSSION ITEM***For Meeting of September 20, 2022***REVIEW OF PERFORMANCE FOR FISCAL YEAR 2021–22 OF UC PENSION, ENDOWMENT, BLUE AND GOLD POOL, WORKING CAPITAL AND RETIREMENT SAVINGS****EXECUTIVE SUMMARY**

The Office of the Chief Investment Officer (UC Investments) managed \$152.3 billion in assets as of June 30, 2022, compared to \$168 billion on June 30, 2021, a reduction of \$15.2 billion over the prior year. Since 2014, however, the portfolios have grown by \$57.4 billion, or 60.5 percent. UC Investments will provide a review of all investment products as of the full 2021–22 fiscal year.

The University's investment portfolios contain public and private assets spread across six unique financial products, each of which addresses the needs of our students, staff, retirees, and the 10 UC campuses and five medical centers. Retirement, which includes the traditional pension and the Retirement Savings Plan, a defined contribution program, stood at a combined \$111 billion on June 30, 2022. The endowment, which includes the General Endowment and Blue & Gold Pools, stood at \$20.4 billion. Working capital, which includes the Total Return and Short-Term Investment Pools, ended the quarter at \$20.8 billion.

In the 12 months from the end of the prior fiscal year on June 30, 2021 to June 30, 2022, the General Endowment Pool returned negative 7.6 percent, compared to its benchmark of negative 9.0 percent, with total assets of \$18.2 billion. The UC Retirement Plan returned negative 10.8 percent compared to its benchmark of negative 10.8 percent, with total assets of \$81.0 billion. The Blue & Gold Pool returned negative 15.2 percent, compared to its benchmark of negative 15.4 percent, with total assets of \$2.2 billion. In working capital, the Total Return Investment Pool returned negative 11.3 percent, compared to its benchmark of negative 11.5 percent, with total assets of \$11.7 billion, while the Short-Term Investment Pool returned 0.2 percent, compared to its benchmark of 0.3 percent, with total assets of \$9.1 billion.

GENERAL ENDOWMENT POOL REVIEW FOR PERIOD ENDING JUNE 30, 2022

The General Endowment Pool stood at \$18.2 billion as of June 30, 2022, down \$800 million from the prior year but which still represents an increase of \$9.9 billion since 2014 (a 125 percent increase). The one-year net return was negative 7.6 percent, (1.4 percent over the

benchmark), the three-year return was 9.1 percent, the five-year return was 8.9 percent, and the eight-year return was 7.6 percent. The 10-year return was 9.1 percent, the 20-year return was 7.9 percent, the 25-year return was 7.6 percent, the 30-year rate was 9.0 percent, and the 31-year rate, 9.1 percent.

As of June 30, 2022	Market Value in Millions (\$)	Annualized Returns								
		1 Year	3 Year	5 Year	8 Year	10 Year	20 Year	25 Year	30 Year	31 Year
Endowment	\$18,183	(7.6)	9.1	8.9	7.6	9.1	7.9	7.6	9.0	9.1
Policy Benchmark		(9.0)	6.6	6.8	6.0	7.4	6.9	6.7	8.2	8.4
Value Added		1.4	2.5	2.1	1.6	1.7	1.0	0.9	0.8	0.7
Public Equity	\$7,819	(18.5)	6.8	7.3	6.5	9.1	7.4	6.4	8.3	-
Public Equity Policy Benchmark		(17.9)	5.4	6.4	5.9	8.5	7.3	7.0	9.0	-
Value Added		(0.6)	1.4	0.9	0.6	0.6	0.1	(0.6)	(0.7)	-
Liquidity (Income)	\$1,169	(4.2)	0.4	1.9	1.7	2.6	4.8	5.5	-	-
Fixed Income Policy Benchmark		(5.2)	1.2	2.1	2.4	2.7	4.8	5.4	-	-
Value Added		1.0	(0.8)	(0.2)	(0.7)	(0.1)	0.0	0.1	-	-
Private Assets										
Private Equity	\$4,425	(1.2)	24.1	24.5	22.5	22.0	15.9	19.4	20.8	-
Private Equity Policy Benchmark		(10.9)	12.4	12.8	15.2	16.1	11.8	11.1	13.5	-
Value Added		9.7	11.7	11.7	7.3	5.9	4.1	8.3	7.3	-
Absolute Return	\$1,499	(2.6)	5.2	5.8	4.4	5.9	-	-	-	-
Absolute Return Policy Benchmark		(5.5)	3.8	3.6	1.5	2.4	-	-	-	-
Value Added		2.9	1.4	2.2	2.9	3.5	-	-	-	-
Real Estate	\$1,160	32.2	14.7	12.1	12.2	12.2	-	-	-	-
Real Estate Policy Benchmark		28.3	12.0	9.9	10.3	10.5	-	-	-	-
Value Added		3.9	2.7	2.2	1.9	1.7	-	-	-	-
Real Assets	\$628	10.0	9.9	8.3	3.1	4.0	-	-	-	-
Private Credit	\$830	4.6	-	-	-	-	-	-	-	-
Private Credit Policy Benchmark		(3.7)	-	-	-	-	-	-	-	-
Value Added		8.3	-	-	-	-	-	-	-	-
Cash	\$653	0.6	1.0	-	-	-	-	-	-	-
Cash Policy Benchmark		0.2	0.5	-	-	-	-	-	-	-
Value Added		0.4	0.5	-	-	-	-	-	-	-

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN REVIEW FOR PERIOD
ENDING JUNE 30, 2022**

The UC Retirement Plan stood at \$81 billion as of June 30, 2022, down \$10 billion from the prior year, and up \$29 billion since 2014 (a 56 percent increase). The one-year net return was negative 10.8 percent (flat to the benchmark). The three-year return was 5.7 percent, the five-year return was 6.2 percent and the eight-year return was 5.9 percent. The 10-year return was 7.6 percent, the 20-year rate was 6.8 percent, the 25-year rate was 6.6 percent, and the 30-year rate was 8.3 percent.

As of June 30, 2022	Market Value in Millions (\$)	Annualized Returns							
		1 Year	3 Year	5 Year	8 Year	10 Year	20 Year	25 Year	30 Year
Pension	\$80,984	(10.8)	5.7	6.2	5.9	7.6	6.8	6.6	8.3
Policy Benchmark		(10.8)	5.7	6.3	5.6	7.2	6.4	6.4	7.9
Value Added		0.0	0.0	(0.1)	0.3	0.4	0.4	0.2	0.4
Public Equity	\$45,212	(18.8)	6.0	6.7	6.5	9.1	7.0	6.2	8.1
Public Equity Policy Benchmark		(17.9)	5.4	6.4	5.9	8.6	7.2	7.0	9.0
Value Added		(0.9)	0.6	0.3	0.6	0.5	(0.2)	(0.8)	(0.9)
Fixed Income	\$11,935	(8.4)	(0.2)	1.4	1.9	2.2	4.6	5.5	6.5
Fixed Income Policy Benchmark		(7.8)	0.5	1.9	2.2	2.3	4.6	5.3	6.0
Value Added		(0.6)	(0.7)	(0.5)	(0.3)	(0.1)	0.0	0.2	0.5
Core	\$8,193	(5.2)	0.5	1.8	2.2	2.3	4.3	5.2	6.3
Core Policy Benchmark		(5.2)	1.2	2.1	2.3	2.2	4.3	5.1	5.7
Value Added		0.0	(0.7)	(0.3)	(0.1)	0.1	0.0	0.1	0.6
High Yield	\$2,780	(13.0)	(0.1)	1.9	2.8	4.4	-	-	-
High Yield Policy Benchmark		(12.8)	(0.4)	1.8	2.8	4.3	-	-	-
Value Added		(0.2)	0.3	0.1	0.0	0.1	-	-	-
Emerging Market Debt	\$962	(20.8)	(5.1)	(1.1)	0.6	1.4	-	-	-
Emerging Market Debt Policy Benchmark		(21.2)	(5.2)	(1.2)	1.2	2.2	-	-	-
Value Added		0.4	0.1	0.1	(0.6)	(0.8)	-	-	-
Private Assets									
Private Equity	\$8,762	0.8	19.5	18.2	15.4	15.7	12.5	16.3	18.5
Private Equity Policy Benchmark		(10.9)	12.4	12.8	12.1	13.0	10.7	10.2	12.7
Value Added		11.7	7.1	5.4	3.3	2.7	1.8	6.1	5.8
Absolute Return	\$2,847	(2.1)	5.2	5.8	4.4	5.8	-	-	-
Absolute Return Policy Benchmark		(5.5)	3.8	3.6	2.1	2.9	-	-	-
Value Added		3.4	1.4	2.2	2.3	2.9	-	-	-
Real Estate	\$5,207	29.1	11.2	9.8	10.8	11.0	-	-	-
Real Estate Policy Benchmark		28.3	12.0	9.9	10.3	10.5	-	-	-
Value Added		0.8	(0.8)	(0.1)	0.5	0.5	-	-	-
Real Assets	\$3,335	9.4	8.8	7.8	3.0	3.9	-	-	-
Private Credit	\$2,415	3.4	-	-	-	-	-	-	-
Private Credit Policy Benchmark		(3.7)	-	-	-	-	-	-	-
Value Added		7.1	-	-	-	-	-	-	-
Cash	\$1,271	1.1	1.6	-	-	-	-	-	-
Cash Policy Benchmark		0.2	0.5	-	-	-	-	-	-
Value Added		0.9	1.1	-	-	-	-	-	-

BLUE & GOLD POOL REVIEW FOR PERIOD ENDING JUNE 30, 2022

The UC Blue & Gold Pool stood at \$2.2 billion as of June 30, up \$2 billion from the prior year. The one-year net return was negative 15.2 percent (0.2 percent over the benchmark). During the pandemic, in April 2020, campuses used the Blue & Gold pool to increase their liquidity and all assets were withdrawn. The pool was re-launched on March 31, 2021 with funding of \$200 million. The Blue & Gold Pool was first launched on March 31, 2019 with \$250 million in

assets. By December 31, 2019, assets had grown to \$2 billion from campuses.

As of June 30, 2022	Market Value in Millions (\$)	Annualized Returns				
		1 Year	3 Year	5 Year	8 Year	10 Year
Blue & Gold	\$2,244	(15.2)	-	-	-	-
Policy Benchmark		(15.4)	-	-	-	-
Value Added		0.2	-	-	-	-
Public Equity	\$1,749	(17.7)	-	-	-	-
Public Equity Policy Benchmark		(17.9)	-	-	-	-
Value Added		0.2	-	-	-	-
Fixed Income	\$494	(5.1)	-	-	-	-
Fixed Income Policy Benchmark		(5.2)	-	-	-	-
Value Added		0.1	-	-	-	-

WORKING CAPITAL REVIEW FOR PERIOD ENDING JUNE 30, 2022

UC working capital stood at \$20.8 billion as of June 30, 2022, down \$1.9 billion from the prior year and representing an increase of \$6.1 billion since 2014 (a 41.6 percent increase).

The UC Total Return Investment Pool, which was created in August 2008, stood at \$11.7 billion as of June 30, 2022, down \$1.3 billion from the prior year, representing an increase of \$4.1 billion since 2014 (a 54.7 percent increase). The one-year net return was negative 11.3 percent (0.2 percent over the benchmark), the three-year return was 3.1 percent, the five-year return was 4.0 percent, the eight-year return was 3.8 percent, and the 10-year return was 5.3 percent. The 13-year return was 6.5 percent.

The UC Short Term Investment Pool stood at \$9.1 billion as of June 30, 2022, down \$500 million from the prior year, which still represents an increase of \$2 billion since 2014 (a 28.8 percent increase). The one-year net return was 0.2 percent (0.1 percent under the benchmark), the three-year return was 0.9 percent, the five-year return was 1.3 percent and the eight-year return was 1.4 percent. The 10-year return was 1.4 percent, the 20-year return was 2.5 percent, the 25-year return was 3.2 percent, and the 29-year rate, 3.7 percent.

As of June 30, 2022	Market Value in Millions (\$)	Annualized Returns					
		1 Year	3 Year	5 Year	8 Year	10 Year	13 Year
Total Return	\$11,737	(11.3)	3.1	4.0	3.8	5.3	6.5
Policy Benchmark		(11.5)	3.7	4.3	3.8	5.2	6.4
Value Added		0.2	(0.6)	(0.3)	0.0	0.1	0.1
Public Equity	\$5,565	(17.6)	1.0	4.1	4.5	8.0	8.9
Public Equity Policy Benchmark		(17.9)	5.4	6.4	7.0	9.6	8.5
Value Added		0.3	(4.4)	(2.3)	(2.5)	(1.6)	0.4
Fixed Income	\$6,156	(4.9)	0.5	2.0	2.3	2.8	4.5
Fixed Income Policy Benchmark		(5.2)	1.2	2.1	2.3	2.2	3.3
Value Added		0.3	(0.7)	(0.1)	0.0	0.6	1.2
Cash	\$16	0.2	0.9	1.3	1.4	1.4	1.7

As of June 30, 2022	Market Value in Millions (\$)	Annualized Returns							
		1 Year	3 Year	5 Year	8 Year	10 Year	20 Year	25 Year	30 Year
Short Term	\$9,141	0.2	0.9	1.3	1.4	1.4	2.5	3.2	3.7
Policy Benchmark		0.3	0.6	1.1	0.9	0.8	1.5	2.2	2.8
Value Added		(0.1)	0.3	0.2	0.5	0.6	1.0	1.0	0.9

While the 2021–2022 fiscal year tested the mettle of investment professionals throughout the world, UC Investments took a bumpy year in stride and owed its success to the entire UC Investments team, which has continued to outperform while working remotely for more than two years.

UC Investments tuned out noise, gauged risk, and looked toward what opportunities the future may hold. The team kept to its plans and largely beat or met its benchmarks.

For the year’s first three quarters (nine months), UC rode waves of market volatility—with assets hovering near \$168 billion. On March 31, 2022, that figure stood at \$169 billion.

Then came Russia’s invasion of Ukraine, record-high inflation, disruptions in the energy markets, continuing supply snarls, and an insidiously adaptive coronavirus. Coupled with the Federal Reserve Board’s interest rate hikes, the equity and bond markets headed south, officially moving into bear territory. As of June 30, 2022, this meant negative returns across all asset classes, across the world. UC Investments closed the fiscal year at \$152 billion.

In a negative market, UC Investments was again able to add value to University of California portfolios. For example, the real estate portfolio returned 30 percent after well-timed sales netted nearly \$2 billion in gains.

While there are certainly positive signs in the economic mix, UC was positioned conservatively lest the economy itself come down with something akin to long COVID, in which case it would be good to have cash. UC Investments is currently holding \$6 billion in portfolio cash.

UC Investments also doubled down on its conviction that fossil fuel investments will not pay off in the longer-term and that alternative energy technologies will one day power a world grappling with climate change. As it has done in the pension and the endowment, it made the Retirement Savings Program fossil-free.

The office also realized that, unlike institutional investors, mainstream “retail” investors do not have an easy way to make their portfolios fossil-free. As such, in an effort to democratize green investing, it seeded two Exchange-Traded Funds offered by its partner State Street Global Advisors that are aligned with the Paris Climate Accords.

This early \$300 million investment aims to help open the door to others who, like UC Investments, believe that clean energy will fuel the world’s future.

The team has also been busy advancing diversity, equity, and inclusion. While investing with diverse managers is certainly not new—UC Investments has already invested \$18 billion out of the \$53 billion it actively manages—the team eagerly undertook a challenge of meeting an additional 100 firms led by women and people of color. The six-month goal was to find future investment partners, to learn from each other, and to expand the office’s network even wider. UC Investments beat that goal by almost three months and one meeting and, as of June 30, 2022, it made initial investments in two of these firms that were raising their first funds. More such investments were anticipated.

This was also the office’s third year of funding the UC President’s Lindau Nobel Laureates Meetings Fellowships, which enable UC’s most promising young scientists and economists to learn directly from Nobel Prize winners and peers from around the world at an extraordinary gathering held in Lindau, Germany. Now in its 71st year, this unique scholarly summit ran from June 26 to July 1, 2022 with a focus on chemistry, while a separate event in August centered on the economic sciences. The diverse UC contingent included 29 fellows funded by UC Investments—representing all ten UC campuses—joined by six postdoctoral researchers from the three National Laboratories.

Among the newest recipients of direct investments in UC students are some 170 young people at two of UC’s most diverse campuses, Merced and Irvine.

This new initiative, the UC Investments Academy, takes on the challenge of what is heard often in the financial industry, that the pipeline of women and diverse investment professionals is too narrow. Since this spring semester at UC Merced, the UC Investments Academy offers free

professional training in all areas of the financial industry—the same courses used by Wall Street firms—as well as mentorship, industry speakers, and internship opportunities. The response from the initial cohort of students at Merced and Irvine has been overwhelmingly positive, and UC Investments plans to scale the academy to some 10,000 students systemwide within three to five years.

Finally, this year, UC Investments also partnered with UCI Health to launch a \$50 million fund to invest in healthcare innovation and digital health aimed at revolutionizing patient care and public health. This is the first such partnership between UC Investments and a UC healthcare enterprise.

Attachments:

1. [General Endowment Pool](#)
2. [UC Retirement Plan](#)
3. [Working Capital](#)
4. [UC Retirement Savings Program](#)