

Office of the Chief Investment Officer

**TO MEMBERS OF THE COMMITTEE ON INVESTMENTS / INVESTMENT
ADVISORY GROUP:**

DISCUSSION ITEM

For Meeting of September 9, 2016

UPDATE ON INVESTMENT PERFORMANCE FOR PERIODS ENDING JUNE 30, 2016

EXECUTIVE SUMMARY

The Office of the Chief Investment Officer managed \$97.6 billion in assets as of June 30, 2016. The UC Entity assets are comprised of the Endowment (\$9.1 billion), Pension (\$54.1 billion), Working Capital (\$14.2 billion = Total Return Investment Pool \$8.9 billion and Short Term Investment Pool \$5.3 billion), and Retirement Savings Program (\$20.2 billion). Performance of the Endowment, Pension, and Working Capital portfolios as of June 30, 2016 is provided below and further details are included in the respective product attachments.

**GENERAL ENDOWMENT PLAN INVESTMENT PERFORMANCE FOR PERIODS
ENDING JUNE 30, 2016**

As of June 30, 2016, the Office of the Chief Investment Officer (CIO) managed \$9.1 billion in the General Endowment Pool (GEP), which increased approximately \$181 million this fiscal year, which includes net inflows of roughly \$300 million offsetting the losses of 3.4 percent, which trailed the benchmark by 1.7 percent.

GEP Performance as of June 30, 2016 is shown in the table below:

As of June 30, 2016	Market Value in Millions (\$)	3 Months	6 Months	1 Year	3 Year	5 Year	10 Year	20 Year
Endowment	\$ 9,110	0.8	-0.9	-3.4	7.1	6.5	5.9	7.7
Policy Benchmark		1.5	1.6	-1.7	5.8	4.9	5.2	7.3
Value Added		-0.7	-2.5	-1.7	1.3	1.6	0.7	0.4
Public Equity	4,217	-0.7	-5.5	-10.6	5.0	5.1	4.3	6.4
GEP Public Equity BM		1.0	1.2	-3.7	6.0	5.3	4.4	7.0
Value Added		-1.7	-6.7	-6.9	-1.0	-0.2	-0.1	-0.6

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As of June 30, 2016	Market Value in Millions (\$)	3 Months	6 Months	1 Year	3 Year	5 Year	10 Year	20 Year
U.S. Equity	2,017	1.6	-4.2	-7.5	8.0	9.7	6.2	6.9
Russell 3000 Tobacco Free Index		2.6	3.4	1.7	11.0	11.5	7.3	8.1
Value Added		-1.0	-7.6	-9.2	-3.0	-1.8	-1.1	-1.2
Non-U.S. Equity	1,385	-7.5	-12.9	-18.0	-0.7	0.0	1.4	-
MSCI World ex-U.S. Tobacco Free		-1.1	-3.2	-10.3	1.7	1.1	1.5	-
Value Added		-6.4	-9.7	-7.7	-2.4	-1.1	-0.1	-
Emerging Market Equity	815	0.1	0.4	-11.5	0.2	-1.9	4.1	-
MSCI Emerging Market		0.7	6.4	-12.1	-1.6	-3.8	3.5	-
Value Added		-0.6	-6.0	0.6	1.8	1.9	0.6	-
Fixed Income	816	2.4	5.0	3.5	3.5	4.1	5.8	7.1
Policy Benchmark		3.4	7.3	5.6	4.5	4.4	6.1	6.7
Value Added		-1.0	-2.3	-2.1	-1.0	-0.3	-0.3	0.4
Core	276	1.8	3.3	3.5	3.4	3.6	4.8	6.6
Barclays U.S. Aggregate Bond Index		2.2	5.3	6.0	4.1	3.8	5.1	6.3
Value Added		-0.4	-2.0	-2.5	-0.7	-0.2	-0.3	0.3
High Yield	286	3.4	6.4	2.4	4.8	6.5	-	-
Merrill Lynch High Yield Cash Pay Index		5.8	9.2	1.7	4.2	5.7	-	-
Value Added		-2.4	-2.8	0.7	0.6	0.8	-	-
Emerging Market Debt	46	2.2	-	-	-	-	-	-
JP Morgan Emerging Markets Bond Index		5.0	-	-	-	-	-	-
Value Added		-2.8	-	-	-	-	-	-
TIPS	208	1.6	5.6	4.1	2.3	2.7	5.0	-
Barclays U.S. TIPS		1.7	6.2	4.4	2.3	2.6	4.7	-
Value Added		-0.1	-0.6	-0.3	0.0	0.1	0.3	-
Other Investments								
Private Equity	1,065	4.8	9.9	14.4	22.9	17.1	12.3	18.4
Absolute Return	1,656	0.5	-1.5	-4.9	5.3	4.4	4.8	-
Custom Absolute Return Benchmark		0.3	-4.5	-9.4	-0.3	-1.1	2.7	-
Value Added		0.2	3.0	4.5	5.6	5.5	2.1	-
Real Estate	538	5.5	5.3	10.8	14.2	13.1	3.4	-
NCREIF ODCE Index		2.0	5.1	12.6	12.7	12.3	3.2	-
Value Added		3.5	0.2	-1.8	1.5	0.8	0.2	-
Real Asset	183	-1.9	-10.6	-14.3	-3.4	-1.6	-	-
Cash	635	0.2	0.5	1.1	1.3	1.5	-	-

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN INVESTMENT
PERFORMANCE FOR PERIODS ENDING JUNE 30, 2016**

The Office of the CIO managed \$54.1 billion for the University of California Retirement Plan (UCRP) as of June 30, 2016, which decreased \$960 million this fiscal year, a 2.0 percent loss, trailing the benchmark by 1.2 percent.

UCRP Performance as of June 30, 2016 is shown in the table below:

As of June 30, 2016	Market Value in Millions (\$)	3 Months	6 Months	1 Year	3 Year	5 Year	10 Year	20 Year
Pension	\$ 54,081	1.3	0.8	-2.0	6.3	6.1	5.4	7.2
Policy Benchmark		1.3	2.3	-0.8	5.9	5.5	4.9	6.9
Value Added		0.0	-1.5	-1.2	0.4	0.6	0.5	0.3
Public Equity	30,411	0.9	-1.2	-6.4	6.2	6.0	4.4	6.3
UCRP Public Equity BM		1.1	1.6	-4.2	5.2	5.2	4.0	6.7
Value Added		-0.2	-2.8	-2.2	1.0	0.8	0.4	-0.4
U.S. Equity	15,652	2.0	0.2	-2.0	9.7	10.8	6.8	7.3
Russell 3000 Tobacco Free Index		2.6	3.4	1.7	11.0	11.5	7.3	8.1
Value Added		-0.6	-3.2	-3.7	-1.3	-0.7	-0.5	-0.8
Non-U.S. Equity	9,482	-3.3	-6.3	-12.3	1.3	1.2	1.8	-
MSCI World ex-U.S. Tobacco Free		-1.1	-3.2	-10.3	1.7	1.1	1.5	-
Value Added		-2.2	-3.1	-2.0	-0.4	0.1	0.3	-
Emerging Market Equity	5,277	0.6	-0.1	-13.5	-0.7	-2.6	4.2	-
MSCI Emerging Market		0.7	6.4	-12.1	-1.6	-3.8	3.5	-
Value Added		-0.1	-6.5	-1.4	0.9	1.2	0.7	-
Fixed Income	12,646	2.5	5.9	5.0	3.8	4.1	5.9	7.2
Policy Benchmark		2.8	6.5	5.6	4.1	4.0	5.8	6.5
Value Added		-0.3	-0.6	-0.6	-0.3	0.1	0.1	0.7
Core	7,574	2.2	5.1	5.4	4.1	4.1	5.5	7.0
Barclays U.S. Aggregate Bond Index		2.2	5.3	6.0	4.1	3.8	5.4	6.3
Value Added		0.0	-0.2	-0.6	0.0	0.3	0.1	0.7
High Yield	1,796	3.7	7.2	2.5	4.8	6.4	7.5	-
Merrill Lynch High Yield Cash Pay Index		5.8	9.2	1.7	4.2	5.7	7.4	-
Value Added		-2.1	-2.0	0.8	0.6	0.7	0.1	-
Emerging Market Debt	1,320	4.1	9.2	7.5	4.4	4.2	7.1	-
JP Morgan Emerging Markets Bond Index		5.0	10.3	9.8	7.2	5.9	7.9	-
Value Added		-0.9	-1.1	-2.3	-2.8	-1.7	-0.8	-
TIPS	1,956	1.6	5.7	4.1	2.3	2.8	5.0	-
Barclays U.S. TIPS		1.7	6.2	4.4	2.3	2.6	4.7	-
Value Added		-0.1	-0.5	-0.3	0.0	0.2	0.3	-

As of June 30, 2016	Market Value in Millions (\$)	3 Months	6 Months	1 Year	3 Year	5 Year	10 Year	20 Year
Other Investments								
Private Equity	2,676	0.0	2.2	6.2	14.4	12.2	9.8	16.6
Absolute Return	2,587	0.5	-1.5	-4.9	5.2	4.4	-	-
Custom Absolute Return Benchmark		0.3	-4.5	-9.4	-0.3	-1.1	-	-
Value Added		0.2	3.0	4.5	5.5	5.5	-	-
Real Estate	3,143	3.7	6.0	11.6	14.2	13.5	2.2	-
NCREIF ODCE Index		2.0	5.1	12.6	12.7	12.3	1.8	-
Value Added		1.7	0.9	-1.0	1.5	1.2	0.4	-
Real Asset	961	-1.8	-10.8	-14.6	-3.6	-1.3	-	-
Cash	1,657	0.3	0.6	1.2	1.6	2.4	-	-

**WORKING CAPITAL INVESTMENT PERFORMANCE UPDATES FOR PERIODS
ENDING JUNE 30, 2016**

The Office of the CIO managed \$8.9 billion in the Total Return Investment Pool (TRIP), which increased \$1.4 billion this fiscal year, including net inflow of \$1.4 billion. TRIP gained 0.3 percent, trailing the benchmark by 1.1 percent as of June 30, 2016. The Short Term Investment Pool (STIP) held \$5.3 billion as of June 30, 2016, gaining 1.3 percent and outperforming its benchmark by 0.7 percent.

Working Capital Performance as of June 30, 2016 is shown in the table below:

As of June 30, 2016	Market Value (\$ Millions)	3 Months	6 Months	1 Year	3 Year	5 Year	7 Year	Since Inception
TRIP	\$ 8,868	1.6	3.0	0.3	5.7	6.4	8.1	7.0
Policy Benchmark		1.5	3.1	1.4	5.5	6.0	8.0	6.6
Value Added		0.1	-0.1	-1.1	0.2	0.4	0.1	0.4
Equity	3,125	1.6	1.5	-5.4	6.6	7.7	11.0	5.7
MSCI All Country World Index		1.0	1.2	-4.2	7.8	7.1	8.5	4.1
Value Added		0.6	0.3	-1.2	-1.2	0.6	2.5	1.6
U.S. Equity	1,616	3.2	3.7	-0.2	10.2	11.1	15.1	8.9
Non-U.S. Equity	1,009	0.0	-7.0	-13.6	0.0	2.5	5.2	1.4
Emerging Market Equity	430	-4.0	-10.3	-25.0	-	-	-	-7.2
Private Growth	70	0.0	4.2	-	-	-	-	12.3
<i>MSCI All Country World Index</i>		1.0	1.2	-4.2	7.8	7.1	8.5	4.1

As of June 30, 2016	Market Value (\$ Millions)	3 Months	6 Months	1 Year	3 Year	5 Year	7 Year	10 Year
Income	4,517	2.1	4.9	5.2	4.7	5.2	6.6	6.6
Barclays U.S. Aggregate Bond Index		2.2	5.3	6.0	4.1	3.8	4.6	4.8
Value Added		-0.1	-0.4	-0.8	0.6	1.4	2.0	1.8
Core	3,347	2.3	5.5	5.9	4.6	5.0	6.3	6.4
High Yield	408	2.8	6.0	4.3	5.4	6.5	9.1	8.3
Emerging Market Debt	298	3.7	8.5	7.5	-	-	-	5.6
Private Income	464	-0.9	-4.4	0.3	-	-	-	0.3
<i>Barclays U.S. Aggregate Bond Index</i>		2.2	5.3	6.0	4.1	3.8	4.6	4.8
Other Investments								
Absolute Return	1,048	-0.5	-0.9	-1.8	-	-	-	2.0
HFRX Absolute Return		0.3	-0.2	0.6	-	-	-	2.9
Value Added		-0.8	-0.7	-2.4	-	-	-	-0.9
Cash	178	0.6	0.9	0.9	-	-	-	-

As of June 30, 2016	Market Value (\$ Millions)	3 Months	6 Months	1 Year	3 Year	5 Year	7 Year	10 Year	20 Year
STIP	\$ 5,292	0.3	0.6	1.3	1.4	1.7	2.0	2.7	3.9
Policy Benchmark		0.2	0.3	0.6	0.4	0.3	0.4	1.3	2.8
Value Added		0.1	0.3	0.7	1.0	1.4	1.6	1.4	1.1

ATTACHMENTS:

The attached Reports on Investment Performance for the periods ending June 30, 2016 are submitted for discussion. They include:

- [Attachment 1: Endowment Investment Performance for Periods Ending June 30, 2016](#)
- [Attachment 2: Pension Investment Performance for Periods Ending June 30, 2016](#)
- [Attachment 3: Retirement Savings Investment Performance for Periods Ending June 30, 2016](#)
- [Attachment 4: Working Capital Investment Performance for Periods Ending June 30, 2016](#)