Effective: July 23, 2015
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TOTAL RETURN INVESTMENT POOL (TRIP) INVESTMENT POLICY

The purpose for this investment policy (“Policy”) is to clearly state the investment approach, define performance objectives and to control risk in the management of the University’s Total Return Investment Pool, or TRIP (“Pool” or “Portfolio”). This Policy shall be subject to ongoing review by the Committee on Investments. Capital market conditions, changes in the investment industry, new financial instruments, or a change in the Committee on Investments’ risk tolerance, are among factors to be considered in determining whether the Policy shall be revised.

This policy provides the framework for the management of the investments of the “Pool.” The purpose of a policy statement is to document the investment management process by

- Identifying the key roles and responsibilities relating to the ongoing management of the Pool’s assets;
- Recognize and ameliorate the agency issues among the parties responsible for various aspects of investment management;
- Setting forth an investment structure for the Pool’s assets;
- This structure includes various asset classes and acceptable ranges that, in aggregate, are expected to produce a sufficient investment return over the long term while prudently managing risk;
- This strategy should provide guidance in all market environments, and should be based on a clear understanding of worst case outcomes;
- Establishing formalized criteria to measure, monitor, and evaluate the Programs performance results on a regular basis; and
- Encouraging effective communication among all fiduciaries, including external parties engaged to execute investment strategies.

1. Framework

a. Background

TRIP is an investment pool established by The Regents and is available to UC Campuses and certain other related entities. TRIP allows UC organizations to maximize return on their intermediate-term working capital, subject to risk tolerance and liquidity management practices established with the Office of the President and Campuses, by taking advantage of the economies of scale of investing in a larger pool and investing across a broad range of asset classes.

b. Key responsibilities in the oversight and management of the Pool are as follows:

1. Under the authority granted in Regents Bylaw, The Regents has appointed a standing Committee on Investments (“Committee”), which is charged with

oversight responsibility for the management of investments on behalf of The Regents, which oversight of the management of the Pool's assets and, with the approval of The Regents, the establishment of investment policies for the Pool.

2. Under the Regents Bylaws, the Committee is directed to establish a system of custodianship for all securities.
3. Under Regents Bylaws, The Regents has delegated to the Chief Investment Officer general responsibility for all investment matters, including the implementation of investment policies established by The Regents for the Pool. References to the "Chief Investment Officer" below shall be understood, depending on the context, to mean the "Office of the Chief Investment Officer."

c. Investment Objective

TRIP is managed according to a total return objective, and will be subject to interest rate risk, credit risk, equity risk, foreign exchange risk, commodity risk, and investment manager risk, and implementation risk. It is appropriate for longer-term investors who can accept this volatility in exchange for higher expected return. The Program has the flexibility to invest up to ten percent of the portfolio in private investments. While the program will generally invest in liquid, marketable securities, there will at times be a trade-off of illiquidity for higher expected return. The Objective of the Program is to generate a rate of return, after all costs and fees, in excess of the policy benchmark, and consistent with liquidity, cash flow requirements, and risk budget. See Section 2 for asset allocation and benchmark.

d. Investment Strategy

The Program shall be implemented by the Chief Investment Officer, using a combination of internal and external management ("Managers"), employing actively managed strategies where appropriate. Active strategies will include both sector allocation and security selection. The Chief Investment Officer will monitor the Program's adherence to the Policy.

e. Risk Objective

The Program shall be managed so that its annualized tracking error budget shall be 200 basis points. This budget is consistent with the ranges around the combined asset classes (2a below), and incorporates both asset / sector allocation and security selection differences from the aggregate benchmark.

Each Manager or asset class segment will have a unique active risk budget, relative to its asset class benchmark, which is appropriate to its individual strategy, and specified in its guidelines, and which will reflect the risk-return profile of its specific investment objectives.

f. Other Constraints and Considerations

1. Managers shall comply with applicable State and Federal laws and regulations.
2. Managers shall at all times act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
3. Managers shall act solely in the interest of the Program's owners.

2. Investment Guidelines

a. Strategic Asset Allocation and Allowable Ranges

Asset Category	Target Allocation	Lower Bound	Upper Bound
Equity/Growth	35.0	30.0	40.0
Income	50.0	45.0	55.0
Absolute Return	15.0	5.0	25.0
TOTAL	100.0		

b. Total TRIP Performance Benchmark

The composition of the TRIP performance benchmark is given below, and assumes monthly rebalancing:

Percentage	Performance Benchmark
35.0%	× MSCI All Country IMI World Index ex Tobacco (Net)
50.0%	× Barclays US Aggregate Index
15.0%	× HFRX Absolute Return Index

c. Rebalancing Policy

There will be periodic deviations in actual asset weights from the 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 within the given risk budget.

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 the Derivatives Policy) 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.

d. Asset Class Guidelines

The Program will be invested in a diversified portfolio of equity, fixed income, and other securities. Each Segment of the Program, as defined above, will be subject to the Regents' Investment guidelines that are appropriate and in effect for that Segment.

Managers may utilize derivative contracts and strategies in accordance with the Derivatives Policy, and may employ leverage as circumscribed in the relevant asset class guidelines.

e. Diversification and Concentration

The Program's investments will be appropriately diversified to control overall risk and will exhibit portfolio risk characteristics similar to those of the Benchmark. The Chief Investment Officer is responsible for managing aggregate risk exposures.

It is expected that each Manager's portfolio will be appropriately diversified, within limits and restrictions established in its guidelines and relative to its performance objectives, to control risk, but without unduly restricting a Manager's ability to out-perform its benchmark. That is, an individual Manager's portfolio may be more concentrated than is appropriate for the Program's aggregate investments.

3. Policy Review, Monitoring, and Reporting

a. Policy Review

The Chief Investment Officer shall review the Policy, objectives and guidelines at least annually, and report to the Committee on Investments the impact of the Program.

b. Monitoring and Evaluation

Program performance and risk exposures shall be monitored and evaluated at multiple levels in accordance with the Policy, and the objectives of the Program and individual Managers.

c. Reporting

The Chief Investment Officer shall provide and receive the following reports:

1. A summary of Program investments and risks.
2. A summary of Program performance, on an absolute and benchmark relative basis.

3. A performance attribution explaining differences in sector weights and returns, between the aggregate Program investments and the Benchmark, and an explanation of any material differences.

Each Manager will be required to provide the Chief Investment Officer monthly and quarterly reports, including but not limited to:

a. A monthly performance statement for the portfolio (gross and net) and the benchmark, and provide the gross performance for the product Composite at least quarterly.
b. If available, a monthly or quarterly forecast risk report, using the Manager's risk system, showing the total, systematic ("common factor"), and non-systematic ("residual") risk of the portfolio relative to the benchmark.
c. A monthly or quarterly variance analysis, indicating sources of performance variances (difference between portfolio and benchmark return), and an explanation of any material differences.
d. Quarterly review of portfolio and strategy performance including a market outlook.
e. Annual statement of compliance with investment guidelines.

4. Investment Operations and Restrictions

University Financial Management may establish limitations on Campus investments to maintain sufficient short term liquidity for University cash needs, and restrictions on withdrawals as is appropriate for the investment of the assets. Annual distributions will be made to participating UC entities, according to a spending rate.