The Office of the Treasurer of The Regents manages the University of California's retirement, endowment and cash assets under the policies, guidelines, and performance benchmarks established by The Regents. The Office's mission is to implement those policies and guidelines by selecting, executing, and monitoring investment strategies designed to add value over the benchmarks within a risk controlled framework. The Office adheres to high ethical as well as professional standards in serving the investment management needs of its constituency.

As of June 30, 2011, the portfolio managed by the Treasurer's Office totaled approximately $71.5 billion.

These investments provide substantial benefits to current and retired employees and support the university's mission of education, research, and public service. The Treasurer's Office carries out all investment activities according to the policies established by the Investment Committee of The Regents of the University of California. The Treasurer's Office staff includes 35 investment professionals with an average of 18 years of experience.

Administration of GEP

Spending Policy and Expenses: The Regents adopted a total-return investment philosophy aimed at achieving real-asset growth in order to generate growing annual payouts to support donors' designated programs. On May 19, 2010, The Regents approved the continuance of a rate of 4.75% of a 60-month (five-year) moving average of the GEP market value for expenditure in the 2010-2011 fiscal year.

The total cost of managing the GEP is 155 basis points of average market value. This consists of approximately 1.46% (146 basis points) attributable to external managers (evidenced as the difference between their gross and net returns), plus 0.03% (3 basis points) attributable to investment management and custodial expenses, and 0.06% (6 basis points) attributable to administrative costs.

Custody of Assets: State Street Bank & Trust Company, The Regents' custodian.

Administration of Account: The Treasurer's Office is responsible for investing the funds, while the Endowment and Investment Accounting Office maintains all records.

Deposits and Withdrawals: Monthly. Transactions can be made by check or federal funds wire.

Distributions: Annually for Regents' funds; monthly for Foundations/Support Groups if requested.

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The General Endowment Pool

Office of the Treasurer of The Regents

June 30, 2011

General Endowment Pool (GEP)

June 30, 2011

The General Endowment Pool (GEP), established in 1933, and unitized in 1958, is The Regents' primary investment vehicle for endowed gift funds. GEP is a balanced portfolio of equities, fixed-income securities, and alternative investments that provides diversification and economies of scale in the investment process to participants. All endowment funds participate in GEP, unless higher payout needs require otherwise.

Investment Objective: The overall investment objective for all the GEP assets is to maximize the value of the endowment while maintaining liquidity needed to support spending in prolonged down markets. The primary goal for the GEP is to preserve the purchasing power of the future stream of endowment payout for those funds and activities supported by the endowments, and to the extent this is achieved, cause the principal to grow in value over time.

Investment Strategy: The asset allocation benchmarks and portfolio guidelines are designed to manage risk and ensure portfolio diversification and are reviewed monthy. The overall investment strategy is a balanced portfolio with a long-term asset mix target:

Asset Class	Current Policy
Public Equity	45.5%
Fixed Income	17.5
All Alternatives*	37.0

The Treasurer's Office has an internal team of experienced investment professionals who implement The Regents' allocation to Equity. Equity assets are segmented into U.S., Non-U.S. Developed, Non-U.S. Developed, Non-U.S. Emerging Markets, and Global Equity asset classes. The Treasurer's Office selects multiple equity strategies and the external managers to implement these strategies.

For Fixed-Income investments, the Treasurer's Office analyzes relative value among the core benchmark sectors of governments, corporates, and mortgage-backed securities and overweights those sectors and securities offering attractive real returns, while maintaining a risk level commensurate with the benchmark index.

For Absolute Return (AR) investments, the Treasurer's Office seeks to generate positive returns over a multi-year period, regardless of the general market direction. AR investments typically have low correlation with other asset classes and increase the overall portfolio diversification while reducing risk. To accomplish this goal, the Treasurer's Office invests with top-tier asset management firms in a variety of strategies, including global long/short equity, relative value credit, distressed securities, mortgage arbitrage, global macro, event-driven, and other "hedge fund" strategies.

The Cross-Asset Class (CAC) Strategy was approved by the Regents in March 2011. The key objective of the CAC Strategy is to identify and invest in assets that provide attractive risk-adjusted returns beneficial to the GEP through investments that cut across the various asset-class silos. It is also expected to bring a strategic partnership approach with a limited number of managers in an effort to enhance total portfolio returns.

The Real Assets asset class were added to the GEP portfolio on April 1, 2010. Real Assets is primarily composed of energy assets, timberland, infrastructure, and commodities. These assets generally provide inflation protection, a strong current income component and diversification benefits relative to other financial assets.

For Private Equity, the Treasurer's Office seeks opportunities through recognized top-tier venture capital partnerships and select buyout funds.

For Real Estate, the Treasurer's Office seeks investments which provide long-term, risk-adjusted total returns between those of U.S. equities and bonds; diversification benefits given Real Estate's low correlation with other asset classes; protection against unanticipated inflation; and a high proportion of the total return derived from current income.

Returns: GEP returned 20.49% for the 2010-2011 fiscal year versus 18.02% for its benchmark. For the past five years, GEP's total return was 5.28% vs. 5.55% for its benchmark. During that time, payout distributions grew at an average annual rate of 4.51%—well above annualized inflation of 2.16%.

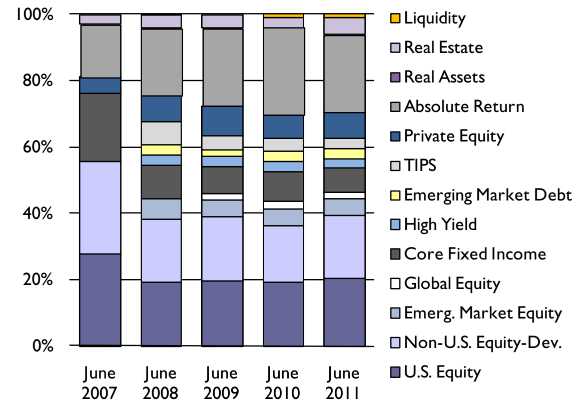
* Asset mix target is effective as of March 2011. All Alternatives include, but are not limited to: Real Estate, Private Equity, Real Assets, and Absolute Return strategies.

ANNUALIZED RETURNS

	Net GEP[1]	Benchmark[2]	Inflation[3]
1 Yr	20.49%	18.02%	3.56%
5 Yr	5.28	5.55	2.16
10 Yr	5.72	5.86	2.41

Asset Mix: GEP's assets totaled approximately $6.7 billion at June 30, 2011. The following chart illustrates GEP's asset mix as of each of the past five fiscal year ends.

GEP Asset Mix



[1] GEP's annualized returns are net of (after) all expenses.

[2] The total fund benchmark is a blend of the indices from the various asset classes, each weighted by the percentage it represents in the asset allocation, except that the policy of Private Equity, Real Estate, and Absolute Return are set equal to the actual weights each month. Annual index returns assume monthly rebalancing. The benchmarks for the individual asset classes are: Russell 3000 Tobacco Free (TF) Index for U.S. Equity; MSCI World Index ex-U.S. TF (Net) Index for Non-U.S. Equity-Developed Markets; MSCI Emerging Markets (Net) Index for Non-U.S. Equity-Emerging Markets; MSCI All Country World Index Net Investable Market Index (IMI) TF for Global Equity; Barclays Capital U.S. Aggregate Bond Index for U.S. Core Fixed Income; Merrill Lynch High Yield Cash Pay Index for High Yield Debt; JP Morgan Emerging Market Bond Index–Global Diversified for Emerging Market Debt; Barclays Capital U.S. TIPS Index for TIPS; Actual Private Equity returns for Private Equity; HFRX Absolute Return Index and HFRX Market Directional Index for Absolute Return, Diversified; Aggregate GEP Policy Benchmark for Absolute Return, Cross-Asset Class; Real Estate Public: FTSE EPRA NAREIT Global Index; and Real Estate Private: NCREIF Funds Index-Open-End Diversified Core Equity (lagged 3 months). For Real Assets, the policy benchmark for Commodities is the S&P GSCI Reduced Energy Index and, for all other assets, the actual portfolio return.

[3] Inflation as measured by the Consumer Price Index.