Office of the Treasurer of The Regents

University of California

Investment Performance Summary
Quarter Ended December 2010

UCRS Board
February 25, 2011

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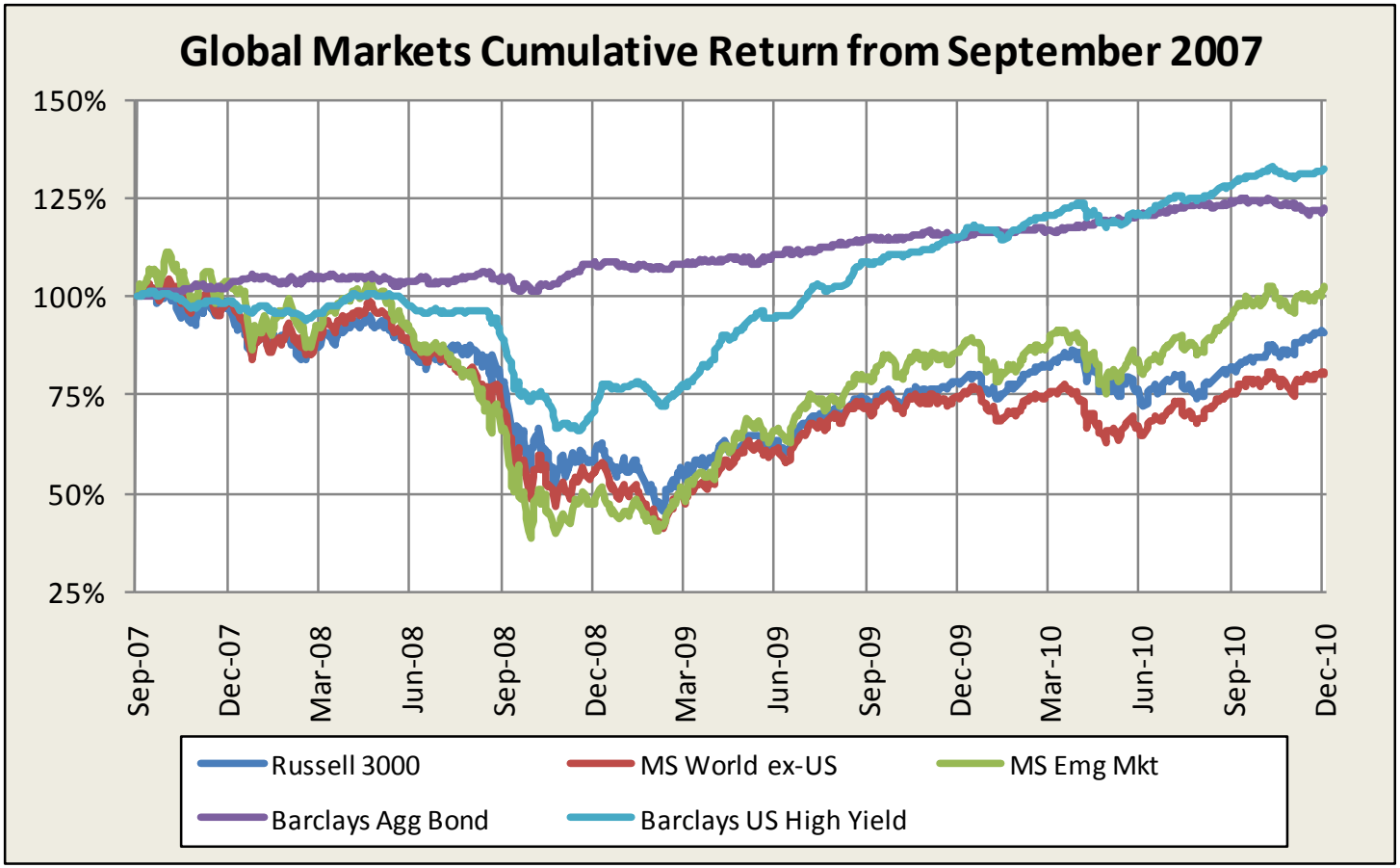
Significant Events and Results for Quarter and FYTD

- **December Quarter 2010 market performance was strong**
- **UCRP rose 6.38%, 36 bps above policy**
- **Asset selection over the quarter was positive:**
  - **Absolute Return was exceptional, 438 bps above policy**
  - **Equities benefited due to attractive returns from fundamental stock selection**
  - **Core Fixed Income and High Yield Debt outperformed policy due to overweights in higher yielding spread assets**
  - **Turnaround in Real Estate performance in quarter, +6%**
- **UCRP ranked within top third of Wilshire TUCS universe for 12/31/10 Quarter**

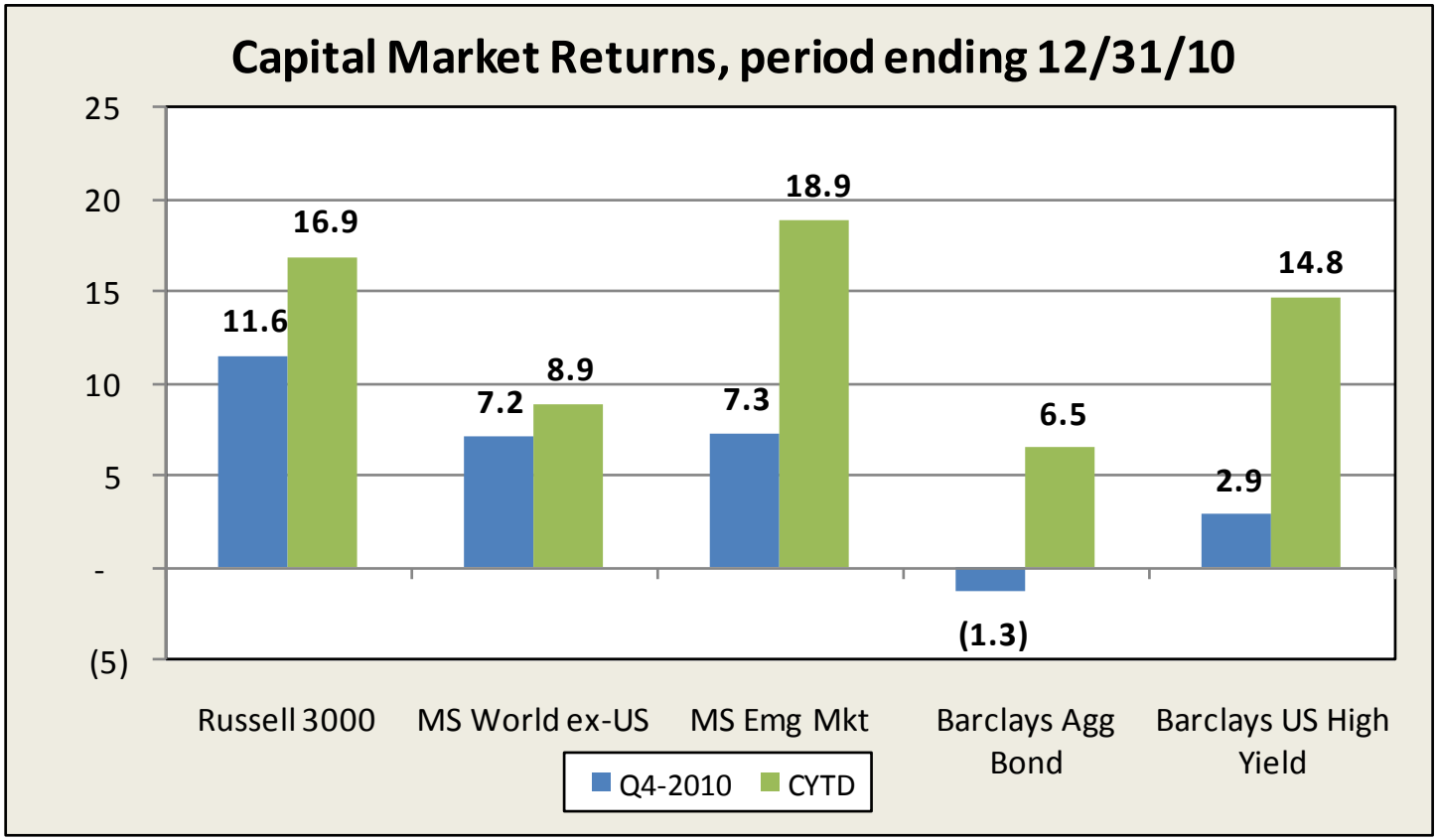
Market Overview: Equity and Fixed Income Returns

Markets climbed higher in the fourth quarter on the heels of Quantitative Easing (QEII) and improved corporate earnings



Market Overview: 2010 Equity and Fixed Income Returns

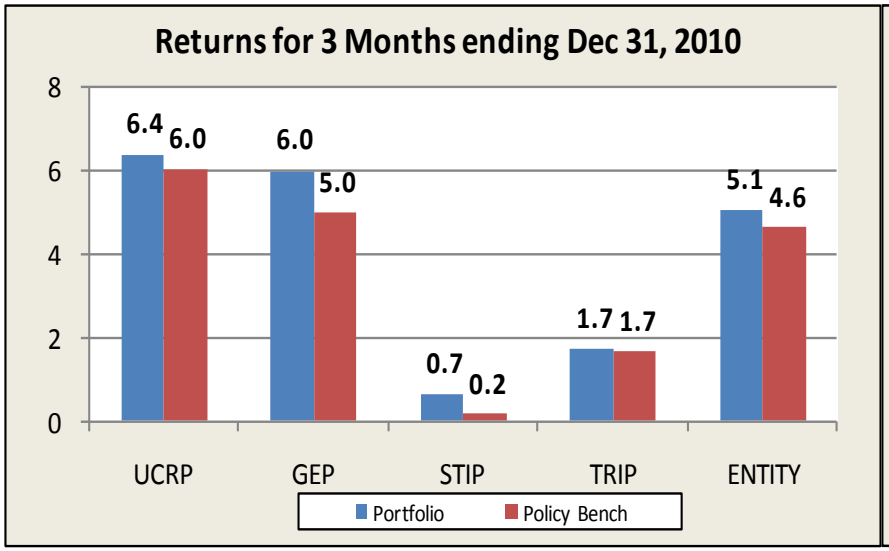
Developed Market Equity rebounded strongly in the December Quarter
Emerging Markets had another strong Quarter and Year
High Yield bonds had another good Quarter and Year

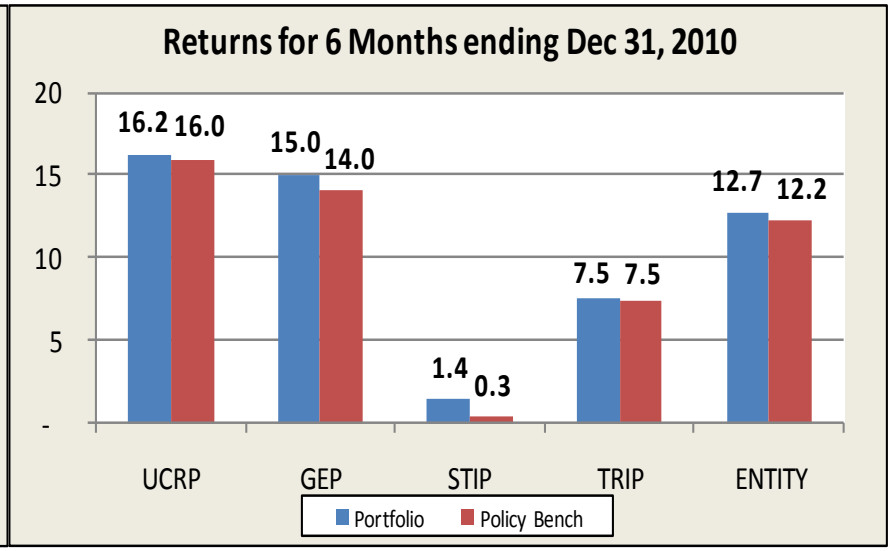


UC Recent Performance: Quarter and Fiscal Year to Date

Total returns for all funds were positive for the quarter and FYTD

Active returns for all funds were positive for the quarter and FYTD

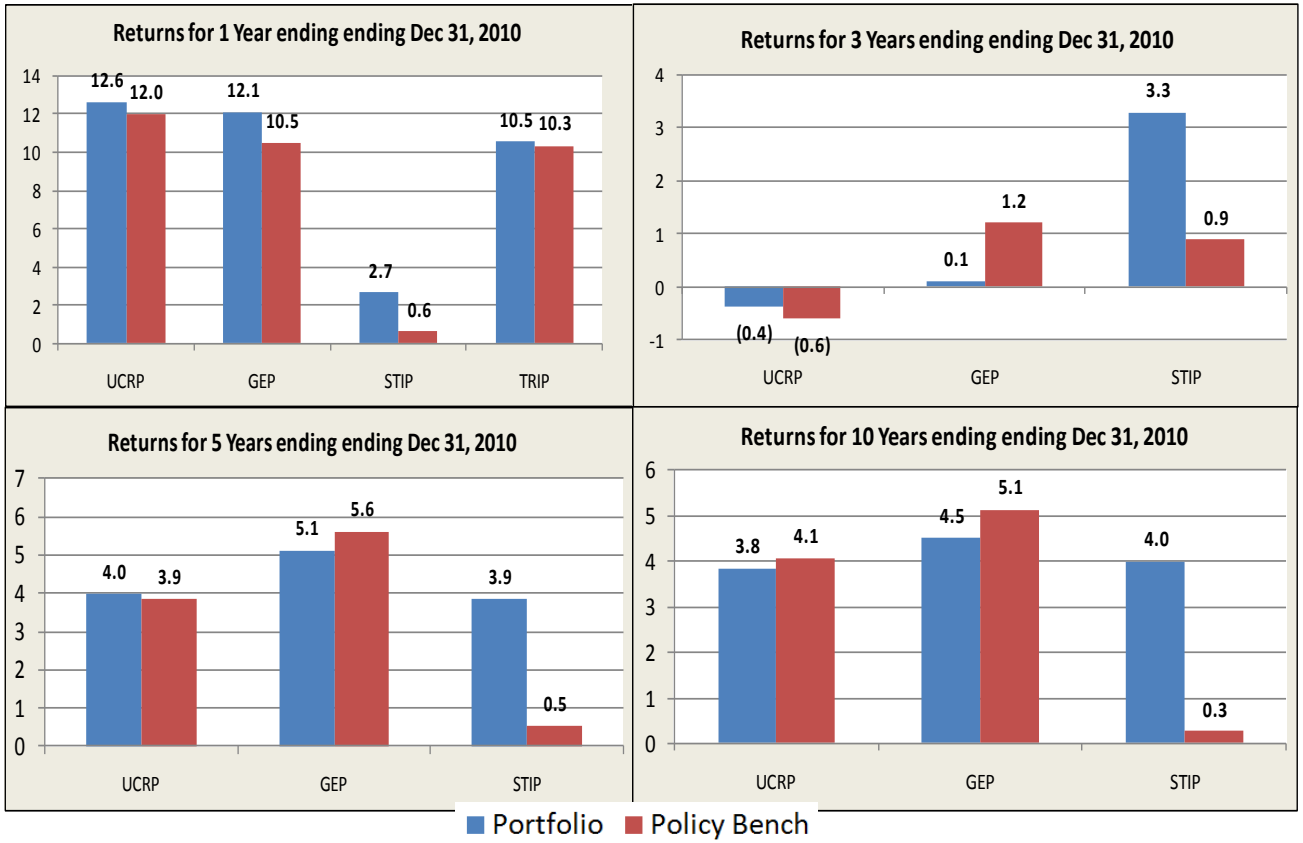




UC Performance: Longer Periods

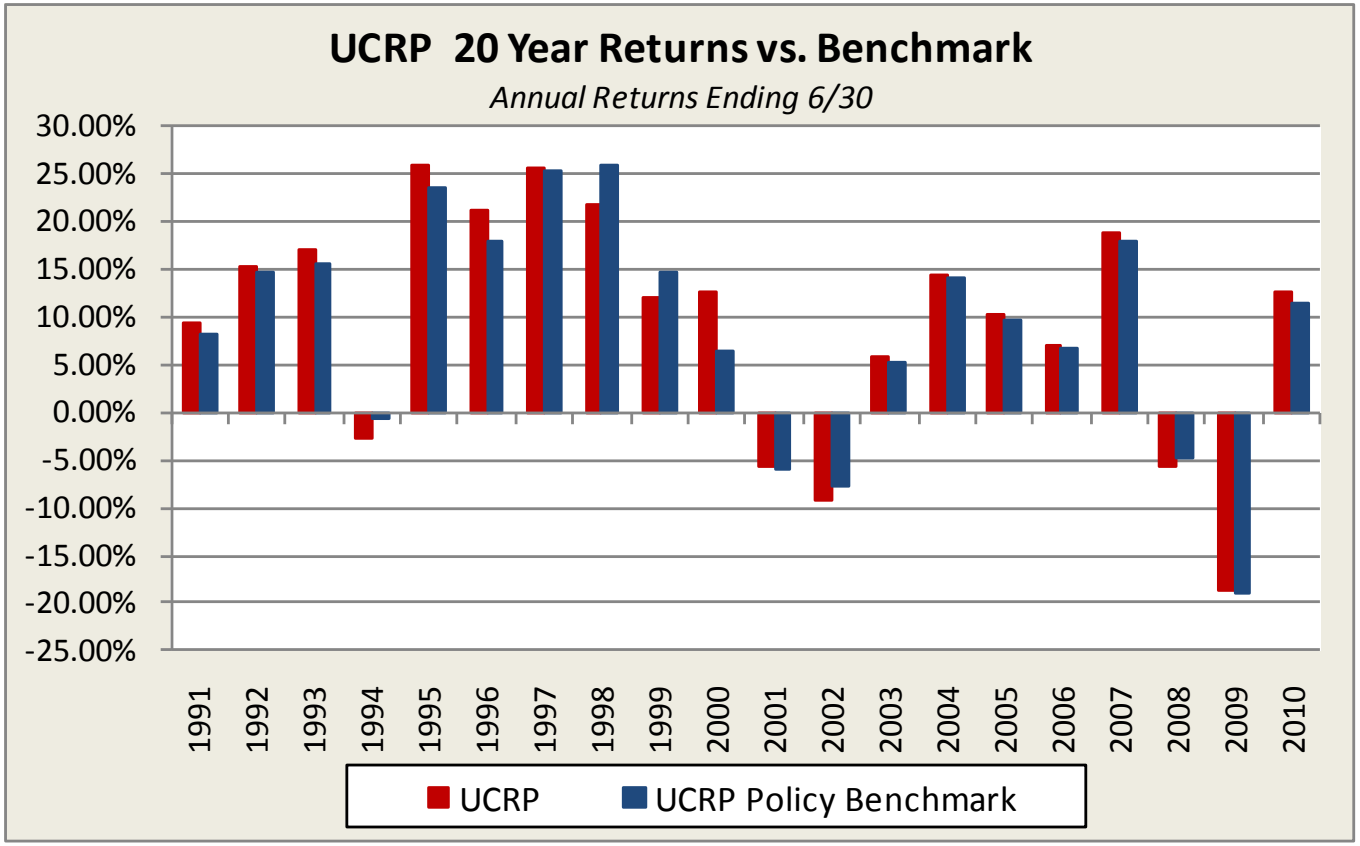
Positive long term returns show the importance of diversification

Three year returns on a balanced stock/bond portfolio have not been this low since the aftermath of the 2001 recession



UCRP: 20 Year Performance

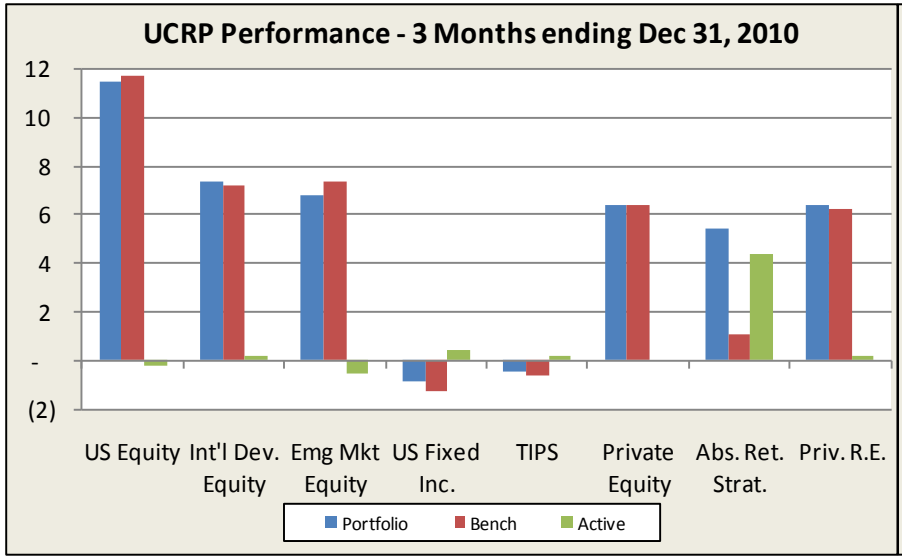
UCRP has outperformed its policy benchmark in 75% (15 out of 20) of the last fiscal year periods

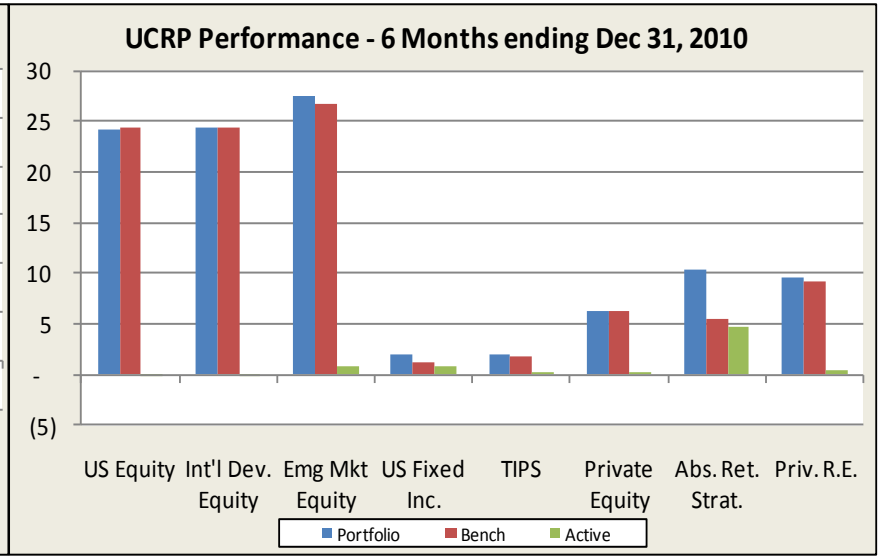


UC Performance: UCRP Asset Classes

Asset class performance varied between Quarter and FYTD periods:

- **Absolute Return, Core Fixed Income, and TIPS outperformed policy for both the Quarter and FYTD periods**





Asset Allocation: UCRP and GEP December Quarter

As of the end of December, UCRP was overweight in Developed Market Equity and Private Equity; and underweight Fixed Income, Real Estate, Absolute Return, and Real Assets

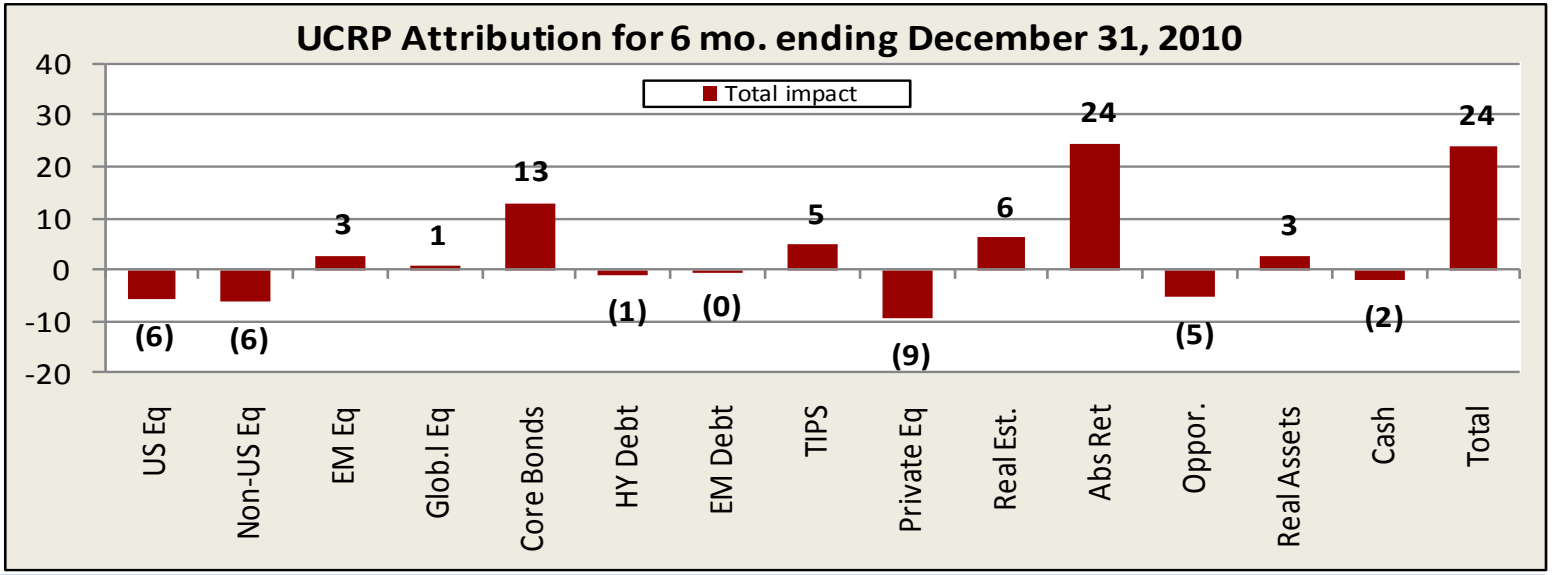
UCRP Asset Allocation

	Actual%	Current Policy Allocation	Variance from Current	Policy Range
U.S. Equity	29.7%	28.5%	1.2%	23.5-33.5%
Non-U.S. Equity-Dev.	22.5%	22.0%	0.5%	17-27%
Non-U.S. Equity-Emerging	4.8%	5.0%	-0.2%	3-7%
Global Equity	2.2%	2.0%	0.2%	1-3%
Core Fixed Income	10.6%	12.0%	-1.4%	9-15%
High Yield Bond	2.6%	2.5%	0.1%	1.5-3.5%
Emerging Market Debt	2.4%	2.5%	-0.1%	1.5-3.5%
TIPS	7.4%	8.0%	-0.6%	6-10%
Private Equity	6.6%	6.0%	0.6%	3-9%
Absolute Return	5.6%	6.0%	-0.4%	0-11%
Real Assets	0.6%	1.0%	-0.4%	0-2%
Opportunistic	1.1%	0.5%	0.6%	0-1.5%
Real Estate	3.6%	4.0%	-0.4%	1-7%
Liquidity Portfolio	0.2%	0.0%	0.2%	0-10%

Performance Attribution: UCRP Fiscal Year to Date

Asset selection, primarily due to strong security selection within Absolute Return and Core Fixed Income, added to active returns

The overweight to Private Equity hurt, as its returns lagged the public markets



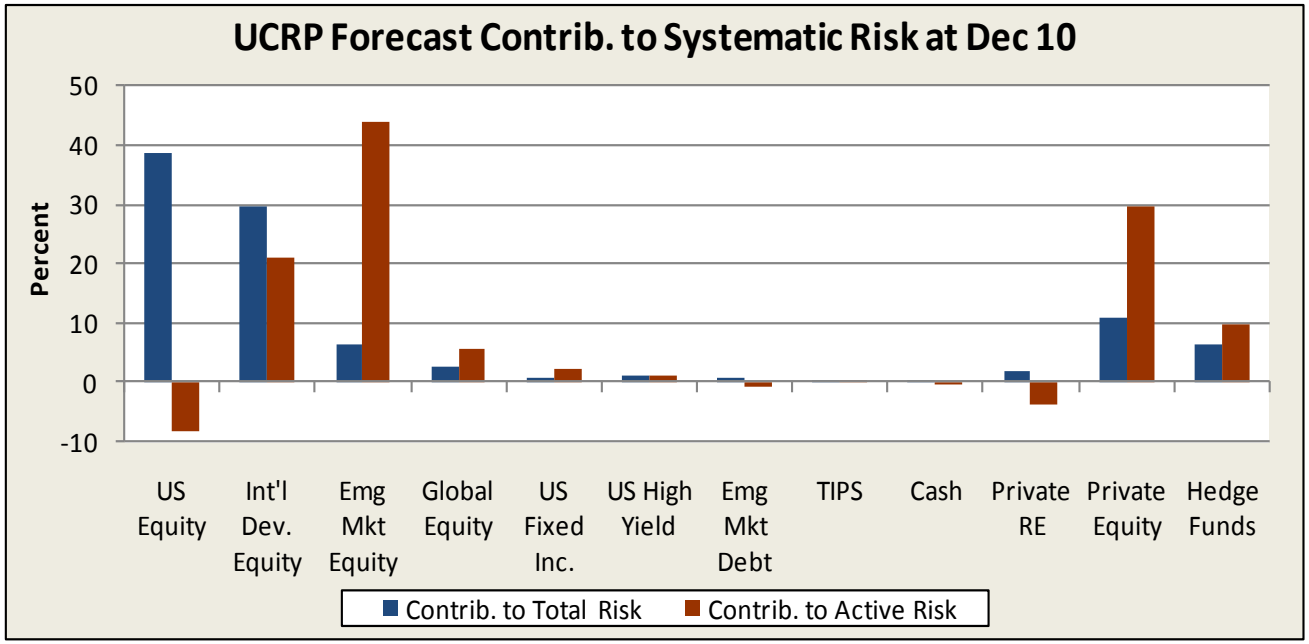
Values in basis points (bp)	US Eq	Non-US Eq	EM Eq	Glob.l Eq	Core Bonds	HY Debt	EM Debt	TIPS	Private Eq	Real Est.	Abs Ret	Oppor.	Real Assets	Cash	Total Active Return
Allocation	1	(4)	1	0	4	(1)	(1)	3	(10)	6	(3)	(6)	3	(2)	(9)
Selection	(7)	(2)	2	0	9	0	1	2	0	0	27	1	-	-	33
Total impact	(6)	(6)	3	1	13	(1)	(0)	5	(9)	6	24	(5)	3	(2)	24

Contribution to Risk: UCRP

US and Developed Equity contributed almost 70% of Total Risk

Almost 65% of Active Risk contributed by Non-U.S. and Emerging Market Equity Overweight

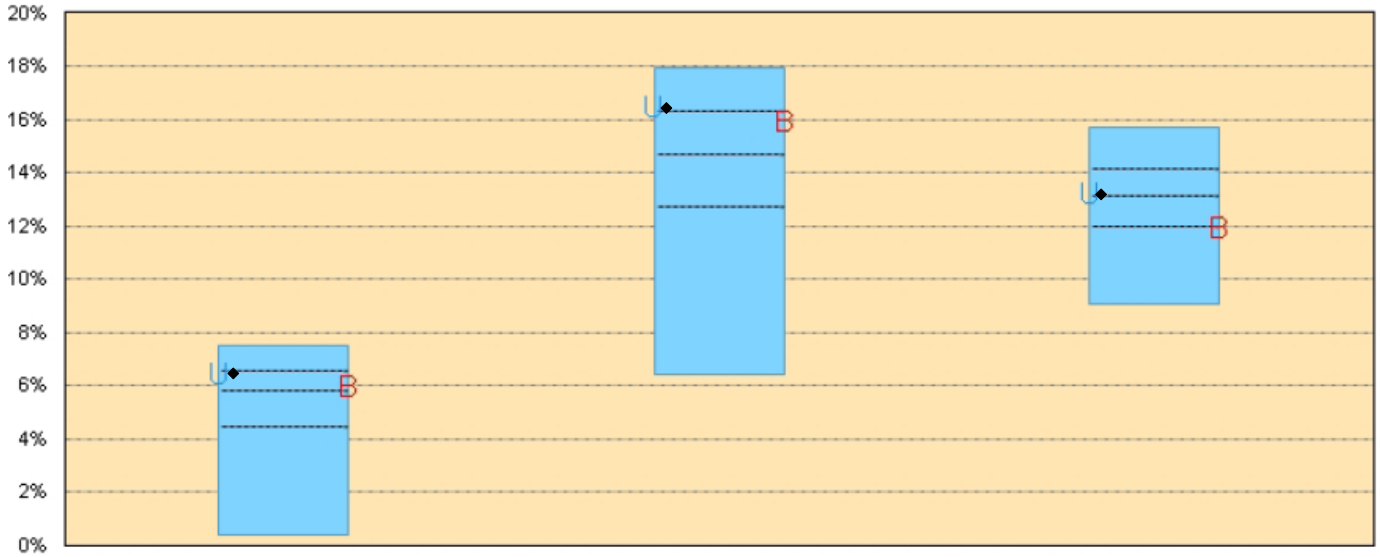
Over 30% of Active Risk contributed by Private Equity Overweight



UCRP Peer Comparison – TUCS Universe

Trust Universe Comparison Service
Performance Comparison

Total Return of Master Trusts-Public: Plans > $1B
Cumulative Periods Ending: December 31, 2010



Percentile Rankings	Qtr	Fiscal YTD	Calendar Year
5th	7.50	17.97	15.70
25th	6.58	16.31	14.19
50th	5.86	14.74	13.13
75th	4.50	12.73	11.97
95th	0.40	6.46	9.07
No. of Obs	183	183	182
U◆ UCRP Total	6.53	16.56	13.27
B UCRP Policy Benchmark	6.02	15.97	11.99