
The Office of the Treasurer of The Regents is responsible for managing the investments and cash for the University of California system. The principal activity of the Treasurer's Office is the management of the system's retirement, defined contribution and endowment funds, as well as the system's cash.

At June 30, 2005, the Treasurer's Office managed approximately \$63.3 billion in total assets.

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 investment staff includes 21 investment professionals with an average of 17 years of investment experience.

Administration of GEP

Spending Policy and Expenses:

Long-term total return "target" spending rate of 4.75% of a 60-month rolling average market value for Regents' assets.

The spending rate approved for the 2004-2005 fiscal year was 4.60% of a 60-month rolling average market value.

Annual expense of approximately 0.09% of the average market value of the pool. Expense is prorated and levied monthly.

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.

Mailing Address:
P.O. Box 24000
Oakland, CA 94623

Tel. (510) 987-9600
Fax. (510) 987-9651

<http://www.ucop.edu/treasurer>
Email: Treas.Regents@ucop.edu

The General Endowment Pool



Office of the
Treasurer
Of The Regents

June 30, 2005

General Endowment Pool (GEP)

June 30, 2005

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 and fixed-income securities that provides excellent 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:
Maximize total returns and generate growth of principal and a growing payout stream to support endowment-funded activities.

Investment Objective: The overall investment objective for all funds under management is to maximize real, long-term total returns (income plus capital appreciation adjusted for inflation), while assuming appropriate levels of risk.

For GEP, the primary goal is to generate growth of principal and a growing payout stream to ensure that future funding for endowment-supported activities can be maintained.

Investment Strategy:
Balanced portfolio
with a long-term asset mix target* of
52% Public Equity,
28% Public Fixed Income, and
20% All Alternatives.*

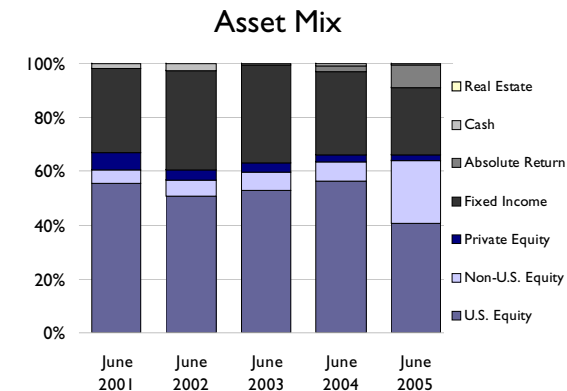
Investment Strategy: Historically, The Regents' Public Equity investment strategy utilized both active and passive management. As of June 30, 2005 approximately 30 percent of domestic equity assets had been transferred from the passive Russell 3000 index fund to active managers. Approximately 50 percent of non-U.S. equity had been transferred from the passive MSCI World ex U.S. index fund to developed markets' active managers. For fixed-income investments, the Treasurer's Office emphasizes high-quality, global debt securities with attractive real returns. An allocation to private equity investments such as venture capital and buyouts is employed to increase diversification, enhance return expectations, and reduce risk through low correlation to other asset classes. The absolute return allocation includes market neutral, long/short equities, merger arbitrage and other investment methods that attempt to reduce risk while preserving capital. The real estate allocation further enhances GEP's diversification and return opportunities.

* Including, but not limited to: Real Estate, Private Equity, and Absolute Return Strategies.

Returns: GEP's annualized net total return for the past 10 years through June 30, 2005 was 10.59%. GEP has a proven history of steady above-inflation payout growth; the payout distributions have grown at an average annual rate of 8.4% for the past 10 years vs. inflation at 2.46%.

ANNUALIZED RETURNS			
	Net GEP ¹	Benchmark ²	Inflation ³
1 Yr	10.31%	9.45%	2.52%
5 Yr	2.34%	2.71%	2.44%
10 Yr	10.59%	10.05%	2.46%

Asset Mix: GEP's assets totaled \$5.2 billion at June 30, 2005. The following chart illustrates GEP's asset mix as of each of the past five fiscal year ends.



1. GEP's annualized returns are net of (after) expenses (0.09% of average annual market value).
2. The benchmark consists of 55% less the actual Private Equity weight from the prior month end of the Russell 3000 TF Index, 10% MSCI ACWI ex US Index, the actual Private Equity weight of the prior month end Russell 3000 TF Index +3% (lagged by 3 months) and 35% Citigroup LPF Index. Historical: 65% S&P 500 Index and 35% LBLT G/C Index.
3. Inflation as measured by the Consumer Price Index.