

---

# **UNIVERSITY OF CALIFORNIA TOTAL RETURN INVESTMENT POOL [UC WORKING CAPITAL]**

## **INVESTMENT POLICY STATEMENT**

Effective: July 1, 2025, Amended: July 15, 2025

Replaces the TRIP Investment Policy Statement effective July 1, 2020

---



# **UNIVERSITY OF CALIFORNIA TOTAL RETURN INVESTMENT POOL INVESTMENT POLICY STATEMENT**

## **PURPOSE**

The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives, policies and guidelines for the management and oversight of the University of California (“UC”) Total Return Investment Pool (“TRIP”). The management of TRIP is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document.

The Policy consists of the following sections:

1. Roles and Responsibilities
2. Objectives
3. Investment Guidelines
4. Strategic Allocation
5. Risk Management
6. Benchmarks
7. Rebalancing
8. Monitoring and Reporting
9. Policy Maintenance
10. No Right of Action
11. Disclosures
12. Other Policies

## **1. ROLES AND RESPONSIBILITIES**

### **Board of Regents**

The Board defines the goals and objectives of TRIP and is responsible for establishing and approving changes to this Policy. The Board of Regents may delegate the implementation of this policy to the Chief Investment Officer and investment advisors.

### **Chief Investment Officer**

The Chief Investment Officer (“UC Investments”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of TRIP assets.

### **Investment Managers**

UC Investments may delegate to external Investment Managers responsibility for managing all or a portion of the assets. Any external Investment Managers will assume the roles and responsibilities of “investment manager” under Section 3(38) of ERISA, including but not limited to acknowledging in writing that such Investment Manager is a fiduciary with respect to the assets it manages on behalf of TRIP. The Investment Manager will accept assets and invest in compliance with all relevant regulations and laws, the Investment Manager’s individual investment management agreement(s), and as applicable, the stated investment guidelines in this Policy.

# **UNIVERSITY OF CALIFORNIA TOTAL RETURN INVESTMENT POOL INVESTMENT POLICY STATEMENT**

## **Trustee/Custodian**

The role of the Trustee/Custodian is to provide safekeeping, accounting and valuation of Trust assets.

## **2. OBJECTIVES**

### **Overall Objective**

TRIP is an investment pool established by the Board of Regents with the objective to provide a high-quality liquid investment vehicle for intermediate-term needs. The primary investment objective is to earn an overall rate of return consistent with the expected intermediate-term spending of TRIP. The investment objective shall be subject to risk tolerance and liquidity management practices established with the Office of the President and Campuses. TRIP is available to all University groups and affiliates.

### **Return Objective**

TRIP seeks to generate a rate of return, after all costs and fees, consistent with TRIP's Overall Objectives, including spending objectives and time horizon. Subject to the risk objective below, TRIP's return objective is to earn a return consistent with or greater than a portfolio equally allocated between public equities and high-quality bonds.

### **Risk Objective**

TRIP will seek to 1) have a low probability of a negative return over a three to five year time horizon and 2) limit the portfolio's expected volatility and maximum drawdown to the level of a portfolio equally allocated between public equities and high-quality bonds and consistent with TRIP's objectives and payout expectations.

### **Sustainability Objectives**

TRIP will be managed in a manner that balances meeting the needs of current investors without compromising the needs of future investors. TRIP will consider sustainability in both risk assessment and investment due diligence.

## **3. INVESTMENT GUIDELINES**

### **Permitted Investments**

TRIP will primarily invest in public equity and intermediate fixed income. The following is a list of the asset classes allowed in TRIP:

#### **1. Public Equity**

Includes publicly traded common and preferred stock of issuers domiciled in US, Non-US, and Emerging (and Frontier) Markets. The objective of this segment of the portfolio is to generate investment returns with adequate liquidity through a globally diversified portfolio of common and preferred stocks.

# **UNIVERSITY OF CALIFORNIA TOTAL RETURN INVESTMENT POOL INVESTMENT POLICY STATEMENT**

## **2. Fixed Income**

Fixed income includes a variety of income related asset types. The portfolio may invest in interest bearing and income-based instruments such as corporate and government bonds, high yield debt, emerging markets debt, inflation linked securities, cash and cash equivalents. The portfolio can hold a mix of traditional (benchmark relative) strategies and unconstrained (benchmark agnostic) strategies. The objective of the income portfolio is to provide stability and necessary liquidity for payment obligations, while investing in higher yielding and less liquid income opportunities with attractive return potential.

## **3. Private Assets**

Private asset (equity, debt or other non-publicly traded investments) investments are expected to generate higher long-term real returns versus a portfolio equally allocated between public equities and high-quality bonds by exploiting market inefficiencies, informational advantages and time horizon opportunities. TRIP may invest up to 40% in private assets opportunistically at the discretion of the CIO when the expected return and risk are deemed favorable to TRIP's public market assets. All private asset investments must be approved by the CIO.

## **4. Derivatives**

A derivative is a contract or security whose value is derived from another security or risk factor. There are three fundamental classes of derivatives – futures, options and swaps – each with many variations; in addition, some securities are combinations of derivatives or contain embedded derivatives. Use of derivatives to create economic leverage is prohibited. Permitted applications for derivatives are efficient substitutes for physical securities, managing risk by hedging existing exposures, or other approved active management strategies.

Each asset class is assigned a benchmark that represents the opportunity set and risk and return characteristics associated with the asset class. For some private or more complex asset classes the benchmark serves as a proxy for the expected level and pattern of returns rather than an approximation of the actual investment holdings.

## **Investment Restrictions**

The Regents have established that the purchase of securities issued by tobacco companies and companies with business operations in Sudan are prohibited in separately managed accounts. The Chief Investment Officer will determine what constitutes a tobacco or Sudan company based on standard industry classification of the major index providers and must communicate this list to investment managers annually and whenever changes occur.

# UNIVERSITY OF CALIFORNIA TOTAL RETURN INVESTMENT POOL INVESTMENT POLICY STATEMENT

## 4. STRATEGIC ALLOCATION

The Strategic Asset Allocation (SAA) is the primary determinant of the return and risk of the portfolio. The SAA is set by the Board of Regents in consultation with UC Investments and reviewed periodically to reflect current program objectives and capital market expectations. The SAA expresses the target allocation and the allowable minimum and maximum allocations for each asset class. The actual portfolio exposures may deviate from the SAA as a result of price drifts, opportunity set, and value adding activities of UC Investments, but generally should remain within the allowable ranges. Tactical asset allocation shifts within and across asset classes are permitted if those decisions are expected to add value to TRIP.

Below are the strategic asset allocation long-term weights and allowable ranges:

Table 1

	Strategic Asset Allocation	Allowable Ranges	
		Minimum	Maximum
Public Equity	50.0	30.0	70.0
Fixed Income	50.0	30.0	70.0
Private Assets	0.0	0.0	40.0
TOTAL	100.0		

## 5. RISK MANAGEMENT

The primary risks to TRIP are the inability to meet planned spending and/or the inability to return capital to the owners of TRIP assets. Total program volatility will be managed to limit these risks. The principal factors that determine TRIP's asset volatility, and the parties responsible for managing them, are as follows:

- **Capital market risk** is the risk that the investment return associated with the asset allocation policy is not sufficient to provide the required returns to meet the TRIP's investment objectives. Responsibility for determining the overall level of capital market risk lies with the Board and UC Investments.
- **Total active risk** refers to the volatility of the difference between the return of the TRIP policy benchmark and the actual return. It incorporates the aggregate of investment style risk, active management risk, and tactical/strategic risks and is thus the responsibility of the Chief Investment Officer.

Although the management of investment portfolios may be outsourced, investment oversight and risk management are primary fiduciary duties of the Board that are delegated to and performed by the Chief Investment Officer.

**Active Risk:** 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.

# UNIVERSITY OF CALIFORNIA TOTAL RETURN INVESTMENT POOL

## INVESTMENT POLICY STATEMENT

UC Investments is responsible for managing both total and active risk, as well as other portfolio risks including foreign exchange risk, credit risk, and liquidity risk. UC Investments shall implement procedures and safeguards so that the combined risk exposures of all portfolios taken together are kept within limits appropriate to the TRIP's risk tolerance.

### 6. BENCHMARKS

TRIP's performance will be evaluated against appropriate benchmarks including a strategic asset allocation benchmark ("Total TRIP Portfolio Benchmark") and specific benchmarks for each asset class and investment manager. The Total TRIP Portfolio Benchmark is a weighted average consisting of the asset class benchmarks listed below weighted by the SAA target weights. The benchmarks for each asset class are shown in **Table 2**:

**Table 2**

Asset Class	Benchmark
Public Equity	MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco and Fossil Fuel Free - Net Dividends
Fixed Income	Bloomberg US 1-5 Year Government / Credit Index
Private Assets	Total TRIP Portfolio Benchmark

### 7. REBALANCING

There will be periodic deviations in actual asset weights from the strategic target weights. Causes for periodic deviations are market movements, cash flows, tactical tilts, and asset selection. Significant movements from the asset class policy weights will alter the intended expected return and risk of TRIP. Accordingly, TRIP may be rebalanced when necessary to ensure adherence to this policy and the Investment Policy.

UC Investments will monitor the actual asset allocation. The Board directs UC Investments to take all actions necessary, within the requirement to act prudently, to manage the asset allocation in a manner that ensures that TRIP achieves its risk and return objectives.

UC Investments shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. The Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of TRIP.

# **UNIVERSITY OF CALIFORNIA TOTAL RETURN INVESTMENT POOL INVESTMENT POLICY STATEMENT**

## **8. MONITORING AND REPORTING**

UC Investments is responsible for monitoring the portfolio and investment managers on an ongoing basis. UC Investments should monitor and report to the Investments Committee, Finance and Capital Strategies Committee and Board of Regents on the following items.

1. Asset Allocation and Risk Measures and Exposures
2. Investment Performance and Attribution (against benchmarks identified in this Policy)
3. Material Changes to Organization and Investment Strategy
4. Potential Material Issues and Risks
5. Compliance of TRIP with this Policy

While short-term results will be monitored, it is understood that TRIP's objectives are long-term in nature and progress towards these objectives will be evaluated from a long-term perspective.

On at least an annual basis the CIO will report on the implementation of the UC's Sustainability Framework which will include a discussion on the portfolio's environmental, social, and governance risks considered during the year.

## **9. POLICY MAINTAINANCE**

The Policy should be reviewed at least annually and updated as necessary. Revisions may be recommended by UC Investments, Investments Committee, Finance and Capital Strategies Committee, and approved by the Board of Regents.

## **10. NO RIGHT OF ACTION**

This Policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

## **11. DISCLOSURES**

The Chief Investment Officer provides investment-related information on TRIP to the Regents' Investments Committee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on The Regents' website within the section on Meeting Agendas and Schedule. The Chief Investment Officer's Annual Report for the most recent fiscal year is also available on the Chief Investment Officer's website.

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.

**UNIVERSITY OF CALIFORNIA TOTAL RETURN INVESTMENT POOL  
INVESTMENT POLICY STATEMENT**

**12. OTHER POLICIES**

TRIP will follow the proxy voting and investment valuation policies developed and approved by UC Investments.