MEKETA

California State Teachers Retirement System (CalSTRS)

September 23, 2026

Semi-Annual General Consulting Executive Summary (Open Session)

Key Takeaways

→ Meketa conducts a semi-annual review of each asset class.

- Formal RFI completed and interviews conducted.

→ The CalSTRS Investment Staff continues to operate at a high level.

- Overall measures for evaluation are favorable over relevant time periods.
- *CalSTRS continues to meet/exceed its 7% assumed rate of return over all time periods measured.*

As of June 30, 2026	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
Total Portfolio	**13.9**	**10.2**	**7.0**	**9.4**
Policy Benchmark	*13.5*	*9.7*	*6.6*	*8.8*
St. Street Median (>$10B)	*13.9*	*11.6*	*7.8*	*9.5*
Reference Portfolio[1]	*17.9*	*14.8*	*7.5*	*9.3*

[1] Reference Portfolio: 70% MSCI ACWI IMI / 30% Bloomberg Aggregate.

Asset Class Highlights

Global Equity[1]

Returns (%)	5 Years	10 Years
Total Public Equity	**11.0**	**13.0**
Policy Benchmark	*10.5*	*12.8*
MSCI ACWI IMI	*10.6*	*12.5*
Peer Group Median	*8.8*	*11.4*

Sharpe Ratio	5 Years	10 Years
Total Public Equity	**0.54**	**0.74**
Policy Benchmark	*0.52*	*0.73*
MSCI ACWI IMI	*0.52*	*0.72*
Peer Group Median	*0.43*	*0.62*

Fixed Income[2]

Returns (%)	5 Years	10 Years
Fixed Income	**0.6**	**2.2**
Policy Benchmark	*0.3*	*1.8*
Bloomberg Aggregate	*0.1*	*1.5*
Peer Group Median	*1.1*	*2.4*

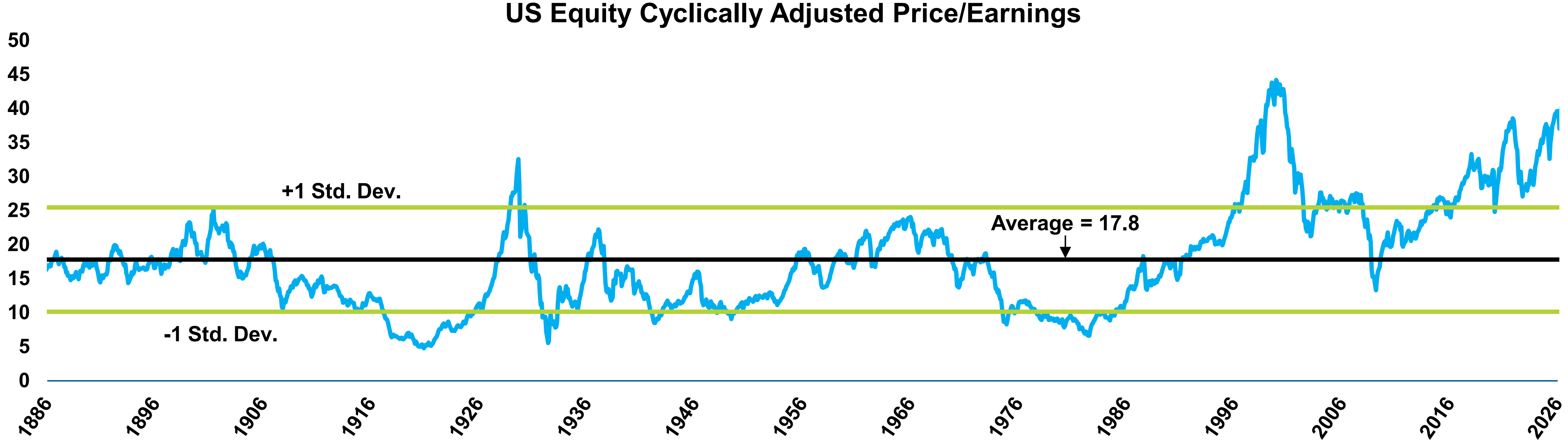
Sharpe Ratio	5 Years	10 Years
Fixed Income	**-0.45**	**0.00**
Policy Benchmark	*-0.49*	*-0.09*
Bloomberg Aggregate	*-0.51*	*-0.13*
Peer Group Median	*-0.45*	*0.03*

→ The two largest public market asset classes for CalSTRS, Total Public Equity and Fixed Income, have each produced strong long-term relative returns.

[1] Total Public Equity Peer Group – InvMetrics Public DB Global Equity.

[2] Fixed Income Peer Group – InvMetrics Public DB US Fixed Income.

The Big Risks:
US Equity Market Valuation



→ US equities continue to outpace underlying earnings growth, pushing market multiples higher. Valuations now exceed the 2021 cycle peak and rank among the highest levels in market history, surpassed only by the dot-com bubble of 1999-2000.

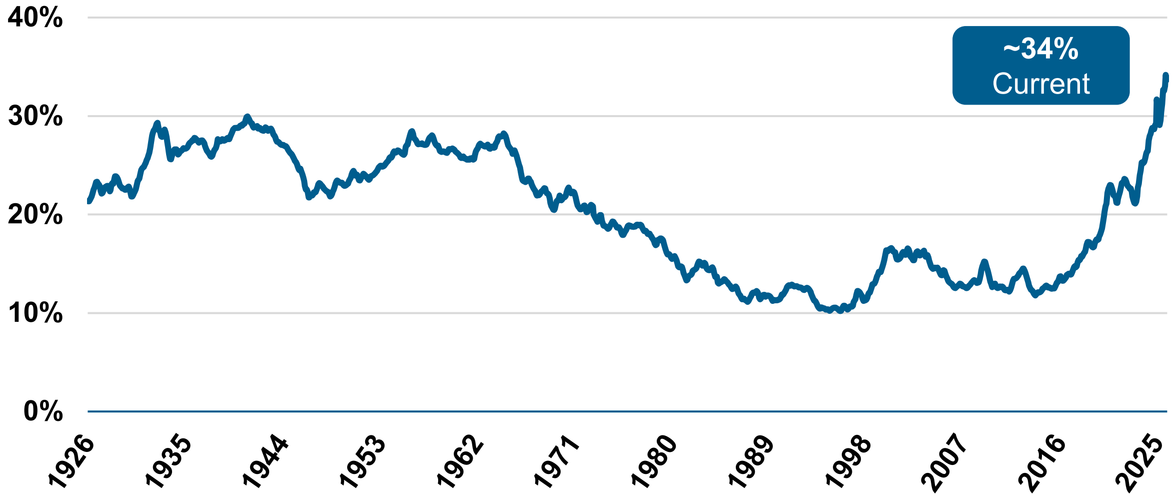
Source: Robert Shiller, Yale University, and Meketa Investment Group. Data is as of June 30, 2026 for the S&P 500 Index.

The Big Risks: Misinterpretation of US Market Concentration

The implication that a market with a small number of dominant firms must be more fragile.

Concentration in Context

Top 7 share of US equity market capitalization



Elevated concentration has occurred before, but the current leaders differ in important ways.

Today's largest firms generally combine strong margins, cash flow, balance sheets, and global revenue exposure.

Source: Bye, Per and Soerlie Kvaerner, Jens and Werker, Bas J.M., "Magnificent, but Not Extraordinary: Market Concentration in the US and Beyond," January 16, 2026; for the period January 1926 through December 2024. FactSet data used January 2025 through December 2025.

1 Why today is different

Leadership is supported by realized earnings and free cash flow, and many firms operate as diversified global platforms.

2 What could go wrong

Valuations may embed optimistic growth. Shared exposure to rates, AI capital spending, regulation, and technology investment could increase correlation in a downturn.

3 Portfolio implication

Evaluate concentration within the total portfolio. Mechanical caps may add size and value tilts, turnover, and the risk of under participating in long-term winners.