CALSTRS
INVESTMENTS

INVESTMENT COMMITTEE
SEMI-ANNUAL ACTIVITY REPORT

Risk Mitigating Strategies

As of June 30, 2026

ACTIVITY UPDATE

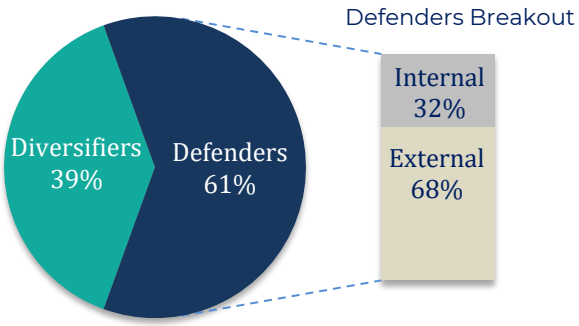
OVER THE LAST 6 MONTHS

RMS focused on strengthening portfolio resilience, improving monitoring tools, and advancing integration with the One Fund initiative. Key activities included:

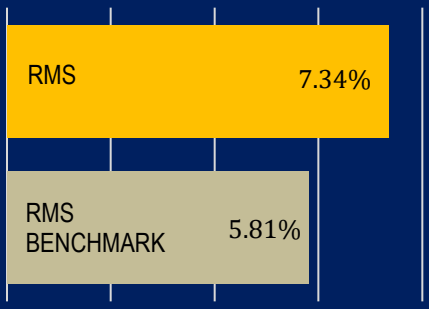
- Completing a comprehensive program review led by the RMS Director.
- Advancing development of updated dashboards to enhance performance and risk oversight.
- Initiating analysis on scaling opportunities across the portfolio.

DEFENDERS AND DIVERSIFIERS

The RMS portfolio is structured to incorporate Defender strategies that provide core downside protection and Diversifier strategies for times when defenders are less effective. The RMS Defender strategies are Long Duration U.S. Treasuries (UST) and Trend Following. UST is managed internally, while Trend Following is managed by external partners. The Diversifier strategies, Global Macro and Systematic Risk Premia (SRP), are both managed externally. Figures shown in the chart reflect RMS allocations as of June 2026, including the portion of the Defender strategies that are managed internally.



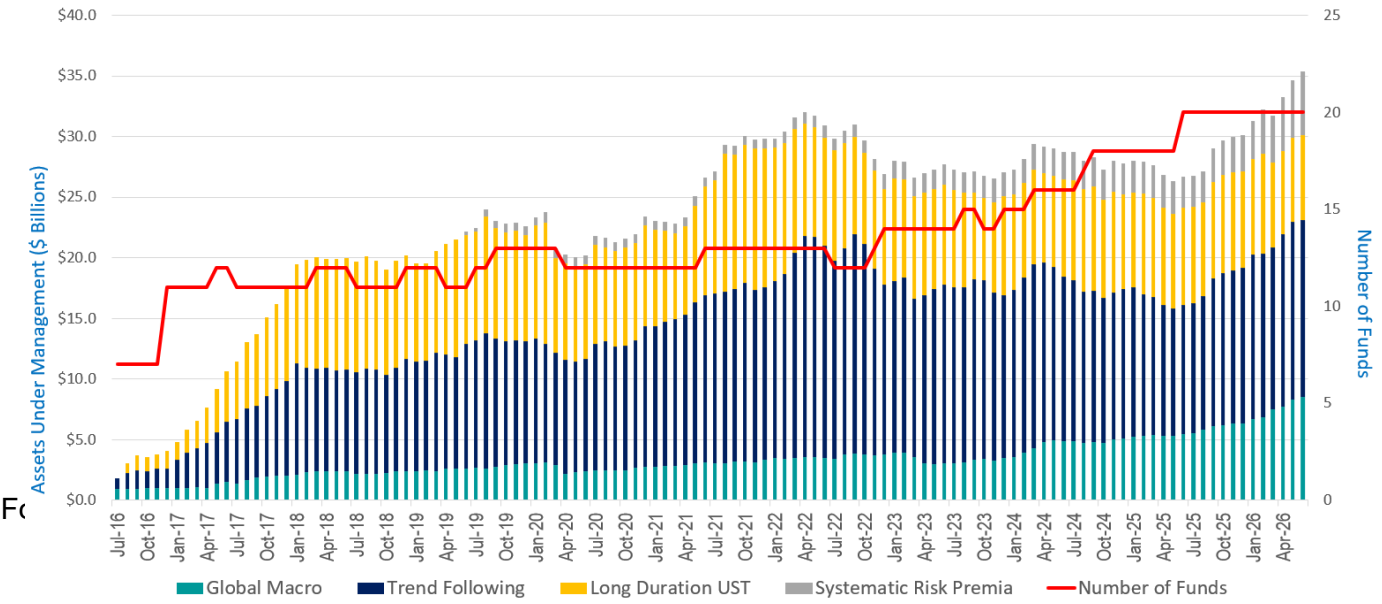
6M PERFORMANCE
AS OF JUNE 2026



HIGHLIGHTS

Over the last six months, RMS consistently performed well across all strategies. Trend Following, Global Macro and SRP contributed positively, while UST continued to provide good downside protection. Overall results were in line with RMS objectives.

RMS EVOLUTION OVER THE YEARS



RISK FACTORS

DEFENDER - TREND FOLLOWING

Trend strategies seek to capture returns from sustained price movements and typically provide strong protection during prolonged equity drawdowns. Their main risk is volatility when trends reverse or fail to form.

DIVERSIFIER - GLOBAL MACRO

Global Macro strategies take positions based on macroeconomic themes and global market conditions, providing diversification when defenders underperform. Their primary risks stem from incorrect macro views and sudden geopolitical or policy changes.

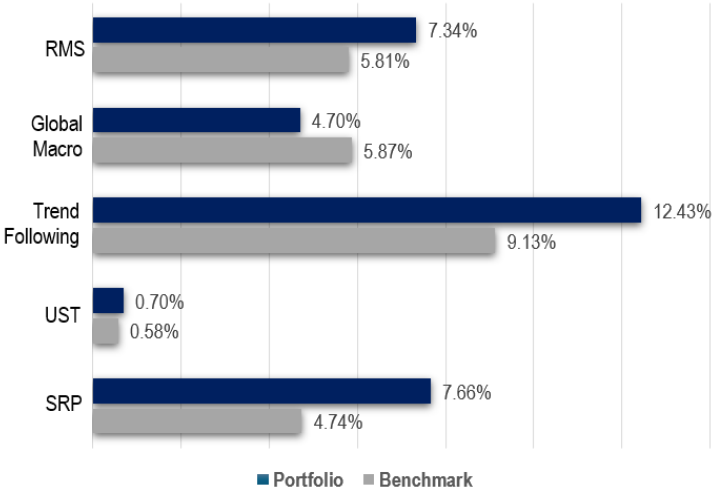
DIVERSIFIER – SRP

SRP strategies capture compensated risk premia across asset classes using quantitative, rule-based models. Their key risk is that premia can disappear or behave differently during market stress, especially if models fail or markets undergo structural shifts.

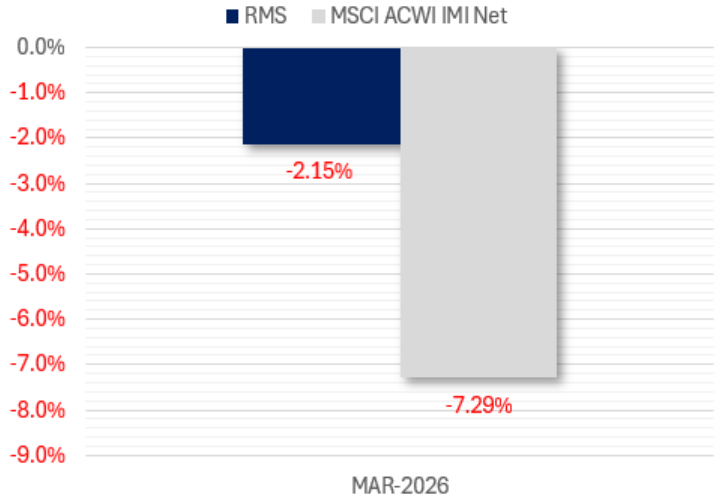
DEFENDER - UST

UST strategies are core defenders which typically appreciate during market selloffs, providing strong downside protection. Their primary risk is high interest-rate sensitivity which can lead to losses when yields rise.

6M - NET PERFORMANCE
AS OF JUNE 2026



RMS vs. MSCI: MAX DRAWDOWN
FOR THE PERIOD 1/1/26 – 6/30/26



BENCHMARK

Each RMS sub-strategy is assigned to its own benchmark, and the overall RMS benchmark is determined by the actual weighting of each sub-strategy in the portfolio.

- Global Macro: HFRI Macro: Discretionary Thematic Index
- Trend Following: SG Trend Index
- UST: Bloomberg U.S. Treasury: 20+ Year Total Return Index
- SRP: SG Multi Alternative Risk Premia Index

RMS POSITIONING

AS OF JUNE 2026

Portfolio decisions are structured to achieve RMS's long-term objectives to reduce volatility and protect against equity market downturns, which can provide a more stable funding path for the Total Fund.

Strategy	Market Value ($ in millions)	Current Allocation	Target Weight Range	Number of External Managers
Global Macro	$8,503	24.0%	0% - 35%	9
Trend Following	$14,601	41.2%	25% - 65%	7
UST	$7,027	19.8%	15% - 55%	-
SRP	$5,286	14.9%	0% - 25%	4
RMS	$35,417	8.5%*	5% - 15%*	

*Expressed as a percentage of the CalSTRS Total Plan.