



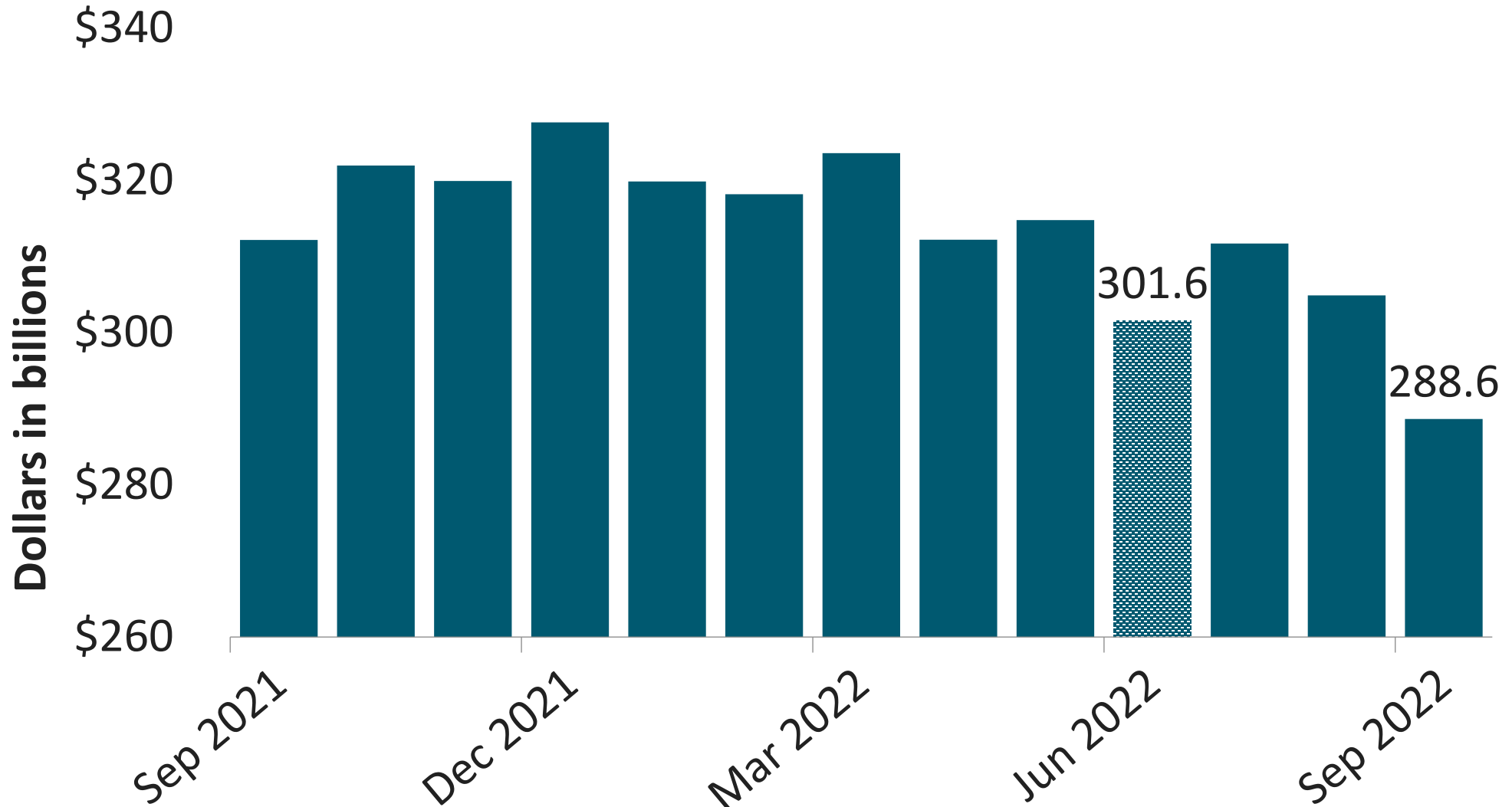
CALSTRS®

Chief Investment Officer Report

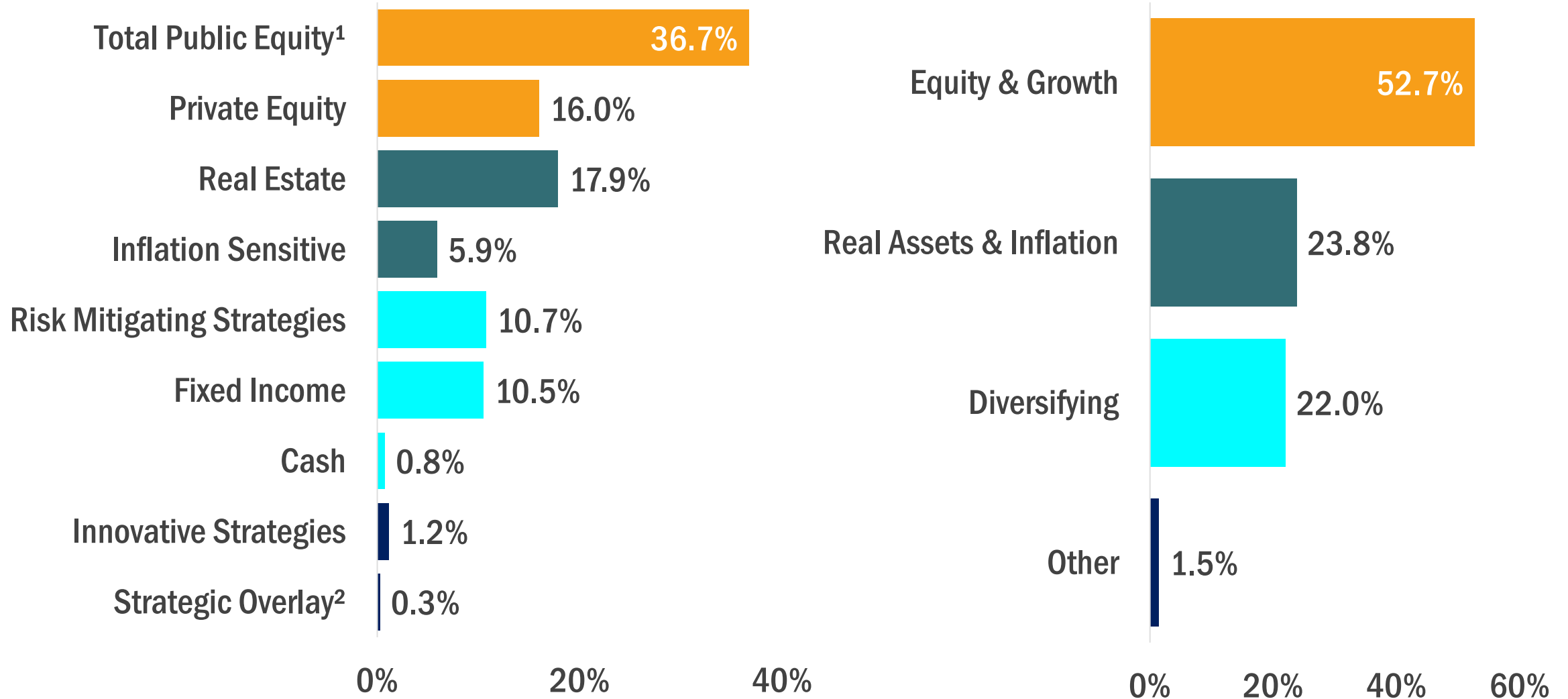
November 1, 2022

Trust fund assets (combined Defined Benefit plans)

**Sep. 30, 2022
assets
\$288.6 bil.
est.**



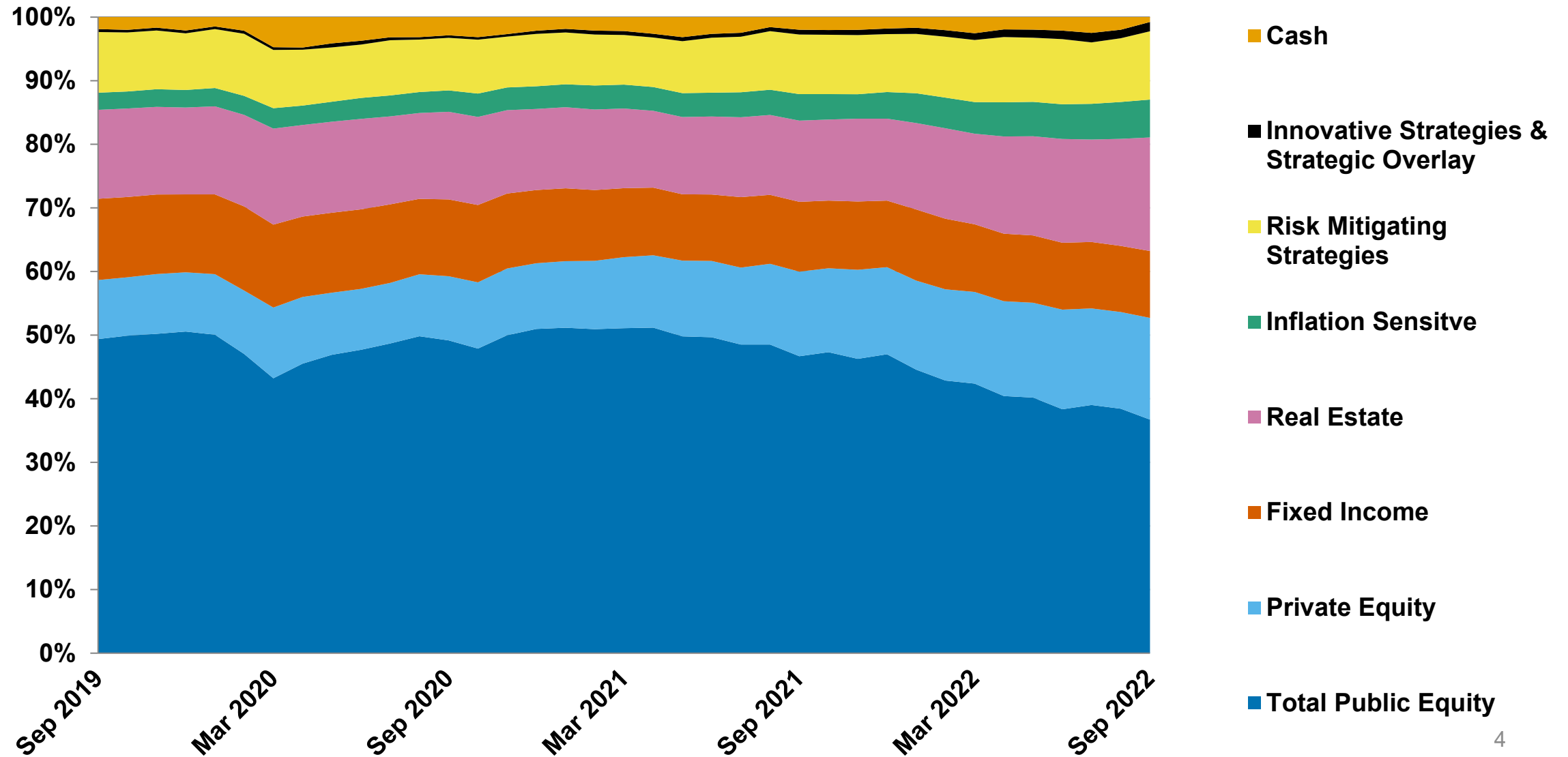
Asset allocation – as of September 30, 2022



¹ Total Public Equity includes the following sub-units: Global Equity, SISS and Innovation GE

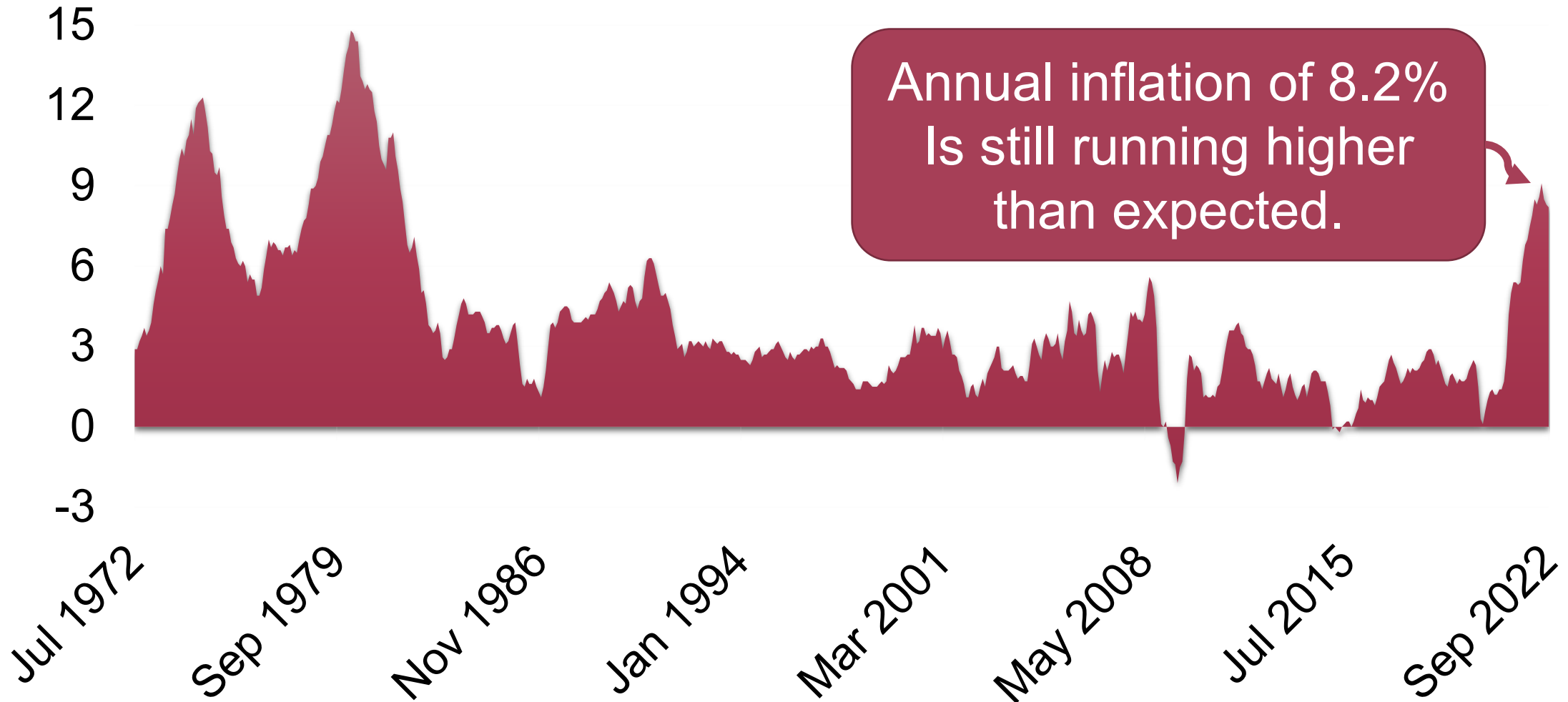
² Strategic Overlay includes Currency and Derivatives Overlay

Asset Allocation trend over the last 3 years



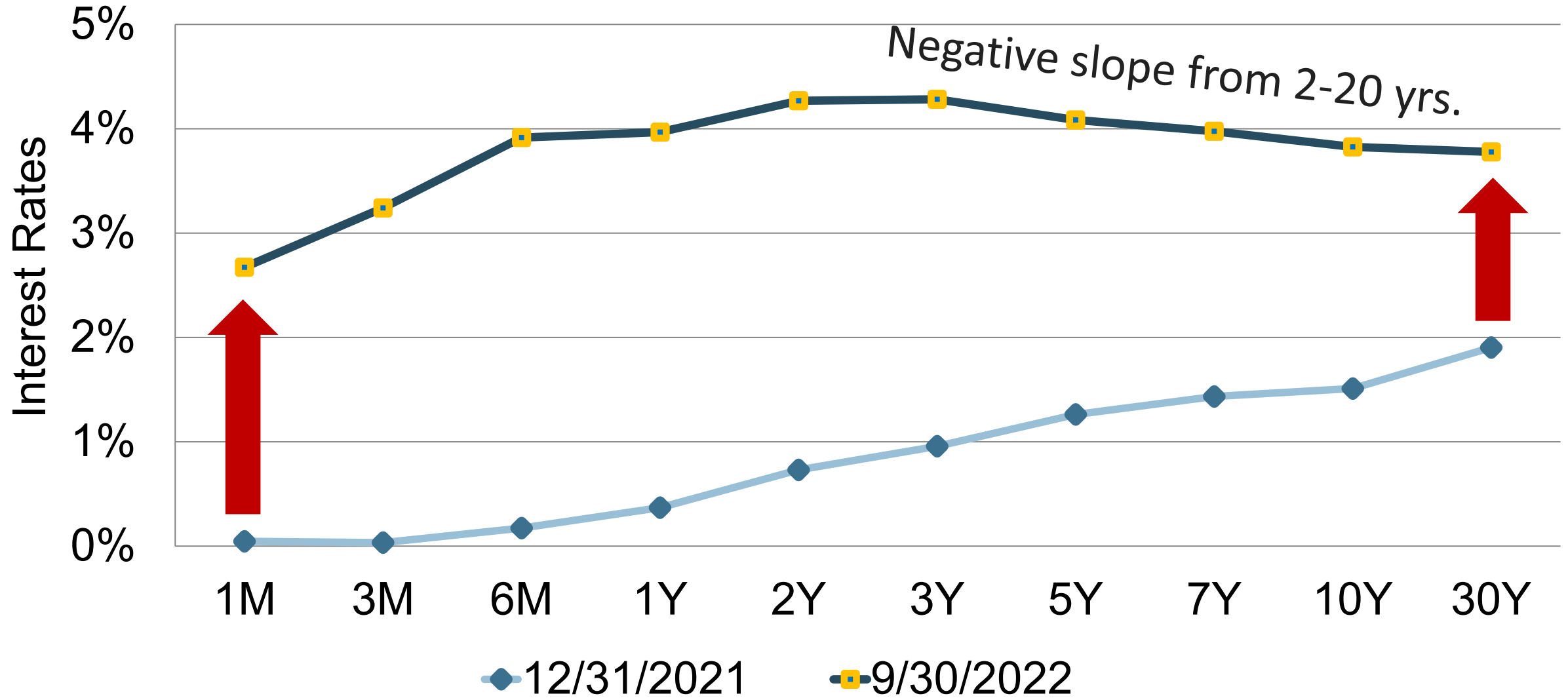
Inflation remains the focus for investors and the Fed

U.S. annual inflation in percentage

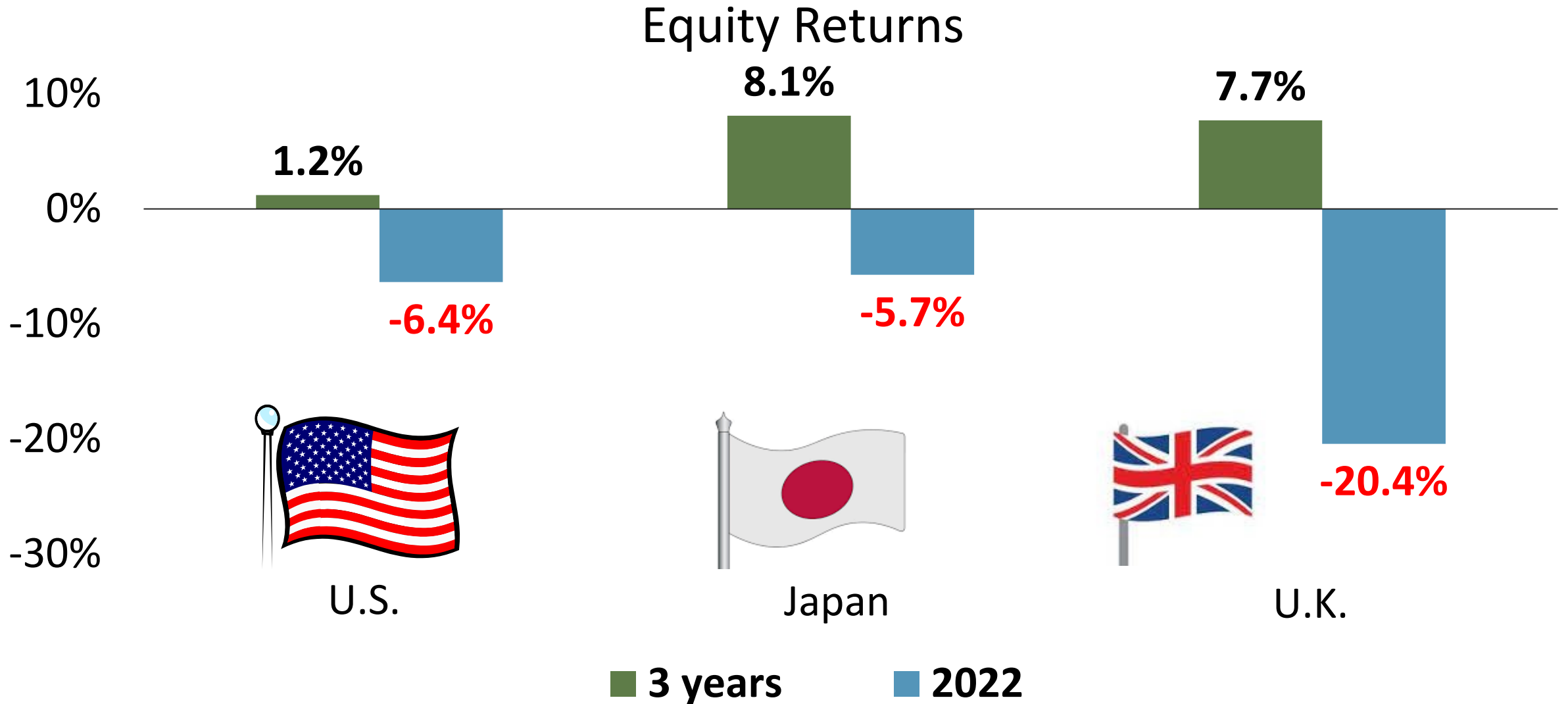


Source: Bloomberg.

Rapidly rising interest rates this year

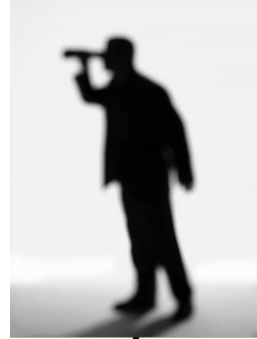


Declining asset values follow rising rates



Returns as of September 30, 2022 for Russell 3000, NIKKEI, and FTSE.

Looking out to the horizon



Key risks to monitor :

- 🚨 **Inflation – still running high**
- 🚨 Central Bank Policy – Fed, ECB, BoJ, BoE tightening mode
- 🚨 Fed to raise rates +75 again, and again?

Positives:

- ⚙️ Strong labor market ?
- ⚙️ Solid Corporate Balance sheets
- ⚙️ The Fed rate hikes might be priced into the market

Uncertainties :

- 🕷️ How long will the Fed raise rates?
- 🕷️ Will it take a recession to slow inflation? If so, how bad?

Inevitable surprises

- ⚠ Climate extremes
- ⚠ Domestic terrorism or extremism
- ⚠ Broken political system leads to social unrest / protests *
- ⚠ Income inequality
- ⚠ Digital virus / cyber attacks *
- ⚠ Pandemic biological virus
- ⚠ Earthquakes
- ⚠ **Russian / Ukraine – tactical nukes ***
- ⚠ North Korea / Iran aggression *
- ⚠ China / Taiwan / U.S. tensions *
- ⚠ Greater geopolitical tensions *
- ⚠ Space junk / near Earth objects
- ⚠ Lethal drones – micro drones *

⚠ **U.S and Global Energy Transition**

* Additional risks added or noted based on the off-site discussion



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More information is available at:

[Calstrs.com/Investments](https://www.calstrs.com/Investments)