

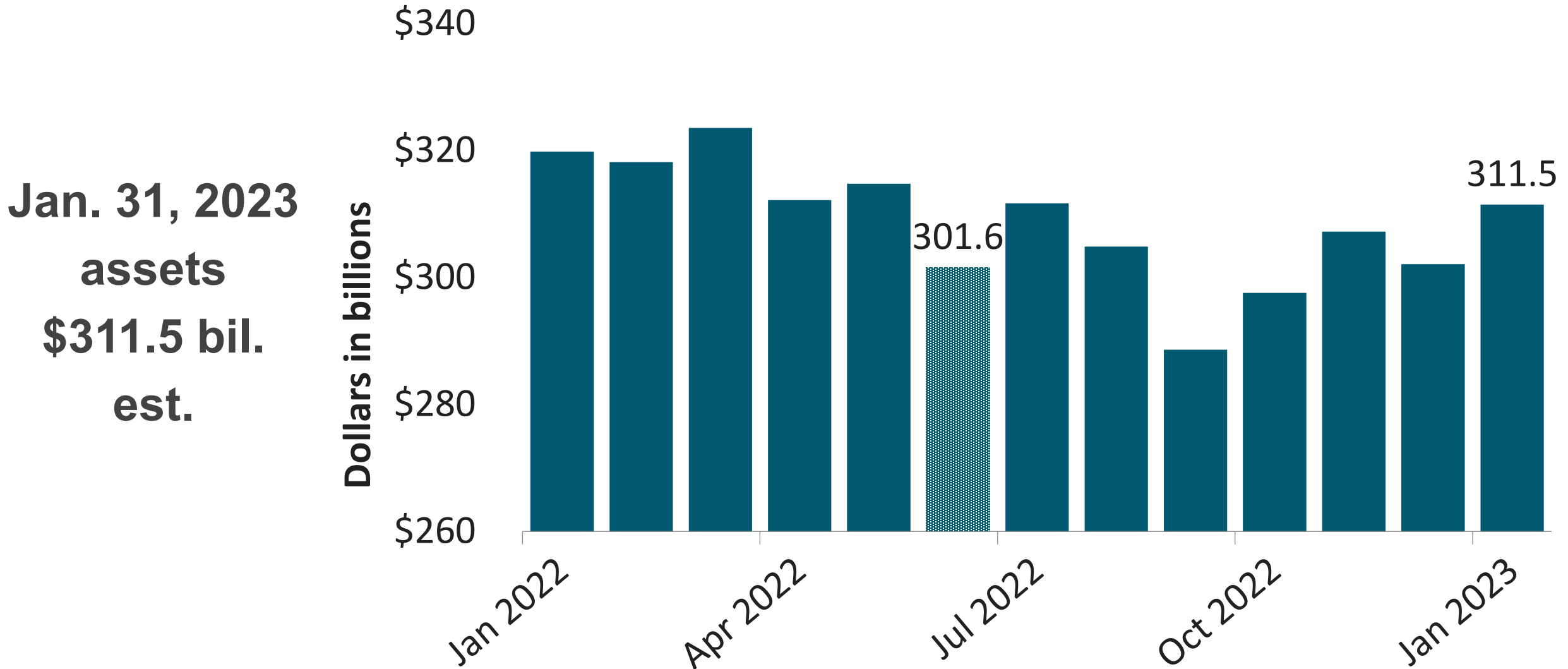


CALSTRS®

# Chief Investment Officer Report

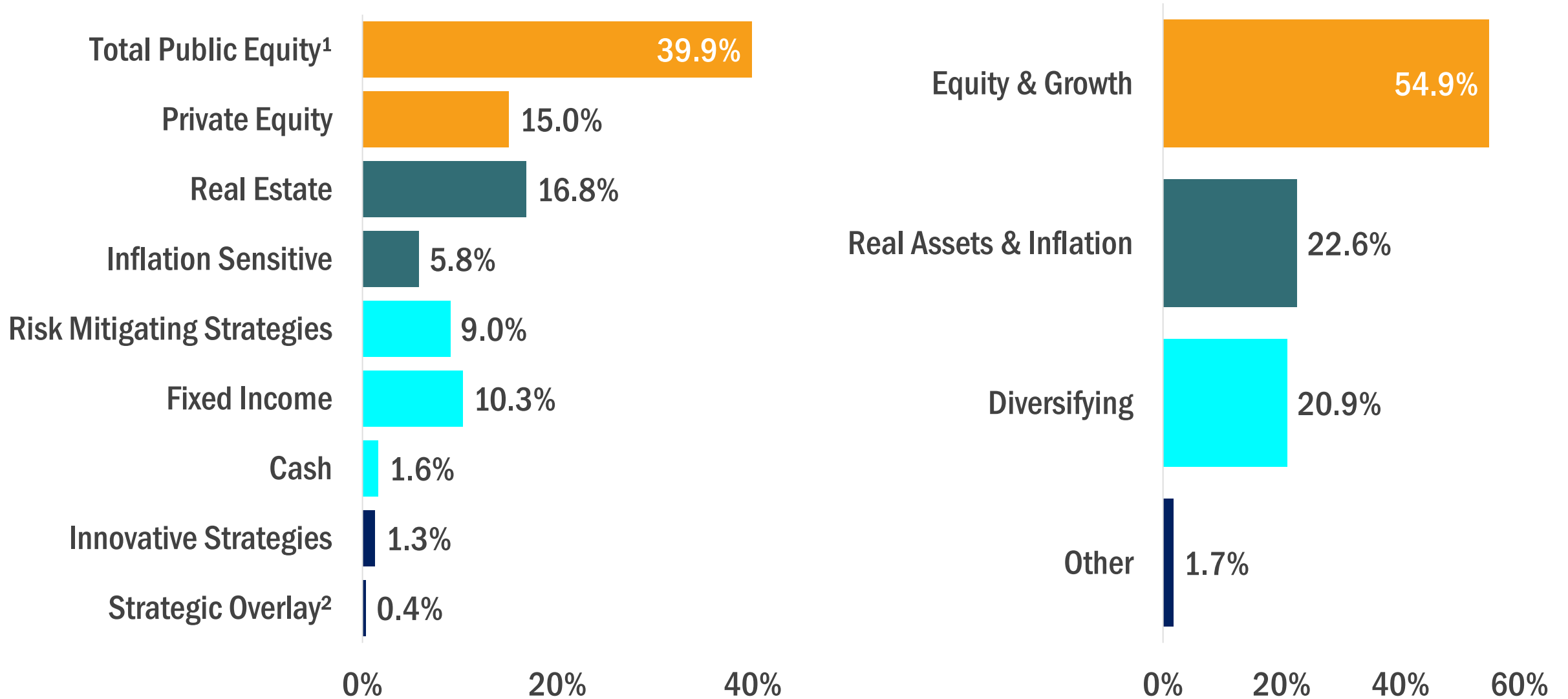
March 2, 2023

# Trust fund assets *(combined Defined Benefit plans)*



**Jan. 31, 2023  
assets  
\$311.5 bil.  
est.**

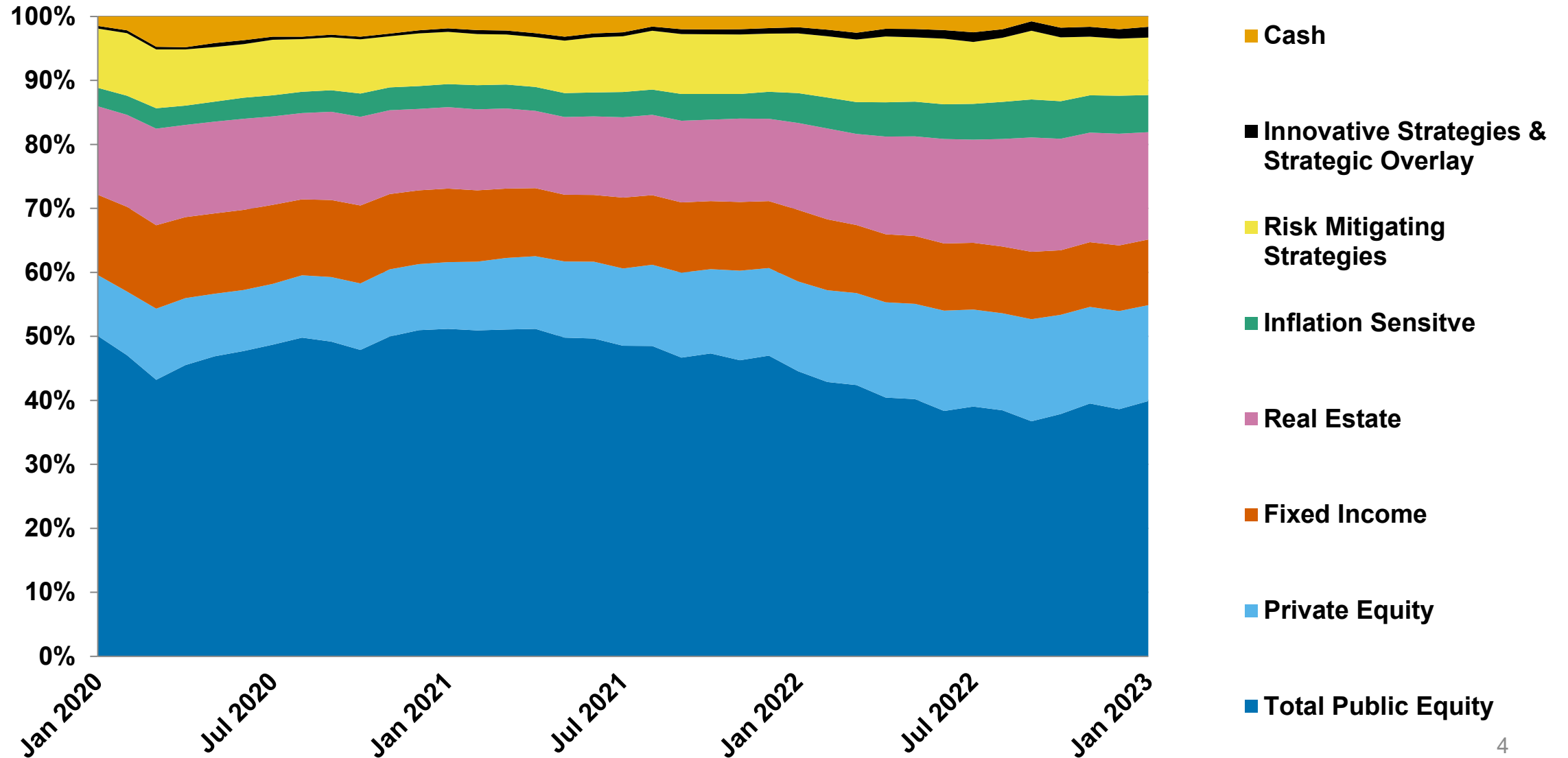
# Asset allocation – as of January 31, 2022



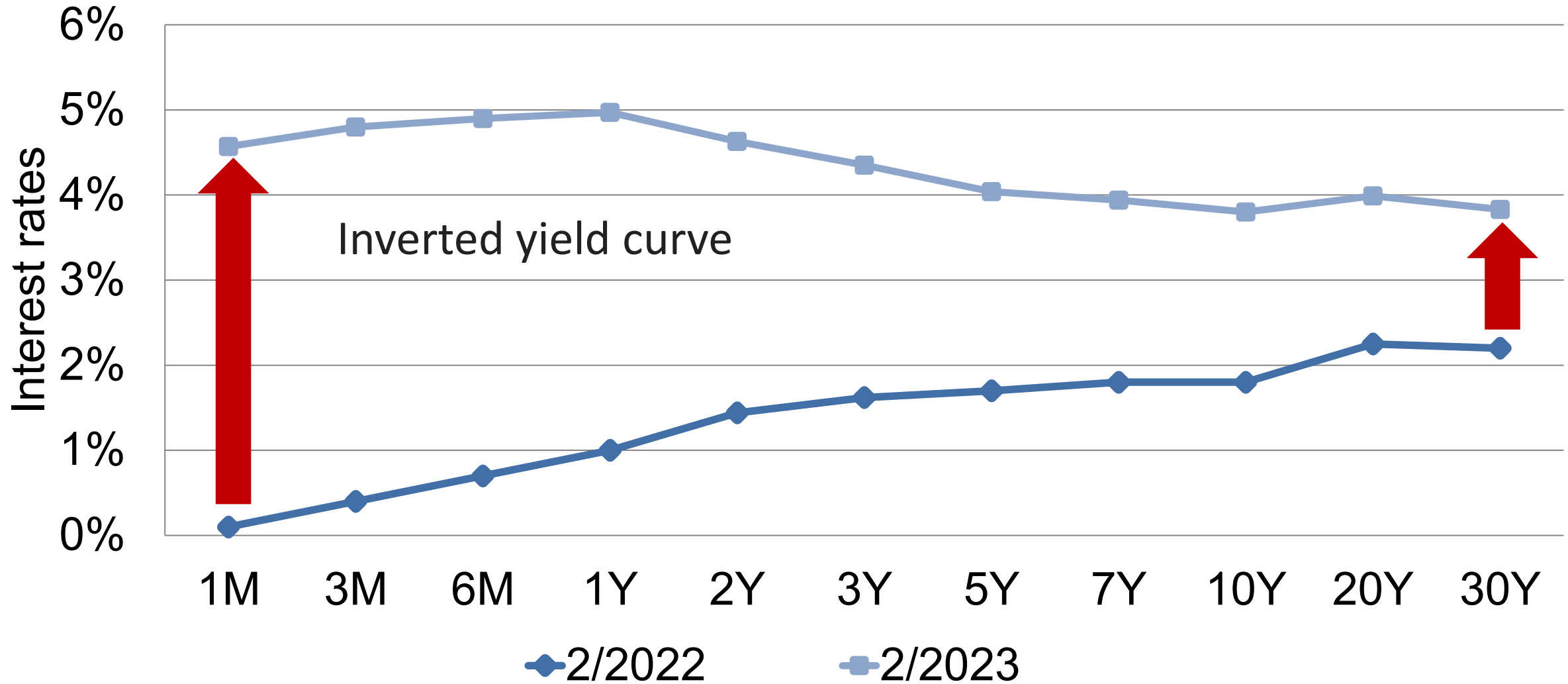
<sup>1</sup> Total Public Equity includes the following sub-units: Global Equity, SISS and Innovation GE

<sup>2</sup> Strategic Overlay includes Currency and Derivatives Overlay

# Asset allocation trend over the last 3 years



## Historical rise in interest rates for 2022



**From zero to 475 in one year**

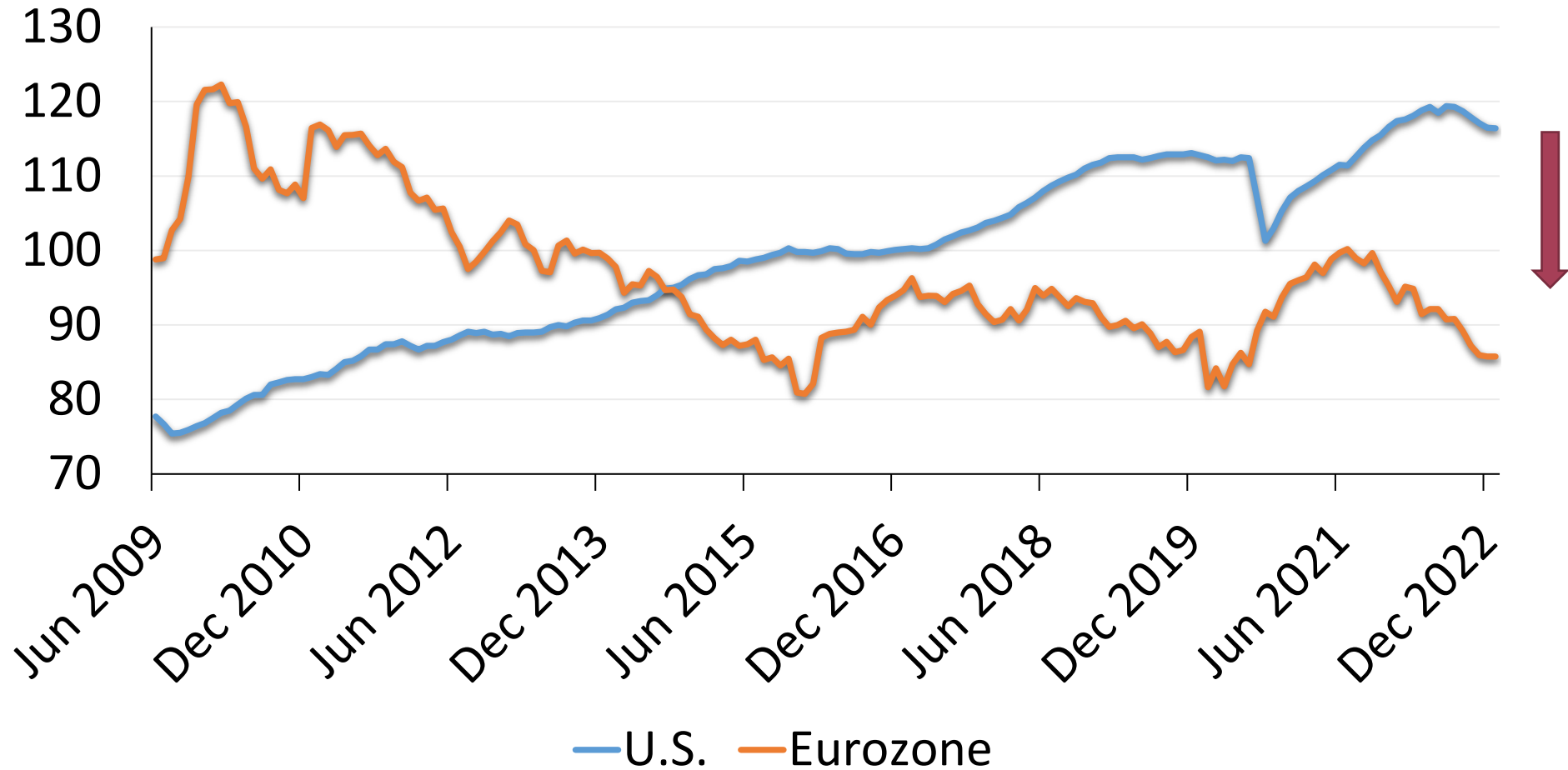
# Is the Bear Market over? Jan & Feb '23 broke the trendline



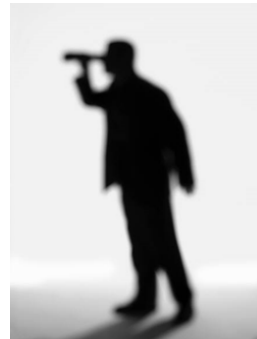
Russell 3000 Price Index as of February 15, 2023.

# Leading indicators

- Leading Economic Indicators are pointing lower



# Looking out to the horizon



## Key risks to monitor :

- 🚨 **Inflation** – Below peak, but well above 2%
- 🚨 **Central Bank Policy** – Fed, ECB, BoJ, BoE tightening mode
- 🚨 **Fed to raise rates again, and again?** Mar 22<sup>nd</sup> & May 3<sup>rd</sup>

## Positives:

- ⚙️ Active consumer
- ⚙️ *Labor market?*
- ⚙️ *Corporate Balance sheets?*
- ⚙️ The Fed rate hikes might be priced into the market

## Uncertainties :

- 🕷️ How long will the Fed raise rates? *Soft landing or no landing?*
- 🕷️ Mixed Economic signals everywhere



# Inevitable surprises *(Range from high to low likelihood, but potential of very high impact)*

- ⚠ Climate extremes
- ⚠ **Digital virus / cyber attacks \***
- ⚠ Biological virus
- ⚠ Income inequality
- ⚠ Domestic terrorism or extremism
- ⚠ Earthquakes
- ⚠ U.S and Global Energy Transition
- ⚠ Russia / Ukraine\*
- ⚠ North Korea / Iran aggression \*
- ⚠ China / Taiwan / U.S. tensions \*
- ⚠ Lethal drones – micro drones \*
- ⚠ Space junk / near Earth objects

\* Highest level risk from the World Economic Forum / Davos

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



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More information is available at:  
[Calstrs.com/Investments](https://Calstrs.com/Investments)