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# Investment Committee Semi-Annual Activity Report

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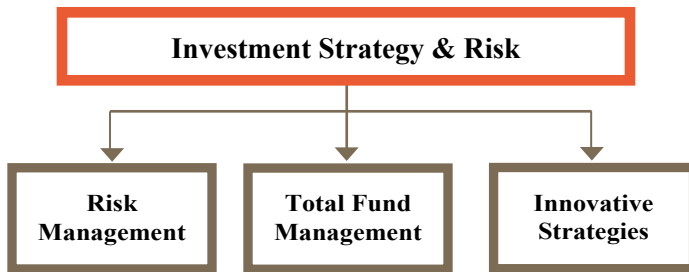
| 9. Investment Strategy & Risk

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# CalSTRS Investment Strategy & Risk Semi-Annual Report

## Program Description



Established in May 2019, the Investment Strategy & Risk (ISR) group’s primary goal is to improve the risk-adjusted returns of the CalSTRS Portfolio through a total fund approach.

As a mature pension fund with negative cash flows, a total fund management approach is important for long-term fund performance. The ISR team focuses on total fund initiatives, including asset-liability management, risk management, tactical fund positioning and rebalancing, and Innovative Strategies to improve total fund risk-adjusted returns.

- **Risk Management’s** goal is to provide a comprehensive, total fund view of portfolio risk to support investment decision-making
- **Total Fund Management’s** objective is to enhance governance and engage collaborative partners for total fund “smart rebalancing” and overlay positioning
- **Innovative Strategies’** primary goal is to research and invest in strategies that improve the risk and return profile of the total fund

## Program Developments

### Risk Management

The Risk Management team concluded the 2022-23 Asset-Liability Management Study with the Investment Committee adopting new long-term asset allocation targets in May 2023. The team also provided significant support to new total fund management initiatives around balance sheet management, liquidity, and leverage.

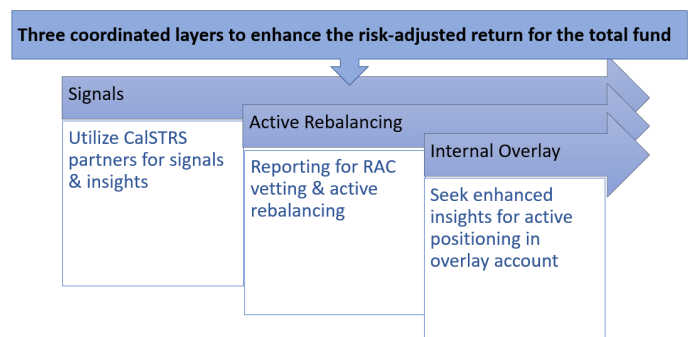
### Total Fund Management

Collaborating with the Performance team, the Risk Management team, all asset classes, and external research partners, we advised the Risk Allocation Committee of political, economic, and social turbulences to navigate the financial market.

Total Fund Management will continue coordinating, launching, and maintaining a multi-team data-driven investment process by presenting Global Equity, Fixed Income, and Risk Mitigating Strategy signals in the cross-asset context.

We will further collaborate with external investment partners for research, tactical positioning, and overlay strategies.

## Total Fund Positioning



We also conducted research on strategic issues such as blockchain and China Exposure.

### Innovative Strategies

The Investment Strategy & Risk team continues to focus primarily on incubating private credit within the Innovative Strategies Portfolio, which includes direct lending, opportunistic credit, and specialty finance. After surveying the investable universe with the help of a consultant, staff is currently evaluating a short list of potential managers to gain exposure to the specialty finance space with enhanced economics.

The team will also continue to collaborate with the traditional asset classes to source potential joint research projects. Currently, the team is assisting Fixed Income with their research in direct lending and will provide support as needed. As of June 30, 2023, the market value of the CalSTRS’ Innovative Strategies Portfolio was \$4.5 billion allocated across 17 strategies and 13 co-investment vehicles.

