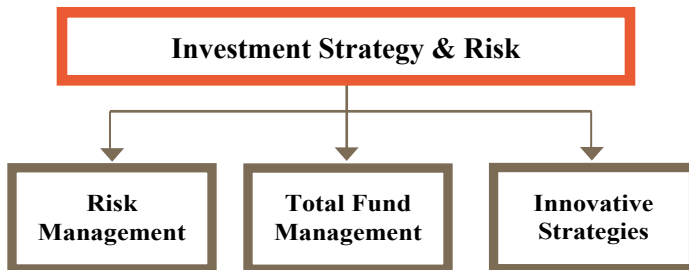

Investment Committee Semi-Annual Activity Report

| 9. Investment Strategy & Risk



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, risk management, and the inclusion of alternative investments and overlay strategies.

Due to CalSTRS being a mature pension fund with negative cash flows, tighter cash management with efficient rebalancing and total fund management are increasingly important to fund performance. The ISR team will focus on longer-term asset liability management and shorter-term tactical fund positioning with risk budgeting.

- **Risk Management’s** goal is to improve risk research and reporting.
- **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 collaborated significantly as part of the Net Zero Green Team. The team expanded its internal reporting and analytics on Public Equity and total fund asset allocation to support senior leadership and the Risk Allocation Committee (RAC). The team also began work in preparation of the 2022-23 Asset-Liability Management Study.

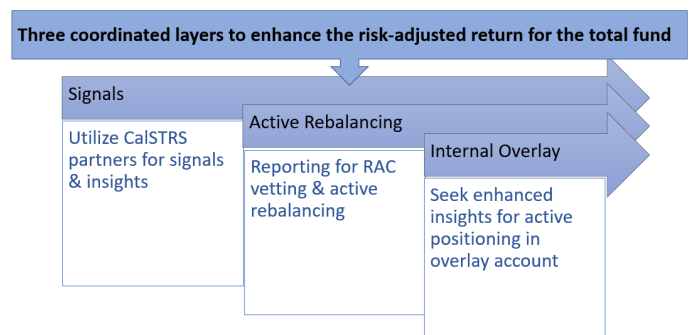
Total Fund Management

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.

Innovative Strategies

The Investment Strategy & Risk team continues to focus primarily on increasing exposure to private credit, which includes direct lending and real assets credit within the Innovative Strategies Portfolio. After surveying the investable universe for specialty finance strategies 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, 2022, the market value of the CalSTRS’ Innovative Strategies Portfolio was \$3.2 billion allocated across 15 managers and 10 co-investment vehicles.

