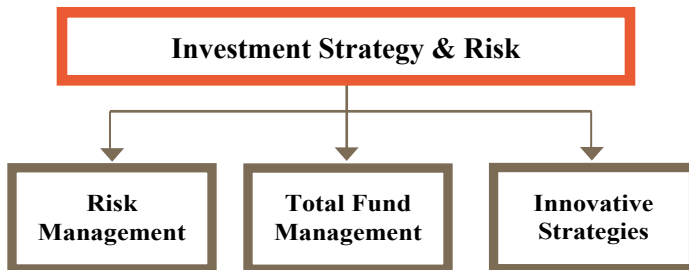

Investment Committee Semi-Annual Activity Report

| 9. INVESTMENT STRATEGY
& RISK



CalSTRS Investment Strategy & Risk Semi-Annual Report

Program Description



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

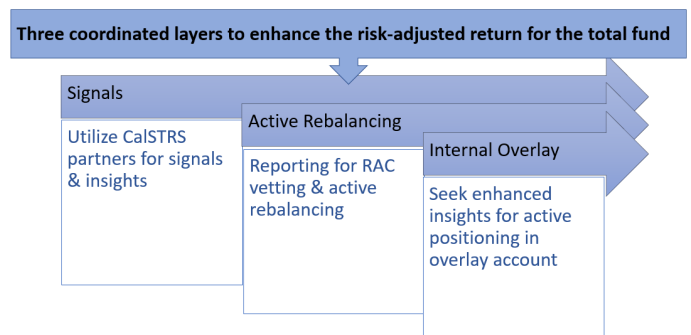
The Risk Management team collaborated with several asset classes and Innovative Strategies to model private credit opportunities in the portfolio. The team also implemented new risk reporting initiatives to support risk budgeting for Fixed Income and Sustainable Investment and Stewardship Strategies portfolios.

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 (RAC) of political, economic, and social turbulences to navigate the financial market.

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

Total Fund Positioning



Innovative Strategies

The Investment Strategy & Risk (ISR) team continued to focus primarily on increasing exposure to the private credit asset class within the incubation portfolio. A comprehensive review of CalSTRS’ current private credit exposure (conducted by Aksia) identified diversifying private credit strategies, such as specialty finance and Asia direct lending, as the primary areas of interest for ISR. As of June 30, 2021, the market value of the CalSTRS’ Innovative Strategies Portfolio was \$1.5 billion.

