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# Investment Committee Semi-Annual Activity Report

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| 6. INFLATION SENSITIVE

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## CALSTRS INVESTMENT COMMITTEE SEMI-ANNUAL ACTIVITY REPORT

### INFLATION SENSITIVE PROGRAM SUMMARY

#### Market Indicators:

- (YOY) US CPI: +5.4%
- (Ann.) Infrastructure Benchmark: +6.72%
- (FYTD) Bloomberg Commodity Index: +45.50%
- (FYTD) US TIPS Index: +6.51%

#### CalSTRS Portfolio Allocation:

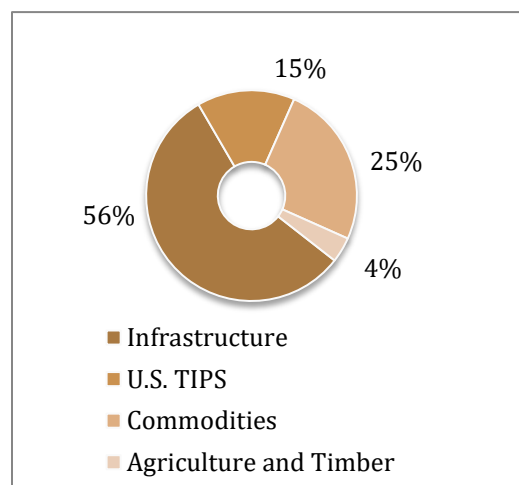
- Long-term Target: 6% of the overall CalSTRS portfolio
- Currently 3.7% of the overall portfolio

US CPI has continued to advance throughout 2021 to a new YOY increase of 5.4% after the initial dip to a low of 0.1% in May 2020 from Covid-19 linked economic concerns. There will continue to be a lot of discussion and concern around the increase in the U.S. CPI. However, at this point, we believe it to be transitory and a reflection of an increase in overall demand, an accumulated savings rate, and the slow adjustment of international supply chains to that increase in demand. We expect inflation to begin to moderate by the end of 2021 and into early 2022 to around 3% or lower as demand normalizes, and disruptions are resolved. The Infrastructure benchmark has returned 6.72% annualized through June 2021 and the US TIPS Index is up a respectable 6.51% through the fiscal year. Commodities have returned a stunning 45.50% over the fiscal year as demand for commodities rose (e.g., led by oil and precious metals), supply chains were squeezed and decreases in commodity stockpiling due to pandemic cautiousness later led to accelerated ordering resulting in pricing spikes. Commodities are the most volatile part of the Inflation Sensitive portfolio and will benefit from a quickening pace of the economy and are viewed as a place where inflationary pressures are first felt in the economy. We currently are at 3.7% of the overall portfolio and are moving towards our 6% total portfolio allocation by 2024.

#### Inflation Sensitive Risk Factors:

- Rapid and uncontrolled rise in interest rates
- Persistent currency volatility
- Rapid technological advancements in power and transportation industries

#### Inflation Sensitive Portfolio Allocation



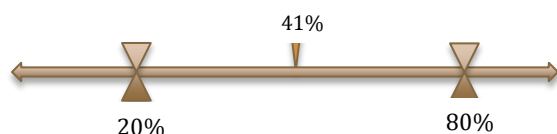
#### Portfolio Value as of June 30, 2021

Asset Type	Market Value (\$)	Committed Amount (\$)
U.S. Treasury Inflation Protected Securities	1,791,453,244	--
Infrastructure*	6,403,444,298	10,610,809,431
Commodities	2,885,063,412	--
Agriculture and Timber*	446,348,536	575,000,000
<b>Total</b>	<b>11,526,309,490</b>	<b>11,185,809,431</b>

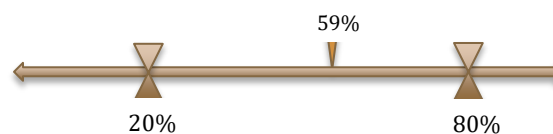
\*Market value based on Q1 pricing

#### Current Allocation

##### Public Inflation Sensitive Assets



##### Private Inflation Sensitive Assets



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