

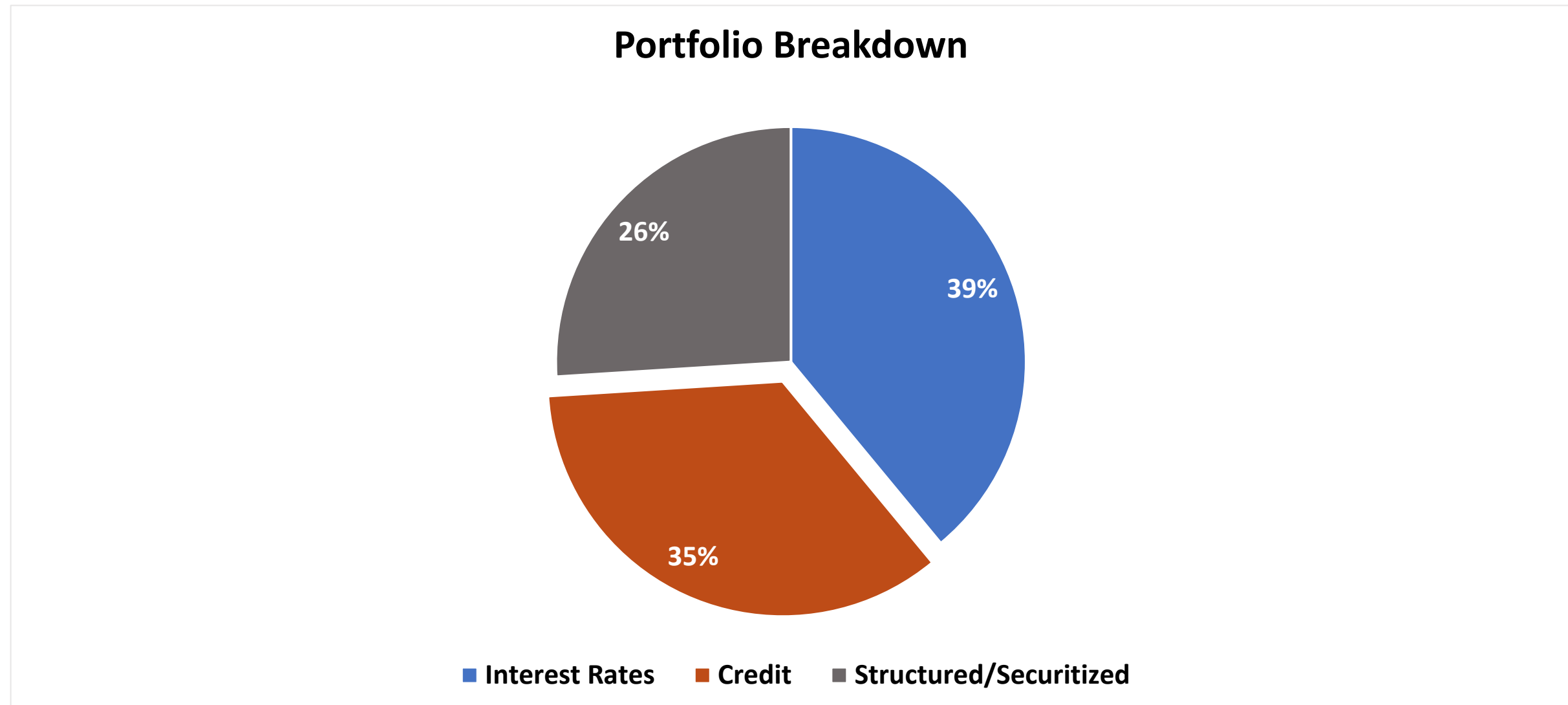
CALSTRS®

# Fixed Income Emissions Reduction Recommendation

May 4, 2023



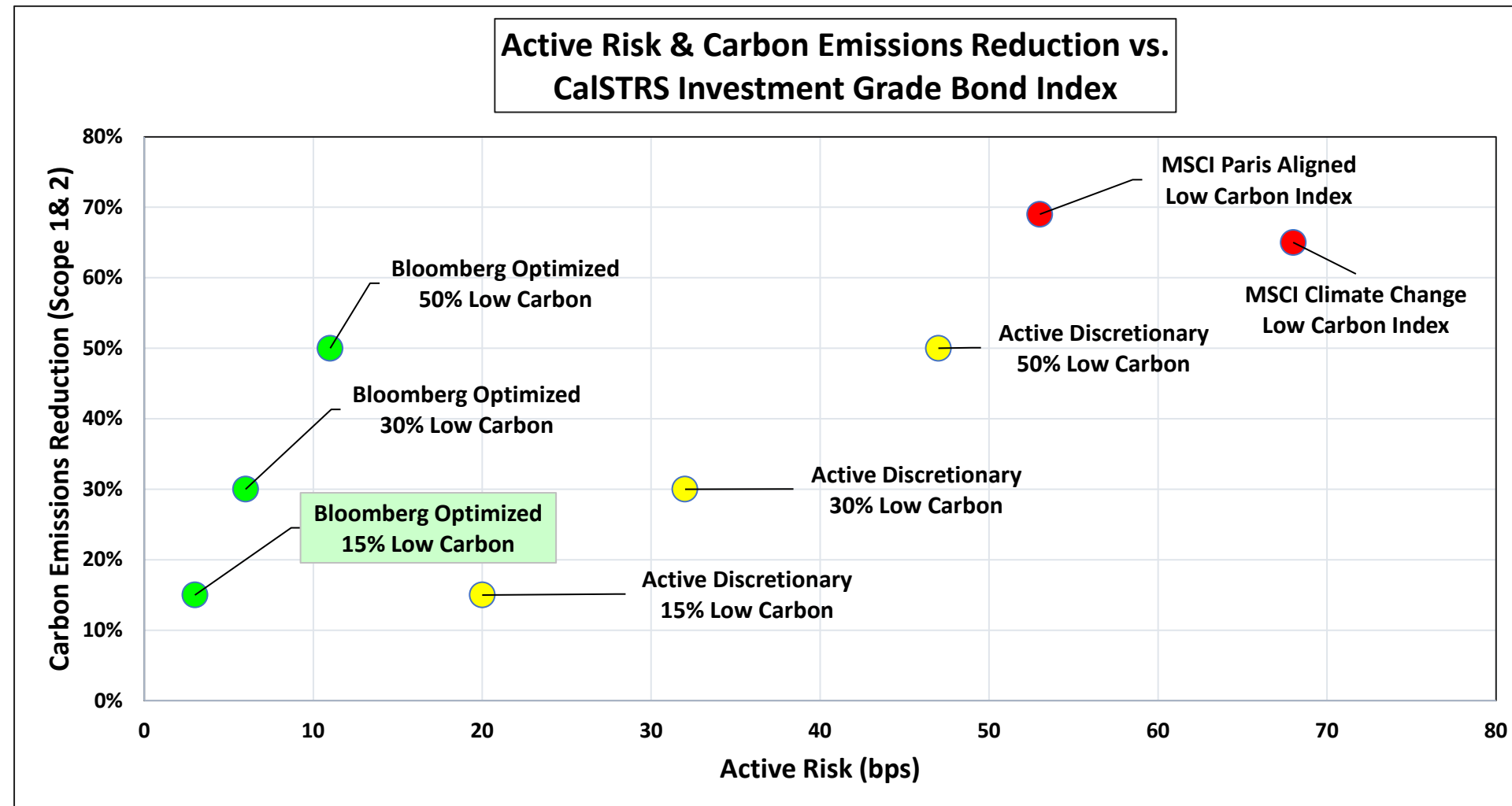
# CalSTRS Fixed Income



- Enhanced Indexing
- Active Risk Range: 10 bps - 60 bps
- Carbon Emissions in Credit

# Fixed Income strategic decarbonization options

- Bloomberg Index Optimization
- Active Discretionary
- MSCI Low Carbon Indices





# Bloomberg Index low carbon optimization

- Maintains Broad Index Metrics
- Preserves Fixed Income Management Process

| Index   | Yield | Credit Spread (basis points) | Duration (years) | Number of Issuers | Number of Securities |
|---|-------|------------------------------|------------------|-------------------|----------------------|
| CalSTRS Bloomberg Investment Grade Bond Index | 5.42% | 112                          | 6.97             | 1019              | 8246                 |
| Bloomberg IG 15% Low Carbon Index (Optimized) | 5.41% | 112                          | 6.96             | 1019              | 8246                 |
| Bloomberg IG 30% Low Carbon Index (Optimized) | 5.41% | 112                          | 6.92             | 1019              | 8246                 |
| Bloomberg IG 50% Low Carbon Index (Optimized) | 5.41% | 111                          | 6.86             | 1019              | 8246                 |

Source: Bloomberg, Data as of 3/01/2023

- Slight Increase in Active Risk for Fixed Income
- 15% Carbon Reduction is Manageable