
Investment Committee Semi-Annual Activity Report

| 6. Inflation Sensitive

INFLATION SENSITIVE PROGRAM SUMMARY

Market Indicators:

- (YOY) US CPI: +3.3%
- (Ann.) Infrastructure Benchmark: +7.60%
- (FYTD) Bloomberg Commodity Index: -.48%
- (FYTD) US TIPS Index: +2.71%

CalSTRS Portfolio Allocation:

- Long-term Target: 7% of the overall CalSTRS portfolio
- Currently 6.3% of the overall portfolio

US CPI on a year-over-year (YOY) basis fell 0.1% from the last semi-annual report to 3.3% from 3.4%. However, inflation has certainly come down from its earlier 2022 highs. 2024 has seen a moderation in the inflation rate and Fed insistence on keeping interest rates higher for longer in order to ensure that inflation does not return in a major way. Therefore, a strategy of higher for longer has worked and sends a signal to the markets that excessive levels of fiscal stimulus coupled with unreasonably low interest rates cannot persist without negatively impacting overall price levels.

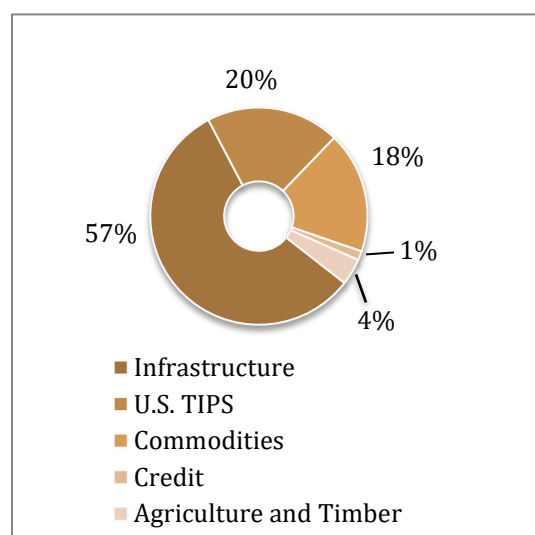
The infrastructure benchmark (CPI+400) returned 7.60% in the last 12 months, down from 7.83% in the last semi-annual reporting period as inflation continues to move lower and interest rates stabilize. Commodities on a fiscal year to date basis have returned -.48%, though our internal and external portfolio returns are better than the index returns. The U.S. TIPS index on a fiscal year basis is up 2.71%. The private credit portfolio is just barely 1% of the overall Inflation Sensitive portfolio and will continue to develop as more assets are deployed and the allocation matures.

We expect to further increase the U.S. TIPS portfolio allocation and a reduction in commodities exposure as the Federal Reserve eases monetary policy and interest rates slowly decline. We continue to be active in the infrastructure market as more opportunities are available at better prices and thus better returns for the risk incurred. We still expect activity to increase in the 2024-25 time period.

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, 2024

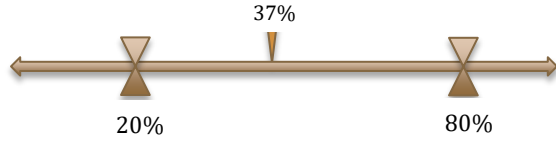
Asset Type	Market Value (\$)	Committed Amount (\$)
U.S. Treasury Inflation Protected Securities	4,193,817,701	--
Infrastructure*	12,324,175,420	15,295,045,478
Commodities	3,925,334,003	--
Agriculture and Timber*	853,855,429	875,000,000
Credit*	293,897,304	800,000,000
Total	21,591,079,857	16,970,045,478

*Market value based on Q1 pricing

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Current Allocation

Public Inflation Sensitive Assets



Private Inflation Sensitive Assets

