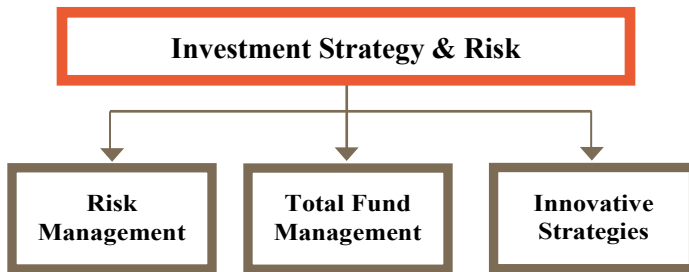

Investment Committee Semi-Annual Activity Report

| 9. Investment Strategy & Risk



CalSTRS Investment Strategy & Risk Semi-Annual Report

Program Description



Originally established in 2009 as Innovation & Risk and renamed Investment Strategy & Risk (ISR) in 2019, ISR comprised Asset Allocation, Risk Management, and Innovative Strategies. With the creation of the Collaborative Strategies portfolio that includes the Innovative Strategies portfolio, the ISR team becomes Total Fund Management, with 3 primary areas of responsibility: Portfolio Construction & Asset Allocation, Balance Sheet Management, and Risk Management. These areas include the Asset-Liability Management Study (ALM) conducted every 4 years, chairing the Risk Allocation Committee (RAC), liquidity management, and Total Fund risk.

- **Risk Management's** goal is to provide a comprehensive, total fund view of portfolio risk to support investment decision-making.
- **Total Fund Management's** objective is to enhance portfolio construction 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

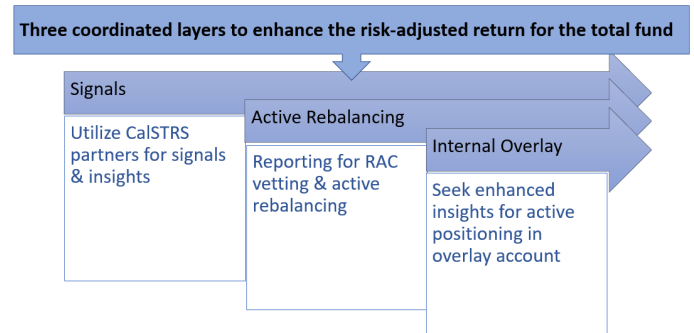
Risk Management

The Risk Management team supported the ongoing transition to total fund management through its work on the annual asset allocation plan and the liquidity plan. The team expanded internal reporting and analytics to support execution of the liquidity plan and developed new reporting for the Senior Management Team.

Total Fund Management

Total Fund Management continued its collaboration with asset classes to support the Risk Allocation Committee, providing research and analysis of macro-economic and geopolitical trends to inform total fund positioning.

Total Fund Positioning



Innovative Strategies

The newly approved Collaborative Strategies Portfolio Policy created two distinct investment sleeves: an Innovation sleeve and an Opportunities sleeve. Effective July 1, 2024, the Innovative Strategies portfolio became part of the Innovation sleeve. The team continues to incubate private credit, which includes direct lending, opportunistic credit, and specialty finance (asset-backed). Staff will primarily focus on specialty finance strategies in the near term.

The team will also continue to collaborate with the traditional asset classes to source potential joint research projects. As of June 30, 2024, the market value of the CalSTRS' Innovative Strategies Portfolio was approximately \$5.1 billion allocated across 17 strategies and 13 co-investment vehicles.

Strategy Allocation

