



Diversity

in the Management of Investments

2023 ANNUAL REPORT

Contents

- 3 Investments Branch**
 - 3** Core values
 - 3** Internal staff diversity
 - 4** Diverse internal pathways
 - Student Intern Program
 - Investment Mentor Program
 - CalSTRS Collaborative Model
 - 5** Investments Branch demographics
 - Gender diversity
 - Ethnic diversity
 - Age diversity

- 8 Industry and portfolio company engagement**
 - 8** Investment industry events
 - 9** SISS Portfolio investment industry partnerships
 - 10** CalSTRS' corporate engagement on diversity
 - 11** Investor collaboration

- 13 Portfolio management**
 - 13** Emerging and diverse manager investments
 - 15** Total fund
 - 16** Global Equity
 - 17** Private Equity
 - 18** Real Estate
 - 19** Fixed Income
 - 20** Inflation Sensitive

- 21 Assembly Bill 890 (Cervantes)**

A message from

Christopher J. Ailman

CHIEF INVESTMENT OFFICER



CalSTRS' mission is to secure the financial future and sustain the trust of California's educators. We believe building teams and partnerships that exhibit diversity, equity and inclusion are essential to achieving our financial and return objectives, making us resilient in an ever-changing investment landscape, and positioning us as a partner of choice on a global scale.

Our efforts to expand diversity in the management of investments began more than 30 years ago in 1989, with the fund's first commitment to emerging managers. Strengthening and maintaining our diverse staff and culture serves as a competitive advantage in executing our strategy of bringing more assets in-house to reduce costs through fewer management fees and less carried interest.

In 2023, we continued to sustain collaborative relationships across a vast network of investment managers, portfolio companies and industry associations. We promoted gender diversity on corporate boards, continued to support emerging managers and diverse managers within our portfolio, remained committed to nurturing our relationships with managers within the industry, and co-hosted Catalyst: California's Diverse Investment Manager Forum.

Investments Branch

The CalSTRS Investments Branch core values align with the organization and serve to further unify our team in pursuit of our mission.



RESPECT

We strive to not only treat others as we would like to be treated, but to go the extra mile and treat others as they would like to be treated.



PERSONAL DEVELOPMENT

We support an individual's career and personal goals.



BALANCE

We encourage employees to balance a strong work ethic with interests outside of the office.



WORTH

We strive to recognize everyone's efforts and contributions to the organization.



CHALLENGE

We are honored to accept the challenges placed upon us and strive to create an innovative work environment.



PURPOSE

We work toward a common goal, thereby making a difference for others and ourselves.



HONESTY

We are truthful to ourselves, to peers, to supervisors, to the Teachers' Retirement Board and to the organization—our word is our bond.

Internal staff diversity

Workforce diversity brings advantages to organizations through increased profitability, enhanced creativity, stronger governance and better problem-solving abilities.

Diversity in the management of investments at CalSTRS is accomplished with an investment staff of 236 individuals from various socioeconomic backgrounds, cultures, religious and political beliefs, ages, gender identity, sexual orientation, educational experiences and disabilities. The gender, ethnic and age diversity of our Investments Branch staff are illustrated on pages 5–7.

Diversity supports our mission to secure the financial future and sustain the trust of California's educators. We believe diversity of experience, background, skills, gender, race, culture and all the ways people can differ from one another—visibly and not—produces a diversity of thought that leads to better decision-making and better results. Click the image to the right to watch our **diversity statement video** to learn more.



Julie Donegan is CalSTRS' first female Real Estate investment director. In her role, Julie provides real estate investment expertise to CalSTRS staff and the Teachers' Retirement Board; executes the board's Real Estate Investment Policy; shares expertise on Real Estate Portfolio management strategies; represents CalSTRS on advisory boards, industry governance councils and forums; and is a member of the CalSTRS senior leadership team. Julie joined CalSTRS as a Real Estate Portfolio manager in 2019.

Diverse internal pathways

CalSTRS strives to attract diverse professionals who will drive innovation within our organization. We continue to support staff development through our Student Intern Program and our Investment Mentor Program.

STUDENT INTERN PROGRAM

Since 2004, the CalSTRS Investments Branch has mentored students from diverse backgrounds and who are underrepresented on Wall Street. In 2023, we continued to build on the success of our Student Intern Program. Through a collaborative partnership between Investments Branch and Human Resources staff, we reached out to hundreds of students at colleges, universities and affinity partnerships, and ultimately hired nine of the applicants. These students were ethnically and gender diverse, and represented various experience levels, backgrounds and skill sets.

Each student shadowed Chief Investment Officer Christopher J. Ailman for a week and worked with a director, portfolio manager or investment officer from each asset class. Most importantly, a number of the students completed the 500 hours of work experience required to take the California Human Resources Investment Officer I exam upon graduation from college.



INVESTMENT MENTOR PROGRAM

Building a recruitment pipeline for investment officers is the first step to maintaining a diverse workforce. The next step is retaining staff. To build the support and resources needed for staff to thrive, we developed the Investment Mentor Program. This program provides a mentoring relationship between budding investment officers up to portfolio managers—who we call protégés—and experienced investment staff. This mentoring relationship helps cultivate a long and successful career at CalSTRS.

In 2023, 35 protégés were partnered with a mentor over the course of nine months. Through this process, protégés gained a broader perspective of our organization and developed career goals, while mentors benefited from leadership development. All program participants add value and equip others to better succeed in their career goals, which further supports diversity within the Investments Branch and CalSTRS as a whole.

CalSTRS Collaborative Model

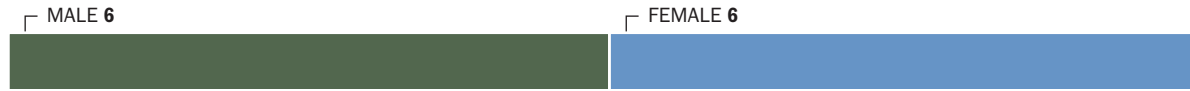
Part of our long-term investment strategy is to enable our diverse investment staff to manage more assets in-house. The CalSTRS Collaborative Model is our investment strategy to manage more assets internally to reduce costs, control risks and increase expected returns, plus leverage our external partnerships to achieve similar benefits.

We apply this model across the entire CalSTRS Investment Portfolio with varying methods due to the distinct market forces, regulatory environments, and competitive advantages and challenges affecting each of them. As we bring more assets internally, the number of Investments Branch staff increases. This significant growth emphasizes the importance of attracting, recruiting and retaining high quality, diverse staff. We use innovative solutions to build an inclusive culture that will continue to draw the best talent from the investment industry.

Investments Branch demographics

Gender diversity

INVESTMENT DIRECTOR | Total 12



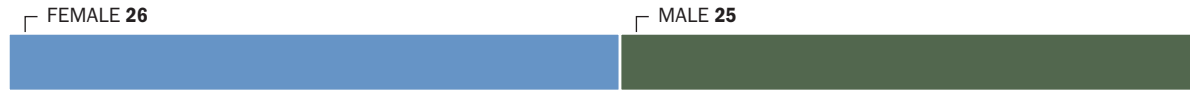
PORTFOLIO MANAGER | Total 42



ASSOCIATE PORTFOLIO MANAGER | Total 41



INVESTMENT OFFICER III | Total 51



INVESTMENT OFFICER II | Total 31



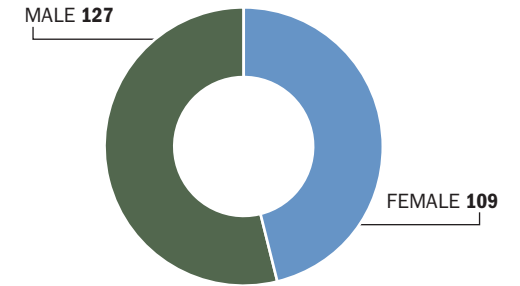
INVESTMENT OFFICER I | Total 31



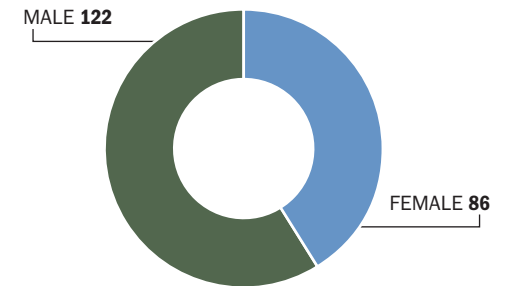
ADMINISTRATIVE SUPPORT | Total 28



INVESTMENTS BRANCH STAFF TOTAL | 236 INCLUDING ADMINISTRATIVE SUPPORT



INVESTMENTS BRANCH STAFF TOTAL | 208 NOT INCLUDING ADMINISTRATIVE SUPPORT



While Investments Branch staff gender identity categories are limited to the State of California's data collection system, we strive for an inclusive staff and welcome all gender identities and members of the LGBTQIA+ community.

NOTES ON CLASSIFICATION TITLES

- Investment Director category consists of Chief Investment Officer, Deputy Chief Investment Officer and Investment Director.
- Portfolio Manager category consists of Portfolio Manager and CEA (Public Engagement Manager).
- Associate Portfolio Manager consists of Associate Portfolio Managers.
- Administrative support category consists of Staff Services Analyst, Associate Governmental Program Analyst, Associate Management Auditor, Staff Services Manager I and Staff Services Manager II.

Ethnic diversity

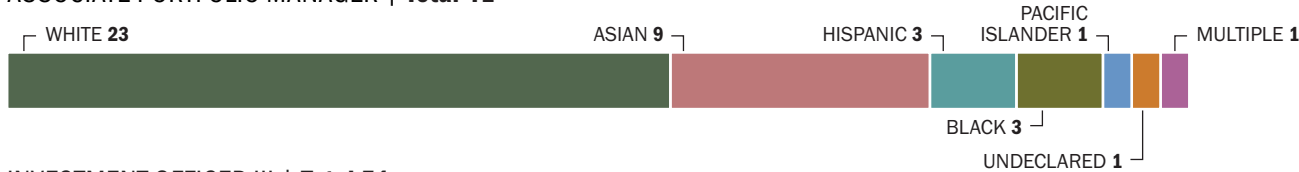
INVESTMENT DIRECTOR | Total 12



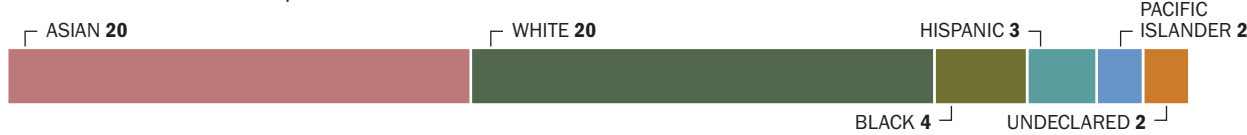
PORTFOLIO MANAGER | Total 42



ASSOCIATE PORTFOLIO MANAGER | Total 41



INVESTMENT OFFICER III | Total 51



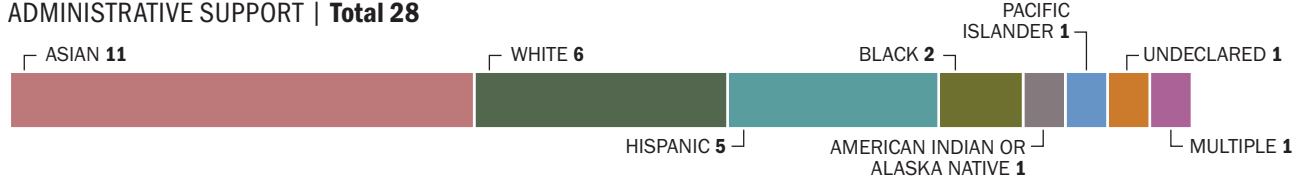
INVESTMENT OFFICER II | Total 31



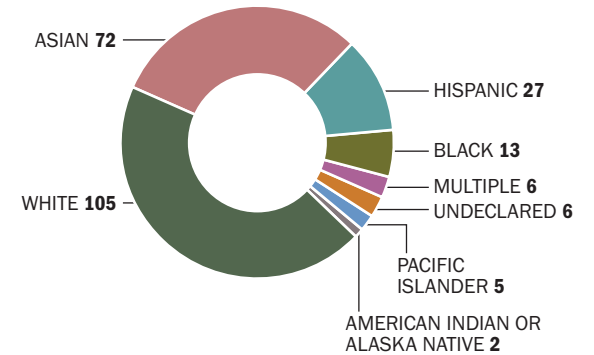
INVESTMENT OFFICER I | Total 31



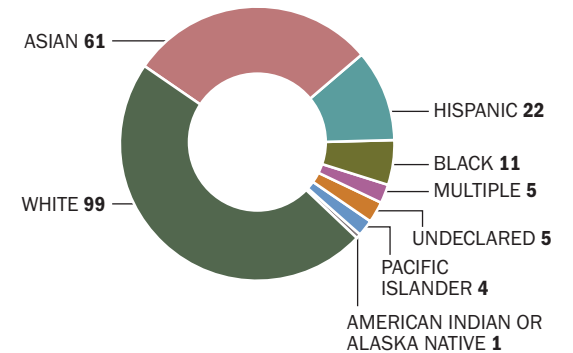
ADMINISTRATIVE SUPPORT | Total 28



INVESTMENTS BRANCH STAFF TOTAL | 236 INCLUDING ADMINISTRATIVE SUPPORT



INVESTMENTS BRANCH STAFF TOTAL | 208 NOT INCLUDING ADMINISTRATIVE SUPPORT

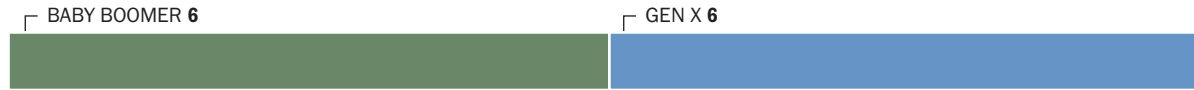


- AMERICAN INDIAN OR ALASKA NATIVE
- MULTIPLE
- ASIAN
- PACIFIC ISLANDER
- BLACK
- UNDECLARED
- HISPANIC
- WHITE

Investments branch demographics

Age diversity

INVESTMENT DIRECTOR | **Average age 57**



PORTFOLIO MANAGER | **Average age 51**



ASSOCIATE PORTFOLIO MANAGER | **Average age 45**



INVESTMENT OFFICER III | **Average age 51**



INVESTMENT OFFICER II | **Average age 40**



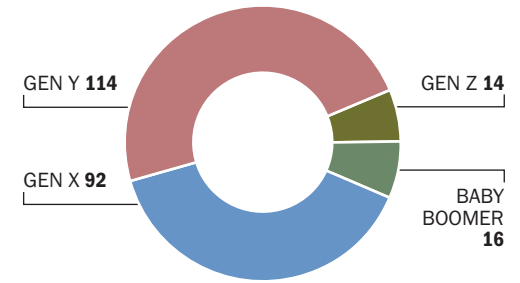
INVESTMENT OFFICER I | **Average age 33**



ADMINISTRATIVE SUPPORT | **Average age 34**

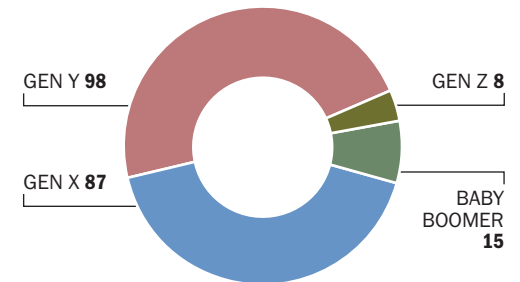


INVESTMENTS BRANCH STAFF TOTAL | **236**
INCLUDING ADMINISTRATIVE SUPPORT



Average age: 42

INVESTMENTS BRANCH STAFF TOTAL | **208**
NOT INCLUDING ADMINISTRATIVE SUPPORT



Average age: 44

- BABY BOOMER | Born between 1946–1964
- GENERATION X | Born between 1965–1980
- GENERATION Y | Born between 1981–1995
- GENERATION Z | Born between 1996–2010



Industry and portfolio company engagement

We collaboratively engage with companies in our portfolio, as well as investment leaders on a global scale, to motivate positive momentum.

Investment industry events

CATALYST

Hosted by CalSTRS and CalPERS, the Catalyst: California's Diverse Investment Manager Forum brought institutional investors and other global allocators together to meet and engage with diverse investor entrepreneurs and general partners with the goal of forging a new path in leadership and growth.

At the event, we:

- Discussed the challenges in funding diverse talent.
- Described how institutional investors and other global allocators can build a diverse emerging manager portfolio.
- Paired institutional investors, global allocators, investor entrepreneurs and general partners for introductions and connections.
- Shared insight and lessons learned from other investor entrepreneurs and general partners who overcame funding obstacles.

Click on the image to watch highlights from the forum.



BEYOND TALK

Created in 2016 by CalSTRS Chief Investment Officer Christopher J. Ailman, Beyond Talk encourages investment industry leaders to move beyond simply talking about gender diversity within the workplace to making tangible change. Beyond Talk is a multiyear workshop where we partner with some of the largest and most influential investment managers in the world.

DEI STRATEGIC EXCHANGE

We are committed to enabling a diverse pool of external investment managers to establish a direct relationship with us. We do this partly by establishing collaborative relationships across a vast network of industry associations and embarking on virtual tours to engage openly, exchange diversity, equity and inclusion initiatives, and identify opportunities to collaborate with other organizations.

In 2023, these organizations participated:

- Association of Asian American Investment Managers
- Hispanic Heritage Foundation
- Investment Diversity Exchange
- New American Alliance
- National Association of Investment Companies
- National Association of Securities Professionals
- SEO Investment Academy
- TOIGO Foundation
- UC Investments Academy

SISS Portfolio investment industry partnerships

Diversity is crucial to companies' long-term financial success. Along with our investment industry partners, our Sustainable Investment and Stewardship Strategies unit continued to influence global markets by steering and inspiring changes in corporate board and workforce diversity, equity and inclusion.

IMPAX INVESTMENT MANAGEMENT

Impax Asset Management is an investment manager that specializes in investing in the transition to a more sustainable global economy. Impax's stewardship and advocacy activities focus on four thematic priorities: climate, nature, people and governance.

Impax has long engaged companies in the Asia-Pacific region, where corporate governance practices and broader company environmental, social and governance risks and disclosures are less advanced. Companies in the Asia-Pacific region trail global peers when it comes to female representation on boards and in management. According to data from MSCI, 21% of MSCI ACWI index constituents in the region had no female board members, compared with just 0.1% of companies in North America and 0.4% in Europe.

Rapid progress is possible. In 2023, the Japanese prime minister announced that the boards of all companies listed on the TSE Prime market (approximately 1,800 of the largest companies in Japan) should have a goal for at least 30% female directors by 2030, which is a major step forward.

Pressure on companies from local regulators and global investors, including Impax and CalSTRS, should encourage more diversity on boards across the region and improve the dynamics in many markets over the next five years.

AT ONE VENTURES

At One Ventures invests in early-stage companies developing technologies to improve planetary health. Venture capital is an industry that has historically lacked diverse representation both in the staff at the investment managers who allocate capital and the founders of companies who receive capital. The team at At One Ventures is majority female and 45% Black and Indigenous people of color. Additionally, out of the 35 portfolio companies in their portfolio, more than half have at least one founder from an underrepresented group. Out of all founders in the portfolio, 40% are female, BIPOC or both. At One Ventures has invested in founders representing backgrounds ranging from academics and scientists to investment bankers and military veterans, from mothers returning to the workforce to manufacturing leaders.

CONGRUENT VENTURES

Congruent Ventures invests in technology-focused companies seeking to provide climate solutions. More than 80% of their workforce is from underrepresented groups. Of the firm's 53 portfolio companies, 26% are led by female founders or CEOs, and 53% are managed by underrepresented leaders. Congruent tracks the gender and ethnic diversity of the more than 1,000 founders they speak with every year. Even for deals it does not move forward with, Congruent attempts to provide actionable feedback to founders and relevant introductions to other potential investors, particularly for underrepresented founders. This helps reduce traditional barriers institutionalized by historic networks and helps bridge innovative ideas with interested investors. Congruent also supports diversity and inclusion initiatives through investment advisory committees and mentorship programs for diverse founders.

CalSTRS' corporate engagement on diversity, equity and inclusion

We are a long-term steward of capital for California's public school educators. We rely on a set of foundational principles, policies and standards for fair and open governance of corporations and use our **Corporate Governance Principles** to guide our stewardship activities and how we vote our proxies at companies' annual general meetings around the world.

In addition, The Teachers' Retirement Board established a set of Stewardship Priorities that prioritize our corporate engagement activities. One of our focus areas is board effectiveness and includes the oversight by boards of human capital management and diversity, equity and inclusion practices.

We aim to influence the market and promote diversity in corporate boards and in the workforces at the companies in our portfolio because we know diversity is crucial to companies' long-term financial success. Much of this effort is accomplished through exercising our shareholder voting rights at company board meetings, a process known as proxy voting, and through corporate engagements where we speak directly with company executives and board members.

PROXY VOTING

We continued to hold companies accountable by voting against the election of directors at global companies that have moved too slowly to achieve greater board diversity. We have been a leader in encouraging diversity at companies in our portfolio through private engagement. We aim to influence the market and promote diversity in corporate boards and in the workforces at the companies in our portfolio because we know diversity is crucial to companies' long-term financial success.

We continue to vote against the board of companies with zero women representatives. Additionally, if a company does not have at least 30% women board members, we vote against the board's nominating committee. Furthermore, we vote against the nominating and governance committees of Russell 3000 companies that do not disclose their board members' diversity characteristics. Companies in the Russell 1000 Index—the largest publicly traded U.S. companies—are held to a higher standard. We expect companies within this index to have at least one board director from a typically underrepresented population. We continue to review and revise our

voting practices to further incentivize portfolio companies to increase gender, racial, ethnic and LGBTQIA+ board diversity.

CORPORATE ENGAGEMENT

We collaborate with aligned investors, such as the **Human Capital Management Coalition**, the **Thirty Percent Coalition**, the **CFA Diversity, Equity and Inclusion Code**, the **Milken Institute**, the **DEI in Asset Management Executive Council**, and other California-based investors to drive diversity in the companies we invest and support our long-term returns.

We believe engagement is an effective tool to influence and shape company behavior and our expectations of companies include:

- Appointing diverse board members or disclosing a matrix of existing board members' skills and backgrounds that includes their diverse characteristics and how they align with the company's forward-looking strategy to create and sustain value.
- Committing to including qualified candidates of diverse gender, racial and ethnic backgrounds, and the LGBTQIA+ community in every search for board nomination in key governance policies, such as the nominating and governance committee charter.
- Including suitable nominees from backgrounds beyond the executive suite, such as academia, government and nonprofit organizations, for all new director searches.

Investor collaboration

CALIFORNIA INVESTOR COALITION ON BOARD DIVERSITY

This group that includes CalSTRS, California Public Employees' Retirement System, Los Angeles County Employees Retirement Association and San Francisco Employees' Retirement System has been building success since its inception in 2015 with an initial focus on increasing the board diversity of California-based companies. The group specifically asked company nominating and governance committees to adopt diverse director recruitment policies to address diversity in board refreshment and recruitment practices. The diverse director recruitment policy ensures individuals with diverse backgrounds, inclusive of gender, race, ethnicity and LGBTQIA+ identity, are included in the initial search pool of candidates. The group's engagement resulted in 29 companies appointing 35 diverse directors.

Additional engagement successes include:

- 24 companies updated their definition of diversity to include gender and race/ethnicity in either their proxy or governance documents.
- 22 companies included a skills matrix in their proxy statements.
- 15 companies included a diversity matrix in their proxy, often combined with a skills matrix.
- 7 companies adopted a diverse director recruitment policy.

The group continues to advance its efforts and, as of the date of this report, is engaging 52 companies in the Russell 3000 Index.

HUMAN CAPITAL MANAGEMENT COALITION

The Human Capital Management Coalition is a cooperative effort among a diverse group of influential institutional investors to further elevate human capital management as a critical component in company performance. The HCMC is composed of a group of 36 institutional investors representing more than \$9 trillion in assets under management.

The HCMC made significant progress petitioning the Securities and Exchange Commission to issue a rule-making proposal requiring companies disclose specific human capital metrics that are material to a company's long-term sustainability. The group continues to collaborate with regulators and other market participants to continue momentum of investor interest in human capital disclosure.

In 2023, the Investor Advisory Committee of the SEC recommended upcoming rule-making include disclosure in alignment with the HCMC's approach, which advocates for a hybrid approach to reporting that combines universal mandatory metrics with principles-based industry and company specific metrics.

Based on empirical research, the HCMC supports the mandatory reporting of four foundational disclosures by all companies:

- **WORKFORCE COMPOSITION**
Number of people employed by the company, broken down by full-time and part-time employees, along with contingent workers who produce the products or services.
- **WORKFORCE COSTS**
Total cost of the company's workforce, including wages, benefits and other transfer payments, plus other employee expenses.
- **WORKFORCE TURNOVER**
Staff resignations, retention or similar workforce stability metrics.
- **WORKFORCE DIVERSITY DATA**
Gender, racial and ethnic diversity across different levels of seniority.

THIRTY PERCENT COALITION

The Thirty Percent Coalition is composed of CalSTRS, 44 other institutional investors, and 12 treasurers and comptrollers, and has more than \$8 trillion in assets under management. The coalition encourages companies that lack diversity on their boards to embrace diversity to secure needed skill sets for long-term strategy and business plans.

The Thirty Percent Coalition has championed a multiyear portfolio company initiative known as the Adopt a Company campaign. The campaign is a call to action that encourages companies to:

- Ensure senior leadership and board of directors reflect the gender, racial and ethnic diversity of the United States workforce.
- Increase focus on women of color.
- Integrate diversity in senior leadership.
- Develop a matrix to provide enhanced disclosure of a board's composition in a company's proxy statements, which will allow investors to make more informed decisions when electing directors to a board.

Overall, more than 600 companies appointed at least one woman to their board since the campaign launched in 2012.

GIRLS WHO INVEST

Founded in 2015, Girls Who Invest is dedicated to increasing the number of women in portfolio management and executive leadership in the asset management industry. Girls Who Invest's vision is to have 30% of of the world's investable capital to be managed by women and gender nonbinary individuals by 2030. The organization offers two tuition-free education programs for undergraduate students, Summer Intensive Program (SIP) and Online Intensive Program (OIP). Since 2016, nearly 2,000 students from United States universities and colleges have participated. Since 2017, CalSTRS has annually welcomed one of the Girls Who Invest scholars into the CalSTRS Student Intern Program. CalSTRS serves on the Girls Who Invest Advisory Board.

CFA INSTITUTE DIVERSITY, EQUITY AND INCLUSION CODE

Led by the CFA Institute, we collaborated with a working group to develop the CFA Institute's draft voluntary Diversity, Equity and Inclusion Code for the United States and Canadian investment industry. As large asset owners expand their efforts around diversity, equity and inclusion, and emphasize its importance for investment returns, the code can be used as a tool to support this effort. The code outlines six principles to accelerate diversity, equity and inclusion, sets implementation, reporting and monitoring standards, and is designed to foster a metrics-based commitment that includes annual reporting.

ROBERT TOIGO FOUNDATION

The Robert Toigo Foundation's mission is to foster career advancement and increase leadership presence of underrepresented talent in the financial industry by creating mechanisms for greater inclusion from the classroom to the boardroom. We serve on the TOIGO Governing Board and the TOIGO Advisory Board.

DEI IN ASSET MANAGEMENT EXECUTIVE COUNCIL

We joined Milken Institute's Center for Financial Markets inaugural DEI in Asset Management Executive Council in 2022. The council works to improve diversity and promote inclusive cultures within the investment industry, with a particular focus on women and Black and Indigenous people of color.

Members of the council include Apollo Global Management, Ares Management Corporation, AlpInvest, BlackRock, Columbia Investment Management Company, Davidson Kempner Capital Management, EJP Capital, One Vista, Foundation Fund, Churchill Asset Management, Girls Who Invest, Howard University, 1863 Ventures, Palladium Equity Partners, Teacher Retirement System of Texas, Trident, Marion Kauffman Foundation, W.K. Kellogg Foundation and Xponance.



Portfolio management

As of December 31, 2023, the CalSTRS Investment Portfolio had \$327.0 billion total assets under management. This report details the assets under management and percentages of the total fund.

Emerging and diverse manager investments¹

EVOLVING WITH CONSISTENCY AND INFLUENCE

We made our first capital commitment to emerging managers more than 30 years ago. While our parameters for emerging and diverse managers evolved over time, we remain committed to this investment approach.

The Teachers' Retirement Board, which governs CalSTRS, approved definitions of **emerging managers and diverse managers** and supports our strategy of investing in emerging managers and diverse managers that generate performance aligned with the risk and return objectives to the CalSTRS Investment Portfolio.

Through various opportunities, we continued to participate in programs that promote diversity in the investment industry that provide emerging and diverse managers an opportunity to connect directly with us, such as through the CalSTRS and CalPERS Catalyst: California's Diverse Investment Manager Forum, National Council of Teacher Retirement, New American Alliance CIO Capital Connections engagement, Texas Retirement Employees Retirement System Emerging Manager Conference and Association of Asian American Investment Managers.

¹ Includes a subset of CalSTRS portfolio managers.

GLOBAL EQUITY

Global Equity began our emerging manager-of-manager partnerships with Bivium Capital Partners, Leading Edge Investment Advisors, and Xponance Asset Management and Investments nearly 16 years ago.

Bivium Capital Partners is a minority-owned investment management firm. In 2023, through our manager-of-manager vehicle, we invested in underlying emerging and diverse firm Denali Advisors.

Leading Edge Investment Advisors is a minority-owned investment management firm that has approximately \$2.5 billion placed in assets with external managers for its clients, including CalSTRS.

Xponance Asset Management and Investment is a minority-owned and women-owned investment management firm. In 2023, through our manager-of-manager vehicle, we invested in underlying emerging and diverse firms Centerstone Investors and Haven Global Partners.

The Global Equity desk used diverse or emerging broker-dealers to execute internal portfolio order flow and traded more than \$950 million in equities with such firms in 2023.

PRIVATE EQUITY

CalSTRS' Private Equity has made commitments to new and emerging fund-of-fund managers in excess of \$2.5 billion. Recent commitments include \$125 million to Muller & Monroe Asset Management and \$40 million to Valor Equity Partners. Valor Equity Partners, a growth equity firm, was originally in two of CalSTRS' fund-of-funds.

REAL ESTATE

CalSTRS' Real Estate and Belay Investment Group approved an investment with Primestor's Urban Vision Fund I, LP. Primestor is a minority-owned and led emerging manager that has fostered local economic development in historically overlooked urban minority communities. Primestor has created more than 14,000 local construction and permanent jobs that are estimated to generate \$1.3 billion of annual local economic activity in historically underserved Latino and Black communities. The Urban Vision Fund I serves as a platform to acquire and develop transit-oriented, mixed-use real estate investment opportunities.

Plaza Pacoima in Los Angeles is an example of how Primestor has catalyzed the revitalization of a community. In an area experiencing departing manufacturing jobs and limited access to fresh food and other critical goods and services, Primestor took over a contaminated, abandoned 25-acre site and delivered a 346,000 square foot LEED Gold retail center in its place.

FIXED INCOME

CalSTRS' Fixed Income Liquidity Portfolio traded \$3.8 billion, or 12.8% of trades, with emerging broker-dealers. Fixed Income has a long-standing relationship with emerging and diverse manager LM Capital Group, LLC, since the onset of our Core Plus program in 2007. Founded in 1989, LM is an employee-owned minority firm that provides fixed income investment management services.

INFLATION SENSITIVE

CalSTRS' Infrastructure Program committed capital to three diverse managers:

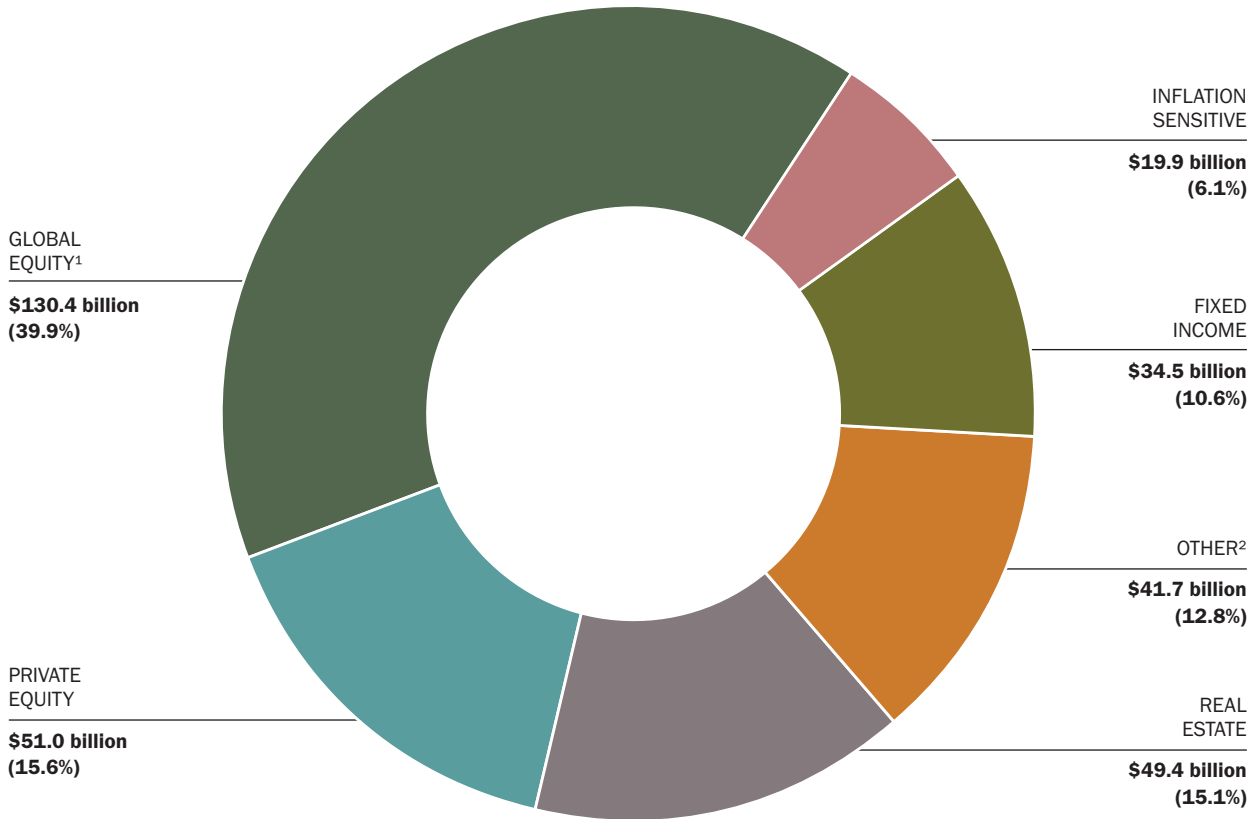
- \$80 million to Meridiam. Meridiam focuses on infrastructure investments, such as critical public services, sustainable mobility and innovative low-carbon solutions.
- \$75 million co-investment alongside I Squared Capital. ISQ focuses on global infrastructure investments, such as energy, utilities, transport and telecom projects.
- \$350 million to Arjun Infrastructure Partners. AIP focuses on infrastructure investments, such as utilities, energy, renewable, digital and transportation.

RISK MITIGATING STRATEGIES

Man Group was founded in 1783 and is currently listed on the London Stock Exchange. Man Group manages \$161 billion and actively fosters diversity, equity and inclusion internally and externally. In 2022, CalSTRS allocated capital to Man Group. In 2023, the firm named its first female CEO, Robyn Grew, who also identifies with the LGBTQIA+ community.

Portfolio management | Total fund

ASSETS UNDER MANAGEMENT | Total fund: \$327.0 billion
PERCENTAGE OF TOTAL FUND



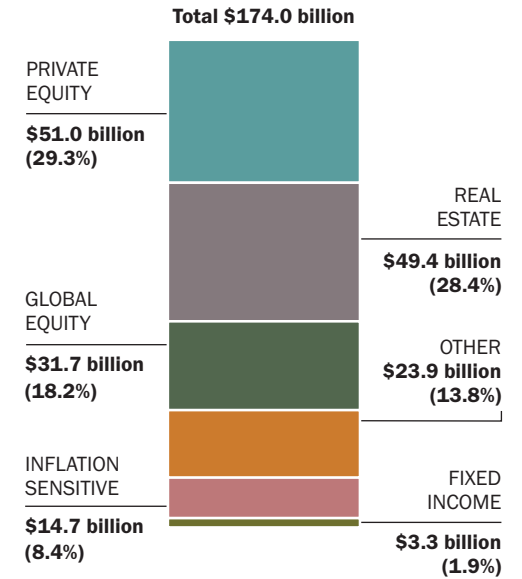
Source: AUM and percentage of total fund from MyStateStreet as of December 31, 2023.

ASSETS UNDER MANAGEMENT | Total fund: \$327.0 billion
PERCENTAGE OF TOTAL FUND

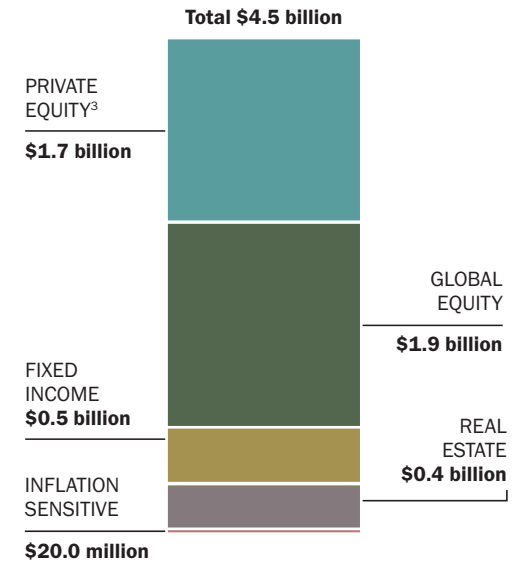


¹ All Global Equity assets under management include assets from our Sustainable Investment Stewardship Strategies unit.
² Other assets under external management include Risk Mitigating Strategies, Innovation Strategies, Strategic Overlay and Cash/Liquidity.
³ Private Equity assets under emerging managers are not comparable to prior year, which inadvertently excluded applicable fund-of-funds. On a comparable basis, 2022 was \$1.7 billion.

ASSETS UNDER EXTERNAL MANAGEMENT
(AUM AS A PERCENTAGE OF EXTERNAL MANAGEMENT)

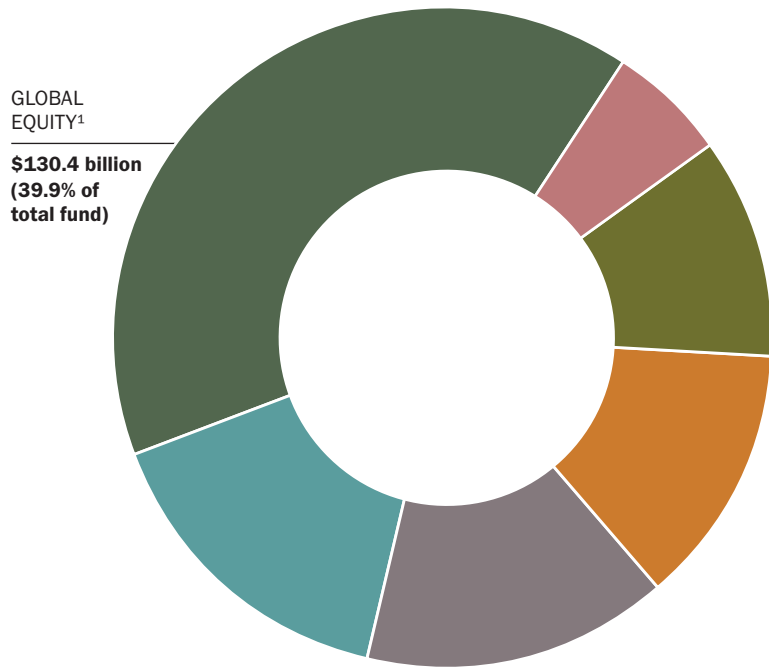


ASSETS UNDER EMERGING MANAGERS



Portfolio management | Global Equity

TOTAL PORTFOLIO | Assets under management



Source: AUM and percentage of total fund from MyStateStreet as of December 31, 2023.

TOTAL PORTFOLIO COMPOSITION | \$130.4 billion



¹ Includes assets from our Sustainable Investment and Stewardship Strategies unit.

GLOBAL EQUITY EMERGING MANAGER PROGRAM

The objective of our Global Equity Program is to provide long-term capital appreciation and generate current income. We manage the assets to enhance the risk-adjusted total return.

In addition, diversification is key to achieving returns and mitigating risk within our Global Equity Portfolio. Investing with developing managers is one tool we use to enhance diversity. To complement internal resources and optimize staff efforts, our Global Equity team partners with three manager-of-managers who design manager portfolios to fulfill a U.S. small-cap mandate and two non-U.S. developed markets mandates. Our three manager-of-managers are Bivium Capital Partners, Leading Edge Investment Advisors, and Xponance Asset Management and Investment.

Our objectives are to generate alpha by investing in managers that demonstrate a high potential for success, to contribute to cultivating the next generation of portfolio managers through long-term partnerships, and to access new talent and future manager capacity. An additional goal is to provide managers with sound business operations that have delivered strong performance through the manager-of-manager program the opportunity to move toward a direct relationship with us where appropriate.

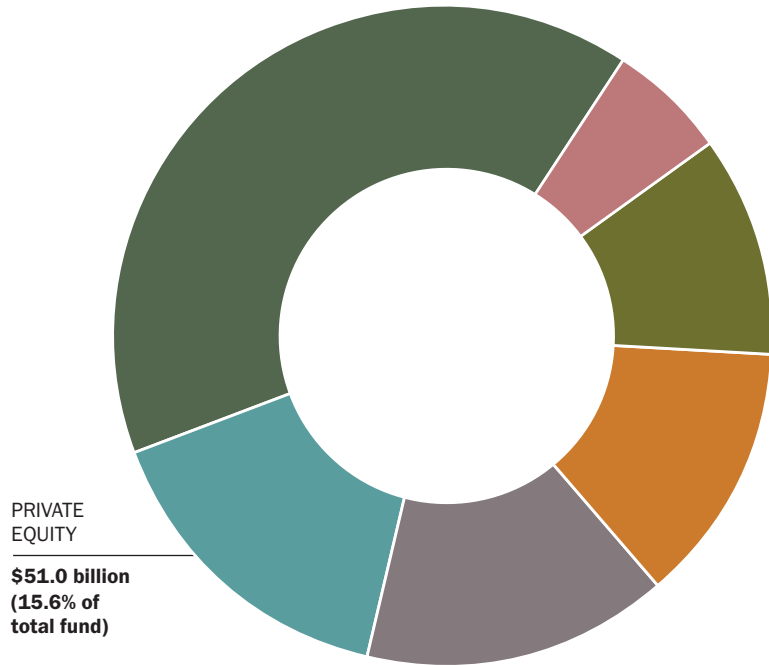
GLOBAL EQUITY EMERGING MANAGER QUALIFICATIONS

To qualify as a Global Equity emerging manager, firms must:

- Have \$5 billion or less in assets under management.
- Have a maximum of 50% nonemployee ownership.
- Be a legally structured entity with a Corporate Tax Identification Number.
- Be a registered investment advisor or must qualify for exemption from registration.

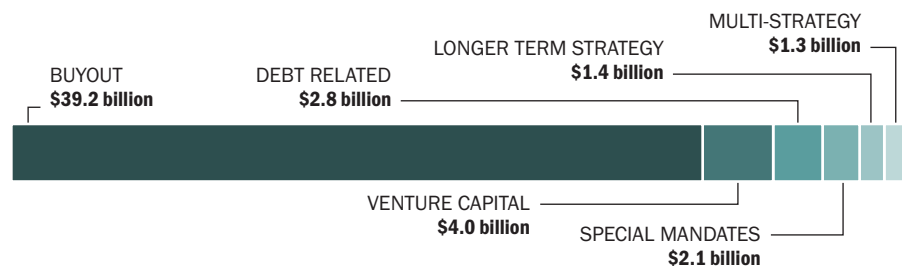
Portfolio management | Private Equity

TOTAL PORTFOLIO | Assets under management



Source: AUM and percentage of total fund from MyStateStreet as of December 31, 2023.

TOTAL PORTFOLIO COMPOSITION | \$51.0 billion



PRIVATE EQUITY EMERGING MANAGER PROGRAM

Private Equity invests side by side with fund-of-funds in certain managers and pursues diverse owned and operated investment managers of scale.

Since 2003, Private Equity has committed \$1.1 billion to five HarbourVest Partners Lower Middle Market program separately managed accounts that specialize in reaching underserved U.S. markets.

Since 2005, Private Equity has committed a total of \$1.1 billion to six CalSTRS New & Next Generation separately managed accounts that serve diverse and emerging private equity funds. In 2023, this vehicle was transferred from Invesco Private Capital to Sapphire Partners.

Since 2014, Private Equity has committed \$475 million to three Muller & Monroe Asset Management separately managed accounts that target underserved, niche, emerging managers, including women and minority-owned funds within the lower middle market space.

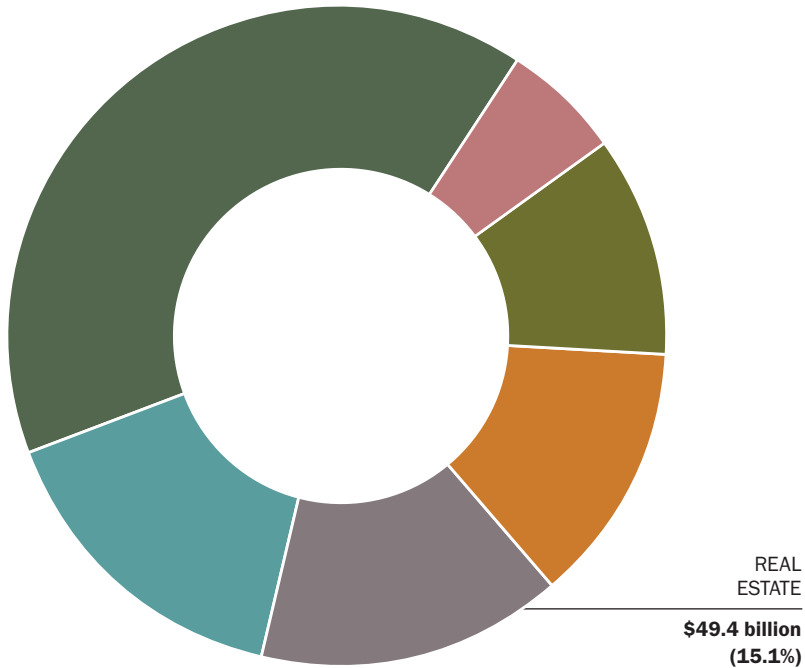
PRIVATE EQUITY EMERGING MANAGER QUALIFICATIONS

To qualify as a Private Equity emerging manager, firms must:

- Be a legally structured entity.
- Have a private placement memorandum in place.
- Be raising a first, second or third institutional fund.
- Not exceed certain fund size limits.

Portfolio management | Real Estate

TOTAL PORTFOLIO | Assets under management



Source: AUM and percentage of total fund from MyStateStreet as of December 31, 2023.

TOTAL PORTFOLIO COMPOSITION | \$49.4 billion



Source: AUM of total portfolio composition from MyStateStreet as of September 30, 2023.

REAL ESTATE EMERGING MANAGER PROGRAM

CalSTRS supports a variety of emerging managers with diverse strategies and investment profiles. Commitments to emerging real estate managers total more than \$10 billion since 2001. The program is designed to allow Real Estate staff to invest with smaller firms across funds, direct joint venture relationships, and manager-of-manager ventures to provide them with access to institutional capital. The program is dynamic and has changed over time to meet ongoing demands of the overarching Real Estate Portfolio.

REAL ESTATE EMERGING MANAGER QUALIFICATIONS

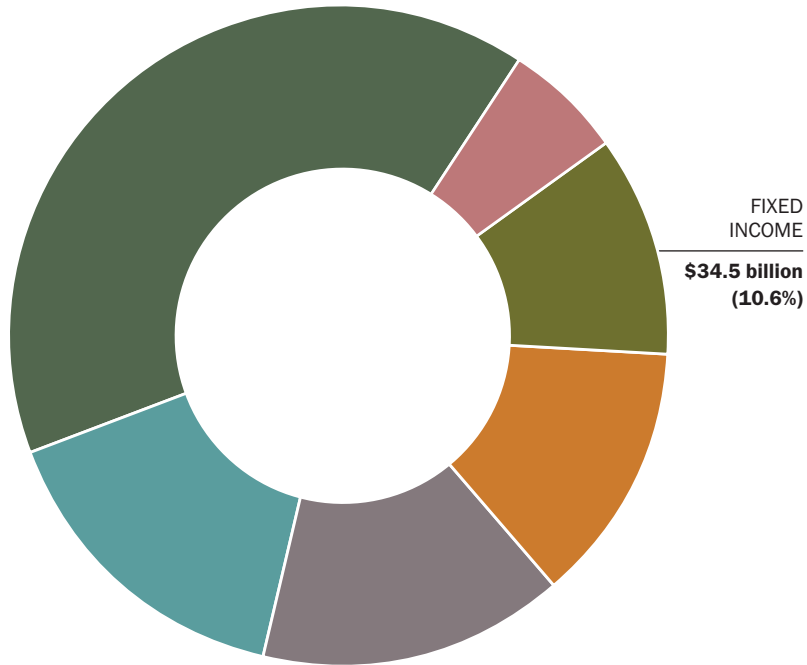
An emerging manager is at an early stage within its life cycle (generally raising its first, second or third institutional fund or separate account/joint venture).

To qualify as a Real Estate emerging manager, firms:

- Must manage less than \$2 billion of gross assets under management across all clients, at the inception of the relationship.
- Must have latest fund offerings that are not too large (generally, seeking less than \$500 million of equity) and should have relatively targeted strategies.
- Should have at least 50% of their economic interests owned by principals and employees.

Portfolio management | Fixed Income

TOTAL PORTFOLIO | Assets under management



Source: AUM and percentage of total fund from MyStateStreet as of December 31, 2023.

TOTAL PORTFOLIO COMPOSITION | \$34.5 billion



FIXED INCOME EMERGING MANAGERS APPROACH

Based on our belief that investment opportunities can appear in large, small and start-up firms, the Fixed Income unit has established a process and a team of investment professionals to review all new investment proposals. We review each proposal for strategic fit, risk and alpha opportunity. This process is designed to facilitate manager access that meets procurement parameters, and serve as a way for us to assess new ideas and market conditions. In addition, we have an open-door policy of using diverse broker-dealers for trade executions and currently conduct business with 13 emerging brokers. Our Liquidity Portfolio traded \$3.8 billion, or 12.8% of trades, with emerging broker-dealers.

FIXED INCOME EMERGING MANAGER QUALIFICATIONS

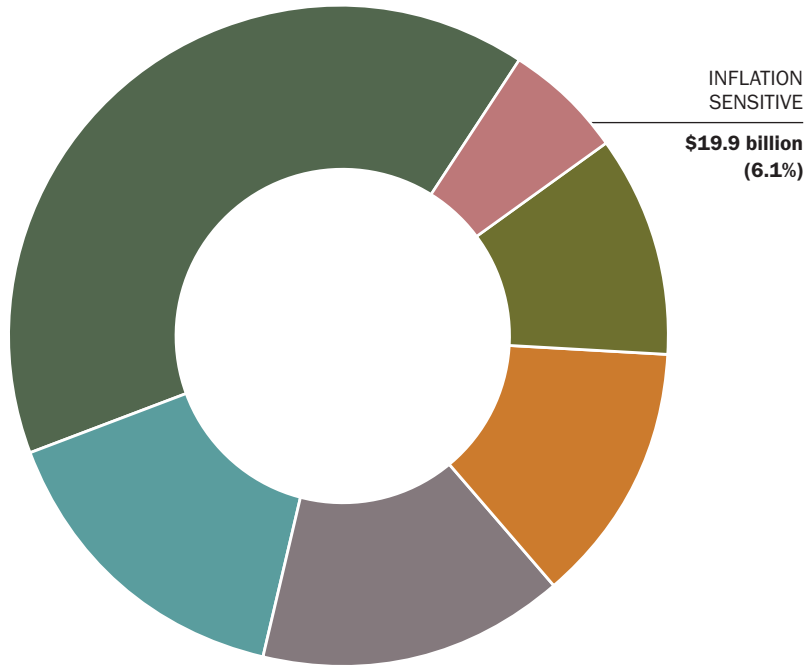
Fixed Income does not have a dedicated emerging manager program. However, the selection process has evolved over time to facilitate the consideration of a broad universe of managers regardless of assets under management, based on quantitative and qualitative factors that indicate a successful asset management business partner.

To qualify as an emerging manager, a firm must:

- Have \$5 billion or less in assets under management.
- Have a maximum of 50% nonemployee ownership.
- Be a legally structured entity with a Corporate Tax Identification Number.
- Be a registered investment advisor or must qualify for exemption from registration.

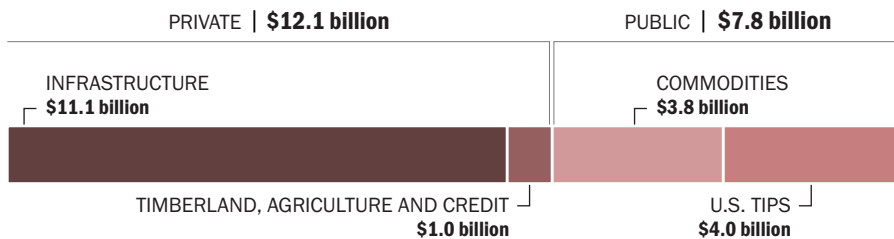
Portfolio management | Inflation Sensitive

TOTAL PORTFOLIO | Assets under management



Source: AUM and percentage of total fund from MyStateStreet as of December 31, 2023.

TOTAL PORTFOLIO COMPOSITION | \$19.9 billion



INFLATION SENSITIVE EMERGING MANAGERS APPROACH

The CalSTRS Inflation Sensitive unit is working to construct a portfolio with fund managers from diverse backgrounds. We continue to engage emerging managers that could provide meaningful investment opportunities. Due to the program's size, we must make investment commitments large enough to efficiently deploy capital.

The demand for inflation-linked investments is a growing global trend and draws investment managers on a worldwide scale. As the Inflation Sensitive Portfolio expands, we expect to attract and include exceptional managers with diverse teams. So far, the Inflation Sensitive team has committed \$150 million to an emerging manager focused on domestic infrastructure projects.

INFLATION SENSITIVE EMERGING MANAGER QUALIFICATIONS

To qualify as an Inflation Sensitive emerging manager, a firm must:

- Have less than \$3 billion in total assets under management.
- Be raising its first, second or third vehicle. This vehicle may be no larger than \$1.5 billion.
- Be headquartered in the United States.
- Be a legally structured entity with a Corporate Tax Identification Number.
- Have a private placement memorandum for the investment vehicle being raised.
- Be at least 45% employee owned.

In addition, the partners of the firm must have a demonstrable track record of managing investments on behalf of institutional investors.



Assembly Bill 890

California Assembly Bill 890 was signed into law in October 2021. AB 890 sunsets on January 1, 2028, unless a later enacted statute that is enacted before January 1, 2028, deletes or extends that date.

CALSTRS REQUIREMENTS

AB 890 requires the Teachers' Retirement Board to define the terms: (1) emerging manager; (2) diverse manager; and (3) appropriate objectives and initiatives regarding the participation of emerging or diverse managers responsible for asset management within the CalSTRS Investment Portfolio. In May 2022, the board approved the definitions of the required terms, which are posted on our **diversity in the management of investments webpage**. The board directed us to continue to engage, pursue and invest in emerging managers and diverse managers that generate performance aligned with the risk and return objectives to the portfolio, consistent with our fiduciary duties.

We began reporting on the status of achieving appropriate objectives and initiatives regarding the participation of emerging or diverse managers responsible for asset management within our portfolio on March 1, 2023. Each year's report must be based on contracts entered into on and after January 1, 2022, and include the:

- Name of each emerging or diverse manager providing investment portfolio or asset management services at the end of the prior fiscal year, including but not limited to, fund-of-funds contracts, for all asset classes.
- Year these managers were first engaged or contracted to provide services.
- Amount managed by each of these managers by asset class at the end of the prior fiscal year.
- Total dollar amount allocated by the system in the applicable asset class during the year.
- Total dollar amount of the asset class in the portfolio.

Appendix | Assembly Bill 890

ANNUAL PROGRESS REPORT¹ July 1, 2022, to June 30, 2023

Asset class	Total assets under management ² (\$ in billions)	Aggregate amount managed by managers ³ (\$ in millions)	Manager	Amount managed by manager during this period ⁴ (\$ in millions)	Identify as emerging manager ⁵	Identify as diverse manager ⁶	Date first engaged or contracted date with manager
Private Equity	\$48.9	\$1,350	Advent International	\$460	No	Yes	2008
			Ardian	\$250	Yes	Yes	2015
			Apax Partners	\$150	No	Yes	2010
			Institutional Venture Partners	\$100	No	Yes	2007
			Muller and Monroe	\$125	No	Yes	2014
			Riverwood Capital	\$125	No	Yes	2022
			Oak HC/FT	\$100	No	Yes	2022
			Valor Equity	\$40	No	Yes	2017
Real Estate	\$48.9	\$1,268	Belay Investment Group	\$1,202	Yes	Yes	2006
			Primestor Development	\$66	Yes ⁷	Yes	2022
Inflation Sensitive	\$19.4	\$505	Meridiam	\$80	No	Yes	2012
			I Squared Capital	\$75	No	Yes	2022
			Arjun Infrastructure Partners	\$350	No	Yes	2022

1 Pursuant to the California Constitution, Article I, Section 31, the "State shall not discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity or national origin in the operation of public employment, public education or public contracting."

2 Total assets under management by asset class reflects quarter ending June 30, 2023.

3 Aggregate amount managed by managers during July 1, 2022, to June 30, 2023.

4 Amount managed by manager during fiscal year July 1, 2022, to June 30, 2023.

5 Emerging manager: Definition varies across asset classes and is based on investment stage. Information is reflective of CalSTRS' emerging manager investment programs, unless otherwise noted.

6 Diverse manager: Definition is the same across asset classes and is based on firm ownership. Information is reflective of self-identification as a diverse manager, as defined by CalSTRS.

7 The emerging manager has a direct relationship within CalSTRS Real Estate.

Find more information about our emerging and diverse manager definitions on our **diversity in the management of investments** webpage.

CALSTRS
INVESTMENTS