
Investment Committee Semi-Annual Activity Report

| 4. Fixed Income



FIXED INCOME SEMI-ANNUAL REPORT

MARKET RISKS¹

As of 12/31/2022

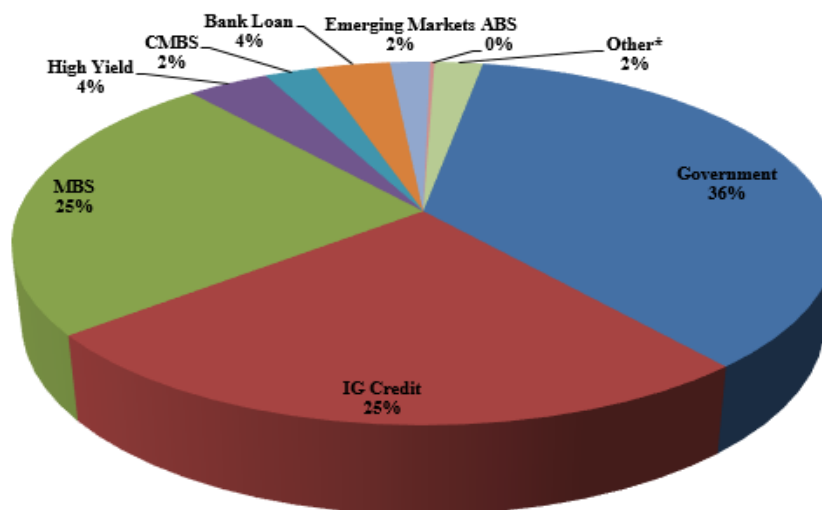
Indicator	12/31/2022	6/30/2022	Change	Risk / Valuation Level
Monetary Policy	4.25 - 4.50%	1.50 - 1.75%	2.75%	← Accommodative Neutral Restrictive →
U.S. Unemployment Rate	3.50%	3.60%	-0.10%	← Low Moderate High →
10 Yr. U.S. Treasury Yield (Interest Rate Risk)	3.87%	3.01%	0.86%	← Low Moderate High →
Current Inflation (CPI)	6.50%	9.10%	-2.60%	← Low Moderate High →
Cost of Corporate Credit (Spread over U.S. Treasury)	1.21%	1.43%	-0.22%	← Cheap Fair Value Rich →

¹ Current level compared to long-term averages

CALSTRS SECTOR WEIGHTS

Assets Under Management \$31 Billion

10.3% Allocation vs. Target of 12%

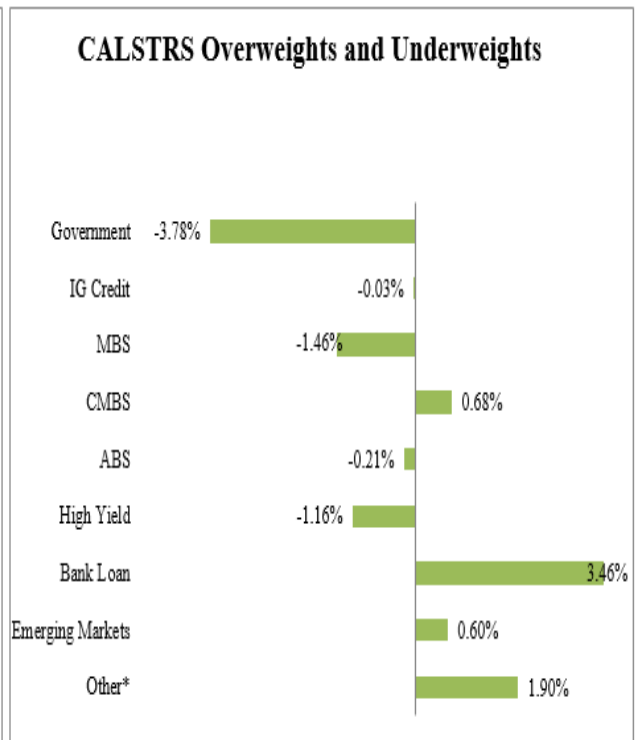
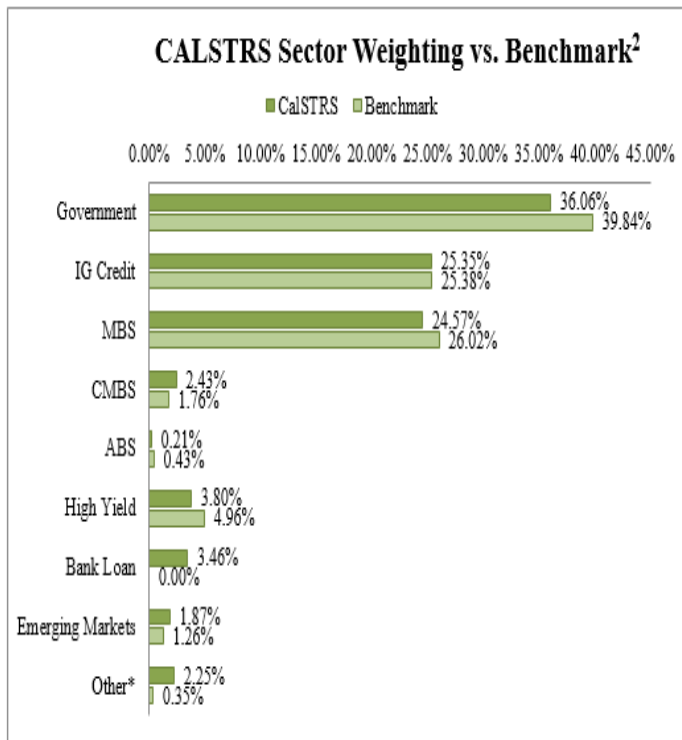


*Includes other investments such as International Sovereign Bonds, Derivatives and Cash

ACTIVITY UPDATE

The Fixed Income portfolio represented 10.3% of the Total Fund as of December 31, 2022. The Fed raised rates by 2.75% in the second half of the year as they pursued an aggressive rate-hike path to rein in inflation. In 2022 equities and bonds slumped, losing 20% and 13%, respectively, declines not seen since the Great Financial Crisis. Due to mortgage rate volatility, Fixed Income traded MBS opportunistically throughout the period. The unit also reduced exposure to Core Plus external manager Western Asset Management Co., by \$200 million due to underperformance, deploying the capital across the internally managed Core portfolios. During the period Fixed Income moved closer to its policy benchmark by reducing CMBS and IG Credit, adding to MBS and Treasuries.

FIXED INCOME SEMI-ANNUAL REPORT



²Benchmark: (95%) Bloomberg U.S. Aggregate Custom Index + (5%) Bloomberg U.S. High Yield 2% Issuer Capped Custom Index

Index Sector Weightings and Overweights/Underweights may have some rounding variations due to calculations by BlackRock Risk System

