

## Diversity in the Management of Investments

### 2022 REPORT HIGHLIGHTS

The CalSTRS Investments Branch is committed to setting best practice precedents, implementing innovative diversity, equity and inclusion principles, and advancing change within the investment industry. These best practices include transparency and reporting.

Our annual *Diversity in the Management of Investments Report* (Attachment 2) reflects accomplishments completed in calendar year 2022. Building on nearly three decades of integrating diversity in the management of investments, CalSTRS continued our momentum behind each of DIMI’s three core pillars.



### Internal Investments Branch

#### *Attract diverse professionals who will drive innovation*

We believe workforce diversity brings advantages to organizations through increased profitability, enhanced creativity, stronger governance and problem-solving abilities. Through recruitment practices, the Investment Mentor and Student Intern programs, the CalSTRS Investment Branch, in collaboration with CalSTRS Human Resources, continues to build and support a highly qualified diverse pipeline and workforce.



#### RECRUITMENT

To produce a diverse candidate pool, we conduct inclusive and equitable hiring and onboarding practices, including posting open job positions on affinity networks.

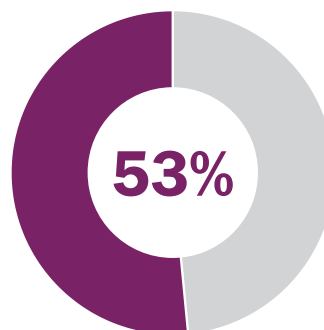
#### INTERNAL TALENT MANAGEMENT

Forty-five percent of the branch’s 222 staff are female, and 53% are ethnically diverse.

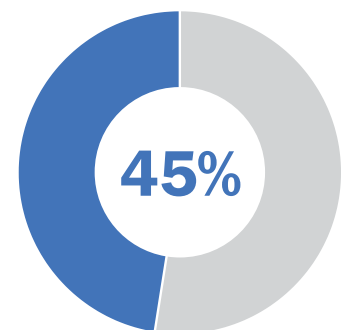
#### INVESTMENT MENTOR PROGRAM

This in-house program pairs mentees with mentors to help promote a healthy and collaborative culture.

#### Investments Branch ethnic and gender diversity



Ethnically diverse staff



Female staff

(Four staff chose not to identify their ethnicity)

**STUDENT INTERN PROGRAM**

In summer 2022, we hosted nine students who were diverse by ethnicity, gender, background and skillset. Each student shadowed Chief Investment Officer Christopher J. Ailman and worked with a director, portfolio manager or investment officer from each asset class. Most importantly, a good measurement of students completed the 500 hours of work experience required to take the California Human Resources Investment Officer I exam upon graduation from college. We onboarded three 2022 cohort students as full-time employees.



**Industry and portfolio company engagement**

*Engage with companies in our portfolio and investment leaders on a global scale*



As a significant investor in global companies, we recognize that diversity is crucial to companies' long-term financial success. Along with our investment industry partners, we continue to influence global markets by steering changes in board and workforce diversity.

**INDUSTRY PARTNERS**

We've established collaborative relationships across a vast network of industry associations in which we continue to contribute insight in support of diversity, equity and inclusion. We work with organizations within the investment industry, including: CFA Institute, Association of Asian American Investment, Hispanic Heritage Foundation, The Investment Diversity Exchange, New America Alliance, National Association of Securities Professionals - Southern California Chapter, Girls Who Invest, 100 Women In Finance, The Robert Toigo Foundation, Milken Institute and Stanford's VMware Women's Leadership Innovation Lab.

**INDUSTRY EVENTS**

We host events addressing and promoting diversity, equity and inclusion within the broader investment industry. In 2022, we hosted our 10th Beyond Talk event, in partnership with Blackstone, which included approximately 150 investment industry professionals. The event discussed diversity, intersectionality and male allyship. Attendees of the event were provided tools to encourage positive changes around diversity, equity and inclusion. The demand for this event is strong, and we anticipate more events in the future. **Watch this video** and **view these photos** to learn more about the 2022 Beyond Talk event.



**CORPORATE BOARD DIVERSITY**

CalSTRS Investments continued to promote gender diversity on corporate boards through engagements with coalitions of aligned investors, such as the Thirty Percent Coalition, the Human Capital Management Coalition and California Investors for Effective Board Diversity. Overall, more than 600 companies appointed at least one woman to their board since the campaign launched in 2012. More details on CalSTRS DEI-related engagement activities were presented at the January 2023 Investment Committee meeting.

## Portfolio management

### *Engage, pursue and invest in emerging and diverse managers*



We invest in emerging managers and diverse managers directly, or with the assistance of managers-of-managers or program partners, in separately managed accounts or commingled funds. While our parameters for emerging and diverse managers evolved over time, we remain committed to this investment approach.

### NEW CAPITAL ALLOCATION AND TRANSITIONS OF EMERGING AND DIVERSE MANAGERS

Private Equity made commitments to new and emerging fund-of-fund managers in excess of \$2 billion. Recent commitments include \$100 million to Oak HC/FT, a female-owned venture capital and growth equity firm. Oak HC/FT was originally in two of CalSTRS' fund-of-funds.

Real Estate, through our joint venture with Belay Investment Group, invested in SoLa Impact's Black Impact Fund. SoLa Impact is a minority-owned investment manager with a strategy focused on creating high-quality affordable housing for the homeless and low-income communities mostly in the West and South Los Angeles areas. Real Estate transitioned an emerging manager with combined commitments of \$245 million into our core program.

Risk Mitigating Strategies committed capital to Systematica Investments, a minority-owned diverse firm with investment strategies of macro and equity, directional and relative value.

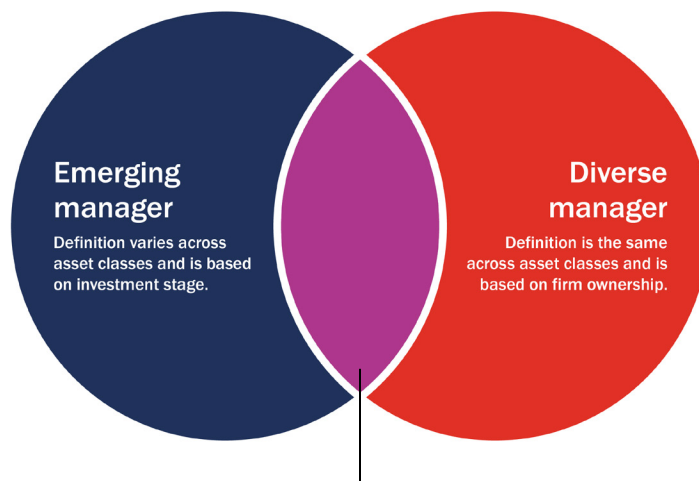
### TRADES WITH EMERGING AND DIVERSE BROKER-DEALERS

Global Equity used diverse or emerging broker-dealers to execute internal portfolio order flow and traded more than \$900 million in equities with such firms.

The Fixed Income Liquidity Portfolio traded \$4.9 billion, or 5.8% of trades, with emerging broker-dealers.

### ASSEMBLY BILL 890 (CERVANTES)

In October 2021, California Assembly Bill 890 was signed into law. In 2022, the Teachers' Retirement Board, which governs CalSTRS, approved the definition of an emerging manager and a diverse manager. The board also supported CalSTRS Investment staff in pursuing and investing in emerging managers and diverse managers that generate performance aligned with the risk and return objectives to the CalSTRS Investment Portfolio.



Managers that meet the characteristics of both emerging and diverse manager.