CALSTRS CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Chief Investment Officer Report

November 2023

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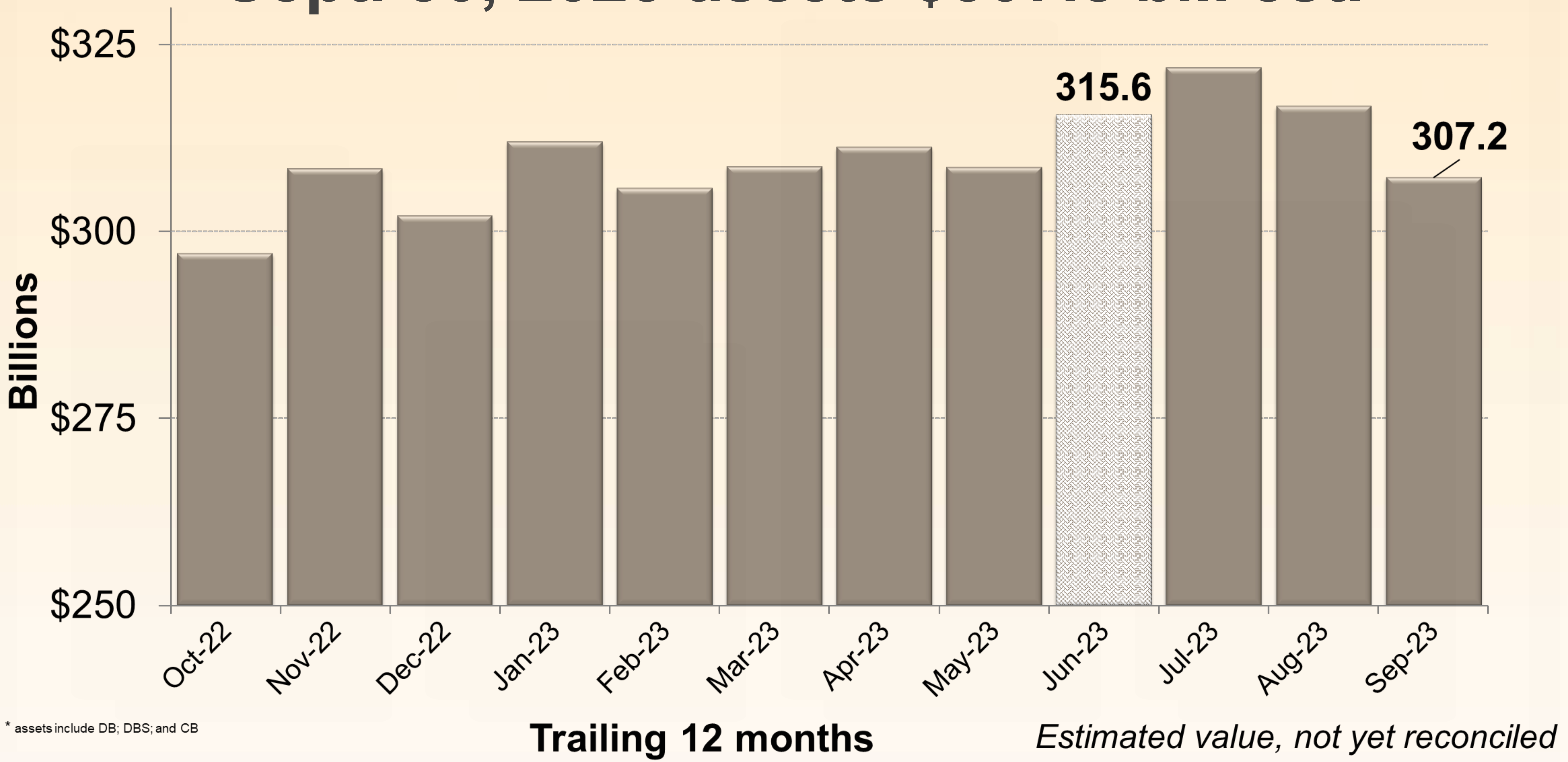
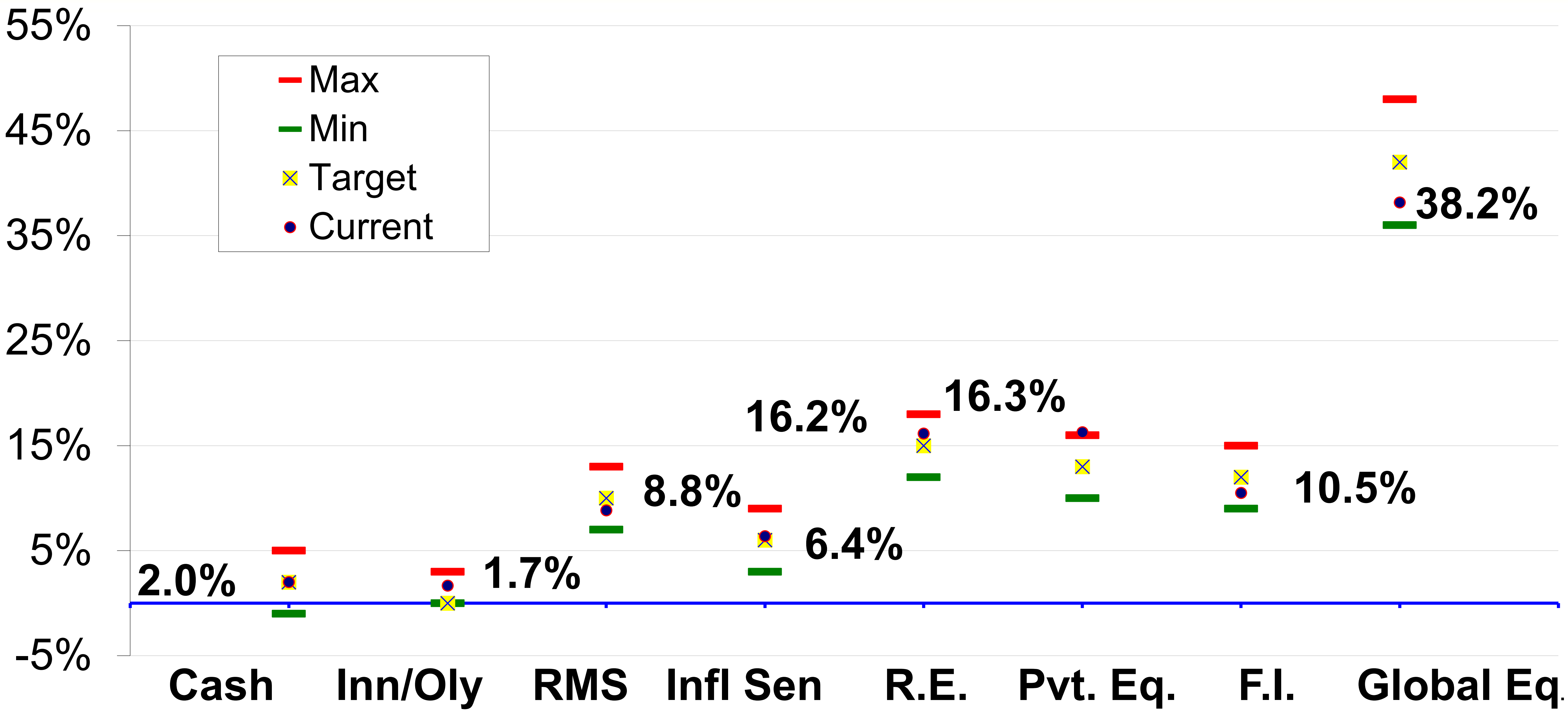
Sept. 30, 2023 assets $307.8 bil. est.



* assets include DB; DBS; and CB

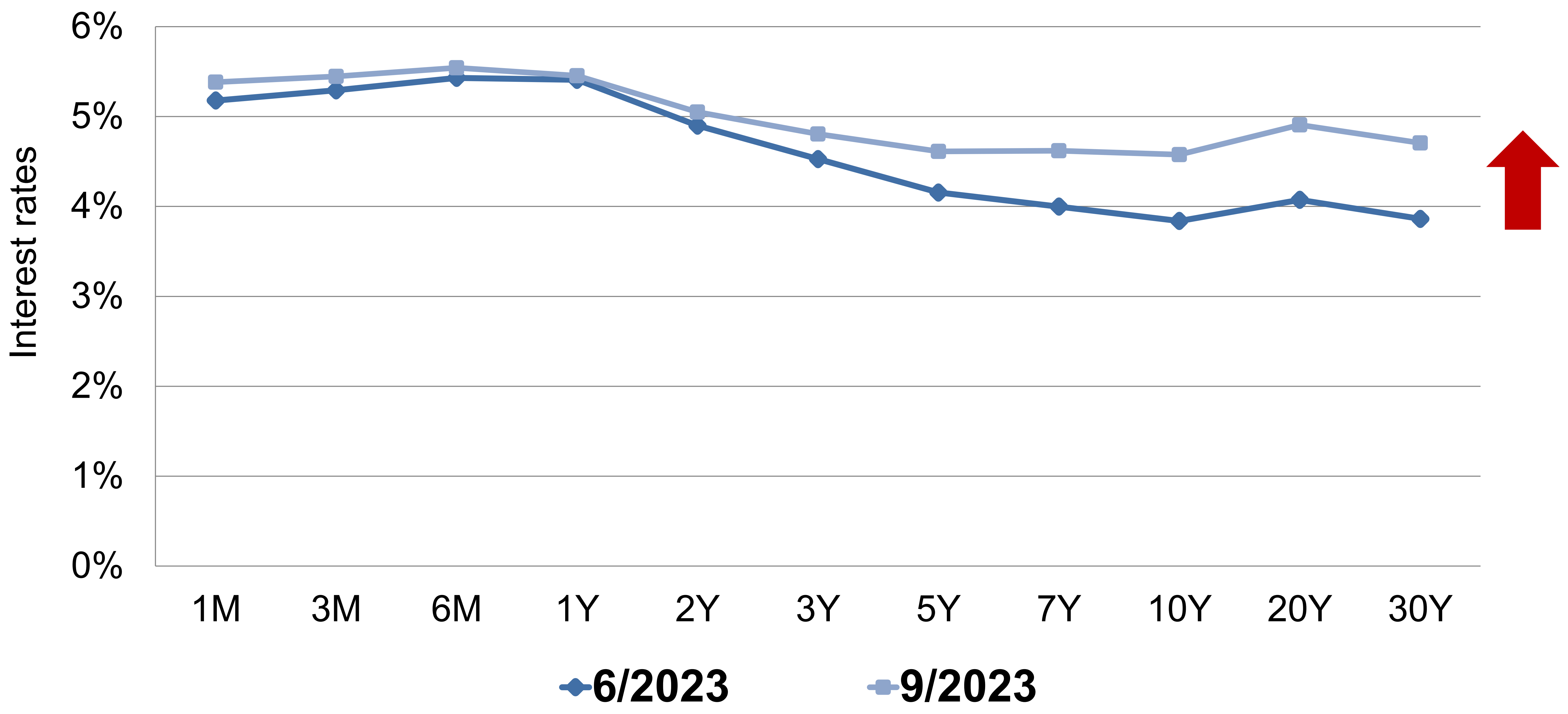
Asset mix



[1] Total Public Equity includes the following sub-units: Global Equity, SISS and Innovation GE

[2]Strategic Overlay includes Currency and Derivatives Overlay

Rising bond yields



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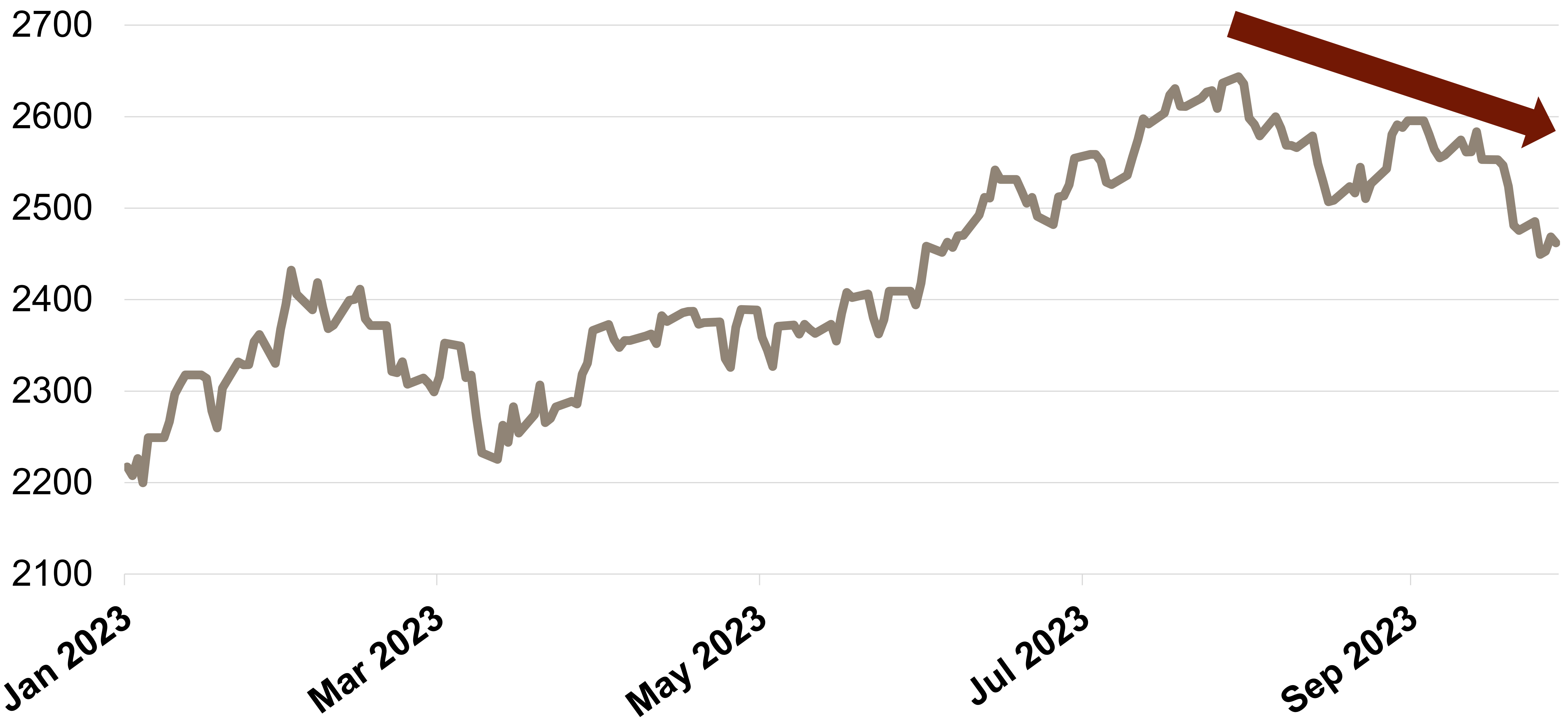
Equity markets react to higher rates

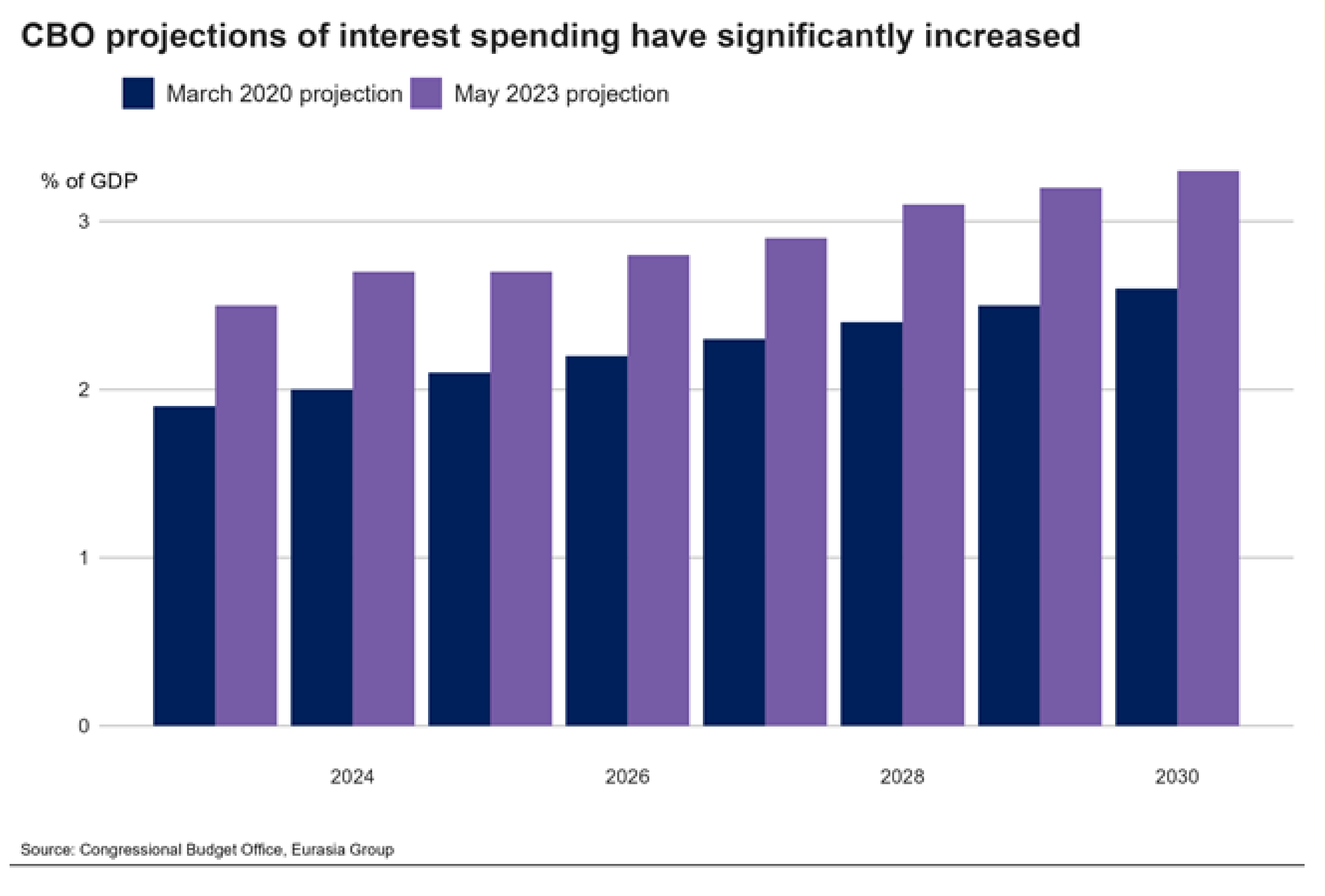


Russell 3000 Price Index

Federal debt cost

Interest on the Federal deficit will cost 3% of GDP

MORE than we spend on Defense



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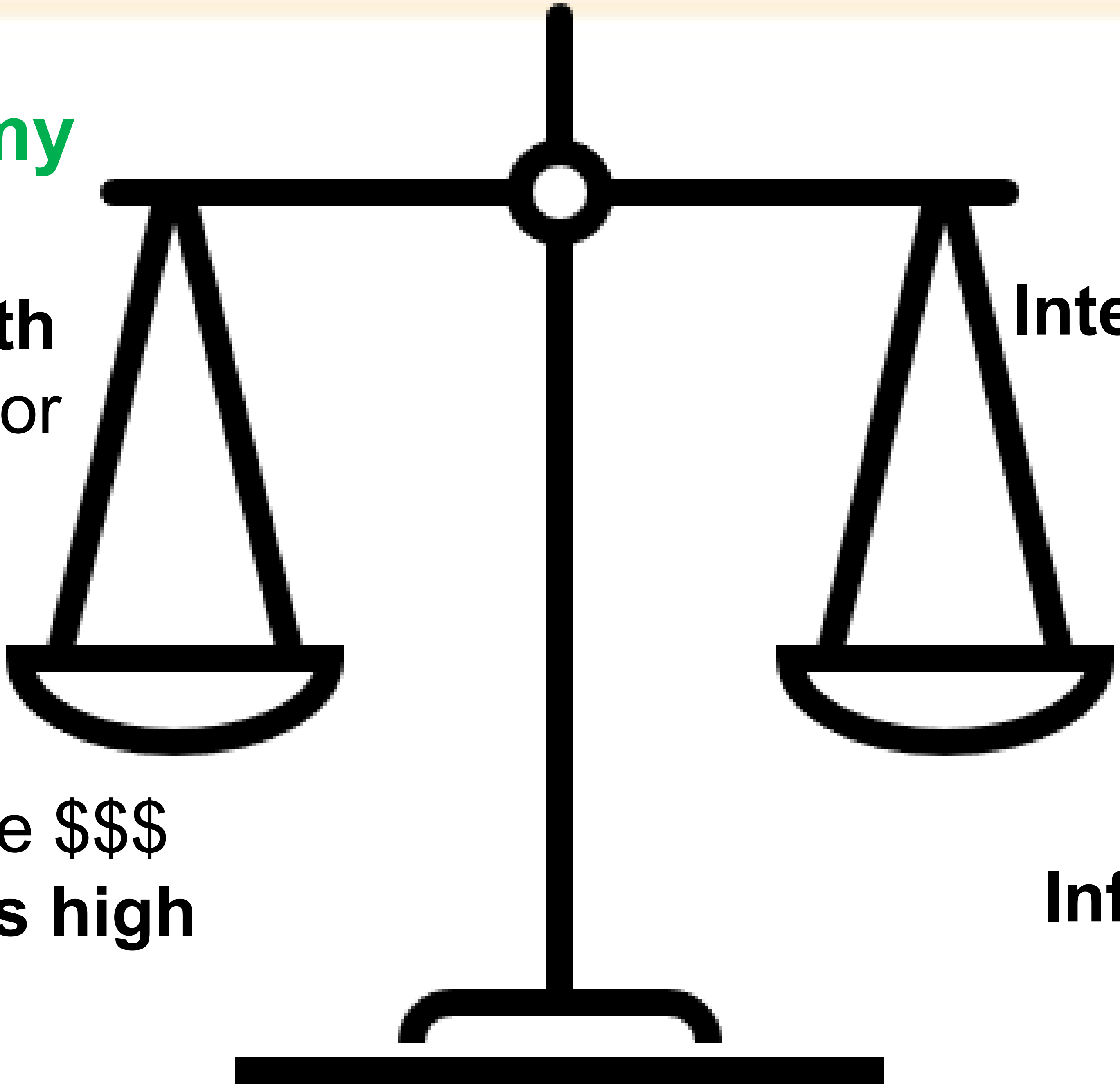
Mixed economic picture



Strong economy

Strong job growth
Solid service sector

Still stimulus some $$$
Inflation is off it's high
Corp EPS is solid

Weak economy

Interest rates up 500 bps
Inverted Yield Curve

Geopolitical risk up..
Inflation sticky at 3-4%..

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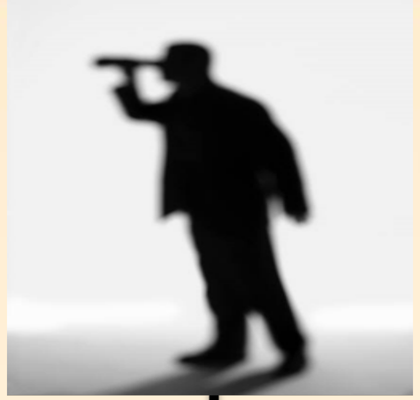
Looking out to the horizon



Key risks to monitor :

- Inflation – slowing but still 3-4%
- Fed to raise rates again? China economy slowing
- Two major wars

Uncertainties :

- Will the Fed "PAUSE"? *Soft landing?*
- Mixed economic signals everywhere

Positives:

- *Labor market - steady*
- *Consumer spending*

Economists STILL predict a Recession in the two quarters.

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Inevitable surprises

(Range from high to low likelihood, but potential of very high impact)

- Climate extremes
- U.S and Global energy transition
- Digital virus / cyber attacks *
- Biological virus
- Income inequality
- Domestic terrorism or extremism
- Earthquakes – South San Andreas Fault
- Russia / Ukraine war
- Israel / Hamas war
- North Korea / Iran
- China / Taiwan / U.S. tensions
- Lethal drones – micro drones
- Near Earth objects

Geopolitical risk major concern

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