

- (1) Transaction Size: larger scalable transactions versus smaller starter positions.
- (2) Future Allocation: long-term investments that are permanent in nature versus “seed” and “innovative” initiatives which are later transferred to asset classes permanently or sunset if they don’t succeed.
- (3) Sourcing: leverages the entire platform of CalSTRS sourced by all underlying asset classes versus largely emanating from the ISR and SISS teams.

The Innovative Strategies Portfolio with a 0%-2.5% allocation of the Total Fund was not designed to capture the broader opportunity set of the Opportunities Portfolio. Meketa, has observed U.S. peers to have opportunities portfolios in the range of a maximum 5%-10% allocation. Should your Board wish to continue to move forward, Staff proposes a series of next steps in the following section including working with Meketa to potentially incorporate an increased allocation in the 2023 Strategic Asset Allocation.

4. Next Steps

Staff proposes the Board consider creating an Opportunities Portfolio and consolidate this new sleeve with our existing Innovative Strategies Portfolio to form one Total Fund Opportunities allocation. This goal of this item is to have a robust discussion and receive feedback from the Board to continue to study a proposed Opportunities portfolio. There are many governance and investment questions yet to be resolved. Should the Board wish to continue to move forward, Staff recommends the following topics be brought to the Investment Committee for further consideration:

- (1) Portfolio construction and Management of Risk
- (2) Governance and Monitoring and Reporting
- (3) Policy Changes and Compliance, Monitoring and Reporting
- (4) Asset Allocation Modeling

Staff looks forward to discussing this item with the Board. Please let us know if you have any questions.