
Investment Committee Semi-Annual Activity Report






| 4. Fixed Income



FIXED INCOME SEMI-ANNUAL REPORT

MARKET RISKS¹

As of 12/31/23

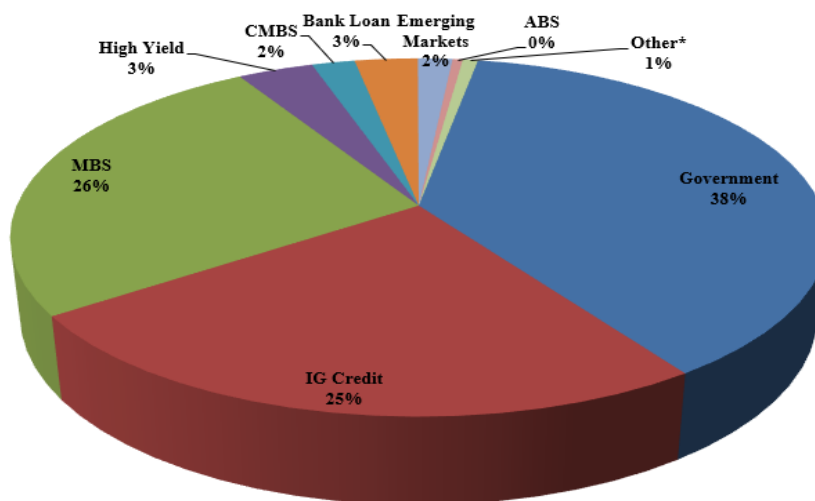
Indicator	12/31/2023	6/30/2023	Change	Risk / Valuation Level
Monetary Policy	5.25 - 5.50	5.00 - 5.25	0.25%	← Accommodative Neutral Restrictive → 
U.S. Unemployment Rate	3.70%	3.60%	0.10%	←  Low Moderate High →
10 Yr. U.S. Treasury Yield (Interest Rate Risk)	3.88%	3.84%	0.04%	← Low Moderate High → 
Current Inflation (CPI)	3.40%	3.00%	0.40%	← Low Moderate High → 
Cost of Corporate Credit (Spread over U.S. Treasury)	0.93%	1.14%	-0.21%	← Cheap Fair Value Rich → 

¹ Current level compared to long-term averages

FIXED INCOME SECTOR WEIGHTS

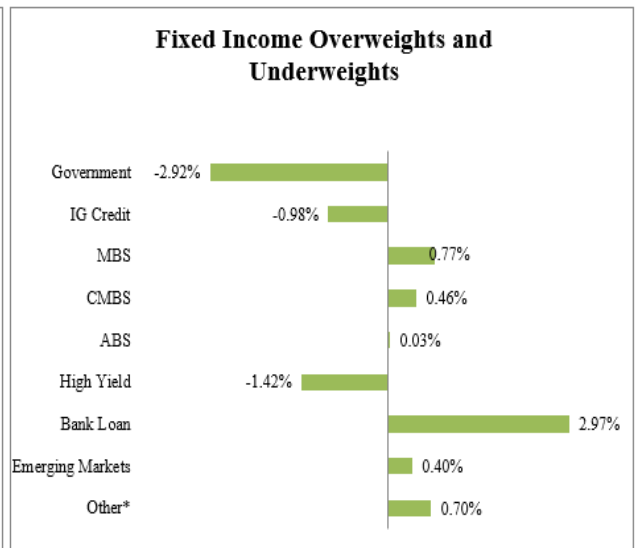
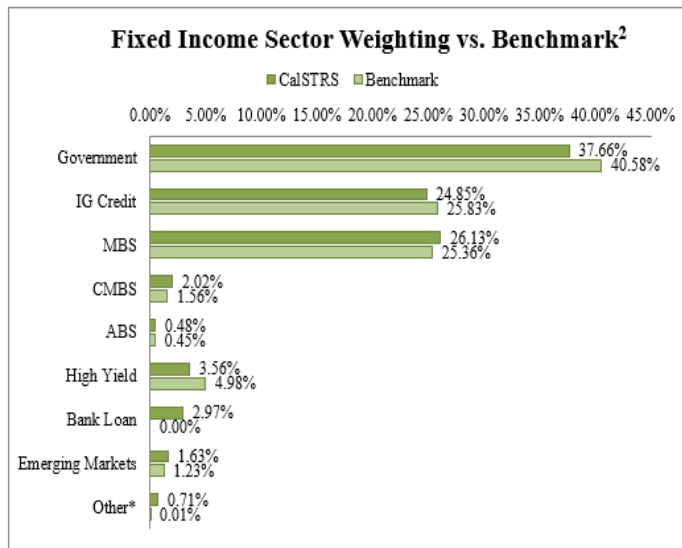
Assets Under Management \$34.5 Billion

10.6% Allocation vs. Target of 12%



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

FIXED INCOME SEMI-ANNUAL REPORT



²Benchmark: (95%) Bloomberg MSCI U.S. Aggregate Climate Custom Index + (5%) Bloomberg MSCI U.S. High Yield 2% Cap Cash Pay Climate Custom Index
 Index Sector Weightings and Overweights/Underweights may have some rounding variations due to calculations by BlackRock Risk System

ACTIVITY UPDATE

The Fixed Income portfolio represented 10.6% of the Total Fund as of December 31, 2023. In July, the Fed raised rates 25 basis points, to a range of 5.25% - 5.50%, marking the eleventh increase since March 2022 when rates were near zero. By December, central bank officials signaled hikes were over, and forecasted lower rates in the year ahead. The dovish pivot drove a rally in both equities and bonds. Effective October 1, 2023, Fixed Income implemented its carbon optimized index which supports CalSTRS pledge to reach net zero portfolio emissions by 2050 or sooner. During the period, Fixed Income was allocated \$1.5 billion and deployed assets to the internally managed Core portfolios. Fixed Income rebalanced its Core Plus aggregate, de-risked the Core portfolio by reducing Credit and CMBS to allocate to MBS and added duration and purchased protection to hedge Bank Loan and High Yield risk. Private Credit committed to two strategic partnerships in 2H 2023, totaling \$1.0 billion with two managers in senior, secured, direct lending strategies.

