

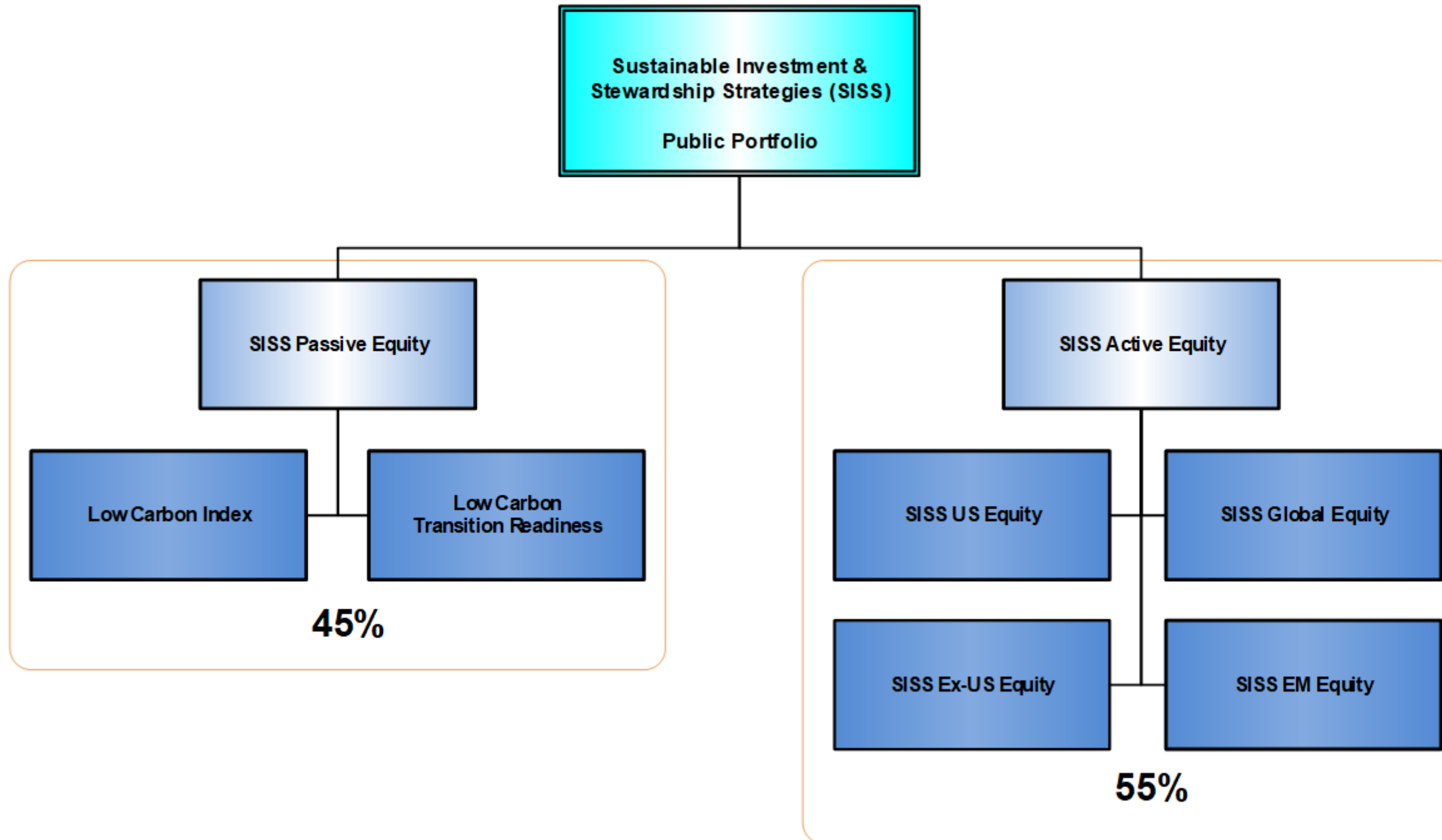
CALSTRS

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Sustainable Investments & Stewardship Strategies (SISS) – Risk Budget Overview

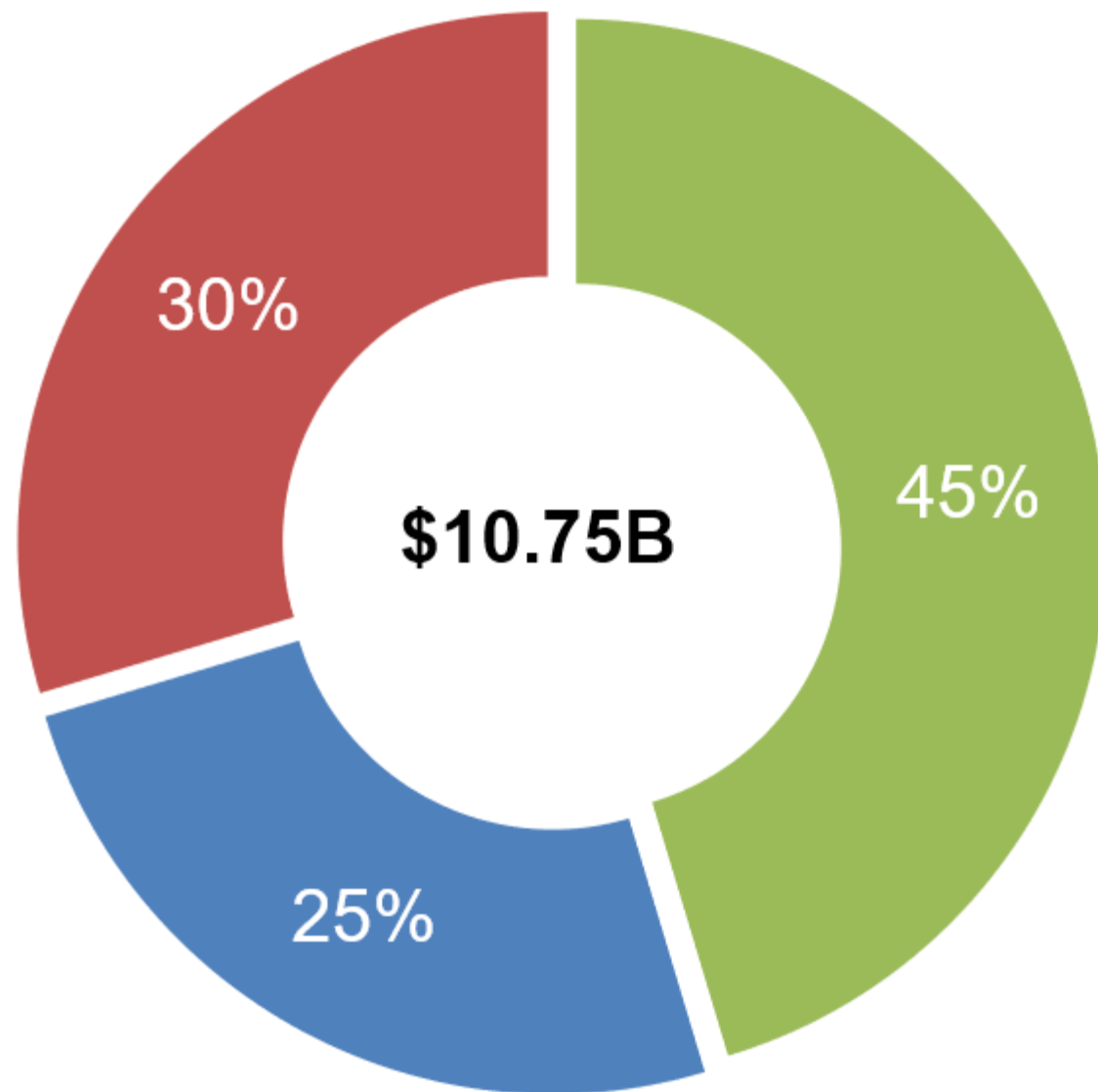
Investment Committee
July 8, 2021







Weights by Strategy Type



SISS Passive Equity

Low Carbon Risk-Controlled

SISS Active Equity

Activist

Sustainability-Focused



Low-Carbon Risk-Controlled

- Low to moderate active risk
- Similar to enhanced index strategies with diversified holdings and tight risk controls

Sustainability- Focused

- Moderate to high active risk
- Active risk comparable to traditional active public equity strategies

Activist

- Very high active risk
- Concentrated strategies with limited diversification

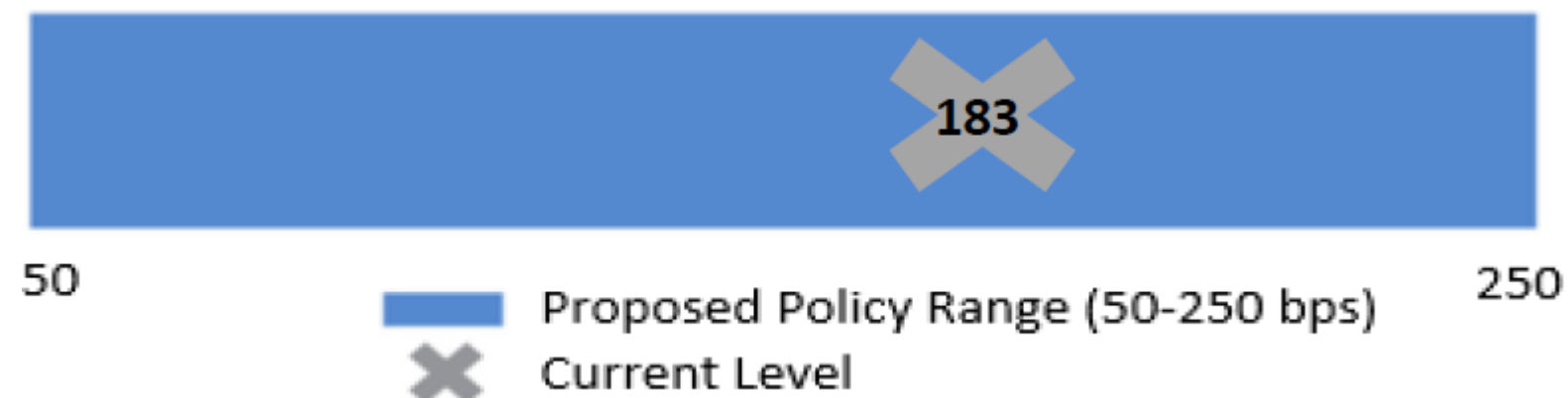


SISS Public Portfolio objectives are to:

- 1) Generate alpha and provide additive returns to CalSTRS Total Fund.
- 2) Identify strategies that integrate sustainability considerations as a value-driver in investment process.
- 3) Partner with asset managers to improve sustainable business practices across the market
 - Portfolio is inherently more “active” and does not hold “purely” passive index strategies.
 - Risk budget range consequently is significantly higher than Global Equity.



- Staff is recommending a risk budget of 50 - 250 basis points.
- Benchmark will remain unchanged (MSCI ACWI IMI Net custom index).
- Staff already managing portfolio to be compliant with proposed risk budget.
- No other substantive changes to oversight or management of SISS Public Portfolio.



Questions?

CALSTRS[®]
HOW WILL YOU SPEND YOUR FUTURE?

CalSTRS.com

Art glass by Paul Housberg, 2009

