
Investment Committee Semi-Annual Activity Report

| 6. Inflation Sensitive

INFLATION SENSITIVE PROGRAM SUMMARY

Market Indicators:

- (YOY) US CPI: +3.4%
- (Ann.) Infrastructure Benchmark: +7.83%
- (FYTD) Bloomberg Commodity Index: -2.79%
- (FYTD) US TIPS Index: -2.07%

CalSTRS Portfolio Allocation:

- Long-term Target: 7% of the overall CalSTRS portfolio
- Currently 6.1% of the overall portfolio

US CPI on a year-over-year (YOY) basis rose slightly from the last semi-annual report to 3.4% from 3.0%. The move down to below 3% and the Federal Reserve’s desired target level of 2% will engender a bit of a bumpy ride and take some time to develop over 2024. The Fed has stopped interest rate increases and the bond market is already pricing in additional rate cuts over 2024. Some analysts think they begin in 1Q 2024, and others believe such rate cuts will be slower to develop and will not begin until 3Q 2024. We are still in the camp that the Fed will hold rates higher for longer.

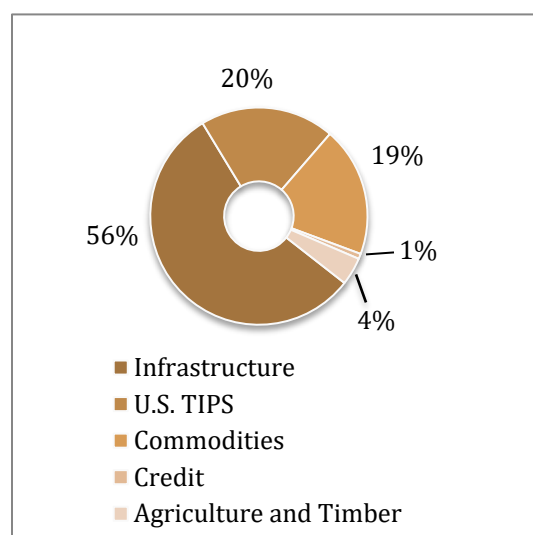
The infrastructure benchmark (CPI+400) returned 7.83% in the last 12 months, down from 9.17% in the last semi-annual reporting period as inflation continues to move lower. Commodities on a fiscal year to date basis have returned -2.79% and have been reduced from 28% of the Inflation Sensitive portfolio to 19% as transfers to the U.S. TIPS portfolio have been increased to reflect our in-house interest rate view that we are close to peak rates. The U.S. TIPS index on a fiscal year basis is up 2.07%. The private credit portfolio is just barely 1% of the overall Inflation Sensitive portfolio and will continue to develop as more assets are deployed and the allocation matures.

We expect to further increase the U.S. TIPS portfolio allocation and reduce commodities exposure. We continue to be active in the infrastructure market and as rates stabilize and start to decline, we expect activity to increase in the 2024-25 time period.

Inflation Sensitive Risk Factors:

- Rapid and uncontrolled rise in interest rates
- Persistent currency volatility
- Rapid technological advancements in power and transportation industries

Inflation Sensitive Portfolio Allocation



Portfolio Value as of December 31, 2023

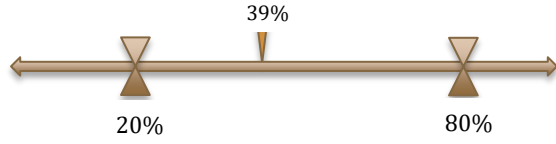
Asset Type	Market Value (\$)	Committed Amount (\$)
U.S. Treasury Inflation Protected Securities	4,008,798,162	--
Infrastructure*	11,105,833,289	14,932,931,280
Commodities	3,845,759,159	--
Agriculture and Timber*	820,267,833	875,000,000
Credit*	153,837,218	800,000,000
Total	19,934,495,661	15,675,979,707

*Market value based on Q3 pricing

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Current Allocation

Public Inflation Sensitive Assets



Private Inflation Sensitive Assets

