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# Investment Committee Semi-Annual Activity Report

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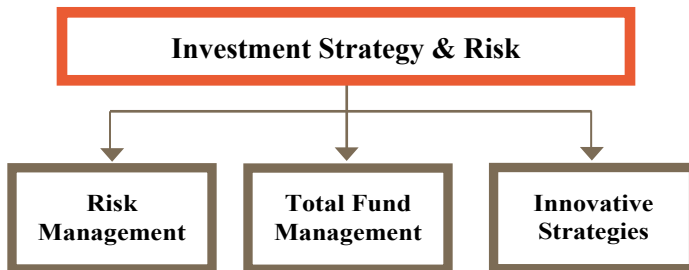
| 9. Investment Strategy & Risk

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# CalSTRS Investment Strategy & Risk Semi-Annual Report

## Program Description



Established in May 2019, the Investment Strategy & Risk (ISR) group’s primary goal is to improve the risk-adjusted returns of the CalSTRS Portfolio through a total fund approach, risk management, and the inclusion of alternative investments and overlay strategies.

Due to CalSTRS being a mature pension fund with negative cash flows, tighter cash management with efficient rebalancing and total fund management are increasingly important to fund performance. The ISR team will focus on longer-term asset liability management and shorter-term tactical fund positioning with risk budgeting.

- **Risk Management’s** goal is to provide a comprehensive, total fund view of portfolio risk to support investment decision-making
- **Total Fund Management’s** objective is to enhance governance and engage collaborative partners for total fund “smart rebalancing” and overlay positioning
- **Innovative Strategies’** primary goal is to research and invest in strategies that improve the risk and return profile of the total fund

## Program Developments

### Risk Management

The Risk Management team began the first steps of the 2022-23 Asset-Liability Management Study, including development of Capital Markets Assumptions. The team also made enhancements to Risk Allocation Committee analytics and collaborated with other internal teams on liquidity risk, counterparty risk, and data strategy.

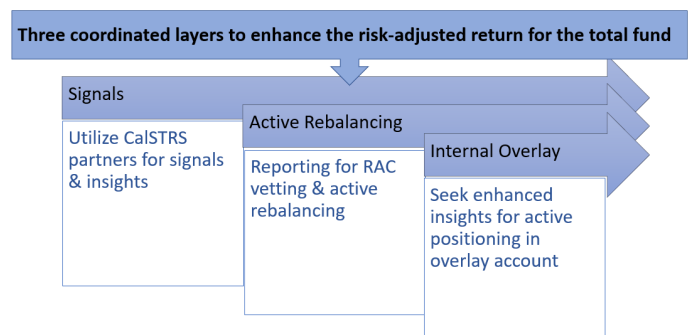
### Total Fund Management

Collaborating with the Performance team, the Risk Management team, all asset classes, and external research partners, we advised the Risk Allocation Committee of political, economic, and social turbulences to navigate the financial market.

Total Fund Management will continue coordinating, launching, and maintaining a multi-team data-driven investment process by presenting Global Equity, Fixed Income, and Risk Mitigating Strategy signals in the cross-asset context.

We will further collaborate with external investment partners for research, tactical positioning, and overlay strategies.

### Total Fund Positioning



We also conducted research on strategic issues such as blockchain and China Exposure.

### Innovative Strategies

The Investment Strategy & Risk team continues to focus primarily on incubating private credit within the Innovative Strategies Portfolio, which includes direct lending, opportunistic credit, and specialty finance. After surveying the investable universe with the help of a consultant, staff is currently evaluating a short list of potential managers to gain exposure to the specialty finance space with enhanced economics.

The team will also continue to collaborate with the traditional asset classes to source potential joint research projects. Currently, the team is assisting Fixed Income with their research in direct lending and will provide support as needed. As of December 31, 2022, the market value of the CalSTRS’ Innovative Strategies Portfolio was \$3.9 billion allocated across 17 managers and 12 co-investment vehicles.

