



Diversity in the Management of Investments: At a Glance

Diversity in Action: Adds Value and Is a CalSTRS Commitment

CalSTRS seeks to honor the philosophy of inclusion, long practiced by California's educators, while maintaining a financially sound retirement system. Diversity in the management of investments is interwoven throughout our business goals and is consistent with the objective to invest in strategies that enhance returns at a prudent level of risk.

Through diversity in the management of investments, CalSTRS seeks to increase the participation of investment managers with diverse backgrounds, thoughts and experiences to partner with our Investments Branch staff.

Corporate Governance –Anne Sheehan, Director

Activist Portfolios AUM \$3.5 billion (as of 12/31/15)
Contact: Laurie Winston, Executive Assistant 916-414-7411

Corporate Governance engages portfolio companies on improving the diversity of corporate boards. We have also been expanding our diversity initiative beyond the boardroom and will be engaging portfolio companies about building diverse pipelines of their most valuable resource—their human capital.

Additionally, we believe regulatory engagement is needed and will continue engagement with the SEC regarding the petition for rulemaking to require board member disclosures in a company's proxy to evaluate nominees' gender, racial and ethnic diversity, and skillsets to oversee the company's long-term business strategy.

As part of our Corporate Governance activist strategy, we encourage our managers to consider diversity of corporate boards within their engagements.

Fixed Income—Glenn Hosokawa, Director

Total AUM \$30.3 billion (as of 11/30/2015)
EM \$521 million (10% of externally managed Fixed Income Portfolio)
Contact: Laurie Masters, Administrative Assistant 916-414-7501

Although Fixed Income does not have a dedicated emerging manager program, our selection process facilitates the consideration of a broad universe of managers. Our process considers quantitative and qualitative factors that are indicative of a successful asset management business partner and includes emerging managers.

- Our emerging manager roster currently constitutes roughly 10 percent of the total assets managed externally.
- Brokerage services for our internal funds are managed with an "open door" policy. Currently, we are doing business with about 15 emerging firms in a competitive environment.

Global Equity –June Kim, Director

Total AUM \$99.3 billion (as of 12/31/15)
Contact: Marie China, Administrative Assistant 916-414-7438

The Global Equity Portfolio is managed both internally and externally using passive and active strategies across the U.S., non-U.S. developed and emerging markets.

- The Developing Manager Program was established in 2004 with the objective to add alpha and identify new investment talent across U.S. and non-U.S. markets. It achieves this objective through a manager-of-managers platform.

Developing Manager Program contacts:

- Bivium Capital Management
Lawrence Bancroft 415-825-0607
 - FIS Group
Samuel Austin 215-567-1100
 - Leading Edge Investment Advisors
Dani McLeod 415-603-2887
 - Progress Investment Management
Mona Williams 415-512-3480
- Global Equity's internal management team currently has broker-dealer relationships with 12 emerging firms.

Inflation Sensitive –Paul Shantic, Director

Total AUM \$1.7 billion (as of 12/31/2015)
EM \$181 million (11% of Inflation Sensitive Portfolio)
Contact: Richard "Rico" Novoa, Staff Service Analyst 916-414-7527

The Inflation Sensitive asset class currently consists of the Global Inflation Linked Securities Portfolio and the Infrastructure Portfolio.

- The Inflation Sensitive Portfolio invests in strategies that provide protection against inflation and generate long-term returns that exceed inflation and the performance benchmark.
- The Infrastructure Portfolio consists of investments that generally include a relatively stable return stream, have a higher correlation to inflation than equity or fixed income investments, and provide a hedge against long-term liabilities and inflation.

The Infrastructure team is open to meeting with managers of infrastructure assets and reviewing potential opportunities that are suitable and meet the portfolio's needs. Request a meeting or submit proposals to: Infra-Investments@CalSTRS.com.

Private Equity –Margot Wirth, Director

Total AUM \$17.8 billion (as of 11/30/2015)

EM \$1.0 billion (6% of Private Equity Portfolio)

Contact: Cindy Connitt, Administrative Assistant 916-414-7601

The primary focus of the Private Equity Program is to provide enhanced investment returns over those available in the public market. Our partnerships are realized by core relationships in time-tested private equity limited partnerships, co-investments and secondary interest arrangements, all on a global scale.

The Private Equity Proactive Program focuses on investing with new and emerging managers and investing in underserved markets through funds of funds. Commitments made through these feeder funds are generally less than \$15 million each. Contacts:

- Invesco Private Capital
Amit Tiwari 415-445-3387
amit_tiwari@invesco.com
- HarbourVest Partners
Edward Powers 617-348-8355
EPowers@harbourvest.com
- Mueller & Monroe Asset Management
Rendel L. Solomon 312-782 1089
Rendel.Solomon@m2am.com

Real Estate –Mike DiRe, Director

Total AUM \$25.3 billion (as of 09/30/2015)

EM \$8.1 billion (36.9% of the total \$21.9B U.S.-only RE Portfolio)

Contact: Susan Daniel, Administrative Assistant 916-414-7966

In our Real Estate Program, CalSTRS has many partners, including advisers for directly held real estate assets, fund managers, and joint venture and co-investment partners. Our partners are experts in their niche strategies and they select developers based on extensive knowledge of their niche markets.

- The Real Estate Program and our partners seek out the most attractive deals and partner with the strongest leaders in real estate to maximize returns for the fund.

The Real Estate Emerging Manager Implementation Plan evaluates new investment opportunities using a three-pronged approach: seek out direct joint venture relationships with emerging managers, access managers through manager-of-manager ventures, and access managers through funds of funds.

Risk Mitigating Strategies, Innovation and Risk –Steven Tong, Director

Total AUM \$3.09 billion (as of 12/31/2015)

Contact: Nancy Flora, Administrative Assistant 916-414-7451

The Risk Mitigating Strategies, Innovation and Risk team was established in 2009.

- The Risk Mitigating Strategies team invests in strategies that primarily provide protection against equity market downturns.
- The Innovation team incubates strategies that could improve the overall risk and return characteristics of the total fund.
- The Risk team monitors and manages the total fund risk across asset classes.

Due to our small allocations, potentially brief investment periods and early stage of the portfolio, the Innovation Portfolio does not have a dedicated emerging manager program. Similarly, the Risk Mitigating Strategies Portfolio, which currently invests in long-duration U.S. Treasuries, trend following, global macro, and systematic risk premia, does not have a dedicated emerging manager program, but the growth of the asset class—long-term target allocation of 9 percent of the total fund—will provide opportunities to increase diversity over the coming year.

Operations–April Wilcox, Director

Contact: Muriel Dimel, Staff Services Analyst

916-414-7551

Investment Operations overall goal is to provide middle office support to all asset classes and investment strategies for the successful implementation of the CalSTRS Investment Policy and Management Plan.

The source of our strength stems from a wide range of professionals in our team with diverse backgrounds in both gender and ethnicity. This diversity component promotes better collaboration with the wide range of external business partners in the management of operations of the total plan. In addition, Operations staff participates in diversity research, reporting and events throughout the year.



For more information, see our **Diversity in the Management of Investments 2016 Annual Progress Report** at CalSTRS.com/calstrs-reports-surveys.