

# Quarterly Investment Report

1st Quarter, 2019

BUILT TO PERFORM.

CREATED TO SERVE.

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TIAA-CREF Tuition Financing, Inc., Program Manager. TIAA-CREF Individual & Institutional Services, LLC, member FINRA and SIPC, distributor and underwriter for the CalABLE plan.



## Key Themes

- After a volatile fourth quarter, Q1 saw renewed optimism in regard to many economic, political, and investment concerns. Fear turned to hope as investors looked past lingering risks and resumed a positive outlook. Many markets reacted positively and posted solid results that more than offset the downturn in Q4.

## Equities

- All eleven U.S. equity sectors had positive returns. Information Technology and Real Estate had the highest returns while Health Care was the laggard. International developed and emerging markets also participated in the rally.
- Based on respective Russell indexes, smaller cap areas of the market outperformed larger caps. Unlike the fourth quarter, growth stocks (16.10%) topped value shares (11.93%) in Q1, as investors remained optimistic.

## Fixed Income

- At the March FOMC meeting, the Federal Reserve Board kept its benchmark fed funds rate unchanged at a target range of 2.25%-2.50%. It also indicated that no more rate hikes will be coming this year, signaling a more dovish stance.
- After beginning at 2.69%, the yield on the bellwether 10-year treasury note ended the quarter at 2.41%, very close to a multi-month low.

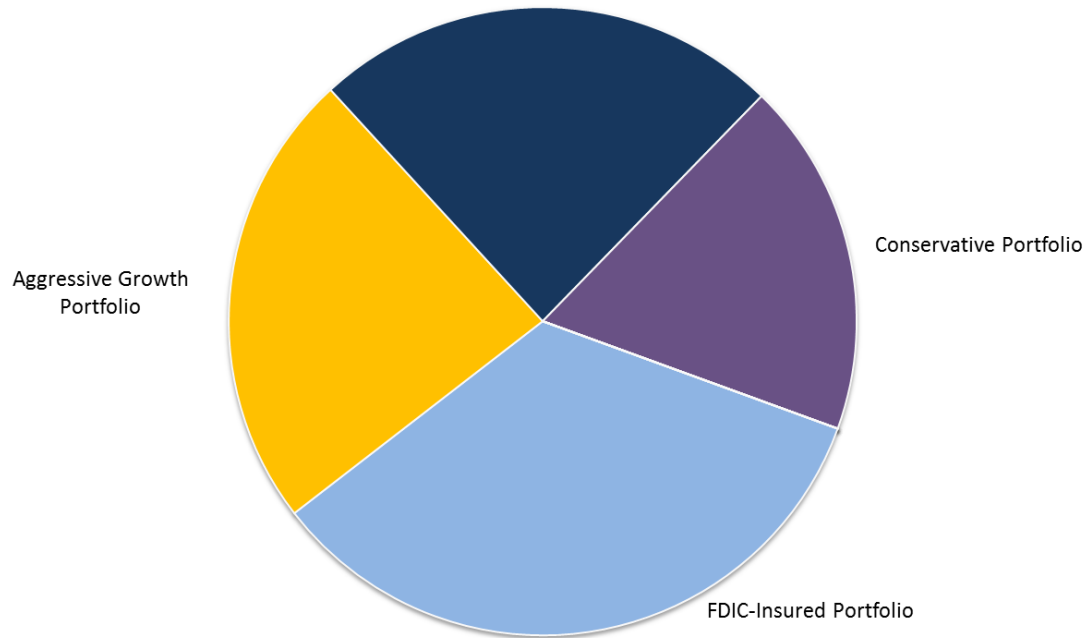
Asset Class	3 Month	1 Year	3 Year	5 Year
U.S. Equities	14.04	8.77	13.48	10.36
U.S. Growth Stocks	16.10	12.75	16.53	13.50
U.S. Value Stocks	11.93	5.67	10.45	7.72
U.S. Mid-Cap Stocks	16.54	6.47	11.82	8.81
U.S. Small-Cap Stocks	14.58	2.05	12.92	7.05
Int'l Developed Stocks	9.98	-3.71	7.27	2.33
Emerging Markets Stocks	9.91	-7.41	10.68	3.68
Real Estate Stocks	17.17	20.46	7.84	10.00
U.S. Investment Grade Bonds	2.94	4.48	2.03	2.74
Long-dated U.S. Treasuries	6.45	5.24	3.75	5.35
Inflation-Linked Bonds	2.57	2.72	1.53	1.50
High Yield Bonds	7.34	6.33	7.76	4.74
Commodities	6.32	-5.25	2.22	-8.92
Cash	0.61	2.14	1.21	0.76

Past performance is not indicative of future results. You can not invest directly in an index. U.S. Equities – Russell 3000 Index; U.S. Growth Stocks – Russell 1000 Growth Index; U.S. Value Stocks – Russell 1000 Value Index; U.S. Mid Cap Stocks – Russell Midcap Index; U.S. Small-Cap Stocks – Russell 2000 Index; International Developed Markets – MSCI EAFE Index; Emerging Markets – MSCI Emerging Markets Index; Real Estate Stocks – FTSE NAREIT All Equity REITS Index; U.S. Investment Grade Bonds – Bloomberg Barclays U.S. Aggregate Bond Index; U.S. Treasuries – Bloomberg Barclays U.S. Government/Credit Long Index; Inflation-Linked Bonds – Bloomberg Barclays TIPS 1-10 Years Index; High Yield Bonds – BofA Merrill Lynch BB/B Cash Pay Index; Commodities - Bloomberg Commodity Index; Cash - Bloomberg Barclays U.S. 3 month Treasury Bellweathers Index

# Assets by Portfolio as of Q1 2019

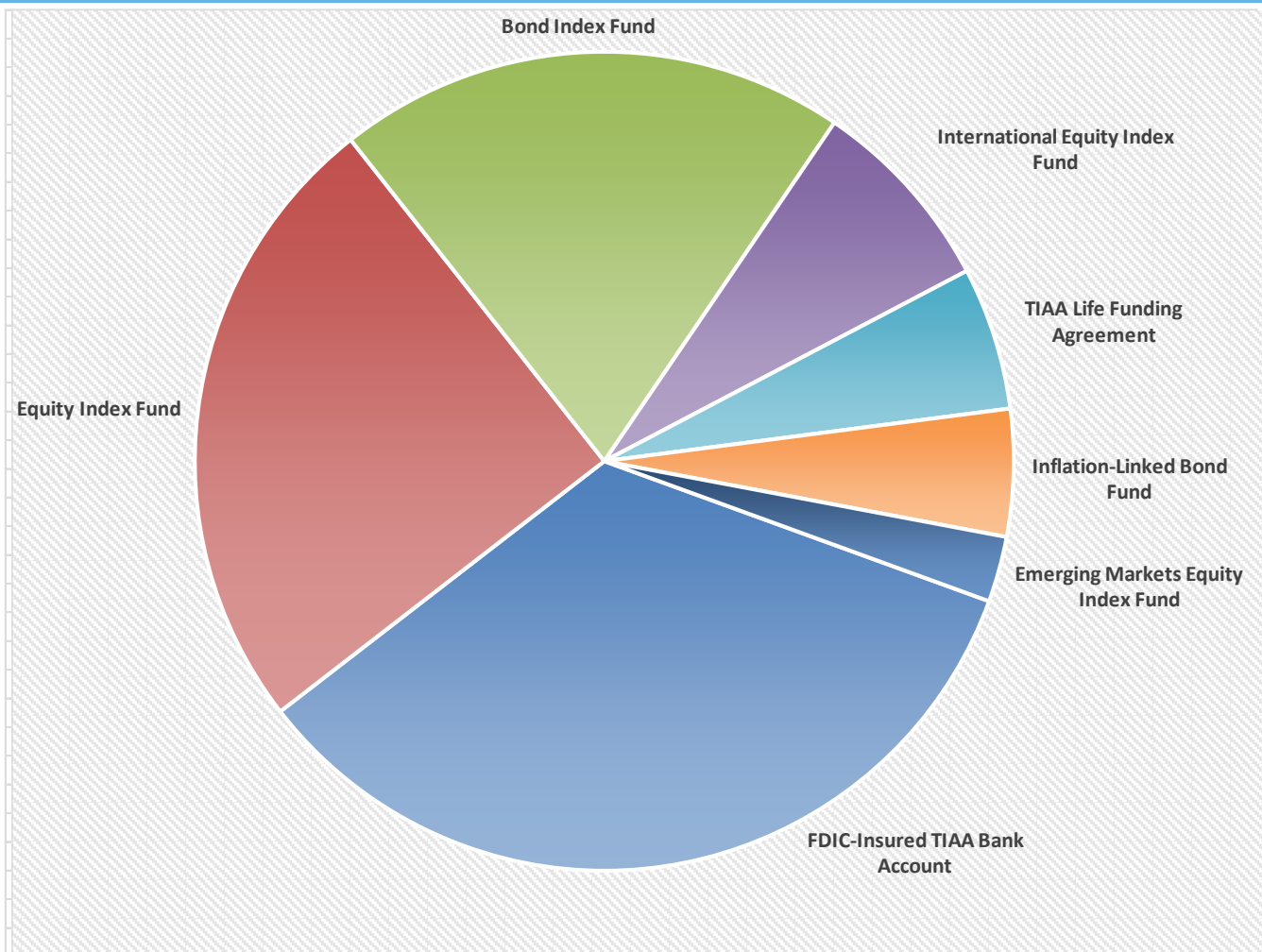
**Total Assets: \$3.3 Million**

Moderate Portfolio



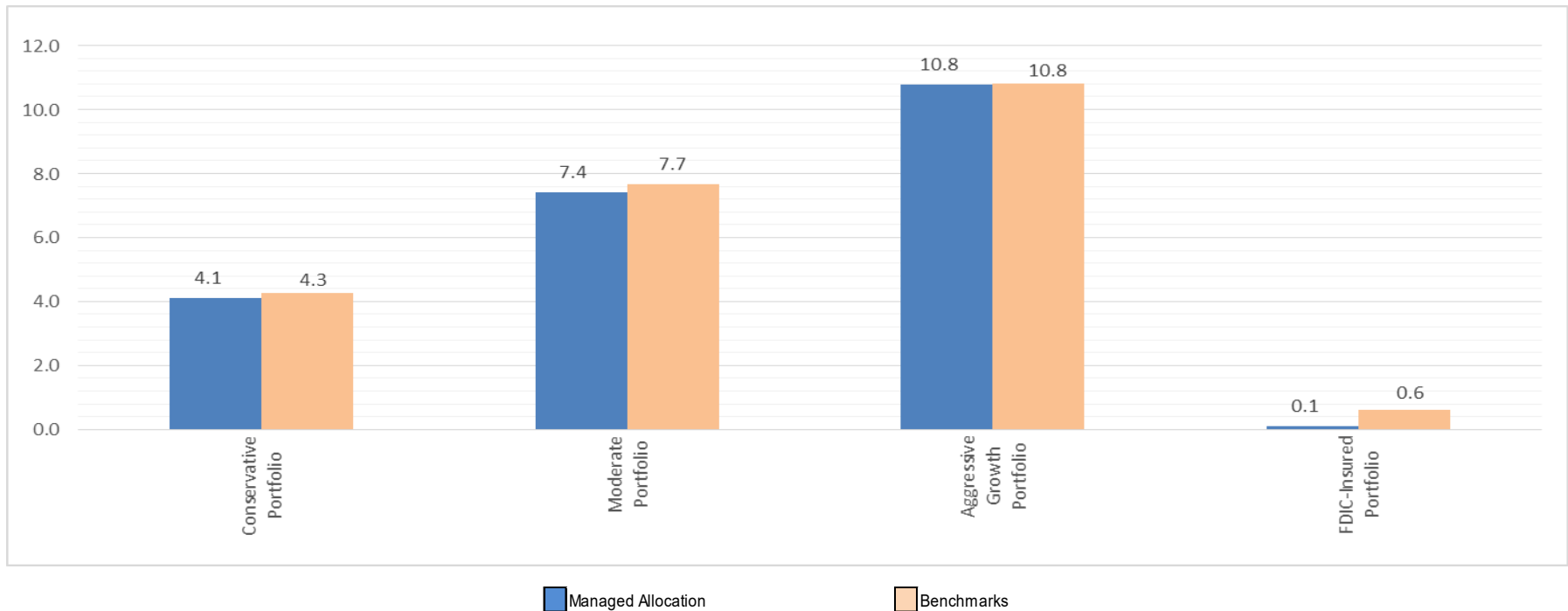
	<b>% of Assets</b>	<b>(\$K)</b>		<b>% of Assets</b>	<b>(\$K)</b>
FDIC-Insured Portfolio	34%	\$1,117	Moderate Portfolio	24%	\$792
Aggressive Growth Portfolio	24%	\$778	Conservative Portfolio	18%	\$601

# Assets by Underlying Fund as of Q1 2019



	% of Assets	(\$K)		% of Assets	(\$K)
FDIC-Insured TIAA Bank Account	34%	\$1,117	International Equity Index Fund	8%	\$257
Equity Index Fund	25%	\$817	TIAA Life Funding Agreement	6%	\$185
Bond Index Fund	20%	\$662	Inflation-Linked Bond Fund	5%	\$165
			Emerging Markets Equity Index Fund	3%	\$85

# Investment Portfolios vs Composite Benchmarks Q1 2019 (%)



\* Returns are net of most recent weighted average Underlying Fund Fees, Program Management Fees and State Administrative Fees (5 bps).

- Total nonfarm payroll employment increased by 196,000 in March, which was a strong bounce back after February's gain of just 20,000. The unemployment rate held steady at 3.8%.
- Average hourly earnings of all employees on private nonfarm payrolls showed a strong 3.20% year-over-year increase.
- The Conference Board's index of leading economic indicators (LEI) improved in March, following a 0.1% increase in February and no change in January.
- All investment portfolios had positive absolute returns in Q1 and most portfolios slightly underperformed their blended benchmarks after fees.
- Contributing to absolute returns was the TIAA-CREF Equity Index Fund, which generated 14.01% in Q1. Also contributing to absolute performance was the TIAA-CREF Emerging Markets Equity Index Fund, which added 10.09% in the quarter.
- As the program is primarily composed of index funds, tracking error for the underlying funds was small, though underperformance was due to fees.

# Investment Portfolios vs Composite Benchmarks

	Average Annual Total Return					Inception Date
	3 Month	YTD	1 Year	3 Year	Since Inception	
<b>Managed Allocation Option</b>						
Conservative Portfolio	4.10%	4.10%	-	-	4.20%	12/17/18
Blended Benchmark Returns	4.25%	4.25%	-	-	4.38%	
Difference	<b>-0.15%</b>	<b>-0.15%</b>	-	-	<b>-0.18%</b>	
Moderate Portfolio	7.41%	7.41%	-	-	7.20%	12/17/18
Blended Benchmark Returns	7.68%	7.68%	-	-	7.27%	
Difference	<b>-0.27%</b>	<b>-0.27%</b>	-	-	<b>-0.07%</b>	
Aggressive Growth Portfolio	10.78%	10.78%	-	-	10.00%	12/17/18
Blended Benchmark Returns	10.80%	10.80%	-	-	9.72%	
Difference	<b>-0.02%</b>	<b>-0.02%</b>	-	-	<b>0.28%</b>	
FDIC-Insured Portfolio	0.10%	0.10%	-	-	0.10%	12/17/18
Blended Benchmark Returns	0.60%	0.60%	-	-	0.69%	
Difference	<b>-0.50%</b>	<b>-0.50%</b>	-	-	<b>-0.59%</b>	

\* Returns are net of current weighted average Underlying Fund Fees and Program Management Fees.

The crediting rate of 1.75% for the Funding Agreement in the Managed Allocation Option is guaranteed through 11/30/19.

# Asset Allocation, Fees, and Performance

Portfolio	Q1 Option Return	Q1 Benchmk Return	Over/Under Benchmk	Annual Asset Based Fees (bp)*	TIAA-CREF Equity Index Fund	TIAA-CREF International Equity Index Fund	TIAA-CREF Emerging Markets Equity Index Fund	TIAA-CREF Bond Index Fund	TIAA-CREF Inflation-Linked Bond Fund	T-C Life Funding Agreement	FDIC-Insured TIAA Bank Account
<b>Underlying Fund Expenses (bp)</b>					5	6	21	12	26	0	0
Conservative Portfolio	4.10%	4.25%	-0.15%	53	14.00%	4.50%	1.50%	44.00%	11.00%	25.00%	
Moderate Portfolio	7.41%	7.68%	-0.27%	54	35.00%	11.25%	3.75%	36.00%	9.00%	5.00%	
Aggressive Growth Portfolio	10.78%	10.80%	-0.02%	52	56.00%	18.00%	6.00%	16.00%	4.00%	0.00%	
FDIC-Insured Portfolio**	0.10%	0.60%	-0.50%	44							100.00%
<b>Fund's Return vs Benchmk (bp)</b>					(3)	6	18	(3)	7	(16)	(0)

\* Asset Based Fees include Estimated Underlying Investment Expenses and State Administrative Fees.

\*\*Currently, the 0.44% State Administrative Fee for the FDIC-Insured Portfolio is being waived by the Board. The Board reserves the right to charge a State Administrative Fee to the FDIC-Insured Portfolio in the future to the extent that the imposition of such Fee would not result in a loss of principal for Account Owners.

# Underlying Funds vs. Benchmarks

## Underlying Funds vs. Benchmarks For the Period Ending 03/31/2019

	Average Annual Total Return							Incept. Date
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Life	
<b>TIAA-CREF FUNDS</b>								
T-C Bond Index Fund	2.91%	2.91%	4.55%	1.85%	2.64%	-	3.24%	09/14/2009
Bloomberg Barclays U.S. Aggregate Bond Index	2.94%	2.94%	4.48%	2.03%	2.74%	-	3.43%	
<b>Difference</b>	<b>-0.03%</b>	<b>-0.03%</b>	<b>0.07%</b>	<b>-0.18%</b>	<b>-0.10%</b>	<b>-</b>	<b>-0.19%</b>	
T-C Emerging Markets Equity Index Fund*	10.09%	10.09%	-8.17%	10.65%	3.61%	-	3.10%	08/31/2010
MSCI Emerging Markets Index	9.91%	9.91%	-7.41%	10.69%	3.68%	-	3.44%	
<b>Difference</b>	<b>0.18%</b>	<b>0.18%</b>	<b>-0.76%</b>	<b>-0.04%</b>	<b>-0.07%</b>	<b>-</b>	<b>-0.34%</b>	
T-C Equity Index Fund	14.01%	14.01%	8.78%	13.48%	10.34%	15.97%	6.07%	07/01/1999
Russell 3000 Index	14.04%	14.04%	8.77%	13.49%	10.36%	16.00%	6.14%	
<b>Difference</b>	<b>-0.03%</b>	<b>-0.03%</b>	<b>0.01%</b>	<b>-0.01%</b>	<b>-0.02%</b>	<b>-0.03%</b>	<b>-0.07%</b>	
T-C Inflation-Linked Bond Fund	2.64%	2.64%	2.67%	1.34%	1.46%	3.03%	3.86%	10/01/2002
Bloomberg Barclays 1-10 Year U.S. TIPS Index	2.57%	2.57%	2.72%	1.53%	1.50%	2.73%	3.64%	
<b>Difference</b>	<b>0.07%</b>	<b>0.07%</b>	<b>-0.05%</b>	<b>-0.19%</b>	<b>-0.04%</b>	<b>0.30%</b>	<b>0.22%</b>	
T-C International Equity Index Fund*	10.04%	10.04%	-3.82%	7.58%	2.49%	9.09%	7.45%	10/01/2002
MSCI EAFE Index	9.98%	9.98%	-3.71%	7.28%	2.33%	8.96%	7.40%	
<b>Difference</b>	<b>0.06%</b>	<b>0.06%</b>	<b>-0.11%</b>	<b>0.30%</b>	<b>0.16%</b>	<b>0.13%</b>	<b>0.05%</b>	

\* For funds holding securities traded on foreign exchange that close before the U.S. market, fair value pricing creates tracking error relative to a benchmark index that uses foreign closing prices.





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