

# Quarterly Investment Report

3rd Quarter, 2019

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CREATED TO SERVE.

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Before investing in the California Achieving a Better Life Experience (CalABLE) Program, you should consider the investment objectives, risks, charges, and expenses. The information contained in this report is subject to further change and amendments over time. Some changes may occur due to the result of adjustments. For a prospectus containing this and other information, as well as a Participant Agreement and Disclosure Statement, please call (916) 653-1728 or view it online at <https://calable.ca.gov/>. Please read these documents carefully before investing.

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

- Volatility continued to be a central headline in risk markets during the third quarter. Politics, international trade relations, yield curve inversion, and the fear of slower growth all contributed to uneasiness and uncertainty, much like the first half of the year.

## Equities

- Eight of eleven U.S. equity sectors had positive returns. Utilities had the highest returns, registering 9.33% for the quarter, while Energy was the laggard, falling 6.30%. Non-U.S. developed and emerging markets both stumbled, trailing U.S. markets.

## Fixed Income

- In a move that many anticipated, the Federal Reserve Board lowered its benchmark fed funds rate by 0.25% in July, and then another 0.25% in September. The current target range is now 1.75%-2.00%. Fed Chair Powell also suggested that the Board was prepared to move aggressively if the economy showed additional signs of weakening. Falling yields benefited fixed income assets.

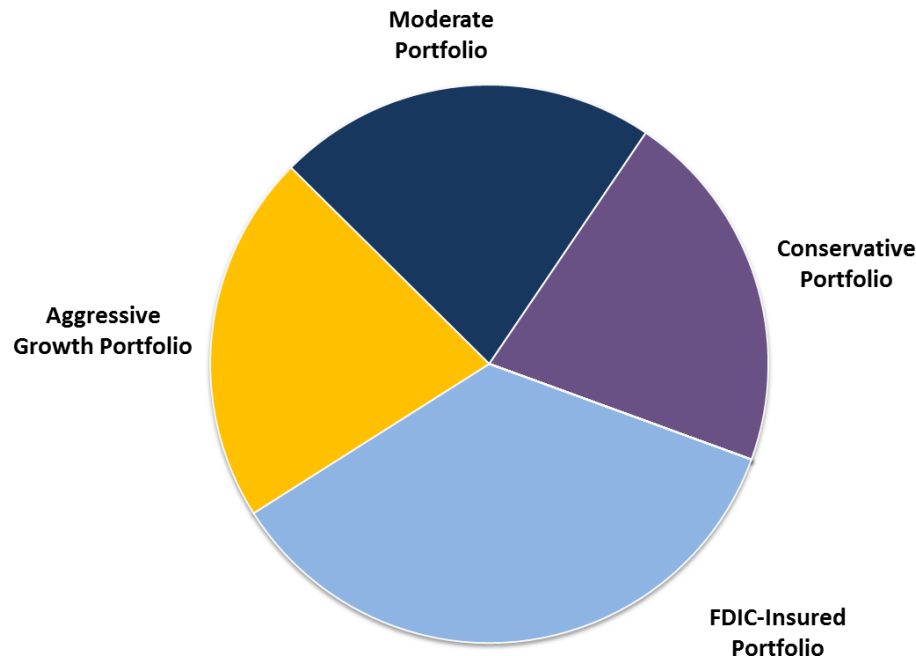
Asset Class	3 Month	1 Year	3 Year	5 Year
U.S. Equities	1.16	2.92	12.83	10.44
U.S. Growth Stocks	1.49	3.71	16.89	13.39
U.S. Value Stocks	1.36	4.00	9.43	7.79
U.S. Mid-Cap Stocks	0.48	3.19	10.69	9.10
U.S. Small-Cap Stocks	-2.40	-8.89	8.23	8.19
Int'l Developed Stocks	-1.07	-1.34	6.48	3.27
Emerging Markets Stocks	-4.25	-2.02	5.97	2.33
Real Estate Stocks	7.73	20.70	9.03	11.07
U.S. Investment Grade Bonds	2.27	10.30	2.92	3.38
Long-dated Bonds	6.58	21.88	5.56	6.81
Inflation-Linked Bonds	0.60	5.75	1.94	1.95
High Yield Bonds	1.67	7.87	5.99	5.49
Commodities	-1.84	-6.57	-1.50	-7.18
Cash	0.57	2.41	1.56	1.00
<b>Annualized Tuition Inflation Ending as of 2019-2020 Academic Year* (%)</b>				
<b>Educational Institution</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	
National Average Public 4-Year In-state	2.25	2.59	2.67	
National Average Private Nonprofit 4-Year	3.36	3.26	3.35	
Consumer Price Index, September 2019	1.71	2.07	1.53	

\*Data are for the entire academic year and are average total charges for full-time attendance. Tuition and fees were enrollment weighted. SOURCES: CollegeBoard, Trends in College Pricing 2019 and U.S. Department of Labor: Bureau of Labor Statistics

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; Long-dated Bonds – 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 C34631

# Assets by Portfolio as of Q3 2019

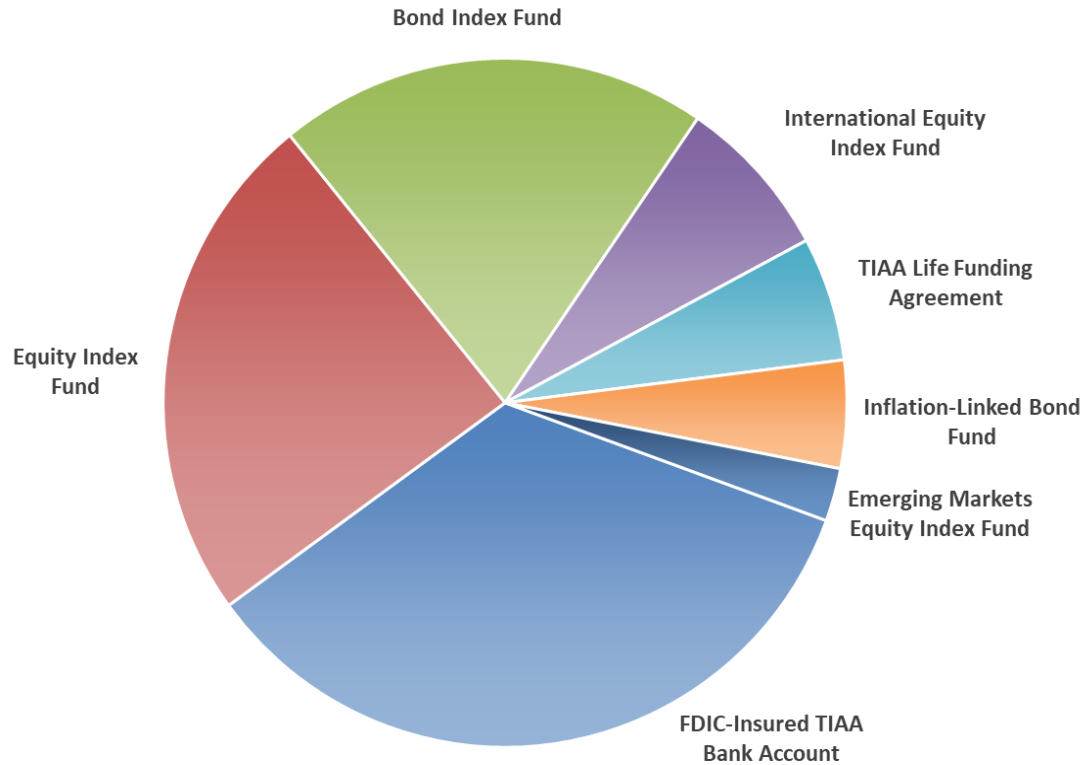
## Total Assets: \$8.6M



Assets (in thousands)

Portfolio	July	August	September	Quarter-End % of Assets
FDIC-Insured Portfolio	\$2,285	\$2,688	\$3,048	35%
Aggressive Growth Portfolio	\$1,506	\$1,663	\$1,838	21%
Moderate Portfolio	\$1,471	\$1,620	\$1,898	22%
Conservative Portfolio	\$1,325	\$1,610	\$1,810	21%
<b>Total Assets</b>	<b>\$6,587</b>	<b>\$7,581</b>	<b>\$8,594</b>	<b>100%</b>

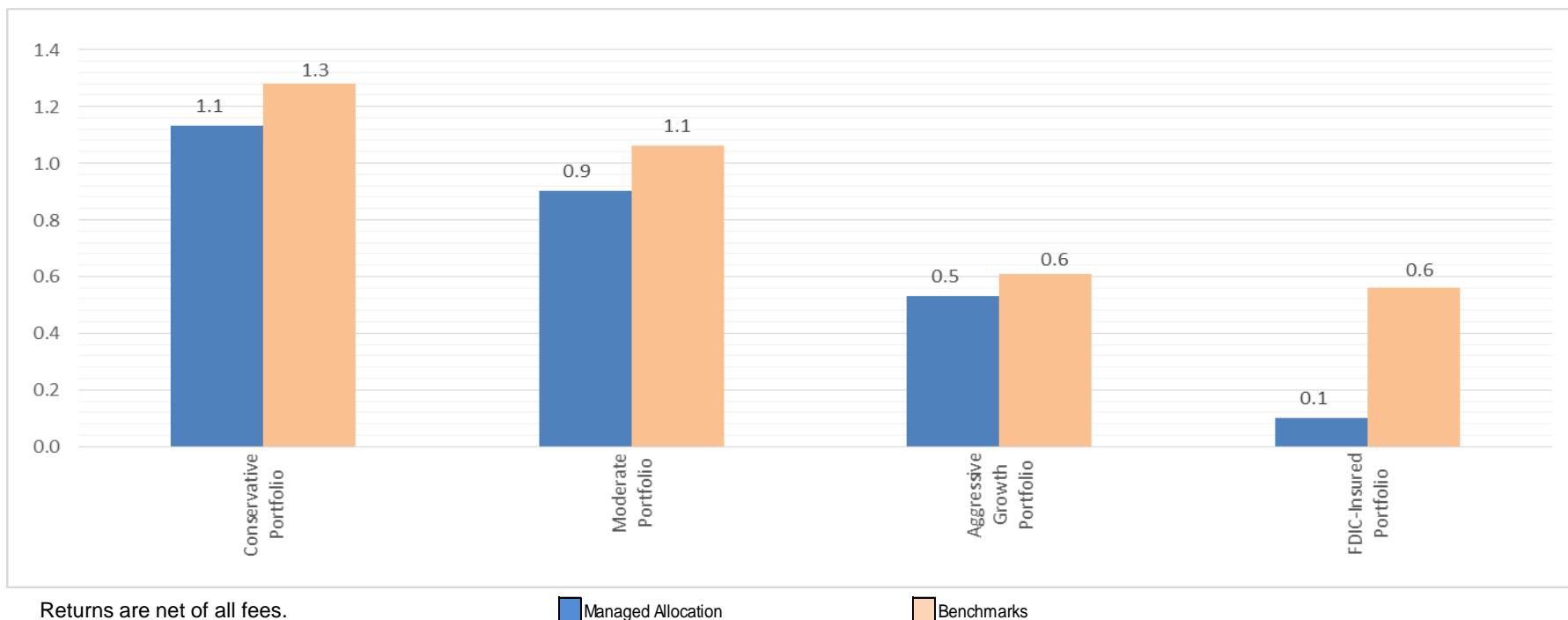
# Assets by Underlying Fund as of Q3 2019



	<b>% of Assets</b>	<b>(\$K)</b>		<b>% of Assets</b>	<b>(\$K)</b>
FDIC-Insured TIAA Bank Account	35%	\$3,048	International Equity Index Fund	7%	\$620
Equity Index Fund	23%	\$1,978	TIAA Life Funding Agreement	6%	\$534
Bond Index Fund	21%	\$1,779	Inflation-Linked Bond Fund	5%	\$437
			Emerging Markets Equity Index Fund	2%	\$198

# Investment Portfolios vs Composite Benchmarks

## Q3 2019 (%)



- Total nonfarm payroll employment increased by 136,000 in September, following an upwardly revised 168,000 rise in August. Employment continued to trend up in health care and in professional and business services.
- Average hourly earnings of all employees on private nonfarm payrolls showed a 2.89% year-over-year increase from last September.
- The Conference Board's index of leading economic indicators (LEI) remained unchanged in August, following a 0.4% increase in July, and no change in June. The index points to a slow but still expanding economy.
- All investment portfolios had positive absolute returns in Q3.
- Contributing to absolute returns was the TIAA-CREF Bond Index Fund, which generated 2.31% in Q3. Also contributing to absolute performance was the TIAA-CREF Equity Index Fund, which added 1.16% in the quarter.
- The program is primarily composed of index funds, which have an objective to replicate benchmark returns gross of fees. Tracking error for the underlying funds in Q3 was small.

# Investment Portfolios vs Composite Benchmarks

	Average Annual Total Return								
	July	August	September	3 Month	YTD	1 Year	3 Year	Since Inception	Inception Date
<b>Managed Allocation Option</b>									
Conservative Portfolio	0.19%	0.84%	0.09%	1.13%	7.69%	-	-	7.80%	12/17/18
Blended Benchmark Returns	0.30%	0.85%	0.12%	1.28%	8.34%	-	-	8.47%	
Difference	<b>-0.11%</b>	<b>-0.01%</b>	<b>-0.03%</b>	<b>-0.15%</b>	<b>-0.65%</b>	-	-	<b>-0.67%</b>	
Moderate Portfolio	0.27%	0.00%	0.63%	0.90%	11.72%	-	-	11.50%	12/17/18
Blended Benchmark Returns	0.43%	-0.13%	0.75%	1.06%	12.49%	-	-	12.06%	
Difference	<b>-0.16%</b>	<b>0.13%</b>	<b>-0.12%</b>	<b>-0.16%</b>	<b>-0.77%</b>	-	-	<b>-0.56%</b>	
Aggressive Growth Portfolio	0.35%	-1.31%	1.51%	0.53%	15.21%	-	-	14.40%	12/17/18
Blended Benchmark Returns	0.57%	-1.43%	1.50%	0.61%	15.57%	-	-	14.44%	
Difference	<b>-0.22%</b>	<b>0.12%</b>	<b>0.01%</b>	<b>-0.08%</b>	<b>-0.36%</b>	-	-	<b>-0.04%</b>	
FDIC-Insured Portfolio	0.00%	0.10%	0.00%	0.10%	0.30%	-	-	0.30%	12/17/18
FTSE 3-Month T-Bill	0.20%	0.19%	0.17%	0.56%	1.78%	-	-	1.87%	
Difference	<b>-0.20%</b>	<b>-0.09%</b>	<b>-0.17%</b>	<b>-0.46%</b>	<b>-1.48%</b>	-	-	<b>-1.57%</b>	

Returns are net of all fees.

The crediting rate of 1.75% for the Funding Agreement in the Conservative Portfolio and Moderate Portfolio is guaranteed through 11/30/19.

# Asset Allocation, Fees, and Performance

Portfolio	Q3 Option Return	Q3 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	20	11	26	N/A	N/A
Conservative Portfolio	1.13%	1.28%	-0.15%	53	14.00%	4.50%	1.50%	44.00%	11.00%	25.00%	
Moderate Portfolio	0.90%	1.06%	-0.16%	53	35.00%	11.25%	3.75%	36.00%	9.00%	5.00%	
Aggressive Growth Portfolio	0.53%	0.61%	-0.08%	52	56.00%	18.00%	6.00%	16.00%	4.00%	0.00%	
FDIC-Insured Portfolio**	0.10%	0.56%	-0.46%	44							100.00%
<b>Fund's Return vs Benchmk (bp)</b>					0	3	10	4	7	(12)	(46)

## Underlying Fund Rating

POSITIVE	POSITIVE	POSITIVE	POSITIVE	POSITIVE	POSITIVE	POSITIVE
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\* 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

	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	2.31%	8.37%	10.19%	2.74%	3.25%	3.58%	3.61%	09/14/2009
Bloomberg Barclays U.S. Aggregate Bond Index	2.27%	8.52%	10.30%	2.93%	3.38%	3.75%	3.80%	
<b>Difference</b>	<b>0.04%</b>	<b>-0.15%</b>	<b>-0.11%</b>	<b>-0.19%</b>	<b>-0.13%</b>	<b>-0.17%</b>	<b>-0.19%</b>	
T-C Emerging Markets Equity Index Fund*	-4.15%	6.09%	-1.66%	5.75%	2.35%	-	2.51%	08/31/2010
MSCI Emerging Markets Index	-4.25%	5.89%	-2.02%	5.98%	2.33%	-	2.82%	
<b>Difference</b>	<b>0.10%</b>	<b>0.20%</b>	<b>0.36%</b>	<b>-0.23%</b>	<b>0.02%</b>	<b>-</b>	<b>-0.31%</b>	
T-C Equity Index Fund	1.16%	20.00%	2.89%	12.80%	10.42%	13.03%	6.18%	07/01/1999
Russell 3000 Index	1.16%	20.09%	2.92%	12.84%	10.45%	13.08%	6.25%	
<b>Difference</b>	<b>0.00%</b>	<b>-0.09%</b>	<b>-0.03%</b>	<b>-0.04%</b>	<b>-0.03%</b>	<b>-0.05%</b>	<b>-0.07%</b>	
T-C Inflation-Linked Bond Fund	0.67%	5.75%	5.60%	1.74%	1.75%	3.00%	3.93%	10/01/2002
Bloomberg Barclays 1-10 Year U.S. TIPS Index	0.60%	5.80%	5.75%	1.95%	1.95%	2.69%	3.72%	
<b>Difference</b>	<b>0.07%</b>	<b>-0.05%</b>	<b>-0.15%</b>	<b>-0.21%</b>	<b>-0.20%</b>	<b>0.31%</b>	<b>0.21%</b>	
T-C International Equity Index Fund*	-1.04%	12.88%	-1.00%	6.54%	3.47%	5.05%	7.39%	10/01/2002
MSCI EAFE Index	-1.07%	12.80%	-1.34%	6.48%	3.27%	4.90%	7.33%	
<b>Difference</b>	<b>0.03%</b>	<b>0.08%</b>	<b>0.34%</b>	<b>0.06%</b>	<b>0.20%</b>	<b>0.15%</b>	<b>0.06%</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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