

# Quarterly Investment Report

1st Quarter, 2020

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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 (833) 225-2253 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.



# Market Overview: Q1 2020

## Key Themes

- The impact from the novel coronavirus (COVID-19) was felt around the world as many countries were forced to close businesses and remain at home to prevent further spreading. Many agree that this health crisis will have meaningful effects on U.S. monetary and fiscal policy, as well as the global economy.

## Equities

- All eleven U.S. equity sectors had negative double-digit results. Information Technology was the relative winner, registering -11.93% for the quarter, while Energy lagged, falling just over 50%. Broad baskets of non-U.S. developed and emerging markets both had similar showings, both down more than 22%.

## Fixed Income

- The Federal Reserve Board lowered the target for its benchmark fed funds rate twice in two weeks in response to growing concerns caused by the COVID-19 pandemic. The rate now stands at a range of 0.00%-0.25%, which had short-term positive effects on bond prices, but poses challenges for long-term fixed income investors seeking yield.

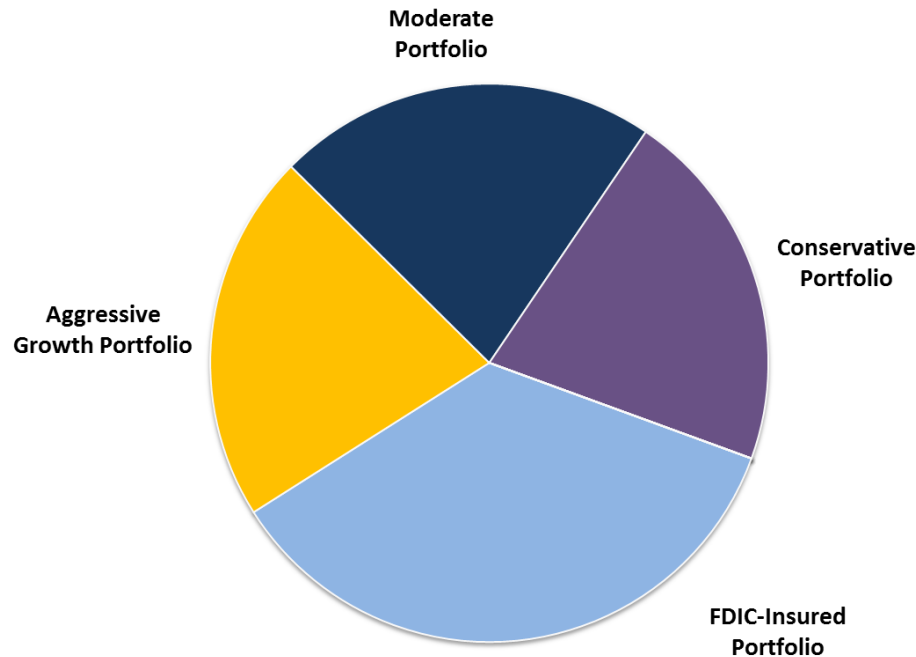
Past performance is not indicative of future results. You can not invest directly in an index. U.S. Equities – Russell 3000 Index; U.S. Growth Stocks – Russell 1000 Growth Index; U.S. Value Stocks – Russell 1000 Value Index; U.S. Mid Cap Stocks – Russell Midcap Index; U.S. Small-Cap Stocks – Russell 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

Asset Class	3 Month	1 Year	3 Year	5 Year
U.S. Equities	-20.90	-9.13	4.00	5.77
U.S. Growth Stocks	-14.10	0.91	11.32	10.36
U.S. Value Stocks	-26.73	-17.17	-2.18	1.90
U.S. Mid-Cap Stocks	-27.07	-18.31	-0.81	1.85
U.S. Small-Cap Stocks	-30.61	-23.99	-4.64	-0.25
Int'l Developed Stocks	-22.83	-14.38	-1.82	-0.62
Emerging Markets Stocks	-23.60	-17.69	-1.62	-0.37
Real Estate Stocks	-23.44	-15.93	0.06	1.99
U.S. Investment Grade Bonds	3.15	8.93	4.82	3.36
Long-dated Bonds	6.21	19.32	9.68	5.99
Inflation-Linked Bonds	0.31	4.50	2.54	2.18
High Yield Bonds	-11.87	-5.51	1.29	2.92
Commodities	-23.29	-22.31	-8.61	-7.76
Cash	0.58	2.28	1.85	1.21
<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, March 2020	1.54	1.92	1.80	

\*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

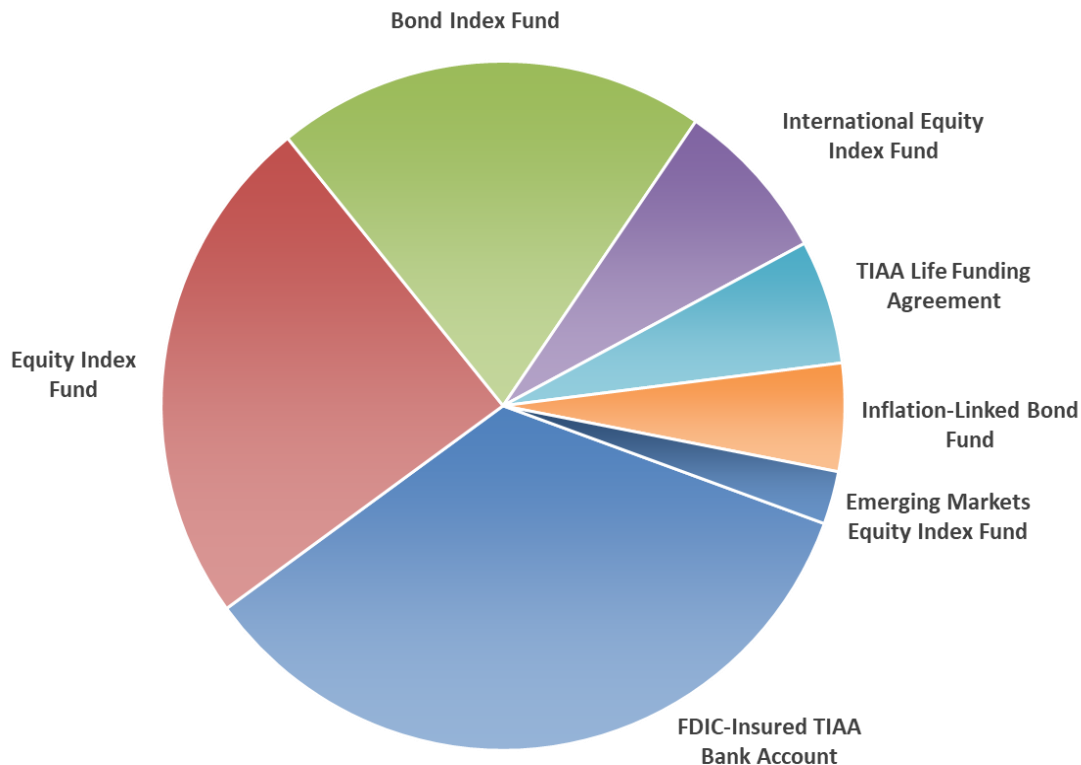
# Assets by Portfolio as of Q1 2020

## Total Assets: \$17.3M



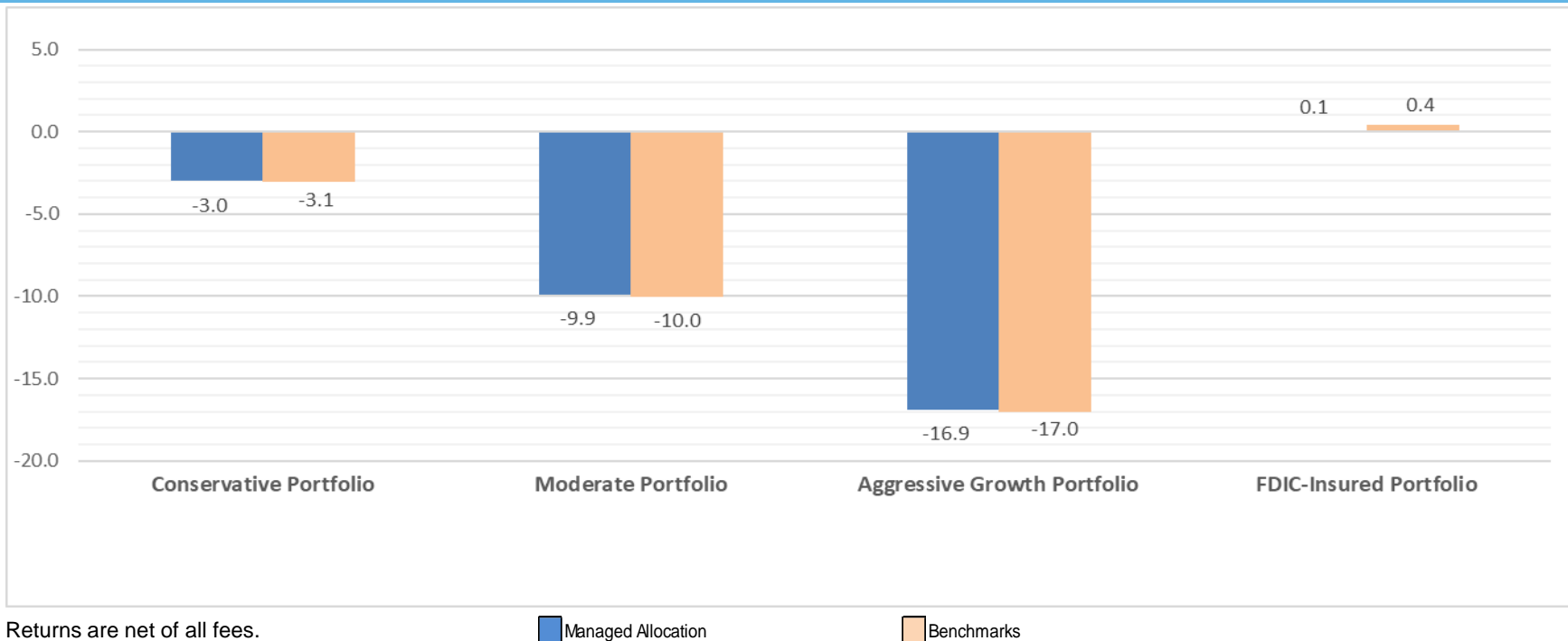
Portfolio	Assets (in thousands)			Quarter-End % of Assets
	January	February	March	
FDIC-Insured Portfolio	\$5,293	\$5,703	\$6,296	36%
Aggressive Growth Portfolio	\$3,810	\$3,780	\$3,622	21%
Moderate Portfolio	\$3,604	\$3,835	\$3,711	21%
Conservative Portfolio	\$3,278	\$3,642	\$3,686	21%
<b>Total Assets</b>	<b>\$15,985</b>	<b>\$16,960</b>	<b>\$17,315</b>	<b>100%</b>

# Assets by Underlying Fund as of Q1 2020



	% of Assets	(\$K)		% of Assets	(\$K)
FDIC-Insured TIAA Bank Account	36%	\$6,296	International Equity Index Fund	6%	\$1,111
Equity Index Fund	21%	\$3,595	TIAA Life Funding Agreement	7%	\$1,133
Bond Index Fund	22%	\$3,874	Inflation-Linked Bond Fund	5%	\$942
			Emerging Markets Equity Index Fund	2%	\$365

# Investment Portfolios vs Composite Benchmarks Q1 2020 (%)



- The U.S. economy shed jobs for the first time in a decade in March, dropping 701,000, as the coronavirus pandemic began to erode domestic economic activity. The unemployment rate rose to 4.4%, which was higher than expected.
- Average hourly earnings of all employees on private nonfarm payrolls showed a 3.1% year-over-year increase from last March.
- The Conference Board's index of leading economic indicators (LEI) edged up 0.1% in February, following a 0.7% increase in January.
- Three of four investment portfolios had negative absolute returns in Q1.
- Contributing to absolute returns was the TIAA-CREF Bond Index Fund, which generated 3.34% in Q1. Also contributing to absolute performance was the TIAA-CREF Inflation-Linked Bond Fund, which added 0.49% in the quarter and outperformed its index.
- The program is primarily composed of index funds, which have an objective to replicate respective benchmark returns gross of fees. Tracking error for the underlying funds in Q1 remained small.

# Investment Portfolios vs Composite Benchmarks

	Average Annual Total Return								
	January	February	March	3 Month	YTD	1 Year	3 Year	Since Inception	Inception Date
<b>Managed Allocation Option</b>									
Conservative Portfolio	0.82%	-0.72%	-3.09%	-3.00%	-3.00%	2.30%	-	5.10%	12/17/18
Blended Benchmark Returns	0.84%	-0.71%	-3.19%	-3.06%	-3.06%	2.84%	-	5.67%	
Difference	<b>-0.02%</b>	<b>-0.01%</b>	<b>0.10%</b>	<b>0.06%</b>	<b>0.06%</b>	<b>-0.54%</b>	-	<b>-0.57%</b>	
Moderate Portfolio	0.34%	-3.25%	-7.16%	-9.87%	-9.87%	-2.05%	-	3.87%	12/17/18
Blended Benchmark Returns	0.37%	-3.35%	-7.26%	-10.04%	-10.04%	-1.63%	-	4.27%	
Difference	<b>-0.03%</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.17%</b>	<b>0.17%</b>	<b>-0.42%</b>	-	<b>-0.40%</b>	
Aggressive Growth Portfolio	-0.49%	-5.91%	-11.25%	-16.90%	-16.90%	-7.45%	-	1.40%	12/17/18
Blended Benchmark Returns	-0.36%	-6.21%	-11.19%	-17.00%	-17.00%	-7.09%	-	1.50%	
Difference	<b>-0.13%</b>	<b>0.30%</b>	<b>-0.06%</b>	<b>0.10%</b>	<b>0.10%</b>	<b>-0.36%</b>	-	<b>-0.10%</b>	
FDIC-Insured Portfolio	0.10%	0.00%	0.00%	0.10%	0.10%	0.40%	-	0.39%	12/17/18
FTSE 3-Month T-Bill	0.13%	0.13%	0.13%	0.39%	0.39%	2.04%	-	2.13%	
Difference	<b>-0.03%</b>	<b>-0.13%</b>	<b>-0.13%</b>	<b>-0.29%</b>	<b>-0.29%</b>	<b>-1.64%</b>	-	<b>-1.74%</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 11/30/20.

# Asset Allocation, Fees, and Performance

Portfolio	Q1 Option Return	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
Underlying Fund Expenses (bp)			5	6	20	11	26	N/A	N/A
Conservative Portfolio	-3.00%	53	14.00%	4.50%	1.50%	44.00%	11.00%	25.00%	
Moderate Portfolio	-9.87%	53	35.00%	11.25%	3.75%	36.00%	9.00%	5.00%	
Aggressive Growth Portfolio	-16.90%	52	56.00%	18.00%	6.00%	16.00%	4.00%	0.00%	
FDIC-Insured Portfolio**	0.10%	44							100.00%

## 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	3.34%	3.34%	8.83%	4.71%	3.23%	3.75%	3.76%	09/14/2009
Bloomberg Barclays U.S. Aggregate Bond Index	3.15%	3.15%	8.93%	4.82%	3.36%	3.88%	3.93%	
<b>Difference</b>	<b>0.19%</b>	<b>0.19%</b>	<b>-0.10%</b>	<b>-0.11%</b>	<b>-0.13%</b>	<b>-0.13%</b>	<b>-0.17%</b>	
T-C Emerging Markets Equity Index Fund*	-24.02%	-24.02%	-18.18%	-1.92%	-0.49%	-	0.64%	08/31/2010
MSCI Emerging Markets Index	-23.60%	-23.60%	-17.69%	-1.62%	-0.37%	-	1.00%	
<b>Difference</b>	<b>-0.42%</b>	<b>-0.42%</b>	<b>-0.49%</b>	<b>-0.30%</b>	<b>-0.12%</b>	<b>-</b>	<b>-0.36%</b>	
T-C Equity Index Fund	-20.87%	-20.87%	-9.17%	3.98%	5.75%	10.12%	5.28%	07/01/1999
Russell 3000 Index	-20.90%	-20.90%	-9.13%	4.00%	5.77%	10.15%	5.34%	
<b>Difference</b>	<b>0.03%</b>	<b>0.03%</b>	<b>-0.04%</b>	<b>-0.02%</b>	<b>-0.02%</b>	<b>-0.03%</b>	<b>-0.06%</b>	
T-C Inflation-Linked Bond Fund	0.49%	0.49%	4.36%	2.41%	1.75%	2.90%	3.89%	10/01/2002
Bloomberg Barclays 1-10 Year U.S. TIPS Index	0.31%	0.31%	4.50%	2.53%	2.18%	2.52%	3.69%	
<b>Difference</b>	<b>0.18%</b>	<b>0.18%</b>	<b>-0.14%</b>	<b>-0.12%</b>	<b>-0.43%</b>	<b>0.38%</b>	<b>0.20%</b>	
T-C International Equity Index Fund*	-23.01%	-23.01%	-14.79%	-1.84%	-0.53%	2.83%	6.04%	10/01/2002
MSCI EAFE Index	-22.83%	-22.83%	-14.38%	-1.82%	-0.62%	2.71%	6.02%	
<b>Difference</b>	<b>-0.18%</b>	<b>-0.18%</b>	<b>-0.41%</b>	<b>-0.02%</b>	<b>0.09%</b>	<b>0.12%</b>	<b>0.02%</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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