OCTOBER 4, 2022

AGENDA ITEM 3
INFORMATION ITEM

CALIFORNIA ABLE ACT BOARD

Review of CalABLE Investment Performance for the second Quarter 2022

Background

The CalABLE Act Board and its program administrator, TIAA Tuition Financing, Inc. will review the "Quarterly Investment Performance Report" for the Plan for the second quarter 2022.

Presenter

Jeremy Thiessen, Head of Investment Strategies, TIAA Tuition Financing Inc.

Attachments

- Attachment #1: CalABLE Investment Performance Report 2Q22

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TIAA

TIAA-CREF Tuition Financing, Inc.

Quarterly Investment Performance Report

2nd Quarter 2022

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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.

CalABLE

Market Overview: Q2 2022

Key Themes

- The macro environment in the second quarter was similar to that of the first, with investors concerned about higher inflation, conflict overseas, and issues related to business disruption and supply chain normalization. The Federal Reserve continued to raise interest rates during a volatile time for both stock and bond markets.

Equities

- Every U.S. sector posted a loss in Q2. Consumer Discretionary was the laggard, falling 26.16% while Consumer staples led with a loss of only 4.62%. Volatility remained high as slowing economic growth weighed on markets domestically and abroad.

Fixed Income

- The U.S. Federal Reserve raised interest rates by 75 basis points in June in an effort to cool inflation, and many expect the Fed Funds target to travel higher at the next FOMC meeting. Core bond markets continued to feel pain during this rate rally. Inflation-linked products fared better in this environment.

Asset Class	3 Month	1 Year	3 Year	5 Year
U.S. Equities	-16.70	-13.87	9.77	10.60
U.S. Growth Stocks	-20.92	-18.77	12.58	14.29
U.S. Value Stocks	-12.21	-6.82	6.87	7.17
U.S. Mid-Cap Stocks	-16.85	-17.30	6.59	7.96
U.S. Small-Cap Stocks	-17.20	-25.20	4.21	5.17
Int'l Developed Stocks	-14.51	-17.77	1.07	2.20
Emerging Markets Stocks	-11.45	-25.28	0.57	2.18
Real Estate Stocks	-14.68	-5.89	5.34	6.75
U.S. Investment Grade Bonds	-4.69	-10.29	-0.93	0.88
Inflation-Linked Bonds	-3.42	-2.03	3.37	3.24
High Yield Bonds	-9.49	-12.19	0.04	2.07
Commodities	-5.66	24.27	14.34	8.39
Cash	0.11	0.17	0.63	1.12
Consumer Price Index, June 2022		9.06	4.98	3.88

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; 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.
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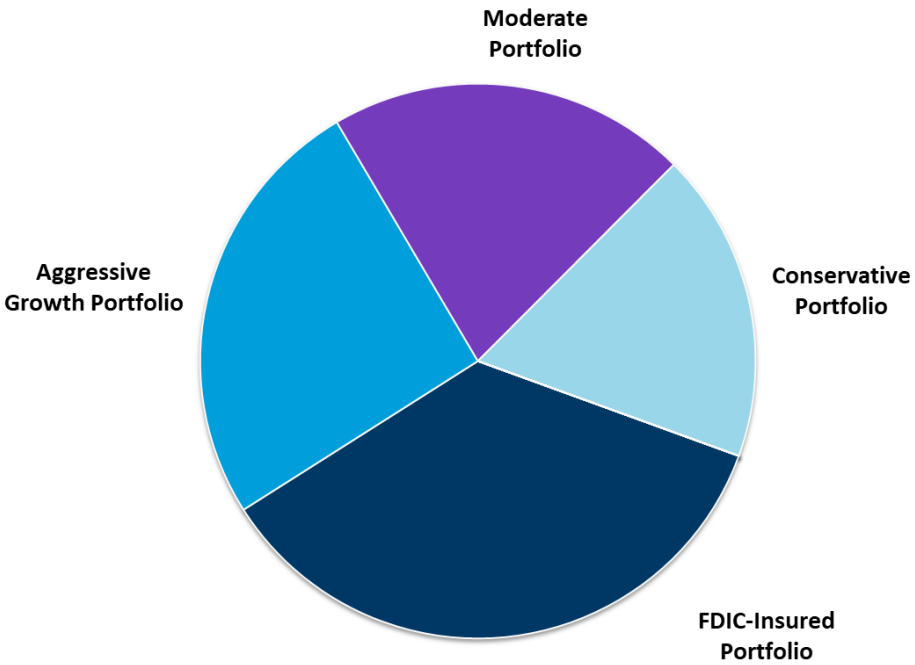
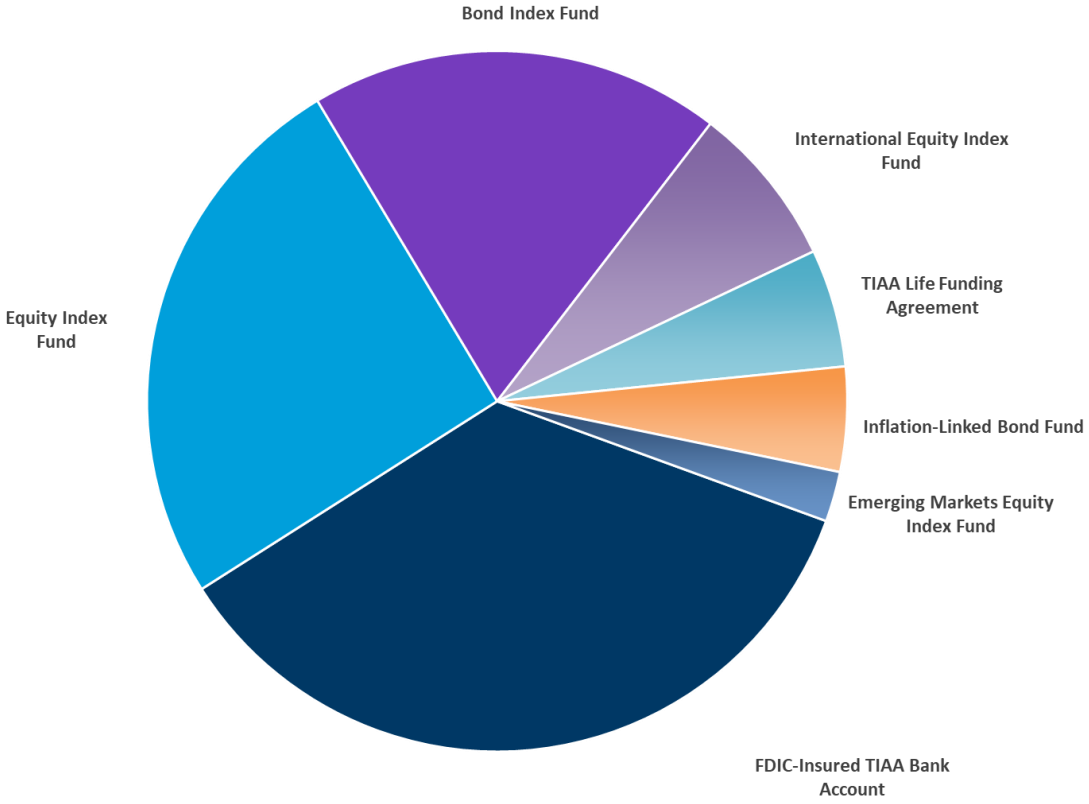
Asset Overview by Options as of Q2 2022
Total Assets: $77.5 Million



	Assets (in thousands)			
Portfolio	April	May	June	Quarter-End % of Assets
FDIC-Insured Portfolio	$28,434	$29,226	$29,713	38%
Aggressive Growth Portfolio	$18,915	$19,331	$18,232	24%
Moderate Portfolio	$15,744	$16,059	$15,444	20%
Conservative Portfolio	$13,834	$14,173	$14,103	18%
Total Assets	$76,926	$78,789	$77,492	100%

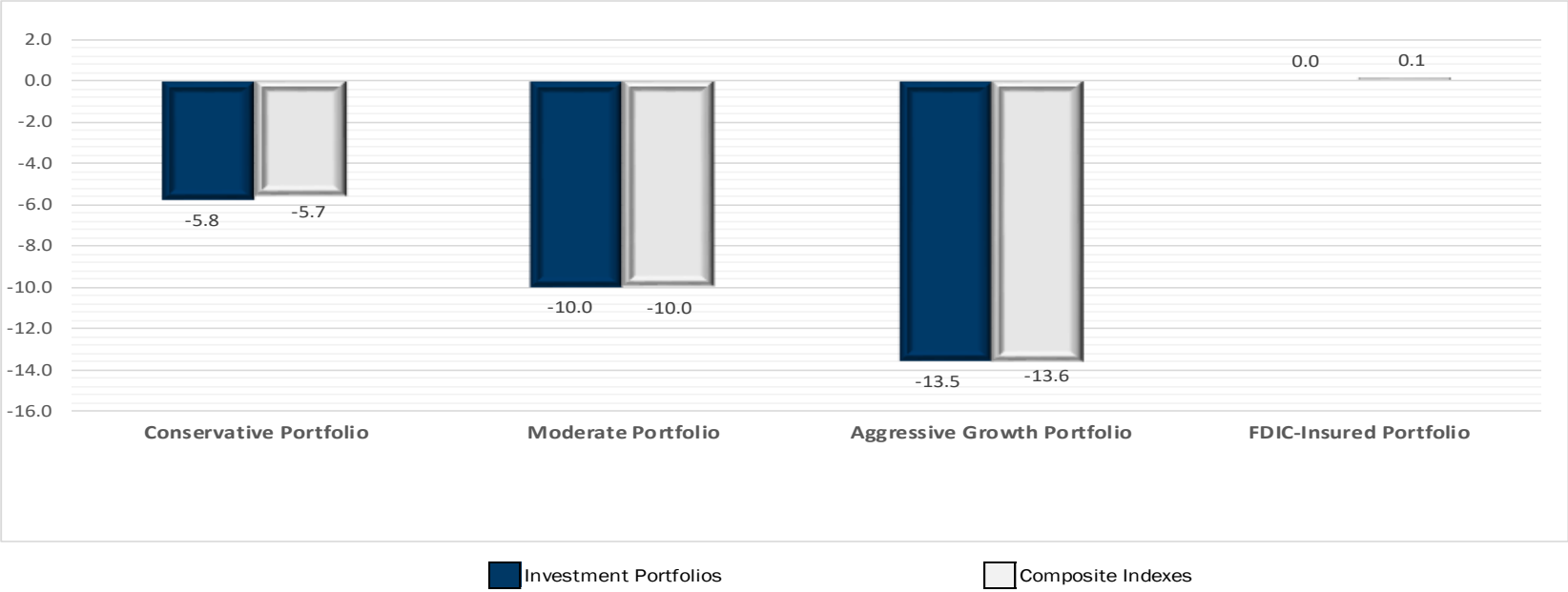
Asset Overview by Underlying Fund as of Q2 2022



	% of Assets	$ Thousands
FDIC-Insured TIAA Bank Account	38%	$29,713
Equity Index Fund	22%	$17,410
Bond Index Fund	19%	$14,921

	% of Assets	$ Thousands
International Equity Index Fund	7%	$5,392
TIAA Life Funding Agreement	6%	$4,497
Inflation-Linked Bond Fund	5%	$3,839
Emerging Markets Equity Index Fund	2%	$1,720

Investment Portfolios vs. Composite Indexes: Q2 2022 Return (%)



- The U.S. economy gained 372,000 jobs in June and the unemployment rate remained at 3.6%. Notable job gains occurred in education and health services, as well as professional and business services and leisure and hospitality.
- The Conference Board's index of leading economic indicators (LEI) decreased 0.4% in May, following a 0.4% decline in April. This was fueled by tumbling stock prices, a slowdown in housing construction, and gloomier expectations.
- The Federal Open Market Committee raised its target range for the Fed Funds Rate by 75 basis points in June. With inflationary pressure stubbornly high, the market is expecting more hikes in 2022.
- The three investment portfolios invested in the capital markets had negative absolute returns in Q2.
- All underlying mutual funds in the program experienced negative returns in Q2 during a challenging environment. However, the TIAA-CREF Life Funding Agreement, which is held in the Moderate Portfolio and Conservative Portfolio, continued to credit a positive rate of return and benefited participants.
- The program is primarily composed of index funds, which have an objective to replicate respective benchmark returns gross of fees. Portfolio returns were in line with those of blended indexes, which reflects this passive approach for low cost investing across primary asset classes.

Investment Portfolios* vs. Composite Benchmarks: Return (%)

						Average Annual Total Return			
	April	May	June	3 Month	YTD	1 Year	3 Year	Since Inception	Inception Date
Conservative Portfolio	-3.47%	0.26%	-2.62%	-5.76%	-9.59%	-8.24%	1.45%	3.08%	12/17/18
Composite Index Returns	-3.40%	0.31%	-2.63%	-5.65%	-9.32%	-7.83%	1.77%	3.49%	
Difference	**-0.07%**	**-0.05%**	**0.01%**	**-0.11%**	**-0.27%**	**-0.41%**	**-0.32%**	**-0.41%**	
Moderate Portfolio	-5.68%	0.39%	-4.91%	-9.96%	-14.68%	-11.97%	3.38%	5.81%	12/17/18
Composite Index Returns	-5.53%	0.28%	-5.00%	-10.00%	-14.52%	-11.58%	3.90%	6.37%	
Difference	**-0.15%**	**0.11%**	**0.09%**	**0.04%**	**-0.16%**	**-0.39%**	**-0.52%**	**-0.56%**	
Aggressive Growth Portfolio	-7.32%	0.35%	-7.03%	-13.54%	-18.50%	-14.53%	5.47%	8.52%	12/17/18
Composite Index Returns	-7.17%	0.19%	-7.10%	-13.60%	-18.28%	-14.12%	5.92%	8.90%	
Difference	**-0.15%**	**0.16%**	**0.07%**	**0.06%**	**-0.22%**	**-0.41%**	**-0.45%**	**-0.38%**	
FDIC-Insured Portfolio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.17%	0.20%	12/17/18
FTSE 3-Month T-Bill	0.03%	0.05%	0.07%	0.14%	0.17%	0.19%	0.61%	0.88%	
Difference	**-0.03%**	**-0.05%**	**-0.07%**	**-0.14%**	**-0.17%**	**-0.19%**	**-0.44%**	**-0.68%**	

*Returns are net of all fees.

The crediting rate of 1.05% for the Funding Agreement in the Conservative Portfolio and Moderate Portfolio is guaranteed through 11/30/22.

Asset Allocation, Fees, and Performance

Portfolio	Q2 Investment 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	5	18	8	25	N/A	N/A
Conservative Portfolio	-5.76%	51	14.00%	4.50%	1.50%	44.00%	11.00%	25.00%	
Moderate Portfolio	-9.96%	52	35.00%	11.25%	3.75%	36.00%	9.00%	5.00%	
Aggressive Growth Portfolio	-13.54%	51	56.00%	18.00%	6.00%	16.00%	4.00%	0.00%	
FDIC-Insured Portfolio**	0.00%	44							100.00%
Underlying Fund Rating			√	√	√	√	√	√	√

* 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							
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Life	Incept. Date
T-C Bond Index Fund	-4.72%	-10.33%	-10.46%	-1.07%	0.72%	1.39%	2.38%	09/14/2009
Bloomberg Barclays U.S. Aggregate Bond Index	-4.69%	-10.35%	-10.29%	-0.93%	0.88%	1.54%	2.56%	
Difference	**-0.03%**	**0.02%**	**-0.17%**	**-0.14%**	**-0.16%**	**-0.15%**	**-0.18%**	
T-C Emerging Markets Equity Index Fund*	-10.14%	-16.98%	-25.21%	0.48%	2.06%	2.85%	2.41%	08/31/2010
MSCI Emerging Markets Index	-11.45%	-17.63%	-25.28%	0.57%	2.18%	3.06%	2.68%	
Difference	**1.31%**	**0.65%**	**0.07%**	**-0.09%**	**-0.12%**	**-0.21%**	**-0.27%**	
T-C Equity Index Fund	-16.67%	-21.06%	-13.85%	9.74%	10.57%	12.54%	6.66%	07/01/1999
Russell 3000 Index	-16.70%	-21.10%	-13.87%	9.77%	10.60%	12.58%	6.72%	
Difference	**0.03%**	**0.04%**	**0.02%**	**-0.03%**	**-0.03%**	**-0.04%**	**-0.06%**	
T-C Inflation-Linked Bond Fund	-3.42%	-4.83%	-1.95%	3.19%	3.06%	1.45%	3.83%	10/01/2002
Bloomberg Barclays 1-10 Year U.S. TIPS Index	-3.42%	-5.11%	-2.03%	3.37%	3.24%	1.75%	3.69%	
Difference	**0.00%**	**0.28%**	**0.08%**	**-0.18%**	**-0.18%**	**-0.30%**	**0.14%**	
T-C International Equity Index Fund*	-13.13%	-19.01%	-17.28%	1.34%	2.37%	5.55%	6.60%	10/01/2002
MSCI EAFE Index	-14.51%	-19.57%	-17.77%	1.07%	2.20%	5.40%	6.51%	
Difference	**1.38%**	**0.56%**	**0.49%**	**0.27%**	**0.17%**	**0.15%**	**0.09%**	

* 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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