

---

**DECEMBER 13, 2022**

**AGENDA ITEM 5  
INFORMATION ITEM**

**CALIFORNIA ABLE ACT BOARD**

---

Review of CalABLE Investment Performance and Evaluation for the Third Quarter 2022

***Background***

The CalABLE Act Board and its investment consultant, Meketa Investment Group, Inc. (Meketa) will review the “Performance and Evaluation Report” for Third Quarter 2022, provided by Meketa. Attachment #1 provides comparisons for each underlying fund allocated to the portfolios used in the Plan to applicable benchmark criteria and labels the current status of the funds as “positive,” “acceptable,” “caution,” or “watch.”

***Presenter***

Eric White, Principal, Meketa Investment Group, Inc.

***Attachments***

- Attachment #1 – TFI CalABLE Performance and Evaluation Report 3Q22

This page is intentionally left blank.

## CalABLE Plan

December 13, 2022

3Q22 Performance & Evaluation  
Report

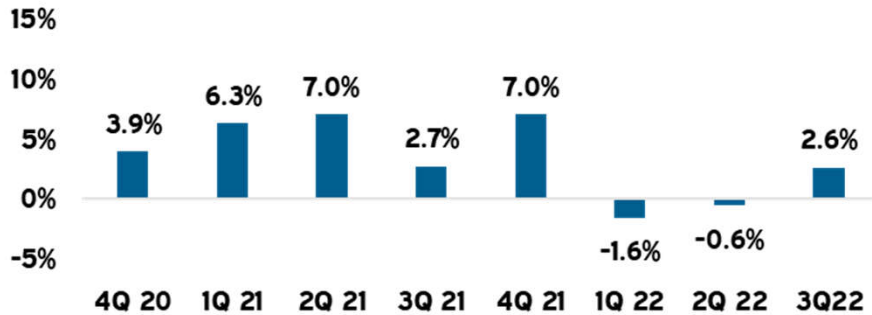
1. Economic and Market Update
2. Summary of Monitoring Status
3. CalABLE Portfolios Analysis
4. CalABLE Underlying Funds Analysis
5. Fee Schedule

# **Economic and Market Update**

Data as of September 30, 2022

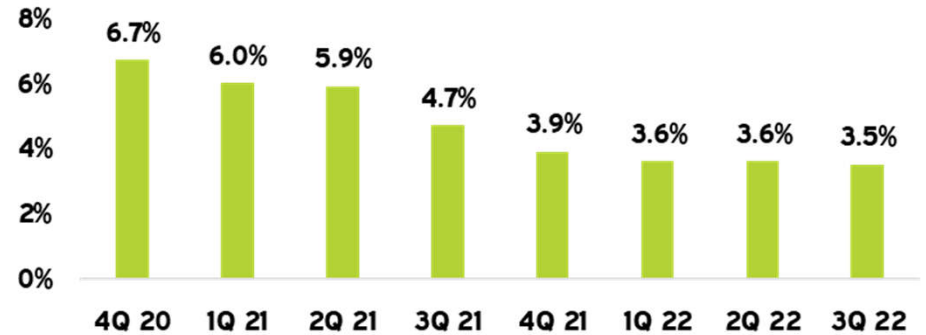
### Economic and Market Update

#### Quarterly Real GDP (Annualized)



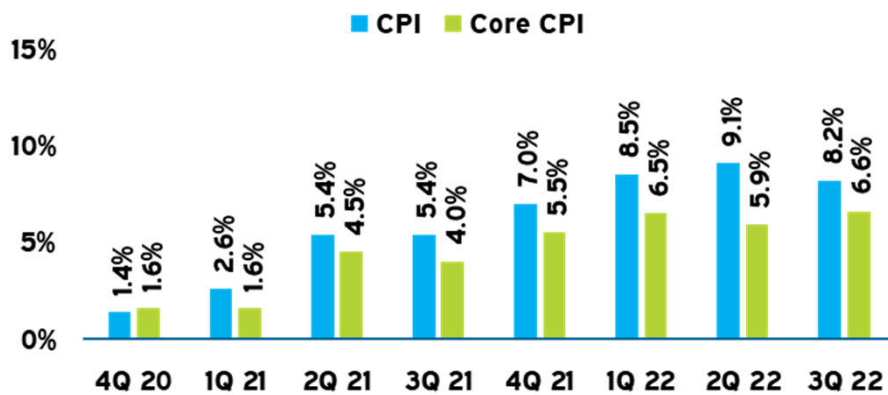
Source: Bureau of Economic Analysis. Data as of Q3 2022 representing the "advance" estimate. The "second" estimate for the third quarter, based on more complete data, will be released on November 30, 2022.

#### US Unemployment



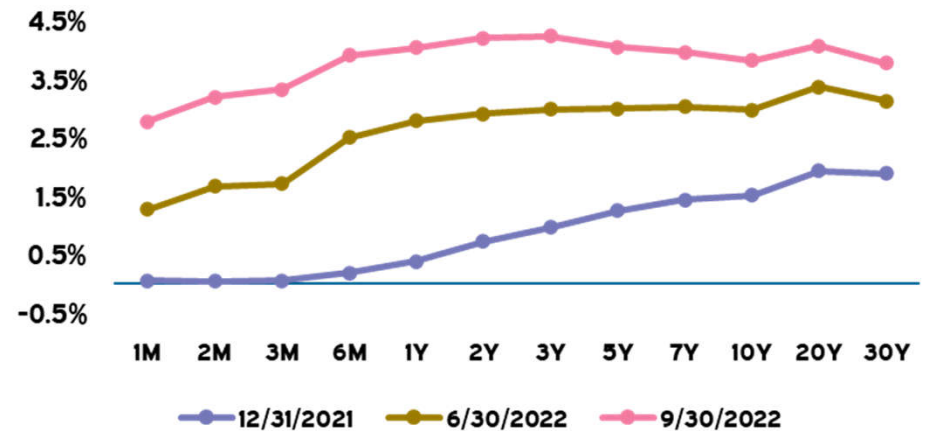
Source: Bureau of Labor Statistics. Data as of September 30, 2022. Seasonally adjusted.

#### US Inflation Trailing 12 Months



Source: Bureau of Labor Statistics. Data is non-seasonally adjusted CPI, which may be volatile in the short-term. Data as of September 30, 2022.

#### US Yield Curve



Source: US Department of the Treasury.

#### Index Returns

	QTR (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>						
S&P 500	(4.9)	(23.9)	(15.5)	8.1	9.2	11.7
Russell 3000	(4.5)	(24.6)	(17.6)	7.7	8.6	11.4
Russell 1000	(4.6)	(24.6)	(17.2)	7.9	9.0	11.6
Russell 1000 Growth	(3.6)	(30.7)	(22.6)	10.6	12.2	13.7
Russell 1000 Value	(5.6)	(17.8)	(11.4)	4.4	5.3	9.2
Russell MidCap	(3.4)	(24.3)	(19.4)	5.2	6.5	10.3
Russell MidCap Growth	(0.7)	(31.5)	(29.5)	4.3	7.6	10.8
Russell MidCap Value	(4.9)	(20.4)	(13.6)	4.5	4.8	9.4
Russell 2000	(2.2)	(25.1)	(23.5)	4.3	3.6	8.6
Russell 2000 Growth	0.2	(29.3)	(29.3)	2.9	3.6	8.8
Russell 2000 Value	(4.6)	(21.1)	(17.7)	4.7	2.9	7.9
<b>Non-US Equity</b>						
MSCI ACWI (ex. US)	(9.9)	(26.5)	(25.2)	(1.5)	(0.8)	3.0
MSCI EAFE	(9.4)	(27.1)	(25.1)	(1.8)	(0.8)	3.7
MSCI EAFE Growth	(8.5)	(33.0)	(30.3)	(1.5)	0.7	4.7
MSCI EAFE Value	(10.2)	(21.1)	(20.2)	(2.8)	(2.7)	2.4
MSCI EAFE (Local Currency)	(3.6)	(14.5)	(11.1)	2.5	2.8	7.4
MSCI EAFE Small Cap	(9.8)	(32.1)	(32.1)	(2.2)	(1.8)	5.3
MSCI Emerging Markets	(11.6)	(27.2)	(28.1)	(2.1)	(1.8)	1.1
MSCI Emg Mkts (Local Currency)	(8.2)	(20.8)	(21.5)	1.1	1.1	4.5
MSCI China	(22.5)	(31.2)	(35.4)	(7.2)	(5.6)	2.4
<b>Fixed Income</b>						
Bloomberg Universal	(4.5)	(14.9)	(14.9)	(3.1)	(0.2)	1.2
Bloomberg Aggregate	(4.8)	(14.6)	(14.6)	(3.3)	(0.3)	0.9
Bloomberg US TIPS	(5.1)	(13.6)	(11.6)	0.8	2.0	1.0
Bloomberg High Yield	(0.7)	(14.7)	(14.1)	(0.5)	1.6	3.9
JPM GBI-EM Global Diversified	(4.7)	(18.6)	(20.6)	(7.0)	(3.9)	(2.4)
<b>Other</b>						
FTSE NAREIT Equity	(9.9)	(28.1)	(16.4)	(2.0)	2.9	6.3
Bloomberg Commodity Index	(4.1)	13.6	11.8	13.4	7.0	(2.1)

#### During the Quarter:

→ Historically high inflation, rising rates, the strength of the US dollar and the war in Ukraine continued to weigh on results.

→ US and Non-US equity continued to experience declines.

- US equities outperformed non-US equities.
- US Small Caps outpaced US Large Caps.
- The Russell 2000 Growth Index was slightly positive returning +0.2%.
- US Growth outpaced US Value across all market caps.
- Within Non-US, Developed Markets outperformed Emerging Markets. China was the main detractor for Emerging Markets during the quarter, falling (22.5%).

→ Broad fixed income returns were negative.

- The FOMC raised rates by 75 bps for a third consecutive time in September to combat surging inflation, driving interest rates higher and bond prices to go lower.

→ Diversifying asset classes produced negative results.

- Commodities were down (4.1%).
- REITs were down (9.9%).

# Summary of Monitoring Status



Monitoring Summary  
As of September 30, 2022

Portfolios	Total Fund Assets (\$K)	% of Total
Aggressive Growth Portfolio	18,093	23%
Moderate Portfolio	15,320	19%
Conservative Portfolio	14,189	18%
FDIC-Insured Portfolio	31,927	40%

Underlying Funds	Total Fund Assets (\$K)	% of Total	Prior QTR Status	Current QTR Status	Qualifies for Watch?	On Watch <sup>1</sup>
TIAA-CREF Equity Index Fund	17,466	22%	Positive	Positive	No	No
TIAA-CREF Int'l Equity Index Fund <sup>2</sup>	5,102	6%	Positive	Positive	No	No
TIAA-CREF Emerging Markets Index Fund <sup>2</sup>	1,595	2%	Caution	Caution	Yes	No
TIAA-CREF Bond Index Fund	14,882	19%	Positive	Positive	No	No
TIAA-CREF Inflation Linked Bond Fund	3,863	5%	Acceptable	Acceptable	No	No
TIAA-Life Funding Agreement	4,695	6%	Positive	Positive	No	No
FDIC-Insured TIAA Bank Account	31,927	40%	Positive	Positive	No	No
<b>Total</b>	<b>\$79,530</b>	<b>100%</b>	---	---	---	---

→ The TIAA-CREF Emerging Markets Index qualifies for watch, but we recommend keeping it off watch for reasons detailed in the 4th quarter 2021 watch memo.

<sup>1</sup> Watch criteria summarized on Page 8.

<sup>2</sup> The TIAA-CREF International Equity and Emerging Markets Index funds' returns have been adjusted to remove F/X and Fair Value impact for the purpose of monitoring.

### Monitoring Guidelines

Performance Category	Active Funds	Passive Funds
<b>Positive</b>	Performance exceeds the benchmark	Tracking error is within the allowable range (short-, medium-, and long-term periods)
<b>Acceptable</b>	Performance meets or trails the benchmark but is within the allowable range	N/A
<b>Caution</b>	Performance is below allowable range but either: <ul style="list-style-type: none"> <li>i) For less than six consecutive months</li> <li>ii) The Board has not taken (or decided not to take) a formal action to place the underlying fund on Watch even though performance has been below allowable range for six months or longer.</li> </ul>	Tracking error falls outside of the allowable range but either <ul style="list-style-type: none"> <li>i) For less than six consecutive months or</li> <li>ii) The Board has not voted to place the underlying fund on Watch.</li> </ul>
<b>Watch</b>	Performance is below allowable range for more than 6 consecutive months and the Board has formally voted to place the underlying fund on Watch.	Tracking error falls outside of the allowable range for more than 6 consecutive months and the Board has formally voted to place the underlying fund on Watch.

**Monitoring Guidelines**  
As of September 30, 2022

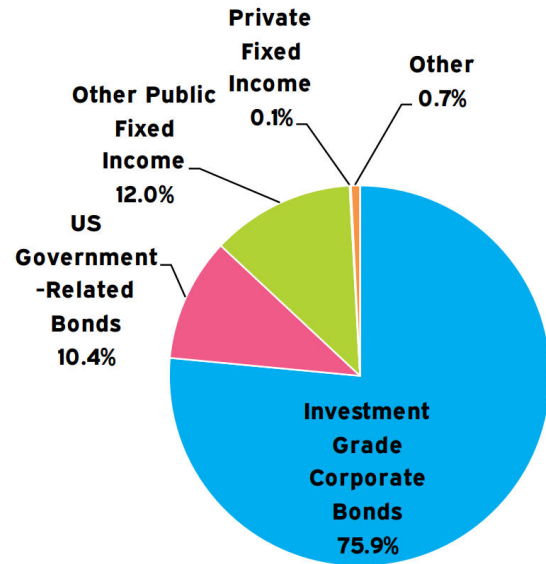
Asset Class	Shorter-Term Performance (rolling 12-month periods)	Medium-Term Performance (rolling 36-month periods)	Long-Term (>60 months)
<b>Actively Managed Funds</b>	<b>Fund return &lt; Benchmark return for 6 consecutive months</b>	<b>Fund return &lt; Benchmark return for 6 consecutive months</b>	<b>VRR &lt; for 6 consecutive months</b>
Fixed Income	-1.0%	-0.5%	0.98
<b>Passively Managed Funds</b>	<b>Tracking Error &gt; for 6 consecutive months</b>	<b>Tracking Error &gt; for 6 consecutive months</b>	<b>Fund annualized return &lt; Benchmark annualized return for 6 consecutive months</b>
Domestic Equity	0.30%	0.25%	-0.30%
International Equity	0.75%	0.70%	-0.30%
Fixed Income	0.40%	0.55%	-0.35%

**FDIC Insured Deposit Portfolio**

Asset Class	FDIC-Insured Status	Stability
Bank Deposit	Bank continues with appropriate levels of insurance with the FDIC	No identifiable issues regarding changes in the bank's financial stability

Asset Class	Financial Strength	Mortgage Portfolio	Bond Portfolio	Account Diversification
Funding Agreement (Stable Value)	Moody's = Aa2 Standard & Poor's = AA A.M. Best = A+ Fitch = AA-	100% in Good Standing	At least 90% Investment Grade	Portfolio is diversified across asset classes and types

#### T-C Life Funding Agreement



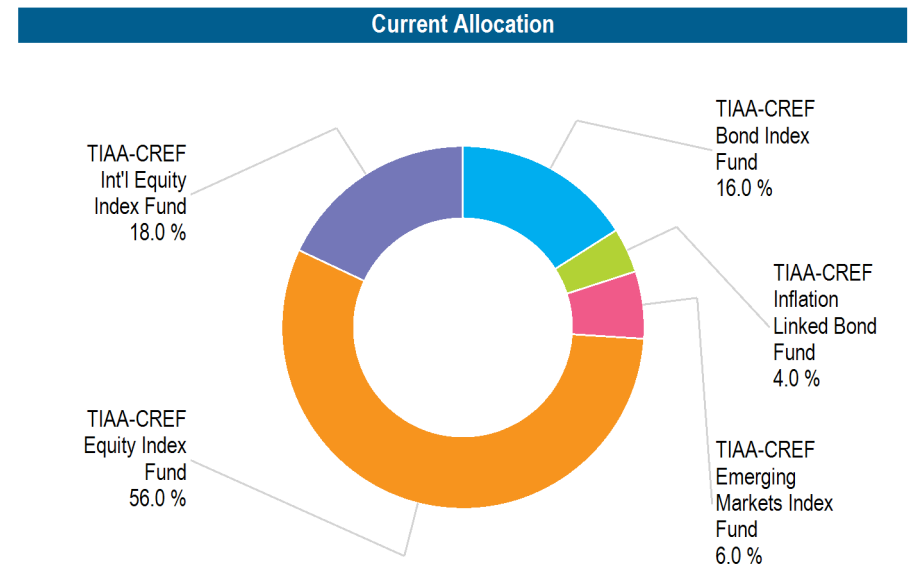
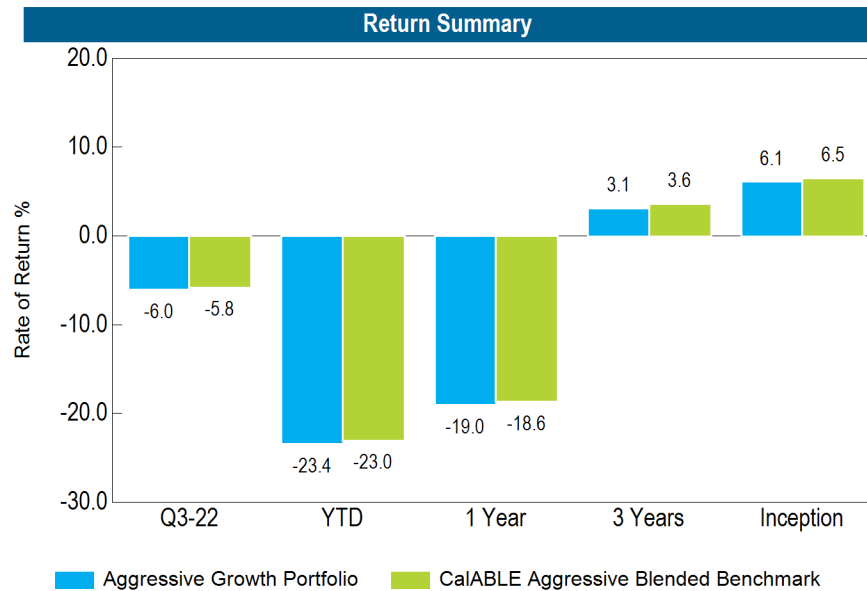
<b>Monitoring Status</b>
<b>Positive</b>

	Criteria	Status as of 9/30/2022
Financial Strength	Moody's = Aa2 Standard & Poor's = AA A.M. Best = A+ Fitch = AA-	Moody's = Aa1 Standard & Poor's = AA+ A.M. Best = A++ Fitch = AAA
Mortgage Portfolio*	100% in Good Standing	100% in Good Standing*
Bond Portfolio*	At least 90% Investment Grade	99.1% in Investment Grade
Account Diversification*	Portfolio is diversified across asset classes and types	Portfolio is diversified across asset classes and types (see chart above)

\*Portfolio did not contain any commercial mortgages.  
Source: TIAA-CREF

## CaABLE Portfolios Analysis

### Aggressive Growth Portfolio | As of September 30, 2022

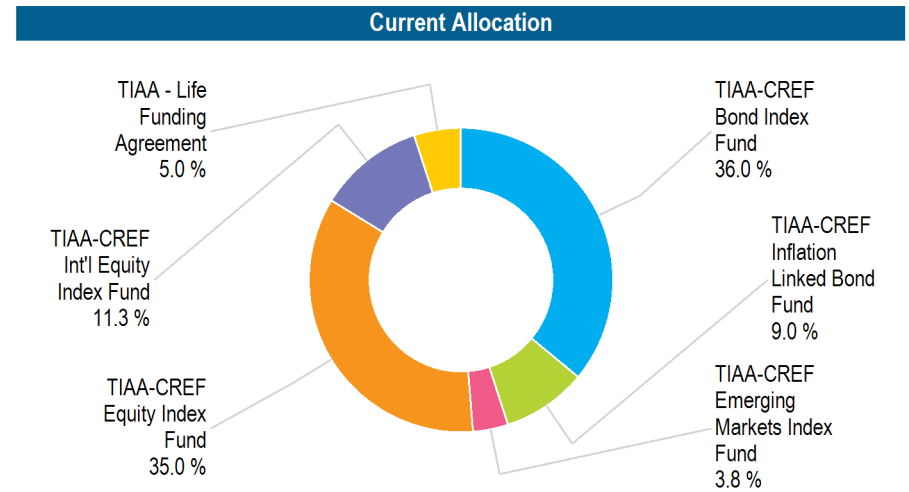
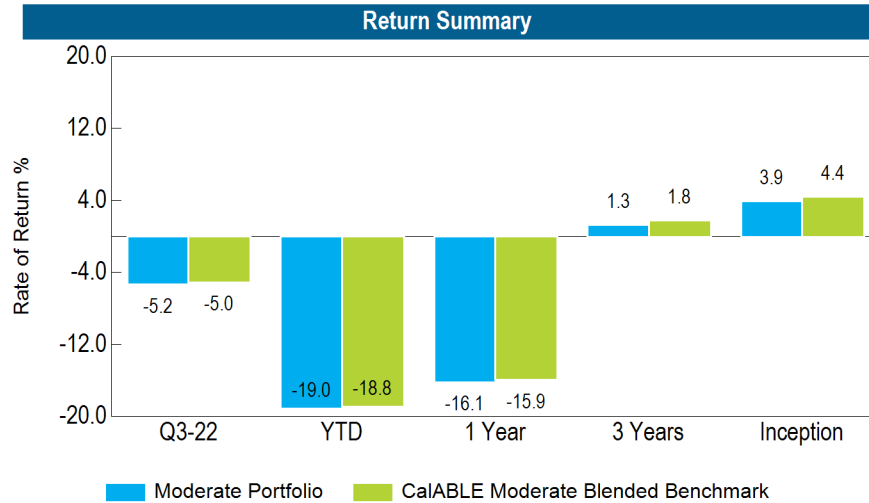


\*Portfolio Inception Date: 12/17/2018

#### Underlying Investment Trailing Performance

	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
<b>Aggressive Growth Portfolio</b>	<b>-6.0</b>	<b>-23.4</b>	<b>-19.0</b>	<b>3.1</b>	--	--
TIAA-CREF Bond Index Fund	-4.8	-14.6	-14.7	-3.4	-0.4	0.7
<i>Bloomberg US Aggregate TR</i>	-4.8	-14.6	-14.6	-3.3	-0.3	0.9
TIAA-CREF Inflation Linked Bond Fund	-3.8	-8.4	-7.2	1.6	2.1	0.8
<i>Bloomberg US TIPS 1-10 Yr TR</i>	-3.9	-8.8	-7.4	1.8	2.3	1.2
TIAA-CREF Emerging Markets Index Fund	-11.8	-27.2	-28.1	-2.4	-2.0	0.9
<i>MSCI Emerging Markets</i>	-11.6	-27.2	-28.1	-2.1	-1.8	1.0
TIAA-CREF Equity Index Fund	-4.4	-24.6	-17.6	7.7	8.6	11.4
<i>Russell 3000</i>	-4.5	-24.6	-17.6	7.7	8.6	11.4
TIAA-CREF Int'l Equity Index Fund	-9.6	-26.7	-24.7	-1.6	-0.6	3.9
<i>MSCI EAFE</i>	-9.4	-27.1	-25.1	-1.8	-0.8	3.7

### Moderate Portfolio | As of September 30, 2022

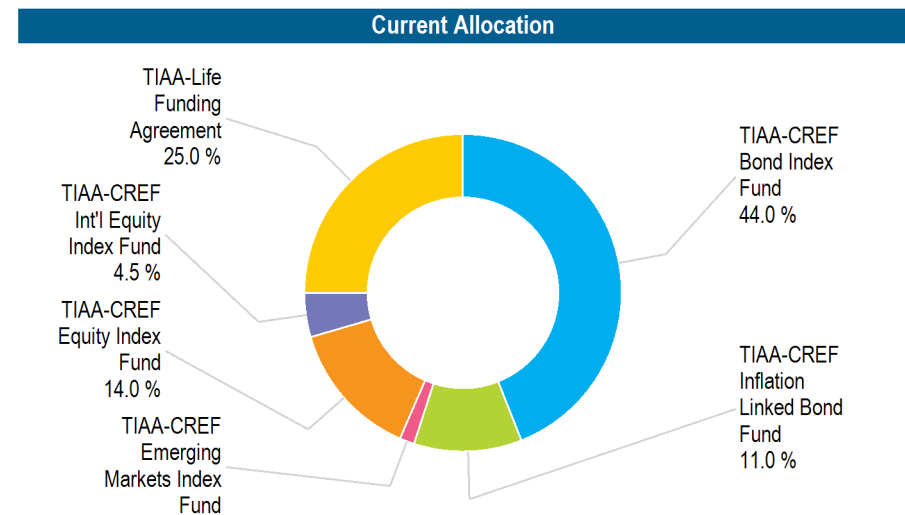
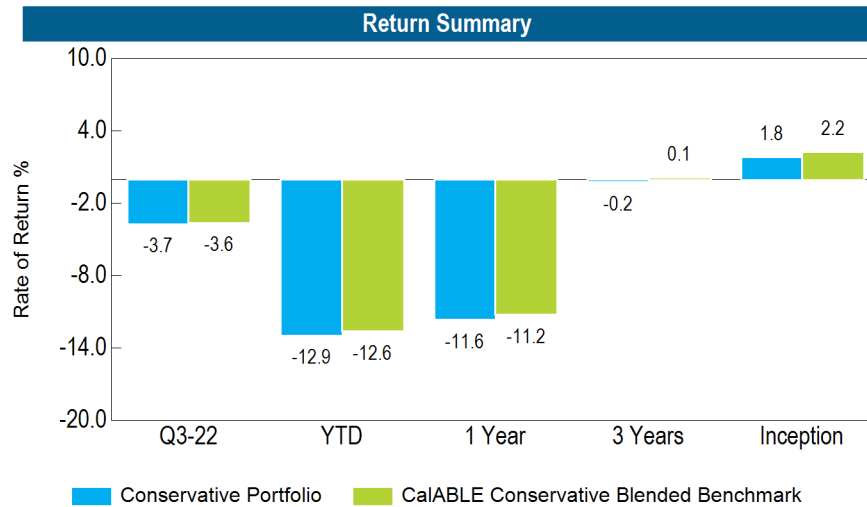


\*Portfolio Inception Date: 12/17/2018

#### Underlying Investment Trailing Performance

	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
<b>Moderate Portfolio</b>	<b>-5.2</b>	<b>-19.0</b>	<b>-16.1</b>	<b>1.3</b>	<b>--</b>	<b>--</b>
TIAA-CREF Bond Index Fund	-4.8	-14.6	-14.7	-3.4	-0.4	0.7
<i>Bloomberg US Aggregate TR</i>	-4.8	-14.6	-14.6	-3.3	-0.3	0.9
TIAA-CREF Inflation Linked Bond Fund	-3.8	-8.4	-7.2	1.6	2.1	0.8
<i>Bloomberg US TIPS 1-10 Yr TR</i>	-3.9	-8.8	-7.4	1.8	2.3	1.2
TIAA-CREF Emerging Markets Index Fund	-11.8	-27.2	-28.1	-2.4	-2.0	0.9
<i>MSCI Emerging Markets</i>	-11.6	-27.2	-28.1	-2.1	-1.8	1.0
TIAA-CREF Equity Index Fund	-4.4	-24.6	-17.6	7.7	8.6	11.4
<i>Russell 3000</i>	-4.5	-24.6	-17.6	7.7	8.6	11.4
TIAA-CREF Int'l Equity Index Fund	-9.6	-26.7	-24.7	-1.6	-0.6	3.9
<i>MSCI EAFE</i>	-9.4	-27.1	-25.1	-1.8	-0.8	3.7
TIAA - Life Funding Agreement						

### Conservative Portfolio | As of September 30, 2022



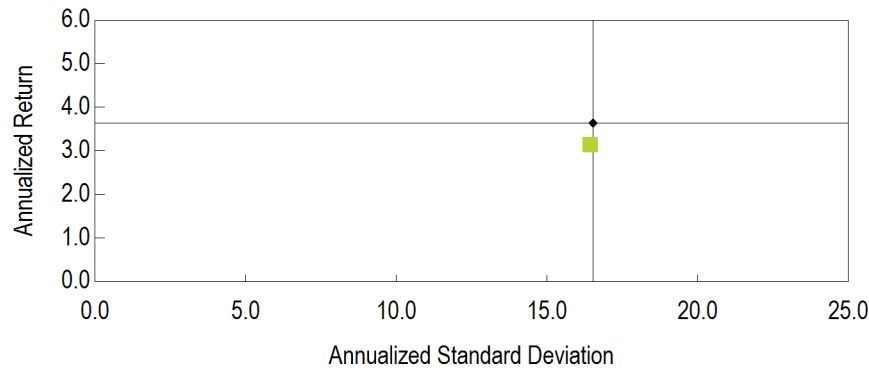
\*Portfolio Inception Date: 12/17/2018

#### Underlying Investment Trailing Performance

	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
<b>Conservative Portfolio</b>	<b>-3.7</b>	<b>-12.9</b>	<b>-11.6</b>	<b>-0.2</b>	<b>--</b>	<b>--</b>
TIAA-CREF Bond Index Fund	-4.8	-14.6	-14.7	-3.4	-0.4	0.7
<i>Bloomberg US Aggregate TR</i>	-4.8	-14.6	-14.6	-3.3	-0.3	0.9
TIAA-CREF Inflation Linked Bond Fund	-3.8	-8.4	-7.2	1.6	2.1	0.8
<i>Bloomberg US TIPS 1-10 Yr TR</i>	-3.9	-8.8	-7.4	1.8	2.3	1.2
TIAA-CREF Emerging Markets Index Fund	-11.8	-27.2	-28.1	-2.4	-2.0	0.9
<i>MSCI Emerging Markets</i>	-11.6	-27.2	-28.1	-2.1	-1.8	1.0
TIAA-CREF Equity Index Fund	-4.4	-24.6	-17.6	7.7	8.6	11.4
<i>Russell 3000</i>	-4.5	-24.6	-17.6	7.7	8.6	11.4
TIAA-CREF Int'l Equity Index Fund	-9.6	-26.7	-24.7	-1.6	-0.6	3.9
<i>MSCI EAFE</i>	-9.4	-27.1	-25.1	-1.8	-0.8	3.7
TIAA-Life Funding Agreement						

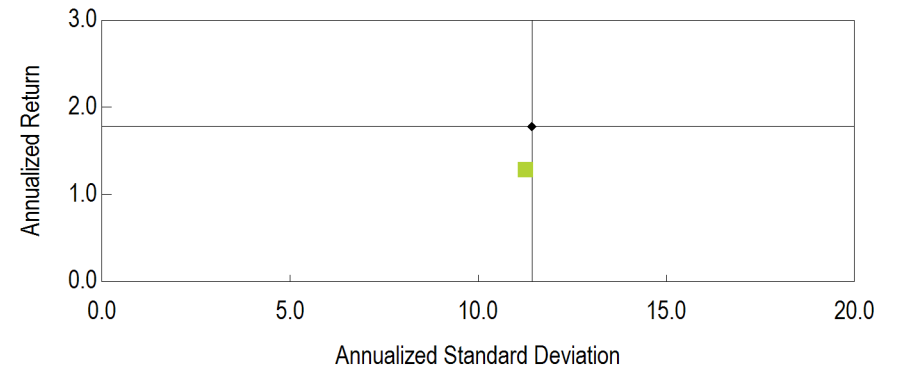


Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2022



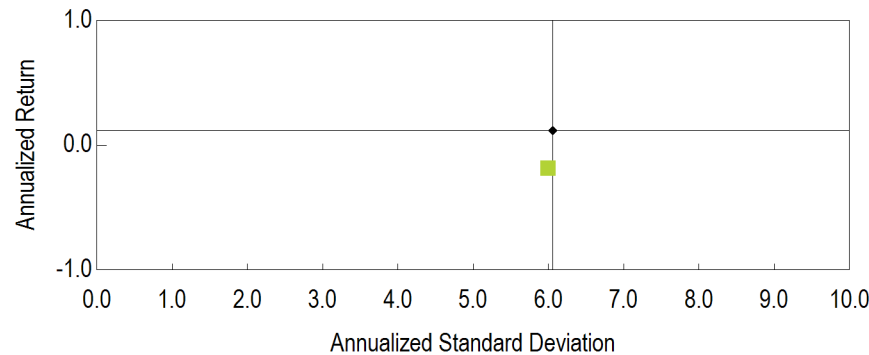
- Aggressive Growth Portfolio
- ◆ CalABLE Aggressive Blended Benchmark

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2022



- Moderate Portfolio
- ◆ CalABLE Moderate Blended Benchmark

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending September 30, 2022



- Conservative Portfolio
- ◆ CalABLE Conservative Blended Benchmark

## Fee Schedule

Fee Schedule as of September 30, 2022

Portfolio <sup>1</sup>	State Administrative Fee (bps)	Estimated Underlying Investment Expenses (bps)	Total Annual Asset-Based Fees and Expenses
Aggressive Growth Portfolio	44	8	52
Moderate Portfolio	44	10	54
Conservative Portfolio	44	9	53
FDIC-Insured Portfolio <sup>2</sup>	44	N/A	44

Underlying Funds <sup>3</sup>	Prospectus Net Expense Ratio (bps)
TIAA-CREF Equity Index Fund	5
TIAA-CREF Int'l Equity Index Fund	5
TIAA-CREF Emerging Markets Index Fund	20
TIAA-CREF Bond Index Fund	8
TIAA-CREF Inflation Linked Bond Fund	26

<sup>1</sup> Source: California's 529A Qualified ABLE Program Disclosure Statement and Participation Agreement

<sup>2</sup> 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.

<sup>3</sup> Source: Morningstar, Inc.

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD - LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM," "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.