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**JUNE 20, 2023**

**AGENDA ITEM 4  
INFORMATION ITEM**

**CALIFORNIA ABLE ACT BOARD**

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Review of CalABLE Investment Performance and Evaluation for the First Quarter 2023

***Background***

The CalABLE Act Board and its investment consultant, Meketa Investment Group, Inc. (Meketa) will review the “Performance and Evaluation Report” for First Quarter 2023, 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 1Q23

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# CalABLE Plan

June 20, 2023

1Q23 Performance & Evaluation  
Report

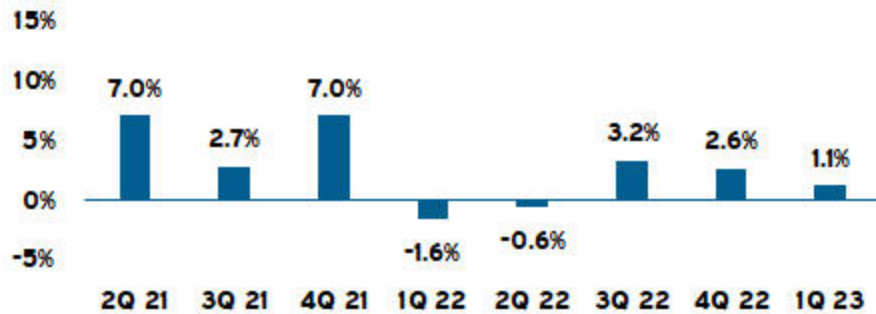
1. Economic and Market Update
2. Summary of Monitoring Status
3. CalABLE Portfolios Analysis
4. Fee Schedule

# **Economic and Market Update**

Data as of March 31, 2023

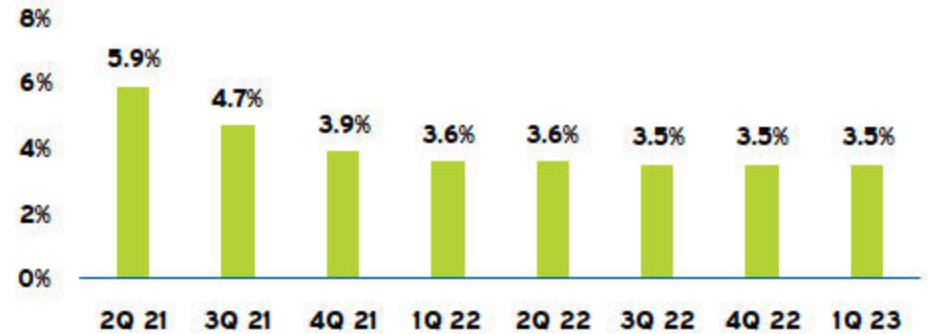
### Economic and Market Update

#### Quarterly Real GDP (Annualized)



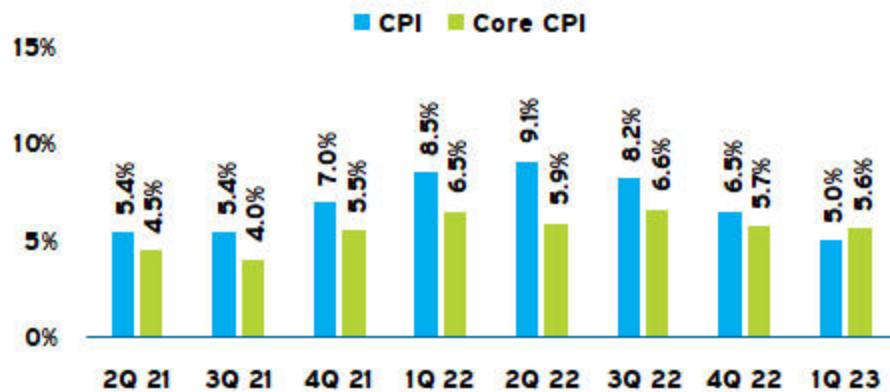
Source: Bureau of Economic Analysis. Data as of Q1 2023 represents the "advance" estimate. The Q1 2023 "secondary" estimate will be released May 25, 2023.

#### US Unemployment



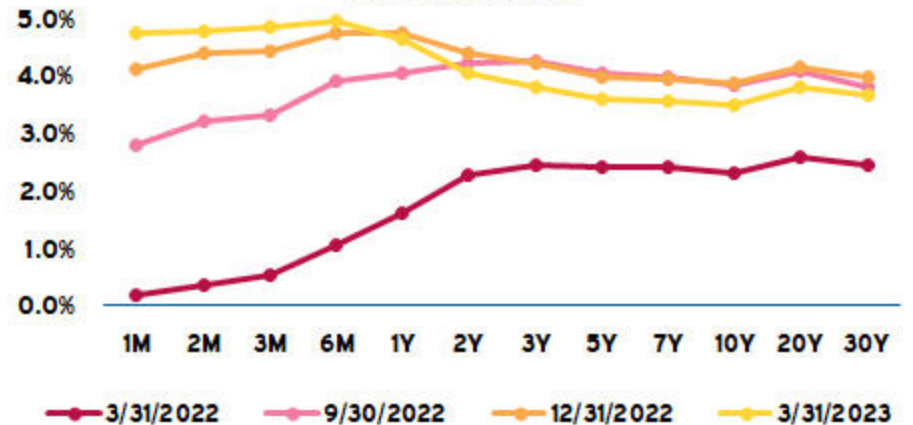
Source: Bureau of Labor Statistics. Data as of March 31, 2023. Seasonally adjusted.

#### 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 March 31, 2023.

#### US Yield Curve



Source: US Department of the Treasury.

#### Index Returns

#### During the Quarter:

- Markets were mostly positive during the first quarter of 2023.
- The positive performance was also met with an increase in volatility as investors assessed the fall out of Silicon Valley Bank and several other regional banking institutions. Investors began to question the stability of the US banking sector, but the volatility was short-lived as the Fed, Treasury and other government agencies stepped in to alleviate some concerns. This was a tailwind for equities in the second half of March.
- Investors are now pricing in the possibility that the Fed is close to pausing on interest rate hikes as the health of the banking sector remains in question and inflation continues to decline rapidly year over year.
- Despite the recent positive returns, factors such as stubbornly high inflation, tight financial conditions, a strong US dollar, and the war in Ukraine continue to weigh on longer term results.
- US and Non-US equity continued their rebound from the end of 2022 during Q1 2023:
  - US equities (+7.5%) outpaced non-US equities (+6.9%).
  - US Large Caps outperformed US Small Caps.
  - Growth meaningfully outpaced Value in the US and abroad.
  - Within Non-US, Developed Markets again outperformed Emerging Markets.
- Broad fixed income returns were positive.
  - The FOMC raised rates by 25 bps in March.
- Diversifying asset classes produced mixed results.
  - Commodities were down (5.4%).
  - REITs increased 2.7%.

	QTR (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>					
S&P 500	7.5	(7.7)	18.6	11.2	12.2
Russell 3000	7.2	(8.6)	18.4	10.4	11.7
Russell 1000	7.5	(8.4)	18.5	10.9	12.0
Russell 1000 Growth	14.4	(10.9)	18.5	13.7	14.6
Russell 1000 Value	1.0	(5.9)	17.9	7.5	9.1
Russell MidCap	4.1	(8.8)	19.1	8.1	10.0
Russell MidCap Growth	9.1	(8.5)	15.2	9.1	11.2
Russell MidCap Value	1.3	(9.2)	20.6	6.5	8.8
Russell 2000	2.7	(11.6)	17.5	4.7	8.0
Russell 2000 Growth	6.1	(10.6)	13.3	4.3	8.5
Russell 2000 Value	(1.0)	(13.0)	21.0	4.5	7.2
<b>Non-US Equity</b>					
MSCI ACWI (ex. US)	6.9	(5.1)	11.8	2.5	4.2
MSCI EAFE	8.5	(1.4)	13.0	3.5	5.0
MSCI EAFE Growth	11.1	(2.8)	10.9	4.9	6.0
MSCI EAFE Value	5.9	(0.3)	14.5	1.8	3.7
MSCI EAFE (Local Currency)	7.5	3.8	14.6	6.2	7.3
MSCI EAFE Small Cap	4.9	(9.8)	12.0	0.9	5.9
MSCI Emerging Markets	4.0	(10.7)	7.8	(0.9)	2.0
MSCI Emg Mkts (Local Currency)	3.8	(6.7)	8.8	1.9	5.0
MSCI China	4.7	(4.7)	(2.6)	(4.0)	3.4
<b>Fixed Income</b>					
Bloomberg Universal	2.9	(4.6)	(2.0)	1.1	1.6
Bloomberg Aggregate	3.0	(4.8)	(2.8)	0.9	1.4
Bloomberg US TIPS	3.3	(6.1)	1.8	2.9	1.5
Bloomberg High Yield	3.6	(3.3)	5.9	3.2	4.1
JPM GBI-EM Global Diversified	5.2	(0.7)	0.9	(2.4)	(1.5)
<b>Other</b>					
FTSE NAREIT Equity	2.7	(19.2)	12.0	6.0	6.0
Bloomberg Commodity Index	(5.4)	(12.5)	20.8	5.4	(1.7)

## **Summary of Monitoring Status**



Monitoring Summary  
As of March 31, 2023

Portfolios	Total Fund Assets (\$K)	% of Total
Aggressive Growth Portfolio	19,898	26%
Moderate Portfolio	16,343	21%
Conservative Portfolio	14,098	18%
FDIC-Insured Portfolio	27,632	35%

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	19,822	25%	Positive	Positive	No	No
TIAA-CREF Int'l Equity Index Fund <sup>2</sup>	5,870	8%	Positive	Caution	No	No
TIAA-CREF Emerging Markets Index Fund <sup>2</sup>	1,802	2%	Caution	Caution	Yes	No
TIAA-CREF Bond Index Fund	14,828	19%	Positive	Positive	No	No
TIAA-CREF Inflation Linked Bond Fund	3,770	5%	Acceptable	Acceptable	No	No
TIAA-Life Funding Agreement	4,246	5%	Positive	Positive	No	No
FDIC-Insured TIAA Bank Account	27,632	36%	Positive	Positive	No	No
<b>Total</b>	<b>\$77,970</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.

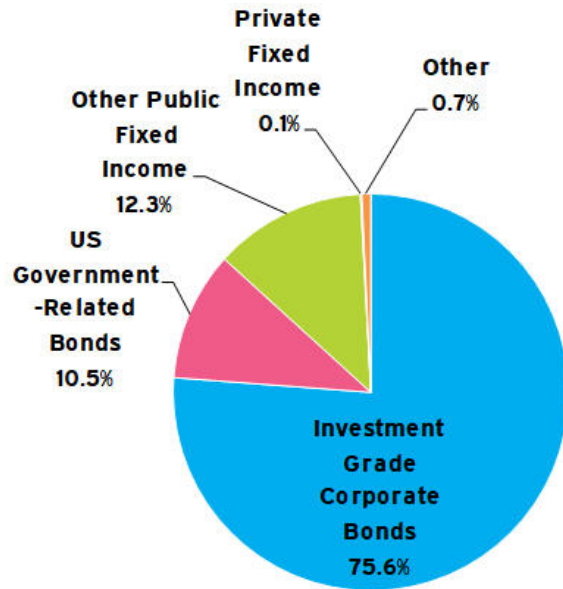
Monitoring Guidelines  
As of March 31, 2023

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



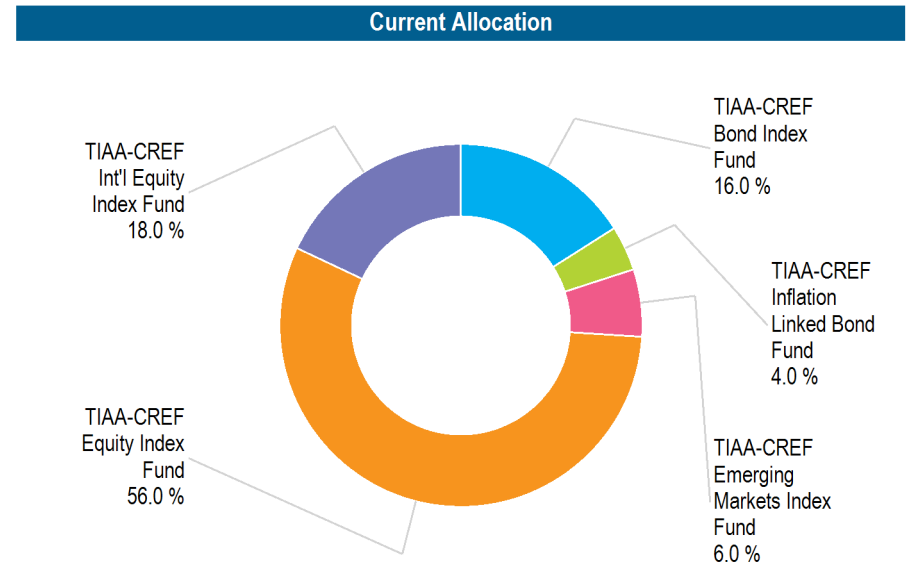
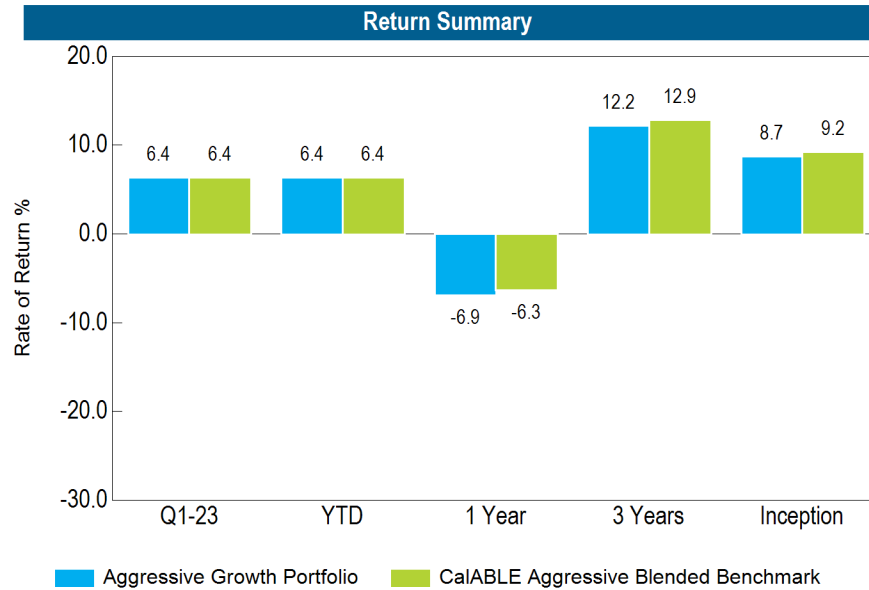
<b>Monitoring Status</b>
<b>Positive</b>

	Criteria	Status as of 3/31/23
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	99.2% 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**

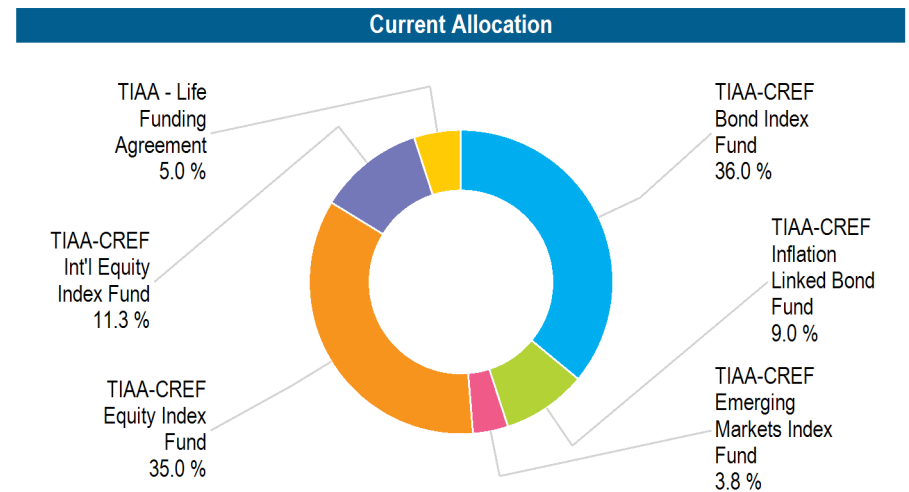
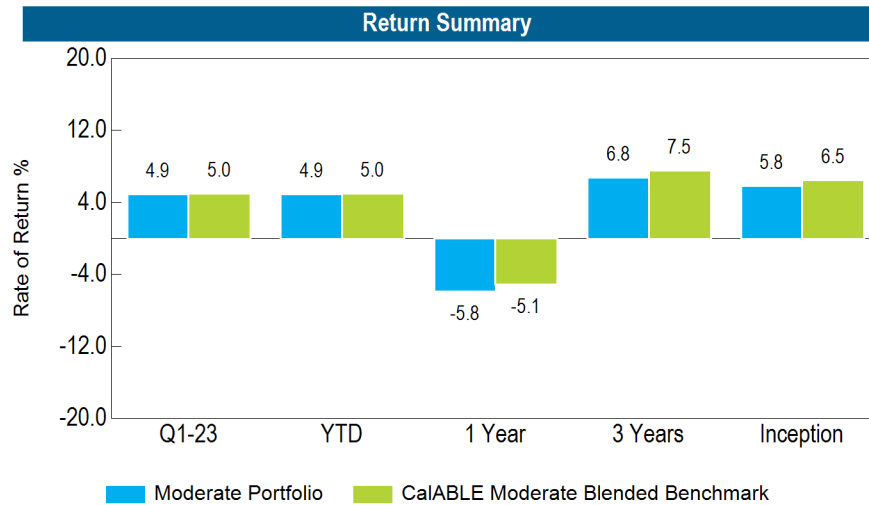
### Aggressive Growth Portfolio | As of March 31, 2023



\*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>6.4</b>	<b>6.4</b>	<b>-6.9</b>	<b>12.2</b>	<b>--</b>	<b>--</b>
TIAA-CREF Bond Index Fund	3.1	3.1	-4.9	-3.0	0.8	1.2
<i>Bloomberg US Aggregate TR</i>	3.0	3.0	-4.8	-2.8	0.9	1.4
TIAA-CREF Inflation Linked Bond Fund	3.0	3.0	-3.0	2.7	3.0	1.3
<i>Bloomberg US TIPS 1-10 Yr TR</i>	2.9	2.9	-2.9	2.9	3.2	1.5
TIAA-CREF Emerging Markets Index Fund	4.1	4.1	-10.8	7.5	-1.1	1.9
<i>MSCI Emerging Markets</i>	4.0	4.0	-10.7	7.8	-0.9	2.0
TIAA-CREF Equity Index Fund	7.1	7.1	-8.6	18.4	10.4	11.7
<i>Russell 3000</i>	7.2	7.2	-8.6	18.5	10.4	11.7
TIAA-CREF Int'l Equity Index Fund	8.0	8.0	-0.9	13.2	3.7	5.2
<i>MSCI EAFE</i>	8.5	8.5	-1.4	13.0	3.5	5.0

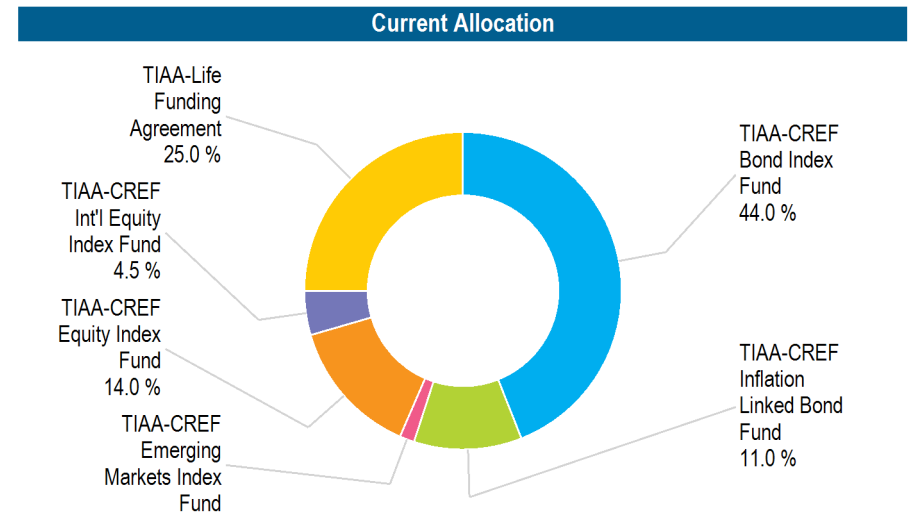
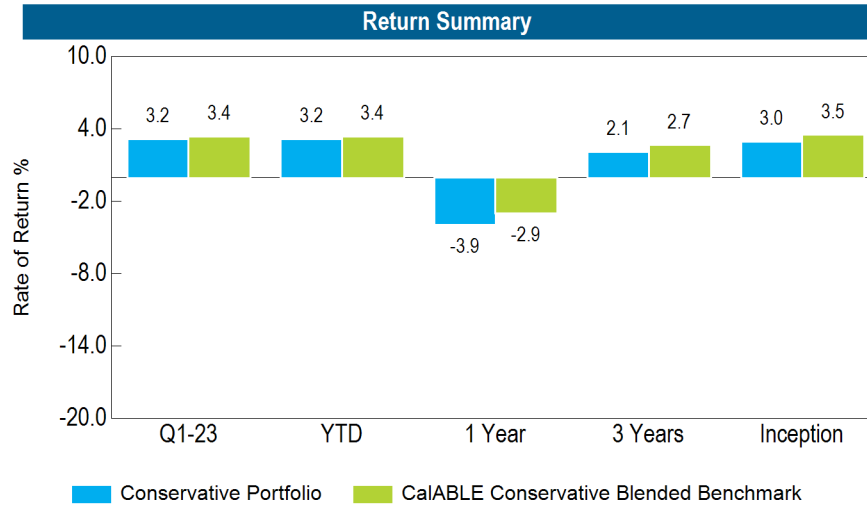


\*Portfolio Inception Date: 12/17/2018

#### Underlying Investment Trailing Performance

	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
<b>Moderate Portfolio</b>	<b>4.9</b>	<b>4.9</b>	<b>-5.8</b>	<b>6.8</b>	<b>--</b>	<b>--</b>
TIAA-CREF Bond Index Fund	3.1	3.1	-4.9	-3.0	0.8	1.2
<i>Bloomberg US Aggregate TR</i>	3.0	3.0	-4.8	-2.8	0.9	1.4
TIAA-CREF Inflation Linked Bond Fund	3.0	3.0	-3.0	2.7	3.0	1.3
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<i>MSCI EAFE</i>	8.5	8.5	-1.4	13.0	3.5	5.0
TIAA - Life Funding Agreement						

### Conservative Portfolio | As of March 31, 2023



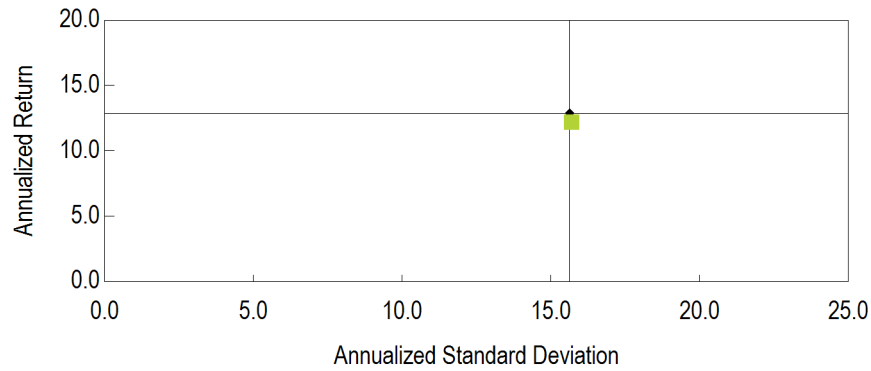
\*Portfolio Inception Date: 12/17/2018

#### Underlying Investment Trailing Performance

	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
<b>Conservative Portfolio</b>	<b>3.2</b>	<b>3.2</b>	<b>-3.9</b>	<b>2.1</b>	<b>--</b>	<b>--</b>
TIAA-CREF Bond Index Fund	3.1	3.1	-4.9	-3.0	0.8	1.2
<i>Bloomberg US Aggregate TR</i>	3.0	3.0	-4.8	-2.8	0.9	1.4
TIAA-CREF Inflation Linked Bond Fund	3.0	3.0	-3.0	2.7	3.0	1.3
<i>Bloomberg US TIPS 1-10 Yr TR</i>	2.9	2.9	-2.9	2.9	3.2	1.5
TIAA-CREF Emerging Markets Index Fund	4.1	4.1	-10.8	7.5	-1.1	1.9
<i>MSCI Emerging Markets</i>	4.0	4.0	-10.7	7.8	-0.9	2.0
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<i>MSCI EAFE</i>	8.5	8.5	-1.4	13.0	3.5	5.0
TIAA-Life Funding Agreement						

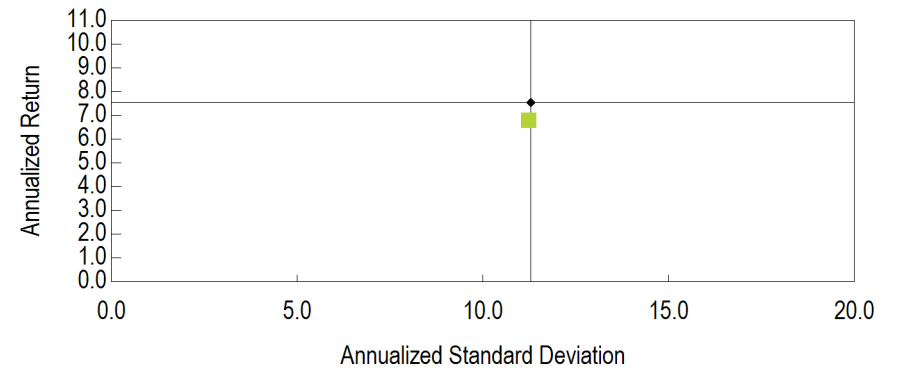


Annualized Return vs. Annualized Standard Deviation  
3 Years Ending March 31, 2023



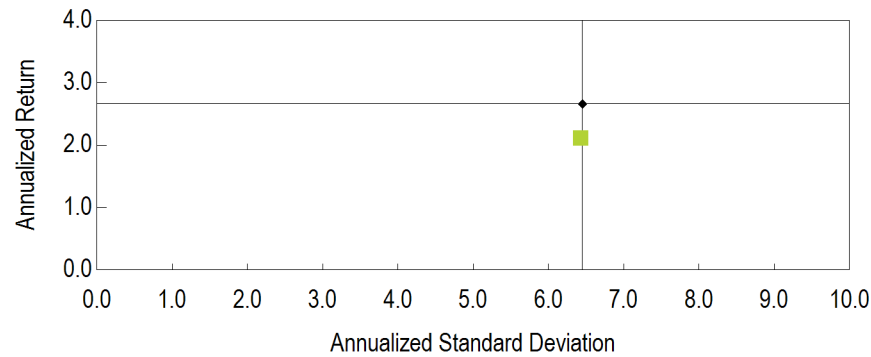
- Aggressive Growth Portfolio
- ◆ CalABLE Aggressive Blended Benchmark

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending March 31, 2023



- Moderate Portfolio
- ◆ CalABLE Moderate Blended Benchmark

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending March 31, 2023



- Conservative Portfolio
- ◆ CalABLE Conservative Blended Benchmark

## Fee Schedule

Fee Schedule as of March 31, 2023

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	18
TIAA-CREF Bond Index Fund	7
TIAA-CREF Inflation Linked Bond Fund	25

<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.

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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.

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