

STATEMENT OF INVESTMENT BELIEFS



The Board has developed and adopted the following Statement of Investment Beliefs that provides guidance and direction for investment decisions and governance, with the goal of achieving long-term financial success on behalf of the members. We believe this statement will serve as a valuable tool for ensuring that our investments are consistent with our mission and values. These belief statements also provide a critical means of communicating the STRS Ohio Board's framework of investment decision-making to external stakeholders.



STRS Ohio seeks to maximize return at a prudent level of risk. The primary investment objective of STRS Ohio is to maximize investment return at a prudent level of investment risk.

STRS Ohio invests for the long-term. STRS Ohio believes a long-term investment horizon is required to provide long-term retirement benefits to active and retired members of the System. Committing to a long-term investment strategy and sticking to it avoids overreacting to short-term market conditions and investing in unproven investment strategies.

Good governance is critical for success. STRS Ohio believes strong governance practices lead to strong investment results. Day-to-day management of an investment portfolio requires proper delegation accompanied by effective oversight.

Cash flows matter. Incorporating current and forecasted retirement and health care benefit payments into the portfolio construction process results in a more sustainable fund for the long-term. Managing portfolio liquidity, asset allocation and rebalancing the investment portfolio is a priority, especially in short-term market drawdowns.

Investment diversification works. An investment portfolio diversified across multiple asset classes provides better risk-adjusted performance leading to a less volatile return experience. A well-diversified portfolio also reduces the impact of losses from individual asset classes or securities. STRS Ohio will continue to evaluate new and emerging investment strategies to determine their potential viability.

Economies of scale benefit members. As a large institutional investor, STRS Ohio's scale creates cost efficiencies and access to investment offerings or unique opportunities only available to large and sophisticated institutional investors.

Costs matter. STRS Ohio will actively monitor the long-term return objectives on a net-of-fees basis, while prudently managing investment related costs in a transparent manner.

Members of STRS Ohio are rewarded for taking certain investment risks. STRS Ohio believes that there are risk premiums for accepting capital market risk and investing in illiquid investments. While risk premiums change over time, since STRS Ohio is a long-term investor, STRS Ohio and its members can benefit from remaining fully invested in a prudent allocation of diversified investments.

Active and passive investing are both appropriate. STRS Ohio believes that both active and passive strategies have a role in the portfolio. Passive strategies are used for low cost and diversified exposure to highly efficient asset classes where value added is difficult to achieve. Active management will be relied upon in those asset classes where STRS Ohio believes it can identify unique or compelling investments which may lead to above-market returns.

Internal asset management is a strategic advantage. STRS Ohio believes internal asset management capabilities are a strategic advantage providing low-cost access to both active and passive strategies.