



Report From the Investment Department

Sept. 21, 2023

- **Matters requiring board action:**
 - None
- **Educational or scheduled updates and reviews requiring no action today:**
 - Summary of Investment Activity Report, August 2023
 - Annual review of Securities Lending Program
 - Callan comments
 - Review of August investment transactions
- **Summary of requests**

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August Returns and Activity

- **The preliminary total fund returns for August:**
 - Gross return -0.95%* Net return -0.97%
 - International equity returns -3.1%; domestic equity returns -1.5%; real estate returns -0.9%; alternative investment returns +1.6%
- **The preliminary fiscal year 2024 total fund return is estimated:**
 - Gross return +0.62%* Net return +0.60%
- **Rebalancing activity**
 - \$570 million was removed from fixed income and allocated to liquidity reserves, international equities and real estate
- **Preliminary total investment assets ended August at \$89.9 billion;**
 - Lower by \$100 million in fiscal 2024

** Gross returns, except for alternative investments & real estate where the return is net of all external investment management fees and costs, including carried interest and other fund expenses.*

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Securities Lending Program Fiscal Year 2023 Results

Steve Mayes

Sept. 21, 2023

Annual Review of Securities Lending Program



- **Securities lending overview**
- **“Specials” margins increased; overall loan volume decreased**
- **Fiscal year 2023 earnings increased approximately 35% year over year**

How Securities Lending Works

Securities lending is when we earn investment income by loaning our securities – for a fee – to a borrower



STRS Ohio Loans

FY 2023:

\$1.6 bn Avg. Loans Out.

\$1.34 billion Fixed Income

\$134 million Domestic Equities

\$100 million International Equities

Bank of NY

Earnings split:

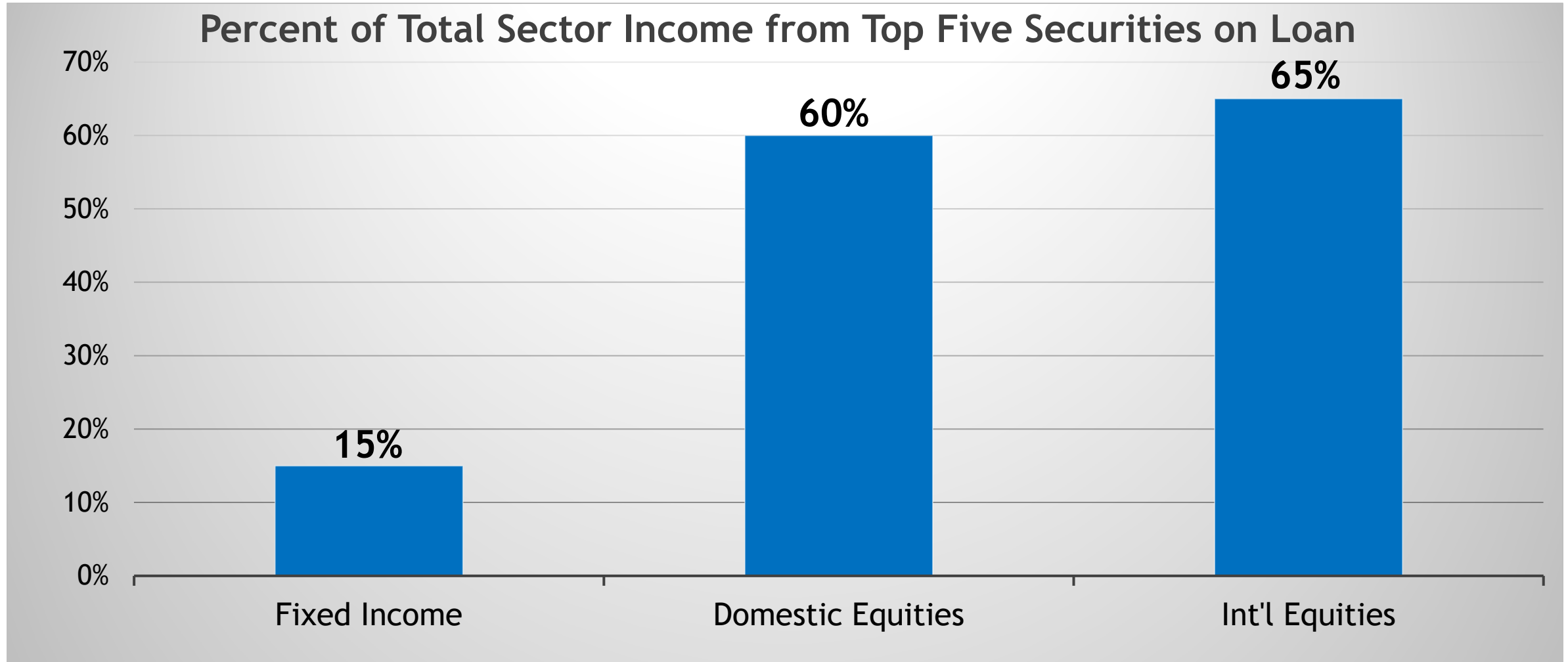
90% STRS Ohio

10% BNY

- JP Morgan
- Morgan Stanley
- Goldman Sachs

- Settle trades
- Cover short sales
- Merger/acquisition
- Vote proxy
- Obtain high quality collateral (U.S. Treasuries)

High Demand Securities “Specials” by Asset Class



High demand securities have a significant impact on overall program earnings

Top Five Loans = 15% of Fixed Income Earnings



<u>Largest Fixed Income Loans</u>			<u>Earnings</u>
1) Stanley Black & Decker	3.000%	May 2032	\$150,171
2) U.S. Treasury Bill	5.275%	Sep. 2023	\$124,432
3) U.S. Treasury Bill	5.085%	Aug. 2023	\$123,661
4) U.S. Treasury Bill	5.285%	Sep. 2023	\$71,718
5) U.S. Treasury Bill	4.290%	Mar. 2023	<u>\$66,789</u>
Top Five Sum (15% of Fixed Income Earnings)			\$536,771

Top Five Loans = 60% of Domestic Equity Earnings



<u>Largest Domestic Equity Loans</u>	<u>Earnings</u>
1) Chargepoint Holdings	\$228,415
2) SPDR S&P Biotech ETF	\$178,608
3) Mobileye Global	\$122,452
4) Upstart Holdings	\$86,492
5) Bed Bath & Beyond	<u>\$65,499</u>
Top Five Sum (60% of Domestic Equity Earnings)	\$681,466

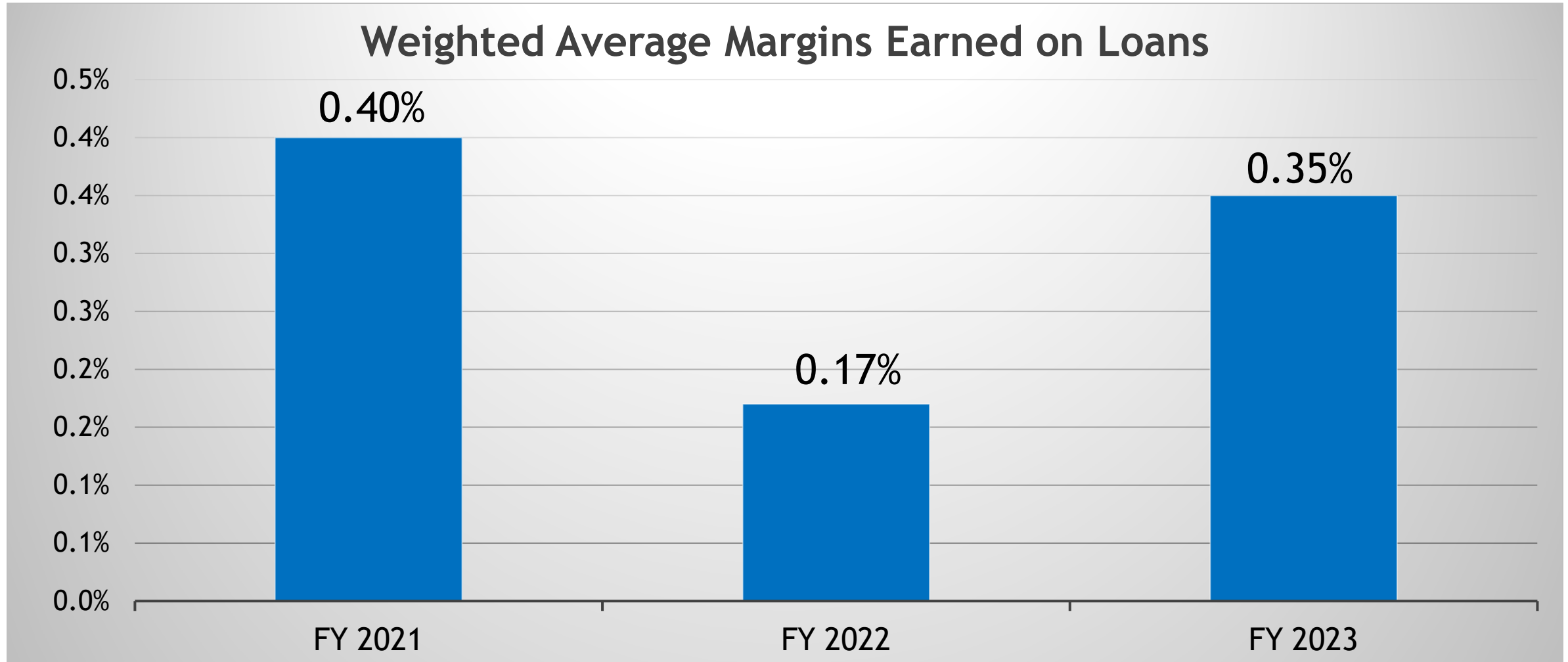
Top Five Loans = 65% of International Equity Earnings



<u>Largest International Equity Loans</u>	<u>Earnings</u>
1) iShares MSCI Canada ETF	\$268,721
2) Xtrackers Harvest CSI 300 CH	\$170,734
3) iShares MSCI South Africa	\$96,940
4) iShares MSCI EAFE ETF	\$52,971
5) iShares MSCI India ETF	<u>\$40,479</u>
Top Five Sum (65% of International Equity Earnings)	\$629,845

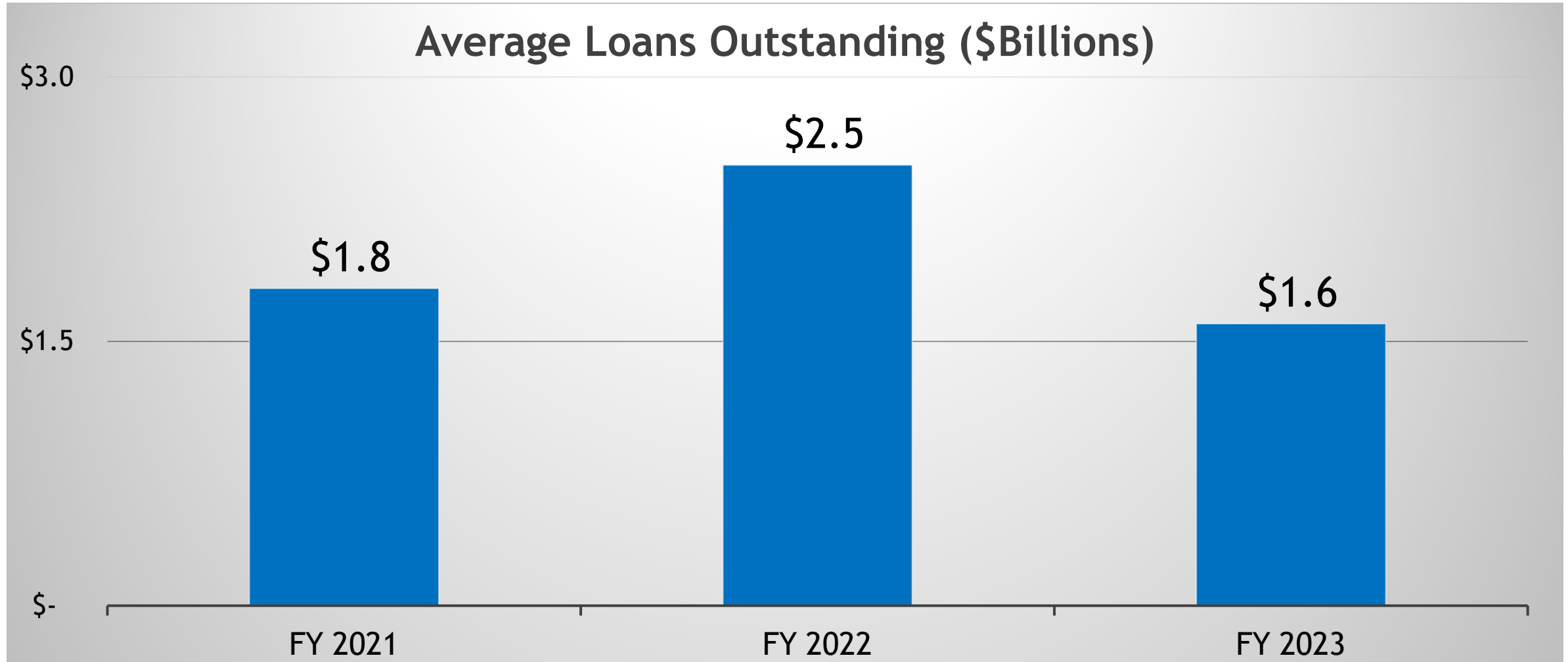
Margins in higher earning segments “specials” increased in fiscal 2023, offsetting the decline in overall loan volume resulting in higher program earnings.

Loan Margins Earned

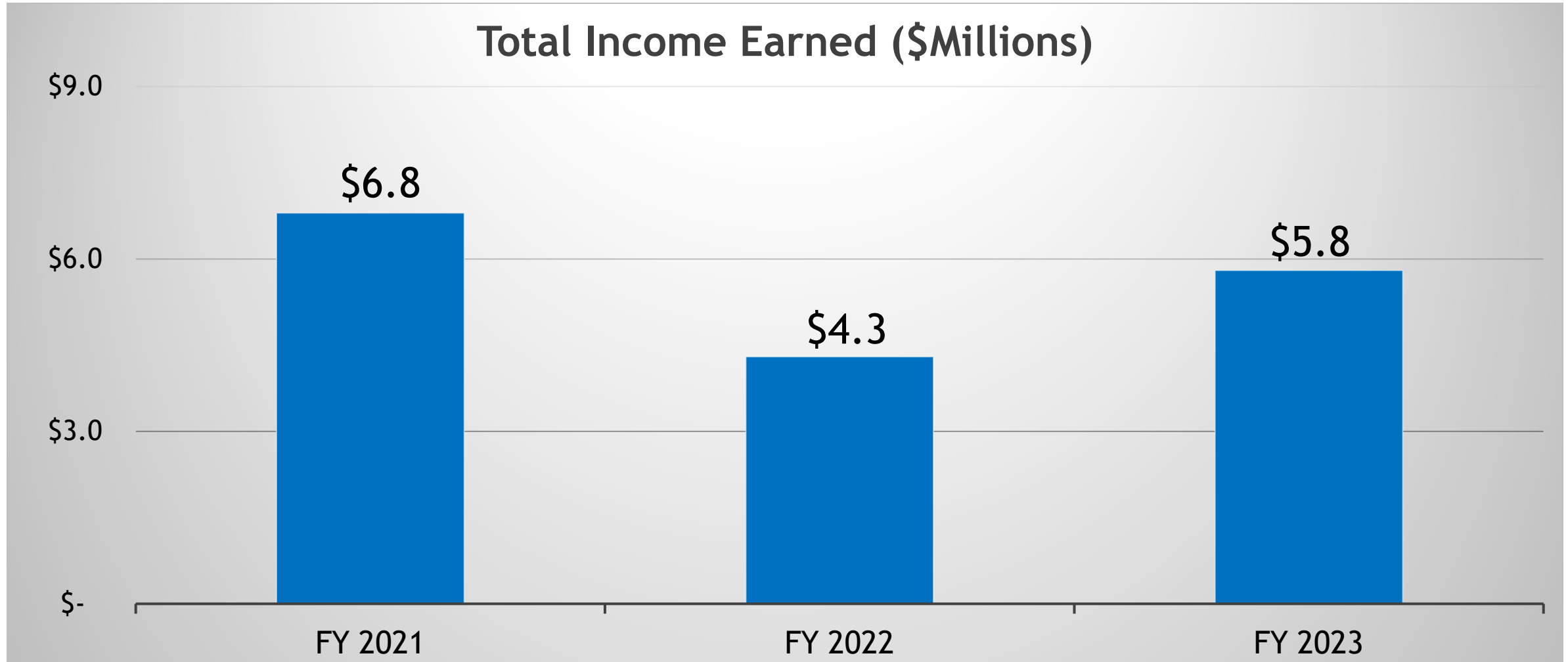


Fiscal 2023 margins improved due to higher margin “specials” outstanding

Loan Volume Declined

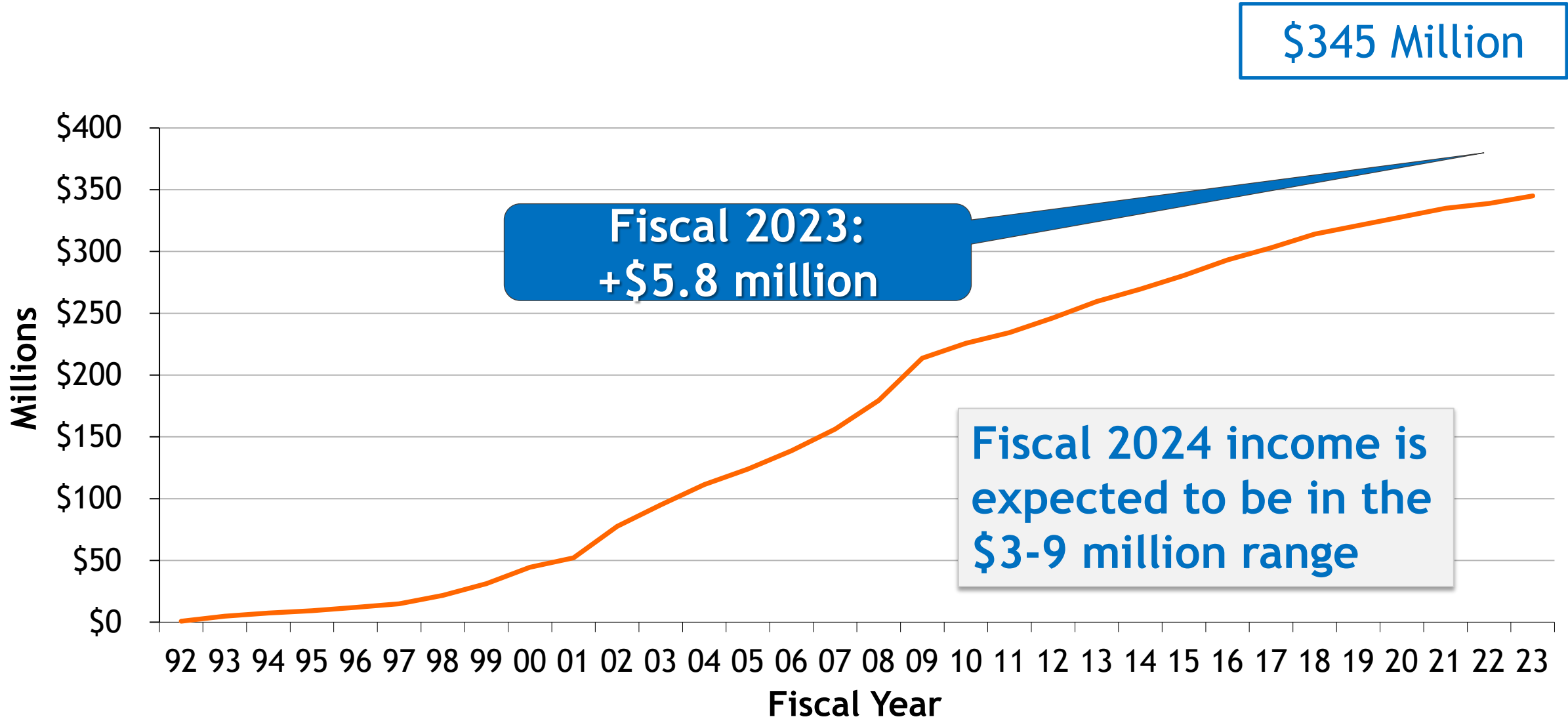


Total Income Earned from Lending



Fiscal 2023 Income: Increased compared to Fiscal 2022 due to higher “specials” margins

Cumulative Earnings Since Inception





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