

State Teachers Retirement System of Ohio STRS Ohio Total Fund

June 30, 2023





Verification and Performance Examination Report

State Teachers Retirement System of Ohio

We have verified whether State Teachers Retirement System of Ohio (the “Asset Owner”) has, for the periods from July 1, 2006 through June 30, 2023, established policies and procedures for complying with the Global Investment Performance Standards (GIPS®) related to composite and total fund maintenance and the calculation, presentation, and distribution of performance that are designed in compliance with the GIPS standards, as well as whether these policies and procedures have been implemented on an asset owner-wide basis. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. We have also examined the Asset Owner’s Total Fund for the periods from July 1, 2006 through June 30, 2023.

The Asset Owner’s management is responsible for its claim of compliance with the GIPS standards, the design and implementation of its policies and procedures, and for the accompanying Total Fund’s GIPS asset owner report. Our responsibilities are to be independent from the Asset Owner and to express an opinion based on our verification and performance examination. We conducted this verification and performance examination in accordance with the required verification and performance examination procedures of the GIPS standards, which includes testing performed on a sample basis. We also conducted such other procedures as we considered necessary in the circumstances.

In our opinion, for the periods from July 1, 2006 through June 30, 2023, the Asset Owner’s policies and procedures for complying with the GIPS standards related to composite and total fund maintenance, as well as the calculation, presentation, and distribution of performance, have been, in all material respects:



- Designed in compliance with the GIPS standards, and
- Implemented on an asset owner-wide basis.

Also, in our opinion, the Asset Owner has, in all material respects:

- Constructed the Total Fund and calculated the Total Fund's performance for the periods from July 1, 2006 through June 30, 2023 in compliance with the GIPS standards; and
- Prepared and presented the accompanying Total Fund's GIPS asset owner report for the periods from July 1, 2013 through June 30, 2023 in compliance with the GIPS standards.
- Calculated and presented the Supplemental Information included in the accompanying Total Fund's GIPS asset owner report for the periods from July 1, 2022 through June 30, 2023 in compliance with the GIPS standards.

This report does not relate to or provide assurance on any specific performance report of the Asset Owner other than the Asset Owner's accompanying Total Fund GIPS asset owner report, or on the operating effectiveness of the Asset Owner's controls or policies and procedures for complying with the GIPS standards.

ACA Group

ACA Group, Performance Services Division

August 14, 2023

State Teachers Retirement System of Ohio
Total Fund
July 1, 2013 through June 30, 2023

Total Fund as of June 30

Fiscal Year	Gross Return (%)	Net Return (%)	Benchmark Return (%)	% of Externally-Managed Assets (%)	Total Composite Assets (\$ millions)
2023	7.68	7.55	7.62	36	90,063
2022	-3.61	-3.73	-5.62	36	87,616
2021	29.28	29.16	27.98	34	94,832
2020	3.14	3.01	3.07	31	77,080
2019	7.13	6.99	7.30	30	78,851
2018	9.57	9.43	8.94	30	77,750
2017	14.29	14.15	13.52	29	75,060
2016	0.92	0.78	0.67	30	69,861
2015	5.45	5.33	5.08	28	74,173
2014	16.83	16.71	17.53	28	74,812

State Teachers Retirement System of Ohio (“STRS Ohio”) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. State Teachers Retirement System of Ohio (“STRS Ohio”) has been independently verified for the periods from July 1, 2006 through June 30, 2023. An asset owner that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the asset owner's policies and procedures related to total fund and composite maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on an asset-owner-wide basis. The Total Fund has had a performance examination for the periods July 1, 2006, through June 30, 2023. The verification and performance examination reports are available upon request.

Accompanying Notes

1. For the purpose of complying with the GIPS standards, the firm is defined as the State Teachers Retirement System of Ohio (“STRS Ohio”), which was established in 1919 by the Ohio General Assembly and is the sponsor and manager of assets for the State Teachers Retirement System of Ohio. The Total Fund was created and inception in 1919.
2. The Total Fund includes all discretionary assets managed by STRS Ohio for the benefit of participants in the State Teachers Retirement System of Ohio. The strategy reflects an actual asset allocation to the following asset classes as of June 30, 2023: Liquidity Reserves 1.5%, Fixed Income 20.0%, Domestic Equities 26.0%, International Equities 21.9%, Real Estate 9.8%, and Alternative Investments 20.8%. The assets of STRS Ohio are managed in accordance with the risk budget for the Total Fund and the individual asset classes. The investment objective for the Total Fund is to earn, over moving thirty-year periods, an

annualized return that equals or exceeds the actuarial rate of return, approved by the State Teachers Retirement Board (“Board”) to value STRS Ohio liabilities. Effective as of the June 30, 2022, actuarial valuation, the actuarial investment return assumption is 7.00%. The Board-approved asset allocation policy from the 2022 Asset Liability Study was adopted after careful consideration of the investment objectives, liability structure, funded status, and liquidity needs of STRS Ohio, and the return, risk, and risk-diversifying characteristics of different asset classes. STRS Ohio hires external managers to manage selected portfolios. The percent of externally-managed assets for the Total Fund as of June 30 for the past 10 fiscal years is disclosed on page 1. Descriptions of the asset classes are as follows:

Fixed Income: The Fixed Income asset class is generally fully invested in fixed income instruments and includes a core fixed income portfolio as well as a liquid treasury portfolio. The core fixed income portfolio is reflective of the Bloomberg U.S. Universal Index composed of the following issuers: U.S. Government and related agencies; mortgage-backed and asset-backed issuers; foreign issuers; corporations including investment grade and high yield; and emerging market debtors. The methodology employed places an emphasis on fundamental economic, portfolio, and security analysis to manage sector weightings and maturity distributions. The strategy of the liquid treasury portfolio is to provide liquidity to meet the rebalancing and cash flow needs of the Total Fund. The fixed income asset class seeks diversification by market sector, quality, and issuer. The asset class is primarily managed internally, with external managers utilized in specialist segments of the market such as high yield and emerging market debt. Derivatives may be used to adjust the exposure to interest rates, individual securities, or various market sectors in the fixed income portfolio. Underlying exposure of derivatives for fixed income investments may not exceed 5% of Total Fund assets. As of June 30, 2023, fixed income derivative positions were 0.08% as a percentage of Total Fund assets. STRS Ohio has given its internal and external managers discretionary authority to manage the assets in the account including, but not limited to, futures, options, currency, and swaps. STRS Ohio enters into forward currency contracts for hedging purposes.

Domestic Equities: The Domestic Equities asset class includes domestic and international common stocks traded on U.S. exchanges, American depository receipts (ADRs), real estate investment trust shares (REITs), and domestic equity derivatives (including, but not limited to, futures, stock options, and index options). Sector tilts by style, economic sectors, or market capitalization are managed in accordance with the risk budget for domestic equities. A variety of portfolio management approaches including quantitative and fundamental techniques are used to diversify the source of excess return. The asset class utilizes a combination of active and passive management and multiple internal and external portfolio managers to improve the likelihood of achieving excess returns, diversifying risk, and controlling costs. STRS Ohio will invest no more than 3% of the Total Fund in equities of any one company. Underlying exposure of equity derivatives may not exceed 10% of Total Fund assets. As of June 30, 2023, domestic equity derivative positions were 0.00% as a percentage of Total Fund assets.

International Equities: The International Equities asset class is a diversified portfolio including both developed and emerging countries. Portfolios consist of international equities including international common stocks traded on U.S. exchanges, ADRs and ordinaries, international depository receipts (IDRs), country funds, international equity derivatives (including, but not limited to, stock options and index options), and some short-term debt instruments. The asset class emphasizes quantitative and fundamental management approaches and exposures to security selection and country allocation decisions. Internal and external managers have the ability to add value through currency management. Aggregate exposures to countries, currencies, equity styles, and market capitalization are monitored and managed relative to their benchmark exposures and the risk budget. The portfolio utilizes a combination of internal and external management to improve the likelihood of achieving excess returns, diversify risk, and control costs.

Underlying exposure of derivatives for international equities may not exceed 10% of Total Fund assets. As of June 30, 2023, international equity derivative positions were 1.06% as a percentage of Total Fund assets. STRS Ohio has given its internal and external managers discretionary authority to manage the assets in the account including, but not limited to, financial, currency, and stock index futures, equity swaps, and options

on futures and other securities. STRS Ohio invests in international equity swaps through its internally managed program and this represents the primary exposure of derivatives used in this asset class, at 0.89% of Total Fund assets as of June 30, 2023. The STRS Ohio international equity swaps are unleveraged derivative instruments that are constructed to replicate the effect of investing directly in foreign equity markets. The swap contracts entitle STRS Ohio to receive the US dollar return (including currency fluctuations) of a single market index or basket of indexes. In exchange, STRS Ohio is obligated to pay a short-term cash return. The market risk of the swaps is comparable to owning the underlying stocks that comprise the indexes. STRS Ohio also enters into forward currency contracts for hedging purposes.

Real Estate: Real estate investments are primarily investments in direct properties that are diversified between property type, geographic location, and investment ownership structure and are internally managed. Typically, higher risk/return strategies such as opportunistic commingled funds, both domestic and international, are managed by external real estate managers and are limited to 30%. During fiscal 2023, publicly traded real estate securities were transitioned from passively managed internally to actively managed with both internal and external management utilized. Public real estate is targeted at 15% of the real estate asset class to enhance liquidity and diversification. Private real estate is 100% actively managed because index funds replicating the real estate broad market are not available. STRS Ohio may borrow funds on a secured or unsecured basis and leverage is limited to 50% of the internally managed direct real estate assets. On June 30, 2023, and 2022, debt as a percentage of these assets was 28.7% and 23.4%, respectively. The debt as a percentage of assets calculation has changed for the periods shown to reflect the portion of debt attributed to STRS Ohio. Derivatives may be used and cannot exceed 1% of total assets. As of June 30, 2023, real estate derivative positions were 0.00% as a percentage of Total Fund assets. Due to the nature of real estate investments, all private real estate is valued using market-based inputs that are comparable but subjective in nature due to the lack of widely observable inputs.

Alternative Investments: Alternative investments consist of private equity and opportunistic/diversified investments. Private equity investments primarily include venture capital, growth equity, and leveraged buyout opportunities and are 100% actively managed because index funds are not available. Private equity risk is diversified by investing across vintage years, industry sectors, investment size, development stage, and geography, in addition to investing in sector-focused, and international funds. STRS Ohio typically invests as a limited partner in closed-end partnerships. Private equity investments are managed by general partners with strong deal flow, specialized areas of expertise, established or promising net of fees track records, and fully disclosed and verifiable management procedures.

Opportunistic/diversified investments are being managed to exceed a blend of private market benchmarks over moving 5-year periods. Investments in this category can be liquid or illiquid and are tactical in nature. Opportunistic/diversified investments are actively managed because index funds are not available. Downside protection and asset class risk diversification are targeted by investing across different types of opportunistic/diversified investments. Opportunistic/diversified investments may be made directly, through fund-of-funds, or as co-investments.

Due to the nature of alternative investments, substantially all investments in this asset class are valued using market-based inputs that are comparable but subjective in nature due to the lack of widely observable inputs. Underlying exposure of derivatives for alternative investments may not exceed 10% of Total Fund assets. As of June 30, 2023, alternative investment derivative positions were 0.05% as a percentage of Total Fund assets. STRS Ohio utilizes both listed and over-the-counter (OTC) options, futures, and swaps with the S&P 500 Index as the underlying exposure. These positions are used for both hedging and positioning purposes.

Liquidity Reserves: The liquidity reserves portfolio is intended to obtain a high level of current income consistent with the preservation of principal and liquidity. Investments generally consist of U.S. dollar-denominated short-term securities of corporations that are rated in the highest category (A1/P1 rating) by

the rating organizations and in securities that are guaranteed by the U.S. government or one of its related agencies. Credit quality is emphasized for the preservation of principal and liquidity.

- Returns are net of brokerage commissions, expenses related to trading, and applicable foreign withholding taxes on dividends, interest, and capital gains. All returns are expressed in U.S. dollars.

Total Fund performance is calculated monthly using the Modified Dietz method. Gross returns are net of transaction costs and gross of management fees, except for alternative investments & real estate where the return is also net of all external investment management fees and costs, including carried interest and other fund expenses. Net returns are net of all internal and external investment management fees and costs, including carried interest and other fund expenses. Costs are reported annually on a calendar year basis and are reflected in the Board’s Trustee Summary Report in the Callan Associates quarterly performance report. Investment management costs include internal investment personnel, professional and technical services, other investment operating expenses, actual external manager fees, custodial banking fees, and allocated overhead and oversight including Information Technology Services (ITS). Investment management costs deducted from the gross return to arrive at the net return have ranged from 11 to 14 basis points per year over the past 10 years.

Total composite assets reflect investment fair values calculated and reported in a manner consistent with investment industry standards. Policies for valuing investments, calculating performance, and preparing the GIPS Asset Owner Report are available upon request.

- The Total Fund includes all individual portfolios that are combined into one aggregate portfolio for GIPS compliance purposes. The performance of the combined portfolio reflects the overall mandate of the plan. Because the Total Fund is one aggregate portfolio for all periods, no measure of internal dispersion of annual portfolio returns is presented.
- The three-year annualized ex-post standard deviation measures the variability of the composite (using Total Fund gross returns) and the benchmark for the 36 months ended at the following dates:

June 30	3-Yr Annualized Standard Deviation (%)	
	Total Fund	Benchmark
2023	9.7	9.9
2022	10.1	10.1
2021	10.1	9.9
2020	8.8	8.7
2019	6.2	6.0
2018	6.0	5.9
2017	6.2	6.2
2016	6.7	6.8
2015	4.8	5.0
2014	7.7	8.1

- Benchmark returns are provided to represent the investment environment existing during the periods shown. Each asset class utilizes a benchmark, which as of June 30, 2023, is as follows:

Fixed Income: The Fixed Income blended benchmark is calculated daily and is a blend of two benchmarks using the core fixed income actual weighting and the Bloomberg U.S. Universal index¹ using the liquid

¹ Source: Bloomberg® and the Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited (“BISL”), the administrator of the index (collectively “Bloomberg”) and have been licensed for use for certain purposes by State Teachers Retirement System of Ohio. Bloomberg is not affiliated with State Teachers Retirement System of Ohio, and Bloomberg does not approve, endorse, review, or

treasury portfolio actual weighting and the Bloomberg U.S. Intermediate Treasury index¹. Bloomberg U.S. Universal Index represents the union of the U.S. Aggregate Index, U.S. Corporate High-Yield Index, Investment Grade 144A Index, Eurodollar Index, U.S. Emerging Markets Index, and the non-ERISA eligible portion of the CMBS Index. The Bloomberg U.S. Universal Index covers USD-denominated, taxable bonds that are rated either investment grade or below investment grade. The Bloomberg U.S. Intermediate Treasury Index consists of U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Maturities are between 1 year and up to 10 years.

Domestic Equities: The Russell 3000[®] Index² measures the performance of the 3,000 largest U.S. companies based on total market capitalization and represents approximately 96% of the investable U.S. equity market.

International Equities: The International blended benchmark is calculated monthly using 80% of the MSCI World ex-U.S. 50% Hedged Index-Net and 20% of the MSCI Emerging Markets Index-Net. The MSCI World ex-U.S. 50% Hedged Index-Net is a free float-adjusted market capitalization index of approximately 885 foreign companies that is designed to measure developed market equity performance, excluding the United States. The 50% hedged index captures the performance of the international equity markets while capping the effects of currency fluctuations on the U.S. dollar to 50%. A forward rate is used to construct the hedge. The MSCI Emerging Markets Index-Net is a free float-adjusted market capitalization index that is designed to measure equity performance in global emerging markets. The index is rebalanced monthly. MSCI assumes the maximum withholding tax rate applicable to institutional investors.

Real Estate: The Real Estate blended benchmark is calculated quarterly and is a blend of two benchmarks using 85% of the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index and 15% of the FTSE NAREIT Equity REITs Index. The NCREIF Property Index (NPI) publishes an unlevered quarterly return for private, core real estate held by institutional investors. It reflects investment performance for over 10,000 commercial properties. The FTSE NAREIT Equity REITs Index is a float-adjusted market capitalization index of 138 companies that is designed to measure U.S. Equity REIT performance.

Alternative Investments: The Alternative Investment blended benchmark consists of the Private Equity Benchmark multiplied by 47.4% plus the Opportunistic/diversified Blended Benchmark multiplied by 52.6%. The Private Equity Benchmark is the Cambridge Associates Private Equity and Venture Capital Index one quarter lagged to be consistent with external fund reporting. The Opportunistic/diversified blended benchmark consists of the actual Opportunistic Investments Portfolio weight multiplied by the Cambridge Associates Private Credit Index one quarter lagged to be consistent with external fund reporting plus the actual weight of the Diversified Investments Portfolio multiplied by the HFRI Fund of Funds Composite Index, which is a monthly index where subsequent revisions will be reflected in the following period.

The Cambridge Associates Private Equity and Venture Capital Index is currently comprised of 3,718 private equity & venture capital funds. The Cambridge Associates Private Credit Index is currently comprised of 397 private credit funds. The HFRI Fund of Funds Composite Index is comprised of hedge funds invested with multiple managers through funds or managed accounts.

Liquidity Reserves: The ICE BofA US 3-Month Treasury Bill Index is used.

recommend this material. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to this material.

² The Russell Indices are a trademark of the FTSE International Limited (FTSE) and Frank Russell Company (Russell) and their respective subsidiary undertakings, which are members of the London Stock Exchange Group plc group.

The Total Fund blended benchmark is calculated monthly using a blend of the asset class benchmarks based on the Total Fund's policy weights for the respective asset classes, as follows that reflect fiscal 2023 Phase-In Target Weights from the Board-approved 2022 asset liability study.

	7/1/2022-9/30/2022	10/1/2022-6/30/2023
Fixed Income	21%	22%
Domestic Equities	27%	26%
International Equities	22%	22%
Real Estate	10%	10%
Alternative Investments	19%	19%
Liquidity Reserves	1%	1%

Information concerning asset class benchmarks and policy weights for other periods is available upon request.

7. Past performance is not an indicator of future investment performance results.
8. As the Total Fund represents 100% of the assets managed by STRS Ohio, this GIPS Asset Owner Report represents STRS Ohio's list of Total Fund descriptions.
9. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Supplemental Information:

The information in the table below is supplemental to the Total Fund GIPS Asset Owner Report presented on the previous pages. Performance information is for the period July 1, 2022 through June 30, 2023.

Fund/Asset Class	As of June 30, 2023					
	Gross Return (%)	Benchmark Return * (%)	Number of Portfolios	Assets (\$ millions)	% of Fund Assets (%)	% of Externally Managed Assets (%)
Total Fund	7.68	7.62	76	90,063	100.0	36
Fixed Income	0.09	-0.35	9	18,030	20.0	9
Domestic Equities	18.94	18.95	15	23,401	26.0	6
International Equities	16.60	15.43	20	19,766	21.9	50
Real Estate	-4.99	-5.51	11	8,842	9.8	20
Alternative Investments	-1.41	-0.49	20	18,691	20.8	92
Liquidity Reserves	3.88	3.59	1	1,331	1.5	0

* Total Fund and asset class benchmarks as of June 30, 2023, are as follows:

Fund/Asset Class	Benchmark
Total Fund	Total Fund blended benchmark
Fixed Income	Fixed Income blended benchmark
Domestic Equities	Russell 3000 Index
International Equities	International blended benchmark
Real Estate	Real Estate blended benchmark
Alternative Investments	Alternative Investments blended benchmark
Liquidity Reserves	ICE BofA US 3-Month Treasury Bill Index

Please refer to Note 6 earlier in the report for further discussion of the Total Fund and asset class benchmarks.

Accompanying Notes

Returns are net of brokerage commissions, expenses related to trading, and applicable foreign withholding taxes on dividends, interest, and capital gains. All returns are expressed in U.S. dollars.

Total Fund and asset class returns are calculated as follows:

Total Fund performance is calculated monthly using the Modified Dietz method. Gross returns are net of transaction costs and gross of management fees, except for alternative investments & real estate where the return is also net of all external investment management fees and costs, including carried interest and other fund expenses. Net returns are net of all internal and external investment management fees and costs, including carried interest and other fund expenses. The total fund net return was 7.55% for the year ended June 30, 2023, and the fund underperformed its Total Fund blended benchmark by 0.07% net of all fees and costs over this same period. Costs are reported annually on a calendar year basis and are reflected on the Board's Trustee Summary Report in the Callan Associates quarterly performance report. Investment management costs include internal investment personnel, professional and technical services, other investment operating expenses, actual external manager fees, custodial banking fees, and allocated overhead and oversight including Information Technology Services (ITS).

Fixed Income performance is calculated daily. Performance of the internally-managed portfolios excludes cash returns, as cash is swept daily into the liquidity reserves portfolio. Gross returns are reflected. Gross returns are defined in note 3.

Domestic Equities performance is calculated daily. Performance of the internally-managed portfolios excludes cash returns, as cash is swept daily into the liquidity reserves portfolio. Gross returns are reflected. Gross returns are defined in note 3.

International Equities performance is calculated daily. The performance of all portfolios in this asset class includes cash returns. Gross returns are reflected. Gross returns are defined in note 3.

Real Estate performance is calculated daily with private real estate valuation changes reported monthly. Internally managed direct real estate investments are valued by an external appraiser once every three years and by an internal valuation quarterly. Valuations of externally managed commingled real estate funds are determined by the underlying investment manager with supporting financial statements when available generally on a quarter lag. The performance of real estate excludes cash returns, as cash is swept daily into the liquidity reserves portfolio. Gross returns are reflected. Gross returns are defined in note 3.

Alternative Investments performance is calculated monthly using the Modified Dietz method. Alternative investments are valued by the underlying investment manager with supporting financial statements generally on a quarterly basis. Typically there is a one to three-month lag in the fair values used by STRS Ohio but the values are adjusted to reflect the current capital activity. The performance of alternative investments excludes cash returns, as cash is swept daily into the liquidity reserves portfolio. Gross returns are reflected. Gross returns are defined in note 3.

Liquidity Reserves performance is calculated daily.