

August 31, 2023

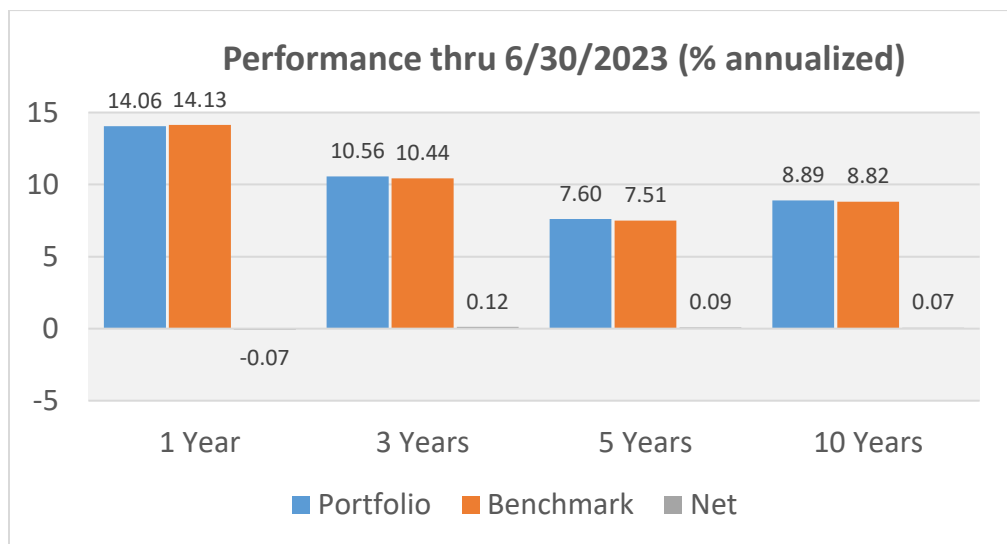
Mr. David Miller
Chair of the Investment Committee
California Public Employees' Retirement System
400 P Street
Sacramento, CA 95814

Re: Consultant Global Equity Program Review

The Global Equity (GE) Program's mandate is to efficiently deliver low-cost global equity beta to the PERF, which provides the Fund strategic exposure to global growth and the equity risk premium. The program has performed as expected and consistently with what we have seen over the last several years. The last 12 months have largely been focused on assisting with the implementation of the SAA as well as working to ensure the team is sized appropriately for potential active risk expansion. The onboarding of the new ID focused on corporate governance has also been a positive development.

Performance

Equity returns (14.1% absolute return) for the latest fiscal year reflected a sharp rebound from the previous year (particularly in the second half) as equity markets rallied due to a myriad of factors including the discounting of potential recession concerns and an AI driven rally in some of the largest technology names. The portfolio has been managed within a narrow tracking error budget and excess performance is going to be constrained due to most of the allocation is in index oriented and enhanced index strategies. Over the last year the overall program underperformed the benchmark by -7 basis points, however over the longer term has continued to add incremental value within expectations.



In addition, the portfolio has also contributed very strong absolute returns over the ten-year period (8.9% annualized). Factoring in the global pandemic and the selloff experienced last year, this return remains remarkably robust, and consistent with the long-term goals of the portfolio. Given the consistency of the portfolio Wilshire has not changed the forecasting score, which remains high.

Portfolio Construction

Of the \$209 billion within GE, \$176 billion is now invested in index-oriented accounts which equates to 84% of the portfolio. This is a decrease of 11.3% from last year however some of that decrease (3.8%) resulted from a reclassification of an existing strategy that was previously considered as part of the index-oriented bucket into a standalone 'Enhanced Index' bucket (see below). Wilshire was consulted on this reclassification and agrees with the change. The majority of the shift (7.5%) into active was a result of deliberate funding into the enhanced index strategy as well as additional funds into two other existing active products. These shifts serve as a harbinger of the desire to continue looking at expanding the use of active risk with the overall GE program. The overall makeup of the GE portfolio can be seen below.

As of June 2023

Managed	Index Oriented	Active					Total
		Enhanced Index	Traditional	Multi-Factor	Activist	Emerging Managers	
Internally	84%	7%	0%	2%	0%	0%	94%
Externally	0%	0%	6%	0%	0%	0%	6%
Total	84%	7%	6%	2%	0%	0%	100%

June 2023 vs. June 2022

Managed	Index Oriented	Active					Total
		Enhanced Index	Traditional	Multi-Factor	Activist	Emerging Managers	
Internally	-7.5%	3.2%	0.0%	1.6%	0.0%	0.0%	-2.7%
Externally	0.0%	0.0%	2.9%	0.0%	0.0%	-0.2%	2.7%
Total	-7.5%	3.2%	2.9%	1.6%	0.0%	-0.2%	0.0%

From a portfolio construction standpoint, the major accomplishments of the last year were:

- Continuing implementation of SAA targets in an efficient manner
- Deploying additional capital to high conviction existing active managers

Work continues implementing the Total Fund Governance & Sustainability strategic plan, and with the addition of the new ID in charge of corporate governance and a new additional hire, the team is better resourced. Our portfolio construction score is unchanged and remains high for this year's review.

Team Resources

The GE team currently stands at 22 FTE with 2 open positions. This represents a material increase in staffing of the team by approx. 20%. Within the current FTE roster, 4 positions were backfilled over the last year, and there are currently two new positions that are open. Importantly, there were no departures last year. Given the heavy tilt towards index orientation, Wilshire feels that the team is adequately staffed to manage the current portfolio. Given the desire to continue active risk expansion there will likely be a need to continue expanding the team, however we do view the current state and momentum of the resources positively and that is reflected in an increase in the overall team score.

Attribution

The GE performance in the table below decomposes the overall segment into the subcomponents (Cap Weighted, and Factor Weighted). The recent excess performance of the Cap Weighted segment was slightly negative for the 1-year period which was a result of some headwinds facing the multi-factor strategy (-1.96%). Traditional active strategies contributed 34 basis points of excess return over the last year .

	Asset Value (\$Billion)	Quarter	1-Year	3-Year	5-Year	10-Year	VaR (\$Billion)	5-Year Sharpe
PUBLIC EQUITY*	\$ 208.8	5.24%	14.06%	10.56%	7.60%	8.89%	\$ 42.2	0.4
<i>Public Equity Blended Benchmark</i>		5.27%	14.13%	10.44%	7.51%	8.82%		0.4
Public Equity - Cap Weighted*	\$ 153.3	6.18%	16.66%	11.73%	8.34%	9.26%	\$ 33.7	0.4
<i>CalPERS Custom FTSE Global Benchmark</i>		6.23%	16.77%	11.55%	8.23%	9.19%		0.4
Public Equity - Factor Weighted	\$ 55.4	2.68%	7.44%	7.06%	6.28%	-.%	\$ 9.1	0.3
<i>CalPERS Custom FTSE Factor Weighted Benchmark</i>		2.66%	7.44%	7.08%	6.27%	-.%		0.3

From an attribution standpoint the passive nature of this portfolio does not require a significant amount of decomposition for the amount of excess return expected with the low tracking error. Our score for attribution remains unchanged.

GE Program Total Scoring

Utilizing Wilshire’s standard manager research scoring framework, Wilshire’s qualitative assessment of the Program places it in the 3rd decile. While this is the same score as last year, it reflects a minor increase in the quality and stability of the team score with the continued expansion of team resources and new ID of corporate governance. Those increases were offset by a decrease in the information gathering resources which reflects turnover in the centralized research group that supports the whole of INVO. Overall, the score continues to reflect a very strong team that is stable and delivering what is currently being asked of it, while also strategically planning for the future.

CalPERS Global Equity		Tier	Letter
Total Qualitative Score		3rd	B
Organization	Weight 20%	Tier 4th	Letter B
FIRM	50%	6th	C
Quality and Stability of Senior Management			
Quality of Organization			
Ownership/Incentives			
TEAM	50%	1st	A
Stability of Investment Professionals			
Quality of Team			
Commitment to Improvement			
Information Gathering	20%	4th	B
Information Resources			
Depth of Information			
Breadth of Information			
Forecasting	20%	3rd	B
Clear & Intuitive Forecasting Approach			
Repeatable Process			
Strength, Clarity, and Intuitiveness of Valuation Methodology			
Forecasting Success			
Unique Forecasting Approach			
Portfolio Construction	20%	1st	A
Risk Budgeting/Control			
Defined Buy/Sell Discipline			
Consistency of Portfolio Characteristics			
Implementation	10%	2nd	A
Resources			
Liquidity			
Compliance/Trading/Monitoring			
Attribution	10%	1st	A
Depth of Attribution			
Integration of Attribution			