



Michael C. Schlachter, CFA
Managing Director & Principal

January 31, 2013

Mr. Henry Jones
Chair, Investment Committee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Assault Weapons Manufacturers Portfolio Review

You requested our observations regarding the agenda item from Staff concerning the request from the Treasurer regarding CalPERS' exposure to assault weapons.

In reviewing the materials from Staff, it is clear that the exposure to firearms manufacturers that produce, and distribute to the general public, weapons illegal for public sale under California law is insignificant as compared to the entire CalPERS portfolio. Were the Investment Committee to direct Staff to eliminate all exposure to such companies, the costs would be minor and the impact on the ability of the portfolio to reach its return objective would be virtually unchanged.

Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

A handwritten signature in black ink, appearing to read 'Michael Schlachter', with a long horizontal flourish extending to the right.