



***California Public Employees' Retirement System
Performance Review – June 30, 2014***

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August 2014



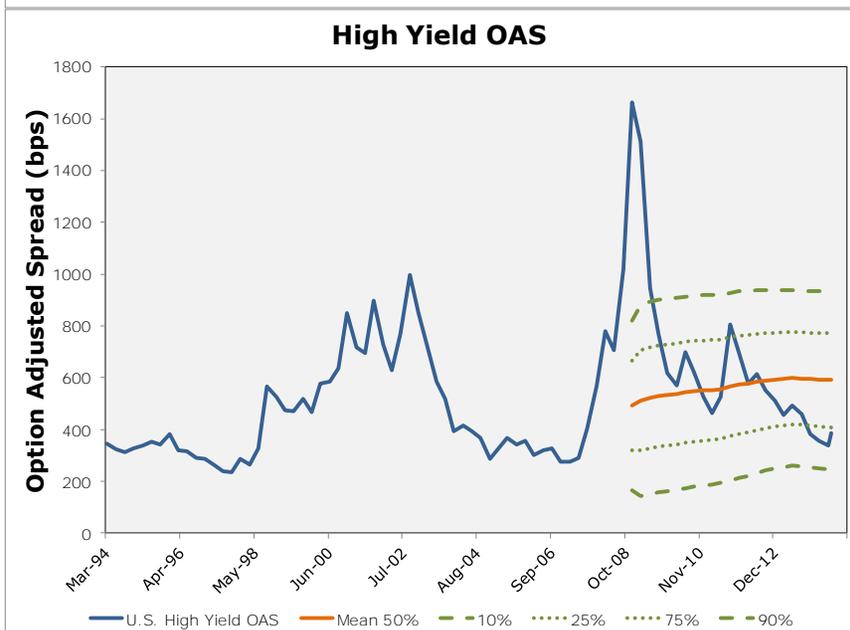
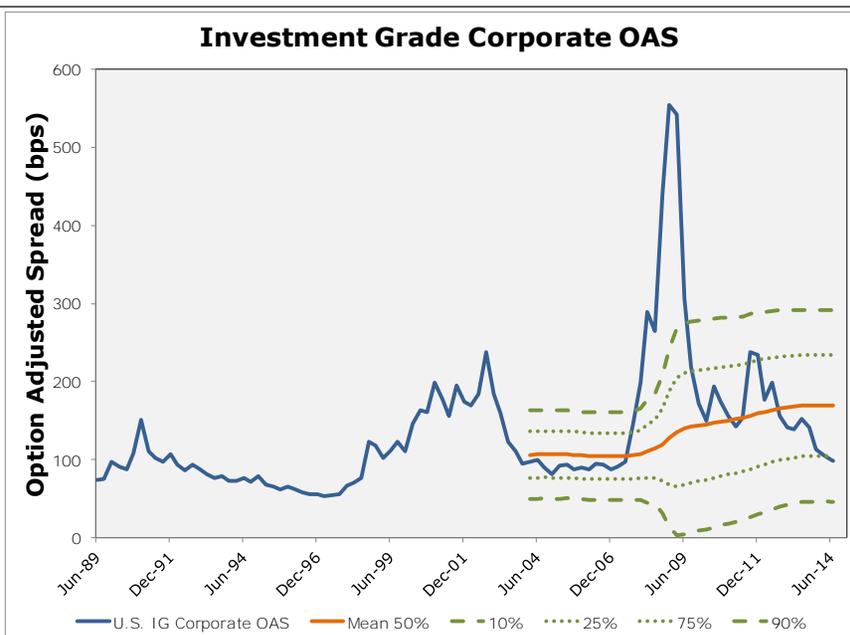
2014 Asset Class Assumptions

	Total Return (%)			Risk (%)
	2014 ACA	Q2 2014	Change vs YE	2014 ACA
<u>Investment Categories:</u>				
U.S. Stocks	7.25	6.75	(0.50)	17.00
Dev ex-U.S. Stocks	7.25	6.75	(0.50)	18.00
Emerging Mkt Stocks	7.25	6.75	(0.50)	26.00
Global Stocks	7.45	6.95	(0.50)	17.20
Private Markets	10.40	9.65	(0.75)	27.50
Cash Equivalents	1.55	1.30	(0.25)	1.25
Core Bonds	4.10	3.70	(0.40)	5.00
LT Core Bonds	4.70	3.80	(0.90)	10.00
TIPS	4.00	3.40	(0.60)	6.00
High Yield Bonds	5.15	4.70	(0.45)	10.00
EMD Local Currency (h)	6.05	5.35	(0.70)	5.00
U.S. RE Securities	5.20	5.20	-	15.00
Private Real Estate	5.95	5.90	(0.05)	12.25
Commodities	4.25	4.35	0.10	13.00
MLPs	9.10	8.80	(0.30)	17.00
Real Asset Basket	6.55	6.35	(0.20)	7.85
Inflation:	2.25	2.35	0.10	1.75
<u>Returns minus Inflation:</u>				
U.S. Stocks	5.00	4.40	(0.60)	
U.S. Bonds	1.85	1.35	(0.50)	
Cash Equivalents	(0.70)	(1.05)	(0.35)	
<u>Stocks minus Bonds:</u>	3.15	3.05	(0.10)	
<u>Bonds minus Cash:</u>	2.55	2.40	(0.15)	



Relative Fixed Income Yields

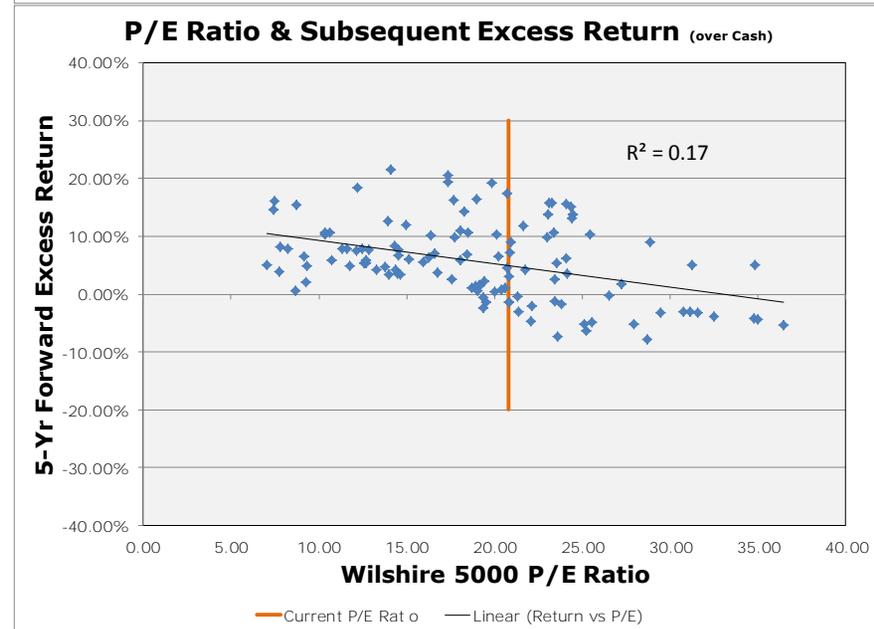
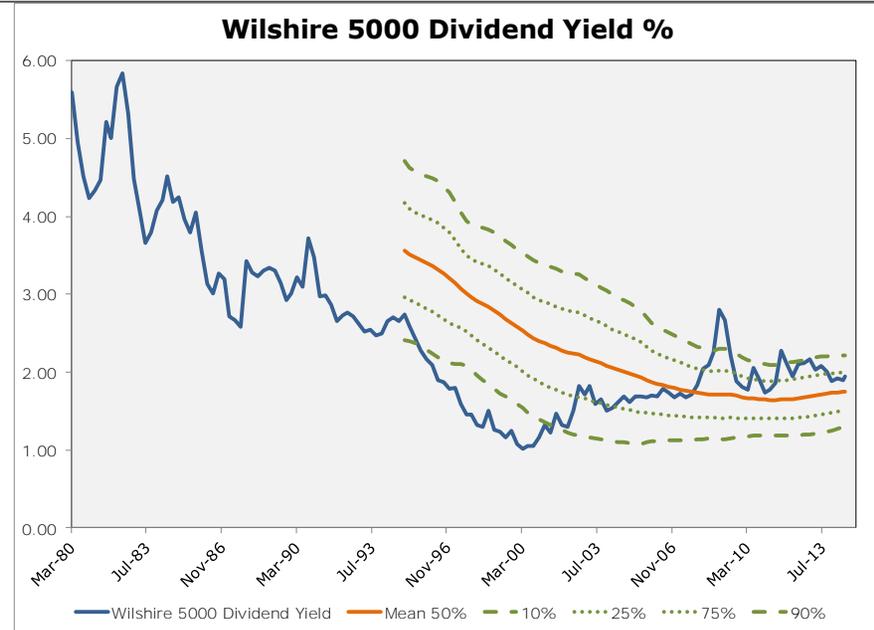
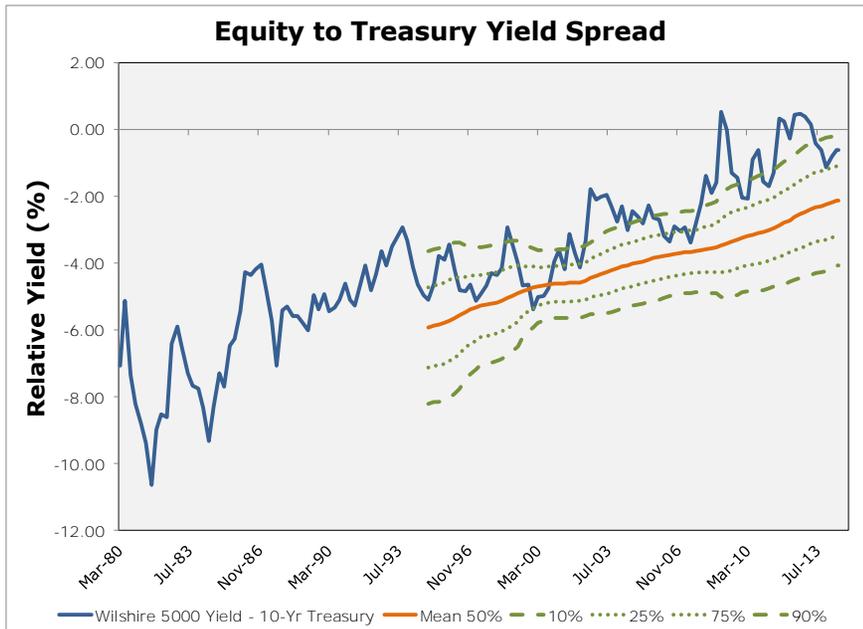
- Spread versus Treasuries on the investment grade index is well below its 15 year historical average and is now at the 23%-percentile
- Spreads on high yield bonds also are lower than the historical average and are at the 23%-percentile outcome





U.S. Equity Valuations

- Dividend yield above the 15-year average but below the 75%-percentile outcome
- Spread (discount) between the dividend yield and Treasuries has decreased as yields have fallen through the years

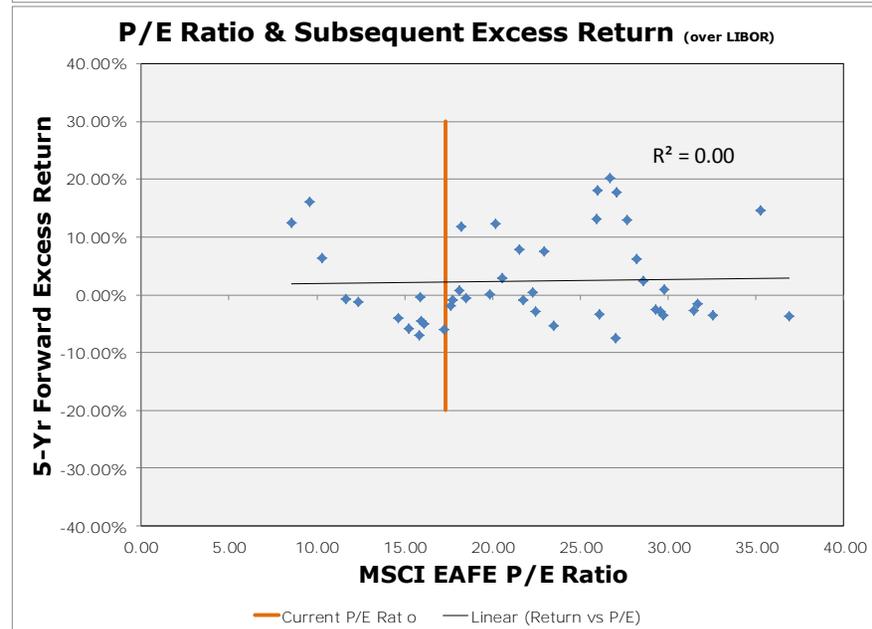
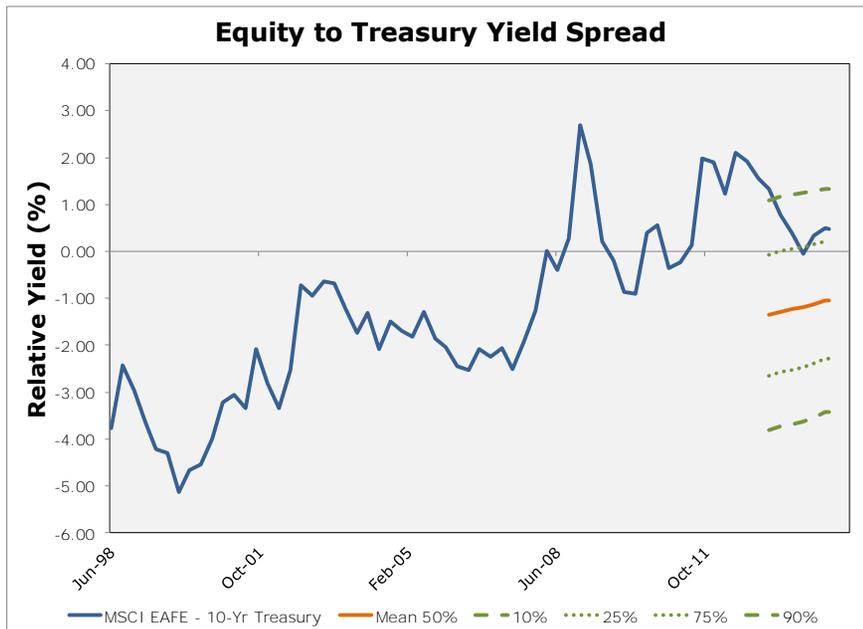
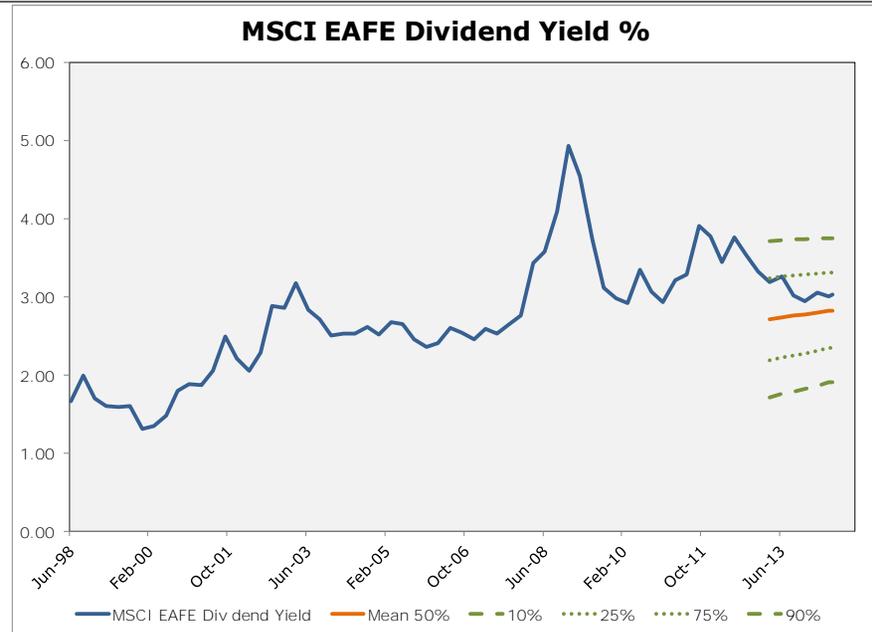


Source: Wilshire Compass, Wilshire Atlas, Barclays Capital



Developed Market Equity Valuations

- Dividend yield is above the 15-year average
- Spread between Developed Equity and the 10-Year Treasury has been narrowing



Source: Wilshire Compass, Wilshire Atlas, Barclays Capital



Emerging Market Equity Valuations

- Current dividend yield below its 15-year average
- Spread between Emerging Market Equity and the 10-Year Treasury has been narrowing

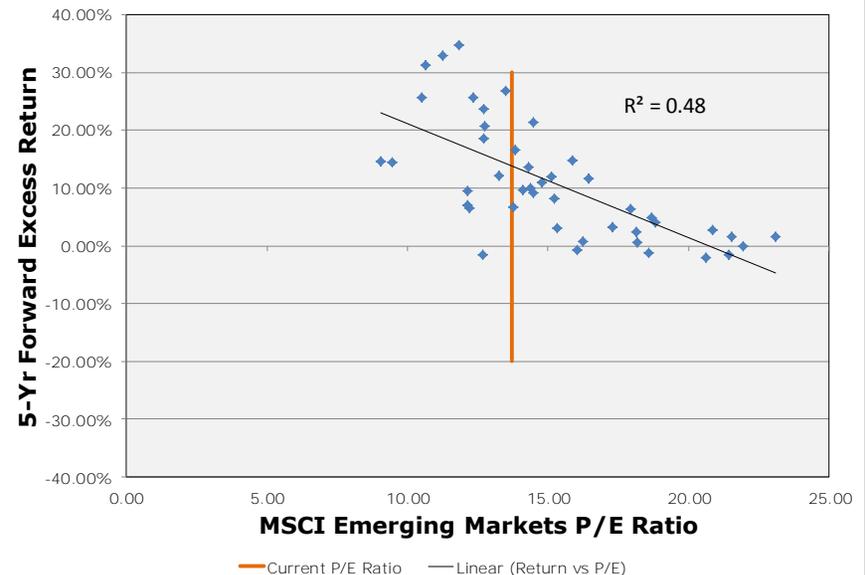
MSCI Emrg Mrkts Dividend Yield %



Equity to Treasury Yield Spread



P/E Ratio & Subsequent Excess Return (over LIBOR)



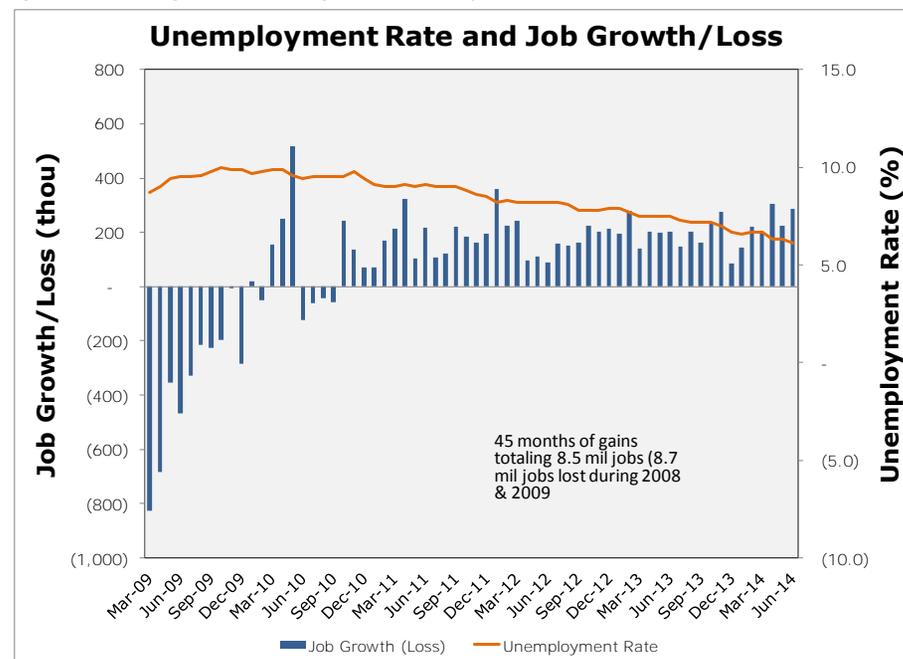
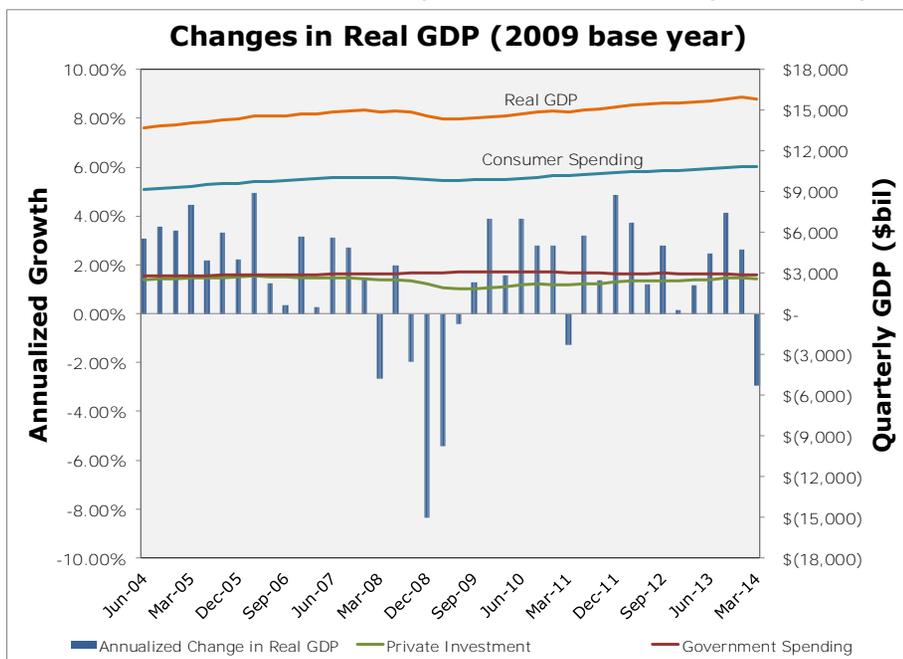
Source: Wilshire Compass, Wilshire Atlas, Barclays Capital



Economic Review

June 30, 2014	Key Economic Indicators			
CPI (all items) Seasonally adjusted	Monthly Change		Cumulative Change	
	Jun-14	0.3	3-Month	0.9
	May-14	0.4	12-Month	2.1
	Apr-14	0.3	10-Yr Annual	2.3
Breakeven Inflation	10-Year		2.4	
Consumer Sentiment Unv. of Michigan Survey	Jun-14	82.5		
	May-14	81.9		
	1-Yr Ago	84.1	10-Yr Avg	77.5
Manufacturing Inst. for Supply Mgmt Purchasing Mngrs' Idx	Jun-14	55.3	Change in Manufacturing Sector	
	May-14	55.4	>50	Expansion
	1-Yr Avg	55.1	<50	Contraction

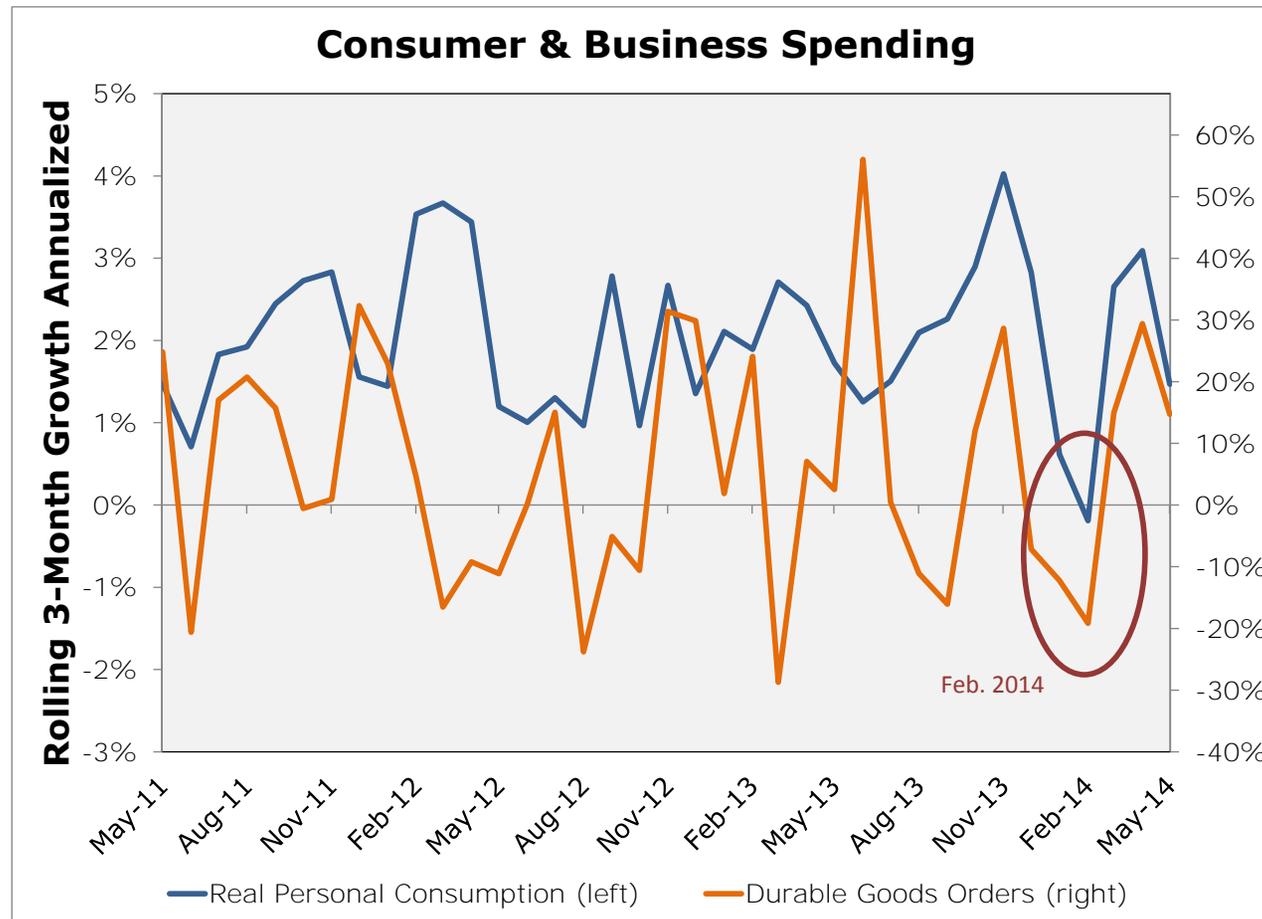
Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.



Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Barclays Capital

Economic Growth

- Real GDP was down during the first quarter on weak consumer spending and a drop in business spending
- Both measures seem to be rebounding during Q2



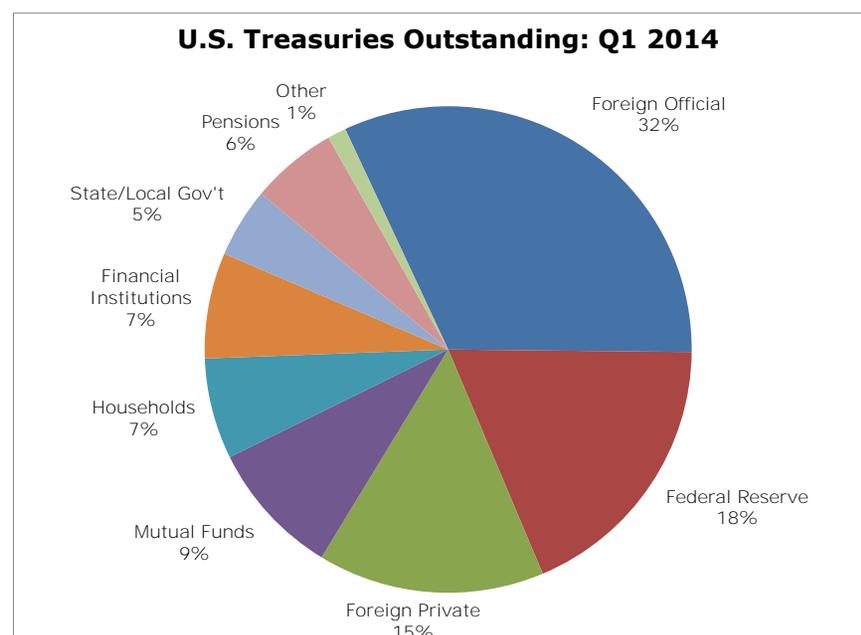
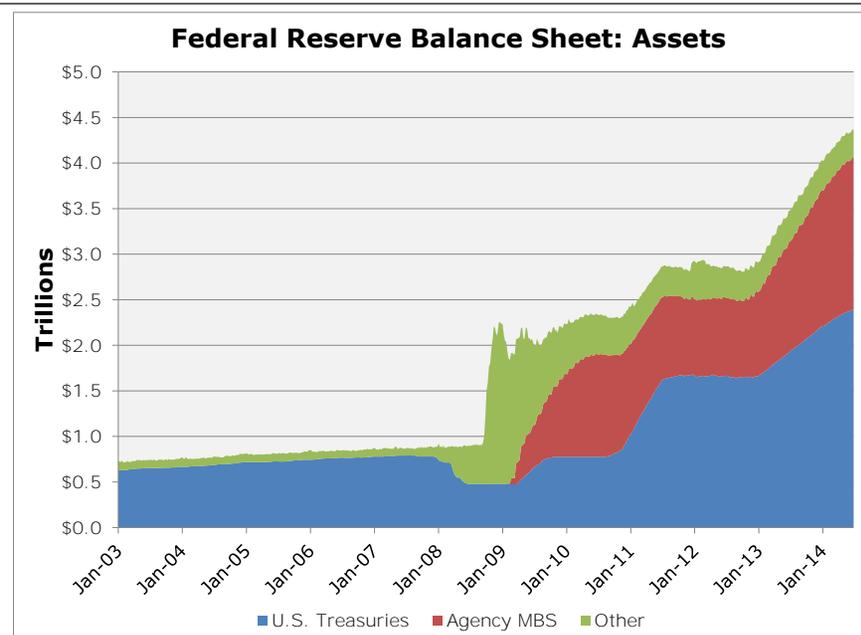
Source: Bureau of Economic Analysis, Census Bureau



Federal Reserve Action

- As the Federal Reserve nears the end of quantitative easing, they hold \$3.5 trillion more in assets than they did in early September, 2008
- The Federal Reserve holds nearly 20% of all U.S. Treasuries outstanding
 - Second only to foreign governments
 - Total U.S. Treasuries outstanding as of Q1 is \$12.6 trillion

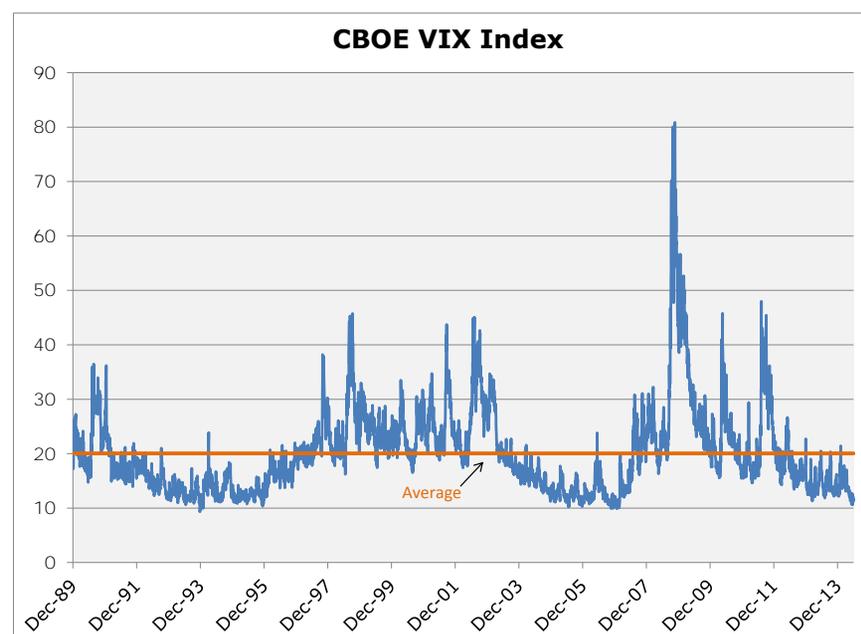
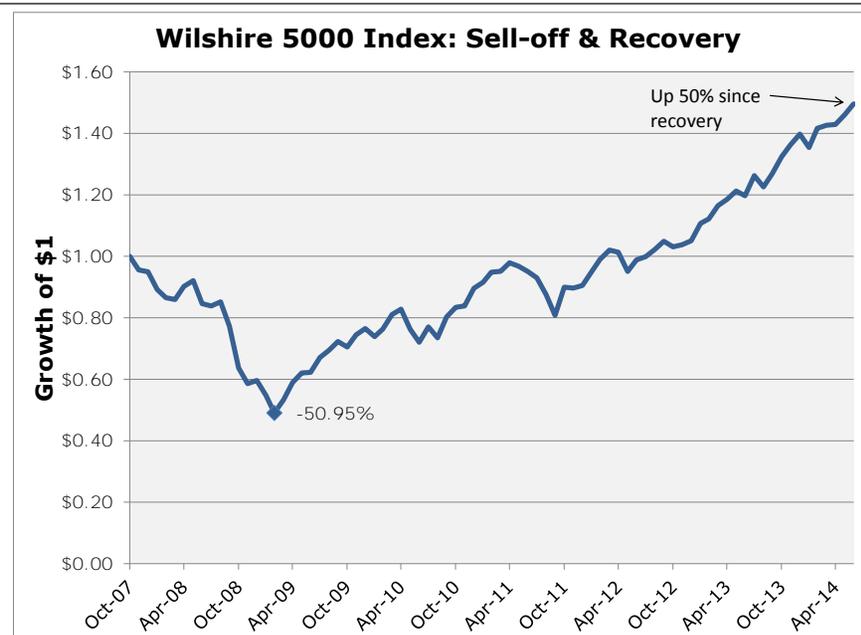
Source: Federal Reserve





Equity Performance

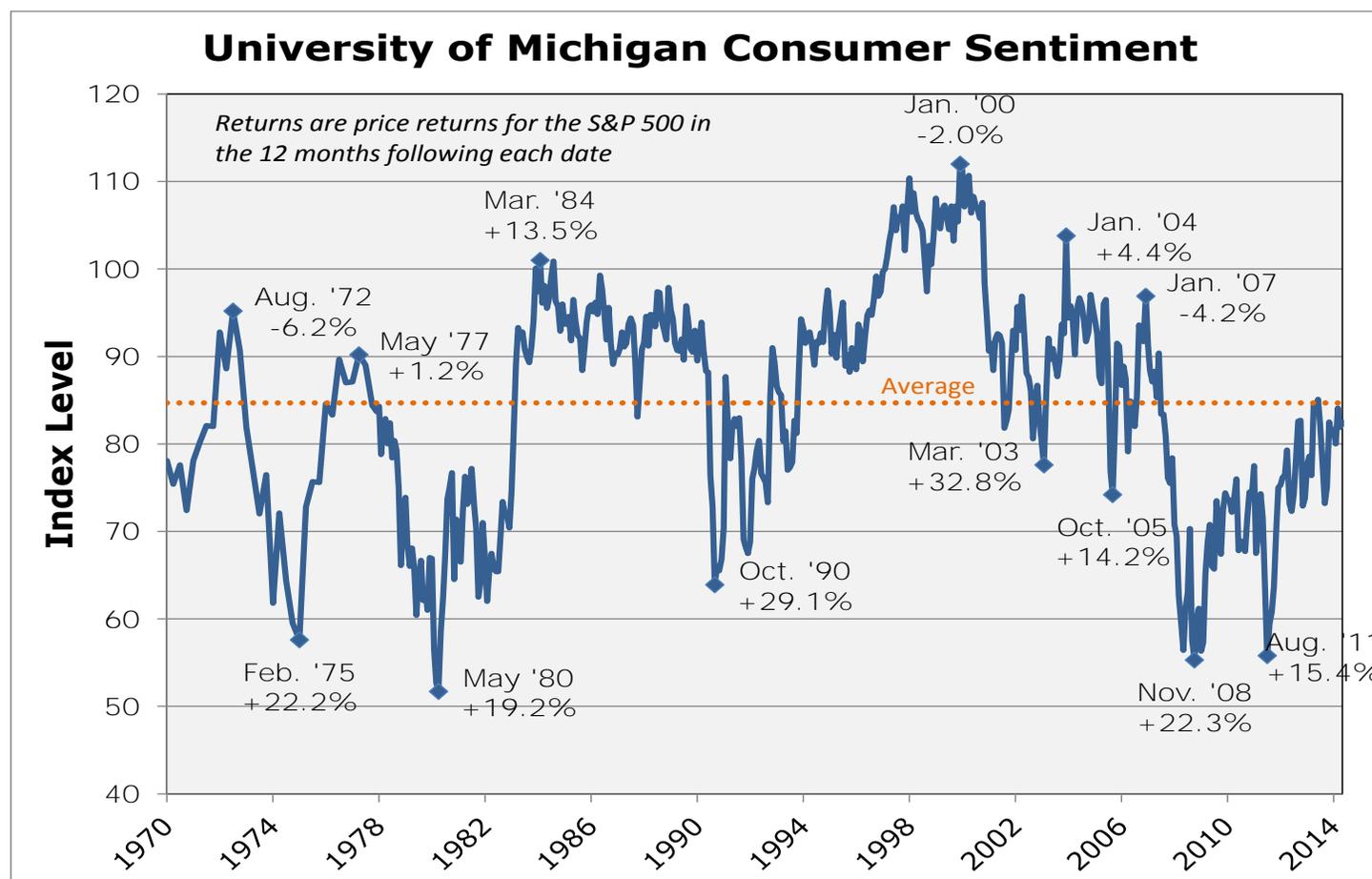
- Credit crisis sell-off lasted 16 months and took 37 months to recover
- Wilshire 5000 Index is now up 50% since the inflection point in March 2009
- Short-term volatility expectations are near historical lows



Consumer Confidence and Equity Returns



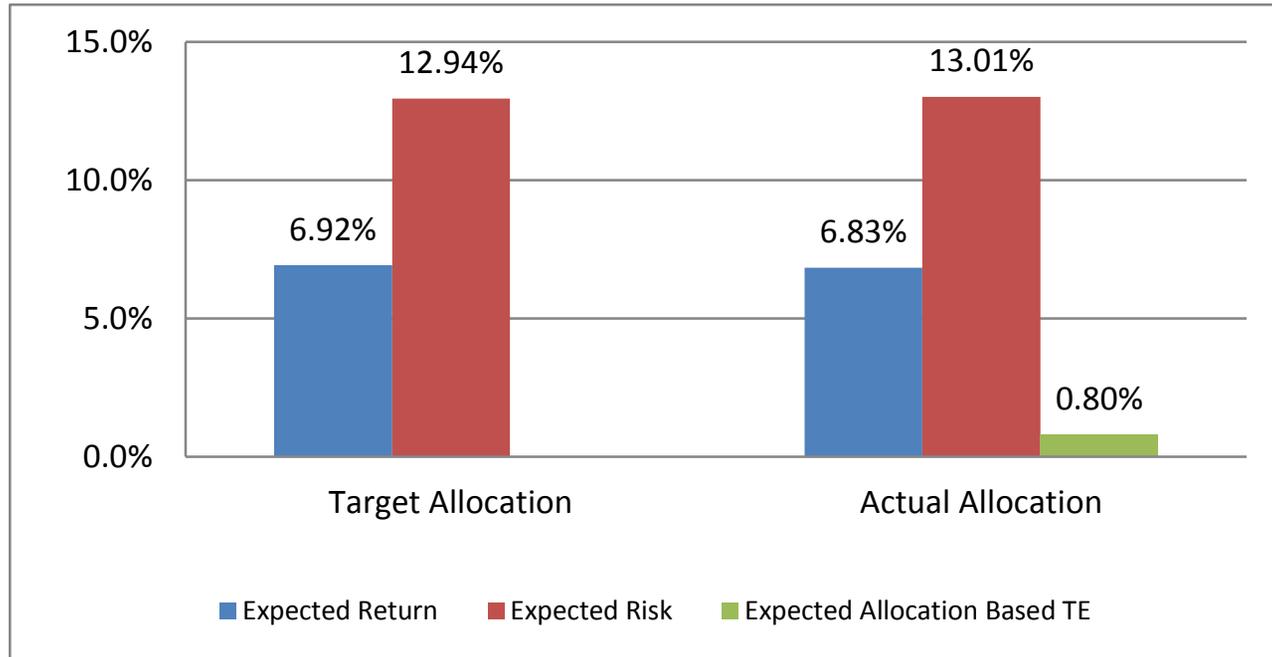
- Research from J.P. Morgan indicates the following year-over-year impacts on consumer sentiment:
 - 10% rise in gas prices -0.8 pts
 - 10% rise in S&P 500 +2.8 pts
 - 10% rise in home prices +1.9 pts
 - 1% rise in unemployment rate -5.2 pts



Source: Thomson Reuters/University of Michigan, J.P. Morgan Asset Management



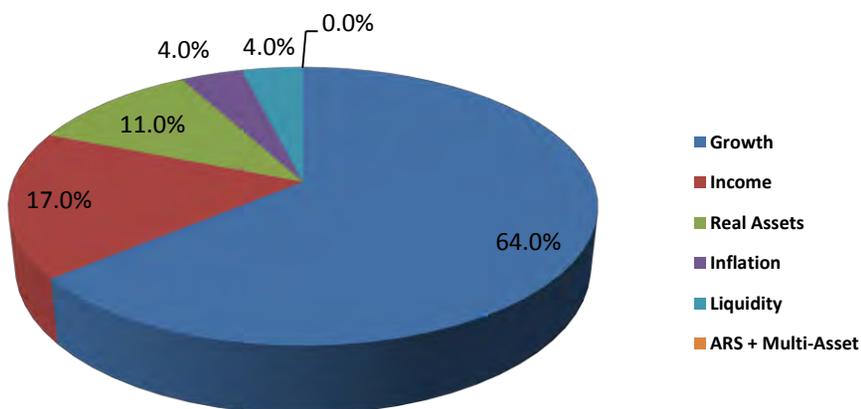
CalPERS Expected Return and Risk Estimates



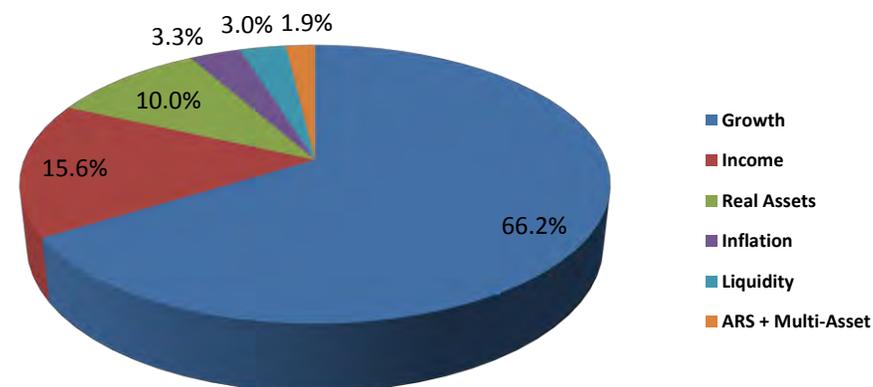


Asset and Risk Allocation

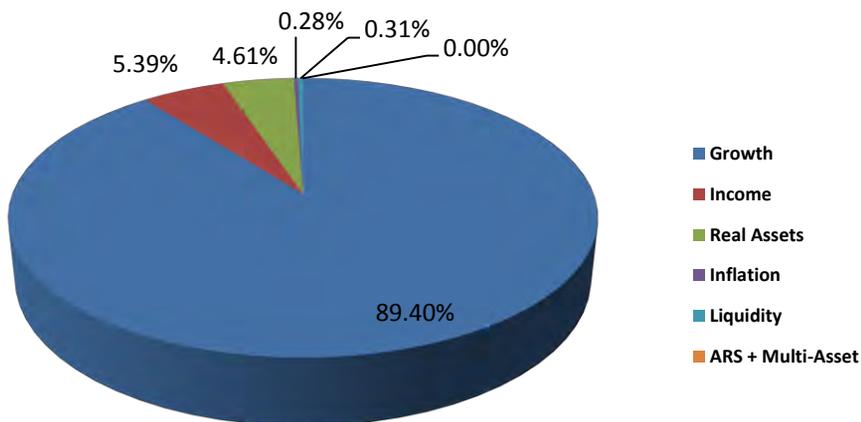
Target Asset Allocation



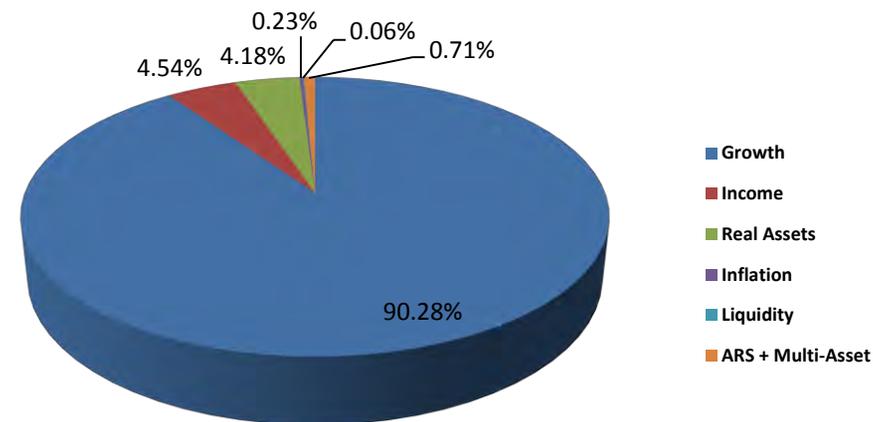
Actual Asset Allocation



Contribution to Total Risk - Target Allocation



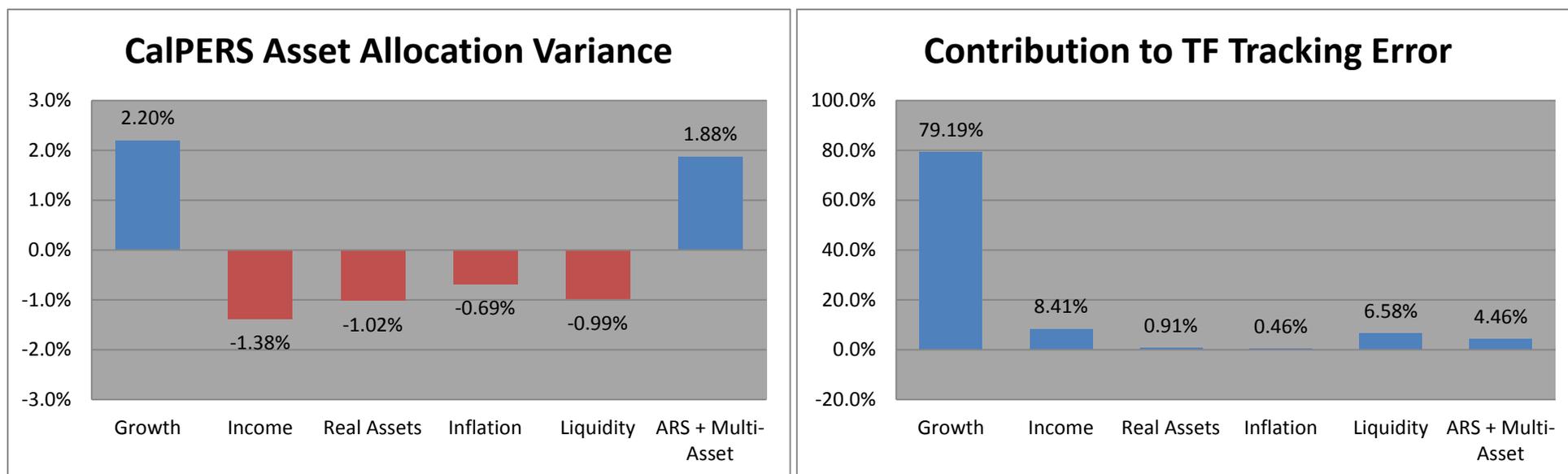
Contribution to Total Risk - Actual Allocation



Forecasts using Wilshire's June 2014 Asset Class Assumptions.



Drivers of Expected Excess Risk



- This excess risk forecast is based on asset allocation variance only.
- Other sources of risk (structural within asset classes, manager/program specific source of tracking error, covariance) are not considered here.



Total Fund – Performance

	Market Value	Five-Year Ratios							
		Qtr	1-Year	3-Year	5-Year	10-Year	VaR	Sharpe	Info
TOTAL FUND	\$300.3 bil	4.7%	18.4%	10.4%	12.5%	7.2%	\$40.8 bil	1.6	-0.2
<i>Total Fund Policy Benchmark</i>		3.8%	18.0%	10.0%	13.0%	8.1%		1.7	0.0
<i>Actuarial Rate</i>		1.8%	7.5%	7.6%	7.7%	7.7%			
GROWTH	191.0	5.0%	23.9%	11.7%	16.3%	8.2%	\$40.0 bil	1.4	-0.2
<i>Growth Policy Benchmark</i>		4.4%	24.3%	12.1%	17.0%	9.1%		1.3	0.0
PUBLIC EQUITY	159.4	5.1%	24.8%	11.3%	15.6%	7.6%	\$31.9 bil	1.0	0.9
<i>Public Equity Policy Benchmark</i>		5.0%	24.3%	11.0%	15.1%	7.9%		1.0	0.0
PRIVATE EQUITY	31.5	4.5%	20.0%	12.8%	18.7%	13.3%	\$10.2 bil	3.3	-0.3
<i>Private Equity Policy Benchmark</i>		2.3%	23.3%	14.5%	23.2%	15.4%		1.5	0.0
INCOME	46.9	3.6%	8.3%	6.3%	9.2%	7.0%	\$5.7 bil	1.8	1.2
<i>Income Policy Benchmark</i>		3.6%	7.1%	5.6%	7.0%	6.3%		1.4	0.0
REAL ASSETS	30.0	8.0%	13.4%	12.4%	0.8%	3.7%	\$3.4 bil	0.1	-0.6
<i>Real Assets Policy Benchmark</i>		2.2%	11.8%	10.9%	8.2%	9.1%		1.8	0.0
INFLATION	9.9	3.9%	8.3%	2.8%	6.2%	-.%	\$0.6 bil	0.7	0.3
<i>Inflation Policy Benchmark</i>		3.8%	8.2%	3.1%	5.4%	-.%		0.8	0.0
LIQUIDITY	9.0	0.4%	0.6%	1.5%	1.0%	2.3%	\$0.3 bil	0.7	-0.8
<i>Liquidity Policy Benchmark</i>		0.9%	1.4%	1.9%	1.3%	2.3%		0.7	0.0
ABSOLUTE RETURN STRATEGIES	4.5	0.8%	7.1%	3.9%	5.6%	4.8%		1.6	0.0
<i>Absolute Return Strategies Policy Benchmark</i>		1.3%	5.3%	5.3%	5.5%	7.2%		27.0	0.0
MULTI-ASSET CLASS COMPOSITE	1.1	5.3%	11.5%	-.%	-.%	-.%		N/A	N/A
<i>Absolute 7.5%</i>		1.8%	7.5%	-.%	-.%	-.%		N/A	N/A
CURRENCY + ASSET ALLOCATION TRANSITION	7.9	-.%	-.%	-.%	-.%	-.%		N/A	N/A
TERMINATED AGENCY POOL	0.1	4.1%	4.6%	-.%	-.%	-.%		N/A	N/A
TOTAL FUND PLUS TAP	300.4	4.7%	18.4%	10.4%	12.5%	7.2%		N/A	N/A



Total Fund – Attribution (Quarter)

California Public Employees' Retirement System Total Fund Attribution - Quarter As of 6/30/2014

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
Growth	64.81	5.00	64.00	4.45	0.81	0.55	0.09	-0.06	0.32	0.35
Public Equity	54.08	5.08	50.00	5.03	4.08	0.05	0.05	0.00	0.03	0.08
Private Equity	10.73	4.53	14.00	2.33	-3.27	2.20	0.04	-0.06	0.30	0.27
Income	16.03	3.57	17.00	3.59	-0.97	-0.02	-0.01	0.00	0.00	-0.01
Real Assets	9.76	8.00	11.00	2.24	-1.24	5.76	0.02	-0.08	0.65	0.59
Inflation	3.33	3.86	4.00	3.76	-0.67	0.10	0.00	0.00	0.00	0.00
Absolute Return	2.06	0.83	0.00	1.30	2.06	-0.46	-0.05	-0.01	0.00	-0.07
Liquidity	4.01	0.43	4.00	0.89	0.01	-0.47	0.01	0.00	-0.02	-0.01
Monthly Linked Return	100.00	4.75	100.00	3.90		0.86	0.06	-0.15	0.95	0.86
Trading/Hedging/Other		-0.05		-0.06		0.01				0.01
Total		4.71		3.84		0.87				0.87



Total Fund – Attribution (Calendar YTD)

California Public Employees' Retirement System
Total Fund Attribution - Calendar Year-to-Date
As of 6/30/2014

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
Growth	65.28	7.21	64.00	7.80	1.28	-0.59	-0.21	0.07	-0.24	-0.38
Public Equity	54.48	6.69	50.00	6.62	4.48	0.08	-0.05	0.00	0.04	-0.01
Private Equity	10.80	9.82	14.00	11.67	-3.20	-1.85	-0.15	0.07	-0.28	-0.37
Income	15.33	7.35	17.00	7.39	-1.67	-0.04	-0.04	0.00	-0.01	-0.05
Real Assets	9.82	10.47	11.00	5.29	-1.18	5.18	0.01	-0.07	0.58	0.53
Inflation	3.32	6.69	4.00	6.51	-0.68	0.18	0.00	0.00	0.01	0.01
Absolute Return	2.17	2.30	0.00	2.62	2.17	-0.32	-0.10	-0.01	0.00	-0.11
Liquidity	4.08	0.96	4.00	1.54	0.08	-0.58	0.01	0.00	-0.02	-0.01
Monthly Linked Return	100.00	7.17	100.00	7.19		-0.02	-0.32	-0.01	0.31	-0.02
Trading/Hedging/Other		-0.10		-0.09		0.00				0.00
Total		7.07		7.09		-0.02				-0.02



Total Fund – Attribution (Fiscal YTD)

California Public Employees' Retirement System
Total Fund Attribution - Fiscal Year-to-Date
As of 6/30/2014

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
Growth	65.17	23.86	64.00	24.26	1.17	-0.39	-0.08	0.14	-0.26	-0.21
Public Equity	53.94	24.77	50.00	24.27	3.94	0.51	0.13	0.02	0.25	0.39
Private Equity	11.24	19.99	14.00	23.30	-2.76	-3.31	-0.21	0.12	-0.51	-0.60
Income	15.35	8.32	17.00	7.13	-1.65	1.19	0.15	-0.03	0.22	0.34
Real Assets	9.83	13.42	11.00	11.82	-1.17	1.60	0.05	-0.03	0.20	0.23
Inflation	3.40	8.32	4.00	8.21	-0.60	0.10	0.06	0.00	0.00	0.06
Absolute Return	2.18	7.06	0.00	5.31	2.18	1.75	-0.29	0.04	0.00	-0.25
Liquidity	4.06	0.61	4.00	1.40	0.06	-0.79	0.00	0.00	-0.04	-0.04
Monthly Linked Return	100.00	18.39	100.00	18.25		0.13	-0.10	0.11	0.12	0.13
Trading/Hedging/Other		0.03		-0.27		0.31				0.31
Total		18.42		17.98		0.44				0.44

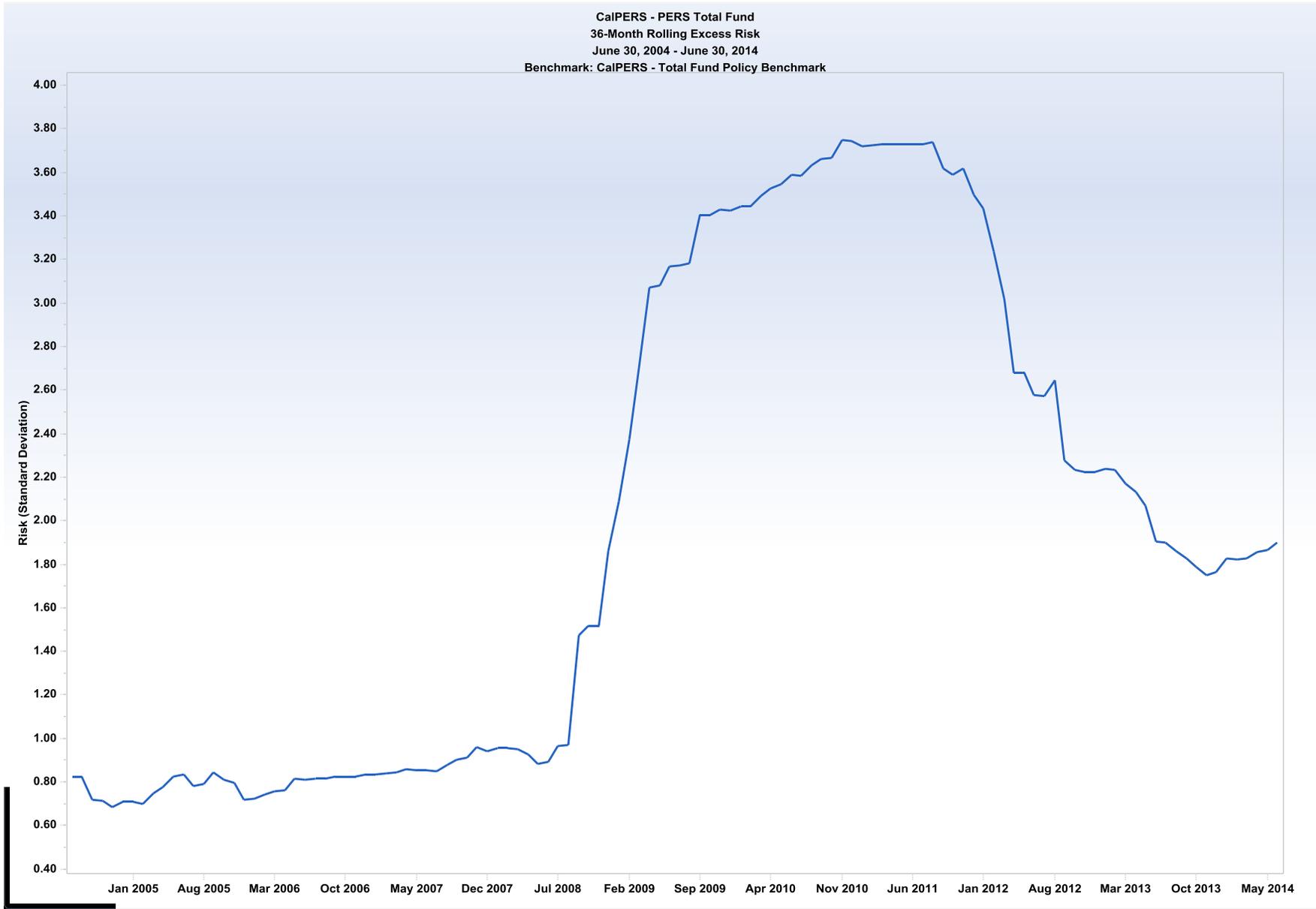


Total Fund – Rolling Excess Returns





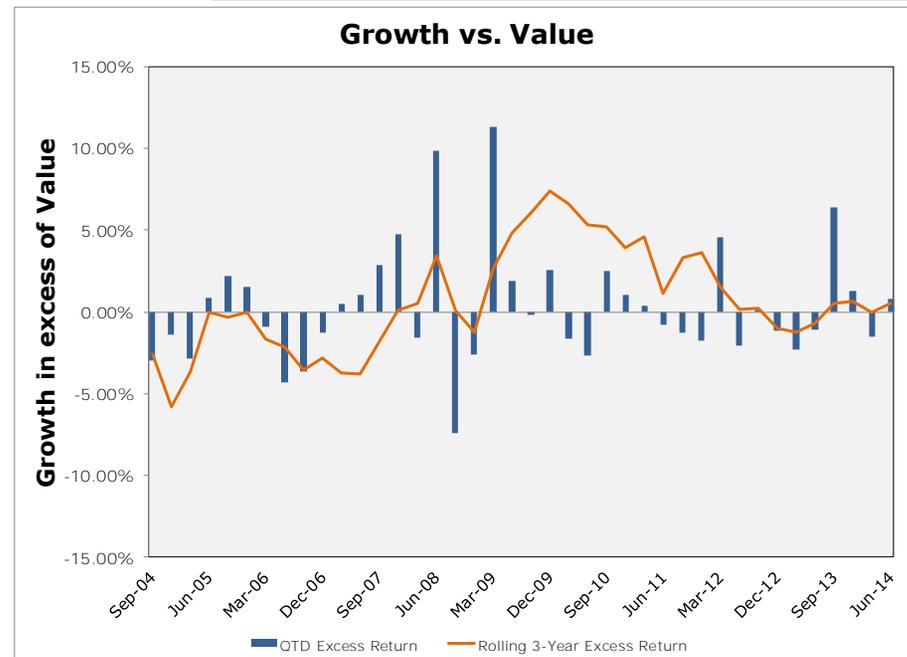
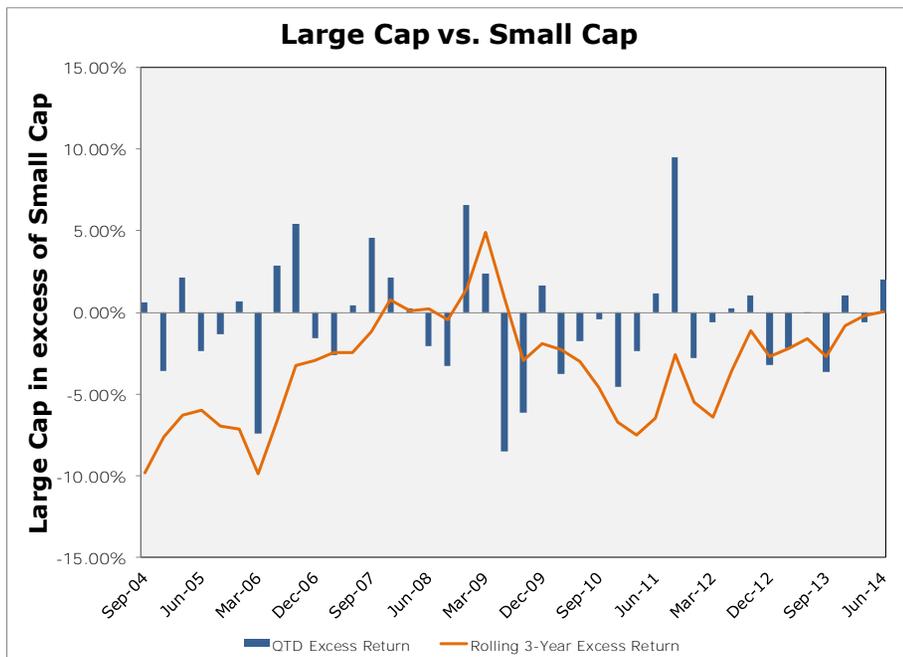
Total Fund – Rolling Tracking Error



U.S. Equity Market



June 30, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	4.9	7.0	24.9	16.3	19.2	8.3
Wilshire U.S. Large Cap	5.1	7.2	24.7	16.3	18.7	8.1
Wilshire U.S. Small Cap	3.1	5.7	26.4	16.3	22.7	10.5
Wilshire U.S. Large Growth	5.7	6.8	29.7	16.7	19.1	8.4
Wilshire U.S. Large Value	4.6	7.4	20.7	16.0	18.5	7.6
Wilshire U.S. Small Growth	2.4	4.7	28.0	16.3	23.0	11.2
Wilshire U.S. Small Value	3.6	6.6	24.8	16.2	22.4	9.8
Wilshire REIT Index	7.2	18.1	13.5	11.7	24.0	9.6
MSCI USA Minimum Volatility Index	3.7	5.7	16.5	14.4	17.0	7.7
FTSE RAFI U.S. 1000 Index	5.1	7.7	25.1	17.4	21.5	9.7

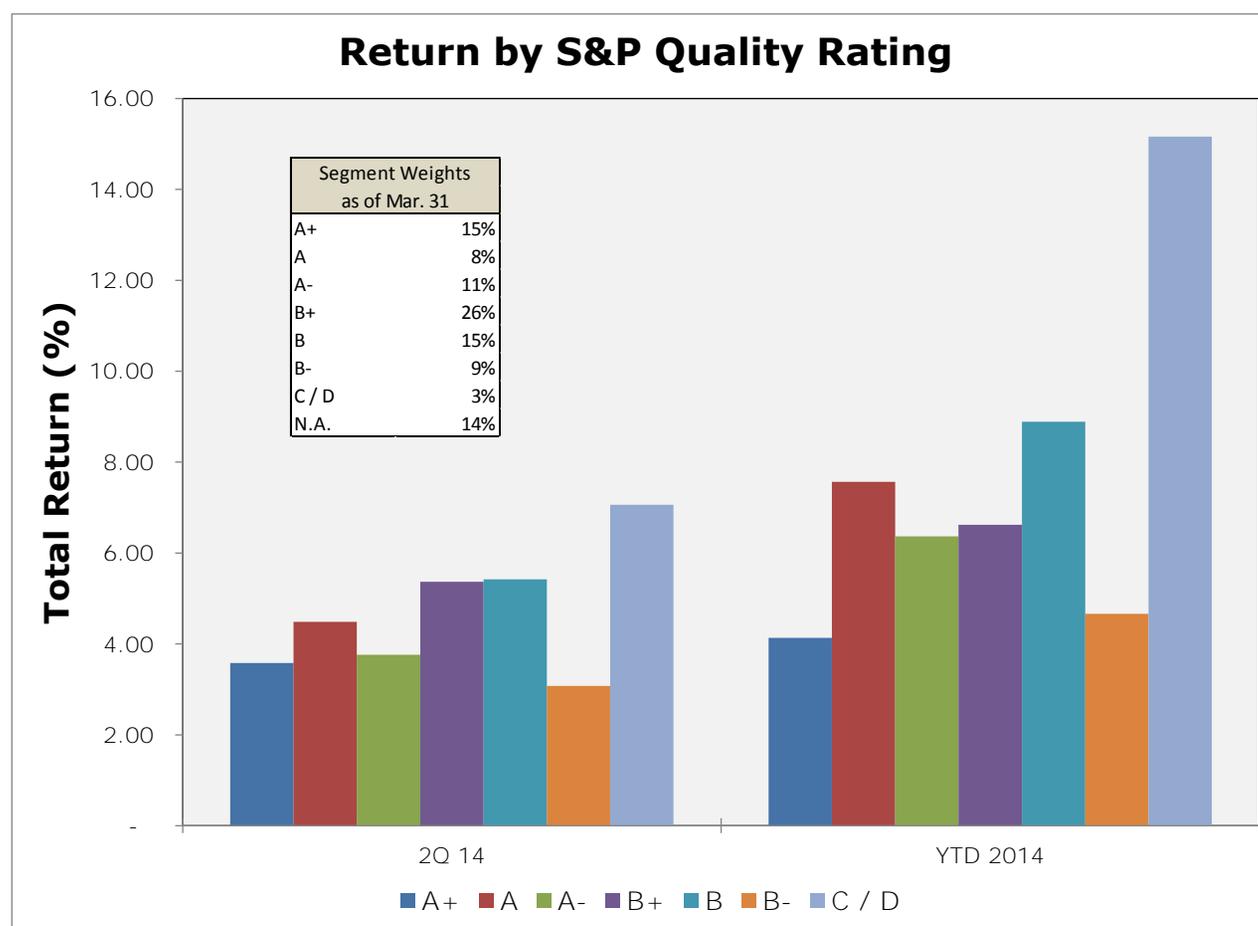


Data sources: Wilshire Compass, Wilshire Atlas



Returns by Quality Segment

Lower rated securities have been outperforming, generally speaking, although all segments have reported solid gains in 2014



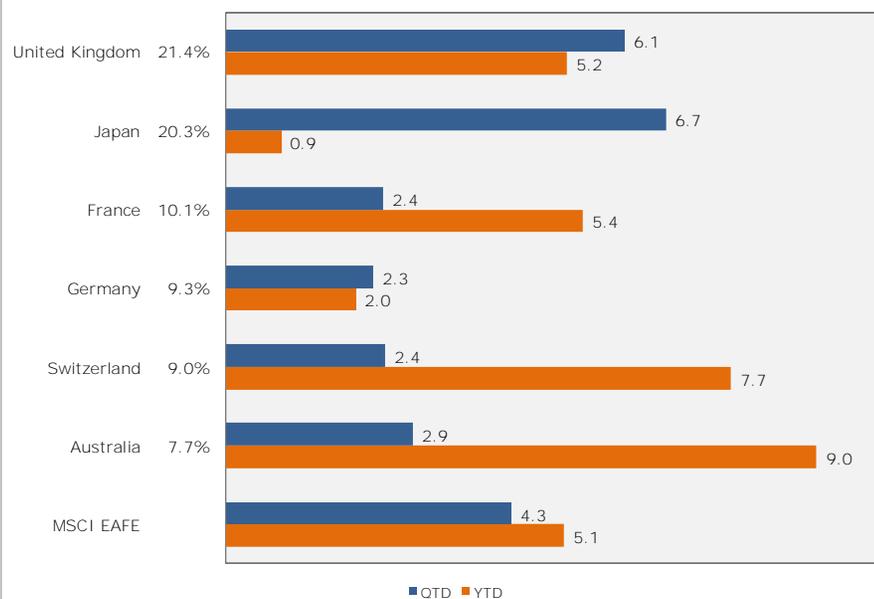
Data sources: Wilshire Atlas



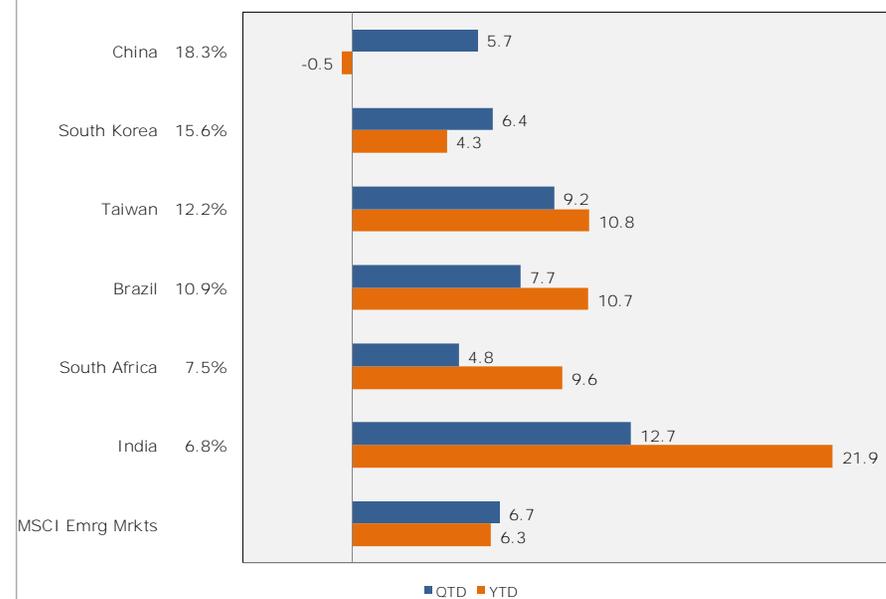
Non-U.S. Equity Market

June 30, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	5.3	5.9	22.3	6.2	11.6	8.2
MSCI EAFE (\$g)	4.3	5.1	24.1	8.6	12.3	7.4
MSCI Emerging Markets (\$g)	6.7	6.3	14.7	-0.1	9.6	12.3
MSCI Frontier Markets (\$g)	12.1	20.5	36.6	12.8	11.7	9.0
MSCI ACWI ex-US Growth (\$g)	4.6	5.0	19.7	5.8	11.7	8.0
MSCI ACWI ex-US Value (\$g)	5.9	6.7	24.8	6.6	11.4	8.4
MSCI ACWI ex-US Small (\$g)	3.8	7.5	26.5	7.3	15.0	10.2
MSCI EAFE Minimum Volatility Idx	6.4	9.1	19.3	10.3	12.6	9.6
FTSE RAFI Developed ex-US Index	5.0	6.8	29.2	7.8	12.2	8.6
MSCI EAFE LC (g)	3.7	3.5	18.4	10.9	11.4	6.1
MSCI Emerging Markets LC (g)	5.2	4.7	14.1	4.4	9.9	12.0

MSCI EAFE: Largest Countries and Return (USD)



MSCI EM: Largest Countries and Return (USD)



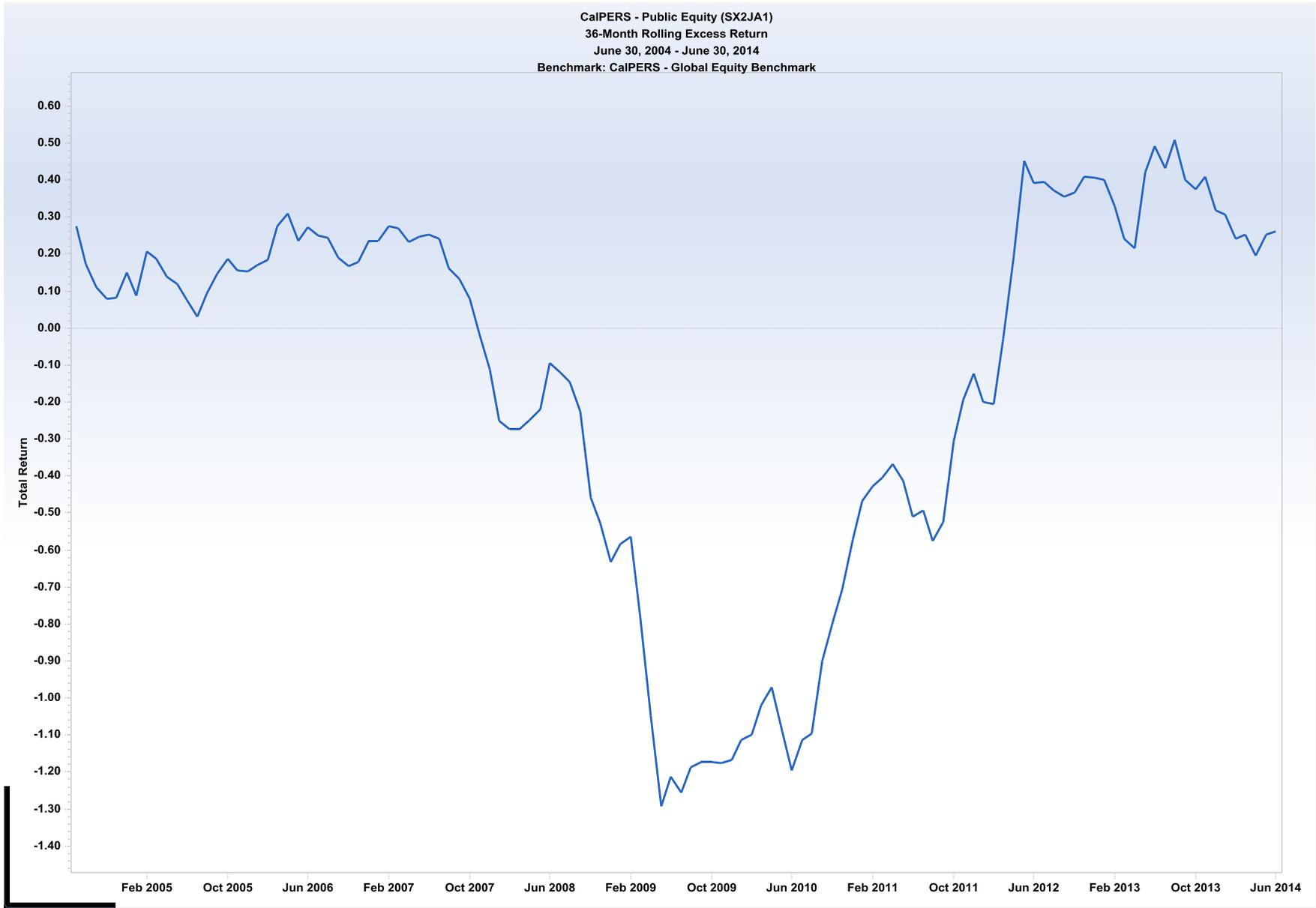
Data sources: Wilshire Compass, MSCI Barra

Growth: Public Equity – Performance

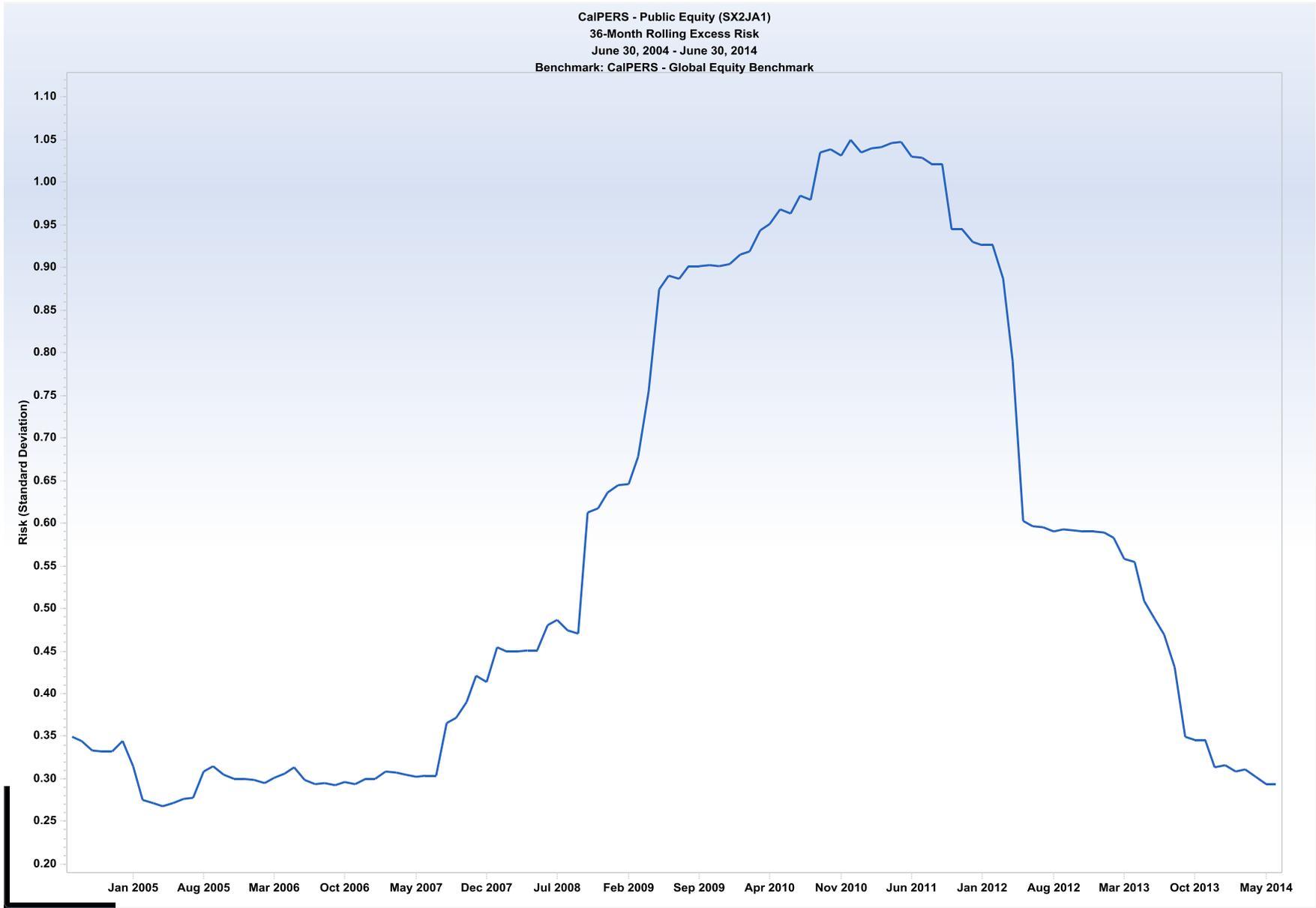


	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR	5-year Sharpe Ratio	5-year Info Ratio
PUBLIC EQUITY	159.4	5.1%	24.8%	11.3%	15.6%	7.6%	\$31.9 bil	1.0	0.9
<i>Public Equity Policy Benchmark</i>		5.0%	24.3%	11.0%	15.1%	7.9%		1.0	0.0
<i>Value Added</i>		0.1%	0.5%	0.3%	0.5%	-0.3%			
US Equity Composite	79.4	5.0%	25.9%	16.7%	19.7%	8.2%		1.4	0.6
<i>Custom US Equity Benchmark</i>		5.0%	25.8%	16.5%	19.3%	8.2%		1.4	0.0
<i>Value Added</i>		0.0%	0.1%	0.2%	0.4%	0.0%			
Total Int'l Equity	78.1	5.2%	23.7%	6.7%	12.3%	8.3%		0.7	0.5
<i>Custom Int'l Equity Benchmark</i>		5.1%	23.1%	7.0%	11.7%	8.0%		0.7	0.0
<i>Value Added</i>		0.1%	0.6%	-0.3%	0.6%	0.3%			
Global Equity Equitization	1.1	2.2%	19.5%	10.8%	14.3%	-.-%			
<i>Custom Benchmark</i>		5.0%	24.3%	11.0%	15.1%	-.-%			
<i>Value Added</i>		-2.8%	-4.8%	-0.2%	-0.8%	-.-%			

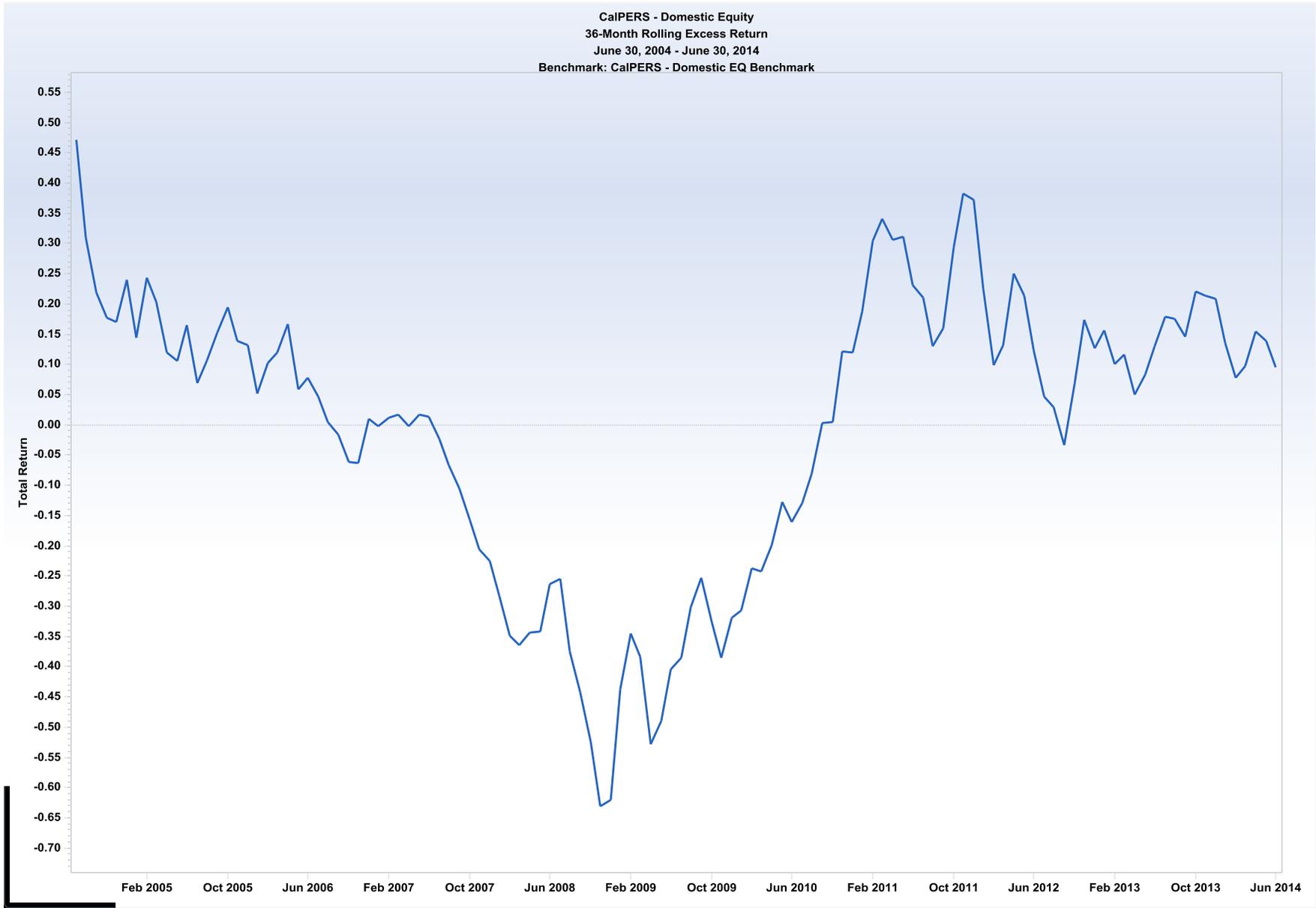
Growth: Public Equity – Rolling Excess Returns



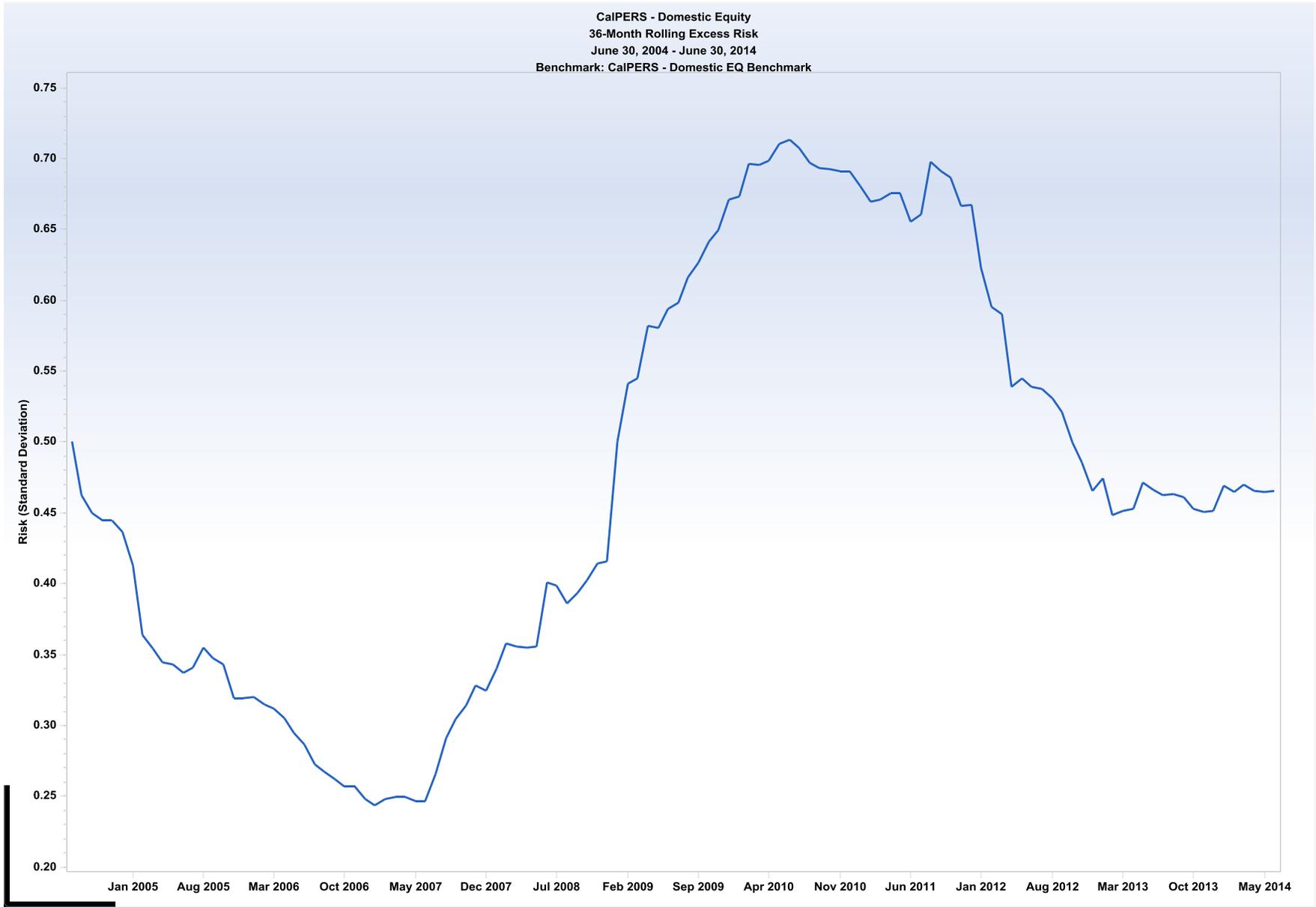
Growth: Public Equity – Rolling Tracking Error



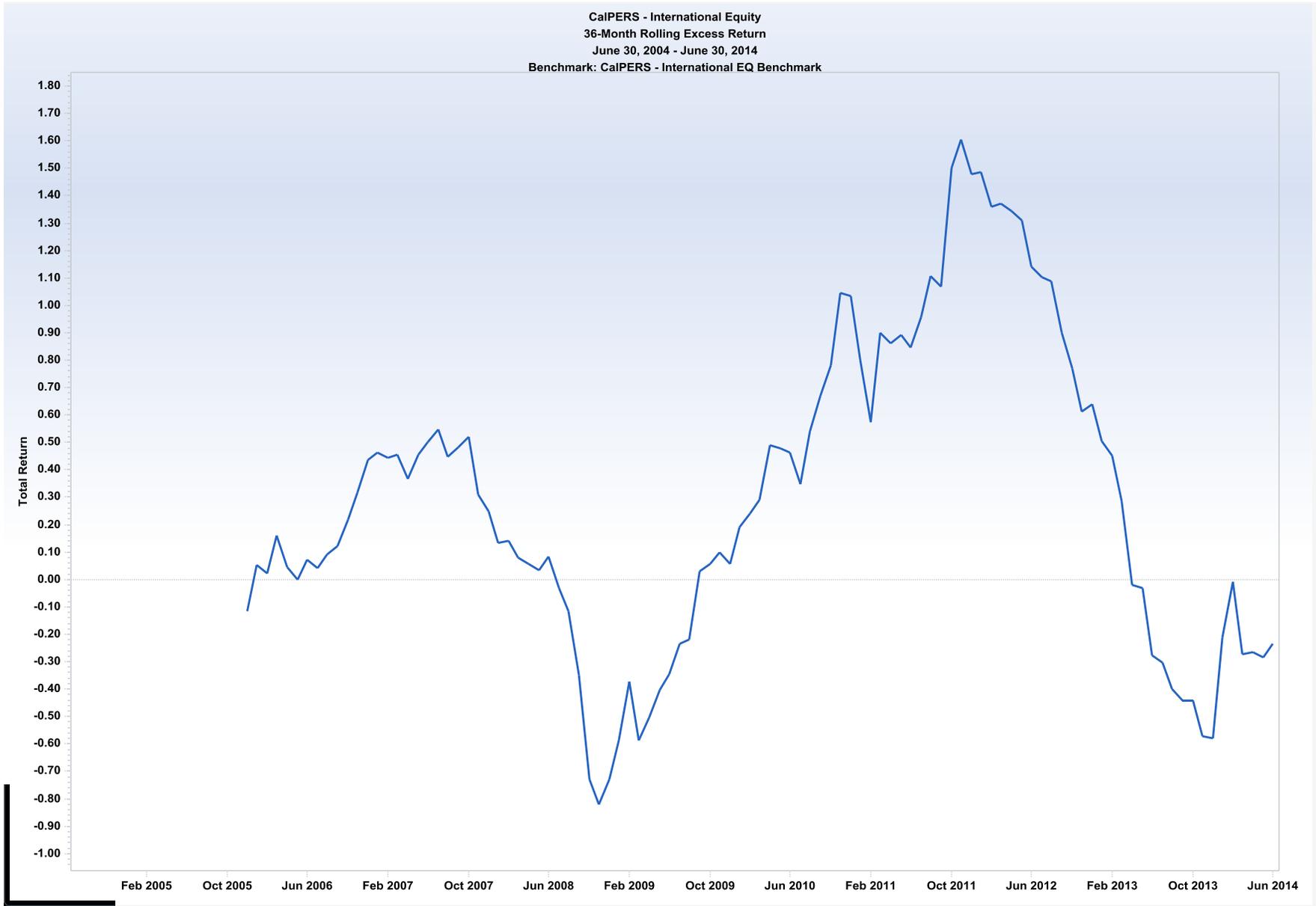
Growth: US Equity – Rolling Excess Returns



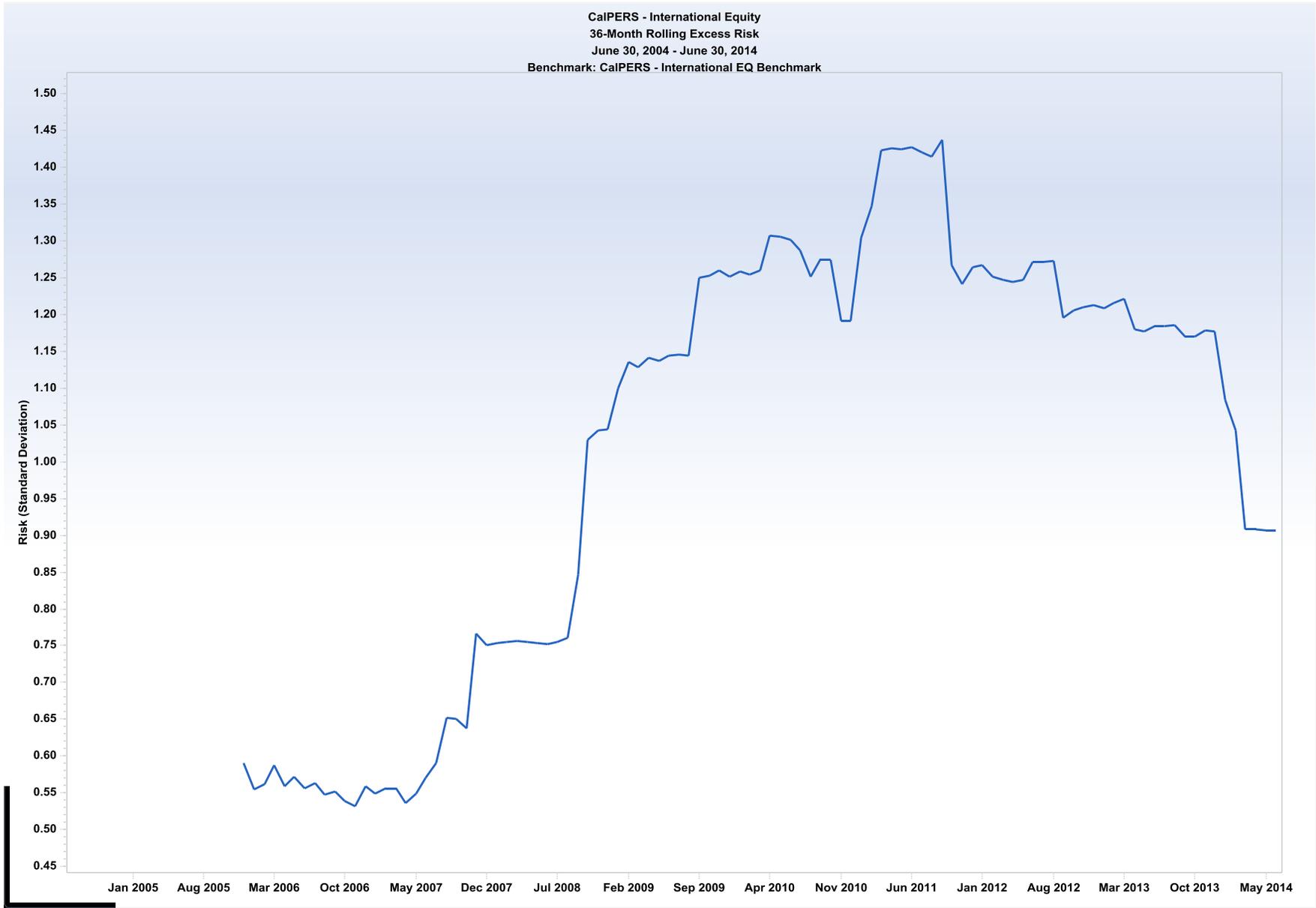
Growth: US Equity – Rolling Tracking Error



Growth: International Equity – Rolling Excess Returns



Growth: International Equity – Rolling Tracking Error



Growth: Corporate Governance/MDP/FoF

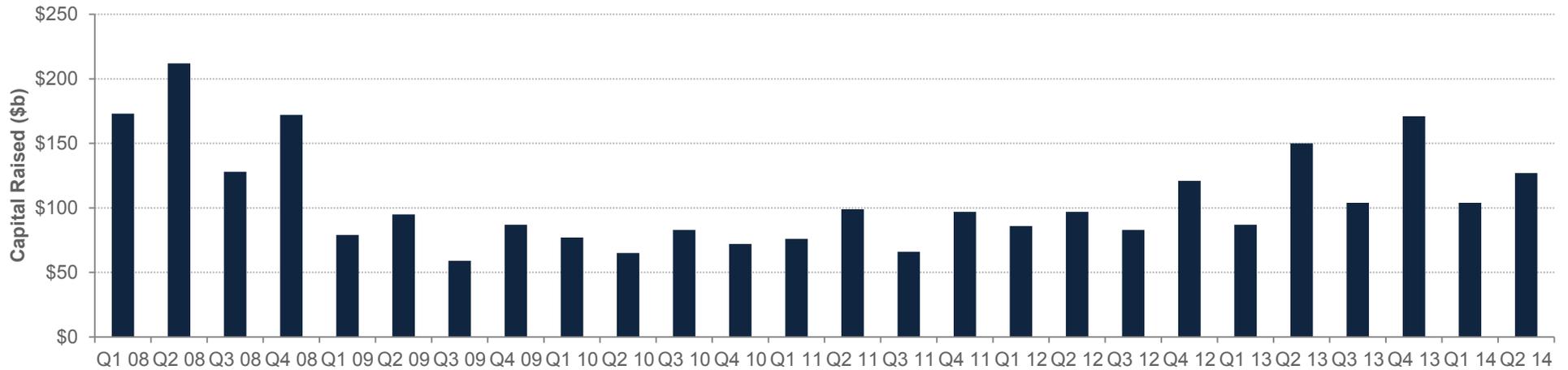


	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>Date</u>
Total Corporate Governance	3.8	8.0%	29.1%	11.9%	15.3%	6.4%	12/98
<i>Policy Benchmark</i>		5.5%	20.0%	12.1%	13.4%	6.5%	
<i>Value Added</i>		2.5%	9.1%	-0.2%	1.9%	-0.1%	
Total MDP	1.9	4.3%	26.6%	13.0%	16.1%	7.6%	6/00
<i>Policy Benchmark</i>		4.9%	25.9%	13.1%	16.0%	8.3%	
<i>Value Added</i>		-0.6%	0.7%	-0.1%	0.1%	-0.7%	
Total FoF	1.2	2.9%	21.5%	11.2%	17.4%	-.-%	3/08
<i>Policy Benchmark</i>		4.2%	21.8%	11.6%	17.2%	-.-%	
<i>Value Added</i>		-1.3%	-0.3%	-0.4%	0.2%	-.-%	

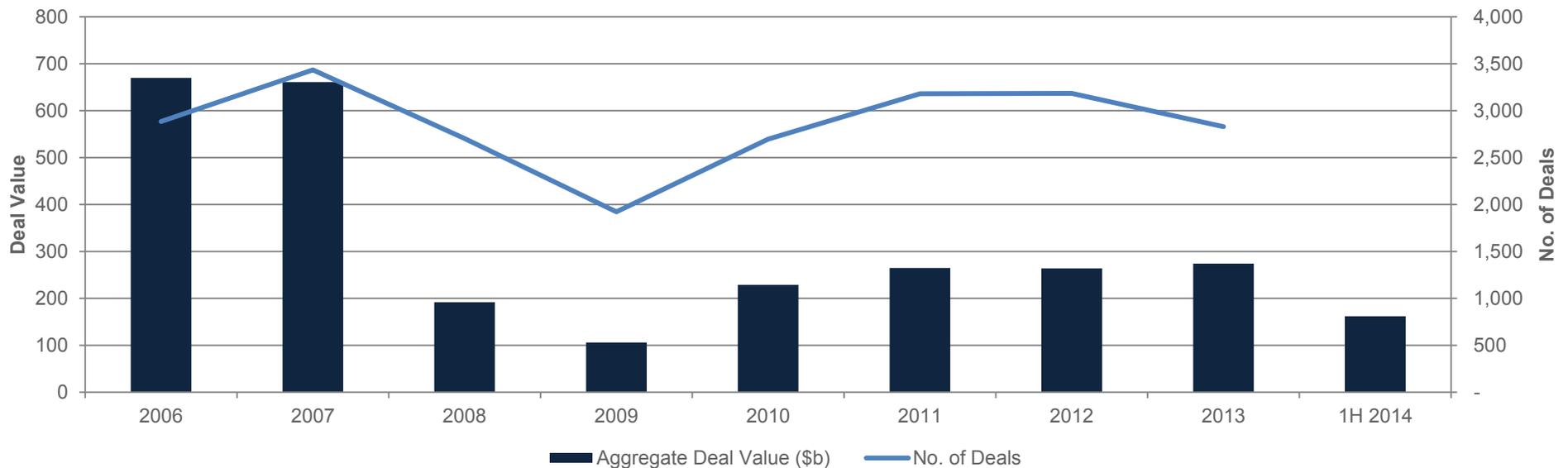
Private Equity Environment – Fundraising & Investment Activity



Global Private Equity Fundraising (Q1 2008 – Q2 2014)



Global Private Equity-Backed Buyout Activity (2006 – 1H 2014)

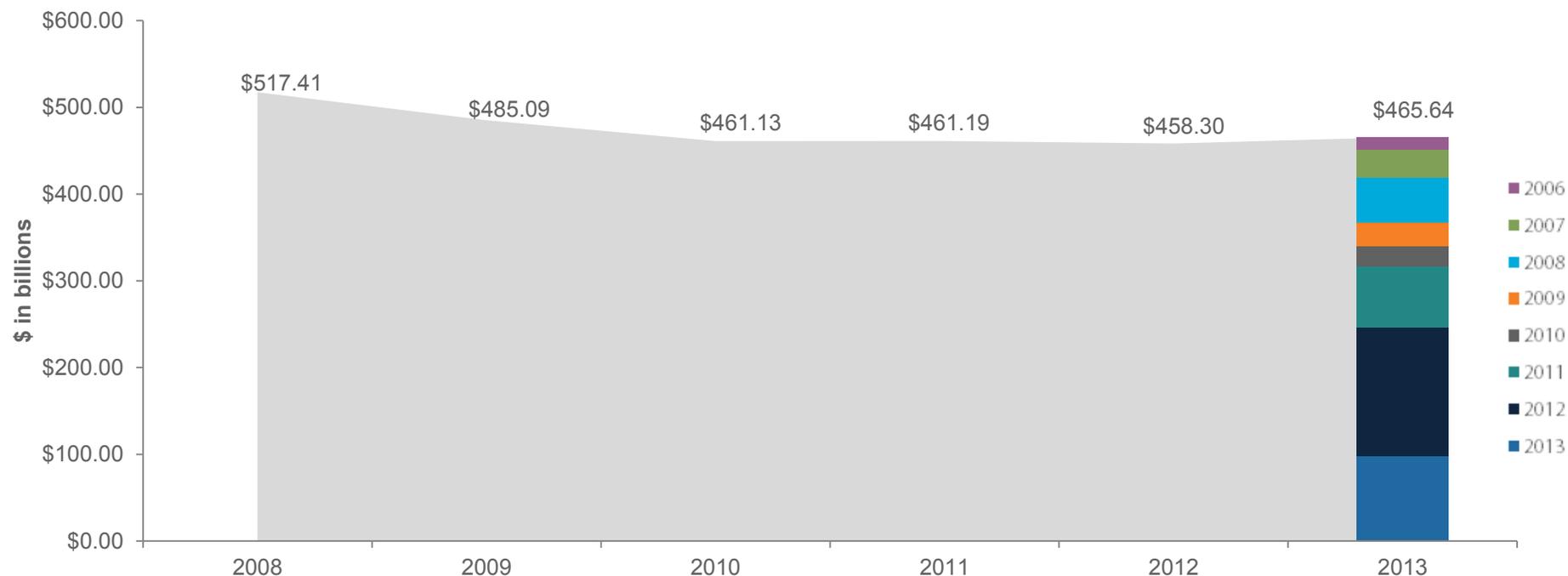


Sources: Preqin.

North American Private Equity Overhang



Cumulative Vintage Year Overhang

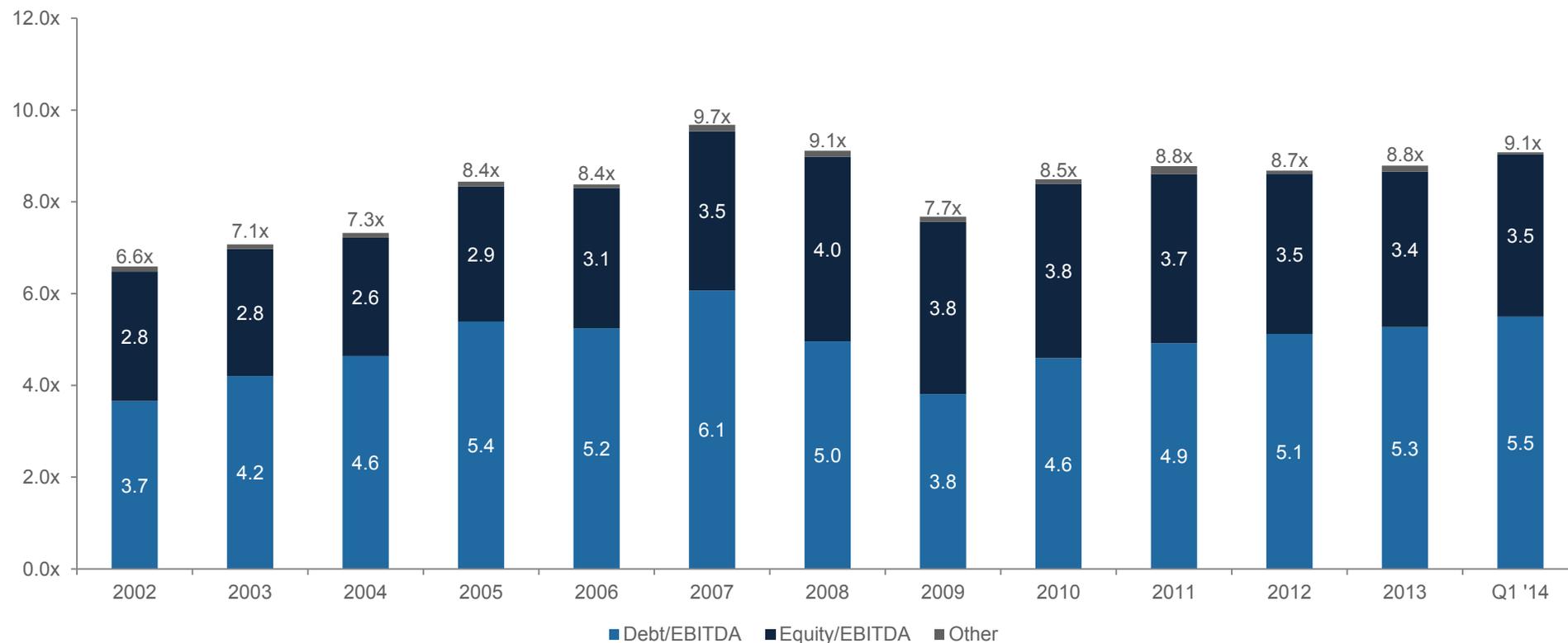


- Total private equity overhang significantly grew to over \$517 billion during the run-up to the financial crisis
- While the overhang has slightly decreased since 2008, it remains relatively high at approximately \$466 billion



U.S. LBO Purchase Price Multiples

Purchase Price Multiples of U.S. LBO Transactions

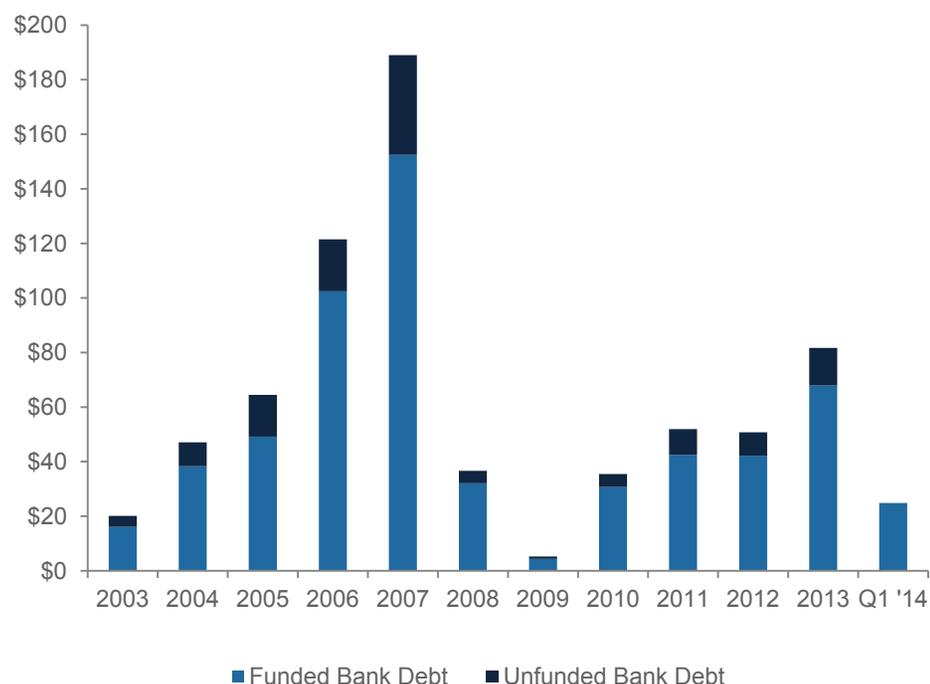


- As the debt markets have come back, purchase price multiples have increased from the recent low in 2009
- Recent pricing continues to inch upward and stay relatively high in the 8.8x to 9.1x range

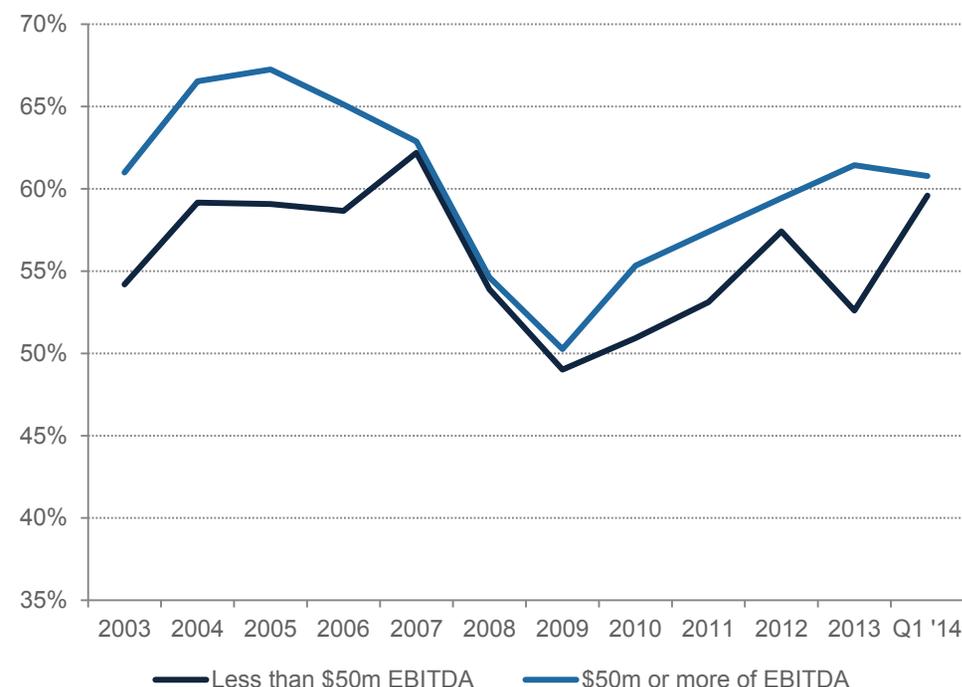


U.S. Debt Markets

Total U.S. Leveraged Buyout Loan Volume (\$b)



Percentage of Debt Used in Buyouts

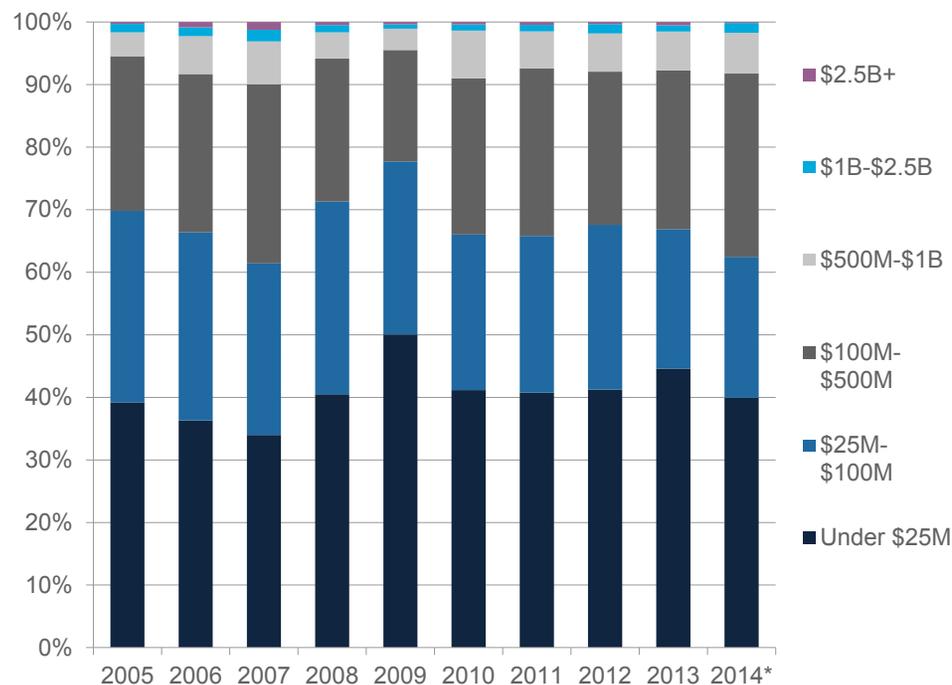


- The amount of capital available for leverage has gone down significantly since its peak volume in 2007, but continues to climb from the historically low levels in 2009
- Transactions with less than \$50m of EBITDA continue to apply less leverage than those of larger deals by a meaningful percentage

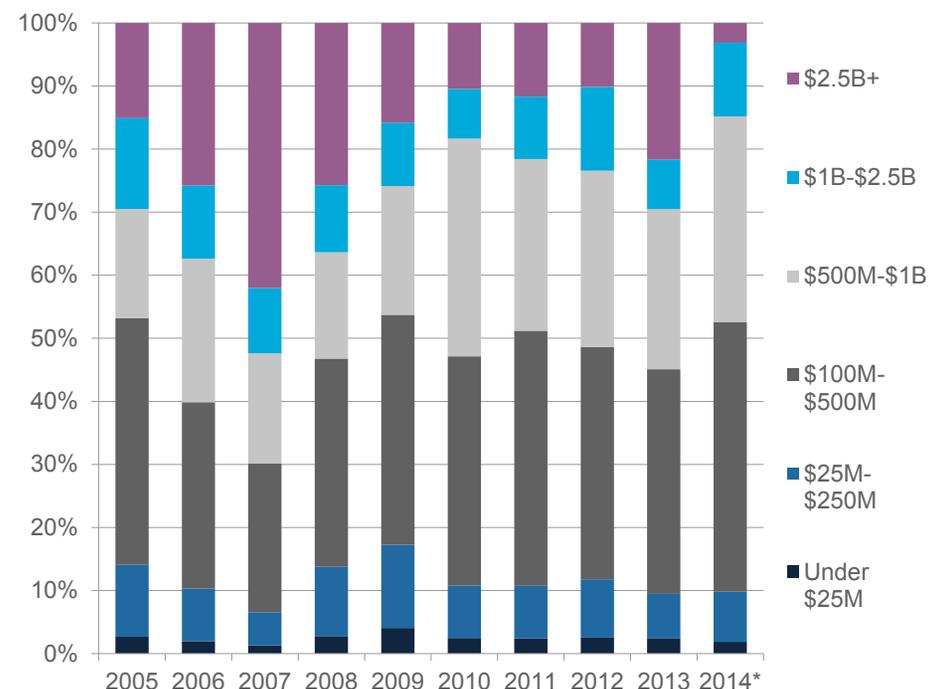


U.S. Investment Activity by Deal Size

Percentage of Deal Volume (count) by Deal Size



Percentage of Deal Volume (dollars) by Deal Size



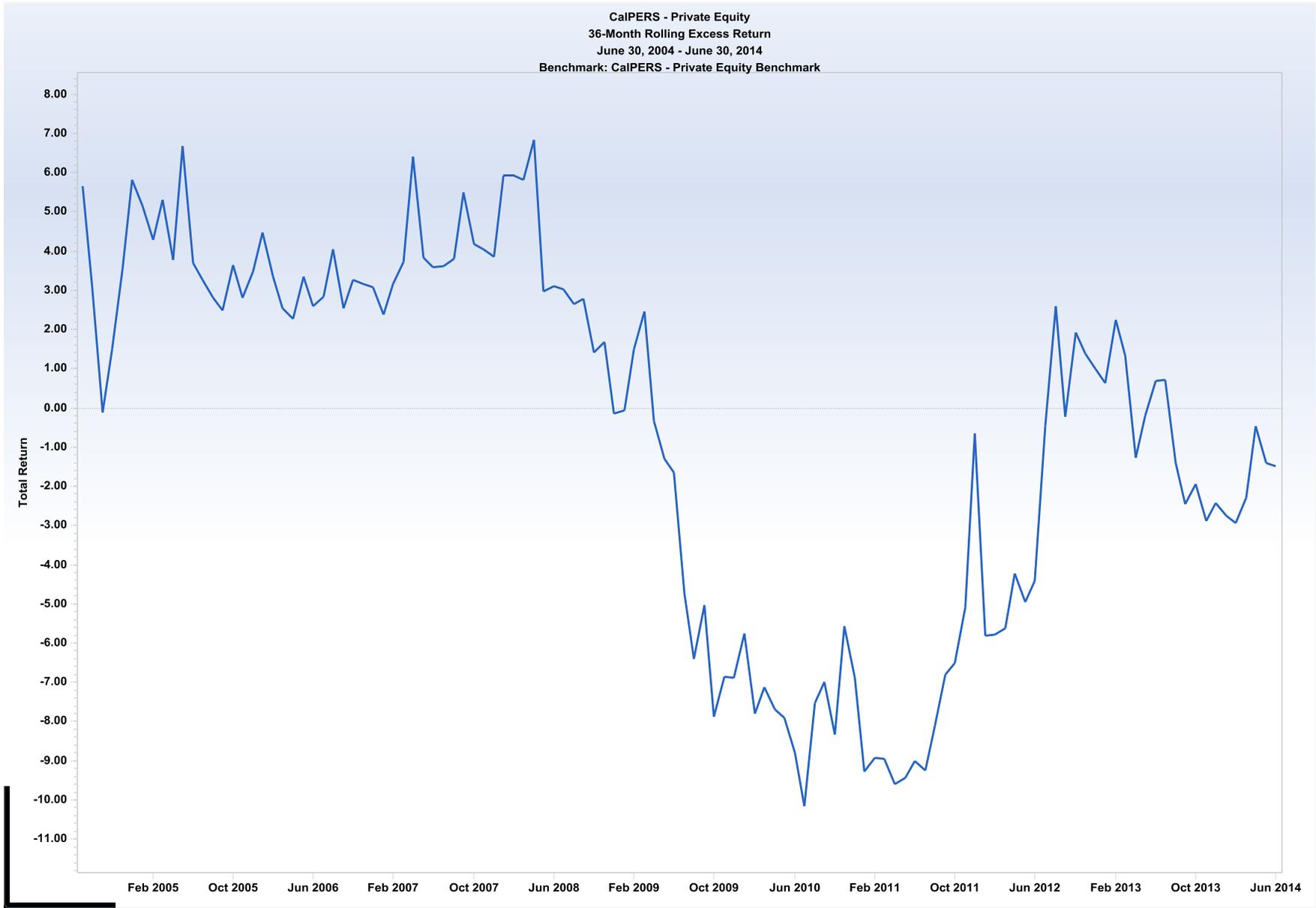
- Smaller deals continue to dominant deal activity by count
- Fewer large transactions (\$1b+) in the first half of 2014

Growth: Private Equity – Performance

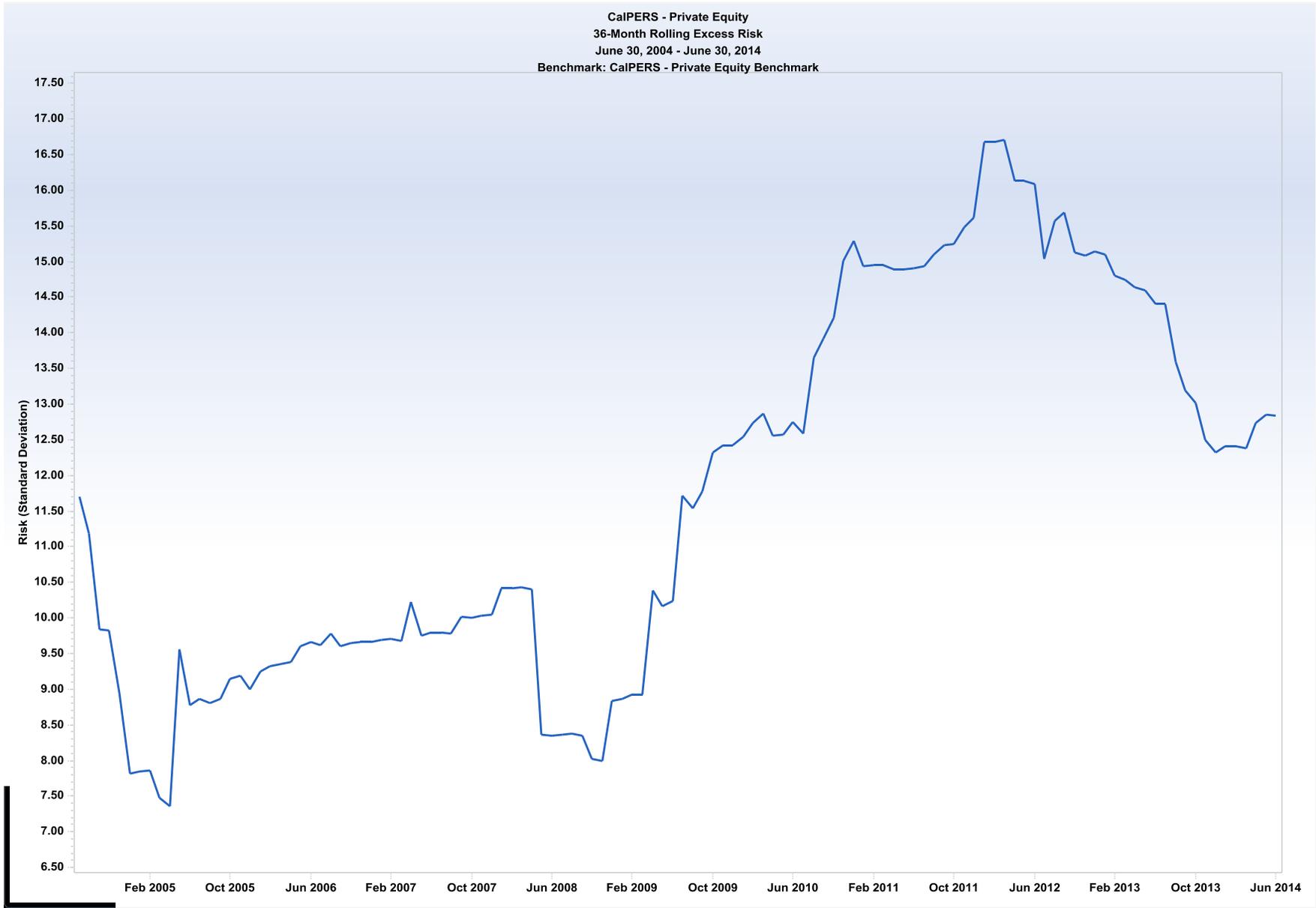


	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR	5-year Sharpe Ratio	5-year Info Ratio
PRIVATE EQUITY	31.5	4.5%	20.0%	12.8%	18.7%	13.3%	\$10.2 bil	3.3	-0.3
<i>PE Policy Benchmark</i>		2.3%	23.3%	14.5%	23.2%	15.4%		1.5	0.0
<i>Value Added</i>		2.2%	-3.3%	-1.7%	-4.5%	-2.1%			
Private Equity Partnership Investments	31.5	4.5%	20.0%	12.9%	18.8%	13.4%			
Private Equity Distribution Stock	0.0	-7.2%	-12.3%	-25.4%	-9.7%	0.5%			

Growth: Private Equity – Rolling Excess Returns



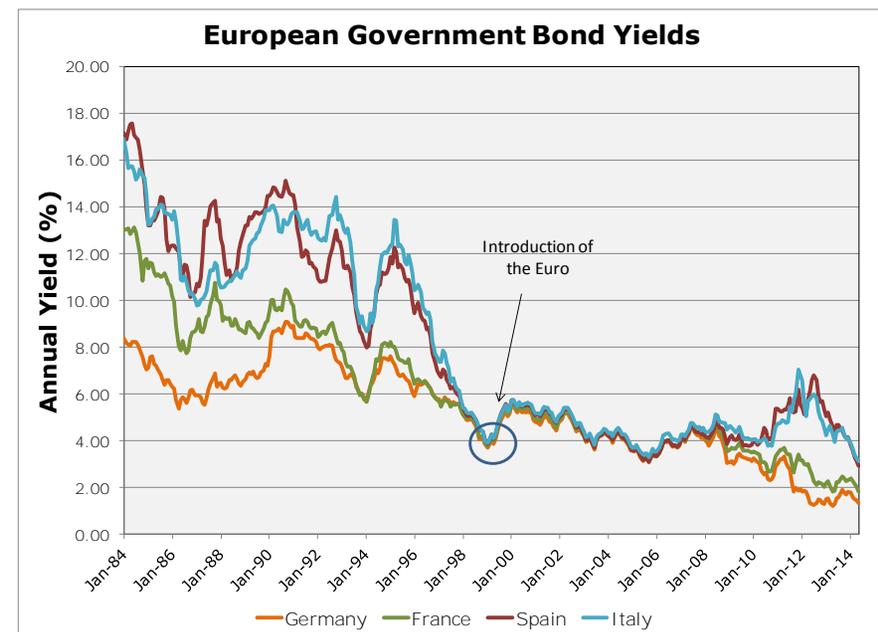
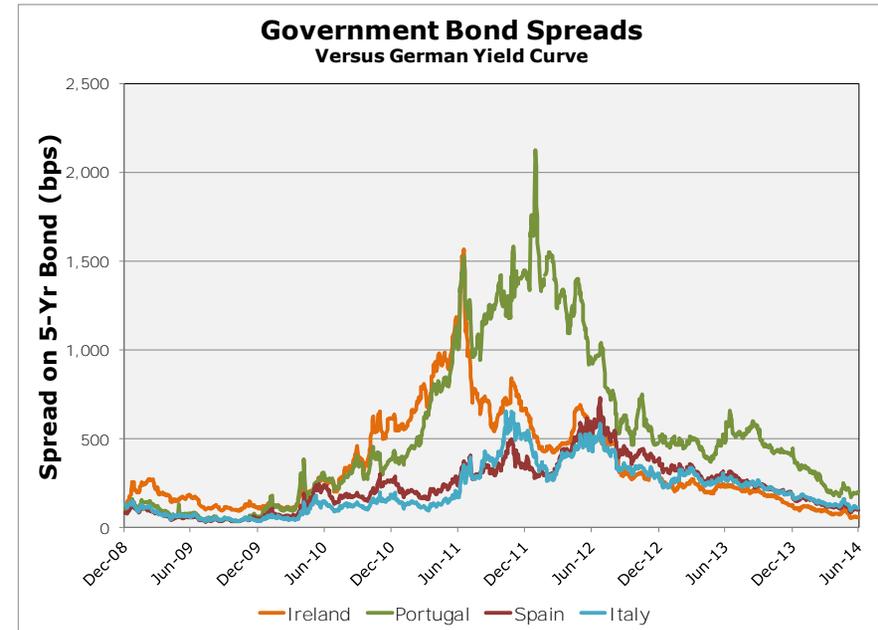
Growth: Private Equity – Rolling Tracking Error





European Debt Issues

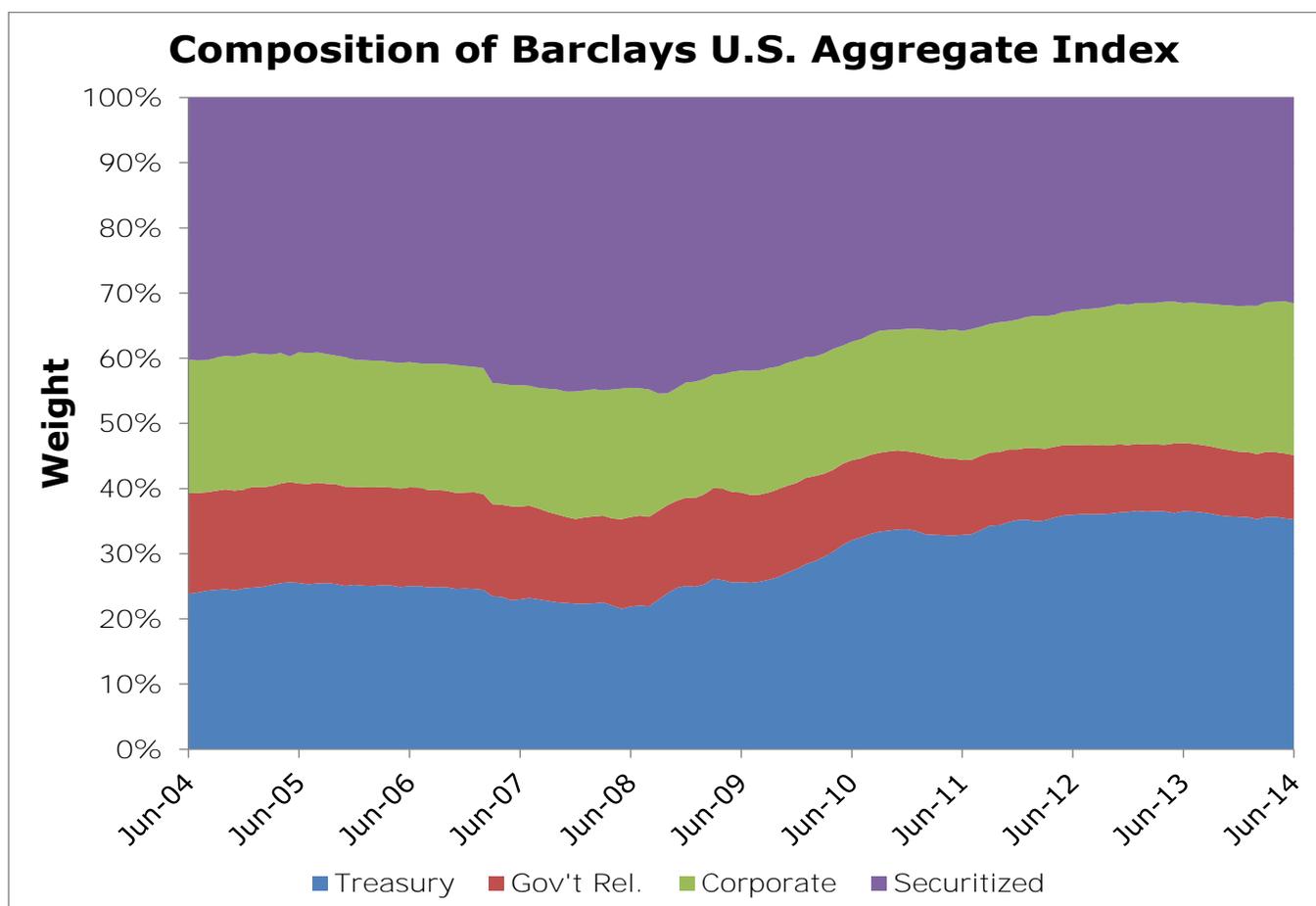
- Government yield spreads in Ireland, Portugal, Spain and Italy economies continue to decline
- Yields on government bonds have moderated while the spreads among different countries are beginning to tighten





Core Bonds

- Dollar weight in U.S. Treasuries has grown to 35% of the index, from 24% ten years ago
- Weight to Corporate bonds has also increased while Gov't Rel. and Securitized are down

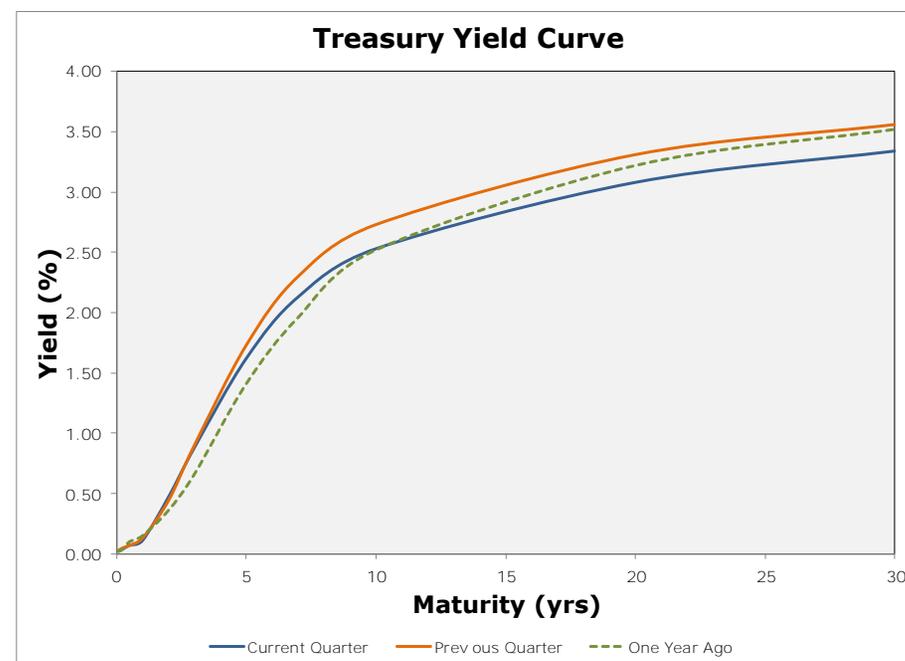
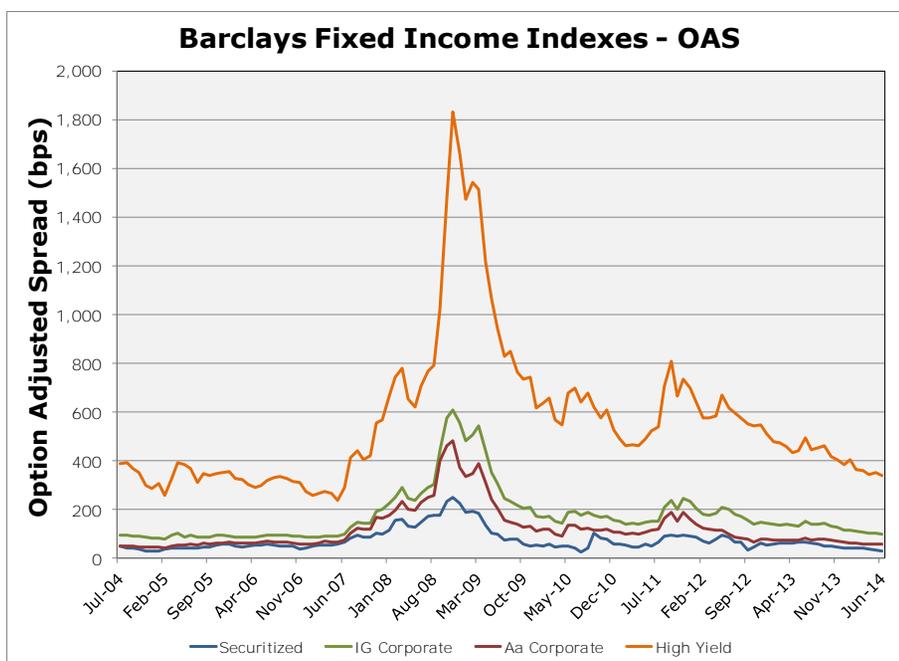


Source: Barclays



U.S. Fixed Income Market

June 30, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	2.0	3.9	4.4	3.7	4.9	4.9
Barclays Treasury Index	1.4	2.7	2.0	3.1	3.6	4.5
Barclays Govt-Related Index	2.2	4.4	4.8	3.4	4.1	4.7
Barclays Securitized Index	2.3	3.9	4.6	2.9	4.4	4.9
Barclays Corporate IG Index	2.7	5.7	7.7	6.2	8.1	5.9
Barclays LT Govt/Credit Index	4.9	11.8	10.8	9.6	9.6	7.6
Barclays LT Treasury Index	4.7	12.1	6.3	8.8	7.4	7.2
Barclays LT Govt-Related Index	5.9	13.0	12.4	9.1	9.5	8.1
Barclays LT Corporate IG Index	4.8	11.2	13.4	9.9	11.3	7.6
Barclays U.S. TIPS Index	3.8	5.8	4.4	3.6	5.6	5.2
Barclays High Yield Index	2.4	5.5	11.7	9.5	14.0	9.1
Treasury Bills	0.0	0.0	0.1	0.1	0.1	1.6

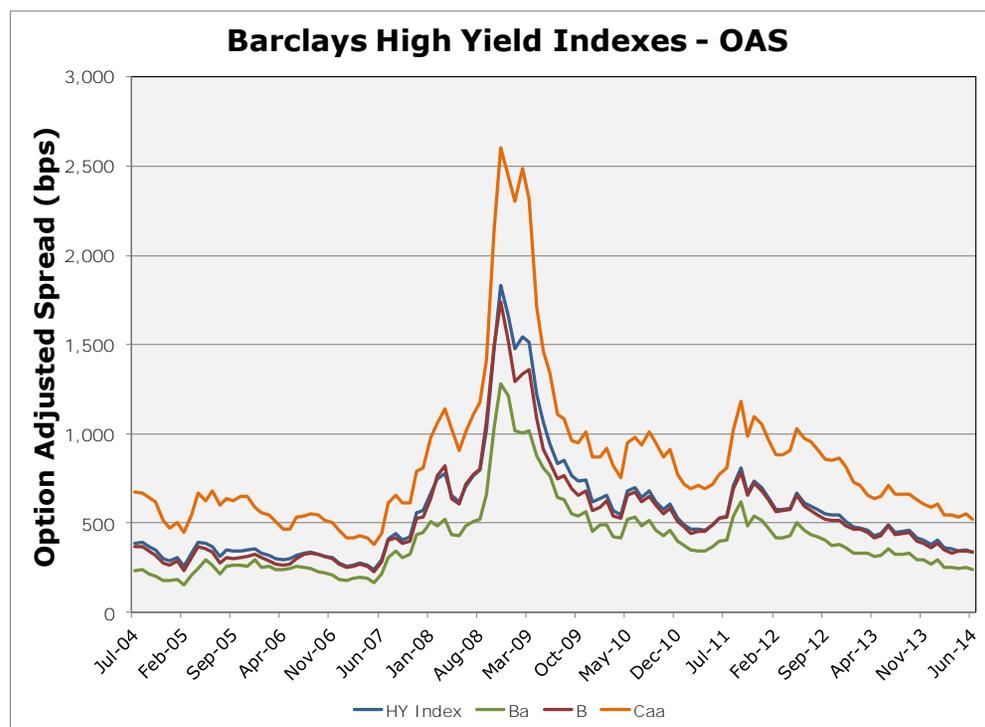


Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury

High Yield Bond Market



June 30, 2014	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	2.4	5.5	11.7	9.5
Quality Distribution					
Ba U.S. High Yield	41.4%	2.7	5.8	11.1	9.0
B U.S. High Yield	40.7%	2.2	5.0	11.3	9.5
Caa U.S. High Yield	17.3%	2.4	5.8	14.4	10.9
Ca to D U.S. High Yield	0.5%	-1.6	-3.3	1.1	3.0
Non-Rated U.S. High Yield	0.2%	2.9	9.6	16.7	14.3



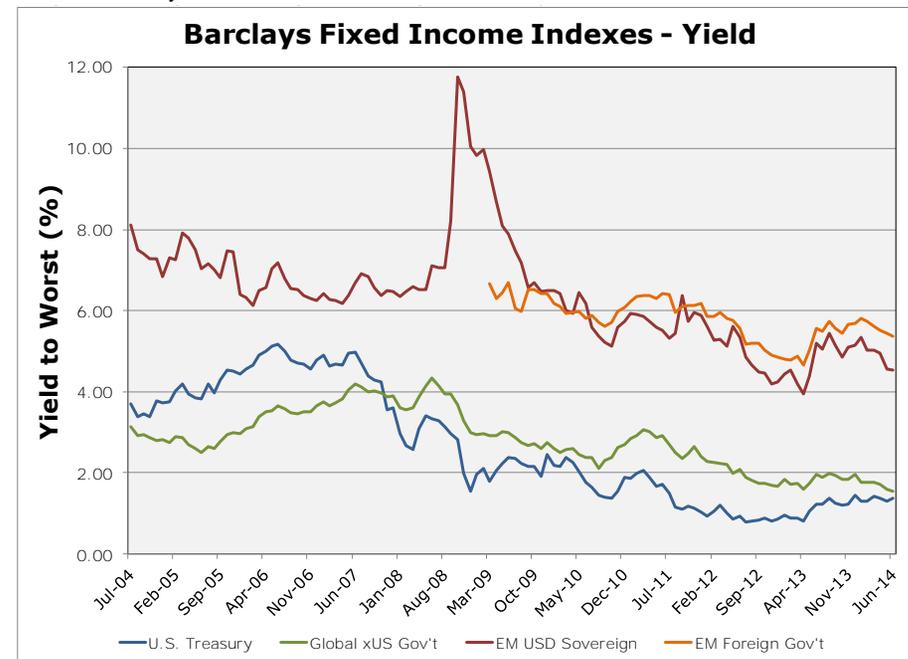
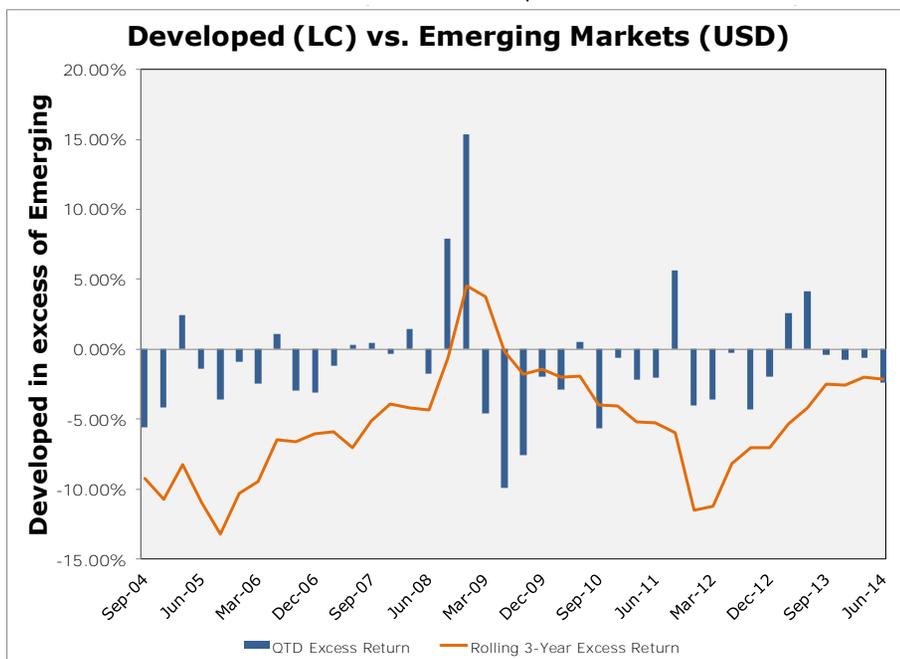
Data sources: Barclays Capital



Non-U.S. Fixed Income Market

June 30, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
<i>Developed Markets</i>						
Barclays Global Aggregate xUS	2.7	5.6	9.4	1.7	4.4	5.1
Barclays Global Aggregate xUS *	2.0	4.2	5.6	5.0	4.4	4.7
Barclays Wrld Govt xUS IL Bond	3.4	6.5	13.4	4.0	6.0	6.0
Barclays Wrld Govt xUS IL Bond *	2.0	4.7	4.4	4.5	5.5	5.1
<i>Emerging Mkts (Hard Currency)</i>						
Barclays EM USD Aggregate	4.5	7.4	10.2	7.4	10.8	9.5
<i>Emerging Mkts (Foreign Currency)</i>						
Barclays EM Local Currency Govt	5.4	7.1	9.2	3.2	8.3	n.a.
Barclays EM Local Currency Govt *	2.2	2.9	2.7	3.5	4.2	n.a.
Euro vs. Dollar	-0.7	-0.6	5.3	-1.9	-0.5	1.1
Yen vs. Dollar	1.7	3.8	-1.9	-7.3	-1.0	0.7
Pound vs. Dollar	2.6	3.2	12.7	2.1	0.8	-0.6

* Returns are reported in terms of local market investors, which removes currency effects.



Data sources: Wilshire Compass, Barclays Capital

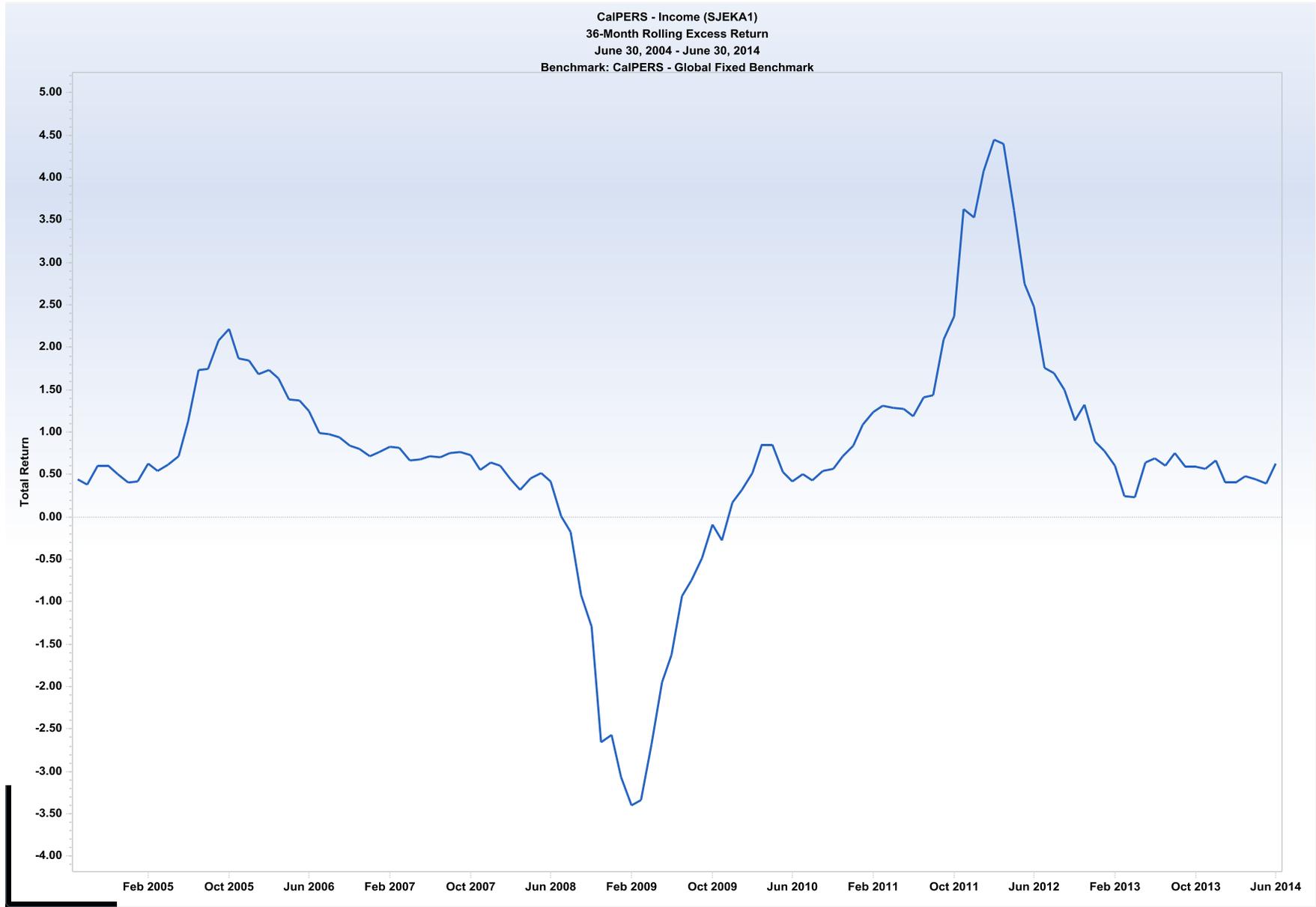


Income – Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR	5-year Sharpe Ratio	5-year Info Ratio
INCOME	46.9	3.6%	8.3%	6.3%	9.2%	7.0%	\$5.7 bil	1.8	1.2
<i>Income Policy Benchmark</i>		3.6%	7.1%	5.6%	7.0%	6.3%		1.4	0.0
<i>Value Added</i>		0.0%	1.2%	0.7%	2.2%	0.7%			
U.S. Income	42.1	3.5%	8.2%	6.7%	9.6%	7.2%		1.9	1.1
<i>U.S. Income Policy Benchmark</i>		3.6%	6.9%	6.1%	7.3%	6.4%		1.4	0.0
<i>Value Added</i>		-0.1%	1.3%	0.6%	2.3%	0.8%			
Non-U.S. Income	4.8	3.7%	10.0%	1.9%	5.7%	5.7%		0.7	1.1
<i>Non-US Income Policy Benchmark</i>		3.5%	9.1%	1.0%	3.7%	4.9%		0.5	0.0
<i>Value Added</i>		0.2%	0.9%	0.9%	2.0%	0.8%			

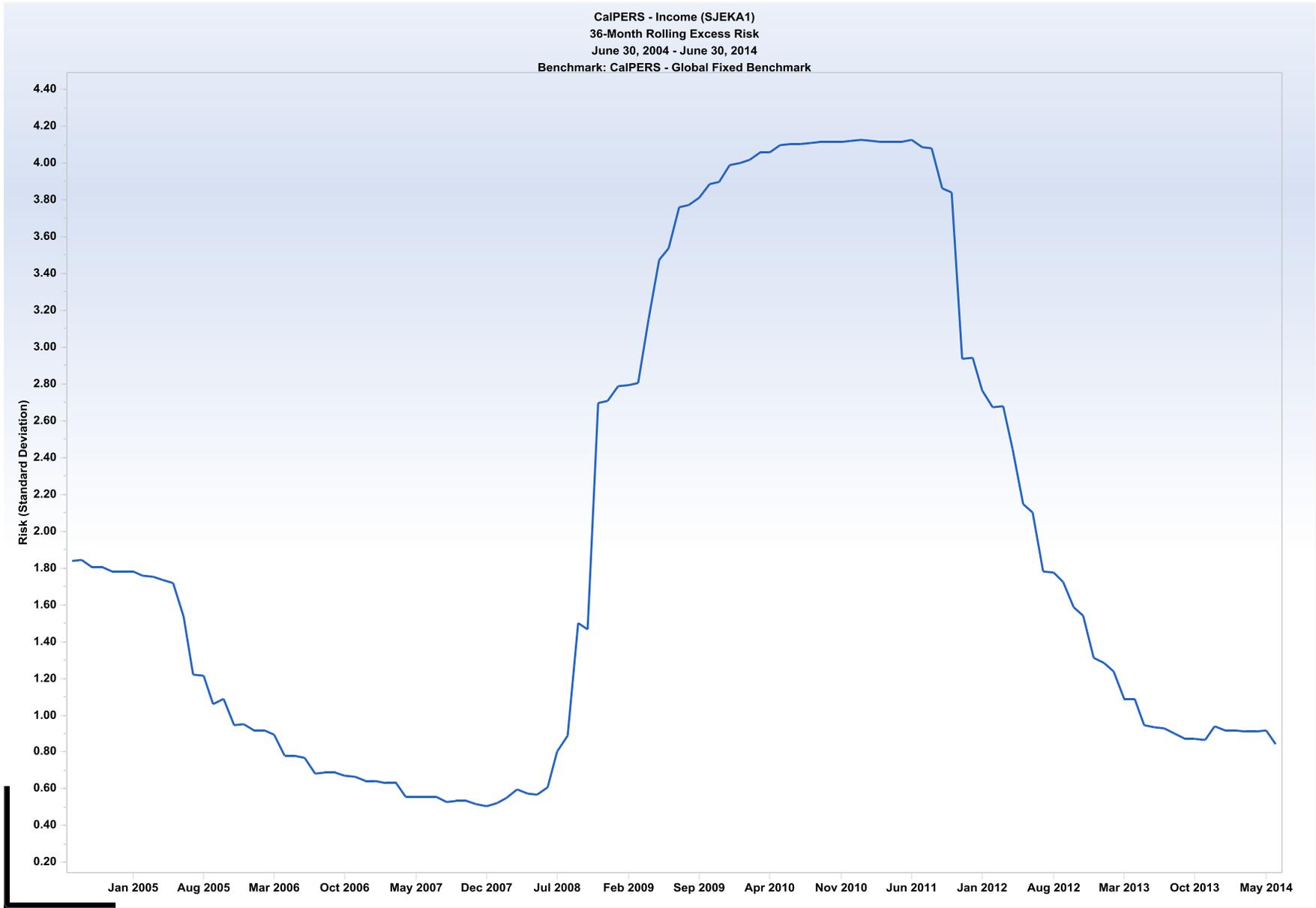


Income – Rolling Excess Returns



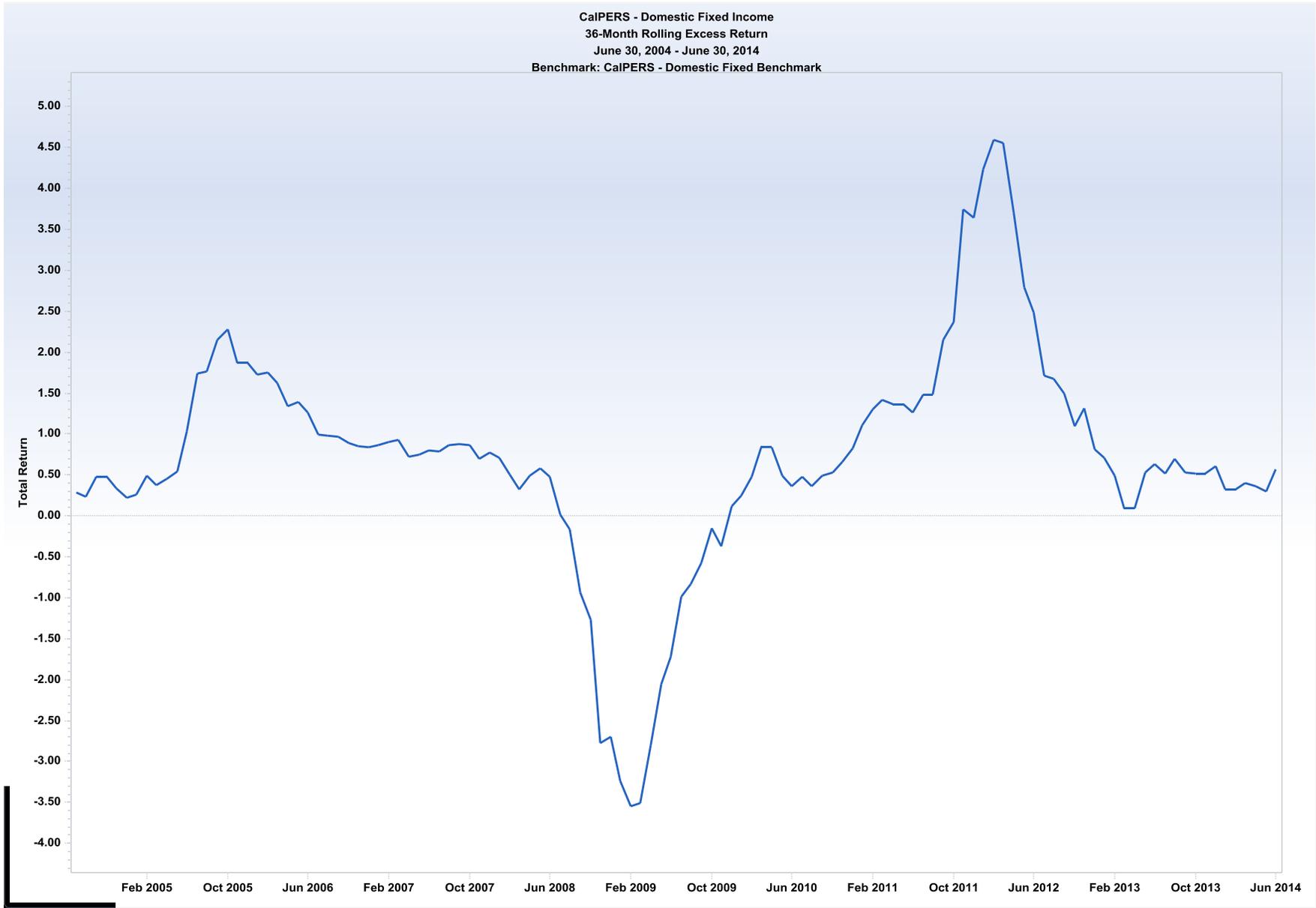


Income – Rolling Tracking Error



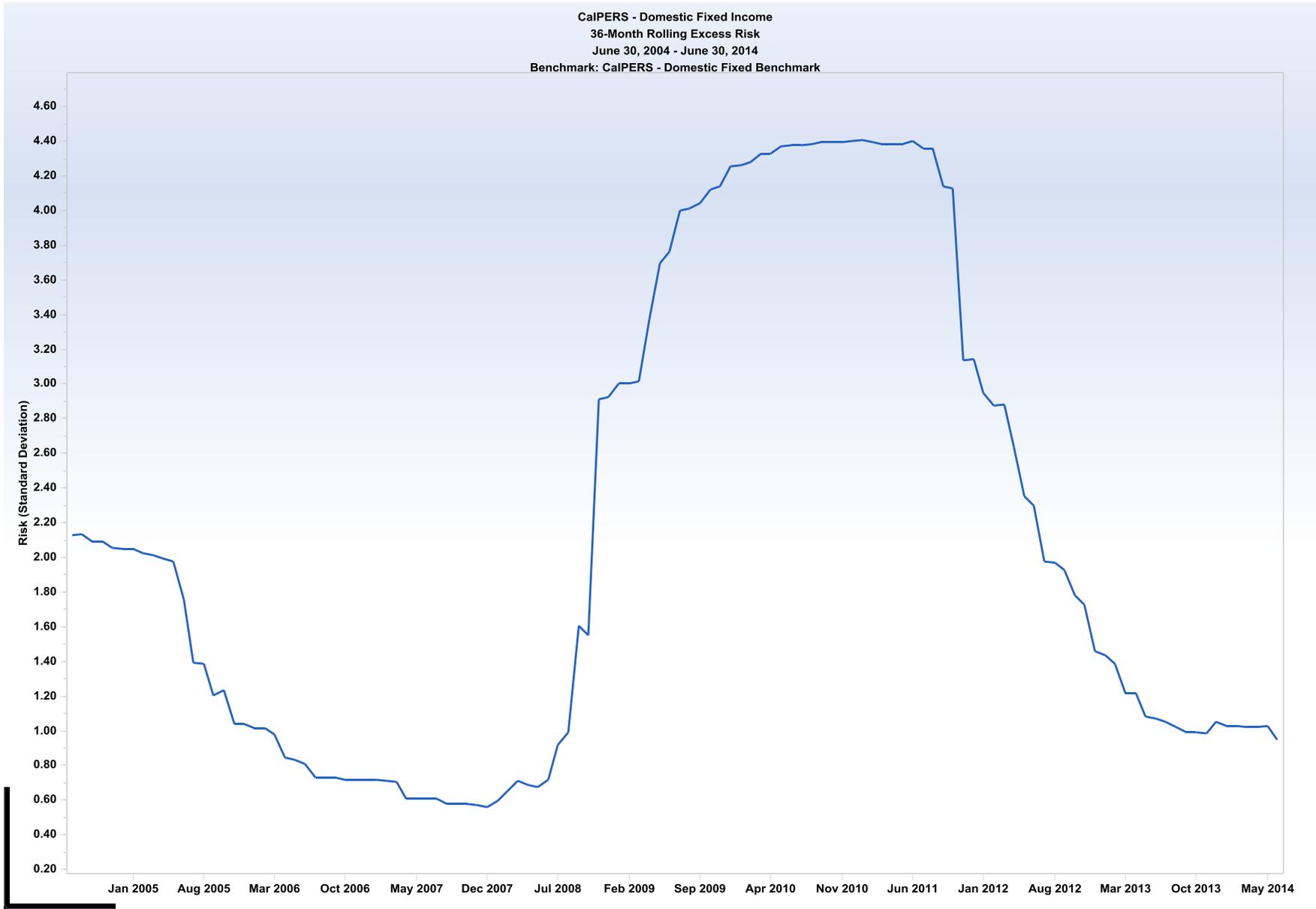


US Income – Rolling Excess Returns

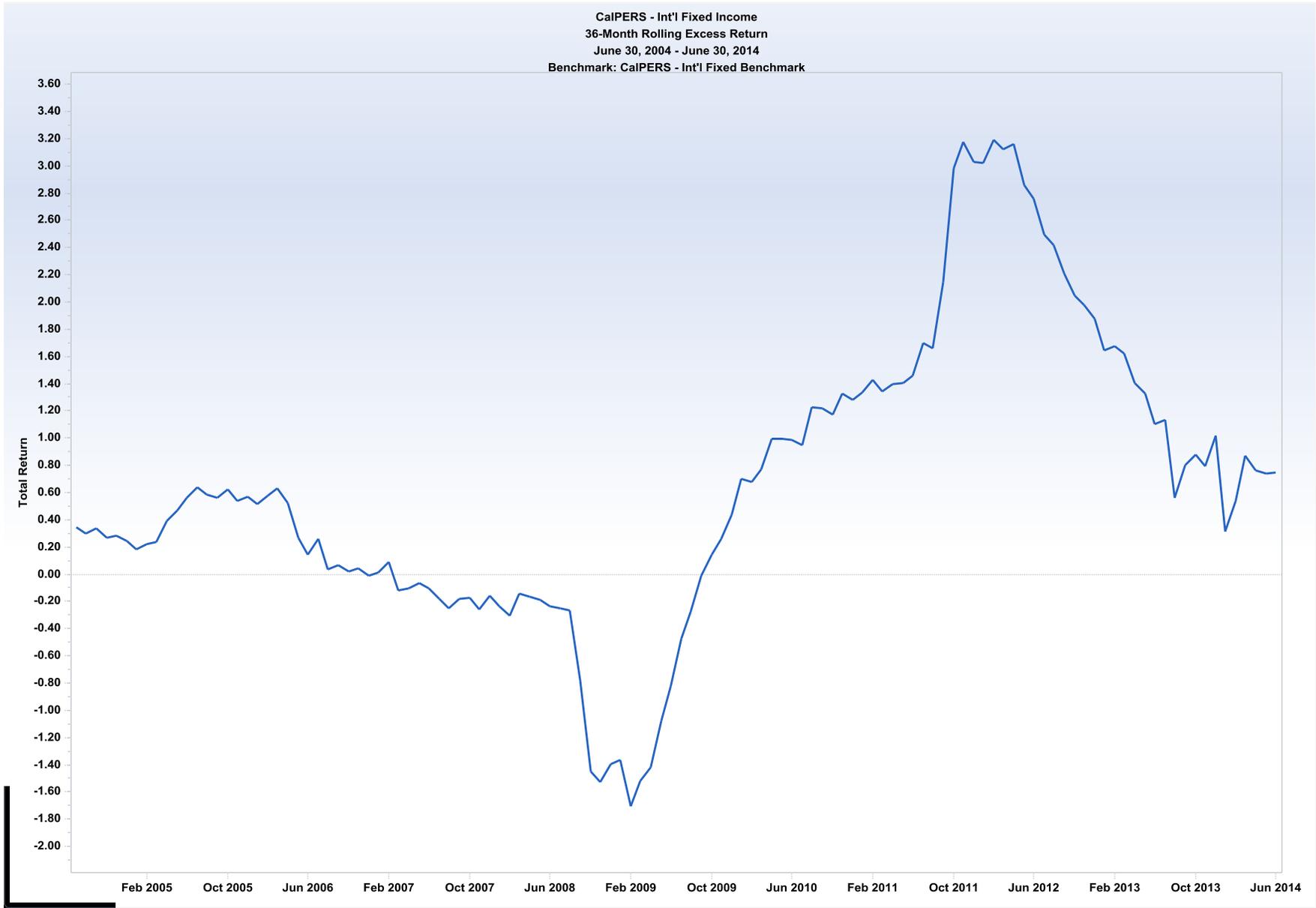




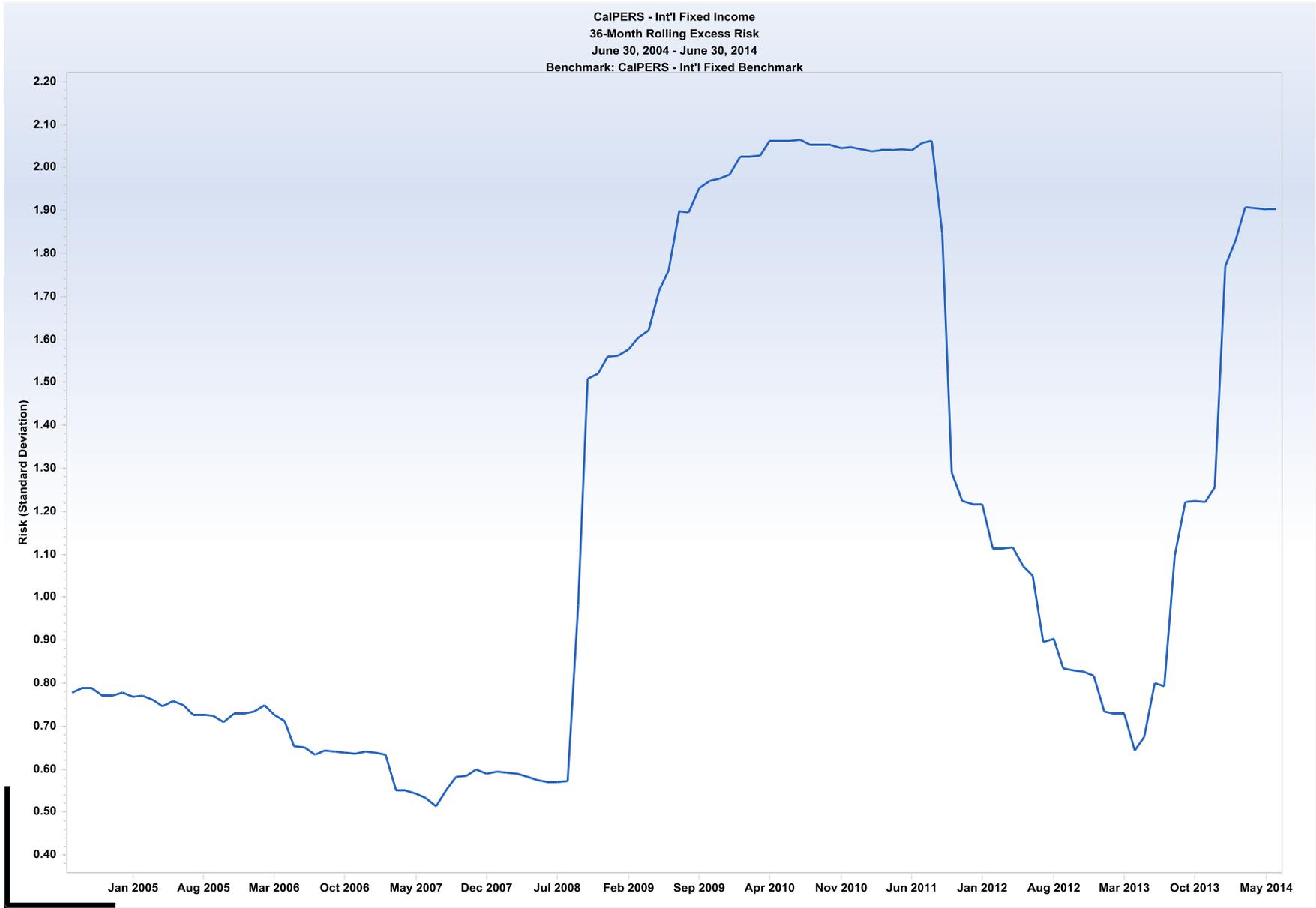
US Income – Rolling Tracking Error



International Income – Rolling Excess Returns



International Income – Rolling Tracking Error



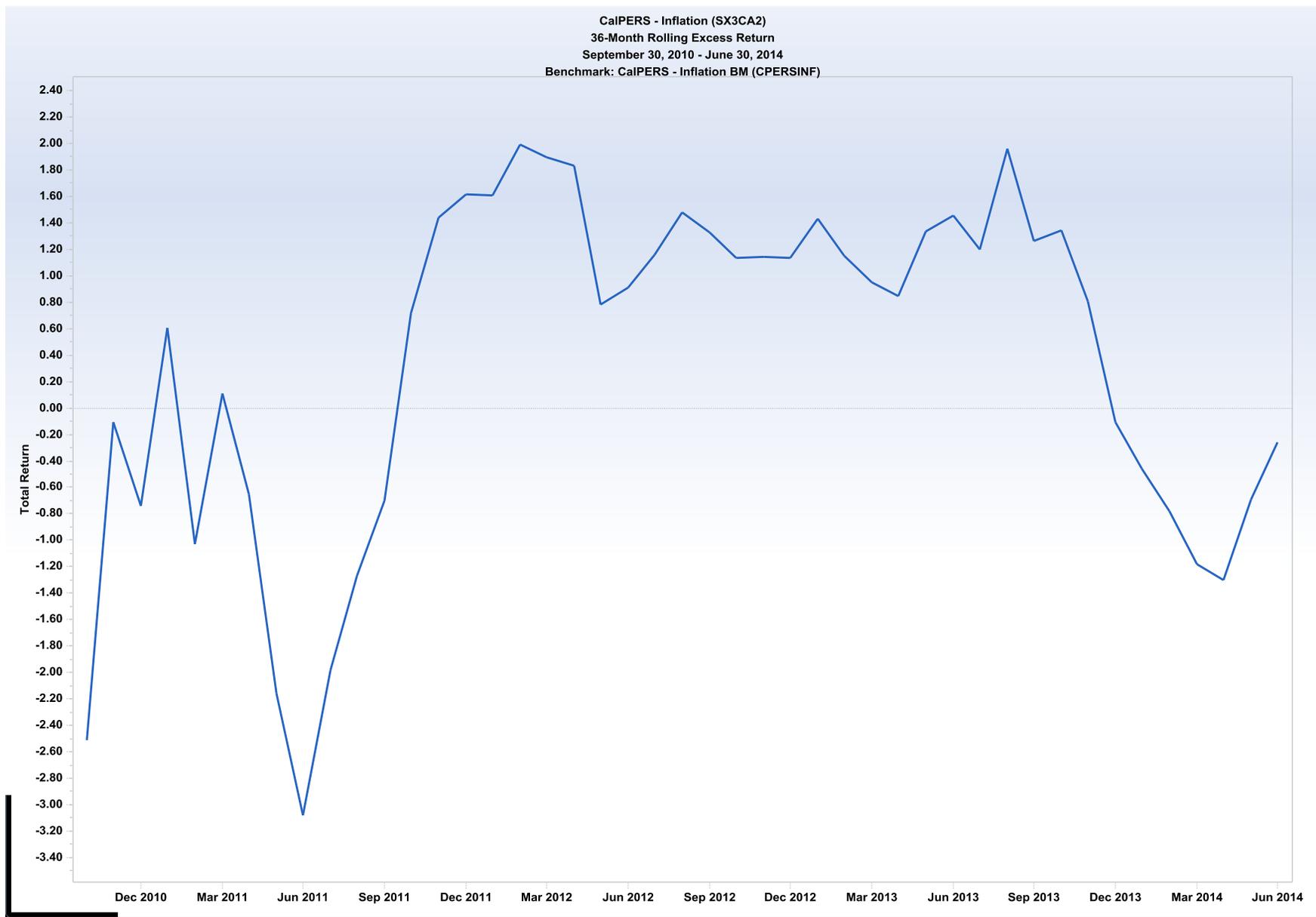


Inflation – Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR	5-year Sharpe Ratio	5-year Info Ratio
INFLATION	9.9	3.9%	8.3%	2.8%	6.2%	-.-%	\$0.6 bil	0.7	0.3
<i>Inflation Policy Benchmark</i>		3.8%	8.2%	3.1%	5.4%	-.-%		0.8	0.0
<i>Value Added</i>		0.1%	0.1%	-0.3%	0.8%	-.-%			
Internal Commodities	1.3	3.3%	8.9%	-0.5%	3.8%	-.-%			
<i>GSCI Total Return Index</i>		2.7%	10.4%	0.2%	3.7%	-.-%			
<i>Value Added</i>		0.6%	-1.5%	-0.7%	0.1%	-.-%			
Core Inflation Linked Bonds	6.2	4.3%	8.3%	4.8%	6.4%	-.-%			
<i>Custom Benchmark</i>		4.2%	8.0%	4.4%	6.0%	-.-%			
<i>Value Added</i>		0.1%	0.3%	0.4%	0.4%	-.-%			
Tactical Commodities	1.2	2.7%	9.8%	-.-%	-.-%	-.-%			
<i>GSCI Total Return Index</i>		2.7%	10.4%	-.-%	-.-%	-.-%			
<i>Value Added</i>		0.0%	-0.6%	-.-%	-.-%	-.-%			
Tactical TIPS	1.2	3.6%	4.1%	-.-%	-.-%	-.-%			
<i>CalPERS TIPS</i>		3.8%	4.4%	-.-%	-.-%	-.-%			
<i>Value Added</i>		-0.2%	-0.3%	-.-%	-.-%	-.-%			

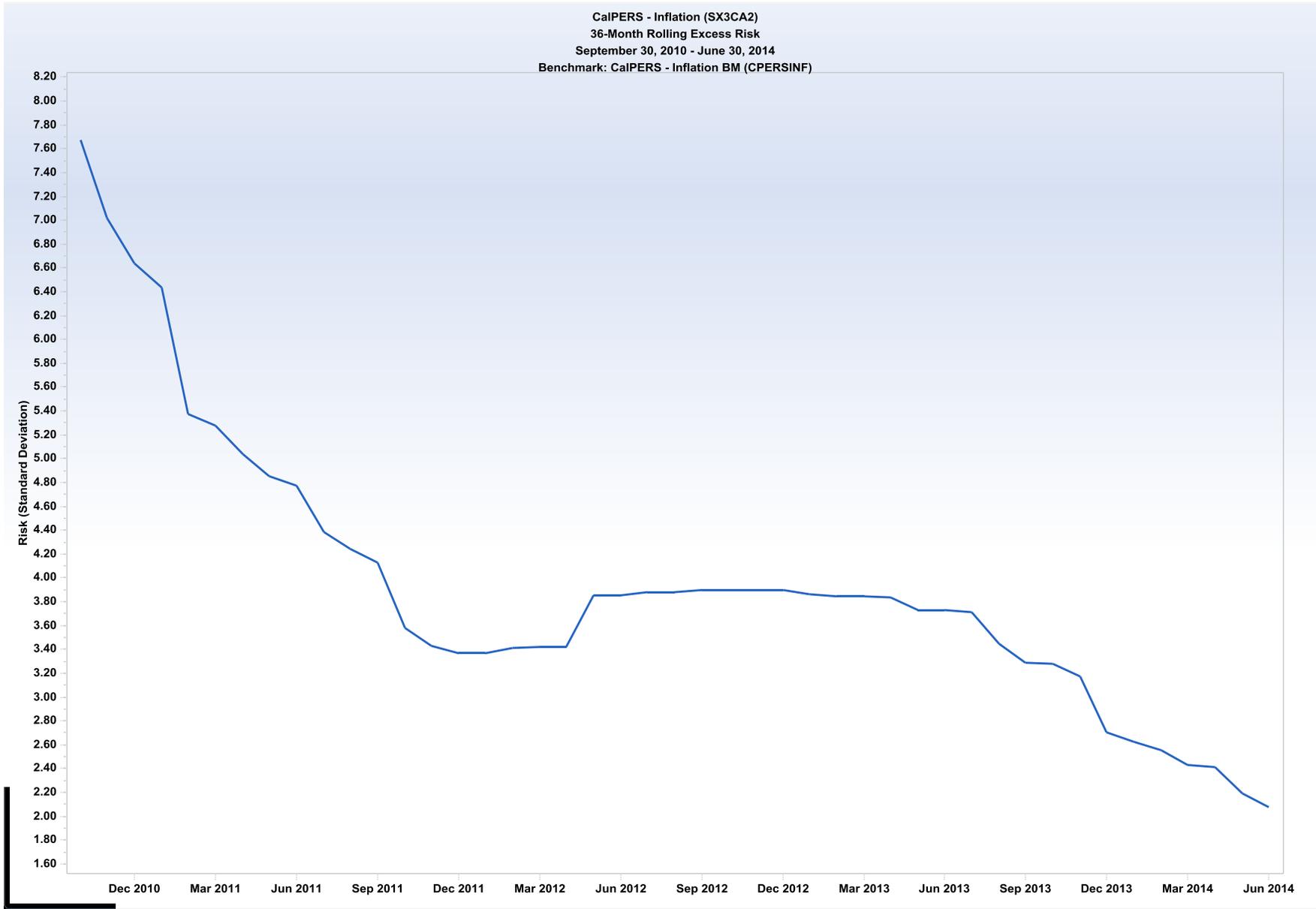


Inflation – Rolling Excess Returns





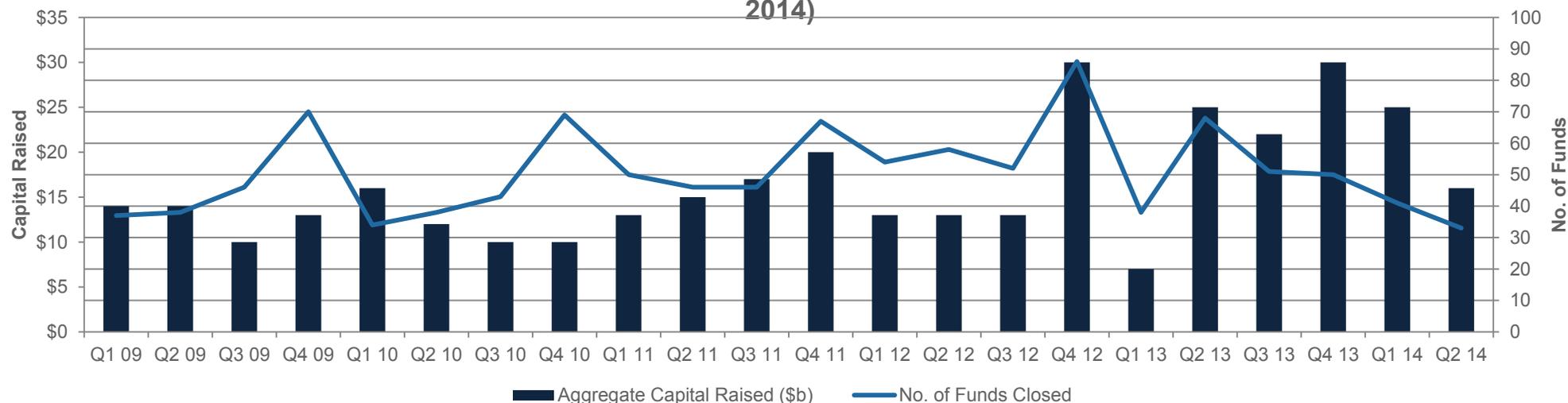
Inflation – Rolling Tracking Error



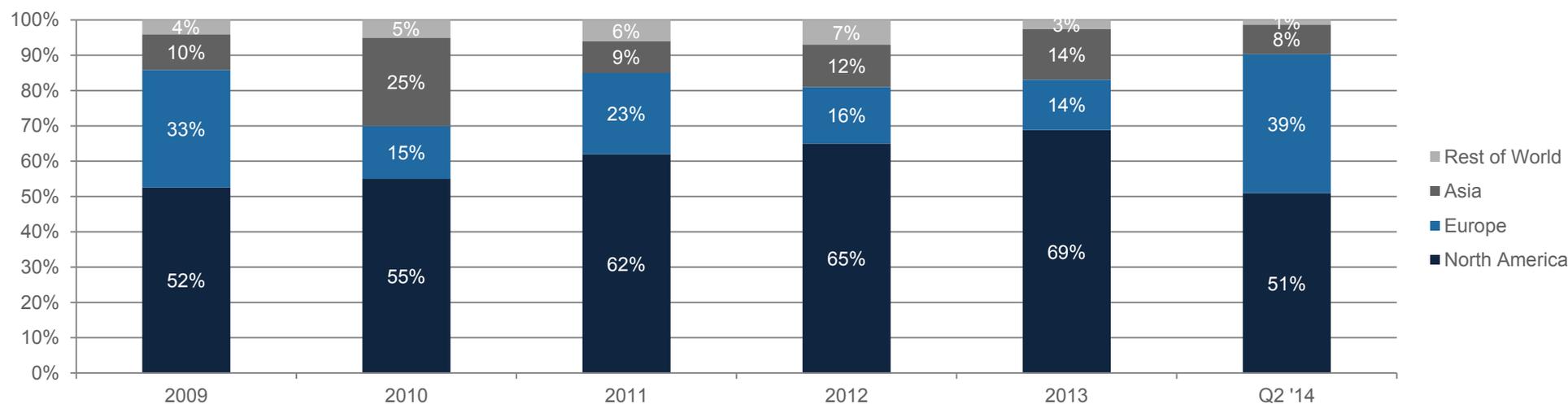


Real Estate Fundraising

Quarterly Closed-End Private Real Estate Fundraising (Q1 2009 – Q2 2014)



Proportion of Aggregate Capital Raised by Closed-End Private Real Estate Funds by Fund Geographic Focus (2009 – Q2 2014)

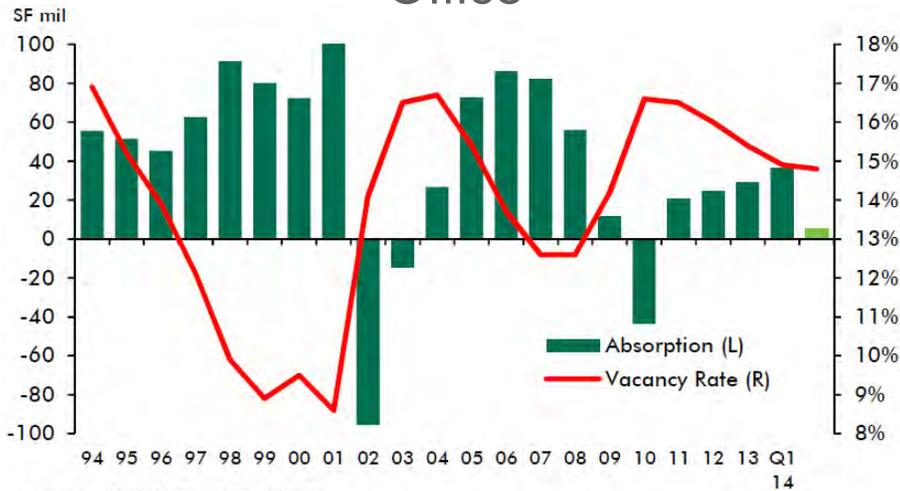


Source: Preqin.



Commercial Property (as of 1Q 2014)

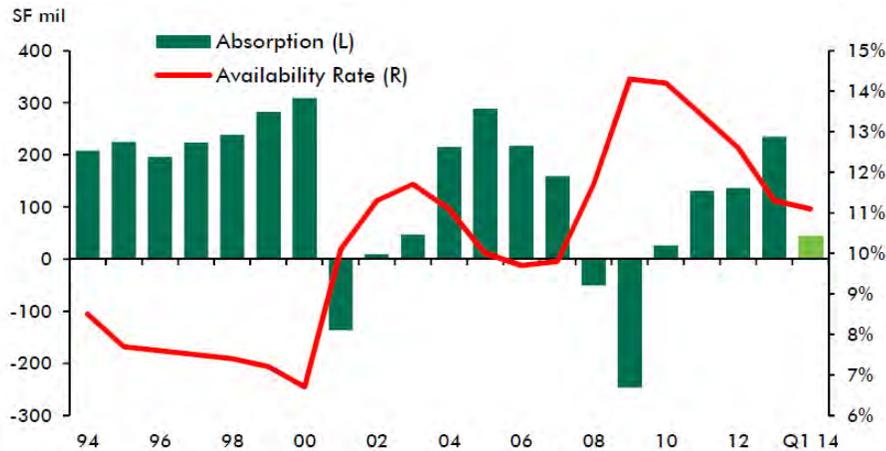
Office



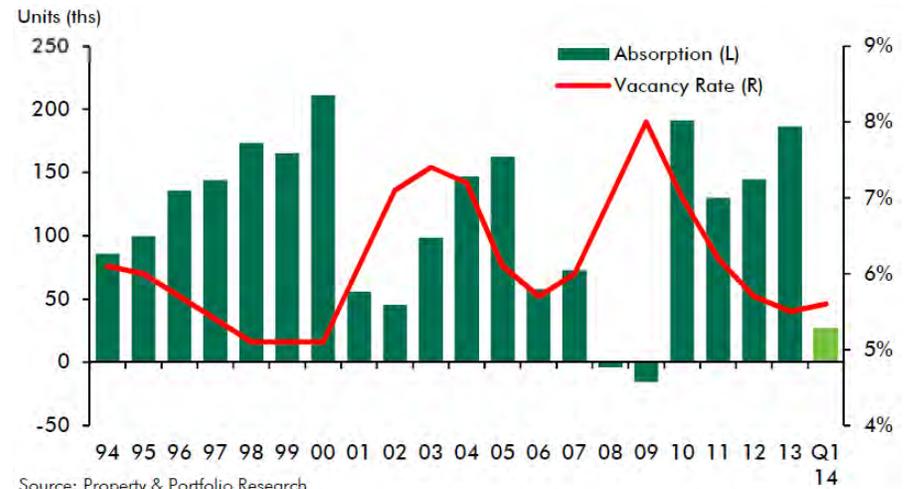
Retail



Industrial



Apartment

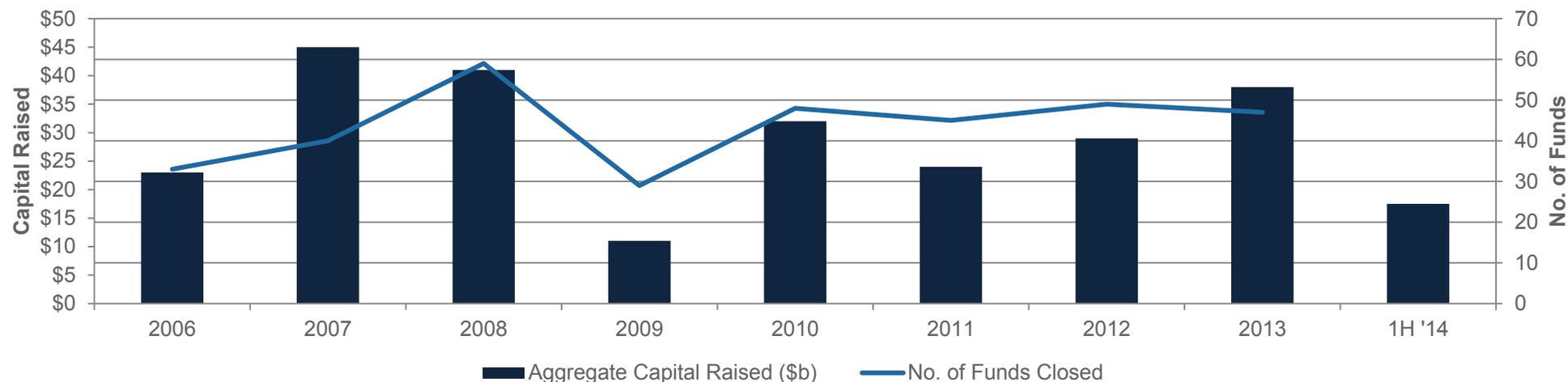


Source: CB Richard Ellis

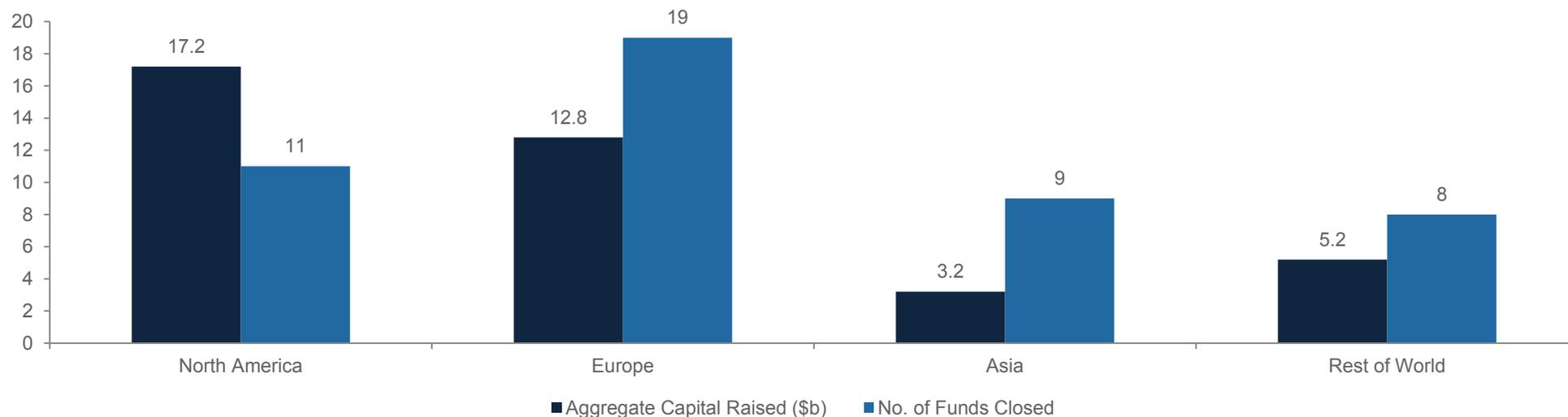


Infrastructure Fundraising

Unlisted Infrastructure Fundraising (2006 – 1H 2014)



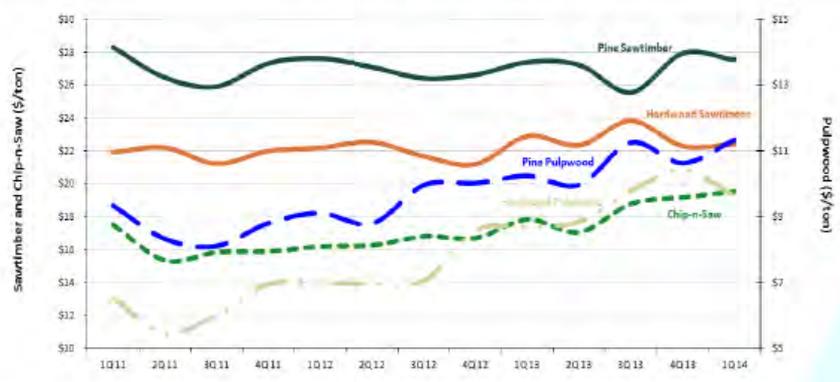
Unlisted Infrastructure Fundraising by Primary Geographic Focus (2013)





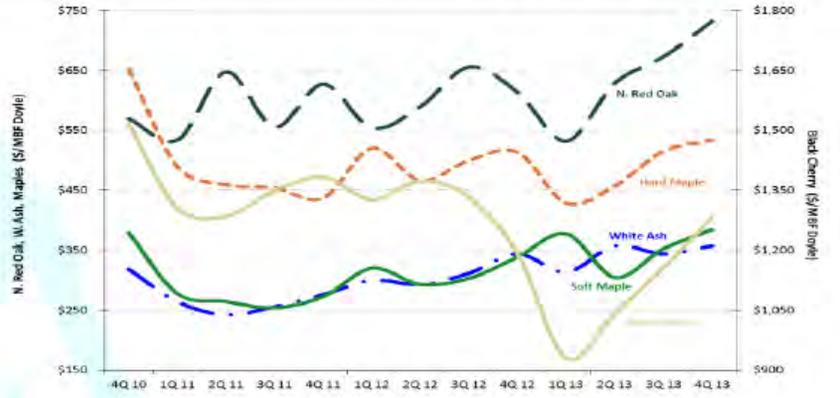
Timber (as of 1Q 2014)

Southeastern Timber Prices



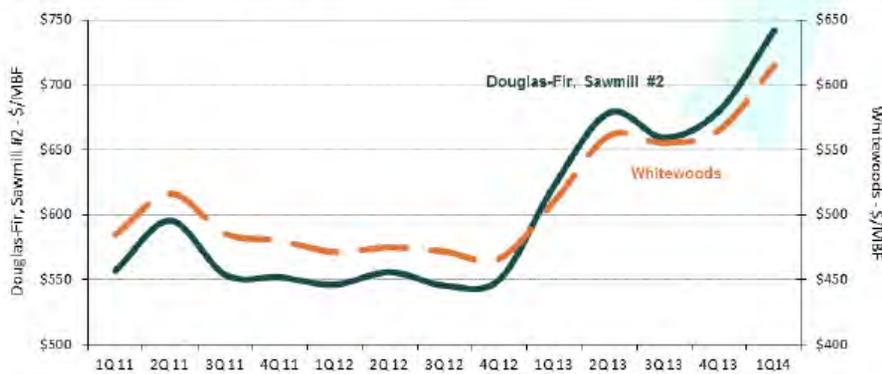
Source: Forest2Market®

Northeastern Hardwood Timber Prices



Source: Pennsylvania Woodlands Timber Market Report - Northwest Region

Pacific Northwest Timber Prices



Source: Log Lines®

Pulp and Paper



Source: FOEX Indexes, Ltd., RISI Pulp & Paper Week

Source: Forest Investment Associates



Real Assets – Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR	5-year Sharpe Ratio	5-year Info Ratio
REAL ASSETS	30.0	8.0%	13.4%	12.4%	0.8%	3.7%	\$3.4 bil	0.1	-0.6
<i>Real Assets Policy Benchmark</i>		2.2%	11.8%	10.9%	8.2%	9.1%		1.8	0.0
<i>Value Added</i>		5.8%	1.6%	1.5%	-7.4%	-5.4%			
Real Estate	25.9	8.4%	13.9%	13.9%	0.5%	3.1%	\$3.3 bil	0.0	-0.6
<i>Real Estate Policy Benchmark</i>		2.3%	12.7%	11.9%	9.9%	9.7%		1.8	0.0
<i>Value Added</i>		6.1%	1.2%	2.0%	-9.4%	-6.6%			
Forestland	2.3	1.5%	2.5%	-1.0%	-0.8%	-.-%			
<i>NCREIF Timberland Index</i>		1.6%	9.8%	6.6%	2.9%	-.-%			
<i>Value Added</i>		-0.1%	-7.3%	-7.6%	-3.7%	-.-%			
Infrastructure	1.8	11.9%	22.8%	12.0%	23.3%	-.-%			
<i>CPI + 400 BPS 1Qtr Lag</i>		2.4%	5.6%	5.9%	6.7%	-.-%			
<i>Value Added</i>		9.5%	17.2%	6.1%	16.6%	-.-%			

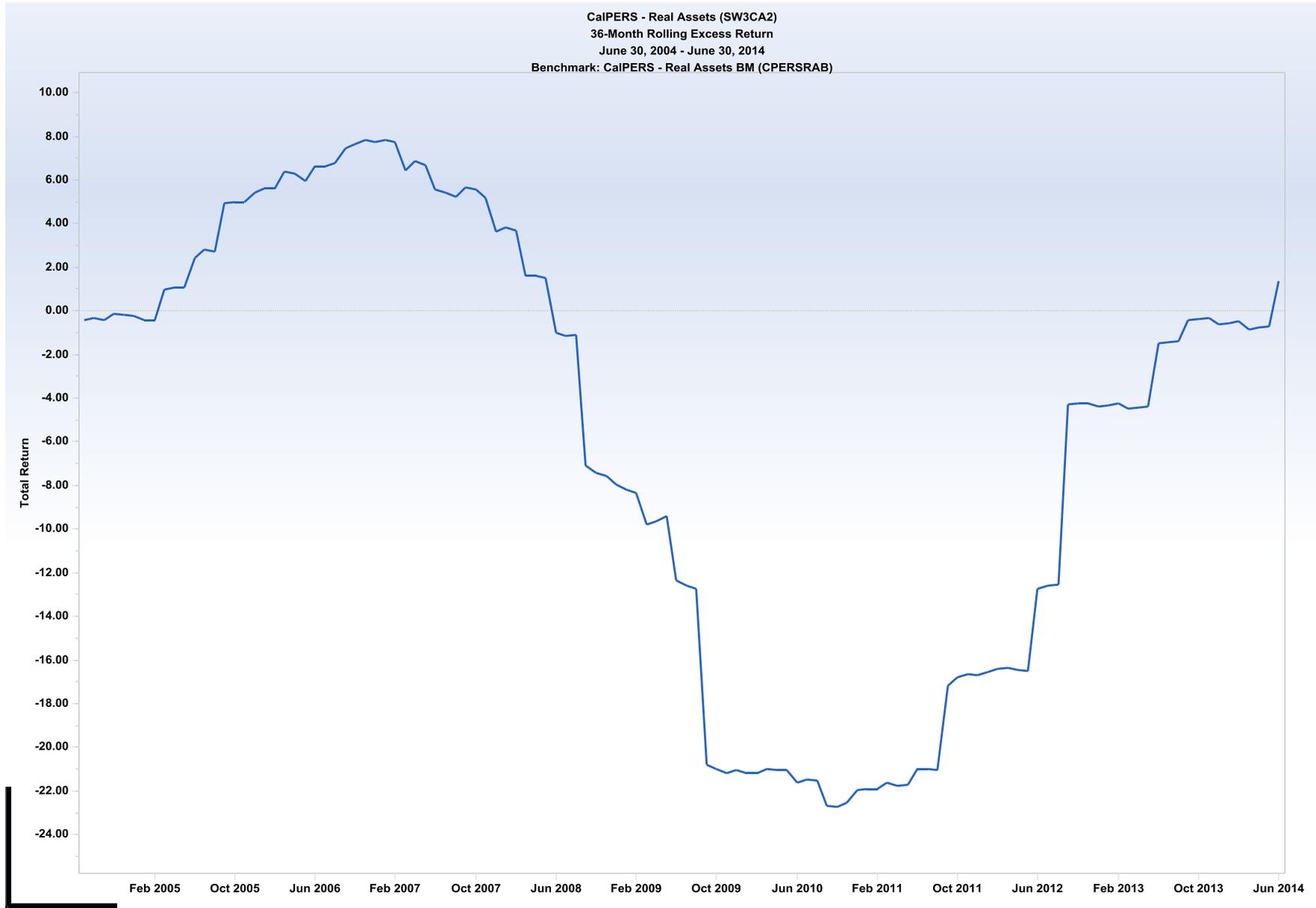


Real Estate – Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR	5-year Sharpe Ratio	5-year Info Ratio
Real Estate	25.9	8.4%	13.9%	13.9%	0.5%	3.1%	\$3.3 bil	0.0	-0.6
<i>Real Estate Policy Benchmark</i>		2.3%	12.7%	11.9%	9.9%	9.7%		1.8	0.0
<i>Value Added</i>		6.1%	1.2%	2.0%	-9.4%	-6.6%			
Strategic Real Estate	19.0	8.4%	13.7%	16.4%	9.2%	15.6%			
<i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i>		2.3%	12.7%	11.9%	9.9%	9.7%			
<i>Value Added</i>		6.1%	1.0%	4.5%	-0.7%	5.9%			
Legacy Real Estate ex Public	6.9	8.3%	14.7%	9.9%	-5.8%	-1.4%			
<i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i>		2.3%	12.7%	11.9%	9.9%	9.7%			
<i>Value Added</i>		6.0%	2.0%	-2.0%	-15.7%	-11.1%			

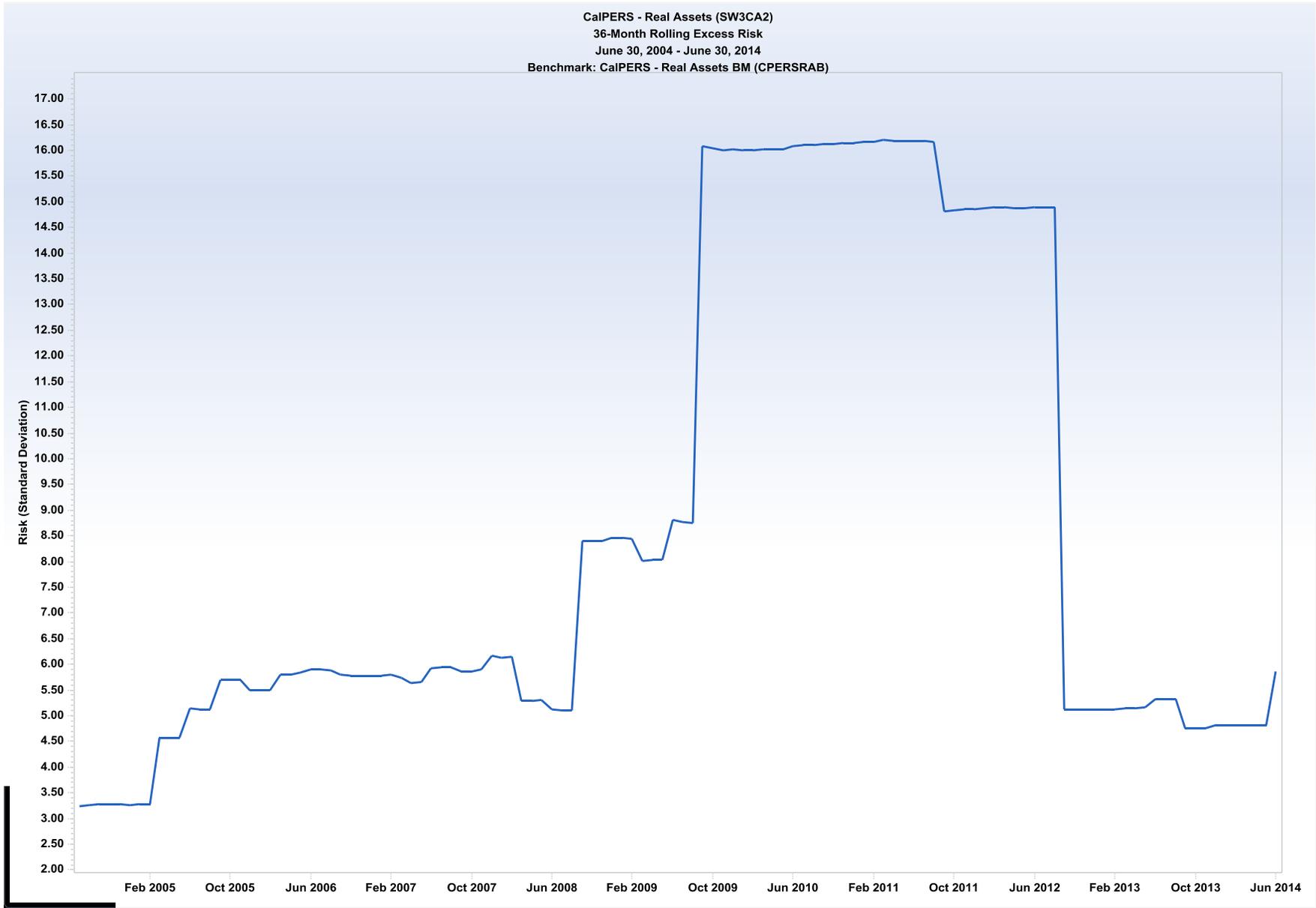


Real Assets – Rolling Excess Returns



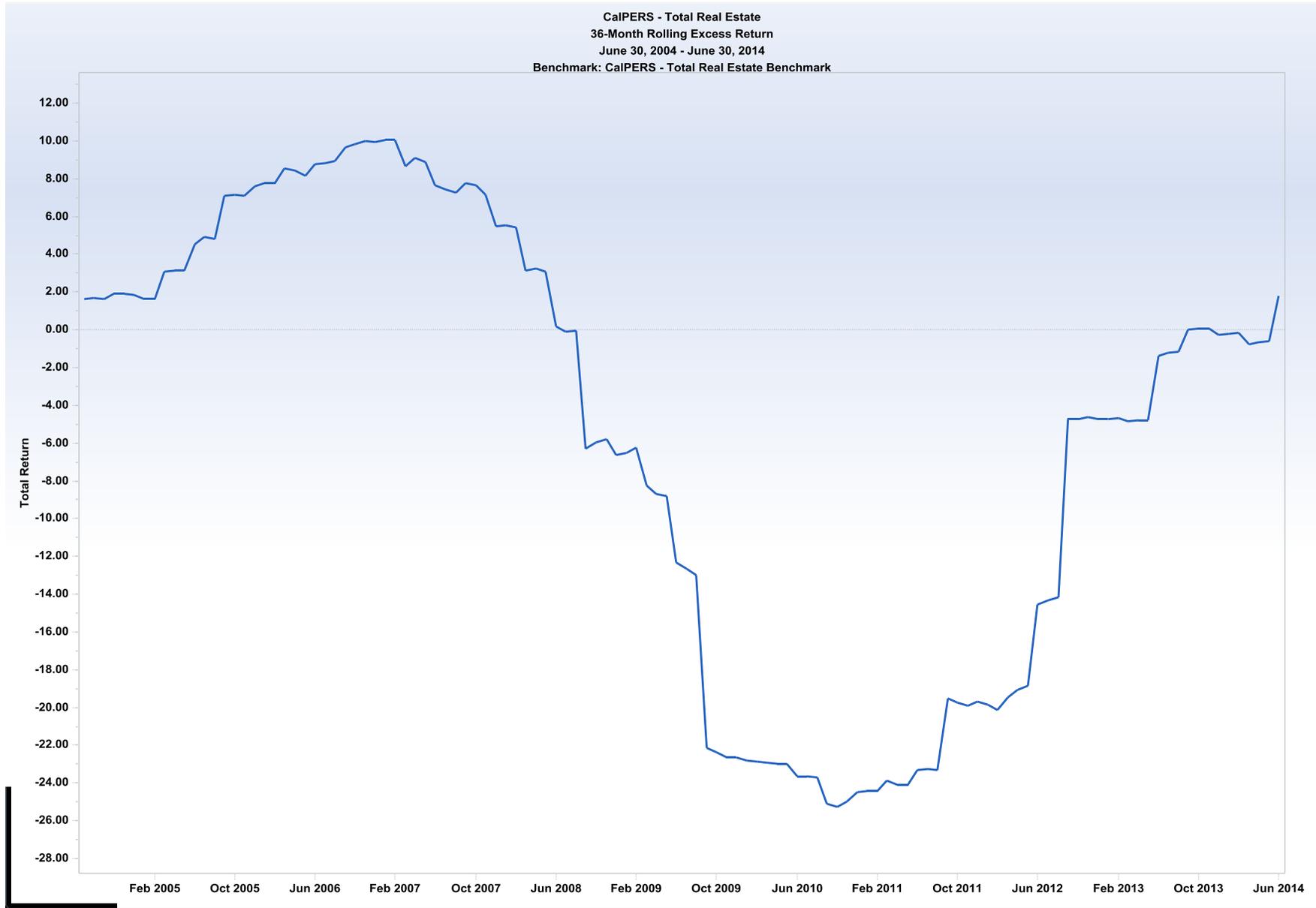


Real Assets – Rolling Tracking Error



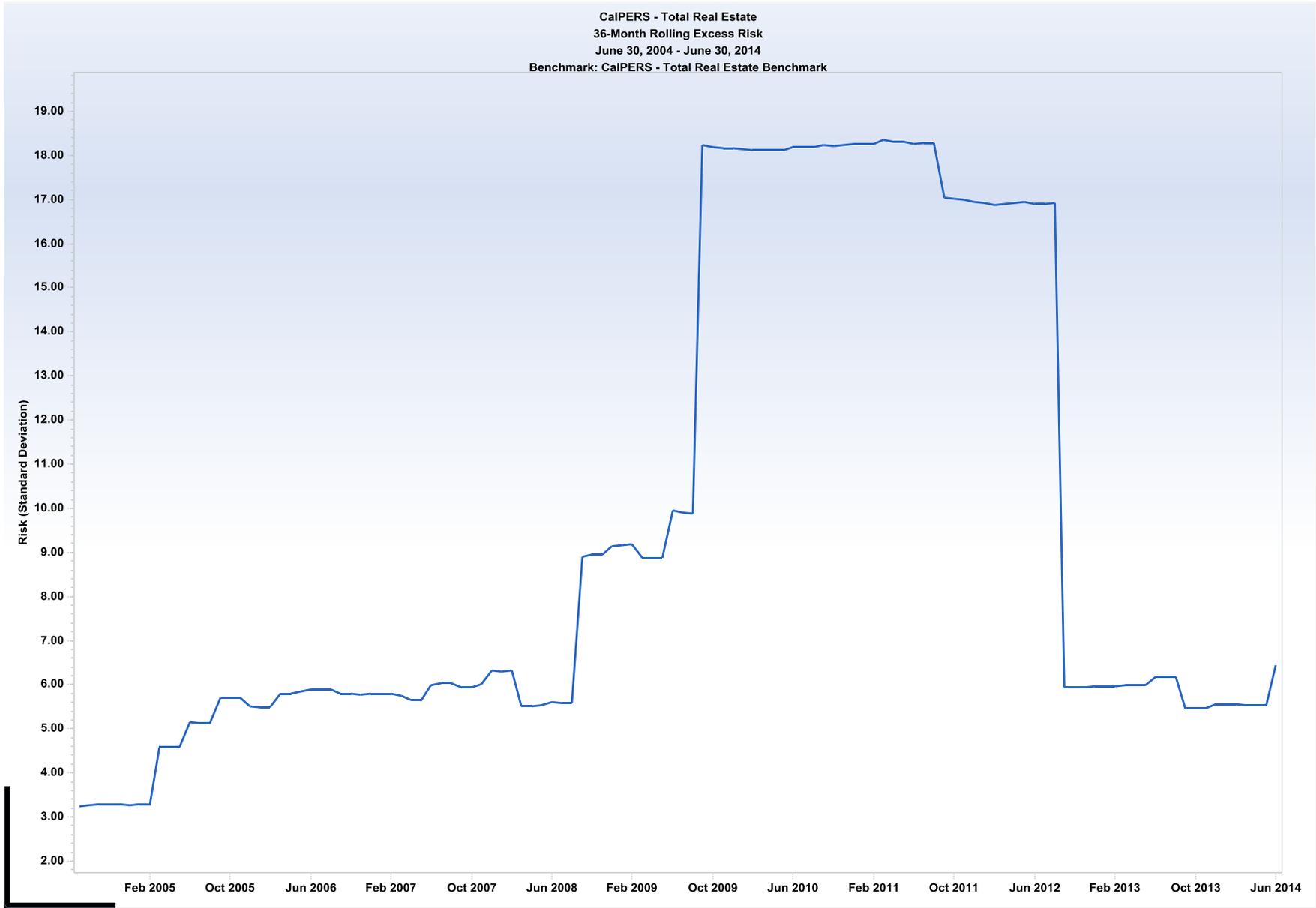


Real Estate – Rolling Excess Returns





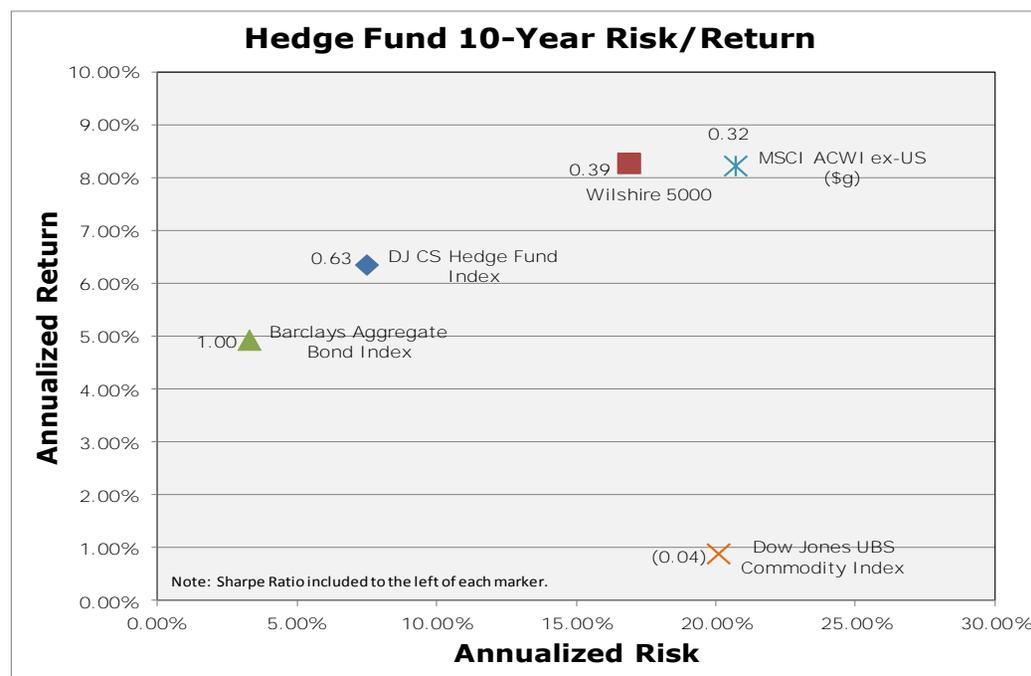
Real Estate – Rolling Tracking Error





Hedge Fund Performance

June 30, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
DJ CS Hedge Fund Index	1.9	2.8	8.8	5.2	7.8	6.4
Event Driven Index	2.8	5.7	14.1	6.6	9.3	7.8
Global Macro Index	1.6	0.9	3.9	5.0	7.5	7.9
Long/Short Equity Index	1.5	3.1	13.4	6.5	8.0	7.0
Multi-Strategy Index	0.9	2.9	10.2	7.5	9.5	6.7
Wilshire 5000	4.9	7.0	24.9	16.3	19.2	8.3
MSCI ACWI ex-US (\$g)	5.3	5.9	22.3	6.2	11.6	8.2
Barclays Aggregate Bond Index	2.0	3.9	4.4	3.7	4.9	4.9
Dow Jones UBS Commodity Index	0.1	7.1	8.2	-5.2	2.0	0.9



Data sources: Wilshire Compass



ARS – Distribution of Performance

	<u>Market</u>						<u>5-Year</u>	<u>5-Year Up</u>	<u>5-Year</u>	<u>5-Year</u>
	<u>Value</u>	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>Info</u>	<u>Capture</u>	<u>Sharpe</u>	<u>Sortino</u>
							<u>Ratio</u>	<u>Ratio</u>	<u>Ratio</u>	<u>Ratio</u>
Absolute Return Strategies	4.5	0.8%	7.1%	3.9%	5.6%	4.8%	0.0	1.0	1.6	1.4
<i>ARS Policy Benchmark</i>		1.3%	5.3%	5.3%	5.5%	7.2%				
<i>Value Added</i>		-0.5%	1.8%	-1.4%	0.1%	-2.4%				
Total Direct Investments	3.8	0.7%	7.4%	4.1%	6.5%	5.2%				
Total Funds of Funds	0.8	1.4%	7.2%	3.9%	3.5%					
HFRI Fund of Funds Index		1.6%	7.7%	3.3%	4.3%	3.4%				



ARS – Histogram of Monthly Returns

