

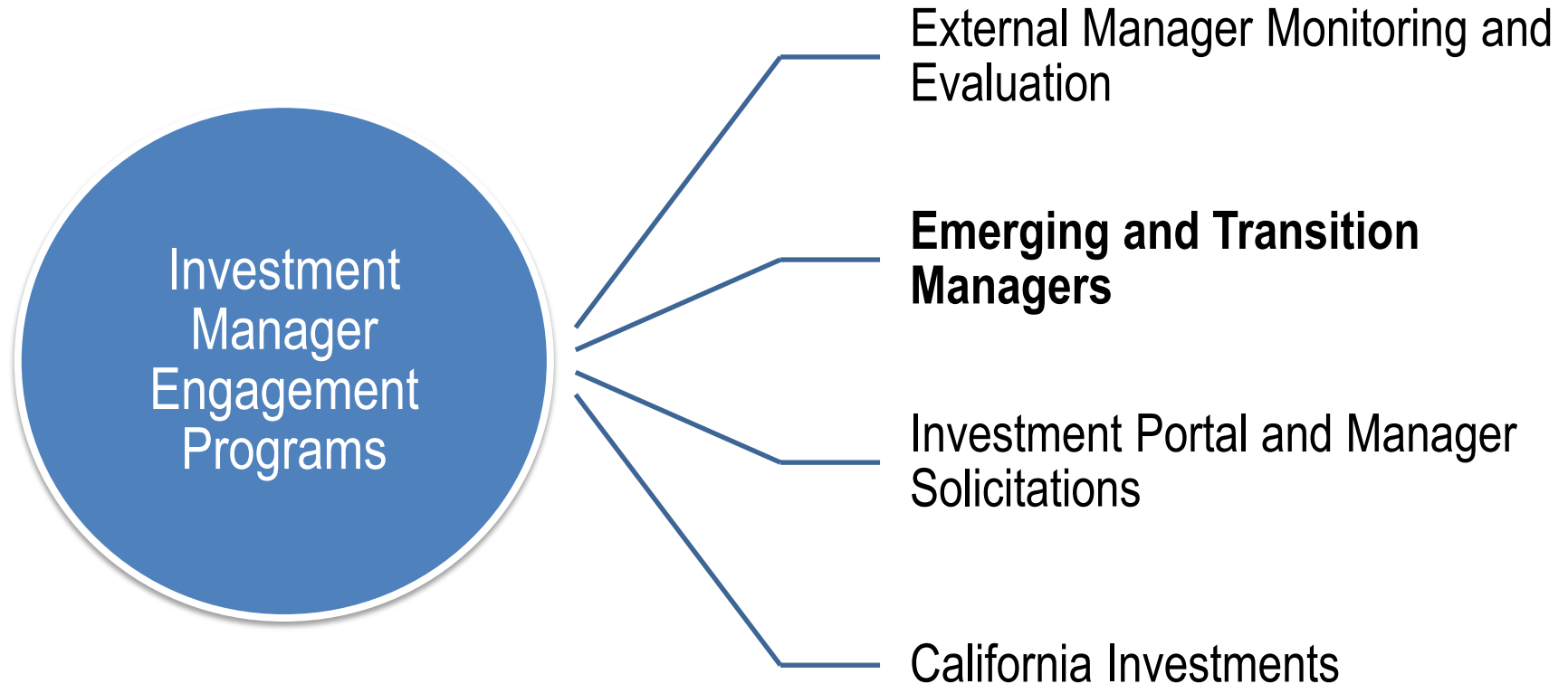
Emerging Manager Five-Year Plan Update

Investment Manager Engagement Programs

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Investment Manager Engagement Programs Functions



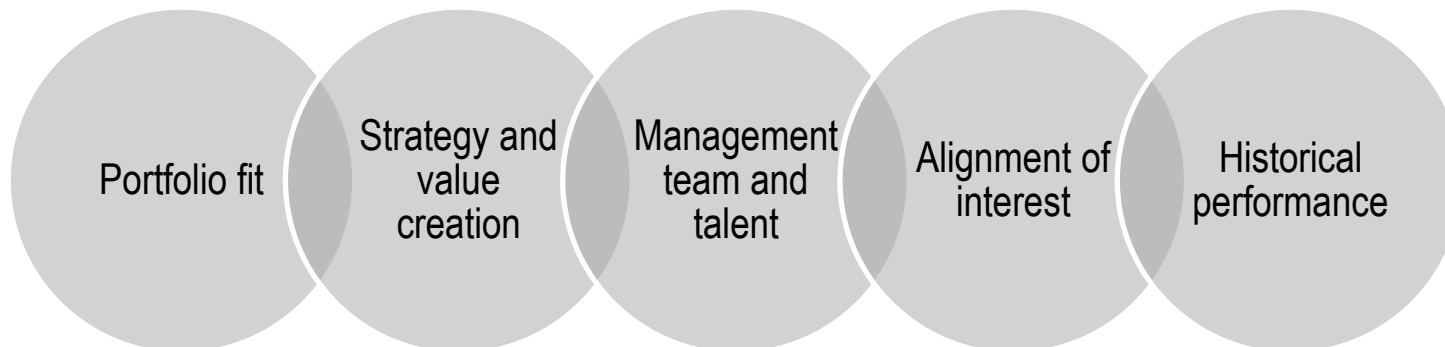
2012 Emerging Manager Five-Year Plan

- The Emerging Manager Five-Year Plan concluded June 30, 2017
- All ten objectives have been met, including:
 - Restructure of the Global Equity Emerging Manager Program
 - Established new Transition Manager Programs
 - Established criteria for deployment of capital to Emerging & Transition Manager Programs
- Strategic programs have \$4B of NAV and 45 emerging managers, of which 22 are women and minority-owned, with plans to expand size and scope
- The Emerging and Transition Manager 2020 Plan continues the framework and builds on the success of the initial Emerging Manager Five-Year Plan
- The 2020 Plan extends from July 1, 2017 to June 30, 2020

Transition Manager Program Highlights

- Objectives:
 - Generate appropriate risk-adjusted returns while meeting strategic investment needs
 - Provide a path of growth and opportunity for emerging managers to compete for entry into our pool of larger established managers

General Evaluation Criteria



Transition Manager Solicitation

- New commitments are planned to transition managers through 2020
- 3 participating asset classes: Global Equity, Private Equity and Real Estate
- Solicitations for Global Equity and Private Equity opened in July 2017
- Proposals have been received and are being evaluated

Emerging, Transition, and Diverse Manager Day

Demonstrates CalPERS leadership, and its ongoing commitment to emerging and transition manager communities

Exposes CalPERS to new and interesting strategies and talent from the marketplace

Opportunity to convene emerging manager advisors, and to monitor and observe them in action

- Hosted 4th annual Emerging, Transition, and Diverse Manager Day on October 3, 2017
- Three participating asset classes: Global Equity, Private Equity, and Real Assets
- 52 emerging and transition managers attended
- The event was viewed as a success by asset classes, advisors, and external managers

Recent Highlights

- Real Assets expanded its emerging manager program allocating \$350 million of additional capital and expanding permissible property types and geographical regions. The program has received \$1B of commitments since its inception in 2012.
- A manager from Global Equity's Emerging Manager Program progressed into the traditional manager program and is now a model provider. The manager received a \$1 billion mandate, and CalPERS is now able to efficiently implement the portfolio at a very attractive fee structure.
- Private Equity committed \$75 million to Valor Equity Partners, its third transition manager.

Looking Forward

Finalize Transition Manager solicitation process

Assess Emerging and Transition Programs in
Global Equity and Private Equity

Solicitation for Emerging Manager Advisor
mandate

Implement Emerging and Transition Manager
2020 Plan

Appendix

Emerging and Transition Manager 2020 Plan

Portfolio Management

1. Manage, Track, and Report Emerging and Transition Manager Performance, Capital Deployment, Exposure and Cost
2. Administer Two Solicitations for Transition Managers
3. Integrate Emerging and Transition Manager Programs and Outcomes
4. Conduct a Comprehensive Review of Emerging and Transition Manager Programs and Outcomes

External Outreach

1. Engage and Participate in Stakeholder Events
2. Communicate and Foster Relationships with Emerging and Transition Managers and Stakeholders

Emerging Manager Program Summary

	Global Equity	Private Equity	Real Assets
Strategic Business Model	(5) Advisors + Emerging Managers	(1) Fund of Funds	(1) Mentoring Manager / Separate Account
Investment Strategy	Long Only - Publicly Traded Securities	Buyout Growth and Distress for Control	Value-Add, Opportunistic, Commercial and Urban California
Length of Track Record	No Requirement	First or Second Institutional Fund	First, Second, or Third Separate Account or Institutional Fund
Firm AUM	< \$2 billion	No Requirement	<\$1 billion
Total Emerging Manager NAV	\$3.2 billion	\$4.4 billion (\$89M - Domestic Emerging Manager I & II)	\$0.6 billion (\$322M - Canyon Catalyst)
Total Number of Emerging Managers	22	222 (21 - Domestic Emerging Manager I & II)	9 (5 - Canyon Catalyst)

*As of June 30, 2017

Transition Manager Program Parameters

	Global Equity	Private Equity	Real Assets
Investment Strategy	Publicly Traded Equity Securities	Buyout and Growth Equity	TBD
Minimum Qualifications	\$2-15 billion AUM	Over \$1 billion AUM and \$1 billion Fundraised	Over \$1 billion
Length of Track Record	3-Year live track record	Third, fourth, fifth & sixth institutional fund	Fourth, fifth, and sixth institutional fund
Geographic Focus	Global, Global ex US, International Developed	Domestic focus	TBD
Exclusions	Frontier Markets	Venture Capital and Debt strategies	TBD
Estimated Commitment	~\$500 million	Min. \$100 million	Up to \$2 billion