

# The Essentials of a Successful Emerging Manager Program

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## Current State of the Program (as of March 31, 2019)

	Global Equity	Private Equity	Real Assets
Business Model	Advisors	Advisor / Fund of Funds	Mentoring Manager / Separate Account
Investment Strategy	Long Only Publicly Traded Securities	Buyout, Growth, and Distressed for Control	Value-add, Opportunistic, and Commercial Real Estate
Firm AUM	< \$2B	No Requirement	< \$1B
Length of Track Record	No Requirement	1 <sup>st</sup> , 2 <sup>nd</sup> , or 3 <sup>rd</sup> Institutional Fund	1 <sup>st</sup> , 2 <sup>nd</sup> , or 3 <sup>rd</sup> Separate Account or Institutional Fund
Geographic Focus	No Requirement	Domestic US	Urban California, Seattle, Portland, Phoenix
Total NAV	\$3.38B	\$3.35B*	\$0.35B
Total Number of EM	21	144*	6

\*Includes 1st and 2nd Institutional Funds that were not explicit emerging manager program investments

# Benefits of Emerging Manager Programs

- Access unique investment opportunities with niche strategies
- Cultivate the next generation of investment manager talent
- Nimble decision making process
- High employee ownership
- Agility to manage portfolio with low market impact
- Focus on a single strategy
- Lower fees for founder class investors

# Challenges of Emerging Manager Programs

- Scalability
- Industry trend towards passive investment
- Veracity of track records
- Double layer of fees with fund of fund structure
- Large universe of managers
- Operational and reputational risks

# Performance Summary (as of March 31, 2019)

Program	Inception Date <sup>2</sup>	Current Market Value	Net Returns <sup>1</sup>					Excess Performance vs Benchmark				
			1 Year	3 Year	5 Year	10 Year	Since Inception <sup>2</sup>	% Annualized				
								1 Year	3 Year	5 Year	10 Year	Since Inception <sup>2</sup>
Global Equity <sup>3</sup>	June 2000	3,383,827,979	-4.5%	8.8%	4.4%	11.4%	4.3%	-3.9%	-1.6%	-1.5%	-0.9%	-1.0%
Private Equity <sup>4</sup>	Sept 2007	556,406,540	13.6%	8.2%	10.1%	9.9%	6.7%	6.3%	-3.2%	0.3%	-2.1%	-2.6%
Real Estate	Sept 2013	352,869,361	10.3%	15.5%	19.0%	NA	16.0%	2.9%	8.2%	9.6%	NA	5.7%
<b>Total EM Program</b>		<b>4,293,103,880</b>										

*Program Benchmarks:*

*Global Equity: Asset weighted benchmark of the managers/strategies*

*Private Equity: Private Equity program return*

*Real Estate: Real Estate program benchmark*

<sup>1</sup> Returns are net of all management fees and expenses

<sup>2</sup> Inception Dates correspond to the current Emerging Manager Programs

<sup>3</sup> Does not include equity investments in external managers

<sup>4</sup> Market value and performance does not include 1st and 2nd Institutional Funds that were not explicit emerging manager program investments

# Emerging Manager Program Oversight Migration

- Reporting line moves from COIO to MID of a total fund group
- Shift from three independently run emerging manager strategies to one comprehensive decision making framework
- Better alignment with a total fund culture
- Bring more focus to the emerging manager program
- No change as the primary contact for external stakeholders

# Appendix #1

## CalPERS Emerging Manager Advisors

## Appendix 1: Emerging Manager Advisors

CalPERS utilizes advisors to identify, perform due diligence, select, monitor emerging managers, and advise on business development

Global Equity:	Fiduciary Investment Solutions, Inc. (FIS) Leading Edge Investment Advisors (LEIA) Legato Capital Management Progress Investment Management Strategic Investment Group
Private Equity:	Grosvenor Customized Fund Investment Group (GCM)
Real Assets:	Canyon Partners Real Estate



## Appendix #2

# Canyon Partners Overview

# Canyon Overview<sup>1</sup>

## Canyon Partners

1990

Firm Inception

~\$26.2B

Assets Under Management <sup>(1)</sup>

4

Product Platforms

245

Employees Worldwide <sup>(1)</sup>

## Canyon Partners Real Estate

1991

Platform Inception

~\$4.6B

Capital Invested in Real Estate  
Investments over Past 10 Years

170+

Real Estate Transactions over  
Past 10 Years

28

Real Estate Investment  
Professionals

## Canyon Catalyst Fund

2012

Platform Inception

~\$1B

Cumulative Capital Commitments

34

Investments

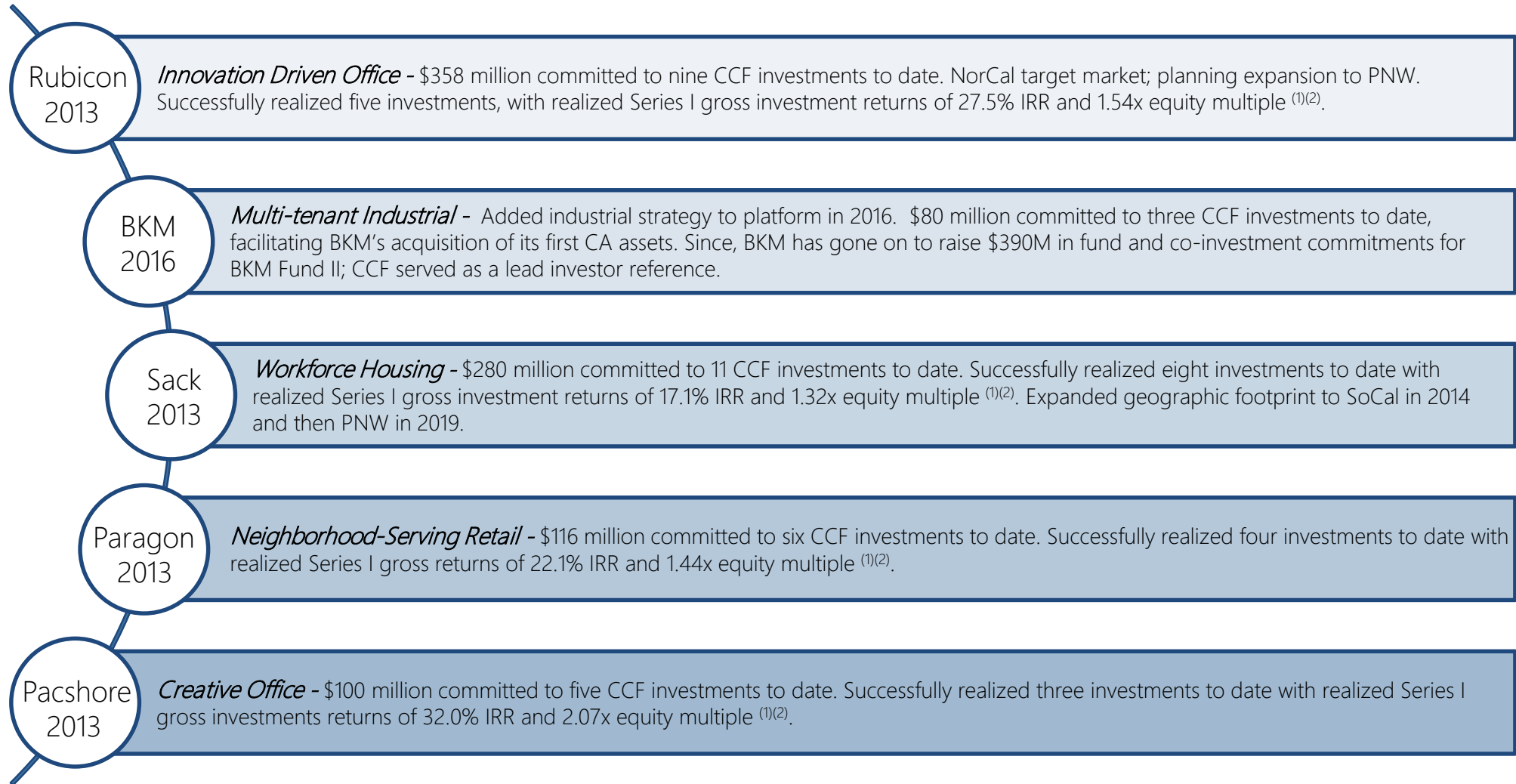
5

Emerging Managers

<sup>1</sup> Assets Under Management ("AUM") and employees include Canyon's affiliates and are based on Canyon's estimates as of 5/1/2019 and include redemptions and subscriptions associated with the 4/30/2019-5/1/2019 dealing date, respectively. AUM is inclusive of capital commitments through 5/15/2019. CPRE's investment history portrayed is inclusive of debt and equity investments. Data presented reflects investments closed over the trailing 10 year period through 5/15/2019 across all CPRE platforms. Please see Appendix A: Important Disclosures & Risk Factors.

# CCF EM Highlights

Targeting value add returns, CCF seeks to assemble a portfolio of diversified real estate investments by programmatically partnering with high performing emerging managers with specific product type expertise within a mentoring framework – ultimately seeking to facilitate scale and investment management expertise in a disciplined ecosystem.



<sup>1</sup> Returns as of 3/31/2019. No single fund or investment achieved such results and there can be no assurance that comparable results will be achieved in any fund in the future. Please see Appendix A: Important Disclosures & Risk Factors.

<sup>2</sup> Please see footnote A in Appendix A.

## Appendix #3

# Legato Capital Management Overview

# Legato Capital Management, LLC – Firm Overview

## Asset Management (Manager-of-Managers)

Founded 2004, 100% Employee-Owned, Minority Certified Business Enterprise  
CalPERS Manager Development Program II and Global Equity Emerging Manager Program



### FOCUS

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Manager Sourcing and Development  
Portfolio Construction  
Emerging Manager Program Architecture



### DELIVERABLES

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Competitive Risk-Adjusted Performance  
Investment Strategy and Insights  
Partnership



### DIFFERENTIATORS

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Conviction Ranking Construction Framework  
Transparency  
Introspection

# Program and Managers: Common Success Drivers



Commitment to  
Continuous Improvement



Introspection



Alignment of Philosophical  
and Financial Interests



Ability to Amplify  
Unique Attributes



Long-Term  
Investment Horizon



Focus



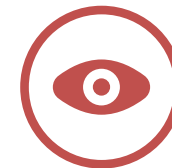
Thought Leadership



Clear Objectives  
and Roles



High Value on  
Institutional Memory



Vision

# Appendix #4

## Arrowstreet Capital Overview

# Arrowstreet Capital



## Global Equities Manager

Founded 1999: CalPERS Manager Development Program



## Performance Driven

Sustained Investment Excellence  
Commitment to Research and Innovation



## Client Focused

Sustained Fiduciary Excellence  
Aligned Interests



## Private Independent Partnership

A Strategic Vision  
Colleagues with Shared Values Working Together



# Emerging Manager

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**Defining *Sustained Success*:** Active Investor, Aligned Fiduciary and Asset Manager

**Investments:** Philosophy, Comparative Advantage and Performance

**Operating Capabilities:** Functional Expertise, Processes, Technology and Policies

**Defense:** Focus and Discipline

**People:** Motivation, Values, Vision and Culture