March 18, 2024

Conclusion

For all periods, the Infrastructure Portfolio is performing at or above expectations for the asset class and its still predominantly Core risk-return profile. Recent absolute performance is slightly up, while recent relative performance is very strong compared to a struggling benchmark with 100% underlying assets in real estate. Additionally, for all trailing periods the Portfolio is very close to or exceeding CalPERS' CMA for Real Assets, and beating CPI. As noted in prior reporting, it is likely that as the Portfolio continues to increase in scale with new commitments, near-term returns could be suppressed due to the J-curve effect.

The Portfolio's development and its current position remains appropriate and consistent with applicable policies and guidelines, with one exception as noted previously and below:

→ *Risk*—Exposures are within the classification policy ranges, with the exception of the NAV Exposure to Value Add infrastructure at 27.0%, compared to a limit of 25.0%;

→ *Geography*—Exposures are within the categorical ranges;

→ *Partner Relationships and Direct Investments*—Exposures are well below the maximums allowed; and

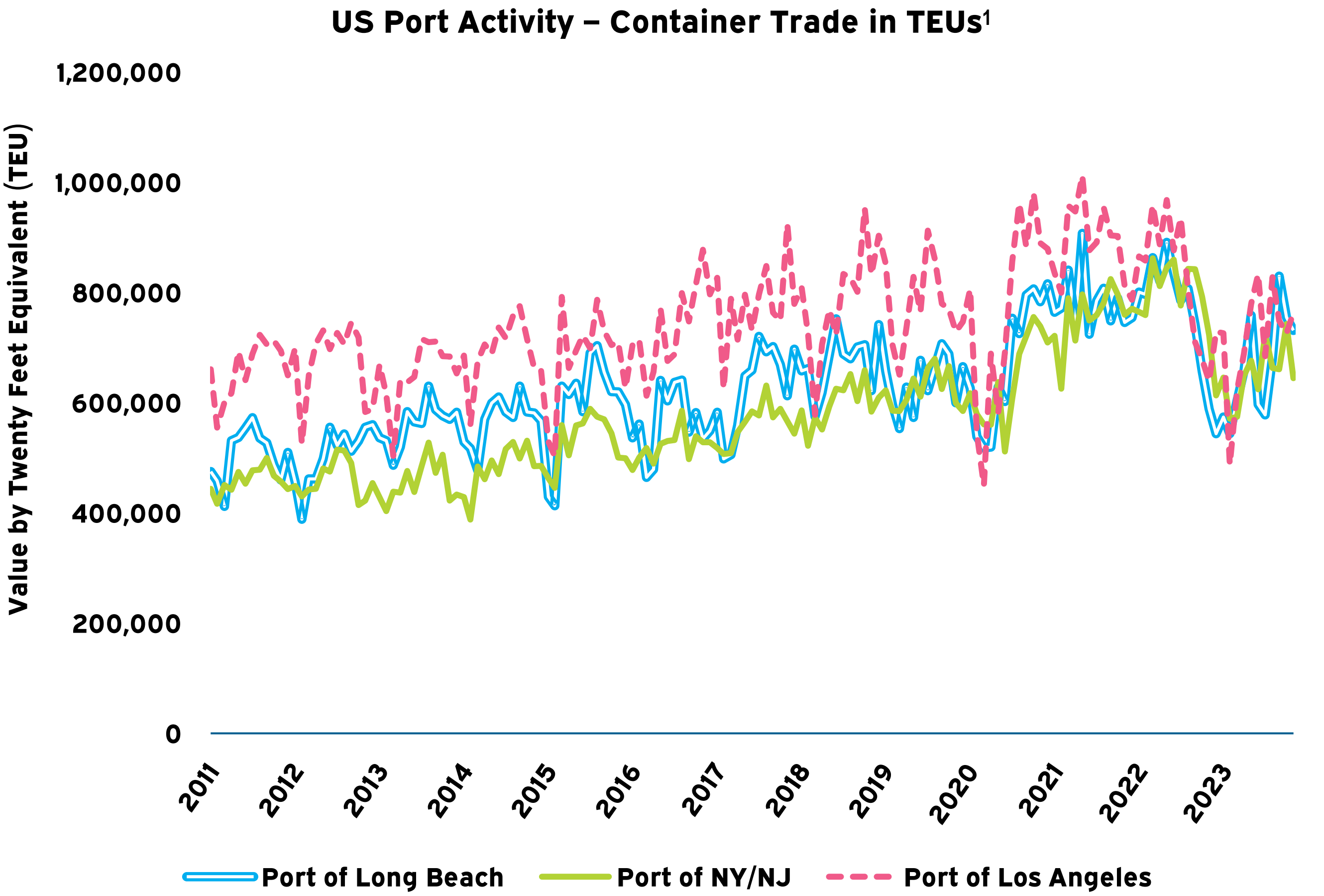
→ *Leverage*—Metrics are comfortably compliant.

The Portfolio continues to grow consistent with the Real Assets Strategic Plan, now comprising 22.4% of the Real Assets Program and 3.1% of the Total Fund, compared to 20.8% and 3.2%, respectively, as at six months ago. A meaningful amount of this growth is coming from new investments in Value Add infrastructure as recent commitments to new managers in this risk classification deploy CalPERS' capital. A slight excursion above the NAV limit for Value Add is noted and briefly discussed, along with a reference to Staff's proposed policy change and our endorsement thereof in Item 7 for this meeting. With thoughtful allocations to new and existing managers, and greater reliance on separate accounts and co-investment vehicles, Staff is expanding the opportunity set that CalPERS can access and taking advantage of its scale in fee negotiations. Meketa believes the Portfolio's continued evolution is consistent with the Strategic Plan and CalPERS' Investment Beliefs.

Please do not hesitate to contact us if you have questions or require additional information.

SPM/EFB/jls

March 18, 2024



The chart presents the top three US ports by container volume, as measured by twenty-foot equivalent units ("TEU"). Activity at the three ports provides a high level representation of the volume at US ports more broadly.

During the third quarter, volumes at the three ports decreased by 0.8 million units relative to the same period in 2022. On a year-over-year basis, the combined port volumes decreased by 4.7 million TEUs, or -16%, over the prior 12-month period. The Port of Long Beach recorded a decrease of 16.0% (1.5 million TEUs), the Port of NY/NJ reported a decrease of 19.3% (1.9 million TEU), and the Port of Los Angeles recorded a decrease of 13.6% (1.4 million TEUs) over the prior 12 months.

[1] Source: polb.com, www.panynj.gov, and www.portoflosangeles.org.