

Emerging Manager Program Update

Private Equity

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CalPERS Private Equity Program Overview



(\$ in billions)

Net Asset Value	Unfunded	1-Year Return %	3-Year Return %	5-Year Return %	10-Year Return %
\$30.59	\$12.77	19.09	14.52	11.39	13.18

Program Role: Private equity allocations are a means of enhancing equity returns through a value-added approach to investment management of a diverse set of portfolio companies and to capture the illiquidity premium. The major driver for returns is appreciation, with negligible cash yield.

As of December 31, 2013

Private Equity Market Overview

More competition in the industry



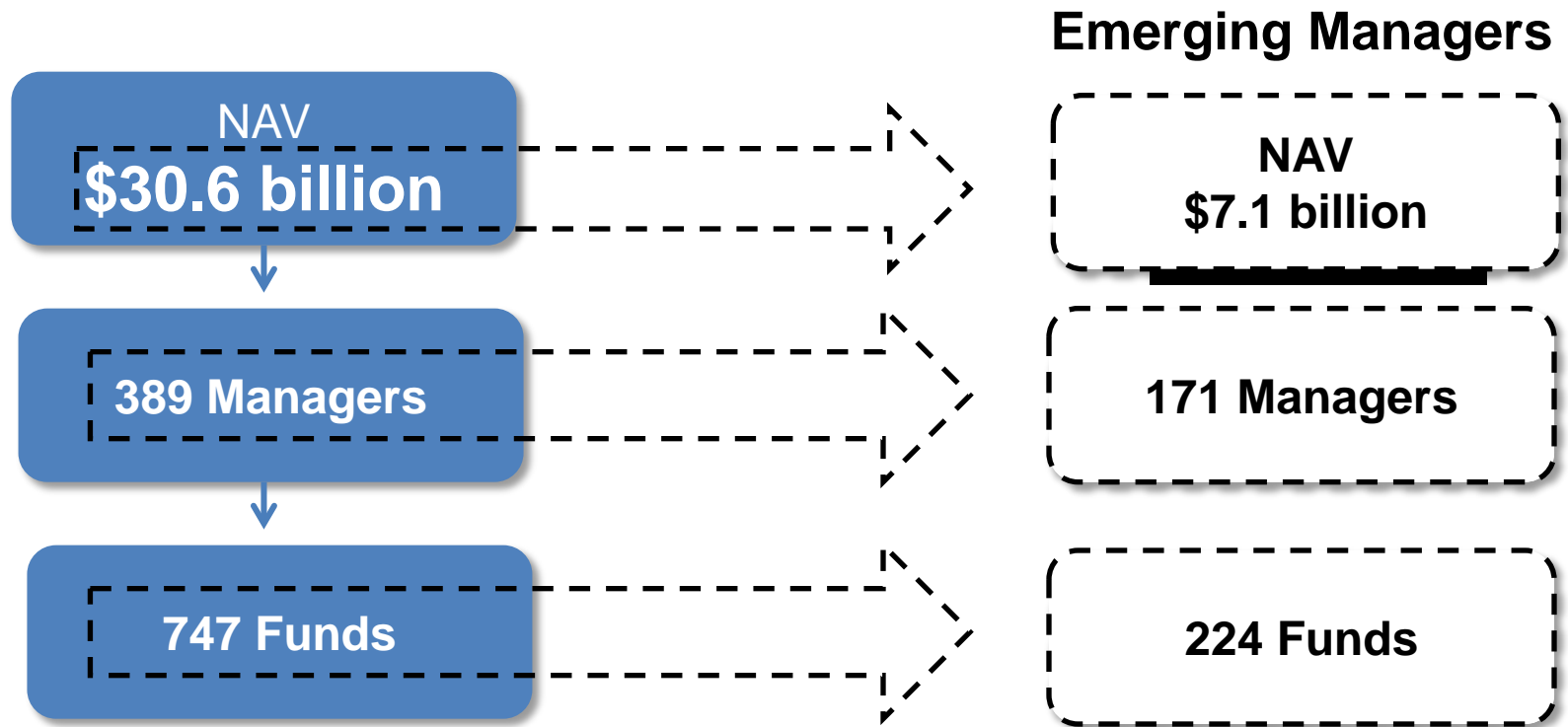
More efficiencies in the market make it more difficult to generate alpha

Maturing of the industry will likely lead to a new generation of managers

*Source: Preqin

CalPERS Private Equity Portfolio Overview

- Overly diversified portfolio






Performance

Net IRR as of 6/30/13

	Net Asset Value	Since Inception
Private Equity Emerging Managers	\$6.6 B	9.58%
Private Equity Non-Emerging	\$25.6 B	11.26%
Private Equity Total	\$32.3 B	10.75%

CalPERS Private Equity Emerging Manager Strategy

-  Allocate \$200 million to a fund of funds focused on high potential Emerging Manager funds
-  Selectively invest directly in larger Emerging Manager funds or fund of funds graduates directly
-  Continue to follow PE best practices identified in the Cambridge Review when considering Emerging Manager investments including:
 - Prior relevant investing experience
 - Attractive investment thesis and a clearly articulated strategy
 - Team dynamics