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MEMORANDUM

TO: Members of the Investment Committee, CalPERS
FROM: Meketa Investment Group
DATE: June 16, 2025
RE: Annual Program Review, inclusive of Quarterly Private Equity Performance Review, as of March 31, 2025

In our role as the Board Private Equity Consultant, Meketa Investment Group ("Meketa") conducted an annual performance review of the Private Equity Portfolio ("the Portfolio") for the period ended March 31, 2025[1] based on data provided by State Street and selected reports from Staff. This memorandum provides the Portfolio performance data and information on key policy parameters, along with observations on staff activities and resources during the time-period.

Performance

Similar to the prior report, Private Equity showed strong absolute returns for the one-year period ending March 31, 2025. However, the performance of the Portfolio continued to trail the Policy Benchmark over the one-year period, although the spread significantly decreased relative to the prior quarter report. Performance of the Portfolio across the longer time periods shown below has generally been in line with the Policy Benchmark, while significantly exceeding CalPERS' long-term return expectations for the asset class.

Private Equity Performance as of March 31, 2025[1]

	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
CalPERS PE Portfolio[2]	11.3	5.3	12.8	11.3
Policy Benchmark[3]	*18.8*	*7.0*	*11.9*	*11.8*
FTSE Global All Cap + 150 bp[4]	*18.8*	*7.0*	*11.9*	*11.2*
Excess vs. Policy Benchmark	↓ -7.5	↓ -1.7	↑ 0.9	↓ -0.5
Excess vs. FTSE Global All Cap + 150 bps	↓ -7.5	↓ -1.7	↑ 0.9	↑ 0.1

[1] State Street's CalPERS Private Equity performance analysis for the period ended March 31, 2025, reported with a 1-quarter lag.
[2] Source: State Street. CalPERS returns are reported as time-weighted.
[3] The current Policy Benchmark is a Custom FTSE Global All Cap ex-Tobacco Net of Tax Index + 150 basis points, lagged by one quarter. Previous benchmark was blend FTSE US + FTSE AW ex US + 3% lagged 1 quarter from September 2011 to June 2018.
[4] Figures are one quarter lagged, time weighted. FTSE Global All Cap returns are based on the FTSE Global All Cap Net of Tax (US RIC) Index + 150 basis points through March 2015, and thereafter on the FTSE Global All Cap ex-Tobacco Net of Tax Index + 150 basis points.

As we have noted in prior reports, private equity performance is reported with a significant delay compared to publicly traded assets. As such, the Portfolio and the Policy Benchmark performance as of March 31, 2025 are each reported with a one-quarter lag (i.e., values through December 31, 2024). Additionally, private equity asset values tend to be less volatile, both in up as well as down markets, compared to publicly traded asset values. In other words, private equity assets tend to fall less in declining public equity markets and increase more slowly in rapidly rising public equity markets.

The Portfolio's NAV as of March 31, 2025 was $92.2 billion, an increase of $8.9 billion (net of cash flows) compared to the March 31, 2024 NAV of $72.6 billion. The current NAV represents 17.5% of the Total Fund, slightly above the 17% long-term target. As we noted above, the Portfolio's NAV is calculated based upon December 31, 2024 values, while the overall CalPERS portfolio includes publicly traded assets valued as of March 31, 2025.

Performance by Strategy[1]

	NAV ($M)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
Buyouts	62,549	12.2	7.1	13.6	12.5
Credit	840	0.6	1.6	5.9	2.8
Growth/Expansion	22,781	10.2	0.5	12.6	12.0
Opportunistic	3,483	6.4	3.4	11.1	12.4
Venture	2,489	14.7	-8.7	8.2	5.5
Other[2]	37	NA	NA	NA	NA
CalPERS PE Portfolio	**92,177**	**11.3**	**5.3**	**12.8**	**11.3**

The total Portfolio's one-year performance was slightly higher than at the same time last year (11.3% vs. 10.1% previously), despite the Portfolio performing below the public benchmarks. The table above highlights that Buyout strategies are a key return driver for the Portfolio, representing approximately 68% of the NAV and providing attractive returns overall, both recently and over longer time periods. Venture experienced the largest increase in trailing one-year performance since our March 2024 report, with the trailing one-year return increasing 16.8% (-2.1% to 14.7%). Although much improved from last year, Venture is a small portion of the Portfolio at 2.7% of NAV. Credit and Opportunistic strategies generated lower one-year returns compared to the trailing one-year period as of March 31, 2024, with Credit representing the largest decline in performance, producing less than a 1.0% return over the last twelve months.

[1] Source: State Street. All trailing returns included in this report are time-weighted.
[2] Includes currency and stock holdings.

One Year Relative Performance[1]	Relatively Stronger	Relatively Weaker
Strategy	Venture Capital	Credit, Opportunistic
Structure	CIA[2], Co-Invest/Direct	Fund of Funds/Secondaries, Funds
Geography	--	Emerging Markets
Vintages	2006, 2011, 2017, 2022, 2023	2007 – 2010, 2012 – 2016

The table above outlines areas of stronger or weaker relative performance of the Portfolio during the trailing one-year time period. Areas where performance was near the average or not meaningful are not included in the table above.

Performance by Structure[3]

	NAV ($M)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
Customized Investment Accounts	39,494	15.0	8.3	13.8	11.9
Co-Investments / Direct	8,092	13.2	7.8	10.9	11.3
Fund of Funds / Secondaries	1,301	3.3	1.9	8.6	7.5
Funds	43,254	8.6	3.6	12.3	11.3
Other[4]	37	NA	NA	NA	NA
CalPERS PE Portfolio	**92,177**	**11.3**	**5.3**	**12.8**	**11.3**

The Portfolio's performance over the last year has been driven primarily by Funds and CIAs, the two largest exposures by structure, while Co-Investments/Direct Investments generated strong returns for the trailing one-year period and added to overall performance. The Fund of Funds portfolio has underperformed across all time periods, in part due to their higher fee loads.

1 Source: State Street. All trailing returns included in this report are time-weighted.
2 Customized Investment Account.
3 Source: State Street. All trailing returns included in this report are time-weighted.
4 Includes currency and stock holdings.

Performance by Geography[1]

	NAV ($M)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
United States	70,723	11.8	5.9	13.5	11.0
Developed International	19,796	11.6	5.3	13.3	15.9
Emerging Markets	1,622	-6.0	-7.8	-0.3	3.9
Other[2]	37	NA	NA	NA	NA
CalPERS PE Portfolio	**92,177**	**11.3**	**5.3**	**12.8**	**11.3**

While the Portfolio has been primarily driven by the US investments, which also represented the highest returns of any geography over the trailing one-year period, Developed International investments (primarily in Europe) have been a strong contributor to returns over time. Emerging Markets performance still significantly trails other geographies across all time periods with longer term underperformance in Emerging Markets partially impacted by the prior use of fund of funds (with comparatively high fees) initially used to gain exposure to the region.

Implementation

For the trailing 12 months ending March 31, 2025, Staff completed an aggregate of $19.6 billion of new commitments, which includes $12.0 billion of funded co-investments. During this time, Staff completed 50 new fund commitments and five fund-like CIAs. Overall, during the 12 months ending March 31, 2025, Staff deployed approximately 61% of the capital in no- or low-fee investment vehicles. From a strategy perspective, Staff has continued to add exposure to Growth/Expansion and Venture to complement the existing exposure in Large and Mega Buyouts.

As part of a comprehensive update, the Board approved several policy changes that provided Staff with additional flexibility to meet the private equity allocation target. These included: increasing delegated authority limits; expanding the range of co-investment sources; modifying the use of PPOs in co-investments; raising the limits on the percent ownership stake CalPERS can take in certain vehicles; and adjusting the private equity strategy ranges and long-term targets. These changes are being utilized to expand the investment opportunity set for CalPERS.

Since Board approval, we have been monitoring the impact of these policy changes and we note that some investments were executed in compliance with the updated policy that represented expansion of authority from the prior policy. We do not have material concerns about any of the investments or the expansion of policy limits that were utilized to consummate these investments.

[1] Source: State Street.
[2] Includes currency and stock holdings.

June 16, 2025

Key Policy Parameters

The Portfolio is compliant with all key parameters related to strategy diversification, as demonstrated in the table below. The Portfolio is now slightly above the long-term asset allocation target of 17% but remains within the range (+/- 5%).

Strategy	NAV[1] ($M)	Percent of Total NAV (%)	CalPERS Target (%)	Target Range (%)
Buyout	62,549	67.9	65	55 - 80
Credit	840	0.9	0	0 - 10
Growth/Expansion	22,781	24.7	25	5 - 30
Opportunistic	3,483	3.8	4	0 - 10
Venture	2,489	2.7	6	0 - 12
Other[2]	37	<0.1	NA	NA
Total Portfolio	**92,177**	**17.5**[3]	**17**[4]	**+/- 5**

Staffing and Resources

As of May 6, 2025, the Private Equity group had 38 approved positions, with 36 staff and two openings. This compares to 43 positions at the end of the last fiscal year. The Program is currently recruiting an Investment Director ("ID") and one Investment Officer III ("IO III"). Since June 30th, 2024, the Private Equity group has made 3 promotions, 7 external hires, and one administrative professional has retired. Anton Orlich continues to lead the Private Equity Program as the Managing Investment Director. The remainder of Staff comprises one Investment Director, eight Investment Managers, six Associate Investment Managers (of which one is vacant), and 20 Investment Officers (I, II, and III, of which one is vacant).

While we believe the staffing levels are sufficient to execute the current investment strategy, we note there are several open positions currently. Additionally, the Program will likely need further additions to Staff as well as an expansion of skills to identify, execute, and monitor an increasingly complex portfolio.

1 Source: State Street.
2 Includes currency and stock holdings.
3 PE portfolio NAV as a percent of total CalPERS portfolio as of March 31, 2025.
4 In March 2024, the Board approved a 17% long term target allocation for the Portfolio.

Conclusion

The Portfolio continues to show strong recent absolute performance, albeit trailing the Policy Benchmark over the last twelve months. Additionally, the Portfolio's performance has been in line with the Policy Benchmark for the 5-year and 10-year time horizons. As a percentage of CalPERS' total portfolio, the Portfolio is slightly above CalPERS' long-term target of 17% but well within the range. The Portfolio continues to increase in value with long-term asset growth driven by both strong underlying performance and Staff's activities to enhance the Portfolio by sourcing attractive investments with high conviction managers. Staff has continued to focus on increasing allocation to co-investments and adding portfolio diversification through identification of high-quality managers in mid-market buyout, growth equity, and venture strategies.

We note that Staff has been executing on the Private Equity Strategic Plan, specifically:

→ Increasing capital deployment – Staff has been committing over $15 billion per year over the last three years, which is in line with investment targets communicated by Staff. This recent commitment pace compares to $3 billion to $5 billion per year in the 2016 to 2018 timeframe.

→ Increasing cost efficiency – No-/low-fee co-investments and Customized Investment Accounts are an important and growing portion of the Portfolio. In the last 12 months, 61% of investment capital has been deployed through no-/low-fee direct co-investments and co-investments executed under CIAs.

→ Adding diversification to the Portfolio – Staff has been adding more Venture, Growth Equity and Mid-Market Buyout strategies to complement the Portfolio's Large- and Mega-Buyout exposure.

→ Maintaining and enhancing relationships with high quality managers – Staff has been able to invest meaningful capital with highly sought out managers.

CalPERS has grown the Portfolio significantly in recent years. While CalPERS faces challenges in building the Portfolio, it also has opportunities given its scale, experience, and large investment team. Staff's continued focus on deploying capital through lower cost investment structures will help mitigate overall fees.

The Appendix includes some data and commentary on the private equity asset class for the fourth quarter of 2024.

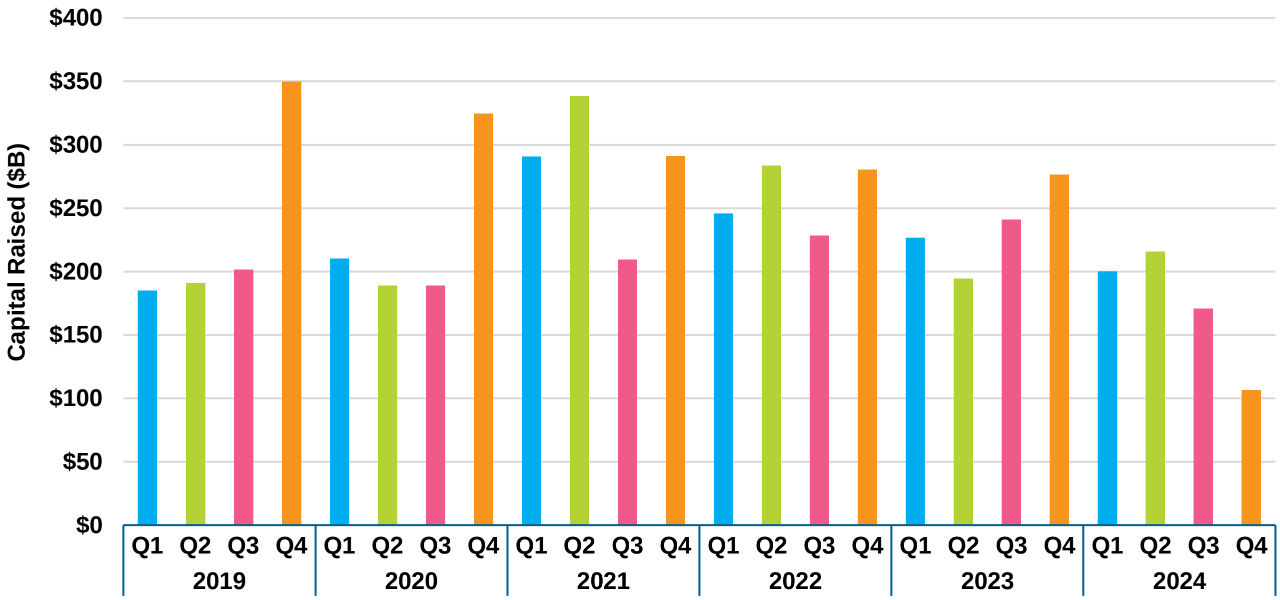
Please do not hesitate to contact us if you have questions or require additional information.

SH/LR/JM/SPM/jls

Attachments

Private Equity Market Commentary – Q4 2024

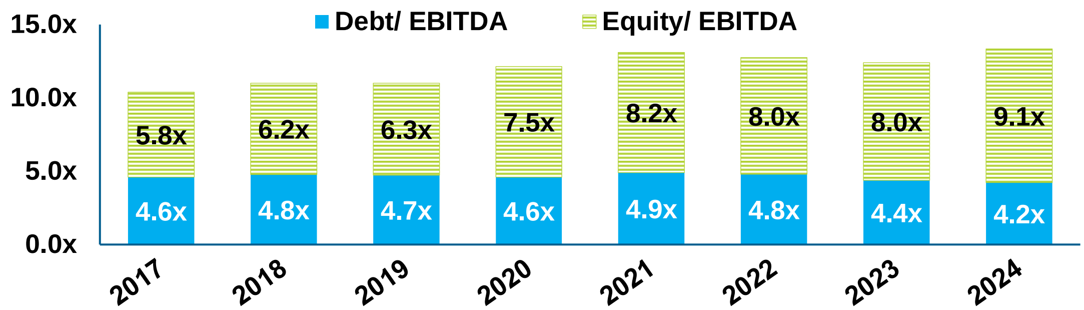
Global Fundraising[1]



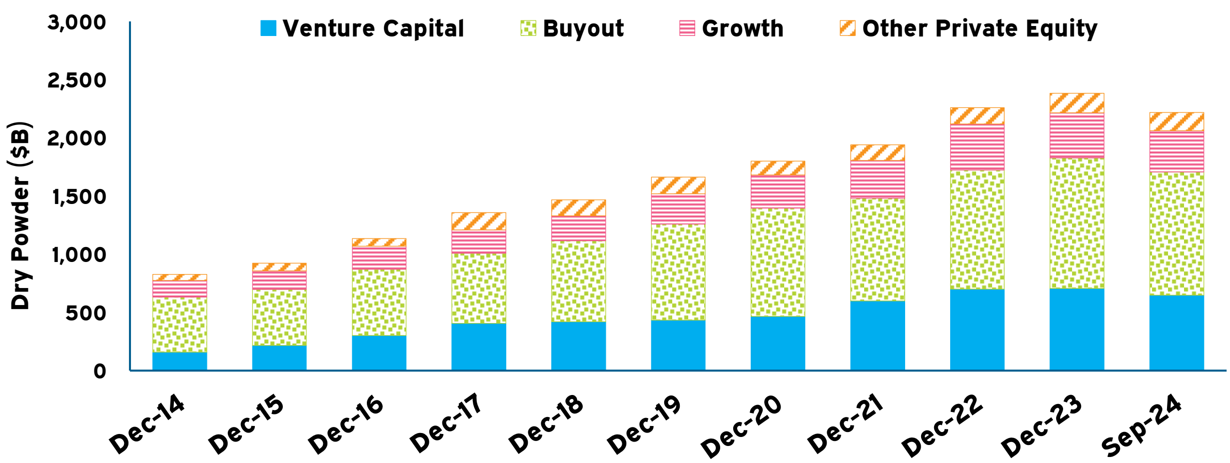
- → Fundraising activity for private equity funds in the fourth quarter of 2024 decreased by 38% compared to the prior quarter and totaled less than half of the amount raised in the fourth quarter of 2023 (-61% YoY change) with $106.5 billion raised. Overall, private equity fundraising was down 26% in 2024 compared to the prior year.
- → However, funds began to show signs of closing faster in 2024, a potentially encouraging indicator for the global private equity market going into 2025. In 2024, 33% of funds closed within 18 months, up from 25% in 2023. Additionally, 51% of funds closed were in market for more than two years compared to 56% in 2023. These results may indicate that 2023 marked the bottom of the current fundraising cycle.
- → Deal activity (by number) was down 11% compared to the prior quarter while aggregate deal value was down 26%. In aggregate, deals were down 9% in 2024 compared to 2023 although aggregate deal value was up 7% relative to the prior year.
- → Exit activity (by number) was down 19% compared to the prior quarter but the aggregate exit value was up 4%. In aggregate, exits were up 7% in 2024 compared to 2023 although aggregate exit value was down 6% relative to the prior year.
- → The extended wait for further interest rate cuts coupled with the election brought uncertainty to global private capital markets and continued to affect deal making and exits in the final quarter of 2024. A recovery in fundraising will likely depend on increased deal and exit activity, which will allow managers to deploy capital raised thus far and distribute capital back to their investors, both necessary prerequisites before raising additional capital.

[1] Source: Preqin.

Purchase Price Breakdown, All LBOs[1]



Dry Powder by Fund Type[2]



→ Compared to 2023, the global median private equity buyout purchase price multiple has increased from 12.4x EBITDA to 13.3x EBITDA in 2024. This represents a 7.5% increase from 2023 relative to the 3.7% decrease observed in 2023 from 2022.

→ Due to the continued higher interest rate environment, recent deals, in aggregate, have been financed with more equity capital, as well. In 2024, the median equity contribution has been 68%, compared to 65% in 2023.

→ Overall, the increase in purchase price multiples on the year shows resilience to the downward pressure of higher interest rates and sellers' resistance to exit deals at lower valuations despite the continued imbalance between expectations of buyers and sellers through most of the year. The trailing 12 months were largely characterized by a continued lack of liquidity for LPs and managers seeking alternative methods to drive liquidity (e.g., dividend recapitalizations, continuation vehicles/secondaries, net asset value (NAV) loans, etc.)

→ Dry powder levels as of Q3 2024 decreased by approximately 7% from Q4 2023 and sit at the lowest level since Q2 2022 but remain elevated relative to historical data.

→ Despite macroeconomic worries and decreased fundraising in 2024, GPs still have ample dry powder to deploy, which helps support deal flow even as debt financing has become more expensive and more restrictive.

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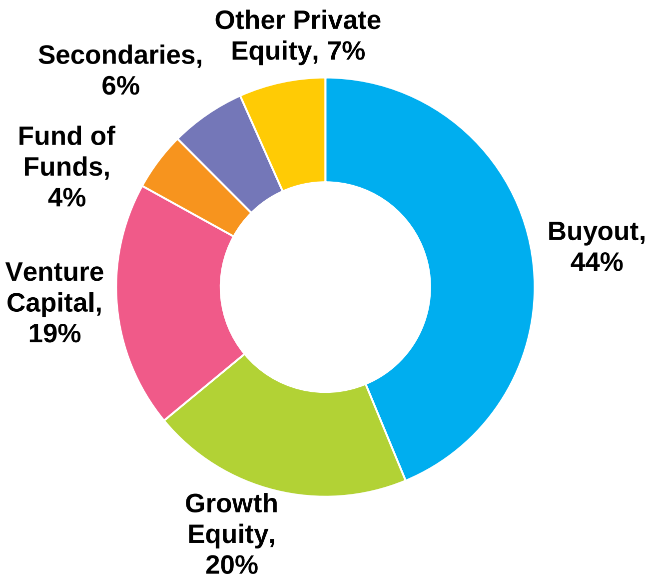
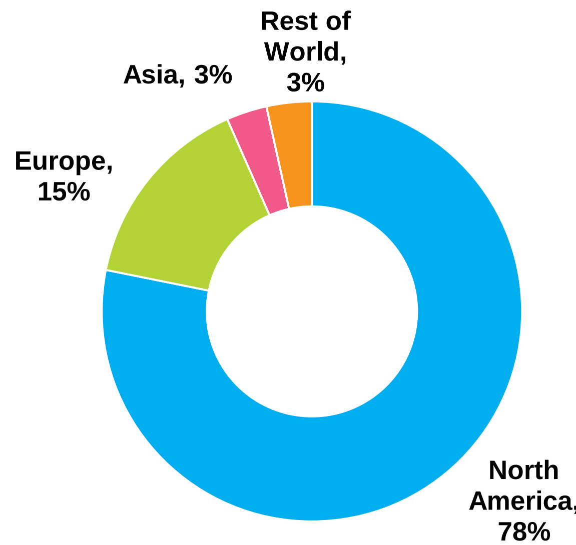
1 Preqin: Transaction Intelligence. Data pulled on March 24, 2025.

2 Global Private Equity Dry Powder Split by Strategy. Provided by Preqin on April 30, 2025. There is a significant lag in Preqin's dry powder data with September 30, 2024 representing the latest figures, which were released in April 2025.

Capital Raised by Strategy[1]



Capital Raised by Geography[2]



→ Buyout (44% of all private equity capital raised), Growth Equity (20%), and Venture Capital (19%) represented the private equity sub-strategies with the most capital raised during the fourth quarter of 2024. Compared to 2023, fundraising by strategy for the full year remained relatively consistent with no strategy type changing by more than 2% from 2023 to 2024. Buyout represented 54% of total capital raised in 2024, followed by Venture Capital (16%) and Growth Equity (14%). Secondaries accounted for 8% of capital raised followed by Fund of Funds and Other, both of which were less than 5% of total private equity capital raised in 2024.

→ North America-focused vehicles continued to represent the highest geographic allocation of funds raised during the fourth quarter, representing 78% of total capital. Commitments to Europe totaled 15% of capital raised during the fourth quarter. Asia-focused funds decreased by approximately 4% as a percentage of total capital raised relative to the prior quarter, representing 3% of total capital raised, remaining low compared to historical standards. Compared to 2023, fundraising by geography has remained relatively consistent with no region changing by more than 7% from 2023 to 2024. North America represented 62% of total capital raised in 2024, slightly down from 69% in 2023, and Europe totaled 28% of capital raised, up from 23% in 2023.

→ Buyout and North America continue to represent the lion's share of private equity fundraising by strategy and geography, respectively.

[1] Source: Preqin

[2] Source: Preqin.

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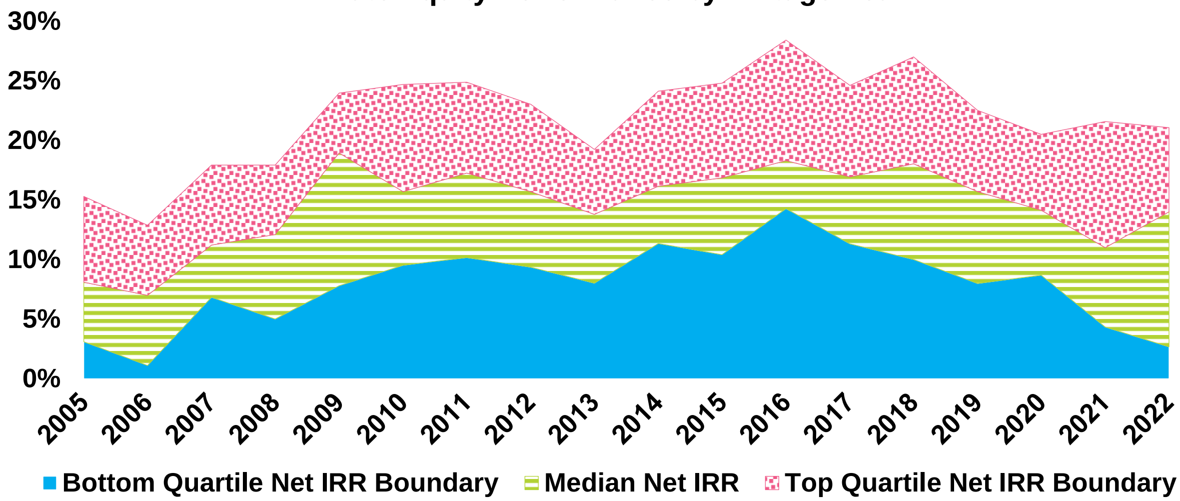
Private Equity Performance by Horizon[1]

Horizon	Private Equity (%)	Buyout (%)	Venture Capital (%)	Growth Equity (%)
1 Year to 9/2024	8.0	9.1	(0.4)	10.4
3 Years to 9/2024	5.5	7.4	(4.3)	2.0
5 Years to 9/2024	14.7	15.8	9.2	13.8
10 Years to 9/2024	14.4	15.3	10.2	14.4

Private Equity Performance by Vintage Year[2]



→ As of September 30, 2024, one-year private equity returns decreased from the prior quarter, generating an 8.0% IRR over the trailing 12 months through Q3 2024. This compares to the trailing 12-month return of 8.7% as of Q2 2024 and a one-year return of 5.1% at Q3 2023. Overall, private equity returns have proven resilient but remain below the highs of recent years.

→ In general, however, performance has been strong in each vintage year since the Global Financial Crisis. Buyout, Venture, and Growth funds have all generally performed well over the various time horizons on an absolute basis, with Buyout outperforming both Growth Equity and Venture funds across longer time periods as of Q3 2024.

→ The spread between first and third quartile performance in private equity has increased since the Global Financial Crisis (11.1% for 2007 vintage funds compared to 18.4% for 2022 vintage funds), supporting the increasing importance of manager selection when allocating to the asset class. Deals remain competitive, keeping multiples high. Higher debt costs make it more difficult to capture value through leverage. A consistent, differentiated value creation model and clear strategies for maintaining growth and performance over the long term are more important than ever.

1 Preqin Horizon IRRs as of 9/30/2024. Data as of 12/31/2024 is not yet available.
2 Preqin, Private Equity – All, Quartile Returns as of 12/31/2024. Data pulled on March 24, 2025.

Disclaimer