

Private Debt Annual Program Review

As of Quarter Ending on March 31, 2025

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Private Debt

June 16, 2025

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Program Overview

Role

- Private Debt seeks to harvest premiums from the illiquid nature and structure complexity of private loans while generating current income.

Key Metrics

- Capital Commitment at \$49B; NAV at \$19B and Unfunded Commitment at \$31B.¹
- Strategy NAV: Direct Lending at \$16.3B; Specialty Lending at \$2.2B; and Real Estate Financing at \$0.9B¹.

Investment Beliefs

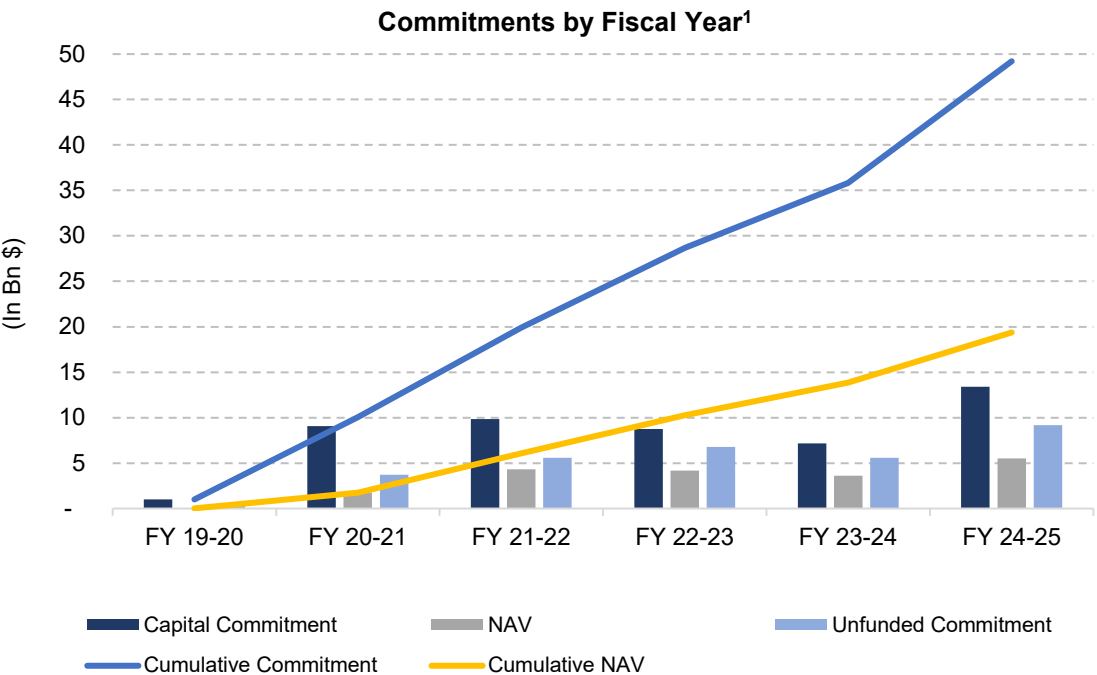
- A long investment horizon is a responsibility and an advantage. (IB 2)
- CalPERS will take risk only where we have a strong belief we will be rewarded for it. (IB 7)
- Costs matter and need to be effectively managed. (IB 8)
- Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives. (IB 10)



Strategy and Portfolio Positioning

Commitment and NAV by Fiscal Year

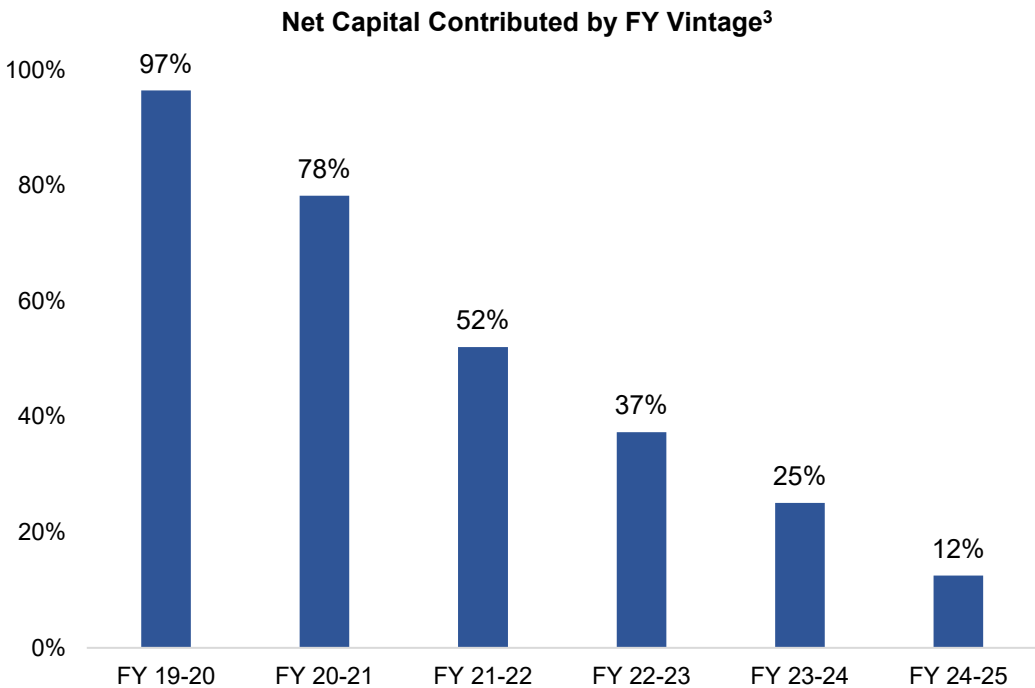
As of March 31, 2025



- Commitments continue to ramp.

Fund / CIA Deployment by Fiscal Year Commitments²

As of March 31, 2025



- Portfolio deployment is in line with expectations.

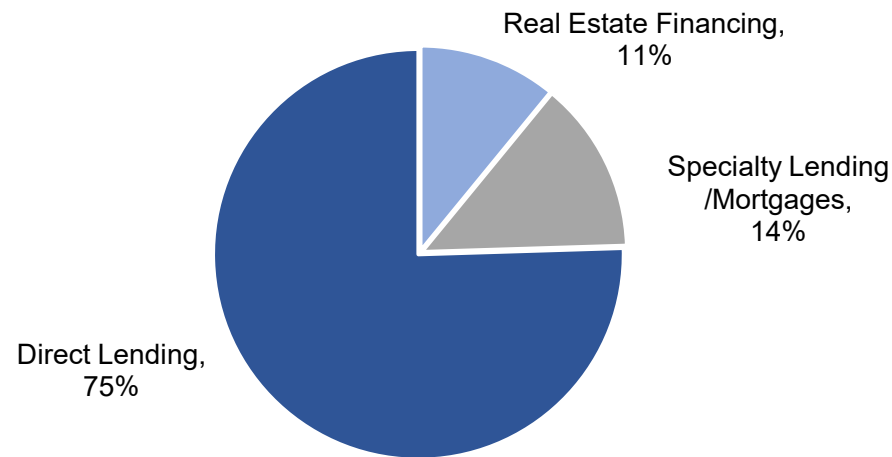
¹Inclusive of all fund types: Funds/CIAs and co-investments. ²Not inclusive of discretionary co-investment funds. ³FY Vintage represents the period when funds were initially committed. Any commitment upsizes in subsequent periods are captured in the original period a fund was first committed.



Strategy and Portfolio Positioning

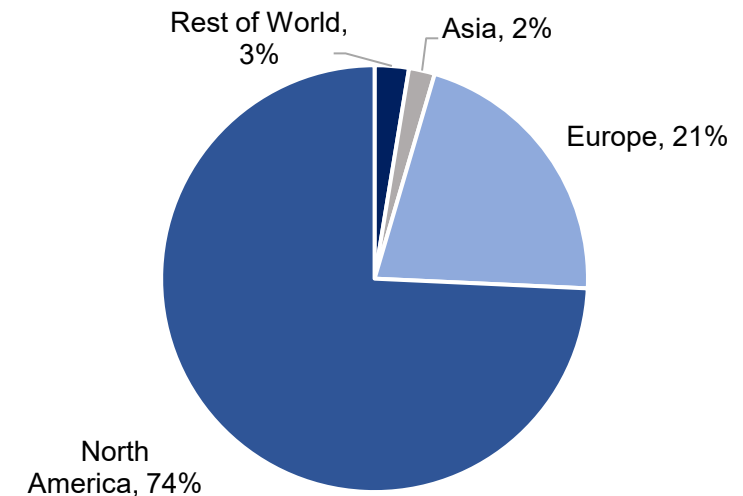
Commitment By Strategy

As of March 31, 2025



Market Value By Geography

As of March 31, 2025



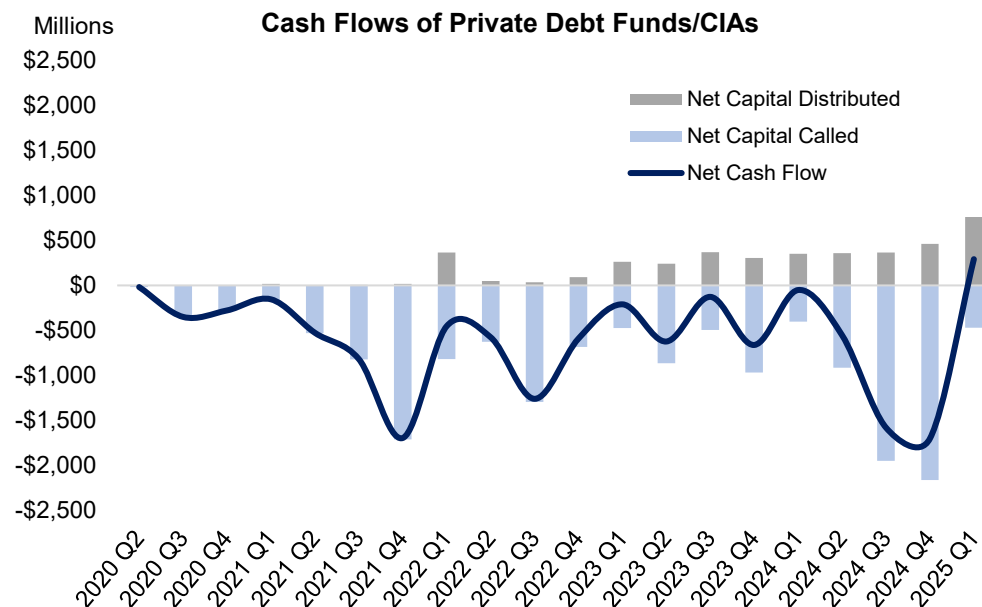
- Direct lending as of 3/31/2025 was 75% compared to 82% as of 3/31/2024.
- Majority of Private Debt's earlier commitments were in Direct Lending. Historically, Real Estate Financing and Specialty Lending have smaller opportunity, but with bank retrenchment, Specialty Lending is expected to increase.



Strategy and Portfolio Positioning

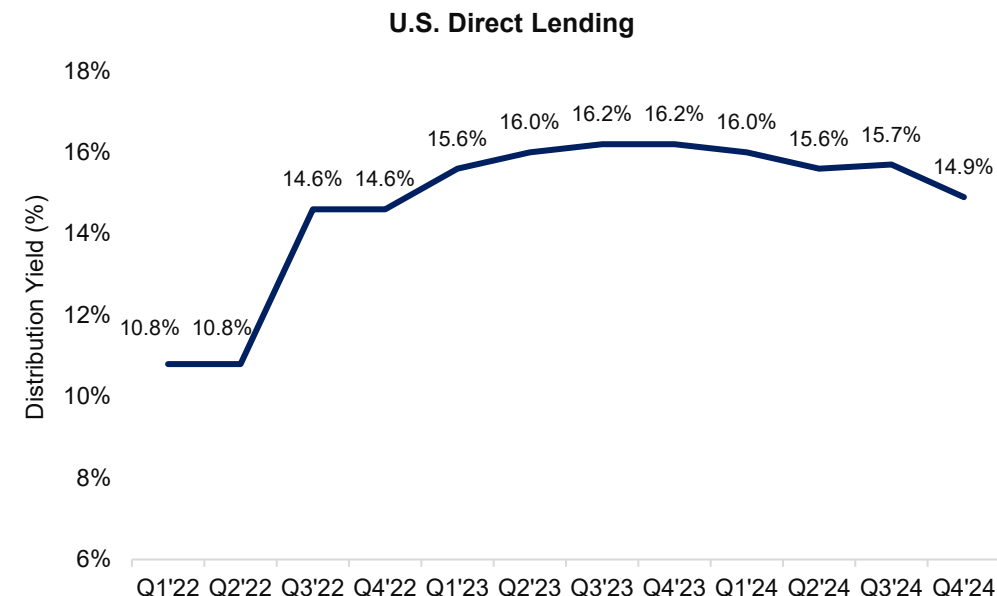
Capital Calls and Distributions, Funds / CIAs¹

As of March 31, 2025



Example of Distribution Yield²

As of March 31, 2025



- Private Debt portfolio is receiving quarterly income and principal distributions from Funds / CIAs.
- US Direct Lending Funds have Distribution Yields of 14.9% for the last twelve months.



Market Environment

Observations from the Prior Year

- Interest rates remain high but have decreased since last year.
- Pipeline activity remains slower as lower private equity M&A volumes have resulted in lower corporate lending opportunities and direct lenders continue to shift towards higher quality.
- As the public loan market has recovered, competition in large cap direct lending has increased, driving yields tighter.

Current Concerns

- Impacts of a prolonged higher-for-longer interest rate environment or a recession may continue to put financial stress on borrowers.
- Slower US Private Equity M&A environment may keep deployment low in direct lending.
- Higher capital raise and competition in direct lending could further compress loan spreads.

Investment Themes

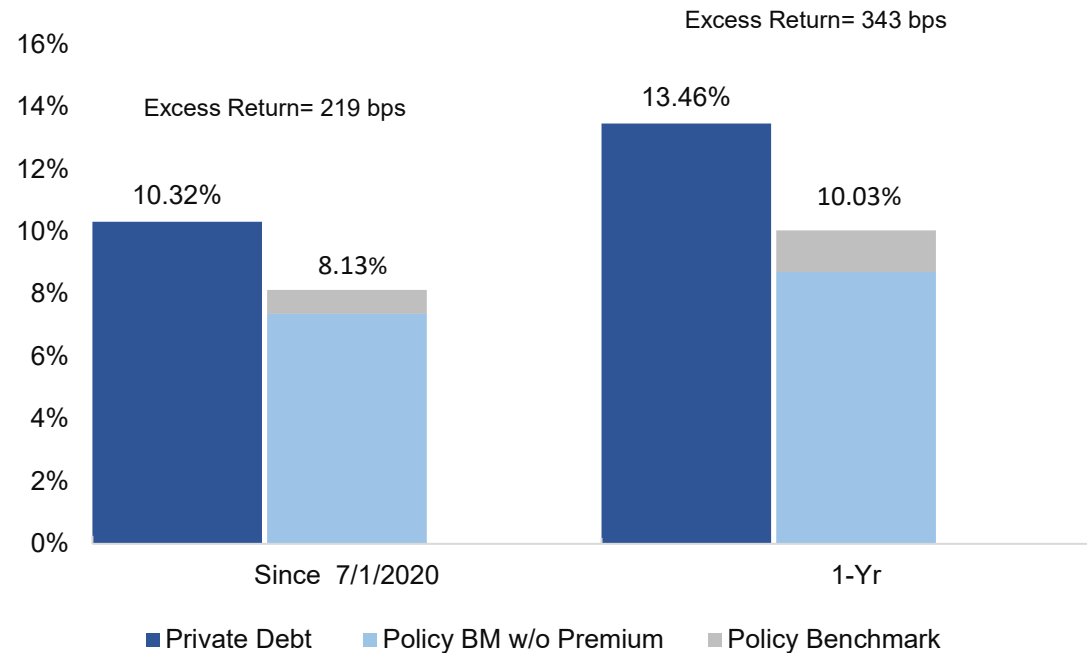
- Diversify exposure into Specialty Lending and Real Estate Financing to capitalize on opportunities due to bank lending retrenchment.
- Diversify geographical exposure by exploring opportunities outside of North America.
- Continue to commit to key high quality managers while negotiating no-fee, no-carry co-investment funds that will invest alongside main funds.
- Emphasis on current income distributions.



Portfolio Performance and Risk Analysis

Private Debt Return¹

As of March 31, 2025



- Private Debt's Since 7/1/20 and 1-Yr returns outperformed the Benchmark.
- Most of the underlying loans are floating rate.



Business Updates and Key Initiatives

- Private Debt continues to grow and recruit investment staff including the Managing Investment Director. Staff training and integration will be important going forward.
- Continued to deploy co-investments.
- Enhance the efficiency of the underwriting process.
- Continuing to build up capabilities for portfolio monitoring.



Key Initiatives | Integration of Governance and Sustainability

Sustainable Investment Activities	Description / Status
Climate Market Mapping	<ul style="list-style-type: none">• Learn of the various climate themed fund offerings in Private Debt.• Understand the competitive landscape of managers/funds in this space.• Status: on-going
External Manager ESG Engagement	<ul style="list-style-type: none">• Understanding manager-specific views on asset materiality.• Collaborating with the Sustainable Investments team in continuing to learn best practices for integration of ESG into credit selection.• Customization of integration approaches.• Deployed in Private Debt's first dedicated climate-related fund.• Status: on-going
Data Pipeline for ESG	<ul style="list-style-type: none">• Identify relevant ESG metrics /KPI• Establish data channels for ESG sharing• Status: on-going