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MEMORANDUM

TO: Members of the Investment Committee, CalPERS
FROM: Meketa Investment Group
DATE: September 15, 2025
RE: Private Equity Trust Level Review, as of June 30, 2025

In our role as the Board Private Equity Consultant, Meketa Investment Group ("Meketa") conducted a quarterly performance review of the Private Equity Portfolio ("the Portfolio") for the period ended June 30, 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

Private Equity showed improved absolute returns for the one-year period through the second quarter of 2025 relative to the prior report. Additionally, the performance of the Portfolio outpaced the Policy Benchmark over the prior one-year period, a significant reversal from 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 June 30, 2025[1]

	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
CalPERS PE Portfolio[2]	**14.3**	**7.4**	**16.6**	**11.5**
Policy Benchmark[3]	*8.3*	*8.5*	*17.4*	*11.3*
FTSE Global All Cap + 150 bp[4]	*8.3*	*8.5*	*17.4*	*10.7*
Excess vs. Policy Benchmark	↑ 6.0	↓ -1.2	↓ -0.8	↑ 0.2
Excess vs. FTSE Global All Cap + 150 bps	↑ 6.0	↓ -1.2	↓ -0.8	↓ -0.8

As we have noted in prior reports, private equity performance is reported on a delayed basis compared to publicly traded assets. As such, the Portfolio and the Policy Benchmark performance as of June 30, 2025 are each reported with a one-quarter lag (i.e., values through March 31, 2025). 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 June 30, 2025 was $98.3 billion, an increase of $10.3 billion (net of cash flows) compared to the June 30, 2024 NAV of $78.2 billion. The current NAV represents 17.7% of the Total Fund, slightly above the 17% long-term target. As we noted above, the Portfolio's NAV is

1 State Street's CalPERS Private Equity performance analysis for the period ended June 30, 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 ex-Tobacco Net of Tax Index + 150 basis points.

calculated based upon March 31, 2025 values, while the overall CalPERS portfolio includes publicly traded assets valued as of June 30, 2025.

Performance by Strategy[1]

	NAV ($M)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
Buyouts	64,360	12.7	8.2	17.5	12.6
Credit	825	4.3	3.4	10.0	3.1
Growth/Expansion	26,311	19.7	5.3	15.8	12.1
Opportunistic	3,563	8.3	3.4	13.7	11.8
Venture	3,010	12.9	-4.8	9.7	5.6
Other[2]	191	NA	NA	NA	NA
CalPERS PE Portfolio	**98,260**	**14.3**	**7.4**	**16.6**	**11.5**

The total Portfolio's one-year performance was materially higher than at the same time last year (14.3% vs. 10.9%) and outperformed the public benchmarks. The table above highlights that Buyouts strategy is the key driver for the Portfolio, representing approximately 66% of the NAV and providing attractive returns overall, both recently and over longer time periods. Growth/Expansion also delivered a material 8.2 percentage point increase (11.5% to 19.7%) in trailing one-year performance over the same time period, generating the strongest one-year return of any strategy as of June 30, 2025. Venture experienced the largest increase in trailing one-year performance since our June 2024 report with the trailing one-year return increasing 10.7 percentage points (2.2% to 12.9%). Although much improved from last year, Venture is a small portion of the portfolio at 3.1% of NAV. Credit strategies generated lower one-year returns compared to the trailing one-year period as of June 30, 2024, producing a 4.3% return (-0.6% from June 2024) over the last twelve months.

One Year Relative Performance[3]	Relatively Stronger	Relatively Weaker
Strategy	Growth/Expansion	Opportunistic, Credit
Structure	CIA[4]	Funds, Fund of Funds/Secondaries
Geography	Developed International	Emerging Markets
Vintages	2006, 2017, 2023, 2024	2007-2011, 2013-2016, 2018, 2019

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.

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

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Performance by Structure[1]

	NAV ($M)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
Customized Investment Accounts	42,702	21.3	10.9	17.8	12.0
Co-Investments / Direct	9,038	14.4	10.8	19.1	12.3
Fund of Funds / Secondaries	1,298	4.3	1.4	8.3	6.5
Funds	45,031	8.8	4.7	15.7	11.3
Other[2]	191	NA	NA	NA	NA
CalPERS PE Portfolio	**98,260**	**14.3**	**7.4**	**16.6**	**11.5**

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

Performance by Geography[3]

	NAV ($M)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
United States	75,707	14.3	7.4	17.7	11.4
Developed International	20,813	15.7	8.9	17.1	15.5
Emerging Markets	1,548	-6.0	-7.8	-0.1	2.5
Other[4]	191	NA	NA	NA	NA
CalPERS PE Portfolio	**98,260**	**14.3**	**7.4**	**16.6**	**11.5**

While the Portfolio has been primarily driven by the US investments, Developed International investments (primarily in Europe) produced the highest returns over the trailing one-year period and have been a strong contributor to returns over longer time periods, as well. 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 June 30, 2025, Staff completed an aggregate of $15.5 billion of net new commitments after accounting for an approximately $3 billion secondary sale during the fiscal year. During this time, Staff completed 47 new fund commitments and one fund-like CIA. Overall, during the 12 months ending June 30, 2025, Staff deployed approximately 60% 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.

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

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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.

Key Policy Parameters

The Portfolio is compliant with all key parameters related to strategy diversification, as demonstrated in the table below. The Portfolio is 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	64,360	65.5	65	55 - 80
Credit	825	0.8	0	0 - 10
Growth/Expansion	26,311	26.8	25	5 - 30
Opportunistic	3,563	3.6	4	0 - 10
Venture	3,010	3.1	6	0 - 12
Other[2]	191	0.2	NA	NA
Total Portfolio	**98,260**	**17.7[3]**	**17[4]**	**+/- 5**

Conclusion

The Portfolio continues to show strong recent performance on both an absolute and relative basis, outperforming the Policy Benchmark over the trailing one-year period. Performance of the Portfolio across the longer time periods has generally been in line with the Policy Benchmark, slightly underperforming over the trailing three- and five-year periods but outperforming over the ten-year period.

Additionally, as a percent of CalPERS' total portfolio, the Portfolio sits 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. In recent years, Staff has focused 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 the Staff has been executing on the Private Equity Strategic Plan, specifically:

→ Increasing capital deployment – Staff has been making about $16 billion per year of net new commitments over the last two fiscal 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.

1 Source: State Street.
2 Includes currency and stock holdings.
3 PE portfolio NAV as a percent of total CalPERS portfolio as of June 30, 2025.
4 In March 2024, the Board approved a 17% long term target allocation for the Portfolio.

- 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, 60% of investment capital has been deployed through no-/low-fee direct co-investments or 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 and recent performance has improved. While sourcing and executing attractive private equity investments remains highly competitive, CalPERS 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 first quarter of 2025.

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

SH/LR/SPM/jls

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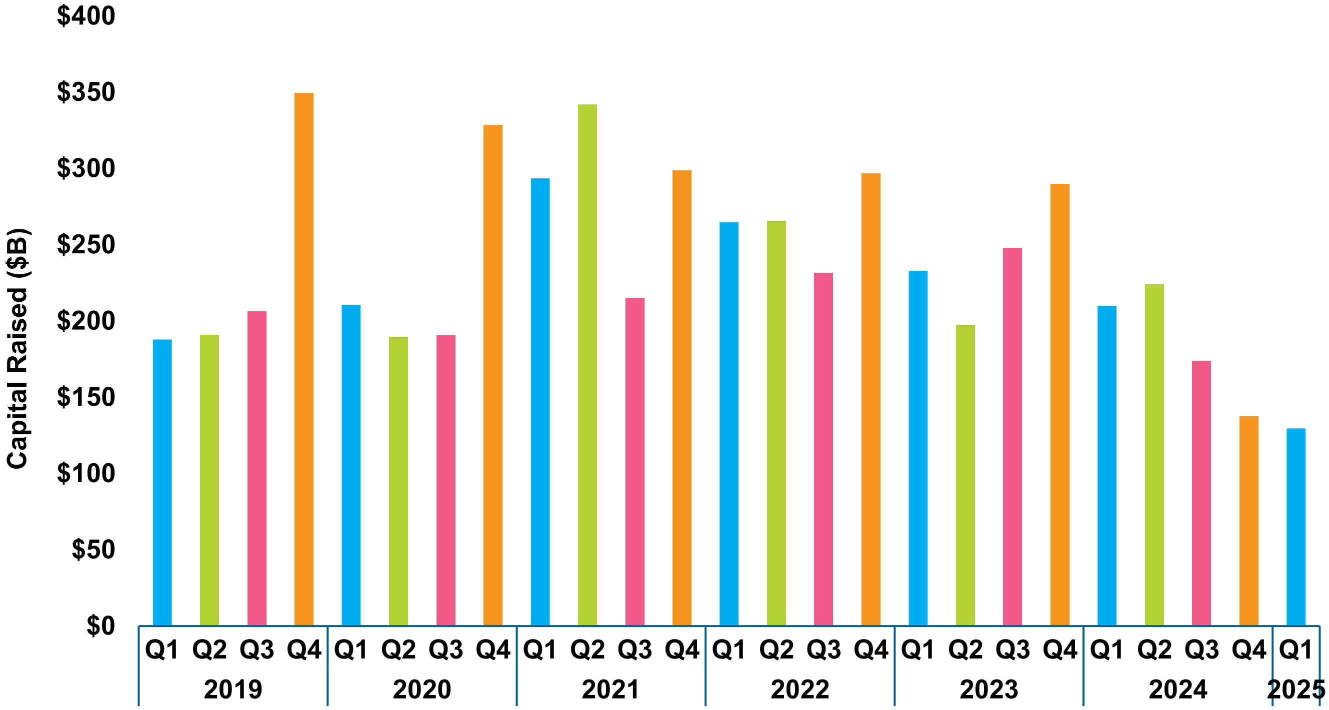
Attachments

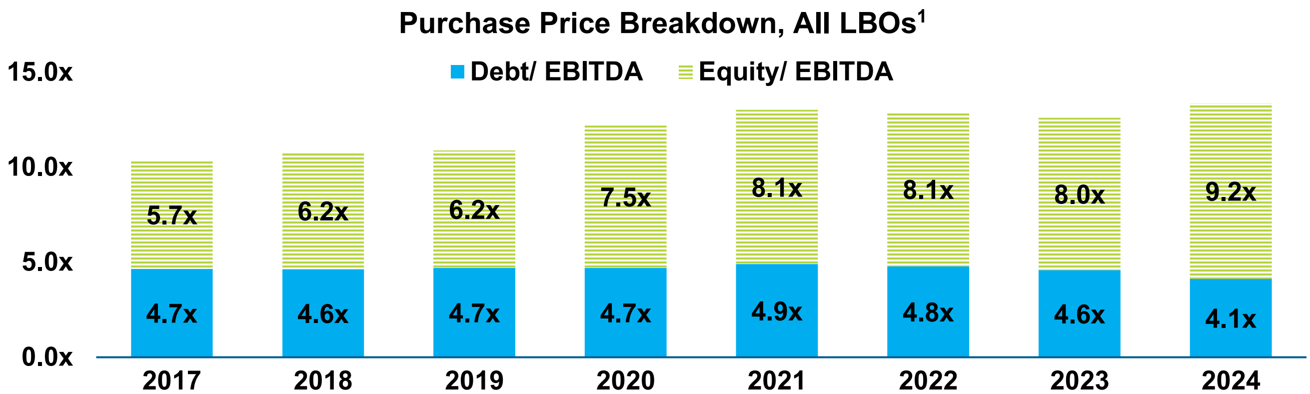
Private Equity Market Commentary – Q1 2025

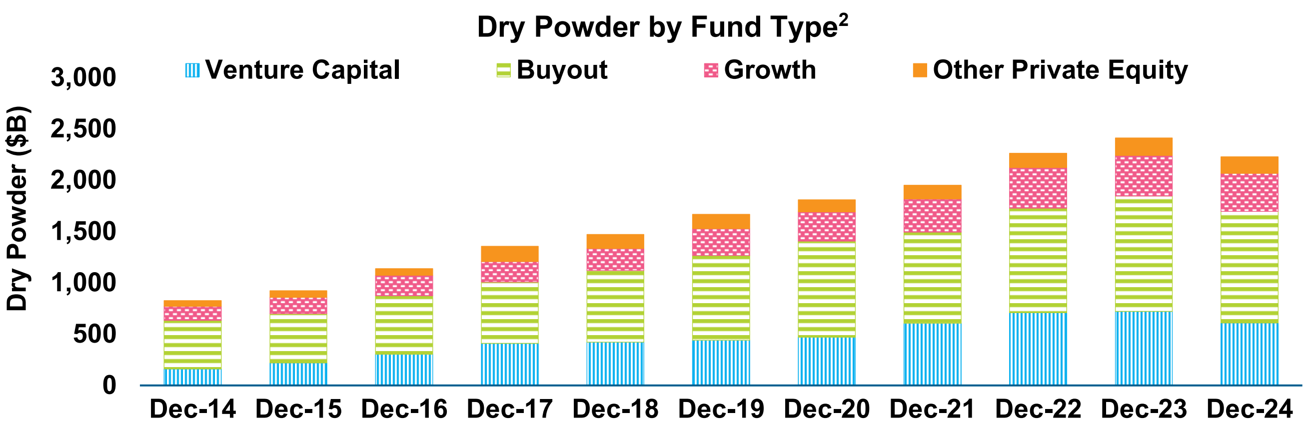
Global Fundraising[1]



- → Fundraising activity for private equity funds continued to decline in the first quarter of 2025, decreasing by 6% compared to the prior quarter and totaling only 62% of the amount raised in the first quarter of 2024 (-38% YoY change) with $129.6 billion raised. The number of funds closed during the quarter decreased by 30% QoQ and 26% YoY, as well.
- → The denominator effect, a phenomenon where public market assets devalue more than private ones, may become one of the key considerations for LP portfolios this year with expected volatility in public equity markets and the slow pace of distributions from private equity portfolios. This dynamic could weigh on fundraising totals throughout the year.
- → Deal activity (by number) was down 11% compared to the prior quarter while aggregate deal value was down 10%. Year-over-year, deals were down 13% in the first quarter of 2025 and deal value was down 4% compared to Q1 2024.
- → Exit activity (by number) was down 16% compared to the prior quarter while the aggregate exit value was down 28%. Year-over-year, exits were down 10% in the first quarter of 2025 compared to 2024 and aggregate exit value was down 12%.
- → Overall, private equity fundraising traction this year will likely depend on managers' ability to generate liquidity in their existing portfolios as well as steady growth of investors' total plan assets to keep private equity allocations at or around target exposures.

[1] Source: Preqin.

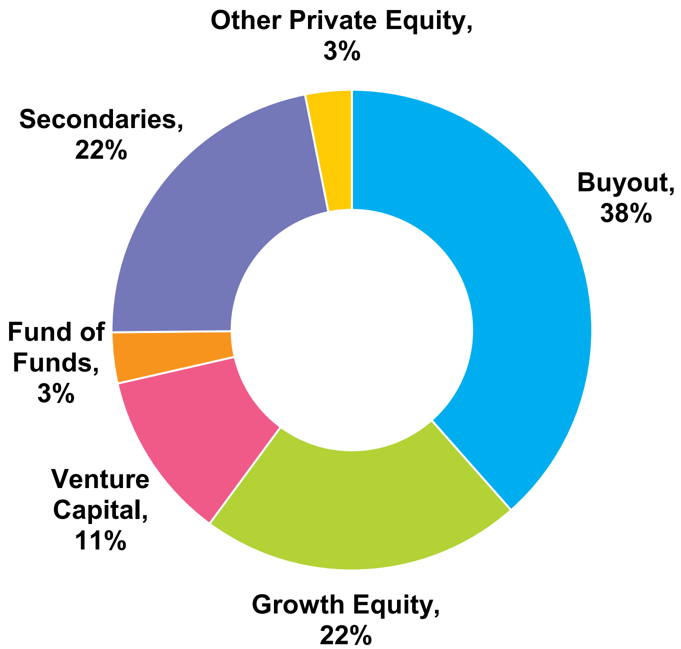




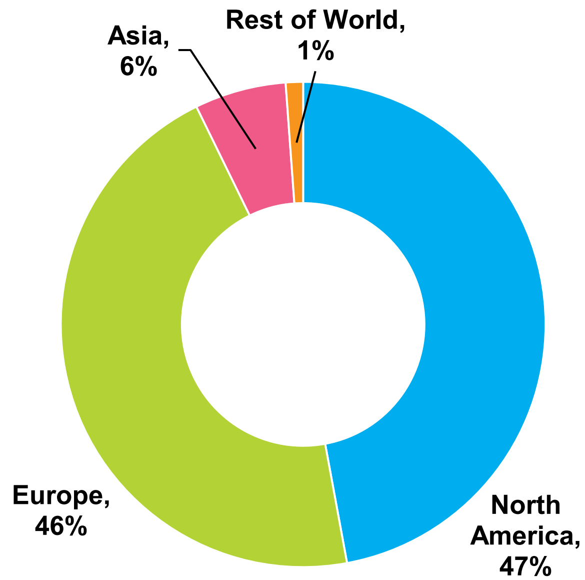
- Compared to 2023, the global median private equity buyout purchase price multiple has increased from 12.6x EBITDA to 13.4x EBITDA in 2024. This represents a 6.1% increase from 2023 relative to the 2.3% decrease observed in 2023 from 2022.
- Due to the unchanging higher interest rate environment, recent deals, in aggregate, have been financed with more equity capital, as well. In 2024, the median equity contribution has been 69%, compared to 64% in 2023.
- Overall, the increase in purchase price multiples through 2024 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 throughout the market.
- Overall, global uncertainty is expected to have a greater impact on larger deals than smaller ones due to varying sensitivity to geopolitical events, fluctuations in public markets, and valuation-interest rate dynamics. Deal activity of late has largely comprised prized assets still trading at premium valuations and smaller deals that are less reliant on debt financing and more insulated from macroeconomic dynamics.
- Dry powder levels as of Q4 2024 decreased by approximately 8% from Q4 2023 and sit at the lowest level since Q2 2022 but remain elevated relative to historical data.
- Despite macroeconomic uncertainty and decreased fundraising totals, GPs still have ample dry powder to deploy, which helps support deal flow even as debt financing has become more expensive and more restrictive.

[1] Source: Preqin: Transaction Intelligence. Data pulled on June 23, 2025.
[2] Global Private Equity Dry Powder Split by Strategy. Provided by Preqin on July 22, 2025. There is a significant lag in Preqin's dry powder data with December 31, 2024 representing the latest figures, which were released in July 2025.

Capital Raised by Strategy[1]



Capital Raised by Geography[2]



→ Buyout (38% of all private equity capital raised), Growth Equity (22%), and Secondaries (22%) represented the private equity sub-strategies with the most capital raised during the first quarter of 2025. A single-fund close in January, the largest secondaries fund closed in history, contributed to Secondaries' outsized share but highlights that a muted deal environment and dearth of exit activity has constrained market liquidity and aided growth in the secondaries market, both for LPs (i.e., sale of fund interests) and GPs (i.e., continuation vehicles).

→ North America-focused vehicles continued to represent the highest geographic allocation of funds raised during the first quarter, representing 47% of total capital and 67% of the total number of funds closed. Commitments to Europe totaled 46% of capital raised and 11% of the total number of funds closed during the first quarter. Asia-focused funds increased by approximately 3% as a percentage of total capital raised relative to the prior quarter, representing 6% of total capital raised, but remain low compared to historical standards.

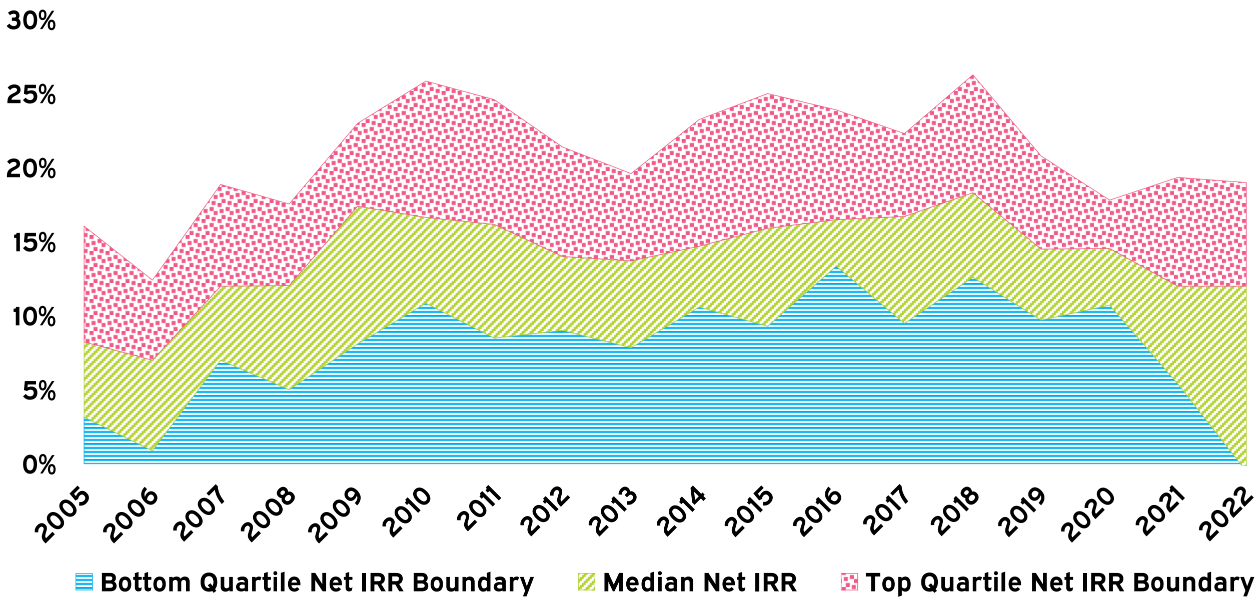
→ Buyout and North America continue to represent the lion's share of private equity fundraising by strategy and geography, respectively, although Secondaries and Europe had strong relative fundraising totals during the first quarter of the year.

[1] Source: Preqin.
[2] Source: Preqin.

Private Equity Performance by Horizon[1]

Horizon	Private Equity (%)	Buyout (%)	Venture Capital (%)	Growth Equity (%)
1 Year to 12/2024	7.9	8.4	3.6	10.5
3 Years to 12/2024	4.7	6.6	(6.5)	0.6
5 Years to 12/2024	13.7	15.3	9.6	10.4
10 Years to 12/2024	14.4	15.8	9.9	13.9

Private Equity Performance by Vintage Year[2]



→ As of December 31, 2024, one-year private equity returns slightly decreased from the prior quarter, generating a 7.9% IRR over the trailing 12 months through Q4 2024. This compares to the trailing 12-month return of 8.0% as of Q3 2024 and a one-year return of 6.7% at Q4 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 Q4 2024.

→ The spread between first and third quartile performance in private equity has increased since the Global Financial Crisis (11.9% for 2007 vintage funds compared to 19.5% 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] Source: Preqin Horizon IRRs as of 12/31/2024. Data as of 3/31/2025 is not yet available.
[2] Source: Preqin, Private Equity – All, Quartile Returns as of 3/31/2025. Data pulled on June 23, 2025.

September 15, 2025

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