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MEMORANDUM

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

In our role as the Board Private Debt Consultant, Meketa Investment Group ("Meketa") conducted an quarterly performance review of the Private Debt Portfolio ("the Portfolio") for the period ended June 30, 2025[1] based on data provided 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 aforementioned time period.

Key highlights include the following:

1. Performance remained strong on an absolute and relative basis over all time periods.
2. Staff committed $18.3 billion across 29 investments over the trailing 12 months, bringing the total Private Debt program to 3.8% of the Total Fund. (The current target is 8%).
3. Direct lending continues to represent the majority of the Private Debt program (81.3%).

Performance

The Private Debt program has an official inception date of July 1, 2022; however, underlying investments in the Portfolio have a longer track record from their inclusion in the Opportunistic Strategies program, which dates to July 1, 2020. Similar to the prior report, Private Debt continued to deliver strong performance through June 30, 2025, with the Portfolio outpacing the Policy Benchmark over each time period shown below. The Portfolio's excess return relative to the Policy Benchmark increased over each time period compared to the prior quarter, as well.

Private Debt Performance as of June 30, 2025[1]

	FYTD (%)	1 Year (%)	3 Year (%)	Since Inception[2] (%)
CalPERS PD Portfolio[3]	12.8	12.8	12.0	10.8
Policy Benchmark[4]	*8.4*	*8.4*	*8.5*	*7.9*
Excess vs. Policy Benchmark	↑ 4.4	↑ 4.4	↑ 3.5	↑ 2.9

Of note, private debt performance is reported with a delay 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).

As of June 30, 2025, the Portfolio consisted of 70 underlying investments totaling $54.1 billion of committed capital with an aggregate net asset value ("NAV") of $21.1 billion, an increase of $2.2 billion

[1] CalPERS Private Debt performance analysis for the period ended June 30, 2025, reported with a 1-quarter lag. Since Inception performance includes historical periods prior to the Private Debt segment's inception of July 1, 2022 when Private Debt investments were held within the Opportunistic Strategies Program.
[2] Inception date is July 1, 2020.
[3] Source: CalPERS. CalPERS returns are reported as time-weighted.
[4] The current Policy Benchmark is a Custom S&P LSTA US LL Index one-quarter lagged + 125 bps from July 1, 2022 onward and 7% absolute return prior to July 1, 2022.

(net of cash flows) compared to the June 30, 2024 of $13.9 billion. (The increase in the NAV is largely attributable to the yield of the program). The current NAV represents 3.8% of the Total Fund, compared to the 8% long-term target. As we noted above, the Portfolio's NAV is 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)	Percent of Total NAV (%)	FYTD (%)	1 Year (%)	3 Year (%)	Since Inception (%)
Direct Lending	17,191	81.3	13.3	13.3	12.7	11.7
Specialty Lending	2,728	12.9	8.8	8.8	9.4	8.8
Real Estate Financing	1,215	5.8	15.2	15.2	9.8	9.0
CalPERS PD Portfolio	**21,134**	**100.0**	**12.8**	**12.8**	**12.0**	**10.8**

The table above highlights that Direct Lending strategies continue to make up the majority of the Portfolio, which is consistent with policy guidelines and expectations. In aggregate, CalPERS has completed 46 commitments, or 66% of the total number of commitments, to Direct Lending strategies. The Portfolio also includes 20 commitments to Specialty Lending and 4 to Real Estate Financing. Direct Lending strategies have generated attractive returns overall and the strongest returns over the three-year and since inception time periods relative to the other two strategies. Real Estate Financing produced the highest absolute returns over the trailing one-year period. Of note, Direct Lending includes sub-strategies of Senior Direct Lending, Mezzanine, and Special Situations (mostly Senior Direct Lending with some Special Situations and one Mezzanine mandate). Across the Portfolio, the average fund-level leverage is 1.10x (debt-to-equity). Real Estate Financing sits at 2.58x followed by Direct Lending and Specialty Lending at 1.13x and 0.12x, respectively.

Performance by Structure[2]

	NAV ($M)	Percent of Total NAV (%)	FYTD (%)	1 Year (%)	3 Year (%)	Since Inception (%)
Customized Investment Account	14,374	68.0	13.1	13.1	12.6	10.4
Fund	6,573	31.1	12.2	12.2	11.1	11.9
Co-investment	186	0.9	13.0	13.0	13.3	13.1
CalPERS PD Portfolio	**21,134**	**100.0**	**12.8**	**12.8**	**12.0**	**10.8**

The Portfolio has exposure to three discrete investment structures, including customized investment accounts ("CIAs"), funds, and co-investments. CIAs represent the majority of current exposure, totaling over two-thirds of NAV across 52 commitments. Of note, CIAs include a number of co-investment funds (no management fee, no incentive fees), which account for most of the Portfolio's co-investment exposure. Seventeen fund commitments aggregate to approximately 31% of the Portfolio's NAV. As shown above, there is one co-investment, which represents a single co-investment opportunity executed outside of a CIA structure totaling approximately 1% of NAV. CIAs have produced higher returns than Funds over the one-year and three-year time periods.

1 Source: CalPERS.
2 Source: CalPERS.

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Performance by Geography[1]

	NAV ($M)	Percent of Total NAV (%)	FYTD (%)	1 Year (%)	3 Year (%)	Since Inception (%)
United States	9,646	45.6	12.8	12.8	13.6	11.2
Global	8,684	41.1	13.2	13.2	10.7	10.6
Europe	2,803	13.3	12.2	12.2	11.0	10.1
CalPERS PD Portfolio	**21,134**	**100.0**	**12.8**	**12.8**	**12.0**	**10.8**

As of June 30, 2025, approximately 46% of the current NAV is invested in US-focused strategies, with the balance deployed across Global and European-focused mandates. The Portfolio's geographic diversification is largely consistent with the broader private credit market, which is predominantly focused on North America and Europe. The trailing returns for Global strategies outpaced US- and Europe-specific strategies over the trailing one-year period, but US-focused strategies have generated the highest returns over the longer time periods shown above.

Implementation

For the trailing 12 months ending June 30, 2025, Staff completed an aggregate of $18.3 billion of new commitments, which includes $12.6 billion across 20 customized investment accounts and $5.7 billion across nine fund commitments. Overall, during the 12 months ending June 30, 2025, Staff deployed approximately 69% of the capital in CIAs. From a strategy perspective, Staff has continued to add exposure to Direct Lending and Specialty Lending, which accounted for 50% and 36% of committed capital, respectively, over the last 12 months. Geographically, approximately 73% of committed capital was allocated to Global strategies during the past year, with the balance to United States (21%) and Europe (6%) strategies.

Key Policy Parameters

The Portfolio is compliant with all key parameters related to strategy diversification, as demonstrated in the table below. The Portfolio continues to ramp towards the desired exposure of an 8% target allocation.

Strategy	NAV[2] ($M)	Percent of Total NAV (%)	Target Range (%)
Direct Lending	17,191	81.3	20 – 100
Specialty Lending	2,728	12.9	0 – 40
Real Estate Financing	1,215	5.8	0 – 40
Residential Mortgages	0	0.0	0 – 40
Total Portfolio	**21,134**	**3.8[3]**	**8[4]**

1 Source: CalPERS.
2 Source: CalPERS.
3 PD portfolio NAV as a percent of total CalPERS portfolio as of June 30, 2025.
4 In March 2024, the Board approved an 8% long-term target allocation for the Portfolio, an increase from 5%.

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Conclusion

The Portfolio continues to show strong performance, outpacing the Policy Benchmark over the trailing one-year period as well as longer time periods. Additionally, the Portfolio, as a percentage of CalPERS' total portfolio, continues to approach CalPERS' long-term target of 8% and is approximately 1.0% higher compared to June 30, 2024.

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

- → Increasing capital deployment – Over the year ending June 30, 2025, Staff committed approximately $18.3 billion in private debt, including both initial commitments (84% of total) and upsizes to existing commitments (16% of total).
- → Increasing cost efficiency – CIAs and co-investments, which offer preferential terms, are an important and growing portion of the Portfolio. In the last 12 months, 69% of investment capital has been allocated to CIAs.
- → Adding diversification to the Portfolio – Staff has been adding more Specialty Lending and Real Estate Financing strategies to complement the Portfolio's Direct Lending exposure. Staff has also continued to add Global and European-focused strategies alongside US-focused mandates.
- → Maintaining and enhancing relationships with high quality managers – Staff has been able to invest meaningful capital with highly sought out managers.

The Appendix includes some data and commentary on the private debt asset class for the first quarter of 2025.

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

MB/JM/SPM/jls

Attachments

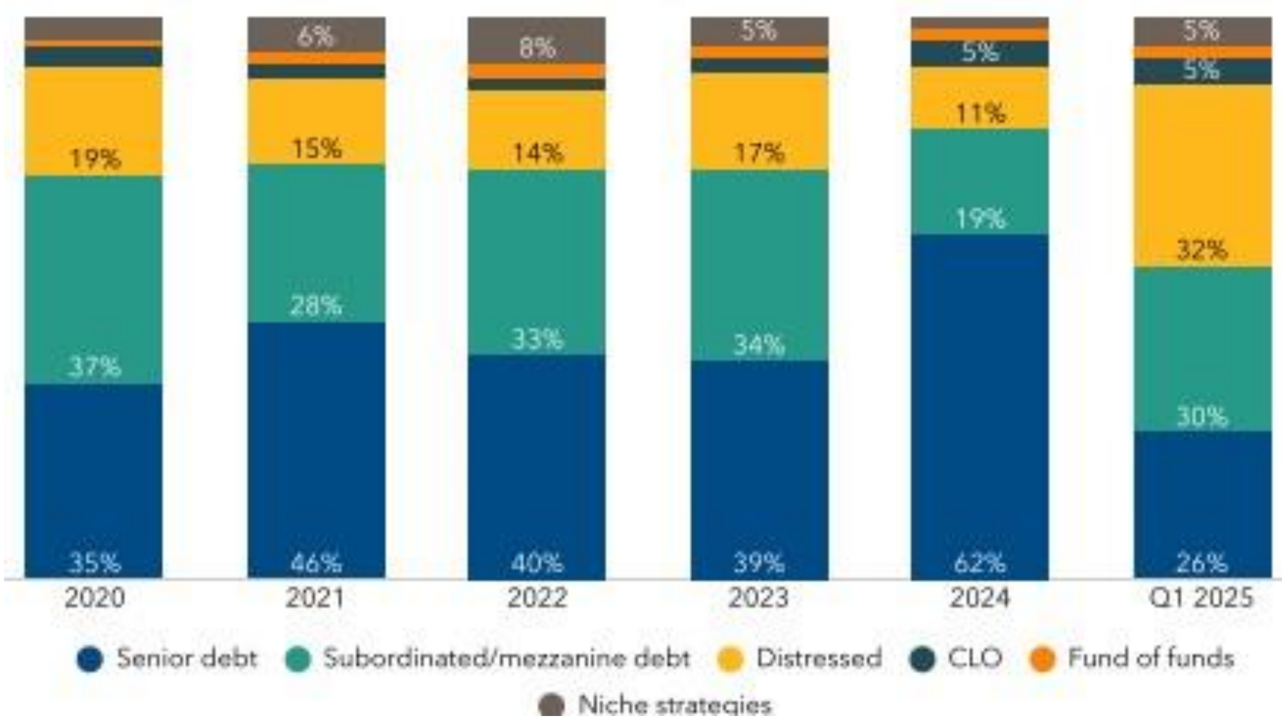
Private Debt Market Commentary – Q1 2025

Preqin All Private Debt Index (as of December 2024)[1]

Trailing Time Period	Horizon IRR (%)
1 year	8.4
3 years	7.4
5 years	9.2
10 years	8.4

For the full year in 2024, the Preqin All Private Debt Index returned 8.4% with the strongest returns over the twelve months coming from Mezzanine and Direct Lending.

Private Credit Fundraising Rebounds (Q1 2025)[1]



Fundraising in Private Credit rebounded sharply over prior quarters with $74 billion raised in Q1 2025. Notably, the strategy mix was more evenly distributed across senior debt, subordinate, and distressed debt.

Average fund size continued its upward trend with the average private credit fund size reaching $1.1 billion in Q1 2025.

[1] Private Debt Investor Fundraising Report Q1 2025.

Sponsored US Middle Market Direct Lending Volumes by Deal Type[1]

Middle Market Direct Lending (MMDL) volumes declined from the fourth quarter, but showed a 26% gain year-over-year. Use of proceeds in direct lending demonstrated less exposure to refinancings by sponsors with new money transactions accounting for 75% of deal volume, this contrasts to the syndicated loan market where refinancing represented 82% of volume.

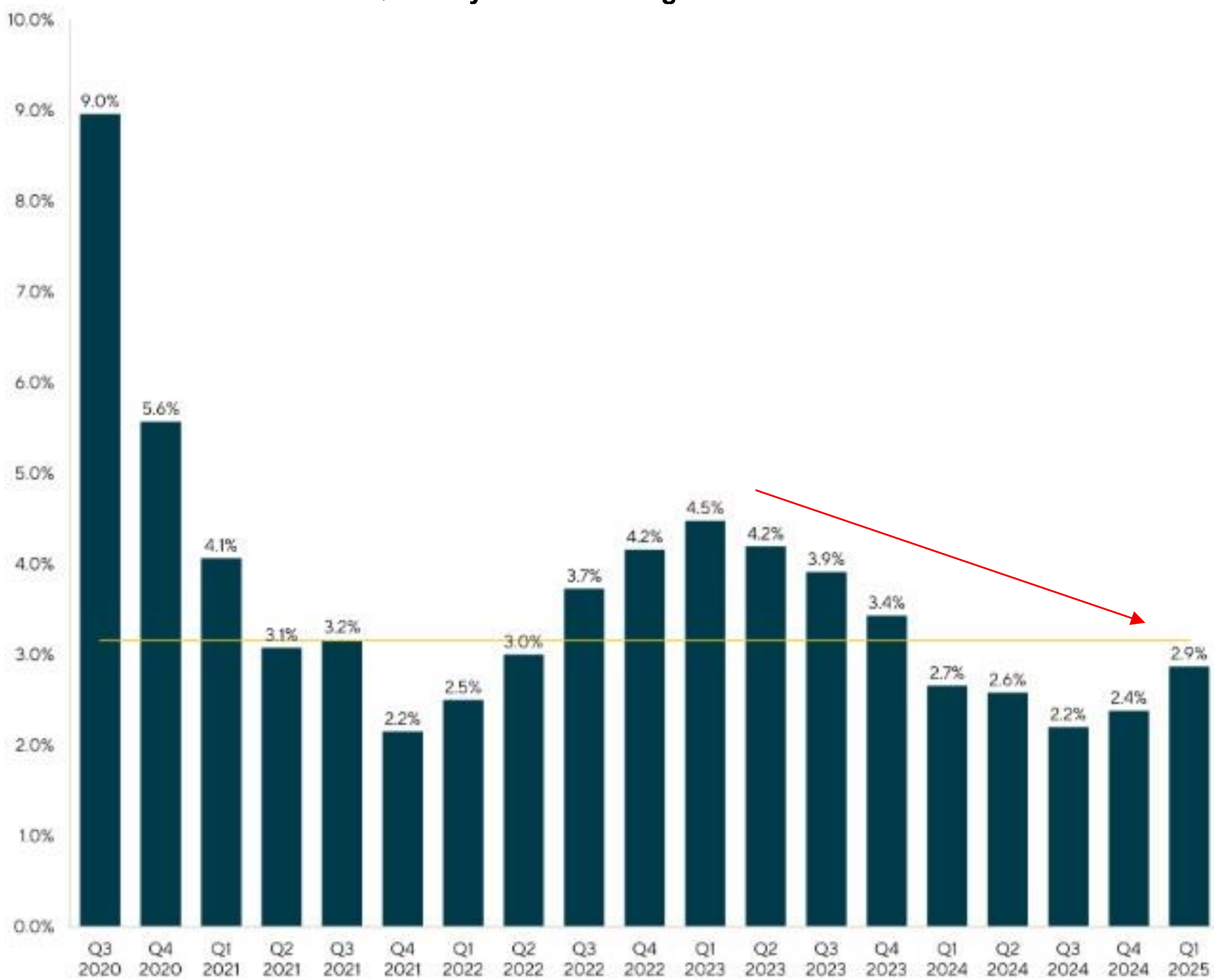
[1] Antares Capital, Market Brief (1Q25).

Middle Market Direct Lending vs. BSL QTR Returns[1]

Correlation between MMDL and the broadly syndicated loan (BSL) market as captured by the Lincoln Senior Debt Index and Morningstar LSTA Index, respectively, is approximately 80.3%. MMDL has significantly lower volatility which was demonstrated again in the turbulent first quarter.

[1] Q1 2025 Lincoln Senior Debt Index, Quarterly Overview (May 2025).

Quarterly Direct Lending Default Rates[1]



Default rates defined as loan covenant default (not monetary default) picked up in Q1 2025 to 2.9%, but remained slightly below the historical average of 3.0% and below the more recent highs set in 2023 around the spike in rates.

[1] Q1 2025 Lincoln Senior Debt Index, Quarterly Overview (May 2025).

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