

Private Debt Annual Program Review

As of Quarter Ending on March 31, 2026

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Private Debt

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Contents



Program Overview



Market Environment



Strategy, Performance, and Risk Analysis



Business Updates and Key Initiatives



Appendix



Program Overview

Dual Role

- Private Debt (PD): Invests primarily in privately negotiated debt or debt-like instruments. Intended to provide diversification to the Total Fund while seeking to add value over equivalent public debt markets through exposure to risks including illiquidity and leverage as well as terms and characteristics available through private transactions.
- Low Liquidity Enhanced Return (LLER): Enhances returns in exchange for limited reduction in liquidity.

Key Metrics

- PD: Capital Commitment at \$63Bn; Net Asset Value (NAV) at \$25Bn and Unfunded Commitment at \$40Bn.¹
- LLER: NAV at \$14Bn.¹

Market Environment

Current Credit Cycle

- Default expectations are rising with increasing economic and geopolitical uncertainty.
- Attention to AI-related risk and exposure plus decreased issuance.
- Media attention for Business Development Corporations (BDCs) influence retail investor actions with wider impact on private credit markets.

Investment Themes

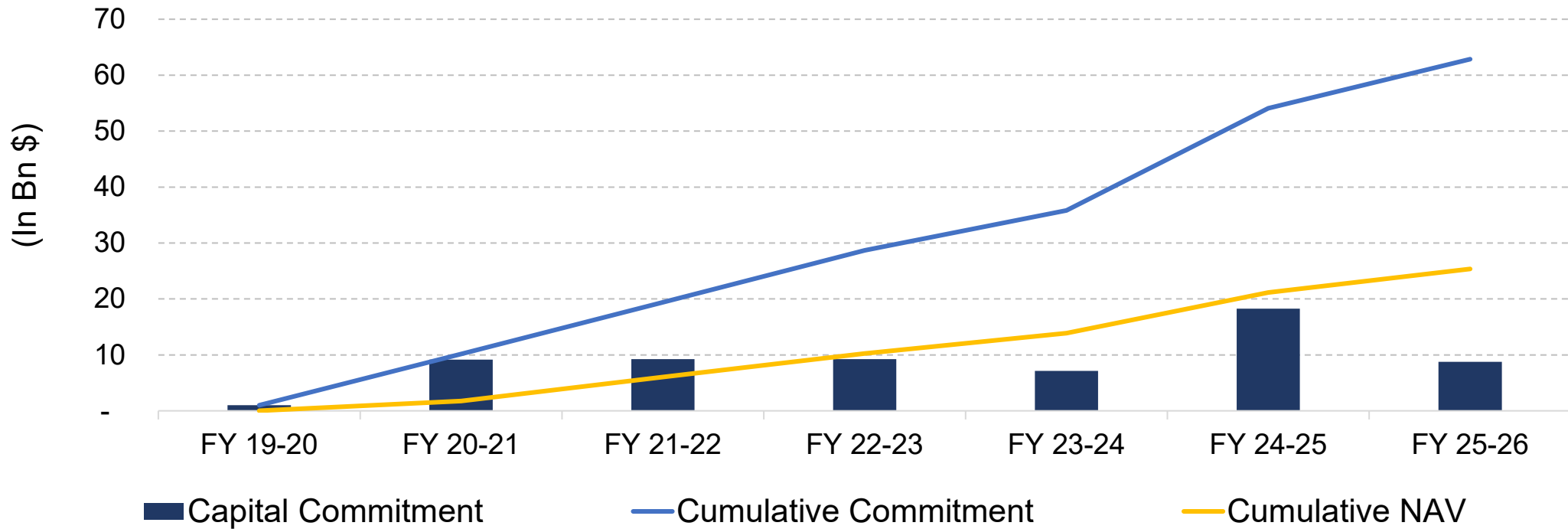
- Continuing to commit to high-quality managers with strong underwriting, asset management and workout capabilities.
- Diversifying exposure across managers and investment opportunities.
- Growing share of co-investments to steer the composition of the portfolio and reduce overall costs (no-fee, no-carry).
- Be prepared to capitalize on attractive opportunities during periods of market dislocation.



Strategy and Portfolio Positioning – PD

Commitments Continue to Grow

Commitment by Fiscal Year





Strategy and Portfolio Positioning – PD (cont'd)

Commitment By Strategy

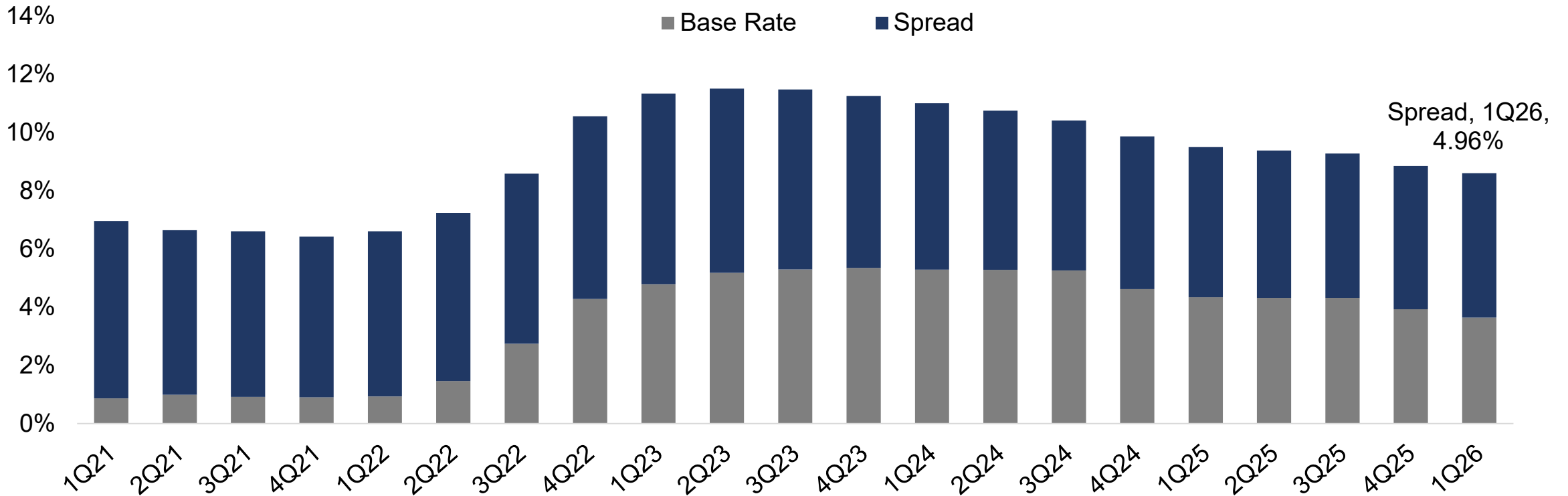
Strategy	Amount (\$)	% of Total
Direct Lending	\$45Bn	72%
Specialty Lending	\$11Bn	18%
Real Estate Financing	\$6Bn	10%



Strategy and Portfolio Positioning – PD (cont'd)

Direct Lending Spreads Have Meaningfully Compressed Since 1Q23

Direct Lending Spreads





Strategy Distinction Under TPA

Renaming of Strategies is to Better Align the Activities of PD under TPA

Private Debt Strategies Under SAA		
Strategy	Sub-Strategy	% of PD Commitment
Direct Lending	Senior Direct Lending	48%
	Mezzanine	5%
	Credit Solutions / Special Situations	19%
Specialty Lending		18%
Real Estate Financing		10%



Private Debt Strategies Under TPA	
Strategy	% of PD Commitment
Senior Direct Lending	48%
Differentiating	52%



Strategy and Portfolio Positioning - LLER

Broadly Syndicated Loan (BSL) AAA Tranche is the Majority of LLER

Portfolio By Tranche

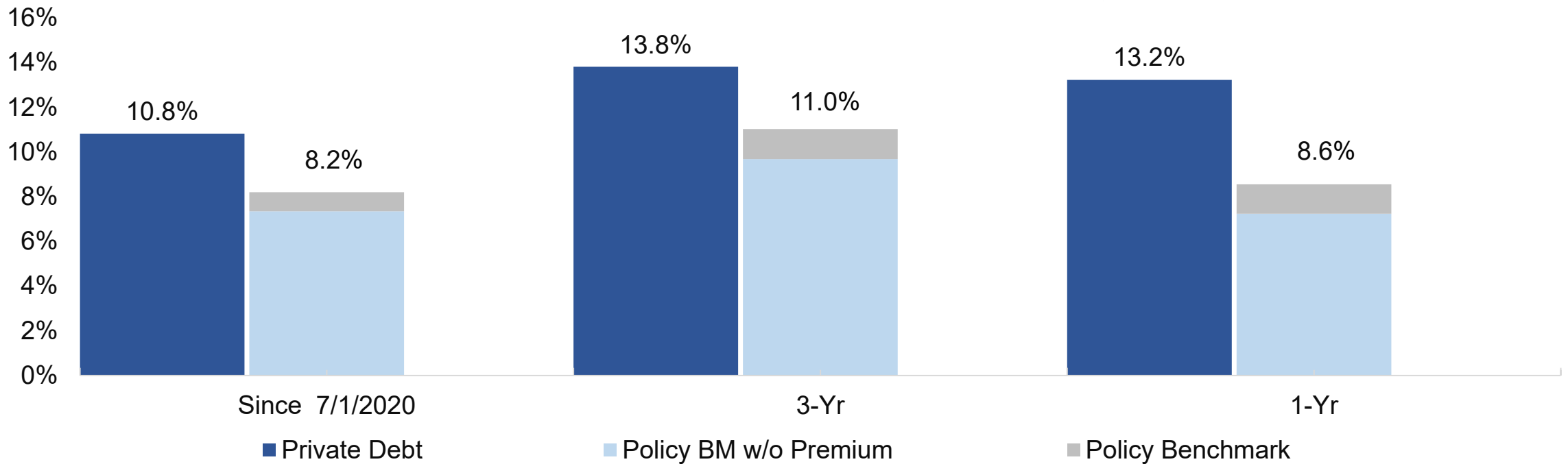
Tranche	% of Total
Broadly Syndicated Loan (BSL) AAA	76%
Broadly Syndicated Loan (BSL) AA	7%
Middle Market (MM) AAA	17%

Performance and Risk Analysis

Private Debt has Outperformed the Benchmark

Private Debt Return

Excess Return (bps)	Since 7/1/2020	3-Yr	1-Yr
	262	278	467

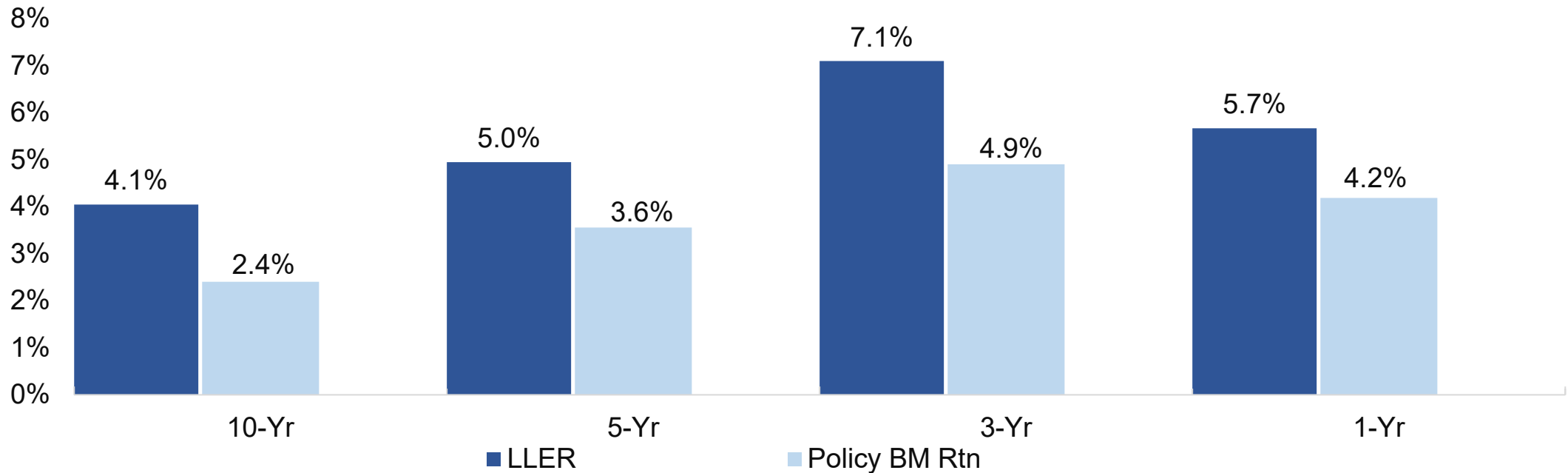




Performance and Risk Analysis

LLER has Outperformed the Benchmark

LLER Return	Excess Return (bps)	10-Yr	5-Yr	3-Yr	1-Yr
			164	139	220



Looking Back on Business & Key Initiatives

What Worked



- Solid buildout of Private Debt portfolio. Since inception committed about \$63Bn with approximately \$25Bn deployed.
- Further expansion of the LLER portfolio to approximately \$14Bn as of 3/31/26.
- Expanded PD's Investment Review Committee (IRC) with colleagues from other asset classes that bring additional expertise.

Current Priorities



- Continue to grow and develop the Private Debt team, creating more capacity to support further growth and diversification of the portfolio.
- Continue to collaborate across INVO to contribute to successful implementation of TPA and the Data and Tech initiatives.

Key Initiatives – Looking Ahead

- Expand cross-team collaboration regarding existing and new investments, and ways of working in alignment with TPA.
- Enhance the efficiency of the underwriting process.
- Expand co-investment opportunities.
- Continue to find workflow efficiencies.



Key Initiatives | Integration of Governance and Sustainability

Activities	Description / Status
<p>Climate Market Mapping</p>	<ul style="list-style-type: none"> • Learn of the various climate themed fund offerings in Private Debt. • Continue to understand the competitive landscape of managers/funds in this space.
<p>External Manager Sustainable Investment Engagement</p>	<ul style="list-style-type: none"> • Understanding manager-specific views on asset materiality. • Collaborating with the Sustainable Investments (SI) team in continuing to learn best practices for integration of SI into credit selection. • Continued engagement with managers in identifying portfolio companies that meet SI criteria. • Integrated SI representation into the Private Debt Investment Review Committee and in the underwriting process through diligence contributions.
<p>Data Pipeline for SI</p>	<ul style="list-style-type: none"> • Identify relevant SI metrics / KPI. • Establish data channels for SI sharing.



Appendix

Investment Beliefs Associated with the Private Debt Program

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



Appendix

Market Value by Geography: Private Debt

Country / Region	Market Value %
United States	69%
Europe ex-United Kingdom	13%
United Kingdom	11%
Asia	3%
Rest of World	4%



Appendix

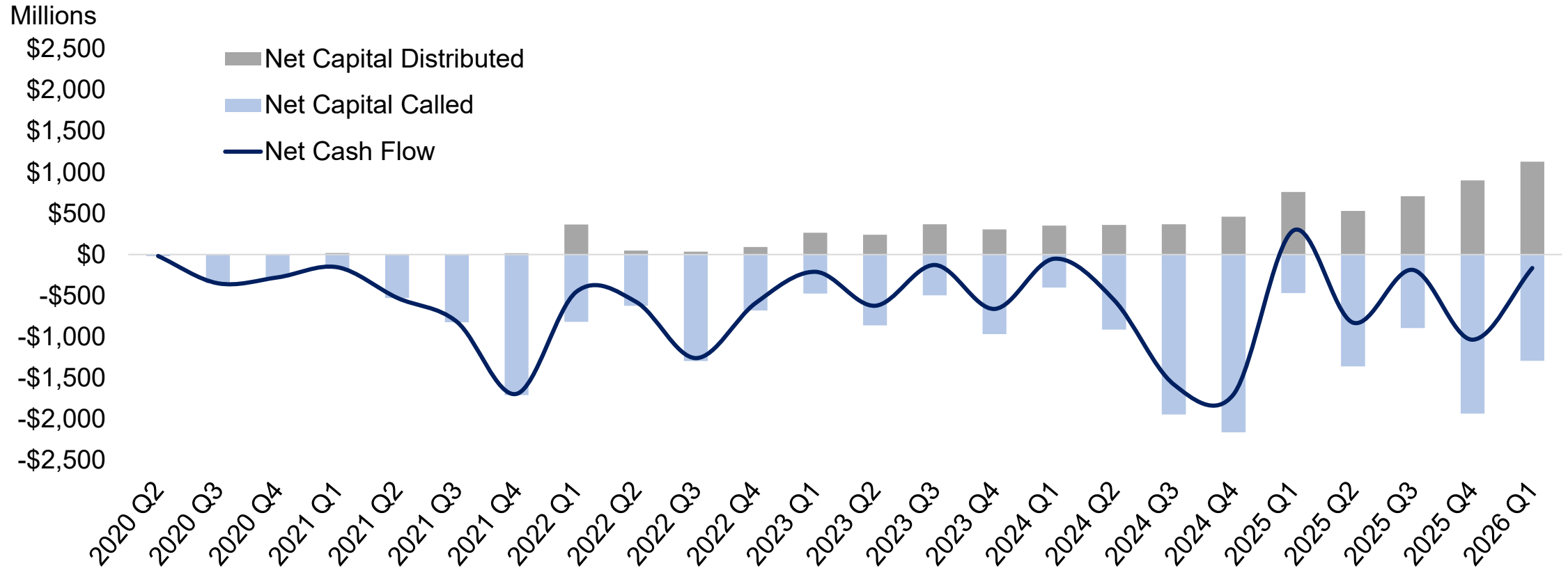
Market Value by Geography: LLER

Country / Region	Market Value %
North America	95%
Europe	3%
Rest of World	2%



Appendix

Cash Flows of Private Debt Funds / CIAs⁽¹⁾



1. As of March 31, 2026. Excludes discretionary co-investment funds. Includes main fund and pro-rata co-investment funds.