MEKETA

5796 Armada Drive
Suite 110
Carlsbad, CA 92008

760.795.3450
Meketa.com

MEMORANDUM

TO: Members of the Investment Committee, CalPERS
FROM: Meketa Investment Group
DATE: September 14, 2026
RE: Private Debt Trust Level Review, as of June 30, 2026

In our role as the Board Private Debt Consultant for California Public Employees' Retirement System (CalPERS), Meketa Investment Group (Meketa) conducted a quarterly performance review of the Private Debt Portfolio (the Portfolio) for the period ended June 30, 2026[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, outpacing the Policy Benchmark over all trailing periods.
2. Staff committed $12.9 billion across 18 investments over the trailing 12 months, bringing the total Private Debt program to 4.3% of the Total Fund. (The current target is 8%).
3. Direct lending continues to represent the majority of the Private Debt program (80.8% of NAV).

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. Private Debt continued to deliver strong performance through June 30, 2026, with the Portfolio outpacing the Policy Benchmark over each time period below.

Private Debt Performance as of June 30, 2026[1]

	FYTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	Since Inception[2] (%)
CalPERS PD Portfolio[3]	11.0	11.0	13.6	11.1	10.8
Policy Benchmark[4]	*7.2*	*7.2*	*9.7*	*7.9*	*7.8*
Excess vs. Policy Benchmark	↑ 3.8	↑ 3.8	↑ 3.9	↑ 3.2	↑ 3.0

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, 2026 are each reported with a one-quarter lag (i.e., values through March 31, 2026).

As of June 30, 2026, the Portfolio consisted of 81 underlying investments totaling $67.4 billion of committed capital with an aggregate net asset value (NAV) of $27.5 billion, an increase of $1.8 billion

[1] CalPERS Private Debt performance analysis for the period ended June 30, 2026, reported with a 1-quarter lag. Since Inception, 5-Year, and 3-Year 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.

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(net of cash flows) compared to the June 30, 2025 value of $21.1 billion. (The increase in the NAV is largely attributable to the yield rather than capital appreciation). The current NAV represents 4.3% 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, 2026 values, while the overall CalPERS portfolio includes publicly traded assets valued as of June 30, 2026.

Performance by Strategy[1]

	NAV ($M)	Percent of Total NAV (%)	FYTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	Since Inception (%)
Direct Lending	22,206	80.8	11.4	11.4	14.2	11.5	11.7
Specialty Lending	4,129	15.0	8.4	8.4	9.7	9.5	8.8
Real Estate Financing	1,160	4.2	12.5	12.5	13.5	10.4	9.7
CalPERS PD Portfolio	**27,495**	**100.0**	**11.0**	**11.0**	**13.6**	**11.1**	**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. 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). In aggregate, CalPERS has completed 53 commitments, or 65% of the total number of commitments, to Direct Lending strategies. The Portfolio also includes 22 commitments to Specialty Lending and six to Real Estate Financing. Direct Lending strategies have generated attractive returns overall and the strongest returns over the three-year, five-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. Across the Portfolio, the average fund-level leverage is 1.2x (debt-to-equity). Real Estate Financing sits at 2.1x followed by Direct Lending and Specialty Lending at 1.2x and 0.5x, respectively.

Performance by Structure[2]

	NAV ($M)	Percent of Total NAV (%)	FYTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	Since Inception (%)
CIA/Co-Investment[3]	19,033	69.2	10.3	10.3	13.8	11.2	10.4
Fund	8,462	30.8	12.8	12.8	13.2	11.0	12.0
CalPERS PD Portfolio	**27,495**	**100.0**	**11.0**	**11.0**	**13.6**	**11.1**	**10.8**

The Portfolio has exposure to two discrete investment structures, customized investment accounts (CIAs) and funds. CIAs represent the majority of current exposure, totaling over two-thirds of NAV across 57 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. Twenty-three fund commitments aggregate to approximately 31% of the Portfolio's NAV. Funds have produced returns higher than CIAs over the one-year and since inception time periods, and CIAs outperformed over the trailing three- and five-year periods.

[1] Source: CalPERS.
[2] Source: CalPERS.
[3] Includes only one co-investment, which represents a single co-investment opportunity executed outside of a CIA structure totaling 0.5% of NAV.

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Performance by Geography[1]

	NAV ($M)	Percent of Total NAV (%)	FYTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	Since Inception (%)
United States	12,048	43.8	9.5	9.5	14.2	11.6	10.9
Global	12,156	44.2	12.8	12.8	13.4	10.6	11.0
Europe	3,291	12.0	10.8	10.8	11.6	10.7	10.2
CalPERS PD Portfolio	**27,495**	**100.0**	**11.0**	**11.0**	**13.6**	**11.1**	**10.8**

As of June 30, 2026, approximately 44% 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 trailing three-year and five-year time periods.

Implementation

For the trailing 12 months ending June 30, 2026, Staff completed an aggregate of $12.9 billion of new commitments, which includes $7.5 billion across 12 customized investment accounts and $5.4 billion across six fund commitments. Overall, during the 12 months ending June 30, 2026, Staff deployed approximately 58% of the capital in CIAs. From a strategy perspective, Staff has continued to add exposure to Direct Lending and Real Estate Financing, which accounted for 84% and 14% of committed capital, respectively, over the last 12 months. Geographically, approximately 70% of committed capital was allocated to Global strategies during the past year, with the balance to United States (27%) and Europe (3%) 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	22,206	80.8	20 – 100
Specialty Lending	4,129	15.0	0 – 40
Real Estate Financing	1,160	4.2	0 – 40
Residential Mortgages	0	0.0	0 – 40
Total Portfolio	**27,495**	**4.3**[3]	**8**[4]

[1] Source: CalPERS.
[2] Source: CalPERS.
[3] PD portfolio NAV as a percent of total CalPERS portfolio as of June 30, 2026.
[4] In March 2024, the Board approved an 8% long-term target allocation for the Portfolio, an increase from 5%.

Conclusion

The Portfolio continues to show strong performance, outpacing the Policy Benchmark over all trailing periods. Additionally, the Portfolio, as a percentage of CalPERS' total portfolio, continues to approach CalPERS' long-term target of 8% and is approximately 0.5% higher compared to June 30, 2025.

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

→ Increasing capital deployment – Over the year ending June 30, 2026, Staff committed $12.9 billion in private debt, including both initial commitments (47% of total) and upsizes to existing commitments (53% of total). (Co-investment commitments in an existing strategy are considered initial commitments).

→ 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, 58% of investment capital has been allocated to CIAs.

→ Adding diversification to the Portfolio – Staff has been adding more Real Estate Financing and Specialty Lending strategies to complement the Portfolio's Direct Lending exposure. Staff has also continued to add Global strategies alongside US-focused mandates.

CalPERS adopted a Total Portfolio Approach (TPA) on July 1, 2026, which will fundamentally shift the framework for how CalPERS allocates capital across asset classes. Private Debt is expected to continue serving an important role in the overall portfolio. In future quarters, Meketa will begin reporting on the private debt asset class in the context of its role within the TPA, and reflecting its contribution to risk and return at the total portfolio level.

The Appendix includes some data and commentary on the private debt asset class for the first quarter of 2026.

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

MB/JM/SPM/jls

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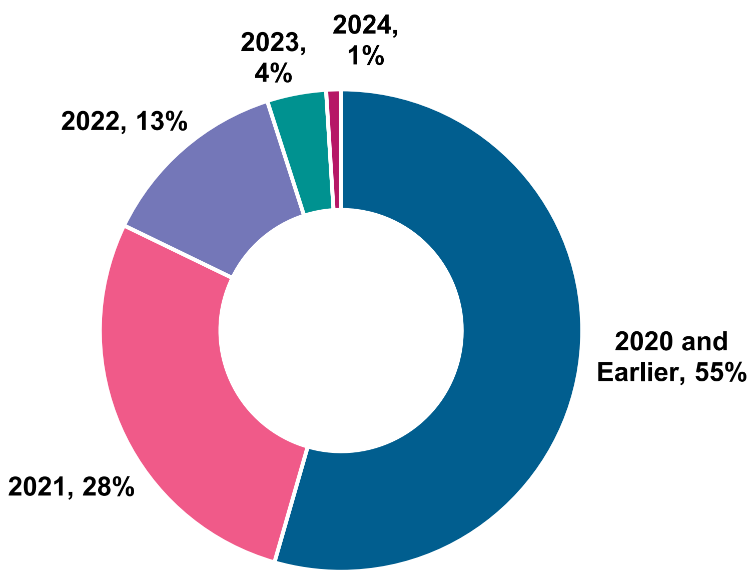
Attachments

Private Debt Market Commentary – Q1 2026

Private Credit: Market Environment Headlines

Negative private credit headlines during the first quarter garnered significant attention, mostly relating to retail flows in vehicles focused on the mass affluent.

Percent of Historical Defaults by Vintage



Vintage year differences are pronounced with deals in 2021 and early 2022 experiencing more stress compared to other recent vintages. Businesses in these cohorts have been the most impacted by the change in interest rates with limited time for EBITDA growth.[1]

[1] Source: S&P Global.

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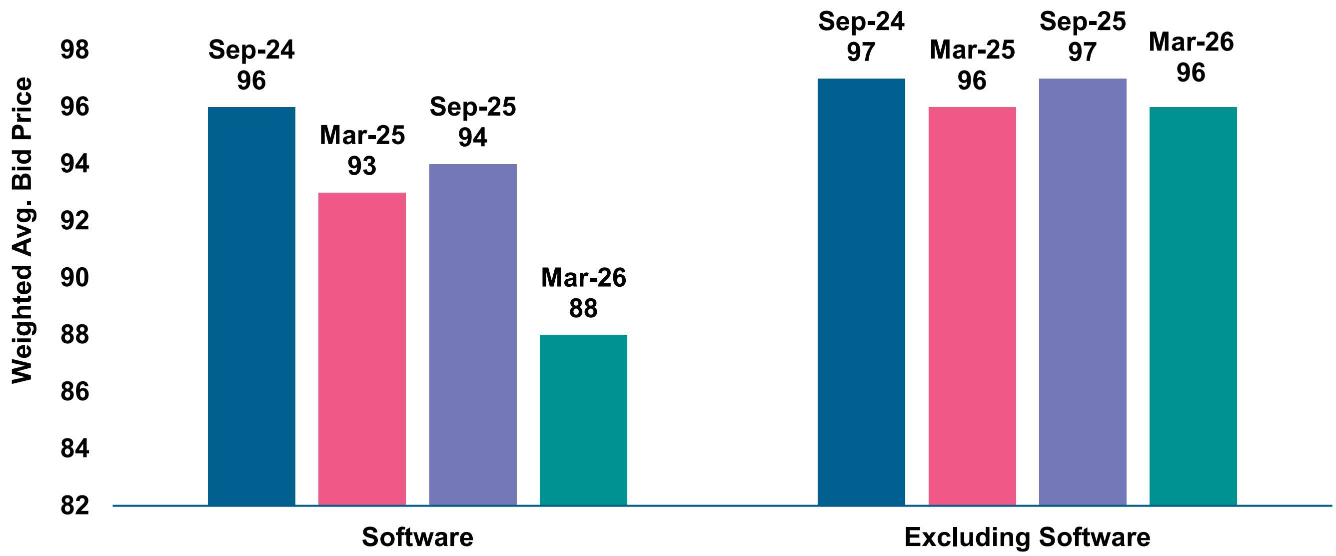
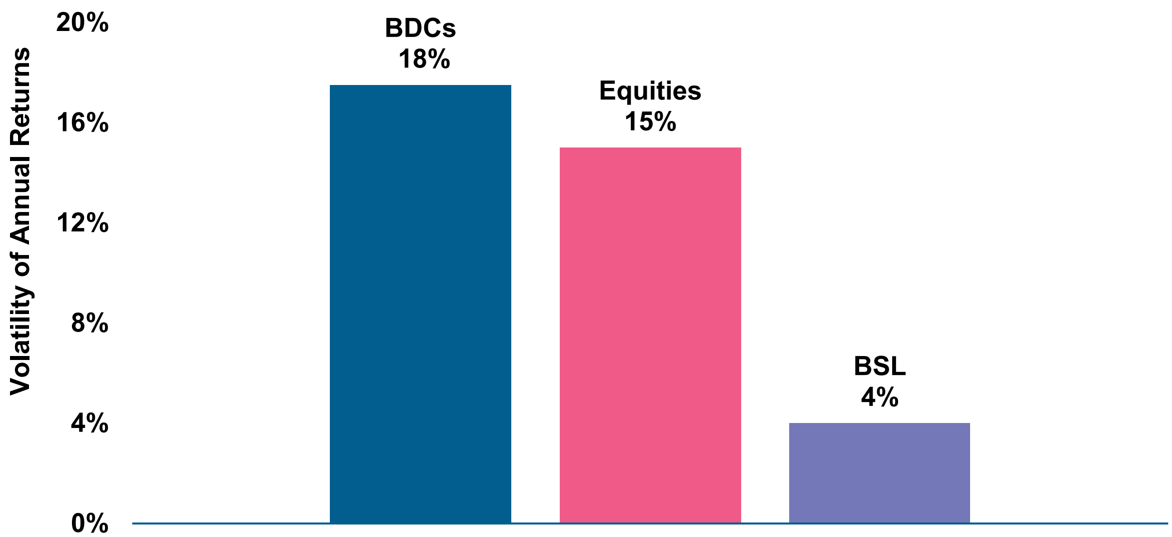
Weighted Average Bid Price of Performing Loans



The software sector has been particularly hit hard as illustrated in the above graph. 1

Volatility Comparison of BDCs, Equities, and BSL



Publicly traded BDCs have experienced significant recent volatility, with most trading below book value. Long-term public BDCs have a higher volatility than equities and the BSL market and generally are a better proxy for financial stocks than direct lending.[2]

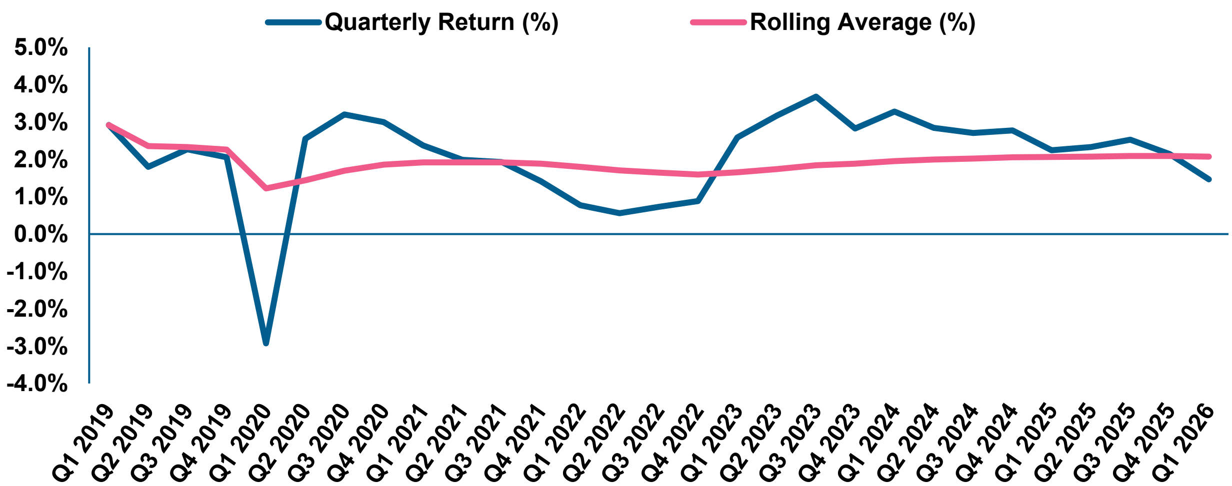
[1] Source: Pitchbook | LCD; Morningstar LSTA US Leveraged Loan Index.
[2] S&P Global (BDCs), MSCI World (Equities), LSTA (BSL). Volatility of annual returns 2016-2025.

Private Credit: Direct Lending

Indicative Financing Terms – US Private Debt Market[1]

	Q4 2021	Q4 2022	May 2026
Leverage	7.0x to 7.5x	4.75x to 5.75x	5.0x to 6.5x
3M SOFR	0.1%	4.1%	3.7%
Floor	1.0%	1.0%	1.0%
Spread	5.0-5.75%	6.0-7.0%	5.0-6.0%
OID	1-2%	2-3%	1.5-2%
Market Indicative Return	**6.3-7.4%**	**10.8-12.1%**	**9.2-10.4%**

Lincoln Senior Debt Index – Quarterly Returns[2]



Direct lending credit investments generated a 1.5% quarterly return (as proxed by the Lincoln Senior Debt Index) in Q1 2026, its lowest 3-month return since Q4 2022 and an ~80 basis points decline compared to the average quarterly return in 2025.

Core middle market direct lending spreads in today's market typically range from 500 to 600 basis points over SOFR, a modest widening of 50 to 100 basis points since late 2025. Software deals, amid fears over AI disruption, are pricing wider, but deal flow is muted.

[1] Source: Lincoln International.
[2] Lincoln Senior Debt Index, Quarterly Returns through March 31, 2026.

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