

California State Teachers' Retirement System

As of September 30, 2020

Presented: March 4, 2021

Semi-Annual Private Equity Program Review – Summary Review



Portfolio

The portfolio's value was \$28.8 billion as of September 30, 2020, representing an exposure of 11.2% of Total Plan.

- This compares to the current target of 9% and a long-term target of 13%.

The portfolio is diversified by strategy, with Buyouts representing the largest exposure at 74% of total Private Equity.

Fund investments represent approximately 89% of exposure, with the balance in co-investments.

- Staff has been increasing the pace of co-investments in recent years.



Performance

- As of September 30, 2020 the Private Equity Program reported strong performance compared to benchmarks.
- Adjusting for cashflows, the portfolio value increased by \$5.2 billion from April 1, 2020 to September 30, 2020.



Activity

- The Private Equity Program experienced a net negative cash flow (i.e., more contributions made than distributions received) of \$0.5 billion during Q2 2020.
 - In Q3 2020, contributions roughly matched distributions – driven by a substantial increase in distributions during the quarter.
- During the second half of calendar 2020, Staff made \$4.4 billion of commitments, approximately \$1.8 billion of which was made during the fourth quarter.
- Staff has increased co-investment activity in recent years.
- Recently, staff has committed to Opportunistic Debt funds designed to invest in stressed or distressed assets.



Private Equity Program Overview

Strategy ^{1,2}	Remaining Value (\$ mm)	Unfunded Commitments (\$ mm)	Total Exposure (\$ mm)	Percent of Remaining Value (%)	CalSTRS Target (%)	Target Range (%)
Buyouts	21,168	15,639	36,807	73.5	71	60-85
Venture Capital	3,093	847	3,940	10.7	10	0-15
Debt Related	2,099	4,101	6,200	7.3	10	5-20
Longer Term Strategy	711	802	1,513	2.5	2	0-5
Special Mandates	1,383	1,042	2,425	4.8	6	0-8
Multi-Strategy	331	557	887	1.1	1	0-5
Total Program	28,785	22,987	51,773	11.2³	9⁴	NA⁵

1 Strategy classifications reflect the newly adopted categorizations.

2 Commitments to secondary, private liquidation, co-investments, and other sub-strategies are allocated based on their strategy.

3 Estimated PE exposure as of September 30, 2020.

4 Current target as of September 30, 2020.

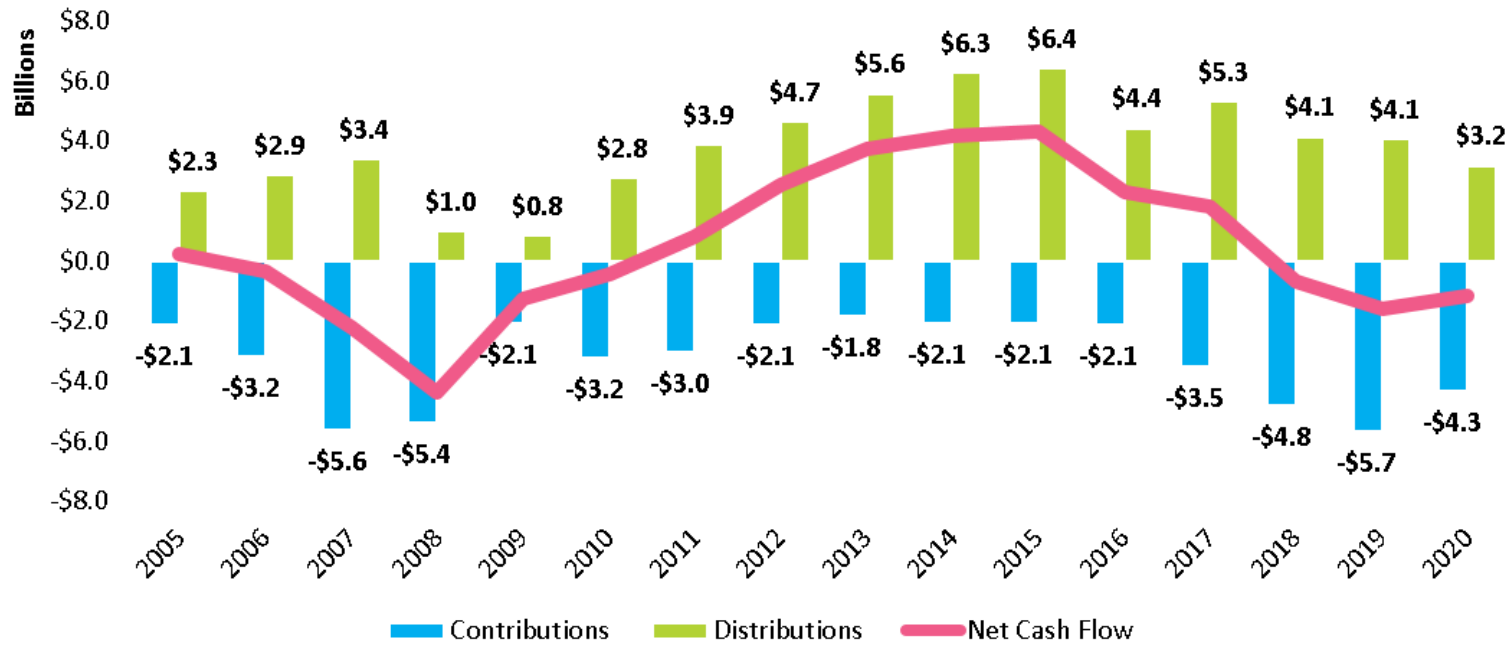
5 CalSTRS has a long-term target of 13% for Private Equity.



- The CalSTRS Private Equity Program was within the diversification ranges outlined in the Policy Statement.
- The Program's exposure (11.2%) exceeds the current target (9%). The long-term target for the Program is 13%.
 - This change in exposure was driven by the larger increase in the Private Equity program value compared to the Total Plan.
- CalSTRS investments are primarily denominated in U.S. dollars (89%), with the Euro accounting for most of the balance.
- Primary geographic exposure is to US companies, with European companies the next highest exposure.
- The Private Equity Program is broadly diversified across industries.



Annual Cash Flows – Total Program (as of September 30, 2020)



- From 2011-2017, CaISTRS received nearly \$20 billion in net cash distributions.
- As anticipated, this trend has reversed as recent commitments are being drawn down by the underlying managers leading to increased contributions to finance new investments.



Performance Against Benchmarks – As of September 30, 2020¹

	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
CalSTRS PE Program	16.30	12.97	12.60	12.45	13.05
<i>Custom State Street PE Index²</i>	11.94	11.35	11.48	12.70	13.02
<i>Custom Benchmark³</i>	11.96	8.69	12.07	10.46	NA
Excess vs. Custom State Street PE Index (%) ⁴	4.36	1.62	1.12	-0.25	0.03
Excess vs. Custom Benchmark (%) ⁴	4.34	4.28	0.53	1.99	NA

1 The State Street PE Index return was calculated by the State Street Global Exchange. The Since Inception return for the State Street PE Index is a pooled return for all Private Equity funds with vintage years of 1990 or later.

2 Reflects the customized PE Index methodology discussed in the updated Private Equity Investment Policy.

3 Custom Benchmark is MSCI ACWI IMI + 1.5%. Calculated by State Street. The Custom Benchmark is customized for certain investment restrictions such as tobacco.

4 Excess returns may not equal the difference between the CalSTRS PE Program and benchmarks due to rounding.



Performance Against Benchmarks

- The Custom State Street PE Index is utilized to review performance of the PE Program for periods of less than 10 years.
 - The Private Equity Program had strong performance compared to the State Street PE index in the 1-, 3-, and 5-year periods in part due to relatively strong Buyout and Co-investment returns during the period.
- The Custom Benchmark is utilized to assess performance for periods of 10 years and greater and is based on the MSCI ACWI IMI + 1.5%.
- Over long periods, CalSTRS PE Program has achieved strong returns.