

San Jose Federated City Employees' Retirement System

Private Markets Manager Due Diligence

December 16, 2025

California Government Code - GOV § 6254.26

(a) Notwithstanding any provision of this chapter or other law, the following records regarding alternative investments in which public investment funds invest shall not be subject to disclosure pursuant to this chapter, unless the information has already been publicly released by the keeper of the information:

- (1) Due diligence materials that are proprietary to the public investment fund or the alternative investment vehicle.
- (2) Quarterly and annual financial statements of alternative investment vehicles.
- (3) Meeting materials of alternative investment vehicles.
- (4) Records containing information regarding the portfolio positions in which alternative investment funds invest.
- (5) Capital call and distribution notices.
- (6) Alternative investment agreements and all related documents.

Key Elements of Private Markets Strategy

1. **Ensure beta exposure above all else.**

Failure to execute the pacing plan guarantees not meeting objectives envisioned within the asset allocation.

Implication is that consistent commitments and vintage diversification matter more than anything else, including manager selection.

2. **Alpha is an outcome of process.**

Sources of alpha can be picking: better sub-sectors (beta timing), managers who are better at choosing the right investments (security selection), manager who operate more effectively (value creation), capital structure optimization (risk decomposition).

Consistently harvesting alpha from those sources requires a competitive advantage relative to all sources of private capital, which must be deliberately developed and maintained.

3. **Alignment of interests can overwhelm most other investment factors.**

Long-term illiquid commitments require careful due diligence and selection of partners.

Agency conflicts increase with (a) distance from the asset and (b) dispersion of ownership.

Fees are the result of a buy-versus-build decision and market forces.

Investment Constraints

California Public Pension Status

California public pension plans have transparency requirements in accordance California government code. These requirements are limiting to the extent that (a) certain investment managers do not want to be subject to such disclosures; and (b) Board and staff risk appetites can be altered by non-economic forces, such as headline risk.

Governance

- Investment Policy Statement
- Investment Implementation Procedures
- Minimum qualifications – registered under Advisor’s Act or similar legislation unless it is exempt, fiduciary standard, nature and size of mandate consistent with asset allocation, concentration limits

Resources

The availability and reliability of resources has the largest impact on strategy and execution, and includes:

- Time – the only resource that cannot be enhanced;
- Capabilities – personnel, external advisors, technology;
- Budget – the constraint on enhancing capabilities.

Private Markets Asset Classes

Buyout



- Large Buyout
- Small-/Mid- Buyout
- Special Situations
- Other

Equity investments in growing, established, and mature companies, with enterprise values generally ranging from \$20mm to \$20bn.

Venture



- Early Stage
- Mid Stage
- Late Stage
- Diversified

Primarily equity investments in start-ups and high growth companies.

Debt



- Par Credit
- Securitized
- Stress/Distress
- Other

Debt investments include credit expected to pay back original principal and interest (par credit), loans and bonds that have been packaged into special purpose vehicles (securitized), securities where the obligor is in a stressed or distressed financial situation (stress/distress), and unique strategies that have some or all the characteristics of debt investments.

Real Estate



- Value-Added
- Opportunistic
- Real Estate Debt
- Other

Equity and debt investments in operating companies and physical properties where the economic value is derived primarily through real estate-related activities. Value-added and opportunistic are distinguished by the level of risk associated with an investment.

Real Assets



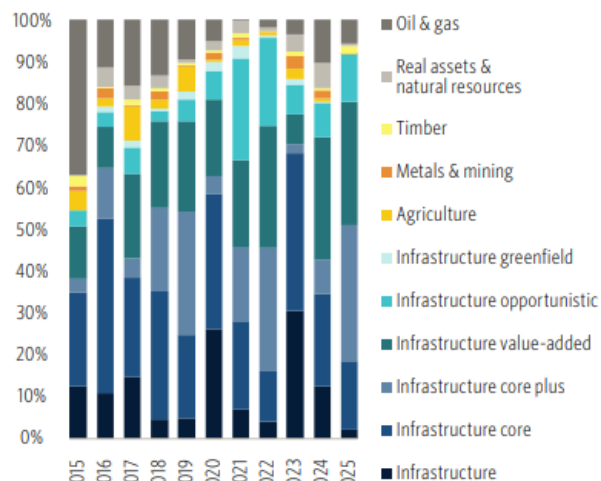
- Infrastructure
- Energy
- Natural Resources
- Other

Investments in operating companies and physical assets where the economic value is derived primarily from the development, production, transport, or processing of natural resources, and the facilities supporting their downstream progress.

Due Diligence – Desired Exposure

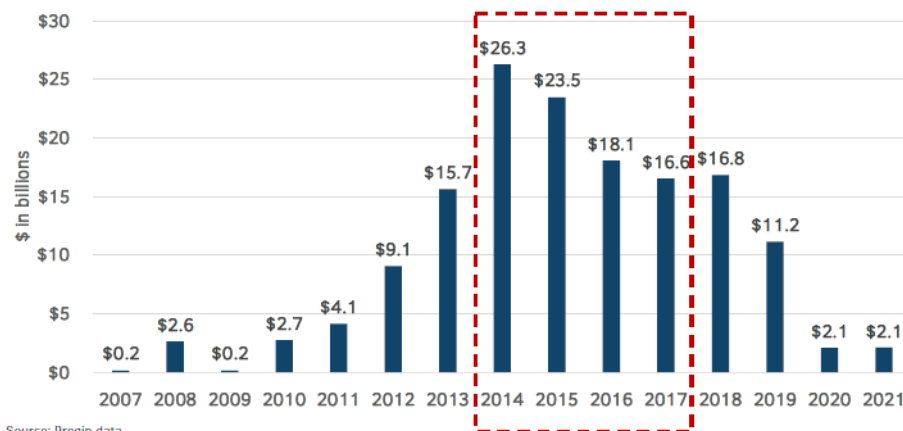
Why now? Compelling market opportunity, looking of mis match in supply and demand of capital results better risk return asymmetry

Share of real assets capital raised by type



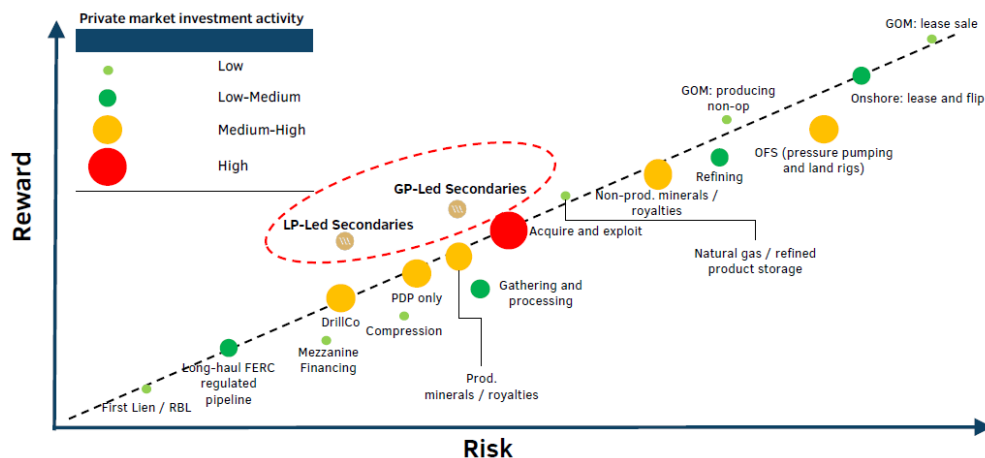
Source: PitchBook • Geography: Global • As of September 30, 2025

Unrealized Energy NAV by Year



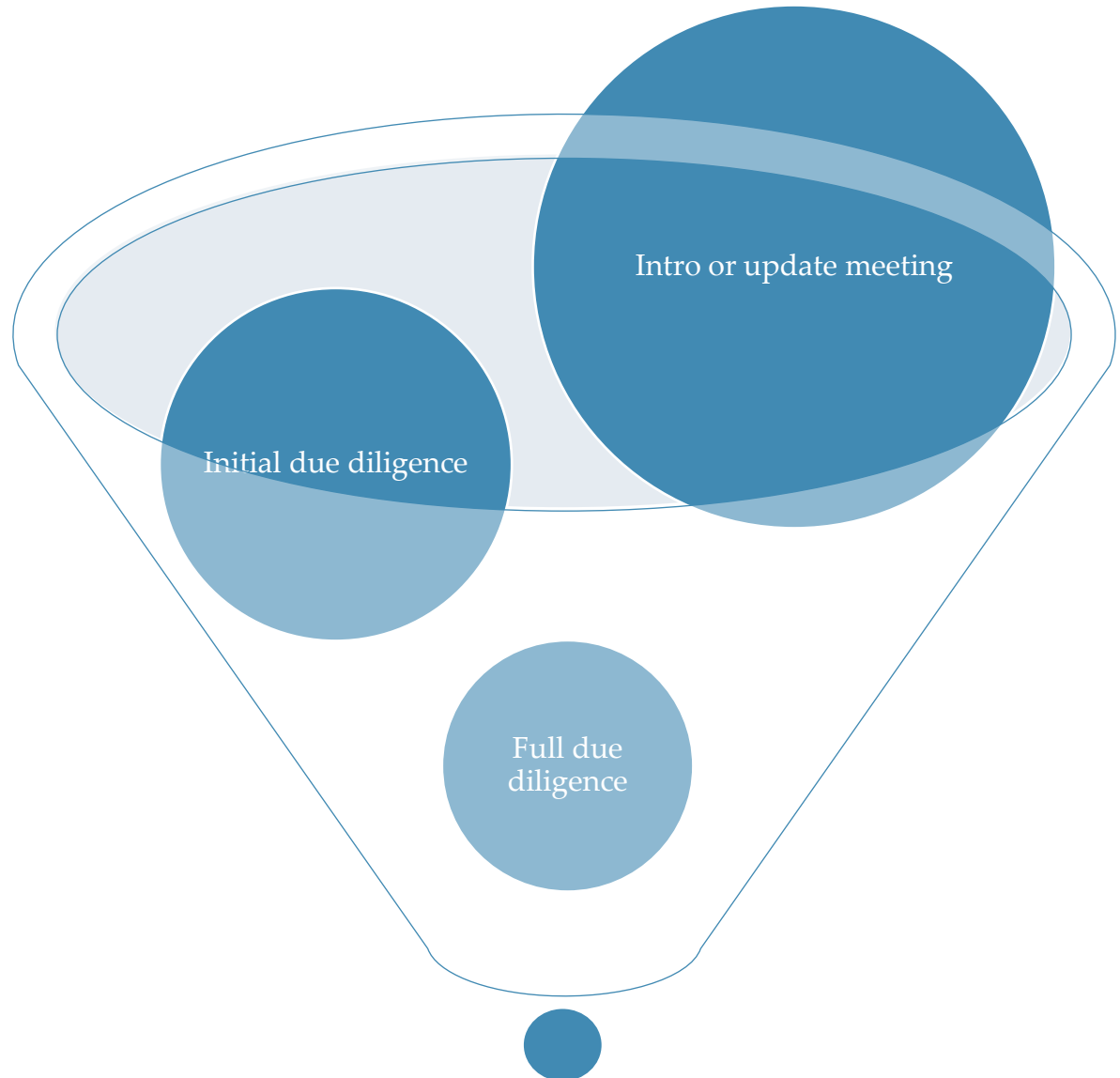
Source: Preqin data.

Portfolio construction – How does the strategy complement existing portfolio



Due Diligence – Sourcing

- Relationships
- Consultants
- Peers
- Industry organizations
- Placement agents
- Unsolicited introductions
- Pitchbook
- eVestment



Due Diligence – Evaluation

- Data room materials
- Using information advantages
- ILPA due diligence tools
- Performance appraisal
- Meet team members at various levels of the firm
- Supplemental data requests
- Negotiate terms
- Reference checks
- Fund scoring matrix
- Portfolio construction
- Legal review
- Consultant concurrence
- CIO approval

Scoring Matrix	Weaker				Stronger
Investment	1	2	3	4	5
Team	1	2	3	4	5
Timing	1	2	3	4	5
Risk	1	2	3	4	5
Terms	1	2	3	4	5
Fees	1	2	3	4	5
Transparency	1	2	3	4	5
Control	1	2	3	4	5

Net IRR	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Manager A															
Manager B															
Manager C															
Manager D															
Manager E															
Manager F															
Manager G															
Manager H															
<i>Burgiss Peer Universe Median</i>															

Appendix

Pacing Plan

	FY 24-25		Pacing Plan				
	<u>Pacing Plan</u>	<u>Actual</u>	<u>FY 25-26</u>	<u>FY 26-27</u>	<u>FY 27-28</u>	<u>FY 28-29</u>	<u>FY 29-30</u>
Buyout	25	25	25	50	100	75	75
Venture Capital	28	25	28	28	28	24	24
Private Debt	20	28	25	25	25	25	30
Growth Real Estate	32	35	32	35	35	40	40
Private Real Assets	25	31	25	25	30	30	30
Total Private Markets	130	144	135	163	218	194	199

Values in \$ millions

VIII. Manager Selection, Retention, Evaluation, Termination Policy, and Delegated Authority in System's Investment Program

Background

- A.** The Board has delegated to the CIO the authority to select and terminate all investment managers of the System subject to constraints and parameters contained herein. Such authority shall be further subject to Manager Selection, Retention, Evaluation & Termination & Fees Procedures ("Procedures"), approved by the CIO and the General Investment Consultant, that provide more detailed constraints and parameters.
- B.** It is the Board's intention that the CIO shall have the necessary authority and resources to effectively select, retain, evaluate, and terminate investment managers with the exception of co-investments (due to the investment concentration risk of co-investments). This exception does not pertain to funds where an external manager has discretion.
- C.** The Procedures will be reviewed annually by the Board's Investment Committee. Any revisions to the Procedures in the interim period will be communicated to the Investment Committee at the next Committee meeting following the incorporation of the revisions and, depending upon the extent of the revisions, potentially the full Board.

IPS – Manager Selection Policy (cont'd)

D. Accordingly, the CIO shall have the authority to:

1. Manage the Investment Personnel of the System, including:
 - a. Recommending to the CEO the appointment and duties of all professional, technical, and clerical employees of the Investment Division;
 - b. Directing and supervising all Investment Personnel on a day-to-day basis; and
 - c. Evaluating all Investment Personnel and managing their professional development.
2. Select and terminate investment consultants to assist in the selection, retention, evaluation, and termination of investment managers.
 - a. The CIO may use the services of the general investment consultant appointed by the Board. Alternatively, if the services of the general consultant can be unbundled to separate manager research services, the CIO may select a consultant(s) of his or her choice to carry out manager research services that would otherwise have been included in the general investment consultant scope of services.
 - b. The CIO shall ensure that the total fees and expenses associated with the consultants he or she selects are reasonable. Total expenses associated with and consultants hired by staff shall be disclosed within the Annual Fee Report.

IPS – Manager Selection Policy (cont'd)

- c. While the CIO shall have the authority to select and terminate investment consultants, the Board shall approve all contracts with investment consultants selected by the CIO to ensure such contracts reflect fair and reasonable value for the System.
- 3. Delegation of authority to the CIO to select and terminate investment managers reflects the Board's desire to:
 - a. Promote efficiency and effectiveness in the manager selection and termination processes;
 - b. Focus the Board's time and attention on investment policy, asset allocation, and oversight, rather than manager selection and termination; and
 - c. Establish clear accountability on the part of the CIO and investment staff for manager selection, retention, evaluation, and termination.

IPS – General Constraints, Parameters, Limitations

General Constraints and Parameters, and Limitation on CIO's Delegated Authority

- A. The CIO's authority to select and terminate investment managers shall be subject to the following general constraints and parameters in addition to the Procedures:
1. Investment managers shall meet the following **minimum qualifications** to be selected to manage any assets of the fund: Be **registered as an investment advisor** under the Investment Advisor's Act of 1940 or comparable legislation, unless the manager represent and warrants that it is exempt from such registration under applicable law and provides the basis for the exemption.
 - a. Agree to serve as fiduciaries to the System and to enter into a contract with the System requiring them to perform their services consistent with the fiduciary services established under (a) the Investment Advisor's Act of 1940; (b) California law applicable to fiduciaries of public employee retirement systems, which includes the California State Constitution, Art. XVI sec. 17 and the San Jose Municipal Code and/or (c) terms and conditions substantially comparable to the foregoing that are satisfactory to the System.
 2. The nature and size of the manager's mandate shall be consistent with:
 - a. The asset allocation policy of the System;
 - b. Applicable constraints contained in the Procedures and this Investment Policy Statement and the total System **active risk limit(s)¹ contained in the risk section of this Investment Policy Statement.**
- B. The Procedures shall include any **checklists and templates** used in the due diligence process. Staff will present a sample due diligence presentation to the Investment Committee annually.

The selection of an investment manager that would contravene a provision of this policy or the Procedures shall require approval by the Investment Committee.

Due Diligence Checklist						
Firm Name						
Fund Name						
Strategy						
Vehicle						
Key Terms						
Primary Office Location						
Investment Officer						
Secondary Analyst						
Stage	Due Diligence Process		Action Items/Documentation	Lead	Date	
Stage 1	Manager Sourcing	Identify manager candidates	eVestment screen, referrals, manager database screen			
		Perform initial qualitative due diligence	Manager Marketing Materials			
			Manager Organizational Chart			
			Firm-wide AUM and Returns Disclosure			
			Initial fee estimate			
		Perform initial quantitative due diligence	Returns Stats (Alpha, beta, TE, IR, batting average, up/down capture, etc.)			
		Funding considerations	Check capacity			
Stage 2	Investment Due Diligence	Due Diligence Questionnaire	Determine optimal & initial investment size			
			Determine source of funding			
			Conduct initial call with consultant analysts	Check consultant coverage, initial feedbacks		
			Narrow to top candidate(s)	Inform team of top candidates		
		Complete full quantitative due diligence	Manager DDQ			
			Supplemental DDQ (ad hoc)			
			Manager presentation book			
			Major client list			
			Historical Monthly Fund Returns			
			Historical Monthly Strategy AUM and Holdings (or Allocations)			
			Historical Sub-strategy Returns and Attribution (if applicable)			
			Historical Risk & Exposure Reports			
		Seek internal and external feedbacks	Manager Monthly/Quarterly Strategy Update/Research			
			Manager Current Risk and Exposure Reports			
			Quantitative Analysis - Internal Risk System			
			Fund suitability analysis: correlation, contribution to TE & Return, etc.			
Prepare Scoring Matrix & Proposal Memo	Investment DD Report or meeting notes (general consultant)					
	Conduct calls with consultant analysts					
	Quantitative Analysis - Consultant					
Stage 3	ODD	Operational Due Diligence	Solicit internal feedbacks			
			Manager Evaluation Form			
			Manager ADV			
			Conduct calls with company operations staff (CCO, COO, Traders, etc.)			
			Review valuation policy			
			Operational DD Report (consultant)			
			Reference Checks			
Stage 4	Terms Review & Negotiations	Evaluate fees and core terms	Background checks if applicable			
			Fill out ODD evaluation form			
		CIO Review	Manager Fees/Terms			
			Review Manager standard IMA			
		Prepare final documents	Staff Proposal Memo			
			Due Diligence Process Review & Checklist w/ Signoff			
		Make final fund selection decision	Recommendation to the CIO			
Stage 5	Approval	CIO Approval	Obtain Consultant supporting memo			
			Key Legal Documents (IMA, PPM/OM, LPA, Sub-Docs etc.)			
			CIO approval form			
Stage 6	Communication	Federated IC notification				
			P&F IC notification			
			Federated board notification			
			P&F board notification			

CIO Approval Form

Due Diligence: CIO Approval Form		
Firm Name		
Fund Name		
Strategy		
Primary Office Location		
Investment Officer		
Secondary Analyst		
	CIO	
Process Review	Notification	Comments
IDD Results	<input type="checkbox"/>	
ODD Results	<input type="checkbox"/>	
Consultant Support	<input type="checkbox"/>	
Legal Documents	<input type="checkbox"/>	
DD Check List	<input type="checkbox"/>	
Final Decision	CIO Decision	Date
Approve	<input type="checkbox"/>	
Reject	<input type="checkbox"/>	

Semi Annual Summary of Active Manager Transactions – December 2025

2

Plan	Asset Class	Manager	Strategy	Action	Amount (\$mm)	Consistent with IPS	Date
Fed Pension	Venture Capital	Fin Capital	Fin Capital Flagship III, LP	Commitment	5	Yes	8/20/25
Fed Pension	Core Real Estate	TA Realty	TA Realty Core Property Fund, L.P.	Commitment	8	Yes	9/30/25
Fed Pension	Private Debt	Eagle Point Credit	Eagle Point Defensive Income Fund III US LP	Commitment	7	Yes	10/7/25
Fed HCT	Core Real Estate	TA Realty	TA Realty Core Property Fund, L.P.	Commitment	2	Yes	9/30/25