

San Jose Federated City Employees' Retirement System

Private Markets Program Update

December 16, 2025

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.

Private Markets Program Objectives

Economic objectives leading to inclusion of private markets within the asset allocation

The purpose of Private Markets is to get exposure to investment strategies that are not available in public markets, thereby capturing an illiquidity premium. The factor exposures will be comparable to those of public markets – primarily growth, supplemented by credit and inflation. The sub-asset classes are Buyout, Venture Capital, Private Debt, Growth Real Estate, and Private Real Assets.

Quantified “absolute” objectives as a result of the asset allocation

- Be near target Net Asset Value for Private Markets and individual private asset classes.
- Achieve performance consistent with asset allocation assumptions:

<i>Measurement Group</i>	<i>Net Return</i>	<i>Time Horizon and Methodology</i>
Private Markets Program	10%	20Y, Meketa geometric expected return
Buyout	11%	
Venture	12%	
Debt	9%	
Real Estate	10%	
Real Assets	10%	

Quantified “relative” objectives as a result of asset class characteristics

- Achieve performance that justifies use of private markets versus public markets.
- Achieve performance that demonstrates a level of staff skill.

<i>Measurement Group</i>	<i>Net Return</i>	<i>Time Horizon and Methodology</i>
Private Markets Program	Global Equity + 100 bps	20Y, Meketa geometric expected return
Individual investments	1 st & 2 nd Quartile	Investments’ peer groups, by vintage year

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.

Private Markets Scope of Coverage and Activity Levels

Active investments monitored by the Private Markets investment team across both San Jose plans:

81 Direct
General Partners

120 Direct Funds

66 Fund-of-One
Underlying Funds

89 Fund-of-One
Underlying Co-
Investments/Secondaries

Activity levels over the last 5 years:

~16 Direct Fund
Commitments per Year

~25 Fund-of-One
Underlying Investments
per Year

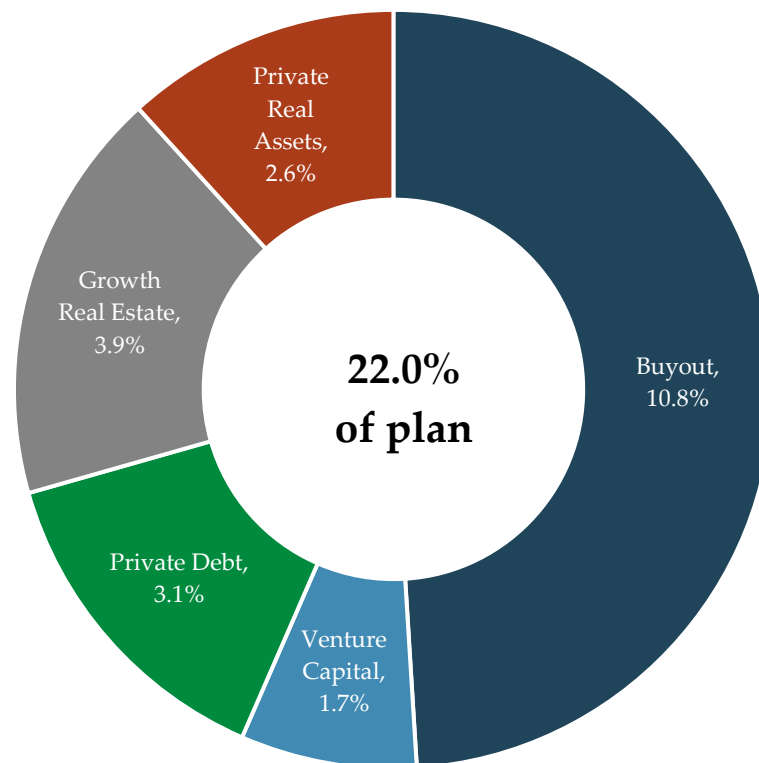
4 Direct Secondary
Purchases Closed

3 Direct Secondary
Sales Closed

Private Markets Allocation Snapshot

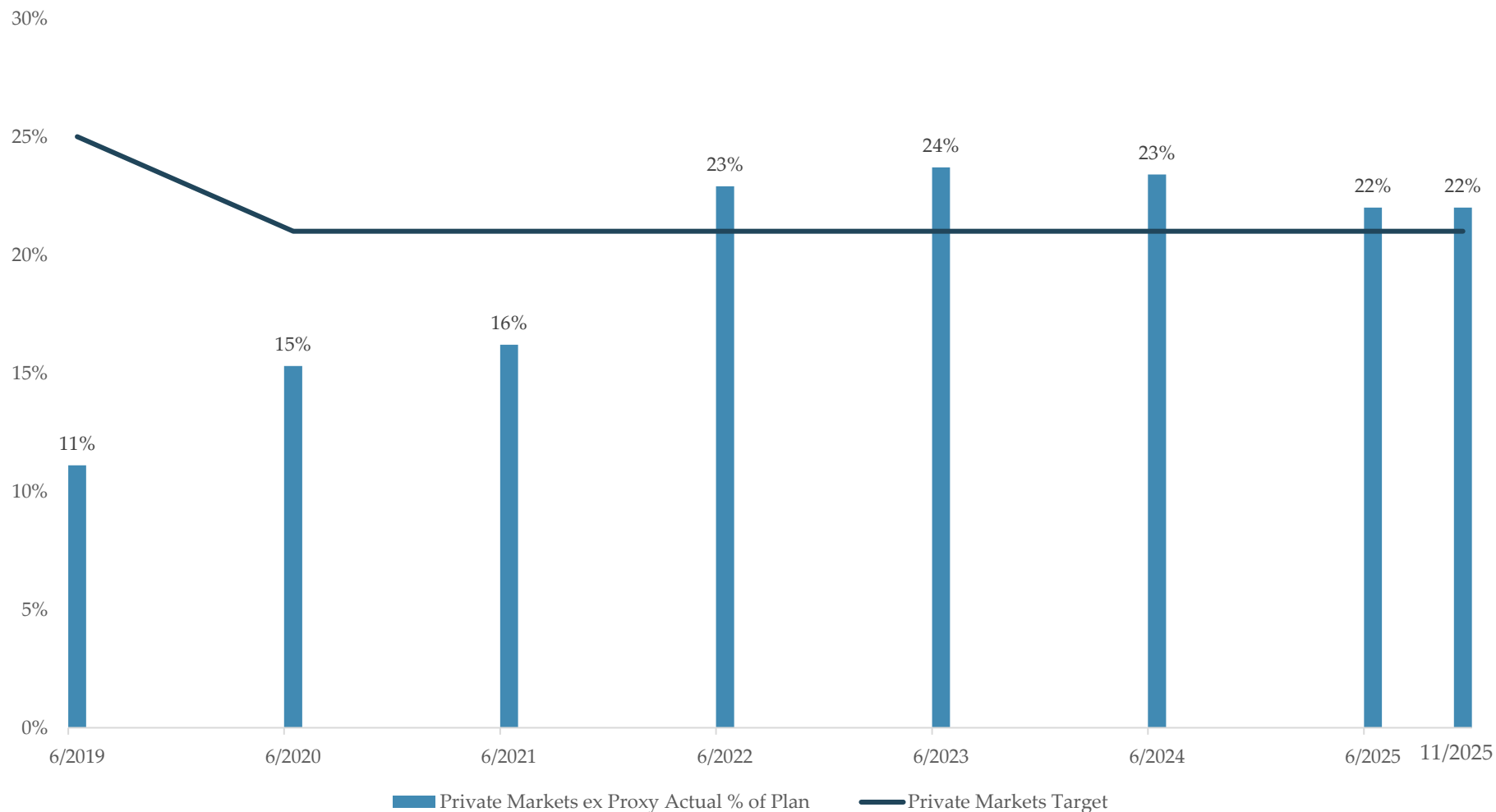
	% of Plan	Target	Difference
Buyout	10.8%	8%	2.8%
Venture Capital	1.7%	4%	-2.3%
Private Debt	3.1%	3%	0.1%
Growth Real Estate	3.9%	3%	0.9%
Private Real Assets	2.6%	3%	-0.4%
Total Private Markets	22.0%	21%	1.0%

Pro Forma as of November 30, 2025



Private Markets % of Plan Over Time

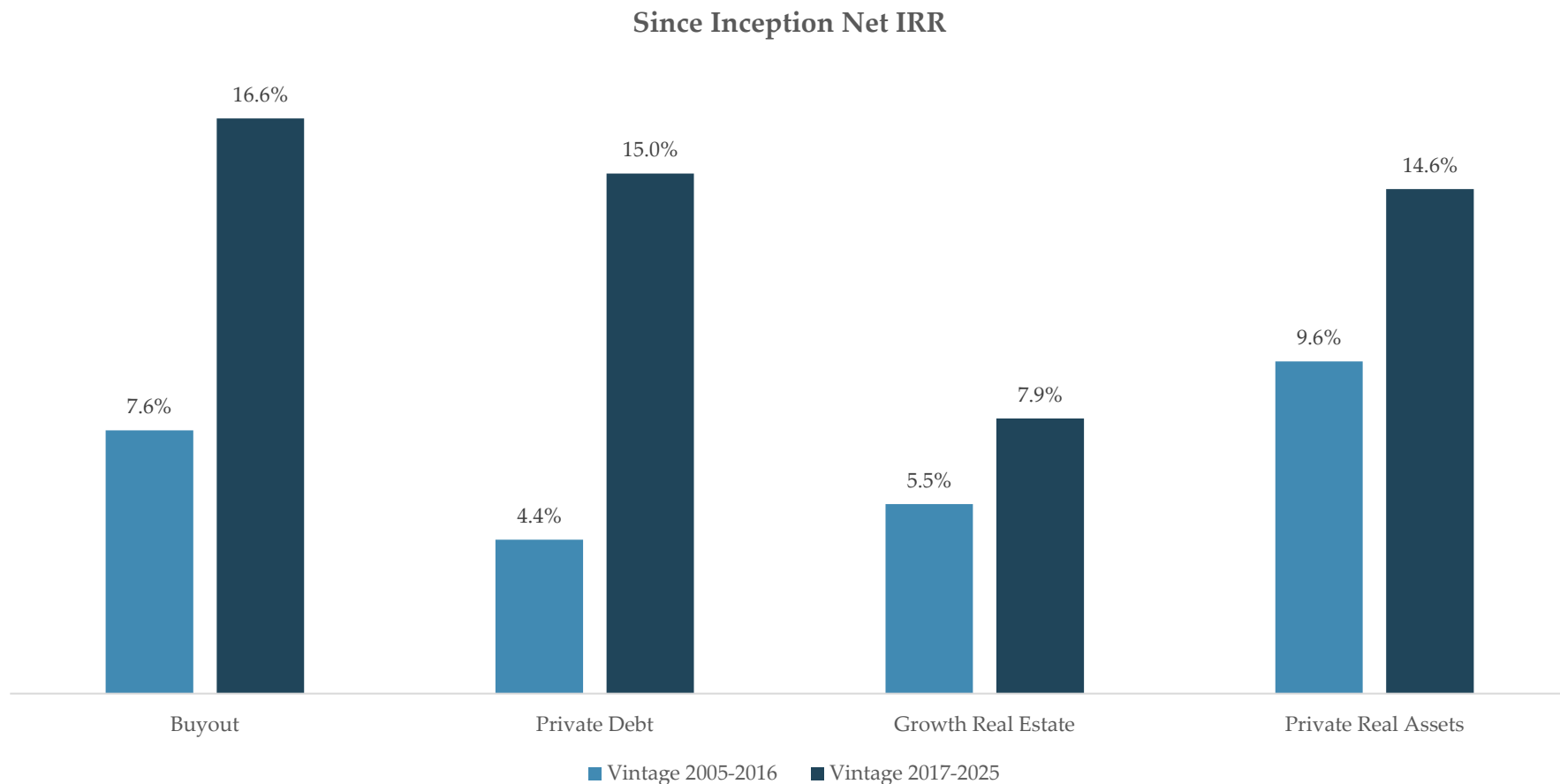
- The Private Markets allocation is currently 1% above target.
- The Board decreased the Private Markets target from 25% to 23% in October 2019 and 23% to 21% in March 2020.



Post-2017 Commitments Delivering Stronger Results

Commitments in vintage years 2017-2025 are outperforming legacy commitments across all asset classes.

A formal private markets investment strategy, team, and enhanced resources were put in place in 2017.



As of June 30, 2025

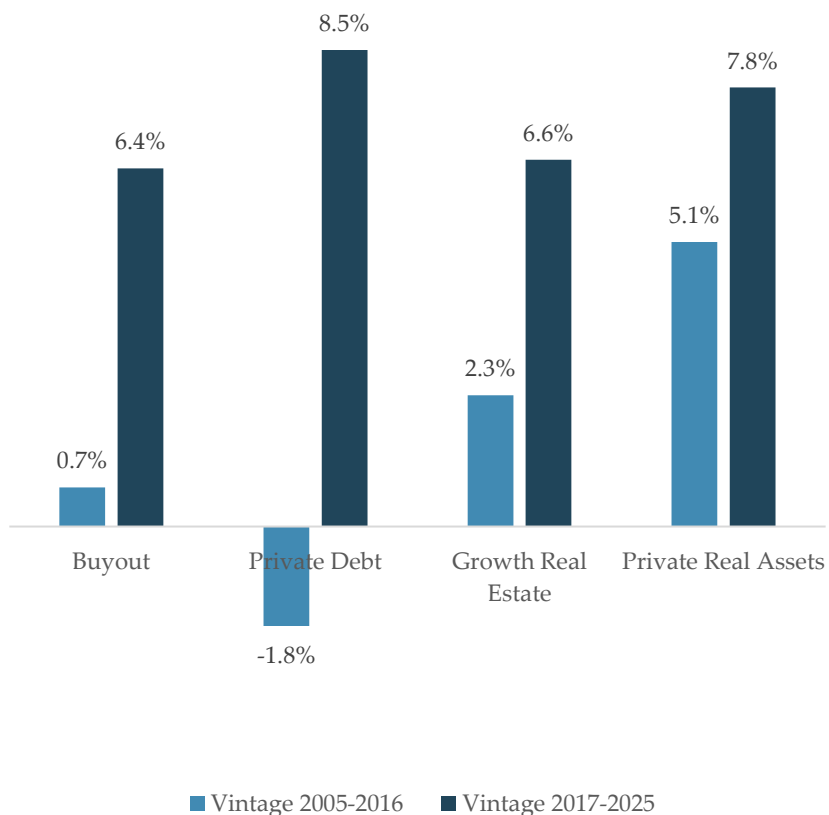
Source: Meketa, Neuberger Berman

Private Returns Relative to Public Markets

Commitments in vintage years 2017-2025 are outperforming legacy commitments in vintage years 2005-2016.

The Private Markets portfolio is trailing the return of the MSCI ACWI IMI + 100 bps.

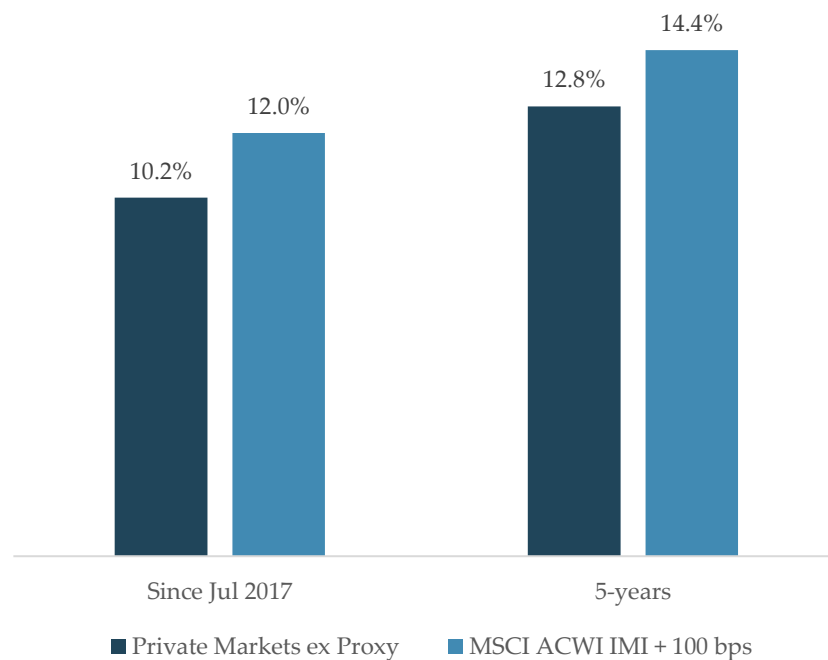
Excess Return to PME by Vintage Year



As of June 30, 2025

Source: Meketa, Neuberger Berman

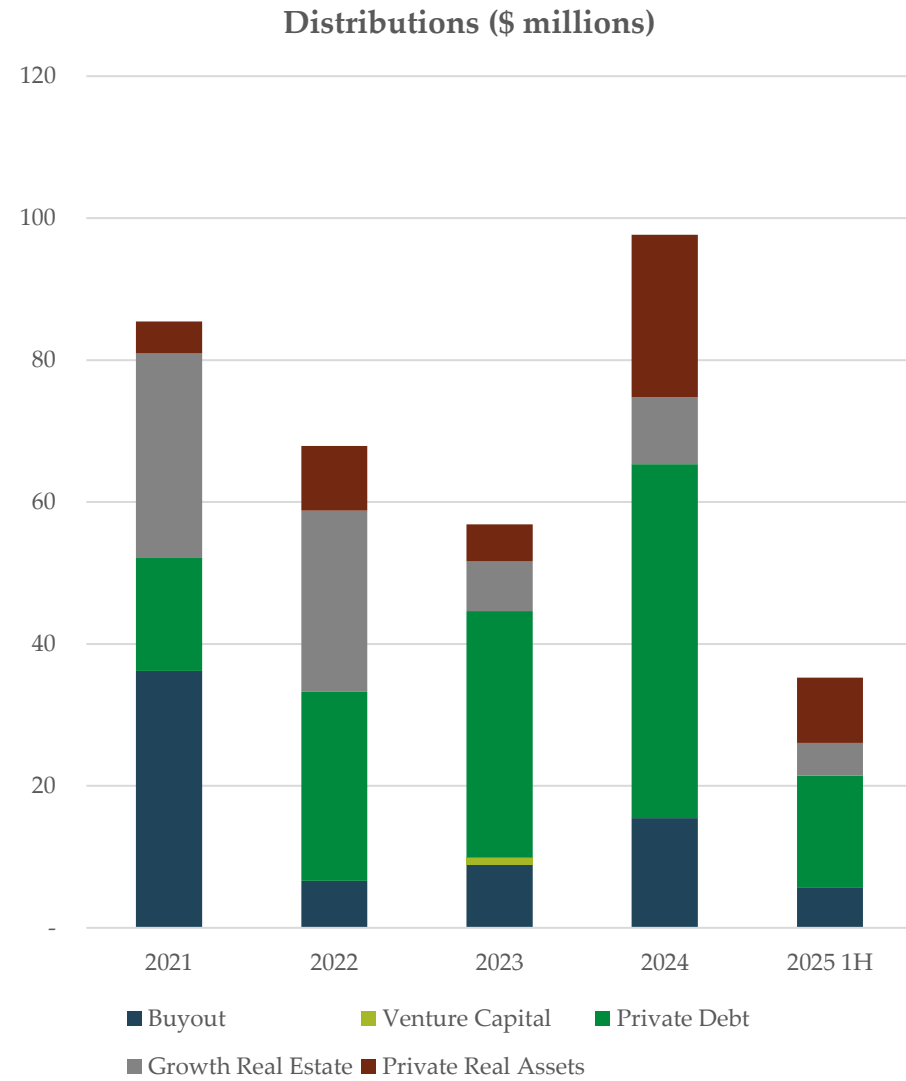
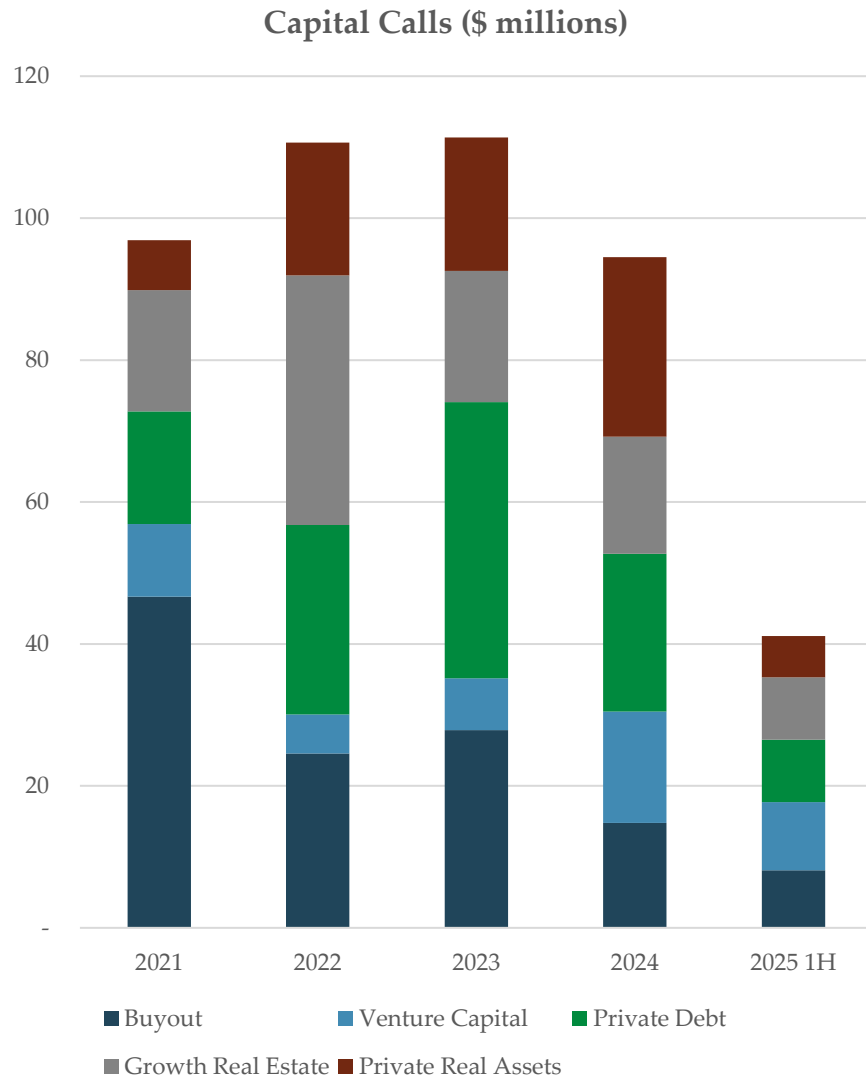
Time-Weighted Net Returns



As of September 30, 2025

Source: Meketa, BNY Mellon

Private Markets Cash Flow Dynamics



Source: Meketa, Neuberger Berman

FY 2025-26 Pacing Plan Execution Progress

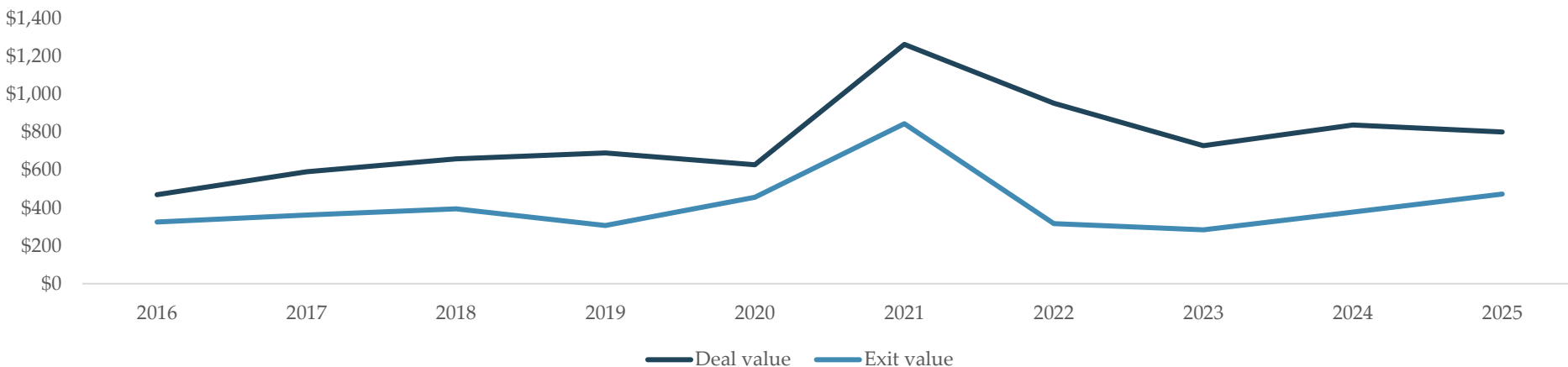
54% of FY 2025-26 pacing plan committed (including pending closes).

	Style	Date	Executed (\$mm)	Target (\$mm)	% of Target
Buyout			25	/ 25	100%
PE Strategic Partnership SJFED	Fund-of-one	7/1/2025	25		
Venture Capital			10	/ 28	36%
Fin Capital Flagship III	Early Stage	8/20/2025	5		
<i>Expected to close soon – in contracting</i>	<i>Early Stage</i>	<i>TBD</i>	5		
Private Debt			14	/ 20	70%
Eagle Point Defensive Income Fund III	Par Credit	10/7/2025	7		
<i>Expected to close soon – in contracting</i>	<i>Par Credit</i>	<i>TBD</i>	7		
Growth Real Estate			8	/ 32	25%
Corebridge US Real Estate Fund V	Value Added	8/8/2025	8		
Private Real Assets			13	/ 25	52%
<i>Expected to close soon – in contracting</i>	Natural Resources	TBD	5		
<i>Expected to close soon – in contracting</i>	Infrastructure	TBD	8		
Total Private Markets			70	/ 130	54%

Buyout

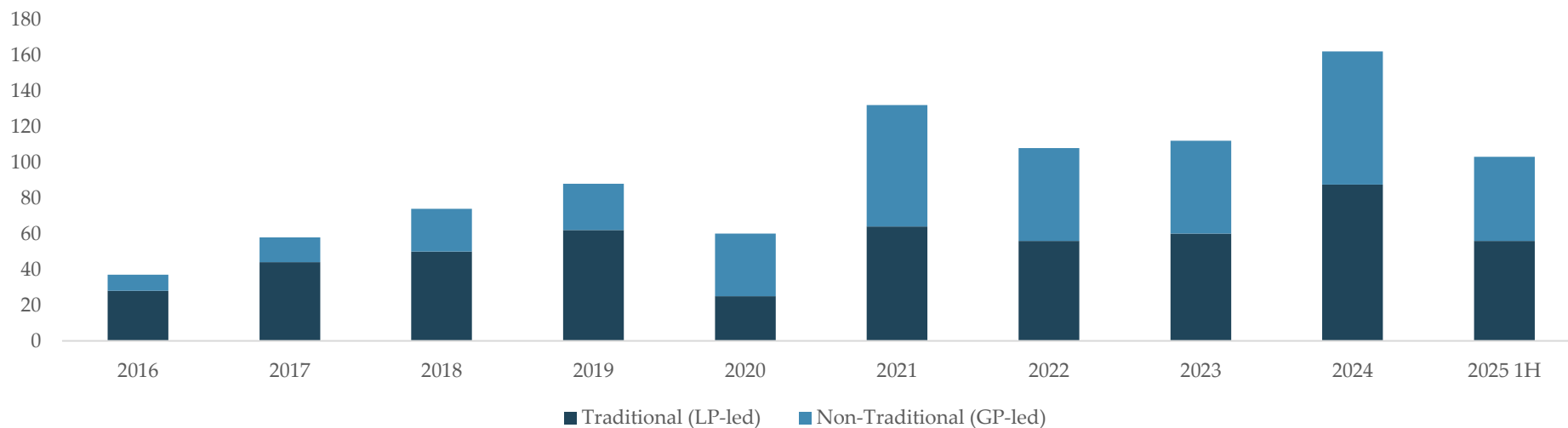
Deal Volume Recovering Gradually

U.S. Private Equity Deal Activity (\$ billions)



Source: Pitchbook, as of September 30, 2025

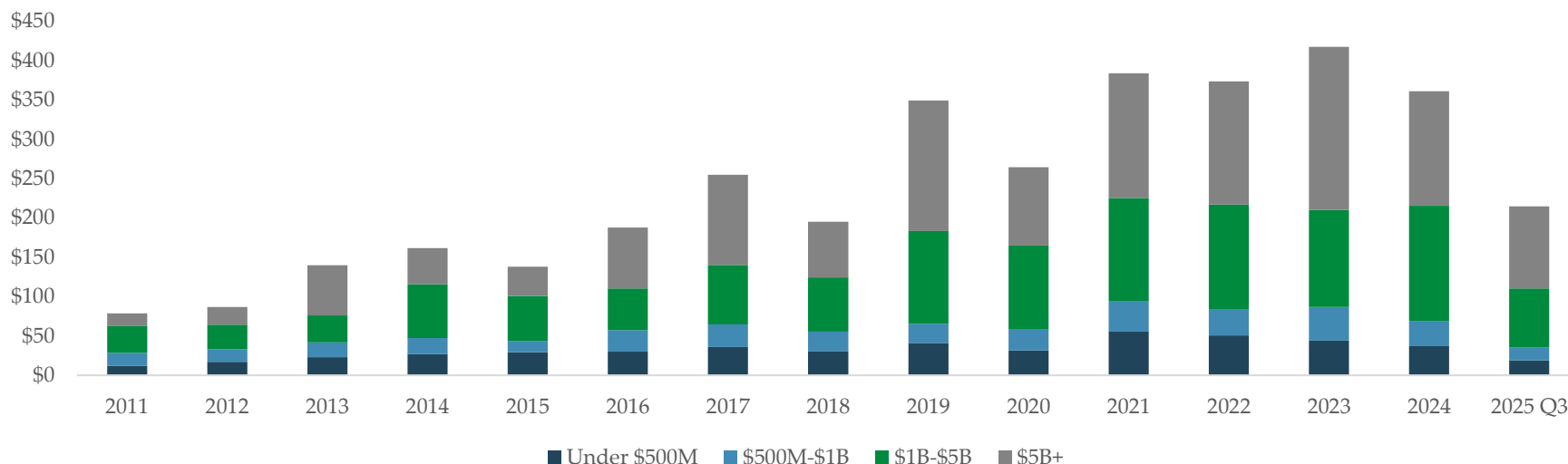
Secondary Transaction Volume (\$ billions)



Source: Jefferies Global Secondary Market Review, as of June 30, 2025

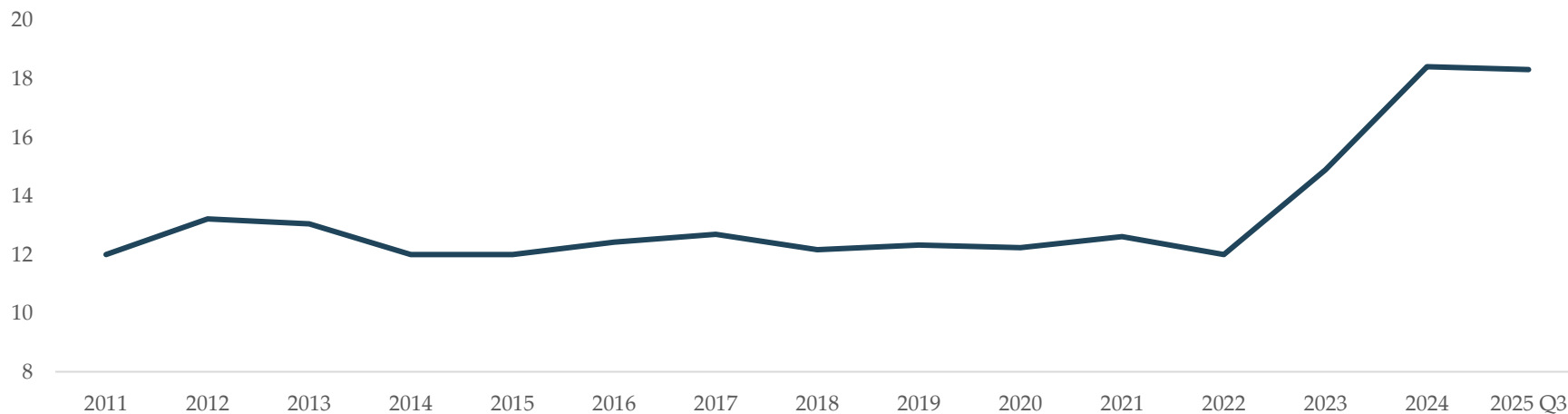
Larger Funds Raising More Capital and Fundraising Taking Longer

U.S. Private Equity Capital Raised by Fund Size (\$ billions)



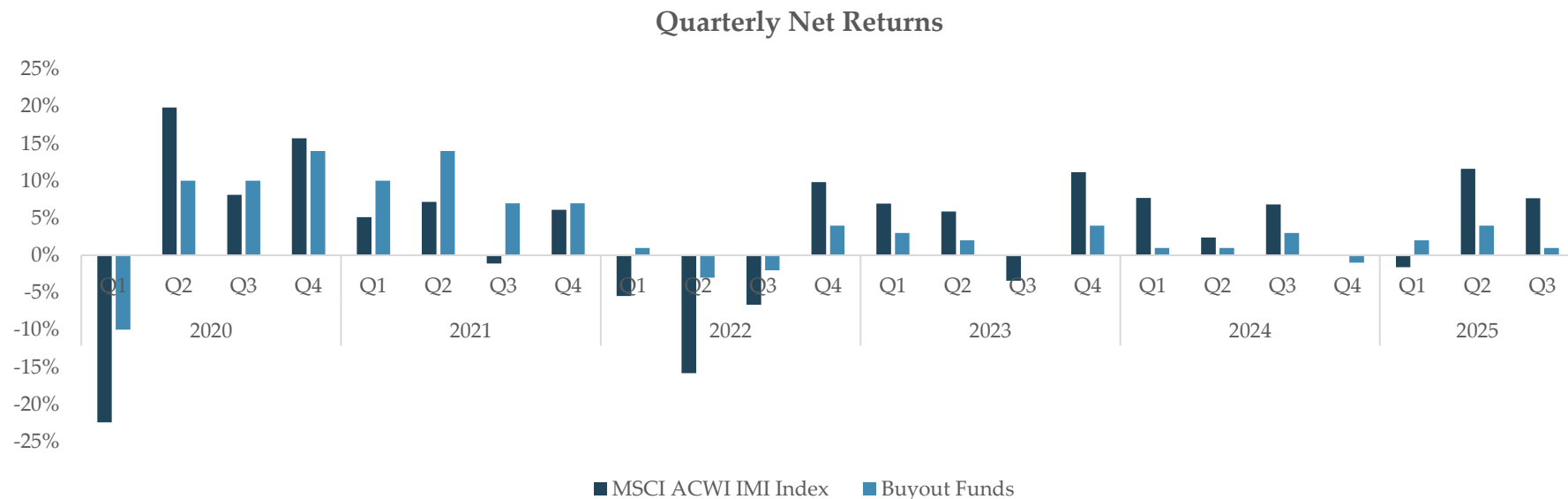
Source: Pitchbook, as of September 30, 2025

Median number of months to close private capital funds

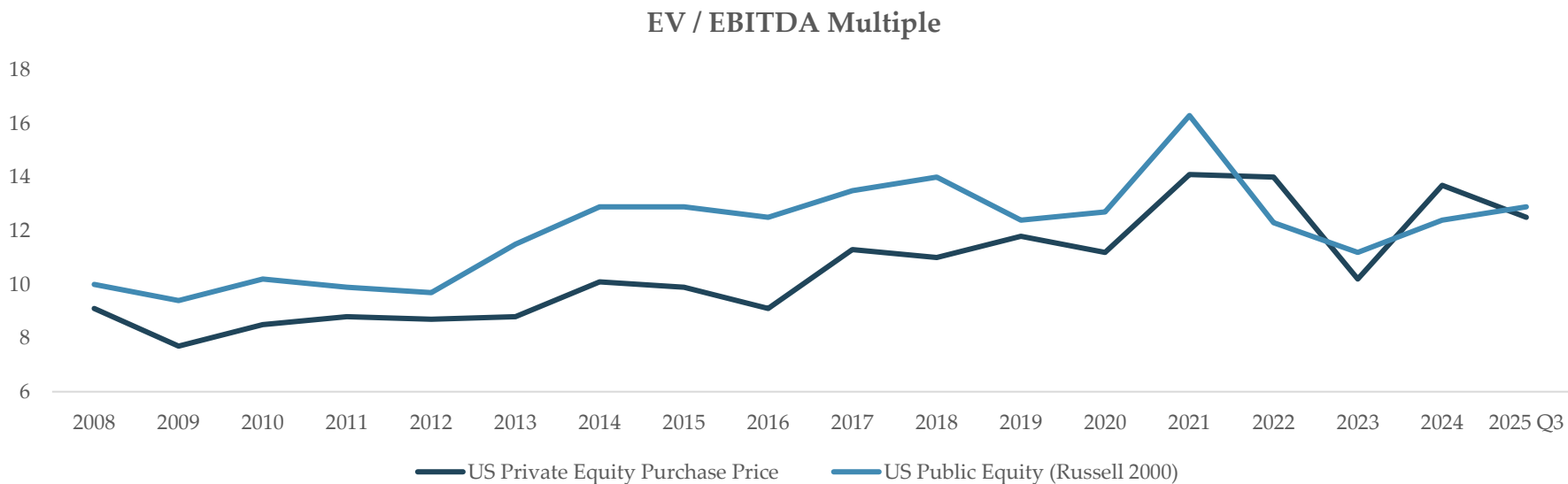


Source: Pitchbook, as of September 30, 2025

Private Valuations Lagging Public Markets



Source: Bloomberg (MSCI ACWI IMI Index), Neuberger Berman (Buyout Funds), as of September 30, 2025

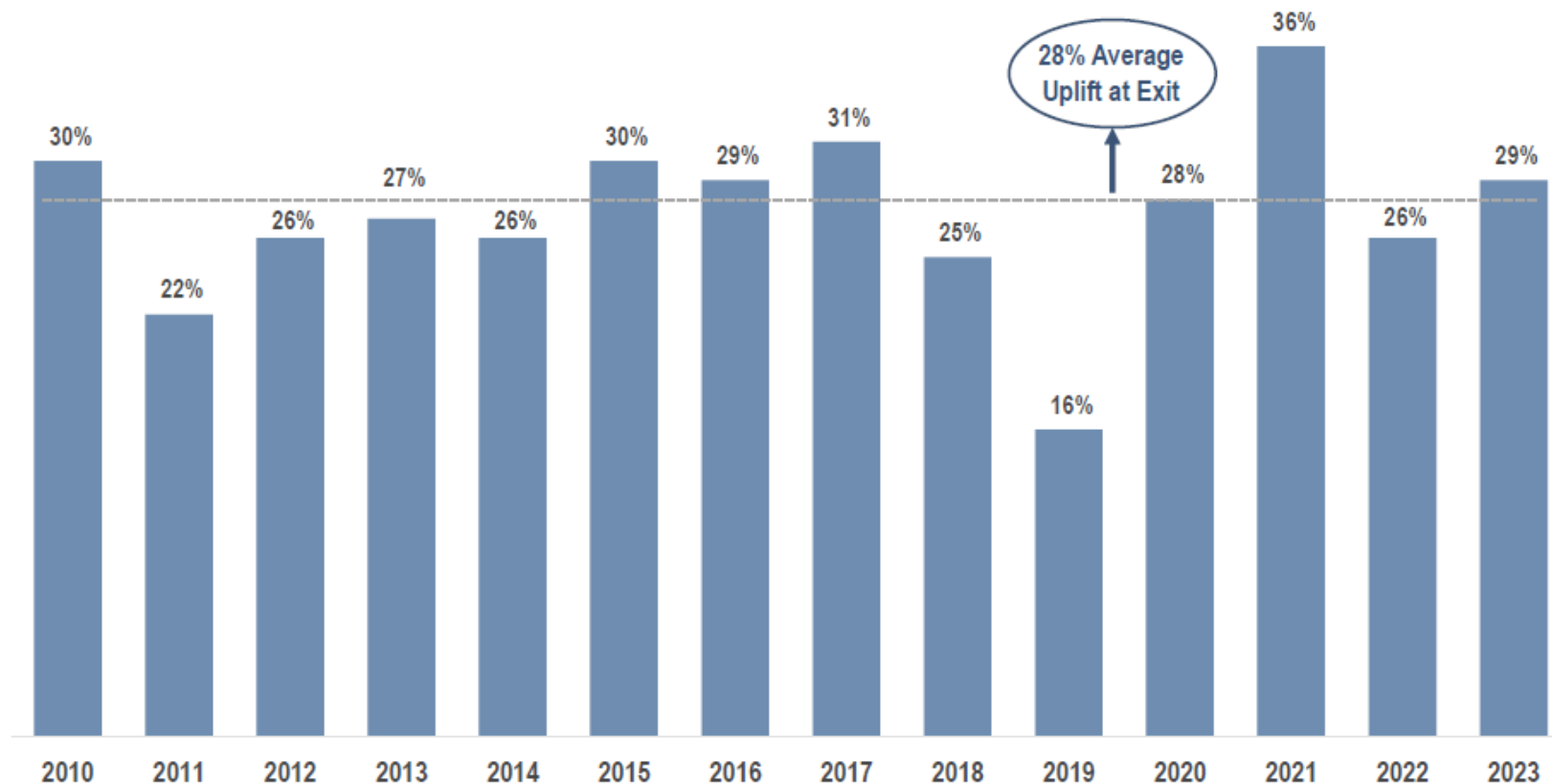


Source: Pitchbook LCD and S&P Capital IQ, as of September 30, 2025

Private Equity Valuation Uplift at Exit

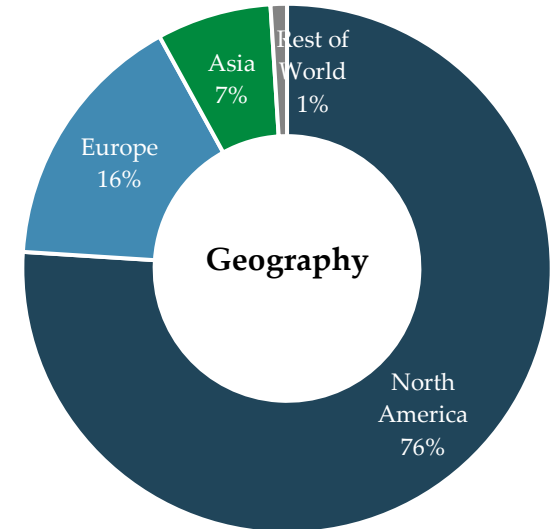
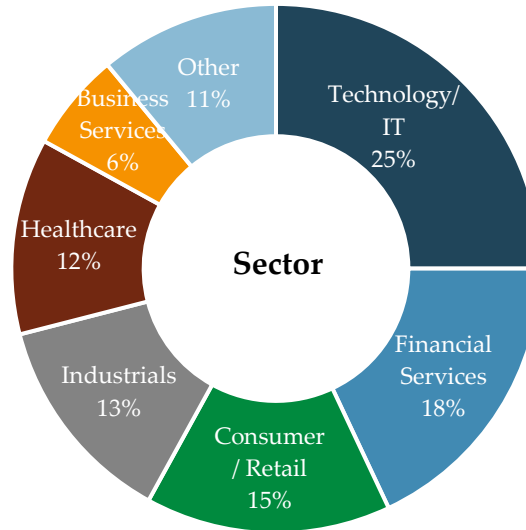
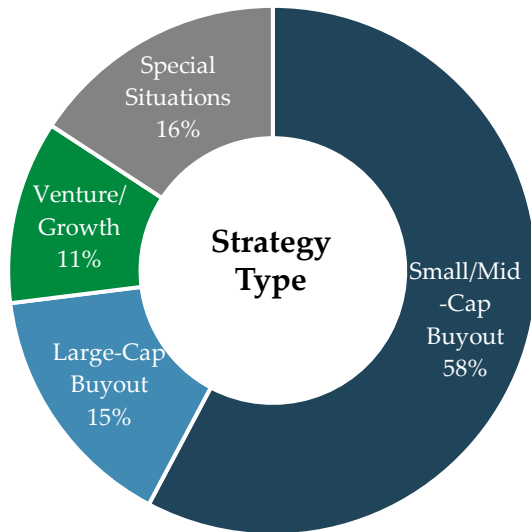
Private equity-backed companies are typically valued within a fairly narrow range of valuation multiples during the hold period, with much less volatility than public equity valuation multiples. As a result, significant uplift often occurs at the time of exit. Since 2010, the average uplift at exit was consistently between 25–30% compared to two quarters prior to exit

AVERAGE VALUATION UPLIFT AT EXIT (COMPARED TO TWO QUARTERS PRIOR TO EXIT)



Source: Neuberger Berman, Institutional Investor and Dawson Partners, September 2024. Sponsor data as of June 30, 2024

Buyout Portfolio Exposures



Source: Neuberger Berman
As of June 30, 2025, values based on NAVs
Only includes PE Strategic Partnership

Buyout Portfolio FY 2025-26 Investment Update

Primary Fund Commitments	Status	Region	Strategy Type	\$ mm
Redacted Fund A	Committed	North America	Growth Equity	4.2
<i>Redacted Fund B</i>	<i>Contracting</i>	<i>North America</i>	<i>Small/Mid-Cap Buyout</i>	4.2
<i>Redacted Fund C</i>	<i>Model</i>	<i>North America</i>	<i>Small/Mid-Cap Buyout</i>	4.2
Total – Primary Fund Commitments				12.5
Co-Investments / Secondaries	Status	Region	Strategy Type	\$ mm
Redacted Co-Investment A	Committed	Europe	Small/Mid-Cap Buyout	0.5
Redacted Co-Investment B	Committed	North America	Growth Equity	1.1
Redacted Co-Investment C	Committed	North America	Growth Equity	0.8
Redacted Secondary D	Committed	North America	Small/Mid-Cap Buyout	0.4
Redacted Co-Investment E	Committed	Europe	Small/Mid-Cap Buyout	0.4
Redacted Co-Investment F	Committed	North America	Growth Equity	0.4
Redacted Secondary G	Committed	North America	Small/Mid-Cap Buyout	1.2
Redacted Co-Investment H	Committed	North America	Small/Mid-Cap Buyout	0.4
Redacted Secondary I	Committed	North America	Small/Mid-Cap Buyout	0.8
<i>Unallocated Co-Investments / Secondaries</i>	<i>Model</i>	<i>n/a</i>	<i>n/a</i>	6.0
Total – Co-Investments / Secondaries				12.5
Total				25.0

Source: Neuberger Berman, as of November 30, 2025

Private Debt

Private Debt Yields Remain Elevated



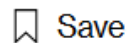
Source: Bloomberg, as of November 30, 2025

Dimon's 'Cockroach' Fear Revives Threat of Cracks in Credit

By [Sridhar Natarajan](#)

October 14, 2025 at 9:45 AM PDT

Updated on October 14, 2025 at 5:20 PM PDT



Save



Translate



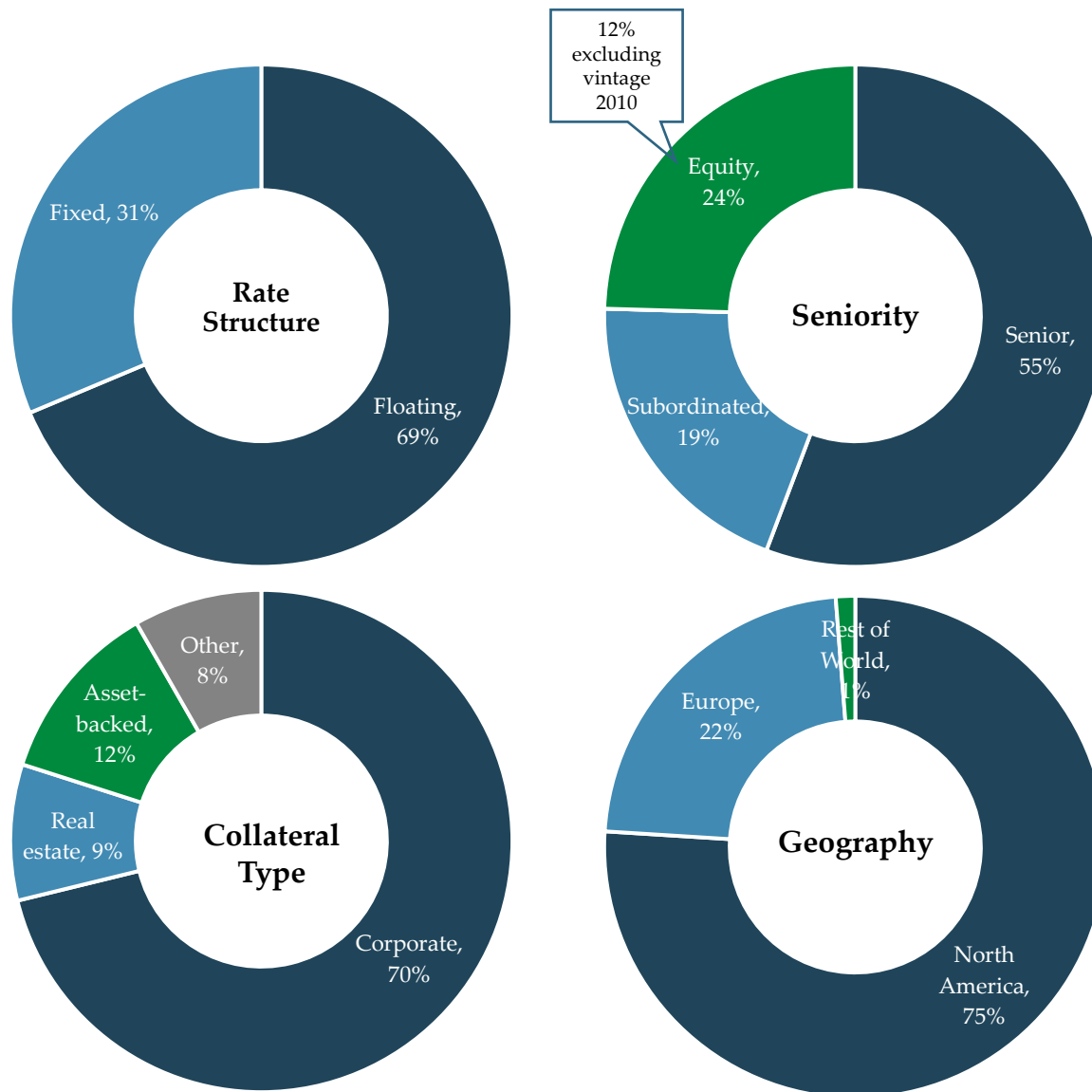
Listen 4:51

✦ **Takeaways** by Bloomberg AI

Hide ^

- Jamie Dimon, JPMorgan Chase & Co.'s chief executive officer, said "my antenna goes up when things like that happen" in reference to the bankruptcies of Tricolor Holdings and First Brands Group.
- Dimon warned that "when you see one cockroach, there are probably more" and that "I suspect when there's a downturn you will see higher-than-normal downturn type of credit losses in certain categories".
- Dimon and other bank leaders offered warnings about potential troubles with lending or signs of economic weakness, despite their banks posting revenue that beat analysts' estimates.

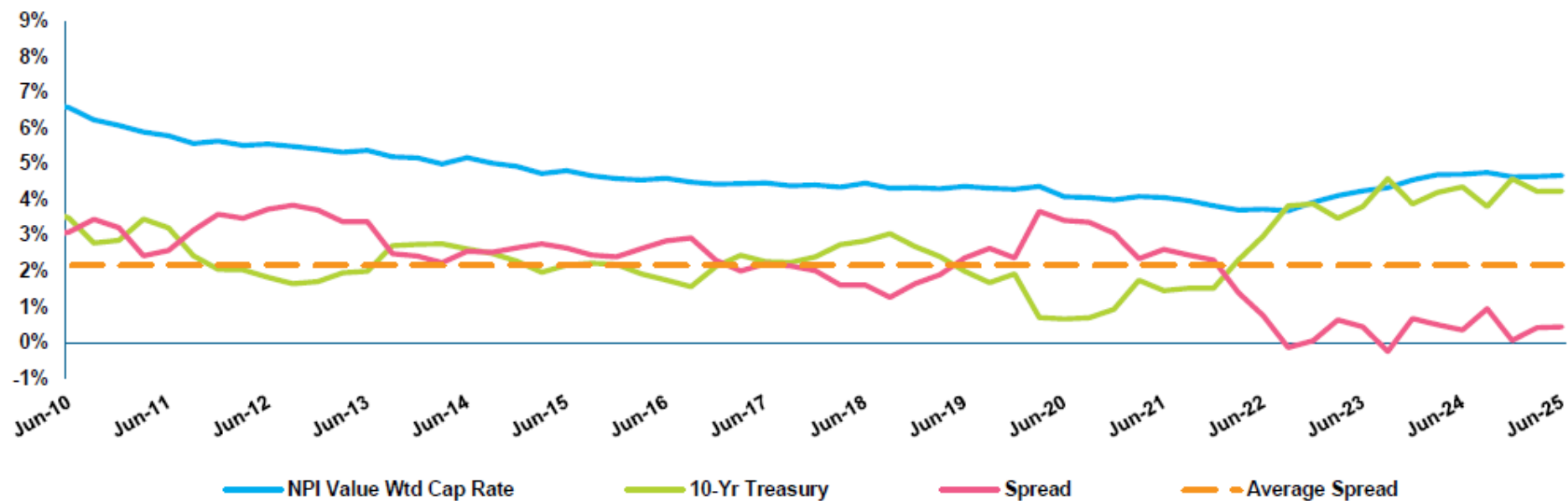
Private Debt Portfolio Exposures



Source: San Jose Staff, as of June 30, 2025
Values based on NAVs plus unfunded commitments

Growth Real Estate

Cap Rate Spread to Treasuries Remains Narrow

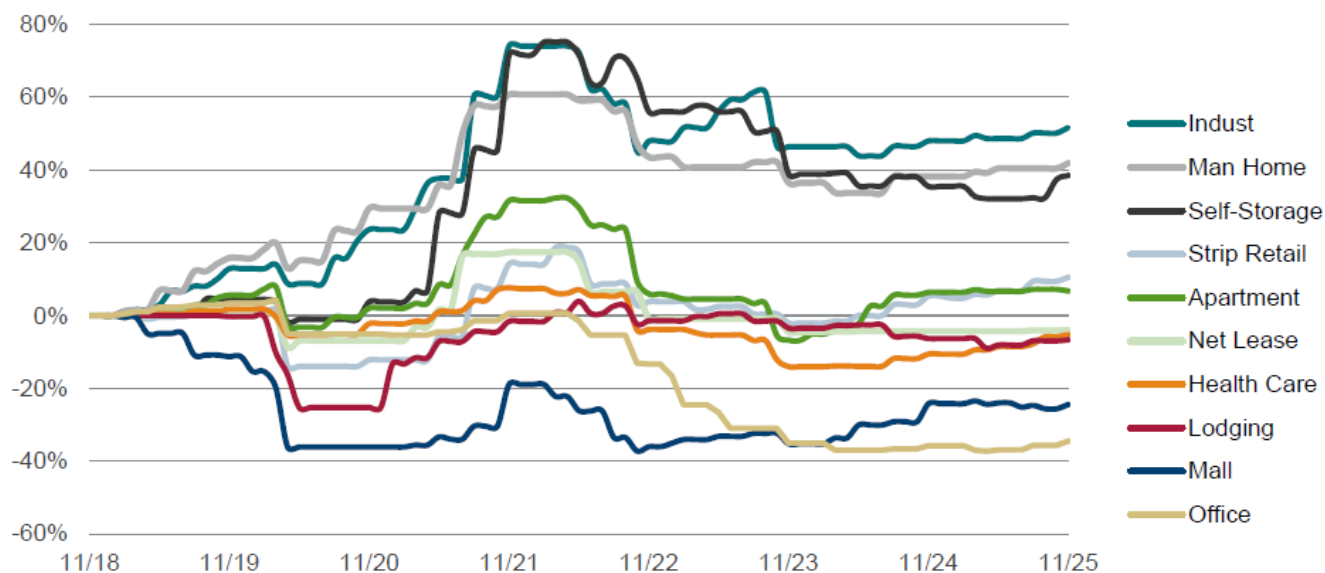


Source: Meketa, NCREIF, US Department of Treasury

Property Values Increasing in Recent Deal Activity

Green Street's Commercial Property Price Index® is a time series of unleveraged U.S. commercial property values that captures the prices at which commercial real estate transactions are currently being negotiated and contracted.

Cumulative Change in CPPI®: Past Seven Years

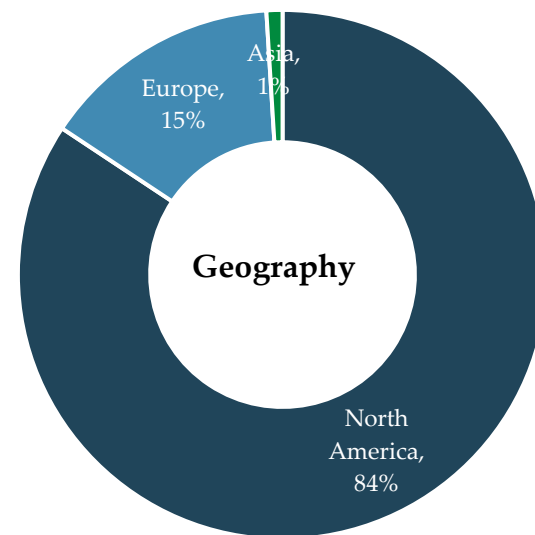
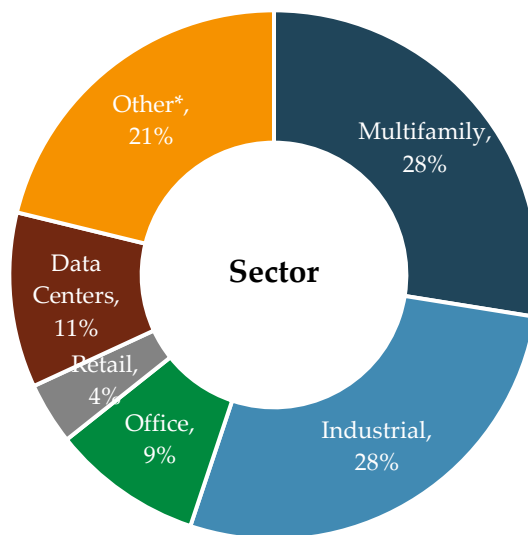
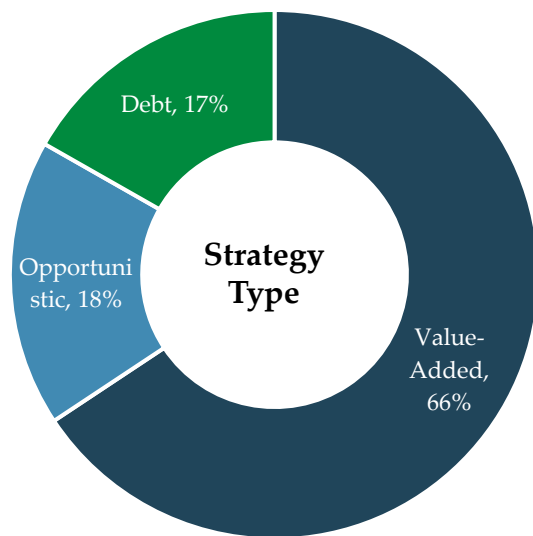


	TTM	From Peak
Industrial	2%	-13%
Man Home	3%	-12%
Self-Storage	2%	-21%
Strip Retail	5%	-7%
Apartment	0%	-19%
Net Lease	0%	-18%
Health Care	6%	-12%
Lodging	0%	-10%
Mall	0%	-7%
Office	2%	-35%

Source: Green Street Commercial Property Price Index®, as of December 4, 2025

TTM: Trailing twelve months

Growth Real Estate Portfolio Exposures



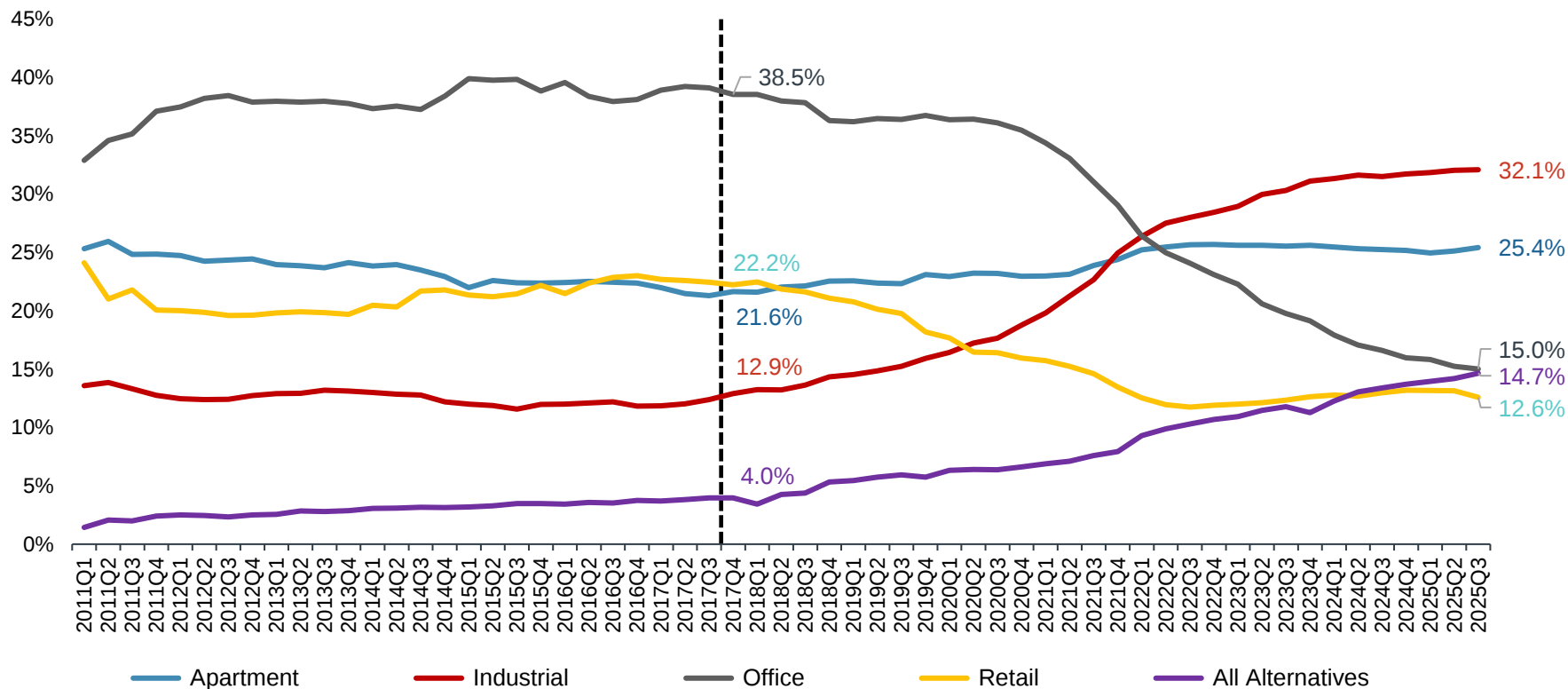
Source: San Jose Staff, as of June 30, 2025

Values based on NAVs plus unfunded commitments

* Other Sector category includes 5% self-storage, 4% student housing, 3% each in single-family rentals, hospitality, and lab office

Core Real Estate

NCREIF ODCE Index Shifting Away From Office to Alternatives



Source: NCREIF – NPI+, Clarion Partners Investment Research, Q3 2025

Core Real Estate Portfolio Update

- The Core Real Estate asset class manager lineup was restructured in 2019 and has generated meaningful alpha of \$15.3 million over the asset class benchmark (NCREIF ODCE Index).
- The Pension and Health Care Trust closed a secondary sale of all exposure in Clarion Lion Industrial Trust on January 6, 2025 for proceeds (excluding income) of \$10.7 million and \$3.5 million, respectively.
- The Pension and Health Care Trust committed \$8 million and \$2 million, respectively, to TA Realty Core Property Fund on September 30, 2025.
- The Pension and Health Care Trust are in the process of committing to a new alternative-sector focused fund.

Core Real Estate Allocation

	% of Plan	Target	Difference
Federated Pension	4.9%	5%	-0.1%
Federated Health Care Trust	11.6%	12%	-0.4%

Over \$15 million of
alpha over 7 years

Core Real Estate Alpha (\$ millions)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	7-years
Federated Pension	\$2.8	\$2.2	\$1.4	\$1.6	\$6.0	\$0.3	\$0.2	\$14.5
Federated Health Care Trust	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$0.8

Source: Meketa, BNY Mellon
As of November 30, 2025

Core Real Estate Portfolio Update

Watch List Funds

Investment Manager	Asset Class	Watch List Status	Comments
BlackRock Core Property	Core Real Estate	Monitoring	Underperformance
Clarion Lion Properties	Core Real Estate	Monitoring	Underperformance

BlackRock Core Property

→ Over the three-year period, BlackRock Core Property Fund (-9.0%) underperformed the Core Real Estate Benchmark 2 by 280 basis points. Over the five- year period, Blackrock (+1.7%) underperformed the Core Real Estate Benchmark 2 by 80 basis points. Since inception in February 2019, Blackrock has performed in line with the benchmark of +2.3% per year, on average.

Clarion Lion Properties Fund

→ Over the three-year period, Clarion Lion Properties Fund (-7.6%) underperformed the Core Real Estate Benchmark 2 by 140 basis points. Over the five- year period, Clarion (+2.4%) has underperformed the Core Real Estate Benchmark 2 by 10 basis points. Since inception in May 2019, Clarion has outperformed the benchmark by 20 basis points per year, on average.

Source: Meketa, as of September 30, 2025

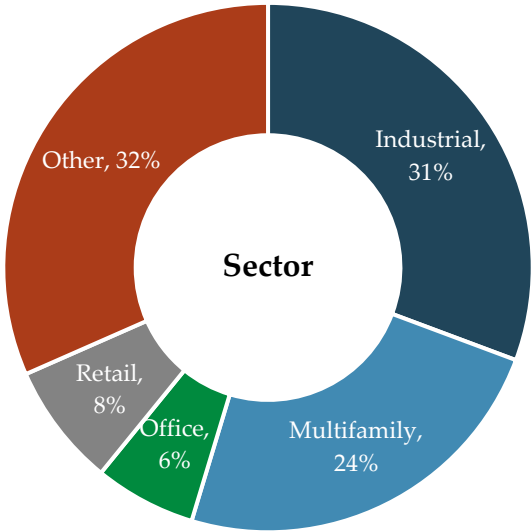
Former Investment

	Market Value \$	% of Portfolio	3 Mo (%)	FYTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Clarion Lion Industrial Trust	10,877,720	0.3	-0.9	-1.5	-4.4	8.7	--	--	8.0	Oct-21
Core Real Estate Benchmark 3			0.0	-0.7	-8.1	-1.1	--	--	-1.0	

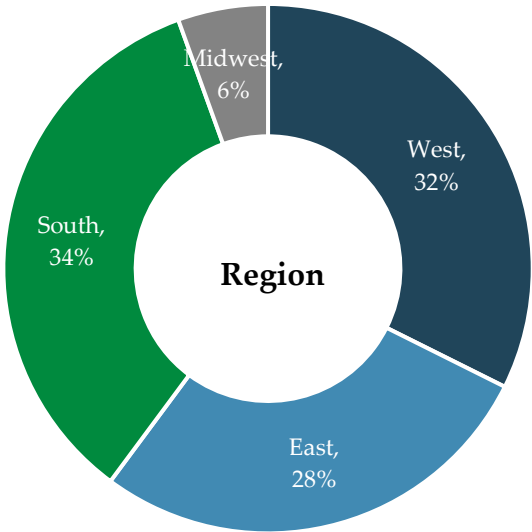
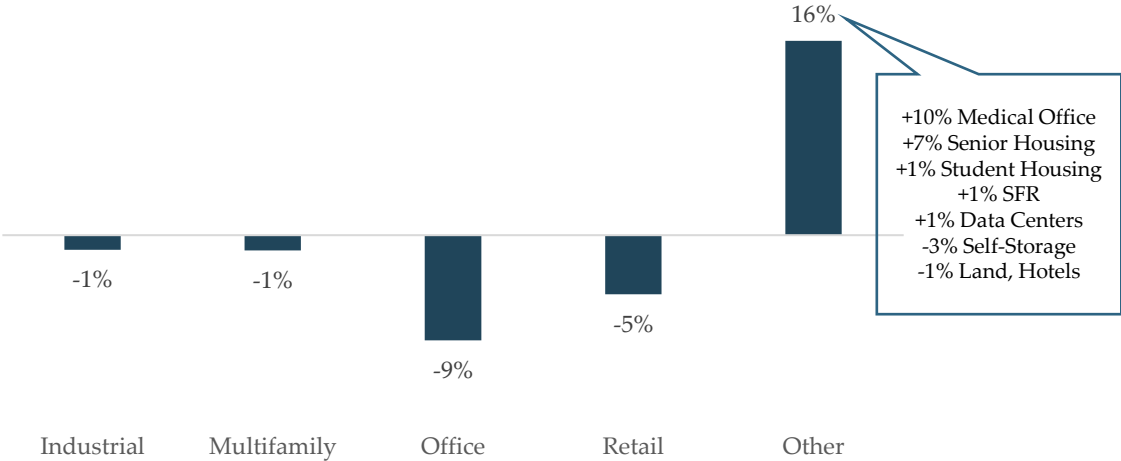
Source: Meketa, as of December 31, 2024

Sold in secondary on January 6, 2025 with 9.0% excess return

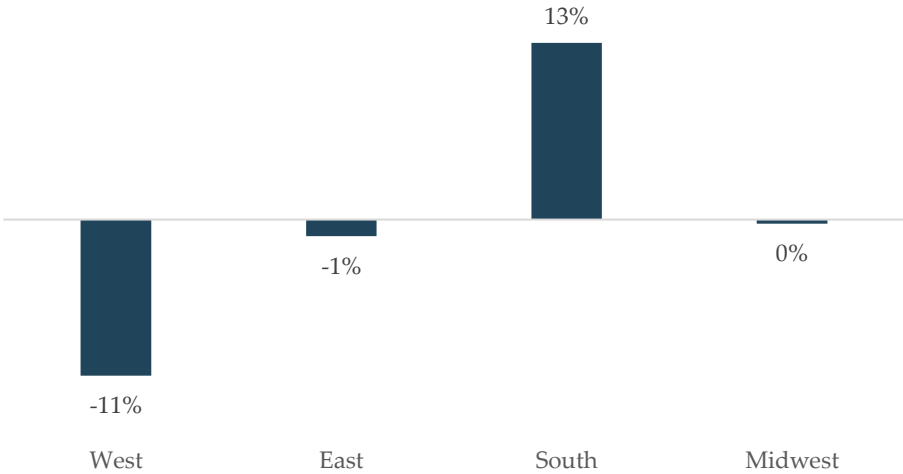
Core Real Estate Portfolio Exposures



Active Sector Weights



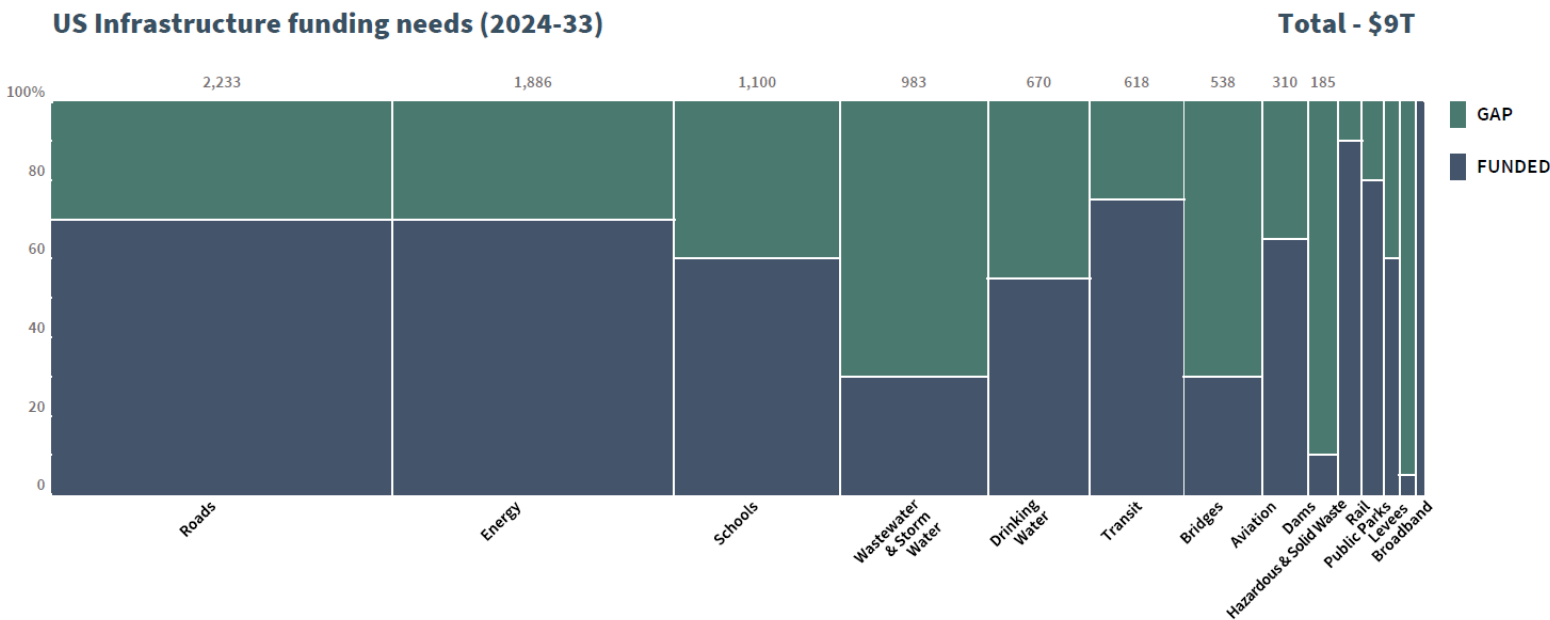
Active Regional Weights



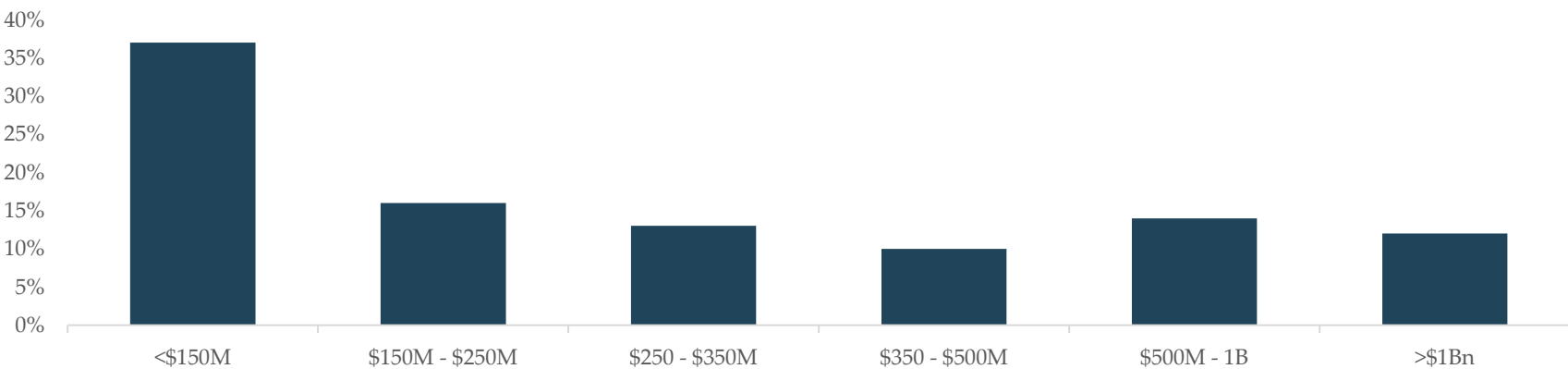
Pro Forma for pending commitment

Private Real Assets

More Real Assets Spending Needed

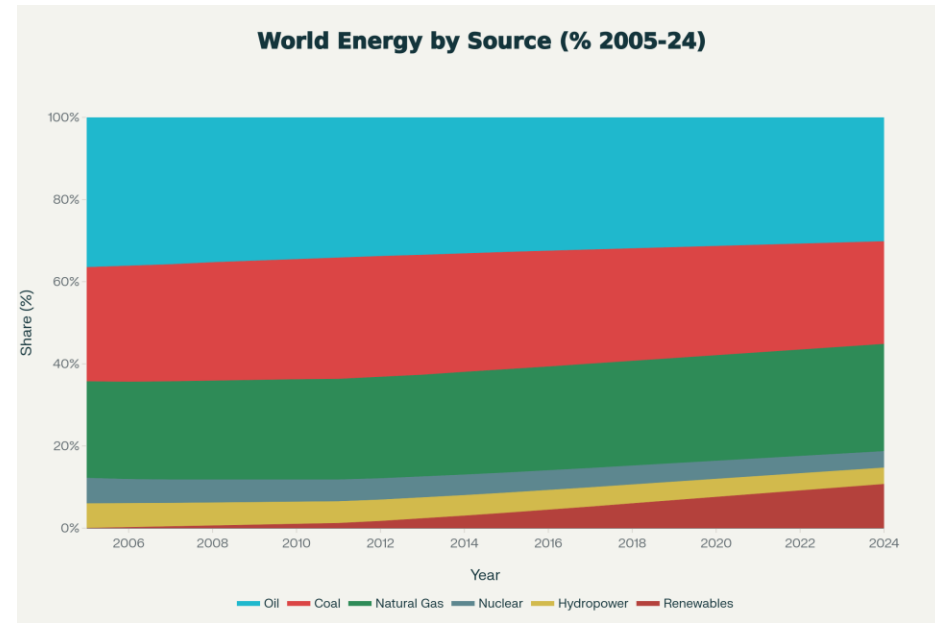
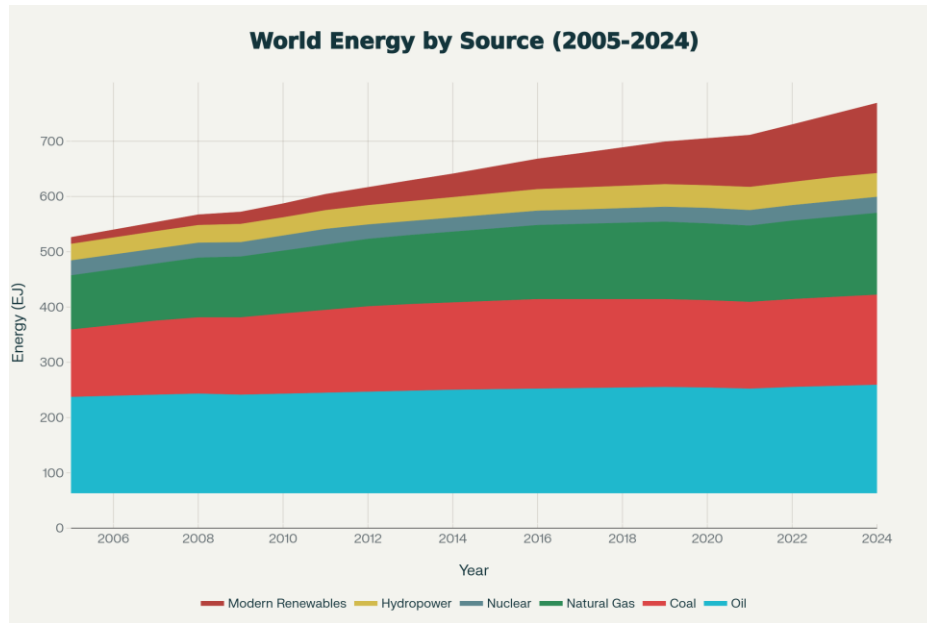


North American Infrastructure Equity Transactions by Size



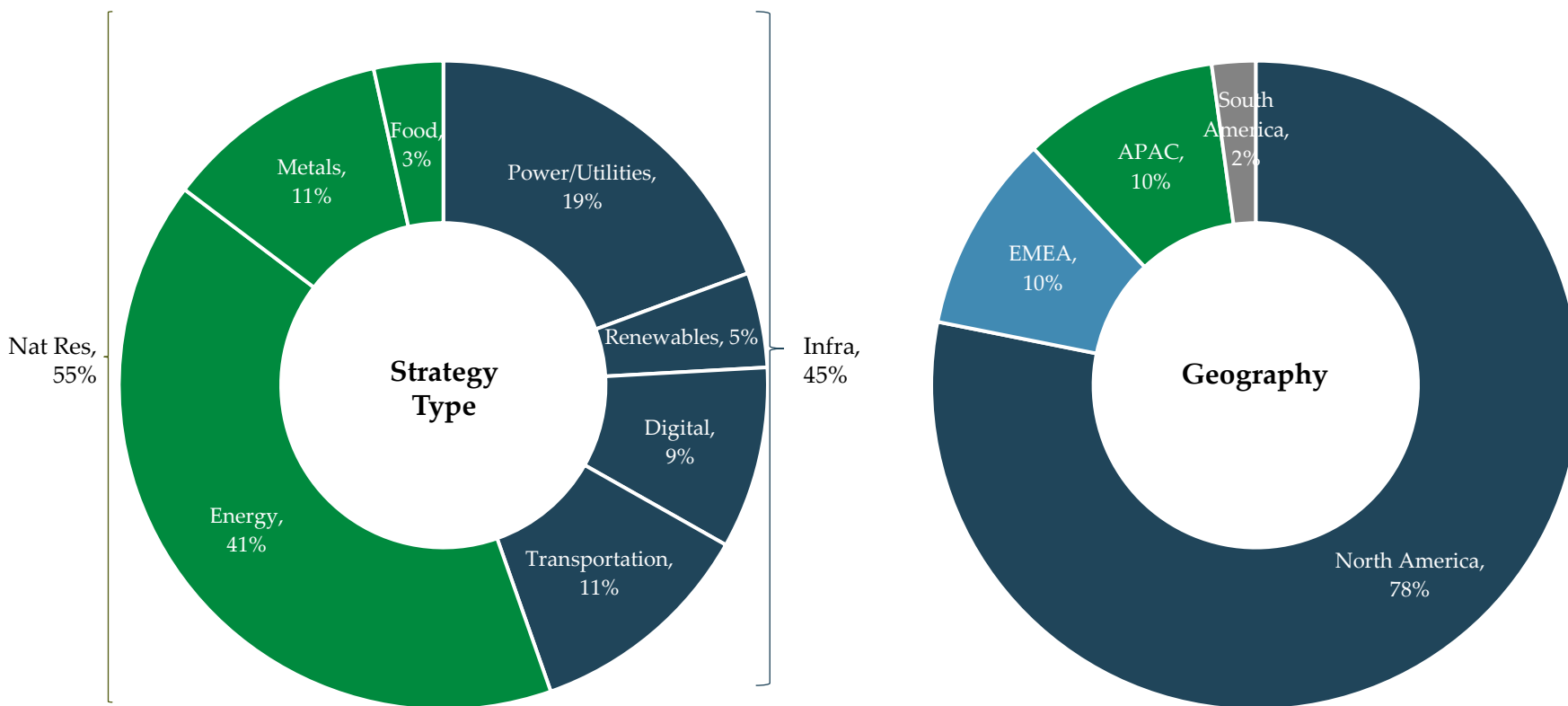
Source: Inframation, Ridgewood Infrastructure

World Energy Mix Remains Dominated by Hydrocarbons



Source: Perplexity.ai

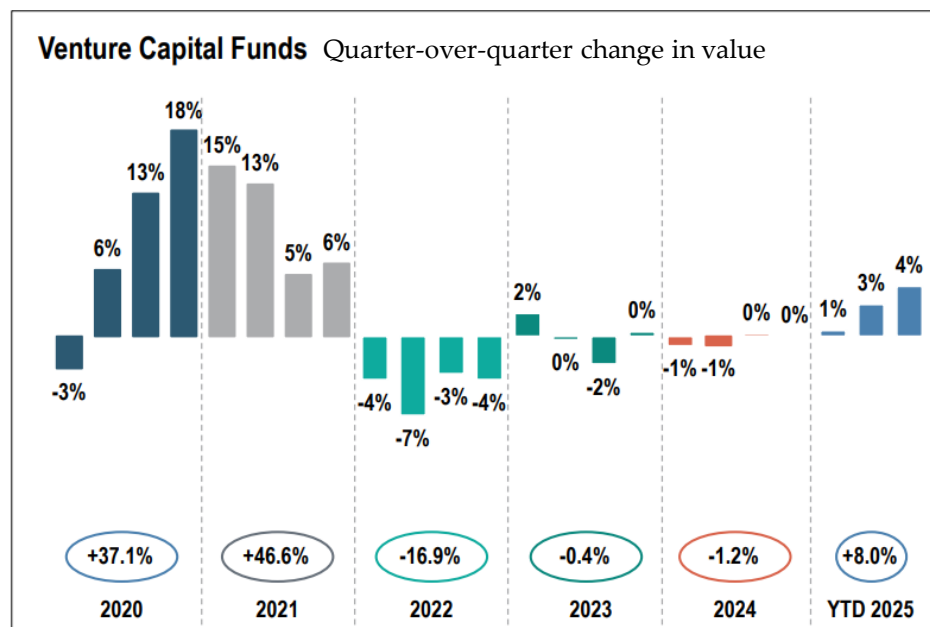
Private Real Assets Portfolio Exposures



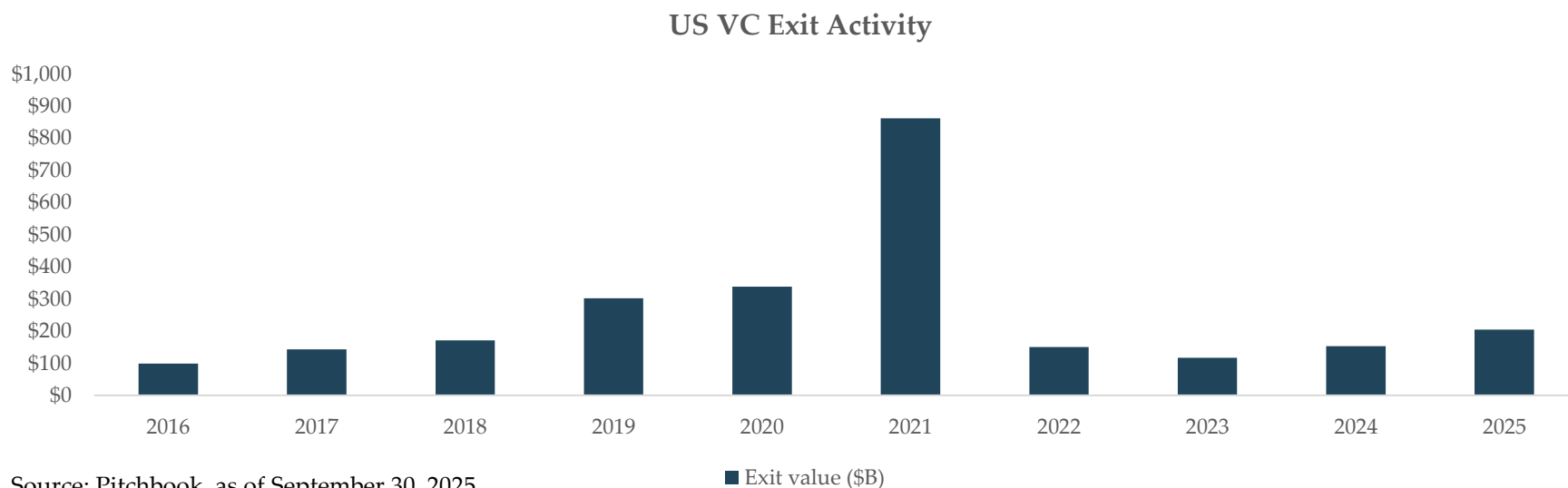
Source: San Jose Staff, as of June 30, 2025
Values based on NAVs plus unfunded commitments

Venture Capital

Venture Returns and Exit Conditions Improving



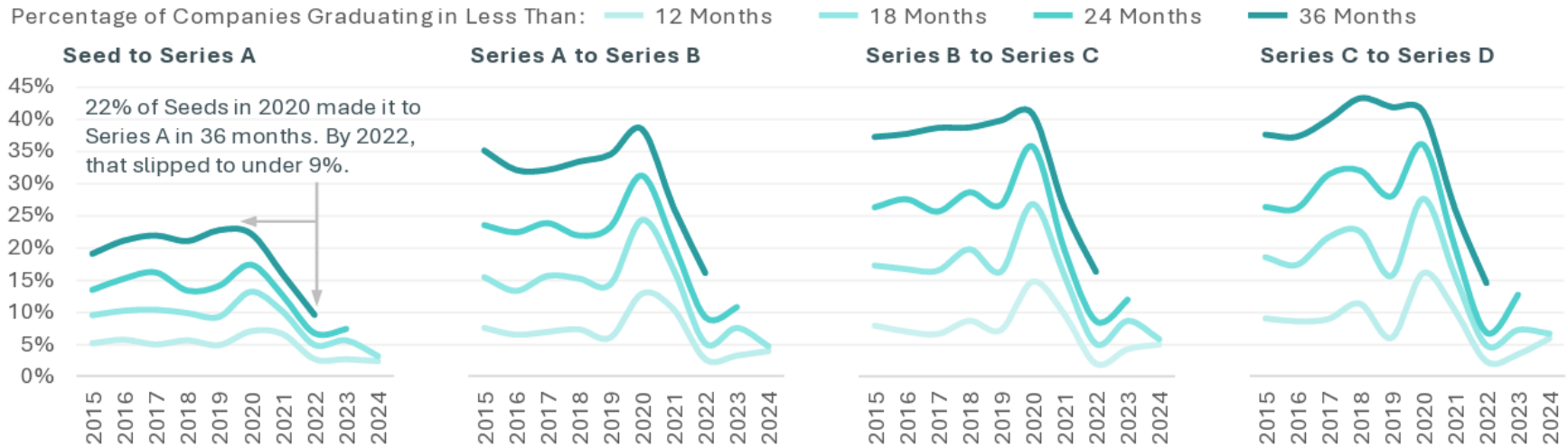
Source: Neuberger Berman Q3 2025 Valuation Summary



Source: Pitchbook, as of September 30, 2025

Lower Graduation Rates but Higher Valuations for Winners

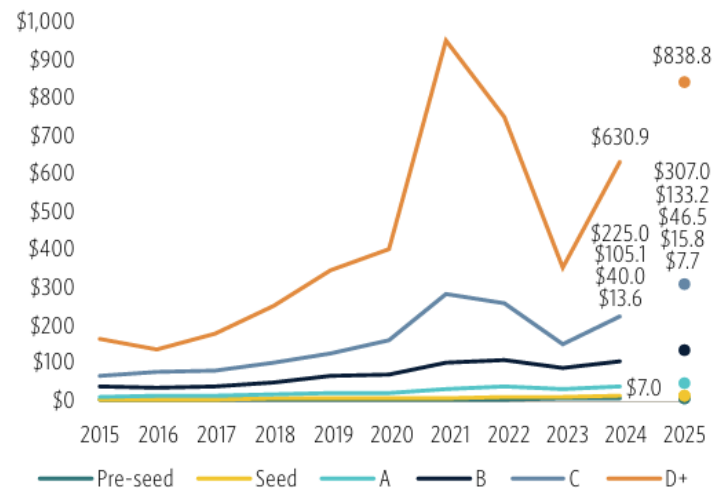
Graduation rates have fallen precipitously ...



Source: SVB, State of the Markets H2 2025

... But “graduates” are receiving higher valuations

Median VC pre-money valuation (\$M) by series

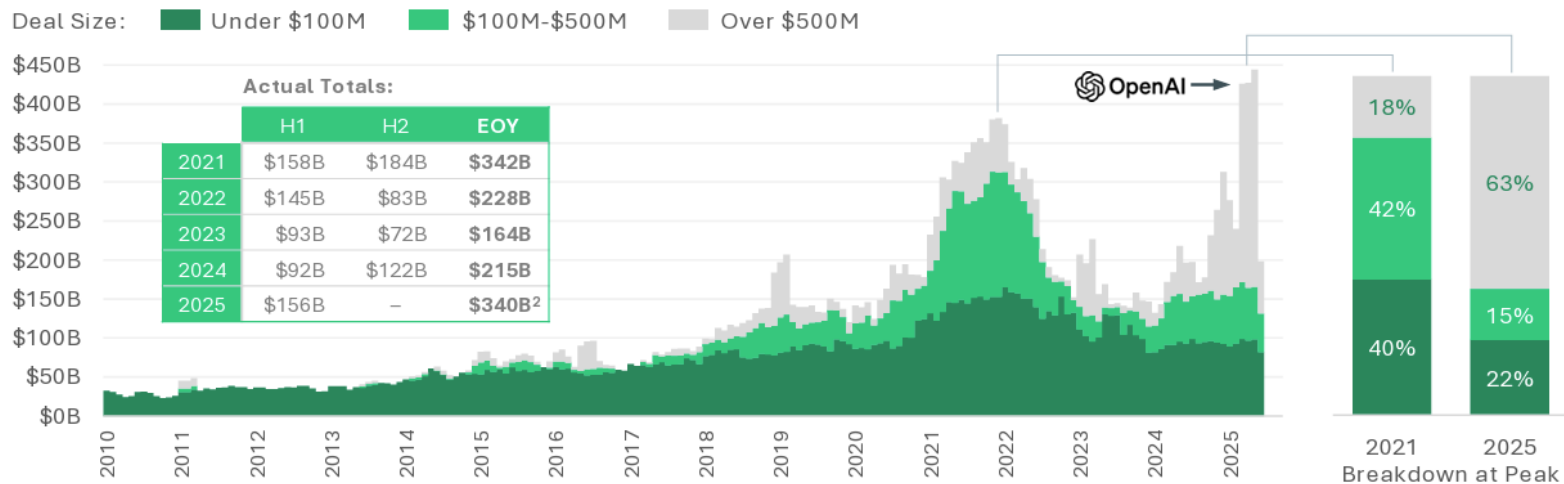


PitchBook-NVCA Venture Monitor • As of September 30, 2025

Bifurcated Market – Haves and Have Not

Kind of a Big Deal: Mega Rounds Dominate VC Investment

Annualized US VC Investment by Deal Size (Trailing Three-Month Total x 4)¹



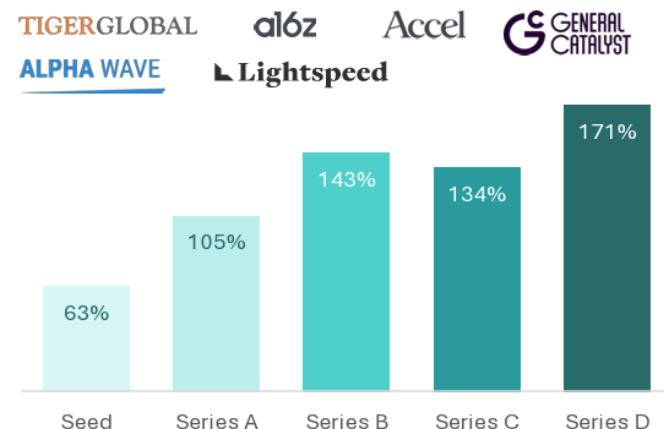
Mega Managers Are Eating the World

Share of US VC Investment With Mega Manager³ Participation



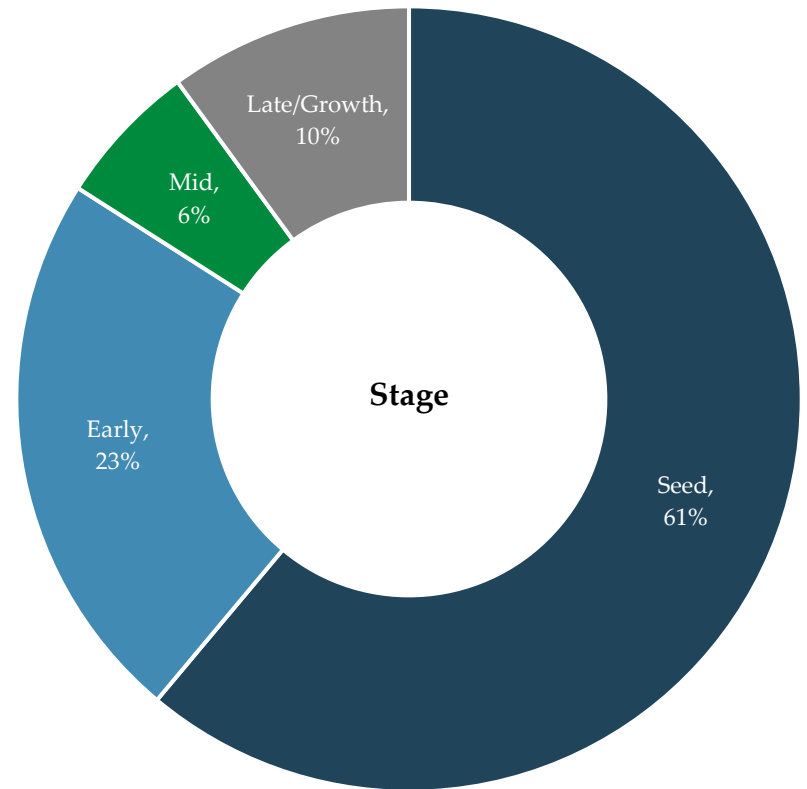
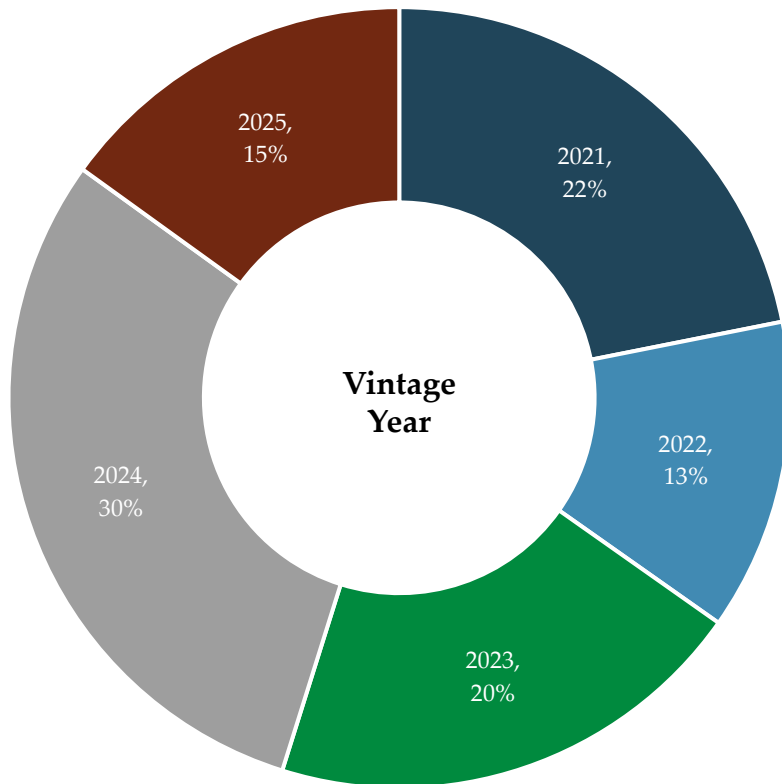
Mega Managers Pay Higher Prices

The Pre-Money Valuation Premium Mega Managers Pay Compared to All Other VCs by Stage (Last Twelve Months)



Source: SVB, State of the Markets 2H 2025

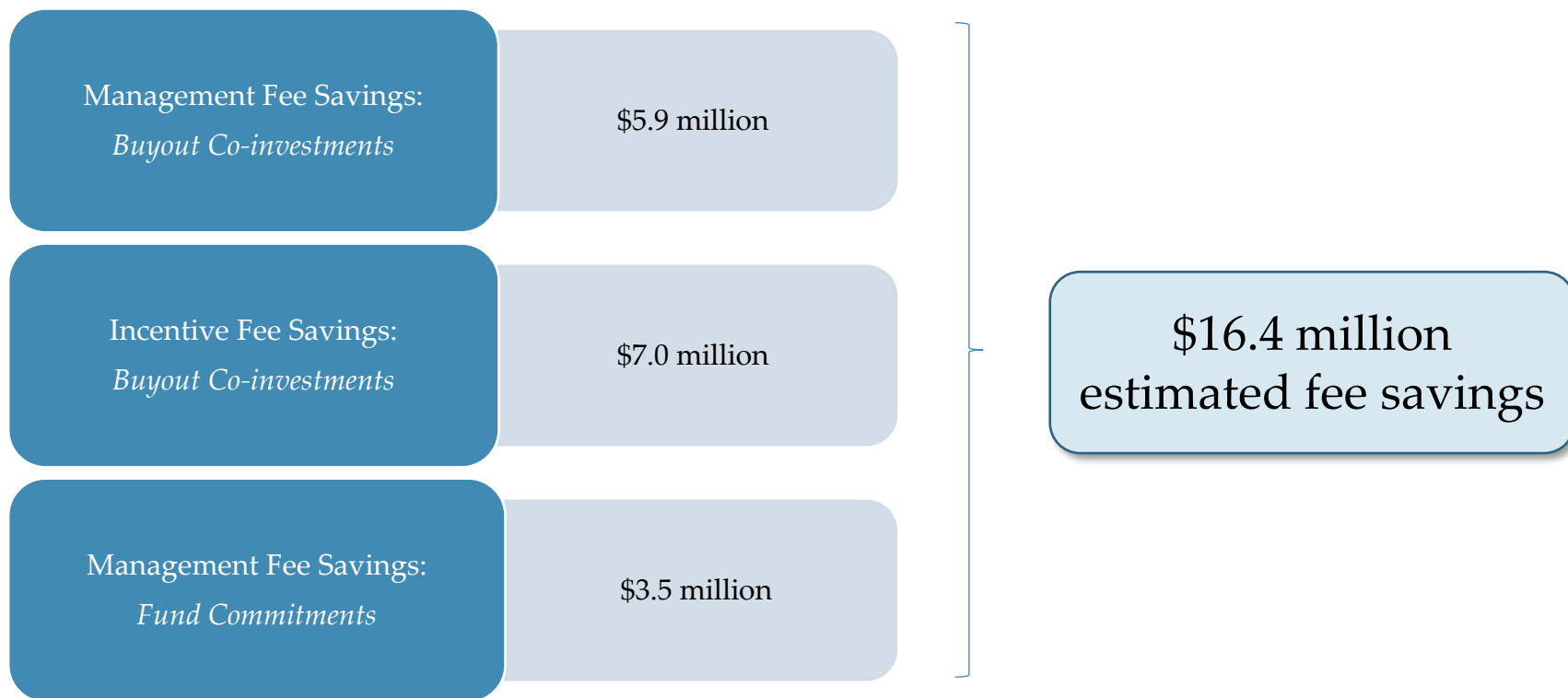
Venture Capital Portfolio Exposures



Source: San Jose Staff, as of June 30, 2025
Values based on committed capital

\$16.4mm Estimated Fee Savings for CY 2024 Investments

- Estimated fee savings from commitments made in calendar year 2024 over the projected life of the investments for both San Jose Police and Fire and Federated plans:



- Fund Commitments fee savings from Staff negotiations, early closing discounts, and volume discounts.
- Additional fee savings not modeled: fee structures of fund-of-ones compared to fund-of-funds alternative, upside performance of investments with incentive fee discounts, commitments to funds with standard fees below asset class averages, and fee savings from investments made prior to January 2024.