

Emerging Manager Initiative

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Emerging Managers: A Private Markets Strategic Initiative



Private Markets Focus

- Focus on Emerging Managers in Private Equity, Private Credit, Real Estate, and Real Assets.
- Evidence of alpha out performance across private markets managers.



Strategic Partnership

- Seek industry partner with expertise in sourcing, underwriting, and coaching emerging managers.
- Emphasis on customized partnership to help build up internal intelligence on Emerging Managers.



Capital Commitment

- \$200M+ commitment for allocation across 3-5 years.
- Portfolio would consist of 15-20 underlying managers.
- Small size commitments ≤\$15 million per fund.

Request for Information

We are initiating a formal **Request for Information (RFI)** to engage the broader investment community

RFI Objectives

- **Thesis Validation** - Further assess the investment thesis behind alpha potential in the emerging manager private markets landscape.
- **Identify optimal structure** - Evaluate optimal size, strategy, and structure of an emerging manager program.
- **Identify partners** - Identify industry-leading partners capable of sourcing, underwriting, administering, and coaching emerging managers.

Emerging Manager Definition



Criterion 1 **Firm Age, Fund Stage, & Size**

New Firms currently raising a Fund I, Fund II, or Fund III flagship vehicle; ≤\$1B size Fund.



Criterion 2 **Ownership Structure**

Independent, founder-led, or majority employee-owned private firm — ensuring alignment of interest and entrepreneurial drive.



Criterion 3 **Institutional Quality Potential**

Potential for Institutional quality operational infrastructure such as compliance, reporting, and back-office functions.

Why Emerging Managers?

4 Key Qualities

1

Historical Outperformance

Potential for differentiated and above-benchmark returns.

2

Small & Nimble

Flexibility to pursue opportunities more efficiently.

3

Specialization and Focus

Deep expertise in targeted sectors and strategies.

4

Higher Alignment of Interests

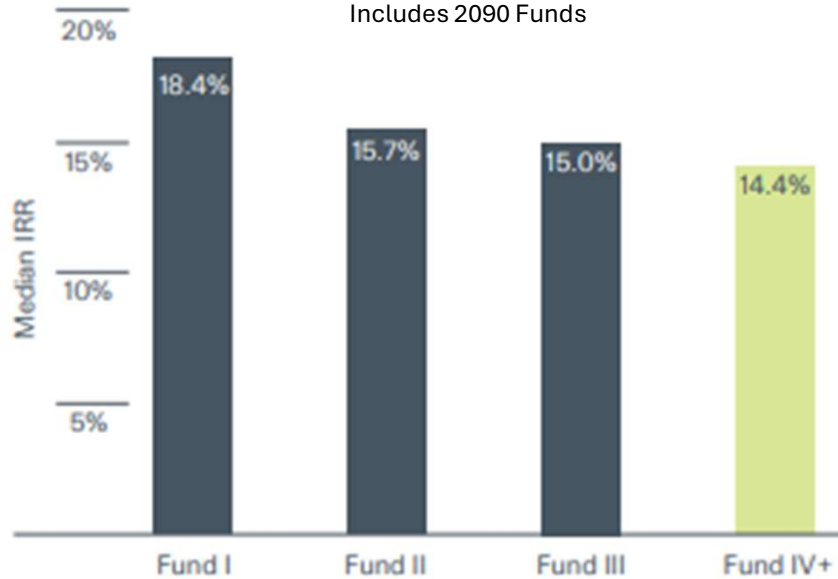
Strong incentive alignment between managers and investors.

1

Early Stage Funds I-III Outperform Funds IV+

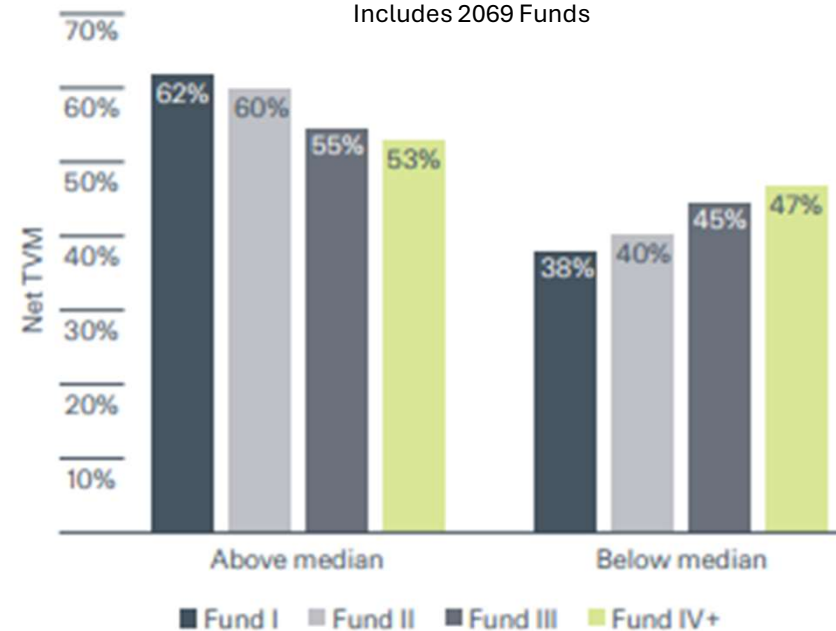
Net IRR Trends

(Buyout Vintages 2001-2020)
Includes 2090 Funds



Net TVM Trends

(Buyout Vintages 2001-2020)
Includes 2069 Funds



Funds I-III generating higher median net IRRs and consistently outperforming the broader market median on a TVM basis before performance progressively moderates in later vintages.

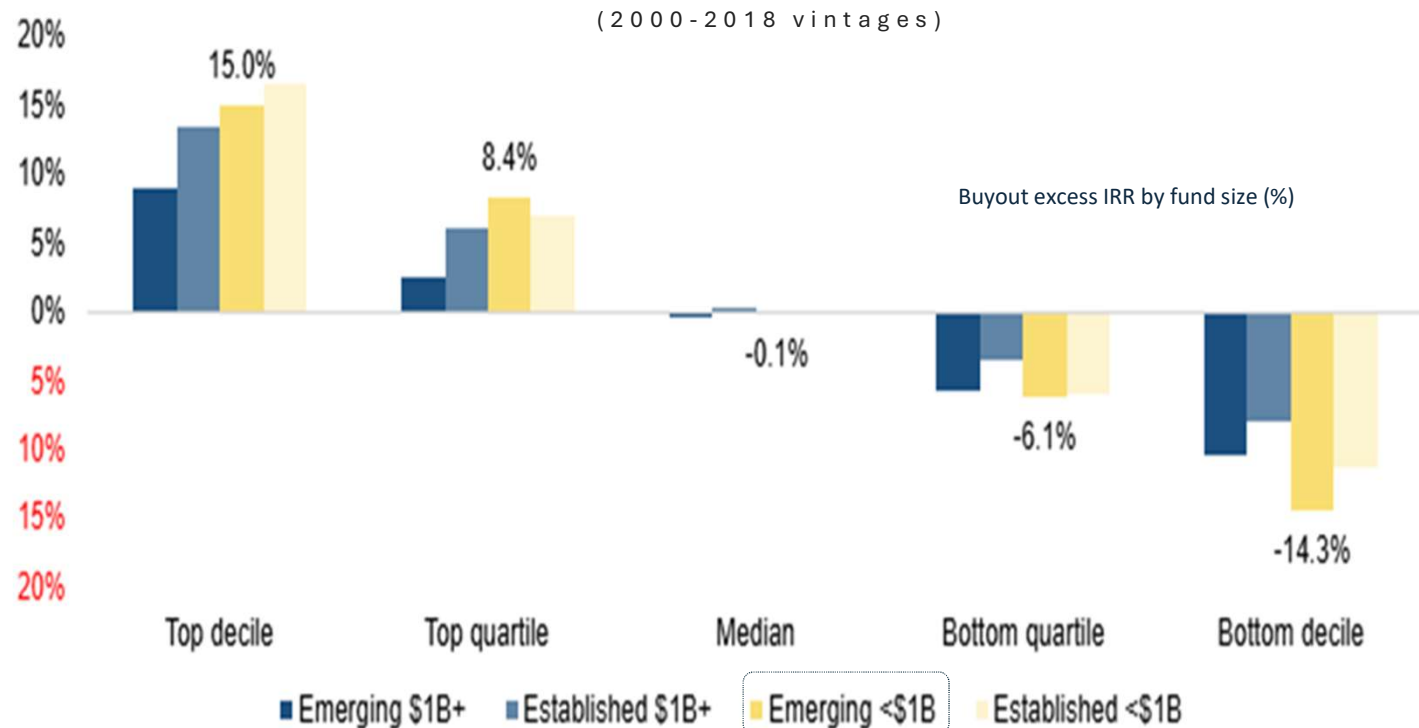
Source: StepStone Group Research, "The Case for Emerging Managers" (February 2026); Performance benchmarks and quartile ranges derived from StepStone's proprietary SPI and Burgiss databases (vintages 2001-2020).

Historical
Outperformance

1

Historical
Outperformance

Small Emerging Buyouts Deliver Top Quartile Outperformance *and* Downside Risks



While small emerging manager (sub-\$1B) buyouts demonstrated top-quartile outperformance, they also delivered considerable bottom decile underperformance—**manager selection is critical.**

Source: PitchBook, "Establishing a Case for Emerging Managers," Q2 2024 — Excess IRR and Excess IRR by size sheets (2000–2018 vintages, as of September 30, 2023). Buyout size data covers all primary funds.

Uncrowded Deal Flow

Emerging managers access opportunities in market niches that larger funds overlook or can't access. This reduced competition enables entry at lower valuation multiples with access to less efficient opportunities.

Informational Edge

With fewer competitors conducting due diligence in smaller segments, emerging managers can develop proprietary insights and relationships that translate directly into pricing advantages and superior entry points.

Faster Decision-Making

Lean team structures allow emerging managers to move quickly on opportunities, avoiding the lengthy approval chains vs. large institutions allowing for entry into time-sensitive deals.

Deep Sector Expertise

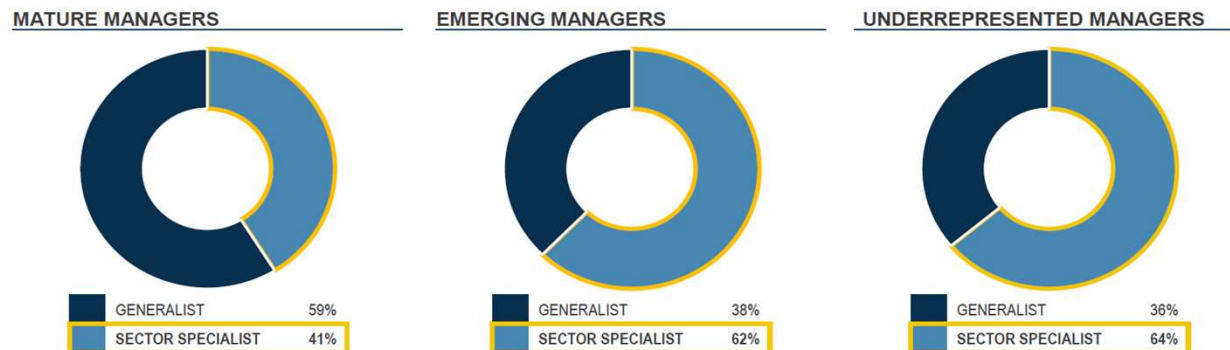
Many emerging managers spin out from larger, established firms, bringing years of expertise on niche strategies or sectors too small for a large/mega-fund to pursue effectively.

Dedicated Resources

Emerging managers typically have only one flagship fund series to focus on. Therefore, all attention and resources are allocated to this singular strategy.

Private Markets: Diversified v. Specialized

Diversified strategies remain dominant among mature managers, however emerging and underrepresented managers have become more focused on specialized strategies



Data weighted by capital raised.
Sources: Preqin (as of Oct. 2025), GCM Grosvenor proprietary database (as of Oct. 2025). Includes North American funds with vintages from 2009-2025.

4

Higher Alignment of Interests

Personal Capital at Stake

Founders investing meaningful portions of their own net worth provides potential for higher success incentive—a benefit to limited partner investors.

Reputation on the Line

Early-stage managers are building their independent track record. Every investment decision carries career-defining weight.

“The stakes for emerging managers are high and alignment of interest with investors is essential for securing sustainable investor backing and longevity. Unigestion notes that emerging managers usually have higher GP commitments than industry averages.”

Source: Moonfaire

“...alignment of interest. Not only do emerging managers tend to have a higher GP commitment, but their first fund is make or break. If they don't make it, it's hard for them to start another business.”

Kim Pochon

Co-head of the Emerging Manager program at Unigestion

Source: PREQUIN

Why NOW?

1 Talent Migration from Large Firms
Experienced portfolio managers with proven track records and strong networks are leaving established firms to launch independent funds.

2 Financial Incentives & Delayed Exits
Compressed pay structures at large firms are driving managers to launch independent funds with better economics and ownership opportunities.

3 Rising Demand for Specialized Strategies
Allocators are seeking niche strategies that large generalist funds cannot pursue, creating opportunities for specialized emerging managers.

“Across private markets, there are examples of GPs starting firms after leaving the name brands where they cut their teeth. In venture, there are famous cases of GPs who have found success as “spinouts” from pedigreed funds.”

Source: Pitchbook

Sample of Peer Pension Emerging Manager Programs

Pension Fund	Total Fund AUM (\$B) FY25	Emerging Manager Exposure	Program Established
NYC Retirement Systems	\$295.6B	\$13.0B to EM (5.8% of Global assets) 59% in private markets & 41% in public markets assets via directs & SMA/MoM Programs	Late 1990s (expanded 2012/13)
NY State Common Retirement Fund	\$273.1B	\$33.8B to MWBE & \$11.6B to EM; 66% in private markets & 34% in public markets via direct & SMA/MoM Programs	1994 (31 yrs)
Teacher Retirement System of Texas	\$225.3B	\$6.2B with ~84% private markets and ~16% public markets asset classes	2005 (20 yrs)
MassPRIM (Massachusetts)	\$115.5B	\$15.1B allocated/ 20% target to diverse managers across public and private markets	2021 (FUTURE Initiative)
State of Michigan Retirement System	\$110.4B	Michigan Small Emerging Manager Program (MSEMP) sub-pool structured as a \$300M dual SMA (co-managed by Barings and GCM Grosvenor) targets lower-middle market private equity and credit.	2021
NJ Division of Investment	\$84.0B	~\$1.1B allocation across a multiple SMA platform	2022 (3 yrs)
Illinois Teachers' Retirement System	\$76.6B	\$23.0B to MWBE Firms includes ~65% to public markets and ~35% to private markets	2005 (20 yrs)
Maryland SRPS (Terra Maria)	\$73.5B	\$5.0B+ (7% of AUM) includes 47% to public markets and 53% to private markets	2007 (18 yrs)
Connecticut Retirement Plans and Trust Funds	\$63.0B	Targets 5%-10% of total CTRTF assets; the Connecticut Inclusive Investment Initiative (Ci3) targets across asset classes via large-scale custom SMAs (GCM Grosvenor, RockCreek, etc.) targeting private market funds under \$2B or firms with under 10 years of tenure.	2005 (CT Horizon Fund; modernized to Ci3 in 2020)
Cook County Pension Fund	\$14.7B	\$1.7B M/W/DBE & Emerging Manager Policy targets core public and alternative asset classes. Monitored via customized broker/dealer targets and boutique RFPs.	2009 (Strengthened under IL Public Act 96-0006)

Sources: NYS CRF: Office of the NY State Comptroller, Emerging Manager Program page. NYC: Office of the NYC Comptroller, MWBE & Emerging Manager Pension Investments Reports FY2024 and FY2025. TRS Texas: TRS Emerging Manager Program page (trs.texas.gov); Illinois TRS: TRS Illinois 20th Anniversary release (June 2025). Maryland: MSRPS "Terra Maria Emerging Manager Program" page (sra.maryland.gov); MD Comptroller release (Dec 5, 2024). MassPRIM: mapension.com "Advancing Diversity"; P&I (Jan 2023). State of Michigan Department of Treasury, Bureau of Investments. "State of Michigan Retirement System (SMRS) Quarterly Investment Review," Executive Summary, presented at the State of Michigan Investment Board Meeting (October 2025), p. 1. NJ DOI: NJ Treasury press release (June 2023); Connecticut State Treasurer 2025 Annual Report and Audited Financial Statements; Top1000Funds.com (May 2024); P&I (April 2022); Cook County Employees' Annuity & Benefit Fund. "Emerging and Diverse Manager Utilization Report," submitted to the Illinois General Assembly Public Pension Sourcing Review, Statutory Exhibit B, p. 7.

Risks – and How an EM Partner Can Help Address Them

Limited Track Record

Reduced visibility and increased underwriting uncertainty.

MITIGANTS

- Pick experienced Partner to conduct due diligence.
- Verify prior roles, references, and investment experience.

Organizational Risk

Limited infrastructure and reliance on key individuals increase execution and continuity risk.

MITIGANTS

- Conduct operational, fund terms, and governance due diligence
- Coach underlying managers on growth

Wider Return Dispersion

Increases both upside and downside potential.

MITIGANTS

- Conservative position sizing.
- Diversify across strategies and sectors.

Capacity & Scalability

Capacity constraints may limit scalable allocations.

MITIGANTS

- Monitor position concentration and market impact costs
- Evaluate if AUM growth could lead to style drift, operational strain, or return compression as managers scale.

Next Steps

1

STEP 1

Issue RFI to Assess Universe

RFI Timeline

- Issue RFI late May/early June 2026.
- Responses due July 10, 2026.

2

STEP 2

RFI Scoring + Meetings

Evaluate Responses

- Evaluate submissions alongside Meketa.

Manager Meetings

- Follow-up meetings with top respondents.
- Meketa to help narrow size, structure, and Partner list.

3

STEP 3

Formal SIC Recommendation

Prepare Final Report

- Summarize findings and present to the SIC.

Program Approval

- Obtain formal SIC approval.
- Establish program mandate, guidelines & structure.

Appendix

Further Diversification

ASSET CLASS & SUB-STRATEGY ACCESS

Smaller managers often specialize in niche strategies that larger managers cannot efficiently pursue.

GEOGRAPHIC & MARKET DIVERSIFICATION

Emerging managers often focus on niche or underserved markets that larger managers typically ignore.

NETWORK & DEAL FLOW DIVERSIFICATION

Smaller managers access unique deals unavailable to larger investors.

DIVERSITY OF PERSPECTIVE

Emerging managers are more diverse than established firms, enhancing perspectives and idea generation.

US Private Equity: Correlations to public market mPMEs
As of September 30, 2023

	S&P 500	Russell 2000®	Russell 2500®	Russell Midcap®
USPE Mega Cap	0.69	0.67	0.69	0.71
USPE Large Cap	0.66	0.61	0.64	0.65
USPE Mid Cap	0.59	0.57	0.59	0.59
USPE Small Cap	0.44	0.43	0.43	0.42

Source: Cambridge Associates

Key Takeaway

- Small cap private equity has lower correlation to public markets than mega and large cap strategies.
- Emerging managers primarily operate in small cap, making them a potential source of enhanced portfolio diversification.

Reversion to the Mean at Larger Fund Sizes

AUM as a Return Drag

Larger firms are often priced out of high-return opportunities, as small deals fail to move the needle at scale.

Early-Track Outperformance

Cambridge Associates data shows that managers in their first three funds outperform their later vintages by 200 - 400 bps on average.

“As private equity funds in general grow larger and more established, performance tends to gravitate toward the mean versus the upper or even bottom quartile”

Source: Barings

