

Press Release

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First CalPERS Investment in Manager Development Program II
\$100 Million to Piedmont Investment Advisors

SACRAMENTO, CA – The California Public Employees' Retirement System (CalPERS) has made the first investment of its new Manager Development Program II – a \$100 million commitment to Piedmont Investment Advisors' market plus product, a large cap enhanced index equity strategy.

Piedmont, based in Durham, North Carolina, specializes in actively managed equity and fixed income strategies that feature strong quantitative and risk management disciplines. The firm was selected through a CalPERS partnership with Legato Capital Management LLC, which became an MDP II joint venture partner with the pension fund in January 2006.

"Piedmont brings us broad investment talent and varied perspectives that should generate positive long-term returns," said Russell Read, CalPERS Chief Investment Officer.

Isaac Green, who founded Piedmont in 2000, said: "We are happy and proud to have been selected for the Manager Development Program II. I look forward to working with CalPERS and Legato Capital Management."

Piedmont is an employee-owned investment management firm with \$1.3 billion in assets under management at the end of 2006. The firm uses quantitative modeling and traditional fundamental analysis combining top-down and bottom-up in-house research to construct active portfolios across a series of equity and fixed income products. Piedmont currently has 14 full-time employees. More than 95 percent of the company's assets are managed on behalf of institutional investors.

"We are very excited about this new investment in Piedmont," said Victor Hymes, Legato's Chief Executive Officer. "Piedmont has already reached several significant milestones. We look forward to partnering with them in their goal of continuing to provide value to their clients."

Legato will be providing venture capital along with CalPERS to new and emerging firms that have less than \$2 billion under management. Besides capital, Legato will provide Piedmont with strategic assistance to help the firm realize its full potential, and generate superior investment returns. Legato is accepting proposals from emerging firms that

manage long-only public equity strategies such as mid- and large-cap global equity in domestic, international, and emerging markets, as well as high-yield fixed income.

The MDP II goal is to obtain superior investment returns while providing opportunities to new and emerging money managers that typically do not have the long-term track records or the critical mass of larger, more established firms.

CalPERS is the nation's largest pension fund with assets totaling more than \$230 billion. The System provides retirement and health benefits to approximately 1.5 million State and local public employees and their families. For more information about CalPERS, visit www.calpers.ca.gov.

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<http://www.calpers.ca.gov/index.jsp?bc=/about/press/pr-2007/march/manager-development.xml>