



Investment Committee

Item Number 3 – Open Session

Subject: Private Credit Education

Presenter(s): Geraldine Jimenez and Glenn Hosokawa

Item Type: Information

Date & Time: February 8, 2023 – 90 minutes

Attachment(s): Attachment 1 – Biographies and Firm Overviews for the Panel

PowerPoint(s): CalSTRS Board Private Credit Education

Item Purpose

The purpose of this item is to continue to build on the Board's understanding of private credit as part of the 2022-23 Asset Liability Management (ALM) Study.

Executive Summary

Following the great financial crisis, private credit opportunities have expanded significantly. While CalSTRS has participated in private credit for many years in private equity and real estate, the CalSTRS Innovative portfolio began incubating direct lending (a subset of private credit) as a new opportunity and found it successful. Today, staff and industry experts will discuss the opportunity set and explain some of the reasons why institutional investors are considering allocating capital to private credit.

Background

During the November 3, 2022, ALM Investment Committee presentation, Richard Grimm, from Cambridge Associates, and staff presented an educational component which included a discussion on private credit. Cambridge defined private credit, described the history of private credit at CalSTRS, its role in the portfolio, and the potential risk/return benefits of private credit in the strategic asset allocation. Following that meeting, the CalSTRS Investment Committee requested further Board education on private credit.

Staff invited a few of the largest investment management firms in private credit to send a representative to share their views on private credit through a brief presentation and panel discussion moderated by Richard Grimm. Panel members include:

- Mitch Goldstein, Partner, Co-Head of Credit Group – Ares Capital Management
- Craig Packer, Co-Founder, Senior Managing Director – Blue Owl Capital
- Michael Patterson, Managing Director – HPS Investment Partners, LLC

Board members are encouraged to ask questions during the discussion and/or during the question-and-answer period that will follow the panel discussion.

Strategic Plan Linkage:

Board Policy Linkage: [CalSTRS Investment Policy and Management Plan](#)

[Innovative Strategies Investment Policy](#)

Optional Reference Material: *(prior board items, supplemental educational materials, etc.)*

November 3, 2022, Investment Committee – [ALM Study Discussion](#)

January 26, 2023, Investment Committee – 2023 ALM Study – Capital Market Assumptions