



# 2024 Board of Trustees Retreat

March 19-20, 2024

*The Westin Richmond  
6631 West Broad Street  
Richmond, Virginia 23230*





# Virginia Retirement System Board of Trustees Retreat

March 19-20, 2024

Westin Richmond Hotel ♦ Chesapeake Salon: A & B

*Wednesday, March 20*

**8:00 a.m. Buffet Breakfast – Chesapeake Foyer**

**8:30 a.m. Day 2 Opening Remarks**

Patricia Bishop - Virginia Retirement System  
*Director*

**8:35 a.m. Fiduciary & Governance Training**

Robert D. Klausner – Klausner Kaufman Jensen & Levinson  
*Principal*

**9:35 a.m. Energy**

Chris Carter - NGP  
*Managing Partner*

**10:20 a.m. 15-Minute Break**

**10:35 a.m. Geopolitical Environment**

Ken Mehlman– KKR

*Partner, Global Head of Public Affairs, Co-Head of KKR Global Impact*

**11:20 a.m. Real Assets**

Edmund Donaldson – Affinius

*Executive Managing Director, Portfolio Management*

**12:05 p.m. Private Credit**

Patrick Adelsbach – Aksia

*Co-Head, Advisory Americas*

**12:50 p.m. Closing Remarks**

Andrew Junkin - Virginia Retirement System  
*Chief Investment Officer*

**Buffet Lunch – Chesapeake Foyer**



Virginia  
Retirement  
System

# Opening Remarks

Patricia S. Bishop

Director, VRS

Virginia Retirement System  
1200 East Main Street



# Guest Speaker: Fiduciary & Governance Training

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**Robert D. Klausner**

Principal,  
Klausner Kaufman Jensen & Levinson



## Robert D. Klausner ● Principal

Klausner Kaufman Jensen & Levinson



Mr. Klausner is the principal in the law firm of Klausner Kaufman Jensen & Levinson. For more than 46 years, he has been engaged in the practice of law, specializing in the representation of public employee pension funds. The firm represents state and local retirement systems in more than 25 states and territories. He is admitted to practice in Florida, Texas and Wisconsin. Mr. Klausner has assisted in the drafting of many state and local laws on public employee retirement throughout the United States. Mr. Klausner is a frequent speaker on pension education programs and has also published numerous articles on fiduciary obligations of public employee pension trustees. He is co-author of the book *State and Local Government Employment Liability*, published annually by Thomson-West Publishers and is the author of the first comprehensive book on the law of public employee retirement systems, *State and Local Government Retirement Law: A Guide for Lawyers, Trustees, and Plan Administrators*, published annually by Thomson-West Publishers. Mr. Klausner graduated *Phi Beta Kappa* from the University of Florida with a Bachelor of Arts and from the University Florida College of Law with the degree of Juris Doctor. For more than 25 years, Mr. Klausner has been listed in the publication *The Best Lawyers in America* and holds an AAV Pre-eminent rating, the highest rating for competence and ethics, from Martindale Hubbell national lawyer rating service. In 2008, Mr. Klausner successfully represented the Commonwealth of Kentucky and the Kentucky Retirement Systems in the United States Supreme Court in *Kentucky Retirement Systems v. Equal Employment Opportunity Commission*, 128 S. Ct. 2361 (2008). Mr. Klausner lives in Cooper City, Florida with his wife of 47 years, Kathy. They have four daughters, four sons-in law and seven grandchildren.



# Guest Speaker: Energy

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**Chris Carter**  
Managing Partner,  
NGP



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## Chris Carter ● Managing Partner

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NGP



As Managing Partner, Chris oversees NGP's efforts in sourcing, structuring, executing and monitoring investments. He chairs the Investment, Investment Process and Monitoring Committees and is a member of NGP's Executive Committee. Chris joined NGP in 2004.

Previously, Chris was a summer Associate at McKinsey & Company and an Analyst with Deutsche Bank's Energy Investment Banking Group, where he focused on financing and merger and acquisition transactions.

Chris received a B.B.A. and an M.P.A. in Accounting from the University of Texas at Austin in 2002, where he was a member of the Canfield Business Honors Program. He also received an M.B.A. from Stanford University Graduate School of Business in 2008, graduating as an Arjay Miller Scholar.



Moving Energy Forward

# The Changing Energy Investment Environment

Virginia Retirement System Board of Trustees Retreat

March 20, 2024

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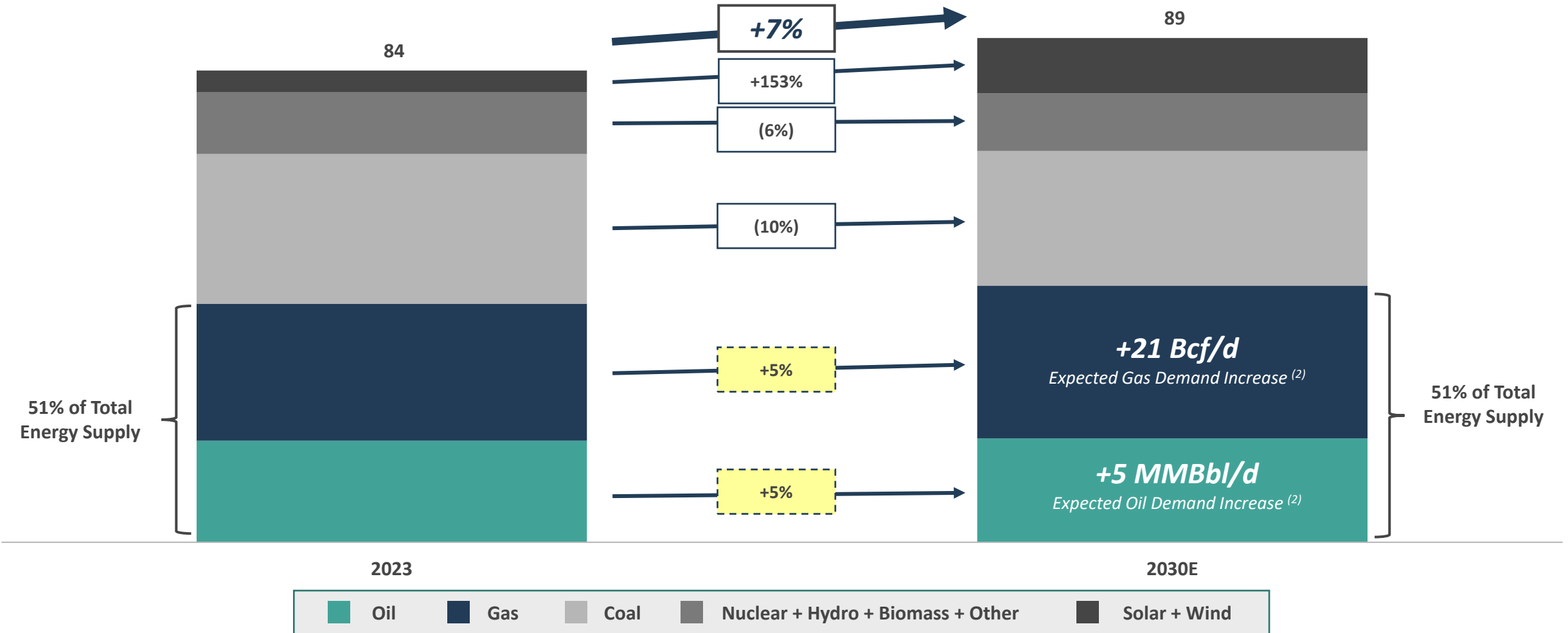
Certain information contained in this presentation has been obtained from published and non-published sources prepared by other parties, which in certain cases have not been updated through the date hereof. In addition, certain information contained herein has been obtained from companies in which investments have been made by entities affiliated with NGP. Except where otherwise indicated herein, the information provided in this presentation is based on matters as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.

Sample portfolio investments held by NGP funds are presented for illustrative purposes only, have been selected in order to provide examples of the types of investments made by NGP and do not purport to be a complete list thereof. It should not be assumed that investments made in the future will be comparable in quality or performance to the investments shown in this presentation. Further, such inclusion should not be construed as a recommendation of any particular investment or security.

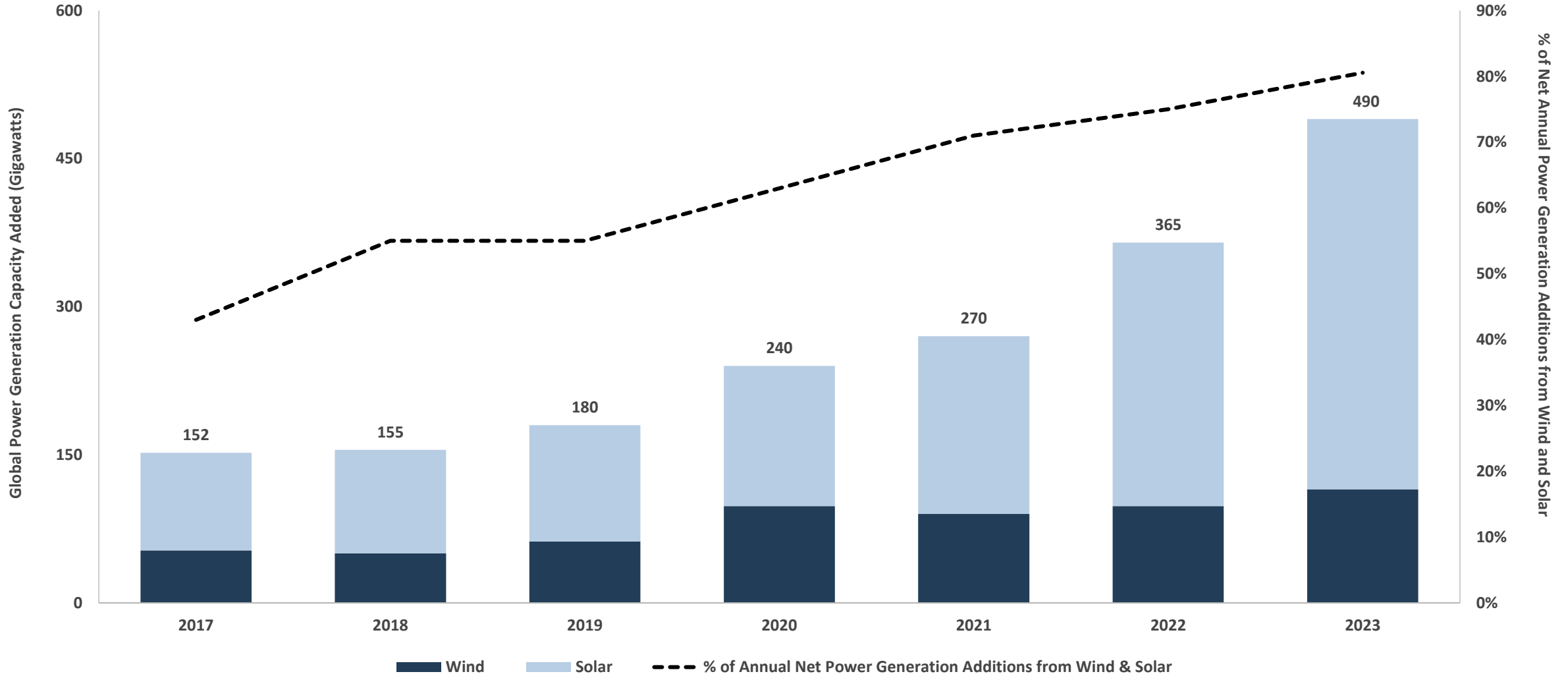
# Global Energy Consumption is Forecast to Continue to Grow

Oil & Gas Demand is Projected to Grow

Annual Global Energy Use by Energy Source (TWH) <sup>(1)</sup>

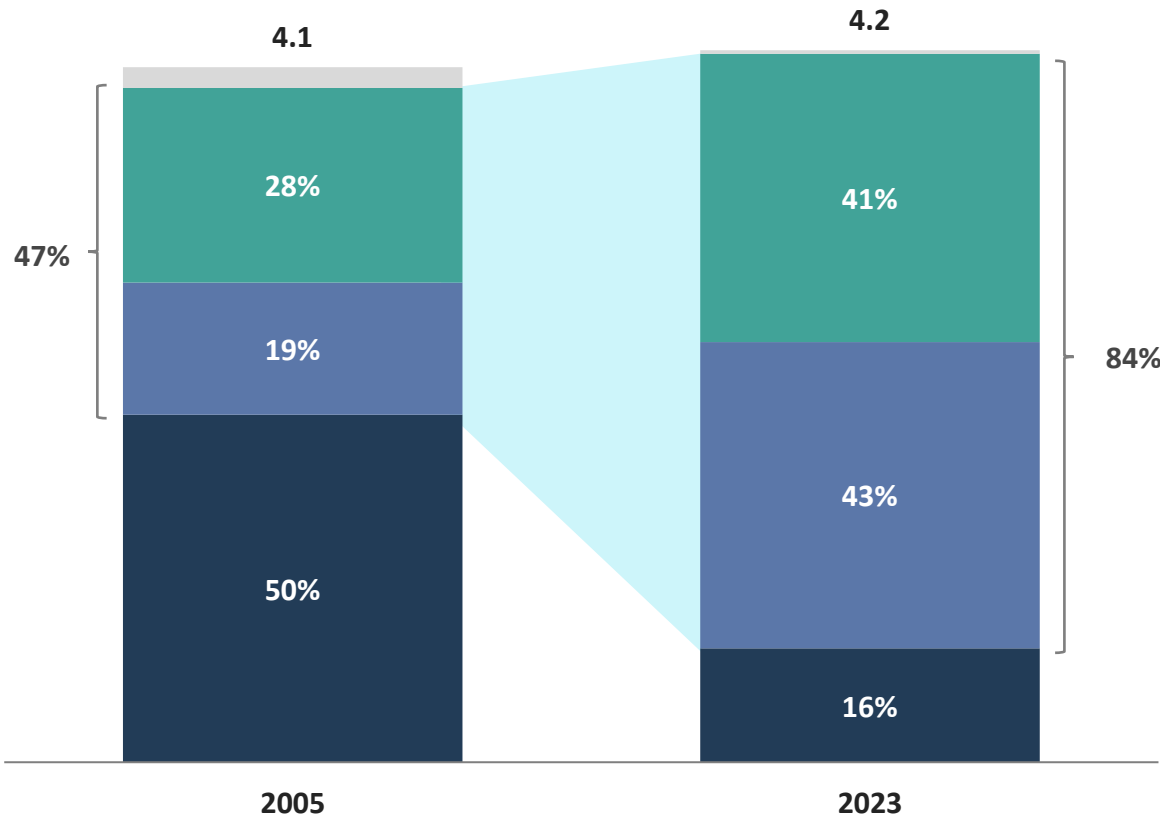


# Wind and Solar Are the Dominant Sources of Global Power Generation Additions

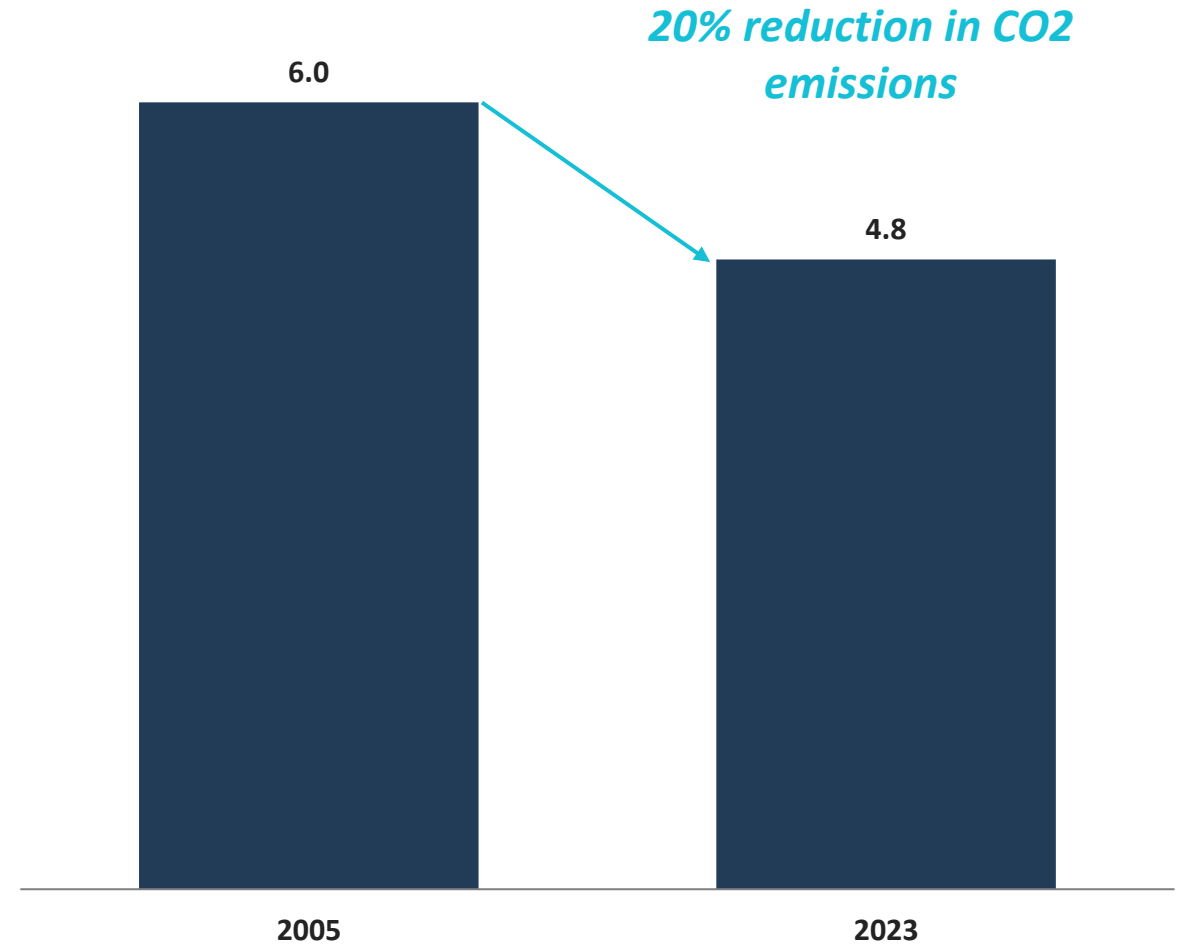


# Shift in U.S. Electricity Generation from Majority Coal to Majority Natural Gas plus Renewables Led to a 20% Reduction in Emissions

U.S. Electricity Generation by Source (Thousand TWh)



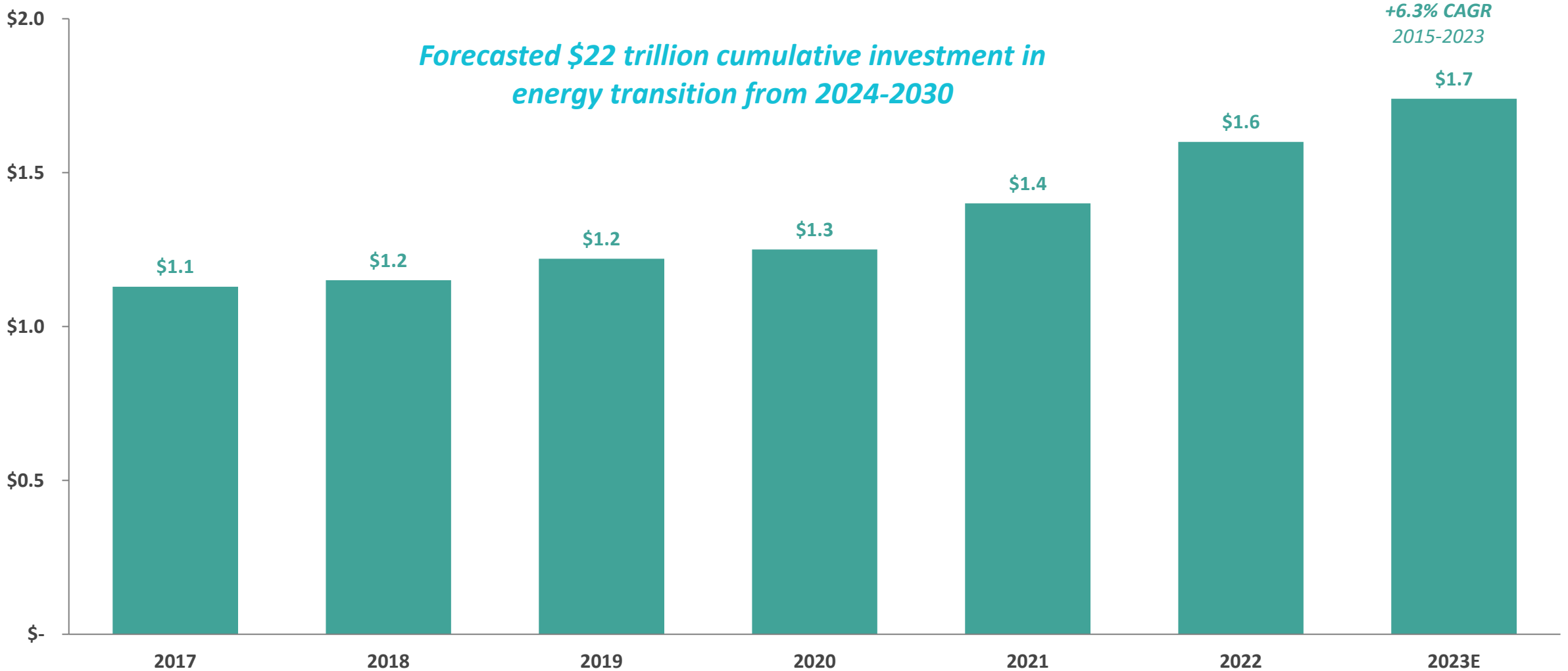
U.S. CO2 Emissions (Billion MT)



# Energy Transition Investments are Scaling



Global Clean Energy Investments (\$ in Trillions)



# Energy Transition Headwinds



## Elevated Interest Rates

High interest rate environment has put a strain on renewable project economics, resulting in higher PPA prices and project cancellations

## Valuation Correction in Public Markets

Average EV / FY-1 EBITDA multiple of ~15x today is roughly half of 2021's average of ~29x<sup>(1)</sup>

## Inflation Reduction Act Uncertainty

Public markets appear to be discounting the benefits of the IRA due to slow guidance, repeal/intervention pathways and increasing investor scrutiny

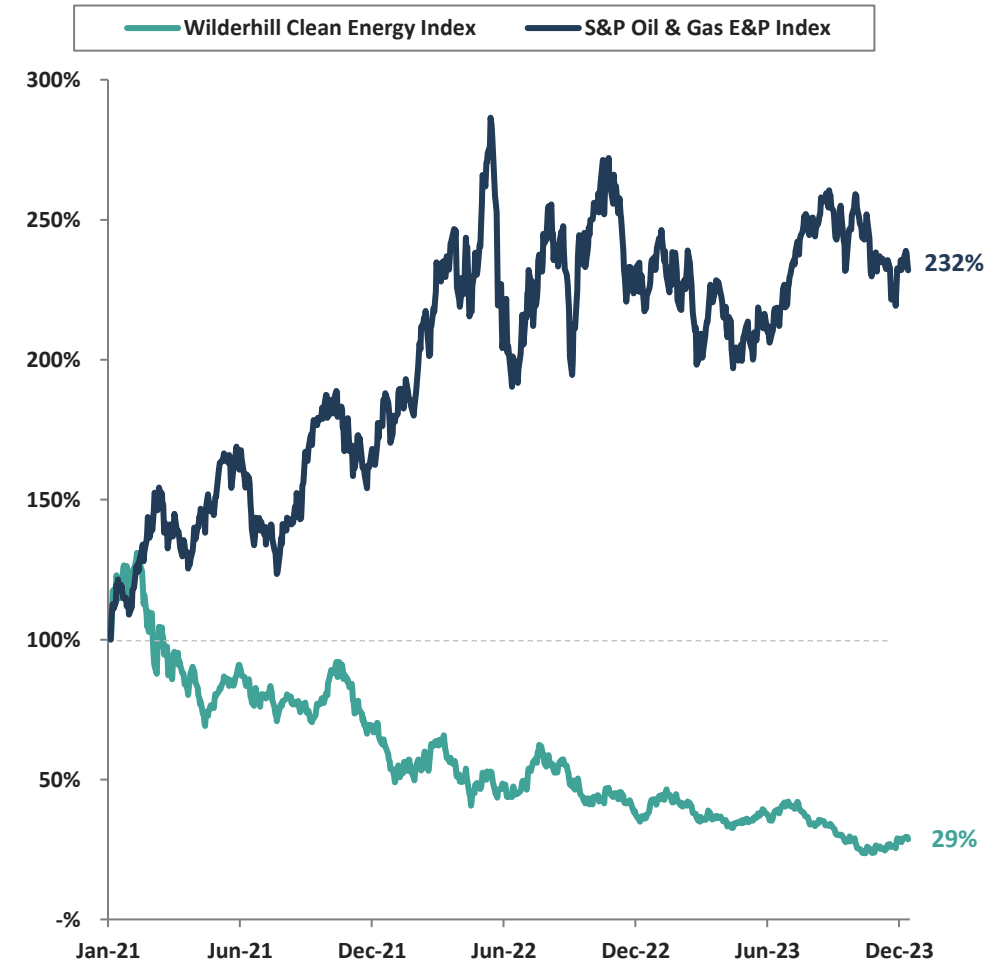
## Deployment Bottlenecks for Energy Transition Infrastructure

Ballooning interconnection queues are slowing the deployment of renewable power projects, and NIMBYism is hindering transmission, renewable power and CO2 pipeline projects

## Wind Markets in Disarray

U.S. annual wind capacity additions decreased in 2023 for the third straight year, from ~17GW in 2020 to ~7GW expected in 2023<sup>(2)</sup>

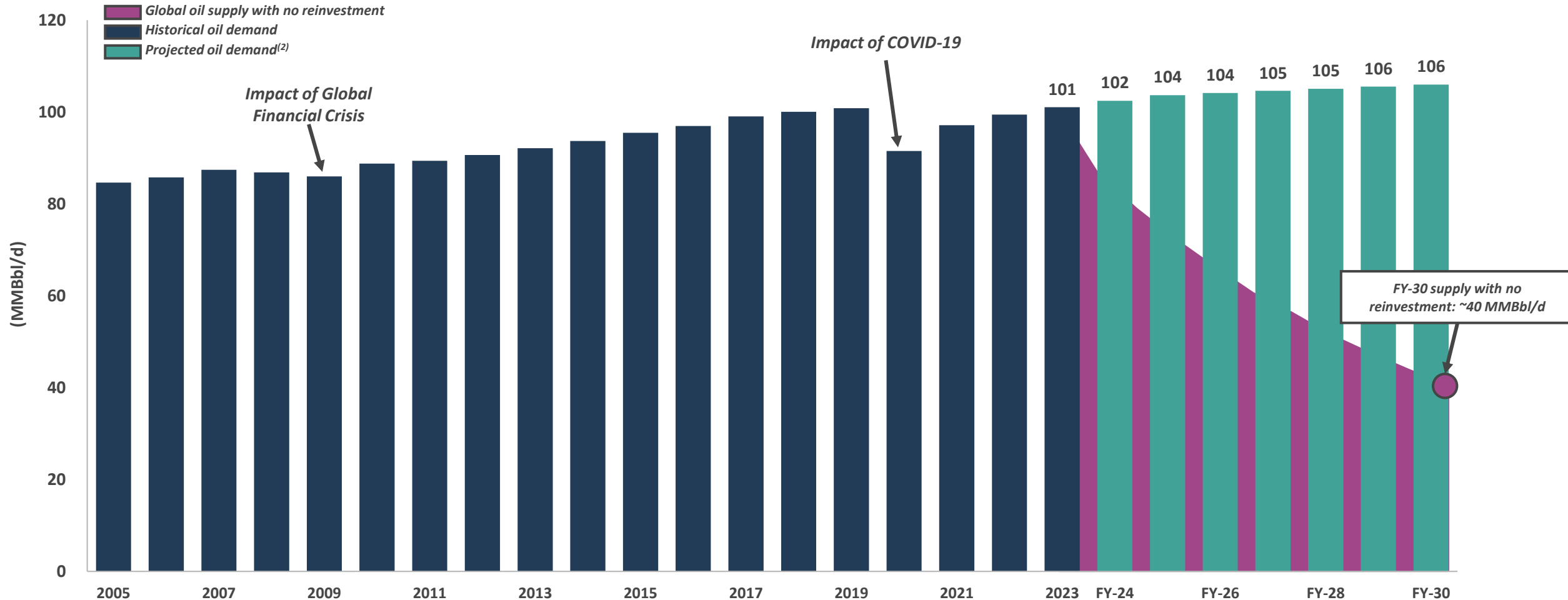
Clean Energy and Oil and Gas E&P Indexed Performance Since January 2021<sup>(1)</sup>



# Global Oil Demand is Increasing While Capital to Fund Supply Growth is Limited

Estimated ~\$500 Billion per Year is Required to Meet Expected Demand <sup>(1)</sup>

## Long-term Global Oil Demand Forecast



Source: EIA Short Term Energy Outlook (dated January 2024), NGP analysis.

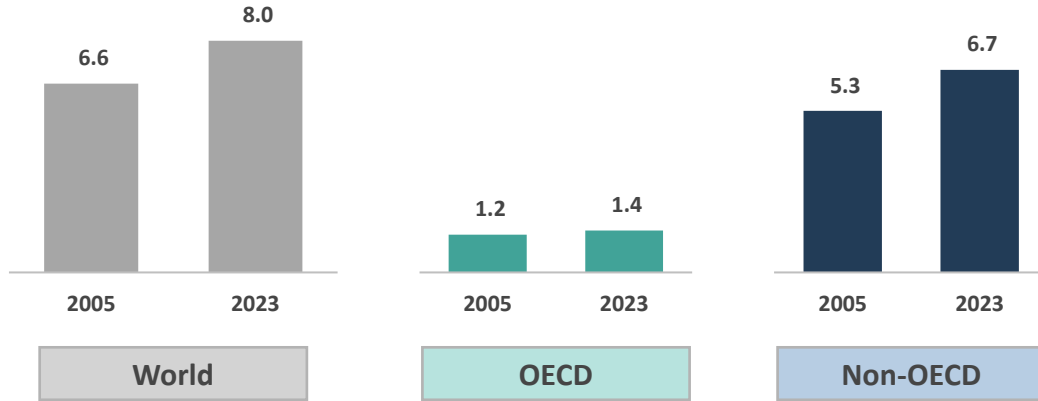
Note: There can be no assurance that any projections will ultimately materialize or that historical trends will continue during the life of any NGP fund. Although NGP believes such determinations are reasonable, they are inherently subjective in nature.

1) Sourced from Wood Mackenzie *Doing More with Less: Is there Enough Upstream Investment?* (Dated July 2023).

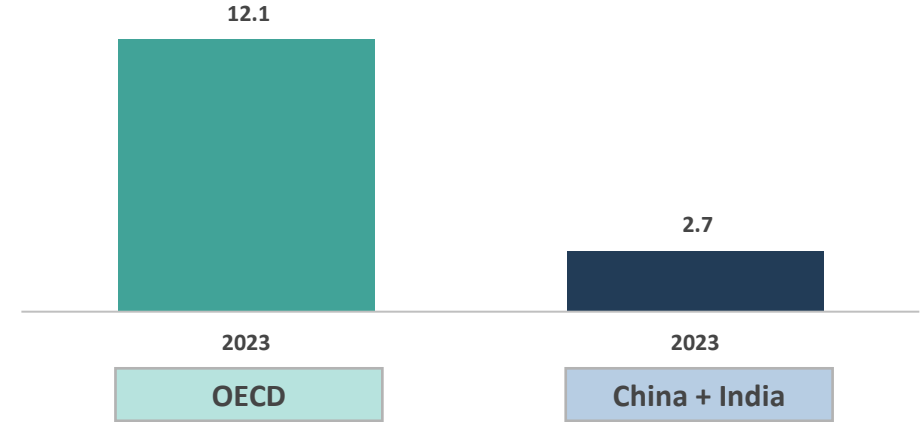
2) Sourced from EIA International Energy Outlook 2023 (dated October 11, 2023).

# Global Population Growth and Increasing per Capita Energy Consumption in Emerging Economies is Driving Growing Oil Demand

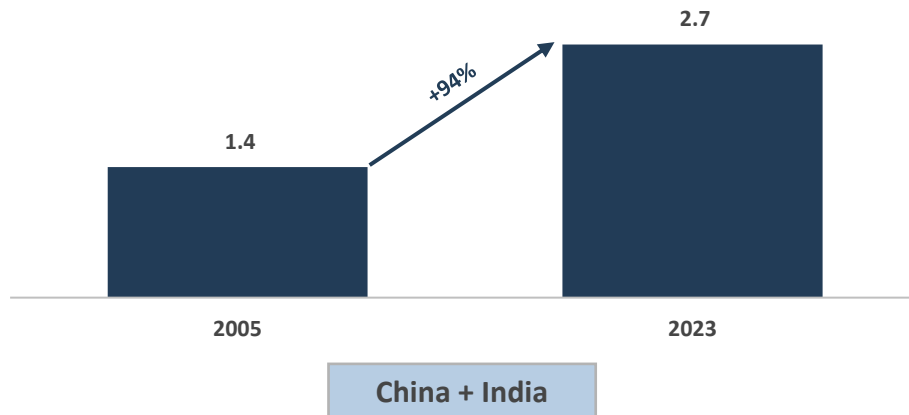
Global Population (Bn)



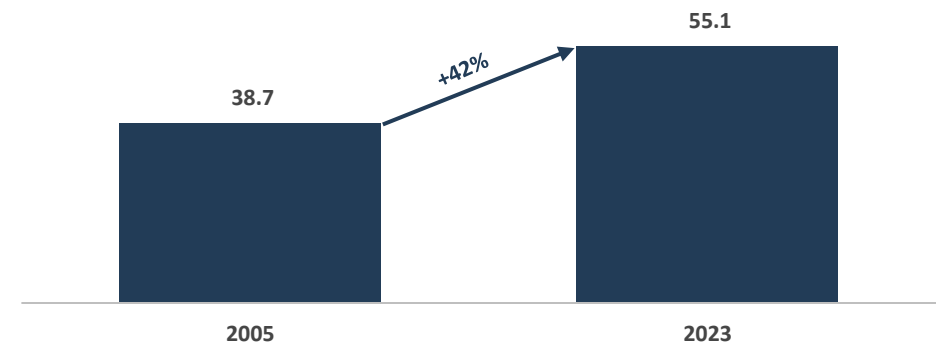
Per Capita Oil Consumption (Bbl / Yr)



China & India Per Capita Oil Consumption (Bbl / Yr)



Non-OECD Oil Demand (MMBbl/d)

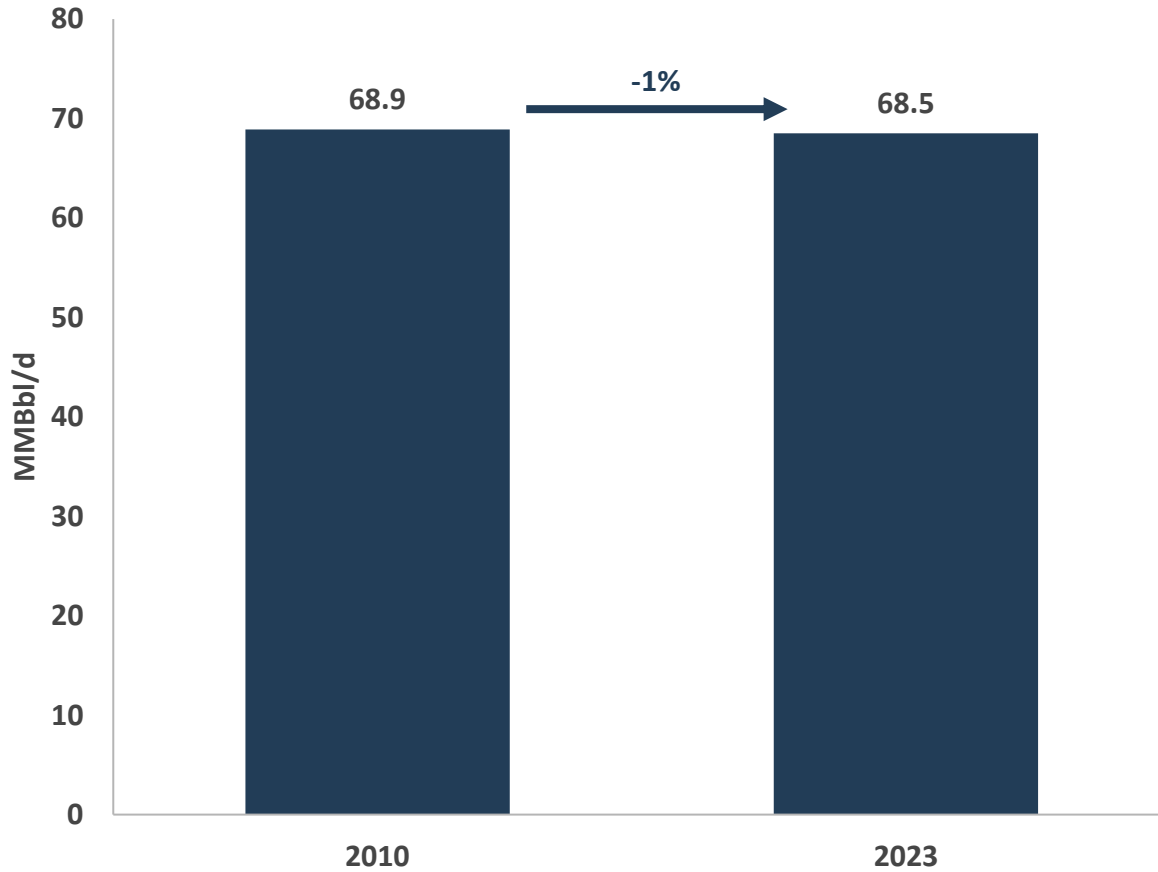




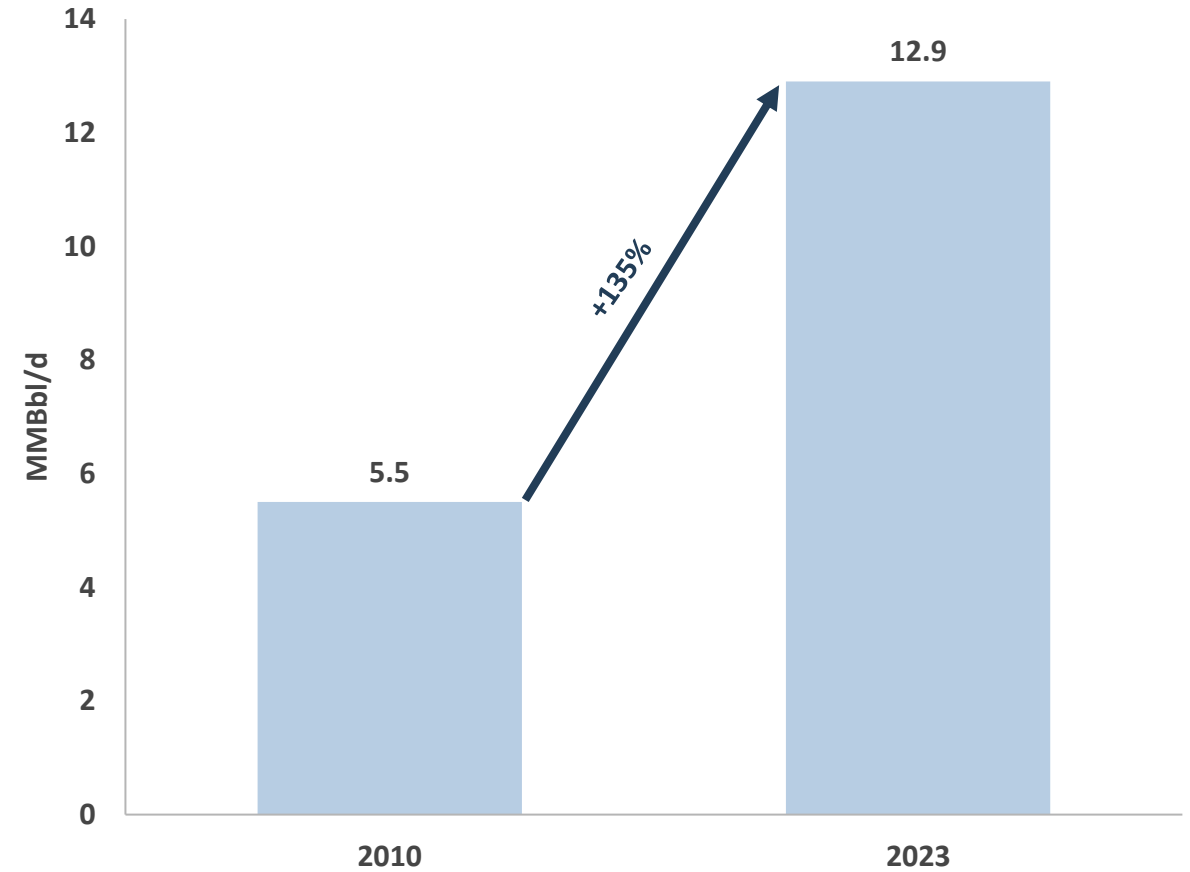
# Where is Oil Production Growth Coming From?



### Rest of World Crude Oil Production (MMBbl/d)

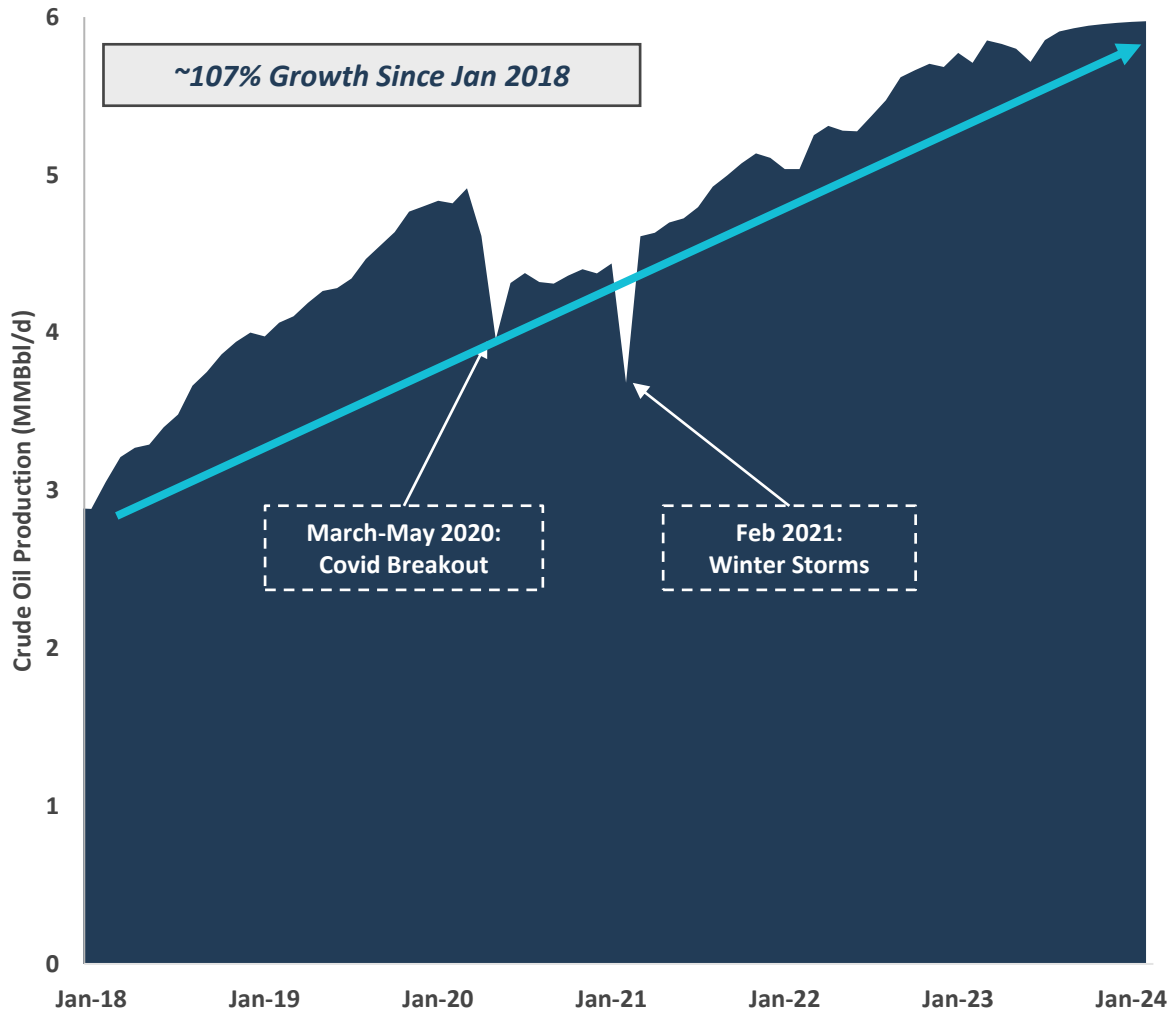


### U.S. Crude Oil Production (MMBbl/d)

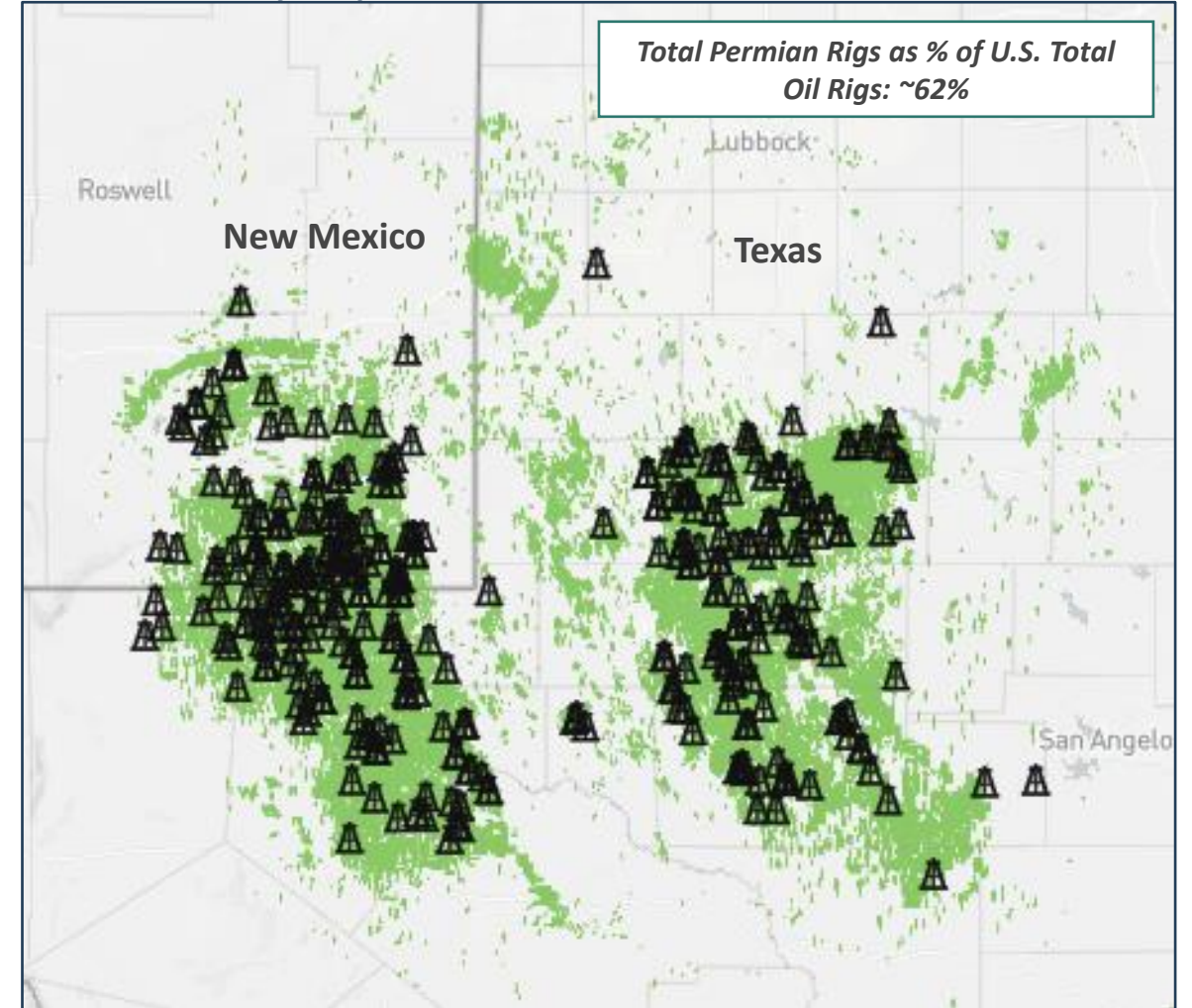


# The Permian Basin is the Most Attractive Oil Basin in the World

## Permian Oil Production Since 2018



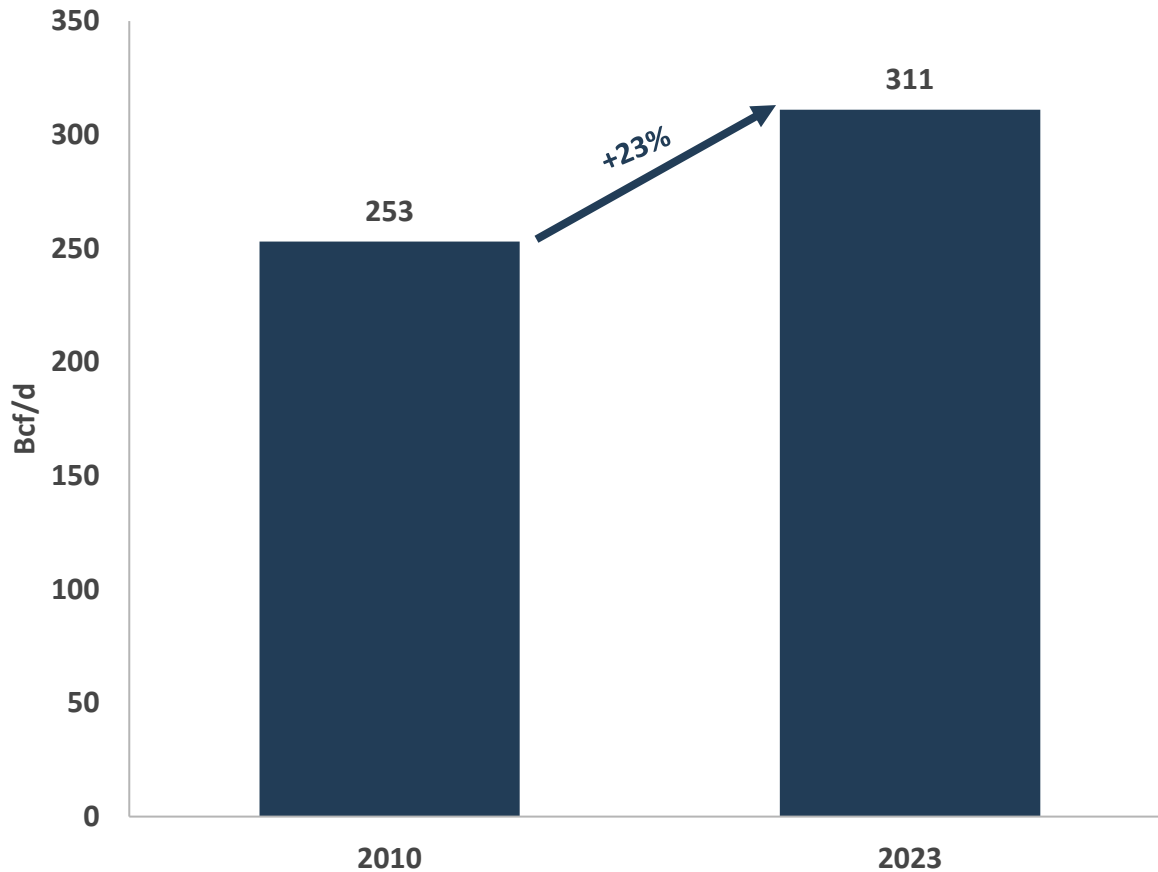
## Permian Activity Map



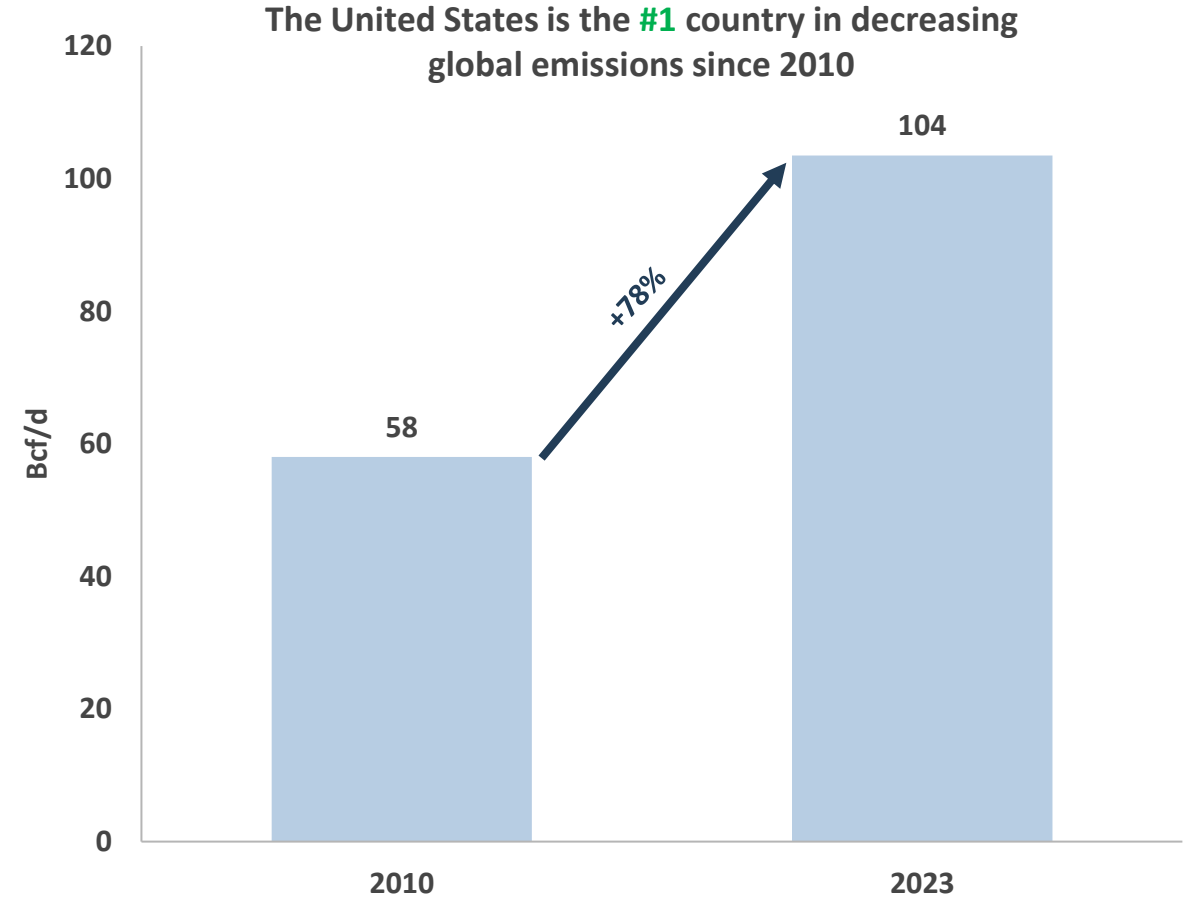
# Where is Natural Gas Production Growth Coming From?



### Rest of World Natural Gas Production (Bcf/d)



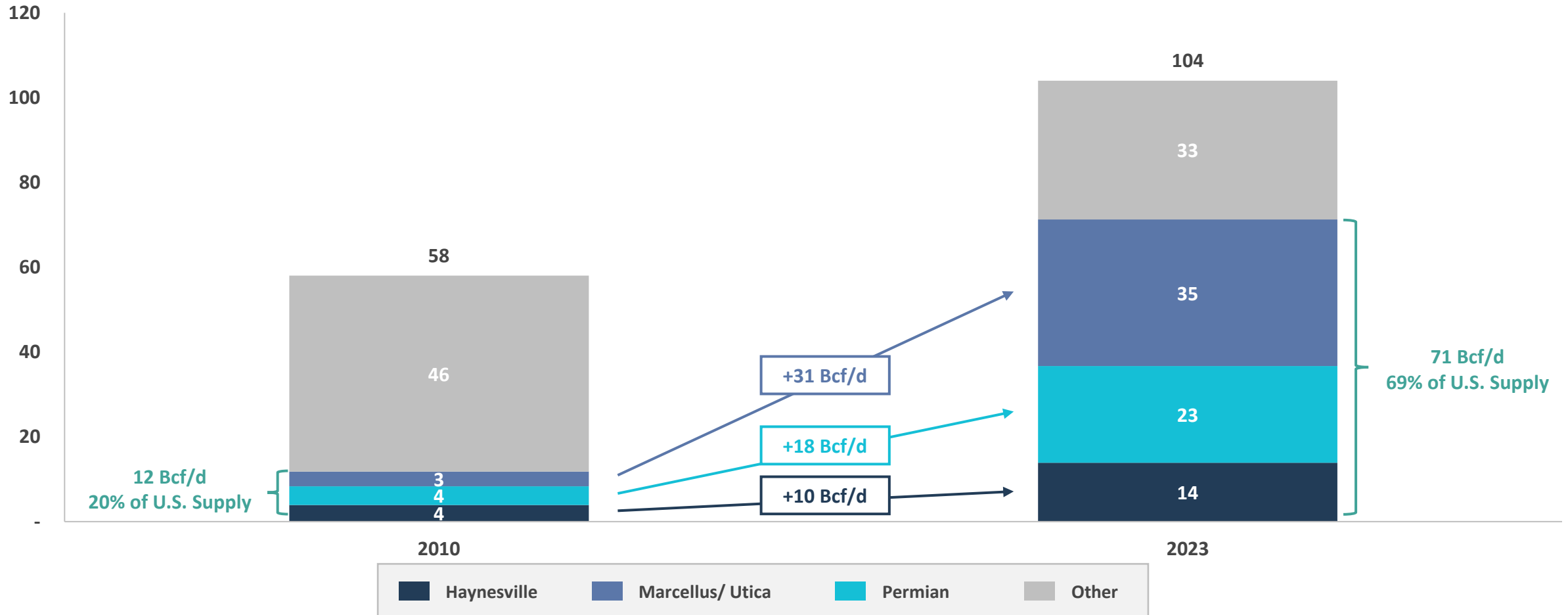
### U.S. Natural Gas Production (Bcf/d)



Source: EIA Historical Natural Gas Production; EIA Short Term Energy Outlook (January 2024).

# U.S. Natural Gas Supply – The Big Three: Then and Now

## U.S. Natural Gas Production (Bcf/d)

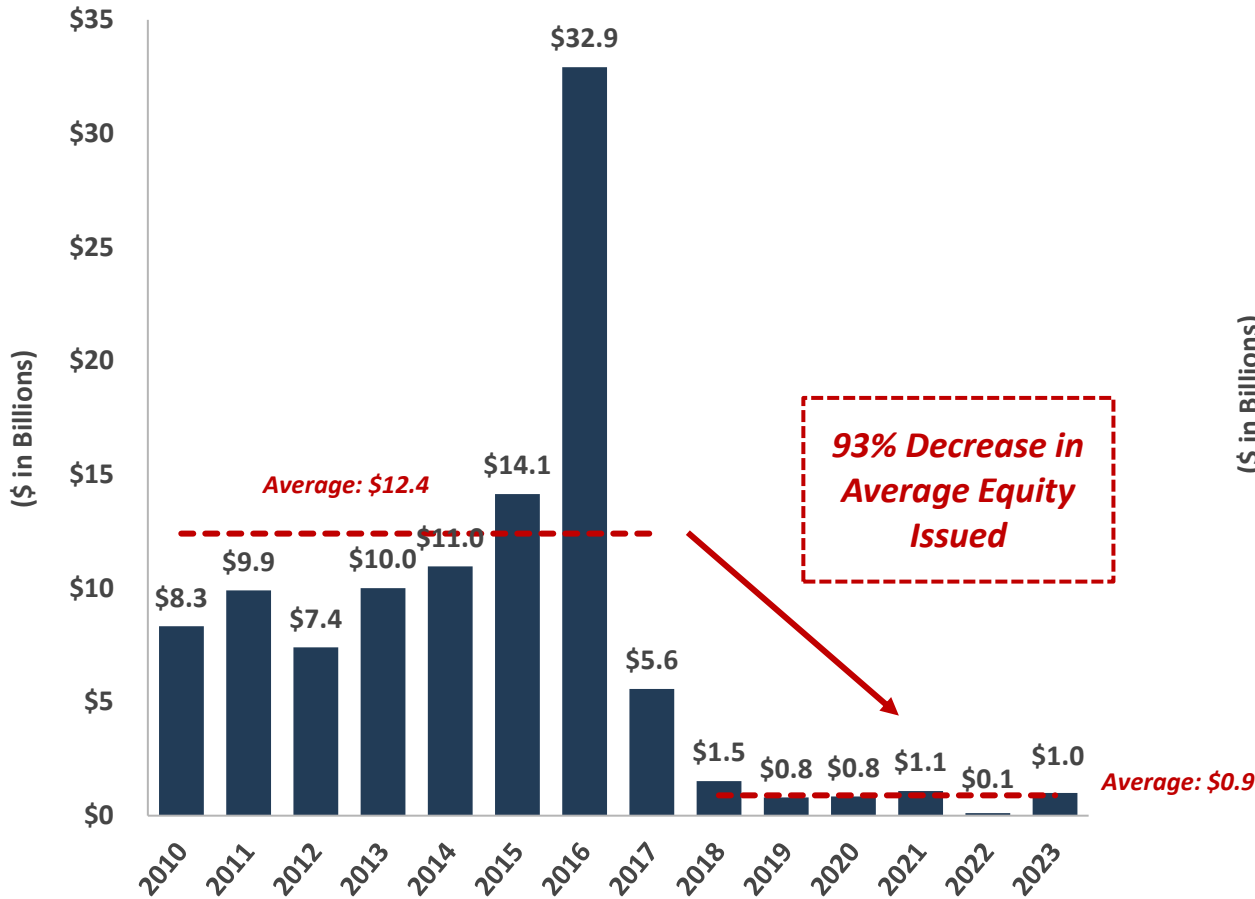


Source: EIA Historical Natural Gas Production; EIA Short Term Energy Outlook (January 2024). Regional production data per Enverus as of February 2024.

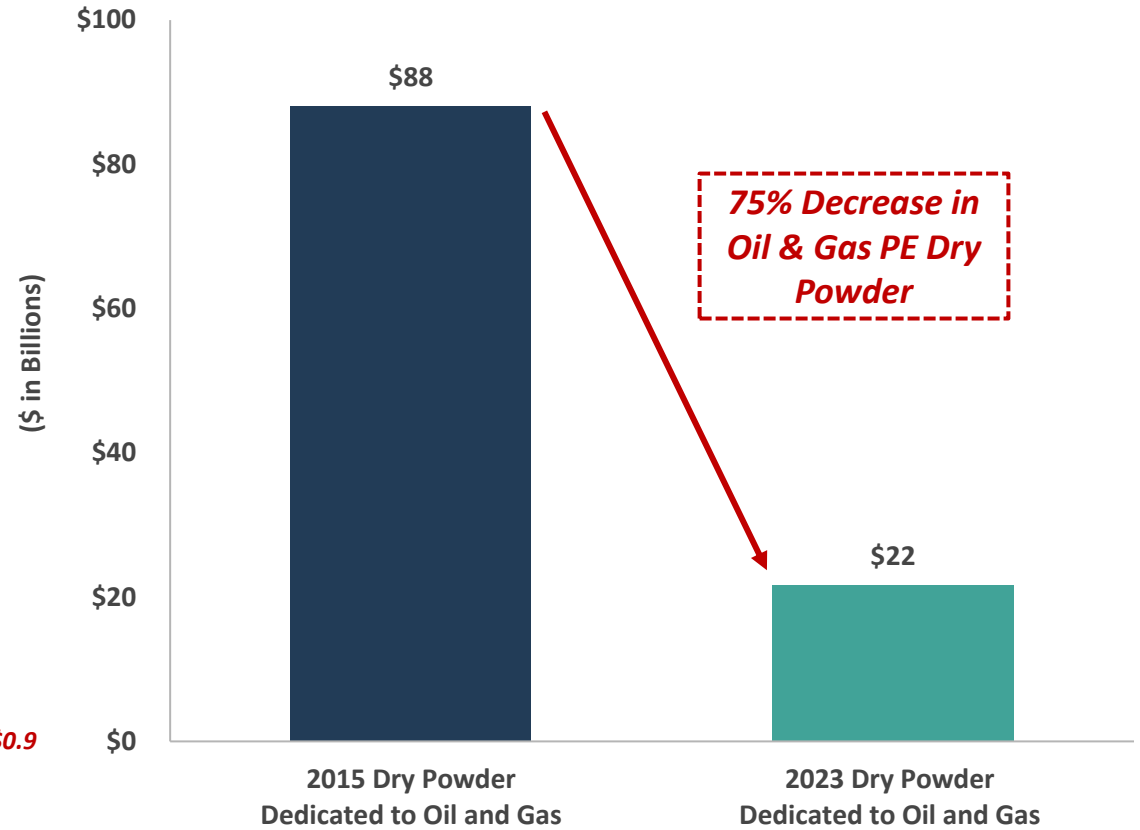
# The Industry Is Capital Starved: Both Public and Private Markets

Capital scarcity has created a more favorable competitive environment for new investments

### Annual U.S. Primary E&P Public Equity Issued



### Private Equity Dry Powder Dedicated to Oil & Gas



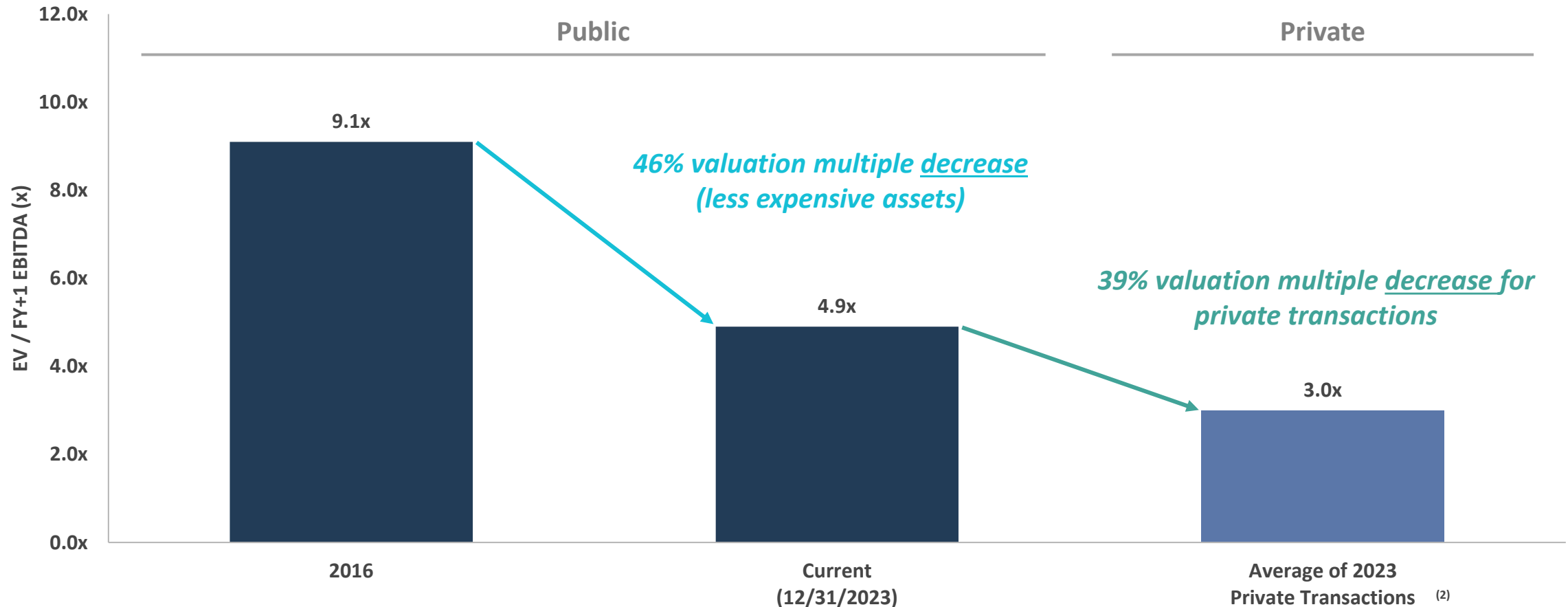
Source: Enverus as of December 31, 2023. WSJ ("Investor Shift From Fossil Fuels Leaves Surging Market to Smaller Players" dated October 13, 2021). RBC Capital Markets.

Note: There can be no assurance that any projections will ultimately materialize or that historical trends will continue during the life of any NGP fund. Although NGP believes such determinations are reasonable, they are inherently subjective in nature.

# E&P Valuations Have Been Re-Priced to Attractive Levels for New Investments



## E&P Valuations Have Compressed <sup>(1)</sup>



Source: FactSet as of December 31, 2023.

Note: Multiples represent a weighted average based on market capitalization for each respective constituent grouping.

1) 2015 and 12/31/2023 representative peer sets differ due to the large amount of M&A activity that has occurred since 2015. 2015 representative peer set includes Large-Caps: APA, COP, CXO, DVN, EOG, HES, NBL, and OXY; Mid-Caps: AR, CHK, CLR, COG, EQT, FANG, GPOR, MRO, MUR, PDCE, PE, QEP, RRC, SWN, and XEC; Small-Caps: BCEI, CNX, CPE, CRC, CRK, DNR, EPE, ESTE, HPR, KOS, LPI, MTDR, NOG, OAS, REI, SM, WLL, and WPX. 12/31/2023 peer set includes: APA, AR, CHK, CIVI, COP, CTRA, DVN, EOG, EQT, FANG, MGY, MRO, MTDR, OVV, OXY, PR, PXD, RRC, SWN.

2) Sourced from Enverus Market Research. Based on weighted average of all transactions in 2023 involving a private operator as a buyer and/or seller.

# Public E&P Consolidation

2014



2023



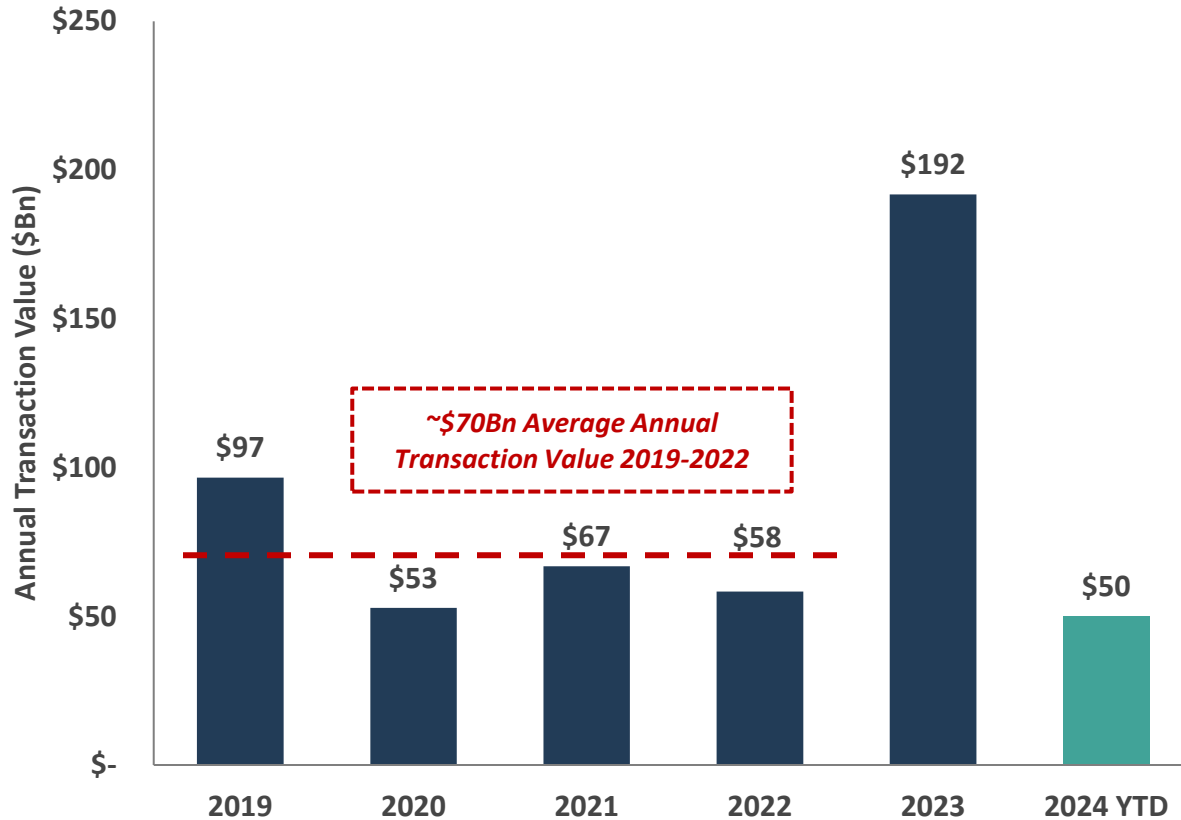
Consolidated Companies



# Upstream M&A Market is Improving

2023 experienced the most M&A volume since 1998

## U.S. Upstream M&A and A&D Activity



## Selected Mergers and Large-Scale Asset Acquisitions



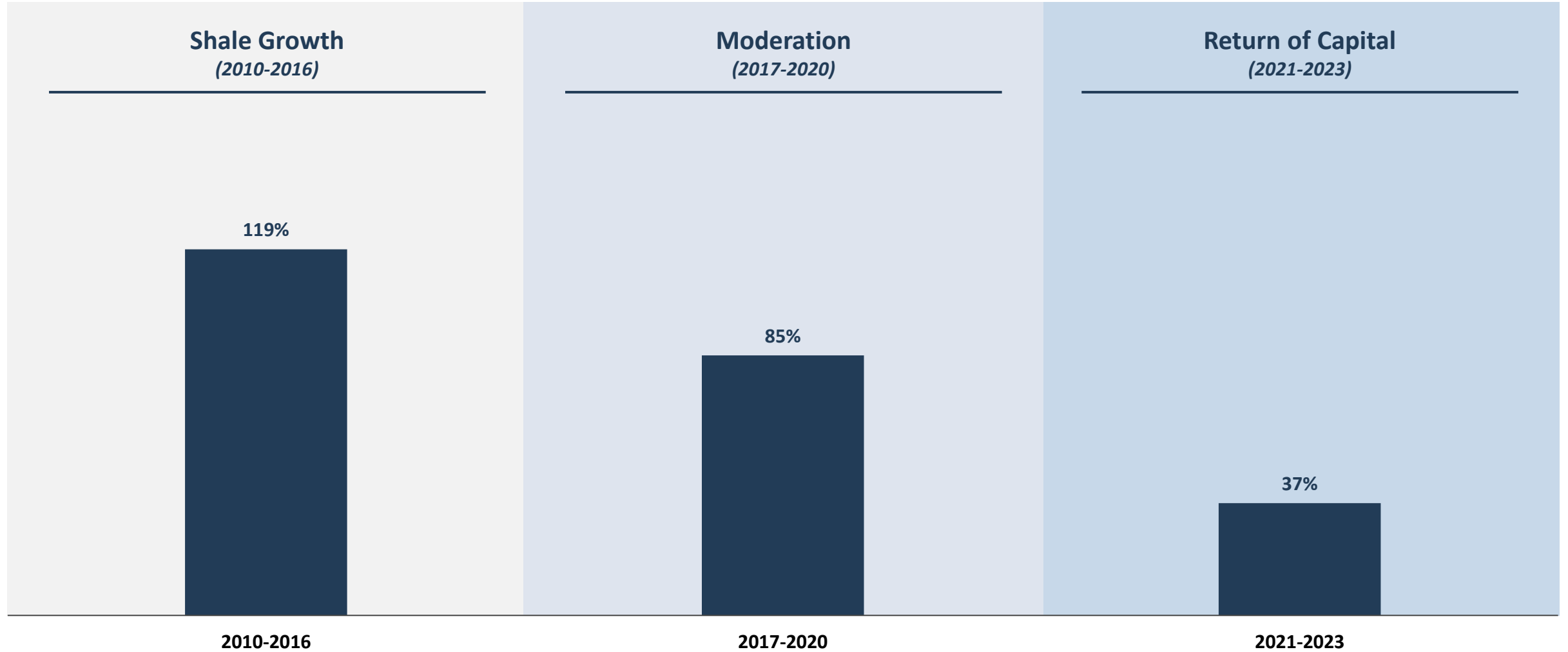
Upstream consolidation likely to create a unique buying opportunity while PE dry powder is down materially



# Public Company Shift: from Production Growth to Return of Capital



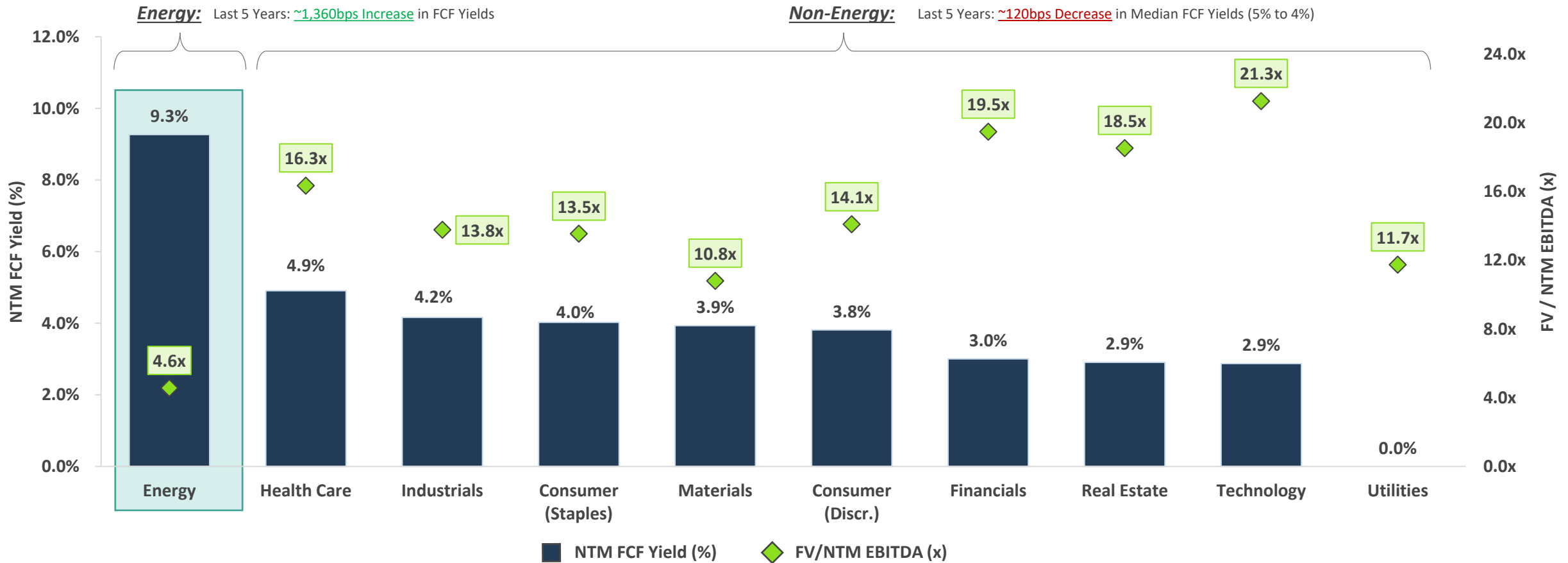
## Independent E&P Reinvestment Rate (Average Capex/EBITDA)



# The Upstream Sector is Providing Industry Leading Free Cash Flow Yields with Attractive Entry Multiples








## S&P Composite 1500: NTM FCF Yield and FV / NTM EBITDA



**Lack of capital in energy is creating a highly attractive investment environment – lower upfront multiples and higher FCF yields**

# Upstream Private Equity: Then and Now



	2016	2023	Change
Number of Active Oil and Gas Private Equity Firms	>40	<10	 >75%
Total Dry Powder for Upstream Private Equity	~\$90Bln	~\$20Bln	 >75%
New PE Backed Portfolio Companies Over Prior 3 Years	>320	<60	 >80%
NGP Portfolio Company Horizontal Wells Drilled	~50	~250	 ~400%
Average Private Equity Sale Size	~\$400MM	~\$1.6Bln	 ~300%

# Conclusion

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- Trillions of dollars will be invested in the energy transition, accelerating global renewables growth and the shift to electrification
  - The sheer magnitude of invested capital and government intervention requires thoughtful investing to generate attractive returns
- Total global energy demand and oil & gas demand will continue to increase
- The U.S. will continue to be the world's main source of additional oil and natural gas supply
- Capital scarcity and changing behavior of public companies has improved the investment environment
- Private equity model has adjusted: fewer, larger, and more operationally focused companies
- The improved investment environment combined with fewer, higher quality management teams should lead to attractive investment returns for the oil and gas sector



Thank You

[ngpenergy.com](http://ngpenergy.com)

Moving Energy Forward 

Break: 10:20 – 10:35 a.m.



100.00	6.76				
827.24					
115.67	5.14				
90.31	7.81				
84.27					
105.32					
05.97					
04.47					
77.50					
58.79					3248.44
4.11					913.57
0.27					679.09
19.83	8.40				295.28
12.58					601.82
12.65					1021.19
20.00	6.95				100.00
73.13					378.45
866.96		0.00	3111.25		2856.95
1209.13		0.00	2319.71		209.13
1302.84		0.00	1316.80		72.84
2092.68		0.00	2200.80		82.68
1123.48		0.00	1153.58		96.33
1481.67		0.00	1531.47		128.67
2848.49		0.00	3087.61		209.49
5.70	286.71	11.23	288.29	254.41	
5.70	287.77	12.57	288.95	224.41	
1.14	152.31	8.24	10.76	155.64	147.89
1.14	152.35	8.24	11.18	155.70	147.37
5.70	105.08		0.44	105.81	97.29
5.70	480.89		9.49	518.81	214.90
5.70	480.35		8.44	518.28	308.78
5.70	481.97		10.77	519.87	216.07
5.70	263.46		4.82	291.45	128.24
5.70	262.71		5.10	291.45	175.81
5.70	264.05		5.77	291.45	128.24
5.70	7225.90		145.83	7813.21	5159.56
5.70	7242.68		178.50	7819.41	5168.57
1.14	1282.28	7.17	96.32	1290.24	1258.83
1.14	1282.81	7.17	99.91	1291.14	1258.84
5.70	296.59		0.84	293.28	251.56
6.70	297.21		2.83	294.01	251.90
5.70	226.49		0.00	237.07	128.63
5.70	226.73		0.00	237.08	170.30
5.70	1026.75		14.52	925.85	653.66
5.70	1025.81		12.36	925.82	653.52
5.70	1029.03		18.80	925.94	653.84
5.70	130.50		3.50	131.85	122.82
5.70	124.66		0.00	121.80	101.49
5.70	177.91		0.00	170.25	137.03





# Guest Speaker: Geopolitical Environment

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**Ken Mehlman**

Partner, Global Head of Public Affairs,  
Co-Head of KKR Global Impact,  
KKR





## Ken Mehlman ● Partner, Global Head of Public Affairs, Co-Head of KKR Global Impact

KKR



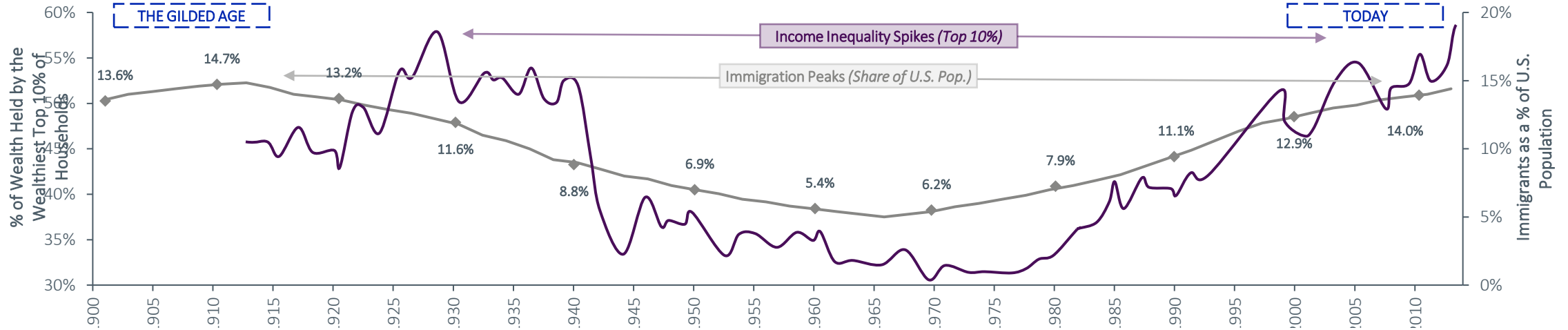
Ken Mehlman (New York) joined KKR in 2008 and is a Partner, Global Head of Public Affairs & Co-Head of KKR Global Impact. Since joining the firm, Ken has architected KKR's responsible investment efforts that seek to create shared value for KKR investors and other stakeholders. He has also worked to identify investment opportunities by leveraging geopolitical, public policy & sustainability trends. KKR's Global Impact strategy invests behind businesses that promote commercial solutions to global challenges associated with climate action/energy transition, sustainable living, lifelong learning & inclusive growth. Mr. Mehlman spent a dozen years in national politics and government service, including as 62nd Chairman of the Republican National Committee and Campaign Manager of President Bush's 2004 re-election campaign, the only Republican presidential campaign in 34 years to win the popular vote. Mr. Mehlman also served in high level positions in Congress and the White House. Mr. Mehlman, who currently lives in New York City, graduated with a B.A. from Franklin & Marshall College and holds a J.D. from Harvard Law School. Mr. Mehlman's philanthropic focus is opportunity, mobility & equality. He is a trustee of Mt. Sinai Hospital of New York, Teach for America, the United Negro College Fund (UNCF), Franklin & Marshall College and Sponsors of Educational Opportunity (SEO). Mehlman is a member of the Council on Foreign Relations.

# KKR

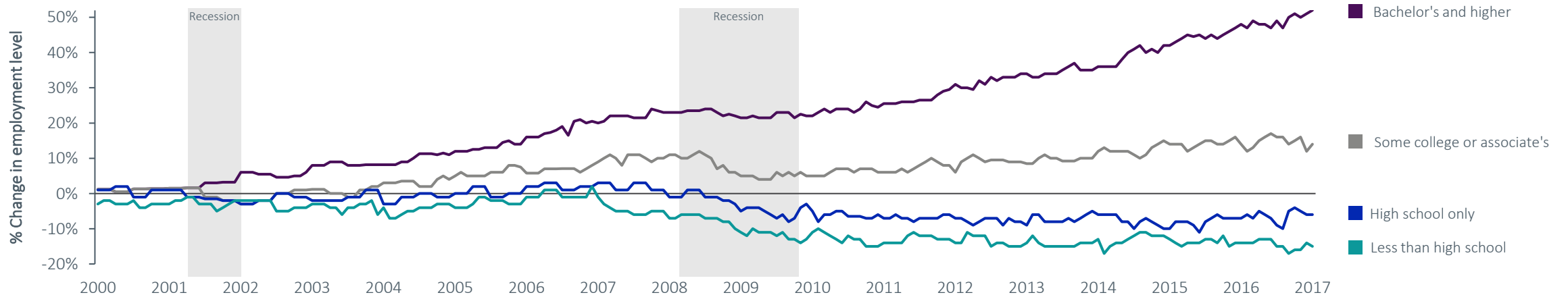
Presentation to VRS  
KEN MEHLMAN  
MARCH 20, 2024

KKR

# Context: Living in disruptive times



Head of the Class (Change in employment level by educational attainment)



Politics mirrors larger societal disruption.

The political disequilibrium: Every election is a change election

No "Alignment" has lasted longer than two years

	2013-2014	2015-2016	2017-2018	2019-2020	2021-2022	2023-2024
POTUS	Blue	Blue	Red	Red	Blue	Blue
SENATE	Blue	Red	Red	Red	Blue	Blue
HOUSE	Red	Red	Red	Blue	Blue	Red
Change Election 2 years later?	YES	YES	YES	YES	YES	???

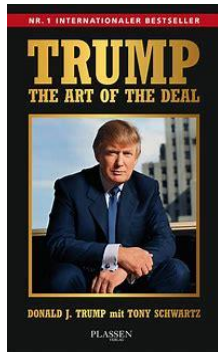
Average duration of control

	House	Senate
20 <sup>th</sup> Century	11.1 years	9.0 years
21 <sup>st</sup> Century	5.5 years	4.5 years

Combined votes enabling victory  
*(Historically small margins minimize mandates)*

	House	Presidency
Last Election	6,675 votes in 5 races	42,922 votes in AZ, GA & WI
Prior Election	31,751 votes in 5 races	79,316 votes in PA, MI & WI

Trump is built for this disruptive moment.



The Art of The Deal  
~1.1 million copies sold



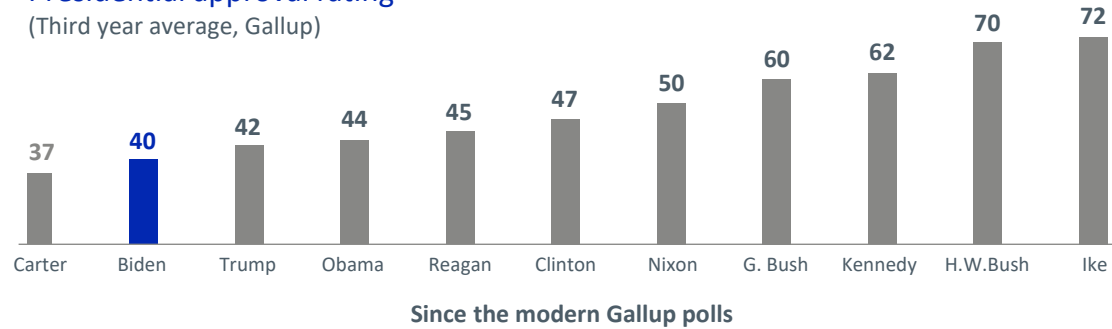
The Apprentice:  
Avg. ~10 million viewers



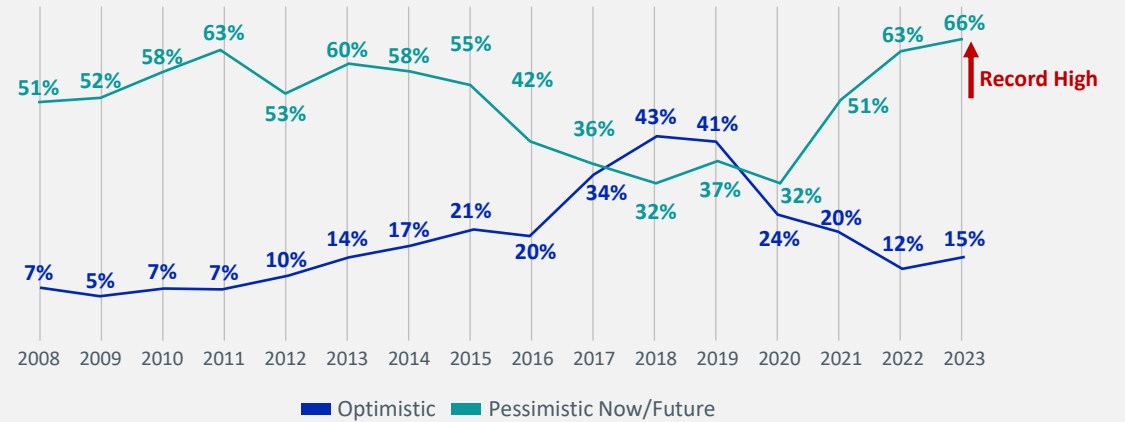
# Americans are deeply dissatisfied.

Second worst approval rating of incumbent's third year

Presidential approval rating  
(Third year average, Gallup)



Worst Current and Future View of the Economy Since 2008



19%

Americans feel confident life for our children's generation will be better than for us



Most pessimism about crime since

1972

GALLUP

Bidenomics – December 2023		
Favorable	Unfavorable	Net Difference
29%	51%	-22%



The public feels like things are out of control. Who can restore order?

**Aren't you angry?**

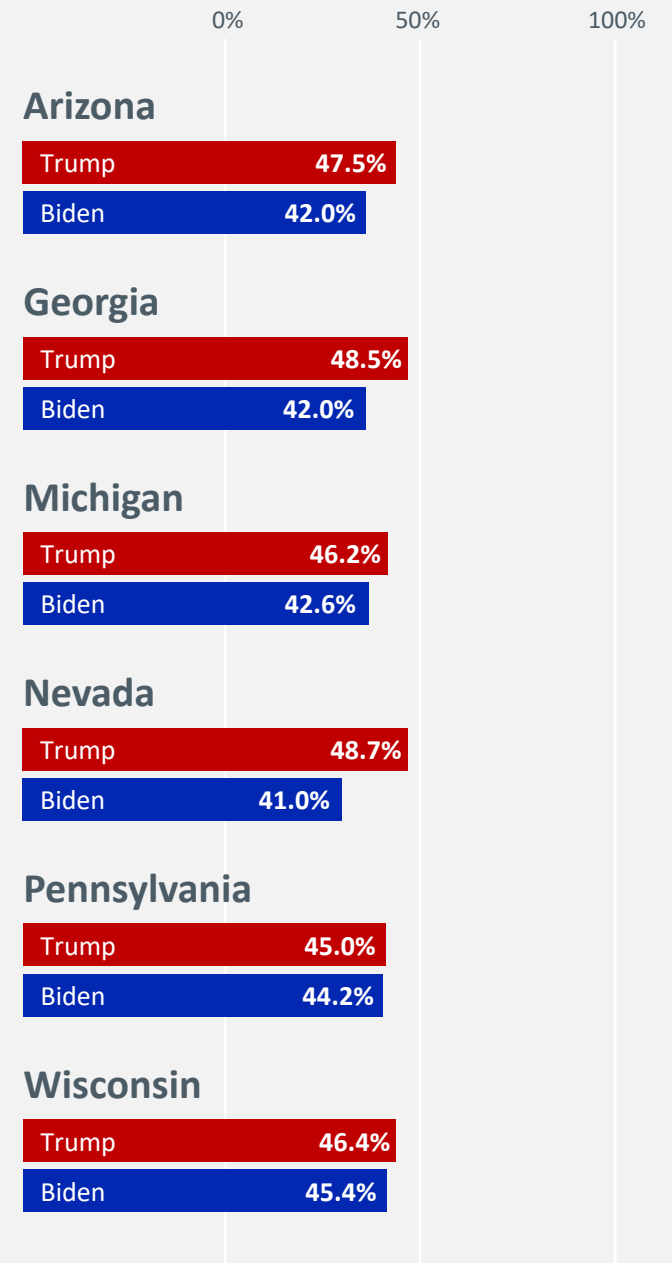
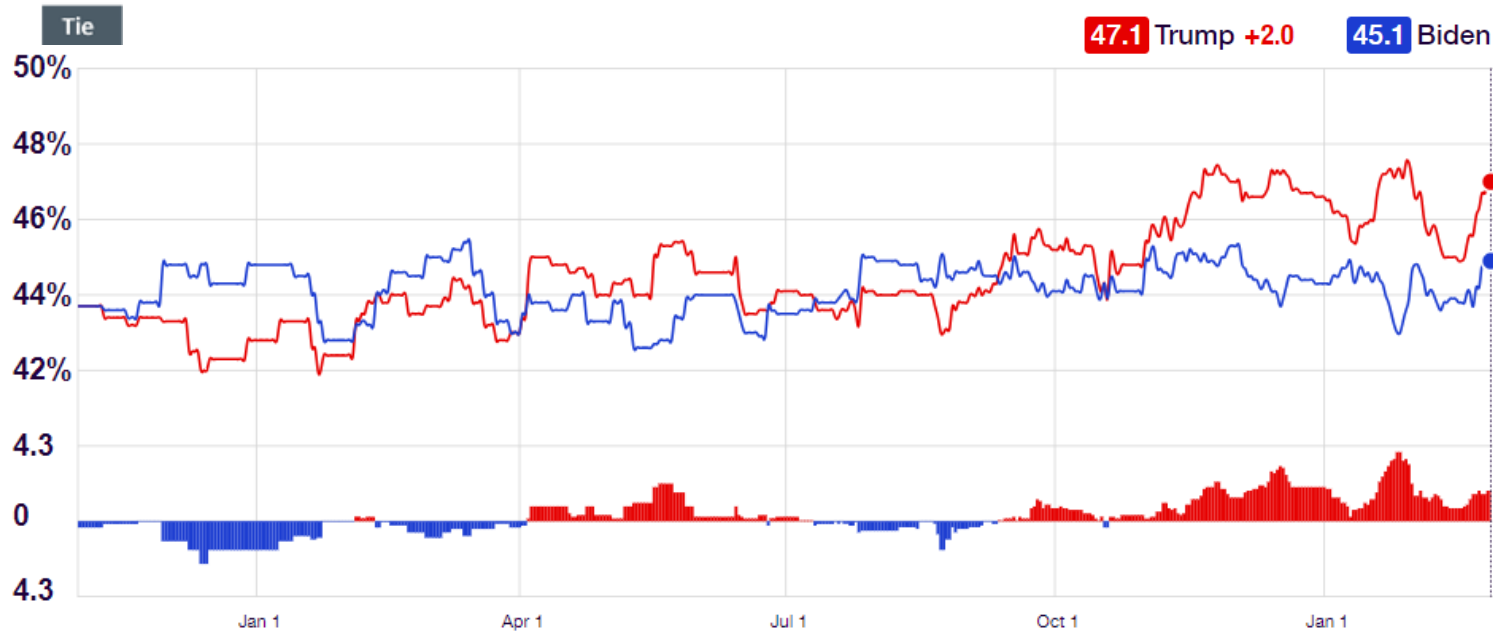
The blue graphic features a central white donkey icon with three stars above it. Surrounding the central text are five circular images: a portrait of Joe Biden, a border wall, a military aircraft (labeled 'FORCE 1109'), a stock market chart with 'INFLATION' and '+4.9%' visible, and a collage of words including 'Cancel Culture', 'Woke', and 'Influence Social'.

**Aren't you afraid?**

The red graphic features a central white elephant icon with three stars above it. Surrounding the central text are five circular images: a portrait of Donald Trump, a crowd of people at a protest, a large crowd gathered in front of the US Capitol building, and a woman holding a sign that says 'LOVE IT! IMPROVE IT! MEDICARE FOR ALL!'.


Trump leads today

## General Election: Trump vs. Biden






# Explaining Trump's lead today




“Generally speaking, would you say that President Joe Biden’s policies have helped or hurt you personally”

% HELPED	% HURT	DIFFERENCE
23%	53%	-30%


A crushing finding for President Biden as a majority of voters say his policies **“hurt”** them personally.





“Thinking back to when he was President, generally speaking would you say that Donald Trump’s policies have helped or hurt you personally”


% HELPED	% HURT	DIFFERENCE
49%	37%	+12%




Joe Biden not having the necessary mental and physical health

MAJOR CONCERN	TOTAL CONCERN
59%	74%

Majorities of Americans have major concerns about both Biden and Trump. President Biden’s age is of more concern



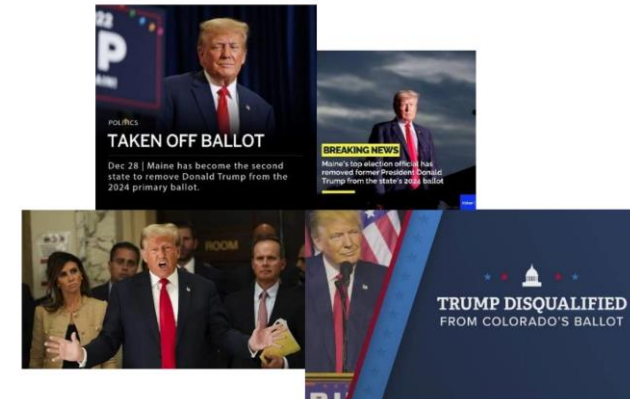


Donald Trump facing four different criminal and civil trials

MAJOR CONCERN	TOTAL CONCERN
52%	62%

## 2020 Exit vs. Recent Polls

BIDEN	CURRENT	2020 EXIT POLL	DIFF.	TRUMP	CURRENT	2020 EXIT POLL	DIFF.
Hispanic	41%	65%	-24%	Hispanic	42%	32%	+10%
Black	75%	87%	-12%	Black	16%	12%	+4%
18-29 years old	46%	60%	-14%	18-29 years old	38%	36%	+2%



# Critical considerations: Remember the three T's

## 1



U.S. Supreme Court  
Ballot Eligibility Trial



“” Can Trump be on the ballot? It's the Supreme Court's biggest election test since Bush v. Gore

## 2

Robert F. Kennedy Jr.  
(Independent)



Jill Stein (Green Party)



No Labels



## 3

Since  
1916

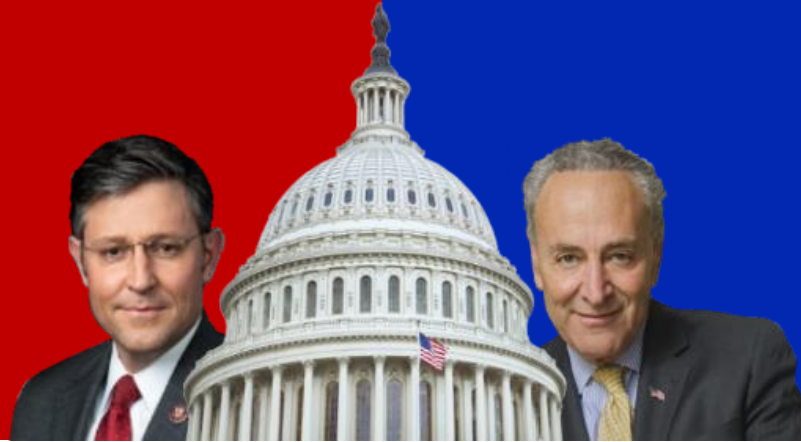
GOP has overperformed polls when Trump was on the ticket, while underperforming when he's not.



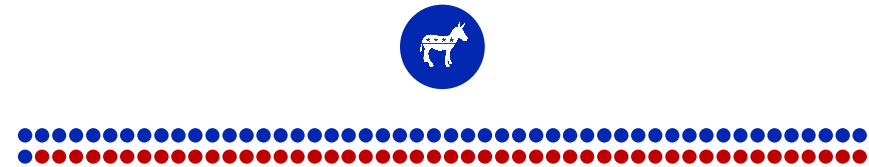
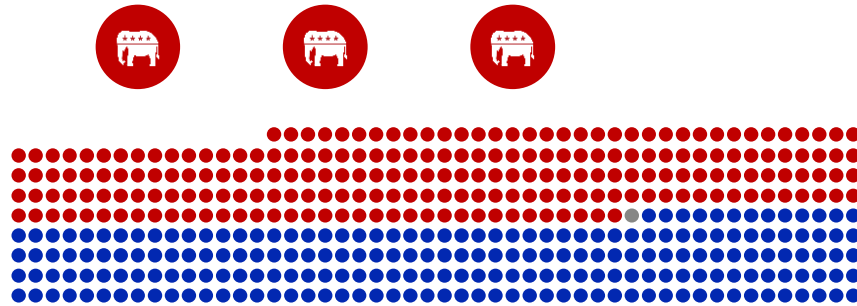
Democrats have overperformed every election since SCOTUS overturned Roe v Wade

# A competitive battle for both the U.S. House & Senate

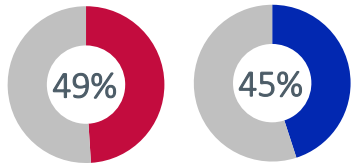
**GOP has a 3 seat House majority**



**Democrats have a 1 seat Senate majority**



Congressional Preference Poll



Republican's lead Democrats on congressional preference, which represents the 2<sup>nd</sup> largest advantage in the past century

Key Senate Primaries



Montana



Ohio



Arizona

# Separating the signal from the noise: what won't change



# Areas that could change

**Taxes**



**Regulations**



**Ukraine**



**Social policy**



**Trade**



**Defense**



**Foreign Policy**



**Energy Policy**



**Courts**



## Some high-level policy implications

Sector	Biden/Democratic Policy Outlook	Trump/GOP Policy Outlook
Macro	<ul style="list-style-type: none"> <li>• <b>Fiscal...</b> More modest tax reduction (selective extension of 2017 reforms), more expansive social spending</li> <li>• <b>Trade...</b> More export controls, investment restrictions, and technology sanctions against China; emphasis on technology and supply chain cooperation with European and Asian allies and partners</li> <li>• <b>Foreign affairs...</b> Push for sustained support for Ukraine and Russia sanctions</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Fiscal...</b> Major tax reduction (extending 2017 reforms), combined with limits on spending</li> <li>• <b>Trade...</b> More export controls, investment restrictions, and technology sanctions against China *and* significant increase in tariffs; zero-sum trade approach with European and Asian allies and partners</li> <li>• <b>Foreign affairs...</b> Uncertain Ukraine support, more hawkishness toward Iran</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• <b>Banks...</b> Continued aggressive approach to bank capital</li> <li>• <b>Non-banks...</b> Move toward some entity-based systemic designations</li> <li>• <b>Consumer finance...</b> Expanded focus on “junk fees”</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Banks...</b> More flexible approach to bank capital</li> <li>• <b>Fintech...</b> More flexible approach to bank/fintech partnerships, crypto policy</li> </ul>
Tech	<ul style="list-style-type: none"> <li>• <b>Antitrust...</b> Continued broad, aggressive approach to antitrust enforcement</li> <li>• <b>Telecom...</b> Finalize net neutrality regulation</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Antitrust...</b> More selective approach to “Big Tech” antitrust</li> <li>• <b>Telecom...</b> More flexible approach to broadband deployment</li> </ul>
Health	<ul style="list-style-type: none"> <li>• <b>Drug pricing...</b> Continued focus on PBM transparency/pricing, expand constraints on manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Drug pricing...</b> Continued focus on PBM transparency/pricing, less focus on constraining manufacturers</li> <li>• <b>Medicaid...</b> Increased constraints on eligibility to slow program growth</li> </ul>
Energy	<ul style="list-style-type: none"> <li>• <b>Renewables...</b> Additional spending, tax support</li> <li>• <b>Emissions...</b> Finalize power plant emissions regulation</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Oil/gas...</b> More flexibility on permitting/leasing, greater regulatory certainty</li> <li>• <b>Renewables...</b> Reduce tax support for EVs and more mature tech (wind/solar)</li> <li>• <b>Emissions...</b> Less aggressive regulation of auto, power plant emissions</li> </ul>



So we know how this ends



New social contracts...

Expanded public education...



Extensive anti-corruption movements...



Increased worker protections...



Reform politics and politicians...

A new social compact between workers, companies, and society for a new American economy...which we can help develop



# What this means for us



Enhanced focus on 3 licenses to operate across our investments



Look for opportunities to be part of the solution



Maintain focus on value creation/ protection



Listen and learn from all of our partners



# Guest Speaker:

## Real Assets

---

**Edmund Donaldson**

Executive Managing Director, Portfolio Management  
Affinius

## Edmund Donaldson ● Executive Managing Director, Portfolio Management

Affinius



Edmund Donaldson serves as Executive Managing Director of Portfolio Management for Affinius Capital. Edmund is the portfolio manager for the firm's flagship, diversified open-end investment program. He is a member of the firm's Investment Committee.

Prior to joining Affinius Capital in 2014, Edmund worked for Hines where he was a Senior Managing Director and member of their Capital Markets Group. He also served as Chief Investment Officer of the Hines U.S. Core Office Fund, Hines REIT and Hines Global REIT. During his 20 years with Hines, Edmund invested across all asset classes across the globe.

Edmund earned his Bachelor of Arts in Quantitative Economics and Decision Sciences from the University of California, San Diego, and Master of Business Administration from Rice University (Jones Graduate School of Business), where he currently serves on the Council of Overseers as well as the Real Estate Advisory Committee.



# Affinius Capital Real Estate Update

2024 VRS BOARD RETREAT  
EDMUND DONALDSON

# AGENDA

1. Overview
2. Office Sector
3. Multifamily Sector
4. Industrial Sector
5. Retail Sector
6. Data Center Sector





# OVERVIEW

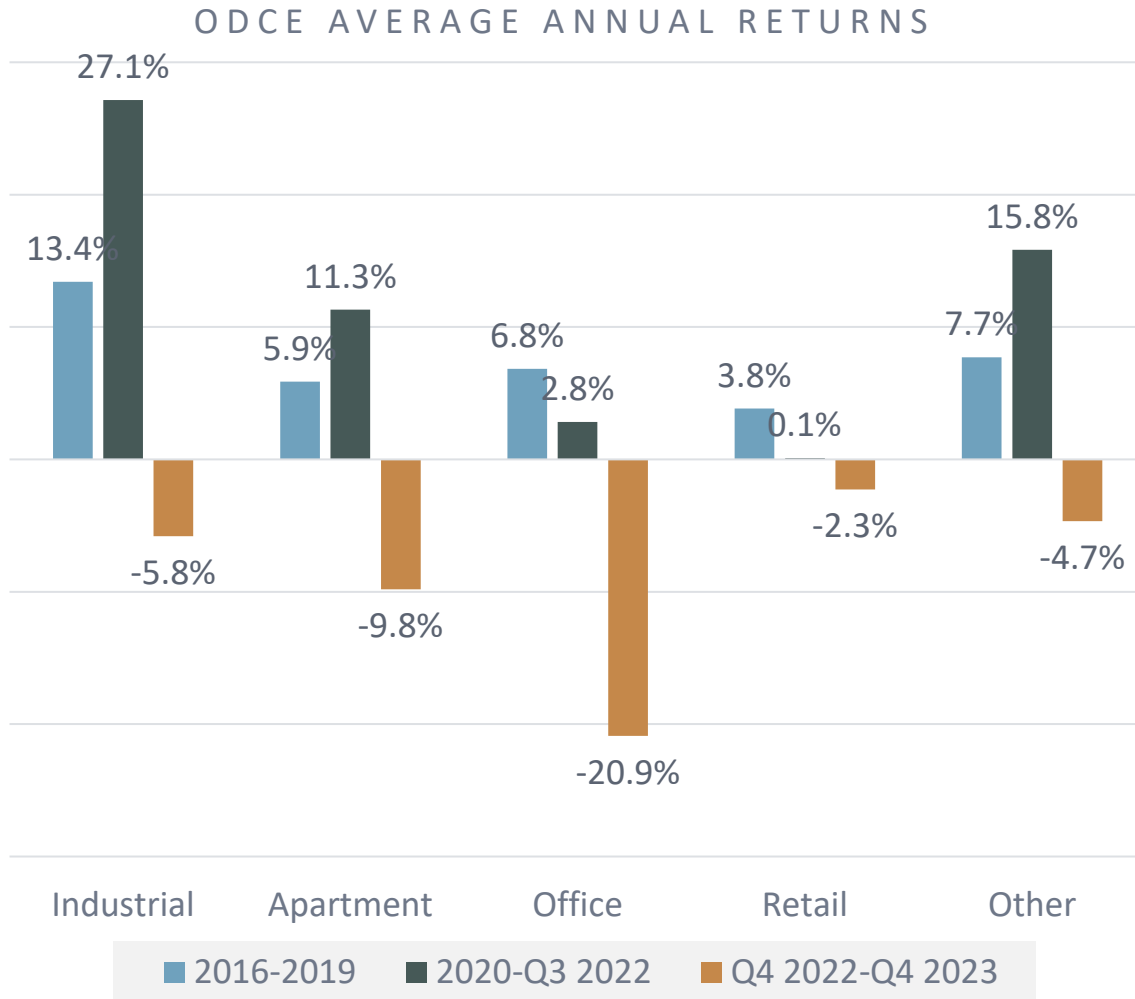


PARTNERS ADVISORS INVESTORS STEWARDS

- Market reset presents a unique investment opportunity across the Real Estate universe
- Near term weakness in market fundamentals across primary real estate sectors
- Long term shifts in investors sector preferences
- Emergence of alternative investment sectors as institutional targets
- Demographic patterns support long-term growth
- Current market repricing provides opportunity to invest at a basis that will enhance expected return

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# ONGOING MARKET RESET AND SHIFTS IN ALLOCATIONS



- Prolonged bull market followed by major reset in asset valuations
- Industrial and Multifamily outperform with Office facing greatest headwinds
- ODCE Industrial allocations nearly tripled from 2013 to 2023. Office and Retail fall by half
- Allocations to alternatives increase from 4% to 8%

# PREA CONSENSUS FORECAST SURVEY OF THE NCREIF RETURNS FOURTH

QUARTER 2023

Average of respondents' forecasts of the NCREIF Property Index (NPI) and sub-markets by property type.

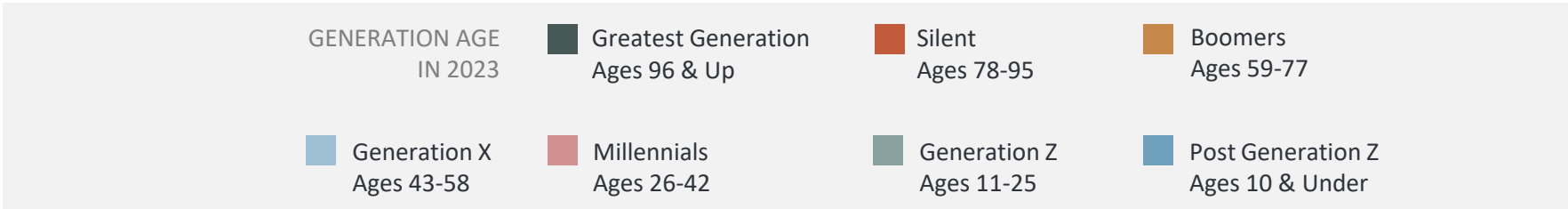
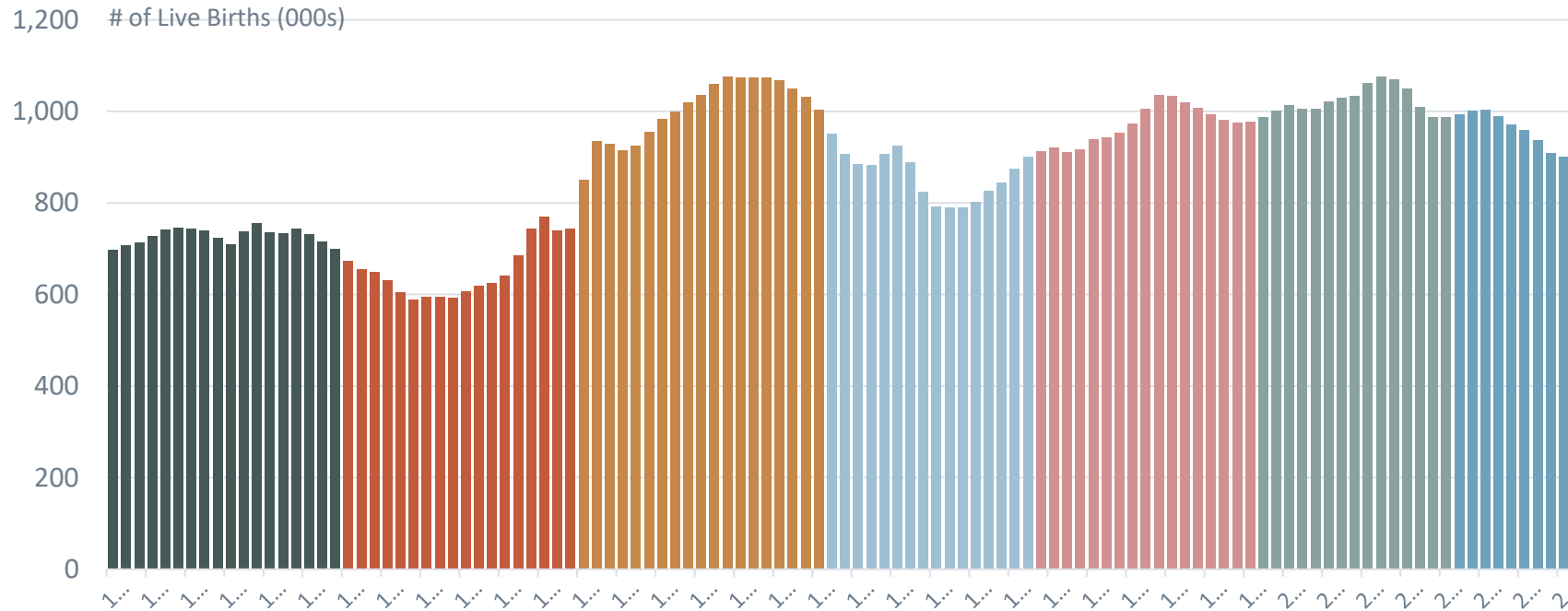
	<b>Total Return (included income) 2023</b>	<b>Total Return (included income) 2024</b>	<b>Total Return (included income) 2025</b>	<b>Total Return (included income) 2023 to 2027 (per year)</b>
National, All property types (NPI)	-7.7	0.2	6.8	3.4
Office	-17.4	-5.4	3.0	-2.1
Retail	-0.9	3.2	6.8	4.4
Industrial	-4.5	2.2	6.7	4.5
Multifamily	-6.8	0.1	6.8	3.5

Source: PREA; Affinius Capital Research

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# DEMOGRAPHICS DRIVE LONG TERM TRENDS



- **BOOMERS**  
An average of 10,000 Baby Boomers will reach retirement age every day until the year 2030
- **GENERATION X**  
In prime spending years, but as smallest cohort, less impactful in driving economy. The oldest Millennials are entering prime spending years and will be more impactful
- **MILLENNIALS**  
The Millennial generation – approximately 73 million people – is the largest cohort in the U.S. labor force, and nearly 55% of them are renters today
- **GENERATION Z**  
Generation Z is larger than the Millennial cohort and will likely backfill the space eventually vacated by Millennials



# OVERALL OFFICE THEMES

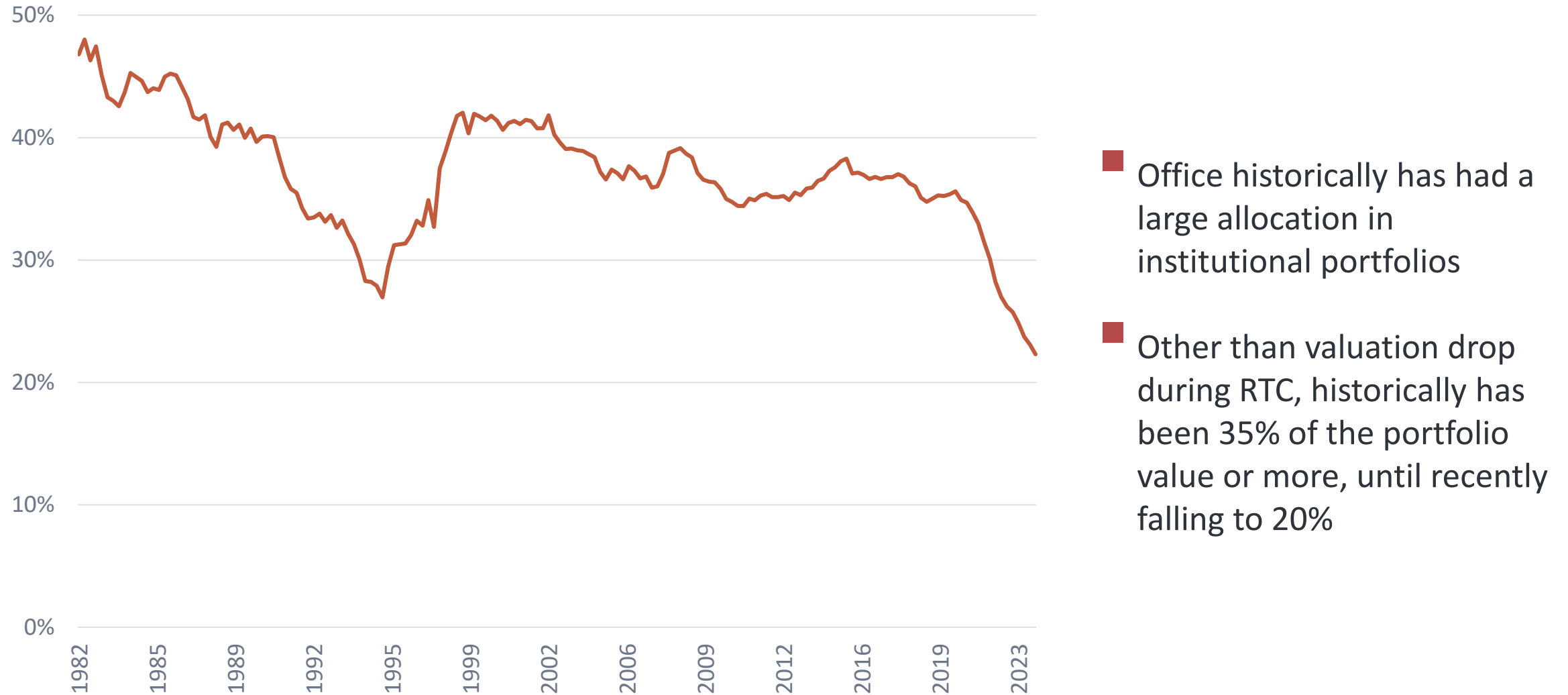


PARTNERS ADVISORS INVESTORS STEWARDS

- Deterioration in underlying office market fundamentals
- New, Class-A, highly amenitized buildings continue to capture the limited demand and command strong rents across markets
- Obsolescence - As with malls over the past five to ten years, office is not overbuilt but under demolished
- Appraisals remain significantly inflated relative to spot pricing, with ODCE office portfolios valued at <6% cap rate in Q4 2023
- Implied value resets of up to 40% combined with very little liquidity make Class-B and C office biggest risk
- Near term opportunity exists to recapitalize or acquire Class A office assets in poor capital structures

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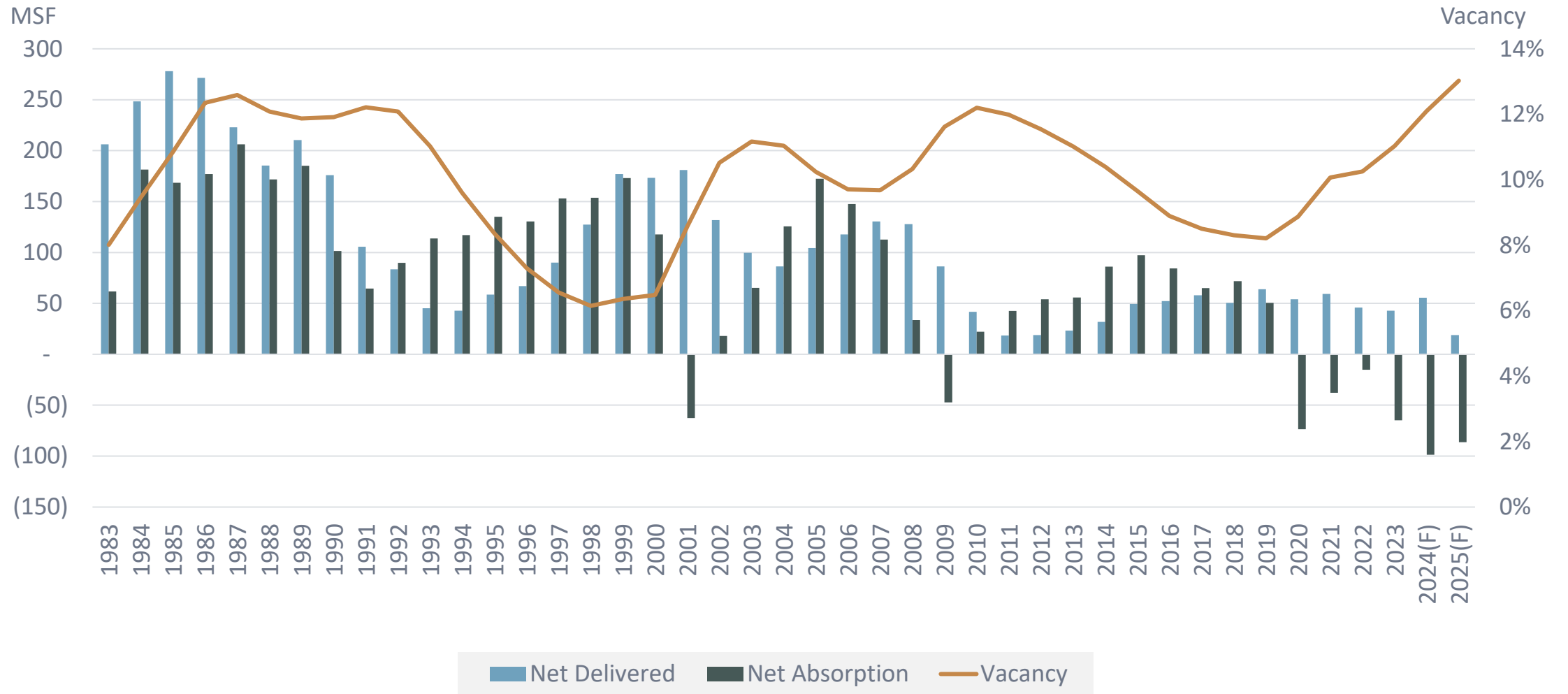
# DECLINE IN U.S. OFFICE MARKET VALUE AS % OF NPI



Source: NCREIF, Affinius Capital Research

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# DEMAND DRIVEN DECLINE IN U.S. OFFICE FUNDAMENTALS



Source: CoStar, Affinius Capital Research

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# FACTORS IMPACTING NEAR TERM OFFICE FUNDAMENTALS DECLINE



## DEMOGRAPHICS

- 10,000 retirement age each year
- Generation X is smaller age cohort
- Working age population growth rate falling by half

## OBSOLESCENCE

- Location
  - Disconnected suburban campuses
  - Sterile CBD environments
- Physical Product
  - Lack of Amenities
  - Poor energy and design efficiency

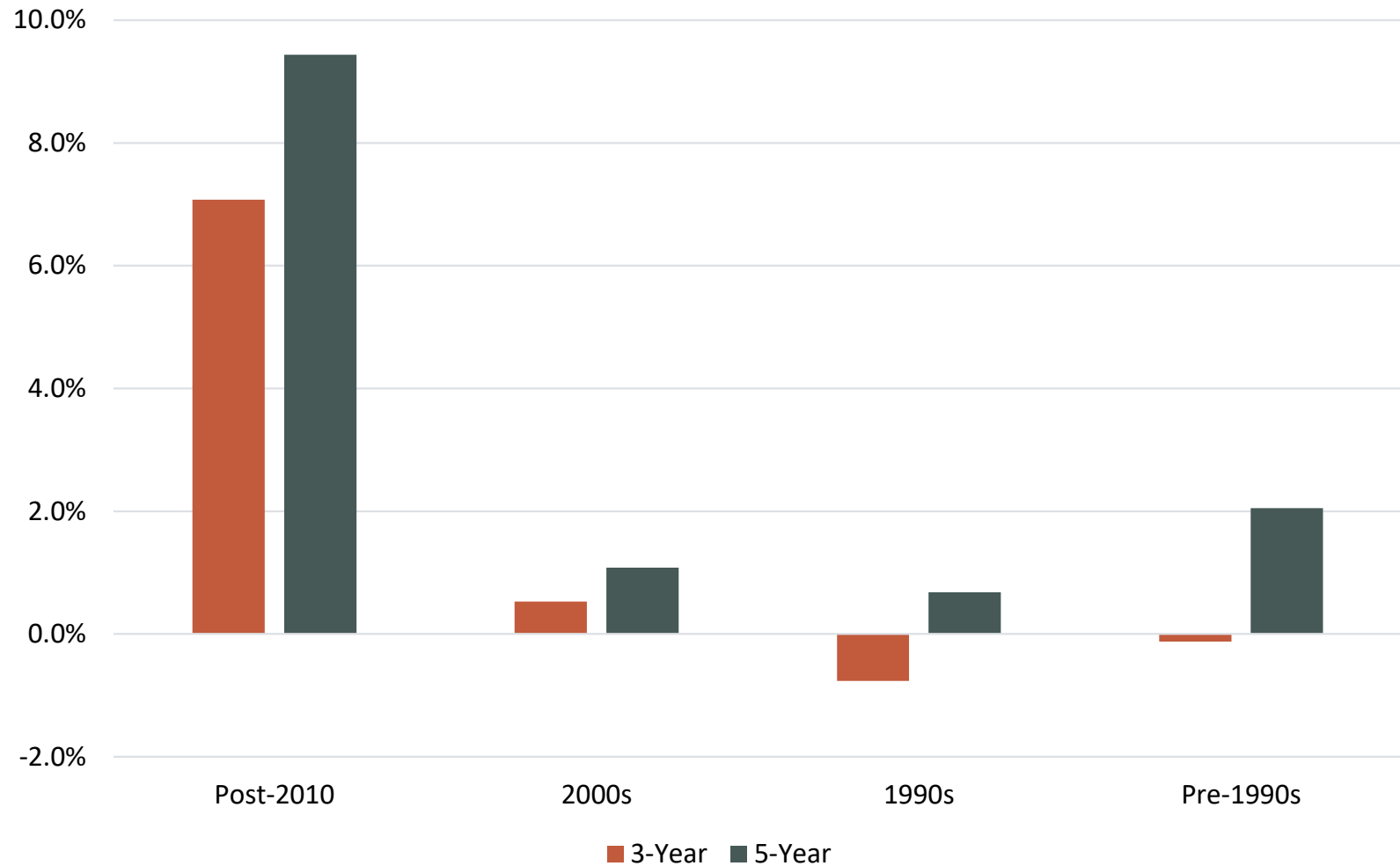
## TECHNOLOGY

- Reduction in square feet per employee
- Elimination of Libraries
- Reduced File storage
- Shared space solutions
- Cloud Storage versus onsite servers

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# OUTPERFORMANCE OF NEW VINTAGE PRODUCT



- Newer assets continue to see substantial rent growth the past 3 & 5 years
- Product built before 2010 has experienced minimal or negative rent growth

Source: NCREIF, Affinius Capital Research

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# OFFICE SECTOR SUMMARY

- Near-term fundamental headwinds to persist
- Strong long-term demographic drivers coupled with limited supply of modern product
- Distressed pricing environment presents opportunity
  - Discounts to replacement cost at levels not seen since early 1990s
  - Appraisal disconnect in Open End Funds closing
  - Attractive direct investing opportunities at protected positions in Capital stack
  - Importance of location and product selection
  - Long-term investment horizon required





## OVERALL RESIDENTIAL THEMES

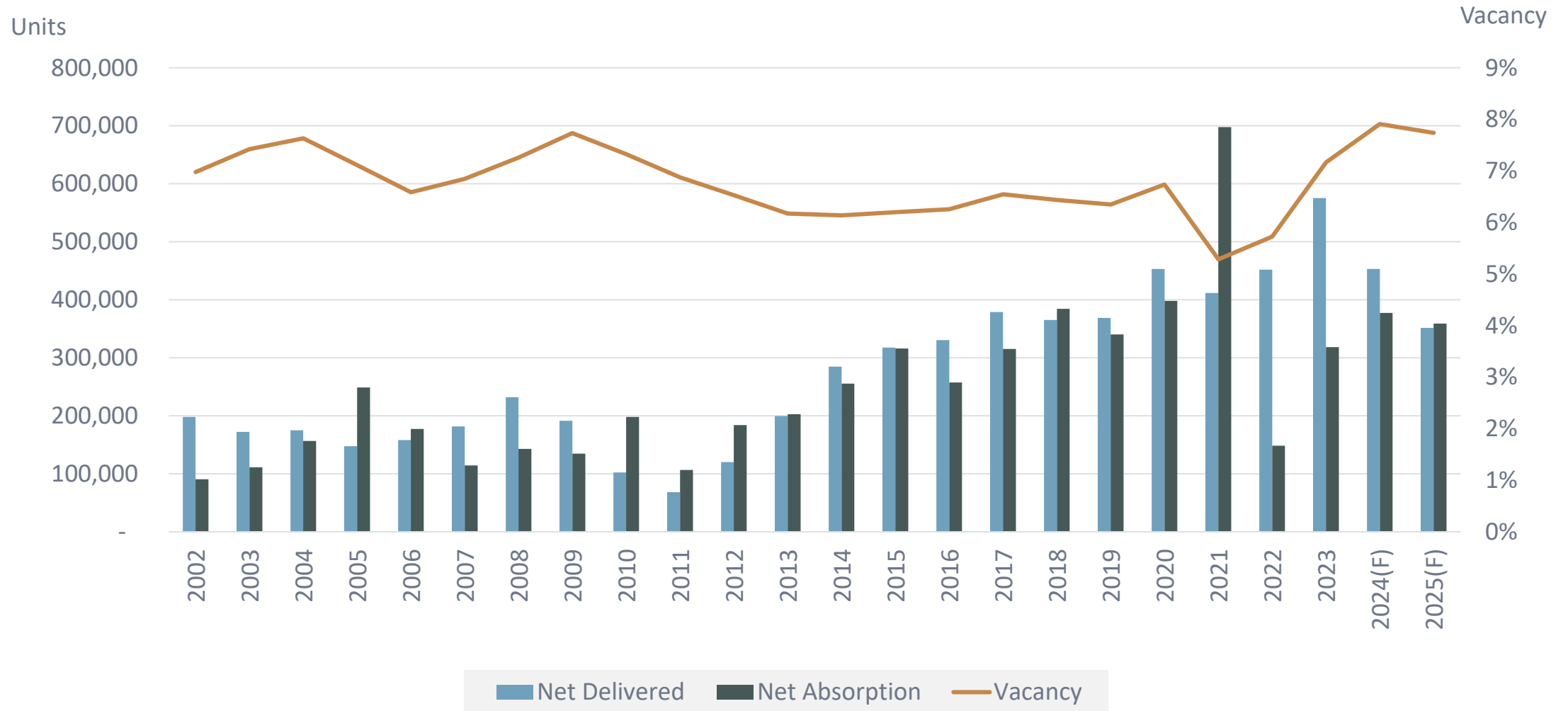


PARTNERS ADVISORS INVESTORS STEWARDS

- Demographic tailwinds with millennial and generation Z cohorts
- Growing importance in institutional portfolios – currently at 28% of NPI up from 5% 30 years ago
- Near-term softening in fundamentals in certain markets
- Shortage in total housing supply with 5-million-unit shortfall in development over past decade
- Continued growth in household formation – 9 million over next decade
- Deepening affordability crisis
- Appraisal lag in open end fund valuations closing
- Capital markets driven pricing dislocation presents opportunity



# U.S. MULTIFAMILY FUNDAMENTALS

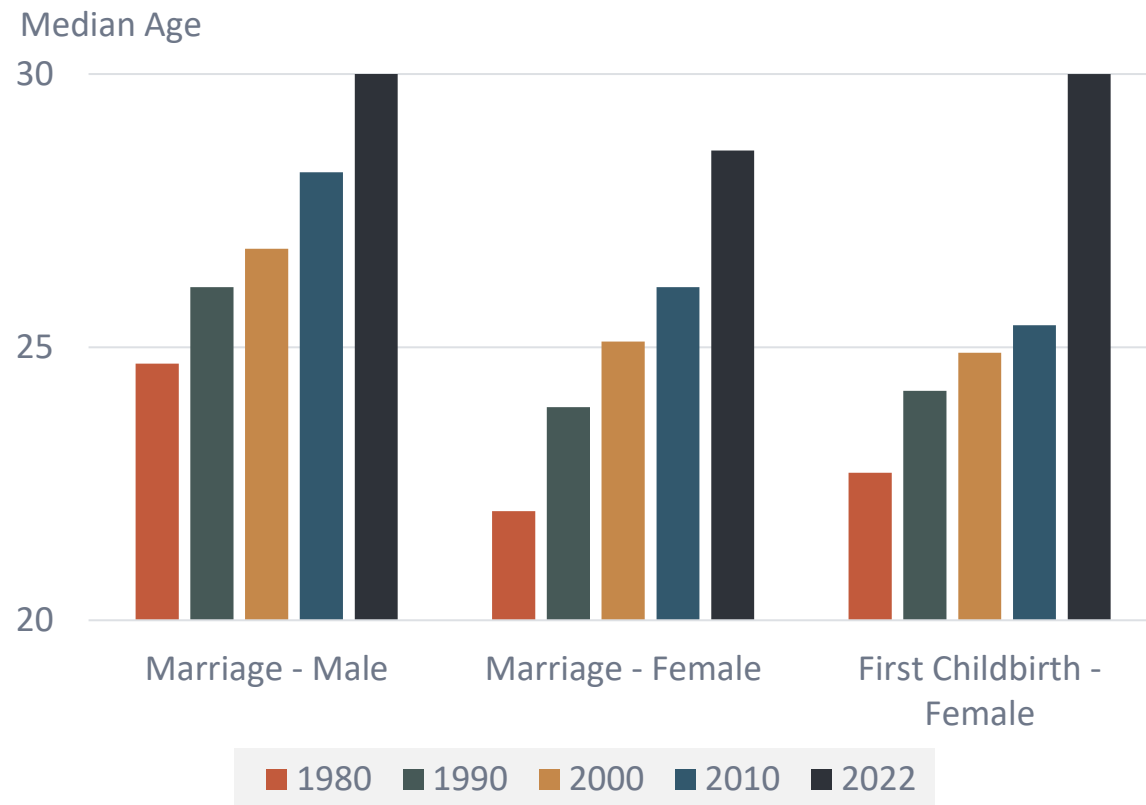


Source: CoStar

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# MILLENNIALS RENTING LONGER THAN PRIOR GENERATIONS

## DELAYING MAJOR LIFE EVENTS

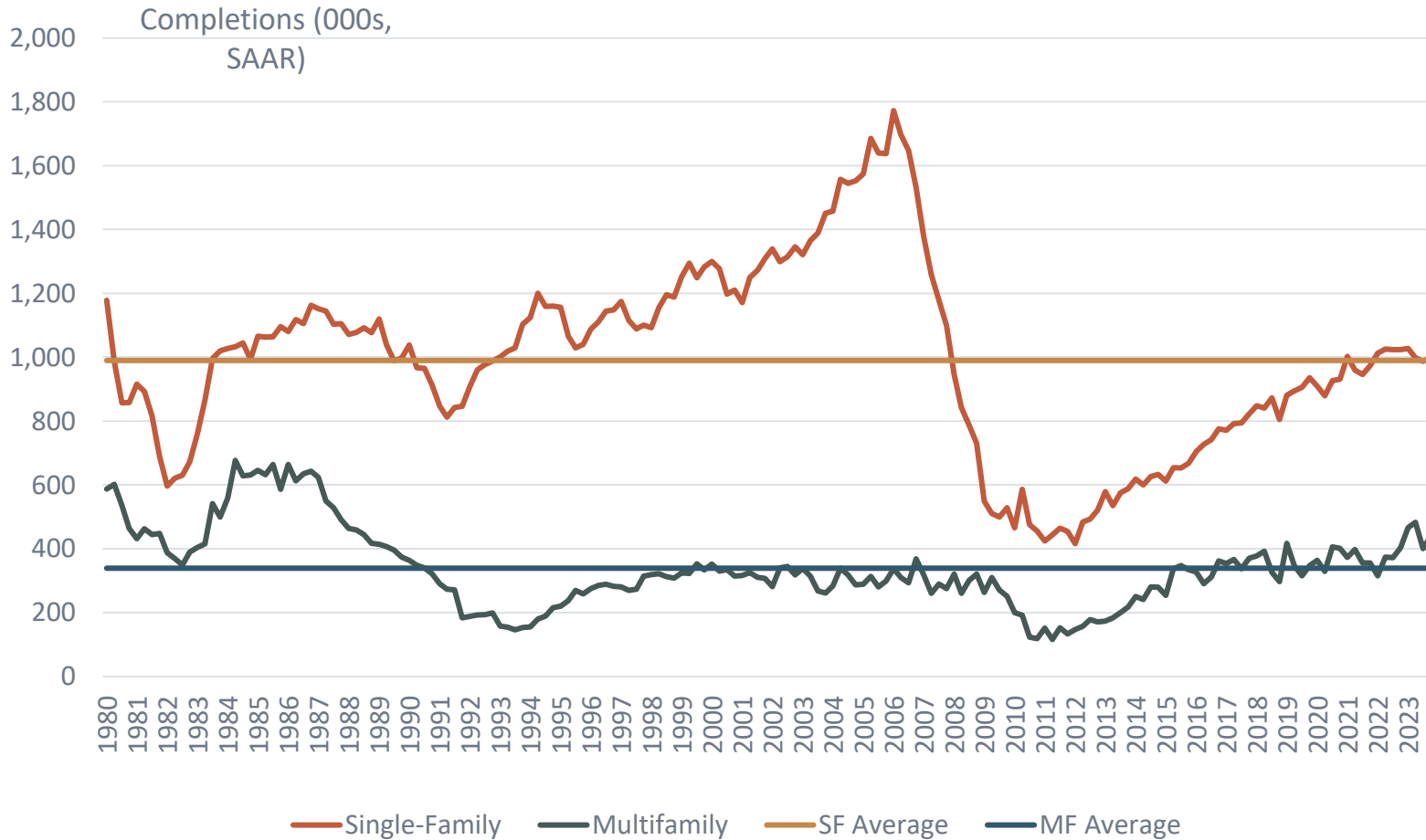


- Traditional family formation postponed
- Millennials facing severe financial challenges
- Millennial cohort burdened with unprecedented Student Loan debt
- Single-Family housing affordability at 40-year lows

Source: US Census Bureau as of 2022

# INADEQUATE U.S. HOUSING SUPPLY

Both single family and multifamily deliveries have fallen short of their historical trends over the last decade, resulting in a severe housing shortage.



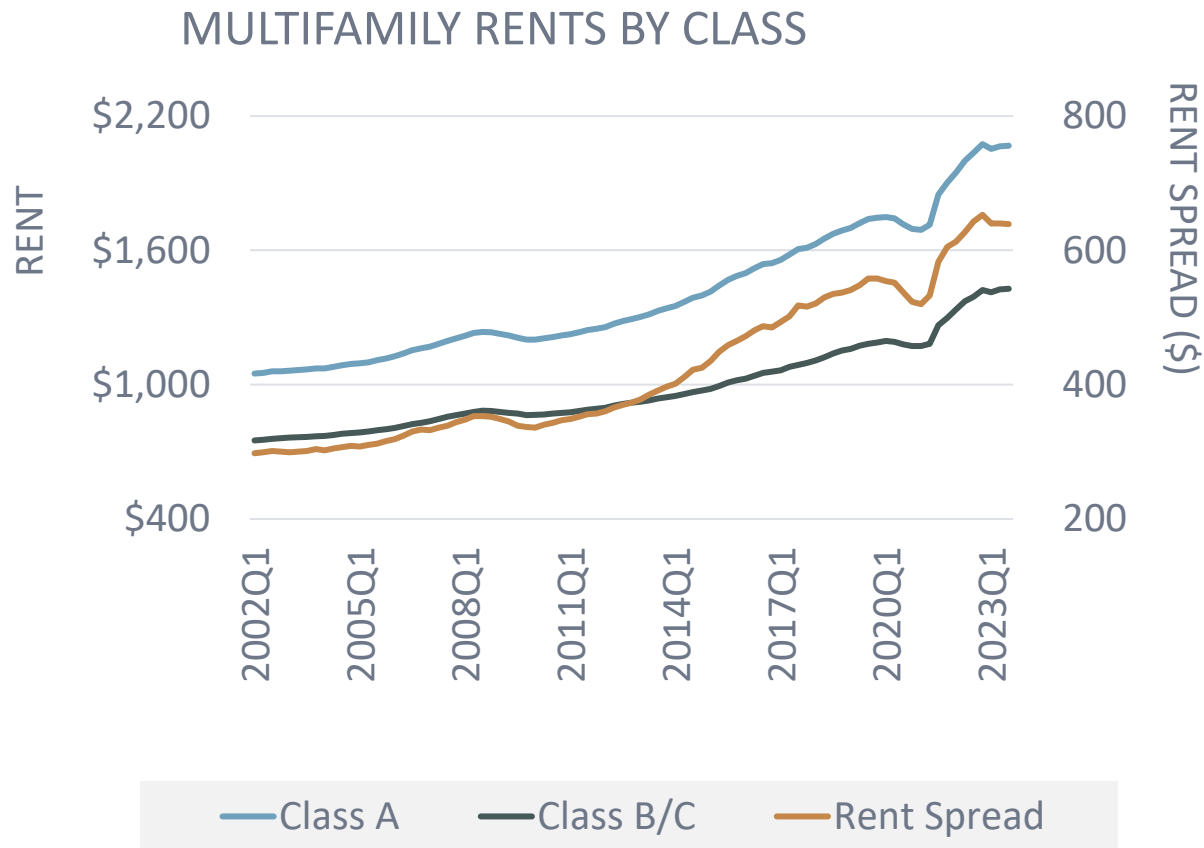
From 1980-2008 the U.S. averaged just over 1M single family completions per year, and since 2009, it has averaged only 734K units – a shortage of 4.0 million units over the past 14 years.

Multifamily recovered to its historical average of 335K units per year in 2015 and has increased recently. Still, the sector has been underdeveloped by nearly 600K units over the last 14 years when compared to the long run average.

Source: Moody's Analytics, Q4 2023

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# HOUSING AFFORDABILITY IS A DEFINING ISSUE FOR THE CRE INDUSTRY



- One 3<sup>rd</sup> of Households are Cost Burdened – spending more than 30% of Household income for housing<sup>1</sup>
- Millennials also burdened with unprecedented student debt – up 360% since 2006
- Spread in rents between class A and class B/C remains elevated

Source: REIS, Q3 2023

1. Joint Center for Housing Studies of Harvard University, 2023

# MULTIFAMILY SECTOR SUMMARY

- Demographic factors ensure sustained long-term demand
- Near-term supply/demand imbalance in certain markets
- Open-End Fund Appraisal challenges
- Capital market dislocation presents attractive direct Investment opportunities





# Overall Industrial Themes

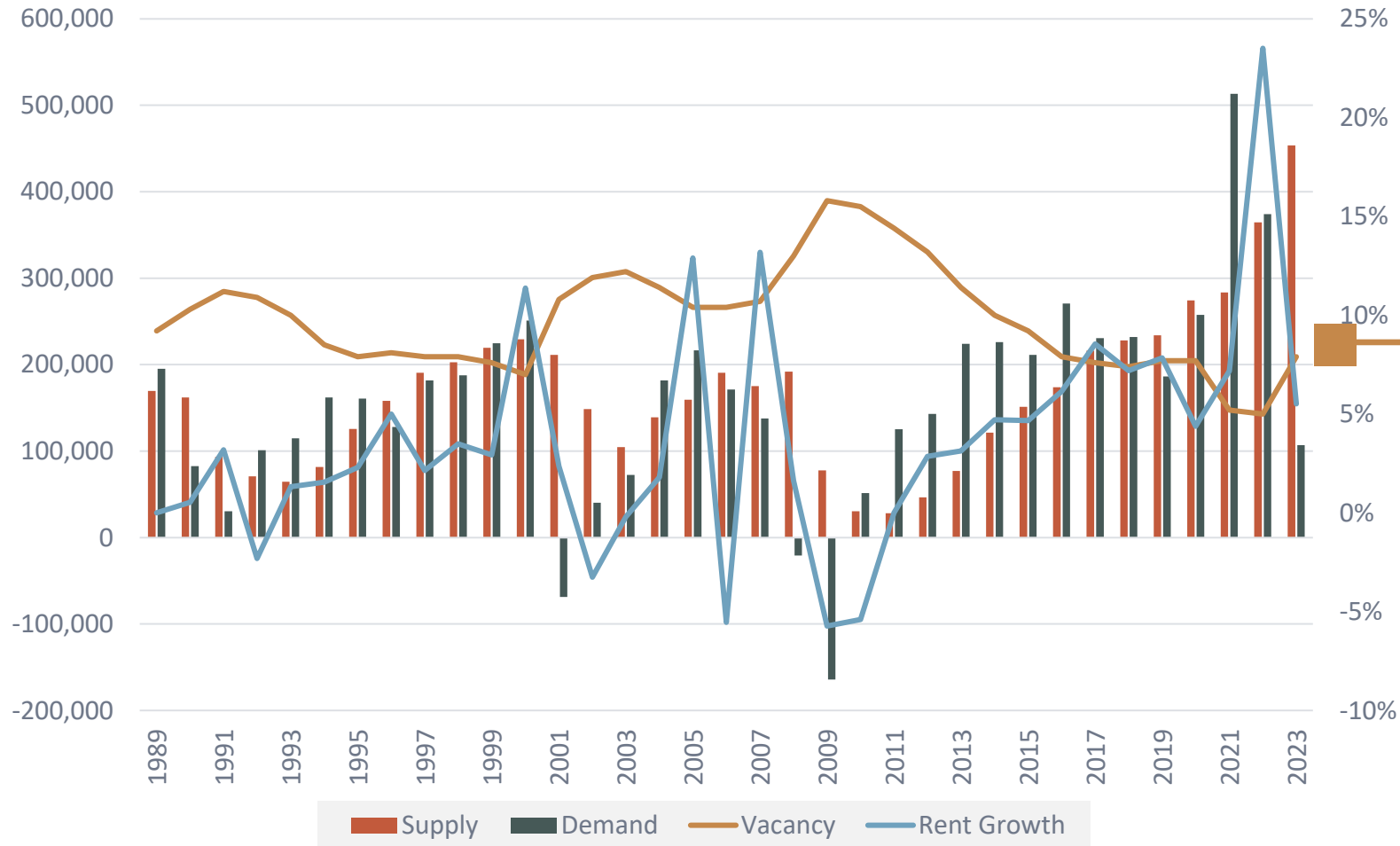


PARTNERS ADVISORS INVESTORS STEWARDS

- Strength of growth in long term demand
- Increased component of institutional portfolios (34% of ODCE up from 13% in 2015)
- Evolution of e-commerce
- Opportunities for modern product in traditional industrial clusters
- Valuation disconnect – pull back from 2021 historical peaks
- Declines in replacement cost
- Potential investment opportunities H2 2024 to 2025

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# VACANCY RATE RISING BUT STILL NEAR RECORD LOWS



**260MSF**

UNDER CONSTRUCTION  
AND UN-LEASED IN THE  
U.S.

**7.2%**

VACANCY

If none of this was  
absorbed, vacancy rate  
would still be below 20-  
year average.<sup>1</sup>

Source: CoStar

1. This includes all industrial and logistics of all classes.

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# THE STRENGTH OF E-COMMERCE

Sales = \$1.67T

\$1B = 1.25MSF

E-COMMERCE SALES

SPACE NEEDED

# E-COMMERCE GROWTH REQUIRES SUBSTANTIAL DEVELOPMENT<sup>1</sup>

■ **2x+** GROWTH FOR E-COMMERCE SALES FROM 2020-2027 (~15 -> 21% OF TOTAL RETAIL SALES)

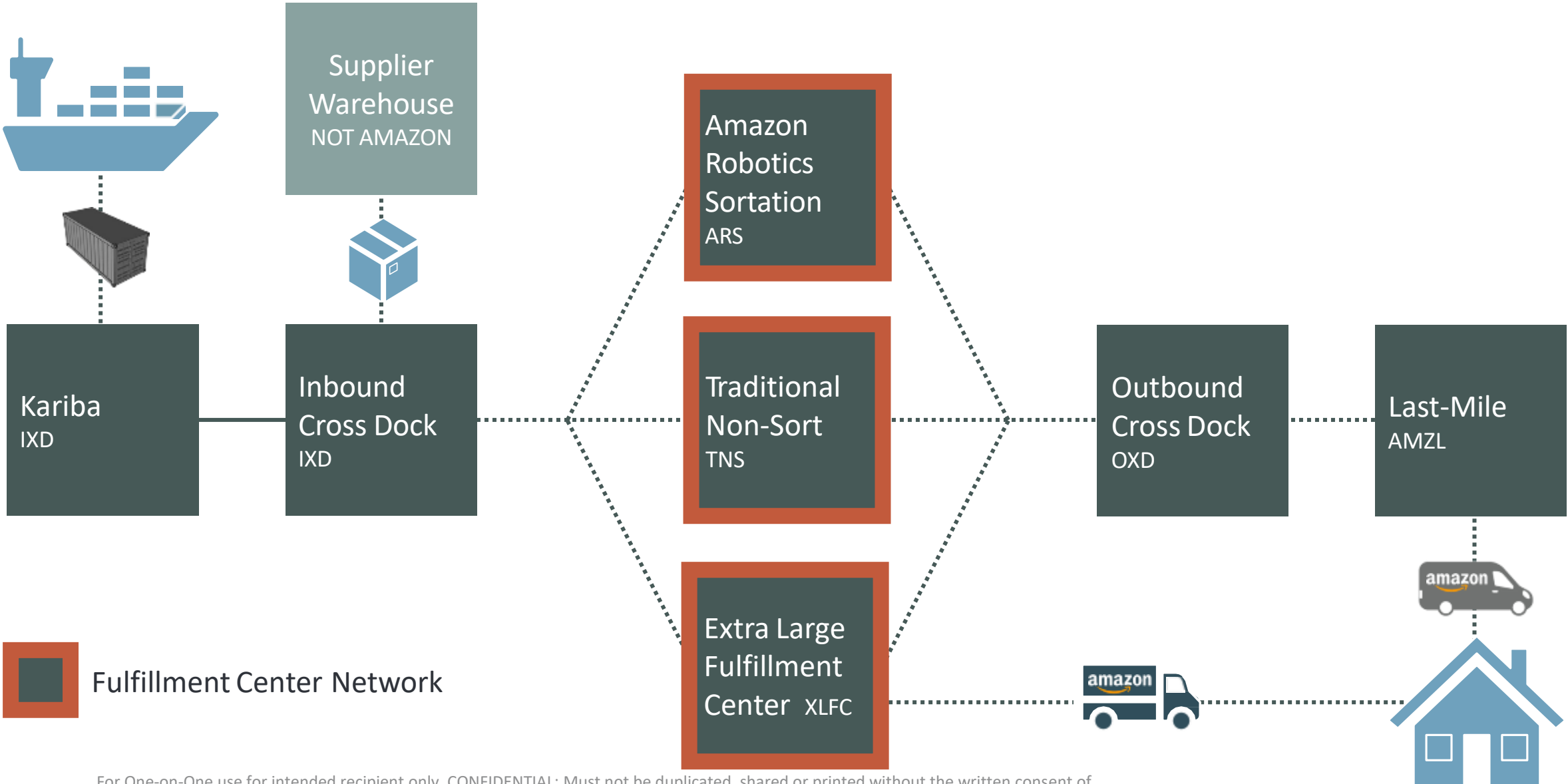
■ **1.1BSF** ADDITIONAL DEMAND FOR INDUSTRIAL SPACE



1. Last updated September 2023  
 2. Source: CoStar, e-Marketer: <https://www.insiderintelligence.com/content/us-retail-ecommerce-sales-growth-2027>

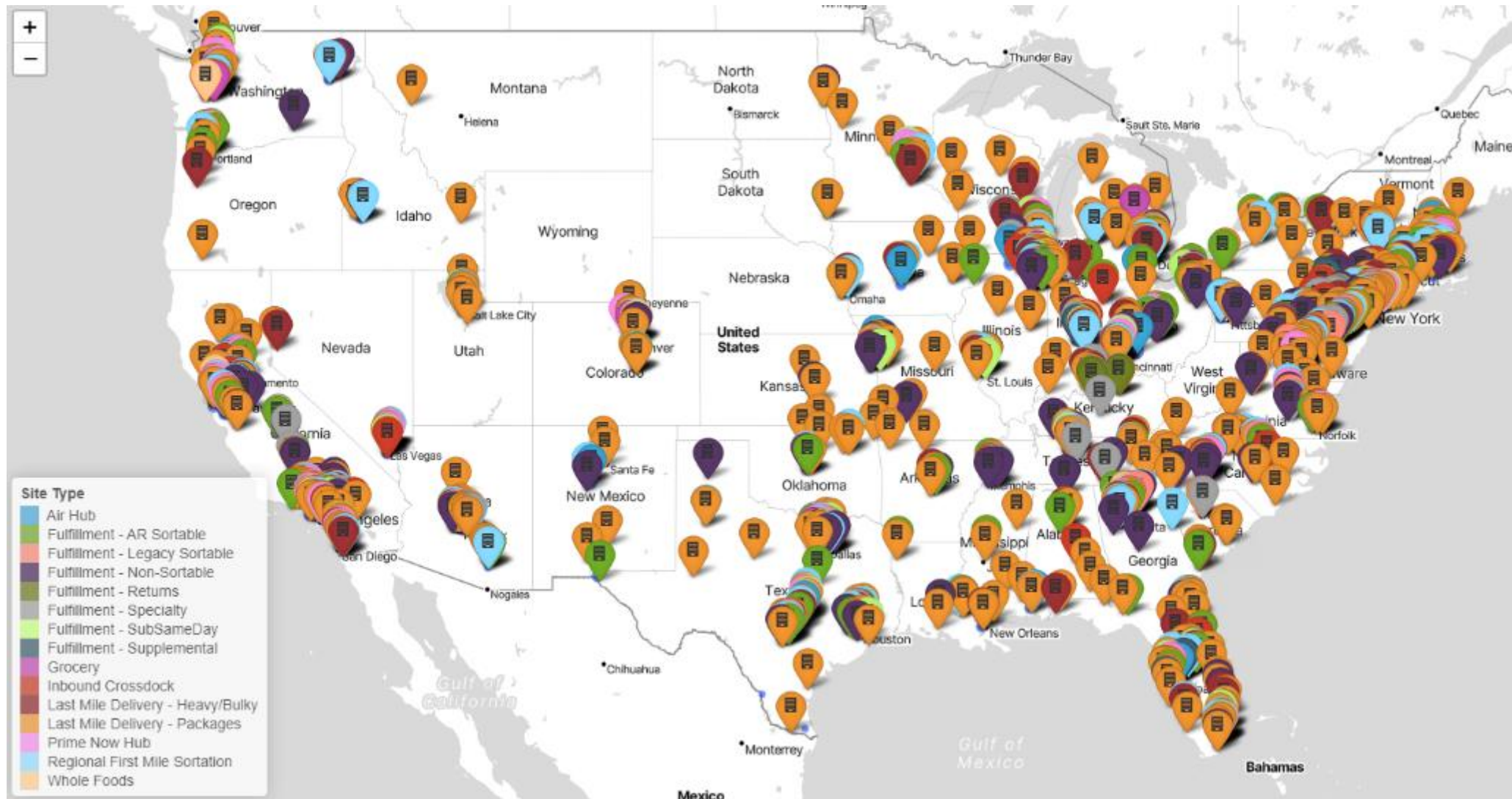


# AMAZON SUPPLY CHAIN



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# AMAZON U.S. DISTRIBUTION NETWORK

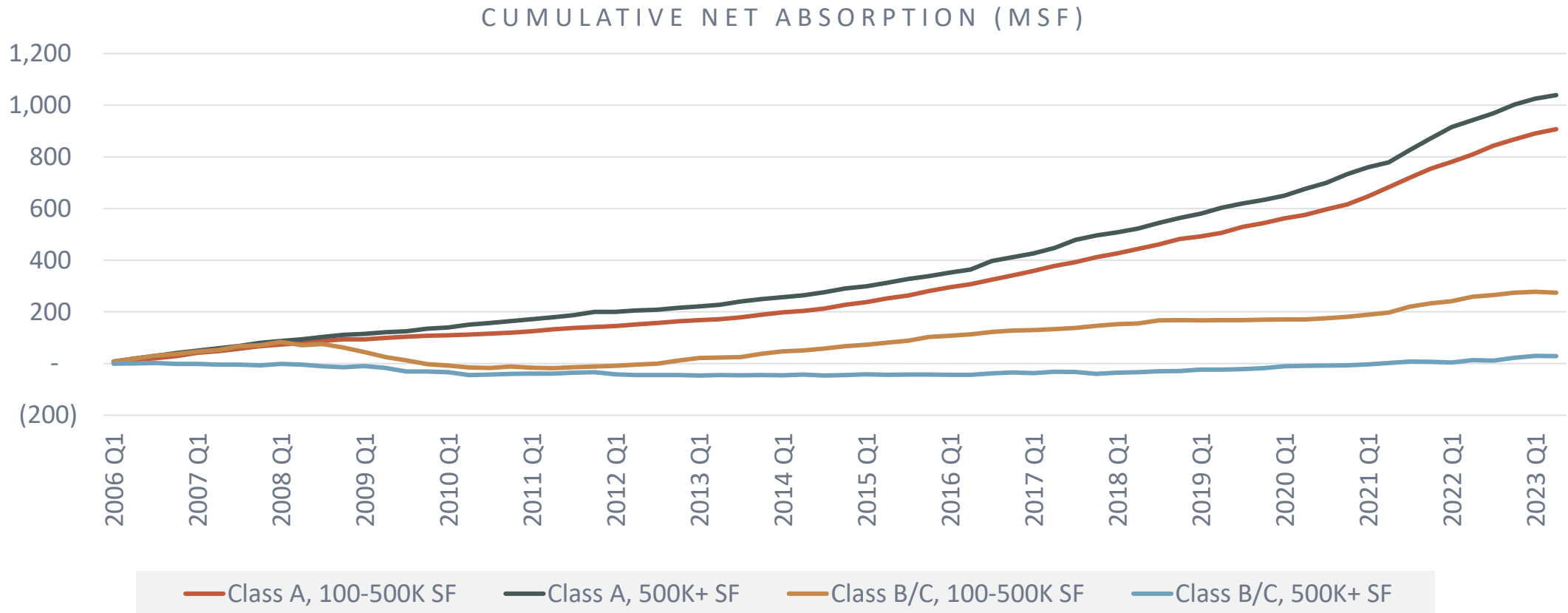


Source: MWPVL, Affinius Capital Research

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# MODERN PRODUCT CAPTURING MOST NET ABSORPTION



Source: CoStar, Affinius Capital Research

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# INDUSTRIAL SECTOR SUMMARY

- Strong Fundamentals
- Low Volatility despite prior cycle anomaly
- On going valuation reset from prior cycle historic highs
- Significant appraisal lag in Open End Fund environment
- Potential Opportunity H2 2024 and into 2025
- Risks and Opportunities
  - Near Shoring
  - Panama Canal





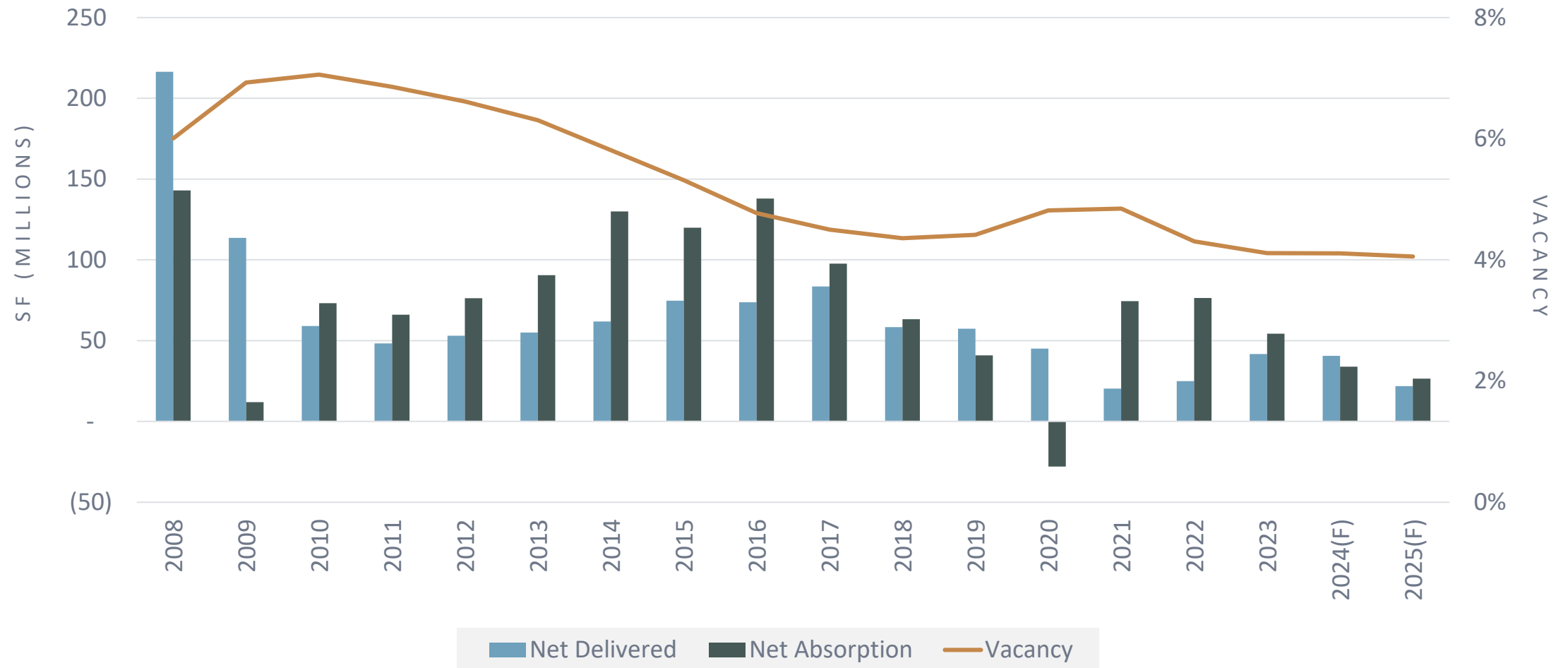
## OVERALL RETAIL THEMES



PARTNERS ADVISORS INVESTORS STEWARDS

- Extended period of strength led to significant oversupply in prior cycles
- Growth in e-commerce coupled with oversupply led to deterioration in fundamentals
- ODCE allocations to sector fall by half
- Correction in Retail Sector begins Post GFC
  - Demand outstrips supply during last 15 years
  - Substantial Demolishing and repurposing of obsolete inventory
  - Capital Constraint limits new development
  - Supply further delayed by Covid
  - Importance of omni-channel delivery drives growth in tenant demand
- Pricing dislocation persists providing near term opportunities

# U.S. RETAIL FUNDAMENTALS STRONGER THAN ADVERTISED

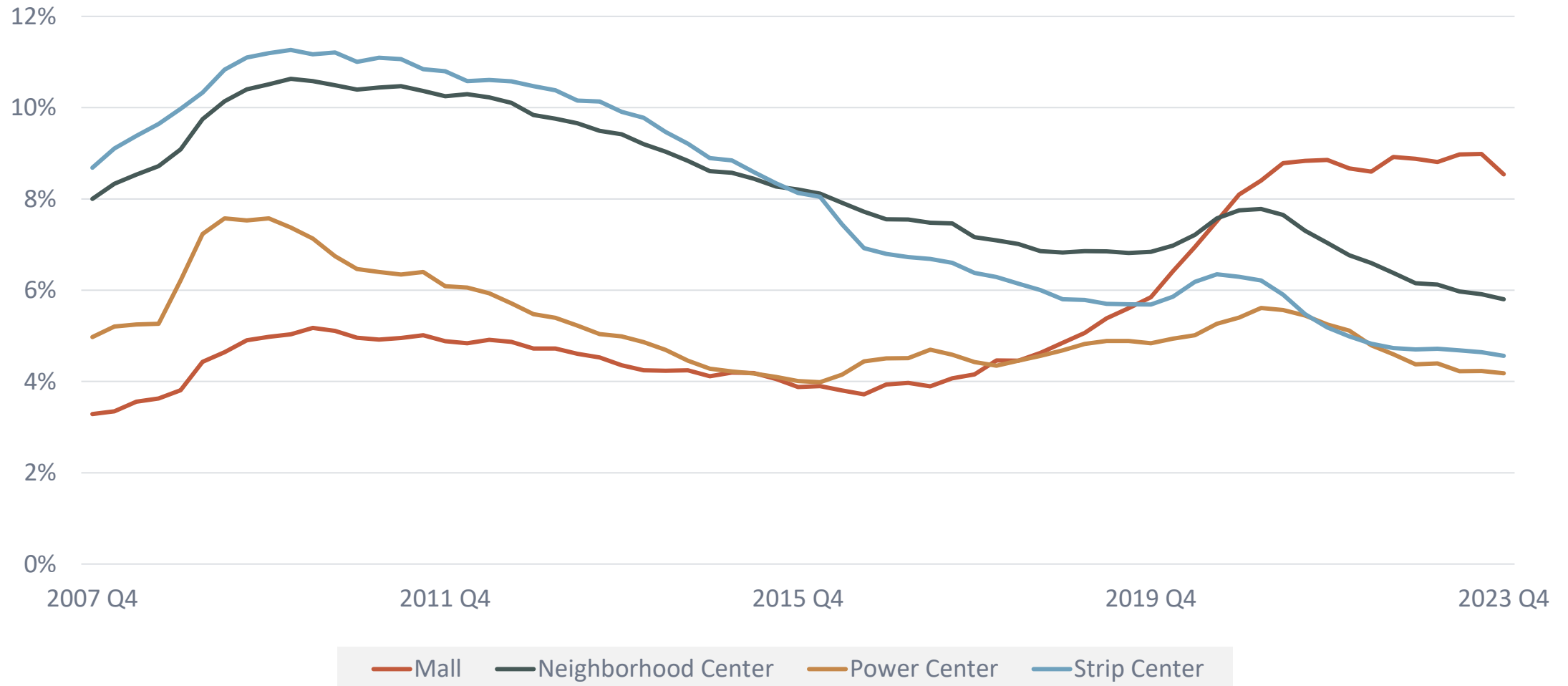


Source: CoStar

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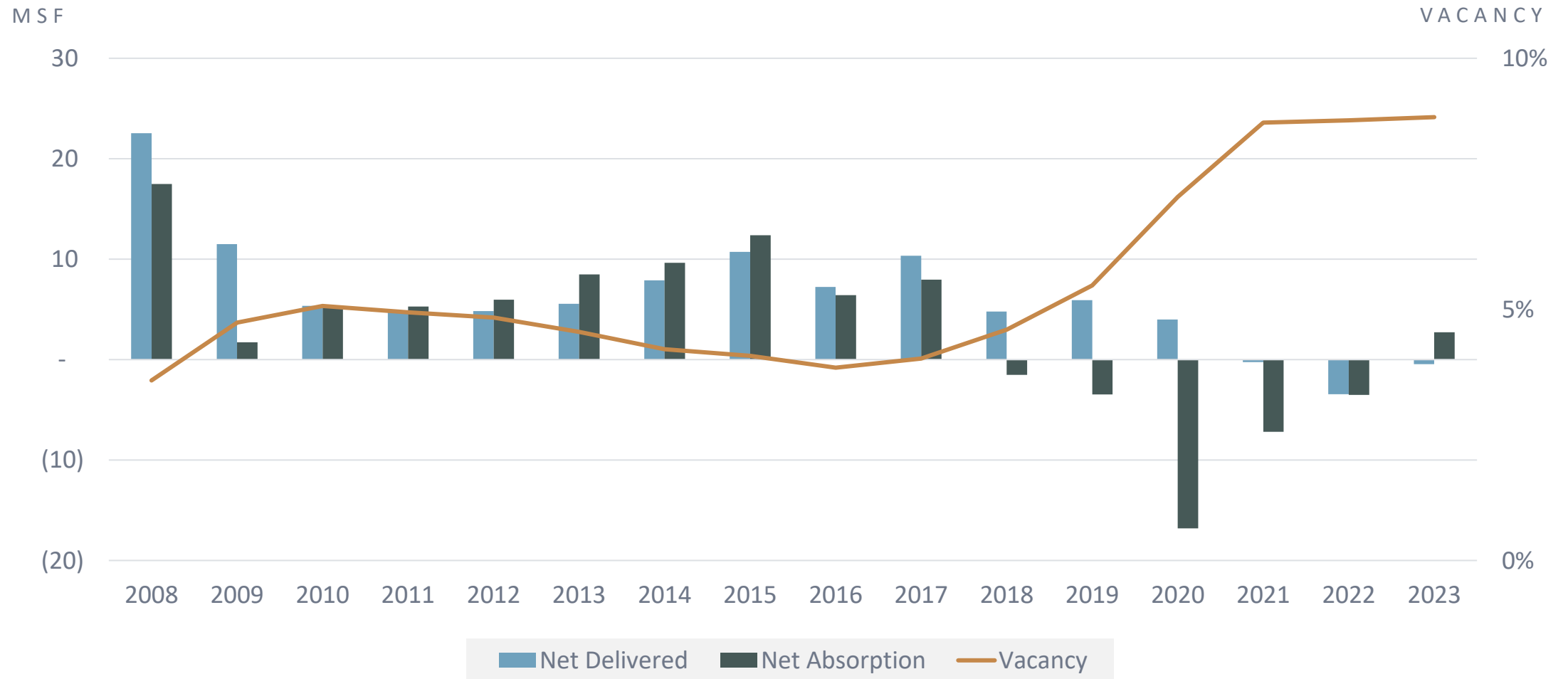
# IMPROVING FUNDAMENTAL ACROSS MOST FORMATS



Source: CoStar, Affinius Capital Research

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# MALL REDEVELOPMENT OPPORTUNITIES



Source: CoStar, Affinius Capital Research

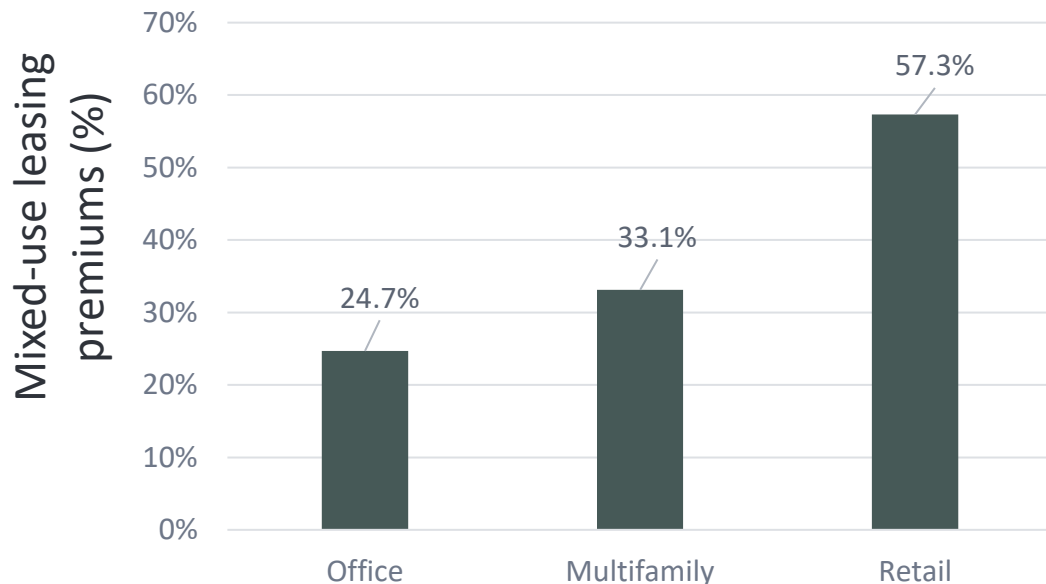
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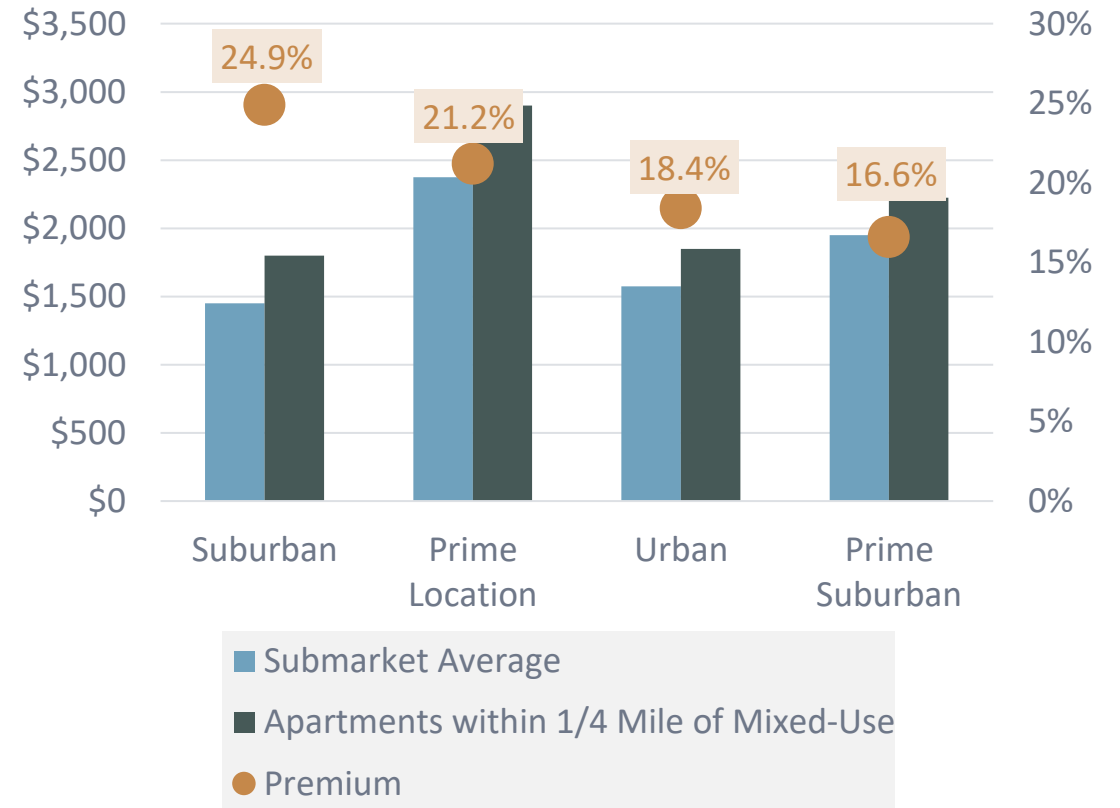


# OUTPERFORMANCE IN MIXED-USE ENVIRONMENTS

COMMERCIAL & RESIDENTIAL SPACES SEE SIGNIFICANT LEASING PREMIUM OVER THE CLASS-A MARKET



SOURCE: JLL Research, Axiometrics, CoStar  
2022 Jones Lang LaSalle IP



SOURCE: CoStar Advisory Services, Second Quarter 2022  
Note: Analysis limited to top 54 U.S. markets.

# DATA CENTER SECTOR

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## WHY DATA CENTERS

### ADOPTION EXPANDING

Exponential growth trajectory of cloud services by hyperscale users requires additional capacity, compounded by the acceleration of AI.

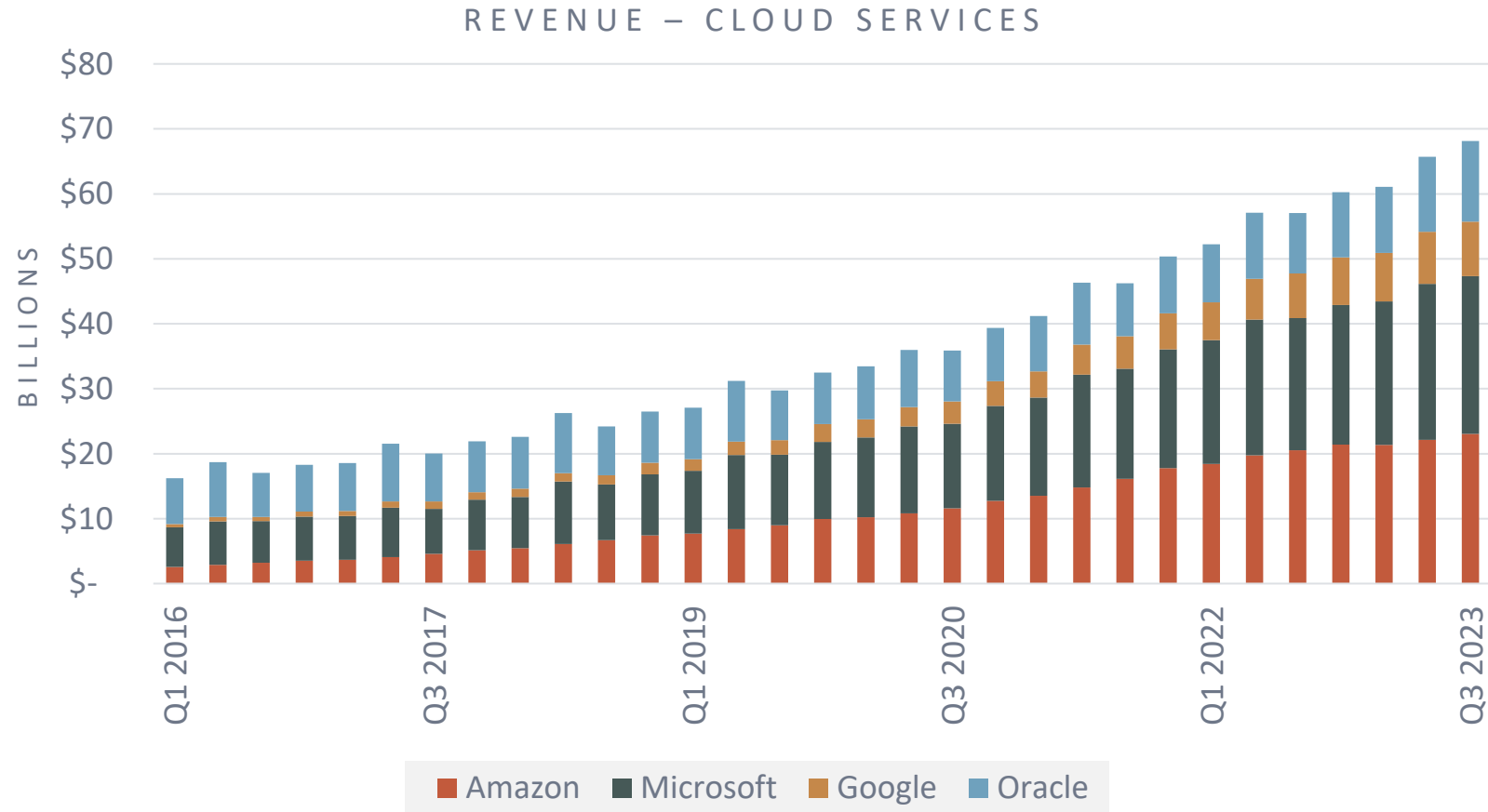
### SURGING DEMAND

Shortage of available power/transmission and entitled sites to fulfill growth needs of hyperscale users

### HIGH-CREDIT QUALITY TENANCY

Top hyperscale companies with strong credit ratings signing long-term leases

# CLOUD REVENUE GROWING AT 22% CAGR, AI DEMAND COULD ACCELERATE FURTHER



22%

CAGR CLOUD REVENUES SINCE Q1 2016<sup>1</sup>

68%

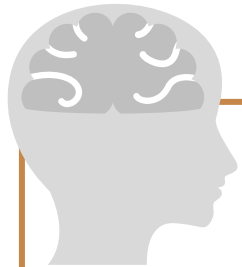
MARKET SHARE OF GLOBAL CLOUD INFRASTRUCTURE SPENDING<sup>2</sup>

1. CAGR represents Compound Annual Growth Rate calculated by Affinius Capital based on company financials (publicly available – 10K).

2. Technology Magazine, <https://technologymagazine.com/top10/top-10-biggest-cloud-providers-in-the-world-in-2023>

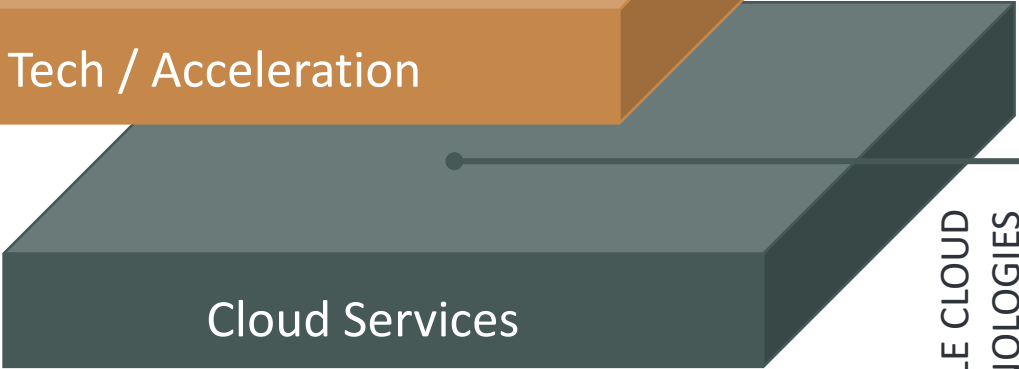
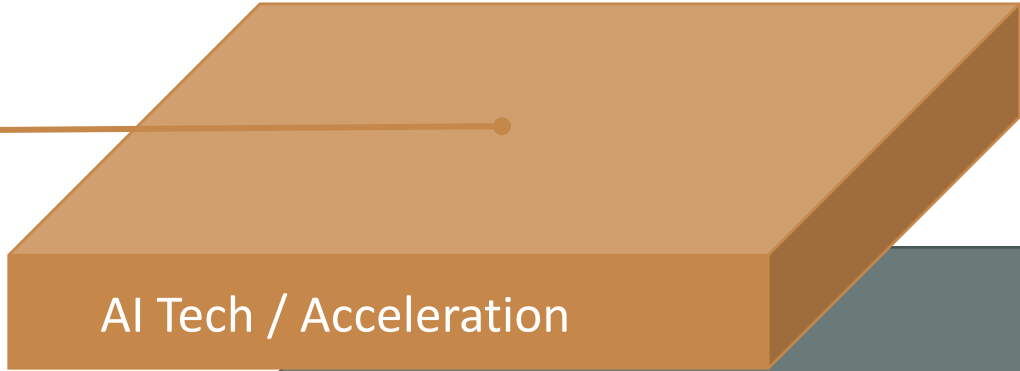
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# COMPOUNDING DEMAND LEADING TO INCREASED MARKET SIZE



**35-98 GW**  
EST. FUTURE DEMAND<sup>1</sup>

- Generative AI
- Automation
- Large Language Models
- Predictive Analytics
- Personalization
- Image & Video Analysis
- Decision Support Systems
- Process Improvement
- Customer Service
- Quality Control
- Research & Development
- Marketing & Advertising



- Cloud Computing Services
- File Hosting Services
- Content streaming
- E-commerce
- Backup/Recovery Solutions
- Chatbots
- Social Media

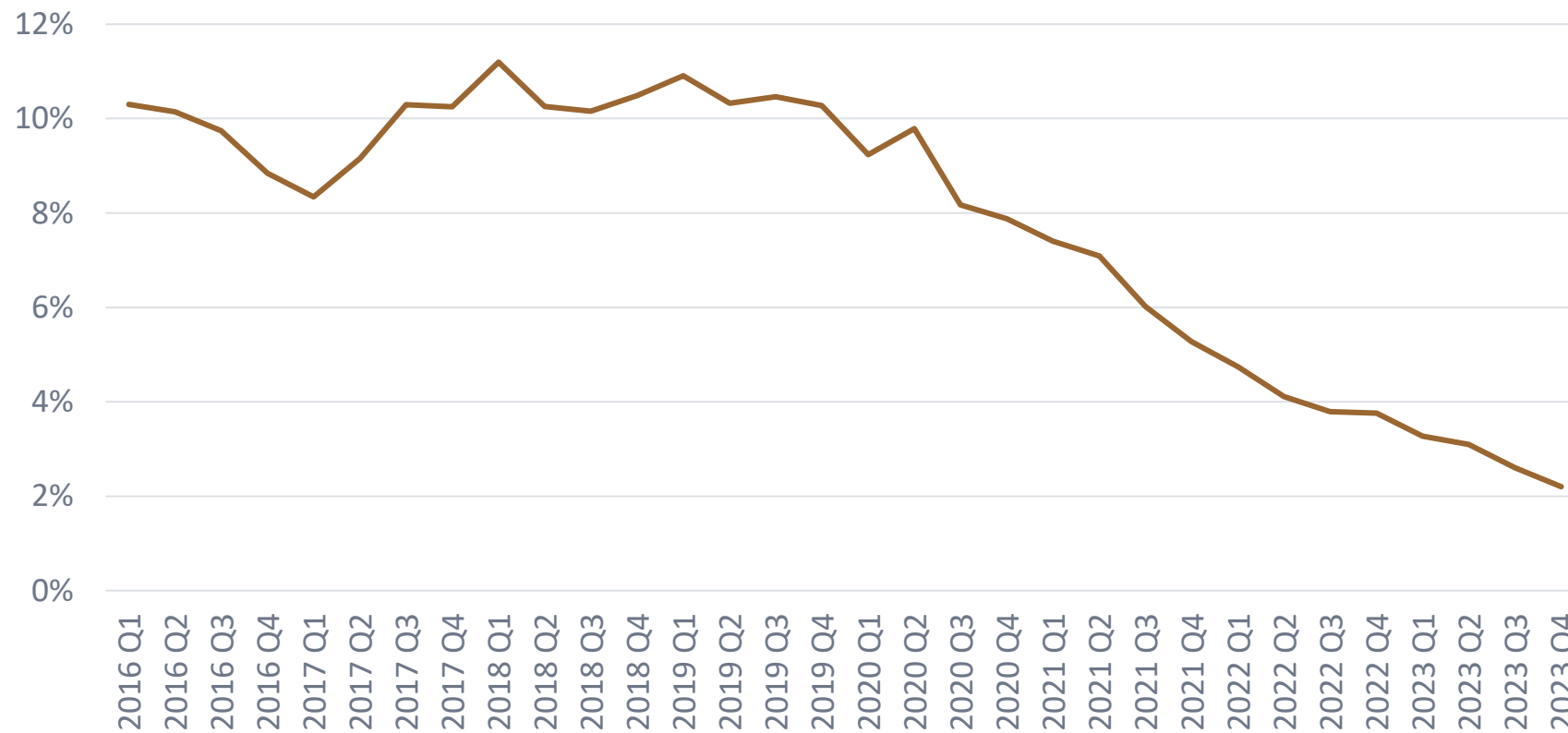
SAMPLE CLOUD TECHNOLOGIES

YOUTUBE	TWITTER
NETFLIX	FACEBOOK
GOOGLE	INSTAGRAM
AWS	DROPBOX
MS AZURE	SPOTIFY
APPLE ICLOUD	INSTAGRAM

1. Source: McKinsey & Company "Investing in the Rising Data Center Economy"  
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# VERY TIGHT VACANCY RATES AND PRE-LEASING ACTIVITY

U.S. National Data Center Vacancy



2.2%

NATIONAL VACANCY RATE  
LOWEST ON RECORD AFTER  
AVERAGING OVER 10%

FROM 2016-19

Source: datacenterHawk, <https://www.datacenterhawk.com/insight>

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EDMUND DONALDSON  
Executive Managing Director  
Portfolio Management  
[Edmund.Donaldson@affiniuscapital.com](mailto:Edmund.Donaldson@affiniuscapital.com)





# Guest Speaker: Private Credit

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**Patrick Adelsbach**

Co-Head, Advisory Americas  
Aksia



## Patrick Adelsbach ● Co-Head, Advisory Americas

Aksia



Patrick is Co-Head of Advisory, Americas and has over 26 years of financial markets experience including over 23 years in alternative investment management. He oversees Aksia's Americas Portfolio Advisory team alongside Michelle Davidson. Patrick focuses on portfolio governance, strategy allocation and portfolio construction in addition to supporting the ongoing management of alternative investment programs. While at Aksia, Patrick created and managed Aksia's private credit business and worked with the institutional investor community to help transition private credit as an institutional asset class. He previously ran event driven hedge fund research including strategies focused on liquid credit. Patrick is an instructor for ILPA's "Private Credit for the Limited Partner", a one day, deep-dive seminar offered to ILPA members.

Prior to joining Aksia, he was a Director and Head of the Event Driven and Fixed Income Emerging Markets sector team in the Alternative Capital Division at Credit Suisse and began his career in 1997 at Capital One Financial Corporation.

Patrick graduated cum laude from the Jerome Fisher Program in Management and Technology at the University of Pennsylvania, contemporaneously earning a BS in Economics from the Wharton School and a BAS in Systems Engineering from the School of Engineering and Applied Science.

In 2019, Patrick was recognized as a Knowledge Broker by Chief Investment Officer.

# Private Credit Market Overview

Virginia Retirement System

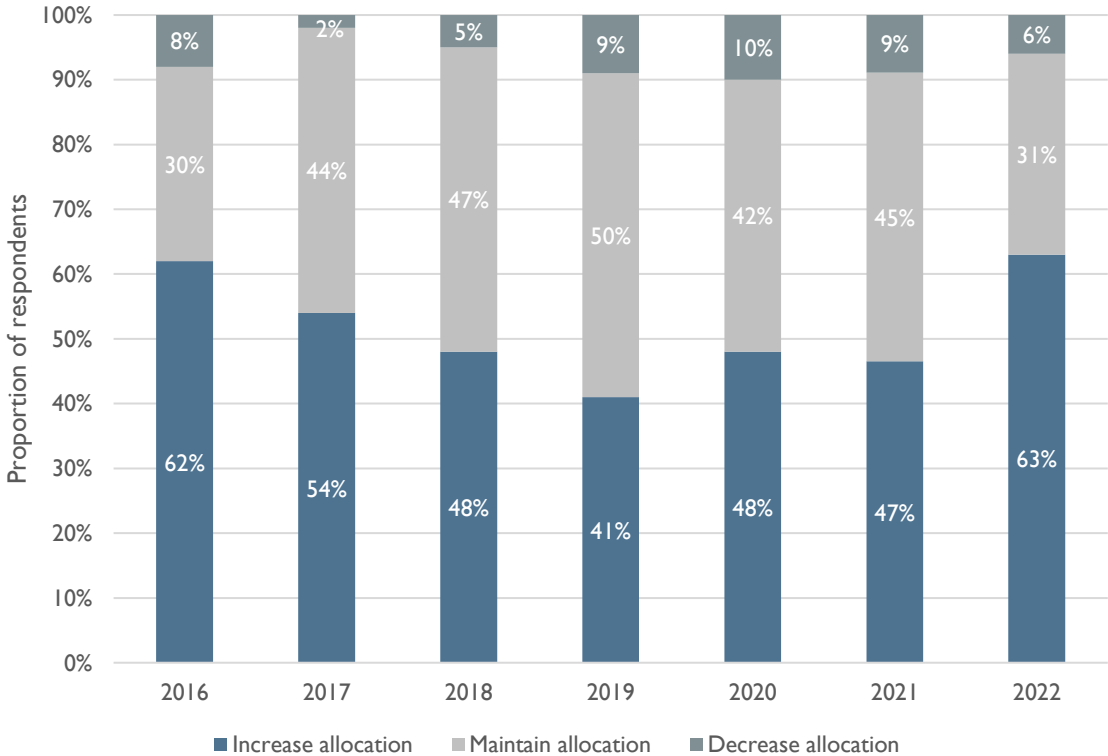
March 20, 2024





DIRECT LENDING	DISTRESSED DEBT & SPECIAL SITUATIONS	SPECIALTY FINANCE	REAL ESTATE CREDIT	REAL ASSETS CREDIT	MEZZANINE
<b>U.S. Direct Lending</b> Senior Opportunistic LMM (sponsored) LMM (non-sponsored) Private BDCs Industry Focused Revolvers	<b>Corporate Distressed</b> Stress / Distressed Trading Influence / Control Diversified Distressed	<b>Consumer &amp; SME Lending</b> Marketplace Finance Lender/Platform Finance	<b>U.S. CRE Core Lending</b>	<b>Infrastructure Lending</b> Senior Focus Sub-IG Focus Mezz Focus	<b>U.S. Mezzanine</b> Upper Middle Market Middle Market Lower Middle Market
<b>European Direct Lending</b> Senior Opportunistic LMM Country-Specific Funds	<b>Opportunistic Structured Credit</b> 3 <sup>rd</sup> Party CLO Equity Captive CLO Equity CLO Debt CLO Multi Consumer ABS CMBS/CRE Esoteric ABS European Structured Credit RMBS Structured Credit Multi-Sector	<b>Rediscount Lending</b>	<b>U.S. CRE Transitional Lending</b> Large Loan Middle Market Small Balance Opportunistic	<b>Energy Credit</b> Energy Lending Energy Mezzanine Lending Opportunistic	<b>European Mezzanine</b>
<b>Emerging Markets Lending</b> Asian African CEE/Middle East Latin American Pan-EM	<b>Real Estate Distressed</b>	<b>Factoring &amp; Receivables</b>	<b>U.S. CRE Bridge Lending</b> Large Loan Middle Market Small Balance	<b>Trade Finance</b>	<b>Structured Equity</b>
<b>Global Direct Lending</b>	<b>NPLs</b>	<b>Regulatory Capital Relief</b>	<b>European CRE Lending</b> Bridge Transitional Core	<b>Metals &amp; Mining Finance</b>	
	<b>Capital Solutions</b>	<b>Music/Film/Media Royalties</b>	<b>Emerging Markets CRE Lending</b>	<b>Agricultural Credit</b>	
	<b>PC Special Situations</b>	<b>Oil &amp; Gas Minerals Royalties</b>	<b>CRE Structured Credit</b> Agency CRE B-Piece Non-Agency CRE B-Piece	<b>Transportation</b> Aviation Lending Maritime Lending Road & Rail Lending Transportation Lending (Multi)	
	<b>PC Secondaries</b>	<b>Healthcare Lending &amp; Royalties</b> Healthcare Lending Healthcare Royalties	<b>Residential Mortgages</b> Residential NPLs Single Family Rental Mortgage Servicing Rights Residential Origination		
		<b>Venture Lending</b>			
		<b>Technology Lending</b>			
		<b>Financial Services Credit</b>			
		<b>Insurance Linked Credit</b> Diversified Life Insurance Non-Life			
		<b>Litigation Finance</b> Litigation Finance Merger Appraisal Rights			
		<b>PE Portfolio Finance</b>			
		<b>Stretch ABL</b>			
		<b>Diversified Specialty Finance</b>			





**68%**  
have dedicated PC allocations

Target allocations  
**3.9%-8.8%**  
of total portfolio

Source: Preqin Investor Survey, June 30, 2017 – 2023.

Source: Aksia Survey of ~141 institutional PC investors conducted between May 31, 2019 and December 31, 2020.

# Why has private credit gained popularity?

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Diversification



Risk Mitigation



Secure Return



## Stock – Bond Correlation (10Y rolling period)



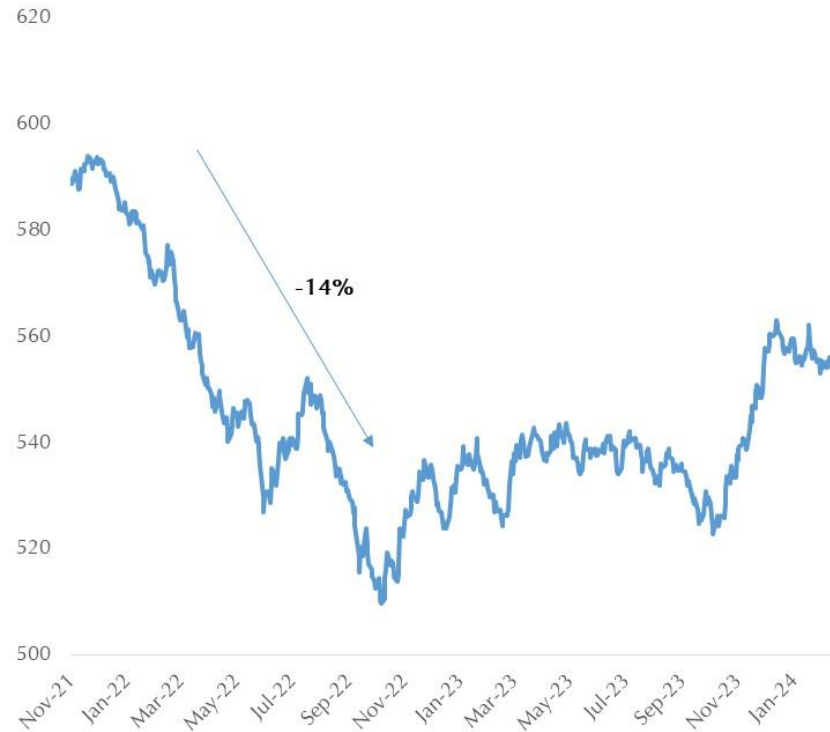
Source: Bloomberg, US Treasury: Long Index vs. S&P 500 Index, as of December 31, 2023.

## Private Credit Correlations

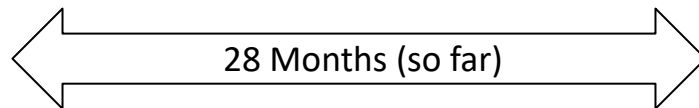
Correlation Matrix		Direct Lending	Distressed Debt & Special Situations	Mezzanine	Real Assets Credit	Real Estate Credit	Specialty Finance
		2013 Q4 through 2023 Q3					
Public Credit	Bloomberg HY Index	0.62	0.70	0.54	0.37	0.52	0.38
	Barclays Agg Bond Index	0.03	-0.06	-0.01	-0.36	0.01	0.11
	Morningstar Levered Loan Index	0.70	0.83	0.60	0.55	0.57	0.40
	MSCI ACWI Index	0.67	0.71	0.63	0.37	0.50	0.30

Source: Aksia, as of September 30, 2023. Past performance is not indicative of future results.

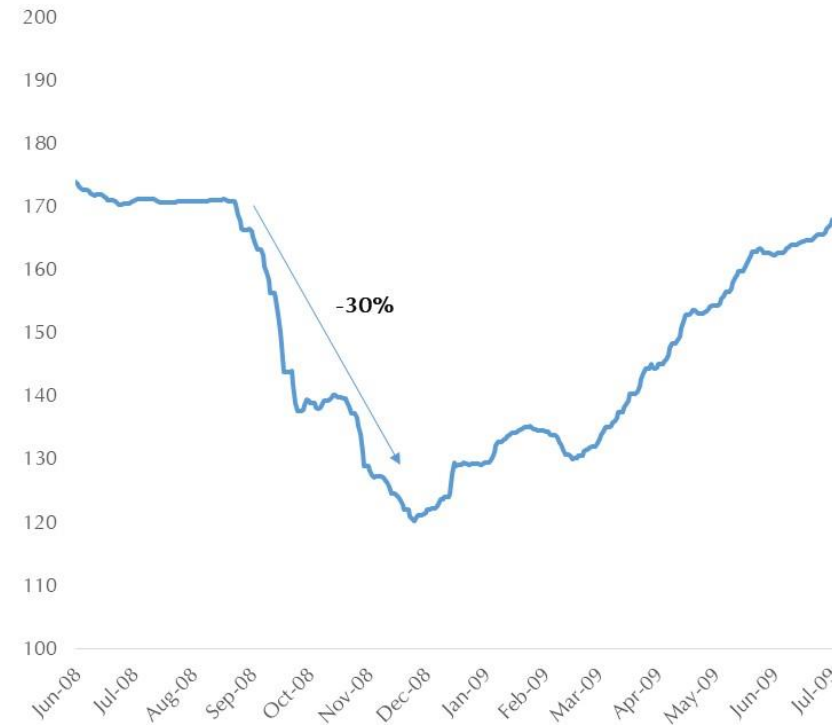
**Global Bonds Total Return**  
(20-year max drawdown)



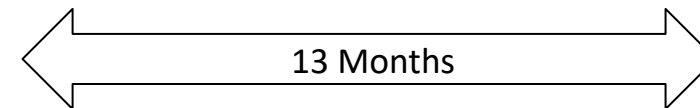
Source: Bloomberg. Bloomberg Global-Aggregate TR Index Value Hedged USD



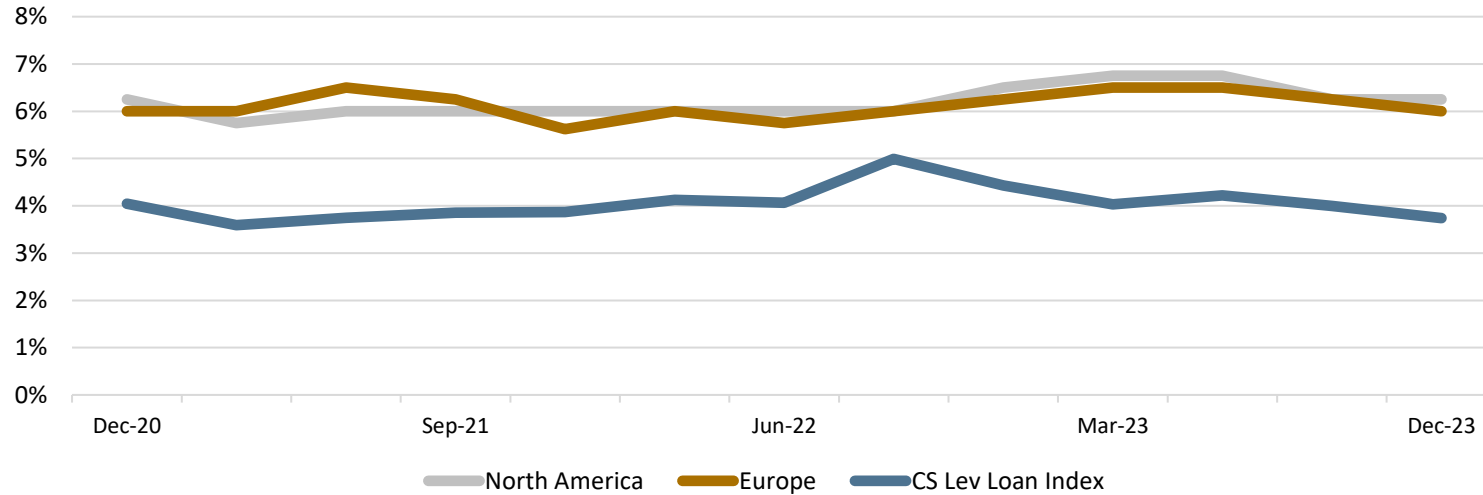
**Levered Loan Total Return**  
(20-year max drawdown)



Source: Bloomberg. Morningstar LSTA US Leveraged Loan TR USD Index

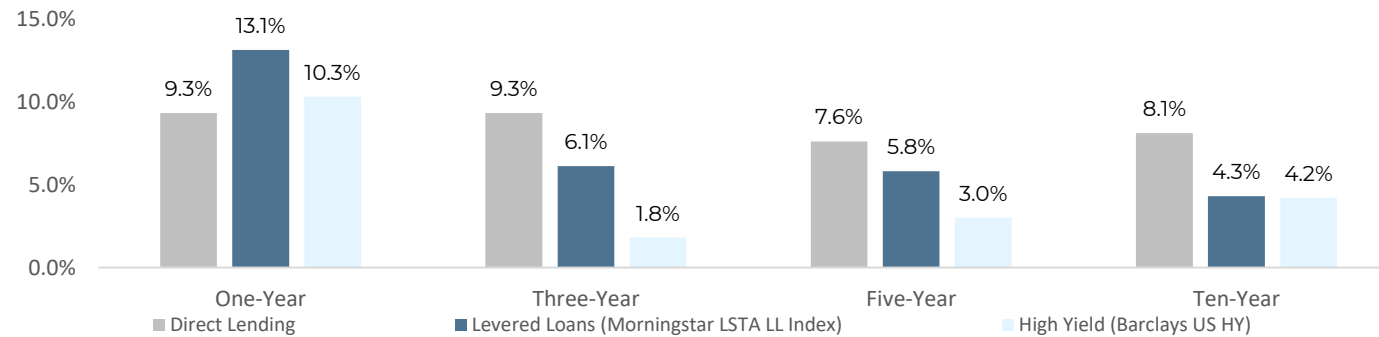


### Median New Issue Spreads



Source: Aksia, Credit Suisse LL Index, as of December 31, 2023.

### Direct Lending vs. Traded Credit Market Returns



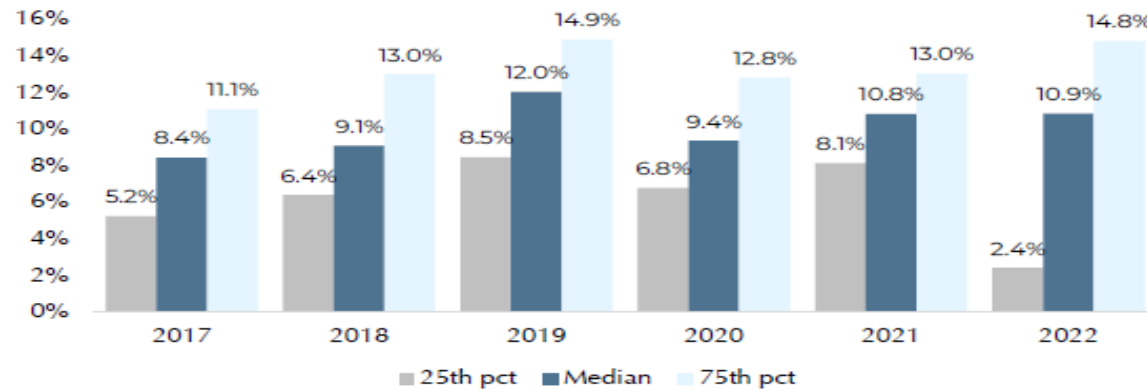
Source: Aksia, Morningstar, Barclays as of September 30, 2023. Past performance is not indicative of future results.

- ❑ Return Related
  - “speed of execution” and flexibility premium
  - origination fee capture

- ❑ Risk Related
  - maintenance covenants
  - documentation and loopholes
  - streamlined restructuring process

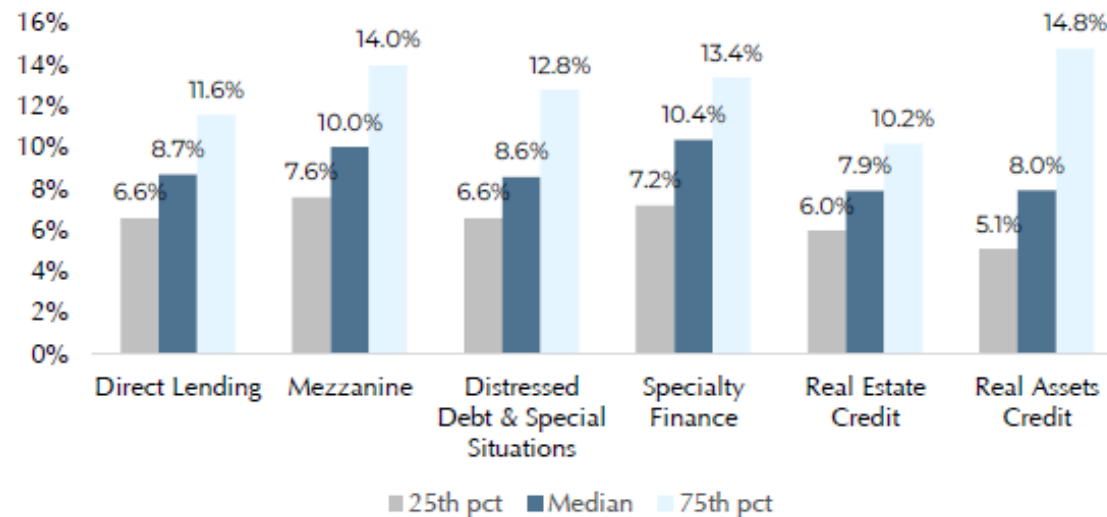
# Strong asset class performance has been accompanied by relatively low dispersion of private credit fund returns

## Returns by Vintage



Source: Aksia, as of September 30, 2023. Past performance is not indicative of future results.

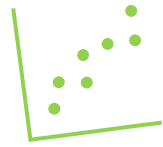
## Returns by Strategy



Source: Aksia, as of September 30, 2023. Past performance is not indicative of future results.







**“How Private Credit Gives Banks a Run for Their Money”**

**“How Risky is Private Credit? Analysts are Piecing Together Clues”**



**“In Private Credit Manager Selection, the Devil is in the Diligence”**



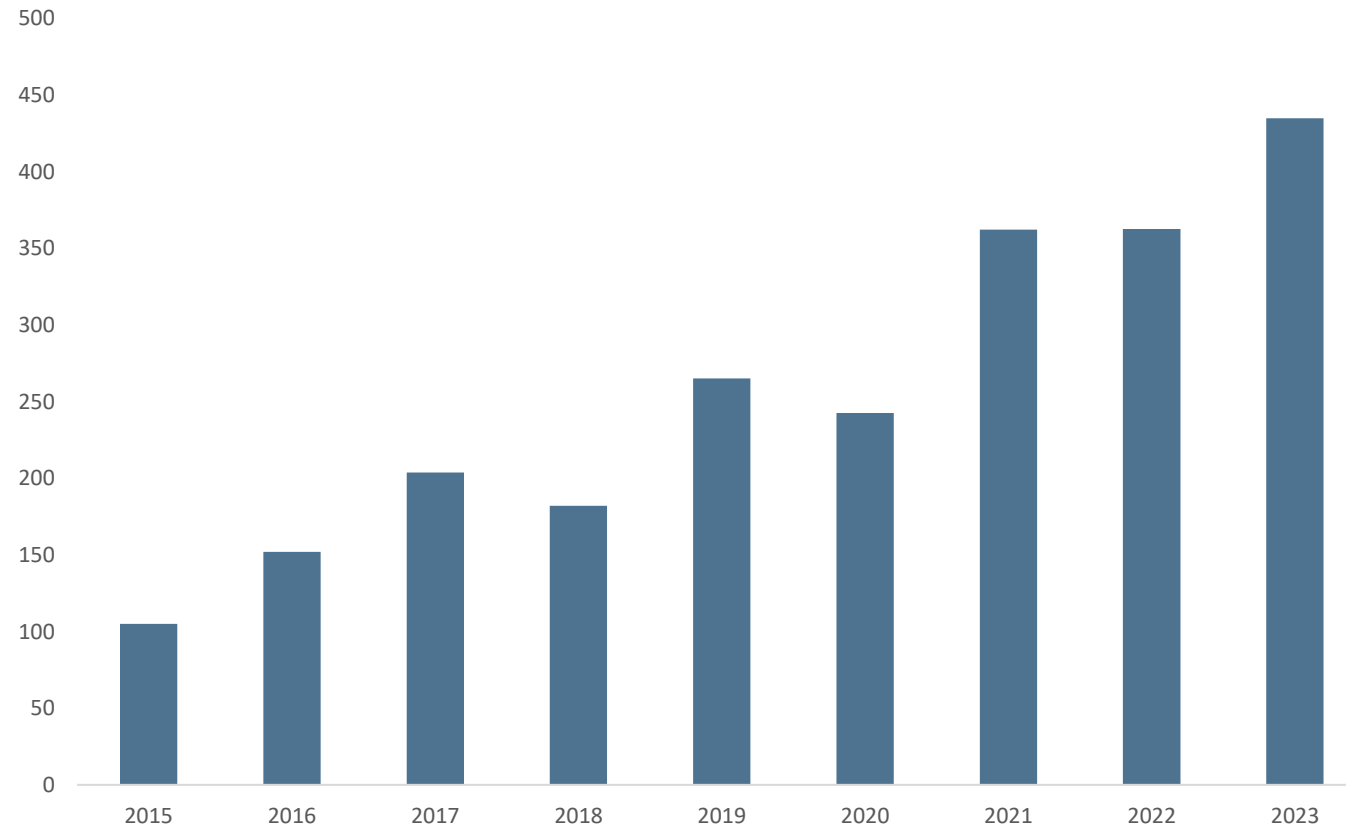
**“Asset-based credit: As easy as ABC?”**

**“The New Kings of Wall Street Aren’t Banks. Private Funds Fuel Corporate America”**

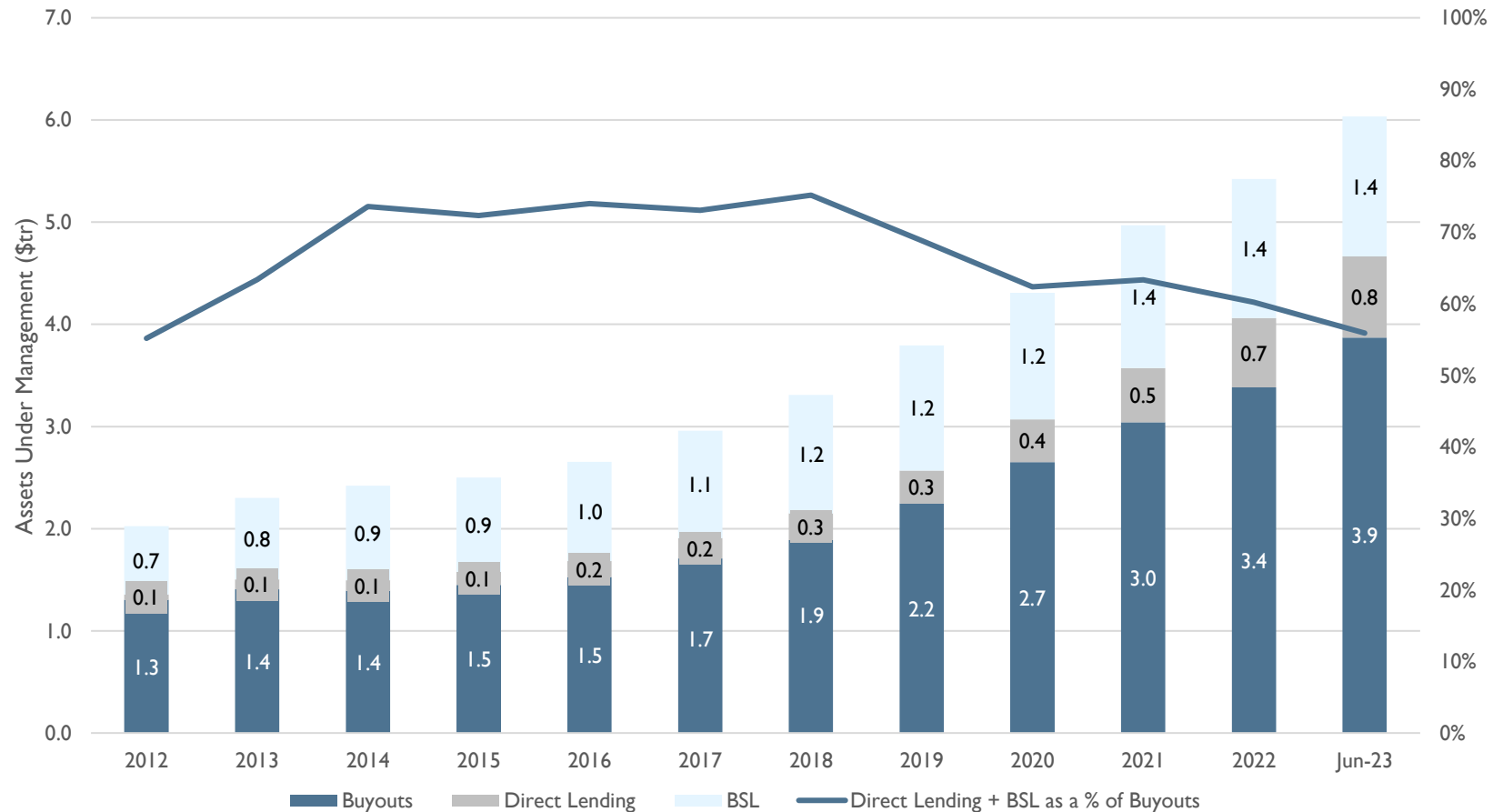
**“Private Credit’s Lavish Profits Are Coming Under Scrutiny”**



### Private Credit Yearly Fundraising (\$B)



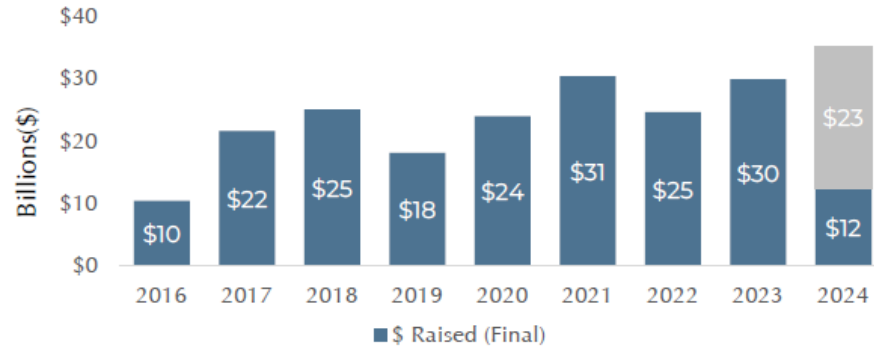
# Despite growth, lending assets supporting buyout activity have been stable as a percentage of leveraged buyout assets



Source: Buyouts and Direct Lending data from Preqin, as of June 30, 2023. Data retrieved on January 15, 2024. BSL data from Credit Suisse (Credit Suisse Leveraged Loan Index), as of June 30, 2023.

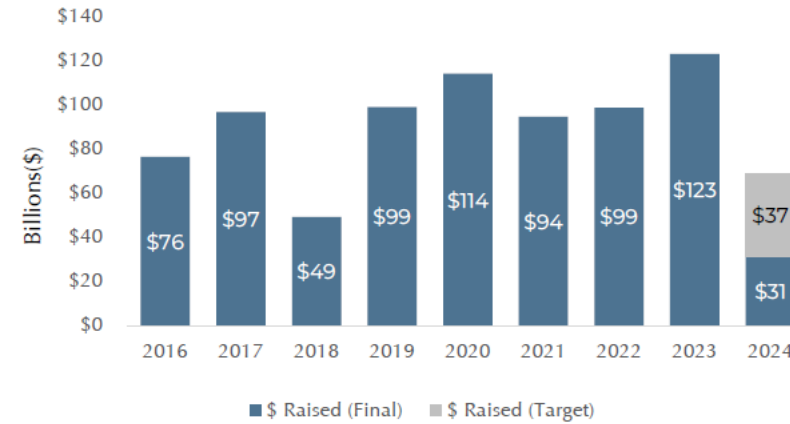
# Some recent trends favor less prevalent private credit sectors

### Real Estate Credit Fundraising



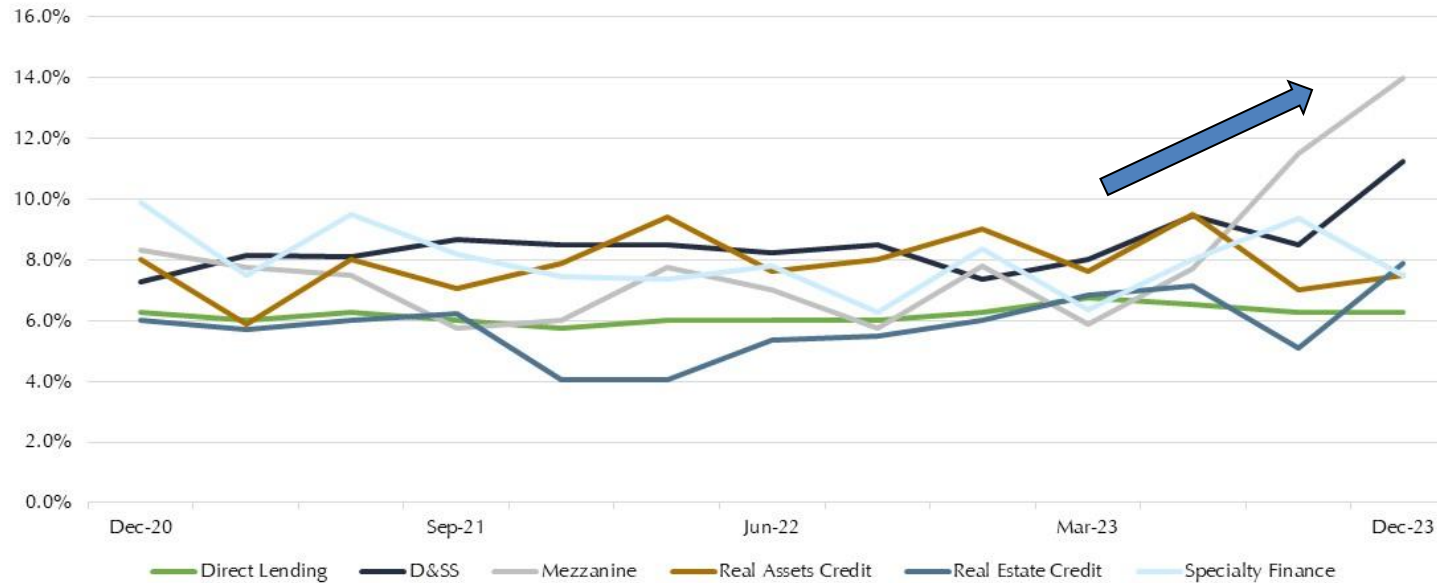
Source: Aksia, as of January 31, 2024.

### Distressed & Special Situations Fundraising



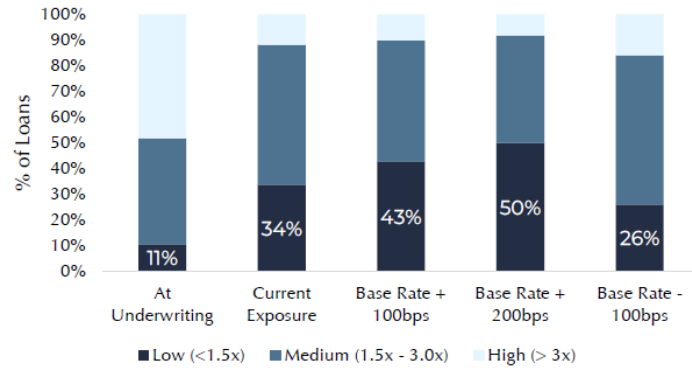
Source: Aksia, as of January 31, 2024.

### Median New Issue Spreads



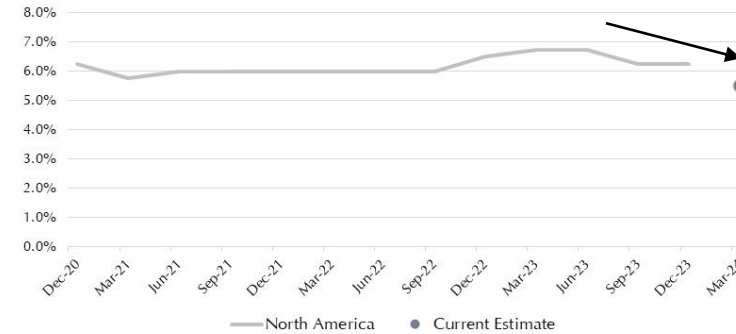
Source: Aksia, as of December 31, 2023.

## Deteriorating Interest Coverage Ratio



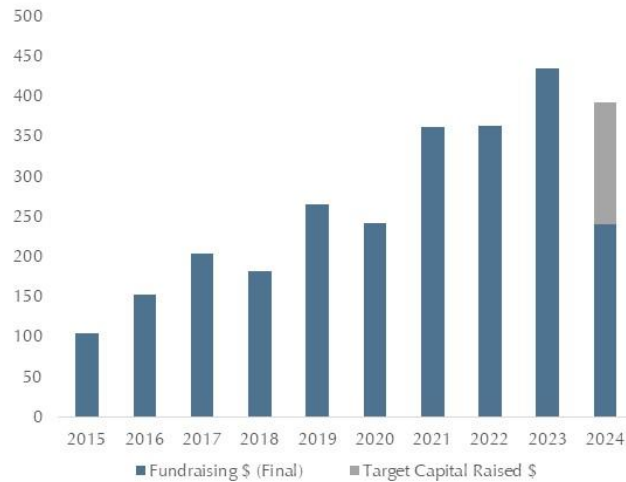
Source: Aksia, as of December 31, 2023.

## Tightening Spreads



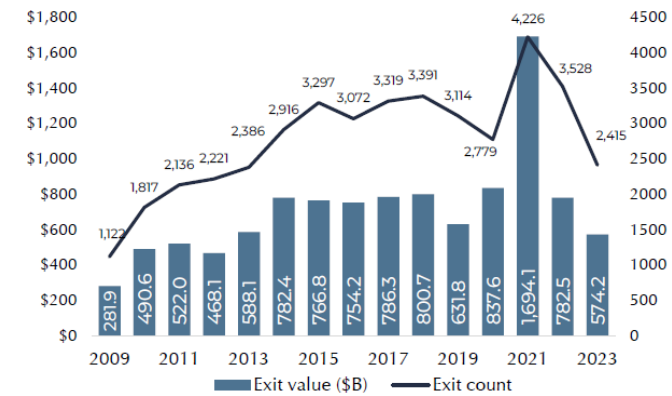
Source: Aksia, as of December 31, 2023.

## Increasing Private Credit Fundraising



Source: Aksia, Fundraising Information as of February 13, 2024.

## Decreasing Private Equity Exits



Source: Pitchbook, as of December 17, 2023.



**Defensive**

"Current Income / Capital Preservation"



**Direct Lending**

- Senior Direct Lending: U.S. and Europe

**Real Estate Credit**

- Core+ and Light Transitional: U.S. and Europe
- Multi-Family Finance

**Other**

- Diversified Specialty Finance and Asset-backed Lending
  - Consumer, SME, real estate, portfolio finance and leasing activities



**Specialist Niche**

"Opportunistic Diversifiers"



**Specialty Finance**

- RegCap (SRT/CRT)
- Sector Focused Lending:
  - Technology
  - Healthcare
  - "Stretch" ABL (Retail/Other)

**Real Assets Credit**

- Energy Transition Lending



**Offensive**

"Liquidity Solutions"



**Mezzanine**

- Mezzanine & Structured Equity: U.S. and Europe

**Distressed & Special Situations**

- Capital Solutions
- Real Estate Distressed

**Real Estate**

- Opportunistic / Transitional Lending
- Bridge Lending
- Developer Finance

**Other**

- NAV Lending / PE Portfolio Finance
- Venture Debt

## Appendix – Sector & Strategy Descriptions



## Private Credit Strategies – Summary Descriptions

Sector	Strategy	Description
<b>Direct Lending</b>	US/Euro/EM/Global Direct Lending	Senior capital provision (including unitranche, stretch senior, second lien, and "last-out" loans) to predominantly middle-market businesses. Debt capital is typically used to finance buyouts, for refinancings/recaps, and for growth initiatives.
	Corporate Distressed	Stressed/distressed investments with control elements involving companies undergoing financial or operational challenges.
	Opportunistic Structured Credit	Investments in securitized debt obligations (e.g. CLOs, CDOs, etc.) and/or securities backed by diverse revenue streams (e.g. esoteric ABS).
<b>Distressed Debt &amp; Special Situations</b>	Real Estate Distressed	Strategy that encompasses stressed/distressed RE debt, which may also be structured to include an element of equity upside
	NPL's	Focused on purchases of distressed non-performing loans or loan portfolios with loan negotiation component
	Capital Solutions	Wide range of debt financing solutions generally provided in the context of distressed situations, ranging from acquisitions of distressed companies or assets to bridge financing or other novel debt structures
	PC Special Situations	Lending to idiosyncratic situations including balance sheet restructurings, or opportunistic market dislocations
	Consumer & SME Lending	Lending to consumer and small businesses across both whole loan strategies and structured lending.
<b>Specialty Finance</b>	Factoring & Receivables	Accounts receivable and invoice factoring, working capital cash advances, and asset-based lending, typically against inventory.
	Regulatory Capital Relief	Synthetic securitization of bank balance sheet assets driven by regulatory restrictions/constraints. Common collateral may include, but is not limited to: investment or non investment grade corporate loans, RMBS/CMBS, trade finance, fund financing lines, and credit value adjustment ('CVA').
	Royalties (Music, Film, Media, Oil, & Metals)	Investments in loans collateralized by intellectual property and contractual royalty revenue streams tied to the performance of sales or volumes.
	Healthcare Lending & Royalties	Strategy focused on lending to healthcare companies using a variety of collateral including physical assets, intellectual property, and contractual revenue streams; typically, on a senior secured basis with occasional equity warrant upside
	Venture Lending	Lending strategy to venture stage businesses. Capital may be often utilized as bridge between different equity financing rounds and is short-term in nature.
	Insurance Linked Credit	Strategy encompassing the illiquid spectrum of insurance (life and non-life), driven primarily by regulatory capital or funding relief (e.g. run-off portfolios and annuities) or opportunistic purchases, implemented as buy-and-hold portfolios.
	Litigation Finance	Lending strategy focused on participating in contingency outcome litigation, lending to law firms or against pools of ongoing cases, shareholder claims, and other legal pursuits.
	PE Portfolio Finance	Loans or preferred equity stakes collateralized by PE funds or PE fund assets that provide liquidity to the related funds, their PE LPs or GPs in exchange for contractual income and upside return potential
	Stretch ABL	Corporate or SPV loans on inventory, receivables, real estate etc.

# Private Credit Strategies – Summary Descriptions

Sector	Strategy	Description
<b>Real Estate Credit</b>	CRE Core Lending	Senior lending strategy backed by commercial RE performing assets or assets [only requiring regular capex]
	CRE Transitional Lending	Senior secured (first mortgage), B-note, mezzanine lending strategy in the U.S. backed by commercial RE assets undergoing repositioning/stabilization or requiring some capex
	CRE Bridge Lending	Senior, B-note or mezzanine lending strategy in the U.S. backed by RE assets requiring heavy capital expenditures; typically includes ground-up construction, pre-development, and land loans
	CRE Structured Credit	Strategy that targets investments in securities ultimately backed by cash flows from commercial real estate assets
	Residential Mortgages	Strategy focused on the residential mortgages ecosystem including but not limited to origination, securitization, rental, and/or servicing.
<b>Real Assets Credit</b>	Infrastructure Lending	Direct lending strategy focused on infrastructure projects and/or companies. Cash flows are generated by long-life, capital intensive assets that typically provide essential products or services to the economy.
	Energy Credit	Specialized credit opportunities focused on issuers across the energy value chain (including upstream, midstream, refining, and power) in both developed and/or EM geographies
	Trade Finance	Lending strategy focused on companies involved in international trade. Products may include working capital and asset-based loans, inventory financing/factoring, export financing and receivables finance.
	Metals and Mining Finance	Specialized credit opportunities focused on issuers across the metals and mining sector (including upstream, midstream and downstream). The relatively small private funds market is mostly concentrated in direct origination strategies to smaller or growing mining businesses and often focuses on a specific mineral or resource (e.g. gold).
	Agricultural Credit	Lending strategy focused on companies participating across the agricultural value chain. Loans are typically shorter duration and secured by tangible collateral. Cash flows are generally derived from the production, processing, and distribution of commodities or globally traded goods coming from agricultural resources.
	Transportation	Hard asset leasing strategy with collateral ranging from aviation, maritime, to railcar leasing
<b>Mezzanine</b>	US/ European Mezzanine	Subordinated debt capital (including second lien, mezzanine, "pay in kind" (PIK) loans and bonds, and "last-out" loans) normally provided to corporate businesses. Debt capital is often utilized in conjunction with PE buyout transactions or balance sheet recapitalization/refinancings.
	Structured Equity	Hybrid debt and equity financing solutions that can take several forms, including equity-linked debt, preferred equity or convertible warrants

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Virginia  
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# Closing Remarks

Andrew Junkin

Chief Investment Officer

Virginia Retirement System  
1200 East Main Street

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