

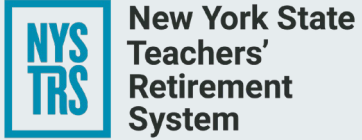


New York State
Teachers' Retirement
System

MWBE 2025

**Investments & Professional
Services Conference**

A Seat at the Table



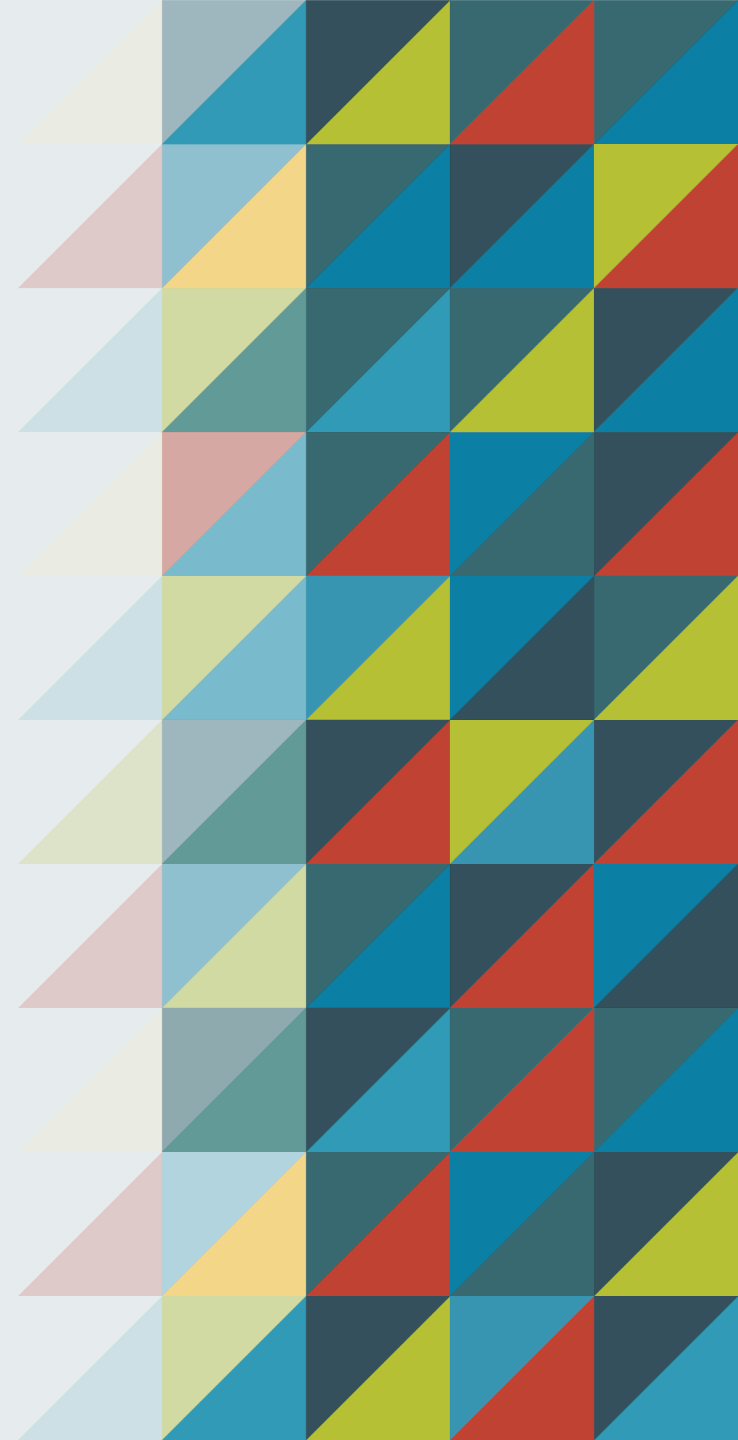
MWBE 2025

Investments & Professional
Services Conference

Private Debt & Commercial Real Estate Debt

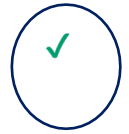
Endurance (Endy) Aku, CAIA, FDP

David M. Maye



Key Trends and Headlines

Private Debt



Bank retrenchment in the asset backed space

- Banks facing dual pressure: Basel (asset sale) + CECL reserves (SRT/Reg. Cap)
- AUM of private Asset lenders expected to grow 5x in 10yrs.



GPs expanding their universe into other credit specialties

- Asset-backed tangibles, Asset-backed intangibles, & other corporate



Increasing market concentration (GP Consolidation + Lending clubs)

- Top 25% GPs account for 50% of AUM
 - Major takeovers 2023/2024 (est. over 18billion)



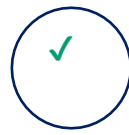
Significant growth in private debt secondaries

- More GPs raising dedicated credit secondaries funds



Higher for longer interest rates

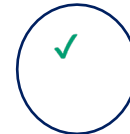
- Increased stress on lower quality credit



The importance of financial covenants

- Muted defaults in the private credit space

Commercial Real Estate Debt



Wall of Debt Maturities

- \$2 trillion (and growing) wall of CRE debt maturities coming in the next three years.



Property Types – The have and have not's

- Office continues to struggle generally, apart from select trophy assets.
- Retail has recovered post pandemic, with a focus on grocery anchored and necessity based.
- Multifamily and Industrial continue to be our primary focus.



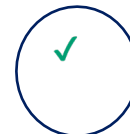
FOMC has inflation under control . . . Maybe

- Personal Consumption Expenditures (PCE) as of December '24 release was 2.8%, down from its peak of 7.2% on June '22. However, the new administration's plan for deportations and tariffs are highly inflationary.



Effects of global warming and rising insurance costs

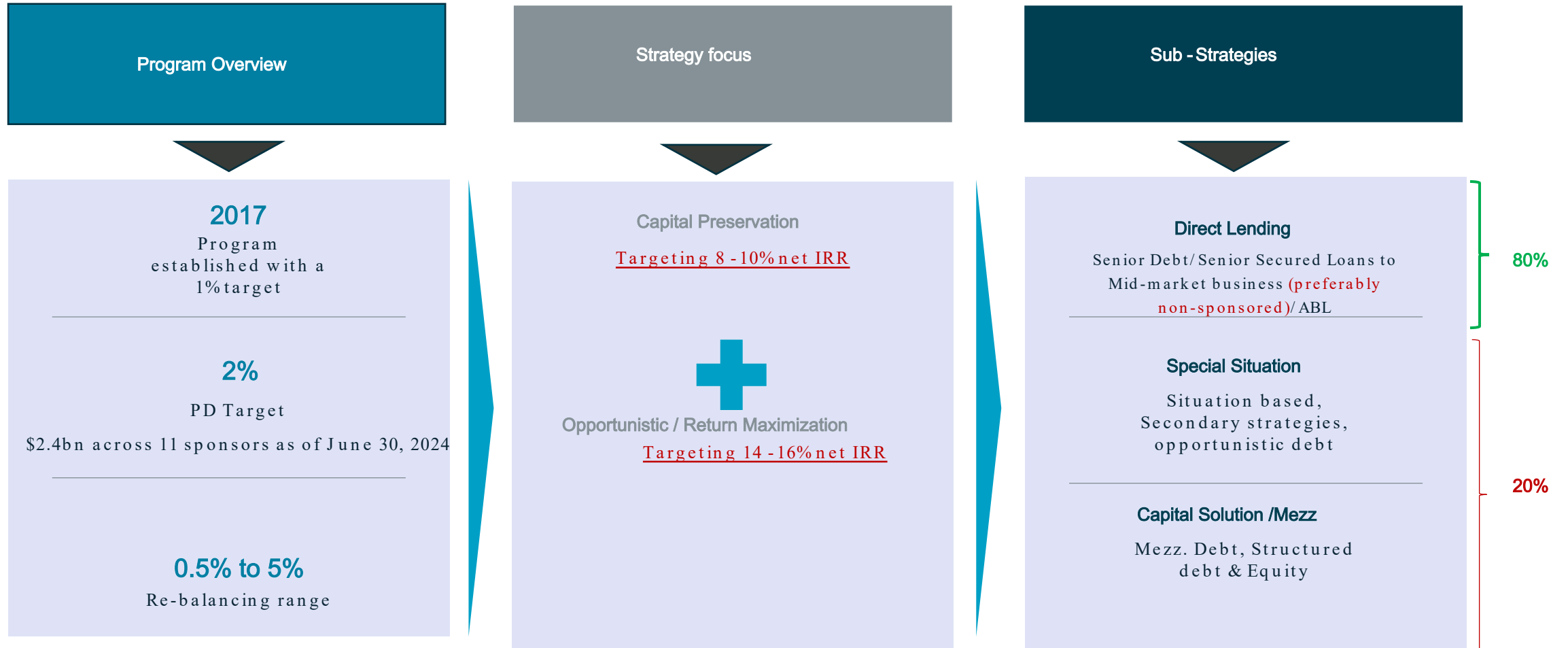
- National insurance costs continue to grow outlandishly, with a focus on coastal and high-risk areas. We continue to carefully underwrite these risks.



It's a great time to be a lender

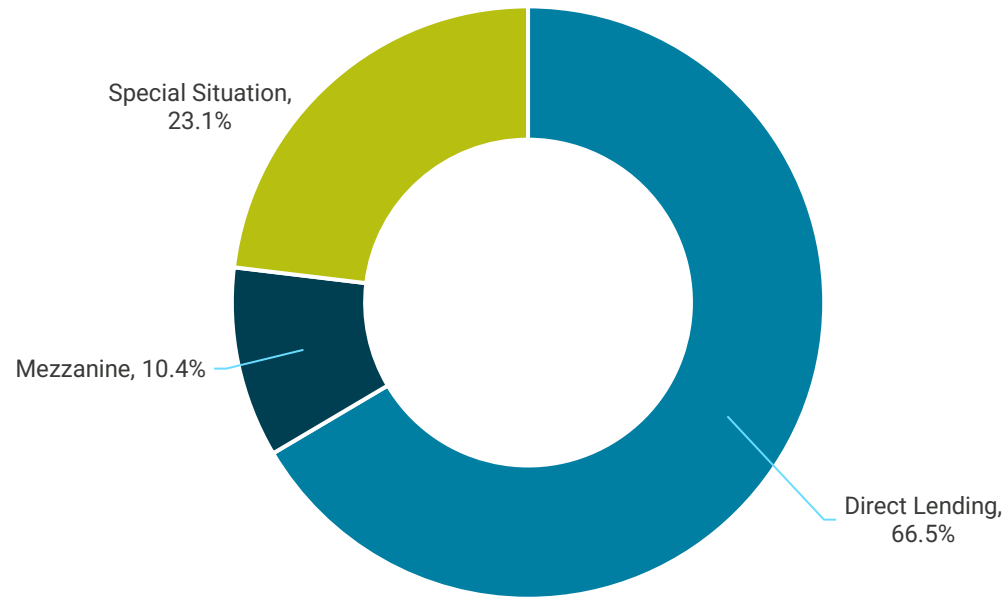
- Asset valuations have reset creating an attractive entry point to lend at higher rates while sizing to debt service coverage.

Overview of NYSTRS Private Debt Program

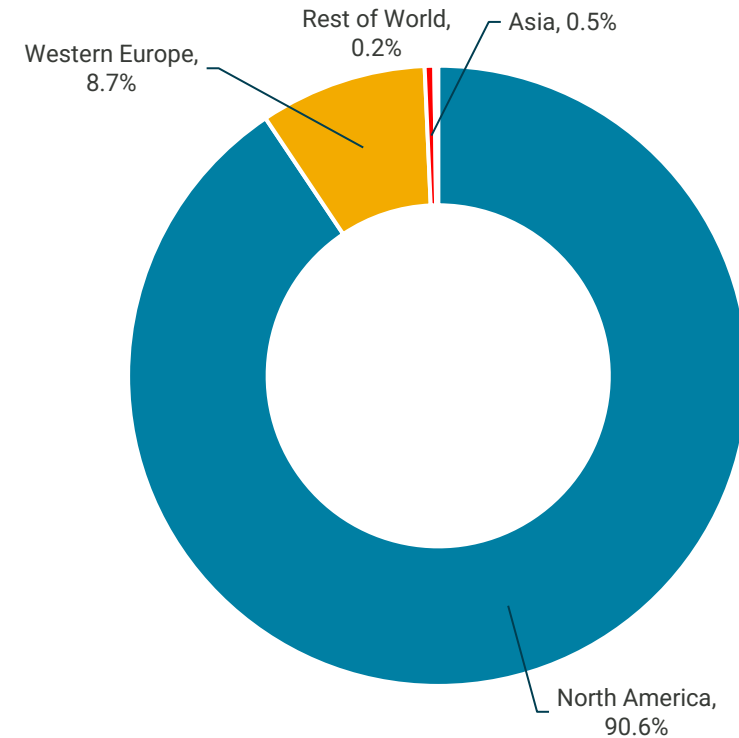


Private Debt Exposures, *as of June 30, 2024*

Private Debt Exposure by Investment Type



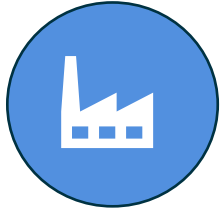
Private Debt Exposure by Geography



**2025 Private Debt
Target Allocation Range
(CY)**

- Approx. \$800 million
- Below Target, continue to build out portfolio
- Robust pipeline, focus on North-American direct lending, opportunistic funds selectively

What does NYSTRS target in Private Debt?



Lower Middle
Market
Companies



Teams With
Workout Experience

Focus on Capital
Preservation



Limited
sponsor or
Non - sponsor
situations

Capital
solutions -
based
lending



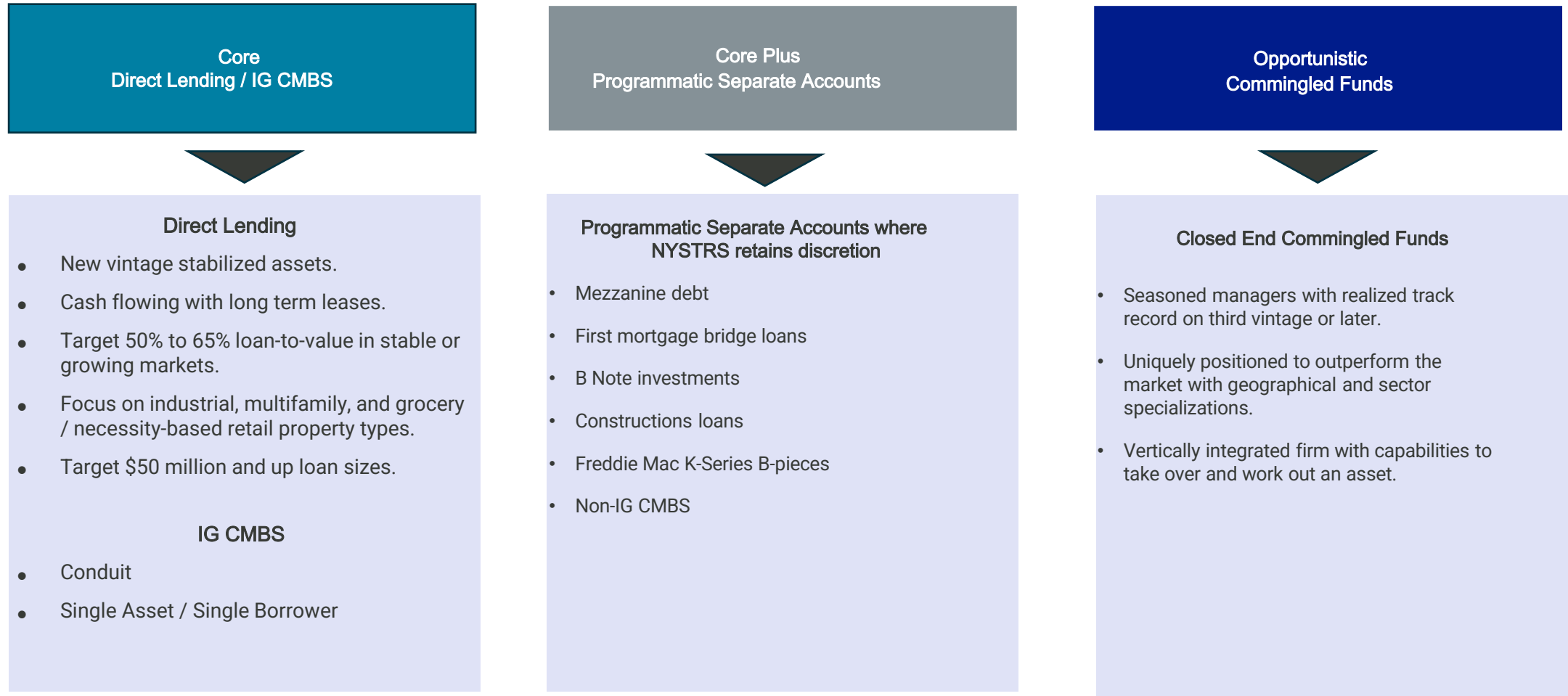
Limited -
syndication or
non - syndicated
debt



Strong Credit
Underwriting

Successful
track record
of investing
across market
cycles

Overview of NYSTRS Commercial Real Estate Debt Program

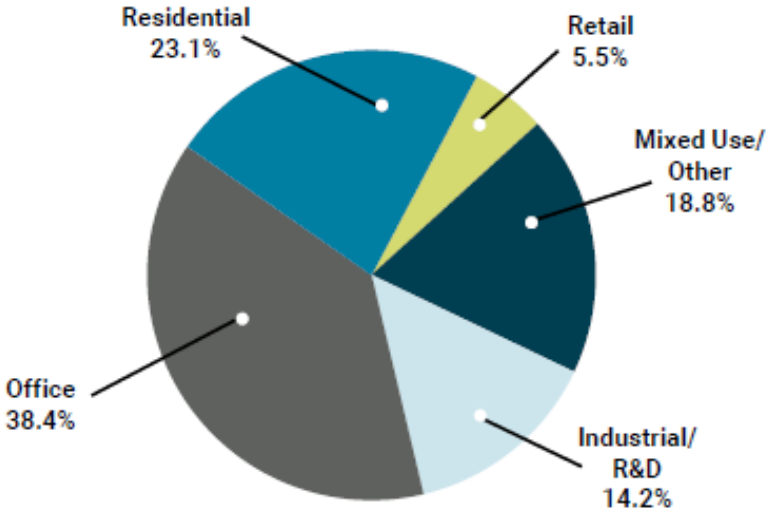


GCM Grosvenor Separate Account

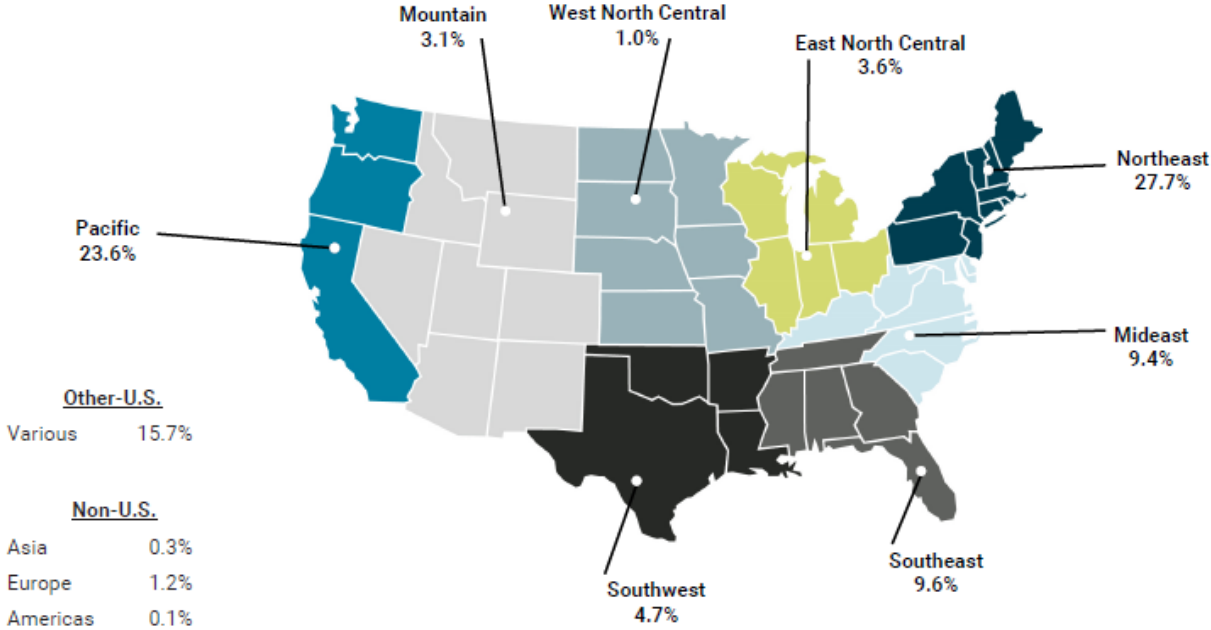
- \$600 million of capital commitments across 4 vintages, dating back to 2015.
- The strategy focuses on investments sponsored by small and emerging investment managers implementing real estate debt investment strategies with a target of 50% of the investments to Minority and Women Business Enterprise (MWBE) firms.
- The strategy has flexibility to make primary fund investments, joint ventures, seed investments, co-investments and on an opportunistic basis, secondary investments with emerging manager sponsors.
- The account provides an efficient venue for the System to access the emerging manager and MWBE space. GCM acts as an extension of staff, having quarterly meetings with us and providing transparency into top performing groups for potential future direct investments.
- Target return of 12-13% gross IRR, 10-11% net IRR.

Commercial Real Estate Debt Exposures, *as of June 30, 2024*

Exposure by Property Type



Exposure by Geography



2025 Real Estate Debt Target Allocation Range (CY)

- \$1.1 to \$1.3 billion to deploy, with a 6% target and a policy range of 2% to 10% of System assets.
- Focus on direct lending and investment grade CMBS in the United States as well as select investments in existing separate accounts and opportunistic funds.

Questions?



New York State
Teachers'
Retirement
System

MWBE 2025

Investments & Professional Services Conference

A Seat at the Table

10:00 a.m.-11:00 a.m.

11:00 a.m.-11:15 a.m.

11:15 a.m.-11:30 a.m.

11:30 a.m.-12:00 p.m.

12:00 p.m.-1:00 p.m.

1:00 p.m.-1:30 p.m.

1:30 p.m.-2:00 p.m.

2:00 p.m.-2:30 p.m.

2:45 p.m.-4:15 p.m.

4:30 p.m.

General Registration & Check-in	Entrance Table
Conference Welcome	Ballroom
Opening Remarks	Ballroom
<i>Thomas K. Lee, Executive Director & Chief Investment Officer</i>	
ED & CIO Opening Fireside Chat	Ballroom
<i>Featured Speaker – Cathy Marcus, PGIM Real Estate</i>	
Lunch Break	
<i>Boxed Lunches in Long Hallway</i>	Long Hallway
<i>Attendees can take lunch to Ballroom</i>	Ballroom
ED & CIO Fireside Chat	Ballroom
<i>Featured Speaker – Maggie Arvedlund, Turning Rock Partners</i>	
Networking Session	Long Hallway
Miscellaneous Breakout Sessions	
<i>Gender Equity in Finance Roundtable (Emily Ekland)</i>	Albany Room
<i>Culture Building & DEI (Danny Malavé)</i>	Troy Room
<i>Private Debt Seminar (Endurance Aku & David Maye)</i>	Big Breakout
<i>Cont. Networking (Business Partner Tabling)</i>	Long Hallway
Asset Class Breakouts	
<i>Private Equity</i>	Ballroom
<i>Fixed Income</i>	Albany Room
<i>Real Estate</i>	Troy Room
<i>Public Equities</i>	Big Breakout
Closing Speaker/Remarks	Ballroom

