

MWBE 2025

Investments & Professional Services Conference

A Seat at the Table



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Private Debt & Commercial Real Estate Debt

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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

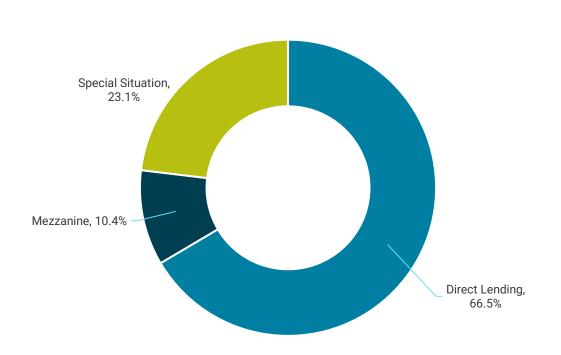
Strategy focus Sub - Strategies **Program Overview** 2017 **Capital Preservation Direct Lending** Program Targeting 8-10% net IRR Senior Debt/Senior Secured Loans to 80% established with a Mid-market business (preferably 1% target non-sponsored)/ABL **Special Situation** 2% Situation based, PD Target Opportunistic / Return Maximization Secondary strategies, \$2.4bn across 11 sponsors as of June 30, 2024 opportunistic debt Targeting 14-16% net IRR 20% Capital Solution /Mezz Mezz. Debt, Structured 0.5% to 5% debt & Equity Re-balancing range



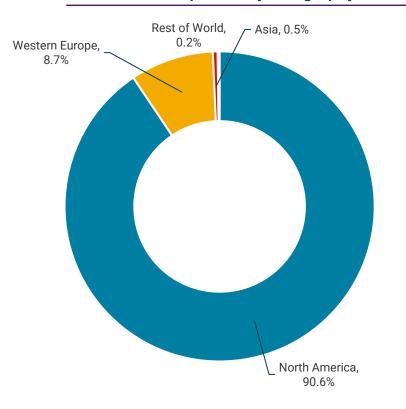
Credit Cycle Experience / Workout and Restructuring Capabilities

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

Core Direct Lending / IG CMBS



Direct Lending

- New vintage stabilized assets.
- Cash flowing with long term leases.
- Target 50% to 65% loan-to-value in stable or growing markets.
- Focus on industrial, multifamily, and grocery / necessity-based retail property types.
- Target \$50 million and up loan sizes.

IG CMBS

- Conduit
- Single Asset / Single Borrower

Core Plus
Programmatic Separate Accounts



Programmatic Separate Accounts where NYSTRS retains discretion

- Mezzanine debt
- First mortgage bridge loans
- B Note investments
- Constructions loans
- Freddie Mac K-Series B-pieces
- Non-IG CMBS

Opportunistic
Commingled Funds



Closed End Commingled Funds

- Seasoned managers with realized track record on third vintage or later.
- Uniquely positioned to outperform the market with geographical and sector specializations.
- Vertically integrated firm with capabilities to take over and work out an asset.

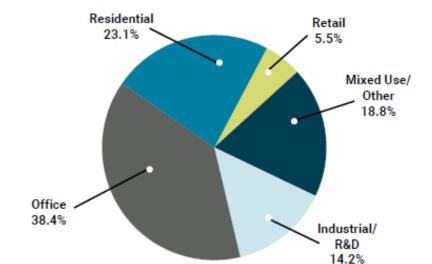


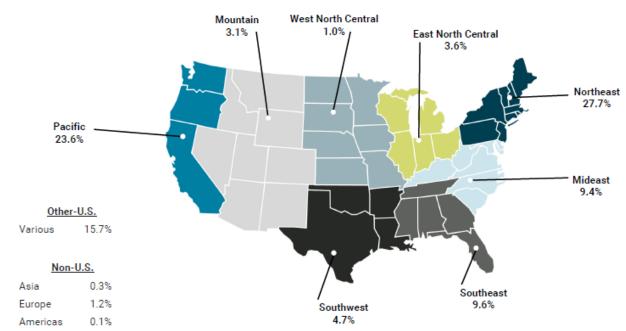
GCM Grosvenor Separate Account

- \$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 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

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10:00 a.m11:00 a.m.	General Registration & Check-in	Entrance Table
11:00 a.m11:15 a.m.	Conference Welcome	Ballroom
11:15 a.m11:30 a.m.	Opening Remarks Thomas K. Lee, Executive Director & Chief Investment Officer	Ballroom
11:30 a.m12:00 p.m.	ED & CIO Opening Fireside Chat Featured Speaker – Cathy Marcus, PGIM Real Estate	Ballroom
12:00 p.m1:00 p.m.	Lunch Break Boxed Lunches in Long Hallway Attendees can take lunch to Ballroom	•
1:00 p.m1:30 p.m.	ED & CIO Fireside Chat Featured Speaker – Maggie Arvedlund, Turning Rock Partners	Ballroom
1:30 p.m2:00 p.m.	Networking Session	Long Hallway
2:00 p.m2:30 p.m. I	Miscellaneous Breakout Sessions Gender Equity in Finance Roundtable (Emily Ekland) Culture Building & DEI (Danny Malavé) Private Debt Seminar (Endurance Aku & David Maye) Cont. Networking (Business Partner Tabling)	Troy Room Big Breakout
2:45 p.m4:15 p.m.	Asset Class Breakouts Private Equity Fixed Income Real Estate Public Equities	Albany Room Troy Room
4:30 p.m.	Closing Speaker/Remarks	Ballroom