Private Debt

Private Debt is comprised of illiquid loans and bonds that typically fund highly leveraged companies and real estate properties that are typically too small in size to meet the requirements of the tradable leveraged loan, high yield bond, or commercial mortgage-backed securities markets. For example, Private Debt may consist of secured loans funding leveraged buyouts of small to mid-size companies or mezzanine financing for real estate properties.

Returns in the asset class are determined by: 1) the expected returns of individual investments (based on the cash coupon rate or spread over LIBOR and other sources of return including underwriting fees, original issuance discounts and premium call features) and 2) the actual level of credit losses experienced in the underlying portfolios.

IMD House View:

Private Debt offers the most attractive opportunity in the fixed income markets with double-digit yields readily available for investors willing to accept illiquidity. The market opportunity is principally driven by regulatory constraints that make it unattractive for banks to hold illiquid loans or other debt of below investment-grade credit quality. We have recently expanded our commitments to this asset class.

Actual Weighting vs. Revised SAAP Policy Effective 4/1/17:	**Underweight[1]**
Actual Weighting (May 31, 2017)	9.3%
Private Debt Policy	12.0% (8-16% range)

[1]ASRS is tactically overweight based on commitments made of approximately 14.3% of the total fund.