Opportunistic Debt

Opportunistic Debt is tactical in nature and represents asset classes or strategies not encompassed in the SAAP and offer the potential to meet the fund's targeted return. Since its inclusion in ASRS's portfolio beginning in 2008, Opportunistic Debt, including both existing and defunded mandates, has generated an aggregate net IRR of 9.3% through 09/30/16. Performance over the past three years was not as strong with a 4.6% net IRR primarily due to weak performance in 2015 when the credit markets sold off. However, with a strong recovery in the credit markets, we believe that most managers that reported weak performance in 2015 have now seen a substantial improvement in returns in the fourth quarter of 2016 and the first quarter of 2017.

IMD House View:

Opportunities exist in select fixed income markets (primarily distressed debt) to generate expected returns that exceed other fixed income asset classes in the SAAP. ASRS has $1.3 billion of commitments (representing approximately 3.5% of the total fund) to ongoing Opportunistic Debt partnerships and $0.4 billion of investments (representing approximately 1.2% of the total fund) in partnerships that are in liquidation.

Actual Weighting vs. Revised SAAP Policy Target Effective 4/1/17:

ASRS Actual Weighting (May 31, 2017)	3.8%
Opportunistic Debt Policy	0.0% (0-10%[1] range)

[1] Range of 0-10% includes all opportunistic asset classes (debt, equity and inflation-linked) which totaled 5.2% at 5/31/17.