

Fixed Income

- We have an overweight allocation to Fixed Income with a weighting as of May 31, 2017 of 26.6% vs. the interim SAA target of 25.0%. Following the US presidential election, we lowered our allocation to Fixed Income by cutting back our holdings of Interest Rate Sensitive Fixed Income assets.
- The overweight in Fixed Income reflects an overweight in Opportunistic Debt (3.8% vs. a 0.0% target) and an overweight in High Yield Fixed Income (2.7% vs. a 2.4% target) offset by an underweight in Interest Rate Sensitive Fixed Income (10.8% vs. a 13.3% target).
- We continue to believe that the Private Debt asset class offers the most attractive opportunity in fixed income with double-digit yields and relatively stable investment performance available for investors willing to accept illiquidity. We have recently expanded our commitments to this asset class.
- Effective April 1, 2017, the SAAP target for Private Debt was raised to 12% from 10% with a permissible range of 8-16%. As of May 31, 2017, investments in Private Debt represented approximately 9.3% of the total fund while our partnership commitments represented approximately 14.3% of the total fund. While the SAAP target for Private Debt was raised, it was lowered for High Yield Fixed Income to 2% of the total fund (with a range of 0-6%) from 4%.