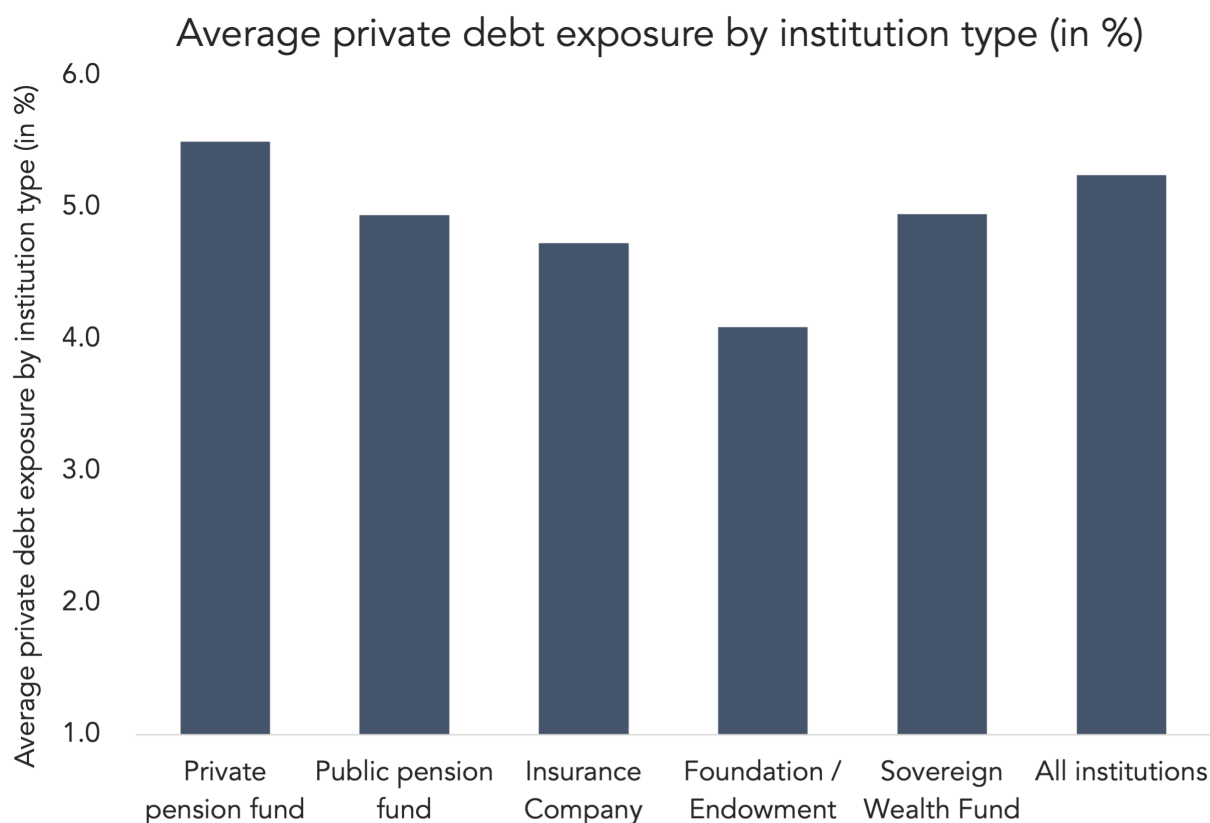


US pensions dig deep

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We present some of the key findings from our Investor Report for 2022.

US-based public pensions were among the largest allocators to private debt during 2022, though their publicly available data made it much easier to find commitment data for these institutions, making up 13 of the top 15 LPs in the asset class.

With the ability of private debt to deliver long-term, stable returns at a premium to public market fixed income, this does not come as a surprise. Pension funds need reliable income streams to match their long-term liabilities.

Australia-based superannuation fund Hostplus also made the top 15, as did the UK's Border to Coast Pensions Partnership.

When it comes to individual investments, US-based public pension funds again dominate the top 20 commitments among those where data is publicly available. The largest overall allocator, New York State Common Retirement Fund, made the biggest single investment, backing Apollo Excelsior with \$700 million.

Hostplus was in second place, with its entire private debt commitment for the year going to Apollo Asia Pacific Credit Strategy.

Despite much talk of LPs reducing their manager relationships, the most active LPs made annual commitments to a multitude of different funds, with two managers making eight commitments each.

Sovereign wealth funds had the highest average exposure to private debt, with 5 percent allocated, just ahead of public pension funds at 4.9 percent.

No sovereign funds appear in our top allocators, which operate in a more private way than public pension funds, meaning many do not disclose their commitments to individual funds.

When asking LPs whether they will increase or decrease their investments in the asset class over the coming year, the proportion saying they wish to invest more has significantly dropped, from 49 percent to 38 percent. However, the number looking to invest less also fell slightly, from 12 percent to 11 percent.

It may be that some LPs are reaching their target allocations to the asset class and do not need to invest more, which is why most are now looking to keep their exposure at the same level.

LPs are predominantly interested in investing in direct lending and almost half are looking to commit more to that strategy. Distressed and special situations is much more polarising, with 29 percent looking to grow their exposure, while 24 percent want to reduce it.

(Past performance is no guarantee of future results.)