

LIVE VIRTUAL COMMITTEE MEETING

**APRIL 14, 2021, 2021 AT 8:00 AM
CREDIT AND RISK MITIGATION
COMMITTEE**



TO VIEW VIA WEB

https://members.lacera.com/lmpublic/live_stream.shtml



TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing PublicComment@lacera.com. If you are requesting to speak, please include your contact information, agenda item, and meeting date in your request.

Attention: Public comment requests must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting.

**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA**

AGENDA

A SPECIAL MEETING OF THE CREDIT AND RISK MITIGATION COMMITTEE AND THE BOARD OF INVESTMENTS*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

8:00 A.M., WEDNESDAY, APRIL 14, 2021

This meeting will be conducted by teleconference pursuant to the Governor's Executive Order N-29-20.

Any person may view the meeting online at
https://members.lacera.com/lmpublic/live_stream.xhtml

*The Committee may take action on any item on the agenda,
and agenda items may be taken out of order.*

I. CALL TO ORDER

II. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Special Credit and Risk Mitigation Committee Meeting of September 9, 2020.

III. PUBLIC COMMENT

(**You may submit written public comments by email to PublicComment@lacera.com. Please include the agenda number and meeting date in your correspondence. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

You may also request to address the Boards. A request to speak must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting. Please include your contact information, agenda item, and meeting date so that we may contact you with information and instructions as to how to access the Board meeting as a speaker.)

April 14, 2021

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IV. REPORTS

- A. Overview of Asian Private Credit
Vache Mahseredjian, Principal Investment Officer
Tom Cawkwell, Albourne's Head of Private Markets Research
(Memo dated April 1, 2021)

- B. Napier Park Lake Credit Fund: Investment Outlook
Vache Mahseredjian, Principal Investment Officer
Jonathan Dorfman, Napier Park's CIO
(Memo dated April 1, 2021)

V. ITEMS FOR STAFF REVIEW

VI. GOOD OF THE ORDER (For information purposes only)

VII. ADJOURNMENT

****The Board of Investments has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Investments. Members of the Board of Investments who are not members of the Committee may attend and participate in a meeting of a Committee but may not vote, make a motion, or second on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.***

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Investments that are distributed to members of the Board of Investments less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Investments Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.

Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.com, but no later than 48 hours prior to the time the meeting is to commence.

MINUTES OF THE SPECIAL MEETING OF THE CREDIT AND RISK
MITIGATION COMMITTEE AND THE BOARD OF INVESTMENTS
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, SEPTEMBER 9, 2020

This meeting was conducted by teleconference pursuant to the Governor's Executive Order N-29-20. The public may attend the meeting at LACERA's offices.

PRESENT: Wayne Moore, Chair
Gina V. Sanchez, Vice Chair
Elizabeth Greenwood
David Muir
Shawn R. Kehoe

MEMBERS AT LARGE:

Herman Santos
Alan Bernstein

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer
Vache Mahseredjian, Principal Investment Officer
Chad Timko, Senior Investment Officer
Robert Santos, Investment Officer
Quoc Nguyen, Investment Officer

STAFF, ADVISORS, PARTICIPANTS: (Continued)

Jeff Jia, Senior Investment Analyst

Meketa Investment Group

Stephen McCourt, Managing Principal, Co-CEO

Leandro A. Festino, Managing Principal

Timothy Filla, Vice President

Alina Yuan, Investment Analyst

Albourne

James Walsh, Partner/Head of Portfolio Advisory

Stephen Kennedy, Partner/Portfolio Analyst

I. CALL TO ORDER

The meeting was called to order by Chair Moore at 1:30 P.M. in the Board Room of Gateway Plaza.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Meeting of June 10, 2020.

Ms. Greenwood made a motion, Mr. Muir seconded, to approve the minutes of the meeting of June 10, 2020. The motion passed unanimously (roll call) with Messrs. Moore, Muir, Kehoe, Ms. Greenwood and Ms. Sanchez voting yes.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. NON-CONSENT ITEM

- A. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer and Robert Z. Santos, Investment Officer: That the Committee advance the recommendation for the Investment Grade Bond portfolio to the Board of Investments for approval.
(Memo dated August 25, 2020)

Mr. Muir made a motion, Mr. Kehoe seconded, to advance the Investment Grade Bond portfolio recommendation to the Board of Investments for approval. The motion passed unanimously (roll call) with Messrs. Moore, Muir, Kehoe, Ms. Sanchez and Ms. Greenwood voting yes.

- B. Recommendation as submitted by Chad Timko, Senior Investment Officer: That the Committee advance the recommendation for the Hedge Fund portfolio to the Board of Investments for approval.
(Memo dated August 28, 2020)

Mr. Muir made a motion, Ms. Sanchez seconded, to advance the Hedge Fund portfolio recommendation to the Board of Investments for approval. The motion passed unanimously (roll call) with Messrs. Moore, Muir, Kehoe, Ms. Sanchez and Ms. Greenwood voting yes.

V. ITEMS FOR STAFF REVIEW

Mr. Moore asked staff to research and provide information on Yankee bonds.

VI. GOOD OF THE ORDER (For information purposes only)

There was nothing to report.

VII. EXECUTIVE SESSION

A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments (Pursuant to California Government Code Section 54956.81)

1. Manager(s)/Asset(s) regarding the Credit Portfolio

The Committee took action to submit a recommendation to the Board of Investments. It will be reported out at a future date in accordance with the Brown Act.

B. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments (Pursuant to California Government Code Section 54956.81)

1. Manager(s)/Asset(s) regarding the Hedge Fund Portfolio


The Committee took action to submit a recommendation to the Board of Investments. It will be reported out at a future date in accordance with the Brown Act.

VII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at approximately at 2:00 P.M.

April 1, 2021

TO: Trustees – Credit and Risk Mitigation Committee

FROM: Vache Mahseredjian, CFA, CAIA, FRM, ASA 
Principal Investment Officer

FOR: April 14, 2021 Credit and Risk Mitigation Committee Meeting

SUBJECT: **OVERVIEW OF ASIAN PRIVATE CREDIT**

Tom Cawkwell, Albourne's Head of Private Markets Research, is scheduled to provide an overview of investment opportunities in Asian private credit. The slides for Albourne's presentation are attached.

Attachment

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

Overview of Asian Private Credit

April 2021

Why Asian Credit?

- Strong Expected Returns
- Attractive Relative Risk

Return Expectations (Fund Level)

Direct Lending
~10% Net IRR

Special Situations/
Distressed
~15+% Net IRR

Leverage¹

Fund
Level

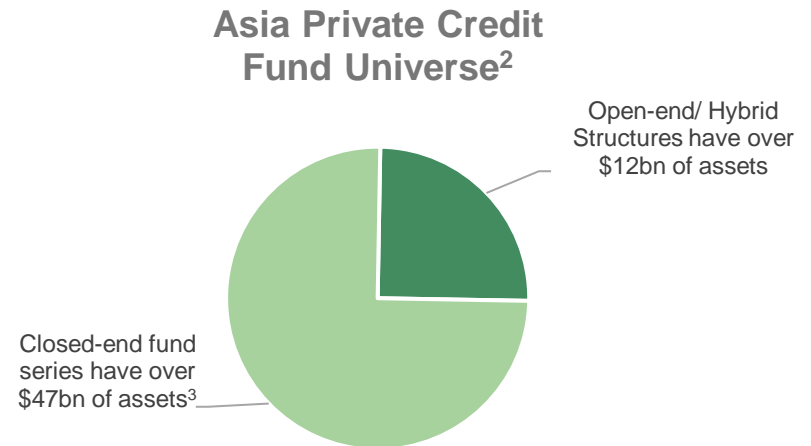
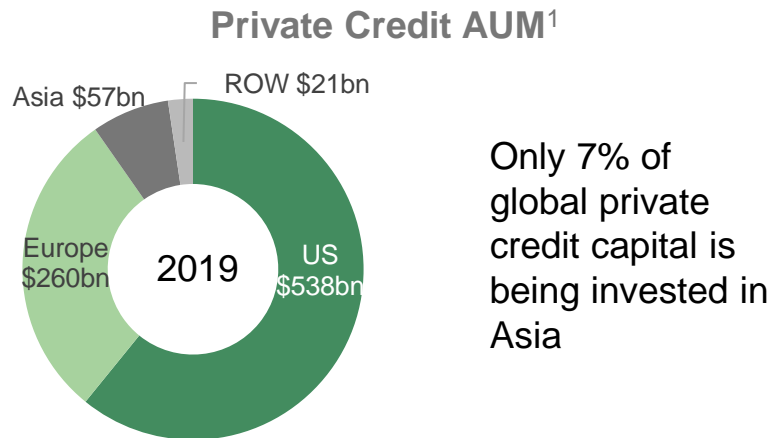
Typically 30-40% of
subscription line and/or fund
level leverage

Asset
Level

Typically no more than 50%

Why Asian Credit?

- Less competitive market



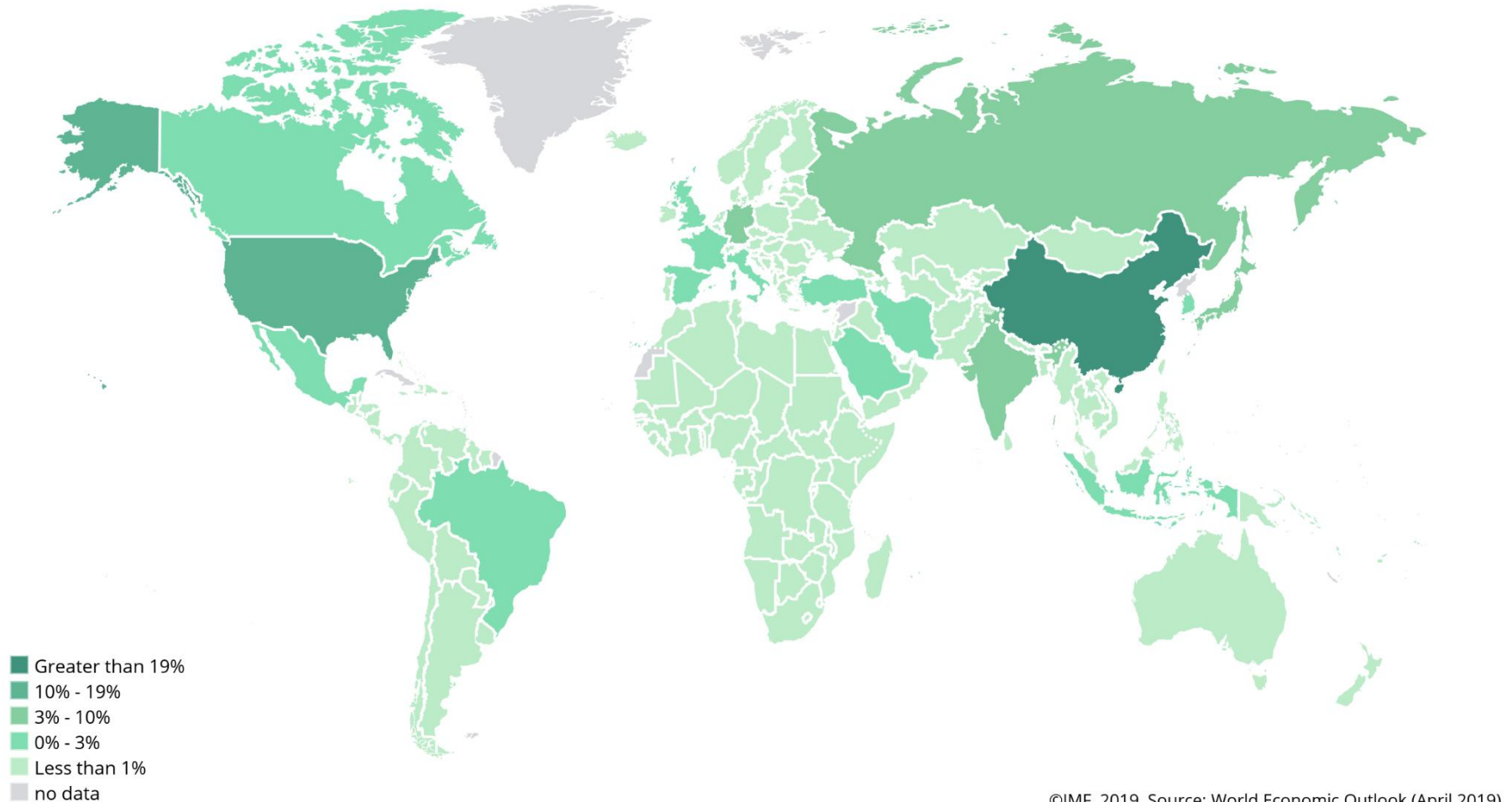
1. Source: Preqin Ltd. Preqin and Albourne's strategy classification may differ, resulting in some funds being included/excluded.

2. As of January 2021. Includes funds Albourne is in regular dialogue with but without an IDD report.

3. Includes all fund series, side car vehicles known to Albourne.

Asia is Diverse (and Complex)

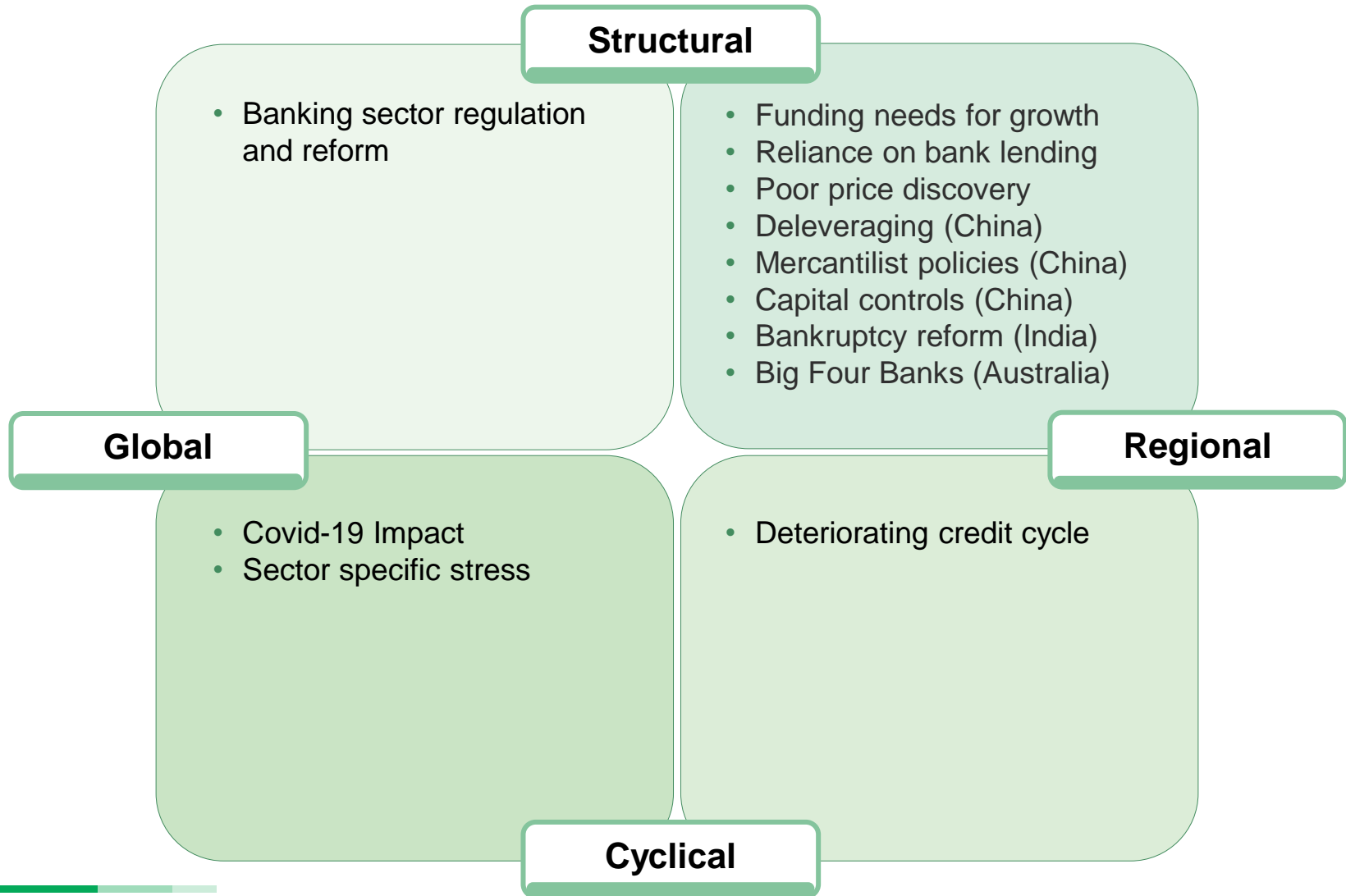
GDP based on Purchasing Power Parity, share of world (Percent of World, 2019)



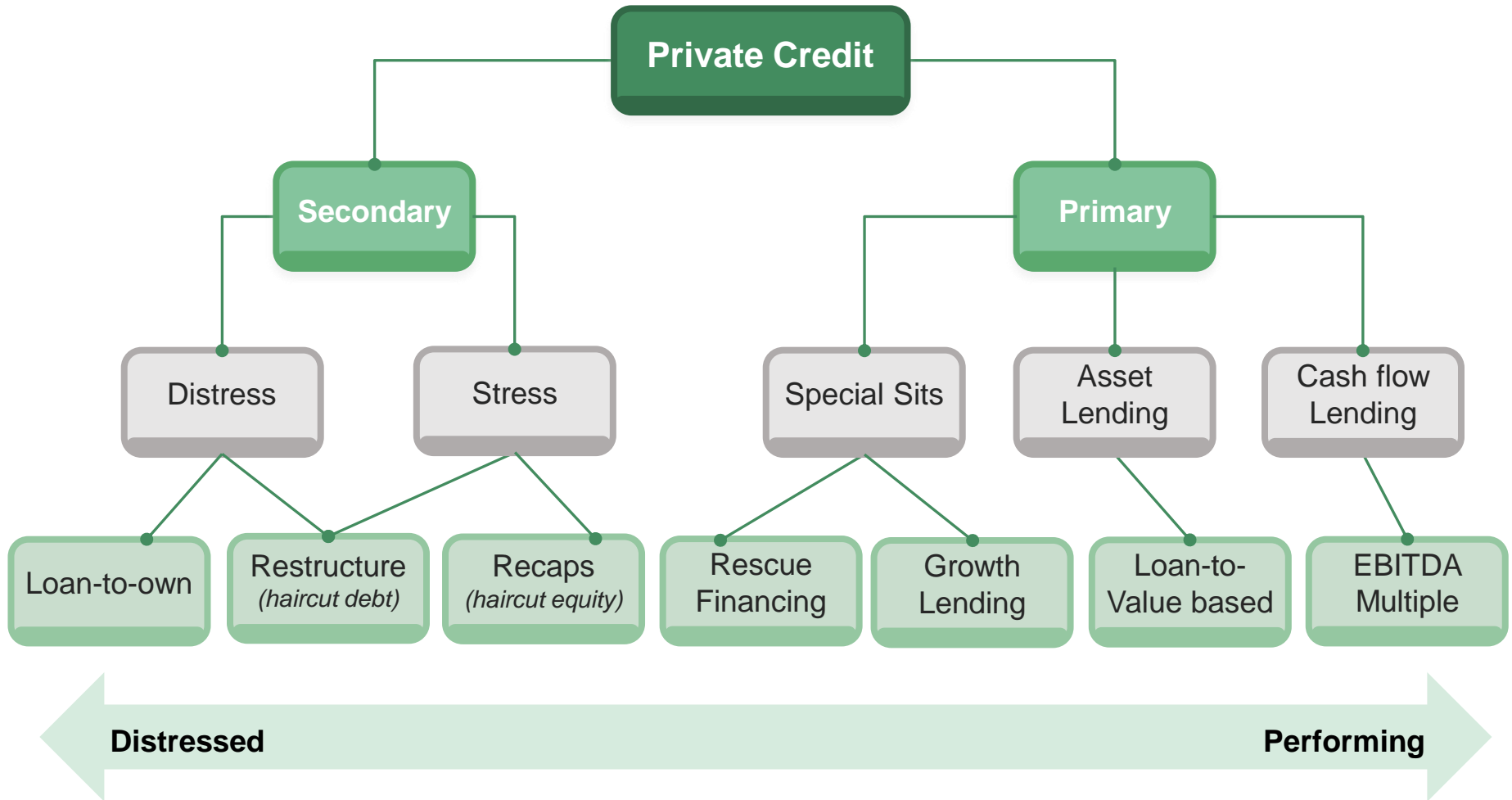
©IMF, 2019, Source: World Economic Outlook (April 2019)

Source: IMF DataMapper. https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

Asian Private Credit Key Alpha Drivers



Private Credit Strategies





Asia Private Credit Opportunity Set by Country

China

Driven by mercantilist policies, deleveraging, capital control and banking sector reform

	RE Lending	Special Situations	Non Performing Loans
Investment-level Target IRR (USD)	12-18%	15-20%	12-20%
Investment-level Target Duration	2-3 years	2-4 years	2-5 years
Key Characteristics	<ul style="list-style-type: none"> • Mostly senior secured • Low LTV • Better enforcement vs. corporate • Mostly residential RE 	<ul style="list-style-type: none"> • Often senior secured • Complex collateral package • Growth/ overseas acquisition financing or corporate problem solving • Opportunities to sell/buy assets 	<ul style="list-style-type: none"> • Large outstanding NPL pools • More scalable than other strategies • Single asset NPLs are rare and more special situations-like
Challenges/ Risk	<ul style="list-style-type: none"> • Onshore lending requires onshore entity and has potential repatriation issue • Offshore lending is subordinate to onshore loans, requiring creative structuring 	<ul style="list-style-type: none"> • Structuring intensive • Sourcing is critical • Requires cross-jurisdictional expertise 	<ul style="list-style-type: none"> • Unproven strategy • Unpredictable deployment pace • Alignment issues with local servicers • High cost and onshore tax

All returns shown are USD returns.

Australia

Driven by banking sector reform and commodity cycle

	RE Lending	Special Situations	Corporate Lending
Investment-level Target IRR (USD)	8-15%	13-18%	6-8% Senior loans 8-13% Sponsor lending
Investment-level Target Duration	2-4 years	2-4 years	3-5 years
Key Characteristics	<ul style="list-style-type: none"> • Mostly senior secured • Low LTV • Creditor friendly jurisdiction • Presales are enforceable • Favorable migration trend • Mostly residential RE 	<ul style="list-style-type: none"> • Exists in both RE lending and Corporate lending (mostly mining and related sector) • Often senior secured • Equity upside • Rescue financing in time sensitive situations 	<p>Senior loans to corporates:</p> <ul style="list-style-type: none"> • Bank replacement • Vanilla structure, low fees • Local investors dominant • Unlevered <p>Sponsor lending:</p> <ul style="list-style-type: none"> • AU PE flows • Emerging strategy
Challenges/ Risk	<ul style="list-style-type: none"> • Competitive due to relatively low entry barrier 	<ul style="list-style-type: none"> • Structure appropriately for the embedded risk • Commodity risk in Mining and related sector • Geopolitical risk (China) 	<ul style="list-style-type: none"> • Lower entry barrier • Senior loans - Less active structuring & management • Sponsor lending volume expected to grow – global managers

All returns shown are USD returns.

India

Driven by underdeveloped capital markets, banking sector stress and bankruptcy reform

	Secondary Distressed	Distressed for Control	Special Sits Distressed
Investment-level Target IRR (USD)	~15%	20%	15-20%
Investment-level Target Duration	1-3 years	3-10 years	3-5 years
Key Characteristics	<ul style="list-style-type: none"> • USD or INR denominated secondary bonds and loans • More liquid – trading vs restructuring approach 	<ul style="list-style-type: none"> • Winning control of a company from the bankruptcy court • More scalable vs other strategies • Potentially higher upside 	<ul style="list-style-type: none"> • Includes One Time Settlements (OTS) and other forms of rescue financing • Avoid procedural delays of the bankruptcy court (NCLT) • Equity upside
Challenges/ Risk	<ul style="list-style-type: none"> • Higher competition due to relatively low entry barrier • Bankruptcy law still being tested - potential delays in exit • High FX hedging costs for INR investments 	<ul style="list-style-type: none"> • Unpredictable deployment speed and opportunity cost • Lumpy deal size • Longer duration and fewer exit options • Strategic partner necessary • More PE characteristics • High FX hedging costs 	<ul style="list-style-type: none"> • Sourcing and structuring intensive • Work with existing owner (potential misalignment) • High FX hedging costs

All returns shown are USD returns.

India (continued)

Driven by underdeveloped capital markets, banking sector stress and bankruptcy reform

	Special Situations Growth	RE Lending
Investment-level Target IRR (USD)	10-15%	10-20%
Investment-level Target Duration	2-5 years	4-5 years
Key Characteristics	<ul style="list-style-type: none"> • Potential for a larger multiple from equity upside • Senior secured, backed by shares or hard assets, some amortization • Supported by improving creditor rights – increasing Opco lending (vs. Holdco) • Robust economic growth and corporate cash flow 	<ul style="list-style-type: none"> • Big funding gap in the market due to the NBFC (Non-Banking Financial Company) crisis • Opportunities: Mix of residential and offices <ul style="list-style-type: none"> • Last mile financing (e.g. business parks for MNC BPO) • Lending against NBFC's loan portfolio • Secondary purchase of NBFC portfolios
Challenges/ Risk	<ul style="list-style-type: none"> • High FX hedging costs • Bankruptcy law still being tested 	<ul style="list-style-type: none"> • High FX hedging costs • More challenging enforcement process for RE collateral vs. share collateral • Potential systemic risk due to prolonged stress in NBFCs

All returns shown are USD returns.

Other Opportunities

Driven by cultural, structural and legacy issues

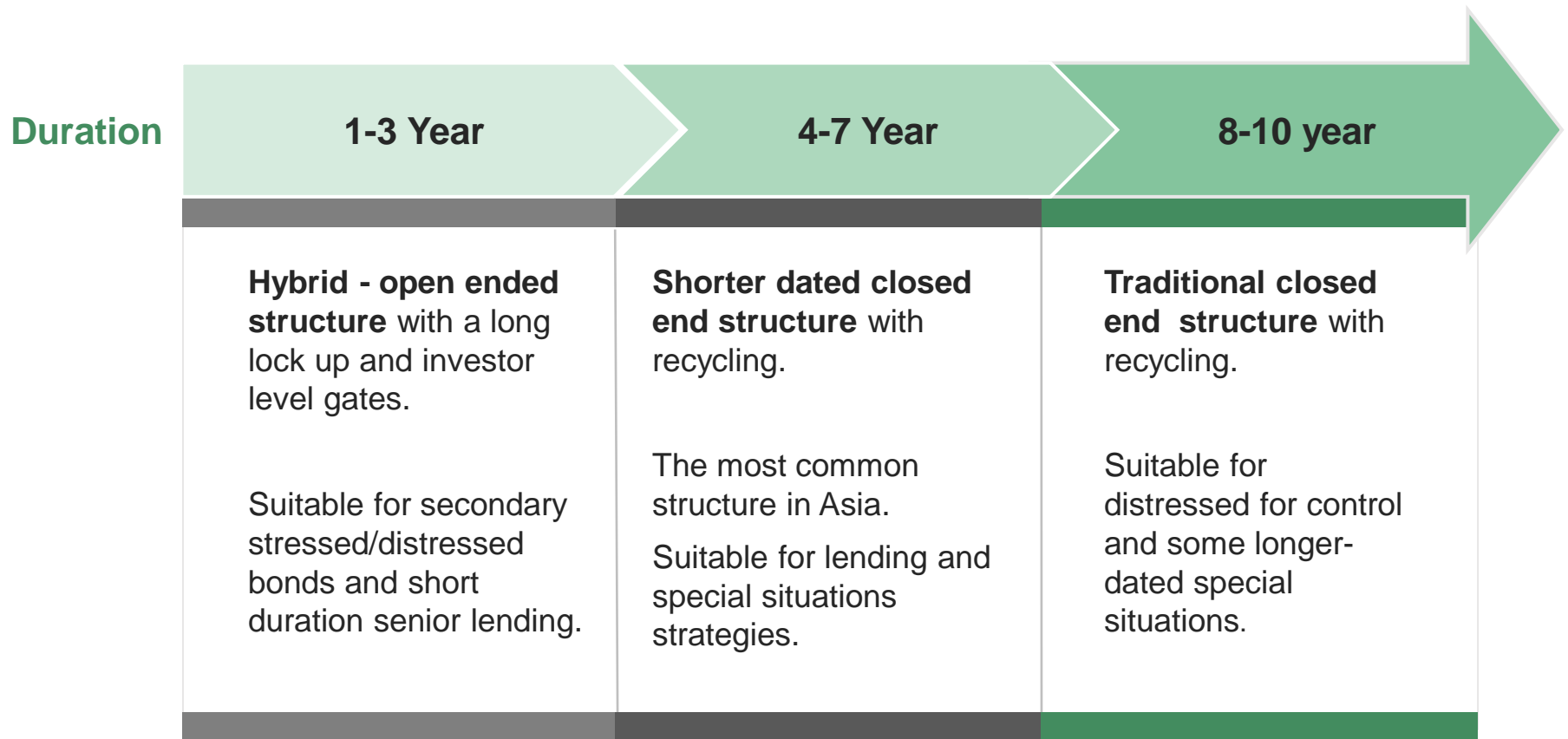
	Special Situations in Japan & Korea	Special Situations Growth in SE Asia	Sponsor Lending / Mezzanine (ex-Australia)
Investment-level Target IRR (USD)	10-15%	12-18%	7-15%
Investment-level Target Duration	2-5 years	2-5 years	3-6 years
Key Characteristics	<ul style="list-style-type: none"> • Idiosyncratic • Sourcing intensive – strong barrier to entry • Corporate succession • Conglomerate restructuring • Enforcing on behalf of banks • Lower jurisdiction risk 	<ul style="list-style-type: none"> • Senior secured • Complex collateral package • Structured to avoid enforcement through local courts • Generally USD based • Retail/ consumer, commodity, RE sectors 	<p>Sponsor lending</p> <ul style="list-style-type: none"> • Not common in rest of Asia but growing with PE deal flows <p>Mezzanine:</p> <ul style="list-style-type: none"> • Japan: domestic product with low yield • Korea, Singapore: Idiosyncratic deal flows
Challenges/ Risk	<ul style="list-style-type: none"> • Long lead time – unpredictable deployment • Some PE-like deals • Limited number of managers 	<ul style="list-style-type: none"> • Weaker jurisdiction • Structuring and due diligence intensive • Resource/commodity exposure 	<ul style="list-style-type: none"> • Niche strategy in Asia to-date • Limited number of managers • Global managers may dominate

All returns shown are USD returns.



Asia Private Credit – Investment Structure

Fund Structures



Fund Terms

Closed-end Funds

- Fees of 1.5-2% on invested capital, 15-20% carry with 6-8% preferred return are most common.
- Most funds adopt whole fund distribution.
- Subscription lines are typically 25%-40% of commitments. The use of leverage has been modest and generally limited to the subscription line except for the largest managers.

Open-end hybrid Funds

- Fees of 1.5-2% with 15%-20% performance fees.
- Funds usually have a lock-up (one-off or rolling), investor-level gates and a lengthy notice period to ensure duration alignment. Some have redeeming share class.
- Typical time taken to fully redeem from a fund is 2.5 years (varies by fund specific terms).

Hedging Currency Exposure

- Funds are typically USD based and will be hedged. The exception is India where hedged and un-hedged share-classes are offered.

Market Participants

Albourne follows 61 closed end fund series and 16 open end funds in the strategy. Albourne has written reports on over 30 closed end fund series and 6 open end funds¹.

Funds are typically in the \$500m to \$1bn size range.

Asian Private Credit funds tend to operate with a broad mandate across multiple countries.

Each fund typically provides an idiosyncratic blend of exposures.

Fund Landscape - Strategies and Geographical Exposures of Funds (Example)

Fund	Strategy									Geography					
	Direct Lending			Distressed					Other						
	Cash Flow Lending	RE-backed Lending	Special Situations	Distressed (Corporate, For-Control)	Distressed (Asset Backed)	NPLs	Secondary Distressed (Restructuring)	Secondary Stressed (Bonds, Loans)		Australia	Greater China	North Asia (Japan, Korea)	SE Asia	India	Other
Fund 1															
Fund 2															
Fund 3															
Fund 4															
Fund 5															

1. As of January 2021

Portfolio Role

Clients typically use Asian Private Credit for:

- Alpha
- Diversification

Exposure to Asian Credit is typically a small satellite exposure to credit portfolios.

While attractive risk and return characteristics can support significant allocations clients typically invest in 1 to 3 names which represent around 5 to 10% of their Private Credit portfolio.

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April 1, 2021

TO: Trustees – Credit and Risk Mitigation Committee

FROM: Vache Mahseredjian, CFA, CAIA, FRM, ASA 
Principal Investment Officer

FOR: April 14, 2021 Credit and Risk Mitigation Committee Meeting

SUBJECT: **NAPIER PARK LAKE CREDIT FUND: INVESTMENT OUTLOOK**

LACERA hired Napier Park for an illiquid credit mandate in early 2020. Napier Park started calling capital near the depths of the market turmoil, just as the recovery was about to start. The combination of LACERA's fortuitous timing, combined with Napier Park's expertise, led to returns of almost 40% in 2020.

The investment environment has changed materially since that time, so Jonathan Dorfman, Napier Park's CIO, is scheduled to provide the firm's assessment of investment opportunities in the current rising rate environment. Attached are the slides for Mr. Dorfman's presentation.

Attachment

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

ATTACHMENT

Napier Park Lake Credit Fund:
Investment Outlook

Prepared for Los Angeles County
Employees' Retirement Association
Apr 14, 2021 INVESTOR
PRESENTATION



NAPIER PARK
GLOBAL CAPITAL

Significant Considerations

This document does not constitute an offering and is meant only to provide a broad overview for discussion purposes. All information provided herein is subject to change. You must obtain and carefully read the related private placement memorandum or similar offering document (the “Offering Memorandum”), which will contain the information needed to evaluate the potential investment and provide important disclosures regarding risks, fees and expenses. All information provided herein is qualified in its entirety by the Offering Memorandum and/or subscription agreement.

Alternative investments can be speculative and are not suitable for all investors. Investing in alternative investments is only intended for experienced and sophisticated investors who are willing to bear the high economic risks associated with such an investment. Investors should carefully review and consider potential risks before investing. Certain of these risks include:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative practices
- Lack of liquidity in that there may be no secondary market for the Fund and none is expected to develop
- Volatility of returns
- Restrictions on transferring interests in the Fund
- Potential lack of diversification and resulting higher risk due to concentration within one of more sectors, industries, countries or regions
- Absence of information regarding valuations and pricing
- Complex tax structures and delays in tax reporting
- Less regulation and higher fees than mutual funds and
- Investment manager risk

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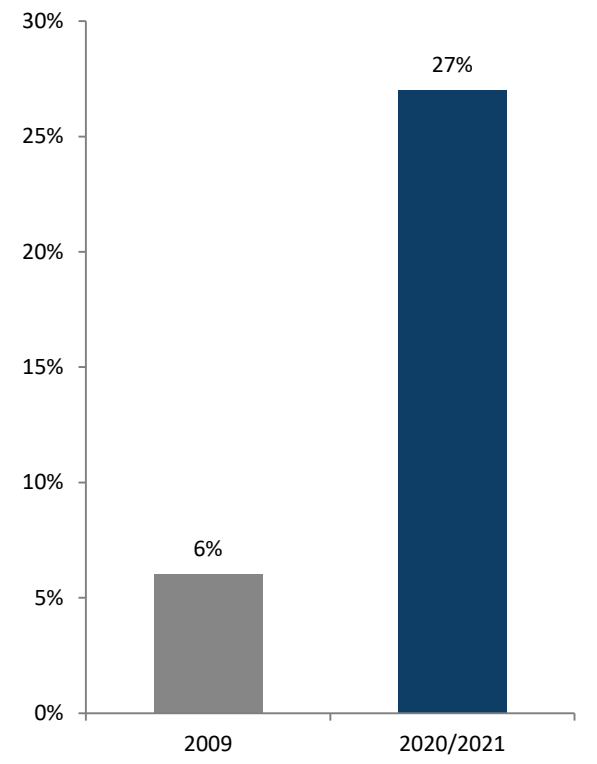
Economic Growth will be Powered by Unprecedented Stimulus

FOR ILLUSTRATIVE PURPOSES ONLY

Economic stimulus will help drive a rebound in global growth, but support is likely to continue as the lowest wage groups suffer from economic stress

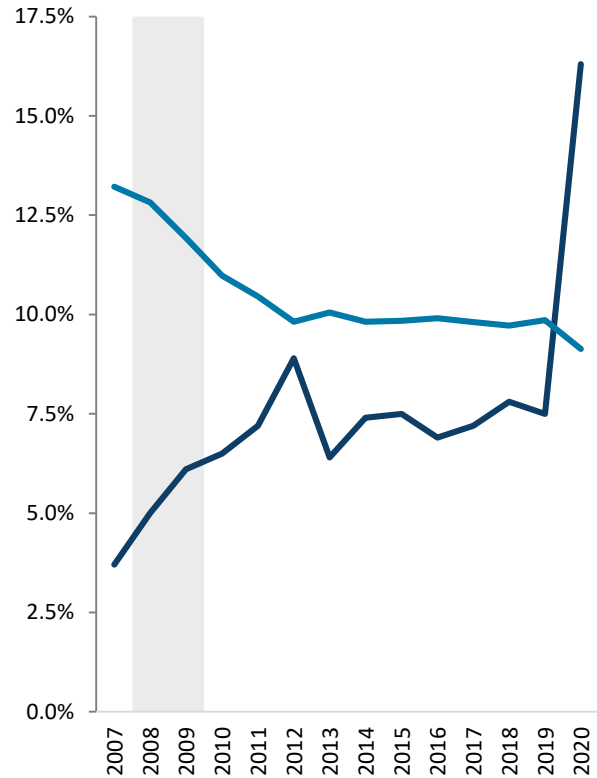
Economic Stimulus was Unprecedented at More than 4x GFC⁽¹⁾

U.S. Stimulus Spending as % of GDP: COVID-19 vs. Global Financial Crisis



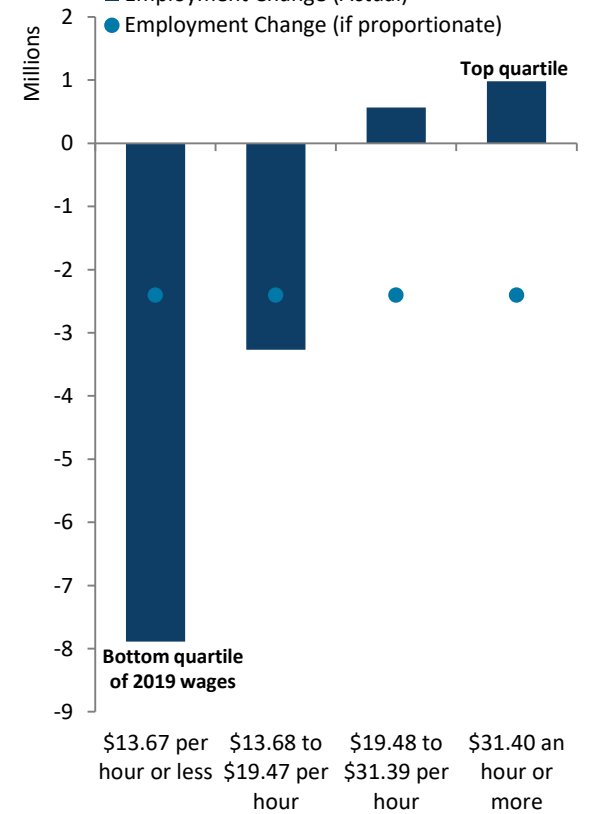
Households have paid down debt and built Savings since the GFC⁽²⁾

Savings as share of disposable income
Debt payments as share of disposable income



Continued Economic Stress of the Lowest Wage Groups⁽³⁾

Employment change from 2019 to 2020, by wage level



(1) Source: "How the \$1.9 trillion U.S. stimulus package compares with other countries' coronavirus spending", The Washington Post. IMF, EC & ILLS, World Bank. Fiscal measures include any 'above the line' stimulus packages announced or implemented in the calendar year; (2) Source: Commerce Department (savings) and Federal Reserve (debt payments); (3) Source: Economic Policy Institute analysis of Current Population Survey data. Charts and graphs are shared for illustrative purpose only. Investment decisions should not be based solely on the analysis above. **PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. ACTUAL RESULTS MAY VARY.**

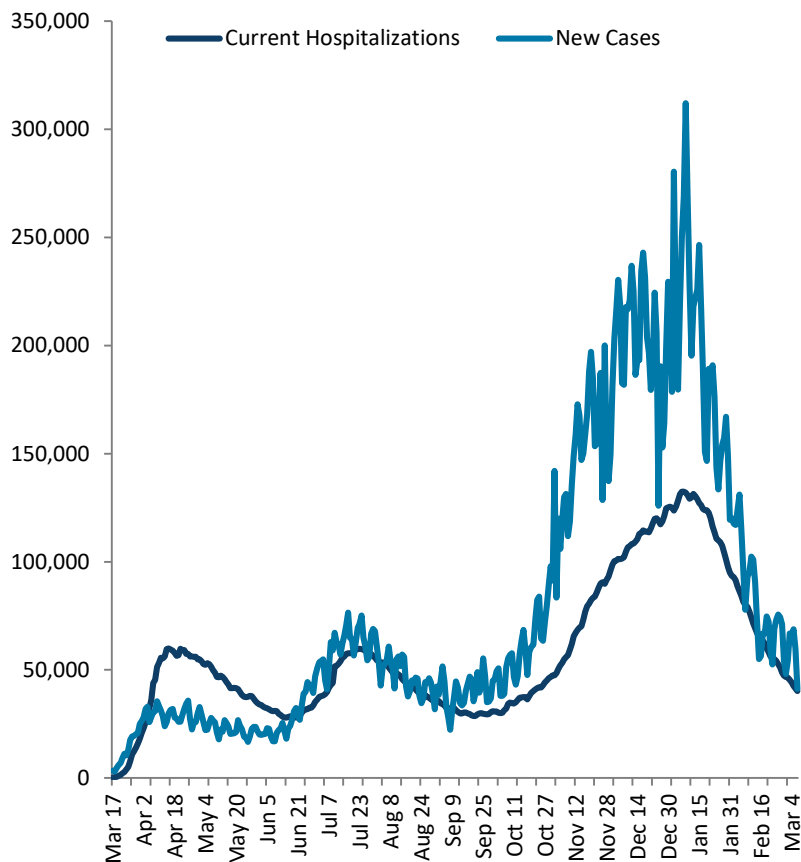
...and Positive Developments on the Virus Front

FOR ILLUSTRATIVE PURPOSES ONLY

The pace of the vaccine rollout has accelerated, and infection rates have dropped, providing hope that dormant parts of the economy are on a path to reopening

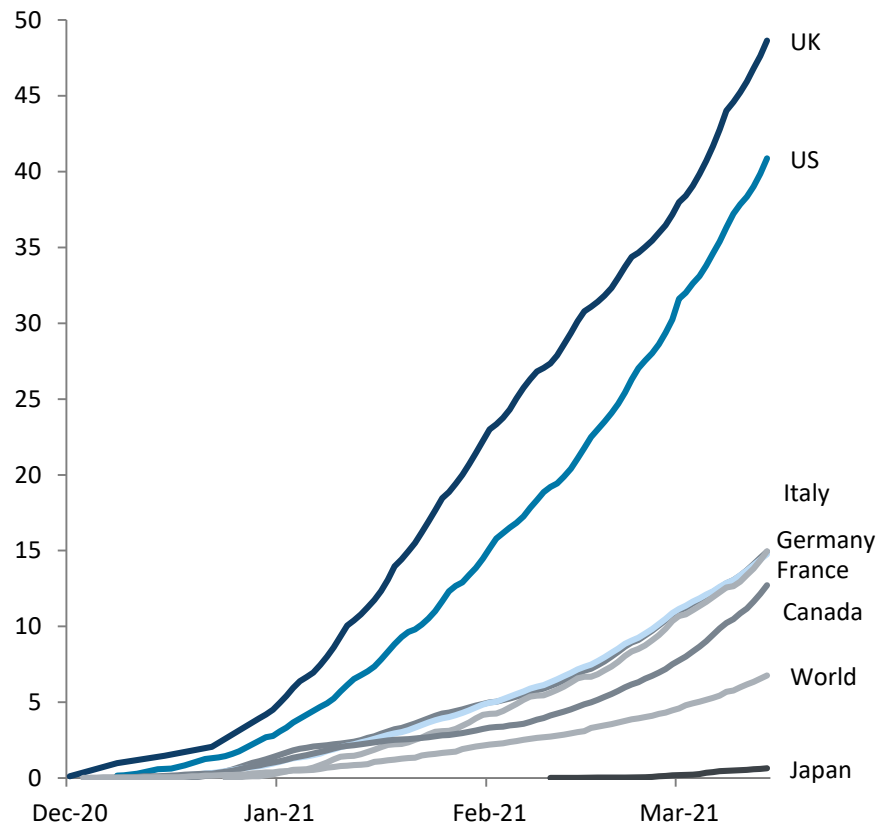
New Case Counts and Hospitalizations Continue Declining⁽¹⁾

Cases in the United States



Significant Vaccination Progress Led by UK and US⁽²⁾

Cumulative COVID-19 Vaccination Doses Administered Per 100 People

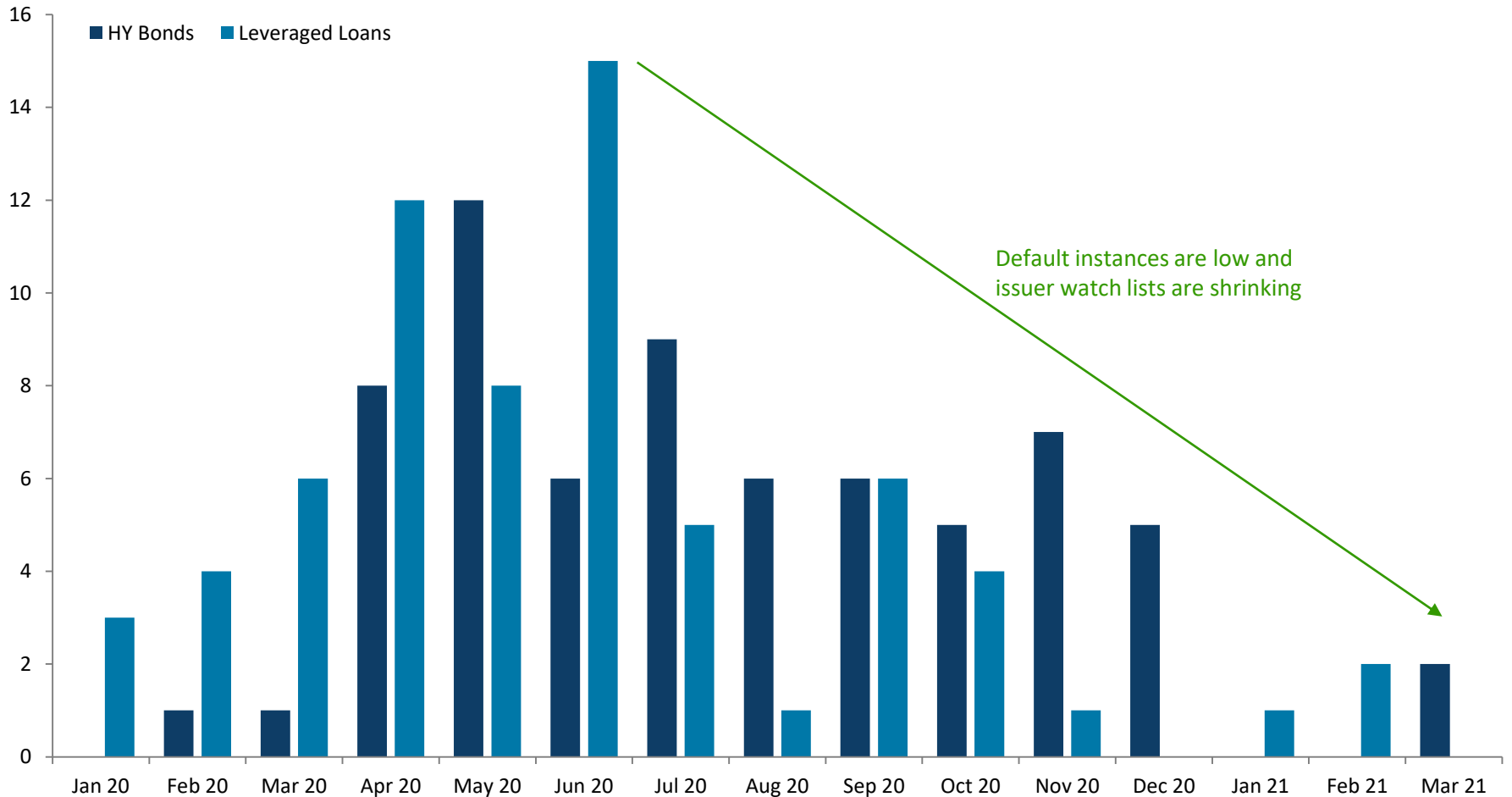


(1) Source: The COVID Tracking Project; (2) Source: Our World in Data. Charts and graphs are shared for illustrative purpose only. Investment decisions should not be based solely on the analysis above. **PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. ACTUAL RESULTS MAY VARY.**

Fundamentals have also Improved with Default Instances Collapsing

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Monthly Default Count: High Yield and Leveraged Loans



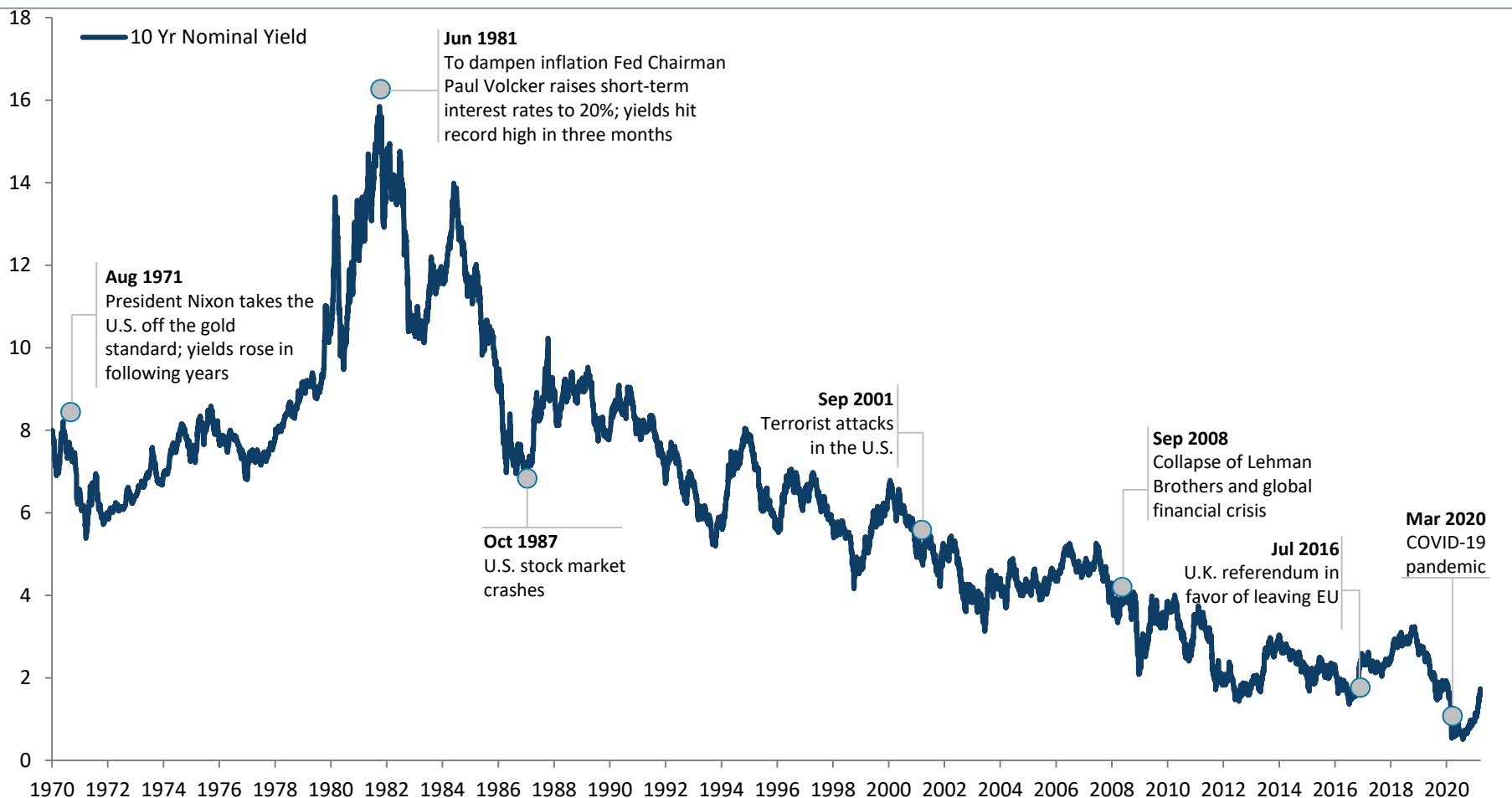
Source: Credit Suisse. Data as of March 18, 2021. Charts and graphs are shared for illustrative purpose only. Investment decisions should not be based solely on the analysis above. **PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. ACTUAL RESULTS MAY VARY.**

Interest Rates have been in a Period of Secular Decline for 30-Years

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The yield on the 10-year U.S. Treasury note peaked in the early 1980s and has since fallen steadily providing a tailwind for fixed income performance

U.S. Interest Rates Historical Timeline

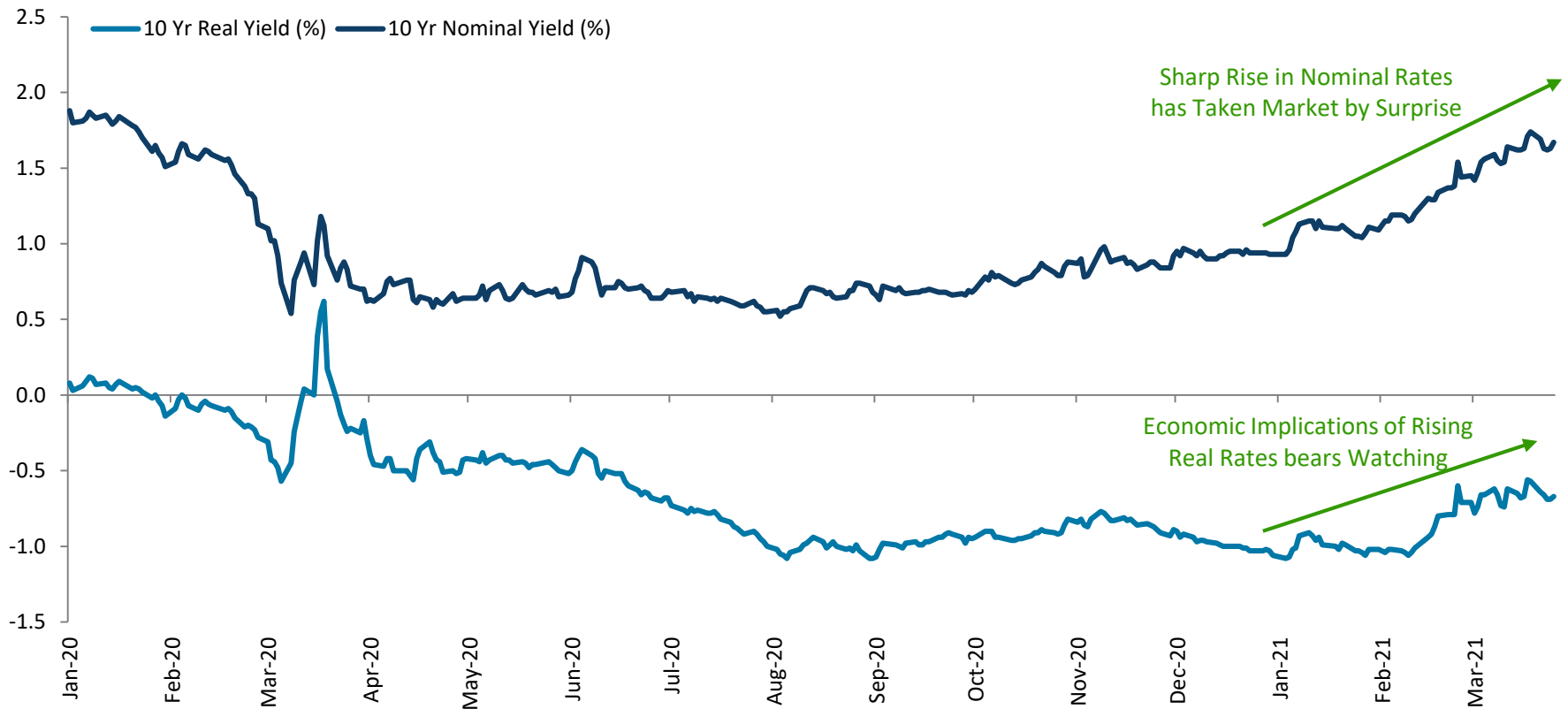


But this Brighter Economic Outlook has Led to a Sharp Rise in Yields

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Yields have risen sharply this year as the market reevaluates the potential path of policy rates given the positive economic outlook

Treasury Yields have Risen Sharply this Year, Albeit from Low Levels⁽¹⁾



(1) Source: U.S. Department of the Treasury. Data as of February 28, 2021. Charts and graphs are shared for illustrative purpose only. Investment decisions should not be based solely on the analysis above. **PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. ACTUAL RESULTS MAY VARY.**

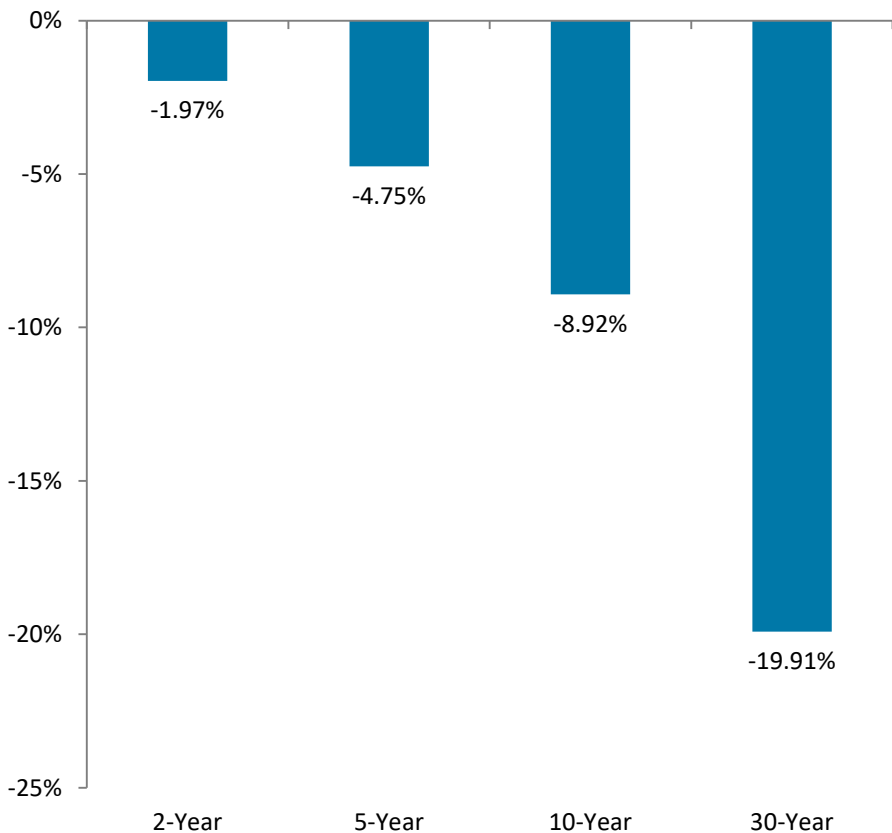
Strong Demand for Alternative Credit in a Low but Rising Rate World

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Fixed income investors are face a low current yield environment with heightened risk of rising interest rates. Investors are increasingly turning to Alternative Credit given the unappealing outlook for fixed income from here.

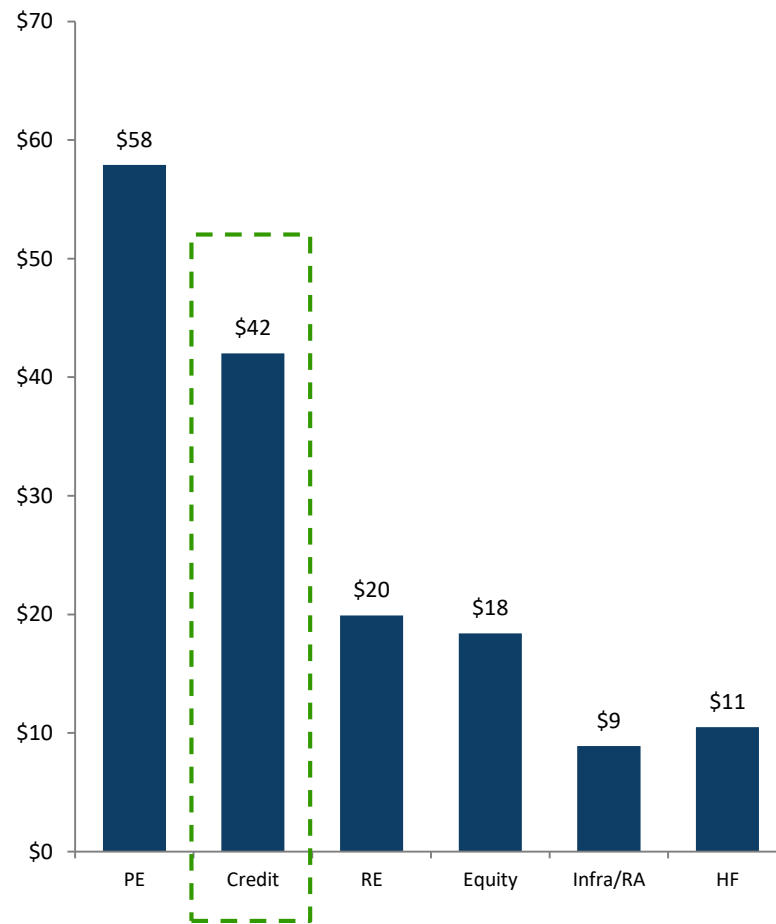
Illustrative Price Impact of Rising Rates to Fixed-Rate Bonds⁽¹⁾

Treasury bond price declines assuming immediate 100bps increase in rates



Alternative Credit is one Potential Solution for Investors⁽²⁾

US Public Pensions Commitments through 2020 in USD billions



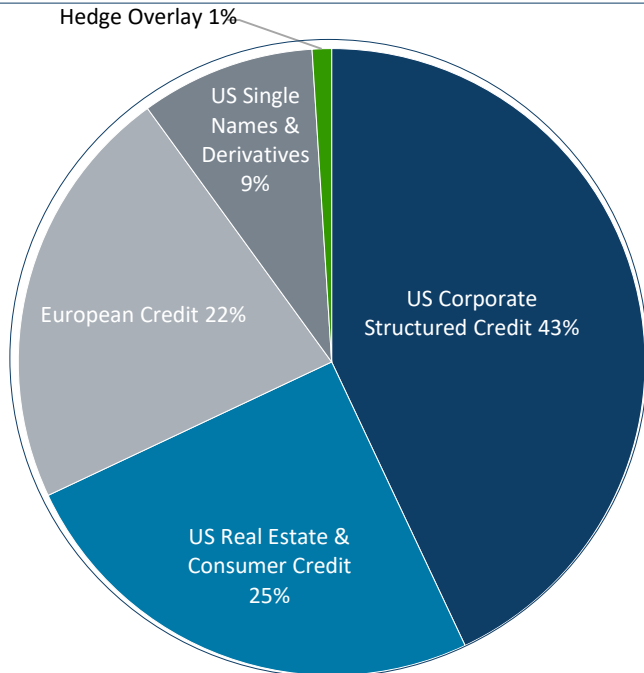
(1) Source: Napier Park, Bloomberg. Data as of Mar 28, 2021. (2) Data represents mandates attributed to US-based DB public pensions of Fundmap. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. ACTUAL RESULTS MAY VARY.

Napier Park Lake Credit Fund: Investment Summary

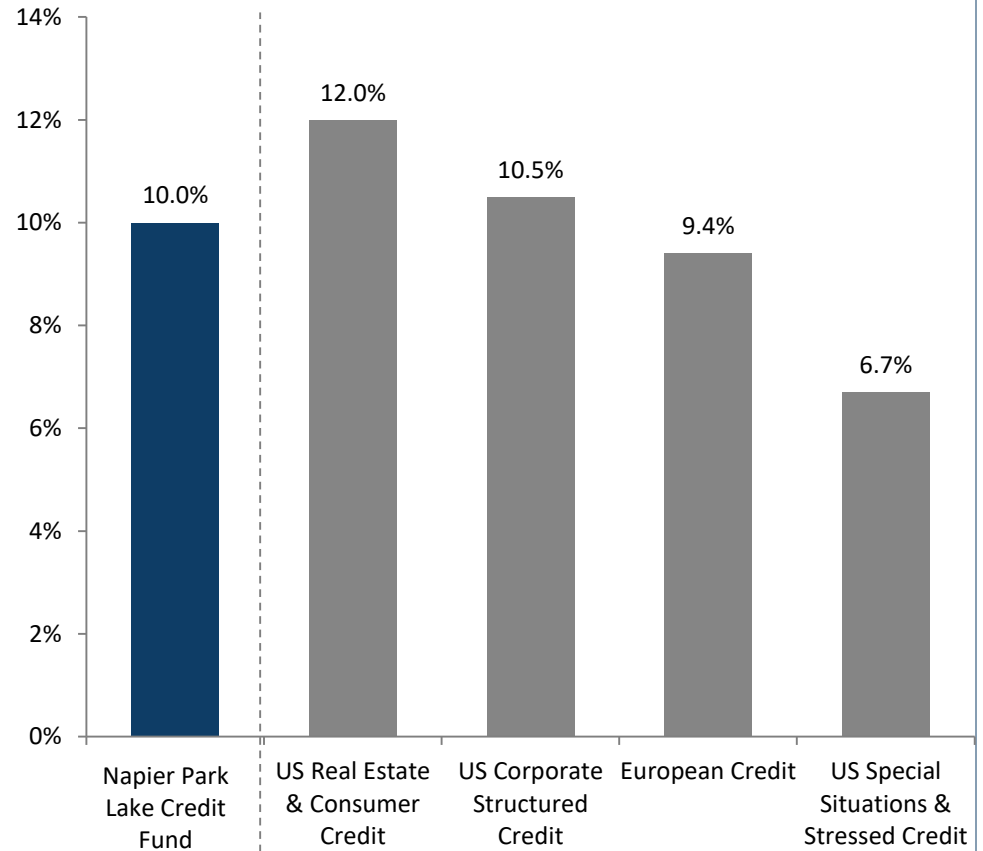
Capital Summary⁽¹⁾

Current NAV	\$528.8mm
Net IRR	46.0%

Portfolio Allocations (% of NAV)



Portfolio Yield Analysis (Gross)⁽²⁾



(1) Source: Napier Park. Data as of Feb 28, 2021; (2) Source: Napier Park. Data as of Mar 25, 2021. The yield figures above include the effect of leverage. Please refer to the disclaimers for details on the calculation of the 12 Month Return Analysis. **PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. ACTUAL RESULTS MAY VARY.**

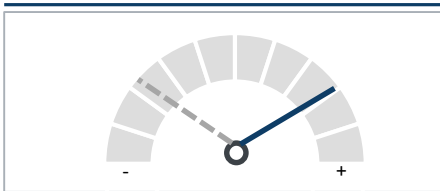
Napier Park Lake Credit Fund: Investment Outlook

With rising rates as a potential risk on the horizon, Napier Park has positioned the portfolio towards pro-cyclical alternative credit assets with a focus on short-duration and floating rate exposures

Residential Rehabilitation Lending

- Short duration commercial loans on non-owner occupied properties to rehab professionals
 - Short Duration averaging a 12-month term
 - Attractive Return with a 7% unlevered yield
 - Low Correlation to broader markets
- Housing dynamics have been extremely favorable, due to the lack of housing supply and generational low mortgage rates

Investment Outlook

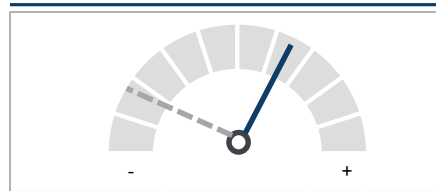


----- March 2020 Outlook
 ——— Outlook Today

Private Consumer Credit

- Debt tranches of credit facilities backed by consumer assets, e.g., a mezzanine tranche of a revolving warehouse facility
 - Short Duration averaging a 2-3 year term
 - Typically floating rate coupon providing some protection from rising interest rates
 - Attractive Return with 8-10% unlevered yield

Investment Outlook

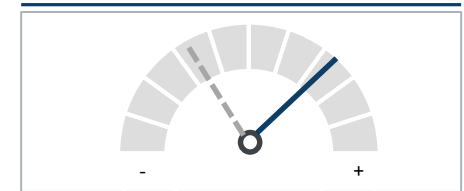


----- March 2020 Outlook
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Structured Corporate Exposure

- Short duration payment obligations of credit-worthy obligors created in the ordinary course of business as payment for goods or services
 - Tenor is typically only 1 to 6 months
 - 10-16% unlevered yield
- Short tenor provides ability to continually reinvest and reprice when doing so, thereby mitigating interest rate and credit spread duration

Investment Outlook



----- March 2020 Outlook
 ——— Outlook Today

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12 Month Return Analysis:

Assumptions: Credit markets maintain current (March 2021) spread levels. Annual return is primarily driven by yield and roll down of portfolio assets.

Fund modelled 12 month estimated returns were generated by examining the returns from the existing portfolio under a set of assumptions about default losses and future spread performance. No defaults were assumed to occur on single name positions, while structured credit portfolios were modelled based on portfolio and/or risk manager default and recovery expectations under both base case and recovery scenarios using full cashflow models in Intex or similar systems. Further details are available upon request, including estimated modelled returns from other scenarios, and assumptions about other relevant market variables.