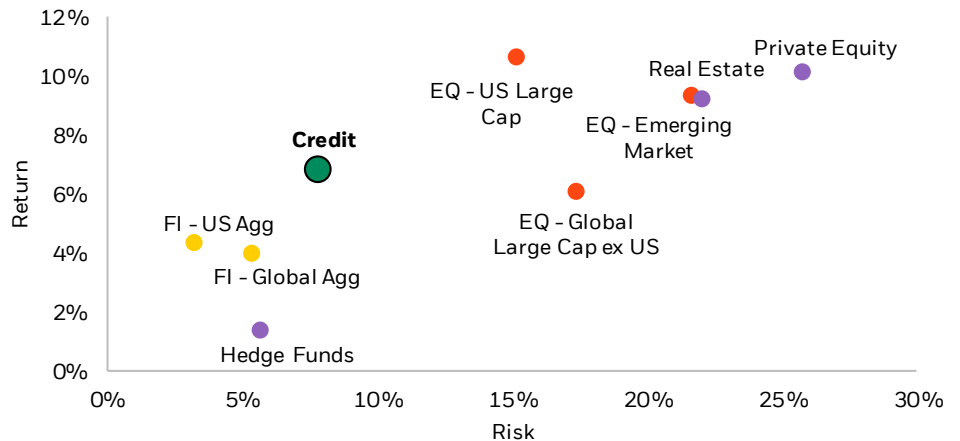


# Adding Diversified Global Credit to U.S. Public Pensions

Global public credit markets have grown significantly in the last decade, creating an asset class that can assist pension plans in generating income in excess of traditional fixed income and dampening volatility from growth assets. We analyzed the average asset allocation of U.S. public pension plans and the impact of adding a market value weighted basket of global sub investment grade securities, denoted as Credit.

**1. In the context of pension assets, credit offers an attractive risk adjusted return profile**

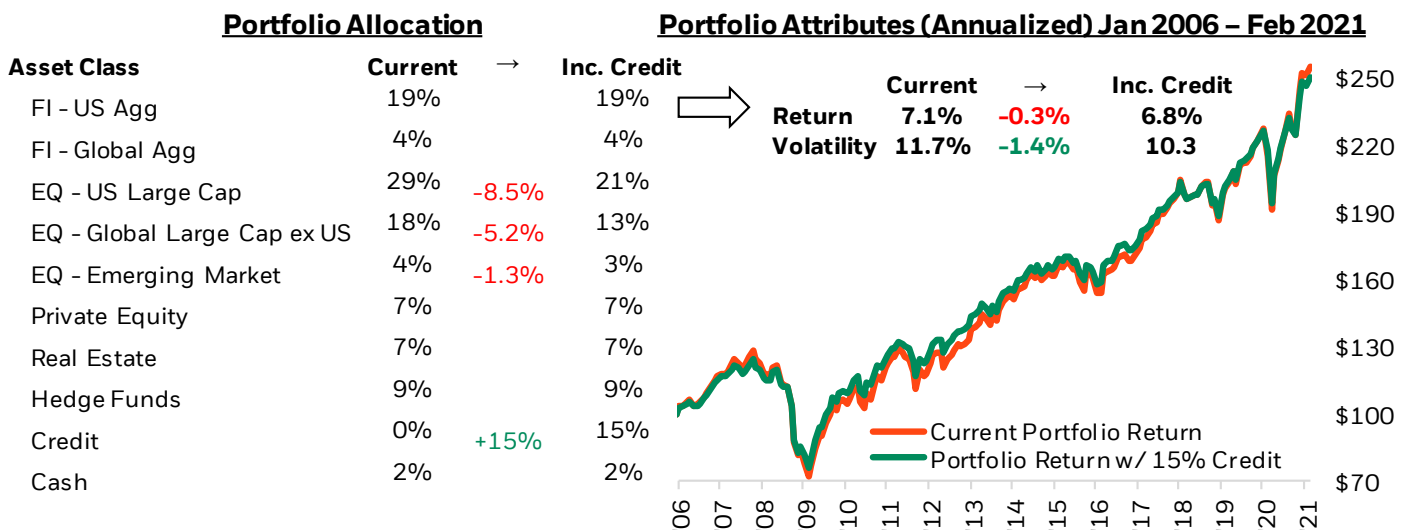


**2. Credit has diversifying benefits with a low correlation to the Traditional Fixed Income portfolio**

**Total Return Correlations (Jan 2006 – February 2021)**

	Growth Assets	Traditional FI	Credit
Growth Assets	1.00		
Traditional FI	0.18	1.00	
Credit	0.79	0.35	1.00

**3. Funding an allocation to Credit with a pro rata reduction of Equities (part of the Growth Assets) can meaningfully reduce the overall portfolio volatility without sacrificing return**



**There are a number of ways to integrate credit into a portfolio. We believe the competitive return profile, relatively muted volatility, and diversification benefits make it an attractive strategic addition to a pension portfolio.**

Asset Class	Index Name
FI – US Agg	Bloomberg Barclays US Aggregate Bond Index
FI – Global Agg	Bloomberg Barclays Global Aggregate Index
EQ – US Large Cap	MSCI USA Net Total Return USD Index
EQ - Global Large Cap ex US	MSCI World ex USA Net Total Return USD Index
EQ - Emerging Market	MSCI Emerging Markets Net Total Return USD Index
Private Equity	S&P Listed Private Equity Index
Real Estate	Dow Jones U.S. Real Estate Index
Hedge Funds	Hedge Fund Research HFRX Global Hedge Fund Index
Cash	Barclays 1-3 Month T-Bill Index
Credit	Market value weighted index of Bloomberg Barclays US HY 2% Issuer Cap, Bloomberg Barclays Pan-European High Yield USD hedged, S&P/LSTA US Leveraged Loan, S&P/LSTA European Leveraged Loan USD hedged, JP Morgan EMBI Global, JP Morgan CEMBI , and JP Morgan JACI

Source: Barclays, JP Morgan, MSCI, Dow Jones, Hedge Fund Research and S&P as of 2/26/21. Index performance is shown for illustrative purposes only. Indexes are unmanaged. It is not possible to invest directly in an index. All performance shown in US dollars. The figures shown relate to past performance. **Past performance is not a reliable indicator of current or future results.**

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