



INVESTMENT COMMITTEE

Staff Report

File #: 19-955

Agenda Date: 6/9/2020

Agenda #: 1.

FROM: Don Pierce, Chief Investment Officer

SUBJECT: Informational: ZAIS Update on Structured Credit

RECOMMENDATION:

ZAIS Update on Structured Credit.

BACKGROUND:

Zais currently manages about \$370,000,000 for SBCERA across various credit strategies with a strong focus on structured credit (including CLO equity, CLO mezzanine, ABS, CMBS, and RMBS). SBCERA first invested with ZAIS in 2007. Over the course of the relationship, SBCERA contributed about \$483,000,000 and received \$218,000,000 in distributions.

Structured credit assets are a common holding across the SBCERA portfolio because they exhibit value, income, and contractual characteristics. However, the market value of these assets fell dramatically during the recent market drawdown. Structured credit suffered as concerns about increased defaults weighed on credit markets broadly. ZAIS is presenting an update on the structured credit markets. In past cycles, SBCERA experienced similar initial drawdowns and we continue to believe the asset class represents attractive long-term value.

BUDGET IMPACT:

None.

STRATEGIC PLANNING GOAL/OBJECTIVE:

Prudent Fiscal Management

STAFF CONTACT:

Jacob Abbott

ATTACHMENTS:

Exhibit A: ZAIS Update on Structured Credit Presentation