SBCERS
Santa Barbara County Employees' Retirement System

TPG Angelo Gordon Private Credit Discussion

August 2024

TPG

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Section I

TPG Twin Brook Overview

Twin Brook: Access to Private Credit

Investment Philosophy[1]:

- ✓ **Senior Loans:** We aim to build a diversified portfolio of private, first lien, senior secured, floating rate loans to U.S. lower middle market companies, which we believe have the potential to provide stable returns over time
- ✓ **Selectivity:** We have a rigorous 60-90 day underwriting process with extensive access to information and a robust research process
- ✓ **Sourcing:** An established origination platform, which TPG Twin Brook's senior team members have been developing for 20+ years[2], allows for consistent deal flow, the ability to lead transactions, and the potential to build diversified portfolios over time

35+	$86B	700
Years of Investment Experience[4]	Assets Under Management[4,5]	Employees Globally[4]

1. Twin Brook's investments will be in companies with credit ratings below investment grade. While senior loans mitigate risk, they do not eliminate risks involved
2. The TPG Angelo Gordon Middle Market Direct Lending team was founded in 2014. Prior to TPG Angelo Gordon, the senior team had worked together previously
3. Please refer to the slide named "TPG Twin Brook Capital Partners" for more information on the relationship between TPG Angelo Gordon and Twin Brook
4. These statistics are related to TPG Angelo Gordon
5. As of June 30, 2024. TPG Angelo Gordon's AUM reflects fund-level asset-related leverage. For a description of the factors TPG Angelo Gordon considers when calculating AUM, please see the disclosure linked here

Note: There can be no assurance that the investment strategy's objective will be met. Reflects TPG Angelo Gordon's views and beliefs. There can be no assurance that any proposed fund will be able to implement its investment strategy, achieve its investment objectives or avoid significant losses

TPG Twin Brook is TPG Angelo Gordon's middle market direct lending business.[3]
TPG Angelo Gordon is a diversified credit and real estate investing platform within TPG.

TPG Twin Brook Capital Partners

2014
Established

Chicago
Based

$20.2 Billion
Asset Commitments[3]

115+
Team Members

1,760+ Closed Transactions[1]
With over 141 different middle market private equity firms

- TPG Angelo Gordon's middle market direct lending business, Twin Brook Capital Partners, is focused on senior secured lending to lower middle market borrowers with less than $25 million of EBITDA, strong historical performance, and private equity ownership.
- Our middle market direct lending strategy focuses on sourcing, underwriting and actively managing a diversified portfolio of middle market, floating rate, senior secured loans (including revolvers and first liens).
- Senior members of the TPG Twin Brook team have worked together for over 20 years.
- Since the inception of the strategy at the firm through June 30, 2024, the team has considered over 12,253 deals from 944 unique PE sponsors. We have closed over 423 platform financing deals with 141 different PE Sponsors, not inclusive of add-ons.
- Our strategy is focused on delivering attractive returns while minimizing volatility and protecting the downside, and thus aims to be conservatively positioned.

$34.6 Billion
Commitments Issued to Date[1]

1,765
Closed Transactions To Date[1]

97%
Deals as Lead/Co-Lead Arranger[2]

Recent Awards

2022 USA Lender of the Year, Small Mid-Markets[4]

2021 USA Lender of the Year, Small Mid-Markets[4]

2021 Private Debt – Direct Lending: AG Direct Lending Fund III[4,5]

2020 Americas Lender[4] of the Year, Small Mid-Markets

2020 Lender, Small – Firm of the Year, U.S.A. [4]

2019 Fundraising of the Year, Americas

2019 Lower Mid-Market Lender of the Year, Americas

2019 Lender of the Year

2018 Senior Lender of the Year, Americas

Data as of June 30, 2024, unless otherwise noted.

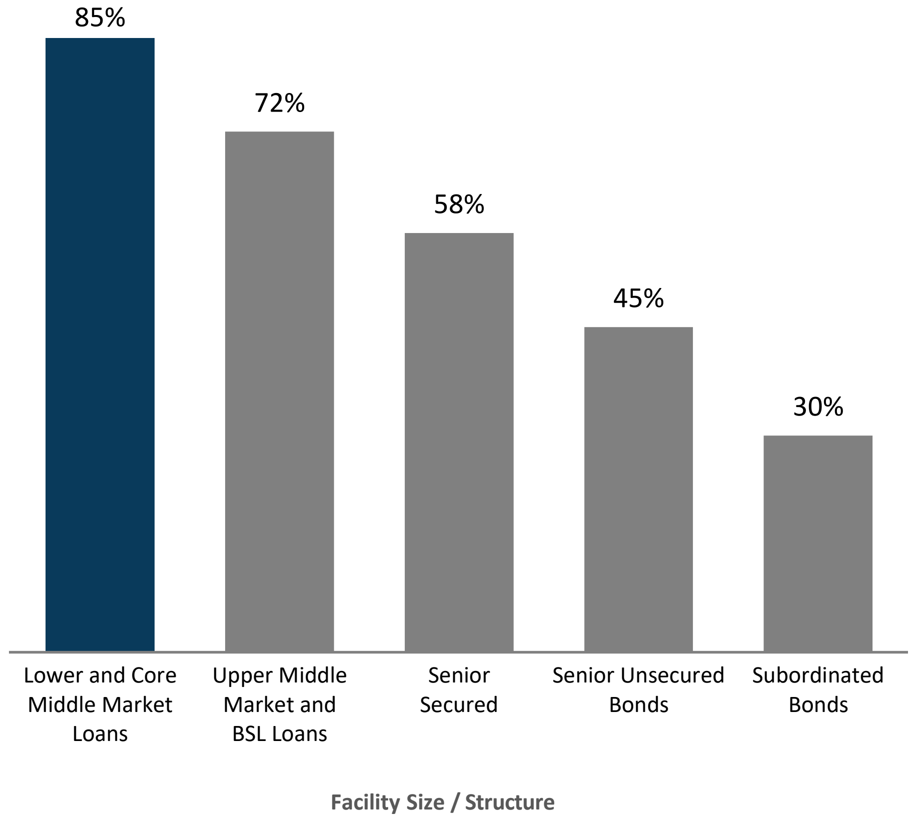
1. Reflects number of transactions closed and asset commitments issued since TPG Twin Brook's inception.
2. Value represents percentage of deal count since inception and may be rounded. There can be no assurance that the Fund's investment objective will be achieved, or losses can be avoided.
3. Represents funded and unfunded asset commitments as of June 30, 2024.
4. The Firm has paid, directly or indirectly, to attend an awards ceremony in connection with the Firm's receipt of the Global M&A Network and Alternative Credit US Performance awards.
5. The Firm has paid, directly or indirectly, in order to use the award and recognition received from Alternative Credit US Performance Awards in these and other materials.

Differentiation Within the Middle Market

- TPG Angelo Gordon has carefully defined the lower middle market ("LMM") segment as its chosen market due to the historical consistency of returns.
- The LMM seeks to offer (1) moderate leverage, (2) financial covenants, (3) increased yield on assets, and (4) smaller lender groups, which have historically led to higher average recovery rates compared to other asset classes.

Market Segmentation[1]		Structural Considerations[1]		Improved Pricing[1]	Lending Group[1]
Type of Market	**EBITDA Range ($MM)**	**Leverage**	**Financial Covenants**	**Increased Spread[2]**	**No. of Lenders**
Broadly Syndicated Loans (BSL")	>$75	High (>6x)	None	-	50-75
Upper MM	$40-50+	High (>6x)	None	0.25-0.50%	2-40
Core MM	$25-$40	Moderate to High (4.5x-6.0x)	50/50	1.25-1.50%	1-8
Lower MM	<$25	Moderate (3.0x-4.5x)	Yes	1.75-2.5%	1-3

Historical Average Recovery Rate[3]



1. Information reflects the TPG Twin Brook team's subjective view and analysis of current market conditions and data. Such analysis cannot be independently verified. Actual pricing, structure, etc. may differ materially from the information presented herein. Refers to likelihood that deal terms, including but not limited to pricing spread and OID, and allocation may change during the time period from the announcement of a transaction to its pricing. Pricing varies depending on a number of variables such as size of issuer, rating, repeat issuer, leverage and industry sector. The pricing above is representative of current pricing in the market for senior transactions that also include a junior capital component
2. Pricing depends on a number of variables such as size of issuer, rating, repeat issuer, leverage and industry sector. The pricing above is representative of current pricing in the market for senior transactions that also include a junior capital component
3. Source: S&P Global Ratings; Article: U.S. Recovery Study: Loan Recoveries Persist Below their Trend. Lower, Core, Upper Middle Market and BSL Loans, recovery rates represent the mean, discounted recovery rates of term loans with revolving credit facilities. Bond recovery rates represent the dollar weighted, nominal recovery rates for larger firms. All recovery rates are from 1987 through September 2023. Includes only debt instruments that defaulted from U.S. Issuers. Lower and Core Middle Market firms defined as firms with $350 million or less in total debt outstanding at the time of default. Upper Middle Market and BSL Loans defined as firms with greater than $350 million of total debt outstanding at the time of default. Recoveries are defined as the ultimate recovery rates following emergence from three types of default: bankruptcy filings, distressed exchanges, and non-bankruptcy restructurings. Recovery rates based at the instrument level and discounted using the effective interest rates. The above represents historical data and is not necessarily indicative of the performance of any fund or account

Section II

Private Credit Market: Secular Supply Demand Imbalance

Four Private Credit Tailwinds Join to Create Historic Moment

Decline in Capital from Traditional Financing Sources

Private Capital Emerged As Solutions Provider

Banks' Retrenchment From Providing Credit

Opportunity: Private credit substitutes for traditional role of banks

- The banking industry has seen a multi-decade consolidation wave starting from the 1990s.
- Regulation Post GFC continues to force banks into low-risk lending with excess capital reserves.
- Leads to continued deleveraging and a need to transition lending from levered global financial institutions to the world of private credit.

Growth in Private Equity and Venture Capital

Opportunity: Credit Financing for LBO and Merger Deals; Lend to FinTech Platforms

- Private equity assets under management has increased over 14x since 2002[2]
- Private capital markets have grown to $13trn, an $8trn increase since 2013[3]
- PE + VC have disproportionately expanded in terms of private capital relative to other forms

Growth in Private Credit

Opportunity: Demand for Capital Far Outweighs Supply

- Increased demand for financing from corporates and other borrowers who were traditionally served by banks and public markets
- Rising investor awareness and appetite for private credit as an investment strategy
- As private credit takes share, new markets are just starting to develop

Public Market Structure Permanently Altered

Opportunity: Private Market As Alternative Substitute to Publicly Traded / Traditional Fixed Income

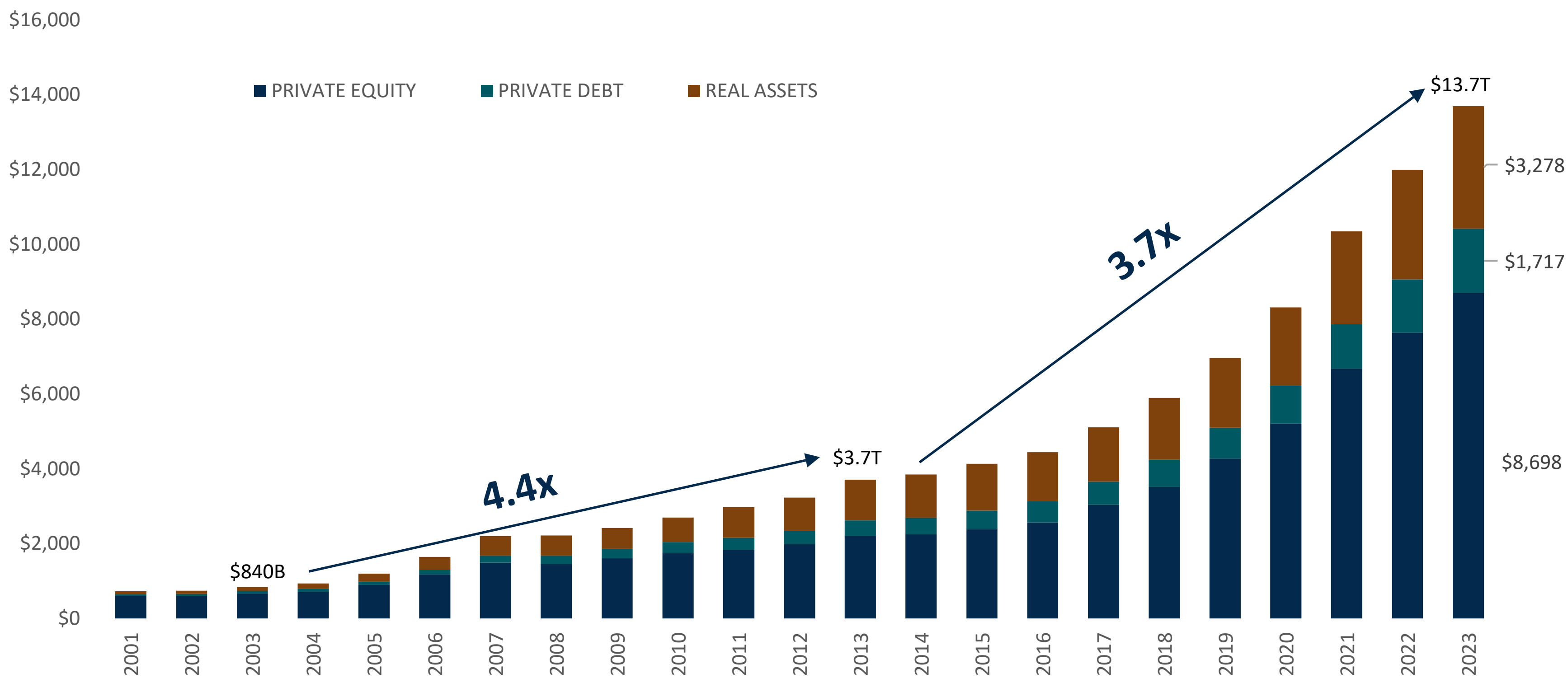
- Bank risk-taking activities in liquid markets has been severely curtailed
- The public market no longer provides effective transaction mechanism between buyers and sellers
- Public markets are exposed to more significant and permanent volatility going forward as a result[1] --- traditional fixed income markets increasingly disjointed

1. Source: BofA MOVE Index has indicated persistent elevated volatility in interest rates for the the past 2 years. Data as of 12/31/2023.
2. Source: Preqin. As of June 30, 2023. Private equity AUM excludes venture capital, hybrid and fund of fund
3. Source: SIFMA, BIS, Pitchbook Apollo.

Note: Represents TPG Angelo Gordon's opinion and general expectation subject to market conditions. There is no guarantee suitable investment opportunities will be sourced or that investment objectives will be successful, that targets will be realized, or that losses can be avoided.

Private Credit Tailwind: Private Credit Lagged Private Capital Market Growth

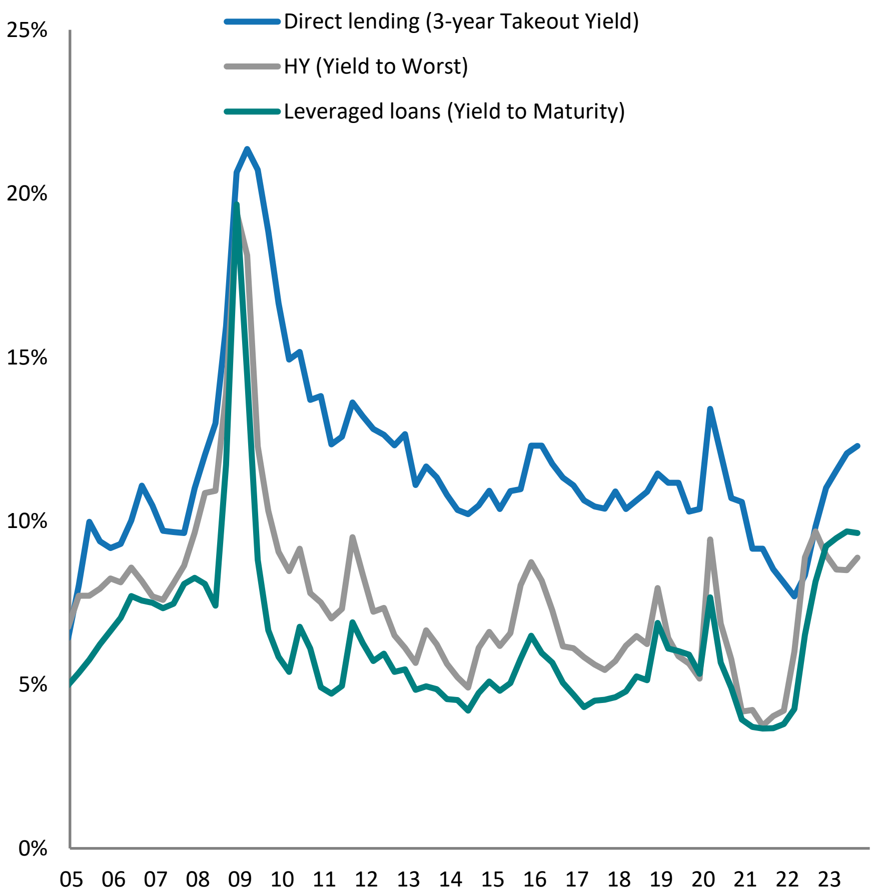
Private Markets AUM Growth



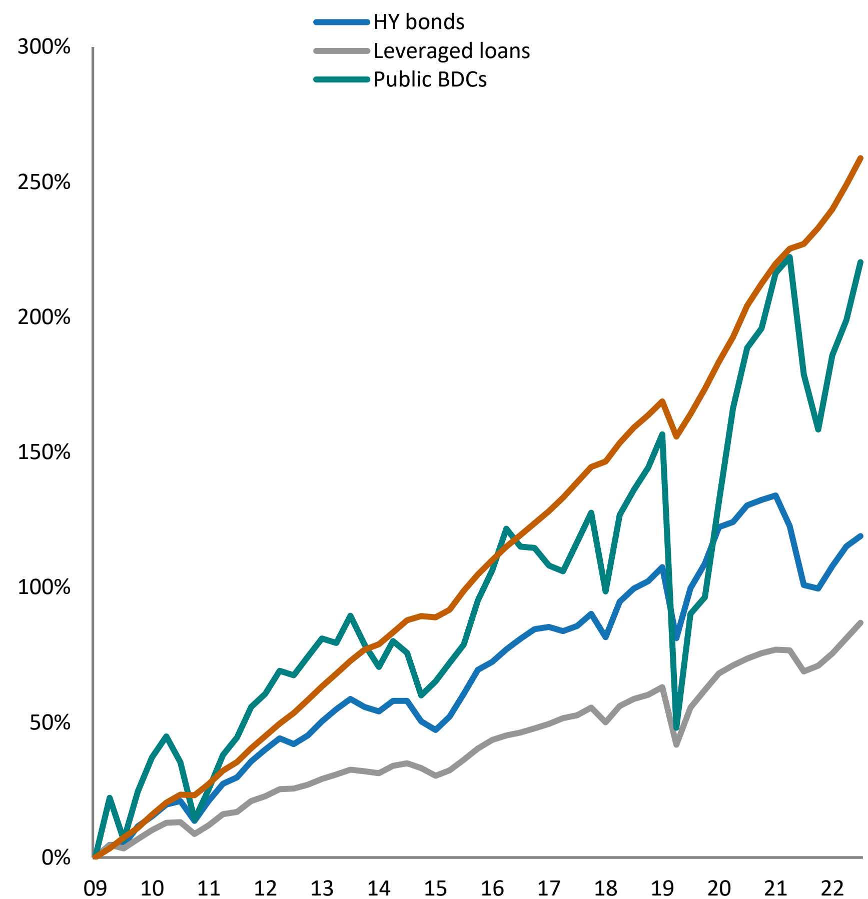
Note: Data through Dec 2023.
Assets under management represents the total value of dry powder and unrealized value. Real assets includes real estate, natural resources and infrastructure funds. To avoid double counting of available capital and unrealized value, fund of funds and secondaries are excluded.
Source: Preqin Pro

Private Credit Tailwind: Public Market Volatility Leading LPs to Choose Private Credit

Average Yield[1]



Cumulative Return[1]

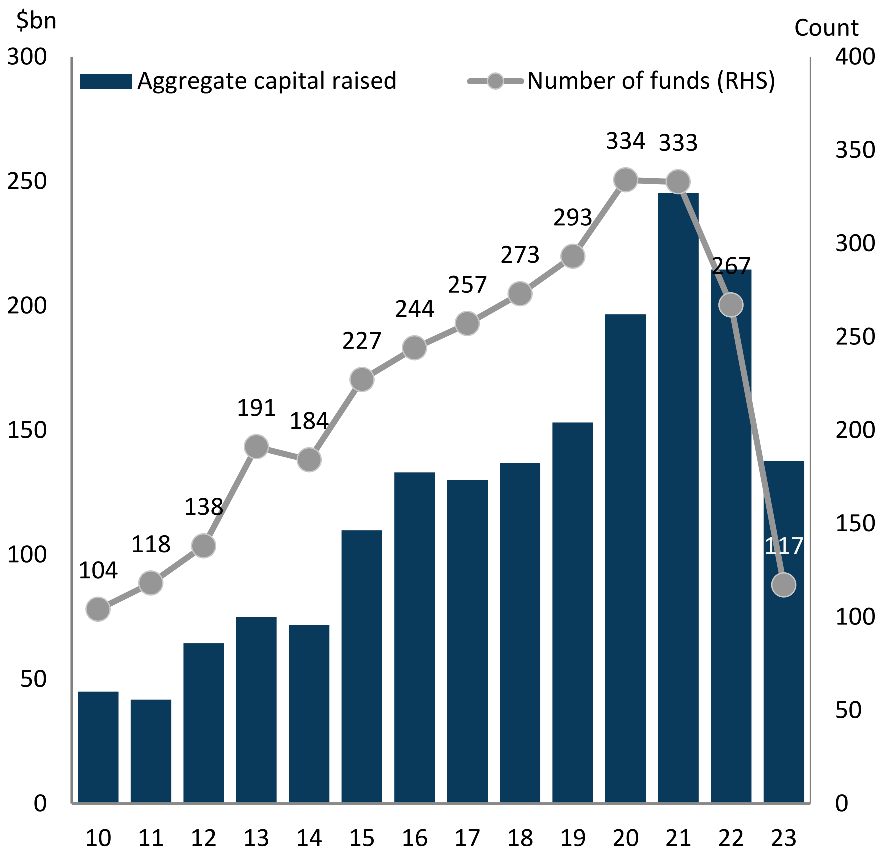


1. Bloomberg US Corporate High Yield Index, Cliffwater Direct Lending Index ("CDLI"), Morningstar LCD US Leveraged Loan Index, Goldman Sachs Global Investment Research

Private Credit Tailwind: Issuers Taking Notice of LP Demand and Increasingly Accessing Private Debt

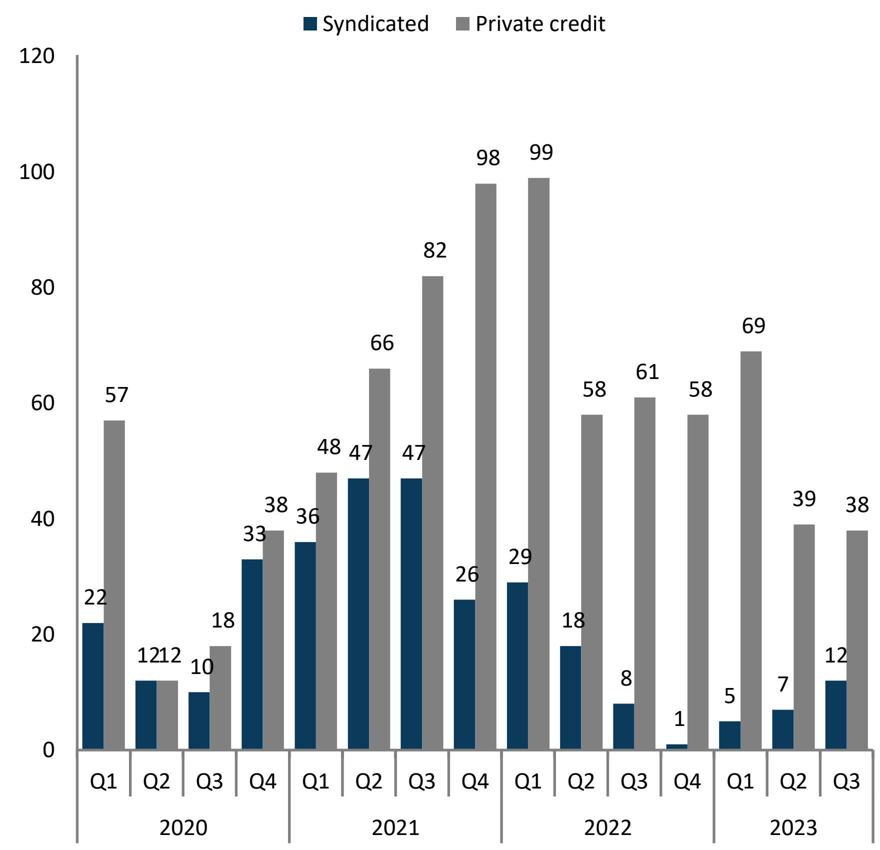
Aggregate Capital Raised and Number of Funds for Private Debt Strategies

$ Billions



Count of LBOs Financed by BSL and Private Credit

$ Billions



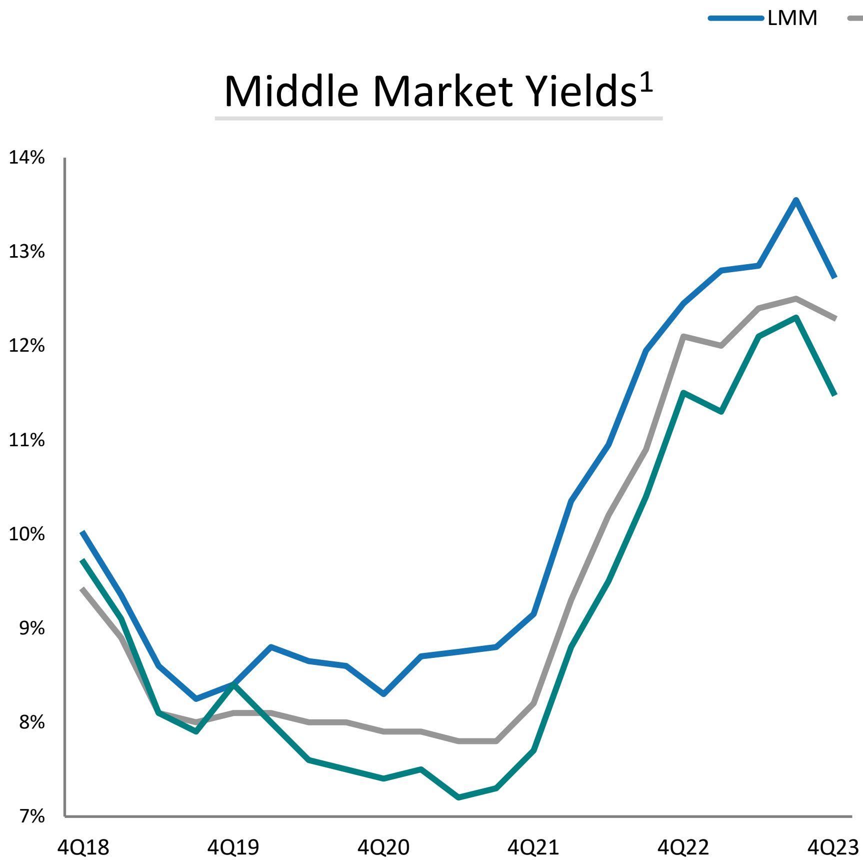
Source: Goldman Sachs Jan 2024.

Section III

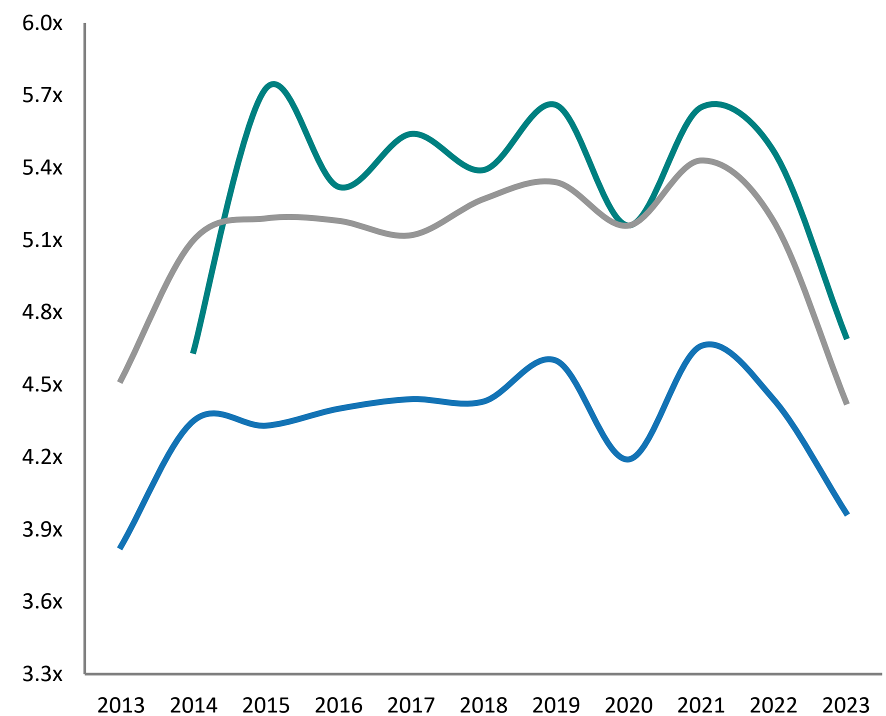
Direct Lending Market

Lower Middle Market Risk/Return Profile

Middle Market Yields[1]



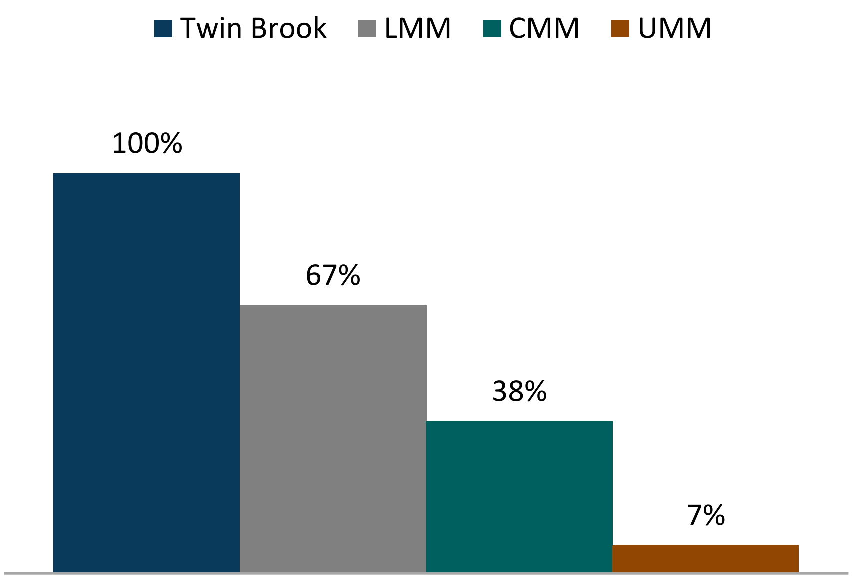
Middle Market Leverage Multiples[2]



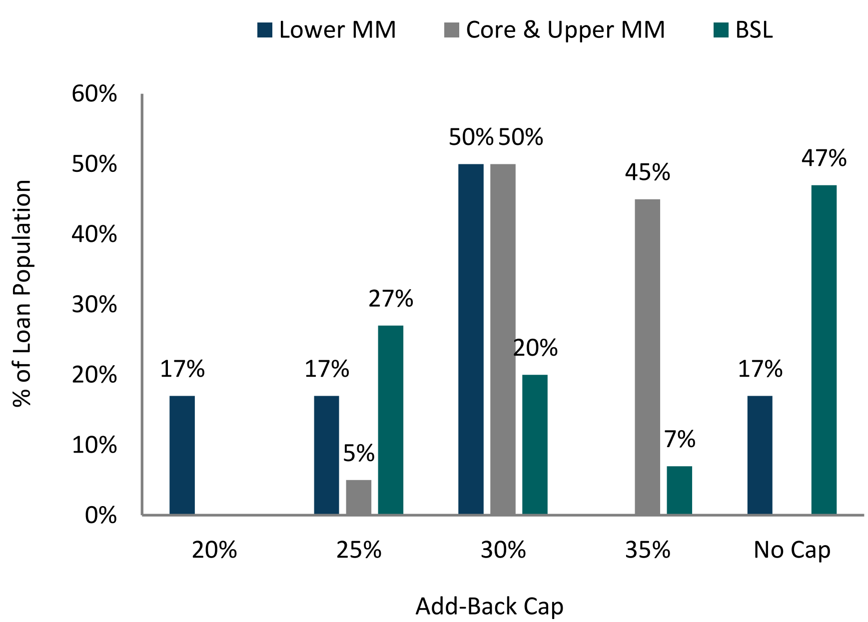
1. Houlihan Lokey Private Performing Credit Index. LMM = adjusted EBITDA of <$20 million, CMM = adjusted EBITDA of $20-50million, and UMM/BSL is adjusted EBITDA >$50 million
2. Refinitiv LPC 3Q23 Private Deal Analysis; LBO Total Debt To EBITDA. Upper Middle Market ≥$40 million EBITDA, Core Middle Market $20-$40 million EBITDA, Lower Middle Market ≤$20 million EBITDA
Note: Data as of December 31, 2023 unless otherwise noted. There is no guarantee that suitable investment opportunities can be sourced

Loan Protections: Covenants and Add-Back Caps

Loan Population with Covenants[1]



EBITDA Add-Back Caps by Loan Size[2]

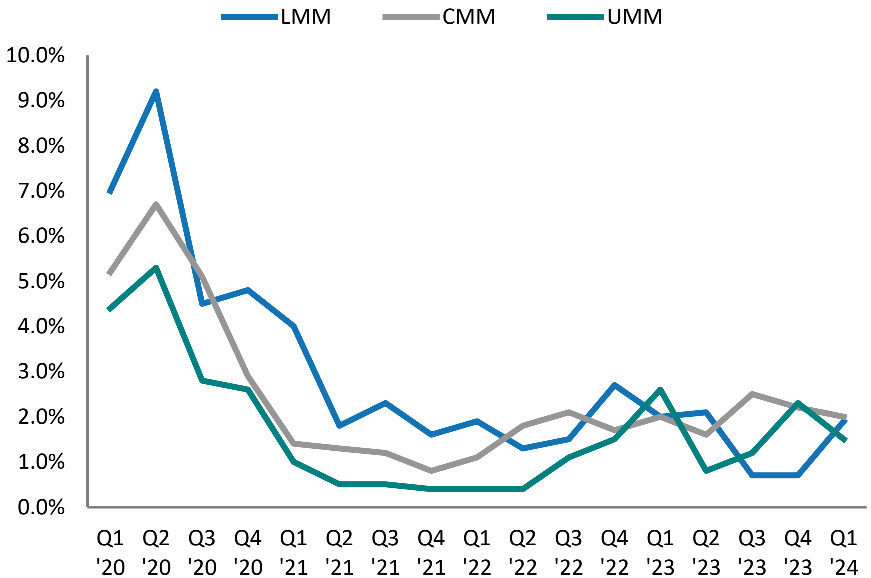


1. Pitchbook LCD; Deal Size - LMM = <$200 million, CMM = $200-350 million, UMM = $350 – 500 million
2. Moody's Investors Service: Cap sizes on EBITDA add-backs for run rate cost savings, synergies, business optimizations. Lower Middle Market represents private credit loan sizes less than or equal to $250 million, Core and Upper Middle Markets are >250 million, and BSL represents the broadly syndicated loan market

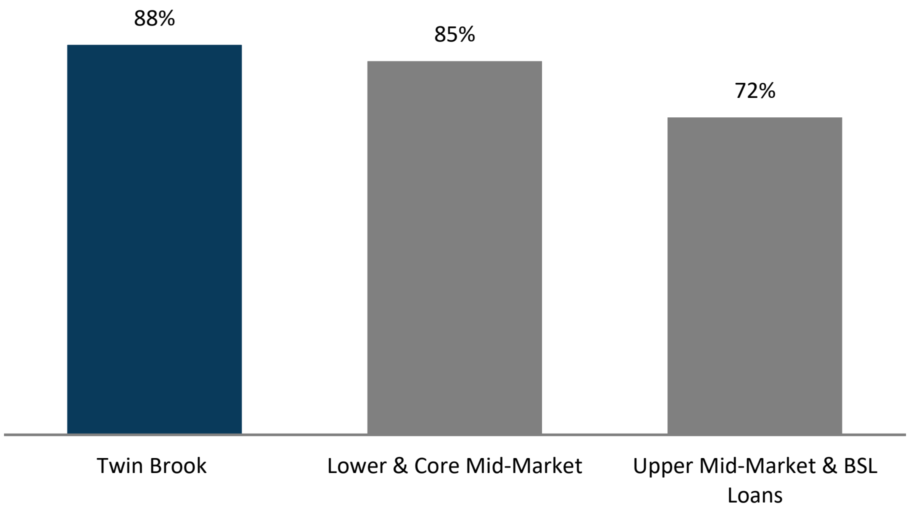
Note: Data as of September 30, 2023 unless otherwise noted. There is no guarantee that suitable investment opportunities can be sourced.

Default & Recovery Rates

Middle Market Default Rates[1]



Average Recovery Rates[2]



1. Proskauer. Default Index
2. Source: S&P Global Ratings, S&P Global Market Intelligence's Credit Pro & Ratings Research. Article: U.S. Recovery Study: Loan Recoveries Persist Below their Trend. Lower, Core, Upper Middle Market and BSL Loans, recovery rates represent the mean, discounted recovery rates of term loans with revolving credit facilities. Bond recovery rates represent the dollar weighted, nominal recovery rates for larger firms. All recovery rates are from 1987 through September 2023. Includes only debt instruments that defaulted from U.S. Issuers. Lower and Core Middle Market firms defined as firms with $350 million or less in total debt outstanding at the time of default. Upper Middle Market and BSL Loans defined as firms with greater than $350 million of total debt outstanding at the time of default. Recoveries are defined as the ultimate recovery rates following emergence from three types of default: bankruptcy filings, distressed exchanges, and non-bankruptcy restructurings. Recovery rates based at the instrument level and discounted using the effective interest rates. The above represents historical data and is not necessarily indicative of the performance of any fund or account. Note:

Additional Disclosures

Investments in the Fund's strategy include several risks and limitations, including but not limited to the risk of loss. Investments in debt of middle market companies involve a number of significant risks, any one of which could cause the Fund to lose all or part of the value of its investment. The Fund’s focus on investments in the debt of middle market companies may constrain the liquidity and the number of securities available for investment by the Fund, and the Fund’s investments are disproportionately exposed to risks associated with these securities; there is a risk that the collateral securing a Fund’s investment in senior secured loans may decrease in value over time or become difficult to sell in a timely matter, and as a result does not eliminate the risk that the Fund will be unable to collect on the loan; middle market companies have more limited financial resources than larger companies and may be unable to meet their obligations, have shorter operating histories, narrower product lines and smaller market shares, and are more vulnerable to competitors’ actions and market conditions, which may reduce the likelihood of the Fund realizing any guarantees it may have obtained in connection with its investments with respect to such companies; the loans in which the Fund invests will be concentrated primarily in North America and, consequently, weak economic conditions in this location or any other location (which may or may not affect real property values) may affect the ability of borrowers to repay their loans on time; increased competition for, or a diminishment in the available supply of, qualifying loans could result in lower yields on loans originated by the Fund, which could reduce returns to investors; the Fund’s investments in sub-investment grade loans are subject to greater risk of loss of principal and interest than investments in higher rated securities and the market for non-investment grade securities may be smaller and less active than that for higher-rated securities, which could ultimately have a material adverse effect on the performance of the Fund; with respect to the Fund’s investments whose loan terms permit prepayment and no or nominal prepayment premiums, to the extent early prepayments increase, the proceeds generated by the Fund may decline as compared to TPG Angelo Gordon’s expectations; the Fund’s investments in subordinated loans are subject to the risk that the subordinate portions of such loans may suffer losses prior to more senior portions of such loans; the Fund’s investments in unsecured debt are subject to the risk that in the event of default on the unsecured loan, no collateral value would remain for the unsecured holder resulting in a loss of such investment to the Fund; the Fund may use leverage, which will increase the funds available for investment, but will also increase the risk of capital loss in the event of adverse changes in the level of market prices of the positions being financed with the borrowings, and there can be no assurance that the Fund will be able to maintain adequate financing arrangements under all market conditions; changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial conditions of issuers of the Fund’s investments, may impair the Fund’s ability to dispose of an investment at the prevailing market price; the Fund may seek to purchase entire portfolios or substantial portions of portfolios from market participants in need of liquidity, which presents a substantial risk that TPG Angelo Gordon will not be able to adequately evaluate particular risks or that market movements or other adverse developments will cause the Fund to incur substantial losses on such transactions; due to the illiquid nature of many of the investments the Fund expects to make, TPG Angelo Gordon is unable to predict with confidence what, if any, exit strategy will ultimately be available for any given core position.

Any forecasts, models, and estimates (including, without limitation, any targeted, implied, or projected rates of return) contained herein are necessarily speculative in nature, involve elements of subjective judgment and analysis, and are based upon certain assumptions and the best judgment of TPG AG. Targeted, implied, and projected returns are hypothetical, and do not reflect the actual returns of any client or investor. It can be expected that some or all of such assumptions will not materialize or will vary significantly from actual results. Accordingly, these targeted, implied, or projected rates of return are only an estimate. Actual results will differ and may vary substantially from the results shown herein. TPG AG's targeted, implied, or projected performance information is not a prediction or projection of actual results and there can be no assurance any such performance will be achieved. The actual returns of any individual investment can be lower or higher, depending on the nature of any individual investment. TPG AG's evaluation of a proposed investment is based, in part, on TPG AG's internal analysis and evaluation of the investment and on numerous investment-specific assumptions that may not be consistent with future market conditions and that may significantly affect actual investment results. TPG AG's ability to achieve investment results consistent with these targets depends significantly on the accuracy of such assumptions.

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Any change or inaccuracy in the assumptions may have a material impact on actual results, and it should not be assumed that any target returns shown herein will be achieved. Hypothetical returns have inherent limitations and prospective investors should not rely on any hypothetical performance shown herein. No representation is made that any fund or investor will or is likely to achieve the results shown. Actual results will differ and may be materially lower than the target, implied or projected return shown herein.

Please see the summary Risk Factors provided at the end of this presentation as well as the Offering Documents for more detailed information about the risks of investing in the Fund.

Risk Factors

No assurance can be given that the investment objectives of AG Direct Lending Evergreen Fund, L.P.; AG DLI Evergreen Fund, L.P. (each, the "Fund") will be achieved or that investors will receive a return of all or any part of their capital. The Fund is a high-risk investment vehicle with limited liquidity. Prospective investors in the Fund should carefully consider the risks involved in an investment and should review the Offering Documents of the Fund, including the confidential offering memorandum (as amended or supplemented from time to time) for information regarding such risks and potential conflicts of interest. Investors should understand these risks before making an investment and have the financial ability and willingness to accept them for an extended period of time. The list below is intended to highlight and summarize some of such risks, but is incomplete and is qualified in its entirety by the more detailed information in the Offering Documents. Among other factors, investors should be aware of the following:

- An investment in the Fund is speculative, involves a high degree of risk and requires a long-term commitment, with no certainty of return.
- The Fund's performance may be volatile and could result in substantial losses.
- The Fund will incur expenses (including management fees) which will offset the Fund's returns.
- The general partner's allocation of profits is not proportionate to the general partner's capital contribution to the Fund and may create an incentive for the general partner to make investments that are riskier or more speculative than would be the case in the absence of such a provision.
- The Fund was recently formed and therefore has limited operating history. The performance of TPG AG's prior funds is not indicative of the results of the Fund.
- The Fund has not identified all of the particular investments it will make and may be unable to find attractive investment opportunities.
- The Fund will invest in relatively few opportunities and will not hold a diversified portfolio.
- The amount and frequency of distributions are solely within the discretion of the general partner. There can be no assurance that the Fund will make any distributions.
- The Fund may borrow funds to pay Fund expenses, make investments, make payments under guarantees or hedges, facilitate distributions and other purposes. To the extent the Fund uses borrowed funds in advance or in lieu of capital contributions, limited partners will make correspondingly later or smaller capital contributions. As a result, the use of borrowed funds at the Fund level can impact calculations of carried interest the general partner receives, as these calculations generally depend on the amount and timing of capital contributions. In addition, the Fund's use of borrowed funds at times will impact the calculation of certain performance metrics, such as IRR, that will be presented in the Fund's periodic reports.
- There will be no public market for certain of the Fund's investments, and such investments may be subject to additional transfer restrictions.
- The Fund expects to encounter competition from other entities having similar investment objectives.
- Interests in the Fund are subject to restrictions on transfer, including consent of the general partner, and have not been registered under the Securities Act of 1933. No secondary market for interests in the Fund exists and none is expected to develop.
- The Fund is not subject to the same regulatory requirements as mutual funds.
- The success of the Fund is substantially dependent on a limited number of other investment professionals. These investment professionals have significant responsibilities to other TPG AG investment vehicles in addition to the Fund.
- The general partner has significant discretion in the management of the affairs of the Fund.
- The limited partners will have no opportunity to control the day-to-day operations of the Fund and will not have the opportunity to review relevant financial information regarding, or provided by, the Fund's portfolio companies.
- Extensive government regulation of certain industries in which the Fund may invest may create uncertainty and risks for the Fund.

Risk Factors

- Our investment professionals may acquire confidential or material non-public information that may prevent the Fund from acquiring or disposing of assets it otherwise would have purchased or sold.
- Because the Fund intends to invest in underlying assets with significant leverage, investment returns will be especially vulnerable to adverse economic factors, such as a decrease in the availability of leverage on acceptable terms and rising interest rates.
- The Fund may make investments outside the United States. Such investments may be subject to risks such as economic and political instability, high rates of inflation, exchange rate risk, confiscatory taxation, nationalization or expropriation of assets and certain other risks not typically associated with investing in the United States.
- The Fund may co-invest with third-parties that may have different interests from the Fund or may be in a position to take actions contrary to the Fund’s investment objectives.
- The Fund may invest using complex tax structures, and there may be delays in distributing important tax information to investors.
- The activities of private investment funds and their managers have been subject to intense and increasing regulatory oversight in recent years. Increased governmental scrutiny and regulatory oversight could adversely affect the Fund’s ability to generate its targeted returns and may impose administrative burdens on the general partner that may divert its time, attention and resources from portfolio management activities.
- The relationships among the Fund, the General Partner, the Investment Manager, the limited partners, other TPG AG Funds, the Fund’s underlying assets and their respective affiliates will give rise to certain conflicts of interest, including those with respect to: allocation of investment opportunities and fees and expenses for broken deals among TPG AG Funds; the ability of TPG AG to form new funds or vehicles; allocation of co-investment opportunities; investments made by the Fund and other TPG AG Funds in the same underlying asset; receipt of confidential or material non-public information; customized terms provided to certain investors in side letters, through separate accounts or otherwise; the diversity of the limited partners and the competing interests that arise as a result; strategic transactions by TPG AG; and the interpretation of the limited partnership agreement and other relevant legal provisions. Please see the Offering Documents for more information about conflicts of interest and the risks they may present.