Los Angeles City Employees' Retirement System

Private Credit Portfolio Performance Report

As of December 31, 2025

Aksia

www.aksia.com

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Private Credit Market Update (1 of 2)

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Credit Performance

Current State

- High Yield/Leverage Loan defaults steady (~2–3.5%)
- PC default measures vary widely (1–9% depending on source / methodology)
- Watchlists elevated but stress contained

Key Concerns

- Pre-2022 vintage borrower stress (esp. 2021)
- Rising payment-in-kind usage as early warning signal
- Mis-aligned sponsors with limited cash equity at stake
- ~10–20% of direct lending borrowers showing fundamental softness

Aksia View

- Headlines overstate systemic risk
- Stress is real but idiosyncratic and concentrated
- Dispersion across credits increasing, favoring skilled underwriters
- Selectivity in new deployments is critical

Software Exposure

Current State

- Revenue / EBITDA often still growing
- AI hasn't materially hit fundamentals yet
- AI rapidly reshaping underwriting approaches and risk pricing

Key Concerns

- Point solutions and generic tools most vulnerable
- Compressed valuation multiples and expanding spreads
- Maturity wall in 2027–28 could force refinancings at unfavorable terms for syndicated loans; PC likely to amend and extend if needed

Aksia View

- New software loans remain investable with cautious underwriting
- Mission-critical, embedded platforms and data-rich systems of record are more resilient
- AI disruption risk extends beyond software into professional services and other sectors

Evergreen Fund Structure

Current State

- Redemption pressures on wealth-channel evergreen vehicles
- Sentiment diverging sharply between institutional investors and market headlines

Key Concerns

- Managers reliant on wealth capital or with subordinated exposure (e.g., CLO equity) most at risk
- Funds using high levels of leverage if banks reduce exposure
- Ratings-driven investors (insurance platforms) facing potential forced sales

Aksia View

- Broad contagion risk appears limited, issues are platform- and loan-specific, not systemic
- Closed-end vehicles have limited structural pressure to sell
- Institutional capital becomes increasingly valuable as liquidity tightens

Takeaway: Risk appears to be borrower specific and not broad based, but we expect return dispersion to increase as a result. We believe portfolio construction, credit selectivity and underwriting discipline will be the primary drivers of returns.

The above represents Aksia's market observations. Observations are subject to change.

Private Credit Market Update (2 of 2)

There are several market drivers that continue to generate attractive opportunities across a wide range of private credit strategies.

Market Drivers	Corporate Private Credit
• Possible market repricing underway, wealth capital constraints, and software fears • Extensive use cases remain for direct lending solutions • Signs of leverage buyout and merger & acquisition activity being unlocked	• Core middle market Senior Lending • Lower middle market Senior Lending • Opportunistic Lending • European Lending
• Increased demand for flexible capital (e.g., complicated refinancings, growth stage borrowers, deleveraging, cash flow optimization)	• Capital Solutions • Structured Equity • Growth Stage Credit
• Supply of over levered mid-market corporates expanding	• Corporate Distressed/Rescue Loans • Stress / Distressed Trading • PC "Special Situations"

Market Drivers	Asset Backed Strategies
• Commercial real estate refinance challenges • Bank balance sheet constraints	• Commercial Real Estate Transitional Lending • Residential Mortgages • Real Estate Special Situations
• Proliferating capital needs across infrastructure, power, data center, energy and transportation • Increasing asset-heavy borrower balance sheet optimization beyond public asset-backed market	• Infrastructure / Energy Loans • Growth Capital • Other "Hard Asset" Financing
• Continued PC and PE distribution issues • Stretched GP balance sheets • Evolving secondaries market	• Private Credit Secondaries • Portfolio Finance, NAV Lending, and GP Financings

The above represents Aksia's market observations. Observations are subject to change.

Private Credit Portfolio Overview (1 of 4)

Private Credit Portfolio Summary as of December 31, 2025

- As of December 31, 2025, LACERS Private Credit portfolio's fair market value of ~$641 million represented 2.36% of LACERS Total Plan Market Value.
- Year-over-year the Private Credit portfolio's fair market value increased by ~$236 million (~60%) and exposure to private credit in LACERS Total Plan grew by ~0.7%.
- 2026 commitment pacing target for private credit is between $500mm and $600mm.

Private Credit Exposure Summary	
Total Plan Market Value ($ millions)	$27,112
Private Credit Exposure Target (%)	5.75%
Private Credit Exposure Target ($ millions)	$1,559
Private Credit Exposure Current (%)	2.36%
Private Credit Fair Market Value Current ($ millions)	$641

Data as of December 31, 2025.

Private Credit Portfolio Overview (2 of 4)

Private Credit Portfolio Snapshot Year-Over-Year (12/31/2024 through 12/31/2025)

- Since the inception of the LACERS Private Credit program in 2020, LACERS has committed $1.4 billion to 22 partnerships, of which all remain active as of December 31, 2025.
- In the calendar year 2025, $560 million of commitments were made across 10 new investments and an existing investment was increased by $8 million.
- During 2025, contributions of ~$252 million outpaced distributions of ~$64 million, which is expected for a portfolio that is young and steadily building towards its target allocation.
- Since inception in Sep'20, the Private Credit portfolio has generated a net TVPI of 1.17x and a net IRR of 10.4%.

Private Credit Portfolio Snapshot ($ millions)			
Portfolio Since Inception	12/31/2025	12/31/2024	Change (+/-)
# of Investments	22	12	+10
Active	22	12	+10
Inactive	0	0	0
GP Relationships	19	11	+8
Inception To Date Contributions	$660	$408	+$252
Inception To Date Distributions	$129	$65	+$64
Fair Market Value	$641	$404	+$236
TVPI[1,2]	1.17x	1.15x	0.02x
Net IRR[1]	10.42%	10.25%	0.17%

[1] TVPI and IRR figures rounded.
[2] Total Value to Paid In Capital ("TVPI") equals (Cumulative Distributions + Fair Market Value) / (Cumulative Contributions)

Private Credit Portfolio Overview (3 of 4)

10 Largest General Partner Relationships (by Total Exposure[1])

- The top 10 General Partner relationships account for ~73% of active portfolio commitments and total exposure.
- By design, the majority of the largest General Partner relationships are within Direct Lending, which is a core strategy for the private credit portfolio.

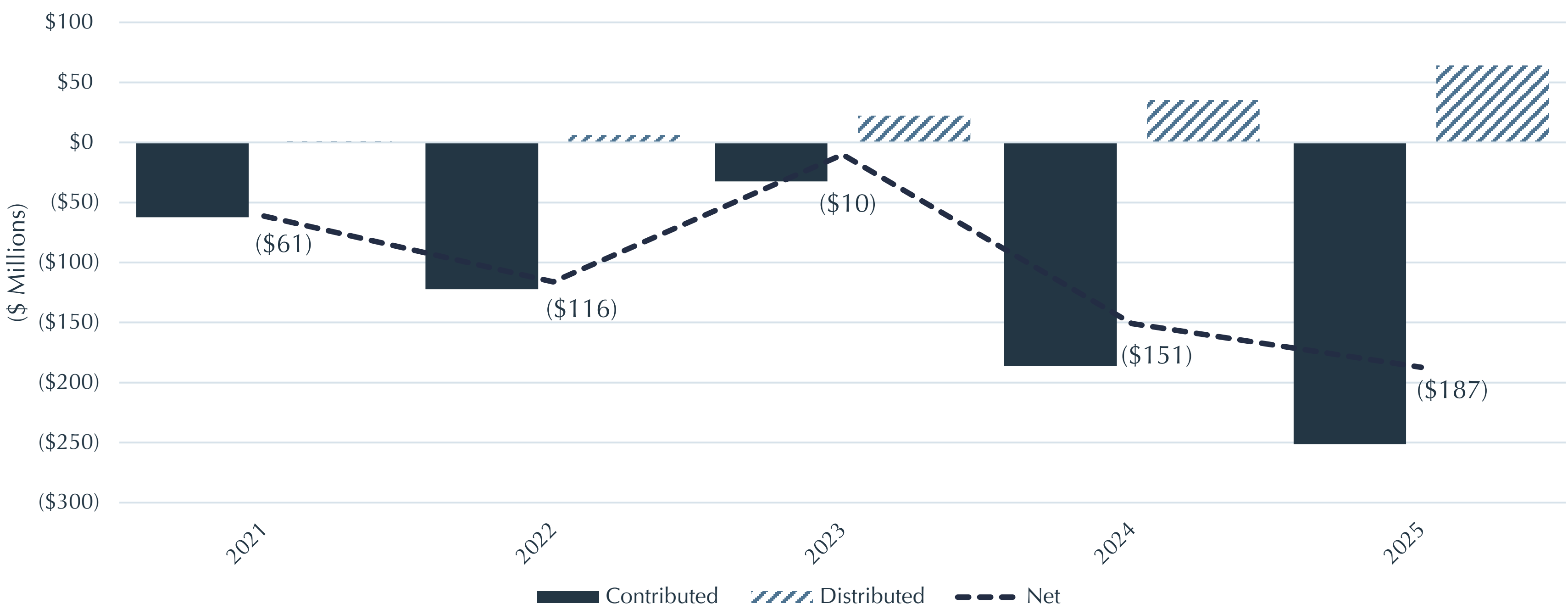
General Partner	# of Active Funds	Active Commitments ($ millions)	% of Total Active Commitments	Total Exposure[1] ($ millions)	% of Total Exposure[1]	TVPI[2,3]	Net IRR[3,4]
TPG Inc.	3	$200	14.0%	$207	14.2%	1.12x	n.m.
HPS Investment Partners LLC	1	$100	7.0%	$104	7.2%	1.13x	n.m.
Silver Point Capital LP	1	$100	7.0%	$101	7.0%	1.16x	n.m.
ICG plc	1	$100	7.0%	$101	7.0%	1.14x	n.m.
Monroe Capital Management Advisors LLC	1	$100	7.0%	$100	6.9%	1.29x	8.6%
BDT & MSD Partners	1	$100	7.0%	$100	6.9%	-	n.m.
Benefit Street Partners LLC	1	$100	7.0%	$98	6.8%	1.26x	7.3%
Crescent Capital Group LP	1	$100	7.0%	$98	6.8%	1.16x	11.1%
Nuveen LLC	1	$80	5.6%	$80	5.5%	1.00x	n.m.
Dawson Partners	1	$70	4.9%	$75	5.2%	1.11x	n.m.

Data as of December 31, 2025.
[1]Total Exposure represents NAV plus unfunded commitments.
[2]Total Value to Paid In Capital ("TVPI") equals (Cumulative Distributions + Fair Market Value) / (Cumulative Contributions).
[3]TVPI and IRR figures rounded.
[4]IRR of investments held less than two years generally is not a meaningful indicator of performance and is therefore labeled "n.m.".

Private Credit Portfolio Overview (4 of 4)

Private Credit Program Cash Flow Profile Over Time

- Since LACERS's Private Credit portfolio is relatively new, it has been cash flow negative, with capital calls outpacing capital distributions.
- As the portfolio matures, the cashflows are expected to be net positive, which is currently projected to occur in 2030.



Summary of Q3 2025 & Q4 2025 Activity

New Investments made in Q3 2025 & Q4 2025

- During the second half of 2025, 6 commitments totaling $365 million were made to new General Partner relationships across a wide range of strategies.
- The average commitment amount was ~$61 million.
- Included in the total are 2 commitments to emerging managers totaling $45 million.

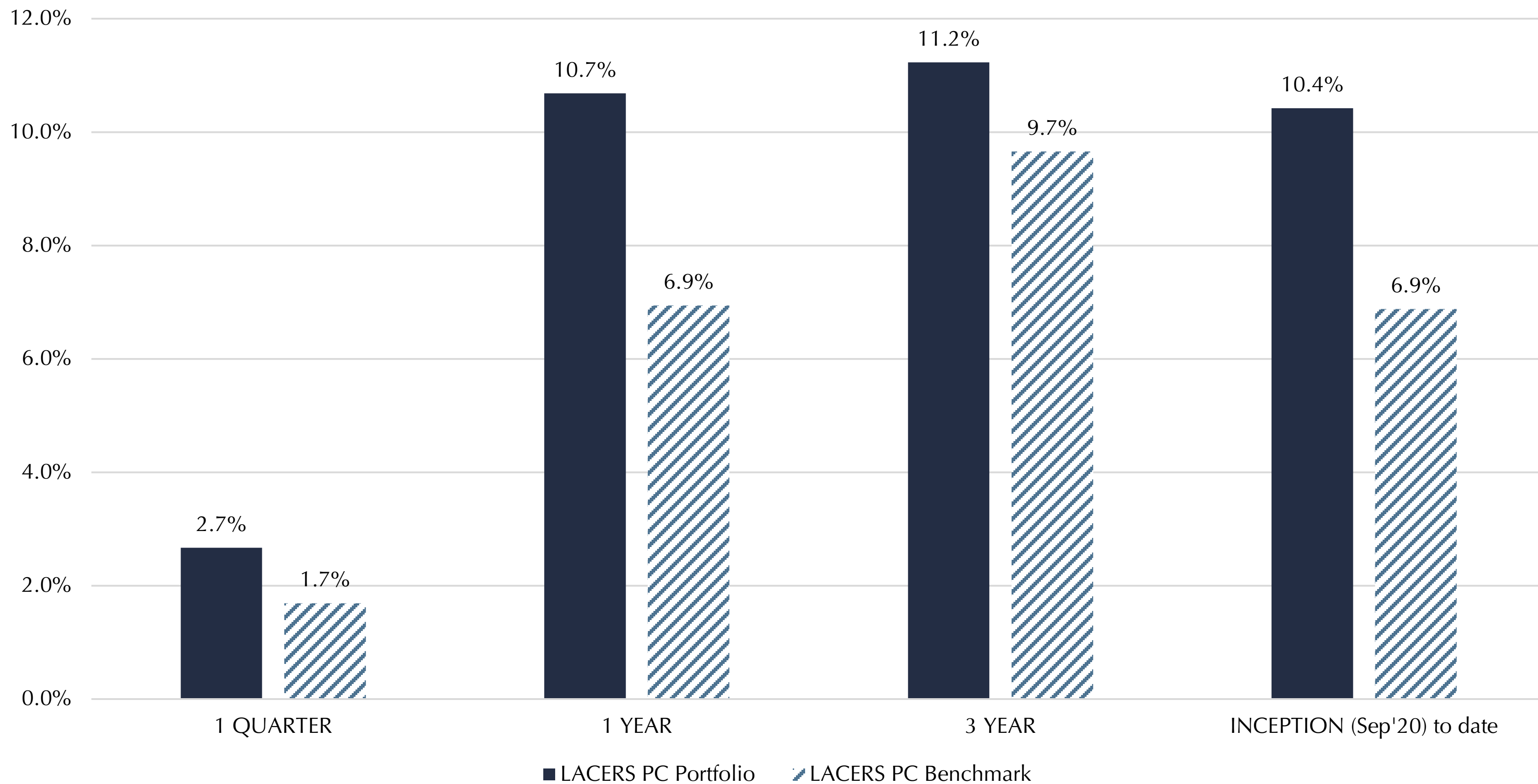
Closing Date	General Partner[1]	Fund Name	Fund Size[2] ($ millions)	New or Existing	Investment Sub-Strategy	Commitment Amount[3] ($ millions)
7/3/2025	Sixth Street Advisers LLC	Sixth Street Opportunities Partners Fund VI (A)	$4,534	New	PC Special Situations	$70
7/31/2025	Nuveen LLC	Nuveen Energy & Power Infrastructure Credit Fund II	$1,300	New	Infrastructure Lending	$80
10/24/2025	Caro Investors Management LLC	Caro Real Estate Credit Fund	$354	New	U.S. CRE Transitional Lending	$25
11/20/2025	Square Nine Capital LP	Square Nine Specialty Credit Fund I	$182	New	U.S. Direct Lending	$20
12/8/2025	Sound Point Capital Management LP	Sound Point Strategic Capital Fund III	$2,500	New	Stretch ABL	$70
12/30/2025	BDT & MSD Partners	BDT & MSD Real Estate Credit Opportunity Fund III	$880	New	U.S. CRE Bridge Lending	$100
Total	**6**	**6**				**$365**

[1]Qualifies as an Emerging Manager based on LACERS' definition.
[2]Total capital raised as confirmed by the General Partner. If the General Partner has yet to provide closing data, the fund size will represent the target fund size. N/A denotes the data is not available.
[3]Commitments denominated in foreign currencies are converted to USD using the adjusted closing exchange rate as of the date the General Partner executes the accepted commitment on client subscription documents.

Private Credit Performance Review (1 of 2)

Period Returns for LACERS's Private Credit Portfolio vs. Benchmark

The Private Credit portfolio has generated strong absolute and relative returns since inception.



Data as of December 2025.
LACERS PC Benchmark is S&P UBS LL index (Sep'20 (inception) – Jun'25) and S&P UBS LL index + 200bps (starting Jul'25). Benchmark data provided by Northern Trust. IRR figures rounded.

Private Credit Performance Review (2 of 2)

Performance by Strategy and Sub-Strategy (Inception-to-Date)

Strategy / Sub-Strategy	Commitment ($ millions)	% of Total Commitments	Contributions ($ millions)	% Called	Distributions ($ millions)	Fair Market Value ($ millions)	% of Fair Market Value	TVPI[1,2]	Net IRR[2,3]
European Direct Lending	$200	14%	$116	58%	$29	$105	16%	1.15x	11.4%
Global Direct Lending	$100	7%	$41	41%	$3	$44	7%	1.13x	n.m.
U.S. Direct Lending	$557	39%	$358	64%	$79	$352	55%	1.21x	9.2%
Direct Lending	**$857**	**60%**	**$516**	**60%**	**$111**	**$501**	**78%**	**1.19x**	**9.7%**
Opportunistic Structured Credit	$70	5%	$44	63%	$1	$48	7%	1.11x	n.m.
PC Special Situations	$70	5%	$0	0%	$0	$0	0%	-	n.m.
Real Estate Distressed	$25	2%	$0	0%	$0	$1	0%	-	n.m.
Distressed Debt & Special Situations	**$165**	**12%**	**$44**	**27%**	**$1**	**$49**	**8%**	**1.13x**	**n.m.**
Energy Credit	$60	4%	$21	36%	$2	$23	4%	1.15x	n.m.
Infrastructure Lending	$80	6%	$19	24%	$0	$19	3%	1.00x	n.m.
Real Assets Credit	**$140**	**10%**	**$41**	**29%**	**$2**	**$42**	**7%**	**1.08x**	**n.m.**
U.S. CRE Bridge Lending	$100	7%	$0	0%	$0	$0	0%	-	n.m.
U.S. CRE Transitional Lending	$25	2%	$0	0%	$0	$0	0%	-	n.m.
Real Estate Credit	**$125**	**9%**	**$0**	**0%**	**$0**	**$0**	**0%**	**-**	**n.m.**
PE Portfolio Finance	$70	5%	$40	57%	$15	$29	4%	1.11x	n.m.
Stretch ABL	$70	5%	$19	28%	$0	$19	3%	1.00x	n.m.
Specialty Finance	**$140**	**10%**	**$59**	**42%**	**$15**	**$48**	**8%**	**1.07x**	**n.m.**
LACERS PC Portfolio Total	$1,427	100%	$660	46%	$129	$641	100%	1.17x	10.4%

Data as of December 2025. Certain columns may not add up exactly due to the use of rounded numbers.
Private Credit portfolio inception in Sep'20. LACERS' Legacy PC portfolio comprises: Benefit Street Partners SMA (Sep'20), Crescent SMA (Sep'21), Monroe Capital SMA (Nov'21).
[1]Total Value to Paid In Capital ("TVPI") equals (Cumulative Distributions + Fair Market Value) / (Cumulative Contributions).
[2]TVPI and IRR figures rounded.
[3]IRR of investments held less than two years generally is not a meaningful indicator of performance and is therefore labeled "n.m.".

Appendix

Private Credit Portfolio Summary (Investment Performance – Q4 2025)

Private Credit Investment Performance as of December 31, 2025

Fund Name	Strategy	Sub-Strategy	Vintage Year	Commitment ($ millions)	Contributions ($ millions)	Distributions ($ millions)	Fair Market Value ($ millions)	TVPI[1,2]	Net IRR[2,3]
400 Capital Asset Based Onshore Term Fund IV	Distressed Debt & Special Situations	Opportunistic Structured Credit	2024	$70	$44	$1	$48	1.11x	n.m.
AG Direct Lending Fund V	Direct Lending	U.S. Direct Lending	2022	$100	$88	$7	$92	1.13x	n.m.
BDT & MSD Real Estate Credit Opportunity Fund III	Real Estate Credit	U.S. CRE Bridge Lending	2025	$100	-	-	-	-	n.m.
Benefit Street Partners SMA-L	Direct Lending	U.S. Direct Lending	2020	$100	$100	$34	$93	1.26x	7.3%
Caro Real Estate Credit Fund	Real Estate Credit	U.S. CRE Transitional Lending	2026	$25	-	-	-	-	n.m.
Centre Lane Credit Partners Fund III	Direct Lending	U.S. Direct Lending	2022	$25	$12	$5	$10	1.19x	n.m.
Crescent LACERS SMA Partnership	Direct Lending	European Direct Lending	2021	$100	$77	$22	$67	1.16x	11.1%
Dawson Portfolio Finance 6	Specialty Finance	PE Portfolio Finance	2023	$70	$40	$15	$29	1.11x	n.m.
HPS Specialty Loan Fund VI-L, SCSp	Direct Lending	Global Direct Lending	2023	$100	$41	$3	$44	1.13x	n.m.
ICG Senior Debt Partners Fund 5-C (USD Leveraged)	Direct Lending	European Direct Lending	2023	$100	$39	$7	$38	1.14x	n.m.
Mavik Real Estate Special Opportunities Fund 2	Distressed Debt & Special Situations	Real Estate Distressed	2024	$25	-	-	$1	-	n.m.
Monroe Capital Private Credit Fund L	Direct Lending	U.S. Direct Lending	2021	$100	$90	$26	$90	1.29x	8.6%
Nuveen Energy & Power Infrastructure Credit Fund II	Real Assets Credit	Infrastructure Lending	2025	$80	$19	-	$19	1.00x	n.m.
Putnam Hill Private Credit Fund (Leveraged)	Direct Lending	U.S. Direct Lending	2025	$12	$5	$0	$5	1.01x	n.m.
Quantum Capital Solutions II	Real Assets Credit	Energy Credit	2023	$50	$18	$1	$19	1.13x	n.m.
Quantum Capital Solutions II Co-Investment Fund	Real Assets Credit	Energy Credit	2023	$10	$3	$0	$4	1.28x	n.m.
Silver Point Specialty Credit Fund III	Direct Lending	U.S. Direct Lending	2022	$100	$48	$8	$48	1.16x	n.m.
Sixth Street Opportunities Partners Fund VI (A)	Distressed Debt & Special Situations	PC Special Situations	2025	$70	-	-	-	-	n.m.
Sound Point Strategic Capital Fund III	Specialty Finance	Stretch ABL	2025	$70	$19	-	$19	1.00x	n.m.
Square Nine Specialty Credit Fund I	Direct Lending	U.S. Direct Lending	2025	$20	$11	-	$11	1.00x	n.m.
TPG TBDL Co-Invest Fund VI	Direct Lending	U.S. Direct Lending	2025	$15	-	-	-	-	n.m.
TPG Twin Brook Direct Lending Fund VI	Direct Lending	U.S. Direct Lending	2025	$85	$4	-	$4	0.96x	n.m.
LACERS PC Portfolio Total				$1,427	$660	$129	$641	1.17x	10.4%

Data as of December 31, 2025. Certain columns may not add up exactly due to the use of rounded numbers.
[1]Total Value to Paid In Capital ("TVPI") equals (Cumulative Distributions + Fair Market Value) / (Cumulative Contributions).
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Private Credit Portfolio Summary (Exposure Summary – Q4 2025)

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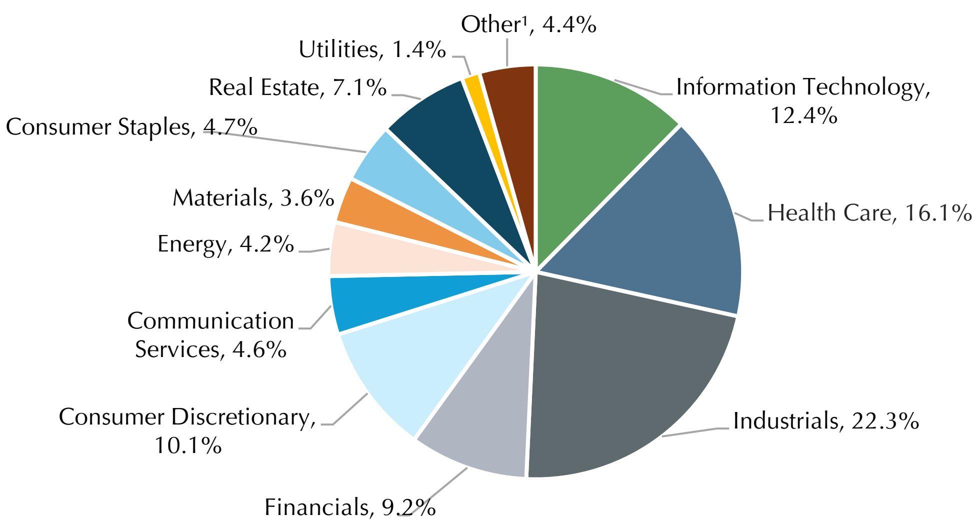
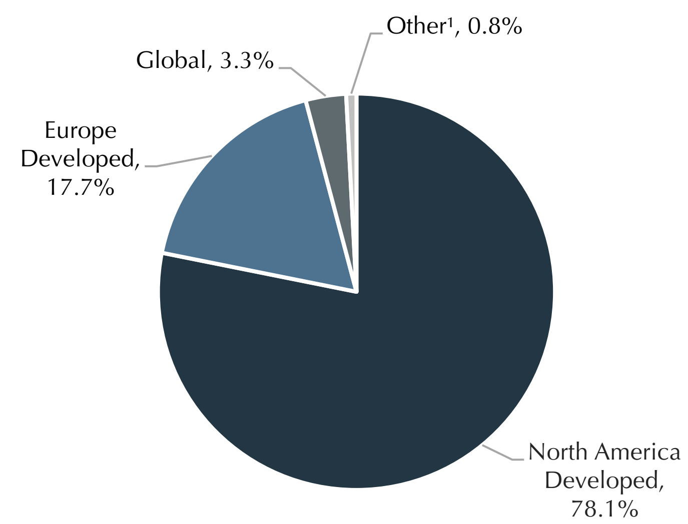
Private Credit Exposure Summary as of December 31, 2025

The Private Credit portfolio is diversified across Industry and Geography.

Exposure by Industry



Exposure by Geography



Data as of December 31, 2025. Exposures based on fair market value.
[1]Other represents the total of investments in industries or geographies that constitute <1% of fair market value or unidentified.

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