



**City of Cincinnati Retirement System
Investment Committee Meeting
Minutes
August 7, 2025 / 12:00 P.M.
City Hall – Council Chambers and remote**

Committee Members Present

Sonya Morris, Chair
Aliya Riddle, Vice Chair
Kathy Rahtz
Mark Menkhaus, Jr.
Monica Morton
Seth Walsh
Bill Moller
Tom Gamel

Administration

Jon Salstrom

Marquette

Brett Christenson

Law

Kevin Frank

CALL TO ORDER

Chair Morris called the meeting to order at 12:02 p.m. and a roll call of attendance was taken. Committee Members Morris, Moller, Gamel, Rahtz, Morton, and West were present. Committee Members Riddle, Menkhaus, and Wash were absent.

PUBLIC COMMENT

No public comment.

APPROVAL OF MINUTES

Approval of the minutes with one correction of the Investment Committee meeting of May 1, 2025, was moved by Committee Member Moller and seconded by Committee Member Gamel. The minutes were approved by unanimous roll call vote.

Old Business

Update Investment Manager Contracts (Private Equity)

Director Salstrom reported that there are two outstanding private equity contracts with Sapphire and Windrose that are currently being finalized. No issues are anticipated, and the goal is to complete both within the next three months, with an update expected at the November Board meeting once the contracts are signed.

New Business

TPG Twinbrook (Private Credit) Presentation

Presented by: Andy Knapp & Kim Trick

Firm Overview

TPG Angelo Gordon has become the sixth vertical within the TPG organization, enhancing TPG's diversified investment platform. The integration of TPG and Angelo Gordon (AG) brings together industry-leading investment teams and combines TPG's existing capabilities with AG's strength in credit and real estate, creating a comprehensive and balanced investment franchise.

TPG Angelo Gordon Overview

- Founded: 1988
- Assets Under Management (AUM): \$92 billion
- Focus: Diversified credit and real estate investing
- Track Record: 37 years of strong, risk-adjusted returns
- Investment Philosophy: Fundamental, cycle-agnostic, partnership-driven
- Client Base: Global and diverse
- Infrastructure: Scalable platform designed for growth

Key Business Lines:

- Credit Solutions: Flexible, all-weather capital with downside protection and equity-like returns
- CLOs: Long-standing presence in the collateralized loan obligation market
- Middle Market Direct Lending: Senior secured loans to PE-sponsored lower middle market firms
- Structured Credit & Specialty Finance: Exposure to public and private securitized and asset-based credit
- Global Real Estate: Value-add investing focused on property-level improvements

TPG Twin Brook Update

Performance & Market Position

- Track Record: 14% levered gross IRR / 11% levered net IRR (as of Q1 2025)
- Loss Ratio: 0.02% annualized
- Distribution: Over 90% income distributed quarterly
- Market Share: 35%, with \$8.5B in annual originations — most active lower mid-market lender

Team Strength

- 125+ total team members, including 75+ investment professionals
- Investment Committee average experience: 20+ years
- Senior team continuity: Over two decades working together

Investment Approach

- Focus: Lower middle market companies (<\$25M EBITDA)
- Positioning: 100% first-lien, senior secured, private equity–sponsored deals
- Covenants: Present in all transactions
- Conservative underwriting and active portfolio management

Portfolio Management

- Retains revolvers on 100% of loans
- Receives monthly financials on all deals
- Screens ~1,500 opportunities annually and invests in <5% (~50 deals)

Platform Scale

- \$41.6B commitments issued
- Five commingled fund series + perpetual life vehicles
- Article 8–compliant funds and customized structures
- 20+ years executing the same disciplined strategy

Key Highlights

- 100% private equity–owned borrowers
- 97% of deals led as administrative agent or co-lead arranger
- <50% average loan-to-value
- No PIK loans
- Active, direct origination model with 150+ sponsor relationships
- Focus on non-cyclical industries

Current Market Environment & Quarterly Investment Report

Brett Christenson from Marquette was in attendance to present.

2Q 2025 Market Summary:

- Fixed Income: Yields across fixed income sectors remain elevated, offering strong income potential and a buffer against future economic shocks. A possible Federal Reserve rate cut in 2025 could further support performance. While bank loan fundamentals remain solid, there has been greater dispersion and a narrowing spread premium versus high yield bonds.

- U.S. Equities: Small-cap valuations appear attractive, but weak earnings growth and policy uncertainty continue to weigh on the asset class. Large-cap stocks, though expensive, may still generate positive returns due to economic resilience and strong earnings momentum.
- Non-U.S. Equities: Europe continues to benefit from structural factors such as defense investment, but higher valuations leave it more vulnerable to volatility. Some Emerging Markets remain at risk from U.S. trade policy, while non-U.S. small caps have distinct advantages including tariff insulation, better valuations, and stronger earnings prospects.
- Real Assets: Core real estate performance improved in Q2, with a pickup in transaction volume, signaling growing confidence in valuations and liquidity. The measured recovery is expected to continue through the second half of the year. Infrastructure assets remain resilient, supported by regulated cash flows and structural demand tied to the energy transition and rising power needs. Investor demand for the sector remains strong.
- Private Equity: Buyout valuations remain below public market levels. M&A and exit activity started strong in 2025, though tariffs, inflation, and interest rate uncertainty could slow deal activity later in the year.
- Private Credit: Despite tighter spreads, direct lending yields remain attractive relative to liquid loans. Credit conditions are stable but warrant monitoring. New issuance is shifting toward recession-resilient, low-tariff sectors. While distress levels remain low, capital solution strategies present appealing entry opportunities with potential upside.

Pension Fund Quarterly Activity Summary:

- Timber Bay Fund III made its initial call in April 2025.
- The plan's Private Debt funds called \$13.6 million during 1Q25 while distributing \$1.3 million.
- The plan's Private Equity funds called \$5.5 million during 1Q25 while distributing \$4.8 million.

Committee Member Moller made a motion to accept and approve the Marquette quarterly report and seconded by Committee Member Rahtz. The motion was approved by unanimous roll call vote.

Value Bias Update and Recommendation

Director Salstrom discussed the value bias concept, noting the intention to take a closer look at the asset allocation study. He described the approach as a simplistic portfolio structure that can help reduce fees. He emphasized the goal of eventually moving toward Russell 3000 index within the U.S. equity portfolio, with plans to present this change alongside broader asset allocation review.

Adjournment

Following a motion to adjourn by Committee Member Moller and seconded by Committee Member Gamel. The Committee approved the motion by unanimous roll call vote. The meeting was adjourned at 1:30 p.m.

Meeting video link: <https://archive.org/details/crs-investment-8-7-25>

Next Meeting: Thursday, November 6, 2025, at 12:00 P.M. City Hall Council Chambers and via Zoom

Secretary Jon Salstrom