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Crescent Capital Group LP
NCPERS Annual Conference & Exhibition (ACE)
May 2017

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Crescent Capital Group Overview

Crescent Capital Group Platform

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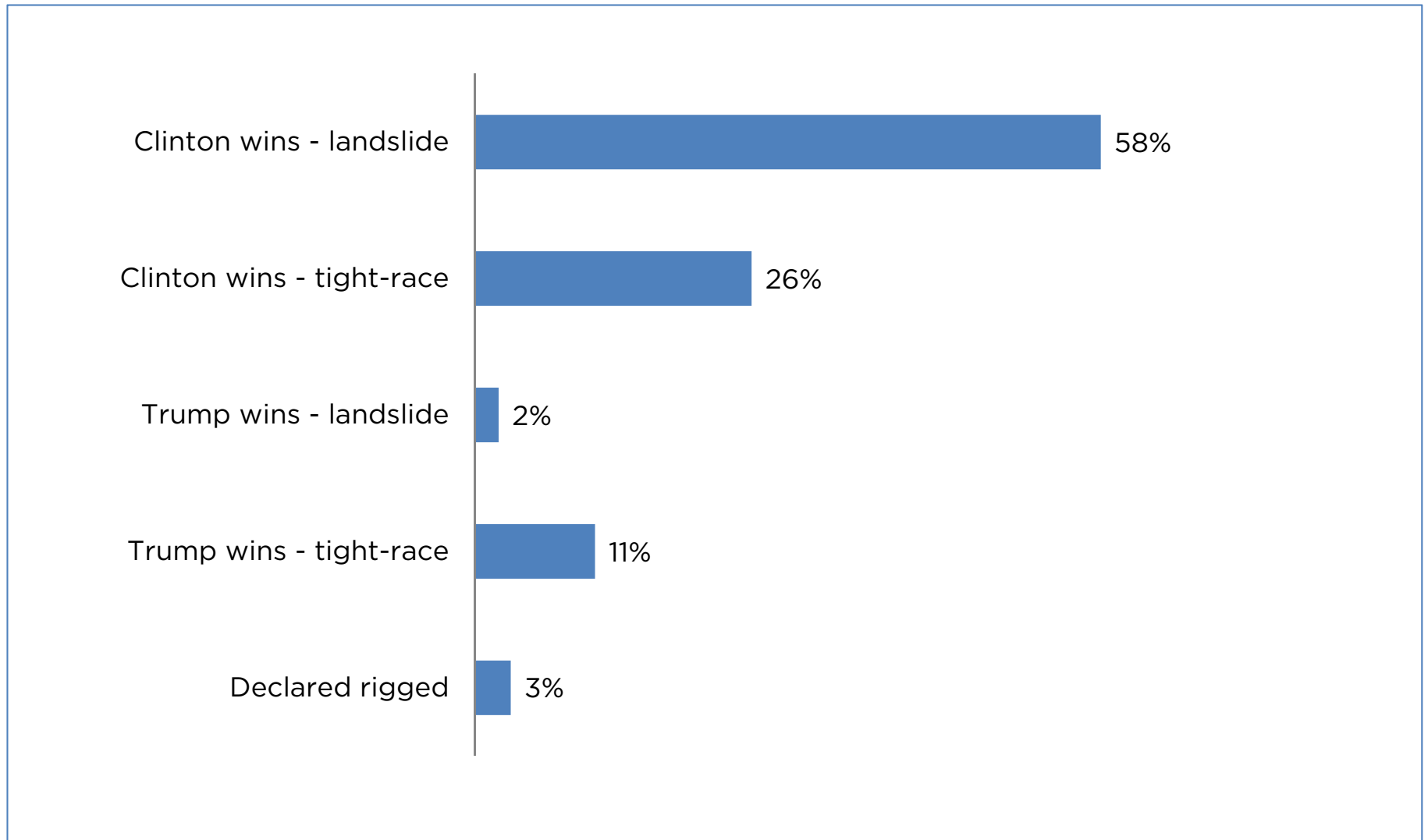
Firm Overview	Six Complimentary Strategies					
<ul style="list-style-type: none"> • Founded in 1991 • Independent credit investment firm • Product specialist: Primarily focused on below investment grade credit • Approximately \$24 billion AUM⁽¹⁾ • Over 450 Direct Institutional investors 	Mezzanine <ul style="list-style-type: none"> • Junior debt with equity component for buyouts • \$10B AUM 	Direct Lending <ul style="list-style-type: none"> • Sr. sec. loans for U.S. based lower middle market companies • \$2B AUM 	European Specialty Lending <ul style="list-style-type: none"> • Secured loans for European middle market companies • \$1B AUM 	Special Situations <ul style="list-style-type: none"> • Distressed debt of U.S.-based companies • <\$0.5B AUM 	CBDC <ul style="list-style-type: none"> • Directly originated loans to U.S. middle market companies • \$0.5B AUM 	Capital Markets <ul style="list-style-type: none"> • Bank loans and high yield bonds of U.S. and European companies • \$11B AUM



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ACE Program 2017

2016 Crescent LP Conference Predicted Presidential Election Result



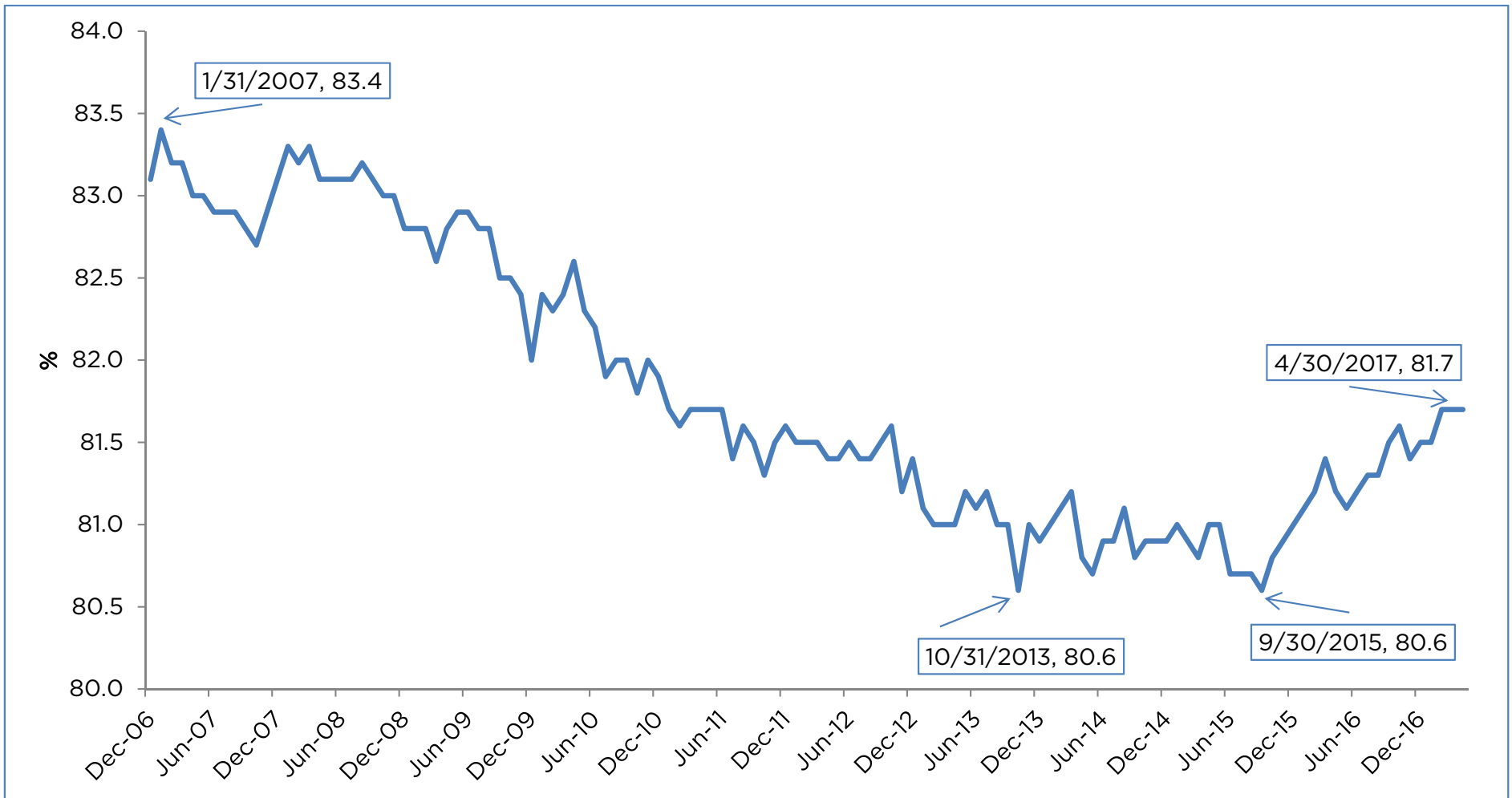
Major Issues for Investors

- Trump's Emphasis: Stimulus or Trade Restrictions
- Can Fed Hike Several Times this 2017?
- Central Banks: Losing their Punch?
- Europe Elections: Impact on \$, Interest Rates
- China Risk: Postponed, Not Eliminated

Source: Sri-Kumar Global Strategies

U.S. Labor Force Participation Rate

No Recovery for 25 - 54 Year Olds



Source: Bloomberg

What Could Go Wrong?

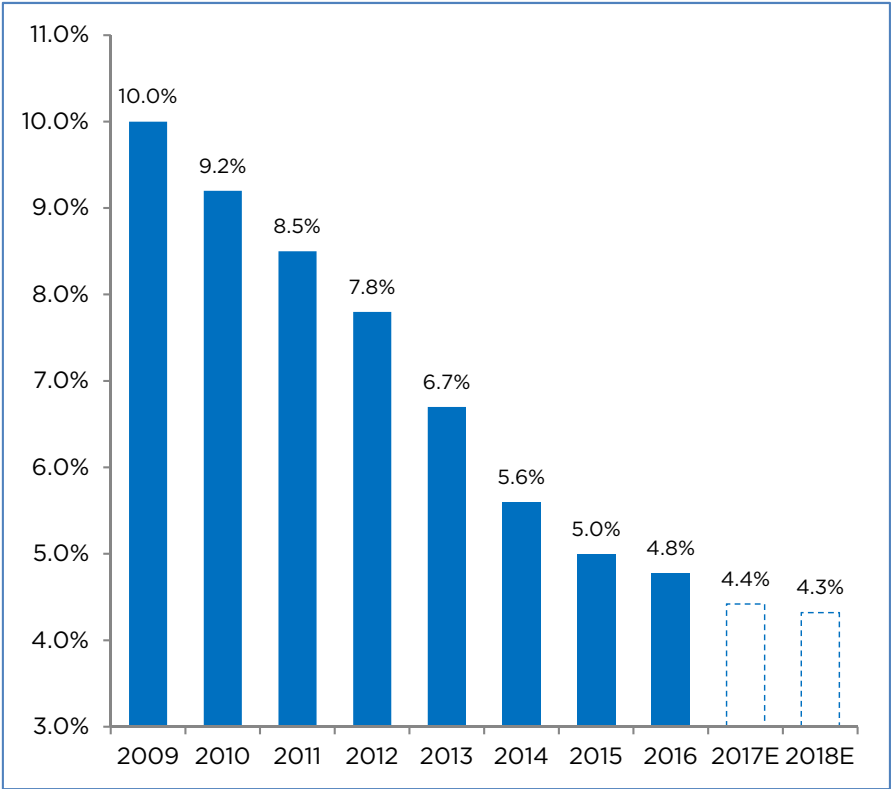
- US Delinquent Car Loans at 8-Year Peak
- Household Debt in Biggest Jump of Decade
- Student Loans Substantial and Rising
- Energy Prices Could Drop Again
- China Debt / GDP Exceeds 250%

Source: Sri-Kumar Global Strategies

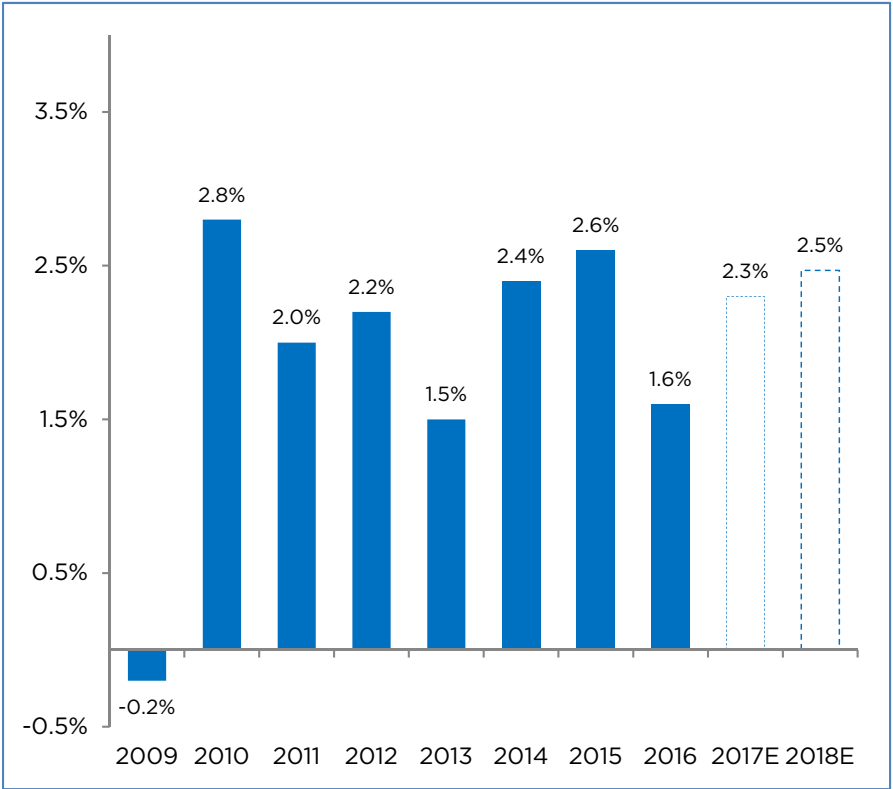
U.S. Economic Fundamentals Remain Stable and Defaults Appear Benign

Looking to the US, we see a decreasing unemployment rate and increasing GDP growth expectations...

U.S. Unemployment



U.S. Annual GDP Growth

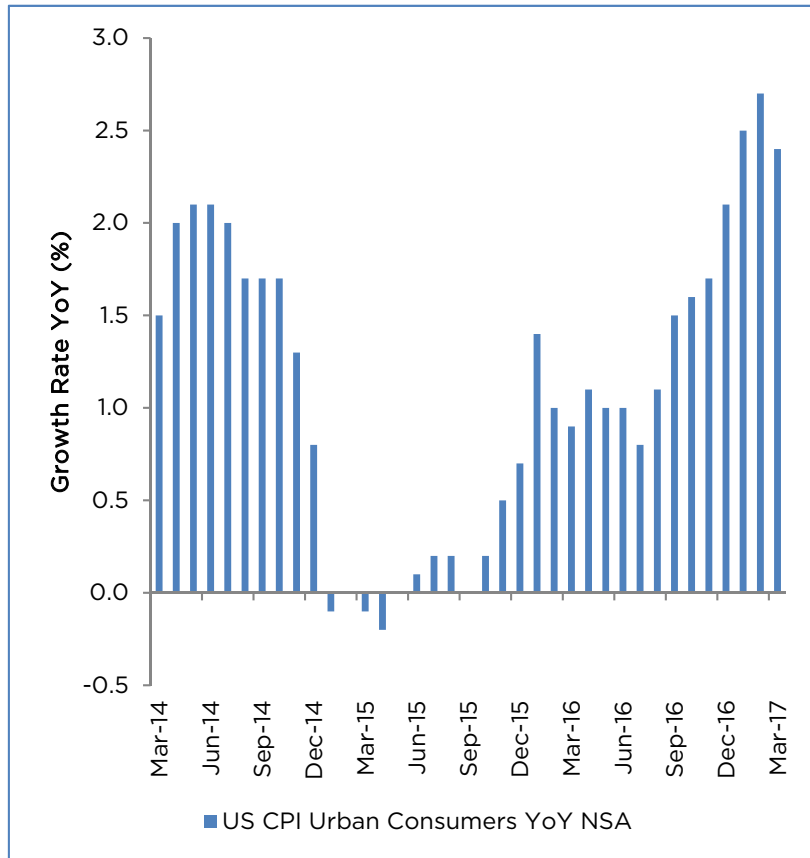


Source: WSJ, US Department of Commerce, JPM.

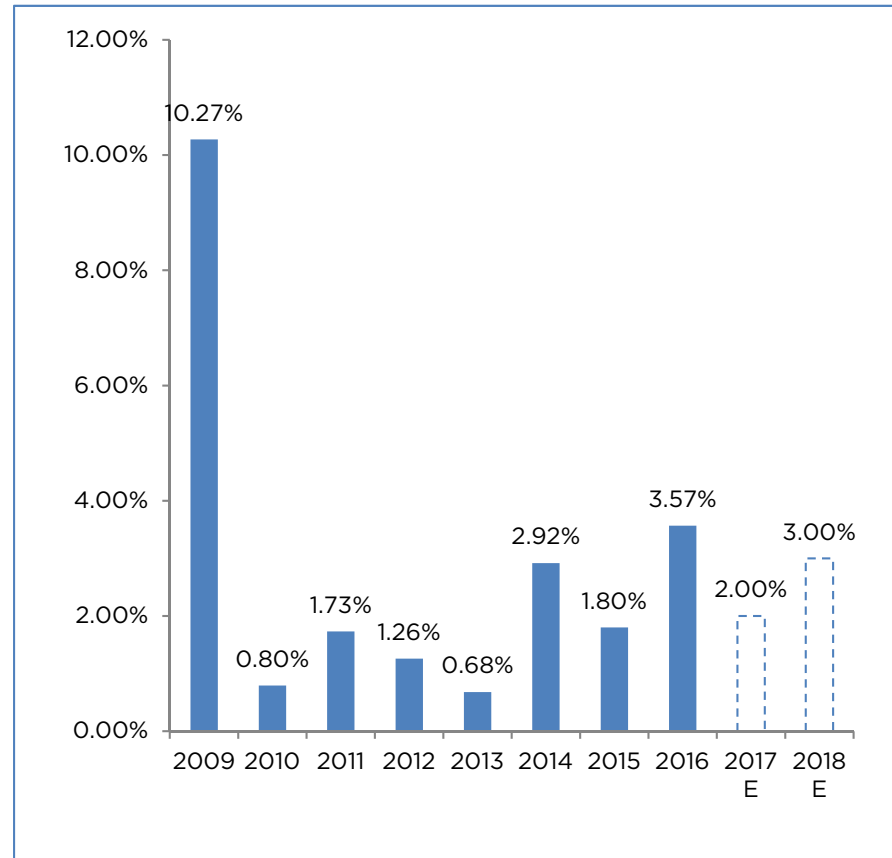
U.S. Economic Fundamentals Remain Stable and Defaults Appear Benign

...as well as increasing inflation and low default expectations of 2.0% for 2017 and 3.0% for 2018

U.S. Inflation



High Yield Default Rates

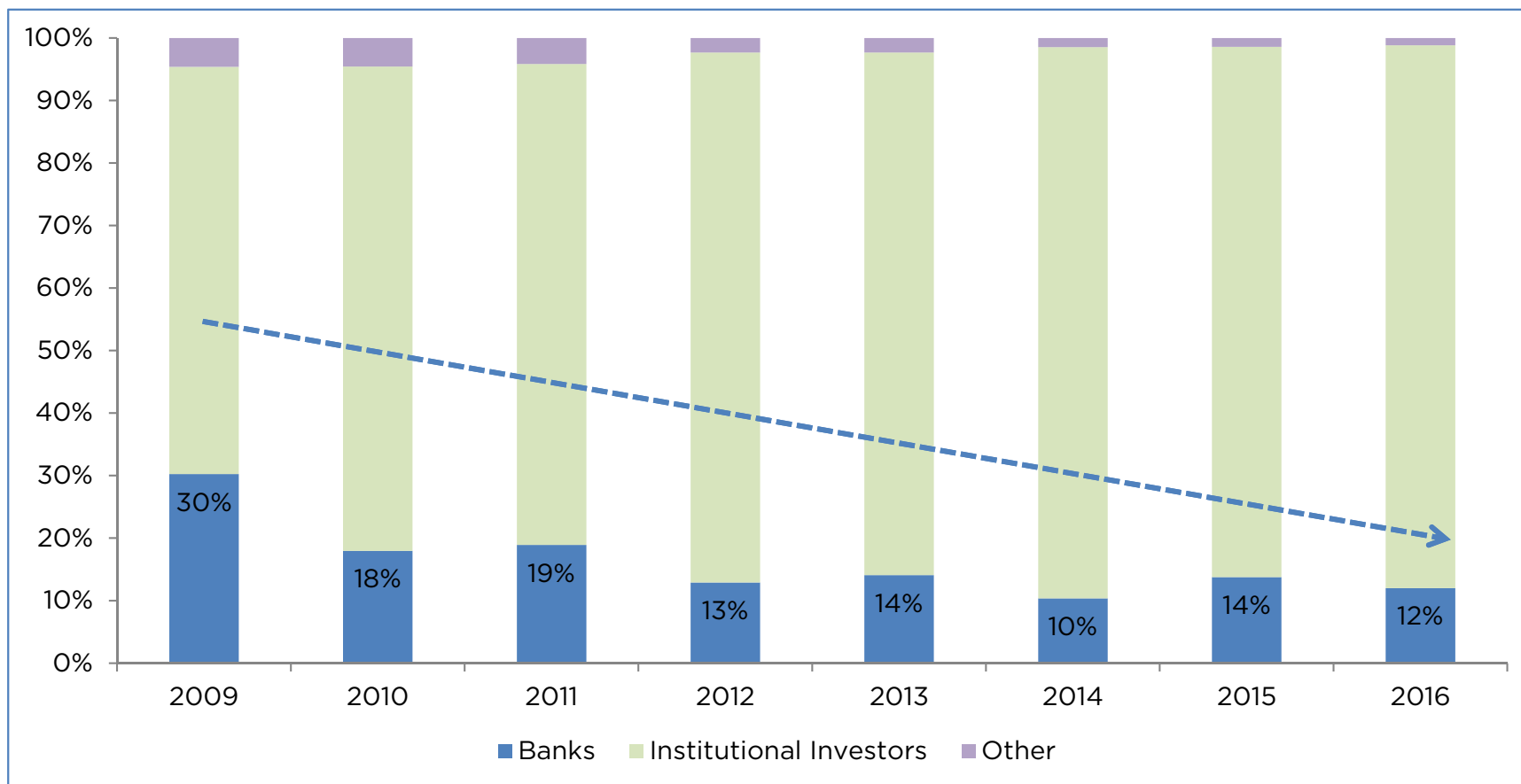


Source: Bloomberg and JP Morgan

Banks Reluctant to Participate in Loan Market

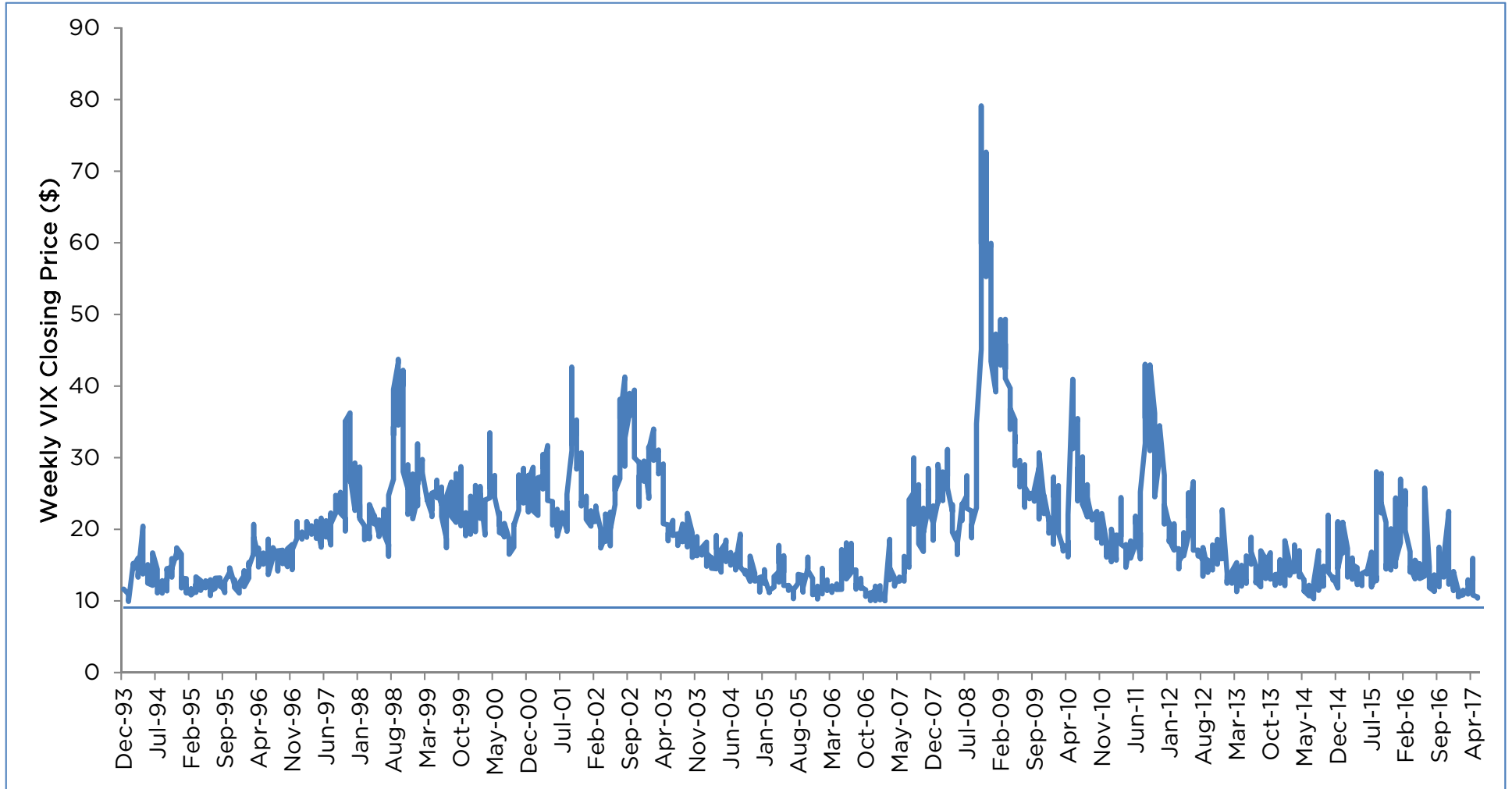
Primary Leveraged Loan Market Participants

2009 - 2016



Source: S&P LCD

VIX trading at lowest levels since 1993



Source: Bloomberg

Client Challenges in a Complex and Fast Changing World

deregulation trump protectionism eu opec
inflation north korea brexit south china sea artificial
intelligence / robotics trump foreign and
trade policies rates russia macron china
populism iran global trade technology oil trade
barriers geopolitics volatility fiscal policies clash of
civilisations islamic state saudi arabia unconventional
monetary policies

For illustrative purposes only.

Source: Milken Institute Global Conference

The Beauty of Compounding...and the Challenge to Investment Returns

Are Return Expectations Realistic?

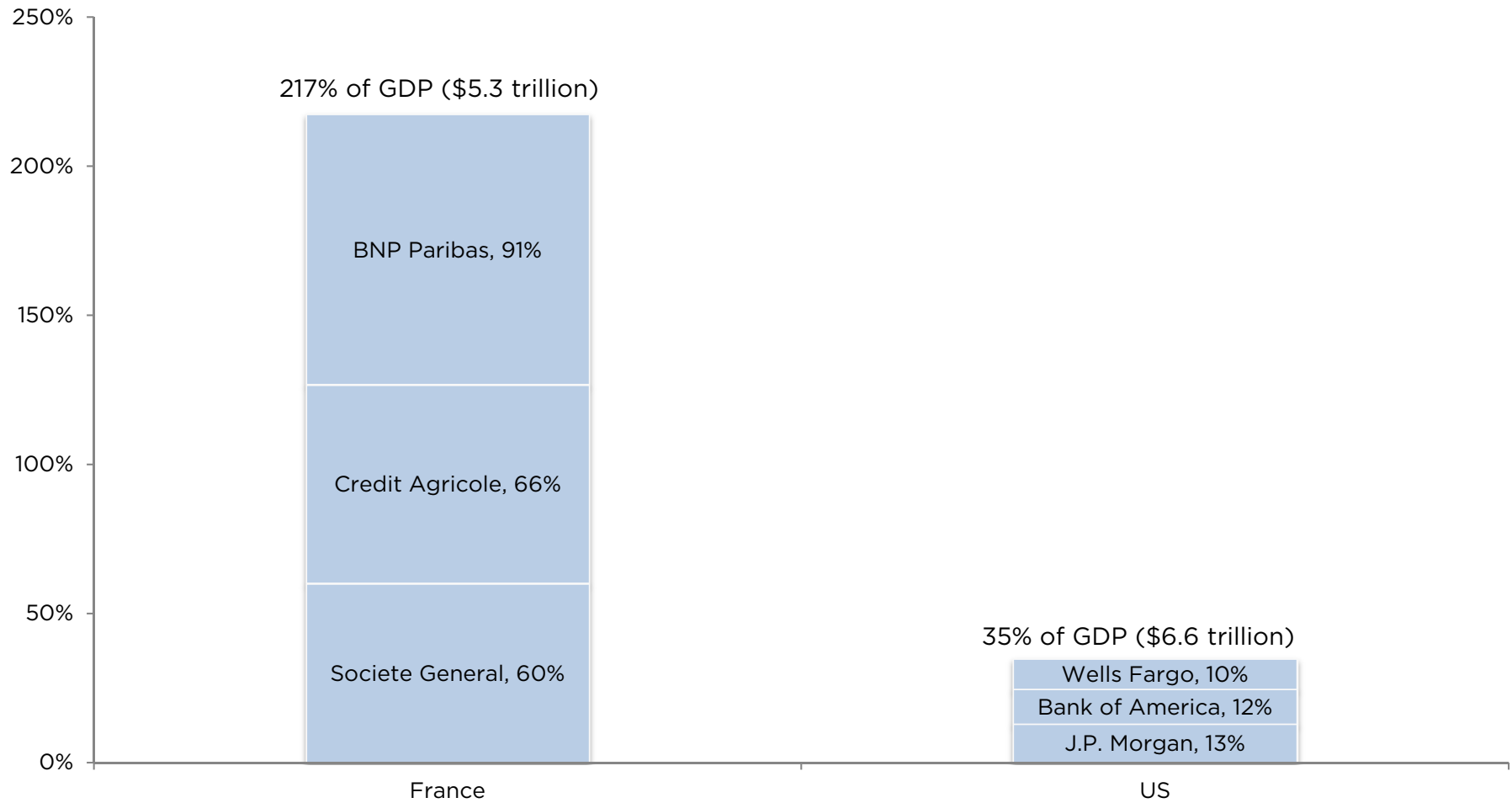
\$1 Invested Since 1AD at 5%

2,391,102,204,613,620,000,000,000,000,000,000,000,000,000

- 5%: 2.4×10^{42}
- Stars in the universe: 1×10^{24}

Source: Milken Institute Global Conference

Concentration of Three Largest Banks



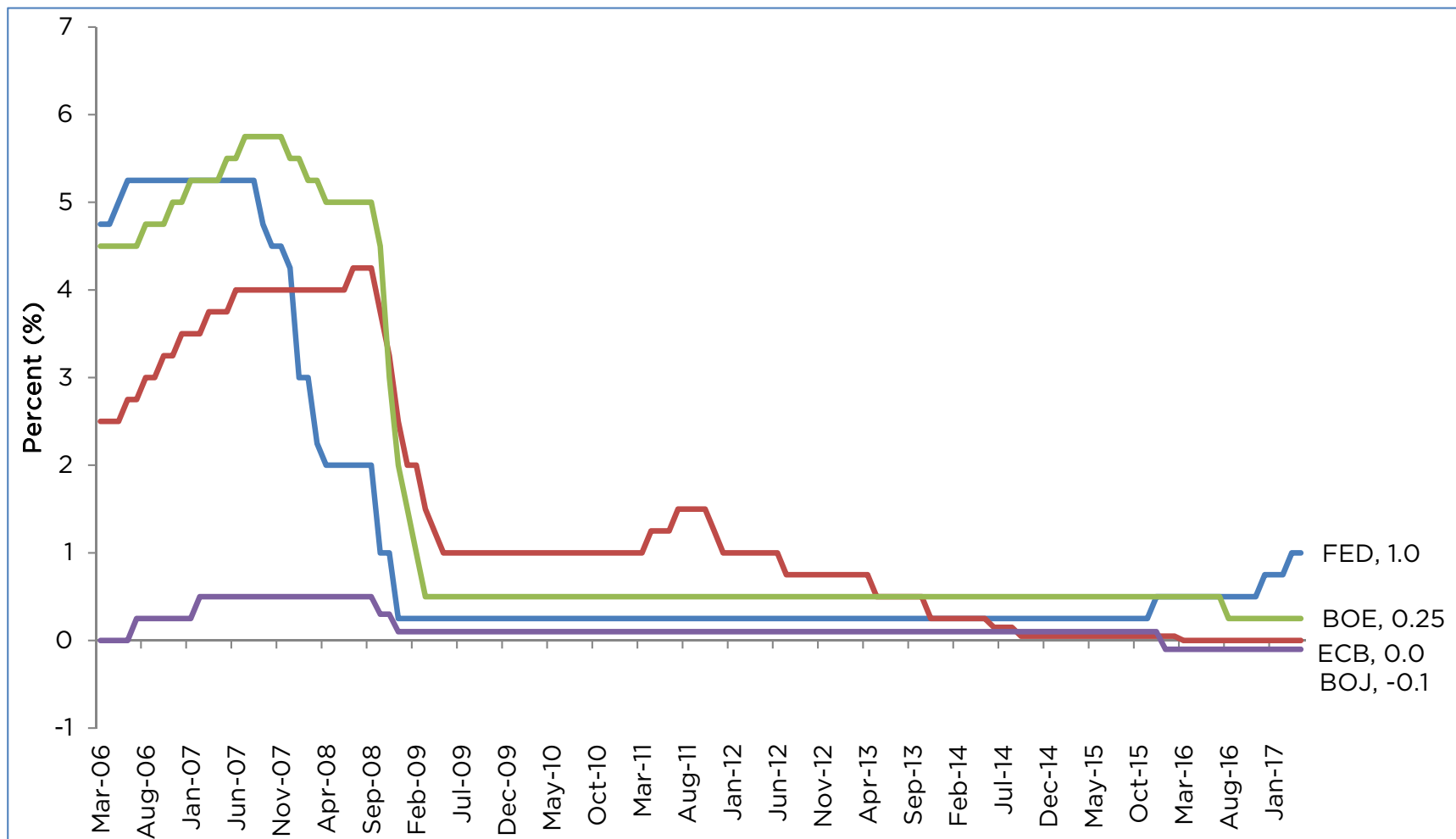
Source: Milken Institute Global Conference, OECD

Sovereign Debt Defaults

Brazil	Ecuador	Greece	Nigeria	Russia	Turkey	Venezuela
1828	1826	1826	1982	1839	1876	1826
1898	1868	1843	1986	1885	1915	1848
1902	1894	1860	1992	1917	1931	1860
1914	1900	1894	2001	1918	1940	1865
1931	1906	1932	2004	1947	1959	1892
1937	1914	2011		1957	1965	1898
1961	1929	2015		1991	1978	1983
1964	1982			1998	1982	1990
1983	1999				2000	1995
	2008					1998
						2004

Source: Milken Institute Global Conference

Central Bank Target Interest Rates Remain Low



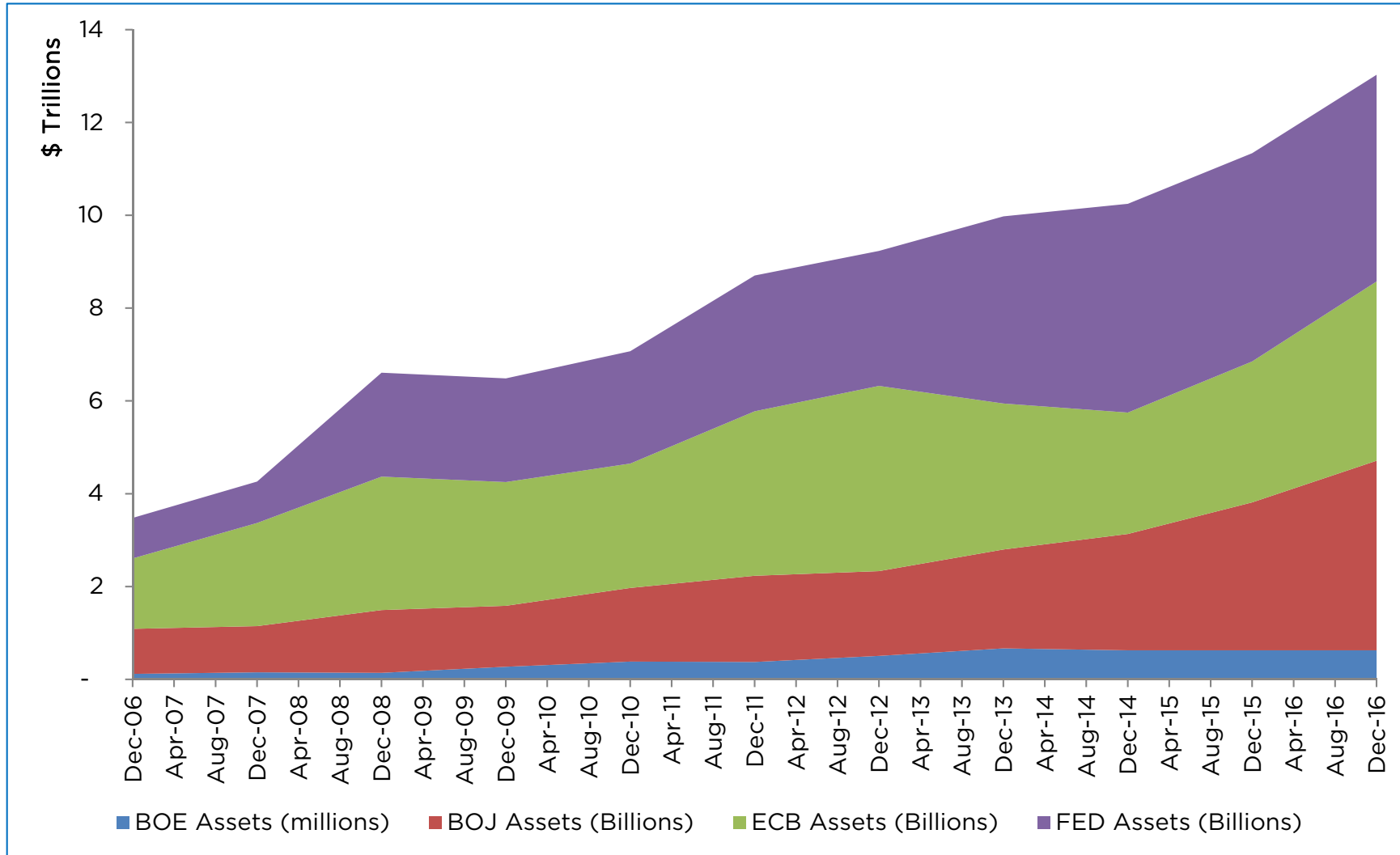
Source: Bloomberg

Record Low 10-year Treasury Yields



Source: Bloomberg

Central Bank Assets

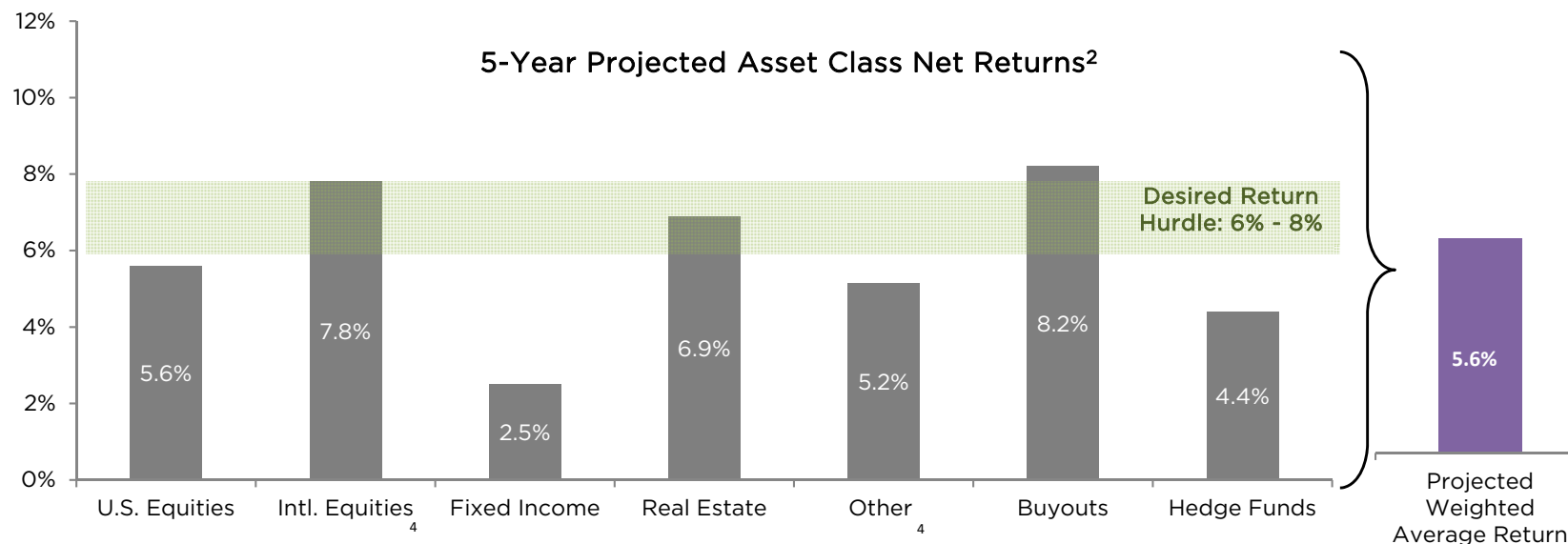
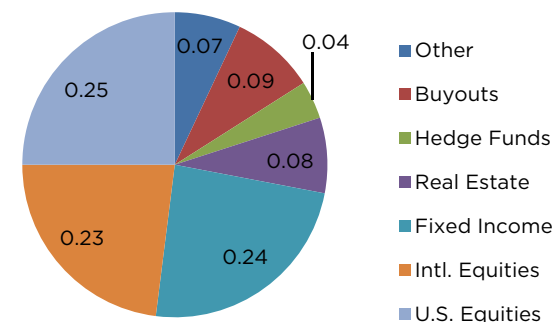


Source: Bloomberg

Challenging Plan Target Assumptions

- A challenging return environment has magnified the difficulty in achieving targeted investment returns for many investors
 - Investment returns are estimated to account for over 60% of funds generated for pension funds¹
 - Based on 5-year projected asset class returns², current asset allocations could result in a blended return below most plan targets

Average Public Plan Portfolio Allocation³



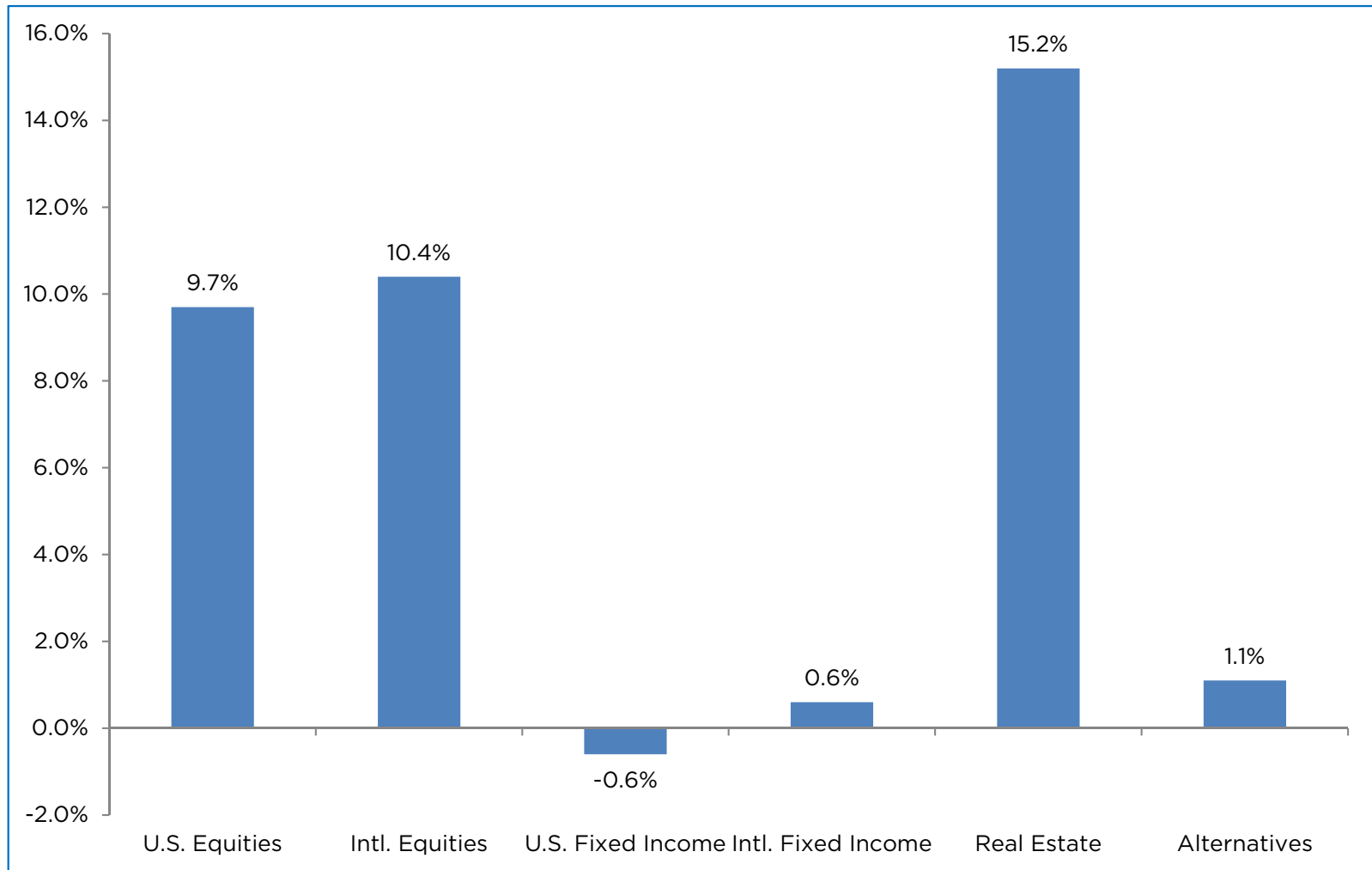
(1) Source: NASRA, May 2015; Public Pension Sources of Revenue, 1984 – 2013.

(2) Projected asset class returns per Northern Trust Five-Year Outlook: 2015 Edition.

(3) Source: Greenwich Associates 2014.

(4) Intl. equities refers to Emerging Markets returns. Other includes natural resources, infrastructure, and inflation linked real assets.

Average Implied Return Assumption - 2015



Source: Pensions data from the Public Plans Data (PPD) produced by the Center for Retirement Research at Boston College

Challenging and Demanding Time for Public Plans

“Public employee pension plans around the country are facing a shortfall of at least \$1 trillion...”

- Forbes April 2017

Some larger pension plans may run out of money within the next decade

- Forbes April 2017

“At their peak, 38% of private sector workers were covered by a pension. As of 2013, that percentage has fallen to 13%, an almost 66% reduction. And that percentage continues to fall driven by the employers cost to provide those pensions...Ninety percent (90%) of government and municipal workers in the US are covered by a defined benefit pension plan.”

- Seeking Alpha April 2017

Investment Trends from OECD Survey

- Insourcing, co-investment ,and expense reduction
- Credit opportunities and opportunistic fixed income strategies
- Partnerships in infrastructure financing
- Opportunistic strategies (multi-asset class), tactical asset allocation, and alternative asset allocation techniques

- OECD Annual Survey of Large Pension Funds and Public Pension Reserve Funds 2015