



STATE OF RHODE ISLAND
OFFICE OF THE GENERAL TREASURER

Staff Recommendation: TPG AG Asset Based Credit Evergreen Fund | May 2025

RECOMMENDATION:

- [Rhode Island Employees' Retirement System Pooled Trust \(ERSRI\)](#): Approve a commitment of up to \$30 million to the TPG AG Asset Based Credit Evergreen Fund ("ABEF" or the "Fund").
- [Rhode Island OPEB System Trust \(OPEB\)](#): Approve a commitment of up to \$3 million to ABEF.

ASSET CLASS: Private Credit | Specialty Finance

ALLOCATION:

- [ERSRI](#): The Private Credit allocation as of April 30, 2025, is 3.1%, compared to the strategic allocation target of 3.0%. The 2025 pacing plan anticipates \$65 million in commitments across 2 to 4 funds, ranging from \$25 to \$50 million. ERSRI's 2025 commitments will total \$30 million pending approval of this recommendation.
- [OPEB](#): The Private Credit allocation as of April 30, 2025, is 0.9%, compared to the strategic allocation target of 5.0%. The 2025 pacing plan anticipates \$10 million in commitments across 2 to 4 funds, ranging from \$2 to \$5 million. OPEB's 2025 commitments will total \$3 million pending approval of this recommendation.

PORTFOLIO FIT: The private credit allocations for ERSRI and OPEB consist of non-traded, performing debt where current income comprises the majority of expected returns. The portfolios are anchored by strategies that provide senior secured loans to middle market companies across sectors, and are complemented by diversifying exposures to geographic or sector-focused direct lending, mezzanine lending, and specialty finance. Pending approval of this recommendation, specialty finance strategies would account for 45% of ERSRI and OPEB's private credit exposure (see Appendices A and B). The addition of ABEF would enhance diversification and complement existing exposure to Blue Owl's Asset Income Funds, adding a differentiated, income-oriented specialty finance manager to the portfolio.

FIRM OVERVIEW: TPG Angelo Gordon is a global alternative investment manager focused on credit and real estate, with over \$90 billion in assets under management. Founded in 1988 by John Angelo and Michael Gordon, the firm was acquired by TPG in 2023. As of December 2024, TPG manages more than \$245 billion in assets across private equity, credit, and real estate. Angelo Gordon began investing in specialty finance in 2006 through various fund structures and currently manages \$19 billion in the asset class. ABEF represents the continuation of the firm's dedicated asset-based credit strategy, launched in 2021.

STRATEGY OVERVIEW: Specialty finance, also called asset-based credit, provides capital to the real economy by lending against a broad range of collateral including homes, vehicles, equipment, credit card receivables, royalties, and small businesses. Unlike corporate lending, where performance hinges on a single borrower's credit profile, asset-based credit is tied to the cash flows of diversified, self-liquidating asset pools.

The market is accessed primarily through two formats:

- Public ABS (asset-backed securities): Loans are pooled into a special-purpose vehicle, which issues bonds to public-market investors. These structures offer liquidity but limited investor control, as pricing and terms are set by market conditions.
- Private ABF (asset-based finance): Capital is deployed through bilateral facilities such as loans, warehouse lines, or private securitizations. Investors retain control over underwriting terms (advance rates, collateral eligibility, covenants), and earn an illiquidity premium for providing committed, flexible capital.

The current opportunity in ABF is driven by the structural changes in non-corporate credit markets that were put in motion post-GFC. Traditional lenders, particularly banks, have retrenched due to heightened capital requirements and regulatory pressure, creating persistent financing gaps in key sectors such as housing, transportation, and small business lending. Public securitization markets remain volatile and often fail as a reliable funding source for non-standard or subscale assets. At the same time, a fragmented landscape of non-bank specialty finance companies has emerged, many of which remain capital constrained. This imbalance has created a persistent market inefficiency that private capital is positioned to address by offering flexible financing solutions in return for control over structure, collateral, and covenants.

Within this context, ABEF will target private ABF opportunities backed by loans, leases, and receivables across the consumer, commercial, and real asset sub-verticals. The Fund will construct a diversified portfolio of 40 to 60 positions, typically ranging from \$25 to \$75 million per transaction, through bilateral facilities, whole loan purchases from financial institutions, and selective participation in public markets during dislocations. The mandate is intentionally flexible and unconstrained by captive origination platforms or a narrow sector focus, allowing the team to apply disciplined underwriting and pursue compelling risk-adjusted returns across market cycles.

MERITS:

- **Team Experience:** TPG Angelo Gordon's Structured Credit & Specialty Finance platform has one of the longest track records in the asset-based credit space, having operated across public and private markets for nearly two decades. With the addition of T.J. Durkin in 2008, the current senior investment team has managed multi-billion-dollar portfolios together for over fifteen years, including through post-GFC initiatives such as PPIP and TALF. This scale and continuity position the team as a trusted counterparty to banks and non-bank lenders seeking bespoke financing solutions.
- **Flexible Mandate:** The team deploys capital across a full spectrum of sub-asset verticals and transaction types, including direct originations, warehouse lines, forward-flow agreements, and private securitizations. The mandate also permits tactical allocations of up to 15% to public markets when they offer better risk-adjusted value, providing a built-in mechanism to capture dislocations, manage liquidity, and enhance overall returns.

CONCERNS:

- **Consumer Exposure:** Consumer loan pools are sensitive to rising unemployment and declining disposable income, but several structural features help mitigate loss severity. The assets are typically short-duration and self-amortizing, with weighted-average lives of 12-36 months, allowing the manager to redeploy capital at wider spreads. Facilities are structured with credit enhancement like subordination and excess spread, while performance triggers provide an early warning of stress to enable proactive de-risking, re-pricing, or liquidation. Granular diversification, structural protections, and active asset management have historically resulted in greater resilience in periods of stress compared to traditional corporate credit.
- **Originator Alignment:** Originator risk arises when loan originators loosen underwriting standards or branch into unfamiliar products, potentially weakening collateral quality. The Fund mitigates this risk by requiring each originator to keep a meaningful residual interest in the pool, aligning incentives and ensuring skin in the game. Any material changes to underwriting criteria must receive the manager's approval, and assets must pass predefined eligibility tests based on historical performance before they can be included as collateral. These safeguards keep actual pool performance aligned with original underwriting assumptions.

ESG & DIVERSITY:

- TPG Angelo Gordon is classified as an ESG Leader. The firm formalized its Global ESG Policy in 2012, codifying the assessment of ESG performance during due diligence and supporting portfolio company enhancements. The firm has a dedicated ESG team for integrating ESG processes and providing training, as well as an analytics team that identifies and monitors ESG risks at both the firm and portfolio company level. Additionally, the firm engages with a range of ESG performance-focused organizations, including the Task Force on Climate-Related Financial Disclosures (TCFD) and the United Nations' Principles for Responsible Investment (PRI).

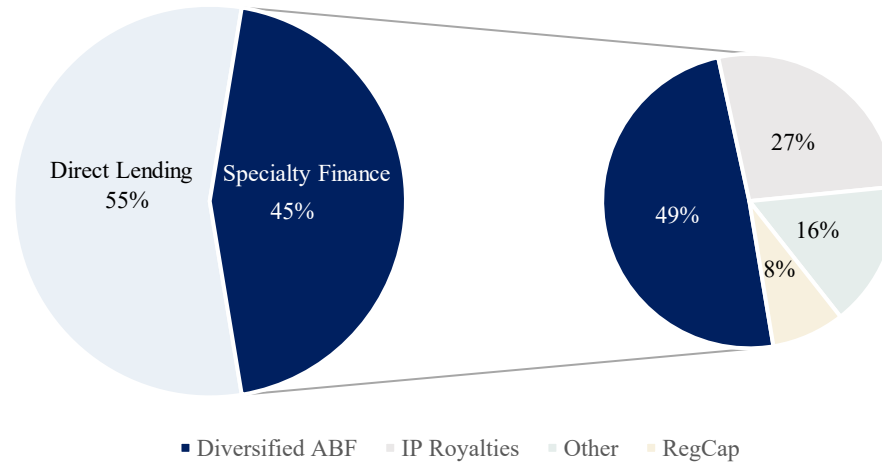
- Diversity is a core value at TPG Angelo Gordon and was embedded at the highest level of the firm with the establishment of its DE&I Council in 2015. The Council collaborates with HR to develop strategies for recruiting both junior and senior talent, while also establishing supportive policies. The firm ensures that DE&I remains a priority for each portfolio company and their respective leadership teams.

FEES: Fees are aligned with industry standards.

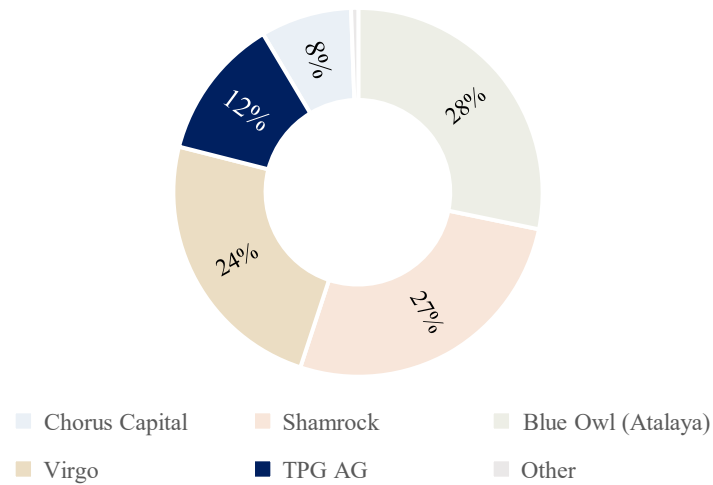
- **Management Fee:** 0.98% of net invested capital, including 52bps of first-close and aggregation discounts.
- **Carried Interest:** 15% after a 7.5% hurdle, subject to a high watermark.

APPENDIX A: ERSRI CURRENT PRIVATE CREDIT EXPOSURE

Specialty Finance | Market Segments

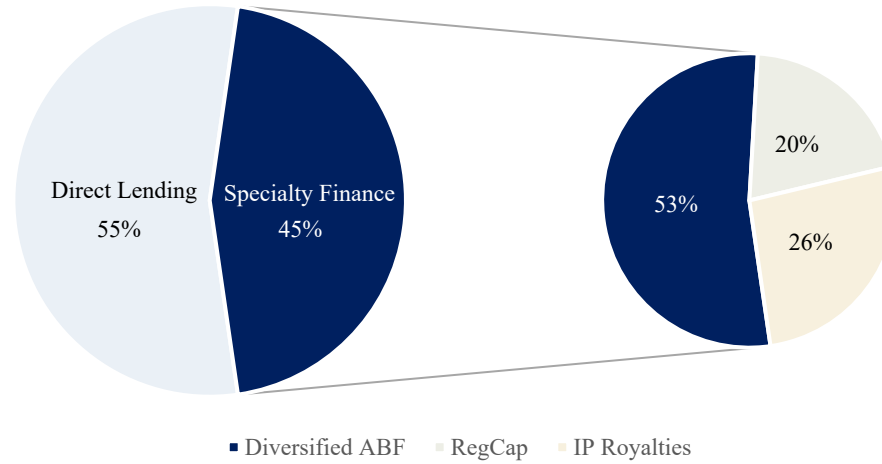


Specialty Finance | Manager Exposure



APPENDIX B: OPEB PRIVATE CREDIT EXPOSURE

Specialty Finance | Market Segments



Specialty Finance | Manager Exposure

