

# ADVANCING PORTFOLIO INNOVATION SERIES: **INSTITUTIONAL** ALLOCATOR VIEWPOINTS FROM PACIFIC NORTHWEST

## MARKET CHATTER, INSIGHTS FROM THE PACIFIC NORTHWEST REGION

In the Pacific Northwest region, institutional investors experienced a year of notable success, driven by a confluence of factors including positive financial market returns and strong relationships. This whitepaper explores the strategies and approaches that contributed to this success, offering a current analysis of the region's financial landscape.



## LONG-TERM INVESTMENT HORIZONS AND PRIVATE MARKET OUTPERFORMANCE

At one of the largest public pension funds in Washington State, a long investment horizon guided decision-making processes, minimizing emphasis on short-term performance metrics. Instead, a large allocation to private markets served as a cornerstone for outperforming benchmarks and peers over the long term. Approximately \$5.6 billion in new commitments to 12 private equity funds were allocated in 2023. The most prominent investment strategies targeted were opportunistic credit, direct lending, and distressed debt. As noted by the pension fund, “The private equity program continues to deploy funds prudently, with a measured commitment pact to ensure vintage year diversification.” Likewise, the public equity portfolio demonstrated significant outperformance relative to its benchmark, achieving a gain of 16.9% compared against its benchmark return of 16.5%. This deliberate focus on private markets underscores the region’s strategic approach to investment management.



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As noted by a principal allocator of the fund, this long-term investment horizon allowed the fund to capitalize on opportunities that may have been overlooked by investors with shorter timeframes. By maintaining a steadfast commitment to their investment objectives and avoiding reactionary moves based on short-term market fluctuations, the pension fund was able to position itself advantageously for sustained success over the years.



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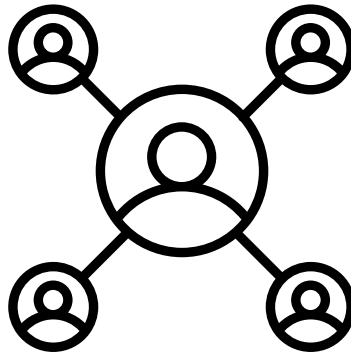
## STRATEGIC LIABILITY MANAGEMENT AND SUPERIOR RISK-REWARD PROFILES

In the pursuit of superior risk-reward profiles, institutional investors in the Pacific Northwest region prioritized structuring liability management, particularly by increasing exposure to super senior loans. This strategic approach provided investors with unparalleled risk-reward relative to other classes of credit, underscoring the region's commitment to optimizing portfolio performance while mitigating risks.

Moreover, the focus on strategic liability management extended beyond super senior loans to encompass a comprehensive approach to managing various forms of debt and credit exposures. By carefully assessing risk profiles and aligning investments with their risk tolerance and return objectives, investors were able to construct portfolios that offered attractive risk-adjusted returns while safeguarding against potential downsides.

Furthermore, maintaining sufficient liquidity emerged as an essential component of their investment strategy, ensuring flexibility and resilience in the face of market uncertainties. This emphasis on liquidity management enabled investors to seize opportunities as they arose and navigate periods of market volatility without being forced into suboptimal decisions due to liquidity constraints.





## STRATEGIC NETWORKING AND POSITIVE MARKET RETURNS

Another theme is the strategic movement toward collaborative, strategic partnerships and networks. The strength of these strategic partnerships extended beyond mere client relationships to encompass collaborative ventures and information-sharing agreements with other institutional investors, asset managers, and industry experts. By leveraging these networks, investors were able to gain access to unique insights, investment opportunities, and resources that contributed to their success in navigating the financial markets. This highlights the importance of fostering robust client partnerships and maintaining a steadfast commitment to strategic objectives amidst the ebb and flow of market fluctuations. Additionally, the emphasis on strategic partnerships underscores the value of collaboration and collective intelligence in achieving investment goals and overcoming challenges in the ever-evolving financial landscape.

These strategic partnerships and strong client relationships were noted as the primary drivers for success in the past year. Despite the allure of public assets, it was the unwavering support of this allocator's Board and adherence to long-term investment strategies that served as the true driving force behind their achievements.

The success stories of these institutional investors in the Pacific Northwest region offer valuable insights into the multifaceted strategies that underpin financial achievement. As investors look towards the future, embracing a diversified and strategic approach remains paramount for achieving sustainable investment outcomes in the Pacific Northwest region and beyond.

