



# RUSSELL INVESTMENTS

## WPP GLOBAL PRIVATE CREDIT – VINTAGE I & II

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# WPP Private Credit Vintage I has been deployed and the market remains positive for Vintage II



## THE SUCCESS OF VINTAGE I

- ✓ Successfully deployed capital as per the WPP requirements
- ✓ Delivered a significant allocation to Impact



## OPPORTUNITY SET FOR PRIVATE CREDIT CONTINUES TO GROW

- ✓ Private credit remains a compelling asset class
- ✓ The structure WPP have put in place will allow us to tilt towards the attractive sectors of the market



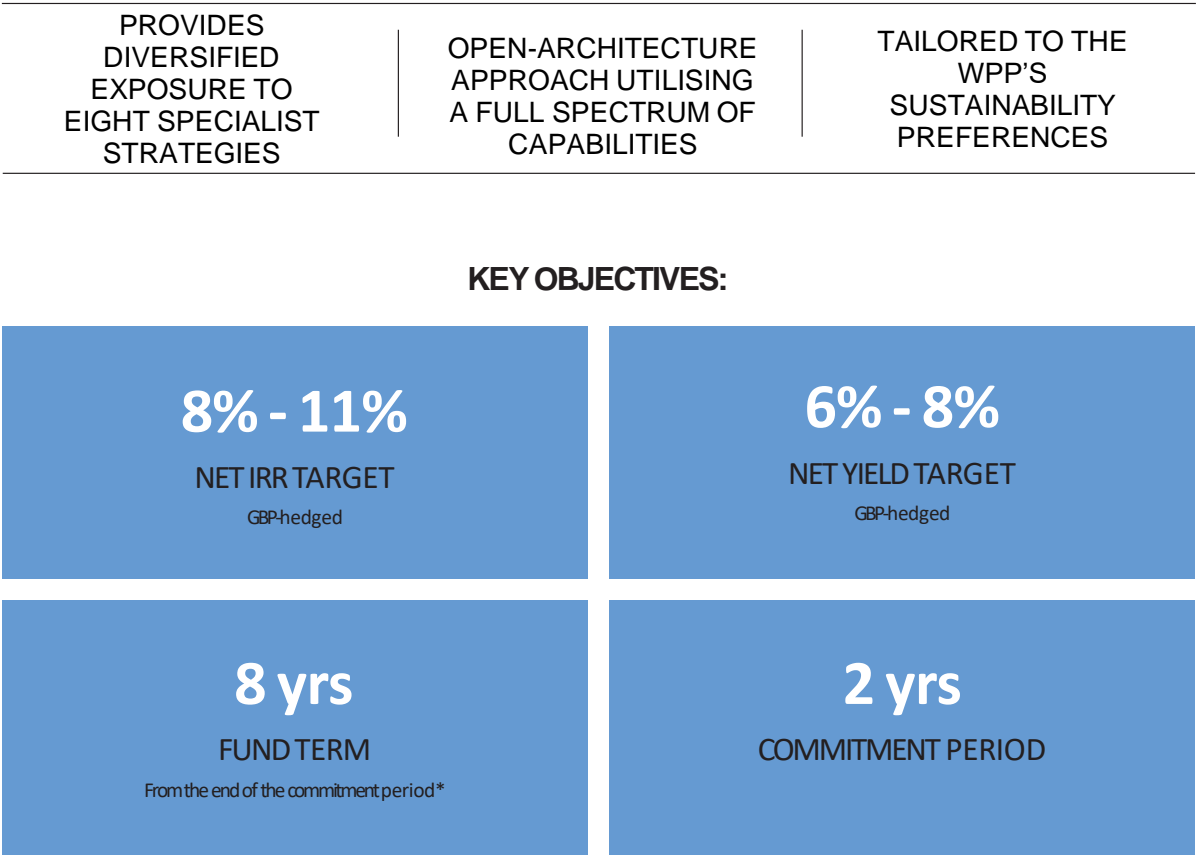
## INCREASED FOCUS ON LOCAL IMPACT INVESTMENTS

- ✓ Vintage I set the foundations for a programme into local (Wales) investments
- ✓ Vintage II will build on these foundations, and further establish the Welsh private credit ecosystem

Source: Russell Investments. The above statements are opinion and/or may be subjective.

# WPP Global Private Credit LP Vintage 1

Golden moment for Private Credit



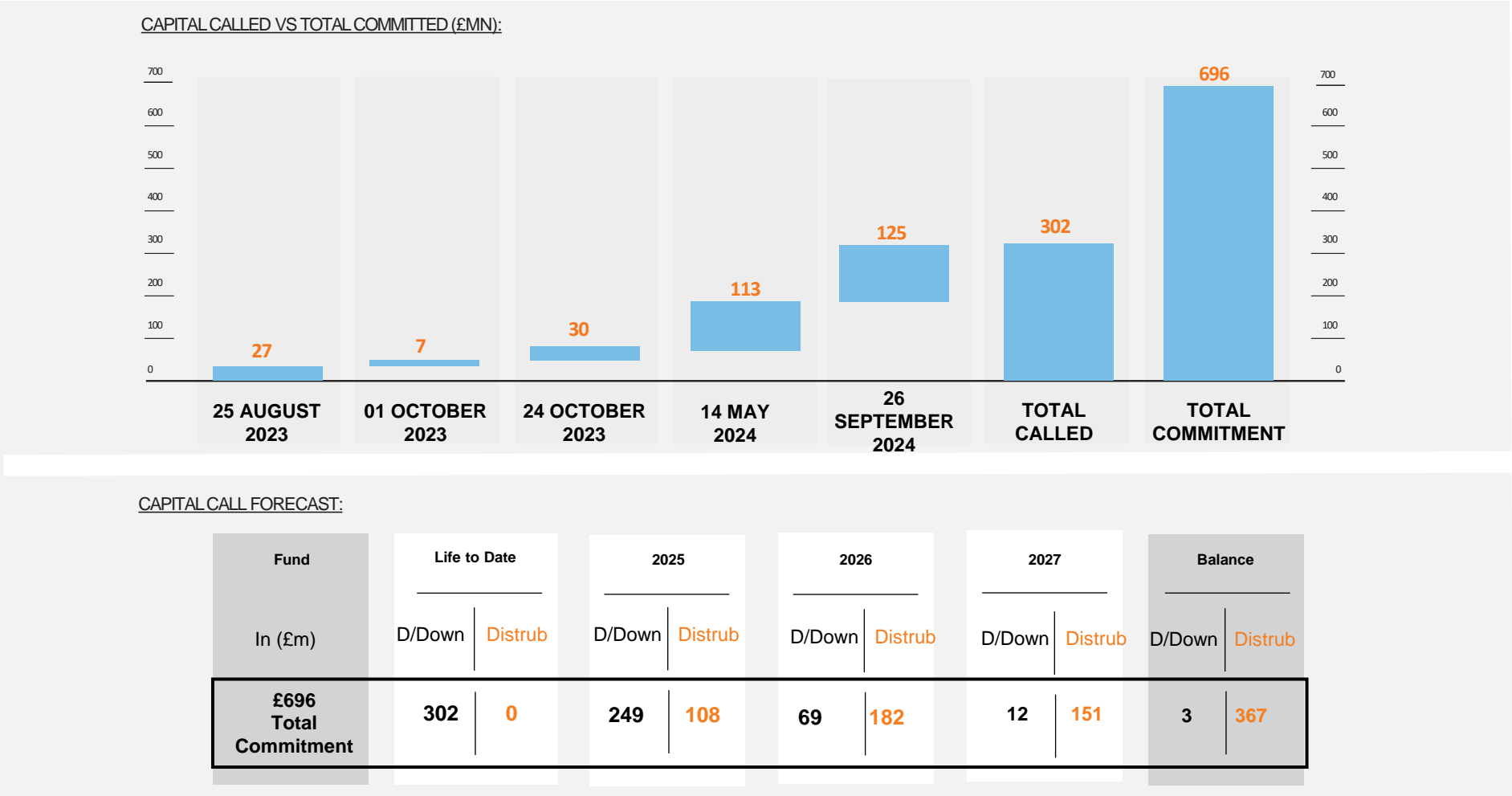
GP COMMITMENT ALONGSIDE THE WPP OF UP TO 1% OF TOTAL COMMITMENT

Source: Russell Investments as at 31/12/2024. Any forecast, projection or target is indicative and not guaranteed in any way.  
Internal rate of return (IRR) is the discount rate that makes the net present value of all cash flows (both positive and negative) equal to zero for a specific project or investment.  
\*Plus two, one-year extensions at the gp's discretion but any additional extensions will be subject to majority approval of investors.

# VINTAGE I UPDATE

STRONG DEPLOYMENT TO DATE

Vintage I Deployment progress



- Managers are calling capital as expected.
- Capital call activity to continue in-line with expectations through 2024
- Majority of commitment to be called by 2026

Source: Russell Investments as at 31 December 2024  
The value of investments and their income can fall and rise and is not guaranteed. You may not get back the amount originally invested.

# Based on commitments and cash flows through December 2024

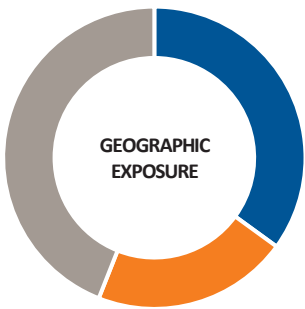
FUND DETAIL

**Objective:** The Fund aims to provide a diversified exposure to eight highly rated specialist strategies. The Fund seeks to invest the majority of its commitments in senior and subordinated debt transactions of small to mid-sized companies globally as well as real estate and infrastructure projects commensurate with meeting the overall return objective of the mandate.

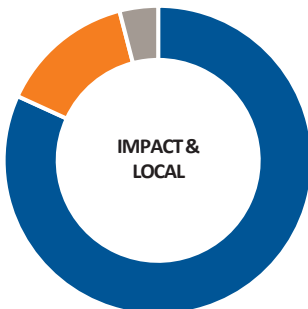
Net IRR Target*	8-11%
Net Yield Target*	6-8%
Committed Capital	£696mn in Vintage I
Participating authorities	7

PORTFOLIO BREAKDOWN

Fund	DD complete?	Capital committed	Capital called	Strategy / Focus	Geography	Portfolio weight	Expected IRR**	ESG	Impact
Hamilton Lane DC	Yes	\$255m	\$125.4m	Diversified	Global	29%	7-9%	✓	—
BX Green Credit III	Yes	\$63m	\$15.2m	Impact/ Energy	Global	7%	9-13%	✓	✓
Pemberton Strategic Credit III	Yes	£78m	£80.2m	Diversified	Europe	11%	13-16%	✓	—
LOIM Sustainable PC	Yes	\$66m	\$59.7m	Impact/ Diversified	Global	7%	14-18%	✓	✓
Ares Capital Europe VI	Yes	£90m	£23.4m	Diversified	Europe	13%	8-12%	✓	—
HIG Bayside Credit Opportunities VII	Yes	£80m	£24.0m	Diversified	Europe	11%	14-18%	✓	—
Capital Four Private Debt V	Yes	£55m	£23.7m	Diversified	Europe	8%	9-11%	✓	—
Starwood European RE Debt II	Yes	£75m	£28.7m	Real Estate	Europe	11%	8-12%	✓	—
Pluto UK RE Debt VIII / Wales Sleeve	Yes	£30m	—	Real Estate	UK	4%	8-11%	✓	✓
9 Managers	—	£715m	£340.2m	Diversified	Global	—	9-13%	—	—



35% North America  
21% United Kingdom  
44% Europe ex UK




80% Global Private Credit  
15% Impact  
5% Local

Source: Russell Investments as of 31 December 2024. For illustrative purposes only. Any reference to specific money managers should not be taken as a recommendation. Any forecast, projection or target is indicative only and not guaranteed in any way. The return target is net of the underlying manager's fees. Fund term is the weighted average of investments.  
\* returns are GBP-Hedged

# U.K. private hire car service




CORPORATE TERM LOAN



**The Company**

Third largest operator in the UK taxi market after Uber and Bolt

Balanced business between B2B and B2C with half of bookings via phone rather than app/web



**The Investment**

Sponsors seeking capital to continue M&A growth strategy

£188m 1<sup>st</sup> lien debt + £15m equity

4.7x leverage and 39% LTV at closing

**S+6.75%**  
Coupon

**2.75%**  
Origination Fee

**NC1/1**  
Prepay Fees









**7 years**  
Term to Maturity



Source: Confidential manager, Russell Investments. For illustrative purposes only. Information as of January 2025. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. See Important Information for additional case study disclosures.

# Sustainable investing case study






- Developer of **community solar & storage assets** serving **non-single-family housing and low-to-moderate income (LMI)** households
- Community solar is a powerful tool for **~80% of US residents unable to install on-site solar**, and it is the **fastest growing segment of US solar industry**
- Aspen has the dual mission of **accelerating and democratizing decarbonization**. Its community solar program allows residents to **receive credits on their electricity bills** from the renewable energy produced by their solar projects
- Aspen has developed and acquired **260+ MW of solar capacity**, enabling the avoidance of greenhouse gas emissions equivalent to the annual energy use of 41,000 homes

CLIC® Assessment		
CLIC® pillar	Identified Impact	SDG alignment
<b>C</b> ircular.	<ul style="list-style-type: none"><li>▪ Land &amp; ecosystems protection</li><li>▪ Recycling &amp; reusing of materials</li></ul>	 
<b>L</b> ean.	<ul style="list-style-type: none"><li>▪ Grid reliability and resiliency</li><li>▪ Efficient &amp; affordable distributed solar resources</li></ul>	 
<b>I</b> nclusive.	<ul style="list-style-type: none"><li>▪ Clean energy access for LMI households</li><li>▪ Reduction on energy expenses</li></ul>	 
<b>C</b> lean.	<ul style="list-style-type: none"><li>▪ GHG emissions avoided through clean energy</li><li>▪ Clean energy storage increasing reliability</li></ul>	 
EU Taxonomy Alignment		
Economic Activity	Production of Electricity from Solar PV	
Substantial contribution	Climate change mitigation & adaptation	
Taxonomy Alignment	✓	

<sup>1</sup> As of May 2024. <sup>2</sup> Including the 2022 and 2023 reporting period.

Key Terms	Term	3-year 1 <sup>st</sup> lien senior secured notes
	Facility	USD 30 million; borrowing base
	Collateral	Secured by all assets, including contracted asset sale revenue from leading institutional asset manager
	LTV	<50%
	Eligible uses	<ul style="list-style-type: none"><li>• Purchase solar equipment</li><li>• Costs to acquire projects &amp; commence construction</li></ul>
	Cash control	All revenue deposited into collateral account

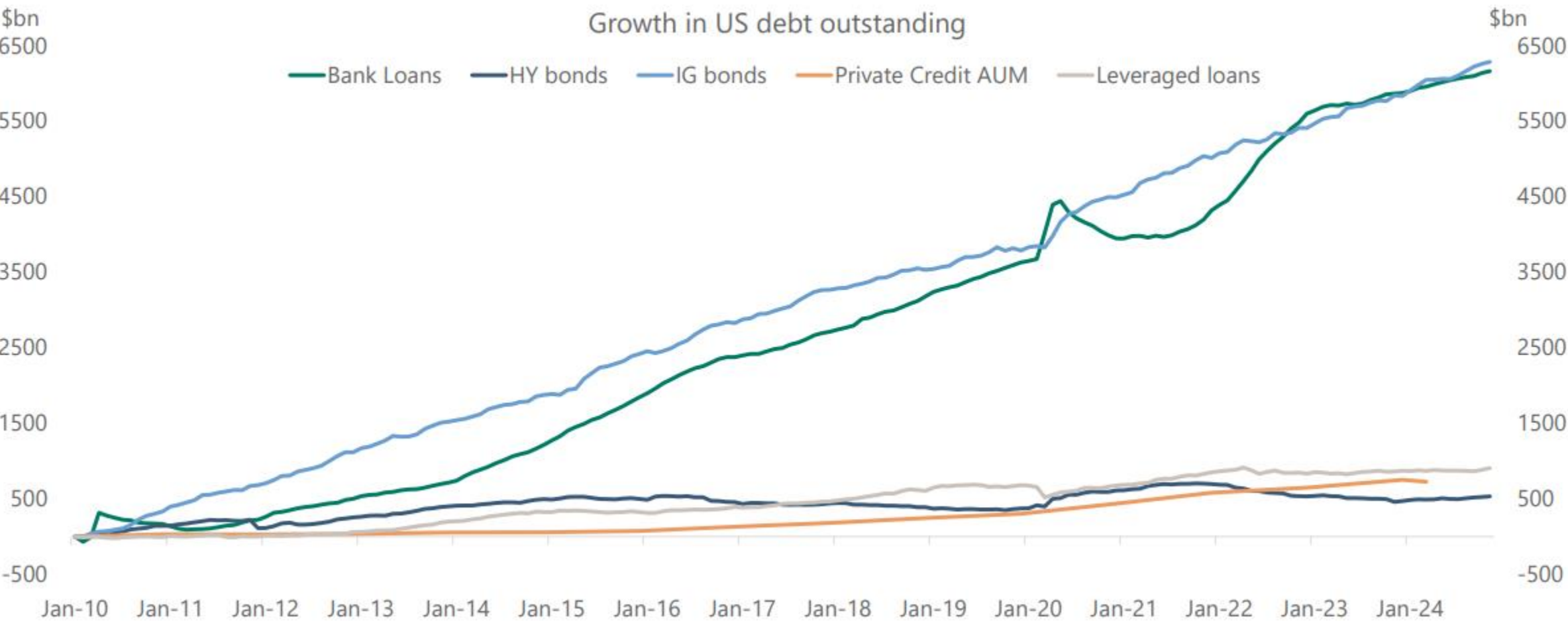
Sustainability KPIs	Sustainability Metric	Unit	2022	2023
	Scope 1	tCO2e	0.6	0.0
	Scope 2	tCO2e	2.7	11.68
	Renewable energy capacity generated and enabled	MWh	14,731	319,589
	Households with new access to clean energy	#	1,685	2,749
	Client savings premium enabled	%	10	10
	Board of director's diversity ratio	%	33	29

Impact	Environmental impact:	
		266 MW capacity for clean energy <sup>1</sup>
		Over 334 thousand MWh of locally-produced clean electricity <sup>2</sup>
		Equivalent to ~23.7 thousand tons of CO <sub>2</sub> e emissions avoided <sup>2</sup>
	Social impact:	
		4,434 households provided with new access to clean energy <sup>2</sup>
		10% average cost savings in electricity for customers
		68 quality new jobs created in 2023



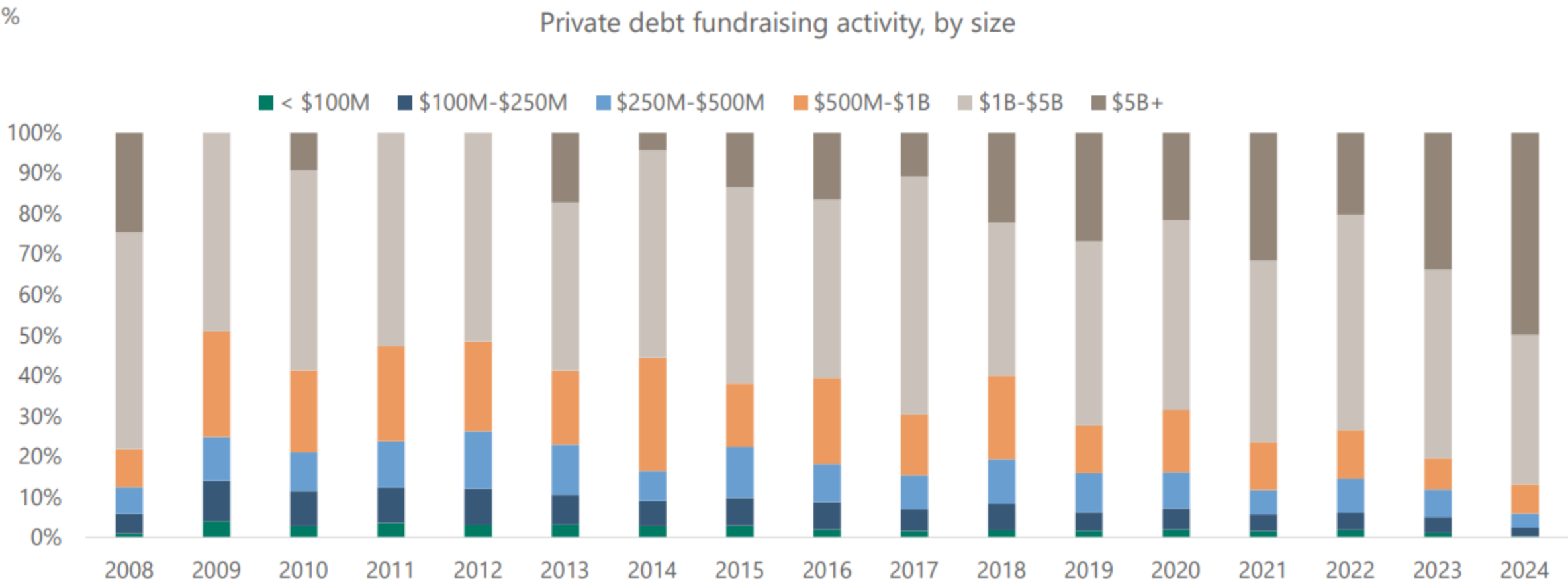
# MARKET UPDATE

# Putting the growth of private credit in context



Sources: Federal Reserve Bank, ICE BAML, Bloomberg and Apollo.

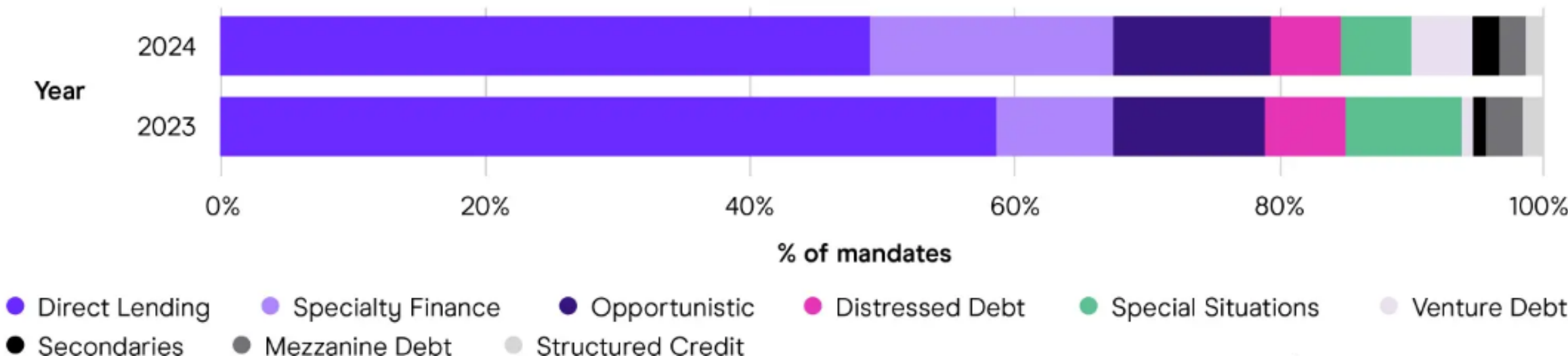
# The largest funds are increasing dominating fundraising



Sources: PitchBook, Apollo data as of 30 September 2024

# Specialty finance and special situations grow

Private credit mandates by strategy: 2024 vs 2023



Source: With Intelligence

# Attractive opportunity set in a segment with less competition

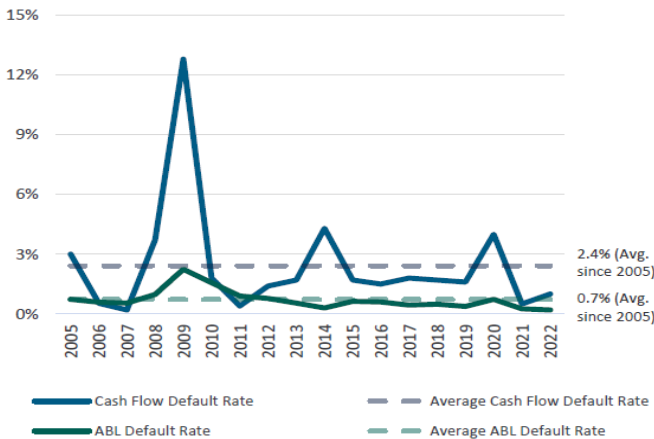


Companies in this segment have fewer options when it comes to traditional financing solutions

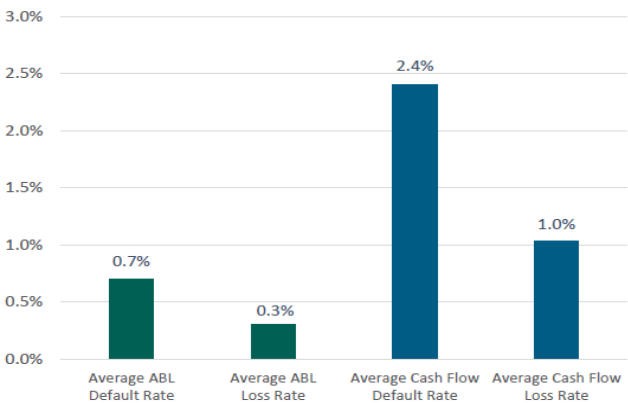
These borrowers typically have:

- Collateral based on hard assets including equipment or finished inventory
- Often volatile cash flows
- Traditional financing solutions do not meet 100% of the firm's capital needs and AB loans are just now starting to fill the gap from lack of bank lending

ANNUAL DEFAULT RATES: ASSET-BASED LOANS VS. CASH FLOW LOANS<sup>1,2</sup>



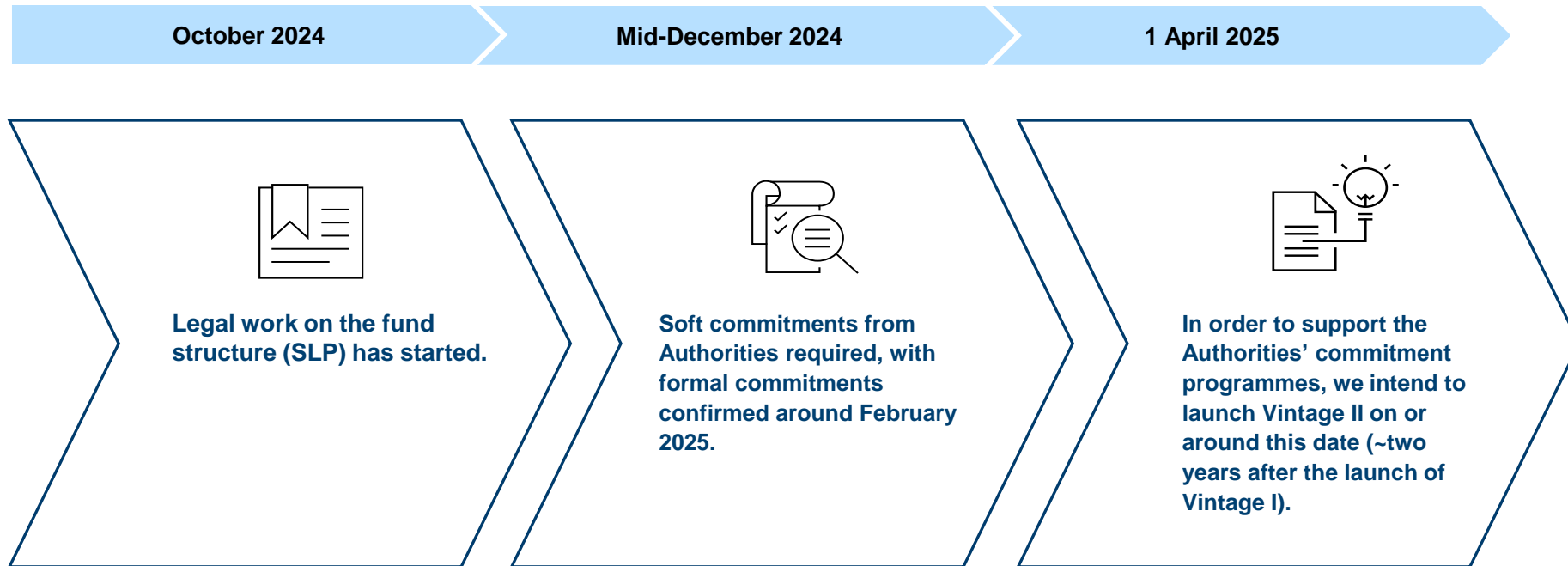
AVERAGE DEFAULT & LOSS RATES: ASSET-BASED LOANS VS. CASH FLOW LOANS<sup>3</sup>



Please reference information in the disclosures which refer to the indices.  
1. Cash flow default rate reflects the Morningstar LSTA Leveraged Loan Index Default Ratio since 2005 at December 31<sup>st</sup> of each year. Latest annual data available as of December 31, 2022.  
2. Asset-based loan default rate reflects the average non-accrual rate of each year for the Asset-based Lending Index maintained by the Federal Reserve Board of Governors. Latest annual data available as of December 31, 2022.  
3. Asset-based loan average loss rate reflects the average gross write-offs of the Asset-based Lending Index since 2005, calculated by dividing total gross write-offs by total loans outstanding. Data maintained by the Federal Reserve Board of Governors. Cash flow loss rate reflects the Cliffwater Direct Lending Index ("CDLI") Middle Market Debt Realized Credit Loss Rate since 2005 at December 31<sup>st</sup> of each year. Latest annual data available as of December 31, 2022.

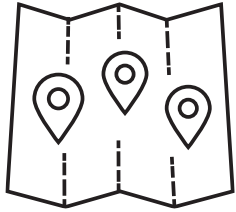
# VINTAGE II

# Launch Timeline



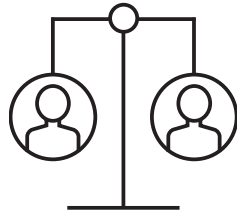
- It is important that we understand the requirements for all Authorities, as we seek to design and build a new vintage building on the success of the last.
- We are proud to have delivered exposure to globally diversified high conviction private credit strategies, impact orientated private credit and now local private credit opportunities. All of these will remain key themes to be discussed with you for Vintage II.

## Thoughts and Considerations



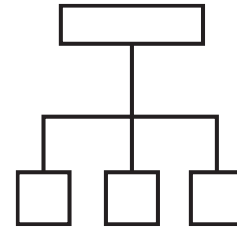
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Vintage II will likely lean more heavily into asset-based lending



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Determining the appropriate mix of local, impact and global private credit



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Allowing for greater extension flexibility with LP consent for evergreen funds (like Pluto)



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Russell Investments is ready to offer updated commitment pacing analysis



# Model portfolio

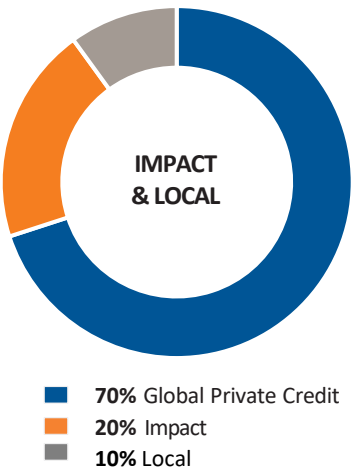
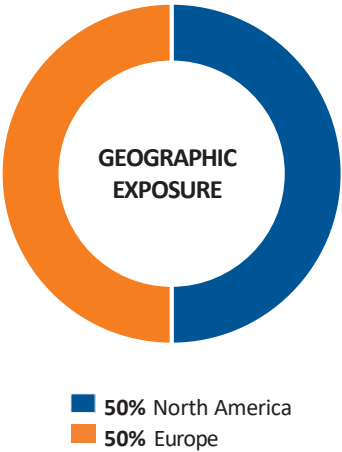
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Net IRR Target*	8-11%
Net Yield Target*	6-8%
Participating authorities	7

## PORTFOLIO BREAKDOWN

Fund	DD complete?	Strategy / Focus	Geography	Portfolio weight	Expected net IRR	ESG	Impact
Hamilton Lane DC	Yes	Corporate - DL	Global	15%	7-10%	✓	
Manager 1 – US Asset-Based Lender	No	Asset-Based	US	15%	14-18%	✓	
Manager 2 – Global Credit and Royalties	No	Special Situations	Global	10%	10-15%	✓	
Manager 3 – Global Asset-Based Finance	Yes	Asset-Based	Global	20%	10-15%	✓	
Manager 4 – US Commercial Real Estate	No	Distressed - RE	US	10%	14-18%	✓	
Manager 5 – Sustainable Infrastructure Debt	No	Asset-Based	US	10%	10-15%	✓	✓
Manager 6 – Sustainable Infrastructure Debt	No	Asset-Based	Europe	10%	8-12%	✓	✓
Pluto UK RE Debt VIII / Wales Sleeve	Yes	Real Estate	UK	10%	8-10%	✓	✓
8 Managers	—	Diversified	Global	—	10-14%	—	



Source: Russell Investments as of September 2024. For illustrative purposes only. Any reference to specific money managers should not be taken as a recommendation. Any forecast, projection or target is indicative only and not guaranteed in any way. Return target is net of underlying managers' fees. Fund term is the weighted average of investments. \*

# SUSTAINABILITY, IMPACT AND NET ZERO FOR WPP PRIVATE CREDIT


























# What is currently high on the research agenda

FUND	STRATEGY	GEOGRAPHY	NET RETURN	STRATEGY DESCRIPTION
Manager 1	Asset-Based	Europe	8-12%	Flexible credit strategy focused on lending to sustainable projects across infrastructure, renewables and real estate.
Manager 2	Asset-Based	UK	12-13%	Asset based lending to UK SMEs for specialist equipment across renewable and recycling sectors
Manager 3	Asset-Based	US	10-15%	Senior and mezzanine finance for energy transition and sustainable infrastructure projects. Concentrated strategy with a major of deal non-sponsored.
Manager 4	Asset-Based	Global	10-13%	Diverse portfolio of renewable energy investments. Financing development, acquisition, construction, and management of renewable power plants and battery storage assets. Provides asset backed financings backed by renewable energy, energy efficiency, sustainability, and energy transition projects, and originates solar ABS
Manager 5	Corporate -DL	Europe	8-10%	Industry-agnostic sustainable investing - focused on resource efficiency and sustainability
Manager 6	Venture Debt	US	14-18%	Venture debt strategy focused on technology solutions to support climate impact

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# A menu of impact options

	 <b>SOCIAL IMPACT</b>		 <b>ENVIRONMENTAL IMPACT</b>	
IMPACT THEME	 <b>SOCIAL / AFFORDABLE HOUSING</b>	 <b>HEALTH AND WELLBEING</b>	 <b>CLEAN ENERGY</b>	 <b>ENERGY AND RESOURCE EFFICIENCY</b>
PRIMARY IMPACT UN SDG	 		 	 
SECONDARY IMPACT UN SDG	 	 	  	  
GP EXAMPLES	Pluto	Orbimed, Hayfin	LOIM, AB Carval, Fundamental Solar	Aptimus, Ambianta, Windsail

Source: Russell Investments and United Nations Sustainable Goals.

# Progress on multiple fronts

## ROBUST NET ZERO FRAMEWORK



### IMPACT STRATEGIES

- 1 Vintage 1 included two dedicated climate impact strategies accounting for almost 15% commitments
- 2 We anticipate incorporating a higher % of such strategies in vintage 2



### NET ZERO MANAGERS

- 1 Russell Investments' research is incorporating a more explicit net zero alignment component of its sustainability assessment of managers to be selected for WPP
- 2 Net zero aligned funds remain limited at this stage but will monitor for greater adoption and opportunities to increase our allocation to aligned funds



### REPORTING TRANSPARENCY

- 1 Russell Investments is engaging with its underlying managers to report on relevant emissions metrics annually with increasing coverage going forward
- 2 Russell Investments will provide annual roll up reports that display emissions metrics and coverage for the total WPP portfolio

# APPENDIX

# Pluto UK Real Estate Debt Fund VIII

BIRMINGHAM ROYAL ANGUS

**Description**

- ✓ Development loan financed the conversion of a Birmingham hotel into apartments
- ✓ The project was completed in January 2024 and is currently being let up with an anticipated exit date early in 2025

**£12.2m**  
Development Loan

**12.3%**  
Current Gross IRR

**47.6%**  
Loan to Value



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# Capital Four Private Debt V

CREATORS OF THE OUTSIDE WORLD (CROWD)

## Description

- ✓ Dutch provider of bicycle infrastructure and street furniture
- ✓ The company anticipates steady growth driven by government incentives to support zero emission transportation and the firm's strong history of results in tender processes.
- ✓ The deal financed an LBO of the company by one of the leading energy transition private equity sponsors.

€68.5m

Senior Loan

E+6.75%

Spread/Margin

38%

Loan to Value



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# HIG Bayside Opportunity Fund VII

## ICELAND

### Description

- ✓ Iceland is a Wales-based UK value supermarket company specialising in frozen foods.
- ✓ The company's bonds came under pressure amid rising energy costs, UK macroeconomic headwinds and a rush to liquidity in GBP markets broadly in 2022.
- ✓ In 2H23, the company refinanced and bought back the 2025 maturity, with demand coming from the newly reopened CLO market.

**£22m**

Secondary bond purchase

**45.8%**

Realized Gross IRR

**1.5x**

Realized Gross MOIC



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# Ares Capital Europe VI

## PARKDEAN RESORTS

### Description

- ✓ Parkdean Resorts is a leading operator of holiday parks in the UK with substantial freehold or long leaseback property assets.
- ✓ Ares, formerly a second lien lender, stepped up to refinance a 2024 maturity into a unitranche loan alongside a £50m equity injection from the sponsor bringing leverage down to 5.3x.

**£550m**

First lien loan

**11.45%**

All-in yield

**3.50%**

Upfront Fee/OID



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# Starwood European RE Debt Finance II

## MORRISONS SALE & LEASEBACK

### Description

- ✓ The fund provided a loan to asset manager ICG to finance the purchase of 7 as a part of a sale-leaseback transaction with WM Morrisons.
- ✓ The 7 properties are all on 15-year or more leases to Morrisons with our loan maturing in 2028.
- ✓ At the time of closing, ICG's sale-leaseback funds had a history of collecting all tenant rents with no defaults.

**£138m**

First lien loan

**13.5%**

All-in yield

**53.9%**

Loan-to-Value



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# THANK YOU!

ANY QUESTIONS?



# Important information (UK)

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The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Any past performance is not necessarily a guide to future performance.

**Private Credit is considered a high-risk investment. Investing in a private credit involves considerable risks, you should make sure you understand the risks before investing. Private Credit debt instruments are subject to the risk that a borrower will default on the payment of principal, interest or other amounts owed. The financial strength and solvency of the issuer, including the lack or inadequacy of any collateral securing repayment affect credit risk. In general, rising interest rates in the market will negatively affect the price of the debt instruments. Sensitivity to a change in interest rates is more pronounced and less predictable in instruments with uncertain payment (or prepayment) schedules. Investments in private credit should be regarded as illiquid. Private credit is not listed on an exchange, traded in the secondary market, and is generally not transferable.**

Internal rate of return (IRR) is the discount rate that makes the Net Present Value (NPV) of all cash flows (both positive and negative) equal to zero for a specific project or investment. IRR is typically used for calculating performance of private equity funds. IRR can overestimate the potential returns of a project or future investment by making the NPV equal to zero.

Any forecast, projection or target is indicative only and not guaranteed in any way. IRR represents the return on investments reduced by all fees and expenses, including investment management fees, administrative fees and other costs of the underlying funds.

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