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San Joaquin keeping a 'very close eye' on Crestline

- GP manages $13m in its opportunistic strat
- $4bn investor eager to get assets back amid underperformance
- Manager 'at the end of its life,' says Meketa

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The $4bn San Joaquin County Employees Retirement Association is closely watching its opportunistic private credit manager Crestline, amid long-term underperformance.

Crestline manages about $13m on behalf of the system, as of June 30, with exposure to Europe and the US.

First joining the roster in November 2013, the manager has since trailed its benchmark over the quarter, one, three and five-year periods.

The one-year return came in at -14.9 versus its benchmark of 5.6, it is the lowest in comparison to other managers on the roster.

“Crestline has been one of those managers that we are keeping a very, very close eye on," said Meketa MD David Sancewich at the September board meeting.

“They have asked us, and we approved for an extension not too long ago, but it is one of those managers that’s at the end of its life. And at some point, I wish they’d speed up and give our $13m back to the portfolio."

The private credit portfolio hasn’t been performing well overall, with 13 of the 15 managers underperforming their benchmarks. Sancewich is hopeful for a recovery, however, as several firms on the roster are still in a J-curve and some are starting to perform better.

Private credit makes up 30.4% or $365m of the stabilized growth portfolio.

The stabilized growth portfolio is currently underweight at 29.9% or $1.2bn against a target of 33% or $1.3bn, as of June 30.

The other components in the portfolio are risk parity and liquid credit.

Managers on the roster include Blackrock, Davidson Kempner and HPS.

San Joaquin recently highlighted its positive – albeit cautious – outlook on private credit opportunities arising from the banking crisis.

Crestline declined to comment.