

## SRT allocation

### *US pension backs ArrowMark with \$225m as SRT strategies gain traction with LPs*

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The \$42bn Iowa Public Employees' Retirement System ("IPERS") has backed the synthetic securitisation market at scale, with a \$225m allocation to Arrowmark Partners' SRT strategy.

The risk-sharing mandate, which begun with a \$100m allocation and grew by an additional \$125m last year, gives a rare glimpse into how institutional allocators are thinking about SRTs as part of their broader private credit portfolios.

The commitment makes up 7.5% of the LP's \$3bn private credit product – currently investing across direct lending, opportunistic, and real assets credit strategies.

"We've had a relationship since the beginning of 2022 with Arrowmark, who have done a really nice job for us, and their strategy is specifically focused on SRT investments," says Pat Reinhardt, senior investment officer at IPERS.

Arrowmark, one of the longest-tenured investors in the SRT market, has partnered with leading global bank issuers across programmes such as CRAFT (Deutsche Bank), Salisbury (Lloyds), Chakra (Standard Chartered) and Elvetia (Crédit Suisse).

Despite still being generally considered a niche strategy, IPERS sees SRTs as a compelling fit within its opportunistic private credit bucket, which also includes mezzanine lending and special situations.

"We think of SRTs as one of several strategies in the opportunistic space," Reinhardt notes. "Today, we are a little bit overweight to the opportunistic bucket and slightly underweight on direct lending and real assets credit."

The allocator has set aside \$650m for private credit investments in 2025 – \$300m of which are dedicated to its opportunistic composite, which may signal even further allocations to the SRT space.

Returns so far appear to back the decision, Reinhardt states, as IPERS' SRT exposure is delivering around 10% net of fees, with a time-weighted return of roughly 13% over the past year.

"Our objective going into it was low double-digit type returns net of fees, and it's definitely achieved that for us," he adds.

The strategy was initially Europe-focused but has gradually added US exposure as more American banks show interest in SRT structures.

"Out of the gate, it was predominantly a Europe-based strategy. I know in the last year or so banks in the US have started taking advantage of the strategy. So, we have seen an increase in some of the US exposure, but our particular mandate it is about 70% Europe versus 30% US," Reinhardt explains.

Still, the move is notable. SRT-focused strategies are rarely included in public pension portfolios as a stand-alone allocation, and few allocators speak publicly about their approach to the space. For IPERS, however, the opportunity is evident.

"It's still a little early to call it its own asset class but it is certainly something that a lot of people are interested in. We are interested and we allocate to it," CEO Greg Samorajski tells SCI.

With SRTs consistently gaining traction with a growing investor base, as banks look to optimise capital and issuance reaches record highs, the surge in SRT adoption amongst LPs could equally grow significantly.

### **About ArrowMark Partners**

ArrowMark Partners is an employee-owned asset management firm founded in 2007. As of March 31, 2025, the firm manages approximately \$18.7bn<sup>1</sup> in assets on behalf of institutional, financial intermediaries and high net worth investors across alternative credit and capacity-constrained equity strategies, commercial real estate, as well as through the management of broadly syndicated and middle-market CLOs. ArrowMark is headquartered in Denver, Colorado with additional presence in California, London, and New York.

For more information, visit: <https://www.arrowmarkpartners.com/credit/private-credit/>

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*<sup>1</sup>ArrowMark AUM includes commercial real estate ("CRE") assets, including commercial mortgage loans that the firm has originated and/or currently manage on behalf of insurance companies and other institutional investors.*

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