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NEPC PRIVATE MARKETS TEAR SHEET

Arcmont Fund of One with
SBCERA

PRODUCT RATING: Not Applicable – Not Rated

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EXECUTIVE SUMMARY

Arcmont, "The Firm", and SBCERA are creating a \$200MM "Fund of One" account which SBCERA will utilize to invest in a European Private Credit Partnership with Arcmont. This Fund of One will focus primarily on Arcmont's Capital Solutions Strategy, which is the firm's European mid-cap private debt strategy targeting un-levered mid-teens net IRRs with downside protection. Capital Solutions has a senior secured, floating rate focus along with a cash yield. The investment team constructs portfolios that employ attractive credit fundamentals with well-diversified position sizes across individual countries within Europe as well as opportunity types. The Firm's strongest sourcing geographies include Germany, France, Italy, Nordics and the United Kingdom. Industries of focus include Industrials, Business Services, Healthcare, Software, Travel, Food and Beverage, Education and Specialty Retail. The Capital Solutions Investment Strategy focuses on three types of transactions: 1) Capital Solutions: Sponsor-friendly refinancings and liquidity solutions; 2) Specialist Lending: Complex private lending to healthy companies; and 3) Discounted Debt Purchase & Hung Deals: Dislocated debt from syndicated market and bank balance sheets. The SBCERA account will leverage Arcmont's full private debt platform which encompasses its direct lending, impact lending, NAV Financing and Capital Solutions investment strategies. The Firm was founded in 2011, is headquartered in London, and has 118 employees and operates out of 6 additional offices in Europe and one in NYC. It currently manages over \$41BN of capital across a global investor base of over four hundred. Since inception, Arcmont has a 0% realized loss ratio which is best in class. SBCERA will be receiving attractive management fee terms for this large Fund of One account which will be based on gross invested assets.

Investment Personnel

The Capital Solutions Strategy's Investment team is co-led by Partners David Brooks and Alice Cavalier. David and Alice have been with Arcmont for five years. Prior to Arcmont, David worked at Bain Capital's Sankaty Debt Platform for 12 years. Alice Cavalier previously worked at Pimco in opportunistic credit for three years and Bayside Capital for eight years. Fred Nada, a Partner who helps lead coverage of the UK market is also on the team day to day as is Alessandro Menlin, VP; Thomas Menin, VP; and Associates Fabien Devoult and Florian Reuther.

The Capital Solutions Investment Committee has seven members which include the three Partners who work on the Fund day-to-day, David Brooks, Alice Cavalier and Fred Nada, as well as Anthony Fobel, CEO, Benjamin Harrild, Senior Advisor, Mattis Poetter, CIO, and Patrick Schreiber, Head of Restructuring.

Differentiators:

- **Niche Opportunistic Market Segment-** Capital Solutions employs a flexible capital strategy across complex solutions. There are few competitors to Arcmont in this market segment. Thus, it can generate unlevered returns in the mid-teens with solid downside protection. Fund I returns driven by attractive pricing and fees including a cash coupon of 8.2%, an arrangement fee of 7.1%, PIK coupon of 2.2% and some additional equity upside of 0.1%.
- **Platform Resources & Regional Expertise** – The Firm employs 48 Investment professionals across its private debt practice areas that the Capital Solutions team draws upon to assist in sourcing, evaluating, structuring and monitoring its investments. Due to Arcmont's extensive office presence in many of Europe's largest economies, it generates a substantial amount of exclusive deal flow.



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- **Strong Track Record** – Arcmont’s direct lending track record is quite strong across four previous funds (unlevered as well as levered which are detailed in NEPC’s Direct Lending Fund V Memo). Capital Solutions Fund I’s 13 realized deals have generated a net IRR of 18.6% while its 23 unrealized deals are currently marked at a 9.3% IRR. Arcmont has a 0% realized loss figure across all of its investment strategies since the Firm’s inception which is best in class.
- **Fee Structure:** SBCERA's Fund of One fee structure has an attractive management fee based on total invested capital.

Areas to Monitor:

- **Nuveen Acquisition** – In March 2023, Arcmont sold a controlling interest in its business to Nuveen, the investment management arm of TIAA. The acquisition expanded Nuveen’s private capital footprint into Europe, complementing its North American private debt investment specialist, Churchill Asset Management. Together, Arcmont and Churchill have combined to form Nuveen Private Capital, one of the largest global private credit managers. Anthony Fobel (CEO of Arcmont) and Ken Kencel (President and CEO of Churchill) serve as co-CEOs of Nuveen Private Capital, reporting to William Huffman (CEO of Nuveen) who serves as Chairman of Nuveen Private Capital. The board of Nuveen Private Capital consists of William Huffman, Anthony Fobel, Ken Kencel, and Kevin McCarthy (Secretary and General Counsel of Nuveen). Arcmont has continued to operate under its respective name and brand, with no change to its investment team or process since the acquisition. Additionally, the Firm has retained its autonomy in its investment committee and board, adding no Nuveen team members to either through the transaction. Arcmont has benefitted from the transaction as it has increased the Firm’s scale and breadth, in addition to getting access to Nuveen and Churchill’s investor bases and distribution channels. Additionally, Arcmont has gained access to Nuveen and Churchill’s market insights, sponsor and management team relationships which is beneficial for deal flow and receives a commitment from TIAA for its funds. Members of the firm are incentivized to stay through the retention packages that were put in place. Every member of Arcmont is a shareholder in Nuveen Private Capital, half the firm (including every member of the investment team) has carried interest in the funds, and the senior team has one-year non-compete clauses in place from the time they leave the Firm (Anthony Fobel has a two-year non-compete). The carried interest is split 60/40 between Arcmont and Nuveen, and the Arcmont share goes to every member of the Firm’s investment team as well as other key individuals at the Firm. NEPC is comfortable with this ownership structure, though will continue to monitor its development.
- **Continued Stability and Development of Senior Talent** – CEO, Anthony Fobel, has built an impressive and sizeable investment team over the past 15 years. As the Firm leverages its core strength in European private debt to a variety of investment strategies, it will be imperative for the leaders of these strategies such as David Brooks and Alice Cavalier to assist in maintaining the culture of Arcmont and grow their respective teams over time to enhance the Firm’s competitive position in the various geographies in which it invests.
- **Exit Environment for Private Assets** – Private Equity realizations/distributions have remained constrained the past few years which has impacted the Fund Terms for Private Debt Vehicles as well. This environment creates additional opportunities for strategies such as Capital Solutions but may also impact holding time periods for these investments.



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Portfolio and Performance of Capital Solutions Fund I¹:

Capital Solutions Fund I is a 775MM Euros late 2020/2021 vintage fund. As of the beginning of 2025, the total number of investments in the Fund I was 34, with 13 of these having already been realized. Senior loans make up 74% of the Fund and the Loan to Value ("LTV") of the Fund is 46%. As of September 30, 2024, the net IRR of the 13 realized investments was 18.6%. The 21 unrealized investments net IRR as of this date was 9.3% for a total Fund Net IRR of 12.5%. The attractive unlevered returns of Fund I are driven by the following blended economics on deals:

-Discount/Arrangement Fee	7.1%
-Cash Coupon	8.2%
-PIK Coupon	2.2%
-Targeted Equity Upside	0.1%

The Loan to Value percentage of Fund I is 46% and the average position in the portfolio has a debt to EBITDA ratio of 5.2x. Thus, these positions are well covered and have a large equity cushion below them.

Notes:

- 1) Data from Arcmont Asset Management Firm Overview Presentation dated January 2025.

NEPC Opinion:

As stated in NEPC's Full DD Report on Arcmont Direct Lending Fund V, NEPC views Arcmont as one of the best private debt investment platforms in Europe. The Firm has broadened its private debt focused product offering over the past few years to include strategies that appeal to different risk/return segments of its client portfolios. It possesses a well resourced and experienced investment team with expertise investing in most of the economies in Northern Europe as well as Spain and Italy. The Firm has generated attractive first and second quartile performance in its investment funds since its inception and has protected investor capital very well with a 0% realized loss rate. Arcmont has a number of Fund of One relationships in place among its current client base so NEPC expects SBCERA will have a relatively smooth on-boarding experience.

NEPC's due diligence included the following:

In-Person Meeting at Arcmont: 1

Calls/E-mails with Arcmont regarding Capital Solutions: numerous

Documents Reviewed: Marketing deck, track record, 2025 NEPC Investment Memo on Arcmont Direct Lending Fund V



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FUND CHARACTERISTICS

Investment Vehicle	Arcmont "Fund of One" for SBCERA
Investment Manager	Arcmont (subsidiary of Nuveen)
Target Size	\$200MM
Target Final Close Date	TBD
Fund Term	Evergreen
Sponsor's Investment	TBD
Assets Under Management	41.3BN Euros (as of August, 2025)
Investment Focus	Senior Secured, Cash Yield as well as uni-tranche exposure
Geographic Focus	Europe, primarily Northern Europe
Projected # of Investments	Diversified portfolio across industries, countries and position sizes. Likely over 30 positions.
Deal Size	Range of \$2-\$10MM per investment
Target Fund Return	Mid-teens net IRRs
Annual Management Fee	Attractive management fees on net invested capital negotiated by SBCERA staff
Transaction Fees	100% of transaction fees distributed to SBCERA
Fund Auditor	PWC
Fund Legal Counsel	Kirkland & Ellis
Website	www.arcmont.com



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- Past performance is no guarantee of future results.
- The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.
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In addition, it is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds, real estate and private equity:

1. Performance can be volatile and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy



