To: Trustees of the SBCERA Retirement Board

From: Neil Sheth

Date: July 30, 2025

Subject: European-Based Credit Manager Investment Committee Meeting on August 14, 2025

Background

During the second and third quarters of 2024, the Investment Team at SBCERA conducted a broad search of European-based Credit Investment Managers requesting information materials and performance track records of the managers fund offerings. During the fourth quarter of 2024, the Investment Team reviewed and evaluated the materials, conferred with NEPC and its Research Team and decided to focus its investment diligence on eleven of these managers. Thus, I traveled with three members of SBCERA's Investment Team, Amit Thanki, Jacob Abbott and Thomas Kim to London the last week of January in 2025, to conduct detailed due diligence meetings with all eleven of these managers. After returning from this weeklong set of meetings, the Investment Team and I reviewed each of our notes, opinions and findings and we all concluded that there were a few investment firms that stood out from the rest with their fund offerings, track records, investment personnel and potential fit with the existing SBCERA investment portfolio.

Three of these four investment managers will be presenting to you on August 14th, and NEPC has been deeply involved in evaluating each of those managers. In addition to this summary memorandum, NEPC has provided confidential investment reports on each of the managers, which are included in the Board materials.

Summary of Investment Manager Offerings

Arini has worked diligently alongside SBCERA's Investment and Legal Team and NEPC to construct a specific offering for SBCERA that aligns its investment strengths and practice areas with SBCERA's preference for a Fund of One/Master Custodial Agreement ("MCA"), while also providing investment terms that are consistent with a large investment mandate.

Arini Capital

Arini was established in October 20221 by Hamza Lemssouguer, CIO, who managed a similar investment strategy at CSFB with some colleagues he has brought over to Arini. The Firm has its headquarters in London and an office in New York City. Arini specializes primarily in European corporate credit utilizing a fundamental and opportunistic approach across credit and credit-linked securities. The Firm has grown significantly since its inception and currently manages $8.4BN in AUM across public and private credit strategies. The investor base is geographically diversified and largely consists of sovereign wealth funds and endowment and foundation clients. The Firm employs 88 professionals across the two offices. There are 44 investment professionals with the remainder spread across legal/compliance, operations, business development and human resources. The Firm has experienced very little employee turnover since inception and Mr. Lemssouger actively focuses on the qualitative aspects of the culture of the Firm.

Arini has a number of unique attributes which have allowed it to prosper over its short history. The investment team is organized by sector/industry expertise to allow for continuous and consistent monitoring of issuers within sectors and industries. The more than twenty research analysts are sector-focused and each has over ten years of investment experience covering the industry. This approach leads to a differentiated portfolio from peers, with less crowded trades. Analysts are proactive and early movers in trades/ideas across performing, stressed and distressed credit because they know the competitive landscape, private equity sponsors, and management teams of both public and private companies in their industries.

The Arini Credit Master Fund is the Firm's Flagship strategy and has an AUM of $4.7BN, more than half of the Firm's AUM. The fundamentally driven strategy is focused on public single name standalone long and short credits, seeking to an early mover advantage across the credit spectrum. Performance of this Fund has been strong since inception with a 17.3% net IRR from January 2022 through June of 2025, maintaining positive returns in all years. The Fund targets a net return of 15% plus over a market cycle

The *Arini Credit Opportunities Fund II* employs the same fundamental strategy and process as *Arini Credit Master Fund,* however the Opportunities Fund is a much smaller, closed-end fund structure that invests in both private and public credits. It targets a slightly higher net IRR of 15-20% compared to the Flagship Fund.

SBCERA's $200MM investment partnership with Arini will be structured as follows:

- $50MM into Arini's Flagship Strategy, *Arini Credit Master Fund*
- $75MM into Arini's *Credit Opportunities Fund II*
- $75MM commitment into a Co-Investment Fund of One Vehicle