



**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**

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### **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 14<sup>th</sup>, 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**

Goldman Sachs 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.

### **Goldman Sachs**

Goldman Sachs has a comprehensive range of Global Private Credit Strategies that it manages for its clients. It started its Private Credit investment activity in 1996, Special Situations practice in 1998 and Hybrid Capital in 2020. The Firm offers a variety of investment strategies and expertise across the credit risk spectrum. As of the third quarter of 2024, Goldman had \$131BN of AUM in Private Credit. This figure is comprised of \$75BN in Senior Direct Lending, \$21BN in Mezzanine/Junior Direct Lending; \$15BN in Asset Finance & Investment Grade Private Credit and \$19BN in Hybrid Capital. The Firm employs over 170 investment professionals across these private credit strategies with an average industry expertise of over 18 years and Goldman Sachs tenure of 15 years. The SBCERA MCA Relationship lead investment person will be Beat Cabiallavetta, a Partner and Global Head of the Hybrid Capital Practice which is named West Street Strategic Solutions ("WSSS").

NEPC views Goldman Sachs Private Credit Global Franchise as a very experienced, well-resourced, and capable investor across a wide variety of disciplines in the capital structure. The sourcing network and resources the Firm leverages across the globe through its investment bankers, private wealth platform and GSAM Investment Practice provide investment teams with unique access and visibility to deals. Goldman also invests heavily alongside its various investment products to ensure alignment of interest. A key factor in the success of this MCA will be how effectively Goldman and SBCERA develop a robust communication channel to bring the deals to SBCERA's Investment Team so it is able to view and diligence them efficiently for inclusion into the portfolio.

The West Street Strategic Solution Fund is Goldman's flagship global hybrid capital all-seasons strategy tailored to the prevailing environment and market cycle. It focuses on three types of use cases: 1) Acquisitions: funding leverage buyouts and add-on investments; 2) Complex Financings: managing existing capital structure and liquidity needs; and 3) Recapitalizations: monetization opportunities for private markets deal sponsors amid a low/challenged DPI environment. The Fund will invest across the capital structure in high quality companies. It has a flexible investment mandate that includes senior and junior debt, convertibles, preferred and minority common equity. It will pursue investments sized between \$100 million to over \$1 billion dollars. An emphasis will be placed on capital preservation with structural protections along with equity upside. The Fund will be well diversified with 30-50 investments across the geographies of the Americas (50-60%), Europe (20-30%) and Asia (10-15%). WSSS II's expected fund size is \$8-10BN, with a target net IRR of 12-14% and a net MOIC of 1.4-1.6x.

The second component of the MCA will be a Co-Investment Fund of One. This investment vehicle will have a multi-strategy credit perspective and may invest across all of Goldman's Private Credit Practice areas including asset backed finance, project finance and infrastructure debt, global trade receivables, mezzanine/junior direct lending and senior direct lending. Initially, it will target two-thirds in Strategic Solutions and one-third in other credit opportunities. Target returns will be specific to the individual investment but will be in situations where SBCERA and Goldman believe there is a very compelling risk/return from both an IRR and MOIC basis.

SBCERA's \$200MM Global Private Credit Partnership with Goldman Sachs will be structured as follows:

- \$100MM into West Street Strategic Solutions II ("WSSS II")
- \$100MM commitment into a Co-Investment Fund of One Vehicle