



April 28, 2025

Board of Retirement
Ventura County Employees' Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: Arbour Lane Credit Opportunity Fund IV \$25 million Add-on Commitment

Dear Board Members:

Staff and NEPC recommend that the Board approve an additional \$25 million commitment to Arbour Lane Credit Opportunity Fund IV, bringing the total commitment to \$75 million.

Background

At its meeting of May 20, 2024, the Board increased its target allocation to private credit from 8% to 10% for a globally diversified Private Credit Program. The Board approved a \$30 million commitment to Arbour Lane's Credit Opportunity Fund III at its November 2021 meeting. While Fund III's investment phase runs through June 30, 2025, it is already posting a 14.2% net IRR and a 1.24x net Total Value of Paid In Capital (TVPI) multiple as of December 31, 2024.

Arbour Lane Credit Opportunity Fund IV

At its September 9, 2024 Board meeting, the Board approved a \$50 million allocation to Arbour Lane Credit Opportunity Fund IV (Fund IV). Staff and NEPC recommend that the Board approve an additional \$25 million commitment to Fund IV, bringing the total commitment to \$75 million.

Arbour Lane Credit Opportunity Fund IV invests in private, stressed, and distressed bank debt that are at the top of the capital structure, primarily senior secured or other first lien securities. Investment returns are targeted at a 14%-16% net IRR, and a net 1.5x-1.7x TVPI multiple. Fund size is targeted to be \$2 billion with no stated hard cap.

Fund IV will have a 3-year investment period from the final closing (targeted for October 2025) and a 3-year harvest period. The standard management fee is the sum of 1% on committed capital plus 0.75% on contributions less distributions during the investment period, and thereafter 1.75% of aggregate contributions less distributions. However, as a first close re-up NEPC client investor, the management fee for VCERA will be reduced to 1.35% on invested capital, with potential for additional NEPC discounts upon qualification. Carried interest will be 20% with an 8% preferred return, with a European-style waterfall.

In summary, we believe an additional allocation to Arbour Lane's strategy offers an attractive risk adjusted return and portfolio diversification to VCERA's Private Credit Program. As noted in NEPC's memo, this fund is managed by a seasoned investment team, with a clearly identifiable investment thesis, and a strong track record.

RECOMMENDATION:

- 1) Approve a \$25 million add-on allocation to the Arbour Lane Credit Opportunity Fund IV, and direct staff and counsel to negotiate the necessary legal documents; and**
- 2) Subject to successful contract negotiations, authorize the Board Chair or the Retirement Administrator or in the absence of both the Chief Investment Officer to approve and execute the required documentation.**

Respectfully submitted,



Dan Gallagher
Chief Investment Officer