

Investment Recommendation

SERS Investment Office (“IO”) staff and SERS’ Private Equity Consultant, StepStone Group, recommend that the Investment Committee of the State Employees’ Retirement Board interview Arcline Investment Management LP (the “GP” or the “Firm”) at its meeting on April 29, 2025, to consider a potential commitment of up to \$130 million to Arcline Capital Partners IV LP (“Fund IV”, or the “Fund”), and up to \$20 million to a Sidecar Co-investment vehicle (name TBD), subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals. The Firm is targeting commitments of \$5.0 billion for Fund IV, with no confirmed hard cap at this time. The Fund is expected to have a final close in May of 2025.

Investment Rationale

SERS IO staff identified Arcline IV as a strong candidate for a SERS capital commitment, as it offers:

- Top quartile performance
- Focus on specialty industrials opportunities
- Strong and consistent business model first strategy
- Strong and consistent buy and build approach
- Large GP commitment

Investment Risks & Mitigants

SERS IO staff identified the following potential risks of a commitment to Arcline IV:

- Key person risk
- Potential capacity constraints
- Highly concentrated portfolio

Portfolio Implications

The recommended \$150 million commitment to Arcline IV would be a 2025 vintage allocation in the Private Equity asset class within the Buyouts sub-asset class, and would reflect a position size of approximately 2.3% within the Private Equity portfolio. As of September 30, 2024, SERS’ market value of Buyout investments was approximately 53.4% of the Private Equity portfolio. This \$150 million recommended commitment aligns with SERS’ Strategic Investment Plan initiatives of making fewer, larger commitments to top-tier managers. Below are SERS’ approved and/or pending approval PE commitments year to date, including the potential commitment to Arcline.

PA SERS Private Equity 2025 YTD Commitment Summary											
\$ in Millions											
Fund Name	North America			Europe			Rest of World			Fund / Co-invest Commitment	Total
	Buyout	Growth	Special Situations	Buyout	Growth	Special Situations	Buyout	Growth	Special Situations		
Arcline IV	\$150									\$130 \$20	\$150
YTD Total	\$150	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$130 \$20	\$150