

**SPECIAL MEETING OF THE  
BOARD OF INVESTORS OF THE  
TOBACCO SETTLEMENT ENDOWMENT TRUST FUND  
July 11, 2016**

Oklahoma State Capitol Building  
2300 N. Lincoln Blvd., Room 512A  
Oklahoma City, OK 73105

**MINUTES**

**Call to Order**

The meeting was called to order by Treasurer Ken Miller, Chair, at approximately 9:30 a.m. on Monday, July 11, 2016.

**Confirmation of quorum**

Members of the Board present for the meeting were Vice-chair Brenda Bolander and Donald Pape.

Others present were Sandra Rochell with the Bank of Oklahoma; Matthew Lafon with the Office of the Attorney General; and Kiran Nallayahgari, Lisa Murray, and Phyllis Chan with the Office of the State Treasurer.

Lisa Murray, Chief Investment Officer, served as recording secretary.

**Discussion and review of European direct lending money manager search by Don Stracke**

Don Stracke said due to the pace of allocating capital, NEPC recommended a \$25 million commitment to the European direct lending mandate and due to the investment amount only one money manager be hired. NEPC received nine manager proposals in response to the RFP process. Private credit has earned approximately 9% per year, since the initial investment by the Fund in 2011. A conference call was then made to Oliver Fadly, Senior Research Analyst, Private Markets with NEPC. Mr. Fadly compared and contrasted the two finalists, Alcentra and Hayfin.

**European direct lending presentation by Hayfin Capital Management**

Glenn Clarke was the presenter for Hayfin. He stated that Hayfin was founded in 2009 and had a team of 54 individuals and extended loans totaling €8.3 billion to more than 200 companies in Europe. Hayfin's direct lending strategy targets a gross portfolio internal rate of return (IRR) of 8%-10% with a current cash yield of 5.5% and their special opportunities strategy has an objective of 15%-20% IRR. The firm invests typically in senior debt, often partnering with banks, and focuses on lending to medium sized companies who are too small to access the public debt market for financing. On average, the firm invests over half of their portfolio in the United Kingdom, Germany and France.

**European direct lending presentation by Alcentra**

Pascal Meysson, Deputy Product Manager and Jon Schlafman, Product Specialist were the presenters for Alcentra's Clareant European Directly Lending Fund II. Dan Lass with Bank of New York was also present. Alcentra was founded in 2002, has assets under management of \$28 billion and employees 128

professionals. The firm has over 300 institutional investors in 30 countries. The firm is wholly owned by BNY Mellon and since 2003, they have made 142 middle market investments totaling €4 billion made across the capital structure. Mr. Meysson said Alcentra targets first lien, senior secured lending with attractive risk adjusted return potential. They do not partner with banks, but negotiate directly with management teams, owners and the borrower and require effective covenants and regular monthly monitoring. The Clareant European Direct Lending Fund is approximately 91% invested and had a gross IRR of 11.50% as of March 31, 2016, based on the current portfolio of 30 unrealized investments. They have had no defaults across the Direct Lending Platform.

### **Discussion and possible action on the selection of the European direct lending investment manager**

The Board discussed the presentations from the two firms, and upon a motion by Mr. Pape and a second by Ms. Bolander, the Board unanimously approved the selection of Alcentra Clareant European Direct Lending Fund II.

### **Adjournment**

Upon a motion by Ms. Bolander and a second by Mr. Pape, the board approved adjournment of the meeting by voice vote at approximately 12:00 p.m.

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Ken Miller, Chairman  
Tobacco Settlement Endowment Trust Fund Board of Investors