

12 JUL 2023 Muskan Arora

Santa Barbara eyes opportunistic lending, special sits opps

- RVK recommends niche opportunity sets
- Pacing of \$55m for US-focused sleeve
- Shift of focus due to overcrowding of other strategies

Follow:

Asset Raising +

North America (continent) +

Public +

Searches +

Special Situations +

US +

The \$4bn Santa Barbara County Employees Retirement System could explore opportunistic lending and special situations strategies down the line, following a private credit session given by RVK last month.

In April, the system approved a pacing plan of \$55m for its US-centric private credit sleeve.

From RVK's end, the focus has shifted to managers that lend to borrowers in niche opportunity sets or some form of complicated transition.

The change in strategy is due to the overcrowding of more commoditized private credit sub-strategies such as direct lending and distressed debt.

Any new managers would need significant experience in their target markets, along with robust track records and the ability to navigate complex events to generate expected returns of 10-15%, according to RVK.

However, direct lending continues to be the dominant strategy within the portfolio; almost half of the capital raised since 2017 has been committed to the sleeve.

The system allocates 3.5% or around \$135m to private credit, against a target of 5% or \$200m, as of December 2022. The target is set to be achieved by 2027.

Most recently, Santa Barbara allocated \$10m to Castlelake Aviation IV Stable Yield — a closed-end fund that seeks opportunistic investments across various aviation sectors including sale-leaseback portfolios, aircraft on operating leases, ABS debt/secure debt, and aviation leasing platforms.

The investor is in the process of re-appointing RVK as its consultant. A recommendation to retain was heard at the June meeting, but the outcome was not disclosed. The system has been contacted for comment.

The next meeting will convene on July 27, where RVK will bring recommendations for the private credit portfolio to the board.

[< Previous Article](#)

LA F&P taps LACERS investment pro for chief role

[Next Article >](#)

BNY Mellon WM hires Northern Trust's 18-year vet