



## State of New Jersey

DEPARTMENT OF THE TREASURY  
DIVISION OF INVESTMENT  
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TRENTON, NJ 08625-0290

CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

ANDREW P. SIDAMON-ERISTOFF  
*State Treasurer*

October 7, 2011

MEMORANDUM TO: The State Investment Council

FROM: Timothy Walsh  
Director

SUBJECT: **Proposed Investment in AnaCap Credit Opportunities II, L.P  
Fund**

The New Jersey Division of Investment is proposing an investment up to £70 million in AnaCap Credit Opportunities II, L.P. This memorandum is presented to the State Investment Council (the "Council") pursuant to N.J.A.C. 17:16-69.9.

AnaCap Financial Partners, with £1 billion of assets under management, is a specialist private equity investment advisor established in 2005 to focus on investments in the European financial services sector. AnaCap Credit Opportunities Fund II, L.P. ("ACOF II" or the "Fund") is the second fund formed under the AnaCap financial platform to invest in portfolios of distressed debt assets in Europe. The Fund will leverage the networks, analytical capabilities and operational skills of the broader AnaCap platform to generate value from credit investment opportunities that arise across Europe.

ACOF II is targeting £250 million, with a hard cap of £350 million, to continue its strategy of investing in portfolios of performing, semi-performing and non-performing loans to consumers or small and medium sized enterprises. These portfolios may include unsecured consumer loans, credit card debts, residential and commercial mortgage loans, second lien loans, or other obligations. Fund II targets investments ranging in size between £5 million and £50 million in 12-20 transactions, with expected average holding periods of four to six years. The geographical focus will be Pan-European with a concentration in UK (50%), Ireland (15%), Portugal (15%) and Spain (15%), and the asset sub-sectors are 10% Securities, 35% Residential Performing & Non-Performing, 35% Consumer Performing & Non-Performing, and 20% SMEs.

The Division of Investment ("Division") Staff and its private equity consultant, Strategic Investment Solutions, undertook extensive due diligence on this proposed investment. We completed the same due diligence process as with all the other alternative investment opportunities presented to the Council.

As part of its due diligence process, staff determined that the fund has not engaged a third-party solicitor (a "placement agent") in connection with New Jersey's potential investment.

We will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern each investment. In addition, each proposed investment must comply with the Council's regulation governing political contributions (N.J.A.C. 17:16-4).

Please note that this investment is authorized pursuant to Articles 69 and 90 of the Council's regulations. The AnaCap Credit Opportunities II, L.P will be considered a debt-related investment, as defined under N.J.A.C. 17:16-90.1.

Formal written due diligence reports for the proposed investment were sent to each member of the Investment Policy Committee and a meeting of the Committee was held on September 8, 2011. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the Investment Policy Committee.

We look forward to discussing the proposed investment at the Council's October 13, 2011 meeting.

Attachments

# State Investment Council Fund Review Memo-Revised

**To:** State Investment Council  
**From:** Division of Investment  
**Date:** October 13, 2011  
**Subject:** AnaCap Credit Opportunities Fund II Investment Recommendation

## Fund Facts

Fund Name:	AnaCap Credit Opportunities Fund II
Fund Type:	Distress/Credit
Current Fund Size:	£250,000,000.00
Previous Fund Size/Vintage:	£60.0 million / 2010
Final Close:	9/30/2012
Fund Address:	25 Bedford St, London WC2E 9ES

## GP Contact Info

Name:	Joe Giannamore
Telephone:	44 (20) 7070 5255
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## Summary of Terms and Investment Strategy

Investment Strategy:	Invest in performing, semi-performing and non-performing credit assets
Geographic Focus:	Europe
GP Co-Investment Amount:	1.5% of Total Commitments up to £250m of total commitments
Terms:	
Term:	8 years, 2 (1yr) extension
Investment period:	3 years, 1 (1 yr) extension
Management Fee:	1.75% during investment period 1.5% post investment period of the aggregate acquisition costs of investments which remain unrealised
Other Fees:	
Carry/Performance Fee:	16.5% / 8%
Attorney:	Simmons & Simmons LLP
Auditor:	PricewaterhouseCoopers
Accounting Firm:	

## NJ AIP Program:

Recommended Allocation:	Up to £70,000,000.00
% of Fund:	28.00%

LP Advisory Board Membership:	YES
Consultant Recommendation:	YES
Placement Agent:	NO
Compliance with Division Placement Agent Policy:	N/A
Compliance with SIC Political Contribution Reg:	YES

\*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.