



STATE OF RHODE ISLAND
OFFICE OF THE GENERAL TREASURER

Staff Recommendation: Arlington Capital Partners VII | August 2025

RECOMMENDATION:

- [Rhode Island Employees' Retirement System Pooled Trust \(ERSRI\)](#): Approve a commitment of up to \$30 million to Arlington Capital Partners VII ("Fund VII").
- [Rhode Island OPEB System Trust \(OPEB\)](#): Approve a commitment of up to \$2 million to Fund VII.

ASSET CLASS: Private Equity | Buyout

ALLOCATION:

- [ERSRI](#): As of June 30, 2025, the Private Equity allocation is 16.8% versus a strategic target of 12.5%. The 2025 pacing plan anticipates \$230 million in commitments across 5 to 10 funds, ranging from \$30 to \$50 million. ERSRI's 2025 commitments will total \$150 million pending approval of this recommendation.
- [OPEB](#): As of June 30, 2025, the Private Growth allocation is 1.7%, versus a strategic allocation target of 5.0%. The 2025 pacing plan anticipates \$9 million in commitments across 5 to 10 funds, ranging from \$1 to \$2 million. OPEB's 2025 commitments will total \$6 million pending approval of this recommendation.

PORTFOLIO FIT: ERSRI's Private Equity allocation is anchored by buyout strategies, with growth equity, venture capital, and opportunistic credit providing diversification across stages, sectors, and expected return profiles. With the recommended commitment,

buyout funds would represent 72% of ERSRI's Private Equity exposure. OPEB's Private Growth portfolio, built through parallel commitments with ERSRI, would have 66% of its Private Growth exposure and 84% of its Private Equity exposure in buyout funds (see Appendices A and B). The addition of Arlington complements ERSRI's existing middle-market buyout managers and positions the portfolio to benefit from economically resilient trends in defense and government services spending.

Investment Parameters Arlington Capital Partners VII	
Fund Size	\$4.75 billion
Number of Platforms	13-15
Number of Add-ons	5-8 per platform
Equity Check Size	\$200-\$500 million (including add-ons)
Geography	North America
Sectors	Aerospace & Defense, Gov. Services & Tech., Healthcare

FIRM OVERVIEW: Arlington Capital Partners is a Bethesda, MD-based middle-market private equity firm founded in 1999. The firm focuses on control investments in its three core verticals: aerospace & defense, government services & technology, and healthcare. The fund is led by four Managing Partners—Matthew Altman, Michael Lustbader, Peter Manos, and David Wodlinger—who have worked together for an average of 22 years, and are supported by over 20 investment professionals. Since inception, Arlington has raised approximately \$7.7 billion in committed capital across six funds.

STRATEGY OVERVIEW: Arlington Capital Partners VII will invest in companies that contract directly with the U.S. government or operate within highly regulated industries. The Fund will apply Arlington's value-oriented buy-and-build model, acquiring core platforms and accelerating growth through complementary add-ons that transform niche businesses into strategic market leaders in growing end-markets. Arlington expects to build a diversified portfolio of 13 to 15 platforms, deploying \$200 to \$500 million of equity per company, including follow-on acquisitions.

MERITS:

- **Organizational Stability and Domain Expertise:** Arlington has built a stable team with minimal turnover, having successfully transitioned leadership from its founding generation to the current managing partners. The firm's strategy continuity has fostered deep domain expertise and positioned the firm at the center of the Washington, D.C. investment ecosystem. Arlington is recognized by management teams, government agencies, and industry participants as a trusted and preferred partner given its successful history in navigating regulatory and policy complexity. The firm uses this position to secure advantaged access to transactions before they reach broad processes to consistently build scaled platforms at attractive entry multiples.
- **Disciplined and Repeatable Approach:** Arlington employs a thesis-driven strategy to target durable, politically agnostic trends which generate investment opportunities across multiple fund cycles. The firm concentrates on themes requiring specialist domain expertise, applying its business-building playbook to transform companies into market leaders with durable franchise value. These platforms are purpose-built into strategically important assets that draw strong demand from strategics seeking to expand their relevance and footprint in their respective markets, and from well-capitalized financial sponsors positioned to drive the next phase of growth.

CONCERNS:

- **Fund Size Expansion:** Fund VII is targeting \$4.75 billion of commitments, approximately 25% larger than its predecessor, which could pressure returns if the firm pursues more competitive deals beyond its historical sweet spot.
 - *Mitigant:* Arlington plans to scale its model by increasing platform investments (13-15 vs. 10-12 previously) and add-ons per platform (6-8 vs. 3-5). Its core sectors remain large and growing, providing capacity to deploy capital at this scale without straying from its middle-market orientation.
- **Government Customer Concentration:** Arlington's portfolio is concentrated in government-related industries, creating exposure to shifts in spending priorities, policy, and regulation during political transitions.
 - *Mitigant:* Arlington's verticals align with durable, bipartisan government priorities that have demonstrated resilience through multiple administrations, shutdowns, and sequestration. Its Washington, D.C. proximity, network of former government officials, and portfolio visibility provide differentiated insights into policy direction, allowing the firm to anticipate and mitigate potential policy risks.

ESG & DIVERSITY:

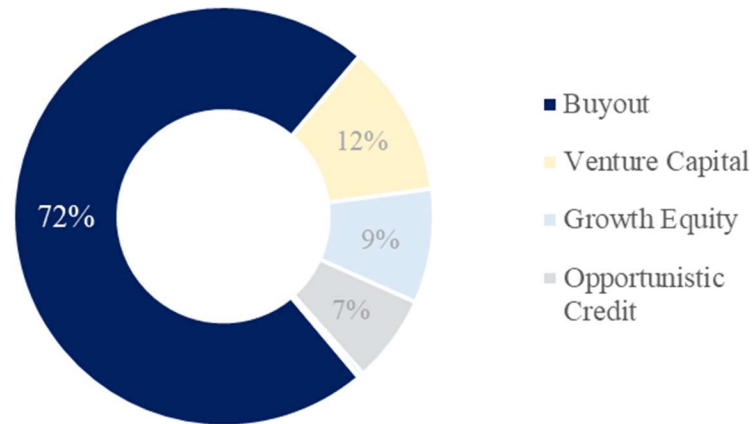
- Arlington is classified as an ESG Integrator. The firm has a formal Responsible Investment policy that incorporates material ESG factors into both due diligence and portfolio monitoring, tailoring ESG assessments to sector-specific risks. While Arlington is not a UN PRI signatory, this reflects a pragmatic approach that balances ESG integration with its investment mandate. The firm views ESG as a tool for enhancing long-term value and risk management, and acknowledges that standards are evolving, committing to adapt its practices as industry expectations develop.
- Arlington has imbedded diversity and inclusion into its talent strategy. In partnership with an external consultant, the firm implemented formal policies requiring interview panels to include individuals from diverse backgrounds and reflect the composition of the candidate pool. These measures are designed to broaden perspectives, strengthen decision making, and enhance the firm's ability to attract and retain top talent across functions.

FEES: Fees are aligned with industry standards.

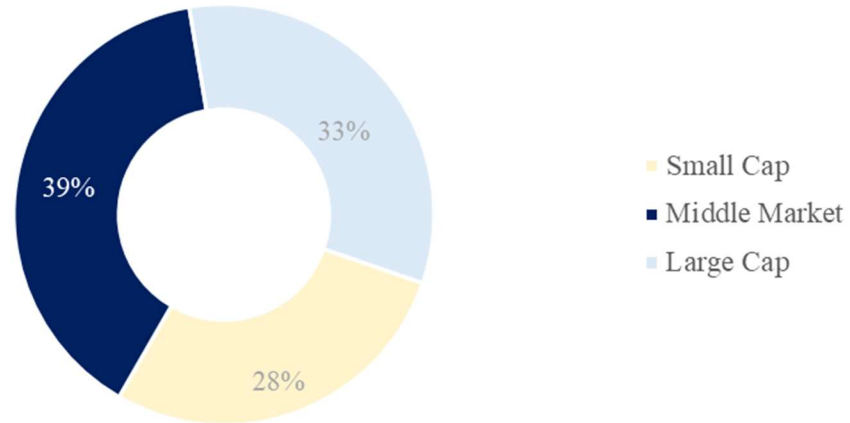
- **Management Fee:** 2.0% of capital commitments during the investment period, and 1.5% on invested capital thereafter.
- **Carried Interest:** 20% on a fund-wide basis, after an 8% preferred return (with a 100% GP catch-up).

APPENDIX A: ERSRI CURRENT PRIVATE EQUITY EXPOSURE

Private Equity Exposure

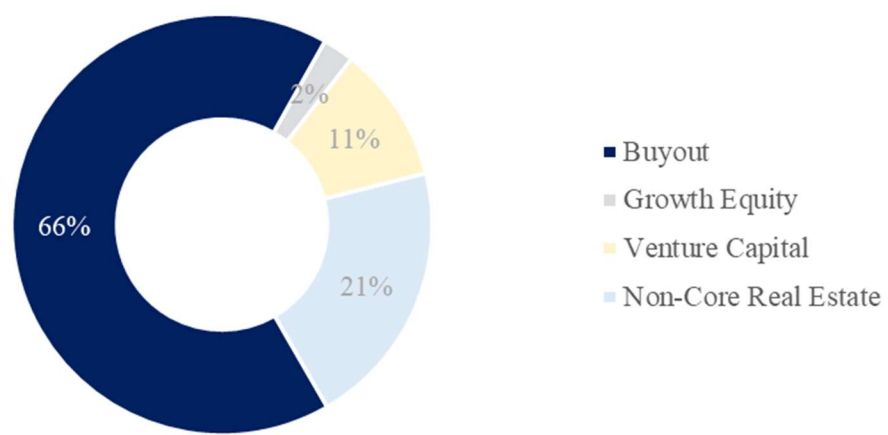


Buyout Stage

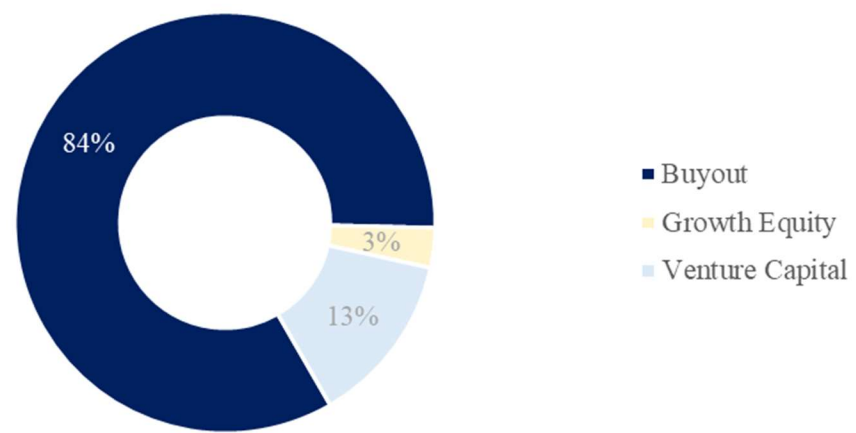


APPENDIX B: OPEB PRIVATE EQUITY EXPOSURE

Private Growth Exposure



Private Equity Exposure



APPENDIX C: HISTORICAL RETURNS

Arlington Capital Performance Summary

(\$ millions; as of June 30, 2025)

Fund	Vintage	Capital Commit.	Invested Capital	% Called	Platforms	Realized Value	Unreal. Value	Total Value	Net Performance			Quartile Rank ¹		
									MOIC	IRR	DPI	MOIC	IRR	DPI
Fund I	2000	452	325	72%	10	531	-	531	1.3x	8.9%	1.3x	2nd	2nd	2nd
Fund II	2005	585	494	84%	11	1,140	-	1,140	1.8x	11.5%	1.8x	2nd	2nd	2nd
Fund III	2012	415	393	95%	9	1,834	1	1,835	3.5x	38.0%	3.5x	1st	1st	1st
Fund IV	2016	700	677	97%	9	895	1,348	2,243	2.5x	21.1%	1.0x	2nd	2nd	2nd
Fund V	2019	1,692	1,488	88%	10	606	4,610	5,217	2.7x	33.1%	0.3x	1st	1st	1st
Fund VI	2022	3,810	2,207	58%	11	0	3,870	3,870	1.5x	29.7%	0.0x	1st	1st	1st
Fund VII	2025	4,750			14									

¹Cambridge U.S. Private Equity and Venture Capital Benchmark