

SBCERS

Santa Barbara County Employees' Retirement System

DATE: February 26, 2025

TO: SBCERS Board of Retirement

FROM: SBCERS Investment Staff

RE: **Annual Private Equity, Private Real Return and Private Real Estate Strategic Plans**

Recommendation

That the Board of Retirement receive and approve the 2025 Private Equity, Private Real Return and Private Real Estate Strategic Plans presented by Managing Directors Elizabeth Bell and Matthew Silverio of Hamilton Lane.

Summary

The reports cover the direction of the Private Equity ("PE"), Private Real Return ("PRR") and Private Real Estate ("PRE") portfolios for calendar year 2025 including commitment pacing and strategic targets.

Private Equity

Through September 30, the Private Equity portfolio had a since inception IRR of 13.18% which represents a decrease of 11 bps from the second quarter 2024 returns. The total fund market value as of September 30 was \$592.5 million. Since September 30, 2023, SBCERS contributed \$68.7 million to its Private Equity portfolio and received cash distributions of \$71.3 million. SBCERS' total commitment to Private Equity as of June 30 was approximately \$1 billion, of which \$266.5 million is unfunded.

Pursuant to the 2024 strategic plan Hamilton Lane intended to commit \$55-\$75M. During 2024, Hamilton Lane executed \$60M in new commitments, five of which were with existing managers. Four of were strategic exposures to SMID Buyouts, one was a growth equity, and one was a venture capital fund. Private Equity currently represents 12.80% of the portfolio, above its target of 10%. With that in mind, Hamilton Lane has recommended a target range of \$45M-75M for 2025. The lower boundary of this range is lower than 2024, as Hamilton Lane adjusts for PE being above target while maintaining vintage year diversification. The focus of 2025 will be mostly on core managers with some consideration to Small Buyout and possible reduction to Mega Buyout. Geographic focus will remain within North America, with possible exposure to Europe.

Private Real Return

Through September 30, the Private Real Return portfolio had a since inception IRR of 11.84% which represents a decrease of 11 bps from second quarter 2024 returns. The total fund market

value as of September 30 was \$535.5 million. Since September 30, 2023, SBCERS contributed \$62.7 million to its Private Real Return portfolio and received cash distributions of \$56.1 million. SBCERS' total commitment to Private Real Return as of June 30 was \$775.3 million, of which \$254.0 million is unfunded.

Pursuant to the 2024 Strategic Plan Hamilton Lane intended to commit \$55-\$75M to PRR. During 2024, Hamilton Lane executed \$60M in new commitments, four of which were with existing managers. PRR currently represents 11.83% of the portfolio, above its target of 11.25%. With that in mind, Hamilton Lane has a target range of \$45M-75M. The lower boundary of this range is lower than 2024, as it adjusts for PRR being above target while maintaining vintage year diversification. PRR has a significant pipeline of renewals on the horizon in 2024.

Private Real Estate

Through September 30, the Private Real Estate portfolio had a since inception IRR of 8.33% which represents a decrease of 13 bps from second quarter 2024 returns. The total fund market value as of September 30 was \$466.7 million. Since September 30, 2023, SBCERS contributed \$49.8 million to its Private Real Estate portfolio and received cash distributions of \$20.4 million. SBCERS' total commitment to Private Real Estate as of September 30 was \$766.7 million, of which \$135.2 million is unfunded.

Pursuant to the 2024 Strategic Plan Hamilton Lane intended to commit \$55-\$75M to Private Real Estate during 2024. During 2024, Hamilton Lane executed \$60M in new commitments two of which were with new managers, Kayne Anderson and Stonepeak. Value-Add was the largest segment exposure added, with 4 new commitments with the remaining two representing Opportunistic allocations. Private Real Estate currently represents 10.5% of the portfolio, slightly above its target of 10%. Like PE and PRR, Hamilton Lane has a target range of \$45M-75M for 2025. The lower boundary of this range is lower than 2024, as it adjusts for Real Estate being above target while maintaining vintage year diversification. 2025 will focus on 5 to 7 close-end, non-core funds, specifically in Value-Add and Opportunity. Given SBCERS' high exposure to Core Funds, Hamilton Lane is recommending a redemption of \$35 million across 3 managers and to opt out of dividend reinvestment for the remaining Open-End Core Funds. This recommendation is strategic in nature and is in alignment with Hamilton Lane's target allocation.

Attachments

- SBCERS 2025 Private Equity Strategic Plan
- SBCERS 2025 Private Real Return Strategic Plan
- SBCERS 2025 Real Estate Strategic Plan