



Hamilton Lane

Santa Barbara County Employees' Retirement System

2024 Real Estate Strategic Plan

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Program Review



SBCERS' RE Portfolio Goals and Objectives

SBCERS' Private Real Estate ("RE") Investment Policy has outlined the following:

Goal

- To provide investment returns commensurate with the Program's targets through participation in Private Real Estate investment opportunities
- To maintain a target allocation of 10% of total plan assets

Objectives

In addition, the Portfolio is focused on the following objectives:

- Hedge against unanticipated inflation
- Invest in unique opportunities that arise due to dislocations in markets that occur from time to time
- Provide diversification to SBCERS' overall investment program

Benchmark:

- Total returns that meet Portfolio's benchmark, NCREIF ODCE Index

Investment Limitations as a % of Target Allocation:

- One manager – 20% maximum ⇒ One manager at 13.5%
- Single country outside of the U.S. – 15% maximum ⇒ Canada at 1.1%
- Vintage Year – 25% maximum ⇒ 2020 Vintage at 17.1%
- Single investment size – 15% maximum ⇒ Prologis Targeted US Logistics Fund at 12.1%
- Commercial Mortgages – 25% maximum ⇒ Debt strategies at 1.9%

Additional Highlights:

- Received a reduced management fee for three funds in 2023 as a result of the HL platform

Legacy Portfolio Observations

General Partner Relationships	<ul style="list-style-type: none">The Legacy Portfolio consists of 25 General Partner relationships, ranging from Lubert-Adler and Walton Street Capital at 10% of total commitments to Moorfield Group at less than 1% of total commitments
Commitment Concentrations	<ul style="list-style-type: none">The Legacy Portfolio consists of 51 fund investments with commitments ranging from \$4.0 million to \$40.0 million and an average commitment size of \$12.4 million<ul style="list-style-type: none">43 closed-end fund investments totaling \$486.5 million in commitments8 open-end fund investments totaling \$164.6 million in commitments
Vintage Year Diversification¹	<ul style="list-style-type: none">Inconsistent vintage year pacing ranging from annual commitments of \$0 to \$115.0 million across 0 to 8 fund investments
Strategy Diversification	<ul style="list-style-type: none">Core represents 67% of Legacy Portfolio NAV as of 9/30/2023Value-Add represents 19% of Legacy Portfolio NAV as of 9/30/2023Opportunistic represents 14% of Legacy Portfolio NAV as of 9/30/2023
Geographic Diversification	<ul style="list-style-type: none">Exposure weighted towards US

¹ Commitments shown as of acquisition date and includes only Closed-End Funds

SBCERS' RE Portfolio Summary

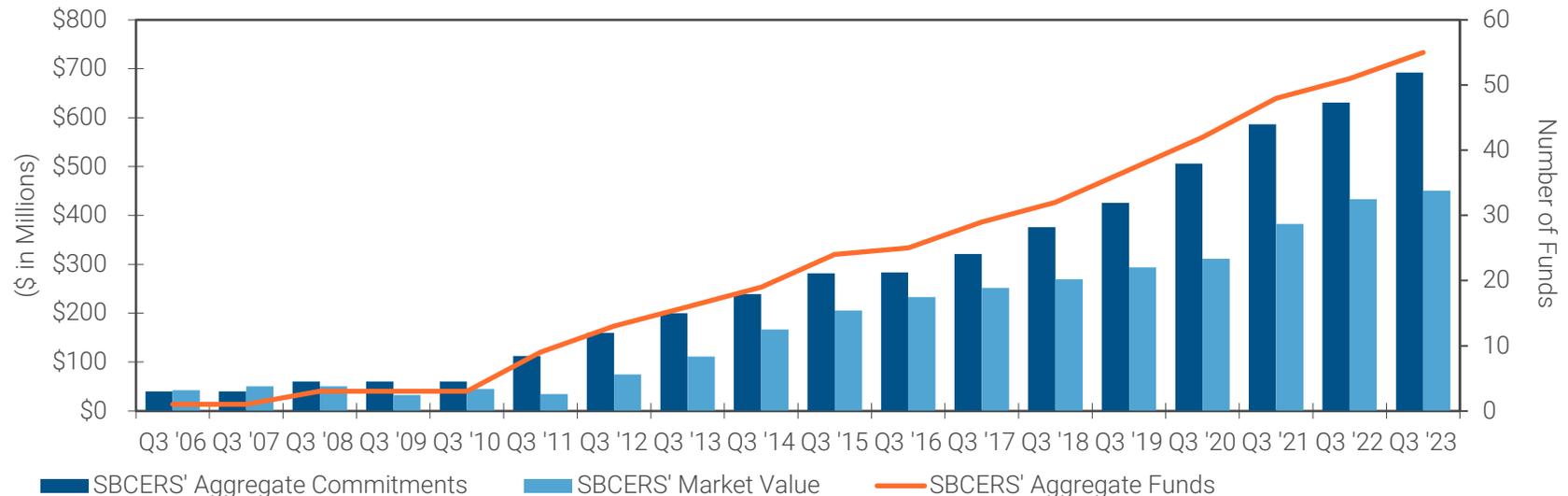
SBCERS' Portfolio Snapshot

Portfolio Snapshot	
\$ millions	9/30/2023
Active Partnerships	43
Active GP Relationships	12
Capital Committed	\$692.4
Unfunded Commitment	\$111.3
Capital Contributed	\$682.5
Capital Distributed	\$531.8
D/PI	0.8x
Market Value	\$450.5
Total Value Multiple	1.4x
Since Inception IRR	9.26%
Since Inception TWR ¹	7.54%
Active Avg Age of Commitments	5.0 years

9/30/23 Portfolio Highlights:

- As of September 30, 2023, SBCERS committed \$692.4M to 43 active partnerships across 12 active managers
- Solid performance since inception – 9.26% net IRR and 1.4x TVPI as of 9/30/23
- Mature Portfolio – first commitment completed in 2006
- Unfunded commitments represent 19.8% of total exposure

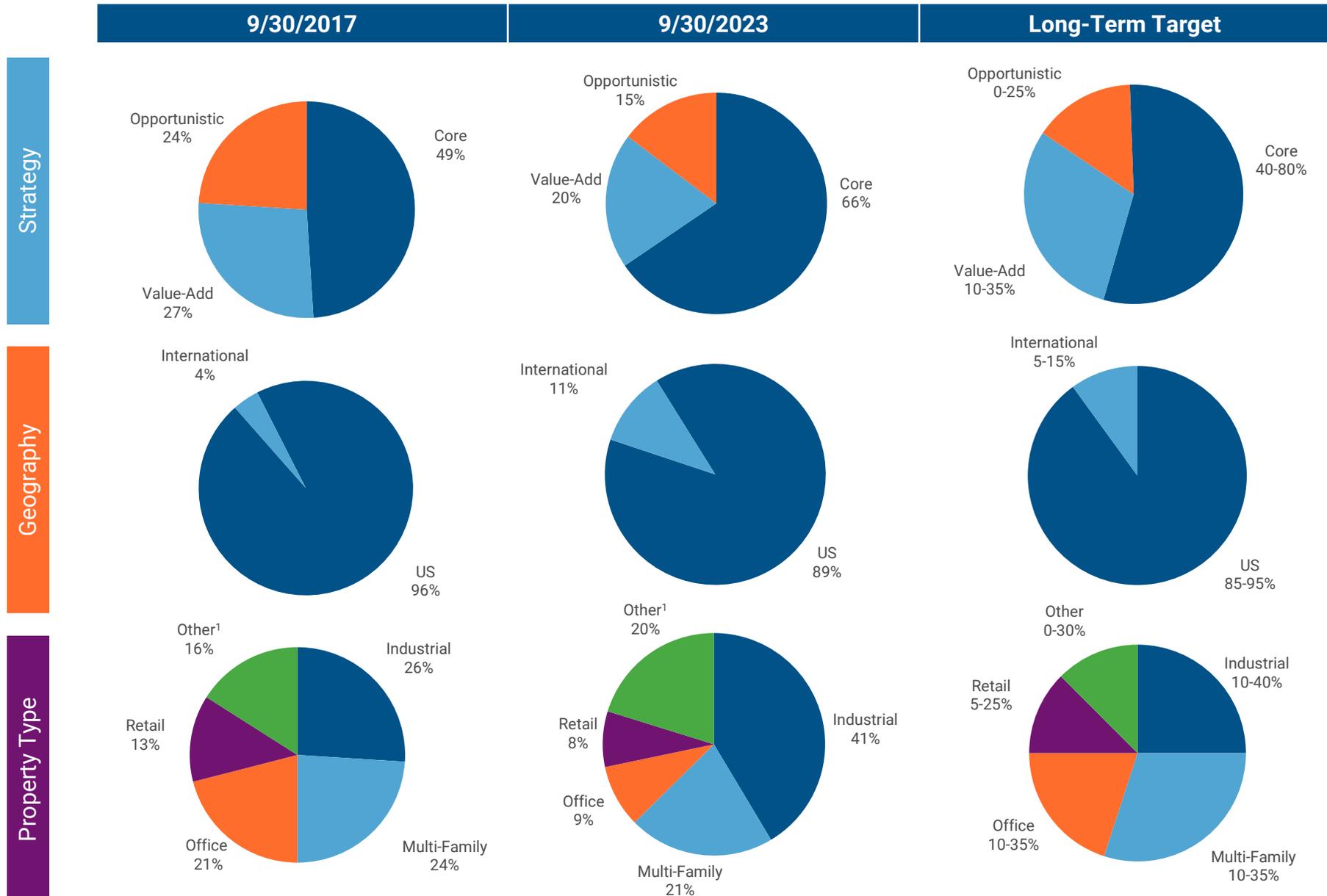
SBCERS' Portfolio Growth



¹ TWR calculated using a modified dietz methodology

Diversification 6-Year Change: Strategy, Geography & Industry

Strategic Diversification by NAV

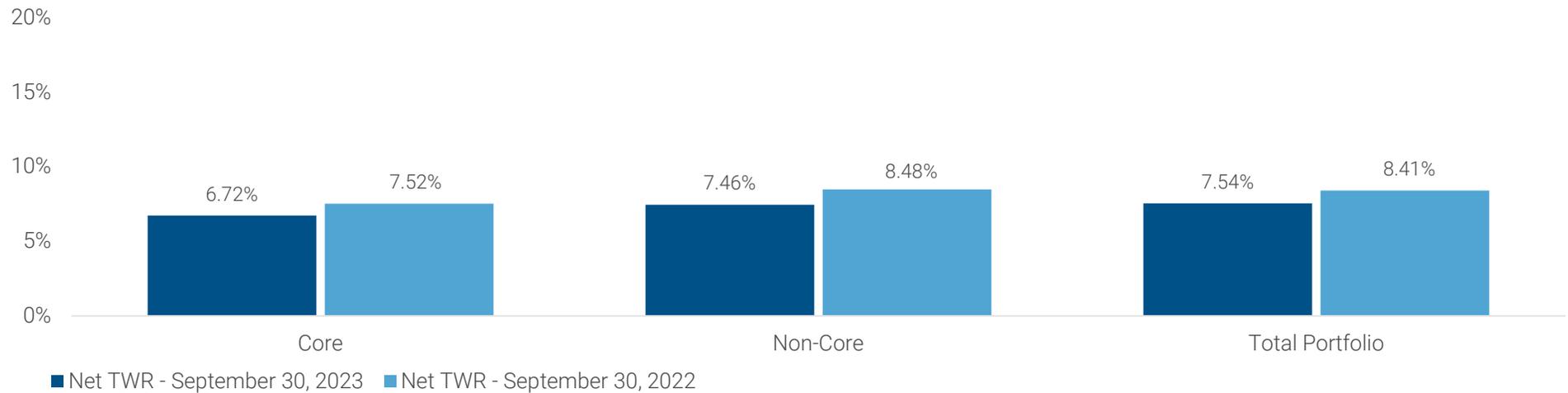
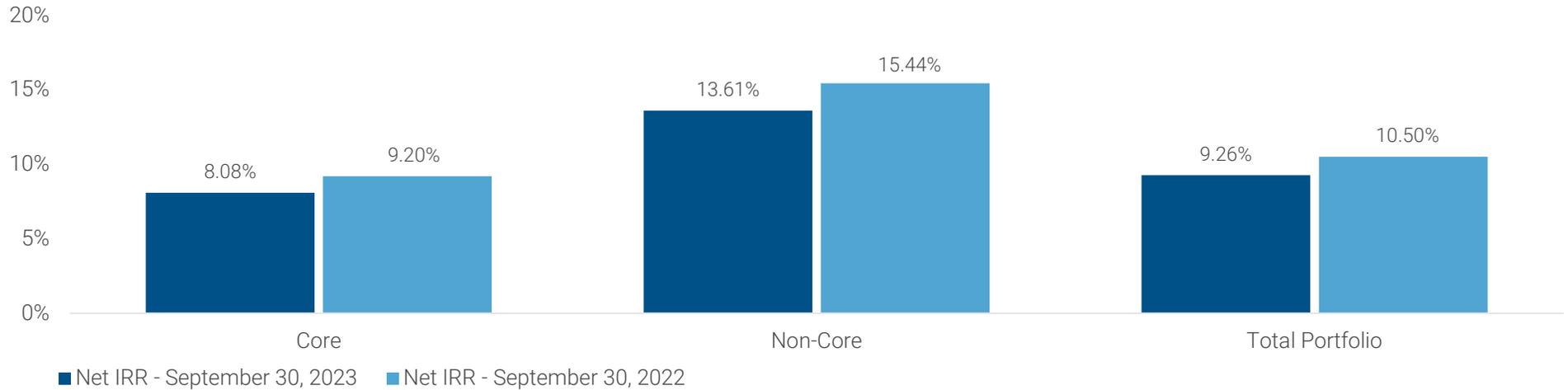


Note: Property Type data as of 9/30/2017 provided by ORG. Diversification by Strategy is calculated using Market Value. Diversification by Geography and Industry is calculated using Exposed Market Value. Exposed Market Value is LP's share of Market Value at the Portfolio Holding Level.

¹"Other" includes: Hotel/Resort, Storage, Student Housing, Mixed-Use, Medical Office, Land and Senior Housing

Real Estate Performance by Strategy

Strategy	Commitments	Paid-In Capital	Capital Distributed	DPI	Net Asset Value	Since Inception Net IRR	Since Inception Net TWR	TVPI	1-Year Net IRR	1-Year Net TWR
Core	\$270.2	\$324.5	\$221.4	0.68x	\$298.9	8.08%	6.72%	1.60x	(5.64%)	(5.62%)
Non-Core	\$422.1	\$358.0	\$310.4	0.87x	\$151.6	13.61%	7.46%	1.29x	(6.14%)	(6.04%)
Total Portfolio	\$692.4	\$682.5	\$531.8	0.78x	\$450.5	9.26%	7.54%	1.44x	(5.79%)	(5.85%)



Portfolio Observations:

- Non-Core (Value Add & Opportunistic) investments positively impacting since inception IRR by 102 bps¹

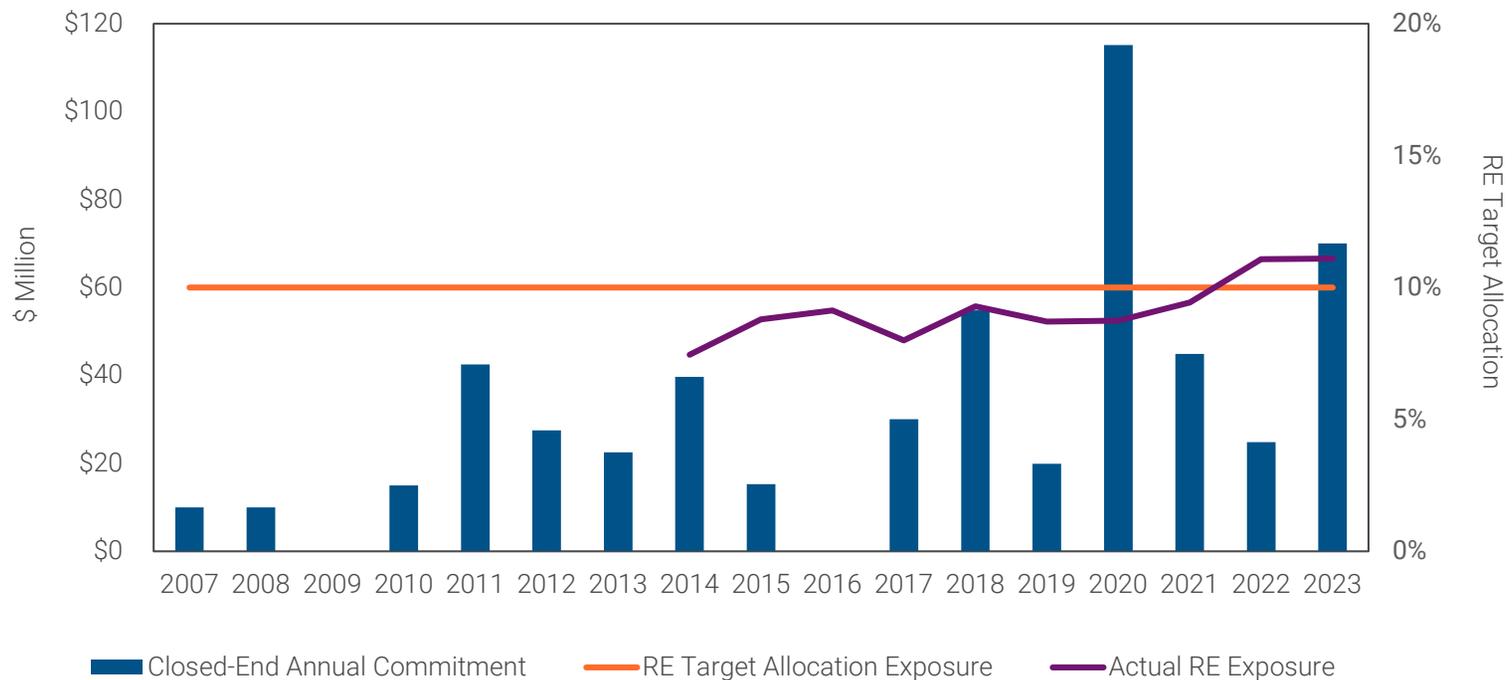
¹ Represents attribution analysis

Note: Core since inception represents first cash flow date of 1/1/2006; non-core since inception represents first cash flow date of 6/25/2008

SBCERS' RE Portfolio Allocation

- As of September 30, 2023, Real Estate exposure of 11.1% slightly above 10% target

SBCERS' RE Allocation^{1,2,3}



¹ Target exposure shown as of current target

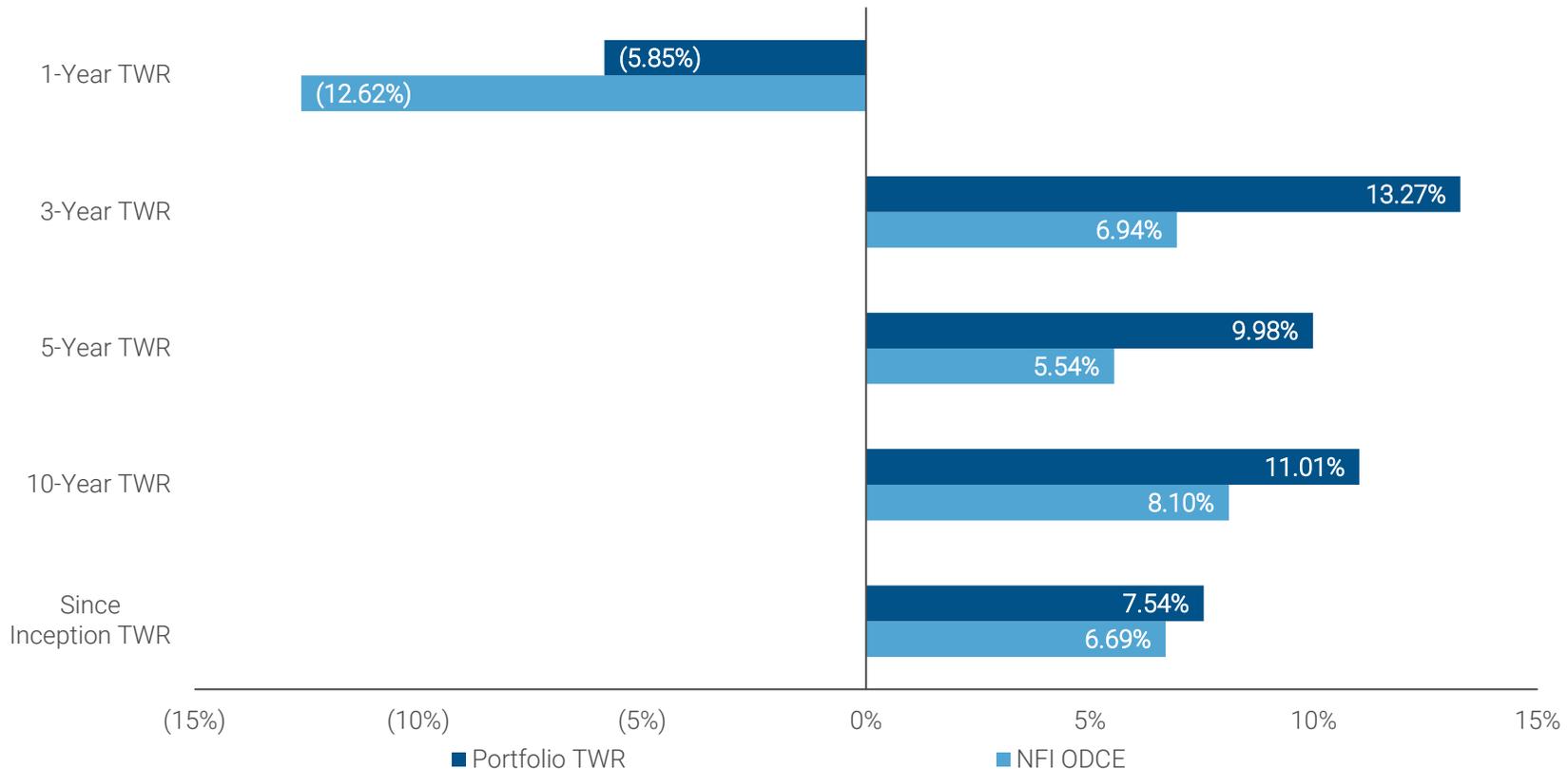
² Commitments shown as of acquisition date

³ Annual Commitment Allocation includes only Closed-End Funds

Performance vs. Benchmark

Portfolio outperformed benchmark across all time periods as of September 30, 2023

As of September 30, 2023



- Portfolio outperformed designated benchmark, NCREIF ODCE Index, across all time periods as of September 30, 2023
 - Since inception outperformance of 85 bps
 - One-year outperformance of 677 bps

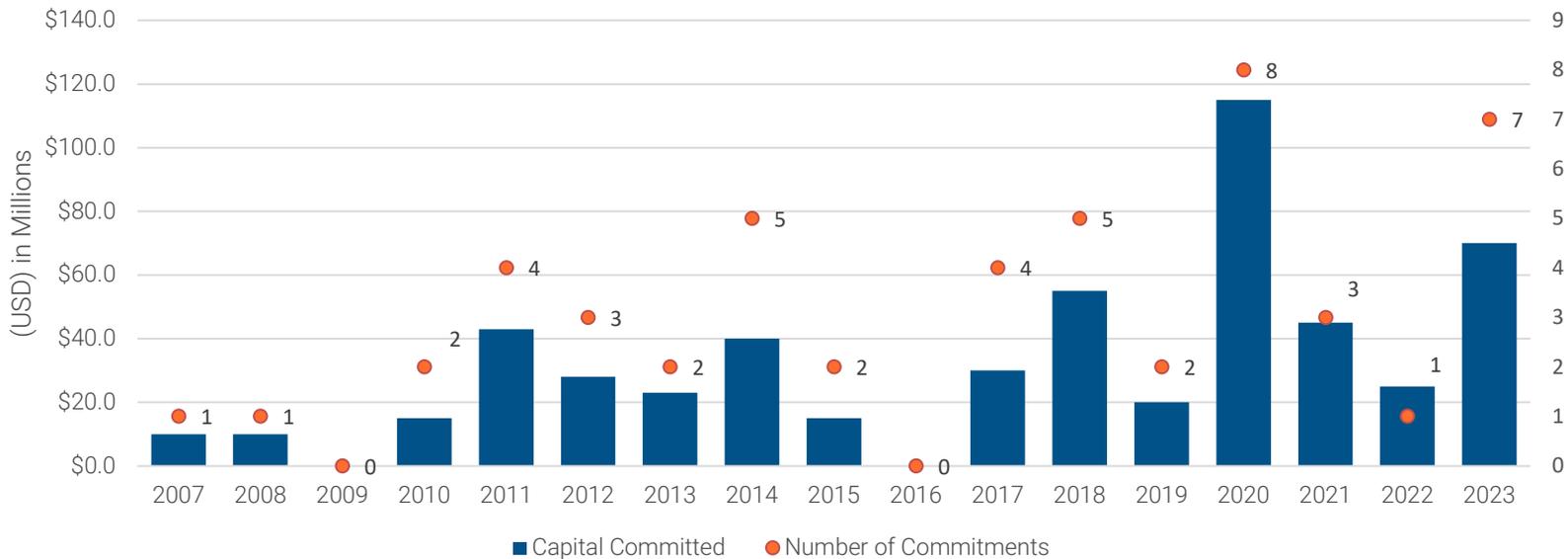
Note: Benchmarks shown as TWRs

Note: TWR calculated using a modified dietz methodology

Note: Since inception represents first cash flow date of 1/1/2006

Closed-End Fund Commitment Pacing

Commitment Pacing by Year as of September 30, 2023 ^{1,2}



Inconsistent deployment of capital and varying ranges of deals:

- Annual commitments of \$0 to \$115M across 0 to 8 fund investments
- Lumpy commitment pacing increases portfolio risk

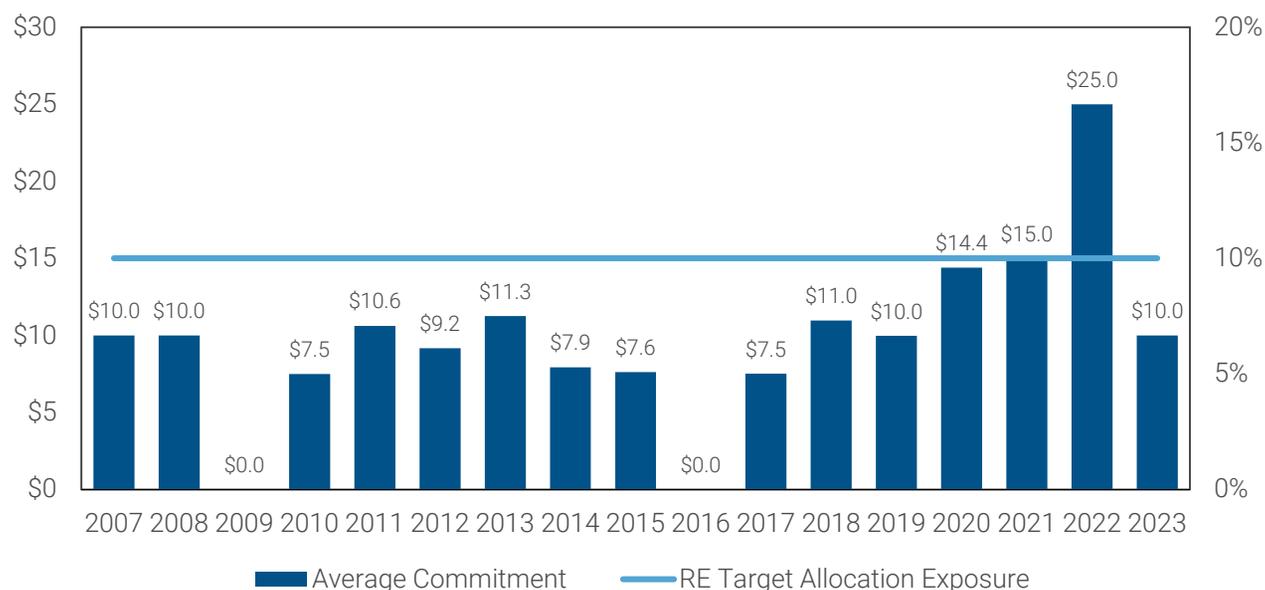
¹ Commitments shown as of acquisition date

² Capital Committed and Number of Commitments includes only Closed-End Funds

2023 Commitment Activity & Average Commitment Size

2023 Commitment Activity				
Closing Date	Partnership	Investment Strategy	Geographic Focus	Commitment (\$mil)
2023 Allocation				
6/29/2023	Hillwood US Industrial Club VI, LP	Opportunistic	North America	\$10.0
6/30/2023	High Street Value Fund I, L.P.	Value-Add	North America	\$10.0
7/19/2023	H.I.G. Europe Realty Partners III (US), L.P.	Value-Add	Western Europe	\$10.0
9/28/2023	Stockbridge Value Fund V, LP	Value-Add	North America	\$10.0
10/6/2023	KSL Capital Partners Credit Opportunities Fund IV, L.P.	Debt	North America	\$10.0
10/30/2023	NW1 IOS REIT, LLC	Value-Add	North America	\$10.0
12/18/2023	Lone Star Real Estate Fund VII	Opportunistic	Global	\$10.0
2023 Total				\$70.0

Average Commitment Size by Year
(\$ in Million)



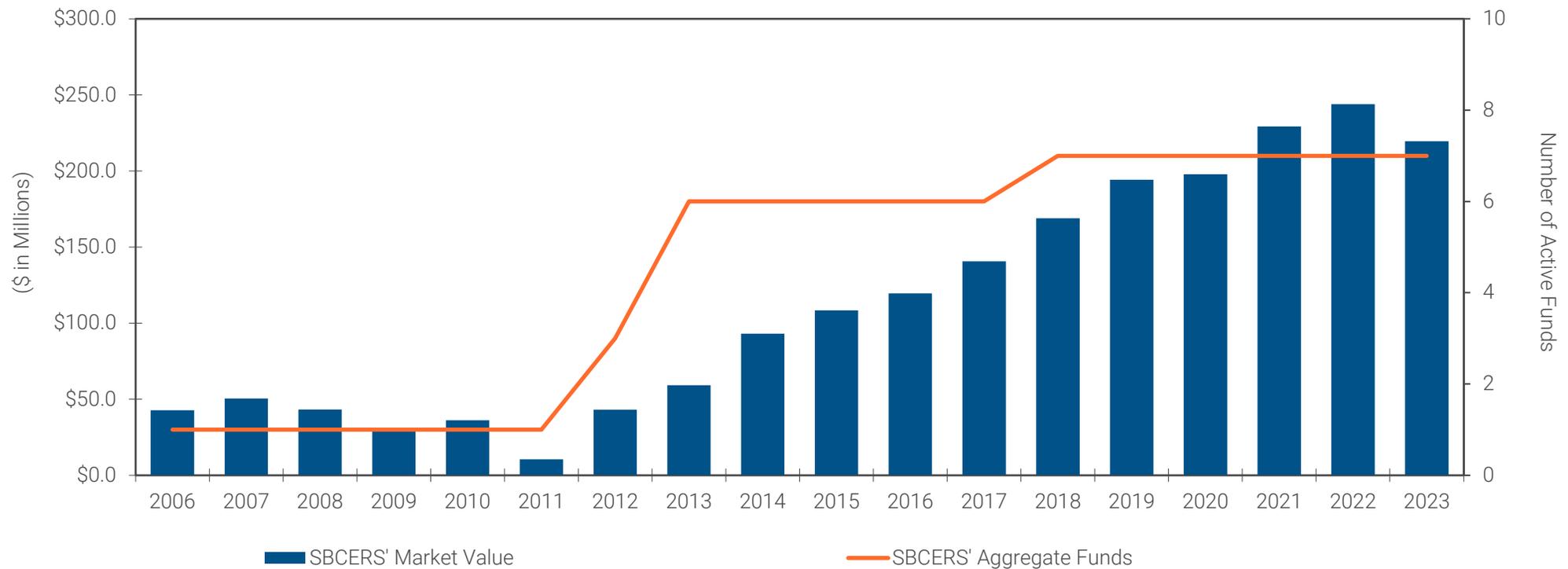
- 2023 commitment activity totaled only \$70.0M versus target of \$65-\$85M
- Wide range of commitment sizes across vintage years

¹ Target exposure shown as of current target

² Commitments shown as of acquisition date

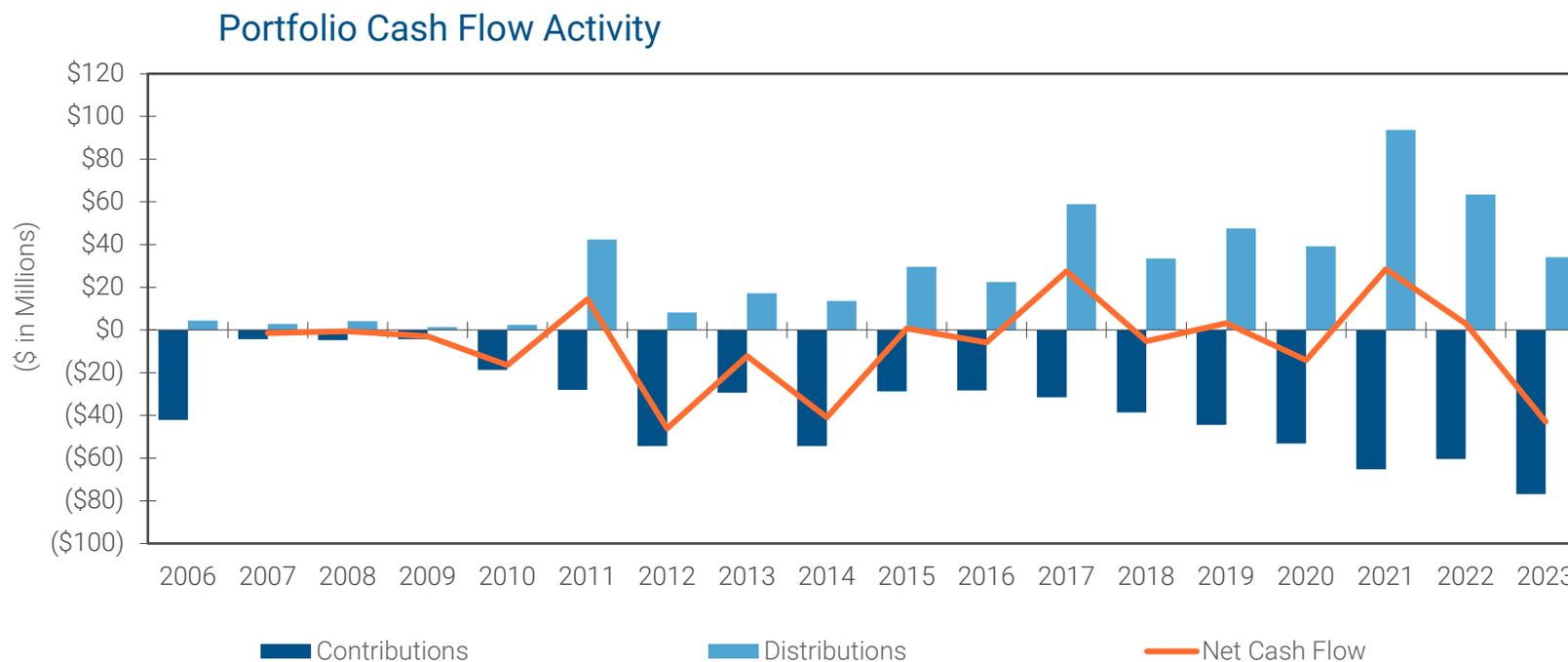
³ Average Commitment includes only Closed-End Funds

Open-Ended Fund Overview



- Open-ended funds represent 84% of Core MV and 56% total RE Portfolio MV
- Number of active open-ended funds has grown from one in 2006 to seven in 2023

Activity Review



- Net cash outflow of \$43.9M in 2023
- Year-over-year decrease in annual distribution activity in 2023
 - 12 funds generated distributions greater than \$1M during the year
- Significant annual contribution activity in 2023
 - 15 funds called greater than \$1M during the year

Top Manager Exposure

Investment Guidelines limit exposure to one manager to a maximum of 20% of total Program

- Portfolio is well diversified by manager with top exposure at 13.5% of the total Program

Top 5 GP Relationships by Total Exposure* As of September 30, 2023					
General Partner	Investment Strategy	Number of Funds	Total Exposure (\$M)	% of Total Portfolio	Since Inception IRR
Prologis	Core	2	\$75.9	13.5%	15.6%
Stockbridge Real Estate	Core/Value-Add	5	65.5	11.7%	10.9%
Walton Street Capital	Core/Debt/Oppportunistic	5	59.9	10.7%	8.2%
Invesco Real Estate	Core	1	47.8	8.5%	10.6%
Blackstone	Core Plus/Oppportunistic	3	45.7	8.1%	8.3%
Total		16	\$294.8	52.5%	11.7%

*Total Exposure defined as Reported Market Value plus Unfunded Commitment

- 3 out of 5 top manager exposures are generating double-digit since inception returns
- In aggregate the managers are generating an IRR of 12%



Strategic Plan



2023 Strategic Plan Update

Review of themes and objectives identified for 2023

Continue to Manage RE Exposure	<ul style="list-style-type: none">Achieved target commitment range with \$70M in commitments
Manager Concentration	<ul style="list-style-type: none">Five out of seven commitments in 2023 represent new manager relationships (Hillwood, H.I.G., KSL, NW1, Lone Star)Re-ups to existing manager relationships include High Street and Stockbridge
Strategy & Property Type Exposure	<ul style="list-style-type: none">Five commitments to Value-Add managers, one commitment to an Opportunistic manager and one commitment to a Debt manager
Core Exposure	<ul style="list-style-type: none">Performed a comprehensive review of the existing core portfolio
Geographic Allocation	<ul style="list-style-type: none">Five out of seven commitments made to North American-focused managersOne commitment to a Global focused managerOne commitment to a European Manager
Board and Staff Education	<ul style="list-style-type: none">Presented Board Education on Real Estate

Portfolio Diversification Targets

Strategy Target Exposure vs. Actual Exposure		
Strategy	Target Range	9/30/2023
Core	40-80%	66%
Value-Add	10-35%	20%
Opportunistic	0-25%	15%

Geographic Target Exposure vs. Actual Exposure		
Location	Target Range	9/30/2023
US	85-95%	89%
International	5-15%	11%

Property Type Target Exposure vs. Actual Exposure		
Property Type	Target Range	9/30/2023
Industrial	10-40%	41%
Multi-Family	10-35%	21%
Office	10-35%	9%
Retail	5-25%	8%
Other ¹	0-30%	20%

- As of September 30, 2023, all strategy exposures are within target ranges identified in the RE Investment Policy
 - Portfolio weighted to Core
 - In 2024, expect to enter redemption queues for three open-ended funds in order to decrease core exposure to be 45%-60% of total Portfolio
- Portfolio weighted to US
- We would expect core exposure to remain at or near 100% allocated to the US and to gain International exposure via the non-core portion of the portfolio
- Portfolio weighted to Industrial
- Rebalance property-type exposure to be within ranges over long-term

Note: Diversification by Strategy is calculated using Market Value. Diversification by Geography and Industry is calculated using Exposed Market Value. Exposed Market Value is LP's share of Market Value at the Portfolio Holding Level.

¹"Other" includes: Hotel/Resort, Storage, Student Housing, Mixed-Use, Medical Office, Land and Senior Housing

Where Are We Headed?

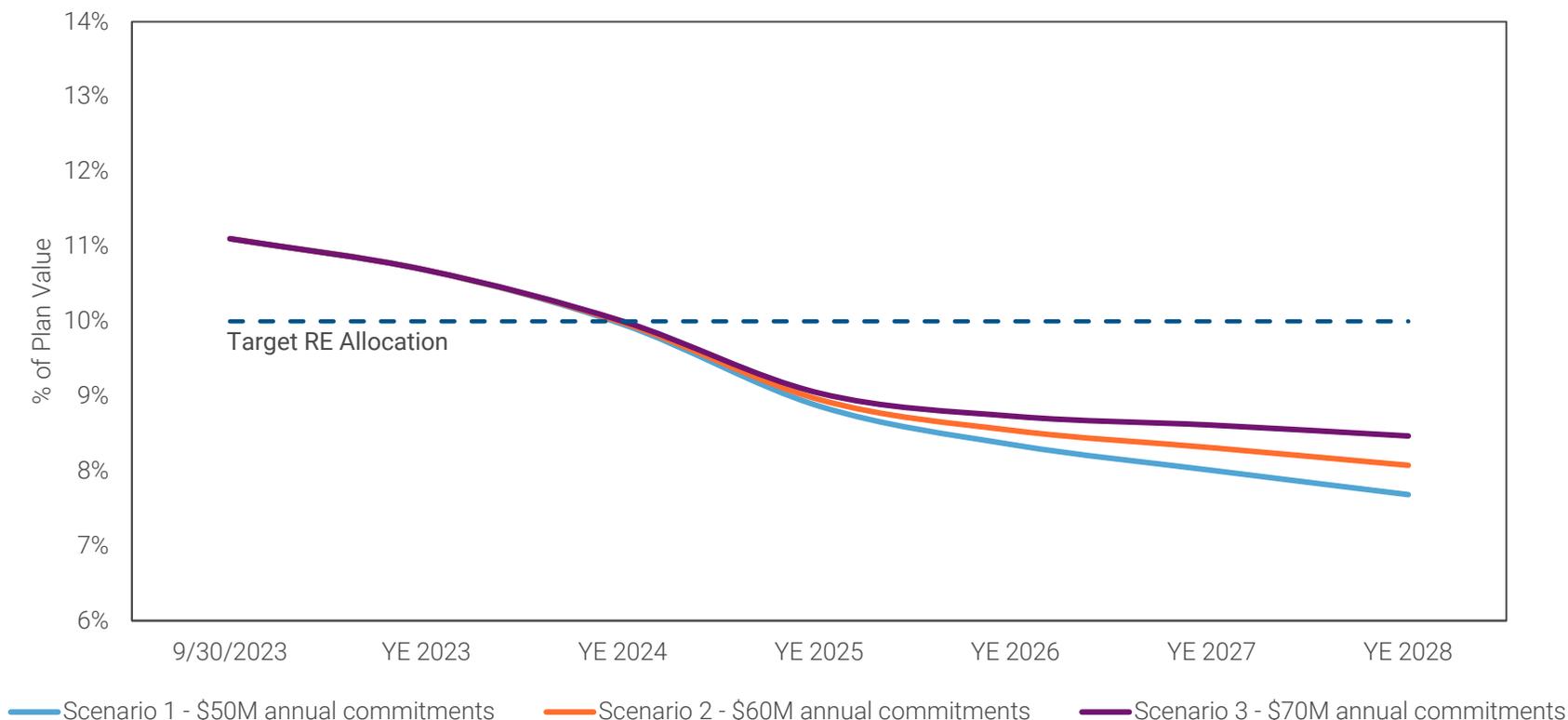
Identifying 2024 Portfolio Objectives

Continue to Manage RE Exposure	<ul style="list-style-type: none">• Target commitments of \$55M - \$75M to maintain 10% long-term RE target allocation• Look to commit to 5 to 7 closed-end, non-core funds with bite sizes of \$10M to \$15M
Manager Concentration	<ul style="list-style-type: none">• Selectively evaluate new and complementary managers while committing to top existing managers
Strategy & Property Type Exposure	<ul style="list-style-type: none">• Consider new commitments to Value-Add and Opportunistic managers• Complete commitments in-line with long-term strategy and property-type targets
Core Exposure	<ul style="list-style-type: none">• Target open-end, equity funds in the US within core/core plus portfolio• Enter redemption queue for approximately \$40M of NAV across 3 funds• Opt to not reinvest dividends in open-end core funds
Geographic Allocation	<ul style="list-style-type: none">• Continue to overweight North America but look to opportunistically add exposure in other developed markets
Board and Staff Education	<ul style="list-style-type: none">• Present Board Education on Real Estate

Horizon Model

Scenario	As of 9/30/23	2023	2024	2025	2026	2027	2028
Scenario 1: \$50M annual commitments	11.1%	10.7%	10.0%	8.9%	8.3%	8.0%	7.7%
Scenario 2: \$60M annual commitments	11.1%	10.7%	10.0%	9.0%	8.5%	8.3%	8.1%
Scenario 3: \$70M annual commitments	11.1%	10.7%	10.0%	9.0%	8.7%	8.6%	8.5%

Projected Allocation - Assumes 7.0% Total Plan Growth Rate - \$40M OEF Redemptions and 3.5% Annual Dividend Yield

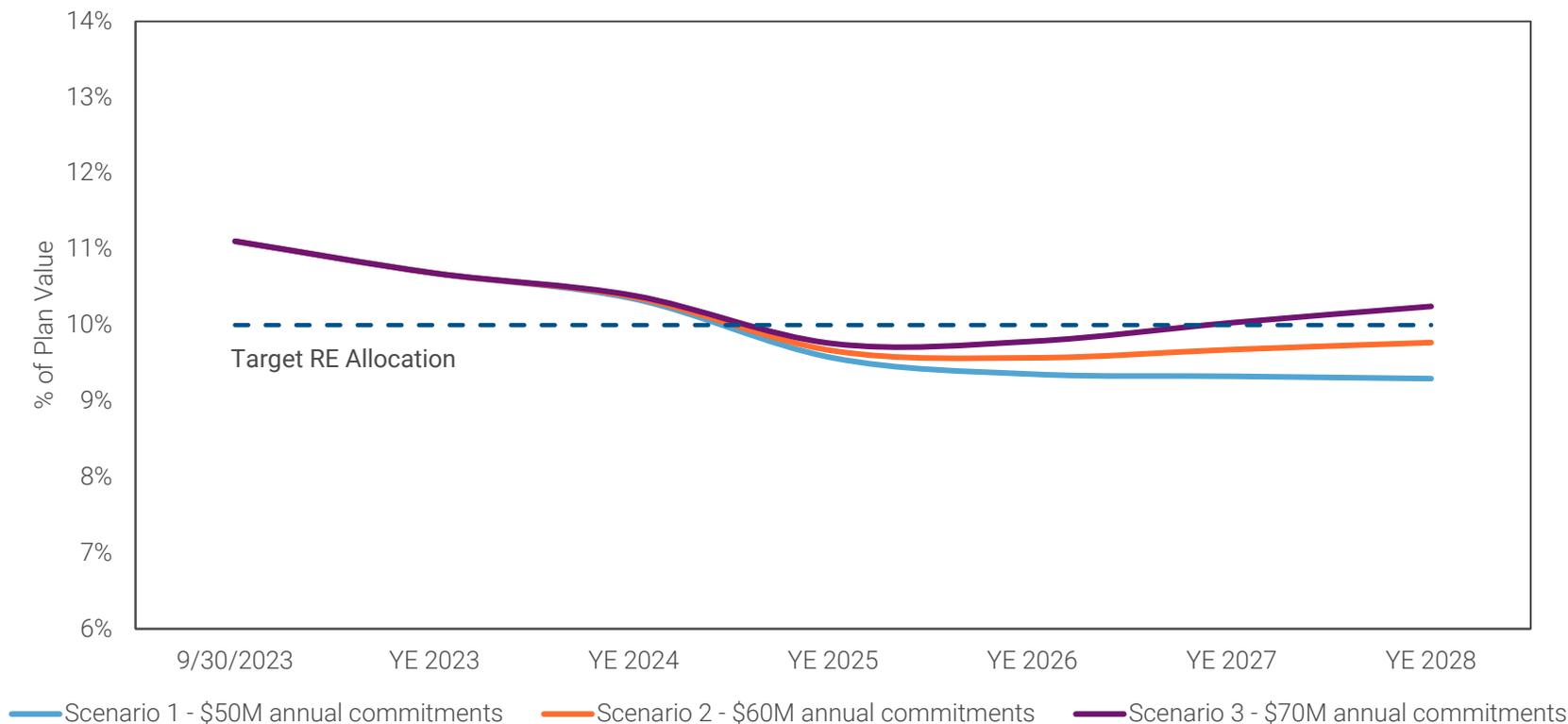


¹ Projections include \$40M aggregate open-ended funds redemption from Q3 2024 to Q4 2025 and a 3.5% annual dividend yield. See endnotes in the Appendix.

Horizon Model

Scenario	As of 9/30/23	2023	2024	2025	2026	2027	2028
Scenario 1: \$50M annual commitments	11.1%	10.7%	10.3%	9.6%	9.4%	9.3%	9.3%
Scenario 2: \$60M annual commitments	11.1%	10.7%	10.4%	9.7%	9.6%	9.7%	9.8%
Scenario 3: \$70M annual commitments	11.1%	10.7%	10.4%	9.8%	9.8%	10.0%	10.2%

Projected Allocation - Assumes 3.0% Total Plan Growth Rate - \$40M OEF Redemptions and 3.5% Annual Dividend Yield



¹ Projections include \$40M aggregate open-ended funds redemption from Q3 2024 to Q4 2025 and a 3.5% annual dividend yield
See endnotes in the Appendix



Appendix



Endnotes

Pages 20 - 21

The information contained herein and based upon Hamilton Lane's proprietary Horizon Model (the "Model") may include forward-looking statements regarding the Model itself, our opinions, performance, fees, carried interest, distributions, projected economic benefit or other events. Forward-looking statements include a number of risks, uncertainties and other factors beyond our control which may result in material differences in actual results, economic benefit, performance or other expectations. The Model has been prepared based upon historical private equity fund data and is not intended to indicate future performance of investments made with, or independently of, Hamilton Lane, which may affect any estimated economic benefit shown. Its assumptions are derived from historical private equity investments and are designed to demonstrate potential behaviors of private equity investments. The opinions, estimates, projections and analyses reflect our current judgment, which may change in the future. Therefore, this presentation is not intended to predict future performance or economic savings and should not be used as the basis for an investment decision.

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