



Hamilton Lane

# **Santa Barbara County Employees' Retirement System**

2024 Private Equity Strategic Plan

# Agenda

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# Program Review



# PE Portfolio Highlights - September 30, 2023

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## Hamilton Lane (“HL”) is entering our 18th year of building the Santa Barbara County Employees’ Retirement System (“SBCERS”) PE Program

### Performance

- Since inception IRR of 13.76% outperforms the benchmark (Russell 3000 + 300 bps) by 137 bps
- Generated positive performance for the one-year period, with a point-to-point IRR of 6.01%

### Strategic Objectives

- Fulfilled all objectives outlined in the 2023 Strategic Plan
- PE target of 10% established in 2016; Portfolio at 13.41% as of September 30, 2023
- Established a strong foundation of top tier managers

### Additional Highlights

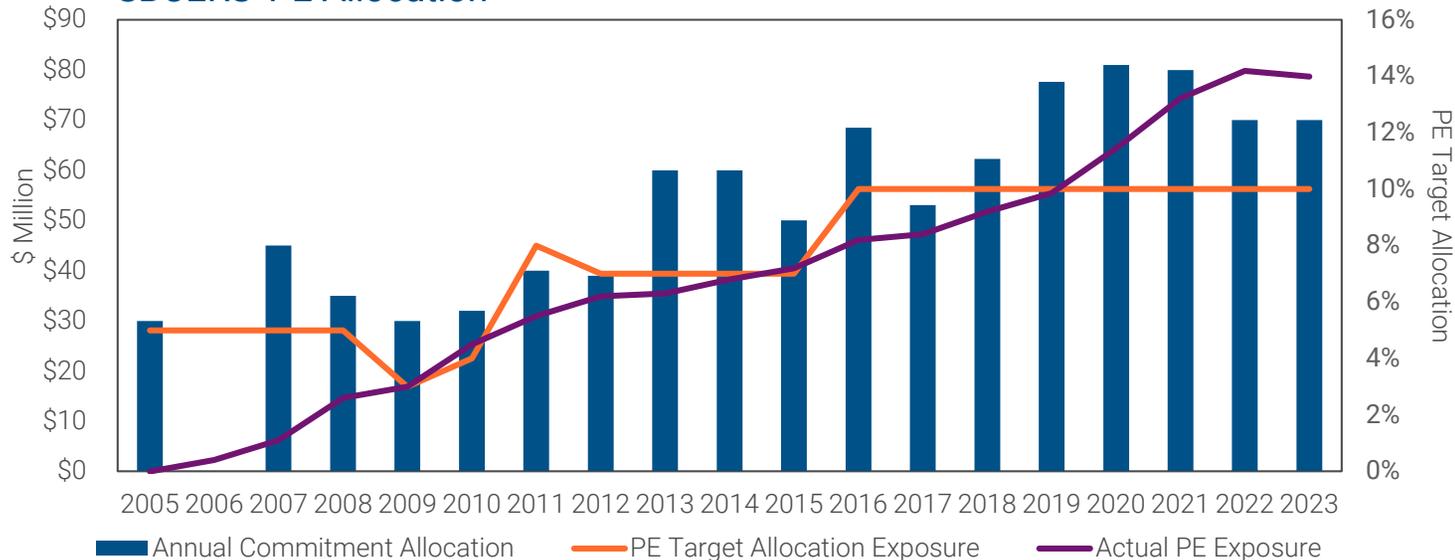
- Accessed highly sought, oversubscribed funds
- Received a reduced management fee for three funds in 2023 as a result of the HL platform
  - Presented New Trustee Private Markets Education to Board Members

# SBCERS' Private Equity Investment Milestones

Hamilton Lane was hired by SBCERS in 2006 to select new investments, monitor, and provide advice for the private equity portfolio

|   |   |
|---|---|
| 2005 - Lexington Capital Partners VI                    | • First private equity investment (made by SBCERS)                          |
| 2006 - HL hired to build long-term PE allocation to 5%  | • Original contract allowed HL to invest \$80M on behalf of SBCERS          |
| 2008 - Amendment to contract giving HL full discretion  | • Recommended annual commitment pacing of \$40M to reach long term target   |
| 2009/2010 - Target allocation temporarily lowered       | • Cautious commitment pacing as a result of the Global Financial Crisis     |
| 2011 - Target increased to 8% as global markets recover | • Annual commitment allocation increased to gradually reach target          |
| 2013 - Target allocation is set at 7%                   | • Annual commitments of \$60M in 2013 and 2014 to reach and maintain target |
| 2015 - Investment Tranche extended                      | • Approved allocation of up to \$250M over three years                      |
| 2016 - Target allocation is increased to 10%            | • Annual commitments of \$60 - \$70M to reach target                        |
| 2019 - Allocation to PE within 10 bps of target amount  | • Allocation to PE is 9.94% as of September 30, 2019                        |
| 2021 - Investment Tranche extended                      | • Approved allocation of up to \$425M over five years                       |

SBCERS' PE Allocation



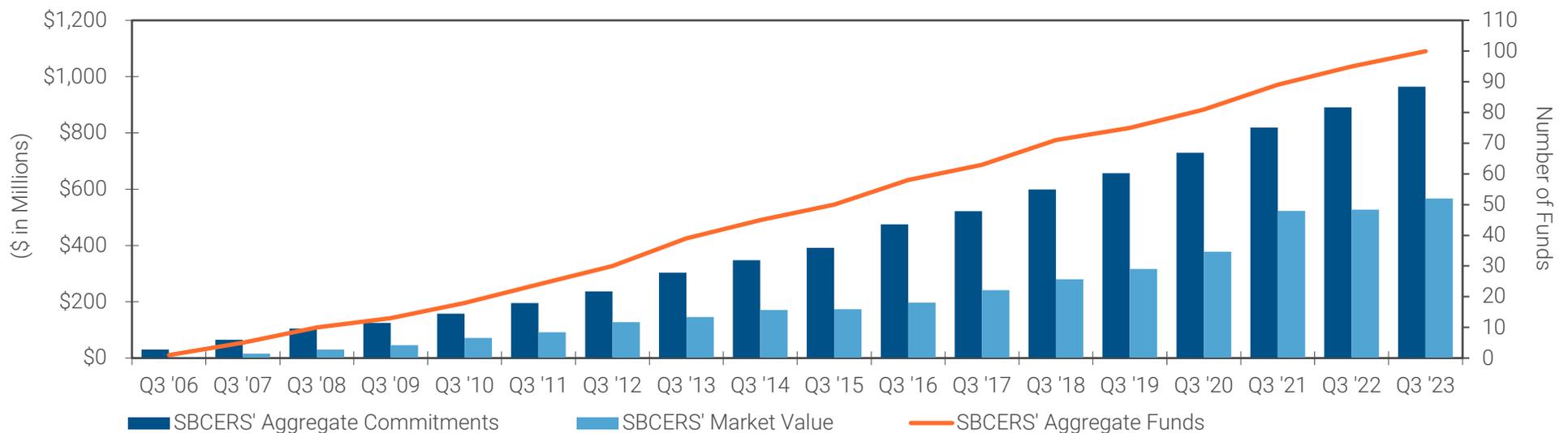
# SBCERS' Private Equity Activity

## SBCERS' Portfolio Snapshot

| Portfolio Snapshot            |           |
|-------------------------------|-----------|
| \$ millions                   | 9/30/2023 |
| Active Partnerships           | 100       |
| Active GP Relationships       | 41        |
| Capital Committed             | \$964.2   |
| Unfunded Commitment           | \$280.9   |
| Capital Contributed           | \$800.8   |
| Capital Distributed           | \$722.9   |
| D/PI                          | 0.9x      |
| Market Value                  | \$567.4   |
| Total Value Multiple          | 1.6x      |
| Since Inception IRR           | 13.76%    |
| Active Avg Age of Commitments | 6.9 years |

- As of September 30, 2023, SBCERS committed \$964.2M to 100 partnerships across 41 managers
- Consistent vintage year allocation, market environment and fund/manager quality all factors in annual commitment pacing

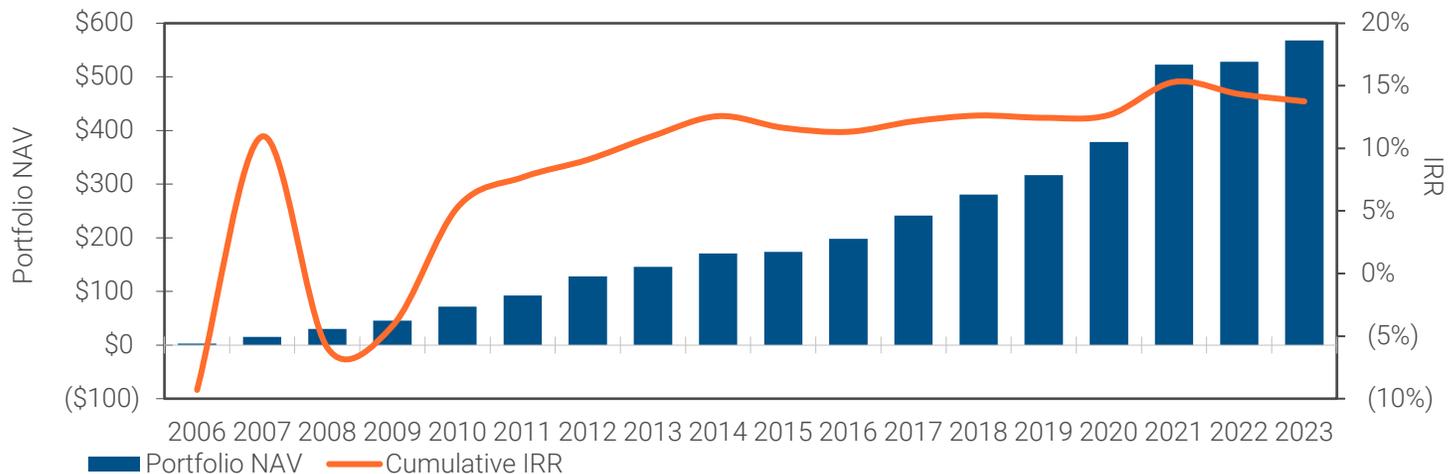
## SBCERS' Portfolio Growth



# SBCERS' Performance and Growth

|      |  |
|------|--|
| 2007 | Initial IRR strong due to investment in Lexington secondary fund                                     |
| 2008 | Net IRR decline as a result of investing in primary funds (j-curve effect)                           |
| 2009 | Performance increases through Global Financial Crisis (GFC)  |
| 2010 | J-curve broken after two years   |
| 2011 | Performance continues to improve post GFC  |
| 2012 | Since inception IRR approaches double digits   |
| 2013 | Performance increases each quarter reaching a new apex   |
| 2014 | IRR apex of 13% achieved   |
| 2015 | IRR stabilizes despite the lag in shorter-term public benchmarks performance                         |
| 2016 | NAV increase to just below \$200M, IRR stable at 11%   |
| 2017 | Since Inception IRR rises above 12%  |
| 2018 | Total commitments reached just below \$600M  |
| 2019 | D/PI reached a high watermark of 0.8x  |
| 2020 | Portfolio weathered impact from COVID-19 and rebounded strongly                                      |
| 2021 | Record performance; Portfolio generated 15.31% since inception IRR as of September 30, 2021          |
| 2022 | Performance held up despite public market volatility   |
| 2023 | Generated positive performance for the year with a 6.01% point-to-point IRR as of September 30, 2023 |

## SBCERS' PE Portfolio

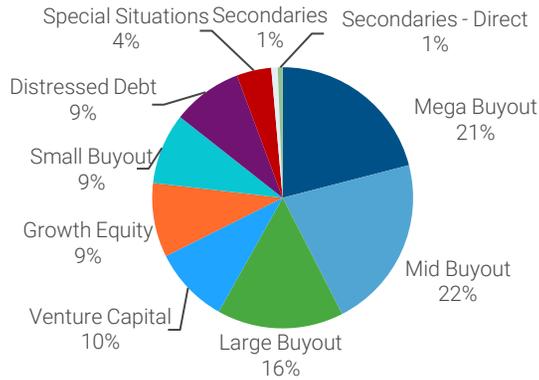


# Strategically Building the Portfolio

## Strategic Diversification by Exposure 2018 -2023

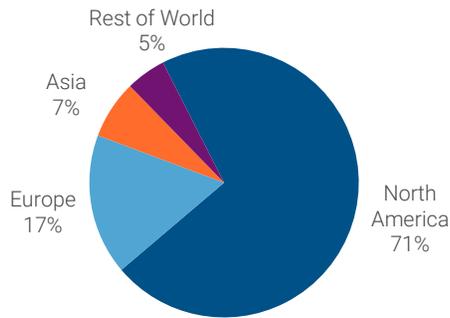
### 9/30/2018

Strategy



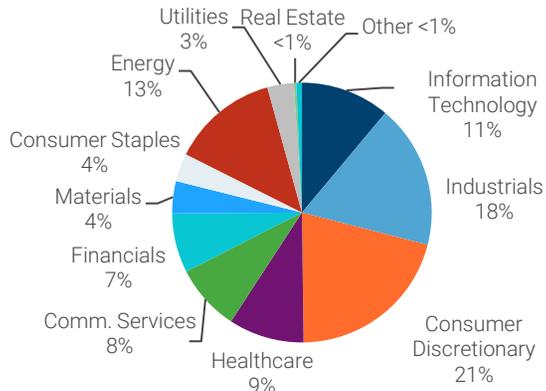
Strategy: Buyout remains the largest exposure; Growth Equity and Mega Buyout increased while Distressed Debt and Venture Capital decreased

Geography



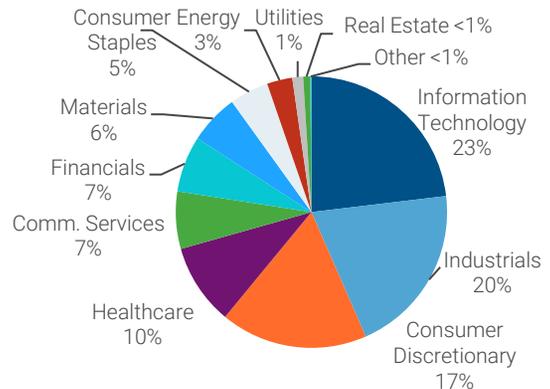
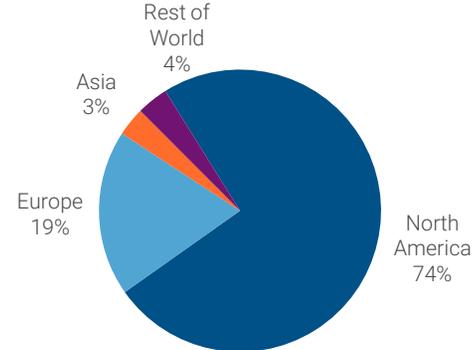
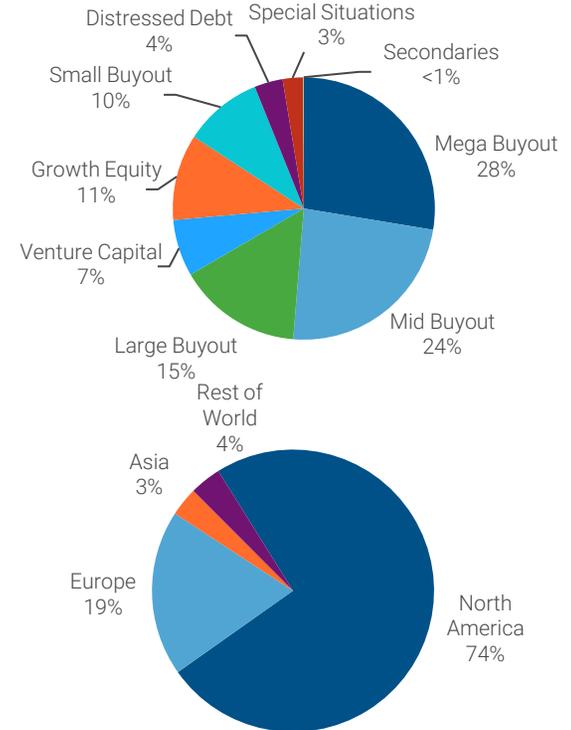
Geography: Continues to be weighted towards North America, with decreasing exposure to Asia

Industry



Industry: Remains well diversified; IT exposure increased while Energy exposure decreased

### 9/30/2023



Note: Diversification by Strategy is calculated using Total Exposure (Market Value + Unfunded Commitment). 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.



# Portfolio Snapshot and Performance Summary



# Portfolio and Performance Summary

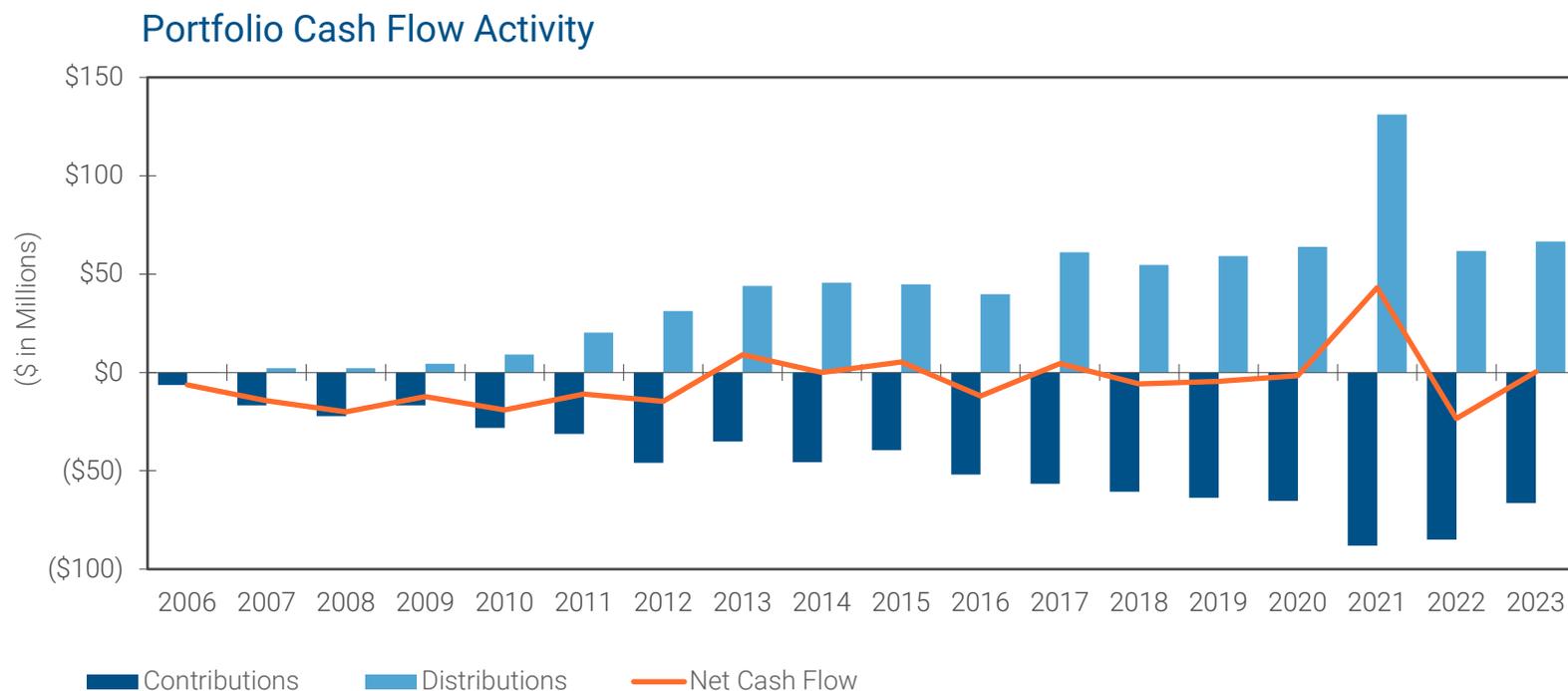
| SBCERS PE Portfolio Since Inception Summary |                 |                 |            |
|---|-----------------|-----------------|------------|
| \$ in Millions                              | As of 9/30/2022 | As of 9/30/2023 | Net Change |
| Active Partnerships                         | 95              | 100             | 5          |
| Active GP Relationships                     | 40              | 41              | 1          |
| Committed Capital                           | \$890.9         | \$964.2         | \$73.3     |
| Unfunded Commitment                         | \$275.3         | \$280.9         | \$5.6      |
| Paid-In Capital                             | \$731.6         | \$800.8         | \$69.2     |
| Distributions                               | \$660.8         | \$722.9         | \$62.1     |
| D/PI  | 0.9x            | 0.9x            | -          |
| Net Cash Flow                               | \$70.8          | \$77.9          | \$7.1      |
| Market Value                                | \$528.0         | \$567.4         | \$39.4     |
| Total Exposure                              | \$803.3         | \$848.3         | \$45.0     |
| Average Age of Commitments                  | 6.4 years       | 6.9 years       | 0.5 years  |

- Positive net value gains of \$32.4M during the one-year period
  - All four quarters generated gains during this period

- Active partnerships increased by five over the one-year period ended September 30, 2023
- Market value and total exposure has remained relatively consistent year-over-year

| SBCERS PE Portfolio Annual Performance Summary |           |           |
|--|-----------|-----------|
| \$ in Millions                                 | As of     |           |
|  | 9/30/2022 | 9/30/2023 |
| Beginning Market Value                         | \$522.8   | \$528.0   |
| Paid-in Capital                                | \$86.5    | \$69.2    |
| Distributions                                  | \$93.7    | \$62.2    |
| Net Value Change                               | \$12.4    | \$32.4    |
| Ending Market Value                            | \$528.0   | \$567.4   |
| Point-to-Point IRR                             | 2.41%     | 6.01%     |
| Since Inception IRR                            | 14.34%    | 13.76%    |
| Total Value Multiple                           | 1.6x      | 1.6x      |

# Activity Review



- Positive net cash flow of \$0.3M in 2023
- 2023 distribution activity in line with prior year and 51% below record 2021
  - 23 funds generated distributions greater than \$1M during the year
- 2023 contribution activity lagged prior record years of 2021 and 2022
  - 25 funds called greater than \$1M during the year

# Top Manager Exposure

## Investment Guidelines limits exposure to one manager to a maximum of 25% of total Program

- Portfolio is well diversified by manager with top exposure at 7.4% of the total Program

| Top 5 GP Relationships by Total Exposure*<br>As of September 30, 2023 |                       |                 |                      |                      |                     |
|---|-----------------------|-----------------|----------------------|----------------------|---------------------|
| General Partner   | Investment Strategy   | Number of Funds | Total Exposure (\$M) | % of Total Portfolio | Since Inception IRR |
| Gridiron Capital  | Small/Mid Buyout      | 4               | \$62.7               | 7.4%                 | 26.9%               |
| Hamilton Lane   | Venture Capital       | 9               | 56.3                 | 6.6%                 | 18.7%               |
| Platinum Equity Capital Partners                                      | Mid/Large/Mega Buyout | 5               | 53.4                 | 6.3%                 | 27.5%               |
| Technology Crossover Ventures   | Growth Equity         | 6               | 51.6                 | 6.1%                 | 19.3%               |
| CVC Capital Partners  | Mega Buyout           | 5               | 44.3                 | 5.2%                 | 16.9%               |
| <b>Total</b>  |                       | 29              | \$268.4              | 31.6%                | 20.8%               |

\*Total Exposure defined as Reported Market Value plus Unfunded Commitment

- Top five manager exposures are all generating greater than 16% since inception returns
- In aggregate the managers are generating an IRR of 20.8%
- New commitments to CVC and Platinum Equity added in 2023
- Gridiron Capital and Hamilton Lane Venture Capital vehicles have contributed a positive 71 bps and 40 bps, respectively, to the Portfolio's since inception IRR



# Strategic Plan



# 2023 Strategic Plan Update

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## Review of themes and objectives identified for 2023

### Continue to Manage PE Exposure

- Met target commitment range with \$70M in commitments

### Manager Concentration

- Seven commitments represent existing managers

### Strategic Exposure

- Added two commitments to SMID Buyout (STG and Platinum)

### Geographic Allocation

- Continued primary geographic exposure to North America and added European exposure through commitment to CVC Capital Partners IX

### Board and Staff Education

- Presented New Trustee Private Markets Education in February

# Portfolio Targets

| Sector Target Exposure vs. Actual Exposure |               |            |            |
|--|---------------|------------|------------|
| Strategy/Sub-strategy                      | Target Range  | 9/30/2022  | 9/30/2023  |
| <b>Corporate Finance/Buyout</b>            | <b>60-80%</b> | <b>74%</b> | <b>76%</b> |
| Large/Mega Buyout                          | 25-45%        | 40%        | 43%        |
| Small/Mid Buyout                           | 25-45%        | 34%        | 33%        |
| <b>Special Situations</b>                  | <b>0-20%</b>  | <b>7%</b>  | <b>6%</b>  |
| Distressed Debt                            | 0-10%         | 4%         | 4%         |
| Secondaries                                | 0-10%         | <1%        | <1%        |
| Secondaries – Direct                       | 0-10%         | 0%         | 0%         |
| Special Situations                         | 0-10%         | 3%         | 3%         |
| <b>Venture/Growth Equity</b>               | <b>15-35%</b> | <b>19%</b> | <b>18%</b> |

| Geographic Target Exposure vs. Actual Exposure |              |           |           |
|--|--------------|-----------|-----------|
| Location                                       | Target Range | 9/30/2022 | 9/30/2023 |
| North America                                  | 60-80%       | 74%       | 74%       |
| Europe   | 15-35%       | 18%       | 19%       |
| Asia   | 0-10%        | 4%        | 3%        |
| Rest of World                                  | 0-10%        | 4%        | 4%        |

- As of September 30, 2023, all strategy exposures are at target ranges identified in the PE Investment Policy

- Venture/Growth breakout: Venture at 7%, Growth Equity at 11%

- Europe exposure at low end of target range - new European fund added in 2023 to increase exposure to this region
- Asia/Rest of World exposure within ranges – opportunistic approach to investing in these regions

Note: Diversification by Strategy is calculated using Total Exposure (Market Value + Unfunded Commitment). Diversification by Geography is calculated using Exposed Market Value. Exposed Market Value is LP's share of Market Value at the Portfolio Holding Level.

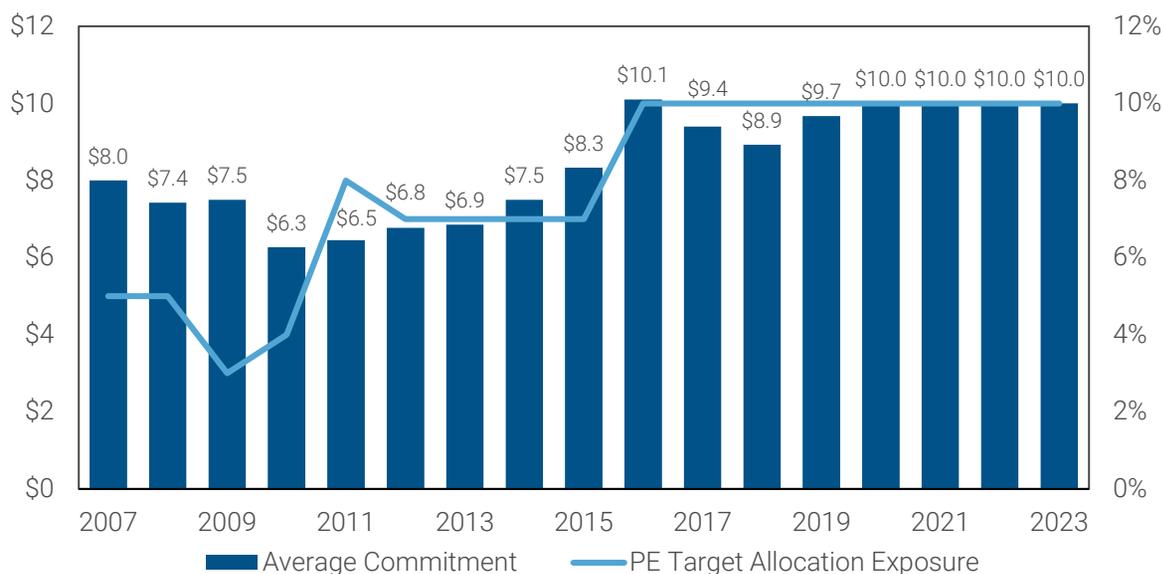
# Commitment Activity

| Commitment Activity    |  |                     |                  |                  |
|------------------------|--|---------------------|------------------|------------------|
| Closing Date           | Partnership                                  | Investment Strategy | Geographic Focus | Commitment (\$M) |
| <b>2023 Allocation</b> |  |                     |                  |                  |
| 1/12/2023              | GTCR Fund XIV, L.P.                          | Large Buyout        | North America    | \$10.0           |
| 1/31/2023              | STG VII, L.P.                                | Mid Buyout          | North America    | \$10.0           |
| 3/31/2023              | Hellman & Friedman Capital Partners XI, L.P. | Mega Buyout         | North America    | \$10.0           |
| 5/5/2023               | CVC Capital Partners IX, L.P.                | Mega Buyout         | Western Europe   | \$10.0           |
| 5/31/2023              | Kohlberg Investors X, L.P.                   | Large Buyout        | North America    | \$10.0           |
| 6/30/2023              | KPS Special Situations Fund VI, L.P.         | Large Buyout        | North America    | \$10.0           |
| 1/2/2024               | Platinum Equity Small Cap Fund II            | Mid Buyout          | North America    | \$10.0           |
| <b>Total</b>           |  |                     |                  | <b>\$70.0</b>    |

## Achieved targeted commitments of \$65M-\$85M in 2023

- 2023 activity - seven commitments closed (\$70.0M)
  - Consistent with the 2023 Strategic Plan, added new commitment to increase European exposure
  - All partnerships represent re-ups
- 2024 activity – one commitment pending close
  - Existing relationship with North American value-oriented manager

## Average Commitment Size by Vintage Year (\$ in Million)



# Where Are We Headed?

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## Identifying 2024 Portfolio Objectives

### Continue to Manage PE Exposure

- Target commitments of \$55M - \$75M to maintain 10% long-term PE target allocation

### Manager Concentration

- Focus on committing to core existing managers, while evaluating new managers

### Strategic Exposure

- Consider new commitment to SMID Buyout and/or Venture Capital/Growth Equity

### Geographic Allocation

- Continue primary geographic exposure to North America, consider adding European exposure

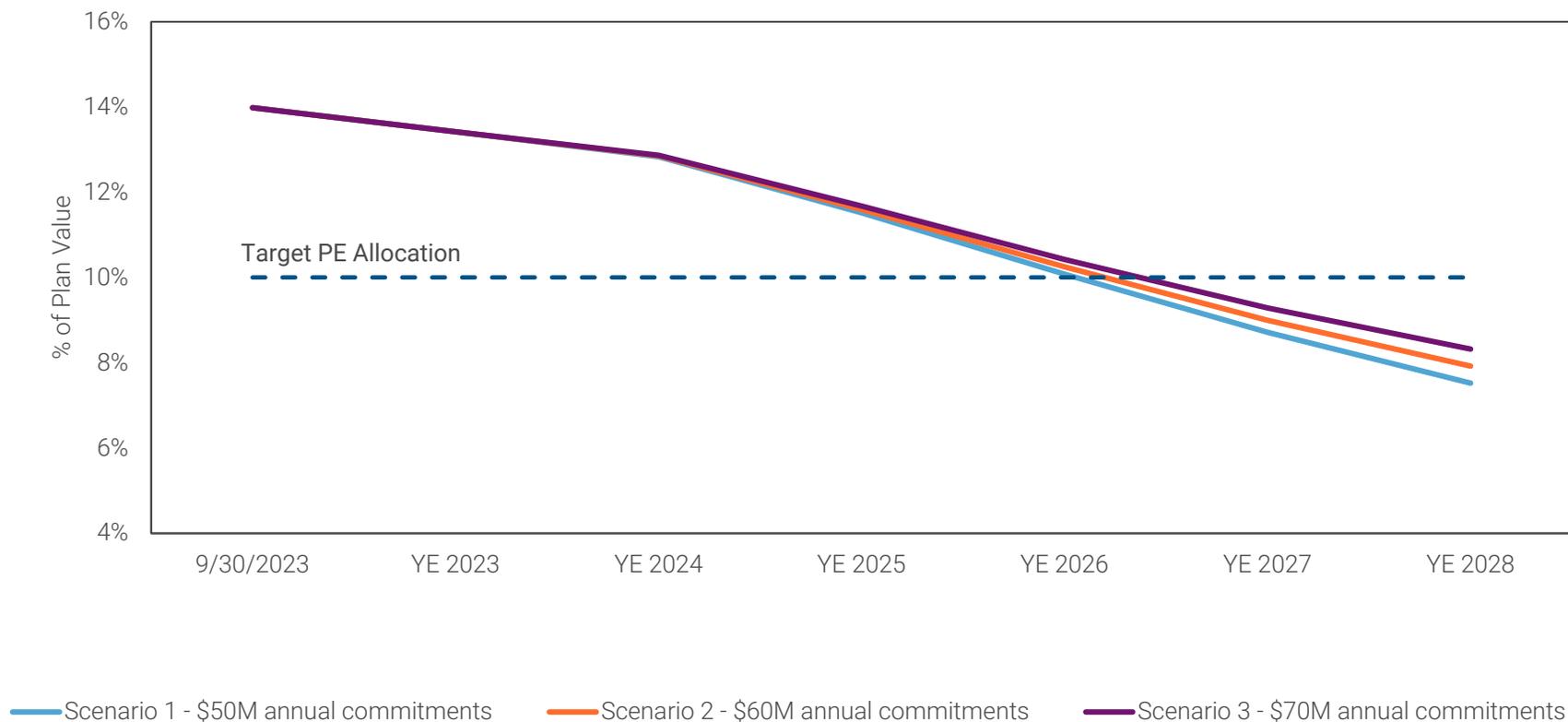
### Board and Staff Education

- Present Board Education on Private Markets

# Horizon Model

| Scenario                             | As of 9/30/23 | YE 2023 | YE 2024 | YE 2025 | YE 2026 | YE 2027 | YE 2028 |
|--------------------------------------|---------------|---------|---------|---------|---------|---------|---------|
| Scenario 1: \$50M annual commitments | 14.0%         | 13.4%   | 12.8%   | 11.5%   | 10.1%   | 8.7%    | 7.5%    |
| Scenario 2: \$60M annual commitments | 14.0%         | 13.4%   | 12.9%   | 11.6%   | 10.2%   | 9.0%    | 7.9%    |
| Scenario 3: \$70M annual commitments | 14.0%         | 13.4%   | 12.9%   | 11.7%   | 10.4%   | 9.3%    | 8.3%    |

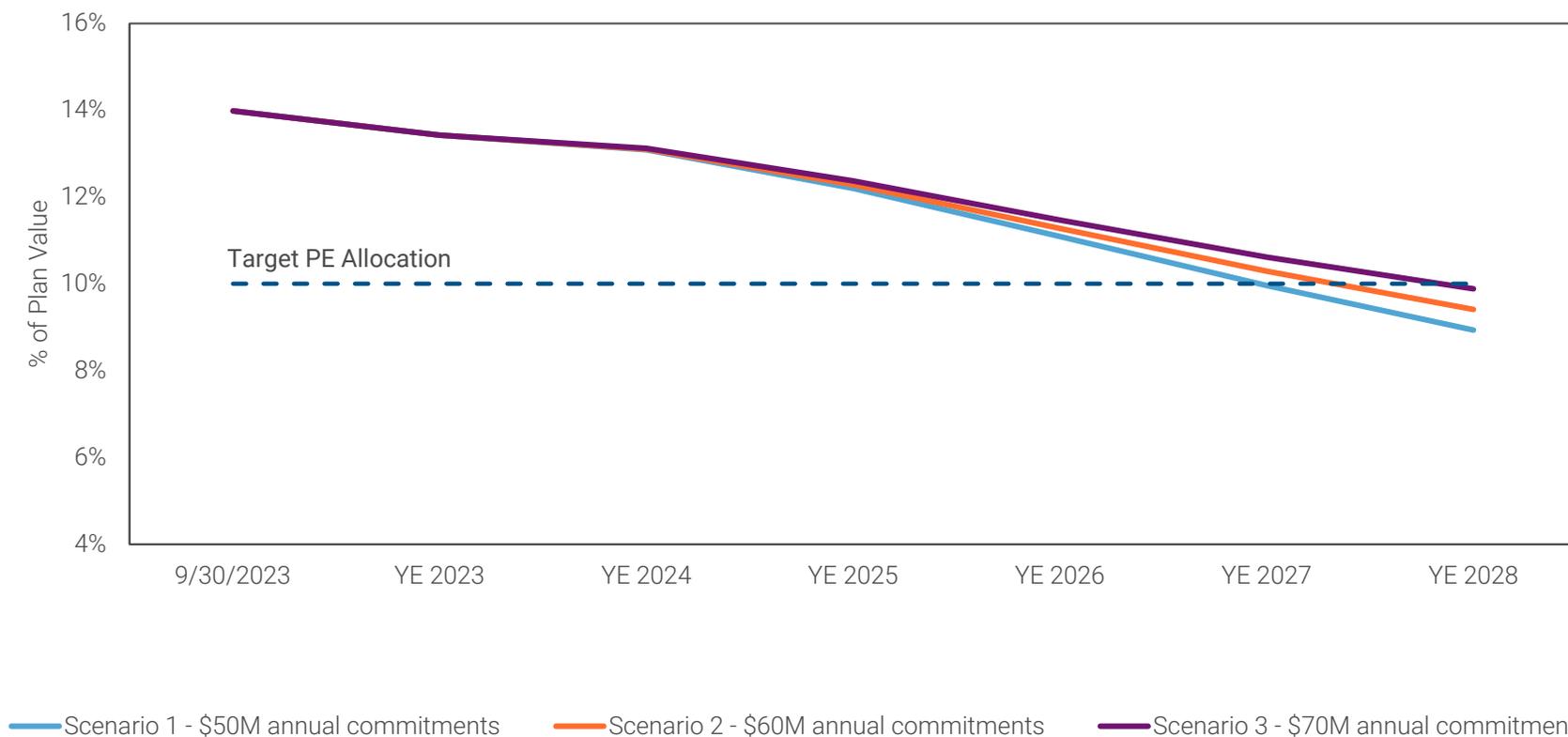
## Projected Allocation - Assumes 7.0% Total Plan Growth Rate



# Horizon Model

| Scenario                             | As of 9/30/23 | YE 2023 | YE 2024 | YE 2025 | YE 2026 | YE 2027 | YE 2028 |
|--------------------------------------|---------------|---------|---------|---------|---------|---------|---------|
| Scenario 1: \$50M annual commitments | 14.0%         | 13.4%   | 13.1%   | 12.2%   | 11.1%   | 10.0%   | 8.9%    |
| Scenario 2: \$60M annual commitments | 14.0%         | 13.4%   | 13.1%   | 12.3%   | 11.3%   | 10.3%   | 9.4%    |
| Scenario 3: \$70M annual commitments | 14.0%         | 13.4%   | 13.1%   | 12.4%   | 11.5%   | 10.6%   | 9.9%    |

## Projected Allocation - Assumes 3.0% Total Plan Growth Rate



# Forward Calendar

| 2024 Commitment Activity |             |                     |                  |                  |
|--------------------------|-------------|---------------------|------------------|------------------|
| Closing Date             | Partnership | Investment Strategy | Geographic Focus | Commitment (\$M) |
| <b>2024 Allocation</b>   |             |                     |                  |                  |
| "March 2024              | Fund A      | Mid Buyout          | North America    | \$10.0           |
| <b>2024 Total</b>        |             |                     |                  | <b>\$10.0</b>    |

\*Pending Close/ Target Close Date

| 2024 Commitment Outlook   |                     |                  |                        |
|---|---------------------|------------------|------------------------|
| Partnership   | Investment Strategy | Geographic Focus | Prior Commitment (\$M) |
| <b>Existing Manager Relationships - likely to come back to market</b> |                     |                  |                        |
| Ascribe Opportunities Fund V  | Opportunistic Debt  | North America    | \$10.0                 |
| Bridgepoint Development Capital V                                     | Mid Buyout          | Western Europe   | \$10.0                 |
| FSN Capital VII   | Mid Buyout          | Western Europe   | \$8.9                  |
| Hamilton Lane Venture Access Fund                                     | Venture Capital     | Global           | \$10.0                 |
| Sterling Group Partners VI  | Mid Buyout          | North America    | \$10.0                 |
| STG Allegro II  | Small Buyout        | North America    | \$10.0                 |
| Thoma Bravo Fund XVI, L.P.  | Mega Buyout         | North America    | \$10.0                 |
| TPG Growth VI   | Growth Equity       | North America    | \$10.0                 |
| TPG Tech Adjacencies III, L.P.  | Growth Equity       | North America    | \$4.0                  |
| Summit Partners Growth Equity Fund XII                                | Large Buyout        | North America    | \$10.0                 |
| <b>Total</b>  |                     |                  | <b>\$92.9</b>          |

- One pending commitment to date in 2024; representing an existing relationship with North American value-oriented manager
- Existing managers back to market include several buyout managers, diversified by geographic focus



# Appendix



# Endnotes

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## Pages 18- 19

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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