



Hamilton Lane

Santa Barbara County Employees' Retirement System

2024 Private Real Return Strategic Plan

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Program Review



SBCERS' PRR Portfolio Goals and Objectives

SBCERS' Private Real Return ("PRR") Investment Policy has outlined the following:

Goal

To provide investment returns commensurate with the Program's targets through participation in Private Real Return investment opportunities. To reach a target allocation of 9% of total plan assets.

Objectives

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

- Preserve investment capital
- Provide diversification to SBCERS' overall investment program
- Provide a hedge against inflation
- Provide cash yield as a component of the overall investment return

Benchmark:

- Achieve total returns that meet Portfolio's benchmark, Consumer Price Index-All Urban Consumers (CPI-U) plus 4%

Investment Limitations as a % of Target Allocation:

- One manager – 25% maximum ⇒ One manager at 7.1%
- One co-investment – 10% maximum; total co-investments ⇒ 40% maximum ⇒ One co-investment fund ⇒ 0.19% of total exposure

PRR Portfolio Highlights - September 30, 2023

Hamilton Lane (“HL”) is entering our 9th year of building the Santa Barbara County Employees’ Retirement System (“SBCERS”) PRR Program

Performance

- Since inception IRR of 12.34% outperforms the benchmark (CPI-U + 400 bps) by 557 bps
- Generated double-digit performance for the one-year period, with a point-to-point IRR of 11.15%

Strategic Objectives

- Fulfilled all objectives outlined in the 2023 Strategic Plan
- PRR target of 9% established in 2017; Portfolio at 11.86% 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 five funds in 2023 as a result of the HL platform
- Presented New Trustee Private Markets Education to Board Members

SBCERS' Private Real Return Milestones

Hamilton Lane was hired in 2014 to select new investments, monitor, and provide advice for the private infrastructure and natural resources portfolio

2012 – PRR Portfolio inception	• SBCERS establishes 5% target allocation
2013 – Commitments made to two initial investments	• Actis Energy 3 and U.S. Farming Realty Trust II
2014 – HL hired; allocation of \$120 million over three years	• Targeted annual commitments of \$30 - \$50 million
2015 – HL completed first investment	• KKR Global Infrastructure Investors II, L.P.
2016 – Full investment year	• Closed on \$45 million to four partnerships
2017 – Target allocation increased to 9%	• Investment tranche extended
2018 – Increased annual commitments to \$90 million	• PRR allocation reached 3.5%
2019 – Annual commitments reached \$100 million	• PRR allocation increased to 4.8%
2020 – Annual commitments surpassed \$100 million	• PRR allocation increased to 5.5%
2021 – Relatively consistent allocation YoY to build to 9% target	• PRR allocation increased to 7.4%
2022 – Relatively consistent allocation YoY	• PRR allocation achieved 9% target

SBCERS' PRR Allocation

As of September 30, 2023



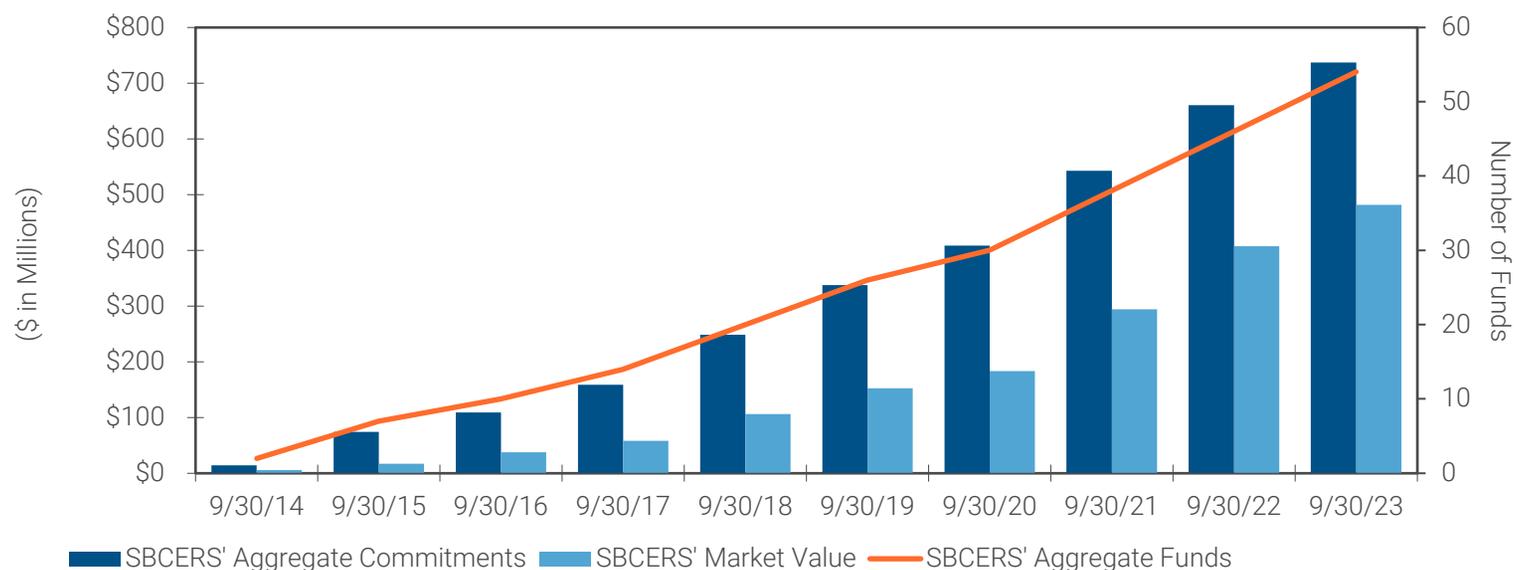
SBCERS' Private Real Return Activity

SBCERS' Portfolio Snapshot

Portfolio Snapshot	
\$ millions	9/30/2023
Active Partnerships	54
Active GP Relationships	30
Capital Committed	\$736.8
Unfunded Commitment	\$262.1
Capital Contributed	\$535.6
Capital Distributed	\$238.2
D/PI	0.4x
Market Value	\$481.3
Total Value Multiple	1.3x
Since Inception IRR	12.34%
Active Avg Age of Commitments	4.0 years

- As of September 30, 2023, SBCERS committed \$736.8M to 54 partnerships across 30 managers
- Consistent vintage year allocation, market environment and fund/manager quality all factors in annual commitment pacing

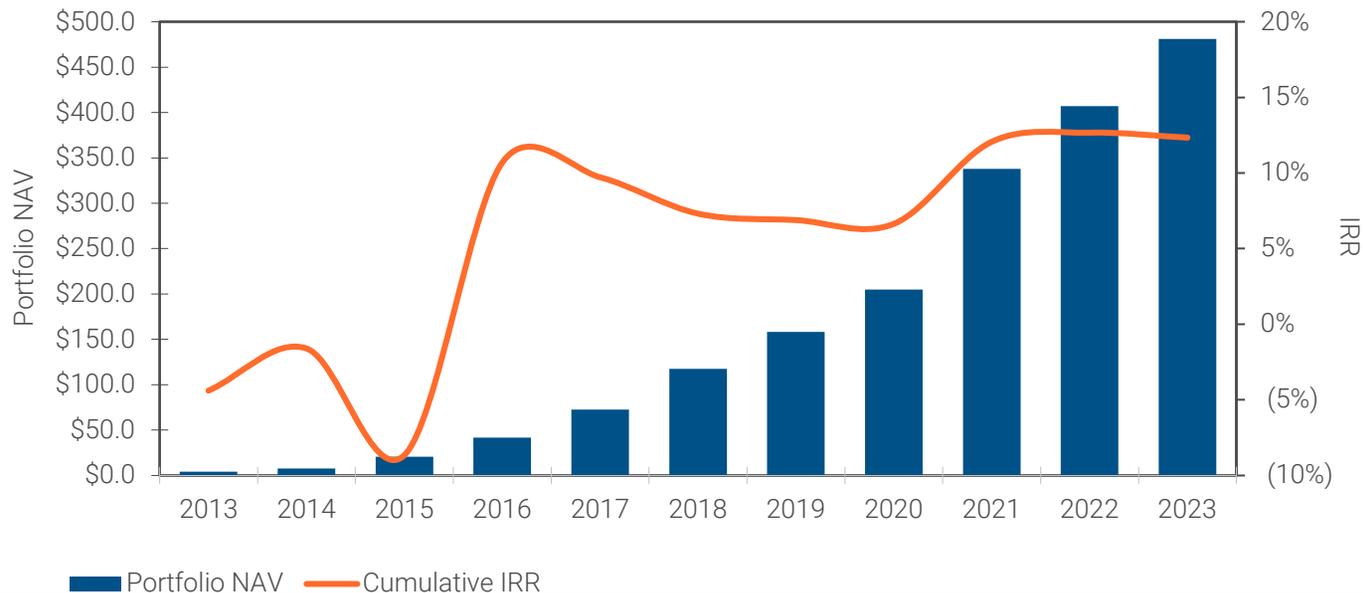
SBCERS' Portfolio Growth



SBCERS' Performance and Growth

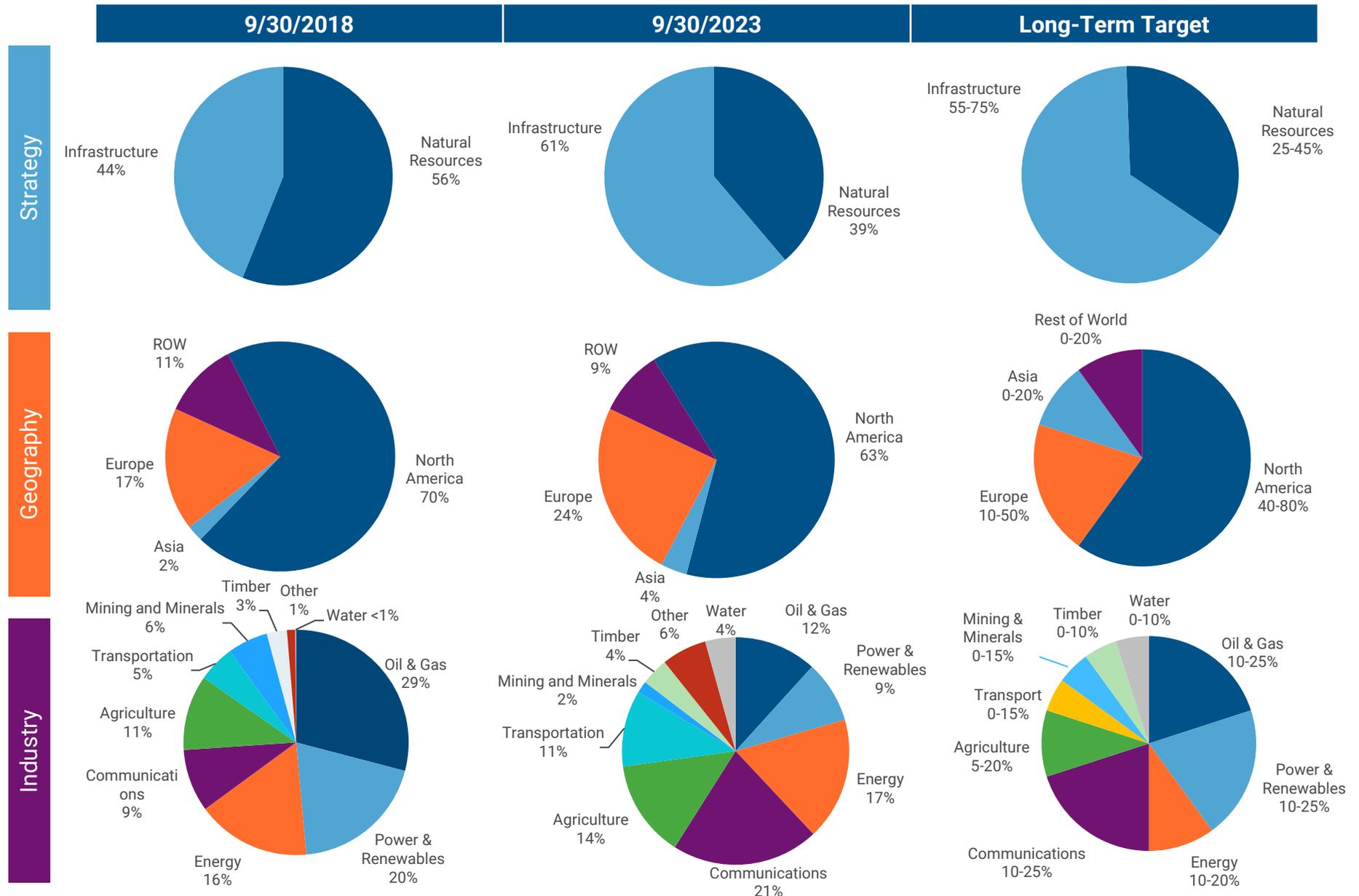
2012	PRR Portfolio inception
2013	Commitments made to two initial investments
2014	HL hired; allocation of \$120 million over three years
2015	HL completed first investment
2016	Broke J-Curve
2017	NAV grows by nearly 75% during the year
2018	NAV surpasses \$100 million
2019	Active funds in the Portfolio surpasses 25
2020	Portfolio held up despite impact from COVID-19
2021	D/PI reaches 0.4x
2022	Achieved high watermark IRR of 13.25% in Q1
2023	Generated positive performance for the year with an 11.15 % point-to-point IRR as of September 30, 2023

SBCERS' PRR Portfolio



Strategically Building the Portfolio

Strategic Diversification by Exposure



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

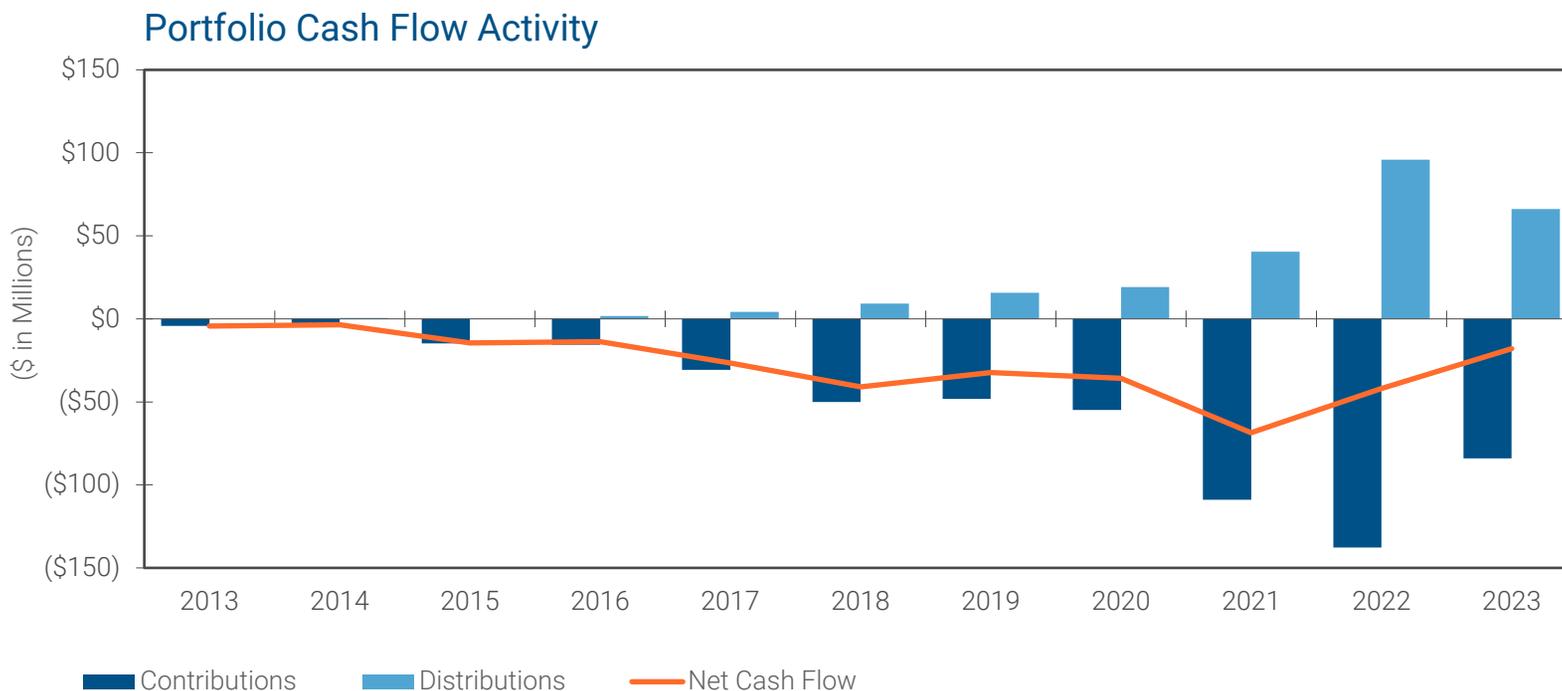
SBCERS PRR Portfolio Since Inception Summary			
\$ in Millions	As of 9/30/2022	As of 9/30/2023	Net Change
Active Partnerships	46	54	8
Active GP Relationships	29	30	5
Committed Capital	\$660.6	\$736.8	\$76.2
Unfunded Commitment	\$276.5	\$262.1	(\$14.4)
Paid-In Capital	\$425.1	\$535.6	\$110.5
Distributions	\$154.7	\$238.2	\$83.5
D/PI	0.4x	0.4x	-
Net Invested Capital	\$270.4	\$297.4	\$27.0
Market Value	\$407.2	\$481.3	\$74.1
Total Exposure	\$683.7	\$743.4	\$59.7
Average Age of Commitments	3.4 years	4.0 years	0.6 years

- Strong net value gains of \$47M during the one-year period
 - All four quarters generated gains during this period
- Since inception IRR decreased 33 bps year-over-year

- Active partnerships increased by eight over the one-year period ended September 30, 2023
- Market value increased 18% over the year as a result of significant unrealized appreciation and new investments

SBCERS PRR Portfolio Annual Performance Summary		
\$ in Millions	As of	
	9/30/2022	9/30/2023
Beginning Market Value	\$294.2	\$407.2
Paid-in Capital	\$131.5	\$110.6
Distributions	\$79.3	\$83.5
Net Value Change	\$60.8	\$47.0
Ending Market Value	\$407.2	\$481.3
Point-to-Point IRR	18.91%	11.15%
Since Inception IRR	12.67%	12.34%
Total Value Multiple	1.3x	1.3x

Activity Review



- Net cash outflow of \$17.9 M in 2023
- Solid annual distribution activity in 2023
 - 20 funds generated distributions greater than \$1M during the year
- Solid annual contribution activity in 2023
 - 29 funds called greater than \$1M during the year, with 2 funds calling more than \$5M

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 7.1% 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
EQT Limited	Infrastructure	4	\$53.0	7.1%	14.8%
Brookfield Asset Management	Infrastructure	3	49.4	6.6%	11.9%
DigitalBridge Group, Inc.	Infrastructure	3	48.1	6.5%	10.9%
Stonepeak Associates, LLC	Infrastructure	3	46.5	6.3%	13.4%
Global Infrastructure Partners	Infrastructure	3	43.8	5.9%	8.5%
Total		16	\$240.7	32.4%	11.8%

*Total Exposure defined as Reported Market Value plus Unfunded Commitment

- Four of the top five manager exposures are generating double-digit since inception returns
- In aggregate the managers are generating an IRR of 11.8%



Strategic Plan



2023 Strategic Plan Update

Review of themes and objectives identified for 2023

Commitment Pacing

- Met target commitment range with \$70.0M in commitments

Manager Concentration

- Committed to six existing manager relationships, while adding one new manager relationship (Quantum Energy)

Short Term Performance and Liquidity

- Sought potential j-curve mitigating strategies when available (e.g., cash yielding strategies)

Portfolio Diversification

- Prudent diversification by strategy and geography; 3 of 7 fund commitments target global investments

Board and Staff Education

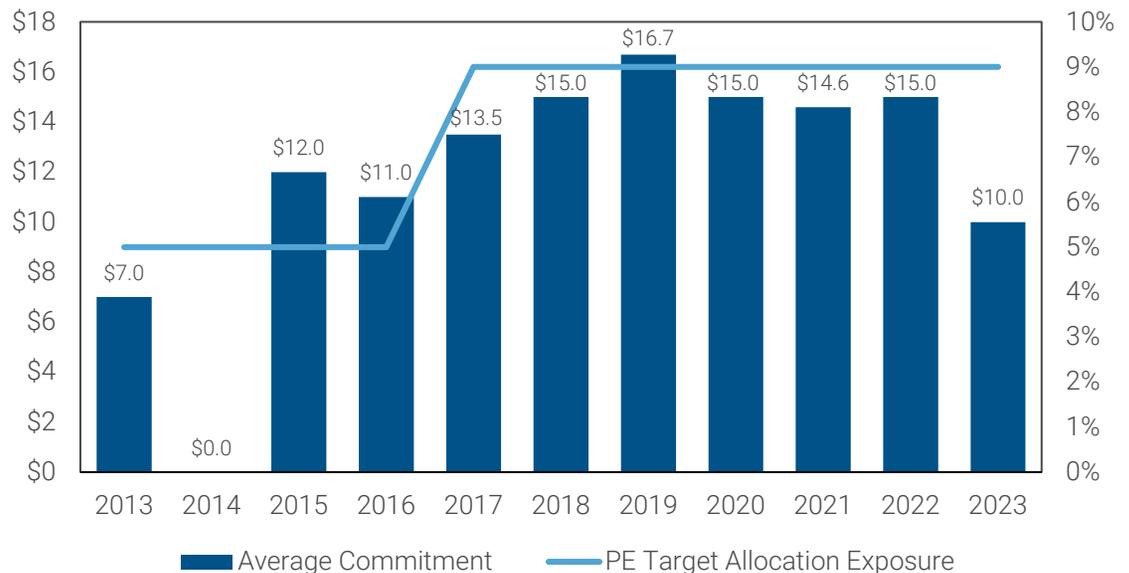
- Presented New Trustee Private Markets Education in February

2023 Commitment Activity

Commitment Activity				
Closing Date	Partnership	Strategy	Geographic Focus	Commitment (\$M)
2023 Allocation				
2/17/2023	Stonepeak Opportunities Fund, L.P.	Infrastructure	North America	\$10.0
3/31/2023	Global Infrastructure Partners V, L.P.	Infrastructure	Global	\$10.0
5/16/2023	DigitalBridge Partners III, L.P.	Infrastructure	North America	\$10.0
6/28/2023	Castlelake Aviation V Stable Yield, L.P.	Infrastructure	Global	\$10.0
6/29/2023	Quantum Energy Partners VIII, L.P.	Natural Resources	North America	\$8.6
6/29/2023	Quantum Energy Partners VIII, L.P. CI Fund	Natural Resources	North America	\$1.4
6/30/2023	Tiverton AgriFinance III	Natural Resources	North America	\$10.0
2/9/2024	HitecVision New Energy Fund II	Infrastructure	Global	\$10.0
Total				\$70.0

- Total commitment activity of \$70.0M in seven partnerships in-line with Strategic Plan objectives
 - Six commitments to existing managers; Quantum Energy Partners represents a new relationship
 - Well diversified by strategy and geography
- Strong pipeline of opportunities for 2024

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



Note: Consider Quantum Energy Partners VIII and Quantum Energy Partners VIII CI Fund one aggregate commitment

Where Are We Headed?

Identifying 2024 Portfolio Objectives

Commitment Pacing

- Target annual commitments of \$55M - \$75M to maintain long term target of 9%

Manager Concentration

- Commit to core manager relationships, while considering new managers
- Significant pipeline of potential re-ups; commitment sizing of \$10M with thoughtful management of closing timings

Short Term Performance and Liquidity

- Seek potential j-curve mitigating strategies when available (e.g., cash yielding strategies)

Portfolio Diversification

- Consider target exposures (strategy and geography) in making investment decisions

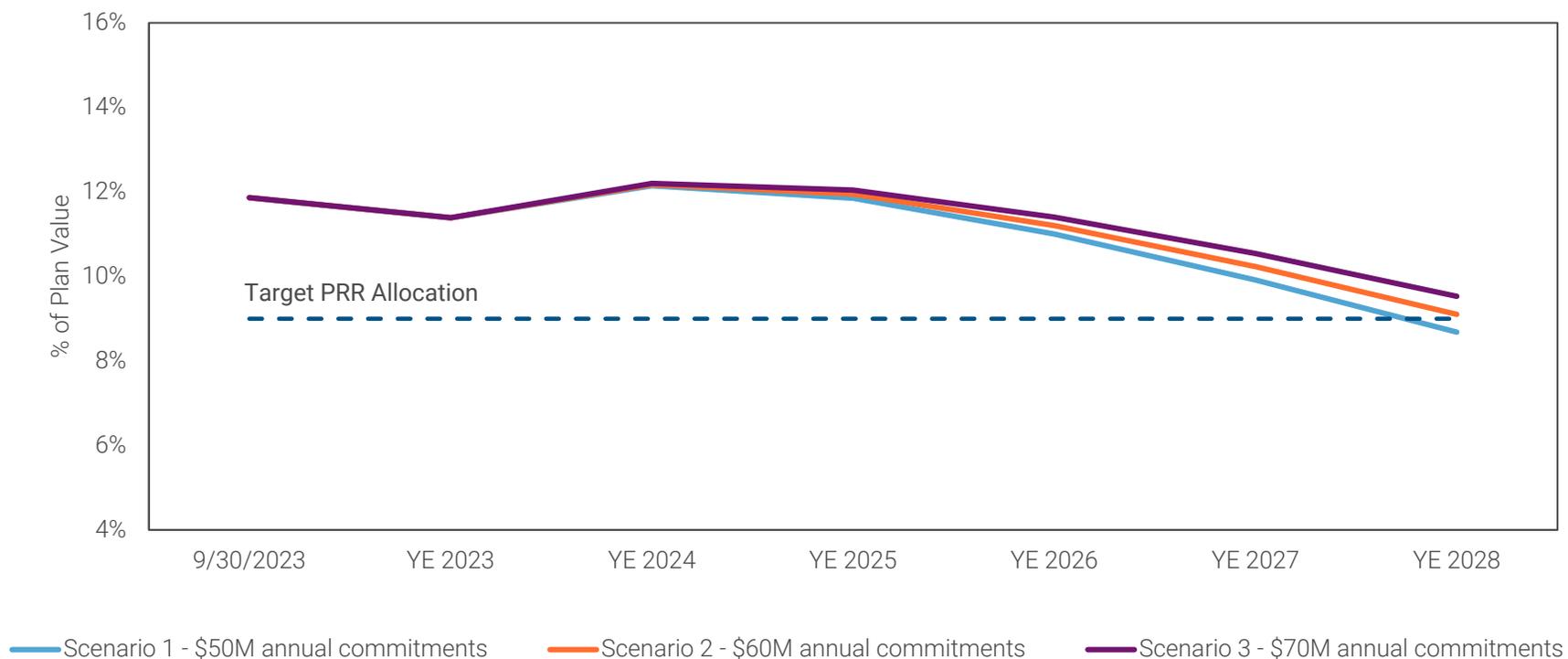
Board and Staff Education

- 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	11.9%	11.4%	12.1%	11.8%	11.0%	9.9%	8.7%
Scenario 2: \$60M annual commitments	11.9%	11.4%	12.2%	11.9%	11.2%	10.2%	9.1%
Scenario 3: \$70M annual commitments	11.9%	11.4%	12.2%	12.0%	11.4%	10.5%	9.5%

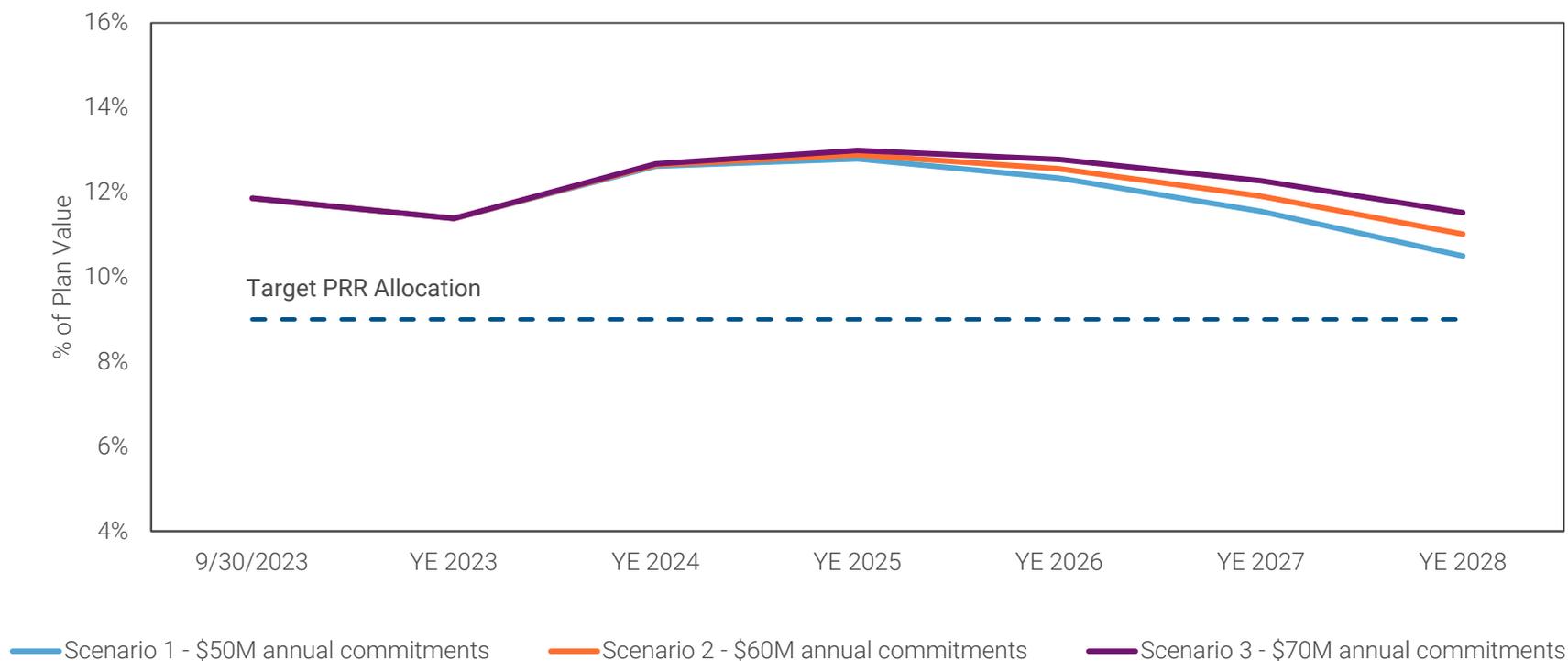
Projected Allocation - Assumes 7.0% Total Plan Growth Rate



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	11.9%	11.4%	12.6%	12.8%	12.3%	11.5%	10.5%
Scenario 2: \$60M annual commitments	11.9%	11.4%	12.6%	12.9%	12.6%	11.9%	11.0%
Scenario 3: \$70M annual commitments	11.9%	11.4%	12.7%	13.0%	12.8%	12.3%	11.5%

Projected Allocation - Assumes 3.0% Total Plan Growth Rate



Forward Calendar

2024 Commitment Outlook			
Partnership	Investment Strategy	Geographic Focus	Prior Commitment (\$M)
Existing Manager Relationships – Likely to Come Back to Market			
3i North American Infrastructure Fund	Infrastructure	North America	\$15.0
Actis Energy 6, L.P.	Infrastructure	Global	\$10.0
Asterion Industrial Infra Fund III, FCR	Infrastructure	Western Europe	\$13.2
Avenue Energy Opportunities Fund III	Natural Resources	North America	\$15.0
EnCap Energy Capital Fund XII	Natural Resources	North America	\$15.0
Enhanced Timberland Opportunities IV	Natural Resources	North America	\$15.0
ISQ Global Infrastructure Fund IV	Infrastructure	Global	\$15.0
KKR Global Infrastructure Investors V	Infrastructure	Global	\$15.0
Palistar Digital Infrastructure Fund III	Infrastructure	North America	\$15.0
Stonepeak Infrastructure Fund V LP	Infrastructure	North America	\$15.0
Sustainable Asset Fund IV, LP	Infrastructure	Global	\$15.0
Tiger Infrastructure Partners Fund IV LP	Infrastructure	Global	\$15.0
Tiverton Ag Legacy Holdings II	Natural Resources	North America	\$10.0
Total			\$183.2

- Existing managers potentially back to market include a number of managers diversified by strategy and geography



Appendix



Endnotes

Pages 18- 19

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