

SBCERS

Santa Barbara County Employees' Retirement System

DATE: February 28, 2024

TO: SBCERS BOARD OF RETIREMENT

FROM: SBCERS Investment Staff

RE: **2024 Private Equity, Private Real Return, and Private Real Estate Annual Strategic Plans**

Recommendation

That the Board of Retirement receive and approve the 2024 Private Equity, Private Real Return and Private Real Estate Strategic Plans presented by Principals Natalie Fitch and Elizabeth Bell 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 2024 including commitment pacing and strategic targets.

For the Private Equity portfolio, Hamilton Lane intended to commit \$65-\$85M during 2023 as laid out in the 2023 Strategic Plan. During 2023, Hamilton Lane executed \$70M in new commitments all of which were with existing managers, two of which were strategic exposures to SMID Buyouts. Private Equity currently represents 13.41% of the portfolio, above its target of 10%. With that in mind, Hamilton Lane has a target range of \$55M-75M. This range is lower than 2023, as it adjusts for PE being above target without sacrificing vintage year diversification. The focus of 2024 will be mostly Core managers with some consideration to SMID Buyout and Venture Capital. Geographic focus will remain within North America, with possible exposure to Europe.

For the PRR portfolio similar to PE, Hamilton Lane intended to commit \$65-\$85M during 2023 as laid out in the 2023 Strategic Plan. During 2023, Hamilton Lane executed \$70M in new commitments most of which were with existing managers except for one new manager. Hamilton Lane sought out Cash Yielding strategies, due to their J-Curve mitigating effects. PRR currently represents 11.86% of the portfolio, above its target of 9%. With that in mind, Hamilton Lane has a target range of \$55M-75M. This range is lower than 2023, as it adjusts for PRR being above target without sacrificing vintage year diversification. PRR has a significant pipeline of re-ups on the horizon in 2024.

In the Private Real Estate portfolio, Hamilton Lane intended to commit \$65-\$85M during 2023 as laid out in the 2023 Strategic Plan. During 2023, Hamilton Lane executed \$70M in new commitments five of which with new managers. Value-Add was the largest segment exposure added, with 5 new commitments. Hamilton Lane completed a comprehensive review of existing core managers. Private Equity currently represents 11.1% of the portfolio, above its target of 10%. Like PE and PRR, Hamilton Lane has a target range of \$55M-75M for 2024. This range is lower than 2023, as it adjusts for Real Estate being above target without sacrificing vintage year diversification. 2024 will focus on 5 to 7 close-end, non-core funds, specifically in Value-Add and Opportunity. Hamilton Lane is recommending a redemption of \$40 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 2024 PE Strategic Plan - February 2024
- SBCERS 2024 PRR Strategic Plan - February 2024
- SBCERS 2023 RE Strategic Plan - February 2024