



Hamilton Lane

Santa Barbara County Employees' Retirement System

Private Market Valuations – February 2024

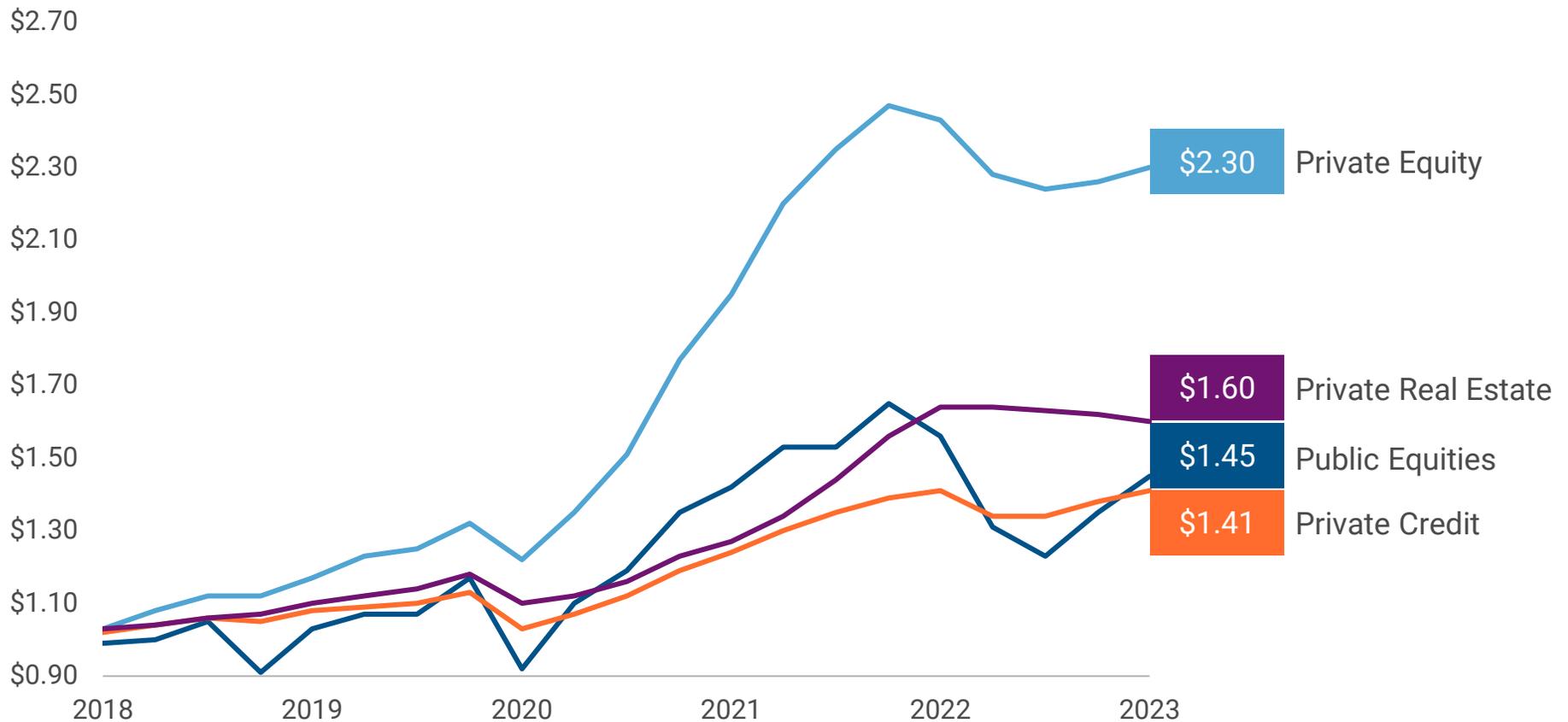


Where Are We Now?



What the Markets Have Done

Growth of \$1

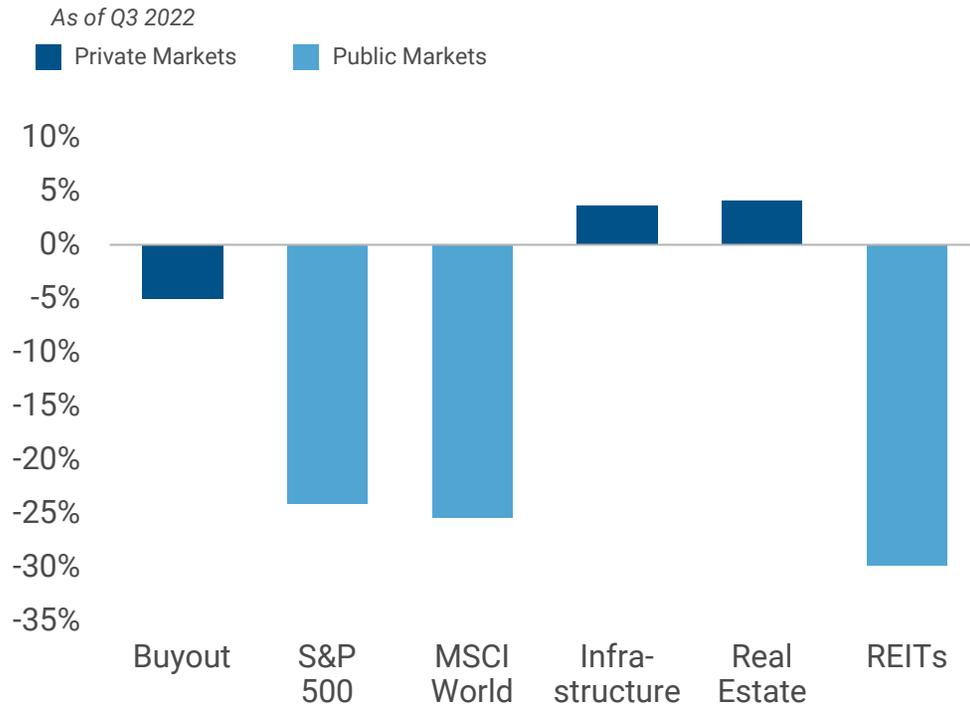


- After a sharp decline through Q3 2022, public equities have seen a strong rebound
- Private markets, especially real estate and credit, have been more resilient than traded assets during the downturn, though now seeing less of a drastic uptick in recent quarters

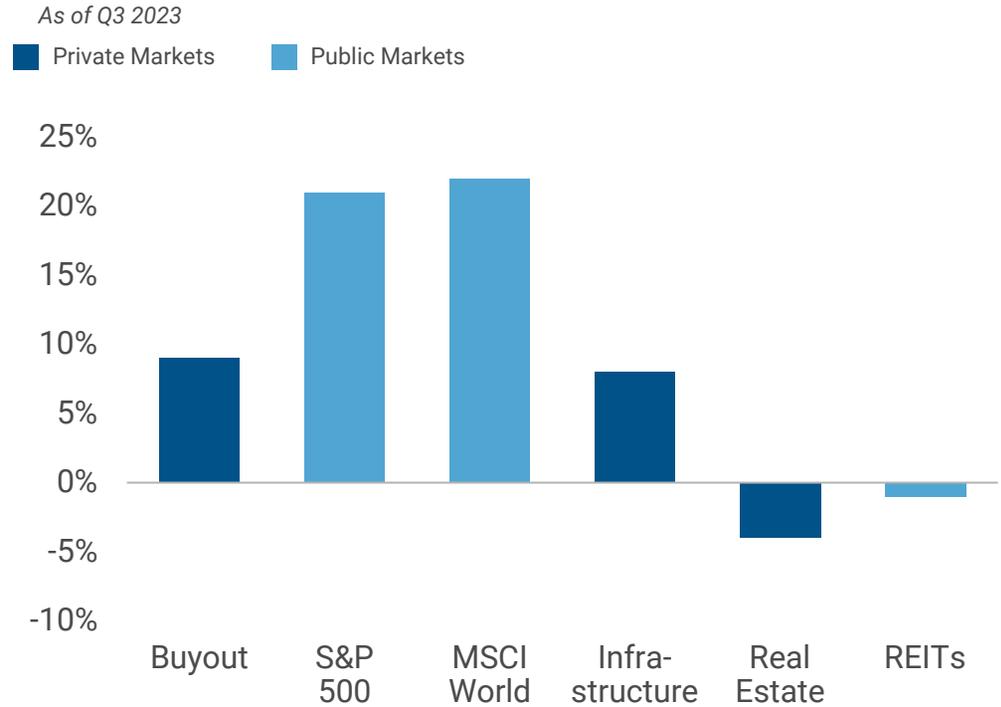
Source: Hamilton Lane Data via Cobalt, Bloomberg (August 2023)

Private vs. Public Performance

2022 YTD Private & Public Market Returns



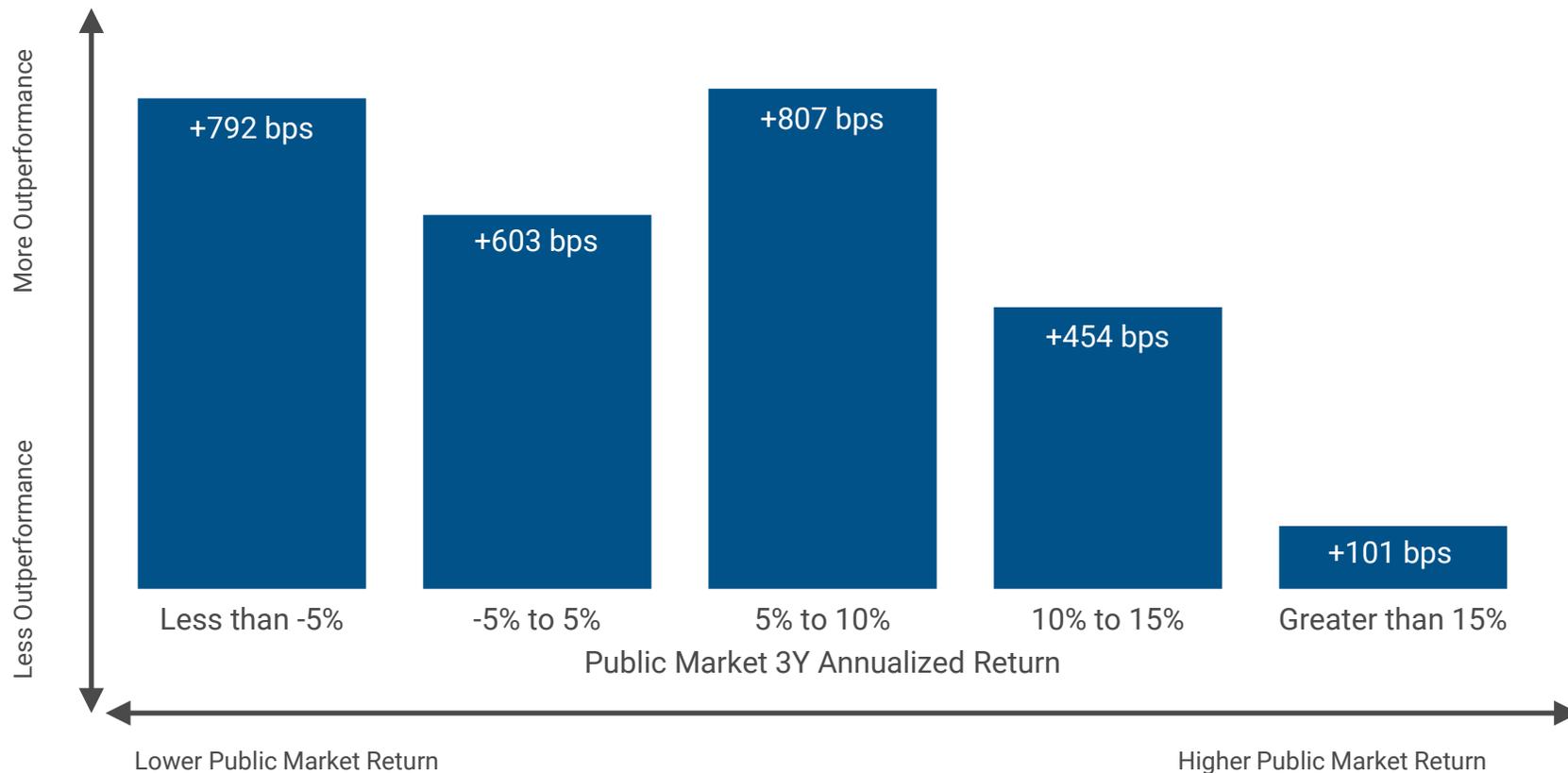
2023 YTD Private & Public Market Returns



- Significant volatility in the public markets in 2022 and 2023
- Private markets demonstrated more resilience during this period, particularly Buyout and Infrastructure strategies

Performance by Public Market Regime

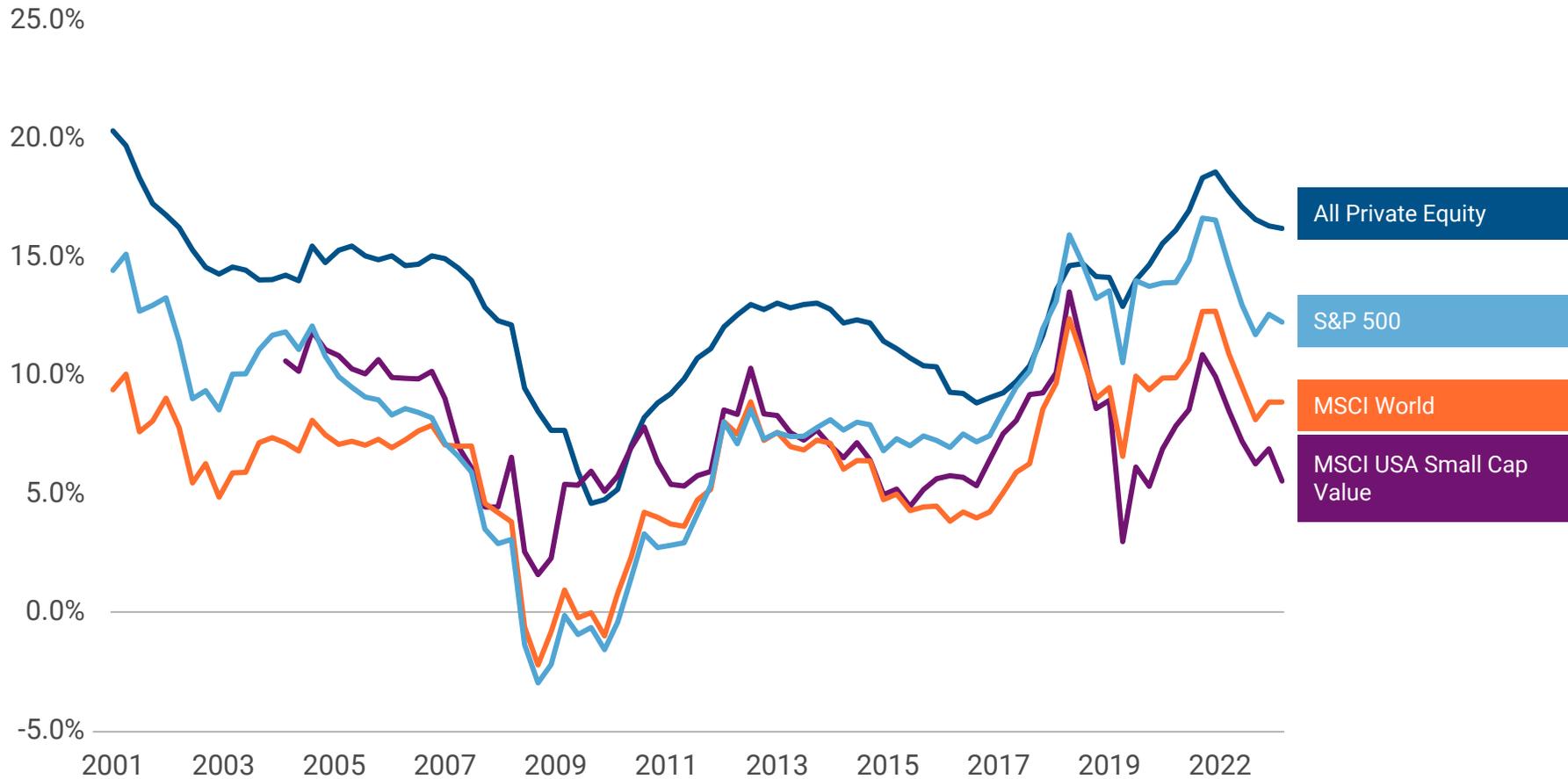
Private Equity Average 3Y Excess Return by S&P 500 Return Regime



- Private equity outperformance of public markets tends to be at its greatest level during periods of more mediocre or negative public market returns

Rolling Performance

All Private Equity 10-Year Rolling TWRs



- Private equity has bested liquid equities over most 10-year time periods
- Private equity has even done so in the most recent period of turbulent market conditions

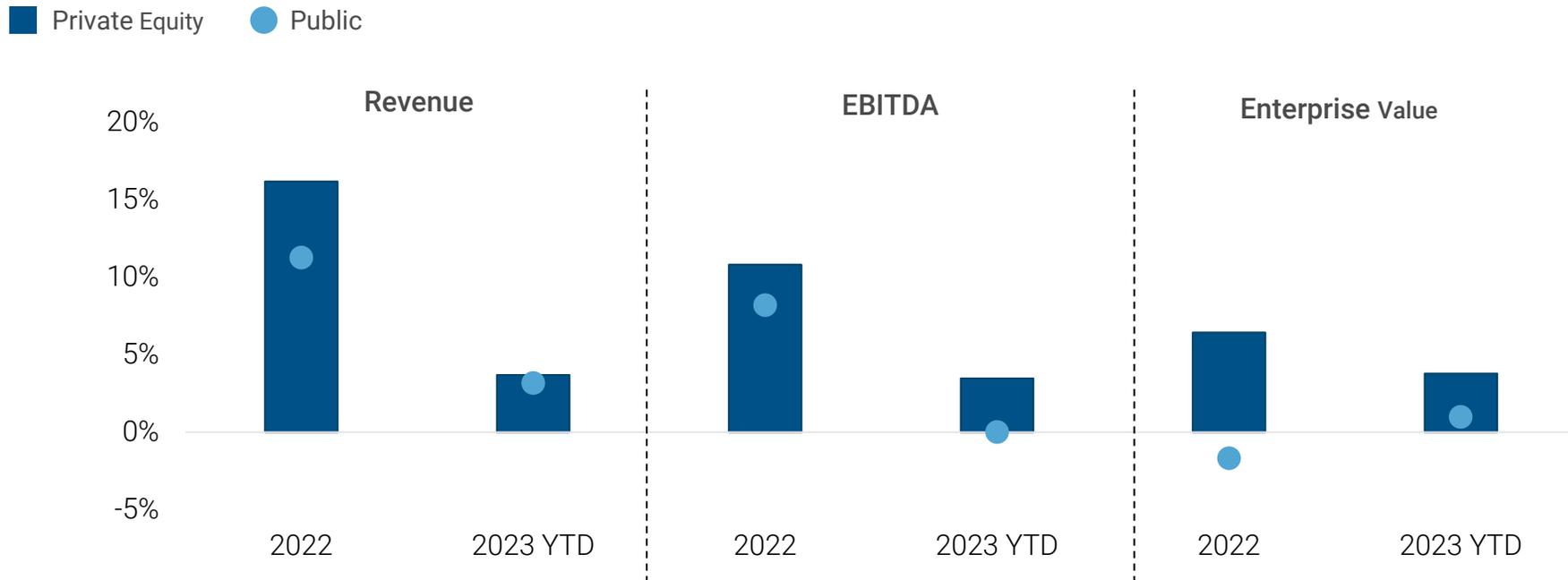
Source: Hamilton Lane Data via Cobalt, Bloomberg (August 2023)

Why Haven't PE Fund Returns Suffered?

- 1 Differences in sector composition
- 2 Resilient operational performance
- 3 Deals carried at discount to traded asset + transaction comps
- 4 Exits of high-quality companies, often at a premium to holding value

Resilient Operational Performance

Median Operational Performance



- Private equity outperformance in 2022 was largely due to significant outperformance in revenue and EBITDA on the private side compared to the public markets
- In 2023, private equity continues to perform better or at equal levels to public companies in revenue and EBITDA
- The difference in enterprise value largely reflects these differences in private versus public company performance metrics

Source: Hamilton Lane Data, Bloomberg (December 2023)

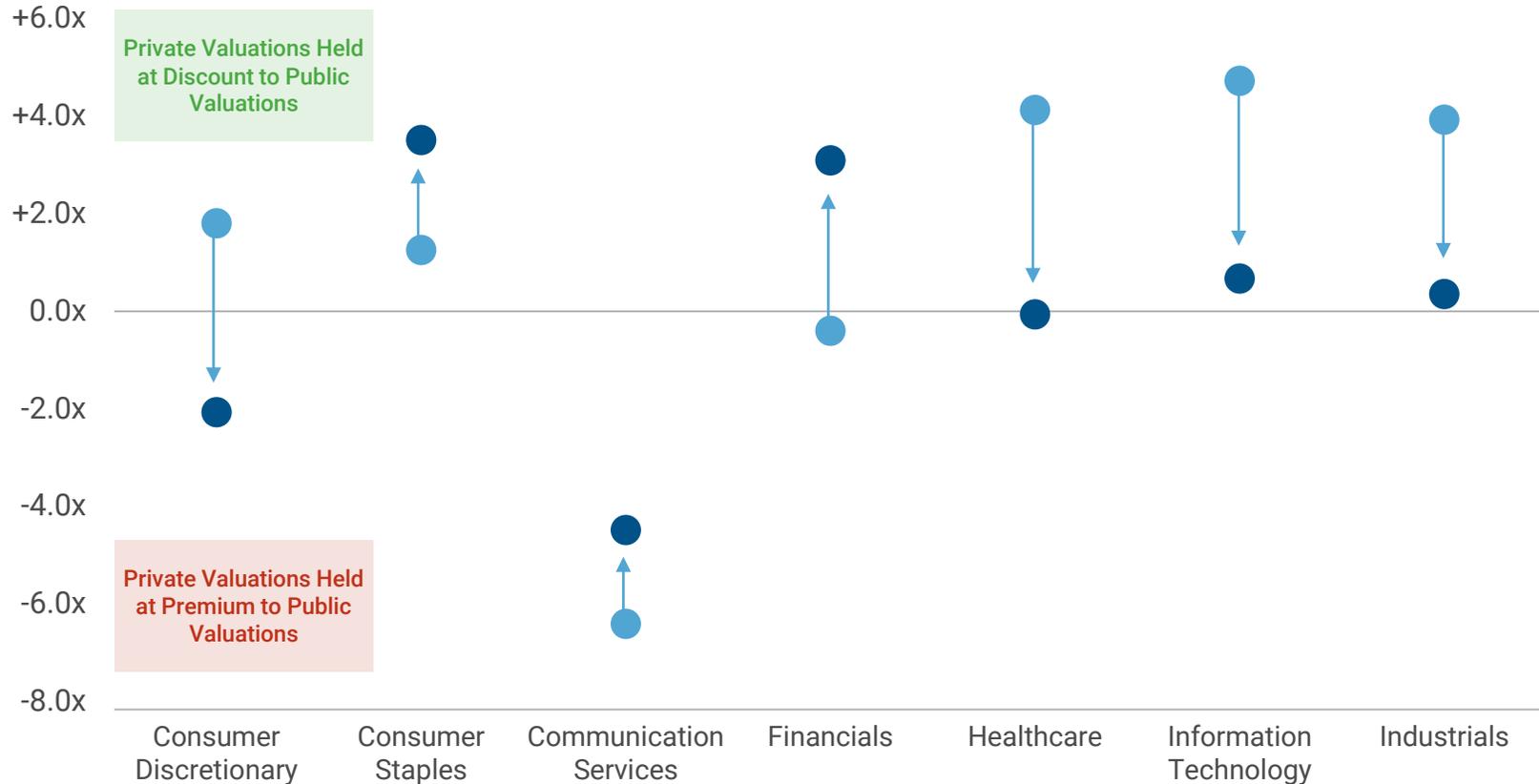
Note: Private Data includes all unrealized North American Buyout deals. Public Data includes all S&P500 constituents.

Valuation Multiple Comparisons

Private vs. Public Holding Valuations

By Sector, As of Q3 2022

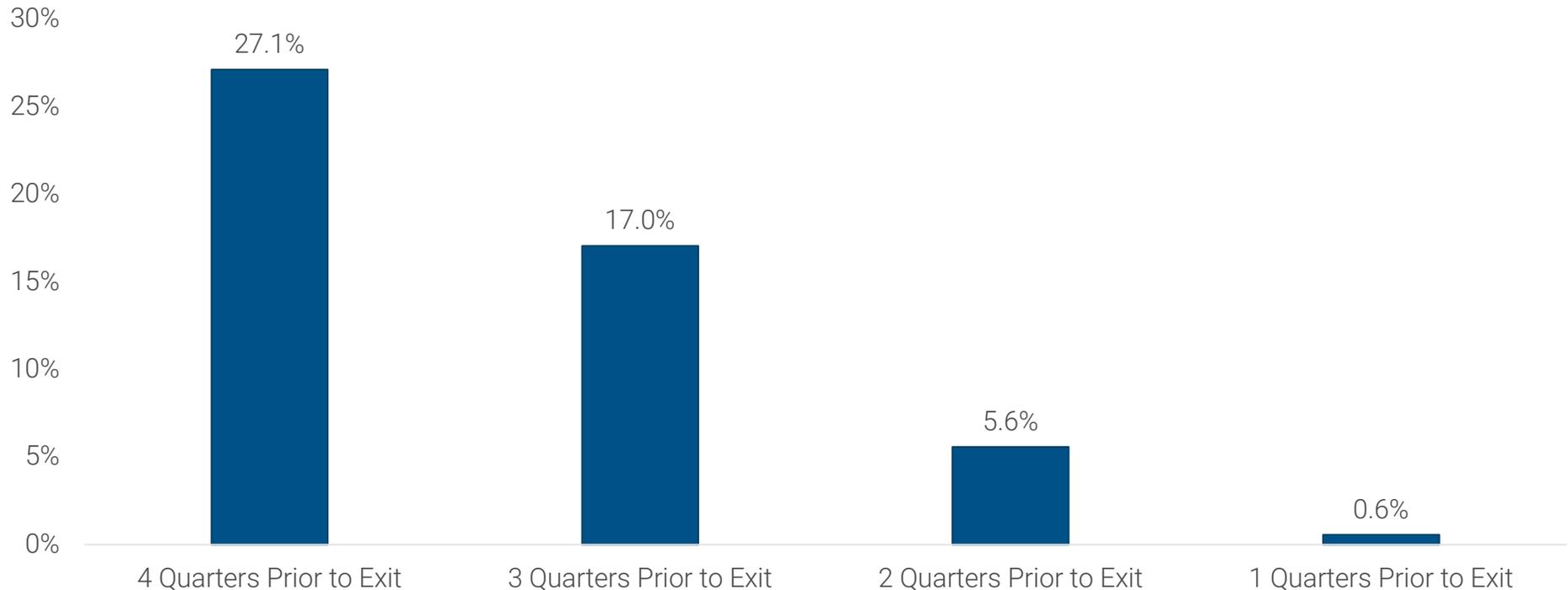
● Q3 2022 ● Q4 2021



- At the outset of 2022 private companies were generally held at a discount to traded comps
- The valuation gap has narrowed over the course of 2022 into 2023

Global Median Exit Markups During the Year Prior to Exit

Deals Exited from Q2 2021 – Q2 2023



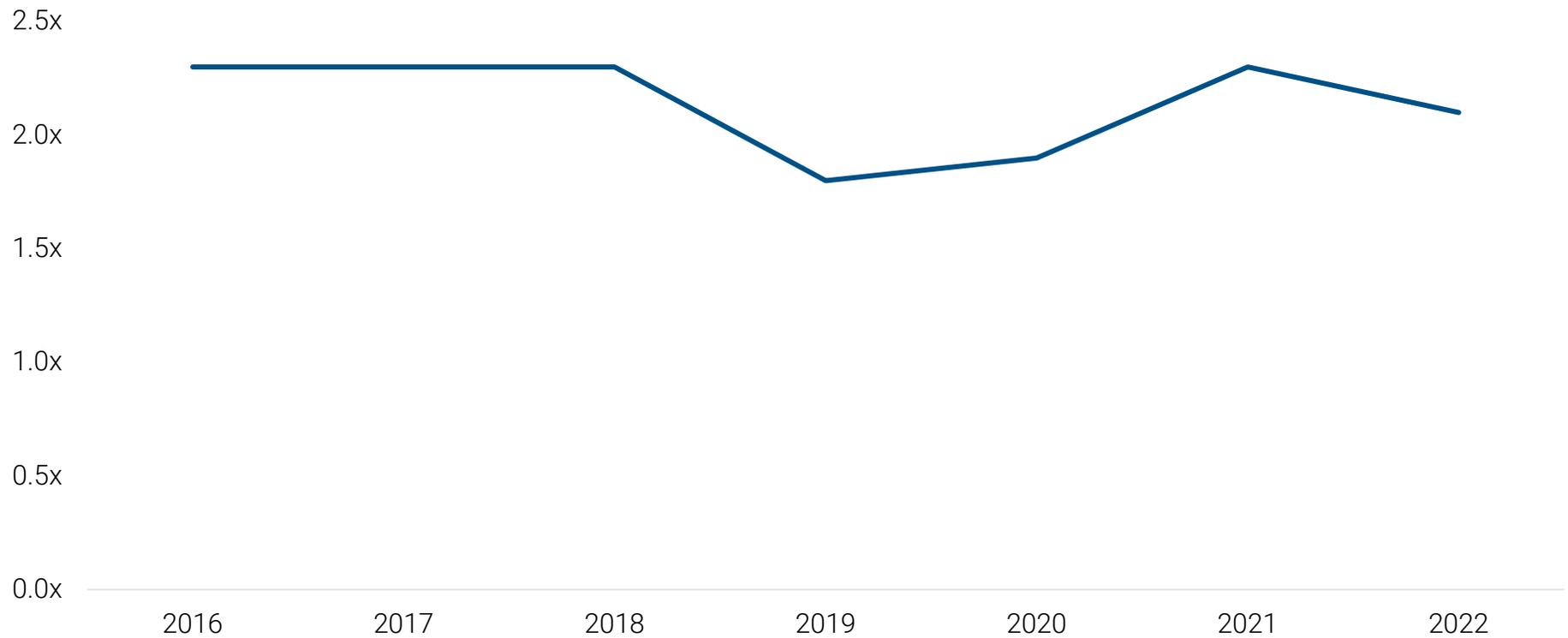
- Private companies, on average, are exited at a premium to holding value
- If private companies were generally overvalued, why would exits, even during this period of poor capital markets, show higher values than the valuations at which they were held?

Source: Hamilton Lane Data, Bloomberg as of June 30, 2023 (January 2024)

Performance of Exited Deals

Median TVPI at Exit

By Exit Year



- Despite market challenges, GPs are harvesting their premium assets at premium prices

Source: Hamilton Lane Data (August 2023)



What's Next for Valuations and SBCERS?



Buyout vs. MSCI World

Buyout vs. MSCI World Quarterly TWRs

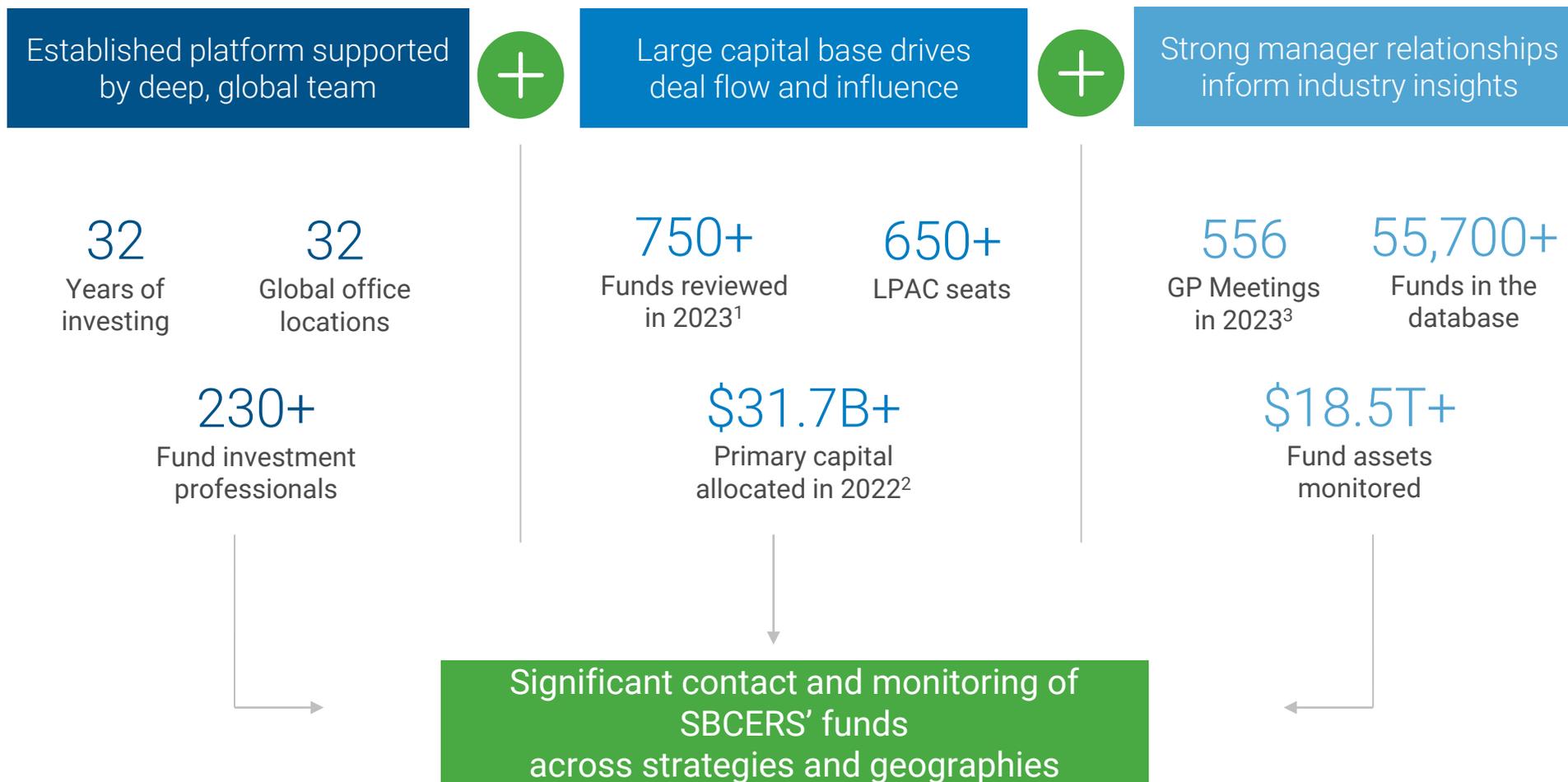
1990–Q3 2022



- Buyout performance is correlated with traded equity performance
- If the MSCI World is negative for a quarter, only ~50% of the time is buyout also negative that quarter
- Note that there is only one instance in over 30 years of public markets moving up and buyout valuations moving down

Source: Hamilton Lane Data, Bloomberg (January 2023)

Robust Monitoring of SBCERS' Private Market Investments



- SBCERS PE – Hamilton Lane holds board seats across 79 funds in the SBCERS PE portfolio
- SBCERS PRR – Hamilton Lane holds board seats across 23 funds in the SBCERS PRR portfolio
- SBCERS RE – Hamilton Lane holds board seats across 5 funds in the SBCERS RE portfolio
- Manager Monitoring included in quarterly performance updates to the Board

As of September 30, 2023

¹ Represents total fund opportunities received in 2023 (not inclusive of real asset primary investments)

² As of December 31, 2022. The 2022 capital committed includes all primary commitments that closed during the year 2022 for which Hamilton Lane retains a level of discretion as well as nondiscretionary advisory client commitments for which Hamilton Lane performed due diligence and made an investment recommendation. (not inclusive of real asset primary investments)

³ Includes new fund presentations inclusive of real asset primary investments, update meetings and annual meetings during the year 2023



Appendix



Hamilton Lane Valuation Methodology

- Investments are held at fair value in accordance with Accounting Standards Codification 820 (ASC 820) and Hamilton Lane’s valuation policy
- All investments are valued quarterly at a minimum

Primary Fund Investments	Secondary Fund Investments	Co/Direct Equity Investments	Co/Direct Credit Investments	Co/Direct Real Asset Investments
<ul style="list-style-type: none"> • Investment valuations are generally equal to or based upon the reported capital account or net asset value of the underlying private equity partnership investments under practical expedient election • Practical expedient requirements for investments reviewed at onboarding and at least annually • Adjustments made as needed to ensure investments are presented at fair value as of the measurement date 	<ul style="list-style-type: none"> • Assess whether transaction price was indicative of fair value at time of purchase • For measurement dates subsequent to purchase date, rely on reported capital account of underlying private equity partnership investments 	<ul style="list-style-type: none"> • 3rd party valuation firm provides valuations for each measurement date • Actively traded securities are held at closing share price as of the measurement date • Investments held under six months use cost as measurement assessed to be indicative of fair value 	<ul style="list-style-type: none"> • 3rd party valuation firm provides valuations for each measurement date • Actively traded securities are held at observed trade price as of the measurement date • Investments held under six months use accrued cost as measurement assessed to be indicative of fair value 	<ul style="list-style-type: none"> • 3rd party valuation firm provides valuations for each measurement date • Investments held under six months use cost as measurement assessed to be indicative of fair value

Source: Hamilton Lane Data (August 2023)

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