



Hamilton Lane

Santa Barbara County Employees' Retirement System

2023 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%
- One co-investment – 10% maximum; total co-investments ⇨ 40% maximum ⇨ None to date

PRR Portfolio Highlights - September 30, 2022

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 12.67% outperforms the benchmark (CPI-U + 400 bps) by 600 bps
- Generated double-digit performance for the one-year period, with a point-to-point IRR of 18.91%

Strategic Objectives

- Fulfilled all objectives outlined in the 2022 Strategic Plan
- PRR target of 9% established in 2017; Portfolio at 10.94% as of September 30, 2022
- Established a strong foundation of top tier managers

Additional Highlights

- Accessed highly sought, oversubscribed funds
- Received a reduced management fee for one fund in 2022 as a result of the HL platform
- Presented ESG Education and New Trustee Private Markets Education to Board Members

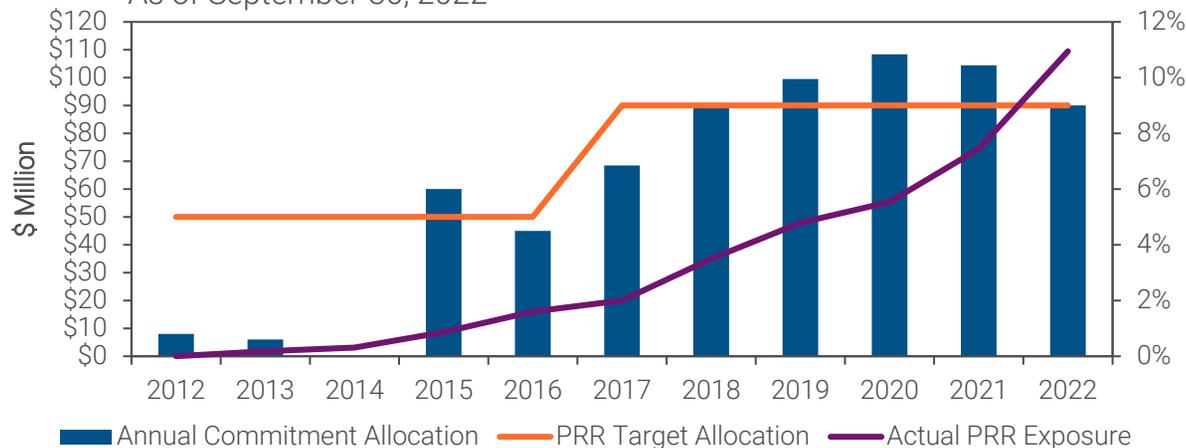
SBCERS' Private Real Return Milestones

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, 2022



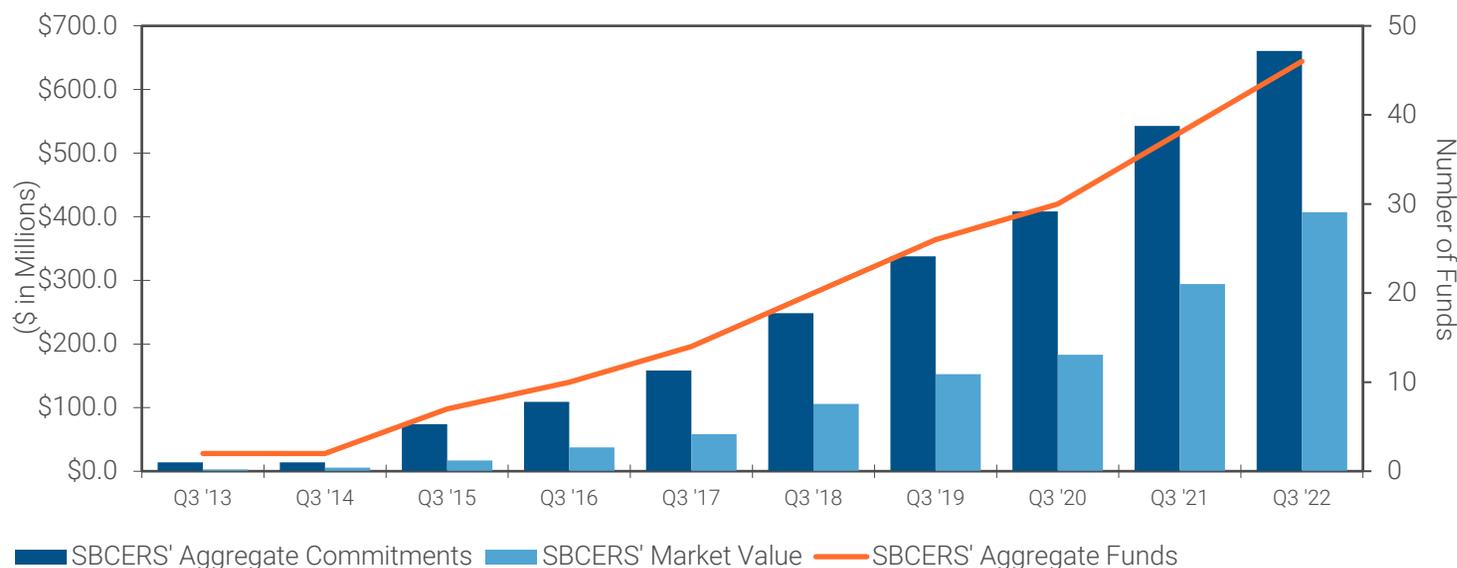
SBCERS' Private Real Return Activity

SBCERS' Portfolio Snapshot

Portfolio Snapshot	
\$ millions	9/30/2022
Active Partnerships	46
Active GP Relationships	29
Capital Committed	\$660.5
Unfunded Commitment	\$277.6
Capital Contributed	\$425.1
Capital Distributed	\$154.7
Market Value	\$407.2
Total Value Multiple	1.3x
Since Inception IRR	12.67%
Active Avg Age of Commitments	3.4 years

- As of September 30, 2022, SBCERS committed \$660.5M to 46 partnerships across 29 managers
- Consistent vintage year allocation, market environment and fund/manager quality all factors in annual commitment pacing

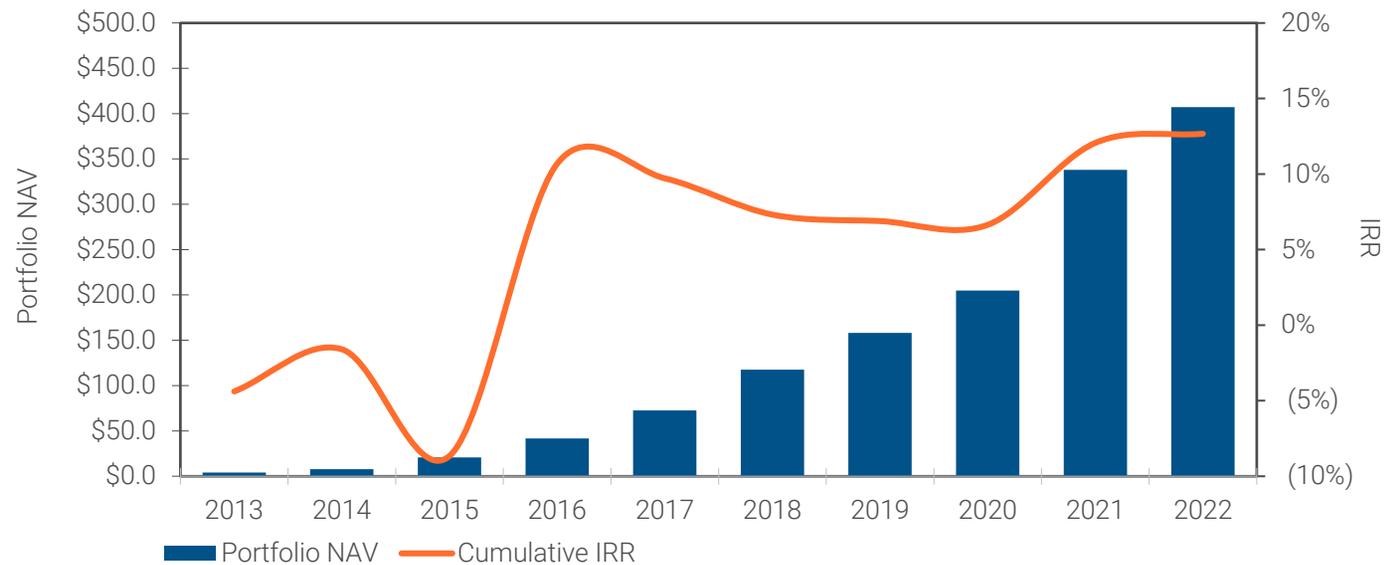
SBCERS' Portfolio Growth



SBCERS' Performance and Growth

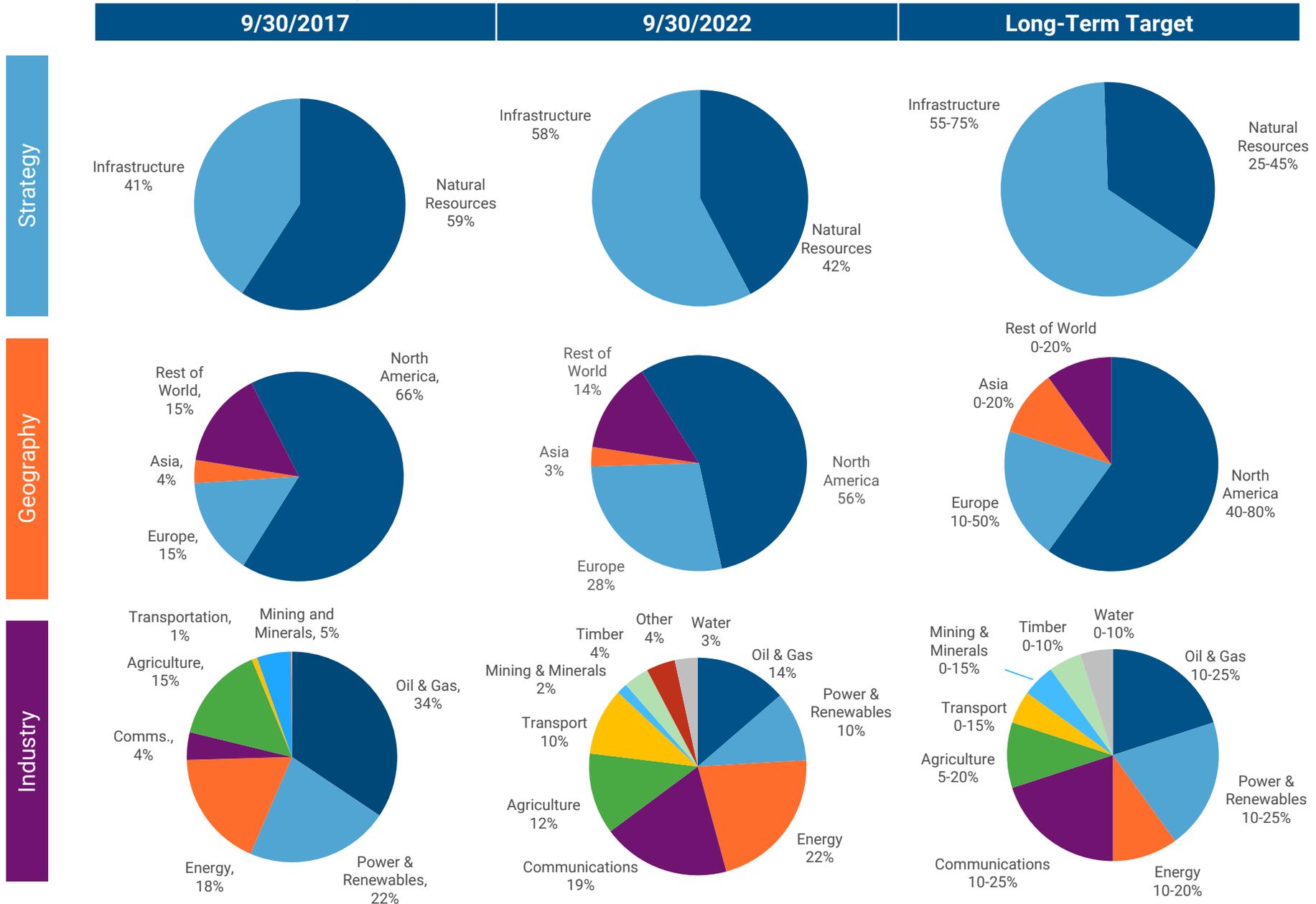
2012	PRR Portfolio inception
2013	Commitments made to two initial investments
2014	HL hired; allocation of \$120 million over three years
2015	HL completed first investment
2016	Broke J-Curve
2017	NAV grows by nearly 75% during the year
2018	NAV surpasses \$100 million
2019	Active funds in the Portfolio 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

SBCERS' PRR Portfolio



Strategically Building the Portfolio

Strategic Diversification by Exposure





Portfolio Snapshot and Performance Summary



Portfolio and Performance Summary

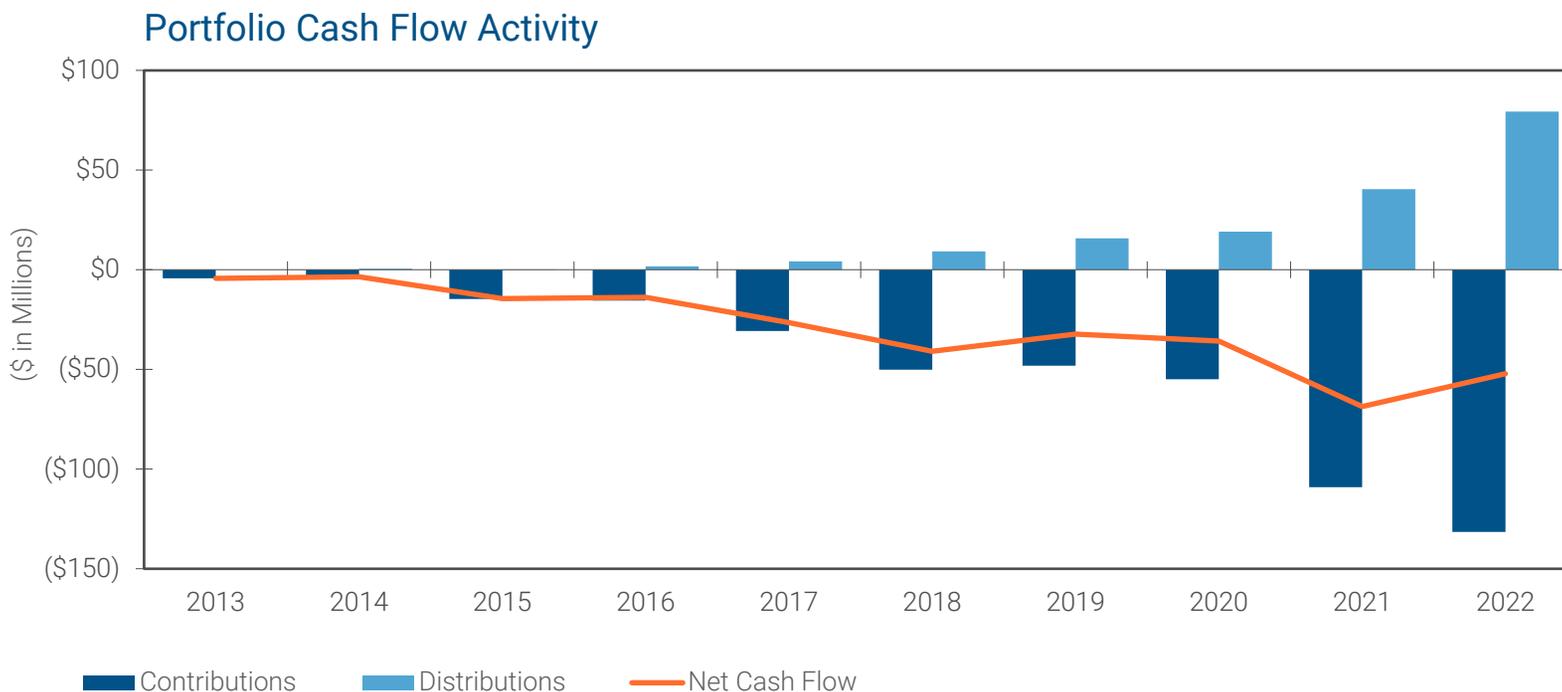
SBCERS PRR Portfolio Since Inception Summary			
\$ in Millions	As of 9/30/2021	As of 9/30/2022	Net Change
Active Partnerships	38	46	8
Active GP Relationships	24	29	5
Committed Capital	\$542.8	\$660.7	\$117.9
Unfunded Commitment	\$275.9	\$276.5	\$0.6
Paid-In Capital	\$293.6	\$425.1	\$131.4
Distributions	\$75.4	\$154.7	\$79.3
D/PI	0.3x	0.4x	0.1x
Net Invested Capital	\$218.2	\$270.4	\$52.2
Market Value	\$294.2	\$407.2	\$113.0
Total Exposure	\$570.0	\$683.7	\$113.7
Average Age of Commitments	3.0 years	3.4 years	0.4 years

- Strong net value gains of \$60.9M during the one-year period
 - All four quarters generated gains during this period
- Since inception IRR increased 205 bps year-over-year

- Active partnerships increased by eight over the one-year period ended September 30, 2022
- Market value increased 38% over the year as a result of significant unrealized appreciation and new investments

SBCERS PRR Portfolio Annual Performance Summary		
\$ in Millions	As of	
	9/30/2021	9/30/2022
Beginning Market Value	\$183.0	\$294.2
Paid-in Capital	83.0	131.4
Distributions	31.6	79.3
Net Value Change	59.8	60.9
Ending Market Value	\$294.2	\$407.2
Point-to-Point IRR	29.42%	18.91%
Since Inception IRR	10.62%	12.67%
Total Value Multiple	1.3x	1.3x

Activity Review



- Net cash outflow of \$52.2M in 2022
- Record annual distribution activity in 2022
 - 17 funds generated distributions greater than \$1M during the year
- Record annual contribution activity in 2022
 - 28 funds called greater than \$1M during the year, with nine 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 7.0% of the total Program

Top 5 GP Relationships by Total Exposure* As of September 30, 2022					
General Partner	Investment Strategy	Number of Funds	Total Exposure (\$M)	% of Total Portfolio	Since Inception IRR
Brookfield Asset Management	Infrastructure	3	\$47.6	7.0%	11.2%
Apollo Management	Infrastructure/Natural Resources	3	39.8	5.8%	12.0%
EQT Limited	Infrastructure	3	37.3	5.5%	15.4%
Stonepeak Associates	Infrastructure	2	36.5	5.3%	19.2%
KKR & Co.	Infrastructure	3	35.1	5.1%	13.5%
Total		14	\$196.3	28.7%	13.8%

*Total Exposure defined as Reported Market Value plus Unfunded Commitment

- All five of the top manager exposures are generating double-digit since inception returns
- In aggregate the managers are generating an IRR of 13.8%



Strategic Plan



2022 Strategic Plan Update

Review of themes and objectives identified for 2022

Commitment Pacing

- Met target commitment range with \$90.0M in commitments; reached target allocation of 9% in 2022

Manager Concentration

- Committed to three existing manager relationships, while adding three new manager relationships (Blue Road, Tiger, Novacap)

Short Term Performance and Liquidity

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

Portfolio Diversification

- Prudent diversification by strategy and geography; 4 of 6 funds will target global investments

Board and Staff Education

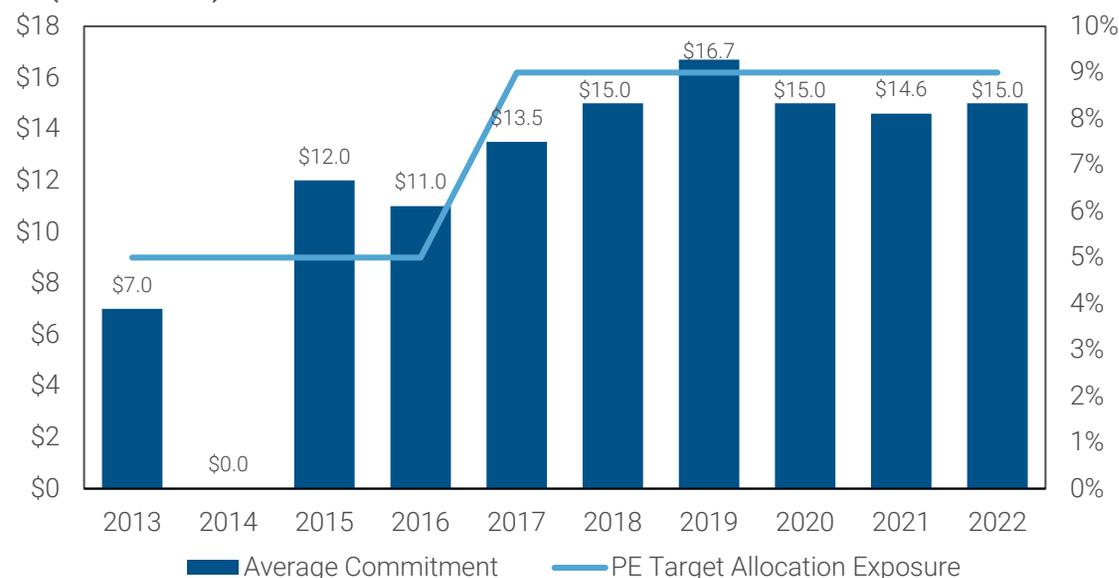
- Presented New Trustee Private Markets Education in February and ESG Education in August 2022

2022 Commitment Activity

Commitment Activity				
Closing Date	Partnership	Strategy	Geographic Focus	Commitment (\$M)
2022 Allocation				
3/4/2022	Blue Road Capital II, L.P.	Natural Resources	North America	\$15.0
3/22/2022	Tiger Infrastructure Partners III, L.P.	Infrastructure	Global	\$15.0
6/29/2022	Blackstone Energy Partners Fund IV, L.P.	Natural Resources	Global	\$15.0
7/8/2022	Novacap Digital Infrastructure I, L.P.	Infrastructure	North America	\$15.0
7/18/2022	Brookfield Infrastructure Fund V, L.P.	Infrastructure	Global	\$15.0
12/19/2022	EQT Infrastructure VI, L.P.	Infrastructure	Global	\$15.0
Total				\$90.0

Note: Change in commitment amounts due to FX fluctuations.

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



- Total commitment activity of \$90.0M in six partnerships in-line with Strategic Plan objectives
 - Three commitments to existing managers; three commitments to new managers
 - Well diversified by strategy and geography
- Strong pipeline of opportunities for 2023

Where Are We Headed?

Identifying 2023 Portfolio Objectives

Commitment Pacing

- Target annual commitments of \$65M - \$85M 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

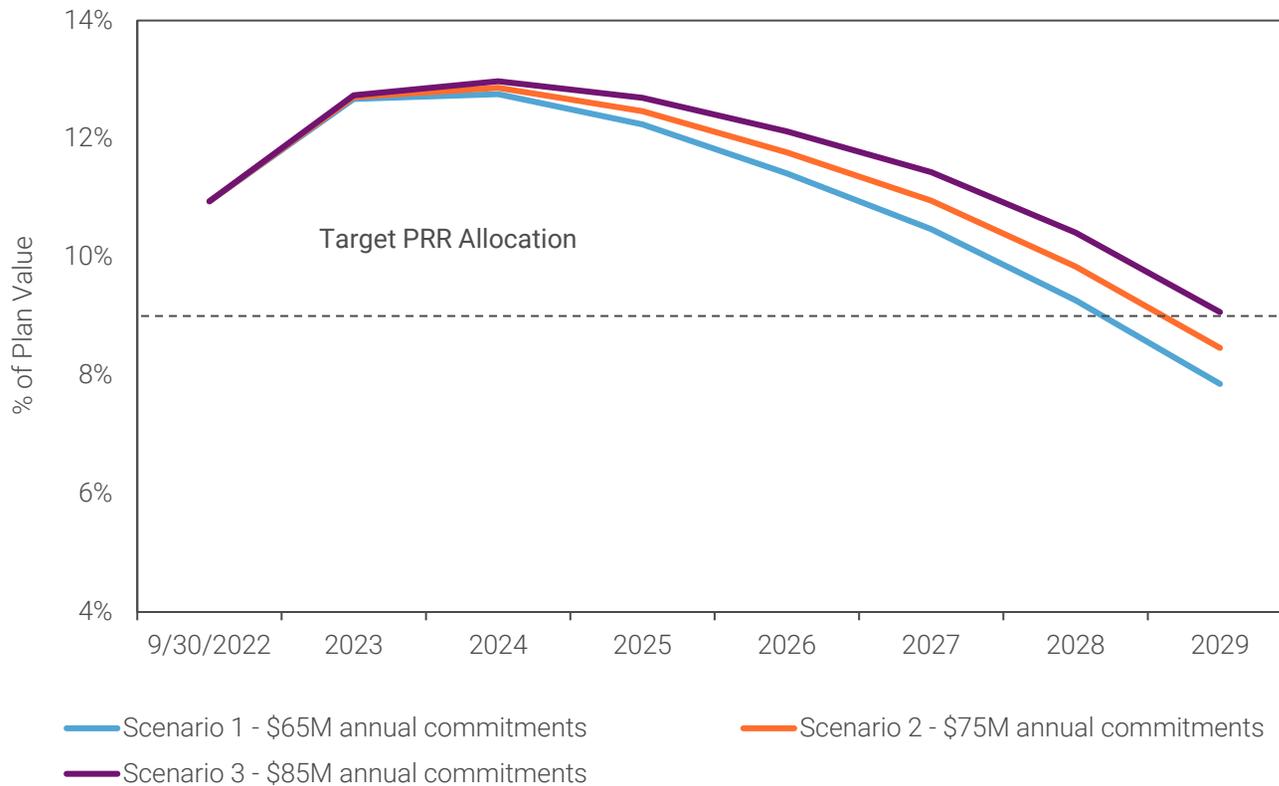
Board and Staff Education

- Present Board Education on Private Markets

Horizon Model

Scenario	As of 9/30/22	2023	2024	2025	2026	2027	2028	2029
Scenario 1: \$65M annual commitments	10.9%	12.7%	12.8%	12.2%	11.4%	10.5%	9.3%	7.9%
Scenario 2: \$75M annual commitments	10.9%	12.7%	12.9%	12.5%	11.8%	11.0%	9.8%	8.5%
Scenario 3: \$85M annual commitments	10.9%	12.7%	13.0%	12.7%	12.1%	11.4%	10.4%	9.1%

Projected Allocation - Assumes 7.0% Total Plan Growth Rate



Forward Calendar

2023 Commitment Activity				
Closing Date	Partnership	Investment Strategy	Geographic Focus	Commitment (\$M)
2023 Allocation Closed				
February 2023*	Fund A	Infrastructure	Global	\$10.0
2023 Total				\$10.0

*Pending close / projected close timing

2023 Commitment Outlook			
Partnership	Investment Strategy	Geographic Focus	Prior Commitment (\$M)
2023 Allocation			
Apollo Natural Resources Partners IV, L.P.	Natural Resources	North America	\$15.0
Apollo Infrastructure Opportunities Fund III, L.P.	Infrastructure	North America	\$15.0
Asterion Industrial Infra Fund III, FCR	Infrastructure	Western Europe	\$12.4
Digital Bridge Partners III, L.P.	Infrastructure	North America	\$15.0
Eastern Timberland Opportunities IV, L.P.	Natural Resources	North America	\$15.0
Ecosystem Investment Partners Fund V, L.P.	Natural Resources	North America	\$15.0
EnCap Energy Capital Fund XII, L.P.	Natural Resources	North America	\$15.0
HitecVision North Sea Opportunity Fund II, L.P.	Natural Resources	Western Europe	\$15.0
RRG Sustainable Water Impact Fund II, L.P.	Natural Resources	North America	\$20.0
Stonepeak Infrastructure Fund V, L.P.	Infrastructure	North America	\$15.0
Sustainable Assets Fund IV, L.P.	Natural Resources	Global	\$15.0
Tiverton AgriFinance III, L.P.	Natural Resources	North America	\$15.0
Total			\$182.4

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



Appendix



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