



Hamilton Lane

Santa Barbara County Employees' Retirement System

Third Quarter 2019 Private Real Return (PRR) Performance Update

Agenda

- Q3 Private Real Return Performance 3
- Deal Review 8
- Appendix 13



Q3 Private Real Return Performance

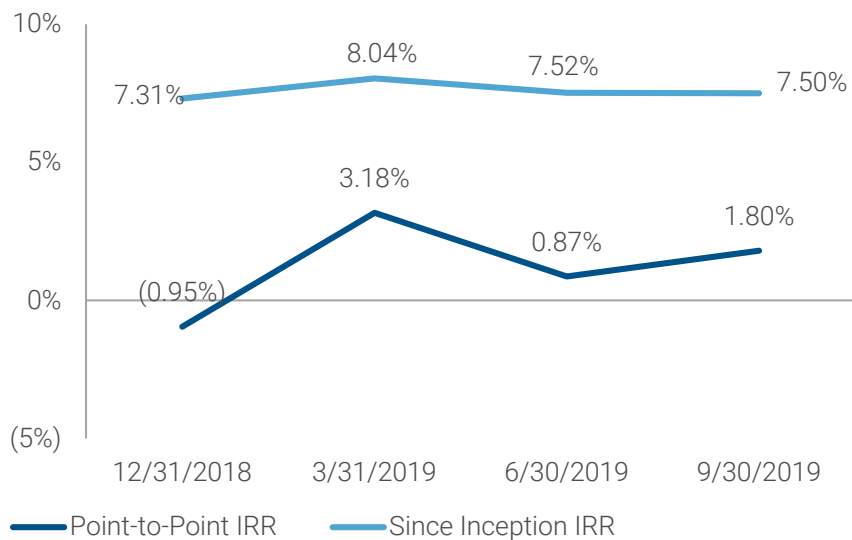


PRR Portfolio Highlights - September 30, 2019

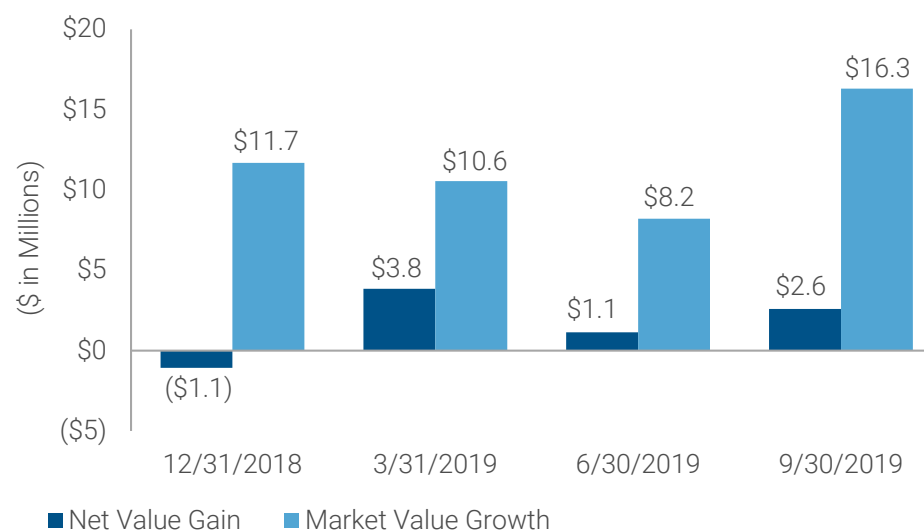
Young Portfolio with Solid Performance and Growth

- Strong since inception performance
 - Portfolio outperformed SBCERS' public benchmark (CPI-U + 400 bps) by 180 bps
- LTM: achieved positive performance in three of four quarters, generating net value gains of \$6.4M
- Significant market value growth over LTM of \$46.8M

PRR Portfolio Returns



PRR Portfolio Value Created



Portfolio Snapshot

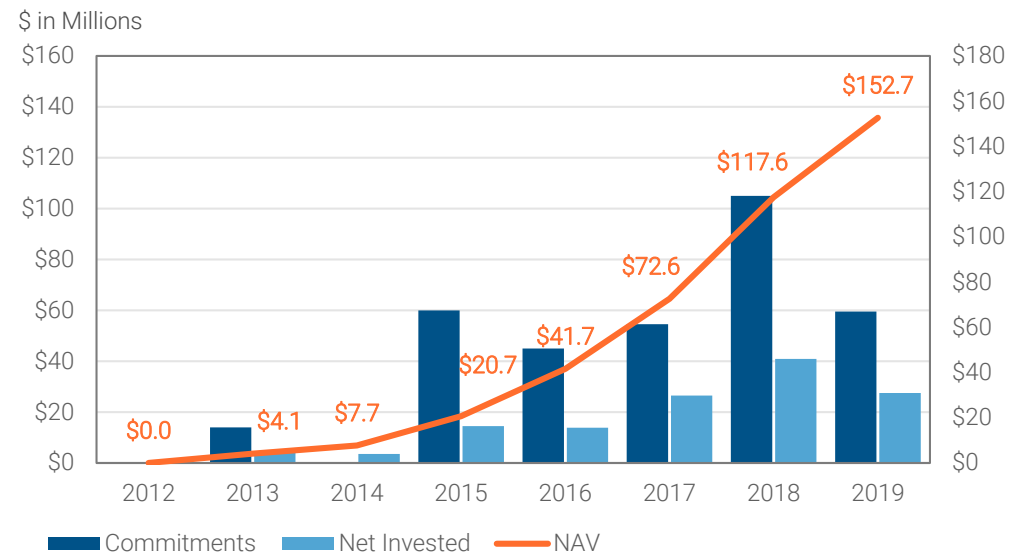
Portfolio Snapshot			
\$ millions	6/30/2019	9/30/2019	Change
Active Partnerships	24	26	2
Active GP Relationships	15	17	2
Capital Committed ¹	\$308.3	\$337.8	\$29.5
Unfunded Commitment	\$181.8	\$194.4	\$12.6
Capital Contributed	\$136.7	\$155.8	\$19.1
Capital Distributed	\$19.3	\$24.7	\$5.4
Market Value	\$136.4	\$152.7	\$16.3
Total Value Multiple	1.1x	1.1x	-
Since Inception IRR	7.52%	7.50%	(2 bps)
Active Avg Age of Commitments	2.2 years	2.1 years	(0.1) years

¹ The change in the capital committed from 6/30/19 to 9/30/19 is due to two new commitments made during the quarter and currency movements of non-USD Portfolio investments

- Q3 2019: continued growth and value creation
 - Market value up 12% QoQ
 - Total exposure up 9% QoQ
 - Net value gains of \$2.6M
- Portfolio is young, with an average age of commitments of 2.1 years

- Measured growth towards 9% target allocation
 - NAV is up 30%, or \$35M, from year-end
 - PRR allocation as of 9/30/19 is 4.79%, up 131 bps from one-year prior

Annual NAV Growth

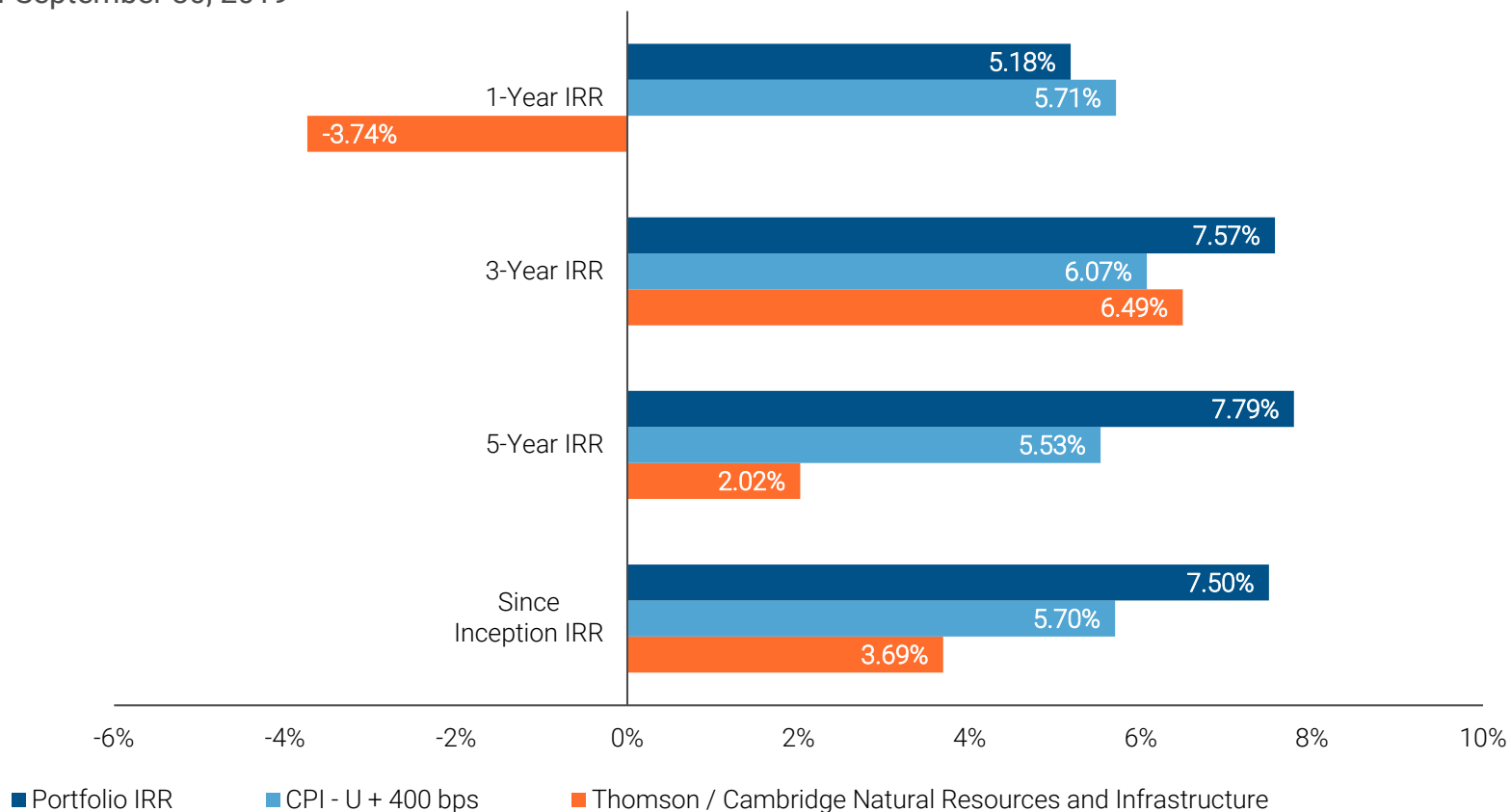


*2019 commitments and net invested as of 12/31, NAV as of 9/30

Performance Summary

IRR Performance

As of September 30, 2019

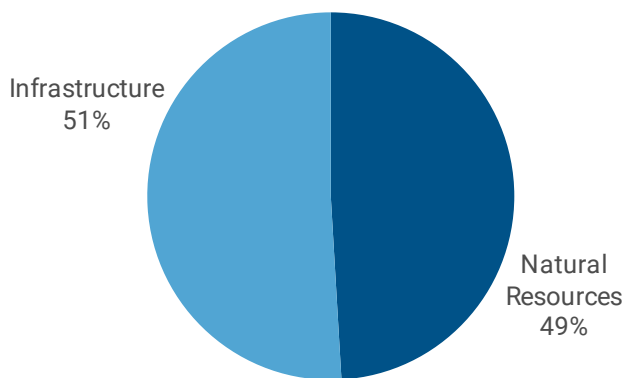


- Portfolio outperformed designated public benchmark, the Consumer Price Index – All Urban Consumers (CPI-U), across 3-year, 5-year, and since inception time periods
 - Since inception outperformance of 180 bps
- Since inception, Portfolio outperformed Thomson/Cambridge Natural Resources and Infrastructure benchmark by 381 bps

Activity Review

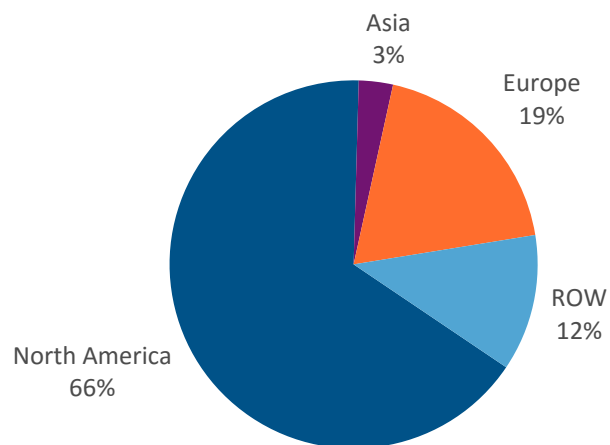
Strategic Diversification by Total Exposure

As of September 30, 2019



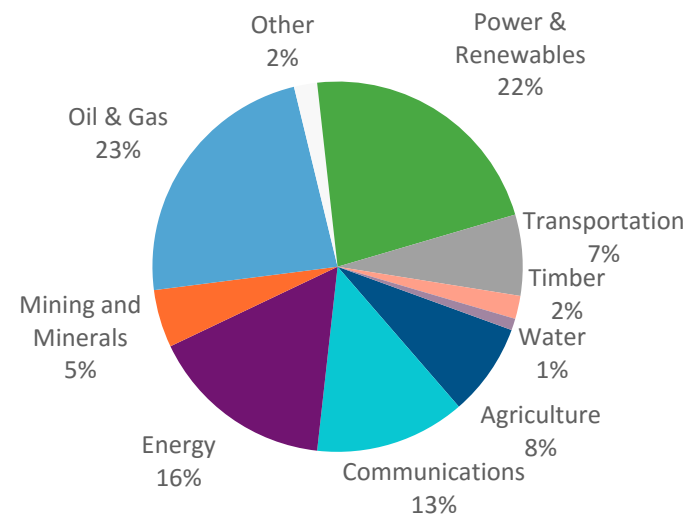
Underlying Investment Diversification by Geography

As of September 30, 2019



Underlying Investment Diversification by Industry

As of September 30, 2019



Portfolio is prudently diversified by strategy, geography and sector

- Geography – Europe exposure increased by 1% while ROW fell by 1%
- Strategy – Exposure by strategy remained unchanged from the prior quarter
- Industry – Oil & Gas exposure decreased 2% QoQ but remains the largest industry exposure



Deal Review

Castlelake Aviation IV Stable Yield, L.P.
RRG Sustainable Water Impact Fund, L.P.

Castlelake Aviation IV Stable Yield, L.P.

General Partner	Castlelake L.P. (“Castlelake”)
Fund	Castlelake Aviation Fund IV Stable Yield, L.P.
Firm Inception	2005
Fund Size	\$1.5 billion
Strategy	Special Situations
Geography	Global
Team	33 investment professionals
Senior Partners	Rory O’Neill and Evan Carruthers
Location	Minneapolis, London and Dublin
Industries	Aviation
Equity Investments	\$10 million to \$500 million

Approach

- Consistent strategy targeting the aviation sector since the firm’s inception in 2005
- Opportunistically invests across various types of aviation investments including sale-leaseback portfolios, aircraft on operating leases, ABS debt/secured debt, and aviation leasing platforms
- Seeks to invest into in-production aircraft assets, between three to fourteen years of age, on long-term leases and aims to construct a portfolio that is diversified by investment/aircraft type
- Expects to target 200 to 250 aircraft with equity checks ranging from \$10 million to \$500 million
- Specialized verticals allows the GP to effectively evaluate opportunities and manage the assets throughout the entire investment life cycle

Castlelake Aviation IV Stable Yield, L.P.

Castlelake L.P. ("Castlelake") Prior Investment Performance ¹ As of 6/30/2019								
(\$mm) Fund	Vintage	Fund Size	Capital Drawn	Capital Distributed	NAV	DPI	TVPI	Net IRR
Fund IIIA	2017	1,011	\$550.0	\$77.5	\$887.3	0.1x	1.8x	100.3%
			\$550.0	\$77.5	\$887.3	0.1x	1.8x	100.3%

¹ Capital Drawn, Capital Distributed and NAV are calculated from the cash flows of fee paying limited partners and excludes any cash flows from the General Partner's commitment

Key Features

- Experienced senior investment team has developed significant domain expertise within the aviation sector, averaging 18 years of industry experience
- Asset management and technical team is heavily involved in the day-to-day maintenance and operations of individual aircraft, supplying tremendous insights into underlying aircraft performance
- Generated attractive returns to date, significantly outperforming benchmarks on a net IRR and TVPI basis
- Deployed capital with a consistent investment pacing with a strong focus on capital preservation

On behalf of SBCERS', Hamilton Lane approved a \$20.0 million commitment to Castlelake Aviation IV Stable Yield, L.P.

RRG Sustainable Water Impact Fund, L.P.

General Partner	RRG Capital Management, LLC (“RRGCM”)
Fund	RRG Sustainable Water Impact Fund, L.P.
Firm Inception	2012
Fund Size	\$1.0 billion
Strategy	Real Assets
Geography	Global
Team	29 investment professionals
Senior Partners	Ari Swiller and Cole Frates
Location	United States (headquarters), Australia, Chile, Mexico, Italy and South Africa
Industries	Water
Equity Investments	\$30 million to \$200 million

Approach

- Consistent focus investing in inter-related water, agriculture, and energy assets across California, Chile and Australia
- Strategic partnership with The Nature Conservancy (“TNC”), a nonprofit focused on environmental sustainability, is expected to provide global networks that support sourcing, diligence, and impact monitoring capabilities
- Seeks to invest in both established farming regions as well as those with significant growth potential in order to create a risk adjusted profile with upside potential
- Consistent focus has allowed the firm to develop a unique combination of skills, proprietary information and experience, enabling it to identify complex assets, add value and exit at attractive valuations

RRG Sustainable Water Impact Fund, L.P.

RRG Capital Management, LLC ("RRGCM")							
Prior Investment Performance ¹							
As of 12/31/2018							
(\$mm)	Vintage	Capital Drawn	Capital Distributed	NAV	DPI	TVPI	Net IRR
Fund							
Fund I	2002	\$103.2	\$226.2	\$0.0	2.2x	2.2x	15.8%
Fund II	2008	364.2	406.7	281.9	1.1x	1.9x	17.6%
Fund III	2013	535.2	10.6	684.6	0.0x	1.3x	8.0%
		\$1,002.7	\$643.5	\$966.4	0.6x	1.6x	14.0%

¹ Capital Drawn, Capital Distributed and NAV are calculated from the cash flows of fee paying limited partners and excludes any cash flows from the General Partner's commitment

Key Features

- Experienced senior investment team, the majority of which have worked at RRG since inception, supported by regionally focused investment professionals
- Benefits from a proprietary database that presents, parcel-by-parcel, the highest value water and agriculture investment opportunities in California to provide insight into what assets are expected to appreciate
- Attractive market fundamentals continue to support investment thesis
- Dedicated to creating environmental and social impact across the Fund's assets
- Generated attractive gross and net returns across prior funds, with top-quartile net IRR performance across Funds II and III

On behalf of SBCERS', Hamilton Lane approved a \$20.0 million commitment to RRG Sustainable Water Impact Fund, L.P.



Appendix



Performance Summary by Investment

Santa Barbara County Employees' Retirement System's Private Real Return Portfolio Performance Summary by Investment as of September 30, 2019

Partnership	Vintage Year	Strategy	Capital Committed	Paid-In Capital	Capital Distributed ¹	Market Value	Since Inception IRR ²
Actis Energy 3, L.P.	2013	Infrastructure	\$6,000,000	\$5,817,102	\$4,417,441	\$2,849,000	9.10%
Actis Energy 4, L.P.	2017	Infrastructure	10,000,000	6,681,336	949,531	7,366,000	20.14%
Apollo Natural Resources Partners II, L.P.	2015	Natural Resources	15,000,000	10,804,192	3,989,756	9,061,778	12.38%
Apollo Natural Resources Partners III, L.P.	2019	Natural Resources	15,000,000	-	-	(202,086)	N/A
Asterion Industrial Infra Fund I, FCR	2019	Infrastructure	14,539,879	4,691,215	122,516	6,533,810	43.01%
Avenue Energy Opportunities Fund II, L.P.	2017	Natural Resources	15,000,000	15,010,582	73,195	15,324,893	1.92%
Avenue Energy Opportunities Fund, L.P.	2015	Natural Resources	10,000,000	10,127,592	1,569,820	10,083,275	3.78%
Blackstone Energy Partners III, L.P.	2020	Natural Resources	15,000,000	-	-	-	N/A
Brookfield Infrastructure Fund III, L.P.	2016	Infrastructure	15,000,000	11,838,805	2,170,911	12,020,196	12.57%
Brookfield Infrastructure Fund IV, L.P.	2019	Infrastructure	15,000,000	1,833,125	-	1,823,020	(0.55%)
Digital Colony Partners, L.P.	2018	Infrastructure	15,000,000	3,549,846	3,016	3,110,635	(24.44%)
Ecosystem Investment Partners IV, L.P.	2019	Natural Resources	15,000,000	1,260,000	-	1,190,357	(5.53%)
EnCap Energy Capital Fund X, L.P.	2015	Natural Resources	10,000,000	8,789,432	1,640,429	8,890,757	9.29%
EnCap Energy Capital Fund XI, L.P.	2017	Natural Resources	15,000,000	3,062,048	-	2,497,096	(18.97%)
EQT Infrastructure III, L.P.	2017	Infrastructure	9,258,239	7,851,795	48,730	9,162,749	13.59%
EQT Infrastructure IV (No.2) USD SCSP, L.P.	2018	Infrastructure	15,000,000	1,764,127	-	1,490,378	(19.24%)
Global Infrastructure Partners III, L.P.	2016	Infrastructure	15,000,000	12,305,307	1,113,412	12,744,285	7.46%
Global Infrastructure Partners IV, L.P.	2019	Infrastructure	15,000,000	204,721	-	(4,085)	N/A
GSO Energy Select Opportunities Fund II, L.P.	2019	Natural Resources	15,000,000	754,576	579	803,379	6.39%
GSO Energy Select Opportunities Fund, L.P.	2015	Natural Resources	15,000,000	10,453,776	3,748,954	8,672,092	10.56%
Hancock Timberland and Farmland Fund LP	2018	Natural Resources	15,000,000	6,525,600	112,500	6,653,789	3.06%
KKR Global Infrastructure Investors II, L.P.	2015	Infrastructure	10,000,000	10,444,856	1,787,885	11,141,971	10.49%
KKR Global Infrastructure Investors III, L.P.	2018	Infrastructure	15,000,000	3,046,094	26,965	2,904,298	(7.14%)
Stonepeak Infrastructure Fund III, L.P.	2018	Infrastructure	15,000,000	8,233,579	1,575,839	7,494,687	21.03%
U.S. Farming Realty Trust II, L.P.	2012	Natural Resources	8,000,000	8,591,133	1,019,685	8,606,054	2.30%
Waterton Mining Parallel Fund, L.P.	2016	Natural Resources	5,000,000	2,161,540	283,001	2,449,282	12.16%
Total Portfolio			\$337,798,118	\$155,802,379	\$24,654,165	\$152,667,610	7.50%

¹⁾ Capital distributed includes callable returns of capital, which will increase the unfunded commitment

²⁾ The IRR net of Hamilton Lane fees is 7.29%

* The analysis was completed using available information provided by the general partner of each investment, unless otherwise noticed. Cash flows are representative of SBCERS' Market Values reflect SBCERS' unrealized interest in each investment. The IRRs are representative SBCERS' return to date and not the IRR reported by the General Partner

Manager Monitoring

Fund Manager	Significant Event (Yes/No)	Last HL Meeting	Comments
Actis Energy	No	March 2019	• N/A
Apollo Management	No	November 2019	• Dylan Foo hired as co-head of Apollo Infrastructure and will join team in Q1 2020
Asterion Industrial Partners	No	December 2019	• N/A
Avenue Capital Group	No	December 2019	• N/A
Blackstone Group	No	December 2019	• N/A
Brookfield Asset Management	No	January 2020	• N/A
Castlelake	No	September 2019	<ul style="list-style-type: none"> • Hired June Raj as Senior Vice President of Aircraft Marketing & Trading • Promoted Chris Buckley to Head of Marketing in EMEA • Promoted Gina Lee Payton to Head of Capital Formation & Partner
Digital Colony	No	December 2019	<ul style="list-style-type: none"> • Hired Leslie Golden as a Managing Director in the Boca Raton office • Hired Genevieve Maltais-Boisvert as a Principal in the Boca Raton office
Ecosystem Investment Partners	No	December 2019	• Hired Stephanie Freed and Jaime Zsiros as Assistant Directors
EnCap Investments L.P.	No	October 2019	• N/A
EQT Partners	No	October 2019	• N/A
Global Infrastructure Partners	No	December 2019	• N/A
GSO Capital Partners LP	No	January 2020	• Dan Oneglia hired as Co-Head of Distressed Investing
Hancock Natural Resources Group	No	May 2019	• N/A
International Farming Corporation	No	October 2019	• N/A

*N/A represents no material update

Manager Monitoring

Fund Manager	Significant Event (Yes/No)	Last HL Meeting	Comments
Kohlberg, Kravis, Roberts & Co.	No	December 2019	• N/A
RRG Capital Management	No	July 2019	• N/A
Stonepeak Infrastructure Partners	No	November 2019	• N/A
Waterton Global Resources Management, Inc	No	September 2019	• N/A

*N/A represents no material update

Placement Agent Disclosures for 2019

External Manager	Fund	Placement Agent(s) Disclosed	Placement Agent(s) Compensation	Material Violations?
Global Infrastructure Partners	Global Infrastructure Partners IV, L.P.	N/A	N/A	No
Brookfield Asset Management	Brookfield Infrastructure Fund IV, L.P.	Christopher Harris	Not provided	No
Asterion Industrial Partners	Asterion Industrial Infra Fund I, FCR	N/A	N/A	No
Ecosystem Investment Partners	Ecosystem Investment Partners Fund IV	Monument Group	Not provided	No
Castlelake	Castlelake Aviation IV Stable Yield, L.P.	N/A	N/A	No
RRG Capital Management	RRG Sustainable Water Impact Fund, L.P.	Lazard	Not provided	No

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The following hypothetical example illustrates the effect of fees on earned returns for both separate accounts and fund-of-funds investment vehicles. The example is solely for illustration purposes and is not intended as a guarantee or prediction of the actual returns that would be earned by similar investment vehicles having comparable features. The example is as follows: The hypothetical separate account or fund-of-funds consisted of \$100 million in commitments with a fee structure of 1.0% on committed capital during the first four years of the term of the investment and then declining by 10% per year thereafter for the 12-year life of the account. The commitments were made during the first three years in relatively equal increments and the assumption of returns was based on cash flow assumptions derived from a historical database of actual private equity cash flows. Hamilton Lane modeled the impact of fees on four different return streams over a 12-year time period. In these examples, the effect of the fees reduced returns by approximately 2%. This does not include performance fees, since the performance of the account would determine the effect such fees would have on returns. Expenses also vary based on the particular investment vehicle and, therefore, were not included in this hypothetical example. Both performance fees and expenses would further decrease the return.

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