



Hamilton Lane®

Santa Barbara County Employees' Retirement System

Third Quarter 2017 Private Real Return (PRR)

Performance Update

Agenda

- Q3 2017 Private Real Return (PRR) Performance 1
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Q3 2017 Private Real Return (PRR) Performance

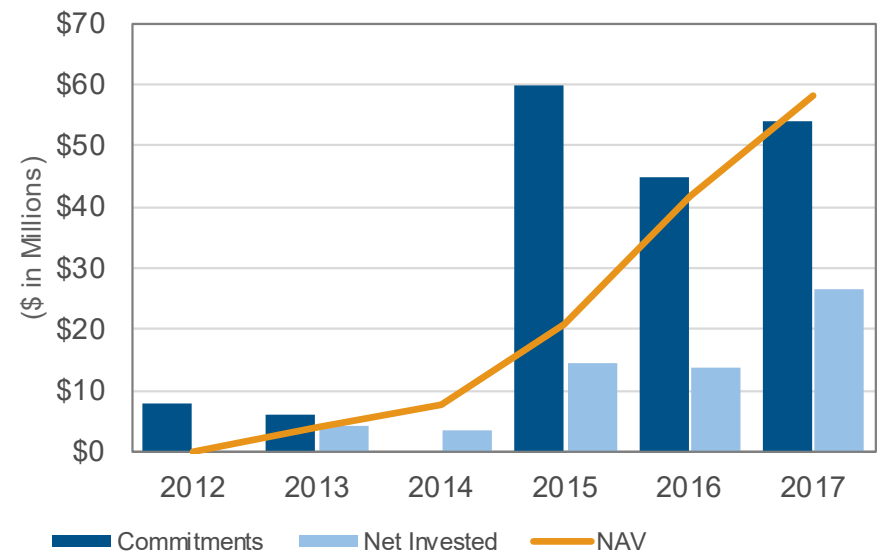
SBCERS PRR Portfolio Snapshot			
\$ in Million	6/30/2017	9/30/2017	Change
Active Partnerships	14	14	-
Active GP Relationships	11	11	-
Capital Committed ¹	\$153.1	\$158.4	\$5.3
Unfunded Commitment	\$108.1	\$106.1	(\$2.0)
Unfunded %	70.61%	66.98%	(3.63%)
Capital Contributed	\$48.8	\$56.2	\$7.4
Capital Distributed	\$5.6	\$5.7	\$0.1
Market Value	\$49.7	\$58.2	\$8.5
Total Value Multiple	1.13x	1.14x	0.01x
Since Inception IRR	8.89%	9.00%	11 bps
Avg Age of Commitments	1.7 years	1.6 years	(0.1 years)

¹ The "change" in the capital committed from 6/30/2017 to 9/30/2017 is due to the commitment increase to Avenue Energy Opportunities II during the quarter

- Portfolio NAV continues to grow – up 17% over the third quarter
- As annual commitments rise, net invested capital increases with partnerships deploying capital

- \$5m commitment increase to Avenue Energy Opportunities Fund II closed in the third quarter
- Portfolio still young – average age of commitments slightly decreased over the quarter
 - 67% unfunded at 9/30/17

Annual NAV Growth



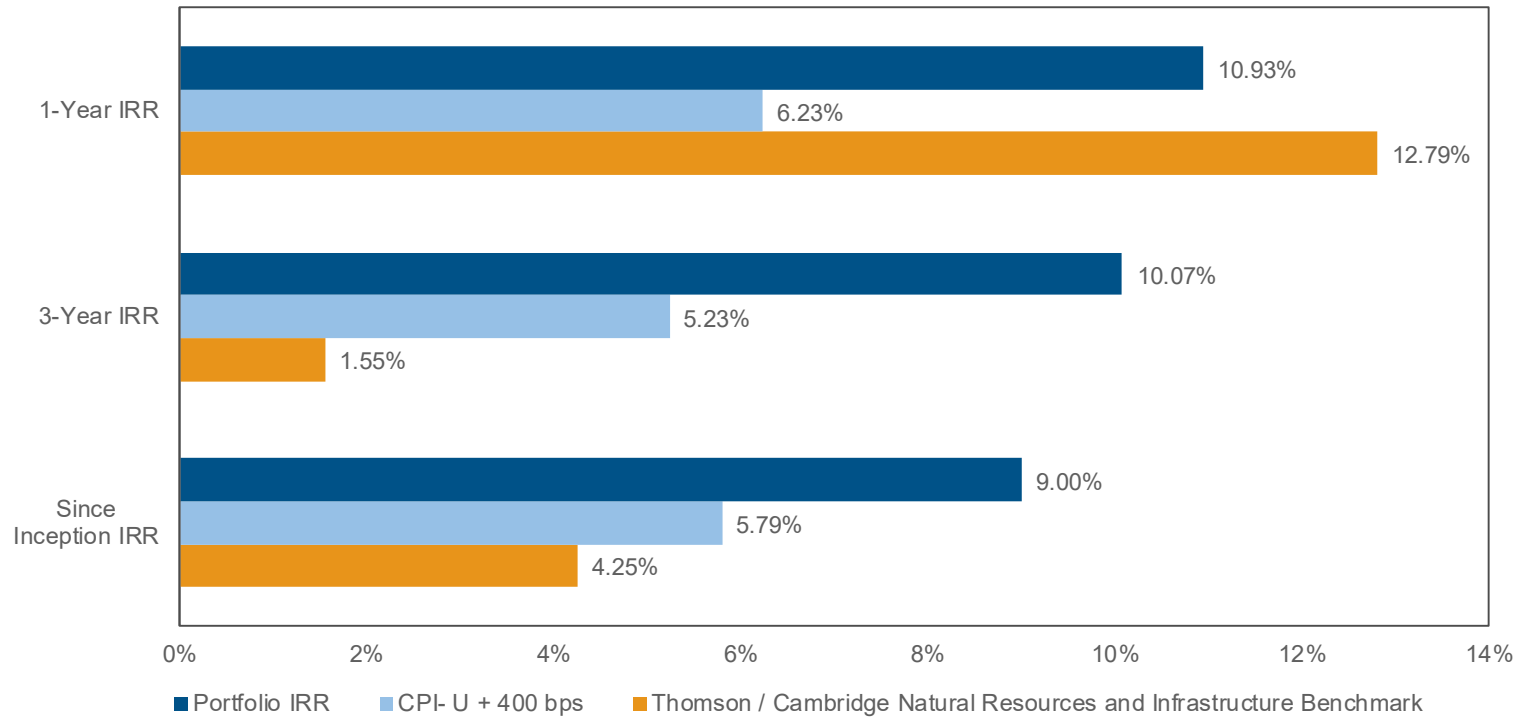
Top Five Drivers for the Quarter Ending September 30, 2017						
Investment Name	Investment Strategy	Vintage Year	Net Value Change (\$M)	Point to Point IRR	Since Inception IRR	Total Value Multiple
Avenue Energy Opportunities Fund, L.P.	Natural Resources	2015	\$0.49	4.24%	10.44%	1.20x
GSO Energy Select Opportunities Fund, L.P.	Natural Resources	2015	\$0.32	6.65%	21.98%	1.18x
Actis Energy 3, L.P.	Infrastructure	2013	\$0.30	5.69%	16.36%	1.31x
KKR Global Infrastructure Investors II, L.P.	Infrastructure	2015	\$0.26	5.68%	13.13%	1.15x
EnCap Energy Capital Fund X, L.P.	Natural Resources	2015	\$0.19	3.88%	17.14%	1.14x
Subtotal			\$1.56	5.01%	13.83%	1.19x

- The top five partnerships accounted for 91% of positive net value gain during the quarter
- Top drivers diversified among infrastructure and natural resources strategies
- Avenue Energy Opportunities Fund positive returns driven by underlying investment performance
 - By market value, represents 21% of Portfolio

Portfolio Summary					
	Quarter Ending				Year Ended
\$ Millions	12/31/2016	3/31/2017	6/30/2017	9/30/2017	9/30/2017
Beginning Market Value	\$37.6	\$41.7	\$48.0	\$49.7	\$37.6
Paid-in Capital	2.2	6.3	4.0	7.4	19.9
Distributions	(0.7)	(1.2)	(2.0)	(0.1)	(4.1)
Net Value Change	2.6	1.2	(0.3)	1.2	4.8
Ending Market Value	\$41.7	\$48.0	\$49.7	\$58.2	\$58.2
Unfunded Commitments	\$82.7	\$95.5	\$108.1	\$106.1	\$106.1
Total Exposure	\$124.4	\$143.5	\$157.8	\$164.3	\$164.3
Point-to-Point IRR	6.56%	2.87%	(0.54%)	2.36%	10.93%
Since Inception IRR	10.68%	10.91%	8.89%	9.00%	9.00%

- One-year IRR of 10.93% with three of four quarters experience net value gains
 - Nine partnerships generated net value gains of \$5.2M
- Avenue Energy Opportunities Fund largest driver – added \$1.4M in net value, with a one year point-to-point IRR of 13.42%

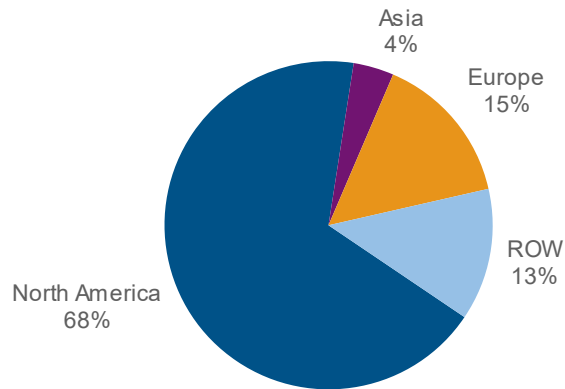
IRR Performance as of September 30, 2017



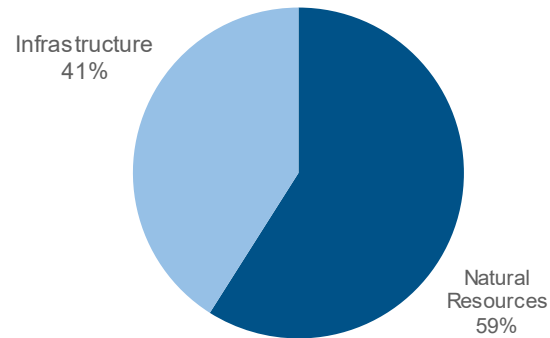
*Portfolio since inception is 9/24/2013

- Portfolio outperforms designated public benchmark, the Consumer Price Index – All Urban Consumers (CPI-U) across all time periods
 - Since inception outperformance of 321 bps
- Since inception, Portfolio outperforms Thomson/Cambridge Natural Resources and Infrastructure benchmark by 475 bps

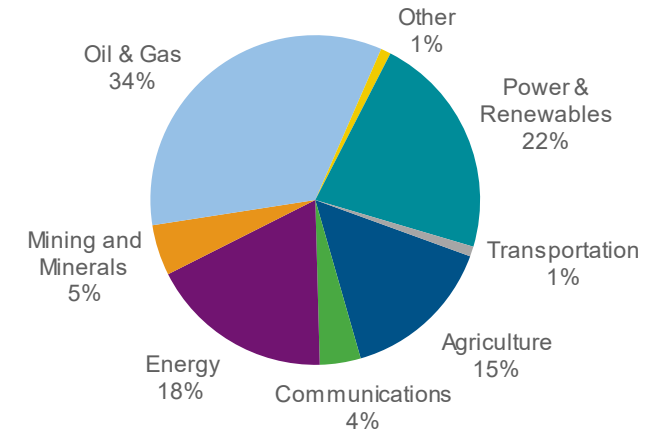
**Underlying Diversification
by Geographic Location
As of September 30, 2017**



**Strategic Diversification
by Total Exposure
As of September 30, 2017**

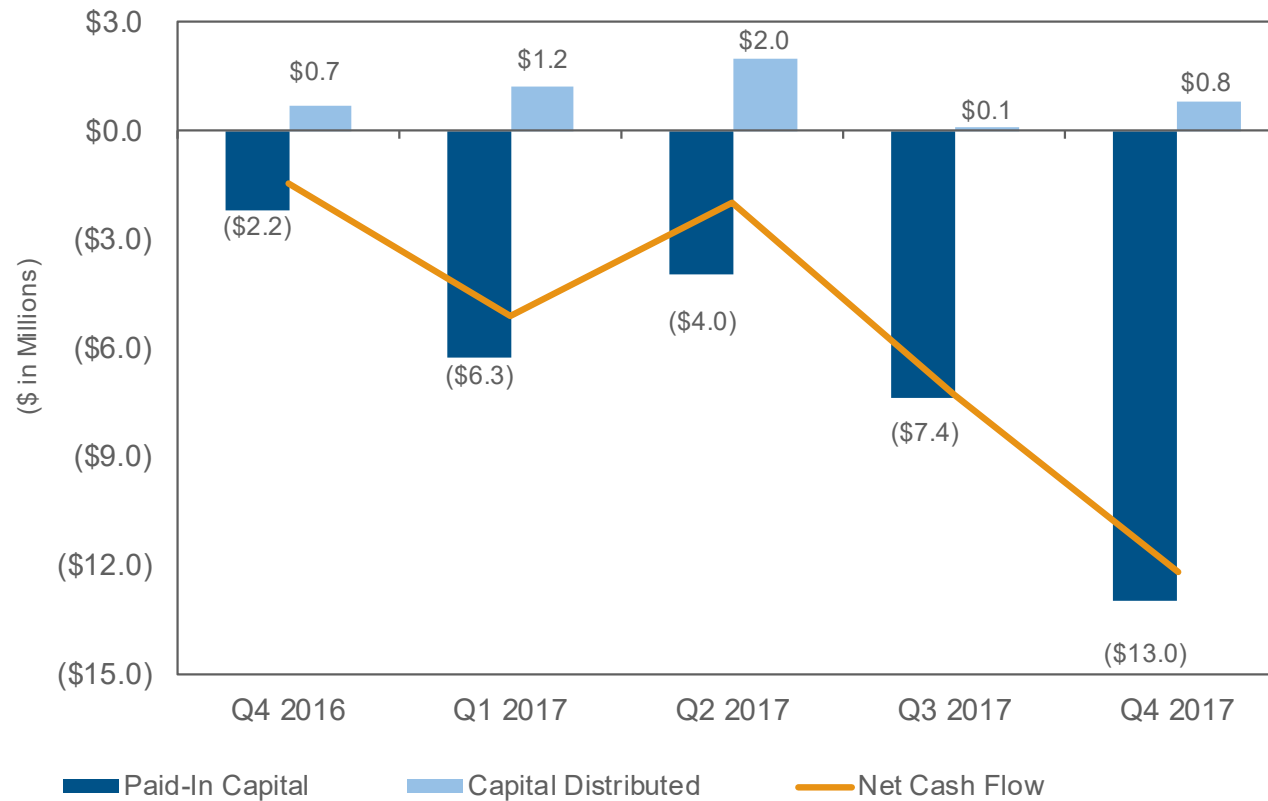


**Underlying Investment Diversification
by Industry
As of September 30, 2017**



- Geography – North America exposure increased by 4% from prior quarter, Europe and Rest of World declined as a result
- Strategy – Minimal change from the prior quarter; commitments weighted towards Natural Resources in 2017
- Industry – Agriculture decreased 3% from prior quarter, Oil & Gas increased by 3%

Net Portfolio Cash Flow Activity



- Net cash outflow of \$26.5M in 2017
 - Annual distributions at \$4.1M with seven partnerships returning capital
- Paid-in capital activity increased significantly in fourth quarter
 - 2017 vintage year partnerships called \$5.9M



Deal Reviews

Hancock Timberland and Farmland Fund L.P.

Fund Information	
General Partner:	Hancock Natural Resources Group, Inc. ("HNRG")
Fund:	Hancock Timberland and Farmland Fund LP
Firm Inception:	1995
Fund Size:	\$500 million
Strategy:	Commodities
Geography:	Global
Team:	15 senior professionals, 17 other investment and research professionals, 236 property management / operations professionals, and 180 across back office functions
Senior Partners:	William Peressini
Location:	Boston
Industries:	Agriculture and timber
Target # of Investments:	Approximately 11

Approach:

- Will invest across a variety of crops and tree species within the row crop, permanent crop, and timberland property types
- Seeks to invest in timberland and farmland properties in core geographies with both attractive property fundamentals and limited political risk
- Expects to invest primarily in the United States in its farmland portfolio, but will seek investments in additional markets such as Australia, New Zealand, Canada, and Brazil
- In its timberland portfolio, expects to invest significant capital in the U.S., while targeting opportunities in Australia, New Zealand, Brazil, Chile, and Uruguay
- Targets opportunities in the \$20 million to \$35 million range

Hancock Natural Resources Group, Inc. Prior Investment Performance As of 6/30/17						
(\$mm) Fund	Vintage	Amount Invested	Amount Realized	Unrealized Value	Gross Multiple	Gross IRR
Pre-1991	1985	\$982.7	\$2,993.5	\$113.3	3.2x	20.0%
1992-1996	1992	1,124.6	1,856.0	407.0	2.0x	9.4%
1997-2001	1997	1,561.7	2,919.0	1,499.1	2.8x	10.6%
2002-2006	2002	4,427.9	4,827.5	3,732.9	1.9x	8.3%
2007-2011	2007	4,000.6	2,212.3	3,230.7	1.4x	4.8%
Post-2012	2012	3,650.4	694.7	4,081.4	1.3x	9.1%
Total		\$15,747.9	\$15,503.0	\$13,064.4	1.8x	11.5%

Key Features:

- Attractive gross performance across prior investments
- Ability to deploy significant capital in attractive investment opportunities
- Successful preservation of capital demonstrated by low loss ratios
- Expects marginally greater capital appreciation from the timber portfolio, but expects the agriculture portfolio to provide greater current income

On behalf of SBCERS', Hamilton Lane approved a \$15.0 million commitment to Hancock Timberland and Farmland Fund LP



Appendix

As of September 30, 2017

Investment Name	Vintage Year	Investment Strategy	Capital Committed	Paid-In Capital	Capital Distributed ¹	Reported Market Value	Net IRR ²	Net Multiple
U.S. Farming Realty Trust II, L.P.	2012	Natural Resources	\$8,000,000	\$8,591,133	\$795,850	\$8,562,807	2.73%	1.09x
Actis Energy 3, L.P.	2013	Infrastructure	6,000,000	4,398,299	92,143	5,691,000	16.36%	1.31x
Apollo Natural Resources Partners II, L.P.	2015	Natural Resources	15,000,000	5,351,453	2,204,268	4,554,022	23.03%	1.26x
Avenue Energy Opportunities Fund, L.P.	2015	Natural Resources	10,000,000	10,127,592	65,975	12,109,814	10.44%	1.20x
EnCap Energy Capital Fund X, L.P.	2015	Natural Resources	10,000,000	6,013,740	1,394,030	5,469,728	17.14%	1.14x
GSO Energy Select Opportunities Fund, L.P.	2015	Natural Resources	15,000,000	5,028,059	-	5,923,914	21.98%	1.18x
KKR Global Infrastructure Investors II, L.P.	2015	Infrastructure	10,000,000	4,806,223	626,261	4,915,562	13.13%	1.15x
Brookfield Infrastructure Fund III, L.P.	2016	Infrastructure	15,000,000	4,330,085	459,167	4,202,525	10.48%	1.08x
Global Infrastructure Partners III, L.P.	2016	Infrastructure	15,000,000	2,770,737	94,627	2,327,716	(12.93%)	0.87x
Waterton Mining Parallel Fund, L.P.	2016	Natural Resources	5,000,000	1,085,462	-	982,263	(9.05%)	0.90x
Actis Energy 4, L.P.	2017	Infrastructure	10,000,000	1,207,809	520	1,012,000	(33.76%)	0.84x
Avenue Energy Opportunities Fund II, L.P.	2017	Natural Resources	15,000,000	2,250,000	-	2,257,307	0.32%	1.00x
EnCap Energy Capital Fund XI, L.P.	2017	Natural Resources	15,000,000	253,500	-	174,844	(31.03%)	0.69x
EQT Infrastructure III, L.P.	2017	Infrastructure	9,451,573	-	-	-	N/A	N/A
Total Portfolio:			\$158,451,573	\$56,214,092	\$5,732,842	\$58,183,502	9.00%	1.14x

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

² The IRR net of Hamilton Lane fee is 8.73%

The analysis was completed using available information provided by the general partner of each investment, unless otherwise noted. Cash flows are representative of SBCERS' actual cash paid and received. 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.

Santa Barbara County Employees' Retirement System - Manager Monitoring Private Real Return			
Fund Manager	Significant Events (Yes/No)	Last HL Meeting	Comments
Actis Energy	No	December 2017	• N/A
Apollo Management	No	December 2017	• N/A
Avenue Capital Group	No	December 2017	• N/A
Brookfield Asset Management	No	November 2017	• N/A
EnCap Investments L.P.	No	January 2018	• Fund XI held a final close in December, total commitments of \$7.0 billion
EQT Partners	No	October 2017	• Fabian Gröne (Singapore) and Jan Vesely (New York) were promoted to Partner
Global Infrastructure Partners	No	December 2017	<ul style="list-style-type: none"> • Jennifer Powers was hired as Partner and Chair of GIP Credit • GIP considering launch of geo-specific fund in near-term, focused on investments in India • Expects to begin fundraising for first time credit fund in H1 2018
GSO Capital Partners LP	No	November 2017	• Expects to be in market raising Fund II in early 2018
International Farming Corporation	No	May 2015	• N/A
Kohlberg Kravis Roberts & Co.	No	December 2017	<ul style="list-style-type: none"> • Hired James Cunningham, previously a Managing Director and head of midstream team at Denham Capital, as a Managing Director in October 2017 • Hired Tim Osnabrug and Felipe Hamaoui, previously members of KKR America's Private Equity team, joined as a Director and a Principal, respectively
Waterton Global Resources Mgmt, Inc	No	August 2017	• N/A

*N/A represents no material update

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