



Hamilton Lane®

Santa Barbara County Employees' Retirement System

Fourth Quarter 2018 Private Real Return (PRR) Performance Update

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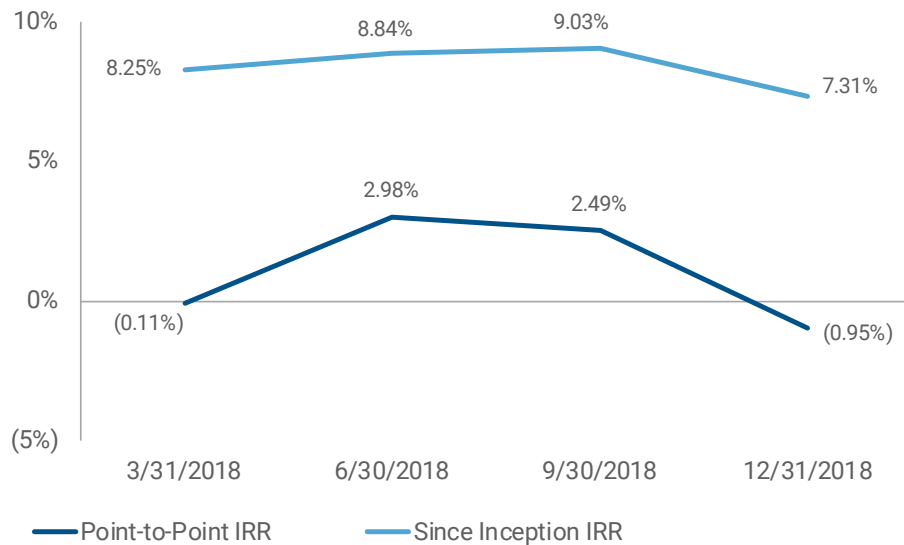
Q4 Private Real Return Performance

PRR Portfolio Highlights - December 31, 2018

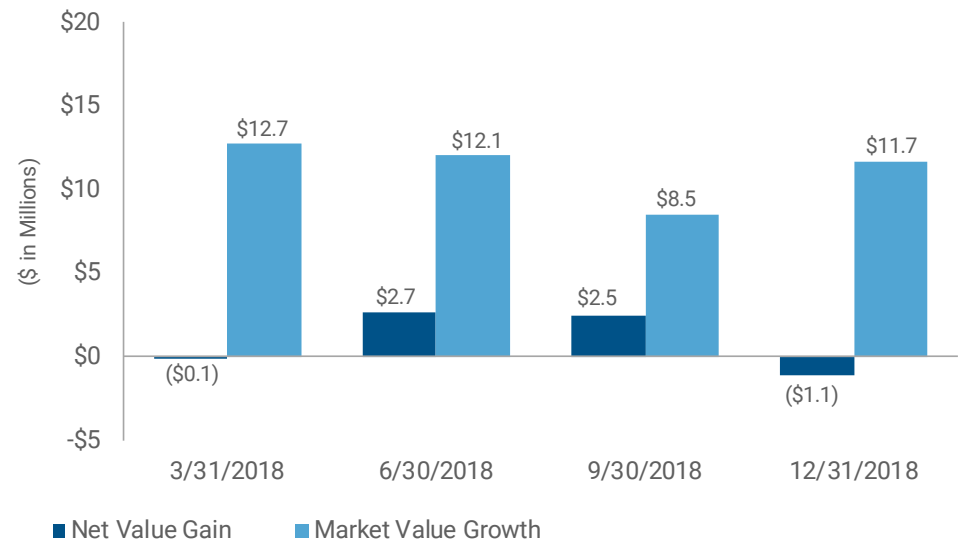
Young Portfolio with solid performance and value creation

- Portfolio outperformed SBCERS' public benchmark (CPI-U + 400 bps) by 189 bps for the since inception period ended 12/31/18
- Generated net value gains of \$4.0M in 2018
- Market value growth of \$45.0M in 2018

PE Portfolio Returns



PE Portfolio Value Created



Portfolio Snapshot

Portfolio Snapshot			
\$ in Million	12/31/2017	12/31/2018	Change
Active Partnerships	15	22	7
Active GP Relationships	12	15	3
Capital Committed ¹	\$173.6	\$278.3	\$104.7
Unfunded Commitment	\$108.5	\$168.6	\$60.1
Capital Contributed	\$69.2	\$119.3	\$50.1
Capital Distributed	\$6.5	\$15.7	\$9.1
Market Value	\$72.6	\$117.6	\$45.0
Total Value Multiple	1.14x	1.12x	(0.02x)
Since Inception IRR	9.72%	7.31%	(241 bps)
Active Avg Age of Commitments	1.7 years	2.1 years	0.4 years

¹ The "change" in the capital committed from 12/31/2017 to 12/31/2018 is due to seven new commitments made during the year

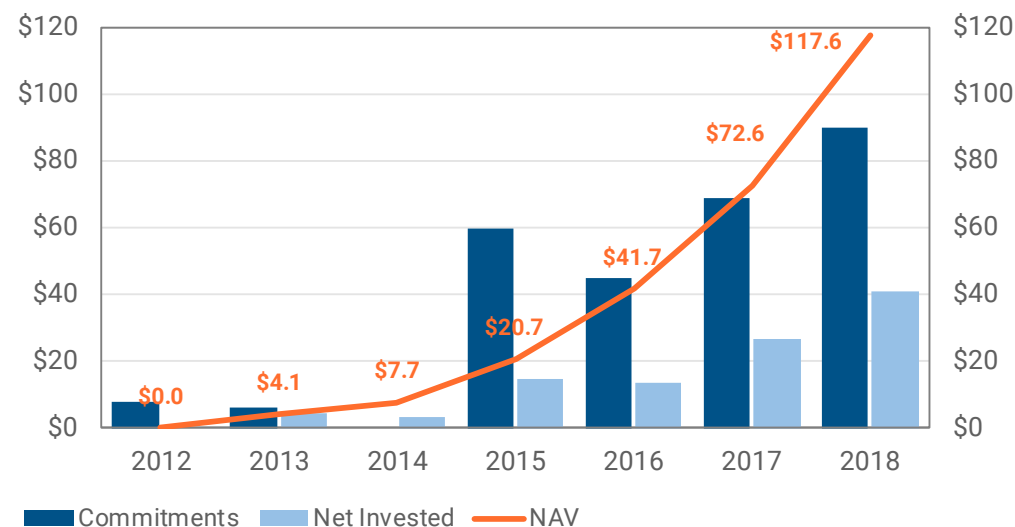
2018: Generated positive one-year IRR of 4.33% with substantial Portfolio growth

- Market value up 62% YoY
- Total exposure up 58% YoY
- Young portfolio – average age of commitments 2.1 years

- Measured growth towards 9% target allocation
 - PRR allocation as of 12/31/18 is 4.1%, up 163 bps from prior year
 - NAV is up 62% or \$45.0M YoY
 - NAV growth >60% annually for past four years

Annual NAV Growth

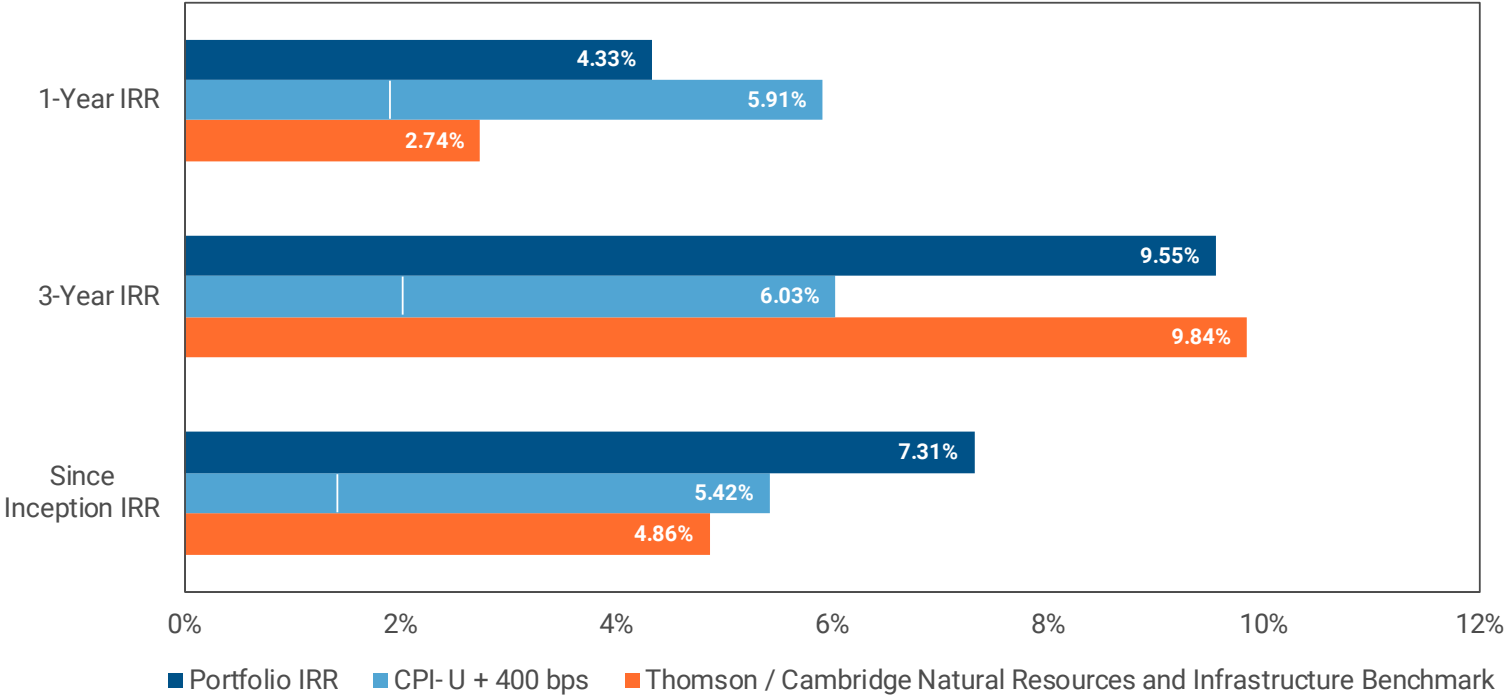
\$ in Million



Performance Summary

IRR Performance

As of December 31, 2018



- Portfolio outperformed designated public benchmark (CPI-U + 400 bps) across the 3-year and since inception periods by 352 bps and 189 bps, respectively
- Since inception, Portfolio outperformed Thomson/Cambridge Natural Resources and Infrastructure benchmark by 245 bps

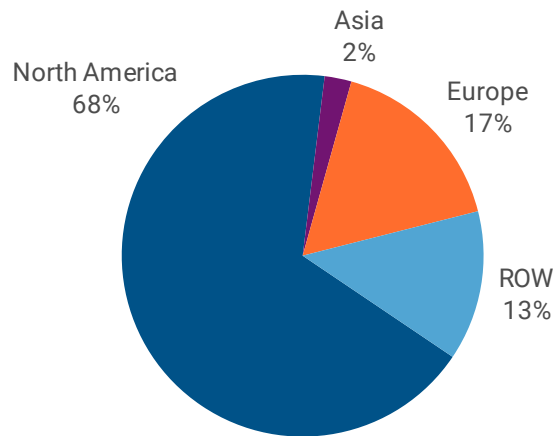
Commitment Activity

Commitment Activity				
Closing Date	Partnership	Investment Strategy	Geographic Focus	Commitment (\$M)
2019 Allocation				
2/1/2019	Global Infrastructure Partners IV, L.P.	Infrastructure	Global	\$15.0
May 2019	Fund A	Infrastructure	Global	\$15.0
Total				\$30.0

- 2019 activity - one commitment closed (\$15.0M), one pending legal (\$15.0M); both to existing core infrastructure managers
 - Consistent with the 2019 Strategic Plan, focused on core manager commitments while considering new managers
 - Targeting \$90M - \$110M for the year

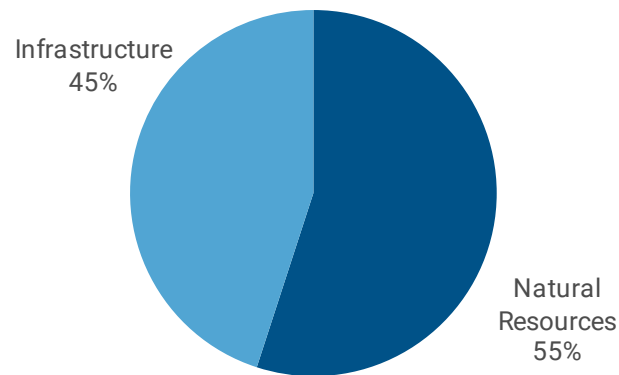
Underlying Diversification by Geographic Location

As of December 31, 2018



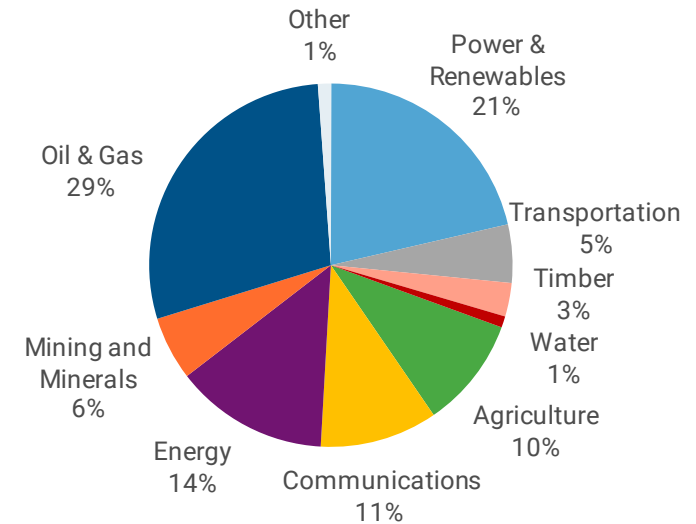
Strategic Diversification by Total Exposure

As of December 31, 2018



Underlying Investment Diversification by Industry

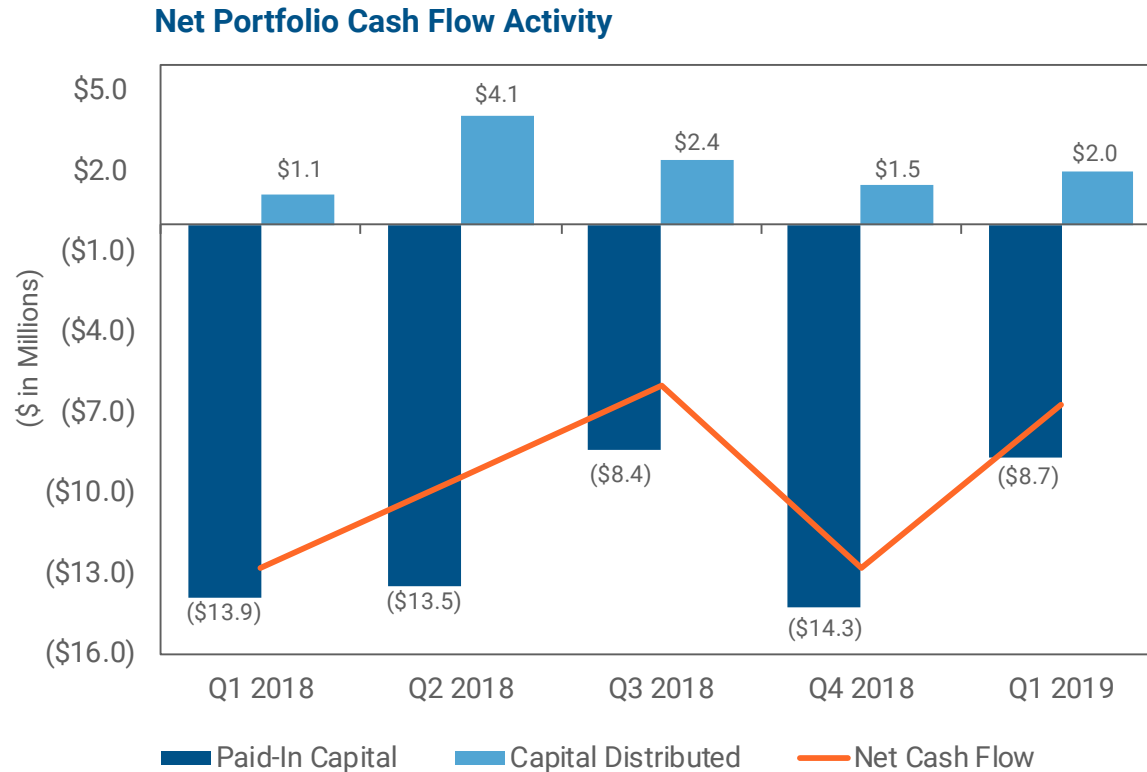
As of December 31, 2018



Portfolio is prudently diversified by strategy, geography and sector

- Geography – North America increased by 3% YoY
- Strategy – Natural Resources exposure increased 1% YoY
- Industry – Communications increased 4% YoY

Quarterly Cash Flow Summary



- 2018 cash flow activity – largest on record with \$50.1M in contributions and \$9.1M in distributions
- Q1 2019 – contributions continue to outweigh distributions, as expected in a young portfolio
 - Avenue Energy Opportunities I led first quarter distributions, returning \$1.0M to SBCERS



Deal Review

Global Infrastructure Partners IV, L.P.

Global Infrastructure Partners IV, L.P.

Fund Information	
General Partner:	Global Infrastructure Partners (“GIP”)
Fund:	Global Infrastructure Partners IV, L.P.
Firm Inception:	2006
Fund Size:	\$20.0 billion
Strategy:	Infrastructure
Geography:	Global
Team:	79 investment professionals
Senior Partners:	Messrs. Ogunlesi, Agrawal, Blum, Bram, Brilliant, Harris, Hatton, Gillespie-Smith, MacLennan, McGee, Pritchard, Rao, Samaha, Stewart and Woodburn
Location	New York, London, Stamford, and Sydney
Industries:	Energy, transportation, and water/waste
Equity Investments:	\$1 billion to \$2 billion

Approach

- Seeks to invest in high-quality assets that exhibit potential for outperformance through growth, operational value-add and de-risking
- Focuses on large-scale, complex transactions with limited competition
- Expects to remain flexible in sector allocation, increase allocation to the transportation sector; historically 68% of aggregate capital was invested in energy assets
- Expects average investment size to be between \$1.5 billion and \$2 billion
- Invests globally, geographic exposure driven by prevailing opportunity set in the market

Global Infrastructure Partners IV, L.P.

Global Infrastructure Partners Prior Investment Performance as of June 30, 2018 ¹								
\$M Fund	Vintage	Fund Size	Capital Drawn	Capital Distributed	NAV	DPI	TVPI	Net IRR
Fund I	2006	\$5,640	\$7,565	\$11,817	\$3,598	1.6x	2.0x	17.1%
Fund II	2012	8,250	10,218	6,252	10,156	0.6x	1.6x	23.3%
Fund III	2016	15,800	8,991	605	8,774	0.1x	1.0x	5.5%
Total			\$26,774	\$18,674	\$22,528	0.7x	1.5x	18.0%

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

- Global investment platform supported by robust back-office capabilities
- Cohesive senior team with limited turnover
- Attractive net returns through first two funds
- Consistent track record of value creation through operational improvements at portfolio companies

On behalf of SBCERS', Hamilton Lane approved a \$15.0 million commitment to Global Infrastructure Partners IV, L.P.



Appendix

Portfolio Summary

As of December 31, 2018

Investment Name	Vintage Year	Investment Strategy	Capital Committed	Paid-In Capital	Unfunded Commitment	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	-	859,299	8,611,023	2.28%	1.10x
Actis Energy 3, L.P.	2013	Infrastructure	6,000,000	4,850,531	\$2,194,454	2,556,349	3,558,629	9.58%	1.26x
Apollo Natural Resources Partners II, L.P.	2015	Natural Resources	15,000,000	9,276,289	6,804,676	3,556,403	7,654,191	15.25%	1.21x
Avenue Energy Opportunities Fund, L.P.	2015	Natural Resources	10,000,000	10,127,592	-	65,975	12,548,587	7.35%	1.25x
EnCap Energy Capital Fund X, L.P.	2015	Natural Resources	10,000,000	8,158,335	2,466,657	1,576,788	8,381,465	13.64%	1.22x
GSO Energy Select Opportunities Fund, L.P.	2015	Natural Resources	15,000,000	10,199,433	7,705,499	2,922,529	8,845,146	12.50%	1.15x
KKR Global Infrastructure Investors II, L.P.	2015	Infrastructure	10,000,000	9,785,294	1,166,668	1,042,876	10,334,601	9.95%	1.16x
Brookfield Infrastructure Fund III, L.P.	2016	Infrastructure	15,000,000	9,848,196	5,402,123	1,530,717	9,159,677	8.02%	1.09x
Global Infrastructure Partners III, L.P.	2016	Infrastructure	15,000,000	10,720,662	5,137,890	273,851	10,519,782	0.62%	1.01x
Waterton Mining Parallel Fund, L.P.	2016	Natural Resources	5,000,000	1,725,872	3,318,486	44,358	2,082,318	13.26%	1.23x
Actis Energy 4, L.P.	2017	Infrastructure	10,000,000	5,265,555	5,504,108	770,183	5,228,436	17.61%	1.14x
Avenue Energy Opportunities Fund II, L.P.	2017	Natural Resources	15,000,000	13,803,100	1,207,482	73,195	13,416,577	(3.45%)	0.98x
EnCap Energy Capital Fund XI, L.P.	2017	Natural Resources	15,000,000	1,608,202	13,391,798	-	1,237,145	(29.66%)	0.77x
EQT Infrastructure III, L.P.	2017	Infrastructure	9,322,174	5,439,949	3,862,548	-	6,564,853	28.38%	1.21x
Digital Colony Partners, L.P.	2018	Infrastructure	15,000,000	1,883,474	13,116,526	81,300.00%	1,619,922	(29.16%)	0.86x
EQT Infrastructure IV (No.2) USD SCSP, L.P.	2018	Infrastructure	15,000,000	-	15,000,000	-	-	N/A	N/A
Hancock Timberland and Farmland Fund LP	2018	Natural Resources	15,000,000	5,175,600	9,824,400	37,500	5,298,687	3.91%	1.03x
KKR Global Infrastructure Investors III, L.P.	2018	Infrastructure	15,000,000	1,039,331	13,960,669	-	925,838	(10.92%)	0.89x
Stonepeak Infrastructure Fund III, L.P.	2018	Infrastructure	15,000,000	1,836,880	13,528,743	367,341	1,593,796	10.19%	1.07x
Apollo Natural Resources Partners III, L.P.	2019	Natural Resources	15,000,000	-	15,000,000	-	-	N/A	N/A
Blackstone Energy Partners III, L.P.	2019	Natural Resources	15,000,000	-	15,000,000	-	-	N/A	N/A
GSO Energy Select Opportunities Fund II, L.P.	2019	Natural Resources	15,000,000	-	15,000,000	-	-	N/A	N/A
Total³			\$278,322,174	\$119,335,428	\$168,592,727	\$15,678,177	\$117,580,672	7.31%	1.12x

Note: 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.

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

² The IRR net of Hamilton Lane fee is 7.16%.

Manager Monitoring

Santa Barbara County Employees' Retirement System - Manager Monitoring Private Natural Resources and Infrastructure			
Fund Manager	Significant Event (Yes/No)	Last HL Meeting	Comments
Actis Energy	No	March 2019	• Mike Till, Co-Head of Actis Energy, passed away in March 2019; no Key Person Event occurred, Mikael Karlsson remains Head of Actis Energy
Apollo Management	No	May 2019	• N/A
Avenue Capital Group	No	April 2019	• N/A
Blackstone Group	No	May 2019	• Blackstone announced in March 2019 that it is converting to to a corporation from a publicly traded partnership
Brookfield Asset Management	No	February 2019	• Brookfield announced the purchase of a majority stake in Oaktree Capital in March 2019, expected to close in Q4 2019
Digital Colony	No	May 2019	• N/A
EnCap Investments L.P.	No	April 2019	• N/A
EQT Partners	No	January 2019	• N/A
Global Infrastructure Partners	No	May 2019	• N/A
GSO Capital Partners LP	No	April 2019	• Paul Kelly hired as Chief Operating Officer in January 2019
Hancock Natural Resources Group	No	October 2017	• N/A
International Farming Corporation	No	May 2015	• N/A
Kohlberg, Kravis, Roberts & Co. (AKA: KKR)	No	May 2019	• N/A
Stonepeak Infrastructure Partners	No	April 2019	• N/A
Waterton Global Resources Management, Inc	No	November 2018	• 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

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