

Santa Barbara County Employees' Retirement System

Second Quarter 2019 Private Real Return (PRR) Performance Update

Agenda

- Q2 Private Real Return Performance 3
- Appendix 10



Q2 Private Real Return Performance

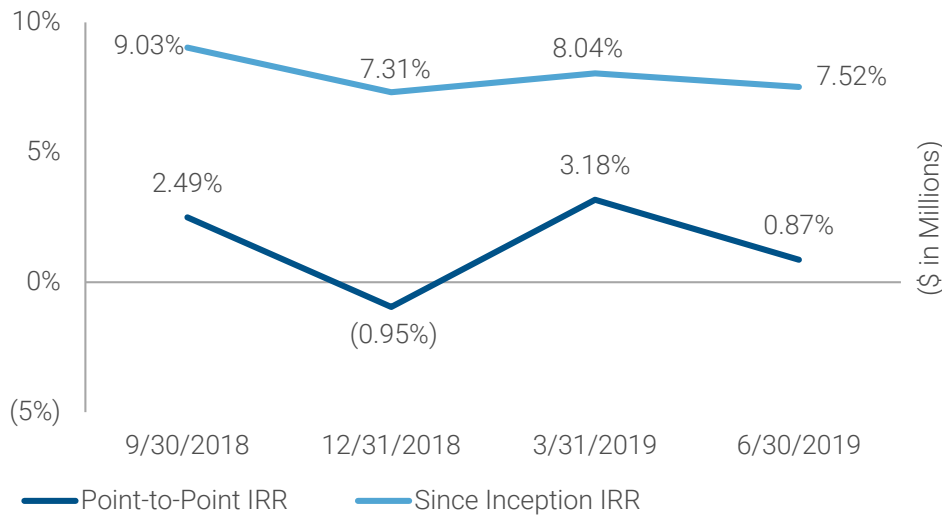


PRR Portfolio Highlights - June 30, 2019

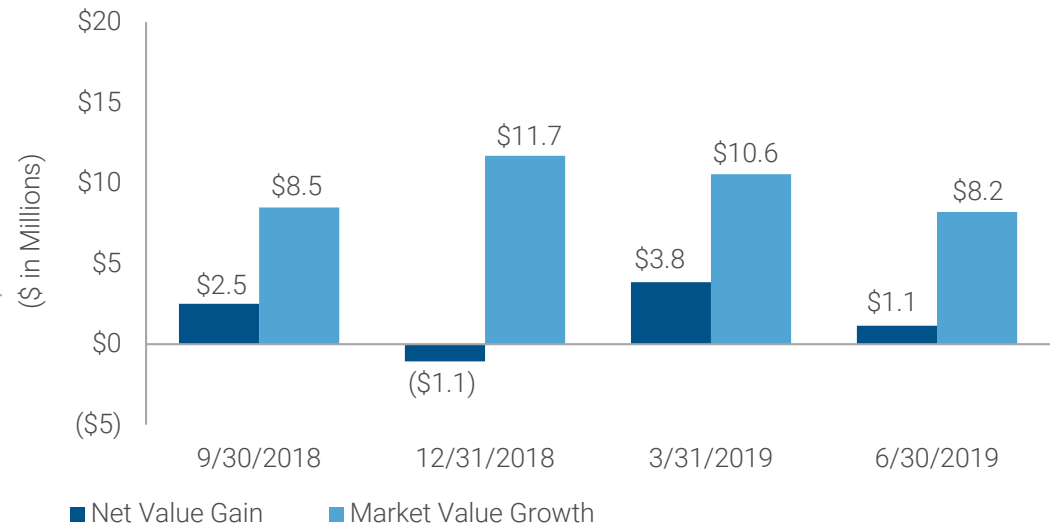
Performance and Value Creation

- Portfolio outperformed SBCERS' public benchmark (CPI-U + 400 bps) by 179 bps since inception
- LTM: achieved positive performance in three of four quarters, generating net value gains of \$6.4M
- Significant market value growth over LTM of \$39.0M

PRR Portfolio Returns



PRR Portfolio Value Created



Portfolio Snapshot

Portfolio Snapshot			
\$ in Million	3/31/2019	6/30/2019	Change
Active Partnerships	23	24	1
Active GP Relationships	15	15	-
Capital Committed ¹	\$293.3	\$308.3	\$15.0
Unfunded Commitment	\$175.0	\$181.8	\$6.8
Capital Contributed	\$128.1	\$136.7	\$8.6
Capital Distributed	\$17.7	\$19.3	\$1.6
Market Value	\$128.1	\$136.4	\$8.2
Total Value Multiple	1.1x	1.1x	-
Since Inception IRR	8.04%	7.52%	(52 bps)
Average Age of Commitments	2.2 years	2.2 years	-

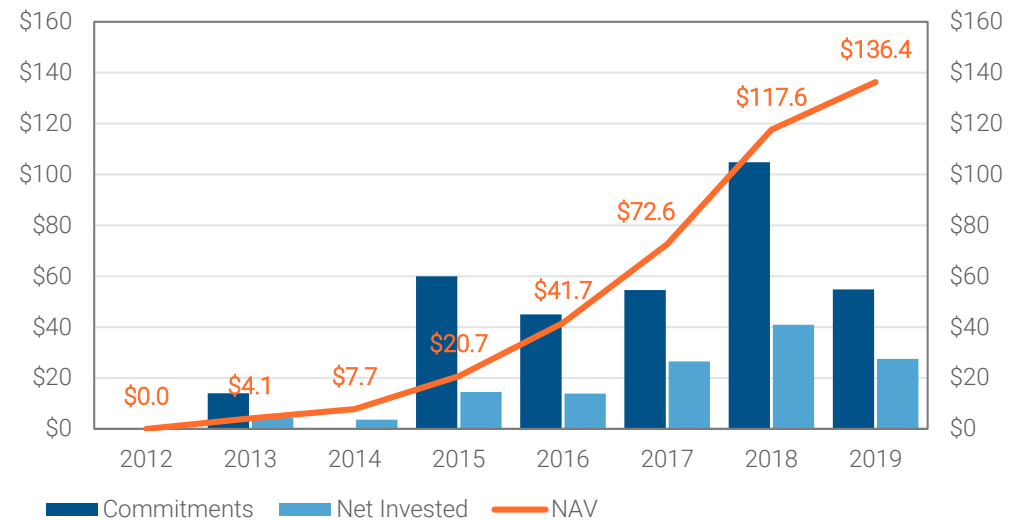
¹ The "change" in the capital committed from 3/31/2019 to 6/30/2019 is due to new commitments made during the year, as well as currency fluctuations from existing foreign partnerships

- Q2 2019: continued growth and value creation
 - Market value up 6% QoQ
 - Total exposure up 5% QoQ
 - Net value gains of \$1.1M
 - Portfolio is young, with an average age of commitments of 2.2 years

- Measured growth towards 10% target allocation
 - PRR allocation as of 6/30/19 is 4.29%, up 102 bps from one year prior
 - NAV is up 6%, or \$8.2M, QoQ

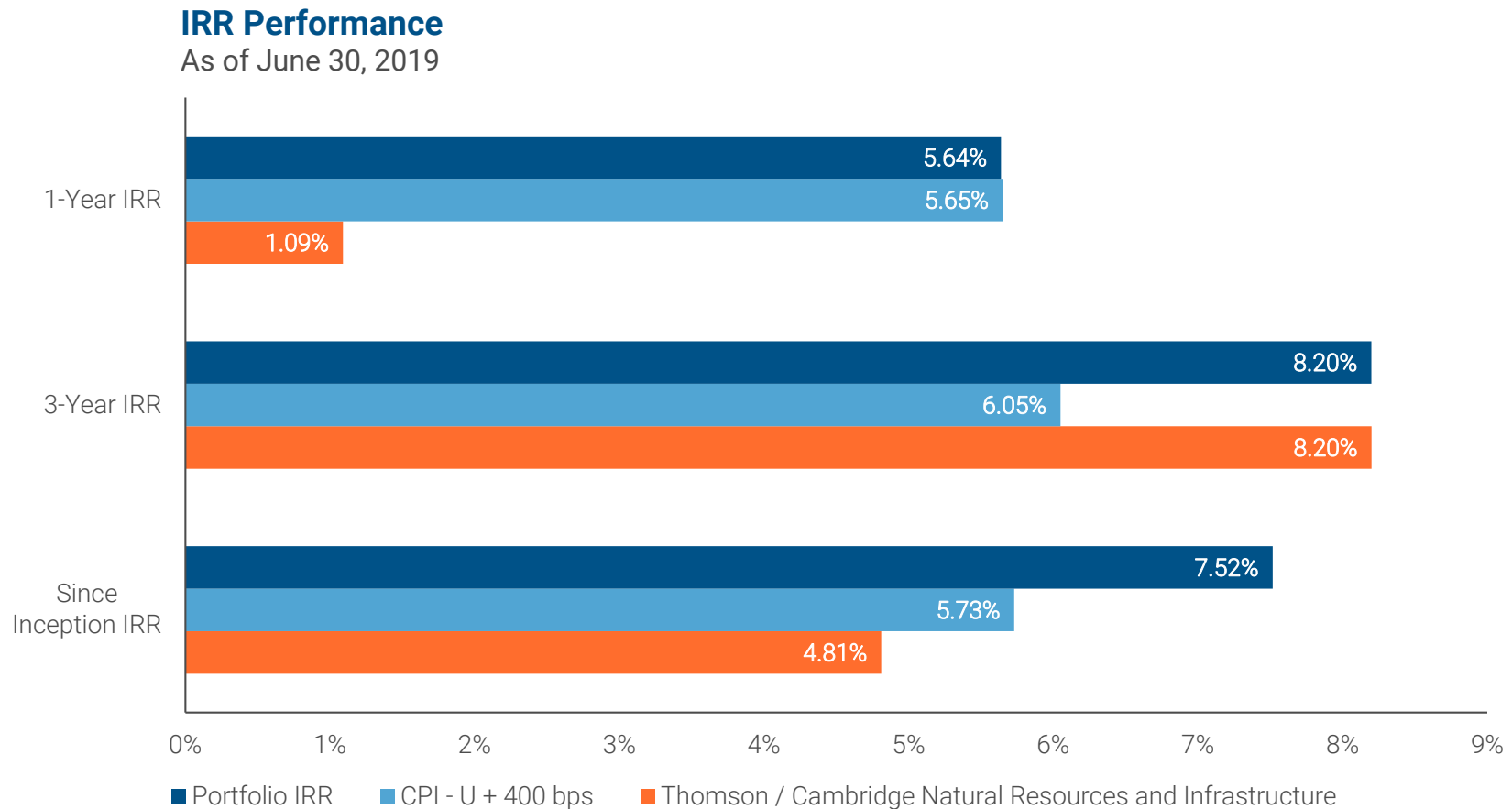
Annual NAV Growth

\$ in Millions



*2019 commitments and net invested as of 9/30, NAV as of 6/30

Performance Summary



- Portfolio outperformed designated public benchmark, the Consumer Price Index – All Urban Consumers (CPI-U), across since inception and 3-year time periods
 - Since inception outperformance of 179 bps
- Since inception, Portfolio outperformed Thomson/Cambridge Natural Resources and Infrastructure benchmark by 271 bps

Commitment Activity

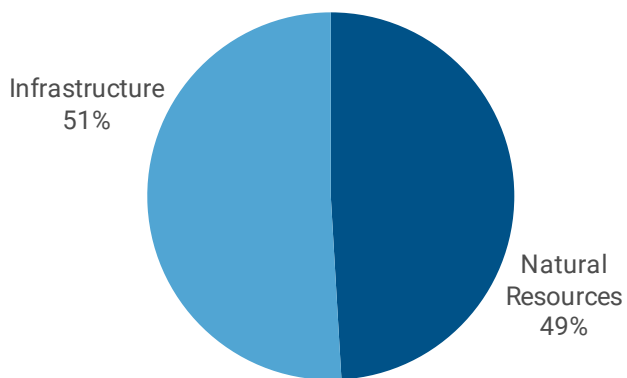
Commitment Activity				
Closing Date	Partnership	Investment Strategy	Geographic Focus	Commitment (\$ mil)
2019 Allocation				
2/1/2019	Global Infrastructure Partners IV, L.P.	Infrastructure	Global	\$15.0
5/10/2019	Brookfield Infrastructure Fund IV, L.P.	Infrastructure	Global	\$15.0
7/16/2019	Asterion Industrial Infra Fund I, FCR	Infrastructure	Western Europe	\$14.8
8/6/2019	Ecosystem Investment Partners IV, L.P.	Natural Resources	North America	\$15.0
12/11/2019	Fund A	Infrastructure	Global	\$20.0
12/13/2019	Fund B	Natural Resources	Global	\$20.0
Total				\$99.8

- On plan to achieve targeted commitments of \$90M-\$110M in 2019
 - Four of six commitments represent new manager relationships
 - Well diversified by strategy and geography

Activity Review

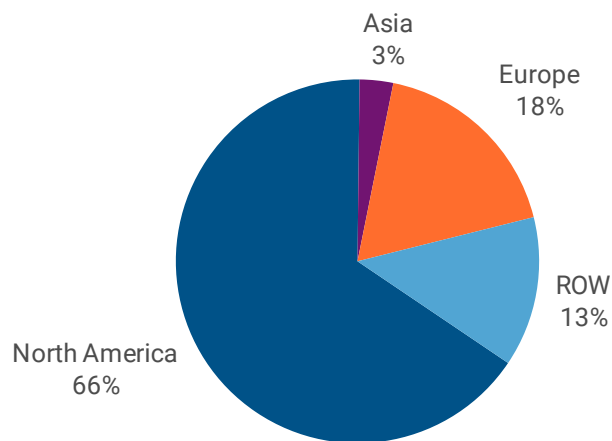
Strategic Diversification by Total Exposure

As of June 30, 2019



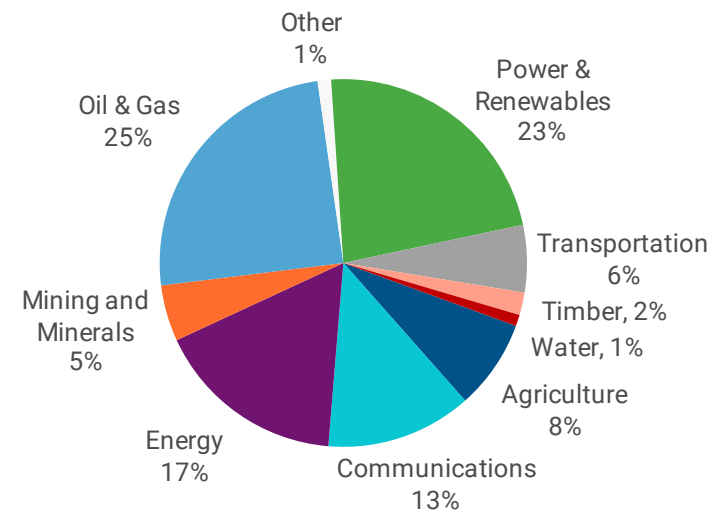
Underlying Investment Diversification by Geography

As of June 30, 2019



Underlying Investment Diversification by Industry

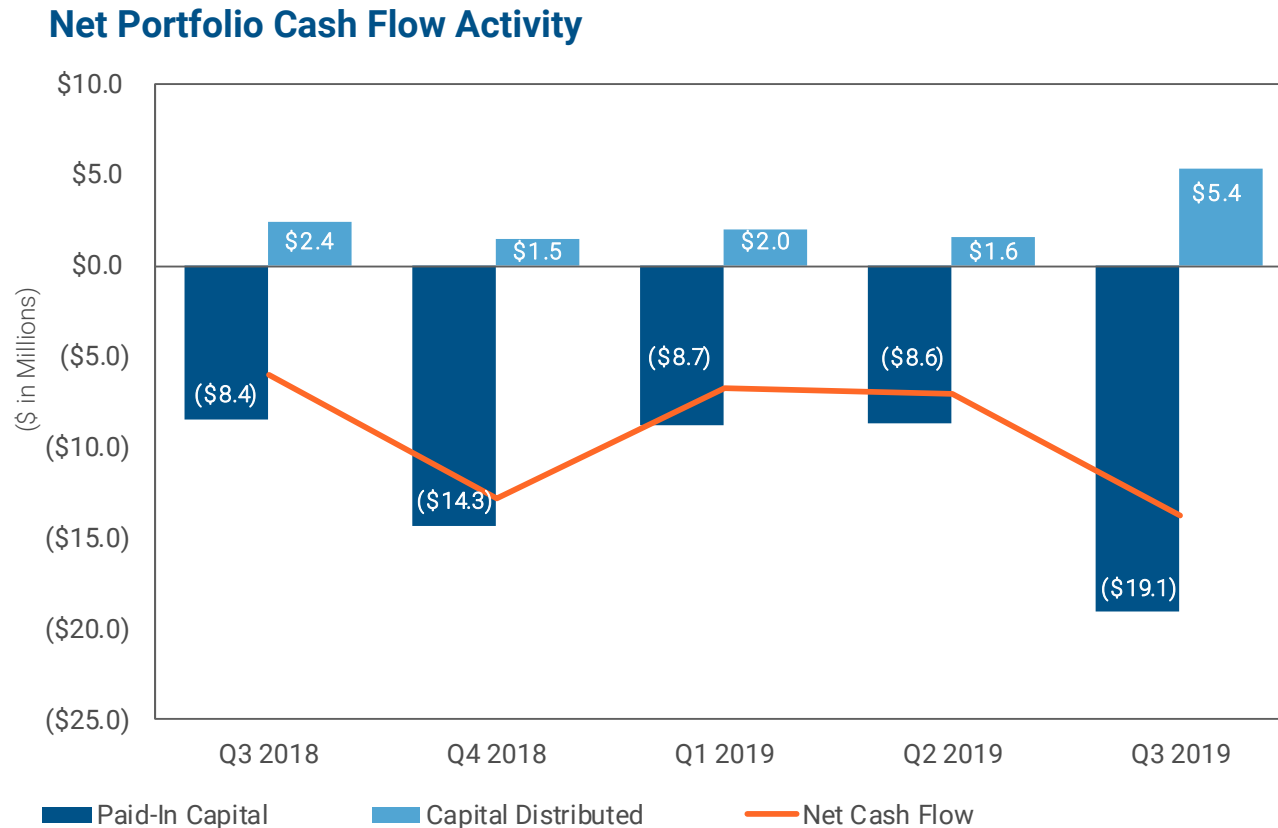
As of June 30, 2019



Portfolio is prudently diversified by strategy, geography and sector

- Geography – North American exposure decreased by 2% QoQ
- Strategy – Infrastructure exposure increased 3% QoQ
- Industry – Oil & Gas exposure decreased 4% QoQ but remains the largest industry exposure

Quarterly Cash Flow Summary



- First three quarters of 2019 – contributions continue to outweigh distributions, as expected in a young portfolio
- Record quarterly distributions of \$5.4M in the third quarter of 2019
 - 15 partnerships distributed capital during the quarter with Actis Energy 3 distributing the most at \$1.9M
- Record quarterly contributions of \$19.1M driven by Asterion Industrial Infra Fund I at \$4.7M



Appendix



Portfolio Summary by Investment

As of June 30, 2019

Investment Name	Vintage Year	Investment Strategy	Capital Committed	Paid-In Capital	Unfunded Commitment	Capital Distributed ¹	Reported Market Value	Net IRR ²	Net Multiple
Actis Energy 3, L.P.	2013	Infrastructure	\$6,000,000	\$5,371,259	\$1,673,726	\$2,556,349	\$4,305,000	9.86%	1.28x
Actis Energy 4, L.P.	2017	Infrastructure	10,000,000	5,265,555	5,504,108	770,183	6,237,000	25.60%	1.33x
Apollo Natural Resources Partners II, L.P.	2015	Natural Resources	15,000,000	10,092,499	5,988,684	3,662,675	8,745,310	14.16%	1.23x
Apollo Natural Resources Partners III, L.P.	2019	Natural Resources	15,000,000	-	15,000,000	-	(157,045)	N/A	N/A
Avenue Energy Opportunities Fund II, L.P.	2017	Natural Resources	15,000,000	15,010,582	-	73,195	14,275,757	(4.08%)	0.96x
Avenue Energy Opportunities Fund, L.P.	2015	Natural Resources	10,000,000	10,127,592	-	1,065,975	11,162,739	5.45%	1.21x
Blackstone Energy Partners III, L.P.	2019	Natural Resources	15,000,000	-	15,000,000	-	-	N/A	N/A
Brookfield Infrastructure Fund III, L.P.	2016	Infrastructure	15,000,000	11,720,984	3,628,761	2,012,100	11,523,886	11.48%	1.15x
Brookfield Infrastructure Fund IV, L.P.	2019	Infrastructure	15,000,000	-	15,000,000	-	(6,266)	N/A	N/A
Digital Colony Partners, L.P.	2018	Infrastructure	15,000,000	1,995,919	13,005,134	3,016	1,628,372	(23.08%)	0.82x
EnCap Energy Capital Fund X, L.P.	2015	Natural Resources	10,000,000	8,426,204	2,209,026	1,640,429	8,533,802	10.39%	1.21x
EnCap Energy Capital Fund XI, L.P.	2017	Natural Resources	15,000,000	2,719,865	12,280,135	-	2,267,512	(19.82%)	0.83x
EQT Infrastructure III, L.P.	2017	Infrastructure	9,321,112	7,772,256	1,574,841	48,730	9,392,914	21.03%	1.21x
EQT Infrastructure IV (No.2) USD SCSP, L.P.	2018	Infrastructure	15,000,000	600,210	14,388,772	-	478,353	(20.30%)	0.80x
Global Infrastructure Partners III, L.P.	2016	Infrastructure	15,000,000	11,905,326	4,095,735	933,560	12,337,733	7.69%	1.11x
Global Infrastructure Partners IV, L.P.	2019	Infrastructure	15,000,000	139,096	15,000,000	-	(6,646)	N/A	N/A
GSO Energy Select Opportunities Fund II, L.P.	2019	Natural Resources	15,000,000	769,869	14,230,131	287	807,203	4.77%	1.05x
GSO Energy Select Opportunities Fund, L.P.	2015	Natural Resources	15,000,000	10,417,621	7,577,420	3,570,869	8,895,194	12.22%	1.20x
Hancock Timberland and Farmland Fund LP	2018	Natural Resources	15,000,000	5,625,600	9,374,400	75,000	5,782,743	3.61%	1.04x
KKR Global Infrastructure Investors II, L.P.	2015	Infrastructure	10,000,000	10,165,409	813,004	1,447,726	11,043,027	11.01%	1.23x
KKR Global Infrastructure Investors III, L.P.	2018	Infrastructure	15,000,000	1,890,887	13,109,113	-	1,681,346	(17.25%)	0.89x
Stonepeak Infrastructure Fund III, L.P.	2018	Infrastructure	15,000,000	5,943,769	9,421,854	367,341	6,210,610	27.59%	1.11x
U.S. Farming Realty Trust II, L.P.	2012	Natural Resources	8,000,000	8,591,133	-	859,299	8,718,006	2.30%	1.11x
Waterton Mining Parallel Fund, L.P.	2016	Natural Resources	5,000,000	2,161,540	2,951,784	196,794	2,494,079	12.80%	1.24x
Total Portfolio			308,321,112	136,713,175	181,826,628	19,283,529	136,350,628	7.52%	1.14x

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 fees is 7.31%

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	September 2019	• N/A
Avenue Capital Group	No	October 2019	• Closed the Milan office
Blackstone Group	No	November 2019	• N/A
Brookfield Asset Management	No	November 2019	• N/A
Digital Colony	No	September 2019	• N/A
Ecosystem Investment Partners	No	September 2019	• N/A
EnCap Investments L.P.	No	September 2019	• N/A
EQT Partners	Yes	October 2019	• Firm IPO'd on the Stockholm Nasdaq in September
Global Infrastructure Partners	No	November 2019	• N/A
GSO Capital Partners LP	Yes	September 2019	• Bennett Goodman will retire at year-end but will remain Chairman of the Board
Hancock Natural Resources Group	No	May 2019	• N/A
International Farming Corporation	No	October 2019	• N/A
Kohlberg, Kravis, Roberts & Co.	No	September 2019	• Continue to grow, 36 investment professionals as of June 2019, up from 27 one year prior
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

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