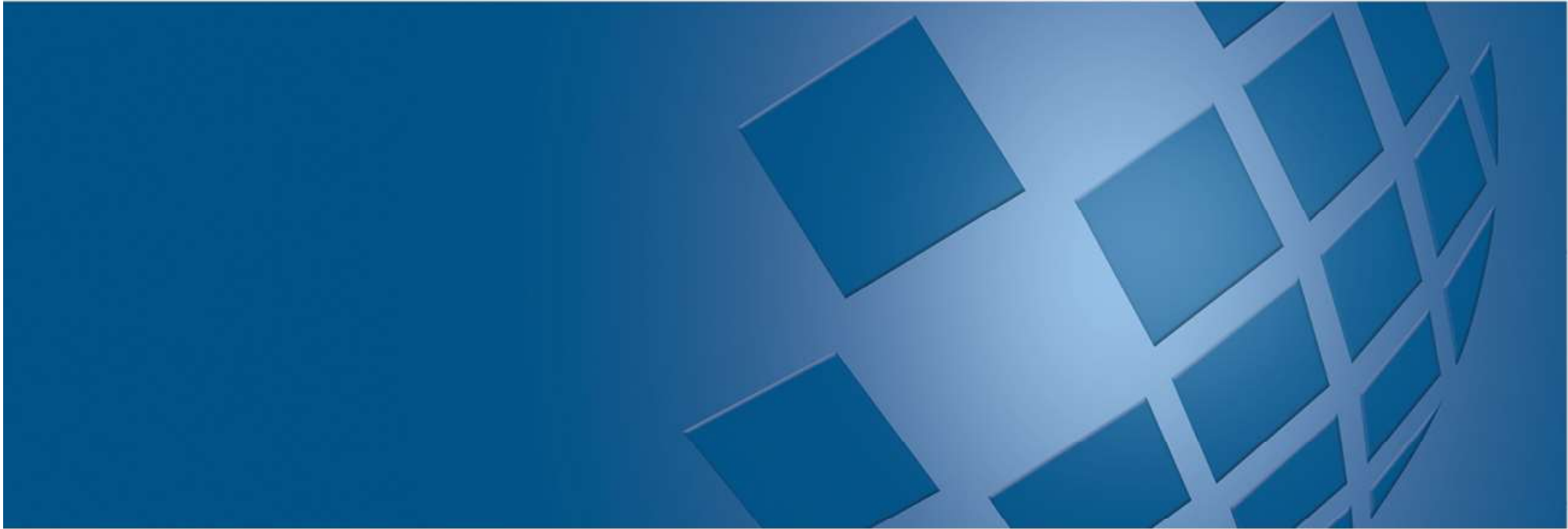




Hamilton Lane®



Santa Barbara County Employees' Retirement System

Second Quarter 2018 Private Real Return (PRR) Performance Update

Agenda

- Q2 Private Real Return Performance 1
- Deal Review 11
- Appendix 14

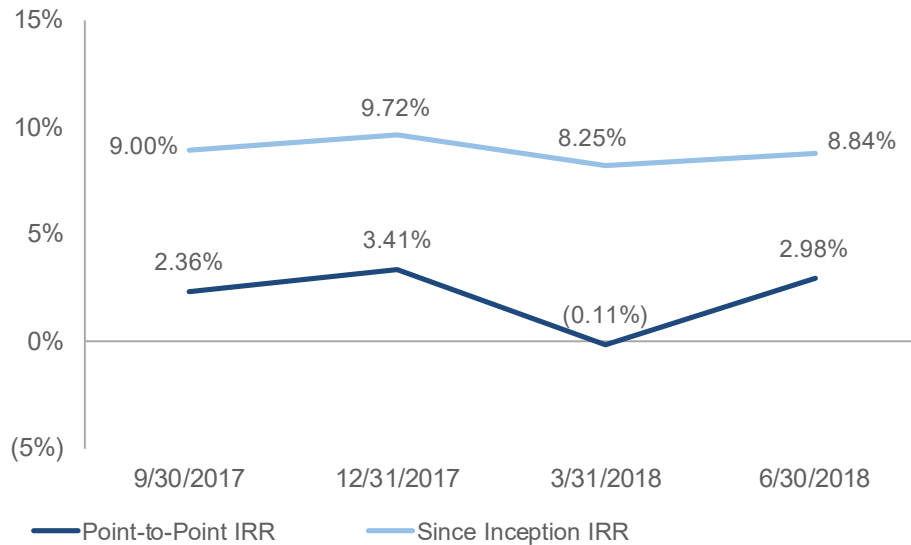


Q2 Private Real Return Performance

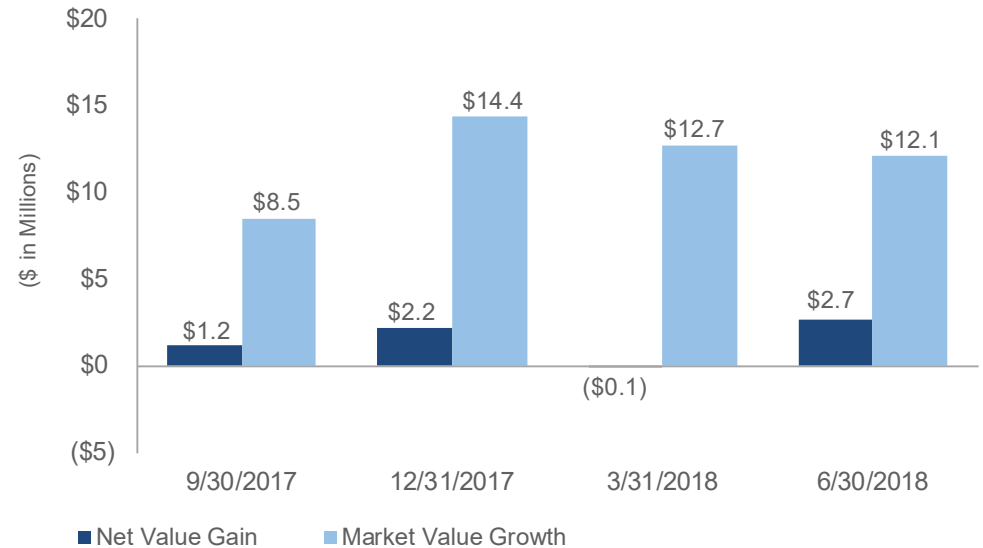
Performance and Value Creation

- Portfolio outperforms the Consumer Price Index – All Urban Consumers (designated public benchmark) across all time periods
 - 319 bps since inception; 423 bps for the 3-year period
- 8.77% point-to-point IRR for the one-year period; \$6.0M in net value gains

PRR Portfolio Returns



PRR Portfolio Value Created



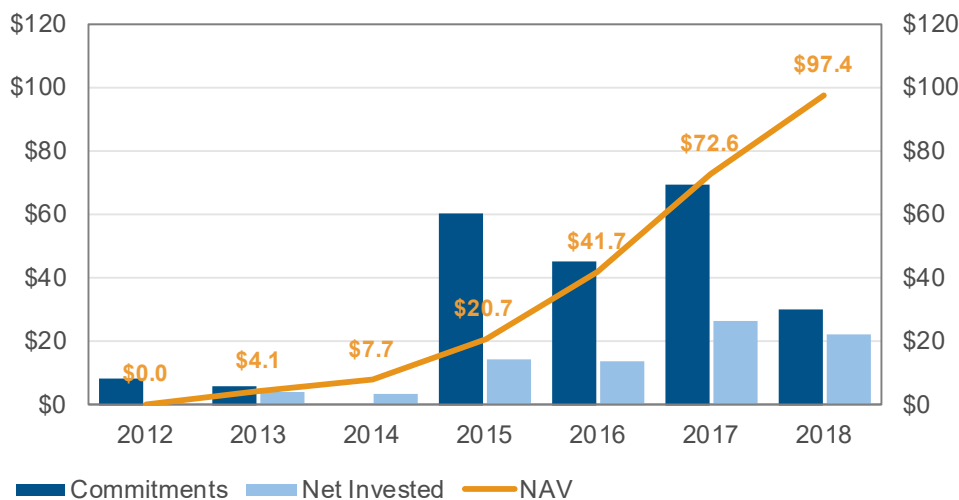
Portfolio Snapshot			
\$ millions	3/31/2018	6/30/2018	Change
Active Partnerships	17	17	-
Active GP Relationships	13	13	-
Capital Committed ¹	\$203.8	\$203.4	(\$0.4)
Unfunded Commitment	\$125.5	\$113.1	(\$12.4)
Capital Contributed	\$83.1	\$96.6	\$13.5
Capital Distributed	\$7.6	\$11.7	\$4.1
Market Value	\$85.3	\$97.4	\$12.1
Total Value Multiple	1.12x	1.13x	0.01x
Since Inception IRR	8.25%	8.84%	59 bps
Avg Age of Commitments	1.7 years	1.9 years	0.2 years

¹The "change" in the capital committed from 3/31/2018 to 6/30/2018 is due to currency fluctuations from existing foreign partnerships

- No new investments closed in the second quarter
- Portfolio continues to mature: distributions increasing
 - Average age at 1.9 years

Annual NAV Growth

\$ in Million



As of June 30, 2018

- Portfolio NAV increased 14% quarter-over-quarter
- Net invested capital on par with commitments through first half of 2018

Top Five Drivers for the Quarter Ending June 30, 2018

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	\$0.7	5.60%	9.83%	1.28x
Avenue Energy Opportunities Fund II, L.P.	Natural Resources	2017	0.7	8.49%	8.48%	1.04x
Global Infrastructure Partners III, L.P.	Infrastructure	2016	0.6	8.08%	3.31%	1.03x
EQT Infrastructure III, L.P.	Infrastructure	2017	0.5	12.43%	25.77%	1.16x
GSO Energy Select Opportunities Fund, L.P.	Natural Resources	2015	0.3	4.03%	18.44%	1.22x
Subtotal			\$2.8	7.03%	11.46%	1.14x

- The top five partnerships accounted for 88% of positive net value gain during the quarter

Bottom Drivers for the Quarter Ending June 30, 2018

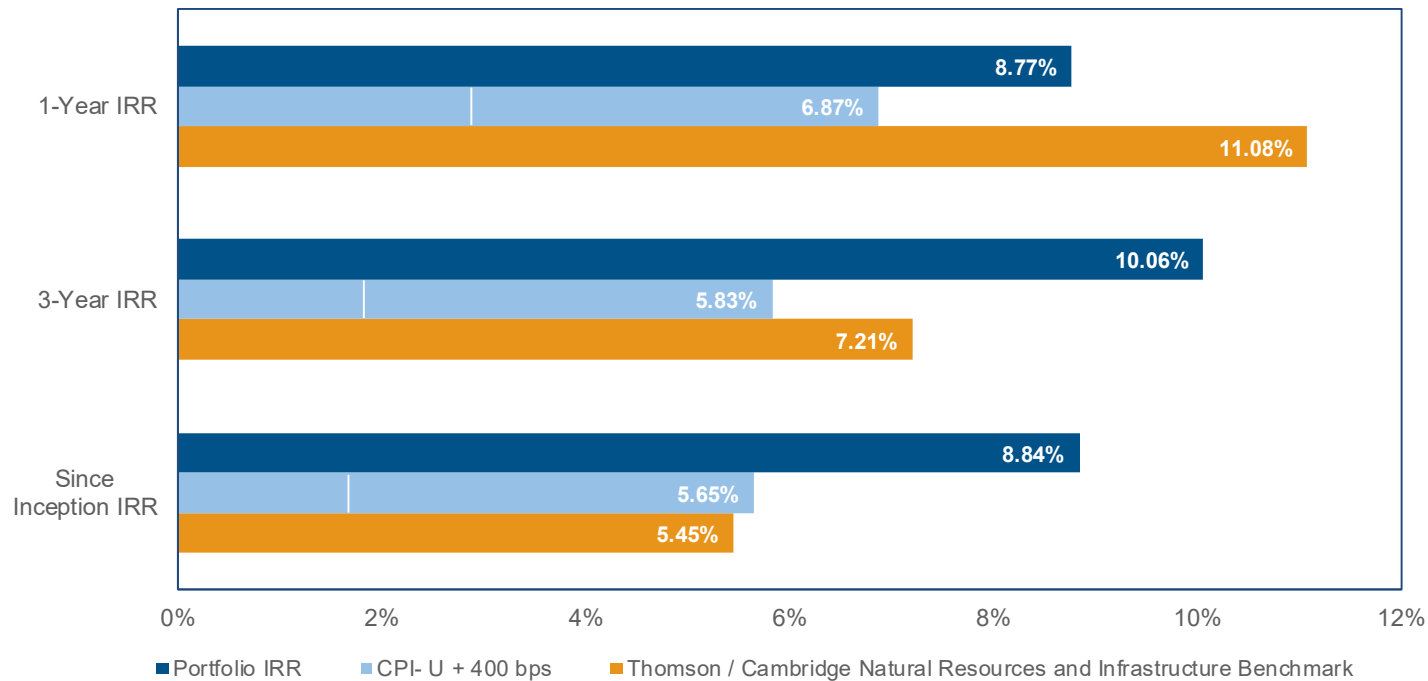
Investment Name	Investment Strategy	Vintage Year	Net Value Change (\$M)	Point to Point IRR	Since Inception IRR	Total Value Multiple
Actis Energy 3, L.P.	Infrastructure	2013	(\$0.2)	(5.06%)	11.10%	1.27x
EnCap Energy Capital Fund XI, L.P.	Natural Resources	2017	(0.1)	(6.40%)	(39.81%)	0.80x
Subtotal			(\$0.3)	(5.27%)	8.79%	1.17x

- The bottom five partnerships accounted for 87% of net value decline during the quarter

Portfolio Summary					
\$ Millions	Quarter Ending				Year Ended
	9/30/2017	12/31/2017	3/31/2018	6/30/2018	6/30/2018
Beginning Market Value	\$49.7	\$58.2	\$72.6	\$85.3	\$49.7
Paid-in Capital	7.4	13.0	13.9	13.5	47.8
Distributions	(0.1)	(0.8)	(1.1)	(4.1)	(6.1)
Net Value Change	1.2	2.2	(0.1)	2.7	6.0
Ending Market Value	\$58.2	\$72.6	\$85.3	\$97.4	\$97.4
Unfunded Commitments	\$106.1	\$108.5	\$125.5	\$113.1	\$113.1
Total Exposure	164.3	181.1	210.8	210.4	210.4
Point-to-Point IRR	2.36%	3.41%	(0.11%)	2.98%	8.77%
Since Inception IRR	9.00%	9.72%	8.25%	8.84%	8.84%

- Three of four quarters with positive performance during the year
 - First quarter performance affected by oil price volatility in energy-focused funds and new partnerships early in j-curve
- Thirteen partnerships generated net value gains of \$6.4M
 - Avenue Energy I and GSO Energy Select I each added over \$1.0M in gains
- Market value increased 96% over the year, as all but one partnership called capital

IRR Performance as of June 30, 2018



*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, Portfolio outperforms Thomson/Cambridge Natural Resources and Infrastructure by 339 bps

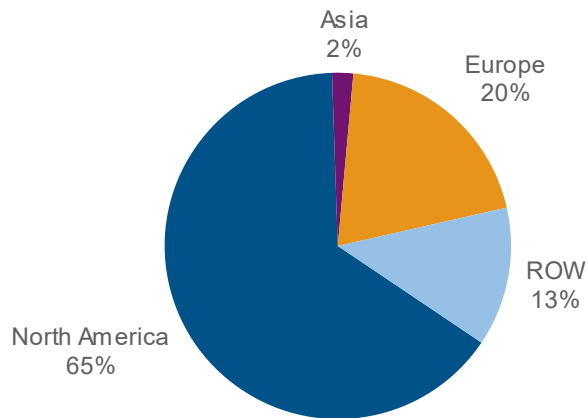
2018 YTD Commitment Activity				
Closing Date	Partnership	Investment Strategy	Geographic Focus	Commitment (\$mil)
3/29/2018	KKR Global Infrastructure Investors III, L.P.*	Infrastructure	Global	\$15.0
7/12/2018	GSO Energy Select Opportunities Fund II, L.P.*	Natural Resources	North America	\$15.0
7/17/2018	Digital Colony Partners, L.P.	Infrastructure	Global	\$15.0
8/17/2018	Blackstone Energy Partners III, L.P.**	Natural Resources	Global	\$15.0
TBD Dec 2018	Fund A*	Infrastructure	Global	\$15.0
TBD Dec 2018	Fund B*	Natural Resources	North America	\$15.0
2018 YTD Total				\$90.0

*Existing manager relationship

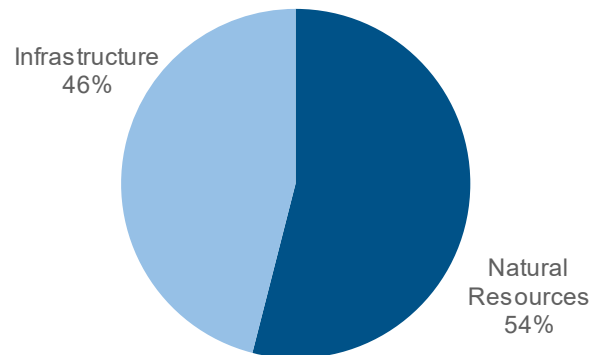
** Existing manager relationship in PE Portfolio

- 2018 allocation: four commitments closed to date in 2018, two pending close in December
 - One new manager, five existing relationships
- Expected commitments of \$90M in middle of target range of \$80-\$100M

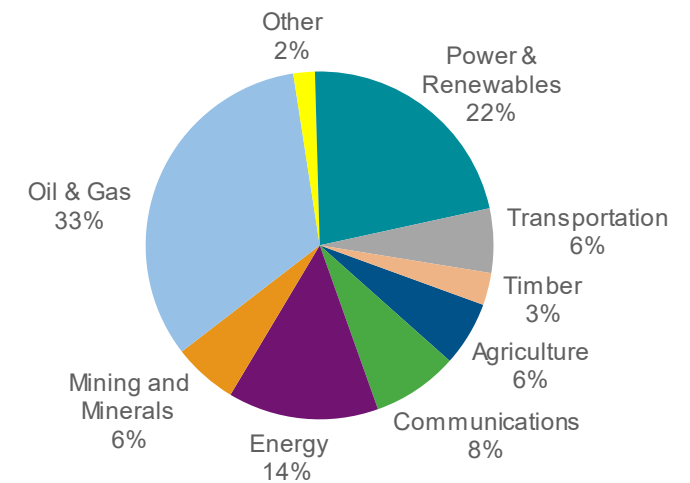
**Underlying Diversification
by Geographic Location
As of June 30, 2018**



**Strategic Diversification
by Total Exposure
As of June 30, 2018**

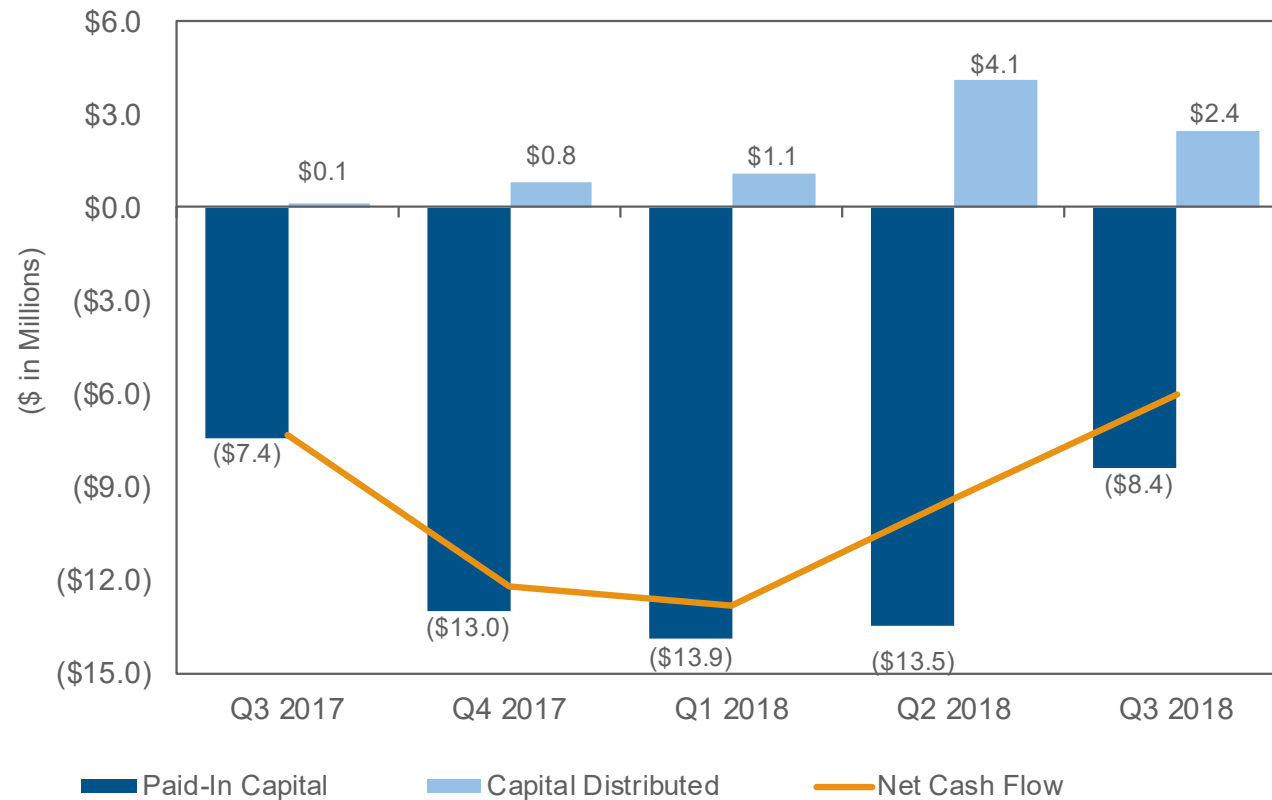


**Underlying Investment Diversification
by Industry
As of June 30, 2018**



- Geography – Europe increased by 4% over the year due to underlying investments
- Strategy – 2% increase to Natural Resources over the quarter
- Industry – Transportation increased by 2% from prior quarter

Net Portfolio Cash Flow Activity



- Paid-in capital activity slows in third quarter, similar to third quarter last year
 - Global Infrastructure Partners III called \$7.1M through first nine months of 2018
- Distribution activity driven by GSO Energy Select I for the quarter and 9-month period
 - The partnership returned \$2.7M related to partial realizations of underlying investments

What Hamilton Lane See's in a Year¹**833**Opportunities
Reviewed**279**

GP Meetings

60Investments
Approved**357**LP Consent
Requests**60,000+²**Transactions
ProcessedWhat Hamilton Lane Did for SBCERS in a Year²**15**

GP Meetings

6New Deals
Closed**3**Amendments
Reviewed**90+**Transactions
Processed**12**Bank
Reconciliations¹ 2017 activity, except where noted² Transactions and amendment numbers are through November 2018



Deal Review

Blackstone Energy Partners III, L.P.

Fund Information	
General Partner:	The Blackstone Group
Fund:	Blackstone Energy Partners III, L.P.
Firm Inception:	1985
Fund Size:	\$4.5 billion
Strategy:	Large Buyout
Geography:	Global
Team:	26 dedicated investment professionals
Senior Partners:	David Foley, Angelo Acconcia, Eric Liaw, Mustafa Siddiqui, JP Munfa and Bilal Khan
Location	New York (Headquarters), London, Hong Kong and 20 other global offices
Industries	Energy
Target Number of Investments	\$100 million to \$600 million

Approach:

- Opportunistically targets mispriced assets across energy sub-sectors, geographies, corporate lifecycle stages and the energy value chain
- Employs a disciplined investment approach, considering valuation as a key factor to minimize capital impairment and ultimately generate attractive returns
- Seeks to obtain control-oriented positions where Blackstone will have a direct role in the determination of capital spending budgets, scaling operations and preparing assets for exit
- Expects its investment size range to be relatively large, between \$100 million and \$1.5 billion per deal

The Blackstone Group - Prior Investment Performance As of 12/31/17								
(\$mm)	Vintage	Fund Size	Capital Drawn	Capital Distributed	NAV	DPI	TVPI	Net IRR
Fund								
Fund I	2011	\$2,438	\$2,325	\$1,110	\$2,287	0.5x	1.5x	13.0%
Fund II	2015	\$4,885	\$2,103	\$20	\$2,239	0.0x	1.1x	9.6%
Total			\$4,427	\$1,130	\$4,526	0.3x	1.3x	12.5%

Key Features:

- Cross-vertical investment strategy enables Blackstone to benefit from synergies derived through the collaboration of strategic portfolio company assets
- Developed significant experience originating joint-ventures with strategic partners to satisfy the industry's high capital requirements
- The Energy team benefits from Blackstone's established brand and long history of successful transactions, which has largely contributed to its position as a partner of choice
- Successfully invested meaningful amounts of capital across energy cycles

On behalf of SBCERS', Hamilton Lane approved a \$15.0 million commitment to Blackstone Energy Partners III, L.P.



Appendix

As of June 30, 2018

Investment Name	Vintage Year	Investment Strategy	Capital Committed	Unfunded Commitment	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	\$859,299	\$8,676,187	2.74%	1.11x
Actis Energy 3, L.P.	2013	Infrastructure	6,000,000	2,194,454	4,850,531	2,556,349	3,594,000	11.10%	1.27x
Apollo Natural Resources Partners II, L.P.	2015	Natural Resources	15,000,000	7,695,706	8,385,259	3,472,068	6,564,098	17.27%	1.20x
Avenue Energy Opportunities Fund, L.P.	2015	Natural Resources	10,000,000	-	10,127,592	65,975	12,853,702	9.83%	1.28x
EnCap Energy Capital Fund X, L.P.	2015	Natural Resources	10,000,000	3,005,380	7,619,612	1,523,231	7,162,508	11.38%	1.14x
GSO Energy Select Opportunities Fund, L.P.	2015	Natural Resources	15,000,000	8,123,193	7,432,718	555,911	8,477,301	18.44%	1.22x
KKR Global Infrastructure Investors II, L.P.	2015	Infrastructure	10,000,000	2,162,146	8,753,855	838,549	9,066,586	10.02%	1.13x
Brookfield Infrastructure Fund III, L.P.	2016	Infrastructure	15,000,000	8,847,848	6,402,471	1,237,603	6,015,364	12.16%	1.13x
Global Infrastructure Partners III, L.P.	2016	Infrastructure	15,000,000	7,359,147	8,354,146	249,601	8,325,859	3.31%	1.03x
Waterton Mining Parallel Fund, L.P.	2016	Natural Resources	5,000,000	3,768,525	1,231,475	-	1,501,024	12.56%	1.22x
Actis Energy 4, L.P.	2017	Infrastructure	10,000,000	7,012,881	2,987,119	520	2,957,000	(1.30%)	0.99x
Avenue Energy Opportunities Fund II, L.P.	2017	Natural Resources	15,000,000	5,250,000	9,750,000	-	10,153,530	8.48%	1.04x
EnCap Energy Capital Fund XI, L.P.	2017	Natural Resources	15,000,000	13,752,512	1,247,488	-	1,000,081	(39.81%)	0.80x
EQT Infrastructure III, L.P.	2017	Infrastructure	9,429,477	5,350,847	4,063,677	-	4,705,296	25.77%	1.16x
Hancock Timberland and Farmland Fund LP	2018	Natural Resources	15,000,000	9,824,400	5,175,600	-	5,174,671	(0.03%)	1.00x
KKR Global Infrastructure Investors III, L.P.	2018	Infrastructure	15,000,000	15,000,000	-	-	-	N/A	N/A
Stonepeak Infrastructure Fund III, L.P.	2018	Infrastructure	15,000,000	13,704,035	1,661,588	366,761	1,170,297	(12.07%)	0.93x
Total Portfolio:			\$203,429,477	\$113,051,074	\$96,634,264	\$11,725,867	\$97,397,505	8.84%	1.13x

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

²The IRR net of Hamilton Lane fee is 8.64%

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 Natural Resources and Infrastructure			
Fund Manager	Significant Events (Yes/No)	Last HL Meeting	Comments
Actis Energy	No	September 2018	• Expects to add six additional junior professionals by the end of 2018
Apollo Management	No	November 2018	• N/A
Avenue Capital Group	No	October 2018	• N/A
Brookfield Asset Management	No	November 2018	• N/A
Digital Colony	No	September 2018	• N/A
EnCap Investments L.P.	No	October 2018	• Promoted four managing directors to partner: James Crain, Kyle Kafka, Brad Thielemann and Mark Welsh • Added Sofia Liaw to IR role
EQT Partners	No	October 2018	• Launch of EQT Infrastructure IV fundraising in Septmeber 2018
Global Infrastructure Partners	No	May 2018	• N/A
GSO Capital Partners LP	No	May 2018	• N/A
Hancock Natural Resources Group	No	October 2017	• N/A
International Farming Corporation	No	November 2018	• N/A
Kohlberg, Kravis, Roberts & Co. (AKA: KKR)	No	November 2018	• N/A
Stonepeak Infrastructure Partners	No	July 2018	• DJ Gribbin joined as a Senior Operating Partner
Waterton Global Resources Management, Inc	No	February 2018	• N/A

*N/A represents no material update

Santa Barbara County Employees' Retirement System - Placement Agent Disclosures for 2018				
External Manager	Fund	Placement Agent(s) Disclosed	Placement Agent(s) Compensation	Material Violations?
Kohlberg Kravis Roberts & Co.	KKR Global Infrastructure Investors III, L.P.	N/A	N/A	No
GSO Capital Partners	GSO Energy Select Opportunities Fund II, L.P.	N/A	N/A	No
Digital Colony Partners	Digital Colony Partners, L.P.	N/A	N/A	No
Blackstone Energy	Blackstone Energy Partners III, L.P.	N/A	N/A	No

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