



Hamilton Lane®

Santa Barbara County Employees' Retirement System

Third Quarter 2018 Private Real Return (PRR) Performance Update

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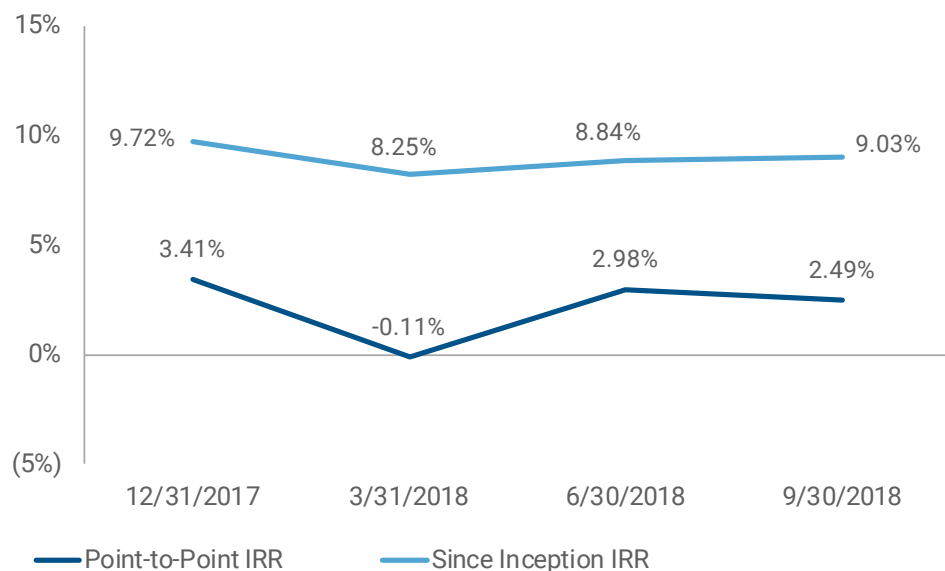
Q3 Private Real Return Performance

PRR Portfolio Highlights - September 30, 2018

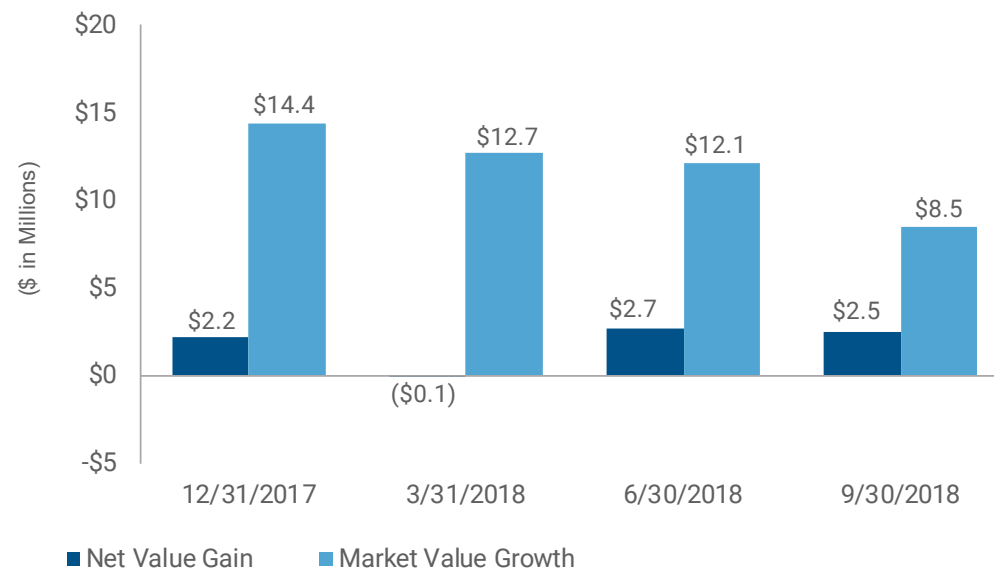
Young portfolio with solid performance and value creation

- Strong since inception performance
 - Generated 343 bps premium above SBCERS' public benchmark (CPI-U + 400 bps)
- Produced IRR of 9.05% for one-year period with \$7.3M in net value gains
- Significant market value growth over LTM of \$47.7M

PE Portfolio Returns



PE Portfolio Value Created



Portfolio Snapshot

Portfolio Snapshot			
\$ in Million	6/30/2018	9/30/2018	Change
Active Partnerships	17	20	3
Active GP Relationships	13	15	2
Capital Committed ¹	\$203.4	\$248.4	\$45.0
Unfunded Commitment	\$113.1	\$151.9	\$38.8
Capital Contributed	\$96.6	\$105.1	\$8.4
Capital Distributed	\$11.7	\$14.2	\$2.4
Market Value	\$97.4	\$105.9	\$8.5
Total Value Multiple	1.13x	1.14x	0.01x
Since Inception IRR	8.84%	9.03%	19 bps
Active Avg Age of Commitments	1.9 years	2.0 years	0.1 years

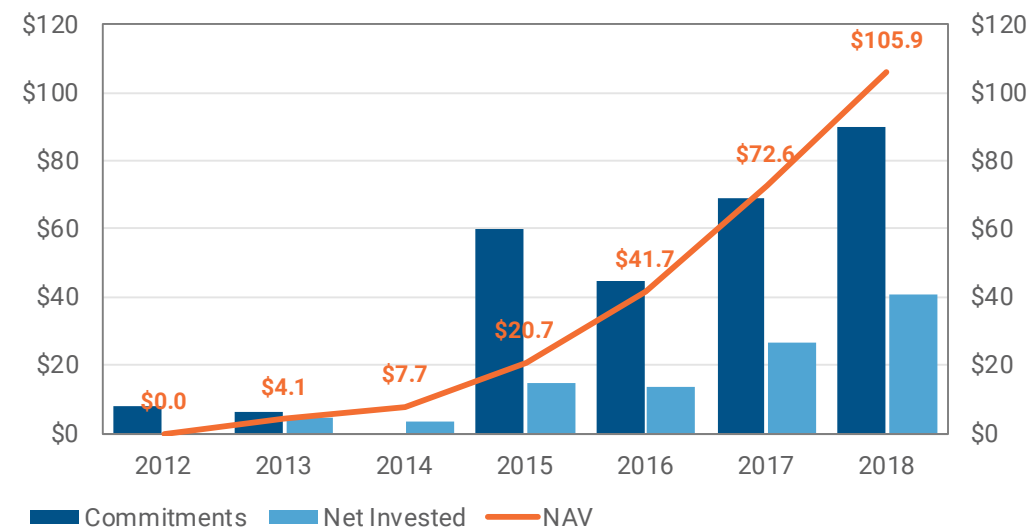
¹ The "change" in the capital committed from 6/30/2018 to 9/30/2018 is due to three new commitments made during the quarter

- Q3 2018: continued growth and value creation
 - Market value up 9% QoQ
 - Total exposure up 23% QoQ
 - Since inception IRR up 19 bps QoQ
- Portfolio still young – average age of commitments 2.0 years

- Measured growth towards 9% target allocation
 - 9/30/18 NAV is up 46%, or \$33.3M, from year-end
 - PRR allocation as of 9/30/18 is 3.5%, up 145 bps from prior year

Annual NAV Growth

\$ in Million



Top Five Portfolio Drivers

Top Five Drivers for the Quarter Ending September 30, 2018

Investment Name	Investment Strategy	Vintage Year	Net Value Change (\$M)	Point to Point IRR	Since Inception IRR	Total Value Multiple
Global Infrastructure Partners III, L.P.	Infrastructure	2016	\$0.8	8.30%	11.34%	1.10x
Avenue Energy Opportunities Fund II, L.P.	Natural Resources	2017	0.7	7.24%	18.74%	1.12x
Avenue Energy Opportunities Fund, L.P.	Natural Resources	2015	0.5	3.98%	10.42%	1.33x
KKR Global Infrastructure Investors II, L.P.	Infrastructure	2015	0.4	4.52%	11.32%	1.18x
Apollo Natural Resources Partners II, L.P.	Natural Resources	2015	0.3	4.57%	17.52%	1.22x
Subtotal			\$2.7	5.73%	12.46%	1.19x

- Top five partnerships accounted for 88% of positive net value gain during the quarter
- Top positive drivers diversified among infrastructure and natural resources strategies

Bottom Five Drivers for the Quarter Ending September 30, 2018

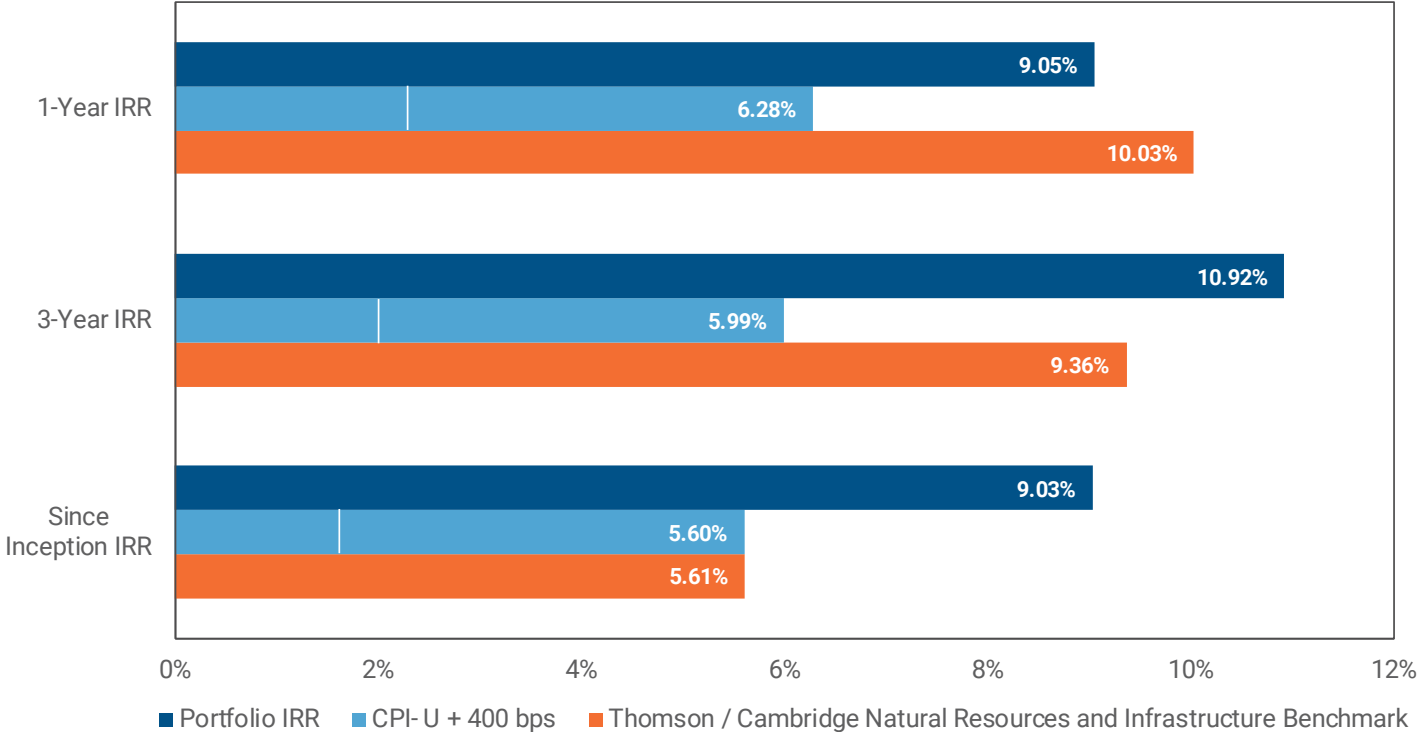
Investment Name	Investment Strategy	Vintage Year	Net Value Change (\$M)	Point to Point IRR	Since Inception IRR	Total Value Multiple
Digital Colony Partners, L.P.	Infrastructure	2018	(\$0.2)	N/A	(27.46%)	0.73x
Actis Energy 3, L.P.	Infrastructure	2013	(0.1)	(3.67%)	9.47%	1.24x
Brookfield Infrastructure Fund III, L.P.	Infrastructure	2016	(0.1)	(1.55%)	8.96%	1.09x
EQT Infrastructure III, L.P.	Infrastructure	2017	(0.1)	(1.36%)	19.82%	1.14x
Hancock Timberland and Farmland Fund LP	Natural Resources	2018	(0.1)	(1.12%)	(1.58%)	0.99x
Subtotal			(\$0.6)	(2.77%)	8.67%	1.10x

- Bottom five partnerships accounted for 79% of net value decline in the third quarter
- Digital Colony Partners' value decrease due to fees and expenses as its 3 underlying investments are held at cost

Performance Summary

IRR Performance

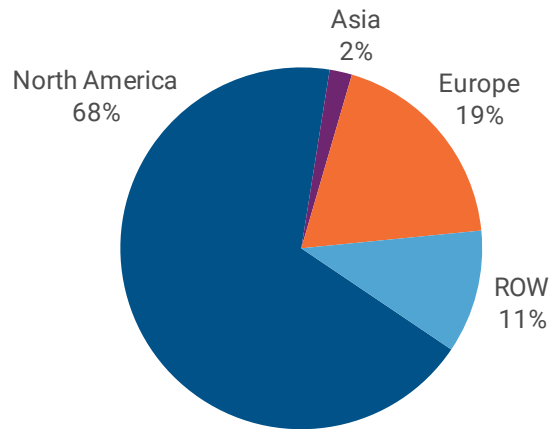
As of September 30, 2018



- Portfolio outperformed designated public benchmark, the Consumer Price Index – All Urban Consumers (CPI-U), across all time periods
 - Since inception outperformance of 343 bps
- Since inception, Portfolio outperformed Thomson/Cambridge Natural Resources and Infrastructure benchmark by 342 bps

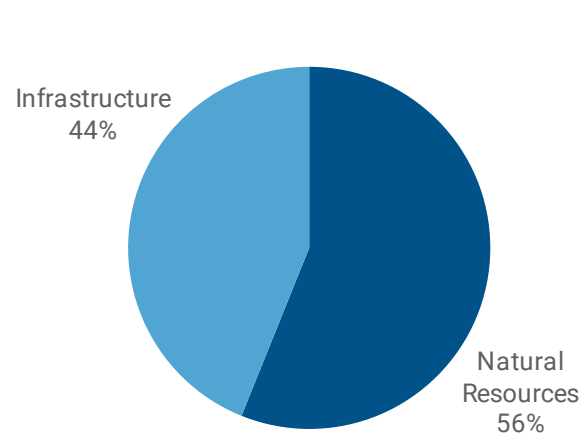
Underlying Diversification by Geographic Location

As of September 30, 2018



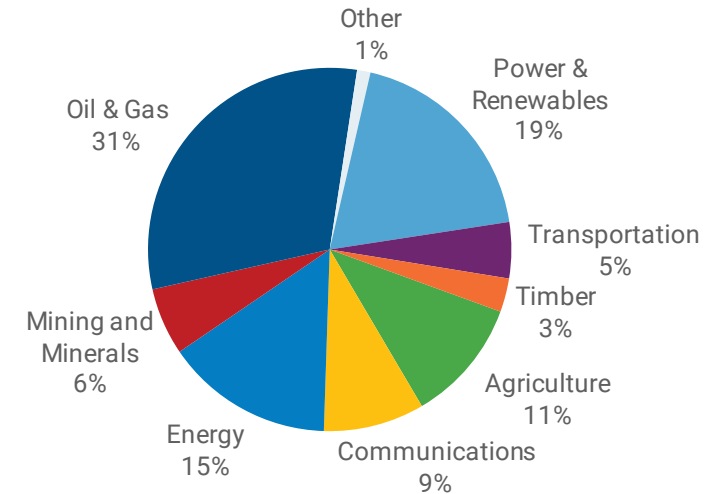
Strategic Diversification by Total Exposure

As of September 30, 2018



Underlying Investment Diversification by Industry

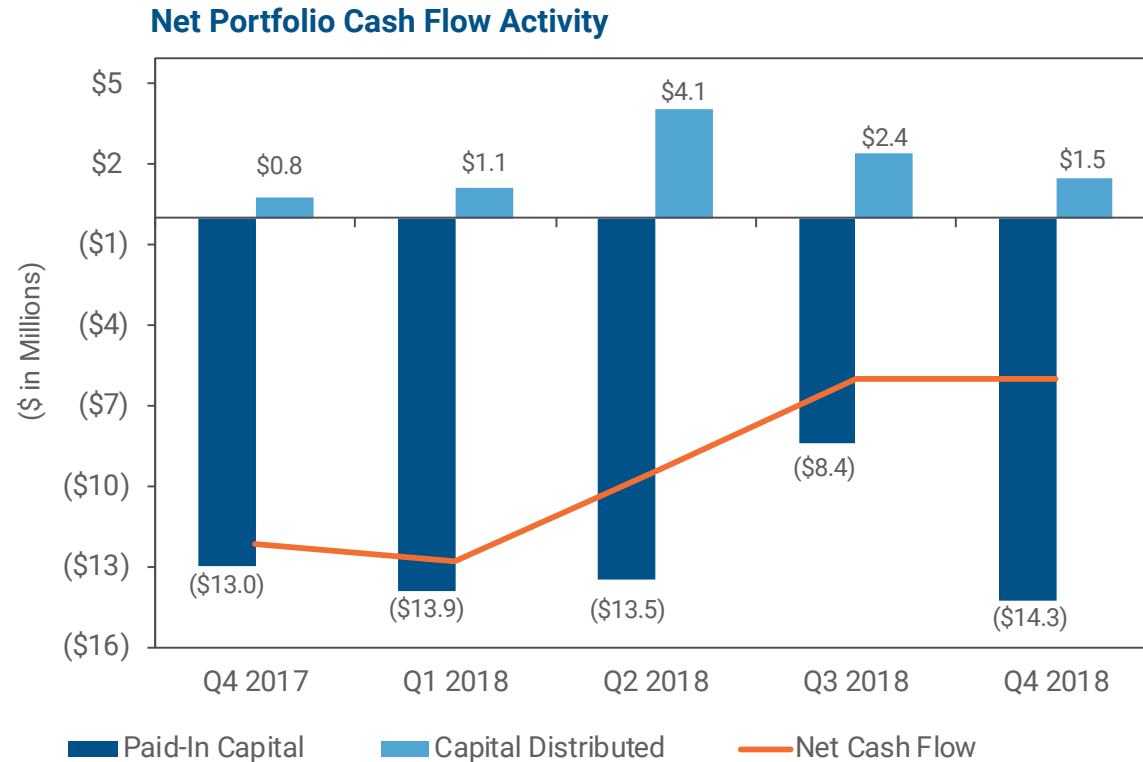
As of September 30, 2018



Portfolio is prudently diversified by strategy, geography and sector

- Geography – North America increased by 3% QoQ
- Strategy – Natural Resources exposure increased 2% QoQ
- Industry – Agriculture increased 4% QoQ

Quarterly Cash Flow Summary



- Contributions of \$50.1M outpaced distributions of \$9.2M in 2018, as expected in a young portfolio
- Paid-in capital activity consistent in four of last five quarters
- Record quarterly distributions of \$4.1M in the second quarter of 2018
 - Actis Energy 3 returned \$2.5M related to realization of underlying portfolio company



Deal Reviews

Apollo Natural Resources Partners III, L.P.
EQT Infrastructure IV, L.P.

Apollo Natural Resources Partners III, L.P.

Fund Information	
General Partner:	Apollo Global Management, LLC ("Apollo")
Fund:	Apollo Natural Resources Partners III, L.P.
Firm Inception:	1990
Fund Size:	\$4.0 billion
Strategy:	Natural Resources
Geography:	North America
Team:	22 natural resources professionals, 102 private equity investment professionals
Senior Partners:	Leon Black, Joshua Harris, Marc Rowan, Scott Kleinman, James Zelter, Greg Beard, Geoff Strong, Gareth Turner and Rakesh Wilson
Location	New York (headquarters), Los Angeles, Houston, London, Hong Kong, Singapore, Mumbai and 6 additional global offices
Industries:	Energy, metals & mining and agriculture
Equity Investments:	\$50 million to \$500 million

Approach

- Pursues opportunities across natural resource segments and sub-sectors, investing in upstream, midstream, downstream and related service sectors
- Targets opportunities across energy, metals & mining and agriculture-services segments
- Expects a majority of investments will be located within the U.S., while also targeting Western Europe and Asia
- Ability to invest through equity, distressed debt, and convertible debt securities, as well as through interests and / or rights
- Seeks to pursue control-oriented investments

Apollo Natural Resources Partners III, L.P.

Apollo Global Management, LLC 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	2011	\$1,323	\$994	\$665	\$669	0.7x	1.3x	8.1%
Fund II	2015	3,454	1,373	234	1,533	0.2x	1.3x	23.3%
Total			\$2,367	\$899	\$2,201	0.4x	1.3x	12.0%

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 natural resources investment team, senior members have more than 24 years of relevant experience on average
- Ability to leverage broader Apollo platform
- Top quartile performance for Fund II, positive performance in Fund I despite difficult vintage for energy
- Significant exit activity expected near-term in the unrealized portfolio
- Consistent capital deployment with opportunistic realizations across prior funds

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

Fund Information	
General Partner:	EQT Partners AB ("EQT")
Fund:	EQT Infrastructure IV, L.P.
Firm Inception:	1994 (real assets strategy in 2007)
Fund Size:	€7.5 billion
Strategy:	Infrastructure
Geography:	Global
Team:	52 investment professionals
Senior Partners:	Konni Jonsson, Thomas von Koch, Lennart Blecher, Andreas Huber, Masoud Homayoun, Stefan Glevén
Location	London, Copenhagen, Helsinki, Oslo, Stockholm, Madrid, Munich, Zurich, Amsterdam, Luxembourg, Singapore, Hong Kong, Shanghai and New York
Industries:	Diversified
Equity Investments:	€100 million to €600 million

Approach

- Targets investments in transport & logistics, energy, environment, social and telecommunications
- Primarily invests throughout Continental Europe and North America, may opportunistically invest in Asia Pacific
- Targets control or co-control investments in portfolio companies
- Seeks to strategically reposition assets, buying infrastructure businesses that benefit from a private equity-like operational approach and selling to groups with lower costs of capital

EQT Partners AB Prior Investment Performance as of June 30, 2018 ^{1,2}						
\$M Fund	Vintage	Fund Size	% Drawn	DPI	TVPI	Net IRR
Fund I	2008	€ 1,167	94.8%	1.7x	1.9x	17.0%
Fund II	2012	1,938	79.0%	0.6x	1.6x	21.9%
Fund III	2016	4,041	42.8%	0.0x	1.2x	28.9%
Total				0.7x	1.5x	19.4%

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

² Due to different approaches to the IRR calculation, the General Partner reports a net IRR of 45.3% for Fund III

Key Features

- Longstanding investor with a strong brand in key markets
- Leverages its network of Industrial Advisors for sourcing, due diligence, and post-investment value creation
- Top-quartile returns generated across prior funds
- Large, unrealized portfolio performing well to-date

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



Appendix



Portfolio Summary

As of September 30, 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	\$8,721,995	2.70%	1.12x
Actis Energy 3, L.P.	2013	Infrastructure	6,000,000	4,850,531	\$2,194,454	2,556,349	3,462,000	9.47%	1.24x
Apollo Natural Resources Partners II, L.P.	2015	Natural Resources	15,000,000	8,965,420	7,115,545	3,488,936	7,433,688	17.52%	1.22x
Avenue Energy Opportunities Fund, L.P.	2015	Natural Resources	10,000,000	10,127,592	-	65,975	13,365,846	10.42%	1.33x
EnCap Energy Capital Fund X, L.P.	2015	Natural Resources	10,000,000	8,006,418	2,618,573	1,523,231	7,634,399	10.41%	1.14x
GSO Energy Select Opportunities Fund, L.P.	2015	Natural Resources	15,000,000	9,705,404	8,057,282	2,727,546	8,710,536	16.25%	1.18x
KKR Global Infrastructure Investors II, L.P.	2015	Infrastructure	10,000,000	8,753,855	2,162,146	852,041	9,462,975	11.32%	1.18x
Brookfield Infrastructure Fund III, L.P.	2016	Infrastructure	15,000,000	8,110,508	7,139,811	1,350,634	7,513,409	8.96%	1.09x
Global Infrastructure Partners III, L.P.	2016	Infrastructure	15,000,000	11,090,176	4,700,237	252,624	11,902,598	11.34%	1.10x
Waterton Mining Parallel Fund, L.P.	2016	Natural Resources	5,000,000	1,459,169	3,585,189	44,358	1,664,606	9.96%	1.17x
Actis Energy 4, L.P.	2017	Infrastructure	10,000,000	2,987,119	7,012,881	520	3,093,000	3.52%	1.04x
Avenue Energy Opportunities Fund II, L.P.	2017	Natural Resources	15,000,000	9,303,100	5,707,482	73,195	10,363,606	18.74%	1.12x
EnCap Energy Capital Fund XI, L.P.	2017	Natural Resources	15,000,000	1,386,903	13,613,097	-	1,083,198	(33.78%)	0.78x
EQT Infrastructure III, L.P.	2017	Infrastructure	9,393,542	4,081,378	5,292,487	-	4,658,738	19.82%	1.14x
Hancock Timberland and Farmland Fund LP	2018	Natural Resources	15,000,000	5,175,600	9,824,400	-	5,116,831	(1.58%)	0.99x
KKR Global Infrastructure Investors III, L.P.	2018	Infrastructure	15,000,000	-	15,000,000	-	(51,918)	N/A	N/A
Stonepeak Infrastructure Fund III, L.P.	2018	Infrastructure	15,000,000	1,726,415	13,639,208	366,982	1,218,044	(12.18%)	0.92x
GSO Energy Select Opportunities Fund II, L.P.	2018	Natural Resources	15,000,000	-	15,000,000	-	-	N/A	N/A
Digital Colony Partners, L.P.	2018	Infrastructure	15,000,000	734,442	14,265,558	-	532,741	(27.46%)	0.73x
Blackstone Energy Partners III, L.P.	2018	Natural Resources	15,000,000	-	15,000,000	-	-	N/A	N/A
Total³			\$248,393,542	\$105,055,163	\$151,928,350	\$14,161,691	\$105,886,293	9.03%	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 fee is 8.86%.

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	September 2018	• N/A
Apollo Management	No	November 2018	• N/A
Avenue Capital Group	No	January 2019	• N/A
Brookfield Asset Management	No	February 2019	• N/A
Digital Colony	No	December 2018	• N/A
EnCap Investments L.P.	No	October 2018	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Promoted six Directors to Managing Director in January 2019; Brian Chang (Mid-Market, Singapore), Victor Englessen (Mid-Market, Stockholm), Stephen Escudier (Credit, New York), Carl Johan Renström (Equity, Stockholm), Magnus Tornling (Equity, Oslo), and Matthias Wittkowski (Equity, Munich)
Global Infrastructure Partners	No	November 2018	• N/A
GSO Capital Partners LP	No	January 2019	• N/A
Hancock Natural Resources Group	No	October 2017	• N/A
International Farming Corporation	No	May 2015	• N/A
Kohlberg, Kravis, Roberts & Co. (AKA: KKR)	No	November 2018	• N/A
Stonepeak Infrastructure Partners	No	October 2018	• N/A
Waterton Global Resources Management, Inc	No	November 2018	• N/A

*N/A represents no material update

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
EQT	EQT Infrastructure IV, L.P.	N/A	N/A	No
Apollo	Apollo Natural Resources III, L.P.	Stephanie Drescher, Heather Berger, Danielle Thorsen, Zachary Weiss	Annual salary, bonus, and/or related or similar compensation	No

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