



Santa Barbara County Employees' Retirement System

2025 Private Real Return Strategic Plan



OUR MISSION & VALUES

We enrich lives & safeguard futures



Do the right thing



Integrity, candor
and collaboration



The pursuit
of excellence



A spirit of competition
that inspires innovation



Promoting equity and
inclusion from within



Table of Contents

1. Program Review
2. Portfolio Snapshot and Performance Summary
3. Strategic Plan
4. Appendix

Program Review

PRR Portfolio Goals and Objectives

SBCERS' Private Real Return ("PRR") Investment Policy has outlined the following:

Goal

To provide investment returns commensurate with the Program's targets through participation in Private Real Return investment opportunities. To reach a target allocation of 9% of total plan assets.

Objectives

In addition, the Portfolio is focused on the following objectives:

- Preserve investment capital
- Provide diversification to SBCERS' overall investment program
- Provide a hedge against inflation
- Provide cash yield as a component of the overall investment return

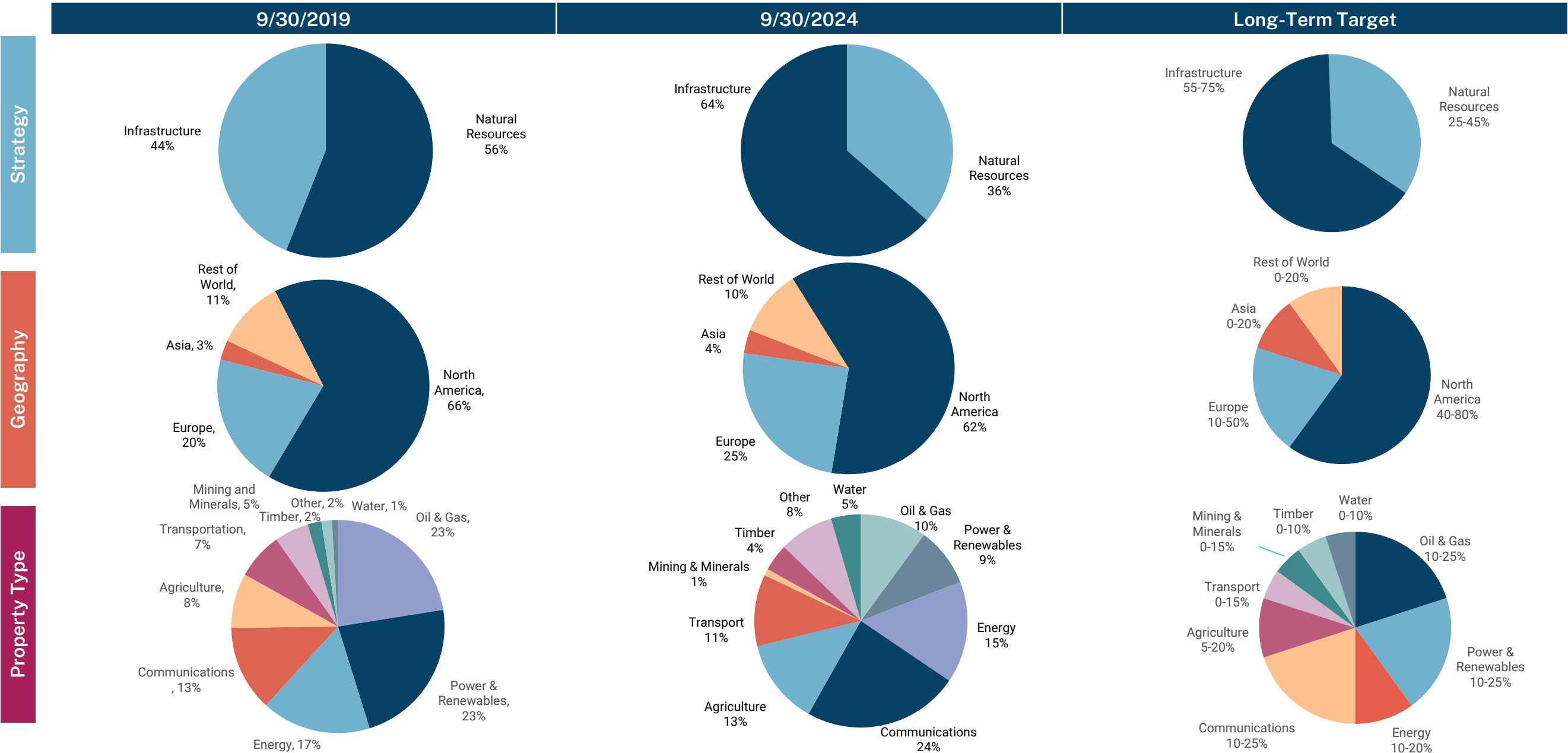
Benchmark:

- Achieve total returns that meet Portfolio's benchmark, Consumer Price Index-All Urban Consumers (CPI-U) plus 4%

Investment Limitations as a % of Target Allocation:

- One manager – 25% maximum ⇒ One manager at 7.1%
- One co-investment – 10% maximum; total co-investments ⇒ 40% maximum ⇒ One co-investment fund ⇒ 0.19% of total exposure

Strategically Building the Portfolio



Note: Diversification by Strategy is calculated using Total Exposure (Market Value + Unfunded Commitment). Diversification by Geography and Industry is calculated using Exposed Market Value. Exposed Market Value is LP's share of Market Value at the Portfolio Holding Level.

Portfolio Snapshot and Performance Summary

Portfolio Snapshot

Total Portfolio Snapshot			
(USD in Millions)	9/30/2023	9/30/2024	Change
Active Partnerships	54	59	5
Active GP Relationships	30	30	-
Capital Committed	\$725.7	\$775.3	\$49.6
Unfunded Commitment	\$251.3	\$254.0	\$2.7
Paid-In Capital	\$535.6	\$598.4	\$62.7
Capital Distributed	\$238.2	\$294.3	\$56.1
D/PI Ratio	0.4x	0.5x	0.1x
Market Value	\$481.3	\$535.5	\$54.2
Total Exposure	\$743.4	\$789.5	\$56.1
Since Inception Performance			
Portfolio Net IRR ¹	12.34%	11.84%	(50 bps)
Total Value Multiple (TVPI)	1.3x	1.4x	0.1x

- Active partnerships increased by five over the one-year period ended September 30, 2024
- Since inception IRR decreased 50 bps year-over-year

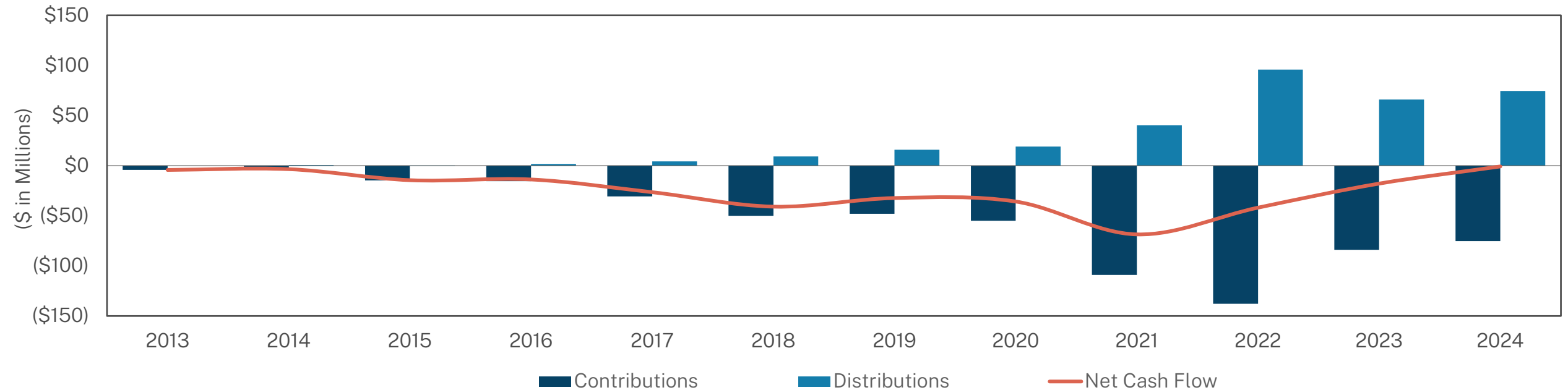
Portfolio Annual Performance Summary		
(USD in Millions)	9/30/2023	9/30/2024
Beginning Market Value	\$407.2	\$481.3
Paid-In Capital	\$110.6	\$62.7
Capital Distributed	\$83.5	\$56.1
Unrealized Gain/Loss	\$47.0	\$47.6
Ending Market Value	\$481.3	\$535.5
Performance Metrics		
Point-to-Point IRR	11.15%	9.73%
Total Value Multiple	1.3x	1.4x

- Strong net value gains of \$47.6M during the one-year period
 - All four quarters generated gains during this period
- Market value increased 10% over the year as a result of significant unrealized appreciation and new investments

¹ Portfolio Net IRR, net of General Partner fees and gross of Hamilton Lane fees

Activity Review

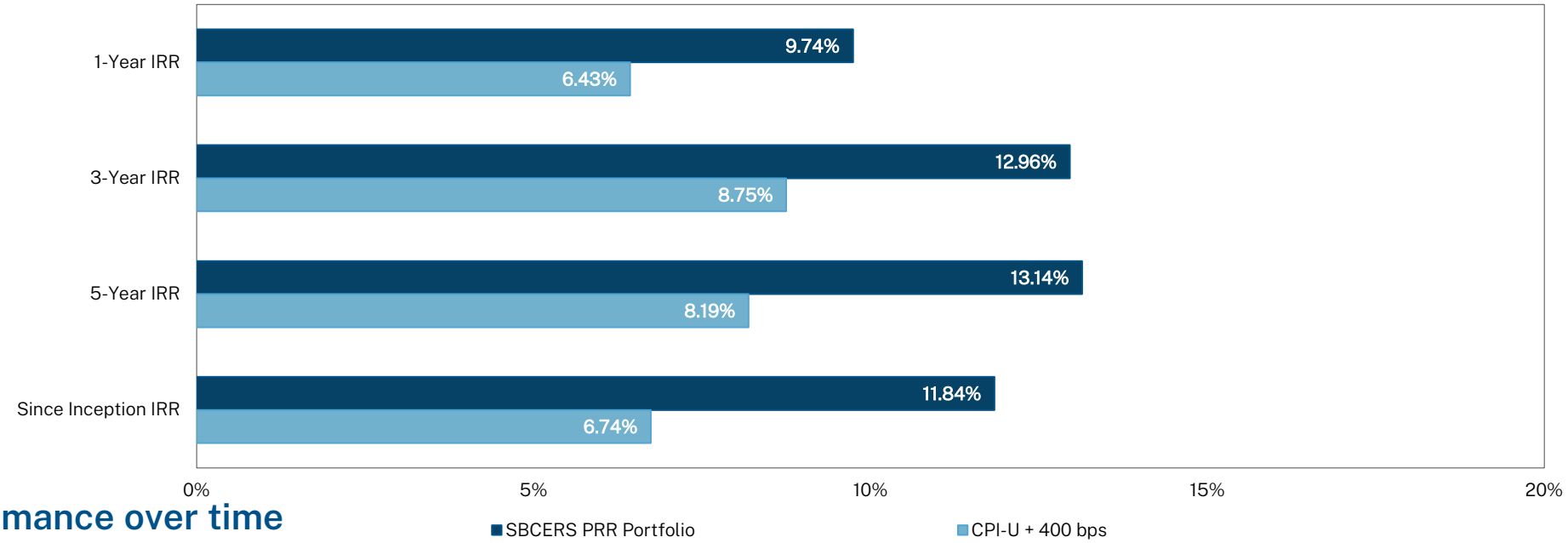
Portfolio Cashflow Activity



- Net cash outflow of \$0.8M in 2024
- Solid annual distribution activity in 2024
 - 18 funds generated distributions greater than \$1M during the year
- Solid annual contribution activity in 2024
 - 23 funds called greater than \$1M during the year

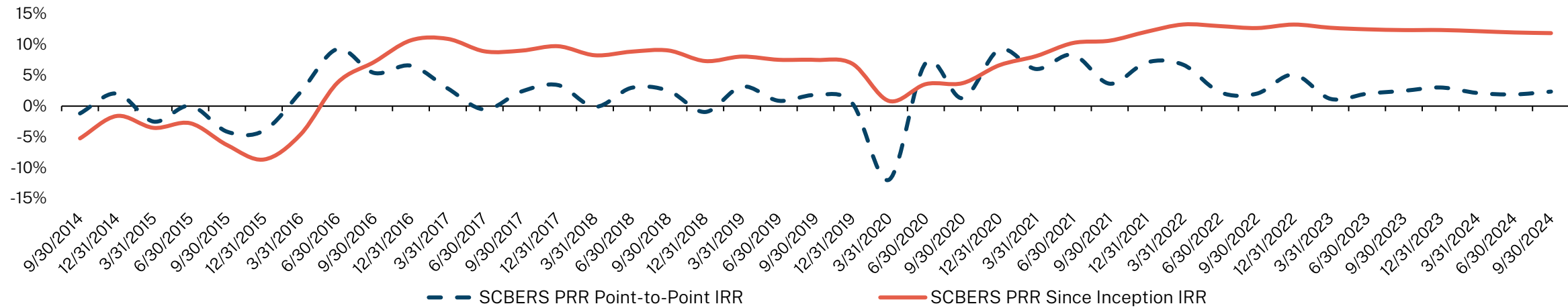
Performance vs. Benchmark

As of September 30, 2024



SBCERS Performance over time

As of September 30, 2024



Note: Benchmarks represents straight return
 Note: Since inception represents first cash flow date of 9/25/2013

Top Manager Exposure

Investment Guidelines limits exposure to one manager to a maximum of 25% of total Program

- Portfolio is well diversified by manager with top exposure at 7.3% of the total Program

Top 5 GP Relationships by Total Exposure* As of September 30, 2024					
General Partner	Investment Strategy	Number of Funds	Total Exposure (\$M)	% of Total Portfolio	Since Inception IRR
EQT Limited	Infrastructure	4	\$57.8	7.3%	14.9%
Brookfield Asset Management	Infrastructure	3	\$52.8	6.7%	11.9%
DigitalBridge Group, Inc.	Infrastructure	3	\$49.8	6.3%	9.1%
Apollo Management	Infrastructure	4	\$48.3	6.1%	10.8%
Kohlberg Kravis Roberts & Co.	Infrastructure	4	\$47.1	6.0%	14.2%
Total		18	\$255.8	32.4%	12.4%

- Four of the top five manager exposures are generating double-digit since inception returns
- In aggregate the managers are generating an IRR of 12.4%

*Total Exposure defined as Reported Market Value plus Unfunded Commitment

Strategic Plan

2024 Strategic Plan Update

Review of themes and objectives identified for 2024

Commitment Pacing

- Met target commitment range with \$60.0M in commitments

Manager Concentration

- Committed to five existing manager relationships, while adding a new manager relationship (ICG Infrastructure)

Short Term Performance and Liquidity

- Sought potential j-curve mitigating strategies when available (e.g., cash yielding strategies)

Portfolio Diversification

- Prudent diversification by strategy and geography; 1 of 6 fund commitments target global investments

Board and Staff Education

- Presented New Trustee Private Markets Education in February

2024 Portfolio Targets

Strategy Target Exposure vs. Actual Exposure

Strategy	Target Range	9/30/2024
Infrastructure	55-75%	64%
Natural Resources	25-45%	36%

Geographic Target Exposure vs. Actual Exposure

Location	Target Range	9/30/2024
North America	40-80%	62%
Europe	10-50%	25%
Asia	0-20%	4%
ROW	0-20%	10%

- As of September 30, 2024, all strategy exposures are within target ranges identified in the PRR Investment Policy
 - Portfolio weighted to Infrastructure
- Portfolio weighted to North America
- Asia/Rest of World exposure within ranges – opportunistic approach to investing in these regions

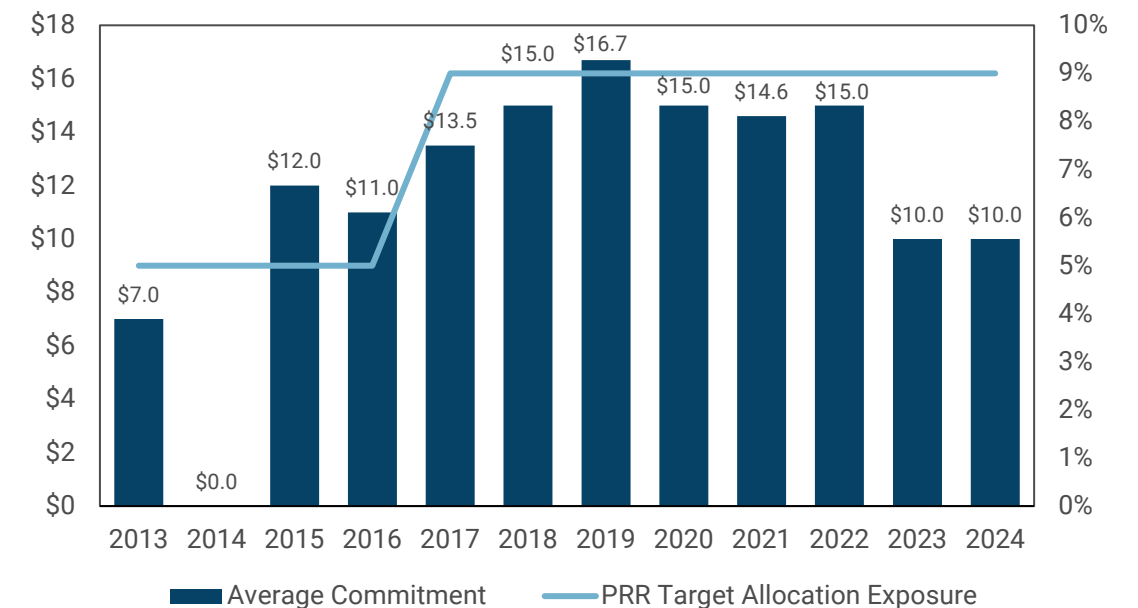
2024 Commitment Activity

Commitment Activity				
Closing Date	Partnership	Strategy	Geographic Focus	Commitment (\$M)
2024 Allocation				
5/24/2024	KKR Global Infrastructure Investors V	Infrastructure	Global	\$10.0
6/28/2024	Apollo Infrastructure Opportunities Fund III	Infrastructure	North America	\$10.0
7/15/2024	Asterion Industrial Infra Fund III	Infrastructure	Western Europe	\$10.0
7/31/2024	Tiverton Ag Legacy Holdings II	Agriculture	North America	\$10.0
10/29/2024	ICG Infrastructure Fund II	Infrastructure	Western Europe	\$10.0
12/20/2024	Sustainable Assets Fund IV	Infrastructure	North America	\$10.0
2024 Total				\$60.0

- Total commitment activity of \$60.0M in six partnerships in-line with Strategic Plan objectives
 - Five commitments to existing managers; ICG Infrastructure Fund II represents a new relationship
 - Well diversified by strategy and geography
- Strong pipeline of opportunities for 2025

Average Commitment Size by Vintage Year^{1,2}

(\$ in Million)



¹ Commitments shown as of acquisition date

² Target Exposure shown as of current target

Where Are We Headed?

Identify 2025 Portfolio Objectives

Commitment Pacing

- Target annual commitments of \$45M - \$75M to maintain long term target of 9%
- Target 5-7 funds with commitments \$5M - \$15M each

Manager Concentration

- Commit to core manager relationships, while considering new managers
- Significant pipeline of potential re-ups; commitment sizing of \$10M with thoughtful management of closing timings

Short Term Performance and Liquidity

- Seek potential j-curve mitigating strategies when available (e.g., cash yielding strategies)

Portfolio Diversification

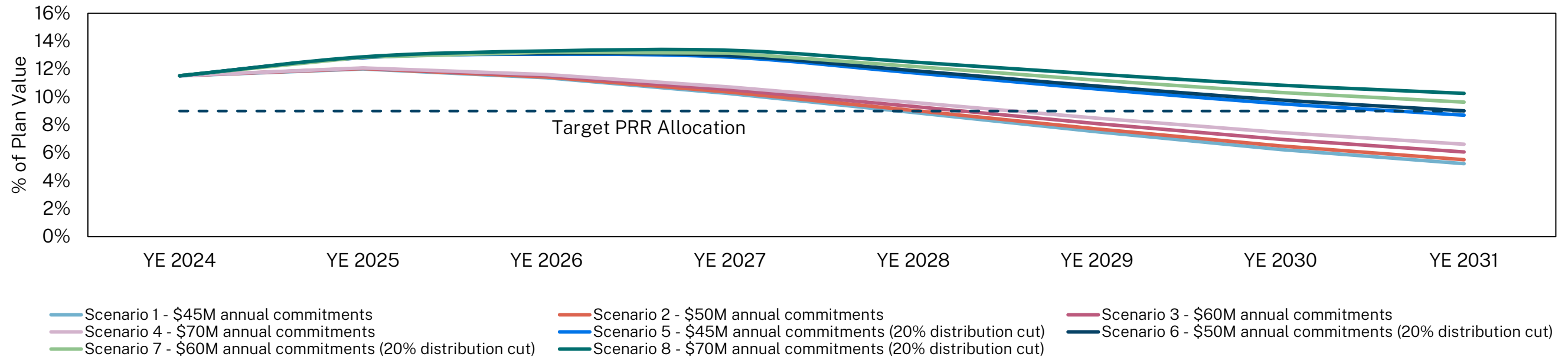
- Consider target exposures (strategy and geography) in making investment decisions
- Typically favor generalist strategies across investment sizes and geographies

Board and Staff Education

- Present Board Education on Private Markets

PRR - Market Average Scenario – 7% Growth Rate

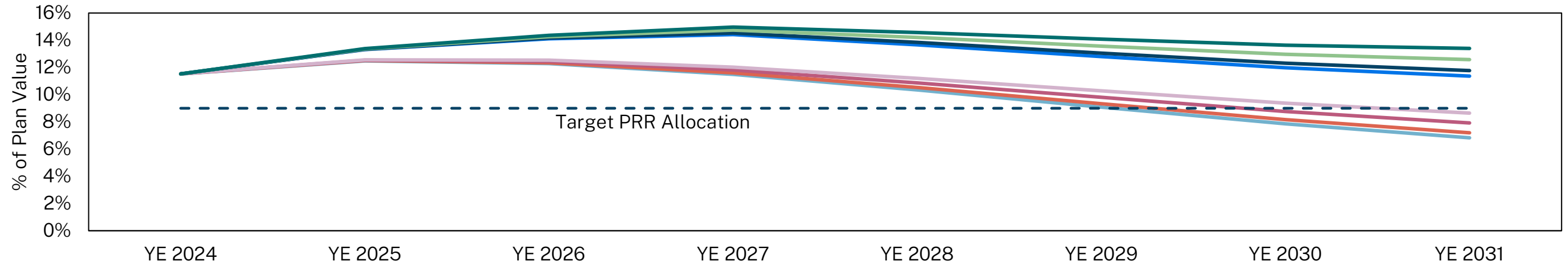
Projected Allocation – Assumes 7.0% Total Plan Growth



% of Plan Value	YE 2024	YE 2025	YE 2026	YE 2027	YE 2028	YE 2029	YE 2030	YE 2031	YE 2032	YE 2033
Scenario 1 - \$45M annual commitments	11.5%	12.0%	11.4%	10.3%	8.9%	7.5%	6.2%	5.2%	4.4%	3.8%
Scenario 2 - \$50M annual commitments	11.5%	12.0%	11.4%	10.4%	9.0%	7.7%	6.5%	5.5%	4.7%	4.1%
Scenario 3 - \$60M annual commitments	11.5%	12.1%	11.5%	10.5%	9.3%	8.1%	7.0%	6.1%	5.4%	4.8%
Scenario 4 - \$70M annual commitments	11.5%	12.1%	11.6%	10.7%	9.6%	8.5%	7.5%	6.6%	6.0%	5.4%
Scenario 5 - \$45M annual commitments (20% distribution cut)	11.5%	12.8%	13.1%	12.9%	11.7%	10.6%	9.5%	8.7%	8.1%	7.7%
Scenario 6 - \$50M annual commitments (20% distribution cut)	11.5%	12.8%	13.1%	13.0%	11.9%	10.8%	9.8%	9.0%	8.4%	8.0%
Scenario 7 - \$60M annual commitments (20% distribution cut)	11.5%	12.9%	13.2%	13.2%	12.2%	11.2%	10.3%	9.6%	9.1%	8.8%
Scenario 8 - \$70M annual commitments (20% distribution cut)	11.5%	12.9%	13.3%	13.3%	12.5%	11.6%	10.9%	10.3%	9.8%	9.5%

PRR - Market Average Scenario – 3% Growth Rate

Projected Allocation – Assumes 3.0% Total Plan Growth



- Scenario 1 - \$45M annual commitments
- Scenario 2 - \$50M annual commitments
- Scenario 3 - \$60M annual commitments
- Scenario 4 - \$70M annual commitments
- Scenario 5 - \$45M annual commitments (20% distribution cut)
- Scenario 6 - \$50M annual commitments (20% distribution cut)
- Scenario 7 - \$60M annual commitments (20% distribution cut)
- Scenario 8 - \$70M annual commitments (20% distribution cut)

% of Plan Value	YE 2024	YE 2025	YE 2026	YE 2027	YE 2028	YE 2029	YE 2030	YE 2031	YE 2032	YE 2033
Scenario 1 - \$45M annual commitments	11.5%	12.5%	12.3%	11.5%	10.4%	9.1%	7.9%	6.8%	6.0%	5.4%
Scenario 2 - \$50M annual commitments	11.5%	12.5%	12.3%	11.6%	10.5%	9.3%	8.2%	7.2%	6.4%	5.8%
Scenario 3 - \$60M annual commitments	11.5%	12.5%	12.4%	11.8%	10.9%	9.8%	8.8%	7.9%	7.3%	6.7%
Scenario 4 - \$70M annual commitments	11.5%	12.6%	12.5%	12.0%	11.2%	10.3%	9.4%	8.6%	8.1%	7.6%
Scenario 5 - \$45M annual commitments (20% distribution cut)	11.5%	13.3%	14.1%	14.4%	13.7%	12.8%	12.0%	11.4%	11.0%	10.8%
Scenario 6 - \$50M annual commitments (20% distribution cut)	11.5%	13.3%	14.2%	14.5%	13.9%	13.1%	12.3%	11.8%	11.5%	11.3%
Scenario 7 - \$60M annual commitments (20% distribution cut)	11.5%	13.4%	14.3%	14.7%	14.2%	13.6%	13.0%	12.6%	12.4%	12.4%
Scenario 8 - \$70M annual commitments (20% distribution cut)	11.5%	13.4%	14.4%	15.0%	14.6%	14.1%	13.6%	13.4%	13.4%	13.4%

Forward Calendar

2025 Commitment Outlook			
Partnership	Investment Strategy	Geographic Focus	Prior Commitment (\$M)
Existing Manager Relationships – Likely to Come Back to Market			
3i North American Infrastructure II	Infrastructure	North America	\$10.0
Stonepeak Opportunities Fund II	Infrastructure	North America	\$10.0
Total			\$20.0

Appendix

Deal Review - Sustainable Assets Fund IV, LP

Firm Inception	2008
Fund Size	\$2.5 billion
Strategy	Infrastructure
Geography	North America and Europe
Team	20 Investment Professionals
Industries	Energy, transportation and agriculture
Equity Investments	\$25 million to \$300 million

Approach

- Vision Ridge expects to build a diversified portfolio of sustainable real assets within the energy, transportation and agriculture sub-sectors combining strong financial returns with climate mitigation and adaptation outcomes
- The General Partner anticipates equity deployment ranging from \$25 million to \$300 million, with an average \$250 million of equity across two to three deals per annum
- Vision Ridge pursues a flexible investment approach, structuring unique, control-oriented positions with downside protection
- Senior Partners are responsible for sourcing efforts and leverage their networks to identify attractive opportunities in sustainable real assets
- Historically, Vision Ridge has primarily invested in North America but has flexibility to invest in Europe

Key Features

- The General Partner is led by four senior partners with 26 years of average experience who have developed deep industry networks and relationships which are expected to aid in sourcing efforts
- Other investment professionals have diverse and complimentary expertise through extensive prior experience in consulting, investing and sustainability
- Since inception, Vision Ridge has sought controlling positions in sustainable real assets across agriculture, energy and transportation
- As of 6/30/24, Funds I and II have generated top-quartile performance relative to peers
- Realized investments in Funds I and II had delivered a 31.8% and 34.7% gross return respectively, as of 6/30/24

Vision Ridge Partners Prior Investment Performance ¹ As of 6/30/24								
(\$mm)	Vintage	Fund Size	Capital Drawn	Capital Distributed	NAV	DPI	TVPI	Net IRR
Fund I	2014	\$437	\$343.7	\$862.9	\$123.4	2.5x	2.9x	24.2%
Fund II	2018	671	698.3	463.3	593.6	0.7x	1.5x	18.1%
Fund III	2021	1,283	904.8	0.0	856.1	0.0x	0.9x	-3.6%
Total			\$1,946.8	\$1,326.3	\$1,572.7	0.7x	1.5x	18.6%

On behalf of SBCERS, Hamilton Lane approved a \$10.0 million commitment to Sustainable Assets Fund IV, LP

¹Capital 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

Manager Monitoring

Fund Manager	Significant Event (Yes/No)	Last HL Meeting	Comments
3i Group	No	December 2024	• N/A
Actis Capital	Yes	March 2024	• Actis was acquired by General Atlantic in Q4 2024
Apollo Global Management	No	January 2025	• Expecting to launch Fund XI in late 2025
Asterion Industrial Partners	No	February 2025	• N/A
Avenue Capital Group	No	October 2024	• N/A
Blackstone Group	No	February 2025	• N/A
Blue Road Capital	No	December 2024	• Closed on \$750 million of commitments for Fund II
Brookfield Asset Management	No	November 2024	• Expects to come to market once Fund VI is 75% invested
Castlelake	No	October 2024	• N/A
DigitalBridge Group, Inc.	No	November 2024	• N/A
Ecosystems Investment Partners	No	May 2024	• Achieved first close of Fund V of \$235 million of commitments
EnCap Investments L.P.	No	October 2024	• Secured \$5.25 billion of commitments in Fund XII
EQT Partners AB	No	November 2024	• Appointed Per Franzen to CEO after 20 years at the firm
Global Infrastructure Partners	No	September 2024	• Global Infrastructure Partners Emerging Markets Fund II projected for a 1H 2025 fundraise • GIP V targeting \$25.0 billion of commitments, secured \$20.0 billion
Blackstone Credit (fka GSO Capital Partners)	No	February 2025	• Plans to launch Blackstone Real Estate Partners XI in 2026
HitecVision Advisory AS	No	September 2024	• N/A
I Squared Capital	No	December 2024	• Appointed Patricia Menendez Cambo as General Counsel • Fund IV first close expected in 1Q 2025

Manager Monitoring

Fund Manager	Significant Event (Yes/No)	Last HL Meeting	Comments
International Farming Corporation	No	March 2024	• N/A
KKR & Co.	No	December 2024	• Global Infrastructure Investors V final close expected 1H 2025 • KKR Ascendent Fund secured \$4.6 billion of commitments
Manulife Investment Management	No	November 2023	• N/A
Novacap Management Inc.	No	December 2024	• Raised \$1 billion for first digital infrastructure fund
Palistar Capital	No	October 2024	• Hired Benard Bourgay as an Operating Partner and additional back-office resources • PCIF II is 90% committed
QEP Partners	No	August 2024	• Expanded team with 33 hires in 2024
RRG Capital Management	No	November 2024	• Fund III targeting first close in February 2025 • Targeting \$225 million
Stonepeak Infrastructure Partners	No	November 2024	• Nearing \$10 billion in commitments for Fund V
Tiger Infrastructure Partners	No	February 2024	• N/A
Timberland Investment Resources	No	March 2024	• N/A
Tiverton Advisors	No	April 2024	• N/A
Vision Ridge Partners	No	September 2024	• Named PJ Jannuzzi as Managing Director and Head of Asset Management
Waterton Global Resources Management	No	September 2024	• N/A

Endnotes

Pages 17& 18

The information contained herein and based upon Hamilton Lane's proprietary Horizon Model (the "Model") may include forward-looking statements regarding the Model itself, our opinions, performance, fees, carried interest, distributions, projected economic benefit or other events. Forward-looking statements include a number of risks, uncertainties and other factors beyond our control which may result in material differences in actual results, economic benefit, performance or other expectations. The Model has been prepared based upon historical private equity fund data and is not intended to indicate future performance of investments made with, or independently of, Hamilton Lane, which may affect any estimated economic benefit shown. Its assumptions are derived from historical private equity investments and are designed to demonstrate potential behaviors of private equity investments. The opinions, estimates, projections and analyses reflect our current judgment, which may change in the future. Therefore, this presentation is not intended to predict future performance or economic savings and should not be used as the basis for an investment decision.

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