



To: SBCERA Board

From: Neil Sheth

Date: March 21, 2025

Subject: Adams Street Emerging Manager SMA with SBCERA

Our Investment Research Team has covered and has had a relationship with Adams Street for a long time due to their longstanding presence in the alternatives marketplace. In addition to our published investment memos on the Firm and some of its products, this short memo just highlights our thoughts on the proposed Emerging Managers SMA with SBCERA titled *Headwaters Fund*.

Summary Opinion

Adams Street possesses market leading capabilities in the private equity global marketplace which includes its investment personnel, investment track record, operational staff, reporting resources, client relationship resources, longstanding presence and institutional reputation which gives it both access and investment/operational acumen to successfully manage separate account relationships such as the proposed *Headwaters Fund*. NEPC is supportive of this investment strategy/structure and believes it has the potential to be a solid addition to the existing private equity portfolio.

Key Success Factors

NEPC believes that the following attributes would be helpful in designing a portfolio with appropriate risk-reward characteristics:

- Vintage year diversification of both Fund and Co-Investment Commitments
- Industry sector diversification across likely commitments to healthcare, technology, industrial and media/consumer focused investment teams
- Commitment size weighting diversification across the individual managers within the Fund
- Geographical weighting towards the US and Europe which plays to Adams Street strengths

Lastly and perhaps most importantly, the proposed *Headwaters Fund* will stand a greater chance of long-term success if Adams Street's Investment and Clients Relations Team maintain a collaborative and close-working relationship with SBCERA's Investment Staff which will require frequent communication.