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NEPC, LLC

To: San Bernardino County Employees' Retirement Association
From: Allan Martin, Partner, Chris Hill, Sean Gill
Date: January 14, 2020
Subject: Adams Street Partners Master Custody Account

Summary

San Bernardino County Employees' Retirement Association ("SBCERA") is seeking to commit \$250 million to a Master Custody Account ("MCA") with Adams Street Partners (the "Firm" or "Adams Street"). The MCA will provide SBCERA a lower cost and more efficient way to gain access to Adams Street's existing products, new products, and best ideas.

This MCA would serve as a single investment for SBCERA that would act as a Holding Fund and allow SBCERA to invest in a series of opportunities (generally each 'series' lasting for a calendar year, of approximately \$50 million per year). These opportunities would include investments in private credit and private equity. It is anticipated the first series would source opportunities from Adams Street areas of focus that include some of its commingled funds; initially in growth equity, co-investments and secondary transactions. While there is the potential for the MCA to include investments in the Adams Street commingled funds; it is anticipated that the overwhelming majority of investments will be made in the form of co-investments or direct investments. However, SBCERA will have the ability to work with Adams Street to determine the suitability of each investment opportunity for its program and determine whether or not it meets the goals of the program.

As Series 1 (calendar year 2020) will likely focus allocating \$50 million on opportunities arising out the Co-Investment, Secondaries and Growth Equity commingled funds, the accompanying investment memo addresses the capabilities of Adams Street in those primary areas.

NEPC has reviewed Adams Street's capability to perform under the proposed MCA and invest across multiple strategies. NEPC has had a number of Adams Street products on its focused placement list, including most recently the Co-Investment III vehicle. NEPC has conducted diligence across Co-Investment, Growth Equity and Secondaries strategies.

Therefore, subject to SBCERA's comfort with the issues outlined in the accompanying memorandum, NEPC supports the staff's recommendation for a Master Custody Account agreement with Adams Street.

Background

Adams Street Partners was founded in 1972 as the growth equity investment team of the First National Bank of Chicago. After several corporate events it operated for many years as a part of UBS Global Asset Management. In 2001 Adams Street Partners LLC was established as an independent entity, and in 2008 it became 100% employee-owned. The firm is dedicated exclusively to private markets investment management. The initial focus of the firm was in direct venture and growth equity investing. Primary fund investment activity began in 1979 when it first made commitments to primary partnerships on behalf of its

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clients, thereby creating the first private equity Fund of Funds ("FoF"). Today Adams Street Partners also offers secondary, co-investment, and private credit strategies to its global client base through both multi-strategy and single strategy vehicles. Adams Street was one of the first private markets firms to create a multi-strategy FoF, an annual offering which is now in its 23rd vintage. The firm currently manages \$39.5 billion.

While Adams Street's roots are in Chicago, it opened offices in London (1997), Singapore (2006), Beijing (2011), Tokyo (2014), and Munich and Seoul (2017), while continuing to further expand in the US with new offices in Menlo Park (2006) and New York and Boston (2016). There are currently employ more than 200 people operating across these ten global locations.

The proposed MCA will allow SBCERA to invest across the Adams Street platform. NEPC is comfortable with the Firm, the team, and the investment theses and supports the staff's recommendation to establish a Master Custody Account agreement with Adams Street.