



San Bernardino County Employees' Retirement Assoc.

Staff Report Details (With Text)

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FROM: Don Pierce, Chief Investment Officer

SUBJECT: Quarterly Report on Private Assets for the First Quarter of Calendar 2022

RECOMMENDATION:
Chief Investment Officer.

BACKGROUND:

This quarterly report highlights activity within SBCERA's private equity and private real estate allocations. As a reminder, the private equity program has a target allocation of 18% while real estate has a target allocation of 5%. Each year, the Board reviews the private equity and real estate pacing plans designed to allocate capital over time to meet the target allocation goals set by the Board. In January 2022, the Board approved a budget of \$700 million for the private equity pacing plan and \$110 million for real estate.

SBCERA's private asset program is designed to improve the results of the overall portfolio with investments in real estate, private credit, and private equity. Across a wide range of industries, SBCERA's investment managers source transactions via a global network of LPs, GPs, and intermediaries to invest capital on behalf of SBCERA. This deal flow for SBCERA's consideration is governed by SBCERA's investment management agreements or many times called a Master Custody Agreement (MCA). In several MCA accounts related to private markets, Staff reviews opportunities that the manager has sourced for consideration under the MCA.

To highlight the deal flow activity and pacing, we have included in this report the number of deals reviewed, declined, and approved by the investment team (see Figure 1 below). This report covers the first calendar quarter of 2022, during which SBCERA investment staff approved 12 private asset investment proposals out of 44 proposed investments that met the needs of SBCERA's portfolio. Most of the rejections fall into one or more of the following categories: high valuations, premium economics for the manager, stapled transactions (where to buy something you want, we have to buy

something we don't want), and governance issues (such as no board seats or observer rights).

Figure 1: Private Assets Deal Activity Update for quarter end March 31, 2022. Data includes private equity and real estate (as a composite within private equity) proposed investments from private asset managers.

Private Assets Review 1Q 2022

Private Assets Proposed Investments



¹Only includes transactions directly associated to private equity ("PE") and real estate ("RE"). Of the 44 private assets proposed deals, 36 are PE (includes 5 infrastructure and 3 secondary investments), 8 are RE proposed deals (includes 3 secondary investments). Real estate proposed deals driven by Private Assets managers fall under a composite within PE.

²Of the 21 rejected based on preliminary review, 1 was canceled by the GP as the proposed deal transaction size was reduced significantly and it fell below the minimum commitment amount per the allocation sheet, and 1 the investment manager decided not to move forward with the proposed investment.

* Of the 12 approved investments, 1 was rejected from the fund due to SBCERA's disclosure requirements.

Note: This data was prepared using the date of when the proposed investment was approved. There may be timing difference between this data collection and when the investment is committed.

BUDGET IMPACT:

None.

STRATEGIC PLANNING GOAL/OBJECTIVE:

Prudent Fiscal Management

STAFF CONTACT:

Don Pierce

ATTACHMENTS:

None.