



# INVESTMENT COMMITTEE

## Staff Report

**File #:** 19-661

**Agenda Date:** 1/14/2020

**Agenda #:** 2.

**FROM:** Don Pierce, Chief Investment Officer

**SUBJECT:** 2020 Private Equity Pacing Plan

**RECOMMENDATION:**

Recommend that the Board approve the 2020 Private Equity Pacing Plan.

**BACKGROUND:**

The SBCERA Investment Team and NEPC review the Private Equity program annually to ensure the program continues to meet SBCERA's allocation objectives. For the 2020 calendar year, Staff is recommending a PE budget of \$600 million. This budget will allow SBCERA to continue deploying capital in private assets at a measured pace while maintaining the Investment Policy target of 16% allocation to the strategy.

The 2020 PE budget includes allocations to a new MCA account, new fund commitment, and a re-up for Crestline Portfolio Financing Fund II. Existing MCA relationships are allocated \$245 million in the proposed budget leaving \$155 million as dry-powder for future opportunities. Please refer to Exhibit 1 for a breakdown of the allocations.

Exhibit 1: Private Equity Budget and Allocations for 2020

<i>Manager</i>	<i>2019 Allocations</i>	<i>2020 Allocations</i>
<b>Total PE Budget</b>	<b>\$500 MM</b>	<b>\$600 MM</b>
Adams Street Partners MCA <sup>1</sup>	-	\$50 MM
New Fund Commitment*	-	\$50 MM
Ares MCA	\$15 MM	-
Crestline Portfolio Fin. Fund II <sup>+</sup>	-	\$100 MM
Gramercy MCA	\$25 MM	\$25 MM
Industry Ventures MCA	\$100 MM	\$50 MM
Kayne Anderson MCA	\$100 MM	\$50 MM
Partners Group MCA	-	\$50 MM
Pathway Capital MCA	\$102 MM	\$70 MM
Tennenbaum MCA	\$30 MM	-
Waterfall MCA	-	-
<b>Allocated PE Budget</b>	<b>\$372 MM</b>	<b>\$445 MM</b>
<b>Unallocated PE Budget</b>	<b>\$128 MM</b>	<b>\$155 MM</b>

<sup>1</sup>*MCA subject to SBCERA Investment Committee and Board approval.*

<sup>\*</sup>*Quarter 1 potential investment.*

<sup>\*</sup>*Follow-on fund commitment plus reserve for potential MCA.*

Crestline Portfolio Finance Fund II (or “Fund II”):

SBCERA committed \$50 million in February 2018 to Crestline Portfolio Finance Fund (or “Fund I”).

Fund II will be similar to Fund I from an investment objective, expected returns, and terms perspective. Investor-friendly terms include fees on invested capital and performance fees at the fund level (vs. deal-by-deal basis). The fund’s objective is to provide capital solutions for PE funds that are at least five years old. Expected returns are in the 12%-15% gross of fees return range.

**BUDGET IMPACT:**

Investment Costs are deducted from Net Asset Value.

**STRATEGIC PLANNING GOAL/OBJECTIVE:**

Prudent Fiscal Management

**STAFF CONTACT:**

Amit Thanki

**ATTACHMENTS:**

Exhibit A: NEPC Private Markets Strategic Investment Plan