



BOARD OF RETIREMENT

Staff Report

File #: 19-677.1

Agenda Date: 2/6/2020

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FROM: Don Pierce, Chief Investment Officer

SUBJECT: Adams Street Partners MCA

RECOMMENDATION:

Approve the creation of a Master Custodial Agreement (MCA) with Adams Street Partners, with an initial capital allocation of \$250 million subject to completion of due diligence and negotiation of legal documents.

BACKGROUND:

Adams Street Partners (ASP) is a Chicago-based global investment management firm with \$40 billion in assets under management in private market investments - credit and equity. ASP can trace their roots back to 1972 as the growth equity investment team at First National Bank of Chicago. ASP, as we know it today, went through several ownership changes including being a part of UBS Global Asset Management in the late 90's. In 2001, T. Bondurant French founded ASP by lifting out the 50-member private equity team from UBS Global Asset Management. Mr. French joined the growth equity team at First National Bank of Chicago in 1980.

Today, ASP is 100% employee owned and led by Mr. French as Chairman of the Board of Directors. In 2015, Mr. Jeff Diehl was named Managing Partner to succeed Mr. French and is responsible for the overall management of the firm. He joined ASP in 2000, and is also Head of Investments. With over 200 employees in 10 global offices, ASP is able to source investment opportunities in growth equity, secondary transactions in private equity, and sponsor-backed co-investments and debt financing solutions. ASP has a strong primary fund business that enhances their co-investment, secondary, and credit capabilities.

The proposed MCA relationship will commit an initial \$250 million over a multi-year period to opportunities in private credit and private equity (direct investments, co-investments, and secondary transactions.) In addition, SBCERA will have the opportunity to review and invest in commingled funds managed by ASP. Similar to other MCA's, SBCERA will benefit from preferred economic terms, transparency, and higher level of engagement with ASP. Finally, the inclusion of ASP as a strategic relationship will bolster SBCERA's ability to source private equity and credit investments - two strategies that offer good risk/return characteristics.

COMMITTEE REVIEW:

This item was reviewed by the Investment Committee at its January 14, 2020 meeting and recommends Board approval, with a 4-0 vote.

BUDGET IMPACT:

Investment Costs are deducted from Net Asset Value.

STRATEGIC PLANNING GOAL/OBJECTIVE:

Prudent Fiscal Management

STAFF CONTACT:

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ATTACHMENTS:

Exhibit A: NEPC Recommendation Memo - Adams Street Partners

Exhibit B: NEPC Investment Due Diligence Rating - Adams Street Partners
(Confidential)

Exhibit C: Adams Street Partners Presentation