



Hamilton Lane

Santa Barbara County Employees' Retirement System

Second Quarter 2020 Private Real Return (PRR) Performance Update

Agenda

- Q2 Private Real Return Performance 3
- Appendix 9



Q2 Private Real Return Performance

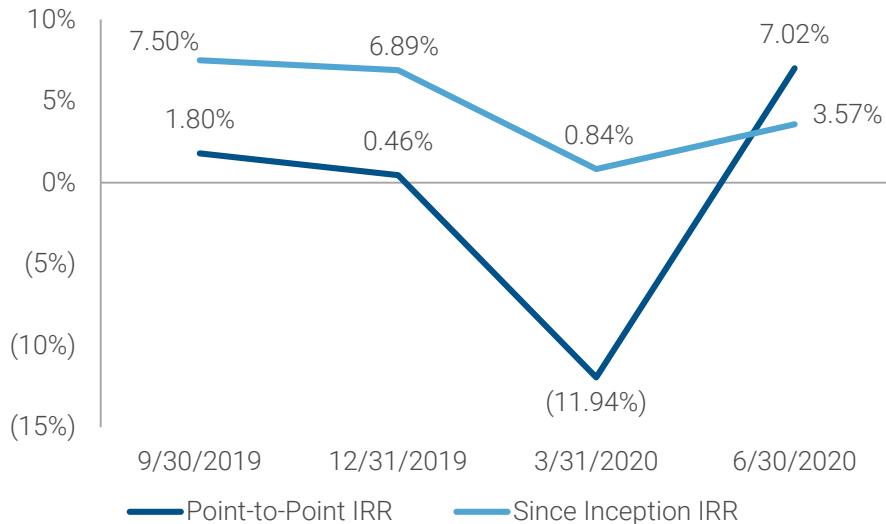


PRR Portfolio Highlights - June 30, 2020

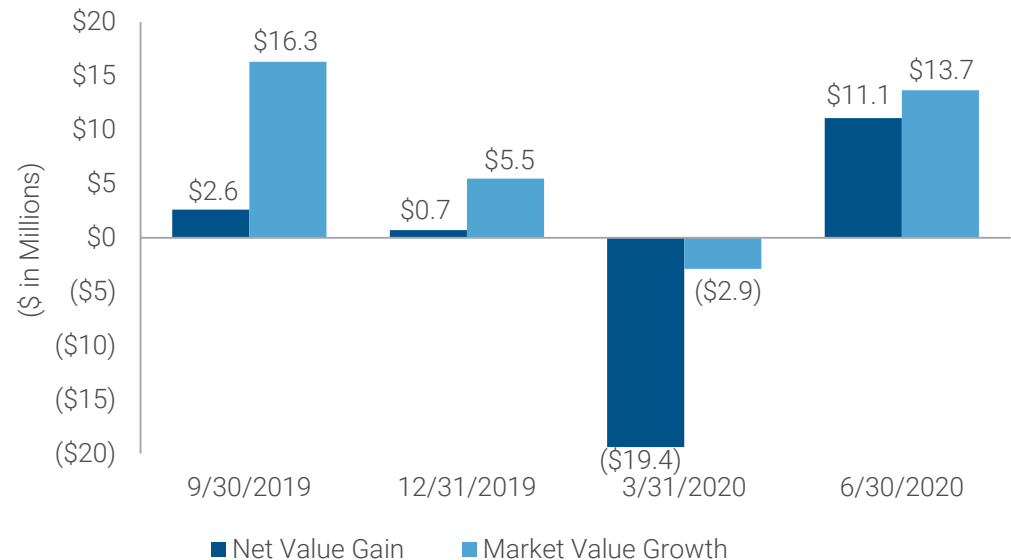
Young PRR Portfolio experienced solid rebound in Q2 performance after global pandemic negative impact in Q1

- Generated positive IRR of 7.02% during Q2 with \$11.1M of gains
- Since inception IRR increased 273 bps QoQ

PRR Portfolio Returns



PRR Portfolio Value Created



Portfolio Snapshot

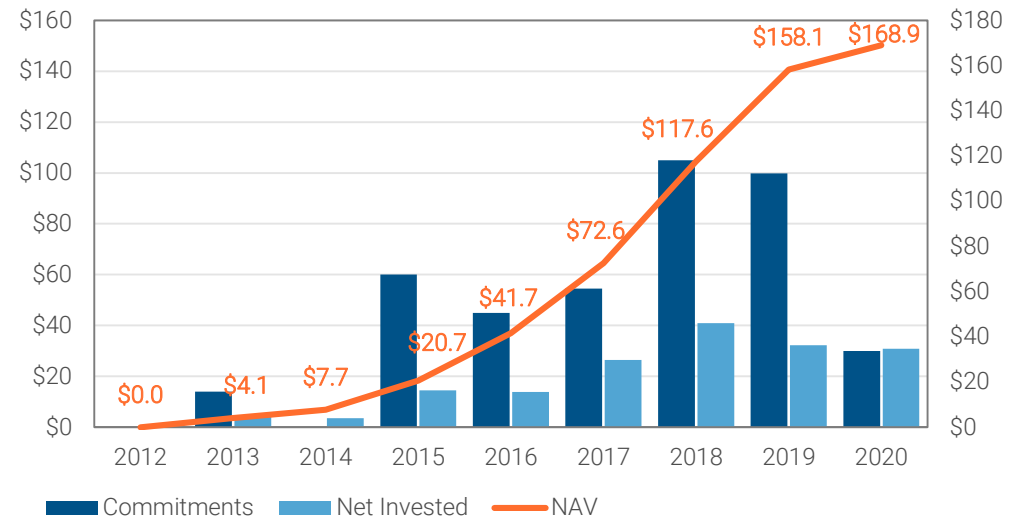
Portfolio Snapshot			
\$ millions	3/31/2020	6/30/2020	Change
Active Partnerships	29	30	1
Active GP Relationships	20	20	-
Capital Committed ¹	\$392.8	\$408.0	\$15.2
Unfunded Commitment	\$220.6	\$226.6	\$6.0
Capital Contributed	\$186.2	\$196.8	\$10.6
Capital Distributed	\$33.8	\$41.8	\$8.0
Market Value	\$155.3	\$168.9	\$13.7
Total Value Multiple	1.0x	1.1x	0.1x
Since Inception IRR	0.84%	3.57%	274 bps
Active Avg Age of Commitments	2.3 years	2.4 years	0.1 years

¹ The change in the capital committed from 3/31/20 to 6/30/20 is due to one new commitment made during the quarter and currency movements of non-USD Portfolio investments

- Measured growth towards 9% target allocation
 - PRR allocation as of 6/30/20 is 5.36%, up 107 bps from one-year prior

Q2 2020: substantial growth of young Portfolio

- Market value up 9%, or \$13.7M, QoQ
- Total exposure up 5% QoQ
- Portfolio distributed \$8.0M in Q2
- Portfolio is young, with an average age of commitments of 2.4 years

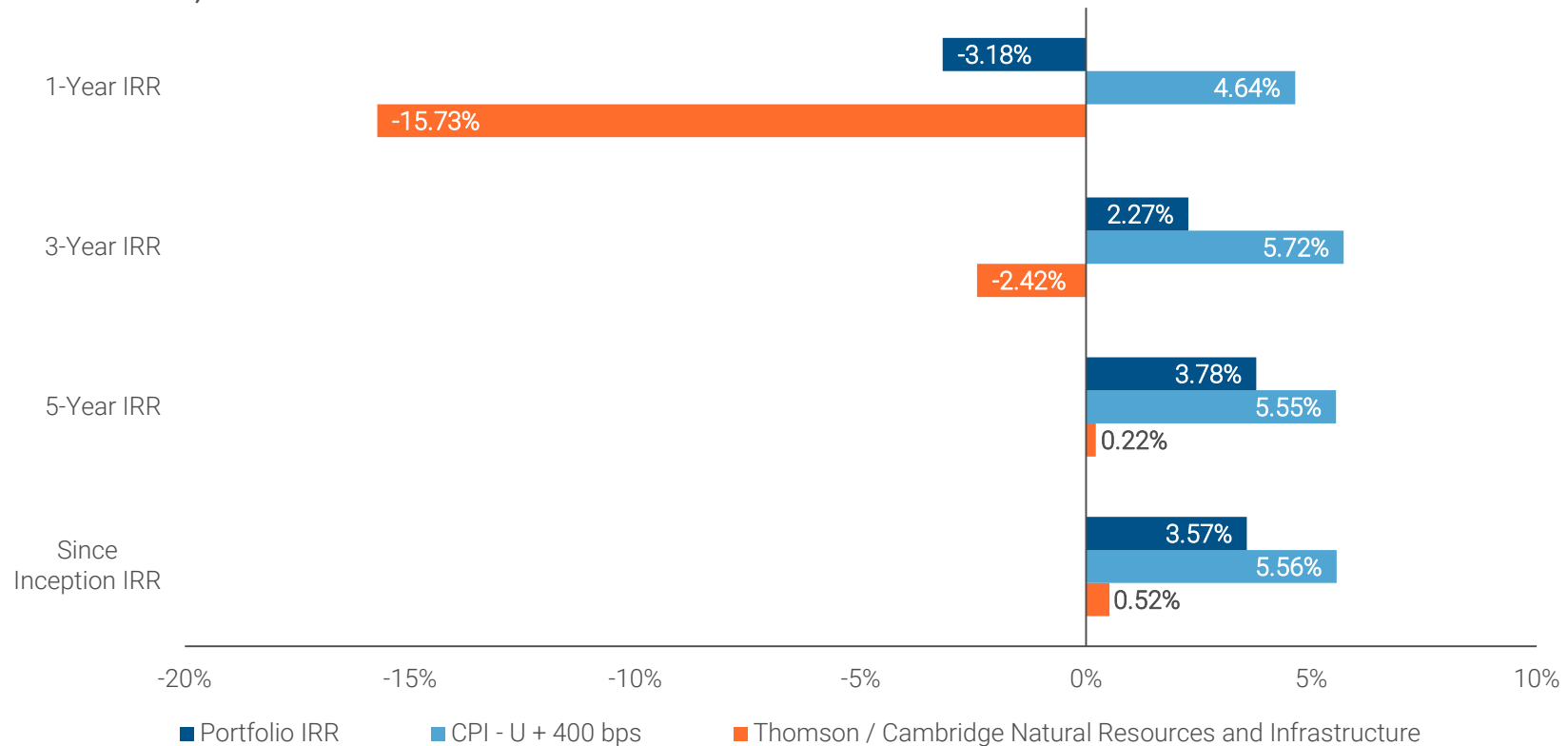


*2020 net invested as of 9/30/20, NAV as of 6/30/20

Performance Summary

IRR Performance

As of June 30, 2020



- Portfolio underperformed designated public benchmark, the Consumer Price Index – All Urban Consumers (CPI-U), all time periods
 - CPI-U experienced limited volatility as a result of the global pandemic unlike the public and private markets
- Portfolio outperformed peer benchmark (Thomson/Cambridge Natural Resources and Infrastructure) across all time periods
 - Since inception Portfolio IRR outperformed Thomson/Cambridge Natural Resources and Infrastructure benchmark by 305 bps

Commitment Activity

Commitment Activity				
Closing Date	Partnership	Investment Strategy	Geographic Focus	Commitment (\$M)
2020 Allocation				
2/27/2020	HitecVision North Sea Opportunity Fund, L.P.	Natural Resources	Western Europe	\$15.0
5/11/2020	Stonepeak Infrastructure Fund IV, L.P.	Infrastructure	North America	\$15.0
October 2020*	Fund A	Infrastructure	Global	\$15.0
October 2020*	Fund B	Infrastructure	Global	\$15.0
October 2020*	Fund C	Natural Resources	North America	\$15.0
November 2020*	Fund D	Infrastructure	Global	\$15.0
November 2020*	Fund E	Natural Resources	North America	\$15.0
Total				\$105.0

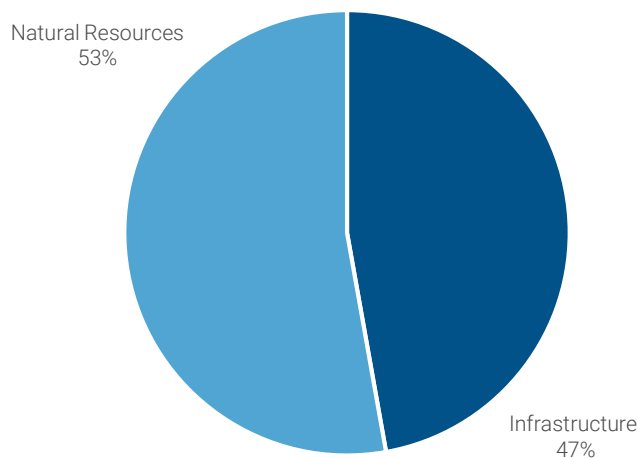
*Pending close/expected close timing

- On plan to achieve targeted commitments of \$90M-\$110M in 2020
 - One closed commitment represents a new manager relationship
 - Well diversified by strategy and geography
 - Four of the seven commitments closed/pending close represent re-ups with existing manager relationships

Activity Review

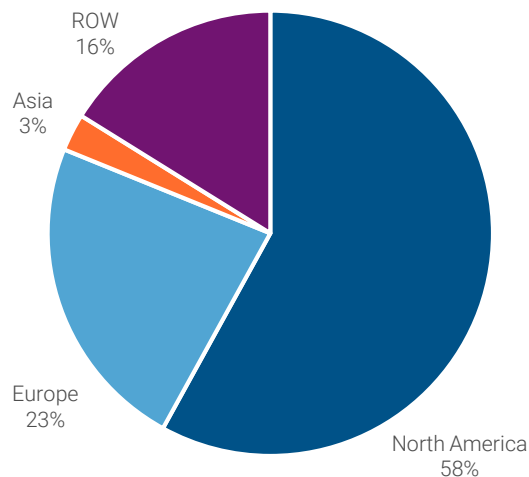
Strategic Diversification by Total Exposure

As of June 30, 2020



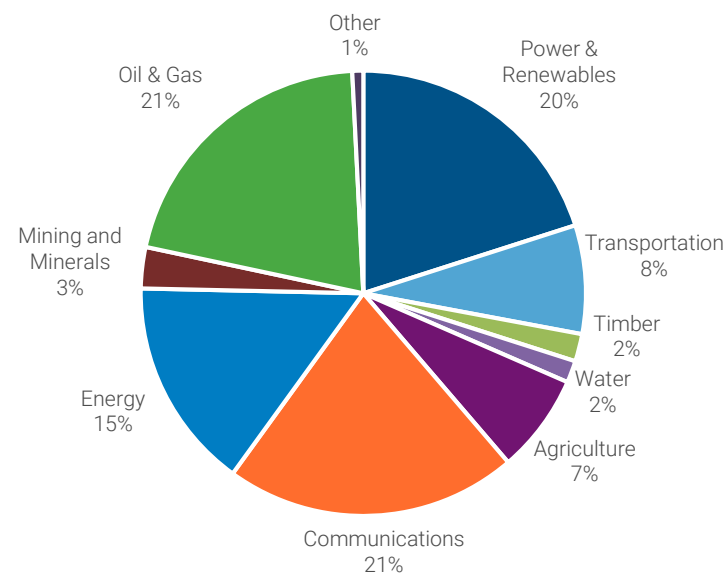
Underlying Investment Diversification by Geography*

As of June 30, 2020



Underlying Investment Diversification by Industry*

As of June 30, 2020



Portfolio is prudently diversified by strategy, geography and sector

- Geography – ROW exposure increased by 3% while North America decreased 3%
- Strategy – Infrastructure exposure decreased by 4% and Natural Resources exposure increased by 4% QoQ
- Industry – Agriculture exposure decreased by 4% while Oil & Gas increased 3% QoQ

*Underlying exposures based on preliminary data and subject to change



Appendix



State of Real Assets

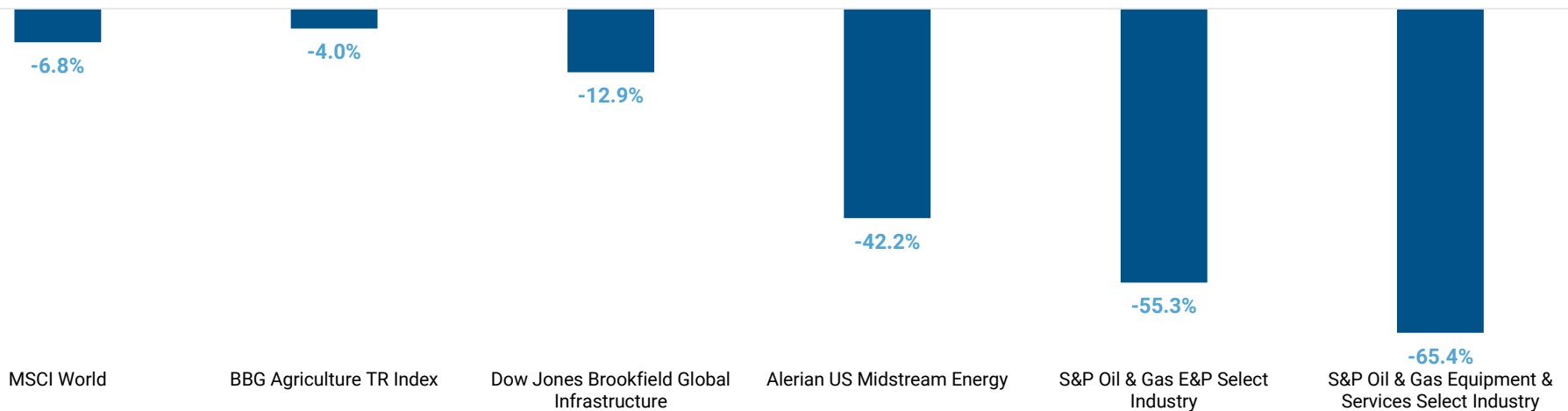
Infrastructure

- Renewables continue to be a major theme within the infrastructure space. While demand for these opportunities is expected to grow, the impact of grid reliability and PPA prices remain as issues in the subsector.
- Data and fiber assets were already growing targets prior to COVID-19 and the pandemic has only reinforced their attractiveness to infrastructure investors. Particularly, the modernization of the fiber network required to support 5G technologies has led to significant and compelling opportunities for private capital within the space.
- Within the transportation sector, private infrastructure sees U.S. rail opportunities as ripe for consolidation and operation improvements. Although the COVID-19 pandemic has reduced some rail volumes, valuations are still holding up. Attractive areas for investment include short-line railroads with highly-diversified commodity mixes, dated technology and opportunities for growth through bolt-on acquisitions.

Natural Resources

- Long-term U.S. agricultural returns have been attractive on an absolute basis and relative to other real asset investment sectors and the agriculture space is backed by strong, long-term demand fundamentals. Today, permanent crops exhibit stronger supply / demand characteristics compared to row crops, which are heavily dependent on export volumes.
- There have been fundamental shifts across the energy value chain as technology and efficiency gains slow, with investors increasingly demanding positive free cash flow from producers. Given this shift, the energy private equity model has evolved, with speculative acquisition and drilling strategies no longer tenable as previous buyers have pulled back and place limited value to unproven and undeveloped acreage. Additionally, capital markets are largely closed for upstream exploration and production companies, which has forced consolidation, asset sales and capital discipline.
- Within the mining sector, companies are capital constrained, leading to underinvestment in supply, and the COVID-19 pandemic has hurt pricing on key industrial metals. Looking forward, tighter markets and underinvestment in new discoveries may lead to higher prices in the future.

YTD Public Market Performance



Source: Bloomberg (As of 9/30/20)

Based on the latest available information and Hamilton Lane's opinions as of 10/16/20 and subject to change at the Firm's discretion.

Performance Summary by Investment

Santa Barbara County Employees' Retirement System's Private Real Return Portfolio							
Performance Summary by Investment							
as of June 30, 2020							
Partnership	Vintage Year	Strategy	Capital Committed	Paid-In Capital	Capital Distributed	Market Value	Since Inception IRR
Actis Energy 3, L.P.	2013	Infrastructure	\$6,000,000	\$6,203,381	\$4,427,587	\$3,196,000	8.01%
Actis Energy 4, L.P.	2017	Infrastructure	10,000,000	7,728,987	1,166,478	8,335,000	13.69%
Apollo Natural Resources Partners II, L.P.	2015	Natural Resources	15,000,000	12,957,411	5,875,380	6,745,827	(1.67%)
Apollo Natural Resources Partners III, L.P.	2019	Natural Resources	15,000,000	214,285	-	(781,660)	N/A
Asterion Industrial Infra Fund I, FCR	2019	Infrastructure	14,735,280	6,696,390	218,748	6,781,147	6.92%
Avenue Energy Opportunities Fund II, L.P.	2017	Natural Resources	15,000,000	15,010,582	73,195	15,059,347	0.39%
Avenue Energy Opportunities Fund, L.P.	2015	Natural Resources	10,000,000	10,127,592	2,419,820	8,244,316	1.18%
Blackstone Energy Partners III, L.P.	2020	Natural Resources	15,000,000	458,470	-	585,427	27.69%
Brookfield Infrastructure Fund III, L.P.	2016	Infrastructure	15,000,000	13,092,173	4,057,548	11,497,617	9.26%
Brookfield Infrastructure Fund IV, L.P.	2019	Infrastructure	15,000,000	6,002,227	182,049	5,636,338	(4.21%)
Castlelake Aviation IV Stable Yield, L.P.	2020	Infrastructure	20,000,000	-	-	-	N/A
Digital Colony Partners, L.P.	2018	Infrastructure	15,000,000	7,395,125	84,143	6,907,352	(7.26%)
Ecosystem Investment Partners IV, L.P.	2019	Natural Resources	15,000,000	780,000	-	607,990	(16.66%)
EnCap Energy Capital Fund X, L.P.	2015	Natural Resources	10,000,000	9,176,835	1,974,113	6,324,694	(4.11%)
EnCap Energy Capital Fund XI, L.P.	2017	Natural Resources	15,000,000	4,522,358	-	2,688,566	(34.31%)
EQT Infrastructure III, L.P.	2017	Infrastructure	9,216,359	8,485,331	184,759	11,146,655	16.58%
EQT Infrastructure IV (No.2) USD SCSP, L.P.	2018	Infrastructure	15,000,000	8,826,924	-	9,103,161	6.78%
Global Infrastructure Partners III, L.P.	2016	Infrastructure	15,000,000	12,484,201	1,993,362	11,030,879	1.89%
Global Infrastructure Partners IV, L.P.	2019	Infrastructure	15,000,000	407,613	-	(6,547)	N/A
GSO Energy Select Opportunities Fund II, L.P.	2019	Natural Resources	15,000,000	1,635,192	725,208	1,044,620	12.15%
GSO Energy Select Opportunities Fund, L.P.	2015	Natural Resources	15,000,000	11,248,757	5,598,191	6,045,008	1.80%
Hancock Timberland and Farmland Fund LP	2018	Natural Resources	15,000,000	11,400,000	225,000	11,568,872	2.55%
HitecVision North Sea Opportunity Fund, L.P.	2020	Natural Resources	15,000,000	75,230	-	30,278	N/A
KKR Global Infrastructure Investors II, L.P.	2015	Infrastructure	10,000,000	10,494,759	7,950,184	7,853,833	15.81%
KKR Global Infrastructure Investors III, L.P.	2018	Infrastructure	15,000,000	5,529,505	344,505	4,835,540	(7.54%)
RRG Sustainable Water Impact Fund, L.P.	2020	Natural Resources	20,000,000	3,228,586	-	2,282,076	(29.32%)
Stonepeak Infrastructure Fund III, L.P.	2018	Infrastructure	15,000,000	11,058,841	1,575,839	11,357,013	19.02%
Stonepeak Infrastructure Fund IV, L.P.	2020	Infrastructure	15,000,000	-	-	-	N/A
U.S. Farming Realty Trust II, L.P.	2012	Natural Resources	8,000,000	8,591,133	1,810,575	7,870,021	2.15%
Waterton Mining Parallel Fund, L.P.	2016	Natural Resources	5,000,000	3,000,765	917,164	2,940,945	12.97%
Total			\$407,951,640	\$196,832,654	\$41,803,848	\$168,930,315	3.57%

Manager Monitoring

Fund Manager	Significant Event (Yes/No)	Last HL Meeting	Comments
Actis Capital	No	September 2020	• N/A
Apollo Global Management	No	October 2020	<ul style="list-style-type: none"> • The New York Times released an article detailing Leon Black's business relationship with Jeffrey Epstein • Leon Black confirmed Apollo never had any business with Mr. Epstein. Mr. Epstein provided professional services to entities affiliated with Leon Black's family regarding estate planning, tax and philanthropic endeavors for a period of six years. Importantly, there has never been an allegation by anyone, including the New York Times, that Leon Black engaged in any wrongdoing or inappropriate conduct
Asterion Industrial Partners	No	July 2020	<ul style="list-style-type: none"> • Hired Alexandre Karam on the investment team • Hired Adrian Page as a new member of the advisor network
Avenue Capital Group	No	September 2020	• N/A
Blackstone Group	No	October 2020	• N/A
Brookfield Asset Management	No	August 2020	• N/A
Castlelake	No	May 2020	• Castlelake is seeing a large dislocation in the airline industry, specifically airline leasing
Digital Colony Partners Management	No	October 2020	<ul style="list-style-type: none"> • Promoted Warren Roll and Sadiq Malik to Managing Director • Scott McBride and Hayden Boucher recently promoted to Principal • Hired Wilson Chung from Macquarie as a Principal
Ecosystem Investment Partners	No	May 2020	• N/A
EnCap Investments L.P.	No	July 2020	• N/A
EQT Partners AB	No	August 2020	<ul style="list-style-type: none"> • Opened an office in Paris in June 2020 • Office will be led by Nicolas Brugere, Partner in EQT Private Equity and Thomas Rajzbaum, Managing Director in EQT Infrastructure
Global Infrastructure Partners	No	July 2020	• N/A
GSO Capital Partners LP	No	July 2020	• N/A

*N/A represents no material update

Manager Monitoring

Fund Manager	Significant Event (Yes/No)	Last HL Meeting	Comments
Hancock Natural Resources Group	No	October 2020	<ul style="list-style-type: none"> Tom Sarno has been appointed Global Head of Timberland Investments following the departure of Brent Keefer earlier this year
HitecVision Advisory AS	No	October 2020	<ul style="list-style-type: none"> N/A
International Farming Corporation	No	February 2020	<ul style="list-style-type: none"> N/A
Kohlberg, Kravis, Roberts & Co.	No	August 2020	<ul style="list-style-type: none"> Launched \$50M fund providing strategic relief to people and communities being challenged by COVID-19 and resulting economic dislocation
RRG Capital Management	No	September 2020	<ul style="list-style-type: none"> N/A
Stonepeak Infrastructure Partners	No	June 2020	<ul style="list-style-type: none"> Michael Allison and James Wyper recently promoted to Senior Managing Director
Waterton Global Resources Management, Inc	No	August 2020	<ul style="list-style-type: none"> N/A

*N/A represents no material update

Placement Agent Disclosures for 2020

External Manager	Fund	Placement Agent(s) Disclosed	Placement Agent(s) Compensation	Material Violations?
HitecVision Advisory AS	HitecVision North Sea Opportunity Fund, L.P.	N/A	N/A	No
Stonepeak Infrastructure Partners	Stonepeak Infrastructure Fund IV, L.P.	N/A	N/A	No

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