

Santa Barbara County Employees' Retirement System

Fourth Quarter 2022 Private Real Estate (RE) Performance Update

Agenda

- Q4 Private Real Estate Performance 3
- Appendix 9



Q4 Private Real Estate Performance

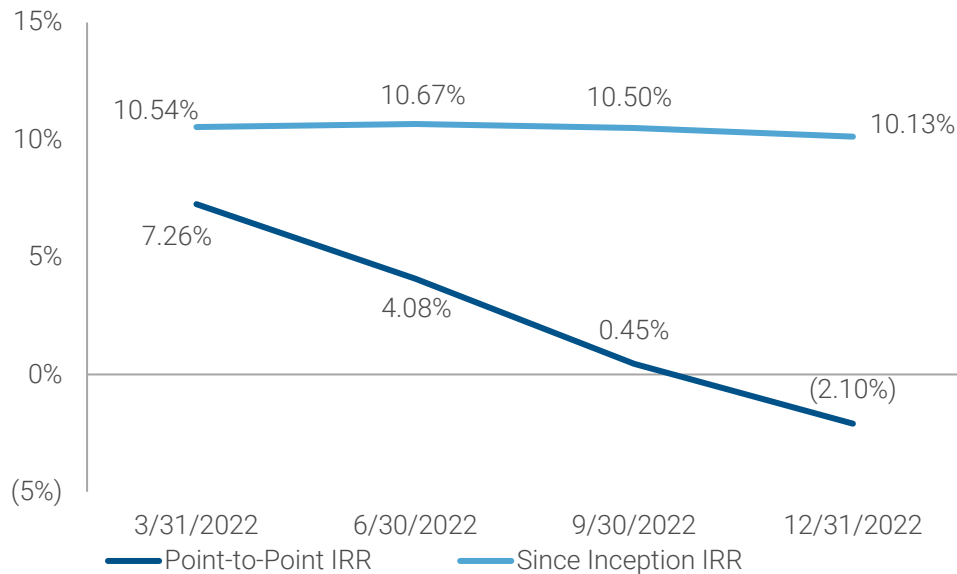


RE Portfolio Highlights – December 31, 2022

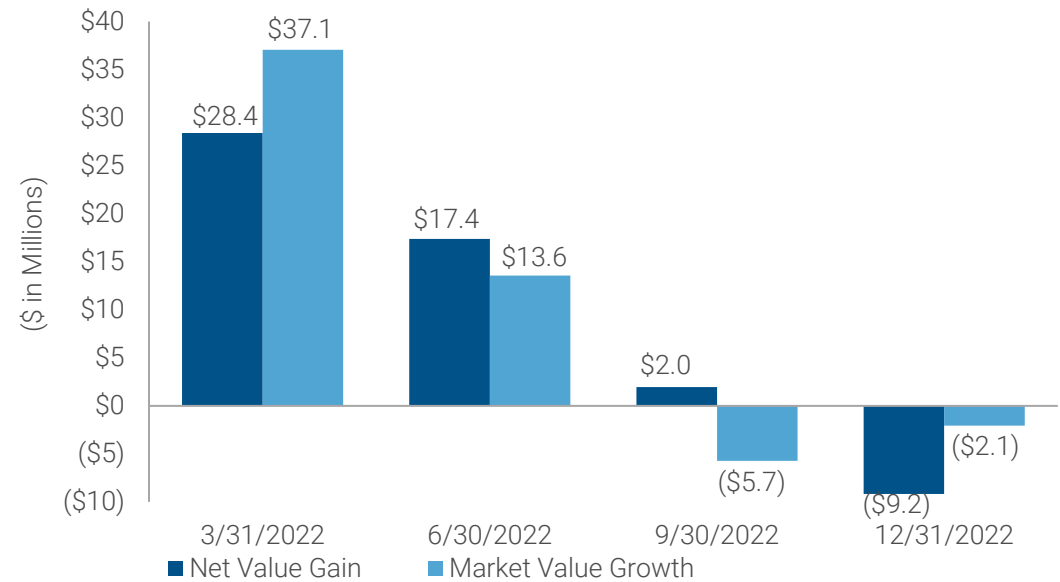
RE Portfolio generated negative performance in Q4

- Quarterly decline of \$9.2M during Q4, however performance was still positive for the year
- Since inception IRR declined 37 bps from the prior quarter but remains above double-digits
 - The Portfolio outperformed its designated benchmark, NFI-ODCE, by 57 bps on a since inception basis
- Solid net value increase of \$38.4M during the one-year period
 - One-year net IRR of 9.84%

RE Portfolio Returns



RE Portfolio Value Created



Note: The following funds use 9/30/2022 valuations adjusted for cash flows: Abacus Multi-Family Partners III, INVESCO US Income Fund, Longpoint Realty Fund I, Miller Global Fund VII, and Prologis European Logistics Fund (PELF)

Portfolio Snapshot

Portfolio Snapshot			
\$ millions	9/30/2022	12/31/2022	Change
Active Partnerships	38	38	-
Active GP Relationships	19	19	-
Capital Committed ¹	\$631.6	\$636.5	\$4.9
Unfunded Commitment	\$130.1	\$131.5	\$1.4
Capital Contributed	\$590.8	\$618.5	\$27.8
Capital Distributed	\$483.8	\$504.4	\$20.6
Market Value	\$433.0	\$431.0	(\$2.1)
Total Value Multiple	1.6x	1.5x	-
Since Inception IRR	10.50%	10.13%	(37 bps)
Active Avg Age of Commitments	4.7 years	4.9 years	0.2 years

¹The change in capital committed reflects the new commitments made during the quarter as well as currency fluctuations.

Q4 2022: Portfolio experienced depreciation

- Market value relatively flat, QoQ
- Net value decline of \$9.2M
- Portfolio distributions of \$20.6M in Q4
- Average age of commitments of 4.9 years

- Portfolio generated gains in three of four quarters over the last twelve months
 - Portfolio generated significant distributions of \$83.8M during one-year period
 - Net value increase of \$38.4M over the one-year period
 - One-year IRR of 9.84%

Portfolio Summary					
	Quarter Ending				Year Ended
in \$ millions	3/31/2022	6/30/2022	9/30/2022	12/31/2022	12/31/2022
Beginning Market Value	\$388.1	\$425.2	\$438.8	\$433.0	\$388.1
Paid-in Capital	26.4	21.5	12.6	27.8	88.3
Distributions	(17.7)	(25.3)	(20.2)	(20.6)	(83.8)
Net Value Change	28.4	17.4	1.8	(9.2)	38.4
Ending Market Value	\$425.2	\$438.8	\$433.0	\$431.0	\$431.0
Unfunded Commitments	\$159.2	\$165.8	\$156.6	\$131.5	\$131.5
Total Exposure	584.4	604.6	589.6	562.5	562.5
Point-to-Point IRR	7.26%	4.08%	0.45%	(2.10%)	9.84%
Since Inception IRR	10.54%	10.67%	10.50%	10.13%	10.13%

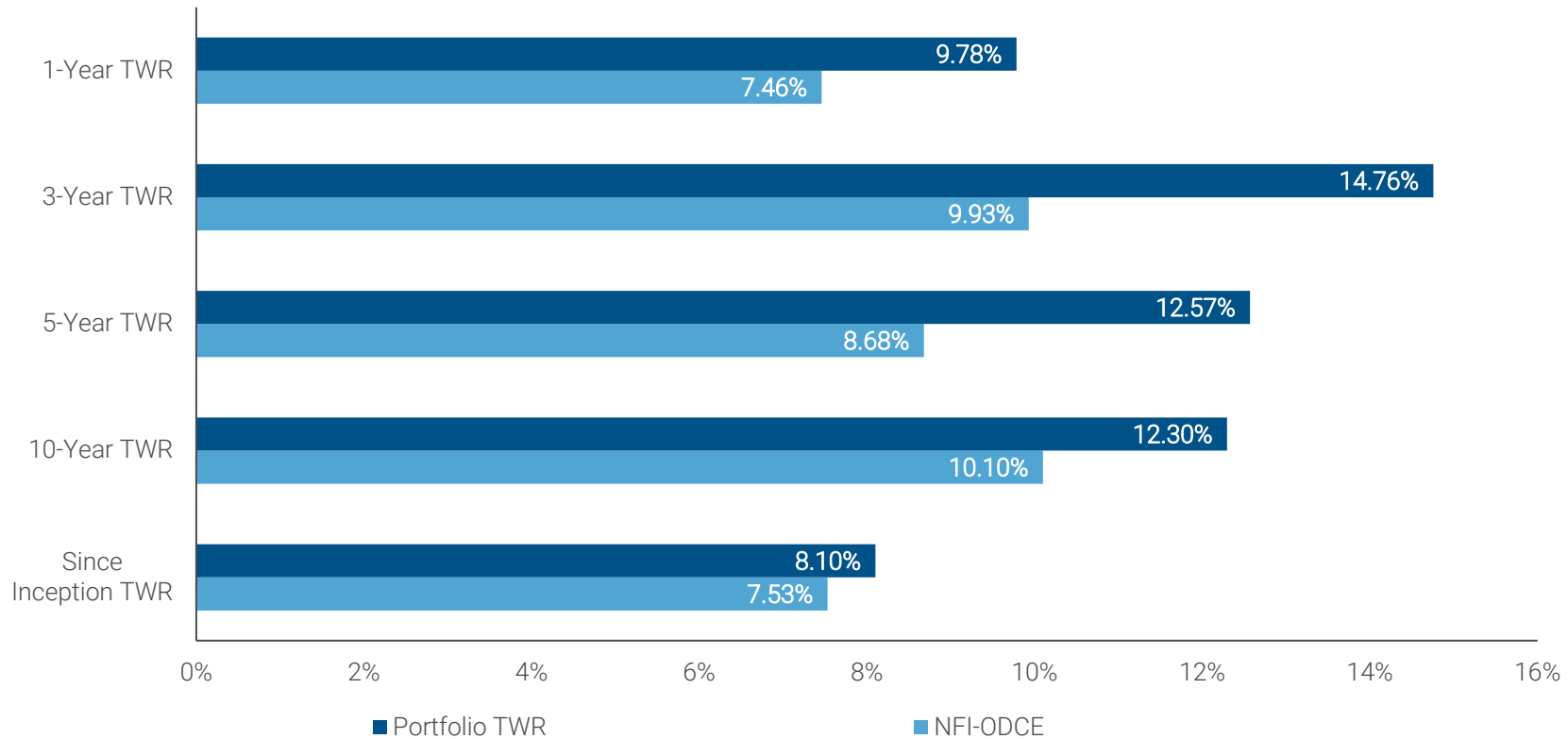
Note: Totals may not sum due to rounding

Note: The following funds use 9/30/2022 valuations adjusted for cash flows: Abacus Multi-Family Partners III, INVESCO US Income Fund, Longpoint Realty Fund I, Miller Global Fund VII, and Prologis European Logistics Fund (PELF)

Performance Summary

Portfolio outperformed designated benchmark across all time periods as of December 31, 2022

As of December 31, 2022



- Portfolio outperformed designated benchmark, the NFI-ODCE, across all time periods
 - Since inception outperformance of 57 bps

Note: Benchmarks calculated via time-weighted return methodology

Note: Since inception represents first cash flow date of 1/1/2006

Note: The following funds use 9/30/2022 valuations adjusted for cash flows: Abacus Multi-Family Partners III, INVESCO US Income Fund, Longpoint Realty Fund I, Miller Global Fund VII, and Prologis European Logistics Fund (PELF)

Commitment Activity

2023 Commitment Activity				
Closing Date	Partnership	Investment Strategy	Geographic Focus	Commitment (\$mil)
2023 Allocation				
*June 2023	Fund A	Value-Add	United States	\$10.0
*June 2023	Fund B	Value-Add	United States	\$10.0
*June 2023	Fund C	Opportunistic	Europe	\$10.0
2023 Total				\$30.0

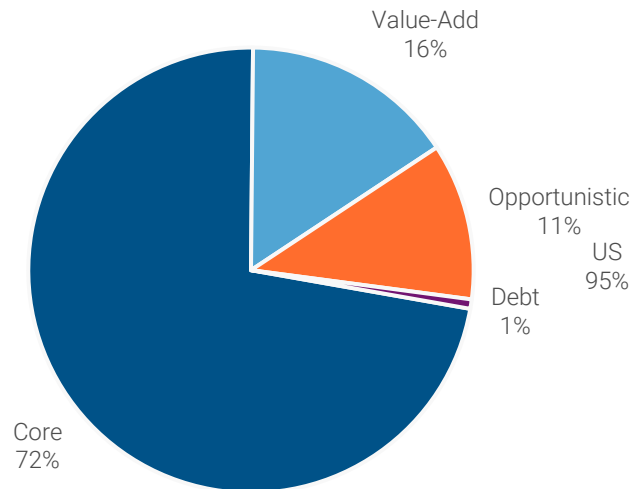
* Pending close / projected close timing

- Targeting commitments of \$65M-\$85M in 2023
 - Three investments pending close for a total of \$30.0M
 - One out of three investments represents an existing manager relationship
 - Well diversified by geography and strategy

Portfolio Diversification

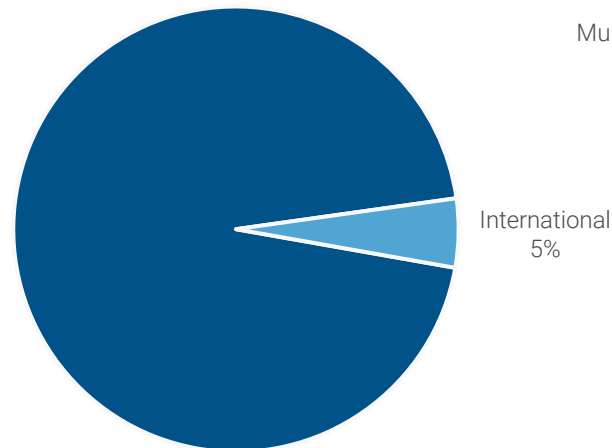
Strategic Diversification by Total Exposure

As of December 31, 2022



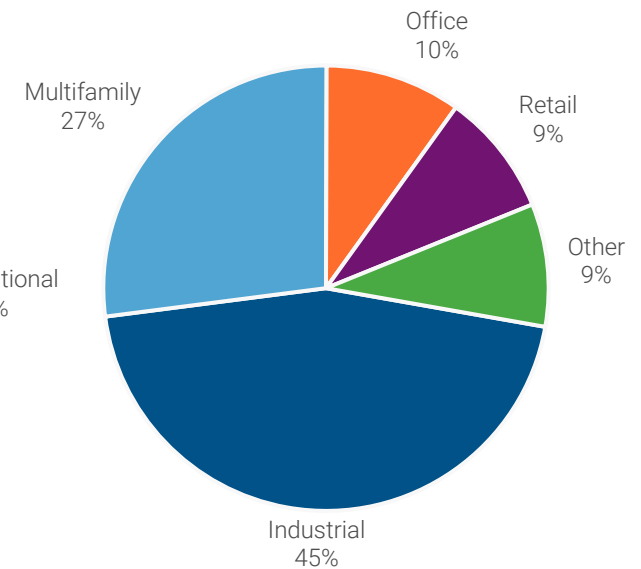
Underlying Investment Diversification by Geography

As of December 31, 2022



Underlying Investment Diversification by Property Type

As of December 31, 2022



Portfolio is prudently diversified by strategy, geography and sector

- Strategy – Exposure remained relatively unchanged quarter-over-quarter
- Geography – Exposure remained relatively unchanged quarter-over-quarter
- Industry – Industrial exposure represents the largest exposure at 45%

Note: The following funds use 9/30/2022 valuations adjusted for cash flows: Abacus Multi-Family Partners III, INVESCO US Income Fund, Longpoint Realty Fund I, Miller Global Fund VII, and Prologis European Logistics Fund (PELF)

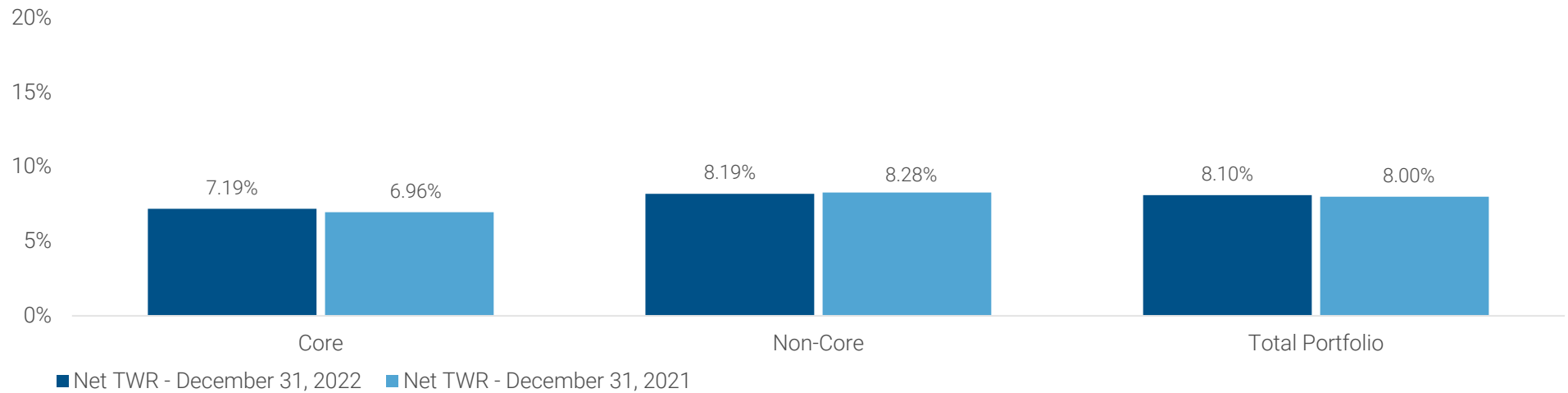
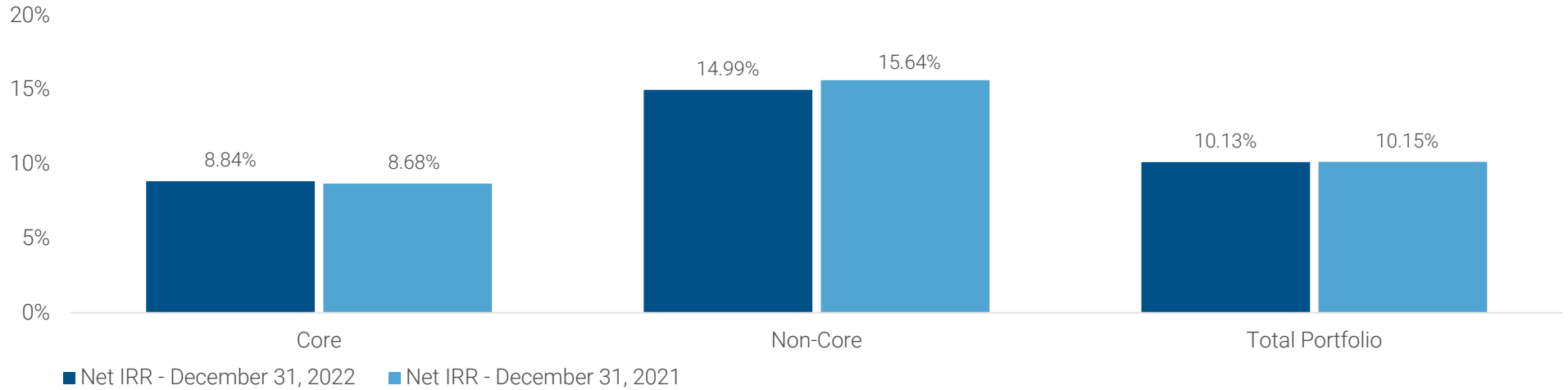


Appendix



Real Estate Performance by Strategy

Strategy	Commitments	Paid-In Capital	Capital Distributed	DPI	Net Asset Value	Since Inception Net IRR	Since Inception Net TWR	TVPI	1-Year Net IRR	1-Year Net TWR
Core	\$269.5	\$316.4	\$208.2	0.66x	\$314.8	8.84%	7.19%	1.65x	10.80%	10.92%
Non-Core	367.0	302.2	296.2	0.98x	116.1	14.99%	8.19%	1.36x	7.48%	7.03%
Total Portfolio	\$636.5	\$618.5	\$504.4	0.82x	\$431.0	10.13%	8.10%	1.51x	9.84%	9.78%



Portfolio Observations:

- Non-Core (Value Add & Opportunistic) investments positively impacting since inception IRR by 108 bps¹

¹ Represents attribution analysis

Note: Core since inception represents first cash flow date of 1/1/2006; non-core since inception represents first cash flow date of 6/25/2008

The Big Picture

Rising rates, capital markets volatility and reduced liquidity



- “Risk-off” sentiment amid rising rates and questions of “how high” and for “how long” central banks and the Fed will go in raising rates, resulting in higher borrowing spreads on top of higher base rates
- Rising rates and a pullback in lending from traditional real estate lenders have reduced liquidity in the real estate market, setting the stage for select distress

Despite market volatility, there are reasons for optimism



- Fundamentals remain strong overall, with high levels of demand and positive rent growth across most sectors
- There has been a meaningful flight to quality from a user perspective leading to sustained, strong performance of high-quality, well-located assets
- Slowing new supply, reduced buyer competition and market distress leading to lower prices and better entry yields

Reduced competition drives better buying opportunities

- Real estate income yields have generally been low over the past decade, a trend we see reversing rapidly
- Particularly compelling opportunities to provide financing at rates seemingly unimaginable ~12 months ago. Credit investors with existing exposure to floating rate loans to see meaningful uplift in returns going forward. Attractive secondary pricing.
- Opportunity set no longer dominated by four major property types

Performance Summary by Investment

Santa Barbara County Employees' Retirement System Real Estate Portfolio Performance Summary by Investment as of December 31, 2022

Partnership	Vintage Year	Strategy	Capital Committed	Paid-In Capital	Capital Distributed	Market Value	Since Inception IRR ¹
Abacus Core Income Fund I, LP	2014	Core	\$10,000,000	\$9,033,596	\$14,613,707	-	10.23%
Abacus Multi-Family Partners III, L.P.	2014	Value-Add	7,500,000	8,275,240	12,657,566	\$13,099	25.62%
Abacus Multi-Family Partners IV, L.P.	2017	Value-Add	15,000,000	15,907,460	24,058,416	1,900,090	28.22%
Abacus Multi-Family Partners V, L.P.	2020	Value-Add	10,000,000	7,861,635	2,037,736	6,826,720	13.90%
ABR Chesapeake Fund VI, L.P.	2019	Value-Add	10,000,000	7,100,000	916,865	8,156,389	19.68%
Alcion Real Estate Partners Fund IV, L.P.	2018	Opportunistic	10,000,000	4,272,806	1,752,811	1,158,068	(34.41%)
Blackstone Property Partners L.P.	2017	Core	30,000,000	32,296,581	3,590,340	40,084,912	7.39%
Blackstone Real Estate Partners IX, L.P.	2018	Opportunistic	4,500,000	4,701,957	1,509,076	5,211,141	28.49%
Blackstone Real Estate Partners VII, L.P.	2011	Opportunistic	7,500,000	10,634,594	15,799,966	1,544,672	15.28%
CBRE Strategic Partners US Value 5, L.P.	2008	Value-Add	10,000,000	10,000,000	14,156,289	8,906	16.18%
Citymark Capital U.S. Apartment Fund II L.P.	2019	Value-Add	15,000,000	17,564,433	19,772,140	1,567,830	14.89%
Citymark Capital U.S. Apartment Fund III L.P.	2021	Value-Add	20,000,000	11,081,660	539,104	10,044,763	(7.75%)
Grandview I-C, LP	2020	Value-Add	10,000,000	8,900,871	7,332,332	5,632,753	46.89%
Grandview Partners Fund II	2021	Value-Add	10,000,000	9,621,323	2,064,948	8,002,249	7.88%
Greenfield Acquisition Partners VI, L.P.	2011	Value-Add	7,500,000	10,039,242	12,719,726	8,846	9.88%
Greenfield Acquisition Partners VII, L.P.	2013	Value-Add	10,000,000	11,484,740	17,464,029	1,210,389	13.36%
H/2 Credit Partners Ltd. B-1	2010	Debt	10,000,000	10,000,000	15,310,912	(6,331)	4.97%
Harrison Street Core Property Fund, L.P.	2012	Core	10,000,000	15,800,641	25,323,424	-	8.44%
Harrison Street Securities Separate Account	2011	Core	20,000,000	20,000,000	31,934,875	10,646	10.98%
High Street Real Estate Fund VI, L.P.	2020	Core	15,000,000	15,062,178	1,881,086	21,794,863	24.43%
High Street Real Estate Fund VII	2021	Core	15,000,000	14,207,475	-	14,827,694	N/A
INVESCO US Income Fund, L.P.	2013	Core	20,000,000	33,508,976	15,014,372	53,698,808	12.65%
Longpoint Realty Fund I, LP	2018	Value-Add	15,500,000	17,782,985	31,238,882	285,286	39.63%
Longpoint Realty Fund II, LP	2020	Value-Add	15,000,000	10,500,000	112,024	11,475,634	16.79%
Longpoint Specialty Grocer Fund I, LP	2022	Value-Add	25,000,000	-	-	227,719	-

Note: The following funds use 9/30/2022 valuations adjusted for cash flows: Abacus Multi-Family Partners III, INVESCO US Income Fund, Longpoint Realty Fund I, Miller Global Fund VII, and Prologis European Logistics Fund (PELF)

Performance Summary by Investment

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Partnership	Vintage Year	Strategy	Capital Committed	Paid-In Capital	Capital Distributed	Market Value	Since Inception IRR ¹
Lubert-Adler Real Estate Fund VII, L.P.	2013	Opportunistic	\$12,500,000	\$12,234,596	\$6,731,958	\$6,846,627	2.02%
Lubert-Adler Real Estate Fund VII-B, L.P.	2016	Opportunistic	10,000,000	9,000,000	11,128,466	2,735,722	15.46%
Lubert-Adler Recovery and Enhancement Capital Fund, L.P.	2020	Opportunistic	10,000,000	4,500,000	370,209	4,578,793	10.40%
Lubert-Adler Workforce Housing Fund L.P.	2020	Opportunistic	30,000,000	18,162,321	13,666,667	12,261,711	70.72%
Mesa West Core Lending Fund, L.P.	2013	Core	10,000,000	15,789,616	6,933,663	15,473,776	6.22%
Mesa West Real Estate Income Fund III, L.P.	2013	Value-Add	10,000,000	7,575,674	9,780,698	1,208	8.56%
Mesa West Real Estate Income Fund IV, L.P.	2015	Core	10,000,000	8,333,333	4,698,373	5,029,434	6.55%
Miller Global Fund VII, LLC	2012	Value-Add	7,500,000	9,870,471	11,944,178	2,721	13.76%
Miller Global Fund VIII, LLC	2017	Value-Add	5,000,000	5,707,954	5,261,774	1,448,071	10.05%
Moorfield Real Estate Fund III	2014	Opportunistic	3,863,941	4,514,227	5,740,128	153,215	12.17%
Patron Capital, V L.P.	2015	Opportunistic	5,656,875	4,767,620	3,044,108	2,736,422	7.66%
PRIMA Mortgage Investment Trust, LLC	2010	Core	5,000,000	5,010,607	6,586,413	(12,701)	6.29%
Prologis European Logistics Fund (PELF)	2014	Core	4,515,508	6,262,073	2,722,306	8,337,097	9.63%
Prologis Targeted US Logistics Fund	2011	Core	15,000,000	20,389,833	12,481,153	73,076,278	17.64%
Rockwood Capital Real Estate Partners Fund VIII, L.P.	2009	Value-Add	10,000,000	9,186,074	15,111,694	(13,586)	19.00%
RREEF America REIT II, Inc	2005	Core	40,000,000	53,502,666	50,256,472	(546,025)	(2.06%)
Rubenstein Properties Fund III, L.P.	2016	Value-Add	5,000,000	5,032,758	-	3,830,781	(6.52%)
Stockbridge Smart Markets Fund, L.P.	2012	Core	20,000,000	31,712,370	13,831,021	54,815,931	10.73%
Stockbridge Value Fund II, L.P.	2014	Value-Add	7,500,000	7,516,789	12,068,939	91,005	15.69%
Stockbridge Value Fund III, L.P.	2018	Value-Add	10,000,000	9,201,682	7,440,039	6,320,232	16.94%
Stockbridge Value Fund, L.P.	2011	Value-Add	7,500,000	6,469,921	11,485,078	2,607	19.06%
Walton Street Real Estate Core-Plus Fund, L.P.	2021	Core	25,000,000	20,318,471	317,840	25,304,630	22.79%
Walton Street Real Estate Debt Fund II L.P.	2018	Debt	10,000,000	5,143,382	2,681,652	2,944,665	7.46%
Walton Street Real Estate Fund IX, L.P.	2020	Opportunistic	10,000,000	4,516,250	994,891	4,320,286	88.58%
Walton Street Real Estate Fund VII, L.P.	2012	Opportunistic	10,000,000	9,362,684	10,528,304	2,387,905	9.68%
Walton Street Real Estate Fund VIII, L.P.	2017	Opportunistic	10,000,000	8,816,886	6,790,753	5,162,269	10.34%
Total Portfolio			\$636,536,324	\$618,536,651	\$504,397,403	\$430,974,220	10.13%

Note: The following funds use 9/30/2022 valuations adjusted for cash flows: Abacus Multi-Family Partners III, INVESCO US Income Fund, Longpoint Realty Fund I, Miller Global Fund VII, and Prologis European Logistics Fund (PELF)

Manager Monitoring

Fund Manager	Significant Event (Yes/No)	Last HL Meeting	Comments
Abacus Capital Group	No	March 2023	<ul style="list-style-type: none"> Team has growth to 27 professionals Opened two new regional offices in Dallas and Miami
Alcion Ventures	No	November 2018	<ul style="list-style-type: none"> N/A
Alex Brown Realty, Inc.	No	April 2023	<ul style="list-style-type: none"> Rebranded as ABR Capital Partners in January 2023 Continue to focus on middle market and residential, industrial, healthcare
Blackstone	No	April 2023	<ul style="list-style-type: none"> Opened a new flagship location in Frankfurt, Germany
CBRE Global Investors	No	November 2018	<ul style="list-style-type: none"> Appointed Yann L'Hostillier as Residential Transaction manager in France
Citymark Capital	No	October 2022	<ul style="list-style-type: none"> 9-person team; MD of IR recently left
DWS Group	No	April 2022	<ul style="list-style-type: none"> Appointed George Catrambone as Head of Fixed Income, Americas Appointed Vanessa Wang as Head of Asia-Pacific Karl von Rohr to step down as Chairman in October
Grandview Partners	No	November 2022	<ul style="list-style-type: none"> Fund II offering sizeable co-investment opportunities
Greenfield Partners	No	November 2020	<ul style="list-style-type: none"> N/A
H2 Equity Partners	No	November 2022	<ul style="list-style-type: none"> N/A
Harrison Street	No	November 2022	<ul style="list-style-type: none"> Global expansion continues with open-end fund in Canada and push into Asia
High Street Logistics Properties	No	February 2023	<ul style="list-style-type: none"> Currently raising first value-add fund, backed by UTIMCO
Invesco Real Estate	No	April 2023	<ul style="list-style-type: none"> Katherine Kelley joined the Board of Directors Clive Emery, Head of Multi-Asset Strategies, departed the firm
Longpoint Realty Partners	No	May 2020	<ul style="list-style-type: none"> N/A
Lubert-Adler	No	March 2023	<ul style="list-style-type: none"> BJ Glenn joined as capital raiser / IR; moved offices to 2400 Market St.
Mesa West Capital, LLC	No	March 2023	<ul style="list-style-type: none"> Raphael Fishbach and Ronnie Gul are moving into Co-CEO roles
Miller Global Properties, LLC	No	April 2023	<ul style="list-style-type: none"> Two investments left in Fund VIII (Hotel and Office)
Moorfield Group	No	June 2018	<ul style="list-style-type: none"> N/A

*N/A represents no material update

Manager Monitoring

Fund Manager	Significant Event (Yes/No)	Last HL Meeting	Comments
Prima Capital Advisors LLC	No	November 2021	• N/A
Prologis	No	February 2023	• Promoted Scott Marshall to Chief Customer Officer
Rockwood Capital	No	December 2022	• Recently launched Rockwood Residential Credit
Rubenstein Partners	No	November 2022	• N/A
Stockbridge Capital Group	No	February 2023	• Currently raising Fund V
Walton Street Capital, LLC	No	April 2023	• Likely to launch WSRE X in late 2023

*N/A represents no material update

Important Disclosures

Non-public information contained in this report is confidential and intended solely for dissemination to the client and/or its Affiliates. Hamilton Lane has prepared this report to enable the client and/or its Affiliates to assess the performance and status of its alternative investment portfolio. The calculations contained in this document are made by Hamilton Lane based on information provided by the general partner (e.g. cash flows and valuations), and have not been prepared, reviewed or approved by the general partners. Hamilton Lane hereby disclaims any liability resulting from any unauthorized dissemination of the attached information.

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