



# **PERSPECTIVES** THAT DRIVE ENTERPRISE SUCCESS



**MARCH 2023**

Private Equity & Private Credit Pacing Analysis

**Fresno County Employees' Retirement Association**

# Portfolio overview

## Private Equity

- FCERA has an 8% target allocation to private equity. Based on plan assets of \$5.61B as of 12/31/2022, this implies a market value exposure of ~\$448MM
- As of 12/31/2022, PE is 8.3% of the total plan portfolio
- Hamilton Lane was hired in 2017 to advise FCERA using a separately managed account structure for private equity investments
  - Since HL was hired, FCERA has committed \$710 million over 3-separate tranches with the latest tranche approved in January 2022 (\$125 million per year)

## Private Credit

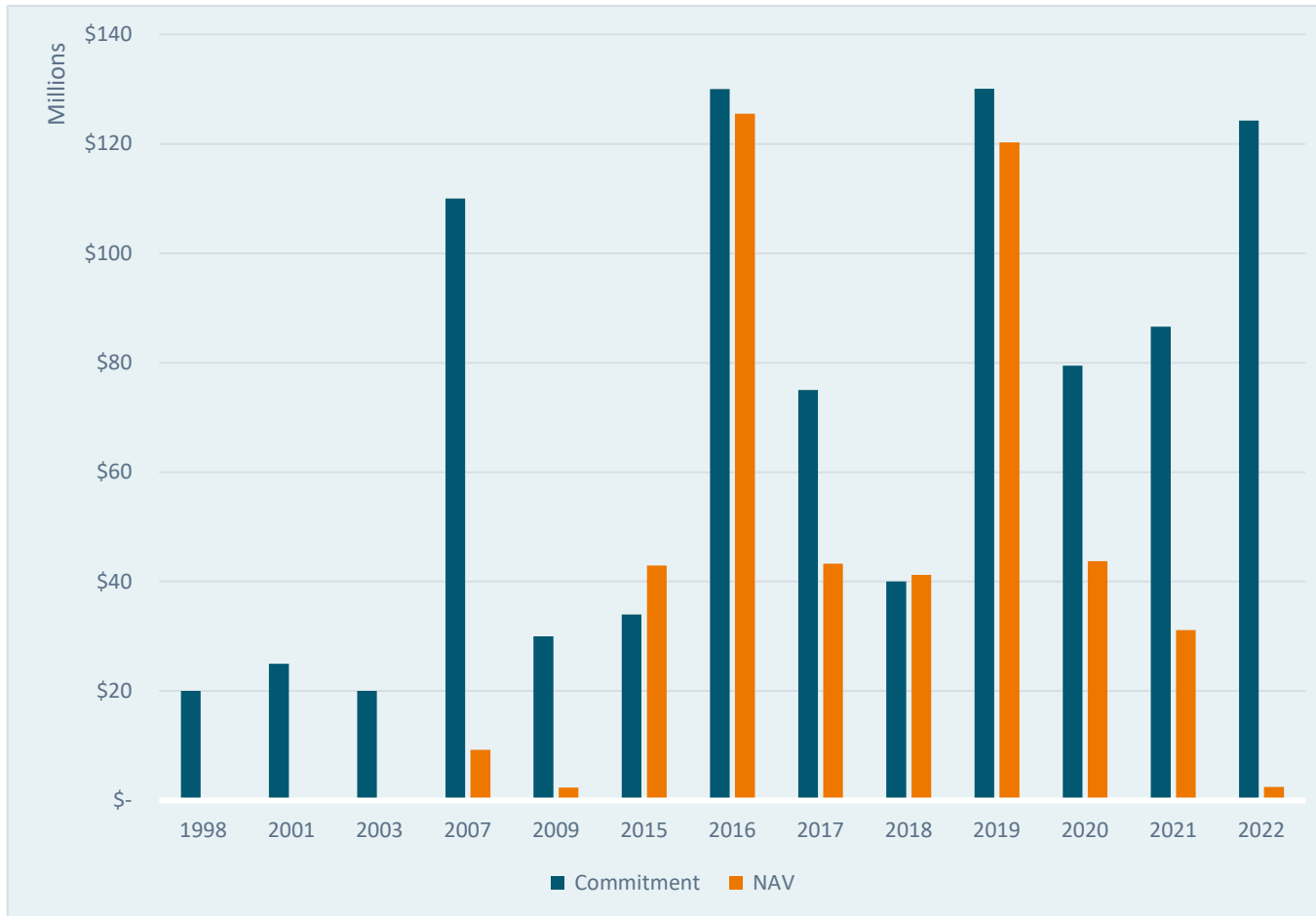
- FCERA has an 8% target allocation to private credit. Based on current plan assets of \$5.61B, this implies a market value exposure of ~\$448MM
- As of 12/31/2022, PE is 7.1% of the total plan portfolio
- Aksia was hired in 2021 to advise FCERA using a fund-of-one structure
  - Implementation consists of a 3-year deployment timeline committing approximately \$195 million per year
  - Since inception, Aksia has closed on 4 private credit funds

The objective of this discussion is to ensure current commitment pacing is appropriate.

# Private Equity

# Private equity existing exposure

COMMITMENTS & NET ASSET VALUE BY VINTAGE YEAR



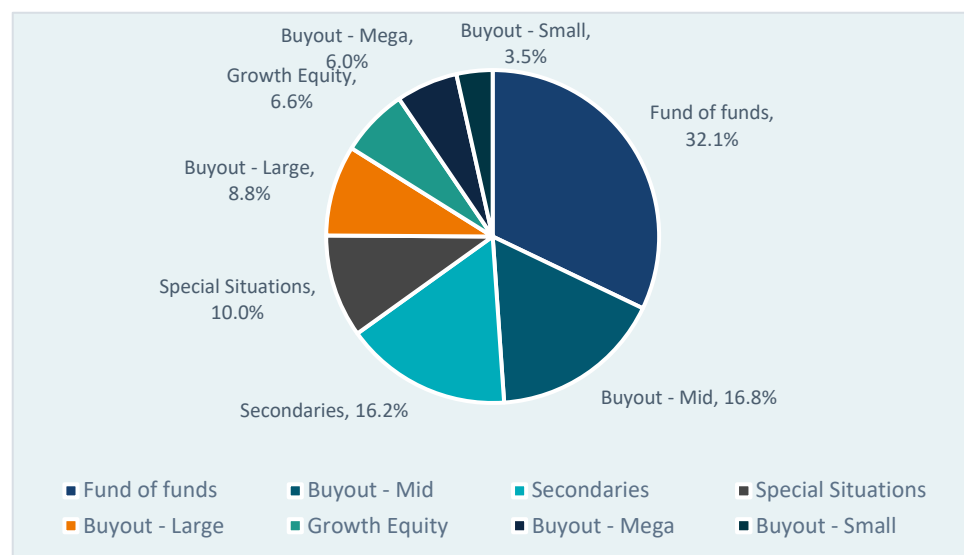
Note: As of 12/31/2022

# Private equity portfolio snapshot

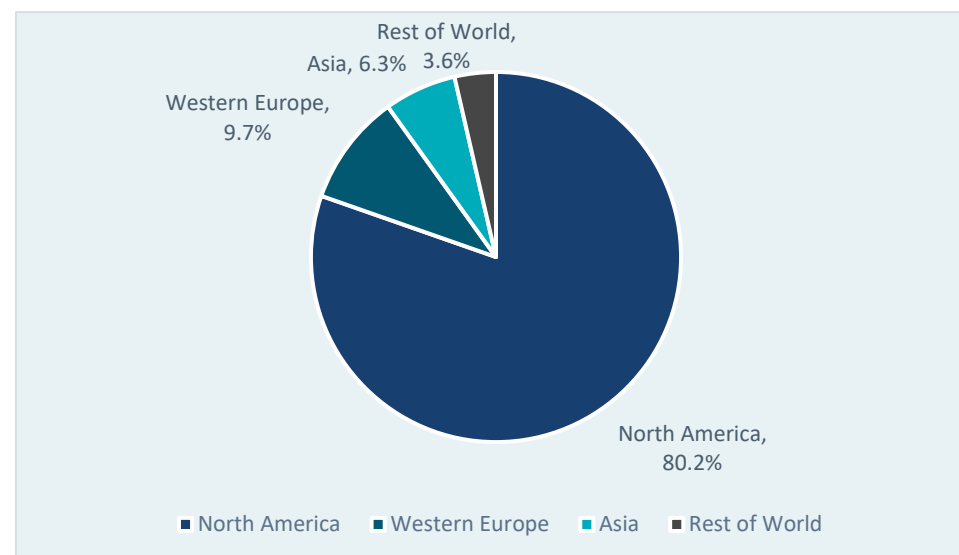
## Private Equity

Fund	Commitment	Unfunded Commitment	Paid-In Capital	Capital Distributed	NAV	TVPI	Since Inception IRR
Legacy PE Portfolio	\$372,402,119	\$23,450,139	\$355,002,068	\$490,092,732	\$182,984,270	1.90x	13.87%
FCERA/Hamilton Lane PE Portfolio	\$531,971,275	\$293,198,974	\$274,598,285	\$98,611,652	\$279,311,006	1.40x	19.76%
<b>Total Private Equity</b>	<b>\$904,373,394</b>	<b>\$316,649,113</b>	<b>\$629,600,353</b>	<b>\$588,704,384</b>	<b>\$462,295,276</b>	<b>1.70x</b>	<b>14.29%</b>

## HOLDINGS AS A % OF NAV



## GEOGRAPHIC EXPOSURE BY MARKET VALUE



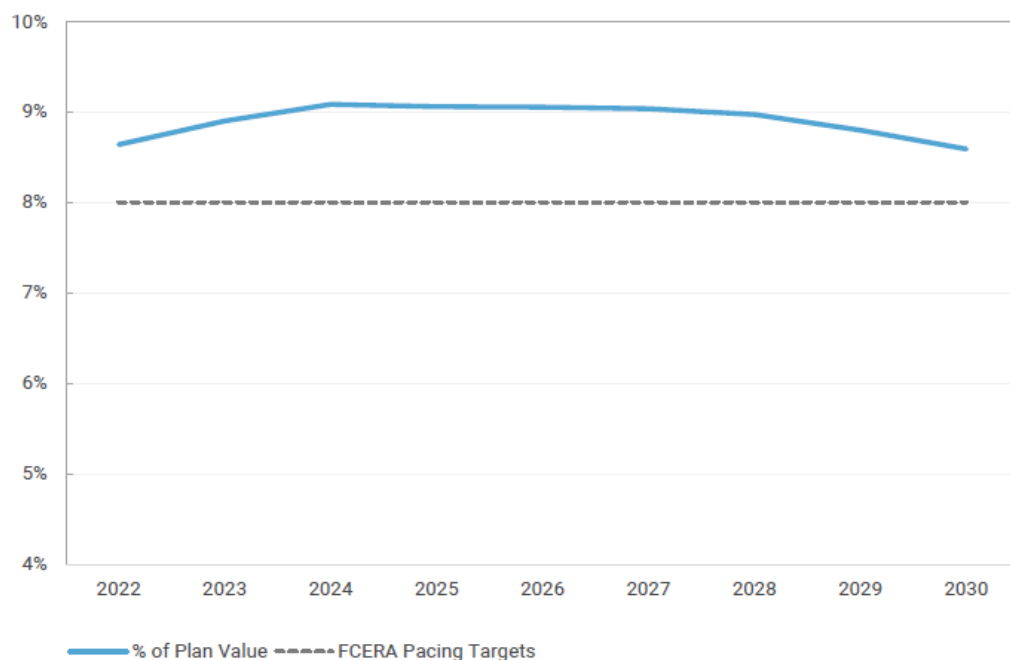
Source: Portfolio information from Verus as of 12/31/2022; graph information from HL as of 6/30/2022

Note: Detailed portfolio holdings and statistics in appendix

# Hamilton Lane pacing analysis

\$ in Million	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>FCERA - \$125/yr Scenario</b>									
Commitments	\$121.9	\$125.0	\$125.0	\$125.0	\$125.0	\$125.0	\$125.0	\$125.0	\$125.0
Contributions	85.6	96.0	104.3	109.8	115.3	119.0	121.4	122.9	123.5
Distributions	81.9	106.5	123.8	146.8	155.4	163.7	172.9	185.9	192.6
Annual Net Cash Flow	(\$3.8)	\$10.5	\$19.5	\$37.1	\$40.1	\$44.8	\$51.5	\$63.0	\$69.1
PE Market Value	496.8	537.4	575.9	603.0	632.7	663.2	691.4	711.9	729.9
% of Plan Value	8.6%	8.9%	9.1%	9.1%	9.1%	9.0%	9.0%	8.8%	8.6%
FCERA Pacing Targets	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

## Horizon Model Analysis as of 6/30/2022

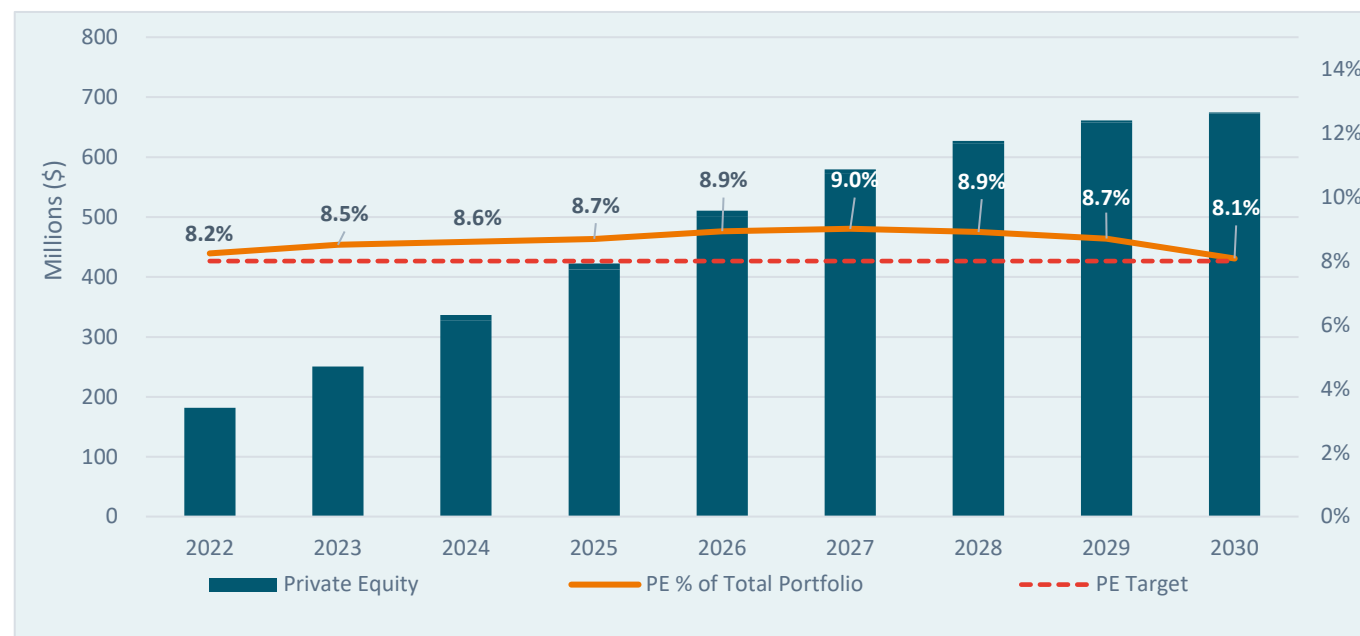


Note: Valuations as of 6/30/2022; projections using Q2 2022 plan value (\$5.6 billion) and a 5% total plan growth rate

Hamilton Lane projects a base case commitment scenario of \$125 million per year which puts the private equity allocation just over target through 2030

# Verus' PE pacing analysis

PRIVATE EQUITY NET ASSET VALUE AND SIZE RELATIVE TO TOTAL PORTFOLIO



Verus' results are similar to HL when assuming the same commitment schedule of \$125 million through 2030

Year	Total Commitment	PE % of Plan	HL Roadmap	Difference
2023	125,000,000	8.5%	8.9%	-0.4%
2024	125,000,000	8.6%	9.1%	-0.5%
2025	125,000,000	8.7%	9.1%	-0.4%
2026	125,000,000	8.9%	9.1%	-0.2%
2027	125,000,000	9.0%	9.0%	0.0%
2028	125,000,000	8.9%	9.0%	-0.1%
2029	125,000,000	8.7%	8.8%	-0.1%
2030	125,000,000	8.1%	8.6%	-0.5%

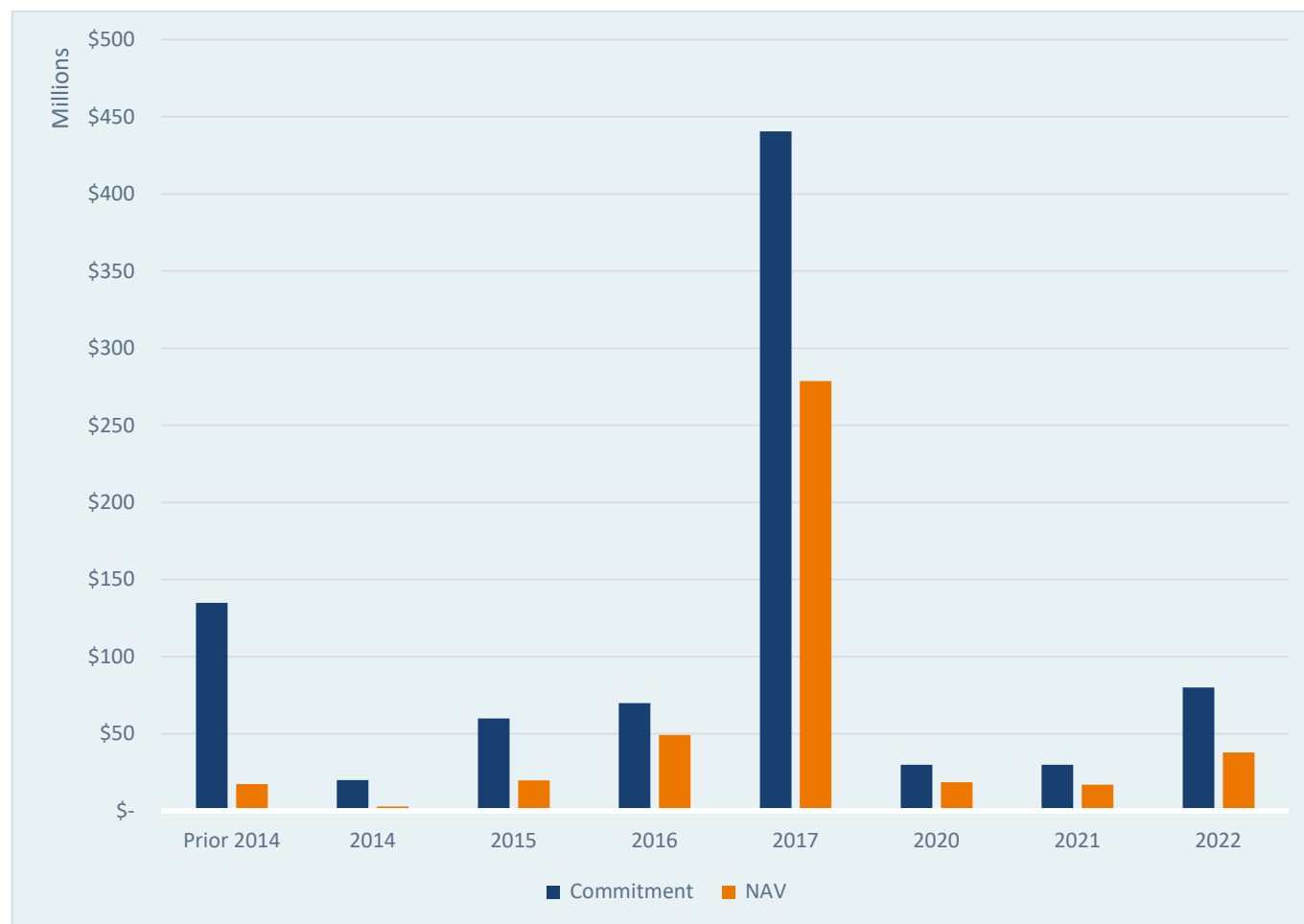
Note: Projections using a total plan value as of 12/31/2022 and a 5% assumed total plan growth rate

# Private credit



# Private credit existing exposure

COMMITMENTS & NET ASSET VALUE BY VINTAGE YEAR



Note: As of 12/31/2022

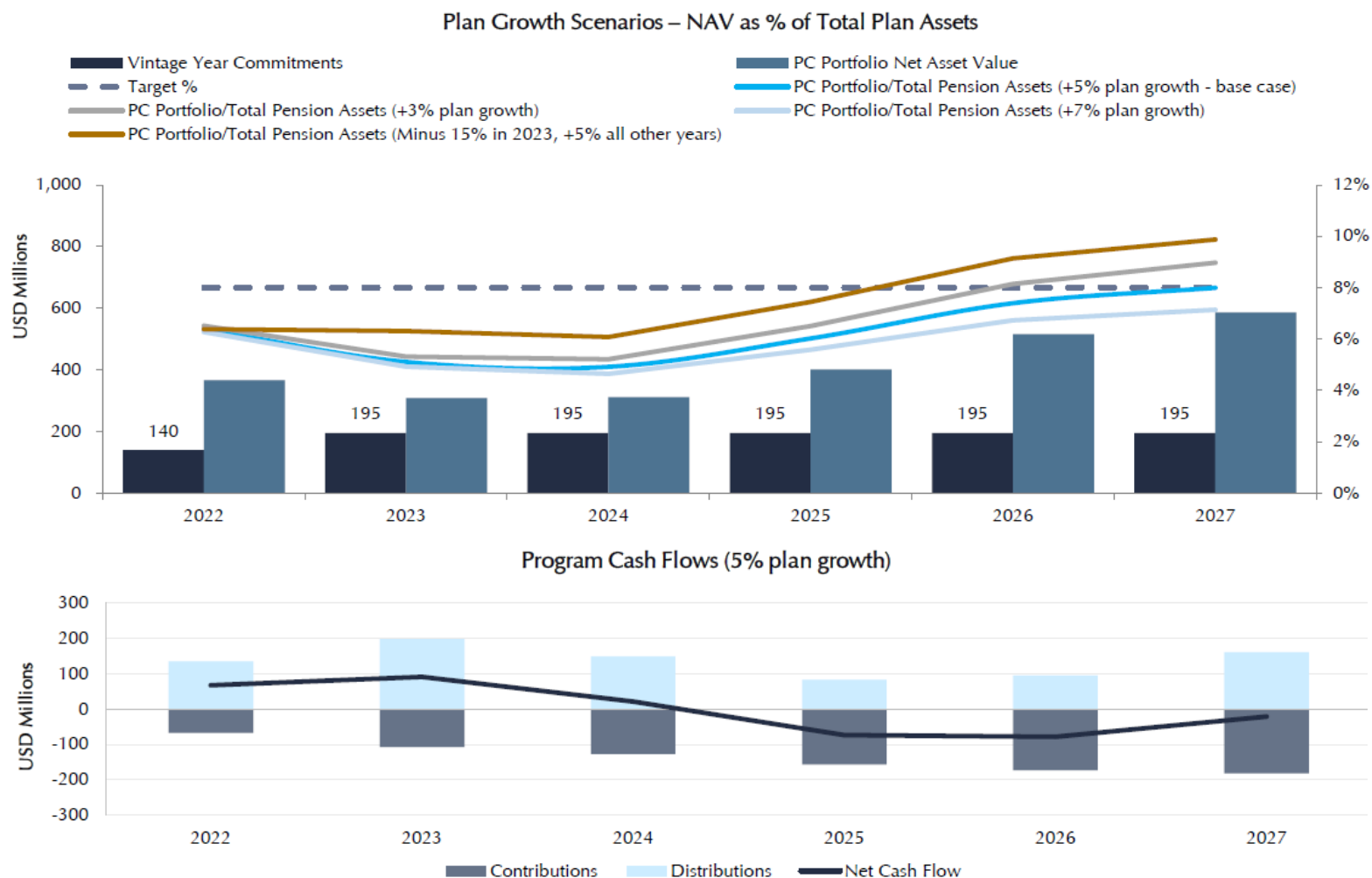
2017 vintage fund exposure consists of Carlyle legacy funds (BDC II, CPC V, and AlpInvest)

# Private credit portfolio snapshot

Private Credit								
Fund	Vintage Year	Commitment	Unfunded	Paid-In Capital	Capital Distributed	NAV	TVPI	Since Inception IRR
FCERA Private Credit Portfolio								
EQT European Special Situations Debt	2017	\$40,490,450	\$16,140,771	\$33,425,449	\$15,826,526	\$17,998,669	1.06	2.3%
OHA Strategic Credit Fund II	2016	\$40,000,000	\$14,000,000	\$26,000,000	\$13,626,237	\$21,454,972	1.44	13.3%
TSSP Adjacent Opportunities Partners	2016	\$30,000,000	\$14,707,603	\$30,585,708	\$15,244,807	\$25,463,003	1.33	8.9%
GSO European Senior Debt	2015	\$30,000,000	\$7,860,984	\$48,989,388	\$40,121,142	\$12,485,163	1.07	4.5%
CVI Credit Value Fund III	2015	\$30,000,000	\$1,500,000	\$28,500,000	\$29,811,680	\$7,280,389	1.31	7.5%
Colony Distressed Credit III	2014	\$20,000,000	\$2,734,814	\$21,738,035	\$23,045,891	\$3,010,857	1.20	6.1%
Oaktree Opportunities IX	2012	\$15,000,000	\$0	\$15,000,000	\$11,620,156	\$11,488,076	1.66	7.7%
KKR Mezzanine Partners	2010	\$30,000,000	\$944,937	\$37,108,974	\$38,974,495	\$4,025,404	1.16	5.9%
Angelo Gordon VII	2010	\$30,000,000	\$0	\$30,000,000	\$36,780,893	\$0	1.23	5.5%
Colony Distressed Credit I	2009	\$40,000,000	\$0	\$42,267,526	\$64,304,647	\$0	1.52	13.8%
Lone Star Fund IV	2002	\$20,000,000	\$954,801	\$19,045,199	\$44,421,429	\$48,854	2.33	30.2%
TCG BDC II - Carlyle	2017	\$150,000,000	\$4	\$149,999,996	\$148,402,956	\$38,305,584	1.24	9.0%
CPC V - Carlyle	2017	\$150,000,000	\$20,748,973	\$192,740,234	\$83,489,207	\$168,076,118	1.20	7.8%
AlpInvest FC Credit Fund - Carlyle	2017	\$100,000,000	\$23,812,309	\$76,978,494	\$37,649,414	\$52,585,736	1.17	10.2%
<b>Total Pre-2022 FCERA Private Credit Portfolio</b>		<b>\$725,490,450</b>	<b>\$103,404,996</b>	<b>\$752,378,983</b>	<b>\$583,319,580</b>	<b>\$362,222,824</b>	<b>1.26</b>	<b>11.0%</b>
Aksia High Sierra Private Credit Portfolio								
ACORE Capital Special Situations	2020	\$30,000,000	\$13,400,000	\$23,200,000	\$6,300,000	\$17,100,000	1.00	n.m.
Arbour Lane Credit Opportunity Fund III (A)	2021	\$30,000,000	\$17,200,000	\$13,200,000	\$0	\$11,500,000	0.90	n.m.
Barings Global Private Loan Fund 4 SCSp	2022	\$50,000,000	\$24,400,000	\$26,100,000	\$0	\$26,100,000	1.00	n.m.
Fortress Lending Fund III (D)	2022	\$30,000,000	\$11,400,000	\$18,600,000	\$0	\$18,600,000	1.00	n.m.
<b>Total Aksia High Sierra Private Credit</b>		<b>\$140,000,000</b>	<b>\$66,400,000</b>	<b>\$81,100,000</b>	<b>\$6,300,000</b>	<b>\$73,300,000</b>	<b>1.00</b>	<b>n.m.</b>
<b>Total FCERA Private Credit Portfolio</b>		<b>\$865,490,450</b>	<b>\$169,804,996</b>	<b>\$833,478,983</b>	<b>\$589,619,580</b>	<b>\$435,522,824</b>		

Source: Verus as of 12/31/2022

# Aksia pacing analysis

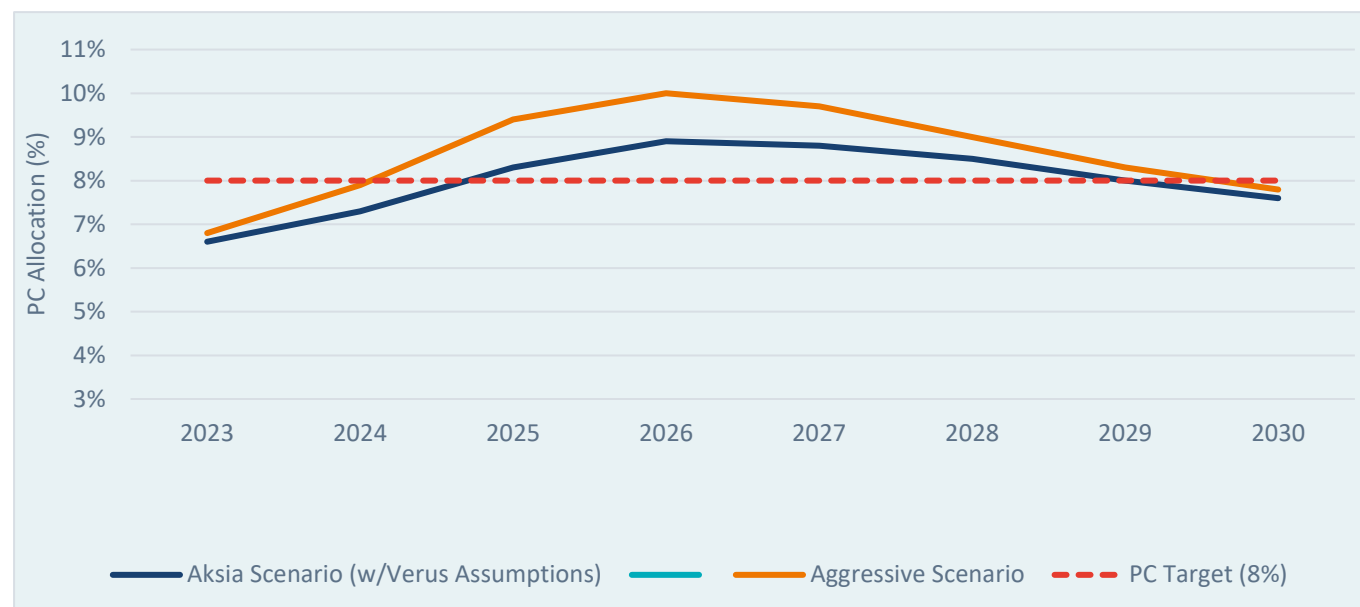


Aksia base case scenario of \$195 million per year projects to achieve target allocation in 2027

Notes: Valuations as of 6/30/2022; projections using Q2 2022 plan value (\$5.6 billion)

# Verus' PC pacing analysis

PRIVATE CREDIT NET ASSET VALUE AND SIZE RELATIVE TO TOTAL PORTFOLIO



Aksia's current commitment schedule under Verus assumptions project to bring FCERA to target in 2025, with overshoot vs. Target in years 2026 to 2028.

The aggressive scenarios bring the allocation to target quicker, but with more significant overshoot.

The current Aksia commitment pace appears reasonable.

Year	Aksia Scenario (Verus Assumptions)		Verus Aggressive Scenario	
	Total Commitment	PC % of Plan	Total Commitment	PC % of Plan
2023	195,000,000	6.6%	240,000,000	6.8%
2024	195,000,000	7.3%	240,000,000	7.9%
2025	195,000,000	8.3%	200,000,000	9.4%
2026	195,000,000	8.9%	200,000,000	10.0%
2027	195,000,000	8.8%	200,000,000	9.7%
2028	195,000,000	8.5%	200,000,000	9.0%
2029	195,000,000	8.0%	200,000,000	8.3%
2030	195,000,000	7.6%	200,000,000	7.8%

Note: Projections using a total plan value as of 12/31/2022 and a 5% assumed total plan growth rate

# Summary

## Private Equity

- Verus' pacing analysis shows similar results as Hamilton Lane's study which was presented to the Board during the December 2022 meeting
- The current pacing commitment schedule of \$125 million projects to keep FCERA slightly above target through 2030. Given the relatively conservative allocation target of 8%, Verus is comfortable with a modest over-allocation, which will correct if total plan returns exceed 5% (net of cashflows).

## Private Credit

- The current \$195 million commitment pace with Aksia appears appropriate.
- A more aggressive pace may allow FCERA to reach target quicker, but with more overshoot.

# Appendix

# Verus assumptions

- Total Plan assets = \$5,606MM (as of December 31, 2022)
- Expected net annual growth rate of plan assets = 5.0%
- Private credit
  - Annual return = 6.7%
  - Fund life = 8 years
- Private equity
  - Annual return = 12.6%
  - Fund life = 13 years

# PE portfolio summary

Fund	Vintage Year	Commitment	Unfunded Commitment	Paid-In Capital	Capital Distributed	NAV*	TVPI	Since Inception IRR
<b>FCERA PE Portfolio</b>								
Blackstone Capital Partners IV, L.P.	2003	\$20,000,000	\$597,726	\$22,648,846	\$53,391,175	\$51,025	2.4x	29.60%
Hamilton Lane Private Equity Fund IX L.P.	2016	\$100,000,000	\$9,951,676	\$90,048,324	\$80,861,586	\$88,873,181	1.9x	18.84%
Hamilton Lane Private Equity Fund VI, LP	2007	\$70,000,000	\$7,104,295	\$62,895,705	\$96,745,307	\$8,091,261	1.7x	9.13%
Horsley Bridge XI Growth Buyout L.P.	2016	\$30,000,000	\$3,244,347	\$26,755,653	\$19,796,029	\$36,628,375	2.1x	25.15%
Landmark Equity Partners XIV, L.P.	2009	\$30,000,000	\$791,302	\$29,210,859	\$36,983,926	\$2,333,222	1.3x	9.64%
New Mountain Partners III, L.P.	2007	\$15,000,000	\$659,743	\$15,967,442	\$37,875,321	\$628,593	2.4x	14.67%
NMP III Continuation Fund, L.P.	2021	\$3,402,119	\$642,050	\$2,769,979	\$930,994	\$2,824,660	1.4x	29.74%
Warburg Pincus Equity Partners, L.P.	1998	\$20,000,000	\$0	\$20,000,000	\$33,046,892	\$78,834	1.7x	10.26%
Warburg Pincus Private Equity VIII, L.P.	2001	\$25,000,000	\$0	\$26,100,000	\$58,384,663	\$0	2.2x	14.50%
Warburg Pincus Private Equity X, L.P.	2007	\$25,000,000	\$0	\$25,046,896	\$44,407,751	\$553,696	1.8x	9.51%
Warburg Pincus Private Equity XII, L.P.	2015	\$34,000,000	\$459,000	\$33,558,364	\$27,669,088	\$42,921,423	2.1x	19.29%
<b>Legacy PE Portfolio</b>		<b>\$372,402,119</b>	<b>\$23,450,139</b>	<b>\$355,002,068</b>	<b>\$490,092,732</b>	<b>\$182,984,270</b>	<b>1.90x</b>	<b>13.87%</b>
<b>Hamilton Lane PE Portfolio</b>								
Altaris Health Partners V, L.P.	2020	\$10,000,000	\$5,042,566	\$4,947,442	\$0	\$5,355,583	1.1	8.49%
Aurora Equity Partners VI, L.P.	2019	\$10,000,000	\$5,239,286	\$4,761,914	\$1,720	\$4,851,173	1.0x	2.09%
Avista Capital Partners IV, L.P.	2018	\$10,000,000	\$1,268,428	\$12,363,476	\$17,811,598	\$5,388,787	1.9x	34.83%
Avista Capital Partners V, L.P.	2019	\$10,000,000	\$671,276	\$10,396,339	\$1,067,615	\$11,796,945	1.2x	20.90%
Avista Healthcare Partners VI, L.P.	2022	\$15,000,000	\$15,000,000	\$0	\$0	\$0	N/A	0.00%
Bridgepoint Development Capital IV, L.P.	2020	\$9,657,756	\$7,941,454	\$1,716,302	\$0	\$1,424,894	0.80x	(26.32%)
Cinven Seventh Fund	2019	\$8,485,495	\$3,467,811	\$5,017,684	\$0	\$5,299,077	1.1x	3.94%
CVC Capital Partners VIII, L.P.	2020	\$9,780,038	\$4,134,655	\$5,645,143	-\$240	\$5,569,216	1.00x	(2.66%)
Gridiron Capital Fund IV, L.P.	2019	\$10,000,000	\$969,611	\$10,030,389	\$1,040,361	\$16,571,926	1.8x	38.99%
Gridiron Capital Fund V, L.P.	2022	\$15,000,000	\$15,000,000	\$0	\$0	\$0	N/A	0.00%
H.I.G. Growth Buyouts & Equity Fund III, L.P.	2019	\$10,000,000	\$6,314,018	\$3,685,982	\$0	\$3,626,397	1.0x	(1.23%)
Hamilton Lane Secondary Fund IV, L.P.	2017	\$75,000,000	\$32,766,477	\$64,407,538	\$61,219,536	\$43,289,731	1.6x	18.61%
HGGC Fund IV, L.P.	2019	\$10,000,000	\$5,172,342	\$6,129,507	\$1,462,785	\$5,167,103	1.1x	5.91%
Insight Partners XI, L.P.	2019	\$10,000,000	\$273,185	\$9,730,000	\$17,768	\$15,524,069	1.6x	26.86%
Insight Partners XII, L.P.	2021	\$20,000,000	\$6,800,000	\$13,200,000	\$26,784	\$11,091,511	0.8x	(16.66%)



# PE portfolio summary cont.

Fund	Vintage Year	Commitment	Unfunded Commitment	Paid-In Capital	Capital Distributed	NAV*	TVPI	Since Inception IRR
JFL Equity Investors V, L.P.	2019	\$10,000,000	\$2,150,173	\$7,849,827	\$0	\$8,629,136	1.1x	6.41%
K4 Private Investors, L.P.	2018	\$5,000,000	\$349,573	\$4,650,930	\$507	\$7,641,939	1.6x	17.91%
K5 Private Investors, L.P.	2020	\$10,000,000	\$5,228,266	\$4,771,734	\$0	\$4,822,410	1.0x	1.21%
Keensight Nova VI SLP	2021	\$18,195,370	\$17,922,988	\$272,382	\$0	\$74,879	0.3x	(72.51%)
Kelso Investment Associates X, L.P.	2018	\$7,500,000	\$1,800,590	\$6,773,679	\$1,742,316	\$10,714,272	1.8x	37.11%
NewQuest Asia Fund IV, L.P.	2019	\$10,000,000	\$2,371,907	\$8,667,044	\$1,039,131	\$9,396,841	1.2x	18.22%
Oak Hill Capital Partners V, L.P.	2020	\$10,000,000	\$771,891	\$9,254,714	\$30,109	\$11,802,660	1.3x	21.55%
Oak Hill Capital Partners VI, L.P.	2022	\$15,000,000	\$15,000,000	\$0	\$0	-\$369,080	N/A	0.00%
Platinum Equity Capital Partners V, L.P.	2019	\$10,000,000	\$1,098,316	\$9,375,751	\$845,501	\$12,776,548	1.5x	25.84%
Platinum Equity Capital Partners VI, L.P.	2022	\$15,000,000	\$14,129,442	\$870,558	\$0	\$700,635	0.8x	(19.52%)
Platinum Equity Small Cap Fund, L.P.	2018	\$7,500,000	\$2,578,553	\$5,481,052	\$1,273,747	\$7,668,055	1.6x	24.69%
SK Capital Partners Fund V, L.P.	2018	\$10,000,000	\$1,551,125	\$9,699,683	\$1,330,877	\$9,787,604	1.1x	7.07%
SK Capital Partners VI, LP	2021	\$15,000,000	\$15,000,000	\$0	\$0	\$0	N/A	0.00%
Sterling Group Foundation Fund, L.P.	2022	\$15,000,000	\$15,000,000	\$0	\$0	\$0	N/A	0.00%
Sterling Group Partners V, L.P.	2020	\$10,000,000	\$5,853,898	\$3,958,402	\$0	\$4,718,468	1.2x	28.36%
STG Allegro Fund, L.P.	2021	\$15,000,000	\$14,179,113	\$820,887	\$0	\$405,280	0.5x	(50.63%)
STG VI, L.P.	2020	\$10,000,000	\$5,303,430	\$4,696,570	\$0	\$5,168,610	1.1x	9.61%
Stripes VI, LP	2022	\$15,000,000	\$12,233,384	\$2,766,616	\$36,962	\$2,185,497	0.8x	(22.64%)
TCV XI, L.P.	2020	\$10,000,000	\$4,881,525	\$5,118,476	\$0	\$4,856,856	0.9x	(4.45%)
The Eighth Cinven Fund	2022	\$19,480,346	\$19,480,346	\$0	\$0	\$0	N/A	0.00%
The Resolute Fund V, L.P.	2021	\$15,000,000	\$4,571,907	\$10,432,052	\$53,523	\$16,759,353	1.6x	74.92%
Thomas H. Lee Equity Fund VIII, L.P.	2019	\$7,500,000	\$1,140,887	\$7,327,619	\$6,714,313	\$5,315,221	1.6x	37.22%
TPG Partners VIII, L.P.	2019	\$10,000,000	\$2,774,156	\$8,655,271	\$2,185,361	\$9,369,019	1.3x	28.17%
Verdane Capital X AB	2019	\$7,337,084	\$437,025	\$6,917,506	\$709,260	\$8,145,623	1.3x	17.67%
Verdane Capital XI	2022	\$7,385,406	\$7,385,406	\$0	\$0	-\$39,149	N/A	0.00%
Verdane Edda III	2022	\$7,385,406	\$7,385,406	\$0	\$0	\$0	N/A	0.00%
ZMC III, L.P.	2019	\$6,764,374	\$2,558,558	\$4,205,816	\$2,118	\$3,823,917	0.9x	(7.74%)
<b>FCERA/Hamilton Lane PE Portfolio</b>		<b>\$531,971,275</b>	<b>\$293,198,974</b>	<b>\$274,598,285</b>	<b>\$98,611,652</b>	<b>\$279,311,006</b>	<b>1.4x</b>	<b>19.76%</b>
<b>Total Private Equity</b>		<b>\$904,373,394</b>	<b>\$316,649,113</b>	<b>\$629,600,353</b>	<b>\$588,704,384</b>	<b>\$462,295,276</b>	<b>1.70x</b>	<b>14.29%</b>

# Notices & disclosures

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