

# Pension Trust

1000 Mill Street  
San Luis Obispo, CA 93408  
(805) 781-5465 Phone  
(805) 781-5697 Fax  
www.SLOPensionTrust.org



## AGENDA

**Monday, September 27, 2021 9:30 AM**

### **PENSION TRUST BOARD OF TRUSTEES**

**\* Online only**

#### MEETING MATERIALS

Materials for the meeting may be found at

<http://www.slocounty.ca.gov/Departments/Pension-Trust/Board-of-Trustees>

Any supporting documentation that relates to an agenda item for open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available at this location.

#### AMERICANS WITH DISABILITIES ACT (Government Code §54953.2)

Disabled individuals who need special assistance to listen to and/or participate in any meeting of the Board of Trustees may request assistance by calling 805/781-5465, or sending an email to [SLOCPT@co.slo.ca.us](mailto:SLOCPT@co.slo.ca.us). Every effort will be made to reasonably accommodate individuals with disabilities by making meeting materials and access available in alternative formats. Requests for assistance should be made at least two days in advance of a meeting whenever possible.

#### **\* TELE-CONFERENCE / VIDEO-CONFERENCE**

**Due to the current pandemic Board of Trustees meetings are closed to the public attending in person until further notice.**

This meeting of the Board of Trustees will be held via teleconference and/or videoconference pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020. Items of business will be limited to the matters shown on the agenda.

If you wish to view the videoconference of the meeting please access

<https://us06web.zoom.us/j/83037032089?pwd=c3lHSDNOZXRtck4yQVZUYlgrRnZtdz09>

If you wish to listen to the teleconference meeting, please dial 669/900-6833 (Meeting ID 830 3703 20089). If you have any questions or require additional service, please contact SLOCPT at 805/781-5465.

**A) PUBLIC COMMENT**

1. Public Comment: Members of the public wishing to address the Board on matters other than scheduled items may do so when recognized by the Chair. Presentations are limited to three minutes per individual.

**B) CONSENT**

2. Minutes of the Regular Meeting of August 23, 2021 (Approve Without Correction).
3. Reports of Deposits and Contributions for the month of August 2021 (Receive and File).
4. Reports of Service Retirements, Disability Retirements and DROP Participants for the month of August 2021 (Receive, Approve and File).

**C) APPLICATIONS FOR DISABILITY RETIREMENT**

None

**D) OLD BUSINESS**

None

**E) NEW BUSINESS**

None

**F) INVESTMENTS**

5. Monthly Investment Report for August 2021 (Receive and File).
6. Alternative Investments Fee Disclosure – CA Code 7514.7 - (Receive and File).
7. Private Markets Discretionary Advisor – Finalist Selection (Review, Discuss, Recommend Approval).
8. Asset Allocation - (Review, Discuss, and Direct Staff as necessary).

**G) OPERATIONS**

## 9. Staff Reports

## 10. General Counsel Reports

## 11. Committee Reports:

- i. Audit Committee No Report
- ii. Personnel Committee Report
- iii. Private Markets Investments Report

## 12. Upcoming Board Topics (subject to change)

- i. October 25, 2021 – planned as a non-meeting month
- ii. November 15, 2021 – virtual or live venue TBD
  - a. Disability Cases (2)
  - b. Interest Crediting Rates and PEPRA Compensation limits
  - c. Quarterly Investment Report
  - d. Strategic Asset Allocation – 2022 Interim Benchmark
  - e. Private Markets Discretionary Advisor – Selected Advisor Implementation
  - f. Annual Strategic Planning session
    - (a) Funding Policy Update and Projections
    - (b) Benefits Administration briefing
    - (c) Fiduciary Refresher Briefing
    - (d) Personnel Policy
    - (e) Cybersecurity Update (closed session)
- iii. December 20, 2021 – planned as a non-meeting month
- iv. January 24, 2022 – virtual or live venue TBD
  - a. Election of Officers
  - b. Committee Appointments
  - c. Disability Hearings – Referee Panel Update
  - d. Annual Cashflow Analysis
  - e. Private Markets Discretionary Advisor – Selected Advisor Implementation

## 13. Trustee Comments

**H) CLOSED SESSION**

14. PUBLIC EMPLOYEE EVALUATION. The Board will convene in closed session pursuant to Gov. Code section 54957(b)(1) to conduct the annual employee evaluation of the Executive Director.

*Closed session to be held in a separate Zoom videoconference for Trustees only*

**I) ORGANIZATIONAL**

15. Executive Director Compensation (Review, Discuss, and Approve as necessary).

**J) ADJOURNMENT**

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BOARD OF TRUSTEES**

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**MINUTES**

**Monday, August 23, 2021, 2021 \***  
Regular Meeting of the Pension Trust  
Board of Trustees

**PENSION TRUST  
BOARD OF TRUSTEES**

*\* Note – all attendees participated via videoconference as noticed on the agenda for the meeting. Public access was available via videoconference or an audio-only phone-in line.*

**Board Members Present:** Gere Sibbach  
Jeff Hamm (presiding)  
Taylor Dacus  
Jim Hamilton  
Lisa Howe  
Michelle Shoresman  
David Grim

**Board Members Absent:**

**Pension Trust Staff:** Carl Nelson Executive Director  
Amy Burke Deputy Director  
Jennifer Alderete Accountant

**General Counsel:** Chris Waddell Olson | Remcho

**Consultants:** Scott Whalen Verus  
Don Stracke NEPC

**Others:** Larry Batchelder SLOCREA  
Zach Cziryak Financial Invest. News (journalist)  
Kevin Baload Pageant Media (journalist)  
Lisa Winter SLOOPT  
Ed Hoffman Pathway  
Unidentified telephone attendees (1)

**Call to Order:** 9:31 AM by Vice President Hamm

## **A) PUBLIC COMMENT**

1. None

## **B) ORGANIZATIONAL**

2. Elected Trustee – new Trustee – David Grim – welcomed by the Board
3. Committees – appointment of members by President Sibbach.
  - i) Audit Committee (standing committee)
    - a. Trustees Hamilton, Howe, and Dacus
  - ii) Personnel Committee (standing committee)
    - a. Trustees Hamm, Shoresman, and Sibbach
      - (a) President Sibbach indicated that new Trustee Grim may be appointed to the Personnel Committee in 2022 after gaining more experience on the Board. President Sibbach appointed himself to the Personnel Committee for purposes of the routine Executive Director annual performance evaluation scheduled for September 2021.
  - iii) Private Markets Investments Committee (ad hoc committee)
    - a. Trustees Hamm, Hamilton and Dacus

## **C) CONSENT**

4. Minutes of the Regular Meeting of June 28, 2021 (Approve Without Correction).
5. Reports of Deposits and Contributions for the months of June and July 2021 (Receive and File).
6. Reports of Service Retirements, Disability Retirements and DROP Participants for the months of June and July 2021 (Receive, Approve and File).
7. Monthly Investment Report – June 2021 (Receive and File).
8. Reinstatement from Retirement – one member (Recommend Approval).

**Motion:** Approve the Consent items

**Discussion:** -

**Public Comment:** none

**Motion Made:** Ms. Shoresman

**Motion Seconded:** Mr. Dacus

**Carried:** Unanimous (roll call vote)

**D) APPLICATIONS FOR DISABILITY RETIREMENT**

None

**E) OLD BUSINESS**

None

**F) NEW BUSINESS**

- 9. June 30, 2021, Mid-Year Financial Statements and Fiscal Year (FY) 2020-2021 Final Administrative Budget Status (Receive and File).

**Motion:** To Receive and File the Mid-Year Financial Statements and Fiscal Year (FY) 2020-2021 Final Administrative Budget Status report.

**Discussion:** Deputy Director Burke presented the report.

**Public Comment:** None

**Motion Made:** Mr. Hamilton                      **Motion Seconded:** Mr. Grim

**Carried:** Unanimous (roll call vote)

- 10. Operational Risk Assessment Presentation (Receive and File).

**Motion:** To Receive and File the Operational Risk Assessment Presentation.

**Discussion:** Deputy Director Burke and Accountant Alderete presented an extensive review of operational risks and the numerous internal controls in place to mitigate such risks to the Pension Trust.

**Public Comment:** None

**Motion Made:** Mr. Hamm                      **Motion Seconded:** Mr. Sibbach

**Carried:** Unanimous (roll call vote)

**G) INVESTMENTS**

- 11. Quarterly Investment Report for the 2nd Quarter of 2021 – Verus (Receive and File).

**Motion:** To Receive and File the Quarterly Investment Report.

**Discussion:** Scott Whalen of Verus as the SLOCPT general investment consultant presented an extensive report on investment markets and the performance of SLOCPT assets.

**Public Comment:** None

**Motion Made:** Mr. Grim

**Motion Seconded:** Ms. Shoresman

**Carried:** Unanimous (roll call vote)

12. Monthly Investment Report for July 2021 (Receive and File)

**Motion:** To Receive and File the monthly investment report.

**Discussion:** Executive Director Nelson presented the report.

**Public Comment:** None

**Motion Made:** Ms. Howe

**Motion Seconded:** Mr. Dacus

**Carried:** Unanimous (roll call vote)

13. Private Markets Discretionary Advisor Search Update – Semi-Finalists (Review, Discuss, Direct Staff as necessary).

**Discussion:** Don Stracke of NEPC as the Private Market Advisor search consultant made a presentation on the rigorous process followed in the search and the evaluation by the Investment Committee. From the 12 firms that responded to the RFP issued by NEPC for a Private Markets Discretionary Advisor, four semi-finalists were selected and will be interviewed by the Investment Committee – Adams Street, HarbourVest, Pantheon, and Pathway. A finalist will be selected by the Investment Committee and asked to present to the Board at the September meeting.

**Public Comment:** None

**No Action Necessary**

14. Asset Allocation

**Discussion:** Routine item included should asset allocation changes be necessary. No action needed.

**Public Comment:** None

**No Action Necessary**

## H) OPERATIONS

15. Staff Reports

- i. Deputy Director Burke reported on the 2021 Disaster Recovery Test and Business Continuity Plan Test. The PensionGold system was successfully put through a disaster recovery drill and brought “live” again on the back-up cloud-based data

center. LRS as the vendor for Pension Gold successfully tested its ability to generate a retiree payroll should Pension Trust staff be unavailable.

- ii. Executive Director Nelson reported on the 2021 insurance renewals for Cyber Liability and Fiduciary Liability insurance coverages.
- iii. Deputy Director Burke reported on the SACRS Berkeley Investment program she attended over 24 hours of virtual instruction. The SACRS Berkeley Investment program is a training requirement for new Trustees and is recommended for their attendance when it returns to an in-person format in July 2022.
- iv. The 2022 schedule of Board of Trustees meetings was discussed and distributed after the meeting. Whether or not to hold the September 2021 Board meeting in a virtual or in-person format was discussed with health concerns expressed by Trustee Shoresman.

16. General Counsel Reports

General Counsel Waddell reported on the Governor’s Emergency Orders that affect retirees working for the County as temporary employees. He also discussed the outlook for further modifications of the Governor’s Emergency Order waiving Brown Act requirements that are scheduled to lapse October 1<sup>st</sup>. Mr. Waddell also requested Board input on topics of interest for his annual Fiduciary Refresher briefing scheduled for the November 15<sup>th</sup> Board of Trustees meeting.

17. Committee Reports:

- i. Audit Committee No Report
- ii. Personnel Committee No Report
- iii. Private Markets Investments (ad hoc) part of Agenda Item 13

18. Upcoming Board Topics – published on meeting agenda

19. Trustee Comments

None

**I) CLOSED SESSION**

None

**J) ADJOURNMENT**

There being no further business, the meeting was adjourned at 11:32 AM. The next Regular Meeting was set for September 27, 2021, at 9:30 AM, with its format as virtual or in-person yet to be determined.

Respectfully submitted,

Carl Nelson  
Executive Director

**REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF  
AUGUST 2021**

PP 16 8/13/2021	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employer for		Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
					Employee Contributions	Employee Rate					
<b>By Employer and Tier:</b>											
County Tier 1	2,962,295.41	906,751.20	30.61%	409,860.46	252,187.62	22.35%	52.96%	1,137.50	591.48		<b>1,570,528.26</b>
County Tier 2	1,005,364.97	319,562.66	31.79%	67,951.09	84,937.52	15.21%	46.99%	-	1,511.97		<b>473,963.24</b>
County Tier 3	3,883,662.72	1,170,764.00	30.15%	545,860.28	-	14.06%	44.20%	-	765.76		<b>1,717,390.04</b>
Superior Court Tier 1	219,881.41	65,564.25	29.82%	45,350.75	-	20.63%	50.44%	-	-		<b>110,915.00</b>
Superior Court Tier 3	123,998.80	35,478.19	28.61%	18,694.17	-	15.08%	43.69%	-	54.54		<b>54,226.90</b>
APCD Tier 1	44,635.78	11,986.81	26.85%	6,957.75	3,573.36	23.59%	50.45%	-	-		<b>22,517.92</b>
APCD Tier 3	29,380.02	7,554.65	25.71%	4,479.52	-	15.25%	40.96%	-	-		<b>12,034.17</b>
SLOCPT Tier 1	7,715.87	2,236.06	28.98%	1,171.27	716.80	24.47%	53.45%	-	-		<b>4,124.13</b>
SLOCPT Tier 2	9,347.20	2,708.82	28.98%	528.11	868.36	14.94%	43.92%	-	-		<b>4,105.29</b>
SLOCPT Tier 3	12,547.76	3,632.57	28.95%	1,803.74	-	14.37%	43.32%	250.00	-		<b>5,686.31</b>
LAFCO Tier 3	8,308.59	2,580.65	31.06%	1,144.04	-	13.77%	44.83%	-	-		<b>3,724.69</b>
RTA Tier 2	27,366.40	8,042.99	29.39%	565.36	3,557.63	15.07%	44.46%	-	-		<b>12,165.98</b>
RTA Tier 3	15,021.60	4,689.53	31.22%	1,812.89	-	12.07%	43.29%	-	-		<b>6,502.42</b>
	<b>8,349,526.53</b>	<b>2,541,552.38</b>	<b>30.44%</b>	<b>1,106,179.43</b>	<b>345,841.29</b>	<b>17.39%</b>	<b>47.83%</b>	<b>1,387.50</b>	<b>2,923.75</b>		<b>\$ 3,997,884.35</b>
<b>PP 17 8/27/2021</b>											
<b>By Employer and Tier:</b>											
County Tier 1	2,949,973.54	902,811.31	30.60%	408,216.14	251,243.16	22.35%	52.96%	1,137.50	591.48		<b>1,563,999.59</b>
County Tier 2	1,003,178.50	318,575.74	31.76%	67,757.25	84,788.67	15.21%	46.96%	-	1,511.97		<b>472,633.63</b>
County Tier 3	3,900,599.43	1,176,531.24	30.16%	548,360.70	-	14.06%	44.22%	-	765.76		<b>1,725,657.70</b>
Superior Court Tier 1	223,208.38	65,253.29	29.23%	44,964.24	-	20.14%	49.38%	-	-		<b>110,217.53</b>
Superior Court Tier 3	132,133.20	37,721.77	28.55%	19,992.67	-	15.13%	43.68%	-	54.54		<b>57,768.98</b>
APCD Tier 1	44,635.61	11,986.75	26.85%	6,957.73	3,573.35	23.59%	50.45%	-	-		<b>22,517.83</b>
APCD Tier 3	29,380.04	7,554.65	25.71%	4,479.52	-	15.25%	40.96%	-	-		<b>12,034.17</b>
SLOCPT Tier 1	7,715.87	2,236.06	28.98%	1,171.27	716.80	24.47%	53.45%	-	-		<b>4,124.13</b>
SLOCPT Tier 2	9,347.20	2,708.82	28.98%	528.11	868.36	14.94%	43.92%	-	-		<b>4,105.29</b>
SLOCPT Tier 3	12,547.76	3,632.57	28.95%	1,803.74	-	14.37%	43.32%	250.00	-		<b>5,686.31</b>
LAFCO Tier 3	9,173.97	2,849.44	31.06%	1,258.10	-	13.71%	44.77%	-	-		<b>4,107.54</b>
RTA Tier 2	27,366.40	8,042.99	29.39%	565.36	3,557.63	15.07%	44.46%	-	-		<b>12,165.98</b>
RTA Tier 3	15,021.60	4,689.53	31.22%	1,812.89	-	12.07%	43.29%	-	-		<b>6,502.42</b>
	<b>8,364,281.50</b>	<b>2,544,594.16</b>	<b>30.42%</b>	<b>1,107,867.72</b>	<b>344,747.97</b>	<b>17.37%</b>	<b>47.79%</b>	<b>1,387.50</b>	<b>2,923.75</b>		<b>\$ 4,001,521.10</b>
<b>TOTAL FOR THE MONTH</b>	<b>16,713,808.03</b>	<b>5,086,146.54</b>	<b>30.43%</b>	<b>2,214,047.15</b>	<b>690,589.26</b>	<b>17.38%</b>	<b>47.81%</b>	<b>2,775.00</b>	<b>5,847.50</b>		<b>\$ 7,999,405.45</b>
<b>TOTAL YEAR TO DATE</b>	<b>139,655,161.50</b>	<b>38,884,615.57</b>	<b>27.84%</b>	<b>17,795,204.27</b>	<b>5,901,270.41</b>	<b>16.97%</b>	<b>44.81%</b>	<b>23,662.50</b>	<b>181,212.38</b>		<b>62,785,965.13</b>

**REPORT OF RETIREMENTS****August 2021**

<b>RETIREE NAME</b>	<b>DEPARTMENT</b>	<b>BENEFIT TYPE *</b>	<b>EFFECTIVE DATE</b>	<b>MONTHLY BENEFIT</b>	<b>SS TEMP ANNUITY**</b>
Buoy, Rockford W	Fleet Services ISF	Service Retirement	07/17/2021	3,319.21	False
Corr, Lydia J	Auditor-Contrlr-Treas-Tax-Coll	Service Retirement	08/06/2021	11,556.32	False
Haga, Barbara	Library	Service Retirement	07/11/2021	1,315.94	False
Hernandez, Peggy L	Sheriff-Coroner	Service Retirement	07/31/2021	1,789.18	False
Martin, Patrick L	Animal Services	Service Retirement	07/30/2021	3,733.85	False
Martin, Patrick L	Animal Services	Additional Annuity	07/30/2021	22.06	False
McDowell, Ann E	Public Health Department	Service Retirement	07/17/2021	3,511.72	False
Miller, Kathy	General Hospital	Service Retirement	06/01/2021	623.91	False
Reinhart, Matthew	Public Works ISF	Service Retirement	07/10/2021	3,295.15	False
Wright, Renee Lynn	Department of Social Services	Service Retirement	07/31/2021	667.19	False

\* Additional Annuity Benefits are calculated based on the Additional Contribution and associated Interest balance of the Retiree at the point of retirement (per Sections 5.07, 27.12, 28.12, 29.12, 30.12, and 31.12 of the Plan)

\*\* If "True" Retiree has elected an optional Social Security Coordinated Temporary Annuity (per Section 13.06 of the Plan), actual monthly allowance will be increased until age 62 and then actuarially reduced going forward

## Board of Trustees

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## San Luis Obispo County Pension Trust *SLOCPT*

Date: September 27, 2021

To: Board of Trustees

From: Carl Nelson – Executive Director  
Amy Burke – Deputy Director

### **Agenda Item 5: Monthly Investment Report for July 2021**

	August	Year to Date 2021	2020	2019	2018	2017	2016
Total Trust Investments (\$ millions)	\$1,764		\$1,552 year end	\$1,446 year end	\$1,285 year end	\$1,351 year end	\$1,196 year end
<b>Total Fund Return</b>	1.6% Gross	<b>12.1% Gross</b>	8.9 % Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross
Policy Index Return (r)	1.2%	9.8%	10.0 %	16.4 %	-3.2 %	13.4 %	7.7 %

- (r) Policy index as of Sept. 2020 Strategic Asset Allocation Policy with 2021 Interim targets:
- Public Mkt Equity- 20% Russell 3000, 20% MSCI ACWI ex-US
  - Public Mkt Debt- 11% Barclays US Aggregate,
  - Risk Diversifying 10% Barclays US Aggregate, 3% Barclays 7-10yr Treasury, 2% Barclays 5-10yr US TIPS
  - Real Estate & Infrastructure- 12% NCREIF Index, 3% Private RE/Infrastructure actual returns
  - Private Equity- 8% actual private equity returns
  - Private Credit- 7% actual private credit returns
  - Liquidity- 2% 90 day T-Bills, 2% Barclays 1-3yr Gov/Credit
- Pending annual updates to interim targets.

### **SLOCPT Investment Returns:**

The attached report from Verus covers the preliminary investment returns of the SLOCPT portfolio and general market conditions through the end of August. The attached market commentary from Verus details market conditions in August, but subsequent activity in September is not yet factored into these numbers. As of September 20<sup>th</sup>, it seems likely that September may be a negative month.

## The Economy and Capital Markets:

### ➤ The Economy

- **Inflation** – The August report on CPI inflation cooled slightly from the higher than preferred rates in recent months. The CPI increase on a year over year increase in August was 5.3%. The monthly increase of 0.3% was a more noticeable drop. The core inflation rate excluding volatile food and energy prices was up 4.0% on a year over year basis. The Fed and most policy-makers have held the position that the burst in inflation this year is due to pandemic-related distortions and should prove to be transitory.

### ➤ Economic Policy

#### ▪ Monetary Policy –

- At its August Jackson Hole Economic Symposium the Fed deviated little in its undefined time horizon before any significant tapering in monetary accommodation would take place.

### ➤ Employment and Wages –

- **New Jobs** - The August jobs report from the BLS on nonfarm employment showed a significantly slowed gain of 235k new jobs. Following gains of 962k in June and 1.05m in July. This below-expectations report reflects worsening impacts of Covid and its Delta variant infection rates. Leisure and Hospitality jobs, which had major driver of job growth in recent months, declined in August. Industries where employees deal with customers face-to-face like restaurants, hotels and retail lost jobs. Throughout the pandemic, employment is still 5.3 million jobs lower than the booming conditions in February 2020.
- **Unemployment** - The unemployment rate in August declined by 0.2% to 5.2% - its lowest rate since the pandemic began. Throughout the pandemic, employment is still 5.3 million jobs lower than the booming conditions in February 2020.
  - **San Luis Obispo Unemployment** – The August unemployment rate for San Luis Obispo County declined to 5.5%. However, SLO County lost 500 jobs in August, but the shrinkage in the workforce outweighed the decline in jobs to lower the unemployment rate.
- **Remote Work:** The August BLS report noted that 13.4% of employed persons teleworked due to the pandemic – about the same as recent months.

### ➤ Market Outlook –

- **The Economy and the Markets** – JP Morgan Asset Management’s chief strategist, Dr. David Kelly, aptly summarized the economic and market questions at play as the U.S. economy positions itself for a post-pandemic outlook -

“Entering the fall of 2021, the U.S. economy continues to rebound from the pandemic recession. However, the road to recovery has been bumpier than expected, both in the United States and around the world, with the delta variant weighing on consumer confidence and continued supply bottlenecks boosting inflation. U.S. fiscal policy remains supportive, although further stimulus depends on the passage of significant legislation in a narrowly-divided Congress. Meanwhile, the Fed appears set to announce a tapering of asset purchases, although outright increases in short-term interest rates still look far off. For investors, despite significant uncertainty and challenges, risk assets have continued to perform very well this year, raising questions about when economic or policy normalization could lead to a correction, particularly among those assets sporting the highest valuations.”

Respectfully Submitted,

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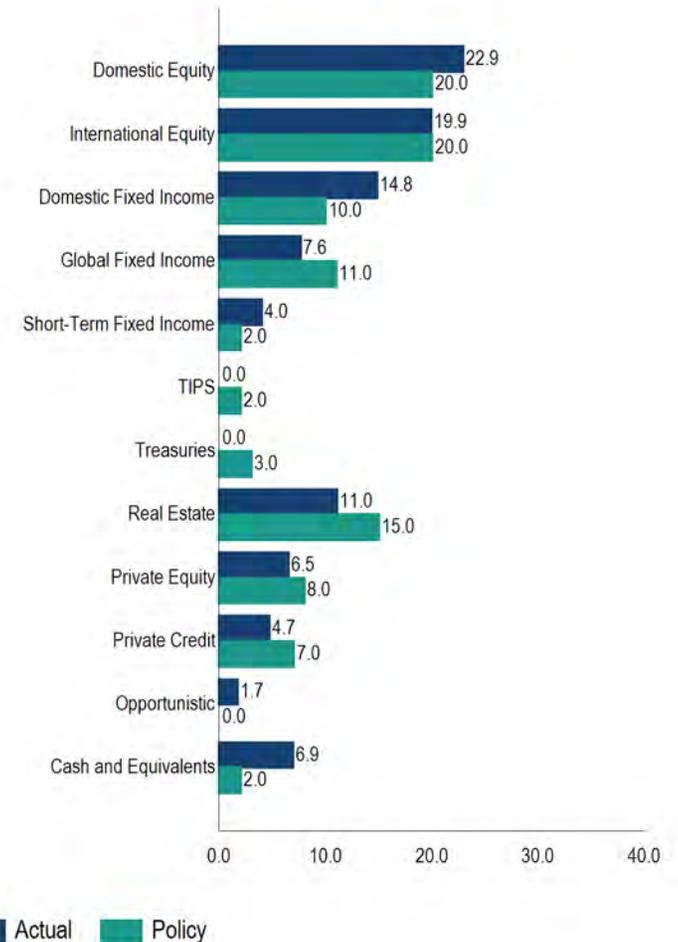
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: August 31, 2021

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Fund</b>	<b>1,764,177,842</b>	<b>100.0</b>	<b>1.6</b>	<b>12.1</b>
Interim Policy Index			1.2	9.8
FFP SAA Index			1.8	15.1
<b>Total Growth</b>	<b>1,147,089,147</b>	<b>65.0</b>	<b>2.3</b>	<b>18.1</b>
Custom Growth Benchmark			1.2	12.2
<b>Total Public Equity</b>	<b>755,212,381</b>	<b>42.8</b>	<b>2.3</b>	<b>17.9</b>
Russell 3000			2.9	20.4
<b>Total Domestic Equity</b>	<b>403,857,456</b>	<b>22.9</b>	<b>2.1</b>	<b>20.7</b>
Russell 3000			2.9	20.4
PIMCO RAE US	99,676,798	5.7	2.6	22.6
S&P 500			3.0	21.6
Loomis Sayles Large Cap Growth	114,129,033	6.5	2.6	19.4
Russell 1000 Growth			3.7	21.1
Boston Partners Large Cap Value	106,590,987	6.0	1.7	23.7
Russell 1000 Value			2.0	20.3
Atlanta Capital Mgmt	83,460,637	4.7	1.1	17.1
Russell 2500			2.3	17.5
<b>Total International Equity</b>	<b>351,354,925</b>	<b>19.9</b>	<b>2.6</b>	<b>15.3</b>
MSCI ACWI ex USA Gross			1.9	9.7
Dodge & Cox Intl Stock	167,977,836	9.5	1.7	12.0
MSCI ACWI ex USA Value Gross			1.6	11.8
WCM International Growth	183,377,089	10.4	3.5	18.5
MSCI ACWI ex USA Growth Gross			2.3	7.5
<b>Total Private Equity</b>	<b>114,561,044</b>	<b>6.5</b>		
Harbourvest Partners IX Buyout Fund L.P.	16,712,202	0.9		
Pathway Private Equity Fund Investors 9 L.P.	77,036,355	4.4		
Harbourvest 2018 Global Fund L.P.	14,809,895	0.8		
Pathway Private Equity Fund Investors 10 L.P.	6,002,592	0.3		
<b>Total Private Credit</b>	<b>82,487,379</b>	<b>4.7</b>		
Sixth Street Partners DCP	82,487,379	4.7		

Actual vs Interim Target Allocation (%)



New Policy Index as of 1/1/2021 23% Russell 3000, 20% MSCI ACWI ex-US (Gross), 23% BbgBarc U.S. Aggregate, 3% BbgBarc US Treasury 7-10 yr, 2% BbgBarc US TIPS, 15% NCREIF Property Index, 5% Actual Private Equity Return, 5% Actual Private Credit Return, 2% 91 day T-Bills, 2% BbgBarc 1-3 yr Gov/Credit. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

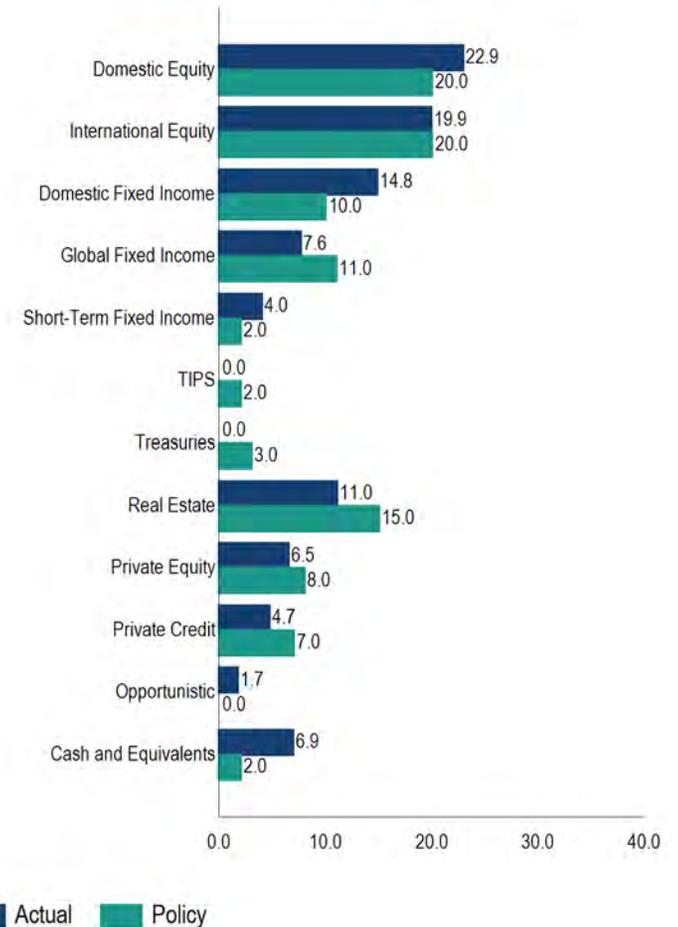
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: August 31, 2021

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Real Estate</b>	<b>194,828,343</b>	<b>11.0</b>	<b>1.1</b>	<b>7.7</b>
<i>NCREIF Property Index</i>			0.0	5.4
JP Morgan Core Real Estate	149,545,096	8.5	1.5	7.7
<i>NCREIF-ODCE</i>			0.0	6.1
<i>NCREIF Property Index</i>			0.0	5.4
ARA American Strategic Value Realty	45,283,248	2.6	0.0	7.6
<i>NCREIF-ODCE</i>			0.0	6.1
<i>NCREIF Property Index</i>			0.0	5.4
<b>Total Risk Diversifying</b>	<b>435,574,479</b>	<b>24.7</b>	<b>0.3</b>	<b>0.2</b>
<i>Custom Risk Diversifying Benchmark</i>			-0.3	-1.6
<b>Total Domestic Fixed Income</b>	<b>301,168,606</b>	<b>17.1</b>	<b>0.1</b>	<b>1.1</b>
<i>Bloomberg US Aggregate TR</i>			-0.2	-0.7
BlackRock Core Bond	89,222,616	5.1	0.0	-0.2
<i>Bloomberg US Aggregate TR</i>			-0.2	-0.7
Dodge & Cox Income Fund	94,172,472	5.3	-0.1	0.4
<i>Bloomberg US Aggregate TR</i>			-0.2	-0.7
Pacific Asset Corporate Loan	77,709,440	4.4	0.5	3.8
<i>S&amp;P/LSTA Leveraged Loan Index</i>			0.5	3.8
SSGA U.S. Govt Bond Index	40,064,078	2.3	-0.2	--
<i>Bloomberg US Govt/Credit 1-3 Yr. TR</i>			0.0	--
<b>Total Global Fixed</b>	<b>134,405,874</b>	<b>7.6</b>	<b>0.8</b>	<b>-1.5</b>
<i>FTSE World Govt Bond Index</i>			-0.6	-3.8
Brandywine Global Fixed Income	60,538,003	3.4	0.0	-1.9
<i>FTSE WGBI ex US TR</i>			-0.8	-5.1
Ashmore EM Blended Debt Fund	73,867,871	4.2	1.6	-1.1
<i>50% JPM EMBI GD/25% JPM GBI EM GD/25% JPM ELMI+</i>			0.9	-0.5
<b>Total Liquidity</b>	<b>151,594,776</b>	<b>8.6</b>	<b>0.0</b>	<b>0.3</b>
91 Day T-Bills			0.0	0.0

Actual vs Interim Target Allocation (%)



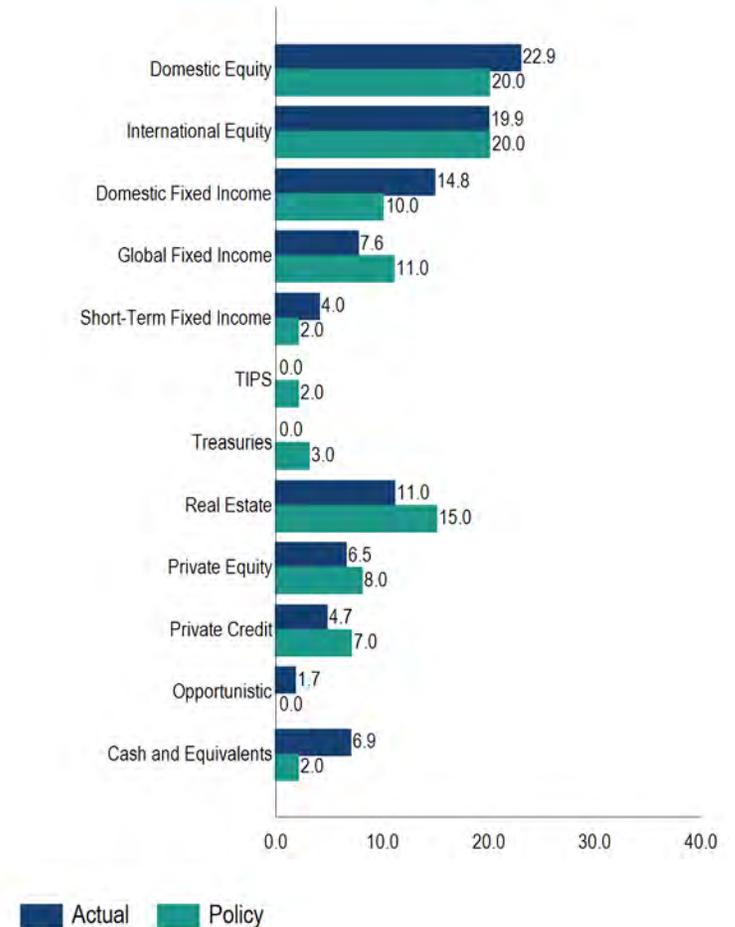
New Policy Index as of 1/1/2021 23% Russell 3000, 20% MSCI ACWI ex-US (Gross), 23% BbgBarc U.S. Aggregate, 3% BbgBarc US Treasury 7-10 yr, 2% BbgBarc US TIPS, 15% NCREIF Property Index, 5% Actual Private Equity Return, 5% Actual Private Credit Return, 2% 91 day T-Bills, 2% BbgBarc 1-3 yr Gov/Credit. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

San Luis Obispo County Pension Trust  
 Executive Summary - Preliminary (Gross of Fees)

Period Ending: August 31, 2021

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Cash</b>	<b>151,594,776</b>	<b>8.6</b>	<b>0.0</b>	<b>0.3</b>
91 Day T-Bills			0.0	0.0
PIMCO Short Duration Fund	30,002,467	1.7	-0.1	0.1
Bloomberg US Govt/Credit 1-3 Yr. TR			0.0	0.2
Cash Account	86,526,697	4.9	0.0	0.6
91 Day T-Bills			0.0	0.0
Investment Cash	35,065,612	2.0	0.0	--
91 Day T-Bills			0.0	--
<b>Total Opportunistic</b>	<b>29,919,439</b>	<b>1.7</b>		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	4,934,776	0.3		
Sixth Street Partners TAO	24,984,663	1.4		

Actual vs Interim Target Allocation (%)



New Policy Index as of 1/1/2021 23% Russell 3000, 20% MSCI ACWI ex-US (Gross), 23% BbgBarc U.S. Aggregate, 3% BbgBarc US Treasury 7-10 yr, 2% BbgBarc US TIPS, 15% NCREIF Property Index, 5% Actual Private Equity Return, 5% Actual Private Credit Return, 2% 91 day T-Bills, 2% BbgBarc 1-3 yr Gov/Credit. Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. All returns are (G) Gross of fees. Effective 1/1/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. (e) To avoid unnecessary and possibly misleading Tracking Error, the Total Fund Policy Benchmark uses actual time-weighted private markets returns applied to actual private market asset class weights rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market investment's public market "equivalent" (e.g., private equity to public equity; private credit to public fixed income, private real estate to public real estate). All data is preliminary

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**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

AUGUST 2021  
Capital Markets Update

# Market commentary

## U.S. ECONOMICS

- Non-farm payrolls grew by just 235,000 in August, falling well short of economists' estimates of 733,000. Job losses in the retail trade sector and the leisure and hospitality sector remained unchanged and led to disappointment in the headline print.
- University of Michigan's gauge of consumer sentiment fell 13.5% from its July reading and hit its lowest level since December 2011. The plunge in confidence was attributed to the spread of the Delta variant of Covid-19 which led some consumers to sense that the end of the pandemic might be further away than they had anticipated.
- Senate leaders passed a bipartisan \$1 trillion infrastructure bill on to the House of Representatives where it awaits a much tougher test. The proposed bill contains \$550 billion of new spending and would be partially funded by raising the corporate tax rate to 28% from 21%.

## U.S. EQUITIES

- S&P 500 advanced +3.0%, supported by growth stocks still benefitting from low rates. On August 16<sup>th</sup>, the S&P 500 Price Index closed at 4,480, double the 2,237 level it had bottomed at during the Q1 2020 equity market selloff. While a bull market on average takes around 1,000 trading days to double off a bottom, the most recent doubling took place in just 354 trading days.
- In August, the S&P 500 posted thirteen new daily highs. Year to date, the S&P 500 has closed higher 53 out of 167 trading days, accounting for nearly a third of the trading sessions this year.
- Facebook and Google combined to make up 83% of the return within the S&P 500 Communications Sector (+5.0%).

## U.S. FIXED INCOME

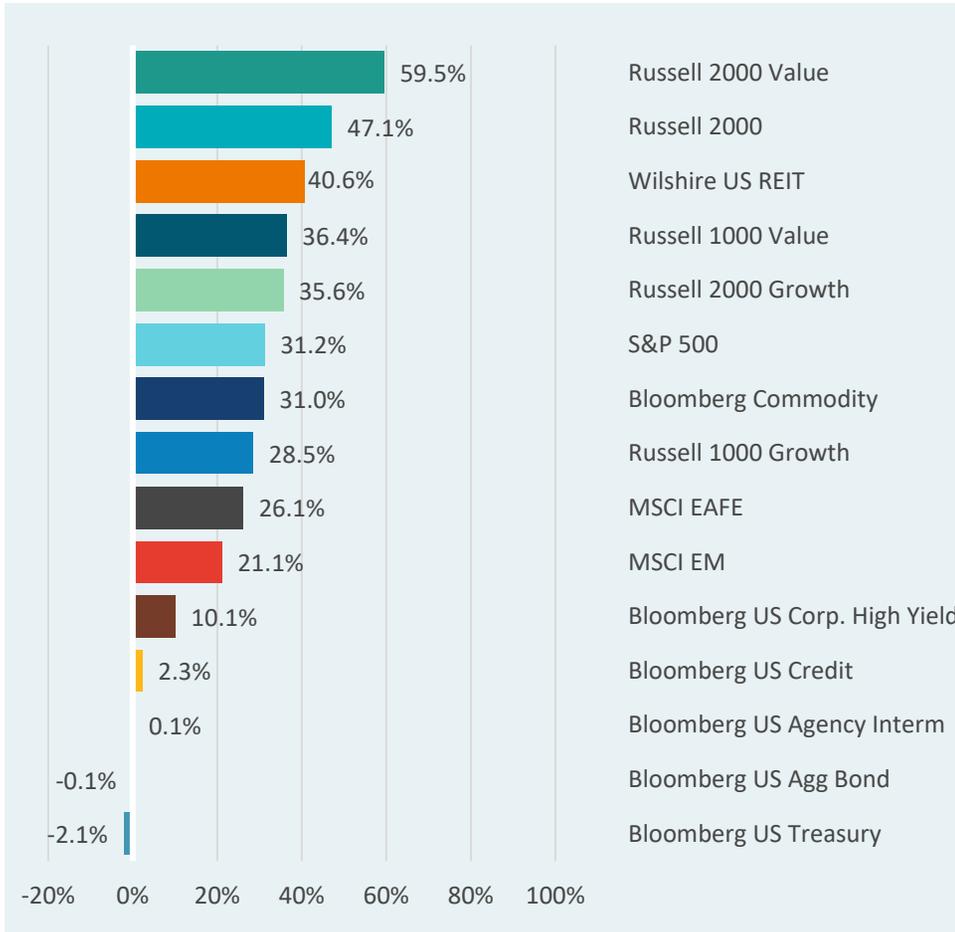
- At the much-anticipated Jackson Hole Economic Symposium, Fed Chairman Jerome Powell remarked that the July jobs report indicated "clear progress" but that the Delta variant will be an important factor in deliberation. The tone was largely reflective of the July meeting minutes and lack of clarity around a timeline for tapering received a muddled response from bond markets.
- The yield curve began to steepen in August. With shorter-end rates fixed, the 10-2 yield curve rose as the 10-year yield increased six basis points to 1.30%.
- TIPS breakeven rates were little changed over the month with both the five- and 10-year breakeven rates falling a basis point, as the measures of priced inflation expectations remained elevated.

## INTERNATIONAL MARKETS

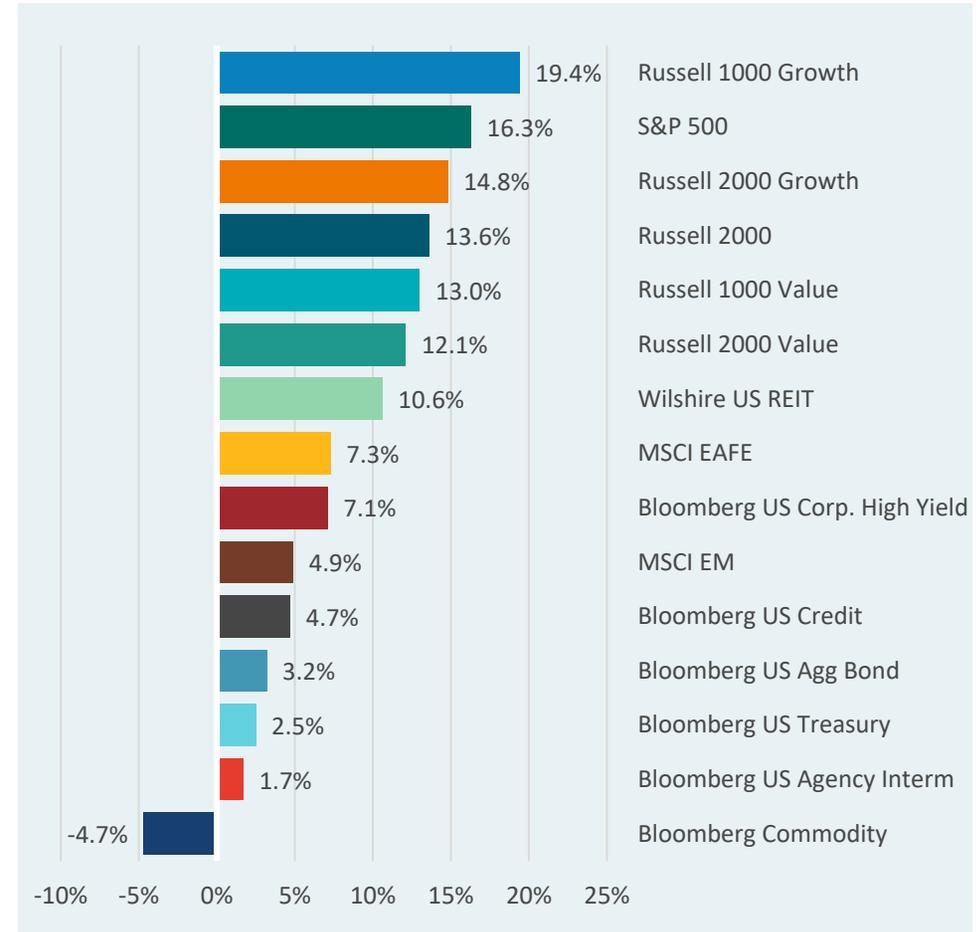
- The EU recommended that its 27 member states halt travel to the US for non-vaccinated individuals, delisting the country that was only added to the safe list in June of 2021. Within the US, 70% of adults have received at least one shot, and lagged the EU who reached this point in July. Some scientists believe herd immunity would require 80% of a population being fully vaccinated.
- Japan's broad TOPIX Index rose +3.2% and reached its highest level in 30 years at 1,961. The Index, which tracks the Tokyo Stock Exchange, has experienced two big bull-runs - one in 2007 and one in 2018 - neither were able to breach the 1,900 level.
- The Europe-wide Euro STOXX 600 (+2.2%) posted its seventh consecutive month of positive performance in August, marking its longest monthly winning streak in over eight years.

# Major asset class returns

ONE YEAR ENDING AUGUST



TEN YEARS ENDING AUGUST



\*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

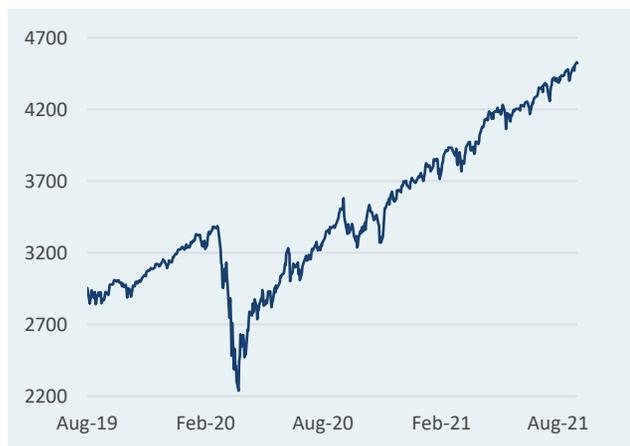
Source: Morningstar, as of 8/31/21

Source: Morningstar, as of 8/31/21

# U.S. large cap equities

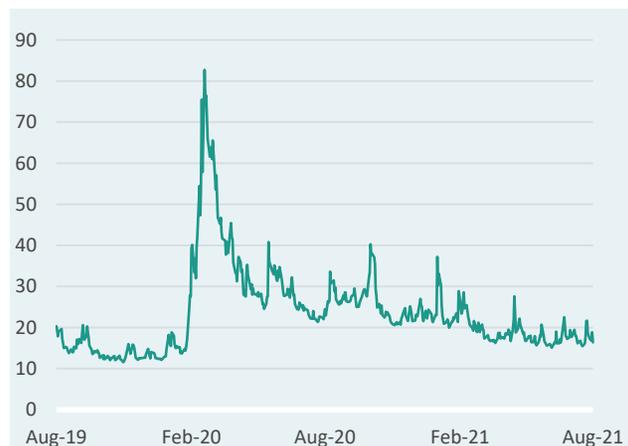
- The S&P 500 climbed +3.0% over the month, marking its seventh consecutive month of gains. The index hasn't seen more than a 5% intra-month correction since October 2020.
- Every sector but one of the 11 GICS S&P 500 sectors posted positive performance in August. Financials (+5.1%), Comm Services (+5.0%), Utilities (+4.0%) and Information Technology (+3.6%) were the only sectors to contribute positively to performance. Consumer Staples (+1.4%) and Industrials (+1.1%) weighed on the index. Energy (-2.0%) was the lone sector in decline and posted the worst return over the month.
- The S&P 500 Price Index closed the month at 4,523, a price which is already 2.3% above the average year-end target of 4,421. The price target was derived by taking the average price target of 15 strategists across Wall Street, which had been polled by CNBC.
- The VIX Index of implied volatility fell -9.9% over the month of August. The index rose 3.4 to an intra-month high of 21.7 on August 19<sup>th</sup> surrounding risk off sentiment in global equities. The index fell in the second half of the month back down below its 50- and 200-day moving averages to 16.5

## S&P 500 PRICE INDEX



Source: Bloomberg, as of 8/31/21

## IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 8/31/21

## S&P 500 VALUATION SNAPSHOT

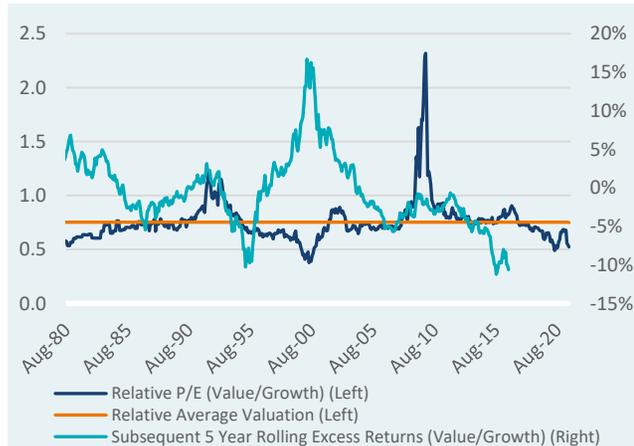


Source: Bloomberg, as of 8/31/21

# Domestic equity size and style

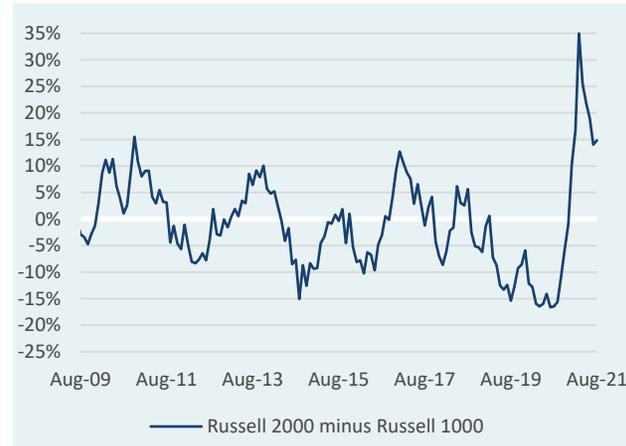
- The Russell 1000 (+2.9%) outperformed the Russell 2000 (+2.2%) and marked the fifth consecutive month of large-cap equity outperformance of its small-cap peers. The large-cap Communications Services sector (+5.4%) returned far more than the same sector within the small-cap equity space (+0.3%).
- Growth-oriented stocks within the Russell 3000 Growth Index (+3.6%) performed better than value stocks (Russell 3000 Value +2.0%). The value-leaning Financial sector (+5.1%) narrowed the margin of relative performance, but the Energy (-2.0%) and Industrials (+1.1%) sectors proved a headwind for value.
- The S&P 500 Momentum Index (+4.5%), which mirrors the strategy of entering holdings that are rising the fastest and exiting positions that are falling fastest, outperformed the S&P 500 (+3.0%).
- The S&P Low Volatility High Dividend Index (+1.5%) lagged the overall S&P 500 (+3.0%). Companies with high dividends on average carry a higher debt load which tends to make these companies more interest-rate-sensitive and rising interest rates can cause interest-rate-sensitive sectors to fall.

**VALUE VS. GROWTH RELATIVE VALUATIONS**



Source: FTSE, Bloomberg, as of 8/31/21

**VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE**



Source: FTSE, Bloomberg, as of 8/31/21

**SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE**

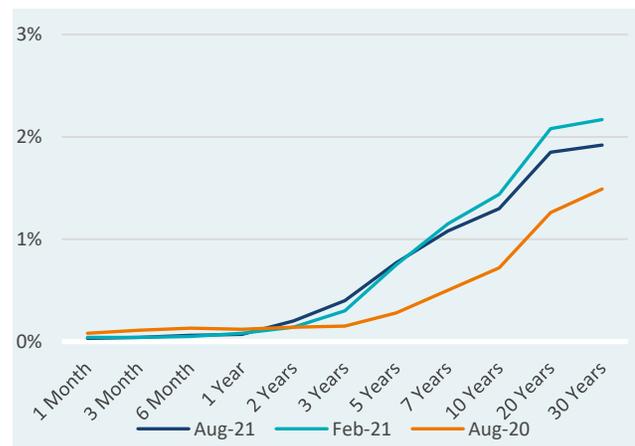


Source: FTSE, Bloomberg, as of 8/31/21

# Fixed income

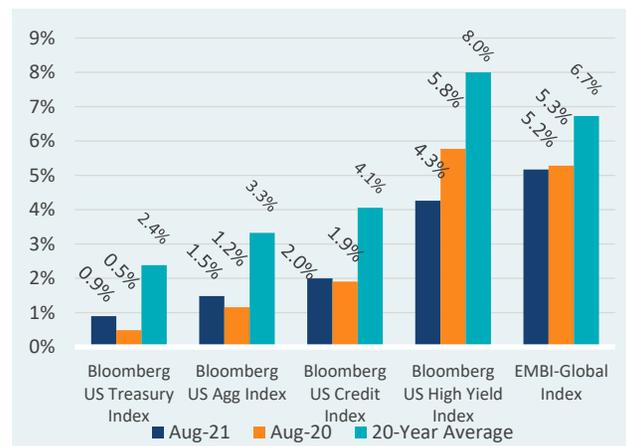
- Riskier global credit outperformed U.S. credit in August. Hard-currency denominated emerging market debt (JPM EMBI Global Diversified Index +1.0%) gained over the month and outperformed the Bloomberg US corporate High Yield Index (+0.5%).
- The European Central Bank announced that it would buy bonds at a “moderately lower pace”. Currently the ECB is buying roughly 80 billion euros (\$95 billion) per month. The more hawkish tone from the ECB comes as the Eurozone saw a preliminary year-on-year CPI reading of 2.7% in August, above the central bank’s 2.0% target.
- Five-year yields (+8bps) moved up by more than 30-year yields (+3bps), resulting in a flatter long-end of the yield curve.
- The yield on the ICE BofA US High Yield Option-Adjusted Spread Index fell 11 basis points in August. At month end, the index’s price was above \$100 signifying the average bond was priced above face value, something not seen since February of 2020. Higher prices may be a testament to the Federal Reserve supporting high-yield bond prices that investors wouldn’t otherwise pay in absence of unprecedented support from the Fed.

**U.S. TREASURY YIELD CURVE**



Source: Bloomberg, as of 8/31/21

**NOMINAL YIELDS**



Source: Morningstar, as of 8/31/21

**BREAKEVEN INFLATION RATES**



Source: Bloomberg, as of 8/31/21

# Global markets

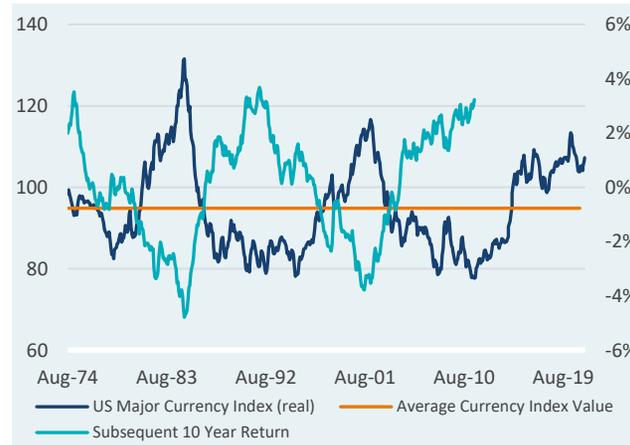
- World equities (+2.5% MSCI ACWI) advanced over the month led by Japanese (MSCI Japan +3.1%) and US (S&P 500 +3.0%) equities. Developed market equities (MSCI EAFE +1.8%) lagged world equities and were hindered by the United Kingdom (MSCI UK +0.8%).
- At the onset of the month emerging market equities stalled but recovered to close up +2.6%. India's equity market (MSCI India +8.9%) helped emerging markets higher. Covid cases within India remained low despite lifting some social distancing restrictions. Latin American equities (MSCI Latin American +0.8%) weighed on the emerging market equity basket.
- The Pound weakened (-1.0%) to the US dollar likely due to subdued demand for the Pound against haven currencies as well as a mid-month reaction to weaker than expected inflation in the UK. The MSCI UK Hedged Index (+1.9%) outperformed the MSCI UK Unhedged (+0.9%) as unhedged US investors were affected negatively by the strengthening US dollar.
- The Nasdaq Golden Dragon China Index – an index comprised of Chinese companies whose stock is traded in the US dropped -15.2% midway through the month before recovering to a -1.6% return in August. The move was driven by tighter Chinese tech regulations.

## GLOBAL SOVEREIGN 10-YEAR YIELDS



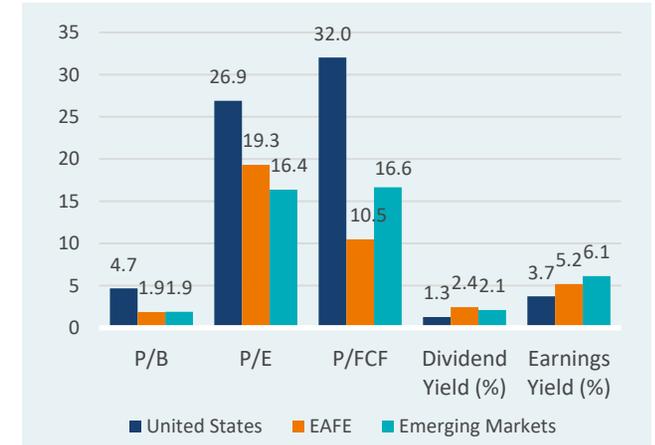
Source: Bloomberg, as of 8/31/21

## U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 8/31/21

## MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 8/31/21

# Commodities

- The Bloomberg Commodity Index closed the month down -0.3%. Petroleum (-4.7%) and Grains (-1.9%) troubled the overall commodities basket and brought the index into negative territory for the second month in 2021.
- The Bloomberg Energy Sub-Index (-0.4%) mirrors the holdings of the Bloomberg Petroleum Sub-Index (-4.7%) but the former holds natural gas as its largest weight. Natural gas prices rose 13.3%. Prices were pulled higher by hotter than expected temperatures in August that raised demand in the electric power sector while Hurricane Ida caused a decline in production that pushed prices higher.
- Grains (-1.9%) make up roughly 23% of the Bloomberg Commodity Index and weighed on performance over the month. Soybean and corn saw contracts fell -4.2%, and -2.3%, respectively.
- The Bloomberg Softs Sub-Index posted a strong +7.9% return and was accretive to overall commodity performance. The Sub-Index was propelled higher from positive price action in sugar and coffee, which saw their contracts appreciate 10.8% and 9.1%, respectively. The price action in large part was due to concerns over frost damage to crops in Brazil where roughly 25% of the world's coffee and 39% of the world's sugar comes from.

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(0.3)	3.4	23.0	31.0	5.8	4.2	(4.7)
Bloomberg Agriculture	0.1	(1.1)	19.3	49.8	11.5	2.7	(4.3)
Bloomberg Energy	(0.4)	15.2	49.5	38.1	(9.3)	(1.6)	(11.4)
Bloomberg Grains	(1.9)	(5.7)	13.7	47.7	9.5	3.5	(4.7)
Bloomberg Industrial Metals	0.3	1.0	22.7	36.2	12.5	12.2	(0.9)
Bloomberg Livestock	0.1	(2.9)	8.7	19.6	(5.3)	(3.0)	(3.9)
Bloomberg Petroleum	(4.7)	5.7	44.8	62.0	(7.2)	3.5	(7.6)
Bloomberg Precious Metals	(1.4)	(7.1)	(5.9)	(11.0)	13.8	5.0	(2.4)
Bloomberg Softs	7.9	14.9	34.0	45.6	12.4	(1.9)	(7.5)

Source: Morningstar, as of 8/31/21

## COMMODITY PERFORMANCE



Source: Bloomberg, as of 8/31/21

# Appendix

# Periodic table of returns

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	5-Year	10-Year
Small Cap Value	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	25.4	24.4	19.4
Commodities	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	23.0	18.2	16.4
Large Cap Growth	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	21.1	16.6	14.8
Large Cap Equity	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	20.7	14.4	13.6
Large Cap Value	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	20.3	11.7	13.0
Small Cap Equity	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.4	14.0	15.8	11.7	12.1
International Equity	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.0	10.3	11.6	10.4	8.8
60/40 Global Portfolio	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	8.5	9.7	7.6
Small Cap Growth	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	6.9	9.7	7.3
Real Estate	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	5.4	6.1	4.9
Hedge Funds of Funds	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	5.1	5.7	4.1
Emerging Markets Equity	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	2.8	4.2	3.2
Cash	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	0.0	3.1	0.6
US Bonds	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	-0.7	1.1	-4.7

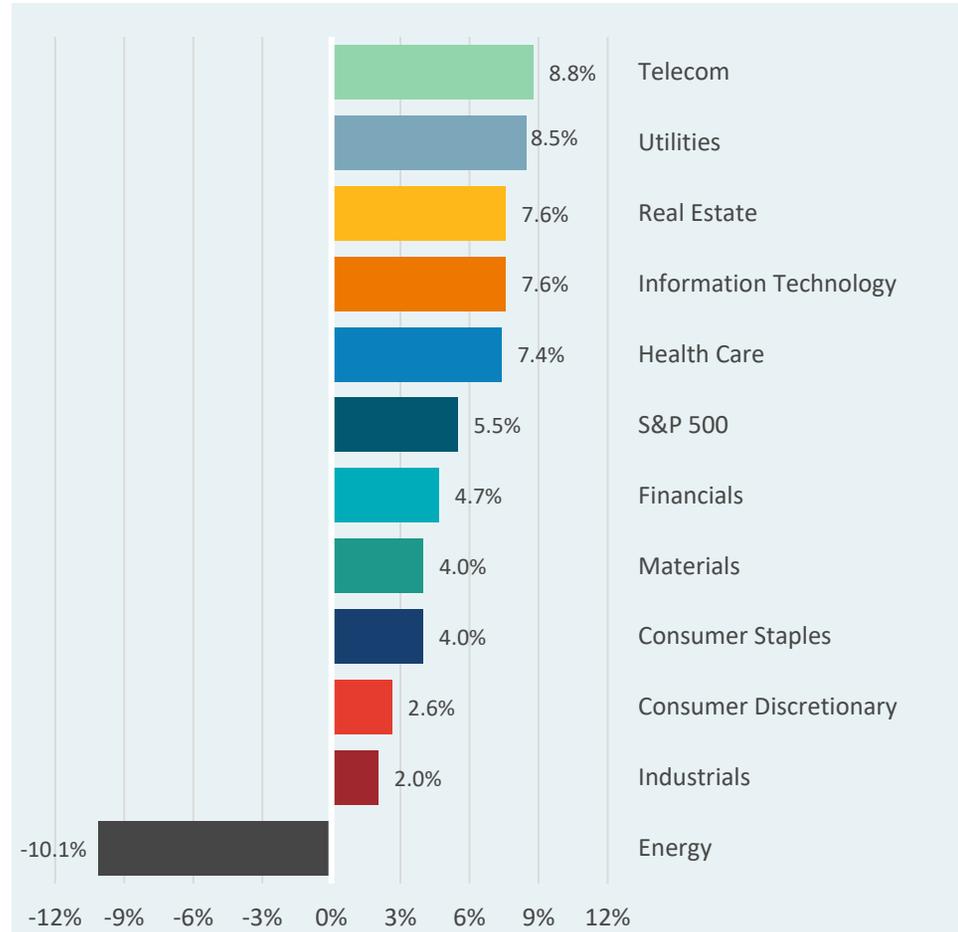
BEST  
↑  
↓  
WORST

- Large Cap Equity
- Small Cap Growth
- Commodities
- Large Cap Value
- International Equity
- Real Estate
- Large Cap Growth
- Emerging Markets Equity
- Hedge Funds of Funds
- US Bonds
- 60% MSCI ACWI/40% BBgBarc Global Bond
- Small Cap Value
- Cash

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 6/30/21.

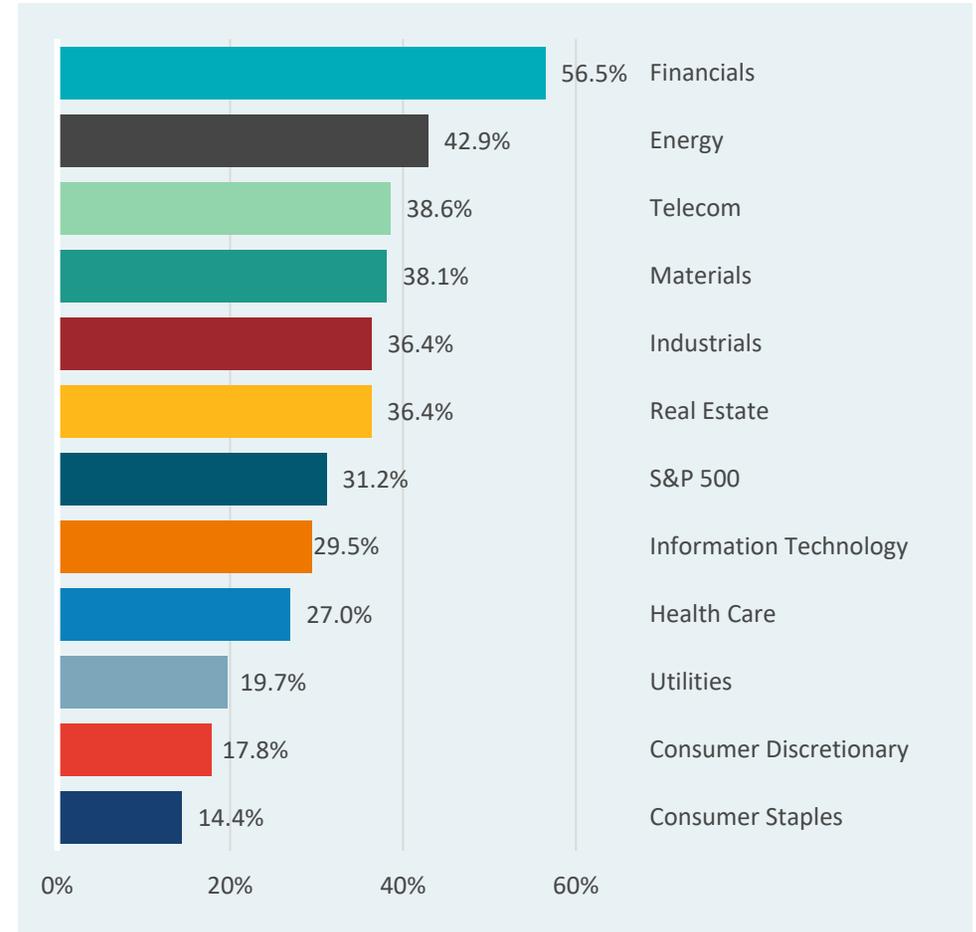
# S&P 500 sector returns

QTD



Source: Morningstar, as of 8/31/21

ONE YEAR ENDING AUGUST



Source: Morningstar, as of 8/31/21

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	3.0	5.5	21.6	31.2	18.1	18.0	16.3
S&P 500 Equal Weighted	2.4	3.7	23.6	42.7	15.8	15.5	15.3
DJ Industrial Average	1.5	2.9	17.0	26.8	13.3	16.6	14.5
Russell Top 200	3.0	5.7	21.0	29.4	19.5	19.3	17.0
Russell 1000	2.9	5.0	20.7	32.3	18.4	18.2	16.4
Russell 2000	2.2	(1.5)	15.8	47.1	10.7	14.4	13.6
Russell 3000	2.9	4.6	20.4	33.0	17.9	18.0	16.2
Russell Mid Cap	2.5	3.3	20.1	41.2	15.6	15.4	14.8
<b>Style Index</b>							
Russell 1000 Growth	3.7	7.2	21.1	28.5	24.6	24.4	19.4
Russell 1000 Value	2.0	2.8	20.3	36.4	11.5	11.7	13.0
Russell 2000 Growth	1.8	(1.9)	6.9	35.6	12.3	16.6	14.8
Russell 2000 Value	2.7	(1.0)	25.4	59.5	8.4	11.7	12.1

## INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
MSCI ACWI	2.5	3.2	15.9	28.6	14.3	14.3	11.3
MSCI ACWI ex US	1.9	0.2	9.4	24.9	9.4	9.9	6.6
MSCI EAFE	1.8	2.5	11.6	26.1	9.0	9.7	7.3
MSCI EM	2.6	(4.3)	2.8	21.1	9.9	10.4	4.9
MSCI EAFE Small Cap	2.9	4.6	14.1	32.8	10.1	11.8	9.9
<b>Style Index</b>							
MSCI EAFE Growth	2.4	4.1	11.2	24.9	13.3	12.6	9.2
MSCI EAFE Value	1.1	0.9	11.7	27.0	4.4	6.6	5.3
<b>Regional Index</b>							
MSCI UK	0.8	1.8	14.5	27.2	3.7	5.5	4.7
MSCI Japan	3.1	1.8	3.1	20.0	7.6	9.1	7.9
MSCI Euro	2.0	3.1	16.3	31.1	9.7	10.6	7.5
MSCI EM Asia	2.6	(5.7)	(0.0)	17.5	10.9	12.0	7.5
MSCI EM Latin American	0.8	(3.3)	5.3	34.7	3.9	3.9	(1.9)

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
Bloomberg US TIPS	(0.2)	2.5	4.3	5.6	7.3	4.6	3.2
Bloomberg US Treasury Bills	0.0	0.0	0.0	0.1	1.3	1.2	0.7
Bloomberg US Agg Bond	(0.2)	0.9	(0.7)	(0.1)	5.4	3.1	3.2
Bloomberg US Universal	(0.1)	0.9	(0.2)	0.9	5.7	3.5	3.6
<b>Duration</b>							
Bloomberg US Treasury 1-3 Yr	(0.0)	0.2	0.1	0.1	2.7	1.7	1.2
Bloomberg US Treasury Long	(0.2)	3.4	(4.8)	(7.3)	9.2	3.6	5.7
Bloomberg US Treasury	(0.2)	1.2	(1.4)	(2.1)	4.9	2.4	2.5
<b>Issuer</b>							
Bloomberg US MBS	(0.2)	0.5	(0.3)	(0.2)	3.8	2.3	2.5
Bloomberg US Corp. High Yield	0.5	0.9	4.5	10.1	7.1	6.7	7.1
Bloomberg US Agency Interm	(0.1)	0.5	(0.1)	0.1	3.3	2.0	1.7
Bloomberg US Credit	(0.2)	1.1	(0.2)	2.3	7.4	4.5	4.7

## OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Index</b>							
Bloomberg Commodity	(0.3)	1.5	23.0	31.0	5.8	4.2	(4.7)
Wilshire US REIT	1.9	7.1	31.5	40.6	11.3	7.6	10.6
CS Leveraged Loans	0.5	0.5	4.0	8.5	4.1	4.7	5.0
Alerian MLP	(2.3)	(8.5)	35.3	54.8	(6.8)	(3.7)	0.6
<b>Regional Index</b>							
JPM EMBI Global Div	1.0	1.4	0.7	4.6	6.9	4.4	5.6
JPM GBI-EM Global Div	0.8	0.3	(3.0)	4.1	5.8	3.2	0.4
<b>Hedge Funds</b>							
HFRI Composite	0.8	(0.1)	9.9	20.8	8.4	7.4	5.4
HFRI FOF Composite	1.1	0.4	5.1	13.4	6.2	5.7	4.1
<b>Currency (Spot)</b>							
Euro	(0.5)	(0.5)	(3.5)	(1.3)	0.5	1.2	(2.0)
Pound Sterling	(1.0)	(0.4)	0.7	2.8	1.9	1.0	(1.7)
Yen	(0.1)	1.0	(6.0)	(3.5)	0.3	(1.2)	(3.6)

Source: Morningstar, HFRI, as of 8/31/21

# Detailed private market returns

## Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	48.2	19.3	15.9	12.6
Global Private Equity Direct Funds *	58.5	22.9	20.0	15.2
U.S. Private Equity Direct Funds *	61.1	25.1	20.9	16.6
Europe Private Equity Direct Funds *	51.8	19.5	20.0	12.7
Asia Private Equity Direct Funds *	54.3	20.0	17.9	14.6

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
MSCI World	54.0	12.8	13.4	9.9
S&P 500	56.4	16.8	16.3	13.9
MSCI Europe	44.9	5.6	8.2	5.1
MSCI AC Asia Pacific	51.8	8.2	12.2	6.7

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	13.1	7.0	8.5	11.7

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
FTSE NAREIT Equity REIT	37.8	9.5	5.3	8.6

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	32.0	10.4	11.5	10.4

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P / LSTA U.S. Leveraged Loan 100 Index	15.3	4.1	5.0	3.9

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	19.6	(4.7)	1.7	0.6
Global Infrastructure	16.9	9.1	10.9	9.7

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P Global Natural Resources	67.7	5.5	11.4	1.1
S&P Global Infrastructure	37.0	5.7	6.8	6.3

Source: Pooled IRRs are from Thompson Reuters C/A and Time-weighted Returns are from Investment Metrics, as of March 31<sup>st</sup>, 2021. All returns in U.S. dollars.

\* Includes Buyout, Growth Equity and Venture Capital.

\*\* Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

\*\*\* Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

# Notices & disclosures

**Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Verus Advisory Inc. (“Verus”) file a single form ADV under the United States Investment Advisors Act of 1940, as amended. Additional information about Verus Advisory, Inc. available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Board of Trustees

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San Luis Obispo, CA 93408  
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www.SLOPensionTrust.org



Date: September 27, 2021

To: Board of Trustees

From: Carl Nelson – Executive Director  
Amy Burke – Deputy Director

### **Agenda Item 6: Alternative Investments Fee Disclosure – CA Code 7514.7 and 6254.26**

#### **Recommendation:**

Receive and File the attached report on Alternative Investment Fee Disclosure as required by California Code Sections 7514.7 and 6254.26.

#### **Discussion:**

California Assembly Bill 2833 added Section 7514.7 to the California Code effective at the start of 2017 requiring additional disclosures on fees and expenses paid by a retirement system for alternative investment vehicles. The intent of the legislation is to increase the transparency of fees public investors are paying for alternative investments. CA Code 7514.7 also incorporates certain alternative investment related disclosures as specified in CA Code Section 6254.26.

These additional alternative investment disclosures are unique to California public pension systems. Many of these disclosure requirements are already included in the Verus quarterly investment reports received by the Board of Trustees. The Disclosure Requirements can be summarized as –

- Applies to any private fund that is an alternative investment vehicle whose contract with a California retirement plan was entered into on or after January 1, 2017 or for an existing contract at December 31, 2016 for which an additional capital commitment is made on or after January 1, 2017.

- The CA Code 7514.7 disclosure requirements are –
  - The fees and expenses that the California retirement system pays directly to the alternative investment vehicle, the fund manager, or related parties.
  - The California retirement system’s pro rata share of fees and expenses not included above that are paid from the alternative investment vehicle to the fund manager or related parties.
  - The California retirement system’s pro rata share of carried interest distributed to the fund manager or related parties.
  - The California retirement system’s pro rata share of aggregate fees and expenses paid by all of the portfolio companies held within the alternative investment vehicle to the fund manager or related parties.
  - Additional information specified in CA Code 6254.26 – including
    - Name, address and vintage year of each alternative investment vehicle.
    - Commitment amount since inception.
    - Contributions made since inception.
    - Distributions received since inception.
    - Amount of distributions received plus remaining value of partnership assets.
    - Net Internal Rate of Return since inception.
    - Investment multiple of funds returned since inception.
    - Amount of total management fees and costs paid on a fiscal year basis. (Note – total management fees reported under CA Code 6254.26 may differ from fees reported under the broader definitions included in CA Code 7514.7)
    - Cash profit (distributions) received on a fiscal year basis.
- For alternative investments entered into prior to January 1, 2017 California retirement systems are required to use reasonable efforts to acquire the mandatory information. The funds invested in by the SLOCPT prior to 2017 do not publish equivalent fee disclosure information so are not included in the CA Code 7514.7 reporting. They are included in the supplementary CA Code 6254.26 reporting to the extent the data is available from Verus quarterly investment reports.
- The CA Code 7514.7 disclosures must be presented must be presented at least once annually in a report at a meeting open to the public.

The annual presentation of this data in this report satisfies the SLOCPT’s reporting requirements under CA Code 7514.7. No action other than a Receive and File by the Board of Trustees is necessary.

Respectfully Submitted,

San Luis Obispo County  
Pension Trust  
**SLOOPT**

NM = not meaningful

NR = Not reported

Section 7514.7 Disclosure - Alternative Investments  
**2020**

Source: Alt. Inv. Mgr.s ILPA reporting

Investment	Commitment	Ending Valuation	Mgmt. Fee	Partnership Expenses	Offsets	Other Fees & Expenses paid to GP	Carried Interest Paid	Fees & Expenses paid by Portfolio Companies	Net IRR	Gross IRR
<b>Private Credit:</b>										
SSP Diversified Credit Program 2016 (A), L.P. (a)	113,750,000	72,946,049	830,295	630,729	(25,414)	-	393,187	3,200,469	10.3%	10.8%
TSSP Adjacent Opportunities Partners, L.P. (f)	60,000,000	18,602,032	345,846	12,835	-	-	20,966	1,167,158	10.2%	15.1%
<b>Private Equity:</b>										
HarbourVest Partners IX - Buyout Partnership Fund L.P. (b)	20,000,000	17,258,567	199,287	-	-	(1,248)	-	1,133,874	19.2%	NR
Pathway Private Equity Fund Investors 9, L.P. (c)	65,000,000	57,153,982	495,783	34,811	-	-	-	495,783	24.5%	NR
HarbourVest 2018 Global Fund L.P. (d)	20,000,000	13,533,661	168,554	18,442	-	-	-	444,409	28.8%	NR
Pathway Private Equity Fund Investors 10, L.P. (e)	20,000,000	2,563,987	35,503	17,118	-	-	-	-	NM (e)	NM (e)

(a) SSP DCP fund data from commencement of operations 2016 through 2020

(b) HarbourVest Fund IX fund data from commencement of operations 2011 through 2020 (pre2017 - voluntary Section 7514.7 disclosure)

(c) PPEF Fund 9 fund data from commencement of operations 2017 through 2020

(d) HarbourVest 2018 Global fund data from commencement of operations 2018 through 2020

(e) PPEF Fund 10 fund data from commencement of operations 2019 through 2020

(f) TSSP Adjacent Opportunities Partners data from commencement of operations 2020 through 2020

San Luis Obispo County Pension Trust  
Section 6254.26 Disclosure - Alternative Investments  
**2020**

Source: Verus, quarterly investment reports

Investment	Address	Vintage	Commitment	Contributions since inception	Distributions since inception	Remaining Value	Total Value Distrib. + Remaining Value	Since Inception Net IRR	Net Invest. Multiple	Total Mgmt. Fees in FY	Cash Profit (Distrib.) Received in FY
<b>Private Credit:</b>											
TSSP Diversified Credit Program 2016 (A), L.P. (a)	San Francisco	2016	113,750,000	70,157,494	12,523,848	72,946,049	85,469,897	10.9%	1.26x	319,294	7,940,388
TSSP Adjacent Opportunities Partners, L.P. (f)	San Francisco	2020	60,000,000	14,741,326	-	18,602,032	18,602,032	10.2%	1.21x	845,498	857,758
<b>Private Equity:</b>											
Pathway Private Equity Fund Investors 9, L.P. (c)	Boston	2017	65,000,000	37,005,356	394,145	57,153,982	57,548,127	24.5%	1.56x	99,375	3,972,092
HarbourVest 2018 Global Fund L.P. (d)	Boston	2018	20,000,000	11,600,000	1,022,070	13,533,661	14,555,731	28.8%	NA	260,114	261,957
Pathway Private Equity Fund Investors 10, L.P. (e)	Boston	2019	20,000,000	2,171,326	-	2,563,987	2,563,987	NA	NM	-	-
<b>Private Equity - pre Jan. 1, 2017 (not subject to 7514.7)</b>											
Harbourvest Partners IX - Buyout Fund, L.P. (b)	Boston	2011	20,000,000	17,050,000	13,934,500	17,258,567	31,193,067	19.2%	2.05x	245,092	3,198,830
KKR Mezanine Partners I, L.P.	San Francisco	2010	20,000,000	20,000,000	29,566,840	4,802,696	34,369,536	9.9%	1.65x	116,148	201,186
PIMCO Distressed Credit Fund	Newport Beach	2010	20,000,000	20,000,000	28,045,175	-	28,045,175	12.3%	1.40x	1,677	95,082

(a) SSP DCP fund data from commencement of operations 2016 through 2020

(b) HarbourVest Fund IX fund data from commencement of operations 2011 through 2020 (pre2017 - voluntary Section 7514.7 disclosure)

(c) PPEF Fund 9 fund data from commencement of operations 2017 through 2020

(d) HarbourVest 2018 Global fund data from commencement of operations 2018 through 2020

(e) PPEF Fund 10 fund data from commencement of operations 2019 through 2020

(f) TSSP Adjacent Opportunities Partners data from commencement of operations 2020 through 2020

## Board of Trustees

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Date: September 27, 2021

To: Board of Trustees

From: Carl Nelson – Executive Director  
Amy Burke – Deputy Director

### **Agenda Item 7: Private Markets Discretionary Advisor**

#### **Recommendation:**

The ad hoc Private Markets Investment Committee, Staff and NEPC (as an investment management search consultant) recommends that the Board of Trustees approve –

1. The selection of **HarbourVest Partners, LLC** to –
  - a. Manage the SLOCPT’s expanded allocation to Private Equity, Private Credit and Infrastructure investments,
  - b. Under a Fund-of-One Limited Partnership structure,
  - c. Coordinate the allocations to the identified assets with legacy private market assets in existing LPs and Fund-of-Funds structures.
2. Such approval to be contingent on the satisfactory completion of Investment and Operational Due Diligence analysis by Staff and NEPC.
3. Such approval to be contingent on satisfactory contractual terms to be assessed by General Counsel, Investment Counsel and the Executive Director.

Accompanying this recommendation memo are -

- NEPC memo addressing the process to select a finalist
- Presentation materials from HarbourVest

## Background and Process:

The Board of Trustees has previously approved a revised Strategic Asset Allocation Policy that increases the allocations to Private Market illiquid assets as a percentage of the total pension fund assets –

<b>Private Equity</b>	former target	5%	Revised 2025 target	18%
<b>Private Credit</b>	former target	5%	Revised 2025 target	12%
<b>Infrastructure</b>	former target	<u>0%</u>	Revised 2025 target	<u>5%</u>
<b>TOTAL Private Markets*</b>	former target	10%	Revised 2025 target	35%

\* Not including Real Estate (10% allocation target) which is also a private market asset, but not currently planned to be part of this strategy. Real Estate is currently committed to a Core and a Value-Add open end funds.

The Board of Trustees has approved the use of a direct strategy in private market assets instead of the previously employed Fund-of-Funds strategy. The direct private markets strategy is to be managed by a discretionary advisor to be selected using NEPC as a search consultant. The search for a Private Markets Discretionary Advisor (PM Advisor) culminates with this recommendation.

The Board President appointed an ad hoc Private Markets Investment Committee (Investment Committee) to recommend a PM Advisor to the full Board of Trustees. The Investment Committee, after interviewing four semi-finalist firms on August 30<sup>th</sup>, meet again on September 3<sup>rd</sup> and passed a motion to recommend HarbourVest as the Finalist PM Advisor for the full Board of Trustees to consider. Staff is in full agreement with this recommendation.

## PM Advisor Scope:

It is important to consider the size of this increased Private Market's exposure in the context of the entire fund. NEPC has analyzed the SLOCPT's asset allocation policy and the existing private equity and private credit allocations in a "pacing" study for future PM commitments. The pace of new PM commitments needs to reflect several factors –

- Growth in the total size of the SLOCPT assets
- Increasing the private equity and private credit allocation from their current level to the targeted, and much higher, level in the Strategic Asset Allocation Policy.
- The need in PM assets to "over-commit" to individual investment funds (as we already do for existing funds based on Verus' recommendations) to get close to the actual target allocation. Generally speaking, commitments to various private equity and private credit LPs are not 100% called over the course of the investment period – hence the need to over-commit.

Combining these factors over the course of about a 5 year investment period, the PM Advisor selected could be managing approximately \$800 million in new PM commitments.

The following table illustrates the size of the total PM Advisor assignment in \$ millions and as a percentage of the total pension fund. This assumes the current Functionally Focused Portfolio asset allocation targets are met. Actual asset mix at the end of 2021 is illustrative and will differ from the target as gradual changes in allocation are made implementing the new asset allocation policy and its interim 2021 targets. Also, the increase in private market commitments under the PM Advisor selected will not commence until 2022.

	<u>2021</u>	<u>2025</u>	<u>2030</u>
Liquidity	\$ 68 4%	\$ 211 10%	\$ 279 10%
Risk-Diversifying	\$ 254 15%	\$ 317 15%	\$ 418 15%
Growth Assets			
Public Market Equity	\$ 676 40%	\$ 633 30%	\$ 835 30%
Public Market Debt	\$ 186 11%	- 0%	- 0%
Real Estate	\$ 203 12%	\$ 211 10%	\$ 279 10%
Private Equity	\$ 135 8%	\$ 380 18%	\$ 501 18%
Private Credit	\$ 118 7%	\$ 253 12%	\$ 334 12%
Infrastructure	\$ 51 3%	\$ 106 5%	\$ 139 5%
<b>Total Private Mkts.</b>	<b>\$ 304 18%</b>	<b>\$ 739 35%</b>	<b>\$ 974 35%</b>
Total Fund	\$1,691 100%	\$2,111 100%	\$2,785 100%

### Implementation:

Should the Board of Trustees approve the recommendation to hire HarbourVest as the PM Advisor, the following steps summarize the expected implementation steps.

- Due Diligence meetings and assessment by SLOCPT staff.
  - Investment Process
  - Operational, Audit and Compliance processes
  - Fund of One administrative arrangements
- Contractual terms negotiated
  - NEPC to provide input on market-competitive terms
  - General Counsel and Investment Counsel (Nossaman) review and approval
- Implementation of custody bank arrangements and operational practices
  - Provision of cash liquidity arrangements for capital calls

Respectfully Submitted,

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NEPC, LLC

**To:** San Luis Obispo County Pension Trust (SLOCPT)  
**From:** Don Stracke, Senior Consultant, CFA, CAIA  
Eric Harnish, Principal  
**Date:** September 27, 2021  
**Subject:** PM Advisor Search/Finalist Overview

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## **Recommendation**

NEPC recommends that the SLOCPT Board of Trustees adopt the recommendation of the PM Advisor Investment Committee recommendation to hire Harbourvest as their Private Market Advisor, subject to legal and operational due diligence.

## **Search Process Review**

As a quick review for the Board, NEPC has been involved in searching for a Private Markets Advisor beginning in April of 2021. A summary of the search activities is provided below:

- April 9<sup>th</sup> – Kick-off meeting with NEPC/Staff
- April 22<sup>nd</sup> – Work plan developed
- May 5<sup>th</sup> – Investment committee meeting to discuss criteria for search
- May 24<sup>th</sup> – Update of full SLOCPT board
- May 28<sup>th</sup> – RFP released
- June 25<sup>th</sup> – Twelve firms submitted RFP's
- July 2<sup>nd</sup> – Update call with SLOCPT private markets investment committee
- July 28<sup>th</sup> – Review semi-finalists with SLOCPT private markets investment committee
- August 23<sup>rd</sup> – Update of full SLOCPT
- August 30<sup>th</sup> – Semi-finalist presentations
- September 27<sup>th</sup> – Harbourvest Board Presentation
- October – Additional due diligence

## **PM Advisor Investment Committee Considerations**

The search process was rigorous, spanning almost six months from start to finish. An initial work-plan was developed in conjunction with the SLOCPT Private Markets Investment Committee and SLOCPT staff that included the following feedback to NEPC:

- Willingness to be available as needed with an expectation of 4-6 meetings
- Realization that limiting administrative burden was consistent with current staffing levels
- Comfort with diversified strategy by geographical and fund type
- Focus on private equity, infrastructure, and credit with a secondary focus on value-add real estate
- A belief that a fund of one vehicle was the preferred implementation choice



A detailed Request for Proposal (“RFP”) was developed with minimum qualifications that included; at least five institutional clients and two public funds with a fund of one or separate account, at least a five-year track record managing similar strategies, at least \$1 billion in committed capital in each of private equity, private credit, and infrastructure, and a willingness to be a fiduciary. Twelve firms submitted responses to the RFP (in alphabetical order):

- Adams Street Partners
- Blackrock
- GCM Grosvenor
- Hamilton Lane
- HarbourVest Partners
- LGT Capital
- Morgan Stanley Investment Management
- Neuberger Berman
- Pantheon Ventures
- Pathway Capital
- Portfolio Advisors
- Wilshire Advisors

All of the submissions were evaluated for adherence to the minimum qualifications. They were then evaluated by NEPC research on both a qualitative and quantitative basis, and each firm was scored across six different broad categories with 25 discrete characteristics (please see the appendix for an example of this scorecard). The top six were reviewed in depth with the Private Markets Investment Committee.

Following that review, four semi-finalist firms were selected to be interviewed, and on August 30<sup>th</sup> the interviews were conducted by the SLOCPT Private Markets Investment Committee, SLOCPT staff and NEPC. After the presentations, the general consensus was that all of the semi-finalist candidates were quite strong, and that any one of them could have done an excellent job. Following the semi-finalist interviews, NEPC communicated that revised fee proposals would be accepted from the four semi-finalists, which resulted in three out of the four each lowering their fees by an estimated seven figure amount over the fifteen-year period.

After another scheduled discussion, it was the unanimous vote of the SLOCPT Private Markets Investment Committee to recommend HarbourVest Partners (“HarbourVest”) as the finalist candidate for Board consideration. Harbourvest had the most attractive quantitative scoring, very strong historical performance, deep capabilities in all three of the major categories, and extensive experience with similar mandates.

### **Harbourvest Partners**

The history of the HarbourVest team began in the late 1970s when the founders began making venture capital investments. The HarbourVest team expanded its investment focus in 1981 to include buyout partnerships, and, in 1982, formed its first fund, which was one of the first closed-end, institutionally backed U.S. private markets fund-of-funds. As the investment team expanded, it made its first direct company investment in 1983, first European and Asian partnership investments in 1984, and first secondary investment in 1986. To support its global investment focus, offices and local teams were established in London (1990), Hong Kong (1996), Tokyo (2010), Bogotá (2011), Beijing (2012), Seoul (2015), Tel Aviv (2015), Toronto (2015), Dublin (2019), Singapore (2021), and Frankfurt (2021).



For more than three decades, HarbourVest has invested in private markets, gaining expertise and developing long-term relationships with sought-after partners along the way. While much has changed in the industry during this time, many senior individuals on HarbourVest's investment team have significant tenure, and the same skills used to evaluate investments over the years remain at the root of the investment process. HarbourVest has demonstrated leadership in private markets across the globe, forming one of the first fund-of-funds, purchasing some of the first secondary positions, backing developing companies, and pioneering as an early international investor. Today, the Firm is a global leader with an established local presence, investing half of their capital outside the U.S. and managing assets for institutions on a global basis.



## Appendix: Scorecard Example



Example

### PROPOSAL SCORECARD

<b>Firm Name:</b>	Example	<b>Score</b>	1	Favorable
<b>Date:</b>	9/15/2021		2	Above Average
<b>Reviewer:</b>			3	Average
			4	Below Average
<b>Offering Type:</b>	Standard		5	Unfavorable

**Weighted Avg. Score**  
2.4 (Note: A lower score is a better rating)

Category	Key Attributions	Rating	Comments
People & Organization	Motivation/Drive	2.0	Good motivation; large AUM
	Organization Stability	3.0	Moderate departures; some planned retirements that are being well-managed
	Size of Team	2.0	120+ investment professionals
	Fund of One Experience	3.0	20+ separate account/fund of ones - don't do separate accounts, only fund of ones
	Ownership Structure	1.0	100% employee-owned, privately held
<b>People &amp; Organization Average Score</b>		<b>2.2</b>	
Process	Strategy Expertise	2.0	
	Geography Expertise	1.0	Global firm - 6 offices, HQ in US
	Origination	2.0	
	Investment Process	3.0	
	Value Creation	2.0	Use secondary and co-investments to be viewed by primary funds as a value-add LP
<b>Process Average Score</b>		<b>2.0</b>	
Portfolio	Investment Type Allocation	3.0	70% primaries; 15% secondaries; 15% co-investments
	Strategy Allocation	3.0	75% buyouts/25% venture/growth
	Geography Allocation	4.0	40% North America, 40% Europe and 20% Asia/Pacific; higher non-US allocation than others
	Concentration	3.0	
<b>Portfolio Average Score</b>		<b>3.3</b>	
Performance	Primaries - Strategy	2.0	Above average on venture; slightly above average on credit; average on buyouts and growth; below average on energy
	Primaries - Geography	1.0	Above average in North America and Europe; slightly above average in Asia/Pacific, below average in Emerging Markets
	Secondaries	2.0	\$4+ billion of secondary experience; good performance
	Co-Investment	2.0	\$7+ billion of co-investment experience; very good performance
<b>Performance Average Score</b>		<b>1.8</b>	
Product/Pricing	Investment Period	3.0	
	Management & Administration Fees	1.0	Low management fee
	Underlying Fund Manager Fees	3.0	Similar to others
	Carried Interest for Fund Manager	3.0	xx% on secondaries; xx% on co-investments
	Preferred Return	3.0	yes, on secondaries, co-investments
<b>Product Average Score</b>		<b>2.6</b>	



# San Luis Obispo County Pension Trust

September | 2021



**JOHN TOOMEY, JR.**  
**Managing Director, HarbourVest Partners, LLC (Boston)**

John Toomey is a member of the Executive Management Committee and the Portfolio Construction Committee. He first joined the Firm in 1997 as a member of the direct investment team. He rejoined HarbourVest in 2001 after business school, and since 2003, he has focused on secondary investments. John was involved with the 2007 initial public offering of HarbourVest Global Private Equity Limited (HVPE) on Euronext Amsterdam and served as Chief Financial Officer from the IPO through September 2008. John serves on the advisory boards of a number of private equity partnerships. John's previous experience includes an analyst role at Smith Barney in the Advisory Group focusing on mergers and acquisitions and corporate restructurings. John received a BA (cum laude) in Chemistry and Physics from Harvard University in 1995 and an MBA from Harvard Business School in 2001, where he was awarded the Loeb Fellowship for outstanding achievement in finance.



**TERI NOBLE**  
**Principal, Investor Relations, HarbourVest Partners, LLC (Boston)**

Teri Noble joined HarbourVest's Investor Relations team in 2021 to focus on coordinating, monitoring, and enhancing relationships with new and existing investors. Teri has worked closely with institutional investors and consultants for over 20 years to create investment solutions for Plan Sponsors. Her previous experience includes Pathway Capital, American Realty Advisors, and BNY ConvergEx. She serves on several boards and committees of industry affiliated non-profit groups, including SACRS, Women in Institutional Investments Network (WIIIN), and Neighborhood Youth Association. Teri received a BA in International Relations from the University of California at Davis and an MBA from Saint Mary's College of California.



**EDWARD POWERS**  
**Managing Director, HarbourVest Partners, LLC (Boston)**

Edward Powers is a member of HarbourVest's primary investment team, where he focuses on small, emerging and diverse managers. He also works closely with the firm's Custom Solutions Group, with a focus on Separately Managed Accounts (SMAs). Ed joined HarbourVest in 2016 as part of the Firm's acquisition of the BAML Capital Access Funds business. Ed began making private equity investments in 1997, and started his career making investments in various community development equity products. Ed received a BA in English and Economics from the University of Pennsylvania and an MBA and MA in Public Policy from the University of Chicago.



**PETER LIPSON**

**Managing Director, HarbourVest Partners, LLC (Boston)**

Peter Lipson focuses on private credit, global direct co-investments as well as primary and secondary investments in Latin America. Peter serves as the Chair of the Firm's Credit Investment Committee. He joined HarbourVest in 1997 as an associate focused on direct investments in operating companies and rejoined the Firm's direct investment team in 2001 after receiving his MBA. Peter was instrumental in establishing HarbourVest's presence in Bogotá including building relationships with institutional investors and general partners in the region. Peter serves as a director of Lytx, HilCo Vision and TownePark. Before joining HarbourVest, he worked as a financial analyst in the Mergers & Acquisitions Group at Salomon Brothers. Peter received a BA in Economics from the University of California, San Diego in 1993, an MS in Information Systems from the University of Virginia in 1995, and an MBA from Harvard Business School in 2001.



**ABIGAIL RAYNER**

**Principal, HarbourVest Partners (Canada) Limited**

Abigail Rayner joined the HarbourVest team in 2018 as a product specialist focused on global real assets investments and works closely with the investor relations team. Abigail joined the Firm from Octopus Investments, a UK focused renewable energy manager. Prior to that, Abigail was with Canada Pension Plan Investment Board in Toronto and London, where she invested in global infrastructure and power assets. Abigail received an HBA (Bachelor of Arts in Business Administration) from Ivey Business School at the University of Western Ontario in 2008 and an MBA from the London Business School in 2014.

- I. Executive Summary
  - II. HarbourVest Overview
  - III. Fund of One Proposal and Investment Capabilities
  - IV. Engagement Model and Operational Services
  - V. Conclusion
- Q&A

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## San Luis Obispo County Pension Trust

### Our Understanding of Your Objectives

- > Searching for a partner to create a customized and comprehensive private markets solution
- > Seeking to establish a Fund of One that is diversified across vintages, market segments, and geographies
- > Minimizing the administrative and operational burden is of importance to SLOCPT

### Today's Meeting Objectives

- > HarbourVest to provide an overview of the customized Fund of One solution proposed for SLOCPT
- > Highlight proposed portfolio construction, diversification, and annual pacing
- > Discuss administrative and operational benefits of the proposed Fund of One structure

### What We Want You to Leave With

- > HarbourVest's platform is designed to deliver a comprehensive, customized, and supportive partnership with SLOCPT
- > Why we believe HarbourVest is well positioned to be your preferred partner

### HarbourVest Solutions

**Experienced**  
**Collaborative**  
**Flexible**  
**Analytical**

35+ years of experience building comprehensive private markets solutions  
Constructing and adapting portfolios in partnership with our clients  
Diversified global platform allows for program adjustments as client objectives evolve  
Leveraging data to improve investment results and enhance the client experience



# HARBOURVEST OVERVIEW



**\$80.9 billion**  
total AUM  
across all  
strategies\*



**Private markets**  
specialists in  
equity, credit,  
and real assets

**Expertise**  
in primary,  
secondary, direct  
co-investments,  
credit, and real  
assets



**700+**  
colleagues  
**150+**  
investment  
professionals



**25 years**  
average industry  
experience of  
managing  
directors



**900+**  
advisory  
board seats



Strong track  
record  
**35+ years**

**1000+**  
Managers  
tracked

As of June 30, 2021

\*Reflects committed capital from LPs for all active funds/accounts, excludes any funds / accounts that are in extension, liquidation, or fully liquidated.



## Aligned Interests

support strong investment performance  
and limited team turnover

### Ownership

- Privately held, independent, and member-owned
- 66 owners / profit share participants; no one owns more than ~7.5% of the firm\*
- Ownership structure incentivizes future generations

### People

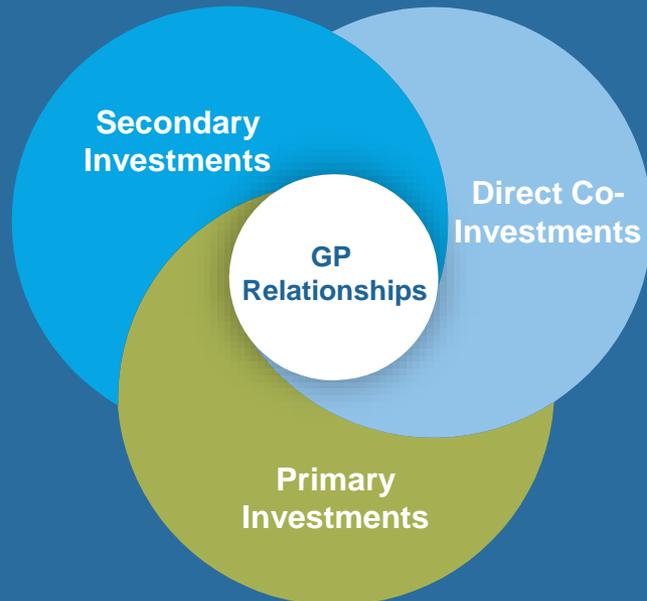
- Market-based cash compensation, salary, and bonus, to attract, motivate, and retain talent
- Broadly shared carried interest to reward success and help ensure team stability and longevity

### Collaborative Culture

- Investment decisions involve input from all levels, disciplines, and geographies
- Economics shared across investment and operations teams, promoting teamwork

\*As of June 2021

Integrated investment platform built over three decades provides clients with significant and diverse private markets opportunities



Our investment philosophy is embedded across the platform



### Know the Market

Global platform provides market knowledge, diverse relationships, and deal flow across geographies.



### Research Deeply

Collaborative research process, combining investment judgement with data analysis to identify top opportunities.



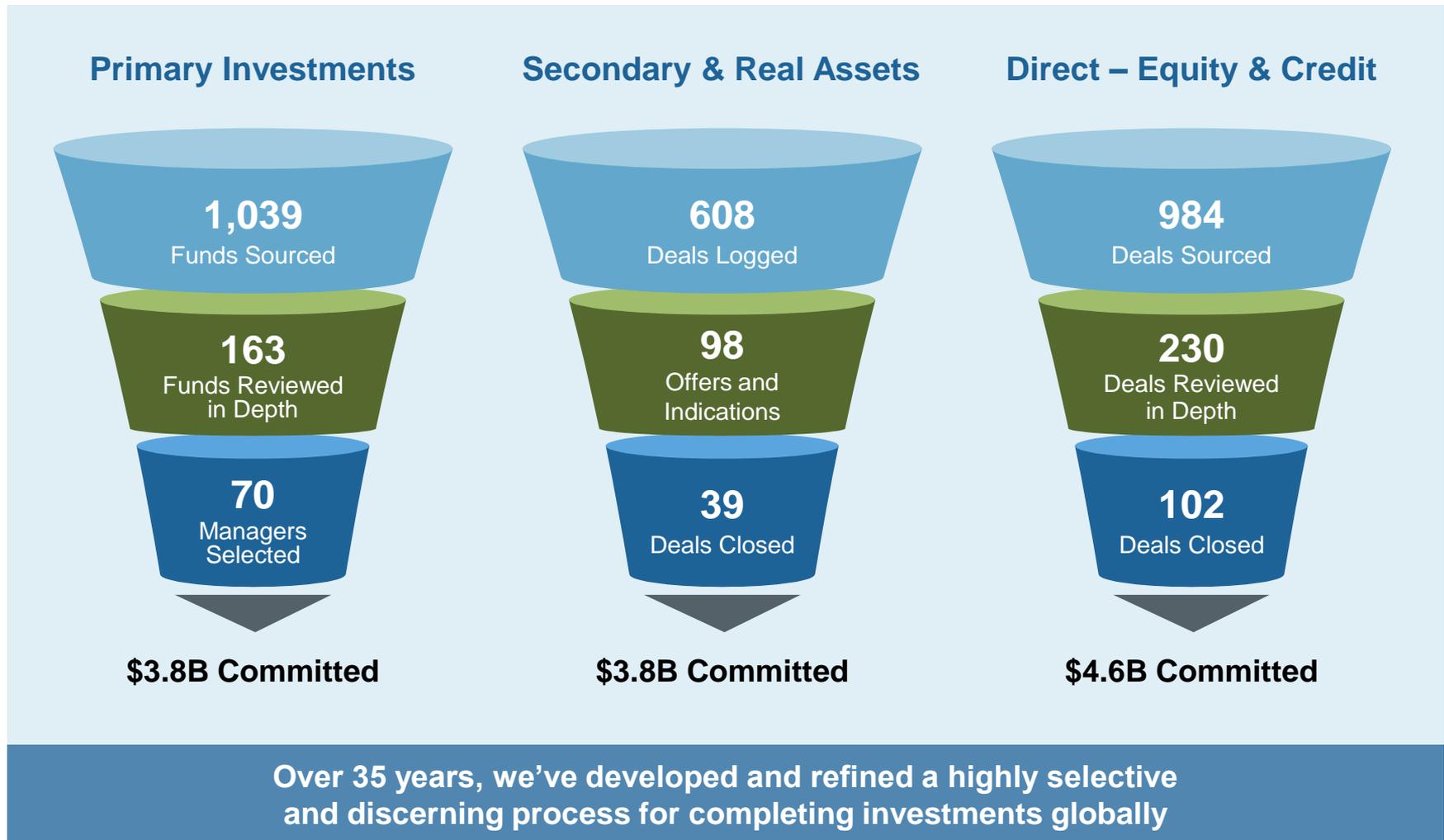
### Invest Wisely

Investment evaluation, selection, and allocation is conducted through structured decision-making.



### Monitor Actively

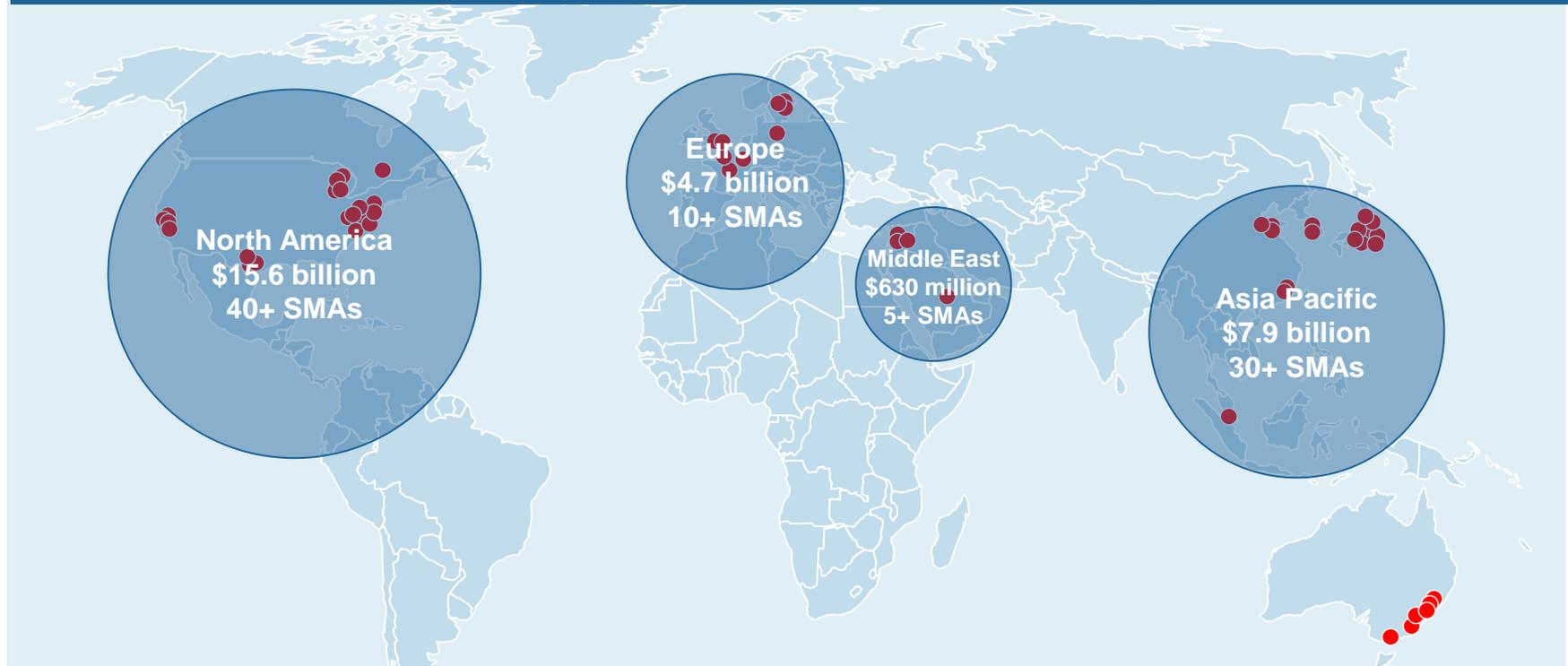
Active monitoring across investments and operations with due diligence, analytical, and benchmarking tools.



Represents all investment opportunities reviewed and approved for a HarbourVest fund / account from January 1, 2020 through December 31, 2020. Number of committed and closed deals in 2020, independent of when they were sourced. Direct deals do not include follow-on investments.

# HarbourVest is an experienced solutions provider

Global firm provides worldwide reach with local relationships and service



Experienced partner of choice for bespoke solutions

**1984**

First SMA

**\$29.0B**

SMA AUM

**85+**

SMAs

**49**

Actively investing  
SMAs

● Indicates location of Active SMAs. Active SMAs include those SMAs that are investing or maturing and excludes those SMAs that are in extension.

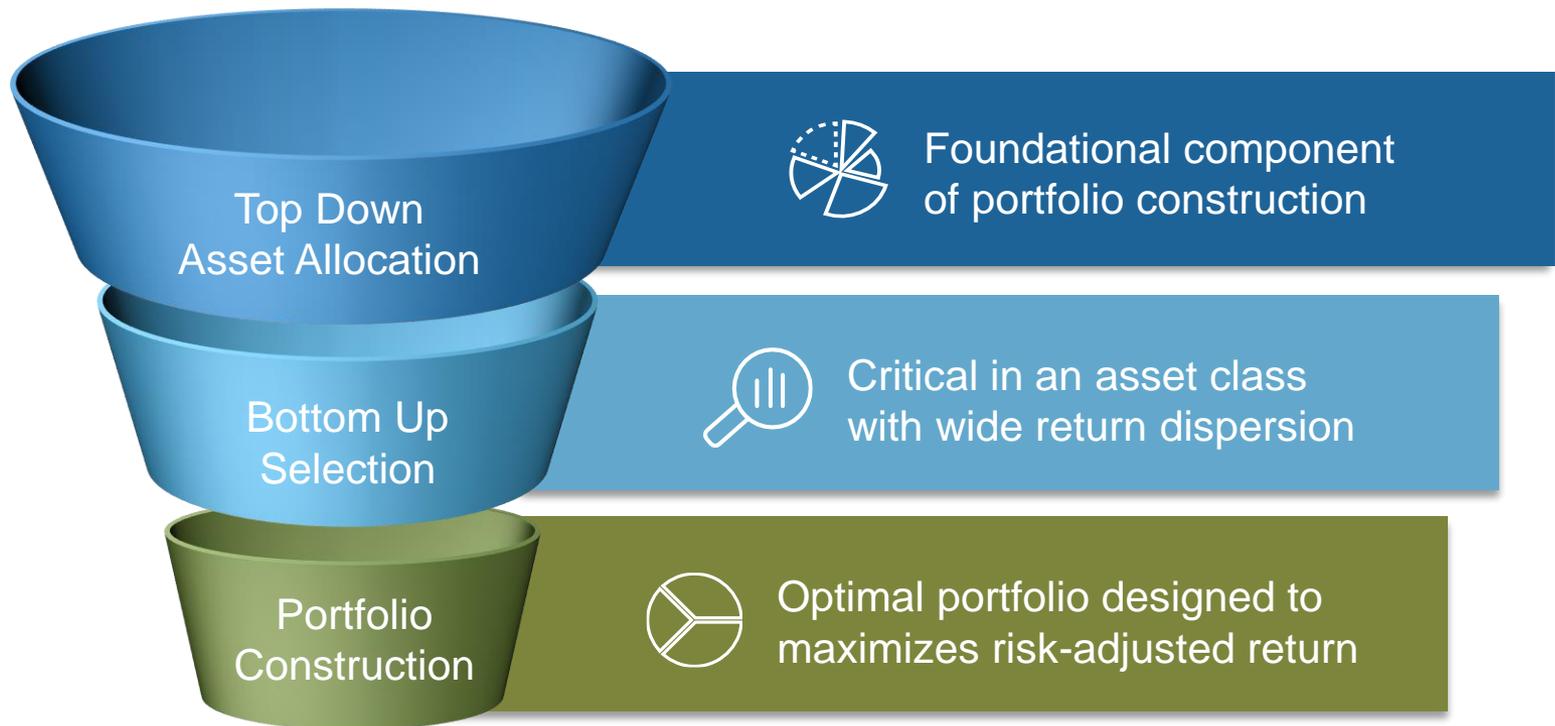
As of December 31, 2020. Reflects all active HarbourVest-managed private equity focused custom accounts (including both discretionary and non-discretionary accounts) formed between 2011 through 2018, excluding real asset focused custom accounts. Please see the Additional important information included at the end of the presentation.



# FUND OF ONE PROPOSAL AND INVESTMENT CAPABILITIES

# Diversification is “the only free lunch in finance” - Markowitz HARBOURVEST

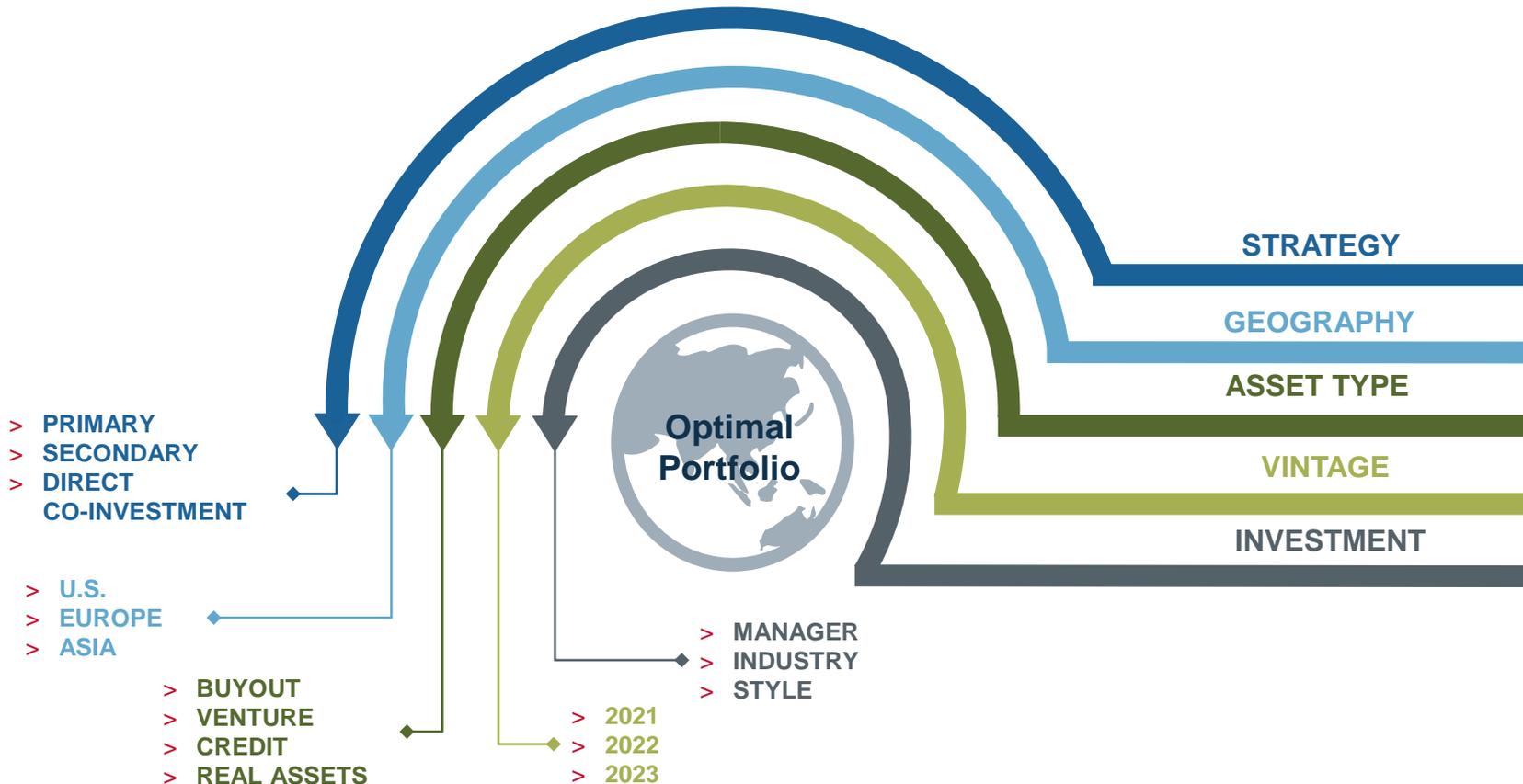
We believe that *both* asset allocation and investment selection are important when seeking to maximize a private equity portfolio’s risk-adjusted return



For illustrative purposes only. There is no guarantee that this investment strategy will work under all market conditions or is suitable for all investors. Each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

# Risk can be reduced through diversification

- > Sub-portfolio approach is designed to maximize the benefit of diversification and increase the risk-adjusted return of a private assets portfolio
- > Individual risk tolerance and return target levels determine portfolio weights
- > Each portfolio sub-portfolio is diversified based on its own risk/return profile



For illustrative purposes only. The views and strategies described may not be suitable for all investors.

# Custom portfolio construction to meet flexible investment objectives

## Partner with you to identify key objectives

Portfolio Construction	Cash Flow and Return Generation	Service & Flexibility
<ul style="list-style-type: none"> <li>&gt; Vintage year diversification</li> <li>&gt; Complement existing portfolio</li> <li>&gt; Shorter duration</li> <li>&gt; Access niche markets</li> <li>&gt; Manager concentration vs diversification</li> <li>&gt; Leverage own co-invest deal flow</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Potential to generate alpha</li> <li>&gt; Minimize fees</li> <li>&gt; J-curve mitigation</li> <li>&gt; Liquidity</li> <li>&gt; Generate current yield</li> <li>&gt; Deployment pace</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Operational support</li> <li>&gt; Proprietary research</li> <li>&gt; Market intelligence sharing</li> <li>&gt; Team development</li> <li>&gt; Online data access</li> <li>&gt; Custom reporting</li> </ul>

	Primary	Secondary	Co-investment	Credit	Real Assets
Targeted exposure					
Alpha Generation					
Diversification					
J-curve Mitigation					
Pace of Capital Deployment					
Short-term Liquidity					
Cash Yield					



Provided for illustrative purposes only.

# Strong capabilities across entire platform

## PRIMARY

- > Approach: Capitalize on relationships to build a portfolio of leading partnerships
- > Experience: 39 investment professionals across 12 offices\*
- > Access: 88% of funds invested were oversubscribed†
- > Preferred Partner: 77% advisory board coverage‡

## SECONDARY

- > Approach: Seek outperformance and j-curve mitigation, with a focus on complex segments of the market
- > Experience: 41 investment professionals; more than 500 transactions executed\*
- > Platform: 900+ advisory board seats; utilize in-house database with nearly 40 years of private markets data

## DIRECT CO-INVESTMENT

- > Approach: Build portfolios sourced from platform and industry network; solutions-based offering including co-underwriting and warehousing capabilities, alongside top managers
- > Experience: 56 investment professionals; 20 years average years of MD experience\*
- > Platform: Over 725 deals sourced in last twelve months\*\*

## CREDIT

- > Approach: Construct high quality, diversified portfolios of senior and junior credit financing supporting leading PE firms
- > Experience: 6 investment professionals; experience through multiple economic cycles\*
- > Access: Platform approach provides deal sourcing advantages; active relationships with 700+ lead sponsors
- > Preferred Allocation: Privately placed “club” deals and oversubscribed financings

## INFRASTRUCTURE & REAL ASSETS

- > Approach: Construct bespoke portfolios spanning income yield to capital gains across infrastructure and real assets
- > Experience: 13 investment professionals; 23 years average MD industry experience\*
- > Access: Platform insights from active tracking of 275+ real assets partnerships
- > Longstanding Expertise: One of the earliest real assets secondaries investors

\*As of June 30, 2021. \*\*As of March 31, 2021. †Oversubscribed commitments includes all HarbourVest funds / accounts which made a primary partnership investment from January 1, 2015 – December 31, 2019. Advisory board coverage reflects all primary investments from January 1, 2010 – December 31, 2019. Certain of the above performance information is presented on a gross basis. These returns do not reflect the management fees, carried interest, and other expenses borne by investors in the HarbourVest-managed funds/accounts, which will reduce returns. The gross model IRR performance presented reflects model performance an investor may had obtained had they invested in accordance with each applicable strategy and does not represent performance that any investor actually attained. Model performance results are inherently limited and should not be considered a reliable indicator of future results. See “Additional Important Information” at the end of this presentation, including important disclosures related to Net Performance Returns, Gross Performance Returns, Model Performance, and Fees and Expenses.

# HarbourVest has a differentiated credit platform

Since 2003, HarbourVest has provided private credit solutions to leading private equity sponsors

## Access to Differentiated Deal Flow

Active relationships with 700+ lead sponsors across the global private markets

Platform approach provides deal sourcing advantages

## Proprietary and Rigorous Due Diligence

Sponsor and industry performance database

Expertise investing in first lien, second lien, junior credit, and equity

## Preferred Allocation Positioning

Significant, actively-involved investment partner in many lead sponsors' funds

Ability to provide financing solutions across the capital structure

## Experienced Investment Team

Extensive experience investing through multiple economic cycles

Supported by broader HarbourVest platform of ~150 investment professionals



## Infrastructure and Real Assets Domain Expertise

Strong Pipeline of Deal Flow

\$175+ billion

IN VALUE REVIEWED SINCE 2014 <sup>1</sup>

Broad Relationship Network

400+

ACTIVE RELATIONSHIPS WITH REAL ASSETS GPs <sup>2</sup>

Deep Market Presence

75+

REAL ASSETS FUND INVESTMENTS SINCE 2008 <sup>3</sup>

+



## Global Investment Platform Resources and Reach

## Infrastructure and Real Assets Investment Strategy

PRIMARY INVESTMENTS

Leverage secondary and co-investment **insights** and the Firm's **network**

Focus on fund managers with **sustainable, differentiated strategies** and **resources**

SECONDARY INVESTMENTS

Act as a **solutions provider** to GPs and LPs

Focus on **complex transactions** and **less-efficient segments of the market**

DIRECT CO-INVESTMENTS

Partner with general partners and operators with **historically strong track records of success**

Focus on **quality** and value creation through **operational improvements**

As of March 31, 2021. Past performance is not a reliable indicator of future results.

<sup>1</sup> Represents all equity capital available to HarbourVest for deals reviewed and logged in the real assets pipeline for secondary and direct / co-investment deals since dedicated capital was raised for infrastructure and real assets.

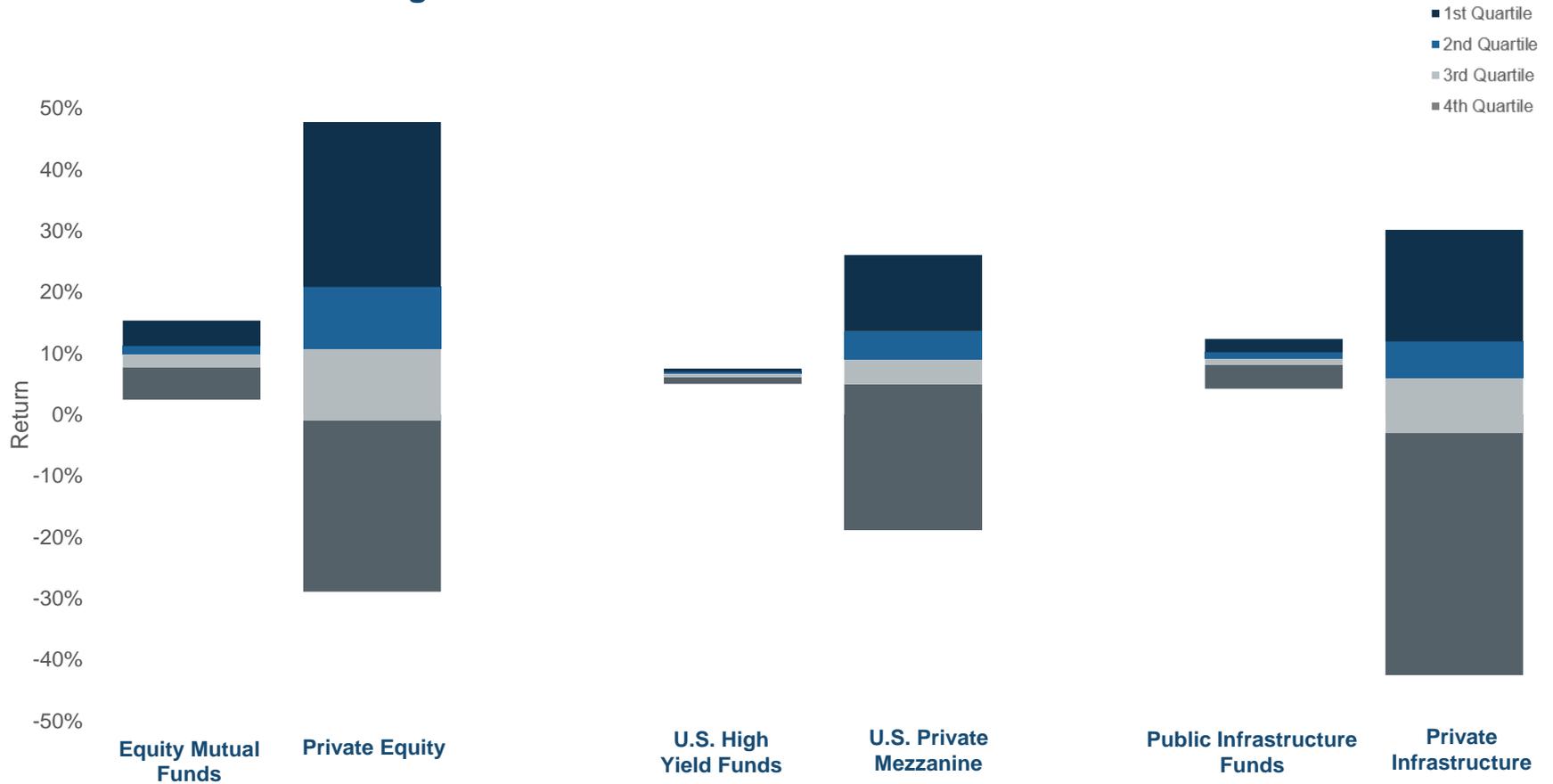
<sup>2</sup> Includes all GPs where HarbourVest has reviewed either fund offering materials, direct co-investment / secondary opportunities, and/or held at least an introductory call or meeting.

<sup>3</sup> Includes all real asset focused secondary, direct, and primary fund investments (excludes real estate investments) made by a HarbourVest fund / custom account between January 01, 2008 – March 31, 2021. 2008 was the first dedicated infrastructure investment.

# Why is manager selection important in PE?

Skillful manager selection and access to best-performing managers is critical in private markets

## Ten-Year Trailing Public Market Returns vs. Ten-Year Private Market IRRs



As of June 30, 2020

Sources: Public returns are 10-yr trailing returns from eVestment. Private returns are 10-yr IRRs from Burgiss. 1<sup>st</sup> Quartile: returns fall in the top 25% of all returns, 2<sup>nd</sup> Quartile: returns are greater than the median of returns but less than the top 25% of all returns, 3<sup>rd</sup> Quartile: returns are below the median of returns but greater than the bottom 25% of all returns, 4<sup>th</sup> Quartile: returns fall in the bottom 25% of all returns.

# Proposal for \$800 million program

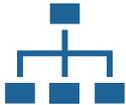
HarbourVest sets out key elements designed to deliver a comprehensive and supportive partnership

---



## Partnership objectives and structure

- > Partner on the development and implementation of a customized global private markets program
  - > Create long-term outperformance compared to public markets while limiting volatility and downside risk
  - > Fund-of-one
- 



## Future capital deployment

- > \$800 million total commitment over 5 years; 15-year program life; allocations described below
  - > \$349 million of Private Equity: 70% primary, 10% secondary, and 20% co-investment
    - Primary Stage: 65% Buyout, 35% Venture
    - Primary Geography: 55% U.S., 25% Europe, 20% Asia
  - > \$377 million of Private Credit: 60% primary and 40% direct credit investments
  - > \$74 million of Infrastructure: 60% primary and 40% direct and secondary investments
- 

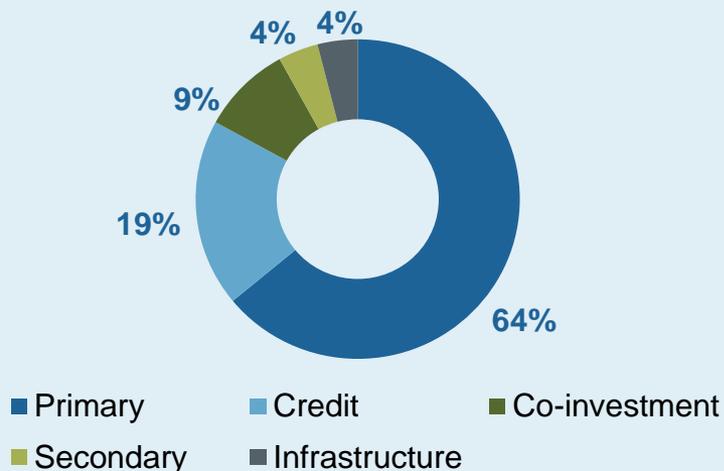


## Knowledge transfer services

- > Online 24/7 access to Investment Committee and due diligence memos
  - > Annual tactical planning sessions focused on investment execution consistent with strategic plan
  - > Access to deal team members to review due diligence for approved investments
-

# Proposed solution and key benefits to achieve your objectives

## Proposed Strategy Allocation<sup>1</sup>



## Benefits of Included Strategy

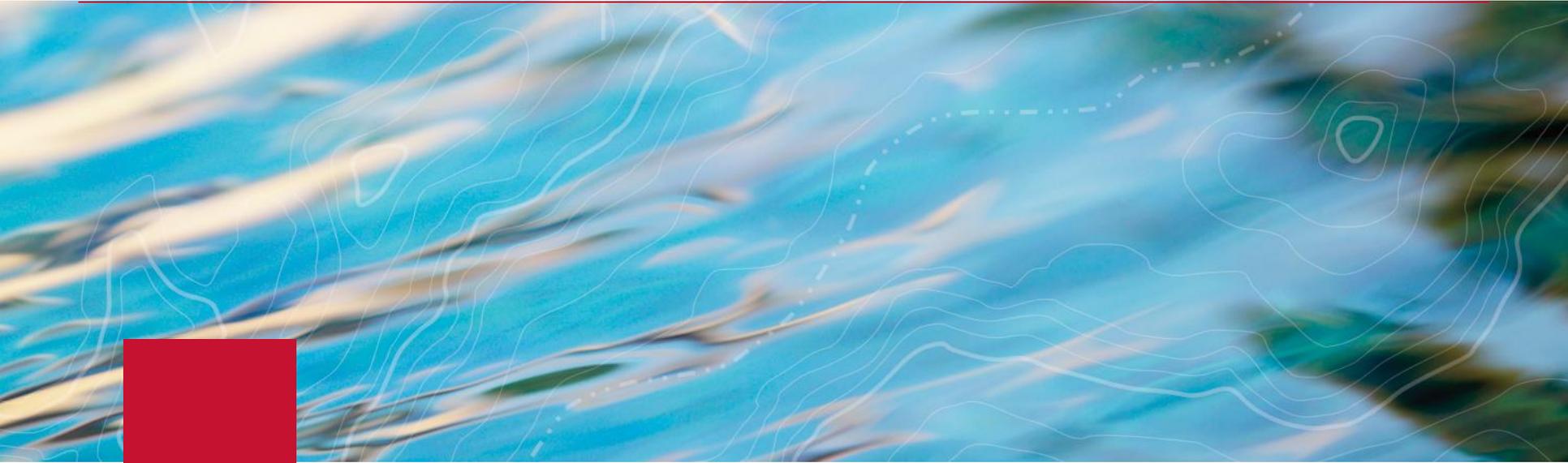
- Primary**
  - Access to leading and often oversubscribed managers
  - Creates significant strategy, vintage, sector and manager diversification
  - Potential to generate long term appreciation in value
- Credit**
  - Capital preservation strategy given position in capital structure
  - Downside protection through senior secured credit investments
  - Cash coupon generating current income, generally quarterly
- Co-investment**
  - Potential to generate outperformance at reduced costs
  - Added control over capital deployment pacing
  - Stronger relationships with top-tier GPs
- Secondary**
  - Diversification across prior vintage years
  - Rapid and sustained portfolio diversification
  - J-curve mitigation and early liquidity
- Infrastructure**
  - Portfolio diversification with low correlation to traditional asset classes
  - Cash flows linked to inflation
  - Compelling absolute returns with downside protection

## Risk and Return Considerations

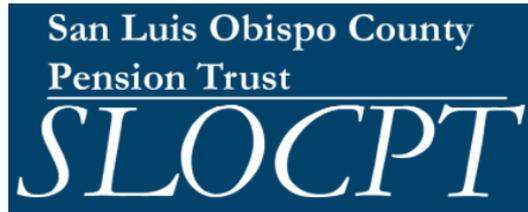


	RETURN	LIQUIDITY	HORIZON
<b>DEFINITION</b>	Expected rate of capital appreciation and risk of underperformance	Level, pace, and volatility of cash flows throughout the holding period	Period over which capital is returned
<b>KEY METRICS</b>	<ul style="list-style-type: none"> <li>&gt; Expected return</li> <li>&gt; Upside potential</li> <li>&gt; Risk of underperformance</li> <li>&gt; Risk of capital loss</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Cumulative net cash flow</li> <li>&gt; Cash flow at risk</li> </ul>	<ul style="list-style-type: none"> <li>&gt; NAV duration</li> <li>&gt; Weighted average life</li> </ul>

Note 1: Primary includes private equity, credit, and infrastructure



# ENGAGEMENT MODEL AND OPERATIONAL SERVICES



## Account Management and Client Service



**TERI NOBLE**  
PRINCIPAL  
*Account Manager*

Manages the relationship, ensuring all needs and objectives are being met



**ED POWERS**  
MANAGING DIRECTOR  
*Investment Professional*

Responsible for strategic and tactical plan; primary contact for investment questions



**ANDREA FARRINGTON**  
SENIOR ASSOCIATE  
*Client Service*

Partners with the Account Manager to deliver best-in-class client service

## Portfolio Construction Committee



**JOHN TOOMEY**  
EMC / CO-CEO

Responsible for allocating investments fairly across all funds and accounts, mindful of investment capacity and demand, and driving a consistent firm-wide view and approach to portfolio construction



**GREG STENTO**  
HEAD OF  
INVESTMENTS



**WILLIAM ROYER**  
CHIEF COMPLIANCE  
OFFICER

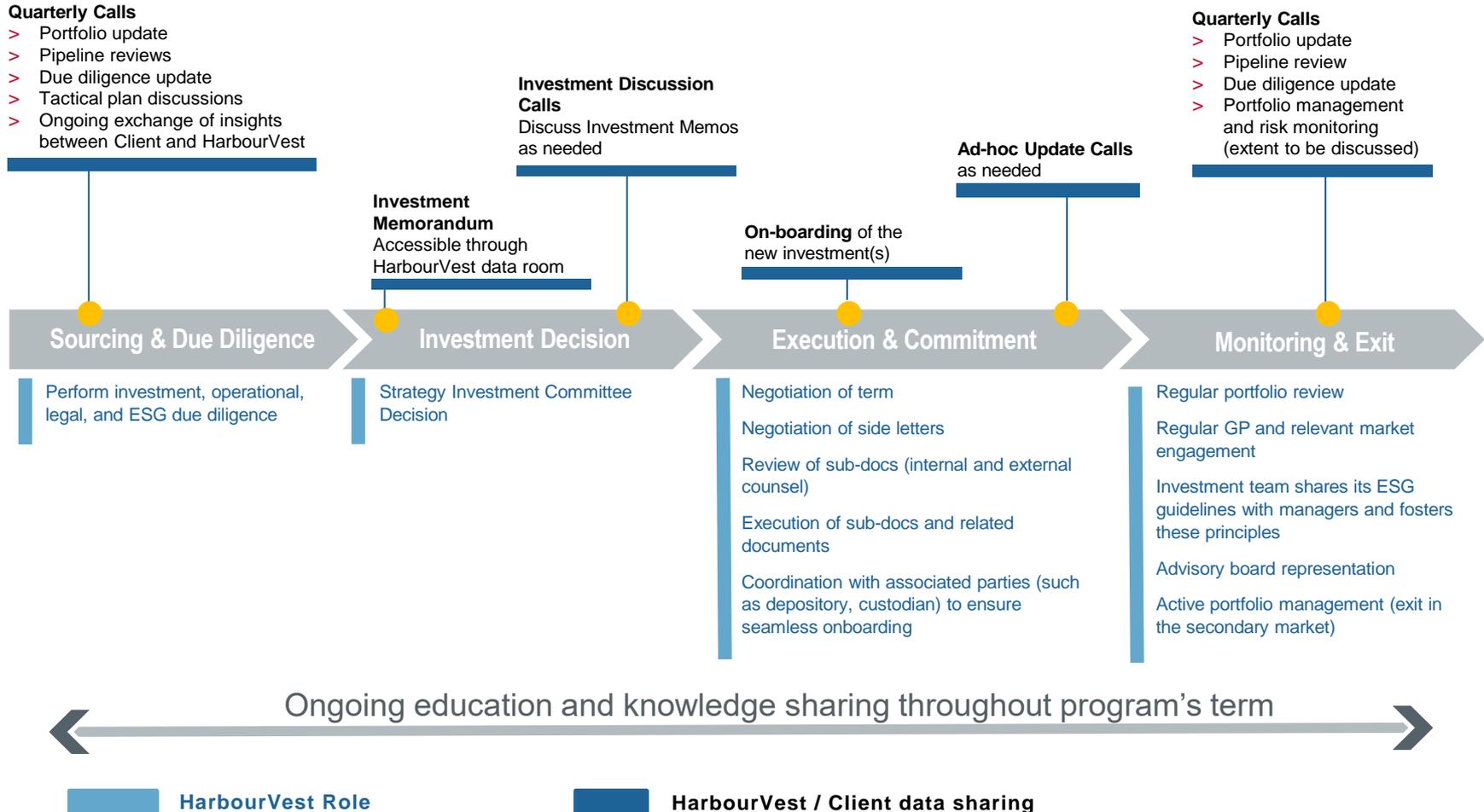
## Strategy Investment Committees



As of June 30, 2021

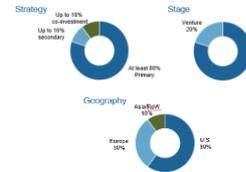
# Ongoing engagement model

## Flexible continuous dialogue and strong partnership



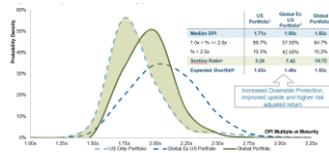
Provided for illustrative purposes only.

## Strategy planning & review



- > Consultative portfolio construction and investment strategy reviews
- > Annual tactical plans review and adjustment
- > Cash flows – actual and projections - and NAV development models

## Risk management & analytics



- > Customized portfolio analysis to assist in optimal portfolio construction
- > Quantitative analysis including performance attribution and risk modeling
- > Illustrative stress-tests of the overall portfolio (based on benchmarks)
- > Portfolio recommendations based on diversification, risk, liquidity, yield, duration, NAV targets, etc.

## Portfolio monitoring & reporting



- > Ongoing contact with GPs
- > Track investments, cash flows and underlying company detail
- > Operational due diligence
- > Portfolio performance and attribution
- > Quarterly and annual reports
- > Benchmarking and analytics
- > Administration of legacy private equity portfolio

## Cash management & valuation



- > Daily cash management
- > Investment valuation
- > Annual audits
- > Annual SOC 1 report
- > Monitor compliance with US GAAP
- > Manage credit lines, banks, and custodian

## Knowledge transfer

### Learning Exchange

- > Quarterly pipeline review calls
- > Online 24/7 access to Investment Committee and due diligence memos
- > Access to deal team members
- > Due diligence for investments outside of account
- > Introductions to GPs
- > Training curriculum
- > Investment risk training
- > Regular communications and webinars on private market and strategy trends



# CONCLUSION

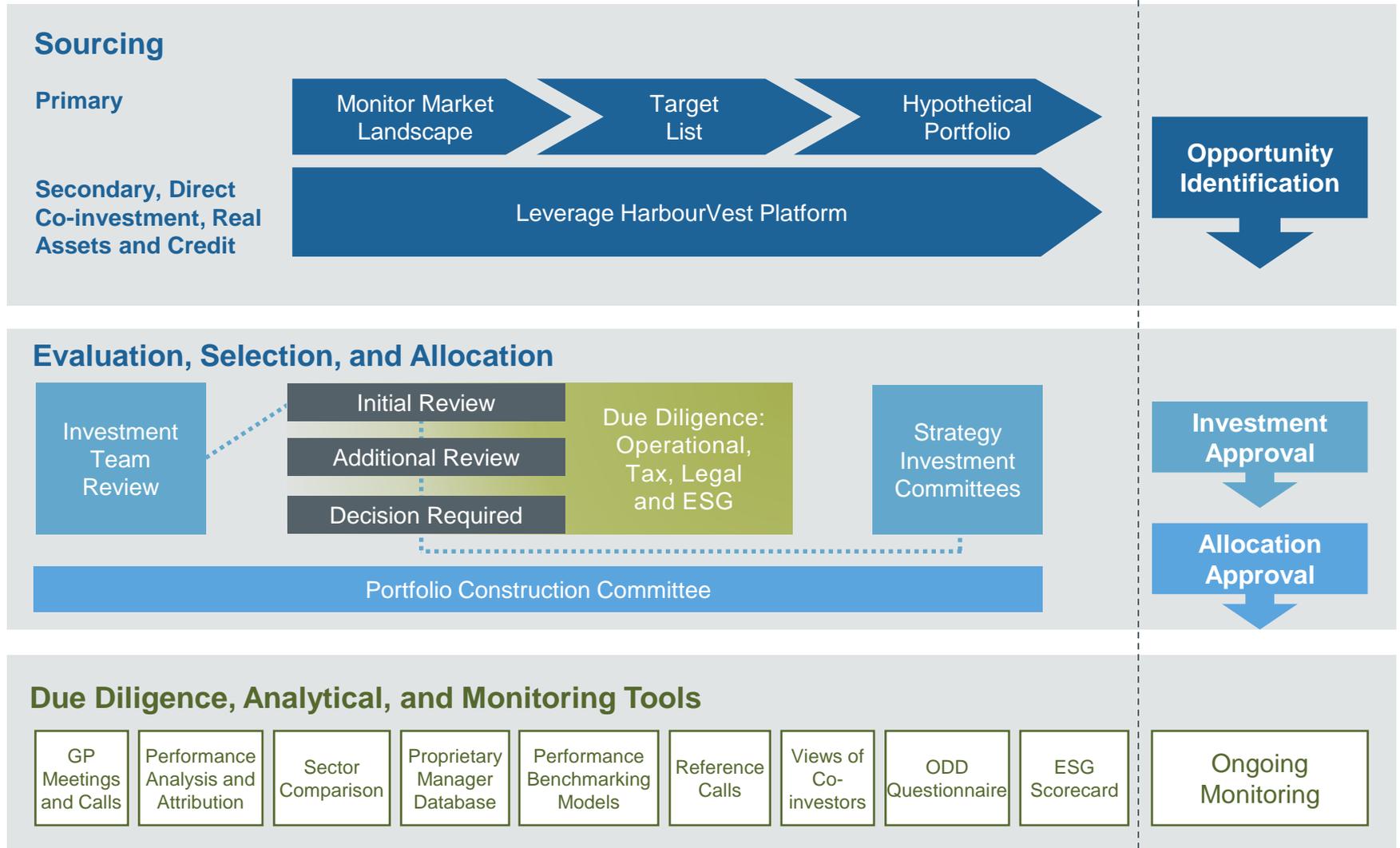
# Considerations for choosing a fund of one partner

	Important Considerations	HarbourVest Competitive Advantage
<b>People &amp; Organization</b> 	<ul style="list-style-type: none"> <li>▶ Is the team experienced?</li> <li>▶ How long have they worked together?</li> <li>▶ Will the same people today be there to ensure continued success and service your relationship?</li> <li>▶ Is there staff who understand local market needs?</li> </ul>	<ul style="list-style-type: none"> <li>▶ 700+ employees with 150+ investment professionals</li> <li>▶ Firm founded in 1982; 35+ years of experience</li> <li>▶ Managing directors average firm tenure of 13 years</li> <li>▶ Local, experienced teams across 12 global offices*</li> <li>▶ Commitment to diversity and ESG</li> </ul>
<b>Portfolio Construction</b> 	<ul style="list-style-type: none"> <li>▶ Does the firm have a consistent and proven investment process?</li> <li>▶ How does the firm incorporate risk analytics into portfolio construction?</li> <li>▶ Does the firm have fair allocation policies?</li> </ul>	<ul style="list-style-type: none"> <li>▶ Consistent approach since the firm was founded</li> <li>▶ Diversified and integrated investment platform allows for knowledge sharing across strategies</li> <li>▶ Transparent and equitable allocation process; allocation decisions shared with clients, process tested within SOC 1</li> <li>▶ Rigorous and consistent approach to investment risk management</li> </ul>
<b>Aligned Interests</b> 	<ul style="list-style-type: none"> <li>▶ What is the ownership structure of the firm and does the firm have other lines of business that may create conflicts?</li> <li>▶ Does the firm understand client specific and regulatory reporting requirements?</li> <li>▶ Are private markets the main focus for the firm?</li> </ul>	<ul style="list-style-type: none"> <li>▶ Sole focus of entire firm on private markets</li> <li>▶ 400+ operations and service professionals provide expertise across disciplines</li> <li>▶ Fully flexible investment monitoring, reporting, and knowledge transfer approach and solutions culture</li> <li>▶ Employee owned firm with demonstrated succession plan</li> <li>▶ No external third party or public market ownership</li> </ul>
<b>Customization &amp; Flexibility</b> 	<ul style="list-style-type: none"> <li>▶ Does the firm deploy capital across the full spectrum of private markets?</li> <li>▶ Is the firm flexible enough to meet my needs now and in the future?</li> <li>▶ Does the firm offer a collaborative investment partnership with their clients?</li> <li>▶ Are the solutions offered truly custom or do they take a one-size-fits-all product approach?</li> </ul>	<ul style="list-style-type: none"> <li>▶ Custom solutions offered across primary, secondary, direct co-investment, private credit, and real asset strategies</li> <li>▶ Client-focused approach and strong performance has yielded evolving, meaningful, long-standing relationships</li> <li>▶ Flexible continuous dialogue promotes partner of choice relationship</li> <li>▶ History of success based on listening to our clients and tailoring solutions for their investment and service needs</li> </ul>

As of June 30 2021. \*Frankfurt office opened July 2021.



# APPENDIX



# ESG focus is embedded across the organization

### Core Program pillars

- Integrate ESG factors into investment processes
- Foster GP adoption and support
- Reflect values in policies and products
- Govern efforts through senior leadership
- Provide transparency to stakeholders



### HarbourVest PRI Ratings

ESG Category	2020 Score*
Strategy & Governance	A+
Indirect Investments (Primary & Secondary)	A+
Direct Investments	A

### ESG Council

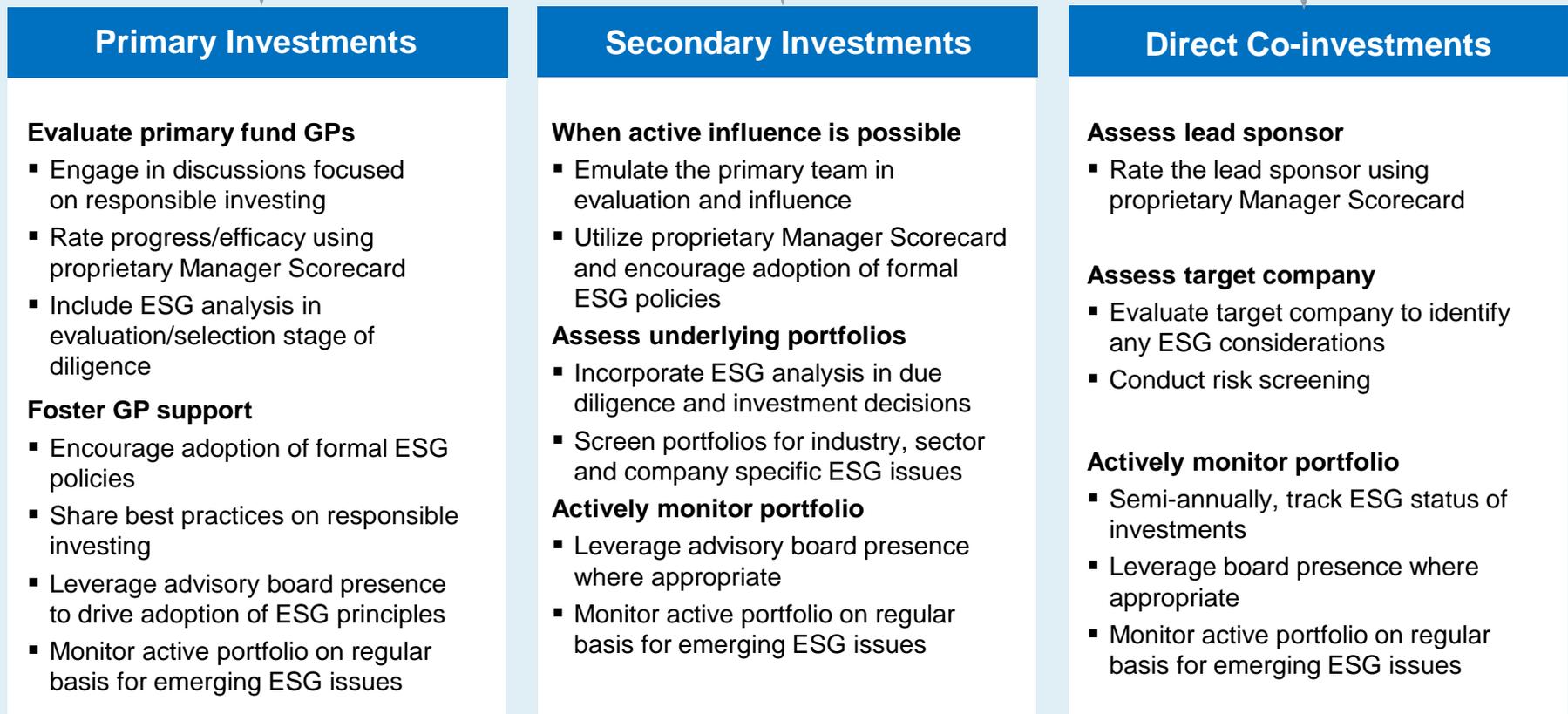
- 12 members; multidisciplinary
- Provides firmwide support on ESG strategy and policy implementation

### CarbonNeutral® Company



We achieved certification in 2020 in accordance with *The CarbonNeutral Protocol*, the leading global framework for carbon neutrality

The public version of HarbourVest's 2020 PRI Transparency Report can be accessed at <https://www.harbourvest.com/why-harbourvest/corporate-responsibility>. To access the firm's annual Private Transparency Report and Assessment Report, please log on to HarbourVest's secure investor log-in site at <https://investor.harbourvest.com> using your email address and password. Once logged in, go to the "News and Update" tab and select "Market Updates."





# PORTFOLIO CONSTRUCTION EXAMPLE

# Step 1: Understand client's objectives and existing portfolio

Objective: Client wanted to reach a \$2.0 billion private markets NAV target by 2021 through a combination of existing assets and new commitments

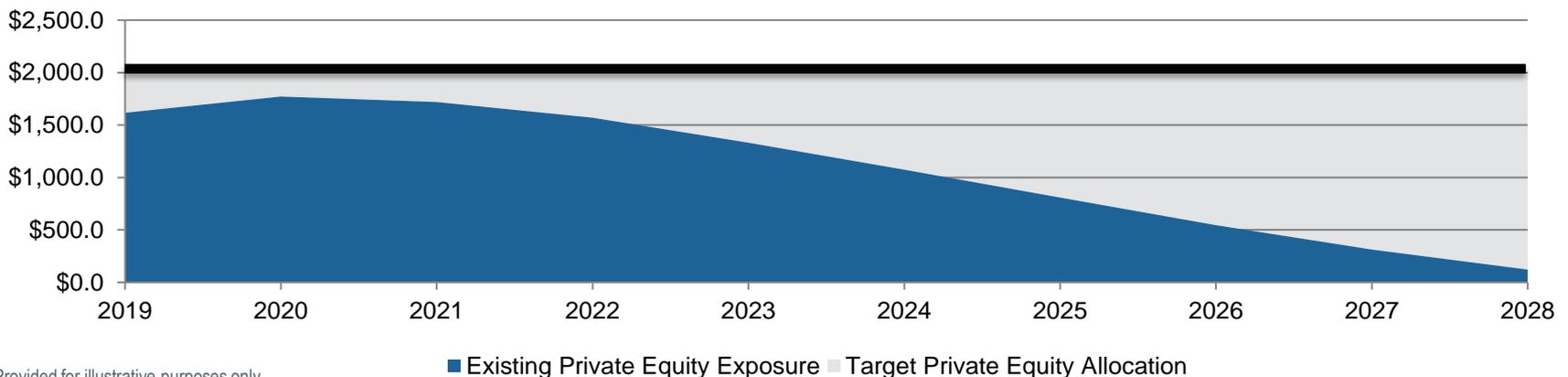
## Obtain existing portfolio/assets

Investment	Vintage	Commitment		Contributions	Distributions	
		Commitment	Unfunded ' Commitment	Funding	Cash	Stock
Fund 1	2011	\$200,000,000	\$37,138,904	\$162,861,096	\$145,002,850	0
Fund 2	2011	\$150,000,000	\$75,817,876	\$74,182,124	\$96,151,870	0
Fund 3	2012	\$45,000,000	\$5,925,856	\$39,074,144	\$29,873,150	0
Fund 4	2011	\$55,000,000	\$9,071,032	\$45,928,968	\$26,829,848	0
Fund 5	2013	\$75,000,000	\$15,042,124	\$59,957,876	\$41,549,872	0
Fund 6	2013	\$40,000,000	\$15,251,400	\$24,748,600	\$28,865,048	0
Fund 7	2014	\$90,000,000	\$10,000,000	\$80,000,000	\$18,265,414	0
Fund 8	2014	\$75,000,000	\$23,289,340	\$51,710,660	\$35,848,740	0
Fund 9	2015	\$38,000,000	\$6,215,844	\$31,784,156	\$8,665,987	0
Fund 10	2016	\$40,000,000	\$8,093,928	\$31,906,072	\$5,779,651	0
Fund 11	2016	\$40,000,000	\$33,761,388	\$6,238,612	\$3,559,548	0
Fund 12	2017	\$40,000,000	\$4,629,904	\$35,370,096	8,030,569	0
Fund 13	2017	\$85,000,000	\$9,066,408	\$75,933,592	\$15,151,848	0
Fund 14	2018	\$45,000,000	\$9,970,872	\$35,029,128	\$574	0
Fund 15	2018	\$30,000,000	\$30,000,000	\$6,500,000	\$150,000	0
<b>Total: Other Manager Program</b>		<b>\$1,048,000,000</b>	<b>\$293,274,876</b>	<b>\$754,725,124</b>	<b>\$455,694,400</b>	<b>0</b>

## Ensure variables are considered

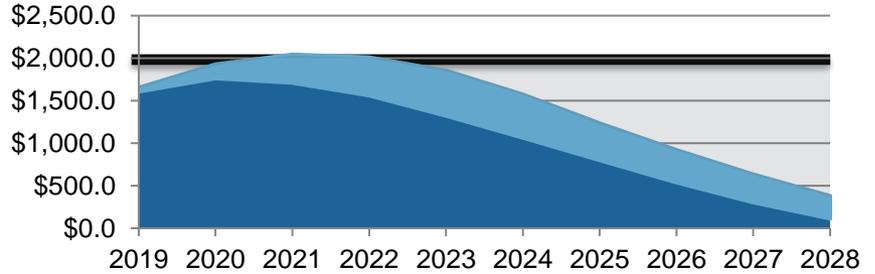
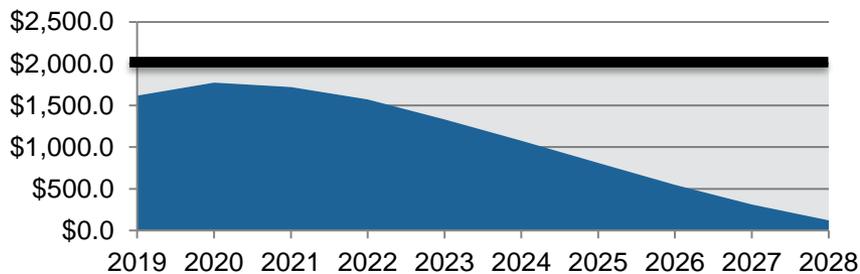
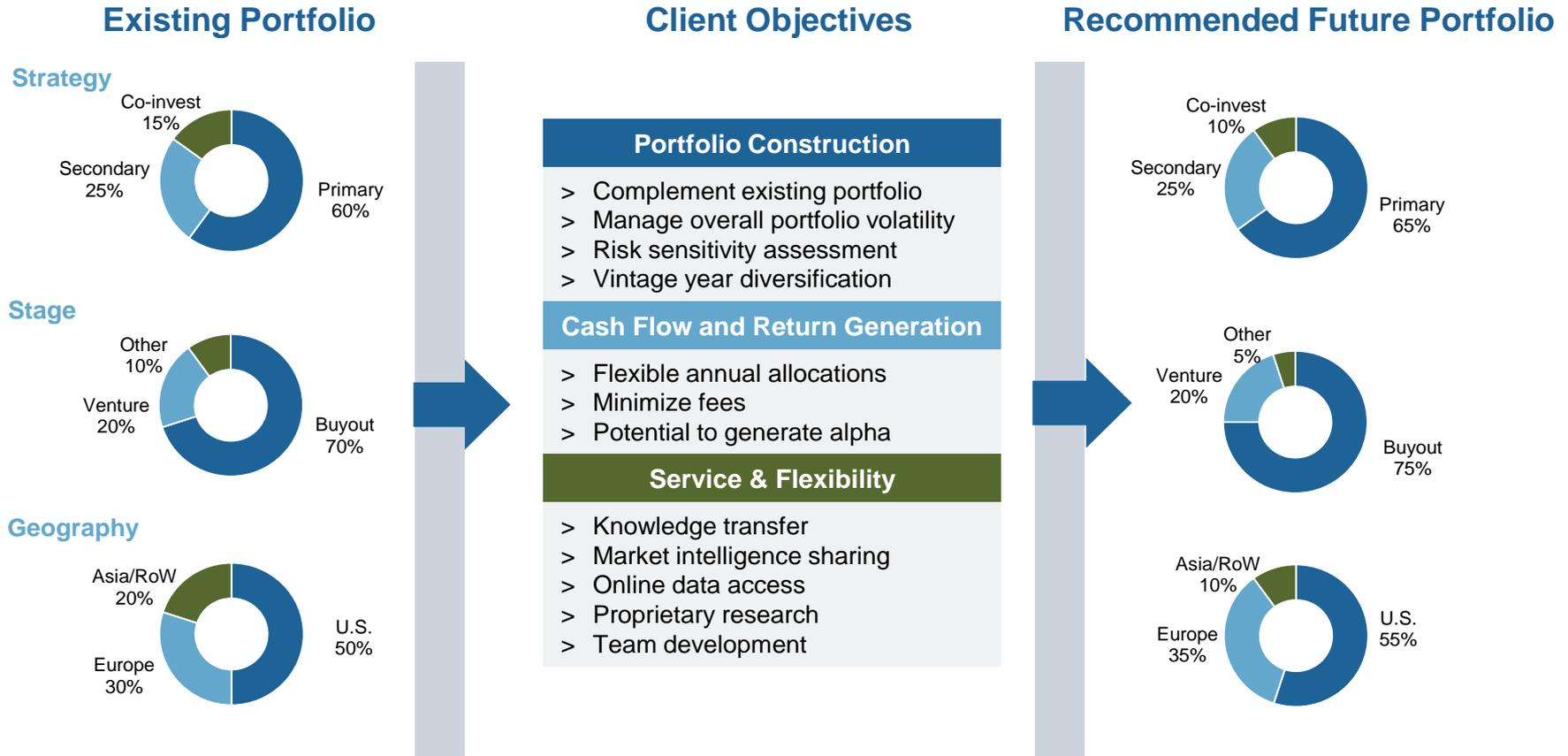
- Plan size
- Annual growth rate of total plan
- Private markets exposure target
- Legacy portfolio
- Diversification
  - Geographic
  - Strategy
  - Stage
  - Vintage

## Model existing portfolio NAV development



Provided for illustrative purposes only.

# Step 2: Identify gaps between existing portfolio and objectives

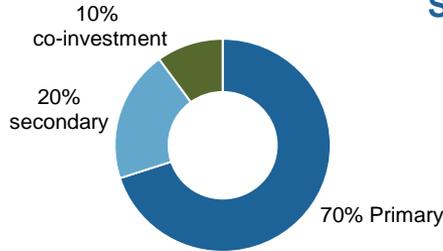


Provided for illustrative purposes only.

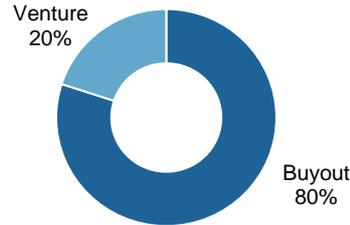
# Step 3: Develop tactical plan to achieve client objectives

Proposed solution: \$750 million invested over 3 year period to achieve NAV target

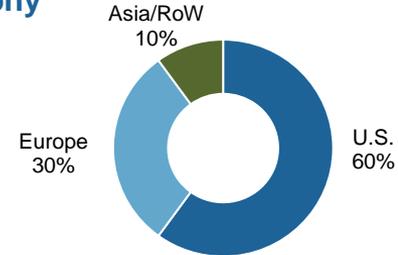
### Strategy



### Stage



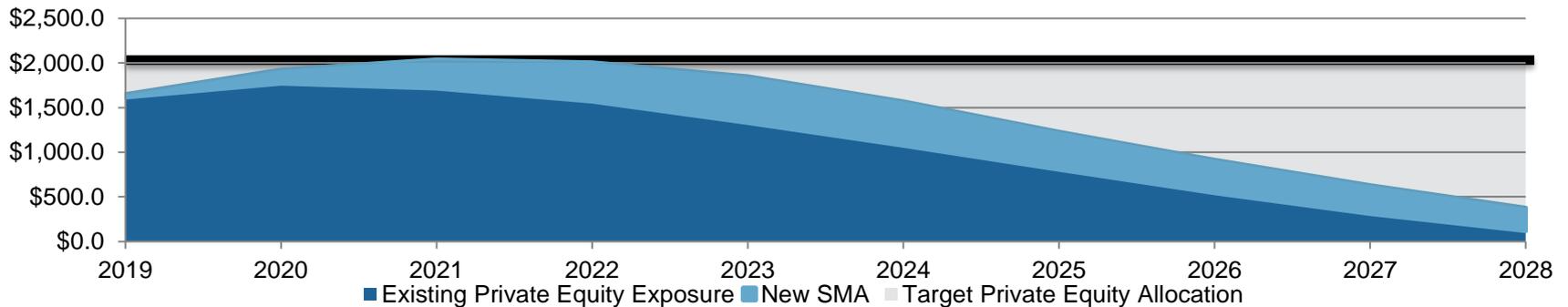
### Geography



## Create a tactical plan

	Annual Total (\$ million)	Primary						Secondary	Direct Co-Invest
		Buyout			Venture / Growth Equity				
		US	Europe	Asia / RoW	US	Europe	Asia / RoW		
2019	\$250.0	\$84.0	\$42.0	\$14.0	\$21.0	\$10.5	\$3.5	\$50.0	\$25.0
2020	\$250.0	\$84.0	\$42.0	\$14.0	\$21.0	\$10.5	\$3.5	\$50.0	\$25.0
2021	\$250.0	\$84.0	\$42.0	\$14.0	\$21.0	\$10.5	\$3.5	\$50.0	\$25.0
<b>Total</b>	<b>\$750.0</b>	<b>\$252.0</b>	<b>\$126.0</b>	<b>\$42.0</b>	<b>\$63.0</b>	<b>\$31.5</b>	<b>\$10.5</b>	<b>\$150.0</b>	<b>\$75.0</b>

## Model existing + recommended portfolio NAV development and cash flows



Provided for illustrative purposes only.



## ADDITIONAL IMPORTANT INFORMATION

## Additional important information

Any data presented about investments prior to 1998 is related to transactions that occurred when the HarbourVest team was affiliated with Hancock Venture Partners, Inc.

HarbourVest's founders began making venture capital investments for John Hancock Financial Services in late 1970s. In 1982 they formed Hancock Venture Partners, Inc, which was fully owned by John Hancock Mutual Life Insurance Company, to independently develop and manage third-party private equity capital. In January 1997, the Hancock Venture Partners management team formed a new independent management company, HarbourVest Partners, LLC. All then-employees of Hancock Venture Partners became owners and/or employees of HarbourVest Partners, LLC. As of January 1, 2021 all employees of HarbourVest Partners, LLC hired prior to 1997 are still affiliated with HarbourVest and serve either as a Managing Director or in a Senior Advisor capacity. HarbourVest Partners, LLC has no affiliation with John Hancock Financial Services.

**The source of the performance information is HarbourVest. In considering the performance information contained herein, prospective investors should bear in mind that past performance is not a reliable indicator of future results, and there can be no assurance that an investment sponsored (or an account managed) by HarbourVest will achieve comparable results or be able to implement its investment strategy or meet its performance objectives. The funds that made these investments may have had different terms and investment objectives than those proposed or modeled herein.**

The foregoing performance information includes realized and unrealized investments. Unrealized investments are valued by HarbourVest in accordance with the valuation guidelines contained in the applicable partnership agreement. Actual realized returns on unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale, all of which may differ from the assumptions on which the valuations used in prior performance data contained herein are based. Accordingly, the actual realized returns on these unrealized investments may differ materially from returns indicated herein.

In certain cases, a HarbourVest fund or account, or the partnerships in which it invests, may utilize a credit facility or other third-party financing. This is generally to bridge capital calls from limited partners or to fund a portion of an investment and may also be used to facilitate transactions involving the recapitalization of portfolio investments. This may make the resulting IRR and multiples higher or lower than the IRR or multiples that would have been presented had drawdowns from partners or available cash been initially used to acquire or pay for the investment.

IRRs are calculated from the date of a fund's first cash flow from a limited partner, which may include capital contributions in connection with fund formation, as may occur with certain AIF-Related Funds (as defined below), and therefore can be earlier than the date of the first capital call from a limited partner for the purpose of investment. The start date for IRR calculations can also be later than the date of initial investment when a credit facility or other third-party financing is used to fund such investment.

Performance is expressed in US dollars, unless otherwise noted. Returns do not include the effect of any withholding taxes. Cash flows are converted to US dollars at historic daily exchange rates, unless otherwise indicated. The return to investors whose local currency is not the US dollar may increase or decrease as a result of currency fluctuations.

- 1. Net Performance Returns** - DPI (Distributions / Paid-In Capital), TVPI (Total Value / Paid-In Capital), and Net IRR (Internal Rate of Return) through the applicable date are the returns to limited partners after all management fees, commissions, fund operating expenses, and carried interest. These returns reflect the combined return for all limited partners in a fund and may not reflect an individual limited partner's actual return. The Net IRR is calculated using daily cash flows to and from limited partners. In this calculation, the final cash flow to limited partners is the fair market value of all limited partners' capital accounts at the applicable date as determined by the general partner of the respective HarbourVest fund or account in accordance with the valuation policy. The net multiples (DPI and TVPI) are calculated based on the same cash flows. See note 8 below for additional disclosures related to fees and expenses of a fund.

Notes continued on next page.

## Additional important information

- 2. Gross Performance Returns** – This information (Distributed / Funded, Total Value / Funded, TV/TC (Total Value / Total Cost), Gross Portfolio IRR, and Gross IRR), if shown, is presented on a gross basis and reflects the performance of the investment portfolio, including primary fund investments, secondary investments, and/or direct co-investments. Gross Portfolio IRR represents the annual return calculated using daily cash flows from the Fund(s) to and from the various partnerships or companies, either directly or through a special purpose vehicle in which the Fund(s) invested during the period specified. These returns reflect the fees, expenses, and carried interest of the underlying fund investments (where applicable), certain expenses of any special purpose vehicle that held an interest in the underlying fund, as applicable, but do not reflect the management fees, carried interest, and other expenses borne by investors in the Fund(s), which will reduce returns. See note 8 below for additional disclosures related to fees and expenses of a Fund.
- 3. Portfolio Company Performance** – This information, if shown, is based on the cost and value of underlying company investments within the primary and secondary investment portfolios of the Fund(s). These returns do not reflect the fees, expenses, and carried interest of the partnership investments of the Fund(s), which will reduce returns. Performance may be aggregated when a company is held through multiple primary and secondary investments. These returns do not represent the performance of any specific Fund or the return to limited partners of any specific Fund. As a result, portfolio company performance returns are considered model performance. See notes 6 and 8 below for additional disclosures related to model performance and fees and expenses of a Fund, respectively.

- 4. Public Market Comparison** – This information, if shown, represents adjusted model performance of each index as if the respective index had been purchased and sold at the time of the limited partners' capital calls and distributions, with the remainder held at the date noted. The indices used assume reinvestment of all dividends. Under this methodology, the capital calls for the purchase of the public market index are the same as the capital calls for the Fund(s). The distributions for the sales of the public market index are scaled to represent the same proportion of the Fund's NAV at the time of the distribution. For example, if the Fund distributes 5% of NAV, then 5% of the index NAV is distributed. Thus, the index returns presented are not gross actual index returns, but adjusted model returns. See note 6 for additional disclosures related to model performance.

The adjusted public market indices shown are not intended to, and do not, parallel the risk, investment strategy, or investment characteristics of a Fund. The securities comprising the public market indices have substantially different characteristics than the investments held by a Fund, and accordingly, a direct comparison may not be meaningful. The public market comparison is shown for illustrative purposes only. The adjusted indices are shown to demonstrate the approximate returns an investor may have received had the investor invested in certain publicly-traded equity securities in lieu of a Fund or the investments made by HarbourVest. An investor is not able to directly invest in a benchmark index.

Bloomberg is the source of the index data contained or reflected in this material. MSCI, S&P, and FTSE Russell are the owners of the index data contained or reflected in this material and all trademarks and copyrights related thereto. This is HarbourVest's presentation of the data. Bloomberg, MSCI, S&P, and FTSE Russell are not responsible for the calculations conducted by HarbourVest, the formatting or configuration of this material, or for any inaccuracy in presentation thereof.

Notes continued on next page.

## Additional important information

5. **Vintage Years** - HarbourVest vintage classification is based on the year in which capital was first funded to each underlying fund (for primary fund investments) or the year of HarbourVest's purchase (for secondary investments).
6. **Model Performance** - Model performance results are inherently limited and should not be relied upon as indicators of future performance. Individual fund and strategy performance can be better or worse than the model. **No investor received the indicated model performance.** Certain assumptions have been made for modeling purposes. No representation or warrant is made as to the reasonableness of the assumptions made. Changes in the assumptions may have a material impact on the hypothetical returns presented.

Different model scenarios will provide different results. While the model portfolio may consist of investments made by HarbourVest during the relevant period(s), it does not reflect an actual portfolio managed by HarbourVest during the relevant period(s) and does not represent the impact that material economic and market factors might have had on HarbourVest's decision making if HarbourVest had been managing a fund that incorporated the investment strategy shown during the specified period(s).

In addition, the HarbourVest fund(s) had investment results materially different from the results portrayed in the model portfolio during the relevant period(s). The fund(s)' actual investments may have substantially different terms than those reflected in the model portfolio. No representation is made that any Fund will or is likely to achieve returns similar to those presented, and there can be no assurance that the fund(s) or HarbourVest will achieve profits or avoid incurring substantial losses. Other periods selected for the model portfolios may have different results, including losses. Current model performance may differ from that shown.

Model may assume each portfolio participates in every investment opportunity on a pro rata basis based on actual aggregate HarbourVest commitments for each vintage year. Actual investment opportunities may be limited due to scarcity and desired portfolio construction; creating a more concentrated portfolio in comparison to the model. The incremental benefit of portfolio diversification may become limited at the higher range of underlying partnerships / investments.

The following is the criteria used when showing model portfolio performance that includes the following investment types:

**Primary Investments** – Based on the cash flows of all primary investments (or a subset as noted) made by fund(s) during the period(s) specified, with the exception of custom accounts that made investments primarily in emerging venture capital managers, emerging managers, diverse managers, or state-focused managers, as these strategies are outside of HarbourVest's core focus.

**Secondary Investments** – Based on the cash flows of all secondary investments (or a subset as noted) made by fund(s) during the period(s) specified.

**Direct Co-Investments** – Based on the cash flows of all direct co-investments (or a subset as noted) made by fund(s) during the period(s) specified. This performance excludes custom accounts that may make investments outside of HarbourVest's core co-investment strategy (e.g., industry, sourcing, return profile). Direct co-investments are generally defined as: (i) buyout, recapitalization, and special situation investments; (ii) expansion capital, growth equity, or other venture capital investment in companies with greater than \$7.5 million in trailing 12-month revenues at the time of investment; or (iii) mezzanine investments. Early stage investments, generally defined as those companies with revenues less than \$7.5 million at the time of initial investment, which are outside the focus of the fund, are also not included in the model portfolio returns shown. If early stage investments were included in the model portfolio, returns would be lower.

Notes continued on next page.

7. **Fees and Expenses** - Actual management fees and carried interest will vary and are established in negotiations with the limited partners of a Fund or separate account client. Management fees may range from an average of 0.1% to 1.25% per year of committed, called, or invested capital over the expected life of the Fund, pursuant to the limited partnership agreement or investment management agreement. Fees for Funds in extension years may be reduced, including to nil. Fund investors will typically bear all the costs and expenses relating to the operations of a Fund and its general partners (or similar managing fiduciary). A Fund shall bear its pro rata share of any such expenses incurred in connection with any portfolio investment to the extent the same portfolio investment is being made by other Funds. Organization expenses of a Fund will also typically be borne by Fund investors. When a Fund is generally expected to invest alongside a Fund primarily intended for European-based investors, which takes into account the regulatory requirements of the Alternative Investment Fund Managers Directive (an “AIF Related Fund”), organization expenses may be aggregated and allocated pro-rata between a Fund and its AIF Related Fund based on the relative commitments of the partners of the Fund and the partners of its AIF Related Fund (unless HarbourVest, as general partner, determines in good faith that a different share is appropriate). The specific payment terms and other conditions of the management fees, carried interest, and other expenses of a Fund are set forth in the governing documents of the Fund. Fees and expenses are also described in HarbourVest’s Form ADV, Part 2A brochure.

Gross performance returns, if shown, are presented before management fees, carried interest, and other expenses borne by investors in the Fund(s). An actual portfolio would bear such fees and expenses. If such fees and expenses were deducted from performance, returns would be lower. For example, if a fund appreciated by 10% a year for five years, the total annualized return for five years prior to deducting fees and expenses at the end of the five year period would be 10%. If total fund fees and expenses were 1% for each of the five years, the total annualized return of the fund for five years at the end of the five-year period would be 8.90%.

8. **Private Equity Index Data** - Unless otherwise indicated, all private equity fund benchmark data reflects the fees, carried interest, and other expenses of the funds included in the benchmark. Please note that Fund returns would be reduced by the fees, carried interest, and other expenses borne by investors in the Fund. Such fees, carried interest, and other expenses may be higher or lower than those of the funds included in the benchmark. Burgiss (unless otherwise noted) is the source and owner of any private equity index data contained or reflected in this material and all trademarks and copyrights related thereto. The material may contain confidential information and unauthorized use, disclosure, copying, dissemination, or redistribution is strictly prohibited. This is HarbourVest’s presentation of the data. Burgiss is not responsible for the calculations conducted by HarbourVest, the formatting or configuration of this material, or for any inaccuracy in presentation thereof.

### Epidemics, Pandemics and Other Health Risks

Many countries have experienced infectious illnesses in recent decades, including swine flu, avian influenza, SARS and 2019-nCoV (the “Coronavirus”). In December 2019, an initial outbreak of the Coronavirus was reported in Hubei, China. Since then, a large and growing number of cases have been confirmed around the world. The Coronavirus outbreak has resulted in numerous deaths and the imposition of both local and more widespread “work from home” and other quarantine measures, border closures and other travel restrictions causing social unrest and commercial disruption on a global scale. The World Health Organization has declared the Coronavirus outbreak a pandemic. The ongoing spread of the Coronavirus has had and will continue to have a material adverse impact on local economies in the affected jurisdictions and also on the global economy as cross-border commercial activity and market sentiment are increasingly impacted by the outbreak and government and other measures seeking to contain its spread. In addition to these developments having potentially adverse consequences for underlying portfolio investments of the Fund and the value of the Fund’s investments therein, the operations of HarbourVest and the Fund have been, and could continue to be, adversely impacted, including through quarantine measures and travel restrictions imposed on HarbourVest personnel or service providers based around the world, and any related health issues of such personnel or service providers. Any of the foregoing events could materially and adversely affect the Fund’s ability to source, manage and divest its investments and its ability to fulfill its investment objectives. Similar consequences could arise with respect to other comparable infectious diseases.

Notes continued on next page.

# Additional important information

The information contained herein is highly confidential and is being provided to you at your request for informational purposes only and is not, and may not be relied on in any manner as, legal, tax, or investment advice or as an offer to sell or a solicitation of an offer to buy an interest in any fund or any other investment product sponsored by HarbourVest (the “Fund”). Any offering of interests in the Fund will be made by means of delivery of a confidential Private Placement Memorandum or similar materials (the “Memorandum”) that contain a description of the material terms of such investment and subscriptions will be accepted solely pursuant to definitive documentation. These materials do not purport to contain all the information relevant to evaluating an investment in the Fund. The information contained herein will be superseded by, and is qualified in its entirety by reference to, the Memorandum, which will contain information about the investment objective, terms, and conditions of an investment in the Fund and will also contain tax information and risk disclosures that are important to any investment decision regarding the Fund. No person has been authorized to make any statement concerning the Fund other than as will be set forth in the Memorandum and any such statements, if made, may not be relied upon. No sale will be made in any jurisdiction in which the offer, solicitation, or sale is not authorized or to any person to whom it is unlawful to make the offer, solicitation, or sale. Offers and sales of interests in the Fund will not be registered under the laws of any jurisdiction and will be made solely to “qualified purchasers” as defined in the U.S. Investment Company Act of 1940, as amended. The information contained herein must be kept strictly confidential and may not be reproduced or redistributed in any format without the express written approval of HarbourVest.

An investment in the Fund will involve significant risks, including loss of the entire investment. Before deciding to invest in the Fund, prospective investors should pay particular attention to the risk factors contained in the Memorandum. Prospective investors should make their own investigations and evaluations of the information contained herein. Prior to the closing of a private offering of interests in the Fund, HarbourVest will give investors the opportunity to ask questions and receive additional information concerning the terms and conditions of such offering and other relevant matters. Each prospective investor should consult its own attorney, business advisor, and tax advisor as to legal, business, tax, and related matters concerning the information contained herein and such offering.

Certain information contained herein (including financial information and information relating to investments) has been obtained from published and non-published sources. Such information has not been independently verified by HarbourVest. Except where otherwise indicated herein, the information provided herein is based on matters as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof. Any forecast provided herein is based on HarbourVest’s opinion of the market as of the date of preparation and is subject to change, dependent on future changes in the market.

**In considering any performance data contained herein, you should bear in mind that past performance is not a reliable indicator of future results. Certain information contained herein constitutes forward-looking statements, which can be identified by the use of terms such as “may”, “will”, “should”, “expect”, “anticipate”, “project”, “estimate”, “intend”, “continue”, or “believe” (or the negatives thereof) or other variations thereof. Due to various risks and uncertainties, including those discussed above, actual events or results or actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements. As a result, investors should not rely on such forward-looking statements in making their investment decisions.**

None of the information contained herein has been filed with the Securities and Exchange Commission, any securities administrator under any state securities laws, or any other governmental or self-regulatory authority. No governmental authority has passed on the merits of the offering of interests in the Fund or the adequacy of the information contained herein. Any representation to the contrary is unlawful.

# Additional information (Strong capabilities)

## Primary

As of December 31, 2020. This information (Gross aggregate IRR) is presented on a gross basis and reflects the performance of the US Buyout and Global Venture primary investments made by HarbourVest-managed funds or accounts from 2009-2018. This return reflects the fees, expenses, and carried interest of the primary fund investments, but does not reflect management fees, carried interest, and other expenses borne by investors in the HarbourVest-managed funds or accounts, which will reduce returns. Gross aggregate IRR represents the annual return calculated using daily cash flows of the HarbourVest-managed funds or accounts to and from the various partnerships or companies in which the HarbourVest-managed funds or accounts invested during the period specified. Cash flows are converted to US dollars at historic daily exchange rates. The return to investors whose local currency is not the US dollar may increase or decrease as a result of currency fluctuations. The investments included in each of the strategies listed are actual investments made by HarbourVest-managed funds or accounts in the respective strategy. The gross aggregate performance presented for the Buyout Strategy includes investments included in the Micro Buyout Strategy, and excludes accounts that made investments primarily in strategies that were outside the team's core private markets focus. No investor received the gross aggregate IRR. This information does not reflect the investment performance of a specific fund or account or the return to limited partners. Gross aggregate performance results are inherently limited and should not be relied upon as indicators of future performance. While the gross aggregate portfolios consist of investments made by HarbourVest during the relevant period, they do not reflect actual portfolios managed by HarbourVest during the relevant period and do not represent the impact that material economic and market factors might have had on HarbourVest's decision making if HarbourVest had been managing funds that incorporated these strategies during this period. No representation is made that the Fund XII Program will or is likely to achieve returns similar to those presented. Past performance is not a reliable indicator of future results. See 'Additional Important Information' at the end of the presentation specifically related to Gross Performance, and Fees & Expenses.

## Secondary

Inception date is August 1986. The performance presented is hypothetical model performance an investor may have obtained had they invested in the manner shown and does not represent performance that any investor actually attained. Reflects all private equity secondary investments made by a HarbourVest fund / account since inception, including those made by the Dover Street Program, excluding real asset investments and strategic primaries. References to commitments in the HarbourVest Secondary program sections include amounts actually funded plus undrawn commitments, reduced by commitments that have been released, on a look-through basis.

## Co-Investments

Past performance is not a reliable indicator of future results. Gross model IRR is presented on a gross basis and reflects the performance of all realized co-investments made by the HarbourVest team in the last 10 years across all HarbourVest-managed funds and accounts. The gross model realized IRR since inception (1983) is 16.8%. No investor received the gross model IRR. Actual performance may differ substantially from the gross model IRR presented. Proceeds generated reflect gross realized proceeds from all partially and realized co-investments in this same universe. See 'Additional Important Information' at the end of the presentation, including important disclosures related to Gross Performance Returns, Model Performance, and Fees and Expenses, and does not reflect the management fees, carried interest, and other expenses borne by investors, which would reduce returns. There can be no assurance that the actual investment activity of the Fund will be consistent with these assumptions.

## Credit

Private Credit Performance as of December 31, 2020; The performance information is presented on a gross basis and reflects the performance of the junior and senior credit investments made by HarbourVest-managed funds or accounts from 2003-2020. These returns do not reflect the management fees, carried interest, and other expenses borne by investors in the HarbourVest-managed funds/accounts, which will reduce returns. The gross model IRR performance presented reflects model performance an investor may have obtained had they invested in accordance with each applicable strategy and does not represent performance that any investor actually attained. Model performance results are inherently limited and should not be considered a reliable indicator of future results.

## Real Assets

Infrastructure Performance as of December 31, 2020; excludes strategic primary investments. The performance information is presented on a gross basis. These returns do not reflect the management fees, carried interest, and other expenses borne by investors in the HarbourVest-managed funds/accounts, which will reduce returns. The gross model IRR performance presented reflects model performance an investor may have obtained had they invested in accordance with each applicable strategy and does not represent performance that any investor actually attained. Model performance results are inherently limited and should not be considered a reliable indicator of future results.

## Board of Trustees

1000 Mill Street  
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Date: September 27, 2021

To: Board of Trustees

From: Carl Nelson – Executive Director  
Amy Burke – Deputy Director

### **Agenda Item 8: Asset Allocation – August 2021**

This item on the agenda provides a properly noticed opportunity for the Board of Trustees to discuss and take action, if necessary, regarding asset allocation and related investment matters.

As a report on current asset allocation relative to the 2021 Interim SAA Target Allocation the following table provides details. Asset values may differ slightly from those shown in the Monthly Investment report due to when the report was run as various market values are finalized for month-end.

Note that the new BlackRock TIPS portfolio was initially funded on September 1<sup>st</sup> with \$30 million. This is not reflected in the table below, but shifted 1.7% of the total fund from Liquidity to Risk Diversifying.

Note that the \$70 million prefunding of SLO County employed contributions took place during July. The bulk of these funds are being retained in the Liquidity portfolios for payment of retirement benefits over the remainder of 2021. This accounts for the higher than typical allocation to the Treasury portfolio in the Liquidity area.

FFP Asset Mix	Est. Market Value (\$000s)	% Allocation	SAA Target Allocation	Variance
	08/31/21		2021 Interim	
Bank (operating)	1,444	0.1%	-	0.1%
SLOC Treasury	85,083	4.8%	1.6%	3.2%
JPM short term	35,066	2.0%	0.4%	1.6%
Short Duration	30,002	1.7%	2.0%	-0.3%
<b>LIQUIDITY</b>	151,596	8.6%	4.0%	4.6%
Equity- Public Mkt US	402,740	22.8%	22.0%	0.8%
Equity- Public Mkt Intl	351,355	19.9%	18.0%	1.9%
Equity- Public Mkt Global	-	0.0%	0.0%	0.0%
Bank Loans	77,709	4.4%	4.0%	0.4%
Bonds- Intl.	60,538	3.4%	3.0%	0.4%
Bonds- Emerging Mkts	73,868	4.2%	4.0%	0.2%
Real Estate- Core	149,545	8.5%	12.0%	-3.5%
Real Estate- Value Add	47,179	2.7%	1.5%	1.2%
Infrastructure	-	0.0%	1.5%	-1.5%
Private Equity	114,561	6.5%	8.0%	-1.5%
Private Credit	82,487	4.7%	7.0%	-2.3%
Opportunistic	29,919	1.7%	0.0%	1.7%
<b>GROWTH</b>	1,389,903	78.7%	81.0%	-2.3%
Bonds- Core	183,572	10.4%	10.0%	0.4%
Long Treasuries	40,064	2.3%	3.0%	-0.7%
TIPS	-	0.0%	2.0%	-2.0%
<b>RISK DIVERSFYING</b>	223,636	12.7%	15.0%	-2.3%
<b>TOTAL</b>	1,765,134	100.0%	100.0%	

Respectfully submitted,

## Board of Trustees

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Date: September 27, 2021

To: Board of Trustees

From: Personnel Committee  
Chris Waddell – General Counsel

### **Agenda Item 15—Executive Director Compensation Review**

**Recommendation:** The Personnel Committee recommends that the Board of Trustees adopts a 5% increase to the Executive Director’s salary range, effective with the first day of the first pay period in October, 2021.

#### **Discussion:**

Pursuant to the Personnel Committee’s prior recommendation, the Board of Trustees at its August 28, 2017 meeting adopted an Executive Compensation Policy incorporating the following key elements:

- Primary benchmarking to chief executive positions at comparable (asset size; staffing levels; geographic proximity) California public retirement systems;
- Consideration of general economic factors, including public and private sector wage environment;
- Biennial salary review commencing in July, 2017, aligned with the release of the biennial CALAPRS salary survey;
- Provision for “off cycle” reviews where deemed appropriate in order to consider internal salary relationships in the event that other Pension Trust staff whose compensation is benchmarked to County positions receive salary increases based upon such benchmarks;

Pursuant to that policy, at its meeting on September 20, 2021, the Personnel Committee conducted its third biennial review of the Executive Director’s salary range, based upon the 2021 CALAPRS salary survey and the other criteria set forth above. The relevant data from the CALAPRS survey, consistent with the Committee’s prior direction regarding systems the Committee has identified as ones that it wished to benchmark the Executive Director’s salary range against, was summarized for the Committee as reflected below:

<b>System</b>	<b>Assets</b>	<b>Membership</b>	<b>Staff FTEs</b>	<b>Salary Range/ Current Salary</b>	<b>Additional Compensation</b>
Santa Barbara County	\$3.19 billion	10,777	26	\$161,576-\$237,443  \$225,365	Auto: \$5,520/yr. Medical Subsidy \$9,504/yr.
Fresno City	\$3.8 billion	6,894	16	\$182,280 – \$227,856  \$216,953	Auto: \$7,560/yr. Medical Subsidy \$11,352/yr.
San Joaquin County	\$2.9 billion	13,664	20	\$178,745-\$217,265  \$217,265	Auto: \$7,000/yr. Medical Subsidy \$24,023/yr. 457: 5% of base pay
Sonoma County	\$3 billion	10,234	13	\$199,696 - \$242,711  \$242,722	Auto: \$5,160/yr. Medical/Dental/Vision Subsidy: \$27,960/yr. 401(a)—4% of base pay Development and Wellness benefit-- \$1,850/yr. Unspecified 7200 cash allowance; Retiree HRA 1840; Annual cell phone stipend of \$600
Marin County	\$3 billion	6,920	20	\$231,275-\$269,110  \$269,110	Auto: \$9,600/yr. Medical Subsidy-- \$22,502/yr.
Stanislaus County <sup>1</sup>	\$2.2 billion	8,898	17	\$145,808 – 236,496  \$236,496	Medical: \$11760/yr. HSA: \$2100/yr. Auto: \$4,800/yr. 457: Up to 2% of pay.
Tulare County	\$1.7 billion	10,196	14	\$150,200 - \$225,269  \$171,666	Auto--\$5,352/yr. Cafeteria Plan-- \$26,484/yr. 457: \$1,500/yr.
SLO Pension Trust	\$1.5 billion	6,390	8	\$151,050 – 183,560  \$183,560	Auto: \$5,400/yr. Medical Subsidy \$12,300/yr.
Imperial County	\$927 million	4,098	9	\$121,896 – 155,682 \$141,144	Auto: \$6,600/yr. Medical Subsidy \$7,200/yr.
Merced	\$1.4 billion	5,080	8	\$155,482-\$188,157 \$188,157	Auto: \$9,600/yr. Medical: \$5,040/yr. Unspecified Differential: \$3,600/yr.

As a reminder, the Committee's recommendation and the Board's ultimate determination on this matter will also affect the salary range of the Deputy Director, whose salary range is benchmarked at 80% of the Executive Director's salary range. The Board of Trustees last approved an increase in the salary range of the Executive Director at its September, 2019 meeting. This was a 5% increase effective October 7, 2019.

We look forward to discussing any additional questions or issues that you wish to raise at the meeting.

Respectfully submitted,

SLOCPT Personnel Committee

Chris Waddell  
General Counsel

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