

## AGENDA

### A REGULAR MEETING OF THE EQUITY: PUBLIC/PRIVATE COMMITTEE AND BOARD OF INVESTMENTS\*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA

8:00 A.M., WEDNESDAY, AUGUST 8, 2018\*\*

*The Committee may take action on any item on the agenda,  
and agenda items may be taken out of order.*

- I. CALL TO ORDER
- II. APPROVAL OF THE MINUTES
  - A. Approval of the Minutes of the Equity: Public/Private Committee Meeting of May 9, 2018.
- III. PUBLIC COMMENT
- IV. REPORT
  - A. Private Equity Secondary Sale Review  
Greenhill & Co.  
Andy Nick, Managing Director  
Wes Bender, Principal  
Neshmeen Faatimah, Analyst  
(Memo dated July 24, 2018)
- V. REPORT ON STAFF ACTION ITEMS
- VI. GOOD OF THE ORDER  
(For information purposes only)
- VII. ADJOURNMENT

August 8, 2018

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\*The Board of Investments has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. Members of the Board of Investments who are not members of the Committee may attend and participate in a meeting of a Committee but may not vote, make a motion, or second on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.

\*\*Although the meeting is scheduled for 8:00 a.m., it can start anytime thereafter, depending on the length of the Board of Investment meeting preceding it. Please be on call.

***Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Investments that are distributed to members of the Board of Investments less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Investments Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.***

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MINUTES OF THE REGULAR MEETING OF THE EQUITY: PUBLIC/PRIVATE  
COMMITTEE OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

8:00 A.M., WEDNESDAY, MAY 9, 2018

PRESENT:           Herman B. Santos, Chair  
  
                      Wayne Moore, Vice Chair  
  
                      Shawn R. Kehoe  
  
                      Gina V. Sanchez  
  
                      David Green, Alternate

MEMBERS AT LARGE:

                      Keith Knox, (Chief Deputy to Joseph Kelly)  
  
                      David Muir  
  
                      Michael Schneider  
  
                      Ronald Okum

STAFF, ADVISORS, PARTICIPANTS

                      Jonathan Gabel, Chief Investment Officer  
  
                      Christopher Wagner, Principal Investment Officer

STAFF, ADVISORS, PARTICIPANTS (Continued)

StepStone Group, LP  
Jose Fernandez, Partner  
Natalie Walker, Principal  
Tom Keck, Partner

Meketa Investment Group  
Leandro Festino, Managing Principal

I. CALL TO ORDER

The Meeting was called to order by Chair Santos at 7:58 a.m., in the Board Room of Gateway Plaza.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Equity: Public/Private Committee Meeting of February 14, 2018.

Mr. Moore made a motion, seconded by Mr. Green, to approve the minutes of the meeting of February 14, 2018. The motion carried by unanimous vote.

III. PUBLIC COMMENT

There were no requests from the public.

IV. REPORT

A. Private Equity in Emerging Markets  
StepStone Group LP  
Jose Fernandez, Partner - StepStone Group LP  
Natalie Walker, Principal - StepStone Group LP

May 9, 2018

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IV. REPORT (Continued)

Private Equity Long Dated Funds  
StepStone Group LP  
Tom Keck, Partner - StepStone Group LP

(Memo dated April 27, 2018)

Mr. Wagner and Messrs. Fernandez, Keck and Ms. Walker of StepStone Group provided their presentations and answered questions from the Committee.

V. REPORT OF STAFF ACTION ITEMS

There were no items to report.

VI. GOOD OF THE ORDER  
(For information purposes only)


There were no comments.

VII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 9:04 a.m.

July 24, 2018

TO: Each Member  
Equity: Public/Private Committee

FROM: Christopher J. Wagner   
Principal Investment Officer

David Simpson   
Investment Officer

FOR: August 8, 2018 Board of Investments Meeting

SUBJECT: **SECONDARY MARKETPLACE EDUCATION – GREENHILL & CO.**

## BACKGROUND

At the May 9, 2018 Board of Investments meeting, Greenhill & Co. (“Greenhill”) was one of three vendors approved by the Board to provide private equity secondary sale and purchase consulting services to LACERA. Subsequently, LACERA selected Greenhill to explore the sale of legacy limited partnership interests based on pricing, depth of resources, and experience executing large transactions. Three representatives of Greenhill, Andy Nick, Wes Bender, and Neshmeen Faatimah, will present to the Board a summary of Greenhill and an overview of the secondary marketplace. They will also provide an update on the potential secondary sale transaction process, and at a high level, discuss LACERA’s portfolio and pricing. Attached for your review is the presentation booklet.

Attachment

NOTED AND REVIEWED:



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Jonathan Grabel  
Chief Investment Officer



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## Potential Secondary Transaction

August 8, 2018

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- 1. Greenhill Secondary Advisory Overview**
2. Secondary Market Update
3. Portfolio & Transaction Process

# Greenhill: A Unique Investment Banking Firm

## Greenhill Overview

- **Advising clients is our only business**
  - Founded in 1996
  - IPO in 2004 (NYSE: GHL)
- **Committed to providing objective, unbiased advice**
  - No Conflicts: No Investing, Trading, Lending or Underwriting
  - Not distracted by industry issues (layoffs, Volcker Rule, bank regulations)
- **Substantial Teams in All Major Markets**
  - 78 Managing Directors, averaging 25 years of experience

## Business Lines

### Mergers & Acquisitions

- Sell-side Advisory
- Buy-side Advisory
- Merger Advisory
- Special Advisory
- Cross-border Advisory

### Financing & Restructuring

- Financing Advisory
- Debtor Advisory
- Creditor Advisory
- Distressed M&A

### Capital Advisory

- **Secondary Advisory**
  - LP Secondaries
  - Fund Liquidity Solutions
  - Valuation, Analytics & Specialty Areas

## Global Reach



## Select Recent Capital Advisory Assignments

<b>U.S. Corporate Pension</b>	<b>\$320M</b> portfolio comprised of buyout, venture and distressed debt funds	<b>North American Public Pension</b>	<b>\$2.2B</b> portfolio comprised of buyout, venture and distressed debt funds
<b>North American Public Pension</b>	<b>\$540M</b> portfolio comprised of high-quality buyout funds	<b>North American Public Pension</b>	<b>\$640M</b> portfolio comprised of high-quality buyout funds
<b>North American Public Pension</b>	<b>\$400M</b> portfolio comprised of middle market buyout funds	<b>U.S. Corporate Pension</b>	<b>\$270M</b> portfolio comprised of buyout, venture and distressed debt funds
<b>University Endowment</b>	<b>\$4B</b> portfolio comprised of real estate, buyout and venture funds	<b>Fund-of-Funds</b>	<b>\$900M</b> portfolio comprised of buyout, venture and distressed debt funds

## Engagement Team

We have assigned an experienced and senior team to this assignment

### Dedicated Execution Team

**Andy Nick**

*Managing Director*  
San Francisco

- Lead development of overall transaction strategy
- Responsible for meeting key transaction hurdles, timeline targets and objectives

**Brian Mooney**

*Managing Director*  
Dallas

- Oversee transaction distribution, including assisting with the finalization of the buyer list and management of ongoing dialogue and due diligence with prospective buyers

**Wes Bender**

*Principal*  
Dallas

- Lead day-to-day project management including document & data-room management, preparation of offering materials and buyer diligence requests

**Tanner Houston**

*Associate*  
Dallas

- Lead GP discussions regarding process, document sharing and approved buyers
- Manage ongoing dialogue & due diligence with certain potential buyers
- Lead transaction closing process

**Zach Herr**

*Analyst*  
Dallas

- Support document collection and distribution and data-room management
- Prepare transaction offering materials

**Neshmeen Faatimah**

*Analyst*  
Dallas

- Conduct fund due diligence and modeling
- Support transaction closing process

**Jamie Rieger**

*Analyst*  
Dallas

### Distribution Support

**Todd Miller**

*Managing Director, Dallas*  
US Buyer Support

- Advise on transaction marketing strategy

**Brenlen Jinkens**

*Managing Director, London*  
European Buyer Support

- Lead initial transaction introductions to targeted accounts

**Bernhard Engelien**

*Managing Director, London*  
Middle Eastern Buyer Support

- Support ongoing dialogue with certain potential buyers

**Scott Beckelman**

*Managing Director, New York*  
US Buyer Support

**Stephen Sloan**

*Managing Director, Dallas*  
Asian Buyer Support

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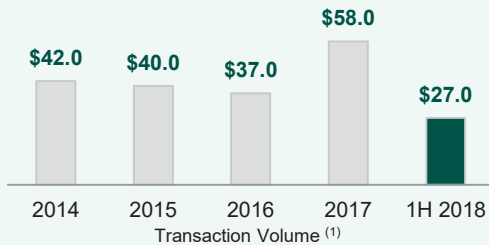
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1. Greenhill Secondary Advisory Overview
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# Market Themes & 2018 Expectation Status Check

## 2018 Expectation: Volume Will Set Another Record

- Record 1H volume of \$27B on pace to set full-year record
- Dry powder remains high and drives demand due to record fundraising

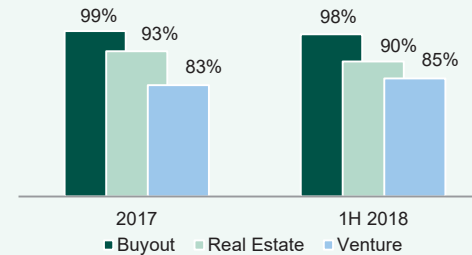


### Status Check

**Volume On Track to Exceed \$60B**

## 2018 Expectation: Pricing Moves Higher

- Average pricing across all strategies is consistent with 2017
- Buyout continued to lead all strategies with average pricing near par
- Venture pricing saw greatest increase due to newer vintages

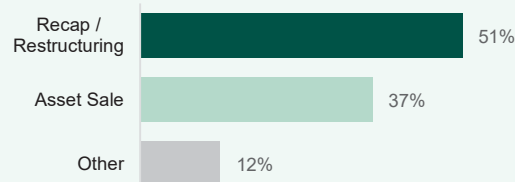


### Status Check

**Pricing to Rise as Dry Powder Grows**

## 2018 Expectation: GP Volume > \$20B

- GP-led transactions accounted for \$7B of 1H volume
- Significant transaction volume in the pipeline for 2H 2018



### Status Check

**Strong 2H Pipeline Will Drive Volume**

## 2018 Expectation: More Sales of Newer Vintages

- 1/3rd of our client portfolios priced at par or higher in aggregate; each such portfolio had an average vintage of at least 2011
- Frequent premium pricing for newer funds makes the addition of these accretive to sale portfolios

*Deals including "newer" funds*

**74%**

### Status Check

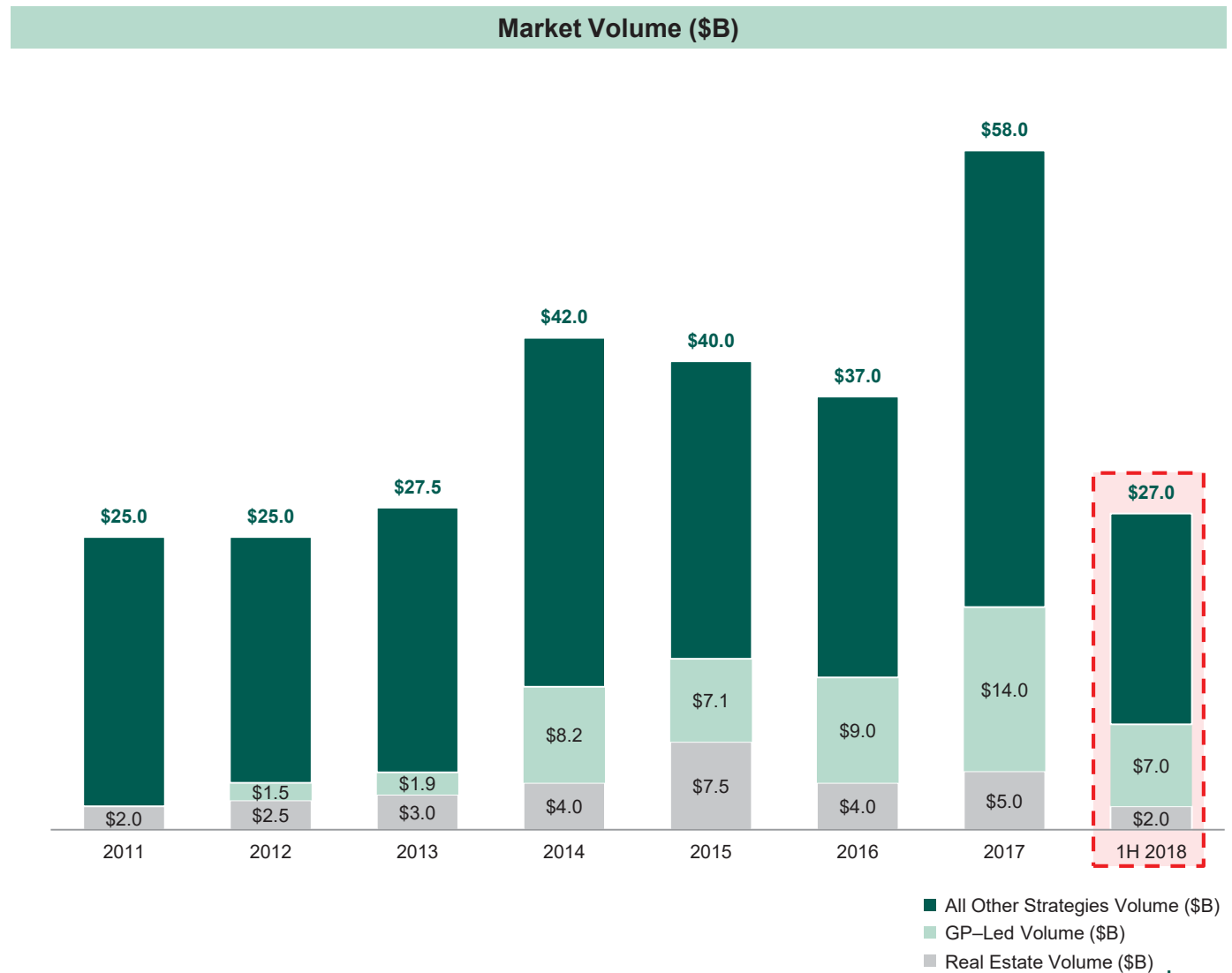
**Average Vintage Getting Younger**

# Market Volume

1H 2018 was the secondary market's busiest first half ever

1H 2018 transaction volume<sup>(1)</sup> of \$27 billion is 23% higher than the same period in 2017

GP-led volume just shy of 25% of total volume with the 2H 2018 GP-led deal pipeline looking strong



Note: (1) Transaction volume defined as purchase price plus unfunded commitments

# Pricing Summary

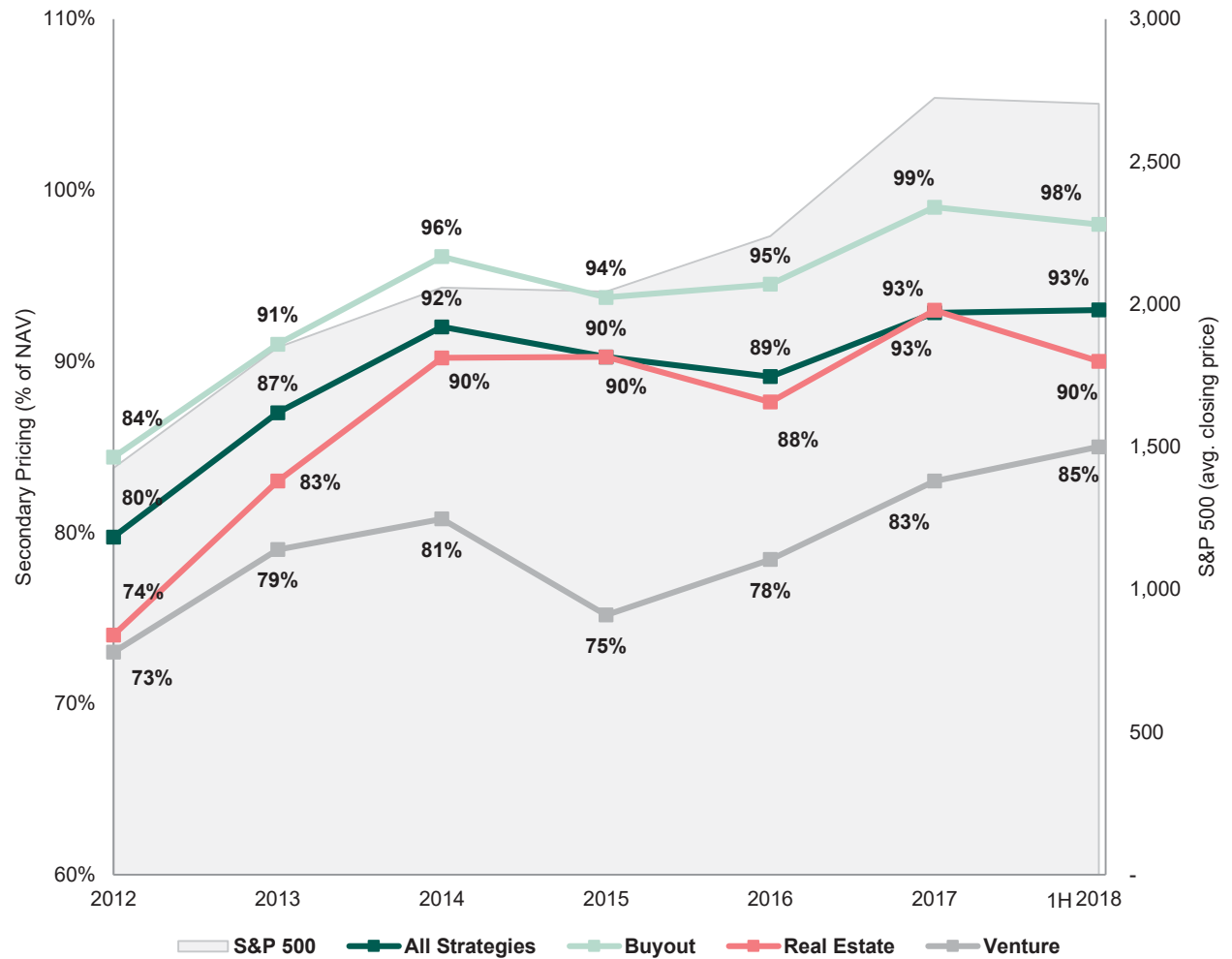
Pricing remains strong

Pricing held constant throughout the first half of the year, driven by a strong competitive environment

Buyout pricing remained very close to NAV

Venture pricing improved due to more recent vintages being marketed and a decrease in unicorn exposure

Secondary Market Pricing <sup>(1)</sup>



Note: <sup>(1)</sup> Pricing estimates weighted by NAV  
 Source: Greenhill transactions

## Secondary Market Update

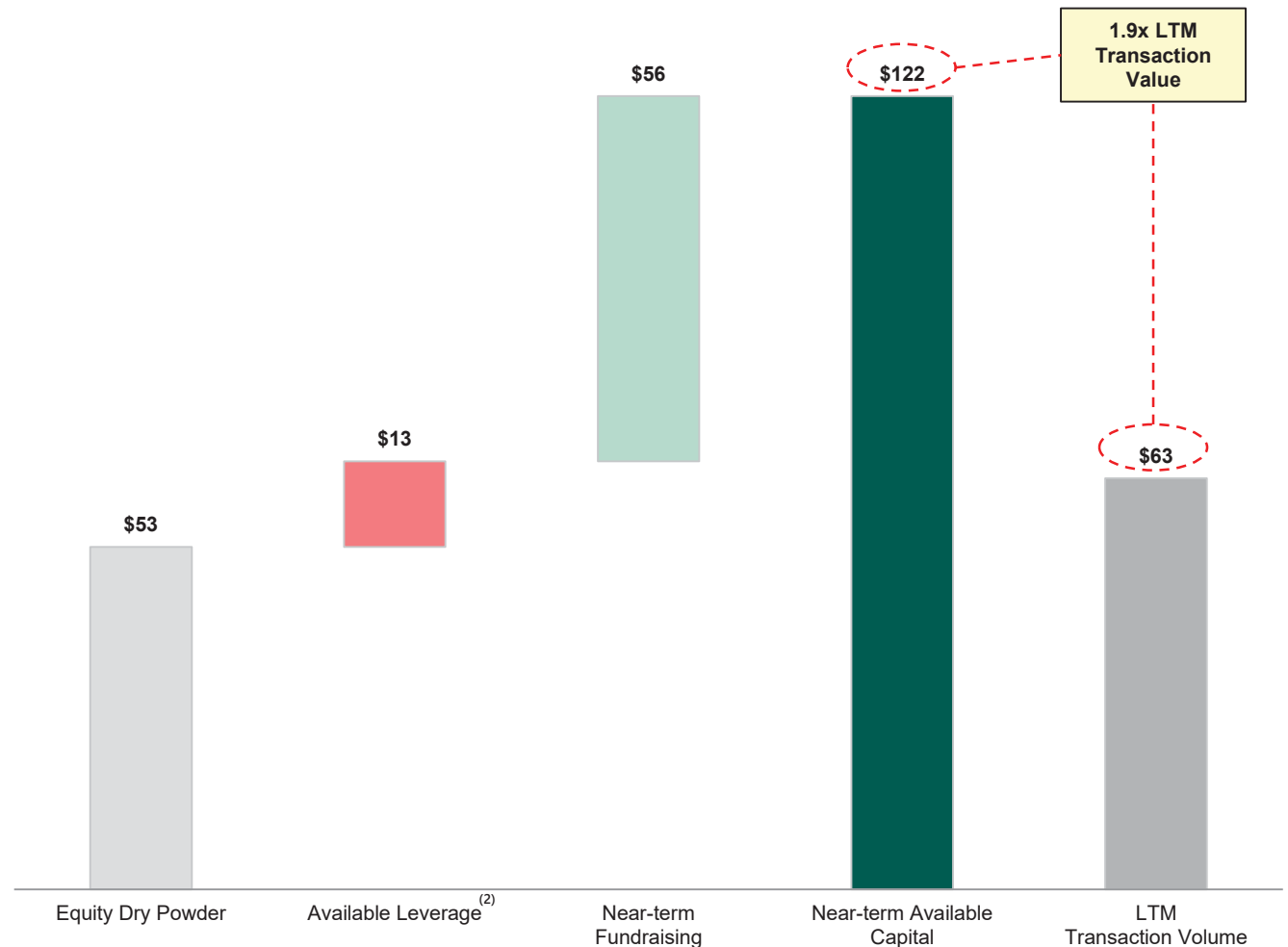
# Secondary Market Dry Powder

\$122B of near-term available capital to deploy

### Secondary Fundraising <sup>(1)</sup>

Raising	
Ardian Secondary Fund VIII	\$12,000
Lexington Capital Partners IX	\$12,000
Collier International Partners VIII	\$9,000
Strategic Partners VIII	\$8,000
HarbourVest Dover X	\$6,500
Landmark Equity Partners XVI	\$4,000
Pantheon Global Secondary Fund VI	\$2,000
Partners Group Real Estate Secondary 2017	\$2,000
Pomona Capital IX	\$1,750
ICG Strategic Equity Fund III	\$1,600
2018	
Landmark Real Estate Fund VIII	\$3,300
Newbury Equity Partners IV	\$1,447
Portfolio Advisors Secondary Fund III	\$1,500
Strategic Partners Real Assets II	\$1,750
Annual Secondary Program Fund IV	\$982
Altamar Global Secondaries IX	\$663
Pinebridge Secondary Partners IV	\$568
Auda Secondary Fund IV	\$503
Commonfund Capital Secondary Partners II	\$221
Kline Hill Partners II	\$350
2017	
AlpInvest Secondaries Fund VI	\$6,000
Vintage Fund VII	\$5,000
Lexington Middle Market Investors IV	\$2,000
NB Secondary Opportunities Fund IV	\$2,000
ASF VII Infrastructure	\$1,500
Hamilton Lane Secondary Fund IV	\$1,250
ICG Strategic Secondaries Fund II	\$1,000
Strategic Secondaries II Fund	\$1,000
17Capital Fund 4	\$913
Committed Advisors Secondary Fund III	\$829
2016	
Ardian Secondary Fund VII	\$10,800
Strategic Partners Fund VII	\$7,500
Dover Street IX	\$4,750

### Near-term Capital Overhang



Notes: (1) Funds may have completed interim closes

(2) Leverage estimated as approximately 25% of the Equity Dry Powder, based on traditional LTV ratio of secondary deals

Source: Greenhill transactions, known non-Greenhill transactions, Preqin



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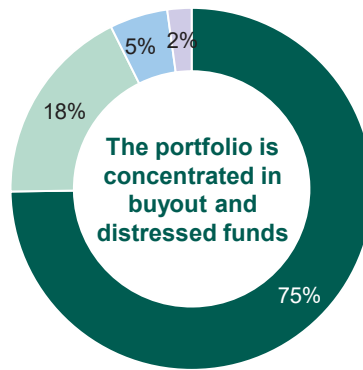
# Portfolio Composition

We have outlined the characteristics of the potential sale portfolio below

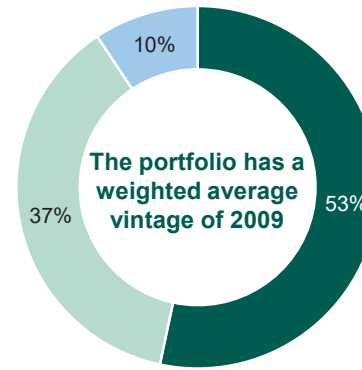
## Portfolio Snapshot (\$M)

Total Number of Funds	89
Total Number of GPs	51
Net Asset Value ("NAV")	\$1,146.8
Top 5 Funds	\$421.7
% of Total NAV	36.8%
Top 10 Funds	\$659.7
% of Total NAV	57.5%
Weighted Average Vintage	2009

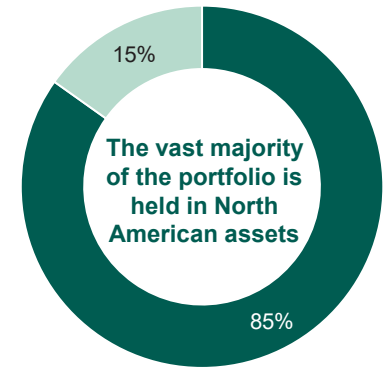
## NAV by Strategy



## NAV by Vintage

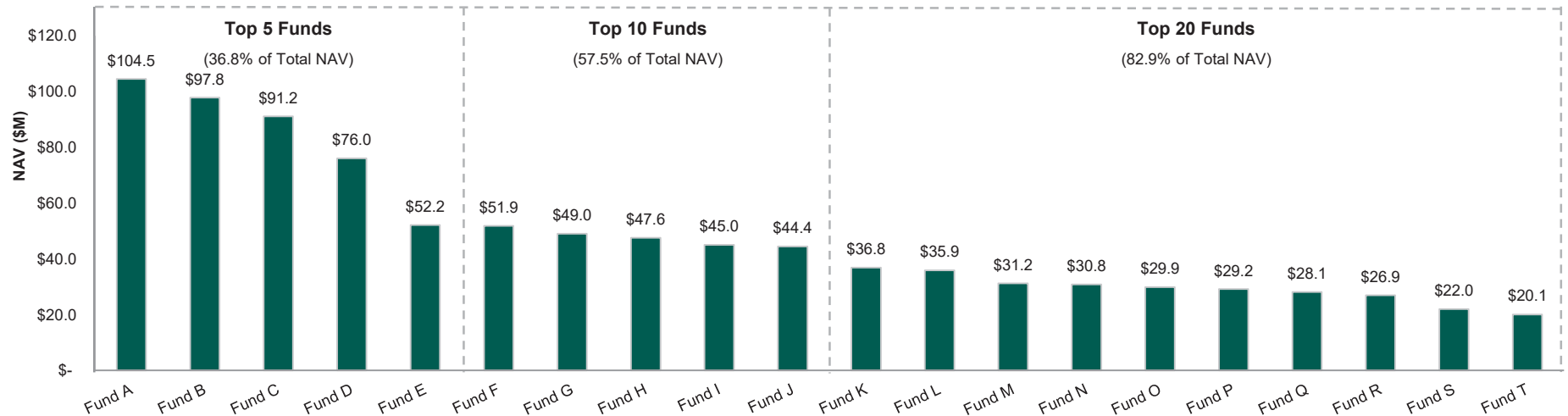


## NAV by Geography



■ Buyout ■ Distressed ■ FoF / Secondaries ■ Venture ■ <2009 ■ 2009-2013 ■ >2013 ■ US ■ Europe

## Fund Concentration



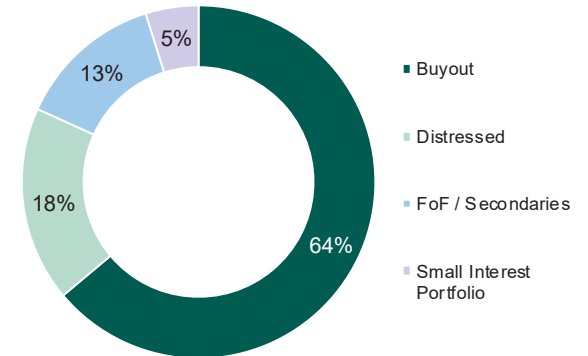
## Recommended Marketing Strategy

LACERA staff has identified a potential sale portfolio and bifurcated the list of funds into two categories: (i) funds which they have a stronger desire to sell and (ii) funds which they would be willing to opportunistically sell if pricing is very attractive

In order to maximize pricing and buyer participation, we recommend marketing the aggregate portfolio that LACERA staff has identified. This will allow for full price discovery and maximum optionality

LACERA will have the option to transact on more, less or none of the portfolio depending on asset-specific pricing received

Strategy	# of Funds	Net Asset Value
Buyout	37	\$732,652,543
Distressed	6	205,113,179
FoF / Secondaries / Co-investments	2	153,561,206
<b>Subtotal</b>	<b>45</b>	<b>\$1,091,326,928</b>
Small Interest Portfolio	44	\$55,424,157
<b>Total Sale Portfolio</b>	<b>89</b>	<b>\$1,146,751,085</b>



We have aggregated the smaller / tail-end interests into a “Small Interest Portfolio”, which would be marketed simultaneously with the broader portfolio (segmented by fund strategy) to maximize buyer participation <sup>(1)</sup>

### Strategy Description & Rationale

- Funds with less than \$5M of NAV comprise only 6% of the aggregate portfolio’s NAV, but more than 60% of the total fund count
- Large portfolio buyers will be less keen on the smaller interests, while more targeted buyers may find the full portfolio too sizable and elect not to participate
- By marketing a small interest portfolio separately, LACERA increases the probability of selling the tail-end assets relative to marketing the portfolio as a single package, where the larger assets would be “cherry picked”
- The small interest portfolio will likely price at a more meaningful discount to NAV in isolation, though aggregate portfolio pricing will be higher with this strategy

Note: Capital Account Information provided by LACERA on June 8, 2018

(1) Small interest portfolio consists of all interests less than \$5m in NAV except those that are a part of a GP family included in the core portfolio

# Preliminary Transaction Timeline

We anticipate being in a position to close the transaction during Q4

