

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.

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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:



Jonathan Grabel
Chief Investment Officer



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

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

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

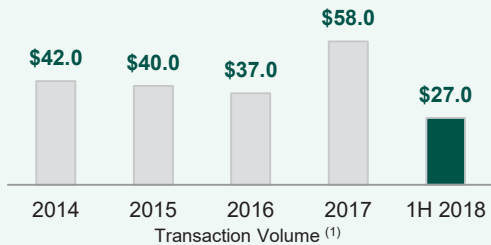
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1. Greenhill Secondary Advisory Overview
- 2. Secondary Market Update**
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Market Themes & 2018 Expectation Status Check

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

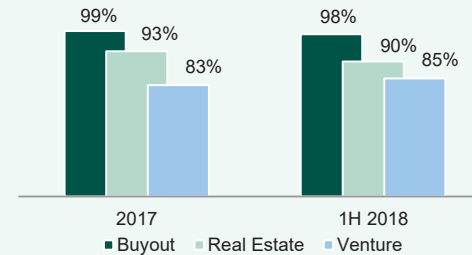


Status Check

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

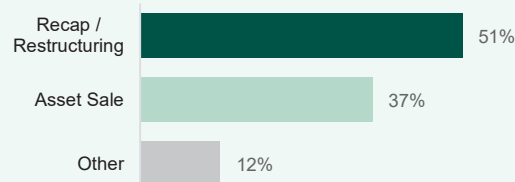


Status Check

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

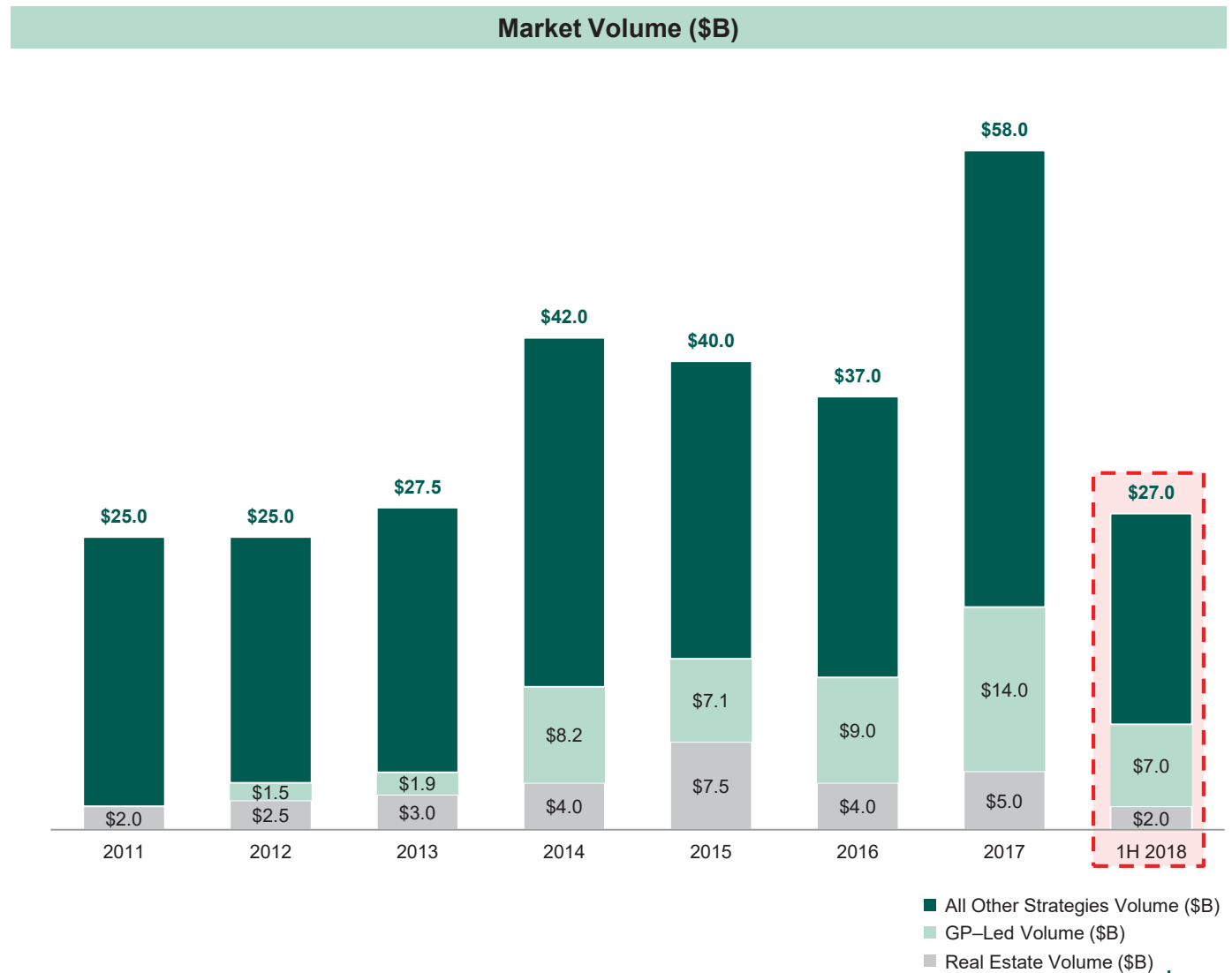
Average Vintage Getting Younger

Market Volume

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

1H 2018 transaction volume⁽¹⁾ 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

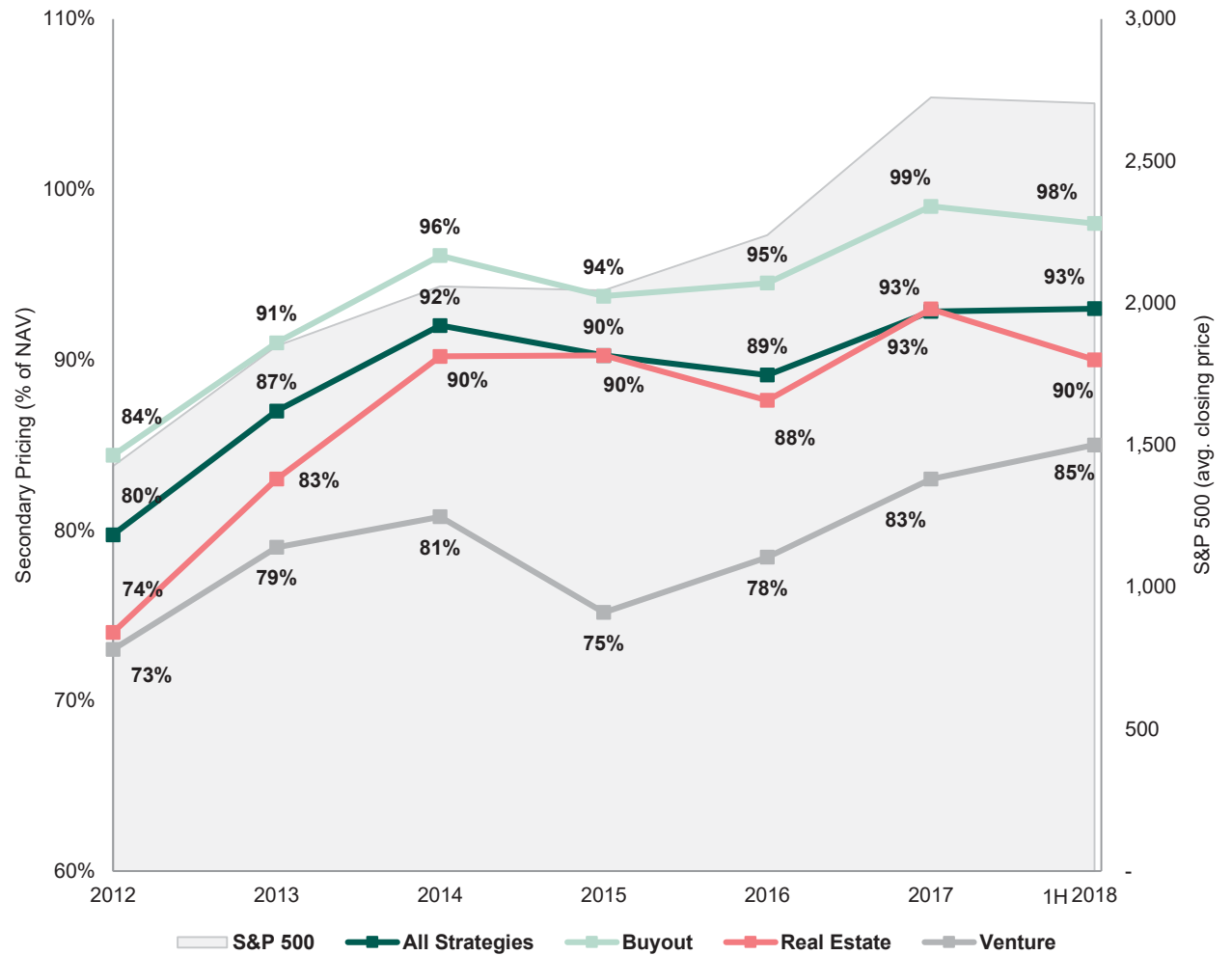
Pricing remains strong

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 ⁽¹⁾



Note: (1) Pricing estimates weighted by NAV
Source: Greenhill transactions

Secondary Market Update

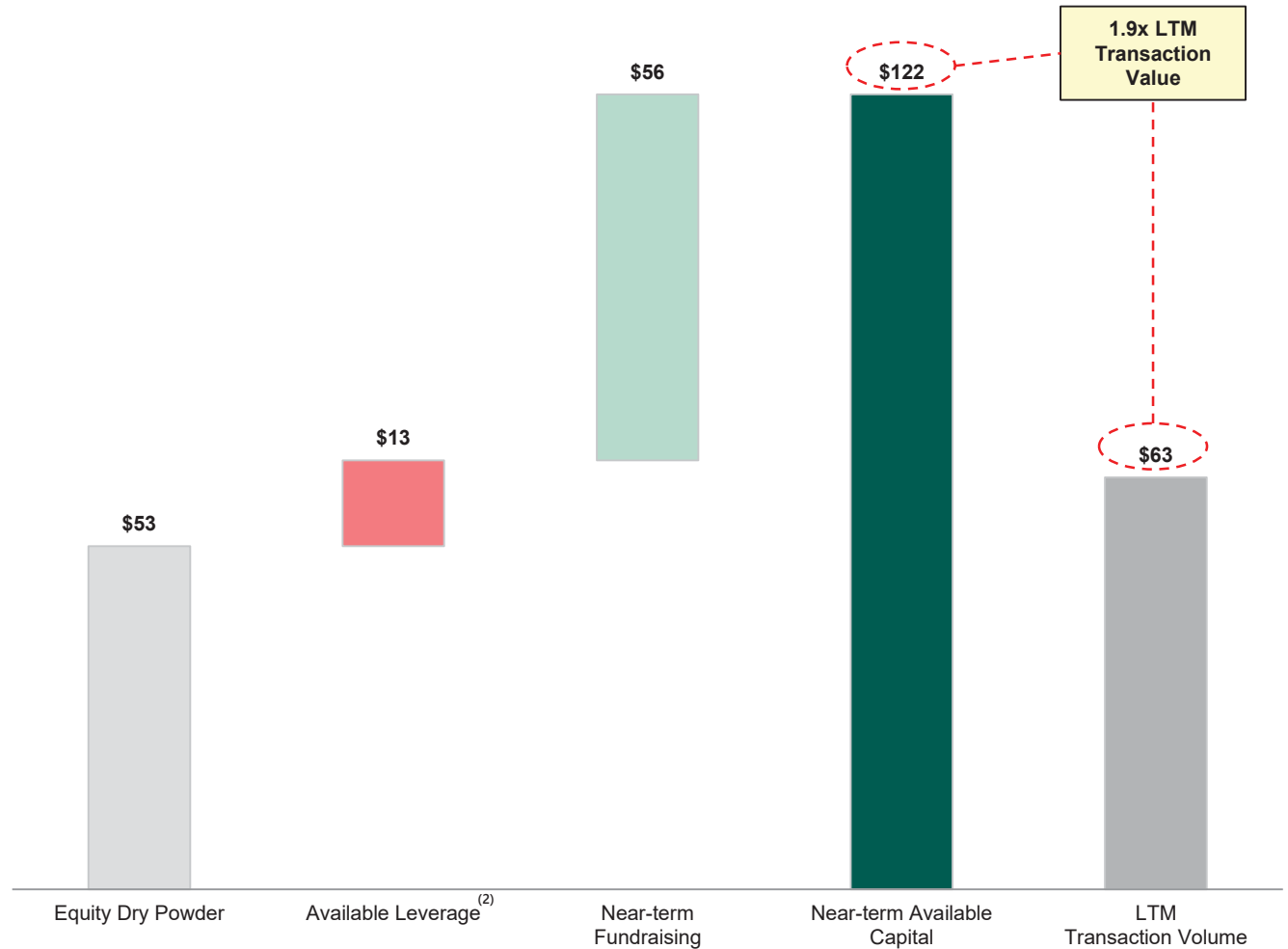
Secondary Market Dry Powder

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

Secondary Fundraising ⁽¹⁾

| 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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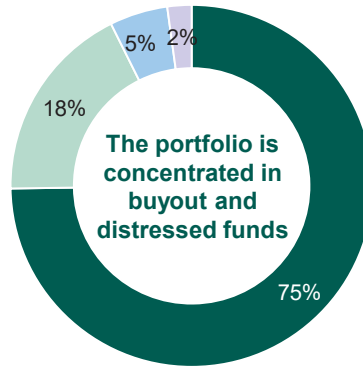
Portfolio Composition

We have outlined the characteristics of the potential sale portfolio below

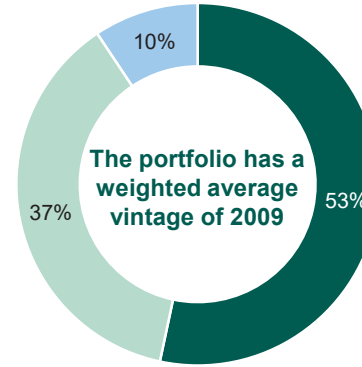
Portfolio Snapshot (\$M)

| | |
|--------------------------|-----------|
| 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 |

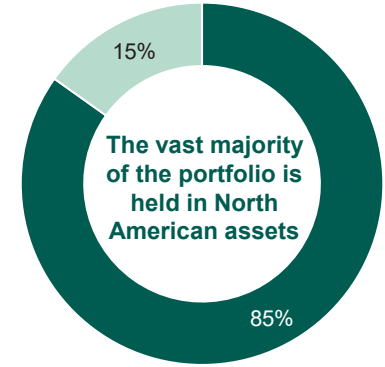
NAV by Strategy



NAV by Vintage

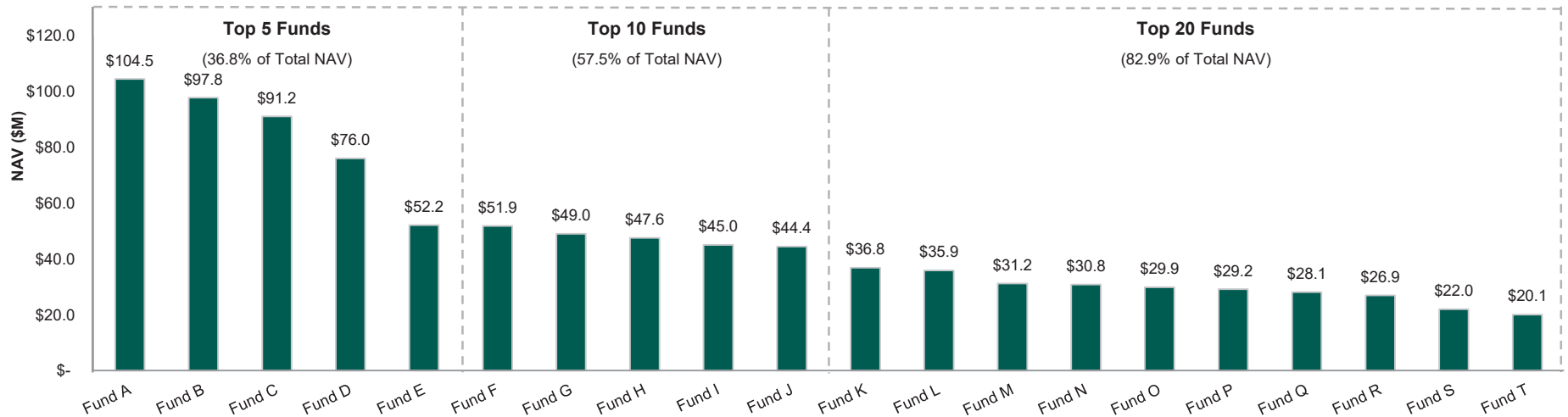


NAV by Geography



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

Fund Concentration



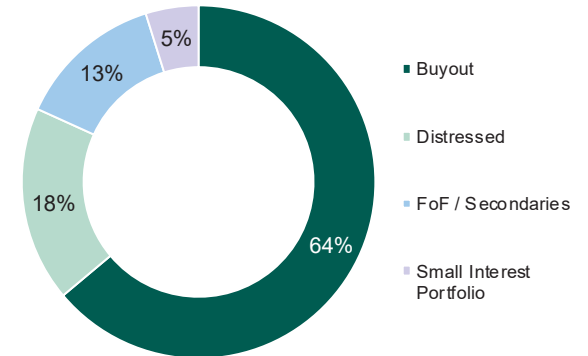
Recommended Marketing Strategy

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 |
| Subtotal | 45 | \$1,091,326,928 |
| Small Interest Portfolio | 44 | \$55,424,157 |
| Total Sale Portfolio | 89 | \$1,146,751,085 |



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 ⁽¹⁾

Strategy Description & Rationale

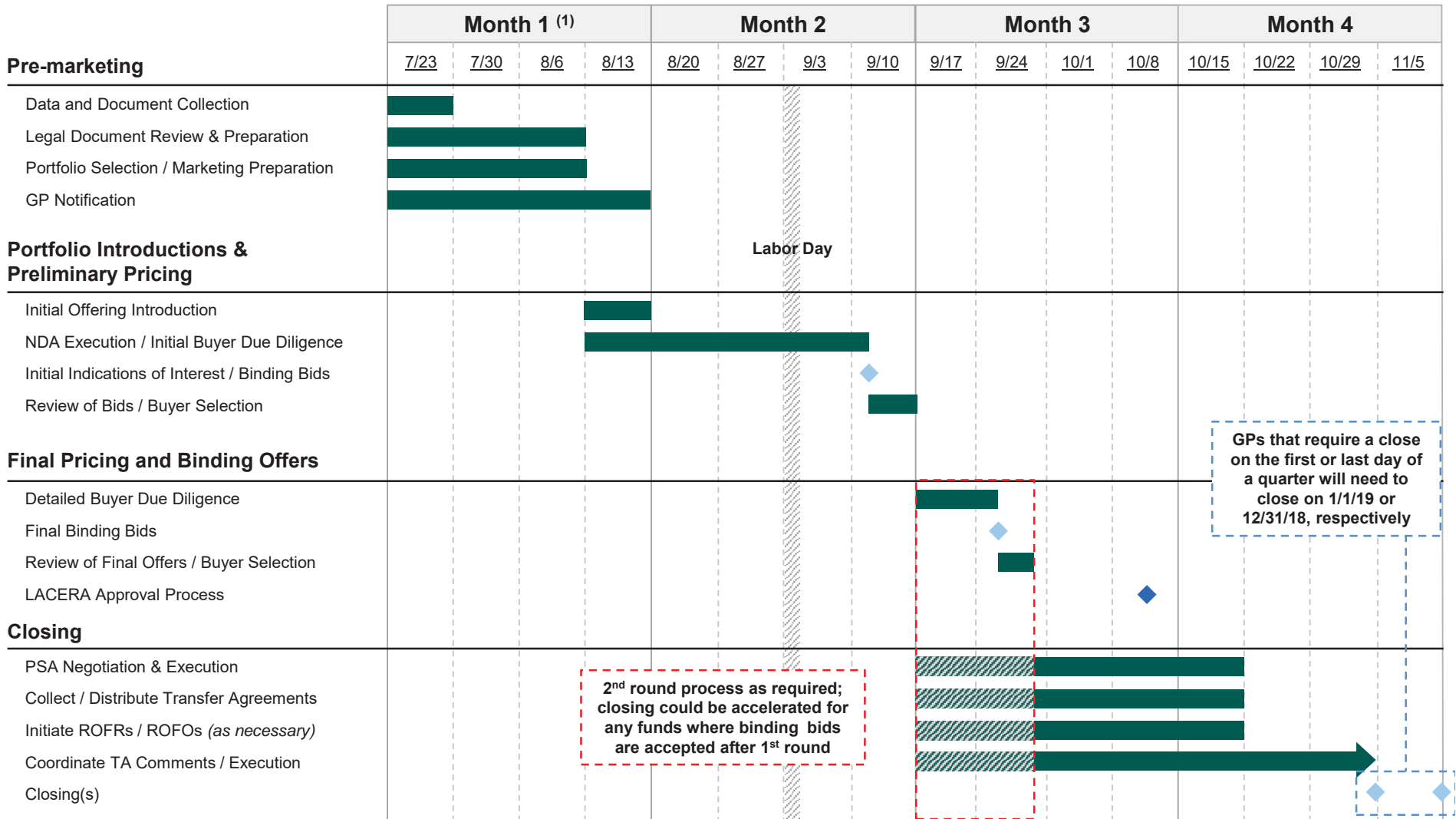
- Funds with less than \$5M of NAV comprise only 6% of the aggregate portfolio’s NAV, but more than 60% of the total fund count
- Large portfolio buyers will be less keen on the smaller interests, while more targeted buyers may find the full portfolio too sizable and elect not to participate
- By marketing 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



GPs that require a close on the first or last day of a quarter will need to close on 1/1/19 or 12/31/18, respectively

2nd round process as required; closing could be accelerated for any funds where binding bids are accepted after 1st round