



Private Markets Review 2021

Douglas Kidd
Investment Officer
16 March 2022

Executive Summary

Private Markets

- The Role of Private Markets
- Recap of Board-approved activity
- Portfolio Holdings and Performance
 - 1 Infrastructure
 - 2 Real Estate
 - 3 Private Equity
 - 4 Private Credit
- Near term plans





The Role of Private Markets Assets

Infrastructure:

- Consistent and meaningful income
- Value creation from improvements and acquisitions

Real Estate:

- Consistent income/yield from rents
- Combine stable core properties plus value added
- Capture growth factor from lease up, development and value enhancements
- Add illiquidity premium from private structures



The Role of Private Markets Assets

Private Equity:

- Capture growth factor as portfolio companies expand
- Capture Small size factor inefficiencies
- Add illiquidity premium from private fund structures

Private Credit:

- Cash Income or Yield from loan interest payments
- Capture Credit factor for lower credit quality/risk
- Capture *some* rates factor for shorter term loans
- Add illiquidity premium for private structures

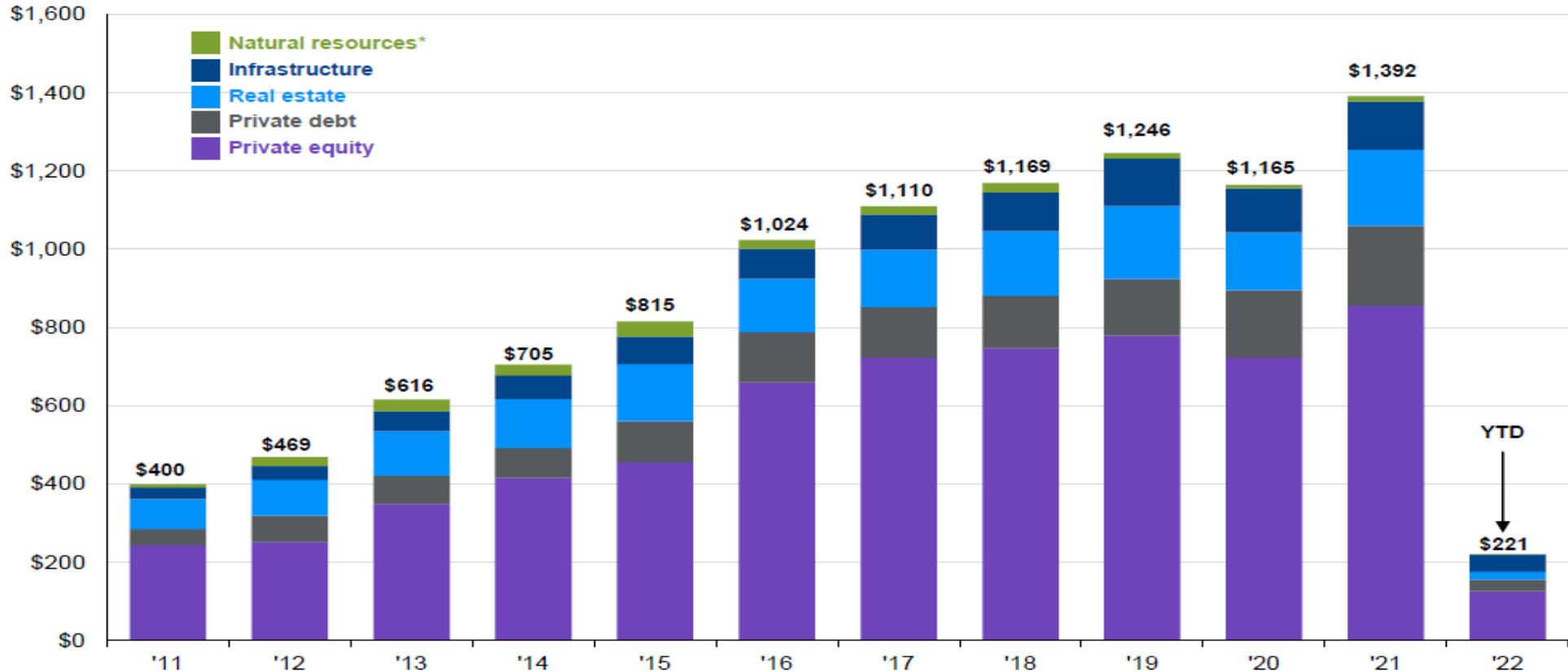


Alternatives fundraising

GTA U.S. 4

Global private capital fundraising

USD billions



Source: Preqin, J.P. Morgan Asset Management.

Fundraising categories are provided by Preqin, and represent their estimate of annual capital raised in closed-end funds. Data may not sum to total due to rounding. *Natural resources include natural resources fund of funds, agriculture, energy, metals & mining, timberland and water. 2022 fundraising data is year-to-date as of February 2022.

Data is based on availability as of February 28, 2022.

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Alternatives dry powder (Funds raised but not yet called)

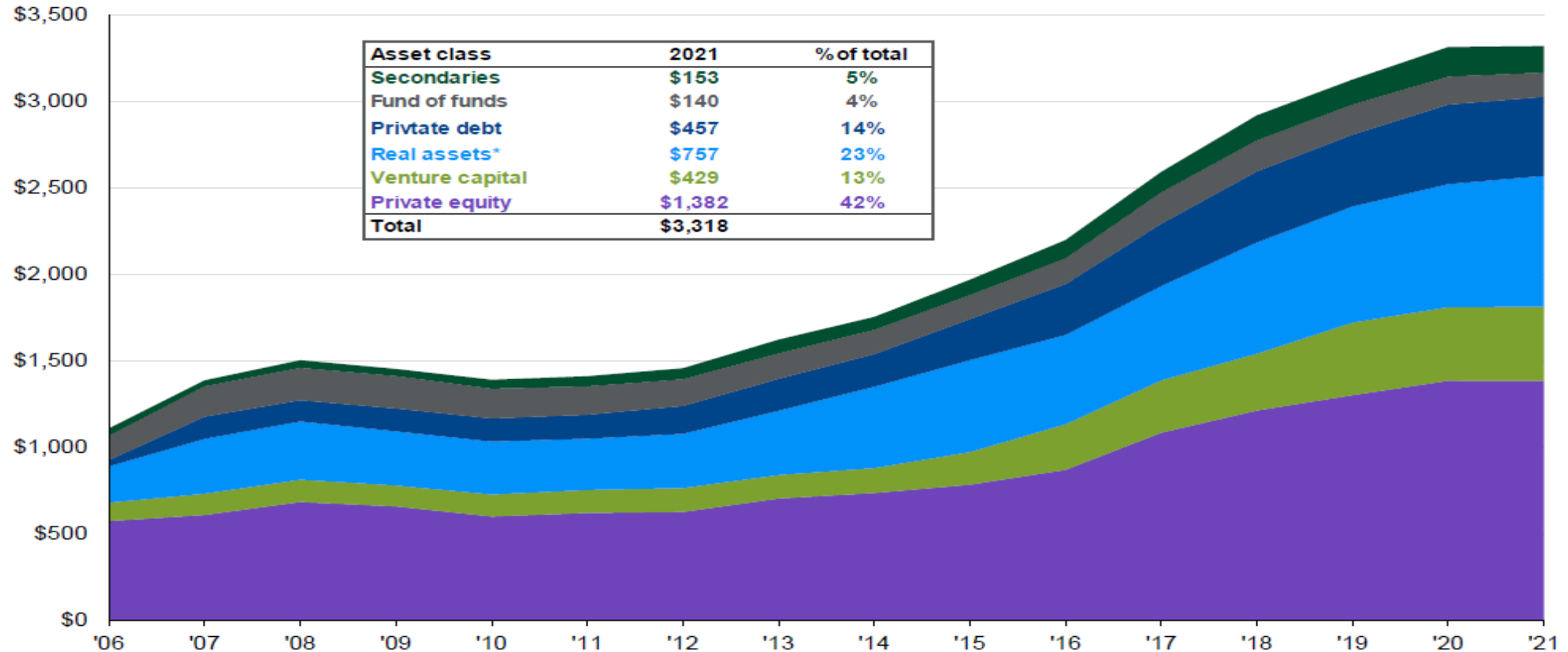
GTA

U.S.

5

Dry powder by asset class

Cumulative dry powder, USD billions



Source: Pitchbook, J.P. Morgan Asset Management. Dry powder data is as of December 31, 2021. Percentages may not sum to 100 due to rounding.

*Real assets dry powder includes real estate & infrastructure.

Data is based on availability as of February 28, 2022.

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FCERA Asset Class Targets

- ☐ 4% Infrastructure: currently 3.7%
- ☐ 8% Real Estate: currently 6.5%
- ☐ 8% Private Equity: currently 7.4%
- ☐ 8% Private Credit: currently 7.8%



Infrastructure

3.7% of assets, target 4.0% or \$240mil

Per Verus

- 10 year expected return: 6.6%
- Volatility 17.6% (above or below expected return)

Performance (as of 12/31):

- 1 year: 17.6%
- 3 years: 11.5 %
- 5 years: 14.7%

Commitment

- \$39mil likely to be called in Q1, previously approved



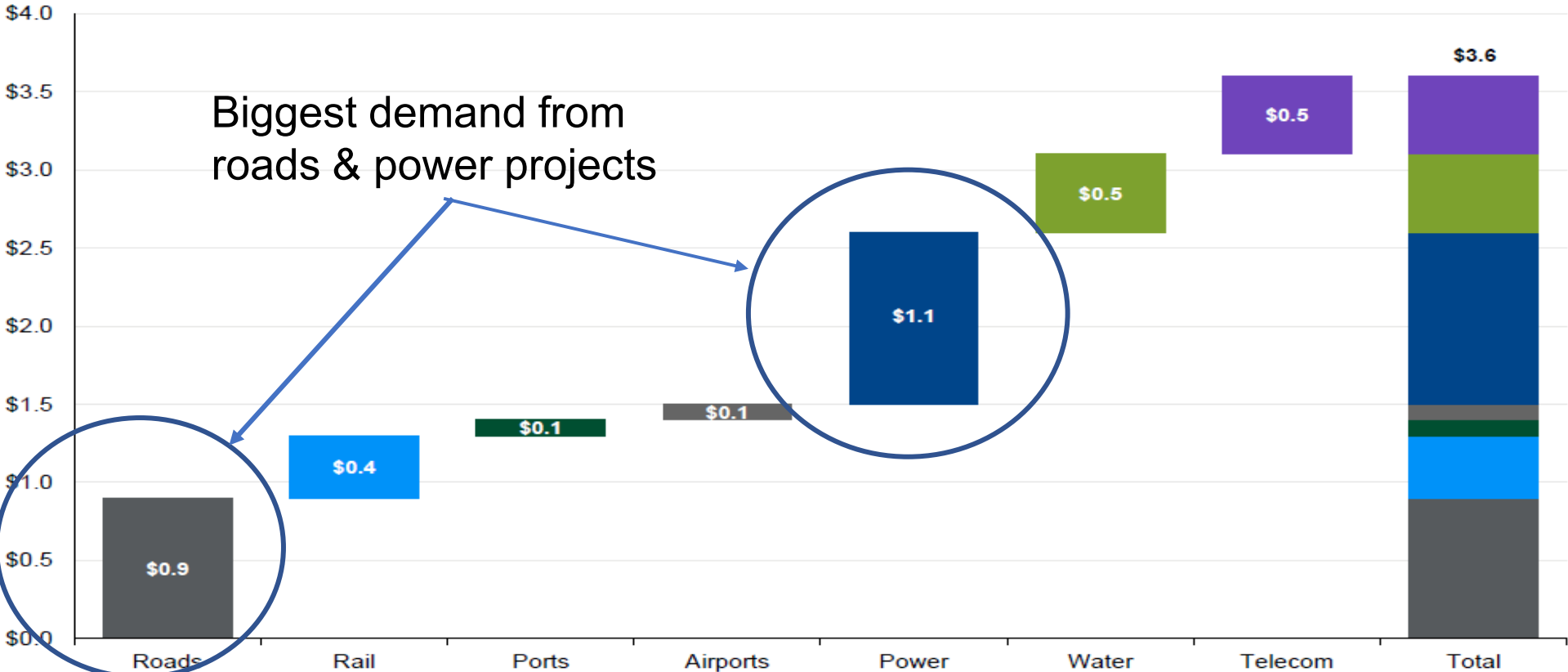
Global infrastructure investment

GTA

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21

Average annual infrastructure need
USD trillions, constant 2017 dollars



Source: McKinsey Global Institute, J.P. Morgan Asset Management.
Data is based on availability as of February 28, 2022.

Current Infrastructure Exposure

IFM Global Infrastructure Fund Diversified portfolio of investments



19 portfolio companies across 20+ countries⁽¹⁾



As at 31 December 2021. Portfolio holdings shown are as of the date noted, may not represent all of the portfolio's current holdings, and are not representative of future investments.

Note: Year indicates initial acquisition year. Certain assets have subsequent transactions (follow-on investments or partial divestments).

(1) Country exposures outlined here reflect material asset exposures (based on contribution to total EBITDA) across our portfolio companies. GIF has assets located in 45 countries, of which 21 countries account for 98%+ of the portfolio



Overall FCERA Real Estate

6.5% of assets, target 8%

Performance (as of 12/31)

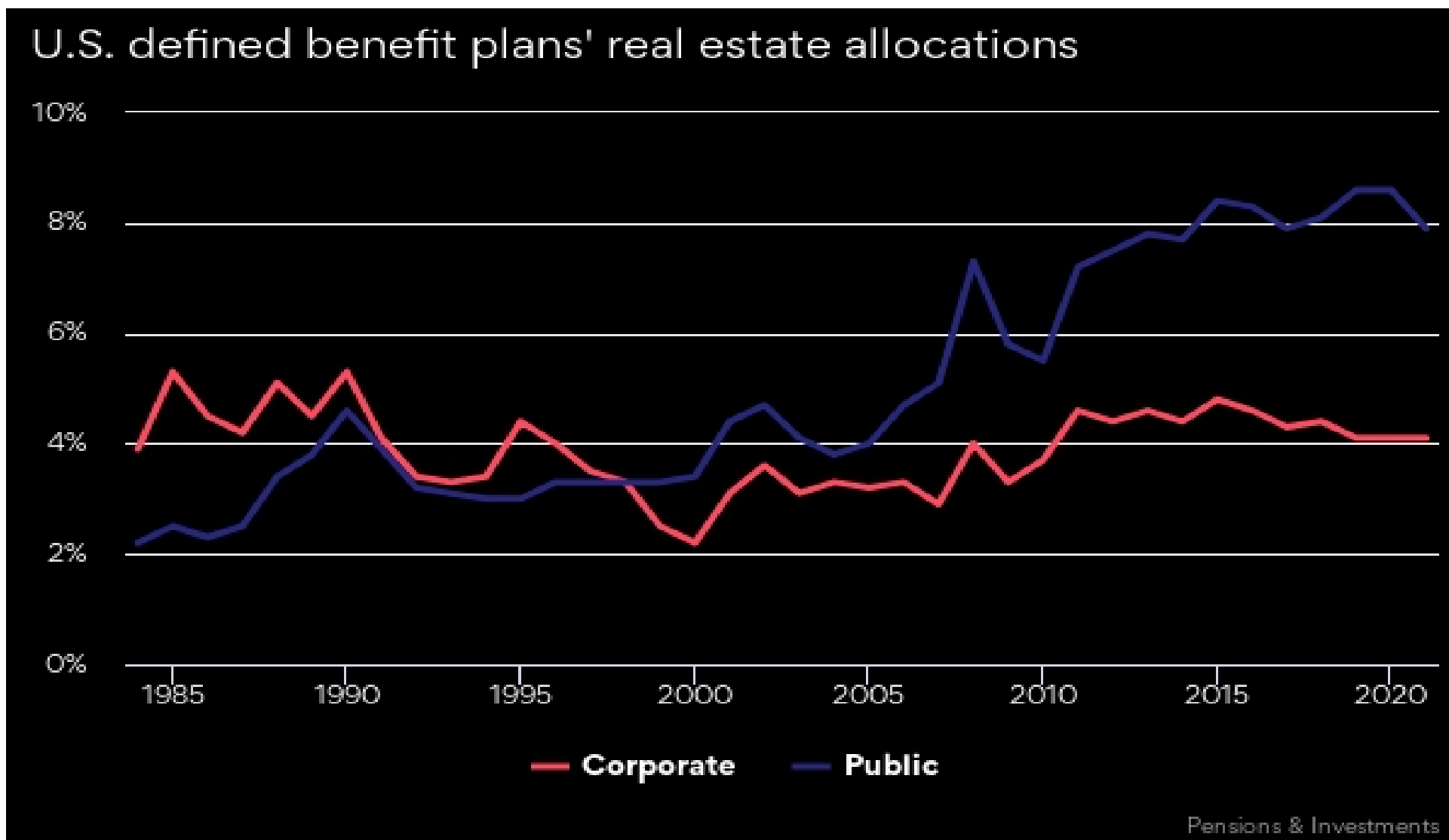
- 1 year: 19.3%
- 3 year: 7.8%
- 5 year: 7.8%

Commitments:

- Ares - \$75mil in 2020, 3-4 years, \$26mil called to date
- Oaktree - \$75mil in 2020, 3-4 years, \$12mil called to date
- Harrison Street Core in 2021 - \$115mil total, \$70mil called in Jan
- PCCP Fund IX in 2021, \$50mil committed, \$5mil called to date
- Invesco Value Add Fund VI - \$50mil, 3-4 years, 0 called
- New Value Add Fund - \$40mil in discussions, 3-4 years



FCERA Real Estate Target is Typical



From
P & I

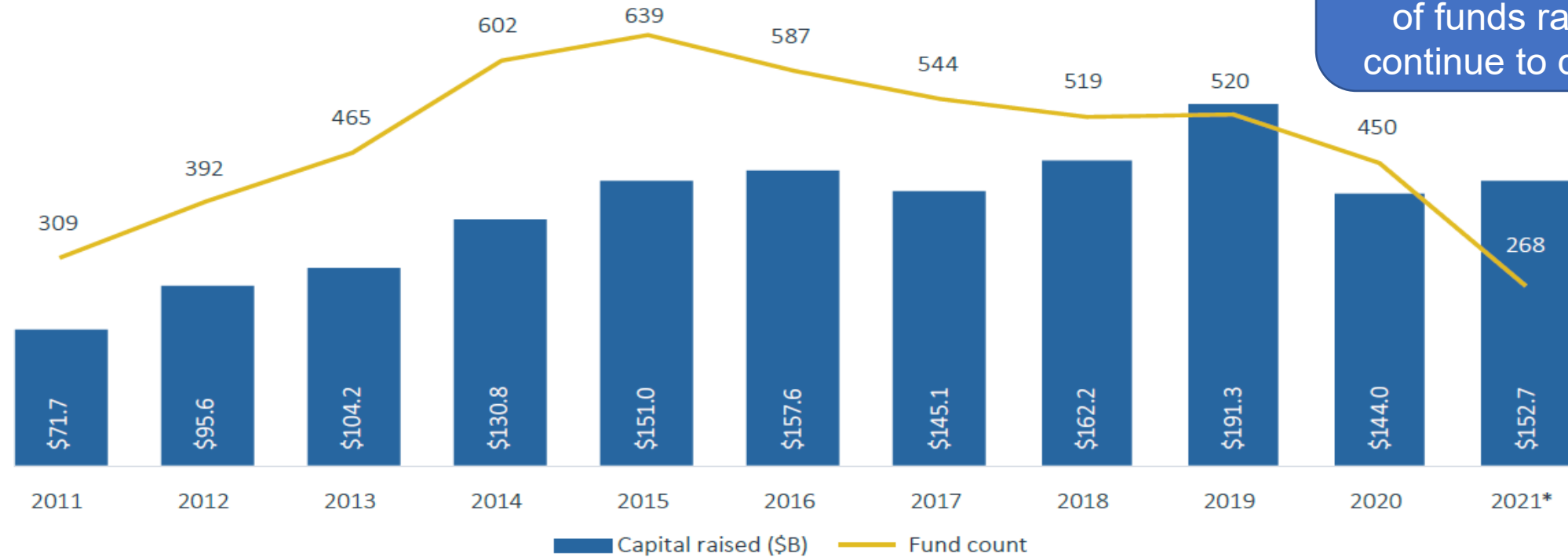


Real Estate Market Overview

- Rising inflation is thought to benefit real estate, so recent inflation is a tailwind
- Real Estate allocations are up, but Core real estate share of funds raised continues to decline
- Self-storage, about 5% of the market, returns calculated at +66%
- Industrial, about 10% weight, showed returns of 41%
- Cap Rate Spreads or Yields: (net operating income/asset value, less Treasury rates) have fallen back to about 3.2%, with the low being 2.9% in 2019
- Although vacancies in all asset types have fallen from peaks, they are still 14% in Office
- Retail is bifurcated, with malls & many vendors struggling. Experiential retail thriving with lifting of pandemic restrictions

Fundraising overview

Real estate fundraising activity



Although total \$ raised was up slightly, the number of funds raising continue to decline

The median step-up in fund size was 60%

Source: PitchBook | Geography: Global
*As of December 31, 2021

Fundraising overview

Real estate dry powder (\$B)

There is a lot of money hunting for deals,
but the amount has stabilized



Source: PitchBook | Geography: Global
*As of June 30, 2021



FCERA Closed End Real Estate

Expected return 8.5-9.5%, Volatility 9.9-11.2%

Real Estate

Closed End Funds (Net of Fees)

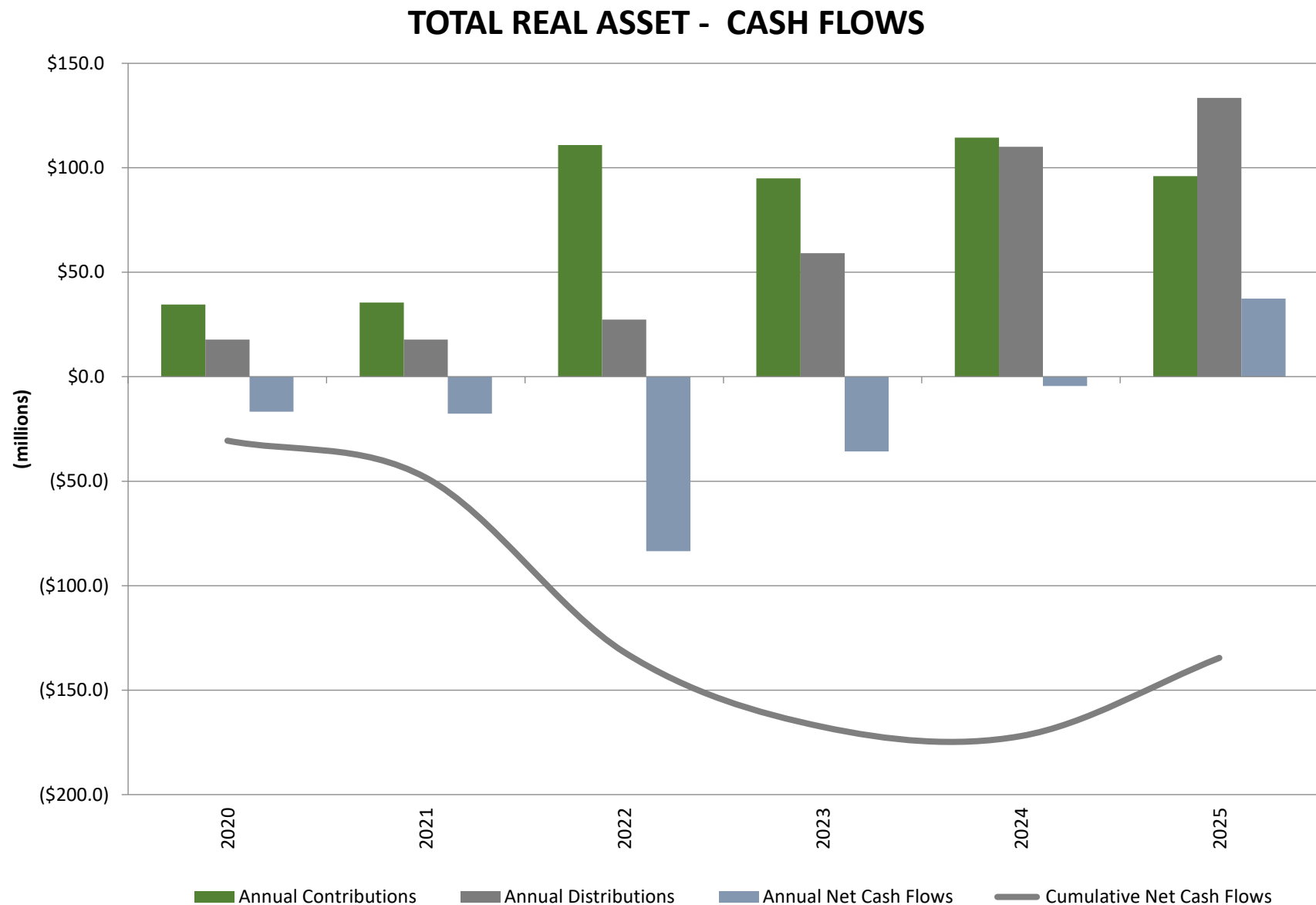
Period Ending: December 31, 2021

Real Estate - Closed End Funds

Fund	Inception Date	% of Portfolio	Total Commitment	Contributions	Distributions	Estimated Market Value	One Quarter Return	One Year Return	Three Years Return	Five Years Return	(IRR) Since Inception
Kennedy Wilson Real Estate Fund VI	2018	0.4%	\$30,000,000	\$29,634,259	\$11,119,578	\$25,828,103	15.3%	28.5%	N/A	N/A	16.9%
Invesco Value-Add Fund V	2017	0.4%	\$30,000,000	\$21,941,585	\$2,894,940	\$26,994,475	8.8%	31.2%	N/A	N/A	19.8%
Kennedy Wilson Real Estate Fund V	2016	0.1%	\$30,000,000	\$28,113,444	\$34,436,776	\$3,930,621	1.8%	-3.9%	4.4%	8.2%	12.2%
Gerding Edlen Green Cities III	2016	0.3%	\$20,000,000	\$19,412,739	\$4,675,598	\$19,361,251	1.0%	1.6%	2.8%	3.2%	5.0%
Ares US Real Estate Opportunity Fund III	2021	0.4%	\$75,000,000	\$26,291,809	-\$3,368,137	\$26,853,136	7.2%	N/A	N/A	N/A	N/A
Oaktree Real Estate Opportunities Fund VIII, L.P.	2021	0.1%	\$75,000,000	\$11,502,295	\$7,500,000	\$7,505,951	8.1%	N/A	N/A	N/A	N/A
Total		1.7%	\$260,000,000	\$136,896,131	\$57,258,753	\$110,473,537					



Verus
cash
flow
forecast





Real Estate Pacing @ \$80mil per year

	2021	2022	2023	2024	2025
Invesco Core Fund	\$ 205,610,066	\$ 211,778,368	\$ 218,131,719	\$ 224,675,671	\$ 231,415,941
Harrison Street Core Fund NEW	\$ -	\$ 115,000,000	\$ 118,450,000	\$ 122,003,500	\$ 125,663,605
Existing Value-Add/Opportunistic Commitments	\$ 73,114,450	\$ 72,680,191	\$ 44,188,319	\$ 19,588,319	\$ 6,388,319
Future Value-Add/Opportunistic Commitments		\$ 18,400,000	\$ 56,800,000	\$ 119,200,000	\$ 200,600,000
Ares AREOF III (est)	\$ 26,853,136	\$ 56,978,136	\$ 70,228,136	\$ 51,210,219	\$ 16,335,219
Oaktree ROF VIII (est)	\$ 7,505,951	\$ 24,755,951	\$ 47,255,951	\$ 58,505,951	\$ 49,005,951
PCCP Equity XI (est)	\$ 4,785,589	\$ 21,277,319	\$ 31,870,788	\$ 42,042,882	\$ 35,000,000
Invesco Value-Add VI (est)	\$ 2,500,000	\$ 17,500,000	\$ 24,000,000	\$ 31,500,000	\$ 28,500,000
TOTAL	\$ 320,371,213	\$ 538,371,987	\$ 610,926,936	\$ 668,728,566	\$ 692,911,060



Private Equity

7.5% of assets, target 8%

Expected return 9.5%, volatility 26%

Performance (as of 12/31)

1 year: 57.2%

3 year: 22.0

5 year: 19.8

2021 Commitments:

Insight Partners XII, \$20mil

Keensight Nova VI, \$20mil

SK Capital Partners VI, \$15mil

STG Allegro Fund, \$15mil

The Resolute Fund V, \$15mil

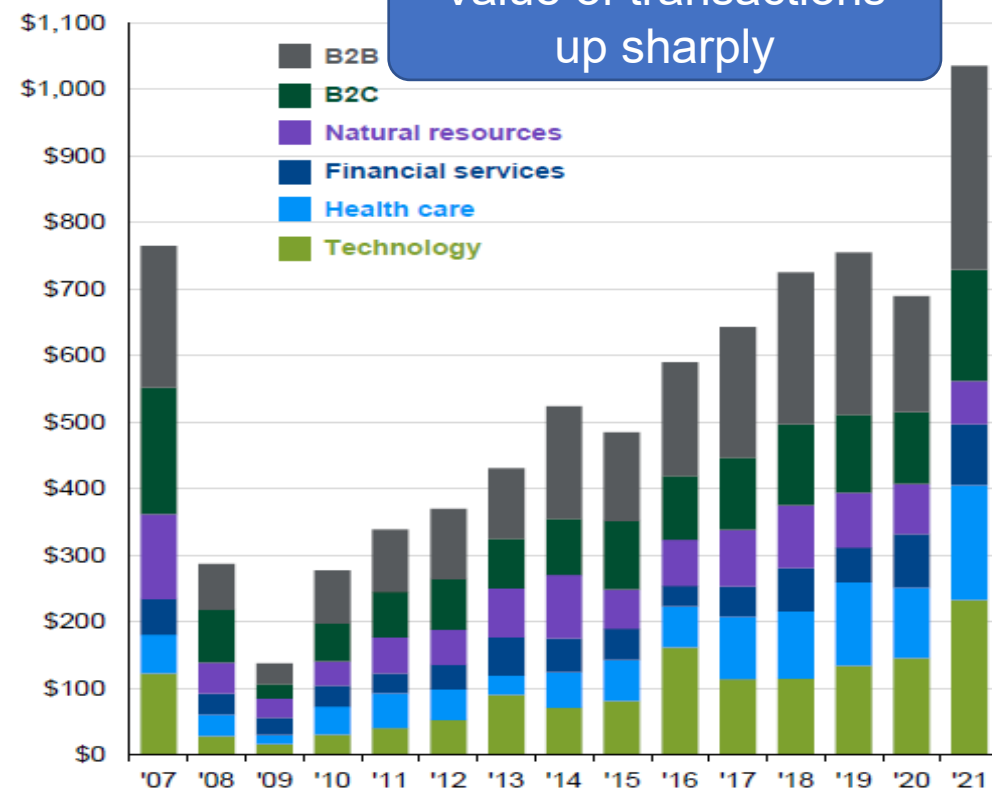
Private equity deals and multiples

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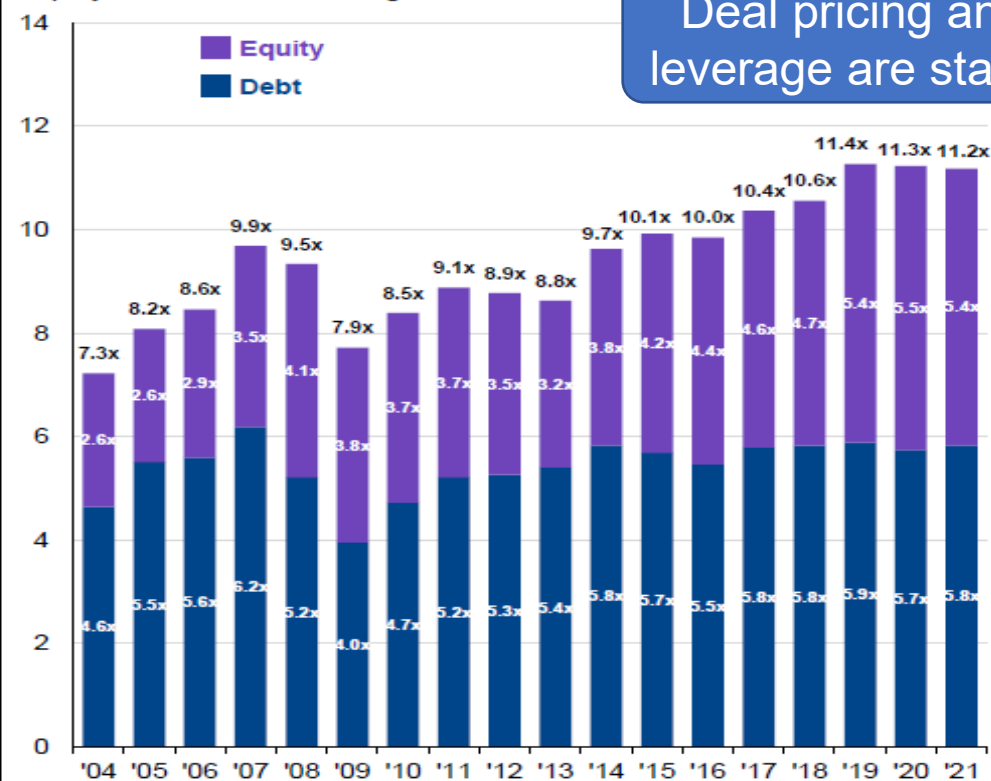
U.S.

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U.S. private equity deal
USD billions



U.S. LBOs: purchase price multiples
Equity and debt over trailing EBITDA



Source: Pitchbook, S&P LCD, J.P. Morgan Asset Management.

B2B is business to business. B2C is business to consumer. Natural resources = Materials and resources and energy. Private equity and multiple data are as of December 31, 2021.

Data is based on availability as of February 28, 2022.

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Private Equity Portfolio is Maturing

Private Equity Non Marketable Securities Overview

Period Ending: December 31, 2021

Private Equity								
Fund	Vintage Year	Commitment	Unfunded Commitment	Paid-In Capital	Capital Distributed	NAV*	TVPI	Since Inception IRR
Legacy Portfolio								
Blackstone Capital Partners IV, L.P.	2003	\$20,000,000	\$597,726	\$22,648,846	\$53,149,007	\$305,568	2.4x	29.90%
Hamilton Lane Private Equity Fund IX L.P.	2016	\$100,000,000	\$9,951,576	\$90,048,324	\$61,485,822	\$101,805,946	1.8x	20.76%
Hamilton Lane Private Equity Fund VI, L.P.	2007	\$70,000,000	\$7,104,295	\$62,895,705	\$91,622,923	\$12,662,961	1.7x	9.18%
Horsley Bridge XI Growth Buyout L.P.	2016	\$30,000,000	\$5,167,347	\$24,832,653	\$15,453,243	\$34,245,205	2.0x	27.54%
Landmark Equity Partners XIV, L.P.	2009	\$30,000,000	\$810,190	\$29,191,871	\$36,118,004	\$3,430,592	1.4x	9.90%
New Mountain Partners III, L.P.	2007	\$15,000,000	\$1,839,884	\$15,429,351	\$37,809,573	-\$25,988	2.4x	14.64%
NMP III Continuation Fund, L.P.	2021	\$3,402,119	\$833,527	\$2,768,592	\$0	\$3,652,316	1.3x	32.01%
Warburg Pincus Equity Partners, L.P.	1998	\$34,000,000	\$0	\$20,000,000	\$33,046,892	\$78,485	1.7x	10.26%
Warburg Pincus Private Equity VIII, L.P.	2001	\$20,000,000	\$0	\$20,100,000	\$58,384,663	\$0	2.2x	14.50%
Warburg Pincus Private Equity X, L.P.	2007	\$25,000,000	\$0	\$25,046,896	\$44,312,076	\$623,361	1.8x	9.51%
Warburg Pincus Private Equity XII, L.P.	2015	\$25,000,000	\$459,000	\$33,558,364	\$17,958,382	\$47,429,585	1.9x	20.44%
Total Legacy Portfolio		\$372,402,119	\$26,563,645	\$352,520,702	\$449,340,685	\$204,207,001	1.9x	13.98%
Hamilton Lane Portfolio								
Altaris Health Partners V, L.P.	2020	\$10,000,000	\$7,577,437	\$2,422,563	\$0	\$2,421,050	1.0x	(0.08%)
Aurora Equity Partners VI, L.P.	2019	\$10,000,000	\$7,239,699	\$2,761,502	\$1,720	\$2,488,991	0.8x	(10.88%)
Avista Capital Partners IV, L.P.	2018	\$10,000,000	\$1,607,793	\$12,012,382	\$16,434,271	\$5,831,071	1.8x	37.17%
Avista Capital Partners V, L.P.	2019	\$10,000,000	\$4,563,493	\$6,033,912	\$597,405	\$6,776,294	1.2x	28.14%
Bridgepoint Development Capital IV, L.P.	2020	\$10,767,450	\$10,809,642	\$0	\$0	-\$141,889	N/A	0.00%
Given Seventh Fund	2019	\$8,841,182	\$5,261,351	\$3,432,044	\$0	\$3,877,832	1.1x	20.13%
CVC Capital Partners VIII, L.P.	2020	\$10,591,275	\$9,342,495	\$2,002,671	\$0	\$2,051,552	1.00x	2.44%
Gridiron Capital Fund IV, L.P.	2019	\$10,000,000	\$3,298,790	\$7,198,956	\$516,442	\$10,053,023	1.6x	41.05%
H.I.G. Growth Buyouts & Equity Fund III, L.P.	2019	\$10,000,000	\$7,928,278	\$2,071,722	\$0	\$2,387,429	1.2x	17.25%
Hamilton Lane Secondary Fund IV, L.P.	2017	\$75,000,000	\$31,254,573	\$64,407,538	\$48,494,094	\$81,075,919	1.7x	23.42%
HGCC Fund IV, L.P.	2019	\$10,000,000	\$5,163,264	\$7,080,128	\$2,274,601	\$5,747,847	1.1x	21.06%
Insight Partners XI, L.P.	2019	\$10,000,000	\$503,165	\$9,500,000	\$17,758	\$15,980,481	1.7x	65.98%
JFL Equity Investors V, L.P.	2019	\$10,000,000	\$4,005,673	\$5,494,327	\$0	\$5,127,906	0.9x	-7.60%
K4 Private Investors, L.P.	2018	\$5,000,000	\$1,280,292	\$3,720,221	\$507	\$5,674,548	1.6x	18.32%
K5 Private Investors, L.P.	2020	\$10,000,000	\$7,522,497	\$2,477,503	\$0	\$2,243,141	0.9x	(21.94%)
Kelso Investment Associates X, L.P.	2018	\$7,500,000	\$1,942,140	\$5,607,497	\$52,086	\$8,384,191	1.8x	36.83%
NewQuest Asia Fund IV, L.P.	2019	\$10,000,000	\$4,337,787	\$5,662,213	\$180	\$5,975,856	1.1x	9.62%
Oak Hill Capital Partners V, L.P.	2020	\$10,000,000	\$2,965,880	\$7,034,320	\$3,504	\$7,619,756	1.10x	22.76%
Platinum Equity Capital Partners V, L.P.	2019	\$10,000,000	\$878,973	\$9,149,033	\$26,006	\$10,016,025	1.2x	27.72%
Platinum Equity Small Cap Fund, L.P.	2018	\$7,500,000	\$3,403,986	\$4,655,619	\$1,273,747	\$3,842,247	1.1x	6.34%
SK Capital Partners Fund V, L.P.	2018	\$10,000,000	\$1,300,985	\$9,949,823	\$1,330,877	\$10,344,445	1.2x	15.01%
Sterling Group Partners V, L.P.	2020	\$10,000,000	\$9,062,347	\$937,653	\$0	\$1,447,142	1.5x	54.34%
STG VI, L.P.	2020	\$10,000,000	\$6,759,910	\$3,240,090	\$0	\$2,981,813	0.9x	(12.80%)
TCV XI, L.P.	2020	\$10,000,000	\$5,075,864	\$3,924,136	\$0	\$3,799,091	1.0x	(5.44%)
Thomas H. Lee Equity Fund VIII, L.P.	2019	\$7,500,000	\$1,899,418	\$6,371,580	\$2,525,304	\$9,796,534	1.9x	71.72%
TPG Partners VIII, L.P.	2019	\$10,000,000	\$5,625,847	\$5,674,107	\$1,429,336	\$5,675,586	1.3x	35.44%
Verdane Capital X AB	2019	\$7,577,799	\$1,942,806	\$5,616,937	\$114,313	\$9,321,397	1.7x	72.43%
ZMC III, L.P.	2019	\$6,764,374	\$4,921,458	\$1,842,916	\$2,118	\$1,630,523	0.9x	(9.34%)
Insight Partners XII, L.P.	2021	\$20,000,000	\$13,000,000	\$7,000,000	\$4,682	\$6,885,688	1.0x	(2.03%)
Keensight Nova VI SLP	2021	\$19,283,231	\$19,283,231	\$0	\$0	\$0	N/A	0.00%
SK Capital Partners VI, L.P.	2021	\$15,000,000	\$15,000,000	\$0	\$0	\$0	N/A	0.00%
STG Allegro Fund, L.P.	2021	\$15,000,000	\$15,000,000	\$0	\$0	\$0	N/A	0.00%
The Resolute Fund V, L.P.	2021	\$15,000,000	\$10,470,591	\$4,529,409	\$5,324	\$8,775,939	1.9x	117.66%
Total Hamilton Lane Portfolio		\$411,315,311	\$230,727,277	\$211,810,792	\$73,106,285	\$228,892,018	1.40x	26.33%

*NAV provided by Hamilton Lane as of 6/30/2021 adjusted for cash flows that occurred during Q3 2021. Cash flows shown are as of 9/30/2021.

Performance varies greatly by fund, but is generally good

Many funds are new, hence "J- curve"



Private Equity Pacing Plan

Most recent amendment anticipates \$125mil per year

FCERA - Private Equity Annual Pacing

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
FCERA - \$125M Commitments										
Commitments	\$85.0	\$125.0	\$125.0	\$125.0	\$125.0	\$125.0	\$125.0	\$125.0	\$125.0	\$125.0
Contributions	\$110.0	\$100.9	\$106.2	\$112.3	\$116.4	\$120.0	\$122.3	\$123.3	\$123.7	\$124.1
Distributions	\$113.9	\$92.9	\$108.2	\$122.9	\$145.2	\$152.5	\$162.2	\$174.3	\$188.3	\$196.1
Annual Net Cash Flow	\$3.9	-\$8.0	\$2.1	\$10.7	\$28.8	\$32.5	\$39.9	\$51.0	\$64.6	\$72.0
PE Market Value	\$420.8	\$475.2	\$521.4	\$565.9	\$599.9	\$637.3	\$673.6	\$704.0	\$725.1	\$742.3
Plan Value	\$6,272.6	\$6,586.3	\$6,915.6	\$7,261.4	\$7,624.4	\$8,005.7	\$8,405.9	\$8,826.2	\$9,267.6	\$9,730.9
% of Plan Value	6.7%	7.2%	7.5%	7.8%	7.9%	8.0%	8.0%	8.0%	7.8%	7.6%
FCERA Pacing Targets	6.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%



Private Credit

7.8% of assets, target 8%

Expected return 6.8%, volatility 14.6%

Performance

1 year: 14.1%

3 year: 7.3

5 year: 7.5

Note: the latest private credit vintage is 2017

Commitments:

Aksia will commit \$230mil/year for 3 years

(Carlyle BDC tender creates an option)

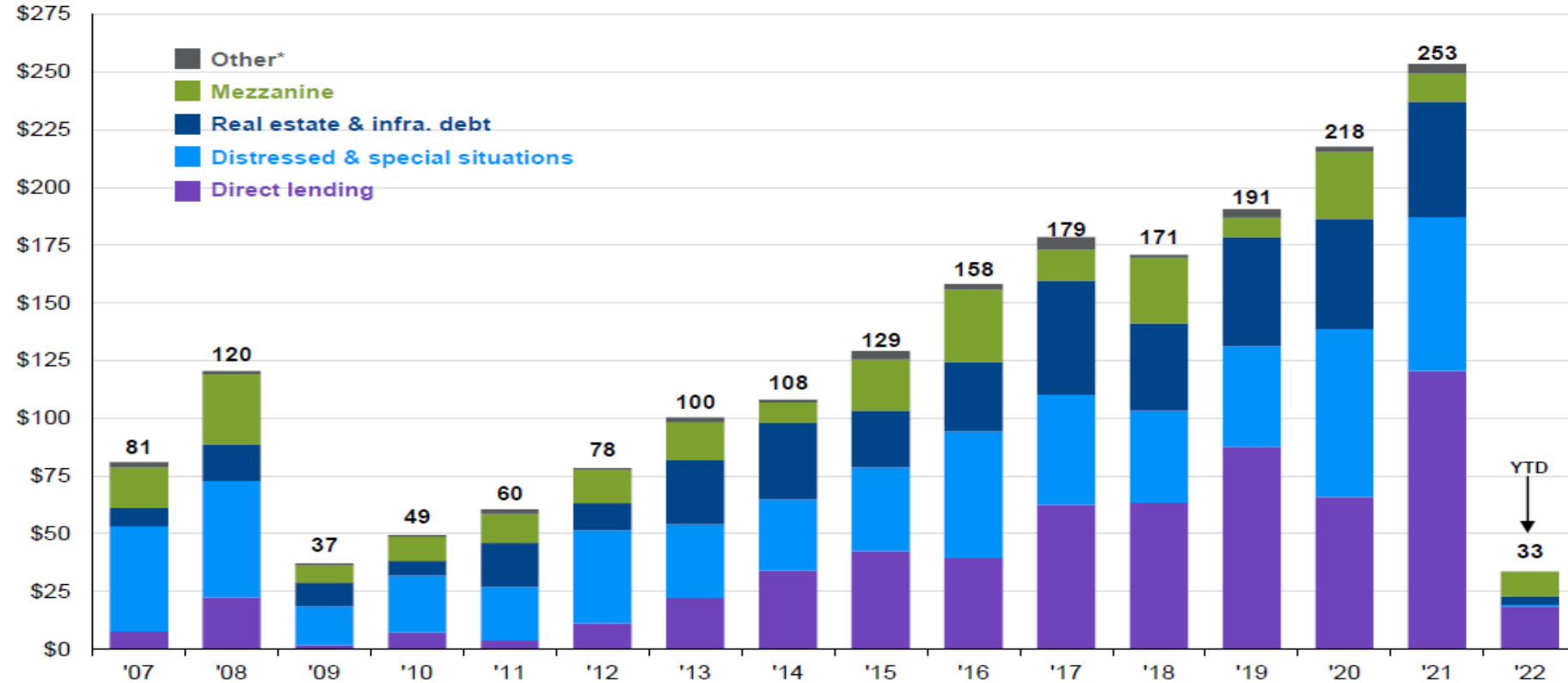
All existing funds/managers now in harvest mode

Private debt fundraising

GTA U.S. 48

Private debt fundraising by type

USD billions



Sources: Preqin, J.P. Morgan Asset Management. *Other includes venture debt and fund of funds. 2022 fundraising figures are year-to-date and based on availability as of February 2022.
Data is based on availability as of February 28, 2022.

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Private Credit Market

- Market size: one example is that leverage loan maturities are \$50B in 2022, \$175B in 2023, and \$225B in 2024 (refinancing)
- Private credit has outperformed public credit 21/21 previous years
- Private credit should do well in a rising rate environment due to its floating rate structure, but watch as rising rates pinches credit



Private Credit Non Marketable Securities Overview

Period Ending: December 31, 2021

Private Credit								
Fund	Vintage Year	Commitment	Unfunded	Paid-In Capital	Capital Distributed	NAV	TVPI	Since Inception IRR
Legacy Portfolio								
EQT European Special Situations Debt	2017	\$40,000,000	\$16,952,219	\$34,755,655	\$6,923,228	\$30,928,281	1.09	6.3%
OHA Strategic Credit Fund II	2016	\$40,000,000	\$14,000,000	\$26,000,000	\$4,547,582	\$30,981,536	1.37	17.6%
TSSP Adjacent Opportunities Partners	2016	\$30,000,000	\$10,911,621	\$49,699,064	\$31,662,913	\$26,296,511	1.17	11.1%
GSO European Senior Debt	2015	\$30,000,000	\$7,867,163	\$30,964,231	\$32,162,894	\$14,501,036	1.51	6.1%
CVI Credit Value Fund III	2015	\$30,000,000	\$1,500,000	\$28,500,000	\$28,315,922	\$8,632,860	1.30	8.0%
Colony Distressed Credit III	2014	\$20,000,000	\$2,734,614	\$21,939,049	\$24,673,663	\$4,171,324	1.31	6.0%
Oaktree Opportunities IX	2012	\$15,000,000	\$0	\$15,000,000	\$9,476,419	\$11,093,174	1.37	5.4%
KKR Mezzanine Partners	2010	\$30,000,000	\$944,937	\$38,353,339	\$38,067,300	\$7,809,073	1.20	6.9%
Angelo Gordon VII	2010	\$30,000,000	\$0	\$30,000,000	\$36,737,533	\$40,255	1.23	4.9%
Colony Distressed Credit I	2009	\$40,000,000	\$0	\$42,267,927	\$64,307,755	\$0	1.52	13.0%
Lone Star Fund IV	2002	\$20,000,000	\$954,801	\$19,045,199	\$44,404,793	\$65,640	2.33	30.7%
Total Legacy Portfolio		\$325,000,000	\$55,865,355	\$336,524,463	\$321,280,002	\$134,519,690	1.40	
Carlyle Portfolio								
TCG BDC II	2017	\$150,000,000	\$7,911,971	\$142,088,029	\$31,584,164	\$139,286,143	1.20	9.9%
CPC V	2017	\$150,000,000	\$20,748,975	\$192,740,235	\$63,489,210	\$156,125,640	1.14	8.8%
AlpInvest FC Credit Fund	2017	\$100,000,000	\$50,116,747	\$50,405,095	\$22,575,418	\$35,269,049	1.15	9.5%
Total Carlyle Portfolio		\$400,000,000	\$78,777,692	\$385,233,359	\$117,648,792	\$330,680,832	1.16	
Total Private Credit		\$725,000,000	\$134,643,047	\$721,757,822	\$438,928,793	\$465,200,522		

Funds
performing as
expected

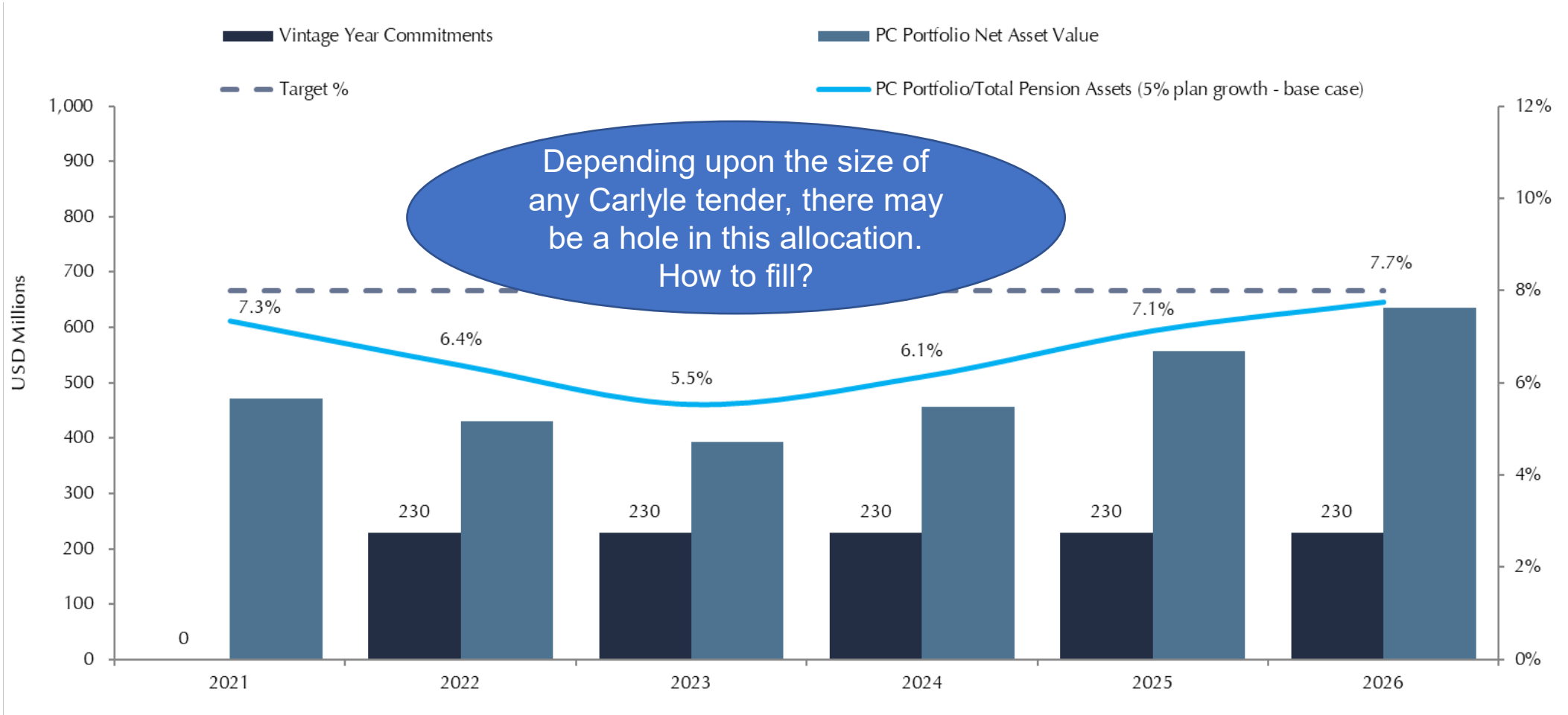
Data provided by Carlyle.

Verus⁷⁷⁷



Private Credit Pacing

Assuming Carlyle BDC tender \$100mil 2022, \$50mil 2023





Summary of Expected Private Markets & Activities

- All Private Markets attempt to capture an illiquidity premium
- Private Markets sectors each have their own drivers
- Each private markets sector weathered the pandemic very well
- FCERA portfolio retains \$80mil in “tactical cash” for upcoming calls
- FCERA Board has committed for 2022:
 - \$39mil for Infrastructure, to be called in this quarter
 - \$45mil more for Core real estate, in addition to \$70mil just called
 - \$40mil in Value Add real estate YTD, with \$40mil to follow
 - \$230mil for Private Credit, to be adjusted for Carlyle tender(s)
 - \$125mil for Private Equity, 5-7 commitments of \$15-25mil