



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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May 21, 2014

To: Members of the Board of Retirement

From: Annette Cain-Darnes – Chair

Subject: Summary of the May 21, 2014 Investment Committee Meeting

The Investment Committee met on Wednesday, May 21, 2014 at 9:33 a.m. The Committee members present were Dale Amaral, Annette Cain-Darnes, George Dewey, Elizabeth Rogers, and George Wood. Also present was Alternate Retired member David Safer. Members of the Staff present were, Kathy Foster – Assistant Chief Executive Officer, Betty Tse – Chief Investment Officer, and Susan Weiss – Associate Counsel.

ACTION ITEM

1. Discussion of and Possible Motion to Recommend to the Board to Adopt an Investment in PEARLS – Buyouts
 - Stefan Kaluzny, the representative from Sycamore Partners, presented the investment strategy, goals and objectives of the Sycamore Partners II, L.P. (Fund). The representative also presented the investment process and risk management of the Fund.
 - After discussion, George Dewey moved, seconded by Mr. George Wood, to recommend to the Board to adopt a \$42.5 million commitment to the Fund, pending completion of legal due diligence, background investigations, and successful contract negotiation.
 - The motion carried 5 yes (Cain-Darnes, Dewey, Rogers, Safer, and Wood), 0 no, and 0 abstention.

INFORMATION ITEMS

1. Review of Brandywine Global Investment Management, LLC
 - For the first quarter of 2014, Brandywine's gross return was 4.57%, outperforming the account benchmark (Citigroup World Government Bond Index) by 1.91%. For the one-year period ending 3/31/14, Brandywine's return was 0.78%, underperforming its account benchmark by 0.59%. For the calendar year 2013, the manager's return was -3.78%, outperforming its account benchmark by 0.22%. Brandywine has not changed its investment strategy or style and has been in compliance with ACERA's reporting requirements.
 - As of 3/31/14, Brandywine managed about \$271.1 million, representing about 4.0% of ACERA's total assets. A representative from Brandywine discussed its investment outlook, investment strategy, portfolio characteristics and the bond market environment. Brandywine discussed the difficulty in defining Emerging Market countries under the current market conditions. The manager agreed to further discuss with the Investment Staff the possibility of amending its agreement with ACERA related to Emerging Market countries.

2. Review of NCG – Small Cap Growth and Ultra Growth

- For the first quarter of 2014, NCG Small Cap's gross return was -0.51%, underperforming the account benchmark (Russell 2000 Growth + 250 bps) by 1.62%. For the one-year period ending 3/31/14, the manager's return was 31.30%, outperforming its account benchmark by 1.44%. For the calendar year 2013, the manager's return was 51.38%, outperforming its account benchmark by 5.58%. NCG Small Cap has not changed its investment strategy or style and has been in compliance with ACERA's reporting requirements.
- For the first quarter of 2014, NCG Ultra's gross return was 0.99%, underperforming the account benchmark (Russell Microcap Growth + 250 bps) by 4.44%. For the one-year period ending 3/31/14, the manager's return was 52.22%, outperforming its account benchmark by 10.08%. For the calendar year 2013, the manager's return was 66.88%, outperforming its account benchmark by 11.55%. NCG Ultra has not changed its investment strategy or style and has been in compliance with ACERA's reporting requirements.
- As of 3/31/14, NCG managed about \$236.0 million between the two funds, representing about 3.5% of ACERA's total assets. A representative from NCG discussed its investment outlook, investment strategy, portfolio characteristics and the equity market environment.
- Tom Press, founder of NCG, updated the committee on his co-founder and partner, Donald Longlet, who is expected to retire in 2014.

3. Education: Portfolio Overlay Strategies – Part 2

- This item will be rescheduled for an Investment Committee meeting at a later date.

RECOMMENDATIONS

- The Committee recommends, and I move, that the Board adopt a \$42.5 million commitment to the Sycamore Partners II, L.P. pending completion of legal due diligence, background investigations, and successful contract negotiation. The motion passed unanimously.

TRUSTEE/PUBLIC INPUT

Betty Tse, Chief Investment Officer of ACERA, informed the public that Deutsche Asset & Wealth Management executed a purchase and sale agreement for Preston Ridge II, ACERA's last separate account property, as part of its liquidation mandate. Escrow is expected to close Thursday or Friday of this week.

Ms. Tse also mentioned that, during the first quarter, Metlife returned 6.4%, which was significantly higher than all of the other Real Estate managers. This increase in value was forecasted during the fund raising phase of the fund, and was one of the benefits of ACERA's timely investing in the fund at the final close.

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FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

June 11, 2014 at 9:30 a.m.

ADJOURNMENT

The meeting adjourned at 11:34 p.m.