



MINUTES OF THE SEPTEMBER 08, 2021 INVESTMENT COMMITTEE MEETING

THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO

To: Members of the Board of Retirement
From: George Wood - Chair
Subject: Summary of September 08, 2021 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, September 08, 2021 at 9:32 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Darryl Walker and George Wood. ACERA Senior Managers and Presenting Staff present were, David Nelsen – Chief Executive Officer, Jeff Rieger – Chief Counsel, Vijay Jagar – Chief Technology Officer, Harsh Jadhav – Chief of Internal Audit, Clint Kuboyama – Investment Officer, John Ta – Investment Officer, Thomas Taylor – Investment Officer and Betty Tse – Chief Investment Officer.

Action Items: Matters for discussion and possible motion by the Committee

1. Discussion of and Possible Motion to Recommend to the Board to Adopt an up to \$70 Million Investment in Ares Senior Direct Lending Fund II as part of ACERA’s Private Credit Portfolio, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations
 - Staff and Verus provided a summary of ACERA’s Private Credit Asset Class, the buildout of ACERA’s Private Credit Portfolio since the asset class’s inception in 2019, and the investment rationale behind the Ares Senior Direct Lending Fund II (“SDL II”) recommendation. Ares’ track record for senior direct loans, as well as its growth in AUM were also discussed with the Trustees.
 - Staff also noted that Ares had first met with Staff through ACERA’s IPSI program, and that the amount of this recommendation is consistent with ACERA’s approvals of previous Private Credit recommendations.
 - Representatives from Ares discussed its competitive advantages, investment process, track record, management of AUM growth, investment performance throughout the COVID-19 pandemic and organizational structure. Ares’ Environmental, Social & Governance (ESG) and Diversity, Equity and Inclusion (DEI) initiatives were also discussed.
 - Trustee Basgal requested information from the Ares representatives related to SDL II’s target fund size and fundraising, as well as the number of investors which invested in SDL I that are repeat investors in SDL II. Ares representatives provided information on SDL II’s target fund size and fundraising and communicated to Trustee Basgal that they would follow-up with information related to the specific number of repeat investors in SDL II.

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- During the public comment portion of this action item, a comment was made by Alyssa Giachino from Private Equity Stakeholder Project. She communicated that her organization reported that a portfolio company of Ares – Front Yard Residential – has filed numerous eviction actions since the CDC’s eviction memorandum went into effect in September 2020. Among other statements, Ms. Giachino communicated that eviction filings in majority black counties in Georgia (DeKalb and Clayton Counties) occurred at a much higher rate than similar filings in a majority white county (Polk County, Florida.)
 - The Trustees, Staff and Verus confirmed that Staff and Verus did not know of this eviction issue until the statements made by Ms. Giachino. Staff and Verus indicated that a background check is currently in process and should reveal more relevant information.
 - Verus and later Trustee Basgal asked for the Investment Committee’s thoughts regarding specific threshold levels of exposure that would disqualify Ares and similar candidates in the future for ACERA’s consideration. Regardless of any exposure by the Senior Direct Lending Funds to Front Yard Residential, Trustee Carson asked for clarification on how such an investment could be made by Ares, given their ESG focus across the Ares platform.
 - The Trustees requested that Staff and Verus research the issue and report their findings back to the Trustees in writing by the September 16, 2021 Board Meeting.
 - The motion was deferred to the Board Meeting on September 16, 2021.
2. Discussion of and Possible Motion to Recommend to the Board to Adopt an up to \$25 Million Investment in Summit Partners Growth Equity Fund XI as part of ACERA’s Private Equity Portfolio – Venture Capital, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations
- Staff and Verus discussed the Summit Partners Growth Equity Fund XI investment opportunity, including the rationale and role of this investment in ACERA’s private equity portfolio. Staff noted the Board’s recent decision to increase the target allocation to private equity from 8% to 11% of the total fund, resulting in likely more future investment recommendations in this asset class.
 - Representatives from Summit described the firm’s history, organization, investment platform, competitive advantages, and investment process. The representatives also provided an in-depth discussion of some past investments and covered the firm’s ESG initiatives.
 - After further discussion, Trustee Basgal moved, seconded by Trustee Koppenhaver, to recommend that the Board adopt an up to \$25 million investment in Summit Partners Growth Equity Fund XI as part of ACERA’s Private Equity Portfolio – Venture Capital, pending completion of legal and investment due diligence and successful contract negotiations.
 - The motion carried with 8 Yes (Amaral, Basgal, Carson, Gamble, Godfrey, Koppenhaver, Walker, and Wood) 0 No, and 0 Abstention.

Information Items: These items are not presented for Committee action but consist of status updates and cyclical reports

1. Review of ACERA's Dedicated Emerging Markets Equity Manager Newton Investment Management
 - Staff and Verus presented their concerns – both in writing and verbally, about the significant organizational and portfolio manager changes at Newton Investment Management in the last two years. Newton currently manages about \$300 million of ACERA's assets. Based on further discussion, including input from Trustees, Staff and Verus will further discuss next steps and return with an action item in the near future, which likely will include a recommended focus-list search for a new dedicated emerging markets equity manager.
2. Verus Firm Update – Introduction of Eileen Neill, Managing Director/Senior Consultant
 - Eileen Neill provided a summary of her career at Verus and Wilshire Associates and her 30-year experience consulting plan sponsors of varying sizes and complexities as well as her education. Ms. Neill is very experienced in topics such as ESG investing, and is a CFA (Charter Financial Analyst) charter holder.

TRUSTEE REMARK

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, October 13, 2021 at 9:30 a.m.

ADJOURNMENT

The meeting ended at 12:15 p.m.