



**MINUTES OF THE NOVEMBER 4, 2020 INVESTMENT COMMITTEE'S MEETING**

**THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO**

To: Members of the Board of Retirement  
From: Elizabeth Rogers - Chair  
Subject: Summary of November 4, 2020 Investment Committee Meeting

The Investment Committee ("Committee") met on Wednesday, November 4, 2020 at 9:30 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, Elizabeth Rogers, and George Wood. Also present were Alternate Retired Member, Nancy Reilly and Alternate Safety Member Darryl Walker. Members of the Staff present were David Nelsen – Chief Executive Officer, Jeff Rieger – Chief Counsel, Vijay Jagar – Chief Technology Officer, and Harsh Jadhav – Chief of Internal Audit.

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

1. Discussion and Possible Motion to Recommend that the Board Adopt an up to \$75 million Investment in HPS Specialty Loan Fund V as part of ACERA's Private Credit Portfolio
  - Staff and Verus provided an overview of ACERA's Private Credit Asset Class and discussed the HPS Specialty Loan Fund V investment, its rationale, characteristics, and place in ACERA's Private Credit Portfolio.
  - HPS representatives discussed the firm's investment team and platform, its specialty loan strategy and its track record. The representatives also discussed the Fund's investments and target opportunities. Finally, the manner in which ESG factors are considered in HPS' investment process, as well as diversity within the organization and HPS' diversity initiatives, were communicated.
  - After further discussion, Trustee Levy moved, seconded by Trustee Basgal, to recommend that the Board approve an up to \$75 million Investment in HPS Specialty Loan Fund V as part of ACERA's Private Credit Portfolio, pending completion of legal and investment due diligence and successful contract negotiations.
  - The motion carried with 9 Yes (Amaral, Basgal, Carson, Gamble, Godfrey, Koppenhaver, Levy, Rogers, 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. Discussion of an up to \$10 million Investment in Canvas Ventures 3 as part of ACERA's Private Equity Portfolio – Venture Capital

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- Staff and Verus discussed the Canvas Ventures 3 investment opportunity, its rationale, characteristics, and place in ACERA's Private Equity – Venture Capital Portfolio.
- Staff approved this recommendation under delegated authority, pending legal due diligence and successful contract negotiation.

2. Review of Real Assets Structure and Investment Plan

- Staff, Verus, and the Trustees discussed proposed possible changes to the Real Assets Portfolio structure, the rationale behind the proposed changes, and the impact these changes would have on the Real Assets Investment Plan. The inflationary outlook and the commodity exposure in the Real Assets Portfolio were also discussed. Staff and Verus will bring this item back as an Action Item in the future.

3. Real Estate Market Update

- Avery Robinson from Callan Associates provided the Committee with a report on how Covid-19 and the economic shutdown has affected ACERA's real estate portfolio. Prior to the shelter-in-place movement, real estate was thought to be already late in the economic cycle. Covid-19 accelerated the current trends that were already in place, e.g., the decline in brick and mortar retail (because of ecommerce) and the increase in work-from-home arrangements. The 2Q2020 core real estate returns were approximately -1.8% for the second quarter; the 3Q2020 core real estate returns were up 0.48% for the third quarter. During this period, transaction volumes declined by 80% during the 2020 compared to prior year averages.
- While the impact of the pandemic on real estate will continue to play out over time, it is clear that all property types have been and will continue to be negatively impacted by the crisis to varying degrees. Office investment performance will be dependent on factors such as worker sentiment, company policies, office floorplan changes and employee productivity which all impact office space demands. In the Retail sector, mall owners have been hit much harder than neighborhood retail centers. Multifamily: Despite the market turmoil, rent collection for most property sectors has remained relatively strong for high quality institutional funds. However, a large portion of rents have been deferred or lowered as landlords have demonstrated a willingness to work with tenants who have requested rent relief, but proof of financial hardship (i.e. financial statements) are a standard requirement. The national moratorium on evictions is due to expire at the end of the year.

**TRUSTEE/PUBLIC INPUT**

None

**FUTURE DISCUSSION ITEMS**

None

**ESTABLISHMENT OF NEXT MEETING DATE**

Wednesday, December 9, 2020 at 9:30 a.m.

**ADJOURNMENT**

The meeting ended at 11:59 a.m.