

Dear ACERA Trustees,

At the September 8, 2021 Investment Committee Meeting, a public comment was made during the Committee's review of Action Item #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. The comment was made by Alyssa Giachino from the 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.

Staff and Verus have researched this issue. Research has included reviewing all of the materials provided to Staff by the Private Equity Stakeholder Project including each document's footnoted information, an independent background check performed by ACERA's background check provider, and information from Ares communicated verbally on several phone and video conference calls, as well as written responses to Staff's and Verus' questions. Staff also discussed this issue with ACERA's Real Estate Consultant. Following this research, Staff and Verus maintain support for the recommended investment in the Ares Senior Direct Lending Fund II. *Ares Senior Direct Lending Fund II and Ares' senior direct lending platform have no investment exposure to Front Yard. (This is verified by Ares in the second paragraph of its attached statement.)* While maintaining the recommendation, Staff and Verus also acknowledge the potential for ongoing headline risk related to the Private Equity Stakeholder Project's involvement in ACERA's future Investment Committee and Board meetings whether this investment is approved or not.

Ares has provided the attached statement to address the public comments made by Ms. Giachino and the Private Equity Stakeholder Project. Ares has acknowledged that this attachment is a public document and ACERA will therefore post it as part of the public agenda related to the ACERA Board meeting on September 16, 2021.

Staff, Verus and Ares will be in attendance at ACERA's September 16, 2021 Board meeting and welcome the opportunity to discuss this further at that time.

Sincerely,

Clint Kuboyama