



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



Period Ending: June 30, 2023

Investment Performance Review

Private Markets

San Mateo County Employees' Retirement Association

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Market Commentary

DEBT RELATED

- **With HY issuance up, leveraged loan issuance declined.** In the first half of 2023, US high yield issuance at \$80.9 billion was up 25.9% compared to 1H 2022¹. US leverage loan issuance volume was \$424.1 billion in 1H 2023, down 32.9% from the \$632.3 billion in 1H 2022¹. In Europe, 1H 2023 new issue LBO Loan volume at \$12.8 billion was down 40.1% from the same time in 2022 and down 90.7% from \$137.7 billion peak in 2007⁴.
- **Spreads tightened across the board except for CCC index.** US HY Credit Index spread decreased by 167 bps or down 28.2%² versus the same period last year. BB and B index spread tightened by 141 bps and 109 bps, decreasing by 29.9%² and 16.0%² versus the same period last year. In the meantime, CCC index spread widened by 20.7%² in 1H 2023 from 1H 2022.
- **Both leverage and interest coverage of large LBOs decreased in US and Europe.** Large Corp total leverage averaged 5.3x (Debt / EBITDA) in 1H 2023 for US new issue loans, down 11.5% from 5.9x in 1H 2022³, and interest coverage averaged 2.7x (EBITDA / Cash Interest), down 28.8% from 3.8x in 1H 2022³. Due to a significant decline in loan issuance in the last 12 months, not enough observations were tracked to compile a meaningful averages for middle market for the period ending June 30, 2023. In Europe, leverage multiples decreased 8.9% to 5.4x in the first half of 2023⁴, down from 11.4x from peak in 2007⁴.

GLOBAL

- **Private Markets dry powder increased globally.** In 1H 2023, global total dry powder was at \$2.7 trillion, up 6.0% from 1H 2022⁵. Global total PE ex Venture Capital dry powder was up by 6.8% to \$1.3 trillion⁵. Global Venture Capital dry powder was up by 2.1% to \$574.1 billion⁵. Global Private Debt dry powder was up by 2.2% to \$434.4 billion⁵.

US PRIVATE EQUITY (BUYOUT & GROWTH)

- **Fundraising activity decreased.** In 1H 2023, US buyout firms raised \$153.0 billion, down by 13.1% from the same time prior year⁵. Average fund size was up 3.7%, from \$921.6 million in 1H 2022 to \$956.2 million in the first half of 2023⁵. US growth strategy raised \$38.9 billion, down by 6.5% from \$41.6 billion in 2021.
- **Investment activity was down.** During 1H 2023, US buyout firms invested in \$376.8 billion (+6.5% from 1H 2022) into 2,342 deals (-8.3%)⁵. US growth strategy raised \$41.5 billion⁵, down by 15.3% from \$56.8 billion of the same time last year.
- **Dry powder increased.** In the first six months of 2023, US private equity dry powder was \$853.8 billion, up by 16.7% from 1H 2022⁵.

Market Commentary

- **LBO price multiples down.** As of June 30, 2023, US LBO purchase price multiple (Enterprise Value / EBITDA) was at 11.8x , a 2.6% decrease from June 30, 2022³.
- **Exit activity decreased.** During 1H 2023, US private equity firms exited 378 companies, representing \$139.8 billion in total transaction value⁵. This represented a 10.8% decrease in the number of exits and a 0.7% decrease in total transaction value compared to the same time last year⁵.

US VENTURE CAPITAL

- **Fundraising activity dropped significantly.** US VC firms raised \$33.3 billion in the first half of 2023, a 72.6% decrease from the same time last year⁵. 233 funds closed in the first six months in 2023, a 43.9% decrease from 1H 2022. The average US VC fund size decreased to \$142.8 million by 51.2% versus the same period last year⁵.
- **Investment activity decreased.** US VC firms deployed \$85.6 billion in capital in 1H 2023, a 40.6% decrease from 1H 2022. The number of deals closed at 6,514, a 16.9% decrease from same time last year⁵. Average deal size decreased 28.5% from 1H 2022.
- **Dry powder increased.** In 1H 2023, US VC dry powder was at \$279.8 billion, up 27.0% from 1H 2022⁵.
- **Entry valuations and deal sizes mixed by stage:**
 - **Entry valuations.** Compared to June 30, 2022, the average pre-money valuations in 1H 2023 was: up 11.4% at \$4.4 million⁵ for Angel stage, down 9.2% at \$10.5 million⁵ for Seed stage, down 33.7% at \$39.8 million⁵ for early-stage VC, and down 47.6% at \$55.0 million⁵ for late-stage VC.
 - **Deal sizes.** Average investment per deal decreased to \$8.6 million, a 41.5% decrease from prior year⁵. Over the past 3 years, except for the Seed stage (+55.1%), the average deal size of Angel-, Early- and Late-stage investments declined by 40.3%, 3.9%, and 27.7%, respectively⁵.
- **Exit activity decreased significantly with smaller transactions.** US VC firms exited 471 companies in the first half of 2023, down by 25.6% from the same time last year, but up 25.3% from three years ago⁵. This represented \$12.0 billion in transaction value, down by 75.4% from the same period last year, and down by 73.5% from three years ago⁵. Largest sectors exited were Software and Commercial Products & Services.

EX US

- **Ex-US fundraising activity was up.** In 1H 2023, ex-US fundraising increased 23.0% from the same time in 2022 to \$248.3 billion⁵. Fundraising in Asia decreased by 29.0% to \$138.6 billion⁵, while Europe was up by 50.2% to \$63.9 billion⁵.

Market Commentary

- **Capital deployment decreased by VCs and Buyout managers in Europe and Asia.**
 - **In both Europe and Asia, VCs invested less capital into fewer deals.** In the first six months of 2023, number of deals closed decreased by 11.2% in Europe with 53.0% less in capital deployed at \$27.9 billion. Similar to Europe, Asian VCs invested \$5.6 billion, representing 78.9% less capital and 77.6% fewer deals than 1H 2022.
 - **Buyout deal activity and capital deployment dropped in Europe and in Asia.** In Europe, buyout firms transacted on \$321.0 billion in aggregate value (-5.7% from 1H 2022)⁵. Asia buyout firms invested \$1.3 billion in aggregate value (-92.6%)⁵.
- **Dry powder decreased ex-US.** PE dry powder outside the US decreased 3.7% to \$1.1 trillion⁵ as of June 30, 2023. Dry powder outside the US was 3.5% less than dry powder in the US (\$1.1 trillion)⁵.
 - **Europe VC and buyout dry powder both down.** VC at \$56.8 billion and buyout at \$274.7 billion were down 4.2% and 15.6% from 1H 2022, respectively⁵.
 - **In Asia, VC and buyout dry powder decreased in parallel with US and Europe.** VC at \$204.5 billion, buyout at \$160.6 billion, down 24.3% and 21.0% from 1H 2022, respectively⁵.
- **Purchase price multiples increased in Europe but decreased and Asia.** As of June 30, 2023, European buyout median purchase price multiples increased 9.8% to 8.1x EBITDA from the same time last year⁵. Asia buyout median purchase price multiples decreased 2.9% from 5.3x EBITDA from the same time last year⁵.
- **Exit activity increased a bit in Europe but weakened in Asia.** Europe PE aggregate exit value amounted to \$135.7 billion in 1H 2023, a 3.0% increase from 1H 2022, while Asia PE exit value dropped by 24.1% to \$61.5 billion⁵.

Notes

1. *White & Case Debt Explorer (April 10, 2023)*
 2. *Guggenheim High-Yield Bank Loan Outlook (Q1 2023)*
 3. *S&P Global US LBO Review (4Q 2022)*
 4. *S&P Global LCD European Leveraged Buyout Review (4Q 2022)*
 5. *Pitchbook (December 31, 2022)*
- * Include Buyout, Venture Capital, Private Debt, Fund of Funds and Secondaries.
** Dry Power numbers are 6-month lag.

Investment Type	Policy Target	Policy Range	Market Value %	Market Value \$(000)	Unfunded Commitment \$(000)	Market Value + Unfunded \$(000)
SamCERA - Total Plan			100.0%	5,990,312		
Buyout (60% +/- 20%)	4.2%	2.4%-4.8%	3.8%	226,796	187,071	413,867
Venture Capital (20%, 0%-30%)	1.4%	1.0%-1.8%	1.6%	93,738	40,005	133,743
Debt-Related/Special Situations (20% +/- 10%)	1.4%	0.6%-1.8%	1.2%	73,625	97,043	170,668
Total Private Equity*	7.0%	4%-8%	6.6%	394,159	324,119	718,278

Portfolio Summary

- As of June 30, 2023, the portfolio's exposure to Private Equity was \$394,159,819 with \$240,054,878 in Buyout \$93,738,417 in Venture Capital, and \$73,625,228 in Debt-Related/Special Situations. Total market value is the current reported value of investments, excluding the remaining unfunded commitments.
 - Since initial allocation to Private Equity, SamCERA has contributed \$527,123,861 towards its Private Equity commitments, with \$335,217,749 to Buyouts, \$64,957,961 to Venture Capital, and \$126,948,151 to Debt Related. Unfunded commitments total \$324,118,822.
- The total portfolio exposure at 7.0% of plan is below the 7.0% target, effective July 1st 2022. Compared to December 31, 2022, portfolio exposure is flat. Buyout, Venture Capital, and Debt Related / Special Situations exposures remain within policy range.

Portfolio Activity

- In 1H of 2023, SamCERA committed \$30,000,000 to CD&R XII, \$20,000,000 to Charlesbank Technology Opportunities fund II, \$10,000,000 to Eclipse V, \$20,000,000 to Genstar Capital Partners XI, \$25,000,000 to Gridiron fund V, and \$20,000,000 to MGG Structured Solutions Fund II.
- Within the last two years, SamCERA completed the sale of its interest in three funds in the secondary market: JLL Partners Fund VII, Angeles Equity Partners I, and New Enterprise Associates 14.

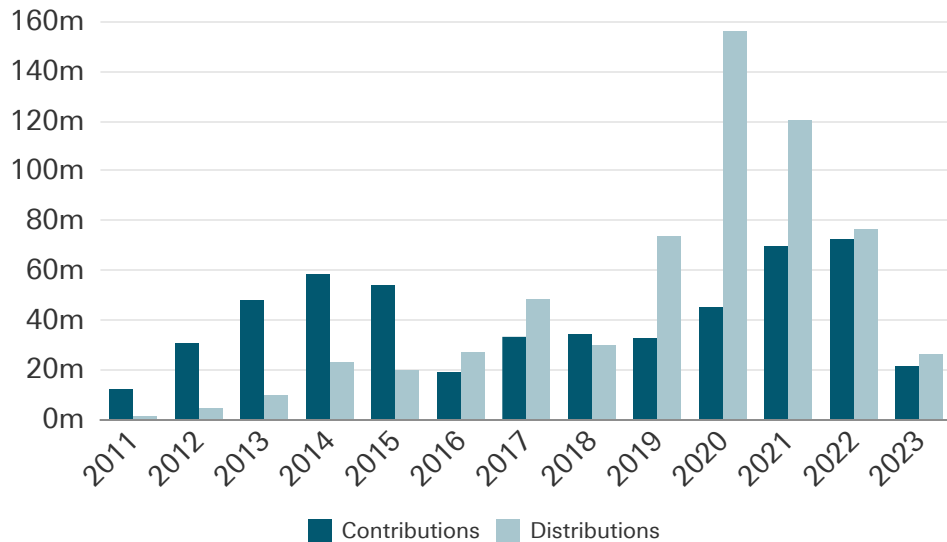
Performance

- The Total Private Equity portfolio’s performance, as measured by net IRR, is 19.30%, 621 bps above the same cash flow invested in Russell 3000 Total Return Index + 300 bps of 13.09%. Capital weighted average investment age of the portfolio is 5.26 years.
- The portfolio is currently valued at \$394,159,819. Together with \$612,779,397 in realized distributions, the Total Value at \$1,006,939,216 is \$479,815,355 above \$527,123,861 in total capital contributions, resulting in a total value multiple of 1.91x and a distribution multiple of 1.16x.
- Thus far in 2023, distributions have outpaced contributions at a ratio of 1.2:1.

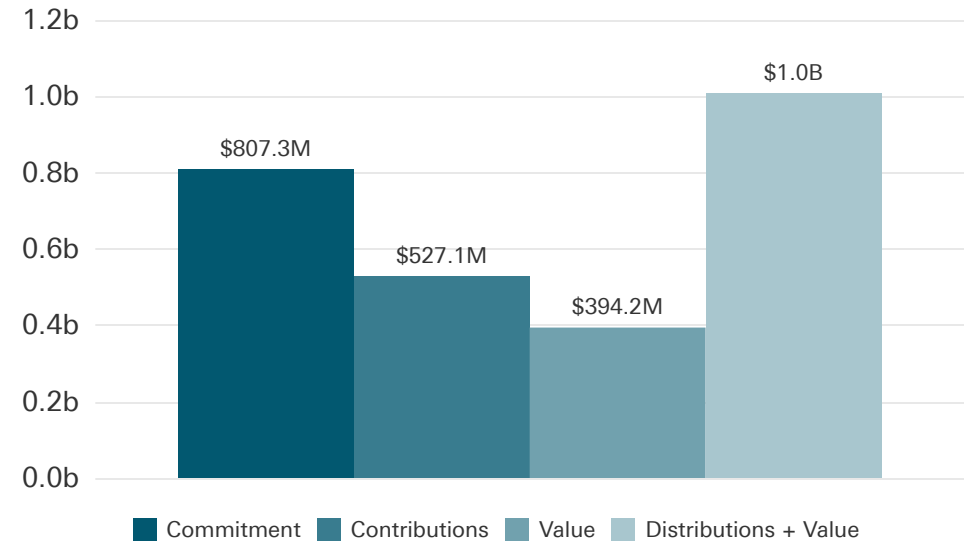
Attribution of returns:

- Buyouts up \$212,334,496 / 1.67x (Great Hill VI, VII and Sycamore leading), with 0.95x of called capital realized and distributed;
- Venture Capital is up \$243,658,069 / 4.04x cost (Emergence III, Great Hill VI, and General Catalyst VI leading), with 2.87x of called capital realized and distributed.
- Debt-related, up \$23,822,790 / 1.19x cost (Abry Senior Equity V, Abry Adv Sec II, and SVP Special Situations leading), with 0.61x of called capital realized and distributed.
- Within Private Equity, the current allocation of market value exposure is 60.2% to Buyout, 18.7% to Venture Capital, and 21.1% to Debt-Related/Special Situations.

Cash Flows on Annual Basis as of June 30, 2023

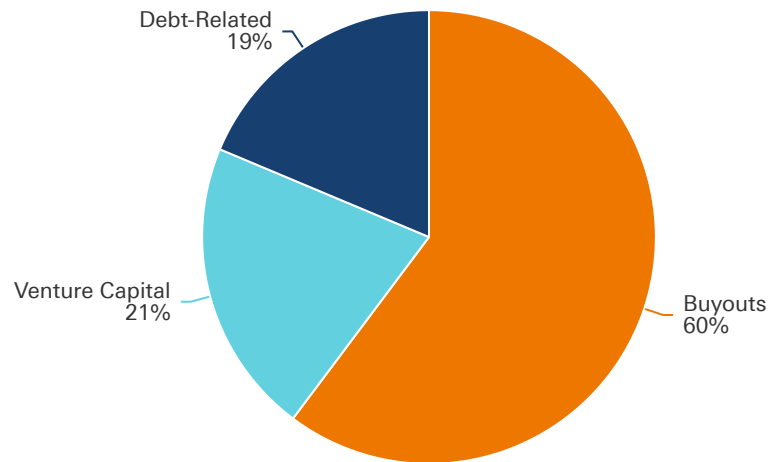


Cumulative Cash Flow and Valuation as of June 30, 2023



Investment Type	Commitment	Reported Value
Buyouts	\$497,820,000	\$237,420,347
Debt-Related	\$214,500,000	\$73,625,228
Venture Capital	\$95,000,000	\$83,114,244
Total	\$807,320,000	\$394,159,819

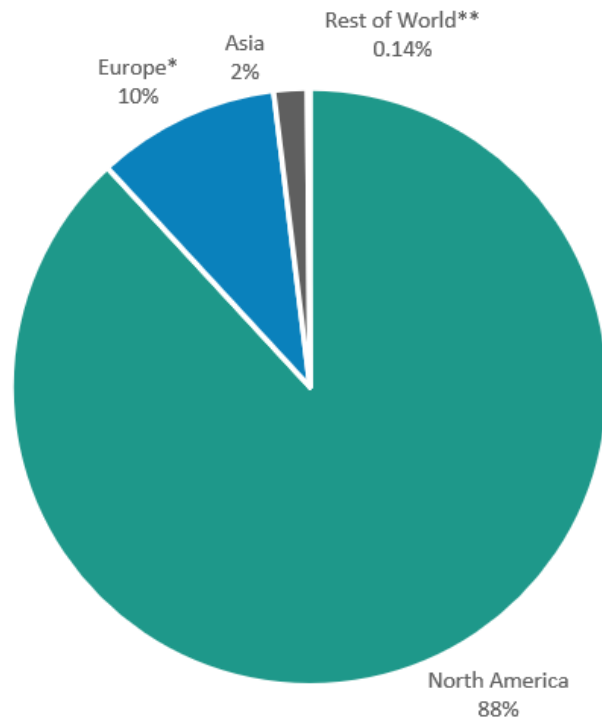
Current Exposure by Fund Type



Portfolio Diversification by Geography

For Period Ending June 30, 2023

Geography	Current Exposure
North America	347,412,464
Europe*	39,100,654
Asia	7,134,293
Rest of World**	512,408
Total Private Equity	394,159,819

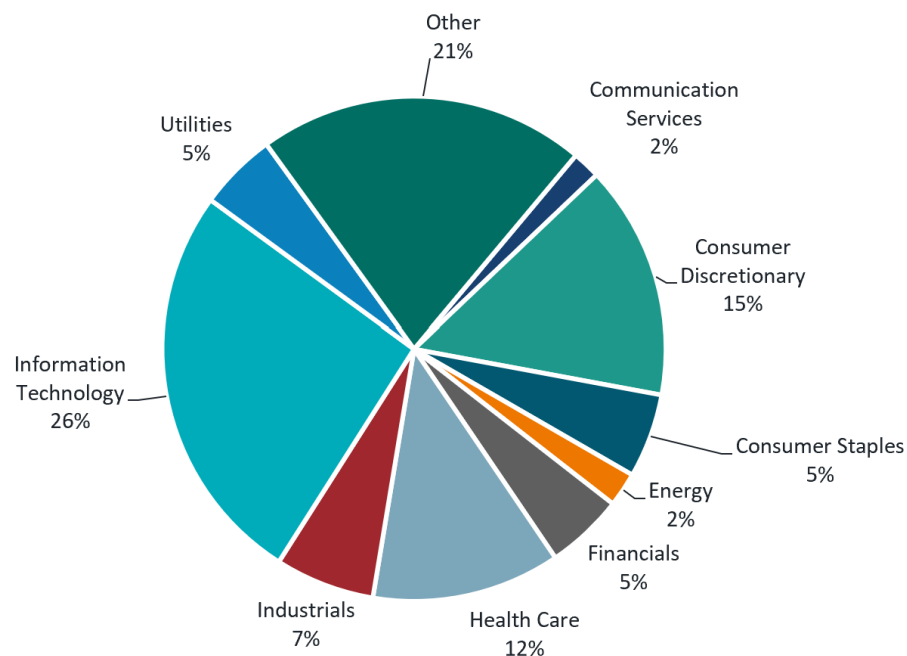


Based on the value of portfolio companies and fund reported exposures as of June 30, 2023. Differences between reported value and the total portfolio valuation is due to temporary cash funds, fees, other expenses, and holdings with undisclosed geography breakdown.

Portfolio Diversification by GICS

For Period Ending June 30, 2023

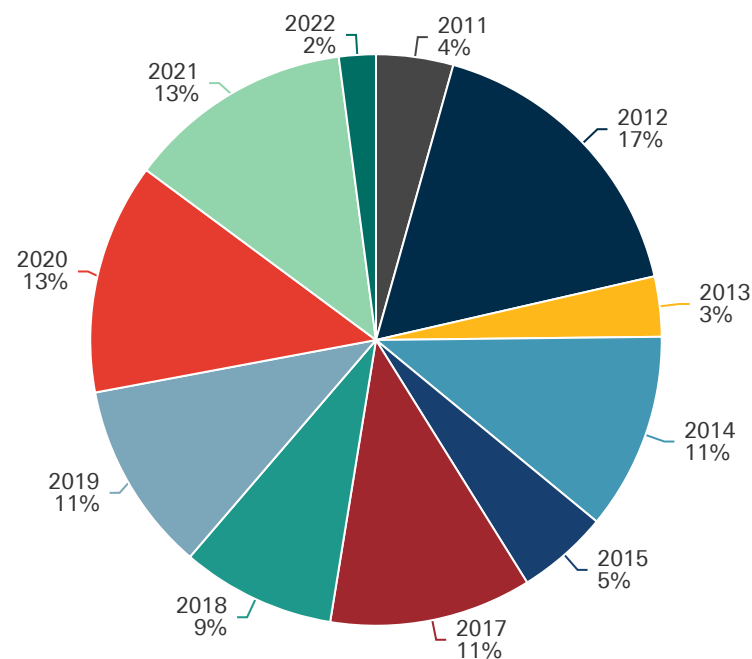
Industry	Current Exposure
Communication Services	7,094,877
Consumer Discretionary	59,123,973
Consumer Staples	21,284,630
Energy	8,671,516
Financials	19,707,991
Health Care	47,693,338
Industrials	25,226,228
Information Technology	102,481,553
Utilities	19,707,991
Other	83,167,722
Total Private Equity	394,159,819



Based on the value of portfolio companies and fund reported exposures as of June 30, 2023. Differences between reported value and the total portfolio valuation is due to temporary cash funds, fees, other expenses, and holdings with undisclosed GICS breakdown.

Vintage Year	Commitments	Reported Value
2011	\$66,000,000	\$17,205,648
2012	\$68,000,000	\$67,225,163
2013	\$35,000,000	\$13,402,648
2014	\$72,500,000	\$43,891,037
2015	\$53,000,000	\$20,385,652
2016	\$10,000,000	\$0
2017	\$37,000,000	\$45,086,291
2018	\$35,000,000	\$34,363,444
2019	\$50,000,000	\$42,454,817
2020	\$66,820,000	\$51,565,551
2021	\$114,000,000	\$50,366,516
2022	\$75,000,000	\$8,213,053
2023	\$125,000,000	\$0
Total	\$807,320,000	\$394,159,819

Current Exposure by Vintage Year



- **No Material exceptions to Policy**