



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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July 9, 2014

To: Members of the Board of Retirement

From: George Wood – Chair

Subject: Summary of the July 9, 2014 Investment Committee Meeting

The Investment Committee met on Wednesday, July 9, 2014 at 9:37 a.m. The Committee members present were Dale Amaral, Keith Carson, Elizabeth Rogers, Donald White, and George Wood. Also present was Alternate Safety member Darryl Walker. Members of the Staff present were, Kathy Foster – Assistant Chief Executive Officer, Harsh Jadhav – Chief of Internal Audit, Lori Schnall – Associate Counsel, and Betty Tse – Chief Investment Officer

ACTION ITEM

1. Discussion of and Possible Motion to Recommend to the Board to Adopt an Investment in PEARLS – Other Alternative Investment
 - Representatives from Neuberger Berman's Dyal Capital Partners business unit presented to the Committee the goals, the investment strategy and investment process of the Dyal II US Investors, L.P. (Fund). They described the Fund's due diligence evaluation criteria, deal structures, and performance expectations. The representatives also explained potential exit strategies; the backgrounds and expertises of the members of the Dyal Capital Partners and all fees.
 - After discussion, Mr. Donald White moved, seconded by Mr. Dale Amaral, to recommend to the Board to adopt a \$40.0 million commitment to the Dyal II US Investors, L.P. pending completion of background investigations, legal due diligence, and successful contract negotiation.
 - The motion carried 6 yes (Amaral, Carson, Rogers, Walker, White, and Wood), 0 no, and 0 abstention.

INFORMATION ITEMS

1. Review of AEW Capital Management
 - Representatives from AEW provided an overview of AEW's organization, AEW Value Investors L.P. (AEW) and performance for trailing 12 months and since inception. Accordingly, there have been no significant changes to AEW's organization. AEW is a research-driven, top-quartile manager for its vintage year (2007). For the first quarter of 2014, AEW returned 2.7% before fees and had a market value of \$14.1 million. One-year returns before fees for AEW was 22.2%. AEW expects to ask for the second of three one-year extensions by April 2015 as it is taking advantage of the strong multifamily markets and winding down the closed-end fund. The Committee asked questions and discussed key points; thanked AEW for their presentation.

2. Review of CIM Urban REIT

- For the first quarter of 2014, CIM IV returned 7.5% before fees and had a market value of \$30.9 million while CIM VI returned 1.1% before fees and had a market value of \$25.8 million. One-year returns before fees for CIM VI was 7.0%, while one-year returns for CIM IV were unavailable due to its reverse merger and subsequent Initial Public Offering.

3. Review of PRISA, PRISA II, and PRISA III

- Prudential representatives discussed the company's investment philosophy and provided an overview of the Funds that ACERA is invested in. For the first quarter of 2014, PRISA returned 2.5% before fees and had a market value of \$41.2 million, PRISA II returned 3.3% before fees and had a market value of \$38.6 million, and PRISA III returned 2.2% before fees and had a market value of \$3.2 million. One-year returns before fees for PRISA, PRISA II, and PRISA III were 13.8%, 16.6%, and 13.7%, respectively. ACERA is in the process of transferring out of PRISA II and moving to PRISA III as adopted by the Board on February 21, 2013. As of March 31, 2014, \$2.9 million has been invested in PRISA III from PRISA II.

RECOMMENDATIONS

- The Committee recommends, and I move, that the Board adopt a \$40.0 million commitment to Dyal II US Investors, L.P. pending completion of background investigations, legal due diligence, and successful contract negotiation.

TRUSTEE/PUBLIC INPUT

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FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

August 13, 2014 at 9:30 a.m.

ADJOURNMENT

The meeting adjourned at 12:09 p.m.