



**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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Date: August 10, 2016  
To: Members of the Board of Retirement  
From: George Wood - Chair  
**Subject: Summary of August 10, 2016 Investment Committee Meeting**

The Investment Committee met on Wednesday, August 10, 2016 at 9:45 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Tarrell Gamble, Elizabeth Rogers, and George Wood. Also present was Alternate Safety member Darryl Walker. Members of the Staff present were Joseph Fletcher – Chief Counsel, Kathy Foster – Asst. Chief Executive Officer, Harsh Jadhav – Chief of Internal Audit, Betty Tse – Chief Investment Officer, and Susan Weiss – Associate Counsel.

**ACTION ITEMS**

1. Discussion of and Possible Motion to Recommend to the Board to Adopt an Investment in PEARLS – Buyouts
  - Representatives from Angeles Equity Partners presented to the Committee the background, philosophy, strategy, investment process, and investment team of the Manager's fund. The Representatives discussed the Manager's exhaustive due diligence effort prior to making an investment and the focus on an operations-oriented strategy to create value and build great businesses when acquiring control positions in lower-middle market companies. These companies typically have some element of complexity that requires the unique experience of the Angeles team to maximize the value of the given portfolio company. In their prior experience with their former employer, the Representatives demonstrated the ability to deliver strong returns to investors by successfully transforming the operations of multiple businesses.
  - After discussion, Mr. Dale Amaral moved, seconded by Ms. Ophelia Basgal, to recommend to the Board to adopt an up to \$35.0 million commitment to Angeles Equity Partners 1, L.P., pending completion of legal due diligence, background investigations, and successful contract negotiation.
  - The motion carried with 4 yes (Amaral, Basgal, Rogers, and Wood), 1 no (Gamble), and 0 abstention.

## **INFORMATION ITEM**

1. Report on the Proposed Timeline, Search Criteria, and Evaluation Matrix for ACERA's Passive Indices (US and International Equities) Manager Search
  - Staff reported that it has been working with Verus on development of a proposed timeline, set of search criteria or minimum qualifications, and evaluation matrix for the Passive Indices Manager RFP.
  - Staff mentioned that it would update the minimum qualifications for fiduciary insurance to be consistent with the language in the General Investment Guidelines, Policies and Procedures.
  - The Investment Committee provided input and suggested altering the proposed weightings in the evaluation matrix. Specifically, the Committee recommended changing the Investment Management weighting from 20 to 25 points, Performance and Risk from 25 points to 30 points, and Fees from 25 points to 15 points. Organization and Compliance weightings will remain at 20 points and 10 points, respectively, for a total of 100 points.
  - Staff and Verus announced that the search will be for a manager who offers both domestic and international index services.
  - Staff will formally submit these three items (timeline, minimum qualifications, and evaluation matrix) for approval as an Action Item at the September 14, 2016 Investment Committee Meeting.
2. Review of Bivium Capital Partners LLC (Traditional Manager – U.S. All-Cap Equity)
  - Representatives from Bivium provided updates on its organization, its investment process, philosophy, and performance. Since the last review in November 2014, Bivium has not changed its investment strategy or style and has been in compliance with ACERA's reporting requirements. Bivium explained that recent sub-manager changes were made, primarily, to achieve better performance.
  - For the one-year period ending 6/30/16, the account managed by Bivium returned -5.84% (gross), underperforming its benchmark (Russell 3000 + 100 bps) by 8.97%. For the five-year period ending 6/30/16, the account managed by Bivium returned 9.89% (gross), underperforming its benchmark by 3.11%. Owing to underperformance, Bivium had been placed on ACERA's Watchlist and Probation status, effective 3/06/12 and 6/04/12, respectively. Bivium said that it expects account performance to improve following recent changes to the account structure and manager composition.

**Recommendations**

- The Committee recommends, and I move, that the Board Adopt an up to \$35.0 million commitment to Angeles Equity Partners I, L.P., pending completion of legal due diligence, background investigations, and successful contract negotiation.

**TRUSTEE/PUBLIC INPUT**

None

**FUTURE DISCUSSION ITEMS**

None

**ESTABLISHMENT OF NEXT MEETING DATE**

September 14, 2016 at 9:30 a.m.

**ADJOURNMENT**

The meeting adjourned at 12: 04 p.m.