



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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August 13, 2014

To: Members of the Board of Retirement

From: Annette Cain-Darnes – Chair

Subject: Summary of the August 13, 2014 Investment Committee Meeting

The Investment Committee met on Wednesday, August 13, 2014 at 9:30 a.m. The Committee members present were Dale Amaral, Annette Cain-Darnes, Keith Carson, George Dewey, and Elizabeth Rogers. Also present was Alternate Safety member Darryl Walker. Members of the Staff present were, Vincent Brown – Chief Executive Officer, Kathy Foster – Assistant Chief Executive Officer, Susan Weiss – Associate Counsel, and Betty Tse – Chief Investment Officer

ACTION ITEM

There were no action items for discussion.

INFORMATION ITEMS

1. Report on the Proposed Timeline, Search Criteria, and Evaluation Matrix for ACERA's Real Estate Consultant Search
 - Staff reported that they have been working with Cortex Applied Research Inc. (Cortex) in the development of a Request for Proposal (RFP) for the Real Estate Consultant search. Investment Staff received comments from Trustees related to the search process for ACERA's Real Estate Consultant.
2. Report on ACERA's Investment – Venture Capital
 - Upon completion of all due diligence procedures and in accordance with ACERA's PEARLS Policy and the 2014 - 2015 Investment Plan for ACERA's PEARLS Portfolio, SIS recommended and Staff approved a \$10.0 million commitment to Khosla Ventures (KV) V, L.P. as part of the Venture Capital allocation in ACERA's PEARLS portfolio, pending completion of legal due diligence, background checks, and successful contract negotiations. The KV's practice of holding some positions past their IPO dates was discussed. According to the Policy, a commitment of \$10 million is within Staff's delegated authority and within the investment plan. Khosla Ventures, LLC is a manager of four funds to which ACERA has committed and which continues in good standing.
3. Review of Heitman Capital Management, LLC
 - ACERA has investments in Heitman America Real Estate Trust (HART) and Heitman Value Partners II, L.P. (HVP II.) Representatives from Heitman provided an overview of Heitman's organization, the investment strategies, and performance numbers for the trailing 12 months and since inception. Representatives disclosed that Old Mutual (OM), which owns 50% of Heitman Capital Management LLC, filed Form S-1 to sell a portion of its affiliates in OM Asset Management Company. As of 3/31/2014, HART returned 14.99% before fees for the one-year trailing; and 12.90% since ACERA inception (2013) into the

fund. HVP II returned 26.37% before fees for the one-year trailing; and 10.4% before fees since ACERA inception (2007). The Committee asked questions and discussed key points; thanked Heitman for their presentation. The Committee directed Staff to closely monitor Heitman through this ownership change.

4. Review of JP Morgan Strategic Property Fund and Alternative Property Fund.

- Representatives from JP Morgan Asset Management provided an overview of JP Morgan Strategic Property Fund, its organization, the investment strategy, and performance numbers for the trailing 12 months and since inception.
- For the first quarter of 2014 JP Morgan SPF returned 14.75% before fees and 2.8% since inception (2007). JP Morgan APF returned 0.6% (no fees) and was down 1.3% since inception (2006) for the same respective periods.
- The Committee asked questions and discussed key points; thanked JP Morgan for their presentation.

TRUSTEE/PUBLIC INPUT

Stephen Scheinman President of REAC informed the Trustees that Betty Tse, CIO attended REAC's Board of Directors meeting last Monday, August 11, 2014. He expressed his appreciation on a very thorough and understandable presentation which she provided at the meeting.

Betty Tse gave kudos to The Townsend Group for the contribution to the portfolio.

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

September 10, 2014 at 9:30 a.m.

ADJOURNMENT

The meeting adjourned at 12:03 p.m.