



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**



Period Ending: December 31, 2023

Investment Performance Review

Private Markets

San Mateo County Employees' Retirement Association

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Market Commentary

DEBT RELATED

- **HY issuance was up, but Leveraged Loan issuance was down.** In 2023, US High Yield issuance at \$152.9 billion was up 58.4% compared to 2022¹. US Leverage Loan issuance volume was \$876.9 billion in 2023, down 17.3% / \$183.3 million from the \$1,060.2 billion in 2022¹. In Europe, 2023 new issue LBO Loan volume at \$28.6 billion was down 21.0% from 2022 and down 79.2% from \$137.7 billion peak in 2007⁴.
- **Spreads tightened across the board.** US HY Credit Index decreased by 128bps or down by 26.1%² versus last year. BB and B index tightened by 48 bps and 195 bps, decreasing by 13.2%² and 28.2%² versus 2022. In the meantime, CCC index spread decreased by 14.1%² in 2023 from 2022.
- **Decline in both interest coverage and large LBO leverage in both US and Europe.** In the US, interest coverage averaged 2.4x (EBITDA / cash interest), down 22.1% from 2022³. Large Corp total leverage averaged 4.9x (debt / EBITDA) in 2023 for US new issue loans, down 17.8% from 2022³. In Europe, leverage multiples decreased 6.3% to 5.3x in 2023⁴, down from 13.1% from peak in 2007⁴.

GLOBAL

- **Private Markets dry powder increased slightly globally.** In 2023, global total dry powder was at \$3.1 trillion, up by 0.9% from 2022⁵. Global total PE ex Venture Capital dry powder was up by 0.1% to \$1.6 trillion⁵. Global Venture Capital dry powder was down by 0.1% to \$657.3 billion⁵. Global Private Debt dry powder was up by 4.1% to \$506.2 billion⁵.

US PRIVATE EQUITY (BUYOUT & GROWTH)

- **Buyout fundraising activity increased while Growth strategy decreased.** In 2023, US Buyout firms raised \$301.7 billion, up by 4.3% from 2022⁵. Average fund size was up 111.3%, from \$449.0 million in 2022 to \$948.7 million in 2023⁵. US Growth strategy raised \$72.6 billion, down by 18.8% from \$89.4 billion in 2022.
- **Investment activity was down.** In 2023, US buyout firms invested in \$563.6 billion⁵ (-31.6% from 2022) into 5,207 deals⁵ (-27.1%)⁵. Energy and IT sectors declined the most, down from 2022 by 55.9% and 50%, respectively. Materials & resources sector invested the most capital (\$22.3 billion⁵, +28.9% from 2022). B2B completed the most number of deals (2,631 deals⁵, -20.8% from 2022). US Growth strategy deployed \$81.7 billion⁵, down by 9.8% from \$90.6 billion⁵ of 2022.
- **Dry powder increased.** In 2023, US private equity dry powder was \$1.3 trillion⁵, up by 1.9% from 2022.

Market Commentary

- **LBO price multiples down.** As of December 31, 2023, US LBO purchase price multiple (Enterprise Value / EBITDA) was at 10.8x⁶, an 8.6% decrease from December 31, 2022⁶.
- **Exit activity decreased.** During 2023, US private equity firms exited 1,121 companies⁵, representing \$282.1 billion⁵ in total transaction value. This represented a 17.4% decrease in the number of exits and a 7.8% decrease in total transaction value compared to 2022⁵.

US VENTURE CAPITAL

- **Fundraising activity dropped significantly with increased fund size.** US VC firms raised \$66.9 billion in 2023, a 61.3% decrease from 2022⁵. 474 funds closed in 2023, a 64.6% decrease from 2022⁵. The average US VC fund size increased to \$141.1 million by 9.4% versus 2022⁵.
- **Investment activity decreased.** US VC firms deployed \$170.6 billion⁵ in capital in 2023, a 29.6% decrease from last year. The number of deals closed at 15,766⁵, a 10.4% decrease from 2022. Average deal size decreased 21.4% from 2022.
- **Dry powder increased.** In 2023, US VC dry powder was at \$311.6 billion⁵, up 3.9% from a year ago.
- **Entry valuations and deal sizes mixed by stage:**
 - **Entry valuations.** Compared to December 31, 2022, the average pre-money valuations for all stages in 2023 are: down 5.0% at \$5.7 million⁵ for Pre-seed stage, up 9.1% at \$12.0 million⁵ for Seed stage, down 17.0% at \$38.3 million⁵ for early-stage VC, and down 17.7% at \$50.0 million⁵ for late-stage VC.
 - **Deal sizes.** Average deal size increased for Pre-seed stage by 0.8% to \$1.0 million⁵. In the meantime, average deal size decreased for Seed stage, Early stage and Late stage by 11.4% to \$3.8 million⁵, 42.5% to \$7.3 million⁵ and 6.8% at \$18.7 million⁵, respectively. Across all stages, the average investment per deal decreased to \$7.7 million, a 19.0% decrease from prior year⁵. Compared to 2020, the average deal size of Pre-seed-, Seed-, Early- and Late-stage investments were +83.7%, +45.3%, -32.2%, and -5.0%, respectively⁵.
- **Exit activity decreased significantly with smaller transactions.** US VC firms exited 1,129 companies in 2023, down by 19.4% from the same time last year, and down by 11.0% from three years ago⁵. This represented \$61.5 billion in transaction value, down by 21.8% from 2022, and down by 78.9% from 2020⁵. Largest sectors exited were Software and Commercial Products & Services.

EX US

- **Ex-US fundraising activity was down.** In 2023, ex-US fundraising decreased 11.9% from the same time in 2022 to \$571.1 billion⁵. Fundraising in Asia decreased by 38.0% to \$107.8 billion⁵, while Europe was up by 27.2% to \$149.3 billion⁵.

Market Commentary

- **Capital deployment decreased by VCs and Buyout managers in Europe and Asia.**
 - **In both Europe and Asia, investment activity declined in Venture.** In 2023, number of deals closed decreased by 30.5% in Europe with 45.6% less in capital deployed at \$63.2 billion. Similar to Europe, VCs invested \$13.3 billion (66.2% decline) into 60.4% fewer deals than 2022.
 - **Buyout deal activity increased in Europe but dropped in Asia; capital deployment dropped in Europe and in Asia.** In Europe, Buyout firms transacted on \$464.9 billion in aggregate value (-26.5% from 2022)⁵. Asia Buyout firms invested \$11.0 billion in aggregate value (-67.0% from 2022)⁵.
- **Dry powder decreased ex-US.** PE dry powder outside the US decreased 2.2% to \$1.0 trillion⁵ as of December 31, 2023. Dry powder outside the US was 19.8% less than dry powder in the US (\$1.3 trillion)⁵.
 - **Europe VC and Buyout dry powder both down.** VC at \$75.8 billion and Buyout at \$346.0 billion were down 3.6% and 1.2% from 2022, respectively⁵.
 - **In Asia, VC and Buyout dry powder decreased.** VC at \$282.9 billion and Buyout at \$186.6 billion were down 3.1% and 7.9% from 2022, respectively⁵.
- **Purchase price multiples increased both in Europe and Asia.** As of December 31, 2023, European Buyout median purchase price multiples increased 2.4% to 7.6x EBITDA from the same time last year⁵. Asia Buyout median purchase price multiples increased 27.4% to 5.6x from 4.4x EBITDA from 2022⁵.
- **Exit activity decreased both in Europe and Asia.** Europe PE aggregate exit value amounted to \$304.4 billion in 2023, a 7.5% decrease from last year, and Asia PE exit value dropped by 14.1% to \$149.6 billion⁵.

Notes

1. *White & Case Debt Explorer (February 29, 2024)*
 2. *Guggenheim High-Yield Bank Loan Outlook (Q1 2024)*
 3. *Pitchbook | LCD US Leveraged Loan Quarterly Trend Lines (April 1, 2024)*
 4. *Pitchbook | LCD European LBO Debt Quarterly Trend Lines (Q1 2024)*
 5. *Pitchbook (December 31, 2023)*
 6. *Pitchbook | LCD Q1_2024_(US LBO Debt Quarterly Trend Lines (Q1 2024)*
- * Include Buyout, Venture Capital, Private Debt, Fund of Funds and Secondaries.
** Dry Power numbers are 3-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%	6,191,331		
Buyout (60% +/- 20%)	4.2%	2.4%-4.8%	4.1%	254,238	165,686	419,924
Venture Capital (20%, 0%-30%)	1.4%	1.0%-1.8%	1.4%	88,268	47,614	135,882
Debt-Related/Special Situations (20% +/- 10%)	1.4%	0.6%-1.8%	1.2%	76,563	93,758	170,321
Total Private Equity*	7.0%	5%-9%	6.7%	419,070	307,058	726,128

Portfolio Summary

- As of December 31, 2023, the portfolio's exposure to Private Equity was \$419,069,865 with \$254,238,191 in Buyout \$88,268,452 in Venture Capital, and \$76,563,221 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 \$557,935,473 towards its Private Equity commitments, with \$342,500,277 to Buyouts, \$82,552,750 to Venture Capital, and \$132,882,446 to Debt Related. Unfunded commitments total \$307,057,814.
- The total portfolio exposure at 6.7% of plan is below the 7.0% target, effective July 1st 2022. Compared to December 31, 2022, portfolio exposure is up 0.1%. Buyout, Venture Capital, and Debt Related / Special Situations exposures remain within policy range.

Portfolio Activity

- In 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, \$10,000,000 to DCVC Bio III and \$20,000,000 to MGG Structured Solutions Fund II.

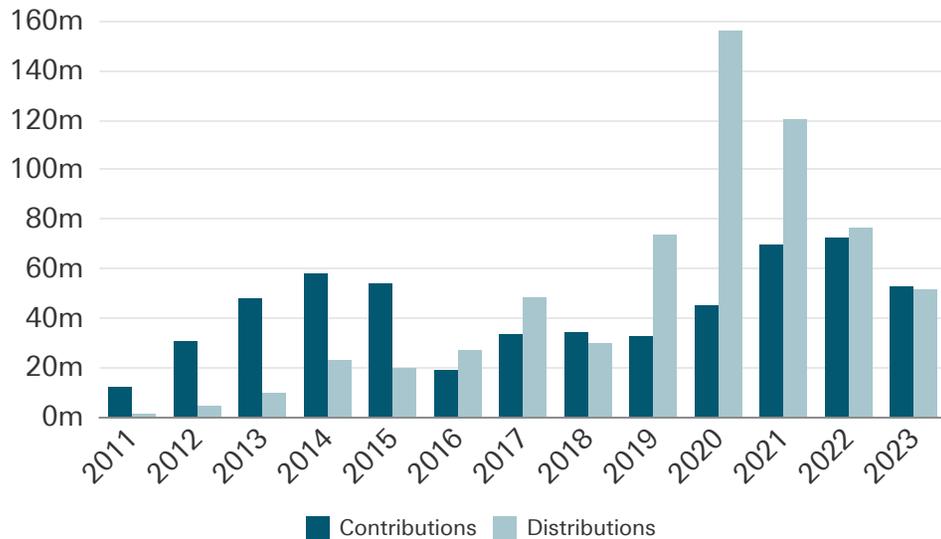
Performance

- The Total Private Equity portfolio’s performance, as measured by net IRR, is 18.99%, 580 bps above the same cash flow invested in Russell 3000 Total Return Index + 300 bps of 13.19%. Capital weighted average investment age of the portfolio is 5.61 years.
- The portfolio is currently valued at \$419,069,865. Together with \$637,957,296 in realized distributions, the Total Value at \$1,057,027,161 is \$479,815,355 above \$557,935,473 in total capital contributions, resulting in a total value multiple of 1.89x and a distribution multiple of 1.14x.
- Thus far in 2023, contributions marginally outpaced distributions at a ratio of 1.0:1.

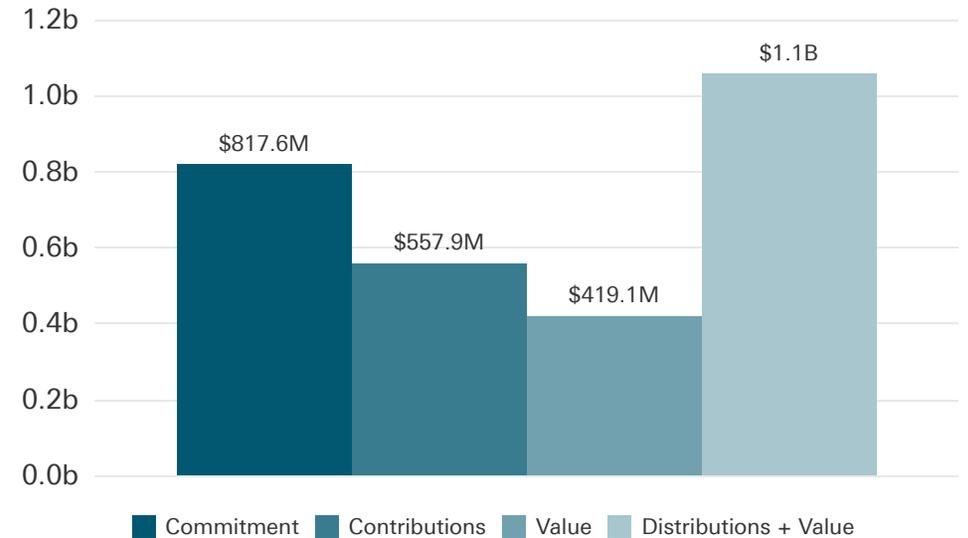
Attribution of returns:

- Buyouts up \$230,822,430 / 1.67x (Great Hill V and VI, and Sycamore leading), with 0.93x of called capital realized and distributed;
- Venture Capital is up \$239,503,336 / 3.90x cost (Emergence III, Third Rock III, and General Catalyst VI leading), with 2.83x of called capital realized and distributed.
- Debt-related, up \$28,765,922 / 1.22x cost (Abry Senior Equity V, Abry Adv Sec II, and OHA Strategic Credit Fund II leading), with 0.64x of called capital realized and distributed.
- Within Private Equity, the current allocation of market value exposure is 60.7% to Buyout, 18.3% to Venture Capital, and 21.0% to Debt-Related/Special Situations.

Cash Flows on Annual Basis as of 12/31/2023

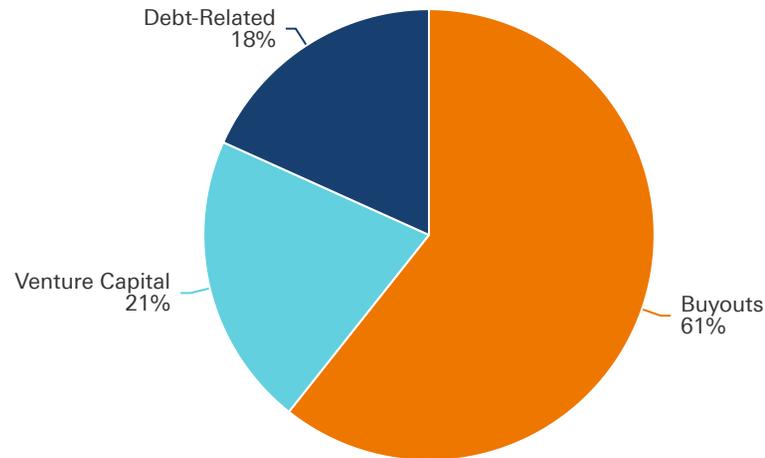


Cumulative Cash Flow and Valuation as of 12/31/2023



Investment Type	Commitment	Reported Value
Buyouts	\$472,592,999	\$254,238,191
Debt-Related	\$214,500,000	\$76,563,221
Venture Capital	\$130,500,000	\$88,268,452
Total	\$817,592,999	\$419,069,865

Current Exposure by Fund Type

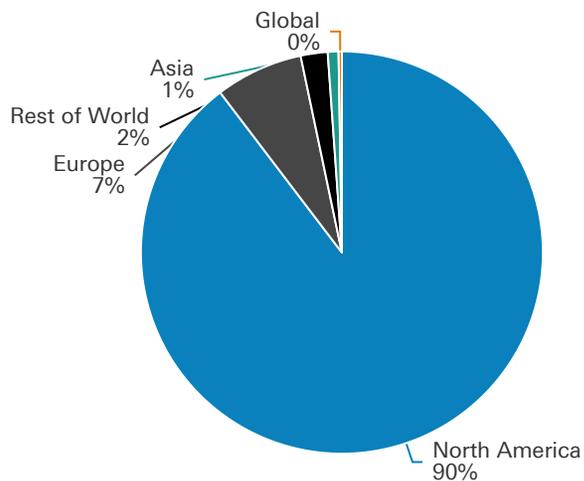


Portfolio Diversification by Geography

For Period Ending December 31, 2023

Geography	Reported Value
Global	\$1,095,322
North America	\$369,117,671
Europe	\$29,062,945
Asia	\$3,555,439
Rest of World	\$8,927,286
Unknown	\$7,311,202
Total	\$419,069,865

Reported Value by Geography



Based on the value of portfolio companies and fund reported exposures as of December 31, 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.

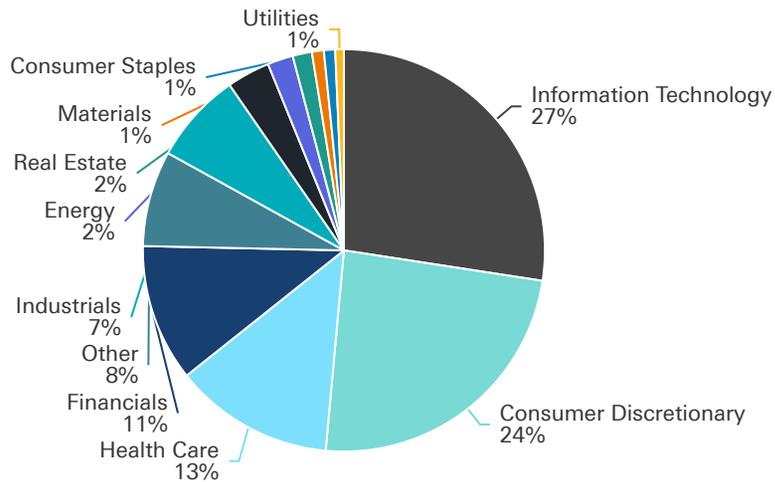
* Total Reported Value is not inclusive of Sixth Street TAO

Portfolio Diversification by GICS

For Period Ending December 31, 2023

Global Industry Classification Standard	Reported Value
Communication Services	\$14,289,107
Consumer Discretionary	\$98,934,980
Consumer Staples	\$3,723,851
Energy	\$8,479,332
Financials	\$45,447,454
Health Care	\$52,943,251
Industrials	\$30,210,267
Information Technology	\$112,908,516
Materials	\$3,937,324
Real Estate	\$6,376,768
Utilities	\$2,851,490
Other	\$38,967,526
Total	\$419,069,865

Reported Value by Industry

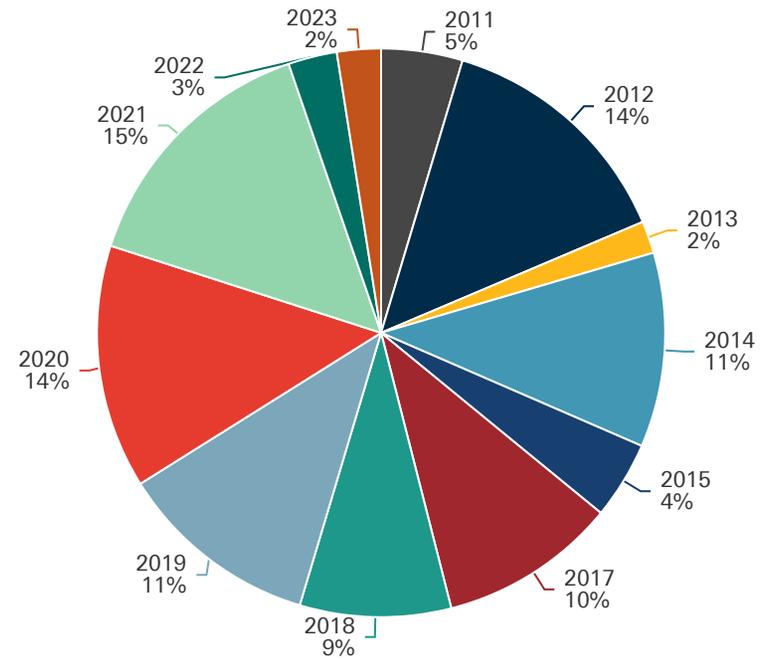


* Total Reported Value is not inclusive of Sixth Street TAO

Based on the value of portfolio companies and fund reported exposures as of December 31, 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	\$19,409,958
2012	\$68,000,000	\$58,638,418
2013	\$35,000,000	\$7,655,913
2014	\$72,500,000	\$46,352,269
2015	\$53,000,000	\$18,478,172
2016	\$10,000,000	\$0
2017	\$37,000,000	\$42,326,656
2018	\$35,000,000	\$36,047,581
2019	\$50,000,000	\$48,060,982
2020	\$67,092,999	\$58,087,950
2021	\$114,000,000	\$61,904,379
2022	\$75,000,000	\$11,641,173
2023	\$135,000,000	\$10,466,413
Total	\$817,592,999	\$419,069,865

Current Exposure by Vintage Year



- **No Material exceptions to Policy**