



# LACERS Emerging Manager Symposium

PROPRIETARY & CONFIDENTIAL

October 2021



The Townsend Group, an Aon Company

Cleveland | Chicago | San Francisco | Toronto | London | Hong Kong

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Townsend has been LACERS' Real Estate Consultant since 2014.

As LACERS' consultant, Townsend's responsibilities include conducting due diligence on real estate fund managers and evaluating portfolio fit.

Townsend's dedicated due diligence team leads manager research efforts, while Townsend's assigned LACERS Client Team is responsible for determining portfolio fit and making recommendations to LACERS Staff, Investment Committee and Board.

# Townsend Due Diligence Process

SCREENING	UNDERWRITING	RECOMMENDATION
<p><b>Documents Required</b></p> <ul style="list-style-type: none"><li>▪ Offering Materials</li><li>▪ Initial Due Diligence Questionnaire</li><li>▪ Fund-Level Questionnaire for prior investment performance</li></ul> <p><b>Process Description</b></p> <ul style="list-style-type: none"><li>▪ Offering materials are received and the investment opportunity is registered in the firm-wide database</li><li>▪ The manager is sent an Initial Online Due Diligence questionnaire to complete, which is then uploaded to the database</li><li>▪ The investment opportunity is reviewed to determine whether it is consistent with Townsend’s view of the best investment ideas and whether there is client interest for the general strategy</li><li>▪ This may entail an initial meeting with the manager, whether by telephone or in person, to gather more information</li></ul>	<p><b>Documents Required</b></p> <ul style="list-style-type: none"><li>▪ Comprehensive Due Diligence Questionnaire</li><li>▪ Further information as deemed necessary by underwriting team</li></ul> <p><b>Process Description</b></p> <ul style="list-style-type: none"><li>▪ Should the opportunity satisfy our initial screening criteria, an underwriting team is assigned and comprehensive due diligence is conducted</li><li>▪ During the due diligence process, Townsend internally shares all notes in order to better determine suitability for particular client portfolios, even if the investment theme is not broadly recommended</li><li>▪ Offerings that do not satisfy our screening criteria are tracked for performance and management team updates</li><li>▪ Performance data submissions are required so the investment opportunity can be continuously vetted</li></ul>	<p><b>Documents Required</b></p> <ul style="list-style-type: none"><li>▪ Further information as deemed necessary by Investment Committee</li></ul> <p><b>Process Description</b></p> <ul style="list-style-type: none"><li>▪ If due diligence confirms the suitability of the investment, a recommendation is presented to and vetted by Townsend’s Investment Committee</li><li>▪ The Investment Committee oversees all investments made for discretionary clients and recommendations to advisory clients</li><li>▪ The Investment Committee may approve or reject an investment, or request that additional due diligence be conducted</li><li>▪ If approved, the manager will be immediately contacted by a Townsend Consultant or Portfolio Manager</li></ul>

# Emerging Manager Sourcing Process

## Emerging Manager Sourcing

- Townsend focuses on identifying emerging managers during its sourcing and monitoring process.
  - Network and establish new relationships through regular sourcing channels, outreach and conference attendance.
  - Seek new opportunities that align with Townsend View of the World.
  - Uncover experienced niche operating partners interested in raising third-party capital.
  - Oversight and management of dedicated Emerging Manager programs across the firm.
  - Maintain active pipeline of Emerging Manager candidates.
  - Actively vetting new owner/operators as potential Emerging Manager candidates.

## LACERS Emerging Manager Efforts

- Since 2015, LACERS has made fourteen non-core fund commitments recommended by Townsend.
  - Out of these commitments, four (~29%) were to funds sponsored by emerging managers.
- In 2021, LACERS updated its Emerging Manager Policy to the following:
  - The fund size may not be larger than \$2 billion.
  - First, second or third institutional fund for a given General Partner.
  - The firm must have been in existence for a minimum of one year (six months if all senior staff come from an established manager as part of a spin-out).
  - The team must have a minimum track record of five years.
  - No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
  - No Limited Partner can represent more than 30% of the total Fund's capital.
  - The fund shall have a minimum fund size of \$150 million in committed capital inclusive of LACERS pending commitment.
  - For first-time institutional funds, LACERS commitment shall not exceed 10% of the projected final closing fund size or \$30 million, whichever is lower (20% or \$40 million for second- and third-time institutional funds).



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Townsend has a single point of contact for new investment ideas to ensure all managers have equal access; regardless of platform size or length of track record. All offering materials and updated information should be submitted to:

**[townsendduediligence@aon.com](mailto:townsendduediligence@aon.com)**

# Disclosures

This presentation (the “Presentation”) is being furnished on a confidential basis to a limited number of sophisticated individuals meeting the definition of a Qualified Purchaser under the Investment Advisors Act of 1940 for informational and discussion purposes only and does not constitute an offer to sell or a solicitation of an offer to purchase any security.

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There can be no assurance that any account will achieve results comparable to those presented. Past performance is not indicative of future results.

Townsend is a wholly owned, indirect subsidiary of Aon plc.

# Disclosures and Definitions



## GENERAL DISCLOSURES

There can be no assurance that any account will achieve results comparable to those presented. Past performance is not indicative of future results. Investing involves risk, including possible loss of principal.

Returns reflect the equal-weighted returns calculated during the periods indicated. Note: If including Core, this is value-weighted. In addition, the valuations reflect various assumptions, including assumptions of actual unrealized value existing in such investments at the time of valuation. As a result of portfolio customization/blending and other factors, actual investments made for your account may differ substantially from the investments of portfolios comprising any indices or composites presented.

Due to the customized nature of Townsend's client portfolios, the performance stated may be considered "hypothetical" as it does not reflect the experience of individual client portfolios, but rather aggregate client positions in the stated investment strategy.

## NON REGULATORY ASSETS UNDER MANAGEMENT

As March 31, 2021, Townsend had assets under management of approximately \$19.9 billion. When calculating assets under management, Townsend aggregates net asset values and unfunded commitments on a quarterly basis. Townsend relies on third parties to provide asset valuations, which typically takes in excess of 90 days after the quarter end. Therefore, assets under management have been calculated using March 31, 2021 figures where available but may also include December 31, 2020 figures. Assets under management are calculated quarterly and includes discretionary assets under management and non-discretionary client assets where the client's contractual arrangement provides the client with the ability to opt out of or into particular transactions, or provides other ancillary control rights over investment decision-making (a/k/a "quasi-discretionary"). Regulatory AUM is calculated annually and can be made available upon request.

## ADVISED ASSETS

As of March 31, 2021, Townsend provided advisory services to clients who had real estate/real asset allocations exceeding \$143.8 billion. Advised assets includes real estate and real asset allocation as reported by our clients for whom Townsend provides multiple advisory services—including strategic and underwriting advice for the entire portfolio. Advised assets are based on totals reported by each client to Townsend or derived from publicly available information. Advised assets are calculated quarterly. Select clients report less frequently than quarterly in which case we roll forward prior quarter totals

**TREA STRATEGIES (NON-CORE)** employ a global non-core multi strategy approach with 50% or more of the investments invested in non primary fund investments such as co-investments, joint ventures, secondaries and clubs. Strategies are diversified by geography, sector, property type, manager and vintage year.

**CORE-PLUS STRATEGIES (CORE)** employ a global core/core plus multi strategy approach investing in primary funds, joint ventures, co-investments, secondaries, direct investments, debt strategies and REITs. Strategies are diversified by geography, sector, property type, manager and vintage year.

**SEPARATE ACCOUNTS** includes all Townsend active discretionary accounts which invest in a variety of investment styles and structures.

## TREA STRATEGIES

Townsend's TREA Strategies (Non-Core) employ a global non-core multi strategy approach with 50% or more of the investments invested in non primary fund investments such as co-investments, joint ventures, secondaries and clubs. Strategies are diversified by geography, sector, property type, manager and vintage year.

### **Global Opportunistic Strategy:**

Townsend's 2007 vintage TREA Program was comprised of one closed end single limited partner vehicle (Cayuga Lake Fund, L.P.).

### **Global Value-Add Strategy:**

Townsend's 2007 vintage TREA Program was comprised of one closed end single limited partner vehicle (Seneca Lake Fund L.P.).

Townsend's 2008-10-11 vintage TREA Program was comprised of one closed end single limited partner vehicle (Lake Tahoe, L.P.) and two commingled funds (Penn Square Global Real Estate Fund II, L.P. and Townsend Select Opportunities Fund, L.P.).

Townsend's 2012 vintage TREA Program was comprised of one closed end single limited partner vehicle (Lake Tahoe, II, L.P.) and one commingled fund (Townsend Real Estate Alpha Fund, L.P.).

Townsend's 2015 vintage TREA Program was comprised of one closed end single limited partner vehicle (Lake Tahoe, III, L.P.) and one commingled fund (Townsend Real Estate Alpha Fund II, L.P.).

Townsend's 2018 vintage TREA Program was comprised of one closed end single limited partner vehicle (Lake Tahoe, IV, L.P.) and one commingled fund (Townsend Real Estate Alpha Fund III, L.P.).

Note: Investment level net IRR's and equity multiples are reported. Net IRR is the net return earned by an investor over a particular time frame, including the performance of both realized and unrealized investments, at fair value. The Net IRR is based upon daily investor level cash flows, current quarter net asset value as hypothetical liquidation mark, and is after the deduction of fees. Investment performance data is reported to Townsend on a quarterly basis by the underlying investment manager. The value of unrealized investments is subject to change.

Net Investment Multiple: Based upon daily investor level cash flows. Calculated as  $(\text{Since Inception Distributions} + \text{Since Inception Withdrawals} + \text{Net Asset Value}) / \text{Paid in Capital}$ .

The Townsend Group's Investment Committee (IC) collaboratively makes all strategic investment decisions affecting Townsend's client portfolios.