SFERS

San Francisco Employees' Retirement System

City and County of San Francisco
Employees' Retirement System

RETIREMENT BOARD CALENDAR SHEET
Retirement Board Meeting of August 8, 2018

To: Retirement Board

Through: Jay Huish
Executive Director

William J. Coaker, Jr. – CFA, MBA
Chief Investment Officer

From: Alo Martins – CFA
Security Analyst

Date: August 08, 2018

Re: Chief Investment Officer's Report – Plan Value

Best available data as of July 31, 2018

	Value [1] (000)	MTD (%)	QTD (%)	YTD (%)	FYTD (%)
San Francisco Empl. Ret. Sys.	25,122,374	1.02	1.02	4.10	1.02
Total Global Equity	10,323,123	2.14	2.14	2.65	2.14
US Equity	5,484,335	2.61	2.61	8.46	2.61
Intl Equity	4,151,410	1.81	1.81	-2.32	1.81
Global Equity	687,378	3.97	3.97	4.43	3.97
Total Fixed Income	3,107,272	0.30	0.30	-1.12	0.30
Total Private Debt	449,145	0.25	0.25	7.26	0.25
Total Absolute Return	2,703,813	---	---	1.32	0.06
Total Private Equity	4,283,878	0.42	0.42	10.04	0.42
Total Real Assets	3,574,726	0.15	0.15	9.42	0.15
Total Cash (Inv+Ded)[2]	680,416	0.18	0.18	0.96	0.18

Notes:

[1] Valuations are preliminary and are reported gross of fees. The reported returns are based on prior month-end values that have been audited and adjusted by our Custody Bank since the last report.

[2] Securities Lending Program terminated 06/30/2017.

SFERS - Asset Allocation Summary Report

July 31, 2018

		Section 1 - Current Month							Section 2 - Projected (2 Month				
	6/30/18 *($ Mn)*	Cash In	Cash Out	MV Δ	7/31/18	Alloc	Target	Range	Re-Balance	Change	Ending	Alloc	Un-Funded *($ Mn)*
Growth Assets	**14,143.4**	**505.5**	**(277.0)**	**235.2**	**14,607.0**	**58.4%**	**49%**	**40 - 60%**		**20.3**	**14,627.3**	**57.4%**	
Global Equity	9,939.4	400.2	(237.3)	220.8	10,323.1	41.3%	31%	25 - 50%			10,323.1	40.5%	
Private Equity	4,204.0	105.3	(39.7)	14.4	4,283.9	17.1%	18%	13 - 23%		20.3	4,304.1	16.9%	2,737.9
Diversifying Assets	**5,897.3**	**421.1**	**(42.4)**	**2.6**	**6,278.5**	**25.1%**	**32%**	**19 - 37%**		**271.1**	**6,549.6**	**25.7%**	
Real Assets	3,535.5	79.1	(42.4)	2.6	3,574.7	14.3%	17%	12 - 22%		16.1	3,590.8	14.1%	2,281.7
Absolute Return	2,361.8	342.0	0.0	0.0	2,703.8	10.8%	15%	5 - 17%		255.0	2,958.8	11.6%	75.5
Income Assets	**2,160.5**	**11.0**	**(58.7)**	**12.6**	**2,125.5**	**8.5%**	**13%**	**5 - 25%**		**11.2**	**2,136.7**	**8.4%**	
Liquid Credit	1,714.3	0.0	(50.2)	12.2	1,676.3	6.7%	3%	0 - 10%			1,676.3	6.6%	
Private Debt	446.2	11.0	(8.5)	0.4	449.1	1.8%	10%	3- 15%		11.2	460.4	1.8%	668.6
Capital Preservation	**2,147.0**	**1,190.3**	**(1,225.3)**	**(0.6)**	**2,111.4**	**8.4%**	**6%**	**3- 15%**		**140.1**	**2,251.5**	**8.8%**	
Treasuries	1,413.8	20.0	0.0	(2.9)	1,430.9	5.7%	6%	3- 10%					
Cash	**733.1**	**1,170.3**	**(1,225.3)**	**2.2**	**680.4**	**2.7%**	**0%**	**0 - 5%**		**140.1**	**820.5**	**3.2%**	
Investment Cash	691.0	990.3	(1,137.5)	0.0	543.8				(180.0)	320.1	683.9	2.7%	
Dedicated Cash	7.9	180.0	(87.7)	0.0	100.2				180.0	(180.0)	100.2		
Parametric	34.2	0.0	0.0	2.2	36.5								
STEP Segregated	0.0	0.0	0.0	0.0	0.0								
TOTAL PORTFOLIO	**24,348.2**	**2,127.8**	**(1,603.3)**	**249.7**	**25,122.4**	(+3.2%)				**442.7**	**25,565.1**		**5,763.8**
Portfolio (ex. Ded Cash)	**24,340.2**				**25,022.2**	(+2.8%)					**25,464.9**		

Notes: Target allocation and asset allocation ranges were approved by the Board in September 2017 and October 2017, respectively. Staff expects to be in compliance with the approved ranges by September 30, 2018.
Beginning and Ending Asset Balances are based on 'Entry Dates'. Asset Allocation %s calculated based on the Investment Portfolio (excluding Dedicated Cash set aside for Benefit payments.)
Unfunded commitments are estimated as of the current month end.

SFERS - Asset Allocation Detail Report

July 31, 2018

		Section 1 - Current Month							Section 2 - Projected (2 Month Period)				
	6/30/18	**Cash In**	**Cash Out**	**MV Change**	**7/31/18**	**Alloc**	**Target**	**Range**	**Rebalance**	**Change**	**Ending**	**Alloc**	**Change**
GROWTH ASSETS	**14,143.4**	**505.5**	**(277.0)**	**235.2**	**14,607.0**	**58.4%**	**49%**	**40- 60%**		**20.3**	**14,627.3**	**57.4%**	**-0.9%**
Global Equity	**9,939.4**	**400.2**	**(237.3)**	**220.8**	**10,323.1**	**41.3%**	**31%**	**25 - 50%**			**10,323.1**	**40.5%**	**-0.7%**
Indexed Equity	**3,002.8**		**(37.3)**	**104.2**	**3,069.7**	**12.3%**	**9%**	**6 - 23%**			**3,069.7**	**12.1%**	**-0.2%**
Domestic													
S&P 500 Index	504.2		(37.3)	17.6	484.5						484.5		
GS RALE	503.3			17.3	520.5						520.5		
QMA Enhanced S&P 500	754.1			29.5	783.6						783.6		
NT Russell 2000 Growth	221.2			0.0	221.2						221.2		
BlackRock Large Cap Value	885.3			34.8	920.1						920.1		
MSCI-US ex Fossil Fuels	134.6			5.1	139.7						139.7		
Active Equity	**6,107.6**		**(200.0)**	**108.4**	**6,016.1**	**24.0%**	**11%**	**0 - 16%**			**6,016.1**	**23.6%**	**-0.4%**
Domestic													
Advent	258.1			3.1	261.1						261.1		
Bivium Core	0.0			0.0	0.0						0.0		
Van Berkom	202.5			5.5	208.0						208.0		
DFA Small Cap Value	219.4			0.0	219.4						219.4		
Sands	623.5			4.6	628.1						628.1		
Wellington	606.0			10.6	616.6						616.6		
International Core													
AQR	611.3			12.3	623.7						623.7		
Cap Guardian	308.4			6.9	315.3						315.3		
International Growth													
William Blair	509.2		(100.0)	5.5	414.7						414.7		
International Value													
LSV	324.4		(50.0)	8.0	282.4						282.4		
Causeway	334.2		(50.0)	8.1	292.3						292.3		
International Small Cap													
DFA	371.5			3.6	375.1						375.1		
Pyramis	264.2			0.7	264.9						264.9		
Emerging Markets													
DFA EM Small Cap	199.8			3.2	203.0						203.0		
DFA EM Core	232.5			7.4	239.8						239.8		
Mondrian	216.4			5.4	221.8						221.8		
Wellington	160.4			1.9	162.3						162.3		
Global													
Arrowstreet Capital	665.8			21.6	687.4						687.4		
Generation	0.0	300.2		16.7	316.9						316.9		
Opportunistic Equity	**828.9**	**100.0**		**(8.5)**	**920.4**	**3.7%**	**11%**	**0 -16%**			**920.4**	**3.6%**	**-0.1%**
Private Equity	**4,204.0**	**105.3**	**(39.7)**	**14.4**	**4,283.9**	**17.1%**	**18%**	**13 - 23%**		**20.3**	**4,304.1**	**16.9%**	**-0.2%**

SFERS - Asset Allocation Detail Report (continued)

July 31, 2018

		Section 1 - Current Month							Section 2 - Projected (2 Month Period)				
	6/30/18	**Cash In**	**Cash Out**	**MV Change**	**7/31/18**	**Alloc**	**Target**	**Range**	**Rebalance**	**Change**	**Ending**	**Alloc**	**Change**
DIVERSIFYING ASSETS	**5,897.3**	**421.1**	**(42.4)**	**2.6**	**6,278.5**	**25.1%**	**32%**	**19 - 37%**		**271.1**	**6,549.6**	**25.7%**	**0.6%**
Real Assets	**3,535.5**	**79.1**	**(42.4)**	**2.6**	**3,574.7**	**14.3%**	**17%**	**12 - 22%**		**16.1**	**3,590.8**	**14.1%**	**-0.2%**
Absolute Return	**2,361.8**	**342.0**		**0.0**	**2,703.8**	**10.8%**	**15%**	**5 - 17%**		**255.0**	**2,958.8**	**11.6%**	**0.8%**
INCOME ASSETS	**2,160.5**	**11.0**	**(58.7)**	**12.6**	**2,125.5**	**8.5%**	**13%**	**5 - 25%**		**11.2**	**2,136.7**	**8.4%**	**-0.1%**
Liquid Credit	**1,714.3**		**(50.2)**	**12.2**	**1,676.3**	**6.7%**	**3%**	**0 - 10%**			**1,676.3**	**6.6%**	**-0.1%**
Passive Index													
BC US Debt Index Fund	294.2			0.1	294.3						294.3		
Core Plus													
AFL-CIO	50.2		(0.1)	(0.1)	50.0						50.0		
Baird	323.7			0.8	324.5						324.5		
IR&M	159.4			0.1	159.4						159.4		
Commercial Mortgages													
Prima	125.8		(22.8)	0.5	103.5						103.5		
High Yield/Bank Loan													
Oaktree High Yield	100.5			1.3	101.8						101.8		
Bain Capital Bank Loans	105.5		(4.0)	1.0	102.5						102.5		
High Yield CMBS													
Pyramis	145.8		(20.0)	1.2	127.0						127.0		
Emerging Market Debt													
GMO	233.2		(3.3)	2.1	232.1						232.1		
PIMCO	175.8			5.3	181.2						181.2		
Private Debt	**446.2**	**11.0**	**(8.5)**	**0.4**	**449.1**	**1.8%**	**10%**	**3 - 15%**		**11.2**	**460.4**	**1.8%**	**0.0%**
CAPITAL PRESERVATION	**2,147.0**	**1,190.3**	**(1,225.3)**	**(0.6)**	**2,111.4**	**8.4%**	**6%**	**3 -15%**		**140.1**	**2,251.5**	**8.8%**	**0.4%**
Treasuries	**1,413.8**	**20.0**		**(2.9)**	**1,430.9**	**5.7%**	**6%**	**3 -10%**			**1,430.9**	**5.6%**	**-0.1%**
Blackrock Treasuries	1,413.8	20.0		(2.9)	1,430.9								
Cash	**733.1**	**1,170.3**	**(1,225.3)**	**2.2**	**680.4**	**2.7%**	**0%**	**0 -5%**		**140.1**	**820.5**	**3.2%**	**0.5%**
Investment Cash	691.0	990.3	(1,137.5)	0.0	543.8				(180.0)	320.1	683.9		
Dedicated Cash - Benefits	7.9	180.0	(87.7)	0.0	100.2				180.0	(180.0)	100.2		
Parametric	34.2			2.2	36.5								
STEP Segregated	0.0			0.0	0.0								
TOTAL PORTFOLIO	**24,348.2**	**2,127.8**	**(1,603.3)**	**249.7**	**25,122.4**	(+3.2%)				**442.7**	**25,565.1**		
Portfolio (ex Ded Cash)	**24,340.2**				**25,022.2**	(+2.8%)					**25,464.9**		

San Francisco City and County Employees' Retirement System
Cash Activities and Projections
As of June 30, 2018

Investment Cash Account (In $ Million)

Beginning Balance as of 06/01/18		**$691.0**	
Private Equity Net Funding		($65.6)	
Real Asset Net Funding		($36.6)	
Absolute Return Net Funding		($342.0)	
Equity/Fixed Income Activities			
Net transfers to and from Public Equity	($162.9)		
Net transfers to and from Public Fixed Income	$30.2		
Opportunistic Fixed Income Net Funding	($2.5)		
Equity/Fixed Income Net Funding		($135.3)	
Funds to Ded Cash		($180.0)	
Misc. Cash Receipts		$0.7	
Annual Contribution		$611.5	
Ending Balance as of 06/30/18		**$543.8**	

Projected Cash Transactions

	Next 2 Months	Next 6 Months
Private Equity Net Funding	($20.3)	($103.0)
Real Assets Net Funding	($16.1)	($72.2)
Opportunistic Fixed Income Net Funding	($11.2)	($27.2)
Absolute Return Net Funding	($255.0)	($255.0)
Equity/Fixed Income Net Funding	$0.0	$0.0
Transfer to Ded Cash	($180.0)	($540.0)
Total Net Use (-)/ Receipt (+) of Funds	**($482.6)**	**($997.4)**
Projected Ending Balance	**$61.2**	**($453.7)**

Dedicated (Benefit Payment) Cash Account

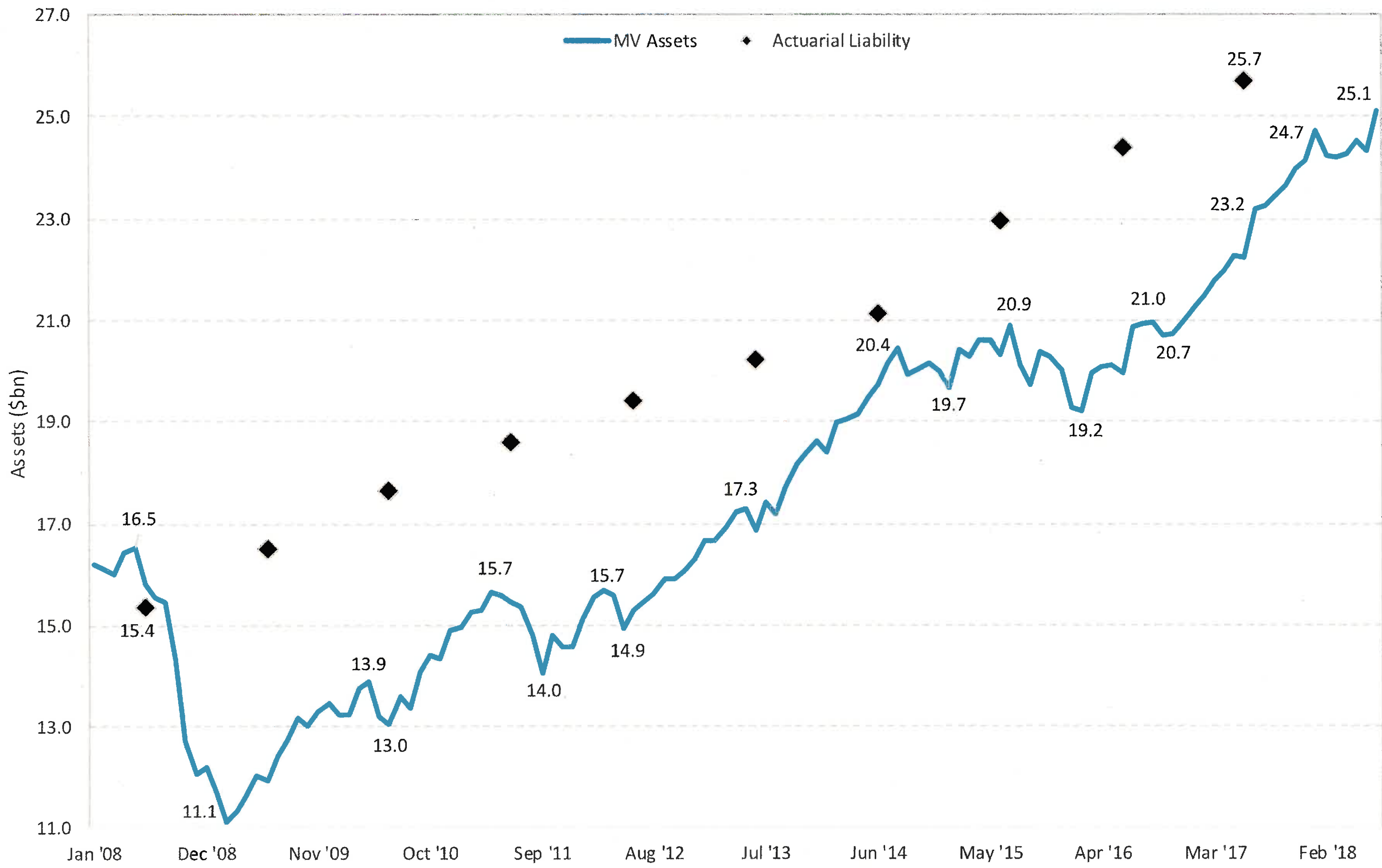
Beginning Balance as of 06/01/18	**$7.9**
Benefit Payment for June 2018	($87.7)
Received from Inv Cash	$180.0
Income Received	$0.0
Ending Balance as of 06/30/18	**$100.2**

Projected Cash Transactions

	Next 2 Months
Benefit Payment Reserve for July 2018 & August 2018	($180.0)
Income Received from Domestic Equity and Fixed Income	$0.0
Received from Inv Cash	$180.0
Total Net Use (-)/ Receipt (+) of Funds	$0.0
Projected Ending Balance	**$100.2**

Positive sign = Cash inflow to the cash account; Negative sign = Cash outflow from the cash account.

SFERS Monthly Net Assets



Notes: Data from January 31, 2008 through July 31, 2018. Total Plan market values through June 2018 provided by NEPC. Data for July 2018 provided by BNY Mellon and should be considered preliminary.

SFERS
San Francisco Employees' Retirement System

San Francisco City and County
Employees' Retirement System
Chief Investment Officer

SFERS
San Francisco Employees' Retirement System

William J. Coaker Jr., CFA, MBA

Memorandum

DATE: August 8, 2018

TO: Members of the Retirement Board

THROUGH: Jay Huish
Executive Director

FROM: William J. Coaker Jr. – CFA, CFP, MBA
Chief Investment Officer

SUBJECT: CIO Report Memorandum

1 – Investment Returns

July 2018

In July our portfolio gained 1.02%, led by strong returns in Global Equity and U.S. Equity of 3.97% and 2.61%, respectively, backed by strong economic growth and impressive corporate profit growth. International Equities gained 1.81%, and all other asset classes edged out positive returns ranging from 0.15% to 0.42%.

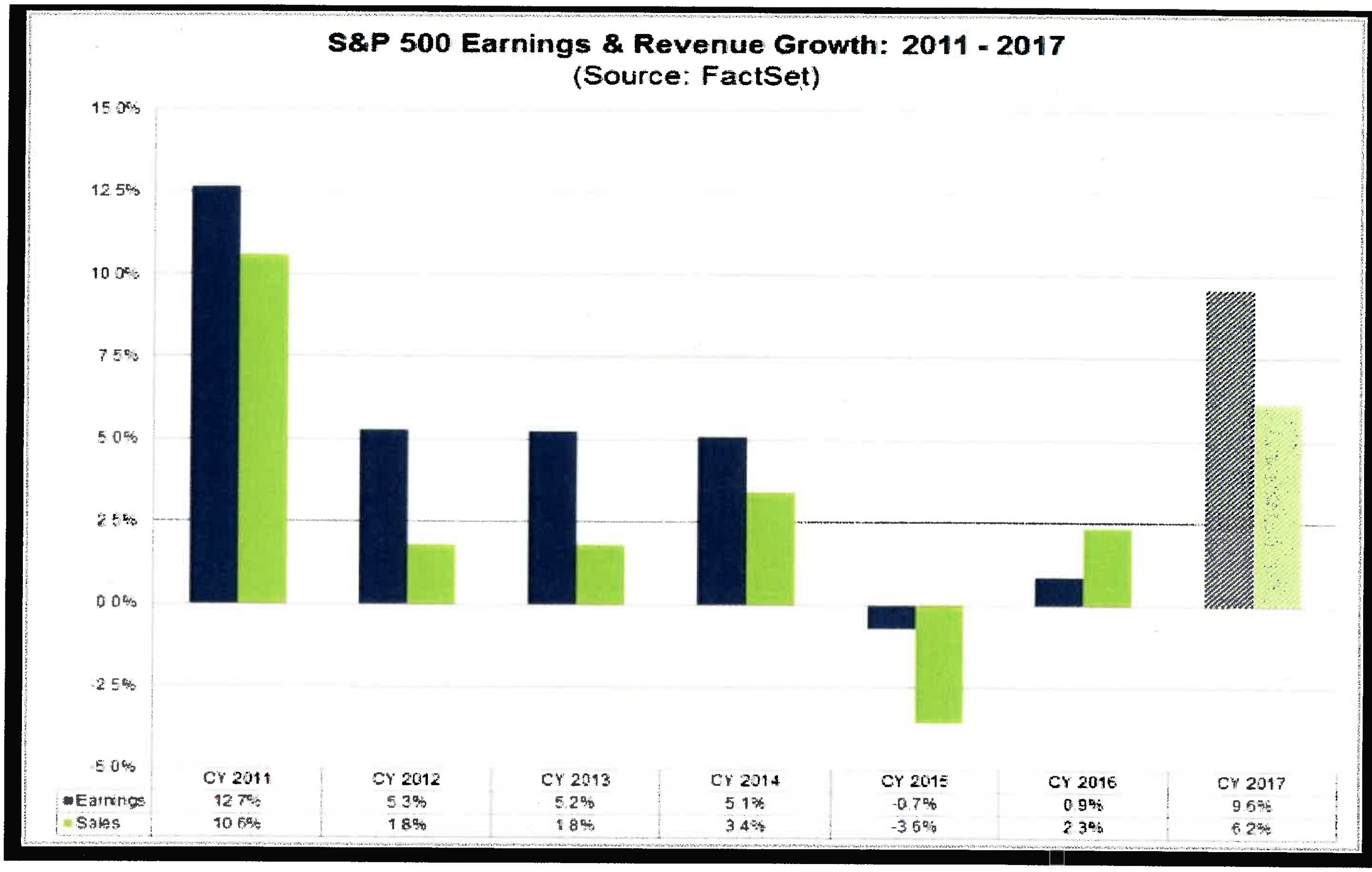
2018 To Date

In the first seven months of 2018, our portfolio has gained 4.10%. Private Equity and Real Assets have been strong performers, gaining 10.04% and 9.42%, respectively. U.S. stocks and Private Debt have also done very well, returning 8.46% and 7.26%, respectively. International Stocks and Fixed Income have logged negative returns, down -2.32% and -1.12%, respectively, due to global trade tensions and rising interest rates.

2 – Economic Conditions

The chart below shows that from 2012 to 2016 earnings growth averaged only 3% annually. However, in 2017, earnings growth improved to 9.6%, backed by an improving economy. Further, GDP growth in the second quarter was 4.1%, the highest rate of growth in four years and nearly double the rate of growth during the current nine-year expansion. Comparatively, from 3q2015 to 1q2017 GDP growth was 2.2% or less for seven straight quarters, so the past quarters growth is very strong versus recent history.

Profit growth has also recently surged, up 19.5% in the first quarter and on track to rise 21% in the second quarter. 83% of companies in the S&P 500 have posted stronger than expected earnings in 2q, and 77% have beat revenue estimates.



	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017
Earnings	12.7%	5.3%	5.2%	5.1%	-0.7%	0.9%	9.6%
Sales	10.6%	1.8%	1.8%	3.4%	-3.6%	2.3%	6.2%

3 – Implementation of the Strategic Asset Allocation

SFERS reviews its Strategic Asset Allocation every three years. The asset allocation was reviewed in 2014 and approved in February 2015, which included increasing Private Equity from 16% to 18%, changing the title of Real Estate to Real Assets which included adding natural resources, and adopting a new allocation to Absolute Return of 6%. In February 2015 we estimated it would take 4-5 years to implement the strategic weights to Private Equity and Real Assets. The increase to Private Equity was essentially completed in less than 3 ½ years, and the increase to Real Assets is more than 2/3rds complete.

The asset allocation was next reviewed in 2017 and approved in October 2017, which included increasing Absolute Return from 5% to 15% and adopting a new allocation to Private Credit of 10%. In October 2017 we estimated our allocation to Absolute Return would be 10% to 12% by late 2018. We're somewhat ahead of schedule, as our actual weight is now 11.6%. In October 2017 we estimated we would get to a 10% allocation to Private Credit by about 2022-2023. We have made more than $1.1 billion of commitments, but just over $400 million has been called. While we still think it will take 4-5 years to complete our allocation to Private Credit, we have been ahead of schedule in completing our allocations to Private Equity, Real Assets, and Absolute Return. Also, we are in the final stages of forming a strategic partnership for a large mandate in private credit.

Description	---------- June 30, 2014 ---------- Policy	Actual	Approved February 2015	June 30, 2017	Approved October 2017	July 31, 2018 $ (million)	July 31, 2018 %	Uncalled Commitments ($m)
Public Equity	47%	54.7%	40.0%	48.0%	31.0%	$10,568	41.0%	
Private Equity	16%	11.9%	18.0%	14.7%	18.0%	$4,160	17.1%	$2,897
Subtotal of Growth	63%	66.6%	58.0%	62.7%	49.0%	$14,728	58.1%	$2,897
Real Assets	12%	9.5%	17.0%	14.1%	17.0%	$3,518	14.3%	$2,254
Absolute Return	0%	0.0%	5.0%	2.5%	15.0%	$2,321	11.6%	
Subtotal of Diversification	12%	9.5%	22.0%	16.6%	32.0%	$5,839	25.9%	$2,254
Private Credit	0%	0.8%	0.0%	1.6%	10.0%	$430	1.8%	$703
Liquid Credit	25%	23.1%	20.0%	19.1%	9.0%	$3,475	14.2%	
Subtotal of Credit	25%	23.9%	20.0%	20.7%	19.0%	$3,905	16.0%	$703
Total	100%	100.0%	100.0%	100.0%	100.0%	$24,472	100.0%	$5,854

4 - Less Liquidity in the Bond Market

The Wall Street Journal noted in an article published on July 23, 2018 that many bonds around the globe are becoming harder to trade, prompting some investors to shift to other markets and raising concerns about a broad decline in liquidity.

The median gap between the price at which traders offer to buy and sell, a proxy for the ability to move in and out of markets quickly, has widened this year across European corporate debt and emerging-market government and corporate bonds, according to data from trading platform MarketAxess. Trading in some derivatives has picked up as traders pull back from bond markets they view as increasingly unruly and expensive.

Liquidity, a measure of the capacity to trade securities without significantly affecting the price, has been a growing concern since the financial crisis. Traders say it has generally weakened across markets including stocks, bonds and commodities as the large banks that once kept these markets running have pulled back in response to limits on their risk-taking.

Recent episodes of extreme market stress in Italy and emerging markets have highlighted just how quickly trading conditions can deteriorate, exacerbating concerns that markets are becoming more vulnerable to a shock as central banks slow the stimulus they have supplied for a decade.

"The global tide of liquidity that quantitative easing spurred is now slowly, slowly moving in reverse," said Nathaniel Rosenbaum, credit strategist at Wells Fargo Securities. "You're starting to see small hot spots emerge in parts of the market that don't have a natural support," he said, such as pockets of Europe and Latin America.

In May, Italian two-year government-bond yields notched their biggest one-day jump since at least 1989. The surge was triggered by Italian politics, but a lack of liquidity appeared to amplify the moves as the gap between the price at which traders were willing to buy and where they were willing to sell surged to above half a percentage point, according to Thomson Reuters data.

Alberto Gallo, who runs more than $1 billion in Algebris Investments' Macro Credit strategy, said it took "around 10 times longer" to unwind a bet on Italian bonds than normal and that it was hard to get bids or offers on trades of more than $10 million in size. The current challenge coincides with central banks withdrawing their long-time support for fixed-income markets. The Federal Reserve is shrinking its $4.5 trillion bond portfolio and the European Central Bank is trimming its massive bond-buying program.

This past March, Gilles Pradère, a senior portfolio manager at RAM Active Investments in Switzerland, sought to reduce some of his exposure to investment-grade credit while this market was fairly calm. To his surprise, "we were confronted with a market which was already deteriorating quite significantly" in terms of liquidity, he said. Many investors like Mr. Pradère are switching to derivatives contracts for assets they need to trade more regularly, where they say liquidity is better than in the underlying bond market.

Mohammed Kazmi, a portfolio manager at Union Bancaire Privée, has been slowly switching bond positions into more liquid credit derivatives, noting he expects more episodes of turbulence. During real high-risk events across bond markets, "no one is able to trade," he said.

Trading derivatives has its own drawbacks, since they can be less precise instruments. There are dozens of Italian government bonds, but only two futures contracts that trade regularly.

In short, public fixed income has oftentimes been thought of as a sleepy, reliable place for modest risk, high liquidity, and steady returns. However, year-to-date we've experienced rising interest rates, less liquidity, and negative returns.

5 - BeaconLight Domestic Fund, LP

At its meeting on June 13, 2018, the Retirement Board approved in closed session an investment of up to $225 million in aggregate in BeaconLight Domestic Fund, LP and BeaconLight Balanced Fund, LP by San Francisco Absolute Return Investors II, LP ("SFARI II"). The investment was approved by the following vote:

Ayes: Commissioners Bridges, Casciato, Chu, Driscoll, Paskin-Jordan, Stansbury

Absent: Commissioner Cohen

SFERS' investment via SFARI II of $100 million in BeaconLight Domestic Fund, LP closed on July 2, 2018.

This investment is classified as an Equities - Fundamental investment within SFERS' absolute return portfolio and is SFERS' first investment with BeaconLight via share class B of SFARI II.

More information about BeaconLight is available on www.beaconlightcap.com.

6 – DCM IX, L.P.

At its meeting on July 11, 2018, the Retirement Board approved in closed session an investment of up to $50 million in DCM IX, L.P. The investment was approved by the following vote:

Ayes: Bridges, Casciato, Chu, Driscoll, Paskin-Jordan, Stansbury
Noes: None
Absent: Safai

SFERS' investment of $35 million DCM IX, L.P. closed on July 27, 2018.

This investment will be classified as a Venture Capital investment within SFERS' Private Equity portfolio.

More information about DCM Ventures is available on https://www.dcm.com/.

7 - Hillhouse Fund IV, L.P.

At its meeting on February 14, 2018, the Retirement Board approved in closed session an investment of up to $100 million in Hillhouse Fund IV, L.P. The investment was approved by the following vote:

Ayes: Bridges, Casciato, Cohen, Driscoll, Makras, Paskin-Jordan, Stansbury
Noes: None
Absent: None

SFERS' investment of $100 million in Hillhouse Fund IV, L.P. closed on July 13, 2018.

This investment will be classified as a Growth Capital investment within SFERS' Private Equity portfolio.

More information about Hillhouse Capital Group is available at http://www.hillhousecap.com/.

8 – K4 Private Investors, L.P.

At its meeting on July 10, 2018, the Retirement Board approved in closed session an investment of up to $50 million in K4 Private Investors, L.P. The investment was approved by the following vote:

Ayes: Commissioners Bridges, Casciato, Chu, Cohen, Driscoll, Paskin-Jordan, Stansbury
Absent: Commissioner Safai

SFERS' investment of $50 million in K4 Private Investors, L.P. closed on July 27, 2018.

This investment is classified as a medium buyout investment within SFERS' private equity portfolio and is SFERS' first investment with K1 Investment Management.

More information about K1 Investment Management is available on http://k1capital.com/

9 - Kitty Hawk Capital Partners V L.P.

At its meeting on July 10, 2018, the Retirement Board approved in closed session an investment of up to £40 million in Kitty Hawk Capital Partners V L.P. The investment was approved by the following vote:

Ayes: Bridges, Casciato, Chu, Cohen, Driscoll, Paskin-Jordan, Stansbury
Absent: Safai

SFERS' commitment of £35 million closed on July 26, 2018. SFERS' investment in Kitty Hawk Capital Partners V L.P. is classified as a real estate investment within SFERS' Real Assets portfolio and is SFERS' fourth investment with Revcap Advisors.

More information about the firm is available at revcap.co.uk.

10 - Pemberton European Strategic Credit Opportunities Fund, L.P.

At its meeting on June 13, 2018, the Retirement Board approved in closed session an investment of up to $60 million in Pemberton European Strategic Credit Opportunities Fund, L.P. ("Fund I"). The investment was approved by the following vote:

Ayes: Commissioners Bridges, Casciato, Chu, Driscoll, Paskin-Jordan, Stansbury
Absent: Commissioner Cohen

SFERS' investment of $60 million in Fund I closed on July 17, 2018.

This investment is classified as a credit opportunities investment within SFERS' private credit portfolio, and is SFERS' first investment with Pemberton.

More information about Pemberton can be found at http://www.pembertonam.com.

11 – Personnel

We are disappointed to report that Mr. Ron Manning left SFERS after one month as an Analyst supporting our Private Credit and Liquid Credit strategies. Mr. Manning moved to the Bay Area from Texas, and we wish him the best in his future endeavors. We have initiated the process to fill this important role.

We have completed recruitment for a Managing Director of Asset Allocation, Risk Management, and Innovative Solutions. The candidate will begin working at SFERS on August 27th. An introduction to the Retirement Board will be made at that time.