



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 15

MEETING DATE: September 21, 2022

SUBJECT: Education: Private Markets Investing

SUBMITTED FOR: ___ Consent ___ Deliberation and Action X Receive and File

RECOMMENDATION

Staff recommends the Board receive and file the educational presentation by Shamrock Capital Advisors.

PURPOSE

This agenda item supports SCERS' Annual Investment Plan to provide education for the Board on select investment managers and strategies within the underlying SCERS portfolio.

DISCUSSION

Shamrock Capital Advisors is a well-established investment manager that specializes in the entertainment and media industry. SCERS has made four investments with Shamrock across its Content and Growth Buyout strategies.

Shamrock Capital Advisors was formed in 2017 out of Shamrock Holdings, founded as the family office of Roy Disney, the cofounder of the Walt Disney Company and younger brother of Walt Disney. The team began to position Shamrock Holdings as an independent company in 2010. The Disney family no longer has any ownership in the business, and Shamrock's partners now own it.

Shamrock (and Shamrock Holdings) has invested equity in entertainment and media companies since the late 1970s, primarily because of the Disney connection. In 2001, it raised its first institutional investment fund. Shamrock has backed companies such as Silvergate Media and the Harlem Globetrotters. The firm has emerged as a leading investor in its targeted areas. It is currently investing from its fifth flagship fund, which raised \$1 billion in 2021. SCERS is an investor in this fund.

| Fund | SCERS' Commitment |
|--|---------------------|
| Shamrock Capital Content II | \$20,000,000 |
| Shamrock Capital Content III | \$30,000,000 |
| Shamrock Capital Debt Opportunities Fund I | \$20,000,000 |
| Shamrock Growth V | \$20,000,000 |
| Total | \$90,000,000 |

In 2015, after closing their fourth equity fund, Shamrock raised a dedicated royalty fund. Shamrock hired a small, dedicated Content team to focus on the opportunity and raised \$250 million from investors such as Abbott Laboratories Pension Plan, the Michigan Department of Treasury, the State of Wisconsin Investment Board, and the Texas County and District Retirement System. Patrick Russo leads the content strategy. He is a well-regarded entertainment content valuation expert who has spent over 20 years valuing intellectual property rights and cash flows in entertainment. Before joining Shamrock, Russo was a senior managing director at FTI Consulting. Russo was a co-

founder of the Salter Group (acquired by FTI in 2012), a leading global independent financial and strategic advisory firm specializing in the entertainment and media industry.

The Content strategy, in which SCERS is an investor in two of the funds, invests equity in pools of entertainment royalty intellectual property (IP) in music, television, movies, video games, and more. The royalty income from these assets is expected to provide investors with a low teens net internal rate of return (IRR). Shamrock seeks to build a portfolio of investments across various forms of IP that will provide an income stream to investors during the life of their funds from the underlying assets. Unlike other SCERS private equity investments, Shamrock will not actively sell assets during the first 10 years to drive returns through capital appreciation. Instead, the income stream will be the primary driver of fund returns.

The Content Team sources its transactions through various networks rather than through an auction process. The strategy pre- and post-investment requires an extensive understanding of large data sets provided by multiple parties. The Content Team looks to buy assets from sellers, but they also offer owners of IP the option of providing debt secured by the seller's royalty stream. The debt investments are funded through a dedicated Debt Fund in which SCERS is also an investor. The debt strategy targets investment returns in the high single to low double digits.

The Shamrock Content strategies are attractive given SCERS' emphasis on cash flows and uncorrelated returns within the investment portfolio. Patrick Russo will be presenting Shamrock's Content strategy at the September Board meeting.

ATTACHMENT

- Board Order
- Shamrock Presentation

Prepared by:

/S/

Jim Donohue
Deputy Chief Investment Officer

Reviewed by:

/S/

Steve Davis
Chief Investment Officer

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
September 21, 2022

AGENDA ITEM:

Education: Private Markets Investing

THE BOARD OF RETIREMENT hereby accepts the recommendation of Staff for the Board to receive and file the educational presentation related to Private Markets Investing—Shamrock Entertainment Royalties Content Funds.

I HEREBY CERTIFY that the above order was passed and adopted on September 21, 2022 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Keith DeVore
Board President

Eric Stern
Chief Executive Officer and
Board Secretary



SHAMROCK CAPITAL CONTENT STRATEGY PRESENTATION

September 2022

NOT FOR GENERAL DISTRIBUTION



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IMPORTANT NOTICES (CONT'D)

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SHAMROCK CAPITAL FIRM OVERVIEW



SHAMROCK CAPITAL OVERVIEW

Rich History

Founded in 1978 as the family office of the late Roy E. Disney, spun out by the Partners in 2010

35+ yrs. Investing in Media, Entertainment & Communications (and related sectors)

Measured Growth¹

\$4.1 BN total AUM across multi-fund, multi-asset platform backed by institutional investors

\$2.4BN Equity Growth Funds
\$1.7BN Content Equity & Debt Funds

Sector Experience

Specialization in Media, Entertainment & Communications ("MEC") sectors

28 Total Investment Professionals (9 Content)
25 yrs. Average Partner Experience (Content & PE)

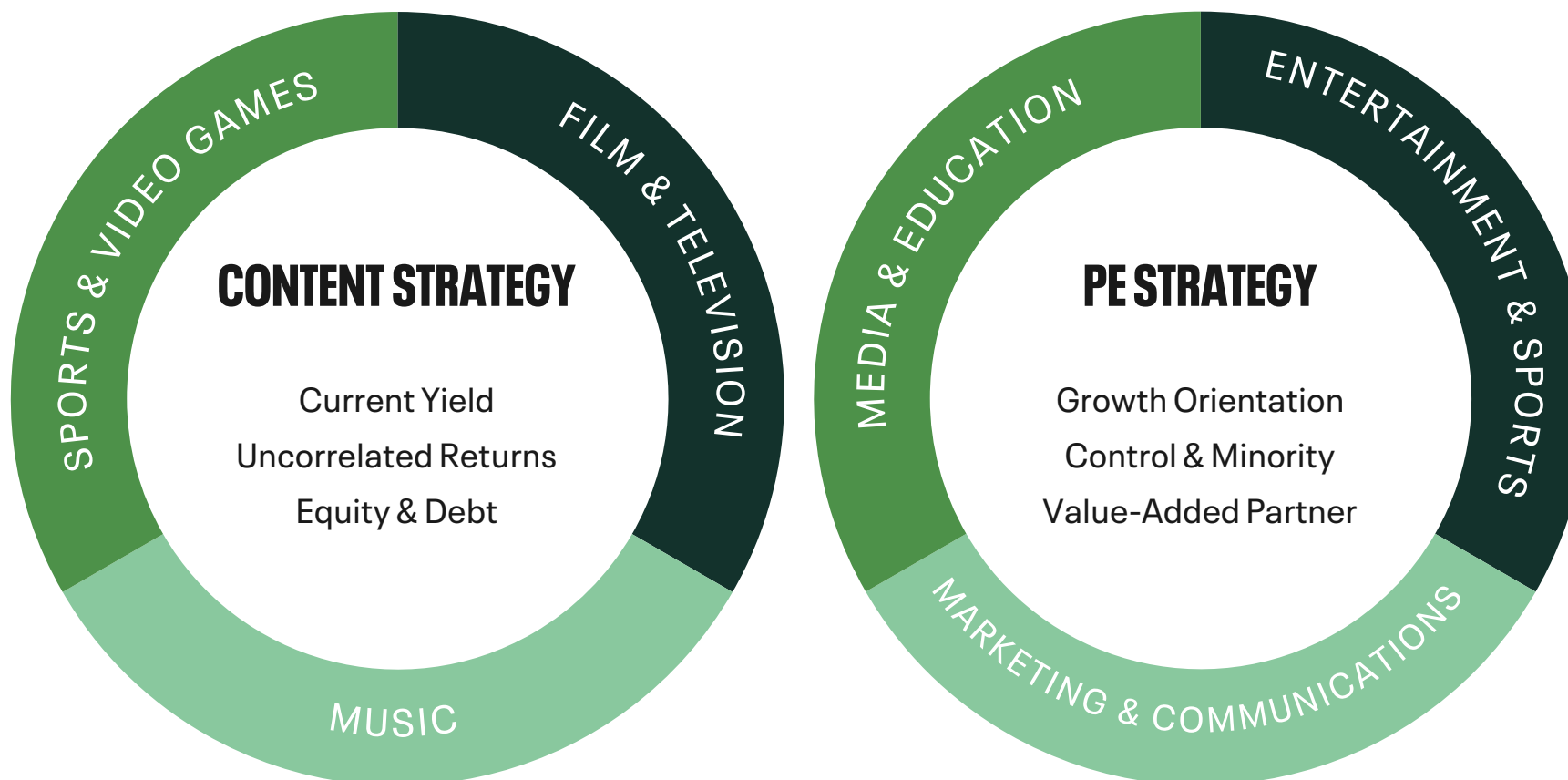
Multi-Asset Content Strategy

Equity and Debt Content fund vehicles provide flexibility to transact up and down the capital structure

3 Equity Content Funds
1 Content Debt Fund

¹Reporting as of 6/30/22. Please see the Appendix for important information about the performance data in this presentation.

INDUSTRY EXPERIENCE ACROSS MULTI-STRATEGY PLATFORM



CONTENT STRATEGY TEAM

INVESTMENT PROFESSIONALS

(Shamrock Tenure / Relevant Experience)



PATRICK RUSSO
Partner
(8/29)



JASON SKLAR
Partner
(7/22)



NICK KHOURY
Vice President
(6/10)



AARON WIZENFELD
Vice President
(2/16)



LESLIE SCHOTZ
Vice President
(1*/8)



KUN SITU
Senior Associate
(4/5)



SHANE PATTERSON
Associate
(2/4)



NOAH GAINS
Associate
(1*/3)



ROBBIE GALLAHER
Associate
(1*/2)

PORTFOLIO OPERATIONS

(Shamrock Tenure / Relevant Experience)



ANDREW LANDENBERGER
Operating Partner
(6/16)



ASHLEY CHIU
Director
(1*/8)

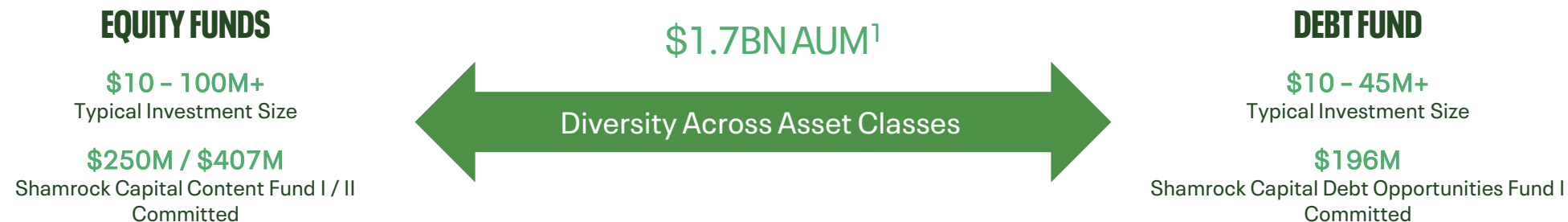


SHAMROCK CAPITAL CONTENT STRATEGY OVERVIEW



SHAMROCK CAPITAL CONTENT STRATEGY SUMMARY

CONTENT AND MEDIA RIGHTS



FILM

TELEVISION

MUSIC

GAMES

SPORTS

CONTENT MARKET

- Favorable Consumption Patterns
- Inefficient Seller Marketplace
- Anytime, Anywhere Access
- Demand for Premium Content
- Typically Uncorrelated with General Economy
- Global Market > \$2.2TN²

+

SHAMROCK EXPERIENCE

- Strong, Experienced Management Team
- Long-Standing Track Record in Content Ownership and MEC
- Deep Industry Relationships
- Active Portfolio Management
- Unique Platform Identity
- Proprietary Deal Flow

=

CONTENT STRATEGY

- Predictable Cash Flow Characteristics
- Uncorrelated Current Cash Yield
- Differentiated Investment Product
- Diversified Long-Term Revenue Streams
- Attractive Risk-Adjusted Returns
- Robust Investment Sourcing
- Value Creation Strategy

¹ As of 6/30/2022 and inclusive of total asset value + unfunded capital for Shamrock Capital Content Fund I, L.P. ("SCCF I"), Shamrock Capital Content Fund II, L.P. ("SCCF II"), Shamrock Capital Content Fund III, L.P. ("SCCF III") and Shamrock Capital Debt Opportunities Fund I, L.P. ("SCDOF I")

² Source: Price Waterhouse Coopers LLP, Global Entertainment & Media Outlook 2021-2025

SHAMROCK CAPITAL CONTENT STRATEGY PROFILE



ATTRACTIVE RISK-ADJUSTED RETURNS

Strategy focused on investing in content that has been released and has a long-term cash generating profile

UNCORRELATED RISK & RETURN

We believe consumer spending on media and entertainment, particularly content, is typically insulated from economic disruptions and generally uncorrelated to global capital market fluctuations, as demonstrated through the recent COVID-19 pandemic

ATTRACTIVE YIELD PROFILE

The Content Equity Funds have delivered mid-teens net levered cash yields¹ compared to the low-to-negative yielding global fixed income environment, and has frequently returned capital to investors via distributions

FAVORABLE INDUSTRY DYNAMICS

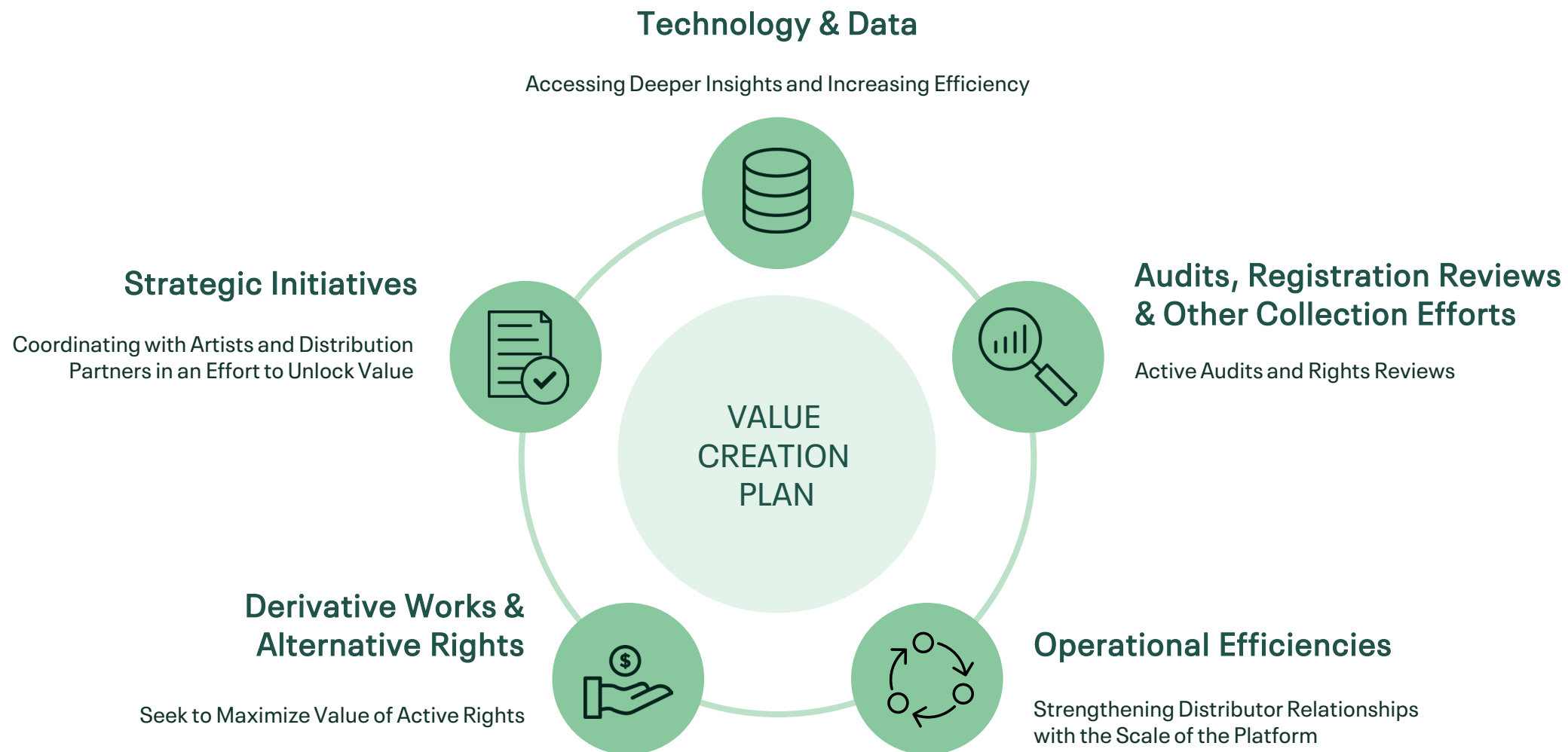
We believe the broader MEC industry continues to exhibit favorable growth characteristics and global demand fueled by “anytime, anywhere” consumer consumption of content, technological advancements, and international growth

¹Past performance is not a guarantee nor necessarily indicative of future results. There can be no assurance SCCF I, SCCF II, or any fund or individual investment will achieve comparable results or that projected returns will be achieved. There can be no assurance that the fund will be able to implement its investment strategy or achieve its investment objectives. Please see the more fulsome performance on pages 15-16 as well as the Performance Notes in Appendix for defined terms

CONTENT STRATEGY COMPETITIVE EDGE

| | |
|---|---|
| <p>Deep Industry Experience & Dedicated Mandate</p> | <p>Dedicated, seasoned team with deep industry knowledge and extensive experience in forecasting, valuing, financing, and owning content and media rights. As one of the early managers to market with a dedicated and diversified Content Strategy, the Content Team is solely focused on investments in these sectors.</p> |
| <p>Proprietary Data & Track Record</p> | <p>Extensive, proprietary database of financial performance information across the film, television, music, sports rights, and video games, sectors used to efficiently analyze transactions, identify trends, and leverage our experience.</p> |
| <p>Deal Sourcing Advantage</p> | <p>We believe our combined market position and relationship network should result in the identification of proprietary opportunities which provides a strategic advantage when sourcing investments for the overall Content Strategy.</p> |
| <p>Value-Added Owner & Value Creation Plan</p> | <p>As an active owner of content rights, the Content Team has established a Portfolio Operations function to employ a Value Creation Plan (“VCP”) which we believe will enhance returns over time. As part of the VCP, the Content Team seeks to maximize collections, identify industry trends and drive the monetization of its investments through credible and trusted relationships with distributors and administrators globally.</p> |
| <p>Multi-Sector Opportunity Set</p> | <p>Within our dedicated focus on content and media rights investments, we have a broad opportunity set across film, television, music, sports, video games, and other rights, which allows us to be selective and opportunistic in our investment decisions across a variety of content sectors.</p> |
| <p>Multi-Asset Class Platform</p> | <p>With the launch of SCDOF I in 2021, we have expanded our product offering for the Content Strategy and have the ability to transact up and down the capital structure. We believe our two products (equity and debt) work together to provide optionality to meet the needs and goals of content owners and operators looking for liquidity against the long-term value of content or media rights.</p> |
| <p>Shamrock Capital Brand & Platform</p> | <p>The Content Team leverages Shamrock’s 35+ year investment history and relationships in the MEC space, as well as the broader team of 22 total investment professionals across the Content and Growth Equity strategies. Additionally, our Shamrock is located in Los Angeles, a leading content creation market, which we believe reinforces our deep connectivity and experience with our target stakeholders and sectors.</p> |

VALUE CREATION THROUGH ACTIVE PORTFOLIO MANAGEMENT





SCCF I & II: PORTFOLIO OVERVIEWS

CONTENT STRATEGY PLATFORM

| SHAMROCK CONTENT FUNDS SNAPSHOT (\$ in Millions) | | | | | | | | |
|--|----------------|---------------|------------------------|-----------------------|--|--------------|-------|---------------------------------------|
| | FUND STRUCTURE | YEAR CLOSED | TOTAL FUND COMMITMENTS | CO-INVEST COMMITMENTS | TOTAL CAPITAL CALLED AND RESERVED ^(E) | TRANSACTIONS | EXITS | % CAPITAL CALLS RETURNED ¹ |
| SCCF I | EQUITY | 2016 | \$250 | - | \$254 ² | 16 | - | 82% |
| SCCF II | EQUITY | 2020 | \$407 | \$120 ³ | \$421 | 9 | - | 28% |
| SCCF III ⁴ | EQUITY | 2022 (TBD) | \$500 (target) | - | - | - | - | - |
| SCDOF I | DEBT | 2021 | \$196 | - | \$21 | 1 | N/A | N/A ⁵ |
| TOTAL ⁶ | - | - | \$1,353 | \$120 | \$696 | 26 | - | - |

Note: Reporting as of 6/30/22. Past performance is not necessarily indicative or a guarantee of future results. See Performance Notes in Appendix for defined terms

¹ % Capital Calls Returned represents inception-to-date capital returned to Limited Partners and the General Partner as a percentage of inception-to-date capital called from Limited Partners and the General Partner. Capital returned includes dividends or settlements related to recapitalizations, audits and foreign currency exchange settlements, and reflects no exits to-date out of SCCF I or SCCF II investments. Fund II % Capital Calls Returned based on investments completed as of 6/30/22

² Includes recycled capital

³ Includes capital committed to SCA managed co-investment vehicles, and excludes \$5M of co-invest commitment yet to be called or reserved

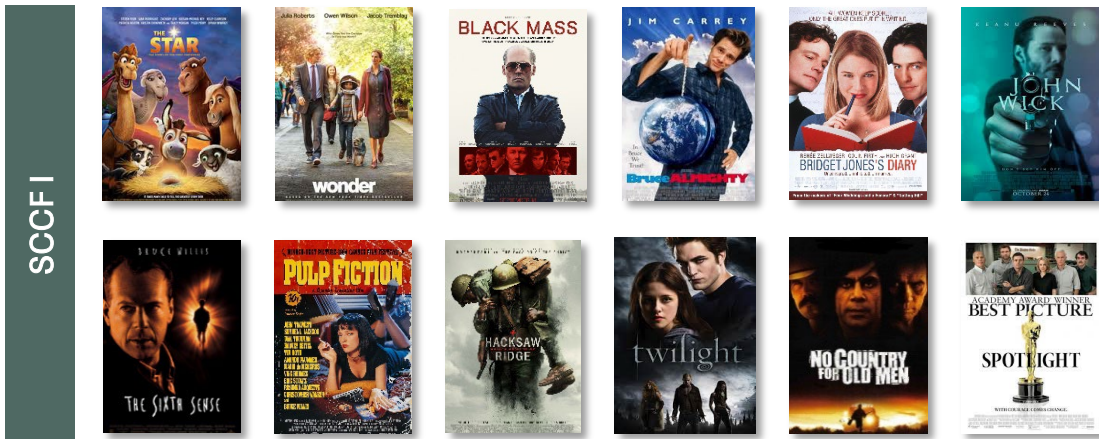
⁴ SCCF III figures are targets and are subject to change upon final closing of the fundraise

⁵ The first and only investment to-date for SCDOF I was completed in November 2021

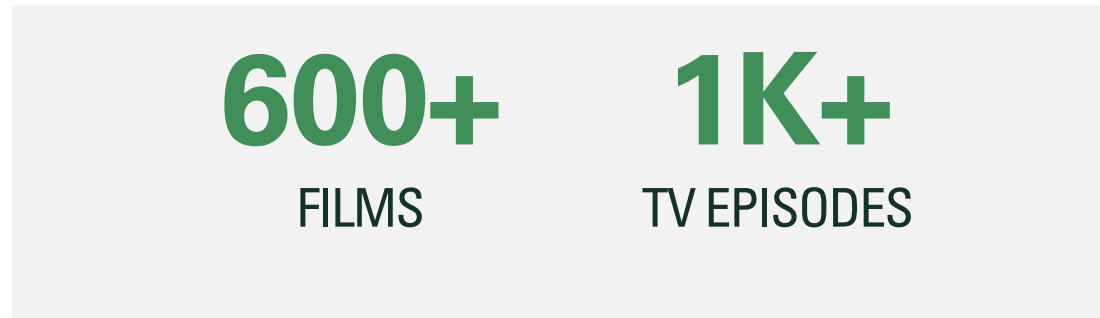
⁶ Total Fund Commitments is calculated based on a target total commitment of \$500M for SCCF III.

FILM & TV PORTFOLIO

SELECTED TITLES



TOTAL CONTENT INTEREST OWNERSHIP

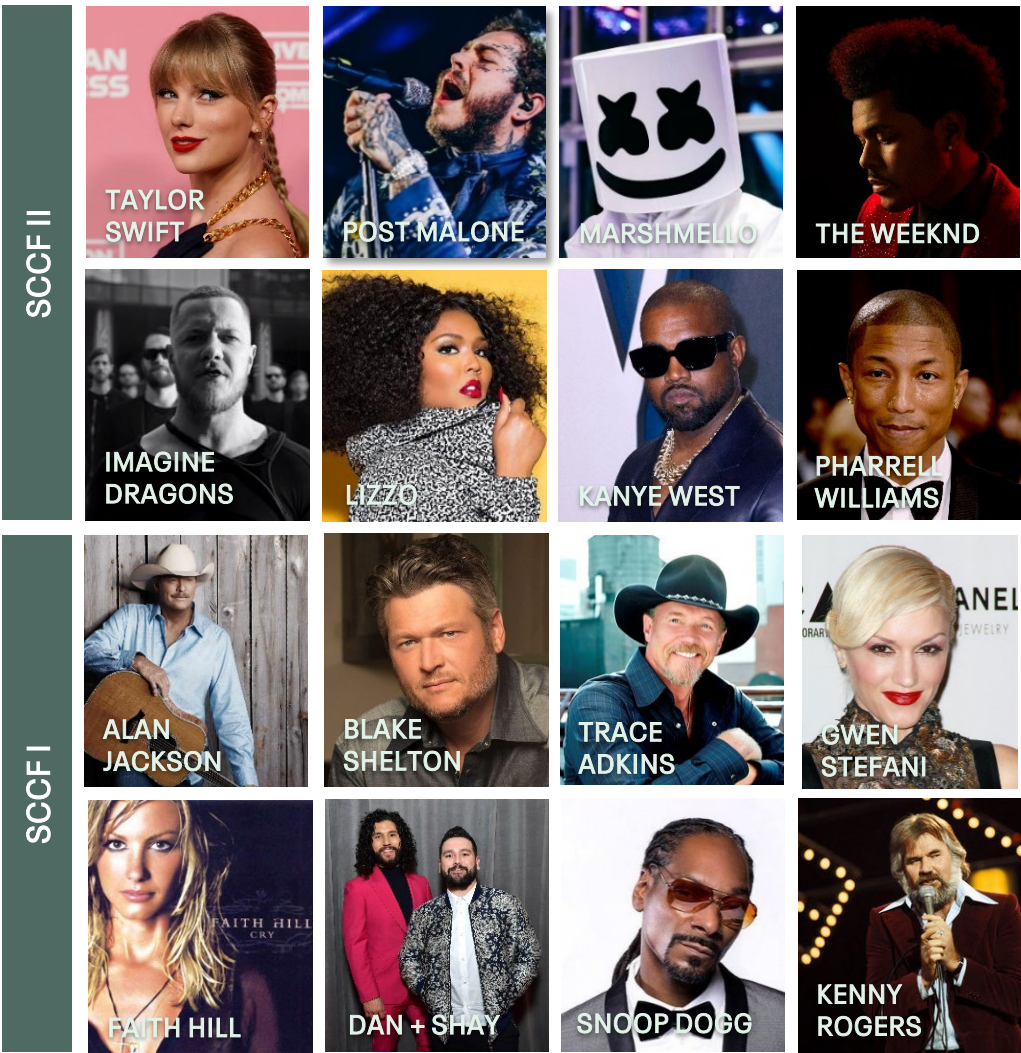


KEY DISTRIBUTION PARTNERS



MUSIC PORTFOLIO

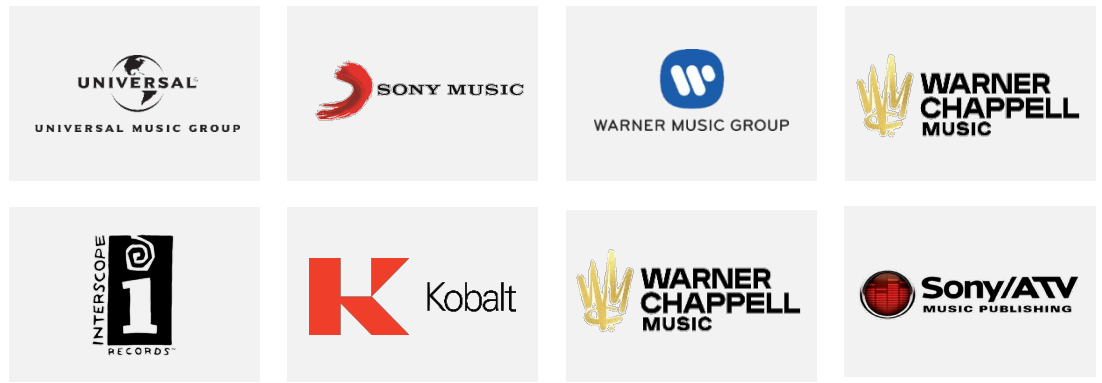
SELECTED ARTISTS



TOTAL CONTENT INTEREST OWNERSHIP

20K+
MUSIC COMPOSITIONS

KEY DISTRIBUTION PARTNERS





APPENDIX: PERFORMANCE NOTES



PERFORMANCE NOTES

Past performance is not necessarily indicative or a guarantee of future results. The above performance information is presented for illustrative purposes only, in order to provide information about SCCF I / SCCF II / SCDOF I and the investments, processes and investment strategies of SCA and its professionals. The above performance information represents all investments made by SCCF I / SCCF II / SCDOF I as of June 30, 2022. It should not be assumed that investments made in the future will be comparable in quality or performance to the investments described above. There can be no assurance that the Fund or any investment vehicle will achieve its objectives or avoid substantial losses. To the extent any fund utilizes leverage with respect to any investment, such fund will bear interest expenses and other costs and expenses that such fund otherwise would not be subject to. Moreover, fund-level and/or asset-level borrowing can increase a fund's reported returns in certain methods of calculation as compared to returns absent such leverage. The audited financial statements for SCCF I and SCCF II will be made available to prospective investors upon request. Unless otherwise noted, all information is as of June 30, 2022; subsequent events relating to COVID-19 will likely impact future performance.