

To: Honorable Brian Kemp, Governor
Honorable Ellis Black, Chair, Senate Retirement Committee
Honorable Tommy Benton, Chair, House Retirement Committee

From: James A. Potvin, Executive Director



Subject: 2020 Alternative Investments Annual Update

Date: March 4, 2020

During 2019, the alternative investment staff met with over 140 general partners across different investment strategies, geographies, fund sizes, and industry sectors. Their due diligence efforts led to the successful closing on three primary fund commitments. Further, the staff continues to focus on building out the alternative investments portfolio in a methodical and disciplined manner.

As we start 2020, they are actively sourcing new investment opportunities and conducting due diligence reviews on several prospective alternative investments. For this year, the total committed capital to alternative investments is capped at \$174 million. We continue to opportunistically look for secondary transactions to mitigate the effects of the "J curve". Due to challenging market conditions however, the staff has been more cautious and highly selective in reviewing prospective alternative investment opportunities.

The Employees' Retirement System of Georgia alternative investments portfolio had a net inception-to-date internal rate of return (IRR) of 16.28% at December 31, 2019. The aggregate profit from alternative investments during the year was \$113,608,765. This disclosure is made pursuant to Section 47-20-87 of the Official Code of Georgia Annotated (O.C.G.A.).

c: Eli Niepokoy, ERS Board Chair
Frank F. Thach, Jr., ERS Investment Committee Chair
Bill Cary, Chief Investment Officer
Tom Horkan, Co-Chief Investment Officer
Mike Majure, Co-Chief Investment Officer
Caylee Noggle, Chief Management Officer, State of Georgia