

6 JUL 2023 Muskan Arora

San Jose scouts value-add RA strategies

- Bullish on energy transition opps, CIO tells With
- Will hire new managers even after pacing is deployed
- Sees opportunities in middle market

Follow:



Prabhu Palani, CIO of the City of San Jose Retirement System, spoke to With Intelligence about his bullishness on value-add real asset strategies as he prepares to deploy \$85m across the two funds he oversees.

The CIO is scouting out opportunities in the middle market for the \$4.5bn Police & Fire Retirement System, which has \$60m for real assets strategies this year, and the \$2.7bn Federated City Employees Retirement System, which will commit \$25m.

As the two plans follow an opportunistic approach, Palani allows for new manager hires even after the annual pacing plan has been achieved.

Palani is eyeing energy transition strategies for both plans, which are dominated by US interests but have pockets of exposure to Europe and OECD countries.

The capital required to achieve stated global carbon reduction goals presents attractive opportunities, he told With.

The investor will explore traditional drilling and mining, owing to the ability to use green strategies that can pay off well.

“Further, withdrawal of capital from upstream oil and gas has led to very attractive valuations,” Palani added.

In addition, Palani will take advantage of the valuation arbitrage created by mega-cap funds/lower-cost-of-capital investors looking to buy scaled assets in the relatively nascent energy transition space.

Recent activity

In the last year, Federated City Employees committed \$11m to H.I.G. Infrastructure Partners (infrastructure), \$9m to Kimmeridge Fund VI (energy), and \$5m each to Lime Rock Partners IX (energy) and Paine Schwartz Food Chain Fund VI (agriculture).

The Police & Fire Retirement System, meanwhile, recently re-upped with Kimmeridge and Lime Rock.

[< Previous Article](#)

[Next Article >](#)

Williams College recruits Tufts investment director

Ex-Lehman pro joins Bain Capital co-founder's CRE lender