

Private Equity Recommendations

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Agenda

- I. Due Diligence Process Review
- II. Portfolio Construction
- III. Manager Selection & Recommendations
- IV. Requested Board Action

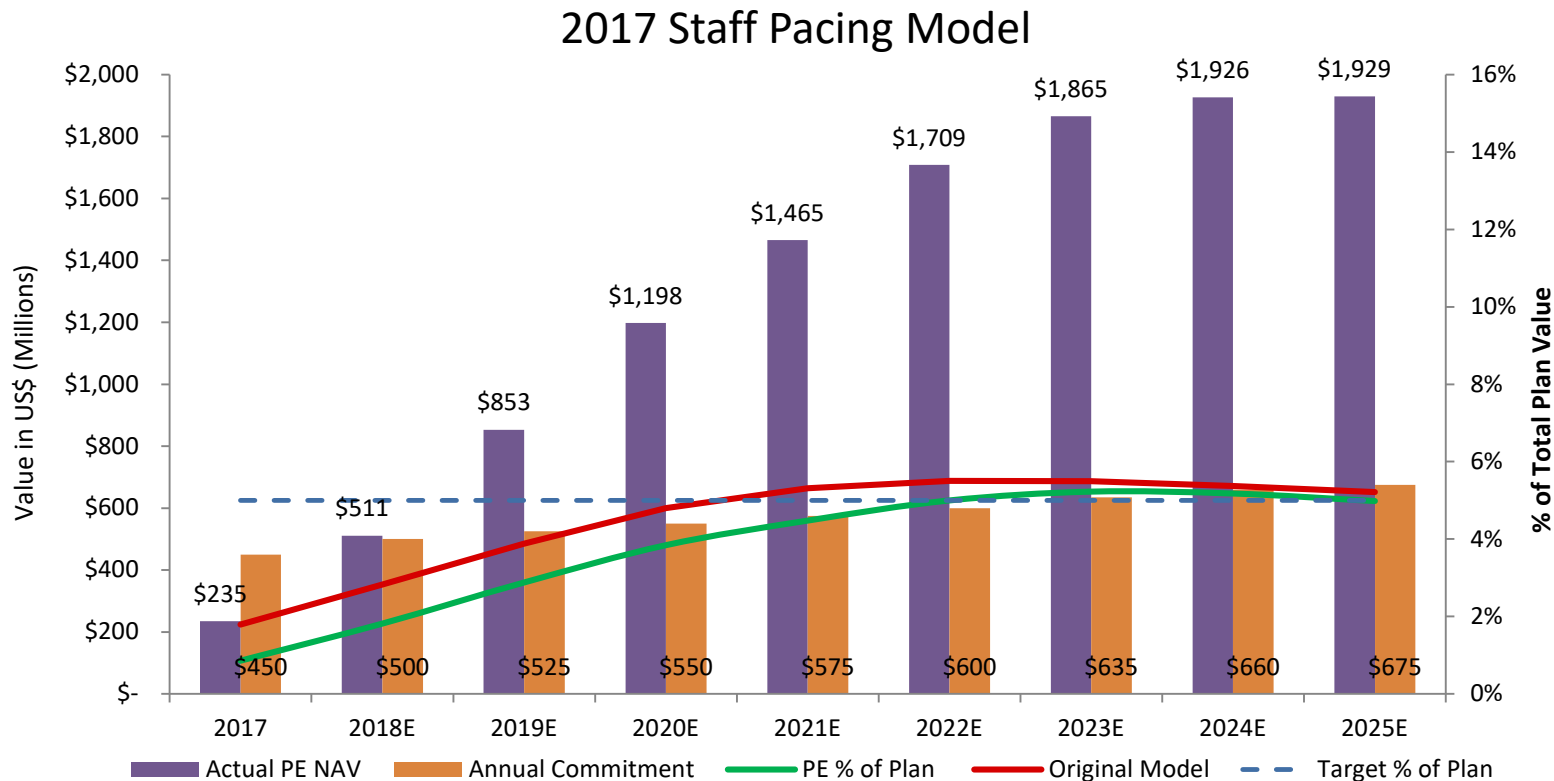
*Names used in this presentation are a shortened version that is used for ease of communication purposes throughout this document. The formal recommendations to the Board on the last page of this presentation reflect the full legal names of the investments.

Section I

DUE DILIGENCE PROCESS REVIEW

Due Diligence Processes

As part of Multi-year time periods

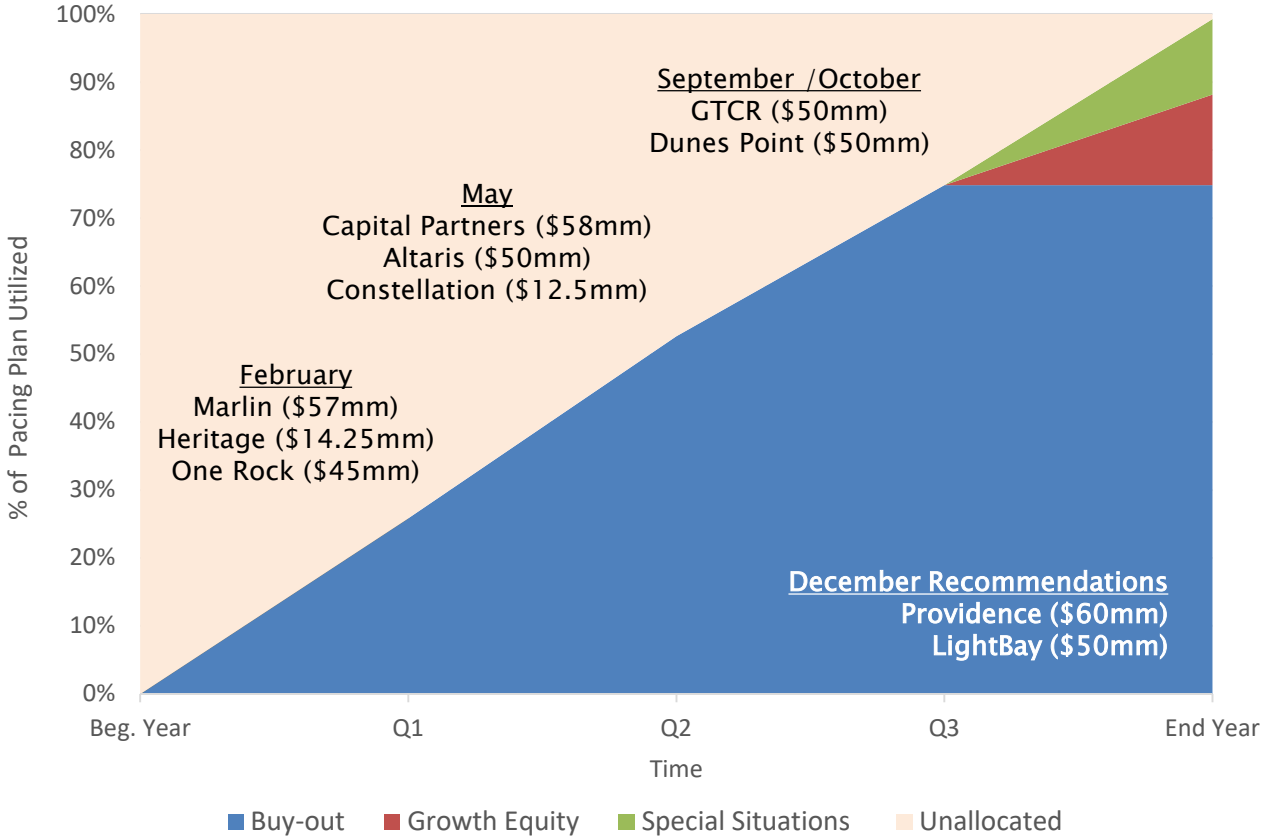


Annual pacing plans are developed in the context of multiple year investment horizons. This is necessary because private capital investments deploy and return capital over time rather than all at once.

Due Diligence Processes

As part of Annual Search Processes

2017 Private Equity Pacing Plan Progress



The 2017 Private Equity search process has culminated in \$446.8 million of closed and/or recommended investments, in line with the \$450 mm primary fund pacing model goal for the year.

Search processes are approved in annual amounts. Progress will be made throughout the year as opposed to all at once.

Section II

PORTFOLIO CONSTRUCTION

Manager Selection Portfolio Considerations

Strategy Diversification

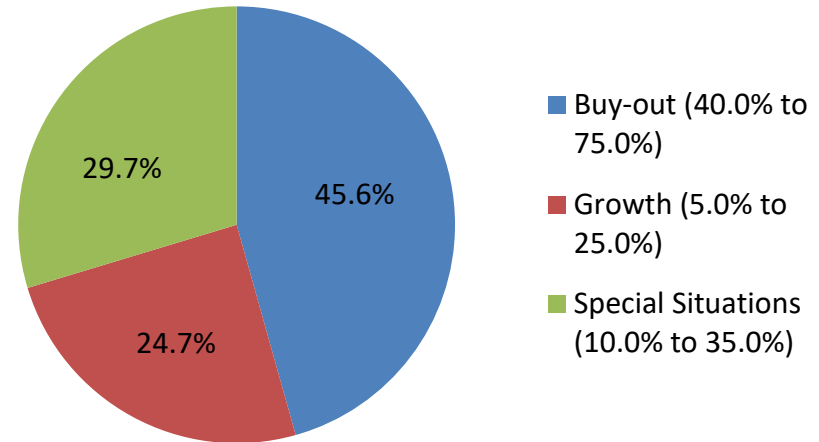
Strategy considerations:

2015: Overweight special situations early for J-Curve mitigation, efficiency of capital deployment, and tactical opportunities.

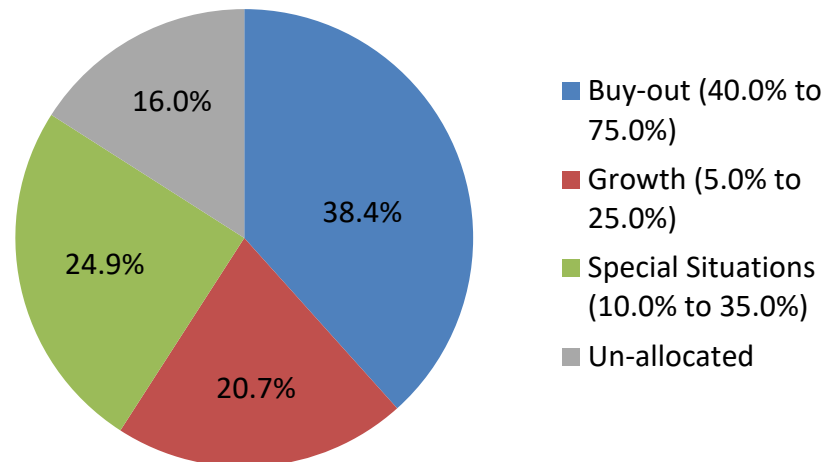
2016: Focus on growth opportunity set and continue to add buy-out exposure.

2017: Round out buy-out portfolio, and opportunistically add to growth and credit.

Private Equity Strategy Diversification by Commitment



Private Equity Target Diversification



Manager Selection Portfolio Considerations

Manager Implementation

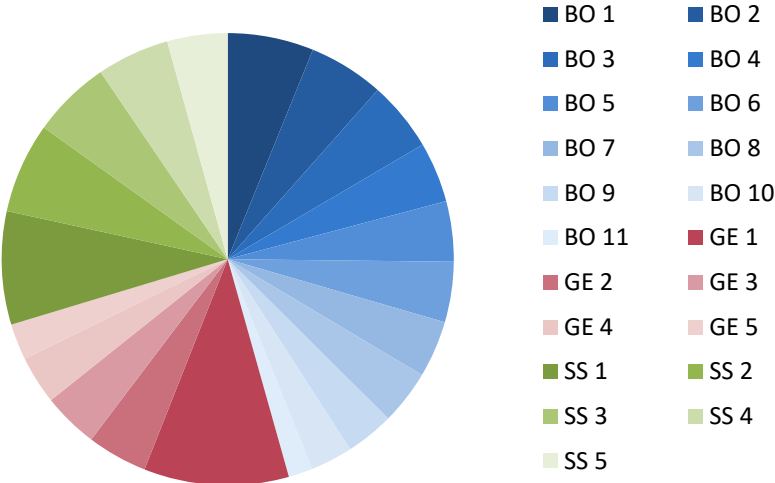
The overall goal remains identifying top quartile performers to partner with.

Position sizing considerations:

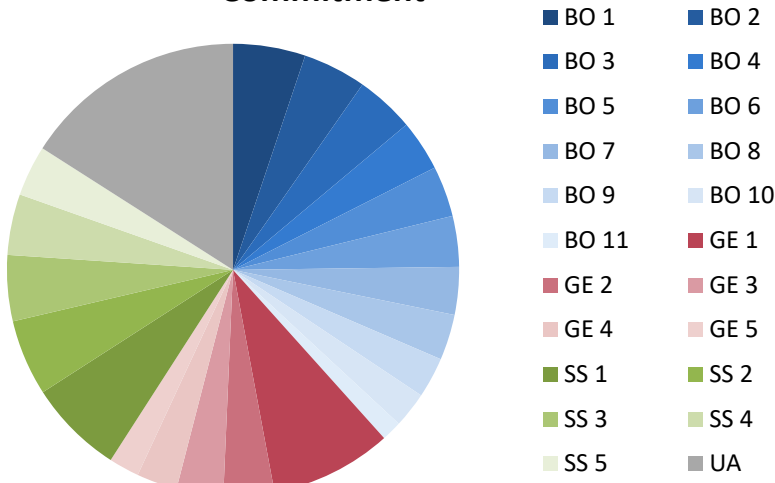
Continue to reduce the unallocated portion of the private equity portfolio while sensibly balancing the trade-off between diversification and concentration.

Areas of focus are enhancing manager diversification, and building strategic relationships where possible/appropriate.

Private Equity Manager Diversification by Commitment



Private Equity Manager Diversification by Commitment

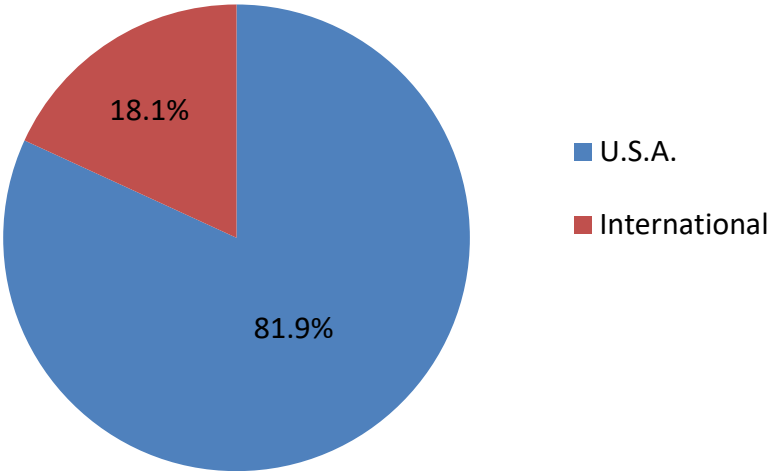


Manager Selection Portfolio Considerations

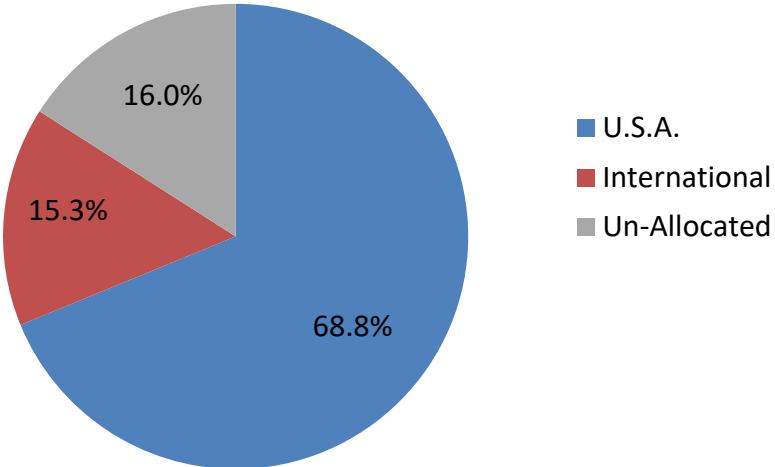
Geographic Diversification

TMRS is focused on taking a measured approach to global geographic diversification.

Private Equity Geographic Diversification by Commitment



Private Equity Target Geographic Diversification



The Target Portfolio keeps a conservative stance on international exposure.

Note: Percentages may not add to 100% due to rounding.

Section III

MANAGER SELECTION & RECOMMENDATIONS

Manager Recommendations

Executive Summary

Summary of Recommendations				
Recommended Manager/Fund	Strategy	Target Return	Terms (no greater than)*	Recommended Amount
LightBay	Special Situations	15%-20% Net IRR	Fee: 2.0% of Committed Capital Carry: 20% Carry, 8% preferred Term: 10 yrs. plus extensions	\$50 million
Providence	Growth Equity	20%-25% Net IRR	Fee: 2.0% of Committed Capital Carry: 20% Carry, 8% preferred Term: 10 yrs. plus extensions	\$60 million
Total Approximate Recommended Investments/Commitments				Up to \$110 million

Inclusive of the above recommendations, 2017 year to date total private equity recommendations approved and committed will equal \$492.5 and \$446.8 respectively, within limits set forth in the 2017 Private Equity Pacing Model and the IPS.

Top Candidate Characteristics – LightBay

\$50 million Recommendation

LightBay Capital is raising its first fund, targeting US\$450 million of aggregate capital commitments. The fund will pursue buyout investments in the consumer, healthcare, and business services sectors. The firm will have the ability to deploy capital across market cycles, including during periods of dislocation. LightBay will invest in primarily traditional LBOs, but will also have the capability to pursue more distressed opportunities, depending on the market environment. The firm will target investments of US\$25-75 million in under-capitalized businesses that have not been able to fully achieve their growth potential. Fund I will form a concentrated portfolio of approximately 6 to 8 companies.

LightBay Process Summary

Date of First TMRS Meeting
6/29/2017 (Austin)

Dates of Subsequent Meetings
Update call – 8/30/2017
Onsite meeting – 9/14/2017
Update call – 11/10/2017

Dates of Diligence Advancement
'B' Rating – 6/17/17
'A' Rating – 8/04/17

Date of Consultant Report
July, 2017

Legal Negotiation Initiated
8/28/2017

Comparable Strategies Reviewed
110 (Special Situations)
50 (Distressed/Turnaround)

Comparable Meetings
135 Special Situations
50 Distressed

Top Candidate Characteristics – Providence

\$60 million Recommendation

Providence Strategic Growth is an affiliate of the Providence Equity Partners platform, which oversees more than US\$50 billion of AUM and is headquartered in Providence, Rhode Island. PSG targets growth equity investments in Lower Middle Market technology-enabled companies in North America. PSG will make both majority and significant minority investments in breakeven or profitable companies with an emphasis on companies that have not taken prior institutional capital. The GP will partner with founders and entrepreneurs to invest between US\$5-50 million in companies with revenues between US\$5-75 million.

Providence Due Diligence Summary

Date of First TMRS Meeting

2/02/2016 (Austin)

Dates of Subsequent Meetings

3/22/2016 (GP Office)

6/28/2016 (Austin)

11/15/2016 (GP office)

2/16/2017 (LPAC call)

4/15/2017 (Austin)

6/13/2017 (Austin)

11/7/2017 (GP Office)

Dates of Diligence Advancement

'B' Rating – 2/2/2016

'A' Rating – 3/28/2016

'A' Re-affirmed – 10/1/2017

Date of Consultant Report

October, 2017

Legal Negotiation Initiated

9/22/2017

Comparable Strategies Reviewed

69 (Growth Equity)

17 (Software focused Growth)

Growth Meetings

131 manager meetings

Section IV

REQUESTED BOARD ACTION

Approval of Recommendation

TMRS Staff and Consultant recommend that the Board of Trustees approve the selection of the following funds as detailed in the Board Communication Memo:

Recommendations:

- LightBay Investment Partners, L.P. \$50 million
- Providence Strategic Growth III L.P. \$60 million

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