Non-Core Fixed Income Recommendation
December 7–8, 2017
I. Executive Summary

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*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

EXECUTIVE SUMMARY
## Manager Recommendation

### Executive Summary

<table>
<thead>
<tr>
<th>Recommended Manager/Fund</th>
<th>Strategy Classification</th>
<th>Target Return</th>
<th>Terms (no greater than)*</th>
<th>Recommended Amount</th>
</tr>
</thead>
</table>
| Global Credit Opportunities Fund, LP (GCO) | Opportunistic Credit – Special Situations | 9%-12% Net IRR | Fee: 1.25% of Invested Capital  
Carry: 20% Carry, 8% preferred  
2 yr. investment period; 5 Year Term + 2/1yr. extensions by GP | $300 million |

**Total Recommended Investments/Commitments**: $300 million
Non-Core Fixed Income (NCFI) Pacing Plan

- Since December 2015 Staff has made 6 recommendations to the Board for a total of $3.25B.
- As of Sept. 2017 NCFI portfolio is 80% invested.
- NCFI will be fully allocated on a commitment basis.
Section II

PORTFOLIO CONSTRUCTION
Non-Core Fixed Income Portfolio Construction

NCFI Current Allocation

- Opportunistic Credit*: 18%
- Direct Lending*: 21%
- Securitized Products: 19%
- Loans: 16%
- EMD: 14%
- High Yield: 11%
- Unallocated: 1%

NCFI Expected Allocation

- Opportunistic Credit*: 23%
- Direct Lending*: 20%
- Securitized Products: 18%
- Loans: 15%
- EMD: 13%
- High Yield: 11%

GCO will increase NCFI allocation to Opportunistic Credit. NCFI fixed income portfolio will be fully allocated on a commitment basis.

*Partially funded
GCO will generate unique sources of return and provide additional diversification within the NCFI portfolio allocation.
Total non-core fixed income portfolio allocation will reach approximately $5.7 billion upon funding.

*Partially funded
**Committed, funding pending
*** Waterfall strategy focuses on securitized credit, yet their approach is more opportunistic (and has a higher orientation to capital appreciation) compared to the other securitized mandates.
**** Pending Board’s approval

Core Bond
- BlackRock
- PIMCO

Income

BL/CLO (15%)
- Guggenheim
- Highland

Direct Lending (20%)
- Adams Street**
- Golub*
- H.I.G. Whitehorse*
- TCW*
- White Oak*

Securitized Credit (18%)
- Ellington
- Voya
- Waterfall***

HY (11%)
- Columbia
- Neuberger Berman

EMD (13%)
- Alliance Bernstein
- BlueBay

Opportunistic Credit (23%)
- Bain
- BeachPoint
- GoldenTree*
- Marathon SPS*
- Marathon ECO*
- Marathon CLO*
- PIMCO COF II*
- GCO****

Capital Preservation

Capital Appreciation
Section III

MANAGER SELECTION & RECOMMENDATION
Top Candidate Characteristics – GCO

$300 million Recommendation

BlackRock is the largest asset manager in the world with almost $6 trillion in assets under management (AUM) as of September 30, 2017, across equity, fixed income, alternatives, etc.

GCO will seek to invest mainly in private credit and credit-related assets in special situations or in capital structures that are currently experiencing, or may experience, stress or liquidity constraints. GCO will aim to become a preferred alternative provider of capital solutions for stressed corporate borrowers. The fund will also seek to leverage BlackRock’s vast network of industry relationships to gain direct access to corporations in need of capital and to transactions unavailable to many smaller investment platforms.

GCO Process Summary

- Date of First TMRS Meeting
  1/13/17 (Call)

- Dates of Subsequent Meetings
  5 additional 2017 meetings
  - 6/29/17 (Austin)
  - 8/14/17 (Call)
  - 10/4/17 (New York)
  - 10/16/17 (Call)
  - 11/8/17 (Call)

- Dates of Diligence Advancement
  - ‘B’ Rating – 6/29/17
  - ‘A’ Rating – 10/4/17

- Date of Consultant Report
  November, 2017

- Legal Negotiation Initiated
  Not yet started.

- Comparable Strategies Reviewed
  44 Opportunistic Credit Managers
Section IV

REQUESTED BOARD ACTION
Approval of Recommendation

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

Global Credit Opportunities Fund, LP $300 million
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