

Real Estate Recommendation

August 23–24, 2018



Agenda

- I. Executive Summary
- II. Portfolio Construction
- III. Manager Selection & Recommendation
- 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 recommendation to the Board on the last page of this presentation reflects the full legal name of the investment.

Section I

EXECUTIVE SUMMARY

Manager Recommendation

Executive Summary

Summary of Recommendation			
Recommended Manager/Fund	Strategy Classification	Target Return	Recommended Amount
European Property Investors Special Opportunities 5 SCSP (Tristan)	Opportunistic Real Estate	12-14%+ Net IRR	Up to €60 million
Torchlight Debt Opportunity Fund VI, LP (Torchlight)	Value-Add Real Estate	11-14% + Net IRR	Up to \$75 million
Total Approximate Recommended Investment/Commitment			Up to \$150 million

Inclusive of the recommendations noted above, total real estate allocation activity for 2018 is \$225 million, on target to end the year within the targeted pacing of \$200 – \$400 million.

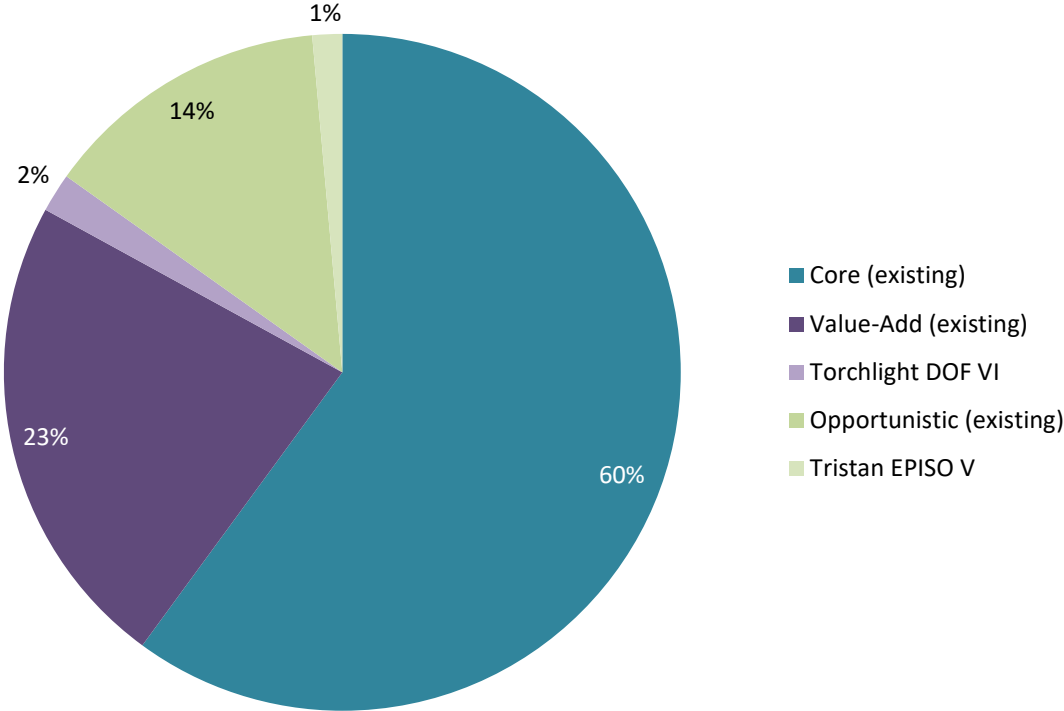
Section II

PORTFOLIO CONSTRUCTION

Real Estate Portfolio Statistics

TMRS Real Estate Portfolio

August 2018 Recommendation Detail by Adjusted Commitments



The TMRS portfolio is tracking within policy statement goals for strategy allocation levels. The newly proposed investments keep TMRS in-line with all IPS objectives.

Section III

MANAGER SELECTION & RECOMMENDATION

Top Candidate Characteristics – Tristan

€60 million Recommendation (re-up)

Tristan Capital Partners (Tristan) is a real estate focused European private equity firm with €9.1 billion of AUM. The firm was founded in 2009 by Ric Lewis in order to invest in pan-European real estate.

Tristan is currently targeting a raise of €1.5B+ to invest in primarily office, logistics, retail and residential properties. Tristan will continue the same strategy deployed in the previous vintages, seeking to acquire assets that have clear, correctable deficiencies impacting value that they believe can be quickly fixed and reposition the asset via re-leasing, recapitalization, restructuring and/or refurbishment.

Tristan

European Property Investors
Special Opportunities 5 SCSP

Date of First TMRS Meeting
3/16/15 (call)

Dates of Subsequent Meetings*
3/19/2018 (London)
5/30/2018 (Austin)
*Fund 5 Diligence Only

Dates of Diligence Advancement
'A' Rating – 3/2/2018

Date of Consultant Report
August 2018

Legal Negotiation Initiated
7/6/2018

Comparable Strategies Reviewed
53 (Opportunistic RE)
32 (European RE)

Top Candidate Characteristics – Torchlight

\$75 million Recommendation (re-up)

Torchlight Investors, LLC (“Torchlight”) is a real estate debt manager focused on non-core debt in both the private and traded spaces; they are also a rated special servicer. The firm was founded in 1995 and since then has acquired over \$20 billion in public and private commercial real estate debt investments.

Torchlight is currently targeting a raise of \$1.5B to invest in a portfolio focused on getting exposure to value-add US real estate by taking debt positions. Assets the fund is targeting generally include senior loans, mezzanine financing, CMBS, REO or preferred equity. The Fund will target a completed portfolio distribution rate of 6+%. Torchlight’s diverse skill set enables the team to acquire a variety of debt assets, toggling to sectors and securities that present the most value at any given time.

Torchlight

Torchlight Debt Opportunity
Fund VI, LP

Date of First TMRS Meeting
9/15/2014 (Austin)

Dates of Subsequent Meetings*
10/3/2017 (New York City)
6/7/2018 (Austin)
*Fund 6 Diligence Only

Dates of Diligence Advancement
'B' Rating – 10/31/2017
'A' Rating – 7/26/2018

Date of Consultant Report
August 2018

Legal Negotiation Initiated
TBD

Comparable Strategies Reviewed
21 (Real Estate Debt)
26 (Value Add Real Estate)

Section IV

REQUESTED BOARD ACTION

Approval of Recommendation

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

Recommendations:

- European Property Investors
Special Opportunities 5 SCSP Up to €60 million
- Torchlight Debt Opportunity Fund VI, LP Up to \$75 million

DISCLOSURES

TMRS periodically discloses public information that is not excepted from disclosure under Section 552.0225(b) of the Texas Public Information Act. Information provided by a manager, a Managing General Partner (GP), any of its Associates or other data provider to TMRS or a TMRS service provider, and contained in these materials (i) may have been independently produced or modified by TMRS or the TMRS service provider; (ii) has not been reviewed or approved by the manager, Managing GP or any of its Associates; and (iii) may not reflect the historical performance or asset value reflected in the manager's, Managing GP's or any of its Associates' records and, therefore, should not be used for comparative purposes.