

Private Equity Recommendations

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Agenda

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

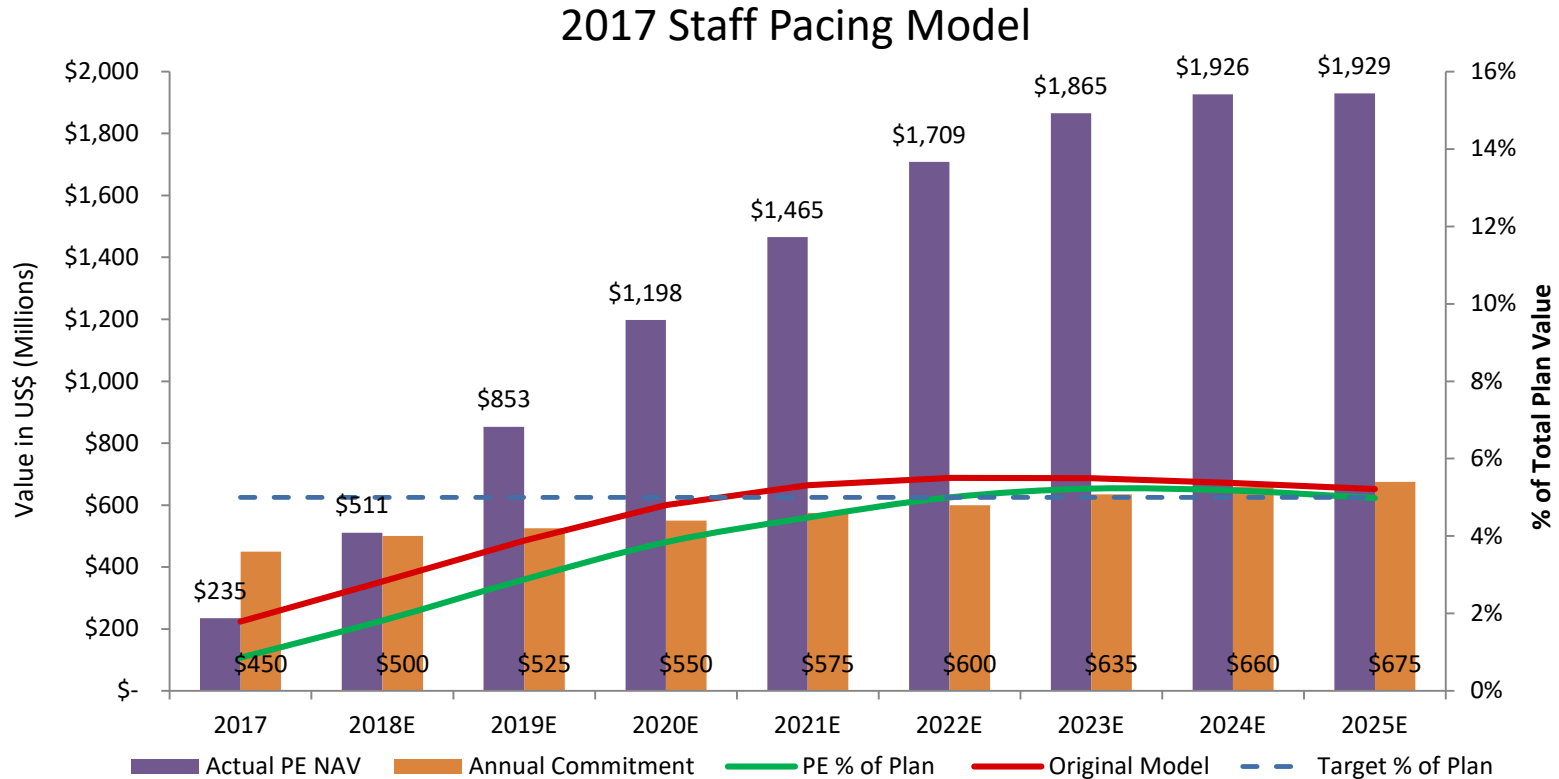
*Names used in this presentation are shortened versions that are used for ease of communication purposes throughout this document. The formal recommendations to the Board on the last page of this presentation reflect the full legal names of the investments.

Section I

DUE DILIGENCE PROCESS REVIEW

Due Diligence Processes

As part of Multi-year time periods

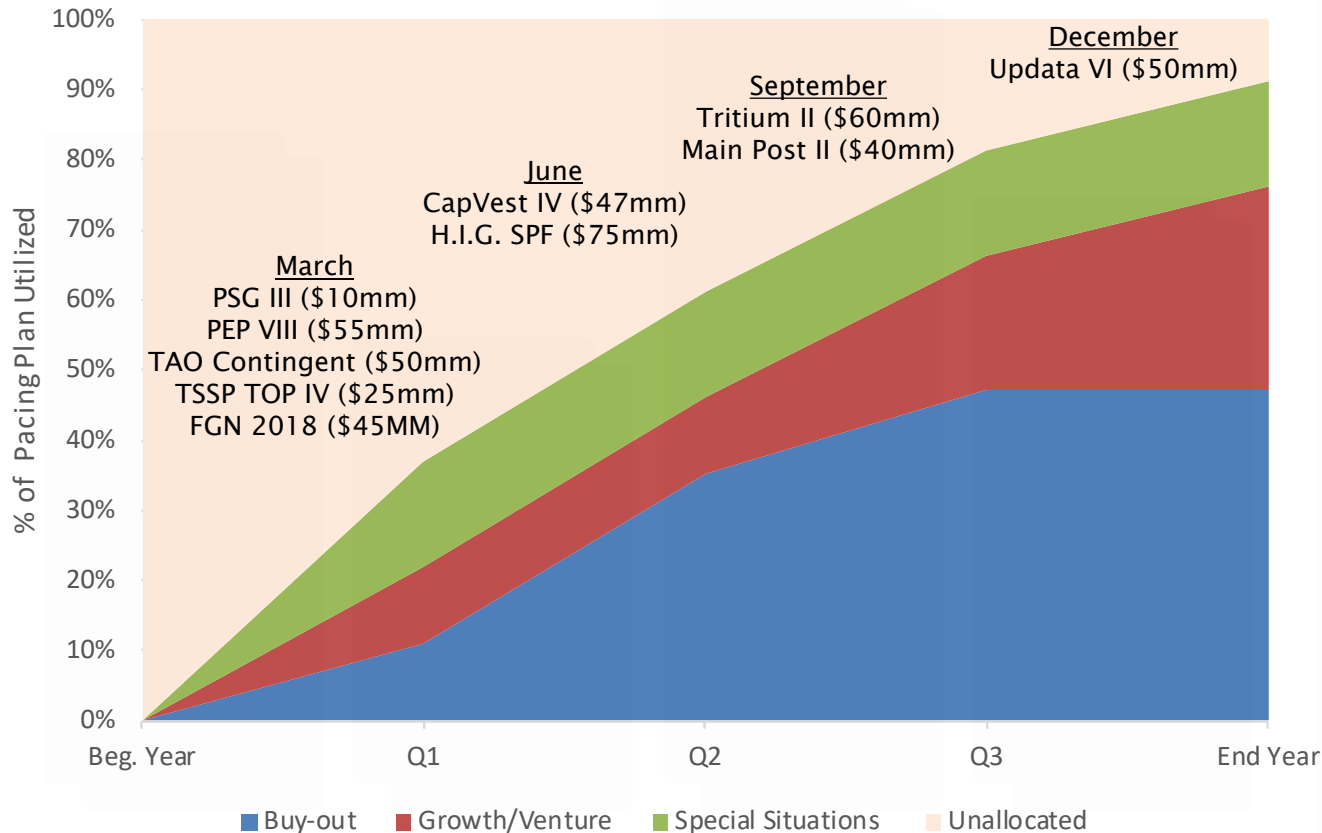


Annual pacing plans are developed in the context of multiple year investment horizons. This is necessary because private capital investments deploy and return capital over time rather than all at once.

Due Diligence Processes

As part of Annual Search Processes

2018 Private Equity Pacing Plan Progress



The 2018 Private Equity search process has culminated in ~\$457 million of closed and/or recommended primary investments, in line with the \$500 mm 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:

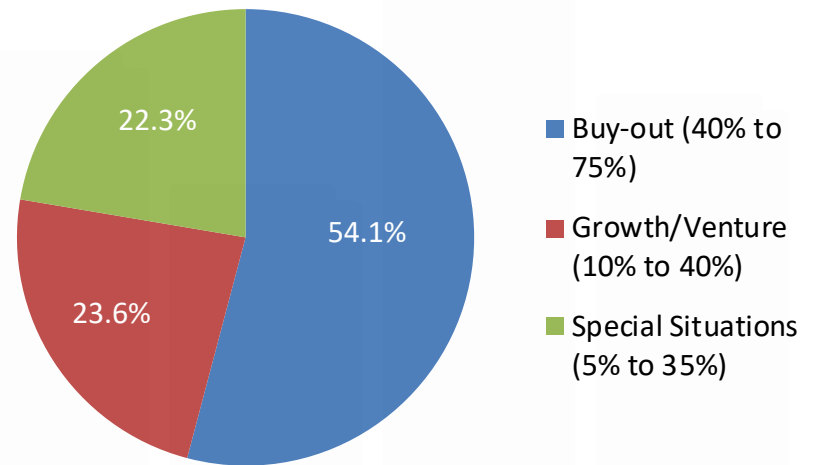
2015: Overweight special situations early for J-Curve mitigation, efficiency of capital deployment, and tactical opportunities.

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.

2018: Continue to add opportunistically to all portfolio allocations and deepen relationships with key private equity partners.

Private Equity Strategy Diversification by Commitment



Manager Selection Portfolio Considerations

Manager Implementation

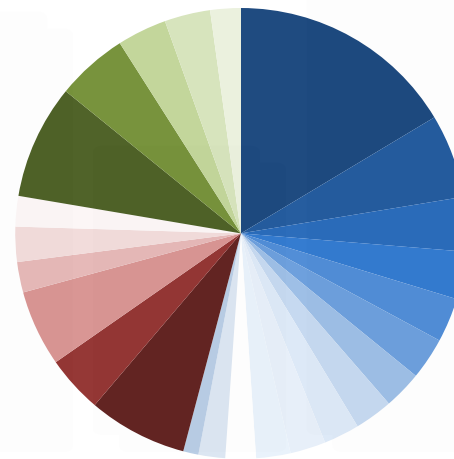
The overall goal remains identifying top quartile performers to partner with.

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.

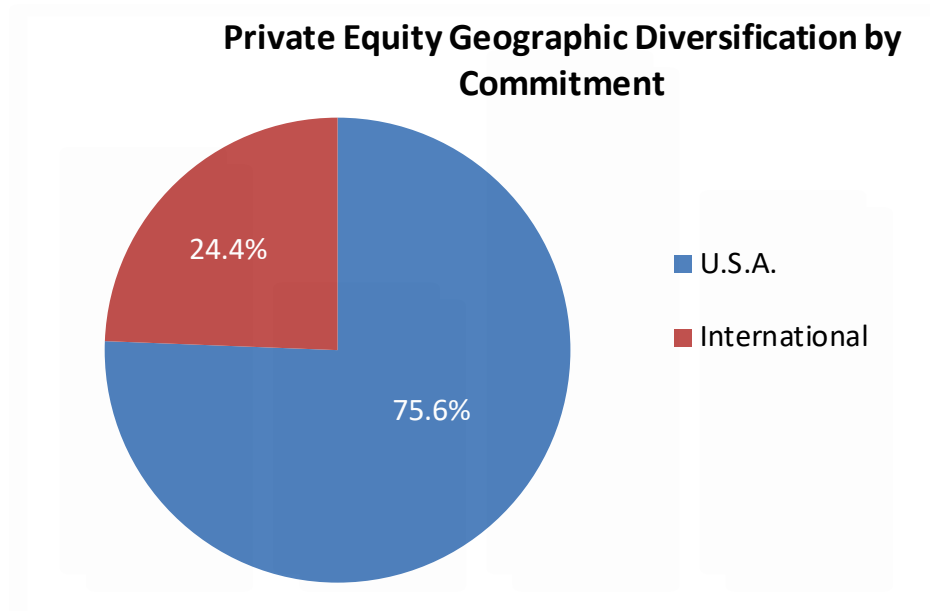
Private Equity Manager Diversification by Commitment



Manager Selection Portfolio Considerations

Geographic Diversification

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



The Target Portfolio keeps a conservative stance on international exposure.

Section III

MANAGER SELECTION & RECOMMENDATIONS

Manager Recommendations

Executive Summary

Summary of Recommendations			
Recommended Manager/Fund	Strategy	Target Return	Recommended Amount
Udata VI	Growth	25% Net IRR	\$50 million
Total Approximate Recommended Investments/Commitments			Up to \$50 million

Inclusive of the above recommendations, 2018 year to date total primary private equity recommendations approved will equal ~\$457 million (with the committed amount to be determined), within limits set forth in the 2018 Private Equity Pacing Model and the IPS.

Top Candidate Characteristics – Udata VI

\$50 million Recommendation

Udata Partners (“Udata” or the “Firm”) is a growth equity firm founded in 1998 that targets investments in the business-to-business software and software-enabled services sectors in undercapitalized geographies outside of the Bay Area. Udata Partners VI, L.P. (“Udata VI” or the “Fund”) is targeting \$300 million to make about 15 investments, and will seek opportunities where the Fund can invest \$10 million to \$35 million into companies generating \$5 million to \$50 million of revenue. The Firm will continue to execute the same strategy employed since Fund III, when they refocused from venture capital to business software growth equity.

Udata Due Diligence Summary

Date of First TMRS Meeting

1/26/2016 (TMRS)

Dates of Subsequent Meetings (TTM)

2/5/2016 (TMRS)

3/28/2016 (Onsite)

11/2/2017 (Annual meeting)

3/1/2018 (LPAC call)

5/8/2018 (Austin)

7/18/2018 (Austin)

7/31/2018 (Call)

8/2/2018 (LPAC call)

9/11/2018 (GP Office)

9/20/2018 (Austin)

Dates of Diligence Advancement

‘B’ Rating – 12/3/2015

‘A’ Rating – 3/28/2016

‘A’ Re-affirmed – 10/1/2018

Date of Consultant Report

September, 2018

Legal Negotiation Initiated

9/20/2018

Comparable Strategies Reviewed

21 (Software-focused Growth Equity)

Growth Meetings

211 manager meetings

Section IV

REQUESTED BOARD ACTION

Approval of Recommendation

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

Recommendations:

- Udata Partners VI, L.P. \$50 million

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