Real Return Recommendations
October 25–26, 2018

Presenters: Tom Masthay, Eddie Schultz, Yvonne Huang, Mark White (Albourne)
Agenda

I. Executive Summary
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 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

<table>
<thead>
<tr>
<th>Summary of Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommended Manager/Fund</strong></td>
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<tr>
<td>Sprott Private Resource Lending II (Sprott)</td>
</tr>
<tr>
<td>InfaStorAGE Essential Infrastructure II (Fund) &amp; Co-Invest (Co-Invest) (Collectively ‘Insto’)</td>
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<tr>
<td>NGP Natural Resources XII (NGP)</td>
</tr>
<tr>
<td>GIP Spectrum Fund (Spectrum), GIP Capital Solutions (CAPS), &amp; GIP CAPS Co-Invest (Co-Invest) (Collectively ‘GIP’)</td>
</tr>
<tr>
<td>Total Approximate Recommended Investments/Commitments</td>
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</tbody>
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Inclusive of the recommendations noted above, total real return allocation activity for 2018 is $650 million, on pace to be within the approved range of targeted pacing of $400 – $800 million.
Section II

PORTFOLIO CONSTRUCTION
Private investment strategy commitments will begin to draw down real return public markets exposure going forward.
Section III

MANAGER SELECTION & RECOMMENDATIONS
Sprott Investment Corporation is a $9.0B Toronto, Ontario based publically traded company focused on public and private markets resource investing. Sprott Resource Lending Fund II (Sprott RLF II) focuses on making debt and related investments to lower to middle market portfolio companies and their projects principally in minable natural resources. The Fund is seeking to lend at targeted gross IRRs in excess of 15% to: (a) companies with producing or near-term production assets; (b) opportunities where there is the potential for the Fund to assist a borrower in advancing its development project to the next stage; (c) companies requiring short- to mid-term project financing; and (d) on a selective basis, distressed debt opportunities. The strategy is led by Messrs. Jim Grosdanis and Narinder Nagra, two long term Sprott employees and mining capital markets participants.

**Sprott Resource Lending**

SRLF II
($100mm)

**Date of First TMRS Meeting**
2/24/16

**Dates of Subsequent Meetings***
9/28/17
4/6/18
8/07/18
*Fund II DD only

**Dates of Diligence Advancement**
‘A’ Rating – 8/14/18

**Date of Consultant Report**
September 8, 2018

**Legal Negotiation Initiated**
September 17, 2018

**Comparable Strategies Reviewed**
Private Natural Resource Credit (33)
Mining Credit (6)
InstarAGF Essential Infrastructure II is a North American focused infrastructure fund investing in middle market assets that have $100 million to $1 billion in enterprise value. The portfolio will consist of three primary categories of infrastructure: Energy, Utilities, and Civil. These broad categories will encompass a large number of sub-groups ranging from renewable and district energy to airports and digital infrastructure. The team underwrites downside protection through asset level characteristics (i.e. barriers to entry, contractual cash flows, etc.) but provides value add through operational improvements and growth opportunities.

Instar was founded in 2014 by Gregory Smith, a long-standing authority on North American infrastructure. Prior to founding Instar, Mr. Smith was Managing Partner and head of Brookfield’s Financial Global Infrastructure Advisory Group.
NGP’s investment strategy targets companies that operate in lower risk segments of the energy industry, principally focusing on acquiring and operating assets in the core areas of key US oil and gas basins. NGP has a systematic and active process for sourcing management teams, frequently working with repeat teams but also taking an industry leading approach with employing ‘under 40’ teams. NGP employs low leverage buy and build strategies; a belief in not micromanaging its portfolio companies; not having competing teams in the same basins; marrying upstream and midstream businesses together and utilizing roughly 70% of capital to ‘feed the winners’. NGP has a quality track record that has performed at a meaningful spread to public markets and has never lost money in a fund.
Global Infrastructure Management, Inc (“GIP”) is an infrastructure specialist asset manager focused on energy, transport, water, and waste industries. GIP has two credit strategies utilizing their in-house operating and origination expertise to generate more value through structured financings with sub-investment grade companies. The Capital Solutions fund pursues higher returning opportunities with B rated firms looking for highly structured capital to fund growth and/or greenfield expansion. The Spectrum fund pursues slightly lower cost opportunities with BB rated firms looking for more senior level debt to finance acquisitions or refinance other debt. The firm was founded in 2006 by a group led by Adebayo Ogunlesi, the former head of Investment Banking and Global Energy for Credit Suisse. GIP in many respects pioneered the current private equity oriented infrastructure model, bringing financial professionals and experienced operating professionals together.

### Top Candidate Characteristics – GIP Credit

$200 million Recommendation

**GIP Credit**

GIP Spectrum, GIP CAPS, CAPS Co-Investment

(up to $200 million total)

**Date of First TMRS Meeting**

4/26/2018 (Austin)

**Dates of Subsequent Meetings**

7/19/2018 (Austin)

9/7/2018 (Conference Call)

9/26/2018 (New York City)

**Dates of Diligence Advancement**

‘B’ Rating – 8/9/2018

‘A’ Rating – 9/27/2018

**Date of Consultant Report**

Spectrum: Sept 2018

CAPS: Oct 2018

**Legal Negotiation Initiated**

TBD

**Comparable Strategies Reviewed**

10 (Multi-Sector Infra Credit)
Section IV

REQUESTED BOARD ACTION
Approval of Recommendation

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

Recommendation:

- Sprott Private Resource Lending II Up to $100 million
- Instar AGF Essential Infrastructure Fund II Up to $100 million
- InstarAGF EIF II Co-Invest Up to $50 million
- NGP Natural Resources XII Up to $125 million
- GIP Spectrum Fund Up to $75 million
- GIP Capital Solutions Up to $75 million
- GIP Capital Solutions Co-Invest Up to $50 million
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