Private Equity Recommendation
December 5–6, 2019

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StepStone Group
I. Executive Summary
II. Due Diligence Process Review
III. Portfolio Construction
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V. Requested Board Action

Names used in this presentation may be a shortened version of the full legal name 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>Recommended Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parthenon Investors VI, L.P.</td>
<td>Buy-out</td>
<td>20% Net IRR</td>
<td>$50 million</td>
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<tr>
<td>(&quot;Parthenon VI&quot;)</td>
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<tr>
<td><strong>Total Approximate</strong></td>
<td></td>
<td></td>
<td><strong>$50 million</strong></td>
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Section II
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

The 2019 Private Equity search process has culminated in ~$468 million of closed and/or recommended investments, which is slightly behind the $525 mm primary 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 III

PORTFOLIO CONSTRUCTION
Private Equity Portfolio Statistics
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: Steady state on pacing, selectively adding new relationships and European exposure

2019: Steady state on pacing, selectively added new relationships and Venture and European exposure.
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 Portfolio Statistics
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 IV

MANAGER SELECTION AND RECOMMENDATION
Parthenon Capital Partners ("Parthenon" or the "Firm") is a private equity firm founded in 1998 that makes growth-oriented buy-out investments in the financial services, healthcare, and business services sectors across the United States. Parthenon Investors VI, L.P. is targeting $1.5 billion to make up to 15 investments; the Fund will seek opportunities where they can invest $40 million to $125 million into profitable companies with enterprise values ranging from $50 million to $500 million. Post-investment, the Parthenon team will typically recruit new executives to their portfolio companies, while conducting several add-on acquisitions and improving their technology infrastructures. Parthenon will continue to execute the same strategy employed since Fund III, when the current team took over the Firm’s management.
Section V

REQUESTED BOARD ACTION
Recommendation

- TMRS Staff and StepStone Group recommend that the Board of Trustees approve the following fund:

**Recommendation:**

- Parthenon Investors VI, L.P. $50 million
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