

Real Return Recommendations

February 14–15, 2019



Agenda

- I. Executive Summary
- II. Portfolio Construction & Manager Recommendations
- III. 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 Recommendations

Recommended Manager/Fund	Strategy Classification	Target Return	Recommended Amount
Harrison Street Social Infrastructure Fund, L.P. (HSSI)	Private Real Return	8-11% gross IRR	Up to \$200mm
Total Approximate Recommended Investments/Commitments			Up to \$200 million

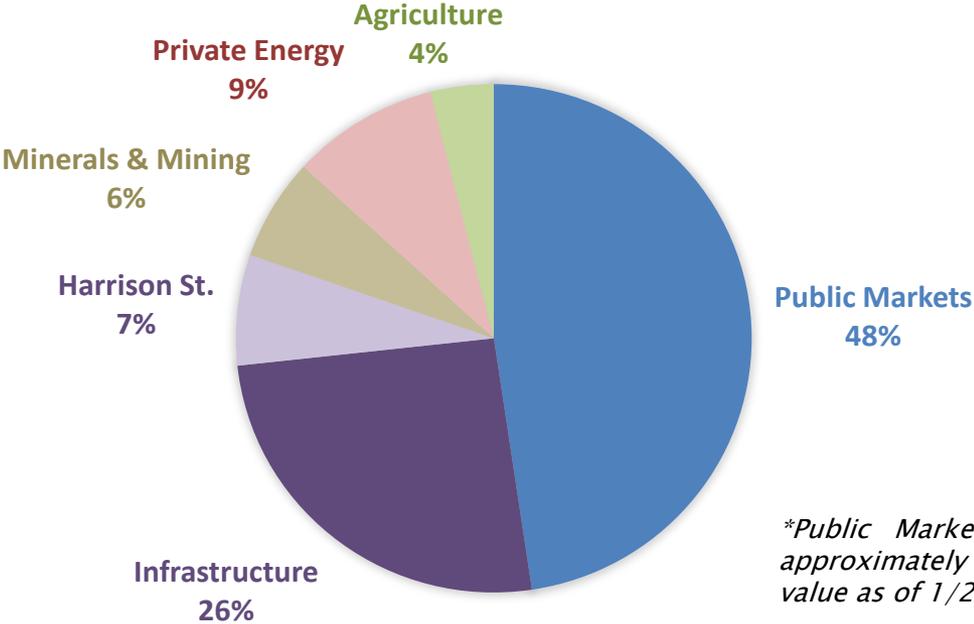
Inclusive of the recommendations noted above, total real return allocation activity for 2019 is \$200 million, on pace to be within the approved range of targeted pacing of \$400 – \$800 million.

Section II

PORTFOLIO CONSTRUCTION & MANAGER RECOMMENDATIONS

Real Return Portfolio Statistics

FEBRUARY 2019 PORTFOLIO & ALLOCATION ACTIVITY
BY ADJUSTED COMMITMENTS



**Public Markets investments account for approximately 83% of real return portfolio value as of 1/29/19.*

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

Top Candidate Characteristics – Harrison St.

\$200 million Recommendation

Harrison Street is a privately-owned, Chicago based investment management firm with a historical, exclusive focus in Education, Healthcare and Storage real estate, but is now expanding efforts into infrastructure. The strategy of Harrison Street Social Infrastructure Fund (“Fund”, “HSSI”) is to assemble through development and acquisition, a portfolio of high-quality social infrastructure investments, which serve the education, healthcare, government and utility sectors. The Fund is one of very few open-ended infrastructure funds in the market and even more unique in its market positioning by focusing exclusively on their target sectors. HSSI will be focusing on sourcing transactions from universities and municipalities for individual transactions often less than \$150mm, which may be considered middle market to lower middle market in the infrastructure universe.

Harrison Street

HSSI
(\$200mm)

Date of First TMRS Meeting 8/28/2017 (Austin)

Dates of Subsequent Meetings

12/12/2017 (Austin)

9/24/2018 (Chicago)

11/5/2018 (Austin)

2/11/19 (Chicago)

Dates of Diligence Advancement

‘A’ Rating – 12/14/2018

Date of Consultant Report

February, 2019

Legal Negotiation Initiated

December 20, 2018

Comparable Strategies Reviewed

North American MM Infrastructure (13)

Open-end Core Infrastructure Managers (6)

Global / Int’l Middle Market Infrastructure Managers (17)

Section III

REQUESTED BOARD ACTION

Approval of Recommendation

TMRS Staff and Albourne recommend that the Board of Trustees approve the selection of the following fund:

Recommendation:

- Harrison St. Social Infrastructure Fund Up to \$200 million

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