Absolute Return Recommendation
September 26–27, 2019

Presenters:
Marc L. Leavitt, Director of Absolute Return Strategies (ARS)
Kevin Notaro, ARS Investment Analyst
Albourne America
Agenda

I. Executive Summary
II. Due Diligence Process Review
III. Portfolio Construction
IV. Manager Selection & Recommendation(s)
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(s)

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>Alpstone Global Macro Fund, LP (“Alpstone”)</td>
<td>Macro</td>
<td>10-12% Net</td>
<td>$125M</td>
</tr>
<tr>
<td>Diameter Capital Partners, LP (“Diameter”)</td>
<td>Credit</td>
<td>8-12% net</td>
<td>$125M</td>
</tr>
<tr>
<td>Infinity Q Volatility Alpha Fund, LP (“Infinity Q”)</td>
<td>Volatility Arbitrage</td>
<td>15-20% Net</td>
<td>$125M</td>
</tr>
<tr>
<td><strong>Total Approximate Recommended Investments/Commitments</strong></td>
<td></td>
<td></td>
<td><strong>$375M</strong></td>
</tr>
</tbody>
</table>
Section II

DUE DILIGENCE PROCESS REVIEW
Due Diligence Processes

Final Due Diligence Scoring Matrix – Aggregated Results

<table>
<thead>
<tr>
<th>Recommended Manager/Fund</th>
<th>Manager Score†</th>
<th>Comparable Mgr. A Score</th>
<th>Comparable Mgr. B Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpstone</td>
<td>100.0</td>
<td>82.5</td>
<td>77</td>
</tr>
<tr>
<td>Diameter</td>
<td>100.0</td>
<td>80</td>
<td>92.5</td>
</tr>
<tr>
<td>Infinity Q</td>
<td>100.0</td>
<td>87.5</td>
<td>80</td>
</tr>
</tbody>
</table>

†Selected managers standardized to a score of 100 to allow comparability among selected managers.
Section III

PORTFOLIO CONSTRUCTION
Absolute Return Portfolio Statistics

Strategy Diversification

Direct Portfolio Aggregated Manager Exposures

- Event Driven, 0.2%
- Multi-Strat, 18.7%
- CTA, 6.9%
- Relative Value, 20.9%
- Credit, 18.0%
- Equity, 20.1%

*Exposures above include proposed investments.
Absolute Return Portfolio Statistics

Position Sizing

*Exposures above include proposed investments.
Section IV

MANAGER SELECTION AND RECOMMENDATION(S)
Top Candidate Characteristics – Alpstone

$125 million Recommendation

Alpstone is a discretionary global macro manager with a highly structured investment process that employs proprietary methods to distill the global opportunity set before ultimately making a discretionary investment decision. The investment team worked together at BlueCrest, where they successfully managed a large portfolio and accumulated a solid eight-year track record. Alpstone is led by Frederic Favre, CEO/CIO, who is supported by Alexandre Germak, the Head of Research and Deputy CIO. The two have worked together for more than 12 years, having overlapped at BlueCrest as well as Barclays before that. Currently the Firm assets under management stand at just over $1 billion and they are soft-closed to new investments. The portfolio is organized into 3 main trading strategies – Fundamental Macro, Tactical/Momentum, and Relative Value.
Top Candidate Characteristics – Diameter

$125 million Recommendation

Diameter Capital Partners ("the Firm") was launched in 2017 by co-Portfolio Managers Scott Goodwin and Jonathan Lewinsohn. Scott heads up trading for the organization while Jonathan directs the research aspects of the Firm. The two overlapped at Anchorage Capital before Jonathan parted ways for Centerbridge Partners, prior to coming back together to launch the Firm. They are seeking to combine their trading and research expertise, investing long and short across economic cycles and through the spectrum of credit. Strategies pursued include performing credit, single name shorts vulnerable to fundamental or technical breakdown, structured credit, stressed and distressed debt and equities of "credit like" companies in which the Fund has debt exposure.
Infinity Q Capital Management ("the Firm") was founded in 2014 as a spin out from David Bonderman’s family office, Wildcat Management. Mr. Bonderman is the founding partner of TPG and Newbridge Capital. James Velissaris was hired in 2012 to run a strategy with an asymmetric risk profile and an expectation to make money during equity market tail events. The Infinity Q Volatility Alpha Fund ("the Fund") seeks to provide positive absolute returns with minimal correlation to the equity and credit markets. The Fund utilizes volatility-based strategies to provide long and short exposure to a diversified portfolio of derivatives across equities, currencies, interest rates, credit, and commodities markets. The Fund allocates to three broad categories: 1) Long Volatility, 2) Vega Neutral (Relative Value), and 3) Short Volatility. This approach creates a non-directional portfolio that seeks to have positive carry while generating outperformance in down markets (left tail).
Section V

REQUESTED BOARD ACTION
Recommendation

- TMRS Staff and Albourne recommend that the Board of Trustees approve allocations to the following funds:

**Recommendations:**

- Alpstone Global Macro Fund, LP $125 million
- Diameter Capital Partners, LP $125 million
- Infinity Q Volatility Alpha Fund, LP $125 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.