

Absolute Return Recommendation

September 26–27, 2019



Presenters:

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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

Summary of Recommendations			
Recommended Manager/Fund	Strategy Classification	Target Return	Recommended Amount
Alpstone Global Macro Fund, LP ("Alpstone")	Macro	10-12% Net	\$125M
Diameter Capital Partners, LP ("Diameter")	Credit	8-12% net	\$125M
Infinity Q Volatility Alpha Fund, LP ("Infinity Q")	Volatility Arbitrage	15-20% Net	\$125M
Total Approximate Recommended Investments/Commitments			\$375M

Section II

DUE DILIGENCE PROCESS REVIEW

Due Diligence Processes

Final Due Diligence Scoring Matrix – Aggregated Results

Recommended Manager/Fund	Manager Score†	Comparable Mgr. A Score	Comparable Mgr. B Score
Alpstone	100.0	82.5	77
Diameter	100.0	80	92.5
Infinity Q	100.0	87.5	80

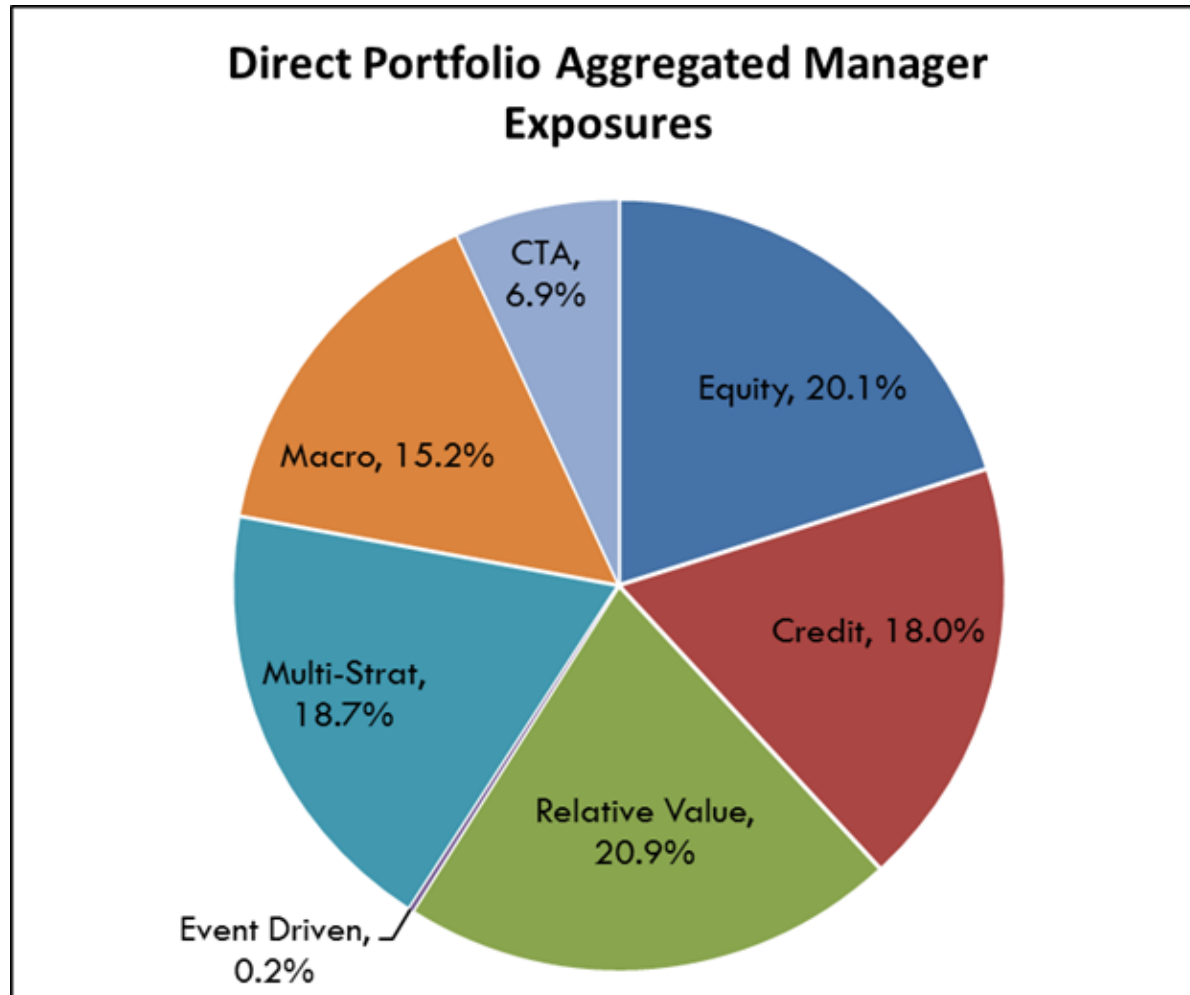
†Selected managers standardized to a score of 100 to allow comparability among selected managers

Section III

PORTFOLIO CONSTRUCTION

Absolute Return Portfolio Statistics

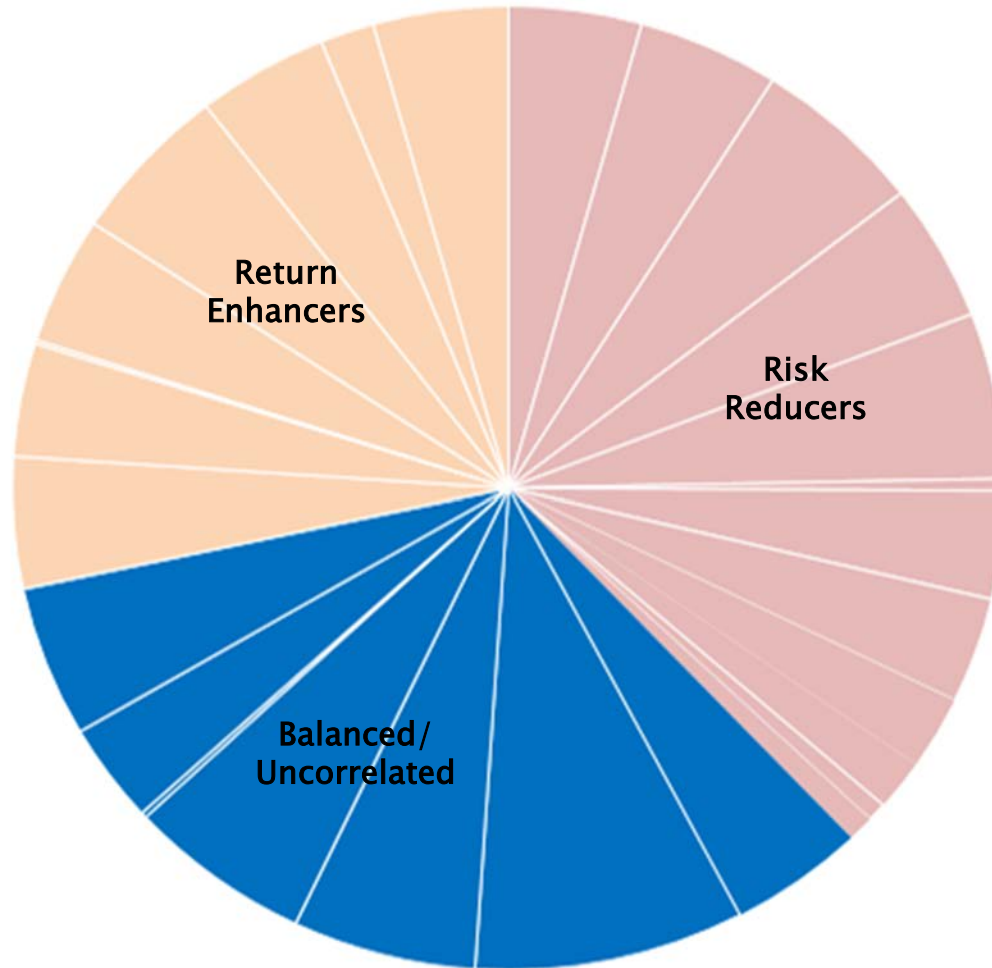
Strategy Diversification



*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.

Alpstone

Date of First TMRS Meeting

4/6/2017 (Call)

Dates of Subsequent Meetings

7/2/2018 (Call)

7/19/2018 (London)

1/17/2019 (Call)

3/11/2019 (Geneva)

6/25/2019 (Call)

6/28/2019 (Call)

7/8/2019 (Call)

8/5/2019 (Call)

Dates of Diligence Advancement

'B' Rating - 7/2/2018

'B+' Rating - 7/19/2018

'A' Rating - 3/11/2019

Reference Checks

Yes

Date of Consultant IDD Report

December 2018

Date of Consultant Board Memo

August 26, 2019

Legal Negotiation Initiated

August 9, 2019

Comparable Strategies Reviewed

40

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.

Diameter

Date of First TMRS Meeting

11/1/2017 (Call)

Dates of Subsequent Meetings

12/6/2017 (NYC)

5/8/2019 (NYC)

7/23/2019 (NYC)

8/7/2019 (Call)

Dates of Diligence Advancement

‘B’ Rating – 12/6/2017

‘A-’ Rating – 5/8/2019

‘A’ Rating – 7/23/2019

Reference Checks

Yes

Date of Consultant IDD Report

June 2019

Date of Consultant Board Memo

August 26, 2019

Legal Negotiation Initiated

August 9, 2019

Comparable Strategies Reviewed

19

Top Candidate Characteristics – Infinity Q

\$125 million Recommendation

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).

Infinity Q

Date of First TMRS Meeting
3/21/2019 (Austin)

Dates of Subsequent Meetings
5/8/2019 (NYC)
5/23/2019 (Call)
7/23/2019 (NYC)
7/29/2019 (Call)
8/9/2019 (Call)
8/27/2019 (Austin)

Dates of Diligence Advancement
'B' Rating: 3/21/2019
'A' Rating: 5/8/2019

Reference Checks
Yes

Date of Consultant IDD Report
June 2019

Date of Consultant Board Memo
August 26, 2019

Legal Negotiation Initiated
August 19, 2019

Comparable Strategies Reviewed
18

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 |

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