



Private Equity Manager Recommendation

Tom Masthay, Peter Teneriello, Celisse Cobos, Josh Garcia

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H.I.G. Capital

H.I.G. Capital is a Miami-based global alternative investment firm focused on the small to mid-cap segment of private markets.

The Firm manages over \$40 billion of capital across buyout, growth equity, special situations, distressed credit, direct lending, infrastructure, and real estate strategies.

Investments in the HIG Strategic Partnership Fund II and Capella Co-Investment program are being recommended to the Board for approval because the size of the proposed mandate exceeds the Investment Policy Statement staff delegated limit of 0.75% (~\$235 million).



Recommendation Summary

HIG Strategic Partnership Fund II
\$500 million

HIG Capella Co-Investment
\$100 million

(Approximately \$150million per year)

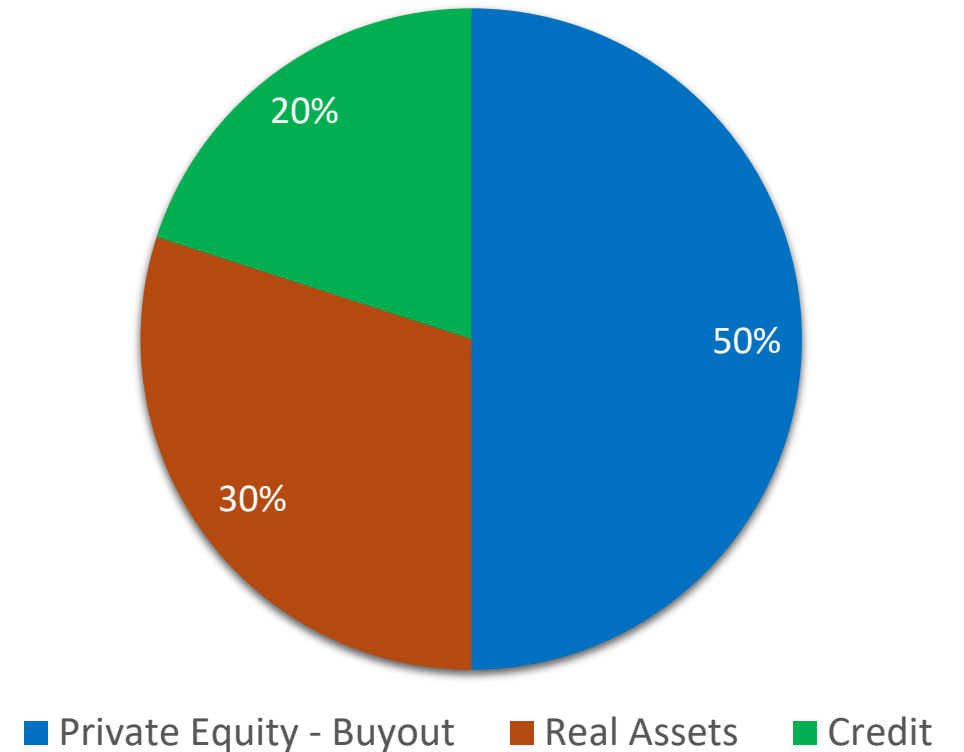
Expanding a Strategic Partnership

H.I.G. is a TMRS strategic partner. As a firm, HIG seeks high returns across all of its strategies and thus this diversified approach is a good fit for TMRS' private equity portfolio.

H.I.G. Strategic Partners Fund (SPF) II will invest in most of the Firm's investment products that expect to raise capital over the next four years.

Capella will co-invest in a sub-set of SPF II transactions and help control the cost of the overall program.

Projected SPF II Allocations

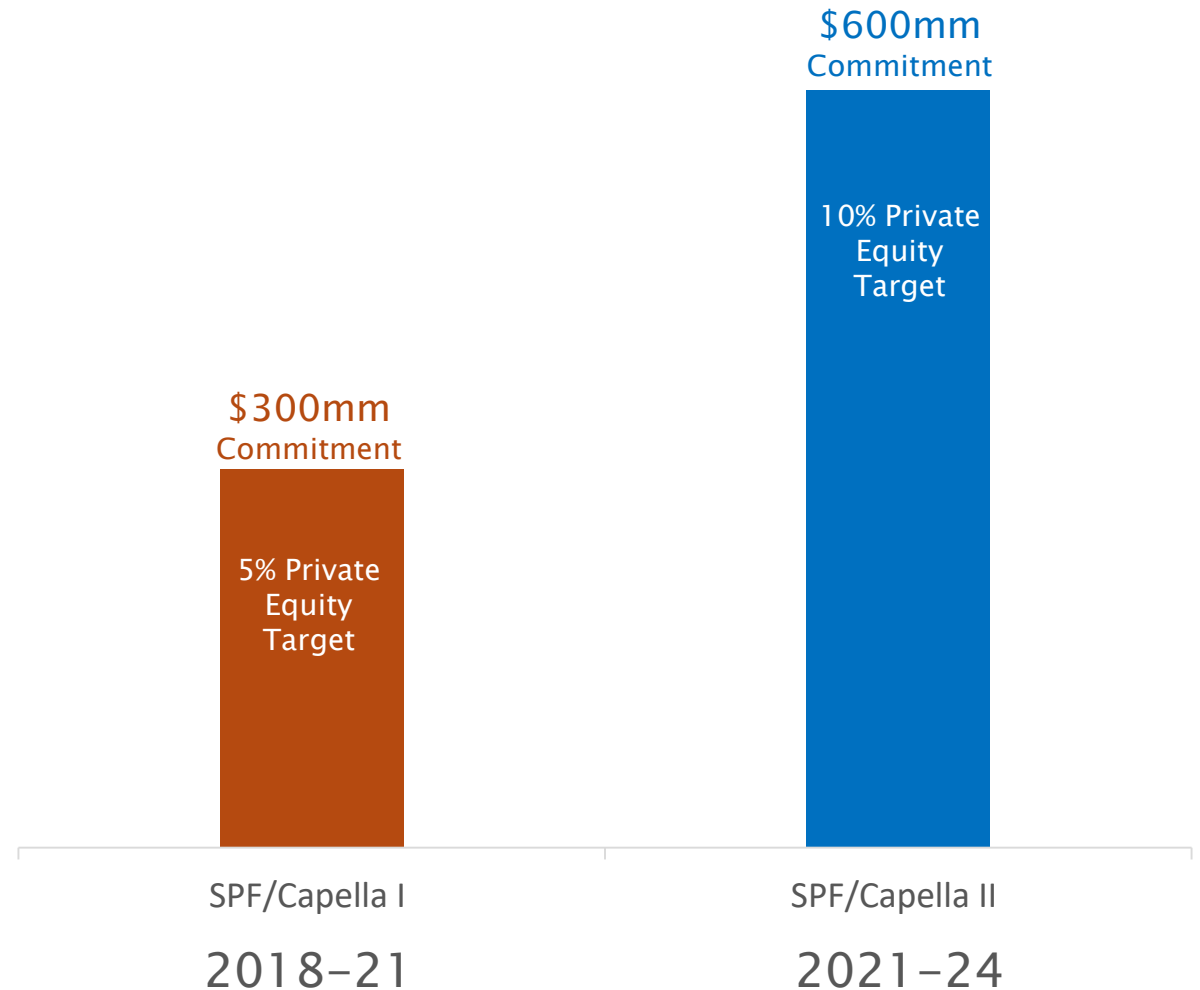


Sizing SPF I and II

In 2018 TMRS committed \$300 million to HIG SPF I and Capella at a time when TMRS' target allocation for Private Equity was 5%.

The larger size of this relationship renewal recommendation (\$600 million) is due to the Board's 2019 adoption of a 10% private equity target.

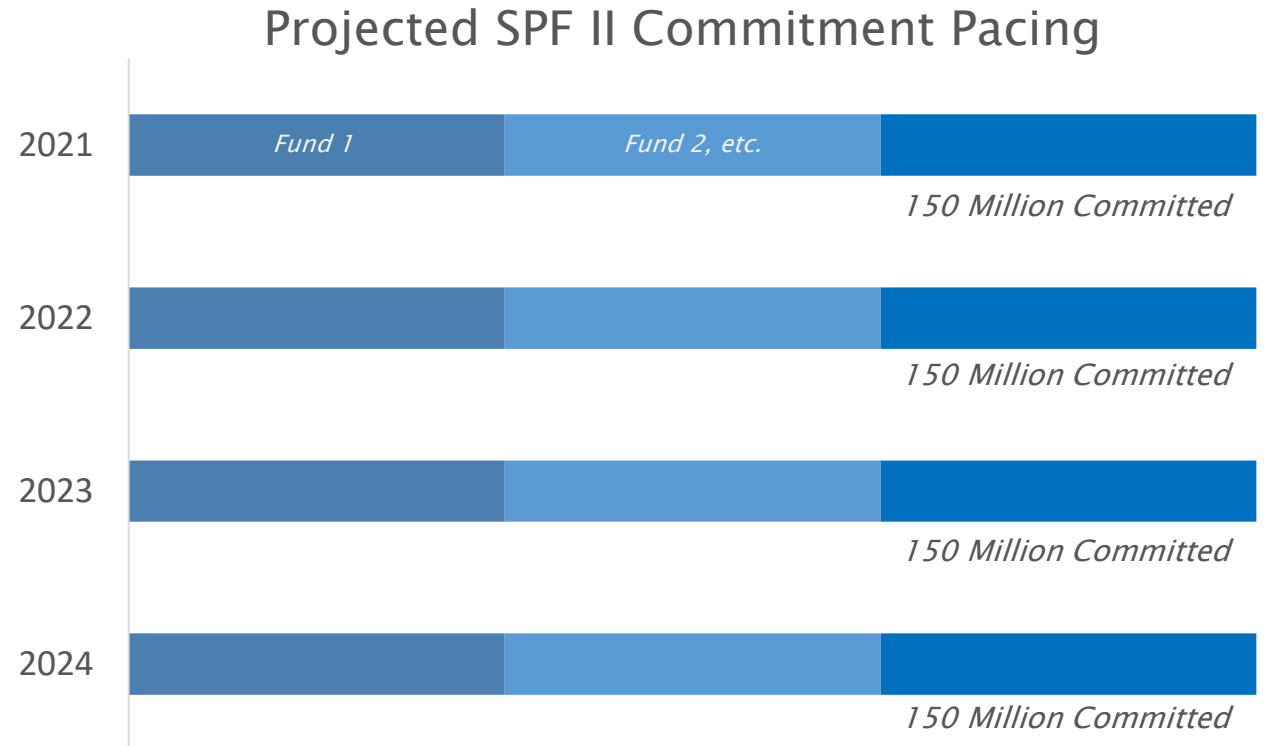
The proposed investments will be structured as a multi-vintage commitment, meaning capital will not all be invested at once, but instead in a number of different underlying funds, over a number of years.



Multi-Vintage Commitments

Multi-Vintage Commitments are investments which TMRS commits to multiple funds at once, even though a given fund may not come into existence until the future. This investment mechanism is an efficient way to deploy capital into TMRS' larger relationships.

Through HIG SPF II, TMRS would be committing to 12+ funds over the next four vintage years. \$150 million is being budgeted for pacing models for each year from 2021 to 2024.



Total = \$600 Million Committed
over four years

Requested Board Action

TMRS Staff recommends with Albourne support that the Board of Trustees approve the following commitments*:

H.I.G. Strategic Partnership Fund II, LP \$500 million

H.I.G. Capital – TMRS Capella SMA, LP \$100 million



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