

Real Estate Recommendations

February 13–14, 2020



Presenters: Tom Masthay, Eddie Schultz, Yvonne Huang, Albourne America, Stepstone Real Estate

Agenda

- I. Executive Summary
- II. Portfolio Construction
- III. Manager Selection & Recommendations
- IV. 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 Recommendation		
Recommended Manager/Fund	Strategy Classification	Recommended Amount
Berkeley Partners Value Industrial Fund V, LP (Berkeley)	Value-Add Real Estate	Up to \$75 million
Virtus Real Estate Enhanced Core, LP (Virtus)	Core Real Estate	Up to \$200 million
Abacus Core Income Fund I, LP (Abacus)	Core Real Estate	Up to \$50 million
Total Approximate Recommended Investment/Commitment		Up to \$325 million

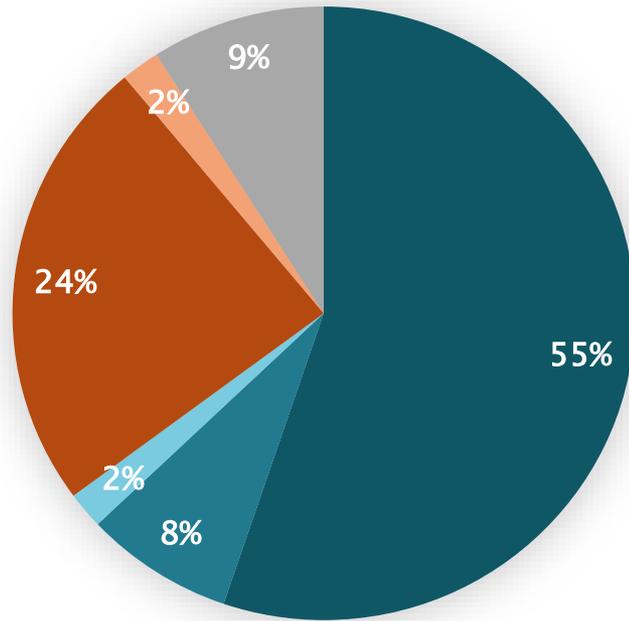
The Board of Trustees approved 2020 pacing plan for real estate is \$800 million. The above recommended investments are the first real estate recommendations of 2020.

Section II

PORTFOLIO CONSTRUCTION

Real Estate Portfolio Statistics

TMRS Real Estate Strategy Allocations
by est. market value



■ Core ■ Virtus ■ Abacus ■ Value Add ■ Berkeley ■ Opportunistic

The TMRS portfolio is tracking within policy statement goals for strategy allocation levels. The newly proposed investments keep TMRS in-line with all IPS objectives.

Section III

MANAGER SELECTION & RECOMMENDATIONS

Top Candidate Characteristics - Berkeley

Up to \$75 million recommendation

Berkeley Partners Management, LLC (Berkeley or the firm) is a San Francisco & Dallas based real estate investment firm focused entirely on light industrial properties in the United States across the risk spectrum. The firm's flagship strategy is to invest in local infill, multi-tenanted, light industrial urban core properties in growing US markets. The firm has set itself up to be vertically integrated, providing property management and other asset level services directly.



Top Candidate Characteristics - Virtus

Up to \$200 million recommendation

Virtus Real Estate LLC (“Virtus” or “the firm”) is an Austin based real estate investment firm founded in 2003 by Terrell Gates to invest in recession resilient real estate. The focus of the entire firm is to invest in property sectors that exhibit historically consistent returns less correlated with the broader market. These sectors typically include: Healthcare, Self-Storage, Senior Living, Workforce Housing, Student Housing and other education related assets (“Primary Property Types”).



Top Candidate Characteristics - Abacus

Up to \$50 million recommendation

Abacus is a real estate investment management company founded in 2004 by Chief Executive Benjamin Friedman in order to invest exclusively in multi-family residential housing. TMRS has long been an investor with Abacus investing in each of its flagship value fund series Funds II through V, as well as its core vehicle, Abacus Core Income Fund I, LP (“ACIF”). Abacus has historically been one of TMRS’s strongest performing real estate managers, at least in part, due to its hybrid operator/allocator model.



Section IV

REQUESTED BOARD ACTION

Approval of Recommendation

TMRS Staff and its Real Estate Consultants recommend that the Board of Trustees approve the selection of the following funds/investments:

Recommendations:

- Berkeley Partners Value Industrial Fund V, LP ... Up to \$75 million¹
- Virtus Real Estate Enhanced Core, LP ... Up to \$200 million²
- Abacus Core Income Fund I, LP ... Up to \$50 million²

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.