

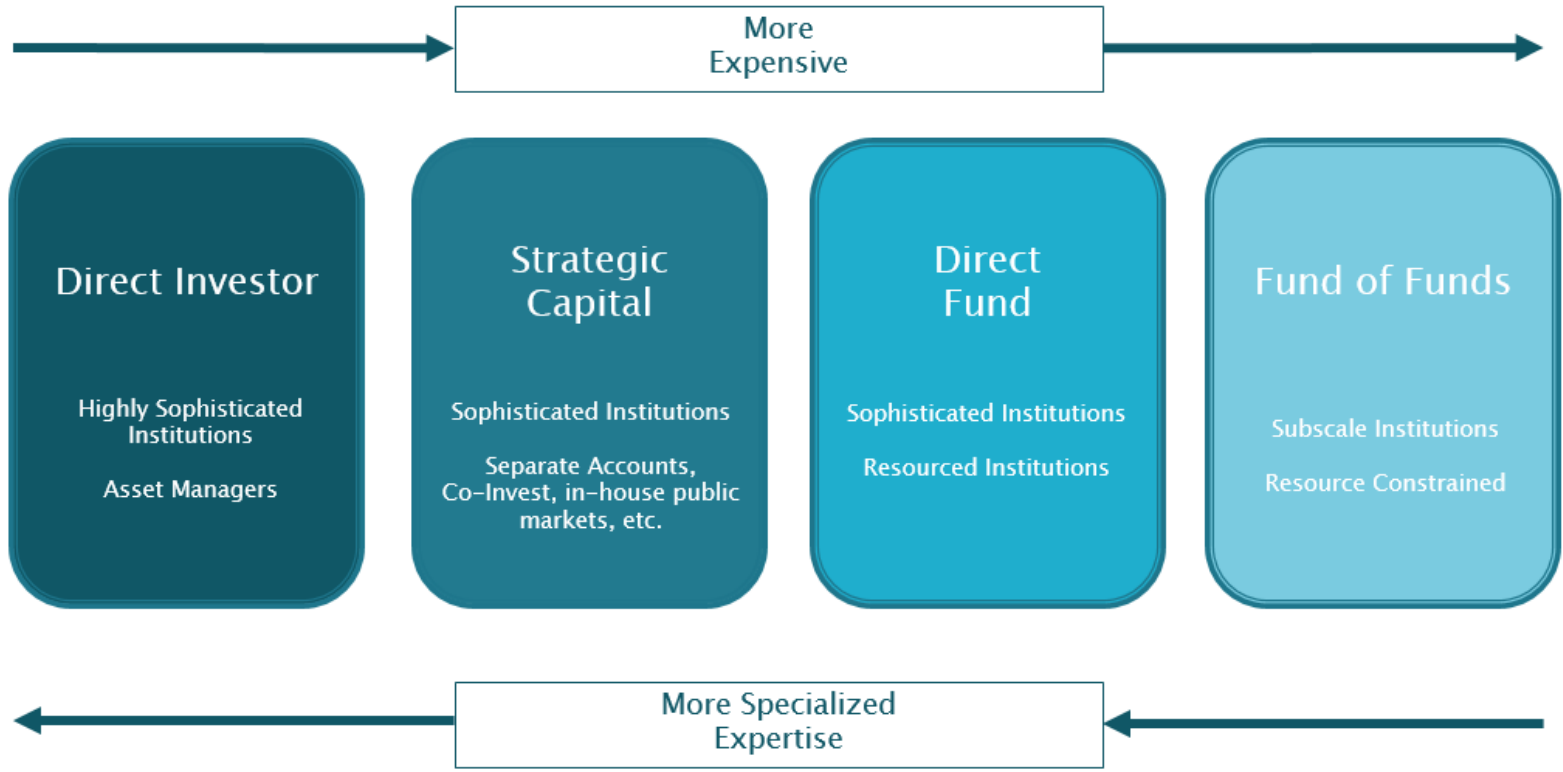
Private Equity Co-Investment Board Presentation

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Strategic Capital



TMRS has made significant progress toward elevating its position within capital markets and providing more attractive capital to market participants.

A proposed co-investment program is one more incremental step in achieving this strategic vision.

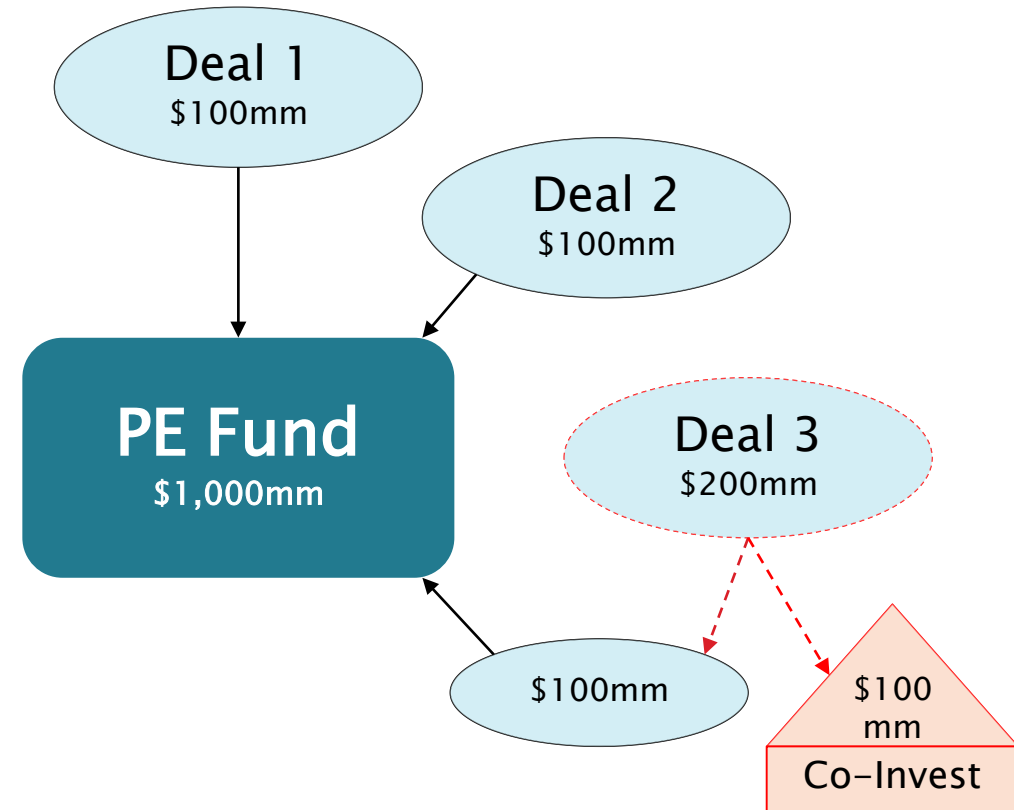


Co-Investments: What & Why

Co-Investments are opportunities whereby limited partners have the opportunity to invest directly alongside general partners in deals outside of a fund vehicle.

This opportunity most commonly arises because GP's need more buying power or want to reduce concentration risks within fund vehicles.

LPs typically can participate in co-investments for discounted fees and carried interest, frequently at zero fees and zero carry.



Search Process

TMRS' Search Process was driven by three key conclusions:

Program Scale is the most important point to consider. Ability to scale the program, above all else, enables the greatest ability to access improved-economics and attractive deal flow. Firm resources & portfolio overlap were the key considerations here.

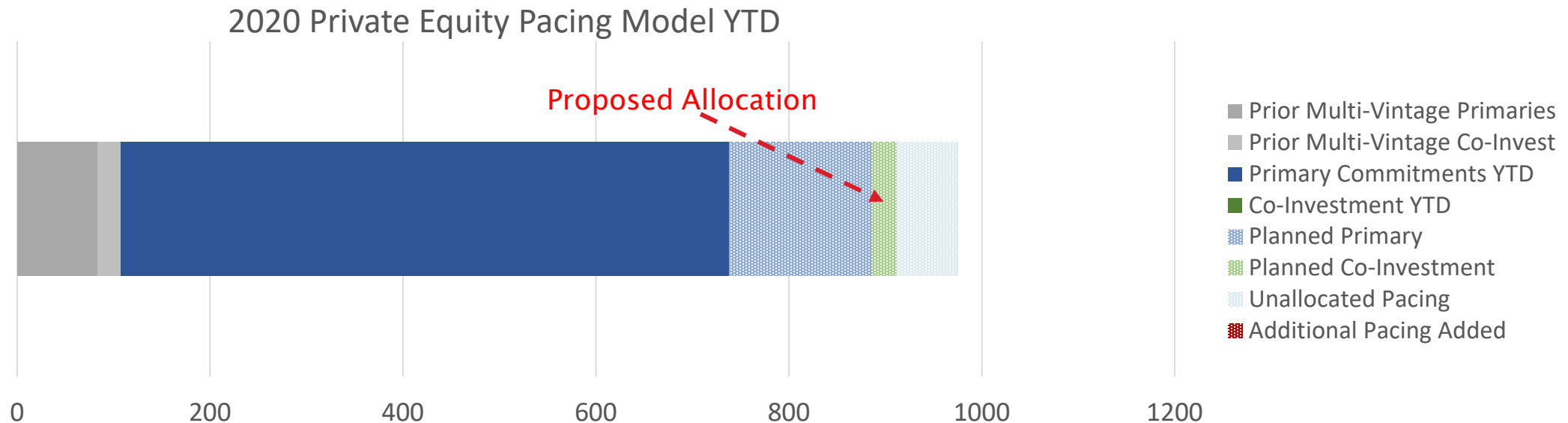
Program Cost was the next most important point in assessing managers relative to each other. Performance across service providers, no matter the business model pursued, were very similar.

Transfer of Knowledge provides TMRS with optionality in terms of a path to building out the program. Being able to build a more direct internal co-investment program would further reduce costs for TMRS and its beneficiaries.

Semi-Finalist Rank Ordering			
Firm Resources		Portfolio Overlap	
1a	Firm A	1a	Firm B
1b	Firm B	1b	Firm A
3	Firm C	3	Firm C
4	Firm D	4	Firm D
Fees		Mandate Match	
1	Firm D	1	Firm A
2	Firm C	2a	Firm D
3	Firm A	2b	Firm C
4	Firm B	4	Firm B

Multi-Vintage Commitments

The proposed partnership is set up as a multi-vintage commitment, targeting \$100mm of deployment per year through a 4 year investment period. \$25 million (i.e. 1 quarter of allocation) is anticipated to apply to 2020's \$975mm pacing plan.



TMRS has multi-vintage commitments set up with two other managers.

Manager Recommendation

HarbourVest Partners is a Boston-based global asset manager with more than \$70 billion of assets under management that specializes in providing primary, secondary, and co-investment solutions across the private markets asset classes. HarbourVest has been a long-time participant as a private equity co-investor, having deployed over \$16 billion in co-investments since 1989, with over \$6 billion of that capital having been invested through separately-managed accounts since 2011 when the Firm began to manage such accounts. HarbourVest boasts 53 co-investment professionals, 6 of which would have a formal role on TMRS' account.



Requested Board Action

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

HarbourVest Co-Invest Fund of One*

\$400 million



*No legal entity has yet been established. This does not represent the legal name of the proposed partnership.

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.