




September 14, 2021

TO: Board of Trustees
FROM: David Wescoe, Executive Director 
RE: Agenda Item 15: RVK Q2 2021 Investment Report

RVK's Second Quarter Board Executive Summary and Board Report are attached.

Their Quarterly Investment Performance Analysis is available in the Diligent Resource Center, in the tab titled "September 23, 2021 Board Meeting."

ATTACHMENTS:

- 1 - RVK Executive Summary Presentation
- 2 - RVK Quarterly Board Presentation

September 23, 2021

Quarterly Board Executive Summary Presentation

Texas Municipal Retirement System

Period Ended: June 30, 2021



Total Fund Performance

How Did TMRS Perform Relative to Investment Policy Benchmarks?

	Performance (%)						
	QTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years
Total Fund	4.64	7.55	20.30	8.41	8.69	6.67	7.04
Actual Allocation Benchmark	4.48	7.78	20.90	8.55	8.54	6.56	6.90
Difference	0.16	-0.23	-0.60	-0.14	0.15	0.11	0.14

The Total Fund returned 4.64% net of fees in the second quarter and 20.30% over the trailing 12 months.

- Second Quarter – TMRS outperformed the Actual Allocation Benchmark (4.48%) by 16 basis points.
 - Outperformance was driven primarily by Real Estate, which beat the NCREIF ODCE (1 Qtr Lag) by 131 basis points for the quarter.
- Trailing year – TMRS trailed the Actual Allocation Benchmark (20.90%) by 60 basis points.
 - Absolute Return, Total Equity, and Non-Core Fixed Income contributed to underperformance, trailing their asset class benchmarks by 595, 139, and 44 basis points, respectively.

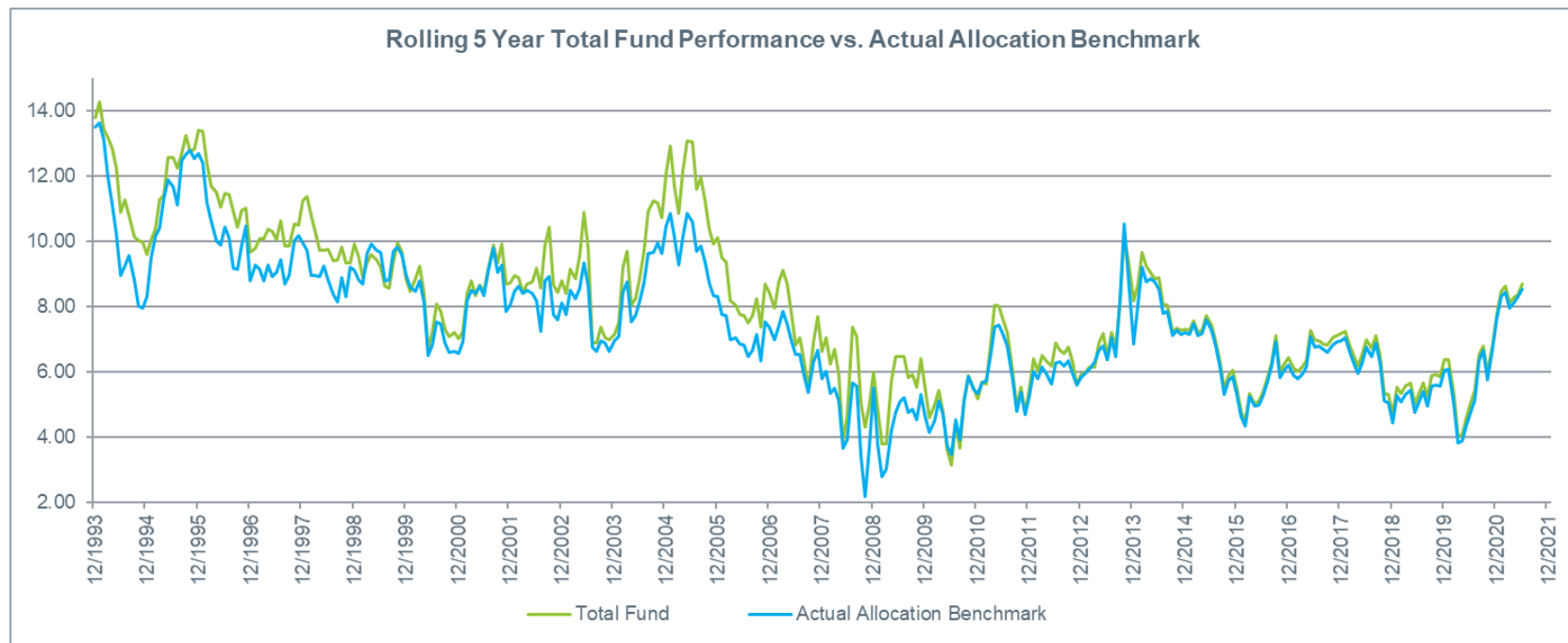
The Total Fund outperformed the Actual Allocation Benchmark net of fees in the 5, 7 and 10 - year time periods ended June 30, 2021.

Total Fund Performance

How Did TMRS Perform Relative to Investment Policy Benchmarks?

The Total Fund performance expectation, as stated in the Investment Policy Statement, is to exceed the Actual Allocation Benchmark over rolling five-year periods.

- Five-year – TMRS outperformed the Actual Allocation Benchmark by 15 basis points, net of fees.
- The chart below (page 9 of the Quarterly Board Presentation) shows that TMRS has beaten the five-year rolling performance expectation 93% of time since 1993, and 97% over the last ten years.

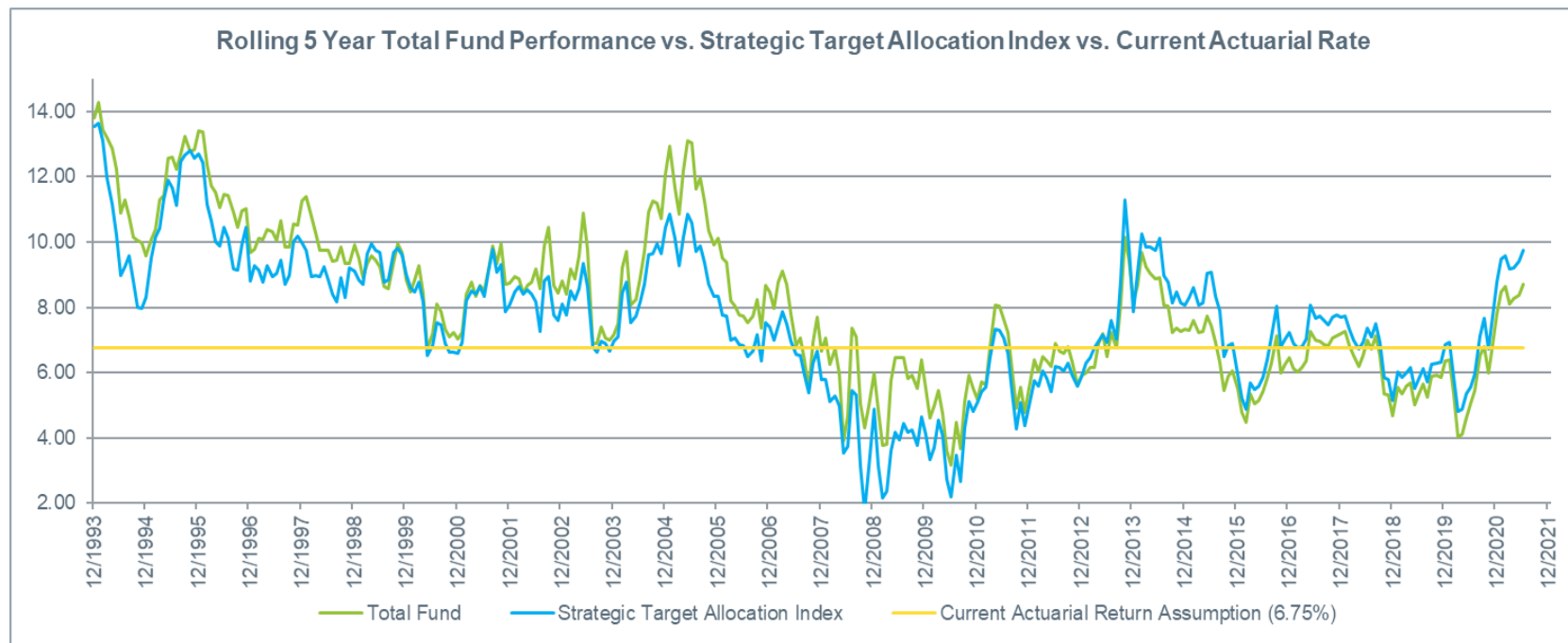


Total Fund Performance

How Did TMRS Perform Relative to Investment Policy Benchmarks?

Although not yet implemented to the Strategic Target Allocation, TMRS exceeded the Board's Assumed Long-Term Rate of Return of 6.75% for the five-year period.

- The chart below (page 10 of the Quarterly Board Presentation) illustrates TMRS' rolling five-year returns relative to the Strategic Target Allocation Index as a gauge for the effectiveness of the Board-approved Strategic Target Allocation, which was designed to meet or exceed the actuarial return assumption of 6.75%, once implemented. The five-year return for the Strategic Target Allocation Index was 9.76%.



Asset Class Performance

How Did TMRS' Asset Classes Perform Relative to Their Respective Benchmarks?

As shown on page 13 of the Quarterly Board Presentation, TMRS' Asset Class relative performance was generally positive for the second quarter of 2021.

- Relative Outperformers – Six of the seven Asset Classes matched or exceeded their benchmarks, net of fees, in the quarter. Real Estate and Real Return were the top relative performers, beating their custom benchmarks by 131 and 45 basis points, respectively, for the quarter.
- Relative Underperformers – Absolute Return was the only asset class to underperform its benchmark for the quarter, trailing the HFRI FoF Diversified Index (1 Month Lag) by 169 basis points.

The Investment Policy Statement performance expectations for each Asset Class performance is to meet or exceed their respective benchmarks over rolling five-year periods. As shown below, all Asset Classes outperformed their respective benchmarks for the 5-year period with the exception of Total Equity, which underperformed its benchmark by 72 basis points.

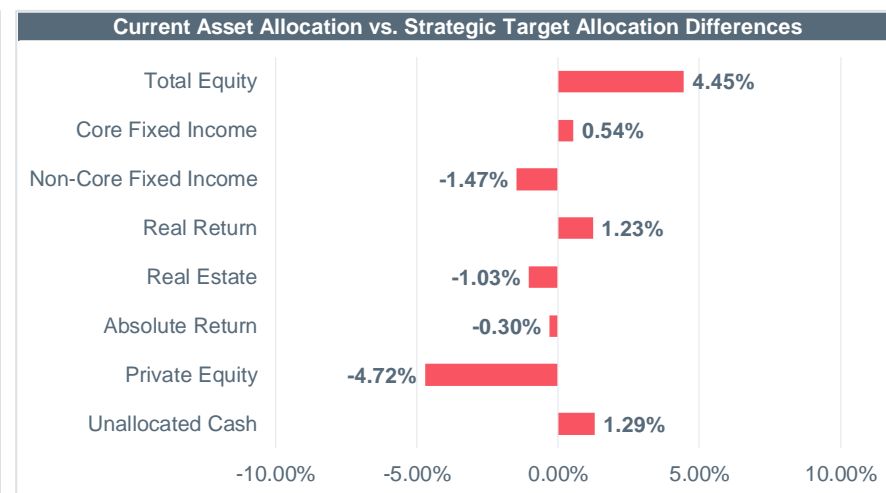
TMRS Composite Objectives - Policy Benchmarks				
Objective: Meet or exceed its policy benchmark performance net of fees over rolling five year periods.				
TMRS Composites	Benchmark	5 Year Composite Return	5 Year Benchmark Return	Meets Objective
Total Equity	Total Equity Benchmark	14.04	14.76	No
Core Fixed Income	Bloomberg US Agg Bond Index	3.43	3.03	Yes
Non-Core Fixed Income	Non-Core Fixed Income Benchmark	6.08	5.42	Yes
Real Return	Real Return Benchmark	5.60	5.41	Yes
Real Estate	NCREIF ODCE Index	7.61	6.20	Yes
Absolute Return	HFRI FoF Diversified Index Month Lag	6.49	5.67	Yes
Private Equity	Private Equity Benchmark	19.56	19.56	N/A

Asset Allocation Relative to Target

How Is TMRS Positioned Relative to the Board's Strategic Target Allocation?

The Total Fund market value was \$36.1 billion as of June 30, 2021, an increase of over \$1.5 billion from the end of the first quarter. All asset classes were within their respective Strategic Target Asset Allocation ranges as of quarter-end.

Current Asset Allocation vs. Strategic Target Allocation					
	Market Value (\$)	Current (%)	Target (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	36,087,585,155	100.00	100.00	-	-
Total Equity	12,433,912,440	34.45	30.00	20.00	40.00
Core Fixed Income	3,804,891,879	10.54	10.00	5.00	15.00
Non-Core Fixed Income	6,688,350,398	18.53	20.00	15.00	25.00
Real Return	4,051,570,427	11.23	10.00	5.00	15.00
Real Estate	3,237,158,648	8.97	10.00	5.00	15.00
Absolute Return	3,499,625,149	9.70	10.00	5.00	15.00
Private Equity	1,905,372,731	5.28	10.00	5.00	15.00
Unallocated Cash	466,703,483	1.29	0.00	0.00	10.00



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