

# Absolute Return Recommendation

June 20–21, 2019



## Presenters:

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# Agenda

- I. Executive Summary
- II. Due Diligence Process Review
- III. Portfolio Construction
- IV. Manager Selection & Recommendation
- 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

## *Executive Summary*

Summary of Recommendation			
Recommended Manager/Fund	Strategy Classification	Target Return	Recommended Amount
Southern Ridges Macro Fund ("Southern Ridges")	Macro	8-12% Net	\$125M
Total Approximate Recommended Investments/Commitments			\$125M

Section II

# **DUE DILIGENCE PROCESS REVIEW**

# Due Diligence Processes

## Scoring Matrix

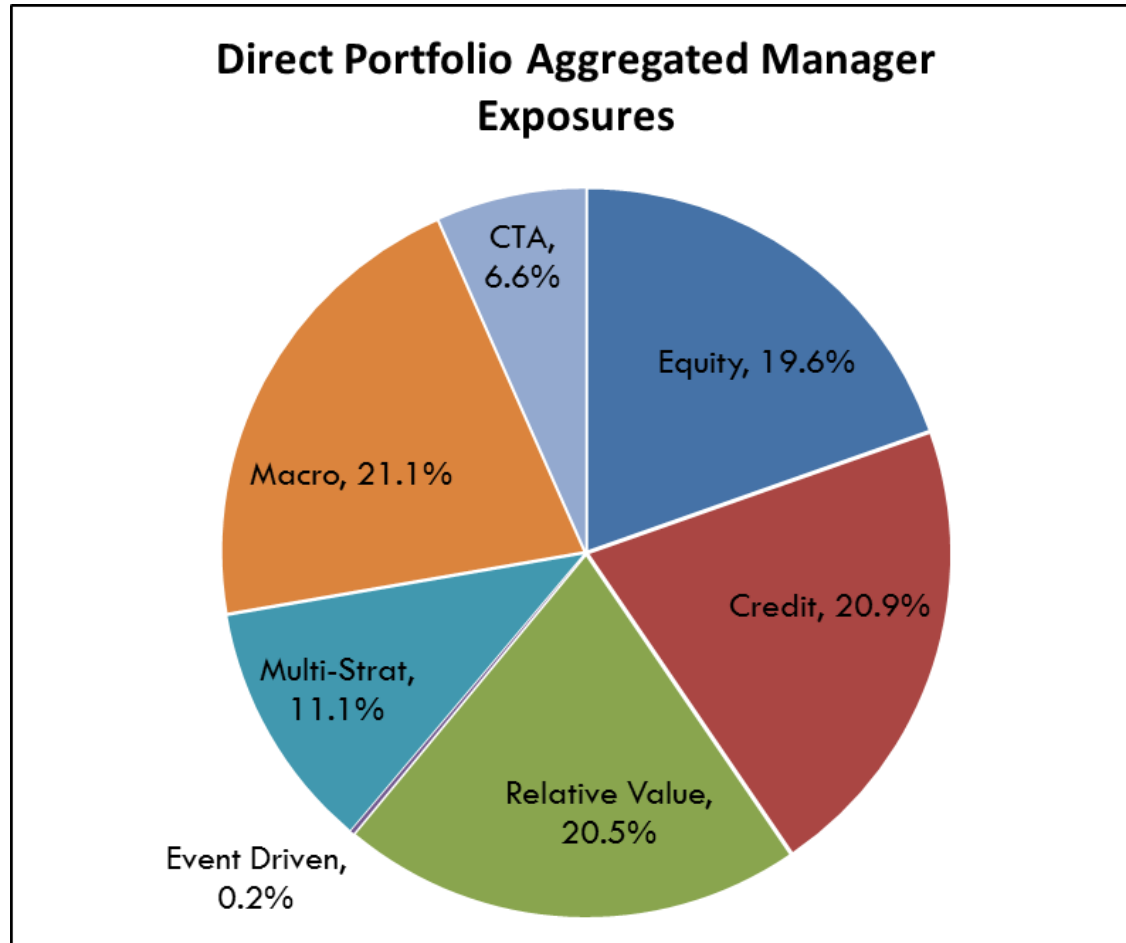
Category	Southern Ridges	Comp A	Comp B
People	22	20	20
Philosophy	25	20	20
Process	25	20	22.5
Performance	18	12.5	10
Terms	10	15	10
<b>Total</b>	<b>100.0</b>	<b>87.5</b>	<b>82.5</b>

Section III

# PORTFOLIO CONSTRUCTION

# Absolute Return Portfolio Statistics

## *Strategy Diversification*

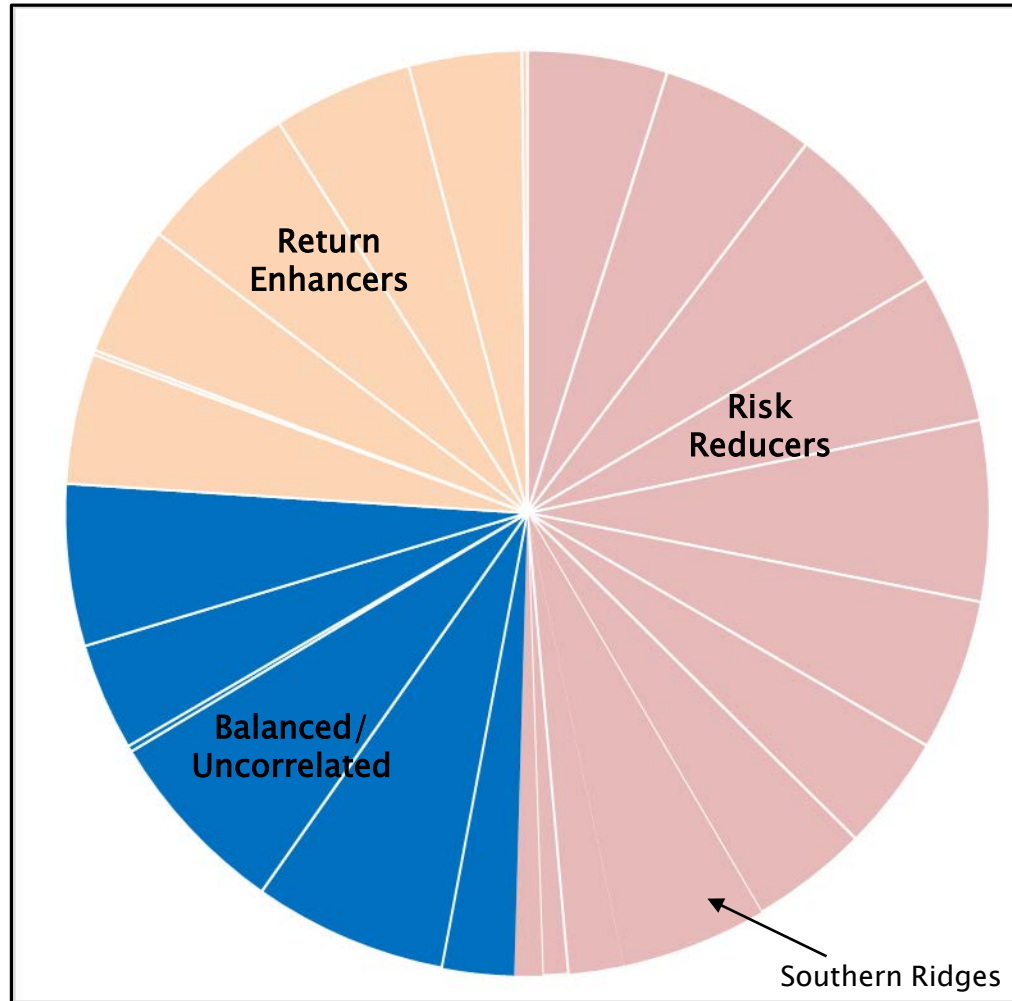


\*Exposures above include proposed investments.



# Absolute Return Portfolio Statistics

## *Position Sizing*



Section IV

# MANAGER SELECTION AND RECOMMENDATION

# Top Candidate Characteristics – Southern Ridges

## *\$125 million Recommendation*

Southern Ridges employs a team of 23 with 15 dedicated to the investment team. They currently manage just under \$1 billion of AUM. The group formed in 2019 as a spin out from BlueCrest in Singapore, launching the underlying Fund in January. The Fund runs a multi-portfolio manager model, investing primarily in Emerging Market macro strategies, both directionally as well as with relative value approaches. This is a similar approach to a platform manager, though they are seeking a higher level of information-sharing in a team-based culture. Including Mohit Khurana as CIO, there are currently 10 Portfolio Managers that take risk. In addition to US Rates and FX exposure, specialization is broadly biased towards India and ASEAN countries (Indonesia, Malaysia, Philippines, Singapore, Thailand, etc.). Future growth aspirations include a desire to expand more into North Asian and non-Asian emerging markets.

### Southern Ridges Macro Fund

#### Date of First TMRS Meeting

4/18/2018 (Onsite)

#### Dates of Subsequent Meetings

12/12/2018 (Onsite)

4/10/2019 (Onsite)

4/22/2019 (Call)

5/15/2019 (Call)

5/21/19 (Call)

#### Dates of Diligence Advancement

'B' Rating – 4/18/2018

'B+' Rating – 12/12/2018

'A' Rating – 4/10/2019

#### Reference Checks

Yes

#### Date of Consultant IDD Report

4/16/2019

#### Date of Consultant Board Memo

5/24/2019

#### Legal Negotiation Initiated

4/25/2019

#### Comparable Strategies Reviewed

Macro (Emerging Markets) (25)

Relative Value (7)

Section V

# REQUESTED BOARD ACTION

# Approval of Recommendation

- TMRS Staff and Albourne recommend that the Board of Trustees approve the selection of the following fund:

## Recommendation:

- Southern Ridges Macro Fund      \$125 million

## **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.***