

Real Return Recommendations

May 30–31, 2019



Agenda

- I. Executive Summary
- II. Portfolio Construction & Manager Recommendations
- III. 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 Recommendations			
Recommended Manager/Fund	Strategy Classification	Target Return	Recommended Amount
Orion Mine Finance Fund III, LP ("OMFF III") and Co-Invest	Private Real Return	15%+ Net IRR	Up to \$100mm Fund \$50mm Co-Invest
Appian Natural Resources Fund II, LP ("ANRF II") and Co-Invest	Private Real Return	20%+ Net IRR	Up to \$75mm Fund \$25mm Co-Invest
Global Infrastructure Partners IV-A/B, LP ("GIP IV")	Private Real Return	13%+ Net IRR	Up to \$150mm Fund
Total Approximate Recommended Investments/Commitments			Up to \$400 million

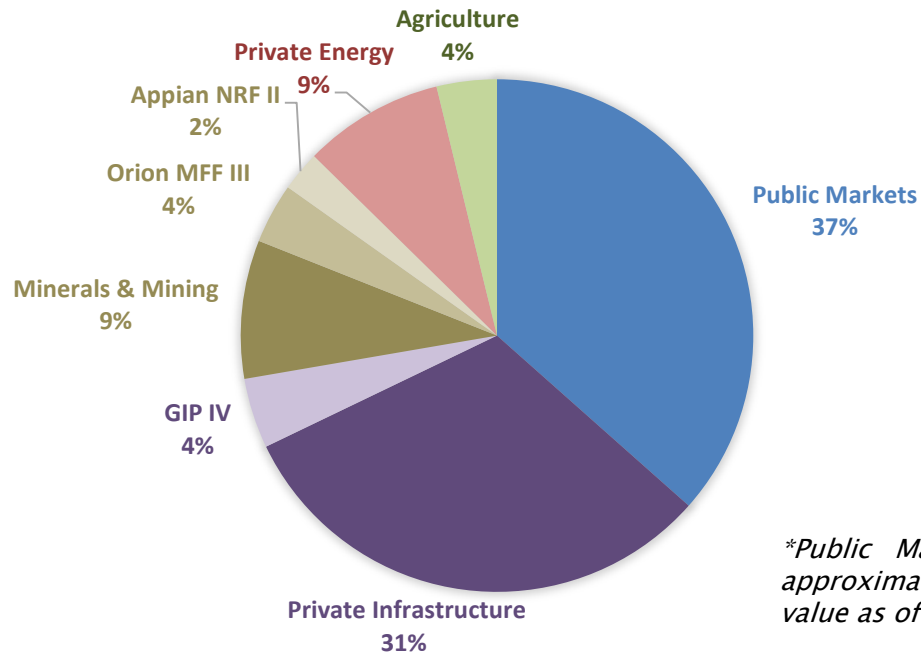
Inclusive of the recommendations noted above, total real return allocation activity for 2019 is \$600 million, consistent with the approved range of targeted pacing of \$400 – \$800 million.

Section II

PORTFOLIO CONSTRUCTION & MANAGER RECOMMENDATIONS

Real Return Portfolio Statistics

FEBRUARY 2019 PORTFOLIO & ALLOCATION ACTIVITY BY ADJUSTED COMMITMENTS



**Public Markets investments account for approximately 83% of real return portfolio value as of 3/31/19.*

Private investment strategy commitments will begin to draw down real return public markets exposure going forward.

Top Candidate Characteristics – Orion

\$150 million Recommendation

Orion Resource Partners, founded in 2012, is a leading global metals fund manager engaged in investing in junior mining companies seeking to bring mines into production. The NY-based firm is led by long time mining industry financier, Oskar Lewnowski. Orion has positioned itself to be a one-stop capital provider by providing any or all of debt capital, equity capital, or hybrid solutions that typically involve production-linked securities or rights offerings. It is the production-linked focus that sets Orion apart from its competitors as it will provide all of royalty/stream and offtake financing. Orion Mine Finance Fund III is the next iteration of the firm's flagship product and is targeting total commitments at a level consistent with the prior fund.

Orion Resource Partners

Orion MFF III
(\$100mm; \$50mm co-invest)

Date of First TMRS Meeting
2/05/15

Dates of Subsequent Meetings*
2/6/2019
2/27/2019
3/19/2019

*Fund III specific meetings

Note: 17 meetings held since MFF II Investment in May of 2016

Dates of Diligence Advancement
'A' Rating Reaffirmed – 3/1/2019

Date of Consultant Report
May 30, 2019

Legal Negotiation Initiated
March 11, 2019

Comparable Strategies Reviewed
Private Natural Resource Credit (35)
Private Mining Equity (15)
Additional Private Mining (5)

Top Candidate Characteristics – Appian

\$100 million Recommendation

Appian Capital Advisory, founded in 2012 by Michael Scherb, was built to provide equity capital to near production mines, differentiating themselves from other capital sources by bringing their own fully integrated in-house technical team. Fund I's implementation of the strategy of employing "technical arbitrage" has successfully taken a meaningful portion of its pre-production mines into production. Fund II will be a continuation of the Fund I strategy. The Fund will primarily seek to make equity investments into mining companies and assets, providing development and expansion capital to private mining companies and selectively to public companies. The Fund may also invest in royalties and debt instruments to support its core equity-focused strategy where returns are competitive with equity costs of financing.

Appian Capital Advisory

Appian NRF II
(\$75mm; \$25mm co-invest)

Date of First TMRS Meeting
11/13/2018

Dates of Subsequent Meetings
1/25/19
3/21/19
3/27/19
4/24/19

Dates of Diligence Advancement
'A' Rating – 3/29/18

Date of Consultant Report
May 30, 2019

Legal Negotiation Initiated
April 8, 2019

Comparable Strategies Reviewed
Private Mining Equity (15)
Additional Private Mining (5)

Top Candidate Characteristics – GIP

\$150 million Recommendation

Global Infrastructure Partners (“GIP”) is an infrastructure specialist asset manager focused on energy, transport, water and waste industries. They are a globally recognized brand in infrastructure. GIP IV will be a continuation of the firm’s successful strategy of targeting high-quality assets, focusing on large, complex transactions and strategic joint ventures that provide opportunities for operational improvements, de-risking and making optimal, well-timed exits. GIP IV is pursuing a diversified portfolio of Core and Core Plus infrastructure investments primarily targeting opportunities in OECD countries but retaining some geographic flexibility. GIP has a large in-house originating and operating team that provides an advantage in deal sourcing and operational value creation.

Global Infrastructure Partners

GIP IV
(up to \$150 million)

Date of First TMRS Meeting

8/10/17

Dates of Subsequent Meetings*

7/19/2018

9/7/2018

2/12/2019

3/19/19

**GIP IV only*

Dates of Diligence Advancement

‘B’ Rating – 1/14/2019

‘A’ Rating – 3/29/2019

Date of Consultant Report

May 30, 2019

Legal Negotiation Initiated

April 5, 2019

Comparable Strategies Reviewed

13 (Large Cap Infrastructure)

Section III

REQUESTED BOARD ACTION

Approval of Recommendation

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

Recommendation:

- Orion Mine Finance Fund III Up to \$100mm Fund, \$50mm co-invest
- Appian Natural Resources Fund II Up to \$75mm Fund, \$25mm co-invest
- Global Infrastructure Partners IV-A/B Up to \$150mm Fund

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