

Real Estate Recommendation

Oct 31 – Nov 1, 2019



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Agenda

- I. Executive Summary
- II. Portfolio Construction
- III. Manager Selection & Recommendation
- 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	Target Return	Recommended Amount
Madison Realty Capital Debt Fund V, LP	Value-Add Real Estate	10-13% Net IRR	Up to \$100 million
Abacus Multi-Family Partners V, LP	Value-Add Real Estate	11-14% Net IRR	Up to \$100 million
Total Approximate Recommended Investment/Commitment			Up to \$200 million

Inclusive of the recommendation noted above, total real estate allocation activity for 2019 is \$312.5 million, on target to end the year within the targeted pacing of \$200 – \$400 million.

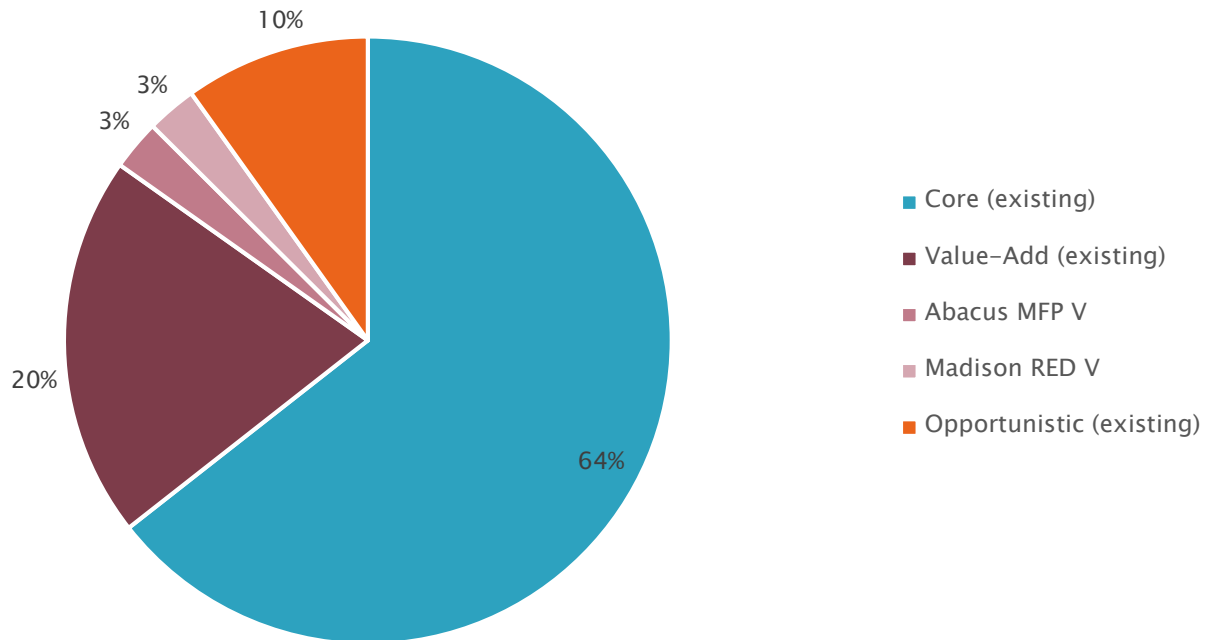
Section II

PORTFOLIO CONSTRUCTION

Real Estate Portfolio Statistics

TMRS Real Estate Portfolio

2019 Recommendation Detail by NAV



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 & RECOMMENDATION

Top Candidate Characteristics - Madison

\$100 million Recommendation

Madison Realty Capital (Madison) is a New York based real estate debt investment focused asset management company founded in 2005 by mortgage company entrepreneurs and former college roommates Josh Zegen and Brian Shatz.

Madison is raising its next fund to originate and acquire commercial real estate loans, real estate mezzanine loans, preferred equity investments and to acquire liens, most of which are expected to be backed by real estate located in the New York City tristate area, Los Angeles, and urban Florida. Unique features which distinguish the team from their peers are their ability to source deal flow across the cycle, a flexible mandate not tied to one specific part of the real estate debt universe, and having a team organized with expertise to manage REO (real estate owned) should foreclosure need to take place.

Madison Realty Capital Debt Fund V Madison Realty Capital Debt Fund V, LP

Date of First TMRS Meeting
1H 2014

Dates of Subsequent Meetings*
5/29/2018 (Austin)
5/7/2019 (New York)
7/9/2019 (Austin)
**Fund V only*

Dates of Diligence Advancement
"B" Rating - 12/16/16
"A" Rating - 8/14/2017
"A" Rating Reaffirmed - 8/27/2019

Reference Checks
Yes

Date of Consultant Report
October 2019

Date of Consultant Board Memo
October 2019

Legal Negotiation Initiated
October 2019 (Est.)

Comparable Strategies Reviewed
99 (Real Estate Debt)

Top Candidate Characteristics - Abacus

\$100 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.

Abacus is currently raising its next fund to continue its value-add strategy which focus' on properties that have specific characteristics including properties that have relative affordability in markets and sub-markets showing favorable multi-family housing demand trends. Abacus has historically been one of TMRS's strongest performing real estate managers, at least in part, due to its reliance on direct sourcing of deals while avoiding both dilutive double promote financial structures and the potential pitfalls of setting up and maintaining a vertically integrated business model.

Abacus

Abacus Multi-Family Partners V, LP

Date of First TMRS Meeting
2011

Dates of Subsequent Meetings
8/22/18; 5/14/19
9/19/19; 9/20/19
*Fund V Diligence Only

Dates of Diligence Advancement
B - May 13, 2017
A - March 2, 2018
A reaffirmed - August 27, 2019

Reference Checks
Yes

Date of Consultant IDD Report
October 2019

Date of Consultant Board Memo
October 2019

Legal Negotiation Initiated
Anticipated October 2019

Comparable Strategies Reviewed
Multi-Family Equity (48)
Affordable Housing (12)
Alt. Rental Housing (18)

Section IV

REQUESTED BOARD ACTION

Approval of Recommendation

- TMRS Staff and Stepstone recommend that the Board of Trustees approve the selection of the following funds:

Recommendations:

- Madison Realty Capital Debt Fund V, LP ... Up to \$100 million
- Abacus Multi-Family Partners V, LP ... Up to \$100 million

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