

# Non-Core Fixed Income Recommendation

Feb 13 -14, 2020



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# Agenda

- I. Executive Summary
- II. Portfolio Construction
- III. Manager Selection & Recommendation
- IV. Requested Board Action

Names used in this presentation may be shortened versions that are 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*

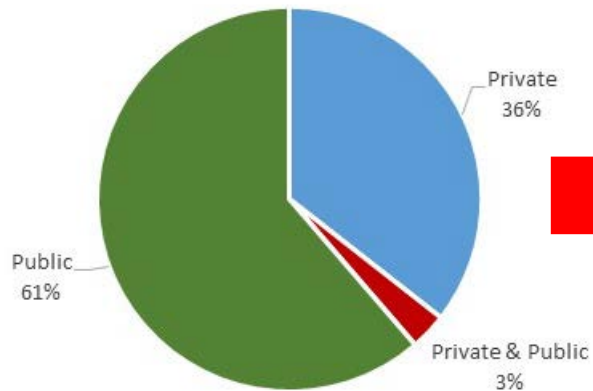
<b>Summary of Recommendation</b>		
<b>Recommended Manager/Fund</b>	<b>Strategy Classification</b>	<b>Recommended Amount</b>
<b>PIMCO Corporate Opportunities Fund III Onshore Feeder, L.P. (PIMCO COF III or COF III)</b>	<b>Opportunistic Credit</b>	<b>Up to \$300 million</b>
<b>Total Approximate Recommended Investment/Commitment</b>		<b>Up to \$300 million</b>

Section II

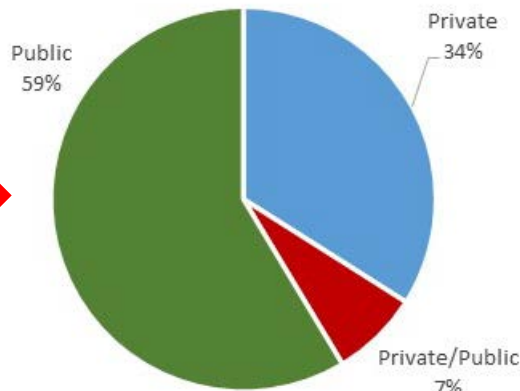
# PORTFOLIO CONSTRUCTION

# Non-Core Fixed Income Portfolio Construction

NCFI Portfolio (as of 12/31/19)<sup>2</sup>



NCFI Portfolio (as of 12/31/19 w COF III)<sup>2</sup>



Public	Private	Public & Private
Alliance Bernstein	Adams Street	COF II
Bain	Angelo Gordon	COF III
Beach Point	CLO	
Bluebay	ECO	
Columbia	GCO	
Ellington	Golub	
GoldenTree	HIG	
GSO	SPS	
Neuberger Berman	TCW	
Octagon	Varde	
Voya	Waterfall	
	White Oak	

<sup>2</sup>NCFI portfolio based on preliminary data

Capital Preservation

Income

Capital Appreciation

Structured Credit (18%)

- Ellington
- Voya
- Waterfall\*

BL/CLO (14%)

- GSO
- Octagon

Direct Lending (19%)

- Adams Street\*\*
- Angelo Gordon\*\*
- Golub\*\*\*
- H.I.G. WhiteHorse\*\*
- TCW\*\*
- White Oak\*\*\*

HY (10%)

- Columbia
- Neuberger Berman

EMD (12%)

- Alliance Bernstein
- BlueBay

Opportunistic Credit (27%)

- Bain
- Beach Point
- BlackRock GCO\*\*
- GoldenTree
- Marathon SPS\*\*\*
- Marathon ECO\*\*
- Marathon CLO RR\*\*
- PIMCO COF II\*\*\*
- PIMCO COF III\*\*\*\*
- Varde\*\*

\* Opportunistic Mandate

\*\* Partially funded

\*\*\* Investment Period ended, on run-off mode

\*\*\*\* Contingent on Board's approval

Section III

# MANAGER SELECTION & RECOMMENDATION

# Top Candidate Characteristics – PIMCO COF III

*Up to \$300 million Recommendation*

Pacific Investment Management Company LLC (PIMCO) was founded in 1971 and is a wholly owned subsidiary of Allianz SE. As of June 30, 2019, PIMCO managed \$1.84 trillion across fixed income, alternatives, equities and real assets.

PIMCO COF III (Fund) is an opportunistic strategy primarily focused on investing in corporate debt across both the public and private markets in the U.S. and Europe. The Fund will seek to identify opportunities across the following sub-strategies: capital solutions, stressed, distressed, and special situations. The flexible mandate will allow PIMCO the latitude to identify opportunities regardless of the current market environment.

TMRS is invested in the predecessor fund Pimco COF II.



Section IV

# REQUESTED BOARD ACTION

# Approval of Recommendation

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

## Recommendation:

- PIMCO COF III ... Up to \$300 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.***