



Annual Review: Real Estate

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Why Does TMRS Invest in Real Estate?

- Core real estate provides a strong income component and an excellent diversifier due to low correlations to the public equity market.
- Non-core real estate is used to generate excess return to help TMRS achieve long-term return targets.

How Does TMRS Invest in Real Estate?

Core Real Estate – Buy and Hold

- Core real estate involves buying well located, stable properties for long term income generation.

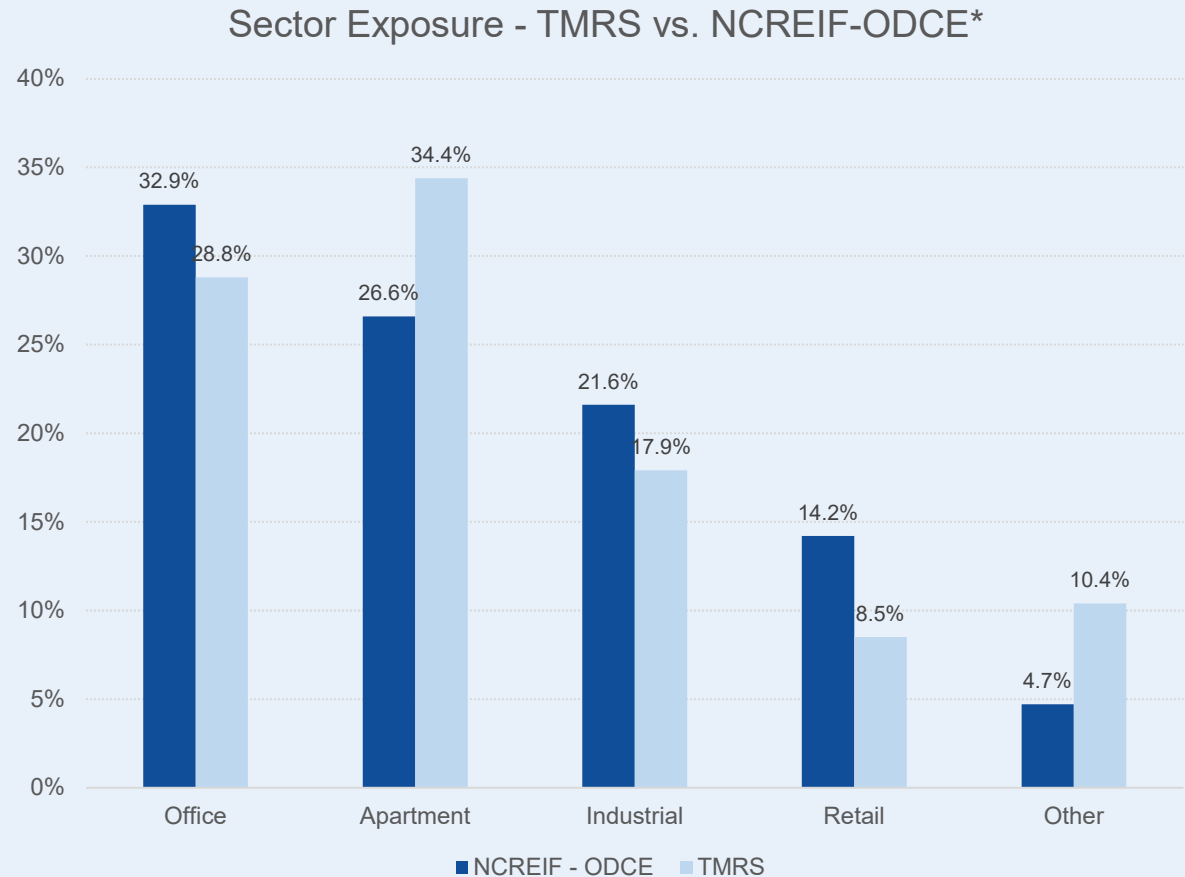
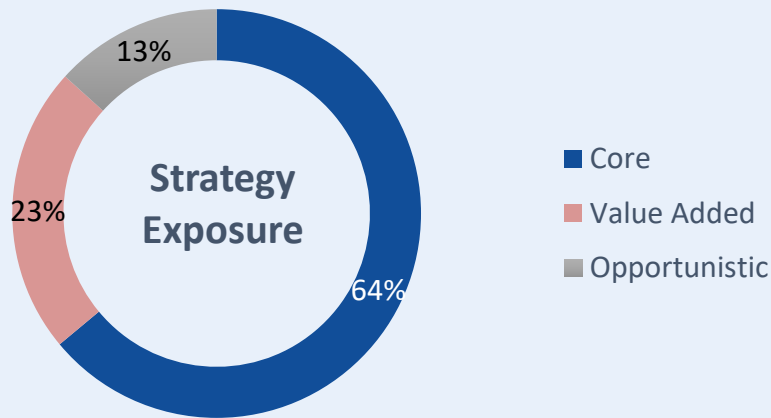
Non-Core Real Estate – Buy, Fix, Sell

- Value-add real estate involves moderate risk projects. This typically includes moderate rehabilitation projects or development projects that are pre-leased to a tenant prior to construction.
- Opportunistic real estate involves higher risk to achieve the highest possible return. This typically includes speculative development or foreign real estate exposure.

<u>TMRS Investment Policy Statement Strategy Limits</u>	
Core	50% to 100%
Value-Add	0% to 50%
Opportunistic	0% to 25%

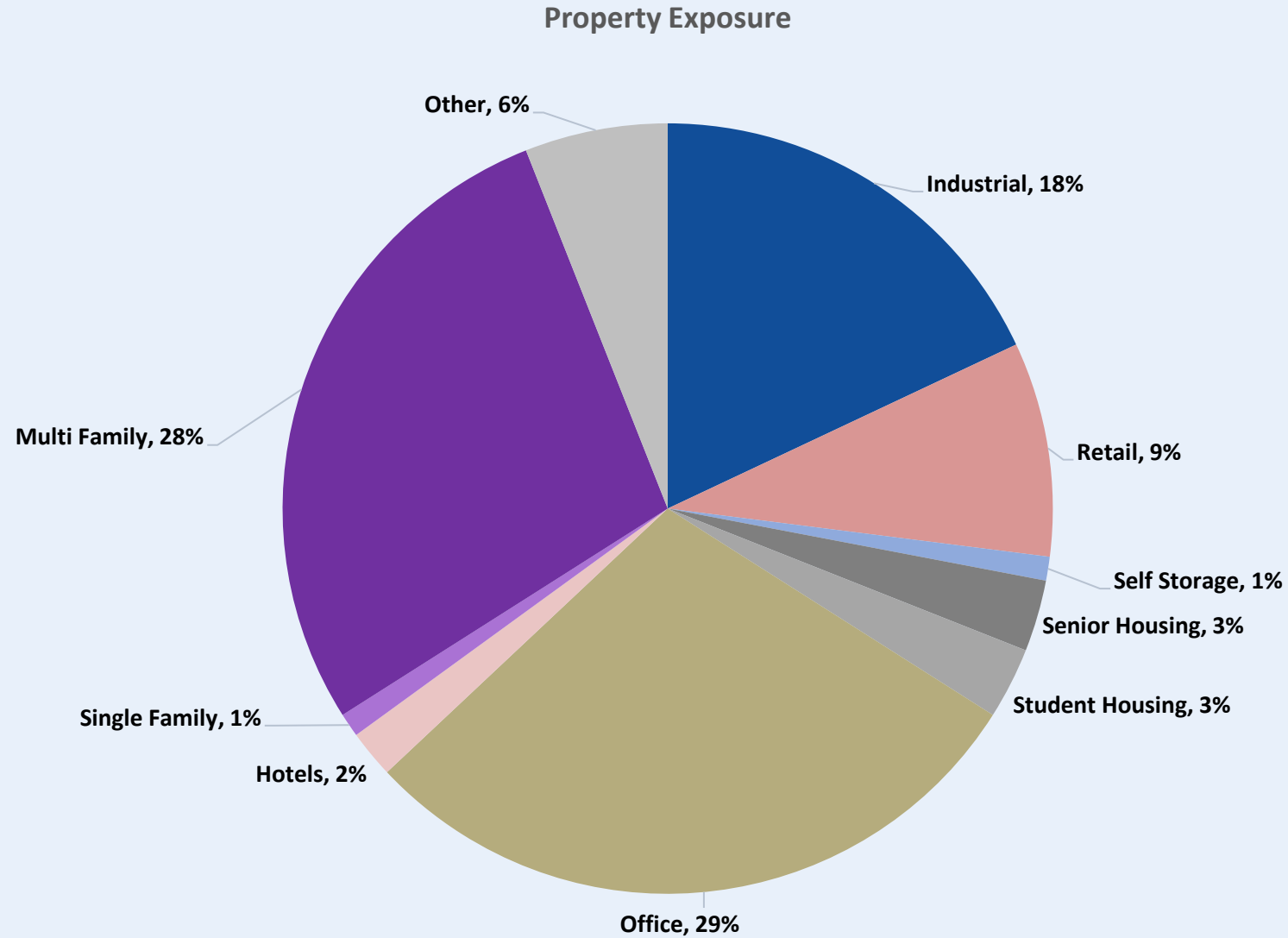
Current TMRS Real Estate Portfolio

Total Commitments:	\$4.7 billion
Total Invested:	\$3.4 billion
Total Income:	\$1.6 billion
Net Asset Value:	\$2.9 billion
Portfolio Weight:	8.8%
Target Portfolio Wgt.	10.0%
Investment Vehicles:	46
Investment Managers:	28



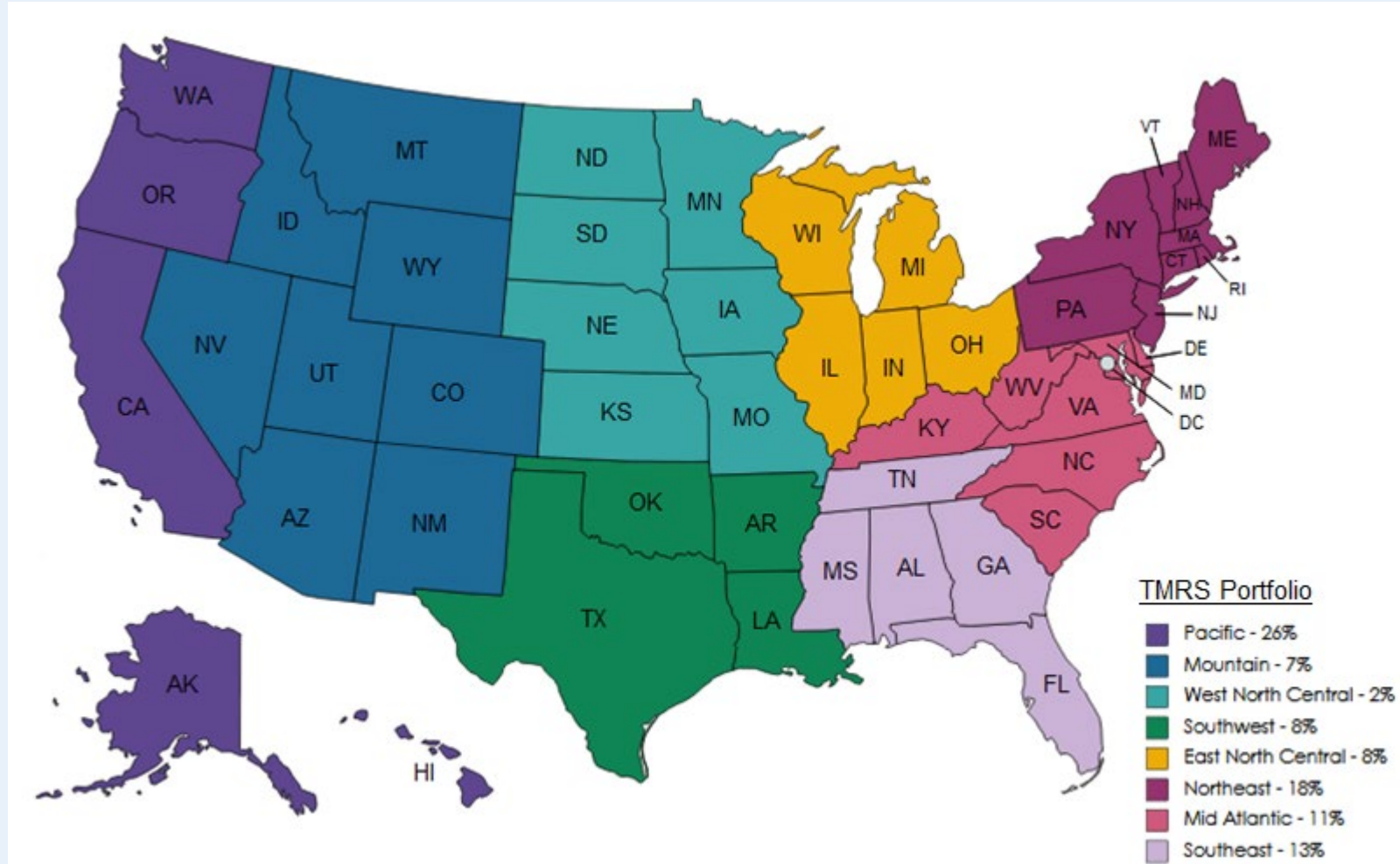
*NCREIF – ODCE is the real estate benchmark. Comparison based on 12/31/2020 data.

Current TMRS Real Estate Portfolio



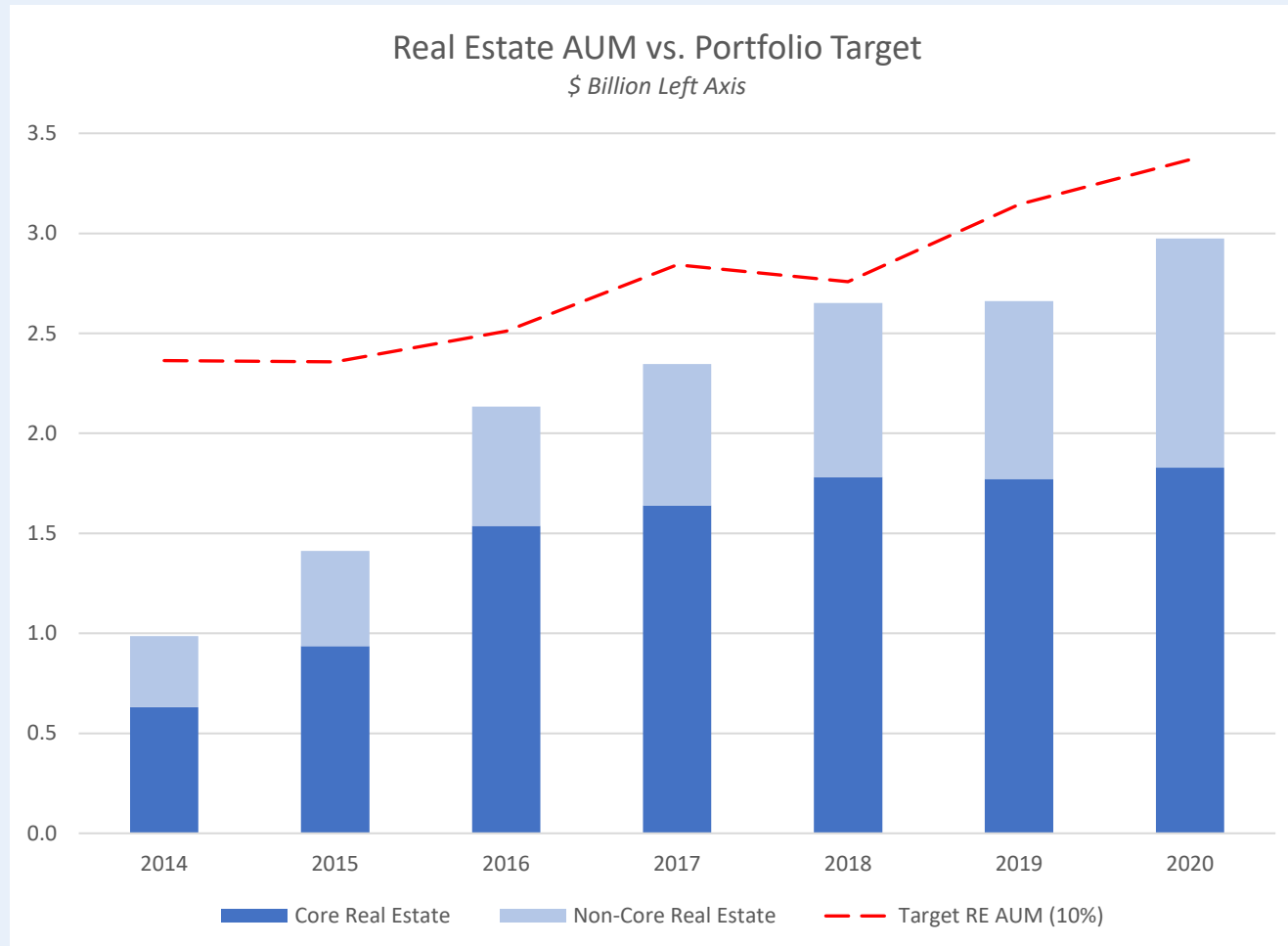
Current TMRS Real Estate Portfolio

TMRS geographical breakdown continues to pursue high growth and income-oriented areas of the country.



Note: The US is 93% of the portfolio. Europe is 5% and Canada is 2%.

Investment Pacing



- The TMRS Real Estate portfolio is reaching target allocation with a steady growing pace in the previous five years.
- Future investments decisions will focus on fee efficiency and portfolio level risk.

TMRS Real Estate Performance

	1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	Since Inception
TMRS Real Estate	-0.36%	5.53%	7.35%	8.63%	9.04%
ODCE Benchmark	1.19%	4.92%	6.21%	8.32%	9.30%
Excess	-1.55%	0.62%	1.14%	0.32%	-0.27%

During 2020, the Real Estate portfolio experienced mark downs related to the ongoing economic fallout from the pandemic. In early 2021, portfolios have begun returning to pre-pandemic levels. Strong returns in Q1 2021 prove that the portfolio looks to bounce back in the remainder of the year.

Real Estate IPS Compliance

The Real Estate portfolio is compliant with all IPS provisions.

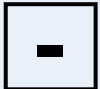
- **Sector** – TMRS is within sector limitations established. Core exposure is at 63.9%% (greater than the 50% minimum limitation), Value-Add exposure at 22.8% (less than 50% limitation) and Opportunistic exposure at 13.3% (less than 25% limitation).
- **Investment Size** – No manager (20% limitation) nor vehicle (15% limitation) violates size limits.
- **Geography** – TMRS is within Geographic Limitations established. Non-US exposure is currently at 7%, under the 20% limitation.
- **Leverage** – Portfolio leverage as of Dec. 31, 2019 was 41.2% (42.9% YE 2019, 41.3% YE 2018, 43.3% YE 2017), under the overall portfolio limitation of 65%.
- **Vintage Year Concentration** – TMRS has not breached the 30% concentration limit in any calendar year.
- **Public Security Limits** – TMRS currently holds no separately managed accounts of public securities.
- **Commercial Mortgage Limitation** – TMRS holds no commercial mortgages in separately managed accounts.
- **Co-Investment** – TMRS currently has no real estate co-investments.
- **Valuation Policy** – TMRS' managers are in compliance with valuation requirements.

Accomplishments & Planning

2020 Checklist



Commit \$800mm to \$1.15B of capital.
\$1B committed in calendar year 2020.



Meet/Exceed performance expectations.

Real Estate had a down 2020. But has begun to rebound in 2021, with a positive outlook.



Expand strategic capital relationships.

Real Estate continues expanding the relationships we have with our strongest partners.

2021 Goals



Commit \$800mm of capital.

Moderately decreased deployment as the core portfolio investments become fully allocated.



Rebalance of core real estate portfolio.

The Core Real Estate portfolio has reached a mature state, allowing for reassessment of entire portfolio.



Continue push for fee efficient private assets.

Strategic relationships and co-investment expansion will help reduce fee load on portfolio.