



Annual Review: Real Return

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What is the Real Return Asset Class?



Infrastructure



Mining



Energy



Agriculture



Esoterics

The Real Return asset class is meant to **enhance return, provide diversification and be inflation aware**. While the asset class is frequently associated with physical assets it may include any asset that provides the three main characteristics listed above, including financial instruments like patents or royalties (frequently referred to as “esoterics”). The asset class can also include either equity or debt investments.

The current asset class is a mixture of managers who invest in public securities and private assets, but in order to reach long term return goals, investments will move toward being private asset dominate in the next five years.

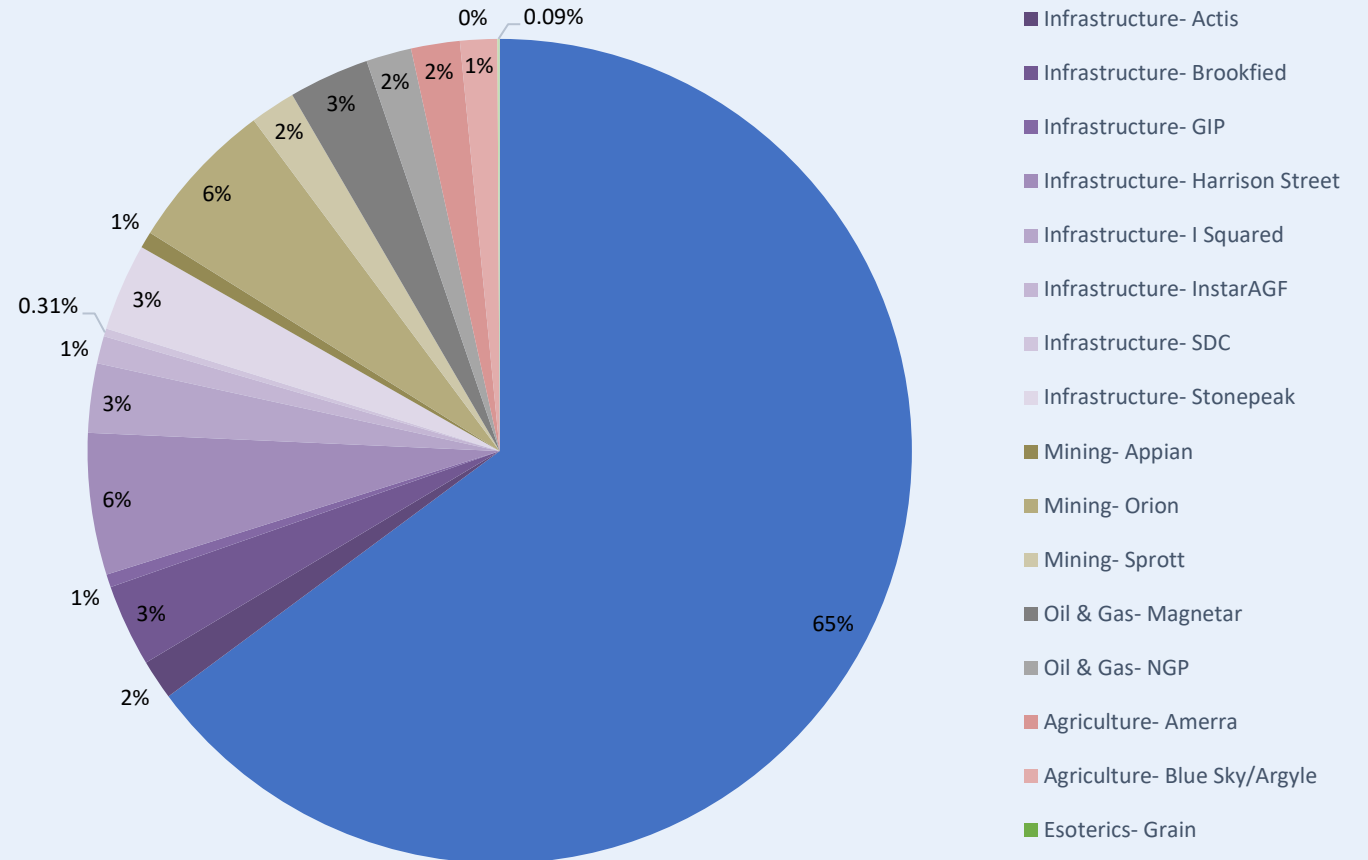
TMRS Real Return Portfolio

Real Return Private Asset Summary

Total Commitments:	\$2.8 billion
Total Invested:	\$1.4 billion
Total Income:	\$0.3 billion
Net Asset Value:	\$1.3 billion
Portfolio Weight:	3.75%
Target Portfolio Wgt.	10.0%
Investment Vehicles:	25
Investment Managers:	17

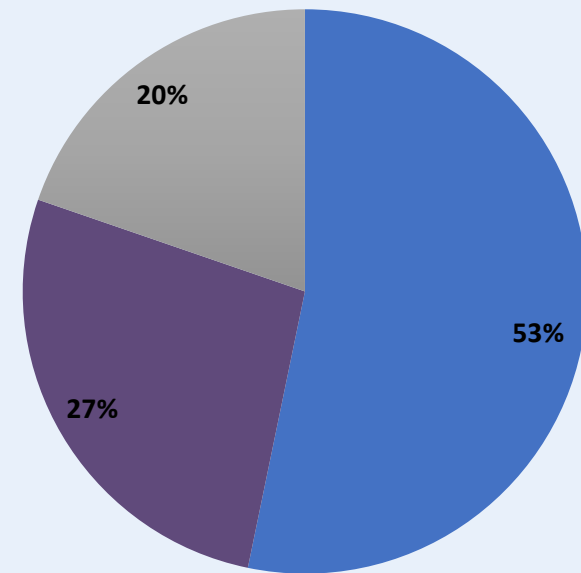
Blue – Public Market:	65%
Purple – Private Infrastructure:	18%
Gold – Private Minerals & Mining:	8%
Red – Private Agriculture:	3%
Grey – Private Energy:	5%
Green – Private Esoteric:	~0%

Portfolio Exposure
MV as of 12/31/2020



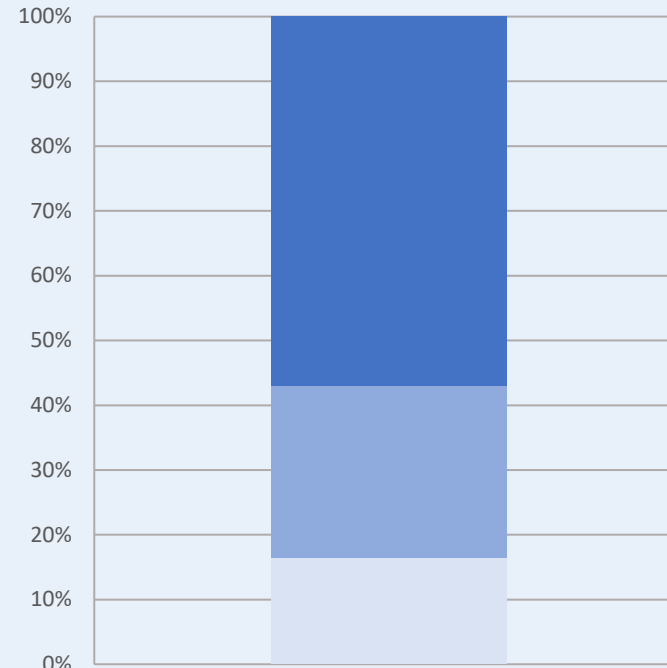
TMRS Real Return Portfolio

Portfolio Exposure by Geography
as of 12/31/2020



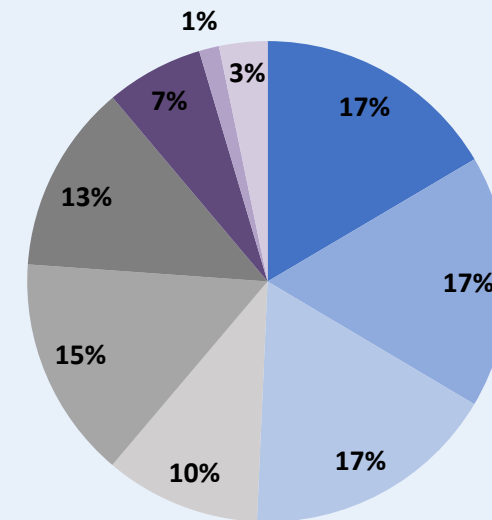
■ US/Canada ■ Non-US Developed ■ Emerging Markets

Real Return Capital Structure
as of 12/31/2020



■ Common Equity/Commodities
■ Credit Debt/Preferred Equity
■ Sovereign Debt

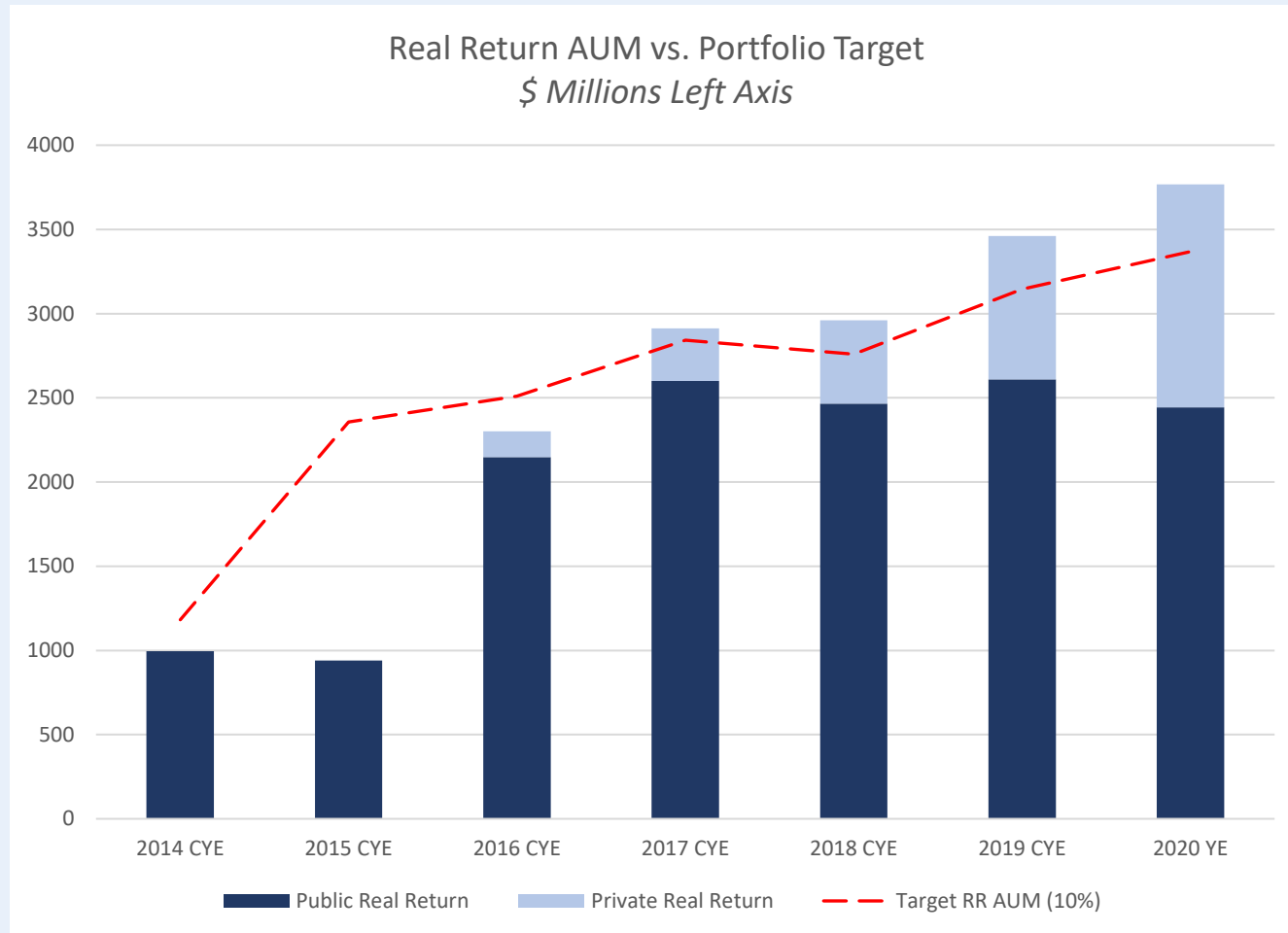
Portfolio Exposure by Sector
as of 12/31/2020



■ Inflation Linked Bonds ■ Energy
■ Real Estate ■ Utilities/Renewables
■ Transport/Social Infra ■ Minerals & Mines
■ Agriculture ■ Telecom
■ Other

Note: All charts above include Private AND Public assets to give complete portfolio picture.

Investment Pacing



- Continued real return commitments have moved the portfolio above target.
- There will be a continued focus on private real return investment going forward.

TMRS Real Return Performance

All Strategies	1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	Since Inception
Public (65%)	0.35%	2.54%	4.53%	2.96%	3.38%
<i>Public Benchmark</i>	<i>0.20%</i>	<i>2.13%</i>	<i>4.55%</i>	<i>3.11%</i>	<i>3.36%</i>
Private (35%)	10.64%	11.82%	-	-	8.76%
<i>Private Benchmark</i>	<i>10.64%</i>	<i>11.82%</i>	<i>-</i>	<i>-</i>	<i>8.76%</i>
Total Performance	2.45%	4.24%	5.53%	3.67%	3.88%

Source: State Street December 31, 2020 Net All

Private Strategies	Internal Rate of Return (IRR)	Total Value Multiple (TVM)	Public Market Equivalent (PME)
Agriculture	3.0%	1.1x	-2.2%
Esoteric	-	-	-
Infrastructure	11.6%	1.2x	+5.8%
Mining	15.3%	1.2x	-1.3%
Energy	9.4%	1.2x	+18.1%
TOTAL	10.2%	1.2x	+1.5%

Source: Albourne December 2020 Report

The public portfolio has had low returns due to the low-risk nature of the portfolio. The Real Return private portfolio has added positive performance.

Real Return IPS Compliance

The Real Return portfolio is compliant with all IPS provisions.

- **Vehicle Concentration Guideline** – TMRS is within guideline limits that no more than 35% of the total net assets of the real return portfolio may be invested in any one Registered Investment Vehicle.
- **Closed or Open-end Vehicle Concentration Limit** – TMRS is within guideline limits that no more than 15% of total net assets may be invested in a single Private investment Vehicle.
- **Commingled Open-End Concentration Limit** – TMRS is within guideline limits that TMRS can not represent more than 20% of total net assets of a commingled investment vehicle.
- **Percentage of Manager AUM Limit** – TMRS does not account for more than 25% of total AUM of any contracted manager's total AUM.

Accomplishments & Planning

2020 Checklist



Commit \$600mm to \$800mm of capital.

\$691mm committed in calendar year 2020.



Meet/Exceed performance expectations.

Private Real Return has exceeded early expectations. The public portfolio has performed in line with expectations.



Expand strategic capital relationships.

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

2021 Goals



Commit \$600mm to \$800mm of capital.

Moderately decreased deployment expectations as reups will not be as prevalent in 2021.



Position portfolio for market dynamics.

The TMRS infrastructure and minerals portfolios are poised to benefit from global reopening and inflationary pressure.



Continue push for fee efficient private assets.

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