



News Release

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FOR IMMEDIATE RELEASE: April 2, 2018

Teachers Retirement System of Texas announces additional \$3 billion commitment to Emerging Managers

AUSTIN —The Teachers Retirement System of Texas (TRS) has announced plans to invest an additional \$3 billion in Emerging Managers (EM) over the next 3-5 years. This comes on top of the existing \$5.8 billion TRS has already invested with EMs since 2005. TRS Board Chairman Jarvis Hollingsworth announced the additional commitment at the 12th annual Emerging Manager Conference. The 2018 event was sponsored by TRS and the Employees Retirement System of Texas (ERS), as well as TRS' two advisors on their EM program, GCM Grosvenor and the Rock Creek Group. Over 1,000 people attended the conference, which has become the country's largest annual event to promote and engage the emerging manager community.

Mr. Hollingsworth, who previously served on the TRS board from 2002-2008, oversaw the launch of the EM program in 2004. During his opening remarks, Hollingsworth noted, "When we started the TRS Emerging Manager Program, we did so with the belief that small and emerging managers could outperform their larger counterparts and deliver important portfolio diversification." He added, "We were also looking for the next generation of investors, those investors who were going to be the stars of the future and that could someday partner with TRS in a more direct and substantial way."

In recognition of the program's success and the expanding opportunity in the emerging manager market, TRS plans to launch two new initiatives, collectively referred to as EM 3.0, in fall 2018:

- 1) A new \$1 billion "EM Select" program to target top-performing, private markets emerging managers with a direct investment by TRS. The EM Select program will be designed to serve as a bridge between the EM Program and the larger TRS Trust portfolio. Allocations will be made to managers who have outgrown the EM Program but haven't reached the size or scale of a typical TRS Premier List manager. Importantly, the program enables TRS to build a more direct relationship with high-performing managers in the EM Program.
- 2) An additional \$2 billion commitment to the existing EM Program over the next 3-5 years, targeting both product innovation and manager elevation. The increased investment will enable the program to expand the ways in which TRS can support emerging managers, with an increased focus on investments outside of a traditional fund structure. In addition, TRS will continue to invest in proven, top performing managers in the program with larger allocations over time.

Since inception, TRS has committed \$3.7 billion to the EM Program, and another \$2.1 billion has been invested directly by TRS with EM Program graduates, for a total of \$5.8 billion. The program has invested

in 158 managers, and around half of all allocations have been made to minority and women-owned firms. In addition, 12 managers have been added to the TRS Premier List. TRS Chief Investment Officer Jerry Albright, who has been closely involved with the program since the beginning stated, "it has been extremely rewarding to watch the program become an industry leader in the emerging manager space, while providing solid investment returns for the members of TRS."

Since the announcement of EM 3.0 at the conference, TRS staff has presented program specifics to the TRS Board, and plan to further refine and prepare for implementation. Sylvia Bell, Chief Operating Officer and Managing Director of TRS and head of the TRS EM Program, praised the enhanced program capabilities, commenting "What's unique about this program is that capital will be available to support emerging managers in more innovative ways, including joint ventures, seeding, co-investments, and first-time fund anchor commitments." Ms. Bell added, "With more flexible capital, we will be able to build relationships with emerging managers earlier in their development. That will allow us to more quickly identify and grow the most promising managers in the space."

TRS delivers retirement and related benefits that have been authorized by the Texas Legislature, and manages a more than \$150 billion trust fund established to finance member benefits. Nearly 1.5 million public education and higher education employees and retirees currently participate in the system.

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