

## **Minutes of the Meeting of the Investment Committee September 26, 2019**

The Investment Committee of the Tennessee Consolidated Retirement System (TCRS) met on September 26, 2019 in the Cordell Hull Building. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 9:00 AM. Investment Committee members in attendance included: Honorable David H. Lillard, Jr., State Treasurer; Honorable Stuart McWhorter, Commissioner of the Department of Finance and Administration; Mr. Bill Kemp, Sumner County Clerk. The Honorable Tre Hargett, Secretary of State, participated electronically. Additional attendees included: Michael Brakebill, Chief Investment Officer; Derrick Dagnan, Deputy Chief Investment Officer; Carrie Green, Director of Equities; JP Rachmaninoff, Director of Real Estate; Thomas Kim, Director of Fixed Income; Jeff Dunn, Senior Portfolio Manager; Suzan Ilic, Senior Portfolio Manager; Desiree Jablonski, Portfolio Manager; Jennifer Selliers, Director of Compliance; Earle Pierce, Director of Internal Audit; Tim McClure, Assistant Chief Investment Officer and Director of Cash Management;

Due to the electronic participation of one member, Treasurer Lillard began the meeting by asking the Committee to approve a Statement of Necessity to ensure a quorum in case there was not a physical quorum of the members present at the meeting.

Statement of Necessity: It is necessary for this committee to meet by teleconference so that it can consider proposed investments for the Tennessee Consolidated Retirement System in a timely manner. In order to meet the established time frames to complete these investments, the Committee determined that there was not enough time to convene a physical quorum of the Committee for the expeditious consideration of these investments, necessitating that a quorum of this Committee meet by using electronic participation.

Treasurer Lillard then motioned to approve the Statement, it was seconded by Mr. Bill Kemp. The Statement was approved unanimously by voice vote.

Treasurer Lillard requested a motion to approve the Minutes of the June 28, 2019 Investment Committee Meeting. Mr. Bill Kemp motioned to approve the Minutes, it was seconded by Treasurer Lillard. The Minutes were approved unanimously by voice vote.

Treasurer Lillard called on Mr. JP Rachmaninoff to present two real estate transactions for approval. Mr. Rachmaninoff presented a recommendation for a \$100 million commitment to Exeter Industrial Value Fund V, LP, a \$1.6 billion closed-end commingled fund. Exeter is an existing relationship for TCRS. This fund will continue to pursue a successful value added strategy for industrial acquisitions in target markets in the US. Mr. Rachmaninoff highlighted the strengths and risks of the investment and noted that this investment would allow the real estate portfolio to maintain an overweight exposure to the industrial property segment and offset a number of properties sales in 2019.

Secretary Hargett then motioned to approve the transaction which was seconded by Mr. Kemp. The motion was unanimously approved by voice vote.

Mr. Rachmaninoff presented the second transaction, a recommendation for a \$250 million commitment with an initial investment of \$100 million in the open-ended, perpetual life Prologis Targeted U.S. Logistics Fund L.P. The initial investment of \$100 million can be increased up to \$250 million upon Treasurer Lillard's approval of a staff recommendation memo. This is an existing relationship and TCRS invested \$50 million in Prologis Targeted US Logistics Fund in

July 2006. In December 2015, TCRS elected to participate in the fund's dividend reinvestment plan. Mr. Rachmaninoff stated that this fund is focused on investing in core, stabilized, high-quality industrial properties in key US markets and he reviewed further merits of the proposed investment.

Treasurer Lillard motioned to approve the transaction which was seconded by Mr. Kemp. The motion was unanimously approved by voice vote.

Treasurer Lillard continued the meeting by asking Mr. Jeff Dunn to present a strategic lending transaction for approval. Mr. Dunn presented a recommendation for a \$1 billion maximum commitment with an initial commitment of \$750 million to Ares Management via a Direct Lending Separately Managed Account. This is a new relationship for TCRS and replaces a middle market direct lending investment that has reached its harvest period. Ares Management is one of the most respected global credit managers with over twenty years of experience and a long track record of solid returns and low loss ratios. This investment focuses on direct lending to financial sponsor-backed middle market companies, primarily in the US. Mr. Dunn further discussed the strategy and merits of the investment which represents a core component of the strategic lending portfolio.

Prior to the vote, Secretary Hargett left the meeting; however, a physical quorum was still present. Commissioner McWhorter motioned to approve the transaction which was seconded by Mr. Kemp. The motion was unanimously approved by voice vote.

Treasurer Lillard called on Ms. Desiree Jablonski to present a private equity transaction for approval. Ms. Jablonski presented a recommendation for up to a \$100 million commitment to Denham Oil and Gas Fund II, L.P. This is an existing relationship for TCRS with three previous commitments to Denham Capital. This investment will utilize a top-down investment approach and primarily invest in North America-based oil and gas companies in the upstream exploration and production industry and in the midstream transportation and storage industries. Ms. Jablonski noted that natural resource and energy exposure in the private equity portfolio is below that of peers. Ms. Jablonski reviewed the merits of the investment and discussed risks to the investments, including a change to the Limited Partner Agreement, which satisfactorily mitigated a key investment risk concern.

Mr. Kemp motioned to approve the transaction which was seconded by Commissioner McWhorter. The motion was unanimously approved by voice vote.

The Treasurer then called on Mr. Michael Brakebill to review the TCRS portfolio and key initiatives. Mr. Brakebill deferred the TCRS full year and quarterly portfolio performance review to the Board of Trustees meeting which immediately followed the Investment Committee. Mr. Brakebill provided operational process updates and reviewed organizational personnel changes, including the addition of Suzan Ilic who joined the strategic lending investment team.

Mr. Brakebill then asked Mr. Derrick Dagnan to provide the notification of investment activity approvals that have been approved by the Treasurer since the June 28, 2019 TCRS Board of Trustees Investment Committee meeting. For Private Equity, Treasurer Lillard approved a \$50 million commitment to TA Select Opportunities Fund, L.P. on September 19, 2019. For Real Estate, on July 22, 2019, Treasurer Lillard approved \$72 million for the acquisition of a multi-family community in Orange County, California, \$53 million for an office building acquisition in Seattle, Washington and a debt financing transaction of approximately \$60.9 million related to a multi-family community near Denver, CO. Treasurer Lillard also approved \$23.2 million for a preferred equity investment in a multi-family community in Salt Lake City, Utah on July 1, 2019; the disposition of a multi-family community in Dallas, TX on August 5, 2019; \$45.3 million for

the acquisition of a multi-family community in Fairfax, Virginia on August 27, 2019; and the disposition of two industrial properties in Dallas, TX on August 27, 2019.

Seeing no further comments, Treasurer Lillard adjourned the meeting at 9:50 AM.

Respectfully submitted,

**/s/Michael Brakebill**  
**Michael Brakebill**  
**Chief Investment Officer**

APPROVED:

**/s/David H. Lillard, Jr. December 6, 2019**  
**David H. Lillard, Jr. Chairman**  
**TCRS Board of Trustees**