

Public Agenda Item #34

**Emerging Manager Market Update and Program Overview*

December 9, 2020

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Emerging Manager Program



Agenda

- Background
- Overview
 - Team
 - Approach
 - Current Allocation
 - Performance
- Calendar Year 2020 Highlights
- Calendar Year 2021 Initiatives

Emerging Manager Program

Defined

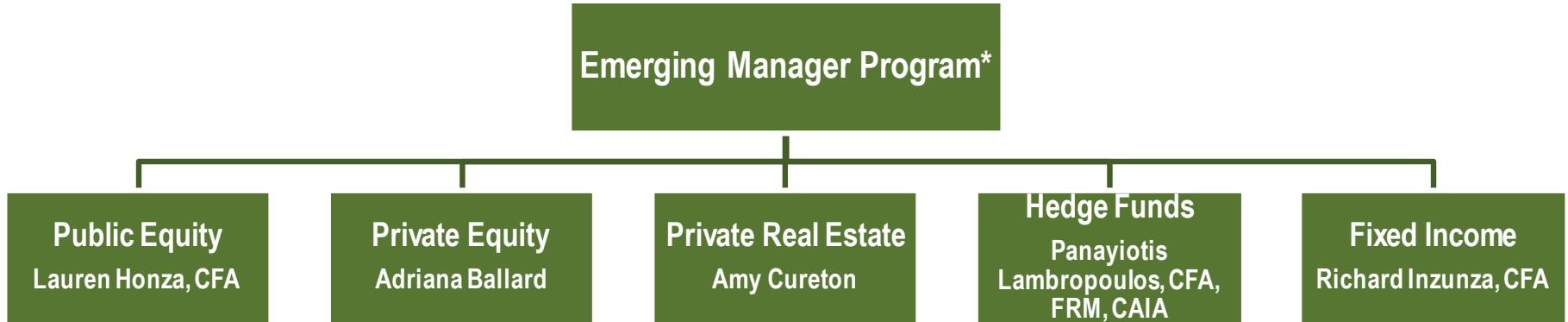


- Texas Government Code § 815.301 (g), (h) and (i) requires the Employees Retirement System of Texas to make a good faith effort to acquire financial services from emerging managers. Emerging managers are defined in the statute as private professional investment managers with less than \$2 billion in assets who provide pension fund management, consulting, investment advising, brokerage services, hedge fund management, private equity management, and real estate investment.

Emerging Manager Program



Team



*Emerging Manager Program efforts are coordinated by Lauren Honza in conjunction with the CIO

Emerging Manager Program



Approach

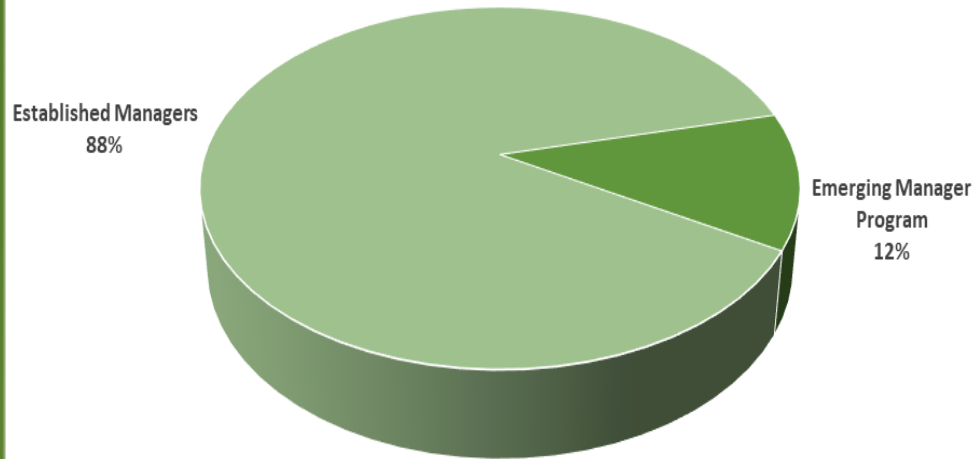
- ERS External Advisor Website
- Managers of Emerging Managers
- Consultants
- Outreach

Emerging Manager Program

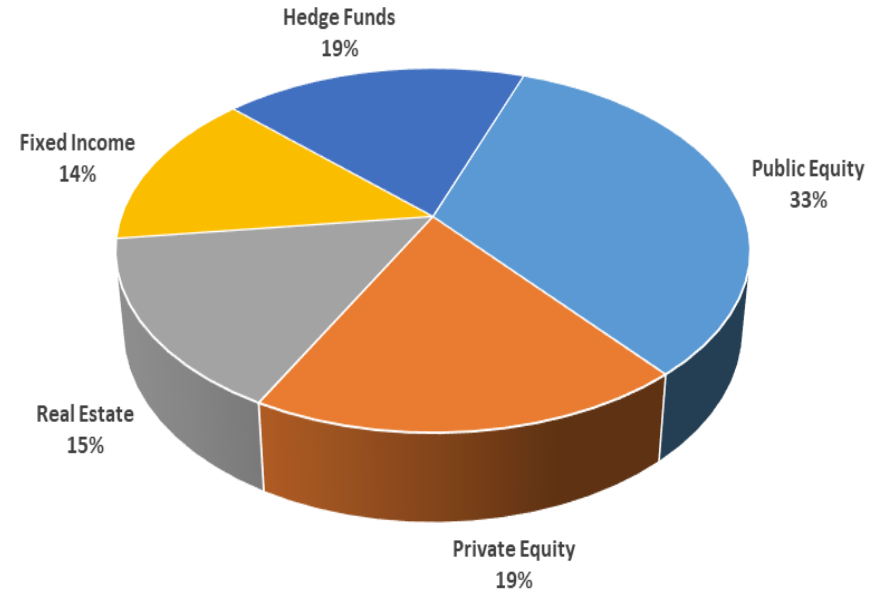
Investments and Commitments as of August 31, 2020



Externally Managed/Advised Assets
\$13,491,052,714



Emerging Manager Program
\$1,634,208,124



Emerging Manager Program

Performance



	As of 08/31/20
Public Equity	Annualized Since Inception
Legato International Small Cap Portfolio (Inception: February 1, 2017)	7.99%
<i>MSCI EAFE Small Cap Index</i>	6.95%
Legato Emerging Markets Portfolio (Inception: November 1, 2019)	7.27%
<i>MSCI Emerging Markets Index</i>	7.80%
Private Equity	Net IRR
Total Emerging Manager Portfolio (Inception: November 2010)	12.38%
<i>Total Private Equity Portfolio</i>	10.28%
Private Real Estate	Net IRR
Total Emerging Manager Portfolio (Inception: December 2010)	15.17%
<i>Total Private Real Estate Portfolio</i>	11.13%

Sources: The Burgiss Group, LLC and BNY Mellon

Emerging Manager Program

Calendar Year 2020 Highlights



- TRS/ERS Emerging Manager Conference
- Real Estate Emerging Manager (REEM) Summit
- Asset Class Updates
 - Public Equity
 - Private Equity
 - Private Real Estate
 - Hedge Funds

Emerging Manager Program

Calendar Year 2021 Initiatives



- Maintain the target of 10% of externally managed assets with emerging managers
- Focus on relevant direct relationships with emerging managers in ERS Portfolio
- Promote emerging manager program best practices by working with other investors
- Continue to work on ERS PAAMCO Launchpad
- 2020 ERS & TRS Emerging Manager Conference – January 26, 2021

Questions?