Section 1: Introduction

The Employees Retirement System of Texas ("ERS") Private Equity Capital Plan ("Capital Plan") is to outline the expected commitment schedule for the fiscal year from September 1, 2023 to August 31, 2024. The Capital Plan for fiscal year 2024 includes a review of the asset class exposures, commitments, current values, and performance. In addition, it includes an updated portfolio pacing analysis, which creates the foundation for the program's fiscal year 2024 commitment schedule.

All Private Equity portfolio information in this plan reflects values as of December 31, 2022, unless otherwise noted.

Portfolio Statistics
As of December 31, 2022 *($ in millions)*

	12/31/2021	12/31/2022
Committed Capital:	10,377.17	11,085.94
Unfunded Capital:	2,597.36	2,757.51
Contributed Capital:	9,339.21	10,142.80
Distributed Capital:	8,028.54	9,389.05
Recallable Capital:	1,066.42	1,178.65
Fair Market Value:	6,901.07	6,440.60
Net Gain / (Loss):	5,317.76	5,303.02
Total Value:	14,929.61	15,766.14
Total Exposure:	9,498.43	9,134.60
Distributed to Paid-In (DPI):	0.86x	0.93x
Total Value to Paid-In (TVPI):	1.60x	1.55x
Net Internal Rate of Return (IRR):	14.8%	13.7%

Section 2: Portfolio Exposures

The Private Equity portfolio remains well diversified. The Private Equity team evaluates the portfolio's exposures based on both fair market value and total exposure. Although fair market value reflects the current portfolio position, total exposure incorporates both committed but undrawn capital, which provides additional insight into the future direction of the portfolio. The following table shows total exposure by strategy, geography, and structure.

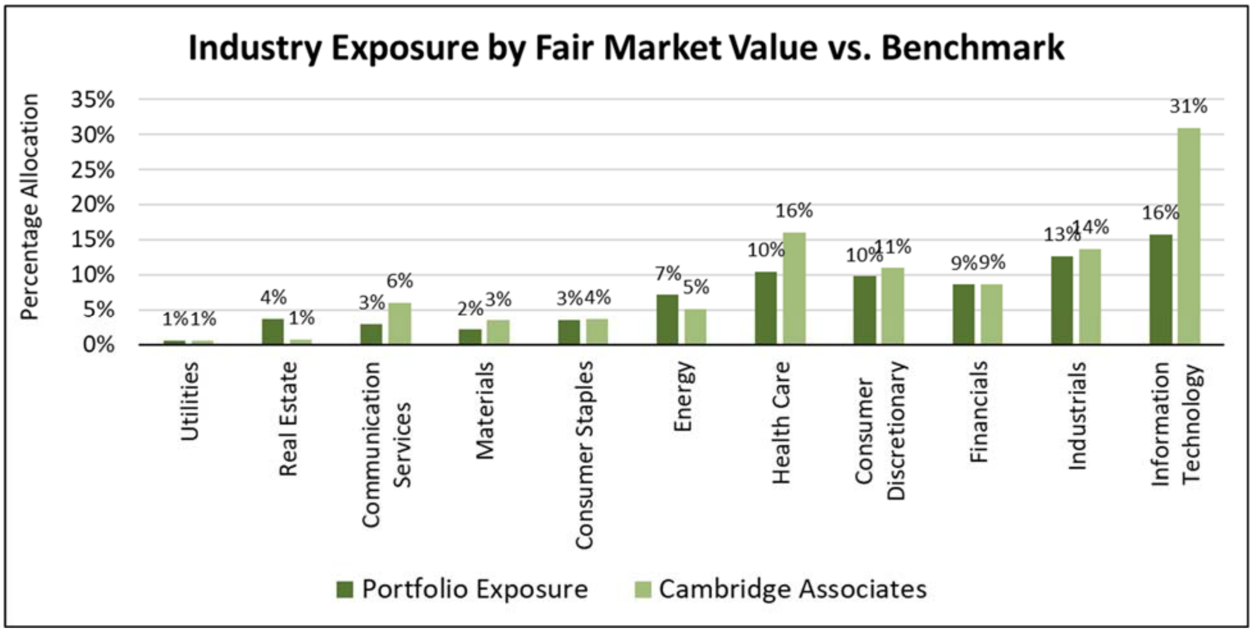
Strategy	**Committed**	**FMV**	**Exposure**	**Target**
Buyout	48.9%	44.2%	42.6%	35-60%
Venture / Growth	19.6%	24.2%	23.8%	10-30%
Secondaries	18.7%	16.2%	19.9%	5-30%
Energy & Natural Resources	7.5%	10.6%	9.0%	5-20%
Debt	5.3%	4.9%	4.7%	0-15%
Geography				
North America		44.4%		>50%
Europe		19.9%		NA
Global		19.4%		NA
Asia Pacific		13.4%		NA
Developing Markets		2.9%		NA
Structure				
Primary Fund	74.5%	67.0%	68.3%	NA
Fund of Funds	8.5%	10.2%	9.8%	NA
Co-Investment	17.0%	22.8%	21.9%	NA
- Co-Investment Fund	10.4%	12.0%	13.9%	NA
- Co-Investment Direct	6.5%	10.8%	7.9%	NA

From an investment strategy perspective, as outlined in the table above, the portfolio is within the various target ranges for each strategy. The current portfolio reflects prudent diversification by strategy. Each targeted strategy is designed to fulfill a role in the overall return profile of the portfolio and the target ranges reflect the potential scale for each strategy over the long term.

Going forward, particular emphasis will be placed on the buyout segment of the market and select new relationships will be evaluated when deemed additive to the portfolio. The buyout segment of the market has been and will continue to be the key driver of co-investment deal flow for the portfolio. Given the challenges in accessing high quality venture managers at scale, emphasis will continue to be placed on the growth equity exposure in the portfolio. Growth equity strategies are particularly relevant when it comes to international diversification where buyout markets in certain geographies are less mature and growth equity represents the primary way to participate in those countries.

From a geographic perspective, as outlined in the table above, the current portfolio reflects broad geographic diversification, within each of the respective target ranges. Over time, emphasis will be placed on gradually rebuilding the European exposure in the portfolio.

The table above also outlines the portfolio's diversification by investment structure. As expected, the portfolio is heavily weighted towards primary fund investments. The co-investment program continues to target approximately 20% of annual capital commitments and will continue to scale over time as a core structure.



Note: Portfolio FMV based on Burgiss Holdings database and does not include Secondaries and Fund-of-Fund commitments due to unavailable company level industry information. As of December 31, 2022.

When thinking about portfolio construction, it is also important to consider the underlying industry exposures and strive toward maintaining broad portfolio diversification. As outlined in the graph above, the portfolio is quite well diversified with no single industry exposure exceeding the guidelines limit of 20%. Currently, Information Technology is the largest industry exposure at 16% and is in fact a broadly diversified categorization. Expectations are for increased exposure to high quality technology investments including the healthcare industry.

Top 10 Managers by Committed Capital
As of December 31, 2022 *($ in thousands)*

Rank	Firm	No. of Funds[1]	Commitment ($)	Commitment (%)
1	LGT	12	1,536,000	13.9%
2	Landmark	4	600,000	5.4%
3	Riverside	12	558,954	5.0%
4	Carlyle	12	525,369	4.7%
5	TA	9	520,000	4.7%
6	Mercer	2	515,000	4.6%
7	Advent	6	486,697	4.4%
8	KSL	6	393,694	3.6%
9	Industry Ventures	9	355,000	3.2%
10	Quantum	8	348,660	3.1%
	Top 10	**80**	**5,839,373**	**53%**
	Other Commitments	**123**	**5,246,575**	**47%**
	Total	**203**	**11,085,948**	**100%**

[1] *Includes commitments to co-investment vehicles.*

The table above presents the top 10 exposures to general partners calculated by total committed capital. In reviewing the top five holdings, it is worth noting that LGT and Landmark are predominantly secondary managers and that the underlying composition of those funds represent investments in a diverse set of managers, vintages and geographies.

All of the portfolio's exposures are within program guidelines (<20% total NAV concentration limit) as of December 31, 2022.

Section 3: Performance Review

Performance Versus Benchmarks
As of December 31, 2022

	1 Year	3 Year	5 Year	10 Year	Inception
Program IRR	0.3%	20.0%	14.7%	14.5%	13.7%
MSCI ACWI (+ 300bps)*	-16.4%	8.8%	9.4%	11.3%	11.1%
Difference	*16.7%*	*11.2%*	*5.3%*	*3.2%*	*2.6%*
S&P 1500*	-18.3%	9.3%	10.2%	12.4%	11.9%
Difference	*18.6%*	*10.7%*	*4.5%*	*2.1%*	*1.8%*
Cambridge Associates	-4.8%	16.8%	14.7%	14.3%	12.4%
Difference	*5.1%*	*3.2%*	*0.0%*	*0.2%*	*1.3%*

*Data is dollar-weighted Long-Nickels calculation of quarterly changes.

From inception through December 31, 2022, the Private Equity program has performed well, generating a net IRR of +13.7% since inception. As the portfolio is invested globally, it is prudent to compare performance to a public equity index, which reflects global equity returns. The MSCI ACWI (+300 bps) is used for this purpose. ERS' Private Equity portfolio has outperformed this benchmark over all time periods.

Another public market benchmark (S&P 1500) and a private equity industry benchmark are also included as additional benchmarking references. In relation to the Cambridge Associates Private Equity Index, the Private Equity program delivers relative outperformance across the different time horizons, with the exception of the five-year period, where returns were in line with the benchmark. The one-year and three-year show strong outperformance versus the private market.

Private equity may underperform public equity during periods of strong public market performance and outperform during weaker periods. As a result, relative performance is best measured over periods longer than three years.

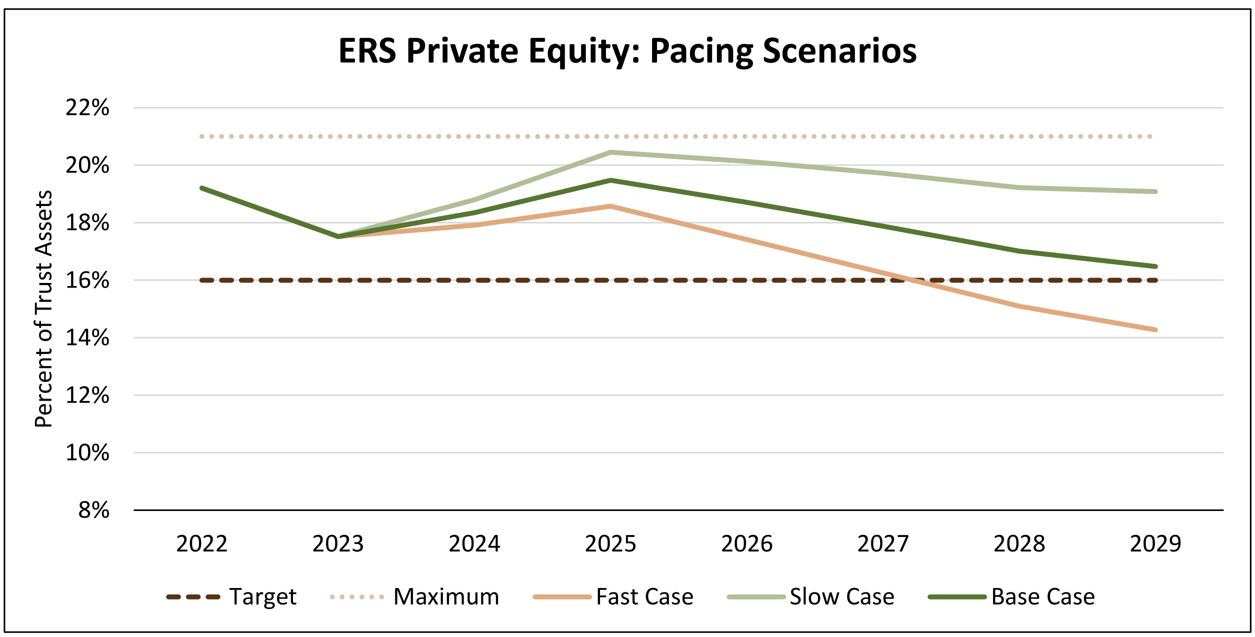
Section 4: Pacing Plan Analysis

The portfolio pacing plan analysis is built upon the forward-looking investment parameters previously described. The objective of the current pacing analysis is to create a realistic glidepath to manage the overall exposure down over time to the target of 16%, given the current overallocation, without undermining the core foundation of the portfolio.

The Private Equity pacing plan model estimates fair market values and net cash flows arising from capital contributions, distributions and appreciation generated from existing and planned capital commitments. It is important to recognize that the model output is driven by numerous assumptions about the future and is more directional in nature than precise. It is a tool for planning, but it should be expected that future values will not equal the precise amounts predicted by the model. It should also be noted that the years shown in the pacing plan model are calendar years and not ERS' fiscal years as investments are generally labeled a certain "vintage year" based on the calendar year in which they first begin to accrue management fees. Over the long term, the discrepancy between the fiscal and calendar years should be immaterial.

The model incorporates cash flows, fair market values, and unfunded balances as of December 31, 2022.

The following graph summarizes three different scenarios for the trajectory of the allocation within the total Trust: Base Case, Fast Case, and a Slow Case. In all three cases, Base Case, Slow Case and Fast Case, capital commitments are held constant over the coming years. In summary, the model assumes that the Private Equity portfolio will appreciate slowly (1% to 3%) during 2023 and part of 2024. As M&A activity picks up in 2024, both growth and increase investment is observed in 2024. The model assumes normalization of private markets during 2025 and 2026. Overall Trust growth is what differs in the three pacing scenarios. The Trust denominator growth in the Slow, Base and Fast cases are 1%, 3.5% and 6%, respectively.



The following table outlines the Base Case commitment projections over the next five years in order to achieve the 16% target with a range of +/- 25%.

Projected Commitment Requirements
($ in millions)

Fiscal Year	Target Commitment	Range	
FY 2024 Projection	600	450	750
FY 2025 Projection	600	450	750
FY 2026 Projection	600	450	750
FY 2027 Projection	600	450	750
FY 2028 Projection	600	450	750

ERS was over its targeted Private Equity allocation of 16% as of December 31, 2022, but within the upper bound of the policy range. The proposed pacing plan analysis projects a glidepath to the target over the next several years, without disrupting the consistency of capital and the foundation of the core portfolio. The forecasted commitment levels are projections based on a variety of assumptions and should be viewed with a degree of flexibility in line with the target ranges outlined in the table above. Such flexibility allows for adjustments related to market conditions and the opportunity set over time.

Section 5: Prospective Investments

As a result of the portfolio review the following investment objectives for the next year have been developed.

Buyout:

The buyout segment represents the largest exposure in the portfolio and will continue to be its foundation. Buyouts also serve as the key engine of co-investment deal flow. Re-ups will be scrutinized closely as to their additive value, and when appropriate replaced with new relationships. This segment of the market will be targeted to increase the current underweight to both the Healthcare and Technology industries.

Co-Investment:

The existing primary portfolio will continue to be the source of attractive co-investment deal flow with high conviction managers on a no fee basis to enhance net returns. Approximately 20% of the fiscal year's capital budget has been earmarked for co-investments. However, it is important to recognize that maintaining some strategic relationships may impact the team's ability to deploy towards co-investments at this level on a yearly basis.

Growth Equity:

Given the challenges in the venture capital markets, including access to high quality managers and the difficulty in deploying at scale, the Private Equity team has indicated a prioritization of building out the growth equity segment of the portfolio. This segment of the market will also be targeted to increase the current underweight in both the Healthcare and Technology industries.

Secondaries:

Secondaries will remain a core allocation and will be evaluated opportunistically based on market conditions.

Energy & Natural Resources:

This segment of the portfolio is represented predominantly by energy related holdings. The recent recovery of energy prices has benefited the strategy and the Private Equity team is expected to continue investing in this industry within the private equity market.

Debt:

Debt exposure will continue to be evaluated selectively based on market conditions. In circumstances where debt exposure can generate equity like returns with significant downside protection, it is viewed as additive to the portfolio.

Section 6: Summary

The targeted commitment amount for FY2024 is $600 million (± 25%). This capital commitment budget will be deployed within the pre-existing portfolio parameters guiding diversification as per the Investment Implementation Plan (“IIP”). The long-term objectives of the portfolio will inform each investment brought forward or not, with the ultimate objective of building a well-diversified, sustainable portfolio of high-quality general partners and associated co-investments. Private Equity’s advisor, Aksia, will continue to work closely with ERS staff to review each actionable opportunity in terms of its accretive value to the portfolio and the long-term objectives of the Trust. The ERS Private Equity team will also continue to work closely with Aksia to build out a multi-year relationship development pipeline for potential new additions into the portfolio within the framework of the contemplated Capital Plan, and actively assess the success or lack thereof of existing relationships.