


Date: February 2, 2022

To: Honorable Brian P. Kemp, Governor  
Honorable Randy Robertson, Chair, Senate Retirement Committee  
Honorable John Carson, Chair, House Retirement Committee

From: L. C. (Buster) Evans, Ed.D.   
Executive Director

Subject: 2022 Alternative Investments Annual Update

At the start of 2021, the alternative investments staff put in place investment policies, procedures, and internal accounting and research capabilities to support the Fund's alternative investments portfolio. During the year, the alternative investment staff identified potentially attractive investment opportunities and met, mostly virtually, with over 170 general partners across different investment strategies, geographies, fund sizes, and industry sectors. Their due diligence efforts led to the successful closing on five primary fund commitments. Further, the staff continues to focus on building out the alternative investments portfolio in a methodical and disciplined manner.

As we start 2022, they are actively sourcing new investment opportunities and conducting due diligence reviews on several prospective alternative investments. For this year, the total committed capital to alternative investments is capped at \$1.05 billion. We continue to opportunistically look for secondary transactions to mitigate the effect of the "J curve", which is the negative or low returns typically experienced during the early years of a private equity investment. Due to challenging market conditions however, the staff has been more cautious and highly selective in reviewing prospective alternative investment opportunities.

The Teachers Retirement System of Georgia alternative investments portfolio had a net inception-to-date internal rate of return (IRR) of 5.75% at December 31, 2021. The aggregate profit from alternative investments during the year was \$3,787,816. This disclosure is made pursuant to O.C.G.A. Section 47-20-87.

Cc: Deborah K. Simonds, Chair, TRS Board of Trustees  
Thomas W. Norwood, Chair, TRS Investment Committee  
Bill Cary, Chief Investment Officer  
Tom Horkan, Co-Chief Investment Officer  
Mike Majure, Co-Chief Investment Office  
Kelly Farr, Chief Financial Officer, State of Georgia