

Mid-Large Cap Growth Strategy



1st Quarter 2018

Firm Profile

Founded in 2004

2 employees

5 outsourced marketing/client service employees (Genesis)

\$39.5 million in total assets under management firm wide

Management team with over 50 years combined experience

Investment Philosophy

“We believe a “good company” can be identified through fundamental research while a “good stock” can be identified through technical research. The solid application of both disciplines should uncover “good investments” that should deliver superior returns.”

Investment Team Experience

Eric M. Efron, CFA

Co-Portfolio Manager, 30+ years

Stephen P. Arnold

Co-Portfolio Manager, 30+ years

Investment Process

STEP 1 Idea Generation

*“MOA” (Maker of Alpha)
Proprietary stock screen run weekly*

Developed utilizing research dating back to 1935

- Identifies common characteristics of stocks in the early stage of a significant and steady price appreciation trend

Identifies acceleration and improvement in:

- Free cash flow
- Revenue
- Earnings
- Profit margins
- Relative strength and momentum

The MOA screen reduces roughly 7,500 potential candidates down to an average of 10 to 20 candidates for further analysis.

STEP 2 Quantitative Ranking

Proprietary “Competitive Scoring System”

Stocks are ranked from most attractive to least attractive

Compares 144 variables to the industry, sector, and S&P 500

Provides overall score and sub-category weightings:

- Risk
- Return
- Margins
- Growth
- Turnover
- Valuation
- Balance Sheet
- Liquidity
- Industry Outlook

Setting the priorities for further review.

STEP 3 Grunt Work

Exhaustive research money managers are paid to perform

Fundamental Research: Focuses on cash flow, earnings quality, earnings estimate revisions, and debt exposure

Technical Research: Explores trend lines, pricing patterns, Gann angles and Fibonacci retracement lines - “Where we make the difference”

STEP 4 Portfolio Construction

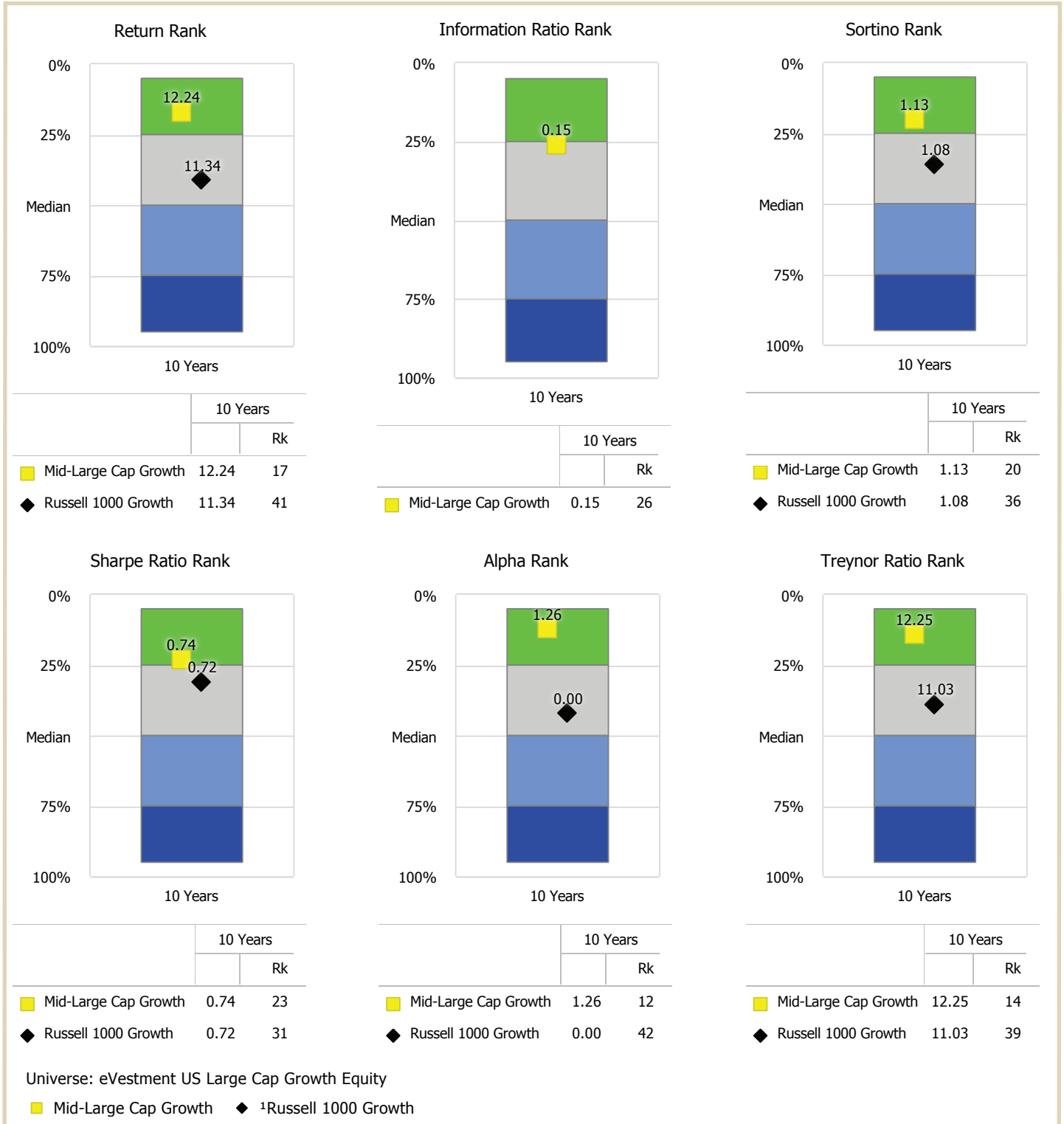
Target 30-40 companies that are positioned for internally funded sustainable growth, have superior technical characteristics, and are identifiably undervalued relative to their appreciation potential

Mid-Large Cap
Growth Strategy



Investment Performance*

As of Q12018
source: eVestment



Mid-Large Cap Growth Strategy



Investment Performance*

Texas IIM Mid-Large Cap Growth Composite Returns through Q1 2018 (%)

	Before Fees	After Fees	Russell 1000 Growth
2018 Returns:			
MRQ	2.65	2.53	1.42
YTD	2.65	2.53	1.42
Annualized Returns:			
1 year	25.10	24.68	21.25
3 years	11.46	10.94	12.90
5 years	16.84	16.31	15.53

Texas IIM Mid-Large Cap Growth Composite Quarterly Gross Returns (%) Since Inception

	Q1	Q2	Q3	Q4	Year
2018	2.65				2.65
2017	9.50	4.58	8.18	7.73	33.46
2016	-2.13	0.23	4.56	1.94	4.56
2015	6.87	-3.41	-4.35	4.64	3.31
2014	1.24	0.01	3.98	7.99	13.69
2013	6.89	4.60	11.36	11.10	38.33
2012	20.77	-3.42	3.17	-3.00	16.73
2011	7.00	3.76	-11.30	6.39	4.77
2010	5.93	-10.70	18.84	11.40	25.23
2009	-4.09	7.52	15.21	4.98	24.72
2008	-4.86	11.00	-20.10	-19.50	-32.08
2007	7.66	5.28	4.57	3.47	22.64
2006	4.65	-3.01	1.79	2.02	5.40
2005	-3.61	0.47	6.91	1.95	5.55
2004			1.80	10.17	-

Performance Statistics Since Inception

	Mid-Large Cap Growth Composite	Russell 1000 Growth
Return	11.77%	9.52%
Standard Deviation	15.29%	14.80%
Alpha vs. Market	2.96	0.00
Beta vs. Market	0.92	1.00
Sharpe Ratio	0.69	0.56
Sortino Ratio (MAR = Cash Eq.)	1.13	0.86
Up Capture vs. Market	105.53	100.00
Down Capture vs. Market	86.38	100.00
R-Squared vs. Market	0.80	1.00
Correlation vs. Market	0.89	1.00
Information Ratio vs. Market	0.33	---

Effective Investment Management

- Identifies and captures opportunities in disciplined, consistent ways
- Is risk aware and vigilant
- Faithfully observes the investor's mandate and seeks to achieve its full potential
- Aligns with market trends when appropriate but breaks step with the Street when discipline and analysis dictate a contrarian approach
- Answers to the investor alone

Sell Discipline

Texas Institutional follows strict sell criteria:

- When fundamentals have deteriorated
- The company announces a dilutive event
- The "process" uncovers more attractive opportunities

*Source: eVestment. As of Q3 2015, the performance numbers shown are calculated using eVestment rather than Zephyr StyleAdvisor. Results may differ from previous versions due to rounding.

*Mid-Large Cap
Growth Strategy*

BIOGRAPHIES

Eric M. Efron, Co-Portfolio Manager, has primary responsibility in the following areas: quantitative research, fundamental research, accounting, finance, and bookkeeping, marketing presentations, and filling out questionnaires and surveys. He has been an investment professional since 1972. Following is a brief biography of Mr. Efron:

Mr. Efron brings over 30 years of investment analysis and portfolio management experience to the Texas Institutional team. Mr. Efron began his career in New York as a securities analyst for Value Line (Arnold Bernhard & Company). Following Value Line, Mr. Efron worked as a securities analyst for Merrill Lynch, A.G. Becker, and C&S Sovran Investment Management (acquired by Bank of America). From 1992 through 2002, Mr. Efron worked for USAA Investment Management Company in San Antonio, Texas. During this time, his duties included Senior Securities Analyst, Executive Director, and Assistant Vice President. He served as the co-portfolio manager for many of USAA's top performing funds during this time including the Small-cap Growth Fund, the Small-cap Stock Fund, Variable Annuity Aggressive Growth Fund, the Capital Growth Fund, and the Aggressive Growth Fund. Of note, Mr. Efron built the USAA Aggressive Growth Fund from \$283 million to over \$2 billion in assets, earning a 5-star rating from Morningstar. Mr. Efron has appeared on CNBC and Bloomberg television, and has been quoted widely in the press including The Wall Street Journal, the New York Times, and Businessweek.

Mr. Efron received his undergraduate degree from Oberlin College. He obtained a Master's in Asian Studies from the University of Michigan and earned his MBA from New York University. He is a Chartered Financial Analyst (CFA) and a member of CFA Institute (CFAI). For the past several years, Mr. Efron has served on the Board of Directors of CFA Society of San Antonio, and, most recently, as President during the fiscal year ending 5/31/05.

Stephen P. Arnold, Co-Portfolio Manager, has primary responsibility in the following areas: technical research, performance measurement and tracking, and compliance. He has been an investment professional since 1982. Following is a brief biography of Mr. Arnold:

Mr. Arnold has been an investment management professional for over 20 years, serving both private and public institutions with assets ranging from \$100 million to over \$13 billion. His experience includes over 12 years with The Employees' Retirement System of Texas (ERS) in Austin, including seven years as the Assistant Investment Officer. As the Assistant Investment Officer, he was responsible for all internally managed investment portfolios. Following ERS, Mr. Arnold worked for Norwest Investment Management and Trust of Texas as a Vice President and Trust Investment Officer specializing in Trust investment management. Mr. Arnold graduated from Texas A&M with a degree in Agricultural Economics. He has also received a certification in Trust Investments from the University of North Carolina in Charlotte. Mr. Arnold focuses on technical analysis.

Mr. Arnold developed and maintains a proprietary Interest Rate Forecasting Model. The model interprets specific data and provides a running six-month interest rate outlook based on the historic relationship between current interest rates and the fear of inflation. The model has proven to be reliable and helpful in analyzing interest rate sensitive investments.

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STATISTICAL DEFINITIONS

SOURCE: eVestment

Alpha - The incremental return of a manager when the market is stationary. In other words, it is the extra return due to non-market factors. This risk-adjusted factor takes into account both the performance of the market as a whole and the volatility of the manager. A positive alpha indicates that a manager has produced returns above the expected level at that risk level, and vice versa for a negative alpha. Alpha is the Y intercept of the regression line.

Return (Annualized) - The geometric mean of the product's returns with respect to one year.

Information Ratio - This statistic is computed by subtracting the return of the market from the return of the manager to determine the excess return. The excess return is then divided by the standard deviation of the excess returns (or Tracking Error) to produce the information ratio. This ratio is a measure of the value added per unit of active risk by a manager over an index. Managers taking on higher levels of risk are expected to then generate higher levels of return, so a positive IR would indicate "efficient" use of risk by a manager. This is similar to the Sharpe Ratio, except this calculation is based on excess rates of return versus a benchmark instead of a risk-free rate.

Sharpe Ratio - This statistic is computed by subtracting the return of the risk-free index (typically 91-day T-bill or some other cash benchmark) from the return of the manager to determine the risk-adjusted excess return. This excess return is then divided by the standard deviation of the manager. A manager taking on risk, as opposed to investing in cash, is expected to generate higher returns and Sharpe measures how well the manager generated returns with that risk. In other words, it is a measurement of efficiency utilizing the relationship between annualized risk-free return and standard deviation. The higher the Sharpe Ratio, the greater efficiency produced by this manager. For example, a Sharpe Ratio of 1 is better than a ratio of 0.5.

Sortino Ratio - This measure is very similar to the Sharpe Ratio except that it is concerned only with downside volatility (unfavorable) versus total volatility (both favorable, upside volatility and unfavorable, downward volatility). This statistic is computed by subtracting the return of the risk-free index (typically 91-day T-bill or other cash index) from the return of the manager to determine the risk-adjusted excess return. This excess return is then divided by the downside risk of the manager. A manager taking on risk, as opposed to investing in cash, is expected to generate higher returns and Sortino measures how well the manager "spends" that risk, while not penalizing them for upside volatility (outperformance). The higher the Sortino Ratio, the better a Sortino Ratio of 1 is better than a ratio of 0.5 – higher excess return and/or lower downside risk.

Treynor Ratio - Similar to the Sharpe Ratio, this statistic is computed by subtracting the return of the risk-free index (typically 91-day T-bill or some other cash benchmark) from the return of the manager to determine the risk-adjusted return. This excess return is then divided by the Beta of the portfolio. This is another efficiency ratio that evaluates whether the manager is being rewarded with additional return for each additional unit of risk being taken with risk being defined by Beta, a measure of systematic risk, not Total Risk (standard deviation)

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PERFORMANCE DISCLOSURES

TEXIIM Mid/Large-Cap Growth Composite – This composite is made up of portfolios invested in 30 to 40 mid-cap and large-cap growth equity securities, defined as being in the Russell 1000 Growth Index or meeting criteria for selection in the Russell 1000 Growth Index.

TEXIIM claims compliance with the Global Investment Performance Standards (GIPS). TEXIIM's performance results have been verified for the periods of May 1, 2004 to December 31, 2017 by Dabney Investment Consulting Associates, Inc. To obtain a copy of the verification report, please contact Eric M. Efron, CFA by telephone (210-490-2200) or email (eme@texiim.com).

TEXAS INSTITUTIONAL INVESTMENT MANAGEMENT LLC (TEXIIM) is an investment adviser based in San Antonio, Texas, that is registered with the Texas State Securities Board and provides separate account Small-Cap growth equity, Mid/Large-Cap growth equity, an All-Cap growth equity portfolio management to both individuals and institutions.

- A complete list and description of all the TEXIIM composites is available upon request.
- TEXIIM composite performance results are expressed in U.S. dollars and shown gross of investment management fees.
- TEXIIM does not use leverage, short positions or derivatives, other than index ETFs, in its normal investment style.
- TEXIIM composites do not include non-fee-paying portfolios.
- The Russell 1000 Growth Index measures, on a market capitalization weighted basis, the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates. This index is reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The performance of an index is not an exact representation of any particular investment as you cannot invest directly in an index.
- Past performance is not a guarantee of future results.
- Texas Institutional's Form ADV and Form ADV Part 2 ("the Brochure") are available online at www.adviserinfo.sec.gov. Please use the following instructions to access them:
 - 1) Go to www.adviserinfo.sec.gov
 - 2) Click on the "Investment Advisor Search" on the left hand side of the page
 - 3) Scroll to the bottom of the page, and select "Firm"
 - 4) Scroll to the bottom of the page, and enter "131300" in the "Firm Name or CRD# or SEC" box
 - 5) Click on "Start Search" button
 - 6) "Texas Institutional Investment Management, LLC" will be displayed at bottom of new page
 - 7) Click "Investment Adviser Firm"
 - 8) Click "Texas", and Form ADV will be displayed
 - 9) You can select individual sections of the Form ADV by going to left hand side of the page and clicking the appropriate menu items

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