



H.1(b)

December 7, 2022

Senator Terry Rice
Representative Jeff Wardlaw
Arkansas Legislative Council
State Capitol, Room 315
Little Rock, AR 72201

Re: Submission of Investments for Review Under Act 1211 of 2009 (A.C.A. §19-11-1302)
Investments: Arrowstreet Global ACWI Alpha Extension 130/30/20 L.P.
DIF Infrastructure VII Cooperatief U.A. and DIF Infrastructure VII SCSp
Alpine Investors IX, L.P.
Franklin Park Venture Capital Opportunity Fund, L.P.
Franklin Park International Fund XI, L.P.

Dear Senator Rice and Representative Wardlaw:

By means of the enclosed Investment Summaries, Arkansas Teacher Retirement System (ATRS) is submitting five investments for review by the Arkansas Legislative Council (ALC) as required under ACA §19-11-1302 et seq., otherwise referred to as Act 1211 of 2009.

The ATRS Board (Board) recently approved an investment of up to \$800 million to be made in Arrowstreet Global Equity ACWI Alpha Extension 130/30/20 L.P., a fund that will invest in global equities on both long and short bases with the goal of outperforming the MSCI All Country World Index. This investment was recommended by Aon Hewitt Investment Consulting, general investment consultants for ATRS, and ATRS staff concurs with the recommendation.

In addition, an investment of up to €50 million (approximately \$50 million based on recent exchange rates) in DIF Infrastructure VII Cooperatief U.A. and DIF Infrastructure VII SCSp (collectively) was authorized by the Board. This fund will make core infrastructure debt and equity investments primarily in public-private partnerships across Europe, North America and Australia. Aon Hewitt Investment Consulting, real assets consultants for ATRS recommended the investment, and ATRS staff concurs.

Also approved was a commitment of up to \$30 million in Alpine Investors IX, L.P., a buyout fund that will invest in small and lower middle market software and services companies. Franklin Park Associates, private equity consultants for ATRS recommended the investment, and ATRS staff concurs.

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An additional commitment of up to \$30 million in Franklin Park Venture Capital Opportunity Fund, L.P. was also authorized. This is a fund of funds managed by Franklin Park that will invest in later stage venture capital private equity funds. Franklin Park recommended the investment, and ATRS staff concurs

Another recommendation by Franklin Park was approved for an additional commitment of up to \$30 million to be made in Franklin Park International Fund XI, L.P., a fund of funds managed by Franklin Park investing in international private equity funds. ATRS staff concurs with this recommendation as well.

The ATRS Board approved each of the investments described above at its December 5, 2022 meeting and anticipates closing dates from late December through January. A summary of each investment including key terms and investment strategy is enclosed for review by ALC. If any additional information is needed, please feel free to contact me on my direct line at 501-588-4367 or by email at: clintr@artts.gov

Respectfully,



Clint Rhoden
Executive Director

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Arkansas Teacher Retirement System
Public Market Investment
Executive Summary

Investment	Arrowstreet Global Equity ACWI Alpha Extension 130/30/20, L.P. (the "Fund")
Managing Party	Arrowstreet Capital (the "General Partner" or "Franklin Park")
ATRS Legal Interest	ATRS will be a shareholder
Report Date	December 2022
Expected Closing Date	Closing is expected in the first quarter of 2023.
ATRS Commitment & Reason for Entry	The investment of up to \$800 million is to help achieve the 53% target allocation to total equity. The fund is intended to continue to add diversity to the ATRS investment portfolio. The fund was recommended by the ATRS general investment consultant.
Placement Agent	There is no placement agent involved with the Fund.
Key Terms	<u>Management Fee</u> : 30 bps <u>Performance fee</u> : 20%
Justification of Investment Term & Anticipated Termination Date	The fund is of the "open end" variety and investors may exit subject to notification requirements. The investment will remain until liquidated, if ever, but actual fund amounts will vary over time with funds in excess of the initial allocation added at times and at other times funds would be withdrawn taking the funding level lower based on market returns, liquidity needs, and investment consultant recommended rebalancing from time to time.
Investment Strategy	The fund is a global equity strategy with an approach similar to a traditional long/short strategy. The strategy seeks to achieve a return exceeding the MSCI All Country World Investable Markets Index by 5.5% over a complete market cycle.
Management Team	Arrowstreet Capital, based in Boston, MA, was founded in 1999. The team is led by Peter Rathjens, Derek Vance, and Christopher Malloy.
Historical Performance	Since inception, the fund has an annualized return of approximately 14%.

Arkansas Teacher Retirement System Real Estate Investment Executive Summary

Investment DIF Infrastructure VII SCSp & DIF Infrastructure VII Cooperatief U.A. , collectively known as DIF Infrastructure VII.

Managing Party DIF Management B.V.

ATRS Legal Interest ATRS will be a limited partner.

Report Date December, 2022

Expected Closing Date February, 2023

ATRS Commitment & Reason for Entry The investment of up to €50 million in core infrastructure is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, AonHewitt Investment Consulting.

Placement Agent No placement agent was utilized.

Key Terms Management Fee: 150 bps on committed capital during investment period; thereafter 150 bps on invested capital after investment period
Carried Interest: 17.5% of profits after LP's receive an 7% IRR preferred return.

Justification of Investment Duration Term & Anticipated Termination Date The strategy requires a period of time to identify, execute and then monetize a core infrastructure investment strategy. The fund has a twelve-year term with an anticipated maturity in 2035.

Investment Strategy DIF will target high quality, low-risk investments in PPP and renewable energy projects across Europe, North America and Australasia, which will deliver stable, long-term cash flows and high quality returns to Investors. The Fund will target significant equity positions and typically invest €10 million to €50 million per transaction, to result in circa 40-50 investments for the Fund. The fund aims for an 13% gross IRR.

Management Team Mr. Wim Blaasse is a Managing Partner at Dutch Infrastructure Fund B.V. and is lead manager on DIF V. He joined the firm in 2005 and is responsible for all aspects of the investment process including origination, execution, optimization and exit for both PPP and renewable energy Investments. Prior to DIF, he was a Partner at PricewaterhouseCoopers, where he was responsible for infrastructure/PPP and energy related

transactions. Prior to PricewaterhouseCoopers, Mr. Blaasse was the Head of Project Finance at Rabobank International. During his 12 year tenure at Rabobank International, he held various roles within corporate finance. Mr. Blaasse has a Master's degree in Business Economics from the University of Amsterdam, the Netherlands.

**Historical
Performance**

Performances of the preceding six funds have averaged a net IRR of 11.1%. ATRS previously invested in Fund V which has to date produced an 11% IRR.

**Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary**

Investment	Alpine Investors IX, L.P. (the "Fund")
Managing Party	Alpine Investors (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	December 2022
Expected Closing Date	The General Partner is targeting capital commitments of \$3.8 billion. ATRS is expected to close in late December 2022.
ATRS Commitment & Reason for Entry	The investment of up to \$30 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	The General Partner retained Evercore to assist with fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of capital commitments during the six-year investment period. Thereafter, management fees will equal 2.0% of actively invested capital.</p> <p><u>Carried Interest</u>: The general Partner will be entitled to receive 20% of the fund's profits after the limited partners have received their capital contributions plus an 8% preferred return.</p>
Justification of Investment Term & Anticipated Termination Date	The term is twelve years (anticipated termination in 2034) plus two one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund is being formed to make control investments in small and lower middle market software and services companies in the U.S.
Management Team	Based in San Francisco, the General Partner was founded in 2001 by Graham Weaver. Today the investment team consists of twenty-four professionals led by five senior professionals (principals). The investment team is supported by seven sourcing professionals, eleven financial operations and support professionals, an investor relations professional and an operations group.
Historical Performance	In its previous eight funds, the General Partner invested approximately \$2.8 billion in sixty-seven deals generating an aggregate gross IRR of 26.4%. Historical returns are not indicative of future performance.

**Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary**

Investment	Franklin Park Venture Capital Opportunity Fund, L.P. (the "Fund")
Managing Party	Franklin Park Series GP, LLC (the "General Partner" or "Franklin Park")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2022
Expected Closing Date	Closing is expected in the first quarter of 2023.
ATRS Commitment & Reason for Entry	The additional investment of up to \$30 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	There is no placement agent involved with the Fund.
Key Terms	<u>Management Fee</u> : None <u>Carried Interest</u> : 4% carried interest for total investments of \$60 million or more and 5% for investments below \$60 million, after an 8% preferred return.
Justification of Investment Term & Anticipated Termination Date	The term is the later of (i) the liquidation of the last fund investment or (ii) 15 years (anticipated termination in 2037). Term is standard for a private equity fund of funds due to the fact that terms for underlying funds are at least ten years and all underlying funds must be liquidated in order to terminate the fund of funds.
Investment Strategy	The Fund was formed to build a well-diversified portfolio of top-tier, later stage venture capital funds.
Management Team	Franklin Park, based near Philadelphia, PA, was founded in 2003 by six professionals that formerly worked together at a global private equity consultant and asset manager. The team is led by Bradley Atkins, Michael Bacine, James McGovern, Karl Hartmann, Katherine Carlson, Narayan Chowdhury, Laure Brasch, Kristine O'Connor, Raymond Jackson and John Mahoney (the "Senior Team"). The Senior Team is supported by seven associates, seven analysts and an office manager.
Historical Performance	Since inception, Franklin Park has committed or advised on commitments in excess of \$19.6 billion in 435 private equity funds and \$618 million in 78 co-investments.

**Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary**

Investment	Franklin Park International Fund XI, L.P. (the "Fund")
Managing Party	Franklin Park Series GP, LLC (the "General Partner" or "Franklin Park")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2022
Expected Closing Date	The General Partner is targeting capital commitments of \$80-100 million. Closing is expected in the first quarter of 2023.
ATRS Commitment & Reason for Entry	The additional investment of up to \$30 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	There is no placement agent involved with the Fund.
Key Terms	<u>Management Fee</u> : None <u>Carried Interest</u> : None
Justification of Investment Term & Anticipated Termination Date	The term is the later of (i) the liquidation of the last fund investment or (ii) 15 years (anticipated termination in 2037). Term is standard for a private equity fund of funds due to the fact that terms for underlying funds are at least ten years and all underlying funds must be liquidated in order to terminate the fund of funds.
Investment Strategy	The Fund is being formed to build a well-diversified portfolio of top-tier international private equity funds.
Management Team	Franklin Park, based near Philadelphia, PA, was founded in 2003 by six professionals that formerly worked together at a global private equity consultant and asset manager. The team is led by Bradley Atkins, Michael Bacine, James McGovern, Karl Hartmann, Katherine Carlson Narayan Chowdhury, Laure Brasch, Kristine O'Connor, Raymond Jackson and John Mahoney (the "Senior Team"). The Senior Team is supported by seven associates, seven analysts and an office manager.
Historical Performance	Since inception, Franklin Park has committed or advised on commitments in excess of \$19.6 billion in 435 private equity funds and \$618 million in 78 co-investments.