

December 6, 2023

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: KKR Real Estate Partners Americas IV, SCSp
Beekman Investment Partners V, L.P.
Clearlake Capital Partners VIII, L.P.
Franklin Park Co-Investment Fund VI, L.P.
Franklin Park Venture Capital Fund XV, L.P.

Dear Senator Rice and Representative Wardlaw:

By means of the enclosed Investment Summaries, Arkansas Teacher Retirement System (ATRTRS) 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 ATRTRS Board (Board) recently approved an investment of up to \$50 million to be made in KKR Real Estate Partners Americas IV, SCSp, a fund that will primarily focus on industrial, residential rental and self-storage real estate. This investment was recommended by Aon Hewitt Investment Consulting, real assets consultants for ATRTRS, and ATRTRS staff concurs with the recommendation.

In addition, an investment of up to \$35 million in Beekman Investment Partners V, L.P., was authorized by the Board. This fund will make buyout and growth equity investments specializing in small companies. Franklin Park Associates, private equity consultants for ATRTRS recommended the investment, and ATRTRS staff concurs.

Also approved was a commitment of up to \$35 million in Clearlake Capital Partners VIII, L.P., a fund that will make opportunistic debt and equity investments in middle market companies undergoing change and/or are in underserved industries or markets. Franklin Park Associates recommended this investment as well, and ATRTRS staff concurs.

An additional commitment of up to \$60 million in Franklin Park Co-Investment Fund VI, L.P. was also authorized. This is a fund of individual co-investments managed by Franklin Park. Again, Franklin Park recommended the investment, and ATRTRS staff concurs.

Senator Rice
Representative Wardlaw
December 6, 2023
Page Two

Another recommendation by Franklin Park was approved for a commitment of up to \$40 million to be made in Franklin Park Venture Fund XV, L.P., a fund of funds managed by Franklin Park investing in venture capital private equity funds. ATRS staff concurs with this recommendation as well.

The ATRS Board approved each of the investments described above at its regular quarterly meeting on December 4, 2023 and anticipates closing dates from late December through February. 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 501-621-8853 or by email at: markw@atrs.gov

Respectfully,

A handwritten signature in black ink that reads "Mark White". The signature is written in a cursive, flowing style.

Mark White
Executive Director

MW:lw
enclosures

**Arkansas Teacher Retirement System
Real Estate Investment
Executive Summary**

Investment	KKR Real Estate Partners Americas IV SCSp.
Managing Party	KKR Associate REPA IV SCSp
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	December 2023
Expected Closing Date	February 2024
ATRS Commitment & Reason for Entry	The investment of up to \$50 million is to help achieve the 15% target allocation to Real Assets. The fund was recommended by the ATRS Real Assets consultant, AonHewit Investment Consulting.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u> : 1.25% based on committed capital during the investment period, and 1.50% on invested commitments thereafter. <u>Carried Interest</u> : 20% of profits after LP's receive 100% of their invested capital and an 9% IRR preferred return.
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to develop and sell the acquired real estate assets to a core fund. The fund has an anticipated maturity sometime in 2032.
Investment Strategy	The Fund will acquire cash-flowing transitional assets in primary U.S. growth metros through formation or acquisition of scalable real estate platforms or single assets in sectors of thematic interest. In this vintage, the expected focus is industrial, rental housing (including multi-family, single-family, student and senior housing) and self-storage. The Fund may opportunistically pursue distressed cyclical sectors such as office, hotel, and retail.
Management Team	Kohlberg Kravis Roberts & Co. Inc. (KKR) was founded in May 1976 in New York as a boutique LBO private equity firm. It steadily and mostly organically grew into a global investment firm that manages capital across multiple asset classes, including private equity, energy real assets, infrastructure, real estate, corporate credit strategies, and hedge funds. The firm retained an integrated business model as it expanded. Joe Bae and Scott Nuttall were named co-CEOs in 2021 after serving as Co-Presidents and Co-COOs beginning in 2017. Founders

Henry Kravis and George Roberts remain involved as Executive Co-Chairman of KKR's board of directors.

**Historical
Performance**

The net IRR of the two preceding realized funds was 17%. Historical returns are not indicative of future performance.

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

Investment	Beekman Investment Partners V, L.P. (the "Fund")
Managing Party	The Beekman Group (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2023
Expected Closing Date	ATRS is expected to close in late December 2023.
ATRS Commitment & Reason for Entry	The investment of up to \$35 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 fund offering was sourced directly from the general partner.
Key Terms	<p><u>Management Fee</u>: During the investment period, the Fund will pay to the General Partner an annual management fee of 2% of commitments. After the investment period, the Fund will pay an annual management fee of 2.0% of net invested capital.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions and an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.</p>
Justification of Investment Term & Anticipated Termination Date	<p><u>Term</u>: Ten years (anticipated termination in 2033) plus two one-year extensions which is industry standard due to the time required for acquiring, developing and selling underlying assets.</p>
Investment Strategy	The Fund is being formed to invest in small North American service-based companies operating in the consumer, healthcare, and business/industrial services sectors. Investments may be in the form of leveraged buyouts, growth buyouts or structured preferred equity or debt investments.
Management Team	The General Partner was formed in 2004 and is currently led by John Troiano, Andrew Marolda, Andrew Brown and Jim Clippard (principals). The principals are supported by investment and operating professionals as well as thirteen industry advisors. The firm is based in New York, NY.
Historical Performance	In its previous four funds, the general partner has generated an average gross IRR of approximately 21.8%. Historical returns are not indicative of future performance.

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

Investment	Clearlake Capital Partners VIII, L.P. (the "Fund")
Managing Party	Clearlake Capital Group (the "General Partner" or "Clearlake")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2023
Expected Closing Date	The General Partner is targeting capital commitments of \$15 billion for the Fund. ATRS is expected to close in the first quarter of 2024.
ATRS Commitment & Reason for Entry	The investment of up to \$35 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 offering was sourced directly from the General Partner.
Key Terms	<p><u>Management Fee</u>: The General Partner will be paid a management fee of 1.75% of total commitments during the six-year investment period. Thereafter, the fee will equal 1.75% of actively invested capital.</p> <p><u>Carried Interest</u>: Generally, after the limited partners receive their aggregate capital contributions and an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.</p>
Justification of Investment Term & Anticipated Termination Date	<p><u>Term</u>: Ten years (anticipated termination in 2033) plus two one-year extensions which is industry standard due to the time required for acquiring, developing and selling underlying assets.</p>
Investment Strategy	The Fund is being formed to make debt and equity investments in middle market companies undergoing significant change or that are in underserved industries, primarily software and technology-enabled services, and industrials and energy sectors. Investment opportunities may involve bankruptcies, restructurings or turnarounds.
Management Team	The General Partner was formed in 2006 and is led today by Jose Feliciano, Behdad Eghbali, Preshant Mehrota, Colin Leonard, James Pade and Arta Tabee ("Partners"). The Partners are supported by forty-five investment and operational professionals and administrative staff.
Historical Performance	The General Partner has invested more than \$24 billion in its previous five funds that have generated an aggregate gross return of nearly 40% IRR. Historical returns are not indicative of future performance.

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

Investment	Franklin Park Co-Investment Fund VI, L.P.
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 2023
Expected Closing Date	Closing is expected in the first quarter of 2024.
ATRS Commitment & Reason for Entry	The investment of up to \$60 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> : 50 basis points <u>Carried Interest</u> : 10% carried interest after an 8% preferred return.
Justification of Investment Term & Anticipated Termination Date	The fund will end when the last underlying fund or portfolio company is liquidated; therefore, there is not a specific termination date for the fund. This is standard for a private equity co-investment fund or fund of funds.
Investment Strategy	The Fund will invest in direct co-investments primarily of middle market companies alongside private fund sponsors. Transaction types will include buyouts, build-ups, growth equity, structured equity, financial restructurings and operational turnarounds.
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 additional managing directors and analysts as well as finance, legal and administrative staff.
Historical Performance	Since 2012, Franklin Park has invested \$678.9 million in five co-investment funds that have generated an aggregate net IRR of 19.2% as of March 31, 2023. Historical returns are not indicative of future performance.

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

Investment	Franklin Park Venture Capital Fund XV, 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 2023
Expected Closing Date	Closing is expected in the first quarter of 2024.
ATRS Commitment & Reason for Entry	The investment of up to \$40 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 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 2038). 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 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, Neil Mowery, Raymond Jackson and John Mahoney (the "Senior Team"). The Senior Team is supported by additional managing directors and analysts, as well as finance, legal and administrative staff.
Historical Performance	Since 2008, Franklin Park has invested \$1.273 billion in fourteen venture capital funds that have generated an aggregate net IRR of 20.7% as of June 30, 2023. Historical returns are not indicative of future performance.