

# ARTRS

Arkansas Teacher Retirement System

May 5, 2014,

Senator Bill Sample  
Representative John Charles Edwards  
Arkansas Legislative Council  
State Capitol, Room 315  
Little Rock, AR 72201

RE: Arkansas Teacher Retirement System (ATRS) Submission of Investments for  
Review under ACA §19-11-1302  
Investments: LaSalle Asia Opportunity Fund IV, LP  
Carlyle Realty Partners VII, LP

Dear Senator Sample and Representative Edwards:

By means of the enclosed Investment Summaries, ATRS is submitting two 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.

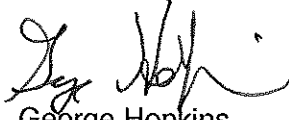
ATRS plans an investment of up to \$30 million in LaSalle Asia Opportunity Fund IV, LP, a fund that will focus on the growing demand for core real estate assets in Asia. The investment was recommended by Hewitt EnnisKnupp, real assets consultants to ATRS.

Also planned is an investment of up to \$30 million in Carlyle Realty Partners VII, LP, an opportunistic fund that will focus on distressed investments in both the commercial and residential markets in the U.S. This investment was also recommended by Hewitt EnnisKnupp.

Both of these funds were recommended by ATRS's real assets consultant, Hewitt EnnisKnupp for the purpose of diversifying the portfolio and achieving our 15% target allocation to real assets.

The ATRS Board approved each of the investments described above at its April 14, 2014 meeting and anticipates closing dates in the next two to three months. A summary of each investment including key terms and investment strategy is enclosed for review by ALC. We will be happy to provide any other information you request regarding these investments.

Respectfully,



George Hopkins  
Executive Director

GH:lw  
enclosures

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

<b>Investment</b>	LASALLE ASIA OPPORTUNITY FUND IV L.P.(LAOF IV)
<b>Managing Party</b>	LASALLE ASIA OPPORTUNITY IV GP LTD
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	May, 2014
<b>Expected Closing Date</b>	June, 2014
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$30 million in opportunistic real estate is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, Hewitt EnnisKnupp.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : 100 bps on committed capital, then 150 bps on invested capital after the investment period ends.  <u>Carried Interest</u> : 20% of profits after LP's receive a 10% IRR preferred return.
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	The strategy requires a period of time to identify, execute and then monetize an opportunistic investment. The fund has an eight year term with an anticipated maturity in 2022.
<b>Investment Strategy</b>	The investment strategy will focus on the growing demand for Core real estate assets by targeting opportunities resulting from growth and cyclical recoveries, liquidity gaps and deleveraging. Returns will be generated through a combination of income from stabilized investments and capital appreciation from development, redevelopment and repositioning strategies. The fund is classified as global but will focus on Asia-Pacific markets.
<b>Management Team</b>	The LAOF IV team is led by Marc Montanus (Portfolio Manager), Mark Gabbay (CIO and regional Co-head) and Ian Mackie (Head of Client Capital), who have worked in Asia for an average of 19 years.

**Historical  
Performance**

Performance in the three preceding funds averaged a net 8.56% IRR.

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

<b>Investment</b>	Carlyle Realty Partners VII, L.P. (CRP VII)
<b>Managing Party</b>	Carlyle Realty VII, L.L.C.
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	May, 2014
<b>Expected Closing Date</b>	June, 2014
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$30 million in opportunistic real estate is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, Hewitt EnnisKnupp.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<p><u>Management Fee</u>: 1.5% based on commitments during the investment period, thereafter on invested.</p> <p><u>Carried Interest</u>: 20% of profits after LP's receive a 9% IRR preferred return.</p>
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	The strategy requires a period of time to identify, execute and then monetize an opportunistic investment. The fund has a ten year term with an anticipated maturity in 2024.
<b>Investment Strategy</b>	The fund will pursue a bifurcated approach to distressed investing, focusing on the commercial real estate market recovery (hotel, office, industrial, retail) as well as the U.S. housing recovery (apartments, senior living, self-storage, manufactured homes). Assets will primarily be located in the U.S.
<b>Management Team</b>	CRP VII will be managed by the Firm's U.S. real estate investment team that consists of 80 employees with in-house expertise including sourcing, transactions, asset management, construction, development and financial reporting. The team has national coverage with offices located in Washington D.C., New York, Los Angeles and San Francisco. The nucleus of Carlyle Realty's senior management has been in place since 1998. While the senior team has grown over the years, the group has experienced very little turnover during that period of time.

**Historical  
Performance**

Performance in the two preceding funds averaged a net 12.95% IRR.