

September 25, 2014

Ms. Camber Thompson
Office of State Procurement
1500 West 7th Street, Suite 300
Little Rock, AR 72201

Ms. Marty Garrity
Bureau of Legislative Research
Administrative Rules Review Section
State Capitol, Room 315
Little Rock, AR 72201

Re: Partial Equity Ownership agreement executed by APERS under Act 1211 of 2009

Based on APERS' investment consultant, Callan Associates, the APERS Board of Trustees voted to hire Heitman Capital Management as an investment manager. All criteria were met under Act 1211 to enter into the partial equity ownership agreements of these investments. In accordance with Act 1211, APERS is providing an Executive Summary of the partial equity ownership agreement to the Office of State Procurement (OSP) and the Arkansas Legislative Council (ALC).

As of the date of this letter, the investment manager has not received any retirement trust funds. The anticipated date of funding is still TBD, but it is anticipated that the manager could begin calling capital in mid 2015. It is my intent to comply with the notification procedures set forth in Act 1211, and would like to notify OSP and ALC in advance of the funding date.

The total amount that APERS intends to invest in this investment is \$275,000,000.

Should you need any additional information, please feel free to contact me.

Regards,



Gail H. Stone
Executive Director

Arkansas Public Employees Retirement System Core Real Estate Investment Executive Summary

Investment	Heitman America Real Estate Trust, L.P., or the "Fund".
Managing Party	Heitman Capital Management LLC
APERS Legal Interest	APERS is a Limited Partner.
Report Date	September 25, 2014
Expected Funding Date	It is anticipated that the Fund will start calling capital in mid-2015.
APERS Commitment & Reason for Entry	The \$275 million investment is to help achieve the 16% target allocation to APERS' Real Assets. The fund was recommended by APERS' Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: The fund charges a stepped management fee as follows:</p> <p>First \$10,000,000 1.10%</p> <p>Next \$15,000,000 1.00%</p> <p>Next \$25,000,000 0.90%</p> <p>Next \$50,000,000 0.80%</p> <p>Next \$175,000,000 0.70%</p> <p>The blended fee will be 0.7673%, after a 7.5% discount the fee will be 0.7097%</p>
Justification of Investment Term & Anticipated Termination Date	The fund is a "perpetual life, open-ended fund."
Investment Strategy	The Fund invests in "core" type real estate assets. The investment strategy is to create a high-quality, low-risk portfolio of stabilized, income-producing assets diversified by property type and economic exposure.
Management Team	Heitman's Portfolio Management team consists of Blaise Keane (Senior Portfolio Manager), along with Alan Purser, David Perisho, James Christensen, and Helen Garrahy.

**Historical
Performance**

Heitman has over 50 years of experience investing on behalf of clients with an exclusive focus on real estate.

Heitman has over \$27 billion that in assets under management that it manages across three complementary business units.

Heitman's time-weighted returns as of June 30, 2014, gross of fees, is as follows:

3-months (not annualized), 3.25% total return

1 year 13.51% total return

3 years 12.98% total return

5 years 13.43% total return

Gross dividend average, 4.98% over 12 months