



April 7, 2015

Senator Bill Sample
Representative David L. Branscum
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: Circumference Group Core Value Fund, L.P.
Circumference Group Concentrated Positions Fund, L.P.
Franklin Park Co-Investment Fund, L.P.

Dear Senator Sample and Representative Branscum:

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

An investment of up to \$20 million is to be made in Circumference Group Core Value Fund L.P., an opportunistic/alternatives fund based in Arkansas that seeks to utilize the firm's operational experience in the fields of information technology, telecommunications, and business services industries to generate quality returns. The investment was recommended by both ATRS's alternative investment consultant, Aon Hewitt Investment Consulting and ATRS staff.

Another investment is planned with the same manager for up to \$10 million in the Circumference Group Concentrated Positions Fund, L.P., an opportunistic/alternatives fund that seeks to utilize the firm's same operational experience to leverage the Core Value Fund research to identify and acquire larger positions in the same industries. This investment was also recommended by Aon Hewitt Investment Consulting and ATRS staff.

An increase in allocation of up to \$25 million to the Franklin Park Co-Investment Fund is also planned. This is an existing fund in which ATRS has invested since 2012 that makes investments in individual portfolio companies of top tier private equity funds. A change is being made in the strategy going forward to include funds of "next generation" managers who are experienced but typically raising their first institutional fund.

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The ATRS Board approved each of the investments described above at its April 6, 2015, meeting and anticipates closing dates by mid-2015. 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,

A handwritten signature in black ink, appearing to read "George Hopkins", written over the printed name.

George Hopkins
Executive Director

GH:lw
enclosures

**Arkansas Teacher Retirement System
Alternative/Opportunistic Asset Investment
Executive Summary**

Fund	Circumference Group ("CG") Core Value Fund, L.P. (the "Fund")
Managing Partner	Circumference Group, ("CG")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	April, 2015
Expected Closing Date	Closing is expected in May 2015
ATRS Commitment & Reason for Entry	The investment of up to \$20 million is to help achieve the 5% target allocation to alternative/opportunistic investments. Over time, the investment amount of up to \$20 million is intended to be split between the CG Core Value Fund and the CG Concentrated Positions Fund. Both funds were recommended by the ATRS general investment consultant, Aon Hewitt Investment Consulting.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: The Fund has an annual management fee of 1.5%. The fee is payable quarterly (0.375%), based on the aggregate capital balance of the Limited Partner.</p> <p><u>Carried Interest</u>: The managing partner will be entitled to 20% of the Fund's profits, subject to a high water mark and hurdle.</p>
Justification of Investment Term & Anticipated Termination Date	The fund is an "open ended" fund and will remain open until it is liquidated, if ever. The fund has a thirteen month lock up period. Thereafter, investors may redeem on the quarter end subject to 60 days' notice. The justification for the term of this investment is due to the quality of the investment team at the fund.
Investment Strategy	The Fund utilizes the extensive operational experience of the management team to identify possible investments using the firm's Core Value Assessment methodology. This methodology is a value approach focused on fundamental values and cash flows of companies. The process is expected to generate a highly concentrated portfolio of approximately 10 to 15 stocks in the small to mid-cap range of companies involved in information technology, telecommunications, and business services industries. The management team may take an activist approach as opportunities are identified that could benefit from the team's extensive experience and expertise. The Core Value Fund seeks attractive opportunities that could lead to larger investments.

**Management
Team**

Jeff Fox, Founder; John Haley, President, CIO; John Ebner, Partner; Holly Larkin, COO. The firm is based in Little Rock and was founded in 2009.

**Historical
Performance**

The Fund was launched in 2012 and since inception has generated a return of 18% as of February 28, 2015. Historical returns are not indicative of future performance.

**Arkansas Teacher Retirement System
Alternative/Opportunistic Asset Investment
Executive Summary**

Fund	Circumference Group ("CG") Concentrated Positions Fund, L.P. (the "Fund")
Managing Partner	Circumference Group, ("CG")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	April, 2015
Expected Closing Date	Closing is expected in May 2015
ATRS Commitment & Reason for Entry	The investment of up to \$10 million is to help achieve the 5% target allocation to alternative/opportunistic investments. Over time, the investment amount of up to \$10 million will be drawn from the CG Core Value Fund. Both funds were recommended by the ATRS general investment consultant, Aon Hewitt Investment Consulting.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: The Fund has an annual management fee of 1.5%. The fee is payable quarterly (0.375%), based on the aggregate capital balance of the Limited Partner.</p> <p><u>Carried Interest</u>: The managing partner will be entitled to 20% of the Fund's profits, subject to a high water mark and hurdle.</p>
Justification of Investment Term & Anticipated Termination Date	The fund is an "open ended" fund and will remain open until it is liquidated, if ever. The fund has a thirteen month lock up period. Thereafter, investors may redeem on the quarter end subject to 60 days' notice. The justification for the term of this investment is due to the quality of the investment team at the fund.
Investment Strategy	The Fund utilizes the extensive operational experience of the management team to identify possible investments using the firm's Core Value Assessment methodology. This methodology is a value approach focused on fundamental values and cash flows of companies. The process is expected to generate a highly concentrated portfolio of approximately 8 to 10 stocks in the small to mid-cap range of companies involved in information technology, telecommunications, and business services industries. The management team may take an activist approach as opportunities are identified that could benefit from the team's extensive experience and expertise. This fund could be considered a best ideas approach designed to make larger investments across 8 to 10 positions already held by the Core Value Fund.

**Management
Team**

Jeff Fox, Founder; John Haley, President, CIO; John Ebner, Partner; Holly Larkin, COO. The firm is based in Little Rock and was founded in 2009.

**Historical
Performance**

The Concentrated Positions Fund is new and will be a concentrated version of the Circumference Group's Core Value Fund which was launched in 2012 and since inception has generated a return of 18% as of February 28, 2015. Historical returns are not indicative of future performance.

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

Investment	Franklin Park Co-Investment Fund, L.P. (the "Fund")
Managing Party	Franklin Park Series GP, LLC (the "General Partner" or "Franklin Park")
ATRS Legal Interest	ATRS is already a limited partner
Report Date	April 2015
Expected Closing Date	Closing on an additional commitment to the Fund is expected by June 2015.
ATRS Commitment & Reason for Entry	ATRS is adding an additional commitment of up to \$25 million to its existing investment in the Fund to help achieve the 10% 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 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.
Investment Strategy	The Fund is being formed to invest in portfolio companies that have received capital from other top-tier private equity funds but need additional capital to increase value. A change is being made in the strategy going forward to also include funds of "next generation" managers who are experienced but are typically raising their first institutional private equity fund.
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, Narayan Chowdhury, Laure Brasch, Kristine O'Connor, Neil Mowery, Raymond Jackson, Kate Carlson and John Mahoney (the "Senior Team"). The Senior Team is supported by seven associates, five analysts and an office manager.
Historical Performance	Since inception, Franklin Park has committed or advised on commitments totaling \$7.9 billion to approximately 95 corporate finance funds, 56 venture capital funds and 6 co-investments as of September 30, 2014. In addition, Franklin Park's team was involved in the execution of 20 direct/co-investment transactions while at other firms.