



October 2, 2020

Senator Cecile Bledsoe  
Representative Jeff Wardlaw  
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: Kayne Anderson Real Estate Partners VI, L.P.  
PGIM Real Estate Capital VII SCSp  
Franklin Park Venture Capital Fund XIII, L.P.

Dear Senator Bledsoe and Representative Wardlaw:

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.

The ATRS Board recently approved an allocation of up to \$50 million in Kayne Anderson Real Estate Partners VI, L.P., an opportunistic real estate fund focused on senior housing and medical offices. The investment was recommended by ATRS's real assets consultant, Aon Hewitt Investment Consulting and ATRS staff concurred.

Also approved is an investment of up to \$40 million to be made in PGIM Real Estate Capital VII SCSp, a closed-end real estate fund specializing in junior and senior debt in the European market. This investment was also recommended by real assets consultant, Aon Hewitt Investment Consulting and ATRS staff concurred.

The Board also approved an additional allocation of up to \$30 million in Franklin Park Corporate Finance Access Fund, L.P., a fund of funds that invests in smaller buyout, growth, and turnaround private equity funds. This investment was recommended by Franklin Park and ATRS staff concurred.

The ATRS Board approved each of the investments described above at its September 28, 2020 meeting and anticipates closing dates from October through December. 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 blue ink, appearing to read "Clint Rhoden".

Clint Rhoden  
Executive Director

CR:lw  
enclosures

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

<b>Investment</b>	Kayne Anderson Real Estate Partners VI, L.P. (KAREP VI)
<b>Managing Party</b>	Kayne Anderson Real Estate Partners VI, LLC.
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	September, 2020
<b>Expected Closing Date</b>	November, 2020
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$50 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, Aon Hewitt Investment Consulting.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : 150 bps on committed capital during investment period; thereafter 150 bps on invested capital after investment period  <u>Carried Interest</u> : 20% of profits after LP's receive an 8% 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 a opportunistic investment strategy. The fund has an eight year term with an anticipated maturity in 2028.
<b>Investment Strategy</b>	The fund will target medical office and senior housing which is expected to be 80-90% of the portfolio. The other 10-20% is expected to be student housing but may target other opportunities they are experienced with like apartments or self-storage. The fund will develop, reposition or conduct value add improvements to properties mainly in the United States. The fund aims for an 18%-20% gross IRR with a large cash yield helping to drive income returns.
<b>Management Team</b>	KAREP VI will work with the firm's 140 investment professionals and be led by Al Rabil, who founded Kayne Anderson's real estate division in 2007. The senior team averages over 21 years of industry experience and will be responsible for the overall strategy of the fund. The senior team has been with the firm for an average of almost five years, with some new additions as Kayne Anderson built out its debt platform.

**Historical  
Performance**

Performances of the four preceding funds average a net IRR of 13.15%.

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

**Investment** PGIM Real Estate Capital VII SCSp (PRECap VII)

**Managing Party** PGIM Real Estate Capital VII GP S.à.r.l.

**ATRS Legal Interest** ATRS will be a limited partner.

**Report Date** September, 2020

**Expected Closing Date** November, 2020

**ATRS Commitment & Reason for Entry** The investment of up to \$40 million in value added real estate is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, Aon Hewitt 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: 20% of profits after LP's receive an 8% 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 opportunistic investment strategy. The fund has a six-year term with an anticipated maturity in 2027.

**Investment Strategy** PRECap VII seeks to build up a diverse junior debt and preferred capital portfolio primarily secured against office, retail, industrial and residential real estate assets located in major Western European markets, with a specific focus on the UK and Germany. The typical holding period for Fund investments is expected to range from three to five years. The funds return target is a 12% net IRR.

**Management Team** In 2007, Andrew Radkiewicz and Andrew Macland, and Mathew Crowther formed a boutique fund manager, Paramount Private Equity, to invest in private real estate debt in Europe. In 2009, PGIM acquired Paramount to create PGIM Real Estate Capital ("PRECap"), expanding the global investment manager's European debt business. Since the establishment of PRECap, the team has executed 90 debt investments

totaling \$3.6 billion across three funds (Funds I, IV, and VI) and three separate accounts (Funds II, III, and V). Today, PRECap employs 36 professionals in their London headquarters and a smaller origination office in Germany. None of the senior leadership team associated with the origination or portfolio management for the PRECap fund series have left the firm in the past five years.

**Historical  
Performance**

Performances of the six preceding funds average a net IRR of 9.6%.

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

<b>Investment</b>	Franklin Park Corporate Finance Access Fund, L.P.
<b>Managing Party</b>	Franklin Park Series GP, LLC (the "General Partner" or "Franklin Park")
<b>ATRS Legal Interest</b>	ATRS will be a limited partner
<b>Report Date</b>	September 2020
<b>Expected Closing Date</b>	Closing is anticipated by the end of November 2020.
<b>ATRS Commitment &amp; Reason for Entry</b>	The additional investment of up to \$30 million in this fund is to help achieve the 12% target allocation to private equity. The Fund was recommended by the ATRS private equity consultant.
<b>Placement Agent</b>	There is no placement agent involved with the Fund.
<b>Key Terms</b>	<u>Management Fee</u> : None <u>Carried Interest</u> : None
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	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.
<b>Investment Strategy</b>	The Fund invests in small top-tier private equity funds that need additional capital to increase value. It may also invest in funds of "next generation" managers who are experienced but are typically either smaller or new to public pension plan or institutional investors.
<b>Management Team</b>	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 seven associates, seven analysts and an office manager.
<b>Historical Performance</b>	Since inception, Franklin Park has committed or advised on commitments in excess of \$10.2 billion to more than 230 private equity funds and co-investments.