



April 3, 2017,

Senator Bill Sample  
Representative Jim Dotson  
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: Riverside Partners VI, L.P.  
CFM Institutional Systematic Diversified Fund LP Series 1.5  
Man Alternative Risk Premia SP-Class A  
Almanac Realty Securities VIII, L.P.  
Carlyle Realty Partners VIII, L.P.  
Kayne Anderson Real Estate Partners V, L.P.  
MetLife Commercial Mortgage Income Fund, LP  
DIF Infrastructure V Coöperatief U.A. and DIF Infrastructure V SCS

Dear Senator Sample and Representative Dotson:

By means of the enclosed Investment Summaries, ATRS is submitting eight 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 investment of up to \$30 million in Riverside Partners VI, L.P., a private equity buyout fund that specializes in small healthcare and technology companies in the United States. The investment was recommended by both ATRS's private equity consultant, Franklin Park and ATRS staff.

The ATRS Board also authorized an investment of up to \$100 million in CFM Institutional Systematic Diversified Fund LP Series 1.5, an open-end opportunistic/alternative fund focused on alternative risk premia that seeks to take advantage of pricing differences in global markets. This investment was recommended by Aon Hewitt Investment Consulting, alternative investments consultants for ATRS and by ATRS staff.

A similar investment of up to \$100 million in Man Alternative Risk Premia SP-Class A was approved as well. This investment is also an open-end opportunistic/alternative fund that will focus on alternative risk premia designed to take advantage of price dislocations in the global markets. This fund was also recommended by Aon Hewitt Investment Consulting and ATRS staff.

Page Two  
Senator Sample  
Representative Dotson

An investment of up to \$30 million in Almanac Realty Securities VIII, L.P. was also approved. This is a closed-end value added real estate fund targeting investments in both private and public real estate operating companies. Both ATRS's real asset consultant, Aon Hewitt Investment Consulting and ATRS staff recommended the investment.

Another real estate investment was authorized by the ATRS Board as well for up to \$25 million in Carlyle Realty Partners VIII, L.P., a closed-end fund specializing in distressed commercial properties in the United States. This was also recommended by ATRS's real asset consultant and ATRS staff.

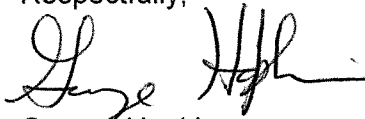
A third real estate investment was approved for up to \$25 million in Kayne Anderson Real Estate Partners V, L.P., a closed-end opportunistic fund that will focus on acquiring or developing medical office, senior housing and student housing properties. Again, this investment was recommended by Aon Hewitt Investment Consulting and ATRS staff.

Also approved by the ATRS Board was a commitment of up to \$50 million in MetLife Commercial Mortgage Income Fund, LP, a core real estate open-end debt fund that specializes in originating and actively managing debt investments secured by institutional quality assets. This commitment was also recommended by Aon Hewitt Investment Consulting and ATRS staff.

In addition, an investment of up to €41 million euros (approximately the equivalent of \$50 million dollars) was authorized in DIF Infrastructure V Coöperatief U.A. and DIF Infrastructure V SCS (collectively DIF V), core infrastructure funds that make debt and equity investments primarily in public-private partnership projects including toll roads, regulated utilities and renewable energy projects. This was also recommended by ATRS's real asset consultant and ATRS staff.

The ATRS Board approved each of the investments described above at its April 2, 2018, meeting and anticipates closing dates by the end of June 2018. 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

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Arkansas Teacher Retirement System  
Private Equity Investment  
Executive Summary

<b>Investment</b>	Riverside Partners VI, L.P. (the "Fund")
<b>Managing Party</b>	Riverside Partners, LLC (the "General Partner" )
<b>ATRS Legal Interest</b>	ATRS will be a limited partner
<b>Report Date</b>	April 2018
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of \$600 million. ATRS is expected to close by May 31, 2018.
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$30 million is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant, Franklin Park.
<b>Placement Agent</b>	No placement agent was used for fundraising.
<b>Key Terms</b>	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of aggregate commitments during the five-year investment period. Thereafter, management fees will equal 2.0% of net invested capital.</p> <p><u>Carried Interest</u>: After the limited partners receive cumulative distributions equal to 100% of aggregate capital contributions for realized investments, write-downs and a preferred return of 8%, the General Partner will be entitled to 20% of the Fund's profits.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	Term: Ten years (anticipated termination in 2028) plus three one-year extensions which is industry standard due to the time required for acquiring, improving and selling underlying companies.
<b>Investment Strategy</b>	The Fund is being formed to acquire small, profitable healthcare and technology companies primarily in the United States. The General Partner will focus on family or management owned companies with enterprise values between \$50 and \$200 million and will seek to increase the value of those companies through growth initiatives and operational improvements.
<b>Management Team</b>	The General Partner was founded in 1989 and is led by the following five principals: David Belluck, Steven Kaplan, Michelle Noon, Ian Blasco and Max Osofsky. They are supported by two deal sourcing professionals, four operating partners, fourteen mid and junior level investment professionals and administrative staff. The firm is based in Boston, MA.
<b>Historical Performance</b>	Since its inception, the General Partner has invested \$1 billion in 39 deals. In aggregate, these investments have generated a gross IRR of 30.5% as of September 30, 2017. Historical returns are not indicative of future performance.

Arkansas Teacher Retirement System  
Real Estate Investment  
Executive Summary

<b>Investment</b>	CFM Institutional Systematic Diversified Fund LP Series 1.5
<b>Managing Party</b>	CFM
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	April, 2018
<b>Expected Closing Date</b>	June 30, 2018
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$100 million is to help achieve the 5% target allocation to alternative/opportunistic investments. The fund was recommended by the ATRS alternative/opportunistic consultant, Aon Hewitt Investment Consulting.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : 60bps on NAV. <u>Carried Interest</u> : 10% of profits.
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	The open-end fund has weekly redemption with 4 day notice.
<b>Investment Strategy</b>	The fund seeks to take advantage of pricing differences in global markets.
<b>Management Team</b>	Capital Fund Management is an alternative asset manager based primarily in Paris, with other offices in London, Tokyo and New York. The firm was founded in 1991 and the systematic investment approach of this fund uses computer models and rules-based algorithms to help in the investment decision making process. Jean Phillippe Bouchaud is the Chairman & the vast majority of staff, including all researchers, are based in the Paris office. Most research staff hold PhDs or equivalent in disciplines such as Physics, Applied Mathematics and Engineering.
<b>Historical Performance</b>	The fund's historical return is approximately 6% IRR since inception.

Arkansas Teacher Retirement System  
Real Estate Investment  
Executive Summary

<b>Investment</b>	Man Alternative Risk Premia SP - Class A USD
<b>Managing Party</b>	Man Group
<b>ATRS Legal Interest</b>	ATRS will be a shareholder
<b>Report Date</b>	April, 2018
<b>Expected Closing Date</b>	June 30, 2018
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$100 million is to help achieve the 5% target allocation to alternative/opportunistic investments. The fund was recommended by the ATRS alternative/opportunistic consultant, Aon Hewitt Investment Consulting.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : 85 bps on NAV. <u>Carried Interest</u> : N/A
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	The open-end fund has weekly redemption with 3 day notice.
<b>Investment Strategy</b>	The fund seeks to take advantage of pricing differences in global markets.
<b>Management Team</b>	The organization is well-staffed with the Man Alternative Solutions team drawing on experienced individuals from across Man's business units. Keith Haydon, CIO of Man FRM and a member of the Investment Committee has been a key advocate of these strategies and has been heavily involved in the creation and launch of this product.
<b>Historical Performance</b>	The fund's historical return is 3.4% IRR since 2015 inception.

Arkansas Teacher Retirement System  
Real Estate Investment  
Executive Summary

<b>Investment</b>	Almanac Realty Securities VIII, LP
<b>Managing Party</b>	Almanac Realty Investors, L.L.C.
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	April 2018
<b>Expected Closing Date</b>	June 30, 2018
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$30 million 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. ATRS has invested in Almanacs previous funds V, VI & VII whose returns are high relative to their peer group.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : 1.25% based on committed capital during the investment period, and 1.25% on invested commitments thereafter. <u>Carried Interest</u> : 20% of profits after LP's receive 100% of their invested capital and a 9% IRR preferred return.
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	The strategy requires a period of time to perform the actual value add function. The fund is closed-end with a ten year term to anticipated maturity sometime in 2028. Three, one year extensions are permissible if market conditions warrant.
<b>Investment Strategy</b>	Almanac Realty Securities Fund VIII will be a closed-end, domestic, value-added product targeting entity level investments in both private and public real estate operating companies. The fund will make both equity and debt investments with a target net IRR to investors of 12%. The vast majority (approximately 90%) of underlying properties in historic Almanac fund investments have been located within the top 50 real estate markets of the United States. Fund VIII will pursue a relatively unique, but average risk strategy within the value-added style category and it is anticipated that roughly 50% of returns will be earned in the form of current income.
<b>Management Team</b>	Almanac is a small firm with a staff of 14 real estate professionals, five of which (John McGurk, Matt Kaplan, Pike Aloian, Andrew Silberstein & Justin Hakimian) are owners. The entire team works out of a single

office, located in New York. Though small, this is a fairly experienced group of professionals. The four partners of the firm each have more than 20 years of real estate industry experience and average just short of 30 years between them.

**Historical  
Performance**

ATRS's historical performance experience with Almanac has been an average net 12.26% return in funds V,VI & VII.

Arkansas Teacher Retirement System  
Real Estate Investment  
Executive Summary

<b>Investment</b>	Carlyle Realty Partners VIII, L.P.
<b>Managing Party</b>	Carlyle Realty, L.L.C.
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	April 2018
<b>Expected Closing Date</b>	June 30, 2018
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$25 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> : 1.5% based on commitments during the investment period, thereafter on invested.  <u>Carried Interest</u> : 20% of profits after LP's receive a 9% 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 closed-end fund has a ten year term with an anticipated maturity in 2028.
<b>Investment Strategy</b>	The fund will focus on the commercial real estate (hotel, office, industrial, retail) as well as the U.S. housing (apartments, senior living, self-storage, manufactured homes). Assets will primarily be located in the U.S. and either distressed or new development.
<b>Management Team</b>	CRP VIII 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 seven preceding funds averaged a net 14.57% IRR. ATRS previously invested in Fund VII which has to date returned a 12% IRR.

Arkansas Teacher Retirement System  
Real Estate Investment  
Executive Summary

<b>Investment</b>	Kayne Anderson Real Estate Partners V, LP
<b>Managing Party</b>	Kayne Anderson Real Estate Partners V, LLC.
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	April 2018
<b>Expected Closing Date</b>	June 30, 2018
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$25 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> : 175 bps on committed capital during investment period; thereafter 175 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 closed-end 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 90% of the portfolio. The other 10% is expected to be student housing but may target other opportunities they are experienced with like apartments or self-storage. The firm's goal is to assemble a portfolio of 40-50 transactions with each property transaction ranging from \$10 million to \$100 million. The fund will develop, reposition or conduct value add improvements to properties mainly in the United States but can extend into Canada and Puerto Rico if opportunities are available. The fund aims for an 18%-20% gross IRR with a large cash yield helping to drive income returns.
<b>Management Team</b>	The fund 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 13.27%.

Arkansas Teacher Retirement System  
Real Estate Investment  
Executive Summary

<b>Investment</b>	MetLife Commercial Mortgage Income Fund, LP
<b>Managing Party</b>	MetLife Commercial Mortgage Income Fund GP, LLC
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	April 2018
<b>Expected Closing Date</b>	June 30, 2018
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$50 million in core 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> : 80 bps on invested capital. <u>Carried Interest</u> : none
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	The fund is an open-end variety and in theory has a perpetual life. The fund has a quarterly redemption option subject to available capital.
<b>Investment Strategy</b>	The fund's objective is to originate institutional-quality commercial mortgages and actively manage those investments to deliver a 6-7% average distribution to investors over a full market cycle. The fund may invest up to 30% of capital in subordinate debt.
<b>Management Team</b>	Mike Roch has a 32 year history of commercial mortgage lending and is the senior portfolio manager. Mike is supported by the real estate team which is comprised of 180 professionals. Approximately 50% of this group is comprised of loan management, valuation, and analytics staff, with 30% in portfolio and asset management, and approximately 12 individuals focused on acquisitions/originations

**Historical  
Performance**

The fund was launched in Q4 2015 and has a limited performance track record. However, it is on pace to outperform its benchmarks.

Arkansas Teacher Retirement System  
Real Estate Investment  
Executive Summary

<b>Investment</b>	DIF Infrastructure V Coöperatief U.A. & DIF Infrastructure V SCS (Collectively DIF Infrastructure V, LP)
<b>Managing Party</b>	DIF Management B.V.
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	April 2018
<b>Expected Closing Date</b>	June 30, 2018
<b>ATRS Commitment &amp; Reason for Entry</b>	The fund is valued in euros and the investment of up to €41 million euros (approximately the equivalent of \$50 million dollars) in core infrastructure 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>	DIF Management B.V. utilized Eaton Partners as placement agent. ATRS paid no placement agent fees.
<b>Key Terms</b>	<p><u>Management Fee</u>: 150 bps on committed capital during investment period; thereafter 150 bps on invested capital after investment period</p> <p><u>Carried Interest</u>: 17.5% of profits after LP's receive an 7.5% 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 a core infrastructure investment strategy. The closed-end fund has a twelve year term with an anticipated maturity in 2030.
<b>Investment Strategy</b>	DIF will target high quality, low-risk investments in public-private partnerships and renewable energy projects across Europe, North America and Australasia, which will deliver stable, long-term cash flows and high quality returns to Investors. The Fund will target significant equity positions and typically invest €10 million to €50 million per transaction, to result in circa 40-50 investments for the Fund. The fund is targeting a 13% gross IRR.
<b>Management Team</b>	Mr. Wim Blaasse is a Managing Partner at Dutch Infrastructure Fund B.V. and is lead manager on DIF V. He joined the firm in 2005 and is responsible for all aspects of the investment process including

origination, execution, optimization and exit for both PPP and renewable energy Investments. Prior to DIF, he was a Partner at PricewaterhouseCoopers, where he was responsible for infrastructure/PPP and energy related transactions. Prior to PricewaterhouseCoopers, Mr. Blaasse was the Head of Project Finance at Rabobank International. During his 12 year tenure at Rabobank International, he held various roles within corporate finance. Mr. Blaasse has a Master's degree in Business Economics from the University of Amsterdam, the Netherlands.

**Historical  
Performance**

Performances of the first three preceding funds average a net IRR of 7.7%. The following two funds have an average IRR of 45.7% but its still early in the term and the IRR is anticipated to come down to the mid-teens.