



June 25, 2021

Senator Terry Rice
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
Investment: Revelstoke Capital Partners Fund III, L.P.

Dear Senator Rice and Representative Wardlaw:

By means of the enclosed Investment Summary, ATRS is submitting an investment 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 to be made in Revelstoke Capital Partners Fund III, L.P., a buyout fund that will invest in small and lower middle market healthcare and related business services companies. The fund was recommended by ATRS's private equity consultant, Franklin Park Associates and ATRS staff concurs.

The ATRS Board approved the investment described above in a called meeting on June 23, 2021 and anticipates closing in August. A summary of the 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 this investment.

Respectfully,

A handwritten signature in blue ink that reads "Clint Rhoden".

Clint Rhoden
Executive Director

CR:Iw
enclosures

Arkansas Teacher Retirement System

Private Equity Investment

Executive Summary

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| Investment | Revelstoke Capital Partners Fund III, L.P. (the "Fund") |
| Managing Party | Revelstoke Capital Partners (the "General Partner") |
| ATRS Legal Interest | ATRS will be a limited partner. |
| Report Date | June 2021 |
| Expected Closing Date | The General Partner is targeting capital commitments of \$1.0 billion. ATRS is expected to close in August 2021. |
| ATRS Commitment & Reason for Entry | The investment of up to \$30 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant. |
| Placement Agent | The General Partner retained Houlihan Lokey for fundraising. |
| Key Terms | <u>Management Fee:</u> The General Partner has proposed an annual management fee of 2.0% of capital commitments during the five-year investment period. Thereafter, management fees will equal 2.0% of net invested capital. <u>Carried Interest:</u> The general Partner will be entitled to receive 20% of the fund's profits after the limited partners have received their capital contributions with respect to realized portfolio investments, write-downs, expenses plus an 8% preferred return. |
| Justification of Investment Term & Anticipated Termination Date | The term is ten years (anticipated termination in 2031) plus three one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies. |
| Investment Strategy | The Fund is being formed to make buyout and significant minority investments in small and lower middle market companies in the healthcare and related business services sector sectors in the US. |
| Management Team | Revelstoke Capital Partners was founded in 2013 by Mark King, Dale Meyer and Simon Bachleda who previously worked together at KRG Capital. Today, the General Partner is led by Mr. Bachleda, Russell Cassella, Eric Shuey and Andrew Welch (principals). The principals are supported by mid-level and junior investment professionals, investor relations, finance and administrative staff as well as a portfolio transformation group. |
| Historical Performance | In its previous two funds, the General Partner invested approximately \$740 million in twenty deals generating an aggregate gross IRR of 29.9%. Historical returns are not indicative of future performance. |