



February 22, 2022

Mr. Mitch Rouse, Director
Office of State Procurement
1500 West 7th Street, Suite 300
Little Rock, AR 72201

Ms. Marty Garrity, Director
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 recommendations from APERS staff and the APERS investment consultant, the APERS Board of Trustees voted to hire Principal Global Investors, Clarion Partners, and The Carlyle Group as Core Plus Real Estate investment managers. 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 managers have not received any retirement trust funds. The anticipated date of funding is still TBD, but it is anticipated that the managers could begin calling capital in mid-2022. 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 is \$255,000,000 total. All three investment managers will each manage up to \$85,000,000.

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

Regards,

A handwritten signature in black ink, appearing to read "Duncan Baird", is written over a white background.

Duncan Baird
Executive Director

Real Estate Investment Executive Summary

Investment	Carlyle Property Investors (“CPI”)
Managing Party	Carlyle Investment Management, LLC
APERS Legal Interest	APERS is a Limited Partner.
Report Date	February 23, 2022
Expected Funding Date	Mid-2022 thru 2025
APERS Commitment & Reason for Entry	The \$85 million investment is to help achieve the allocation target to APERS’ Real Assets/Real Estate investments. The fund was recommended by APERS’ Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: Based on a \$85 million commitment, the fund charges a management fee of 1.00%</p> <p><u>Performance/Incentive Fee</u>: after an 7.00% return is achieved the General Partner receives a 10% incentive/performance fee.</p>
Justification of Investment Term & Anticipated Termination Date	The fund is an "open end fund" and the investment may be terminated and funds liquidated quarterly after a 2-year lock up which begins from the initial capital contribution.
Investment Strategy	The Fund invests in "industrial" type real estate assets. The fund is focused on primary markets globally. The fund utilizes property diversification (student housing, senior housing, manufactured housing, Life Science, Medical Office, and self-storage) The objective is to achieve attractive returns without subjecting capital to undue risk.
Management Team	The primary investment strategy team members is Mark Schoenfeld (Portfolio Manager)
Historical Performance	The Lion Industrial Trust has over \$5 billion in AUM and started in 2015. In 2021 the Fund returned 32.08%. Over a 3-year period ending Dec. 31, 2021 it returned 15.35%. Over a 5-year period ending Dec. 31, 2021 it returned 12.93.
	Historical returns are not indicative of future performance.

Real Estate Investment Executive Summary

Investment	Clarion Partners Lion Industrial Trust (the "Fund")
Managing Party	Clarion Partners
APERS Legal Interest	APERS is a Limited Partner.
Report Date	February 28, 2022
Expected Funding Date	Mid-2022 thru 2025
APERS Commitment & Reason for Entry	The \$85 million investment is to help achieve the allocation target to APERS' Real Assets/Real Estate investments. The fund was recommended by APERS' Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: Based on a \$85 million commitment, the fund charges a management fee of 1.20%. There is a management fee of 0.10% for cash management.</p> <p><u>Performance/Inventive Fee</u>: after an 9% return is achieved the General partner receives a 15% performance fee.</p>
Justification of Investment Term & Anticipated Termination Date	The fund is an "open end fund" and the investment may be terminated and funds liquidated over time.
Investment Strategy	The Fund invests in "industrial" type real estate assets. The fund is focused on primary markets globally. The fund utilizes property diversification (industrial, multi-family/affordable housing, office space, retail, life science, and hotels) The objective is to achieve attractive returns without subjecting capital to undue risk.
Management Team	The primary investment strategy team members includes: David Confer (Managing Director), and John Killian (Managing Director)
Historical Performance	The Lion Industrial Trust has over \$19 billion in AUM and started in 2002. In 2021 the Fund returned 48.45%. Over a 3-year period ending Dec. 31, 2021 it returned 24.50%. Over a 5-year period ending Dec. 31, 2021 it returned 20.77%. Over a 10-year period ending Dec. 31, 2021 it returned 17.72%.
	Historical returns are not indicative of future performance.

Real Estate Investment Executive Summary

Investment	Principal Enhanced Property Fund, (the "Fund")
Managing Party	Principal Global Investors, LLC
APERS Legal Interest	APERS is a Limited Partner.
Report Date	February 28, 2022
Expected Funding Date	Mid-2022 thru 2025
APERS Commitment & Reason for Entry	The \$85 million investment is to help achieve the allocation target to APERS' Real Assets/Real Estate investments. The fund was recommended by APERS' Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u> : Based on a \$85 million commitment, the fund charges a management fee of 1.10%

Performance/Incentive Fee: after an 11% return is achieved the General partner receives a 15% performance/incentive fee.

Justification of Investment Term & Anticipated Termination Date The fund is an "open end fund" and the investment may be terminated and funds liquidated quarterly with 90 days' notice.

Investment Strategy The Fund invests in "industrial" type real estate assets. The fund is focused on primary markets globally. The fund utilizes property diversification (traditional office, retail, apartments, and industrial) The objective is to achieve attractive returns without subjecting capital to undue risk.

Management Team The primary investment strategy team members includes: Todd White (Managing Director), and Mark Scholz (Portfolio Manager)

Historical Performance The Lion Industrial Trust has over \$2.9 billion in AUM and started in 2000. In 2021 the Fund returned 25.98%. Over a 3-year period ending Dec. 31, 2021 it returned 10.70%. Over a 5-year period ending Dec. 31, 2021 it returned 10.18%. Over a 10-year period ending Dec. 31, 2021 it returned 12.82%.

Historical returns are not indicative of future performance.