



April 4, 2022

Senator Terry Rice
Representative Jeff Wardlaw
Arkansas Legislative Council
State Capitol, Room 315
Little Rock, AR 72201

Re: Submission of Investments for Review Under Act 1211 of 2009 (A.C.A. §19-11-1302)
Investments: KKR Diversified Core Infrastructure Fund, L.P.
Arlington Capital Partners VI, L.P.
Franklin Park Venture Capital Fund XIV, L.P.

Dear Senator Rice and Representative Wardlaw:

By means of the enclosed Investment Summaries, Arkansas Teacher Retirement System (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 (Board) recently approved an additional investment of up to \$25 million to be made in KKR Diversified Core Infrastructure Fund L.P., an open-end fund that will pursue core infrastructure investments in North America, Western Europe and Asia. This investment was recommended by Aon Hewitt Investment Consulting, real assets investment consultants for ATRS, and ATRS staff concurs with the recommendation.

In addition, an investment of up to \$30 million in Arlington Capital Partners VI, L.P. was authorized by the Board. This buyout fund will invest in middle market companies primarily in the U.S. Franklin Park, private equity consultants for ATRS recommended the investment, and ATRS staff concurs.

Also approved was an additional commitment of up to \$30 million in Franklin Park Venture Fund XIV, L.P. This is a fund of funds managed by Franklin Park investing in venture capital private equity funds. Franklin Park recommended the investment, and ATRS staff concurs.

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The ATRS Board approved each of the investments described above at its April 4, 2022 meeting and anticipates closing dates from late April through May. A summary of each investment including key terms and investment strategy is enclosed for review by ALC. If any additional information is needed, please feel free to contact me on my direct line at 501-588-4367 or by email at: clintr@artts.gov

Respectfully,



Clint Rhoden
Executive Director

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

Investment	KKR Diversified Core Infrastructure Fund L.P.
Managing Party	KKR Associates Diversified Core Infrastructure SCSp.
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	April, 2022
Expected Closing Date	May, 2022
ATRS Commitment & Reason for Entry	The additional investment of up to \$25 million in this core infrastructure fund 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	<u>Management Fee</u> : 49 bps on invested capital.
Justification of Investment Duration Term & Anticipated Termination Date	The term is evergreen as the infrastructure assets are long lived.
Investment Strategy	The fund will seek to pursue core infrastructure investments with a buy-and-hold approach and a particular focus on investments in contracted and / or regulated cash flows from existing projects, assets and businesses located in the OECD countries in North America, Western Europe and Asia.
Management Team	Led by Raj Agrawal (global head of infrastructure), Brandon Freiman (head of North American infrastructure), Vincent Policard and Tara Davies (co-heads of European infrastructure), and David Luboff (head of Asian infrastructure), KKR infrastructure team is comprised of 46 dedicated investment professionals (the "Investment Team") across various offices in North America, Europe and Asia.
Historical Performance	Performances of the four preceding funds average a net IRR of 14 %.

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	Arlington Capital Partners VI, L.P. (the "Fund")
Managing Party	Arlington Capital Partners (the "General Partner" or "Arlington")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	April 2022
Expected Closing Date	The General Partner is targeting capital commitments of up to \$3.25 billion for the Fund. ATRS is expected to close in late April 2022.
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 Evercore to assist with fundraising.
Key Terms	<p><u>Management Fee</u>: During the investment period (six years), the Fund will pay to the General Partner a management fee of 2% of commitments. After the investment period, the management fee will be 1.5% of net invested capital.</p> <p><u>Carried Interest</u>: The General Partner will be entitled to 20% of the Fund's profits after the limited partners have received their aggregate capital contributions on all realized investments plus an 8% preferred return.</p>
Justification of Investment Term & Anticipated Termination Date	<p><u>Term</u>: Ten years (anticipated termination in 2032) plus three one-year extensions which is industry standard due to the time required for acquiring, developing and selling underlying assets.</p>
Investment Strategy	The Fund is being formed to make buy-and-build investments in middle market companies based in the U.S. The General Partner targets companies operating in four government-related areas: defense and aerospace; government services and technology; healthcare; and business services and software.
Management Team	The General Partner was founded in 1999 and is currently led by Matthew Altman, Michael Lustbader, Peter Manos, David Wodlinger and C. Malcolm Little (the "principals"). The principals average twenty years of private equity experience and have been working together for more than fifteen years.
Historical Performance	The General Partner has generated attractive returns with a gross IRR of 23% on its previous 5 funds as of September 30, 2021. Historical returns are not indicative of future performance.

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

Investment	Franklin Park Venture Capital Fund XIV, L.P. (the "Fund")
Managing Party	Franklin Park Series GP, LLC (the "General Partner" or "Franklin Park")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	April 2022
Expected Closing Date	Closing is expected in the second quarter of 2022.
ATRS Commitment & Reason for Entry	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.
Placement Agent	There is no placement agent involved with the Fund.
Key Terms	<u>Management Fee</u> : None <u>Carried Interest</u> : 4% carried interest for total investments of \$60 million or more and 5% for investments below \$60 million, after an 8% preferred return.
Justification of Investment Term & Anticipated Termination Date	The term is the later of (i) the liquidation of the last fund investment or (ii) 15 years (anticipated termination in 2036). Term is standard for a private equity fund of funds due to the fact that terms for underlying funds are at least ten years and all underlying funds must be liquidated in order to terminate the fund of funds.
Investment Strategy	The Fund was formed to build a well-diversified portfolio of top-tier venture capital funds.
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, Katherine Carlson, Narayan Chowdhury, Laure Brasch, Kristine O'Connor, Raymond Jackson and John Mahoney (the "Senior Team"). The Senior Team is supported by seven associates, seven analysts and an office manager.
Historical Performance	Since inception, Franklin Park has committed or advised on commitments in excess of \$15.6 billion to over 336 private equity funds and 37 co-investments.