



June 5, 2017,

Senator Bill Sample  
Representative David L. Branscum  
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: NGP Natural Resources XII, L.P.  
Altaris Health Partners IV, L.P.  
Landmark Real Estate Partners VIII, L.P.  
IFM Global Infrastructure (US) L.P. Class A Interest

Dear Senator Sample and Representative Branscum:

By means of the enclosed Investment Summaries, ATRS is submitting four 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 NGP Natural Resources XII, L.P., a private equity energy fund that invests primarily in upstream oil and gas companies in the United States and Canada. 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 \$30 million in Altaris Health Partners IV, L.P., a private equity buyout and growth equity fund that will invest in lower-middle market companies in the healthcare industry. This investment was recommended by ATRS's private equity consultant and ATRS staff as well.

Also approved is an investment of up to \$25 million in Landmark Real Estate Partners VIII, L.P., an opportunistic real estate fund specializing in acquiring existing real estate partnerships in the secondary market. This investment was recommended by both ATRS's real asset consultant, Aon Hewitt Investment Consulting and ATRS staff.

Another investment was authorized by the ATRS Board as well for up to \$50 million in IFM Global Infrastructure (US) L.P. Class A Interest, an open end real assets infrastructure fund that will make core investments in established markets. This was also recommended by ATRS's real asset consultant and ATRS staff.

Page Two  
Senator Sample  
Representative Branscum

The ATRS Board approved each of the investments described above at its June 5, 2017, meeting and anticipates closing dates by the end of July 2017. 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

GH:lw  
enclosures

1

Arkansas Teacher Retirement System  
Private Equity Investment  
Executive Summary

<b>Investment</b>	NGP Natural Resources XII, L.P. (the "Fund")
<b>Managing Party</b>	NGP Energy Capital Management (the "General Partner" )
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	June 2017
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of \$5.3 billion. ATRS is expected to close by July 31, 2017.
<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.
<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 1.5% of commitments during the five-year investment period. Thereafter, management fees will equal 1.5% of aggregate commitments less returns of capital, write-downs and write-offs, projected management fees and expenses, and reductions in unfunded commitments.</p> <p><u>Carried Interest</u>: After the limited partners receive cumulative distributions equal to 100% of aggregate capital contributions on realized investments, impairments, and fees and expenses, plus an 8% preferred return, the General Partner will be entitled to 20% of the funds profits.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The term is ten years (anticipated termination in 2027) plus two one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
<b>Investment Strategy</b>	The Fund is being formed to invest primarily in upstream oil and gas companies and assets in the U.S. and Canada. The General Partner will generally seek to acquire, consolidate and enhance mature, producing assets in partnership with experienced management teams. The General Partner will also pursue midstream and services businesses.
<b>Management Team</b>	Founded in 1988, NGP Energy manages a family of energy sector focused private equity funds with offices in Dallas, Houston, Santa Fe, London, Washington and Stamford, CT. NGP Energy's investment activities include upstream oil and gas, energy mezzanine, midstream energy, energy technology, and agribusiness strategies. The firm is currently led by Tony Weber and Chris Carter along with eleven senior investment professionals.

**Historical  
Performance**

The General Partner has generated an average net IRR of 13.6% on its previous four funds as of December 31, 2016. Historical returns are not indicative of future performance.

Arkansas Teacher Retirement System  
Private Equity Investment  
Executive Summary

<b>Investment</b>	Altaris Health Partners IV, L.P. (the "Fund")
<b>Managing Party</b>	Altaris Capital Partners (the "General Partner" or "Altaris")
<b>ATRS Legal Interest</b>	ATRS will be a limited partner
<b>Report Date</b>	June 2017
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of \$800 million for the Fund. ATRS is expected to close in late June 2017.
<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.
<b>Placement Agent</b>	The General Partner has not retained a placement agent for fundraising.
<b>Key Terms</b>	<p><u>Management Fee</u>: The General Partner will be paid a management fee of 2% of total commitments during the six year investment period. Thereafter, the fee will equal 2% of the cost basis of the investments.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions on realized investments, write-downs, expenses and an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	<p><u>Term</u>: Ten years (anticipated termination in 2027) plus two one-year extensions which is industry standard due to the time required for acquiring, developing and selling underlying assets.</p>
<b>Investment Strategy</b>	The Fund is being formed to invest primarily in small and middle market high growth healthcare companies in the U.S.
<b>Management Team</b>	The General Partner was formed in 2002 with sponsorship from AIG. Today, the General Partner is independent and is led by Daniel Tully, George Aitken-Davies, David Ellison and Robert Watson (the "Principals"). The Principals are supported by five additional investment professionals, a CFO and administrative staff.
<b>Historical Performance</b>	The General Partner has invested more than \$855 million in 31 healthcare investments that have generated an aggregate gross return on investment of 2.6x and a net IRR greater than 20% as of December 31, 2016. Historical returns are not indicative of future performance.

Arkansas Teacher Retirement System  
Real Estate Investment  
Executive Summary

**Investment** Landmark Real Estate Partners VIII, L.P.

**Managing Party** Landmark Real Estate Fund VIII-GP, L.P.

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

**Report Date** June 2017

**Expected Closing Date** June 2017

**ATRS Commitment & Reason for Entry** 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.

**Placement Agent** No placement agent was utilized.

**Key Terms** Management Fee: 1% per annum on committed capital during 4 year investment period, and 1% on NAV thereafter

Carried Interest: 12% 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 an opportunistic investment. The fund has a ten year term with an anticipated maturity in 2027.

**Investment Strategy** Landmark Real Estate Partners VIII, L.P. is a closed-end private equity fund-of-funds focused on acquiring existing real estate partnerships in the secondary market. The Fund expects to leverage its 26-year history of secondary investing to assemble a diverse, global portfolio of assets that span the real estate risk spectrum, by acquiring interests in existing funds, partnerships and other structured entities invested in underlying real estate. The secondary markets allow investors like ATRS to obtain cash for an asset that is typically considered illiquid. Landmark will target funds that are substantially committed and seasoned and look to acquire at a discount and/or utilized structured purchase arrangements. The Fund will target a 15%-plus net IRR.

**Management Team** The Fund's Investment Committee (IC) consists of six senior Managing Directors and is responsible for setting investment guidelines and approving all acquisitions, dispositions, and financing decisions. The IC has over 25 years of experience on average and over 17 years of

working together at Landmark. Francisco Burges and Tim Havaland, the CEO and CFO of Landmark, respectively, each participate in the Investment Committee process related to the real estate funds. Mr. Burges has over 30 years of experience and has been guiding Landmark Partners' investment decisions for 14 years.

**Historical  
Performance**

Performances of the seven preceding funds average a net 26.8% IRR.

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

<b>Investment</b>	IFM Global Infrastructure (US), L.P. Class A Interests
<b>Managing Party</b>	IFM Global Infrastructure (US) GP, LLC
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	June 2017
<b>Expected Closing Date</b>	June 2017
<b>ATRS Commitment &amp; Reason for Entry</b>	The up to \$50 million investment is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : 0.77% based on net asset value. <u>Carried Interest</u> : 10% of profits after LP's receive a 8% IRR preferred return.
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	The fund is of the open-end variety and in theory has a perpetual life. IFM has a quarterly redemption option subject to available capital with a 90 day notice.
<b>Investment Strategy</b>	IFM Global Infrastructure (US) Class A Interest is an open-end fund that will focus on core infrastructure investments in developed countries. The fund will target regulated, contracted and public-private partnership assets. The performance objective of the fund is 10% per annum on a net basis over the long term.
<b>Management Team</b>	IFM has an experienced global infrastructure team comprised of 60 dedicated professionals based in Melbourne, New York, London and Berlin. The team is led by Kyle Mangini and each region has a country head. Team member have varied backgrounds, but the vast majority have extensive banking/project finance experience.
<b>Historical Performance</b>	Since inception the fund has produced a net IRR of 6.7% which is strong for this type of investment given the funds low risk profile and the stability of the funds underlying investments.