

August 22, 2023

The Honorable Terry Rice
State Senator
Arkansas Legislative Council Co-Chair
State Capitol, Room 315
Little Rock, AR 72201

The Honorable Jeff Wardlaw
State Representative
Arkansas Legislative Council Co-Chair
State Capitol, Room 315
Little Rock, AR 72201

Re: Arkansas Public Employees Retirement System (APERS) Investment for Review under Act 1211 of 2009

Senator Rice and Representative Wardlaw:

In accordance with Act 1211 of 2009, APERS is providing an investment summary for review by the Arkansas Legislative Council. Attached is the executive summary of the partial equity ownership.

On August 15, 2023, the APERS Board of Trustees Investment Finance Sub-Committee voted to retain HarbourVest Partners. LLC as a Private Equity Secondary Fund manager. This investment was recommended by our private equity consultant, Stephens Inc., in consultation with the investment staff. The anticipated date of funding is expected to begin in late 2023. The amount allocated for this investment is up to \$300 million.

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

Sincerely,



Amy Fecher

Private Equity Investment Executive Summary

Investment	Dover Street XI (the "Fund")
Managing Party	HarbourVest Partners, LLC (the "General Partner" or "GP")
APERS Legal Interest	APERS will be a Limited Partner ("LP")
Report Date	August 22, 2023
Expected Funding Date	Late-2023 thru 2037
APERS Commitment & Reason for Entry	The ~\$250-300 million investment is to help achieve the allocation target to APERS' Private Equity investments. The fund was vetted and recommended by the APERS Private Equity consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: The fund charges a management fee of ~0.61% on commitments during the investment period based on a 14-year life.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital on realized investments, write downs, fees, expenses and an 8% preferred return is achieved the General partner receives a 12.5% performance fee.</p>
Justification of Investment Term & Anticipated Termination Date	The investment is a "private equity secondary" investment and the life of the investment could extend out to fourteen years.
Investment Strategy	The Fund invests in a Private Equity Secondaries Fund. The investment types will vary between buyout, venture, growth equity, and distressed funds. The transaction could be either GP-led, or LP-led. The fund will be primarily domestic secondary funds. There will also be vintage year diversification.
Management Team	The primary investment strategy team members includes: Jeff Keay (Managing Director), and Michael Pugatch (Managing Director) HarbourVest began in the late 1970s making venture capital investments. The firm expanded its investment focus in 1981 to include buyout partnerships, and in 1982 formed its first fund which was one of the first closed-end funds.
Historical Performance	<p>Dover Street 1a-IV was \$363 million and had a net IRR of 20.8%; Dover Street V had \$515 million and a net IRR of 17.9%; Dover Street VI had \$621 million and a net IRR of 3.9%; Dover Street VII had \$2.93 billion and a net IRR of 9.2%; Dover Street VIII had \$3.59 billion and a net IRR of 19.9%; Dover Street IX had \$4.7 billion and a net IRR of 25.9%.</p> <p>* Historical returns are not indicative of future performance.</p>