

October 12, 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 Neuberger Berman. LLC as a Private Equity Fund of One 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 \$325 million.

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

Sincerely,



Amy Fecher

Private Equity Investment Executive Summary

Investment	NB APERS Fund of One, LP (the "Fund")
Managing Party	Neuberger Berman, LLC (the "General Partner" or "GP")
APERS Legal Interest	APERS will be a Limited Partner ("LP")
Report Date	October 12, 2023
Expected Funding Date	Late-2023 thru 2038
APERS Commitment & Reason for Entry	The ~\$325 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	<u>Management Fee</u> : The fund charges a management fee of 0.15% in year 1; 0.30% in years 2 thru 6; 0.20% in years 7 and 8; 0.05% in years 9 and 10; and 0.00% in years 11 and beyond.
Justification of Investment Term & Anticipated Termination Date	The investment is a "fund of one" for private market investments, which may include both primary and secondary private equity funds, as well as other private investments which APERS would like to include within the fund of one. The investment could extend out to fifteen years.
Investment Strategy	The Fund of One will invest in both Primary and Secondary Private Equity Funds. The investment types will vary between buyout, venture, growth equity, and distressed funds. The transaction could be either GP-led, or LP-led. There will also be vintage year diversification. The fund could also invest in other private market investments.
Management Team	The primary investment strategy team members includes: Doug Manor (Managing Director), Ben Pearl (Managing Director), and Boriana Karastoyanova (Managing Director) Neuberger Berman is a privately, independent, employee-owned firm that was founded in 1939. The firm has over \$436 billion in AUM, located in 26 countries, and 39 cities. The firm was founded to do one thing: deliver compelling investment results for clients over the long-term.
Historical Performance	Neuberger Fund I was \$893 million and had a net IRR of 28%; Fund II \$1,667 million and a net IRR of 15%; Fund III had \$1,975 million and a net IRR of 17%; Fund IV \$2.525 billion and a net IRR of 24%; Fund V had \$4.912 billion and a gross IRR of 60%.

* Historical returns are not indicative of future performance.