



June 12, 2024

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: Enlightenment Capital Solutions Fund V, L.P.
Carlyle Realty Partners X, L.P.
Kayne Anderson Real Estate Partners VII, L.P.
Macquarie GIG Energy and Climate Opportunities Fund, SCSp
Franklin Park Corporate Finance Access Fund III, L.P.
Franklin Park Venture Capital Opportunity Fund II, L.P.

Dear Senator Rice and Representative Wardlaw:

By means of the enclosed Investment Summaries, Arkansas Teacher Retirement System (ATRS) is submitting six 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 investment of up to \$35 million to be made in Enlightenment Capital Solutions Fund V, L.P., a fund that will make structured capital investments in small and middle market businesses in the aerospace, defense, government and technology space. This investment was recommended by Franklin Park Associates, private equity consultants for ATRS, and ATRS staff concurs with the recommendation.

In addition, an investment of up to \$50 million in Carlyle Realty Partners X, L.P. was authorized by the Board. This fund will primarily invest in multifamily, industrial, active adult apartments, and single-family rental assets. Aon Hewitt Investment Consulting, real assets consultants for ATRS recommended the investment, and ATRS staff concurs.

Also approved was a commitment of up to \$50 million in Kayne Anderson Real Estate Partners VII, L.P., a fund that will focus on healthcare related assets including medical office and senior housing. Aon Hewitt Investment Consulting recommended this investment as well, and ATRS staff concurs.

An investment of up to \$50 million in Macquarie GIG Energy and Climate Opportunities Fund, SCSp was also approved. Macquarie has a history of investing in a diverse set of infrastructure assets in the traditional energy space including electric and gas transmission, processing, and pipelines. This fund will focus on the renewable energy space. Again, Aon Hewitt Investment Consulting recommended the investment, and ATRS staff concurs.

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A commitment of up to \$40 million in Franklin Park Corporate Finance Access Fund III, L.P. was also authorized. This is a fund of funds that will invest in smaller buyout, growth equity and turnaround funds. Again, Franklin Park recommended the investment, and ATRS staff concurs.

Another recommendation by Franklin Park was approved for a commitment of up to \$40 million to be made in Franklin Park Venture Capital Opportunity Fund II, L.P., a fund of funds managed by Franklin Park investing in later stage venture capital private equity funds. ATRS staff concurs with this recommendation as well.

The Board approved each of the investments described above at its regular quarterly meetings on April 15, 2024 and June 3, 2024 and anticipates closing dates from late June through August. 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 501-621-8853 or by email at markw@atrs.gov

Respectfully,

A handwritten signature in blue ink that reads "Mark White". The signature is stylized and cursive.

Mark White
Executive Director

MW:lw
enclosures

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	Enlightenment Capital Solutions Fund V, L.P. (the "Fund")
Managing Party	Enlightenment Capital (the "General Partner" or "Enlightenment")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	June 2024
Expected Closing Date	June 2024
ATRS Commitment & Reason for Entry	The investment of up to \$35 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 offering was sourced directly from the General Partner. However, the General Partner has retained Metric Point Capital to assist with fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner will be paid a management fee of 2.00% of aggregate committed capital during the five-year investment period. Thereafter, the fee will equal 2.00% of the cost basis of portfolio investments.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions and an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.</p>
Justification of Investment Term & Anticipated Termination Date	<p><u>Term</u>: Eight years (anticipated termination in 2032) plus two 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 flexible capital investments across debt and equity in small and middle market businesses in the Aerospace, Defense, Government & Technology (ADG&T) space. The Fund will target companies with revenues between \$50 million and \$300 million.
Management Team	The General Partner was formed in 2011 by Devin Talbott and Pierre Chao and is led today by Mr. Talbott and Jason Rigoli (principals). The principals are supported by five mid-level and three junior investment professionals, two finance professionals and fourteen strategic advisors.
Historical Performance	The General Partner has invested more than \$776 million in its previous four funds that have each generated net returns of 17% IRR or greater. Historical returns are not indicative of future performance.

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

Investment	Carlyle Realty Partners X, L.P.
Managing Party	Carlyle Realty X, L.L.C.
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	June 2024
Expected Closing Date	June 2024
ATRS Commitment & Reason for Entry	The investment of up to \$50 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, Aon Hewitt Investment Consulting.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: 150 bps on committed capital during investment period; thereafter 150 bps on invested capital.</p> <p><u>Carried Interest</u>: 20% of profits after LP's receive an 9% IRR preferred return.</p>
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to identify, execute and then monetize opportunistic real estate investments. The fund has a ten-year term with an anticipated maturity in 2035.
Investment Strategy	The Fund will seek investments capable of generating a 20% or greater gross fund-level IRR, focusing on current demographic trends driving growth in a variety of real estate sectors. These trends include multifamily, industrial, life sciences, medical & self-storage. Hotel, office and retail properties will be deemphasized.
Management Team	The Carlyle Group was founded in 1987 by William Conway Jr., Daniel D’Aniello, and David Rubenstein. Today, Robert G. Stuckey is a Managing Director and the head of all of Carlyle’s U.S. real estate funds. He has held that position since joining the firm in 1998 and is based in Washington, DC. Jonathan Bard is a Managing Director focused on U.S. real estate opportunities. He is responsible for all aspects of real estate investments, with a geographic focus on the West Coast. Mr. Bard is based in Los Angeles. Michael D. Gershenson is a Partner focused on U.S. real estate opportunities. He is responsible for all aspects of real estate investments, with a geographic focus on New York and Boston, as well as a product

focus on multifamily, life science and industrial properties. Mr. Gershenson is based in New York.

**Historical
Performance**

Performances of the preceding funds in the series average a net IRR of 13%.

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

Investment	Kayne Anderson Real Estate Partners VII, L.P. (KAREP VII)
Managing Party	Kayne Anderson Real Estate Advisors VII, LLC.
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	June 2024
Expected Closing Date	July 2024
ATRS Commitment & Reason for Entry	The investment of up to \$50 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, Aon Hewitt Investment Consulting.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u> : 1.35 % on committed capital during investment period; thereafter 1.35 % on invested capital after investment period <u>Carried Interest</u> : 20% 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 a opportunistic investment strategy. The fund has a nine-year term with an anticipated maturity in 2034. The general partner may elect to extend the term for up to two years.
Investment Strategy	The Fund will acquire and develop a portfolio of specialized property types with the primary focus being on healthcare related real estate (medical office and senior housing) and student housing. Acquisition targets may include undermanaged and undercapitalized properties where operational improvements and renovations enable net operating income (NOI) growth as well as motivated sellers of higher quality assets that may have stressed or distressed capital stacks. Speculative development is typically targeted within the student housing segment of the strategy while medical office development is usually build-to-suit. Senior housing will primarily be an acquisition strategy in this vintage.
Management Team	KAREP VI will work with the firm's 140 investment professionals and be led by Al Rabil, who founded Kayne Anderson's real estate division in 2007. The senior team averages over 30 years of industry experience and will be responsible for the overall strategy of the fund.

**Historical
Performance**

Performances of the first five funds average a net IRR of 13.2%. Fund VI is still early in its life and has a 6.5% IRR

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

Investment	Macquarie GIG Energy and Climate Opportunities Fund SCSp (MGECO)
Managing Party	MGECO Luxembourg GP S.A.R.L.
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	June 2024
Expected Closing Date	July 2024
ATRS Commitment & Reason for Entry	The investment of up to \$50 million 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	None
Key Terms	<p><u>Management Fee</u>: 40 bps on committed capital during the first 5 years. 90 bps on NAV thereafter.</p> <p><u>Carried Interest</u>: 10% of profits after LP's receive an 8% IRR preferred return.</p>
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to identify, execute and then monetize a build to core infrastructure strategy. The fund is an open-end structure and has no termination date. The investment will continue until terminated by the ATRS Board.
Investment Strategy	Macquarie has a history of investing in a diverse opportunity set of infrastructure assets in the traditional energy space including regulated electric and gas transmission, processing, and pipelines. This strategy will focus on the renewable energy space.
Management Team	Led by Mark Dooley and Ed Northam, MGECO team consists of approximately 90 dedicated investment specialists (including 16 managing directors or above) across London, New York, Sydney, and Singapore. The team is supported by 400+ investment professionals across infrastructure and real assets. Additionally, the Team will leverage Macquarie's broader platform expertise with dedicated capital markets, risk management, and technical professionals. The technical professionals provide critical in-house expertise around energy markets and customer solutions, engineering and asset operations, and growth and performance optimization.

**Historical
Performance**

Previous Macquarie funds of a similar strategy to date have returned an average 8% net IRR.

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

Investment	Franklin Park Corporate Finance Access Fund III, L.P.
Managing Party	Franklin Park Series GP, LLC (the "General Partner" or "Franklin Park")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	June 2024
Expected Closing Date	June 2024
ATRS Commitment & Reason for Entry	The investment of up to \$40 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> : 0.5% of total commitments during the investment period <u>Carried Interest</u> : 4% carried interest 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 2039). The 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 invests in small top-tier private equity funds that need additional capital to increase value. It may also invest in funds of "next generation" managers who are experienced but are typically either smaller or new to public pension plan or institutional investors.
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	The aggregate returns for the previous two funds as well as other similar portfolio investments made by Franklin Park since 2010 is 17.4% net IRR.

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

Investment	Franklin Park Venture Capital Opportunity Fund II, 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	June 2024
Expected Closing Date	July 2024
ATRS Commitment & Reason for Entry	The additional investment of up to \$40 million 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 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 2039). The 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, later stage 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	Franklin Park Venture Capital Opportunity Fund I is still very young and returns at this point are not meaningful. The aggregate performance for all of Franklin Park's early stage venture funds since 2008 is 20.3% net IRR.