

May 21, 2021

Mr. Edward Armstrong, Director
Office of State Procurement
1500 West 7th Street, Suite 300
Little Rock, AR 72201

Ms. Marty Garrity, Director
Bureau of Legislative Research
Administrative Rules Review Section
State Capitol, Room 315
Little Rock, AR 72201

Re: Partial Equity Ownership agreement executed by APERS under Act 1211 of 2009

Based on recommendations from APERS staff and the APERS investment consultant, the APERS Board of Trustees voted to hire Harrison Street Real Estate Partners (“Harrison Street”) and Starwood Capital Group (“Starwood”) as value-add real estate managers. All criteria were met under Act 1211 to enter into the partial equity ownership agreements of these investments.

In accordance with Act 1211, APERS is providing an Executive Summary of the partial equity ownership agreement to the Office of State Procurement (OSP) and the Arkansas Legislative Council (ALC).

As of the date of this letter, the investment managers have not received any retirement trust funds. The anticipated date of funding is still TBD, but it is anticipated that the manager could begin calling capital in mid to late 2021. It is my intent to comply with the notification procedures set forth in Act 1211, and would like to notify OSP and ALC in advance of the funding date.

The total amount that APERS intends to invest is \$125,000,000. Harrison Street will manage up to \$50,000,000 and Starwood will manage up to \$75,000,000.

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

Regards,



Duncan Baird
Executive Director

Real Estate Investment Executive Summary

Investment Harrison Street Real Estate Partners Fund VIII, L.P. (the "Fund")

Managing Party Harrison Street Real Estate Partners

APERS Legal Interest APERS is a Limited Partner.

Report Date May 19, 2021

Expected Funding Date Late 2020 thru 2023

APERS Commitment & Reason for Entry The \$50 million investment is to help achieve the allocation target to APERS' Real Assets/Real Estate investments. The fund was recommended by APERS' Investment consultant.

Placement Agent No placement agent was utilized.

Key Terms Management Fee: Based on a \$50 million commitment, the fund charges a management fee of 1.50%

Performance/Inventive Fee: after an 8% return is achieved, the General partner shares in profits 50%/50% until it receives 20% of profits ("catch-up"). Thereafter, 80% goes to Limited Partners ("APERS") and 20% to General Partner.

Justification of Investment Term & Anticipated Termination Date The fund is a "closed end fund" and the investment period could last until the year 2028-2030.

Investment Strategy The Fund invests in "value-add" type real estate assets. The fund is focused on primary markets globally. The fund utilizes property diversification (education, healthcare, life sciences, and storage) The objective is to achieve attractive returns without subjecting capital to undue risk.

Management Team The portfolio management team consists of Rob Cook (North America Head of Opportunistic), Dab Zoloto, Ian Braverman, Natalie Donelly, Matt Soffer, and Kaleb Horn.

Historical Performance Harrison Street has invested over \$40 billion across 1,169 assets since their inception. The firm has over \$33 billion in Assets Under Management. They have raised funds for 7 previous strategies. Fund II is being wound down with an IRR of 9.8%. Fund III has an IRR of 19.0%, Fund IV has an IRR of 11.7%. Fund V has an IRR of 11.0%. Fund VI has an IRR of 10.2%. Fund VII has an IRR of 12.0%.

Historical returns are not indicative of future performance.

Real Estate Investment Executive Summary

Investment	Starwood Distressed Opportunity Fund XII, L.P. (the "Fund")
Managing Party	Starwood Capital Group
APERS Legal Interest	APERS is a Limited Partner.
Report Date	May 19, 2021
Expected Funding Date	Late 2020 thru 2023
APERS Commitment & Reason for Entry	The \$75 million investment is to help achieve the allocation target to APERS' Real Assets/Real Estate investments. The fund was recommended by APERS' Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: Based on a \$75 million commitment, the fund charges a management fee of 1.25% plus asset management fee of 0.25% on gross asset cost</p> <p><u>Performance/Inventive Fee</u>: after an 8% return is achieved the General partner receives a 20% performance fee. Thereafter, there is an 80%/20% General Partner/Limited Partner Catch-up.</p>
Justification of Investment Term & Anticipated Termination Date	The fund is a "closed end fund" and the investment period could last until the year 2028-2030.
Investment Strategy	The Fund invests in "value-add" type real estate assets. The fund is focused on primary markets globally. The fund utilizes property diversification (industrial, multi-family/affordable housing, office space, and hotels) The objective is to achieve attractive returns without subjecting capital to undue risk.
Management Team	The primary investment strategy team members includes: Barry Sternlicht (CEO & Chairman), Jeff Dishner (Global Head of Real Estate Acquisitions), and Chris Graham (head of Real Estate Acquisitions, Americas).
Historical Performance	Starwood Capital Group has over \$80 billion in AUM and over 29 years of demonstrated performance. They have raised funds for 11 previous strategies. Starwood Opportunity Fund ("SOF") I/IA had an Net IRR of 796%, SOF II 15.5% net, SOF IV 17% net, SOF V 10% net, SOF VIII 10.8% net, SOF IX 18% net, SOF X 15.8% net, and SOF XI 19.3% net.

Historical returns are not indicative of future performance.