



June 7, 2022

Senator Terry Rice
Representative Jeff Wardlaw
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: BVIP Fund XI, L.P.
Blackstone Real Estate Partners X, L.P.

Dear Senator Rice and Representative Wardlaw:

By means of the enclosed Investment Summaries, ATRS is submitting two 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 allocation of up to \$30 million in BVIP Fund XI, L.P., a buyout and growth capital fund that invests in middle-market, tech-enabled business services and information technology services companies in the U.S. The investment was recommended by the ATRS private equity consultant, Franklin Park and ATRS staff concurs.

Also approved is an investment of up to \$75 million to be made in Blackstone Real Estate Partners X, L.P., a closed-end opportunistic fund that will invest in large scale real estate assets primarily in the U.S. and Canada. This investment was recommended by the ATRS real assets consultant, Aon Hewitt Investment Consulting and ATRS staff concurs.

The ATRS Board approved each of the investments described above at its June 6, 2022 meeting and anticipates closing both by the end of June. 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 501-588-4367 or by email at: clintr@art.rs.gov

Respectfully,

A handwritten signature in blue ink, appearing to read "Clint Rhoden".

Clint Rhoden
Executive Director

CR:lw
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Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	BVIP Fund XI, L.P. (the "Fund")
Managing Party	BV Investment Partners (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	June 2022
Expected Closing Date	The General Partner is targeting capital commitments of \$1.5 billion. ATRS is expected to close in late June 2022.
ATRS Commitment & Reason for Entry	The investment of up to \$30 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	No placement agent was used for fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of capital commitments during the five-year investment period, Thereafter, management fees will equal 2.0% of net invested capital.</p> <p><u>Carried Interest</u>: The general Partner will be entitled to receive 20% of the fund's profits after the limited partners have received their capital contributions with respect to realized portfolio investments, write-downs, and an allocable portion of fund expenses plus an 8% preferred return.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2032) plus two one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund is being formed to primarily make buyout investments in middle market companies in the tech-enabled business services and information technology services sectors. The General Partner will target companies with values between \$35 million and \$350 million based primarily in the U.S.
Management Team	BV Investment Partners was originally founded in 1983 as Boston Ventures. The firm was rebranded in 2010 following a leadership succession plan that started in 2004. Today, the General Partner is led by Principals, Vikrant Raina, Justin Harrison, Matthew Kinsey, Eric Algren, Justin Garrison, Sean Wilder and Jason Kustka.
Historical Performance	In its previous four funds, the General Partner has invested approximately \$2.1 billion in forty-five deals generating an aggregate gross IRR of 21.6% as of December 31, 2021. Historical returns are not indicative of future performance.

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

Investment	Blackstone Real Estate Partners X L.P.(BREP)
Managing Party	Blackstone Real Estate Associates X L.P., (the "General Partner")
ATRS Legal Interest	ATRS is a limited partner.
Report Date	June 2022
Expected Closing Date	The General Partner is targeting capital commitments of \$23 billion. ATRS is expected to close in late June 2022.
ATRS Commitment & Reason for Entry	The \$75 million investment is to help achieve the 10% target allocation to real estate. 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>: The fund charges a management fee of 1.50% of invested capital.</p> <p><u>Acquisition Fee</u>: 1% on gross acquisition cost with 70% management fee offset.</p> <p><u>Carried Interest</u>: 20% of profits over an 8% hurdle rate.</p>
Justification of Investment Term & Anticipated Termination Date	The fund is a "closed ended" variety with a ten year term to anticipated maturity sometime in 2033. The longer term is to facilitate the larger value and complexity of typical underlying investments.
Investment Strategy	This is a high risk/high return strategy. The properties will require a high degree of enhancement. This strategy may also involve investments in development, raw land, and niche property sectors.
Management Team	Blackstone's real estate group was established in 1991 and is one of the largest real estate private equity investment managers. The group has expanded to 741 investment professionals across 10 global offices. The group is led by Global Co-Heads Ken Caplan and Kathleen McCarthy. Jon Gray, formerly head of the real estate group, continues to provide significant input and guidance after his transition to President and COO of the broader company in 2018.

**Historical
Performance**

The BREP Funds have delivered mostly top quartile performance when measured against the NCREIF Townsend Opportunistic Fund Indices. The previous 9 funds have averaged a net 21% IRR.