



February 4, 2016,

Senator Bill Sample
Representative David L. Branscum
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: Vista Foundation Fund III, L.P.
Global Infrastructure Partners III, L.P.

Dear Senator Sample and Representative Branscum:

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 investment of up to \$30 million in Vista Foundation Fund III, L.P., a private equity buyout fund that invests in small to middle market software companies. The investment was recommended by both ATRS's private equity consultant, Franklin Park and ATRS staff.

Also approved is an investment of up to \$50 million in Global Infrastructure Partners III, L.P., a real assets infrastructure fund specializing in core plus energy, transport, and water waste sectors. This investment was recommended by both ATRS's real asset consultant, Aon Hewitt Investment Consulting and ATRS staff.

The ATRS Board approved each of the investments described above at its February 1, 2016, meeting and anticipates closing dates by the end of the first quarter of 2016. A summary of each investment including key terms and investment strategy is enclosed for review by ALC. We will be happy to provide any other information you request regarding these investments.

Respectfully,



George Hopkins
Executive Director

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

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| Investment | Vista Foundation Fund III, L.P. (the "Fund") |
| Managing Party | Vista Foundation (the "General Partner" or "VFF") |
| ATRS Legal Interest | ATRS will be a limited partner |
| Report Date | February 2016 |
| Expected Closing Date | The General Partner is expecting maximum capital commitments of \$2 billion for the Fund. ATRS is expected to close in March 2016. |
| ATRS Commitment & Reason for Entry | The investment of up to \$30 million is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant. |
| Placement Agent | The General Partner has not retained a placement agent for fundraising. |
| Key Terms | <p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of commitments during the five-year investment period. Thereafter, management fees will equal 2.0% of contributions net of distributions, write-offs and write-downs.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions on realized investments, write-downs and an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits if cumulative distributions do not represent a 3.0x or greater multiple on capital contributions in realized investments. If cumulative distributions represent a 3.0x or greater multiple, the General Partner will be entitled to 30% of the Fund's profits.</p> |
| Justification of Investment Term & Anticipated Termination Date | <p><u>Term</u>: Ten years (anticipated termination in 2026) 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 make control investments in small and lower middle market enterprise software companies. The Fund will seek to invest in quality companies with enterprise values of \$100 to \$500 million that have recurring revenues and significant value creation opportunities. |
| Management Team | The General Partner is the lower middle market affiliate of Vista Equity Partners ("Vista"), a software-focused private equity group founded in 2000 by Robert Smith, Stephen Davis and Brian Sheth. The General Partner's team includes fifteen dedicated professionals led by Alan Cline, Rob Rogers, Patrick Severson and Vince Burkett. |
| Historical Performance | Since 2009, the General Partner has invested \$900 million in fifteen investment deals. In aggregate, these investments have generated a gross IRR of 51.0% and a multiple of 2.3X cost as of September 30, 2015. Historical returns may not be indicative of future performance. |

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

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| Investment | Global Infrastructure Partners III, L.P. |
| Managing Party | Global Infrastructure Management, LLC |
| ATRS Legal Interest | ATRS will be a limited partner. |
| Report Date | February, 2016 |
| Expected Closing Date | March 30, 2016 |
| ATRS Commitment & Reason for Entry | The up to \$50 million investment is to help achieve the 15% target allocation to Real Assets. The fund was recommended by the ATRS Real Assets consultant, Aon Hewit Investment Consulting. The reason for entry is Global Infrastructure Partners best in class rating among its peer group. This investment theme is highly complementary to existing infrastructure investments ATRS holds in its portfolio. |
| Placement Agent | No placement agent was utilized. |
| Key Terms | <u>Management Fee</u> : 1.75% based on committed capital during the investment period, and 1.75% on invested commitments thereafter. <u>Carried Interest</u> : 20% of profits after LP's receive a 8% IRR preferred return. |
| Justification of Investment Duration Term & Anticipated Termination Date | The strategy requires a period of time to germinate, mature and harvest the core plus infrastructure investments. The fund is a closed end variety with a ten year term to anticipated maturity sometime in 2026. Four, one year extensions are available if market conditions warrant. |
| Investment Strategy | Global Infrastructure Partners III, L.P. is a closed-end fund that will target long lived infrastructure assets providing essential services to an industry or economy. Further, Global Infrastructure Partners III, L.P. will predominately target investments with core plus risk characteristics, believing they offer strong market positions, solid cash yields, inflation and downside protection, and the potential for outperformance through organic growth and operational improvements. The Fund will target a 12-15% net IRR. |
| Management Team | Global Infrastructure Partners III, L.P. is headed by Adebayo Ogunlesi Chairman/ Managing Partner & employs a deep team, which is organized by both discipline and region. The Firm employs a 57 person |

investment team, of which 34 are located in New York, 15 are located in London, and eight are located in Sydney. Global Infrastructure Partners III, L.P. also employs a 27 person operating team, which is predominately located in Stamford, CT (17 members) and the UK (eight members). The teams are further supported by a 15 person administration team as well as a seven person risk and compliance team.

Historical Performance

Since 2008, Global Infrastructure Partners III, L.P. has invested more than \$11.0 billion of capital across twenty-one portfolio companies. The Firm has achieved a net IRR and TVPI of 15.7% and 1.5x, respectively in its two prior funds. Historical returns may not be indicative of future performance.