

March 2, 2016

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

Ms. Marty Garrity  
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 APERS' investment consultant in 2004, Callan Associates, the APERS Board of Trustees voted to hire INVESCO Core Real Estate, USA, LLC ("INVESCO") as a core real estate investment manager. In 2004, Act 1211 of 2009 did not yet exist, so APERS followed the proper process and submitted a Professional Consultant Services Contract for INVESCO. The PCS contract has now expired.

With the passage of Act 1211 of 2009, APERS would now like to submit the INVESCO investment under Act 1211. All criteria were met under Act 1211 to enter into the partial equity ownership agreements of this investment. 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).

Because this is an existing investment, the investment manager was funded in 2004. As of 12/31/2015 the value of the investment was \$358,244,202.00

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

Regards,



Gail H. Stone  
Executive Director

## Arkansas Public Employees Retirement System Real Estate Investment Executive Summary

<b>Investment</b>	INVESCO CORE REAL ESTATE – U.S.A., LLC
<b>Managing Party</b>	INVESCO Core Real Estate
<b>APERS Legal Interest</b>	APERS is a Limited Partner.
<b>Report Date</b>	February 12, 2016
<b>Expected Funding Date</b>	This is an existing relationship. It was established prior to Act 1211 of 2009. APERS followed the proper procedure and submitted a Professional Consultant Services Contract for this investment manager. That PCS contract has expired, and because APERS is a Limited Partner in this investment, it is APERS' belief that this partnership belongs under Act 1211 of 2009.
<b>APERS Commitment &amp; Reason for Entry</b>	The current investment as of 12/31/2015 is \$358,244,202. This total helps to achieve the 16% target allocation to APERS' Real Assets. The fund was originally recommended by APERS' Investment consultant.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : each investor is obligated to pay the Manager in arrears, on the last day of each calendar quarter, a cash fee equal to its seven percent (7%) of Net Operating Income of all Real Estate Assets of the Fund times such Investor's Percentage Interest.
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The fund is an "open end fund" and the investment period may remain until APERS chooses to liquidate the investment.
<b>Investment Strategy</b>	The Fund invests in "core" type real estate assets. The fund is focused on primary markets with an emphasis on the coasts. The fund utilizes property diversification (industrial, apartments, retail, and office).
<b>Management Team</b>	INVESCO's Portfolio Management team consists of William Grubbs (Managing Director), Michelle Foss (Director), Beth Worthy (Director), Chad Provost (Asst. Portfolio Manager), and Thomas Threadgill.
<b>Historical Performance</b>	Using 09/30/2015 the YTD net return was 11.27%, the 1-year net return was 14.93%, the 3-year net return was 12.73%, and the 5-year net return was 12.90%.

Historical returns are not indicative of future performance.