



June 8, 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: Altaris Constellation Partners, L.P.  
Bison Capital Partners V, L.P.  
UBS Trumbull Property Income Fund, L.P.  
LaSalle Asia Opportunity Fund V, L.P.

Dear Senator Sample and Representative Branscum:

By means of the enclosed Investment Summaries, ATRS is submitting four 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 \$20 million in Altaris Constellation Partners, L.P., a private equity buyout fund specializing in small to middle market healthcare companies. The investment was recommended by both ATRS's private equity consultant, Franklin Park Associates and ATRS staff.

Also approved is an investment of up to \$35 million in Bison Capital Partners V, L.P., a private equity fund focused on hybrid debt and equity investments in small to middle market companies. The investment was recommended by both Franklin Park Associates and ATRS staff.

In addition, the ATRS Board authorized a real estate debt investment of up to \$50 million in UBS Trumbull Property Income Fund, L.P., a fund that will make hybrid debt and equity investments in income generating properties. The investment was recommended by both ATRS's real assets investment consultant, Aon Hewitt Investment Consulting and ATRS staff.

Also authorized by the ATRS Board is an investment of up to \$30 million to be made in LaSalle Asia Opportunity Fund V, L.P. This fund will focus on both debt and equity real estate investments in Asia. The investment was recommended by both ATRS's real assets investment consultant, Aon Hewitt Investment Consulting and ATRS staff.

Senator Sample  
Representative Branscum  
June 8, 2016  
Page Two

The ATRS Board approved each of the investments described above at its June 6, 2016, meeting and anticipates closing dates from late June through the end of August. 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

GH:lw  
enclosures

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

<b>Investment</b>	Altaris Constellation Partners, L.P. (the "Fund")
<b>Managing Party</b>	Altaris Capital Partners (the "General Partner" or "Altaris")
<b>ATRS Legal Interest</b>	ATRS will be a limited partner
<b>Report Date</b>	June 2016
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of \$150 million for the Fund. ATRS is expected to close in late June 2016.
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$20 million is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
<b>Placement Agent</b>	The General Partner has not retained a placement agent for fundraising.
<b>Key Terms</b>	<p><u>Management Fee</u>: The General Partner will not charge a management fee to the Fund but will retain transaction fees charged to portfolio companies.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions on realized investments, write-downs, expenses and an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	<p><u>Term</u>: Ten years from the inception of the core fund in 2013 (anticipated termination in 2023) plus two one-year extensions which is industry standard due to the time required for acquiring, developing and selling underlying assets.</p>
<b>Investment Strategy</b>	The Fund is being formed to invest alongside Altaris Health Partners III (the "Core Fund"). The Core Fund primarily invests in small and middle market high growth healthcare companies in the U.S.
<b>Management Team</b>	The General Partner was formed in 2002 with sponsorship from AIG. Today, the General Partner is owned and led by Michael Kluger, Daniel Tully, and George Aitken-Davies (the "Principals"). The Principals are supported by seven additional investment professionals, a CFO and administrative staff.
<b>Historical Performance</b>	The General Partner has invested more than \$760 million in 29 healthcare investments that have generated an aggregate gross return on investment of 2.6x and a net IRR of approximately 20% as of December 31, 2015. Historical returns are not indicative of future performance.

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

<b>Investment</b>	Bison Capital Partners V, L.P. (the "Fund")
<b>Managing Party</b>	Bison Capital Management (the "General Partner" or "Bison")
<b>ATRS Legal Interest</b>	ATRS will be a limited partner
<b>Report Date</b>	June 2016
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of up to \$350 million for the Fund. ATRS is expected to close in late June 2016.
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$35 million is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
<b>Placement Agent</b>	The General Partner has retained Lazard as a placement agent for fundraising.
<b>Key Terms</b>	<p><u>Management Fee</u>: During the investment period (five years) or until a successor fund begins to accrue management fees, the Fund will pay to the General Partner a management fee of 2% of commitments. After the investment period, limited partners participating in the first closing will pay an annual management fee of 1.5% of net invested capital while those not participating in the first closing will pay an annual management fee of 2% of net invested capital.</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>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	<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.
<b>Investment Strategy</b>	The Fund is being formed to pursue hybrid debt/equity investments in U.S. based small and lower middle market companies. Investments will largely be in non-control junior capital and structured as a combination of senior and subordinated debt and preferred equity securities with management retaining a control stake.
<b>Management Team</b>	The General Partner was formed in 2001 and is currently led by Doug Trussler, Yee-Ping Chu, Lou Caballero, Andreas Hildebrand and Peter Macdonald (the "principals"). The principals are supported by a vice president, two associates, a CFO/CCO and administrative staff.
<b>Historical Performance</b>	The General Partner has invested more than \$366 million in 21 investments that have generated a net IRR of approximately 13% as of December 31, 2015. Historical returns are not indicative of future performance.

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

<b>Investment</b>	UBS Trumbull Property Income Fund LP ("UBS TPI")
<b>Managing Party</b>	Trumbull Property Income Fund GP, LLC
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	June, 2016
<b>Expected Closing Date</b>	July, 2016
<b>ATRS Commitment &amp; Reason for Entry</b>	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 asset consultant, Aon Hewitt Investment Consulting.
<b>Placement Agent</b>	None
<b>Key Terms</b>	<u>Management Fee:</u> The fund charges a management fee of .79% of Net Asset Value (NAV)  <u>Carried Interest:</u> None.
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	The fund is an open-end variety and in theory has a perpetual life. UBS TPI has a quarterly redemption option subject to available capital.
<b>Investment Strategy</b>	UBS TPI Fund is an open-end, diversified core real estate debt fund that targets participating mortgages. The Fund's strategy is to build an actively managed portfolio of income-oriented real estate investments that have hybrid debt and equity return characteristics. It seeks to provide attractive returns while limiting downside risks through a combination of fixed income, participation in cash flow and equity upside. The Fund's investment objective is to provide a 5% real return on a three- and five-year basis.
<b>Management Team</b>	The two-person portfolio management team is led by Gary Gowdy, Managing Director, who has almost 40 years of real estate industry experience, of which, more than 20 have been with UBS Realty Investors and the predecessor firm. His primary responsibility is the management of the UBS-TPI portfolio.

**Historical  
Performance**

UBS TPI track record is 8.85 net IRR over the life of the fund (1981 inception) and 7.3% over the last 10 years.

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

<b>Investment</b>	LASALLE ASIA OPPORTUNITY FUND V L.P.(LAOF V)
<b>Managing Party</b>	LASALLE ASIA OPPORTUNITY V GP LTD
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	June, 2016
<b>Expected Closing Date</b>	July, 2016
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$30 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, AonHewitt Investment Consulting.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<p><u>Management Fee</u>: 1.5% per annum on committed capital during investment period; on invested capital thereafter. Fee discounts for first close investors; 75 bps fee during investment period.</p> <p><u>Carried Interest</u>: 20% of profits after LP's receive a 10% IRR preferred return.</p>
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	The strategy requires a period of time to identify, execute and then monetize an opportunistic investment. The fund has a nine year term with an anticipated maturity in 2025.
<b>Investment Strategy</b>	LAOF V is a closed-ended, pan-Asian real estate fund focusing on acquiring assets in need of repositioning, development or redevelopment, leasing and active asset management. Japan, Australia and China (specifically Chinese logistics assets) will be the primary markets for the Fund. LaSalle will aim to successfully dispose of assets within two to four years of acquisition and is targeting an 18% net IRR to investors.
<b>Management Team</b>	The LAOF V team is led by Marc Montanus (Portfolio Manager), Mark Gabbay (CIO and regional Co-head) and Ian Mackie (Head of Client Capital), who have worked in Asia for an average of 19 years.

**Historical  
Performance**

Performance in the four preceding funds average a net 24% IRR.