



October 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  
Investment: AllianzGI Structured Alpha Global Equity 350, LLC

Dear Senator Sample and Representative Branscum:

By means of the enclosed Investment Summary, ATRS is submitting one investment 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 \$200 million in AllianzGI Structured Alpha Global Equity 350, LLC, a public market fund specializing in global investments. The investment will help balance the domestic and global asset classes of the ATRS portfolio and was recommended by both ATRS's general investment consultant, Aon Hewitt Investment Consulting, and ATRS staff.

The ATRS Board approved the investment described above at its October 3, 2016, meeting and anticipates a closing date in December. A summary of the 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 this investment.

Respectfully,

George Hopkins  
Executive Director

GH:lw  
enclosures

**Arkansas Teacher Retirement System  
Public Market Investment  
Executive Summary**

**Investment** AllianzGI Structured Alpha Global Equity 350, LLC or the "Fund".

**Managing Party** Allianz Global Investors U.S. LLC

**ATRS Legal Interest** ATRS will be a shareholder.

**Report Date** October 2016

**Expected Closing Date** Expected closing in December 2016.

**ATRS Commitment & Reason for Entry** The commitment is an extension of a current ATRS investment. The up to \$200 million investment is intended to complement the existing Allianz 500 fund by investing in this Allianz fund that has global exposure with a lower active risk level. This will help balance the domestic and global asset classes of the ATRS portfolio.

**Placement Agent** No placement agent was utilized.

**Key Terms** Management Fee: N/A, incentive fee only  
Incentive Fee: 25% of profits over the high water mark as defined in the Private Placement Memorandum.

**Justification of Investment Term & Anticipated Termination Date** The fund is of the open-end variety and investors may exit on the last business day of each month subject to notification requirements. The investment will remain until liquidated, if ever.

**Investment  
Strategy**

The AllianzGI Structured Alpha strategies use put and call options on a variety of indices to create "profit zones". If the value of the index falls within those zones at expiration, the strategy profits from the structure of the option strategy. The manager adjusts these zones as market conditions change and limits the downside of the strategy by buying out of the money put options. The strategy is a net seller of options which creates premium income.

**Management  
Team**

The Allianz Structured Alpha team is led by Greg Tournant who has 17 years of industry experience. Other members include Trevor Taylor with 14 years of experience, Scott Powell with 15 years of experience, and Stephen Bond-Nelson with 20 years of experience.

**Historical  
Performance**

The Fund is new and similar to the existing Allianz 500 fund in that both funds will be a global version of the strategy used by the AllianzGI Structured Alpha U.S. 250 fund. Since inception, the 250 fund has generated a return of 19% and the 500 has a return of 11.4% compared to the respective benchmarks of 15.5% and 6.3%.