



February 20, 2017

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: Halderman Real Asset Management, LLC

Dear Senator Sample and Representative Branscum:

By means of the enclosed Investment Summary, ATRS is submitting an 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 additional investment of up to \$25 million in the separate account managed by Halderman Real Asset Management, LLC. The manager invests in quality farmland across the United States. This investment was recommended by both ATRS's real asset consultant, Aon Hewitt Investment Consulting and ATRS staff.

The ATRS Board approved the investment described above at its February 6, 2017, meeting and anticipates closing by June 30, 2017. 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 these investments.

Respectfully,

George Hopkins  
Executive Director

GH:lw  
enclosures

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

|  |   |
|--|---|
| <b>Investment</b>  | Pinnacle Mountain Holding Company, LLC  |
| <b>Managing Party</b>  | Halderman Real Asset Management (HRAM), LLC   |
| <b>ATRS Legal Interest</b>   | ATRS is the only shareholder.   |
| <b>Report Date</b>   | February 2017   |
| <b>Expected Closing Date</b>   | Closing on an additional commitment to the Fund is expected by June 2017.   |
| <b>ATRS Commitment &amp; Reason for Entry</b>                              | ATRS is making an additional commitment of up to \$25 million to its existing investment in the Fund to help achieve the 10% target allocation to real assets. The Fund was recommended by the ATRS real assets consultant, Aon Hewitt Investment Consulting.   |
| <b>Placement Agent</b>   | There is no placement agent involved with the Fund.   |
| <b>Key Terms</b>   | <u>Management Fee</u> : 100 bps (1%) on committed capital<br><br><u>Carried Interest</u> : 10% of profits after ATRS receives a 7% IRR preferred return.  |
| <b>Justification of Investment Term &amp; Anticipated Termination Date</b> | The strategy requires a period of time to identify, execute and then monetize a core farmland strategy. The assets may in fact be held in perpetuity.<br>.  |
| <b>Investment Strategy</b>   | As approved at ATRS's October 4, 2010 meeting, ATRS established an initial \$100 million allocation through a separate account to farmland as a part of ATRS's Alternatives asset class (as a side note, farmland has been re-classified as part of the Real Assets portfolio). USDA growth rates on the land values from 1880 to 2007 are 4%, current land cash yields from rent range from 3% to 6%.  |
| <b>Management Team</b>   | Howard Halderman – Halderman Real Asset Management since 2000. Bachelor of Science in Agricultural Economics, Purdue University 1988.<br><br>Pat Karst, VP Real Estate Acquisitions. Vice President of Real Estate since 2005. Area Representative from 1984 – 2005. Purdue University - Bachelor of Science in Agricultural Economics, Farm Business and Management – December 1983<br><br>David Martin - Halderman Special Accounts Manager Since 2008. Purdue University - Bachelor of Arts in Agricultural Economics, May 1992. |

Adam Gore – Operations. Cornell University - Bachelor of Science in Agribusiness Management, May 2009. Oversees the management of \$300MM of row crop and livestock operations in 8 states for Halderman Real Asset Management.

**Historical  
Performance**

Since inception, Halderman Real Asset Management through their management of the separate account held by Pinnacle Mountain Holding Company has provided an overall return of 6.76%.



April 17, 2017

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: Clarion Ventures 4, L.P.  
Parametric Global Defensive Equity Fund, LLC

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 \$25 million in Clarion Ventures 4, L.P., an opportunistic real estate fund that will invest in underperforming middle market institutional quality assets. The investment was recommended by both ATRS's real asset consultant, Aon Hewitt Investment Consulting and ATRS staff.

Also approved is an investment of up to \$150 million in Parametric Global Defensive Equity Fund, LLC, an investment that will seek to outperform the MSCI ACWI with significantly less volatility than the index. This investment was recommended by both ATRS's general investment consultant, Aon Hewitt Investment Consulting and ATRS staff.

The ATRS Board approved each of the investments described above at its April 17, 2017, meeting and anticipates closing dates in the next thirty to sixty days. 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  
Real Asset Investment  
Executive Summary**

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|---|---|
| <b>Investment</b>   | Clarion Ventures 4, L.P.  |
| <b>Managing Party</b>   | Clarion Ventures 4, LLC   |
| <b>ATRS Legal Interest</b>  | ATRS will be a limited partner.   |
| <b>Report Date</b>  | April 2017  |
| <b>Expected Closing Date</b>  | June 30, 2017   |
| <b>ATRS Commitment &amp; Reason for Entry</b>   | The up to \$25 million dollar investment is to help achieve the 10% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, Aon Hewitt Investment Consulting.  |
| <b>Placement Agent</b>  | None  |
| <b>Key Terms</b>  | <u>Management Fee</u> : 120 bps (1.20%) on invested capital.<br><br><u>Carried Interest</u> : 20% of profits after LP's receive 100% of their invested capital and a 9% IRR preferred return.   |
| <b>Justification of Investment<br/>Duration Term &amp; Anticipated Termination Date</b> | The strategy requires a period of time to identify, execute and then monetize a opportunistic strategy. The fund is closed-end with a seven year term measured from the initial close. Anticipated term to end in 2024.   |
| <b>Investment Strategy</b>  | Clarion Ventures 4 ("CV4" or the "Fund"), is a closed-end opportunistic fund focused on making equity investments in underperforming middle-market institutional quality assets and implementing repositioning, redeveloping or redevelopment strategies to manufacture Core investments.   |
| <b>Management Team</b>  | Richard H. Schaupp is a Director of Clarion and will serve as portfolio manager for CV4. Mr. Schaupp has served in various capacities with respect to CDV I, II and III, as well as the portfolio manager for Clarion Value. At Clarion, Mr. Schaupp has participated in the acquisition and asset and development management of over \$4 billion of real estate and the restructuring of over \$150 million of securitized loans. He joined Clarion in 2001 and has 20 years of real estate experience. Mr. Schaupp holds a B. Arch. degree from the University of Notre Dame and an M.B.A. degree from Yale University. |

**Historical  
Performance**

The three preceding funds in the series have returned on average a net IRR of 9.30%.

**Arkansas Teacher Retirement System  
Opportunistic/Alternative Investment  
Executive Summary**

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|---|--|
| <b>Investment</b>   | Parametric Global Defensive Equity Fund, LLC   |
| <b>Managing Member</b>  | Parametric Portfolio Associates, LLC   |
| <b>ATRS Legal Interest</b>  | ATRS will be a member of the LLC.  |
| <b>Report Date</b>  | April 2017   |
| <b>Expected Closing Date</b>  | May 30, 2017   |
| <b>ATRS Commitment &amp; Reason for Entry</b>                                       | The up to \$150 million dollar investment is to help achieve the 5% target allocation to opportunistic/alternative investments. The fund was recommended by the ATRS general investment consultant, Aon Hewitt Investment Consulting.  |
| <b>Placement Agent</b>  | None   |
| <b>Key Terms</b>  | <u>Management Fee:</u> 45 bps (.45%) on Net Asset Value.<br><br><u>Carried Interest:</u> N/A   |
| <b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b> | The fund is an open-ended fund and will remain open until liquidated. The fund has monthly liquidity with a 5 day notice.  |
| <b>Investment Strategy</b>  | The Global Defensive Equity strategy seeks to outperform the MSCI ACWI with 40% less volatility than the index.  |
| <b>Management Team</b>  | <p>Orison "Kip" Chaffee, CFA<br/>Managing Principal<br/>Mr. Chaffee is responsible for formulating strategic direction and day-to-day management of the Minneapolis and Westport Investment Centers. He earned his B.A. in Economics from Harvard University and an MBA with a finance concentration from The Wharton School of Business.</p> <p>Jack Hansen, CFA<br/>Chief Investment Officer<br/>Mr. Hansen leads the investment management department at the Minneapolis Investment Center. Since joining Parametric in 1985*, Jack has managed futures, swaps, options, and other derivative based programs. He writes and lectures on the use of derivatives in portfolio management. He earned a B.S. degree in Finance and Economics from</p> |

Marquette University and a M.S. in Finance from the University of Wisconsin, Madison.

**Historical  
Performance**

The fund has a net return of 9.3% since inception.