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Amy Fecher
Executive Director

January 28, 2025

The Honorable Ben Gilmore
State Senator
Arkansas Legislative Council Co-Chair
State Capitol, Room 315
Little Rock, AR 72201

The Honorable Les Eaves
State Representative
Arkansas Legislative Council Co-Chair
State Capitol, Room 315
Little Rock, AR 72201

Re: Arkansas Public Employees Retirement System (APERS) Investment for Review under Act 1211 of 2009

Senator Gilmore and Representative Eaves:

In accordance with Act 1211 of 2009, APERS is providing an investment summary for review by the Arkansas Legislative Council. Attached is the executive summary of the partial equity ownership.

The APERS Board of Trustees is retaining and investing in Neuberger Berman Real Estate Secondary Opportunities Fund II ("RESOF II"). This investment was vetted and recommended by our investment consultant, in consultation with the investment staff. The anticipated date of funding is expected to begin in mid-2025. APERS is targeting a \$60 million Net Asset Value which will require a commitment of \$75 million.

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

Sincerely,

Amy Fecher

Private Real Estate Secondary Investment Executive Summary

Investment	Neuberger Berman Real Estate Secondary Opportunities Fund II, "RESOF II", (the "Fund")
Managing Party	Neuberger Berman, LLC (the "General Partner" or "GP")
APERS Legal Interest	APERS will be a Limited Partner ("LP")
Report Date	January 28, 2025
Expected Funding Date	Mid to Late 2025 thru 2033
APERS Commitment & Reason for Entry	A commitment of \$75 million will be necessary to achieve the ~\$60 million NAV (Net Asset Value) target allocation within the APERS' Real Assets/Real Estate investments. The fund was vetted and recommended by the APERS Real Estate consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u>: The fund charges a management fee of ~1.25% on commitments during the investment period, thereafter 1.0% per annum on the lesser of FMV of the Fund's investments and aggregate commitments. 0.8% to 0.9% is the estimated effective average annual management fee. <u>Carried Interest</u> is 12.5% with catch-up.
Justification of Investment Term & Anticipated Termination Date	The investment is a "real estate secondary" investment and the life of the investment could extend out to eight years.
Investment Strategy	The strategy is a Real Estate Secondaries Fund. It seeks to take advantage of illiquid situations in the expanding real estate secondary market. It seeks to achieve risk-adjusted returns through the purchase of seasoned real estate private investments, that are invested in high quality real estate assets, at attractive valuations from investors desiring liquidity.
Management Team	The primary investment strategy team members include: Scott Koenig (Managing Director), and Ted Rykowski (Managing Director) RESOF II is a closed-end fund, and is the second fund in a private fund series that focuses on secondary real estate.
Historical Performance	RESOF I final closing was in 2019. It had total commitments of over \$700 million. Blended Net IRR performance to date is 15.4%.

* Historical returns are not indicative of future performance