

April 16, 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 investment summaries for the Arkansas Legislative Council's review. Attached to this letter are executive summaries detailing APERS' partial equity ownership in the investments.

The APERS Board of Trustees is retaining and investing in the following Infrastructure strategies: CBRE Global Infrastructure Fund, IFM Global Infrastructure Fund, JPMorgan Infrastructure Investments Fund, and Blue Owl Digital Infrastructure Fund. The investments were vetted and recommended by our investment consultants, in consultation with the investment staff. APERS is targeting a commitment of \$50 million for each strategy to total \$200 million.

The APERS Board of Trustees is retaining and investing in the secondary real estate strategy, Stepstone Real Estate Partners V. APERS is targeting a \$60 million Net Asset Value which will require a commitment of \$75 million. The investment was vetted and recommended by our investment consultant, in consultation with the investment staff.

The APERS Board of Trustees is investing in the real estate strategy, Harrison Street Fund X. APERS is currently invested in Harrison Street Fund IX which is in the distribution phase of the investment. APERS is targeting a commitment of \$50 million for the strategy to the new fund. APERS will also increase the current commitment of \$50 million to \$75 million with Starwood Fund XIII to help achieve the allocation target for Real Assets.

APERS will also increase its commitment to the Neuberger Berman APERS Fund of One from \$325 million to \$450 million as market conditions continue to be favorable, and the cash flow

distribution has been faster than anticipated. The APERS Board of Trustees private equity consultant recommended the increase to maintain the target allocation to private equity.

Lastly, the fee schedule for Heitman Value Partners Fund VI that was reported and approved in October 2024 was inadvertently reported incorrectly. The correct fee schedule in the summary is attached.

Please do not hesitate to contact me if you require additional information or have further questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Amy Fecher", with a stylized flourish at the end.

Amy Fecher

Open End Core Infrastructure Investment Executive Summary

Investment	CBRE Global Infrastructure Fund ("CGIF" or the "Fund")
Managing Party	CBRE Investment Management, LLC (the "General Partner" or "GP")
APERS Legal Interest	APERS will be a Limited Partner ("LP")
Report Date	April 21, 2025
Expected Funding Date	Beginning second quarter 2025 to late 2025
APERS Commitment & Reason for Entry	A commitment of \$50 million will be necessary to help achieve the allocation target to the APERS' Real Assets 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 0.80% on called capital. The fee is calculated by multiplying the NAV by 0.80% <u>Carried Interest</u>: After a 7% preferred return hurdle is achieved the General Partner receives a 10% performance fee. 33.3% catch up.
Justification of Investment Term & Anticipated Termination Date	The investment is an "open end infrastructure" investment strategy and the life of the investment is indefinite. APERS can exit the strategy after 3 years. There is a semi-annual repurchase.
Investment Strategy	The Fund invests in infrastructure assets. It focuses on sectors that thrive in the new digital economy. The strategy seeks to manage a diversified portfolio of global infrastructure investments with a net target return of 8-12% over the long term. The strategy invests in assets such as digital infrastructure, energy, and transportation.
Management Team	The primary investment strategy team members includes: Stephen Dowd (CIO Private Infrastructure), Noi Spyrtos (Managing Director), and Jeff DeBlock (Managing Director).
Historical Performance	This strategy has been in existence since 2018. The track record is as follows (gross returns): 1 year 10.2%; 3 year 13.4%; 5 year 15.5%; and since inception 15.0%

* Historical returns are not indicative of future performance

Open End Core Infrastructure Investment Executive Summary

Investment	IFM Global Infrastructure Fund ("IFM GIF" or the "Fund")
Managing Party	IFM Investment Management, LLC (the "General Partner" or "GP")
APERS Legal Interest	APERS will be a Limited Partner ("LP")
Report Date	April 21, 2025
Expected Funding Date	Beginning second quarter 2025 to late 2025
APERS Commitment & Reason for Entry	A commitment of \$50 million will be necessary to help achieve the allocation target to the APERS' Real Assets 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 0.77% pa on called capital. <u>Carried Interest</u>: After a 8% preferred return hurdle is achieved the General Partner receives a 10% performance fee. 33.3% catch up. 50% held back each year to cover underperformance in a subsequent year
Justification of Investment Term & Anticipated Termination Date	The investment is an "open end infrastructure" investment strategy and the life of the investment is indefinite. APERS can exit the strategy. There is a clear redemption policy with assistance and approval of investors.
Investment Strategy	The Fund invests in infrastructure assets. The strategy seeks to manage a diversified portfolio of global infrastructure investments with a net target return of 8-12% over the long term. The strategy invests in assets such as utilities (gas, water, telecom and digital), energy (terminals, pipelines, LNG), and transportation (toll roads, airports, and seaports).
Management Team	The primary investment strategy team members include: Kyle Mangini (Global Head of Infrastructure), Joshua Lim (Deputy Chief Executive), and Stuart Wardman-Browne (Global Head, PE).
Historical Performance	This strategy has been in existence since 2004. The track record is as follows: 1 year 7.9%; 3 year 8.4%; 5 year 8.9%; 7 year 10.6%; 10 year 11.5%; and since inception 9.1%

* Historical returns are not indicative of future performance

Open End Core Infrastructure Investment Executive Summary

Investment	JPMorgan Infrastructure Investment Fund ("IIF" or the "Fund")
Managing Party	JPMorgan Asset Management, LLC (the "General Partner" or "GP")
APERS Legal Interest	APERS will be a Limited Partner ("LP")
Report Date	April 21, 2025
Expected Funding Date	Beginning second quarter 2025 to late 2025
APERS Commitment & Reason for Entry	A commitment of \$50 million will be necessary to help achieve the allocation target to the APERS' Real Assets 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 0.82% pa on the NAV. <u>Carried Interest</u>: After a 7% preferred return hurdle is achieved the General Partner receives a 15% performance fee. No catch up. 1-year measurement period, vesting in year 2 and 3 subject to continued performance. Cap of 13.5% net return.
Justification of Investment Term & Anticipated Termination Date	The investment is an "open end infrastructure" investment strategy and the life of the investment is indefinite. APERS can exit the strategy. Repurchase is semi-annual with an initial 4-year soft lock. There is a 4% repurchase discount if repurchase requests is made prior to the fourth anniversary.
Investment Strategy	The Fund invests in infrastructure assets, focusing on Core/Core+ Infrastructure, defined as essential services that often operate on a monopolistic basis either by regulator structure or contract, which drives visibility into cashflow and uncorrelated return potential. The net target return is 8-12% over the long term. The strategy invests in assets such as utilities, energy, and transportation.
Management Team	The primary investment strategy team members include: Paul Ryan, Managing Director; Matt LeBlanc, Managing Director, and Brian Goodwin, Managing Director.
Historical Performance	This strategy has been in existence since 2006. The track record is as follows: 1 year 10.9%; 3 year 9.6%; 5 year 8.7%; 10 year 7.6% (local currency); and since inception 8.7%

* Historical returns are not indicative of future performance

Digital Infrastructure Investment Executive Summary

Investment	Blue Owl Digital Infrastructure Fund III ("ODI III" or the "Fund")
Managing Party	Blue Owl Investment Management, LLC (the "General Partner" or "GP")
APERS Legal Interest	APERS will be a Limited Partner ("LP")
Report Date	April 21, 2025
Expected Funding Date	Beginning second quarter 2025 to and may extend to 2027
APERS Commitment & Reason for Entry	A commitment of \$50 million will be necessary to help achieve the allocation target to the APERS' Real Assets investments. The fund was vetted and recommended by the APERS Private Equity consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u>: The fund charges a management fee of 1.35% <u>Carried Interest</u>: After a 7% preferred return hurdle is achieved the General Partner receives a 20% performance fee with a 50/50 catch-up.
Justification of Investment Term & Anticipated Termination Date	The investment is a "closed end" investment strategy and the life of the investment has a 12-year life with two 1-year extensions with the approval of the Limited Partners Advisory Committee.
Investment Strategy	The fund invests directly or indirectly in data center assets, other technology and connectivity-related assets (fiber, towers, etc.) and raw land and data center development projects on a global basis, each with opportunistic, value-add, or core plus real estate investment profiles. The net target return of 8-12% over the long term.
Management Team	The primary investment strategy team members includes: Matt A'Hearn, Head of Digital Infrastructure; Sean Ivery, Senior Managing Director; Josh Friedman, Senior Managing Director; Ayla Matthews, Managing Director, and Gavin Flynn, Principal
Historical Performance	Blue Owl ODI Fund I 14% net levered IRR, and Blue Owl ODI II 15% net levered IRR.

* Historical returns are not indicative of future performance

Secondary Real Estate Investment Executive Summary

Investment	Stepstone Real Estate Partners V, L.P. ("SREP V" or the "Fund")
Managing Party	Stepstone Real Estate, LLC (the "General Partner" or "GP")
APERS Legal Interest	APERS will be a Limited Partner ("LP")
Report Date	April 21, 2025
Expected Funding Date	Beginning mid to late 2025
APERS Commitment & Reason for Entry	A commitment of \$75 million will be necessary to achieve a \$60 to \$65 million Net Asset Value target allocation within the APERS' Real Assets 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 ~1.125% on commitments during the investment period. After the investment period the fee will be 1.25% on invested capital. <u>Carried Interest</u>: After an 8% hurdle is achieved the General Partner receives a 15% performance fee.
Justification of Investment Term & Anticipated Termination Date	The investment is a "secondary real estate" investment strategy and the life of the investment could extend out to ten years.
Investment Strategy	The Fund invests in a Secondary Real Estate strategy. The strategy seeks to provide liquidity to managers of real estate vehicles through special situation secondaries, including recapitalizations, also commonly referred to as "GP-led secondaries."
Management Team	The primary investment strategy team members include: Jeff Giller (Head of SRE), Josh Cleveland (Head of EMEA), and John Waters (Head of Investments). Stepstone's SRE team were among the pioneers of real estate secondaries, starting in 2005-2006. SRE created the first dedicated GP-led secondaries fund in 2010. Stepstone Real Estate was formed in 2014.
Historical Performance	SREP I & II was \$365 million and had a net IRR of 22.8%; SREP III was \$1.25 billion and a net IRR of 11.3%; SREP IV was \$2.13 billion and had a net IRR of 16.1% * Historical returns are not indicative of future performance

Real Estate Investment Executive Summary

Investment	Harrison Street Real Estate Partners Fund X, L.P. (the "Fund")
Managing Party	Harrison Street Real Estate Partners (the "General Partner" or "GP")
APERS Legal Interest	APERS will be a Limited Partner ("LP")
Report Date	April 21, 2025
Expected Funding Date	Mid to Late-2025 thru 2035
APERS Commitment & Reason for Entry	The \$50 million investment is to help achieve the allocation target to APERS' Real Assets/Real Estate investments. The fund was vetted and recommended by the APERS Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee:</u> Based on a \$50 million commitment, the fund charges a management fee of 1.20% <u>Management Fee:</u> After an 8.0% return is achieved, the GP shares in profits 50/50 until it receives 20% of the profits ("catch-up"). Thereafter, 80% goes to the Limited Partners ("APERS") and 20% to the General Partner
Justification of Investment Term & Anticipated Termination Date	The fund is a "closed end fund" and the investment period could last until the year 2035-2037
Investment Strategy	The Fund invests in "value-add" type real estate assets. The target return is 13-15% net IRR. The fund is focused on primary markets globally. The fund utilizes property diversification (student housing, senior housing, data centers, health care, self-storage, build to rent, and life sciences). The objective is to achieve attractive returns without subjecting capital to undue risk
Management Team	The primary portfolio management team consists of Rob Cook (North America head of Opportunistic), and Rob Mathias (Head of International)
Historical Performance	Harrison Street has invested over \$40 billion across 1,169 assets since their inception. The firm has over \$33 billion in AUM. They have raised 8 previous strategies. Fund II's IRR of 9.8%, Fund III's IRR of 19%, Fund IV's IRR of 11.7%, Fund V's IRR of 11%, Fund VI's IRR of 10.2%. Fund VII's IRR of 12%, and Fund VIII's IRR of 12% * Historical returns are not indicative of future performance.

Real Estate Investment Executive Summary

Investment	Starwood Distressed Opportunity Fund XIII, L.P. (the "Fund")
Managing Party	Starwood Capital Group (the "General Partner" or "GP")
APERS Legal Interest	APERS will be a Limited Partner ("LP")
Report Date	Updated April 2, 2025 (original September 23, 2024)
Expected Funding Date	Late-2024 thru 2037
APERS Commitment & Reason for Entry	The original \$50 million investment will be increased to \$75 million to help achieve the allocation target to APERS' Real Assets/Real Estate investments. The fund has been vetted and recommended by the APERS Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee:</u> Based on a \$50 million commitment, the fund charges a management fee of 1.50% <u>Management Fee:</u> After an 8.0% return is achieved, the GP shares in profits 50/50 until it receives 20% of the profits ("catch-up"). Thereafter, 80% goes to the Limited Partners ("APERS") and 20% to the General Partner
Justification of Investment Term & Anticipated Termination Date	The fund is a "closed end fund" and the investment period could last until the year 2033-2037
Investment Strategy	The Fund invests in "value-add" type real estate assets. The fund is focused on primary markets globally. The fund utilizes property diversification (industrial, multi-family/affordable housing, hotels, and some office space). The objective is to achieve attractive returns without subjecting capital to undue risk
Management Team	The primary portfolio management team consists of Barry Sternlicht (CEO & Chairman), Jeff Dishner (Global Head of Real Estate Acquisitions), and Chris Graham (head of Real Estate Acquisitions, Americas).
Historical Performance	Starwood Capital Group has over \$80 billion in AUM and over 29 years of demonstrated performance. They have raised 12 previous strategies. Starwood Opportunity Fund ("SOF") I/IA had a net IRR of 7.96%, SOF II 15.5% net, SOF IV 17% net, SOF V 10% net, SOF VIII 10.8% net, SOF IX 18% net, SOF X 15.8% net, and SOF XI 19.3% net.

* Historical returns are not indicative of future performance.

Private Equity Investment Executive Summary

Investment	NB APERS Fund of One, LP (the "Fund")
Managing Party	Neuberger Berman, LLC (the "General Partner" or "GP")
APERS Legal Interest	APERS will be a Limited Partner ("LP")
Report Date	Updated April 21, 2025 (original October 12, 2023)
Expected Funding Date	Late-2023 thru 2038
APERS Commitment & Reason for Entry	Due to the increased valuation of the fund, the original ~\$325 million investment will be increased to \$450 million to help achieve the allocation target to APERS' Private Equity investments. The fund was vetted and recommended by the APERS Private Equity consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u> : The fund charges a management fee of 0.15% in year 1; 0.30% in years 2 thru 6; 0.20% in years 7 and 8; 0.05% in years 9 and 10; and 0.00% in years 11 and beyond.
Justification of Investment Term & Anticipated Termination Date	The investment is a "fund of one" for private market investments, which may include both primary and secondary private equity funds, as well as other private investments which APERS would like to include within the fund of one. The investment could extend out to fifteen years.
Investment Strategy	The Fund of One will invest in both Primary and Secondary Private Equity Funds. The investment types will vary between buyout, venture, growth equity, and distressed funds. The transaction could be either GP-led, or LP-led. There will also be vintage year diversification. The fund could also invest in other private market investments.
Management Team	The primary investment strategy team members includes: Doug Manor (Managing Director), Ben Pearl (Managing Director), and Boriana Karastoyanova (Managing Director) Neuberger Berman is a privately, independent, employee-owned firm that was founded in 1939. The firm has over \$436 billion in AUM, located in 26 countries, and 39 cities. The firm was founded to do one thing: deliver compelling investment results for clients over the long-term.
Historical Performance	Neuberger Fund I was \$893 million and had a net IRR of 28%; Fund II \$1,667 million and a net IRR of 15%; Fund III had \$1,975 million and a net IRR of 17%; Fund IV \$2.525 billion and a net IRR of 24%; Fund V had \$4.912 billion and a gross IRR of 60%.

* Historical returns are not indicative of future performance.

Real Estate Investment Executive Summary

Investment	Heitman Value Partners Fund VI, or the "Fund", or "HVP VI".
Managing Party	Heitman Value Partners VI, L.P.
APERS Legal Interest	APERS is a Limited Partner.
Report Date	Updated April 21, 2025 (original September 23, 2024)
Expected Funding Date	Last quarter 2024, early 2025
APERS Commitment & Reason for Entry	The \$50 million investment is to help achieve the allocation target to APERS' Real Assets/Real Estate investments. The fund was recommended by APERS' Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee: Correction:</u> The fund charges a management fee of 1.13% on called capital, not committed capital. Originally reported a fee of 0.90% <u>Performance Fee:</u> At the portfolio level: over a 9.00% IRR an 80%/20% LP/GP split thereafter.
Justification of Investment Term & Anticipated Termination Date	The fund is a "closed end fund" and the investment period could last until the year 2025.
Investment Strategy	The Fund invests in "value-add" type real estate assets. The fund is focused on primary markets with an emphasis on the coasts. The fund utilizes property diversification (warehouse industrial, medical office, garden-style multi-family apartments, student housing).
Management Team	Heitman Value Partner's Portfolio Management team consists of Thomas McCarthy, Robert Hayes, Mark Hudgins, Tom Krumwiede, and Jim Meyer.
Historical Performance	Heitman Value Partners launched its first flagship fund in 1992. They have 3 funds. Fund I realized net IRR of 4.90% which overlapped the financial crisis in 2008, Fund II 8.60%, Fund III 15.3%, Fund IV 17.4% realized. APERS is currently invested in the Heitman America Realty Trust core real estate fund, and the Heitman Value Partners IV Historical returns are not indicative of future performance.