

September 25, 2024

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

The Honorable Jeff Wardlaw  
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 Rice and Representative Wardlaw:

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 TA Realty Fund XIV. This investment was recommended by our investment consultant, in consultation with the investment staff. The anticipated date of funding is expected to begin in late-2024. The amount allocated for this investment is up to \$50 million.

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

Sincerely,



Amy Fecher

## Real Estate Investment Executive Summary

<b>Investment</b>	The Realty Associates <u>Fund XIV</u> UTP, L.P., or the "Fund".
<b>Managing Party</b>	TA Realty LLC
<b>APERS Legal Interest</b>	APERS is a Limited Partner.
<b>Report Date</b>	September 25, 2024
<b>Expected Funding Date</b>	Late 2024, perhaps early 2025
<b>APERS Commitment &amp; Reason for Entry</b>	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.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<p><u>Management Fee</u>: The fund charges a management fee of 0.50% in year 1; 0.85% in year 2; 1.15% in year 3; all based upon total committed capital; then 1.20% in year 4; 1.25% in year 5; 1.20% in year 6; 1.0% in year 7, and 0.60% thereafter, all based upon aggregate invested equity plus related reserves.</p> <p><u>Performance Fee</u>: At the portfolio level: first, return of capital plus changes in core CPI; second a 95%/5% LP/GP split to a 1% real return; third a 94%/6% LP/GP split to a 2% real return; fourth a 92.5%/7.5% LP/GP split to a 3% real return; fifth a 90.5%/9.5% LP/GP split to a 4% real return; sixth an 88.5%/11.2% LP/GP split to a 5% real return; seventh an 86.5%/13.5% LP/GP split to a 6% real return; eighth an 84.5%/15.5% LP/GP split to a 7% real return; ninth an 82.5%/17.5% LP/GP split to an 8% real return; tenth an 80%/20% LP/GP split thereafter.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The fund is a "closed end fund" and the investment period could last until the year 2035.
<b>Investment Strategy</b>	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, office, garden-style multi-family apartments, grocery-anchored retail). The objective is to achieve attractive returns without subjecting capital to undue risk.
<b>Management Team</b>	TA's Portfolio Management team consists of Thomas Landry (Partner), Michael Ruane (Managing Partner), James Buckingham, James Whalen, and Blair Lyne (all 3 are Partners, in Acquisitions), James Raisides (Partner, Portfolio Management), and Kendrick Leckband (Partner, Portfolio Manager)

**Historical  
Performance**

TA Realty was founded in 1982. They have had 7 funds that have been liquidated. Fund I realized net IRR of 2.34%, Fund II 12.04%, Fund III 11.38%, Fund IV 13.42%, and Fund V 10.34%, Fund VI 8.55%, and Fund VII 0.33%.

They have the following active funds with the following projected net IRR: Fund X 12.58%, Fund XI 16.82%, Fund XII 50.05%

TA Realty has approximately \$11 billion AUM.

APERS is invested in Fund X (projected 12.58% Net IRR) and is currently invested in Fund XI (projected 16.82%), and Fund XII (projected 50.05%), and Fund XIII.

Historical returns are not indicative of future performance.



Amy Fecher  
Executive Director

September 12, 2024

The Honorable Terry Rice  
State Senator  
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Senator Rice and Representative Wardlaw:

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 Heitman Value Partners VI. This investment was recommended by our investment consultant, in consultation with the investment staff. The anticipated date of funding is expected to begin in late-2024. The amount allocated for this investment is up to \$50 million.

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

Sincerely,

A handwritten signature in blue ink that reads "Amy Fecher".

Amy Fecher

## Real Estate Investment Executive Summary

<b>Investment</b>	Heitman Value Partners Fund VI, or the "Fund", or "HVP VI".
<b>Managing Party</b>	Heitman Value Partners VI, L.P.
<b>APERS Legal Interest</b>	APERS is a Limited Partner.
<b>Report Date</b>	September 12, 2024
<b>Expected Funding Date</b>	Last quarter 2024, early 2025
<b>APERS Commitment &amp; Reason for Entry</b>	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.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<p><u>Management Fee</u>: The fund charges a management fee of 0.90% on called capital, not committed capital.</p> <p><u>Performance Fee</u>: At the portfolio level: over a 9.00% IRR an 80%/20% LP/GP split thereafter.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The fund is a "closed end fund" and the investment period could last until the year 2025.
<b>Investment Strategy</b>	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).
<b>Management Team</b>	Heitman Value Partner's Portfolio Management team consists of Thomas McCarthy, Robert Hayes, Mark Hudgins, Tom Krumwiede, and Jim Meyer.
<b>Historical Performance</b>	<p>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.</p> <p>APERS is currently invested in the Heitman America Realty Trust core real estate fund, and the Heitman Value Partners IV</p> <p>Historical returns are not indicative of future performance.</p>



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Executive Director

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

Senator Rice and Representative Wardlaw:

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 Starwood Fund XII. This investment was recommended by our investment consultant, in consultation with the investment staff. The anticipated date of funding is expected to begin in late-2024. The amount allocated for this investment is up to \$50 million.

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

Sincerely,  
  
Amy Fecher

## Real Estate Investment Executive Summary

<b>Investment</b>	Starwood Distressed Opportunity Fund XIII, L.P. (the "Fund")
<b>Managing Party</b>	Starwood Capital Group (the "General Partner" or "GP")
<b>APERS Legal Interest</b>	APERS will be a Limited Partner ("LP")
<b>Report Date</b>	September 12, 2024
<b>Expected Funding Date</b>	Late-2024 thru 2037
<b>APERS Commitment &amp; Reason for Entry</b>	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.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<p><u>Management Fee:</u> Based on a \$50 million commitment, the fund charges a management fee of 1.50%</p> <p><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</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The fund is a "closed end fund" and the investment period could last until the year 2033-2037
<b>Investment Strategy</b>	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
<b>Management Team</b>	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).
<b>Historical Performance</b>	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.