



December 6, 2024

Senator Terry Rice
Representative Jeff Wardlaw
Arkansas Legislative Council
State Capitol, Room 315
Little Rock, AR 72201

Re: Submission of Investments for Review Under Act 1211 of 2009 (A.C.A. §19-11-1302)
Investments: Long Wharf Real Estate Partners VII, L.P.
Riverside Value Fund II, L.P.
NovaCap International Technologies VII, L.P.
Revelstoke Capital Partners Fund IV, L.P.
Peak Rock Capital Fund IV, L.P.

Dear Senator Rice and Representative Wardlaw:

By means of the enclosed Investment Summaries, Arkansas Teacher Retirement System (ATRS) is submitting five 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 (Board) recently approved an investment of up to \$50 million to be made in Long Wharf Real Estate Partners VII, L.P., a closed-end, value added fund that will primarily focus on domestic real estate investments. This investment was recommended by Aon Hewitt Investment Consulting, real assets consultants for ATRS, and ATRS staff concurs with the recommendation.

In addition, an investment of up to \$35 million in Riverside Value Fund II, L.P. was authorized by the Board. This fund will make control investments in underperforming small and lower middle market companies in the U.S. Franklin Park Associates, private equity consultants for ATRS recommended the investment, and ATRS staff concurs.

Also approved was a commitment of up to \$35 million in NovaCap International Technologies VII, L.P., a fund that will make buyout investments in middle market technology, media and telecommunications companies, primarily in Canada and the U.S. Franklin Park Associates recommended this investment as well, and ATRS staff concurs.

A commitment of up to \$35 million in Revelstoke Capital Partners Fund IV, L.P. was also authorized by the Board. This fund will make control or significant minority investments in healthcare and related business services companies in the small and lower middle market. Again, Franklin Park recommended the investment, and ATRS staff concurs.

Senator Rice
Representative Wardlaw
December 6, 2024
Page Two

Another recommendation by Franklin Park was approved for a commitment of up to \$35 million to be made in Peak Rock Capital Fund IV, L.P., a fund that will make control-oriented investments in undermanaged or underperforming mid-sized companies within the consumer, technology, healthcare and industrial sectors. ATRS staff concurs with this recommendation as well.

The ATRS Board approved each of the investments described above at its regular quarterly meeting on December 2, 2024 and anticipates closing dates from late December through February. A summary of each investment including key terms and investment strategy is enclosed for review by ALC. If any additional information is needed, please feel free to contact me on my direct line at 501-621-8853 or by email at: markw@atrs.gov

Respectfully,

A handwritten signature in blue ink that reads "Mark White". The signature is fluid and cursive, with the first name "Mark" being more prominent than the last name "White".

Mark White
Executive Director

MW:lw
enclosures

Arkansas Teacher Retirement System
Real Estate Investment
Executive Summary

Investment	Long Wharf Real Estate Partners VII, L.P.
Managing Party	Long Wharf Capital, LLC
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	December 2024
Expected Closing Date	December 2024
ATRS Commitment & Reason for Entry	The up to \$50 million investment is to help achieve the 15% target allocation to Real Assets. The fund was recommended by the ATRS real assets consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: 1.50% of committed capital during the investment period, and 1.50% of invested capital thereafter.</p> <p><u>Carried Interest</u>: 20% of profits after limited partners receive a 9% IRR preferred return.</p>
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to germinate, mature and harvest the value added real estate equity investments. The fund is a closed-end variety with an eight-year term (anticipated maturity in 2032) with two one-year extensions.
Investment Strategy	Long Wharf Real Estate Partners VII ("Fund VII" or "The Fund") is a closed-end, value added fund focused on domestic real estate investing. The strategy will be to pursue a diversified portfolio of properties with a focus on acquiring assets at significant discounts to peak values with positive fundamental trends that offer the opportunity to increase returns through the execution of a value added strategy. The Fund will target a 12-15% net IRR.
Management Team	The investment team is led by Michael Elizondo who has forty-one years of real estate industry experience of which twenty-three years have been affiliated with the firm or its predecessor organization. The team is comprised of nineteen investment professionals of which seven are considered senior members.
Historical Performance	Long Wharf's previous six funds have averaged a 7.87% net IRR.

**Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary**

Investment	Riverside Value Fund II, L.P. (the "Fund")
Managing Party	RVF II Associates, L.P. (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	December 2024
Expected Closing Date	ATRS is expected to close in the first quarter of 2025.
ATRS Commitment & Reason for Entry	The investment of up to \$35 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	The General Partner did not use a placement agent.
Key Terms	<p><u>Management Fee</u>: The Fund will charge an annual management fee of 2.0% of capital commitments during the six-year investment period, and 2.0% of net invested capital after the investment period.</p> <p><u>Carried Interest</u>: After the limited partners receive contributed capital for realized investments, a portion of partnership expenses, and an 8% preferred return on those amounts, the General Partner will be entitled to 20% of the Fund's profits.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2035) plus three one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund is being formed to acquire underperforming companies in the U.S. The investment team will target control investments in businesses with revenue of \$60 to \$300 million that are facing fixable operational or financial challenges.
Management Team	The General Partner is a subsidiary of The Riverside Companies, a global private equity firm founded in 1988. The firm has \$12 billion under management and employs over 350 professionals. The Value Fund team is based in New York and is led by Ron Sansom, Sean Ozbolt, Andy Fohrer and Craig Kahler(principals).
Historical Performance	The current team has performed well generating a net return of 1.7X cost and 73.8% IRR for its previous fund. Historical returns are not indicative of future performance.

**Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary**

Investment	NovaCap International Technologies VII, L.P. (the "Fund")
Managing Party	NovaCap Management Inc., L.P. ("NovaCap" or the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	December 2024
Expected Closing Date	ATRS is expected to close in the first quarter of 2025.
ATRS Commitment & Reason for Entry	The investment of up to \$35 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	The General Partner did not use a placement agent.
Key Terms	<p><u>Management Fee</u>: The Fund will charge an annual management fee of 2.0% of capital commitments during the investment period, and 2.0% of net invested capital after the investment period.</p> <p><u>Carried Interest</u>: After the limited partners receive contributed capital for realized investments, a portion of partnership expenses, and an 8% preferred return on those amounts, the General Partner will be entitled to 20% of the Fund's profits.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2035) plus three one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund is being formed to make control buyout investments in middle market technology, media and telecommunications platform companies based in North America. The investment team will seek companies with a broad and diversified customer base with revenues of \$50 to \$500 million.
Management Team	The General Partner is the technology, media and telecommunications affiliate of NovaCap, a large Canadian private equity firm founded in 1981. The technology group is led by eight principals including Pascal Tremblay, managing partner who is also president of NovaCap.
Historical Performance	The two most recent technology funds have generated an aggregate net return of more than 1.5X cost and 20% IRR. Historical returns are not indicative of future performance.

**Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary**

Investment	Revelstoke Capital Partners Fund IV, L.P. (the "Fund")
Managing Party	Revelstoke Capital Partners (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	December 2024
Expected Closing Date	ATRS is expected to close in the first quarter of 2025.
ATRS Commitment & Reason for Entry	The investment of up to \$35 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	The General Partner retained Houlihan Lokey, Atlantic Pacific Capital, Old City Securities and Imperial Capital for fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of capital commitments during the five-year investment period. Thereafter, management fees will equal 2.0% of net invested capital.</p> <p><u>Carried Interest</u>: The general Partner will be entitled to receive 20% of the fund's profits after the limited partners have received their capital contributions with respect to realized portfolio investments, write-downs, expenses plus an 8% preferred return.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2035) plus three one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund is being formed to make buyout and significant minority investments in small and lower middle market companies in the healthcare and related business services sector sectors in the U.S.
Management Team	Revelstoke Capital Partners was founded in 2013 by Mark King, Dale Meyer and Simon Bachleda who previously worked together at KRG Capital. Today, the General Partner is led by Mr. Bachleda, Russell Cassella, Eric Shuey, Andrew Welch, Anthony Hayes and Matthew Dubbioso (principals). The principals are supported by mid-level and junior investment professionals, investor relations, finance and administrative staff as well as a portfolio transformation group.
Historical Performance	In its first two funds, the General Partner generated an aggregate net IRR of over 17%. Fund III is still young and is valued near cost. Historical returns are not indicative of future performance.

Arkansas Teacher Retirement System Private Equity Investment Executive Summary

Investment	Peak Rock Capital Fund IV, L.P. (the "Fund")
Managing Party	Peak Rock Capital (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	December 2024
Expected Closing Date	ATRS is expected to close in the first quarter of 2025.
ATRS Commitment & Reason for Entry	The investment of up to \$35 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	The General Partner retained Park Hill for fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of capital commitments during the investment period. Thereafter, management fees will equal 2.0% of net invested capital.</p> <p><u>Carried Interest</u>: The general Partner will be entitled to receive 20% of the fund's profits after the limited partners have received their capital contributions, and 25% after a net IRR of 20% is achieved.</p>
Justification of Investment Term & Anticipated Termination Date	The term is eleven years (anticipated termination in 2036) plus two one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund will make control-oriented investments in undermanaged or underperforming mid-sized companies with revenues of \$50-\$500 million in the consumer, technology, healthcare and industrial sectors.
Management Team	Peak Rock was formed in 2012 by Anthony DiSimone, Steve Martinez, Peter Liebman and Tiffany Kosch who formerly worked as part of Aurora Resurgence and H.I.G. Capital. The firm currently manages funds focused on control equity, private credit and real estate strategies. The private equity team is overseen by Mssrs. DiSimone and Martinez and led by seven senior professionals.
Historical Performance	In each of its last two funds, the General Partner generated a cost multiple of over 1.5X and net IRR in excess of 26%. Historical returns are not indicative of future performance.