



April 25, 2025

Senator Ben Gilmore
Representative Les D. Eaves
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: Ares Industrial Real Estate Fund, LP
Carlyle Property Investors, LP
Axinfra NA II, LP
KKR Diversified Core Infrastructure Fund, LP

Dear Senator Gilmore and Representative Eaves:

By means of the enclosed Investment Summaries, Arkansas Teacher Retirement System (ATRS) is submitting four 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 \$100 million to be made in Ares Industrial Real Estate Fund, LP, an open-end fund that will target investments in primary and secondary industrial distribution centers throughout the U.S. 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 \$100 million in Carlyle Property Investors, LP was authorized by the Board. This is an open-end fund that will invest in demographic-based demand sectors and assets that have the potential to become core properties. Aon Hewitt Investment Consulting also recommended this investment, and ATRS staff concurs.

Also approved was an additional commitment of up to \$50 million in AxInfra NA II, LP, an open-end fund that will focus on acquiring core infrastructure assets with an ability to invest in late-stage greenfield projects in the U.S. and Canada. Aon Hewitt Investment Consulting recommended this investment as well, and ATRS staff concurs.

Senator Gilmore
Representative Eaves
April 25, 2025
Page Two

Another recommendation by Aon Hewitt was approved for an additional commitment of up to \$50 million to be made in KKR Diversified Core Infrastructure Fund, LP. This is also an open-end fund that will pursue core infrastructure investments with a buy-and-hold approach in North America, Western Europe and Asia. ATRS staff concurs with this recommendation as well.

The ATRS Board approved each of the investments described above at its regular quarterly meeting on April 7, 2025 and anticipates closing dates from late June through July. 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@arts.gov

Respectfully,



Mark White
Executive Director

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

Investment	Ares Industrial Real Estate Fund, LP (AIREF)
Managing Party	Ares Industrial Real Estate Fund GP, LLC
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	April 2025
Expected Closing Date	June 2025
ATRS Commitment & Reason for Entry	The up to \$100 million investment is to help achieve the 15% target allocation to Real Assets. The fund was recommended by the ATRS Real Assets consultant, Aon Hewitt Investment Consulting.
Placement Agent	Park Madison Partners was utilized by the GP as a placement agent. ATRS paid no placement fees.
Key Terms	<u>Management Fee</u> : 65 basis points (.65%) of Net Asset Value
Justification of Investment Duration Term & Anticipated Termination Date	The fund is an open-end structure with no end date. Redemptions are quarterly with a ninety day notice after a three-year lock up period. Redemptions are subject to certain conditions designed to protect the limited partners.
Investment Strategy	AIREF is an open-end U.S. industrial real estate fund aiming to outperform the NPI Industrial index by 50-100 basis points over market cycles. It invests throughout the U.S. with a focus on major national distribution markets but will consider secondary distribution markets. The fund is permitted to invest in non-core properties up to 50% of the fund's gross asset value.
Management Team	Ares Management is a public company traded on the New York Stock Exchange. It has over thirty offices across the globe and manages approximately \$464 billion in AUM including nearly \$54 billion of real estate as of September 30, 2024. In July 2021, ARES acquired the real estate advisory and distribution business of Black Creek Group. Tom McGonagle, formerly with Black Creek is the senior portfolio manager for AIREF and has run the portfolio since the Black Creek acquisition. David Fazekas, the former Co-CIO of Black Creek also remains with the platform.

**Historical
Performance**

AIREF has generated a net return of 14.36% IRR since its inception in 2017. Historical returns are not indicative of future performance.

Arkansas Teacher Retirement System
Real Asset Investment
Executive Summary

Investment	Carlyle Property Investors, LP (CPI)
Managing Party	Carlyle Property Investors GP, LLC
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	April 2025
Expected Closing Date	June 2025
ATRS Commitment & Reason for Entry	The up to \$100 million investment is to help achieve the 15% target allocation to Real Assets. The fund was recommended by the ATRS Real Assets consultant, Aon Hewitt Investment Consulting.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u> : 90 basis points (.90%) based on NAV of funded capital. <u>Carried Interest</u> : 10% of profits after LP's receive a 7% IRR preferred return.
Justification of Investment Duration Term & Anticipated Termination Date	The fund is an open-end structure with no end date. Redemptions are quarterly with a 90-day notice subject to certain conditions designed to protect the limited partners.
Investment Strategy	CPI presents a different opportunity from the peer set as the fund is tailored towards demographic-driven demand sectors (manufactured housing, senior housing, data centers, single family rentals, industrial and self-storage). CPI invests in assets that have the potential to become core properties through minor repositioning (i.e., moderate capital expenditures, leasing upside, and/or operating improvements). CPI does not intend to engage in development activities but retains the option to allocate up to 10% of the Fund to development deals.
Management Team	The Carlyle Group is a global alternative investment manager founded in 1987 by William Conway Jr., Daniel D'Aniello and David Rubinstein. The depth and quality of the US Real Estate team at Carlyle are advantages relative to similar platforms. Carlyle's thirty managing directors have an average of approximately 25 years of experience in real estate. Robert Stuckey has led the team since 1998 and the senior leadership team (managing directors) has an average tenure at Carlyle of approximately 16 years.

**Historical
Performance**

CPI has generated a 10.4% net IRR since the fund's inception in 2016.
Historical returns are not indicative of future performance.

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

Investment	AxInfra NA II, LP (Axiom)
Managing Party	Axiom NA II Partner, LLC
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	April 2025
Expected Closing Date	June 2025
ATRS Commitment & Reason for Entry	The up to \$50 million additional investment is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, Aon Hewitt Investment Consulting.
Placement Agent	None
Key Terms	<u>Management Fee</u> : 111 bps (1.11%) on invested capital.
Justification of Investment Duration Term & Anticipated Termination Date	The fund is an open-end variety and has a perpetual life. The fund has a quarterly redemption option subject to available capital.
Investment Strategy	Axiom Infrastructure focuses on core middle-market assets both in operating and late-stage greenfield development opportunities. The fund seeks assets supported by robust market demand that are under long-term contract with creditworthy counterparties and are within concession-based structures or are protected under an established regulated framework. Axiom Infrastructure invests in both joint or majority control situations.
Management Team	Axiom Infrastructure's investment team is led by Pierre Anctil, Stephane Mailhot, Juan Caceres and Thierry Vandal and includes nineteen investment professionals and ten asset management professionals. In addition, the Firm employs twenty-eight other members in support functions (finance, compliance, investor relations and legal). The firm's offices are located in Montreal, Toronto, and New York.
Historical Performance	ATRS initially invested \$50 million in AxInfra NA II LP in 2020 and the fund has generated a net IRR of 9.5% since its inception in 2012. Historical returns are not indicative of future performance.

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

Investment	KKR Diversified Core Infrastructure Fund, LP (DCIF)
Managing Party	KKR Associates Diversified Core Infrastructure, SCSp
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	April 2025
Expected Closing Date	June 2025
ATRS Commitment & Reason for Entry	The additional investment of up to \$50 million in core infrastructure is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, Aon Hewitt Investment Consulting.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u> : 57.5 bps (.575%) based on net asset value.
Justification of Investment Duration Term & Anticipated Termination Date	DCIF is an open-end fund and has a perpetual life. The fund has a quarterly redemption option subject to available capital.
Investment Strategy	DCIF will seek to pursue core infrastructure investments with a buy-and-hold approach and a particular focus on investments with contracted and/or regulated cash flows from existing projects, assets and businesses located in OECD (Organization for Economic Cooperation and Development) countries in North America, Western Europe and Asia.
Management Team	Led by Raj Agrawal (global head of infrastructure) and Tara Davies (co-head of European infrastructure), the KKR infrastructure team is comprised of eighty-eight dedicated investment professionals across various offices in North America, Europe and Asia.
Historical Performance	This recommendation amount is in addition to the initial ATRS investment of \$50 million in the fund in 2021 and subsequent investment of \$25 million in 2022. The fund has generated a net return of 7.61% IRR since its inception in 2020. Historical returns are not indicative of future performance.