

Current Financial Status of ATRS

August 22, 2012

The 2011-2012 fiscal year was a difficult year in the markets. Soon after July 1, 2011, the markets hit a difficult time due to political gridlock in Washington. When Congress signaled to the world and investors that the United States debt was subject to default and default appeared likely, the markets reacted in a very negative way in the United States and throughout the world. For instance, on August 4, 2011, on a day when Congress was still signaling that it would not pass legislation to pay the just debts of the United States, the Dow Jones Industrial Average dropped 512 points on that day alone. Volatility entered the markets and stayed in the markets throughout much of the rest of 2011. As the markets improved, Europe and its sovereign debt crisis was the next difficulty in the global markets. The bottom line is that ATRS did not make its 8% return and ended the fiscal year with a slightly negative return for the fiscal year. I estimate the final result to be about a -2%.

However, the current fiscal year is already much brighter in that the quick analysis done this week by ATRS staff shows that ATRS is already up about 2.5% in value since July 1, 2012. The current value of the ATRS trust fund is right at \$11.6 billion dollars based upon ATRS staff estimates.

The ATRS Board continues to carefully invest assets to develop a well-diversified and quality investment portfolio. ATRS has increased its farmland allocation across the United States to \$100 million dollars. ATRS currently owns farmland in Arkansas, Indiana, Wisconsin, and Idaho. The ATRS farmland manager is currently evaluating opportunities throughout the United States that meet the investment return profile required by ATRS.

The national timberland holdings of ATRS include 292,360 acres and is worth over \$430 million dollars. ATRS owns over 100 square miles of timberland in Arkansas and its timberland holdings are well positioned to greatly increase in value once the housing market heats up again due to its quality holdings in strategic locations.

The private equity holdings of ATRS are now worth over \$1 billion dollars. The ATRS private equity program involves ATRS and other institutional investors hiring private equity managers to find opportunities in acquiring private companies throughout the United States, improving the operations cash flow, and ultimately selling the improved companies for a strong return. ATRS has a very carefully modeled and paced program

to develop quality returns over time in its private equity program. The private equity program is doing well and its values continue to increase.

The ATRS real estate portfolio has also crossed the \$1 billion dollar value. Not only does ATRS have direct real estate holdings in Arkansas related properties, but ATRS invests in real estate funds that buy real estate and ultimately builds, develops or improves those real estate holdings for ultimate sale for strong returns for ATRS. The real estate portfolio is also well positioned to do well as the United States and the world comes out of the economic downturn that began in 2008 and continues to slowly improve.