



AREF FutureGen Educational Series 2021
Event 2: Investment Selection and Initial Deployment of Capital

Thursday 24th June 2021



Sponsored by
CAREY OLSEN



Welcome

Laura Sweet, Assistant Fund Manager at Mayfair Capital
& Member of the FutureGen Committee



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Moderator Welcome

Thomas MacAdie, Senior Associate at
Carey Olsen, Jersey



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Agenda for today

- 10.15 Webinar start
- 10.15 Welcome and housekeeping - [Laura Sweet, Mayfair Capital](#)
Introduction - [Thomas MacAdie, Carey Olsen](#)
- 10.20 Investment Selection and Initial Deployment of Capital
Presentation from [David Dix at The Townsend Group](#)
Moderated by [Myles Grover at The Townsend Group](#)
- 10.50 Member discussion / Q&A with speakers
- 11.00 Close

Speakers



David Dix
Partner
The Townsend Group



Myles Grover
Vice President
The Townsend Group



THE TOWNSEND GROUP

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THE TOWNSEND GROUP

PLATFORM OVERVIEW

GLOBAL MULTI-MANAGER INVESTMENT PLATFORM FOCUSED EXCLUSIVELY ON REAL ASSETS

- Founded in 1983
- 120 professionals across six offices in the U.S., Europe and APAC
- Invested or committed \$179 billion of client capital into real assets since 2004
- Advised assets of \$130.9 billion across 46 mandates
- Assets under management of \$18.7 billion across 54 mandates

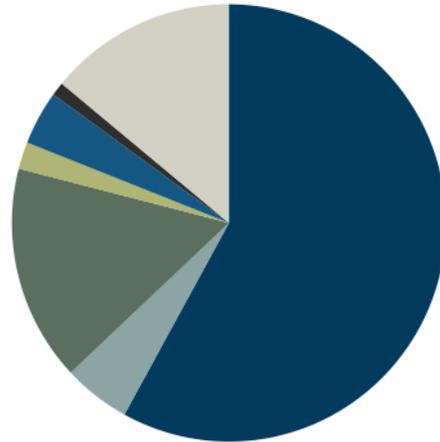
	INVESTMENT MANAGEMENT SOLUTIONS			ADVISORY SOLUTIONS
	Separately Managed Accounts (Global Diversified)	TREA Strategy (Global Non-Core)	Core-Plus Strategy (U.S. Core)	
Inception	1996	2007	2010	1986
Strategy	Custom	Global Non-Core	U.S. Core-Plus	Custom
AUM / AUA	\$12.0B ³	\$4.4B ²	\$656.1 MM ²	\$130.9B
S.I. Net Return	NA	11.5% ¹	11.8% ⁴	NA
# Mandates	42	11	1*	46

THE TOWNSEND GROUP PLATFORM OVERVIEW

ACTIVE MANAGEMENT OF THE GLOBAL UNIVERSE. CUSTOMIZED SOLUTIONS

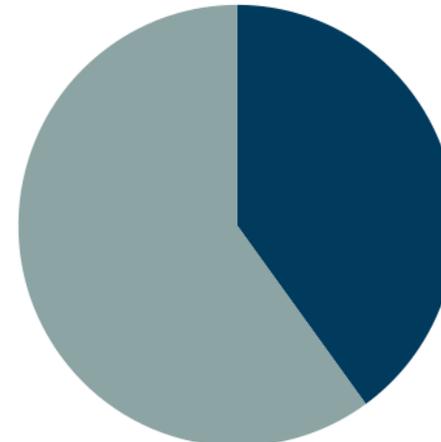
- \$12.0 billion of globally managed real estate and real asset programmes
- 45 managed programmes, 6 investor domiciles
- Primary funds, secondary interests, joint ventures, co-investments and clubs

INVESTMENT BY REGION



- Developed Americas, 58%
- Developed Asia, 5%
- Developed Europe, 16%
- Emerging Americas, 2%
- Emerging Asia, 4%
- Emerging Europe, 1%
- Global, 14%

INVESTMENT BY STRATEGY



- Core, 40%
- Non-Core, 60%



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CONTENTS

1.
Portfolio
construction

2.
Identifying
opportunities

3.
Sponsor
screening

4.
Underwriting

5.
Fund terms

6.
Liquidity

7.
Investing

PORTFOLIO CONSTRUCTION

Key Question

What's going to achieve our client's objective?

Objective of allocation; where does it fit in the portfolio?

Return objectives

Risk appetite

Investment horizon

Investment guidelines

- Sectors
- Geographies
- Exposure types: debt, equity, hybrid
- Leverage
- ESG
- Tenant type
- Concentration risk: country, sponsor

IDENTIFYING OPPORTUNITIES

Key Question What products fit our target portfolio?



Broad Options

- Core, core+, value add, or opportunistic
- Diversified or sector specialists
- Regional or global
- Open ended or closed ended
- Funds, “Clubs”, JVs, or Co-Invests

Considerations

- Investment Guidelines
- Management capacity (internal vs external)
- Qualitative factors

SPONSOR SCREENING

Key Question Would I give these people my money?

WHAT DO YOU NEED TO KNOW?

Platform Breadth, Depth & Expertise

- Background
- Business model
- Ownership
- Resources
- Expertise

Track Record (Quantitative)

- Previous funds
- Previous SMAs
- Property level performance
- Investment level performance

Other Considerations

- Financial risk management
- Fiduciary mindset
- Investor services: *reporting, ad-hoc support*

HOW / WHERE DO YOU FIND OUT?

- Questionnaires: *INREV, others*
- Marketing collateral
- Management meetings
- “Triangulation”: *Independent enquiry*

Key Question

Would I give these people my money... for this?

PRE-INVESTMENT COMMITTEE			POST IC
WHAT DO YOU NEED TO KNOW?	Investment Underwrite <ul style="list-style-type: none"> • Model cash flows, assess risk, project return • Assess financing: <i>equity, debt</i> • Execution capacity: <i>sourcing, managing and completing</i> 	Business plan execution <ul style="list-style-type: none"> • Ability to plan and undertake capex, refurbishment, repositioning • Ability to asset manage: <i>property level, portfolio level</i> • Disposal (where part of business plan) 	Investment Level Fund management <ul style="list-style-type: none"> • Financial risk management • Fiduciary mindset • Investor services: reporting, ad-hoc support
	WHAT? <p>Legal and tax</p> <ul style="list-style-type: none"> • Efficiency of structure <p>Client specific considerations</p> <ul style="list-style-type: none"> • Reporting • Guidelines • Clarifications 		
HOW / WHERE DO YOU FIND OUT?	<ul style="list-style-type: none"> • Questionnaires: INREV, other • Marketing Collateral • “Triangulation” (Independent enquiry) • Management meetings / “on-site” due diligence • Fund documentation: legal, financial • Asset tours 		
	HOW? <ul style="list-style-type: none"> • Legal Advisors • Tax Advisors 		

Key Question

What, exactly, are we signing up for?

The key, enforceable, elements of the investment

- Structure: *Entity, AIFM, Affiliates*
- Governance: *Management, Key Persons, Investor AC / AB*

- Investment Guidelines
- Investment Period / Fund Term / Extensions
- Financing structure
- Financial risk management
- Liquidity: *during fund term, at exit*

- Fee structure: *base, promote, sharing, clawbacks*
- GP commitment
- Expenses, other costs

- Capital raising / Successor vehicles

READ THE DOCUMENTS...

- Placement Memorandum
- Offering Memorandum
- Limited Partnership Agreement
- Management Agreements
- Other

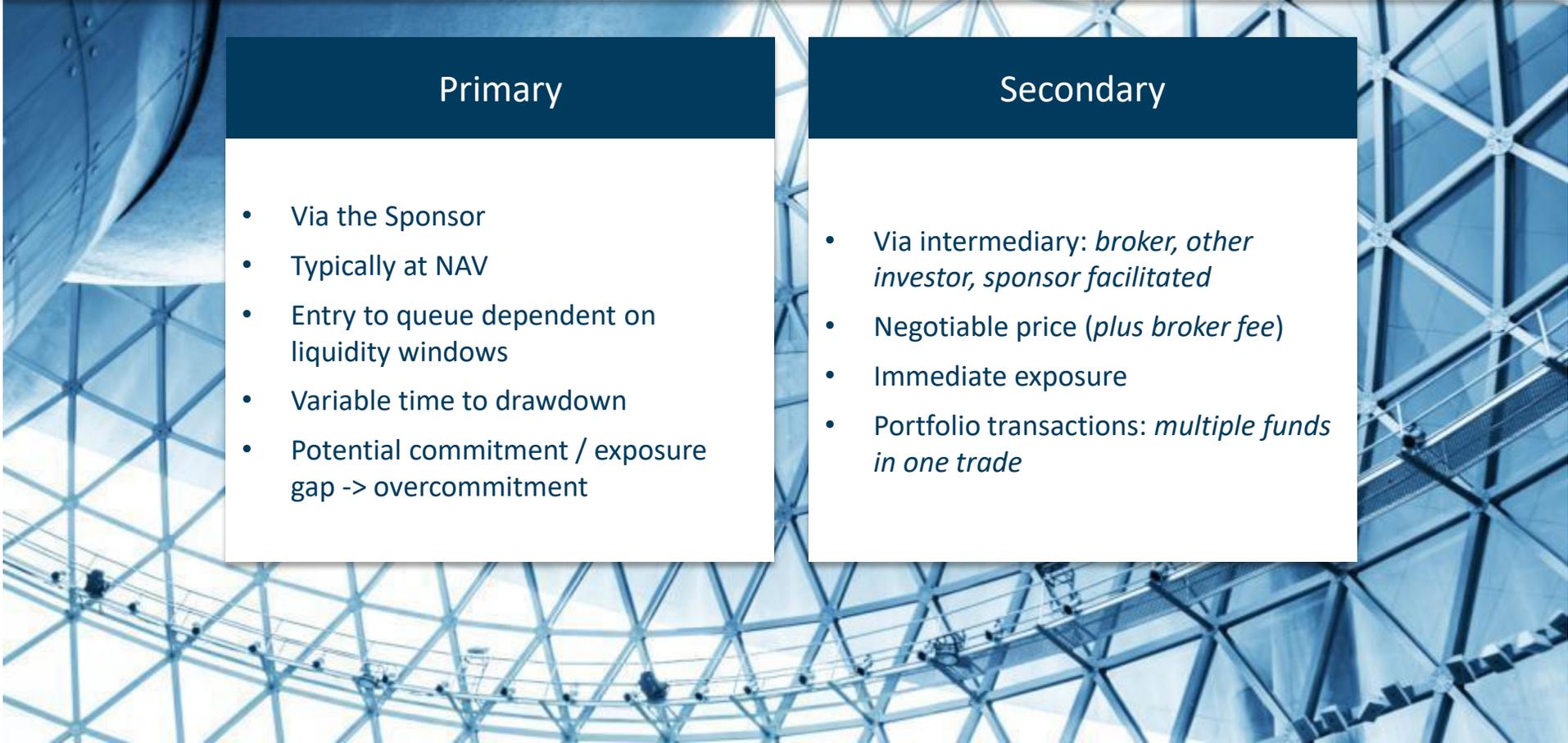
...THEN READ THEM AGAIN

Key Question If we get into this...how do we get out?

Fund structure	Fund term	Liquidity provisions
<ul style="list-style-type: none">• Open-ended• Semi-open-ended• Closed ended	<ul style="list-style-type: none">• Fund term• Extension provisions, terms	<ul style="list-style-type: none">• Lock-in period?• Exit Pricing: bid/offer, @NAV, exit penalties• Gating / “best endeavours”
Secondary market	<ul style="list-style-type: none">• Intermediated sale of ownership shares• Price discovery	
	<ul style="list-style-type: none">• Unlisted investments are inherently illiquid• Liquidity declines as distress increases• Assess impact of illiquidity	

Key Question

We've got the right product, now we need price and the right exposure?



Primary

- Via the Sponsor
- Typically at NAV
- Entry to queue dependent on liquidity windows
- Variable time to drawdown
- Potential commitment / exposure gap -> overcommitment

Secondary

- Via intermediary: *broker, other investor, sponsor facilitated*
- Negotiable price (*plus broker fee*)
- Immediate exposure
- Portfolio transactions: *multiple funds in one trade*

IN SUMMARY

Key Question

How do we (try to) do our job well?

Know your client well

- Investment Guidelines
- Nature & larger objectives

Know the Sponsors well

- Understand the culture
- Get to know the people

Know the Investment well

- Read the documents (and what's not in them!)
- Pay attention to the location of the exit doors

Know the market well

- Real estate is not fungible
- Real estate is inherently illiquid

Know yourself well

- Analysis requires many skills, you might not have them all!



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Q&A Discussion

To ask a question to the speakers:

click the Q&A button at the bottom of your screen



Thank you