

Core and Core-Plus Real Estate Manager Analysis
June 30, 2023

Village of Tequesta General Employees' Retirement Plan



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As presented in this report, although investing in private real estate funds can be beneficial, it is also important to consider the associated risks. Investing in private real estate funds is higher risk, may involve speculation, and is not suitable for all investors. Prospective investors should be aware of the long-term nature of an investment in private real-estate funds. Investments (direct or indirect) in private real estate are typically illiquid. Other general risks and important considerations associated with private real estate funds include, but are not limited to: volatilities in political, market and economic conditions; extensive and frequently changing regulation; downturns in demand; changes to real estate values and property taxes; valuation and appraisal methodologies; interest rates; and environmental issues. The risks outlined herein do not purport to cover all risks or underlying factors associated with investing in private real estate funds. Please refer to the respective offering documents for complete information.

Introduction

Purpose for this Manager Analysis Report:

- This search report reviews potential candidates for an allocation to a core real estate strategy. Based on our research and due diligence of core real estate managers and an evaluation of fit with the existing portfolio, we present the following candidates:

Firm	Fund
American Realty Advisors	ARA Core Property Fund, LP
Harrison Street Real Estate Capital	Harrison Street Core Property Fund
TA Realty	TA Realty Core Property Fund
ASB Capital Management LLC	ASB Allegiance Fund

Strategy Overview

Definition and Characteristics:

- Core real estate strategies focus on the four primary property types: industrial, multifamily, office, and retail. A typical core investment is a high-quality, “class A” asset located in a primary market that is 75% plus leased. Leverage is typically in the 0% to 35% Loan-to-Value (LTV) range. The long-term target return (gross) is in the 6% to 8% range. The primary component of total return is current income.

Role within a Portfolio:

- Real estate provides diversification benefits, typically reduces overall portfolio volatility, generates income and has inflation hedging characteristics. A strategic allocation to a core strategy is typically the primary component of an institutional investor’s real estate portfolio.

Benchmark and Peer Group:

- Performance evaluation is typically done relative to the NCREIF Fund Index – Open End Diversified Core Equity Index (NFI-ODCE). NFI-ODCE is a capitalization-weighted, time-weighted return index with an inception date of December 31, 1977. The index is currently comprised of 26 open-end, core real estate funds.

Defining NFI-ODCE

The NCREIF Fund Index – Open-End Diversified Core Equity (ODCE) is a time-weighted return index with an inception of December 31, 1977. The term Diversified Core Equity typically reflects lower risk investment strategies that utilize low leverage and are generally comprised of equity ownership positions in stable U.S. operating properties that are diversified across regions and property types. The index is currently comprised of 26 funds that meet the criteria for inclusion.

The ODCE Policies and Inclusion Criteria are:

- 95% of fund gross asset value in US markets
- 80% of fund gross assets invested in private equity direct real estate (DRE). To be considered DRE, the property must be submitted to NCREIF
- 75% of DRE is invested in the four primary property types (office, industrial, multifamily, and retail). A look through provision is allowed for private debt investments
- 75% of fund gross asset value invested in properties that are 75% or more leased using DRE gross market value
- 35% maximum leverage
- No more than 60% of DRE in one property type, and must be invested in three of the four primary property types with a 5% minimum in any one of the three types



MANAGER AND FUND COMPARISON

Firm Overview

Firm	RE Business Inception	Ownership	Private Real Estate AUM	Headquarters	Real Estate Professionals
American Realty Advisors	1988	<ul style="list-style-type: none"> 100% employee owned 	\$12.4 billion	Los Angeles, CA	50
Harrison Street Real Estate Capital	2005	<ul style="list-style-type: none"> 75% Colliers International Group and 25% employee owned 	\$55.9 billion	Chicago, IL	136
TA Realty	1982	<ul style="list-style-type: none"> 70% owned by Mitsubishi Estate Co. 30% is founder and employee-owned 	\$18.9 billion	Boston, MA	59
ASB Capital Management	1983	<ul style="list-style-type: none"> 100% owned by the Saul family 	\$6.1 billion	Bethesda, MD	21

Investment Team

Firm	Investment Team	Supporting Investment Professionals
American Realty Advisors	<ul style="list-style-type: none"> President/Executive Managing Director Scott Darling and Assistant Portfolio Manager Austin Maddux 	<ul style="list-style-type: none"> Approximately 24 asset managers, 11 acquisitions, and 1 research
Harrison Street Real Estate Capital	<ul style="list-style-type: none"> Senior Portfolio Manager Joey Lansing, Portfolio Manager Chip George, Assistant Portfolio Manager Colleen McMillin 	<ul style="list-style-type: none"> Approximately 26 asset managers, 25 acquisitions, and 11 research & strategy
TA Realty	<ul style="list-style-type: none"> Portfolio managers Sean Ruhmann and Jacob Maliel 	<ul style="list-style-type: none"> Approximately 17 acquisitions and 17 asset managers
ASB Capital Management	<ul style="list-style-type: none"> President/CEO Robert Bellinger, Managing Director/Chief Investment Officer David Quigley, Managing Director James Darcey, and Portfolio Manager Larry Braithwaite 	<ul style="list-style-type: none"> Approximately 18 professionals are responsible for both acquisitions and asset management, and 1 research

Portfolio Summary Statistics

Fund	Strategy Inception	Fund Size GAV*	Number of Investments	Occupancy Rate	% of Portfolio in Top Ten Properties	Leverage** (Loan-to-Value)
ARA Core Property Fund	2004	\$8.0 billion	88	92.3%	34.1%	<ul style="list-style-type: none"> Target: 15% to 25% Current: 22%
Harrison Street Core Property Fund	2011	\$14.1 billion	401	90.0%	18.2%	<ul style="list-style-type: none"> Target: 22% to 27% Current: 24%
TA Realty Core Property Fund	2018	\$8.1 billion	90	96.0%	25.3%	<ul style="list-style-type: none"> Target: 25% to 35% Current: 23%
ASB Allegiance Fund	1984	\$8.1 billion	83	96.2%	28.9%	<ul style="list-style-type: none"> Target: 15% to 25% Current: 29%

*Gross Asset Value

**Leverage for the NFI-ODCE Index is currently 23.8%

Key Differentiators

Firm	Unique Features	Points to Consider
American Realty Advisors	<ul style="list-style-type: none"> Invest primarily in the four main property types. Focus on middle market assets (\$15 to \$150 million gross asset value) located in major markets and top-tier secondary markets. Team has been migrating toward larger assets. 	<ul style="list-style-type: none"> We expect leverage to generally be near or slightly below the ODCE. We expect minimal exposure to value-add and development.
Harrison Street	<ul style="list-style-type: none"> Invests solely in specialty property types which includes medical office, senior housing, student housing, self-storage, and life science. The common theme of these property types is demand driven by demographic trends and/or social need. 	<ul style="list-style-type: none"> We expect leverage to generally be near or slightly above the ODCE. We expect minimal exposure to value-add and development.
TA Realty	<ul style="list-style-type: none"> Invests in the four main property types with a strategic overweight to multifamily and industrial properties. 	<ul style="list-style-type: none"> We expect leverage to generally be below the targeted range. We expect limited exposure to development and JV partners.
ASB Capital Management	<ul style="list-style-type: none"> Invest in the four main property types and self storage. Focus on larger assets in urban markets with over 70% of the portfolio in assets with a gross asset value over \$100 million. A significant overweight to retail comprised primarily of urban/high street assets. 	<ul style="list-style-type: none"> Leverage has risen. While it was among the lowest among ODCE peers, it is now higher than the other candidates. Consistent exposure to core plus type lease-up opportunities.

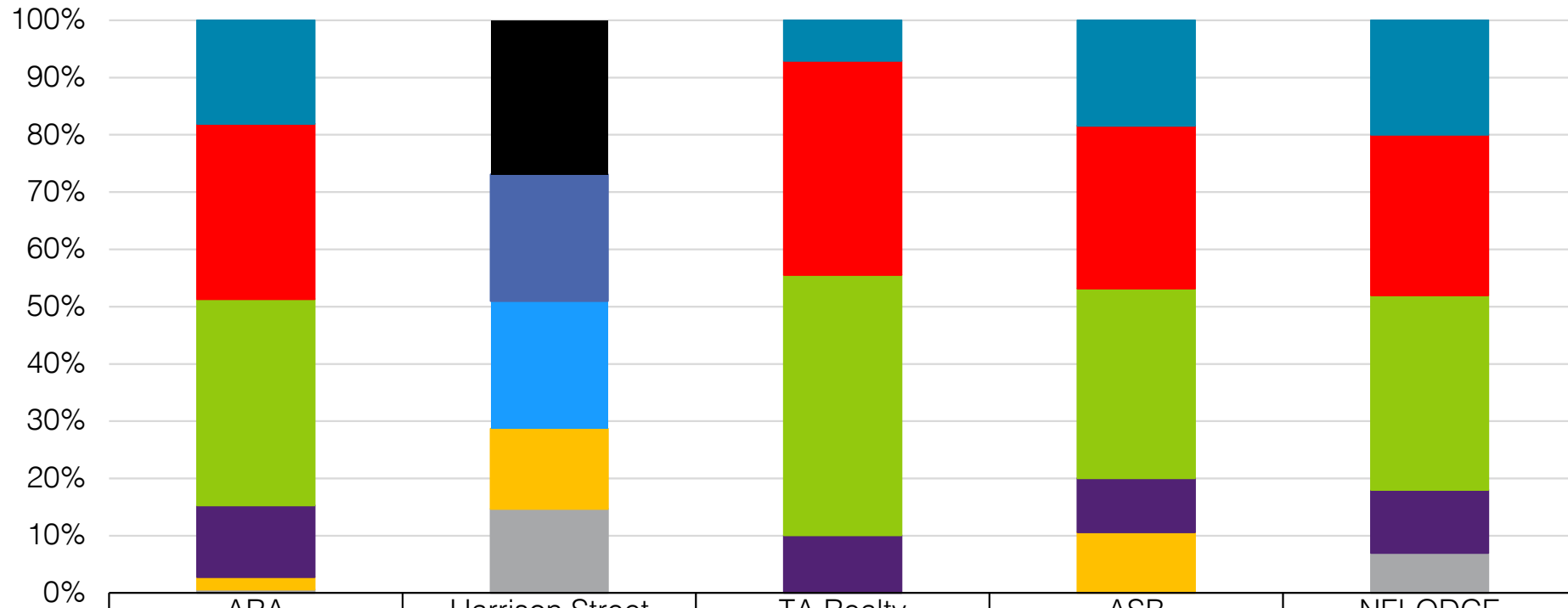
Terms

Fund	Stated Minimum	Contribution Queue	Redemption Terms	Management Fee	Incentive Fee	ERISA Fiduciary
ARA Core Property Fund	\$1 million	None	Quarterly, 10-day notice	<ul style="list-style-type: none"> ▪ 1.10% less than \$25M ▪ 0.95% \$25M to \$75M ▪ 0.85% greater than \$75M 	None	Yes
Harrison Street Core Property Fund	\$10 million (negotiable)	One quarter	Quarterly, 45-day notice	<ul style="list-style-type: none"> ▪ 1.15% first \$25M ▪ 1.05% over \$25M to \$50M ▪ 0.95% over \$50M to \$75M ▪ 0.90% over \$75M to \$100M ▪ 0.85% over \$100M 	None	No
TA Realty Core Property Fund	\$5 million (negotiable)	One quarter	Quarterly, 45-day notice	<ul style="list-style-type: none"> ▪ 1.0% under \$25 million ▪ 0.90% under \$50 million ▪ 0.80% under \$100 million ▪ 0.75% over \$175 million 	None	No
ASB Allegiance Fund	\$1 million (negotiable)	One to two quarters	Quarterly, 30-day notice	<ul style="list-style-type: none"> ▪ 1.25% on the first \$5M ▪ 1.00% on the next \$10M ▪ 0.90% on the next \$60M ▪ 0.75% above \$75M 	None	Yes



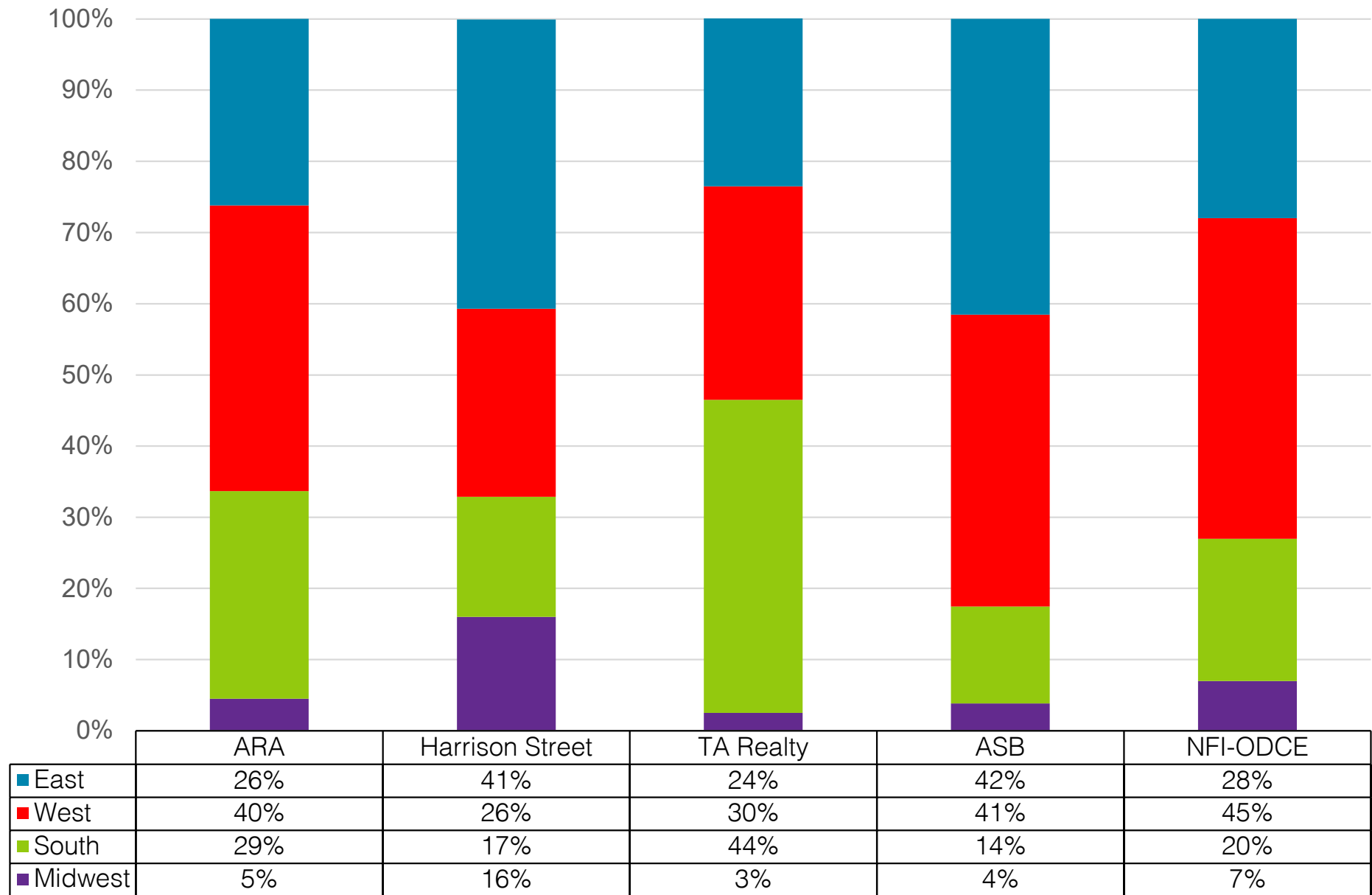
PORTFOLIO OVERVIEW (AS OF Q2 2023)

Property Type Allocation

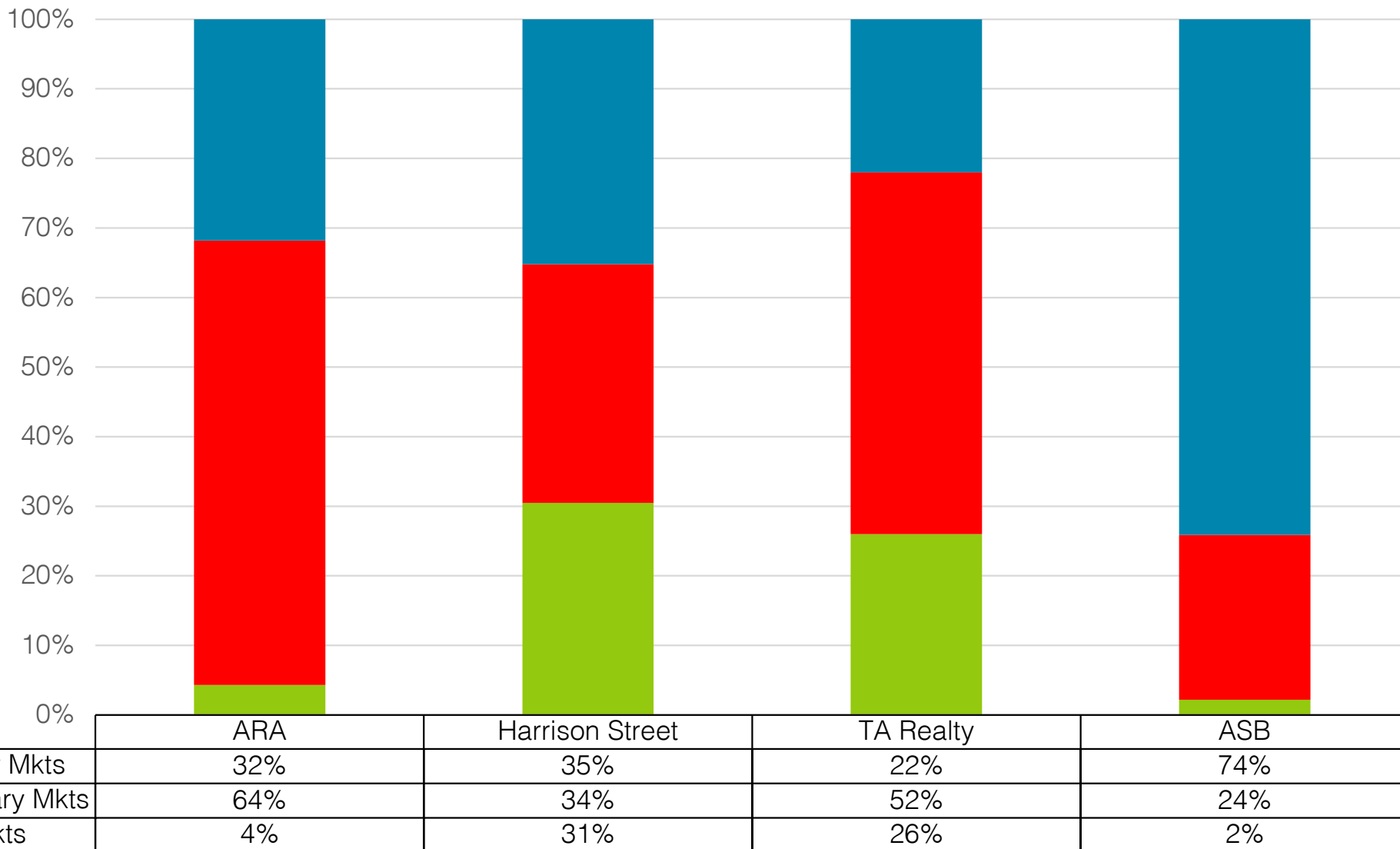


	ARA	Harrison Street	TA Realty	ASB	NFI-ODCE
Office	18%	0%	7%	18%	20%
Multifamily	31%	0%	37%	28%	28%
Industrial	36%	0%	45%	33%	34%
Retail	13%	0%	10%	9%	11%
Medical Office	0%	27%	0%	0%	0%
Student Housing	0%	22%	0%	0%	0%
Senior Housing	0%	22%	0%	0%	0%
Self-Storage	2%	14%	0%	11%	0%
Other	1%	15%	0%	0%	7%

Geographic Allocation



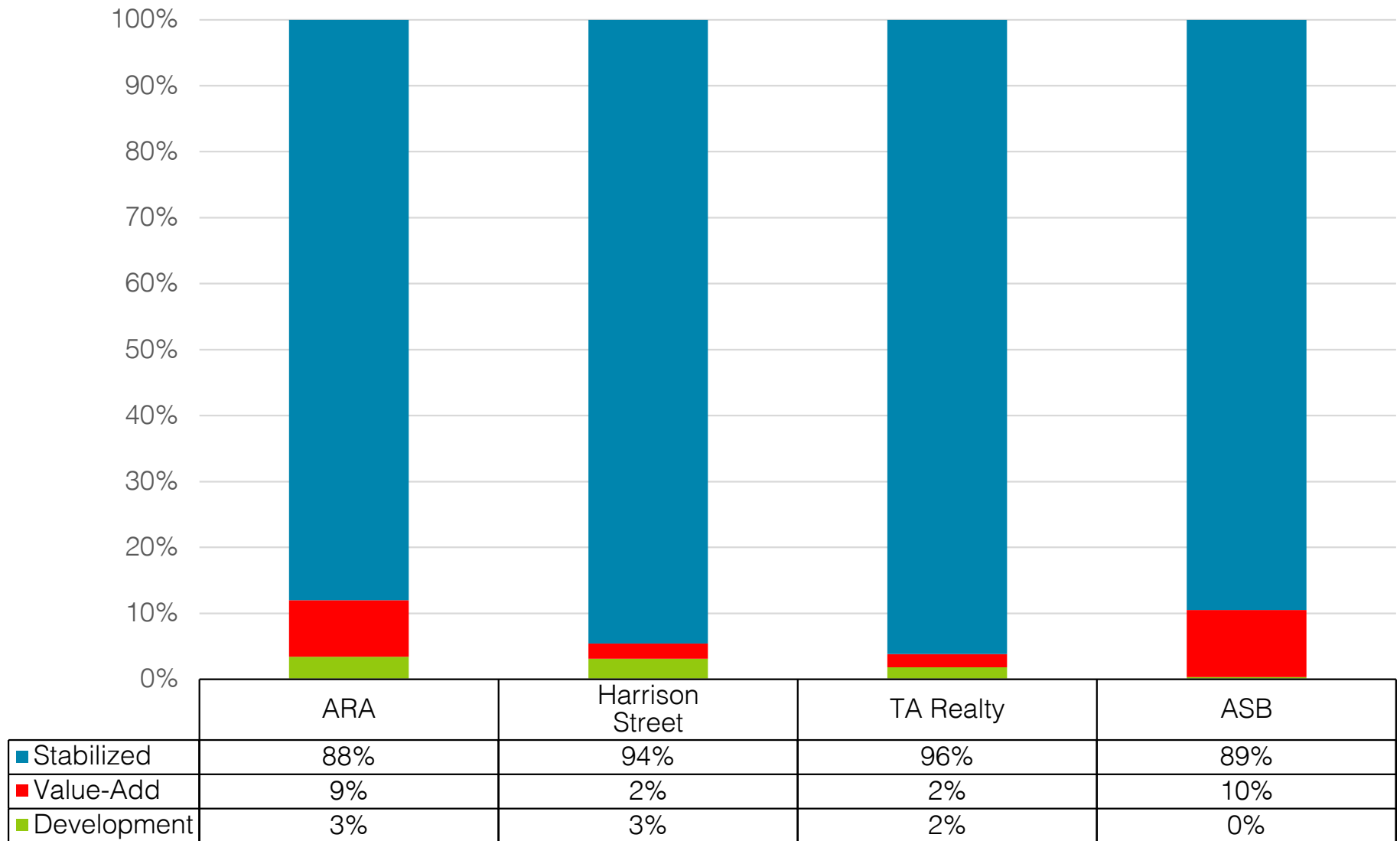
Property Location



Gateway Markets: Boston, Chicago, Los Angeles, New York/New Jersey, San Francisco, and Washington D.C.

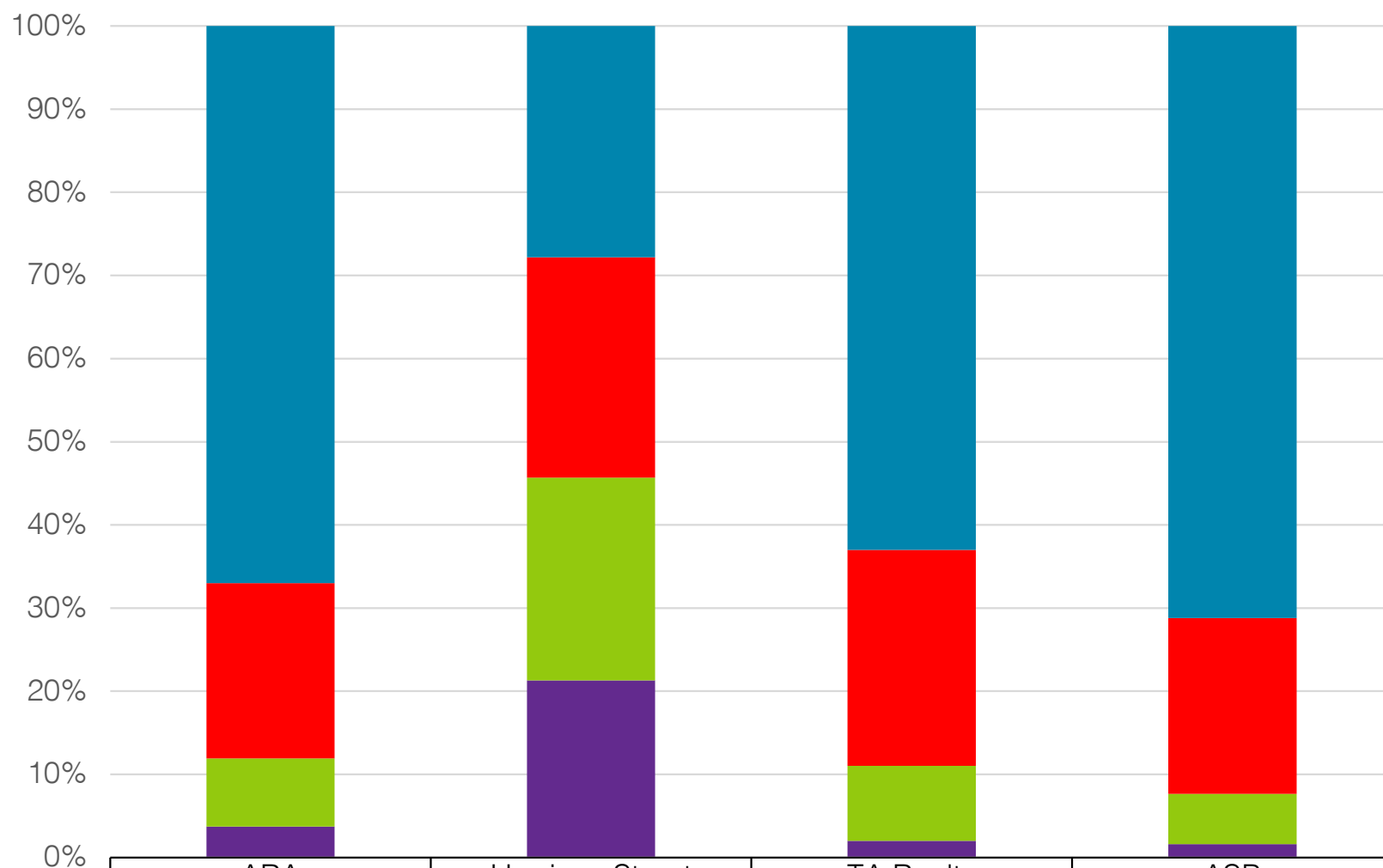
Secondary Markets: Atlanta, Austin, Baltimore, Charlotte, Dallas, Denver, Fort Lauderdale, Houston, Miami, Minneapolis, Oakland, Orange County, Philadelphia, Phoenix, Portland, Riverside, San Diego, San Jose, Seattle, and West Palm Beach

Property Life Cycle



Stabilized: asset that is 75%+ leased Value-add: asset that is <75% leased

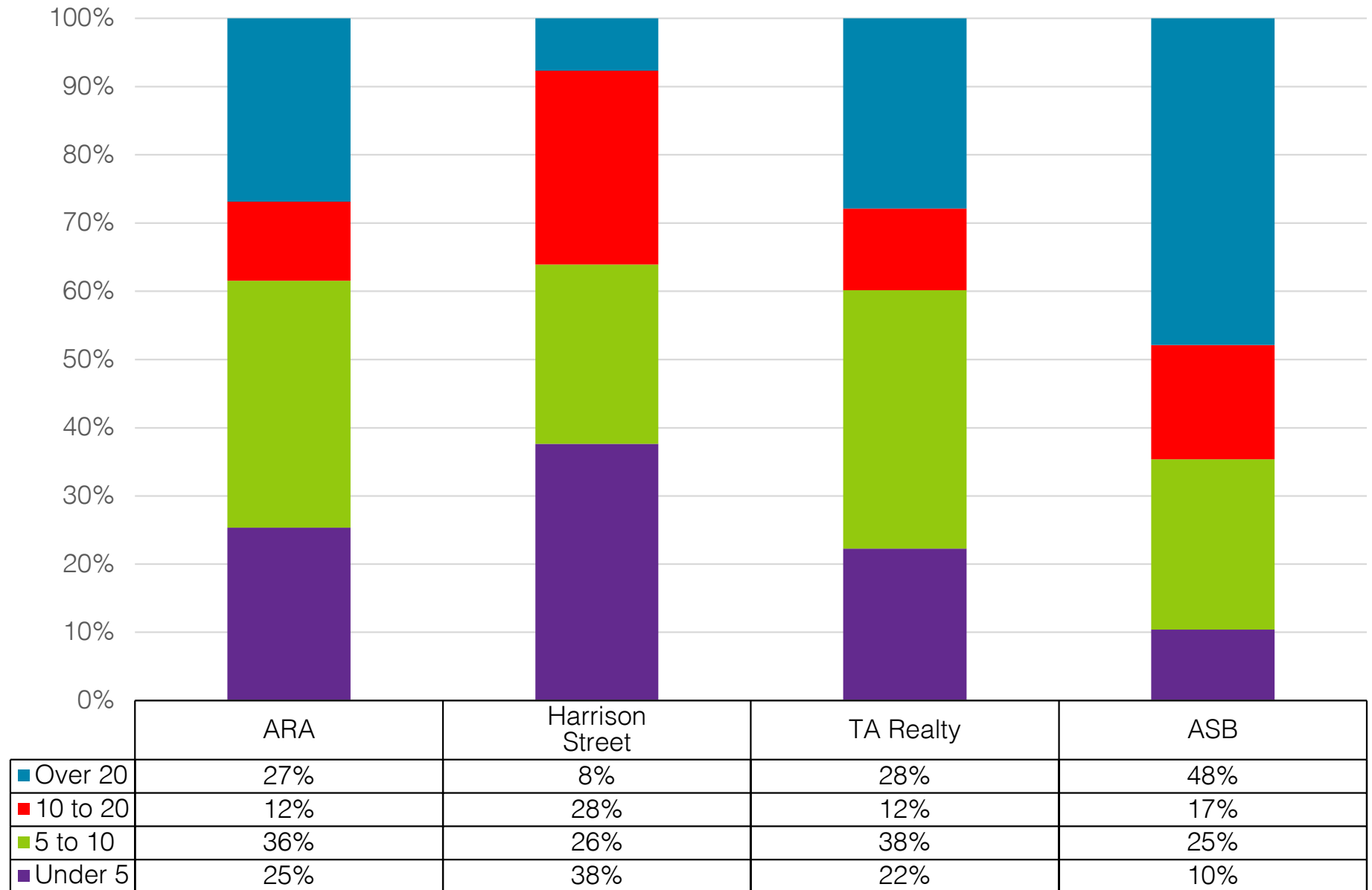
Investment Size Allocation



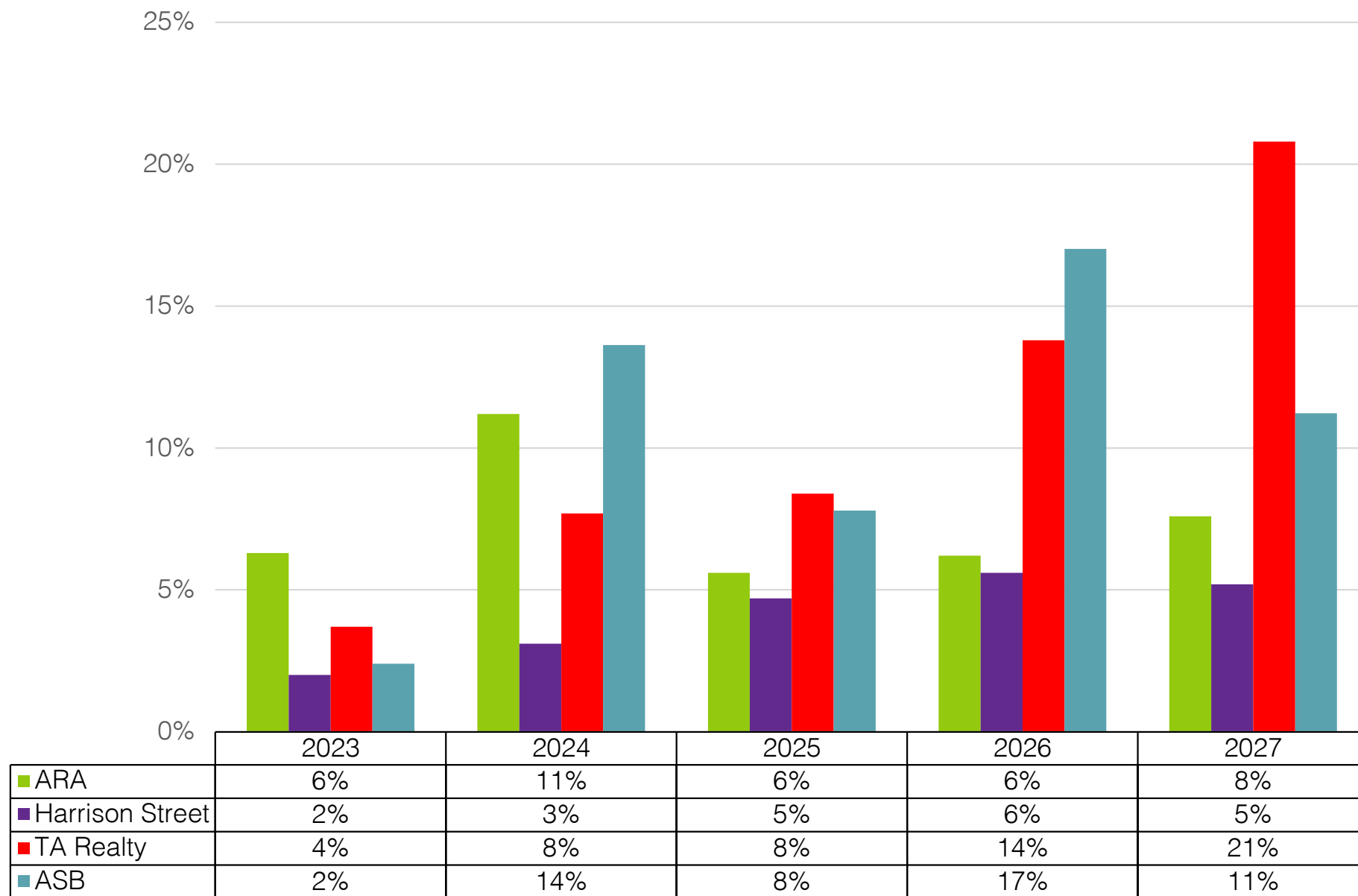
	ARA	Harrison Street	TA Realty	ASB
Over \$100 million	67%	28%	63%	71%
\$50-\$100 million	21%	27%	26%	21%
\$25-\$50 million	8%	24%	9%	6%
Less than \$25 million	4%	21%	2%	2%

*Investment size is represented by Gross Asset Value

Property Age Allocation



Lease Expirations

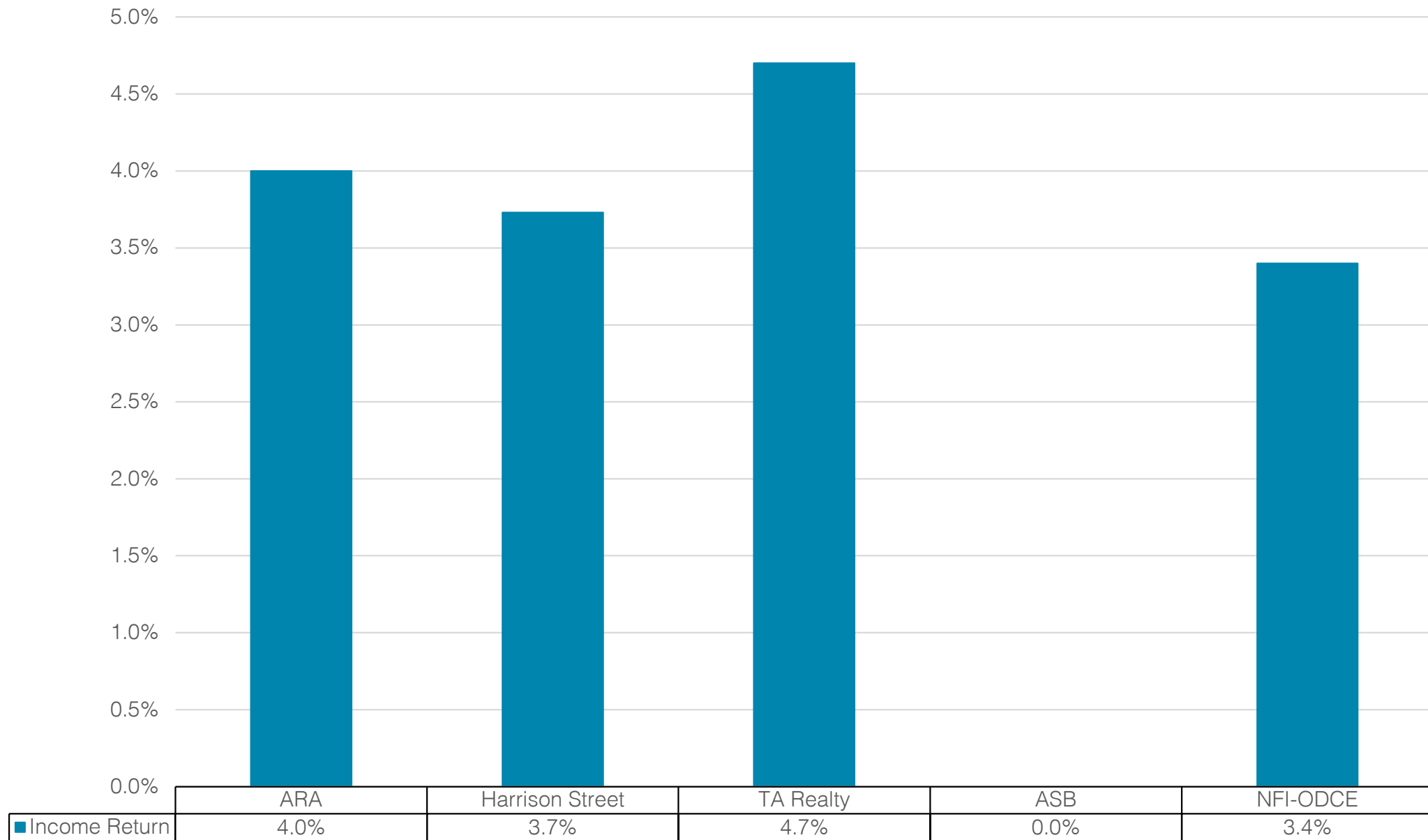


Note: represents lease expirations for office (including medical office), industrial, and retail



QUANTITATIVE REVIEW (AS OF Q2 2023)

Trailing 1-year Income Return



Comparative Performance: Calendar Year

	YTD 2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
ARA Core Property Fund	-5.87	8.28	20.58	0.59	5.27	7.64	7.01	6.05	14.21	10.50	11.25
Harrison Street Core Property Fund	-0.27	10.42	9.93	3.96	6.90	7.22	10.13	9.36	9.61	9.09	9.94
TA Realty Core Property Fund	-1.83	8.99	29.47	5.52	8.43						
ASB Allegiance Real Estate Fund	-11.76	9.76	13.91	1.50	3.32	6.63	3.97	4.60	16.21	12.47	12.67
NCREIF – ODCE (VW)	-6.16	6.55	21.02	0.35	4.40	7.37	6.66	7.79	13.95	11.46	12.90

Note: all returns are net of fees. The results shown represent past performance and do not represent expected future performance or experience. Past performance does not guarantee future results.

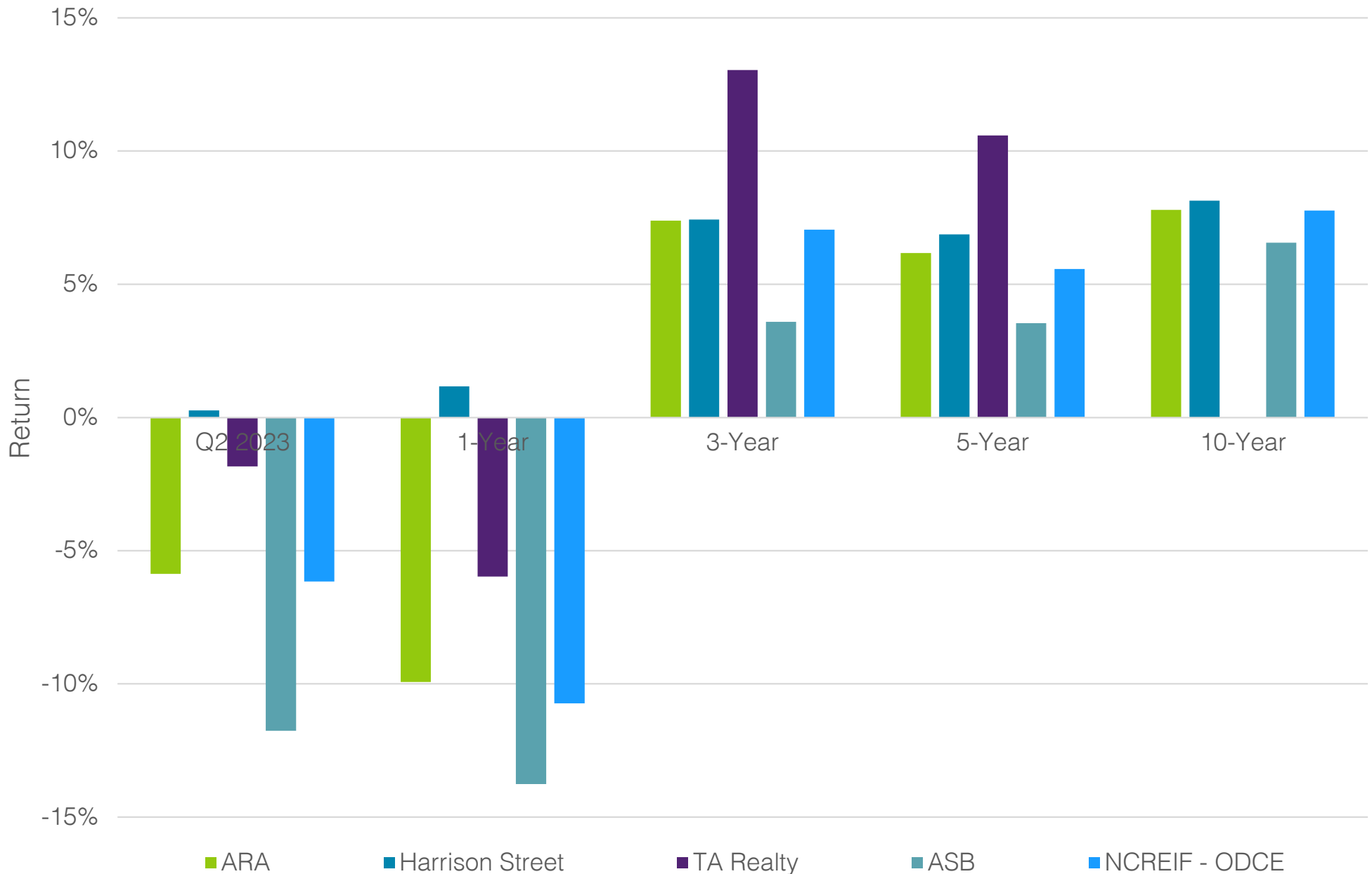
Comparative Performance: Trailing Periods

	2Q (%)	1-yr (%)	3-yr (%)	5-yr (%)	10-yr (%)
ARA Core Property Fund	-5.87	-9.93	7.39	6.17	7.79
Harrison Street Core Property Fund	-0.27	1.17	7.42	6.86	8.14
TA Realty Core Property Fund	-1.83	-5.89	13.08	10.60	
ASB Allegiance Real Estate Fund	-11.76	-13.76	3.59	3.54	6.65
NCREIF – ODCE (VW)	-6.16	-10.73	7.05	5.57	7.77

*Assets were held at cost until Q3 2022.

Note: all returns are net of fees. The results shown represent past performance and do not represent expected future performance or experience. Past performance does not guarantee future results.

Comparative Performance: Trailing Periods



Note: Figures as of 06/30/2023. All returns are shown net of fees. Provided for informational purposes only. The results shown present past performance and do not represent expected future performance or experience. Past performance does not guarantee future results.





MANAGER AND FUND NARRATIVES

American Realty Advisors – ARA Core Property Fund

Firm Overview

Founded in 1998, American Realty Advisors (American) is an SEC-registered investment advisor. American is a privately-held firm, 100% owned by its investment professionals. The firm is headquartered in Glendale, CA with regional offices in Atlanta, Chicago, Philadelphia, San Francisco and Orange County, CA. American offers strategies in the core and value-add spaces via open-end funds and separately managed accounts.

Team Overview

The ARA Core Property Fund team is led by President/Executive Managing Director Scott Darling. Darling has been with the firm since 1996, assuming the role of Portfolio Manager for Core Property in 2011. He is supported by Assistant Portfolio Manager Austin Maddux who joined the firm in 2015. The team is supported by the broader real estate platform of American which includes approximately 24 professionals dedicated to Asset Management, 11 to Acquisitions, one to Research as well as a number of professionals across other operational areas. The firm's Investment Committee (IC) oversees the investment operations and approves all significant investment decisions. The IC is comprised of Chairman/CEO Stanley Iezman, President/Executive Managing Director, Portfolio Management Scott Darling, Chief Investment Officer Kirk Helgeson, Managing Director/Asset Management Paul Vacheron, Managing Director/Finance Daniel Robinson, Managing Director/Research & Strategy Sabrina Unger, Senior Director/Asset Management Michael Gelber and Senior Portfolio Manager Martha Shelley. Gelber and Shelley are the two rotational members.

Strategy Overview

American's philosophy is founded in a belief that there are always opportunities to acquire assets within the cycle that require work and/or capital where value can be added to increase the overall return to the investor. The performance objective for ARA Core Property Fund is to achieve a target gross return of 8% to 10% and outperform the NFI-ODCE Index with less risk over a full market cycle.

The investment process begins with the portfolio management team and the research, acquisitions and asset management teams evaluating on a quarterly basis the property type, geographic and industry diversification targets. These targets determine the plan for acquisitions and dispositions.

The portfolio management team works with the investment team to identify the target markets and investment opportunities consistent with the objectives of Core Property. Once an asset is identified, a team comprised of at least two members of the asset management team, two member of the acquisitions team and a member each from the portfolio management team and research team is assigned to complete due diligence. The firm's principals are involved in every stage of the investment process.

The IC is responsible for final approval of all significant investment decisions.

Expectations

Core Property will tend to outperform in the late stages of the real estate cycle as it approaches a plateau phase with slowing appreciation before moving into the oversupply phase where prices begin to fall. The team's low-risk profile with a focus on income and limited value-add and development exposure positions the Fund well for this stage of the cycle.

Core Property will tend to lag during the expansion stage of the cycle where the impact of higher levels of leverage and greater exposure to value-add and development projects are most significant. Additionally, Core Property's greater allocation to secondary markets may prove as a headwind in the early stages of a recovery as those markets tend to recover more slowly than major markets.

Points to Consider

- Pure core strategy focused strictly on the four main property types (Apartment, Industrial, Office, Retail) with limited investments in value-add and development projects
- Leverage level will generally be in-line with or below that of the NFI-ODCE Index
- The team focuses on assets located in urban areas of primary markets and top-tier secondary markets

Recommendation Summary

American employs a collaborative investment process with professionals from the asset management, acquisitions, research teams as well as the IC involved throughout due diligence. This provides multiple members of the team with thorough knowledge of the characteristics and strategic plan for each asset in the portfolio. Additionally, it allows the team to leverage the experience of professionals across teams including the IC which averages two decades at the firm and over 33 years in the real estate industry.

Core Property positions well in a portfolio as a stand-alone allocation, particularly for clients that are more conservative and willing to tolerate the stretches of underperformance a lower-risk strategy is prone to experience. It also positions well in combination with a manager that is focused primarily on larger assets located in the major markets and/or with a higher-risk profile as it relates to leverage as well as investments in value-add and development projects.

Harrison Street Real Estate Capital – Core Property Fund

Firm Overview

Harrison Street Real Estate Capital was founded in 2005 by Christopher Merrill, Chris Galvin, and Mike Galvin. The co-founders created the firm with a goal of focusing its investment activities on real estate properties that have demographic and needs-based demand drivers. The firm is headquartered in Chicago and has a London office. It has more than 140 employees and over \$20 billion of assets under management. In July 2018, Harrison Street entered into a strategic partnership with Colliers International Group to purchase 75% of the firm. The Galvins sold 100% of their interest. The remaining interest is held by Co-Founder/Chairman & CEO Christopher Merrill and Senior Managing Directors Dean Egerter, Stephen Gordon, and Robert Mathias. Additionally, Senior Managing Directors Joey Lansing, Mike Gordon, and Geoff Regnery each hold units of a newly created perpetual equity class, which provides the opportunity to participate in the growth of the firm's enterprise value. Additional units will be awarded to new senior managing directors going forward.

Team Overview

Senior Managing Director/Senior Portfolio Manager Joey Lansing has overseen the investment activities of CPF since inception. With the growth of the fund, HSREC has added Portfolio Manager Chip George and Assistant Portfolio Manager Colleen McMillin to support Lansing. The team dedicated to CPF also includes two portfolio associates, a portfolio analyst, and five individuals responsible for financial reporting. Additionally, there are 51 investment professionals across the firm's transactions and asset management teams who are critical to the execution of the fund's investment activities.

The Investment Committee (IC) has input into investment strategy, review portfolio construction, and approve all acquisitions and dispositions. Additionally, significant capital expenditures, leasing and financing decisions require review by IC member(s). The IC is comprised of Merrill, Egerter, S. Gordon, M. Gordon, Lansing, Mathias, and Regnery.

Strategy Overview

CPF is a diversified core strategy that invests exclusively in specialty property types which includes medical office, senior housing, student housing, self-storage, and life science. The common theme across these property types are fragmented ownership and demand driven by demographic trends and/or social need. Accordingly, these property types tend to be less correlated to economic growth relative to traditional commercial real estate investments.

The investments are made via wholly owned or joint venture structures. The typical equity investment ranges from \$2.0 to \$20.0 million per property and the typical transaction size is \$10 to \$75 million. The target leverage is in the 22% to 27% LTV range. With the growth of the size of the fund, the team has more flexibility with its financing strategy and can utilize portfolio-level financing in addition to property-level debt. It will tend to favor portfolio-level financing because of its flexibility.

Expectations

For core real estate, we expect a long-term total net return in the 6% to 8% range. Approximately, 80% of the return is expected to be derived from the income component. We expect a slightly higher long-term return for the Core Property Fund. The specialty property types it invests in have an income return advantage relative to traditional property types (office, multifamily, industrial, and retail). As of Q2 2019, the year one cap rate for CPF is 5.3% compared to 4.5% for the ODCE. Additionally, there is potential for greater cap rate compression for these property types as more institutional capital begin to view these property types as "institutional quality", which will lead to greater capital flows into the space. Accordingly, this provides potential for higher appreciation relative to traditional property types.

Points to Consider

- CPF will have slightly higher leverage relative to the ODCE. The target leverage in the 22% to 27% range relative to the ODCE which is generally in the low 20s.
- The stated minimum for CPF is \$10 million. Harrison Street is flexible on accepting smaller commitments on a case-by-case basis. However, there will likely be limited availability to attend client meetings.

Recommendation Summary

Harrison Street Real Estate Capital (Harrison Street) was one of the first fund sponsors to identify and solely focus on the opportunity in specialty property types. Accordingly, it has developed a depth of knowledge and investment experience within these property types that sets it apart from competitors. As one of the earliest movers in the space, the firm has established itself as a valued partner by health systems, universities, and operating partners, which provides a competitive advantage for information sharing and investment sourcing.

The CPF portfolio is differentiated from the typical core fund that comprises the NFI-Open-end Diversified Core Equity (ODCE) peer group. It provides exposure to a different set of property types that most ODCE funds have minimal or no exposure to. Additionally, it has a higher income return and exposure to property types that have less correlation to economic growth.

CPF is an excellent complement to a core fund that invests in the four primary property types. It will enhance the income return and increase property type diversification. We are also comfortable with it utilized as the sole allocation in a core portfolio. While the portfolio is comprised of property types that are different from that of most core funds, the characteristics of the CPF portfolio are consistent with a core strategy's objective of providing a stable income return and diversification.

TA Realty – U.S. Core Property Fund

Firm Overview

TA Realty (TAR or The Firm) is an investment firm that specializes in managing real estate across strategies (core and value-add). The firm has extensive experience managing properties across type and geographic regions and through different economic cycles. Their flagship strategy has been closed-end, value added funds. However, the Firm has managed core real estate separate accounts since being founded in 1982.

In January 2015, the owners of TA Realty sold a majority interest to Mitsubishi Estate Co., Ltd (MEC) through its subsidiary Rockefeller Group International, Inc. (RGI), a global property owner, developer and investment manager. MEC/RGI owns 70% of the Firm and 16 TA Realty Partners own 30% of the Firm.

Team Overview

The portfolio management (PM) team for the core strategy is led by Sean Ruhmann, and Jacob Maliel. The portfolio managers have varied experiences, Sean Ruhmann has a background in commercial real estate market research and Jacob Maliel has been with TAR for over eight years and has a background in asset management. The portfolio managers are further supported by a deep bench of acquisitions, asset management, and disposition teams.

Strategy Overview

The Core Property Fund (CPF or The Fund) is an open-end, core real estate fund, that invests across the four main property types, industrial, office, multifamily, and retail. The team focuses on property types and markets that can deliver outsized long-term cash flow growth. The Firm combines a “top-down” examination of trends impacting real estate and capital markets. Target markets and property types are identified using various screens such as population growth, economic growth, market economic diversity, and supply constraints. The Fund also maintains a “bottom-up” understanding of properties at an asset-level as well in the regions and submarkets they operate in.

The acquisition team is responsible for sourcing properties that fit the PM's target markets and types. The team is organized by geography and is responsible for sourcing assets across the TAR platform (core through value-add). Asset management is also organized by geographic region. The Firm believes in hands-on asset management to execute the business plan for each asset. Business plans are developed during the due diligence phase of the acquisition process. The Fund employs local property managers to assist with maintenance and leasing.

Since inception, CPF's strategy has been to overweight multifamily and industrial assets due to the firm's belief these property types will outperform the NFI-ODCE benchmark over the long term.

Expectations

Core Property Fund will tend to outperform when industrial and multifamily assets outperform due to the significant overweight to these property types. Conversely, CPF will under perform when retail and office perform better.

Points to Consider

- The Core PM team has limited experience working together as Sean Ruhmann and Jacob Maliel were brought on to manage CPF since inception Q2 2018. Prior to CPF, Ruhmann did research at NEPC. Maliel was in an Asset Management role at TAR prior to being brought in to CPF.
- The Fund is currently overweight to multifamily (42% vs 28%) and industrial (40% vs 28%) relative to the NFI-ODCE index. CPF expects target allocations for each property type to range between 40-45% of gross asset value.
- The Fund maintains a 20% maximum allocation to non-core investments but does not anticipate pursuing development projects. Although CPF's current exposure to non-core investments is relatively low at approximately 3% GAV, CPF does compete with TA Realty's non-core strategy platforms for value-add industrial investment opportunities. There is a formal rotation policy in place that directs deal flow across active TA Realty-sponsored strategies.

Recommendation Summary

The Core Property Fund provides exposure to the core real estate market with tactical over weights to the PMs favored property types. to multifamily and industrial.

Despite excess allocations to specific property types and regions, CPF otherwise invests conservatively by wholly owning their assets and moderating the amount of leverage being used. Leverage in the NFI-ODCE index is approximately 22% (Q4 2021) vs 22% for CPF.

ASB Real Estate Investments – Allegiance Fund

Firm Overview

ASB Real Estate Investments (ASBREI) was formed as a distinct division of ASB Capital Management in 2006. ASB Capital Management (ASBCM) was formed in 1983 as an independent subsidiary of American Security Bank, ultimately NationsBank assumed ownership following a series of mergers. During 1997, ASBCM was purchased by Chevy Chase Bank FSB. In 2009, the B.F. Saul family organization sold Chevy Chase Bank FSB to Capital One. The B.F. Saul Company retained ASBCM in a spinoff as a privately held entity. ASBCM is split into two divisions ASB Investment Management and ASBREI. ASBREI is an SEC registered investment adviser, headquartered in Bethesda, MD with additional offices in Palo Alto, CA and New York. A majority of the firm's asset are in core strategies with the remainder in value-add.

Team Overview

The ASB Allegiance team is led by President and CEO Robert Bellinger. Bellinger has over 30 years of real estate experience and joined ASBREI in 2002. Supporting Bellinger are Managing Director and Chief Investment Officer David Quigley, Managing Director James Darcey and Portfolio Manager Larry Braithwaite. The three have worked together for over ten years managing the firm's core and value-add strategies. Quigley has over 30 years of real estate experience and joined the firm in 2004. Darcey has over 26 years of real estate experience and joined the firm in 2004. They are supported by the teams in other operational areas including the capital investment group, portfolio management, portfolio accounting, legal/compliance and operations.

The Investment Committee (IC), which approves all major decisions, is comprised of the following nine senior professionals; Bellinger, Quigley, Darcey, Braithwaite, Senior Vice President/Capital Investment Group Brodie Ruland, Senior Vice President/Capital Investment Group Aaron Duncan, Senior Vice President/Capital Investment Group Nick Franzetti, Senior Vice President/General Counsel Brendan Reed, and Senior Vice President/Chief Compliance Officer Paul Duncan.

Strategy Overview

The team's philosophy is to drive investment performance through long-term NOI growth by investing in urban markets with superior real estate fundamentals and in assets that have unique competitive advantages that will drive long-term tenant demand. Investments will primarily be in the four main property types; industrial, multifamily, office, and retail. The team generally allocates minimal capital to development projects. The performance objective of the Allegiance Fund is to generate a long-term target gross return of 7.0% to 8.0%.

The Capital Investments Group (CIG), with input from the portfolio managers and asset managers, is responsible for evaluating potential investments on an on-going basis. After a preliminary analysis of the asset a two-page memo is submitted to the IC for initial approval. Following IC approval, members of the CIG will complete full due diligence on the prospective investment and prepare an Investment Recommendation Memorandum for submission to the ASB Real Estate Investments Advisory Committee (REIAC) for final approval. All major decisions including acquisitions, dispositions, financing, investment policy and changes to investment strategies must be approved by both the IC and the REIAC.

Expectations

ASBREI targets assets that fall into the upper-market in size located in the urban areas of thirteen primary markets. The performance of Allegiance will be strongest early-cycle, mid-cycle, and in a downturn when capital flows favor more liquid primary markets that tend to have the highest-quality assets and most diversified economies. Performance will moderate later in the cycle when investor capital flows begin to shift to higher-yielding secondary markets and suburban markets. Over a full market cycle, we expect Allegiance to generate a net return of 6.0% to 7.0%.

Points to Consider

- The target level of leverage for Allegiance is in the 15% to 25% range. Allegiance has historically tended to maintain leverage lower than the ODCE average, but the fund's leverage has risen recently.
- Allegiance tends to be positioned in large assets, \$100 million plus of GAV, located in urban areas of primary markets. This positions the fund as a solid complement to core funds that allocate more capital to secondary markets and suburban areas
- Allegiance has a significant overweight allocation to the Retail sector relative to the ODCE. The retail portfolio is comprised almost entirely of urban/high street retail. Urban/high street retail properties should be less impacted by ecommerce due to strong pedestrian traffic, high-visibility with more diverse demand drivers such as entertainment and dining, and demand by retailers for branding. This positions the fund as a solid complement to core funds that focus on grocery-anchored centers or super-regional malls

Recommendation Summary

ASBREI has maintained a consistent strategy of targeting properties located in the urban areas of 13 primary markets while maintaining a lower-leverage profile relative to peers. The senior investment professionals of ASBREI have been with the firm for a decade or more and have constructed most of the Allegiance portfolio following this strategy. While the team is smaller in size relative to peers, its focus on a narrow set of markets has allowed it to build strong relationships with local operating partners that have been the primary source for two-thirds of the fund's investments. Following this strategy, Allegiance has generated solid long-term performance relative to its peers in the core space.

Allegiance positions well in a portfolio as a stand-alone core allocation. It also pairs well as a complement to funds that allocate more capital to secondary markets and suburban areas. Its urban/high street retail portfolio is also complementary to funds that primarily allocated to grocery anchored centers and/or super-regional malls. Additionally, Allegiance is available to smaller clients as it only requires an investor meet the accredited investor criteria.

Clients first.



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