Real Estate Investment Summary

# Rockwood Capital Real Estate Partners Fund XI, L.P.

A U.S. diversified value-add fund

February 2019

# EXECUTIVE SUMMARY

## OVERVIEW

| Date | Rating | Previous Rating |
|---|---|---|
| February 2019 | **Buy** | Buy |

Rockwood Capital, LLC ("Rockwood" or the "Sponsor" or the "Manager") is establishing Rockwood Capital Real Estate Partners Fund XI, LP (the "Fund"), a $1.25 billion closed-end commingled fund to invest in value-add office, apartment, retail, and hotel properties across multiple regions in the US. The Fund's return objective is 12%-14% net IRR and 1.7x equity multiple over a nine year term utilizing 55%-60% leverage.

The Townsend Group, an Aon Company. ("Townsend") has reviewed and performed an in-depth analysis of the above categorires which includes, but is not limited to:

- Retention of Limited Partners
- Institutional Investor Representation
- Management Company Ownership
- Organization Expenses
- Management Fee
- Incentive Fees/ Waterfall Distrubution
- Fund Size
- Sponsor Commitment
- Investment Period
- Fund Term
- Key Person Provision
- Turnover/Tenure
- GP Attribution Concentration
- Consistency/ Volatility of Returns
- Write-offs
- Transaction Experience in Strategy
- Ability to Create Value in Deals
- Valuation Discipline
- Reporting Transparency
- Back-Office Resources
- Fault Provisions
- Advisory Board
- Priority of Distributions
- Alignment of Partner Interest
- Firm Leadership

In addition, Aon Hewitt Investment Consulting's Operational Due Diligence team has reviewed the Firm from an operating perspective and has given Rockwood a Pass rating.

# RECOMMENDATION

In accordance with the Nebraska Investment Council ("NIC") Defined Benefit/Cash Balance Benefit ("DB/CBB") Annual Investment Plan, a total of $40 million of non-core capital is recommended to be deployed in 2019. Following a detailed review of the Plan's existing non-core real estate exposure, The Townsend Group ("Townsend"), an Aon Company, is recommending that the DB/CBB plan commit the full $40 million to Rockwood Capital Real Estate Partners Fund XI ("Fund") subject to completion of a legal review and satisfactory agreement of terms.

*Firm Summary:*

| | | | |
|---|---|---|---|
| **HQ Location** | New York, NY | **Parent** | Rockwood Capital, LLC |
| **Ownership** | Privately-held by partners | **Founded** | 1995 |
| **Employees** | 76 total | **Organization** | Investment management company in private market real estate |
| **AUM (Dec 31, 2018)** | $7.1 billion gross market value | **RIA** | Yes |

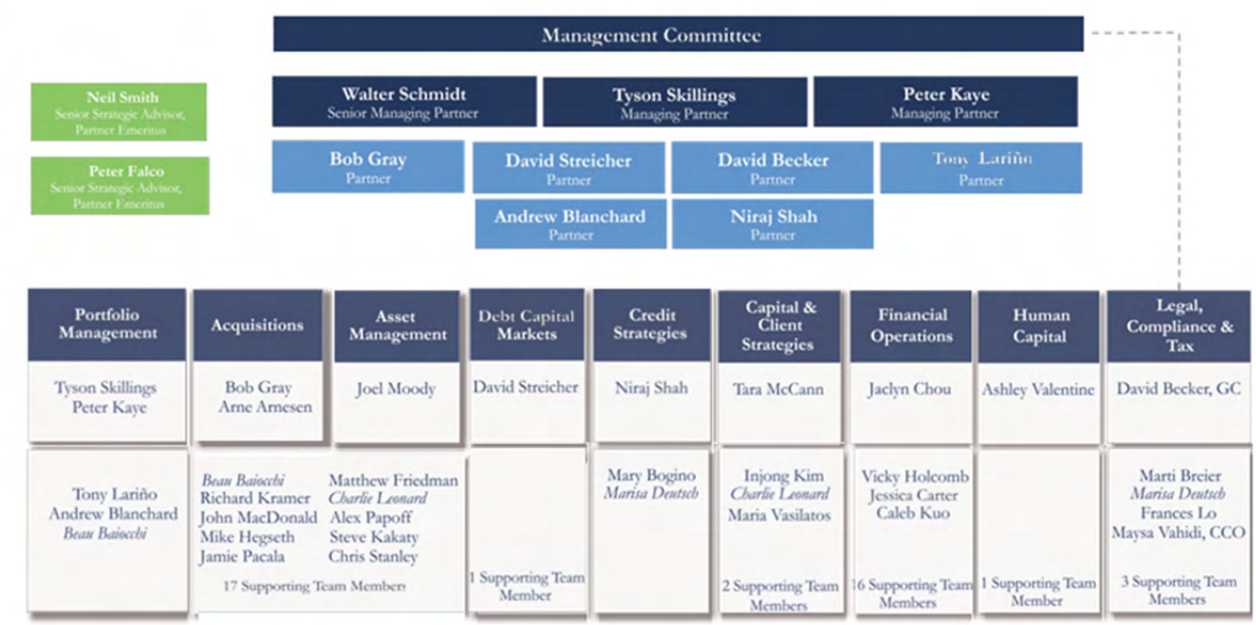
*Primary Strategy*: The Fund will acquire value-add office and apartment properties within high barrier to entry urban and evolving near-urban centers of primary cities. Targeted neighborhoods are those benefitting from urbanization trends, experiencing increased/ongoing tenant demand from above-average employment growth, and above-average population growth of the broad MSA. Properties are repositioned, rehabilitated, or re-developed to raise their potential for NOI growth.

## SPONSOR

### OVERVIEW

Prior to founding Rockwood in 1995 the partners had similar backgrounds, investing HNW family wealth in real estate. Rockwood initially launched its funds to commingle a number of different family offices investment activity, and then later expanded/grew its client base across institutional types. The firm's primary business line remained its flagship value-add series, and it took on complimentary separate accounts often for its existing fund investors interested in core-plus. The firm has grown organically over time, increasing staffing to support larger AUM from a broader client base.

Today, there are more partners managing a larger firm, but otherwise the business structure, processes, and culture have been relatively undisturbed. Ownership interests of retiring founders/partners are bought down over time by the company and its current partners according to its ongoing succession management.




*Employees in italics have formal roles in multiple verticals*

*About Townsend Group – An Aon Company*

*Founded in 1983, The Townsend Group provides custom real asset solutions that help clients worldwide achieve their unique investment goals. As an Aon company, The Townsend Group is now part of one of the top three outsourced chief investment officer (OCIO) providers in the world measured by global assets under management. Aon's Investment organization, including Townsend, manages more than $130 billion of worldwide assets under management and has advised on more than $240 billion of real estate assets.*