



Real Estate Investment Summary

Kayne Anderson Real Estate Partners VI, L.P.

An Opportunistic Senior Housing, Student Housing, and Medical Office Fund

March 2020

EXECUTIVE SUMMARY

OVERVIEW

Date	Rating	Previous Rating
March 2020	Buy	N/A

Kayne Anderson Real Estate (the “Manager” or “KA Real Estate”) is forming Kayne Anderson Real Estate Partners VI, L.P. (“KAREP VI” or the “Fund”), the next vehicle in its series of funds opportunistically investing in alternative property types across the US. The \$2.0 billion Fund will target an 18%-20% gross IRR (15% net) using approximately 65% leverage over an 8-year fund life.

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

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

In addition, Aon Investments, USA’s Operational Due Diligence team has reviewed the Firm from an operating perspective and has given Kayne Anderson a Pass rating.

RECOMMENDATION

In accordance with the Nebraska Investment Council (“NIC”) Annual Investment Plan, a total of \$150 million of non-core capital is recommended to be deployed to the Defined Benefit/Cash Balance Benefit (“DB/CBB”) and the 50/50 & Healthcare Endowments (“Endowments”) in 2020 and 2021. Following a detailed review of the Plans’ existing non-core real estate exposure, The Townsend Group (“Townsend”), an Aon Company, is recommending that the DB/CBB plan commit \$40 million subject to completion of a legal review and satisfactory agreement of terms.

Firm Summary:

Fund Structure	Closed-End Commingled Fund	Return Profile	High Return/Opportunistic
Expected Fund Size	\$2.0 billion (\$2.5 billion cap)	Sponsor Co-Invest	\$50 million minimum
Target Return	18%-20% gross; 15% net IRR	Leverage	Up to 75%
Base Term	5 years from end of Commitment Period	Commitment Period	3 years from Final Closing
Average Equity Size	\$34M equity (Range: \$10M - \$200M)	Typical Business Plan	Three to Five Years

Fees:

Asset Management Fee	Depending in size, 1.75% to 1.25% on Committed during the Commitment Period; on Invested thereafter.	Incentive Fee Waterfall	8% preferred return; followed by a catch-up (terms determined by size); 80% LP / 20% GP thereafter.
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Primary Strategy: Consistent with the prior fund in the series, the Fund will primarily acquire and secondarily develop a portfolio of specialized property types; with the primary focus on healthcare related real estate (medical office and senior housing) and student housing. Acquisition targets are typically undermanaged and undercapitalized properties where operational

improvements and renovations enable lease-up and NOI growth. Given current conditions unique to this vintage, acquisitions will also selectively target stalled development projects and over-levered sellers facing problematic refinancings of otherwise historically well-performing well-located properties.

SPONSOR

OVERVIEW

The roots of Kayne Anderson Capital Advisors, L.P. trace back to 1984 when the firm was founded by Richard Kayne (with the support of John Anderson) to manage the capital of its principals and select clients. The firm focuses on alternative investment management; currently investing across a variety of strategies, which include energy & infrastructure and related marketable securities, and private market growth capital, real estate, and middle market corporate credit.

Location	# of Professionals
Los Angeles, CA (HQ)	232
Boca Raton, FL	60
Houston, TX	55
Chicago, IL	22
New York, NY	15
Dallas, TX	4
Atlanta, GA	1

Kayne Anderson Real Estate was established in 2007 by Ric Kayne and Albert Rabil, who currently serves as the Managing Partner and Chief Executive Officer of KA Real Estate. The first Kayne Anderson real estate fund in the series was launched that same year to focus on the off-campus student housing sector. Since 2007, KA Real Estate has raised five commingled closed-end opportunistic funds in this series, totaling \$4.3 billion. While the early funds in the series focused primarily on off-campus student housing, the strategy expanded to include healthcare related real estate in addition to student housing.

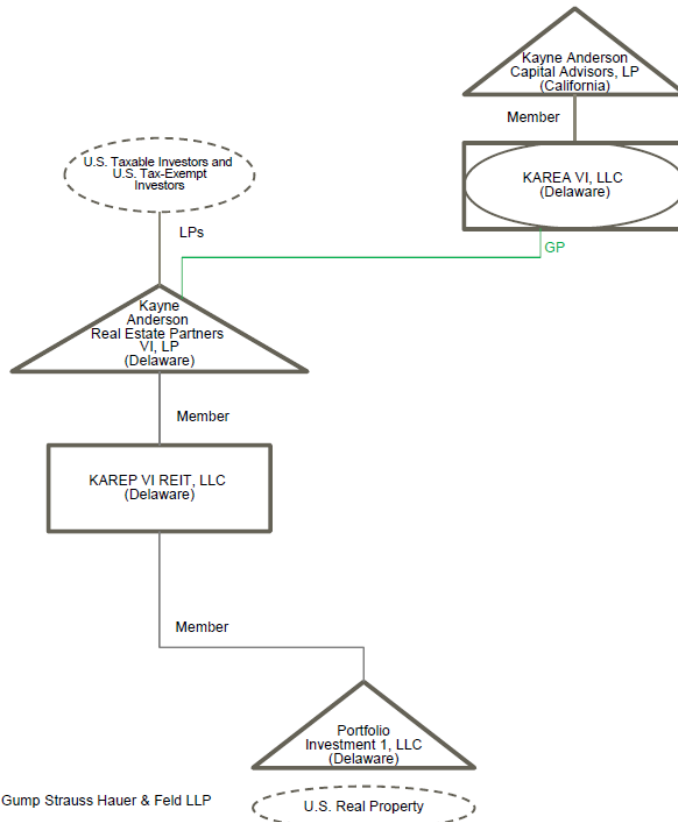
Parent: Kayne Anderson Capital Partners, L.P.

- Ownership: Privately held by management with Ric Kayne as the controlling owner.
- Staffing: 389 Employees, comprised of 47 senior management, 160 investment professionals, 17 legal, compliance and HR, 93 accounting and finance, 28 marketing and investor relations, 20 information technology, and 24 admins across the firm;
- Headquarters in Los Angeles with six other offices across the U.S. listed in the chart at the right.
- AUM: \$31 billion equity (including unfunded commitments)
 - Energy infrastructure (23%): Midstream equities and credit;
 - Upstream Energy (25%): Private equity;
 - Credit (25%): Private direct lending, CLOs, diversified liquid credit funds, opportunistic credit;
 - Real Estate (23%): High return/opportunity funds; open-end alternative core fund; debt funds;
 - Other (3%): PE funds focused on middle market/high growth technology-enabled services.

Manager: Kayne Anderson Real Estate

- Ownership: Privately held by parent (40%), Al Rabil and David Selznick (40%), and Goldman Sachs Asset Management (20%).
 - In January 2020, Goldman Sachs Asset Management through its Petershill Program purchased a passive 20% minority interest in the KA Real Estate platform. It does not require any board seats and KA Real Estate continues to operate under the direction of Al Rabil and David Selznick.
- Staffing: 60 employees, which include 32 investment professionals, 7 legal professionals, 10 in finance and operations, 8 admins, and 3 in investor relations.
- AUM: \$7.3 billion equity (including unfunded commitments)
 - By fund type: High return/opportunity funds (42%); open-end alternative core fund (25%); real estate debt funds (33%).
 - By risk: 58% core; 42% non-core
 - Non-core: senior housing (44%), medical office (40%), student housing (9%), and multifamily (7%).

KAREP VI – Structure – Draft



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