

The Benefits of Investing in a Fund Over a Single Asset

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As a real estate private equity firm, we often speak with prospective investors about the different benefits of investing in real estate funds compared to individual deal syndications. While some investors prefer deal-by-deal diligence and control, many investors lack the time, resources, and experience to construct an optimized real estate portfolio as effectively as a full-time Fund Manager.

While Spring Tide began by syndicating single asset deals, today we focus on constructing and managing workforce housing portfolios. We've made this strategic pivot because of the benefits it provides to our investors. There are many advantages to investing in funds versus deals; here we discuss the four we believe to be most important for a typical investor.

- 1. Diversification.** The most obvious advantage to fund investing is built-in diversification across multiple assets. Funds target a specific return objective while diversifying away portions of the idiosyncratic risk inherent in single-asset deals. A fund manager can take a deliberate approach to construct a diversified portfolio consistent with the stated fund strategy.
- 2. Alignment of Incentives.** Fund Manager incentives can take several forms. At Spring Tide, we only earn a performance incentive after a Total Cumulative Preferred Return has been reached for the entire fund. When the incentive fee is calculated across assets, an investor is not subjected to fees on well-performing assets and left to bear the downside of underperforming assets.
- 3. Liquidity.** A fund's cash flow is accumulated, shared, and deployed across assets. As such, if a single asset encounters capital constraints, liquidity can be shared across other portfolio assets or provided from fund reserves. This structure creates a more efficient pooled operating reserve across the fund. Through market cycles, and particularly in downturns, a well-constructed portfolio can be more resilient than single assets.
- 4. Reduced Complexity.** A fund enables an investor to have ownership of multiple properties more efficiently organized and managed than a multitude of disparate deals. As a Spring Tide fund investor, you will receive one report that covers performance of all portfolio assets and one K-1 annually for taxes.

Sound asset selection and consistent operating capability enables the construction of balanced portfolios with an optimal blend of risk and return management. Spring Tide acquires assets with strong fundamentals and repositioning potential for our Workforce portfolios, and we reposition and manage these assets through the fund lifecycle. We roll up our sleeves to ensure our assets are selected and managed effectively, and provide efficient, balanced investment vehicles for our investors.