




# Fund structure matters in private real estate

July 2024

## 1940-Act tender offer fund structure with direct access to institutional managers

### What you need to know

- ✓ Direct access to portfolio of institutional-quality real estate
- ✓ Single-layer fee structure<sup>1</sup>
- ✓ Newer vintage portfolios; Limited exposure to pre-COVID office assets

		40-Act Tender Offer Funds	Interval Funds
<b>Access</b>		Direct Exposure to Real Estate Portfolio	✓
		Broad Investor Suitability <sup>2</sup>	✓
<b>Simplicity</b>		Electronic Ticketing	✓
		Limited Leverage <sup>3</sup>	✓
		1940-Act Registered Fund <sup>4</sup>	✓
<b>Transparency</b>		Daily Valuation <sup>5</sup>	✓
		No Dual Fee Layers <sup>7</sup>	✓

**1940-Act tender offer funds** provide individual investors with direct access to institutional quality private real estate investments via high-quality managers with deep experience and expertise.

**Direct access:** Invest directly in a real estate portfolio managed by high quality institutional investors.

- Thematic based portfolio construction creates a curated income stream with the ability to grow over time.
- Fund liquidity is directly managed by an experienced fund manager.

**Management fees<sup>1</sup>:** Single-layer fee structure provides long-term manager alignment and often lower fees.

- Typically, real estate interval funds are fund-of-fund structures, which makes transparency to the underlying assets more challenging and often include dual fee layers—underlying fund investments often have management fees, incentive fees and fund expenses.
- These fees and expenses make the true expense of interval funds higher and challenging to understand.

**Vintage:** In a dynamically changing environment, newer vintage funds have invested much of their capital in a 2019/post-COVID higher interest rate environment.

- The right portfolio construction and capitalization can take advantage of the higher interest rate environment utilizing lower leverage and lending as a portion of the strategy.
- Limited exposure to malls and traditional office may provide for quicker upside potential and can serve as a risk mitigant.

1. While the majority of real estate interval funds currently employ a dual management fee structure, it is not a requirement or regulatory obligation to do so.

2. Suitability limitations imposed by state regulators with respect to non-traded REITs.

3. The 1940 Act limits fund leverage to 33⅓% of total assets. A fund may enter into investment management techniques that have similar effects as leverage, but which are not subject to the 33⅓% limitation.

4. Registered under the Investment Company Act of 1940.

5. A majority of non-traded REITs disseminate a monthly NAV.

6. No additional underlying manager fees.

**Institutional-quality:** An institutional-grade, or institutional-quality property generally refers to a property of sufficient size and stature to merit attention from large national or international investors.

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