Panelists discuss real estate opportunities during the 2021 AICA Interval Fund Boot Camp & Manager Spotlight.

Wednesday, March 31, 2021

Randy Anderson from Griffin Capital, Ben Rotenberg from Principal, and Timothy Ryan from Goldman Sachs were panelists at the AICA Interval Fund Event held on March 31, 2021. The moderator of the panel was James Thompson of Northern Trust Asset Management. Read the transcript from the discussion below to hear insights from the panelists.

James Thompson	Randy Anderson	Ben Rotenberg	Timothy Ryan

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James Thompson: Hello, good afternoon everyone. My name is James Thompson, I work at NorthernTrust Asset Management in the capacity of Institutional Business Development. I'm really excited about this panel that we've got for you today, as we're going to be discussing some opportunities in real estate and real asset investing through interval funds. I could tell you that NorthernTrust has been a very, very firm believer in real asset investing for a multitude of reasons for some time and particularly right now it's most topical of all where we can really highlight what we're doing here.

So first of all I'd just like to introduce the panelists, Dr. Randy Anderson, CEO of Griffin Capital. Mr. Tim Ryan, portfolio manager and the co-head of U.S. REIT investing for Goldman Sachs. And then Ben Rotenberg of Principal, who's portfolio manager of the Diversified Select Real Asset Fund at Principal. So guys, I want to make this a fairly conversational dialogue for the sake of today. What I'd like to do is just initially give each one of you the opportunity to [inaudible 0:01:13] some aspects of your fund, some takeaways, and then after that we'll start going back and forth with some questions. So Dr. Anderson, would love to kick it off with you.

Randy Anderson: Thank you, thanks so for having me and I'm delighted to be on the panel both with Tim and Benjamin. I think of course obviously Goldman and Principal do it right across the board, so hopefully it'll be a good panel. So at Griffin we have a couple of interval funds, we had a slot earlier in the day when we talked about our first interval fund. It's not our first interval fund, it's actually our second interval fund, but it's a joint venture with Bain. In that particular fund we basically invest in both liquid and illiquid credit. We start with bank loans, high-yield bonds, we move up and down the CLO stack. We do direct originated loans, we do some distress debt.

For this conversation we are going to talk about the Griffin Institutional Access Real Estate Fund. We're one of the early adopters, just like the origination of Tim's fund, of interval funds. Our fund's now almost seven years old. Our fund is a research-driven fund in that I'm a recovering academic so I spend a lot of time thinking about how to best build real estate portfolios. And all the research shows that if you put about 70% of your portfolio roughly on the private side and about 30% on the public side, you get great risk adjusted returns over a five to seven year period. And so what I love about this interval fund wrapper, and what I think a lot of people love about it is that it allows you to do those things. It matches the liquidity of the underlying assets with the liquidity of the underlying vehicle.

And a couple things that is important to me to branch out is at Griffin we are interval fund agnostic. We have a couple of them, it's a big part of our business, but if you've got securities that you can buy and sell on a daily basis, by all means have an open-end fund and access those vehicles that way and don't restrict liquidity. If you've got a vehicle that's best suited for only private securities at all, then put them in a private vehicle together. So when we think about it, we don't think about a liquidity sleeve and we don't think about a private sleeve, we think about, hey, we want to maximize risk adjusted returns, we want to put about 70% in private and 30% in public. I do want to mention 70% we invest almost exclusively in private open-end private equity real estate funds. We're a 40 Act, so we don't invest in private real estate. I know on the last session they talked about our fund and Versus, and it would apply to Tim too, that hey, we buy apartments, and if we don't like an apartment you can't sell an apartment. We don't do that. We invest in private funds. And if we don't like apartments, we can sell those apartments back at NAV to the sponsor, and we can rotate into another asset class.

So our 70% are private REITs that we invest in both equity and debt, and it's a tremendous advantage over something like a daily NAV kind of fund in the 40 Act, and we'll talk about this more later but just to put a little bit of a highlight on that topic, we sold over a billion dollars last year worth of private securities. Over a billion at NAV, I didn't sell a single building. And we took some of that and put it in the public market because it got dislocated and helped encourage

returns. But we invested $555 million of that into sectors that we liked. We liked sectors like multi-family, we like sectors like life sciences, we liked private real estate debt and we liked multi-family. And we invested 97% of those dollars that we got back through those sales into areas that we liked without selling a building. So frictionlessly you can optimize your portfolio, you can build on that 70/30, and you can be an active manager in the space, and lean into those sectors that have good risk adjusted returns. So with that, I'm really pleased to be here. Thank you for letting me join a couple great panelists and I'll leave it at that so we have time to get into the weeds on some things in a bit.

James Thompson: Excellent, thank you for that. I appreciate it. Benjamin, would you like to share with us about Principal and your fund?

Ben Rotenberg: Sure, my name is Ben Rotenberg, just checked to make sure [inaudible at 0:05:34] okay. Excellent, thank you for confirming. I'm one of the portfolio managers, part of a team that manages multi-manager, multi-asset class strategies including our interval fund which is our first. So happy to be on with some veterans in the space. So our fund is going on two years old, it is a diversified real asset fund, so it does include some real estate but mostly sort of outside of the core. What we're trying to do is build a solution for RIAs, other investors to get some real asset exposure. Something that's diversified into the traditional assets that they own, we have some farmland, some infrastructure, some timberland, some other natural resources in the energy space, sort of a smattering of things.

Similar to some others out there, we are a manager, and our team specifically is, we don't buy individual assets. So I never buy a stock or bond, we hire subadvisors that do a great job both in the real asset space, both in the private and the liquid space, to do that. So we're doing the asset allocation, the portfolio construction at the top, but really where we think a lot of the value's going to be added is through the sub-advisory relationships that we have. The managers that we hire, and whether we're buying a fund or we're hiring a subadvisor to manage a sleeve, that's where we think a lot of the value's going to come. And we put that together to try to build a diversified inflation mitigating solution for investors to get some real assets in their portfolio.

James Thompson: Excellent, thanks for sharing that. Look forward to diving a little bit deeper there. Tim, tell us a little bit about Goldman's fund.

Timothy Ryan: Sure, thanks very much James, and thanks to Randy and Benjamin and yourself, this a great panel and looking forward to it. As Randy alluded to, Goldman entered the interval fund space on the real estate side last May where we took over the management of a fund that had previously been run by Resource. It had a track record of a little over seven years, and so we've been running that portfolio since this past May 15th I believe was the day we took it over. And we've been extremely excited with everything we've seen.

Maybe just to step back for a second, the fund is managed by four lead portfolio managers with an average experience of about 19 years, and we have 23 people across the listed and the private side all within Goldman Sachs that touches portfolio. And so we think that that amount of resources, for lack of a better term, that we are able to put towards the portfolio, is really going to enhance the return and experience of investors. GSM manages over $12 billion in real estate

AUM across both the public and private side. And as I mentioned, we think the real power, or one of the real powers of the interval fund structure is that we have everything in-house. So the listed securities selection is done by a team that I co-run and have been at Goldman for 11 years managing listed portfolios and public portfolios. On the private side we have a team that does nothing but pick real estate, private real estate managers [inaudible at 0:09:08], and we've combined those groups to dynamically manage the portfolio and we think that's really powerful.

Randy alluded to this and Benjamin talked about it, but the ability to asset allocate at a more nuanced or granular level where you say, "Okay listen, right now in the public markets, this was really true probably three or six months ago, but apartments trade at a 15, 20-25% discount to NAV. It'd be great if we could trade those apartments on the private side and reinvest on the public side at those discounts." And also as Randy mentioned, we don't own buildings. We own funds, interesting funds, and are able to get out at NAV so we view that as a positive. I guess last thing I would say is I think right now, and I'm sure we'll get to this, and I'm pretty sure my colleagues on the panel would agree, I think now's a great time for real estate. I've been an investor for 23 years, the last 11 at Goldman. I'm hard-pressed to think of a time on both absolute and relative to other asset class where I thought the setup for real estate broadly was as good as it is now.

Randy Anderson: You know, James, if you don't mind, I'd love to take off on Tim's comment. Because I fully agree with that, I think that's a good conversation for the audience to have. I know Benjamin, you'll chime in too because your portfolio's a little bit broader. And obviously I think obviously a lot of the things we're going to say are true on the real asset side. But let's step back and we'll talk about what Tim said, and I appreciate you leaving a little meat on the bone for me there, Tim. But we were talking in the pre-session that honestly there's a couple things, one is you should always have real estate in your portfolio and real assets, they're a large part of the investible universe. But it is in my mind the best time to invest since we've been running this fund over seven years.

A couple things, one, real estate does compete in the market with respect to stocks and bonds. We've got P/E ratios that are at all-time highs. We've got the Shiller CAPE Ratio, it's only been this high twice. Now I think equity likely has some upside because there's so much money on the sidelines, it's got to go somewhere, but yet it's tough to get those valuations. We've got a year where last year valuations went all the way up, and this year we're going to have earnings go up as the economy goes up, but that's consolidation. In the publicly traded REIT market, as I'll talk about in a second and then I'll go back to privates, in the publicly traded REIT market we had great earnings. There were low, low levels of leverage, the companies were in good shape, but they actually were the worst performing security in the last 20 years. You want to play a reopening trade, you want to play inflation, you want to look at yield. There's almost no better place to be in than in the publicly traded real estate market because it's got such great economics, it's got such spread between its price to AFFO relative to the price to earnings in the stock market.

You go to the other side and you start looking at fixed-income, and oh my goodness you're talking about six years of duration for a yield that's in the low ones, and we're off to one of the worst starts that we've had in a year for agg bond. So you're looking at that 60/40 portfolio and

it's really broke. And the place that you can really make some money, we believe, is in real assets on a relative basis as Tim mentioned, and also on an absolute basis. On the private side of the portfolio as well. Funny enough, even going through the pandemic, occupancy rates are above their average level. So you look at every asset class, they're above. Now it doesn't mean collections are above, collections are off a little bit and a few things hit like hotels, although they're jumping back up in a few retail categories.

But largely speaking, fundamentals are in great shape, dividend yields relative to 10-year treasury are a standard deviation above the norm, and we've got this whole reflation aspect coming back to the market where it's going to make, if you will, it very, very challenging to put additional supply in the market, creating good NOI growth. So whether you're looking at private real estate, whether you're looking at public real estate, when you step back and you combine those in a portfolio like Tim's fund does and our fund does, it's hard to think about where you put that next dollar if you're not thinking about putting some of that next dollar into real estate. And I'll throw it over to Benjamin to broaden that out to some of the assets that he talks about.

Ben Rotenberg: Yeah, thanks Randy. You're absolutely right, this is a very attractive time for real estate. We definitely see valuations being attractive across a number of the areas that you talked about before, multi-family, debt, life sciences, cold storage, there's a lot there to do. But outside of real estate we also see some really interesting opportunities. You think about infrastructure, infrastructure tends to have very stable cashflows and yet valuations were knocked around during the pandemic, even though by and large the cashflows held up. There were certainly a couple areas, if you think about transportation assets, whether it's an airport, toll roads, obviously anything that's GDP sensitive should have taken a hit during the pandemic as growth slowed, but those assets are coming back.

And frankly the other sectors which are less GDP sensitive, some of that is just the baby thrown out with the bathwater and so you've got good valuations on the infrastructure side. And frankly this is one of the most interesting times that we've seen in the farmland space for a while. You've got commodity prices going up, especially in the grain space, and that tends to flow through to farmland values over time. So we're really excited about a number of areas that we're seeing across the real asset space.

James Thompson: Yeah, thanks for passing that around there. Tim, did you have anything you wanted to add?

Timothy Ryan: No, no, no. All I want to say is just echo what both Randy and Benjamin said. And I think sort of the takeaway here for both whether it be real estate or real asset strategies is pretty simple. It's attractive yield, attractive growth, attractive valuation. And then as a kicker, you have a beneficiary from inflation. There aren't a lot of things you can say that about.

James Thompson: Yeah.

Randy Anderson: That's right, and it's one way to actually play the reopening that's not overpriced already, exactly.

James Thompson: Right, and it's a true strategic staple in a portfolio, correct?

Timothy Ryan: Absolutely.

James Thompson: When you guys are speaking with professional investors and really talking about the application of real estate or real asset investing through the interval fund structure itself, how are you positioning that in the overall alternatives buckets or real asset sleeve? I'm just curious, what's the real way that you are positioning this in the overall portfolio?

Randy Anderson: For us, how the advisor uses it is up to the advisor. And it's also up to the particular client. But for us and for a few of the interval funds that I think do it right, that make sure that you really do pay attention to the liquidity component, you truly are diversified. So for us, I believe it true for Tim's fund, we've got public real estate, we've got private real estate, and we've got debt, we've got equity, so it's a complete real estate solution. Only first of all you need real estate as a whole, so if you do have an alt bucket, your financial advisor has one. And you're only going to have one, why not have an interval fund that is a complete real estate solution and allows you to get a little bit of all that to some degree?

Also, if you're looking for some higher octane, it's a great core position that people can add satellites to. So let's suppose you love our position but you want to take some longshot down the field with a development fund to try to do whatever, or you want a tax-advantaged fund with an opportunity zone. You can build those really around the portfolio. Now I've seen people take the money from both sides. Early on because real estate, it's still an equity vehicle, more people were taking it out of their equity exposure, but really I've see more lately because people still feel pretty strong about equity relative to debt. I've seen a lot more financial advisors go, look, your fund's got 5+% income coming out of it, that's pretty good relative to what you're getting out of agg bond. You've got volatility in that similar vein, and I don't know what I'm going to do in this rising rate environment with this reflationary trade, so we've actually seen more of that money coming out if you will of that bucket. But again, long-term that's based on the client's risk profile and risk status.

We see people that are real estate professionals that have got $100 million of direct property sometimes that want our fund, because it really diversifies them and gets rid of the idiosyncratic risk. All the way down to people wanting to play alternatives for the first time in their portfolio and want that diversified solution. And also want that guarantee at minimum 5% at minimum 20% per year liquidity. Because this recession was so fast that a lot of the daily NAV REITs and other real estate solutions didn't really get hit up, but in a typical recession you're going to go a couple years where people might not invest in your fund and then you gate. We can't gate, and that's why I think that's an important vehicle, particularly for people getting started. They can actually sell their position down over time and have that true liquidity ability.

James Thompson: Tim, Ben, either of you want to jump in?

Timothy Ryan: Yeah, I guess I would echo a lot of the things that Randy said. I think it is kind of a mix of the two if you will, between alternatives and real estate. I think it's a great mix of the two. I think as long as there is an appropriate understanding of the liquidity, which to Randy's

point, this is a 40 Act fund, we are required to be able to give liquidity every 90 days. It's not an option, it's not something that is at our discretion. We have to perform that, which is not the case with other wrappers in the marketplace. So I think from a standpoint of which bucket it fits in, it's really the advisors call. But I've seen people, to Randy's point, to look at it as a fixed-income substitute, I've seen people look at it as a higher yielding equity substitute, and I think it's appropriate for both.

Ben Rotenberg: Yeah, we see all of that. And I'll just throw out one other application that we've seen from time to time, which is that investors, especially as they think about private real assets, you want to build out some diversification. Whether that's across manager, across sponsor, but also across time. And so to build a diversified vintage year portfolio of private real assets takes seven, 10 years. And so a lot of times we'll see investors who want to build that but they want to have the allocation in place at work in their portfolio before seven years from now.

So you put the money into a diversified portfolio that's getting you exposure to some of the real assets that you want, and then over time as your private investments get called down to your private infrastructure fund, your private real estate fund, your private timberland fund, you can take those allocations down out of your diversified core, if you will, and fund those other privates as you build out that diversification. So we see all those, whether it's the liquid substitute, whether it's the core with satellites around it, but then I'll just add that third application of having the liquid exposure and using it as a funding source to build your privates [inaudible at 0:21:14].

Randy Anderson: What's nice about that is if you think about funds that Tim and I work on, we've got dozens, in our case 30, I don't know Tim's exact number but he's got a lot of private funds. We've got a lot of private funds, which means that we've got a lot of exposure to a lot of markets and a lot of property types. We get rid of a lot of that idiosyncratic risk and it's really expensive to build it. So going back to Benjamin's point, a lot of these are true institutional vehicles that we're investing in that cost one, five, $10 plus million to make one investment. So it may cost you a quarter of a billion dollars to replicate this type of portfolio.

And the thing that it does do, is even if we don't do a great job in active management, which I think our funds have done a really nice job in doing that, rotating into the right areas, but you've gotten rid of the idiosyncratic risk. You've got so many properties, you've got so many underlying managers, that this idea that one market goes awry or one asset goes awry, in some cases just one tenant goes awry, it's not going to cause a big issue to the underlying portfolio.

James Thompson: And I'm going to follow up to that, Randy. You mentioned it early very eloquently, especially regarding the liquidity bucket of the portfolio, now we all understand at a very high level that the rationale behind that and the 40 Act structure that Tim was talking about. But you had mention the blend, the marriage of the private and the public securities in that portfolio, not just this mandatory liquidity bucket that will enable investors to redeem. So I'd love to hear from you about how do you guys use that bucket in that marriage, I guess to enhance the overall portfolio in general?

Randy Anderson: If I didn't have that bucket, I wouldn't have an interval fund. Honestly, I've seen people [inaudible at 0:22:59] market and they've seen success around people raising interval funds. And so what they want to do is utilize that fund and invest in a lot of private vehicles, and then all of a sudden they hold a liquidity sleeve. And so I've seen funds that are supposed to be alternative and the liquidity sleeve is they're holding cash, or the liquidity sleeve looks like some sort of bucket of the S&P 500 or something to stay invested. But that's not what investors do. If you want that, they can get the S&P 500 somewhere else. They can get a money market somewhere else.

So unless the strategy, I don't care whether it's real estate, whether it's real assets. I don't care whether it's credit, unless you have a strategy where it's the right strategy to have both liquid and illiquid assets together, they really have no business being in an interval fund. So partially what you're paying the three of us for is building a structure that makes sense for an interval fund wrapper, and also sitting at the top and being able to dial it where the better opportunities are. Because sometimes there's better opportunities in private, sometimes there's better opportunities in the public, sometimes better on equity and some on debt, and we can move that dial up and down. But always you need to be mindful in this structure that if you don't believe that the liquid side is accretive to the portfolio over a long period of time, it's adding value, again I think a different wrapper would make sense.

James Thompson: Thank you for that.

Timothy Ryan: Yeah, I agree with everything that Randy said from a standpoint of the liquid portion of the portfolio is not there just to serve some liquidity purpose, it is there for an active investment improvement. I used the example before of the multi-family space that traded at a discount. In the last year or two there have been numerous spaces on the listed side that have traded at meaningful discounts, where you can add alpha to the portfolio by actively making a decision, "This is how we want to get our exposure to this sector." The other thing that is also true, and I think it's really true on the real estate side, there are sectors that are hard to get exposure on the private side. It's not that easy to get lab, to get data center, to get towers on the private side. It's not impossible but it's not easy. And I think there's arguments that hold a lot of water, that the better portfolios within some of those sectors are on the public side. So you have an opportunity not only for arbitrage between public and private, but better opportunities in some cases on the public side that don't exist on the private side no matter how much money you have.

Ben Rotenberg: Yeah, I follow on, both Randy and Tim made great points around both being thoughtful about what that liquid piece of the portfolio is. It's not an afterthought, it's truly an active management. And then also being able to access things that you can't necessarily easily find on the private side. And that's true in the natural resources space, I'm thinking about there's certain mining investments that are just really difficult to find something that's of high quality in the private space. And yet there are some great publicly managed companies that we own in our natural resources liquid sleeve that make a lot of sense, that really help deliver on the objects that we set out for the fund. And those really make sense to own on the liquid side and might not necessarily on the private side. So absolutely, the two go hand in hand and help us build toward the goal of what we're delivering to [inaudible at 0:26:42].

Randy Anderson: Yeah, that's right. I can give just a pure real estate example. As Tim is talking about things being cheaper or more expensive, even difficult to access. Let's take two asset classes that nobody really wanted to buy on the private side back in June, nobody really wanted to leg into retail and nobody really wanted to leg into hotel, and not too many people still really wanted to do retail on the private side. However, on the public side those marks got to NAV which were already beaten up NAVs, and then another 25% down. So if you took a company like Simon, and all of a sudden you realize that they've got a strong enough balance sheet and that they can move forward for example, how did that stock do between June and January? Well, it did fantastic. And you can name a bunch of other ones in both retail and in hospitality sectors. You might not want them on the ground but you might want them in the public market.

The flipside is true in some other areas where you see some great NOI growth but all of a sudden the public market is really excited. Real estate is a fang sector a little bit to Tim's point, there are a couple places in real estate that I love on the private side that are trading that you can buy at NAV, but they're actually trading a premiums to NAV. So being able to go between the two you can always look to where the cheaper opportunity is, and certainly the real estate market's really evolving on the public side to Tim's point. We're lucky enough to be able to find a pretty good opportunity in life sciences and lean in, but it's hard, there's not many of them. There's not many on the data center side, there's not that many on the government office side. And there's some areas that probably will do really well with this economic backdrop, but you can find all those very readily on the public side and there's more to come. We're going to see stuff like solar REITs and things come to the market as well, so there's still a lot of innovation and a lot of growth left in that bucket as well.

Ben Rotenberg: Yeah, and if I can just dive off on a tangent there, you mentioned solar. We think one of the really interesting spaces to invest in is renewables. And there are ways to access that, both in the private space and in the public. And we think that that's an interesting [inaudible at 0:28:55] that broader real assets investment.

Randy Anderson: I think that's right. And I think what's also interesting is you see Tim and I keep looking at our screen. It's close to end of the day, so we're actually both probably looking at our portfolios making some last minute trades as we are closing out the quarter here. Anyway.

James Thompson: So that leaves at a decent segue to wrap things up here before we do a little bit of Q&A. Kind of like we did at the opening. I'd love for you guys to just leave everybody with that last remaining thought or that memorable thing that they can think about your strategy in particular. And then to add on top of that, the benefit of your fund in the interval fund structure. Because in the spirit of AICA and really broadening the educational component to the advisory community, I definitely want to add that in there as well so that we can educate those [inaudible at 0:29:51] in really the benefits to them not just the asset class. So I'll start with you Dr. Anderson.

Randy Anderson: Once Tim or I go it's tougher for the other ones. So Tim, if you want to go first I talked before a couple times. I'll let you go first on this one and I'll clean it up. I'll give you more meat on this one, how about that?

Timothy Ryan: All right, I think we've talked about this honestly, and so I won't belabor the point. But from a standpoint of Goldman, what we really excited about with this fund is the fact that we bring so much in the way of capabilities as I mentioned, 23 investors, four lead PMs with 20 years of experience, and we're doing it all in-house. We have the ability to be really tactical. We have the ability to shift things in a real-time basis and nothing is outsourced. From a standpoint of the interval fund structure, I think that we've talked about this, this is in my mind the best way to combine public and private, whether it's real estate or real assets. The benefits of the 40 Act fund, the benefits of the liquidity combined with the investment benefits that we've talked about and how wide a net you can cast, listed versus private, equity versus debt across the spectrum from a sector perspective.

Even though this wasn't part of the question, I'll still end with it again because I really I think we want to bring home this hope. This is as good a time to invest in real estate and real assets as I can remember in 25 years. You've got yields for most of these products that are in the 5-6% range, strong growth potential from a reopening, attractive valuations. Randy talked about it last year, and I think one of the questions in Q&A was talking about how do you think about things in a rising rate environment? Well, we just saw the 10-year go up, I don't know how much this quarter exactly, it was near 100 basis points. The public REIT market is up, all of our funds are up on an annualized basis double digits. And the real reason for that is because last year rates went down such much and REITs and real estate were underperformers. I think that was because of the really unique nature of this recession.

But if rates rise because of reopening of the economy, stronger growth, gradual increase in inflation, I think that that is fantastic and all three of the panelists on here are going to be very happy people. And our investors are going to be very happy people over a three, five, seven year timeframe. And part of that is because valuations versus those long rates are so attractive and we have the ability to reprice and benefit from that rising inflation.

Randy Anderson: I agree with all that, so I'll take a different approach. Tim, I absolutely agree with everything you said. We wake up, and by the way my founding partner Spencer Propper and myself, why we did this in the first place and we were one of the real early adaptors of this, was just democratizing alternative investments. We wanted people to be in the exact same real estate that people were in defined benefit plans could get. So my dad was a school teacher for all these years, and he got his real estate by investing in these giant funds that had low levels of leverage that only had four negative years in over 40 years of performance. He got the chance to have somebody professionally manage those vehicles and that really didn't exist. And this interval fund wrapper allows an individual for a small minimum, a small minimum amount of our funds, to invest just like an institution. These are not institutional quality funds, these are actually institutional funds that they're investing in. These are not a retail product. It's not, hey, people like real estate so I'm going to give you real estate but I'm going to throw up so many fees, and hurdles, and promotes that you can't possibly get a return on it even though real estate's good for your portfolio. These things have low fee structures, they have transparency, they've got great quality assets with professional management that at the end of the day democratizes it.

And the last to hit on it is, listen, these products provide strong income, there's stability for a ballast in the portfolio, they're actively managed, and at the end of the day they're going to do good across all markets. You shouldn't time it, but going back to Tim's point, where else are you going to go with the money today? We've got a reflationary trade, we've got GDP growing at rates that seem more like China's economy we're used to seeing over the next couple of years. Real estate does well when GDP does well. It does well because that creates jobs, that creates a demand for space, and reflation keeps construction off the table. Where are you going to go with your next dollar? I don't know, I think spreading it out on these three funds is probably a pretty good idea.

Timothy Ryan: I think you're both right.

Timothy Ryan: Yeah. So I'll just takeoff on that valuation theme. I think you're absolutely right, [inaudible at 0:34:55] to be investing in real assets. We think it's diversification relative to the traditional asset classes, relative to that 60/40. We talked about it before, the 60/40 with the agg at a duration close to seven years and barely any yield, the 60/40 seems broken. Like you Randy, we've seen a lot of our potential investors thinking about allocating from fixed-income as opposed to equity in this last part of the cycle, that makes a lot of sense to us. So we see attractive yields, we see attractive valuations, we see attractive diversification [inaudible at 0:35:36], and oh by the way, we're in what we think looks to be a different inflation cycle than we've seen in a long, long time. And so the opportunity to put money to work in, whether it's a solar project, whether it's timberland, whether it's farmland, infrastructure projects, these are really interesting, and not to mention the entire real estate space, it looks very, very attractive today.

Randy Anderson: One of the things too, Tim made a comment earlier and I see we've got a couple minutes is that the other thing is even the pure liquid part of the book is better than it used to be. I think it happens, happened quickly, nobody noticed, but REITs got their own GICS sector in August of 2016. And rather than trading with financials, they're now trading alone, and they're going to trade better because of that and provide more diversification in the whole process. Their leverage levels are lower. A lot of people remember REITs during the Global Financial Crisis, leverage was much higher than it was today going in largely because it was so easy to get. And so leverage levels crept up, the quality of the management teams weren't there, the economies at scale weren't there. It's very, very different, more diversified, in better publicly traded REIT market today. And it's its own GICS sector, which really does mean a lot. You're not tied to the S&P in the same way.

If you're part of financials, financials are a big part of the S&P, by definition you are going to be highly correlated with the S&P and this is certainly going to help. Obviously in the middle of a crisis all correlation's go to one, but you can see right after 2016 you've got a drastic drop between 60-70% correlation down into the 20 and 30 range pretty quickly after that GICS sector translation took place.

James Thompson: Thank you. We do have a little bit of time for some Q&A. One of the questions that was asked that I'll throw out to all of you regarding the real estate but it can also be for infrastructure and natural resources, but is the exposure primarily U.S.? I'd like to hear

your guys views on the non-U.S. real estate exposure or just real asset exposure, and then how attractive is that exposure versus the U.S.? Ben, do you want to go ahead?

Ben Rotenberg: Sure. Yeah, so our portfolio's definitely global. The infrastructure piece is global. We do own a lot of stuff in the U.S., both in the infrastructure side. A lot of our timberland and farmland is U.S.-based, although some of it is in Australia and South America. And really the listed portfolio, the liquid portfolio is almost entirely global. We own infrastructure globally, we own natural resource companies globally, real estate companies globally. So it truly is a global portfolio and a global opportunity set for the vast majority of the portfolio.

James Thompson: Thanks Ben. Tim?

Timothy Ryan: Yeah, sure. I would say the large proportion of our exposure is in the U.S. We do own some international through some of the public securities that we own, they're global in nature, some of them from a data center perspective and the towers perspective. I would say the opportunities intonationally in some cases are compelling and we're examining them. But for the reasons I've talked about before we think a lot of the opportunities in the U.S. today are just so compelling that the hurdle to go incrementally internationally is a little bit higher, and just the opportunities in the U.S. are so compelling that it's forcing us and driving us more towards being more U.S.-centric at this point.

Randy Anderson: If I were running Benjamin's fund my answer would be very different if I was looking [inaudible at 0:39:36] real assets, I would be global. But I would tell you that everyday Spencer and myself wake up and think about global both on the public and private side. But because of the overall strength of the economy, not having to take exchange rate risk, because of the way the [inaudible at 0:39:53] transmission works in the public market and between the U.S. and the other markets, what those correlations do, when you see breakdown, when you see the size of the market microstructure features, we are primarily and predominately will continue to be in the U.S. But every day we look will be a day that when some of that stuff absolutely makes sense, it just hasn't been quite there yet in the last seven years. But there's a couple things that do look attractive, and again when it's the right time we'll take that risk-adjusted return. As long as you get paid for the risk of the asset class and being abroad, you pick that risk, then it's okay to step in and take it.

James Thompson: Terrific. Well Ben, Randy, Tim, thank you so much for your time. Looks like John's on here to give us the hook. Really appreciate it.

John Cole Scott: Yeah, great job guys. Thank you so much for the discussion, everyone's been giving me some good feedback privately. So yeah, we're going to basically go back to the main session and give people a five minute break to connect or to get a cup of coffee or glass of water.

Timothy Ryan: Thanks everybody, really appreciate it.

Ben Rotenberg: Thanks so much everyone.

Randy Anderson: Bye-bye.

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