**Section 3 – Investment Strategy**

**Evaluation Grade:** ☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative

**Instructions:**  
For each sub-criterion below, present:

* **Narrative paragraph** (Townsend IC memo tone: objective, fact-driven, no marketing language).
* **Supporting data** in bullets or tables (**at least one numeric datapoint per sub-criterion**).
* **Peer/benchmark comparisons** where possible.
* **Risk/sensitivity notes**: highlight downside scenarios and **quantify** potential return impacts.

**Sub-Criteria:**

**1. Strategy Clarity & Fit**

* Evaluate clarity of investment thesis, competitive defensibility, and alignment with sponsor’s expertise.
* Explain how the strategy is positioned in the current cycle and relative to market peers.

**2. Risk Mitigation Plan**

* Assess specific measures for mitigating market, execution, and financing risks (e.g., pre-sales, GMP contracts, interest rate hedging).
* Quantify expected impact of risk mitigants on returns.

**3. Strategy Risk Profile**

* Classify the strategy (Core, Core Plus, Value Add, Opportunistic).
* Relate expected IRR/MOIC to peer ranges for similar risk profiles.

**4. Seed Capital**

* Detail percentage of committed capital invested or allocated at fund close.
* Describe strategic benefits of seed assets (e.g., quicker ramp-up, proven underwriting).

**5. Leverage Policy & Usage**

* Provide target and maximum LTV/LTC, recourse structure, and use of hedging.
* Compare to peer norms and market averages.

**6. Liquidity Profile**

* Evaluate hold period assumptions, portfolio turnover expectations, and investor base diversification.
* Assess flexibility in exit timing and capital redeployment.

**7. Exit Realism**

* Assess feasibility of planned exit routes (recap, sale) given current market liquidity.
* Include data on buyer universe depth, transaction volume trends, and pricing stability.

**8. Asset Class Diversification**

* State allocation targets by property type and rationale.
* Compare diversification approach to peer funds.

**9. Loan Strategy Complexity (if applicable)**

* Assess any mezzanine, stretch senior, or bridge financing exposure.
* Quantify risk/return impact vs. traditional lending.

**10. Recycling Provisions**

* Describe policy for reusing capital from realizations during the fund term.
* Evaluate benefits and risks (e.g., concentration risk, IRR drag).

**11. Sourcing Methodology**

* Identify proportion of deals from proprietary channels, brokered processes, and repeat relationships.
* Quantify pipeline visibility (number of deals in active discussion).

**12. Operational Complexity**

* Contrast execution requirements for development, forward commitment, and stabilized acquisitions.
* Include staffing/resource implications.

**13. ESG-Adjusted Underwriting**

* Note whether climate risk, ESG compliance, or sustainability certifications are integrated into underwriting.
* Include example of ESG adjustment to financial projections.

**14. Strategy Differentiation & Competitive Positioning**

* Explicitly assess how the strategy stands out relative to peers — unique deal structures, geographic dominance, proprietary relationships, speed to close, or cost of capital advantages.
* Provide comparative table vs. 3–5 closest peer funds.

**15. Alignment with Capital Markets Trends**

* Analyze how the strategy is advantaged or disadvantaged by current capital market conditions (e.g., spread widening, lender pullback).
* Link to expected impact on entry pricing, deal flow, and exit valuations.

**16. Scalability & Deployment Pace**

* Evaluate whether the market opportunity set supports full deployment of targeted capital at underwritten returns within the investment period.
* Provide historical deployment pace for prior funds and compare to current pipeline.

**17. Track Record Linkage to Strategy**

* Assess how past fund performance validates (or contradicts) the strategy being pursued.
* Note changes to underwriting or structure from prior vintages to address lessons learned.

**Wrap-Up:**

* **3–4 bullet summary** of the most material strengths and risks in the strategy.
* **Preliminary Section Rating:** [Rating] — [Justification].