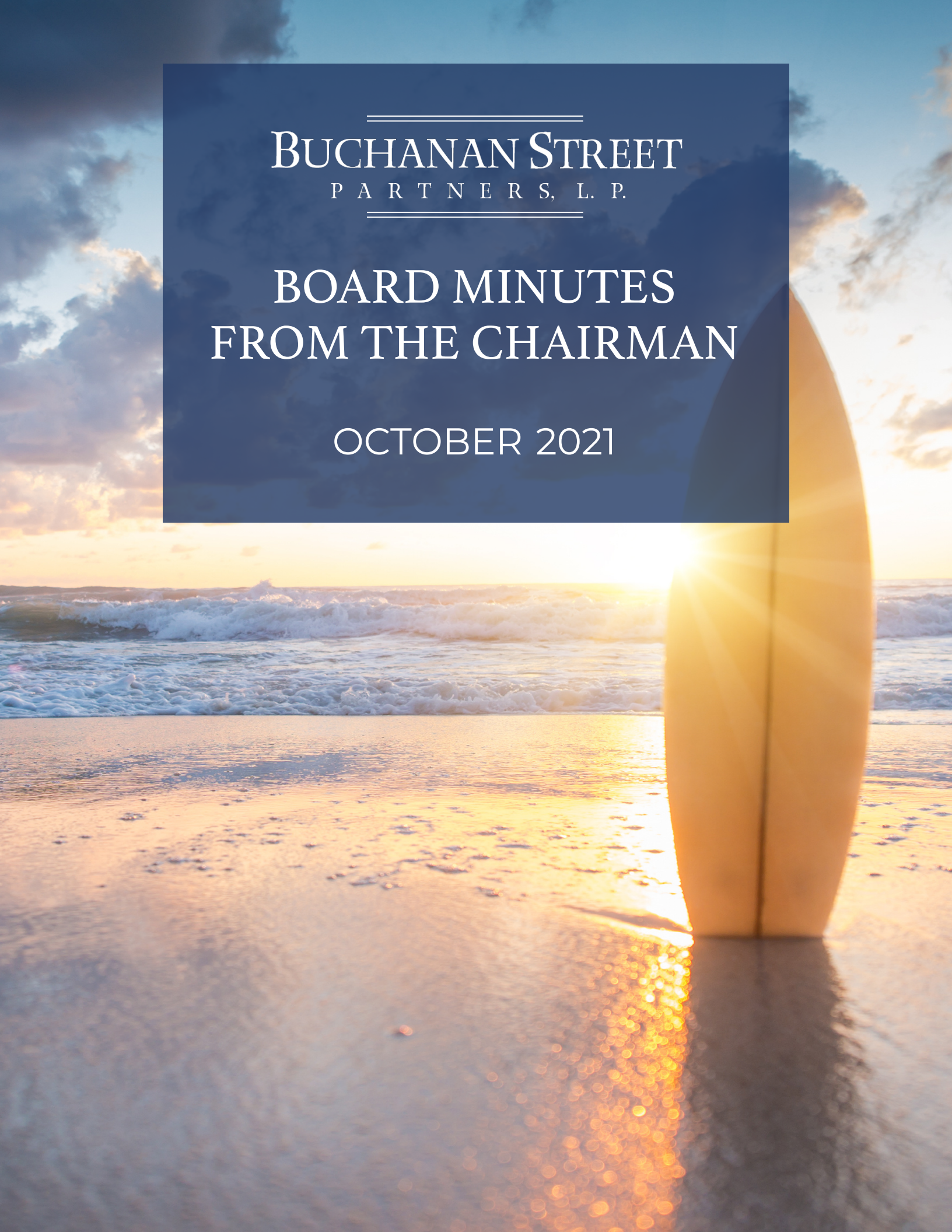

BUCHANAN STREET
P A R T N E R S, L. P.

BOARD MINUTES
FROM THE CHAIRMAN

OCTOBER 2021



Today's Search For Value Add

My partners and I recently enjoyed a getaway weekend with our wives to **celebrate our company's evolution and recent successes**. During our time we reflected upon our **continued mission** at Buchanan and the clients we **serve**. Amongst several topics, we discussed the significant **growth and expansion** of our **investor group** through the **positive impact of Investment Advisors**. I reference Investment Advisors broadly to address the expanding segment of Registered Investment Advisors (RIA's), Wealth Managers and Financial Planners and their **growing importance** in not only **stewarding** their **clients' investment portfolio** but as a **guide to navigating** the ever-changing complexity of **tax and estate laws**.

My own personal experiences with Investment Managers provided further insights prompting me to highlight in this quarter's Chairman's Minutes the less discussed or less visible **benefits of reconciling risk-return**, portfolio reconstruction, **maximizing after-tax yields** and the **security** of a well **thought through estate plan**. Thank you to several firms who provided me the necessary insights to better understand their value propositions and platform differentiations.

To begin with, Registered Investment Advisors are all **registered with the SEC** which generally is required for investment advisors with \$100 million or greater in assets under management. Coincidentally **we too are a RIA** so I understood the **disciplines, protocols and compliance** required by this designation. Each spoke to their roles of **recommending and managing a basket of investments** depending on an investor's **net worth, investment goals and risk appetite**. They highlighted their **fiduciary responsibilities**, their use of **open architecture** in offering their clients both **proprietary and external products** and their **customized** approach to **reporting**. But this is where the similarities ended as each had their own approach to **maximizing their value-add** quotient.

I posed the same questions to each as to how they might **construct an investment portfolio for a new client**, how they **characterize alternatives, source managers** and investment **opportunities** and their **views on risks** and **opportunities in today's investment marketplace**. Their own questions back to me complicated the exercise but colored the art and science of their craft and the many variables that contribute to a final plan. Are you **investing for yourself and your lifetime needs or for an indefinite estate? How much actual liquidity** do you **need?** Are you a **passive** investor **or active** investor? Are you a **philanthropic** investor? Does **ESG** investing matter to you?



The theme of **holistic customization** resonated as **no two clients are the same** though each share the **need for yield** and how to **replace the lost fixed income** of their investment portfolios as chronologically exemplified with the **March 2000 US 10-Year Treasury rate of 6.6% vs today's rate of 1.6%** and PE ratios for S&P in 2000 at 29 and today 34...yes **yields are stressed** and manufacturing **alternatives are emphasized**.

My takeaways were numbered as the group emphasized the **difference between national investment houses and non-affiliated independent advisors** and their **fiduciary mindset** in serving as an outsourced family office without proprietary **product conflict**. Each conversation highlighted the **premium paid for liquidity in the public markets** today and the evolving **adjustments to investor mindsets** about how much **liquidity** do you really need and what are you paying for that liquidity in lost **opportunity cost**.

It is true that **historically, bonds provided insulation** to portfolios during periods of volatility but **today can no longer provide that same level of protection**. As such, **alternative investments** have risen to the forefront of many investment advisor conversations as an **appropriate portfolio diversifier** and risk managed **yield enhancer**.

Historically, **alternatives have been misunderstood** as a segment of one's portfolio that took on increased risk, volatility and illiquidity. Today however, the alts moniker **provides a wide array of investment options** within private credit, private equity, venture capital, hedge funds, real estate, and infrastructure. This grouping of investments is not only **less correlated to the broader stock and bond market** but can **provide enhanced returns** through accessing certain investments that were previously only available for the ultra-wealthy.

Though **conversation Alpha** for this added segment of investing **can be intoxicating**, each representative stressed the importance of understanding and quantifying the **nuanced risk factors** of this profile of investing. Most now **design a modified portfolio** away from a typical high percentage of fixed income and equities with ranges of **25-50% in alternative asset classes** with disciplined **allocations to current yield vs total yield**.

Interestingly, much of the discussions were not necessarily focused on investments and yields but equally on the framing of **asset protection, wealth preservation, estate transfer** and **tax management efficiency** as part of the greater investment discussion. In fact, it was this segment of their job responsibilities that they suggested was the **real value add** of their work...both from a psychic and economic standpoint.

In each case my sources conveyed thoughtfully the subtle distinctions between lost **opportunity costs**, sleep at night **liquidity**, **educating the next generation** and the **passive vs engaged clientele**. I recall one conversation where an advisor referenced a recent certification that he had secured called a RLP...otherwise known as a Registered Life Planner. Think of this as a financial planner meets life coach. Seemingly today's investment manager must also have a **high EQ** to balance their **disciplined financial acumen** with the emotional and individual life experiences of each of their customers.

Our own journey as a RIA has certain similarities and differences as we are not responsible for a client's greater investment portfolio, nor their tax and estate planning but instead as a **manager** of one segment of their investable portfolio specifically **within the real estate space**. As a **fiduciary** to those that invest with us directly or through an investment advisor, we **prioritize and most enjoy educating our clients** to help **guide them** to better understand the details of their investments, be it the risks, their offsetting mitigants and expected outcomes. While our **primary responsibility** as a manager is to **source excellent investment opportunities**, we realize that by **maximizing reporting transparency** and investment **education** we can alleviate certain perceived risks associated with investing within the alternative space. **We appreciate your trust and confidence in investing with our firm.**

Best to all,

Robert Brunswick



Robert Brunswick is Co-Founder and Chairman of Buchanan Street Partners, a real estate investment management firm headquartered in Newport Beach, California. In his capacity, Robert has directed the entrepreneurial growth of Buchanan Street since its inception and continues to lead its current strategic direction. In his day-to-day activities, Robert is responsible for chairing the firm's Investment and Executive Management Committees.

In 2005, Robert was named Ernst & Young's Entrepreneur of the Year and in 2009, the Boy Scouts of America honored Robert Brunswick and Buchanan Street Partners with the "Good Scout Award" within Orange County. In 2007, Robert established Buchanan Children's Charities, a 501(c)(3) organization which measurably improves the lives and educational opportunities for America's children. The charity's signature fundraising events have included Challenge for Children, Encore for Education and the Real Estate Summit, and in 2016 Robert was the recipient of the UCI Center for Real Estate's Power-packed Philanthropist Award.

Robert holds a B.A. from the University of California at Berkeley and has completed Berkeley's Haas Business School Executive Management Program. He currently serves as a Board Member of Bixby Land, the Hoag Hospital Board and is a Founding Member of the UC Irvine Center for Real Estate. His professional affiliations include membership in the Urban Land Institute, Pension Real Estate Association and Young Presidents Organization. Robert is passionate about educating our future leaders and has taught multiple commercial real estate classes to UCI undergraduate and graduate students as an adjunct professor.