

CrowdStreet Funds: How We Select Investments for our Funds

by Thomas McDonald

ONE OF THE most important questions we receive from both new and long-time CrowdStreet clients involves the selection of deals for our funds. Whether we're talking about our private thematic funds, or our newest registered fund—our first REIT, CrowdStreet REIT I (C-REIT for short)—the answer is fairly uncomplicated, and surprisingly straightforward.

A dedicated portfolio management team hand-selects investments for each fund from among hundreds of deals considered for the CrowdStreet Marketplace. After rigorous screening and analysis, the portfolio management team chooses those deals believed to best meet the fund's overall investment objectives.

It is a highly selective process. For example, while the CrowdStreet Investment team reviews thousands of deals each year, only a hundred or so pass the review and are added to the Marketplace. And from that, the portfolio managers for a fund like C-REIT will only choose 20-25 of the top deals to invest in.

The steps for deal selection include:

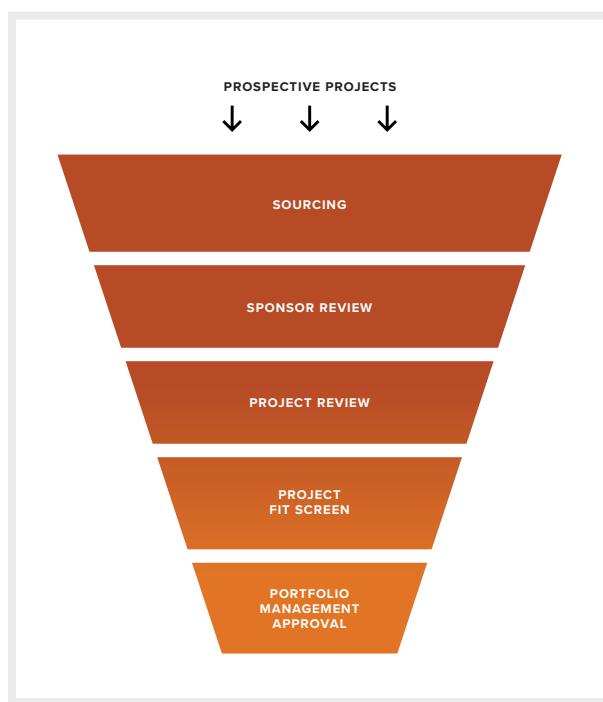
1. Sourcing,
2. Sponsor review,
3. Project review,
4. Project fit screen, and
5. Portfolio management approval.

The first three steps identify deals that meet our criteria for the Marketplace overall; when we screen for project fit, opportunities may be identified as uniquely suited for a specific fund.

Below, we detail each step:

Sourcing: Our dedicated Capital Markets team finds opportunities through its industry relationships, a network of sponsors and operators across the U.S., active in [areas that we believe have high growth potential](#). We also receive a significant volume of inbound opportunities, reflecting our eight-year history, deal insight, and speed of capital deployment.

Sponsor Review: Using a detailed checklist and objective information, we identify those sponsors we consider to be the most reputable. The sponsoring firm and its principals are subject to deep background and reference checks, personal interviews, and social media research. We determine the firm's record with the types of deals they are proposing. And for emerging sponsors—because we continuously seek fresh, new perspectives—we require higher levels of sponsor co-investment or other demonstrations of their commitment to the deal.



Project Review: Sponsors must also supply documentation to ensure their projects meet our criteria. Using third-party data, we assess each project's business plan, evaluating the alignment between the sponsor's assumptions and observed market trends. Furthermore, the deal must fit within the sponsor's core competency and match our investment preferences.

Project Fit Screen: At this point, a project may be deemed as suitable for the Marketplace, a fund, or both. In some cases—for example with time-sensitive or distressed projects—a project may not be suitable for the Marketplace but a good fit for a fund. These 'off market-place' deals are often opportunistic or value-add deals (which tend to be higher-risk) but typically have higher targeted returns.

Portfolio Management Approval: For funds, a five-member portfolio management team makes the final decision to invest in a deal. This team —the President, the Chief Investment Officer, the Director of Portfolio Manage-

ment, and two Portfolio Managers, one of which is an external independent voting member of the CS Fund Investment Committee—average more than 30 years of commercial real estate experience, providing them with insights, perspective, and a deep understanding of industry behavior across a host of economic cycles.

When a project becomes part of a fund portfolio, investors receive a detailed report on the investment thesis. Quarterly reports then follow, providing information on each project's progress over its holding period.

We dedicate ourselves to finding the most compelling opportunities that match the investment strategy of our funds and align with the overall goal of selecting the deals we believe will have the best possibility of meeting the funds' objectives, and providing a successful outcome for our investors.

If you want more information, just reach out to our Investor Relations team at Funds@CrowdStreet.com.

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