



State of New Jersey

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ELIZABETH MAHER MUOIO
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Director

April 24, 2025

MEMORANDUM TO: State Investment Council

FROM: Shoaib Khan
Director

SUBJECT: **Real Estate Investment - Townsend
Separately Managed Account**

The Division of Investment (the “Division”) is proposing an investment of up to \$400 million in Townsend Separately Managed Account (the “SMA”) sponsored by Townsend Group (“Townsend” or the “Firm”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

Customized SMA: The SMA will complement the Division's real estate portfolio by expanding the universe of readily accessible investment opportunities. The Division maintains control of the SMA's portfolio construction through and an approval right for all prospective investments.

Differentiated Experience in Tactical Investments: Townsend has a cycle-tested tactical investment platform with a track record dating from 2007. The Firm's expertise in actively managed structures such as joint ventures, platforms, and seed investments is considered best in class.

Strong Performance & Track Record: Townsend possesses a longstanding track record of managing similar customized real estate SMAs for institutional investors. The Firm has sponsored 20 SMAs, including successor sleeves, totaling approximately \$5.2 billion of capital commitments since inception.

Favorable Terms: The Division has structured favorable economic and governance terms.

A report of the Investment Policy Committee (“IPC”) summarizing the details of the proposed investment is attached.

Division Staff and its real estate consultant, Aksia LLC, undertook extensive due diligence on the proposed investment in accordance with the Division's Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the Fund has not engaged a third-party solicitor ("placement agent").

The Division's Corporate Governance Team completed a review of Townsend's Environmental, Social, and Governance efforts in accordance with the State Investment Council's ESG Policy. Townsend has adopted a Responsible Investment Policy, which details how the firm analyzes ESG-related risk and integrates ESG considerations into its various investment processes.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council's regulation governing political contributions (N.J.A.C. 17:16-4) and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 71 of the Council's regulations. Townsend Separately Managed Account is considered a non-core real estate investment, as defined under N.J.A.C. 17:16-71.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC, and a meeting of the IPC was held on April 14, 2025. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council's April 30, 2025 meeting.

Attachment

Townsend Real Estate SMA

- **DOI Commitment:** up to \$400 million
- **Strategy:** Non-Core Real Estate
- **Investment Focus:** The SMA will enable the Division to access middle market primary funds ranging from \$500 million to \$2 billion as well as tactical investments that include joint ventures, platforms and seed investments.
- **Target Returns:** 13% net returns
- **Investment Thesis:**
 - Customized Separately Managed Account
 - Differentiated Experience in Tactical Investments
 - Strong performance & track record
 - Favorable economic and governance terms

Fund Name: Townsend Real Estate SMA

April/24/2025

Contact Info: Joe Davenport; 950 Main Avenue, Suite 1600, Cleveland, OH 44133

Fund Details:		
Total Firm Assets:	\$20.9 billion	Key Investment Professionals: Anthony Frammartino: (CEO) Mr. Frammartino is the CEO of Townsend Group. He is a member of the Global Macro Strategy and Investment Committees for the firm and has been a member of the Management Committee since its inception in 2011. Prior to heading Townsend, he led the investment management business from 2011-2022 directing the firm’s forays into new asset management lines. Mr. Frammartino joined Townsend Group in 2004, having served as an investment banker advising real estate investors on public and private transactions at Key Banc Capital Markets (f/k/a MacDonald Investments). Tony Pietro: (Partner) Mr. Pietro is a Partner and member of the Investment Committee of the firm. Mr. Pietro is responsible for leading the investment management activities in the US for the Firm. Mr. Pietro participates in all aspects of investment management including, but not limited to, leading client relationships, strategic and investment planning, and investment due diligence and execution. Mr. Pietro has acted as the lead underwriter for several client investments. Since joining Townsend Group in 2006, Mr. Pietro has also focused on various aspects of the firm's businesses, including spending periods of time working within the dedicated advisory and investment underwriting groups. Joe Davenport: (Partner) Mr. Davenport is a Partner and joined the firm in 2012. He is responsible for discretionary portfolio management for clients with more than \$3 billion in total real estate assets under management. He participates in strategic and investment planning, investment due diligence and execution, portfolio management, and performance reporting. Prior to joining Townsend, Mr. Davenport worked in risk management and corporate finance for a Fortune 100 insurance and financial services company.
Strategy:	Real Estate	
Year Founded:	1983	
Headquarters:	Cleveland, OH	
GP Commitment:	1%	

Investment Summary	Existing and Prior Funds			
The Investment is a customized SMA tailored to the Division's overall portfolio goals. The SMA will enable the Division to access Tactical Investments and middle-market Primary Funds. The SMA will invest in real estate through primary fund commitments, secondaries, and co-investments across risk-return profiles. Primary funds are defined as non-core private real estate commingled funds and Tactical Investments encompass all other types of private real estate investment structures, such as joint ventures, entity-level investments, real estate operating companies, co-investments, and secondaries. The SMA's initial target investment allocations are 50-60% to Tactical Investments and 40-50% to Primary Funds.	Funds	Vintage Year	Strategy	Net Returns as of 06/30/2024
	Lake Tahoe L.P.	2010	Real Estate	20.4% IRR; 1.64x MOIC; 1.64x DPI
	Lake Tahoe II L.P.	2012	Real Estate	15.3% IRR; 1.44x MOIC; 1.42x DPI
	Lake Tahoe III L.P.	2015	Real Estate	11.6% IRR; 1.63x MOIC; 1.48x DPI
	Lake Tahoe IV L.P.	2018	Real Estate	13.9% IRR; 1.28x MOIC; 0.56x DPI
	IRR = Internal Rate of Return; MOIC= Multiple on Invested Capital; DPI = Distributions to Paid-In			
	Source: Townsend			

Vehicle Information:

Inception:	2025	Auditor:	TBD
Fund Size:	\$404 Million		
Management Fee:	For Primary Funds 0.20% on Invested Capital; For Tactical Investments 0.50% on Invested Capital	Legal Counsel:	Baker & McKenzie, Jones Day, Hogan Lovells
Performance Fee:	Primary Investments 0% none; Tactical Investments 10%		
Preferred Return:	8%		
Additional Expenses(Fee Offset)	No		

NJ AIP Program			
Recommended Allocation SMA (\$mil.):	up to \$400 million	LP Advisory Board Membership:	N/A
Percent of Fund	99.0%	Consultant Recommendation:	YES
		Placement Agent:	NO
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	YES

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto. The Vehicle Information section is intended as a summary only.