



*Hello! Thank you for your interest in our Recession Resistant Fund. The information below is meant to provide a consolidated overview of our Fund. We look forward to getting to know you and answering your questions, please do not hesitate to call or email us!*

- Mark and Ryan

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## **The Recession Resistant Fund**

### **Company Overview**

Seeing a growing need for a highly diversified investment portfolio designed to continue to perform during a market correction, seasoned real estate investors, Mark Khuri and Ryan Andrews, launched the Aerial RR Fund. “The Recession Resistant Fund” is a diversified real estate private equity fund that invests in value-add mobile home parks, self-storage facilities, and workforce apartment communities. The Fund currently holds an ownership stake in 27 properties across 9 states.

### **Problem/Opportunity**

The US is 9 years into the second longest economic expansion in US history. Many economic indicators point to an upcoming slowdown and possible recession in the near term. Some of these indicators include stock market volatility, CPI inflation at 6-year highs with “real” inflation even higher, labor markets at full employment which could ignite cost-push inflation, interest rate risk and a risk of monetary policy mistakes, and an inverted yield curve in March 2019 indicating a likelihood for recession in the next 1-2 years.

Further, the US is in an affordable housing crisis with an insufficient housing supply to meet current and future demand. When looked at together, these problems create a compelling opportunity. We believe it is an important time for investors to reduce risk in their portfolios by diversifying capital across stabilized, cash flowing and value-add real estate. Now is the time to own a portfolio of unique asset classes which are counter cyclical or relatively uncorrelated to the market that will continue performing and generating positive returns through the next market correction.

### **Solution**

The Aerial RR Fund provides investors with a diversified portfolio of three real estate asset classes that have historically performed during recessions due to often being inversely or uncorrelated to the market: mobile home parks, self-storage facilities, and workforce apartments. Within these asset classes we target stabilized opportunities that have inefficiencies and a “value-add” component. Our value-add strategy involves improving the performance of the properties in order to grow NOI and the underlying asset value, rather than relying on speculative natural market appreciation. The result is a blended investor return comprised of both current income and long-term valuation growth and upside.



## **Business Model**

The Fund is a closed-end “LP Fund” structure and is a 506(c) offering open to accredited investors. The Fund pools capital from investors and makes equity investments across a diverse number of real estate assets. The Fund invests with best-in-class real estate operators that manage the day-to-day operations of the properties and the execution of each asset’s business plan. We pass on many investments that do not meet our buying criteria, which are not conservatively underwritten, and after conducting extensive due diligence we only select investments that we would personally invest in on their own. Our Fund structure then groups these investments together and provides investors an equity % in all deals. Our business model allows investors to truly diversify and reduce risk by investing in 1 vehicle that allocates capital across many properties, asset classes, regions and operating partners.

## **Traction**

The Fund is currently capitalized with \$1.5 million and has made 5 investments. These five investments represent 27 total properties across 9 states and we are conducting due diligence on several of our next investments. The portfolio is allocated 49% to mobile home parks, 40% to apartments, and 11% to self-storage. Investor distributions are expected to begin after the conclusion of Q2 2019 if not sooner. The Fund assets generate quarterly distributions to investors over the course of a 5-10 year investment period and in years 3-4 we expect to begin returning investor capital through refinancing and liquidations of properties in the Fund.

## **Execution Plan**

The Fund’s targeted size is \$10 million and is limited to 100 investors. The Fund can receive investor capital immediately and typically deploys capital into fund assets within 60 days. Investment opportunities are sourced through deep relationships with many best-in-class real estate operating partners across various markets in the US. Investment opportunities are vetted through a strict underwriting process and are often made with operating partners the managers have previously invested with. Currently 80% of the assets in the Fund are with operating partners that the managers and their affiliates already have personal and active investments with, outside of the Fund.

## **Market**

Mobile home parks are in growing demand as they are the most affordable housing solution in many desirable regions. As of lately, a growing number of baby boomers on fixed incomes have turned to mobile home parks as an affordable housing option. In addition, supply of Mobile Home Parks has remained fixed and even declining in certain markets where the land is being repurposed. Many counties have zoning restrictions that constrain supply and simply do not allow for the development of new mobile home parks.

With home ownership at its lowest rate in over 50 years, workforce apartments also offer an additional affordable housing solution for many. Workforce apartments frequently remain at high occupancy during market downturns as households tend to reduce their cost of living by downsizing to apartments during difficult times. At a national level, 4.6 million new apartments are needed over the next 12 years just to replace the decaying stock of apartments - the rate of new apartment developments would will need to almost double to catch up.



Self-storage provides investor stability during a recession as more people tend to have life events resulting in a physical change such as, foreclosure, change in employment, downsizing and moving home from college, all of which increase the demand for self-storage facilities. Further, self-storage is very flexible and can adjust to the market with incentives like a free month or a free moving truck to attract tenants and fill vacancies. Once tenants are acquired, they are extremely sticky. One of our operating partners noted their average tenancy is 2.7 years and recent publications show nationwide that 40% of tenants stay over 2 years. Almost every single American will use self-storage during their lifetime and recently it was reported that 1 out of 11 Americans pays over \$90/mth for space to store their belongings.

## Financial Projections

**The Fund is targeting a 16%-22% average annual ROI across a 5-10 year investment period with a \$50,000 minimum investment.**

	Class B Units	Class A Units
Minimum Investment	\$50,000	\$250,000
Management Fee	2%	2%
Preferred Return	8%-9%*	8%-10%*
Investor Profit split above preferred return	70%	80%
<b>Target Average Annual ROI</b>	<b>16-20%</b>	<b>18%-22%</b>

\*Founders Shares are the first \$2 million invested in the Fund. Founders Shares receive a higher preferred return for the life of the fund of either 9% (Class B) or 10% (Class A)

	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY 2022 Forecast
<b>Investor Cash Flow</b>	3-5%	5-7%	7-9%	10%+

Annual Management Fee: 2%

One time acquisition/disposition Fee: 1%

Preferred Return to Investors: 8%-10%\*

Profit split to investors above the preferred return: 70%-80%



## Current Portfolio (as of 3/31/2019)

Asset Class	Description	Percent Allocation
Apartments	284-units, Austin, TX	22%
Apartments	410-units, Dallas, TX	7%
Apartments	740-units South Bend, IN	11%
MHP	4 parks, 264-lots, Arizona	22%
MHP & SS	19 properties, 7 states 50/50 split between assets	38%
<b>TOTAL</b>	Apt: 1434 units SS: 6,802 units MHP: 1,164 lots	Apt: 40% SS: 11% MHP: 49%

## Exit Strategy

Investors in the Fund should expect to be invested for 5-10 years. Liquidity or redemption prior to this is not guaranteed, however the operating agreement provides for the sale or redemption of units under certain circumstances. Each asset selected for the Fund has a specified business plan and exit strategy. When value-add measures are completed and NOI has grown, many of the asset will have a refinancing event where a portion of investors capital will be returned. This is targeted between years 3-5. Some assets may also be well positioned for a sale at this time which would also provide investors a return of capital. The fund will not reinvest the proceeds from liquidations or refinancing.

In addition, each investment has a calculated duration that ranges between 5-10 years. As the assets approach their expected end of term, they will be sold, and capital returned to investors. By pooling investments with different timelines together we're anticipating seeing a few assets refinance in the earlier years providing some capital return, and potentially some being fully sold with capital + profits distributed, and others held for the full term. This blended time line is one benefit of our structure which helps us be best positioned for a market correction vs investing in 1 asset with a fixed timeline.

## Management Team

The fund is managed by Ryan Andrews and Mark Khuri, Managing Partners of Aerial Investment Management. They bring a cumulative 25 years of experience in real estate and investment management and have made over 100 real estate investments across 10+ asset classes. They have capitalized over 50 real estate partnerships.



### **Mark Khuri, Managing Partner**

Mr. Khuri brings over 13 years of real estate investing experience to the organization. His career started in 2005 when he began investing in residential real estate in California and Florida. Throughout his career Mark has been involved in sourcing, underwriting, acquiring, raising capital, rehabilitating, managing and selling both residential and commercial investments throughout multiple markets in the US.

In addition to founding Aerial Investment Management, in 2010 he launched [SMK Capital Management](#) with his father, a retired orthopedic surgeon and seasoned real estate investor. Mr. Khuri has analyzed hundreds of investment opportunities and has successfully bought, renovated, sold and invested in over 100 properties with a combined value over \$400 million and created and managed over 40 real estate partnerships.

Over the last decade, Mr. Khuri and affiliates of SMK have invested in over 40 commercial real estate opportunities across numerous asset classes including mobile home parks, self-storage facilities, multi-family communities, retail shopping centers, oil wells, student housing, vacant land and short-term debt.

Prior to founding SMK Capital Management, Mr. Khuri was the Vice President of Sales & Operations with a private retail distribution firm and Mr. Khuri worked as a financial analyst with a fortune 500 Company performing budgeting, planning and internal audit roles. Mr. Khuri holds a B.S. in Finance from Bentley University in Waltham, MA is a CA licensed RE Broker and teaches Real Estate Investing Principals and Best Practices at Central Oregon Community College.

### **Ryan Andrews, Managing Partner**



Mr. Andrews brings 12 years of experience in investment management and real estate finance to the organization. The Aerial RR Fund is the fifth investment fund he has capitalized and managed. Mr. Andrews has also structured, capitalized, and managed numerous joint ventures and special purpose entities that have acquired and improved real estate assets including multifamily buildings, land developments, single-family residential developments, and rehab/fix-and-flip properties.

Prior to founding Aerial Investment Management, Mr. Andrews was a Principal and Director of Capital Markets for Trueline Capital, a Pacific Northwest private portfolio lender. Mr. Andrews oversaw day-to-day operations of Trueline Capital Fund II including underwriting over 100 debt investments over three years totaling over \$40 million in real estate investments. Mr. Andrews helped grow Trueline Capital Fund II from launch to over \$20 million in capitalization in 2.5 years. The fund returned an annualized 10.6% to investors during his tenure.

Prior to his role at Trueline Capital, Mr. Andrews was an early employee at CrowdStreet where he managed investor relations for the first series of online investment opportunities offered by CrowdStreet after the passage of the JOBS Act. Prior, he held numerous leadership positions in finance, including CFO/COO roles, for venture-backed technology companies.

Mr. Andrews also spent four years working for Pacific Investment Management Company (PIMCO) in their Newport Beach, CA headquarters where he worked on the institutional account management teams focused on servicing foundations & endowments and public pensions clients. Mr. Andrews holds a B.S. in Business and Finance from California Polytechnic University San Luis Obispo and holds a Series 65 Investment Advisors license.



## Steps to Make an Investment

1. Please submit a soft reserve at: <https://www.aerialinvestmentmanagement.com/invest-now>

Note: The fund is open to accredited investors. Interested investors should review the fund's Private Placement Memorandum, Operating Agreement and Subscription Agreement. To be admitted to the fund, investors need to sign the Operating Agreement and Subscription Agreement available by request from the managers and fund their investment.

We look forward to helping you prepare your investment portfolio for the uncertain future ahead!

Sincerely,

Mark & Ryan

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