RIVERPARK FUNDS

# RiverPark Floating Rate CMBS Fund

**(RCRIX/RCRFX)**

## First Quarter 2021 Commentary – Boring is Beautiful

After a volatile 2020, during which the pandemic roiled both property and CMBS markets, we repositioned our portfolio into industrial, life sciences and apartments, asset classes that benefit from and are performing well during the ongoing pandemic. Along with the CMBS recovery, our portfolio is now valued at par value and is paying a monthly gross coupon of 2.6% (at the current one-month LIBOR rate of 11 basis points). Of note, the RiverPark Floating Rate CMBS Fund (the "Fund") has been investing in Commercial Mortgage-Backed Securities ("CMBS") for over a decade with only one down year (2020). As our portfolio recovered to par, our returns for the quarter were 1.9%.

Our portfolio consists of 19 investments with an average loan-to-value ratio of 54% (the amount of our investment and all senior or same class debt divided by the property value) and a debt-service-coverage-ratio of greater than three times (property cash flow divided by property debt-service). Regarding the CMBS market overall, the new issue CMBS market is alive and well and demand is strong across the board, particularly for seasoned and performing assets such as ours.

In summary, we own a high-quality portfolio of CMBS secured by large and diverse portfolios owned by many of the most highly capitalized real estate investors in the world, including Blackstone, Brookfield, Fortress and KKR. At year-end, our portfolio was secured by over 1,800 properties comprising over 285 million square feet in over 30 states.

We feel that our portfolio has never been positioned more defensively and should deliver steady, floating-rate returns at an attractive spread to LIBOR for years to come. After a year like 2020, boring is truly beautiful.



156 W. 56th Street, 17th Floor | NY, NY 10019 | P 212.484.2100 | www.riverparkfunds.com

## Portfolio Composition and Characteristics

The greatest strengths of our portfolio are asset and sponsor quality. 100% of the Fund is comprised of three asset types: industrial, life sciences and apartments. These three asset classes are discussed below with a detailed asset-by-asset summary on the following page.

Industrial Assets (69% of portfolio). Industrial assets typically represent the backbone of distribution for retail and commercial goods in the US. The Fund's industrial assets are comprised of large and diversified portfolios of "last mile" warehouse and distribution properties used by such companies as Amazon and Wal-Mart. For example, our Blackstone XL distribution portfolio consists of 406 properties totaling 66 million square feet in 18 states. Within industrial, we also include cold storage assets and self-storage assets.

Life-Sciences Assets (21% of portfolio). Life-Sciences assets are highly specialized modern buildings that are built for biotechnology and pharmaceutical companies to develop and create new drugs such as for COVID and Cancer. These properties are typically located in close proximity to major universities and have specialty features including high-energy capacity, sterile laboratories, and typically higher than normal ceiling heights. These properties tend to be fully leased to leading pharma and biotech companies under long-term leases.

Multi-Family Apartments (10% of portfolio). The Fund's multi-family apartment assets are comprised of portfolios of ten or more apartment complexes, typically with 100 or more units per complex.

Regarding our loan sponsors, the Fund's CMBS investments are owned by many of the country's leading institutional real estate investors with decades of experience and substantial capital. Our loan sponsors include Blackstone, Brookfield, Fortress, KKR, and Lineage Logistics, among others. Our investments benefit not only from our sponsor experience but also from their significant equity in each transaction.



156 W. 56th Street, 17th Floor | NY, NY 10019 | P 212.484.2100 | www.riverparkfunds.com

## Fund Investments

Below are the Fund's investments as of quarter-end.

| | Property Type | Sponsor | Ticker | Location | Ratings | Percent of Net Assets |
|---|---|---|---|---|---|---|
| 1 | Industrial/Cold Storage | Lineage | 2019-ICE4 F | Nationwide | BB | 7% |
| 2 | Industrial/Distribution | Blackstone | 2019-XL G | Nationwide | BB- | 6% |
| 3 | Industrial/Distribution | Blackstone | 2020-FOX E | Nationwide | BB- | 5% |
| 4 | Industrial/Distribution | Fortress | 2020-UNFI A | IL/PA | BB* | 5% |
| 5 | Life Sciences | Blackstone | 2018-BIOA E | CA/MA/WA | BB- | 5% |
| 6 | Industrial/Cold Storage | Lineage | 2020-ICE5 F | Nationwide | BB | 5% |
| 7 | Apartment Portfolio | Blackstone | 2019-MMP C | New York | A | 5% |
| 8 | Industrial/Distribution | Blackstone | 2020-BXLP F | Nationwide | BB | 5% |
| 9 | Industrial/Distribution | Blackstone | 2018-IND G | Nationwide | BB | 5% |
| 10 | Industrial/Distribution | Blackstone | 2019-CLP E | California | BB- | 5% |
| 11 | Life Sciences | Blackstone | 2018-BIOD E | Nationwide | BBB- | 5% |
| 12 | Life Sciences | Brookfield | 2019-LIFE G | Massachusetts | B- | 5% |
| 13 | Industrial/Distribution | KKR | 2021-KDIP F | Nationwide | BB- | 4% |
| 14 | Industrial/Self Storage | SmartShop | 2019-SST2 B/C/E/F | Nationwide | AA+/A+/BB-/B- | 4% |
| 15 | Industrial/Distribution | KKR | 2020-AIP E | Nationwide | BB | 4% |
| 16 | Life Sciences | Brookfield | 2017-CLS A/B/C/F | Massachusetts | AAA/AAA/AA/B+ | 4% |
| 17 | Industrial/Self Storage | Brookfield | 2018-SELF D/F | Nationwide | BBB-/B | 4% |
| 18 | Apartment Portfolio | Blackstone | 2021-MFM1 E/F/G | Nationwide | BB-/B-/NR | 4% |
| 19 | Industrial/Distribution | Blackstone | 2020-VKNG G | Nationwide | B- | 3% |

*Holdings are subject to change.*
** Assigned rating by manager - investment is an untranched first mortgage.*



156 W. 56th Street, 17th Floor | NY, NY 10019 | P 212.484.2100 | www.riverparkfunds.com

As of March 31, 2021, the Fund's assets under management were $57 million.

## Performance

**Performance: Net Returns as March 31, 2021**

| | Current Quarter | One Year | Three Year | Five Year | Ten Year | Since Inception |
|---|---|---|---|---|---|---|
| **RCRIX** | 1.91% | 18.96% | -0.44% | 1.73% | 4.00% | 4.59% |
| **RCRFX** | 1.84% | 18.69% | -0.74% | 1.47% | 3.88% | 4.47% |
| Bloomberg Barclays U.S. Investment-Grade CMBS Index | -2.10% | 4.86% | 5.26% | 3.57% | 4.06% | 4.88% |
| Bloomberg Barclays U.S. Aggregate Bond Index | -3.37% | 0.71% | 4.65% | 3.10% | 3.44% | 3.47% |

*Annualized performance since inception of the Fund (9/30/16) was 1.22% for RCRIX and 0.95% for RCRFX.*

*The performance quoted herein is net of all fees and expenses and represents past performance. Past performance does not guarantee future results. Performance shown for periods of one year or greater are annualized. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost, and current performance may be higher or lower than the performance quoted. For performance data current to the most recent month end, please call 888.564.4517.*

*The performance data quoted for periods prior to September 30, 2016 is that of the predecessor fund. The inception date of the Predecessor Fund was May 31, 2010. The performance of the Predecessor Fund includes the deduction of actual fees and expenses, which were higher than the fees and expenses charged to the Fund. Although the Fund is managed in a materially equivalent manner to its predecessor, the Predecessor Fund was not a registered mutual fund and was not subject to the same investment and tax restrictions as the Fund.*

*Expense Ratio: Institutional: 0.87% gross and 0.85% net, Retail: 1.16% gross and 1.16% net as of the most recent prospectus, dated January 28, 2021.*

*The Adviser has agreed to waive fees and reimburse expenses until at least January 31, 2021 to the extent necessary to assure that expenses will not exceed certain pre-agreed limits. The Adviser has the ability, subject to annual approval by the Board of Trustees, to recapture all or a portion of such waivers. The Gross Expense Ratio reflects actual expenses and the Net Expense Ratio reflects the impact of such waivers or recaptures, if any.*

*Index returns are for illustrative purposes only and do not represent fund performance. Index performance returns do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an Index.*



156 W. 56th Street, 17th Floor | NY, NY 10019 | P 212.484.2100 | www.riverparkfunds.com

## Conclusion and Looking Ahead

Last year was a challenging and frustrating year for the Fund, most certainly upended by COVID-19. We believe that the knock-on effects from the pandemic have fundamentally changed the outlook and performance characteristics of certain property types such as retail, hotel and office. We therefore took the opportunity last year to reposition our portfolio out of those kinds of assets and into more defensive assets that are thriving post pandemic: industrial, life sciences, and apartments. We believe that this kind of a portfolio should experience lower volatility and generate, as the Fund has done historically, steady and predictable monthly dividends in a floating-rate inflation hedged investment. We are seeing numerous opportunities that fulfill these criteria and are excited about the path forward in the new normal. As a reminder, management of the Fund continues to be a major investor in the strategy.

Please reach out with any questions.

Sincerely,

Edward L. Shugrue III
Portfolio Manager
RiverPark Funds
New York, New York



156 W. 56th Street, 17th Floor | NY, NY 10019 | P 212.484.2100 | www.riverparkfunds.com

**To determine if a Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and other information may be found in the Fund's summary and full prospectus, which may be obtained by calling 1-888-564-4517 or by visiting the website at www.riverparkfunds.com. Please read the prospectus carefully before investing.**

*Securities referenced herein are not meant to be an investment recommendation and may or may not be held in the Fund. Any opinion stated herein represents the author's judgment at the time it was made and is subject to change without notice.*

*Investing involves risk including possible loss of principal. Bonds and bond funds are subject to credit risk, default risk and interest rate risk and may decline in value as interest rates rise. High yield bonds involve greater risks of default or downgrade and are more volatile than investment grade securities, due to the speculative nature of their investments. CMBS are not backed by the full faith and credit of the U.S. government and are subject to risk of default on the underlying mortgages. Securities backed by commercial real estate assets are subject to risks similar to those of direct ownership of commercial real estate loans including, but not limited to, declines in the value of real estate, declines in rental or occupancy rates and risks related to general and local economic conditions. There can be no assurance that the Fund will achieve its stated objectives. The Fund is not diversified. The value of the collateral securing CMBS can decline, be insufficient to meet the obligations of the borrower, or be difficult to liquidate. As a result, CMBS may not be fully collateralized and may decline significantly in value.*

*The RiverPark Floating Rate CMBS Fund is distributed by SEI Investments Distribution Co., One Freedom Valley Drive, Oaks, PA 19456 which is not affiliated with RiverPark Advisors, LLC,.*