

# BEYOND FACE VALUE

*The official newsletter of Rational Capital Investment Fund*

## Alumni Feature: Alessandro Capuzzimati

INVESTMENT ANALYST AT STARLIGHT INVESTMENTS



Alessandro Capuzzimati is an Investment Analyst at Starlight Investments. Starlight Investments is a leading privately-owned North American real estate investment, and asset manager focused on investment and active asset management of multi-family and commercial real estate. Alessandro first got involved with Rational Capital in 2018 in the Analyst Candidate program. He later became a Fund Analyst with the club working on several investment ideas. Alessandro believes that Rational Capital gave him a strong basis in his finance learning process and provided him with exposure to various career paths within finance through the club's Speaker Series offerings. He believed that Rational offered something different from other clubs on campus and was interested in the chance to help manage real capital with the fund. He graduated from the University of Toronto in 2020 with a Bachelor of Commerce specializing in Financial Reporting and Control with a minor in Economics.

### **CAN YOU WALK US THROUGH THE PROCESS OF ANALYSING A POTENTIAL MULTI-FAMILY ACQUISITION?**

The process varies depending on the type of deal you're analyzing. The most common strategies multi-family real estate are core investments (stabilized assets with strong cash-flows), core-plus (nearly stable assets with some rental upside left, usually achieved through in-suite renovations), and value-add (assets with in-place rents materially lower than comparables, which require significant common area and in-suite capital investments). Core assets tend to be the most stable and yield the lowest go-forward return, whereas value-add assets can be more risky in nature but also command a higher expected go-forward return from investors. You also need to consider who the investor is and what their risk appetite is – are they looking for a coupon-clipping asset to fund, say future pensions, or are they more willing to take on the risk of a value-add investment to drive capital growth over the investment horizon? Understanding the relationship between what the investor wants and what the asset is is pivotal in analysing any real estate deal.

### **WHAT IS THE IMPORTANCE OF DEBT CAPITAL IN PRIVATE EQUITY REAL ESTATE?**

There are very few forms of investing that allow you to take advantage of debt the way real estate does, and very few industries where debt capital is so abundantly accessible. Debt doesn't only form part of the capital stack, allowing you to purchase assets well beyond the amount of equity you have from investors, but it also allows you to amplify returns with relatively low risk. Take a value-add strategy for example, you may choose to purchase an asset with 60% of the purchase price coming from a short-term debt facility. This allows you to reduce the amount of equity required from your investors on purchase and gives you time to execute on your value-add strategy by renovating units, upgrading common areas, rejuvenating the look of the building etc. At maturity of that debt, you'd hope the capex work invested into the property has resulted in higher rents and cashflow, allowing you to refinance the building and return cash to investors through an equity take-out. One of the advantages of debt in real estate is that it allows you to refinance the asset multiple times over as you execute on your business plan, all while returning cash to investors in a tax efficient manner.

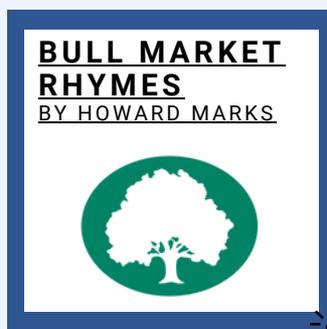
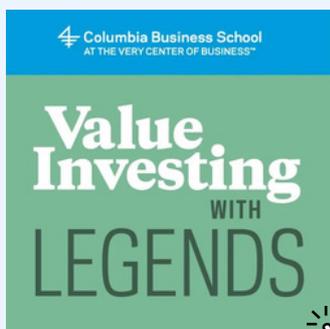
## IF YOU HAD ONE WORD OF ADVICE FOR STUDENTS, WHAT WOULD IT BE?

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*For those interested in reading Kein's responses in full, please reach out to us at [rational.capital@utoronto.ca](mailto:rational.capital@utoronto.ca)*

### Value Investing Content

WHAT WE'RE READING AND LISTENING TO



*Click on the images above to access the podcast episodes and memo.*

### What's New?

- **Summer Program**

RCIF will be holding a summer program for students who want to get a head-start in finance and investing before the semester starts.



Applications Open in July  
6 Week Program

*More information will follow shortly so be on the lookout for that!*

## 2022/23 Rational Capital Executive Team

Rational Capital has onboarded the new Executive Team for the 2022-2023 academic year. We're excited about the upcoming year, and are already planning several events to add value to Rational Capital members. Be on the lookout for these and any other announcements on our socials! Please reach out if you have any questions or comments for us, we'd love to chat! If you're curious about the new team, you can find us on [rcif.ca/team](http://rcif.ca/team), and we will also post more detailed meet the team posts later. We hope to get to know all of you over the upcoming year!