

BEYOND FACE VALUE

The official newsletter of Rational Capital Investment Fund



Alumni Feature: Gregory McLean '15 FUND MANAGER AT REALSTAR GROUP, CFA, CAIA

Gregory McLean is a Fund Manager at Realstar Group, a leading private equity real estate firm focused on multi-residential property across Canada. He is a CFA and CAIA charter holder. Throughout his second and third-year, Gregory got involved with RCIF in the analyst candidate program taking advantage of the club's various offerings. In 2016, he graduated from the University of Toronto with a Bachelor of Commerce in Finance and Economics.

WHAT GOT YOU INTERESTED IN WORKING IN PRIVATE EQUITY REAL ESTATE (PERE)?

What drew me here is a combination of passionate and hardworking people, lots of camaraderies, and being part of a good platform that keeps growing. PERE is different from a lot of what I studied in undergrad. But once you strip away the real-assets aspect of it, you're still dealing with cash flows, valuation, and all the natural capital markets questions. I was most intrigued when landing my internship because real estate had the feel of an emerging field at the time. The asset class has just skyrocketed in popularity for the last few years.

WHAT DOES THE DAY OF A FUND MANAGER AT A PERE FIRM LOOK LIKE?

I would say the role is split into two sections, either of which could dominate on any given day: first, the analytical side, where we look hard at lots of different investments and opportunities with the aim of being good stewards of LP capital, and second, the investor relations side, where we communicate plans and thoughts to our LPs, whether those are to do with an existing fund, a proposed transaction, or new fundraising.

WHAT DOES THE RESEARCH & EXECUTION PROCESS LOOK LIKE IN PERE?

We are still looking at revenues and costs, modeling future cash flows, and trying to understand the capital stack. It's also a look into the next 5 or 10 years to see income growth over time, and crucially to underwrite an exit value based on a multiple - in the lingo, it's usually a cap rate versus an EBITDA or P/E multiple. In our case, we raise funds and then go out to the market, not only to buy entire buildings but also to have direct control over how they are run and financed. So unlike looking at a publicly-listed company where you need to investigate how much debt they have or how their operations actually work, we actually get to make active choices about how much debt to put on and how to run the investment. Broadly, it's still a game of forecasting future revenues and costs, but we just have a little more control versus the equity market.

WHAT RESOURCES DO YOU RECOMMEND FOR STUDENTS WANTING TO DEVELOP THEIR INTEREST IN REAL ESTATE?

The important thing here is to get investment exposure to large-scale real estate. There are tons of resources out there to learn more. I took the one or two real estate courses that were available at UofT during my undergrad, which provide a very basic understanding of the big building blocks – pun intended. So take a course, get a textbook, or just get plugged into the market through resources online, following the big REITs, names like Allied, CAPREIT, Dream, Prologis in the US – these are all interesting companies to follow and get a sense for what they own, what they do, and how they do it. If you're interested in it, read up, reach out to someone in your network, and go to a NAIOP industry event. As with anything, a little work goes a long way.

For those interested in reading Gregory's responses in full:

[CLICK HERE](#)

This transcript should be consumed for informational purposes only. Information relating to investment approaches or individual investments should not be taken as advice or endorsement.



UPCOMING EVENTS

INFO SESSION #2

SEPTEMBER 14, 4-6 PM

KICKOFF EVENT

SEPTEMBER 20, 5 PM



DEADLINE REMINDER

SEPTEMBER 19

RESEARCH TEAM

SEPTEMBER 25

INTERN APPLICATIONS

SEPTEMBER 25

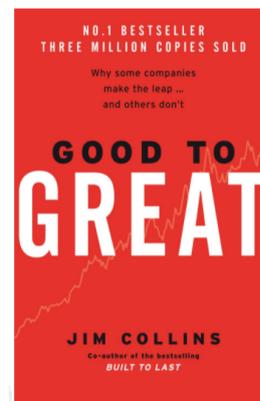
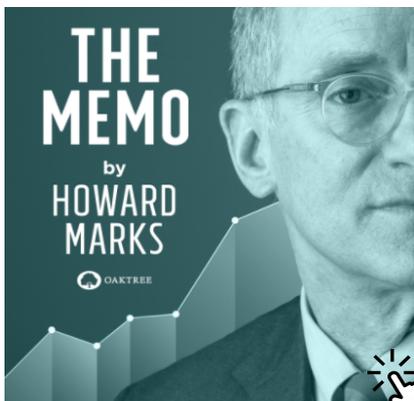
PRE-ANALYST SESSION #1

Value Investing Content

WHAT WE'RE READING AND LISTENING TO

[The Makings of a Multibagger by Alta Fox Capital](#)

[NamSys Research Report by RCIF](#)



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