



**TO:** The Employee Retirement System of Rhode Island and the Other Pension Employee Benefits Plan

**FROM:** Meketa Investment Group

**DATE:** September 23, 2024

**RE:** SROA Fund IX

---

On behalf of The Rhode Island Employees Retirement Systems Pooled Trust (“ERSRI”), along with the Rhode Island OPEB System Trust (“OPEB”), (collectively, the “Plans”), Meketa Investment Group (“Meketa”) has conducted due diligence on SROA Capital Fund IX (“SROA IX” or the “Fund”) and its sponsor, SROA Capital (“SROA,” the “Manager,” or the “Firm”). The opportunity is being considered as part of the Plans’ non-core real estate allocation, within the Private Growth class. The Fund’s core-plus to value-add risk profile and self-storage sector focus supports the objective of diversifying ERSRI’s non-core holdings with sectors benefiting from demographic trends. Based on the Plans’ investment strategies, the merits of the Fund and the information provided in this summary, Meketa is of the opinion that an investment in the Fund is a prudent investment opportunity for the Plans. Meketa’s opinion is limited to the merits of the Fund and does not constitute, nor shall it be considered tax, legal, or transaction-structuring advice. In making any investment decision with respect to this Fund, the Plans may rely on this report but must also make their own examination and assessment of the Fund, including the terms of the offering, the merits, and the risks involved.

## Investment Overview

SROA Fund IX is a core-plus to value-add, closed-end equity Fund targeting self-storage investments within the United States. Fund IX is targeting returns of 10% to 13% net levered IRR assuming asset level leverage of 60% loan-to-value, with a cap of 70% loan-to-value.

## Organization

Storage Rentals of America (“SROA”) was founded in 2013 by real estate entrepreneur and current Chief Executive Officer Benjamin Macfarland, in partnership with Sidney Kohl (co-founder of Kohl’s Department Stores) and James Jenkins, CPA (co-founder of Alliant and CFO of ESKO). In 2013, Mr. Macfarland executed a self-storage deal with Mr. Kohl and Mr. Jenkins, ultimately leading to a partnership amongst the three professionals to form SROA. ESKO, the Kohl family office, provided Mr. Macfarland with a \$50 million LP commitment and a \$5 million line of credit to build out the platform, resulting in a shared ownership structure between him, Sidney Kohl, and James Jenkins, in addition to another prior colleague of Mr. Macfarland (Jonathan Cameron-Hayes).

Since inception, SROA has focused solely on self-storage investing, growing to become one of the five largest private owners and ninth largest owner overall of self-storage assets in the United States. The Firm has deployed over \$1.0 billion of equity into self-storage properties, representing over \$2.5 billion



in total real estate value, across eight investment vehicles. The SROA Capital Fund series is SROA's sole investment vehicle line and focus of the Firm. Fund IX is the Firm's fourth commingled fund with institutional investors. SROA currently manages a portfolio of approximately 370 properties, representing 17 million rentable square feet and 130k units throughout the U.S.

As a vertically integrated team headquartered in West Palm Beach, FL, SROA manages over 180 corporate employees and 350 property management employees.

## Fund Strategy

Fund IX will seek to acquire a diversified portfolio of approximately 175 to 250 undermanaged and undercapitalized self-storage properties from non-institutional operators. The Fund will primarily target high growth and undersupplied secondary and tertiary markets across the United States. These markets are typically overlooked by the public REITs and large institutional investors given the smaller deal size and frequent complexity of such transactions. The Fund may also selectively invest in primary MSAs where attractive pricing is attainable. SROA will seek to add value by aggregating properties and integrating them into its platform in order to generate economies of scale and operational efficiencies.

## Existing Investments

Fund IX has acquired over 269 properties, within 12 transactions, at over \$1.2 billion in total cost. All deals were sourced off-market. Please find details of the Fund's existing investments below.

Deal Name	Location	Deal Type	Properties
Red Dot Portfolio Acquisition	19 states within US Midwest and South	Equity	188
B&R Portfolio Acquisition	14 states within US South and Midwest	Equity	71
Outer Space Storage	Port Richey, FL	Equity	1
Kangaroo Mini Storage	Greater Akron, OH	Equity	1
Hamilton Portfolio	Hamilton, MT	Equity	3
Route 59 Storage	Greater Akron, OH	Equity	1
Montana Storage Depot	Columbia Falls, MT	Equity	1
Parkway Self-Storage	Tallahassee, FL	Equity	1
Graves Mill Storage	Lynchburg, VA	Equity	1
Four Seasons Storage	Bozeman, MT	Equity	1
Roscommon	Roscommon, MT	Equity	1
CubeSmart Self-Storage	Lynbrook, NY	Bridge Lending	1



## Terms

The \$750 million target fund size represents a moderate increase from the predecessor fund's size of \$650 million in 2020. The Fund has closed on over \$650 million of commitments as of September 2024 and its final close will occur in March 2025. The General Partner will commit up to \$10 million to the Fund.

The management fee is 1.50% of commitments during the investment period and 1.50% of invested capital thereafter. However, ERSRI stands to benefit from Meketa's client aggregation fee discount. Based on actual and expected closings, ERSRI's new management fee would total 0.80% during the investment period and 0.80% on invested capital thereafter. The Fund has a 7% preferred return, 20% carried interest structure with no catch-up provision.

## Fund Performance

### SROA Capital As of June 30, 2024

	Vintage	Invested Capital (\$mm)	Realized Value (\$mm)	Total Value (\$mm)	Net Multiple (X)	Net IRR (%)	Top Quartile (%) <sup>2</sup>
Elite Stor Fund I	2014	3.9	5.8	5.8	1.4	11.5	17.1
Elite Stor Fund II	2014	4.1	10.5	10.5	2.0	22.9	17.1
Elite Stor Fund III	2015	11.0	21.3	21.3	1.7	19.3	20.4
Elite Stor Fund IV	2015	23.4	29.6	85.6	3.1	21.8	20.4
Elite Stor Fund V <sup>3</sup>	2016	16.3	23.8	36.3	2.0	10.3	20.6
Elite Stor Fund VI	2016	156.1	69.4	278.0	1.7	12.3	20.6
SROA SP Fund I <sup>4</sup>	2018	92.8	250.5	250.5	2.3	23.7	26.4
SROA Fund VII	2019	151.2	50.4	302.4	1.9	15.2	14.4
SROA Fund VIII	2020	549.5	69.1	632.3	1.1	4.0	12.4
SROA Fund VIII Co-Investment	2020	92.2	22.8	144.9	1.5	17.2	12.4
RREF Storage III <sup>5</sup>	2021	88.3	121.4	121.4	1.3	31.8	15.2
SROA CMA Fund I, LLC <sup>6</sup>	2022	144.5	5.8	155.0	1.1	N/A	N/A
SROA Fund IX	2023	483.6	N/A	477.8	1.0	N/A	N/A

<sup>2</sup> Benchmark: Preqin, Real Estate Non-Core, Top Quartile, North America, as of June 30, 2024

<sup>3</sup> Elite Stor Fund V is a development-focused fund that is in the process of lease-up.

<sup>4</sup> SROA SP Fund I is the recapitalization of Elite Stor Fund I-III.

<sup>5</sup> RREF Storage III was a mezzanine debt investment.

<sup>6</sup> SROA CMA Fund I, LLC is the recapitalization of SROA SP Fund I



SROA Fund IX Co-Investment	2024	121.0	N/A	121.0	1.0	N/A	N/A
Total		1,937.9	680.4	2,642.8			

As of June 30, 2024, SROA Capital has invested \$1.94 billion. The first six funds were raised under the Elite Stor Capital Partners name prior to the rebrand in 2017. Funds I-V constitute small, fully discretionary vehicles capitalized by single family offices and high net worth investors, primarily including the Macfarland and Kohl families whose capital was used to establish SROA and build out the Firm's track record. Fund VI represents a separately managed account with U.S. state pension plan, the Firm's first institutional investor, with the LP retaining major decision rights on actions such as refinancings and sales.

In May 2018, SROA recapitalized Elite Stor Funds I-III into SROA SP Fund I, also including an additional 16-asset portfolio, with Blackstone Strategic Partners, resulting from Benjamin Macfarland's communication with PJT Park Hill for the Firm's next capital source. In the execution of the recapitalization, Blackstone agreed to also anchor Fund VII with a \$25 million commitment and has continued to re-up with each successive vehicle. The Fund VI investor also continued to invest in Funds VII and VIII, further institutionalizing the Firm's investor base with Fund VIII also expanding to Taft Hartley plans, foundations, and insurance companies.

SROA currently has \$1.9 billion of unrealized value, predominantly stemming from Funds VI – VIII. On a net IRR basis, Fund VI currently lags the top quartile but is performing within the top quartile on a net multiple basis. On a net multiple and net IRR basis, Fund VII is currently performing within the top quartile. Fund VIII, the Firm's most recent vehicle that began investing in 2020 leading up to market repricing set about by a spike in interest rates, currently lags the top quartile net IRR.

## Recommendation

Meketa recommends a commitment of \$15 million from ERSRI, and \$450,000 from OPEB, to Fund IX as part of the respective non-core real estate portfolios. The Fund's core-plus to value-add risk profile and self-storage focus support the objective of diversifying ERSRI's non-core holdings with sectors benefiting from favorable demographic trends. The investment is consistent with the role of non-core real estate within the Private Growth section of the Plans' portfolio.