



2020 Annual Report Letter: Platform

By Steve Sherwood
Founding Partner, Chairman

This pandemic year has been one to disrupt many routines and create an abundance of available time for reflection. I can vividly remember sitting in the tiny CWS office in Fountain Valley with Bill Williams and Jim Clayton wondering if we could raise \$500,000 to purchase a mobile home park in Austin, Texas. This was in the late 70's, and the answer was that we could and we did. And while at the time we may have felt like Icarus flying too close to the sun, it turned out that our faith in ourselves and the opportunity showed we had barely elevated above the sea. Our investors ultimately earned multiple times their original investment. Our platform was now firmly under construction.

This powerful platform has enabled us to offer investors compelling opportunities as we are able to compete for the best apartment investments, even if the cost exceeds \$100 million, which is a threshold we have broken through. Our 1,000+ dedicated associates are the foundation of our platform. They generate investment insights, find and acquire the best properties, operate and improve our communities to increase their value, and strategically time their refinance and/or sale to deliver superior returns to our investors. CWS currently operates 104 properties totaling nearly 30,000 units in our 11 markets with a market value approaching \$6 billion.

Our CWS team obtains insights into market dynamics which allows us to take action before market changes are widely known. We can do this because our intricate platform allows us to raise capital from individuals, institutions, and our Strategic Apartment Fund investors, all within the stringent regulations set forth and enforced by the SEC and FINRA.

There have been a few key approaches to business we considered important to our long-term success that have turned out to be significant contributors to creating the CWS platform we have today.

Preservation of capital has been the foundation of our investment philosophy from day one. This approach has resulted in many successful investments producing a weighted average portfolio return on investment of 14.8% (Internal Rate of Return).^{*} Since past returns are not always indicative of future results, the focus on not losing money is a big part of that attractive track record.

Having a strong presence in growing markets is critical in achieving success in the apartment business. We choose markets that provide a good quality of life, a pro-business environment, knowledge-based work force, and have major airports. The ongoing and accelerating migration of residents from high cost, high-tax states to markets like those where we operate means our market selection will continue to bode well for us and result in long-term growth.

Our values have provided guardrails for us and has helped create a special culture of shared responsibility to hold ourselves accountable.

As we hopefully leave the COVID-era and this period of uncertainty, our ability to spot and act upon emerging trends will be more important than ever. With our platform we are well positioned to be a

forward-looking leader in our industry. The apartment business continues to have an extremely favorable risk-reward relationship for astute investors. CWS will continue to be at the front of the pack, selecting and acting upon the best of those opportunities in our markets just as we have for over 50 years.

**A complete list of CWS Capital Partners' recommendations to investors can be found in the 2020 Annual Report on pages 23-24 in the centerfold.*