

SILVER CREEK

A conversation with Bob Ratliffe on niche investing

Tell me a little bit about Silver Creek

Silver Creek's history began in the 1990s out of CEO/co-CIO Eric Dillon's belief that there were true inefficiencies in the markets that could be unlocked by skilled, unconstrained managers. To put that conviction into practice, he started a fund of hedge funds in 1994. That enterprise became Silver Creek in 1999 and quickly got recognized by institutional investors. It stood just short of \$10 billion of AUM when 2008 happened. That turned out to be the only down year the company has had, but it also turned into an opportunity to expand our offerings. As we navigated the global financial crisis, the firm decided to separate the business into liquid and illiquid strategies. Private credit became our illiquid strategy and hedge funds our liquid approach. Our culture of seeing a need and developing a unique solution led us to our third strategy: real assets.

Why are real assets unusual?

Real assets aren't unusual, but Silver Creek's approach is. My background is in real estate, so when I joined Silver Creek in 2012, I brought some strong real assets connections. One of those was Tom Lindquist, a former partner at Trammell Crow and then the president of Plum Creek Timber. We began talking about the timber sector and realized that timber investors were being charged hedge fund-like fees to own core U.S. timberland. This didn't make any sense for the kinds of returns core U.S. timberland should produce, which is probably a 2 percent to 4 percent cash yield and a 7 percent to 9 percent nominal total return.

We strategized on how we might build a different model for institutional timber ownership. We raised an institutional fund called Twin Creeks Timber where Plum Creek would be a co-investor and would contribute core timberland across the U.S. South from their portfolio. Shortly after closing, Plum Creek was sold to Weyerhaeuser, which didn't have time to start the new fund business. We were lucky enough to be acquainted with fifth-generation Pacific Northwest timber company, Green Diamond Resource Company, who had always wanted to grow their business in the southern U.S. They joined Twin Creeks to manage the land and become a co-investor. They have helped us build an irreplaceable, balanced portfolio that is two thirds in the South and one third in the Pacific Northwest. We now have a 10-year-old fund that is

capitalized with \$1.6 billion of institutional commitments. Our investors benefit from an alignment of interests where a management fee and a property management fee that is focused on timber production combine to set the fee structure apart from other timber funds. There is no incentive fee. While a timber strategy was a bit unusual for a firm focused on private credit and absolute return funds, our next real assets venture was even more so.

What was that?

We developed an aggregate reserves strategy, which we had, again, started talking about with Plum Creek. Tom Lindquist, who left Plum Creek after the merger with Weyerhaeuser, didn't go out and buy a forest. He went out and bought a rock quarry. We began talking about why, and we got more and more interested. It's a bit boring, but rocks don't get disease. There are no spotted owls living in the quarry. It doesn't burn or blow down, and according to the U.S. Geological Survey, the price of rock in the U.S. has increased for the past 50 years at 4 percent a year on an annualized basis.

We formed a fund called Silver Creek Aggregate Reserves Fund. The idea was to buy the reserves beneath operating rock quarries and lease them back to the operator with a royalty structure. The operator extracts the rock, crushes it, sizes it, cleans it and sells it. The fund receives a royalty for every ton of rock that goes over the scale. We raised just under \$1 billion to execute the strategy.

And then how did you get into manufactured housing? Because at least timber and rocks, in a way, go together in my mind.

After we launched our timber and aggregate reserves funds, we felt we had a model that could be used for other investments. It made no sense to go into the conventional four food groups of real estate. There are just too many good players out there, and we don't need another one. So, we began looking at other niche areas where we could find high-quality operators who might need our fund management expertise. We looked at a whole myriad of things. I had a bit of experience with manufactured housing, as did a colleague who is now the co-portfolio manager of this strategy. We knew that private equity firms had come into manufactured housing and not treated the tenants well, so we wanted to take a different approach. We were introduced to an

1994
SILVER CREEK
HISTORY BEGAN

\$9.9 billion
ASSETS UNDER
MANAGEMENT¹

90%
AUM REPRESENTED
BY INSTITUTIONAL
INVESTORS²

100%
EMPLOYEE AND
FOUNDER OWNED²

operating company that was buying properties with high vacancy rates in areas where others were thriving. Then they would fix the problems – pave the roads, fix the pool, replace the playground, clean up the signage and landscaping – while raising rents modestly. They were really making a place people want to live. They would fill the vacancy by bringing in new homes and renting them initially, while encouraging the renters to become owners over time. The operating partner has a strong team and a well-worn playbook having done this before. We're in the process now of raising \$500 million for this strategy. It is a value-add strategy that creates value very simply – good old fashioned "elbow grease."

You mentioned that you wanted to use your fund model for other sectors. What is that model?

Our model has three parts: 1) Silver Creek is the general partner and fiduciary who can raise the capital, provide investment oversight, and manage the entity; 2) an experienced operating company is the sector expertise provider and a significant co-investor; and 3) investors get access to niche sectors. The goal is to be transparent, aligned, and fair to all parties. Over 30 years, we have built a robust back-office engine. So, once we decide to partner with an operating company that shares our values and vision, we are able to provide that company with support in the form of investor relations, legal, auditing, valuation, reporting, and further investment diligence. The operating company provides the track record and expertise. It is an attractive strategy: the operating company is the expert in their field and institutional investors need a fiduciary. They need an independent view of what things are worth, how the assets are valued appropriately. We hire our own subject matter experts to serve as portfolio managers and we have a real assets investment committee that evaluates every investment to help ensure that the portfolio is constructed within investment objectives and risks are appropriately managed. We also make sure the investors are kept in the loop on all strategy decisions. If they want to talk directly to the operating partner, we will facilitate that.

How are fees determined?

In an effort to be transparent and aligned with both investors and partners, we have only one layer of management and incentive fees, which we split between ourselves and the operating company. I think the investors have been pleased with how it's worked. The investor sees how the fee is split between our firm and operating partner.

Are you limited geographically?

That depends on the strategy. Our manufactured housing strategy will be focused on the Midwest and Southeast, where there's an acute shortage of housing, especially



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CORPORATE OVERVIEW

Silver Creek is an alternative investment boutique focused on developing unique investment solutions for a global client base that includes public and corporate retirement plans, insurance companies, foundations, endowments and high-net-worth individuals. With a history beginning in 1994, Silver Creek has \$9.9 billion of assets under management.¹

affordable housing, and there's a wide acceptance of manufactured housing as an alternative.

While we've looked at timber opportunities in the Upper Peninsula and New England, we've focused on the two largest and most productive wood baskets in the country. We have no hesitancy on going anywhere in the aggregates business. There are some places in the United States where there's not a lot of aggregates. For example, you might own sand reserves in Florida, but there's no hard rock there to speak of. We want to be careful where we go, but we will follow the opportunity.

Have you looked at other sectors?

We are attracted to the industrial outdoor storage business. The time may finally be right for certain portions of the senior housing business. Student housing is obviously something that needs attention. We're looking at modular housing. It is manufactured, but it's steel-based and can be stacked. We love the billboard business. The key to all of these is to find the right operating company that has experience and the right set of values.

What advantages do your funds provide investors?

These strategies are not for everybody. A lot of institutional investors want to go with a name brand. But we've been lucky to find a nice group of institutional investors with really good track records themselves. They often want to work with operating partners, but they haven't got the time to oversee them, and they want somebody like us to do that. They are coming to us because they value what we're bringing: experience managing funds and strong, vetted operating partners in niche sectors.

1. "Assets under management" shown is as of June 30, 2025, and includes uncalled capital and assets under advisement.
2. As of June 30, 2025.

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