

## Kah Capital Gains Traction With Socially Responsible Strategy

The stars are aligned for Kah Capital Management, which is increasingly attracting investors and reaping the benefits of a larger supply opportunity within the mortgage credit space.

The McLean, Va.-based firm has already exited its maiden fund and returned that capital in the first quarter of 2022, according to CEO and CIO Adama Kah, who ran Freddie Mac's more than \$130 billion distressed mortgage portfolio prior to launching Kah Capital in November 2018.

Kah sought to further prioritize home retention for at-risk borrowers after his experience at the government-owned corporation and, as a result, created Kah Capital's "Do Well and Do Good" investment strategy that acquires loans backed by reperforming borrowers, including borrowers struggling to catch up on their payments due to temporary situations, and utilizes proprietary technology to target attractive returns while striving to create favorable outcomes for borrowers.

"At the end of the day, when we say 'Do Well and Do Good,' these are not in conflict with each other," Kah said. "Our strategy is to buy these assets at significant discounts to intrinsic value. We've developed a technology platform that promotes home retention by helping borrowers before they fall too far behind and get them back on track. And once they've paid for a longer period of time, let's say six to 12 months, the majority of these borrowers are in a better state to keep their homes. As a result, the value of the loans goes up, so it becomes a win-win situation at exit."

While Fund I exceeded its "midteens return target," Kah noted that the firm is equally proud of its borrower outcomes, which include reducing foreclosures by approximately 50%, cutting the pipeline of borrowers who are deeply behind their payments in half and maintaining the stability of outperforming borrowers.

COO Donna Sims Wilson has especially appreciated Kah Capital's socially responsible focus since joining the firm in April 2020 from Smith, Graham & Co. Investment Advisors.

"I've had a very long career on Wall Street and it's gratifying for me per-



sonally to be able to say that what I do every day really helps people," Sims Wilson said. "And I have quantifiable proof that my day job is helping people and that's personally rewarding to me."

Although Sims Wilson felt like she had "two hands and one foot tied behind [her] back" trying to develop new relationships for the firm at the height of the COVID-19 pandemic, she was able to make "very good progress" on Kah Capital's second fund, which is targeting \$300 million with a hard cap of \$500 million and recently received a \$10 million investment from the \$812 million Weingart Foundation.

"Impact investing is one of the many tools we use to advance our mission of racial justice. Many of the borrowers assisted through Kah Capital Management's strategy are people of color living in low-income communities. The Foundation's wealth originated in real estate, so housing equity is an important priority of our work," Weingart President and CEO Miguel A. Santana said. "Our commitment to Kah Capital Management is part of the Foundation's journey to achieve 100% mission-alignment in its investment portfolio."

Cambridge Associates, Weingart's general investment consultant, conducted due diligence on Kah Capital for over a year and ultimately found that its team and strategy aligned well, Head of Diverse Manager Research Jasmine Richards said.

"When we're looking at investments in general, we think not only about 'What is the strategy so far?' but 'Why does the team specifically deserve the right to win in that space?' And we're looking at Adama and the team that he's built given his extensive experience in the credit space, specifically in the mortgage space with reperforming and

non-performing loans," Richards said. "He understands the space and built the strategy to address an area that others traditionally will shy away from because of the amount of work that's involved. And so, for us, that stood out as differentiated and attractive once we were able to do our work on, not only Fund I, but also our views of the market going forward and with the strategy that we were able to build conviction in."

The commitment follows Cambridge's decision to establish a new target to increase assets held by diverse managers to 15% from 10% by 2025, as previously reported.

"In order to really be able to move from the 10% of assets where Cambridge Associates is currently at to the 15% target for 2025 is through this integrated approach," Richards added. "With Kah Capital, we didn't have a separate diligence process, we didn't go to a separate committee and we didn't present their strategy only to foundations like Weingart that have a focus on diverse managers. Weingart's investment in Kah [Capital] is certainly leading, but they're also joined by many other clients that will be investing with Kah [Capital] and there's some that do have diversity focuses and some that don't. What we want to do is have those examples of strategies that have a mission and have impact, but that we also think deliver the alpha that we're looking for and strategies as well."

Additionally, Kah Capital believes "the environment today is significantly more favorable than back when we invested in Fund I."

"If the economy goes into a recession, more families may fall behind on their mortgage payments," Kah said. "So, we think that creates opportunities to acquire these assets at attractive levels and gives KCM an opportunity to help those borrowers stay in their homes. Currently, homeowners in the U.S. have approximately \$31 trillion in home equity. So, they have an incentive to keep the equity as opposed to losing it in a foreclosure. We're excited about the opportunity to deliver value to investors as well as help families, including those in low income and minority areas, maintain their homes and create generational wealth."