Starwood Waypoint
(NYSE: SWAY)
$25.50

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Mindset Capital
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Investment Summary

Imagine if you could go back in time to the bottom of the housing market in 2012 and buy homes at those prices. Now imagine you didn't have to time travel, but instead you had the knowledge of what has happened the last three years and were being offered those prices today in 2015, and imagine you were able to buy those homes professionally managed, stabilized and cash flowing in an environment with little available inventory, growing demand and limited increased supply on the horizon. Sounds a little too good to be true, right?

This is what you are being offered in the public markets right now in one of the best run publicly traded, single-family rental companies, Starwood Waypoint (NYSE: SWAY).

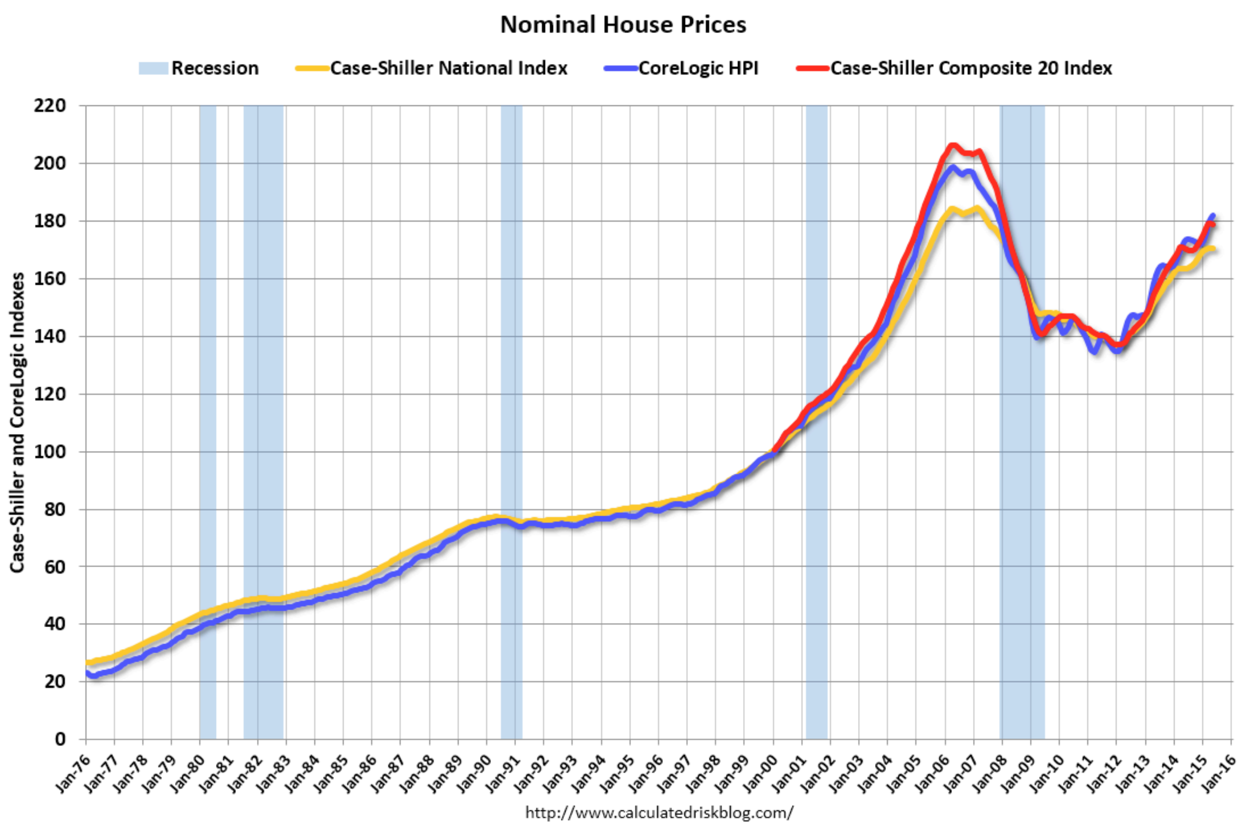
Right now, SWAY trades at 27% discount its net asset value of almost $35 per share, or the equivalent of buying homes at 2012 prices. And this NAV has grown over 9% year over year and is poised to easily grow 5% annually in the next 2-3 years. SWAY could be worth more than $40 per share in 2-3 years, compared to its current price of $25.50 per share, as its value grows and it trades more in line to its NAV.

The best part of the SWAY story is that there is little downside at current prices with the company selling below book value of $27.9 per share, paying a decent (and soon to be growing) dividend of 3% and a balance sheet that is well capitalized.

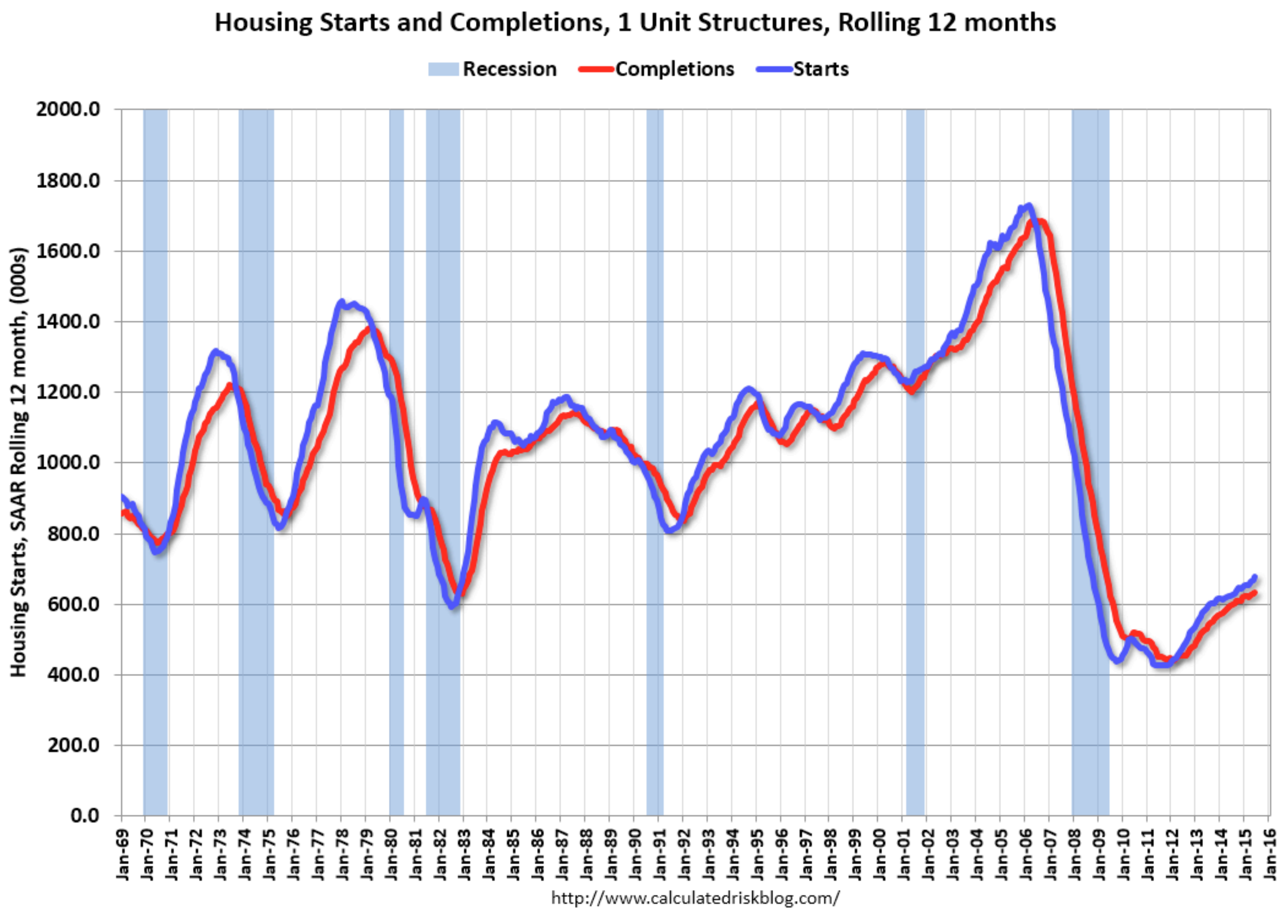
Over $10 billion of investor money has flowed into the housing sector in the last 3-4 years to buy homes at prices that many thought were once in a lifetime opportunities. And now we get to invest at once-in-a-lifetime prices as those investors did 3 years ago with little future operational risk, platform risk, technology risk or capitalization risk. This is one of the best risk/reward investment opportunities that exist in the stock market right now.

State of the Housing Market

The Case Shiller home price index of the top 20 cities in the U.S. bottomed in March of 2012 at 134.07 and currently stands at 179.03. The broad recovery is very clear no matter what housing index you look at:

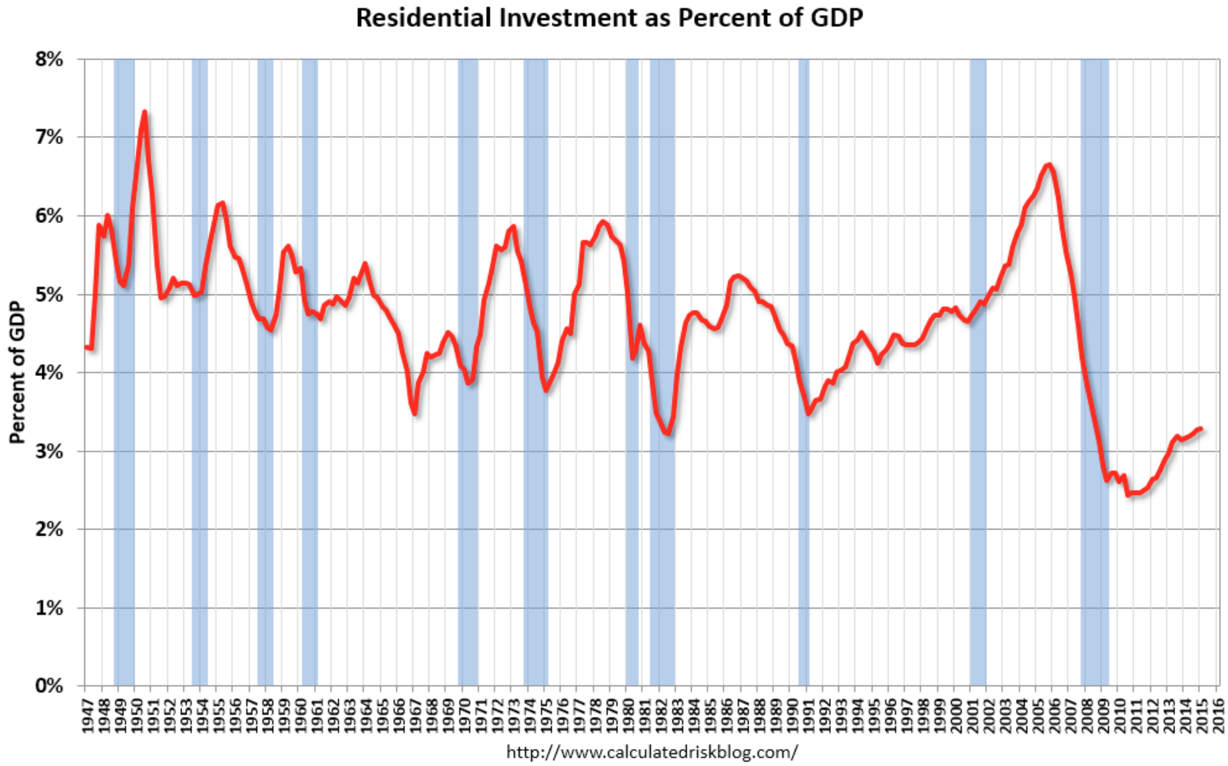


During the bubble in 2004-2006, easy credit was the real driver of home prices; everyone could qualify for a loan at any home price. What is powering home prices now is very different; and it is a shortage of homes driven by a lack of new housing stock. We have not been building enough new houses.

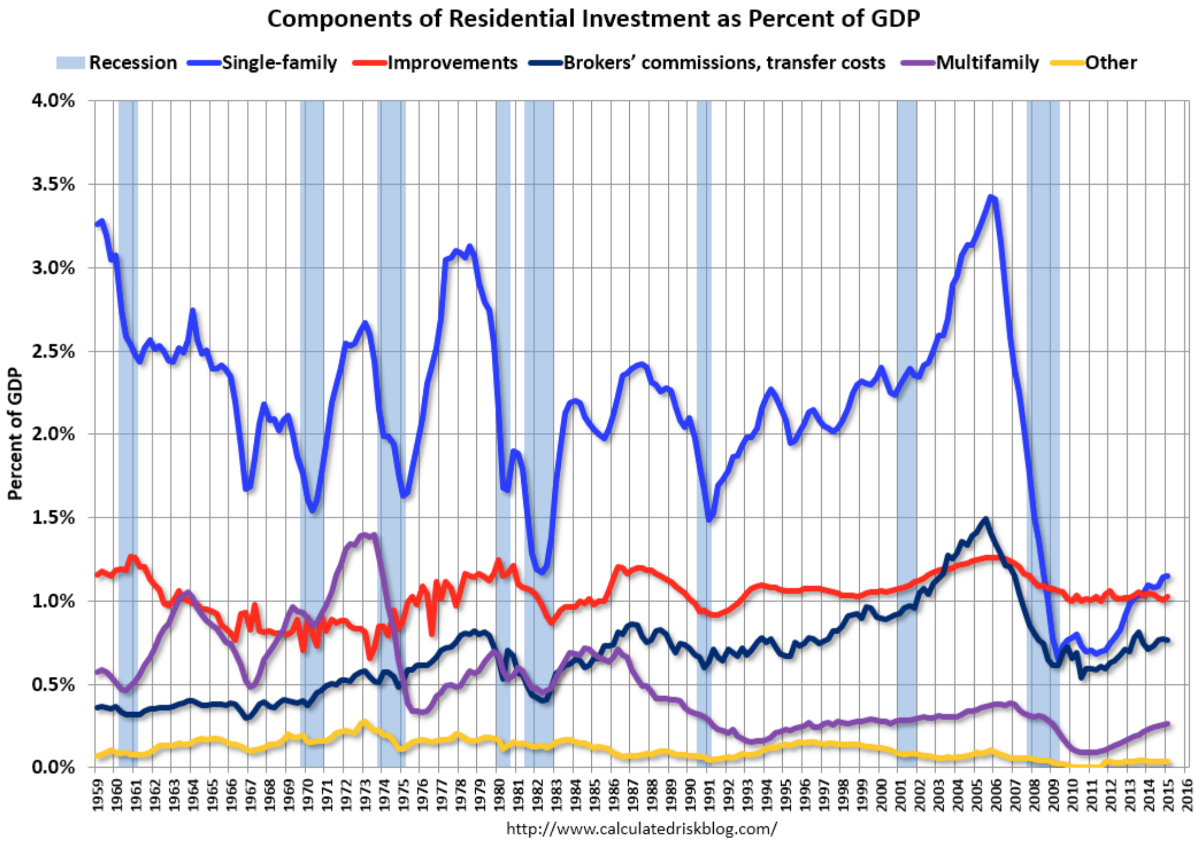


Historically, we have never built this few homes on a national basis for this long.

Let's look at it another way, residential investment as a percent of GDP:



The U.S. is investing too little in housing, as this data, which goes back to 1947 shows. We still have not recovered to the previous record low in over 6 years. We are in uncharted territory. But to get more granular, let's isolate the data to just look at single-family homes.



While multifamily hums along and has recovered to normal levels as a percentage of GDP, single-family homes is just approaching the 1982 low and would have to double from current levels to get back to the 50 year average.

The other remarkable trait of this housing market is that new home sales have suffered and barely recovered, but existing homes have recovered to normal levels. Economists call this the "distressing gap." There were so many foreclosures and prices suffered so much that it did not make sense to buy a new home, when you could get an existing home for such a discount.


New and Existing Home Sales
Existing Home Sales (left axis)
New Home Sales (right axis)
Existing Home Sales, Units, SAAR (000s)
New Home Sales, SAAR, (000s)
Home Buyer
Tax Credits
The "Distressing" Gap
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
1,400
1,200
1,000
800
600
400
200
0
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
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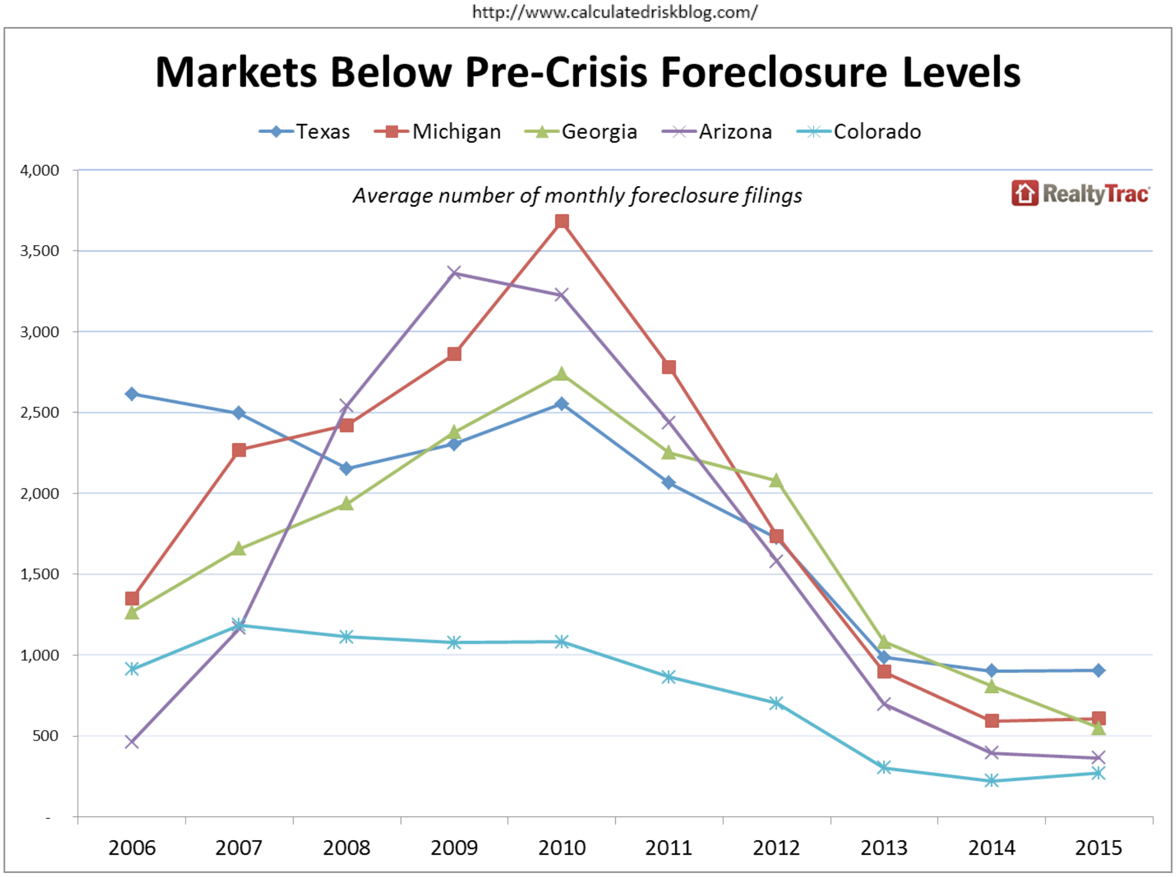
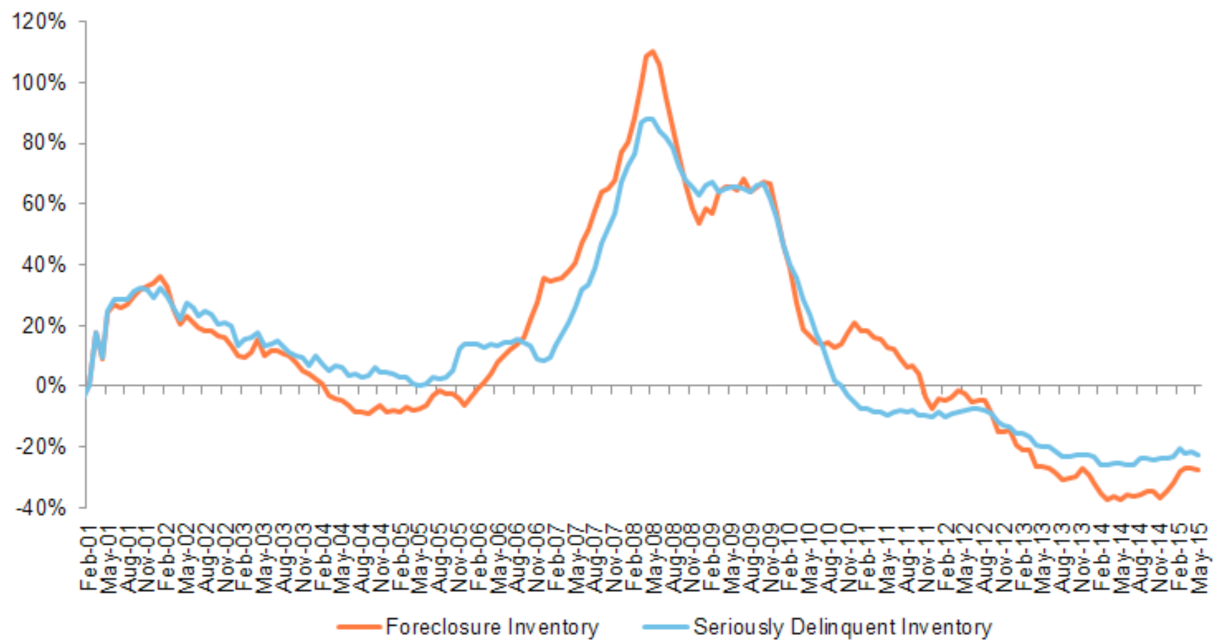

Markets Below Pre-Crisis Foreclosure Levels
Texas
Michigan
Georgia
Arizona
Colorado
Average number of monthly foreclosure filings
RealtyTrac
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015

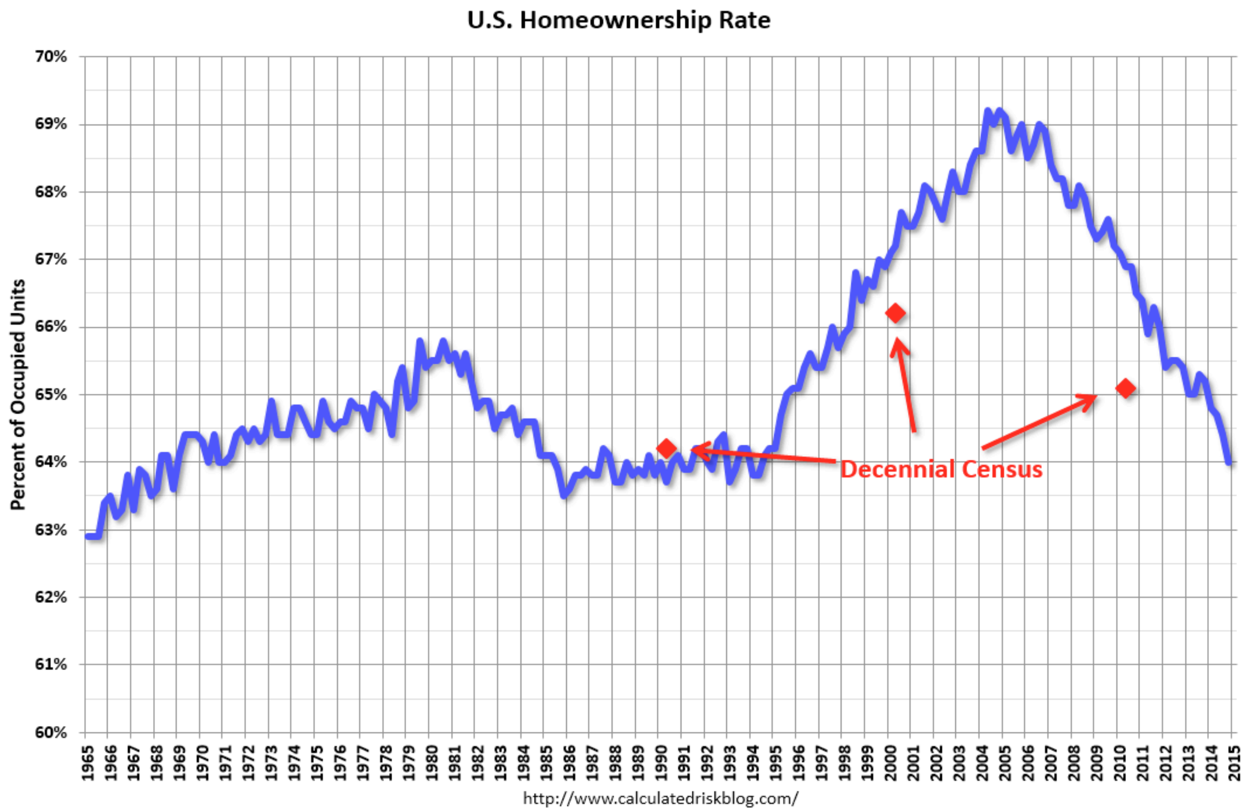
We can see that the foreclosure rates of not only the hardest hit areas have returned to pre-crisis levels, but also the national foreclosure rate is now back to 2007 levels. The foreclosure wave has simply passed and there is no great shadow supply of homes to satisfy demand in the market.

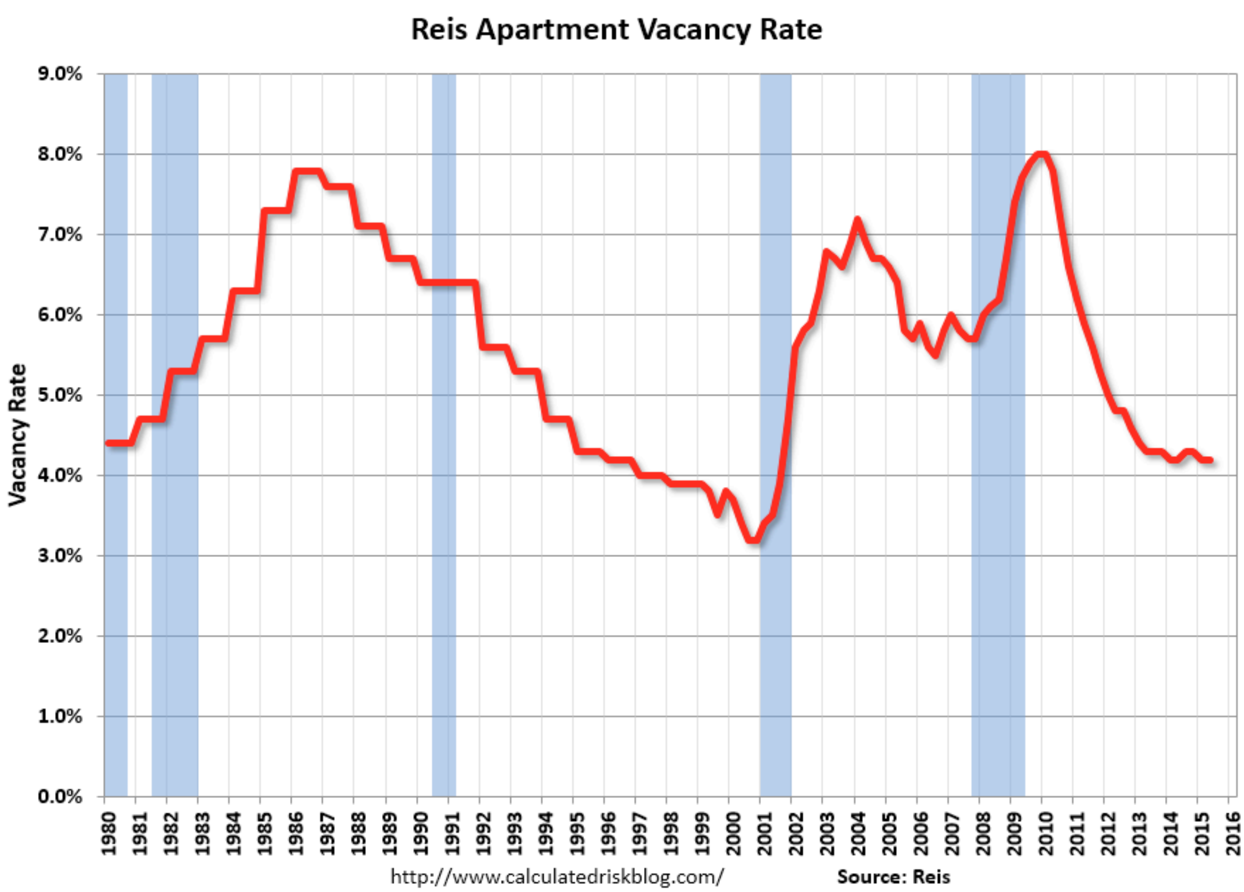
Figure 1: Distressed Inventory Continues to Shrink
Percent Change from a Year Ago



Source: CoreLogic May 2015

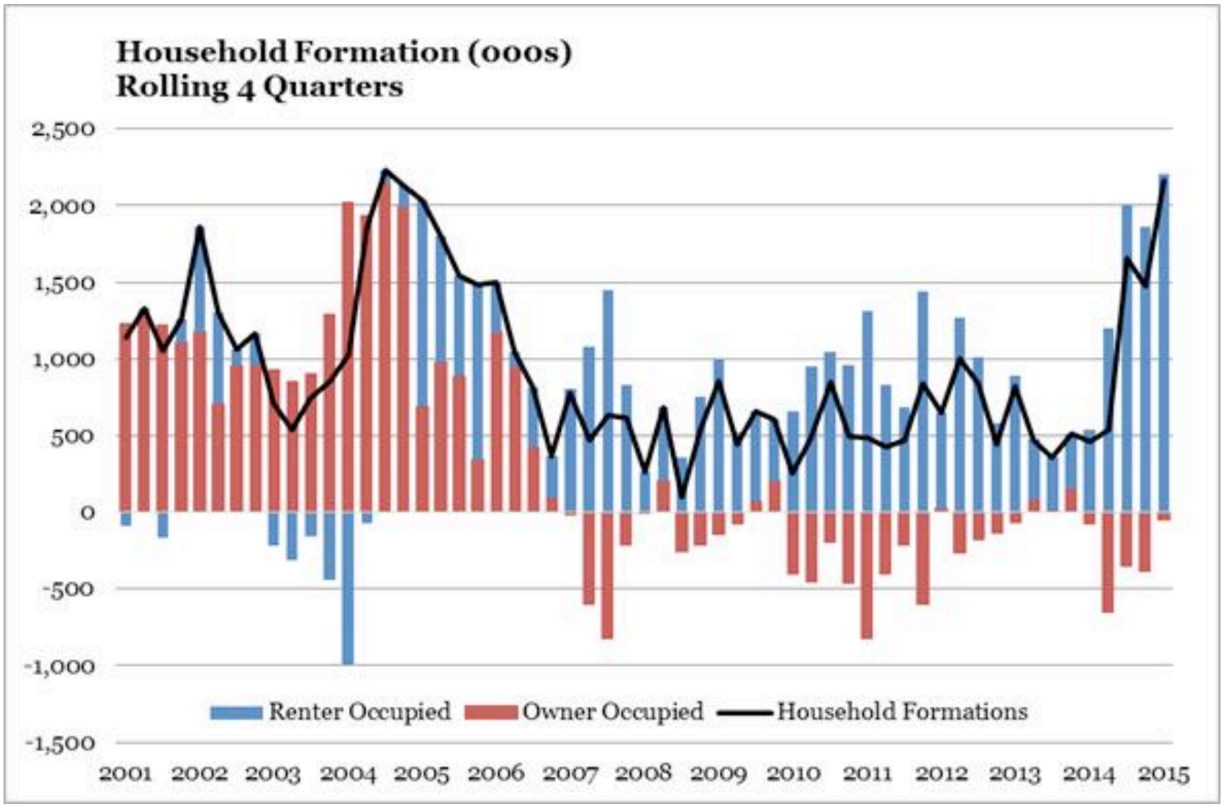
People, scarred from the financial crisis and unable to financially qualify for a loan, are not buying homes as evidenced by new home sales data and the homeownership rate. But if they aren’t buying, what are they doing?

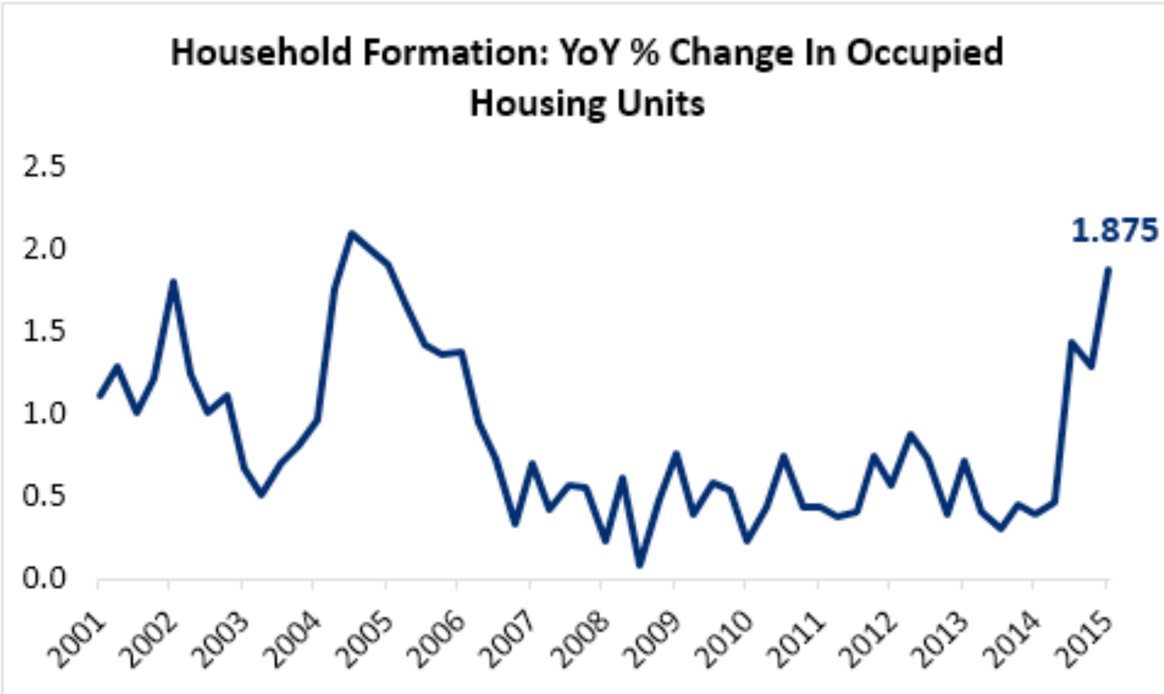

U.S. Homeownership Rate
Percent of Occupied Units
70%
69%
68%
67%
66%
65%
64%
63%
62%
61%
60%
Decennial Census
1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015
http://www.calculatedriskblog.com/


Reis Apartment Vacancy Rate
Vacancy Rate
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016
http://www.calculatedriskblog.com/
Source: Reis

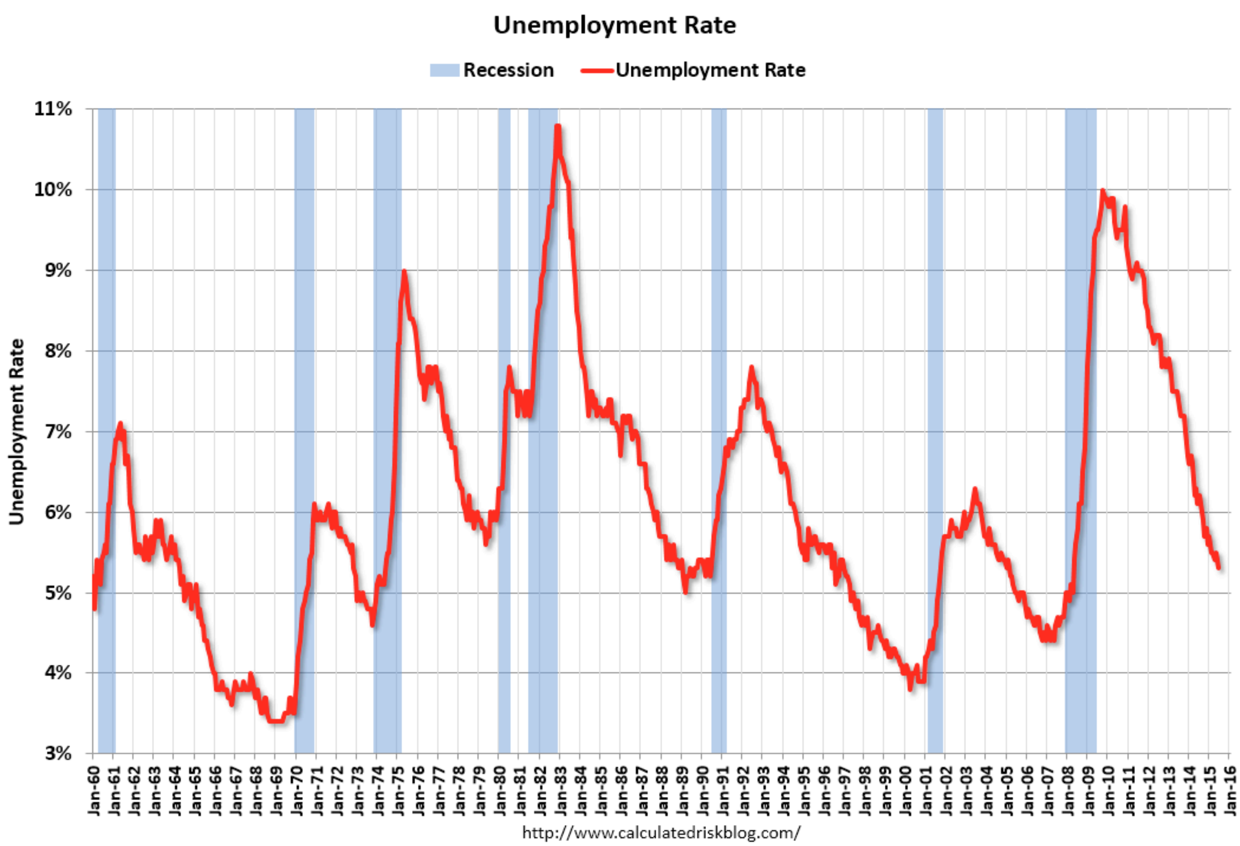
People are renting, but despite the strongest multifamily construction in 14 years, rental vacancy is still very low and close to record lows.

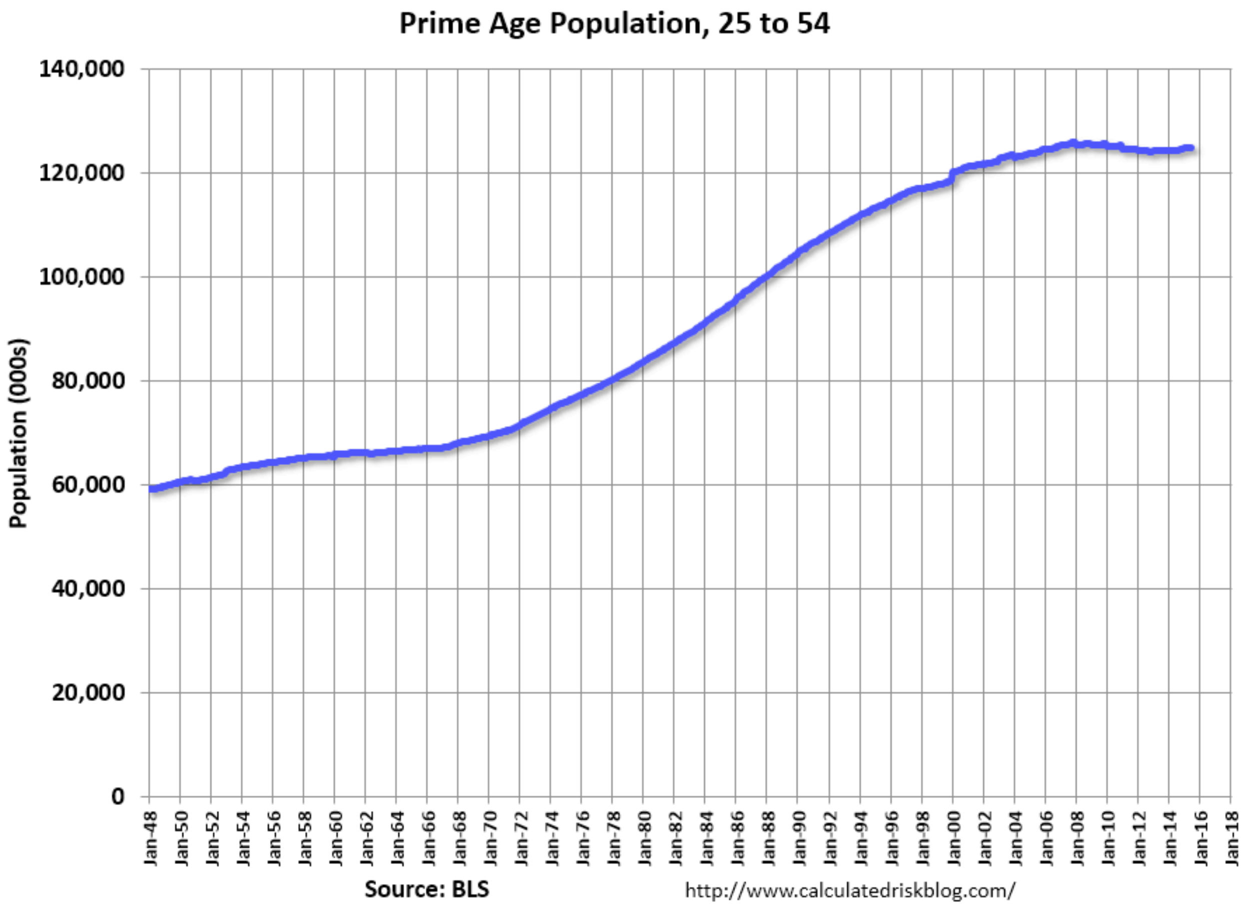
After years of anemic numbers, household formation is finally picking up and it is picking up all in renter households.





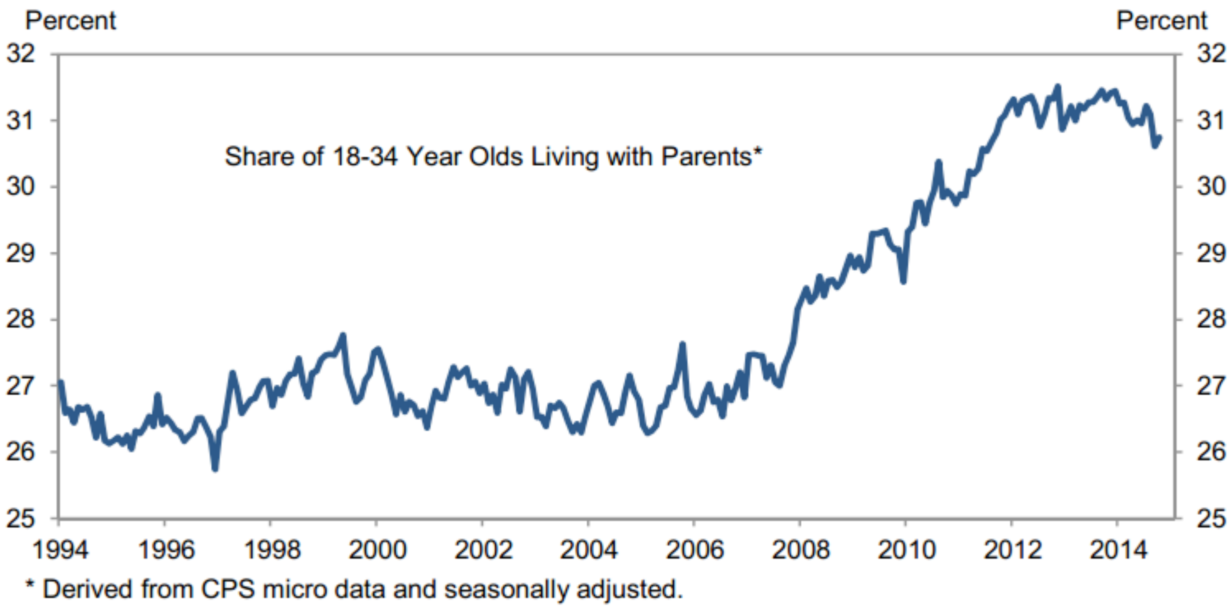
Thanks to an improving job market:





And the prime age population of the workforce is now growing again at 0.5% after being flat to slight declining for almost ten years. This is very positive for economic activity.

Exhibit 6: Finally Moving Out of the Basement



Source: Department of Commerce. Department of Labor. Goldman Sachs Global Investment Research.

Finally, the rate of 18-34 year olds living with their parents has peaked and is now falling. Goldman Sachs estimates that pool of young people living with their family is "so large that even if only two-thirds move out and this process takes another decade…(this) would imply trend demand for new housing at 1.6 million new houses a year."

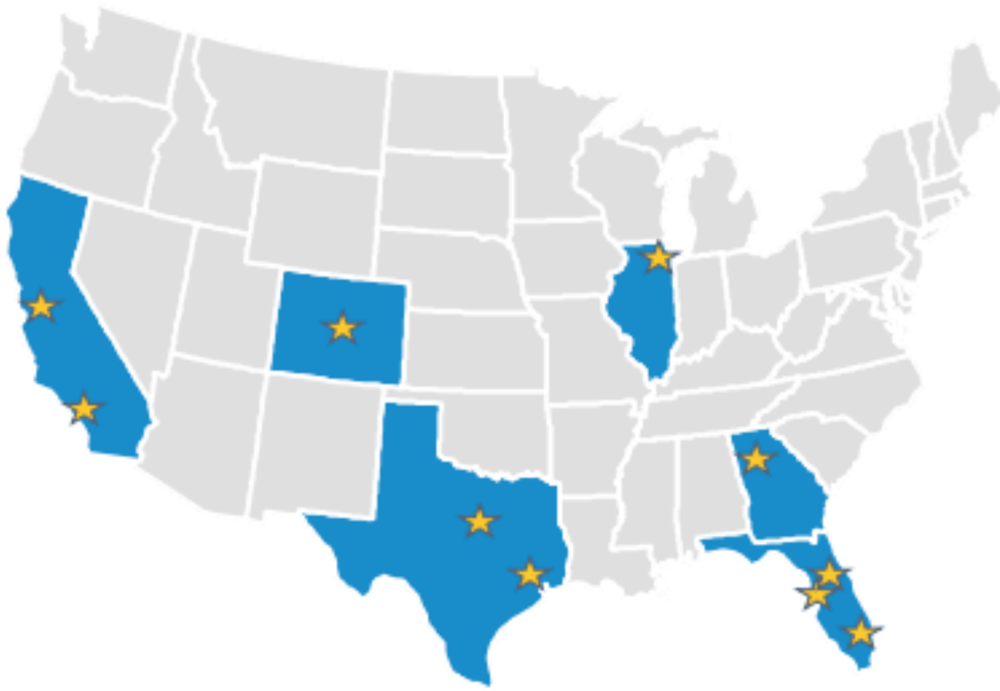
The country is in the midst of a perfect storm. Six years of underinvestment in the nation's housing stock leaves the country in a shortage of housing at the exact time the job market comes roaring back, the workforce demographics improve and people move out of their parent's basement. All of this is leading to record renter demand and paints the perfect backdrop to be a landlord. These significant tailwinds should support the housing market for several years.

The Starwood Waypoint Story

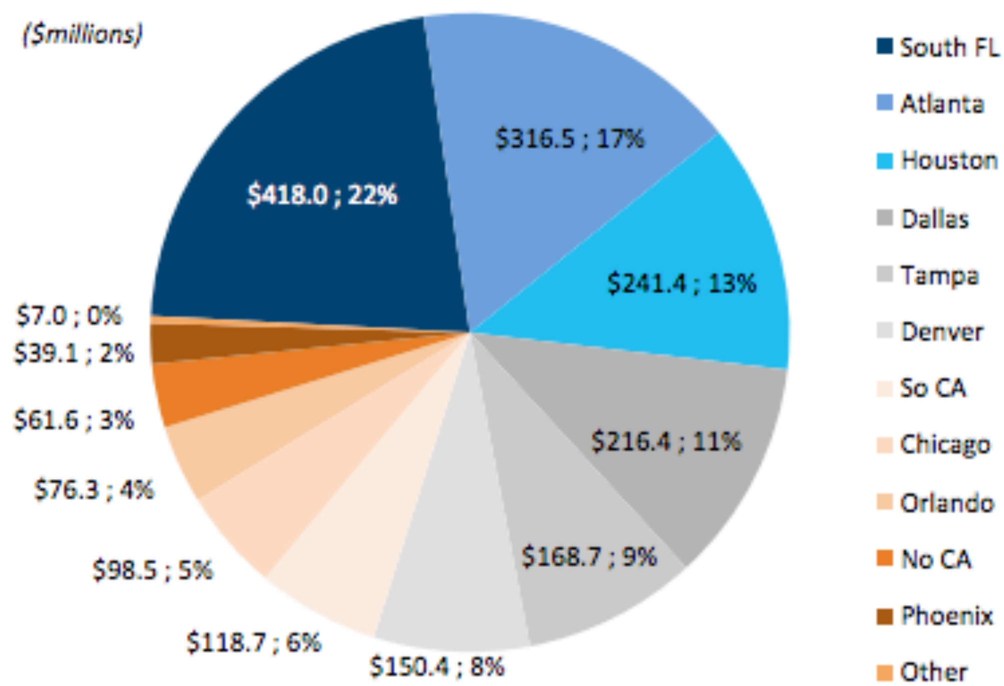
Starwood Waypoint was formed via a spinoff from Starwood Property Trust (NYSE: STWD), which had been acquiring homes during the financial crisis. STWD had been acquiring homes on its own since 2012, but did not have an operating platform. In 2013, STWD bought Waypoint, a private single-family rental management and investment company that was one of the first single-family rental operators to emerge from the financial crisis in 2009. Waypoint was not only one of the first companies in the single-family space, but was also widely seen as one of the best-run management platforms for single-family rental homes. Starwood then infused it with capital and spun it out to its shareholders as SWAY on January of 2014.

SWAY took the homes Starwood bought and continued acquiring homes as an independent publicly traded company.

SWAY's Portfolio



SWAY Capital Allocation (1)



(1) As of March 31, 2015. Inclusive of acquisition plus actual & expected renovation costs.

SWAY's largest market in terms of invested capital is South Florida with 22%; Atlanta follows with 17%, and then comes Houston at 13%, Dallas at 11% Tampa with 9%, Denver at 8% and Southern California at 6%. The top 7 markets represent 86% of the entire portfolio as of March 31. SWAY's most recent quarter saw continued strong investment in South Florida, Denver and Tampa (SWAY spent about $100 million on new acquisitions in Q2).

A more focused way to look at SWAY is to look at the state level. The portfolio is 77% concentrated in three states: Florida, Texas and Georgia. Florida represents 36% of the portfolio, Texas, 24% and Georgia (really, just Atlanta) 17%. To be bullish on SWAY, you have to like being so concentrated and you have to like those three states and those top 7 cities. And they just happen to be the markets that are experiencing some of the greatest price increases in the country.

SWAY Owns Housing In Some of the Hottest Markets

Metropolitan Area	May 2015 Level	May/April Change (%)	April/March Change (%)	1-Year Change (%)
Atlanta	123.25	1.4%	1.4%	5.1%
Boston	179.30	1.5%	0.3%	2.2%
Charlotte	133.44	0.7%	0.9%	4.9%
Chicago	130.81	1.3%	1.2%	2.2%
Cleveland	107.87	1.5%	1.2%	1.6%
Dallas	150.22	0.9%	1.1%	8.4%
Denver	167.89	1.1%	1.9%	10.0%
Detroit	99.90	0.8%	1.2%	3.9%
Las Vegas	142.23	1.5%	1.0%	6.7%
Los Angeles	235.35	1.1%	1.3%	6.1%
Miami	200.07	0.8%	0.9%	8.0%
Minneapolis	144.45	1.1%	1.2%	3.0%
New York	177.40	1.0%	0.6%	3.0%
Phoenix	151.57	0.8%	0.8%	3.8%
Portland	179.39	1.4%	1.7%	7.4%
San Diego	211.75	0.9%	0.6%	4.8%
San Francisco	213.63	1.3%	2.2%	9.7%
Seattle	180.55	1.4%	2.2%	7.4%
Tampa	169.39	0.7%	0.6%	6.4%
Washington	212.08	1.0%	1.4%	1.3%
Composite-10	194.00	1.1%	1.1%	4.7%
Composite-20	179.03	1.1%	1.1%	4.9%
U.S. National	172.08	1.1%	1.1%	4.4%

Source: S&P Dow Jones Indices and CoreLogic
Data through May 2015

SWAY owns homes in some of the hottest housing markets. According to the latest Case Shiller housing report in May, Denver's home prices jumped 10%, Dallas, 8.4%, Miami 8%, Tampa 6.4% and Atlanta experienced the slowest growth at 5.1%. These markets are simply suffering from a shortage of homes, especially where population growth, job growth and years of lack of investment in housing combine to make a strong cocktail of higher and higher prices. And none of this stellar housing price growth is reflected in the stock price.

Florida

Florida, SWAY's largest market, is on fire. The economy is one of the strongest in the country and the job market is exploding. According to Kiplinger, Florida should add over half a million new jobs in 2015 and 2016, with job growth over 3% both years, this compares very favorably with the national average of 1.9%. In fact in June, Florida job growth was a scorching 3.9%.[1] Right now Florida is the number one state for job growth among the top 10 largest, most populous states. A combination of pro-business regulations, no state income tax and business relocations have driven a booming job market and that is fueling a very hot housing market.

Adding fuel to the fire in South Florida is that the available inventory of homes is low. While there has been a surge in condo construction in Miami, there has not been a large corresponding jump in single-family home construction and that is why there is less than 5 months of inventory on the market despite a big jump in prices.

While it takes on average 66 days to sell a home nationally, in Miami homes sell in only 43 days on the market. Not only are homes selling quickly, but the Sun Sentinel reports that monthly sales volumes in Palm Beach and Broward counties were the best in more than two decades. The article especially highlighted the shortage of homes below $500,000:

"The market's biggest problem, real estate agents say, is inventory, or lack thereof. The rash of recent sales is depleting the already-meager supply of available homes. Homes in good condition priced at $500,000 and below are hard to find. Balistreri said the lack of inventory has

[1] http://www.orlandosentinel.com/business/brinkmann-on-business/os-cfb-brinkmann-

agents at her firm knocking on doors across the two counties and asking homeowners if they're interested in selling.[2]"

Tampa, which represents 7% of SWAY's portfolio, is another very hot city, with homes staying on the market only 35 days on average once listed, and there is only a 4.6-month supply of homes. In June, Tampa saw an eye-popping 28% increase in single-family home sales. This quote from the Tampa Tribune captures what is going on:

"If you are trying to buy, it is absolutely red hot right now," said Barbara Jordan, 2015 president of the Greater Tampa Association of Realtors, Inc. "It is not unusual for a house to have multiple offers in 24 to 48 hours if it's priced right. I've been involved in cases where there are eight offers."[3]

Florida simply has too many people chasing too few homes. With very strong job growth, a growing migration of retirees and an attractive business environment, all signs point to a continued strong housing market in Florida.

Atlanta

Georgia, SWAY's second largest market, is only now taking off. Atlanta was ground zero for the housing crisis and unemployment in the state grew to almost 10% in 2011. But things are really starting to heat up. Job growth of 2.9% is forecasted for this year and 3% for next year. Georgia's unemployment rate is still above the national average of 5.5%, but at 6.3%, the job market is vastly improved and so is the housing market.

Atlanta housing inventory stands at 3.8 months, well below what is considered average at 6 months, and even tighter than Florida. Even with inventory very tight, home sales are jumping. In June home sales were up 17.6% year over year.[4]

Atlanta remains one of the most inexpensive cities in which to live in the country. Atlanta's Case Shiller index is 31% below the 20 city index average as of July, as Atlanta never saw the big run-up in pricing that other cities did, but did decline almost 40%, as it was hit just as

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[2] http://www.sun-sentinel.com/business/realestate/fl-home-sales-may-20150622-story.html

[3] http://tbo.com/news/business/single-family-home-sales-red-hot-in-tampa-area-20150722/

[4] http://www.ajc.com/news/business/atlanta-home-sales-up-inventory-weak/nm4ky/

hard. One of the reasons is that pricing was never the problem in Atlanta; the problem was bad loans. Georgia used to have the one of the most liberal banking regulations in the union before the crisis. Everyone and their mother opened a bank and everyone and their mother received a mortgage. This didn't drive pricing, but it did drive volume. And Atlanta has been climbing out of this crisis ever since and is only now, six years later, emerging.

With a pro-business environment, right to work state at the cross roads of the growing South, Atlanta has a lot to offer people and business. That is why job growth is now exceeding the rest of the country. If Atlanta keeps climbing to the 20-city Case Shiller average, there is a 45% upside in housing prices, making it the value investor's dream of any city in the country.

Dallas and Houston

Despite being the #1 state for oil and gas, to the surprise of everyone, Texas keeps adding jobs. And in spite of the large hit that the energy sector has taken, job growth in Texas according to the Federal Reserve Bank of Dallas is supposed to be 1.3% in 2015, down considerably from 3.4% in 2014, but still positive.

Texas has simply been a jobs machine for over a decade. Consider that Dallas's jobless rate is 3.8% as of June 2015 and Houston is 3.7% (according to the BLS) much lower than the nation's average of 5.5%.

The job and business base of Texas is simply much more diversified than ever before. But the job story is only one part of what is going on. The lack of housing is another.

Currently there are only about 2.5 months supply of homes in Dallas and 3.2 months of homes available in Houston. These are shockingly low numbers. In June, Houston hit the highest one-month volume of homes ever sold. This is during the heart of the collapse in the energy market.[5] Clearly something bigger is going on as it takes 38 and 43 days on average to sell a

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[5] Houston Business Journal July 15, 2015: http://www.bizjournals.com/houston/news/2015/07/15/houston-home-sales-hit-highest-one-month-total.html?ana=twt

home in Dallas and Houston. Realtor.com reports that the list of homes available on the market has fallen over 21% year over year in Dallas.[6]

And the home prices are responding to the lack of supply. Dallas home prices were up a whopping 8.4% in May and in Houston were up 6.6%. Again, SWAY's portfolio is in a market that is in short supply and the company should be benefiting from these price gains, but so far the stock has yet to respond.

NPLs Investments Complicate the Story

Complicating the SWAY story is the heavy investment they have made in non-performing mortgage loans (NPLs), these are mortgages that are delinquent that they bought for a discount to the loan's value. They can either work with the delinquent borrower to make a new performing loan, transition the loan to a rental or foreclose on the loan. The company has invested more than $650 million in NPLs at what appears to be attractive pricing.

The NPL business unfortunately distracts from the core single-family rental story. But this portfolio should start to run off, as the loans are resolved. This should provide significant capital for the company to either invest in further acquisitions, buybacks or dividends in the future.

The company has already announced that it is in the process of selling its re-performing loan book ($100 to $125 million of potential value) and expects to sell it in Q3 and reinvest the proceeds into single-family rentals. Most analysts have the company's NPL book falling below $250 million by the end of 2016, releasing a significant amount of capital for the company to reinvest in the business.

SWAY Is Quite Undervalued

SWAY is undervalued mainly on two measures, price to book value and price to net asset value. SWAY's book value is $27.90 per share and its NAV (Net Asset Value) is $34.76 per

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[6] http://www.homebuyinginstitute.com/news/dallas-among-the-hottest-markets-651/#ixzz3hEOuFII7

share. And yet, the stock trades at $25.50 per share, 91% of book value and 73% of net asset value.

This is the lowest valuation in the single-family rental space and pales in comparison to the valuations in the multi-family space, which trade at multiples of book value and stock prices which trade very close to or at a slight premium to net asset values.

With its current market cap at 73% of NAV, investors are able to recreate home pricing at or near the bottom of 2012 with a lot of upside still left to go. If SWAY's average home is worth $200,000 (for the sake of argument), you are able to recreate SWAY's portfolio at over $54,000 off, or $146,000 a home.

Another way to view its very low valuation is to consider that SWAY's average investment per home is $154,000. At a 9% discount book value, you are actually getting the same home for less than SWAY originally paid for it.

At a minimum, SWAY should trade at book value, every other SFR company trades at a premium to book value.

External Management is a Concern and Risk

One of the big knocks on SWAY is that it is externally managed. This means that SWAY owns the assets, but an "external" company, an affiliate of Starwood Capital Group, does the management. For managing the homes, SWAY pays the "manager" 1.5% annually of the market capitalization of the company, plus reimburses the "manager" for any costs directly related to running the portfolio of SWAY. (SWAY's manager has an exclusive to manage the SWAY portfolio until January 31, 2017, and then there are one-year extensions after that.)

There is risk in this arrangement as it may mean that the manager of the portfolio and investor interests is not aligned. What are the risks? The manager for SWAY also manages about 3,600 homes outside of SWAY's portfolio. These are legacy Waypoint homes, which Waypoint bought for investors prior to its relationship to Starwood Waypoint's creation. There are potential conflicts of interests in such a relationship from allocation of time and resources to charging investors too much in fees over what an internally managed REIT would charge.

Fitch Ratings did a study on the differences between externally and internally managed REITs and found that "internally managed REITs are not better at controlling administrative expenses versus externally managed companies, despite popular opinion to the contrary.[7]"

Silver Bay Realty Trust (NYSE: SBY), another publicly traded single-family rental company, used to be externally managed and it was a perceived negative on their company. The company internalized the external manager in September of 2014 and paid approximately $36 million in stock to internalize it. The stock was trading around $16 per share before and after the announcement and now almost a year later, it trades around $16 per share. The market didn't give the company much a revaluation because of the internalization.

Risk of Energy Fallout in Texas Markets

Besides the risk associated with the external manager, another risk is that 23% of the company's invested capital is located in Houston and Dallas. Texas has significant exposure to the energy industry, and the exposure is more acute in Houston. Despite employment growth moderating and the local economies slowing, there is still economic growth. Also home prices are hitting record highs and home inventories are at record lows.

A story from the Houston Chronicle does a good job of explaining the shortage of homes:

Another factor that Jones (CEO of Stewart Title) said is driving demand for homeownership in Houston has to do with the high rental rates associated with many of the multi-family luxury properties that have been built in the past 3 to 4 years. He said that there just haven't been enough new rental properties that were geared towards the middle-income individual or family." As a result, many would-be renters have become home buyers. This puts even more buyers in the marketplace, competing over the low inventory of available properties.[8]

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[7] http://www.reuters.com/article/2014/08/01/ny-fitch-ratings-reit-idUSnBw015438a+100+BSW20140801

[8] Houston Chronicle:

http://www.valueplays.net/2015/06/05/subs-houston-housing/?utm_content=bufferc581b&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer

"With the inventory of homes so far below the normal level at 3.2 months worth of inventory in Houston, when 6 months is normal, if anything the slowdown in the Houston economy will moderate the growth in home prices, but will unlikely cause values to fall, especially on the low end, where there is really no supply available."

Does Single-Family Property Management Actually Work?

The other main argument is related to the single-family rental industry in general. There is the skepticism that a company can manage homes scattered in different locations effectively. SWAY actually has the best proof against this argument, its margins. SWAY's stabilized margins of 66.5% in its second quarter are by far the best in the single-family industry and actually higher than other multifamily companies.

How is it that SWAY has great margins? While it does cost more to manage scattered sites as opposed to one apartment building in one location, single-family rentals have an advantage with the type of renter who rent homes versus apartments. Multi-family has mostly younger professionals who constantly move and change locations leading to turnover of 50-60%. Single-family rental companies average close to half that with around 30% turnover, since tenants of SFRs are mostly families, and families are "stickier" because of the problems of changing schools, neighborhoods, etc. The principle cost in property management is turnover and SFR makes up the difference in cost of scattered site management with lower turnover.

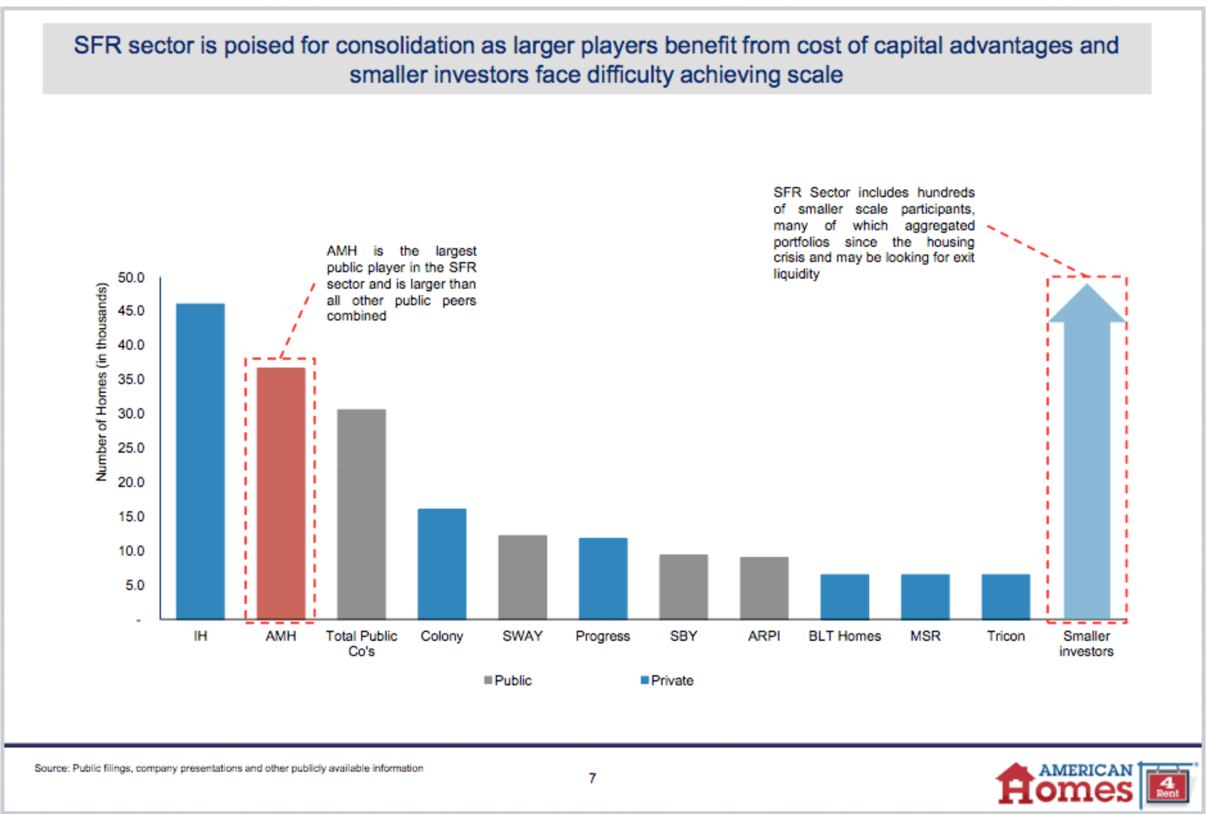
SWAY also has a technology platform advantage that is under appreciated in the stock market. SWAY has been working on its technology platform since 2009 and has iterated its technology every year since. The combination of smart usage of technology and smart property management techniques has enabled industry-leading margins. It is not normal to find the company with the best margins has the lowest valuation.

SFR Stocks have Vastly Underperformed Multi-Family Stocks

Consider that multifamily stocks have been on a tear. Apartment REITs were up almost 40% in 2014 compared to the poor performance of negative 10-15% for single-family stocks. In the past 5 years multifamily public REITs are up over 100% in stock value according to Lazard.[9] Everyone knows about the demand for rentals, but somehow no one is paying attention to the opportunity for the single-family rental space to shine.

The single-family industry has gone through a roller coaster couple of years. Prior to 2012, single-family home rental investing was a very small mom and pop driven cottage industry. In 2012, the emergence of several large players suddenly created an industry out of thin air with estimates of $5 to $10 billion of institutional capital pouring in to buy foreclosed homes.

There are now four publicly traded companies, American Homes 4 Rent (NYSE: AMH) is the largest, followed by SWAY, then Silver Bay (NYSE: SBY) and American Residential Properties (NYSE: ARPI). There are also two very large private competitors, Invitation Homes and Colony American Homes, which have 45,000 and 15,000 homes respectively.



9 Lazard Securities June 2015 report:

http://www.lazardnet.com/docs/sp0/4915/Lazard_USRealEstateIndicatorsReport_201403.pdf

The entire industry went through a period of exponential growth first in acquisitions, then renovation and finally flooded the market with rental homes in 2012-2014. This all led to a focus of stabilization and not rent maximization. This is one reason rental increases for apartments have been in the mid single digits, while SFR rental increases have been in the 2-3% range. But this is starting to change in 2015, as the companies become stabilized and the growth in acquisitions slows dramatically.

Consider that though SBY bought the privately held The American Home portfolio of 2,500 homes in April, they bought only 85 homes in Q1 and no other homes in Q2. ARPI bought 149 properties in Q1, but remarkably bought no homes in Q2. SWAY acquired 764 homes in Q1 and 536 in Q2. AMH bought 1,989 homes in Q1, but only bought 903 homes in Q2. Invitation Homes has publicly announced that they are buying $20 to $25 million worth of homes per month, down from $100 million in 2013. These are much lower numbers from prior years and points to a smaller pool of new rental homes hitting the market or being available for the surge of renters now entering the market. This may be one reason why rental rates for SFR companies are just starting to perk up. While SWAY has been averaging 2-3% rental increases, ARPI and SWAY have recently both been announcing rental increases averaging 3-5% year-to-date. Expect stronger rental increases and continued improvement in financials as the industry focuses on rent maximization instead of acquiring homes.

SWAY Earnings, Dividends and Buybacks Should All Rise

As SWAY finishes up stabilizing its portfolio and starts to wind down its NPL portfolio, SWAY has the opportunity to earn $1.75 share in FFO and to pay nearly a $1.50 per share annual dividend in 2016, a sharp increase over its current $0.76 per share annual dividend.

Assuming the company earns $1.75 per share and pays out $1.50 per share in a dividend, SWAY would pay a 6% dividend on its current share price. With NAV growth at 5% a year (a conservative number considering the leverage it is employing), SWAY's NAV would be $40.24 per share in 3 years. If the company trades to that level and investors enjoy a 6% dividend, annual returns per year would exceed 20% a year.

The company has already bought back over 1.3 million shares and has recently announced they upsized their buyback by another $150 million. The only advantage to buying actual houses over buying back their own stock is they continue to gain economies of scale by adding more houses to spread expenses over a larger portfolio, as evidenced by the recent quarter as expenses as a percentage of revenue fell 17%.

Wonderful Risk/Reward Opportunity

In summary, SWAY offers a wonderful risk/reward thanks to its low valuation and excellent upside. SWAY's portfolio is in some of the hottest markets that are supply constrained. The company has the industry leading margins and yet the lowest valuation. With the prospects of capital freeing up from the wind down of its NPL portfolio, increased dividends and buybacks, the stock at a minimum should trade to its book value and in the longer term will trade towards its NAV, which should grow every year. SWAY represents an excellent risk/reward investment.

Disclaimer

Please do your own research and do not rely solely on this research report when making an investment decision. This report could have mistakes in it, so please make sure you verify all information on your own. This report is also not a solicitation in any way. Please invest at your own caution.