MARKET OVERVIEW

The alternatives market had another strong year in 2019, continuing the growth trend we have seen in recent years. The European Securities & Markets Authority (ESMA) recently found that the alternatives sector now represents almost 40% of the total EU fund industry and global Alternatives AUM reached a record high of $10.7tn according to Prequin, with continued growth expected.

For the purpose of this report, ‘alternatives’ refers to a range of products within the real estate, infrastructure and debt markets.

While we have seen a slowdown in overall fundraising levels and increasing challenges sourcing attractive assets for the volume of dry powder available, we have not seen a reduction in hiring activity.

- ESG continues to attract growing attention and is of growing importance to the investor base, especially as alternative products become more mainstream.

- Despite a dip in overall capital raised, competition remains as strong as ever with firms becoming increasingly strategic with their approach to product development and client coverage.

- Within the Real Assets arena, asset management is a growing area of focus, with the ability to create value becoming critical.

- M&A activity within the Real Estate space was more subdued, however there were some significant deals, including JLL/HFF, Fiera Capital/Palmer Capital, Prologis/Liberty and Blackstone/Dream Global REIT.

- We have seen several fund level events in the credit space: Arrowgrass announced plans to shut following redemptions, Paulson turned into a family office, BlueMountain was acquired by Assured Guaranty and BlueBay’s €13bn private debt business was spun out.
BUSINESS DEVELOPMENT

There has continued to be significant demand for capital raisers and a steady stream of moves in the market. This is partly due to the volume of new funds being raised but also the changing investor landscape and desire for either geographical or sector specialists – the consultant relations, DACH and Nordic markets have been particularly active.

Credit: Funds have generally continued to see inflows as investors search for yield. We are seeing more US funds developing European distributions teams, primarily based in London, whilst at the same time European businesses are looking to hire individuals to raise capital from the US. Private Equity funds are continuing to create specific capital raising teams for the debt side of their business, for example CVC have developed their credit team over the past 18 months. Demand for Direct Lending funds (which are increasingly being seen as a Fixed Income as opposed to Alternative product) remains strong with new funds frequently exceeding their target capital raise.

Infrastructure: While 2019 fundraising levels were not quite at the level of 2018, it was still a successful year for capital raisers across infrastructure. We continue to see new niche strategies, such as renewable energy focused funds, do very well from a capital raising perspective with firms like Kagal and MIRA leading the charge. Similarly, larger mainstream funds were also successful, such as Global Infrastructure Partners who closed their Global Infrastructure Partners IV fund on US$22bn. Off the back of this success, we continue to see appetite for strong, technical business development professionals who can add value when speaking to investors.

Real Estate: We have seen significant activity within both private equity and the institutional fund managers. Many of the large insurance-backed fund managers are now expanding their investor relations and business development teams as they seek to raise third party capital - particularly across the DACH region and Middle East where there is increased demand. Despite reports that private real estate fund closes in 2019 was the lowest in 10 years, many of the larger managers have achieved record capital raises and we have continued to see high demand for senior distribution professionals in these organisations.

Real estate fund managers are targeting fixed income investors for RE debt products and there is a realisation that fixed income specialists will likely need to be hired to target those investors.

SELECTED PEOPLE MOVES:

**Credit**

CVC Credit Partners hired Nick Haajman from Alcentra in October as an MD to lead Client Servicing for the Credit Business. This followed the hire of Martin Munte in January from Bluebay to lead capital raising for the DACH region and Nordics.

Nicholas Chalmers left Oceanwood in August where he was CEO and President taking an active role in capital raising, to join Cairn Capital as CEO.

Louisa Church, former CEO of Bluemountain Europe was hired by OZ Management (now Sculptor) to lead Europea Business Development.

OakTree have been actively rebuilding their distribution team, hiring Caroline Martin-Ginel (former OZ), Tomi Langstrom (former Pinebridge) and Charlotte Gilbert (former Apollo).

Mudrick began development of their European business, hiring Shannon Cody from BarCap to lead BD & IR.

Carlyle lost two Managing Directors from their European business development team, Brynjar Agransson (credit focus) to PJT Partners and Vincenzo Narciso.

Muzinch hired Peter Andersson from Legg Mason to lead business development in the Nordics.

Alcentra saw several senior departures, Jack Yang - Global Head of Business Development (based in NYC) left at the start of the year, followed by Klaus Svendsen (Co-Head of EMEA BD) who joined Starwood, and Nick Haajman (Head of Product Management) to CVC.
Bluebay hired Abhi Jain as Head of Global Consultant Relations, she previously led UK Consultant Relations at Invesco.

Ellington hired Jonas Frantz formerly Managing Director at Paulson where he ran European IR, to lead business development for Europe and the Middle East.

Adam Sorab left Lodbrok where he led Investor Relations, joining Apitor (Rudi Sing’s new fund) in a similar role.

Real Assets
Cerberus hired Grant Berlin as their first global Head of Real Estate Capital Formation, having previously relied on generalist coverage and placement agents for real estate fundraising. Grant joined from Brookfield Asset Management where he was Head of Real Estate Fundraising and Global Consultant Relations.

Rockpoint Group have hired Hadi Nasser as their first Head of EMEA Investor Relations to establish their London office. He joined from EnTrust Global where he was Head of Middle East & Africa Investor Relations.

Charles Daulon du Laurens joined InfraVia Capital Partners having left Idinvest earlier in the year where he had led Global Capital Raising.

Gabi Stein joined Nuveen Real Estate as Managing Director, Investor Relations after 10 years with Tishman Speyer. She previously worked with Henderson Global Investors.

Rosamond Price joined Brookfield Asset Management as a Senior Vice President to focus on the European wealth market. She was previously Head of Consultant Relations for EMEA at PIMCO.

Ibtissem Sfaksi has joined PGIM Real Estate in Europe from Hodes Weil and will report to Faris Mansour.

Michel-André Volle joined Meridiam as Global Head of Investor Relations, joining from HSBC Global Banking where he had led Infrastructure Finance for Continental Europe.

Northleaf Capital hired Sophia Damianou as a Managing Director focusing on business development. She joined from CapeView where she worked in Marketing and Investor Relations.

Sam Carter joined Atlas Infrastructure as Head of Distribution from Kames where he was Head of Global Financial Institutions.

Barings Asset Management hired Paul Murphy as Head of Product for European Real Estate from MIRA where he worked as an SVP within the Investor Solutions Business.
INVESTMENT AND PRODUCT: CREDIT

Trends

Direct lending: despite an increasingly crowded market, capital continues to flow into the strategy, and we have seen a steady stream of new fund raises. Direct lending is beginning to be considered more as a fixed income product as opposed to an alternatives product opening new sources of capital. Most hires have been at mid/junior level with the bulk of these individuals coming from the investment banks. Demand for private debt remains strong and we expect to see continued growth and new businesses enter the market. The big move of the year came over the summer when BlueBay span out their direct lending business, led by Anthony Fobel in a move backed by Dyal Capital. The new firm, Arcmont will continue to manage the existing funds whilst also developing a Capital Solutions Strategy which will be led by David Brooks an Alice Cavalier, who are two new hires to the business, joining from Bain and PIMCO respectively.

Structured Credit/Speciality finance: further growth is expected, particularly in the CLO and Speciality Finance arena. European CLO’s have looked attractive on a relative value basis and more US managers are looking at developing businesses in Europe – Angelo Gordon and Sound Point have expanded teams and firms such as Ellington and CBAM are thought to be considering entry to the European market.

Speciality finance is more embryonic, but with significant interest across the board, from AM’s such as M&G and Insight to Hedge Funds (Chenavari, Magnatar) and PE (KKR). Banks are expected feel increased impact and pressure of Basel III within the securitisation space, providing greater opportunity for specialist funds to play a more strategic role in the business moving forwards. There has been limited hiring so far, but we expect this to change through 2020.

Distressed/Special Sits – there has been hiring at ‘bench’ level (in broadly equal quantity from banks as well as fund to fund) as businesses look to ensure that they have critical mass when the cycle turns. There has been a steady flow of new launches over the past 18-24 months with mixed success – Caius and Lodbrok stand out as recent success stories, at least in terms of capital raised. While appetite from the investor base is growing in lieu of an expected downturn, until that happens, the challenge remains unearthing opportunities and generating returns.

We are also beginning to see increased interest in European NPL’s – AnaCap recently raised €1bn to buy performing and non-performing loans and many other funds have been paying more attention to the sector.

Challenges and Opportunities

Unearthing good opportunities and sourcing deals remains the main challenge across the board as more capital continues to flow into the alternatives/illiquid space leading to price compression. Within direct lending, winning deals is challenging as more funds seek to deploy increasing levels of capital. Cov-lite deals are increasingly common whilst at the same time the premium for this type of deal has reduced. Many in the distressed/special sits space have pivoted to private markets in recent years leaving a limited volume of talent with public markets expertise.
SELECTED PEOPLE MOVES:

**Private Credit**
CVC hired Andrew Tully and Hamza Filali into their Private Debt team. Andrew is a Managing Director and joins from Santander where he led Financial Sponsors Origination and Hamza as a Director, based in Paris, with a focus on origination in France, having previously Filali worked as a Director in BNP’s Lev Fin team.

Credit Suisse Asset Management have set up a Private Credit Opportunities unit, led by Jim Amine (former head of Investment Banking at Credit Suisse) who will be based in NYC and will be joined in London by Matthew Cestari who previously co-headed EMEA Investment Banking at Credit Suisse. The business is expected to launch with up to $7bn.

Keith Green was hired by H.I.G. Whitehorse as a Principal in the Private Debt team. He was previously a Director in the leveraged finance business at Lloyds Banking.

Alcentra lost three Managing Director’s from their Direct Lending business - Patrick Ordynans earlier in the year to Goldman Sachs, followed by Pascal Meysson and Natalia Tshitoura later in the year.

Nicola Falcinelli left Sculptor Capital Management (previously OZ) joining Carlyle as a Managing Director, teaming up again with Taj Sidhu who made the same move a year earlier.

Pemberton hired Boris Harmsen as a Managing Director to Head Benelux origination. He joined from IKB where he led Benelux Leveraged Finance and Financial Sponsors.

Allianz Global Investors hired Adrian Grammerstorff, based in Munich from UniCredit where he was a Director in the Financial Sponsors business, while Hermes hired Carina Spitzkopf as a Director, focusing on Northern European origination, from UBS’ Leveraged Finance business.

Emmanuel Bresson who previously led HPS’s European Speciality Lending business left at the beginning of the year and is yet to resurface.

Howard Sharp, the Head of Direct Lending at Park Square left the business at the end of the year.

Dhruvil Parikh joined TPG Sixth Street as a Principal within the Private Debt business from Sculptor Capital Management.

**Structured Credit/CLO’s & Speciality Finance**
BlueBay hired Alex Navin as a Portfolio Manager in their Structured Credit business, from Citi where he had worked as a CLO trader.

Angelo Gordon hired Michiel von Saher and Sunil Kothari both as Managing Directors. Michiel leads European performing credit research and joins from PGIM, following Steve Paget who joined from PGIM last year to develop the CLO business. Sunil joined from PIMCO where he led the ABS and Covered Bond business.

Poh Heng Tan left Blackstone GSO after nearly 11 years in March to start his own CLO advisory business.

Andy Armstrong joined Eastlodge from Castelak to develop their Speciality Finance business with a focus on origination.

KKR continued to develop their Structured Credit/Speciality Finance business led by Dan Pietrzak hiring a further two analyst to the business in 2019.

Nim Sivakumaran, former MD and Head of Structured Credit and Private ABS at OZ (Sculptor) left in the summer joining Morgan Stanley in a return to the sell-side.

**Distressed/Special Sits**
GLG hired Patrick Kenney and Santiago Pardo and as PM’s into their Credit business. Patrick previously worked for Overland Advisors and before that led International Credit Opportunities at DE Shaw. Santiago previously worked at the Abraaj Group.

Alan Ross joined ICG as a PM focusing on Special Sits from Cerberus where he had worked for 11 years previously.

Niles Desai left Ares where he was an MD, joining BE Spoke (a European direct lending platform) as Head of Credit.

Martin Beck left Centerbridge to launch a new fund, Astaris and was subsequently joined by Robert Pohlhausen and Bjorn Bischoff from Centerbridge and Deutsche Bank respectively.

Yash Bhatt joined Black Diamond as a Director focusing on the analysis of par, stressed and distressed credit.

Tim Alexander left Sound Point where he had run their European office and focused on Distressed and Special Sits.
INVESTMENT AND PRODUCT: INFRASTRUCTURE

Trends

A continuing trend across infrastructure investment is the focus on more specific strategies in areas such as digital infrastructure and renewables. In regard to digital infrastructure, this includes telecoms, fibre, broadband and data centers. Several firms, such as Digital Colony and Sidewalk Infrastructure Partners, have been making a concerted push into this space.

In regard to hiring, funds have been very keen on hiring individuals with asset management experience. Given the increased competition for assets in the market, it is hard to find well-priced assets, therefore the need to create value, quickly and efficiently has increased. Furthermore, whereas asset management responsibilities used to sit within the origination and execution teams, many firms are beginning to split this out as a separate function. As such, we saw a high number of asset management roles in the market.

Challenges and Opportunities

There is clearly still a large appetite from investors for the asset class, particularly in countries such as Germany, where it has become a replacement for fixed income. Furthermore, we continue to see European firms expanding into new geographies, namely the US and Asia.

The challenge for infrastructure investors, as alluded to above, will be to find well-priced assets in a very competitive market.

SELECTED PEOPLE MOVES:

Copenhagen Infrastructure Partners (CIP) have made several notable hires over 2019 including bringing onboard three new Partners - Stig Pastwa, Nicholas Blach Petersen and Niels Holst. Stig was previously Group CFO at TDC Group, while Nicholas joined from Citigroup where he was previously Head of Investment Banking for Denmark. Niels was brought onboard to head up Copenhagen Infrastructure New Markets Fund I, which invests in renewable energy infrastructure. He was previously a Managing Director at Caprimon Real Assets before joining CIP. In addition, the firm also hired Robert Helms as a Managing Director in August. He was most recently Head of Asset Management at Ørsted.

Infracapital hired two managing directors in 2019 from investment banks. Herman Deetman joined in September, he was previously a Managing Director & Head of Power & Utilities at HSBC before starting his own advisory boutique in 2017. The also recruited Christopher Bordes from Société Générale where he was Head of Power, Utilities and Infrastructure. The firm also bolstered their Asset Management business by hiring Wael Elkhourly from Bastian Infrastructure Group in Toronto.

Smart Infrastructure Managers hired Kevin Roseke as a Partner and Head of the London Office. He was previously at the Alberta Investment Management Corporation where he led the office as well as focused on infrastructure investments.

OMERS Infrastructure recruited Prateek Maheshwari as a Managing Director from Global Infrastructure Partners where he was an Investment Principal focused on Power, Energy & Transport. Earlier in the year they also hired Marco Pugliese as a Managing Director from Bank of America Merrill Lynch.

Global Infrastructure Partners made a significant hire at the beginning of the year when Jim Yong Kim joined as Vice Chairman and Partner having previously been President of the World Bank.
INVESTMENT AND PRODUCT: REAL ESTATE

Trends

Given the low returns in core assets, there has been an increased demand for niche alternative sectors. Particularly those with strong demographic, political or social drivers. For example, care homes and student accommodation. We have also seen an increase in open ended vehicles and evergreen funds.

Challenges and Opportunities

Opportunistic investors have found it difficult to generate returns from repositioning or leasing activity, which has led them to take on more significant development risk. However, the majority do not have development expertise in-house. The niche alternative sectors in demand are also much more asset management intensive, with short leases and greater demand for customer service. This has led many managers to look to the hospitality sector for talent.

SELECTED PEOPLE MOVES:

Pictet Alternative Advisors appointed Charles Baigler from CBRE GI to be Head of PERE Acquisitions, Europe. Zsolt Kohalmi joined from Starwood earlier in the year as the Global Head of Real Estate, based in London. We expect to see further moves from similar alternative asset managers as they increase allocations to real estate.

Following Jay Kwan’s move to Quadreal and Krysto Nikolic’s move to Starwood Capital, TPG have made two high-level appointments to co-lead the European real estate business: Luis-Simon Ferland joined from Blackstone where he was MD in the European real estate acquisition team and James Piper joined from Ares, where he was a Partner.

Ivanhoe Cambridge have showed their intent in 2019. Following the appointment of Karim Habra as Head of Europe from LaSalle IM, they appointed Ajay Phull as Head of UK Investment, from Vanke, and Christian Daumann became Head of German investment, joining from the Hamburg Trust.

Kari Pitkin joined Allianz Real Estate to establish their London office and head new business across Europe, responsible for originating and executing large complex portfolio transactions in Europe. She was previously MD, EMEA Head of Real Estate at BAML.

Tareck Safi joined HIG Capital as an MD and will head European Real Estate Debt. He joined from PIMCO where he led European Commercial Real Estate Debt Investments at PIMCO.

Man Group continued their expansion of Private Credit, hiring Jon Rickert from GAM to lead their European business focussing on commercial and residential real estate debt. Bernd Kerner also joined from JP Morgan and will focus on executing and managing European real estate loans.
ESG

Significant attention has been paid towards ESG from the asset management industry in recent years, following the increased investor interest and we are now seeing this mirrored in the Alternatives space. The use of ESG criteria has become a priority for managers and investors are increasingly looking for greater transparency on investments.

The importance of ESG to investors means that firms have needed to establish how to incorporate these issues into their investment processes and several managers have brought in ESG investment professionals into their groups for the first time, to focus on supporting integration of ESG factors into portfolios.

- Many allocators foresee growing interest in private markets ESG, with businesses such as KKR, Partners Group and Carlyle bringing in ESG integration professionals for the first time.
- Within private markets and wider credit funds, we have seen several groups launching dedicated multi-asset ESG strategies.
- Many funds have subscribed to the UNPRI whilst others use third party consultants such as RepRisk who will provide a rating on individual deals/funds.

Whilst Head of Sustainability is a well-established role within the majority of real estate firms, particularly developers, ESG investing within real estate funds is a newer phenomenon and we are starting to see these products launched and we predict that 2020 will see more specialist roles being created to focus on these products.

Challenges and Opportunities

There is not a deep bench of individuals with ESG expertise in the alternatives space and as such, we are beginning to see a new style of ESG hiring, where ESG leadership candidates are not expected to arrive with fully formed solutions. Instead, leaders are looking for specific skillsets that sit underneath the broad ESG umbrella and where there aren’t yet full ESG functions we are seeing the rise of ‘ESG champions’ within firms, often individuals from distribution or COO’s.

SELECTED PEOPLE MOVES:

Megan Starr (NYC) joined Carlyle as head of Impact from Goldman Sachs where her focus was on ESG & Impact Investing, while Phil Davis joined in London from PwC as Head of Sustainability for EMEA.

Larissa Skarke (London) joined KKR with a focus on Global Impact from McKinsey where she was a consultant.

Archie Beeching (London) joined Muzinich as a Director leading Responsible Investing, he was previously head of Private Markets at UNPRI.

Edward Dixon (London) joined Aviva Investors as Head of ESG, Real Assets from Landsec where he was Sustainability Insights Director. As we understand, he has joined to look at ESG across their own portfolio rather than focusing on ESG investing.

Desiree Fixler (NYC) joined Zais in March as a Managing Director to lead ESG/Impact Investing across credit and CLO products.