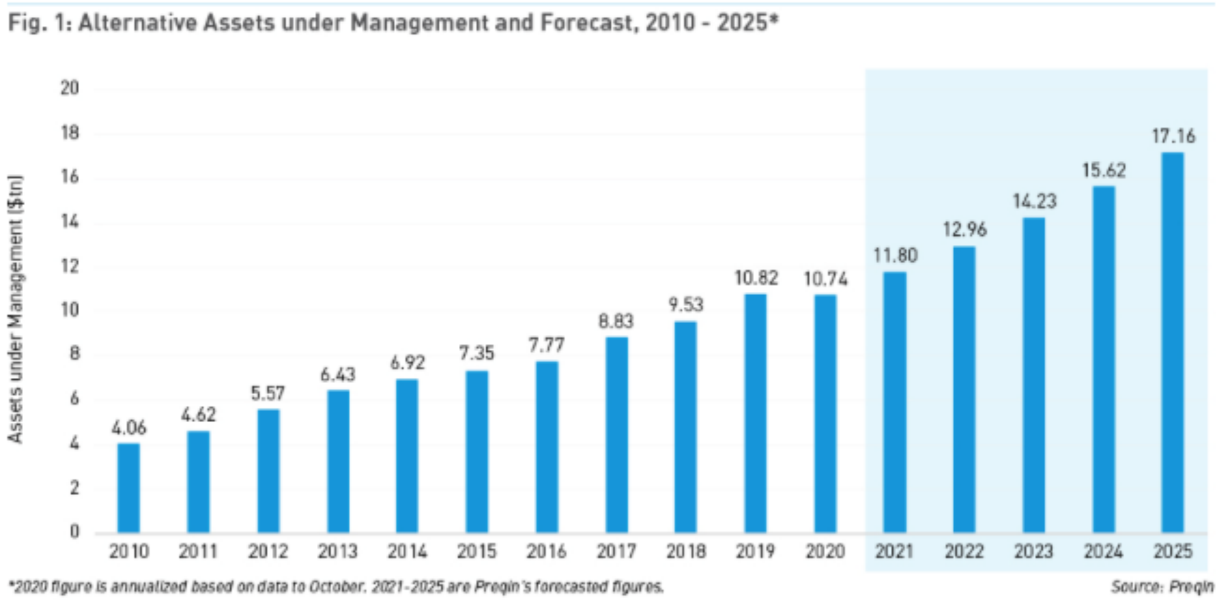
RELPI Roundtable: Alternatives in 2022: Issues and opportunities

Developed in collaboration with MUFG Investor Services

There's no stopping the alternatives market — and there's no ignoring it, either. According to private-capital research firm Preqin, alternative assets under management (AUM) are primed to exceed $17 trillion by 2025 — a compound annual growth rate of 9.8%, and one that far surpasses both global GDP and inflation. In the U.S. alone, there are six times more private than public companies with over $100 million in annual revenue, according to WealthManagement.com.



> There are **6x more $100M+** private companies than public companies in the U.S.

By their very nature, alternatives such as private equity, private debt and real estate often exhibit a high degree of noncorrelation to external events, the most recent example being their outperformance during the COVID-19 pandemic. With this kind of resilience and growth — not to mention, the vast amounts of dry-powder capital seeking opportunity — it's never been more important to understand the dynamic ways private markets are touching investors, including the growing number of institutional investors flooding the market in search of long-term returns.

I'm Jonathan Schein, CEO and Executive Director of the Real Estate Limited Partner Institute, and I'm excited and privileged to lead this three-part roundtable discussion on some of the most important topics facing this ever-more-vital industry.

My guests are two key players in these markets — ***Gila Cohen****, Chief Investment Officer for* ***MUFG****, and* ***Lorelei Graye****, President of* ***Private Capital Data Standards (PCDS)****, a nonprofit industry organization focused on standardizing and optimizing reporting in the alternatives space to enable more efficient adoption of this dynamic asset class.*

Part 1 of 3: Why Relationships Are the Backbone of Alternative Investments

Jonathan: *Since the very beginning, the twin backbones of financial services have been capital and relationships. It seems to me that relationships — not just one-on-one client relationships, but also strategic partnerships and larger operational ecosystems — are especially crucial in the alternatives space, which has always required plenty of face time, from marketing and due diligence to reporting.*

"If you want the best deal, you have to have relationships with people you can trust."

- Lorelei Graye

Lorelei: Relationships do play a unique role in alternatives — all you have to do is compare this market to the other sides. Private funds, and private capital markets in particular, aren't on a ticker-tape: you're not buying a share of Disney. Alternatives are based on *deals* — and deals are negotiated with people. If you want access to the best deal, you have to have relationships with people you can trust. You meet all sorts of unique individuals. You vet potential partners. That's why, if you're an investor in this space, due diligence is such a big deal — and why the cornerstone of this business is and always will be relationships.

Gila: Absolutely. Fundamentally, commercial relationships are about *people*, not faceless institutions or financial reports. The way you treat people — and the resources you bring to the task of serving them — is the way you conduct your business. Our clients are our lifeblood, central to all we do. But as you point out, Jonathan, we also thrive within a larger ecosystem of relationships, including our strategic partners — organizations like RELPI and Lorelei's Private Capital Data Standards (PCDS).

"We have the power and resources of a $3 trillion, global financial organization behind us. We're not exactly working out of a small box."

- Gila Cohen

Here at MUFG, we're incredibly fortunate, because we have the power and resources of a $3 trillion, global financial organization — one that's been around more than 360 years — behind us. So we're not exactly working out of a small box.

JS: *Gila, from your current perch as Chief Investment Officer of the fifth largest global financial institution… how does that advantage play out in the real world?*

Gila: I'm fortunate to sit in a very special seat: I get to look at the world horizontally — which enables me to serve our clients on a much higher-level, strategic basis. I say, "Tell me about your business, across the board." I meet with their division heads. I hear their strategic plans. Then I go back to my team, and we brainstorm: How can we best support this client's goals and their growth? What types of initiatives do they have that fit with our initiatives? We put the pieces together, and then I take it back to our client.

That's also how we think about building our network of strategic partners. That ecosystem of relationships — internal and external, direct and indirect — is what can continue to drive success and best practices across the market, and across the board. At MUFG, we push for excellence in a multifaceted way, and I'm proud to say, we're actually walking the talk.

Lorelei: That is part and parcel of your leadership role in the industry, Gila, and this is why I feel good about collaborating with MUFG on this series — and about the relationships we have built. We're focused together on how we can help support the market on what's most important — having standards, having organizations where people can network, and having opportunities to discuss in forums like this: topics that are going to drive success and upgrade thoughtfulness in the market. That's what we're all working towards. The big win-win.

JS: *Let's talk about COVID-19 for a moment. Its unwelcome arrival now two years ago put everyone — and nearly every commercial relationship — to the test. Gila, what was your experience like at MUFG?*

Gila: Our strong balance sheet, culture, and legacy proved decisive at that critical moment. When the pandemic hit our shores, most large banks quickly gated their balance sheets and started hoarding cash to shore up their positions. Unfortunately, that left many of their clients — including large institutions who expected to be able to continue to access financing, credit lines and other vehicles — stranded.

We took the opportunity to do the opposite: reach out and extend ourselves. We spent a lot of time in March of 2020 calling our clients and asking, *Are you okay? How can we help?* One large financial institution, a public pension, called me on a Saturday morning saying, "We got left at the altar by two of our biggest relationships. Are you guys available to lend?" And I said, "What do you need?" They answered that they needed half a billion dollars, urgently.

We were able to turn that around in only three weeks — at relationship pricing, no less. We showed up when they needed help. That goes a long way in helping relationships thrive and grow. Because if you're there for them when things are tough, imagine how that relationship will be when things are good.

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Up Next: What's Behind the Agility and Robustness of the Alternatives Asset Class?