



Global Investment Managers Gravitate to Real Assets Model

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With the American Society of Civil Engineers giving the US infrastructure a D+ rating and calling for \$4.6 trillion in investment to improve it, many institutional investors are expanding the types of assets they're considering for investment.¹ Consequently, global investment managers are combining real estate and infrastructure teams into real assets platforms to respond to this investor demand.

The type of investors looking to put money to work in real assets continues to expand, especially with the demise of defined benefit plans across corporate America and the increasing popularity of 401(k) plans. That means real assets platforms need to be ahead of the competition in terms of ideas, funds and structure in order to capture a larger share of those dollars.

To capitalize on shifting trends, many real assets platforms are hiring executives from outside the industry who are familiar with retail capital distribution. They are also building out global infrastructure teams.

CONVERGENCE OF INFRASTRUCTURE AND REAL ESTATE INTO REAL ASSETS

As competition for investment opportunities increases, many investment firms are evolving into real asset models, which includes infrastructure assets such as roads,

dams, bridges, telecom, water, transportation and power. In 2016, \$59 billion was raised by infrastructure funds, and a record 181 funds were in the market seeking capital in 2017.²

For example, private equity firm Blackstone announced a \$40 billion infrastructure fund in May that includes \$20 billion committed by the Public Investment Fund of Saudi Arabia, signaling global investors' appetite for this space.³

According to a PwC report, investors see that infrastructure spending on public transportation and energy can boost GDP and also help with access to affordable housing.⁴ That makes the sector attractive for long-term investment separate from the US administration's announced plans to invest \$1 trillion in infrastructure.

As more funds follow this strategy, competition for investments is heating up. According to a survey by Preqin, 53% of investment managers believe their biggest challenge in 2017 will be asset pricing. With \$137 billion ready to be invested, the competition for opportunities continues to be fierce.⁵

¹ <https://www.infrastructurereportcard.org>

² <https://www.preqin.com/docs/newsletters/ra/Preqin-Real-Assets-Spotlight-January-2017.pdf>

³ [https://www.blackstone.com/media/press-releases/blackstone-to-launch-\\$40-billion-infrastructure-investment-vehicle-and-new-infrastructure-business](https://www.blackstone.com/media/press-releases/blackstone-to-launch-$40-billion-infrastructure-investment-vehicle-and-new-infrastructure-business)

⁴ <https://www.pwc.com/gx/en/asset-management/emerging-trends-real-estate/assets/etre-global-2017.pdf>

⁵ <https://www.preqin.com/docs/newsletters/ra/Preqin-Real-Assets-Spotlight-January-2017.pdf>

Client demand is driving much of the restructuring of funds to focus on real assets, according to PwC. Many pension and other investment funds are shifting real estate and other infrastructure responsibilities under real assets, meaning funds need to mirror the structure of their clients and hire those with expertise across real assets.⁶

Companies such as JP Morgan Asset Management, TIAA/Nuveen Global Asset Management, BlackRock and Morgan Stanley have created real asset divisions to meet these changing client demands for expertise across sectors.⁷

SHIFT TO RETAIL CAPITAL INVESTMENTS

Because corporations are disbanding internally managed defined-benefit retirement programs and 401(k) plans gain in popularity alongside increasing individual investor demand, real assets investment managers have the opportunity to capture retail investment dollars as many individual investors look for ways to allocate retirement savings.

Only 20% of Fortune 500 companies offered defined-benefit plans in 2015 compared with 48% in 2005, according to a study by

Willis Towers Watson.⁸ Many corporations are shifting to outside money managers and alternative investments to generate returns and diversify portfolio holdings.⁹

For example, TIAA (now Nuveen) began offering a \$161 billion alternative investment platform to the five million participants and 16,000 institutions in its retirement plans.¹⁰ The goal was to make alternative investments easier for financial advisors to access, allowing more retail money to flow into the space.

TRENDS IN HIRING AND WORKFORCE MANAGEMENT

For many investment managers, changes in the industry are having a profound impact on how and where they source talent. Integrating real estate and other infrastructure investments into a real assets category means client-facing executives need to be well-versed in various areas of the investment landscape. Others are finding that combining teams brings synergies in research and broadens thinking, giving them more flexibility when building portfolios for investors seeking specific return targets.¹¹

⁶ <https://www.pwc.com/gx/en/asset-management/emerging-trends-real-estate/assets/etre-global-2017.pdf>

⁷ <https://realestate.ipe.com/investment/-/real-assets-the-bigger-picture/10013970.article>

⁸ <https://www.businessinsurance.com/article/20160222/NEWS03/160229g86>

⁹ <http://www.benefitspro.com/2016/09/14/cm-defined-benefit-plans-shifting-toward-alternati>

¹⁰ <https://irei.com/publications/article/doubling-real-assets-nuveen-tiaa-committed-delivering-real-asset-rich-products-individual-investors-mike-perry-drafting-game-plan>

¹¹ <https://www.pwc.com/gx/en/asset-management/emerging-trends-real-estate/assets/etre-global-2017.pdf>

In order to take advantage of many of these changes, leadership is looking to diversify their workforces, particularly at the executive level. They're searching for individuals with experience outside of traditional real estate channels to diversify their talent pools. For example, last year CBRE Group hired Chandra Dhandapani, a longtime Capital One technology executive, to be the firm's chief digital and technology officer, bringing consumer and technology sophistication into the real estate space.¹²

Creating a leadership team with diverse backgrounds and knowledge helps better serve clients as well as ensures executives have the skills needed to adapt to the changing investment landscape. Sourcing candidates with complementary expertise in various industries including energy, infrastructure, water and other real assets can help teams fill in the gaps in expertise to truly cover the spectrum of potential infrastructure investments.

Finding the next generation of leaders is critical as many firms are focusing on their succession planning. Pulling in millennials, diversity candidates, those with military service and those with non-traditional backgrounds means firms have qualified internal candidates to groom for future leadership roles.

This is particularly important, as investors are increasingly demanding that investment managers demonstrate that succession planning is part of their ongoing agendas. In order to compete, REIMs will need to show investors they are constantly looking to attract, train and retain top executives and that management teams have a variety of skill sets.

CONCLUSION

Many global investment managers are incorporating a real assets approach, combining real estate and infrastructure. Much of this shift mirrors the new infrastructure strategy of institutional investors. As the investor base expands to include retail capital as well as global institutional investors, investment managers must retool their senior leadership to adapt to this changing environment.

Real assets investment managers also need to recruit executives with experience and backgrounds in different areas, as they look to develop the next generation of leaders and source talent from outside the real estate industry.

Investment managers need to assess their current executive ranks and discover the gaps in their skills and experiences as they reposition for the future. Understanding what skills need to be added will help them find and bring in the right mix of people and best position them to successfully raise capital and invest it.

¹² <https://www.bizjournals.com/dallas/news/2016/06/27/cbre-group-names-former-capital-one-executive-into.html>



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Ms. Burgess has over twelve years executive and non-executive search experience and leads Ferguson Partner's New York office. She spends the majority of her time working with Private Equity, Investment Management, Real Estate Investment Trust (REIT), Structured Finance, Hedge Fund and Investment Banking clients.

Relocated from the London office more than three years ago, Gemma possesses a deep understanding of the international markets and the global flow of both institutional and non-institutional capital in the real estate industry.

Prior to joining Ferguson Partners in 2007, she spent two years at Hanson Green working on non-executive appointments and two years at Ramsey Hall working as a generalist within executive search.



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Travis Kononen is a Managing Director at Ferguson Partners. He specializes in the REIT, real estate private equity and investment banking sectors, executing mandates in the US, UK, and continental Europe. Mr. Kononen furthermore maintains close links with INSEAD and the London Business Schools' real estate programs. Prior to opening the San Francisco office, he spent six years in the firm's London office, and three years in the New York office.

Mr. Kononen has a degree from Oregon State University.



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Mr. Rackowe is responsible for overseeing New York and international operations for Ferguson Partners with oversight of offices in Toronto, London, Hong Kong, and Tokyo. He has over 20 years of industry experience directing and managing search assignments across the Asia-Pacific region accessing both local and global talent pools.

Prior to joining Ferguson Partners, Mr. Rackowe held leadership roles with Spencer Stuart and Korn/Ferry International. There, he developed extensive experience providing executive search solutions in the broad alternatives space with a specialization across the fund industry in real estate, distressed, private equity, and broader financial services industries including investment banking and capital markets.

Mr. Rackowe holds an M.A. in Oriental Studies from Cambridge University.



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Mr. Thalhamer is a Senior Managing Director at Ferguson Partners. His principal focus is on all areas of real assets including investment and development, infrastructure, and construction. His clients include private equity investors, sponsors, construction companies, developers, and financial institutions on a global basis.

Prior to joining Ferguson Partners, Mr. Thalhamer was a Partner in a large global search firm. He was also a Partner in a New York based boutique search firm specializing in the real estate and financial services industries. Mr. Thalhamer began his executive search career at Russell Reynolds Associates in 1997, focused on the real estate and construction industries and co-led its global real estate practice for four years. He was also a member of the firm's financial officers' recruiting practice.

Mr. Thalhamer holds a Bachelor of Architectural Engineering Degree from Pennsylvania State University, an M.B.A from Fordham University's Graduate School of Business Administration, beta gamma sigma and a M.S. in Real Estate Finance and Investment from New York University.

About FPL

FPL is a global professional services firm that specializes in providing solutions to the real estate and a select group of related industries. Our committed senior professionals bring a wealth of expertise and category-specific knowledge to leaders across the real estate, infrastructure, hospitality and leisure, and healthcare services sectors.

Comprised of two businesses that work together, FPL offers solutions and services across the entire business life cycle:

Ferguson Partners

With an emphasis on the right fit, Ferguson Partners offers services in executive and Director recruitment,. We also offer a full range of leadership services including CEO and senior executive succession planning, leadership assessment and coaching, and team effectiveness.

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Focusing on a wide array of business needs, FPL Associates assists with the assessment, design and implementation of compensation programs. We also provide organizational, financial & strategic consulting, bringing a wealth of industry and category-specific expertise to a broad range of projects.

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