

FundFire

Brookfield, Apollo Staff Up to Target Advisor Markets Overseas

By Tom Stabile

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Brookfield Asset Management, Apollo Global Management and others are stepping up their product and distribution efforts to deliver alternative products to advisors internationally, aiming to lay the groundwork for expanding a market that has become a top priority for many managers in the U.S.

Creating and distributing alternatives to advisors – through business development companies, real estate investment trusts, interval funds and other vehicles – has continued to be an area of galloping growth, but most of that activity has been in the U.S. And while Blackstone Group had early success distributing its REIT overseas, most other managers have yet to take the step – and most international advisor-focused alts strategies are coming from local market players, said Daniel Celeghin, managing partner at Indefi North America.

“So far, local providers have had the edge because they have familiarity with market demand or may be owned by a big distribution network,” he said. “But the Americans are coming... There’s not alarm bells going off yet but maybe there should be.”

Brookfield last month announced a slate of leadership hires for its advisor market alts distribution team in several global markets, the first steps in a larger push, said David Levi, head of the Brookfield Oaktree Wealth Solutions business it created last year.

“It will take a commitment of resources, commitment of time and patience,” he said. “We’re all playing the long game, and the global one is a very long game.”

Managers aiming to build up a global product and sales presence will have to be ready for a major investment, Levi said.

“And it requires a tremendous amount of thought and flexibility,” he added. “You have to do different things in different markets.”

Brookfield’s recent hires include Stacie Wang in Hong Kong as head of greater China, where she leads efforts to establish new relationships with advisor platforms and develop business in the region. She came over from Pimco, where she had led the Greater China wealth business.

Brookfield also added Oscar Isoba as head of U.S. offshore and Latin America in Miami, hiring him from Nuveen. The firm also is tripling its Canada sales team under Karen Khalil.

Brookfield expects to build around this new leadership, Levi said.

“We do expect to be more local and that means putting more salespeople on the ground,” he said. “We would expect the... non-U.S. [team] to grow pretty significantly over time.”

Apollo also recently made overseas market hires, including naming Veronique Fournier as a managing director and head of Europe distribution. Late last year, it tapped Edward Moon in Hong Kong as head of its Asia-Pacific global wealth team.

iCapital has also been pushing into overseas markets with recent moves, including a partnership announced late last year with UBS Global Wealth Management to expand private market investment

distribution to advisors in its major financial centers, such as Switzerland, Hong Kong and Singapore.

For managers to succeed in their overseas efforts, product development will be part of the puzzle, Celeghin said. While many allocations in Europe are likely to go into locally built strategies investing in home markets, where it may be harder to compete with established players, U.S. managers may have an edge in building regional, cross-border products that could be popular with investors, he said.

“We expect to see fund launches in these regional funds,” he said. “U.S. based platforms for the most part have existing, mature, scaled businesses on the deals sourcing side for private equity and in some cases for credit for their institutional clients.”

Many local market players in European countries usually invest in their own backyards and perhaps a second country, Celeghin said.

“There are far less of these regional teams at scale owned by European managers,” he said. “American products could become a more existential threat.”

Brookfield is expecting to start with four flagship products for the advisor market, including its REIT, BDC, diversified credit interval fund and a soon-to-be-launched infrastructure strategy, Levi said. But it will likely end up customizing those strategies, whether by currency denomination or investment makeup, for specific markets in collaboration with key advisor platform and private banking partners, he said.

“We have those building blocks,” he said.

Another key element for distribution success will be having ample sales and distribution support staff available, Levi said. That’s in part because the model has shifted in Europe and Asia in the last few years from a largely “home office”-focused sale to one requiring more support for advisors in the field, he said.

“Today, it’s becoming more like the U.S., a sale that requires a lot of education support, thought leadership and training,” he said.

But expanding overseas also carries risk for U.S. managers, including around how they execute distribution strategies, Celeghin said.

“The speed of decision-making will be a challenge for the American groups,” he said. “You need people near to the ground in the time zone who are empowered to make decisions, to make the call on the frictions that come up around legal and compliance.”

That means hiring local teams, Celeghin added.

“They will have to staff up not just the sales team but also the distribution support team in each of those time zones and in all the languages represented – the legal, marketing, technology, public relations,” he said. “You can pull it off, but the complexities rise exponentially.”

U.S. managers will also have to build deeper relationships with European and Asian wealth management platforms and regulators, said Charlie von Moll, head of Europe at Bite Investments, a financial technology distribution platform.

“Strategically, the right call would be to strike up those relationships, and of course to do it in as

efficient as way as possible,” he said. “That’s especially for the compliance footprint... There are specific things that Hong Kong regulators need you to ask investors... different from what they need in Japan or Australia.”

Product design could be another area of challenge, especially as some European investors are more comfortable with strategies that have an insurance wrapper similar to a variable annuity, Celeghin said.

“They are savers – they are risk averse,” he said. “If you figure out how to get it wrapped in an insurance contract, then you’ll see more volume.”

Few managers should expect to have the same good fortune that Blackstone had distributing its REIT overseas, a sale that mainly went to global advisor platforms in large markets, Celeghin said.

“That was an anomaly – they timed it extremely well,” he said. “That’s going to be hard to replicate. But some managers are asking can lightning strike twice but maybe in another asset class?”