

The Growth of Alternatives

An Interview with Kristin Kallergis Rowland, Global Head of Alternative Investments, J.P. Morgan Private Bank

EDITORS' NOTE Kristin Kallergis Rowland is the Global Head of Alternative Investments for J.P. Morgan Wealth Management, overseeing \$120 billion in assets under supervision with some of the leading private equity, private credit, real estate and hedge fund firms globally. Rowland and her team are responsible for advising private clients, family offices, and endowments and foundations on alternative investments portfolios. She has been with the firm since 2008 and joined the



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Alternative Investments team in 2013. She relocated to New York in late 2017 after spending four years in London as the Head of Alternative Investments for Europe and the Middle East. Prior to relocating to London, Rowland spent three years in New York where she worked closely with the Global Investments Leadership team, the Global Head of Capital Markets Solutions and the U.S. Head of Investments to execute strategic initiatives designed to grow the business. She began her career as a Credit Analyst in the Chicago Private Bank office, working with both private clients and the clients of the Special Credits Workout Group. Rowland holds a BS degree in finance from the University of Illinois at Urbana-Champaign where she was the captain of the Division I Women's Golf Team.

COMPANY BRIEF J.P. Morgan Private Bank (privatebank.jpmorgan.com) provides customized financial advice to help wealthy clients and their families achieve their goals through an elevated experience. Clients of the Private Bank work with dedicated teams of specialists that bring their investments and financial assets together into one comprehensive strategy, leveraging the global resources of J.P. Morgan across planning, investing, lending, banking, philanthropy, family office management, fiduciary services, special advisory services and more. The Private Bank oversees more than \$1.8 trillion in client assets globally.

Will you provide an overview of your role and key areas of focus?

I am responsible for overseeing our existing alternative investments offering for individuals and family office clients. In our history, we have partnered with approximately 85 Private Investment managers and just over 40 Hedge Fund managers.

Alongside my partners in research, we work to provide our clients with access to 20-30 unique ideas every year across private equity, private lending, private real assets (real estate and infrastructure), and hedge funds. Alternative allocations have certainly grown from optional to essential in helping our clients meet their long-term goals given return expectations for stocks and bonds in the coming decade. For clients that can afford less liquidity and/or higher risk, it's important we continue to grow our offering.

When we started allocating to alternative managers in the '90s it was mostly buyout oriented, but now approximately 30 percent is in growth strategies in areas like technology and healthcare, roughly 15 percent of assets are in strategies lending to small- and medium-sized businesses, around 15 percent in private real estate and infrastructure, and the remainder is in core private equity portfolios. Key areas of focus moving forward include democratizing access at lower minimums for qualified clients, developing bespoke products focused around our dynamic market views, and digitizing the alternatives experience as learning about and subscribing to a new alternative investment can be quite an archaic process.

How did J.P. Morgan Private Bank adapt its business to address the challenges caused by the pandemic?

There were a few factors that allowed our business to weather the 2020 challenges caused

by the pandemic, most that we were fortunate to have created pre-pandemic. These factors include having a global presence, strong relationships with our clients and advisors globally, and connectivity with our investment managers. Having an extensive global presence across the U.S., in EMEA, LatAm, and Asia allowed us invaluable insights of risks as they were unfolding and the ability to respond quickly upon the market dislocations. Communicating virtually was always a part of our business, even in my weekly global team meetings, so converting all meetings to Zoom in 2020 was business as usual. Our business is not purely transactional – we have meaningful relationships with our clients which allowed us to understand how our clients' needs were changing and ensure we were delivering answers to the questions on their minds. We began an "Ideas and Insights" series where we hosted everyone from leaders in travel and hospitality, to pharmaceutical CEOs, to investment managers, allowing us to stay connected with our client base. And finally, the connectivity with our third-party fund managers enabled us to quickly create unique ideas, such as an equity focused dislocation fund around technology stocks by the end of March 2020.

Will you highlight J.P. Morgan Private Bank's Alternative Investments platform and what have been the keys to the growth and leadership of the business?

We oversee more than \$120 billion of alternative assets in under 100 general

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partners. Part of our growth has come from us being recognized as industry leaders as we've been investing in alternatives since the early '90s and our experience has allowed us to navigate changing market conditions and relationships. We have a dedicated team of over 100 individuals that are bringing ideas and expertise to the table. Our team is delivering end to end solutions for GPs and clients in house – from investment and operational due diligence, to helping structure investments (thinking through things like taxes), and ultimately working alongside our clients to match their investment needs with the goals of alternative portfolios. We don't sit siloed from our partners across capital market solutions so when we recognized rates would stay lower for longer, we got comfortable in private lending opportunities that could deliver higher yields than traditional fixed income. And when we recognized technology companies were staying private longer and a significant amount of value was being created in private markets, we leaned into growth and innovation, and themes in technology and healthcare. As we moved later into the last economic cycle, we built a delayed activation strategy that would activate upon stress in credit markets – think high-yield spreads at 600bps+. Given that alternative mandates are investing over a 3-5 year period, it's important that we are forward-thinking of opportunities that our clients can invest behind.

How critical is it for J.P. Morgan Private Bank to build a diverse and inclusive workforce in order to bring diverse perspectives and experiences to the table when addressing client needs?

A diverse and inclusive workforce is truly what makes our culture so unique – and fun! It encourages different voices to be heard “at the table” and often allows us to avoid groupthink. In alternatives, we've found that it allows us to build a stronger network of diverse managers who are not only under-represented in the industry (approximately 2 percent), but importantly the median diverse manager outperforms non-diverse managers. We've found that talent and ideas are distributed equally, but access to capital is not, so encouraging diversity with the partners we work with and solutions we offer clients enables us to think differently about building portfolios and identifying differentiated deal flow.

Do you feel that there are strong opportunities for women to grow and lead in the industry?

There are certainly strong opportunities across the industry. I've benefited from J.P. Morgan having Business Resource Groups (BRGs) that foster leadership and networking opportunities and advance the firm's commitment to diversity. We have programs such as Women On The Move where female talent of all levels come together to explore the issues of women in the workplace. Out of this program came efforts such as Men

As Allies which is training that men can join to hear about the benefits and ways in which they can be allies to women. And importantly, it's not just the junior levels at JPMC where we have representation, our firm's Operating Committee is a great example of being able to inspire the next generation and provide a path for unlimited possibilities.

What do you see as J.P. Morgan Private Bank's responsibility to the communities it serves and to being a force for good in society?

One of the key reasons I've been proud to work for J.P. Morgan since 2008 is because of our commitment to community engagement. Not only do we receive paid vacation each year to dedicate a number of days to corporate responsibility and community efforts, but we're given the tools and resources to make it easy for us to get involved. Our Alternatives group has taken a more serious look at this over the past 12 months and has decided to launch a fund focused on what we've learned from our Advancing Cities program where we've partnered with a global leader in technology accelerators and started programs in 12 cities in the U.S. Ultimately, we'll back between 750-1,000 entrepreneurs over the course of 4-5 years and provide the local resources of all lines of business at the bank in those cities. We hope to continue these accelerator programs and leverage our partner's global presence for fund II.

What advice do you offer to young people interested in building a career in banking?

Getting into finance can be extremely intimidating – we love to use acronyms and throw out big numbers, but the advice I was given, and I continue to give, is to join a firm that will sponsor your learning and development. I remember thinking when I was younger that where I started my career was where I was going to end up, but the reality is that it's all about learning – learning what interests you, what motivates you, and what environment you enjoy being a part of. So starting somewhere that will put time and effort into training you is most important. After that, I give advice that I was given and is probably true in most industries. Since banking is all about relationships, I once heard that I should surround myself with SWANs – people that are Smart, Work hard And Nice, and I suggest that to young people all the time. ●

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