



A Financial Times Service

[Print](#) | [Close Window](#)

Callan Adds Alts Research to Meet Inst'l Demand

By Alyson Velati February 21, 2018

Some consultants are expanding their consulting capabilities to further help institutional investors source alternative opportunities.

In response to a growing demand for alternative investments from its general consulting clients, **Callan** has dedicated the last few years of building out its private markets research capabilities, according to **Greg Allen**, CEO and president of the firm. Due to this growth, the firm can “support specialty mandates across the private markets space for clients who want that dedicated guidance,” he says.

“[B]ig state pensions, corporate pensions [are] shifting assets towards private investments – private debt, infrastructure, real estate, etc. – and in order to be relevant, that means we had to add resources in the area of private investments,” he says. “So, we’ve added dedicated specialists.”

As of now, out of Callan’s \$2 trillion in assets under advisement, about 7% of its business comes from private markets consulting, says Allen. Currently, most of those clients use the firm for real assets consulting purposes and then private equity and private debt consulting.

The biggest buildout has been within the research team and the consultant will continue to “opportunistically” add research resources where the firm sees fit, he says.

In December, the firm snagged **Harshal Shah**, a former private equity portfolio manager with the \$345.5 billion California Public Employees’ Retirement System (CalPERS), to join its private equity research group as a senior v.p. Callan also promoted from within the company with the appointment of **Jay Nayak** as a senior private equity researcher. Nayak had joined Callan in 2008 and was previously a senior v.p. in Callan’s global manager research group.

In addition to adding these private markets specialists, the firm is training its generalist consultants – consultants that deal with multiple clients across all asset classes – to work with clients across with their alternative asset classes.

“Our generalists are well trained and continually educated on all asset classes, but may work with specialty consultants (e.g. those who specialize in real assets, private equity, private debt, etc.) to service their clients as needed,” Allen says in a follow-up email. “Every client is different and therefore how our consultants interact will be different. But generally speaking, when Callan is hired for specialty mandates, specialist consultants work with those clients directly.”

The firm is increasing its presence in the private markets space by responding to request for proposals (RFPs) and “letting it be known in the marketplace through outreach.”

Moving forward, private equity consulting is the firm’s biggest focus from a “growth perspective” he says.

In November 2017, 47% of private equity managers saw that institutional investors’ appetite towards private equity slightly increased, while 20% of managers saw investors significantly increasing their interest, according to Preqin data published this month.

Rick Santos, executive director of the \$2.1 billion **Stanislaus County Employees Retirement Association** will soon ask the pension’s board to engage in a private equity consultant search, he tells *FundFire*. Santos cites the pension not being keen on fund of fund structures and the fact that it doesn’t have the internal staff to help oversee and source opportunities as the reason for the possible search. As of September 30, 2017 the pension had a 6% target allocation to private credit, according to *MandateWire*.

The \$31.5 billion Connecticut Retirement Plans and Trust Funds (CRPTF) employs utilizes three specialty consultants: the **Townsend Group** for real estate, **StepStone Group** for private equity and Cliffwater for its alternative investment fund, which “serves as a vehicle for strategies that are not easily classified or described in the other investment funds in the (CRPTF),” according to a spokesperson for the fund.

Townsend, which was acquired by Aon Hewitt, will soon see its contract expire, so the fund is preparing to release an RFP. In consultant searches, the plan looks at stability with the firm, “credibility in the institutional investment community,” consulting philosophy, “depth and strength of investment research staff,” etc., according to a list of real estate consultant search criteria provided by the spokesperson.

The \$17 billion **State of Hawaii Employees Retirement System** typically looks for “consultant experience, track records, management and depth and breadth of their technology” when looking for a consultant, says **Aaron Au**, illiquid markets manager for the pension. The pension uses Aon Hewitt as its real estate consultant and Hamilton Lane as its private equity consultant.

And other pensions are seeking specialty consultants, as reported this past month by *MandateWire*.

The \$63.5 billion Alaska Permanent Fund **Corporation** is searching for its first real estate consultant, according to *MandateWire*. A spokesperson previously noted that the fund is doing the search, because it “recognizes a real estate consultant can add valuable perspectives on the market as well as contribute some capabilities on the data and reporting side we are currently outsourcing.”

And the \$50.9 billion Teachers’ Retirement System of Illinois released an RFP for its \$6 billion diversifying strategies and hedge fund portfolio and an RFP for a private debt consultant to oversee its \$3 billion exposure, just within a week of each other.

FundFire is a copyrighted publication. FundFire has agreed to make available its content for the

sole use of the employees of the subscriber company. Accordingly, it is a violation of the copyright law for anyone to duplicate the content of FundFire for the use of any person, other than the employees of the subscriber company.

An Information Service of Money-Media, a Financial Times Company