

Pensions & Investments

THE INTERNATIONAL NEWSPAPER OF MONEY MANAGEMENT | OCTOBER 3, 2022 | PIONLINE.COM | \$16 AN ISSUE / \$350 A YEAR

CRAIN COMMUNICATIONS

Pension Funds

Market shocks prompt allocation overhauls

Corporate pension plan portfolios in U.K., U.S. distorted by upheaval

By SOPHIE BAKER

Corporate pension fund portfolios in the U.K. and U.S. that have been distorted by recent market events are set for an asset allocation overhaul.

A combination of rising interest rates leading to falling liabilities, plus increased needs for liquidity in

portfolios means asset allocations are, in some cases, no longer serving their intended purpose on either side of the pond. Sources said pension fund sponsors now have an opportunity to further derisk portfolios, with a view to completing a risk transfer or achieving self-sufficiency.

At the same time, and as a result of falling public markets, private markets exposures are now overweight their targets in many cases — making the need to reconsider asset allocations even more acute for these corporate funds.

“For many pension funds, when they make it through this very volatile period, they’re likely to see very significant increases in funding positions and won’t need as much risk — albeit with a smaller asset pool and much smaller liability pool. Definite asset allocation changes are going to be needed, and the rebuilding of their portfolios,” said Calum Mackenzie, Edinburgh-based investment part-



TIME TO SHIFT: Sonu Menon said well-funded plans should look to derisk their portfolios.

ner at Aon PLC.

For U.K. pension funds in particular, surging gilt yields — and therefore plummeting gilt prices — left pension funds scrambling,

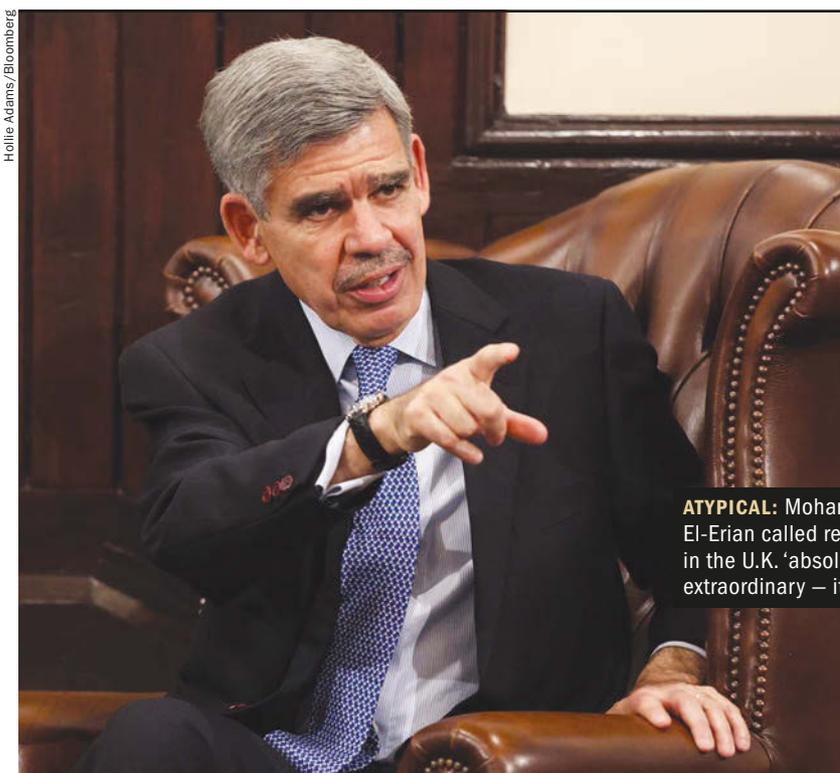
yet again, for cash to post as collateral for derivatives positions used to hedge liabilities against moves in interest rates. The total

notional value of U.K. hedged liabilities was £1.6 trillion (\$1.8 trillion) in 2021, according to the Investment Association’s latest Investment Management Survey 2021/22.

“We have been in absolute urgent mode” since the government announced its mini-budget — which included tax cuts — on Sept. 23, Mr. Mackenzie said.

On Sept. 27, the 10-year gilt yield was 4.15%, while the 30-year yield was 4.99%. On Sept. 23, the day the mini-budget was announced, 10-year gilts were at 3.83% and 30-year

SEE ALLOCATIONS ON PAGE 35



Economy

El-Erian: U.K. market turmoil akin to a developing country

Ill-timed tax cuts lead to market swings, currency free fall, bond yields soaring and an IMF warning

By SOPHIE BAKER

The U.K. has behaved like a developing economy in response to the government’s planned tax cuts, according to economist Mohamed A. El-Erian.

Speaking on a Twitter Spaces event hosted by *Pensions & Investments* Editor-in-Chief Jennifer Ablan on Sept. 29, Mr. El-Erian said recent events in the U.K. markets — “volatile markets, currency in a free fall, yields going up, loss of confidence in policymakers, a warning from the IMF” — is “typical of developing countries. It is not typical of a G-7” country. “That’s important to remember, because what we are seeing here is absolutely extraordinary — it is historic,” he said.

On Sept. 23, the new U.K. chancellor of the exchequer, Kwasi Kwarteng, announced a “mini-budget.” | SEE EL-ERIAN ON PAGE 38

ATYPICAL: Mohamed A. El-Erian called recent events in the U.K. ‘absolutely extraordinary — it is historic.’

Regulation

SEC climate disclosure rule certain to be challenged

By BRIAN CROCE

The Securities and Exchange Commission has issued dozens of rule proposals under the helm of Chairman Gary Gensler, but stakeholders are particularly focused on the most talked about and arguably most consequential proposal — its climate disclosure rule for public companies.

“It’s arguably the most significant rule-making initiative by the SEC for public companies in a generation,” said Michael R. Littenberg, New York-based partner at Ropes & Gray LLP, who counsels U.S. public companies.

There’s also a “100%” chance that rule-making initiative will get challenged in court, Mr. Littenberg added. “The final rules will face a legal challenge even if they are significantly watered down,” he said. “I think it’s not so much the degree of ‘are the rules extensive or less extensive’ as to whether they face a challenge, I think the determinant is going to be whether you have rules in this area or don’t have any rules.”

The SEC unveiled the watershed proposal, which has broad backing from institutional investors and asset managers, in March. The proposal would require public

SEE DISCLOSURE ON PAGE 39

SPECIAL REPORT REAL ESTATE MANAGERS

Real estate assets under management stung by volatile economy, rising rates

By ARLEEN JACOBIOUS

Just when real estate managers felt that the worst of the pandemic fallout was over, they got rocked by volatility and interest-rate increases, forces that combined to hold global assets under management to \$1.9 trillion, a 0.4% increase in the year ended June 30.

A year ago, managers reported their first double-digit jump since 2018 in worldwide AUM, *Pensions & Investments’* annual real estate money manager survey showed.

Real estate assets for U.S. tax-ex-

empt institutions fared better in the 2022 survey, up 11.6% to \$726.6 billion, compared to the 6.8% growth in the prior 12-month period. Real estate equity assets managed for U.S. tax-exempt investors grew by a whopping 16.9% to \$586.6 billion.

But most of the other property sectors managed for U.S. tax-exempt investors lost assets under management during the year. Indeed, the only other AUM increase was mezzanine, which grew by 12.2% to \$13.9 billion.

SEE MANAGERS ON PAGE 20

MORE ON REAL ESTATE MANAGERS

- Office sector loses ground, but firms still own a lot of it. **Page 3**
- Affordable housing strategies diverge amid shortage. **Page 14**
- REIT assets down but not out. **Page 15**
- For the full report go to [Pionline.com/realstate2022](https://pionline.com/realstate2022)



OUTFLOWS: Peter Rogers said open-end funds are seeing increased redemptions as investors rebalance.

SOUND BITE

HOMESTEAD ADVISERS’ PRABHA CARPENTER: ‘Gender and ethnic diversity on asset management teams enriches the investment process through cognitive diversity, and this is being recognized by leadership.’ **Page 3**

10 years after GM pension buyout

U.S. corporate pension plans still represent hundreds of billions of dollars of investible assets. **Page 2**

The largest real estate investment managers

Ranked by total worldwide real estate assets, in millions, as of June 30.

Rank	Manager	TOTAL WORLDWIDE REAL ESTATE ASSETS								U.S. INSTITUTIONAL, TAX-EXEMPT REAL ESTATE ASSETS								
		Total assets	Equity	Timber	Farmland	Hybrid debt	Mezzanine	Loans	Mortgages	Total assets	Equity	Timber	Farmland	Hybrid debt	Mezzanine	Loans	Mortgages	Discretionary
1	Nuveen	\$143,549	\$80,449	\$2,503	\$8,260		\$6,720	\$832	\$44,785	\$105,769	\$52,550	\$2,503	\$8,260		\$6,720	\$832	\$34,904	\$105,769
2	MetLife Investment Mgmt.	\$139,470	\$29,967				\$776	\$66	\$108,661	\$5,670	\$5,237						\$433	\$2,726
3	PGIM Real Estate	\$133,006	\$60,460		\$1,695		\$1,752		\$69,099	\$66,196	\$42,331		\$1,412		\$1,233		\$21,220	\$64,828
4	CBRE Investment	\$121,000	\$120,900						\$100	\$15,400	\$15,300						\$100	\$10,600
5	Prologis	\$82,156	\$82,156							\$12,117	\$12,117							\$12,117
6	UBS Real Estate & PM	\$80,428	\$74,618		\$2,476	\$3,067		\$267		\$23,842	\$18,032		\$2,476	\$3,067		\$267		\$23,842
7	J.P. Morgan Asset & Wealth	\$69,421	\$60,972	\$5,822			\$1,378		\$1,249	\$51,789	\$50,416				\$124		\$1,249	\$43,260
8	Principal Real Estate	\$68,849	\$44,955				\$2,384		\$21,510	\$35,889	\$34,778				\$303		\$808	\$14,752
9	Brookfield Asset Mgmt.	\$64,757	\$56,389	\$145			\$8,223			\$17,178	\$14,953	\$31			\$2,194			\$17,178
10	AEW Capital	\$64,743	\$61,871					\$300	\$2,572	\$21,939	\$21,081				\$157		\$701	\$15,978
11	Hines	\$63,161	\$62,961					\$200		\$4,505	\$4,505							\$645
12	Kohlberg Kravis Roberts	\$61,182	\$31,401						\$29,781	\$6,406	\$4,627					\$1,779		\$6,406
13	Clarion Partners	\$60,653	\$60,653							\$32,829	\$32,829							\$28,067
14	DWS-Real Estate	\$58,660	\$58,660							\$17,945	\$17,945							\$3,941
15	New York Life Inv. Mgmt.	\$58,152	\$19,861				\$1,109	\$1,075	\$36,107	\$13,843	\$7,401				\$113	\$383	\$5,946	\$8,435
16	Morgan Stanley Inv. Mgmt.	\$56,159	\$51,137					\$4,993	\$29	\$24,381	\$21,743					\$2,626	\$12	\$24,381
17	abrdn	\$51,444	\$51,444							\$22	\$22							\$22
18	Starwood Capital	\$50,620	\$43,331						\$7,289	\$14,546	\$12,568						\$1,978	\$14,546
19	Invesco Real Estate	\$48,406	\$46,738				\$1,668			\$29,963	\$28,295				\$1,668			\$24,229
20	Barings	\$40,751	\$11,849				\$287	\$1,750	\$26,865	\$5,675	\$4,085				\$71	\$72	\$1,447	\$3,340
21	Heitman	\$39,124	\$35,679				\$996		\$2,449	\$29,877	\$27,528				\$802		\$1,547	\$14,951
22	Ares Mgmt.	\$27,527	\$23,292			\$4,235				\$5,636	\$4,913			\$723				\$5,636
23	ACORE Capital	\$20,794						\$20,794		\$447						\$447		\$447
24	Stockbridge Capital Group	\$20,008	\$20,008							\$11,934	\$11,934							
25	Manulife Investment	\$18,895	\$18,895							\$723	\$723							\$723
26	BlackRock	\$17,819	\$16,623				\$1,196			\$6,456	\$6,352				\$104			\$6,456
27	Harrison Street	\$17,770	\$17,770							\$11,445	\$11,445							\$11,445
28	Rockpoint Group	\$17,439	\$17,439							\$4,546	\$4,546							\$4,546
29	Oaktree Capital	\$16,302	\$11,943						\$4,359	\$4,427	\$3,262						\$1,165	\$4,427
30	Angelo, Gordon*	\$15,396	\$15,396							\$8,557	\$8,557							\$8,557
31	PCCP	\$15,337	\$8,893						\$6,444	\$7,036	\$4,892						\$2,144	\$2,726
32	Intercontinental Real Estate	\$11,529	\$11,529							\$10,972	\$10,972							\$10,972
33	AllianceBernstein	\$11,470	\$1,225					\$10,245										
34	StepStone Group	\$10,938	\$10,013			\$925				\$1,711	\$1,525			\$186				\$1,658
35	Manulife Timber	\$10,206		\$10,206						\$2,957		\$2,957						\$2,714
36	American Realty Advisors	\$9,949	\$9,949							\$9,448	\$9,448							\$9,448
37	CIM Group*	\$9,271	\$8,501					\$770		\$9,271	\$8,501					\$770		\$7,649
38	Walton Street Capital	\$7,935	\$7,935							\$3,085	\$3,085							
39	Washington Capital	\$7,666	\$5,966						\$1,700	\$7,666	\$5,966						\$1,700	\$7,365
40	Beacon Capital	\$7,367	\$7,367							\$4,170	\$4,170							\$1,101
41	L&B Realty	\$7,111	\$7,111							\$6,914	\$6,914							\$636
42	Prima Capital Advisors	\$7,019							\$7,019	\$3,519							\$3,519	\$3,519
43	Neuberger Berman	\$6,553	\$6,553							\$4,979	\$4,979							\$4,979
44	Sentinel Real Estate	\$6,494	\$6,494							\$2,996	\$2,996							\$1,263
45	Westbrook Partners	\$6,200	\$6,200							\$5,890	\$5,890							\$5,890
46	Carmel Partners	\$5,850	\$5,850							\$3,873	\$3,873							\$3,873
47	M3 Capital	\$5,700	\$5,700							\$5,700	\$5,700							\$5,700
48	Madison Realty	\$5,430	\$700			\$139	\$71	\$4,520		\$1,560	\$153			\$60	\$57	\$1,290		\$1,560
49	Domain Capital Advisors	\$5,163	\$4,758		\$140	\$237	\$28			\$4,762	\$4,357		\$140	\$237	\$28			
50	AFL-CIO Building Trust	\$4,978	\$4,978							\$4,978	\$4,978							\$4,978
51	Forest Investment	\$4,360		\$4,360						\$2,974		\$2,974						\$2,974
52	GTIS Partners	\$4,340	\$4,304				\$36			\$418	\$418							\$418
53	National Real Estate	\$4,120	\$3,961				\$47	\$59	\$53	\$3,860	\$3,712				\$44	\$55	\$49	\$3,860
54	Union Labor Life	\$4,048							\$4,048	\$4,048							\$4,048	\$4,048
55	Manulife Agriculture	\$4,016			\$4,016					\$1,810			\$1,810					\$1,488
56	Blue Vista Capital	\$3,776	\$2,901					\$875		\$1,404	\$1,404							\$1,254
57	Canyon Partners Real Estate	\$3,669	\$2,402					\$1,267		\$1,950	\$1,482					\$468		

CONTINUED ON PAGE 18

The largest real estate investment managers

Ranked by total worldwide real estate assets, in millions, as of June 30.

Rank	Manager	TOTAL WORLDWIDE REAL ESTATE ASSETS								U.S. INSTITUTIONAL, TAX-EXEMPT REAL ESTATE ASSETS								
		Total assets	Equity	Timber	Farmland	Hybrid debt	Mezzanine	Loans	Mortgages	Total assets	Equity	Timber	Farmland	Hybrid debt	Mezzanine	Loans	Mortgages	Discretionary
58	KBS	\$3,659	\$3,659							\$100	\$100							
59	Resource Mgmt.	\$3,479		\$3,479						\$310		\$310						\$310
60	Man GPM	\$3,374	\$1,928					\$1,446		\$226					\$226			\$226
61	Global Forest Partners	\$3,200		\$3,200						\$630		\$630						\$370
62	Russell Investments	\$2,648	\$2,648							\$1,386	\$1,386							\$1,386
63	Torchlight Investors	\$2,619	\$898			\$806	\$26		\$889	\$2,197	\$739		\$656	\$21		\$781		
64	Molpus Woodlands Group	\$2,484		\$2,484						\$1,987		\$1,987						
65	Equus Capital	\$2,450	\$2,450							\$1,960	\$1,960							\$1,960
66	CenterSquare Investment	\$2,412	\$1,324				\$1,088			\$908	\$697			\$211				\$444
67	Timberland Inv. Resources	\$1,899		\$1,899						\$1,354		\$1,354						\$1,354
68	Silver Creek Capital	\$1,627		\$1,627						\$1,307		\$1,307						\$1,307
69	CityView	\$1,598	\$1,598							\$660	\$660							\$660
70	TGM Associates	\$1,596	\$1,596							\$1,596	\$1,596							
71	Covenant Capital Group	\$1,355	\$1,355							\$845	\$845							\$845
72	Bailard	\$1,116	\$1,116							\$1,116	\$1,116							\$1,116
73	Sarofim Realty	\$1,099	\$1,099							\$683	\$683							
74	CS Capital	\$633	\$633							\$633	\$633							
75	Hart Realty Advisers	\$629	\$629							\$629	\$629							
76	TerraCotta Group	\$513							\$513	\$87						\$87		\$87
77	Palladius Capital	\$82	\$82							\$82	\$82							\$82
TOTAL		\$1,956,608	\$1,442,122	\$35,725	\$16,587	\$9,409	\$28,085	\$78,940	\$345,740	\$726,599	\$586,616	\$14,053	\$14,098	\$4,929	\$13,850	\$9,215	\$83,838	\$582,470

*As of March 31. Real estate assets are reported net of leverage, including contributions committed or received, but not yet invested; REOCs are included with equity; REIT securities are excluded.

The largest managers of tax-exempt assets

U.S. institutional tax-exempt real estate assets, in millions, as of June 30.

Rank	Manager	Assets	Rank	Manager	Assets
1	Nuveen	\$105,769	31	MetLife Investment Mgmt.	\$5,670
2	PGIM Real Estate	\$66,196	32	Ares Mgmt.	\$5,636
3	J.P. Morgan Asset & Wealth	\$51,789	33	Neuberger Berman	\$4,979
4	Principal Real Estate	\$35,889	34	AFL-CIO Building Trust	\$4,978
5	Clarion Partners	\$32,829	35	Domain Capital Advisors	\$4,762
6	Invesco Real Estate	\$29,963	36	Rockpoint Group	\$4,546
7	Heitman	\$29,877	37	Hines	\$4,505
8	Morgan Stanley Inv. Mgmt.	\$24,381	38	Oaktree Capital	\$4,427
9	UBS Real Estate & PM	\$23,842	39	Beacon Capital	\$4,170
10	AEW Capital	\$21,939	40	Union Labor Life	\$4,048
11	DWS-Real Estate	\$17,945	41	Carmel Partners	\$3,873
12	Brookfield Asset Mgmt.	\$17,178	42	National Real Estate	\$3,860
13	CBRE Investment	\$15,400	43	Prima Capital Advisors	\$3,519
14	Starwood Capital	\$14,546	44	Walton Street Capital	\$3,085
15	New York Life Inv. Mgmt.	\$13,843	45	Sentinel Real Estate	\$2,996
16	Prologis	\$12,117	46	Forest Investment	\$2,974
17	Stockbridge Capital Group	\$11,934	47	Manulife Timber	\$2,957
18	Harrison Street	\$11,445	48	Torchlight Investors	\$2,197
19	Intercontinental Real Estate	\$10,972	49	Molpus Woodlands Group	\$1,987
20	American Realty Advisors	\$9,448	50	Equus Capital	\$1,960
21	CIM Group*	\$9,271			
22	Angelo, Gordon*	\$8,557			
23	Washington Capital	\$7,666			
24	PCCP	\$7,036			
25	L&B Realty	\$6,914			
26	BlackRock	\$6,456			
27	Kohlberg Kravis Roberts	\$6,406			
28	Westbrook Partners	\$5,890			
29	M3 Capital	\$5,700			
30	Barings	\$5,675			

*As of March 31, 2022.

The largest managers of assets under ESG principles

U.S. institutional tax-exempt real estate assets, in millions, as of June 30.

Rank	Manager	Assets
1	Nuveen	\$105,769
2	J.P. Morgan Asset & Wealth	\$51,789
3	PGIM Real Estate	\$41,557
4	Heitman	\$29,877
5	AEW Capital	\$21,939
6	Brookfield Asset Mgmt.	\$17,178
7	CBRE Investment	\$15,400
8	Prologis	\$12,117
9	Intercontinental Real Estate	\$10,972
10	American Realty Advisors	\$9,448

The largest managers operating real estate investment trusts

U.S. institutional tax-exempt real estate assets, in millions, as of June 30.

Rank	Manager	Assets
1	PGIM Real Estate	\$40,672
2	DWS-Real Estate	\$14,999
3	Starwood Capital	\$6,023
4	AEW Capital	\$5,855
5	Carmel Partners	\$3,101
6	PCCP	\$2,436
7	Madison Realty	\$1,522
8	Manulife Timber	\$1,003
9	Covenant Capital Group	\$406
10	M3 Capital	\$264

Diversity of managers' U.S.-based real estate employees

Average percentage of female and minority employees, as of June 30.

