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— 2018 —

# SEM

Small + Emerging  
Managers Conference

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Event Highlights

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# ABOUT THE CONFERENCE

2018 marked the 12th year of the GCM Grosvenor Small and Emerging Managers (SEM) Conference. This year's theme "*Insights. Connections. Momentum.*" captured the conference's vision of advancing the small and emerging manager space by facilitating connections and engaging attendees with compelling content.

## *insights*

The SEM Conference strives to create a forum for sharing best thinking from leaders across the alternatives industry. This year's agenda featured more than 20 sessions led by institutional investors, fund managers, consultants, and other industry participants. They shared views on specific investment topics and the emerging manager market, discussed success stories and lessons learned, and explored ongoing issues as well as "next generation" ideas.

## *connections*

Over 750 attendees from 127 U.S. cities and 10 countries explored practical applications to address the real-world issues they face. Open networking receptions provided a forum for attendees to make connections on their own, while structured networking opportunities included a women's luncheon and one-on-one LP-GP meetings.

## *momentum*

The SEM Conference continues to drive the progress of the small and emerging manager industry. Representing this progress, certain themes emerged this year, including the importance of growing the pipeline of future managers, the spirit of entrepreneurship, and the benefits of a diverse and inclusive organization.



## CONTINUING THE MOMENTUM

### CONTENT PRESENTED BY INDUSTRY EXPERTS

The SEM Conference featured a multi-track agenda that covered topics in hedge fund strategies, private equity, real estate, and infrastructure/real assets. General sessions on the emerging manager market, alternative investment trends, and topics beyond investing complemented the asset class tracks.

### NEW IN 2018

While the mission of the SEM Conference remains unchanged, the event continues to evolve. In response to attendee feedback, this year saw some enhancements to the format and content.

- + New “beyond investments” sessions highlighted the importance of mitigating risk through operational due diligence, tools to craft a better pitch-book, and what it takes to attract diverse talent and create a more inclusive organization.
- + Multi-asset class scheduling option allowed attendees to attend sessions from across the four alternative asset class tracks.
- + One-on-one sessions provided GPs with coaching and input from institutional investors.



VIEW THE COMPLETE EVENT SCHEDULE

Women's Networking Luncheon at the Art Institute of Chicago



# BY THE NUMBERS

2018 GCM GROSVENOR SMALL AND EMERGING MANAGERS CONFERENCE

## A WIDE RANGE OF ATTENDEES

750+

ATTENDEES

56%

FIRST-TIME SEM  
CONFERENCE ATTENDEES

138

CITIES REPRESENTED  
ACROSS 10 COUNTRIES

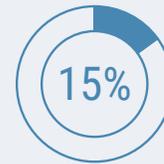
## FROM VARIOUS ORGANIZATIONS



GENERAL  
PARTNERS



LPs &  
CONSULTANTS



SERVICE  
PROVIDERS

## REPRESENTING THE SPECTRUM OF ALTERNATIVES



PUBLIC  
EQUITY

HEDGE  
FUNDS

PRIVATE  
EQUITY

INFRASTRUCTURE  
AND REAL ASSETS

REAL  
ESTATE

MULTI-ASSET  
CLASS

VENTURE  
CAPITAL

[VIEW THE LIST OF ALLOCATORS WHO ATTENDED](#)

## *state of the SEM union*

Jon Levin, President of GCM Grosvenor, shared his perspective on the state of the emerging manager universe and discussed the evolution of the industry.

### THE SMALL AND EMERGING MANAGER SPACE IS ALIVE AND WELL

Since 2009, emerging managers have launched nearly 6,000 alternatives vehicles in the U.S., representing over \$1 trillion of capital. Much of the industry's growth and sustainability can be attributed to the vision and leadership of those in attendance at the SEM Conference, along with other managers, investors, and professional organizations. However, it is not yet time to celebrate victory. Small and emerging managers, particularly those that are diverse, remain subscale within overall portfolio allocations.

### THE TALENT AND RETURNS VALIDATE THE ALLOCATIONS

As investors and fiduciaries, our thinking must start with investment returns. Many of us have concluded (and there is much research to support) that, because of their generally attractive risk-adjusted return profile<sup>1</sup>, small and emerging managers should be part of every diversified investment portfolio. In order to truly harness the investment capabilities of emerging managers, it's necessary to build a network, do your due diligence, and partner with the best talent to help them be successful. Accessing new talent and cultivating the pipeline of superstars should be part of our daily work.

### THE SHIFT TOWARDS A MORE INCLUSIVE INDUSTRY

The composition of our firms and the roster of managers with whom we invest should more closely match the population of the constituents we serve. Change starts at the top, where leaders promote a culture that puts a premium on diversity of thought and experience. This viewpoint must be embedded organizationally, not just in pockets of a firm.



# *the emerging manager market*

In a session geared toward LPs and consultants, Peter Braffman, Managing Director and Group Head, GCM Grosvenor Real Estate Investments, shared insights from the firm's proprietary research on the emerging manager alternatives universe. His presentation highlighted that the nearly 6,000 emerging manager funds and 850 diverse manager funds launched since 2009 represent nearly half of the 14,000 alternatives funds launched during the same period.<sup>2</sup> Emerging private equity funds, as in the larger universe, continue to raise more capital than other alternative strategies; however, all four assets classes have shown continued growth over the last decade.

Peter also pointed out that, as emerging managers launch funds and seek to build an institutional platform, they must transition from focusing primarily on deals to being in the business of managing external capital and the additional responsibilities and challenges that come with running a business. Through our research and experience, we have identified common characteristics in those who have successfully built an investment management platform:

- + Verifiable **track record** of prior investments
- + Ability to appropriately **scale the platform** without growing too quickly (or too slowly)
- + An **institutional-quality** back-office and corporate structure
- + **Fundraising ability** and a broad range of LP relationships

A BREAKDOWN  
OF THE 14,000  
ALTERNATIVE  
FUNDS LAUNCHED  
SINCE 2009<sup>2</sup>

## 6,000 EMERGING MANAGER FUNDS LAUNCHED

56% private equity  
25% hedge funds  
16% real estate  
3% infrastructure

## 850 DIVERSE MANAGER FUNDS LAUNCHED

44% private equity  
26% hedge funds  
28% real estate  
2% infrastructure

*featured speaker*

# SARA BLAKELY

CEO of Spanx, Inc.

M

erging  
nference



Sara Blakely  
Founder and CEO, Spanx Inc.

Michael J. Sacks  
Chairman and CEO, GCM Grosvenor

The Founder and CEO of Spanx discussed her path to success, the importance of failure, and the need for quiet time, humor and giving back.

*in her own words....*

## START SMALL, THINK BIG, ACT FAST

When it comes to business, like many things in life, my approach is to start small, think big, and act fast. And, what you don't know can be your greatest asset if you let it. That is, if you don't know how something is 'supposed' to be done, you'll do it differently. I frequently ask my staff: 'if nobody told you how to do your job, how would you do it?'

## CONSULT OTHERS, AND YOURSELF

When I'm struggling with an issue or I need help, I often consult with my father or refer back to some old self-help tapes. Beyond that, I value quiet time. But I don't use this time to go over a checklist of to-do's; instead, I let my mind wander and be open to new ideas. We spend so much time on entertainment, products, and our physical well-being – I fear we don't devote enough time to our own mind-sets.

## CELEBRATE FAILURES

Growing up I was *encouraged* to fail. I was taught that failure isn't defined by the outcome itself, but by not trying at all. I am not fearless – we all have fears – but I learned to be courageous in the face of fear. At Spanx, we have a culture where we openly discuss failures, often using humor to help talk through them. This creates a healthy learning environment that I think breeds success.

## GIVE BACK

Giving back is a big part of Spanx and of my life. I enjoy making money and spending money, but I also love to give it away. There is positive energy created through donations and philanthropic efforts. As part of the Belly Art Project, which supports making childbirth safe for women everywhere, we painted a yo-yo on Warren Buffet's stomach. That was fun. (In 2013, Ms. Blakely signed the Giving Pledge, committing to donate half her wealth to empower women.)

## *spotlight on content*

### ALTERNATIVES: THE NEXT GENERATION



Fred Pollock, head of GCM Grosvenor's Strategic Investment Group, hosted a panel to discuss "next generation" alternative strategies, such as multi-asset class solutions, co-investments, and direct investments. Panelists discussed these forward-thinking approaches in the context of small and emerging managers. Some of the key takeaways:

#### VIEWS FROM AN LP

**Jayun Kim**, Portfolio Manager, Government of Singapore Investment Corporation Private Ltd.

- + It's important to identify the 'blank space' in a portfolio, then work with trusted GPs and providers to fill that space.
- + There may be a different risk profile associated with these opportunities, but different risk doesn't necessarily mean bad risk.
- + To be a good partner (to GPs), one must acknowledge what's important to both sides – active dialogue is critical.

#### VIEWS FROM A GP

**David Kay**, Partner, Tenor Capital Management

- + It is key to be able to properly access the space between liquid and illiquid investments.
- + A GP may be concerned that if they can't capture an opportunity quickly, someone else will, but it's a real balancing act between speed and diligence.
- + Strategies like multi-asset class and co-investments take time and expertise to understand, but there is much value in sharing in their upside potential.

#### VIEWS FROM A CONSULTANT

**Benji Patzik**, Director, Segal Marco Advisors

- + Forward-thinking strategies have been ignored or neglected for no other reason than complexity.
- + There is a need to break through the rigidity of how we organize our approaches by asset class.
- + Flexibility is key, as the next generation book is not one-size-fits all.

## Promoting opportunities for managers to access capital:

SMALL AND EMERGING MANAGERS  
\$14.9 billion  
cumulative committed and invested

DIVERSE MANAGERS  
\$5.1 billion  
cumulative committed and invested

## Recognizing diversity and inclusion is essential to our success:

OUR STAFF  
62%  
women or ethnically diverse

EXECUTIVE MANAGEMENT TEAM  
43%  
women or ethnically diverse

## Raising the visibility of managers by hosting industry events:

### Consortium2019

Diverse + Women  
Managers Conference

JUNE 12-13

### SEM2019

Small + Emerging  
Managers Conference

NOVEMBER 14-15

## ABOUT GCM GROSVENOR

GCM Grosvenor is a global alternative asset management firm with approximately \$50 billion in assets under management in hedge fund strategies, private equity, infrastructure, real estate, and multi-asset class solutions. It is one of the largest, most diversified independent alternative asset management firms worldwide. GCM Grosvenor has offered alternative investment solutions since 1971. The firm is headquartered in Chicago, with offices in New York, Los Angeles, London, Tokyo, Hong Kong and Seoul, serving a global client base of institutional and high net worth investors.

## STAY IN TOUCH

Your feedback is welcome. Please submit comments, suggestions or ideas for the 2019 SEM Conference here.

## CONTACT

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📷 [View photos from event](#)

All data is most recent available as of November 1, 2018.

1 No assurance can be given that any investment will achieve its objectives or avoid losses.

2 Source: Preqin, Hedge Fund Research, GCM Grosvenor Analysis.

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