

# REALASSETS

*Diversification strategies for private wealth advisers*

## ADVISER



## Lessons from the Treasury

**Matt Bass**, head of private alternatives at AllianceBernstein, walked to the precipice and lived to prosper by it

### Climate and technology

How the era of climate change is triggering a revolution in green technologies

### High time for cannabis

A question and answer session on the cannabis business with one of its leading players

### Trends in retailing

New technologies and store formats have become essential to prospering in the retail sector

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ADVISER

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## ON THE COVER

Matt Bass, head of private alternatives at AllianceBernstein

Photo credit:  
Martin Cherry



A man with grey hair, wearing a dark suit jacket over a light blue button-down shirt, is shown in profile, looking out a large window. The background shows a cityscape with buildings and a bridge. A red diagonal shape is in the top left corner.

**Matt Bass,**  
head of private  
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# *Lessons* *from* **the Treasury**

By Mike Consol

**I**n February 2009 the U.S. economy was deep in the throes of what would come to be known as the global financial crisis. At the time, though, it appeared the onset of a second Great Depression was upon us.

It was in the midst of that unfolding calamity that Matt Bass connected with a former colleague who had recently joined the U.S. Department of the Treasury, the federal agency most responsible for extricating the U.S. and global economies from impending economic collapse. A conversation between the two ensued about Bass joining the Treasury.

Bass, 10 years into his career at this stage, accepted the challenge and found himself at ground zero of the global financial crisis.

“It was a really exciting opportunity,” says Bass. “I wasn’t quite sure what I would be doing day to day, but the overall framework and the opportunity just seemed too good to pass up during a critical time for our country.”

He would spend two years operating under the leadership of then-treasury secretary Timothy Geithner. The atmosphere was tense. Bass was part of a tightknit group of financial professionals, working countless hours six days per week and eating meals out of vending machines, in a race against time and a collapsing economy during the first four months of his tenure in D.C.

“It was long hours, it was stressful, it was daunting, but there were great people I worked with. We had the support of the country, and there wasn’t the red tape you typically see preventing decisions happening in the government,” he says of the experience. “We could not afford to wait; there was pressure to get the programs rolled out. It was nothing I had experienced before, and hopefully will not experience again.”

Though a grinding affair, his time at the Treasury would prove to be a key step in the evolution of his career. At least two important things took place for Bass. One was his leadership in the design and implementation of Public-Private Investment Program, which was created to reintroduce liquidity into the structured credit market as part of the Troubled Asset Relief Program. The second was a view on how increased regulation and capital requirements in the banking system could result in a supply/demand imbalance for credit extension, and potentially create a vast opportunity for asset managers to fill the void.

As his work at the U.S. Treasury began to wind down, Bass started thinking about how he could leverage the opportunity as part of his next career move. He drafted a business plan in the form of a PowerPoint presenta-

## **Alliance-Bernstein by the numbers**

**Year founded**  
1971

**Assets under management**  
\$735 billion

**Assets under manager, private alternatives division**  
\$50 billion, post-close of CarVal Investors acquisition deal, scheduled for July 2022 completion

**Clients**  
71 percent are based in North America, followed by 18 percent in Asia Pacific, and 12 percent in EMEA (Europe, Middle East, and Africa). Institutions comprise 44 percent of firmwide AUM, followed by retail at 40 percent and private wealth at 16 percent.

**Personnel**  
More than 4,000 employees globally, including about 125 professionals focused on private markets

**Offices**  
51 in 25 countries and jurisdictions

A portrait of Matt Bass, a middle-aged man with grey hair and a beard, wearing a dark blue suit jacket over a light blue button-down shirt. He is looking slightly upwards and to the right. The background shows a modern building with large windows and a clear sky.

## **GETTING PERSONAL** *Matt Bass*

### **If you could go back in time, what would you tell a 25-year-old Matt Bass?**

Take more risks and make more mistakes, especially when you are young.

### **How do you like to spend your time outside of work?**

With family, staying active outdoors (running, biking, etc.), reading

### **First choice for a new career?**

Architect, thoughtfully designing space to meet specific needs

### **Most influential book you have read?**

*The Autobiography of Benjamin Franklin*, because it provides a robust set of life lessons that has stood the test of time.

### **What are you afraid of?**

Ignorance, closed-minded people

### **Biggest lesson learned?**

Never stop learning.

### **Best piece of career advice you ever received?**

Get comfortable being uncomfortable.

### **Favorite quotation?**

Voltaire: "Judge a man by his questions, rather than by his answers."

### **Tell us something people would be surprised to know about you.**

I collect fine bourbon.

### **What is your idea of perfect happiness?**

Down time with the family – doing movie nights, cooking dinners, drinking wine

### **You're organizing a dinner party. Which three people, dead or alive, do you invite?**

Benjamin Franklin, a true Renaissance man; Richard Feynman, a great scientific mind with an incredible ability to distill and explain complexity; and Anthony Bourdain, for his great stories, and all the people he met, places he traveled and experiences he had.

### **What is your greatest extravagance?**

Going on a nice vacation with my family

### **What is your biggest regret?**

Not pursuing a broader liberal arts education in college rather than taking a career-specific finance route

### **What is your most pronounced characteristic?**

Consistency, stability and reliability – my highs are never too high, and lows never too low.

### **What are you streaming and watching on Netflix and other premium networks?**

*Stranger Things*, season 4

### **How do you want to be remembered?**

As a kind person, and a good husband and father

tion deck that illustrated where the credit market was heading and how asset managers were positioned to take advantage of the opportunity.

“I was looking for my next career opportunity to be at the nexus of capital markets and investing, client engagement and business building,” he explains.

Bass took his presentation and understanding of the market’s new realities to asset managers, hoping they would experience the same eureka moment he did and — hoping against hope — would create a new operating unit he might head and put his entrepreneurial instincts to work there.

Among the asset managers Bass presented to was AllianceBernstein.

As it happened, AB was already working on a post-financial-crisis diversification plan that included building out an alternatives practice that aligned with Bass’s presentation and professional aspirations.

An offer was made. Today, Matt Bass is head of private alternatives at the \$686 billion asset manager.

## BEGINNINGS

AB found its beginnings in 1967 when Sanford C. Bernstein founded a private securities firm under his own name, later acquired by Alliance Capital in 2000, forming AllianceBernstein. The combined entity was officially rebranded AllianceBernstein in 2006.

Matt Bass’s beginnings can be found on Great Neck, Long Island, where he was born and raised and played lacrosse for the high school team before enrolling at Lehigh University in Bethlehem, Pa., winner of seven national titles in the sport. But he enrolled at Lehigh for its academic prowess and its reputation as one of the nation’s leading research universities, with highly ranked engineering and business colleges.

Bass majored in finance and played club lacrosse, rather than at the vaunted varsity level. His social life was augmented by his membership in Kappa Sigma, one of the five largest international fraternities, with more than 300 active chapters and colonies in North America.

By his sophomore year, Bass set his sights on investment banking.

“Investment banks weren’t coming to Lehigh to recruit, so I got a little chip on my shoulder and started to be more proactive about writing letters, networking and getting internships,” he

says. “I was very focused on getting an investment banking job right out of college.”

In hindsight, Bass decided he was overly focused on finance and acquiring the narrow technical skills associated with the profession, rather than taking a broader approach to his education.

“If I was to do it again, I would not have majored in finance,” he says, “I would have taken more of a liberal arts route. A lot of what we do in finance is learned on the job. There is a lot to be said about being able to apply your skills on a cross-disciplinary basis. The liberal arts create a well-rounded experience.”

One of the Lehigh experiences he wouldn’t revise was having met his future wife Erin at the university. The couple has long-since married and created a family. Daughter Elliot and sons Drew and Nathan comprise the Bass household aside their parents.

Bass got an internship at a small investment bank during his junior year and helped build his resume and, post-graduation, ended up getting a handful of first round interview offers, including from PaineWebber & Co., a big name in financial services and investment banking at the time. Only days into the job, Bass got word that PaineWebber was being acquired by UBS, which was a positive for him, moving from a substantial national player to an immense global player.

## CHANGE OF PLANS

Though Bass labels his early days in investment banking a “great foundational experience,” — learning what makes a good company versus a bad company, how to understand financial statements, how to determine if a company was a good IPO candidate or better suited to going the M&A route — it was not part of his long-term career plan.

“I knew it wasn’t going to be my career,” he says. “In my third year of investment banking I got a girlfriend, [the future Mrs. Bass], we are dating, it was getting serious, and the lack of work/life balance really started to sting me. I remember thinking, ‘I can’t do this, this isn’t the right career for me, it is not the right balance long term.’ I was literally putting in 100-hour workweeks and feeling the toll it was taking on my personal life.”

Having come to that conclusion, Bass made his next move, joining an organization that he had helped to take public while at UBS, making the transition to principal investing. His next

step was joining GSO Capital Partners, a company specializing in leveraged finance, along with a handful of colleagues.

During his tenure at GSO Capital, Bass worked on GSO’s direct lending team. Then Blackstone, the hottest private equity firm on Wall Street, came knocking in January 2008, buying GSO Capital Partners for \$930 million as a means for entering the private credit business.

“GSO has been a defining acquisition for them,” says Bass. “It was very much complementary to Blackstone’s existing private equity business, and the move was kind of seamless, as GSO continued to operate as it had historically,” though it was reflagged Blackstone Credit in 2020.

## FINDING HIS WAY

AllianceBernstein was the second time in Bass’s career that he stepped into a situation where he needed to drive the definition and development of his role, the first being his decision to join the U.S. Department of the Treasury.

“I have learned throughout my career to be comfortable being uncomfortable.”

For its part, AB already had a start on the early formation of a group dubbed the Alternative Strategies Unit, but the precise role Bass had been tapped to play was still in formation.

“I thought we were in the early stages of a real big opportunity, and I felt AB was positioned well for it,” says Bass.

That was about 12 years ago. Today, Bass sits atop the private alternatives division that has since expanded into a \$50 billion operation and is considered a major strategic priority for the firm and for Equitable, the insurance company that holds a two-thirds ownership stake in AllianceBernstein.

The private alternatives division received a significant shot of adrenaline with the March 2022 acquisition announcement of CarVal Investors for an upfront price of \$750 million, and a multi-year earnout if prescribed targets are achieved. That buyout boosts the AB private alternatives unit to \$50 billion in assets under management, while adding 190 staffers, including 68 investment professionals, as well as five offices in four countries. What’s more, the deal adds complementary investment capabilities to AB’s existing platform, including in opportunistic and distressed credit, clean energy, and private



asset backed lending, while broadening the firm's geographic footprint.

Upon close of the transaction in the third quarter, CarVal will be a wholly owned subsidiary of AllianceBernstein, and rebranded AB CarVal Investors and will retain investment autonomy, operating under the direction of its senior leadership team located in the firm's Minneapolis headquarter offices as part of AB's private alternatives business.

### **MOVE HEARD ROUND THE WORLD**

AllianceBernstein sent a quake through Wall Street when it announced four years ago it would end five decades as a New York City company by moving its headquarters to Nashville — a

relocation expected to save the firm about \$80 million annually on compensation and overhead, beginning in 2025. The cost of living is about 58 percent lower in the greater Nashville area than New York City, according to Bankrate, and Tennessee is one of a few states with no income tax — economies not lost on shareholders, who have rewarded the company with a 113 percent boost in stock price since the company announced the decision in May 2018.

Nashville bested 30 other cities considered by AB, including metros in North Carolina and Texas. Music City was happy to accommodate the giant asset manager and about one-third of its roughly 3,500 worldwide employees. AB's commitment to invest more

than \$70 million in the city as part of the relocation didn't hurt either.

"Moving our corporate headquarters here allows us to offer advantages to our employees that we simply couldn't in the New York metro area," AllianceBernstein CEO Seth Bernstein, said during a press conference, citing Nashville's lower living expenses, taxes and housing costs, and shorter commute times.

Then there's the swanky new downtown Nashville digs located at 501 Commerce on the corner of Fifth and Broadway, where AB occupies 221,000 square feet on floors 17 through 24, with 360-degree views of downtown. Staffers can sometimes be found in spin or yoga classes, or drawing a glass of kombucha on tap.

# Alternatives and real assets at **AllianceBernstein**

## What alternatives and real assets has your firm been recommending to its clients?

As clients look for ways to increase yield and diversification in their portfolios, we have seen continued interest in private market strategies, including middle market corporate, commercial real estate and asset-backed lending. Additionally, there has been a lot of attention on renewable infrastructure, given increased awareness of ESG investing and companies focused on “net zero”/climate change.

## Talk about the role of alternatives and real assets in your clients' portfolios.

Alternative investments and specifically private markets offer clients an opportunity to enhance returns by accessing illiquidity and complexity premiums, and reduce volatility in their portfolios in complement to their public market allocations.

## Do you expect alternatives and real assets to hold bigger positions in client portfolios in the years to come?

We expect private markets allocations to continue to grow in investor portfolios. This is supported by a strong secular trend. From a demand perspective, clients are seeking yield enhancement and diversification; from a supply perspective, continued bank disintermediation, increased regulation and relative flexibility the private markets offer to borrowers is expanding the investable universe. Clients, particularly high-net-worth and individual investors, are underweight in private markets, given historical high barriers to entry to access these investments.

## What liquid alternatives and real assets are commonly used for your clients?

Alternative mutual funds and hedge fund strategies, such as long/short equity, market neutral, merger arbitrage, event driven, global macro and multi-strategy, are among the most commonly used liquid alternative strategies.

## What illiquid alternatives and real assets are commonly used?

Commonly used illiquid alternatives include private equity, venture capital, private credit, real estate and infrastructure.

## Do you provide separate accounts, club deals, etc., to your firm's high-net-worth clients and families?

Typically, our high-net-worth clients invest in commingled fund offerings, but on a case-by-case basis, some may have separate accounts or fund-of-funds due to their size or complexity. Traditional private equity-style closed-end funds are the most common for illiquid alternatives; however, we do offer our high-net-worth and institutional clients evergreen funds as well.

## What alternatives and real assets are you especially optimistic about over the next two to five years?

We expect to see continued growth in private credit and private asset-backed real estate over the next two to five years, driven by the continuation of bank deleveraging and privatization of fixed-income assets, as well as increased demand from retail/high-net-worth clients to diversify away from traditional publicly listed asset classes.

Bass and family made the move to Nashville in August of 2019.

“The move has paid off, not just from a cost perspective, but the people we can attract and retain,” says Bass. “It’s a different pool of talent.”

From a personal standpoint, it offered his family easy access to outdoor activities, and the ability to drop his kids at school enroute to his office — though he acknowledges missing some of the advantages offered by the New York City metro area, including its closer proximity to beaches, as well as its famed restaurant scene offering classic Italian fare, sushi and other cuisines.

## DASH OF CRYPTO ON THE SIDE

Bass labels himself a relatively conservative

long-term investor, whose personal portfolio includes exposures to private markets and private alternatives, direct lending, real estate, and strategies seeking to take advantage of illiquidity premiums.

“In addition to getting broad equity market exposure, I like to invest in things that generate predictable cash flows,” he says. “It doesn’t have to be a piece of real estate or a hard asset, it could be a company that you could really understand and has a competitive moat.”

Though Bass avoids exotic assets, his 12-year-old, Drew, expressed interest in cryptocurrency. Bass saw the situation as an educational opportunity for his son,

and, with his father’s assistance, Drew Bass opened a Coinbase account.

“I gave him some money to get started and told him that I wanted him to do the research and figure things out, use that as a catalyst to learn.”

Should the younger Bass miscalculate — given crypto’s uncertain future and volatility — and a microcosmic financial crisis arise, the young man might just find a parental arm across his shoulders and his father’s voice offering tales of yore from the bunker at the U.S. Department of the Treasury. ■

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