

The background features a dark blue field with faint, glowing financial line charts in shades of teal and orange. A large, semi-transparent illustration of a coronavirus particle is centered in the lower half of the page, overlapping the dark blue text box.

SEWARD & KISSEL LLP

Alternative
Investment Manager
COVID-19 Survey

June 2020

*Prepared by the Investment Management Group
at Seward & Kissel LLP*



Seward & Kissel — Alternative Investment Manager COVID-19 Survey

Driven by our ongoing commitment to understanding the alternative investment industry, Seward & Kissel conducts various studies throughout the year of the important trends that impact the industry and our clients. As such, we surveyed alternative investment managers to gain a better understanding of how COVID-19 has impacted their businesses. Based on the number and variety of participants, we believe that the Survey results provide informative benchmarking data that will be useful as the industry emerges from the pandemic.

Survey Participants

In order to elicit the most comprehensive response, the Survey was distributed to personnel who work at all types of alternative investment management firms, irrespective of firm strategy, assets under management (AUM), vintage, location, or type or number of employees.

Key participant census data was as follows:

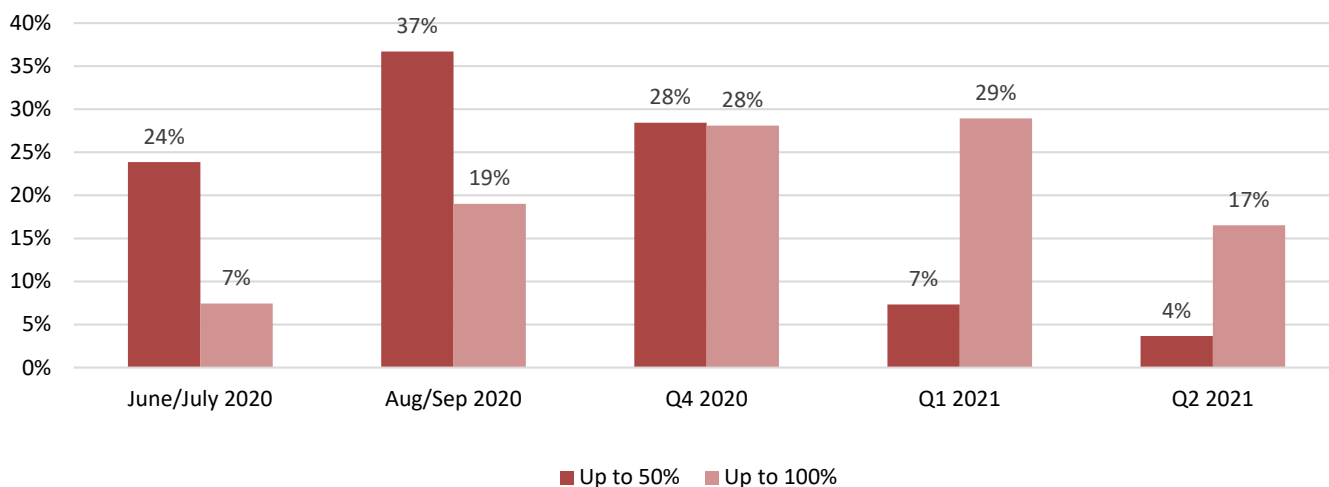
- Approximately 75% of the participants' firms managed open-end funds (such as hedge funds) and 25% managed closed-end funds (such as private equity, private credit and real estate funds). 12% of the firms managed both open and closed-end funds.
- 11% of the firms were founded less than three years ago, 14% were founded between three and five years ago, and the remaining 75% were founded over five years ago.
- Participants represented firms with workforces ranging from less than ten to greater than 1,000 employees.
- Participant firms' assets under management (AUM) ranged from less than \$100M to over \$20B.
- The significant majority of responses came from CFOs, COOs, CCOs and GCs.
- 68% of participants' firms had one office, 19% had two, and the balance had three or more offices.
- 58% of the participants indicated that their main office location is New York City ("NYC firms" or "NYC participants"), which we have categorized to be Manhattan. 10% of participants' firms are mainly located in Connecticut, 8% are outside of the U.S. (including, but not limited to, Luxembourg, Hong Kong and London), and the remaining participants are dispersed throughout other U.S. cities including, but not limited to, Washington, DC, San Francisco and Chicago.

Findings

I. When Will Managers Return to the Office?

61% of participants believe that up to 50% of their firms' workforce will return to the office prior to Q4 2020 (and 89% believe that it will be no later than year-end). By contrast, when asked about a 100% return, 46% believe that it will not happen until 2021.

By what date do you believe the following percentages of your Firm's workforce will return to the office?



Participants from firms with larger workforces were less optimistic about a 100% return to the office prior to 2021: just 33% of participants from firms with workforces of 100 or more employees anticipate a 100% return prior to 2021 as compared to 56% of participants from firms with less than 100 employees.

NYC participants are more optimistic regarding the timeline of return as compared to those from non-NYC firms. Approximately 90% of NYC participants believe that 50% of the workforce will return to the office before year-end, while 75% of non-NYC participants believe the same.

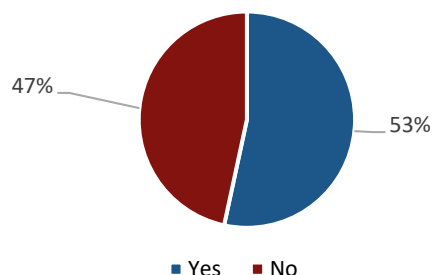
Seward & Kissel — Alternative Investment Manager COVID-19 Survey

II. Working from Home (WFH)

As firms plan their return to the office, WFH may continue to be part of the ‘new normal.’ COVID-19 has highlighted how the use of technology platforms such as Zoom, Microsoft Teams, and WebEx allow firms to operate remotely. Large financial services firms such as JPMorgan Chase have already considered implementing more permanent WFH policies for employees¹.

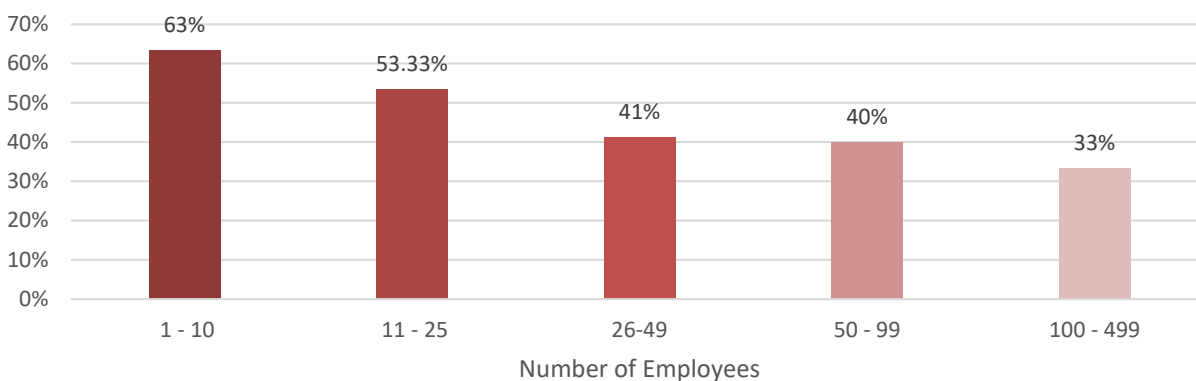
Prior to COVID-19, 53% of all participants indicated that their firm either had a WFH policy or allowed employees to WFH. Moving forward, almost three-fourths of participants believe their firm will change its WFH policy/allow WFH.

Did your Firm have a WFH policy/allow WFH prior to COVID-19?



Based on our data, there is a correlation between the number of employees of a firm and their WFH policies: a firm with a larger workforce is less likely to have had a WFH policy/allow WFH prior to COVID-19. For firms with 1-10 employees, 63% of firms had a WFH policy/allowed WFH prior to COVID-19 – as the number of employees increases to 100-499, only 33% of firms had/allowed WFH. This result may, in part, be due to some of the challenges of remote working that sometimes arise when one or more larger teams of personnel are required to collaborate together on a regular basis.

Did your Firm have a WFH policy/allow WFH prior to COVID-19?
[Yes Responses]



There is also a correlation between the founding year of a firm and its WFH approach. Approximately 50% of the firms founded before 2016 had WFH policies or allowed its employees to WFH prior to COVID-19 as compared to the two-thirds of firms that had WFH policies/allowances that were founded in 2016 or later.

¹Davis, Michelle F. "For Some JPMorgan Staff, Remote Work Could Become More Permanent." *Bloomberg.com*, Bloomberg, 6 May 2020, www.bloomberg.com/news/articles/2020-05-06/some-jpmorgan-staff-remote-work-could-become-more-permanent.

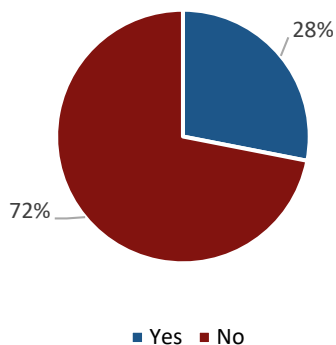
Seward & Kissel — Alternative Investment Manager COVID-19 Survey

III. Real Estate & Remote Talent

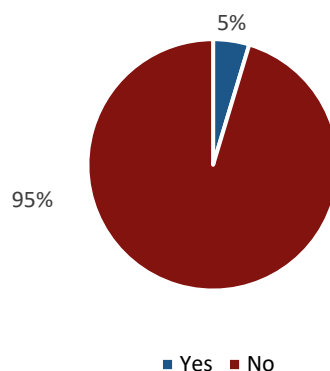
As WFH may become part of the new ‘normal’ work approach, such a change may impact a firm’s physical footprint, which our data suggests affects NYC firms more than non-NYC firms. We believe that the COVID-19 environment has encouraged C-level executives to evaluate their firm’s real estate footprint. Will alternate locations outside of key metro areas, such as NYC, be considered? Does the size of major city office locations need to be reduced? Are alternative work arrangements such as the use of remote employees poised to become more prevalent?

Given recent public comments made by C-level executives from various public banks, such as JPMorgan and Morgan Stanley², the implications of COVID-19 could prove to be significant for NYC real estate. We polled participants regarding whether they believe that their firms will open offices in alternate locations away from their main office: approximately 81% of all participants (whether or not in NYC) did not believe so. With respect to office size reductions, 28% of the NYC participants believed their firm will reduce the size of its office space whereas a mere 5% of non-NYC participants believed so.

NYC: Do you believe your Firm will reduce the size of its office space?



Non-NYC: Do you believe your Firm will reduce the size of its office space?



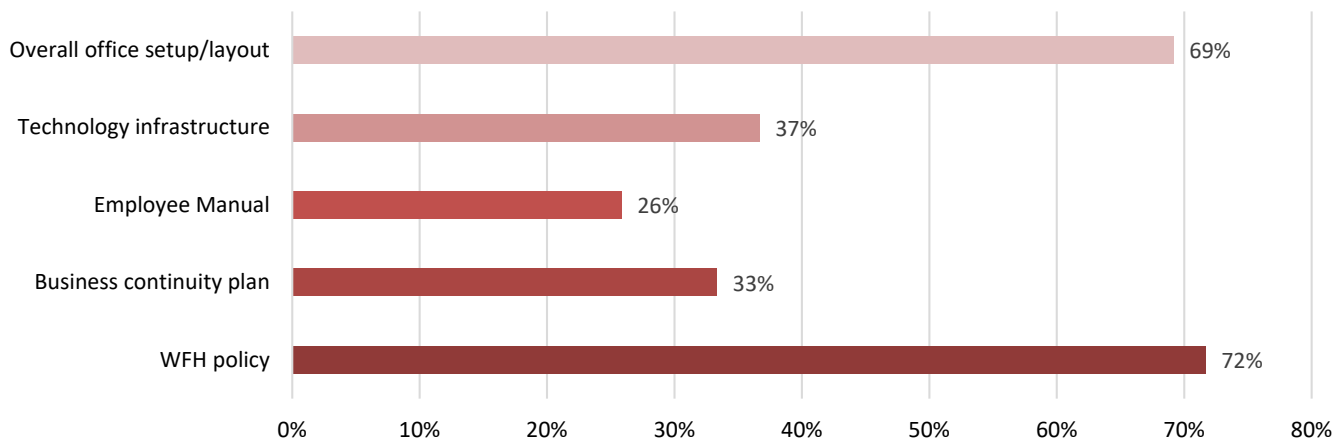
²News, Bloomberg. “Morgan Stanley CEO Sees Much Less of a Physical Footprint in Its Future.” American Banker, American Banker, 17 Apr. 2020, www.americanbanker.com/articles/morgan-stanley-ceo-sees-much-less-of-a-physical-footprint-in-its-future.

Seward & Kissel — Alternative Investment Manager COVID-19 Survey

III. Real Estate & Remote Talent (continued...)

By and large, a key takeaway from the pandemic will be *how we work* – 72% of participants believe their firms will change WFH policies, 69% believe office setups/layouts will change, 37% believe technology infrastructure will change, and 33% believe their firms will change their business continuity plans.

Which of the following do you believe your Firm will change?



Not only does reduced office space lower the cost of overhead for firms, but it lends itself to an increase in alternative work arrangements, including WFH and the potential to broaden the firm’s overall talent pool by hiring permanent remote employees (including those residing far from the main office).

We asked participants whether their firms had considered hiring remote employees prior to COVID-19 (30% of all participants’ firms have considered hiring remote employees) and whether they believe remote employees are likely to be considered for certain roles post-pandemic. Among all participants, 40% believe their firm is likely to consider hiring remote operations/accounting/IT personnel and 34% believe their firm is likely to consider hiring remote investment professionals. Generally, for NYC firms, the percentage of participants who believe their firm is more likely to consider remote employees for roles post-pandemic is higher than that of their non-NYC counterparts. For example, 35% of NYC firm participants believe their firm is more likely to consider hiring remote investment professionals compared to 23% of non-NYC participants; 12.5% of NYC participants believe their firm is more likely to consider hiring remote employees for legal/compliance professionals compared to 7.5% of non-NYC participants; and 15% of NYC participants believe their firm is more likely to consider remote IR/marketing employees compared to 7.5% of non-NYC participants.

Seward & Kissel — Alternative Investment Manager COVID-19 Survey

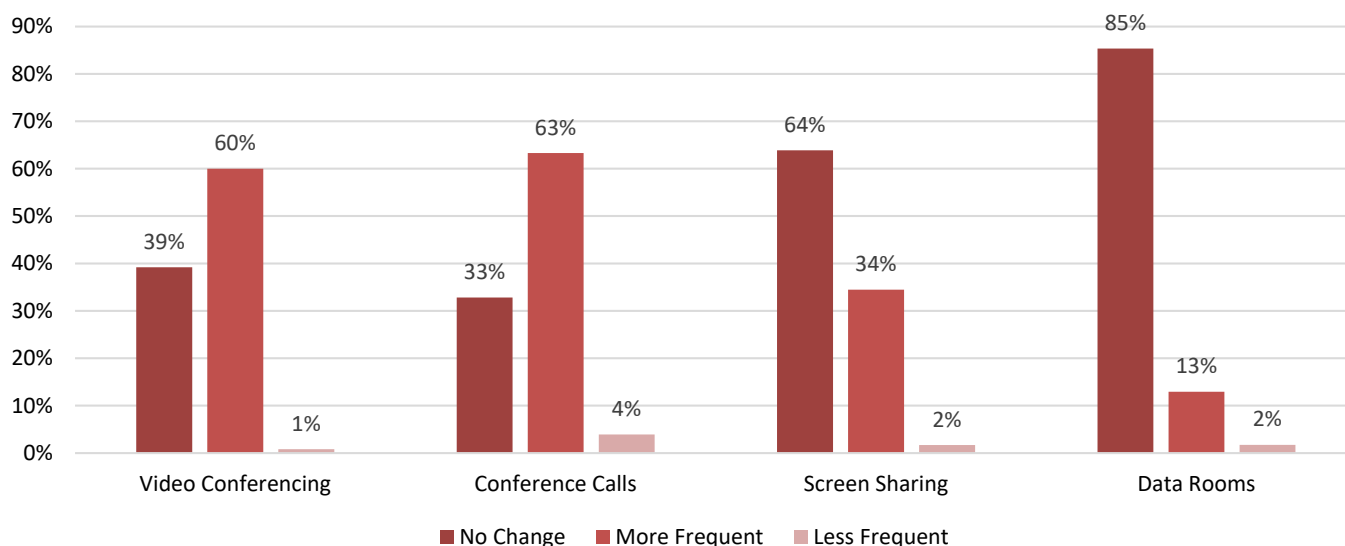
IV. Fundraising and Investor Relations

Given that most of the world has been working remotely since mid-March, it has posed challenges for managers to attract new investors into their funds, as stay-at-home orders and travel restrictions make it difficult for managers to meet new investors and prevent operational due diligence teams from conducting on-site due diligence. In light of the tremendous impact that COVID-19 has had on fundraising and investor relations, we asked Survey participants questions about investor communications, investor appetite for existing and new strategies in both existing and bespoke structures, and any revisions to fund terms.

Less than 10% of Survey participants reported granting investor-friendly concessions on fee, liquidity or reporting terms during the pandemic.

With respect to how firms are managing the investor due diligence process during the current COVID-19 environment, participants indicated utilizing video conferencing, conference calls and screen sharing more frequently than before the pandemic: 60%, 63% and 34% of participants indicated more frequent use of each, respectively. Results of our [Capital Raising in the Age of Coronavirus](#) survey (“capital raising survey”), in which we surveyed a diverse group of allocators, bankers, brokers and third-party marketers in the alternative investment industry, also indicated utilizing conference calls and video conferencing platforms frequently. On a scale of 0 to 5 (with a 5 meaning “used extremely often” and a 0 meaning “never used”), participants of the capital raising survey indicated the average frequency of usage was as follows: conference calls – 4.83; one-on-one calls – 4.83; Zoom – 4.42; WebEx – 3.08; Microsoft Teams – 1.75; Data Rooms – 1.08.

In the current environment, how has investor due diligence for your Firm been impacted?

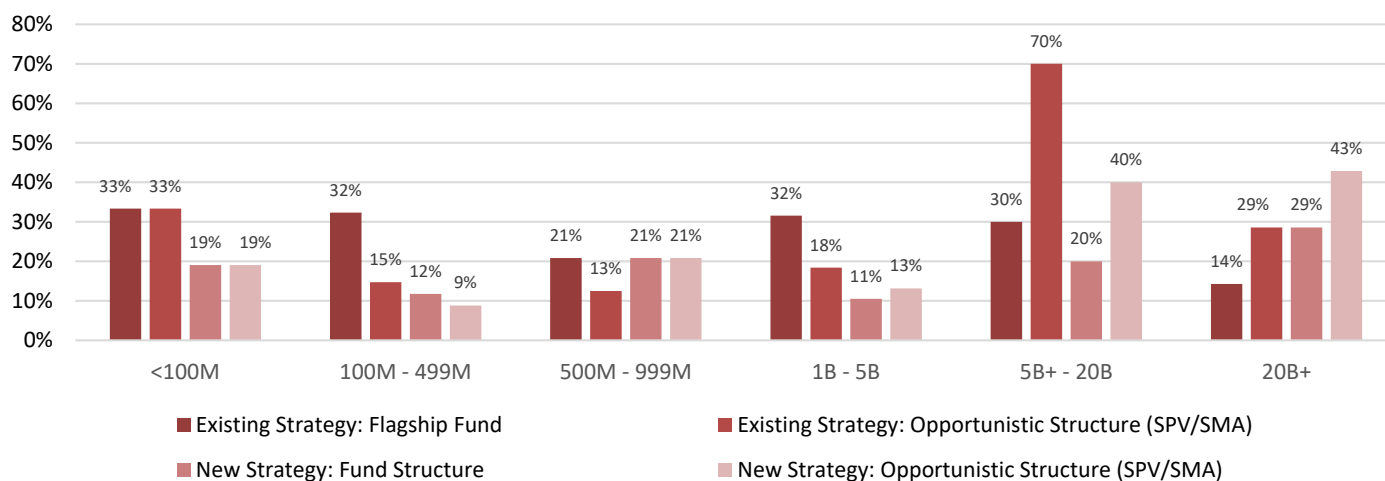


Seward & Kissel — Alternative Investment Manager COVID-19 Survey

IV. Fundraising and Investor Relations (continued...)

Results of our capital raising survey also indicated that managers with whom investors have an existing relationship have reaped the greatest rewards as well as top-tier managers with long-standing and well-tested infrastructures. Participants in this Survey mirrored the same sentiment. 70% of participants from firms with \$5B+ - \$20B in AUM have seen an increase in demand for their existing strategy through an opportunistic structure. Moreover, 40% and 43% of the participants from firms with \$5B+ - \$20B in AUM and \$20B+ in AUM, respectively, have seen an increase in demand for a new strategy in an opportunistic structure.

Has your Firm seen an increase in investor demand for the following:
[Yes Responses]



Seward & Kissel recently published [Opportunistic Investment Structures: Issues to Consider](#), in which we outline the considerations of different structures for alternative investment managers that are being approached by investors for modified or opportunistic structures. Typically, investors will utilize such structures to capitalize on a market dislocation (such as the current COVID-19 market). These structures, such as separately managed accounts (SMAs) or Special Purpose Vehicles (SPVs), provide limited partners with bespoke access to a manager’s portfolio and are typically quicker and less expensive to establish than a new fund.

SEWARD & KISSEL LLP

We hope that you find *The Alternative Investment Manager COVID-19 Survey* helpful. If you have additional input that you would like to share with us, or have any questions, please contact your primary attorney in Seward & Kissel's Investment Management Group.

Daniel Bresler
212.574.1203
Bresler@sewkis.com

Robert M. Kurucz
kurucz@sewkis.com
202.661.7195

Kevin Neubauer
neubauer@sewkis.com
212.574.1355

Christopher Carlson
202.661.7165
chender@sewkis.com

Paul M. Miller
202.661.7155
millerp@sewkis.com

Patricia A. Poglinco
212.574.1247
poglinco@sewkis.com

Robert L. Chender
212.574.1415
chender@sewkis.com

Joseph M. Morrissey
212.574.1245
morrissey@sewkis.com

Christopher C. Riccardi
212.574.1535
riccardi@sewkis.com

Debra A. Franzese
212.574.1353
franzese@sewkis.com

David R. Mulle
212.574.1452
mulle@sewkis.com

David Tang
212.574.1260
tang@sewkis.com

Maureen R. Hurley
212.574.1384
hurley@sewkis.com

Steven B. Nadel
212.574.1231
nadel@sewkis.com

Robert B. Van Grover
212.574.1205
vangrover@sewkis.com

Lancelot A. King
king@sewkis.com
202.661.7196

Valentino Vasi
212.574.8421
vasi@sewkis.com

New York
One Battery Park Plaza
New York, NY 10004
+1-212-574-1200

Washington
901 K Street, NW
Washington, D.C. 20001
+1-202-737-8833

www.sewkis.com

The information contained in this Study is for informational purposes only and is not intended and should not be considered to be legal advice on any subject matter. As such, recipients of this Study, whether clients or otherwise, should not act or refrain from acting on the basis of any information included in this Study without seeking appropriate legal or other professional advice. This information is presented without any warranty or representation as to its accuracy or completeness, or whether it reflects the most current legal developments. This Study may contain attorney advertising. Prior results do not guarantee a similar outcome.