Interview

Guest Q&A

Jon Little

Producing Investment Income through GP Stake Investing

STEWART: GP stake investing in asset management firms is expected to be a $500 billion business. We are joined by Jon Little today from Alderwood Capital, the Managing Partner and founder of that business. Jon, welcome.

JON: Thank you, Stewart. Good to see you.

STEWART: It's good to have you on. This is Stewart Foley. This is the Insurance AUM Journal podcast, and this is going to be interesting because taking a GP stake in asset management firms is a way to generate a fairly high level of run rate income, right? That's really critical to insurance companies today.

But it would be really helpful, I think because it would help me a lot in terms of what direction we go here, give me a little bit on your background and how that background lends itself to doing what you're doing today in terms of taking stakes in asset management firms?

JON: Sure. I've been in the asset management business for all 30 years, from being a Junior Analyst to running large asset management businesses. So over the years, I've worked for Fidelity, JP Morgan. And then I was 10 years at Mellon, which later became Bank of New York Mellon, ending up as the Vice Chairman and CEO of the international asset management business there.

I then founded a firm called Northhill Capital in 2010, backed by one of the world's wealthiest families. And we built that business up to around ninety-one billion dollars of assets under management, from taking stakes in a number of successful asset managers.

And then in 2020, I sold out at the firm, having left at the end of 2019, and set up Alderwood about 12 months ago, with the intention of effectively doing the same thing as we've been doing before. And it's not just me, it's a group of people that I've worked with really, for the last 20 years, have joined me in Alderwood. So we all worked together at BNY Mellon. We all worked together at Northhill, and it's the same group of people with me here at Alderwood.

STEWART: Yeah. I knew you had consistency of team there and I think that's a really solid story, and important to investors. What are you actually investing in? I know that you take stakes in asset managers. I also know just anecdotally that there have been insurance companies who have done similar things. Can you kind of walk us through what you invest in?

JON: Yeah. And it's worth mentioning how we got to this, because of course, at BNY Mellon, we weren't necessarily taking stakes and asset managers for the revenue. We were taking stakes as a strategic business, actually buying capabilities that we didn't have, or interesting asset classes or styles of investing to round out our multi-boutique asset management business.

Yeah. And Stewart, it is fair to say that a number of insurance companies have been investing in asset managers 30 or 40 years. Either they built up their in-house asset management team and then decided to go out on the acquisition trail, or they found it helpful to take stakes in people with specialist skills so they could deploy capital rather than build up expertise in house. That's not always that easy in an insurance company, you have to recognize that certain specialist skills, certain asset clauses lend themselves to a boutique specialist.

So taking a stake in somebody and then giving them some capital to manage as part of the package, is a way of deploying capital effectively and getting some expertise without necessarily having to buy the whole firm or build it up in-house, which is quite difficult.

STEWART: It makes sense. We were talking, I did a New York CFA Society's Asset Owner series yesterday with Eric Kirsch, Global CIO at Aflac. And he was talking about the same thing, that they have an in-house capability, but for specialty asset classes like this one, and I think it's a very good point, it's very difficult to build up a team internally that has the expertise necessary to buy into this asset class. So what are some ways that you're taking positions?

JON: Yeah. You're right about the history. In actual fact, one of the positions that we took in Denmark, in Copenhagen in 2016 was a business that effectively spun out of an insurance and banking business. And if you look at many of the boutiques that we look at, most of them possibly started their life as a team that worked inside a large insurer or a large bank, or a large multi-financial services conglomerate, and then decided that they preferred life in a boutique environment where they were on their own, where they had more control over their own destiny.

So what essentially we're doing is we are taking stakes in the equity... They can either be private limited companies, they can be partnerships, P-Corps in the U.S. jargon, effectively taking an equity stake in those businesses. Typically, these businesses are quite well-established, so we don't look at startups. We don't look at businesses which are at a very, very early stage of their development.

Quite a lot of the businesses we look at in one of our main categories of investment is what we call succession capital. This is where you've got a firm that might be 20 or 25, or even 30 years old. In the example I used earlier, two or three people spin themselves out of an insurance company in the Midwest in the 80s, or the 90s, set themselves up in a boutique. The boutique is very successful. They build a great business, a nice franchise in a specialist area. It could be U.S. small caps or could be in credit investing or whatever.

They get to a point where they need a new shareholder. They don't need a new shareholder because they've decided to give up doing what they do or to cash in, but they need it normally because one of them has reached the point where they want to retire, for family reasons, or just has reached an age where they don't want to keep working full-time in the business. Or it could be that you've got an early strategic backer that wants to get out because they backed them 25 years ago, and now their interests change and they need to sell out.

And you sometimes find these businesses are pretty valuable. Despite being relatively small, there could be 20 or 30 people in the firm, if they've done a good job, the business can be worth a $100 million or $150 million and buying out one of your partners or an early strategic backer for $25 million or $50 million, or even $100 million, is not always very easy, even if you've been successful.

So we provide a solution, and these businesses aren't necessarily in possession of a lot of choices. So for example, if you're a specialist boutique, you're quite mature, you might be growing a little, but you don't have a big J curve of growth ahead of you. Typically, if you think about it, these aren't businesses that can IPO, these aren't businesses that will probably want to sell back to an insurance company or a bank, because that's what they escaped from back in the day.

They're also not businesses that are particularly suitable to the classic private equity investment, where they want something, where they can invest and it will do 6x in three years or whatever, with a lot of leverage. And so actually, these businesses find themselves in need of an investor to come in and take out their partner that's leaving, and there aren't a lot of choices for them. So the GP stake investing business started off in its original format, really in the conventional asset management business, and became a solution for maturing businesses.

Now it's grown from there to a point where a lot of the action seems to be these days, in the world of PE where it's people buying quite large stakes in very large PE firms. But the origin was back in the idea of replacing early strategic backers or replacing retiring partners at specialist boutiques.

But Stewart, succession capital isn't the only opportunity. That's a big part of what we do, and we typically expect, on a mature portfolio, for it to be around 50% of the opportunity set, but there are also two other opportunity sets that we look at. The second one is what we call ‘Acceleration Capital’. So this isn't startup firms, this is firms that might typically be three, five, six, seven years of age. They've got going. They've reached the point where they're profitable. They've got an AUM size that is making money. But then an early backer who gave them some capital in the early stages, now wants to sell out. So it's similar to the succession capital opportunity, but an earlier stage.

Or it could also be... If you think about it, when you're growing an asset manager through those years when you're not profitable, when you're building out the business, you're normally plowing every penny back into the firm. And at some point, you have to ask yourself the question, "At what point are we going to pay ourselves a dividend that and stop self-financing everything?"

It may also be that they realize that they only have the capability to self-finance at a very slow pace. So typically, we would come into those situations in an acceleration capital situation, to provide some capital potentially to seed a new vehicle. It could be to expand the firm to do some hiring, without having to rely on self-generated profits. So we take a strategic stake to help really accelerate the growth of the firm.

STEWART: It's interesting because it's akin to a mutual insurance company where they really don't have access to capital, where a stock company can do that and you're basically giving them access to capital that's pretty tough to get. Plus you get the joke as far as how an asset management company is supposed to run, and in terms of escaping those larger... That's what you did, right?

You left a big firm to go out and start one, so that makes sense. In effect, you're eating your own cooking, right?

JON: Yeah, that's right. And these businesses are very asset light. Despite the fact that these boutiques can easily be worth two, three hundred million dollars, when you boil it down, they're no net assets. They're desks, chairs, paperclips, PCs, docking stations, and a couple of pieces of bad art. It's nothing more than that.

So really, all the value is in the firm and franchise. So if they wanted to borrow to buy out an early backer or a strategic partner or whatever, no bank would lend them the money, because it just isn't a classic sort of security for a loan. So that's why this whole market grew up, particularly in the acceleration capital, and in the succession capital space.

I ought to mention the third category, it's a little more unusual, but it's one where we've achieved some success in the past. This is what we call liberation capital, slightly tongue in cheek, but it's... Your listeners have probably watched, and some of them maybe participated in these sort of mega mergers that have gone on over the last few years in the asset management sector.

And personally, I'm a critic of the value that's been created by a lot of these asset management mergers, creating ever bigger businesses, and it's not clear that they create great shareholder value. What you get eventually in these half a trillion, one trillion firms, is little pockets of investment excellence in a particular asset class or a style of investing. It might be infrastructure, it might be commercial real estate, or private credit, that are part of a bigger conglomerate, but they're not very happy.

They might have been on their fifth or sixth business card in 10 years. They've gone through their multiple cost-cutting rounds and synergy round. They may have had hiring freezes at a time when their business is actually growing. And so, generally they're not that happy. So what we find is, particularly at times of stress, we will find opportunities to sponsor the management buyout, not of a team. It's not a team lift out, but it's almost a purchase of a unit from within a bigger firm.

And we've done a couple of those in the past. If I can mention one, back in 2009, we bought Insight, which was the LDI specialist that was stuck inside. Originally HBOS, HBOS was a bank that went effectively bankrupt in the UK. It got rescued by Lloyds. Lloyds needed to sell assets to shore up the balance sheet, and we were able to swoop in and purchase what was a world-class capability for an exceptional price, and that's been one of our best investments in our 20-year history.

So we think those are quite interesting, but they don't come along very often, but when they come along, they're often amazing purchases.

STEWART: That helps me, and I guess when I led off, I talked about GP stake investing, right? So it's a term that I haven't heard a whole lot of, because what you do is specialized, right? And we also talked about the idea that this sort of asset class generates a high level of current income, which is of interest to insurers obviously.

But there's also been a fair amount of money raised in that space. Do you think it's still attractive? And do you think there's still an opportunity?

JON: Yeah, very, very much so. I guess I would say that because I'm investing in this space so it's a little like asking a real estate agent if property prices are going to go up? But joking apart, yes, the estimate that you mentioned at the start of this piece was one that was mentioned by one of our competitors. I have no idea if I agree with it or how they got to the number of five hundred billion, but we believe that it's an industry that has an awful lot of capacity. What we don't think is that the best opportunity though, is in the large deals.

So we're seeing quite a lot of activity in the top-end of the space, which is PE firms, big buyout firms, selling 10% or 20%, or 30% of their equity to a firm that's in the GP stake business. And I'm not knocking that. I think that's an important part of the industry, but it's not what we do. We see the opportunity more in the mid-tier of the market.

So we're unashamedly a mid-cap value investor and as we find with a lot of PE and private investment opportunities, often the action is away from the main fray. So we see some of the GP stakes being sold in big marquee name PE firms whose names everybody knows. It's great, but those sales are being done at multiples that we think are too high. We think that they're being done largely because someone that runs a PE firm says, "Look, if someone's going to come along and give me a chunk of money for a piece of my firm, and the value they ascribe to it is higher than the value I ascribe to it, I'll take their cash," that's fine. It's a reasonable trade.

We see much more value in the smaller mid-size firms. Very well-established, nicely successful, they're generally quiet, unheralded firms that are not particularly well known to the public. Those are the firms that have less options. Those are the firms that probably value doing a deal with the right investor rather than the price. And they're also firms where they themselves value the partner that's coming in, the culture, because quite often we're dealing with a founder.

The founder, other than their marriage and the birth of their kids, it's probably the most important thing in their lives, was the founding of their company 10,20, 30 years ago. The idea that they'd sell a piece of it to the highest bidder and carry on working there and have all their colleagues and the people they've mentored over the last 20 years, work with somebody who just paid the highest price, isn't enough to them.

What they want to do is they want to do a deal with somebody that they can look across the boardroom table for the next 10 years, whatever the investment horizon is, and feel they did the right thing. Someone who understands the business, that knows how it works, can add some value, can sometimes challenge them, can generally bring some extra expertise to the boardroom table. We think that's more valuable than being deal six in fund five, which just doesn't appeal to these guys.

That's one of the reasons we have a lifetime cap of two billion dollars on our strategy; we think that's the most that we can invest over the next 10 years. Some of our competitors have got individual funds that are four or five times the size of our lifetime capacity. That's fine, but in the space in which we're in, we'd rather deploy a smaller amount of capital and deploy it well, than raise too much and then struggle to spend it. So we have more of a focus.

STEWART: When you look across these opportunities, are there particular asset classes that are more attractive to you generally? And what about geography? Our audience is primarily U.S., but we have probably 30% of our audience is non-U.S. So how do you see the opportunity set in both asset class and geography?

JON: Yeah. So first of all, let's do this backwards and take the geography point first, if I may. We've been involved in deals in the US, pretty much all over the US, Brazil, Australia, various parts of Asia, India, Europe, the UK. So we're pretty comfortable operating globally. So pretty much any global developed markets, and our first deal that we were involved in as a team was in 2001, which was in the Middle East. So we know the markets really, really well.

So in terms of geographic markets, the only places we wouldn't go are markets where we just don't think that you can get reasonable title to the assets. So I'm thinking of places like Russia or China, where we just don't feel that the governance is sufficiently developed enough for us to be able to take a stake in somebody, give them fifty million and expect our governance rights to be respected. So other than that, we'll operate pretty much anywhere.

In terms of asset classes, it's probably easier that I, first of all, describe what we don't do. So as I said, we don't look at PE. PE firms are great, they're great deal makers. They're smart people, they make money, but we find that it's less of an investment process, more of a leveraged and a deal-making process. Whereas we prefer people that have a describable, understandable, sustainable investment process.

So PE is out. We exclude anything beta orientated. We're not going to be in the ETF space or trying to compete with Vanguard or State Street to find somebody who does beta better than they do. Those things are out. And then finally, we don't look at a few things. We don't look, for example, at high-frequency trading, because we don't think there's a social good attached to it. And indeed, there isn't really an investment process behind it.

And finally, we struggle with global macro because we find that global macro is normally a little bit of a “trust me” process. No matter how well it's described scientifically, we find it hard to understand how a macro investment process will actually perform under most market conditions, so we normally walk away from them.

Everything else is of interest to us, Long-Only equity, particularly focused equity strategies that are non-benchmark; activist strategies, infrastructure, private credit, distressed, high yield, anything with alpha attached to it. Now the ones that are particularly keen on, are the stuff like infrastructure, private credit, focused global equities, because we feel that there's a real premium in the high-quality firms in those areas. And we find that they're hard to find businesses in those categories, but when you find them, they're such great businesses that we want to own them.

STEWART: So one of the things that we see and hear about all the time is fee compression.

JON: Yes.

STEWART: Right? And so, particularly in the insurance industry where you've got massive core bond portfolios, the price or the fee for asset management services, all of that stuff's getting compressed. How does that translate? What's your take? I'm sure you've got a view on spread compression. It's also been our observation that firms that are in the more alpha and more specialized classes have more pricing power than some of the more… what I would refer to as more kind of mainstream strategies. Can you talk a little bit about fee compression and how you think about it?

JON: I think that's an excellent question, Stewart. First of all, and this is probably quite a controversial comment, the asset management industry is completely unrealistic in what it expects in terms of fees, and in terms of the market environment. We live in an industry where the average asset manager has earned a 35% profit margin, year after year, on average since 1990.

This is an incredibly profitable business. So 35% is the average profit margin. That's in a universe of a 100 firms that we track, that was put together by Boston Consulting and Piper Sandler. Within that sample, there's a lot of firms that have not got a great strategy, that are not particularly great performers. So that's the average profit margin. Now, 35% as a profit margin in any other industry would be regarded as sector leading but that's the average in our industry.

And to give you an idea, in 2009, after the GFC, the average firm in that survey earned a 28% profit margin, when most banks and most insurance companies were struggling to make any money at all. So let's park the first part, this is a really profitable business that we're in. And so when people talk about fee compression, what they mean is from utterly crazy levels, down to fairly high levels, that's what we're talking about.

We're not talking about farming or commodities, or manufacturing cars where people are happy to make a 5% margin in a good year. This is a blessed industry, but it's blessed for another reason, which is that we're in an industry that's constantly expanding. So not only do we earn dying industry or mature industry type profit margins, but we're actually in an industry that's a growth industry.

So you think about 30 years ago, what the listeners to this podcast will have been investing in. They will not have been investing in private credit because private credit really didn't exist 30 years ago. Now it's the dominant method of lending to corporates in the US. Think about infrastructure: infrastructure barely existed in the U.S. thirty years ago. Now it's a huge mainstream asset class.

ILS investing in insurance life risk or non-life risk is a huge asset class. Think about all the other things, climate, wind, solar, impact investing, sustainable investing, litigation, financing, royalties, all this huge vista keeps on changing and adding another asset class, another means of investing to the universe.

And then finally, to your other point, Stewart, is that yes, we believe fundamentally that specialists will rule the world. Well, actually the specialists will rule the world but at the other end of the spectrum, the giant behemoths will also rule the world, but everything in-between will die.

So we only look at specialist boutiques. We like our businesses to do one thing, have one investment process, one asset class, and do it really, really well. We find — and there's a whole bunch of academic research that we've done and that others have done that supports this — that specialized managers always outperform generalists.

And those firms don't struggle to get paid for what they do, because they're not normally scrambling around looking for clients. We find that it's the big generalist managers who have 45 products, of which 30 are distinctly average, that struggle to charge decent fees, because most of what they do is average, and average doesn't get you paid.

STEWART: So there's been some high profile endowments and institutions that have said they don't like GP stake investing because they believe that an investment manager's equity should be owned by people managing that business. And that there may be a misalignment of interest if they sell a stake to an outside party. Can you talk a little bit about that criticism, if you will?

JON: Yeah. I think it has a truth to it. We ourselves believe that ultimately, the best structure for an asset manager is if everybody working in the firm owns the firm between them, and that's the only ownership they have. I just think it's somewhat unrealistic in practice, because these days, it's quite a struggle to get a firm started up to get it to the point where it's got a three-year track record, and consultants are prepared to start backing you, and bigger institutions or larger clients can sometimes take twelve, eighteen months, two years to look at you and decide to invest with you.

So you need a decent amount of finance to get a firm running these days, and you need some seed capital. So unless the two or three individuals to start the firm are very wealthy from day one, they're going to struggle to do that on their own. So they normally have to bring in some outside backing. So straight away, you've got some external backing in firms. Many firms these days start out with some sort of external shareholder.

The other thing is that it doesn't kind of recognize reality. I know what they're getting at. Some of the high profile endowments have said, "Look, if ever one of our managers sells any equity, then we're out." But if you've got three partners all in their 70s, or one in their 70s and two in their 60s, the 70 year-old is allowed to retire. And ultimately, what they should have done 20 years ago or 30 years ago when they set up the firm, was come up with a mechanism for just recycling the capital through some form of annuity system, a bit like law firms do, where a retiring partner gets paid for a few years, some of the income, and then they just relinquish their rights to capital value.

But you have to set that up on day one. If you don't set up on day one, in 25 years, it's no good saying, "Well, I wish we'd done that." The fact is that if the firm doesn't get a solution to the problem, it's going to shake itself apart, trying to come up with something that works, or the retiring partner's going to get restless and say, "Look, I need to get paid guys. I want to retire. I want to go and spend time on the beach. I don't want to have my cash locked up in the firm that I'm not working in."

So we think a sensitive and sensible solution to that problem is actually a reflection of reality. Interestingly enough, we are a minority equity investor. If ever our management teams want to sell more of their equity to somebody else, then we also believe that we should sell at the same time, because we never want to find ourselves owning more equity than management. Going forward, we want management to own more equity than us, so we know that they are committed to the business, and that we are not the first ones standing in the way of a problem.

STEWART: And it's funny you say that because I was at an asset management firm that this exact thing happened, right? Where there was a founding partner who was older, and it created some consternation because the young guys are driving revenue and attracting new assets, and the older partner is taking out a huge share, and it's hard to find capital and get that to work right, because you've got people who are... they want their turn. But at the end of the day, to your point, you reach in your pocket and gee, there's not fifty million bucks sitting there.

So I've actually witnessed this first-hand, and I understand the sort of situations that you're talking about. What do you see as the downside? It can't be a one-sided trade, what's the downside?

JON: Yeah. It's a good point. So the returns are excellent, and the income that you get from investing in GP stakes is superb if you get it right, but let's be clear, there is a significant downside. I think of it a little like investing in distressed debt or high yield debt. You've got a great coupon, and unlike those asset classes, you also got a lot of potential for capital growth, but you're being paid an excess return for a reason.

So as I mentioned to you earlier Stewart, these businesses don't have a lot of fixed assets. To contrast this, If you're lending on a building, at the end of the day, if the management screws up, you've still got a building there that you can take possession of. We're often laying out fifty million dollars or one hundred million dollars against a business whose only fixed assets are desks and chairs.

So the downside from the price you buy in at, and what you could get in a very, very bad scenario is awful. It's a big gap. What that means is that you need to know what you're doing. So we spend an awful lot of time asking ourselves a few simple questions.

Firstly, we need to get to know them well. So we never enter auctions because if we enter an auction, we've got three or six weeks to get to know our management team and to make a bid. We can't do that. We need three months, six months. Sometimes, we've actually invested in people we've known for three, four years, and some of the first deals that we do as a team at Alderwood will be people that we've already known and met before. And we've kept close to them, we've kept in contact with them. They still have the problem. They still need to solve it.

So the best risk control that we have is never, ever buy from a hurried seller because a hurried seller is a worried seller, and they know more about their business than we do. So we just can't take the risk because someone who is in a hurry to get the check, is normally in a hurry for a reason.

So we spend an awful lot of time doing due diligence. We always have to understand the reason why somebody wants the money as well. Back to my earlier point, sometimes in the GP stake business, in the private equity, it's just, someone says, "Look, if you're willing to pay me enough money to buy a piece of my firm, why not?" That doesn't work for us. We need to understand why someone's doing something and understand the motivation, and really check it out and make sure that we're comfortable with how it's going to work.

And then if someone's leaving the firm, we always use what we call the Jenga block sort of principle, where you want to make sure the piece of wood that's coming out of the pile isn't the one that's going to collapse the house. So we need to understand the culture. Is it a team process?

Typically, the people we're investing in, where they're quite introverted. They're not the kind of the egotistical personality types. They're team consensual cultures. And so we just want to make sure that we're not going to spoil the business by doing the deal. And then we have a lot of protections in there around what they can do.

If we invest in the firm, we leave them alone most of the time, because they've been successful, want to carry on being successful, but they can't suddenly go and take over a competitor or lever up the business, or decide to go part-time and start working in a farm or something. There are various controls of what people can do.

So the downside is significant and you need to know what you're doing, and I think that's where the 20 years of experience that we have as a team comes in handy.

STEWART: Our audience is insurance investors. You had mentioned a relatively... Well, not a relatively, a significant, of run rate income. Can you talk just a little bit about what the return profile looks like? Your expected return profile?

JON: We're doing deals at multiples that are generally below where people would believe the market is at. That's not because we're bottom-feeders or buying bad business. It's just that we recognize the fact that generally, our sellers are valuing not just the money, they're actually valuing the complete package of someone that's a long-term investor, that's going to be intelligent, that's going to be a thoughtful addition to their shareholder base.

So that means that typically, we're looking at first-year yields, even after fees and taxes are generally in the high single digit range. Because you think about asset managers, when they're at scale, most of their profits convert straight to cash. They don't have a lot of inventory. They don't have R&D spending written off over 20 years. They don't have fixed asset purchases. They've got a computer system, it works very well. They bought it five years ago. It's still working. They upgrade it every year.

95% to 99.9% of the profits come out as cash, and management get paid and staff get paid, and the bonus pool gets paid, and whatever comes out at the end comes to us and the other shareholders. And as a point of principle, we are always an equity owner. We don't take preferred or we don't take fixed revenue share because we think that incentivizes people to behave badly.

So that's essentially what we do, and it does produce a lot of cash. It is a very, very cash generative strategy and actually pays out sometimes quarterly, because if you're investing in US partnerships, they generally pay out quarterly because the tax is due quarterly. So you pay the partners quarterly.

So not only is there a nice level of income yield that over time will grow, but it also comes out quarterly or half yearly, fairly regularly. Over time, what we do is build a portfolio of eight to sixteen, seventeen different investments. So when the portfolio is fully deployed not only have you got a nice high yield, but you've also got it coming from infrastructure, private credit, real estate, equities, bonds, insurance, linked securities, OCIO, LDI. It's got a blend of geographies and a blend of asset classes.

So to give an example, an investment in ILS Manager, as we've done in the past, is a terrible investment when there's a hurricane and a windstorm, but in a year when the equity market is down 45%, it can actually be a great investment for you because it's completely uncorrelated. So we like those types of things. So not only is there a high yield, but there's also a diversified base of income coming through.

STEWART: I have one more question for you and it has nothing to do... Well, kind of does, kind of doesn't. So I'm going to take you back to a day that I know you remember, this is the graduation from your undergraduate institution. And regardless of the festivities and revelry that may have occurred the evening before, you are bright-eyed and bushy-tailed in your cap and gown.

And your name is kind of in the middle of the alphabet, so you don't have to wait terribly long. And they call your name and you start out across the stage. Now the crowd, the crowd is going bananas, as you would expect. You get a quick photo with the President or Provost of the educational institution. They hand you your diploma, quick photo op.

And as you walk across the stage and down the stairs, you meet yourself today. What do you tell your 21-year-old self?

JON: Well, that's a good question. I think I would tell my 21-year-old self not to get too put-off by short term setbacks. So in my career, some of the things that I thought were great opportunities that I lost out on turned out to be bullets dodged. And quite often, some of the unpromising meetings I attended, that I thought were a waste of time, turned out to be the best meetings of my life.

So I think I would always say to back myself and to always say yes to an opportunity, at least so that I can see what it's worth.

STEWART: That is great advice. Jon Little, founder and Managing Partner of Alderwood Capital. Jon, thanks for being on.

JON: Thanks, Stewart. Thank you very much for giving me the opportunity.

STEWART: Thanks very much to our audience for listening. If you have ideas for a podcast, please email us at podcast@insuranceaum.com. My name's Stewart Foley, and this is the Insurance AUM Journal podcast.

About Jonathan (Jon) Little, Managing Partner at Alderwood Capital

Jon Little is our Managing Partner having founded the firm in 2020.

Jon was previously the Managing Partner of Northill Capital, a firm which he founded in 2010, backed by one Europe's wealthiest families. Northill is a long-term investor in specialist boutique asset management firms providing succession and growth capital to boutique asset management firms.

From its inception to Jon's departure in 2019 the assets under management by Northill's majority-owned affiliate firms grew to over $91bn.

Prior to founding Northill, Jon was the Vice Chairman of BNY Mellon Asset Management and Chief Executive of its international businesses with assets under management of over $400bn encompassing businesses such as Newton, Alcentra, Pareto, ARX, West LB Mellon, Walter Scott and Insight, many of which were acquired under Jon's leadership.

Joining Mellon (later BNY Mellon) in 2000, Jon previously built the global distribution business to over $70bn of net sales at its peak. Jon was also concurrently from 2006 - 2008 Chairman of Dreyfus, the New York based US mutual fund company. Jon also served as a member of the Bank's 17-person global executive committee from its creation in 2007 until his departure in 2010 to set up Northill.

Prior to joining BNY Mellon, Jon was at J P Morgan Investment Management where he was head of international funds and institutional sub-advisory sales and at Fidelity Investments where he eventually became UK business development director.

Jon also served as non-executive Chairman of Quilter Investors from 2018 - 2020 where he oversaw the sale of the Old Mutual Global Investors business (renamed Merian) and as a non-executive director of Quilter plc. From 2011 - 2016 he was also a non-executive director of FTSE listed Jupiter Asset Management.

Jon is also Chairman of the Investment Committee of the Oxford Brookes University Endowment. He was educated at Oxford Brookes university and has the IMC from CFA UK and an FPC from the Chartered Insurance Institute.

Outside the office Jon is a keen but increasingly fragile runner and enjoys skiing, shooting, sailing and drumming.