Brian Roelke

Episode 181: Executive Spotlight: Brian Roelke, President & Chief Investment Officer, Kuvare Asset Management

GUEST Q & A

Stewart: Welcome to another edition of the InsuranceAUM.com podcast. My name is Stewart Foley. I'll be your host. Today's topic, we have an executive spotlight and we're very excited to have Brian Roelke, president and chief investment officer of Kuvare Asset Management on with us today. Brian, welcome. Welcome to the family. Welcome to the party. We're so happy you had a chance to take some time with us today.

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

Stewart: It's nice to see you too. I would love for you to just start by educating me a little bit with an overview of Kuvare and what you do and whatever else, but first we've got to cover some ground about where did you grow up, what was your first job, not the fancy one, and what makes insurance asset management so cool.

Brian: Grew up in Montclair, New Jersey. First job that I got paid for was as a caddy at Montclair Golf Club.

Stewart: Nice.

Brian: I've often said my first book will be titled Everything I Need to Know in Business. I learned as a caddy and had a bunch of ideas for that book over time and then I heard an interview with Bill Murray at one point and he summed up my book in three phrases and that was a caddy just needs to show up, keep up, and shut up. So there wet my book idea, but I still think it was an excellent job for a 14, 15-year-old kid as an entry point into the business world and really ultimately a lot of skills I learned in that job served me well to this day.

Stewart: I think that's true. There's been a fair number of people on that have had that as a first job and I agree with you. I think it's a great way to understand business dynamics. And what makes insurance asset management so cool? I mean, you've been at this for a minute.

Brian: That's one thing on caddying. Before the insurance one, it was an environment where interacting with adults in their native environment at that age. That is irreplaceable as opposed to other jobs that would've been an option at that point. I don't want to overstate the case. I was a member's kid caddy which meant that a lot of days caddying were days at the pool, eating cheeseburgers, but I still ultimately just got so much from that experience and knowing when not to talk in that environment is a skill that we talk about with new analysts on our team to this day.

When somebody says yes, stop talking, I've seen too often people keep talking past the close as they say. And deals that were approved wind up not getting approved as a result. So I learned that as a caddy first and foremost.

Stewart: Absolutely.

Brian: Insurance asset management, I haven't listened to every one of your executive spotlight podcasts, but I'm guessing I'm the first second-generation insurance private credit investor you've had on here.

Stewart: Wow. I'm confident that's true.

Brian: My dad worked at Prudential in the 70s in the private placement investment group and I saw the trips he was going on for due diligence, things like the Alaska pipeline or working with Lee Iacocca on the Chrysler workout. It seemed really interesting. And for somebody who was curious about the world like I was who liked puzzles and was really into Legos. What he did for a living seemed really interesting to me and he served as just a great role model over the course of my career.

Somebody who prized integrity first and foremost in the business world and learned a lot of lessons from him. He gave me very specific advice then when I was in the insurance industry around how to best navigate these types of organizations that I still quote him to this day in a lot of cases.

Stewart: I don't want to overstate this, you may be the first guest, maybe the first person I've met in my career that actually went into this intentionally. Really. The typical answer I get is, "Yeah, I just fell into this." I mean that's my story. I mean, I grew up in rural Missouri. My first job was McDonald's, didn't know beans from apple butter about much of anything and learned about someone who was launching an insurance company when I was 30. And I'm like, "I never even gave it a thought that that was even possible to do." Right?

I thought it was literally dinosaurs and a MetLife sign somewhere. Right? I didn't know that you could actually start an insurance company. It's really interesting. So did you start your private credit career right out of college?

Brian: I didn't, actually. So I graduated into a challenging job market and combined with... let's just say some misplaced priorities while at college led to me not getting the job that I interviewed for at TIAA, coming out of undergrad where one of my father's colleagues at Pru then led the securities division, a guy named Mike O'Cain who left an indelible impact across everybody who worked there at that time. And to this day, Mike's name comes up on a monthly basis with people that I used to work with there.

But I interviewed there coming out of college, didn't get the job, and wound up as an inter-dealer government bond broker for seven years in New York and London where it was one of those rooms where everybody's yelling and screaming at each other. Caddying was great experience for that job where it was pure sales in a lot of ways. Our clients, the government bond traders on Wall Street had four or five screens on their desk and if the markets were the same on those screens, basically whoever they liked the most got the order.

So pure sales from that perspective skills that really served me well also for the remainder of my career. I did fairly well at that. I was paid fairly well for somebody my age, but around that time, mid-'90s read an editorial by Michael Dell in the Wall Street Journal that basically said, "If your job is reading a computer screen to somebody else for a living, it's time to find another job." And right at that time, Cantor Fitzgerald had introduced eSpeed, which took the keyboard off the brokers' desks and put them on the traders' desks.

And that's what led me originally to think about going back to business school, then got a summer internship between my years at NYU at TIAA, was offered the job to come back after business school and then I spent the next 17 years in private capital investing there.

Stewart: And that really segues into my next question because we've got a really good relationship with TIAA and Mike Huff is on our executive council now and we're getting ready to do a panel that includes him in New York. What was TIAA like when you arrived there? The fact that you knew what it was and knew what they're up to as a person in that age group is astonishing to me. You aspired to get there. What did you find once you arrived?

Brian: One of the key things I really liked about TIAA then and now the mission-driven nature of the organization, separated it in my mind from just your standard finance or even investing job where ultimately the decisions we made on a daily basis were directly felt by the millions of TIAA traditional annuitants around the country. Much later in my career, I led an effort where each member of our private investment team spent a day on a college campus with one of the relationship managers on campus. And so our investment team members, we call it ride-alongs, got to go sit in on meetings with individual clients of TIAA.

What a mission-affirming exercise that was for everybody involved. But when I got there in 2002, again, challenging job market, middle of back end of a recession at the time, I was really attracted to the stability of this 100-year-old-ish organization at the time, AAA rated not a lot had changed over time and relatively soon things started changing dramatically and kept changing over the next 17 years.

But one of the really cool things about my experience there for various reasons, I wound up one of two associates on a private investment team of 10 directors and that meant that just an insane pace of deal flow making formal investment committee presentations three, four or five times a week. One on a pet food company the next on a California power contract monetization, the next on a widget maker in Racine, Wisconsin.

And just that was an incredibly valuable experience to get exposure to different industries, to get exposure to different investment structures and really learn the importance of a strong investment culture in the process. Ultimately, the way we invested, the way I learned to invest in that group has instructed everything I've done since.

Stewart: And that's really interesting. As a professor, I was actually a client of TIAA and the reach of the organization is incredible. It's gone through some huge transitions since that time. How were you impacted by those changes?

Brian: So a confluence of factors really led to a very different organization by the end of my time there than when I started. And a few things really stand out as having driven that. Number one, I don't know if it's as well known as it probably should be, but David Swensen was a trustee of TIAA and a member of the investment committee there. Clearly his well-known endowment strategy led to a culture of innovation over time in the later 2000s starting probably around '06-ish and then through my ensuing time there. That culture of innovation really was felt most strongly within the private markets group where very visionary leadership who saw that as an opportunity to get involved in some pretty interesting things.

Now, well-known Nuveen now and TIAA, very well-respected managers in agriculture and timber, and other alternatives. And that all really started around that time. So the innovation theme was one of the big changes. My direct career was directly impacted positively through a couple of restructurings in 2006. I was fortunate enough to move into a portfolio management role. It wound up being a little bit like the 20th Maine at Gettysburg. It was like 'Go stand on that hill,' and then the next day you find yourselves at a turning point in the war. So from '08 through 2012 was a great experience to learn the true value of structure and private investments. We prized yield premium downside protection through covenants and structure, and diversification and that's why institutions like TIAA are so interested in private investments. And my portfolio wound up generating net gains through the downturn that really was due to the underlying structures that we were so insistent upon in a lot of those investments.

So ultimately the culture of change that came in around that time wound up being just an exceptional time. And for me, a lot of my career has been being in the right place at the right time and that was definitely the case in private markets at TIAA.

Stewart: So my career has had a number of interesting twists and turns as you can well imagine. Right? And you were at 100-year-old trillion dollar firm and you managed to go to a startup. So how did that happen?

Brian: Yeah. I think there was an in-between there where around 2014 and inflection point for TIAA asset management was really the acquisition of Nuveen year in Chicago. Obviously, Nuveen is a strong legacy as a Chicago company, a large presence there coincided with a shift within what was then still TIAA asset management to begin to think more about how do we deploy our investment capabilities for the benefit of other investors outside just the TIAA general account.

And so at the time, my role had expanded to be head of private capital with responsibility for private equity, mezzanine and the investment grade private credit business. Around that time, mid-2014 was introduced to the Churchill team after they'd left Carlyle looking for their next platform. And I then was part of a small group of people who then brought Churchill on board as a majority-owned affiliate within TIAA, eventually Nuveen then as a member of Churchill's board and their investment committee spent a lot of time laying the groundwork for the growth of that platform.

When they came on board, they had a $300 million SMA from the TIAA general account and a commitment to support the business in terms of their other products. Today at last count, I think it's a 50 billion AUM organization. So what I learned through working with Churchill, it was the identical investment thesis that we had in investment grade private debt where yield premium structural protections and diversification except floating rate and below investment grade loans and as opposed to fixed rate and investment grade loans. That investment thesis though was identical. I then spent about 130 days in 2016 traveling around the world helping to fundraise for Churchill fund one.

And in the process realized just how fun it was to build a business. And so a couple of years later when I found myself seeking my next opportunity, people asked me what I wanted to do. I said, "I'd love to go someplace where looking to build a private capital business has an affiliated balance sheet," but in a more entrepreneurial culture and through a friend of a friend of a friend, that's exactly the way people tell you about the geometric progression of networking where each of us, let's say knows 50 people. Each of those 50 people knows 50 people. Each of them knows 50 people. That third ring is 125,000 people. And they'll tell you one of those 125,000 people is going to give you your next job. And that was exactly what happened with me was introduced to Dhiren Jhaveri who founded Kuvare in 2015. He recognized it was exactly what I was looking for, provided an opportunity coming in as the first investment employee to build out a vision for an investment platform in a fast-growing startup.

It's been the most rewarding experience of my career. Now three and a half years later, our team is 70 people on the investment side. Kuvare Asset Management is now managing capital on behalf of unaffiliated investors in addition to Kuvare's balance sheet and it's been a really exciting time.

Stewart: With that background, where were your priorities when you started building your investment team at Kuvare Asset Management, which goes by KAM? What asset classes were you looking to specialize in?

Brian: So the strategy and the work that had been done prior to my being hired at Kuvare for the benefit of those who may not be familiar, it may not quite be the household name we want it to be quite yet, but Kuvare itself is now about an 8-year-old US-based life and annuity holding company through a series originally of acquisitions and then through significant organic growth. Since that time, Kuvare has grown from a blank sheet of paper when Dhiren had the idea to start a technology forward financial services company aimed at fulfilling the needs of middle market consumers in the US.

The growing need for annuity and insurance products in an underserved population with the aging demographics was one of the founding principles that he approached starting Kuvare with and raised capital around that thesis. Today, RAUM has grown about $25 billion. About $16 billion when I got here.

The three US life and annuity operating businesses were originally guarantee income life based in Baton Rouge, Louisiana, United Life Insurance out of Cedar Rapids, Iowa, and then Lincoln Benefit Life, which Kuvare acquired from Resolution Life in late 2019. The LBL acquisition, which was an old Allstate closed block of life insurance predominantly created the scale to begin to build out our internal investment capabilities. But that said the thinking around how we approach building the investment team, sort of turn the traditional model on its head where we continue to this day to outsource most of the core fixed income asset management and have instead built out the investment grade private focused investment capabilities internally.

Saw an opportunity to do so in the market, have built specific teams in sectors that we find attractive. And so that was the original thesis, which has grown since that time ultimately with a couple of key principles in mind in building those teams.

Stewart: It must have been difficult in 2020 to do that, right? I mean, I remember one of our clients, I mean she joined and hadn't met anyone in person on the entire team, right? So what was it like to build your team during the pandemic? You've got the hybrid work model. What's your in-office presence today? You built this at a challenging time.

Brian: No question. My timing in a lot of ways was challenging, to have started this job in February 10th of 2020. It ultimately led to some more challenging recruitment because we didn't have the opportunity to meet people pretty quickly in person. And particularly getting back to the notion of culture, I think that's been the biggest challenge. Let's take a step back to when I joined TIAA, the investment culture, the institutional memory, those formal committees, which everybody was still wearing suits and ties and for, I think it was something over $25 million, you were going in front of a group of experienced individuals who brought just a lot of experience, influential markets, a lot of experience in investing and a lot of knowledge having worked together for a long period of time.

That was challenging as somebody right out of business school on one hand, but on the other hand led to a consistency of decision making, a consistency of investment results over time. I saw Russell Reynolds survey recently, the average CIO 10 years, about 5.5 years. And when you think about organizations that presumably with long-dated liabilities, therefore presumably long-dated investment horizons, that all sounds good on paper. But when the CIOs turn over on a relatively frequent basis and in 5.5 years is the average, it's not Lake Wobegon.

We're not all above average. Ultimately, that means investment culture is going to be critical to long-term success. And so for us, it was easy to see on paper, people would have acumen and networks to bring to bear in terms of building the investment teams, which was our original main focus, and we chose to build out in corporates ABS and structure credit and commercial real estate debt. What it meant in a lot of cases was the opportunity to hire people that at least one of us had known for a long period of time had worked with before.

I think about people like Ira Kaplan who leads portfolio management for us. He and I went to business school together. Tom Shanklin, who leads corporate credit for us. We've known each other for now over 20 years, going back to his days at SunTrust in Atlanta and my days in Charlotte at TIAA. But no question, that building of culture doing it virtually was really challenging. It wasn't until April of '21 when we first got the team, which at that point was probably 15, 20 people together in person for the first time.

We're now at our second office in New York City, big presence out in Rosemont, Illinois, right by O'Hare, and we've been hybrid since that time. A handful of folks are full-time remote, but a presence in person in the office has really driven that culture forward in a really strong way. We highly prize collaboration across our investment teams. We try as much as possible not to have siloed thinking. We want our investment teams spending less time defining a transaction, more time analyzing a transaction. Each invest across publics and privates, for example. We all get together every Tuesday to discuss the deals we're looking at in the market. A lot of deals will come in, it's tough to say, is this an ABS deal or a corporate deal or a real estate deal or an ABS deal with a corporate issuer or a corporate deal for a real estate issuer.

We want to make sure we've got the right alignment of incentives to drive collaboration. And it's so much easier now that we're mostly in the office most of the days of the week. The last thing I'll point to is we've now concluded our second summer in a row of bringing on summer analysts. We hired all of our undergrad summer analysts from last summer. We now have, if you look on our asset management website, you'll see analysts comprise about a third of our overall team and just the presence of so many analysts across the team, seeing in action, everybody helping train those analysts, the questions they ask, it's just added so much to the dynamic culture and that really works best in person. And so it's been great that we've been able to get that done over the last couple of years.

Stewart: It's interesting that the market looks considerably different now, toward the end of 2023. And versus the beginning of your tenure at KAM in February of 2020, the biggest I guess, or one of the biggest shifts is a pronounced increase in interest rates. Has that changed your strategy at all and changed what you think are the opportunity set may be?

Brian: So our strategy remains fairly consistent and has been consistent since I joined. It's amazing now to look back. It's been just over three and a half years. As an investment team. We have responsibility for the overall Kuvare balance sheets and specialize in directly investing in investment grade private credit for Kuvare and for unaffiliated third party clients as well. Our thesis is identical and has remained consistent over that time, and it's the same thesis that I highlighted earlier where that yield premium is very important over public comparables.

The structure in which we invest is absolutely critical and is most often the reason why we turn down transactions when we do. And then finally, diversification where we're able to tap issuers that aren't typically present in public markets. And so none of that has changed. We've invested now as an investment team just over about $10 billion in investment grade private credit since I joined.
We've achieved significant yield premium over the triple B corporate index over that time. For on average, triple B rated investments, 95% of that volume has been investment grade. About half that volume we've completed in deals where we're the only investor, half that volume has been in deals where we're working directly with issuers. What has changed with the higher interest rate environment is if you look at what we've done over the course of 2023, we've skewed higher in credit quality and with higher interest rates, you have two choices.

Number one, keep your same targets a rating perspective and achieve even more significant yield, or you keep your yield targets and go higher on the credit spectrum. And that's what we've generally chosen to do in light of the broader economic cycle in light of market volatility. That feels like the right call in this market. And so otherwise though our thesis and the way we invest hasn't really changed.

Stewart: And outside of the traditional private credit market, where are you seeing investment opportunities in other asset classes in private markets?

Brian: Our focus in newer areas over the last year or so, it's been in a couple of main areas. Number one, we launched a broadly syndicated loan management platform earlier this year in Katayma Credit Management. Happy to say that they recently closed their first CLO transaction. That was a team that had worked together for a long period of time. Similar credit culture. We thought it was an attractive time to begin buying loans in the market due to dislocation and a little bit of a window opened up here in the late third quarter to price their first transaction.

So we're excited about the possibilities for that business going forward. We've also been spending a fair amount of time in the sports area where we've completed a couple of really interesting transactions where the broader themes are going to be well-known to everyone at this point, but ultimately it's really the only thing people watch live anymore. Viewership continues to grow thanks to Taylor Swift and the major US sports leagues valuation is fairly consistently grown at, call it 5% to 10% a year.

We believe that's sustainable. A number of the members of our team have invested in sports transactions for a long period of time, myself included, and so it's becoming a new vertical for us where we're targeting specific sports investments. We've done a couple of interesting transactions along those lines and I'd expect us to continue to build out in that area going forward.

Stewart: It has been great to get to know you and I love the background of your career. And thanks for the update and overview on Kuvare. I've got a couple of fun ones for you out the door if you're willing.

Brian: Sure.

Stewart: This has optionality. You can take either or both. Lots of people take both, no pressure. What's the best piece of advice you've ever gotten or given and who would you most like to have lunch with, alive or dead?

Brian: Oh boy.

Stewart: Come on. It isn't that awful.

Brian: The best piece of advice I've gotten or given... I'm not going to say the best piece of advice I've given, but the best piece of advice I've gotten, I'll go back to, I mentioned my dad had worked at Pru for probably about 10 years in the '70s. The specific advice he gave me when I started TIAA is just exceptional advice for anybody in a hierarchical organization, and I'll pass that along.

Number one, it's your job to do your boss's job so they can do their boss's job, and that's great advice for anybody. Number two, be quick to take blame and quick to share credit. And then number three, praise publicly and criticize privately. I've made that mistake as a manager probably more times than I care to admit and almost immediately regret it. So those pieces of advice I try to remember on a daily basis. The person I would most like to have lunch with, although I'm afraid it would take him away from writing, which I want him to continue to do, is Robert Caro.

Stewart: Wow, there you go.

Brian: I'm a voracious reader. People who knew me at the time got tired of me talking about LBJ when I was in the midst of reading Robert Caro's, now four volume LBJ series of biographies. He's hard at work, I hope, on the fifth and final volume there, but I think from a literary perspective, this is like the Sistine Chapel of nonfiction writing. And somebody who's devoted his career to first writing about Robert Moses and The Power Broker, which is itself just an amazing study.

You look around New York City and the skyline today, you may not know just how much impact Robert Moses not only had on New York City and the skyline, but public housing and society at large. Beyond that, for somebody who never held elected office in this country, just an amazing legacy. Not all good necessarily, but then with LBJ, just that four volumes, each 1000 to 1500 pages and just a series of incredible stories about what actually went on, or at least as Robert Caro tells it what actually went on. And I'm really looking forward to reading that fifth volume, but I'd love to sit down with him at some point and learn more.

Stewart: That book is actually... Is the title, the Master of the Senate?

Brian: The Master of the Senate would be the third volume in those four volumes, I believe.

Stewart: Because I've heard of that book, but I didn't read it. Because there's four volumes.

Brian: It could be last one. I don't know. But the Master of the Senate is a perfect example, right? When he was president, the passing of Voting Rights Act and the Civil Rights Act, the way he got that done was by agreeing to build a hydroelectric dam in the Pacific Northwest. And LBJ may not have been as fully committed to civil rights as people wanted him to be, but he saw it as the right thing to do, and most importantly, he knew how to get it done. And I really wish there were more of him in American politics today despite the fact, at least through the view of Robert Caro, he may not have been the most virtuous individual to have hold that seat.

Stewart: That's fantastic. I really appreciate it. I can't thank you enough for being on. We've been joined today by Brian Roelke, president and chief investment officer of Kuvare Asset Management. Brian, thanks for taking the time.

Brian: Thank you, Stewart.

Stewart: Thanks for listening. Please rate us, review us on Apple Podcast, Spotify, or wherever you listen to your favorite shows. My name is Stewart Foley, and this is the InsuranceAUM.com podcast.