

# REALASSETS

*Diversification strategies for private wealth advisers*

## ADVISER



## Takin' it to the street

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# Takin' it to the *street*

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By Mike Consol

**F**ormer PIMCO chief executive Bill Thompson — believing good ideas come from anywhere within the organization — one day created a CEO suggestion box and encouraged employees to contribute their best thinking.

Eric Mogelof, who had only been with PIMCO for about two years at the time, took Thompson at his word and submitted a suggestion that PIMCO change the way it recruits and trains talent at the firm.

“I wrote up a suggestion, put it in the box, and literally a day later I got an email asking me to sit down face-to-face with the CEO,” Mogelof recalls. “He asked me a bunch of questions, put me through the ringer and then said, ‘Hey, Eric, this is a great idea. You are in charge of the initiative.’”

Thompson then explained the resources Mogelof would have at his disposal to execute the plan.

The CEO finished the meeting by saying, “Oh, and by the way, in a month you’re going to present to the entire firm at an all-staff meeting.”

Exhilarated and somewhat shaken by Thompson’s pronouncement, Mogelof prepared assiduously for his day in the limelight.

“I’d love to tell you that the presentation was spectacular. It was not,” he concedes.

“But I built out a new initiative that really changed the way the firm recruited and trained talent. It was a great opportunity for me to meet a lot of different people at the firm. Honestly, it gave me a lot of confidence to take some more risks in my career.”

So, what exactly was this recruitment and training suggestion devised by the enterprising PIMCO sophomore? Mogelof explains it this way: At the time the firm was undergoing significant growth that, oftentimes, was filled by one-off searches. Mogelof decided that, given the growth trajectory of the organization, the firm needed to be more strategic about bringing new resources aboard by building a formal recruiting program that targeted top undergraduate and MBA collegiate talent in advance of their reaching graduation, giving PIMCO the jump on its peers. The firm moved from hiring a handful of MBAs to rounding up 50 of the best prospects available. Then PIMCO focused on how to effectively train its draft picks and get them into working condition to hit the ground running during their rookie season.

Mogelof’s prescription was built out across PIMCO global office footprint.

“It fundamentally changed the mindset around just-in-time hiring to hiring in advance of need,” he explains. “If you’re growing quickly, you’ve got to make sure you have a really strong bench.”

## **KKR** *by the numbers*

**Year founded**  
1976

**Founders**  
Jerome Kohlberg, Henry Kravis and George Roberts

**Assets under management**  
\$624 billion

**Personnel**  
4,300 employees

**Offices**  
25 across four continents



Mogelof counts that as a key turning point in his professional development, and helped propel him along a career path leading to his current role as partner and head of global client solutions at KKR.

## THE HUNTED

Eric Mogelof was riding along nicely at PIMCO for 17 years and expecting to spend many more at the global asset manager. Then came a call from Charlie Dore of the executive search firm Dore Partnership, working on behalf of client KKR. The storied Wall Street firm was looking to make a strategic investment in distribution, and that included building a private wealth business at a time when many in the industry were trying to figure out how to tap into this space, and individuals were looking for ways to access the private markets.

“I didn’t actually know a ton about KKR, but what I did know was that it was a world-class alternative investment management firm with an amazing brand in the market,” he says.

Still, Mogelof, committed to the long term with PIMCO, told Dore that he appreciated the call but was not interested in the offer. Dore accepted Mogelof’s decision, but only briefly. Dore called his candidate back just days later and said, “Eric, this is KKR. This is an amazing firm. It’s got a great culture. It’s got fantastic and top-notch people. Are you sure you don’t want to at least have a conversation? Aren’t you at least curious?”

Mogelof conceded Dore’s points and agreed to a meeting with KKR brass.

“From my very first discussion, I was totally enamored with the culture of the firm,” he recalls. “It is an amazing firm that is founded on the principles that George Roberts and Henry Kravis espoused for building trust, collaboration and connectivity, client-centricity and, ultimately, treating people the way you want to be treated. That was a really big component in my decision to join KKR.”

KKR executives liked what they saw and heard from Mogelof as well, extending an offer to join the firm as head of global client solutions. Mogelof also serves on the firm’s

# Alternatives and real assets at **KKR**

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

We see private markets playing an important role in client portfolios. This includes private equity, infrastructure, real estate, and private credit. Of course, ultimately, it depends upon an individual client's goals and objectives.

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

Clients utilize alternatives for different reasons. Some look to potentially enhance returns, others seek to diversify risk. Some are concerned with protecting against inflation. And some will look to boost income.

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

Absolutely. The combination of more challenging returns in the

public markets combined with new ways to access private markets are driving higher allocations to alternatives and real assets.

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

We provide many different ways for investors to access alternatives. This includes evergreen solutions, drawdown vehicles, and co-investment opportunities.

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

Private equity, infrastructure, and private credit are important areas of focus for us at KKR.



management committee. During his four years with the firm, KKR has been one of the hottest investment houses on Wall Street, making substantial investments in data centers, the energy transition, private equity acquisitions, and even investments in youth sports organizations such as Play On! Sports.

One of Mogelof's priorities from day one was the firm's private wealth business, an \$11 trillion opportunity, as alternatives make up a small part — if any — of individual investors' portfolios. Crucial to this effort was finding ways to connect with the vast world of financial advisers, which numbers 300,000 in the United States alone. To take on the task, Mogelof spent on marketing, analytics, and digital and data technologies and services, and identified product specialists who could bring expertise to clients. Those spending priorities paid off, as Mogelof would grow the firm's nascent private wealth business into a billion-dollar enterprise.

The firm has also committed itself to employee engagement and equity programs that give ownership stakes to employees of the companies it acquires, including payouts to employee/owners when they sell portfolio companies at a margin, a strategy based on the belief that employee ownership boosts company performance and profitability. Just recently KKR sold Colorado-based landslide mitigation company GeoStabilization International, resulting in a payday of \$325,000 for some of its longest-tenured employees. Since 2011, more than 55 KKR portfolio companies have awarded billions of dollars of total equity value to more than 110,000 non-senior management employees.

## CRACKING THE CODE

Eric Mogelof was raised in Connecticut and Long Island. He struggled to read until reaching the third grade (he suspects a case of undiagnosed dyslexia), but was a science and math kid participating in Science Olympiad and math competitions, while also becoming enamored with computers and coding, "way before it was actually cool."

"Growing up I was actually a real

hard-core coder in middle school and high school. I must have written thousands of lines of code. And I've always been an early adopter of technology in general. I'm really into automation and leveraging technology to make life easier. I don't really code much anymore, though I still have a little bit of coding chops."

His mother worked as a New York City school teacher for 35 years. His father practiced dentistry and, upon his retirement, Mogelof's twin brother Scott took over the practice.

Eric Mogelof headed to New Haven, Conn., and the fabled campus and classrooms of Yale University, where he joined the Alpha Epsilon Pi fraternity (AEPi), a brotherhood that became a huge part of his social experience at the university. Many of his fraternity brothers remain close friends.

Academically, Mogelof was expecting to study engineering or chemistry, feeding his interest in the hard sciences, though he assumed upon graduation he would pursue a law degree. That began to change when his freshman counselor encouraged Mogelof to take a microeconomics class.

"I totally loved the class and took both macro- and micro-economics," he says. "One of my favorite classes was on game theory, which was a perfect combination of thinking about using the analytical tools you develop and applying them to real-world situations around negotiations or optimizations."

He graduated with a degree in mathematics and economics, applying to law school during his senior year, only to change his mind after visiting with some of his AEPi fraternity brothers already working on Wall Street. One of them advised, "You're a math and economics person. You should probably learn a little bit more about roles on Wall Street."

Mogelof took the suggestion seriously, applying for a couple of jobs with Wall Street firms and ending up getting hired by Salomon Bros. as a financial analyst working in investment banking on merger and acquisition deals.

"My focus was mostly covering cable companies, which was actually really

interesting," he says. "It's funny to think about it now, but back then all of the cable companies were starting to build out something called digital cable and starting to offer high-speed data, to give you a sense how long ago that was."

After two years at Salomon, Mogelof went to work for a middle-market private equity fund called Jupiter Partners, where he was an associate working on traditional PE deals and working with portfolio companies for another two-year stint before leaving the firm to earn his MBA at Harvard and beefing up his financial and management skills.

Along the way he made the acquaintance of a woman named Josephine, who attended Yale at the same time as Mogelof, though they were only casually acquainted through overlapping circles of friends, but connected in earnest while both were attending Harvard. The couple began dating.

"I had a crush on her in college, but we didn't start dating until graduate school," he says. "She was doing her Ph.D. in organizational behavior while I was getting my MBA. We met at a Halloween party when I got to campus. Everybody was dressed in costume, and at first I didn't recognize her. Fortunately for me, she recognized me. We hung out at the party and went on a date the following weekend. That was it."

Josephine Mogelof would work for close to a decade in management consulting field at McKinsey & Co., before shifting to independent consulting and becoming a full-time mother to their three children: Jack (19), Tory (16) and Daniel (13).

## REPETITION AND TRANSPARENCY

Eric Mogelof, the man who made his mark on recruiting at PIMCO, is now making hires at KKR. In 2018, KKR had only 84 distribution professionals; today that number has risen to 282 professionals focused on six areas — institutional sales, insurance sales, family capital sales, global wealth, product strategy and marketing — across 20 different offices. The majority of those hires were made in 2021 and 2022, during Mogelof's tenure.

# Eric Mogelof GETTING PERSONAL

## If you could go back in time, what would you tell a 25-year-old Eric Mogelof?

When I was younger, I focused on developing deep subject matter expertise. I should have balanced this more with building a broader network of relationships.

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

Family and fitness.

## First choice for a new career?

I love helping people, which is how I got into working with clients. If I were to start a new career, I would focus on helping people grow and develop.

## Biggest lesson you've learned?

One of the most powerful things you can do is take "extreme ownership" when things go wrong. Before pointing a finger at anyone else, think about what you could have done differently. It's empowering and will lead to better outcomes.

## Best piece of career advice you ever received?

Think of your career in three- to five-year chunks of time. Shorter than that is not enough time to have an impact; longer than this is too hard to forecast/predict.

## Favorite quotation?

Former Duke University head basketball coach Mike Krzyzewski: "Don't worry about losing, focus on winning."

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

Growing up, I was a hard core math and computer science person. In high school, I would spend hours coding and competing in math competitions. This analytical background and skill set has helped me immensely in ways I never had imagined.

## What phrase is most overused in your industry?

Democratization

## What is your most pronounced characteristic?

Being transparent and being willing to have difficult conversations.

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

*Only Murders in the Building* — the show happens to be set in the apartment building my family used to live in, and it is fun to watch with my wife and kids.

When interviewing candidates, he insists on job applicants who have done their homework by researching KKR and the role being pursued at the firm.

"I was just interviewing someone a week or two ago, and I was blown away by how much she had thought about the role, learned about the firm, read all of our LinkedIn posts. She really understood the firm and the opportunity in a deep way and was able to communicate that very effectively."

Next level, Mogelof looks for the kind of chemistry that suggests a cultural fit. The firm prizes collaboration and people who build trust. For example, KKR founders Henry Kravis and George Roberts are famously known for doing interviews over dinner to watch how people interact with those around them in a restaurant, whether with servers or the maître d'.

"Oftentimes I'll spend time getting a better understanding of how a person works, who they work with, how they

interact with other people. We lean on experience-based interviewing. We really want to get to know people and what they've done and ask them to explain to us the projects they've worked on and what they were able to accomplish and, most importantly, what they were able to learn from their experiences."

Once under KKR's roof and Mogelof's purview, he looks to "flex" his leadership style to the person and situation. More broadly, he seeks to build consensus around the mission or strategy.

"You can't lead with one style. You've got to flex it based upon the teams and people you're working with," he says.

Repetition is also key.

"I used to think I was being repetitive, when restating our mission or strategy. But what I've realized is that you can't share a vision or a strategy enough because even if I've said it a dozen times, some people have only heard it once or twice."

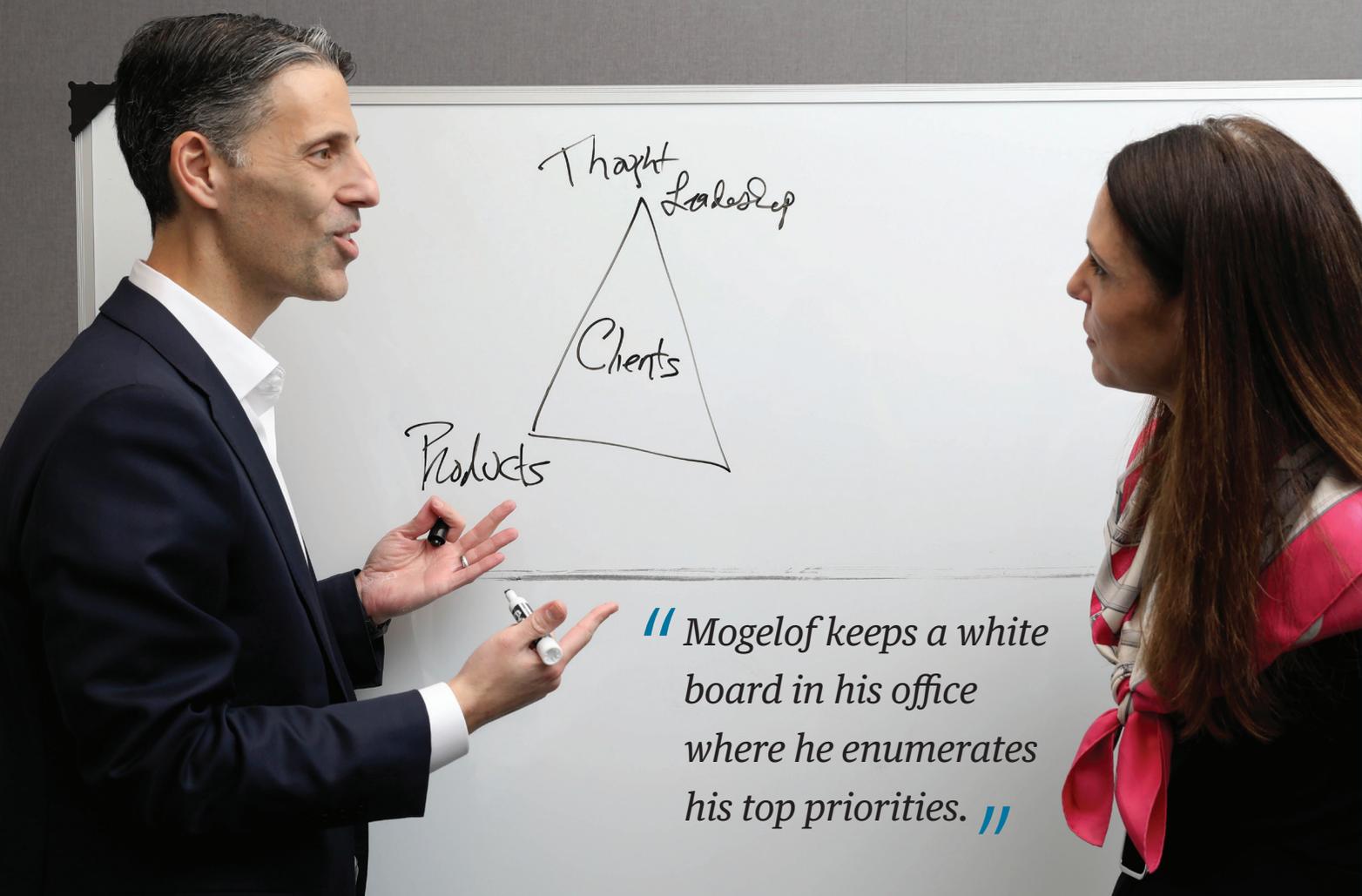
Add transparency to the protocol — keeping the team apprised of progress.

"If people don't understand where we are or where we are going, they can't contribute. If they don't understand how we are doing, they may spend a lot of time worrying instead of working toward our goals."

## THE DEMAND FOR ALTERNATIVES

From his perch at KKR, Mogelof has been witnessing what he calls a "massive acceleration" of wealth advisers adopting alternative investment products on behalf of their clients.

"Alternatives have long provided institutions with a good source of enhanced returns and diversification beyond traditional stocks and bonds, but these investments have historically been difficult to access for individual investors," he explains. "Now there are easier ways for eligible individuals directing their own retirement assets to add alternative asset classes to their portfolio."



*“Mogelof keeps a white board in his office where he enumerates his top priorities.”*

While today’s portfolios tend to have only two or three percentage points devoted to alts, Mogelof expects those commitments to rise dramatically over the next five to 10 years to an average of 10 percent to 15 percent of portfolios, driven in part by consolidation within the wealth advisory community, and the scale and expertise it brings for the kind of individualization and customization that facilitates more fruitful client outcomes.

Technology will assist in fostering this evolution, he says, by allowing industry players to more efficiently and accurately deliver advice and customize client experience and construct portfolios truly tailored for the specific needs of a single client.

“It’s going to be amazing.”

### TAKING IT TO THE BOARD

Eric Mogelof can be found at the gym at 5 a.m. weekday mornings. Though he likes to run, he doesn’t do it every day anymore (too physically punishing),

often jumping rope as an alternative, or doing time on an elliptical machine. Add to that some strength training.

He arrives at the office between 6:45 a.m. and 7 a.m.

“I love being in the office for sure. I really work my best when I’m brainstorming with other colleagues. I don’t really like just sitting by myself in an office.”

Mogelof says his wife Josephine advised him long ago to use his calendar strategically to increase his effect. To that end, he typically reserves a block of time each morning to work on a strategic project or initiative. There is a white board in his office where he enumerates his top priorities and the things that need to get done in bringing them to realization.

“I carve out some time in the morning to focus on those things that we think will hopefully move the needle.”

By his own acknowledgement, Mogelof’s success is largely the product of being in the right place at the right time and with the right people.

Among those people are PIMCO chief executives Bill Thompson and Mohamed El-Erian, as well as Tom Otterbein, a former managing director at PIMCO.

“I kid you not,” Mogelof adds, “I view my wife Josephine as a really important mentor. I have learned a lot from her and, by the way, she’s got a Ph.D. in organizational behavior. I learned a lot about creating the right team dynamics from her, and the emotional intelligence that one needs to lead.”

More broadly, he considers mentorship of its greatest value when it comes from multiple people with different skill sets and leadership styles.

“Then, ultimately, you build your own mosaic.”

That might be yet another one for the CEO suggestion box. ■

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