

Creating a client-focused, performance-driven culture for success in secondaries

Chase McWhorter, Institutional Real Estate, Inc.'s managing director, Americas, spoke in January with **Cherine Aboulzelof**, managing partner and global co-head of BGO Strategic Capital Partners, about how collaboration and adaptability are cornerstones of SCP's success in the secondaries market, as well as her own career and leadership style. Following is an excerpt of that conversation.

How do you approach portfolio construction and what principles guide your decision-making?

The secondaries business is a growth area for us and one where we have been early movers. At BGO, our team manages a global fund investing in the US, Europe and Asia Pacific, mostly Japan and Australia. The way we approach portfolio construction reflects our strategy of investing in mid-market transactions with best-in-class specialists directly into their assets.

When we build a portfolio, the strategic principles that guide our thought are threefold: The first one is diversification. We want to provide exposure to the markets where we have conviction, and we tend to lean into alternative sectors within a broad asset class. You can see that principle at work in our investment in the residential sector in Europe, where multifamily is still emerging compared to the U.S. We leaned into multifamily early, and that allowed us to buy into it with limited development risk. More recently we're doing the same in flex living and co-living where we invest in existing newly delivered assets in lease up.

The second principle that guides this is pacing and duration. We want strong deployment, short-duration business plans, and fast distributions. We're in the secondaries business of returning capital to investors. To give you one concrete example, we invested our 2022 vintage within 18 months to take advantage of market disruption we saw immediately after the dislocation of rates.

The third principle is risk-return arbitrage. Our strategy is to achieve a core-plus risk profile through the secondary entry point, generating what resembles a value-add return. We're really looking for those asymmetries when we make decisions about investment. The way we do this is we think about cycle – are we early, mid, or late into these different cycles? We leverage our proprietary data. We own our data at SCP through our investments but also BGO is a \$90 billion AUM business and a leader in data science so we lean into that to augment our investment decisions and give us an edge in underwriting.

What does a truly aligned GP-LP relationship look like, and how do you work to build trust with investors over time?

The GP-LP relationship is really core to the way the secondaries market works. Recently, it has fundamentally changed due both to the fundraising market stress that

has been well-documented, particularly for non-mega real estate funds, and to the changing nature of the capital allocation from LPs. The secondary market has seen a massive growth because of that. Last year we saw a \$20 billion market, and 70 percent of that market in the secondary space is GP-led. The GPs themselves understand it better: they use it as a tool to capitalize business plans or to supplement fund equity, to create liquidity events for their LPs at a time when DPI returns to LPs are at their lowest in over a decade.

So how do we work with GPs at SCP? First and foremost, we believe we invest with them in an under-the-radar segment of the GP world. We work with small and mid-cap sponsors, including emerging sponsors, and since we've been investing in that segment for two decades, we have two decades of relationships. This is where we believe the alpha is. Because the large funds that need to put out \$100 million or \$200 million per transaction can't touch it. For us on the other hand, it's the market of alpha creators. Our transactions are nimble and proprietary. We work with GPs collaboratively, creating our own transactions. In order to create this alpha, you need to have a nimble mid-market-size fund. That's basically what we do, and the proof of it has been our deployment pace in 2025. We've closed a deal in that GP segment almost every other month this year.

If you think about the LP side for us, we're trying to stay ahead of what LPs are looking for. They want high-quality assets in all the long-term secular sectors, but with duration and control. Our strategy addresses the fact that LPs want distributions, they want business plan visibility, and they want near-term exits. We're staying close to what they want in this cycle.

Do you expect a similar bimonthly deployment pace in 2026, or does 2026 seem more active thus far?

I'd say we're seeing at least the same amount of activity, if not more, because the catalyst for the types of transactions we've invested in remains the same. We're still in a world where the investment market is slowly coming back. It's still not the best time to sell some assets, even the better assets in the better sectors, so GPs need to find a way to create liquidity for their investors. That means it's the right time for us to replace LPs in joint ventures, to help GPs continue to capitalize their business plans with our flexible secondary capital. I think that will continue for the foreseeable future with investment market relative illiquidity. It's coming back, but it's definitely not where it would need to be to bring core, core-plus capital back to the market. And with refinancing looming everywhere, there is a continuous market catalyst for this type of capital in Europe and the U.S. that I think will continue for the next 2 to 3 years. Our pipeline's full for 2026, and we're very excited about the quality of the assets we have.

How do you bring different perspectives together on your team to arrive at sound, well-tested investment decisions?

We are a global team, in the unique position of running a global investment committee with members sitting in the U.S., in London, in Hong Kong. We have an amazing team of seasoned international real estate professionals at SCP who were real estate investors first in their prior careers before becoming secondary ones. Bringing these different perspectives together means we don't always immediately agree, and that is exactly what we're looking for.

In leading the team, I see the benefits of this diversity when we make investment decisions. Our solid decision-making process allows us to learn from the experiences of all these senior professionals around the world and apply those experiences early in other markets as similar dynamics emerge. For example, in the U.S. we were early movers in the institutional outdoor storage subsector of industrial. Witnessing the success of that investment thesis in the U.S. supported our conviction that we should be early movers in Europe, when we could buy early sites and get the right tenants. So we moved into that sector 4 years ago. Had we not had a global IC where we saw these things play out in another region, highlighting important opportunities as well as lessons learned, we wouldn't necessarily have made that investment.

Similarly, SCP and BGO have been longtime investors in U.S. multifamily. We went into that sector in Europe really early, where there's a huge opportunity to buy without having to take development risks. That's the kind of comparing-and-contrasting that happens at the level of our investment committee as we build consensus, and it is the key to sound and well-thought-out investment decisions.

Another major benefit of taking such a deliberate approach to gathering different backgrounds together on the IC, from a pure team perspective, is that it prevents groupthink – the last thing you want is people on the IC all thinking the same way. To give you a sense of the people, our IC chair is a former REIT analyst by training. He focuses largely on cycles and pricing, interrogating

our understanding of the cycle in a particular market and a particular sector. Another IC voice was a leasing professional in his early career, so his focus is often on leasing strategies. Another member has a credit and nonperforming loan background, so his focus tends to be on downside protection.

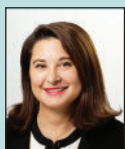
We blend these experiences and viewpoints and challenge each other to arrive at well-tested, well-founded investment decisions. Both our investment committee and our investment decision process are inclusive by design, and not only with respect to senior investment professionals. We want different members of the deal teams, whether junior or senior, to present at all levels so they develop their voices and we cultivate a culture where people learn and participate.

What is a hard-learned lesson from your career that continues to guide how you lead today?

I've been in real estate investment for almost 20 years now. Before that I spent almost 10 years in investment banking. The guiding threads throughout my career, which led to every step that got me to where I am today, have always been adaptability and curiosity. I moved from Morgan Stanley, where I was a media and telecom M&A analyst and associate to a newly launched real estate private equity firm in Europe, where I was employee number 3. Coming from a large international investment banking environment where roles are very siloed to an entrepreneurial private equity firm where I had a go-and-build-a-business-in-Europe type of role was challenging, but I embraced that challenge. It was that sort of bold willingness to jump into something new and learn from it that earned me my first role as a real estate investment professional. Then after spending 10 years as a GP in Europe working with operating partners day to day, the next big challenge was joining the current secondaries platform.

So now, 20 years into my real estate career, I've learned a completely new set of technical skills. I always try to stay ahead of challenges by being adaptable and curious while embracing a collaborative leadership style.

CONTRIBUTOR



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Cherine Aboulzelof is a Managing Partner and Global Co-Head of BGO Strategic Capital Partners, based in London. With more than 20 years of experience in real estate investing, she is also responsible for SCP's investments in Europe and a member of SCP's investment committee. Prior to joining SCP in 2017, Aboulzelof spent 12 years as Head of Europe on the sponsor side. Aboulzelof is a member of the GRI Europe Women Advisory Board, a board member of Menorca Preservation Fund, and a former FTSE 250 N.E.D.

COMPANY OVERVIEW

BGO Strategic Capital Partners, wholly owned by BGO and distinctly operated, is a market-leading, global multimanager platform with investments teams in the U.S., Europe, and Asia. Founded in 2002, BGO SCP has raised approximately \$6 billion in aggregate capital commitments, establishing decades of experience as a leading real estate multimanager investor. Our focus includes direct secondary investments with leading small and mid-cap managers on both single asset acquisitions and larger programmatic transactions.

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