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February 2026 • perenews.com

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Sonny Kalsi's final act

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The industry veteran has just agreed to the biggest job of his financial career. He expects it to be his last.
By Jonathan Brasse

PHOTOGRAPHER: SALEM KRIEGER

In a parallel universe, Sonny Kalsi would be a politician. Were it not for the global financial crisis and the alleged misconduct of a colleague, he would have switched careers years ago.

In the late 2000s, toward the end of an 18-year tenure at investment bank Morgan Stanley – where he latterly was global head of its private real estate arm, Morgan Stanley Real Estate Investing – he seriously contemplated swapping the pursuit of institutional returns with the courting of voters.

His financial interests at the bank were vesting and, facing a three-year noncompete, a pathway to politics was appearing. "It was the plan until my late 30s," he tells *PERE*. "I wanted to run for office."

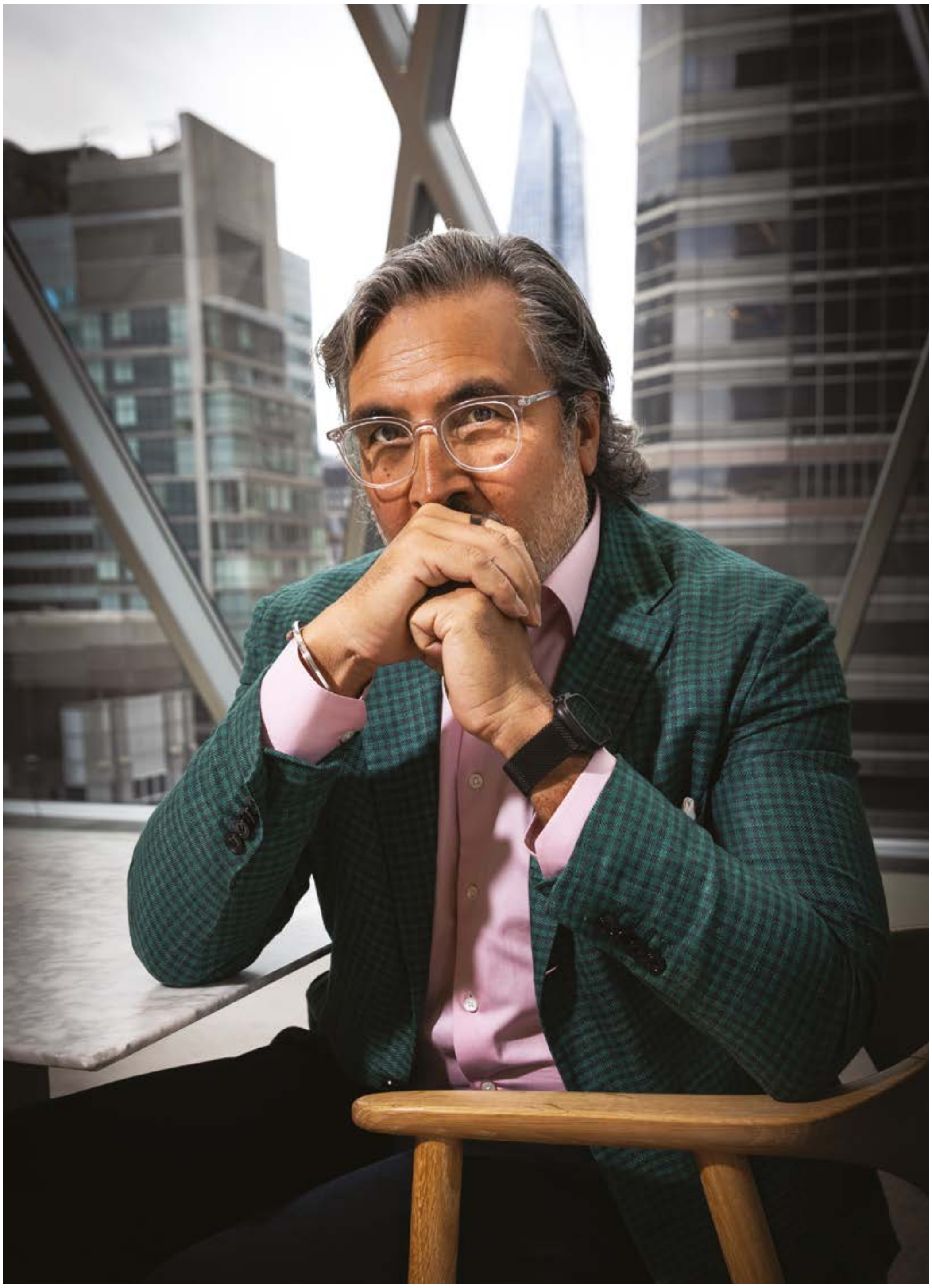
Then the GFC of 2008 decimated MSREI's performance. Compounding matters, Kalsi was placed on administrative leave while the bank investigated misconduct allegations levied against Garth Peterson, MSREI's then-head of China and in his reporting line. While Peterson received a jail sentence for self-dealing, Kalsi was cleared of any wrongdoing. He resigned from the bank the same year.

Believing he had unfinished business in private real estate, he decided to stay in the market. The decision materialized in the creation of manager GreenOak Real Estate in 2010.

Today, that business, which merged with peer Bentall Kennedy in 2019 to become BGO, is one of the world's largest real estate managers. It is also a significant part of a wider private markets giant with more than $300 billion of assets under management and bold plans to double in size – under his leadership.

The brief

As *PERE* revealed in December, Kalsi, BGO's co-CEO, this quarter becomes president and chief executive officer of Sun Life Capital Management, an entity started in 2014 by BGO's parent, the Canadian insurance giant Sun Life,



Cover story

Kalsi's timeline

1991	Joins Morgan Stanley
1997	Begins building Morgan Stanley's Asia real estate business
2007	Appointed joint global head of MSREI alongside John Carrafiell
2008	Placed on administrative leave by Morgan Stanley
2009	Resigns from Morgan Stanley
2010	Launches GreenOak alongside Carrafiell and Fred Schmidt
2015	Sun Life acquires majority stake in Bentall Kennedy via SLC
2019	SLC acquires majority stake in GreenOak, merges it with Bentall Kennedy
2026	Appointed president and CEO of restructured SLC Management

Sun Life Capital is an aggregation of private markets managers with more than $300bn in AUM in total

Manager	Sector	Headquarters	AUM ($bn)	Year purchased
BGO	Private real estate	Miami	90	2015 and 2019*
Crescent Capital Group	Private debt	Los Angeles	48	2021
InfraRed Capital Partners	Infrastructure	London	13	2020
Advisors Asset Management	Private wealth	Monument, Colorado	2	2023
SLC Fixed Income	Fixed income	Toronto	151	N/A

*BGO was formed from the merger of managers GreenOak Real Estate and Bentall Kennedy
Source: Sun Life

and comprises institutional private real estate, infrastructure and credit businesses.

His brief is to take SLC Management to the "big leagues" of asset management, according to Steve Peacher, Sun Life's former chief investment officer and the man who started the platform. "I expect us to be mentioned in the same breath as an Ares or Apollo and I think, under the leadership of Sonny Kalsi, we're going to get there," he says.

In the process, SLC joins a wave of organizations including Toronto-based Colliers, which stated similar objectives for its investment manager Harrison Street Asset Management last year. Other examples are Zug-headquartered Partners Group and San Mateo-based Franklin Templeton, each of which has executed multiple mergers and partnerships since the pandemic.

Over two interviews, one at BGO's Welbeck Street office in London, the other virtual, Kalsi explains how this will happen for SLC. He talks *PERE* through a masterplan presented to – and endorsed by – staff and stakeholders over a global roadshow last quarter.

It comprises three distinct parts. First, a major overhaul of the management equity ownership of SLC's affiliate businesses, which also include London-headquartered infrastructure manager InfraRed Capital Partners and Los Angeles-based private debt manager Crescent Capital. Then comes considerable M&A activity and the expansion of its non-institutional capital markets reach, particularly with insurance money and private wealth.

Kalsi describes an ambitious plan expected to take five years which, if successful, would see the platform double assets to more than $600 billion. Such scale would bring SLC closer to managers already successfully catering to institutional, insurance and private wealth capital such as Blackstone and Brookfield. Both surpassed the $1 trillion in assets mark in the last three years.

Kalsi's role, which formally starts next quarter and effectively sees Peacher become executive chairman, was 18 months in the making – a period that saw the materialization of this super league of managers now defined as much by their domination of the capital markets as by their wide suite of product offerings.

"There's no doubt more money is going to fewer organizations," Kalsi says. "It is in that context Sun Life has put these businesses together."

Peacher adds: "To be a player now… you have to have large, diversified sources of capital. To have that, you need a breadth of investment capabilities because that's what those sources of capital demand… it's a race to get bigger."

Leadership secured

The cornerstone to SLC's strategy is the reinvestment by the senior leadership of its businesses. In the case of BGO, executive headway is created via a reorganization under which fellow GreenOak founder and former MSREI boss John Carrafiell becomes sole CEO amid multiple other senior changes.

Other SLC businesses also experienced leadership changes in the past three years. At InfraRed, former Americas head Jack Paris was appointed CEO in 2023. At Crescent, private credit head Chris Wright was made president in 2024, assuming operational control from co-founders Mark Attanasio and Jean-Marc Chapus.

Critical to the plan is incentivizing this next generation of leadership in a more cohesive format. That materialized via a complex capital restructuring led by consultant McKinsey and compensation experts Semler Brossy to convert equity the executives shared with Sun Life in their respective businesses into equity shared with the insurer in SLC. Under the restructuring, senior management will ultimately hold approximately 20 percent in SLC, which Kalsi calls "a fair and equitable way to keep everyone motivated and aligned."

He initially saw the restructuring as another potential opportunity to depart the industry. Ghosts of his last years at Morgan Stanley had been exorcised by the successful formation and subsequent sale of GreenOak to Sun Life. But this second chance to flex entrepreneurial muscles – at a much bigger scale than before – was too attractive to ignore. "I feel invigorated by this. It's new. It's different," he says.

Hong Kong-based manager Gaw Capital Partners is a former investment

View from BGO

BGO's now sole CEO anticipates the capital and M&A benefits to come

For approximately three decades, Sonny Kalsi and John Carrafiell have been business partners. "We have spent literally more hours together than I care to remember," Carrafiell tells *PERE*. "Now, we can even finish each other's sentences."

Although Kalsi relinquishes his BGO badge with his move to SLC and Carrafiell becomes sole CEO, the latter sees their partnership continuing. Kalsi will keep working from BGO offices, for starters. But Carrafiell believes that because of the firm's size relative to SLC's other businesses, Kalsi will spend considerable time still focused on familiar activities. "We're two-thirds of the alternatives at SLC in terms of AUM and revenue and more in terms of profit."

Steve Peacher concurs private real estate stands to remain the biggest sector exposure for SLC. "Five years from now, I would still expect real estate to be at least half the business," he says.

Carrafiell anticipates significant benefits for BGO stemming from SLC's growth plan, particularly access to additional forms of capital and the prospect of corporate acquisitions. "Access to the general account is a fantastic enhancer for BGO products so the potential for growth there is exciting. Also, the private wealth channel is a key area for growth given only a handful of institutional investors are significantly growing their AUM."

On M&A, Carrafiell wants to see capabilities enhanced in sectors where BGO lacks clear competency. "On the residential side, for instance, we don't have an internal, vertically integrated capability for what is the largest institutional and retail wealth channel sector in the US."

If Carrafiell was to sound any notes of caution about SLC's plan, they would relate to staying disciplined around performance. But he says: "You can have phenomenal growth while staying super disciplined and focused on risk management. The two can go hand in hand if folks stay in their lanes, in their core competencies, such as us in Asia."

partner of MSREI during Kalsi's time at the investment bank. Chairman Goodwin Gaw believes Kalsi is up for the challenge: "Sonny knows how to navigate the resources within a large institutional platform to create entrepreneurial products and operating units without being constrained by the walls that normally sink such entrepreneurial spirits."

Peacher says it would be unconscionable not to utilize Kalsi's experience at this "very important inflection point" for SLC. "He ticks all the boxes for me. Leadership needs to transition as businesses transition."

Tall order

Kalsi starts at SLC buoyed by plenty of goodwill. But he has a relatively short window in which to establish a platform that can funnel considerably more insurance capital from Sun Life's general account into SLC's businesses than before, as well as substantially grow private wealth flows from almost a standing start. He will pursue these new objectives while also continuing to jostle for institutional capital market share.

The platform has an initial advantage on the insurance front in its captive client, Sun Life. Of SLC's approximately $300 billion AUM, the insurer's general account comprises about $120 billion. Of that, about $100 billion is invested in investment-grade credit instruments by SLC Fixed Income. The remaining $20 billion is invested in private real estate, credit and infrastructure. "That number will go up over time," says Kalsi.

Sun Life does not offer unrestricted liquidity, however. The challenge for Kalsi is to learn appropriate ways to utilize it. He says: "Part of the brief is to figure out what does and doesn't work for insurance capital. Sun Life has a disciplined view about what makes sense for them as an insurer, the policies they write, the businesses to be in. Put that through actuarial, regulatory and capital charge filters and then we will figure out what BGO, Crescent and InfraRed products match."

Kalsi says infrastructure equity already matches well with insurance capital needs. "You don't have to earn as high a return to make total returns make sense as the capital charges are lower." He also thinks private real estate credit should meet requirements. BGO's debt business currently manages about $20 billion of assets and could become one of the fastest-growing parts of SLC.

But the classic private fund model complicates things, Kalsi says. "Put something into an LP structure and it attracts higher capital charges. That's why a lot of insurance companies own real estate unlevered and directly."

Kalsi's thinking around private wealth, on the other hand, is "multi-dimensional" given much depends on the jurisdiction of the products offered

by the platform. Today, SLC's only private wealth presence is in the US, where legislation is changing to allow 401(k) employer-led retirement plans to obtain better access to private markets. In 2023, the platform purchased Advisors Asset Management, a Colorado-based retail distribution firm, with the aim of increasing access to this capital source.

SLC will look to bolster private wealth capabilities to achieve its growth ambitions. M&A is part of the solution – as it was throughout its first decade-plus in existence. "BGO is a merger. And there are six other M&A deals which form SLC in total," Kalsi says. "We're working on M&A opportunities in the US right now. All the businesses we're looking at are upper quartile and sector specific."

Peacher adds: "I would be surprised not to have something closed in 2026."

On the organic side, Kalsi needs to deepen the bench at SLC. He will review the best working functions of the different businesses, possibly lifting staff from them in the process. For instance, Kalsi says BGO's use of AI and data science is ahead of the other firms. "We want that at SLC level for the benefit of all the businesses."

What of Sun Life's role? Kalsi stresses the importance of the independence he and the other leaders of SLC's portfolio companies have enjoyed since their respective acquisitions and expects that to continue. "They need appropriate oversight, to make sure the regulators are happy with their line of sight. But Sun Life is delegating to us the ability to do this how we see fit."

"I feel invigorated by this. It's new. It's different"

SONNY KALSI
SLC Management

Challenges

Kalsi is cognizant SLC's pursuit of retail money alongside institutional requires continuous support from

the investors that have already backed BGO, Crescent and InfraRed. Among their prominent capital providers are US state pension fund California Public Employees' Retirement System, Japanese state pension fund Government Pension Investment Fund of Japan and Finnish insurer Mandatum Life Insurance Company.

"It is likely some investors might be concerned about our growth ambitions. That is something we will need to remember as we pursue this strategy," admits Kalsi. "We have to be cognizant who we put into the same pool. Sun Life, for instance, is our biggest client though. We have to make them happy."

For the retail investors at the other end of the spectrum, Kalsi will initially lean on his experience serving defined contribution pension plans. "We've had daily value sleeves for the DC market predating our merger with Bentall Kennedy. The regulation around retail is 10 times harder than institutional. We must be focused on that."

"There's no doubt more money is going to fewer organizations. It is in that context Sun Life has put these businesses together"

SONNY KALSI
SLC Management

Eric Plesman, president and CEO at Oxford Properties, the real estate arm of Canada's Ontario Municipal Employees Retirement System, says it is inevitable managers targeting scale are seeking capital in multiple forms. "Retail money in particular is the panacea. That is what a lot of people are trying to unlock."

He is not concerned about the potential for misalignment. "The fundamental objective is to generate appropriate returns. It's what the retail investor expects and it's what we, the institutional investor, expect," he says. "They aren't conflicting so long as there are enough different vehicles catering to the different objectives of those pockets of capital."

Plesman was a former MSREI colleague of Kalsi and an investor in both GreenOak and BGO funds in his previous role as global head of real estate at

Naming convention

With minimal brand equity, it is expected the SLC Management name will be dropped

With the restructuring now largely in the rearview mirror, a next order of business will be to determine a strong corporate identity, starting with a new name.

"We are looking very hard at that," Steve Peacher says. "We have a collection of businesses very well known in the institutional space. The question for us, especially as we try to penetrate the private wealth channel: is it really going to be effective long-term to be known as three or four brand names? The answer is probably no."

Peacher says internal surveys conducted after he and Sonny Kalsi finished their roadshow last year indicated staff are on board with adopting new branding. "Overwhelmingly, there was a positive response to go under one name. At some of our cocktail parties I heard people debating ideas about what it might be." He expects the new name to be determined this year. "I think the time is ripe to do it."

John Carrafiell does not have a preference. But he does see merit in furthering the use of the BGO brand. "If you think about those three letters, you have something interesting, right? You have the word 'GO' and the 'B' could equal 'be someone or something.'"

Whatever the firm is rebranded to, Carrafiell supports a change. "I'm glad it's a focus because I'm not sure SLC resonates. It does not currently have brand value in the alternatives space."

OMERS' neighbor, Healthcare of Ontario Pension Plan. Of Kalsi's appointment, he says: "It was no surprise. He has a very good grasp and track record when it comes to building businesses."

One important consequence of Kalsi's role at SLC is the formal end to his key man status on future BGO funds. But Plesman believes this change is mitigated. "There's a deep bench and, in many cases, a track record to raise the necessary capital. BGO in Asia is a good example."

Last May, the manager raised $4.6 billion for BentallGreenOak Asia Fund IV, an amount that rises to $5.1 billion when counting co-investment capital. It was the firm's biggest ever fundraising and came off the back of promising returns from its predecessor.

According to *PERE* data, Fund III, which closed in 2020, was generating a 12.6 percent IRR and a TVPI of 1.23x from $1.6 billion of equity as of September. Critically, Kalsi has not been hands-on in Asia since his MSREI days. "Is he as meaningful a piece today as those actively involved day-to-day? Not necessarily," says Plesman.

Not all investors are automatically confident about extracting Kalsi from BGO, however. "Any change requires renewed due diligence," says the director of real estate and real assets investments at another US pension, who spoke to *PERE* on condition of anonymity. "For the next investment we do with BGO, we will have to take a deeper dive into who the new key people are, especially if they haven't been a key person in the past."

Political persuasion

Like Plesman, the anonymous investor is a long-time private real estate investor who knows Kalsi well. He is confident the transition from old to new pastures will be successful and expects him to enjoy widespread support en route. "He has the qualities to get people to buy in," he says.

Whether these qualities will lead SLC to realize ambitions to join today's 'big leagues' of asset management is another matter. However, any ambitions Kalsi still harbors to switch PPMs for political manifestos will likely be realized only if the firm makes meaningful inroads into its masterplan, which has been signed off by multiple executives. "Each business did a business plan. They rolled them together. This is the result," Kalsi says. "It's come from the bottom up, not Sun Life top down. We've accepted that as a mandate to run with."

Words like that make Kalsi sound like the politician he dreamed of becoming – and could still be. "When I was at high school, I was voted most likely to go into politics. I'm 58 now and do have other things I want to do with my life." Significantly, everyone *PERE* spoke with for this feature either knew of his political aspirations or was unsurprised by his alternative reality.

"I would vote for him," says the anonymous investor. "He's kind of like a mayor already. Everybody knows him and he regularly gets people to say 'yes.'" Plesman adds that Kalsi would also get his vote: "He is a genuine individual and very thoughtful. He has high values and is exceptionally hard working. Those are attributes you can look to and say, 'That's a good person.'"

As Carrafiell ventures: "I've told him for many years, if he ever goes that route, I'll be his treasurer, his number two, whatever he wants. The US and the world would be a better place if everyone had more exposure to Sonny." ■