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## Technology Will “Reembody” Financial Services

**Don Lipari, RSM:** Hello, this is Don Lipari, National Private Equity for RSM, with another segment of "Powerhouses in Private Equity." Today, we're with Howard Newman, CEO and chairman of Pine Brook Partners. Hello, Howard.

**Howard Newman, Pine Brook:**

Hi, Don.

**Lipari:** So, let's talk a bit about financial services. What do you see as the opportunities in the evolving financial services space?

**Newman:** Financial services is as interesting now as it's ever been. I joke, just as an aside, that Pine Brook is based upon two businesses, which people hate but can't do without, right? Financial services and energy. You can't do without financial services. You need money. Money is a store of value. Money is a means of transaction. And, as the world gets richer, the demand for financial services products just grows. It is both a necessity at one level, and then it becomes a luxury item above that. So, the growth in the demand for financial services is likely to exceed the growth and demand for income going forward. [The] question is, what are those providers going to look like? Will they be completely eliminated by technology? I don't think so. Technology is just a way to do things better, faster and cheaper.

But let's look at the great fin-tech inventions of the recent past, right? Airbnb. When I was a graduate student in Europe, I used to travel around and you'd pull into the center of a town and there would be the war widows out there saying, "Room for let, room for let," right? Is that any different than Airbnb? It's just a more efficient way of delivering the same service, right?

And you go through each of the great financial services technologies that are just re-embodiments of existing businesses, so we're going to need to lend money. We're going to need to borrow money. We're going to need to have assets. We're going to need to securitize those assets. Will the technologies enable those products and services to be delivered in different ways? Clearly, yes.

Will blockchain or other things like that enable us to turn every asset into 1,000 pieces, so that you can own 1/1,000 of 1,000 different apartment buildings in the United States as an efficient source of value? [That] might happen. Are you going to be able to underwrite better using more data? Maybe, maybe not. So far, people haven't cracked that code. Are you going to need to put capital into parts of the financial services industry, when capital's been destroyed there by bad decisions? Absolutely.

So, the outlook for financial services as an investor remains [00:39:00] very bright. It's going to require you to continue to be nimble, to take advantage of dislocations, which are caused either by regulation or by technology or by growth, but the opportunity set remains really strong in that area.