

# PRIVATE EQUITY INTERNATIONAL

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Private equity heads into  
the unknown

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largest secondaries firms

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Adams Street on the state  
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Raising a \$1bn debut fund

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## DEBUT FUNDS

# Billion-dollar babies

*It is a rare thing to raise a debut fund above \$1bn; it pays to be different, writes Nicole Lee*

Raising a \$1 billion debut fund is no mean feat – and few firms manage it. In the first half of 2014, 2015 and 2016, a maximum of two debut funds per period closed above the milestone, according to PEI data.

In the first half of 2014, Germany-based SwanCap Partners, set up a year earlier by senior professionals who had been part of Italian bank UniCredit's private equity unit, raised \$1.2 billion for its opportunities fund.

Last year, Beijing-based Hillhouse Capital – a firm which backs start-ups in China, founded in 2005 by billionaire Zhang Lei – raised a \$2 billion growth fund, Hillhouse Capital Fund I. Private equity firm Castik Capital, based in Munich and founded by four partners including



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**Andrew Sheiner**

ex-Apax Michael Phillips, also raised around \$1.1 billion for its first fund.

In the first half of 2016, two private equity firms closed debut funds at \$1 billion each: Toronto-based Altas Partners and London's Broadwell Capital.

Andrew Sheiner, founder and managing partner at Altas Partners, spent 17 years at private equity firm Onex before launching Altas. His vision was to build a firm that is “differentiated in its approach”.

“First, we try to be very discerning; our focus is to acquire one or perhaps two businesses each year that we feel very strongly about. The objective is to be the antithesis of a deal shop,” he says.

And second? “We believe that as owners of businesses, it is hugely

valuable to be able to benefit from a flexible time horizon,” he adds.

Altas Partners I allows the firm to hold each business for at least 10 years, and up to 17, far longer than the five-year limit most private equity funds have.

“Occasionally, [private equity] owners are compelled to sell a business not because the work is done, but because their time is up,” Sheiner says. His flexible approach appeals to management teams that want to get off “the PE treadmill”.

Caspar Gilroy, chairman and founder of Broadwell, says that his team's ability to execute complex deals involving illiquid assets is a critical differentiating feature.

Broadwell Capital targets opportunities that are “esoteric, off the beaten path and often highly complex”, where “it is necessary to spend a substantial amount of time working up and analysing the opportunities in great detail”, Gilroy adds.

The type of deal that Broadwell will chase was the preserve of large hedge funds and investment banks' proprietary trading desks. Banks' activities have been curtailed by the Volcker Rule; hedge funds have been hit by changing investor sentiment. This has “created a vacuum for often illiquid, specialist and complex deals ... Broadwell was set up to take advantage of that”, Gilroy says.

Being different – however a firm does that – seems to be the secret to a successful first fundraise. ■

## BN THERE, DONE THAT: DEBUT FUNDS THAT HIT \$1BN

FUND NAME	FUND MANAGER	CAPITAL RAISED (\$M)	MONTH/YEAR CLOSED
<b>H1 2014</b>			
SwanCap Opportunities Fund	SwanCap Partners	1,200	Jan 14
Equatorial Guinea Co-Investment Fund	Equatorial Guinea Co-Investment Fund	1,000	Feb 14
<b>H1 2015</b>			
Hillhouse Capital Fund I	Hillhouse Capital Management	2,000	Jan 15
EPIC I SLP	Castik Capital	1,098	Jul 15
<b>H1 2016</b>			
Altas Partners I	Altas Partners	1,000	Apr 16
Broadwell Tactical Opportunities Fund	Broadwell Capital Partners	1,000	Jul 16

Source: PEI