

FTfm – Global alternatives survey

Pensions select firms for direct investment

Private equity

A small group of buy-out specialists are gaining from schemes' optimism, says **Ellen Kelleher**

More pension fund money is being awarded to a small band of private equity specialists, as investment advisers bet on the return of deal-making across the sector.

After building up large cash positions in the past year, private equity groups are splashing out on deals and selling large chunks of their portfolios as they make use of rebounding debt markets and the return of strategic buyers.

In response, people are taking notice. On the roll of investment managers benefiting from the renewed attention of pension fund trustees are a collection of large UK and US asset managers as well as specialist houses. JPMorgan Asset Management, for example, saw its pension fund assets under management in private equity fund of funds rise by 92 per cent to \$14.6bn in 2010; Scottish Widows Investment Partnership, meanwhile, reported an even greater increase of 161.6 per cent to \$1.25bn, which it attributed mainly to the rise in the value of invested capital put forth by Lloyds TSB's pension fund.

Siguler Guff & Company, an independent multi-strat-

egy private equity fund of funds manager in New York, saw its pensions assets climb 69.8 per cent in 2010 to \$5.26bn. And Aviva Investors recorded an eye-catching 591.9 per cent gain to \$188.2m.

Some advisers fared less well. Neuberger Berman, the independent US asset manager, saw a drop of 40.9 per cent in pension fund assets as they fell to \$1.486bn last year from \$2.514bn in 2009. Adevq Management's assets were also down, falling 38.4 per cent to \$1.66bn in 2010. And Axa Private Equity saw its private equity assets from pension funds drop 26 per

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**Mark Calnan
Towers Watson**

cent in the same period to \$3.592bn.

The top 50 private equity fund of funds managers in the survey saw an increase in pension fund assets under management of 12 per cent. Mark Calnan, global head of private equity at Towers Watson, attributes the rise to improving capital value of assets.

He says pension funds show an increasing preference for investing directly. "A fund of funds provides some benefits but it is also very expensive."

Mr Calnan says investors must be "meticulously"

selective when they choose managers.

"On average, private equity funds won't outperform listed equity net of fees and leverage, so to materially outperform, you have to back the better managers," he says.

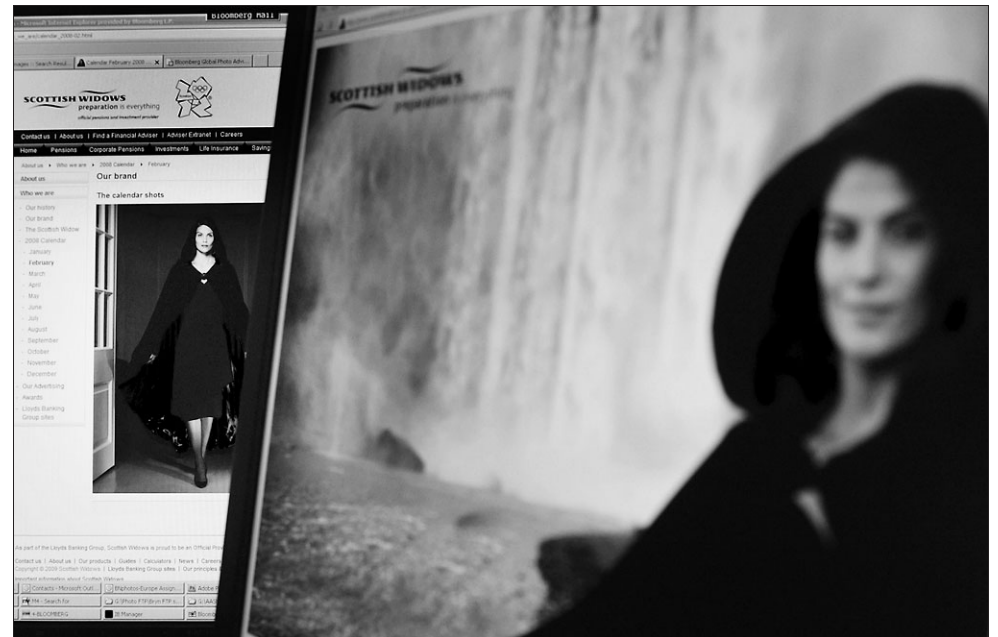
Craig Baker, head of investment research at Towers Watson, says the consultant views private equity as a way to earn a skill premium and is not keen on buying it as an asset class.

The appetite for private equity investments continues to rise this year, according to industry experts. Indeed, the first six months of the year have been the busiest for some time, with financial investors backing \$131.4bn worth of deals globally, an increase of more than half from the same period of 2010, according to data from Mergermarket.

This was matched by bustling activity on the sell side. Private equity groups disposed of companies worth a combined \$143.4bn in the first half of the year. This amount surpasses the volume completed in the first six months of last year by more than half as well.

Mr Calnan forecasts the outlook for the private equity sector will continue to improve as houses return to the markets to raise capital for new funds.

The projected increase in demand from investors would also put pressure on houses to reduce the high management and performance fees on private equity funds, he predicts.



Scottish Widows Investment Partnership's reported a rise in pension fund assets

Top 50 fund private equity fund managers of pension fund assets

Management group	Main country of domicile	Pension AUM (\$m)		% change	Total 2010 AUM (\$m)	Pension AUM (as a % of total)
		2010	2009			
HarbourVest Partners,	US	21,684.9	21,002.1	3.3	32,888.0	65.9
Credit Suisse Asset Management	US	17,158.5	15,306.5	12.1	32,438.2	52.9
Pantheon Ventures	UK	16,443.0	16,841.9	-2.4	22,955.0	71.6
Adams Street Partners	US	14,975.7	14,161.7	5.7	19,559.2	76.6
JP Morgan Asset Management	US	14,638.3	7,623.0	92.0	19,713.4	74.3
Goldman Sachs Asset Management	US	11,372.1	11,163.1	1.9	34,304.5	33.2
Pathway Capital Management	US	10,334.8	new	new	11,075.8	93.3
Partners Group	Switzerland	9,970.0	9,514.0	4.8	19,974.0	49.9
SL Capital Partners	UK	8,514.0	8,514.0	0.0	8,739.0	97.4
LGT Capital Partners	Switzerland	8,435.2	6,973.0	21.0	16,000.0	52.7
Landmark Partners	US	6,981.1	6,152.3	13.5	7,124.0	98.0
Abbott Capital Management	US	5,685.4	5,500.3	3.4	6,964.4	81.6
Siguler Guff & Company	US	5,262.7	3,100.0	69.8	8,033.0	65.5
Portfolio Advisors	US	4,530.1	3,690.0	22.8	6,330.1	71.6
CB Richard Ellis Investors	US	3,800.0	new	new	4,100.0	92.7
Morgan Stanley	US	3,726.4	3,352.0	11.2	7,187.7	51.8
Axa Private Equity	France	3,592.0	4,857.3	-26.0	16,990.2	21.1
Industry Funds Management	Australia	3,070.4	2,658.7	15.5	3,070.4	100.0
Fairview Capital Partners	US	3,042.0	2,942.0	3.4	3,053.0	99.6
Auda Private Equity	US	2,640.7	2,586.0	2.1	3,710.0	71.2
Nothleaf Capital Partners	Canada	2,436.7	1,900.0	28.2	3,702.6	65.8
Access Capital Partners	France	2,260.0	1,700.0	32.9	6,240.0	36.2
Mesirow Financial Private Equity Advisors	US	2,043.3	1,932.8	5.7	2,429.6	84.1
Paul Capital	US	1,928.0	2,370.6	-18.7	2,629.0	73.3
Hamilton Lane Advisors	US	1,891.0	2,251.0	-16.0	3,545.0	53.3
UBS Global Asset Management	UK	1,872.1	new	new	2,306.1	81.2
Capital Dynamics	Switzerland	1,700.0	2,160.0	-21.3	4,142.0	41.0
Adevq Management	Switzerland	1,662.4	2,700.0	-38.4	4,047.3	41.1
BlackRock	US	1,536.7	2,664.2	-42.3	4,786.6	32.1
Neuberger Berman	US	1,486.0	2,514.6	-40.9	7,617.0	19.5
DB Private Equity	Germany	1,408.2	2,280.0	-38.2	6,755.3	20.8
Akina (formerly LODH Private Equity)	Switzerland	1,300.0	1,500.0	-13.3	2,000.0	65.0
Robeco Institutional Asset Mgmt	Netherlands	1,279.0	1,126.0	13.6	2,004.0	63.8
Scottish Widows Inv Partnership	UK	1,245.2	476.0	161.6	1,276.5	97.5
SVG Advisers	UK	1,228.5	1,177.0	4.4	4,900.0	25.1
Quay Partners	Australia	1,176.1	852.8	37.9	1,176.1	100.0
Invesco	Bermuda	973.6	1,312.3	-25.8	1,117.2	87.1
Northgate Capital	US	963.7	new	new	2,425.6	39.7
QIC	Australia	938.0	new	new	938.0	100.0
Greenspring Associates	US	801.2	703.3	13.9	1,919.3	41.7
Macquarie Group	Australia	697.7	1,524.8	-54.2	1,573.4	44.3
Asia Alternatives Management	US	465.0	1,000.0	-53.5	2,200.0	21.1
Park Street Capital	US	391.4	391.5	0.0	2,870.0	13.6
Squadron Capital	Hong Kong	314.7	243.0	29.5	706.9	44.5
Axiom Asia Private Capital	Singapore	283.0	new	new	1,390.0	20.4
Unigestion	Switzerland	270.0	266.5	1.3	2,068.0	13.1
Arcis Group	UK	255.0	255.0	0.0	800.0	31.9
Aberdeen Asset Management	UK	254.3	new	new	1,701.6	14.9
Weathergag Capital	US	240.0	new	new	310.0	77.4
Spur Capital Partners	US	225.0	225.0	0.0	472.0	47.7
TOTAL		209,382.9			364,259.1	57.5

Source: Towers Watson

Top 20 infrastructure managers of pension fund assets

Management group	Main country of domicile	Pension AUM (\$m)		% change	Total 2010 AUM (\$m)	Pension AUM (as a % of total)
		2010	2009			
Macquarie Group	Australia	60,317.37	51,632.00	16.8	92,152.2	65.5
Brookfield Asset Management	Canada	10,681.23	18,520.26	-42.3	27,694.0	38.6
Industry Funds Management	Australia	7,522.40	5,796.60	29.8	7,522.4	100.0
Alinda Capital Partners	US	6,076.60	6,080.55	-0.1	7,045.7	86.2
Goldman Sachs	US	6,041.80	5,406.80	11.7	10,719.5	56.4
Deutsche Bank	UK	5,897.14	4,899.02	20.4	10,656.4	55.3
AMP Capital Investors	Australia	4,235.10	1,359.59	211.5	5,733.4	73.9
JP Morgan Asset Mgmt - Global Real Assets	US	3,281.82	1,718.40	91.0	5,193.1	63.2
Hastings Funds Management	Australia	2,940.00	2,256.10	30.3	5,084.0	57.8
QIC	Australia	2,632.00	new	new	2,632.0	100.0
Capital Innovations Alternative Inv	US	2,600.00	new	new	2,600.0	100.0
Arcus Infrastructure Partners	UK	2,303.69	2,493.45	-7.6	2,873.5	80.2
Morgan Stanley	US	2,242.00	new	new	4,003.0	56.0
Global Infrastructure Partners	US	2,080.00	2,080.00	0.0	5,640.0	36.9
Lazard Asset Management	US	1,968.62	new	new	2,264.0	87.0
Colonial First State Global Asset Mgmt	Australia	1,745.30	1,224.90	42.5	2,625.0	66.5
SteelRiver Infrastructure Partners	US	1,558.30	new	new	1,913.0	81.5
UBS Global Asset Management	UK	1,500.00	new	new	1,984.0	75.6
Innsfree	UK	1,475.00	new	new	2,380.0	62.0
Magellan Financial	Australia	1,384.00	new	new	1,645.0	84.1
TOTAL		128,482.37			202,360.2	63.5

Source: Towers Watson