

PLACEMENT AGENTS A GROWING FORCE IN PRIVATE EQUITY

CPs ARE RELYING ON PLACEMENT AGENTS TO HELP THEM RAISE CAPITAL BUT SPECIALIST FOCUSES ARE BECOMING VITAL

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Placement agents are the rising stars of the private equity world, and they're unlikely to go away any time soon as fundraising heats up across the industry.

In the early days of private equity, convincing LPs to write a cheque usually took little more than a successful track record of performance and a few high-profile deals. This is how the behemoths of the industry – BlackRock, Blackstone, Carlyle, KKR, TPG – built their businesses, one big deal after another.

But as the industry has grown and matured, new and niche players have emerged, sparking increased competition across sectors and geography. According to Preqin, a total of 206 private equity funds secured a close in Q2, raising a combined \$121bn. For comparison, in the second quarter of 2012 a similar number of funds raised less than \$60bn, a sign of just how much demand there is for private equity strategies in today's market.

This interest isn't just limited to North America either. While North America still leads the way with 109 funds raising \$67.5bn, Europe (39 funds, \$32.5bn) and Asia (43 funds, \$18.2bn) both represent rapidly growing markets. In total, there are now a record 2,000+ private equity funds currently in the market targeting an aggregate \$676bn in capital commitments, over \$150bn more than at the start of 2017.

The private debt industry is experiencing a similar uptick in growth, with 310 private debt funds currently in the market seeking an aggregate of \$137bn in capital, up from 260 funds targeting \$123bn in the previous quarter. This growth trend is unlikely to abate anytime soon, especially as the private debt industry becomes more bifurcated with strategies focused

on everything from distressed debt and mezzanine financing to direct lending and special situations.

The role of the placement agent

Placement agents, which are typically employed by third-party marketing firms or private placement groups, are individuals whose sole responsibility it is to introduce private equity and private debt firms to potential investors. With thousands of funds to choose



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from, it's unreasonable to expect institutional investors to be able to properly vet each investment opportunity. This is particularly true of smaller investors, which likely lack the internal due diligence staff to examine more than just a handful of funds. Placement agents play the role of intermediary by helping connect interested investors with the right strategies.

Placement agents are particularly useful for marketing a fund in regions where a fund manager has few relationships or limited experience. For example, with many funds now

targeting Asian investors, placement agents can step in and provide a level of credibility to a firm investors may have never heard of. Since Asian investors prefer to work with people that they know, these third-party marketers represent a ‘foot in the door’ to the Asian market for many private equity and private debt firms.

Finding the right placement agent

Our quarterly data on marketing moves across the alternative investment industry shows that placement agents are all the rage right now. So far in 2017, we've tracked 121 marketing hires involving a placement agent, compared to 114 over the same time period in 2016 and 103 in 2015.

The majority of this activity involves private equity firms hiring marketers from private funds groups, sometimes just for raising one-time funds. The placement agents in the most demand tend to have expertise in either a particular strategy or a specific region. Given how competitive the industry has become, it's no surprise generalists have fallen out of favor.

Some notable recent moves include:

- Peter Coroneos and Alexander Apponyi leaving Jefferies Private Capital Group in March 2017 to lead Z Capital's global fundraising efforts
- Mark Barbour-Smith, formerly Credit Suisse's COO for M&A in EMEA, leaving the bank in April 2017 after nearly 10 years to join Rede Partners as chief of staff
- Alex Leykikh, James Weidner and Brendan Edmonds spinning out of Atlantic Pacific Capital to form Metric Point Capital in April 2017
- Jeffrey Baker and Graham Hobbs, two top brokers who led several large multifamily deals at Savills Studley, joining third-party marketer Park Hill Group in May 2017

These types of marketing professionals may represent the difference between successfully closing a fund and losing a potential investor to a competitor. With more private equity and private debt funds in market than ever, the margin of error for these managers is slim to none. An accomplished placement agent can provide an added boost for a firm's marketing function, and help drive growth throughout the business. ↓



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