

# Buyouts

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## Twelve emerging managers to keep your eye on in 2022

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Emerging managers are hot right now.

There are more of them in the fundraising market than ever before. Last year, some 553 first-time funds collected more than \$46 billion globally, Prequin reports.

LPs like emerging managers because they are a source of outsized returns. Between 2019 and 2000, Prequin data show, their debut funds outperformed the vehicles of established managers in all years but three.

However, LPs also view new private equity firms as risky. A team may have worked together in the past, but typically only at larger shops. Or they may not have worked together at all, gathering from different firms. And the decision to back a new team is made tougher when well-performing incumbents are returning to market quicker and with more products covering a variety of asset classes and strategies.

Fewer LPs are set this year to back first-time funds. Affiliate title Private Equity International's LP Perspectives 2022 Study found 42 percent of respondents saying they are "just as likely" or "more likely" to commit to these funds, down from 51 percent in 2021.

On the other hand, LP appetite for first-timers formed in spinouts from big, brand-name PE firms seems to have risen. Probitas Partners' 2022 Institutional Investors Private Equity Survey found 71 percent of respondents are focusing on spinouts, up from 64 percent a year earlier.

Buyouts identified 12 emerging managers it plans to keep close tabs on in the year ahead.

### Avance

Avance Investment Management has gained momentum since unveiling an inaugural buyout fund last year. Sailing past an original target of \$500 million, the firm upped its hardcap to \$1 billion, pension documents said, and now appears to be heading for a final close.

Avance has a strategy that mirrors the experience of its founders, David Perez, Luis Zaldivar and Erik Scott, all veterans of Palladium Equity Partners. It acquires control stakes in family- and founder-owned lower-mid-market companies in sectors like business services and consumer.

### BayPine

By all accounts, the pandemic accelerated widespread digitalization. In addition to animating the deal environment, the trend spurred the launch of new tech PE firms. One of them is BayPine, created to invest in disruption in traditional sectors of the economy.

BayPine's top principals are David Roux, a founder and former co-CEO and chairman of Silver Lake, and Anjan Mukherjee, an ex-senior managing director with Blackstone. It recently secured more than \$1.5 billion for a first-time buyout vehicle that is reportedly targeting \$2 billion.

### **Braemont Capital**

Growth equity had a strong run in the fundraising market of 2021. A contributing factor was newly minted PE firms on the hunt for opportunities in on-theme, high-growth sectors. Braemont Capital, founded by Robert Covington, an ex-partner with RedBird Capital Partners, is an example.

Braemont is a "relationship-driven" investor of growth equity aimed at defensive niches in enterprise (B2B) and consumer (B2C) end markets. It may increase the target for its debut fund to \$700 million from \$500 million due to interest shown by LPs, Buyouts reported.

### **Grafine Partners**

Emerging managers often offer strategies that reflect out-of-the-box thinking. That perhaps describes Grafine Partners, led by ex-Riverstone Holdings partner Elizabeth Weymouth, which is looking to shake up the traditional PE model by focusing on the "Great Resignation."

Grafine, a sort of multi-faceted GP stakes firm, invests in seasoned dealmakers who are leaving established managers to build their own outfits. At the same time, it helps under-resourced LPs access these potential future stars. Fund I is seeking \$500 million.

### **GrowthCurve Capital**

GrowthCurve Capital is another emerging manager that appears to be riding the crest of the digitalization wave. Its emphasis is on owner-operators who know they need to digitally transform their mid-market companies to improve competitiveness but who lack an effective game plan.

Founded by Sumit Rajpal, formerly the global co-head of Goldman Sachs' merchant banking division, GrowthCurve rolled out an inaugural buyout offering last year. While a target was not disclosed, Buyouts reported it is expected to be north of \$1 billion.

### **HighPost Capital**

Thanks to its leadership, HighPost Capital is already pretty well known. Among its GPs is Mark Bezos, brother of Amazon founder Jeff Bezos. He also has the distinction of being PE's first amateur astronaut in space following last year's Blue Origin rocket launch.

Also led by David Moross, founder of Falconhead Capital, HighPost makes buyout and growth investments in the consumer sector. The marketing of Fund I, which is reportedly seeking at least \$500 million, is being assisted by Azimut Group, whose GP stakes platform invested in 2021.

## **Knox Lane**

Knox Lane launched a debut offering in the early months of 2020's virus-roiled market, when fundraising challenges for emerging managers were multiplied. It has, however, brought in most of the \$500 million target, according to Form D documents.

The firm operates with a growth-oriented control strategy, backing mid-market consumer and services businesses. The founders are John Bailey, who led consumer investing at TPG Growth, TPG's growth equity and mid-market buyout arm, and Shamik Patel, who led service-focused investing there.

## **Lone View Capital**

Lone View Capital is one of the newest faces in the community of fledgling PE firms. It is the brainchild of Rishi Chandna, who recently departed his role as managing director and head of tech investing at Golden Gate Capital.

Chandna will likely leverage his long experience in enterprise software and tech-enabled services, among other tech sectors, in Lone View's strategy, Buyouts reported. He is also expected to target about \$500 million for a first-time vehicle, but could try for closer to \$1 billion depending on LP reception.

## **Maverix Private Equity**

Founded by ex-OMERS Ventures CEO John Ruffolo, Maverix Private Equity is tapping into two trends that drove fundraising in 2021: growth equity and tech. It makes growth investments in companies that can help shake up traditional sectors with little-or-no tech exposure.

Maverix is initially focusing on opportunities in health and wellness and financial services, as well as retail, transportation and logistics. The \$500 million Fund I last year secured anchor commitments in advance of a planned \$350 million first close, Buyouts reported.

## **Newlight Partners**

Newlight Partners is a classic spinout. It formed in 2018 when the PE team at Soros Fund Management, the family office of George Soros, spun out with an agreement to manage new and existing portfolio investments.

Led by David Wassong and Ravi Yadav, Newlight last year held talks with LPs about an inaugural buyout fund, targeted at about \$1 billion, Buyouts reported. It invests in sectors like broadband connectivity, financial services, value-based healthcare, sustainable energy and tech-enabled services.

## **Patient Square Capital**

Like tech, healthcare was a major sector theme in last year's deal and fundraising markets. This provided an opening for new dedicated healthcare PE firms, such as Patient Square Capital, founded by Jim Montazee, formerly the head of KKR's Americas healthcare group.

Patient Square is also an example of the increasing number of first-time funds seeking much more than \$1 billion. It is targeting up to \$3 billion to invest in biopharma, pharma value chains, medical devices, healthcare providers and tech-enabled services, of which it last year nabbed \$1 billion-plus.

### **WestCap**

WestCap, led by Laurence Tosi, the ex-CFO of Blackstone and Airbnb, also provides an illustration of an emerging manager in the market with an above-average-sized vehicle. The firm's first traditionally structured PE offering, it has a \$1.5 billion target and a \$2.25 billion hardcap.

A growth equity shop, WestCap invests in founder-led, product-centric companies and emphasizes sectors like financial tech, real estate tech, experience tech and life sciences tech. The fund is reportedly on its way to closing at as much as \$3 billion.