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UBS FoF seeks tech, life sciences, secondaries funds

The manager favors investing in growth-oriented opportunities

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Zurich-based UBS Asset Management is eyeing investments in private equity and venture capital funds focused on technology, life sciences, and secondaries globally.

UBS will look for specialized small and mid-market fund managers across North America, Europe, and Asia Pacific raising funds less than \$5bn in size. Some of the allocations will also go to bigger managers.

Speaking to With Intelligence, Markus Benzler, head of multi-managers private equity in the UBS Asset Management real estate & private markets business, said falling valuations, difficult fundraising and less capital can create opportunities.

"An area we like particularly is technology, which has dropped quite a bit in valuation," Benzler says.

"In our own venture capital portfolios, technology companies may have dropped in valuation multiples, but the inherent growth has been very strong, which makes us very comfortable with the sector."

Life sciences

The firm is also bullish on life sciences, a sector that the team has been investing in over the past 10 years. It is also one of the strongest industries in Switzerland, where the manager is based.

Benzler cites the enormous development that the segment has seen over the past 20 years, with investment options becoming more nuanced and spread across the risk spectrum as one of the key positives.

It has also expanded from pure biotech to include more sub-sectors such as medical services, healthcare services, healthcare information technology, and medical technology.

"It is a very good diversifier to our tech portfolio, and we like it because it provides great returns. It is more stable and narrow in terms of returns outcome compared to the IT sector and has good underlying secular growth for the most part," Benzler explains.

Some of the prior managers UBS has allocated to include Abingworth, Versant Ventures, EW Healthcare Partners (Essex Woodlands), and Bain Capital Ventures, among others.

Secondaries

Secondaries and co-investments is another area of interest for UBS. The macro environment is creating tailwinds for the segment, with LPs looking for liquidity during a public market sell-off.

"We have always invested in secondaries, but over the last couple of years, with the growth of the secondaries market and type of transactions, we have really built it out as additional pillar of our business," Benzler says.

"In this market environment, we think we think we can take an opportunistic approach. It is one of the least funded sub asset classes in private equity in terms of dry powder but with more and more sellers eager to sell, which makes the dynamics super attractive."

UBS launched a semi-liquid secondaries product, the Private Equity Evergreen Secondaries Fund, last year, and is expecting to scale the vehicle going forward.

The manager's private equity fund of funds series, the UBS Global Private Equity Growth, also typically invests half of its funds in secondaries and co-investments.

According to prior With Intelligence reporting, the UBS Global Private Equity Growth V (PEG V) is currently in the market and is targeting €500m (\$568m) in capital commitments.

Some of the key criteria for manager selection includes the GP team, the investment strategy, the track record, alignment of interests, and value creation skills, according to Benzler.

"Value creation is enormously important. Everyone can run companies which are doing well in good market environments, but over the last three years since Corona it has been especially important to manage assets well when things are not so good," he says.

"Investment managers are learning a lot these days, but we're trying to find out the ones who are not working and are just 'trying', from the ones that know what to do, for example, because they have had experience during the dot com bubble or the global financial crisis."

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