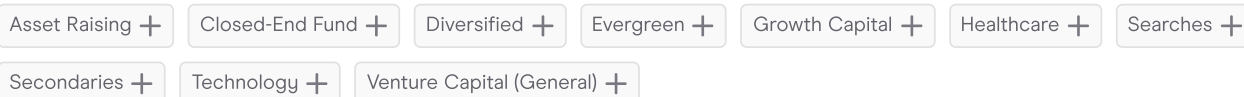


UBS AM bullish on GP-led secondaries

- Continuation funds a good way to nab strong assets, firm says
- Favors multi-asset deals over single-asset funds
- Growth-stage tech and life sciences to see positive trajectory

Follow:



UBS Asset Management is bullish on GP-led secondaries and continuation funds as the alternative exit route becomes increasingly popular with managers.

Speaking to With Intelligence, Markus Benzler, head of multi-managers private equity at UBS AM's Real Estate and Private Markets team, said continuation vehicles have emerged as a dominant force, accounting for 80% of GP-led deals.

UBS invests in secondaries through its fund of funds series, the UBS Global Private Equity Growth, and its semi-liquid Private Equity Evergreen Secondaries Fund, both of which are actively investing.

Benzler believes continuation funds are a good way to get a hold of strong assets, particularly in the current market environment.

"There is a huge selection, but only high-quality assets are reaching the market," he explains. "There is a clearly defined value creation pace, as the company has been doing well already, and the GP-sponsors know what they're doing."

The firm prefers multi-asset continuation funds over single-asset deals, in order to spread risk.

The mark of a good deal usually means that the asset has the backing of professional brokers, without which the proposed deal might be delayed, or often dropped, according to Benzler.

UBS also sees a good alignment of interest with these funds, as the sponsors will roll most, if not all, of the performance fee and carry into the new vehicle.

"We like the quality of all the deals we've done on the GP-led side, which is more than 20 in the meantime," he added. "They've all performed nicely, and in most cases are trading at or above expectations, so from our own experience, we are positive on these deals."

UBS has also made some larger LP secondary deals, as the prices have come down and valuations have rectified compared to the previous year, but likes the flexibility that GP-led deals provide.

Continuation Funds

2024

GP	Type	Assets	Date	Size	Status	Investors
Morgan Stanley	Single-asset	World 50	March 2024	Undisclosed	Closed	Pantheon, Blue Owl, Lexington, Norwest, Ares, AltamarCAM, and Churchill
Hildred Capital Management	Multi-asset	Crown Laboratories, Hyland's Naturals	March 2024	\$750m	Closed	Undisclosed
Renvous Capital	Multi-asset	Aretum, ClinicalMind, Lockstep Technology Group, and Phoenix East Aviation	February 2024	\$325m	Closed	New 2ND Capital, RCP Advisors, Blackstone Strategic Partners, Montana Capital Partners, Unigestion, and Arcano Partners
TRP Capital Partners	Single-asset	Genox Transportation	February 2024	Undisclosed	Closed	Barings, Kline Hill Partners, and Adams Street Partners
KSL Capital	Single-asset	Alterra Mountain Company	January 2024	\$3bn	Closed	Undisclosed
Astorg	Single-asset	Normec	January 2024	€1bn+ Target	Active	Fundraising

Source: With Intelligence reporting

Venture Growth

UBS's multi manager private equity division typically allocates €500m on average every year across venture capital, growth, buyout, and special situations. The team has a broad-based flexible mandate, and invests across funds, primary deals, secondaries, and co-investments globally.

Beyond secondaries, venture and growth is another part of the market the firm is positive on. Benzler noted that venture managers are also more accommodating of investors compared to a few years ago due to the current market conditions.

Primary and co-investments in small and mid-sized businesses are also of interest for UBS, with a particular focus on high-growth companies with superior business models addressing fast growing markets.

"A struggling economy usually affects larger companies more, and creating value is harder for these businesses compared to smaller nimble firms following a unique business model with a strong market positioning," Benzler explained.

In terms of preferred sectors, UBS sees opportunities emerging in blockchain, digital infrastructure, artificial intelligence, and life sciences technology.

"The bitcoin and digital currency hype may be out, but there are more and more real applications happening on the backbone of this [blockchain] infrastructure, and the valuations of these platforms are enormous," Benzler said.

Life sciences, a sector UBS flagged to With Intelligence last year as well, is also buoyed by underlying secular trends and innovation, particularly in the oncology, viral mechanisms, and the genome editing technology space.

"All of these technologies will bring great innovation. The market sentiment picking up, it is a bit slower than expected, but there is quite a bit of positive trajectory there," he added.