



## Hamilton Lane defies funds-of-funds trend with new vehicle **The firm has raised \$516m for a mid-market fund.**



For those who thought the fund-of-funds model was in terminal decline, Hamilton Lane's recent close of a new \$516m global vehicle will give pause for thought.

Hamilton Lane Private Equity Fund IX exceeded its \$400m target by some distance. Its focus on primarily targeting small and mid-cap funds, and diversifying across primaries, secondaries and co-investments clearly chimed with investors.

Yet despite this success on the road, figures suggest that Hamilton Lane's latest vehicle is the exception rather than the rule.

Global fundraising figures for private equity funds of funds from Preqin show that between 2007 and 2015 the aggregate capital raised fell by almost two-thirds, from \$56.3bn (€49.3bn) to \$19.2bn. The number of vehicles closed also registered a dramatic decline of almost 50 per cent, falling from 158 to 81. Funds of funds' returns haven't been especially exciting either. There won't be many

fund-of-funds managers with returns exceeding ten per cent and multiples of more than 1.5x.

But even though headline figures paint a bleak picture for the future of funds of funds, there are managers, like Hamilton Lane, who have been able to defy the trend and continue raising funds of funds of below €1bn successfully.

Other fund-of-funds managers who have wrapped up fundraisings this year include Spanish manager Altamar, which closed its Altamar Global Private Equity Program VIII on a €500m hard cap, and Danske Private Equity, which closed its Danske PEP VI €50m ahead of target at €700m.

### Moving with the times

Jackie Rantanen, managing director and co-head of the product management group at Hamilton Lane, says that Hamilton Lane has always made a point of ensuring that each fund of funds it brings to investors

"changes with the market".

"Demand for fund-of-funds products has seen a decline over recent years," Rantanen says. "Investors are increasingly looking for purposeful diversification – rather than an 'indexed approach' to investing – that provides core exposure to private markets."

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In the case of Hamilton Lane's latest fund, for example, the focus on the small and mid-cap part of the market was to open up options investors would otherwise overlook.

"We emphasise the small and mid-market managers, which is a difficult market for investors to analyse and access... [these] portfolios offer a more concentrated approach both in terms of geography and sector exposure," Ratanen says, adding that the new fund will seek to take about 25 to 30 primary fund stakes, committing roughly 70 per cent of its capital to primary deals, 20 per cent to secondaries and a tenth to co-investment.

Other firms have also leveraged a mid-market focus when fundraising.

Altamar, for example, used to invest with larger firms that its investors were comfortable with, but now looks at mid-market funds around the world, giving its backers exposure to primary managers that are difficult and resource-intensive to research.

Long-term relationships also help. Hamilton Lane has been investing in private markets for 25 years and has a loyal investor base that trusts its judgement. In the case of Altamar and Danske, both firms have large local followings and provide domestic investors with access to foreign markets.

Raising a fund of funds is anything but easy, but firms with a specific angle and distinct investor bases remain as relevant as ever. ●