


Firm/Strategy Update: Abbott | Abbott Capital Private Equity Fund VI



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Analyst

 Home

Categories

 Meeting Recap

 DD Updates

 Manager Overview

 Apogem Capital (fka Private Advisors)

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 Adams Street

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Son Le, Pat Burkett, and Kevin Buskirk met with Sean Long and Jonathan Tubiana on a video call on March 9, 2023.

1.Key Takeaways:

- **Firm:** Abbott is a multi-strategy private equity firm with approximately \$14+ billion in assets under management. It focuses on primary investments,

secondary investments, and co-investments across the private equity, growth equity, and venture capital markets with solutions for a diverse investor.

- **Strategy:** Abbott Capital Private Equity Fund VI (2008 vintage, \$1B AUM) focuses on investing in middle-market private equity funds in North America, Europe, and Asia. The Fund is currently at the end of the harvesting stage (investment period ending in 2014 and fund life ending on March 31, 2023). The Manager requested a two-year extension to find an optimal liquidation option for the remaining portfolio (\$412M), given the exit challenges in the current market conditions.
- **Team:** The team has 60 people, including 17 investment professionals. There is only one investment committee for primary, secondary, and co-investment. Johnathan Ross (President of the firm) retired on Dec 31, 2022. Leonard Pangburn went from co-President to President. There is no departure at the partner level.
- **Performance:** From inception to September 30, 2022, Abbott Capital Private Equity Fund VI distributed \$1.6 billion to limited partners, generating 2.0x/1.9x gross/net TVPI and 16.2%/13.0% gross/net IRR.
- **Current/Upcoming Fundraises:** Abbott Capital Private Equity Investors 2023, L.P. ("AP23") - investing in primary funds; Abbott Secondary Opportunities III, L.P. ("ASO III") - providing dedicated exposure to the secondaries market.

2. Firm Update

- Founded in 1986, Abbott is a multi-strategy private equity firm with approximately \$14+ billion in assets under management. Its global platform spans the private equity, growth equity, and venture capital markets with solutions for a diverse investor base comprised of public, corporate, and multi-employer pension plans, foundations, endowments, family offices, and high net worth individuals. Since its inception, Abbott has committed more than \$24 billion to more than 600 primary, secondary, and co-investments on behalf of its clients.
- Abbott has three main lines of business:
 - (1) SMAs: Eight actively managed mandates account for 60-70% of primary capital deployment annually. The Manager's goal is to bring one or two separate account clients every three to four years. The main clients are large institutions (the State of Utah, the State of Alaska, Illinois, the State of Wyoming, Ventura County out in California, the New York State teacher,

etc.) that want a complementary strategy to their current exposure. The Manager started an SMA with Alliance Bernstein in 2019 for its primary investments; the partnership has brought meaningful investment opportunities to Abbott.

- (2) Commingled funds:
 - Abbott Secondary Opportunities (“ASO”) funds:
 - ASO funds invest in both GP lead and LP purchase transactions (~50/50 split) and focus on balancing between liquidity and return over 20-25 transactions per vehicle. The Manager targets 70/30 allocation between buyout vs. growth investments.
 - ASO I (2016 vintage) generated 1.7x TVPI and 1.2x DPI. ASO II (2020 vintage – 85% invested) earned a 1.3x TVPI and 0.2 DPI. ASO III was launched in early 2023 with a \$450M target; 1st close is likely in June 2023 with a \$200-300M commitment; the final close is expected to be in 2023 YE.
 - Co-investment fund:
 - The Manager raised the first dedicated co-investment fund (\$50M) in 2022, which was only marketed to investors in the annual program. The team has done five deals so far. Since 2018, the Manager has deployed \$400M over 25 transactions after postponing their co-investment practice from 2003-2018. The partnership with Alliance Bernstein restarted the co-investment effort. The vehicle will return to the market in 2024 and will be marketed broadly.
- (3) Primary Funds - Annual Program (“AP”):
 - The Manager is currently raising AP 2023. They held the first close in December 2022 at \$120M and will have the final close by summer 2023. There is no target for the capital raised; the average size is \$150M of annual commitment, which can sometimes go up to \$400M, depending on LP interests. The Manager started the annual program in 2007 for two LPs. AP 2015 is the first one that is marketed to outside investors.
 - The vehicle is structured as a three-year rolling commitment process. It is open every year, starts in June, and has the first close in December and the final close in May of the following year. Therefore, at the beginning of each year, the Manager can know more than 2/3 of the

capital available for investment, which helps mitigate the uncertainty of capital deployment.

3. Strategy Update

- Abbott Capital Private Equity Fund VI (2008 vintage, \$1B AUM) focuses on investing in middle-market private equity funds in North America, Europe, and Asia. The Fund seeks to achieve long-term capital appreciation by investing in a diversified portfolio of private equity funds across various industries and geographies.
- The Fund is currently at the end of the harvesting stage (investment period ending in 2014 and fund life ending on March 31, 2023). The Manager requested a two-year extension to find an optimal liquidation option for the remaining portfolio (\$412M), given the exit challenges in the current market conditions. The extension allows the Manager to keep its fiduciary obligation of maximizing value instead of seeking liquidity due to the Fund's dissolution. The original term is a 12-year term plus a three-year extension. The fee is reduced from 100 bps to 50 bps based on the NAV during the requested extension period.
- As of September 30, 2022, the Fund had distributed \$1.6 billion (1.5x DPI) to its investors. Out of the total distributions, venture capital and growth equity funds accounted for 32%; buyouts funds accounted for 32%; special situations funds accounted for 29%, and secondary interests accounted for 7%.
- Over its investment period (2008-2014), Fund allocated 28% to venture capital/growth equity, 33% to Buyout, 31% to special situations, and 8% to secondary interests. Technology made up the majority of portfolio value (41%); the rest is made up of healthcare (13%), financials (12%), consumers (16%), industrials (10%), and others (8%).
- CAPTRUST clients committed \$28M into the Fund.

4. Team

- The team has 60 people, including 17 investment professionals. There is only one investment committee for primary, secondary, and co-investment. Junior members are generalists who cover all three areas and will get more specialized as they move up. Meredith Perisi (MD), who has been with the firm for 25 years, mainly focuses on oversight of primary investments. She also co-

heads the secondary effort with Wolft Witt (MD), who is solely responsible for secondary investments.

- Johnathan Ross (President of the firm) retired on Dec 31, 2022. Leonard Pangburn went from co-President to President.
- There is no departure at the partner level; the firm plans to hire more VPs and associates.

5. Performance

- From inception to September 30, 2022, Abbott Capital Private Equity Fund VI distributed \$1.6 billion to limited partners, generating 2.0x/1.9x gross/net TVPI and 16.2%/13.0% gross/net IRR.
- During the quarter that ended September 30, 2022, the Fund received \$13.2 million in distributions from its Portfolio Fund investments. Given that most portfolios have already been distributed, Q/Q valuation didn't change much.
- With 473 underlying portfolio companies on September 30, 2022, the significant unrealized value remains in the Fund and is expected to be fully liquidated over the next two years.

6. Marketing Activities

- North American buyouts were down about 2% YTD through 9/30 in Abbott's products. The small buyout portion was up 5-6% in that timeframe. 55% of committed capital since 2009 has been invested in the top quartile managers in small buyouts, 70% to the top two quartiles, 38% and 67% to the top and top 2 in North America.
- The Manager expects to see the bid-ask spread start to narrow in 2023. They don't expect huge, 10%+ write-downs for Q4 2022. VC managers generally have ripped the band-aid off. There were 15% markdowns already in Abbott's VC portfolio.