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Auda spin-out closes first fund on $702m

Newbury Partners, launched by Auda Advisors' former secondaries team, has already committed 25 percent of its debut fund.

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New York Life Insurance, the Swedish National Pension Fund and 3m's pension are among the limited partners that committed $702 million (€450 million) to Newbury Partners' debut fund. The fund, which took a year for Citi to place, includes an investment from its general partners of roughly $27 million.

The Connecticut-based secondaries firm was formed a year and a half ago by the same team that raised and invested Auda Advisor Associates' $410 million secondaries fund, which closed in 2004.

"The entire team left and raised the current fund to continue doing what we did for that one fund at Auda," said Richard Lichter, a Newbury managing director.

Though a debut fund, Lichter noted that the firm has many returning investors from the GPs' prior funds at various firms. Lichter, for example, has raised nine secondaries funds; aside from Auda, he was also a co-founder of Lexington Partners, before which he was at Landmark Partners.

The fund has already committed nearly 25 percent of its capital via 14 transactions that occurred since summer 2007 and which involve mostly European or Middle Eastern sellers and US assets, Lichter said.

"What's interesting – and what I think will be the case in this fund – is historically, two-thirds of the sellers are non-US but two-thirds of the assets are US assets," he said. He attributes this to the firm's relationship-based approach – it does not participate in auctions – and an active overseas referral network.

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Richard Lichter

Newbury's deal size has ranged from $1 million to $100 million, but typically targets fund interests of $5 million to $40 million.

"We have very broad exposure to mid-market buyout groups in the US and Europe but are quite active purchasing interests from the mega-groups, because given their large number of LPs there is a good bit of secondary activity," he said.

He estimates a secondaries fund of this size would typically take three years to invest, but given current market conditions expects its capital to be deployed more quickly.

"I think groups have a lower tolerance for risk given the overall market economy," he said. "There's clearly fewer distributions, fewer capital calls, people's appetite for this type of asset I think has been reduced. Plenty of groups have over-committed at a time when they thought that distributions would be more robust, so we're seeing more activity."