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equity funds over the past couple of months, and is now scouting for secondary-market deals. On the secondary side, Conversus is particularly interested in top-tier portfolios typically sought by market leaders such as **Coller Capital** of London and **Lexington Partners** of New York, which operate the two biggest secondary funds.

Brokers said they're starting to see Conversus show interest in portfolios of LP holdings that they're pitching, and buyers in the market said they're aware the firm has a strong appetite for large deals. The secondary market has high barriers to entry, and only two sizeable players have been able to enter the field and successfully compete over the past few years: **Lehman Brothers,** which formed a dedicated group in 2004; and **Newbury Partners** of Stamford., Conn., which was set up last year by a group composed largely of the former secondary-market team of **Auda Advisors** of New York. After its team left to form Newbury, Auda opted to exit the market.

Conversus has a weapon that most other secondary-market players don't. In some cases, it intends to offer its own stock instead of cash in exchange for limited-partnership interests. Sellers have been increasingly looking for alternative-structure deals in which they can retain some upside, and stock swaps are seen as a way to address that desire.

Conversus is set up as a permanent-capital vehicle that reinvests its fund distributions in new funds and secondary deals — and it will continue to tap its credit facility to boost its buying power and produce leveraged returns. The firm will use 60% of its capital to invest in new private equity funds, 20% in secondary-market portfolios and 20% in co-investment arrangements.

It is headed by chief executive **Robert Long,** who was head of BofA's strategic-capital group — the unit which invested the bank's capital in private equity. Long and a team of several other investment professionals shifted from BofA to Conversus, and now will be responsible for selecting and managing the firm's investments. They are working in conjunction with the investment team of Menlo Park, Calif.-based Oak Hill.

The firm's first batch of new-fund commitments cropped up in Conversus' August monthly report to investors, in which it revealed that it had spread $110 million among three vehicles: Apollo Overseas Partners 7, sponsored by **Apollo Management** of Purchase, N.Y.; New Mountain Partners 3, sponsored by **New Mountain Capital** of New York; and TPG Asia 5, sponsored by **TPG** of Fort Worth, Texas (formerly Texas Pacific Group).

Conversus picked up the pace last month, with commitments to five funds totaling $116 million, plus a $25 million direct co-investment in a buyout deal. The funds were: Bay City Capital Fund 5, sponsored by **Bay City Capital** of San Francisco; Carlyle Partners 5, sponsored by **Carlyle Group** of Washington; OCM Opportunities Fund 7 and OCM Opportunities Fund 7-B, sponsored by **Oaktree Capital** of Los Angeles; and PAI Partners 5, sponsored by **PAI Partners** of Paris. ❖