Placing Placement Agents

The turmoil on Wall Street will likely impact the fund placement business

By Avram Davis

The placement agent business has always been a cyclical endeavor in the eyes of the global investment banks. When fundraising is up, they staff up, and when the market is dry, many bulge brackets will just as soon let the groups disband. Some would say it's a microcosm of the banks' approach to private equity as a whole.

JPMorgan, for instance, poached the entire fund placement team of Banc of America Securities back in 2000, but just two years later ended up folding the placement agent operations when the fundraising market stalled. Today, however, with its subsumption of Bear Stearns, JPMorgan gained control of the former Crane Capital Associates team, which market pros will remember was picked up just a year earlier by Bear as it looked to dive into the fundraising market.

Given the turmoil on Wall Street, however, which coincides with an anticipated falloff in fundraising activity, many are wondering what will become of these groups. Calls to Crane vet Paul Sanabria were not returned by press time, although his JPMorgan email address would imply that he and others in the group have found a new home.

Rivals in the placement agent business, however, are at the very least using the dislocation on Wall Street to their advantage. "Among general partners, it is an open question as to whether [bulge brackets] will be a stable financial adviser," says **Mounir Guen**, chief executive of London-based placement agency **MVision**.

Not everyone shares that view. **Michael Sotirhos**, a partner at the New York office of placement agent **Atlantic-Pacific Capital**, takes a contrary position, citing, "The institutions themselves are definitely committed to their placement units," adding that many firms now recognize the value a placement agency can bring to bordering business units. Sotirhos does note, however, that there will be movement of key personnel at the bulge brackets.

Greenhill & Co., for one, was able to capitalize on this front, plucking former Lehman banker **Chris Kirsten** and a few of his associates to launch its own fund placement group.

But Greenhill's move into the business underscores the value that the larger banks see in operating a fund placement arm, even if the market contracts — a prospect that most see as inevitable.

To wit, the third quarter represented the lowest point in fundraising activity since the first quarter of 2005 as 117 funds closed on $82.3 billion, according to PE data provider Preqin. In the year-earlier period, 213 funds closed with a combined value of $118.7 billion. Yet, despite the overall decline in the number of funds raised in the third quarter, a large number of investors are still seeking to raise money. By Preqin's count, some 1,594 funds are seeking $928 billion.

Given the stock market swings and the credit market dislocation, however, the amount of money available to the asset class has shrunk dramatically. While that's obviously bad for business, a contrarian view is that it underscores the value proposition of a well connected placement agent.

"Firms realize that it is just as difficult to raise a fund as it is to invest a fund, and working with a placement agency is a good way to kick start that process," says **Nina Lesavoy**, managing director and founder of mid-market focused placement agency **Avec Capital**.

With that said, most placement agents are of the mindset things are about to get more difficult even if their value to fundraisers climbs. According to **Scott Swensen**, chairman of **Conduit Capital Partners**, that may mean that even if top names from the bulge bracket become available, he's not so sure they'll have as easy of a time finding a home. "I would be surprised if boutiques see this as a marketing opportunity and bulk up staff," he describes. "There just isn't anything out there."

Indeed many are themselves bracing for a slowdown. Guen, for example, remains optimistic for MVision, but warns that markets are efficient and "in the short term, there will be pain." M&A

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