

## Interest picking up after lull, says Altius

March 8, 2015



*(Pictured: Brad Young)*

Brad Young, the co-chief executive and head of investments at Altius Associates of the US, who has been visiting Australia at least once a year for 10 years, believes interest in private equity has been picking up for the last couple of years and there will be more funds moving into the asset class.

Altius has been represented in Australia by Principle Advisory Services for those 10 years. James Cowper, a Principle director, said that the Cooper Review, followed by the implementation of My Super, had put a lot of asset allocations on hold. "No asset class was worse affected by that than private equity," he said.

The US client base of Altius, however, where clients typically ranged from US\$25-100 billion, allocations were at or above where they were four years ago, Young said.

"For those which have mature programs, they have delivered," he said. "There's been no complaints over the past couple of years because of record distributions... At the ground level in the US there is generally a positive view of private equity."

Cowper said that Principle was seeing more interest in its products than for several years. "People are coming back. There's a good healthy clump of 10-12 investors which have a budget to invest each year. There have been three successive years of record distributions."

Altius provides a range of advice and separately managed accounts for clients across PE and real assets, in which it includes energy, infrastructure and timber, and private credit. It does not do real estate. The firm has been in business since 1998 and has about US\$27 billion under management and advice.

Young was in Australia this time to speak at the AVCJ conference as well as see clients. The mood at the conference was mixed (see separate reports) because of a low level of investment in PE – certainly Australian PE – but there were also several speakers who said there were signs of increased interest from super funds.

Young said that PE was more expensive to manage and as an asset class but, when it was properly implemented it delivered outperformance. “You get paid back your fees before the GP gets his,” he said.

Altius also provides advice and accounts in the venture field, for which there has long been a shortage in Australia. “There seems to be a lot of innovation here [in Australia],” he says, “but most people get on a plane. Silicon Valley still dominates, although China is developing the sector too.”

Another contentious area for Australian PE managers and investors alike is in co-investments. For investors, there is a shortage of deals large enough to enable co-investments and for the GPs, co-investments can cause distortions and lower fees.

Young said: “Investors do want to co-invest and the market today, with GPs and LPs, is more receptive to coming up with a model that works. Yes, a co-investment will average down your fees but you are taking more concentrated risk, headline risk. There’s also the possibility of adverse selection, where you can’t get into the good deals.”

He says that co-investment might also cause style drift for a GP because of the extra money coming in. “I think co-investment will be a natural part of PE structures but not all managers are set up to do it.”