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Emerging Managers Find A Way To Succeed



THOMSON REUTERS

Inside: Time To Hire A Capital Markets Expert?

COVER STORY

By **Bernard Vaughan**

Times may be tough, but institutional investors continue to search for new firms to replenish their alternative asset investment portfolios. U.S.-based emerging managers—loosely defined as buyout, distressed and growth equity firms raising their first or second fund—raised approximately \$7 billion in the first half of 2010, or more than a quarter (25.5 percent) of the \$27.4 billion raised by all buyout shops. Last year, emerging managers raised \$10.7 billion, or 17 percent of the \$61.3 billion raised in all of 2009, according to Thomson Reuters data. Following are profiles of six firms, listed from youngest to oldest, considered to be among the best of the next generation, based on interviews with limited partners and placement agents.

High Road Capital Partners, New York

New York-based Riverside Co., with \$3 billion under management, has built a unique niche for itself as a global enterprise targeting lower mid-market firms. So when one of its managing partners, **Bob Fitzsimmons**, became the first and only executive of the 22-year-old shop to start his own firm, investors listened.

In 12 years at Riverside, deals that Fitzsimmons led generated, in the aggregate, 4x invested capital. Fitzsimmons also poached two junior investment pros from Riverside, vice presidents **Jeff Goodrich** and **Bill Connell**, who are partners at High Road. Riverside even promoted the effort. “At the last investors’ conference before I was leaving Riverside, [co-CEO] **Bela Szigethy** actually stepped in front of LPs, and said, “These guys are spinning out and if they call, you should answer.”

With his record and Riverside’s endorsement, Fitzsimmons raised \$150 million for High Road’s debut fund in 2007 from respected backers such as funds-of-funds manager **Hamilton Lane Advisors Inc.**, the **Indiana State Teachers Retirement Fund** and the **New York State Common Retirement Fund**.

Now Fitzsimmons is replicating the lower mid-market strategy Riverside helped pioneer. The firm, with eight investment professionals, has made five acquisitions. Its portfolio includes Advanced Sleep Medicine Services, a company that provides sleep disorder diagnostic services, and All Current Electrical Sales, a wholesale reseller of circuit breakers, conduit fittings and other electrical parts and components used in the energy industry.



Founded: 2007

Strategy: Lower mid-market buyouts targeting distribution services and manufacturing companies with EBITDA of at least \$3 million.

Top Executive: Bob Fitzsimmons, founder, formerly a managing partner at Riverside Co.

Fundraising History: Raised \$150 million in 2007.

Buzz: Respected Riverside Co. veteran launches his own firm

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