

above average, every portfolio manager seems to assume that he or she will gain access to top-tier GPs and replicate Yale's performance.

A private equity investment officer at a large endowment says he has noted with skepticism the rush of his peers into private equity, and confirms that the Yale track record is often referred to as a justification for going large in the asset class. "For those entering private equity, I've not really heard reasonable arguments as to why a new entrant will capture returns on the high end of the spectrum. The average returns in private equity don't justify getting excited about the asset class."

(The endowment manager concedes that even a modest projection for private equity compares well against the current projections for US domestic stocks. "If one were to believe that the S&P 500 was going to deliver 9 percent, which is aggressive, institutions will want to get into private equity if they feel they can get 10 percent. That's the mindset that's developing.")

Yale has been investing in venture capital and private equity for 20 years. It has had access to managers who actually did reap large rewards in an inefficient market, and it continues to have access to the limited number of GPs with long, consistently good track records. New entrants do not. HIG Capital, for example, recently closed a new \$750 million buyout fund without allowing in a single dollar from a new LP. An exclusivity that began in the venture world is spreading to the buyout world.

With top managers shut to new money, but new allocations being created by the billions, the result will be a proliferation of new services and investment pools, all of which will claim access to the top quartile. As is private equity's nature, it will take years for people to figure out that some folks have to be in the bottom three quartiles for the top one to exist. ■

America news

FUNDS AND BUYSIDE

OUT OF AUDA

A secondary team leaves en masse to start a new firm.

The entire team of secondary investors at Auda Advisors has left to launch a new firm by the name of Newbury Partners.

The team is led by Richard Lichter, a veteran secondary investor who has worked at global secondary specialist firms Landmark Partners and Lexington Partners. In 2003, he joined New York-based Auda to create a dedicated private equity secondary investment business.

Lichter has brought with him to Stamford, Connecticut-based Newbury Auda's entire secondary team, including Michael Ireland, Christopher Jaroch, Justin Pollack, David Shyu and Brian Kapetanis. Gerald Esposito also joins the firm as a chief investment officer, having previously been CFO at French bank BNP Paribas.

At Auda, Lichter and team oversaw a \$410 million (€323 million) secondary investment fund, which held a final close in 2003. The fund is now roughly 95 percent invested, according to a source familiar with the transaction.

Auda was formed originally to manage the wealth of Germany's Quandt family, which controls German car giant BMW. The firm now also manages third-party capital in private equity and hedge funds of funds. The remaining US partners in charge of Auda's private equity programme are Stephen Wesson and David Andryc. The firm is led by Marcel Giacometti.

A source says Lichter left Auda over the summer.

Newbury will pursue smaller secondary transactions, in line with the strategy pursued by Lichter at Auda. Average deal sizes will range between \$20 million and \$25 million. A person familiar with the new firm says Newbury will not shy away from doing much smaller deals if it sees value in forming a relationship with the seller.

One rule of thumb in the private equity industry is that it takes the same amount of time and resources to evaluate a \$1 million partnership interest as it does to vet a \$100 million partnership interest. Therefore, many secondary players shun small sellers and deals. Newbury may, therefore, be in the process of carving something of a niche what is widely acknowledged to be an increasingly crowded secondary market. ■