

Nearing \$1B Target, Siguler Guff Launches New LBO Fund

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Siguler Guff & Co., a New York-based firm that has raised a number of funds of funds touting specialized investment strategies, has reeled in around \$800 million so far for its second distressed debt fund of funds and is already marketing a new fund of funds, according to a person familiar with the effort.

The firm expects to wrap up fund-raising by June 30 on Siguler Guff Distressed Opportunities II LP, which will be capped slightly north of \$1 billion, the person said. At the same time, Siguler Guff has hit the marketing trail with a new fund of funds tagged for commitments to small buyout funds that features a \$300 million target.

The firm's second distressed debt fund of funds so far has attracted strong support from endowments and foundations as well as from both corporate and public pension funds, the person said. Although he did not disclose investors' names, limited partners in the \$600 million predecessor Siguler Guff Distressed Opportunities I LP, which closed in early 2003, include the John S. and James L. Knight Foundation and Alfred I. DuPont Testamentary Trust.

Siguler Guff plans to commit Fund II to around a dozen distressed debt funds, including ones managed by firms that invest with an eye toward translating the debt into controlling equity stakes and ones managed by firms that trade the debt as its value improves.

Siguler Guff has already backed or agreed to back seven funds, including distressed debt funds WLR Recovery III LP and AG Capital Recovery Partners V LP and turnaround fund Sun Capital Partners IV LP. It should have little trouble finding places to fill the remaining half-dozen slots, given the number of distressed debt firms marketing or about to market new funds. They include Avenue Capital Group, Cerberus Capital Management Inc. and Levine Leichtman Capital Partners. Maria Boyazny oversees the firm's distressed debt funds of funds.

Meanwhile, assuming the firm hits its \$300 million target for Siguler Guff Small Buyout Opportunities Fund LP, it plans to back a portfolio of around 15 buyout and growth equity funds.

The firm has already identified a model portfolio of funds that it would likely back, most of which have targets averaging \$150 million or less in size. The majority of companies backed by the firms that Siguler Guff has identified have less than \$8 million in cash flow. Although most of these firms have more than one fund under their belts, the fund-of-funds manager would also consider partnerships being raised by new groups, specifically experienced teams spinning out of established firms.

Kevin Kester, who joined the firm in 2004, oversees the small buyout fund of funds. He helped establish an allocation for small buyout funds as head of the private equity program at Colorado Public Employees' Retirement Association.

Marketing efforts for Siguler Guff's two current funds of funds come fresh off the

heels of fund-raising for Siguler Guff BRIC Opportunities Fund LP, a \$600 million fund of funds earmarked for private equity funds focused on Brazil, Russia, India or China.

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