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Dedication To Diversity Drives GCM Grosvenor Successes

GCM Grosvenor has had a front row seat to the substantial growth of the diverse private equity manager universe as one of the key allocators to the space.

Having allocated more than \$3 billion to over 150 diverse private equity funds on behalf of its clients, the firm's long tenure in identifying and investing with early-stage diverse managers provides a unique vantagepoint to the marketplace. The firm tracks more than 350 diverse private equity managers including more than 70 firms that are active in the market today raising capital.

"We have been an early mover, which has helped from an industry advocacy perspective and has also driven investment returns for our clients. We believe we were one of the earliest groups investing in the diverse manager space, in large part due to our team," GCM Grosvenor COO Francis Idehen said, noting that roughly half of the firm is made up of women and diverse professionals.

The firm is tracking 353 diverse private equity firms at the end of 2018, a significant increase from the 152 it tracked in 2013 and 36 it monitored in 2008.

Idehen said there are supply side and demand side dynamics at work, recognizing organizations such as SEO, the Toigo Foundation, Girls Who Invest and others for their work in the creation of a pipeline of talent with entrepreneurial desires and a shift in thinking on the part of LPs that are more open to investing in diverse and emerging managers as the success of existing firms drives greater interest.

The firm's own efforts in the space have also played a role, as it prepares for its annual Consortium conference in New York City on June 12-13.

"We have been a leader in this space, not only because of the capital we deploy on behalf of clients, but also because of our platform in Consortium as well as our long established Small and Emerging Manager conference that has created a forum where we can both advocate and educate collectively one another in how to successfully implement these programs," Idehen said.

The firm's efforts at research, outreach and advocacy also draw interest from firms contemplating raising a fund or recently entering the marketplace.

"Because of these significant commitments, because we were early, because our team is well respected in the marketplace, we often get the first call" from firms raising a fund, Idehen said.



Francis Idehen



Jason Howard

A broad investment platform that includes allocations to non-diverse managers means the firm is looking for the best managers for its clients while its historical focus on separate accounts has allowed it to identify funds for specific clients rather than relying on funds that can only be applied across a larger band of clients.

"We were always charged to find the best investment opportunity for each of those investment vehicles," Idehen said. "Our clients have given us the wide flexibility to go out and find the best."

Managing Director of Private Equity Investments Jason Howard said that the firm's manager research group, which has teams focused on various strategies but also includes a team of seven professionals focused on diverse private equity managers, allows for a comprehensive approach to identifying and evaluating managers.

"Investing in diverse managers is part of our DNA. Roughly 90% of our senior private equity team has been involved in investing with, monitoring or due diligencing diverse managers," Howard said, explaining that the firm can identify opportunities directly from its various investment teams or from its diverse manager-focused team. "All those resources come together to allow us to [have consistency and presence in the marketplace]."

Much of the diverse private equity manager space continues to fall into the buyout and venture capital spaces, however, GCM Grosvenor is beginning to see attractive growth funds in the market today, Howard said. "We like that they are investing in companies that are beyond startups and have an attractive business model and often these companies need help scaling," he said.

The firm has an open-door policy and encourages diverse managers to contact the team at diversemanagers@gcmlp.com, providing a pitch book with any relevant track record information. It is also helpful for a manager to provide any case studies of deals they have done that demonstrate their approach to the marketplace, Howard said.

Howard said the credit goes to the firm's clients for providing the early capital that allows GCM Grosvenor to pursue these opportunities.

"It is one thing for LPs to say they will support diverse managers. It is another, and we think more significant, when LPs will provide early support. That is really what is missing and important in the marketplace today," he said.

The firm looks to provide catalytic support to managers through early efforts that can take the form of providing early anchor commitments, introducing firms to other LPs that are known to have an interest in diverse managers, co-investing in early funds and providing advice from the operational due diligence team, Howard said.

"Importantly, we are able to support these managers at each stage of their life cycle. Once they become established managers, we don't just hand them off and end the relationship," he added. "We are also able to transition managers to some clients who seek to make direct commitments while continuing to invest with GPs as they scale on behalf of other clients."

The success and traction of the diverse manager space is apparent in the fund sizes, as the average size of diverse private equity funds today are "well over \$600 million" compared to 10 years ago, when the average size was in the \$200 million range, Howard said, noting that GCM Grosvenor currently tracks more than 15 diverse managers with oversubscribed funds.

"The best of the best, their fundraising has been active and robust and the LPs who have supported them are allowing them to raise larger funds," he said.

The success of the larger diverse managers only reiterates

the importance of identifying and supporting diverse firms in their earlier stages.

"GP firms have been able to scale because thoughtful LPs were willing to first support them when they were early. This is why it is critical to the focus on finding new diverse managers who will expand the pipeline and have the opportunity to scale," Howard said.

Idehen said it has been encouraging to see the greater interest arising from the endowment and foundation community, which he described as "another element of validation from what has been very coveted capital from the alternative investment community at large."

The firm continues to analyze how it can expand its reach

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to smaller investors that are looking to access the space, but are unable to allocate to a customized portfolio as well as explore ways to invest in diverse managers across varying structures, Idehen said.

"What is it that we can do to help not only promote this work but also bring managers and investors alike to a place where there is alignment," he said.

Internally, to continue to advance its efforts, the firm has formed a diversity and inclusion governance committee, continued to build on its Consortium and SEM conferences and turned its attention to its vendors and suppliers to understand their diversity efforts, Idehen said.

"We have developed a very strong history now of being able to help advise GPs on what it takes to successfully come to market and that spans both the investment perspective and operational perspective," Idehen said.