



MULTIPLICITY CONVERSATIONS

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ANDRES HEFTI DISCUSSES THE ALLURE OF NICHE SECONDARIES INVESTING

Q: What's the allure of investing in private market secondaries?

In my view, avoiding the crowd is by far the simplest way to find value in secondaries. And if you go into niches, you can discover truly uncorrelated investments on top of that. Of course, simple does not mean easy.

We are generally a big fan of investing in private markets. And if you can buy funds on the secondary market at a discount that's even better.

What we did see though, is that there was an investor herding in secondaries. Buying buyout funds from GPs that performed great in the past, was the simple recipe to success. Now we ended up having literally hundreds of investors just doing that, all chasing exactly the same deals.

This is not where we want to be active. We rather look at deals with no herding or limited competition.

Q: Where do you see Multiplicity's place in the increasingly competitive secondary market ecosystem?

Our key goal at Multiplicity is to be complementary to the existing secondary market and just focus on those deals that others passed on. These are usually in niches and in funds that are in some sort of a special situation or distress. By taking this contrarian approach is how we can achieve much higher risk-adjusted performance, without any leverage, and at the same time take on idiosyncratic risks and deliver strong diversification benefits to our investors.

Q: Can you be a bit more specific about where you see the interesting niches for your strategy?

Sure, we buy mostly tail-end funds, usually with a purchase value below USD 5 million. And we do so globally and across asset classes, with a tendency to avoid the overly competitive markets, e.g. the US and the tech sector. Areas we like are e.g. tail-end real estate funds, old infrastructure funds or more esoteric types, such as litigation funds or side pockets of hedge funds or insurance-linked securities funds.

Q: Can you briefly describe how you operate?

Multiplicity Partners is a Zurich-based investment manager that invests into fund secondaries and special situations. Currently we manage around \$120 million with a team of 7, so we can throw a lot of time on small and sometime quite hairy deals. And that's really the essence of how we create value for the investors in our investment funds.

Q: How did you start the business?

To understand our investment strategy, it's important to understand where we come from. Multiplicity started in the aftermath of the Great Financial Crisis as a spin-off from a larger alternative asset manager. If you look at the team, we see five senior investment professionals with about 20 years of relevant experience, supported by our analysts and external advisors. In the senior investment team we all have a background that is quite different from the usual corporate finance pedigree that you see in private equity. We started our careers in hedge funds and financial structuring, and then ended up liquidating a multi-billion hedge fund portfolio for our previous employer in 2009. Multiplicity's initial function was to help investors selling hedge fund side pockets and other legacy assets. From 2010 to 2015, Multiplicity was an intermediary for fund secondaries, across all private market sectors as well as distressed assets, such as insolvency claims, e.g. in Madoff or Lehman. In 2015 we started investing in small deals for our company, in 2016 we launched our first investment fund and then later moved the business focus towards asset management.

Q: What are the key benefits of your strategy?

I think most of our LPs appreciate one or more of the following three features of our investment strategy. Firstly, we can deliver higher IRRs by avoiding competition; rather, we are price-makers on small deals and out-of-favour funds. Secondly, we have little correlation to equities as we mostly invest in special situations and niches with idiosyncratic risks. Thirdly, we are much shorter duration than most private equity funds with our focus on mature to tail-end funds with probable exits in the next 2-4 years.



Do you have any questions or feedback for us? Please contact Andres at ah@mpag.com, or call him on +41 44 500 4555.

Andres is a Partner of Multiplicity Partners and the Portfolio Manager of the LTO Funds. He has 20 years of experience in alternative investments, distressed investing and portfolio management.

Before joining Multiplicity in 2012, he held various investment roles with the alternative asset managers Horizon21 and Man/RMF. Andres holds a MSc in Mathematics from the University of Zurich and is a CFA and CAIA Charterholder.

ABOUT MULTIPLICITY PARTNERS

Multiplicity Partners is an investment firm specialised in providing liquidity solutions to holders of private market funds and distressed assets. The firm also offers a range of advisory and governance services across alternative assets.

Multiplicity Partners has been an active participant in the secondary market for fund interests and distressed assets since 2010. The team has successfully completed more than a hundred transactions across a wide range of illiquid and complex financial assets. Each partner contributes more than 15 years of relevant experience, giving us the collective capabilities to effectively identify, analyse and execute attractive investment opportunities in hard-to-value assets. Multiplicity Partners was founded in 2010 and is based in Zurich, Switzerland.

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