Buyouts

By: Chris Witkowsky
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Apollo's S3 spearheads $1bn-plus Apogem co-investment secondaries deal

While demand for such deals is high, activity has only been steadily increasing this year amid price discrepancies and a limited capital base.

Apollo's Sponsor and Secondary Solutions platform, known as S3, was lead investor in a large continuation fund deal for around 50 co-investments out of older GoldPoint Partners funds, sources told Buyouts.

The deal is among a slew of large GP-led processes meant to move specific assets and investments out of older funds as a way to extend hold periods and deliver liquidity back to limited partners. While demand for such deals is high, activity has only been steadily increasing this year amid price discrepancies and a limited capital base.

New York Life-backed Apogem Capital, which comprises GoldPoint, PA Capital and Madison Capital, ran the deal on GoldPoint Co-Investment Funds V and VI, sources said. The total net asset value of the deal, which closed recently, was around $1.2 billion, sources said.

The process includes a staple of fresh capital from the investor group into an upcoming co-investment Fund VII, sources said. The staple ratio is greater than 3 to 1, one of the sources said, meaning for every $3 (or more) of secondaries sales, the investors commit $1 of primary capital to the new fund.

Along with Apollo's S3, other co-leads are Jasper Ridge Partners and Montana Capital, sources said. Dirk Jonske led the deal for Credit Suisse as secondaries adviser, sources said. A New York Life spokesperson did not respond to a comment request.

Pricing on the deal was in line with the market, with a discount to NAV of around 10 to 15 percent, sources said.

The rationale for the deal emerged from New York Life Insurance Co's reorganization of Apogem last year. The company combined the three distinct groups GoldPoint, PA Capital and Madison Capital, into one organization under the Apogem brand. Apogem launched with about $37 billion in assets under management, according to a statement at the time.

The secondaries process was an option for LPs in the older funds who wanted liquidity after the rebrand, as well as for those LPs content to stick with the group, a source said. "The portfolio is very diversified … no single asset makes up more than 5 percent of the whole vehicle," one of the sources said, which makes it feel similar to an LP portfolio sale.

Continuation fund deals do not usually include staples of fresh capital into new funds, which is a routine part of tender sales. However, because of the large, diversified portfolio, the staple felt more natural, the source said.

"It's tougher to get staples on continuation funds deals, the timelines don't always match up. This was more palatable, it was more like an LP portfolio," the source said.

"With this many assets, you're

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almost guaranteeing the portfolio will last seven or eight years. With a single asset continuation fund, you usually have a three- to five-year hold. Adding a primary [commitment] for 10 years, there's a timing disconnect."

Apollo steps up

Apollo S3's lead role in the deal is significant for the group, which was formed last year by former members of BlackRock's secondaries group Veena Isaac, Steve Lessar and Konnin Tam. The platform launched with an anchor commitment from Abu Dhabi Investment Authority.

The group committed more than $1 billion into equity and credit secondaries over the past six months, Apollo's co-president Jim Zelter said on its fourth quarter and full-year earnings call in February. Zelter said the platform expected to launch its first equity secondaries fund in the second quarter.

Firms like to be able to show potential investors significant transactions – especially if they're expected to lead deals – when they approach them for capital, sources have told Buyouts in past interviews. That makes the Apogem deal significant for S3 and its fundraising ambitions.

The group earlier this year co-led a $425 million multi-asset secondary for BPOC (the former Beecken Petty O'Keefe). The GP in that deal moved five assets out of Beecken Petty O'Keefe Funds IV and IV-A and into a continuation vehicle for more time and capital to run the businesses. Along with S3, Blackstone's Strategic Partners and Five Arrows co-led the deal.

GP-led deals represented around $43 billion of the $106 billion of estimated total volume in 2022, according to Campbell Lutyens' full-year volume survey. GP-led transactions were split around 48 percent single-asset deals to 43 percent multi-assets transactions.

Buyers have appeared more interested in LP portfolio sales this year, though GPs continue to introduce continuation fund transactions to the market. One such deal, run by EQT for its asset Waystar, was pulled recently after pricing came in too low, wrote Buyouts affiliate publication Secondaries Investor.

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