

*Peltz International*

**White Paper Series:**

**Searching for Alpha, More Hedge Fund Managers Invest in Private Opportunities**

**July 10, 2019**

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## Table of Contents

	<b>Page</b>
I. Introduction	3
II. Rationale Behind Hedge Fund Managers Investing In Private Opportunities Investing at Different Stages	4
III. Separate Funds vs Integrated Funds	6
IV. Not For Every Manager	7
V. Liquidity and Other Concerns	8
VI. Type Of Hedge Fund Managers Investing in Privates Tiger Cubs Others	10
VII. Outlook	21
VIII. Footnotes	22
IX. About Peltz International	24

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## **I. Introduction**

Hedge funds are investing more in private opportunities as they see it as a way to improve performance, attract investor assets, and fund new ideas. Private investing is perceived as less risky today than it was 10 or 20 years ago as companies are waiting longer before their IPOs. They are more mature and often have multi-billion dollars in revenue. Recent tax law changes provide another impetus for hedge fund managers to include private investing in their funds.

Private equity is the idea of investing in “start-ups” before they become public (listed on stock exchanges). Public investing is done when the company has a listing on the stock exchange, files financials with the SEC, and trades freely.<sup>1</sup>

Private investments by hedge funds is not a new thing, as it has happened for years in the credit space and there are firms like Farallon, Fortress and Och Ziff who have been very successful at it. Today, what seems to be a newer phenomenon, is what is happening in venture capital.<sup>2</sup>

Some refer to these hedge funds as “hybrids,” meaning they are not as liquid as the old hedge fund model. They are a combination of private equity, hedge funds, and public equity.<sup>3</sup>

After the Great Financial Crisis, hedge funds focused increasingly on liquid public markets. But competition is pushing them to get back into illiquid investments as private equity has generally performed better than hedge funds and huge amounts of assets have piled into private investments. Prequin estimates the amount of committed but uninvested dry power in private capital funds exceeded \$2 trillion in 2018.<sup>4</sup>

In this white paper, we examine the reasons for hedge fund managers moving into private opportunities, the various structures used, why not all hedge fund managers are taking this route as well as liquidity issues and other concerns.

The final section of the white paper is devoted to specific managers who are taking this route and some of their recent private investments.

A special thanks to those consultants, attorneys, managers and funds of funds who shared their observations with us. These include, in alphabetical order by last name, Lawrence Chiarello of SkyView Investment Advisors, James McElroy of LCG Associates, Steven Nadel of Seward & Kissel, Mitchell Raab of Olshan Frome Wolosky, Scott Storkamp of Morgens Waterfall Vintiadis, as well as a number of anonymous sources. Further details can be found in the footnote section, page 22.

## **II. Rationale Behind Hedge Fund Managers Investing in Private Opportunities**

Hedge funds are becoming more active in private opportunities as they see it as a way to find new opportunities, improve performance, fund new ideas, and attract investor assets. They perceive privates as less risky investments today compared with in the past 10 to 20 years. Furthermore, tax law changes have provided an additional motivation for managers to add private investing.

### ***Searching for alpha/allure of big gains***

Every industry is trying to justify itself in the current market except for private equity. Many investors are moving away from hedge funds to private equity.<sup>5</sup>

The increasing number of quantitative managers eroding alpha has pushed hedge fund managers to search for alpha in other ways.<sup>6</sup>

Hedge fund managers are pressured to offer something different and improve their business. Exposure to late stage venture is providing a lot of traction. Venture capital is very hot now and hedge fund managers can offer it to their investors.<sup>7</sup>

For some hedge fund managers, the attraction is the allure of huge gains. A few companies such as Facebook, Goggle and Slack made early investors 10,000 times their original investment.<sup>8</sup>

Furthermore, it has been so challenging for hedge fund managers to raise assets. Private investments have performed better than hedge funds and the liquid space. So managers say to themselves ... “If we have the capability to invest and we have investors, we should keep it in house and give them the opportunity to invest with us.”<sup>9</sup>

### ***Co-investing opportunities are a big draw for investors***

Investors also like the co-investment activity that is available in venture capital. Managers are offering more choices in terms of co-investing.<sup>10</sup>

Investors in a venture capital manager’s flagship fund are often given access to a separate co-investment vehicle which is a way to invest in best ideas in a more concentrated structure. Additional advantages for the investor are that fees are lower and returns are potentially better. This is happening more in venture capital and bio space.<sup>11</sup>

### ***Willingness to fund new ideas***

As Bill Gates said recently in an interview: Start-up/Private Equity is now an accepted thing, which is was not when he started. There is A LOT of money willing to fund new ideas, in fact, the cost of that capital is almost free. As Gates notes, there is virtually no barrier to entry now.<sup>12</sup>

### ***Tax law change***

President Trump also changed the tax code which provides added motivation for managers. He eliminated the carried interest on capital gains less than three years so now the holding period has to be more than three years in order for the general partner to take advantage of the flow

through. Investors get the opportunity to invest and the general partner converts compensation to long term gains instead of ordinary income.<sup>13</sup>

### *Investing at Different Stages*

Hedge fund managers are getting involved in privates at various stages and under different scenarios.

#### Earlier stage

Some hedge fund managers are moving into private investing in earlier stage venture-type situations that are not public and may not go public for the foreseeable future. These include widely traded (although privately held) companies.<sup>14</sup>

Another situation relates to a take-private strategy. With some companies that are publicly traded, investors may believe there's a better chance to close a valuation gap as a private company rather than a public company.<sup>15</sup>

A fund can use a position in a public company to encourage the company to go private and then maintain a stake in that private company. The hedge fund may work with the company to optimize their capital structure, improve operations, or take other steps to realize intrinsic value etc.<sup>16</sup>

Being a public company can be costly due to reporting requirements, compliance requirements etc. Public companies are also subject to fluctuations in volatility in the broader markets. The rise of quantitative, algorithmic trading strategies may also be having an impact.<sup>17</sup>

#### Late stage

Other hedge funds are getting in at a late stage i.e. the last stage before a company goes public, a few years before they go public.<sup>18</sup>

Twenty years ago, companies went public a few years after they started. Now, companies are more willing to wait 10 years before they go public. Slack, which started in 2009, only went public in June. So, we now have a situation where there are very large "unicorns" like LYFT, UBER, Slack, or Zoom, which are already at valuations well in excess of \$10 billion when going public.<sup>19</sup>

They aren't all profitable on a GAAP basis but they have often have multi-billion dollars of revenue. They're a real company. It means there is less risk than in 2008 or in the dot com era. Companies are going public on a mature basis. It could also mean less returns for public investors in these stocks because much of the heady growth years are behind them.<sup>20</sup>

It's almost the opposite of the earlier environment because it takes the risk away. It may have reduced some risk in public markets.<sup>21</sup>

Companies see value in having hedge fund managers as investors. Hedge fund managers will be a public market buyer if there is an IPO. The hedge fund managers see the value of getting in before the IPO.<sup>22</sup>

### **III. Separate Funds vs Integrated Funds**

Managers are structuring their private investments in a variety of ways.

Some hedge fund managers are integrating private investments in the existing fund.<sup>23</sup> In these hybrid funds, maybe 5% are in privates - the data is not publicly disclosed. Funds are either mostly or all public or mostly or all private. Very few would be 50/50. Whether managers are allowed to invest in late-stage private equity depends on how the partnership documents are written.<sup>24</sup>

According to one attorney, in existing funds, probably no more than 5% can be in illiquids in a fund without side pockets.<sup>25</sup>

Some are setting up side pockets i.e. a separate class to hold illiquid investments. Since 2008, there have been fewer investors interested in side pockets but recently the number of side pockets has rebounded.<sup>26</sup>

Some larger hedge funds are creating new separate funds or businesses that focus on private investing or venture capital.

Separate funds provide more flexibility and may make more sense as the manager is dealing with a separate investor base.<sup>27</sup>

The lesson of 2008 may encourage more managers and investors to think about separate vehicles and special purpose vehicles.<sup>28</sup> Some are setting up funds of one.<sup>29</sup>

#### **IV. Not For Every Manager**

Despite the advantages of a hedge fund manager investing in privates, the strategy is not a fit for all managers.

As a policy, some hedge funds don't invest in private opportunities. One manager who does not invest in private equity, says, "Private equity is hard even for the very best firms that are based in Silicon Valley. We stick to what we are best at, which is public equity investing."<sup>30</sup>

His view is that private equity is much more risky on an individual basis than public equity. "A huge percentage of start-ups fail. This is why the very best venture capital firms invest in as many as 100 or more at the same time, hoping for even just one or two FB [Facebook]. They also offer their expertise to the founders, and many times get board seats. They get access to information that is not publicly available such as detailed financials."<sup>31</sup>

Private equity is dominated by a few well-connected firms, many on the fabled "Sand Hill Road" near Stanford University. Any manager attempting to invest in private equity that does not have a big staff, connections, and a physical location near the heart of Silicon Valley is working at a tremendous disadvantage to these heavyweights. NYC has developed a smaller version of the same, often based near the Flatiron district.<sup>32</sup>

As a result, dispersion of returns in private equity is very different than publics. "There are five or six firms that make most of the money in private equity; everyone else makes much lower returns. That is because the best venture capital firms have the connections and talent needed to work with founders. In private equity, you want to have a board seat. You want to have people who can go help founders run the business and advise them. That is the allure. Why else would a founder give you a big equity stake? They want an investment of course, but they want more than money. Having the right venture capital on your board adds cachet and credibility."<sup>33</sup>

This manager feels that managers in New York are at a disadvantage geographically when competing with managers in Silicon Valley. "The advantage for us is that with public equities I have all the financials available, we can build models and yet still visit the companies, without needing to add operational expertise. By the time the companies go public, we know they have professional management. We know they are profitable, or at least have a path to profitability; there is a track record."<sup>34</sup>

This manager concludes: "The private equity investor invests very early and often times cashes out at the IPO. We [the hedge fund manager] can buy stock at the IPO (or much later) and still make great returns for our partners. So both private and public investors can make money on the deal."<sup>35</sup>

## V. Liquidity Issues and Other Concerns

### *2008 versus today*

If a crisis develops, it may be difficult to liquidate in less transparent, less regulated areas.

Some point to the 2008 Great Financial Crisis when some hedge fund managers stopped client redemptions until turmoil subsided. Many investors became angry and wary of illiquid funds.

As one consultant points out, it's fine to own illiquid assets. The problem arises when something turns out to be less liquid than expected and the manager has to sell in a hurry.<sup>36</sup>

Managers need to weigh between waiting for an attractive bid or selling quickly at a lower price.

For example, CalPERS has been trying to liquidate its hedge fund portfolio. In 2014, when CalPERS announced it would be liquidating its \$4 billion hedge fund portfolio, it thought it would take about a year to do so. As of June 2018, it still had \$234 million outstanding of which a large percentage had several years of lock-up.<sup>37</sup>

If liquidity is mismatched with terms, we can have problems like in 2008. As long as managers appropriately manage their liquidity, making private investments can be an advantage. However, improper management of liquidity can result in very disappointed investors if they can not redeem their capital when they expect it.<sup>38</sup>

But today is a different situation than 2008. In 2008, illiquidity was unexpected. Instruments that were liquid became illiquid when the market tanked.<sup>39</sup>

Today, the manager tells you upfront that it is illiquid. The only area where it could have an impact is with an IPO, says an attorney. For example, if the investor is in a special purpose vehicle and there is an IPO on the horizon and the industry suddenly underperforms, the IPO could be delayed.<sup>40</sup>

Now, managers are more thoughtful. For example, some are launching separate vehicles with more realistic liquidity terms.

### *Potential Painful Downturn*

If there is too much activity focused in one market segment such as earlier-stage, privately-held technology companies and there is a downturn in that market, the trend and significant levels of hedge fund involvement could intensify the pain of that downturn.<sup>41</sup>

### *Need Expertise and Structure*

Hybrid funds may help hedge fund managers raise money in the short run and to attract attention. But in the long run, it may be setting up some for a fall if they don't have the expertise or structure or investor base to support it.<sup>42</sup>

People are getting into private equity that don't know the space and don't have the patience. Private equity is a long term investment, there is a long time line for development. One has to be a patient investor.<sup>43</sup>



A manager has to be knowledgeable about these deals and know these businesses whether it be energy or technology. <sup>44</sup>

***Lower Returns***

As more money flows into private opportunities, the likelihood increases that returns will shrink.

## VI. Types of Hedge Fund Managers Investing in Privates

More traditional hedge fund firms are launching private strategies. This seems to be most common right now in the venture space where technology-focused long/short and long-only firms are increasingly becoming late stage venture investors.<sup>45</sup>

Healthcare managers are another category likely to invest in private opportunities as private companies in these sectors are most likely to go public. Fintech and food tech are also becoming more active.<sup>46</sup>

A number of Tiger Cubs have ventured into private investing – Chase Coleman’s Tiger Global, Lee Ainslie’s Maverick Ventures, Andreas Halvorsen’s Viking Global, and Stephen Mandel’s Lone Pine Capital are a few. Spin-offs of Tiger Cubs are also active such as Dan Sundheim’s D1 Capital Partners.

Other hedge managers that are not Tiger-related but investing in privates include Deerfield Management, Darsana Capital Partners, Point72 Ventures and Cohen Private Ventures.

### Summary Overview of Hedge Fund Managers Investing in Privates

	<b>Tiger Global</b>	<b>Maverick Ventures</b>	<b>Viking Global</b>	<b>Deerfield</b>	<b>Point72 Ventures</b>	<b>Lone Pine</b>	<b>D1</b>	<b>Darsana</b>	<b>Cohen Private Ventures</b>
# of Investments	343	120	47	44	39	12	3	1	1
# of Lead Investments	189	37	18	13	18	3	2	-	1
# of Exits	57	18	9	20	-	4	1	-	-
# of Funds, \$ raised	6, \$13B	1, \$382M	-	-	1	-	-	-	-
# of Current Team Members	3	4	NA	35	15	1	1	-	-

Source: Crunchbase

Below is a synopsis and highlights of some of the private investments made, ranked by most active in private investing.

## Tiger Cubs

### *Tiger Global*

Tiger Global, which has \$29 billion in assets under management, has been an early hedge fund mover and one of the most active hedge fund managers in private investing. It began actively investing in private opportunities in 2011. Venture capital is now its largest unit.

As the table on the prior page shows, based on data from Crunchbase, Tiger Global has made 343 private investments and has been a lead investor in 189.

Tiger Global's private equity strategy has a 10-year investment horizon and targets growth-oriented private companies. It backs businesses in consumer internet, cloud and industry-specific software markets along with consumer brand companies.

About 30% of Tiger Global's investments since its inception have been directed toward early stage (Series A and B) start-ups with 20.5% directed toward Series C start-ups.<sup>47</sup>

Tiger Global was the top unicorn (companies valued at \$1 billion or more) investor in 2018.<sup>48</sup> It had 42 unicorns in its portfolio with a cumulative valuation of \$269 billion.

### Top Unicorn Hunters

Manager	# of Unicorns	Cumulative Valuation (\$B)
Tiger Global Management	42	269
Tencent Holdings	40	177
SoftBank Group	38	389
Sequoia Capital China	35	192
Sequoia Capital	33	208
Kleiner Perkins	30	218
DST Global	29	139
Fidelity Investments	28	231
Andreessen Horowitz	28	134
Wellington Mgt	26	226

Source: CB Insight

In October 2018, Tiger Global raised \$3.75 billion for its eleventh venture capital fund, Tiger Global Private Investment Partners XI, which represents its largest fund to date and one of the largest amounts raised in 2018 for a venture capital fund.<sup>49</sup>

### Tiger Global Private Investment Partners

Fund	Date	Amount Raised (\$B)
Fund XI	2018	3.8
Fund X	2015	2.5

Fund IX	2014	2.5
Fund VIII	2014	1.5
Fund VII	2012	1.5
Fund VI	2011	1.3
Fund V	2008	1.2
Fund IV	2007	1.0
Fund III	2005, 2007	0.5

Source: Crunchbase News

US accounts for 37% of Tiger Global’s investment deals. India is the second largest market accounting for more than 30%. China is a distant third with 11.1%.<sup>50</sup>

Tiger Global Investments’ long/short fund posted a 13.6% net return in 2018. Tiger Global Long Opportunities, a long-only fund, gained 3.4% in 2018 despite dropping 12.7% in Q4 2018.

Both funds allocate a small portion of their equity to private companies as part of their strategy. The private side of both funds generated gains from Flipkart and JUUL.<sup>55</sup> Tiger benefited when Altria bought 35% of JUUL in July 2018 with a \$38 billion valuation. Then in August, Walmart bought a majority stake in Flipkart with a \$22 billion valuation.

#### **Tiger Global - Sampling of Private Investments (sorted alphabetically by company name)**

<b>Company</b>	<b>Description</b>	<b>Investment Date</b>	<b>Investment Amount</b>
Chaayos	Tea café chain	Oct 2017	\$2M
Checkmate	Platform that helps restaurants integrate with multiple online ordering platforms	Nov 2018	Led \$3M Series A funding
CleverTap	Marketing automation and analytics platform	Apr 2019	Led \$16.3M Series A round
Coinbase	Cryptocurrency trading platform	Oct 2018	Led \$300M Series E investment
Facilio	Facilities expense management software	Dec 2018	Invested in \$6.4M Series A funding
Flexe	Warehouse	Nov 2018	Co-led \$43M funding round
Flipkart	Online retailer	2009	Initially invested \$9M, over the years, boosted to \$1B
Freshworks	CRM platform	2012/2013/2015	Led \$7M Series B/ Invested in \$5M Series C/Led \$31M Series D round
Fyle	Expense management software	Feb 2019	Invested in \$4.2M Series A round

Glassdoor	Website that reviews companies and their management	Jan 2015	Led \$70M funding
Green Bits	Makes point-of-sale software for cannabis retailers	Apr 2018	Led \$17M funding round
Grofers	Grocery delivery start-up	May 2019	Invested in \$220M series F
Harry's	Direct to consumer shaving company	Feb 2018	Invested in \$112M Series D funding
Innovapptive	Workforce platform for asset intensive industries	Apr 2019	Led \$16.3M Series A round
Instacart	Same-day grocery delivery and pick up service	Nov 2018	Series F
Ivalua	start-up developing software	May 2019	Participated in \$60M funding round
Juul	Product of Pax Labs	July 2018	Led fundraising round. Invested \$600M
Karat	Conducts technical interviews for companies hiring software engineers	May 2019	Led \$28M Series B round
Litify	Software platform provider that allows law firms to manage their relationship with their clients and grow the business	Jun 2019	Invested \$50M in Series A funding
Locus	Logistics management software	May 2019	Led \$22M Series B funding round
NestAway Technologies	Home rental	May 2019	Invested in \$10M Series D round
Nextdoor	Neighborhood-focused social network	May 2019	First stake 2013
Ninjacart	Indian agritech start-up that markets and delivers agricultural product	Apr 2019	Invested \$89M
OfferUp	Competitor to Craigslist	Mar 2015	Invested in \$73M round

Ola	Ordering and delivery platform for restaurant industry	Jan 2019	Invested \$18M
Ola Electric Mobility	e-mobility arm of Ola, cab-hailing company	Mar 2019	Participated in \$56M fund raising
Pax Lab	Cannabis Vaporizer manufacturer	Apr 2019	Participated in \$420M financing round
Peloton	Stationary bike company	Apr 2014	Led \$10.5 M Series B funding
Redfin	Online real estate company	Nov 2013	Led \$50M Series C round
Roposo	Video app	Dec 2018/May 2019	Invested in \$10M Series C, \$5M in Series D
SendBird	Instant messaging inside applications	May 2019	Led \$102M Series B Round
Square	Merchant services aggregator and mobile payment company	Jun 2011	Participated in \$100M Series C
Stripe	Online payment processing for internet businesses	Jan 2019	\$100M
The Viral Fever	Online video platform	July 2018	Invested \$5M
Toast	Restaurant management platform	Apr 2019/July 2018	Led series E. Invested \$115M in Series D
Udesk	Enterprise platform for intelligent customer service	Sept 2018	Leads \$44M Series C funding
Warby Parker	Online retailer of prescription glasses	Dec 2013	Led \$12B Series A, Led \$115M Series C round
Zenoti	Spa and salon software	May 2019	Led \$50M Series B round

### ***Maverick Ventures***

Launched in 2019, San Francisco-based Maverick Ventures is the venture capital arm of Maverick Capital that invests in early stage healthcare and technology. It partners with early stage companies solving large unmet needs with novel approaches. It almost always provides its companies with follow-on capital beside the seed, Series A or B investment it initially provided.<sup>51</sup>

It has invested in 120 private ventures and has been a lead investor in 37 of those, according to Crunchbase.

It raised \$130 million for its first fund in January 2018 and then in January 2019, it raised \$382 million for an evergreen fund that invests in early stage companies.

**Maverick Ventures - Sampling of Private Investments (sorted alphabetically by company name)**

<b>Company</b>	<b>Description</b>	<b>Investment Date</b>	<b>Investment Amount</b>
Img Technologies	Online pharmacy	Jun 2019	Invested in \$70M Series D
Aptible	Provider of secure and compliant infrastructure	Jun 2019	Led \$12M series A
Artemis Health	Benefits data analysis company	Aug 2017	Participated in \$16M Series B and \$25M Series C rounds
Biocatch	Biometric authentication and threat detection technology	Mar 2018	Led \$30M round
Bounce	Two wheeler rental	Jun 2019	Invested in \$72M in Series C
Centivo	Insurance health plan	July 2018	Invested \$34M round Series A
Cityblock Health	Healthcare company focusing on providing care to low income neighborhoods	Apr 2009	Invested in \$65 M Series B financing
Cold Quanta	Develops and designs instruments and systems for quantum technology applications	Oct 2018	Led \$6.75M in seed financing
Collective Health	Health insurance solution; matches employees with programs	Mar 2018, Jun 2019	Invested in \$110M round, Participated in \$205M funding Series E
Coupage	Korea's largest e-commerce business	May 2011	Funded
Decent	Healthcare	May 2018	Invested in \$8M funding
Hims	Wellness upstart focused on providing	Jun 2018	Invested in \$50M series B round

	a variety of male-focused products		
Homology Medicines	Genetic surgery technique	Aug 2017	Invested in \$83.5M Series B
Notable	Digitizing checkup	Sept 2018	Participated in \$13.5M Series A round
OneMedical	Investor membership platform offering medical services	Dec 2015	Participated in \$77M and \$65M funding round
Seer	Platform for fast, cost effective accurate proteomic profiling for patients	Dec 2018	Co-led \$36M in Series A and B
Youku	Video streaming platform	Jun 2008	Led \$30M financing round

### ***Lone Pine Capital***

Lone Pine Capital, which was launched in 1997, manages three hedge funds, three long-only funds and a fund of funds. It has about \$20 billion in assets under management.

It has made 12 private investments and has been a lead investor in three.

### **Lone Pine - Sampling of Private Investments (sorted alphabetically by company name)**

<b>Company</b>	<b>Description</b>	<b>Investment Date</b>	<b>Investment Amount</b>
Away	Luggage manufacturer	May 2019	\$100M Series D
Convoy	On-demand trucking start-up	Sept 2018	\$185 M Series C
Chewy	e-commerce pet supply store	Apr 2017	\$125M Series F
Margeta	Global card issuing platform	May 2019	Invested in \$260M fundraising
NIO	Designs and develops smart high performance electronic vehicles	Nov 2017	\$1.1B Series D
Outreach	Sales automation start-up	2018	Led \$114M funding round
Snap	Parent company of photo messaging app Snapchat	May 2016	Invested in \$1.8B Series F
TransferWise	European fintech	May 2019	Co-led \$292M secondary funding



Uber	Transportation network company offering peer-to-peer ridesharing, ride service hailing, food delivery and bicycle sharing systems	Dec 2014	Participated in \$1.2B fundraising effort
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### ***Viking Global Investors***

Viking Global Investors has a hedge fund, long-only fund and a hybrid fund. Viking Global Opportunities invests in private companies.

It has made 47 private investments and been a lead investor in 18, according to Crunchbase data.

### **Viking - Sampling of Private Investments (sorted alphabetically by company name)**

<b>Company</b>	<b>Description</b>	<b>Investment Date</b>	<b>Investment Amount</b>
AurisHealth	Robotic endoscopy	Aug 2017	Series D, \$280M
BridgeBio	Designing medicines with transformative potential for patients with unmet needs	Jan 2019	Series D, \$299M
Checkerspot	Materials innovation Company	Apr 2019/Jun 2018	Participated in \$13M Series A funding/Co-led \$5M seed series
DermBiont	Clinical stage therapeutics dedicated to the discovery/development of live bacterial products for treatment of skin diseases	Jun 2019	Co-led Series A \$8M funding round
Druva	Cloud data management and protection service provider	Jun 2019	Led \$130M in Series G round
Impossible Foods	Develops plant-based solutions for meat and dairy products	May 2019	Series E, \$300M
NextGen Jane	Reproductive health platform	Apr 2019	Series A, \$9M

### ***D1 Capital Partners***

Dan Sundheim had been a partner at Viking Global Investors. He raised \$5 billion for the roll-out of D1 Capital Partners and actively started trading in July 2018.

A large chunk of the portfolio is in private companies. So far, it has made four private investments and has been a lead investor twice.

### **D1 - Sampling of Private Investments (sorted alphabetically by company name)**

<b>Company</b>	<b>Description</b>	<b>Investment Date</b>	<b>Investment Amount</b>
Auris Health	Pioneer in surgical robotics	Nov 2018	Participated in \$220M equity financing Series E
Instacart	Grocery delivery service	Q4 2018	Invested \$600M
Juul	e-cigarette maker	July 2018	\$1.2B financing round
Lineage Logistics	Refrigerated storage company	July 2018	Invested in \$700M round

### **Other Managers**

Deerfield Management, Darsana Capital Partners, Point72 Ventures and Cohen Private Ventures are also actively investing in private opportunities.

### ***Deerfield Management Co***

Illinois-based Deerfield Management Co has made 44 private investments and been a lead investor in 13 companies.

Deerfield Healthcare Innovations Fund, a \$550 million fund, invests in companies looking to advance therapeutic interventions for genetic diseases, cancers and orphan diseases, and new disruptive technology in medical therapeutic delivery industry.

According to regulatory filings, Deerfield Healthcare Innovations Fund II is seeking to raise \$1 billion.

### **Deerfield - Sampling of Private Investments (sorted alphabetically by company name)**

<b>Company</b>	<b>Description</b>	<b>Investment Date</b>	<b>Investment Amount</b>
Acutus Medical	Manufacturer of advanced intracardiac mapping system	Jun 2019	Invests in \$170M round

Frontier Medicines	Develops drugs that go after molecular targets of cancer and other diseases that are unreachable by pharmaceutical means	Jun 2019	Co-led \$67M Series A
NeoChord	Heart mitral value repair	Apr 2019	Co-led \$32M D Series
TriNetX	Health research network	Mar 2019	Raised \$40M in Series D

### ***Darsana Capital Partners***

Ex-Eton Park founding partner Anand Desai set up Darsana Capital, a long/short hedge fund, which is a late stage backer. In Q1 2019, fund performance soared 20%.

### **Darsana - Sampling of Private Investments (sorted alphabetically by company name)**

<b>Company</b>	<b>Description</b>	<b>Investment Date</b>	<b>Investment Amount</b>
DoorDash	Food delivery giant	May 219	Led \$600M Series G
Juul	e-cigarette maker	July 2018	\$1.2B financing round

### **Point72 Ventures and Cohen Private Ventures**

Steve Cohen formed Point72 Ventures in May 2016, about 2 ½ years after he converted SAC Capital into Point72 Asset Management. Point72 Ventures acts separately from Point72 Asset Management but insights are shared. The team of 15 focuses on firms specializing in financial technology, artificial intelligence and machine learning. Cohen has the final decision.<sup>52</sup>

Point72Ventures tends to invest in start-ups fundraising in the early seed, Series A and B rounds.<sup>53</sup>

According to Crunch base, it has made 39 private investments and been a lead investor in 18 of those.

### **Point72Ventures - Sampling of Private Investments (sorted alphabetically by company name)**

<b>Company</b>	<b>Description</b>	<b>Investment Date</b>	<b>Investment Amount</b>
ClickSwitch	Automated accountholder acquisition technology for financial institutions	May 2019	Series B, \$13M

Extend	Digitally distributes corporate credit cards	Apr 2019	Co-led \$11M Series A financing
NAV	Startup that gives small businesses free access to their credit reports	Feb 2019	Series C, \$44.9M
Quantopian	Freelance quantitative analysts develop, test and use	2016	Invested \$4M
Tempo Automation	Printed circuit board assemblies manufacturing service	May 2019	Led \$45M Series C found
Unravel Data	Application performance measurement solution for monitoring real-time tuning and alerts	May 2019	Series C, \$35M
Vestwell	Digital retirement plan	Apr 2019	Participated in \$30M Series B financing

Another entity, Cohen Private Ventures, was formed in 2010. It oversees certain family office activities for, and invests capital on behalf of Steven A Cohen and his family. The firm invests long-term capital primarily in direct private equity, venture and growth equity financings, concentrated public market positions, real estate and other opportunistic transactions. CPV was co-founded by Andrew B Cohen.

**Cohen Private Ventures - Sampling of Private Investments (sorted alphabetically by company name)**

<b>Company</b>	<b>Description</b>	<b>Investment Date</b>	<b>Investment Amount</b>
Autonomous Partners	Cryptocurrency and digital asset fund	July 2018	NA
Crystal Towers Capital Fund	Venture capital fund	Jun 2015	Participated in raising \$27.5M
DocASAP	Online solution that matches patients with optimal care providers through online appointment scheduling	July 2017	Raised capital growth

## VII. Outlook

With the caveats previously stated – possible liquidity concerns, potential painful downturn if too much activity is focused in one market segment, lack of manager expertise and structure, potentially lower returns in the long term – we expect to see more hedge funds take advantage of private opportunities as a way to grow.<sup>54</sup>

As hedge funds invest more into private investments, it may reinforce the trend for companies to stay private longer.<sup>55</sup>

On the other hand, the [financial] industry is evolving. We are seeing company changes in the S&P and the Dow where the staid older companies are being removed. These companies will be increasingly challenged and find it harder to compete. Nimbleness will permeate the economy which will encourage more IPOs.<sup>56</sup>

## VIII. Footnotes

- 1 Scott Storkamp, Morgens Waterfall Vintiadis, portfolio manager
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- 8 Scott Storkamp, Morgens Waterfall Vintiadis, portfolio manager
- 9 Steve Nadel, Seward & Kissel, partner
- 10 Larry Chiarello, SkyView Investment Advisors, partner and portfolio manager
- 11 James “Cam” McElroy, LCG Associates, senior vice president and principal
- 12 Scott Storkamp, Morgens Waterfall Vintiadis, portfolio manager
- 13 Steven Nadel, Seward & Kissel, partner
- 14 Mitchell Raab, Olshan Frome Wolosky, partner
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## IX. About Peltz International

### *Peltz International*

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**Contact:** Cathy Bradford  
**Phone:** 212-689-0180  
**Website:** www.peltzinternational.com  
**Email:** general@peltzinternational.com

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Released Aug 2018



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<b>Survey: Managers' Views on Cryptocurrencies</b>	Released Feb 2018
<b>Recruiter Survey-Hedge Fund Compensation and Placement</b>	Released Dec 2017
<b>Survey of Seeders/Allocators to Emerging Managers</b>	Released August 2017
<b>Six Early Stage Managers to Watch</b>	Released June 2017
<b>Special Research Report</b> <b>The Non Correlation of Art with Traditional Investments</b>	Released: March 2019

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