

Fund Formation Group Of The Year: Cleary

By Elise Hansen

Law360 (February 7, 2020, 12:59 PM EST) -- Cleary Gottlieb Steen & Hamilton LLP steered multibillion-dollar investment funds and helped investors in Abraaj's Global Healthcare Fund find a new fund manager following Abraaj's collapse, earning the group a spot among Law360's 2019 Fund Formation Groups of the Year.

Cleary's team helped form funds for clients such as TPG and Angelo Gordon & Co. LP, something it accomplished through close collaboration between global offices, Cleary managing partner Michael Gerstenzang said. The fund formation group includes five partners and two counsel, who are spread across offices in New York, London and Hong Kong.

"It's a very significant part of the firm, not as much in terms of headcount — on a global basis we've got 176 partners — but the client relationships in the funds practice ... are all strategic clients for our firm across a variety of practice areas," Gerstenzang said. "So we think of this as an important strategic practice in addition to being an important practice in its own right."

The team's 2019 accomplishments include its work steering an agreement about the future of Abraaj Group's Global Healthcare Fund. The fund's original sponsor, the Abraaj Group, is now defunct after allegations of mismanagement led to criminal charges and the group's holding company filing for bankruptcy.

Cleary worked with the fund's investors, representing the Limited Partner Advisory Committee as it secured new management for the vehicle.

"The project ended up unfolding into something of a saga," partner Adrian Leipsic said. "It was effectively an exercise in crisis management on a very large scale, which involved coordinating among all of the LPAC members, shepherding them through the process and eventually righting the ship."

LPAC ultimately tapped TPG Growth, the middle market and growth equity platform of TPG Capital, to lead the fund. Under the terms of the agreement, which closed in June, the fund will be renamed The Evercare Health Fund, and TPG will continue to support the fund's existing portfolio in addition to identifying new investments.



“It was an exercise largely in teamwork and building consensus among the group to chaperone them through the experience,” Leipsic said. “I think the global integration that’s in our DNA really helped us execute on that project.”

Cleary worked with TPG numerous other times during the year, including on a \$1.6 billion fund for investments in technology, media and telecommunications companies; a \$4.6 billion fund for investments in Asia-based businesses; and a \$2.2 billion investment vehicle sponsored by a TPG affiliate for growth investments in areas such as data infrastructure, financial services and software.

“We’ve seen sponsors form funds dedicated to very targeted subsectors in particular industries,” Leipsic said. The \$1.6 billion fund, known as TPG Tech Adjacencies LP, is one such example of “a particular, specific focus for an asset management platform that has historically taken a very broad strategy,” he said.

TPG is also a leader in social impact funds and is currently raising money for a successor to The Rise Fund, partner Maurice Gindi noted. The Rise Fund II held its first close in February and had about \$1.72 billion in commitments in fall 2019, according to October filings with the U.S. Securities and Exchange Commission.

“Their investments really are looking to provide both financial returns and positive societal impact,” Gindi said. “The real thesis behind the fund is not only do you not have to sacrifice one for the other, but really, they’ll help drive each other.”

Cleary is spearheading KKR & Co. Inc.’s debut impact fund as well, as the vehicles increasingly gain traction with sponsors and investors. KKR’s Global Impact fund will target investments across a range of industries and geographies, partner Elizabeth Lenas said.

“I think investors, especially state plans, are very interested in impact investing and being able to show their own investors that they care about [environmental, social and governance] issues,” Lenas said.

From a legal perspective, social impact funds offer additional complexities around vetting investors and come with a different set of solicitation rules, Lenas said. “It ends up being more of an administrative burden for the firms, but it does let you speak to the press openly about your fundraising and the fact that you’re making these sorts of investments and what your vision is,” she said.

The firm also helped steer Angelo Gordon & Co. LP as it raised \$1.3 billion in commitments for an Asia-focused real estate fund. AG Asia Realty Fund IV closed in fall 2019 and is targeting a range of properties, from office to hotel, retail, industrial and residential.

“One of the things that’s interesting to me about Angelo Gordon is they’re a very collegial group,” partner Robert Raymond said. “They are always taking into account how they can work together in different geographies.”

Their fundraising success — AG Asia Realty Fund IV topped its fundraising target — also fits in with a broader trend of real estate investors homing in on particular strategies or locations, Raymond said.

“I think there’s an expansion of ... real estate sponsors looking at different types of strategies, either geographies or particular real estate strategies, and expanding into those strategies,” Raymond said.

Looking forward, Gerstenzang said he expects Cleary's funds practice will continue to expand. "It's a rapidly growing practice for us," he said. "And when we look into the future, nobody has a crystal ball, but we expect to continue to grow our senior ranks."

--Additional reporting by Bonnie Eslinger and Benjamin Horney. Editing by Jack Karp.