

## Hodes Weill ramps up principal investing

*The New York-based advisory firm has formed a new company that will count Soros Fund Management and Pine Brook among its shareholders.*

Hodes Weill & Associates, a New York-based firm best known for its advisory and capital raising services, is making a major move into the principal investing space. In partnership with former Credit Suisse executives, it is forming Tunbridge Partners, a private investment company that will invest in middle-market real estate- and other real asset-focused investment managers globally.

Tunbridge has held an initial closing towards an anticipated \$500 million share issuance. The consortium of investors is being led by Pine Brook, a New York-based private equity firm that invests in energy and financial services businesses, and Quantum Strategic Partners, a private investment fund managed by Soros Fund Management LLC. A final closing is expected over the next several weeks and will include several US-based public and corporate pension plans. The investor commitments range from \$50 million to in excess of \$150 million each.

The formation of Tunbridge marks a significant move for Hodes Weill into principal investing. Hodes Weill previously established a joint venture with an institutional partner to do recapitalizations of troubled real estate funds and partnerships, and also has invested in some of its clients' deals over years. But such principal investing activities had not represented a significant part of the firm's business.

"This is the first time we'll have capital for this strategy," said Douglas Weill, managing partner at Hodes Weill. "For Hodes Weill, it's a significant step. We are very optimistic about growing this strategy out."

The investment focus of Tunbridge fills a void in the private equity real estate industry, he added. "There's a really strong need from managers for this type of capital, and given our advisory and distribution capabilities, we can help these managers grow," he said. Managers that are backed by Tunbridge have the option, but are not required, to use Hodes Weill for institutional coverage and capital raising.

Tunbridge will acquire minority stakes in real asset fund managers that have assets under management of \$1 billion to \$10 billion, and generally have been in operation for at least five years. The managers predominantly will be in real estate but also could include other real assets such as infrastructure, timber and agriculture. The initial \$500 million in capital is expected to be invested in 10 to 12 managers over the next few years.

"We're backing established managers," said Tunbridge portfolio manager Sean Gallery. "Our investment can be used for a variety of needs including growth capital, retiring a partner or seed investor and for general succession and organizational planning."

The new company will be run on a day-to-day basis by chairman Brian Finn, Gallery and principal Keith Funston. Finn previously was chairman and chief executive officer of Asset Management Finance (AMF), an affiliate of Swiss investment bank Credit Suisse that focuses exclusively on acquiring stakes in traditional and alternative asset managers. Prior to AMF, he held various executive positions at Credit Suisse, including co-president of Credit Suisse First Boston and head of alternative investments.

Gallery, meanwhile, was most recently a managing director at Orix USA, where he was responsible for strategic acquisitions and seeding of new asset management platforms, and earlier had been a senior member of AMF's investment team. Funston comes from Hodes Weill, where he worked on mergers and acquisitions, strategic advisory assignments and capital raising.

Weill and Hodes Weill co-founder David Hodes will sit on Tunbridge's board. Hodes and Weill co-founded Credit Suisse's real estate private funds group and also co-managed the investment bank's real estate investments group