Q&A: Churchill's Strife Discusses Secondaries, Co-Investments and Partnering with Ardian

OCTOBER 12, 2021 | MARY KATHLEEN FLYNN

Churchill Asset Management announced recently a significant investment into its private equity platform with the closing of **Churchill Secondaries Partners LP** and **Churchill Co-Investment Partners LP**, totaling approximately $1.5 billion of committed capital. **Ardian** was the lead investor and the largest single investor across both vehicles. **Mergers & Acquisitions** asked **Jason Strife**, head of private equity and junior capital at Churchill, to share his insights on the fundraising climate, the opportunities in secondaries and co-investments and the partnership for Ardian.

How did you find the fundraising climate at this time?

Competitive! We knew we had to come to the market with a differentiated product offering, especially in this virtual climate where investors gravitate towards re-upping with current relationships and hesitate to meet new managers. Completing the managed fund transaction whereby Churchill Secondary Partners LP (the "Secondary Fund"), was seeded with a diversified, predominantly U.S. middle market pool of funds provided Ardian the ability to present an attractive and distinct syndication product to their relationships. Churchill's partnership with Ardian was instrumental because Ardian's successful syndication allowed us to raise new primary capital for Churchill Co-Investment Partners LP (the "Co-Investment Fund"), strengthening our investor-base with long-term, like-minded partners.

What's driving interest in secondaries?

Private equity investors have become more sophisticated and expect quality and diverse investment options. Secondaries are appealing because they provide immediate diversification, mitigated J-curve and typically faster return of capital. We were able to capitalize on our top-tier reputation as a coveted LP with market-leading sponsors to create, in coordination with Ardian, an attractive Secondary Fund portfolio that is well diversified across sponsor, industry, geography and vintage.

What's driving interest in co-investments?

Investor appetite for co-investments is driven by the fact that it can enhance returns through reduced costs. However, that is all predicated on capital deployment, proving that strong deal flow is vital. Churchill's Co-Investment platform has invested $2.6 billion across 195 equity co-investment transactions since 2011 and benefits from preferred access to co-investment deal flow. In addition, Churchill is an established market leader with a blue-chip reputation as a significant LP and dependable co-investment partner holding advisory board seats on a majority of our funds, further supporting origination through more robust relationships. Our tried-and-true co-investment strategy has garnered an exceptional track record with realized returns in excess of 30 percent. The strategic creation of the Churchill Co-Investment Fund provides more capacity to our growing co-investment pipeline.

How did the relationship with Ardian evolve, and why is Ardian the right partner for these funds?

The first stage of the transaction was commenced to identify a Lead Investor of scale with the ability to validate pricing for the Secondary Portfolio, negotiate the level of primary capital for the Co-Investment Fund and negotiate terms of both the Secondary and Co-Investment Funds. Ardian, a sophisticated player in the private equity market with a wealth of experience in undertaking transactions of this nature, emerged as the most attractive buyer. As a result, both funds were established in partnership with Ardian as part of a strategic transaction that expanded institutional investor access to Churchill's private equity platform. Ardian's successful syndication established commitments from a global list of high-quality like-minded investors.

What are some examples of deals backed by these funds?

The Churchill Secondary Fund is comprised of predominantly North American middle-market buyout and growth equity funds. The portfolio is well diversified by vintage, geography, industry sector and includes a mix of more seasoned funds, along with some younger dated funds.

The Churchill Co-Investment Fund has invested ~20 percent of its total commitments into five portfolio companies. The Co-Investment Fund will pursue a diversified portfolio construction approach across industries and sponsors while limiting the level of concentration to any single asset. We focus on well-run, non-cyclical, growing U.S.-based companies with proven business models and avoid oil and gas, real estate, and controversial / headline-risk sectors.

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