

US offers best risk-return ratio for secondaries investors

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The US currently offers the best risk-reward ratio for secondaries investors, according to Pomona Capital CEO Michael Granoff.

Pomona has just closed its eighth secondaries fund on \$1.75bn, exceeding its initial \$1.3bn target.

Granoff told AltAssets that Pomona Capital VIII entered its investment period a year ago and has so far deployed \$600m, of which 85 per cent was invested in the US.

LPs from 25 countries backed the vehicle with a significant increase in commitments from Asian investors, said Granoff. US-based investors accounted for around 60 per cent of the capital.

Granoff said, "If you look at the risk reward ratio you would probably conclude that the best ratio is in the US.

"It is true not only in our space, but in most markets. We've seen an outflow of capital from emerging markets coming into the US for similar reasons."

He added that PC VIII was oversubscribed and could have raised more capital, but the current dealflow would not justify a larger vehicle.

Granoff said, "We've tried to focus on places where we can buy the kind of assets we want and at the price that we think is appropriate. And in current circumstances this translates into us buying about one per cent of the doable deal flow we see.

"Sometimes we look at particular industries that look attractive such as energy and healthcare; sometimes we look at particular funds, at where they are in the lifecycle.

"The reason why we limit the size of our funds which are a fraction of the largest funds in our space is because it's not so easy to find those spaces, those pockets of inefficiency as they are only so many of them."

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