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SGT Capital focuses on co-investments and LP diversification in next stretch of USD 2bn fundraise

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- Sponsor could reach its USD 1.5bn target by year end, with additional EUR 500m of co-investment capital
- Spending time with US and Middle Eastern LPs
- Working on two proprietary deals as it nears Elatec closing

Mid-market sponsor SGT Capital is focusing on its co-investment pitch and LP geographical diversification, in a shift from its initial fundraising approach as it aims to reach the USD 1.5bn target for its second private equity fund, co-managing partner Joseph Pacini told *Unquote*.

In addition to its USD 1.5bn target, the GP plans to raise an additional USD 500m for co-investments. It expects to hold its second close on more than USD 1bn in the coming weeks, he said, while a final close could come towards the end of the year.

"What we have done differently is, instead of leading with the fund, we led with a co-investment opportunity first, and then if an LP wants the deal, they will need to come into the fund as well," he said.

"What we have realised is that the more traditional methodology of fundraising was quite crowded unless you were a very well-established firm. Many potential LPs said that it was going to be very challenging to get an allocation when budgets are already fully committed," he said.

The GP is also spending an increasing amount of time in the Middle East, as well as in the US, where LPs have generated strong returns in the tech boom and are now seeking investment opportunities with more stable cashflows, he said.

SGT currently has just under 100 LPs as of today, of which around 40% are European investors in the form of pension plans and fund-of-funds; 40% are US LPs, predominantly endowments and asset managers; and 15% are from the Gulf Cooperation Council region, with the remaining few Asian investors out of Singapore, he said.

Pacini acknowledges the tough fundraising environment, noting that he has met with close to 600 LPs for the fund. With a strong level of re-ups from its existing LPs, the more challenging conversations have taken place with potential new LPs.

"In the good old days, though, you'd meet with somebody and you would have say a 50% hit rate. Now, it's just much less, and so it has required a lot of travel, a lot of knocking on doors," he said.

But the former Mormon missionary turned financier, whose career includes stints as Asia alternative head at *JP Morgan* and *BlackRock* based in Hong Kong, believes his network and experience is standing him in good stead.

"When I was younger, I was a Mormon missionary in Paris, which was not the most successful place to be sent, and have been used to rejection," he said. "That prior experience has been a very helpful one in this current environment."

The fundraising progress will coincide with the expected closing of its latest investment, Elatec, a German manufacturer of radio frequency identification reading systems, Pacini said.

SGT Capital, which typically acquires businesses that are in the top three market players in their niches, is currently working on two proprietary deals, with one target likely to be signed prior to the end of this year and the second likely early next year, he said.

After the Elatec closing, the fund will be 33% invested, he said. It expects 50% of its capital to be invested prior to the end of 2023, with visibility of between 60-70% deployment by the first quarter of next year, he added.

by Min Ho

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