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**COMMENTARY**

# Why Investcorp is buying Mercury

## We don't often see managers buying placement agents, but in this instance the rationale is clear

In an industry in which growth is currently the norm (spoiler alert: our PEI 300 will show this next week), Investcorp stands out as pursuing it faster than most.

The Bahrain-listed alternatives investment firm has been on an acquisition spree in the last year. It forayed into Asia with a $250 million anchor investment in a Chinese manager's tech fund and the acquisition of Mumbai-based IDFC Alternatives' private equity and real estate units. The firm has also picked up a 40 percent strategic stake in a Swiss private bank and launched Strategic Capital Group, a unit that will acquire minority stakes in mid-sized alternative asset managers.

This activity is all designed to fuel an ambitious growth plan to grow AUM to $50 billion in the medium-term from $22.5 billion as of end-December 2018. It also puts into perspective the firm's acquisition of New York-based placement firm Mercury Capital Advisors.

Investcorp has acquired 100 percent of Mercury. Four representatives from Investcorp will join Mercury's board of directors post-acquisition, with Mercury's management team continuing to run the business.

It's not totally unheard of for a GP to buy a placement agent, but it is rare. Blackstone used to own Park Hill Group before spinning off the business in September 2015 to combine with PJT Partners. We are more used to seeing investment banks pick up placement agents, such as Houlihan Lokey's acquisition of BearTooth Advisors last year or Stifel Financial and Eaton Partners in 2015.

For the Bahrain-listed firm, it's a strategic play. Investcorp is at a point at which raising institutional capital and reaching new investors are top priorities. The firm has historically raised the bulk of its capital from wealthy families and individuals in the Middle East. This year it has already sealed two big secondaries transactions that have ushered Coller Capital and Harbourvest into its investor base and raised fresh capital for both its buyout and tech sector programmes. The firm raised $548 million in the last six months of 2018, according to its most recent results, more than double what it raised in the same period the year before.

The acquisition of Mercury brings more than 50 fundraisers across 14 offices into a firm with global growth plans. Last year, Mercury facilitated over $6.5 billion in aggregate capital commitments in North America, Asia and Europe across private equity, private credit, real estate, secondaries and direct transactions. Mercury also has iFunds, a fintech platform offering family offices and wealth advisors access to alternatives investments.

Mercury will continue to operate as an independent placement agent, the two firms said this week, but it would defy logic to think its fundraisers won't be unleashed on Investcorp's own products.

In this context, the deal makes perfect sense.

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