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March 21, 2016

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FIVE QUESTIONS WITH

JOHN GUINEE, Managing Partner, Constitution Capital Partners

1 Can you give an update on your firm's history and what sets it apart?

Constitution Capital Partners spun out of **Standard Life Investments** in 2007 and in 2008 we launched the firm and landed our first account with **Universities Superannuation Scheme** (USS) for $750 million. We closed on our first commingled product, Ironsides Partnership Fund II ($230 million) in 2012 and followed up with Ironsides III in 2015 with $823 million, including a couple of separately managed accounts.

From the original team of six we're now up to 13 employees and are in the process of hiring at least two more by this summer. Experience, process and the team culture of being a niche player that's very nimble helps distinguish Constitution Capital. We're disciplined and very process driven. Our strategy is to make a limited number of investments and have fewer relationships. This allows us to put more resources and attention on each investment.

2 As a fund-of-funds and separate account specialist in middle-market private equity funds, what are your GPs doing to adjust to more a more challenging 2016?

Hopefully they're being very disciplined about price because we're coming into a frothy part of the market. They have to really understand the deal and make sure they have an angle — that's what most of them try to do. We have conversations with them and they're seeing a lot of deals, but they're passing on a lot of them. Unless they have a real angle, they're probably not going to chase an auction. They're hugging tight to their investment style. This is not a time for them to be expanding their investment screen to new sectors.

3 Any noticeable trends among newer GPs nowadays?

We're seeing an uptick in the number of emerging managers compared to five years ago. The managers are also more experienced. People who would have spun out of bigger firms in 2009-2011 didn't do so because of the financial crisis. Now they're more experienced, which is good for us.

We are also seeing more operating partners in emerging managers. That is something you only saw in more mature managers five years ago. Operating partners can provide a more nuanced view when it comes to assessing the risk and opportunities during due diligence. When prices are cheap, you have room for error. When prices are expensive you have less room. Operating people can help you get the deal right where it belongs.

4 What opportunities are you seeing for separate accounts?

We have raised capital for separately managed accounts [SMAs] for both partnerships and for direct investments. We have experience in managing SMAs, for USS and for a limited number of LPs, and we strive to provide customized solutions for our clients. SMAs will continue to be a bigger part of the market.

5 Since you've been in private equity for decades now, what's your view on the current economic cycle?

We've invested through a number of business cycles going back to the late 1980s. The first big bump in the road was in 1990-91. Along the way there have been other cycles and most recently the Great Recession of 2008. We're definitely not there now. However, it does feel like we're near or at the top of the cycle. While the fundamentals of the U.S. economy are relatively calm, the technicals, especially the debt markets, are very erratic. Generally speaking, debt is tightening up. Less so on deals that are under $50 million of EBITDA and more so north of that amount.

Edited for clarity by Steve Gelsi