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## Advisers craft energy funds of funds for investors

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Wondering what's hot with institutional investors? Keep an eye on what products advisers are creating for them. And right now at least two are in the market with energy funds of funds.

**Venture Investment Associates**, a 20-year-old firm based in Peapack, N.J. with some \$1.25 billion under management through about 10 funds of funds, is in the market with Venture Investment Associates Energy III LP seeking \$125 million, according to a regulatory filing. The pool is earmarked for sponsors raising energy funds of \$100 million to a couple of billion dollars or so. As in the past, Venture Investment Associates intends to back sponsors that take stakes in energy companies, while for the first time with Fund III the firm also plans to back sponsors that invest directly in income-producing assets.

Meantime, **FLAG Capital Management LLC**, a Stamford, Conn.-based advisory shop, is in the market with its latest energy and natural resources fund of funds, FLAG Energy and Resources Partners III LP, according to a source familiar with the firm. The fund is earmarked for limited partnerships that invest in such assets as energy, timber, agriculture and commodities.

“With public markets at all-time highs and the fixed income opportunities less attractive, especially with rate increases on the horizon, investors are looking for alternatives to provide safe havens with potential upside,” said **Jason Andris**, a managing director of Venture Investment Associates. “Real assets, especially energy, addresses that need while serving as a hedge against inflation.”

Venture Investment Associates, which also manages diversified private equity and venture capital-only funds of funds, first broke out its energy investment program as a separate product in 2008. Its first energy fund of funds, vintage 2008, closed at \$54 million, ahead of its \$50 million target, while its 2011 vintage successor closed at about \$81 million, ahead of its \$75 million target.

Altogether Venture Investment Associates Energy III is likely to be earmarked for nine to 12 fund managers, who in turn will invest in 100 to 200 companies in energy and production, midstream services and associated energy technologies. Earlier this year the firm hired **Adrian Garcia** as a managing director to focus on the energy fund of funds from a newly-opened Houston office. Previously Garcia worked at energy private-equity shop **Quantum Energy**

**Partners**, and earlier in his career he worked in the petroleum, chemicals and nuclear energy industries. Having Garcia onboard gives the firm more technical expertise in the market, Andris said; Fund III will consider co-investments alongside its sponsors.

Among the limited partnerships Fund III is backing is Yorktown Energy Partners X LP, which Thomson Reuters, publisher of *Buyouts*, reported reached \$1.6 billion this May; Andris said Venture Investment Associates has backed every Yorktown Energy Partners fund since the vintage 1997 Fund III, which followed the team's spin-out of investment bank Dillon, Read & Co.

**Stathis Andris**, the father of Jason Andris, founded Venture Investment Associates in 1993 to acquire and manage a \$180 million private equity portfolio, called **AVA Partners**, that he had built over 20 years on behalf of American Express. Through AVA Partners, where he was president starting in 1981, Stathis Andris backed the first funds of some of the industry's most successful sponsors, including **Hellman & Friedman, Kohlberg Kravis Roberts & Co., Summit Partners, Sigma Partners** and **IVA**, the predecessor to **Institutional Venture Partners** founded by venture capitalist **Reid Dennis**. Stathis Andris is the president of the general partner of all the firm's funds.

The firm prides itself on being one of the largest investors in its own funds of funds, and charges carry only after achieving a multiple of distributions over its investors' original commitment, Jason Andris said. Early this year the firm announced the completion of fundraising for its seventh diversified funds of funds, along with two venture capital-focused funds of funds, including one tagged for seed-stage funds. Together they secured nearly \$150 million in pledges over the previous year. It is expected that the firm will launch the eighth in its line of diversified funds of funds, Venture Investment Associates VIII LP, next year.

Venture Investment Associates' backers have included endowments, corporations, foundations and wealthy families.