



Institutional Investor

Neuberger Berman Moves to Provide Financing for Buyout Shops

BY JULIE SEGAL

When private equity firms need money to buy new companies or fund activities of portfolio companies, they often have to turn to rivals for financing. KKR, Blackstone and Apollo Global Management are all major buyout shops with fast-growing credit divisions. GSO Capital Partners, for instance, is one of Blackstone's fastest-growing units and seeks to fill a lending void left by banks forced to retreat from riskier transactions.

But there's also room for more traditional managers in the private debt world. Neuberger Berman, the privately held asset management firm based in New York, has a different model from that of the buyout shops. The firm believes it will get a significant competitive edge by lending money to private equity portfolio companies without also competing with their fund sponsors.

Neuberger's move into private debt is part of CEO George Walker IV's strategy over the past few years to expand the firm's presence in alternative investments. Neuberger, bought by Lehman Brothers Holdings in 2003, got swept up in the firm's bankruptcy in September 2008. With his senior team, Walker, who ran Lehman's global investment management business at the time, led the successful spin-off of the group, which closed in May 2009.

Last March Neuberger hired Susan Kasser as head of private debt in the firm's \$18 billion alternatives division. Kasser had been a founding member of Carlyle Mezzanine Partners, a unit of the Carlyle Group. Kasser says a number of firms began to offer private debt as it grew increasingly popular with investors seeking higher yields at a

time of historically low interest rates. But Neuberger was a good alternative for what she envisioned because most competitors operate within an affiliate of a buyout fund. In contrast, Neuberger is mostly active in private equity funds of funds, including primary and secondary investments, as well as equity co-investments. Kasser gets the benefit of tapping into the firm's expertise and network but without her clients having to deal with competition issues. "Neuberger is a potential limited partner in these private equity funds and can then lend to those same businesses," she says. "That is a friendly advantage and a great entrée into that market."

Kasser also emphasized that she joined Neuberger because it has a smart approach to growth and launching new products, as well as sufficient scale and in-depth research to support the lending effort. Products are developed at the behest of clients. "For someone coming in to build a business, that's reassuring," she says. "It's not, 'I've cooked up this idea, and let's hire somebody and see if we can sell it.' That's terrifying."

Whereas investors are increasingly interested in private debt, the current market is not perfect for deal making. Kasser says she's cautious about deploying capital right now with funding still plentiful and cheap and lenders relaxing their standards. "Our investors have to know that we have discipline — and not only the portfolio managers, but the firm itself." Patience is key. "You have to be willing to let things go," she adds, "and you can't second-guess why a competitor got this or that deal."

The attached article is being reprinted / redistributed with permission and may not be redistributed without the publisher's consent. This material is presented solely for informational purposes and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. Any views or opinions expressed may not reflect those of the firm or the firm as a whole. We do not represent that this third party information is accurate or complete and it should not be relied on as such. All information is current as of the date indicated and is subject to change without notice. Neuberger Berman does not accept any responsibility to update any opinions or other information contained in this document. Neuberger Berman products and services may not be available in all jurisdictions or to all client types. Investing entails risks, including possible loss of principal. Investments in hedge funds and private equity are speculative and involve a higher degree of risk than more traditional investments. Investments in hedge funds and private equity are intended for sophisticated investors only.

This material has been issued for use by the following entities; in the U.S. and Canada by Neuberger Berman LLC, a U.S. registered investment advisor and broker-dealer and member FINRA/SIPC; in Europe, Latin America and the Middle East by Neuberger Berman Europe Limited, which is authorised and regulated by the UK Financial Conduct Authority and is registered in England and Wales, Lansdowne House, 57 Berkeley Square, London, W1J 6ER, and is also regulated by the Dubai Financial Services Authority as a Representative Office; in Australia by Neuberger Berman Australia Pty Ltd (ACN 146 033 801, AFS Licence No. 391401), which is licensed and regulated by the Australian Securities and Investments Commission to deal in, and to provide financial product advice for, certain financial products to wholesale clients; in Hong Kong by Neuberger Berman Asia Limited, which is licensed and regulated by the Hong Kong Securities and Futures Commission; in Singapore by Neuberger Berman Singapore Pte. Limited (Company No. 200821844K), which currently carries out the regulated activity of fund management under the Securities and Futures Act (Chapter 289) ("SFA") and operates as an Exempt Financial Adviser under section 23(1)(d) the Financial Advisers Act (Chapter 110) ("FAA") of Singapore; in Taiwan to specific professional investors or financial institutions for internal use only by Neuberger Berman Taiwan Limited, which is licensed and regulated by the Financial Services Commission ("FSC") and a separate entity and independently operated business, with FSC operating license no.:(102) FSC SICE no.011, and address at: 10F, No. 1, Songzhi Road, Taipei, Telephone number: (02) 87268280; and in Japan and Korea by Neuberger Berman East Asia Limited, which is authorized and regulated by the Financial Services Agency of Japan and the Financial Services Commission of Republic of Korea, respectively (please visit http://www.nb.com/japan/risk_eng.html for additional disclosure items required under the Financial Instruments and Exchange Act of Japan). Except for the foregoing, this material is not intended for use or distribution within or aimed at the residents of any other country or jurisdiction. This document is not an advertisement and is not intended for public use or additional distribution in the following jurisdictions: Brunei, Thailand, Malaysia and China.

The "Neuberger Berman" name and logo are registered service marks of Neuberger Berman Group LLC.

© 2014 Neuberger Berman Group LLC. All rights reserved.

P0080 02/14