

# Inside AXA IM's acquisition of W Capital Partners

*'Valuations have returned to a steady state, but GPs are facing more significant DPI challenges than ever,' W Capital Partners' David Wachter said.*

Hannah Zhang – 22 April 2024



The distribution challenges being faced by GPs has led **AXA Investment Managers** and **W Capital Partners** to join forces.

**AXA IM agreed to acquire US-based secondaries shop W Capital Partners** in early April. W Capital Partners, which focuses on GP-led and direct secondaries, will sit within AXA IM Prime, a €35 billion unit of AXA IM focused on private markets, including private equity, private debt, infrastructure and hedge funds.

W Capital Partners featured on affiliate title's *Secondaries Investor's 2023 **SI 50 ranking*** and has accumulated \$1.9 billion in AUM since its establishment in 2001.

The move will expand AXA IM Prime's GP-led capacities at a time when GP-led secondaries have become a much-needed distribution avenue amid a slow exit environment, according to Pascal Christory, the unit's CEO.

"We have reached a point where direct secondaries and GP solutions have become key strategies for GPs," Christory said. "It's precisely now that... GPs need solutions to refinance [their portfolio

companies]. This opportunity is synonymous with high-quality, diversified portfolios, getting access to the best transactions with a discount and very limited idiosyncratic risk.”

Continuation vehicles were expected to account for 9 percent of total private equity distributions to LPs in 2023, according to mid-market investment bank Baird. The figure has seen a consistent annual increase since 2016 and is up from 5 percent in 2022.

“You have a contracting exit market and an exploding private equity market,” David Wachter, managing partner and co-founder of W Capital Partners, said. “Valuations have returned to a steady state, but GPs are facing more significant DPI challenges than ever before... [AXA IM and W Capital Partners] shared view that GPs need more options for managing their portfolio and controlling their exits is what brought us together.”

## **Inorganic push into GP-leds**

AXA IM Prime has been building up its in-house private markets capabilities, including its offerings for GP stakes, NAV lending and secondaries. Last November, the firm hired Matthieu Ducharme from Northleaf Capital Partners to lead its private equity secondaries business.

Acquiring W Capital Partners will allow AXA IM to accelerate its presence in the secondaries market more quickly than it would by building up an internal team focused on GP-leds, according to a source familiar with the transaction. “You can do everything organically, but there’s the question of how fast you can scale an investment strategy. This timing element matters a lot.”

Structuring the deal wasn’t difficult for AXA IM given its prior experience in acquisitions, the source added. The real challenge was to find the right target given the scarcity of independent secondaries funds with some scale.

“Most of the large ones have been acquired,” the source said. A recent example is Salt Lake City-based real estate investment manager **Bridge Investment Group, which acquired mid-market secondaries player Newbury Partners** last year. Ares Management, Franklin Templeton, CVC Capital Partners, Brookfield Asset Management and PGIM have all made acquisitions of secondaries firms or business units in the past few years.

W Capital Partners has the right size and is a good “cultural fit” for AXA IM Prime, the source said.

Unlike other private market players that have also got into secondaries through acquisitions, AXA IM Prime isn’t a direct investor in private equity – a trait W Capital Partners plans to leverage in its future interactions with GPs, according to Wachter.

“It’s more challenging for secondary competitors with direct buyout strategies to be offering each other passive strategies with liquidity,” Wachter said. “What we can offer GPs is to serve as [a] partner that is not a competitor in the direct buyout market... We can get into dialogue with our GP partners in a very unique and specialised way.”