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GP Spotlight 2020

Building long-lasting institutions to partner GPs

Dyal Capital Partners: Best Growth Manager (Fund Size >$1bn)

Dyal Capital, a division of Neuberger Berman, was established in 2011, over which time it has forged a reputation for being one of the private equity industry's pre-eminent investors. To date, Dyal has raised four permanent capital vehicles, providing minority equity capital to more than 40 well-established private equity and hedge fund firms.

Dyal's latest vehicle – Dyal Capital Partners IV – attracted over USD9 billion of committed capital interests from its global network of investors, which include some of the biggest pension funds, sovereign wealth funds and insurance companies. Aggregate commitments across all Dyal funds and co-investment vehicles now total more than USD21.6 billion.

"The investments we make are typically in the USD500 million to USD1 billion range," remarks Michael Rees, Managing Director and Head of Dyal Capital Partners. "It is a narrow playing field and given we are so differentiated, we feel like we are in a pretty good spot."

Rees puts Dyal's success down to being a good partner. "We wanted to build a business that could become a leading partner to some of the best GPs in the world. For that to happen we needed substantial long-dated capital and a strategic platform in place. That lay behind the genesis of Dyal Capital and what we've subsequently been able to execute on," says Rees.

A key feature of the firm is its Business Services Platform, which is headed up by John Dyment. The primary goal of the platform, which has grown to a team of 35 people and is widely recognised as best-in-class, is to forge close collaboration with each and every GP the firm partners with and enable them to reach their business objectives. The platform is built on five pillars, including talent management, operational advisory services, business strategy, product development and client development & marketing support. Some of those pillars were established by Dyal taking a proactive stance, based on what it felt its partners would need.

"For example, we knew some of them would want help accessing investors around the globe so we made sure we had in place the expertise to advise them on international fundraising," explains Rees. "Over the course of time, some partners started reaching out to ask, 'We're trying to hire a new CFO, can you help by tapping into your network?'

MICHAEL REES
Managing Director, Dyal Capital Partners

We're only as good as the

Initially, we didn't have a talent management group in place, so some of elements of how we built the platform were also reactive, based on questions PE sponsors were coming to us with."

Ultimately, Dyal's modus operandi is about building long-lasting institutions based on a close alignment of interests. "We look to partner with PE groups who are looking to build an organisation that lasts longer than any one individual," states Rees. Some of these partnerships include the likes of HIG Capital, Cerberus, Providence Equity, and Vista Equity Partners. With fund vintages continuing to grow year on year, GPs increasingly see the value of accessing permanent capital to support them in their ongoing capital commitments, alongside their LPs.

"PE sponsors are consuming capital at a significant pace and the desire to have permanent capital on their balance sheet is one of the main reasons why they consider partnering with a firm like ours.

"I think private markets are going to become even more important as and when we emerge from this pandemic, where smaller, family-run businesses look to PE sponsors to help them over the coming years." ∎

Michael Rees
Managing Director, Head, Dyal Capital Partners

In addition to his roles at Dyal Capital Partners, Michael Rees is also a member of the firm's Partnership Committee. Prior to founding Dyal, Michael was a founding employee and shareholder of Neuberger Berman Group, transitioning from Lehman Brothers as part of the management buyout transaction in May 2009 and was the first Chief Operating Officer of the NB Alternatives business following the founding.