

## Venture fund pile at Vector storms to \$1.2bn

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Vector Capital, a private equity firm specialising in technology, has raised \$1.2bn for its latest fund, more than three times the size of its previous investment vehicle, amid signs of a continuing wave of capital moving into technology buy-outs.

Though relatively small by the standards of the industry, Vector's latest round of capital-raising points to a broader flood of both equity and debt that has driven investment returns down notably on some deals, warned Alex Slusky, the firm's founder.

Silver Lake, which dominates the Silicon Valley's buy-out business, is rumoured to be in the late stage of raising up to \$10bn for its latest fund, or nearly three times the \$3.5bn it raised last time round. The firm declined to comment.

From virtually nothing at the start of the decade, the value of technology buy-outs had jumped to more than \$40bn by last year, according to figures from Goldman Sachs. However, the emergence of this tech buy-out business has been overshadowed by the wider surge in private equity, and tech companies account for only about 4 per cent of the typical private equity portfolio, according to one estimate – a situation that the Valley's dealmakers say leaves plenty of room for growth.

Mr Slusky said Vector had increased the size of its latest fund partly to leave it in a stronger position to do deals when what he called the "binge" of tech investment recedes.

"Deals are being done at valuations that do not allow attractive returns," he said, due in large part to the willingness of banks to lend at high valuations.

Also, the expectation that under-performing tech companies would become vulnerable to buy-outs has driven the share prices of many potential targets up to a level where deals no longer make sense, Mr Slusky added.

To compensate for the heightened competition that threatens to drive down returns, firms such as Vector specialise in smaller transactions that do not attract the attention of the large buy-out firm, or complex deals that are more difficult to appraise.

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