

PEOPLE PROFILE

Siguler Bets On Brazil, Russia, India, China

By Laura Kreutzer

George Siguler, the co-founder of New York-based **Siguler Guff & Co.**, predicts big things for Brazil, Russia, India and China.

"These four economies will be bigger than the G6 in less than 45 years," Siguler says. "That would be the equivalent of the Dow going from 10,000 to 120,000" over the same time period.

Siguler's interest in these regions should be no surprise to those familiar with his investment strategy; he has always been known for seeking investment opportunities in the less trafficked corners of the private equity market.

Back in 1974, Siguler steered **Harvard University's** endowment into its first venture deal – a \$600,000 investment in student loan company SLM Corp. Back then, few if any university endowments were willing to brave the risk of venture capital.

"At that time, it wasn't even clear that the trustees had the right to go into that risky of an asset class," says Siguler.

Siguler's early daring paid off handsomely for the endowment. Harvard sold its investment in SLM about six years later, returning some 100 times its original investment.

Brief Stats

Education: Bachelor's degree from Amherst College and Masters' of Business Administration from Harvard Business School

Career Path: Siguler co-founded Siguler Guff in 1995, when the firm spun out of its former parent PaineWebber, where he had headed the private equity group since 1991.



George Siguler

Before joining PaineWebber, he oversaw common stock, bond and private equity portfolios for Associated Capital Investors (formerly Bank of America Investment Management Company). His career also included a stint as Chief of Staff of the U.S. Department of Health and Human Services under the Reagan Administration. Siguler started his career as a founding partner of Harvard Management Co. in the early 1970s.

Interests: Photography, spending time with family, attending Boston Red Sox games.

"I may never do an investment that good again," Siguler says.

Nevertheless, he continues to try. Last summer, Siguler hired Patricia M. Dinneen, former head of the emerging markets advisory team at Boston-based Cambridge Associates LLC, to help put together a fund of funds earmarked for partnerships targeting investments in one or more of the four emerging markets he is interested in. The product features a \$350 million target, prospective investors say.

Siguler contends that private equity firms are better positioned to capitalize on economic growth in the four markets than large public companies, some of which are trying to develop their own investment vehicles.

"The public markets in these nations don't represent the broad spectrum of their economies," he says. "In Russia, for example, 90% of the stock market capitalization is in energy or metals."

Because they have greater control over a company, private equity firms may also be better equipped to weather short-term economic shocks, Siguler says. Siguler Guff spent 10 years investing directly in Russian companies through four Russia funds and weathered a 1998 currency crisis there.

The stock market fell 90% after that crisis, according to Siguler, and a number of portfolio companies in Siguler Guff's \$155 million debut Russian fund saw a dramatic decline in value, including EuroCement, a Russian cement producer the firm backed in 1995. "The company shrunk by 75% in size but we just kept selling cement and now it's worth much more than we invested in it," Siguler says.

Siguler also sees opportunities to develop funds of funds earmarked for small U.S. buyout funds and distressed debt funds.

Last year, Siguler hired Kevin Kester, former investment officer of the Colorado Public Employees' Retirement Association, to help develop a buyout fund of funds targeting firms that invest in deals of up to \$50 million or so.

"There are thousands of small companies in this space trading at fairly low multiples," Siguler says. "But the bulk of the private equity money raised is for big buyouts or for the infamous mid-market."

Siguler also believes the distressed debt market will experience another boom within the next 18 months. That has prompted the firm to consider marketing a second distressed debt fund of funds.

"It's a host-parasite relationship: The supply of high-yield debt serves as the host that eventually feeds the distressed managers," Siguler says.