

Financial Times – Fund Management Section

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The Financial Times reports a surge of activity in the European leveraged buy-out market could lead to the creation of a raft of specialist funds that have previously been offered only to US investors.

The buy-out market, which has recovered strongly from its 2002 lows, was further buoyed by last week's news of the possible takeover of UK retailer Marks and Spencer by entrepreneur Philip Green, a deal that would be worth up to Pounds 10bn.

New Amsterdam Capital Management, a specialist in high-yield debt markets, claimed it was the first European fund manager to tap into the market, launching an open-ended fund targeting the syndicated leveraged loan market for mid- to large-sized companies.

Don Procter, chief investment officer, said the market had previously been too illiquid to trade in, but had developed fast in Europe during the past two to three years.

"There are a small number of US funds focusing on the US market only, but with six to 10 active marketmakers in this sector in Europe there is an opportunity for European investors too," he said.

Mr Procter said he looked for borrowers that embodied the "economic moat" idea, whereby their market position could not be easily attacked due to barriers to entry or a monopoly position. The fund has invested, for example, in the buy-out of Brenntag, a German chemical distribution company that has a strong market position in an industry where complicated regulations in effect keep out competitors.

Mr Procter said he thought the sector would be a good hedge against rising interest rates since the securities carried floating, not fixed, rates."