

PRIVATE EQUITY

Schloss raises \$1.85bn fund

By Peter Smith in London

Larry Schloss, a veteran of the US buy-out industry, has raised a \$1.85bn fund for his new private equity group Diamond Castle, one of the largest capital raisings for a first-time fund.

Mr Schloss, previously head of Credit Suisse's global private equity unit and chairman of DLJ Merchant Banking, formed Diamond Castle in 2004 with four other DLJ executives after splitting from the investment bank, then run by John Mack, chief executive of Morgan Stanley.

The team is credited with a number of large deals, including TXU Energy, once part of Dallas-based utility TXU, where Credit Suisse's \$500m investment returned about \$1.5bn in 17 months. GTech, a lottery company acquired in the early 1990s, generated a multiple of 35 times equity investment.

Mr Schloss said Diamond had invested close to \$700m of the fund in six investments in the past year, targeting business with an enterprise value of up to \$1.5bn. At the current investment rate, Diamond Castle could be looking to raise a fresh fund in a year.

"If you had a little larger fund of up to \$4bn you are in fertile territory that the big buy-out guys [funds] have left behind."

He said Diamond Castle's deal flow had benefited from the group's industry partners and networks of con-

tacts built up by the former DLJ executives.

Other large first-time funds were raised by Silver Lake and Francisco Partners although Mr Schloss said these funds of more than \$2bn were specialists in certain sectors. In Europe, Terra Firma, set up by Nomura financier Guy Hands, raised a maiden fund of €2bn (\$2.6bn).

Diamond Castle's investors are understood to include Ontario Teachers, Canada Pension Plan and State of Oregon. About 75 per cent of the investors are US based, with 15 per cent from Europe and 10 per cent from Japan and the Middle East.

The fund was launched at the start of 2005 and had a first close towards the end of last year of \$600m when it started to make investments.

Lazard, the investment bank, acted as placement agent for Diamond Castle.

