ESG
Big firms take the lead, create new policies and implement programs

Best Growth Investment Firms
Value creation and performance excellence

Growth Equity
Shifting priorities and evolution as an asset class

ANNUAL PUBLICATION
MARCH 2022

G/C GROWTHCAP

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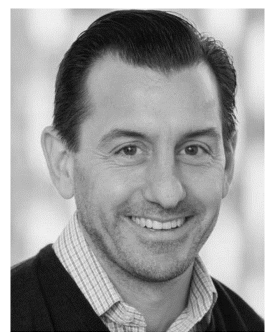



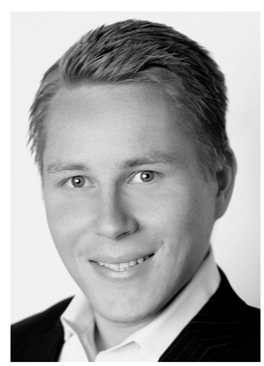



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GrowthCap's audience is comprised of over 25,000 private company CEOs, founders, institutional limited partners, family offices, private equity investors, investment bankers, consultants and other senior executives operating in the growth economy.

In addition, thousands from our audience tune in to the Growth Investor podcast, which features interviews with top executives and investors.

www.growthcapadvisory.com

EXCELLENCE THROUGH CONSISTENCY

The evolution of growth investing has been fascinating to watch. My first job out of college in the late 90's involved evaluating private capital firms and back then there were really only two types, venture capital and private equity. Soon after, however, General Atlantic's investment style became more prominent and the dramatic rise and blending of growth with venture and growth with private equity took hold.

Each year, we produce our annual publication to showcase the leading firms and individuals in growth investing and to discuss some of the key trends impacting the space. If there is one characteristic we can attribute to being a leader in the hyper competitive space of growth investing, it is *excellence through consistency*. A top firm such as TA Associates, TPG Growth, or JMI Equity, each has its own unique approach to growth investing but each is consistent with how it leverages and executes on its key strengths to outperform year after year in the spaces it competes in.

Perhaps one trend that all growth investment firms are thinking through is ESG. In some ways, ESG has taken center stage and has caused businesses across all industries to think through their impact on the environment, their stakeholders and broader society. Some firms have taken the ESG movement to heart and have taken a lead on designing and implementing what good stewardship looks like. Firms such as Blackstone, Bain Capital, and TPG have paved the way by establishing policies, implementing operations, hiring key people, launching mission-driven funds and by adopting other various key practices.

What makes growth investing truly unique is that, when done well, it showcases an investor's ability to create tremendous value. Growth investors help management teams think through market dynamics, product expansion, marketing and sales, acquisitions, executive recruitment, and operational efficiency, among a myriad of other critical business considerations. And they have the right people and know-how to execute across growth acceleration strategies. Given these attributes, we can only expect the boom in growth investing to continue in the decades ahead.

- RJ Lumba
Managing Partner, GrowthCap

Growth Investor podcast available on Apple, Google, Amazon, Spotify and other channels

BEST GROWTH INVESTMENT FIRMS

Top Growth Equity Firms and Top Private Equity Firms of 2021

GrowthCap focuses on understanding a firm's fundamental key attributes that enable it to consistently outperform and repeatedly help CEOs and management teams scale their companies. We evaluate each firm's leadership, strategy, operational capabilities, team composition, culture, evolution, and capital responsibility (ESG), among other factors. Rankings also take into account GrowthCap awards won, firm momentum and recent notable events.

1. TPG Growth
Awards*: 7 | 18
HQ: San Francisco, CA
Assets: $15.2 billion
Founded: 2007

2. Insight Partners
Awards: 6 | 29
HQ: New York, NY
Assets: $90 billion
Founded: 1995

3. Blackstone Growth
Awards: 5 | 7
HQ: New York, NY
Capital: $4.5 billion
Founded: 2020

4. TA Associates
Awards: 5 | 14
HQ: Boston, MA
Assets: $47.5 billion
Founded: 1968

5. Vista Equity Partners
Awards: 5 | 7
HQ: Austin, TX
Capital: $86 billion
Founded: 2000

6. Thoma Bravo
Awards: 4 | 6
HQ: Chicago, IL
Assets: $91 billion
Founded: 2008

7. Great Hill Partners
Awards: 8 | 19
HQ: Boston, MA
Capital: $12 billion
Founded: 1998

8. Silversmith Capital Partners
Awards: 8 | 22
HQ: Boston, MA
Capital: $2 billion
Founded: 2015

9. General Atlantic
Awards: 3 | 11
HQ: New York, NY
Assets: $86 billion
Founded: 1980

10. PSG
Awards: 5 | 10
HQ: Boston, MA
Capital: NA
Founded: 2014

** Award numbers represent GrowthCap awards won over last twelve months and total GrowthCap awards won.*

BEST GROWTH INVESTMENT FIRMS

11. Kayne Partners
Awards: 4 | 14
HQ: Los Angeles, CA
Assets: $30 billion
Founded: 1984

12. Bain Capital
Awards: 3 | 7
HQ: Boston, MA
Assets: $155 billion
Founded: 1984

13. Summit Partners
Awards: 2 | 23
HQ: Boston, MA
Assets: $42 billion
Founded: 1984

14. Norwest
Awards: 4 | 9
HQ: Palo Alto, CA
Assets: $12.5 billion
Founded: 1961

15. FTV Capital
Awards: 4 | 7
HQ: San Francisco, CA
Capital: $4 billion
Founded: 1998

16. Mainsail Partners
Awards: 3 | 11
HQ: San Francisco, CA
Capital: $1.3 billion
Founded: 2003

17. Sageview Capital
Awards: 3 | 3
HQ: Greenwich, CT
Assets: $1.5 billion
Founded: 2005

18. Warburg Pincus
Awards: 2 | 4
HQ: New York, NY
Assets: $73 billion
Founded: 1966

19. Accel-KKR
Awards: 2 | 4
HQ: Menlo Park, CA
Assets: $11 billion
Founded: 2000

20. KKR
Awards: 1 | 4
HQ: New York, NY
Assets: $471 billion
Founded: 1976

21. Battery Ventures
Awards: 3 | 3
HQ: Boston, MA
Capital: $2 billion
Founded: 1983

22. Guidepost Growth Equity
Awards: 2 | 6
HQ: Boston, MA
Assets: $1.6 billion
Founded: 2007

** Award numbers represent GrowthCap awards won over last twelve months and total GrowthCap awards won.*

BEST GROWTH INVESTMENT FIRMS

23. Catalyst Investors
Awards: 2 | 7
HQ: New York, NY
Capital: NA
Founded: 1999

24. NewSpring Capital
Awards: 1 | 7
HQ: Radnor, PA
Assets: $2.5 billion
Founded: 1999

25. Frontier Growth
Awards: 1 | 6
HQ: Charlotte, NC
Assets: $1.5 billion
Founded: 1999

26. Long Ridge Equity Partners
Awards: 1 | 4
HQ: New York, NY
Assets: $1 billion
Founded: 2007

27. Clayton, Dubilier & Rice
Awards: 1 | 1
HQ: New York, NY
Assets: $43 billion
Founded: 1978

28. LLR Partners
Awards: 1 | 1
HQ: Philadelphia, PA
Capital: $1.8 billion
Founded: 1999

29. Trilantic North America
Awards: 1 | 1
HQ: New York, NY
Capital: NA
Founded: 2009

30. Pamlico Capital
Awards: 1 | 1
HQ: Charlotte, NC
Capital: $1.4 billion
Founded: 1988

31. Blue Point Capital Partners
Awards: 1 | 1
HQ: Cleveland, OH
Capital: $1.5 billion
Founded: 2000

32. WestView Capital Partners
Awards: 1 | 1
HQ: Boston, MA
Capital: $1.7 billion
Founded: 2004

33. Monomoy Capital Partners
Awards: 1 | 1
HQ: Greenwich, CT
Assets: $2.7 billion
Founded: 2005

34. Levine Leichtman Capital Partners
Awards: 1 | 1
HQ: Beverly Hills, CA
Assets: $8.8 billion
Founded: 1984

** Award numbers represent GrowthCap awards won over last twelve months and total GrowthCap awards won.*

SHIFTING PRIORITIES: GROWTH EQUITY'S EVOLUTION AS AN ASSET CLASS

Growth equity leaders reflect on how investing has changed.

In the forty years since growth equity investing first started, much has changed. The investment strategy of growth equity GPs has been refined and expanded. The growth industries of the 1980s are not quite the same as the growth industries of today. Software hadn't quite eaten the world back then.

Now, providing capital has become increasingly commoditized. With financing readily available, founders have more power when it comes to choosing partners and aligning terms. GPs too have shifted where they focus their attention. Growth Equity firms now take minority and majority positions. The most differentiated strategies include a significant focus on operational improvements and providing resources - not just capital - to portfolio companies so that they can expand rapidly but in a way that is more sustainable over the long term.

Ultimately, these shifts have created a growth equity industry that is stronger throughout all types of market cycles and the result is companies that are as well. But it hasn't been easy. GrowthCap took a look back at the industry's first days and spoke with several pioneers in the field to get their impressions on how growth equity has evolved.

A New Vanguard

When Chuck Feeney, co-founder of Duty Free Shoppers, established General Atlantic in 1980, his goal was to invest in founders and companies like his. Growth equity would help businesses between venture and traditional private equity expand their footprint. These companies weren't startups, but they weren't decades-old mature businesses either. They were companies that had a steady business and were ready to go to the next level. Founders benefitted by having capital available to grow and investors could get into a company early, but with less risk than coming in at the venture capital stage.

As growth equity investing got off the ground, it attracted firms like TA Associates, which had previously been investing in venture stage companies and opted to start pursuing investments in more mature companies exclusively. By the 1990s, new firms like JMI Equity were coming to market solely focused on growth equity. And in the 2000s, traditional large private equity firms such as TPG, KKR and Blackstone started entering the space.

"When we started in growth equity, we were focused on founder-owned companies that were profitable," explains Brian Conway, Chairman of TA Associates. "We were invited guests and we offered advice."

For Peter Arrowsmith, General Partner of JMI Equity, when the firm started, "it was a small fund, therefore we did not write big checks. But our strategy has always been to find companies that had established themselves far enough along for us to have confidence that what they were doing, the problems they were solving, were big enough and clear enough that you could build a real business around them."

Co-Managing Partner at TPG Nehal Raj, provided his take on the early days of growth equity tech investing in a GrowthCap interview a few years ago, “I remember back in 2002 there were only a handful of firms investing in technology at all in any large scale. There were always the VCs but not many doing either large scale growth equity or buyout type deals. Francisco was one, TPG was another, and there have been just a couple of other firms."

Adapting to Change

In many ways, growth equity has evolved with the broader economy. The industries that are well suited for this type of investing - consumer, financial services, healthcare, life sciences, technology are all known for being centers of innovation and disruption. Within each of these sectors, new industries and business models are defining the future economy. Growth equity is designed to support those innovations and help the companies leading the way create durable revenue and service delivery models. In order to do that effectively, GPs have also had to innovate and expand their approach.

"In the beginning, it was more common to be a minority investor," Conway says. "Now there's a spectrum in our portfolio - we are minority and majority investors. We're levered and unlevered investors. In some cases, we might just be focusing on the go-to-market strategy of a given company. In other cases, we are much more active, driving M&A and enhancements throughout the organization. Our role now is a lot more active, but customized, a lot more tailored to a given opportunity."

Growth equity GPs now commonly offer access to a network of operating partners that can provide services like marketing or administrative support. They also help identify ways to optimize and expand revenue streams as well as finance bolt-on acquisitions.

For firms like JMI Equity which invest solely in software companies, making growth equity investments in software was centered mostly around license/maintenance. Now, “95% of what we invest in is 90% or above recurring revenue businesses,” explains JMI’s Arrowsmith. “The good news about those is that they’re just hardier businesses…and they take a bit longer to grow...and therefore the opportunities to get involved as an investor have widened.”

The evolution with growth equity has institutionalized the industry and made it more comprehensive. Dave Welsh, KKR’s Head of Technology Growth Equity, commented in a past GrowthCap interview, "Now it is becoming well established, meaning there is a group of firms where growth equity is their focus and growth equity is what they do. It has matured into a real industry over the last 10 years. I think it is here to stay, and I think that is a good and necessary part of the overall ecosystem as companies mature from start-ups all the way through to public entities and beyond.”

Continuous Improvement

Looking ahead, nascent trends are beginning to foreshadow what the next phase of growth equity might be. The rise of subscription revenue models, for example, is creating durable revenue not just for software companies but also for consumer goods. Companies like Birchbox and StitchFix have adapted subscription models for cosmetics and clothes. The rise of FinTech and services like robo-advisory are opening up new investment opportunities in financial services. Telehealth could change how most people access the healthcare system and create new revenue models within that sector of the economy.

Growth equity GPs are also adapting their financing models once again to take advantage of how the industry is evolving. Jon Korngold, Global Head of Blackstone Growth, tells GrowthCap that much of the focus now is on minimizing the execution risks that are often part of high growth expansion. That may mean being more flexible with holding periods or financing terms. Sponsors are also working more closely with founders on the long-term vision. "We're often working with businesses that don't really need our capital," he explains, noting that this creates unique opportunities to work with management on how to grow in all market cycles. "We're taking a curated approach to our portfolio and putting more resources behind a smaller number of companies."

For companies that have a long runway for growth ahead, more sponsors are considering continuation funds or single asset funds so that they can continue to participate in that growth and provide expertise.

The nature of exits in growth equity is also changing. "What we're doing more of now is retaining a stake in the company or doing a 50/50 deal with another firm," says Conway. "That way we can still support the company and participate in future growth. These types of transactions have become common in growth equity and I think they will continue. There's a risk mitigation component to them, achieving partial liquidity, but also continuing to benefit from sustained growth."

THE TOP 25 SOFTWARE INVESTORS OF 2021

1. Hythem El Nazer, TA Associates
Managing Director

"We are privileged to back and partner with management teams of exciting companies that are transforming industries and sectors. Our ambition is to help accelerate the growth of the companies in which we invest through organic initiatives, as well as strategic acquisitions. We believe our more than 40 years of experience investing in enterprise software companies gives us a unique perspective on building enduring scale and value."

2. Nehal Raj, TPG
Partner

"It's an exciting time to be a software investor, as organizations across industries adapt their businesses to be digital-first. We're proud to support a diverse portfolio of companies that are enabling enterprises to better serve the evolving needs of their customers, whether it's providing new cyber solutions that protect entirely cloud-based IT networks, or innovative tools that allow an increasingly distributed workforce to strategize and execute in faster and more efficient ways."

3. Ned Gilhuly, Sageview Capital
Founding and Managing Partner

"We look to back companies that are well-positioned to become the industry leaders of tomorrow and we use all our expertise and resources to help them achieve their potential. With our experience, skills, and rich network (especially among the Global 2000), all developed over 35+ years, we bring knowledge of best practices, connections to the right people, and a capacity to help that are exceptionally valuable to our companies in helping them grow. In addition, over 20% of our capital comes from the Sageview Team, truly aligning our interests with our companies' and investors'."

3. Scott Stuart, Sageview Capital
Founding and Managing Partner

"Our strategy is to back ambitious entrepreneurs with proven products that are looking for a partner to help them scale to the leader in their industry. We look for companies in which our decades of industry experience, Global 2000 network, and operational expertise can have a meaningful impact on value creation. We run a concentrated portfolio to ensure we have enough capacity to be actively involved in each investment."

6. Todd MacLean, Silversmith Capital Partners
Managing Partner

"I feel lucky to be at a firm whose entire reason for being is to partner with amazing founders and operators – and to help them make their vision a reality. While we work tirelessly to help in that regard, at the end of the day the credit for that success sits entirely with them, for their brilliance and passion and willingness to take risk to build something new."

7. Tim McAdam, TCV
General Partner

"It's such an honor to work with disruptive entrepreneurs in the current environment of hyper digitization — it's the most exciting time to be a tech investor I've encountered in my 30 years of investing. I am inspired and humbled every day by these technology iconoclasts with limitless energy and creativity."

8. Chris Gaffney, Great Hill Partners
Managing Director

"At Great Hill Partners, we are focused on partnering with entrepreneurs and executives at high-growth, disruptive software companies who are building game-changing products that are transforming the way we live and work. There is nothing more rewarding than leveraging our team's strong sector experience to help bring promising companies into their next stage of growth."

8. Matt Vettel, Great Hill Partners
Managing Director

"Great Hill's investment philosophy is centered around partnering with driven and talented executives to build innovative businesses with differentiated products, distribution advantages and dynamic cultures. Our thematic investing approach positions Great Hill to be a supportive and valuable partner to best-in-class management teams."

9. Steve Harrick, IVP
General Partner

"When it comes to investing in leading growth-stage software companies, the only constant is change. At IVP, we feel honored to be in the position to work with some of the most visionary entrepreneurs in tech – whether they are solving significant enterprise challenges involving cybersecurity or helping a profession like law advance through digitization. Now is an even more exciting time to be a tech investor, and I look forward to meeting and backing the next generation of great entrepreneurs."

10. Tim Millikin, TPG
Partner

"We believe that when you have deep conviction and invest for the long-term, you can inflect meaningful growth and transform the trajectory of a business over time. We work closely with management teams to execute on a collective vision and build companies that emerge as strategically important platforms in their markets. This approach has defined our investment strategy for more than a decade and continues to guide our partnerships today."

10. Mike Zappert, TPG
Partner

"Software investing is a key area of focus for TPG and the unique set up of our team has proven to be an important differentiator in a highly competitive investing landscape. In an industry as dynamic as technology and software, our ability to invest across different pools of capital has allowed us to partner with companies at various stages in their lifecycle. At TPG Growth, we bring decades of business building expertise to help entrepreneurs build market-leading, next-generation businesses and leverage our operational expertise to help accelerate their growth along the way."

12. Robert (Tre) Sayle, Thoma Bravo
Partner

"As we continue to invest in hyper growth software and technology companies, we are excited to apply Thoma Bravo's collaborative approach, deep sector expertise and proven strategic and operational capabilities to accelerate growth at the companies in which we invest."

13. Jason Babcoke, Sumeru Equity Partners
Co-founder and Managing Partner

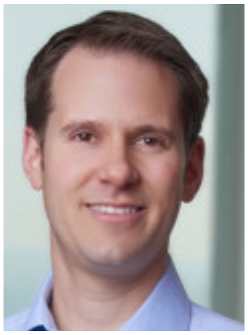
"Working with founders and product-oriented teams to help build leading companies is our focus, nothing is more exciting or rewarding."

14. René Stewart, Vista Equity Partners
Senior Managing Director

"Vista pioneered later-stage enterprise software buyouts and remains a leader in that category. The Endeavor fund's launch opened the door for Vista to leverage its experience and operational expertise to support earlier-stage investments in fast-growing companies through both minority and majority deals. For me personally, I'm thrilled to support founders and leadership teams as they level up and expand their organizations. Now we're in our second fund and starting to see some of those investments mature, it's exciting to see validation of the strategy."

15. Eric Liaw, IVP
General Partner

"Despite some initial headwinds at the outset of the pandemic, software companies have flourished tremendously over the last 12 months. Companies of all sizes, in all vertical markets and geographies recognize the existential necessity of digital capabilities. This explosion in end-customer demand allows software companies to grow faster than ever and generate significant revenue within a very short timeframe. We continue to see incredible opportunities for our current and future portfolio companies. Every day I am energized by the opportunity to talk to talented entrepreneurs and partner with them to create a better future."



16. David Greenberg, JMI Equity
General Partner

"I'm grateful to work alongside outstanding founders, entrepreneurs and executives leading amazing growth companies. Partnering with these talented people and building long-term, trusted relationships is the most rewarding part of software investing."

17. Suken Vakil, JMI Equity
General Partner

"It's a privilege and an inspiration to work alongside such brilliant, committed and passionate software entrepreneurs."

21. Paul Morrissey, Blackstone Growth
Managing Director

"Thank you to GrowthCap for the tremendous recognition. There is so much opportunity in the software space; I'm excited about what we are building at BXG and look forward to the long road ahead partnering with world-class companies and colleagues."

22. Rashmi Gopinath, B Capital
General Partner

"B Capital partners with visionary market leaders who leverage technology and innovation to accelerate digital transformation and create a monumental impact. Our goal is to be the most value-added investor on the cap table and help our portfolio companies scale from early stages to IPO and beyond. I'm fortunate to work with such a passionate and phenomenal group of founders and executives building companies that can truly change the world."

24. Tom Loverro, IVP
General Partner

"IVP invests in the fastest-growing technology companies and software is the majority of what we do. We are highly selective. We partner with exceptional management teams to build software companies of consequence. There are more high quality, high growth software companies every day and they are growing faster and with better metrics than every generation before it."

25. Blair Greenberg, Bregal Sagemount
Partner

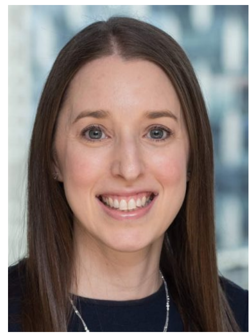
"The rapid pace of innovation and adoption of software is reshaping material portions of the global economy. As an investor in software companies, it's exciting to be a part of such an impactful sector."

4. Jeff Lieberman
Insight Partners
Managing Director

5. Nishita Cummings
Kayne Anderson
Managing Partner

6. Jim Quagliaroli
Silversmith Capital Partners
Managing Partner

11. Nick Humphries, Hg
Senior Partner and
Executive Chairman



18. Rachel Geller
Insight Partners
Managing Director

19. Marco Ferrari
PSG
Managing Director

20. Tom Reardon
PSG
Managing Director

23. Nina Achadjian
Index Ventures
Partner

CREATING VALUE THROUGH ESG

In a world of competing frameworks and acronyms, some GPs are showing what it means to successfully implement ESG strategies at the operational level and create value.

Investor pressure, sustainability concerns, and cost of capital are driving a more rigorous conversation around ESG across the private equity universe. Institutional investors have indicated that they are willing to walk away from investments and sponsors who aren't willing to embrace ESG. These LPs want to see more than just improvements in governance too. Investors are looking for improvements in sustainability, diversity, and inclusion, as well as limited exposure to legacy industries like fossil fuels.

For firms that are willing to take ESG concerns seriously, there is big money available. According to The US SIF Foundation's 2020 biennial report *on US Sustainable and Impact Investing Trends*, sustainable investing assets now account for $17.1 trillion—or 1 in 3 dollars—of the total US assets under professional management. This represents a 42 percent increase over 2018.

However, the response from private equity GPs has been somewhat mixed. According to newly released data from Bain & Company and the Institutional Limited Partners Association (ILPA), fewer than 25% of GPs can provide data on Scope 1 and Scope 2 emissions all or most of the time. Fewer than 35% of GPs provide data on all principal adverse indicators all or most of the time. Both LPs and GPs recognize that there is no set standard for collecting and providing these data. As a result, gaining visibility into ESG issues at the portfolio company level has been challenging for many private equity firms to get.

Still, there are some indicators that more standardization is coming to ESG metrics. And, several large GPs are showing that when approached rigorously, ESG data can be collected and firms can deliver on ESG metrics. Two factors that are linked to improved investment performance.

Institutional Frameworks

On the surface, the discussion around ESG may look like an alphabet soup of organizations and standards that ultimately lead to not much more than a lot of white papers about the importance of ESG. But there are a small handful of institutional frameworks that are having a significant impact and are quickly becoming yardsticks by which the best ESG performers are being measured.

ILPA, which is known for providing due diligence questionnaires that institutional LPs can use to compare funds and standardize the diligence process, recently released its ESG framework. The assessment is designed to help investors understand and compare whether firms have ESG policies in place that deal with issues like diversity, equity, and inclusion, as one example. The framework can also be used as a discussion template for establishing metrics that investors can use to measure improvements. ILPA's metrics include Scopes 1 and 2 greenhouse gas emissions, renewable energy, board diversity, work-related injuries, net new hires, and employee engagement.

The framework is designed to be an evolving assessment that can be used to track ESG investors within firms and funds. Both investors and GPs are submitting best practices to ILPA, which will adjust the assessment framework as greater standardization emerges.

The Standards Board for Alternative Investments (SBAI) has also launched a working group in a similar vein. SBAI's group is collecting best practices from investors and sponsors with the goal of providing information sharing on ESG topics. SBAI will also be looking at ways to measure and compare funds that claim to be aligned with the United Nations Principles For Responsible Investing (UN PRI) and the Sustainable Development Goals (SDGs). The SDGs have specific outcomes tied to each goal. Typically funds that use the SDGs as criteria will pick one or several of the goals and identify companies that contribute to the desired outcome of a given goal.

Frameworks in Action

Three firms are exemplars when it comes to generating positive investment performance through ESG. Blackstone, Bain Capital, and TPG all frequently top rankings for ESG implementation and each has a unique approach.

Blackstone

In 2021, Blackstone made news by hiring for some of the most high-profile ESG roles in the industry. The firm brought on Dr. Jean Rogers, Founder and Former CEO of the Sustainability Accounting Standards Board (SASB) as its global head of ESG, and Amisha Parekh as global head of ESG for private equity. Parekh most recently led ESG data acquisition and curation efforts at Bloomberg. Rogers and Parekh are part of a growing senior team of ESG professionals within the firm that are working on implementing significant ESG policies firmwide and at the portfolio company level.

As of last year, Blackstone is working on an emissions reduction program for investments where they control energy usage that will cut emissions by 15% within the first three years. Blackstone will also make its own office space energy efficient and low emission - both of these goals align with the ILPA framework on carbon emissions reduction. The firm has also implemented a significant diversity, equity, and inclusion effort - it achieved 41% female representation globally and 49% racially diverse representation in the US among its 2021 analyst class.

Additionally, Blackstone's recent bolt-on acquisition of ESG data company Sphera added the ability to gather and score ESG data for internal use and external consulting. With Sphera, Blackstone will be able to partner with other firms on ESG data gathering and analysis - an opportunity to drive best practices throughout the industry.

Bain Capital

Bain Capital has taken a multi-pronged approach to ESG. As a multi-strategy investment firm, Bain is implementing ESG within its traditional private equity vehicles as part of its assessment framework and has also established a set of discrete ESG investment strategies. Bain Double Impact launched in 2016 as an impact investing vehicle and in 2021 Bain announced the launch of an ESG focused hedge fund that will make long and short investments in companies based on ESG metrics.

As part of its core ESG investment framework, Bain avoids companies with more than 10% exposure to tobacco, alcohol, gaming, coal, and other fossil fuels. It also works to align itself to many of the metrics laid out in the ILPA framework on ESG. Additionally, Bain Capital Credit considers issues of financial materiality before the initial investment to understand whether a company has any significant ESG risks that could impact investment performance. Post-investment ESG monitoring is an ongoing aspect of portfolio company reporting and may lead to additional action if an ESG issue emerges over the lifecycle of a given investment.

TPG

TPG also takes a multi-pronged approach to ESG investing. The firm has implemented an ESG framework based on SASB's indicators of financial materiality that it uses for its investment vehicles. TPG's high-profile Rise Fund also makes impact investments that are tied to the SDGs - with the goal of supporting improvements in sustainable development. Rise runs a dedicated climate vehicle in addition to its impact strategy.

At the firm level, TPG's office footprint is carbon neutral and the firm has implemented a DEI policy across all of its teams. TPG is also working to achieve similar goals within its portfolio companies by improving emissions scores across its portfolios and diversifying management. Over 100 women have been added to portfolio company boards, and approximately 300 diverse directors are seated on portfolio company boards.

TPG views ESG as core to its mission and argues that having a rigorous ESG policy in place helps recruit talent at the firm level and at the portfolio company level. Being able to present specific metrics of financial impact and hiring impact is also meaningful to the investor community.

Conclusion

ESG issues are manifold and only recently has the investment community started to coalesce around best practices and standards for data collection and comparison. But that effort is beginning to bear fruit. With common frameworks in place, it is now easier to understand how firms are implementing ESG strategies and to what effect.

Leaders in this area including Blackstone, Bain Capital, and TPG have chosen to focus on metrics that highlight both financial materiality and positive impact. In effect, they're putting the frameworks into action. That's made these firms leaders when it comes to ESG implementation. Over time, their successes will likely be the best practices that many other firms copy.

THE TOP 40 UNDER 40 GROWTH INVESTORS OF 2021

1. Rachel Geller, Insight Partners
Managing Director

"I'm so grateful for the opportunity that Insight has given me to partner with incredible founders and CEOs who are changing the world. Through our work, we are able to provide the world's most innovative software companies with the tools they need to grow, including the best thought leadership, scale-up expertise, and a community of tech leaders within software investing. The tenacity and creativity of the teams that I work with inspire me on a daily basis, and it's a privilege to support the growth of the next generation of enduring technology companies."

2. Brian Decker, Francisco Partners
Partner

"At Francisco Partners, we have a deep passion for technology and the companies in which we invest. Through our sub-sector specializations, I've had the chance to carve out a focus on the infrastructure software and enterprise security sectors, and we've had an exciting opportunity to directly support the growth of our companies in these markets."

3. Ethan Liebermann, TA Associates
Managing Director

"At TA, our long-term partnership approach, domain experience, and strategic resources allow us the unique opportunity to both collaborate on customized strategies for growth and help companies execute on their vision. Partnering with passionate, forward-thinking management teams and companies as they navigate their growth journey is a tremendous privilege."

4. Brian Dunlap, Blackstone Growth
Managing Director

"It's an honor to be recognized by GrowthCap this year alongside many friends and investors I respect highly. I believe that BXG is bringing an exciting new approach to growth equity at scale and am grateful to our portfolio companies that placed their trust in Blackstone as a partner."

4. Ramzi Ramsey, Blackstone Growth
Managing Director

"I'm deeply grateful to work alongside world-class founders and executives to build long-term relationships in such a fun and dynamic category of investing. At Blackstone Growth, we believe we can uniquely bring the global scale and resources of the largest private equity firm in the world to companies earlier in their journey."

5. Megan Preiner, Thomas H. Lee Partners
Managing Director

"The past two years have been unprecedented in many ways and I'm proud of what our team at THL has been able to accomplish. We've worked closely with companies and management teams that are trying to advance our healthcare system and make a difference during these challenging times. I'm very fortunate to work in a sector that has the ability to help improve patient outcomes."

6. Arun Agarwal, TPG
Managing Director

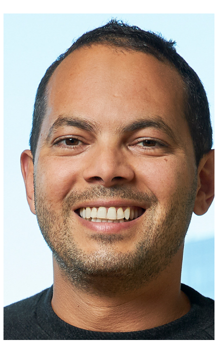
"TPG Tech Adjacencies was developed organically out of our technology practice after witnessing the significant value creation occurring in private markets as a result of tech companies staying private for longer. Having been on the other side as an entrepreneur and founder of a software business myself, it's incredibly rewarding to partner with inspiring founders and CEOs who have already achieved great success. Leveraging our deep sector knowledge and the power of the TPG ecosystem, we're fortunate to be in a position to help these leaders reach their next levels of growth."

7. Carl Press, Thoma Bravo
Principal

"It's never been a more exciting time to invest in high-growth technology companies, particularly in the mid-market. Every year we have the pleasure of meeting dozens of category leading software businesses that are led by talented, ambitious, like-minded executives, many of whom are founders. Establishing a strong partnership with these executives is one of the most challenging parts of the job and is also one of the most rewarding."

8. Art Heidrich, TPG
Principal

"I am fortunate to have the opportunity to work with great management teams that are shaping and advancing industries through technology, and to work with great investors and colleagues at TPG. We aspire to support management teams and growth strategies that establish and expand market leadership, bringing the right combination of flexible capital and expertise to help our companies scale and achieve enduring success. I'm proud of the innovation and resilience we've seen from our companies over the past few years and look forward to the opportunities ahead."



9. Morad Elhafed, Battery Ventures
General Partner

"I love backing great leaders and helping them scale their companies in novel ways, wherever they are—from businesses in Bend, OR to Cincinnati, OH to Mittelstand software companies in Goch and Munich in Germany."

10. Rajeev Dham, Sapphire Ventures
Partner

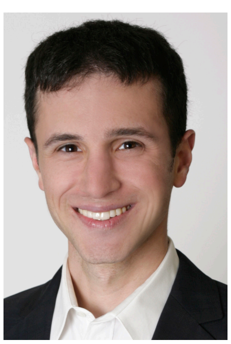
"I'm energized and motivated by visionary teams building unique and innovative B2B SaaS businesses, as well as category-defining fintech and digital health companies. These areas present tremendous opportunity for emerging technologies to challenge the status quo and drive value to businesses and end-users alike. At Sapphire, we deeply believe it's our responsibility to be true partners along the growth journey of our portfolio companies. We do this by sharing best practices, as well as facilitating critical business and talent introductions. I'm honored to be recognized by GrowthCap yet again for being a Top 40 Under 40 Investor."

10. Kevin Diestel, Sapphire Ventures
Partner

"Sapphire is very much a global venture firm, with a presence across the U.S., Europe and Israel. I've built my career as an investor in the Silicon Valley, and am now excited to share that experience with the European startup ecosystem. After being in London and part of the European investment team for a year now, I've come to appreciate the influx of innovation and the strength of the entrepreneurial spirit in the market. I'm particularly excited by emerging trends in fintech, supply chain and logistics, HR tech and consumer tech companies coming out of the region, and I am looking forward to partnering with CEOs who have a deep passion to change their respective industries on a generational scale."

11. Matt Gatto, Insight Partners
Managing Director

"Insight is laser-focused on identifying, investing in, and supporting software ScaleUps globally. We strive to serve as true partners to our portfolio, bringing resources beyond capital itself. It's truly a privilege to have the opportunity to partner with driven entrepreneurs who seek to make an impact on the world and to in turn make a little impact along the way."



12. Jason Brein, Francisco Partners
Partner

"Francisco Partners has long been an active growth investor in the education technology market, and the importance of this sector to the future of the education system has never been more clear. We are focused on partnering with innovative ed tech founders and management teams at companies that leverage technology to deliver personalized learning and drive cost efficiencies. With the infusion of technology into education only continuing to accelerate, we are excited about the opportunities ahead within this market."

13. Joanna Arras, Baird Capital
Partner

"Investing often feels like a dream job–I get to work alongside visionary and dedicated management teams while also collaborating with brilliant minds in the VC industry. The diversity of the work is energizing; we are always looking forward, even when we pause to learn from a few bumps in the road."

14. Drew Loucks, Great Hill Partners
Managing Director

"As we build and scale the next generation of leading technology companies at Great Hill, I'm fortunate to have the opportunity to build long-term relationships with some of the smartest and most innovative entrepreneurs and management teams. My colleagues and I take great pride in helping our portfolio companies work toward their bold visions and capitalize on their tremendous market opportunities."

15. Brian Peterson, Silversmith Capital Partners
General Partner

15. Sri Rao, Silversmith Capital Partners
General Partner

16. Susan Bihler, Catalyst Investors
Partner

"Since our inception, the mission at Catalyst Investors has been to partner with entrepreneurs to build great growth companies. In parallel with that, the firm fosters growth from within, empowering young investors to dive into sectors of interest to pursue investment opportunities. Because of the support of the team around me, I have been able to partner with truly inspiring management teams to help grow and scale their businesses."

17. Kyle Griswold, FTV Capital

Partner

"I feel incredibly fortunate to partner with highly driven and talented founders and entrepreneurs to help them execute on their ambitious visions for success. It's exciting to invest in some of the most dynamic companies across financial and enterprise technology, and I'm humbled to be recognized by GrowthCap alongside a group of such gifted investors."

17. Robert Anderson, FTV Capital

Partner

"It is immensely rewarding to partner with industry-leading founders that have, and continue to, define the fintech landscape. At FTV, we know that building great companies is all about the people and that creating strong partnerships with our portfolio companies, built on mutual trust and collaboration, is just as important as our monetary investment. I'm honored to be recognized by GrowthCap as part of this year's 40 Under 40 list."

18. John Connolly, Spectrum Equity

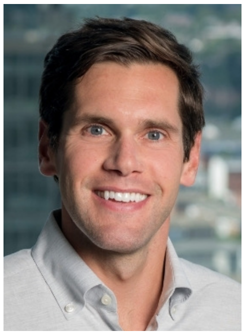
Managing Director

"At Spectrum Equity, we are singularly focused on partnering with founders and entrepreneurs who are looking for growth capital expertise to accelerate growth and scale their internet-enabled software and information services companies. Over the past 12 years, I've had the privilege of working with world-class entrepreneurs who lead companies that are defining the categories in which they operate. I look forward to continuing to play a strategic role in helping entrepreneurs achieve their goals."

19. Vinay Kashyap, Mainsail Partners

Partner

"At Mainsail, we are singularly focused on partnering with founders of bootstrapped software companies with the goal of helping them to achieve faster growth, with less risk. In our experience, bootstrapped entrepreneurs are unique and have had to overcome a specific set of challenges to be successful. We have built our team and strategy with the intention of helping founders overcome these challenges and further their growth. Our dedicated team of operating professionals work alongside management teams, focused on the areas we consider to be most critical to success: talent, sales, marketing, product, engineering, customer success and financial management. We take great pride in working with bootstrapped software entrepreneurs striving to build enduring software companies, and we make sure to have fun along the way, which is more important now, than ever before."



20. Larry Contrella, JMI Equity
General Partner

"JMI's focus on high-growth software companies has afforded us with opportunities to partner with true innovators to help scale their businesses and solve complex issues for their customers. It is a privilege to collaborate with such passionate founders and management teams every day and I'm honored to have been named to this list."

21. Matt Stone, PSG
Managing Director

"At PSG, we work in concert with our portfolio companies and aim to be a true extension of their teams. It's certainly an exciting time to be a partner to high-growth software businesses and I look forward to continuing to work alongside my colleagues at PSG and our talented portfolio company leaders to unlock new opportunities for growth."

21. John Marquis, PSG
Managing Director

"It is a privilege to work alongside leading entrepreneurs and operators, leveraging PSG's resources to assist in transforming sectors of the economy with technology. It is an extremely exciting time to be a tech investor, and I look forward to partnering with the next phase of innovative companies in the future."

22. Chris Cavanagh, Guidepost Growth Equity
General Partner

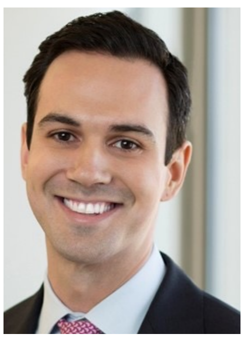
"I love working with entrepreneurs of high growth, disruptive technology companies. At Guidepost, we take a highly collaborative approach with our management teams, playing an active role on the Board, including helping to recruit additional members of the senior leadership team, building a public company-caliber independent Board, expanding geographically and vertically, augmenting sales and marketing and product development strategies, identifying acquisition targets, and helping with other growth initiatives."

23. Leon Chen, Kayne Partners
Managing Partner

"Kayne Partners has a strong track record of helping management teams transform their business into market leaders. Working with these entrepreneurs to expand their market footprint and develop break-through technology has been a great privilege for me and my colleagues."

24. Ran Ding, Norwest
Partner

"At Norwest, our mission is to help founders and management teams scale world class businesses. I am blessed to have the opportunity over the past decade to partner with so many talented individuals, while simultaneously driving value and impact. This recognition is truly humbling and above all a reflection of the fantastic teams and leaders that I am privileged to work with every day."



25. Steven White, Vista Equity Partners
Senior Vice President

"At Vista, I am so fortunate to work with amazingly talented people, from our investment teams and our administrative staff to our Operational MDs and Vista Consulting Group partners. Most of all, it is an honor to work with such visionary management teams, who not only embrace cultures of change for the betterment of their own software companies, but also for the sake of improving our economy and the world around us."

26. Clara Jackson, TA Associates
Principal

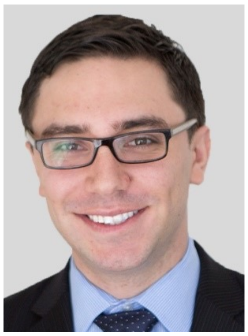
"Partnering with driven and passionate management teams is the most rewarding part of my role as an investor. Our collective goal is to accelerate platform growth and create market leading enterprises with enduring competitive advantage."

27. Craig Byrnes, Great Hill Partners
Principal

"As an investor at Great Hill, I have the opportunity to collaborate closely with world-class executives and entrepreneurs to help them accelerate and execute their strategic plans and position their businesses for long-term success. It is incredibly rewarding to work with truly innovative companies to create even greater value for all of their key stakeholders."

28. Parag Khandelwal, Spectrum Equity
Principal

"Spectrum Equity's focus on internet-enabled software and information services companies has enabled us to invest in an incredibly dynamic category, providing innovation across all parts of the economy. I've been fortunate to partner with exceptional management teams and work together to build category-defining companies, creating innovative products and producing real efficiencies for their customers at scale."



29. Nick Prickel, Vista Equity Partners
Senior Vice President

"It is an honor to work alongside a group of highly talented investors at a firm which continues to evolve, both in how Vista invests behind high growth companies as well as in the development of the next generation of investors. I'm privileged to partner with incredibly innovative leaders across our portfolio who share Vista's passion for the transformative power of technology."

30. Angel Pu, Warburg Pincus
Principal

"I have been a part of the Warburg family since 2013 and feel like I "grew up" there. I'm proud of our culture, our team, our companies and our world class leaders. Our philosophy of building sustainable and enduring businesses is not just advertising, but reflected in our 50+ year track record and also how we behave every day. We partner with great CEOs and entrepreneurs with big dreams. Ultimately, I think this industry is a people-driven industry. We pride ourselves in being good partners and I'm grateful to get to play my part."

31. Zack Smotherman, Battery Ventures
Partner

"I am excited by the trajectory of Battery's growing, industrial-technology investment practice, which builds on our firm's deep domain expertise, an extensive industry network and a passion for partnering with exceptional businesses across North America and Europe. We believe in the power of great brands, forward-thinking R&D investment and strategic M&A to grow companies. It is my great pleasure to partner with CEOs to build and execute on a strategy to drive lasting value at their companies."

32. Warda Shaheen, OMERS Growth Equity
Director

"I'm thrilled to be recognized by GrowthCap. I feel privileged to spend each day working alongside visionary founders and management teams that are diverse in their thoughts, focused in their execution, boundless in their vision and global in their mindset."

33. Sureel Sheth, JMI Equity
Principal

"At JMI, we work closely with our CEO partners and their leadership teams to help identify and prioritize growth opportunities, unlock software-specific best practices, and scale their businesses over time into industry-leading technology companies. There's no exactitude to any one company's growth trajectory, and we take pride in our flexible approach to each unique partnership. I'm honored to be included on this list alongside such a strong group of growth investors, many of whom I've been lucky to get to know and collaborate with over the past several years."

34. Scott Kirk, Bain Capital Tech Opportunities
Partner

"I'm incredibly fortunate to be a part of the Bain Capital Tech Opportunities team. We launched this fund in 2019 with the vision of leveraging our global platform and resources to partner with category leading software companies and invest behind exceptional management teams for growth. I continue to be inspired by the teams we have the opportunity to support."

35. Cack Wilhelm, IVP
Partner

"At IVP, we exist to be the very best partners to the most consequential entrepreneurs, with the hope of playing even a small role in their journeys. We embrace being a partner to our companies, acknowledging that the time we spend daily with founders is the inspirational work. The current venture capital ecosystem hardly resembles the industry I joined in 2013, but the opportunity to indulge one's intellectual curiosity remains. I am honored to be included."

36. Matt Amico, Turn/River Capital
Principal

"At Turn/River we organize ourselves, and our thinking, to look more like a software company than a traditional investment firm. This approach gives our investment team a unique lens on value, and provides us with a compelling framework to partner with the next generation of software companies. Our expert operators partner with management teams to drive structural, and process improvements across sales, marketing, customer success and recruiting functions. As a result, we have been able to help our companies 3x the size of their revenues over the span of our investment, while also driving gains in profitability. Working side by side with such a talented group of operators has honed my investment lens, and enabled me to develop into a true strategic partner for our management teams. I could not think of a more fun way to invest!"

37. Julie Cheng, Warburg Pincus
Vice President

"At Warburg Pincus, we can be creative and flexible in how we partner with management to build sustainable businesses at scale. I am excited to continue to collaborate with our teams to invest in growth across a wide range of companies."

38. Edward Shahnasarian, Thomas H. Lee Partners
Director

"Beyond providing capital as an investor, I strongly believe in a long-term and partnership driven approach when working with management teams. The opportunity to partner with such talented and innovative teams that are building great companies is what makes my job so exciting."

39. Tomy Han, Volition Capital
Principal

"It is an honor to be recognized among this list of leaders and innovators for the second year in a row. At Volition Capital, our success is driven by the strong partnerships we have with our high-growth technology business founders—disrupters who are driving the industry forward with conviction. We are proud of our hands-on approach and are dedicated to helping our portfolio companies bring their dreams to fruition. I feel fortunate to be a part of the team at Volition Capital, surrounded by businesses and business leaders that are reinventing their category."

40. Mark Haller, Sumeru Equity Partners
Principal

"I have a lot of admiration for the entrepreneurs, founders and management that we've had the privilege to partner with over the years. Growth and innovation are not easy—at Sumeru we roll up our sleeves alongside our founder and management partners to help navigate the journey to build software category leaders."

NONTRADITIONAL SPONSORS DRIVE CHANGES IN GROWTH EQUITY

Hedge funds and other nontraditional sponsors are changing terms for founders and GPs.

The U.S. is minting more unicorns than ever before. According to data from CB Insights, a new unicorn was created every day in 2021 - a new record. That data point speaks to not only the level of innovation happening within growth industries, but also the level of capital investors are willing to put to work to support these companies.

Much of that money is coming from nontraditional sponsors. Firms including Tiger Global Management, Coatue Management, and others are beating out traditional venture capital and growth equity firms in both number of deals done and overall ticket size. According to CB Insights, Tiger Global made 350 investments in 2021, a number rivaled only by startup accelerator Y Combinator which launches groups of startups biannually for its early stage program.

The impact of nontraditional firms is significant and is already being felt throughout the industry. Critics of these firms (typically, traditional venture and growth equity sponsors) argue that these firms overprice deals, lack specialized expertise, and aren't doing enough diligence.

Industry analysts note that whether or not the criticisms prove to be correct, the early result is that founders may benefit. Traditional sponsors are softening terms to lure founders. Sponsors of all types are also doing more in-rounds to keep the best companies on the books for longer.

So what makes these firms stand out? The approach of crossover firms tends to be different from traditional VCs and their investing style shows that diversification within the portfolio is the big bet they're all willing to make.

Tigers Run the Enchanted Forest

By mid-2021, Tiger Global had already out invested every other firm in the venture capital/growth equity space and there was no indication that they would slow down. Tiger Global is known for having a very aggressive investment approach - the deal team moves quickly if it is interested in a deal, often opting for a very fast diligence process and following it with a bid that is usually well over what others are willing to pay. That cash also comes with few strings, Tiger typically doesn't take board seats or push for a specific agenda.

Tiger's approach harkens back to its hedge fund roots with a focus on total return. The firm raises large funds—its most recent venture/growth fund had a first close at $8.8 billion in October, according to Bloomberg data. As a result, Tiger either needs to make several medium-size investments or a few very large investments. It's opted for diversity. Because the initial investments are smaller and spread across a larger number of companies, the diversification can mitigate the impact of one or two bad bets. Within the fund then, the per-investment return may be smaller but the total return of a given vintage is larger. Tiger has an IRR of approximately 27% for its growth vehicles, according to Bloomberg data. The strategy is different from venture investors that are typically looking for a lower price at entry so there is less risk of a lower exit multiple. Tiger's investors, however, might be more willing to go along with it because they're used to consistent double-digit total return resulting from maximum investment and low cash on hand in the hedge fund.

The firm reportedly has also significantly invested in data and analytics so it can monitor the performance of potential targets as well as its own portfolio companies. These monitoring capabilities give it significant visibility into the startup ecosystem and help it act early on new deals or material changes within its funds. Making early trades based on an information edge is a classic hedge fund move.

Tiger Cub Coatue Management uses a similar approach. Coatue styles itself as a multi-strategy investment firm which allows it to target both public and private companies across its investment vehicles. Like Tiger Global, it also invests significantly in its data and analytics capabilities - approximately $35 million annually, according to data from The Information.

So far, the focus on data has worked. Coatue put $15.9 billion to work in 2021 alone, making it the third-largest investor all year according to data from CB Insights. Like Tiger, Coatue is aggressive and diversified in its approach. Its highest-profile bets which include TikTok parent-company ByteDance, Snap, and Spotify have all paid off. Coatue's third growth fund posted an IRR of 47% according to The Information.

Unlike Tiger, Coatue will take board seats and has a more hands-on approach with management but that may not scare off founders. The open-ended nature of its investment strategy also means that Coatue invests as early as seed and as late as pre-IPO, and can hold on to positions post-IPO. For a founder, this can mean a much more streamlined financing process if the lead sponsor remains the same somewhat indefinitely.

By betting big on diversification and information asymmetry, Tiger and Coatue treat venture and growth investing like any other asset class and they aren't tied to the conventions and norms that traditional sponsors have adopted over the years. The earliest impact of this approach has been a loosening of terms from traditional sponsors, but if the exit environment remains positive, traditional sponsors may have to change more about their approach to stay competitive. This may mean writing bigger checks initially or relying more on in-rounds to retain control.

Managing the Exit

2021 wasn't only about minting new unicorns at a record pace. The SPAC frenzy coupled with renewed interest in direct listings and IPOs opened the door for other nontraditional roles to expand their footprint in venture and growth equity.

Dragoneer and Altimeter Capital were two such firms. Multistrategy firm Dragoneer, has raised three SPACs since the boom began in 2020, making it part of a small group of repeat issuers with an institutional finance pedigree. Altimeter has also emerged as a repeat issuer and a SPAC liquidity provider in the PIPE market. The involvement of these firms in the SPAC market is notable because now, nontraditional sponsors are involved in all aspects of early-stage to growth to exit.

Early indications are it's an attractive strategy to both startups and investors. Both firms are in market with new growth funds, Dragoneer is reportedly targeting $2.5 billion and Altimeter has targeted $1 billion, according to Bloomberg. Dragoneer’s track record includes investments in several unicorns including Airbnb and Uber. Altimeter was an early investor in financial-technology firm Plaid.

The combination of a broad investment remit coupled with a positive track record in the SPAC market could make firms like Dragoneer and Altimeter harder to compete with. The SPAC craze has cooled off, but that means that the activity that remains is more likely to be dominated by repeat issuers who have shown they can deliver. Both firms fit this mold.

Going forward, traditional sponsors may have to work harder to differentiate themselves from the growing impact of nontraditional investors that want to be fully invested from seed to exit regardless of price. By treating venture and growth equity as just another set of asset classes, these firms are challenging many of the norms within venture and growth equity and in part they are succeeding. Traditional sponsors may be tempted to alter their approach to get in on the next big unicorn, however, the jury is still out whether the Tigers of the world will succeed in the long run.

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