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Jonathan Little joins fray in buying manager stakes

Deal-maker started latest venture, Alderwood Capital, despite pandemic because of the opportunities he saw

By Sophie Baker

Jonathan Little is used to building businesses up and closing deals, but doing it in the middle of a pandemic is a totally different thing.

While he's known in money management as something of a deal-maker for the mergers and acquisitions he has led over the years — in particular during his time as head of the Bank of New York Mellon's international asset management business — Mr. Little did think twice about launching his latest business, Alderwood Capital LLP, which takes minority stakes in boutique firms. And that was without the added stress of COVID-19.

"I thought about not doing it again, but I just felt there was so much opportunity for us," he said, speaking over video call from Alderwood's offices in Covent Garden, London. "It was really tricky setting up this business in COVID — not being able to travel is a real issue."

But it hasn't slowed him down in his quest to get the necessary infrastructure and systems in place for Alderwood, which aims to raise $2 billion from institutional investors in a single fund to take minority stakes in single-strategy boutique firms. He also has fund documentation and Financial Conduct Authority approval in place.

There are three strands to the opportunity set for Alderwood. The first is succession capital opportunities. "If someone wants to retire or an early backer wants to sell … but they don't want someone to upset the apple cart, we're someone who can add something," Mr. Little said. "The world is full of asset managers set up 15, 20, 25 years ago where one of the founders wants to retire — we're an obvious choice to buy in there."

The second type of firm that Alderwood is looking for is one that has "acceleration opportunities — 3- to 5-year-old firms, where managers are in a steady state but need capital to either buy out an early backer or to provide for the next stage," he said.

Photo: Daniel Erman

Jonathan Little said his new fund is looking to take minority stakes in single-strategy boutique money managers.

And the final opportunity — the one where Mr. Little believes Alderwood "can add even more value (is) liberation opportunities. There's a lot of ill-fated megamergers that have happened in the last few years," he said. Within those firms, some units or teams will be "trapped" and looking for a way out, or market stress may push teams to be separated out from parent companies.

Perfect fit

The new business fits perfectly with Mr. Little's reputation as a deal-maker. He started Alderwood about a year after leaving Northill Capital — the firm he helped found in 2010 — where he was managing partner. Unlike Alderwood, Northill takes majority stakes in specialist money managers. The assets under management of firms in which Northill holds a majority stake totaled about $95.1 billion as of Dec. 31. Its latest acquisition was of a majority interest in outsourced CIO firm Strategic Investment Management LLC in 2019. The firm had $28 billion in discretionary assets under management as of Dec. 31.

He started Northill after a decade at Bank of New York Mellon, where he was vice chairman of what was then BNY Mellon Asset Management and led its international business, overseeing more than $400 billion in AUM.

Under his leadership, BNY Mellon acquired a number of its affiliate businesses, including Insight Investment in 2009 — an example of a liberation opportunity, he said.

At the time of the deal, which saw Lloyds Banking Group sell the manager to BNY Mellon for £235 million, Insight had about £80 billion in assets under management. The firm ran £707.7 billion as of March 31.

Alderwood has a smaller checkbook than BNY Mellon, though — the $2 billion fund he wants to raise in order to buy minority stakes will "be the only fund we'll do. We're quite targeted and we don't want to take on assets that we can't deploy effectively."

He also has secured some serious backing — Victory Capital Holdings Inc. took a 15% stake in the firm in September. Victory intends to invest in the fund, the firm said at the time of the acquisition.

"Our process is quite slow and methodical — we like to get to know the manager, the culture, how they make money," Mr. Little said. Executives also won't look at beta players, with no interest in exchange-traded funds or low-alpha corporate credit strategies, for example. "The types of firms we like are good at something and can get paid properly — beta is a scale game and we can't offer anything" to those firms, he said.

Familiar team

As well as having Victory Capital as a partner, Mr. Little has surrounded himself with people he's worked with before. The nine-strong team at Alderwood reunites him with four other staffers from Northill, including Chief Financial Officer Rebecca Noyes. Alderwood partner Ryan Sinnot was director of strategy and development at Northill and prior to that, director of strategy and development at BNY Mellon Asset Management — where he led M&A and the execution of strategic projects for the global money management business.

"It's fun, and people have turned up here that I've worked with before — that's no accident. When you work at doing something you like, with people you like, it doesn't seem like work. I'll be doing this in my 60s," Mr. Little said. He is 57, according to regulatory filings with Companies House.

But he still needs to overcome the ongoing COVID-19 challenge in order to make Alderwood — named after the alder tree, which "thrives in most environments" — truly work. He needs to start seeing people face-to-face, especially when it comes to asking institutional investors for cash. The firm has not yet raised any capital but is in the process of investor meetings.

"There is plenty of time as the fund is not due to close until early next year, but people need to see you and asking someone for $300 million via Zoom is tricky. Institutions have tended to pull back on giving money to people they haven't worked with before — that has harmed anyone either doing something different or something new," Mr. Little said.

He hopes the relatively niche part of money management that Alderwood fits into — citing New York-based Dyal Capital Partners as an example of a similar type of firm — will pique investors' interest. "I'm hoping there will be pent-up desire to start looking at things afresh."

But in the meantime, he's been "shamelessly mining" his contact book. "And we have good relationships with many of the managers we've worked with over the years, who've said they'll act as a reference. Part of our sell is that we not only (work on) expanding good businesses at good prices, but we're a good partner. If after five years they still regard us as a good partner, that's a good yardstick," Mr. Little said.