



AVANTE CAPITAL PARTNERS: GENERATING ALPHA WHILE EMPOWERING WOMEN AND DIVERSE-OWNED BUSINESSES

The Largest Network of Diverse- Owned
Private Equity Firms and Hedge Funds

Jeri Harman found herself at a crossroads during the Great Recession of 2007-2009. As a member of the Investment Committee for American Capital, Ltd., she saw economic conditions strike a devastating blow to the firm's assets, resulting in a dramatic downsizing. Rather than begin the search for another job during the downturn, she got together with Ivelisse Rodriguez Simon and worked out a plan to create their own firm.

"I was working in private equity, and there were very few women at that time – and there's still very few," recalls Rodriguez Simon, Managing Partner. "Jeri was a mentor. When she decided to launch her firm, I jumped on the opportunity to work for her. She wanted to leverage all of her many years of credit experience in small businesses to create a diverse team with a differentiated and diverse strategy, and that's exactly what she did."

The result, Avante Capital Partners, is a woman-owned firm that not only invests in high-quality, lower middle-market businesses in the form of unitranche debt, traditional mezzanine and minority equity, but also supports women and minority investment professionals throughout the entire industry as well as diverse-owned businesses. The firm's name, which translates to 'forward' in Spanish, holds special significance. "We wanted a firm that was forward-thinking and enlightened, and our culture to be better today than we were yesterday – to continue to make forward progress," says Rodriguez Simon.

LEVERAGING FEMALE TALENT

As a licensed Small Business Investment Company (SBIC), a private credit fund licensed by the U.S. Small Business Administration (SBA) to provide debt and equity to small businesses to create jobs, Avante invests in lower middle market businesses with \$3 million to \$15 million of EBITDA. The firm invests in growing resilient businesses across the country, primarily by way of debt with some equity and structured equity. "We are one of two firms in the entire program with a Latina Managing Partner, and we have a differentiated sourcing strategy, where we leverage what we believe is the largest ecosystem of women investors in this country," says Rodriguez Simon.

Most of the firm's investors are banks, endowments, along with a few pension funds and family offices. Avante is primarily a lender (85% of the firm's investments are debt-based), and is not a traditional control buyout private equity fund. The firm adds value to its portfolio companies by:

- Providing access to diverse management teams and diverse board candidates and guidance on effective investor relations and brand management
- Sourcing deals for sponsors and portfolio companies
- Connecting portfolio companies with tangible opportunities and assisting with financing their growth
- Providing high-quality research, access to an expert network and ongoing portfolio support

Avante has invested in 39 platform businesses and over 60 add-on acquisitions, originating deals through its robust network of female entrepreneurs, executives and professionals. The firm targets opportunities in Healthcare, Business Services, Education, Software and Niche Manufacturing.

Among its portfolio companies is Chiro-One, the leading chiropractic business in IL; Golden Bear, a large physical therapy practice in California; and Learner's Edge, continuing education for K-12 teachers. "We're looking for businesses that are growing because we are very focused on creating good, well-paying jobs," Rodriguez Simon explains.

The advantage of their strategy, according to Rodriguez Simon, is returns that look like equity, but for the lower risk of debt. "Our Fund I generated 21% net IRR and over 2.3x cash on cash, which is above the median equity return, but with far less risk than an equity fund because the majority of our capital is invested in debt," Rodriguez Simon explains. "We have had zero losses on our debt over 11 years." The strategy is resonating with Limited Partners. Avante is finalizing its capital raise for Fund III, exceeding its \$300 million target by more than \$50 million.

INCREASING THE PIPELINE

All too aware of the underrepresentation of women and people of color in the financial services industry, Avante recently launched the SBIC industry's first diversity internship program this past summer – the Small Business Investing Scholars Program, which introduced participants to the fundamentals of private equity and private debt. "What we decided to do is attack the lack of diversity problem head-on and try to create a pipeline of talented women and minority investment professionals that can ultimately work at, run and lead an SBIC fund," says Rodriguez Simon. "We're pretty excited about it and we're going to continue to grow it."

The firm also has an internship program to help female MBA students with non-traditional backgrounds break into finance and remains heavily engaged with female entrepreneurs. "I think as a fund, we attract more women and minority professionals because we're a very diverse team. You can see diversity in our team members," Rodriguez Simon says. "You can see it in the sponsors we work with, you can see it in the companies that we invest in. We operate in a more diverse environment."

Avante has also helped advise the industry on maternity policies and other programs for firms to implement to help retain female talent. "I'm part of the Harvard Business School Class of 2004 and a large majority of my female friends that started in the industry with me are no longer in the industry," Rodriguez Simon asserts. "And it's really such a tragedy because they're so brilliant and we lose all this fantastic talent because the industry hasn't been able to figure out how to solve the work-life balance. My dream and goal is that our industry embraces diversity not only as a social imperative but as a way to improve returns – its proven research that diverse teams perform better."