



# NILE CAPITAL GROUP: PUTTING CAPITAL TO WORK WITH DIVERSE ASSET MANAGERS

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

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*Melvin Lindsey is no stranger to tumultuous market conditions. While serving as a Managing Director at Julius Baer Investment Management, his team invested \$20 million to acquire stakes in asset management firms that collectively managed \$800 million in AUM and organically grew those assets to a peak of \$78 billion. Lindsey was leading the fastest growing institutional oriented team. Unfortunately, 2008 came and virtually every market sector was hammered by the global recession. And that \$78 billion in assets dwindled to \$38 billion.*

Despite the massive setback, Lindsey and the team managed to build the business back up to \$58 billion and engaged with Goldman Sachs to become the first financial services company to go public in 2009. This move turned that initial \$20 million investment into a \$1.5 billion IPO for an IRR of 117%, including distributions.

Fast forward to 2020 and Lindsey is focused on providing capital and resources to enable diverse asset managers to expand their business during a market that is again tumultuous. As Founder and Managing Partner of Nile Capital Group, a Los Angeles-based private equity firm that invests in diverse asset managers with superior growth potential, Lindsey is well aware that now is an opportune time to deploy much-needed capital.

“Managers are concerned about flows, the country shutting down, and the sad part is that none of the investment firms could qualify for Paycheck Protection Program, because there’s been a backlash against hedge funds, private equity funds, etc.,” he points out. “A fund of our nature that can provide them with capital and provide the resources to expand their business.”

## **RISING TIDES**

Nile Capital Group focuses on promising asset managers that are “middle-aged” insofar as they are not startups nor nearing the end of their lifecycle. “We like that intermediate phase where they have a great track record, a great team, but they have yet to fully scale their business to where other strategies are at scale,” Lindsey explains. Nile provides the capital, operating expertise and helps with relationships in the institutional space. “We try to help these firms focus on getting to the next level, just like any other private equity firm, but we just focus on asset management.”

Nile Capital invests in asset management firms that have five attributes and has created a mnemonic device to explain those attributes, TIDES:

**Talent** – These are firms that the Nile team believes have the right talent and their performance is not a matter of luck. In vetting investment candidates, the team conducts analytical attribution and analysis to determine if that talent and strategy are both sustainable.

**Innovation** – Nile Capital is not interested in ‘me-too’ firms attempting to simply replicate what is already being done but have added some type of evolution to their strategy.

**Diversity** – Not only a diversity of people but also diversity of thought to avoid groupthink. “We’re not looking for five guys who all live in Connecticut, all went to the same business school all reading the same information and think the same way,” Lindsey says.

**Economies of Scale** – Nile conducts capacity analyses to determine scalability. Qualified firms must be able to scale to the point where they can manage at least five times their current AUM.

**Speed** – The digital economy has enabled easy access to vast amounts of information. Nile Capital focuses on those firms that can go from idea generation to execution on the portfolio in a timely manner to quickly address client needs.

The firm has letters of intent for two asset management firms issued to complement three others currently in its portfolio:

- **Convergence Investment Partners**, an active equity manager dedicated to managing risk-controlled non-correlated equity strategies. Convergence uses its proprietary process to select and rank investments, construct portfolios, and help manage risk in each of its products.
- **Denali Advisors**, a quantitative-based institutional investment firm and the largest Native American-owned asset management firm in the country. It was co-founded in 2001 by Robert Snigaroff, an Alaskan Native of the Aleut Tribe.
- **Strategic Global Advisors, LLC**, a woman-owned investment firm with over \$5.5 billion in assets under management that constructs portfolios focusing on stock selection rather than country and sector market timing.

## A BAER MARKET

Founded in late 2014, Nile Capital launched with Co-Founder Richard Pell and the institutional investment management team of Julius Baer Group, a 130-year-old private bank founded and based in Switzerland. “My partners and I talked to the Baer family about shifting resources to the institutional space, given that the private wealth markets in the U.S. were under attack if you had a Swiss bank headquarters,” Lindsey recalls. “So, we built out a business in 2002 with about \$800 million in assets.”

After building that \$800 million in assets to \$78 billion and rebuilding it again when the aforementioned 2008 market collapse slashed those assets, management decided to take the business public, changing its name to Artio Global Investors Inc. Lindsey and his partners worked a few years at Artio following the IPO to maximize their stock options while the business was NYSE listed. Not much later, the team was provided a healthy exit when Aberdeen Asset Management acquired Artio.

By 2013, after waiting out their non-competes for a couple of years, they decided to get the band back together again. “We decided to do what we did before,” recalls Lindsey. “But this time, buy firms that are women, minority, small, diverse, asset managers, emerging managers.” The partners pooled together their own capital and started identifying potential deals.

Their first acquisition came shortly thereafter, Strategic Global Advisors. With Nile Capital’s guidance, AUM more than doubled from approximately \$2 billion in 2015 to \$5.5 billion less than five years later. “We’ve gotten 13 straight distributions of current cash on cash, and the value of the firm is probably increased threefold since we bought it,” says Lindsey. “Given the current environment, it was a very good return on our invested capital.”

Nile Capital is currently in the market to raise its first institutional capital fund, with a \$300 million target. The firm’s strategy and track record resonated with an industry leader, José E Feliciano, Co-Founder and Managing Partner of Clearlake Capital Group. In September 2019, Feliciano not only invested in the fund but also took a position in the firm itself, joining its Advisory Board.

Feliciano says he was drawn to the firm for its unique, repeatable, and differentiated strategy that is difficult to replicate by others. “The team has the proven experience and process to effect post-acquisition operational improvements that help scale promising boutique asset management firms resulting in significant value creation,” he says. “The strategy results in a growing, current income stream coupled with significant ability to generate a high MOIC.”

With a proven thesis and more deals in the works, Nile Capital is looking to put more capital to work while valuations are down. “We think it’s a perfect storm. In 2008, when our assets got hit, 12 months later there was a 40% improvement in assets just by the market coming back,” Lindsey recalls. “I’m not saying this is exactly the same kind of market, but we think if we have dry powder it’s the time to pounce.”