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Private Market Talks:
Unlocking the Potential of Alternative Markets with HighVista Strategies' Raphi Schorr

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Two decades ago, HighVista Strategies set out to transform alternative investing by tapping into less efficient markets in search of alpha. Today, with $11 billion under management, the firm remains at the forefront of uncovering unique investment opportunities.

In this episode, we sit down with Raphi Schorr, Deputy Chief Investment Officer at HighVista, to explore how the firm crafts its portfolios, manages governance strategy and continues to redefine success in both public and private markets. Finally, as 2024 comes to a close, Raphi shares his insights from the past year and predictions for what to expect in 2025.

Peter Antoszyk: Welcome to Private Market Talks, a Proskauer podcast. I'm your host, Peter Antoszyk. Today, I am speaking with Raphi Schorr, deputy Chief Investment Officer at HighVista Strategies. Founded in 2004, HighVista manages some $11 billion in client capital, specializing in alternative investments with a focus on identifying structurally inefficient opportunities across the private and public markets. In our conversation, we dive into HighVista's unique investment strategy, portfolio construction and specific market sectors. And we take a look back at the key events of 2024, while discussing potential market shifts as we head into 2025. As with all our episodes, you can get a full transcript of this episode and other helpful information at privatemarkettalks.com. And if you enjoyed this episode, drop us a note. We'd love to hear from you. And now, my conversation with Raphi Schorr of HighVista Strategies.

Raphi Schorr: Peter, thanks for having me. It's so good to be here.

Peter Antoszyk: Just to level set for our listeners. Can you give us a little background on HighVista?

Raphi Schorr: Sure. So, we started the firm 20 years ago this fall and the idea then, which remains very much the same today, was to help investors access alternative investments to really go places where they otherwise wouldn't be able to go and find great returns in markets that are structurally less efficient and offer investors the opportunity to outperform.

Peter Antoszyk: And what's its general AUM and its makeup of its investors?

Raphi Schorr: We have a diverse investor group. We're really lucky to have a number of U.S. domestic pension funds, some sovereign wealth funds, as well as some sophisticated families and family offices, all of whom really want to invest in alternative investments in less efficient places and believe in the partnership model. Generally, these are teams of investors who are sophisticated, but have made the decision to partner with HighVista, because of our specialization in our key market segments.

Peter Antoszyk: And you do public and private, right?

Raphi Schorr: That's right. So today, we invest across public and private markets. I think the investment team is majority private markets focused, because that's where so much of the transaction volume is and because the amount of work it takes to invest in private markets is just much greater. But we do invest across public and private markets, U.S. and abroad, on a global basis.

Peter Antoszyk: What is your general investment strategy?

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Raphi Schorr: The general investment strategy – maybe I start with taking you back to 2004 when we started and what the thinking was then, because it really is the same but it's just applied to a different environment. The idea then was that the large university endowments had produced really outstanding returns over a long period of time, and they were able to do that by being in markets that others hadn't yet found. So, it was really by being early and understanding where there could be better risk reward than just investing in public market indices. So sometimes it was alpha, just finding markets that were less efficient, picking securities better, but sometimes it was about adopting new asset classes. If you think about some endowments being early into timber or other natural resources or private equity or venture capital, universities were really pioneers.

Peter Antoszyk: And they were able to do that because they were long dated capital.

Raphi Schorr: Long dated capital. Governance is key. One of the big themes of our firm is bringing really good governance to our investing and working with our limited partners and our capital partners to create the necessary governance to create the right outcomes. I think it's underappreciated. We could circle back to that because governance is really a key point. So, that was 2004. If you fast forward 20 years, the world of alternative investments has really exploded. Alternatives are no longer alternative. They're quite mainstream by now. And you have retail investors now largely investing in a broader range of alternatives through wire house platforms, through IRAs, and so it's quite a different landscape than when we started and we've evolved also to really focus on what you would think of as alternative alternative markets in 2024. So, these are the markets that remain least efficient, hardest to diligence, hardest to access, hardest to create the kind of governance that one needs to produce returns. And so today, we're focused on four primary areas of investment. One is lower middle market private equity, and that's a U.S. program where we're focused on businesses typically of 10 million or so in EBITDA. These are small businesses, typically family or founder owned. Another area of focus for us is early stage venture capital, which is a global effort to invest in early stages, seeds, Series A of the thousands and thousands of companies that are created in every market cycle and to really make sure that we're accessing the very best companies and have exposure to category defining winners and catching that right tail that's so important in venture capital. Third area is private credit, which our focus is on lending against a diversified set of collateral, different kinds of collateral, but really trying to produce equity-like returns, I should say, "target equity-like returns," and at the same time, benefiting from downside protection that's inherent in having high quality collateral. And the fourth area of focus today is public markets biotechnology, where we're particularly focused on the U.S. small CAP market. Turns out the U.S. public markets have been shrinking for decades and the only area that consistently grows by number is biotech. So today, you're looking at something like 600 of the 4000 listed companies in the U.S. are biotech companies.

Peter Antoszyk: That's really interesting. Why is that?

Raphi Schorr: Biotech has a voracious appetite for capital. You need to fund a number of trials, and to go all the way to the end could take hundreds of millions of dollars. So, these companies are always raising capital. They start typically in the private markets, but they'll avail themselves of public markets when the window opens. They're often very entrepreneurial, so these are teams that aren't typically part of a big biotech firm or big pharma. They are some scientists and entrepreneurs that believe they have an idea that will succeed. The rewards for success are tremendous, and so they start their own firm, and they're typically just a few people starting these companies. And at some point, they might avail themselves of public market equity financing and then what you have is you have hundreds of these companies at various stages of development, often with very little analyst coverage, not that well understood. So, it creates a very inefficient market. One could access it theoretically through the public market indices, but it's such a small percentage of any index that a typical investment portfolio will have, something like 1% exposure to biotech. You don't really get the exposure that you would want to this theme, but you also don't have the opportunity through the index to pick your spots.

Peter Antoszyk: You talked a little bit about the private credit, getting equity-like returns.

Raphi Schorr: Yes.

Peter Antoszyk: What does that mean?

Raphi Schorr: It's a very controversial line, actually. A lot of people — it's polarizing, when you say that and some people can get pretty upset. I think of it as public equity-like returns. If you're targeting, let's say, in a 5% interest rate environment, if you're targeting a 10 or 12% return in credit, that's achievable and responsible. Targeting a 15 to 20% net return is probably not realistic and leads to excessive risk. So, it's really in that low teens zip code where one could build a credit program with high quality collateral if they're willing to take the time to solve borrowers' particular problems. So, the broadly syndicated loan market or the high yield market or corporate bond market are efficient markets, hundreds of issuers, very competitive dynamics and I don't think investors in those markets are targeting low teen returns, but they might be targeting high single digit returns. But the more bespoke markets offer that opportunity for outperformance. We love it because there's dozens of kinds of collateral. Some are really credit worthy and very interesting to lend against, some maybe less so. And that process of learning about a lot of different kinds of collateral, getting to underwrite them and picking our spots is a joyful one.

Peter Antoszyk: Do you consider credit as a hedge against long equity positions?

Raphi Schorr: I don't think of it that way. I think — let's start with interest rates, pure interest rates. So back when the U.S. government was a AAA credit and considered completely risk free, the CDS market didn't price any default risk, etc. You could look at the data and just say, "Are treasury bonds correlated with equities or not?" And it turns out it really just depends when. So, for a long period of time over the last 20 years, up until quite recently, they were negatively correlated. That is to say, interest rates went up when equities went up, interest rates went down when equities went down, which meant that treasuries went up when equities went down and treasuries went down when equities went up. That's a hedge. And what was wonderful in much of that period is you had positively sloped yield curve. So, you had a yield, you had what's called the roll down from the yield curve. So, you got some extra pickup in return and it was a hedge, it was diversifying.

And I'll tell you one thing that's even better that most people don't realize. You could buy a futures contract and you didn't even have to put up very much collateral at all. So, if you bought a treasury futures, you're putting up one, two percent collateral. And it was this kind of free lunch. It was the ultimate in free lunch, you had it positively returned asset and it was negatively correlated. That seems to have flipped. Today, you'd have to ask yourself, "What are the rewards for going out long on the treasury curve in a pretty flat curve?" And the correlations flipped. So now we're now living in a world where treasuries typically go up when equities go up and typically go down when equities go down and those correlation regimes are fairly stable for short periods of time. And so, the house view, if there is one today, would be we're cautious on investors adding a lot of duration in their portfolios.

We used to be very long duration and that was kind of the house view for much of our 20 years. Credit's different because credit mixes typically some amount of duration as well as credit risk. So when you buy a corporate bond, it's fixed rate. It has duration from a technical perspective, but it also has default risk or downgrade risk, and that risk is very correlated with equity markets in all environments. Once you cross into the world from treasuries to credit, even in the times of negative correlation, that benefit's really lost, and so I don't think of credit as a good hedge. I think that the goal in credit should be to find a portfolio that doesn't contribute a lot to the risk maybe contributes almost an infinitesimal amount to the investors aggregate risk across their portfolio and yet offers incremental return. That's still wonderful because there are not many assets that don't contribute substantial risk while they contribute return.

Peter Antoszyk: How do you think about — since you're allocating for clients both across both public and private. How are you thinking about the equilibrium between public and private?

Raphi Schorr: A lot of that comes down to investor preferences and time frames. Take for one example might be university endowments who have very long time frames, maybe typically have something like a 5% payout ratio, but they're actually growing their endowments, typically through donations. And so, they really have the benefit of being quite illiquid. And in that case, they really just have to make sure that they have enough cash to meet all their various commitments but they can — and we saw this in 2008, there were endowments that were 50% private and they were able to weather the storm. But there is a limit. There is a limit where between the amount you have invested and your commitments, you never want to get too close to 100% even for those investors. And then most other investors have some purpose in mind for their capital, so could be a pension that has a much shorter time horizon or could be family wealth, where they want the flexibility and it's kind of all over the place where people might have 10% and they may have 50% in terms of their overall exposure to private investments, there's a broader range.

Peter Antoszyk: Given the growth of the private markets and the shrinking of the public markets, the allocation between the two seems to be shifting, or at least the trend seems to be shifting towards the private markets.

Raphi Schorr: I think in broad, secular trends, that's true. The markets taken a bit of a pause since summer of 22, interest rate reset and less liquidity in the markets in general. If we talk about the average investor, it's not really very descriptive because there are some investors who have almost no private investments and there are others who are quite full and they're at kind of that point where they've decided, "I've hit my maximum, I don't really need more," and for those investors who are full, so to speak, they're waiting for realizations before they can commit to more private capital. And as has been reported pretty broadly, there haven't been a lot of realizations in the last two years. There's a bit of a circular logic there, but there's a feedback loop where, if they don't have realizations, they can't make new commitments. The lack of new commitments, of course, means there's fewer private dollars being raised to create realizations for the old private dollars being raised, so there is a bit of a circularity, but that seems to be unlocking. People have been trying to figure out when liquidity will come back, that's been —

Peter Antoszyk: Well, it's also driven the growth of the secondaries market. They've changed their allocation formulas. You know, there's —

Raphi Schorr: Totally. Totally.

Peter Antoszyk: There's different ways that these have been addressed in the market.

Raphi Schorr: Right. And secondaries has grown to be such an important part of the market. LP led, GP led, all sorts of solutions, credit and equity, and I think we're now getting to a point where the market is finding its equilibrium. Also remember the public market returns, particularly in the AI boom that we've witnessed this year, have been so strong that if you look at the size of private markets relative to public markets, it's important to remember in a public market rally, private markets will shrink as a relative percentage, and we're in one of those rallies.

Peter Antoszyk: That's good point. It's a very good point. I want to go back to the four core areas that you mentioned, because we've spent a little time on credit. Early-stage VC… As a component of the overall AUM that you have, what would you say is the percentage of early-stage VC?

Raphi Schorr: At the firm level, it's between 10 and 20% of the overall picture.

Peter Antoszyk: And do you think that's scalable?

Raphi Schorr: Early-stage VC is scalable to a point. We certainly find ourselves today — it's a market where a lot of venture firms are struggling to raise capital. For many of the reasons I just talked about, where I think some investors are just waiting to get realizations, they had maybe big paper gains in 2021 and they want to see some of those realizations before they can commit more capital. But I think it is scalable up and to a point. The industry has developed and the amount of capital it can responsibly invest in great opportunities has changed so dramatically. So, it used to be an early-stage venture round was a couple million dollars at single digit million dollar valuation and now you have, in the extreme, you have $500 million capital raises for AI startups. Now, we'll see how those turn out. I'm not guaranteeing anything, but what's clear is if you're going to build your own large language model, a $2,000,000 capital raise isn't going to get you very far.

Peter Antoszyk: Right.

Raphi Schorr: And so, the markets have really developed in a pretty amazing way in response.

Peter Antoszyk: Is it like, a barbell kind of effect, in a sense?

Raphi Schorr: There's a bit of a barbell, right? Where AI is far more capital consumptive than so many other parts of venture capital.

Peter Antoszyk: Is that starving the rest, some of the rest of the VC market?

Raphi Schorr: It is. Cynically, if we could be cynical for a second. I think to raise capital in today's environment, you have to have some sort of AI spin to what you do. And that's true sort of across the world. People ask us, "What's your firm doing in AI?" That's one of the most common questions now. So, there is a bit of that where people see the potential for the first time. And we're in such early days, the use cases are many and many of the things we dream about you just can't do today. So, you can't yet ask an AI agent to plan your vacation for you and expect it to do a reasonable job and book your tickets and get you those concert tickets. But it really shouldn't be that hard once it knows what music you're listening to, and it already knows that.

Peter Antoszyk: Right, right.

Raphi Schorr: And once it knows what cities you like and what hotels you've enjoyed, why not? Why not plan a whole vacation beginning to end? So, I think that coming.

Peter Antoszyk: Are you dipping your toe into AI early-stage VCs?

Raphi Schorr: Very much so. So, we're investing, we always have. This isn't new. It's not. I don't think this is the entry point for many of insiders. I think people have been in VC the last 5 to 10 year period have been investing in AI. Just the other day we had a meeting in the office and I was playing – I don't want to name the company – but I was playing music generated by AI, custom written for the occasion of our meeting and I was able to generate the song in about 10 seconds.

Peter Antoszyk: It pains me to hear that.

Raphi Schorr: If you like music, there's a lot more possibilities because now you can generate your own song in whatever style you want, and it's all based on these quite brilliant LLMs.

Peter Antoszyk: You also mentioned one of the core investment areas is lower middle market U.S. I think that's equity, right?

Raphi Schorr: Yeah, private equity.

Peter Antoszyk: Private equity. Can you describe what you're doing there and what a typical deal might look like?

Raphi Schorr: There, we're really investing in the bread and butter of U.S. economy. So, it's maybe a complement to the venture strategy, which is so futuristic. There are so many businesses that are privately owned and even if we only look at the businesses that are profitable and of a scale where they could be owned by private equity sponsor, we're talking about tens of thousands of businesses, the overwhelming majority of which no one's ever heard of and no one ever will hear of. The large private equity sponsors raise the overwhelming majority of capital, and they're looking for deals with, you know, 1 billion, 5 billion dollar investment check size.

Peter Antoszyk: Right.

Raphi Schorr: These are companies where the check size is the equity check size is typically something like $50 million. So very meaningful for the founder or the family that's selling, but small relative to what we read about in the newspapers, in the private equity industry. These could be roofing company roll ups. They could be swimming pool service companies. They could be nursing staffing companies. I mean just a full range of businesses, some very often tech-enabled. But they're not typically tech businesses. They're very much Heartland bread and butter businesses.

Peter Antoszyk: Are you doing this directly or through other sponsors?

Raphi Schorr: We'll do those either by coinvesting alongside independent sponsors, working with independent sponsors, working with some funded sponsors, and we'll also invest in funds. So, it runs the full gamut as a strategy. I mean, these numbers are astounding. There's something like 1800 sponsors in the U.S., focused on that part of the economy. And so, our team of 10, the private equity team's job is to kind of mine that space, know the sponsors and work with them either on a fund investment basis or co-investment basis. Or in some cases they don't have funds. They're entrepreneurial people who have identified a really great opportunity and they're just trying to raise capital for that opportunity.

Peter Antoszyk: I want to come back to something you said earlier, which was very, very important. And you said, "Governance is key." Can you talk about that a little bit more and how that factors into your underwriting?

Raphi Schorr: I think one of the challenges for many investors is that they don't have a set up within their family or within their board to react to certain investment opportunities or certain changes in the environment. I'll give you a couple examples. For one example, many of our institutional clients aren't set up to look at individual transactions. They really have to partner and look at funds or maybe an SMA in some case. But the board that makes decisions has sometimes limited background in making direct investment decisions, but also doesn't have the capacity, the wherewithal, the time, the process to actually oversee a direct investment program

Peter Antoszyk: Sure.

Raphi Schorr: And so, many of those are great clients for us. They understand, they're smart, they're sophisticated, but they know that they don't have the governance to see a deal through from beginning to end. And then of course got to keep working even after you close a deal you got to monitor the investment, you've got to track it and eventually get to a realization. But then I think another thing is many investors will struggle with how to react to performance and they don't necessarily have the governance to figure out when they want to add to an investment and when they want to subtract from an investment. So, let's say they invest in a company, let's keep this simple. They buy a public stock or basket of public stocks and it goes against them. They thought it was going to go in one direction and it goes in another. Without proper governance, it's hard to know whether it's a time to add more to the strategy or whether to cut losses and that requires really a thorough process of understanding what the assumptions were at the outset and which of those assumptions are still true. Maybe the facts have changed and maybe it's time to reevaluate the strategy or maybe it's just the market is behaving somewhat irrationally and is creating an even better buying opportunity, and this is the time to grow an allocation to that investment or that strategy.

Peter Antoszyk: So, you provide that level of governance that the don't otherwise have that sort of the, the—

Raphi Schorr: Absolutely. So, you know, it could be sector-based.

Peter Antoszyk: Got it.

Raphi Schorr: So, let's say AI, just to go back to AI as an example. Right now, we're in a world where S&P returns are being driven by an AI boom and it's NVIDIA, but it's also a bunch of AI-related stocks that have just—

Peter Antoszyk: Top seven stocks—

Raphi Schorr: Yeah, ostensibly there will be periods of time where that's true and some periods of time where it won't be true. And at some point, the AI boom will come to at least a pause, if not an end. And there will be some sort of bargains. And the question is, is that the time to look at it and say, "Okay, this has gotten pretty scary and I got to pull back. Maybe I was holding a pretty broad exposure and now I want to be below market weight exposed to AI" or maybe that's the buying opportunity. And you need to have a patient strategy. You need the resource. And you need to have the method of conducting a conversation. The investment committee that brings together a range of perspectives, deeply experienced people with a lot of knowledge and talent to create the right decision.

Peter Antoszyk: And an endowment like DNA is what you're saying.

Raphi Schorr: Absolutely. Yeah.

Peter Antoszyk: When you think about the sectors that you're investing in, are there particular sectors that you think benefit from a sustained lowering of interest rates?

Raphi Schorr: I think, as a financial investor, there was a bit of a drug, if you will, that we all benefited from. Low interest rates really make you feel good because cap rates go down, real estate values go up opposite of yield, of course, as a multiple. So when yields go down, required earnings yields can go down, price equity multiples can expand. It could be really good for everything from public equities to private real estate to private equity. There is a darker side to it, which is that it also creates some excess capacity in the system. There's a lot of, I would say, cheap money out there for investment. It has an offsetting effect. And what we're living through now is some rationalization where on the one hand, multiples have come in for a lot of asset classes. We're seeing it most profoundly, I think, in real estate, which has been the most impacted sector. But the flip side of that is there's less activity, less construction, less supply coming to market because it's become more expensive to finance that activity. And so, in the long run, there's an offsetting factor because it will help with rental growth and will help you know with the overall valuation.

Peter Antoszyk: And of course, as an investor like you, that's looking for those market inefficiencies, those alternative alternative investments, that feeds right into your thesis.

Raphi Schorr: For sure. For sure.

Peter Antoszyk: You're investing in low and middle market equity, early-stage venture, private credit. I'm curious. You haven't seen a lot of large cap bankruptcies. What are you seeing in the middle or lower middle market in terms of the stress?

Raphi Schorr: In terms of our credit activity, we're not active in the corporate direct lending market and so we haven't seen a lot of stress from that because it's not our area of activity. Undoubtedly, the rate reset has been very hard on a lot of borrowers. And just to give you some sense of it, if a borrower was borrowing at SOFR plus 550, let's say use an example. And if they had five turns of EBITDA. So that's some 27% of EBITDA would have gone to paying the SOFR plus 550 in a 0% rate environment. And if rates go to five and a half, all of a sudden that 27% goes to 54. So, all sudden 54% of EBITDA has to go just to paying interest, not to mention principal and not to mention of course the CapEx needed to keep business healthy. So, there's definitely some stress. I think the extent of it will really depend on what happens to interest rates over the next couple of years. I don't think anyone in the industry wants to see a lot of defaults and a lot of bankruptcies. And so, lenders, I think, are likely to want to work with borrowers over the next couple of years. But if rates don't come down there will be more defaults and more bankruptcies than we've seen in a while. But again, that's not really an area that we're active in. We're more focused on asset backed credit, real estate, credit, natural resources, areas that we think are a little less sensitive to these kinds of shocks.

Peter Antoszyk: Got it. We're coming to the end of the year. It's fitting, I think, to take a look back. I'd love to get your views from your seat as WCIO at HighVista, what you would consider to be the key trends for 2024.

Raphi Schorr: That's a tough one. Let's see. If I had one word or just two letters, I would probably say AI. I think if I had to keep this very short, that's what I would say. This is this is the year of AI. And it's more than it's more than 24. It started I think when ChatGPT released to the general public a very accessible model. And sort of scared the living daylights out of teachers and professors everywhere and all of a sudden everyone from kids to adults were kind of finding some really interesting use cases for AI. And I think from there, people have really begun to appreciate just how profound an impact it has had and will continue to have. So, that's probably the most important trend that we've seen. I think in our own firm how many of our business processes have benefited from AI and the team uses two different LLMs to kind of help with day to day work. So, I could write a memo if I wanted to with a large language model and even access our own documents in a secure way by having a private instance of that model.

Peter Antoszyk: Yeah.

Raphi Schorr: I haven't done that yet, to be honest, but I think I think that's the story of the year. We all will use it in some form or another. Beyond that, I think, from where we sit as investors – and that's the story of public markets. If you take that out, markets are still digesting the interest rate move, the rate reset change in valuation. So, markets without AI and without the GLP 1 of tailwinds, which have had tremendous profit boosts to big pharma and forecasted to have even more profits in years to come. If you take that out, you really see that there's still digestion of what it means to live in an environment where interest rates are no longer zero.

Peter Antoszyk: A normalized interest rate.

Raphi Schorr: Yeah, a normalized interest rate environment. It's actually a great environment. You look out on the curve and you have a healthy level of inflation is forecasted by markets with healthy interest rates where there's a 2% real return. The difference between nominal rates and inflation, and that looks pretty good, but it is still an adjustment. And I think it was surprising that 2024, we were still in an adjustment period and there's still limited liquidity, and people are now talking about whether 2025 is going to be a year of liquidity or that actually we kind of have to wait till 2026 for the IPO market to reopen and for deal activity to reach a normal level.

Peter Antoszyk: I'm not even sure I know what a normal level of IPO activity is anymore. Not accessing the IPO market is becoming a way of life, if you will it. The IPO market will always be there, obviously, but it I don't know what normal IPO—

Raphi Schorr: I think that's very fair. But what we have right now is not only a closed IPO market, but a challenged M&A market as well as an environment where, I think, many sellers just simply don't like the prices they're being offered as they're choosing to hold for longer. And that will work itself out in the fullness of time as earnings grow into a level where could support the exit valuation that the sellers want, as MNA markets open, and some of that just depends on the regulatory environment, of course, which we'll see how that unfolds over the years to come. But we definitely have thousands of private companies where they can't all be extended indefinitely as go it alone concerns where they're just held by private equity sponsors or venture firms. Some of these companies need to be acquired by public companies or go public themselves or merge. And so we need a period of liquidity and it may not be IPOs, as you say, it may be some other form and it will be interesting to see whether next year is the return of that liquidity or not.

Peter Antoszyk: Well, that was going to be my next question, which was: where do you see the shifts for 2025 from 2024. And frankly, beyond 2025 because you're a longer-term investor. When you're looking at on the horizon, where do you see the shifts?

Raphi Schorr: You said before, I think, that you know the evolution of private markets is really an ongoing story and we're seeing so many new creative ways of financing, whether it's secondary markets developing all their varieties, the world of NAV finance and GP finance, new forms of credit that continue to emerge. And so, I think we'll see a lot of that and it will help address some of what we've talked about, some of this illiquidity, as people come up with kind of new creative forms of capital.

Peter Antoszyk: I think of that as 2024, the story of how the private markets came into their own. And 2025 I think is going to see the continuation of that story. You're seeing the penetration through the wealth channel, which is going to be tectonic.

Raphi Schorr: Absolutely. And this is an environment where it's been difficult fundraising environment in 2024, but in these kinds of environments are also going to see more innovation. There's more pressure to innovate. And so, absolutely the retail channel has become critical because so many of the traditional investors and alternatives have an allocation that they want, whereas a lot of retail investors have very little in the way of alternative investments. And one of the biggest pools of capital, of course, is the retirement market in the U.S., which is tens of trillions of dollars with effectively no alternative investment exposure. And so, we'll see how that unfolds over time. Obviously, some people are able to access it in IRA market, but it's still very small, very nascent, very early innings.

Peter Antoszyk: So, just a couple of final questions, because I think this has been really interesting. You mentioned that the fundraising market has been a difficult, challenging market. For some, particularly the larger funds, they have seen a lot of success in fundraising. So, is that another example of a bit of a barbell? Or maybe not even a barbell. Maybe it's all going to the larger ones, I don't know.

Raphi Schorr: I think there's something to that, but even the large sponsors are finding that to grow, they need new markets and that's why the push to retail has been so strong. I think there is something to that. If you look at some of these markets, there are just so many competitors. That's kind of natural that it goes through that you have a cycle and we're in that part of the cycle where some of the competition will fade and we're seeing that today. We're seeing some venture funds, for example, that aren't raising another fund that have just decided, "We've had a good run, but it's time to hang up our hats and sail off into the sunset." Or whatever you might have. So, we're seeing that. There's definitely going to be some firms that struggle more than others and some of the big firms with brands that are able to really preserve the allocations that they're getting from the large institutions will in some cases beat out the small firms. But it's not simply a story of large versus small, because I think what we found in our middle markets is that many of the high quality sponsors have a line out the door. And it's really about quality. And so, if you're a lower middle market PE firm or an early-stage venture firm, there's a clear sense that the best of those firms really have plenty of capital.

Peter Antoszyk: You'll see a dispersion among managers is what you're saying, yeah.

Raphi Schorr: That's right. It may be harder to start a new firm.

Peter Antoszyk: Yeah.

Raphi Schorr: To fund one fundraise is quite difficult. Fund two is quite difficult. And so that's why you see this, what I would call, a narrowing of the number or thinning of the number of competitors. It's that environment where it's harder to start a new firm and some of the firms that had just started and maybe thought they were going to come back to market for fund two are finding it difficult to get that fund two raised.

Peter Antoszyk: So where do you see HighVista to 10 years from now?

Raphi Schorr: Continue to look for great investments, compelling opportunities, great risk/reward for our clients. Some of that will be in the markets we're currently involved in and some of it will be in new, more emerging asset classes and new opportunities. And we continue to grow the team, grow the client base and look for compelling opportunities.

Peter Antoszyk: Well, listen, thank you very much. This has been a great conversation. I appreciate you joining us on Private Market Talks.

Raphi Schorr: Peter, thanks for having me.

Peter Antoszyk: And thank you listeners for listening to Private Market Talks.

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