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Wellington Banks at Least $2.6 Billion for Growth Investment Strategy

The firm collected its latest Hadley Harbor pool as well as $200 million for co-investments to take advantage of depressed late-stage startup values

By Isaac Taylor

Investment manager Wellington Management has amassed at least $2.6 billion for its strategy to back late-stage startups, and said it has commitments of more than $200 million for co-investments.

The latest Hadley Harbor vehicle, Wellington Hadley Harbor Partners IV, provides the Boston firm with fresh ammunition to take advantage of depressed valuations of late-stage startups after higher interest rates pushed up financing costs and the market for new equity issues froze last year.

"Today, we're seeing a tremendous correction in valuation," said Michael Carmen, the firm's co-head of private investments.

"What we're really excited about right now is being in the position of having a lot of dry powder that we can invest [at] much better valuations, and we're seeing materially less competition for the deals that we're looking at," Carmen said.

Despite a difficult market for raising new funds, investors embraced Wellington's latest growth vehicle. The amount raised over the past year exceeded the firm's $2.5 billion fundraising target for the new pool, according to Wellington executives.

The new money brings Wellington's total capital raised for the growth strategy to more than $6 billion since 2014, including the more than $200 million in new co-investment commitments, which can amplify the firm's buying power as an investor. Investments in the new fund came from public and private pension plans, insurers, a sovereign-wealth fund and family offices, according to a news release.

Wellington succeeded in its fundraising campaign as fundraising for both late-stage venture and growth equity funds has slowed dramatically. Venture firms collected just $1.95 billion for nine such funds this year through June 14, well off pace from the $16.94 billion that 42 funds collected during all of 2022, according to data provider Preqin. Meanwhile, just 59 growth equity funds have amassed only around $41.89 billion through June 14, a pace that, if continued, would fall short of the $104.17 billion raised by 185 funds in 2022, Preqin data show.

Wellington, which traces its roots to 1928, uses the new fund to back late-stage startups looking to sustain or accelerate growth before an initial public offering or outright sale. Under the strategy, the firm invests in the technology, consumer, healthcare and financial services sectors.

The firm has made six deals out of the new Hadley Harbor fund so far, including backing SeatGeek late last year through participation in a $238 million investment round. SeatGeek provides a mobile ticketing service commonly used for concerts and sporting events. In 2021, the company agreed to go public by combining with special-purpose acquisition company RedBall Acquisition Corp., but terminated that plan about a year ago to remain private longer.

Wellington has so far closed at least four Hadley Harbor growth funds since embarking on the strategy in 2014. The firm amassed $2.2 billion in 2020 for its third fund in the series, which also included co-investment capital. That same year, it tapped that fund to co-lead a $90 million investment in Patreon, a company that allows fans to make financial contributions to content creators.

At the end of last year, Wellington managed more than $1.16 trillion for institutional investors including pensions, endowments, family offices and global wealth managers, according to a March regulatory filing. The firm advises more than 2,400 clients on investments.

Wellington has more than 1,000 investment professionals across asset classes worldwide, including more than 40 on its private investing platform. The firm has raised nearly $8 billion to invest through the team across Asia, Europe and the Americas.