

10 Questions with Jo Natauri

Founder of Invidia Capital Management



Jo, let us start at the beginning. You have had a remarkable 26-year career in the healthcare industry, as an investor, operator, and advisor, spending 17 years at Goldman Sachs and most recently serving as the Global Head of Private Healthcare Investing before leaving the firm last year to launch Invidia. How have these experiences led you to form Invidia Capital Management?

My time at Goldman Sachs as an investor was incredibly influential and served as the catalyst to found Invidia. From that experience, I gained incredible insight into healthcare investments on a global scale, spanning multiple subsectors and investment strategies across the capital structures of companies. **I gained a greater appreciation for the complexities of investing in healthcare which made me realize the importance of adopting a long-term perspective to make informed investment decisions.**

The banking and advisory experience I have gained throughout my career is also highly relevant. When you examine the healthcare sector, it stands out as quite active in terms of M&A and financing activity. Understanding the drivers behind these transactions gives insight into financing considerations for each subsector and the evaluation criteria of potential acquirers, which is a critical perspective when considering optimal capital structures and exit opportunities for investments.



What is your vision for Invidia and how does it fit into the current healthcare landscape?

From an investment perspective, there are different ways to invest in healthcare, particularly in private equity. Some investors target the lower middle market, which is often service-oriented, while others set their sights on larger buyout opportunities. However, from my perspective, these extremes are less interesting due to factors such as overfunding or heightened risk profiles.

With Invidia, I wanted to establish a firm that identifies and capitalizes on genuine healthcare trends. **Healthcare is a sector with perpetual demand, but investing behind trends that will be true today and true twenty years from now – that is where I want to sit.** Being able to make an investment where you can feel confident there will be persistent tailwinds is one of the unique aspects of investing in healthcare.

For example, investing in areas supporting scientific innovation, drug discovery, and technological advancements aligns with our belief in enduring societal needs and progress. I believe these trends provide a foundation for sustained investment opportunities, distinguishing Invidia with our unique focus on longevity and consistent focus on delivering the best outcomes for the ultimate customers, patients.



You are starting the firm with an impressive group of healthcare advisors. **Can you provide more background on the team and their role?**

The healthcare industry is incredibly diverse, encompassing many sectors, from biotech, which often operates without immediate revenue, to well-established hospital systems with institutional longevity. When considering expertise in healthcare, specificity becomes crucial as each area demands distinct knowledge and insights.

My goal was to assemble a team of advisors, each with ~30 years of executive healthcare experience who had expertise across multiple subsectors and a historical understanding of the issues faced by those companies. These individuals possess invaluable perspectives, having witnessed the evolution of healthcare firsthand. Their depth of knowledge enables us to assess investment opportunities effectively, drawing from their experience in identifying what works and what does not.



Starting a new firm is a rewarding and challenging endeavor. **Speak to some of the rewards and challenges you have experienced so far.**

In terms of challenges, there are a lot! There is a constant stream of tasks demanding attention. You are always thinking about moving different puzzle pieces around, not all at once, but in parallel. Building out the team, refining the pipeline, honing the investment strategy, and envisioning the group's long-term composition are just a few of the important considerations constantly floating around. And, of course, ensuring we establish the right culture and operate with integrity is paramount in setting the stage upfront.

One of the most rewarding aspects of founding a firm is the freedom to think strategically. We have the opportunity to start with a blank slate, exploring various hypotheses before committing to a course of action. Deliberating on the implications of our decisions, seeing it all in action, and witnessing the team come together, for me, is extremely rewarding.



One of the key decisions you have made so far is to partner with GCM Grosvenor's Elevate strategy. **What about the firm and Elevate resonated with you?**

As I launched Invidia, I was fortunate to have several strategic partner options from which to choose. For me, the priority was establishing a strong cultural fit and alignment of values. I sought a partner who would provide not only capital, but also serve as a genuine thought partner in shaping our tactics and strategy. This extended beyond fundraising to encompass discussions about investment strategy and market dynamics. I was particularly interested in a partner who brought experience and expertise that complemented my own.

After meeting the GCM Grosvenor and Elevate team – particularly Elizabeth Browne and Kevin Nickleberry – it became clear that they shared this approach. They offered not just financial support, but also valuable insights and perspectives on how to build the Firm over time. When it came time to decide on a partner, choosing GCM Grosvenor and Elevate was easy.



Please provide more details about Invidia's strategy. **What key sectors do you plan to focus on, and why are they attractive market segments?**

Our investment thesis at Invidia revolves around sustainable healthcare investments, aiming for opportunities with multiple growth avenues that could lead to outsized exits. We focus on sectors exhibiting substantial strategic activity, benefiting from favorable tailwinds, and presenting few binary risks that could impact the business. Our areas of concentration include:

Enabling R&D: This encompasses areas that support innovation in healthcare and could include clinical trial outsourcing, life sciences tools, and other services catering to the pharmaceutical and biotech sectors.

Tech-Enabled Services: Recognizing the inefficiencies inherent in the healthcare system, we target opportunities where technology can enhance productivity, effectiveness, and patient outcomes.

Healthcare Delivery: The delivery of healthcare is going through a rapid transformation post-COVID, we seek investments that enable better business models for providers and that do not direct medical care (e.g., avoiding ownership of physician practices).

Consumer-Oriented Healthcare: Exploring the intersection between consumerism and healthcare is incredibly interesting, and we anticipate it is a segment that will continue to grow and offer investment opportunities.



You have clearly defined your key areas of focus. Let us talk about specific profiles of the companies you target. **What are you looking for in new opportunities and what are characteristics that define the ideal Invidia deal?**

At Invidia, we are looking for several key attributes in our investments. Given the complexity of healthcare, each investment needs to be extensively evaluated and assessed ahead of any process. The investment should offer multiple avenues for business expansion, including sustainable organic growth and inorganic opportunities through mergers and acquisitions. We seek companies where we can enhance value through our relationships, strategic insights, connections, and targeted operational improvements. The business should have no binary downside risks and a rational and achievable bridge to future top-line growth. Evaluating exit opportunities for investments is crucial in this sector as the most significant returns are often the result of a sale to a strategic buyer, so ensuring this is a viable option prior to investment is key.



One of the most salient aspects of healthcare is the extent of regulation in the industry. **Can you share your perspective on regulation in the sector and how you navigate that successfully as an investor?**

Every segment of healthcare is regulated for obvious reasons. Whether it is conducting research on a new drug or navigating the complexities of patient care, understanding regulatory frameworks is essential. **From an investment perspective, it is often a positive, as regulations can serve as a protective barrier, making it challenging for competitors to replicate or duplicate businesses.** However, regulatory oversight can also present challenges, mainly when it impedes business growth or presents as a binary risk to the business.

In my experience, upfront research is crucial to determining whether regulatory factors pose genuine risks. This involves assessing potential changes in regulations that could dramatically change the nature of the business or the sector in which it serves. It is essential to understand which regulations represent genuine risks and which offer protective measures. This determination is made through diligent research and collaboration with seasoned industry executives.



Shifting gears – you have served on multiple healthcare boards and worked closely with management teams on value creation. **Talk about Invidia's value creation approach.**

Our value proposition lies in providing a long-term perspective within the sector, which assists management teams in shaping the trajectory of their businesses. From an exit standpoint, we can assist in mergers and acquisitions (M&A), where different strategic initiatives have a measurable impact on returns. Operationally, drawing from our observations of successful businesses, we can identify early levers that can be pulled to drive the most meaningful impact. Our extensive network and connections enable us to support new initiatives and test investment theses. These resources can prove invaluable in navigating the complexities of the healthcare landscape.



How did you decide on the name of the firm, Invidia?

Invidia, the Roman goddess of envy, held a unique place in ancient mythology and was worshipped by gladiators and generals. Invidia can be seen as a symbol of transformation, resilience, and empowerment, leveraging the concept of envy to drive positive change and growth. She serves as a reminder to cultivate values such as gratitude and goodwill toward others. Each of these aspects resonated with me for distinct reasons and we are building a firm that embodies these qualities.

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