PE Hub

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HEALTHCARE

HarbourVest eyes transformative trends in AI and healthcare innovation with HCF VII

HarbourVest's Joel Hwang and Jackie Peradotto outline plans for deploying the firm's seventh flagship co-investment fund, which recently held a final close of $4.75bn.

In July, HarbourVest Partners announced the final close of its seventh flagship co-investment fund at approximately $4.75 billion, surpassing its $4 billion target, as Private Equity International reported previously. To find out how the Boston private markets firm is investing Fund VII, PE Hub spoke with Joel Hwang, managing director of direct investments, and Jackie Peradotto, managing director of the co-investment team.

HCF VII aims to provide investors with access to a diversified global portfolio of direct co-investments across buyout and growth equity strategies alongside other GPs. In addition to the firm's core buyout strategy, HCF VII includes a dedicated fund of more than $500 million "to invest in growth equity and expansion stage opportunities that capitalize on transformative trends in AI, healthcare innovation and other high-growth industries and disruptive technologies," according to the fund closing announcement.

"Out of the buyout sleeve, we may look at primary buyout investments where a company is being acquired from another sponsor," Hwang explained. "It could be a carve-out, a take-private or an acquisition from an existing ownership group. It could be in the small, mid- or large parts of the market. More broadly, the buyout sleeve offers exposure to high-quality private equity sponsors across different segments of the market in a diversified manner."

Joel Hwang, HarbourVest Partners

"On the growth sleeve, I think those may fall into the camp of primary financings, direct secondary rounds or other transaction types that our investors will get access to," he added.

AI moment

"This is a really unique point in time for investors to access the growth markets, particularly given AI," Hwang told PE Hub. "We think AI within the realm of healthcare and other areas will transform existing industries, rewire old industries and really expand the surface area of new investments that we and other investors can make."

For AI, HarbourVest is exploring several trends, including workflow automation and agentic experiences. The firm made two recent growth equity deals from HCF VII. In June, HarbourVest, alongside General Catalyst, led a $225 million Series C round in Beacon, a holding company focused on leveraging AI to improve operations in businesses. Other investors were Lightspeed, Intrepid Growth Partners, Valiant Peregrine, BDT & MSD Partners, Journey LP and Sator Grove. And in May, HarbourVest participated in a $125 million Series B in Exaforce, a company focused on agentic security operations. Peak XV, Mayfield, Khosla Ventures and Seligman Ventures also invested in the company.

"We really spend a lot of time on ensuring that the companies we invest behind are AI-native or will definitively experience tailwinds from AI," said Hwang. By "AI-native," the firm means companies that have AI as their core foundation, rather than a secondary feature.

"Many times, it's not an obvious answer, and there's a lot of work that goes into forming a point of view," Hwang explained. "We conduct a lot of research and work around markets, products and competitive set. When we do invest in AI, we want to make sure that our portfolio companies and investments ultimately benefit from that trend."

Peradotto pointed out that high-growth

industries are continuously adopting cloud- and AI-native platforms to manage larger datasets and automate complex administrative and back office workflows. As a result, many of these platforms possess strong margins and sticky revenue streams that may position them for an eventual sale to a strategic and in some cases, an initial public offering.

She added that concerns about AI replacing software may also drive investments in sectors like healthcare. “PE firms that may have otherwise invested in more traditional technology businesses may shift some of their allocation into healthcare because of the resiliency within healthcare, where some of the services are not so easily replaced by agentic AI. As a result, some of the assets are trading for very premium multiples.”

Among clinical services, Peradotto said that those that are fragmented and have durable demographics and regulatory tailwinds show great potential for scale. “I think it’s in these platforms where M&A is part of the story of trying to understand: what are the entry multiples for the EBITDA we’re acquiring? How many opportunities are there in that M&A pipeline? What’s the platform valuation? Does that buy-and-build strategy still make sense?”

In healthcare, HarbourVest is exploring investments in technology, pharma services, home care, animal health and data platforms. It also is considering a few specialty clinical services including fertility and behavioral health. The firm has made several healthcare investments from the fund but has not announced them yet.

HCF VII launched in 2024, and its LPs include Ventura County Employees Retirement Association, Howard County Retirement Plan and San Antonio Fire and Police Pension Fund, according to PEI data. Fund VI, which closed in 2022, raised $4.2 billion against a $3.5 billion target, according to PEI.

The HCF program has generally

Jackie Peradotto, HarbourVest

invested in 50 to 70 companies per vintage. HarbourVest plans to make approximately 80 investments from HCF VII. Approximately 50 percent of HCF VII has been deployed. HarbourVest expects to deploy the rest by the end of 2027.