CAPITAL

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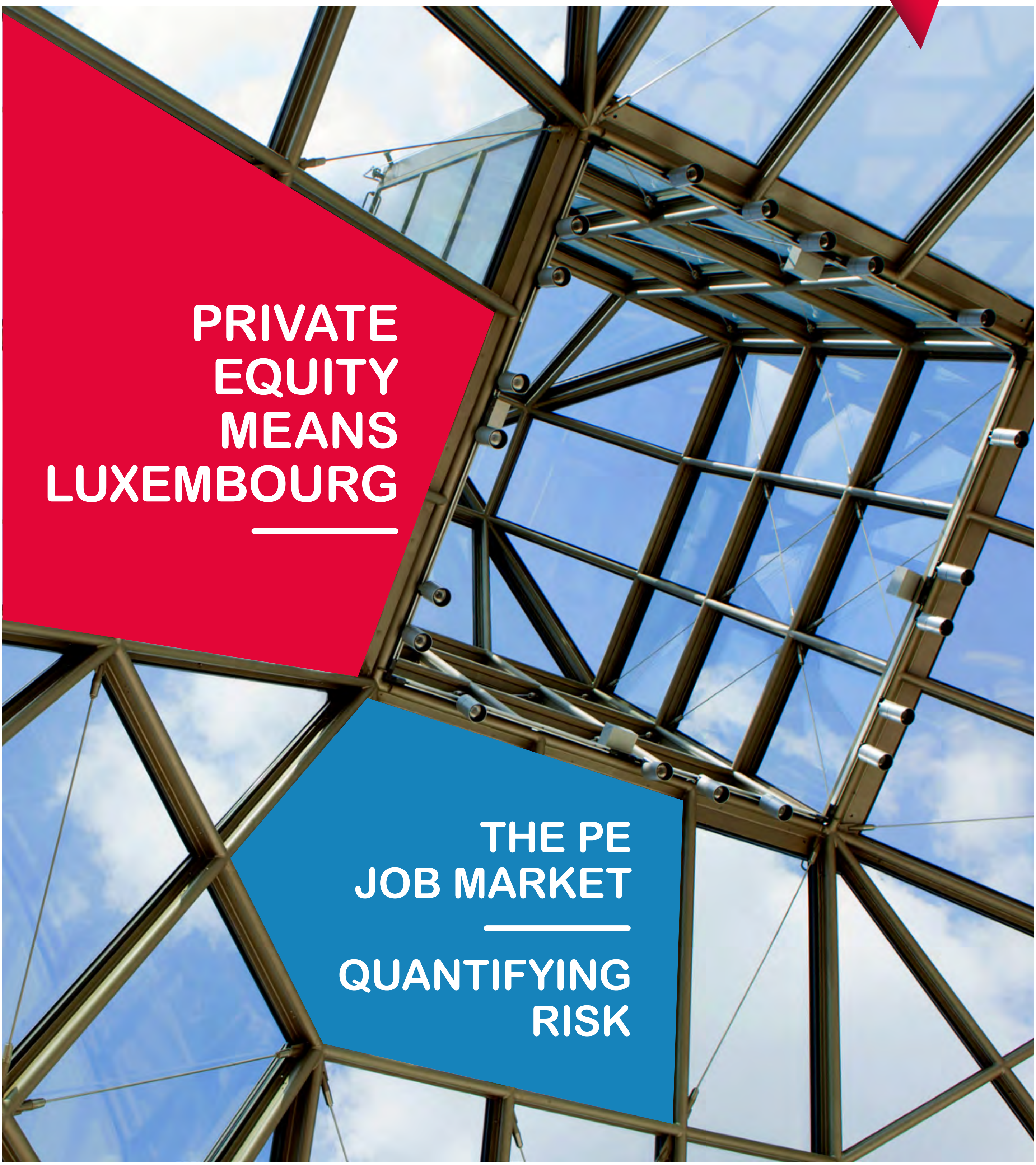
The magazine of the Luxembourg Private Equity & Venture Capital Association

LPEA



PRIVATE EQUITY MEANS LUXEMBOURG

THE PE JOB MARKET

QUANTIFYING RISK

CONTENT

LPEA

THE MAGAZINE OF THE LUXEMBOURG PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION

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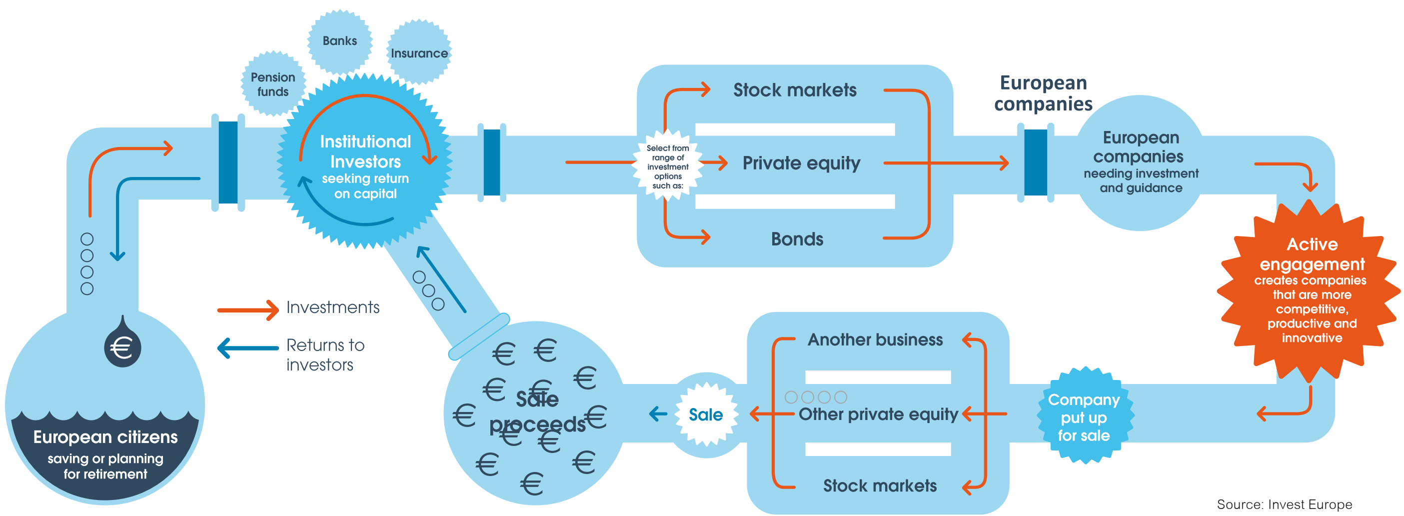
PRIVATE EQUITY AND YOU

NATIONAL PRIVATE EQUITY CAMPAIGN



Source: Invest Europe

Established in 2010 by 25 founding members, the LPEA has been a major player in the promotion of Luxembourg's private equity sector ever since. This effort has been more visible abroad, with regular roadshows in several cities in Europe and the U.S. In 2017 the association emphasised the promotion of the sector in Luxembourg by hosting the Insights conference in April, targeted at the wider financial centre community present in the country and not yet familiar with the asset class.
Now, the LPEA proposes to extend its role as an educator to a broader community of stakeholders: Luxembourg's citizens.
Despite a financial services industry employing 45.000 people in Luxembourg and representing the country's main economic driver, we know that ordinary citizens often fail to understand the importance of the financial sector and how it impacts their lives.
Conscious of private equity's privileged position in the real economy, the LPEA has decided to run a campaign with the objective of showcasing how the citizens of Luxembourg are exposed to the private equity sector in their everyday lives. On top of paying taxes and contributing to the country's public pension scheme, the private equity sector backs companies that sell food, travel bags and motorbikes; funds the development of new communication tools, industrial equipment and energy solutions; and plays a key role in the funding of innovative businesses commonly known as start-ups.
Moreover, such investments can be made anywhere in the world, although many apply directly to Luxembourg (or its greater region) and generate local jobs and economic growth.
With the support of the association's members, the LPEA will implement different initiatives in the last quarter of 2017. This will include reaching out to people in various forms and inviting them to explore how their lives have already been influenced by private equity. Through the media and by opening the doors of some of our most important players, we expect to be able to explain the basics of the trade, demonstrate how the industry adds value to the economy and feature the professionals that make our industry.

Stay tuned in to **www.lpea.lu** and tell your friends not to miss this opportunity!

DEAR PRIVATE EQUITY PROFESSIONALS,

Both in your private life and in your professional activities, a recommendation is often more valuable than any sort of advertising. In this edition, we have gathered testimonials from some of the private equity players present in Luxembourg to tell you first-hand why they have chosen Luxembourg. Who better to explain the advantages in operating from this country? As Luxembourg remains popular in the industry, it's important to understand which features stand out and which are currently being developed.

With the sector enjoying such local rapid-growth, LPEA started monitoring the evolution of the recruitment market in private equity related positions a year ago. We were expecting a dynamic market but did not anticipate reporting a 100% growth in open job positions within this period!

As private equity becomes a more prominent feature of Luxembourg's financial life, the time has come to better explain what we do. In April we started by presenting the asset class to other local professionals with "LPEA Insights". Now we are targeting a much broader community: Luxembourg citizens. Read about our education campaign on the previous page.

We would like to take this opportunity to thank all of our members who have contributed to this edition.

Enjoy your magazine!

Jérôme Wittamer, Chairman
Paul Junck, Managing Director

Luxembourg Private Equity
& Venture Capital Association

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EQT CREATES ONE FUND HUB IN LUXEMBOURG

In 2012, EQT decided to manage future funds onshore. Since then, eight funds have been successfully closed across General Partners in the UK, the Netherlands and Luxembourg. Now EQT is taking the next step in harmonizing and future-proofing its fund management with the decision to create one hub for future domiciliation of funds in Luxembourg.
The decision to concentrate EQT's fund management to Luxembourg is based on the predictability needed to ensure a top-quality product and service level. The consolidated hub for General Partners is managed under the EU directive for Alternative Investment Fund Managers (AIFMD) and is a transparent and long-term solution, beneficial for both investors and other stakeholders.

47%

Share of delegates polled at Invest Europe's CFO Forum in Berlin on May 30th who claimed their firm was considering domiciling its next fund in Luxembourg.

ALPHA PRIVATE EQUITY RAISES €903 MILLION FOR ITS LATEST LUXEMBOURG FUND

Alpha Private Equity ("Alpha") announced the final closing of its seventh mid-market pan-European private equity fund, Alpha Private Equity Fund 7 ("APEF 7"), with total commitments of €903 million, significantly surpassing the fund's target cover of €800 million. The fund is a SICAR managed by the group's Alpha Private Equity Funds Management Company (AIFM) in Luxembourg. Investors in the fund include a diverse group of pension funds, funds of funds, financial institutions, insurance companies, family offices, and government agencies in Europe, United States, and the Middle East.

Sébastien Wiander, Risk & Compliance Officer, shared with LPEA that "as a pan-European fund, APEF 7 will seek investment opportunities in Continental Europe, including Luxembourg. The choice of Luxembourg as a center of its operations, through the AIFM, has been supported by the presence of very qualified local professionals and by the favorable environment for private equity".

MANGROVE RAISES $170 MILLION TO FUND START-UPS IN EUROPE AND ISRAEL

Mangrove Capital Partners ("Mangrove"), the Luxembourg-based VC founded in 2000, announced the first close of its fifth fund at $170 million. With cumulated AuM of roughly $1 billion, the firm expects the fund to close at $225 million-$250 million during the fall.

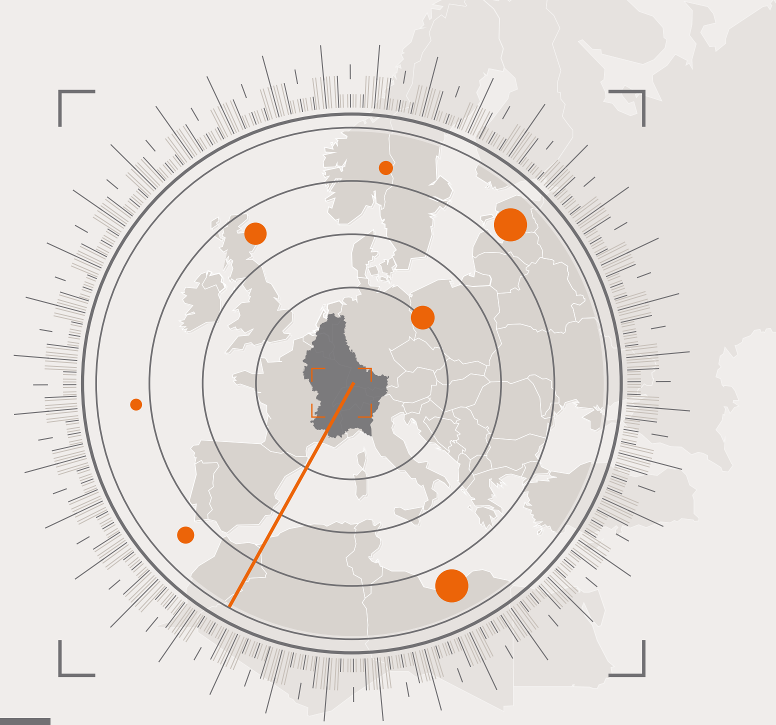
Mangrove's strategy will remain well focused on start-ups, investing small tickets in early stage businesses in Europe but also in Israel where the team scouted Wix back in 2008 and which is, to date, the firm's most profitable exit generating a $550 million value from an $8 million investment. Skype, exited to Ebay in 2005, was, nonetheless, the deal that placed Mangrove in the international charter of VC firms.

According to Hans Jürgen Schmitz, co-founder of Mangrove, "we will continue to invest as a generalist in transformational technologies targeting both end consumers and business customers. Next to this, we also identify specific focus areas which are currently digital health and cyber security".

The new fund is funded almost exclusively by returning investors, "a mix that comprises institutional investors (70%) and family offices (30%)" notes Schmitz. Mangrove is a patient VC encouraging its portfolio companies to strive for breakout success rather than quick turnaround. From the 30 active companies across their prior funds, they expect a few more of those successes materializing in the next couple of years.

Alternatives
Private Equity
Shaping
the Alternative
landscape

Luxembourg's fund structuring toolbox



You get it all in one place

Most of the major private equity fund managers have Luxembourg on their radar or in their fund setup. Why?

The country offers a unique and flexible fund structuring environment. There are so many options you can choose from and each of them has the potential to meet your existing and future needs.

We can help you get the one that suits you best and help you from the set-up and structuring phase, through investment, to the exit.

Our experts have worked on some of the largest funds'structuring in Luxembourg and they're ready to help you deal with your challenges.

Introduction to Luxembourg Alternative Investment Vehicles - Your guide to a simple and comprehensive overview of the available solutions for alternative investment funds.

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FIRST INVESTMENTS ANNOUNCED TO THE LUXEMBOURG DIGITAL TECH FUND

The Minister of the Economy Étienne Schneider, announced on July 10th 2017 the first two investments by the public-private Digital Tech Fund (DTF). The companies selected to each receive €500,000 are iTravel (Cologne, Germany) and Nektria (Barcelona, Spain). Both firms already have established entities in Luxembourg and will in the coming months increase their staff and operations in the country.
Expon Capital, the venture capital firm responsible for the management of the DTF fund, reports having received 2000 applications of which 200 were profiled. A heavy task which exceeded the managers' expectations but which now concludes with the first two investments. More investments are nevertheless expected from the €20 million fund bringing together commitments from the Ministry of the Economy, the SNCI, Post Capital, Proximus, Université du Luxembourg, Arendt & Medernach, BIL, Expon Capital, High Capital and SES.

"INSIGHTS" INTO LUXEMBOURG'S RAMPING ASSET CLASS

LPEA hosted its first "Insights" conference on the 26th of April in Luxembourg City. With many events already taking place on the topic of Private Equity in Luxembourg, it was the association's goal to focus on the testimonials of General Partners and Limited Partners operating in Luxembourg. While Luxembourg is fairly well-known for its back office and middle office operations, often linking the activity with the country's legal and tax framework, LPEA made a point to showcase the existing front office activity and the experts changing the face of the growing sector. The response couldn't have been better. The full room at the Philharmonie welcomed 330 participants, most of which were asset managers already dealing with or willing to expand their activities into the asset class.
Mark Florman, Chairman of LPEQ and keynote speaker of the conference, opened the floor with an innovative approach to private equity by introducing the Total Return Rate – a new approach to measure the sector's impact on society. A set of different panels followed covering different topics from venture capital to private debt, emerging markets to structuring and successful strategies. The conferenced closed with the untold story of Luxempart by its founder and CEO François Tesch.

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LAUNCH OF THE NEW LPEA YOUNG PE/VC LEADERS COMMITTEE

LPEA created a new group dedicated to the youngest Private Equity and Venture Capital talents in Luxembourg. The Young PE/VC Leaders aims at developing new initiatives in view of the challenges perceived by the younger generation of professionals (under 40). Seven sub-groups were created in the following areas: Innovation/ technology, Best practices, Tax, Legal, Promotion, International Relations and Venture Capital.


Can time to market be your competitive advantage?
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A HANDS-ON APPROACH TO LUXURY AND BOUTIQUE HOTELS

IN THIS INTERVIEW, JAUME TAPIES, FORMER CEO OF RELAIS & CHÂTEAUX, CO-FOUNDER OF AINA HOSPITALITY INVESTMENT FUND (A FUND THAT INVESTS IN THE LUXURY HOTEL SECTOR), IN PARTNERSHIP WITH THE EDMOND DE ROTHSCHILD GROUP, REVEALS THE KEY POINTS OF THE FUND'S BUSINESS MODEL AND THE REASONS FOR DECIDING TO BASE IT IN LUXEMBOURG.

What's the origin of the Aina Hospitality Investment Fund?

Aina originated in the Principality of Andorra, where I'm from. It's actually the name of a place where my children and the children of my business partner, Liza Masias, used to go to holiday camp. Liza and I worked together previously at Relais & Châteaux, where I was the international CEO until 2013. Liza's family owns

INTERVIEW

several establishments in Latin America. We identified an opportunity to develop this type of boutique hotel (small luxurious hotels with 40-100 rooms) in major European cities and capitals, whereas Relais & Châteaux are generally located outside urban areas.

How is the Edmond de Rothschild Group working with Aina?

Edmond de Rothschild is one of our founding shareholders. When I left my position as president of Relais & Châteaux to found Aina, we immediately held discussions with the Group, which we knew well as owners of the Domaine du Mont d'Arbois, a superb Relais & Châteaux in Megève. We shared many values, in particular the French art de vivre. To us, it seemed obvious that Edmond de Rothschild would be a sponsor of Aina from the outset of the project. We are also honoured to be part of the Edmond de Rothschild Private Equity platform, which is contributing its full investment fund expertise. Several of the Group's managers belong to our Board of Directors, providing us with their know-how.

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"Luxembourg has an outstanding reputation, in our investors' opinion, whether they are from the US, Asia or Europe. **It has become a global hub for domiciling companies.**"

Have you achieved the targets that you set?

The initial goal was to set up a fund with around EUR 70 million, and to invest in seven or eight hotels. However, our initial research led us to launch a larger fund with boutique hotels as well as larger 4-5 star hotels, provided that they represented great opportunities. The first fund, Aina Investment Fund – Hospitality Sub-fund, was therefore able to raise EUR 153 million (double what we originally envisaged), through private and institutional investors. This enabled us to build a diversified portfolio of hotels in several European cities: Vienna, Brussels, Berlin, Eindhoven, Madrid and, more recently, Paris.

What is your investment philosophy?

The fund is built on four main areas: the hotel sector, of course, but also real estate, corporate finance (i.e. the method used to structure the transactions) and sustainable development. These four areas can be found in each of our projects.

We are able to acquire a hotel, take shares in an establishment or even undertake a complete development. For instance, we've just acquired an office building in the up-and-coming Belleville district of Paris to turn it into a 119-room hotel. We are also able to make opportunistic investments in hotels in distress.

How do you identify opportunities?

Our Research team continuously analyses the market and has developed our own attractiveness index per city. We have identified a segment with approximately 66,000 hotels in Europe and our

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development team continuously analyses 2,000 of them.

How do you manage and monitor your establishments?

Each hotel has its own personality and its own management. So we choose the most suitable business model based on the location of the hotels that we find. Then, we select a brand with an appropriate distribution network for each situation and an operator to manage the hotel. As owners, we oversee all the tasks and operations and their implementation through this three-way relationship. This means using real-time hotel monitoring to manage the various hotel indicators such as occupation rates and average prices, as well as staff management and pricing, which fluctuate depending on supply and demand. Our hotels are monitored by several Aina teams: an operations team, a marketing team and a team of engineers.

What are the typical investors in your fund?

Only ten or so investment funds invest in the hotel industry, four in luxury hotels. Practically all of them target institutional investors. We are of course open to such investors but our investment strategy is better suited to private banking or family office clients seeking geographical diversification.

Have you identified enough target investments for the planned launch of your Aina Investment Fund II?

Absolutely. Our index accurately identifies potential targets on a real-time basis. Out of the ten most visited countries in the world, seven are in Europe. Furthermore, 70% of European hotels belong to independent proprietors, but hotel investments are highly capital-intensive. There are many opportunities in European hotels.

How long do you keep your hotels?

An average of five years. This is how long it takes to purchase, carry out works and have a track record of at least three years.

How do you go about reselling your hotels?

Once we have restructured them, the hotels can become highly attractive to institutional investors such as pension funds. These may be strategic or financial investors. We always pit potential buyers against one another.

Why did you choose a Luxembourg corporate structure, a Specialised Investment Fund (Fonds d'Investissement Spécialisé – FIS) for your fund?

"Luxembourg has an outstanding reputation, in our investors' opinion", whether they are from the US, Asia or Europe. It has become a global hub for domiciling companies. Luxembourg is close to all the countries in which we invest. The country offers an exceptionally high number of professionals in all areas of expertise. It can also offer a very high quality of service and highly competitive administrative efficiency.

How can Luxembourg further increase its attractiveness?

To increase its attractiveness, Luxembourg must continue to develop its transport network and international links. It should also adjust its company management costs, which are quite high.

Interview by Nicolas Raulot, Marketing & Communication of Edmond de Rothschild (Europe)

Read the full article on our website:
www.lpea.lu

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QUANTIFYING RISK FOR PRIVATE EQUITY – CHALLENGES AND APPROACHES

VALUE-AT-RISK (VAR) AS THE MOST IMPORTANT RISK INDICATOR IN THE WORLD OF LIQUID ASSETS IS WELL KNOWN AND GENERALLY ACCEPTED BUT STILL OFTEN CRITICALLY DISCUSSED.

The AIFMD requires the quantification of VaR for alternative (illiquid) assets as well, although there are no standard models available yet. Apart from formal requirements, it is fair to say that many experienced market participants in the “illiquid world” are not really convinced whether it makes sense at all to calculate VaR.

As investors are allocating a higher fraction of their portfolios to alternative assets, quantifying the risks related to these assets becomes more important. The objective of the VaR models for alternative assets should not only satisfy regulatory requirements but also provide added value to market participants. Accordingly, there is an increased interest from institutional investors for VaR indicators for a number of reasons. Firstly, investors are using risk measures for investment allocation purposes on an overall level. Secondly, they want to have a measure to quantify the risks of investing into private equity. Last but not least, investors want to get independent input for their own internal risk management systems.

Calculating VaR for private equity funds is difficult for several reasons. Firstly, market prices and hence data are rarely available and thus there are considerable limitations in using it for risk measurement purposes. Secondly, returns of illiquid assets are generally not normally distributed and therefore higher

moments of distribution functions have to be taken into account which leads to additional complexity. Thirdly, assets in private equity portfolios are often extremely heterogeneous and have to be analysed individually, which makes the exercise inefficient and expensive.

There are quite a few solutions offered in academic literature, but they only work with plain vanilla portfolio structures and are hard to standardize for the day-to-day business of an AIFM. Private equity managers on the other hand usually rely on well-known valuation models calculating simple scenario analyses in order to find out what happens to the portfolio company value if certain parameters change (e.g. the discount rate). However, in terms of risk assessment, we not only want to know what could happen but also the probability for it to happen.

In order to deal with the above-mentioned challenges, Luxembourg Investment Solutions has developed two principal models for calculating VaR for private equity investments. Considering the "look-through" principle, we have a "single asset model" which generally works for all kind of income producing assets even if there is no historical data available. The second approach is a "benchmark model" which comes into play in the case of fund-of-fund structures where it is extremely difficult or even impossible to analyse each single underlying asset.

The "single asset model" starts with a valuation provided by the asset manager/advisor or a third-party appraiser usually as a traditional DCF model (flow to equity or WACC). This valuation is not challenged by our models (although they can easily be used for plausibility checks) but rather replicated through a so-called "reverse valuation" procedure. In a second step, certain and uncertain parameters in the model are identified and the uncertain parameters are modelled with appropriate likelihood functions. The idea behind this is that the manager has the best knowledge of the asset value hence this value is expected to be the most likely outcome. However, because it is far from certain, we introduce probabilities into the valuation model which is the key difference between simple valuation scenarios and a true risk calculation. Finally, we generate a probability distribution of the asset value through Monte Carlo Simulations from which VaR figures can easily be derived. This is done for each single asset but also for the whole portfolio which allows us to quantify diversification effects as well.

"Despite conceptual challenges, the models for measuring the VaR for investments in private equity have been successfully implemented and are producing satisfactory results."

The "benchmark model" is used for fund-of-funds. Based on quarterly IRR's from a Thomson Reuters/Cambridge Associates database, and a so-called "asset allocation" from the manager with information about invested strategies, countries, regions, vintage years etc. we calculate a fund-specific benchmark. This benchmark needs to be econometrically adjusted in two steps. The first step is to rescale the quarterly IRR's of the benchmark to monthly returns, with a specific frequency conversion and a so-called unsmoothing methodology which takes the autocorrelation structure of the time series into account. The typical multi-lagged autocorrelation structure of the PE indices is mainly due to the inherent illiquidity, the smoothing effect stemming from quarterly appraisals as well as stale pricing, for instance due to at-cost valuations. This methodology produces a time series which is usually three to six months old due to the time it takes the target fund managers to compile the financial statements ("reporting gap"). Therefore, an additional step is necessary to bridge this reporting gap such that monthly data up to the current reporting date are available. This bridging problem is addressed by forecasting the volatility and VaR figures by applying a specific GARCH model. An appropriate model specification delivers a forecast model providing an up-to-date risk/return profile of a specific pre-determined Private Equity exposure. In a final step this tailor made PE benchmark will be used to forecast the current VaR.

Despite conceptual challenges, the models for measuring the VaR for investments in private equity have been successfully implemented and are producing satisfactory results. Most importantly, investors are keen to use the risk figures as proper risk measurement in private equity is increasing. Luxembourg has already developed its reputation when it comes to UCITS funds and the associated risk management of liquid portfolios. Promoting those risk models for alternative assets on an international scale would strengthen the reputation of Luxembourg as a leading center of competence in terms of risk management for alternative asset classes as well.


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Dr. Jörg Henzler, Professor of Economics and Financial Markets University of Applied Sciences Trier Member of the Board of Luxembourg Investment Solutions S.A.

ARE JOBS KEEPING UP WITH PRIVATE EQUITY'S GROWTH?

HOW IS LUXEMBOURG DEALING WITH THE SOARING RISE IN PRIVATE EQUITY JOBS?

Private Equity (PE) is in the business of growing firms' value in the market. However, what has been most remarkable these past years is the growth of the private equity market itself. The asset class is attracting more investors and therefore calling for more managers. According to Preqin[1], in the past 10 years, an average of 241 firms entered the private equity and venture capital market each year.

Luxembourg is no stranger to such growth, with more GPs and LPs continuing to set foot in the country. A surge in requests for experts in private equity is perceived in the recruitment market with some concerns on the availability of resources to fuel the sector's growth. Many of the requests come from the "PE departments of Luxembourg-based service providers such as corporate services, law firms and consultancy firms" notes Gabriela Nguyen-Groza, Executive Search Consultant. Julien Frighetto, Managing Consultant at Edouard Franklin focuses on the surge in requests coming from "central administration and fund services". Many requests are also coming from "oversight functions in accounting, legal risk and compliance" says Rana Hein-Hartmann, Director at Funds Partnership, "smaller and mid-sized PE companies started to set up asset management teams locally, although that is not yet the norm in Luxembourg".

"At the moment, front office candidates from the UK are applying to senior vacancies, but there is not the plethora of jobs available to them. In time, this will change."

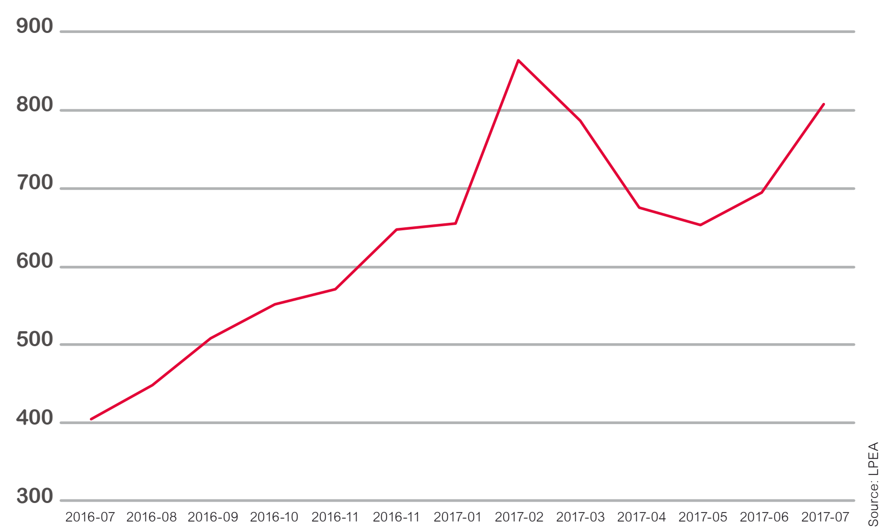
Rana Hein-Hartmann

TWICE THE OFFERS

LPEA has been monitoring the positions advertised in open job platforms[2] for the past year and has concluded that the keyword "private equity" has been gaining popularity. From 405 jobs posted related to "private equity" in July 2016, requests doubled to 805 in one year, an impressive increase which peaked at 864 in February 2017.

These figures should be taken as a reference and not as an absolute value given that several positions may be repeated in different platforms while others, notably C-level offers, may not be advertised at all. Nguyen-Groza details the typical set-up for a company settling its first office in Luxembourg: "we usually recruit the Head of Luxembourg (a highly-skilled Financial, Tax or Risk profile, very well-connected locally) who will put the basis of the activity here. This person works with service providers during the first months of the office and afterwards he or she will recruit several highly qualified executives to work within the entity in Luxembourg".

PRIVATE EQUITY JOB POSTS IN LUXEMBOURG DOUBLED WITHIN ONE YEAR



Regarding recruitments from Service Providers, the evolution to in-house executives is very smooth, as they have deep expertise and long experience of working with PE clients, provided that there is a "no-compete" clause conflict, as this clause is the norm in work contracts in Luxembourg. "People coming from service providers are generally very attracted to PE firms as they see the passage from a client-services firm to working within a PE house as a challenging and professionally rewarding step forward in their career. They are people with a very 'hands-on attitude', who are attracted to the 'inside' work of a PE house" concludes Nguyen-Groza.

EVOLVING TALENT POOL

Recently, at an LPEA presentation in London, Martin Eckel, Head of Legal at Oaktree Capital Management addressed the difficulties of finding and retaining local talent in Luxembourg. Such an obstacle is not actually new to Luxembourg. The banking and investment funds industries also faced the same comments years ago and today fuel a financial sector estimated at 45,000 employees.

Frighetto notes that "the PE sector's rapid growth has created a mismatch between work offer and work demand. Such shortage of profiles is making salaries (and therefore general costs) to rise". He adds that "Luxembourg has to develop its talent pool to 'normalize' the situation and to sustain the sector's growth on a long-term basis".

Nguyen-Groza notes that the rise in salaries "is recurrent in some lines of business, the latest being Compliance, for example, where compensation packages increased significantly comparing to a few years ago. The shortage in experienced PE profiles, as well as the arrival of a certain number of executives, will pull up the compensation level in Luxembourg". "The mid-level bracket of 60-85k wages is already 20% better than the average salaries for equivalent roles in London" points out Hein-Hartmann.

A solution to increase the talent pool is to recruit outside of Luxembourg, especially in positions less exposed to local specific knowledge. Outside Luxembourg is not so distant with the country's borders as far as 15 kilometres away from other financial neighbourhoods. The "Greater Region" surrounding Luxembourg has for long been a source of talent with a pool of 11 million inhabitants. But the sector may as well go further away. "We are already seeing a big shift of talent from the UK, Eastern Europe and Southern Europe. The Luxembourg Financial Centre needs to market themselves with high level graduates in finance from the top universities in Europe" notes Hein-Hartmann. To this recruiter, the challenge is not so large "the talent pool, because it is here, but the employment law which unfairly falls on the side of employees in most cases. More rights to companies to take action against poor performance and poor behaviour would drive positive performance and growth".

For Frighetto, talent is attracted with "competitive compensation packages but also with good work-life balance". While quality of life is difficult to estimate and compare, local authorities are making a lot of effort to create a welcoming environment for expatriates. Nguyen-Groza reminds that "Luxembourg's offer of internationally oriented schools has increased in the last few years. There is now even English or French sections in public schools for free. Plus there is the tremendous opportunity for children to easily become multilingual". An advantage that adds to the growing cultural scene is the easy access to other major cities such as Paris, Brussels or Frankfurt. Investments in infrastructure such as the tram line to open at the end of the year also makes it easier to live closer to the job than professionals living in busy London.

In summary, great candidates follow great jobs and Luxembourg is adapting to attract the very best talent.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"We have been very active in the recruitment of more operational PE professionals for bigger clients which have to face the increasing volume of work."

Julien Frighetto


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"Good professionals in Luxembourg are well respected, well paid and their companies are doing the best they can to keep them happy."

Gabriela Nguyen-Groza

1. 2017 Preqin Global Private Equity & Venture Capital Report
2. Platforms monitored: eFinancialCareers.lu, Jobs.lu, LinkedIn and Monster.lu.


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Luis Galveias, LPEA

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TALKWALKER TALKS THE TALK AND WALKS THE WALK

FROM TECHNOPORT INCUBATOR TO MONITORING 700 GLOBAL BRANDS, THE SUMMARY OF A LUXEMBOURG SUCCESS STORY.

Arriving in Luxembourg in 2009, very little was happening in the entrepreneurial start-up space and few could suspect that one of Luxembourg's success stories was about to emerge.

Talkwalker was founded back then by Thibaut Britz and Christophe Folschette, two young Luxembourgers disappointed with the perspective of "career jobs". Britz, by the age of 17, had already created "blue.lu", the first local full text search engine in Luxembourg. With an academic background in computer science it didn't take long for the two to develop a service to monitor brands' online presence. Today Talkwalker monitors social conversations and pictures from 150 million websites in 187 languages across the globe, providing its clients with automated reports on how consumers interact with their brands.

INTERNATIONAL FOOTPRINT

Starting at Technoport incubator in 2010, the company continued its growth moving later to the Lux Future Lab and more recently to a dedicated office in the city centre hosting most of its 150 staff. Three business development offices in New York (opened in 2015), San Francisco (opened in 2017) and Frankfurt (opened in 2017) complete the footprint.

Recruitment has not been a problem for the fast-growing firm. Although having a very international team, it employs a majority of Luxembourgers and finds in the greater region a valuable pool of resources. As we write, 23 positions are open mostly in IT, marketing and sales.

FINANCING

Despite the start-up status, money has not been a recurring issue. The two founding partners welcomed on-board Robert Glaesener who joined the firm in 2010 as an investor and CEO. Additional private funding of €3 million followed in 2013 from local individual investors but only in January 2017 did the firm reach out for further funding. Amsterdam-based Main Mezzanine Capital pooled a €5 million mezzanine loan from wealthy individuals, family offices and (former) entrepreneurs, an option mentioned by Britz to further finance expansion. With subscription plans starting at €500/ month, the company has been able to fund its growth with a consistent base of 700 clients. Nevertheless, Britz doesn't exclude the possibility of seeking out new investors in the future.

A CASE STUDY WITHIN LUXEMBOURG START-UPS

Although already a "case study" in the Luxembourg entrepreneurial landscape, the team tries to ignore that local status to continue focusing on international development. Anyway, there are no major remarks about the local resources available for start-ups according to Britz: "we benefited greatly from the Luxembourgish government help, especially from the Jeune Entreprise Innovante programme and subsidies to participate in business fairs abroad. If something could change, it would be to be awarded a subsidy in the very first two years of activity for which we did not receive any salary, in order to allow everyone committed to start a business."[1]

Thibaut Britz, co-Founder, Talkwalker

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As for the future, "the market is very competitive and requires companies to innovate and be big to succeed" says Britz. After developing artificial intelligence to perform image recognition, Talkwalker will continue investing in keeping up its innovative lead. Eventually it will finally get its first client from Luxembourg!

1. A €50.000 grant is now available in the context of the Fit4Start programme for the first 4 months of activity.

COVER STORY

PRIVATE EQUITY MEANS LUXEMBOURG

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JEAN-YVES HÉMERY, INTERNATIONAL DELEGATE OF ORANJE-NASSAU, WENDEL

Having been present in Luxembourg since 1930, the Wendel Group has chosen to develop its private equity business here owing to the country's very high level of stability and the safety of its legal and tax systems and the favourable environment in terms of the competence of the various players (supervisors, bankers, lawyers, auditors), all key components in having a long-term vision, which is a pillar of the Group's strategy.

For the last few decades a majority of Private Equity ("PE") houses have set up back-office structures in Luxembourg and started to use Luxembourg as a hub for their European operations. Over the last five years, with the introduction of the AIFM Directive as well as the increasing pressure from the OECD BEPS project ("Base Erosion & Profit Shifting"), the substance of these PE houses has been constantly reinforced and the operating model significantly upgraded, moving from passive back-office structures to very active European Hub structures frequently headed by Luxembourg-based Alternative Fund Managers ("AIFMs"). PE businesses started effectively with various portfolio companies offered by Luxembourg but are now very often packaged together with AIFMs and different funds that together provide a real logistical advantage which goes beyond the substance of the initial objective. With more than 6,000 PE professionals, Luxembourg is now home to the top 13 PE players worldwide. The changes which are happening now are not only the result of significant changes in the international political and tax environment but are also a combination of locally driven initiatives and innovations, long-term political and economic strategies, and the collective efforts of all the market players towards a single goal: Let's make Luxembourg THE prime location for PE in Europe. Although there is still a long way to go to achieve the principal objective, which is to onshore to Luxembourg the offshore PE funds, Luxembourg should not be shy of saying that it has achieved a great deal so far and is probably in the best position to offer PE houses all they need in the current environment.

"We like the region's macro-environment."

Let's take a few concrete examples and look at the main reasons for this success, which has certainly not come about by chance!


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PETER VELDMAN, MANAGING DIRECTOR, HEAD OF FUND MANAGEMENT, EQT

The decision to create a hub for future EQT funds in Luxembourg formed a natural part of EQT's growth strategy. We are looking at ways of future-proofing every single part of EQT, and consolidating the GP presence is one way of doing this. With Luxembourg, we can be sure that future funds are managed under the AIFM Directive within the EU, which is an important consideration for us. We also like the region's macro-environment and its ability to offer one-stop solutions for deal structures. On balance, Luxembourg is the best long-term solution for EQT.

1 A COMMUNITY OF EXPERTS AND TALENTS WHO HAVE SHARED THEIR PASSION FOR PE FOR MORE THAN 25 YEARS

When Luxembourg started to look at PE as a real and different strategic opportunity, it mainly focused on the banking sector, but at the same time it led the Asset Management industry, along with the U.S. The expertise and reputation of Luxembourg built on the Asset Management industry was therefore probably one of the main cornerstones of the foundation of the PE community which serves PE businesses today. According to the World Economic Forum's 2015 Human Capital report, Luxembourg contains the highest proportion of the world's most highly qualified people. In other words, the study ranked Luxembourg "First", ahead of Singapore, for the level of skills, development and qualifications of its employees. It can be in no doubt that the skills of people who specialise in PE contribute strongly to the attractiveness of the country. Beyond the technical skills that all the professionals in this industry have developed, genuine expertise has also been gained over the years in the PE business model. Far from the old model of passive LBO ("Leveraged Buy Out"), the PE business model has played a much more active role in developing targets and assisting the potential for growth, both locally and internationally. This change has helped to reinforce the attractiveness of PE to Luxembourg's employees while the country's strong multicultural bias has enabled it to attract levels of interest in PE which are unavailable to almost all other EU countries without such a lack of cultural or language barriers.

"Private Equity is and will continue to be the rising star of the Luxembourg economy."

2 AN ATTRACTIVE AND SUSTAINABLE GATEWAY FOR PE INVESTMENT AND CAPITAL-RAISING IN EUROPE

What Brexit revealed more than a year ago is that an attractive tax and regulatory framework without political stability is not sustainable in the long term. This is also a reason why Luxembourg is today the prime location for PE as it has always demonstrated a form of continuity and political stability which is second to none. Although Brexit plays an effective role in accelerating the re-allocation of key functions to Luxembourg (such as risk management and oversight), the Luxembourg authorities have always actively pursued the development of this market by setting up a "PE proof" regulatory and tax framework. Since 2004, when the SICAR law was enacted, there have been many initiatives to come up with new laws or to develop specific vehicles dedicated to the PE industry.

Since 1798 in Finance.
Since 1973 in Luxembourg.
Since 1998 in Private Equity.

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www.mmwarburg.lu

The Luxembourg special limited partnership ("SCSp") and the Reserved Alternative Investment Fund ("RAIF") are now completing a toolbox which is able to compete with those in any other jurisdiction but which, above all, offers to PE managers a comprehensive list of attractive, flexible and very competitive solutions from a "time to market" standpoint. This Luxembourg toolbox, which includes AIFMD-compliant vehicles, is "tried and tested" and therefore probably one of the best ways to gain access to EU Investors.

3 PROACTIVE, REACTIVE AND BUSINESS-ORIENTED ENVIRONMENT

At the current time no amount of confident economic predictions or indicators can tell us how an economy will perform in the future or what changes will be needed to keep up with developing economic circumstances in five, ten or 20 years' time. What matters more, now that a number of significant changes have been made, such as the BEPS project, is the response of countries and the ability of their business communities to adapt to changes and to incorporate these changes into local law when required. On 7 June 2017, Luxembourg signed the Multilateral Convention at the OECD in Paris, underlining once again its commitment to transparency in tax but also its rapid implementation of the BEPS measures agreed by the G20 and the OECD. The Luxembourg government has consistently pursued proactive economic development policies, while easy access to senior civil servants has always been a key pillar of growth in the Luxembourg economy. PE is and will continue to be the rising star of the Luxembourg economy and it is no coincidence that Luxembourg, with its business-oriented mindset, is now a perfect match for the PE community.

> **"The Luxembourg authorities have always actively pursued the development of this market by setting up a "PE proof" regulatory and tax framework."**

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SEBASTIEN PAULY, HEAD OF FINANCE LUXEMBOURG, OAKTREE CAPITAL MANAGEMENT

For PE/RE/DD houses of any type and size, the main drivers in using Luxembourg as an investment hub are the flexibility of the marketplace, its smooth and quick adoption of EU/OECD regulations, and the wide variety and availability of experts who are able to advise efficiently throughout the entire lifecycle of an investment. Luxembourg is also well known for its stability, which is one of the reasons why Oaktree decided to list funds out of Luxembourg before Brexit took place.

4 A PRIME LOCATION FOR LISTING

Did you know that Luxembourg is the number one market in terms of listed international bonds in Europe and the world's number one exchange for international securities listings? Issuers can list in Luxembourg in as little as 24 hours and have a choice of two markets, amongst which is the so-called Euro-MTF market for which the PE Industry has always had a strong appetite. This market is generally seen as more flexible and is often selected by PE houses to list bonds aimed at financing the growth of their portfolio companies (add-ons) or at refinancing their pre-acquisition external debt. Relying on its vast 80-year experience, the Luxembourg Stock Exchange keeps on diversifying to new markets such as those for CoCo Bonds (Contingent Convertible Bonds), Dim Sum Bonds (Renminbi), Islamic Bonds (Sukuk) and, more recently, Green Bonds, so as to better adapt to the new expectations of their customers, including Chinese, Islamic as well as Green Private Equity players.

5 LAST BUT NOT LEAST – AN OUTSTANDING AND UNDISPUTED QUALITY OF LIFE

All of us have heard someone dispute the potential attraction of Luxembourg, a tiny country without mountains or sea borders at least once. Although we should admit that, on the face of it, this statement is true, those who express such a view should probably just look at the facts and figures produced by our leading financial commentators which indicate no compromise on the quality of life. The Independent and Business Insider UK, in a survey carried out by InterNations and published in 2017, ranked Luxembourg as the safest country in the world for expats and as having the best healthcare system in the world. The FT also recently commented on Mercer's Quality of Living Survey, where Luxembourg was ranked 20th and London 40th, globally. With the second highest Gross Domestic Product per capita ("GDP") in the world (Qatar is first) and a growth projection for national GDP of 4.7% for 2017, Luxembourg is more than equipped to continue to invest in its hard and soft infrastructure and to strive for excellence and the highest quality of life as well as offer the best environment for international businesses, skilled professionals and their families.

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Alban Aubrée, EY Luxembourg Private Equity

UNLOCKING THE VALUE OF DISTRIBUTED LEDGER TECHNOLOGY (BLOCKCHAIN) IN PRIVATE EQUITY

Not long ago, distributed ledger technology (DLT) was dismissible sci-fi hype, a faraway idea interesting but not yet relevant. However, times have rapidly changed: DLT, commonly called blockchain, is revolutionising the traditional and alternative asset management sectors while producing real use cases in banking, real estate, hedge funds, and private equity (PE). Prominent examples in PE include Northern Trust Corp's use of blockchain for record-keeping, or Citi-Nasdaq's partnership enabling payment services.
PE players face many challenges remediable, perhaps, by DLT.

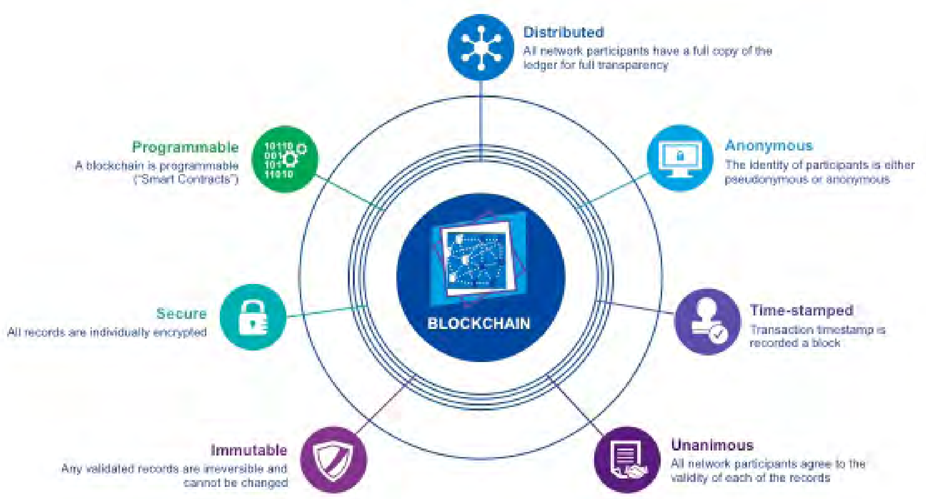
CHALLENGES IN PE:

Intense competition, tight profit margins, and investors' cost sensitivity have created rising cost pressures and necessitated new standards of efficiency and scalability. Simultaneously, the increasing volume of investment strategies, regulatory hurdles, and reporting requirements bring additional complication.
In operational terms, PE is ripe for evolution. Standardisation has not yet taken place, data is managed across disconnected platforms, and technological solutions seem to be lacking compared to other financial sectors.
Now would be the time for PE firms to invest in better technology. Both decision-makers and administrators stand to gain from DLT.

BENEFITS OF DLT:

- real-time transaction settlement and automation: smart contracts can automate the validation of, for example, transactions or automatic payments;
- transparency and disintermediation of distributed data: this results in there being one single source of truth, significantly decreasing the amount of reconciliation work; and
- notary function: blockchain can guarantee the authentication of documents and the traceability of records.

PROPERTIES OF DIGITAL LEDGER TECHNOLOGY (DLT)



POTENTIAL USES:

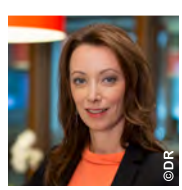
- investment analysis, sourcing, and decision-making;
- administration of investments; and
- ash-flow management.

For example, creating digital identifiers for portfolio companies would enable them to gather and share information, which would streamline investment analysis, decision-making, and due diligence processes.
Administrative processes like transactions, capital calls, distributions, charges, and financing could also happen via DLT. Cash-flows and contracts could additionally be done using smart contracts, as could the handling of investor rights, shares, and units, meaning transparency and real-time information accessibility and reconciliation.
Industry players must be on the lookout for new tools and start thinking about how DLT technologies may create value within their value chains. One future offering is FundsDLT, a DLT-powered platform for asset managers currently in the testing phase. Under development in Luxembourg by KPMG, InTech and Fundsquare, FundsDLT will interlink fund distribution supply chain players, from custodians to transfer agents to asset service providers, harmonising a currently fragmented ecosystem. As an auditor who often leads operational discussions with clients, I am looking forward to revolutionary tools like this one.

"DISTRIBUTED LEDGERS" are ledgers that are shared, replicated, synchronised, and spread across multiple locations. DLT allows parties in a value chain or ecosystem to share data securely in near real-time, thereby opening up new opportunities for peer-to-peer collaboration and transactions.

"BLOCKCHAIN" is a type of DLT. It shot to fame because it powers the bitcoin cryptocurrency and is now commonly used as a synonym for DLT.

"SMART CONTRACTS" are self-executing contracts programmable on a distributed ledger. Standardised, fully-automated, and autonomous, they can ensure that agreements are fulfilled by all parties, automatically and nearly in real-time.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Valeria Merkel, Associate Partner, Audit at KPMG Luxembourg

BRINGING FUND FINANCING FACILITIES **TO THE TABLE**

Fund financing facilities, subscription lines, equity bridge financing – whatever the name used – are loans provided by a bank, usually for less than 364 days, and secured on the limited partners' uncalled capital commitments. These loans have been a hot topic in the fund industry over the past few years but are by no means a new feature, especially in the U.S., where such facilities have existed on a huge scale for almost 20 years. Despite the established nature of financing facilities, some limited partners may be reluctant to use them owing to complexity, transparency and risk concerns. Let's examine whether such concerns are justified.

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Financing facilities are used to finance projects or to make cost payments, and provide a high level of flexibility to fund managers, enabling them to use the capital within two to three days. Managers with no such facility in place will often have to wait 10 to 15 days (the time needed to call in investor capital) before they have the necessary funds in place. This, together with a decrease in the administrative burden of making capital calls from tens or hundreds of Limited Partners ("LP"), permits the execution and deal-winning process to be shortened, which is key in today's fiercely competitive fund management environment.

Fund financing facilities are not always standard cash drawdowns, and can offer flexibility to suit the requirements of an investment manager's strategy. For example, greenfield infrastructure funds commonly use letters of credit (LoC) as a guarantee for third-party developers, without needing to make a cash disbursement. The terms of these LoCs are defined when drawing up the facility agreement and may then be easily implemented at the closing of the investment, whatever the currency needed.

Another benefit for the LP is in the context of private equity funds of funds. Managing capital calls from the various underlying funds may result in an administrative nightmare owing to unaligned capital calls from underlying invested funds. A financing facility makes future capital calls predictable for limited partners by netting the yearly investments for underlying invested funds into one capital call.

Nevertheless, many limited partners have reservations about these facilities as fund managers are incentivised on an Internal Rate of Return (IRR) basis and these facilities can lead to inflated IRRs. Delaying capital calls from limited partners does improve the IRR at exit as the cost of the facility is cheaper than the rate expected by LPs. In other words, without financing facilities, an investment over five years with a multiple of 1.5 will have its IRR calculated over a five-year period, while with a such a facility in place during the first year, the IRR will be calculated on a four-year basis, thereby increasing the IRR as a result and with limited partners' cash at work only over a four-year period.

In conclusion, while fund managers demonstrate full transparency around financing facilities that are only used to levels agreed in a fund's constitutive documents, the industry needs to find a way to communicate more clearly how, when and why they are used.

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Nicolas Palate,
Head of PERES,
CACEIS Bank,
Luxembourg Branch

AIFM AND THE DEPOSITARY: DOUBLE OVERSIGHT? OPPORTUNITY FOR STANDARDISATION?

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One of the main objectives of the Alternative Investment Fund Managers Directive (AIFMD), adopted by the European Parliament and the Council in 2011, was investor protection. The Directive includes several specific tasks and oversight functions that have interdependencies between the different parties involved in an AIF structure.

The Depositary is well known as a party to fulfil an oversight function towards an AIFM and its AIF. Besides the safekeeping function, the Depositary must fulfil certain oversight tasks on operational functions and cash flows of the AIF.

The operational functions of the AIFM overseen by the Depositary comprise mainly of the valuation of the Fund, the compliance with legal, regulatory and contractual requirements (e.g. investment restrictions), investors' activities and distributions as well as the cash flow movements of the Fund.

The AIFM performs at least one of the two core investment management functions of the AIFs (portfolio management and risk management) as well as additional management functions such as administration (NAV calculation, Registration and Transfer Agency), marketing and activities related to the assets of the AIFs. Any delegation of functions to third parties is subject to specific conditions including the obligation to perform initial and ongoing due diligence. As the Depositary is appointed by the AIFM or its AIF, the AIFM also needs to oversee the work of the Depositary.

Delegation of the Central Administration, Registration or Transfer Agency services will therefore result in service providers being subjected to due diligence by both the AIFM and the Depositary. A third and similar request could come from external auditors.

In the case where an AIFM acting as a Third Party Manco has to appoint separate depositaries for the different AIFs managed by them, the number of requesting parties increases accordingly. The same applies for depositaries and administrators cooperating with multiple counterparties.

Is there a way to simplify the process and avoid double work? The key question is how far the different parties would be in a position to rely on the work of other service providers. For the moment, there are no clear guidelines or regulations that would allow the use of a third party confirmation to rely on and reduce their own due diligence requirements for the AIFM or the Depositary.

Even though the administrative burden will be reduced by engaging a one-stop shop service provider who is able to provide the different services within its network, in the case there are multiple depositaries involved, that would not avoid similar requests for the same purposes.

It is not foreseeable that specific regulations will be implemented that would simplify this process, therefore the Luxembourgish fund industry is asked to develop commonly accepted industry guidelines and standards.

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Harald Thul,
Director Alternative Investment Services
Intertrust Luxembourg

BUILDING UP A REPUTATION IN SOUTH KOREA

Incheon, South Korea's first free economic zone.

©Hon Kim on Unsplash

South Korea is not strikingly rich in natural resources but today it has one of the highest rates of GDP per capita in the world. At the end of the Korean war, Korea was initially among the poorest countries in the world but achieved rapid growth in the 1960s with policies that included rapid industrialisation through family-owned conglomerates known as the chaebols. These chaebols were instrumental in pulling Korea out of its poverty stricken state.

THE FINANCIAL CRISIS

Advantageous treatment was granted to the chaebols and by the end of the 1980s they became financially independent, thereby eliminating the need for further assistance from the government. In the early 1990s, Korea became one of the largest newly industrialised countries with comparable standards of living.

The financial crisis, which was mainly caused by a decline in the value of the Korean Won following attacks by currency speculators coupled with the declining economies of its Asian neighbours, led to the decline of the chaebols and to the collapse of the economy. As a result, the Government of Korea requested assistance from the International Monetary Fund (IMF).

THE EMERGENCE OF PRIVATE EQUITY AND ALTERNATIVE INVESTMENTS

The financial crisis meant that the chaebols were swamped with bad debts and were looking to sell off their assets. The attractiveness of these assets led the big players in the Private Equity world to swoop into the market and take advantage of this opportunity. Foreign funds, led by TPG Capital, Lone Star, Carlyle and New Bridge Capital, were the initial dominant players following the financial crisis. These players were strongly resented by a nation struggling with its economy and with massive unemployment.

Korea is known to be a difficult environment for foreign Private Equity firms, which have faced complex investment regulations and, more significantly, public hostility to the capital gains they have made from asset disposals, which are tax-exempt. Lone Star's struggle to exit its investment in the Korea Exchange Bank is a prime example of this problem.

To promote the industry, in 2004 the government permitted the establishment of local Private Equity Funds through the Indirect Investment Asset Management Business Act, which was later incorporated into the Financial Investment Services and Capital Markets Act 2009.

During the early years of the Funds' existence most Limited Partnerhips (LPs) were pension funds and financial institutions and their investments were concentrated in local corporations, but this trend has now changed, with commitments from the LPs being made to local corporations investing in foreign businesses.

The industry recorded the highest levels of growth in 2012 and 2013, when KRW 9.7 trillion and KRW 7.4 trillion were added to total capital commitments. Currently, local fund managers, such as MBK Partners, Korea Development Bank, Hahn & Company, IMM PE, STIC Investments, Mirae Asset PE and EQ Partners, are the leading players in the industry.

Korea has one of the largest pools of institutional investors in the world. At the end of 2015, it was estimated that the total value of pension funds was approximately USD 640 billion and they were growing at between 10% and 15% annually. Traditionally, these investors had invested in asset management and fixed income securities but with the low interest environment and shrinking domestic market owing to fierce competition for quality assets, they have been pushed to seek alternative investments for better returns.

In August 2016, the Korean Ministry of Strategy and Finance amended the legislation to allow pension funds to significantly increase their exposure to alternative and offshore investments. As a result it is reported that most pension funds are beefing up their exposure to alternative investments, aiming to reach at least 20% by 2020.

CONCLUSION

Private Equity and Alternative Investments are a relatively young industry in Korea. With an ageing population, a guaranteed steady flow of funds, a shrinking domestic market and government effort to promote this industry, the future looks promising, with more chapters to add to this unfolding story.

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Private Equity
PwC Luxembourg

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Kenneth Kai Siong Iek,
Audit Partner
PwC Luxembourg

GP-FOR-HIRE

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GP-FOR-HIRE, A NEW BREED OF GP SERVICES FOR FAMILY OFFICES AND HNWI LOOKING TO MAKE DIRECT PRIVATE EQUITY INVESTMENTS WHILE BENEFITING FROM SENIOR PE EXPERTISE

Private equity ("PE"), as an asset class, has long been popular with public and private sector pension funds, foundations and insurance companies, all of which tend to favour return over liquidity. According to Preqin, an intelligence agency which tracks PE activity, smaller investors such as Family Offices and HNWIs ("High Net Worth Individuals") are now substantially increasing their private equity allocation. However, investment in PE funds, as this new breed of investors is finding out, is often laced with issues and not necessarily answering their needs. Investing in a fund means being locked in for five years or more and the lack of transparency and fees are seen as major issues.

NEW APPROACH TO PE INVESTING

Family offices and HNWIs are therefore opting more and more for building a portfolio of direct investments together with the hired help of PE experts, without having to hire the expertise in house. This has created a new breed of PE industry professionals and/or spin-offs of existing GPs who, contrary to the traditional GP-LP model, have started offering their services on an "as needed" basis (they are also known as "GPs-for-hire"). These GPs-for-hire will typically create an individual investment vehicle for their clients, with whom they will make investments in selected target companies. This new trend, which started in the US in around 2013/14, is now quickly emerging across Europe and is also providing cost transparency while ensuring senior expertise and access to good investments. To sum it up, GPs-for-hire allow small Family Offices, HNWIs and even small corporates to make direct PE investment without having to hire and bear the cost of a necessary full time staff of PE professionals. That is because they are achieving access to a full team of professionals on a part-time or shared basis in exactly the same way that one can gain access to the services of a full-staffed law firm or big 4 consultancy firm.

PERFECT EXAMPLES OF SITUATIONS WHERE GP-FOR-HIRE TYPE OF SERVICES ARE NEEDED ARE:

- Entrepreneurs who have sold their companies and now have a lot of cash to invest and are looking for an important private equity allocation. They feel comfortable in evaluating the merits of a particular PE opportunity but want to be accompanied in the investment process. A GP-for-hire can be there to analyse for them the intricacies of the business being evaluated, perform financial, management and legal due diligences, negotiate market terms with the target company and secure the closing of the investment. More importantly, the GP-for-hire will typically monitor the investment post-closing on behalf of the retired entrepreneur (which may or may not include sitting on the board).
- Small Family Offices that want to have access to good deals but also want to keep control of the type, size and pace of their PE investments. GPs-for-hire will typically offer "club deals" as the GP-for-hire will become the GP of a specific investment vehicle that will have been set up just for that club deal.
- Small corporates want to consider starting their own corporate investment fund.

GPs-for-hire have popped up all over the US and Europe. Some recognisable names are Grove Street, Campton, RueOne, Portfolio Advisors, Magnet Investment Advisors, Private Advisors. In Luxembourg, New Angle Capital is a GP-for-hire and has invested so far in 38 companies on behalf of its clients.

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Alexandre Rhea, Managing Partner, New Angle Capital

Read the full article on our website:
www.lpea.lu

MARKET FIGURES

LUXEMBOURG RANKS...

1st Open market in Europe and 3rd worldwide (after Singapore and Hong Kong)

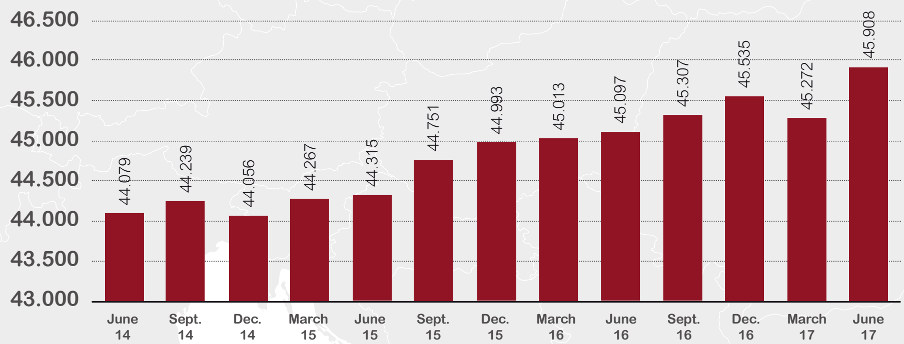
Open Markets Index 2017 (OMI), International Chamber of Commerce (ICC)

Global Resilience Index

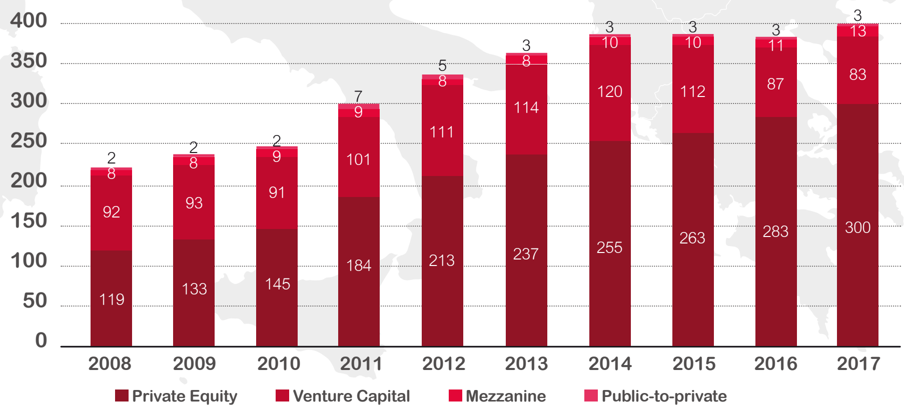
1. Switzerland
2. **Luxembourg**
3. Sweden
4. Austria
5. Germany
6. Norway
7. Denmark
8. Finland
9. The United States 3 (Central US)
10. The United States 1 (East US)

FM Global

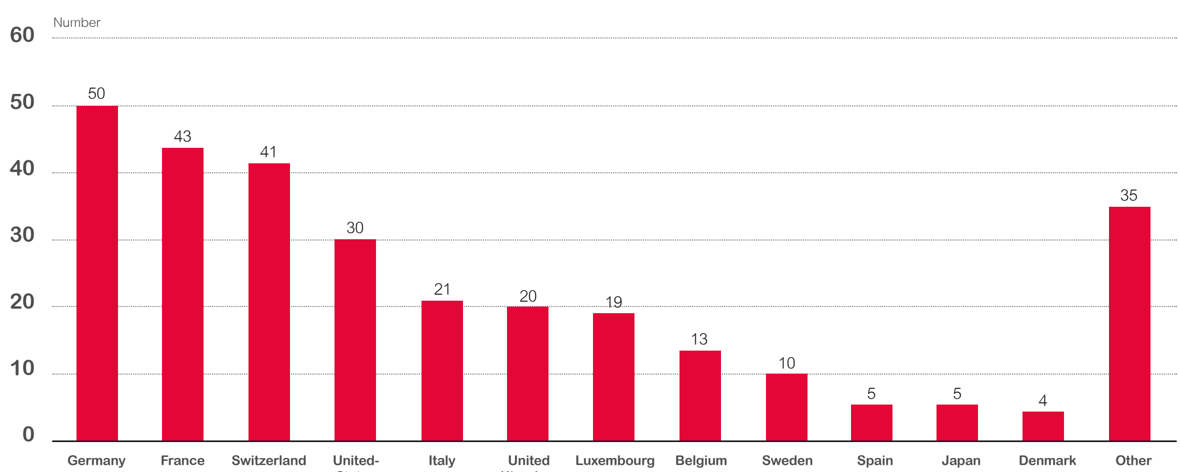
EVOLUTION OF JOBS IN THE LUXEMBOURG FINANCIAL CENTRE (BANKS, FINANCIAL SECTOR PROFESSIONALS AND MANAGEMENT COMPANIES) (JUNE 2014 – JUNE 2017)



SICAR – RISK CAPITAL INVESTMENT COMPANY (SOCIÉTÉ D'INVESTISSEMENT EN CAPITAL À RISQUE) (2008-2017*)



COUNTRY OF ORIGIN OF INVESTMENT FUND MANAGERS OPERATING IN LUXEMBOURG



Source: CSSF

PHOTO GALLERY LPEA

More photos of LPEA events are available on www.lpea.lu

LPEA at SuperReturn International 2017 in Berlin

LPEA Private Equity workshop in London (23 May 2017)

Luxembourg - a European gateway for China: update on Private Equity and M&A (14 March 2017)

LPEA Annual General Meeting (8 May 2017)

GP Club Workshop on Data Protection (31 May 2017)

GP Club Meeting of 11 July 2017

LPEA Breakfast in New York (8 June 2017)

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SHOW TIME!

Blues 'n' Jazz Rallye in Luxemburg (29 July 2017)

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WHAT TO DO IN LUXEMBOURG? LPEA PRESENTS YOU WITH EACH CAPITAL V THINGS TO DO IN LUXEMBOURG AFTER THE BUSY OFFICE HOURS OF PRIVATE EQUITY. IN THIS ISSUE THE FOCUS IS ON THE LUXEMBOURG SCENE OF LIVE PERFORMANCES: MUSIC, THEATRE AND DANCE.

Luxembourg's famous concert hall, the Rockhal in Esch-sur-Alzette, boasts international stars. It welcomes world-renowned artists as well as nationally or regionally known comedians and musicians. Luxembourgers are envied for having the chance to attend these concerts while residents of big cities such as London or Paris often go empty-handed when their favourite artist visits town as most tickets are sold out too soon. Much like Luxembourg as a country, Rockhal remains an insider tip – once you get wind of it, you start being surprised by what it has to offer.

This year alone artists such as Nick Cave and the Bad Seeds, London Grammar, Gorillaz, John Legend, Milky Chance, Shakira and Tokio Hotel, to mention only some of the better known ones, will be making a stop in Luxembourg. Other concert halls are Den Atelier and Rotondes with live acts by artists such as The Kooks, Apocalyptica or Emir Kusturica.

If you are not into pop music, but prefer classical music, you should take a look at the line up at Luxembourg's philharmonic orchestra housed in Philharmonie in Kirchberg. Its programme attracts visitors from the entire Greater Region with chamber music, jazz and world music acts.
Across the bridge from Philharmonie one can find the Grand Theatre of Luxembourg with operas, dance performances and theatre plays by equally renowned artists. In June this year the great Jude Law performed in a theatre play right there…it goes without saying that tickets were sold out rather quickly. A great mix of operas and plays in different languages are on the programme of all the theatres in Luxembourg. One can find performances in English, French, German and Luxembourgish. And if it is not in these languages, it will certainly be sub- or surtitled in one of them.

If you are into stand-up comedy, you will not be disappointed either. At least twice a month, you can have a drink and a good laugh at one of the local comedy nights. Luxembourg City offers many open air events during the summer, called "summer in the city". You can find music bands performing in the streets all over the country during the "Fête de la Musique" as well as open air concerts.

Last but not least, it is worthwhile taking a look at what the Kulturfabrik in Esch-sur-Alzette has to offer. From art exhibitions, theatre workshops, music and conferences, one is sure to find something to one's liking.

LPEA IN BRIEF

ABOUT LPEA

The Luxembourg Private Equity and Venture Capital Association (LPEA) is the representative body of private equity and venture capital professionals in Luxembourg.
With over 140 members, LPEA plays a leading role in the discussion and development of the investment framework and actively promotes the industry beyond the country's borders.
Luxembourg disposes of a stable tax regime and is today at the forefront of international PE regulation providing a flexible, secure, predictable and multi-lingual jurisdiction to operate in.
LPEA provides a dynamic and interactive platform for its members to discuss and exchange information and organises working meetings and networking opportunities on a regular basis.
If Luxembourg is your location of choice for private equity, LPEA is where you actually join the industry!

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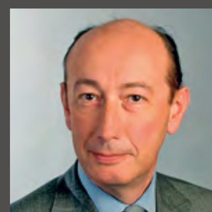

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Luís Galveias – Marketing & Communication Manager
Dušan Gladović - Legal & Regulatory Manager
Kheira Mahmoudi – Executive Assistant to the Managing Director

EVENTS' CALENDAR

20
SEPTEMBER 2017

PARIS
LPEA Roadshow

26-28
SEPTEMBER 2017

BEIJING, SHANGHAI
Luxembourg for Finance Seminars

17
OCTOBER 2017

NEW YORK
Luxembourg Financial Centre

26
OCTOBER 2017

LONDON
LPEA Roadshow

NOVEMBER 2017

BERLIN
LPEA VC Seminar

©DR

21
NOVEMBER 2017

LUXEMBOURG
ALFI PE Conference

NOVEMBER 2017

LUXEMBOURG
BRICs Infrastructure

DECEMBER 2017

MUNICH
LPEA Roadshow

24-26
JANUARY 2018

CANNES
IPEM 2018

29
JANUARY 2017

LUXEMBOURG
LPEA New Year's Event

26
FEBRUARY 2018
1
MARCH 2018

BERLIN
SuperReturn International


Lucienne Andring
Business Development
Pierre Even
Investment Fund Services
Meet us
at the ALFI Private Equity & Real Estate Conference
21. & 22.
November 2017