PRIVATE EQUITY

INSIGHT/OUT

A NEW GENERATION TAKES OVER

The New Luxembourg LPs | Moringa: Sustainable agroforestry | LëtzLive in Luxembourg

Issue 12, 2018

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DEAR READER,

The private equity (PE) sector has been undergoing significant changes over the past few years, on the back of a fast evolving macro global environment and impressive growth of Assets Under Management and its outperformance versus other asset classes.

Many of these changes were brought about by tighter regulation in the aftermath of the 2008 crisis, which led to (i) the relative concentration of PE operations in a single jurisdiction, (ii) the emergence of new breeds of PE investors like Family Offices and (iii) the acceleration of business process digitalization.

Another notable trend is the emergence of accrued competition between PE players and the rise of niche strategies, which coincides with the coming of age of younger investment professionals born after 1980, dubbed the "millennials". LPEA's ambition to be part of this dynamic and influential generation was formalised last year with the creation of the "Young Leaders Committee". We are keen to understand and cater to the interests of younger LPEA members, by providing a new platform for debate and innovation. In this edition of your magazine we interviewed a group of young PE professionals to showcase their aspirations and concerns and understand how these may impact the future of our industry.

This edition also marks an important milestone for our association. After four years with Jérôme Wittamer as President, a successful period during which LPEA grew the number of its members by 60%, while gaining a top spot as a leading and influential association, the Board of LPEA elected Rajaa Mekouar-Schneider as the association's new President for a 2-year mandate.

Refer to the Q&A interview in the next pages to learn about her -ambitious- plans for the association to pursue its growth and further establish it as a force to be reckoned with in Luxembourg's financial center.

We hope you will enjoy reading this edition and look forward to interacting with you all!

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Chairwoman,
Luxembourg Private Equity
& Venture Capital Association

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THE MAGAZINE OF THE LUXEMBOURG PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION
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INTERVIEW WITH RAJAA MEKOUAR-SCHNEIDER

LPEA'S NEWLY ELECTED CHAIRWOMAN

Despite having arrived in Luxembourg just 2.5 years ago, you managed to take the private equity (PE) community by storm. Can you share your story and how you came to represent the sector so quickly?

My first reaction to this question is to stress how much the LPEA has achieved since January 2016 when I first met Jerome Wittamer, my predecessor who did a tremendous job. So the "storm" you mention is a wonderfully positive momentum that the LPEA and its amazing team deserve full credit for, rather than me personally.

Now, as far as my own action is concerned, I quickly realised that one could have a real impact by contributing ideas, energy and networks to the association. I am thinking in particular of how we successfully initiated the annual LPEA Insights conference. It started as a simple idea and turned into a fully-fledged concept within a few months. This would not have been possible without a concerted team effort and the entrepreneurial mind-set that characterises the work ethos of LPEA.

More generally, I think that after working in PE for 16 years, mostly in London, and in a variety of investment roles, especially alongside entrepreneurs and families focused on the mid-cap sector, I am deeply attached to the industry and its contribution to the real economy, something which I am glad to be able to convey to the wider community.

I feel grateful that I can be part of such a dynamic environment, one which is of course supported by the growth of the industry globally and the goodwill of PE players locally. As such my mandate as Chairwoman of LPEA feels like a mission with a true purpose.

How do you compare Luxembourg with the other places you lived in before such as London, Frankfurt and Paris?

Many of us present here in Luxembourg have a foot in other EU capitals as international PE players. We all agree that the Grand Duchy has much more than meets the eye but it takes a certain attitude of humility and open mindedness to see it. To grasp the full scope of business opportunities that exist here, one has to make the effort to spend time locally to meet and understand the idiosyncrasies of a professional environment that values hard work and pragmatism, but also discretion and trust.

Establishing or expanding presence here can be done swiftly and efficiently if one makes a little effort to be on the ground and to build long-lasting relationships, rather than being focused only on transactional interactions. On this premise, Luxembourg offers a unique growth platform for the benefit of any PE investor regardless of where he or she comes from.

On a more personal note I find it incredibly convenient to live here given the short commute times in and out of town. I travel a lot, like most of us nowadays, so moving here has greatly improved my quality of life. I also value the ability to enjoy cultural perks and outdoor activities in a convenient way. For example the Philharmonie is one of my favourite spots here as I am a classical music lover; and it happens to be a world class venue with a top programme where you don't have to be privileged to attend performances. That is to say, the country combines many of the key advantages of world metropolitan centres with those of smaller hotspots.

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What is your view on Luxembourg's positioning in the global private equity and venture capital sector?
Luxembourg is already a hub for the PE/VC industries. The toolbox available to set up and run structures here is highly attractive, and increasingly so. This deserves to be even more widely communicated outside the country.

Today we can observe a truly diverse ecosystem of players, from advisers to end investors like leading global PE funds and Family Offices who establish presence locally. The move to more substance and front-office functions is also under way, for example Kharis Capital hired me in 2016 to represent the firm in Luxembourg, where our GP/top holding company is domiciled.

This shift to more investment substance is where I see the highest potential over the next years to expand Luxembourg´s role as a hub for PE, as more and more investors are convinced to base part of their teams in the Grand Duchy, where they can enjoy many benefits that easily rival those of other EU capitals.

A telling anecdote is the fact that since my election was announced on LinkedIn, I receive almost daily queries from young talents or entrepreneurs about what it is like to work from here!

What are your priorities for this two-year term (2018-2020)?
We, as LPEA, have to preserve the quality of the PE ecosystem while increasing Luxembourg´s attractiveness for international investors to come and live here. Of course this will be a concerted LPEA initiative working with other Luxembourg initiatives like Luxembourg For Finance and also the Government.

I am convinced that we can continue to grow the size of our association. I dare dream of increasing our membership from the current level of 180 to 300 by mid-2020 when my mandate expires.

In order to do this we have many assets to leverage in and outside LPEA, from the Green Finance initiative to the historic digitisation opportunity which also affects PE, not forgetting the stable macro environment (e.g. regulatory) and the great location of Luxembourg within the EU. Brexit, if well orchestrated by all involved, will also benefit the Grand Duchy as a complementary base to UK players in need of a European presence.

This means that LPEA must continue to represent the increasingly diverse community of PE investors such as entrepreneurs, family offices and institutions, but also private banks who are gradually jumping on the PE bandwagon. In this context we are hoping to build true bridges with ABBL and other associations that represent the profession.

Last but not least, I count on LPEA´s existing members to contribute to this effort. Every PE practitioner and LPEA member is a potential goodwill ambassador for Luxembourg as a hub for PE; and as a newly elected Chairwoman I vow to use my energy, international PE investment experience and network to showcase the many advantages of Luxembourg as a place to work and live. ●

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JOIN THE CLUB!

BUSINESS WOMEN-ONLY INITIATIVES IN LUXEMBOURG

LILLA – Ladies in Law Luxembourg Association

LILLA is the first network of its kind for women working within the legal sector in Luxembourg. LILLA is open to all female lawyers in Luxembourg, jurists as well as support staff, who wish to see progression in this area and to promote and champion gender equality within the legal industry. LILLA members have access to a whole host of events throughout the year, from keynote speakers discussing topical issues, seminars and roundtable discussions, to cultural evenings and fitness sessions. To become a member, please contact LILLA at **hello@lilla.lu** and visit **www.lilla.lu**.

EQUILIBRE

EQUILIBRE aims to influence local culture, corporate culture and policy solutions to make meaningful change for women and men and their families. Motivated by the opportunity to help close the gap in inequalities and the support of the local eco-system, we continue to work for change. Our programs are always designed around best practices from other countries and research to ensure that we always offer the best of all possible solutions. We adapt the solutions to the local eco-system where we aim to get as much traction as possible. All of our programs can be found on the website: **www.equilibre.lu**.

My Pledge

MY PLEDGE is an initiative aimed at ensuring more diversity at public events in line with the recent #NoWomenNoPanel initiative. Equilibre will support Corporate pledgers by maintaining a database of alternative speakers and subject-matter experts. It will work with organisers to ensure gender diversity, proposing public speaking courses for subject matter experts and young talent. Find more information at **www.equilibre.lu/my-pledge**.

WIDE – Women in Digital Empowerment

WIDE strives to empower women through digital technologies as well as to increase the number of women maximising their opportunities in digital economies and communities. WIDE offers a range of practical support and activities to include women in digital fields.
It also aims to help build a more diverse workforce and a wider ICT talent pipeline for Luxembourg. WIDE also facilitates digital education activities for young people interested in pursuing a career in Computer Science / in the digital field.
Contact: **contact@wide.lu** / **www.wide.lu**.

LEAN IN

The LEAN IN group started out 4 years ago with 5 women. It is a private initiative reaching out to 240+ women working in the Luxembourg Finance sector in decision-making positions. With meetings every 2-3 months at different locations, LEAN IN aims to inspire and connect women in Finance by creating a network of support helping women to achieve their goals and to share experiences.
For more information, please contact **Anja.Grenner@intertrustgroup.com** or **nina.kleinbongartz@jpmorgan.com**.

DRESS FOR SUCCESS® LUXEMBOURG

DRESS FOR SUCCESS Luxembourg's objective is to empower women to achieve economic independence by providing a network of support, professional attire and development tools to help women thrive in work and in life. DRESS FOR SUCCEESS believes that by building up women's agency and knowledge, better synergies between gender equality and economic sustainability are realised, enabling women to generate long-term impacts in both private and public life. For more information, please contact the organisation at **luxembourg@dressforsuccess.org**.

FONDS FRAUEN – NETWORK ▸ CAREER ▸ INSPIRATION

FONDSFRAUEN is the largest German-speaking business network for women in the asset management industry, founded in 2014. Today it reaches over 1700 women with surveys, studies, newsletters and events in Germany, Switzerland and Austria, as well as Luxembourg from September onwards. The initiative is supported by over 20 corporate partners who are committed to gender diversity. The mission is to advance women's careers and to encourage equality in the asset management industry by bringing together women of all organisations and hierarchy levels. **www.fondsfrauen.com**

START-UPS

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Alexander Tkachenko

BLOCKCHAIN TO SUPPORT SECONDARY MARKET FOR VCS

Venture Exchange VNX, a young Fintech based at the Luxembourg House of Financial Technology (LHoFT), has designed a new way to attract investors to the very tight venture capital market. Founded in February 2018, Venture Exchange VNX has developed a digital platform based on blockchain which allows venture capital firms to "tokenise" investments to find investors, and therefore fresh money. In other words, they transform part of their investments into digital derivatives to sell them.

These "tokens" can then be traded on this platform, the same as stock trades. The owner of the token is entitled to receive a portion of the future venture fund's profits (exit proceeds) from selling off the fund's portfolio investments.

"It's not about selling shares of the company in which the venture capitalist has invested," warns Alexander Tkachenko, CEO and founder of Venture Exchange VNX, "but to receive a share in the future profits of the venture fund being tokenized. And if we chose the blockchain, it is simply to benefit from the advantages of this technology which makes the whole process easier and more secure". Differently to Initial Coin Offerings (ICOs), "the purpose of the operation is not to directly finance a company in exchange for a future service, but rather, it is a process of securitizing part of the investment up to 50% of its total value".

The platform created by Venture Exchange VNX is already functional; however, the start-up is waiting for a licence from the CSSF to launch officially. ●

DIGITAL TECH FUND INVESTS IN FINARTA AND WIZATA

The public-private Luxembourg Digital Tech Fund stands on its mission to fund digital technology start-ups established in Luxembourg or with part of their development taking place in the country. The two latest investments are Finarta, a Luxembourg-based company which developed a trading platform for art work, and Wizata, an artificial intelligence services company targeted at industrial sectors.

CROSSLEND RAISES €14 MILLION

Crosslend, a Berlin-based start-up offering a digital marketplace for loans, has raised 14 million euros in financing. The start-up, established in Luxembourg since 2017, received investment from Earlybird Venture Capital, ABN AMRO's Digital Impact Fund, solarisBank, Luxembourg Future Fund and Lakestar. Crosslend plans to tokenize debt items and hence introduce blockchain-based settlements that will lead to more transparent loan books and at the same time more efficient debt capital markets.

JOB TODAY POCKETS €13.8 MILLION SERIES B FUNDING

The Luxembourg start-up Job Today announced the fundraising of additional €13.8 million. The UK and Spain number one mobile hiring app raised a Series B funding round extension with prominent investor 14W. Based in NYC, 14W joined the company's other renowned investors including Accel and Mangrove and increased the total start-up funding to €70 million since 2015.

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KHARIS CAPITAL CLOSES INVESTMENT IN RIGONI DI ASIAGO

Kharis Capital announced that it successfully closed its fifth investment with the acquisition of a significant minority stake in Rigoni di Asiago, the Italian organic jam and spread brand, alongside the founding family. With this acquisition, Kharis further establishes itself as an expert investment firm in consumer brands that have the potential to be strengthened and expanded internationally, with the underlying philosophy to build critical size vertical platforms in attractive segments.

Earlier this year Kharis had already announced the acquisition of O'Tacos, a French fast-food chain which the company will now help to internationalise and which has been present in Luxembourg since March. Among other investments, Kharis has the master franchise of Quick and Burger King in Luxembourg and Belgium.

#MOVETOLUX

Luxembourg for Finance, the public-private agency promoting Luxembourg's financial centre, launched a campaign to attract new talents to Luxembourg. With a constantly growing financial sector, the agency highlights professionals who moved to Luxembourg and reached their desired work/life balance. Check the videos on MoveToLux.com.

CAPITALISE YOUR "CAREER INTEREST"

LPEA launched a new jobs section on its website to increase the visibility of private equity and venture capital jobs in Luxembourg. Visitors can follow the latest posts and access content related to working in PE/VC in Luxembourg. Members of LPEA are invited to submit their job positions free of charge.

Car~~ried~~eer Interest
PE & VC Jobs in Luxembourg

SGG STRENGTHENS ITS INTERNATIONAL REACH

SGG Group, established in Luxembourg in 1953 and backed today by Astorg Partners, acquired Augentius, a leading provider of alternative investment solutions to the private equity and real estate communities, and received regulatory approval to close the acquisition of First Names Group, provider of private client, corporate and fund services headquartered in Jersey and present in 14 jurisdictions. Both acquisitions were announced in July.

As a result of these transactions, the newly combined business has become the world's fourth largest global investor services firm by revenue, now employing over 1,700 people across 22 jurisdictions and with over €400 billion of assets under administration (AuA). Earlier this year SGG had already acquired London-based Lawson Conner to expand its regulatory and compliance offerings for asset managers and South Africa-based Viacert (Pty) Ltd, a boutique provider of financial statements preparation services to the global investment fund industry. ●

LIMITED PARTNERSHIPS Q&A UPDATE

The LPEA publication "Limited Partnership in Luxembourg – A comprehensive Q&A for all practitioners" was updated by the association's Accounting and Valuation Committee. The purpose of this user guide is to answer a number of typical questions private equity managers and service providers may have when setting up and administering a Luxembourg limited partnership vehicle.


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LPEA INSIGHTS 2018

The second edition of the LPEA Insights conference held on 25 April 2018 in Philharmonie Luxembourg demonstrated the importance of private equity for the real economy. Through a number of panel discussions with leading European private equity professionals as well as by showcasing a number of real-life examples from Luxembourg, the conference shed light on what advantages private equity and venture capital bring and how this asset class directly contributes to creating jobs and growth in the economy. Alexandre Mars, founder of EPIC and special guest of the conference, invited managers to go one step further and include philanthropy into their business practice.

TAKE AWAYS FOR GPS:

- Take a long-term view and specialise in a sector;
- Align your strategy with investors' goals;
- There is inherent value in buying growing family businesses (mid-market);
- Invite industry-external managers and engineers into portfolio companies;
- To drive portfolio performance think of executive integration, improvement of business processes and implementation of adequate tools;
- Prepare your company for the millennials generation;

TAKE AWAYS FOR LPS:

- PE is critical for a balanced and mixed investment strategy;
- Take a long-term view;
- Effective management, improvement of operating efficiency and proper exit strategies are key drivers for making PE investments profitable;
- PE remains the most profitable asset class from a historical point of view. ●

LPEA ELECTS NEW PRESIDENT

Rajaa Mekouar-Schneider, Head of Syndicate and part of the Investment team of Kharis Capital, was elected as new President of LPEA replacing Jérôme Wittamer (Expon Capital) who led the association between 2014 and 2018. The new President and the association's Executive Committee were elected by the also newly elected Board formed upon the annual AGM on 7 May 2018. The names of the new Executive Committee members are published on page 47.

BRINGING ESG STANDARDS INTO PRIVATE EQUITY

Paul Junck (LPEA), Rajaa Mekouar-Schneider (LPEA), Thomas Seale (LuxFlag), Mario Mantrisi (LuxFlag).

LPEA and LuxFLAG, the Luxembourg Finance Labelling Agency a.s.b.l., signed a reciprocal cross-membership agreement in July 2018. This collaboration contemplates the sharing of information and interaction on topical issues including regulatory matters and cooperation on promotional activities such as events, publications or training.

A NEW GENERATION TAKES OVER

THE WORLD IS EVOLVING AS IS THE PRIVATE EQUITY (PE) SECTOR. WHAT ARE THE ASPIRATIONS OF THE NEW GENERATION OF LEADERS? HOW WILL THEY CHANGE THE INDUSTRY? TO ANSWER THESE AND OTHER QUESTIONS WE ASKED YOUNG LEADERS WORKING IN THE LUXEMBOURG PRIVATE EQUITY SECTOR TO SHARE THEIR VIEWS WITH US.

We met the young leaders at the Centre National Sportif et Culturel d'Coque in Luxembourg where, in exchange for their thoughts, we incentivised them to reach new heights by way of a monitored wall climbing session, a first time for all.
Read the interview below and be inspired by the next generation of PE leaders:

What motivates you most in your job and what / who are your sources of inspiration?

Aurélie Comptour (AC): I would say it is the non-recurring types of business, diversity of investments/ industry/ geography and a mind-set focussed on entrepreneurship.

Emmanuelle Castella (EC): In private equity your job is to invest in companies and as such you are investing in the future of people and impacting their lives and of those around them which gives a certain meaning to your job.

Nicolas Milerioux (NM): Striving for innovation is full of surprises and challenges, and each day is a new off-road, bumpy adventure. But I always keep in mind the long term vision and take both successes and setbacks in my stride. Never give up and keep on climbing focusing on the peak.

Katrin Katzenberger (KK): My motivation is the team around me. I am convinced that without a good team, no one can do a good job.

Talking about new emerging trends like ESG – Environmental, Social and Governance, in the context of PE, what do this term mean to you?

EC: We are conscious of the impact that private equity can have on society and on the environment as a whole. It is therefore our responsibility, as an investor in the future, to make sure that the companies we invest in meet the ESG standards that we would expect of any company we would want to be associated with. Of all the ESG standards, we (NAC Partners)have the Environment impact closest to our hearts and always see how the company addresses environmental issues before committing to an investment.

Maxime Miossec (MM): The ecology and the environment is something that is very visible, very public and very sensitive. I take the example of my company (PAI Partners) where we have a dedicated ESG team. Our commitment to responsible investment is central to our activities, and fully integrated into our policies, processes and outcomes. ESG is now one of the key challenges in doing business.and Our targets have understood that and most of them have set-up dedicated teams themselves.

HAVING A HAPPY PRIVATE LIFE LEADS TO THE FACT THAT I AM DOING A BETTER JOB AT WORK.

Katrin Katzenberger

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Director
PAI Partners

STRIVING FOR INNOVATION IS FULL OF SURPRISES AND CHALLENGES, AND EACH DAY IS A NEW OFF-ROAD, BUMPY ADVENTURE."

Nicolas Milerioux

NM: Energy generation is directly linked to environmental concerns. We are clearly in the middle of a transition in generation and use and need to start acting now before the burden from overusing our resources increases for the next generations.

Is there a difference in a way you, as a new generation of leaders, tackle everyday challenges?

Katrin Katzenberger (KK): Compared to the older generation the younger generation is coming with laptops to meetings and in addition to the laptop they are using their smartphones, sending messages during the meetings. In a negative way, we/the younger generation is less focused but to summarize it in a positive way, we can be more efficient with all the media, being multitasking.

MM: New technologies, social media and digitalisation allows new generation to remain connected to the whole world at all time and to be ready to face new challenges in business with a strong reactivity.

NM: I believe that, with enhanced access to information, we've learned early on to work on quicksand. We may be more sensitive to new concepts, technologies and approaches and accept failures as a learning curve towards something better.

EC: Ways of communication and web content has resulted in a paradigm shift in the way people now work and conduct business which has particularly been embraced by the new generation. Quick access to knowledge and business contacts (such as LinkedIn) has resulted in younger generations being able to access information that was previously reserved to senior people.

Is work-life balance, a myth? People say that your generations is much more sensitive in regards of work – life balance? If this holds true for you, can you tell us your secret?

MM: I think it's true that work-life-balance is more important for my generation than for the older one. I also had the opportunity to see that in my previous life as an auditor. I have a job which is very exciting and requests a hard commitment. As I got a child earlier this year, it is obviously something with which I need to manage and find the right way to conciliate both

AC: Not true in my case especially when you love your job!

EC: As I do a job that I really love, it has been easy for me to find a certain balance. Daily life for me is synonymous to diversity through the inspiring people I meet, the multiple tasks I conduct simultaneously, and the businesses and technology that I discover.

NM: When I arrive on holidays I try to put my phone aside and I just look at it in the evening. Only a few people can reach me during these times and for critical emergencies only. But when you're passionate about what you do, it's always difficult to fully disconnect.

KK: I know that having a happy private life leads to the fact that I am doing a better job at work. I am much more committed to what I am doing, also to my partners, as I know that they respect my private life.

PE MIND-SET IS NOT A QUESTION OF GENERATION.

Aurélie Comptour

Do you see any generational shift in PE's portfolio companies?

AC: The new generation of management at the level of the portfolio companies is now more open to receive financing from institutionals which are not banks. Nevertheless, Europe is late compared to the US – a lot remains to be done!

KK: I definitely see a shift in generation. The core team I am working with, have been together for more than 30 years. Recently we on-boarded a fund where the whole board was in the 40s and we decided for a younger colleague to join this board. Although the older ones have the experience and knowledge, the younger generation brings the spirit and can definitely positively influence the way going forward, this is what counts today and turn to be a perfect fit for the board mandate in question.

EC: I think that the younger generation believes more in the importance of providing value-add pro-active to portfolio companies while the older generation GPs were more strictly financial oriented. As part of this shift, we work hand-in-hand with company managers and focus on value creation (expansion to international, new business model...).

NM: Start-ups have boomed since the early 2000s and we see an increasing amount of young entrepreneurs raising bright ideas and scaling up faster thanks to globalisation. We have opportunity to do great things but now we have to prove that we are up to the challenge.

Is the younger generation of PE fund managers best suited to deal with the new challenges of the sector such as digitalisation or blockchain technology?

NM: I think it is not a question of age but it is a question of what we've been exposed to in the past. Being our age today, we are more likely to have grown up with some of today's technologies or their predecessors, so our interaction with them - is almost instinctive. Blockchain I think is not (yet) well known by our generation. The kids in high-school will know much more than we do in 5-10 years. I remember that when I was a kid, computers were not yet a mass market...

AC: PE mind-set is not a question of generation. Never mind your age, a PE mind-set means to be reactive, adaptable and open minded.

EC: I don't think it's a question of generation. A fund manager has to stay up-to date with the latest technologies and business ways. It is more a question of experience – if a person is used to invest in technology he knows which challenges he has to tackle. We do not invest in technology itself but in the managers that are used to be experienced with technology.

IT IS OUR RESPONSIBILITY, AS AN INVESTOR IN THE FUTURE, TO MAKE SURE THAT THE COMPANIES WE INVEST IN MEET THE ESG STANDARDS."

Emmanuelle Castella

What is preventing the sector to welcome more women taking leadership and management roles?

AC: I do not see any specificities to PE – welcome more women is a global trend.

KK: It is not a question of preventing. I think that changes from company culture to company culture. There are companies where it works very well and where women are even in majority. But the whole team has to welcome it, there are also teams where it is not accepted. Objectively, in Luxembourg you have an environment where it is very well possible to work as a wom-


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THE ECOLOGY AND THE ENVIRONMENT IS SOMETHING THAT IS VERY VISIBLE, VERY PUBLIC AND VERY SENSITIVE.

Maxime Miossec

an because you can have a family, you have all that it takes to have your kids in child care if you want so. Iit also changes a lot in relation to the national background. There are the German firms with their German approach and others...

MM: ... Yes I agree, there a difference between, for example, the German and French culture. But it is always a challenge to get the right person to the right position within a firm, independently being a man or a woman. Our industry is very demanding in term of commitment and it is not easy to find people that are ready to work hard and accept the challenge to find the right work-life balance.

KK: But it is also the proportion of the mix. It is not possible to have a company where the whole staff is working part-time. You can support it up to a certain level. Trust and confidence is part of it, you need to have back-ups. But it is not only the work-life-balance and to have children. It's also about the family and taking care of for example your parents. If it is generally accepted in the company and if there is trust from the management that you do your work independent of the working hours, that's more what counts.

Several studies say millennials are more prone to jump from "job to job". In a sector characterised by the long term approach how will this affect PE?

AC: PE means non-recurring business and growing knowledge over the years. You constantly need to re-invent your approach to be open to new challenges and opportunities. This industry is moving and is capable to answer rapidly to the new market trends.

KK: Our generation is very much open to job offers. I experience to work in a firm where the partners work together since 27 years, if you see this and you receive a very nice package- you rather stay where you are.

NM: In theory, a PE team should work the entire lifespan of a fund. However, with a world full of global opportunities and industry size increasing, some may get offered top-notch opportunities. This creates gaps to fill quickly. As a result, the awareness for talent attraction and retention is rising in the PE industry. Employees feeling appropriately rewarded and happy at work stay on board. That's how "veteran" teams in the industry have been assembled.

MM: Even if this is true, managing the staff turnover within a company is not a new subject. People working in PE are adaptable and ready to face changes and new challenges. Moreover, it is always good to welcome fresh minds and new point of views on a regular basis.

What does Luxembourg need to do to shift from a back-office to a front-office jurisdiction?

AC: Improve the connection / flights diversity and establish more trendy places.

MM: We have been growing our team in the past months, even if it's difficult to attract the best talents in Luxembourg given that the local market is already saturated. Luxembourg authorities should do a huge promotion of all its advantages for GPs and PE companies to be 100% located in Luxembourg, and demonstrate to their people how life is enjoyable in our country.

KK: Time changes, we became an AIFM and for substance reasons our whole management moved to Luxembourg. Regulatory and tax substance is one reason why Luxembourg as headquarter location should be considered. I think the label "Luxembourg" is on a good way.

EC: It is all about the ecosystem: access to talented managers/ technology (engineers)/ funds (money). It can be an initiative from the fund to ask their portfolio companies to come and move to Luxembourg. Maybe Luxembourg's governance should instore fiscal incentives to invest in the economy and/or into Luxembourg based PE funds.

NM: Fund managers taking relocation decisions are usually coming with family ties that need to be appropriately addressed. I believe that Luxembourg still suffers from a lack of reputation but the gap is closing progressively. A dedicated relocation desk, tailored to these high end profiles, may be an option.

As we finish the interview, name the three incentives that drive the PE generation under 40 today.

NM: Challenges / Tangible impact / Fast-track.

EC: Impact on the future / Diversity of tasks and people you meet / Learning curve

KK: Make an impact in other people's lives.

MM: Find the work-life balance which allows to be effective and make an impact at work while enjoying family life.

AC: Working for our future by investing in new projects / new technologies; Variable income and no geographic barrier – worldwide impact of the PE industry. ●

TRANSITION MANAGEMENT: PLANNING FOR THE NEXT GENERATION

MOST FOUNDERS OF THE MAJOR PE FIRMS ARE NEAR OR PAST RETIREMENT AGE, WITH MANY AGED 70 OR OVER. THEY MUST CONSIDER NOT ONLY HOW TO PASS ON THE REINS TO THE NEXT GENERATION OF LEADERS IN THE BEST WAY, BUT ALSO HOW TO ENSURE THAT THEIR ORGANISATIONS HAVE THE RIGHT TALENT AND CULTURE TO MEET FUTURE CHALLENGES. THIS COULD BE TRICKY FOR SOME FOUNDERS WHO BUILT THESE ORGANISATIONS AS EXTENSIONS OF THEIR OWN PERSONALITIES. THE PE INDUSTRY IS STILL VERY PERSONALISED, WITH MOST OF THE BIG BUSINESSES STILL RUN BY THEIR FOUNDERS.

By **Carmen von Nell-Breuning**
Senior Manager – Private Equity
EY Luxembourg

Developing a successful transition plan

In order to make a successful transition from one generation to the next, PE firms need to consider three main aspects: first, operational control; second, money; and third, governance, which is the hardest one to resolve.

Strong career-path management is as much part of effective succession planning as mutual trust between people running the firm. The allocation of carried interest and pay plays an important role however; according to a study by Professor Josh Lerner of Harvard University, the industry has “not yet been serious enough” about managing internal compensation issues. Professor Lerner cites a study by his team of 750 PE firms that the split of carried interest among the partners had a strong influence on the firms' stability and ability to survive in the long term. “We saw that there was an enormous amount of inequality within the groups; typically for larger firms, the founder got at least twice as much carry as the average senior partner,” Lerner says. “Groups with more inequality tended to be less stable. Partners with good track records but a lower share of the carry tended, not surprisingly, to be footloose.” Making sure there is fair compensation for and recognition of the contribution of the next generation is crucial for retaining younger partners, the future lifeblood of the business.

FAIR COMPENSATION AND RECOGNITION ARE CRUCIAL FOR RETAINING YOUNGER PARTNERS.

Carmen von Nell-Breuning

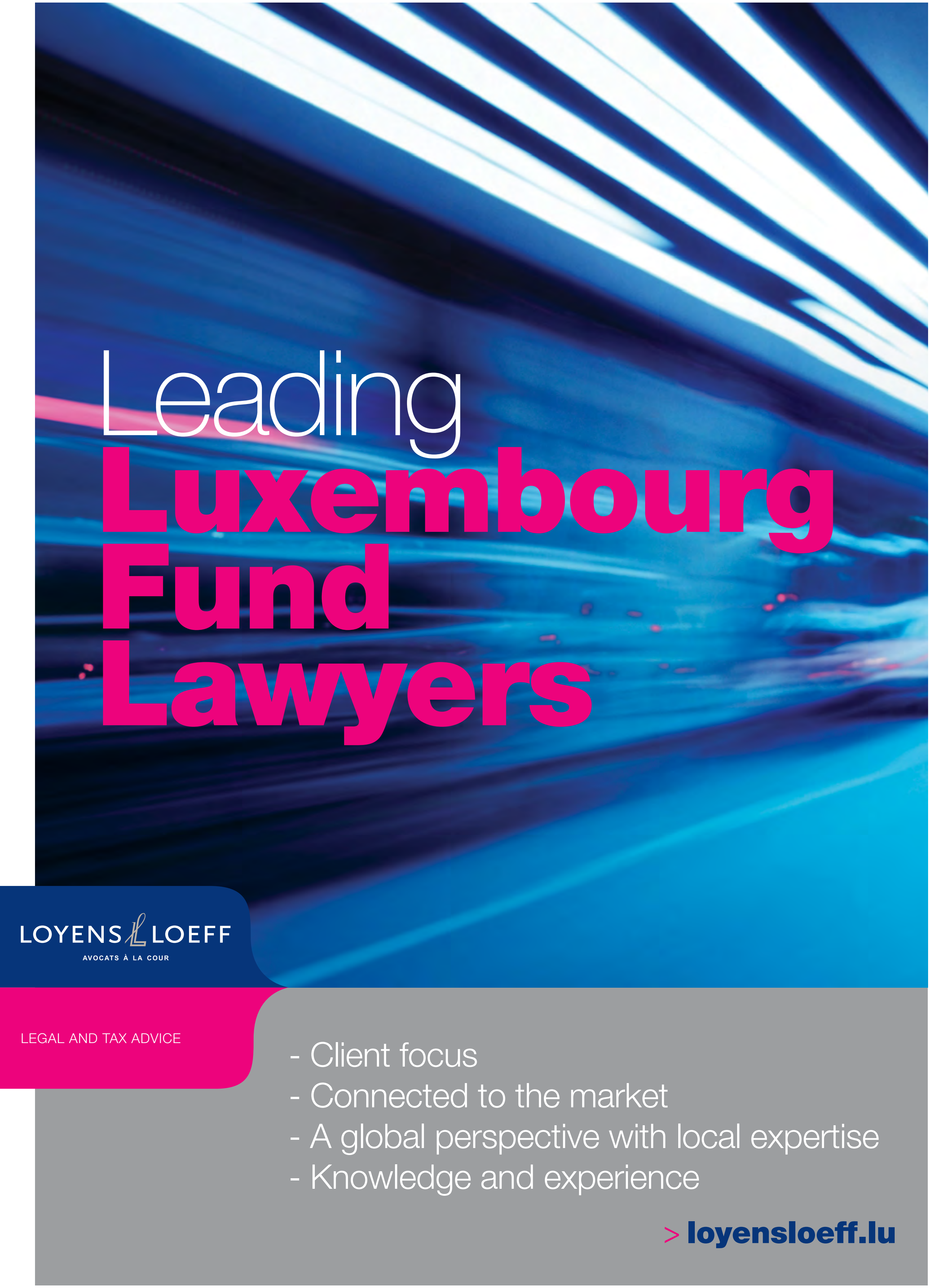
Cultivating an enduring culture

Another key aspect of transition for a PE firm is the task of ensuring that its culture persists while seeing that it does not remain identified solely with the founders, who are very often still active but due to retire shortly. Several PE firms started with a staff of around 3-5 people and are now at 1,000. In such a context, PE firms need to strive for a good balance between depersonalising the business while maintaining its individual corporate and entrepreneurial culture.

Making sure the firm has the right talent

In the past, skills in financial and company analysis, deal making and financial engineering might have been enough. But the future will require PE firms to nurture a wider set of capabilities, including knowledge of and experience in industrial sectors, digital transformation, smart technologies, risk management and global markets. They also need to ensure that they hire talent with the right interpersonal skills. “Always hire the best people”, says a PE executive in an interview with RoubiniThoughtLab. “All of us have hired people smarter than we are. PE has this allure so that we are able to continue to upgrade the caliber of people. Our founder's joke: we couldn't get a job here now. The truth is, we couldn't,” he says. ●

The article is based on the EY study, conducted by RoubiniThoughtLab: “How can private equity transform into positive equity? - Perspectives on the future of private equity from industry pioneers”.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HOW YOUNG PEOPLE CAN LEAD THE WAY TOWARDS SUSTAINABLE FINANCE IN PRIVATE EQUITY

By **Valeria Merkel**
Partner,
KPMG Luxembourg

and **Laetitia Hamon**
Senior Manager,
KPMG Luxembourg

Socially responsible investing and sustainable finance have become defining topics in present-day economics and business, as has "ESG" (shorthand for environmental, social, and governance—the metrics used in determining the sustainability of an investment). Most market players, however, especially those in private equity, find them difficult to grasp. Unsurprisingly, at the last PE conference I attended the answer to the question What does ESG mean to you? was pretty short: "Well, we are compliant".

Compliance with laws and regulations is a strong incentive, so on 24 May 2018 the European Commission issued a legislative package called the "Action Plan for financing sustainable growth". This plan aims to introduce a compliance and risk management framework into a field currently based on voluntary investor action.

Sustainability risk management: a shift in approach

In the past, sustainable finance was approached as a way of limiting, reducing and mitigating the impact of a business on the environment, which is probably one of the reasons why the financial sector did not immediately take it up. Indeed, some would have argued that sustainability had no direct value but for certain communication and marketing benefits.

At some point, however, this mind-set and approach changed completely. Companies and investors now understand that environmental and social risks from disruptive global megatrends will affect their businesses: climate change, for example, brings physical, liability, and transitional risks which should be carefully addressed.

All of this is particularly relevant for private equity players, since a more comprehensive risk management approach will necessitate more accurate company valuations during the due diligence and exit stages.

Millennials are more likely to invest with purpose

Together with this paradigm shift comes a generation, now with investors and rising managers, that is challenging how the PE sector operates.

Millennials often approach investing (and leading a company) with expectations and priorities unlike those of preceding generations. They seem to have grown up far more aware of global issues like climate change, environmental damage, or human rights breaches. They have shown a tendency, perhaps as a result, to seek out investment decisions matching their values—thus they might put sustainability and transparency in the same league of importance as profits.

PE has an important role to play in the EU calls for financing sustainable growth

With the EU Action Plan there comes the momentum for PE to play a fundamental role in financing the transition to a low-carbon economy, for example by financing SMEs and start-ups that offer sustainable solutions and products. PE actors—particularly its younger leaders—who understand the market opportunities arising from this transition, and who value companies on their "true value", will become industry leaders. ●

THREE QUESTIONS TO HELP LPS AND GPS ASSESS THEIR READINESS:

- Are you comfortable with your knowledge of best practices in this area?
- Have you studied the impacts of the EU Action Plan's regulatory changes on your investors and portfolio companies?
- Does your current set of information (including corporate disclosures and risk metrics) provide GPs with enough information to perform sustainability risk assessments in respect of portfolio companies?

MORINGA: SUSTAINABLE AGROFORESTRY IN EMERGING MARKETS

THE MORINGA FUND TARGETS AGROFORESTRY PROJECTS LOCATED IN SUB-SAHARAN AFRICA AND LATIN AMERICA. INTERVIEW WITH CLÉMENT CHENOST, DIRECTOR AND CO-FOUNDER OF THIS PRIVATE EQUITY FUND, ESTABLISHED BY EDMOND DE ROTHSCHILD.

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Clément Chenost

What led to the creation of the Moringa Fund?

This is the story of a meeting between Edmond de Rothschild and ONF International, a subsidiary of the French National Forests Office (ONF), where we were working at the time. Martin Perrier and I, both Directors, started from the premise that entrepreneurs lacked access to financing for expanding their agroforestry activities and changing the scale of operations. At the same time, Edmond de Rothschild was implementing a high-impact investment strategy, and was looking at farming and forestry. We raised funds together over a period of three years, thanks to the combination of our technical and financial expertise, up until an initial closing round of €51.4 million in 2013. A second additional round of €32.6 million followed.

What is agroforestry?

Agroforestry consists in combining trees and crops, in order to create positive interactions on farms. The trees stabilise, fertilise, and protect

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the soil, thanks to their deep roots. This enhances and strengthens crop-growing systems. The productivity can equal to, or even exceed that of intensive farming, while remaining environmentally friendly.

How is your fund structured and organised?

It is a Luxembourg-based venture capital company (SICAR), which was set up in 2013. The General Partner (GP) is owned by Edmond de Rothschild. Moringa Partnership, a wholly owned subsidiary of the Group, plays the role of investment adviser. The Fund includes a Latin America sub-fund and an Africa sub-fund. The aim is to acquire ten or so equity investments, ideally four in Latin America and six in Africa. We have made six investments to date, while two others are being finalised. Our investment team includes ten or so employees, including four Directors. ONF International, our technical partner, is involved as a consultant for technical due diligences.

How do you select your investments?

We have reviewed over 600 investments, and have selected six to date. As we invest in complex countries in tropical regions, we must have absolute trust in our partners, and especially in their ability to run the company according to a proper governance process. This is a priority! We dedicate between one third and half of our time on-site to reviewing the

FOCUS ON TOLARO

WHY DID YOU INVEST IN TOLARO, A BENIN-BASED COMPANY THAT GROWS CASHEW NUTS?

The nut market is growing at a very rapid rate, especially cashew nuts, thanks to their health benefits. Cashew nuts are particularly popular with vegetarians and vegans, who use them as a source of protein in the form of cashew nut milk and cheese.
West Africa has become the leading global crop-growing area, ahead of India, which uses most of its crop. However, 95% of the raw materials from Western Africa are purchased by large traders before being processed in Asia, and then exported. Tolaro is one of the rare African companies to have developed a processing plant on-site, in Benin. Tolaro was founded in 2008 by Jace Rabe, a US national, and Serge Knopou, a Benin national, and already ranks among the 20 largest companies in Benin, with around 600 employees. The company has reached financial break-even by processing 2,500 tonnes of cashew nuts, while Benin exports 150,000 tonnes in total.

IN WHAT WAY ARE YOU USEFUL TO TOLARO?

We have invested €7 million (i.e. slightly less than 10% of the portfolio), in order to increase Tolaro's production from 3,000 tonnes to 20,000 tonnes by 2021. Profitability in this market goes hand-in-hand with volume. We are going to achieve a first in Western Africa thanks to this investment, with a fully-finished product, i.e. cashew nuts that are ready to be marketed and consumed. We are also in the process of building a co-generation power plant, where the waste generated by processing the cashew nuts will be recovered, in order to generate power for the plant and local communities.

WHAT IS YOUR SOCIAL AND ENVIRONMENTAL IMPACT?

The farmers have already increased their yields by a factor of three or four, thanks to the support provided to them, which has a major impact on their income. In fact, thanks to our investment, Tolaro is expected to purchase nuts from 30,000 farmers instead of the 7,000 today, and to increase the number of trained growers from 2,000 to 7,000. The impact is also significant from an environmental standpoint, as the aim is to achieve environmentally-friendly management of the farms. This enables the farmers to be awarded Organic and Fair Trade certificates, and then to increase their prices.

companies, their partners and their buyers in detail, as part of an investment process that takes place in several stages.

How do you identify the right market sectors?

Here again, we do so by taking considerable time and care. The production of some products, such as high-quality coffee, is very insufficient. Nespresso or Starbucks do not have enough of it, for instance. This is the reason why we invested in the development of a cluster of 5,000 tonnes of coffee, which has a consistent quality and is certified as sustainable, in Nicaragua (the La Cumplida-Cafeteria Nica-France Project). Likewise, our investment in Texbel Farms in Belize relies on the development of the coconut water market, which people increasingly prefer to sodas and traditional fruit juices. The size of this market could increase from US$2 billion to US$7 billion by 2021. If we do not identify the right market sectors, we will not be able to achieve strong financial returns, or achieve our environmental and social impact targets.

How do you estimate the environmental and social impact that you may create?

We look for development models that generate local added value, as part of a short cycle and a circular economy, in order to limit waste. Small producers are the most likely to generate a high impact. They represent the farming model of the future, in our view.

Is the promise of a high impact sufficient to convince you?

No. The quality of the entrepreneur, and their positioning on a profitable market count as much as the impact. Likewise, we exclude talented entrepreneurs who do not share our sustainable development values.

From what point can we talk about a positive impact?

Aside from the UN's 17 SDGs (Sustainable Development Goals), it is essential to have an impact thesis and to accurately understand the goal sought.

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Wanting to have a positive impact is not everything. You also need to know how to achieve that impact. Meanwhile, we want to regenerate depleted soil using sustainable agroforestry systems, and we set ourselves quantified targets. From a social standpoint, we want to increase farmers' income in addition to creating jobs, which we can encourage via local processing factories. We also provide technical assistance and training, which is intended for entrepreneurs in Benin and their teams, for example.

How do we distinguish between impact investing and other forms of responsible investment?

SRI and green investing are the result of a defensive approach, and of excluding some sectors that are considered as non-sustainable. Conversely, impact investing meets quantified financial, environmental, and social targets. Our targets are published, and disseminated on our website. The financial and non-financial impact must be balanced and measured. Only the results matter.

Who has invested in Moringa?

Two thirds of the investments come from cooperation banks (such as the African Development Bank and the French Development Agency), and one third from Family Offices. We are seeking to diversify private investment. ●

THE NEW LUXEMBOURG LPS

PRIVATE BANKING AND FAMILY OFFICE CLIENTS INCREASE THEIR INTEREST FOR PRIVATE EQUITY INVESTMENTS

By **Arnaud Bon**
Director, Deloitte

and **Philippe Theissen**
Consultant, Deloitte

KBL European Private Bankers

KBL provides its clients with access to a range of alternative investment strategies, including private equity, as part of a broader portfolio diversification strategy, reflecting the historically low level of correlation between alternative strategies and traditional asset classes. KBL epb's Private Equity department was introduced in 1999 with the goal of formalizing the group's private equity strategy and providing private equity investment opportunities to eligible clients, notably experienced investors who have sufficient knowledge to evaluate the advantages and risks of investing in such illiquid assets. In the last year alone, KBL screened over 100 private placement opportunities, including private equity funds of funds, and primary and co-investments funds, as well as private real estate and debt solutions. Overall, the selection rate remains below 3%. Today, KBL sees special opportunities in mid-cap buyout funds and explores the fund of funds segment as an appropriate means to achieve diversification.

This positive trend has increasingly attracted the attention of private banking and family office clients over the past years. Beyond the high performance continuously displayed by top performer private equity managers, private clients have turned towards alternative investments, in search of increased portfolio diversification. The low correlation of private equity with traditional assets benefits their portfolio's risk adjusted performance, particularly in today's market environment characterised by high valuations and volatility of stocks, and bond yields that are bottoming out. But beyond the financials, it is their entrepreneurial mind-set that stimulates many of the HNWI and UHNWI to invest into private equity. They want to create a bond with the companies they invest in, analyse the firms' activities and closely follow how the managerial and operational transformations drive the business forward and generate value over time. Finally, with the influx of millennial entrepreneurs in the asset management clientele, investment expectations are changing. Millennials have grown up in a technology driven world with successful start-ups such as Uber or Spotify directly affecting their everyday life. This has stimulated their desire to be part of the "next big thing". Thus, beyond a financial return, they look for investments in businesses they believe in and are often less likely to shy away from the typical private equity risk factors.

Although foundations and pension funds still make up the largest proportion of investors in private equity globally with respective 14% and 13% of total LP investments (Preqin 2018), family offices are showing a growing appetite for the asset class and now accounts for 10% of fund raising in 2018 versus 5% in 2013. They furthermore found that the proportion of aggregate capital invested in private equity by wealth managers and family offices doubled over the past five years to reach 4% in 2018. Often facing low investment constraints and investing for the next generation, the UHNWI generally have long-term investment horizons and can thus dedicate a significant share of their assets to private equity.

Banque de Luxembourg S.A.

As one of Luxembourg's leading Private Banks, Banque de Luxembourg S.A., specialized in offering its clients a broad spectrum of investment services, has also positioned itself in the Private Equity Industry. Historically characterized by an attractive return and diversification benefits on a portfolio level, it is clear-cut that Private Equity has also attracted private investors. Moreover, investing in Private Equity is a long-term investment with an entrepreneurial approach which suits certain private investors particularly well. However, in the past, the access to Private Equity funds was usually restricted to institutional investors but driven by this increased interest of private investors, Private Banks set up their own Feeder-Fund structures in order to bundle the commitments of numerous investors together to invest subsequently one single ticket in a Private Equity fund. Banque de Luxembourg S.A. established such an investment vehicle in 2014 enabling its clients to invest in leading Private Equity firms strictly selected by experienced investment professionals.

Private clients have three main options to invest into private equity.

HNWI with investable assets of up to EUR 10 million often prefer indirect private equity investments. A single commitment in a fund of private equity funds indeed enables the investor to be exposed to a diversified investment portfolio with a generalist or sector/geography specific strategy, while benefiting from the expertise of a team dedicated to fund manager selection – a generally under-estimated complex and specialised activity. Furthermore, depending on the size and nature of the fund of funds, this may be the only route to – indirectly – access top performer managers.

Investments in direct funds require a more hands-on fund manager selection approach. However, this is generally performed by the financial advisors of the HNWI. In some instances, UHNWI and single family offices would set up their own investment vehicle with a dedicated PE-specialised selection team and try to diversify the portfolio of underlying fund managers.

Finally, a number of HNWI also pursue direct investments in minority or majority stakes of non-listed companies or taking a minority stake. This approach is most often pursued when investors have a particular interest and/or knowhow in the target's industry and want to become personally involved in the firm management.

Luxembourg's business-friendly environment, "first mover" strategy in the implementation of European and international legislation and regulations, and multicultural and multi-jurisdictional background have supported the country's development as a private banking centre for decades. More recently, Luxembourg has proven successful in attracting large PE fund managers, positioning itself as a European hub for marketing and regulatory compliance.

As evidenced by market statistics, the private client and private equity industries are not simply co-existing in Luxembourg but leveraging their mutual strengths and presence in Luxembourg. A 2017 survey conducted by Deloitte found that 55% of private equity houses managing funds in Luxembourg raise money from HNWI. Interestingly, while on a global scale funds of PE funds make up only 6.4% of private equity funds (Preqin, 2018), they count for a share of almost 20% in Luxembourg (Deloitte, 2017), largely driven by large private banks establishing indirect PE products for their clients. It can however be questioned whether fund of funds is the one-size-fits-all solution. A number of Luxembourg-based private banks and family offices are reviewing the range of PE investment options they offer their clients, trying to address the usual portfolio construction challenges they face when it comes to alternative assets: diversification, risk-adjusted performance, geography, currency and sector exposure as well as liquidity constraints to name a few.

With its wide and flexible range of fund structuring tools, Luxembourg should be able to encompass the launch of this innovative type of PE products and leverage its position as a convergence point of both industries. ●

GP SURVEY 2018

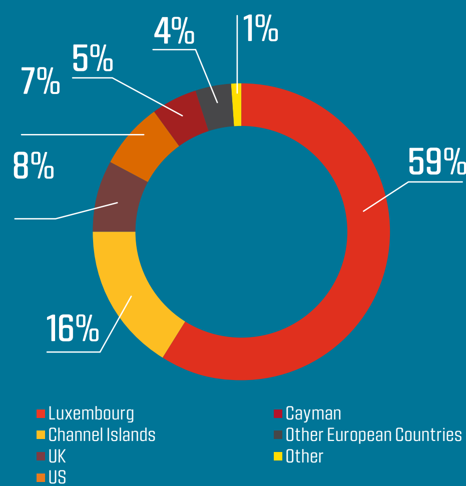
By Andrea Montresori
Chair of the Market Intelligence Committee of LPEA/
Director, PwC Luxembourg

LPEA's Market Intelligence Committee published the conclusions of the fourth biennial GP Survey collected among the general partners (private equity and venture capital fund managers) operating in Luxembourg.
The survey, conducted between January and March 2018, reflects the views of 55 GPs, 46 of which are members of LPEA. The survey covered private equity firms established in Luxembourg without distinction between strategy and size. All input has come from on-line questionnaires and interviews conducted by the members of the committee.
The private equity industry has experienced significant changes coming from regulatory developments and new legislation, as well as a changing tax landscape. This has modified the business model of many actors in the market. This PE survey has provided feedback on how Luxembourg is perceived to react to these developments as a fund location and structuring jurisdiction.
Key take aways:

- Luxembourg is reinforcing its leading position as an alternative fund location. Its large offer of different vehicles (RAIF, SLPs, etc.) attracts various types of PE houses;
- Despite BEPS and AIFM regulations which have impacted the administrative burdens across Europe, Luxembourg continues to enjoy a stable political and tax environment and is perceived as a significant hub;
- The success of competitive vehicles such as RAIF and SCSp has made Luxembourg flexible and it is now welcoming small and medium size players making the country no longer exclusively for big players;
- Good talent pool of qualified people. Continued training and education remains key to stay competitive and to attract new professionals into the sector;
- Service providers need to increase their competitiveness and focus their pricing model through value adding services;
- Brexit is favouring Luxembourg as primary location for new AIFMs on the continent. ●

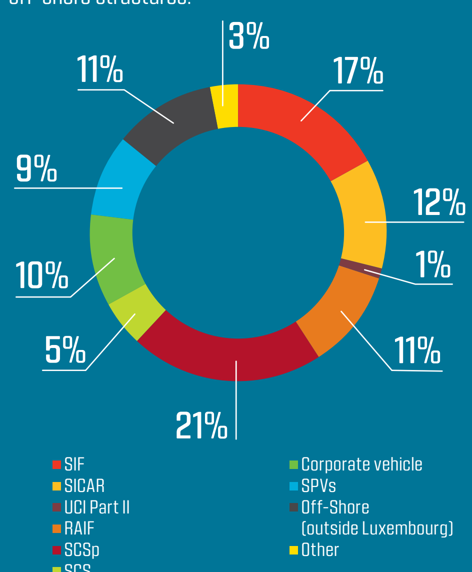
Jurisdiction of funds

Luxembourg continues to increase its footprint as an on-shore Fund jurisdiction leader with locally established funds increasing from 37% to 59% in the period 2016-2018.
With many UK and British Channel Islands funds redomiciling in continental Europe, it seems that Luxembourg is one of the first choices. Funds registered in these jurisdictions decreased from 33% to 24%. Cayman funds also decreased from 12% to 5%.



Adopted legal structure

Through the years Luxembourg developed a complete legal tool box to answer different needs from GPs and investors. The answers to the survey showcase significant diversity, something which will most certainly change in the future with the growing adoption of RAIF and SCSp to the detriment of SPVs and off-shore structures.



Source: LPEA

THE DIGITALIZATION OF PRIVATE EQUITY, A MUST, NOT AN OPTION

By **Aylin Mutter**
Assistant Director, Digital
EY Luxembourg

and **Olivier Coekelbergs**
Partner, Private Equity Leader
EY Luxembourg

Digital is all around

Although many businesses have understood the urgency of embracing the digital transformation, the pace at which this has been undertaken varies from one industry to another. While a number of sectors tend to show some obvious signs of acceleration of their digitalization, others are still trying to find their way with these new disruptive technologies. The key issue for any actor within a specific sector is to transition towards a sustainable and meaningful digital state and to ultimately generate tangible benefits for the business.

What about Private Equity?

The digital transformation is one among numerous challenges the Private Equity world has to face. It however needs to be looked at from two different angles: i) the Private Equity firm and its funds and ii) the portfolio companies. On many occasions, Private Equity players have been pioneers in using digitalization as an enabler to improve the operational efficiency of their portfolio companies, create value and ultimately generate returns for their investors. In very concrete terms, digitalization has enabled them to reposition businesses in their respective markets and align them to the next customers' expectations through advanced (and sometimes disruptive) technologies. Nowadays, the digital aspect is one of the key elements many Private Equity firms look at before entering into a deal. It has become an important part of the acquisition due diligences as it can be a major and quick driver of earnings increase.

Surprisingly, the digitalization of the Private Equity firms themselves and their funds has been less in focus. This delay is explained to some extent by the fact that there are other challenges that the industry has to deal with. The tax and regulatory reset initiated a few years ago with regulations such as the Alternative Investment Fund Managers Directive and the massive inflow of capital enjoyed by Private Equity firms are just a few examples. Other explanations include the lack of existing technologies relevant for Private Equity firms and their funds. While there is probably not a single technology which could convert the Private Equity business model into a fully digitalized one, there are plenty of opportunities for Private Equity players and their funds to introduce digital enablers in their day-to-day activities to gain efficiencies and manage scale. Robotic Process Automation (RPA), Data analytics or Blockchain technol-

BLOCKCHAIN TECHNOLOGY WILL FIND ITS WAY INTO THE VALUE CHAIN OF PRIVATE EQUITY FUNDS.

ogy can improve the efficiency of their current processes in many areas.

Big Data

Data management is seen as a priority by Private Equity firms on their digital agenda and is a direct consequence of the increase in transparency requirements from regulators, investors and other stakeholders. Collecting data from portfolio companies to build various reporting has for too long been a manual excel-based process. The complexity of this reporting combined with the pressure experienced by finance functions in Private Equity firms to manage their costs is a major call for automated solutions to capture data and produce accurate reporting on a timely basis. In this context, a number of start-ups from the RegTech world are emerging with new solutions to collect, manage and use data in an intelligent way and support the entire valuation chain of Private Equity funds.

Advanced analytics

Advanced analytics also rank high on the digitalization agenda as insights gained from data can help identify targets, confirm assessments and predict trends. Specifically, Private Equity firms see value in being able to run scenario analyses and assess risks on their portfolios.

Data analytics used in transactions use target and third-party data, along with algorithms and other quantitative analyses to drive quicker decisions for mergers, acquisitions and divestitures. From a due diligence perspective, leveraging analytics can help to identify issues more quickly, focus the due diligence process and therefore help buyers and sellers to close a deal better and faster. Clearly advanced analytics can strengthen the ability of Private Equity firms to better anticipate evolutions of markets and companies and therefore improve the entire decision process.

Robotic Process Automation

Many firms still consider RPA to be in a wait-and-see mode and are just beginning to explore the capabilities and use test-cases to automate routine time-consuming tasks. Easy first instances to introduce RPA include Anti-Money Laundering/Know Your Customer documentation or investor reporting feeds. There are plenty of opportunities to use robots to free up employees for more value-added tasks and to better control costs. Finance functions will most probably be among the first users of this technology.

What about Blockchain?

At some point, the Blockchain technology will find its way into the value chain of Private Equity funds due to its proven and recognized ability to increase efficiency, transparency, security and the speed of transactions while drastically reducing the risk of error. In an environment where Private Equity firms continue to raise more capital in a broader investor base, including smaller size investors, this technology could play a major role and has the potential to replace a significant proportion of existing manual processes within fundraising and capital management. Others also see a potential in the asset safekeeping function.

Digital, the road to success

Private Equity is continuously in the spotlight with an increasing inflow of capital to manage. The new transparency requirements from many stakeholders and the need to benchmark and generate trend analysis at many levels of the value chain are a call for digital initiatives. In an environment where management fees are under pressure, these digital initiatives are much more than simply a desire to "catch up" to their peers in the broader financial services industry. They are more likely paramount to the building of the successful Private Equity firms of tomorrow. ●

GETTING DEALS DONE

THE DEAL ACTIVITY THAT IS CARRIED OUT BY LUXEMBOURG INVESTMENT PLATFORMS IN THE PE SPACE IS AT AN ALL TIME HIGH. SOME OF THE LARGER PE SPONSORS HAVE OR ARE (INDIRECTLY) MANAGING HUNDREDS OF LUXEMBOURG COMPANIES, AND AT THE HEART OF THIS ACTIVITY ARE THE SPONSORS' LUXEMBOURG IN-HOUSE TEAMS. THE STRUCTURE, SIZE AND SHAPE OF THOSE TEAMS VARY, BUT ONE TREND IS CLEAR: MOST TEAMS ARE GROWING AND BECOMING MORE SENIOR IN PROFILE, AND THEY ARE TAKING ON AN INCREASINGLY ACTIVE AND IN MANY CASES PRO-ACTIVE ROLE ON DEALS.

By **Martin Eckel**
Oaktree Capital
Management, Luxembourg

and **Peter Myners**
Allen & Overy
Luxembourg

Preparing and executing deals

M&A volumes are up but so is the amount of capital that is available to be deployed, and there is huge competition for quality assets. Many sale processes are highly competitive, with multiple PE bidders competing alongside trade buyers right to the wire. With such fierce competition, the ability to move quickly and with certainty is key, and this often puts a spotlight on a sponsor's Luxembourg operations. An experienced, qualified, well-drilled and well-integrated Luxembourg team with strong external relationships (with advisers, notaries and banks) can make all the difference.

The Luxembourg requirements and processes are (more) straightforward where everything is kept "in-house", (i.e. the Luxembourg companies are controlled and managed directly or indirectly by the sponsor), and where only one company is to be established. However, it is common to require a chain of Luxembourg companies, (e.g. in order to shield the fund or master holding company from liability, or for borrowing or securing finance), and it is also common for a co-investment or management incentivisation plan to be structured at the Luxembourg level. These structures and their related processes give rise to additional complexity.

The new Luxembourg Companies Act allows for tracking shares, expressly permits shareholders' agreements and related undertakings and eases shareholder majority requirements, all of which make life easier when it comes to dealing with multiple shareholders. And management incentivisation plans are often structured via separate management pooling vehicles so that control of the structure and of the exit process can be assured, any dispute among the "MIP" participants as to entitlement on exit can be "ring-fenced" and there is no need to test the enforceability of drag-along or similar clauses. Nevertheless, the new law also provides for a conflicts of interest regime applicable to SARLs, for a specific exit mechanism applicable to SARLs and for shareholder majorities on a per class rather than aggregate basis in certain circumstances. Luxembourg companies with multiple shareholders require carefully

THE STRENGTH OF THE LUXEMBOURG TEAM, AND THE RESOURCES THAT THEY HAVE AT THEIR DISPOSAL, (INCLUDING TECHNOLOGY), WILL BE KEY.

calibrated documentation, and detailed planning and structuring.

The costs associated with Luxembourg structures, particularly multi-entity and multi-shareholder structures, can be significant, and sponsors will not want to incur those costs in circumstances where the deal could fall through. On the other hand, fierce competition has led to some sale processes requiring bidders to form and fully fund acquisition structures prior to the final round, and bidders voluntarily doing so in order to proactively demonstrate commitment, certainty and speed of execution.

In order to mitigate cost: (i) plain vanilla companies can be established with short form documentation which is later finalised once the deal becomes certain, or (ii) the fund or master company might enter into the transaction documentation (subject to getting comfortable with the liability risk), with subsequent novation to the relevant subsidiary once formed. The risks associated with "going light" on co-investment arrangements (for example through non-binding heads of terms) will depend on the relationship between the co-investors.

Underpinning the Luxembourg processes are the duties and potential liabilities of the Luxembourg board members. In general they owe their statutory duties to the company to which they are appointed, not to the fund above, the investors in that fund, or the sponsor, and there can be situations in which the interests of the different stakeholders diverge. Corporate interest of the company always needs to be properly identified and minuted at the meeting(s) at which an investment is approved.

During the life of the investment

Once an investment has been made, it needs to be monitored effectively. There will be regular Luxembourg board meetings with operational updates, and the monitoring will include compliance with contracts such as covenants under external finance documentation and reserved matters under shareholders' agreements, as well as the cashflow and solvency position of the company. Any upstreaming of cash needs to be properly approved and documented, and this can give rise to logistical challenges as a result of the sheer volume. The strength of the Luxembourg team, and the resources that they have at their disposal, (including technology), will be key.

Exit

At exit, the Luxembourg team will be busy on the disclosure exercise and due diligence. Close and early collaboration between the Luxembourg and other teams is required in order to prevent unwelcome surprises and to plan tactically how any due diligence issues are to be tackled as part of the deal negotiations.

Once the deal has been done, the focus turns to the upstreaming of funds and liquidation of the structure. Again, close collaboration is key. A Luxembourg liquidator will not wind up a selling company if there is a risk of claims under the sale documentation. Limitations of liability and time periods for claims need to be carefully drafted, and often alternative ways to provide comfort to a buyer (such as insurance) need to be explored.

Conclusion

The interaction between sponsors' Luxembourg and non-Luxembourg teams is crucial, as is the level of communication and integration between those teams, and this can give rise to challenges. The most successful PE sponsors are aware of these challenges, and are meeting them head on. ●

THE IMPORTANCE OF TRANSFER PRICING DOCUMENTATION IN A PRIVATE EQUITY FUND CONTEXT

By Oliver R. Hoor
Tax Partner, Head of Transfer Pricing and the German Desk with ATOZ Tax Advisers (Tax and Luxembourg)

Introduction

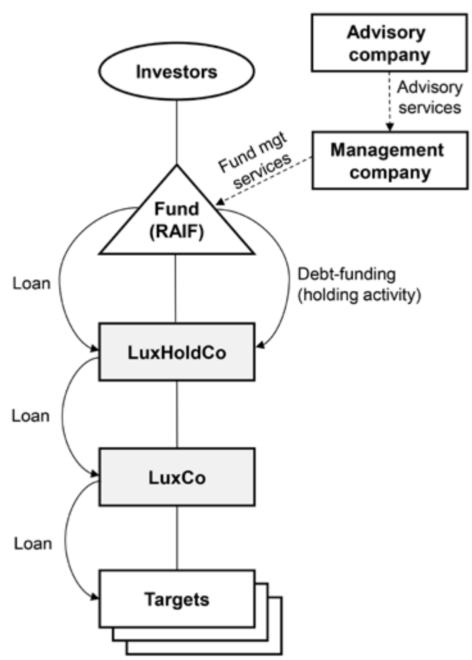
Over the last few years, transfer pricing and related documentation has become the hot topic in Luxembourg taxation in an environment that relies increasingly less on tax rulings. In the past, taxpayers viewed tax rulings as a way to provide legal certainty and to mitigate tax risks relating to investments and intra-group transactions. However, for a number of reasons this is no longer the case. This article analyses the increasing importance of transfer pricing documentation in the context of Private Equity ("PE") investments.

Intra-group Transactions in a Private Equity Fund Context

PE investments are generally structured via a Luxembourg or foreign fund vehicle and Luxembourg holding companies which are acquiring businesses.

The different entities involved generally enter into a variety of intra-group transactions such as loans, financing activities and intra-group services (fund management services, advisory services, administrative services, etc). For Luxembourg and foreign tax purposes, the conditions of these transactions have to adhere to the arm's length principle.

Transactions with third parties are by definition arm's length. Consequently, fund management fees paid by the fund to the management company are at arm's length because the investors are third parties to the asset manager. However, when services are delegated to related parties (eg advisory services), the pricing agreed again needs to adhere to the arm's length principle. Therefore, the organisation of fund manage-



ment services has to be thoroughly analysed from a transfer pricing perspective.

The Arm's Length Principle and the Risk of Transfer Pricing Adjustments

Under the arm's length principle, the controlled transactions are compared to transactions between unrelated entities under comparable circumstances to determine acceptable transfer prices. Thus, the marketplace comprising of independent entities is the benchmark for testing transfer prices and their acceptability for tax purposes.

When the conditions agreed upon by associated enterprises in their intra-group transactions are not consistent with the arm's length standard, transfer pricing adjustments might be performed in order to restate arm's length conditions. In practice, transfer pricing adjustments generally result in an increase of the taxable basis and, therefore, tax costs.

Tax adjustments may, for example, be performed to recognise a higher financing margin when the margin actually realised in relation to financing activities is below the arm's length margin. Moreover, when a fund finances the holding activities of a Luxembourg subsidiary with debt instruments, the remuneration of such instrument has to comply with the arm's length principle. Otherwise, the excessive part of the remuneration may be non-deductible for Luxembourg tax purposes and subject to Luxembourg withholding tax.

Another important topic for Luxembourg PE funds relates to the remuneration of fund management services when a Luxembourg management company delegates some of the functions to an associated foreign management company. Given the amounts at stake and the potential tax risks at the level of the Luxembourg management company, it is crucial to develop a robust transfer pricing approach in these cases.

From a foreign tax perspective, it is particularly important that the arm's length character of the interest rates charged on loans is consistent with the arm's length standard. Likewise, other charges such as service fees for which a deduction is searched in the investment jurisdiction need to be in line with market prices.

The Importance of Transfer Pricing Documentation

As a matter of principle, the arm's length character of intra-group transactions should be substantiated in sound transfer pricing documentation. Despite Luxembourg tax law not specifically requiring the preparation of transfer pricing documentation, taxpayers have a duty to co-operate with the Luxembourg tax authorities and have to evidence facts and provide information in regard to statements made in the tax returns.

When the Luxembourg tax authorities can reasonably evidence that the transfer pricing of an intra-group transaction does not adhere to the arm's length principle, it is for the taxpayer to disproof this rebuttable presumption. Another factor to be considered is that transfer prices may be reviewed several years after a transaction takes place. This makes it increasingly more difficult from a practical perspective to trace back the relevant facts and circumstances of the transaction as well as data on comparable transactions. This evidently applies pressure on Luxembourg companies to develop appropriate transfer pricing policies for risk mitigation purposes.

Best Practice Recommendations

Transfer pricing inevitably exerts pressure on taxpayers to find a balance between a comfortable level of security and the costs for the preparation of sound transfer pricing documentation. In practice, Luxembourg companies should screen major intra-group transactions in order to identify issues that could raise suspicion on the part of the tax authorities and assess the magnitude of related tax risks.

Efforts in regard to the determination and documentation of arm's length conditions should be aligned with the significance of the intra-group transaction. It is further important that transfer pricing policies are not disregarded after their implementation. This includes the principle that transfer pricing documentation should be regularly reviewed and updated to reflect the actual fact pattern.

Ultimately, transfer pricing documentation has become a key element in tax risk management. Its role will only increase in the years to come. In the current international tax environment of heightened transparency and scrutiny, PE funds would be wise to take it one step further and to integrate the documentation of transfer prices into their wider tax strategy, using this as a means of reflecting the business rationale behind their investment structure and intra-group transactions. ●

RETHINKING GOVERNANCE

By **Benjamin Gauthier**
Partner, Risk Management, Financial Services Consulting, PwC Luxembourg

and **Prasanta Mandal**
Advisory Manager, PwC Luxembourg

THE OLD OPERATING MODELS ARE BEING SERIOUSLY CHALLENGED.

Is the past PE governance model sustainable in the current business environment?

Private Equity has been a strong performing alternative asset class during the last decade with investors in search of yield. The recent fundraisings undertaken in record time attest to this statement.

However, this industry has undergone systemic changes mostly through the supervision of the financial regulators and tax authorities and primarily through the Alternative Investment Fund Managers Directive ("AIFMD") and the OECD's Base Erosion and Profit Shifting package ("BEPS") and the EU Anti-Tax Avoidance Directive ("ATAD"), challenging the operational substance requirements.

How have these changes impacted the industry?

A controlled and harmonised framework for the alternative asset management industry is a positive outcome from a regulatory and tax administration point of view. However, this sentiment may not necessarily be shared by the market players, as they are the ones who have to deal with the operational realities.

One of the benefits of complying with AIFMD is that it has allowed players access to the European market through the passport. The last couple of years have demonstrated that it has become increasingly difficult to market funds using the National Private Placement Regimes ("NPPR"). NPPR also significantly slows down the time to market for new funds and this is not attractive for players in a bullish fundraising environment.

For most of the players, complying with AIFMD meant a significant change in the operations. Portfolio Management and/or Risk Management functions are not necessarily new to the industry, but having them performed by the regulated AIFM led to a certain degree of confusion and a change in the business conduct for the managers. Furthermore, it is imperative to have the proper involvement of the AIFM portfolio manager and risk manager in the investment cycle as a strong requirement to duly meet the operational substance expectations set by the ESMA.

A similar analogy can be observed on the tax side under the substance-focused part of the OECD BEPS and EU ATAD rules. The key message is that it is imperative to show involvement of the holding directors and employees through the transaction cycle and lifetime of an investment.

On the transfer pricing side, we also have to consider the new credit risk management assessment on the SPV to assess their capacity to face potential bad evolution of the creditworthiness of the entities financed.

It is fair to say that the information available in this industry is overwhelming; however, there is a lack of consensus and standardisation on what it means for the different players in the immediate short term or when building a sustainable business model.

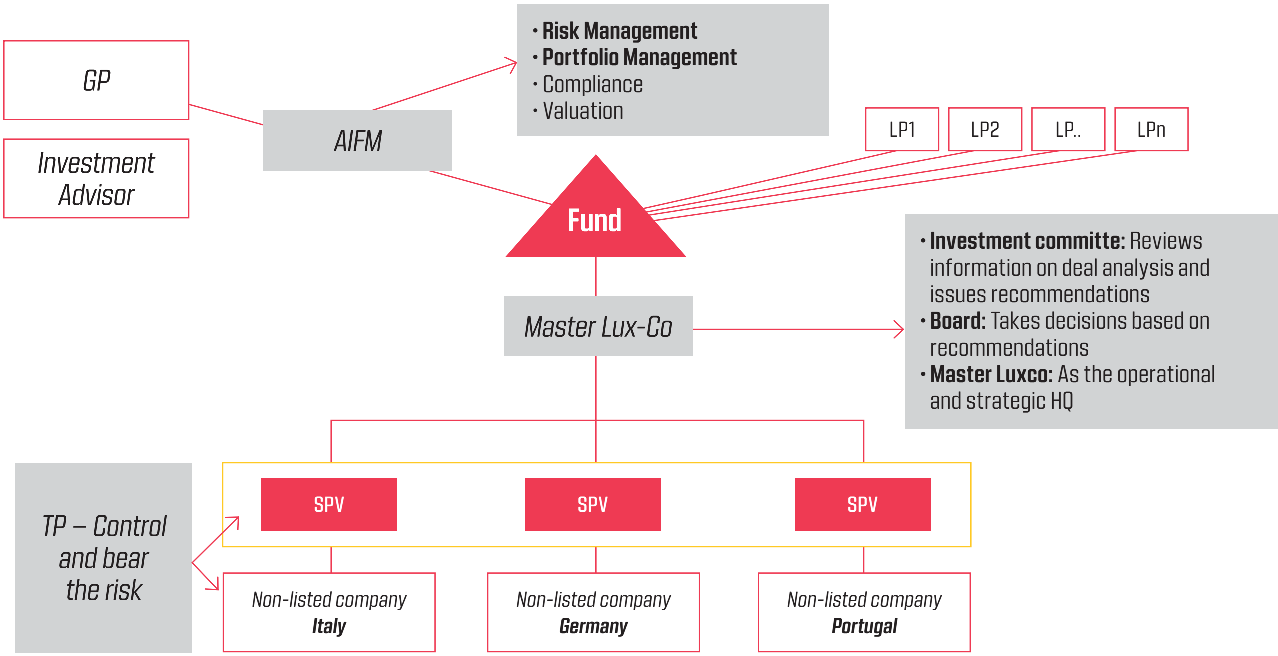
Adding further to the confusion is a lack of alignment when it comes to the local interpretation and expectations from the different tax administrations across Europe.

As such, even though globally the PE industry is doing well in terms of capacity to raise money and deliver performance, the old operating models are being seriously challenged and there is a need to adapt to these changes in the regulatory and tax environment. In addition to adapting to new operating models, other challenges have also arisen vis-à-vis finding the skilled persons who are knowledgeable in the PE business and familiar with the ongoing changes in the regulatory and tax world. Based on the feedback we collected during our recent meetings most of the market players are struggling to align on how to modify their internal set-up to meet these new requirements.

Any reasonable exit door? If not, how to take the benefit of that new environment?

Let's be clear, these changes cannot be avoided. However, it does not mean

Three new layers of controls with overlaps



that the existing models need to be completely changed and that entire teams need to move from one country to another.

Admittedly, however, it is probably time to go back to the drawing board. This is potentially a good opportunity to rethink, reinforce and streamline the existing processes.

First, the responsibilities of the GP, Investment team, AIFM, SPV and Masterholdco Boards must be clearly defined and properly split. This exercise may sound easy at first but, in reality, it can be quite daunting given the internal set-up and the existing relationship with the various third parties. The main reason being that, usually, the vehicles have been set up separately and for different purposes. Here they need to work together in a streamlined way with the right levels of review and controls at each level. Proper and adequate documentation is the key arrow in the quiver needed in the event of an audit performed by the financial regulator or the local or foreign tax administrator, which will facilitate demonstration that the work has been performed as defined in the procedures. The good news is that there are several excellent tools and solutions now available to facilitate the design, monitoring and documentation of such processes.

What is the risk of not meeting these requirements?

If we talk about not meeting the requirements of AIFMD, the risks are of different types. Some of the risks might be perceived to be of limited impact (e.g. remarks provided by the Regulator with some time to upgrade and meet the standards). Some might be very material ones (e.g. on-boarding capacities blocked for a defined period of time, and publication of names with potential impact on the reputation to loss of licence).

On the tax side, fines and/or rejection of double tax treaty benefits are examples of what could be part of the bill that will diminish the returns to the LPs. Reputation is key in this industry and having the name dragged through litigations over a long period may harm the ability to raise future funds. As tax litigations may take a considerable amount of time, any tax claims will delay liquidation of Funds and distribution of proceeds to the LPs.

Any positive conclusion?

In summary, understanding how the changing regulatory and tax environment is impacting your business is the first step. Fund managers who ignore the growing wave of changes are at risk of potentially being at the receiving end of unpleasant and costly tax challenges and disputes, thereby impacting their reputation. In order to prepare for the future, it is imperative for PE managers to embrace this momentous opportunity to redesign operations while continuing to do what they do best – invest in real economy while continuing to deliver returns to the investors.

However, these changes also present a momentous opportunity to design your operations for a sustainable and successful business, making Luxembourg the heart of your operations. ●

PRIVATE EQUITY AND VC IN SPAIN, EN EL BUEN CAMINO

© DR

THE PE AND VC INDUSTRY HAS DEVELOPED PHENOMENALLY IN SPAIN SINCE WE OFFICIALLY LEFT THE RECESSION IN 2014.

By Miguel Zurita
Chairman ASCRI, Spanish PE and VC association
Managing Partner and CO-CIO, Altamar Capital Partners

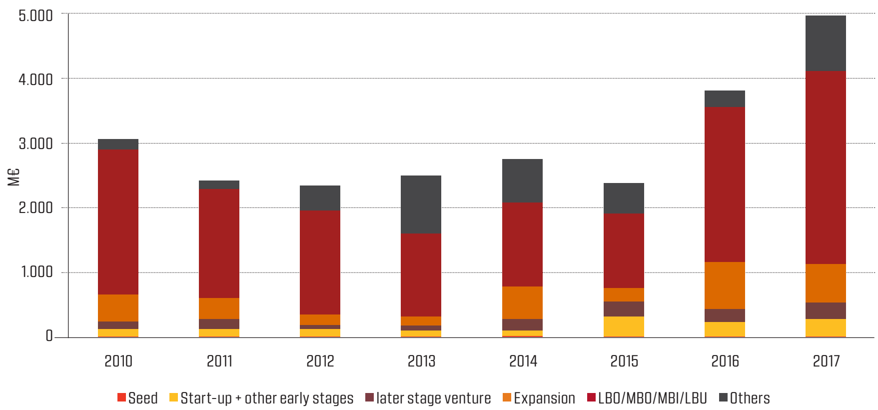
PE and VC investment peaked in 2017 with a record of €5 billion of investment and for the first time the ratio of PE and VC investment as a percentage of GDP reached the average of the EU.

This record was achieved on the back of good figures across market segments; strong interest from international PE firms investing mainly in the larger transactions, a growing mid market and a vibrant VC ecosystem. The macro situation has certainly helped, with Spain growing well above the EU average, as well as a healthy banking system and a reformed labour market. But beyond this, there is an attractive corporate landscape of strong survivors from the global financial crisis, which in Spain meant five years of consecutive GDP declines, that innovate in their industries and have expanded beyond the domestic market. The PE and VC industry is raising awareness of a new generation of young companies both in traditional industries and in the technology and life sciences space, that expand the investment opportunity beyond traditional family owned businesses.

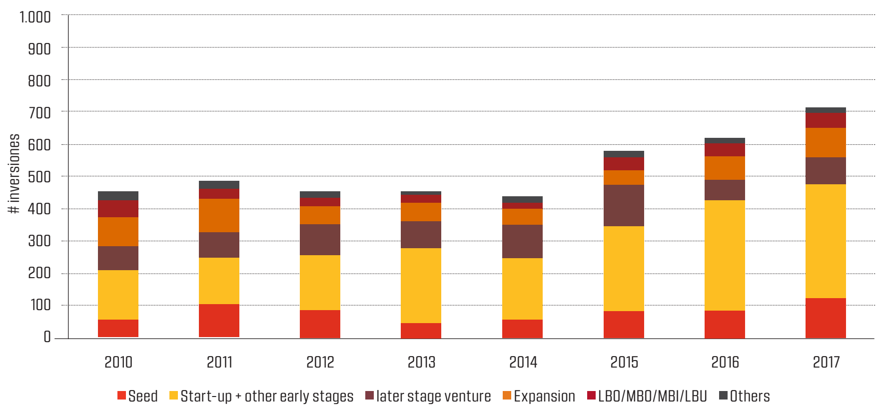
Supply driving demand

Additionally, the number and variety of players have also grown, sustaining a healthy level of competition. In addition to traditional local middle market funds that continue to attract interest from international investors, we have seen some of them consolidating strong track records in the special situations space, fund of funds with world class performance educating the still small institutional investors universe, VC funds consolidating on

Deal Volume Evolution



Number of Deals Evolution



the back of amazing success stories, credit funds becoming a true financing alternative, emerging local real assets managers, all the way to business angel investors fostering an entrepreneurial culture. Given the still low penetration of PE and VC in Spain, we are in a situation where increased supply is driving up demand, generating new opportunities.

Impacting the Spanish economy

ASCRI as the industry association is making an effort to disseminate the contribution of the industry beyond the fact that it has become a relevant part of the economy. It has recently published an impact study that evidences how, even through the difficult years, middle market companies backed by private equity firms grow more, invest more, improve their profitability more and create more jobs than the rest. A similar research study on VC is about to be published. PE and VC are recognised as a driving force changing businesses for the good. The Spanish corporate landscape remains fragmented and the average size of companies is below that of their European peers. This remains an opportunity and a challenge as well. Our economy is traditionally dependent on bank financing, to the extent that even Cajas de Ahorros were large providers of growth equity. Businesses today still require an alternative source of financing that our industry can provide.

The search for Spanish investors

Still, we need to produce further evidence of the benefits of PE and VC as a source of returns for pension funds, insurance companies etc. Spain´s institutional investment universe remains comparatively small, while the public pension fund system remains under strong pressure, as it is across the developed world, given the unstoppable demographic trends. Further developing long-term pools of capital is a must for Spain and alternative markets are a key to sizeable long-term returns.

We expect that this evidence will help us to convince the regulator to remove certain barriers and improve regulation that currently does not contribute to the development of the industry. Certain aspects such as taxation of carried interest, flexibility of investment vehicles, taxation of options awarded to management in emerging companies, or restrictions to investment in PE and VC by institutional investors, need to be reformed.

"En el buen camino"

As the title says, we are "En el buen camino", on the right track. Prospects continue to be good, the first half of 2018's figures reflect the second best semester ever and there are already a number of transactions not yet recorded on all fronts, new investments, exits and fundraisings, that allow as to comfortably say that 2018 will again be a good year. There are obviously some clouds on the horizon, mostly coming from political risks in Spain, but this is no different from the rest of the world. In fact, the industry has performed very well despite having had three different governments in the last two years and a serious political conflict in Cataluña. With respect to Spain, this must be very close to a record in terms of instability. In the meantime, we remain focused on delivering strong returns to our investors, generated in a responsible and sustainable way, and executing value enhancing change in our companies. ●

LETZLIVE

FLASH INTERVIEW

DE TIGER CAPITAL

First name Joyce

Last name Shen

Job title Managing Partner Europe

Company De Tiger Capital

City and country of origin Shanghai, PRC

In Luxembourg since November 2016

Three reasons to live in Luxembourg
1. international atmosphere, one can even survive quite well only speaking English and Chinese;
2. quality of life is very good, greenery and clear air;
3. safety, kids can be more independent doing their own things.

Best tourist attraction – Moselle river and its surrounding vineyards.

Surprising Luxembourg... Traffic jams in the morning and afternoon peak time. Coming from the traffic jams of Beijing and Shanghai, I did not expect to have congestion here in Luxembourg with only 600,000 inhabitants.

© DR

BICYCLE TOUR THROUGH THE MOSELLE AND RHINE VALLEYS

SUMMER IS THE IDEAL TIME FOR TAKING YOUR BIKE OUT AND GOING FOR A TOUR – AND THIS IS WHAT "BIKE-PACKERS" DUSAN GLADOVIC, LEGAL AND REGULATORY MANAGER OF LPEA, AND HIS FRIEND JONATHON TABET (EIB) DID... FOR AN ENTIRE WEEK. IN THE MIDDLE OF THIS YEAR'S HEATWAVE.

It took a little convincing from Jonathon, but Dusan finally agreed to what ended up being one week of unique summer holidays – a 500 km bike tour from Luxembourg via Koblenz to Heidelberg. The adventure started out on a Monday morning in Luxembourg City (just in front of the LPEA office) and leg power took the two bike-packing beginners first to Trier. The trip continued through many picturesque and quaint little villages along the Moselle – the sort of places that one would typically not visit by car, train or bus unless one has family or friends there. From Koblenz, the city where the Moselle and Rhine rivers meet at the so-called German Corner, the biking trip continued southward along the Rhine river, in Germany's famed Middle-Rhine valley. A bike tour is an excellent way of getting to know a region, spending time in nature and enjoying dramatic landscapes.


Cochem


Moselle's vineyards

Moselle river


The cyclists Jonathon Tabet (EIB) and Dusan Gladovic (LPEA) with Carmen von Nell-Breuning (EY) in her family's winnery in Kasel.

Germany has a great infrastructure for bike travellers – a nearly seamless network of bike roads in some of the most beautiful regions such as the Moselle wine region or the Middle-Rhine valley, known and appreciated by many tourists. Along these bike roads, travellers will frequently find neat inns that serve a Radler (beer-lemonade mix that literally translates as "bicyclist") and light snacks. There are of course plenty of camping sites along the two rivers where you can put up your tent for a small fee – or, if you are not much of a camper, you can of course just head to a hotel.

The daily distance averaged 80 km, not counting meandering within cities. This may seem like a big distance for beginners; however, if you avoid going uphill, and keep on motivating yourself, it can indeed be achieved. ●

The cities visited along the trip include: Mertert, Trier, Kasel, Schweich, Bernkastel-Kues, Cochem, Koblenz, St. Goarshausen, Bingen, Mainz, Worms, Mannheim, Weinheim and Heidelberg.

PHOTO GALLERY

Pre-Insights: Impact Investing with Hedda Pahlson-Moller (Tiime), Clément Chenost (The Moringa Partnership), Corinne Molitor (International Climate Finance Accelerator), Lionel Cormier (Demeter) and Jérôme Wittamer (Expon Capital and President of LPEA) (21/03/2018)

LPEA Roadshowin Boston (17/05/2018)

LPEA Board elected 2018-2020 (3/07/2018)

Young PE Leaders after work drinks. Pictured: Anca Lungu-Negoita (EY) and Dusan Gladovic (LPEA) (31/05/2018)

Presentation of the Private Equity sector to the students of the Luxembourg School of Finance (8/02/2018)

GP Club "Summer" Meeting (17/07/2018)

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LPEA Roadshow in Berlin (21/06/2018)

Michael Jackson (Mangrove), speaking at the Pre-Insights conference on Initial Coin Offerings (19/02/2018)

Private Equity panel in London's ALFI Conference. With Georg Bucher (Kalrock), Neil Synnott (SGG Group), Stephen Roberts (Davy Investment Fund Services), Olivier Coekelbergs (EY Luxembourg), Sandra Legrand (AlterDomus), Christopher Dearie (MJ Hudson), Marc Meyers (Loyens & Loeff) and Rajaa Mekouar-Schneider (LPEA)

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LPEA AGM with Joy Zhou (Bank of China), Andrea Montresori (PwC), Valérie Tixier (PwC), Charles Houillon (Vistra Fund Management), Lucienne Andring (Banque de Luxembourg) and Anthony Lorrain (OneLife) (7/05/2018)

RECIPE BY ANTHONY PÉAN

The Chef who awakens the senses

Anthony Péan is one of those chefs who has not lost his enthusiasm for his job.

An instinctive cuisine that combines the classics of gastronomy with the best products on the market.

To him, cooking involves more than just following a recipe. He sharpened his knives alongside the greatest chefs and in the most prestigious establishments. He can certainly be proud of having been trained in 1986 by Charles Barrier in Tours – Relais & Château**MICHELIN, and subsequently joining famous Chef Joël Robuchon ***MICHELIN in 1991.

After completing his training, he made a quick jump to Luxembourg before travelling to London, Berlin, Amsterdam and Luanda and returning once again to Luxembourg.

His journeys awoke his talent and he received many awards: "Best restaurant in Luxembourg" given by Henri GAULT in 2000 with a mark of 16/20 Gault & Millau Europe, "Favourite" in 2001 – 16/20 – guide Gault & Millau Benelux, and "Tomorrow's Greatest" in 2002 with a mark of 16/20 – Guide Gault & Millau.

Between 2008 and 2011, Anthony managed the kitchen staff at the Hotel & Resorts le Royal***** in Luxembourg. His path took him away from palace cuisine towards the furnaces of the Edmond de Rothschild Bank (Europe).

Anthony wants to share a more intimate cuisine infused with authenticity, values and innovation, which are the foundations of his discipline aimed at sublimating the best products found on the market. This bon vivant golfing enthusiast offers a creative, gourmet and happy cuisine. ●

EGGPLANT STUFFED WITH CHANTERELLES AND CRAB

Four servings
45min preparation
+ 10min cooking time

2 eggplants
200g chanterelles
2 beef tomatoes
50g Parmesan shavings
1 clove of garlic
1 shallot
1 bunch of basil
1 bunch chopped parsley
olive oil
salt
black pepper
1 box of watercress
1 box of Shiso leaves green

Cut the eggplants in half, cross-hatch the flesh with the tip of a knife, add salt and then pan-fry in olive oil.

Clean and pan-fry the chanterelles, then season them.

Remove the pips from the beef tomatoes and dice them.

Crush the clove of garlic, chop the shallot, basil and parsley and add the Parmesan shavings.

Mix it all up in a salad bowl, add a dash of salt, black pepper, olive oil and 1 sachet of flaked crab.

Stuff the eggplants with the mixture.

Cook in the oven at 200°C for approximately 10 minutes.

Decorate the plates with watercress (Hippo Tops), Shiso leaves green and a "pistou" of basil, garlic and olive oil sauce.

UPCOMING EVENTS

PRIVATE EQUITY

LPEA ROADSHOW IN PARIS
25 September
Cercle National des Armées

ALFI & LPEA PRIVATE EQUITY ROADSHOW IN NEW YORK
10 October
The Roosevelt Hotel

BLOOMBERG INVESTMENT SUMMIT
11 October
Chamber of Commerce

LPEA BREAKFAST IN LONDON
17 October
National Gallery

FUNDARISING IN CHINA FOR YOUR LUXEMBOURG VEHICLE
19 October
Banque de Luxembourg
Co-organised by LPEA and ChinaLux

EBAN WINTER SUMMIT
22-23 October
BGL BNP Paribas

ALFI PERE CONFERENCE
20-21 November
European Convention Center

PRIVATE EQUITY EXCHANGE AND AWARDS
21 November
Paris

LPEA ROADSHOW IN FRANKFURT
5 December
Literaturhaus

LPEA BREAKFAST IN MUNICH
14 December
Literaturhaus

IPEM
22-24 January
Cannes

LPEA NEW YEAR'S EVENT
28 January
Luxembourg

OTHER EVENTS IN LUXEMBOURG

Anno 1900-Steampunk Convention
29 September
Pétange

ING Route du Vin
30 September
Remich

Photography: Jeff Wall
5 October – 6 January
Mudam

Atlântico Music Festival
5-14 October
Philharmonie

BGL BNP Paribas Luxembourg Open
13-20 October
Luxembourg City

Night of the Museums
13 October
Luxembourg City

Kylie Minogue
6 November
Rockhal

Design: LX Portfolio night
8 November
Rotondes

Katie Melua
23 November
Rockhal

Sydney Symphony Orchestra
7 December
Philharmonie

International Motor Show Luxembourg
14-16 December
LuxExpo The Box

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 175 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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President
Kharis Capital

Olivier Coekelbergs
Vice President
EY Luxembourg

Emanuela Brero
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CVC Capital Partners

Serge Weyland
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Andrea Montresori (PricewaterhouseCoopers)

YOUNG PRIVATY EQUITY LEADERS
Dušan Gladović (LPEA)

LPEA TEAM

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