PRIVATE EQUITY

INSIGHT/OUT

NORBERT BECKER

SERIAL ENTREPRENEUR AND INVESTOR IN PRIVATE EQUITY

#MADEINLUXEMBOURG

Interview with Pierre Gramegna	Placement Agents' Predictions	LëtzLive in Luxembourg

Issue 13, 2019

CONTENT

DEAR READER,

Norbert Becker is a well-recognised entrepreneur from Luxembourg but also the head of one of the many family offices increasingly exposed to private equity. With this edition we try to reflect the double trend underpinning the ever-expanding reach of Private Equity, namely the diversification of the asset class' investor base on the back of long-term outperformance and the growth of substance-rich investment firms in Luxembourg - which OECD and EU regulatory pressure forces.

SFOs are very heterogeneous in size, nature and structure but they all steadily increase their exposure to PE and welcome club deals amongst themselves. LPEA counts some 20 SFO members, representing 12 nationalities and a handful of Luxembourgish families, which is important to build bridges between local and international investors. That is why the LPEA successfully launched a dedicated group to Single Family Offices (SFO) operating from Luxembourg. The group's agenda includes theme-based events and networking opportunities, with the aim to remain atop the trends in our sector across the value chain while facilitating deal sourcing and best practice sharing. LPEA's priority going forward is indeed to enhance its effectiveness by creating more and more tailor-made content to answer the needs of specific sub-groups of members.

As such, LPEA plays its key role of "connector" for PE stakeholders, with the aim to contributing to Luxembourg's success as a PE hub, as per our motto of "matching talent and capital". Watch this space and read all about it in our magazine!

Rajaa Mekouar-Schneider
Chairwoman,
Luxembourg Private Equity
& Venture Capital Association

Paul Junck
Managing Director,
Luxembourg Private Equity
& Venture Capital Association

THE MAGAZINE OF THE LUXEMBOURG PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION
Editors: Luís Galveias, Sophie Martinot, Carmen von Nell-Breuning, Juanping Li / **Contributors:** Joachim Bailly, Arnaud Bon, Olivier Coekelbergs, Thijs van Dongen, Oliver R. Hoor, Gabrielle Jaminon , Sylwester Janik, Martin Jasinski, Paul Junck, Michel Lambion, Rajaa Mekouar-Schneider, Carmen von Nell-Breuning, Dee Ruddy, Nick Tabone, Cédric Tussiot / **Conception & coordination:** 360Crossmedia relations@360Crossmedia.com - 35 68 77 / **Artistic Director:** 360Crossmedia/F.W. / **Cover photo:** © 360crossmedia/ce

EXPON I: A VC FUND ON A MISSION

Expon Capital announced the launch of its flagship fund: Expon I. After raising EUR 45 million, the fund is now ready to back ground-breaking ideas from Europe, North America, and Israel. "Expon I supports entrepreneurs who are creating technologies that truly benefit people" shared Jérôme Wittamer, Managing Partner of Expon Capital. "We are thrilled to announce that it is officially in action."

"We are targeting extraordinary teams that can leverage technology for a positive impact, driving massive and sustainable value creation while solving some of the world's biggest problems." added Rodrigo Sepúlveda Schulz, also Managing Partner of Luxembourg-based Expon Capital.

The partners seek to find technology solutions that address the challenges in education, energy, environment, food, water, equality, and 11 other areas identified by the UN in its 2030 Sustainable Development Goals. While some would call its approach idealistic, Expon Capital considers it the most profitable, not to mention sustainable, path forward.

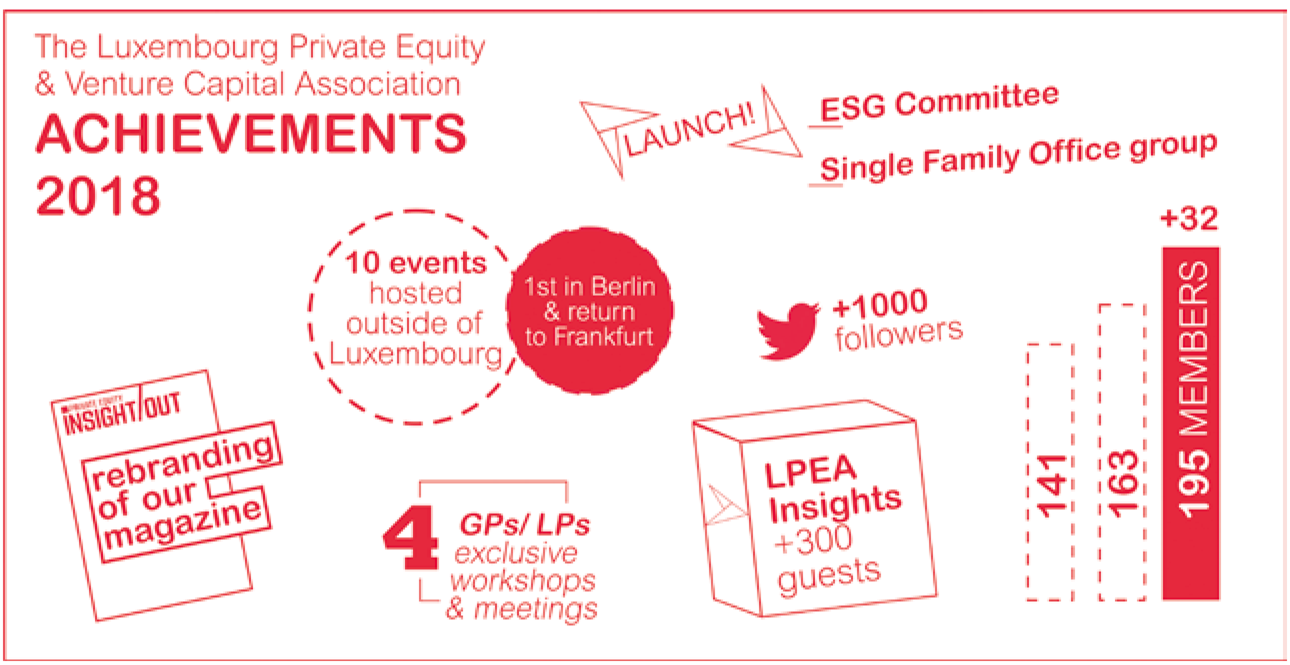
"Contrary to popular belief, ideals, super high growth, and profitability are not mutually exclusive. We want to both better the world and generate massive financial value" Wittamer explained. "We are leading this new trend that combines making money with doing good and we are demonstrating its power. We're investing in companies that use technology to serve humanity & the planet." ●

DIGITAL TECH FUND INVESTS IN PASSBOLT AND SALONKEE

2019 Starts with two new investments by the Luxembourg public-private Digital Tech Fund (DTF) in the start-ups Passbolt and Salonkee.

The investment in Passbolt was made side by side with two business angel networks BeAngels (Belgium) and Yeast (France). In total the start-up raised EUR 460.000 in this second round of funding. A first round had already taken place in 2017 in the amount of EUR 210.000 following the start-up's participation in the Fit 4 Start programme. Passbolt has developed a solution for sharing passwords between employees. This aims not only to close the security gaps created by these practices, but also to improve competitiveness, particularly in the ICT sector. After more than a year of testing its solution with a community of users, Passbolt launched its commercial offer in spring 2018 and counts today 30,000 users, including some major names from the automotive industry.

The other investment, Salonkee, closed a round of funding totalling EUR1 million led by the DTF with other private investors. Also graduated in the Fit 4 Start programme, the start-up launched in March 2017 and quickly became Luxembourg's go to platform to book hair, beauty, and wellness appointments online. Over time Salonkee grew beyond the simple online bookings platform to a full-fledged salon management solution.




How can you become the architect of your future private equity platform?
Find out how the best private equity connected team help you thrive in the Transformative Age.
ey.com/private-equity
#BetterQuestions
© 2019 Ernst & Young S.A. All Rights Reserved.
The better the question. The better the answer.
The better the world works.
EY
Building a better working world

FUNDRAISING FOR YOUR LUXEMBOURG VEHICLE IN CHINA

© DR

Christian Heinen (SGG Luxembourg) and Wang Xiaozhu (China Merchants Bank) speaking at the "Fundraising for Your Luxembourg Vehicle in China" event co-organised by LPEA and ChinaLux.

LPEA, in partnership with ChinaLux association, organised their second joint event in October 2016 in Luxembourg. The session contributed for a better understanding of the fund raising process for private equity funds in China and included first person testimonials by Joyce MinYing Shen (De Tiger Company) and Yang Chuanjin (China-CEE Investment Co-operation Fund).

China is the most popular destination for investments of private equity in Asia, concentrating two-thirds of the total investment funds received in the continent. During 2017, the total Private Equity AuM in China reached USD 1.6 trillion and continues in solid growth. The Chinese regulator is tightening supervision, emphasizing systemic risk control as well as opening up the investments schemes to liberalising a more safe and stable financial market.

As presented by Yin Ge from HanKun Law Offices, in regards to raising capital from China, apart from "Mutual Recognition of Funds" and "Onshore marketing-Mainland vs Hong Kong", QDII (Qualified Domestic Institution Investor) and RQDII (Renminbi Qualified Domestic Institutional Investors) together with QDLP Qualified Domestic Limited Partner) and QDIE (Qualified Domestic Investment Enterprise) are becoming promising.

In May 2018, the People's Bank of China announced it will resume the once-suspended RQDII regime. The announcement came one month after China resumed the QDII scheme, which has been on hold since 2015. The State Administration of Foreign Exchange said on April 2018 that it has widened the quotas of QDLP and QDIE, two outbound investment schemes in Shanghai and Shenzhen with the aim of liberalizing the financial market.

The seminar also addressed that the success of a cross-border investment fund relies on taking into consideration tax, legal, compliance and regulation aspects but also cultural differences. ●

INVEST EUROPE
THE VOICE OF PRIVATE CAPITAL
VENTURE CAPITAL
PRIVATE EQUITY
INFRASTRUCTURE
LONG TERM INVESTORS

LUXEMBOURG REPRESENTATION IN INVEST EUROPE

Gilles Dusemon

Patrick Mischo

Luxembourg reinforced its representation at the level of Invest Europe, the European trade association representing private equity and venture capital firms. Gilles Dusemon, Executive Committee member of LPEA and Partner of Arendt & Medernach was nominated Chair of the new Legal and Regulatory Committee and Patrick Mischo, Board Member of LPEA and Partner of Allen & Overy was selected as member of the new Tax Committee of the European body.

LPEA EXPANDS ITS REACH TO FAMILY OFFICES

LPEA has recently launched a new group dedicated to investment offices of private families, often referred to as Single Family Offices (SFOs). This new development marks the advent of Luxembourg's financial hub as a top location for large international families who choose to domicile their investment structures and teams in an onshore EU jurisdiction. The group aims at furthering ties between like-minded SFOs with dedicated events, and allowing them to take full advantage of LPEA's expertise in Private Equity, which represents an ever increasing share of their portfolio allocation.

By the end of 2018, LPEA counts close to 20 such members, a mix of local and international investment families, and expects this number to keep growing steadily.

LAUNCH OF THE ESG COMMITTEE FOR ADOPTION OF BEST PRACTICES

Co-Chairs of the ESG committee

Anne Canel
HLD Associés Europe

Oriane Schoonbroodt
LABEL-R

In the last decade, responsible investment has been one of the fastest evolving, and yet the most pressing issue in the financial sphere. Along the lines of the Principles for Responsible Investment (PRI), the European Commission action plan for financing sustainable growth made non-financial reporting an essential part of PE and VC activities.
In this sense, LPEA launched in November 2018 an ESG Committee aiming to raise awareness and facilitate responsible investment practices among Luxembourg based capital investment actors. The main objectives of the committee are to develop widely accepted reporting tools and to give the opportunity to LPEA members to agree on a common approach for their respective ESG strategies. The first meeting demonstrated a clear interest from GPs, LPs and PE/VC service providers. In short, the members identified urging needs for clear reporting guidelines and guidance on their ESG strategies based on European best practices.
The LPEA committee will aim to keep up to the ESG strategies put in place by financial associations such as Invest Europe or France Invest. In order to do so, the co-chairs, LABEL-R founder Oriane Schoonbroodt and HLD Associés Europe managing director Anne Canel will invite key actors, either GPs, LPs, financers or regulators at the table to present the current key challenges and opportunities laying ahead of ESG strategy implementation.
LPEA ESG committee is convinced that the Luxembourg financial environment offers a unique possibility to develop innovative responsible investment practices that will without doubt lead to significant market opportunities in the near future. ●

PE4W: GROW IN DIVERSITY

The LPEA is launching the group Private Equity For Women (PE4W) to strengthen women participation in the private equity sector. As women remain largely underrepresented in PE firms today – Luxembourg not being an exception, LPEA will bring together a mixed group of both women and men to deploy an agenda towards the integration of more women in key roles. Manon Aubry (RSM) and Nicolas Gauzès (Linklaters) are the coordinators of this new initiative.

START-UPS SPEAK FOR ONE VOICE

With a fast-growing community of start-ups and a multitude of organisations and institutions to deal with, the entrepreneurs of the Grand Duchy united to under one voice to defend entrepreneurs' interests.
The newly created Fédération Luxembourgeoise des Startups (FLSU) will be member-driven, with future actions decided by feedback from polls and surveys.
The non-profit organisation was launched by Luxfactory president Jérôme Grandidier with the support of the Chamber of Commerce and the House of Entrepreneurship. The founder expects the federation to represent up to 150 start-ups in the near future.

More information in www.flsu.org

PRIVATE EQUITY TRAINING IN LUXEMBOURG

While the private equity sector has steadily been attracting more management firms to Luxembourg and leading to the creation and growth of many services that support the industry, many people say the availability of talents hasn't caught up yet. One of the solutions for the scarcity of resources may be to attract new talents from abroad. However, many firms are preferring to provide private equity training to their staff, recruiting therefore from a wider pool of finance professionals already established in Luxembourg but unexperienced in the alternatives sector.

In the latest couple of years more organisations started to provide private equity-related training. Below, a summary of some of the Private Equity-dedicated trainings taking place in Luxembourg in the first half of 2019:

Date	Language	Training	Provider
Annual programme	EN	Private Equity Certificate	Sacred Heart University Luxembourg
Annual programme	EN	Executive Programme in Wealth Management/ Global Investment Solutions:	University of Luxembourg
14 Feb. – 1 March	FR	Private Equity	IFE
26 February	EN	The importance of substance and transfer pricing in the post-BEPS era	ILA
26 February	EN	Private Equity - Fundamentals of the Roles and Responsibilities of PE Professionals	House of Training
28 February	EN	PE/RE Fund Structuring: the must-know and the must-haves	Arendt & Medernach
28 February	FR	Comment rester compétitif dans le secteur du Private Equity en 2019 ?	IFE
12 March	EN	Private Equity Everywhere	Maison Moderne/ LPEA
20 March	EN	AIFM in Luxembourg	Arendt & Medernach
21 March	EN	Fund Structuring	Invest Europe[1]
25 March	EN	Private Equity Valuation	PwC Academy
5 April	EN	The Luxembourg limited partnership regimes in practice	Arendt & Medernach
23 April	EN	Private Equity - Mastering the Specificities of PE Fund Accounting and Reporting	House of Training
6 May	FR	IFRS & Private Equity	IFE
9 May	EN	Navigating through AIFMD	Arendt & Medernach
16 May	EN	Private Equity Fundamentals	House of Training
5-6 June	FR	Les fonds d'investissement spécialisés (FIS)	IFE
6 June	EN	Private Equity Valuation	PwC Academy
19 June	FR	Maitriser la pratique du RAIF/FIAR	IFE

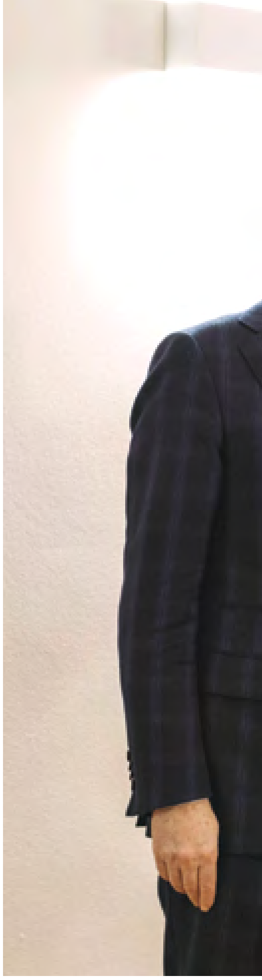
Notes : Some of the above trainings are provided on demand.

Although LPEA doesn't have a structured training programme, it does provide specialised workshops tailored to the needs of investors and fund managers. These "GP Workshops", exclusive to members of LPEA, verse on Risk Management, Data Protection, clarification of regulatory aspects but also on ESG or the use of technology among many other subjects proposed by the association's committees or requested from members directly. ●

1. Invest Europe offers a wider range of Private Equity training programmes in Brussels and in other cities across Europe.

PIERRE GRAMEGNA

LUXEMBOURG HAS SUCCEEDED TO ATTRACT PE BUSINESS



LPEA'S CHAIRWOMAN RAJAA MEKOUAR-SCHNEIDER AND MANAGING DIRECTOR PAUL JUNCK SPOKE WITH LUXEMBOURG'S FINANCE MINISTER PIERRE GRAMEGNA, ONE MONTH AFTER HIS APPOINTMENT FOR A SECOND TERM IN THE OFFICE.

Mr. Gramegna argues that Britain's decision to leave the EU has prompted an inflow of Private Equity firms to Luxembourg, a measure of the success of the government's efforts to maintain the country's attractiveness. The re-elected coalition is also ready to act, Gramegna says, to ensure that firms are not penalised by EU legislation that leads to a broadening of the tax base.

How would you assess the current political and economic situation in Europe and worldwide?

The economic situation is marked by a slowdown in growth and developments such as the Brexit and implications of a trade conflict between China and the US. Obviously, these developments warrant caution and entail some negative implications that we should take into account, but this needs to be put in perspective. At any time, negative elements will always be part of the mix. I don't think that at this juncture one can say that they will lead to a recession. They are likely to lead to slower growth, what one might call a technical slowdown, but right now I would not describe this as threatening. Growth was 2% for the EU last year and this year it will be around 1.5%. Last year we saw growth in all EU countries for the first time ever and this year will probably be the same. So, let's not exaggerate its importance or allow it to undermine growth and confidence. What really drives the economy is primarily international trade, and while there may be a slight trade slowdown, it will be limited, and the second key factor, confidence, remains quite good for now.

How do you see the impact of Brexit in general and for Luxembourg in particular? What can Luxembourg offer the fund management industry in the current uncertainty?

It is important to look back on what happened on June 23, 2016, when the UK voted to leave the European Union. We have to respect that decision, although we knew it would be bad for Europe and very bad for the UK. Two-and-a-half years later we have realised that the economic and political consequences are even worse than we imagined for the UK and just as bad as we originally thought for Europe. In Luxembourg, we have advocated from the start that we should not punish the UK for its decision, nor should we burn our bridges with Britain. In fact, Luxembourg has been extremely successful in attracting private equity firms, asset managers, insurance companies and fintech start-ups as a result of Brexit – a total of almost 50 companies, which represents a short-term benefit for the country. But in the medium and long term, we will lose important financial partners, and the City of London, the world's largest financial centre, will no longer be within the EU but outside. It's a mixed picture, but we should not overdramatise. By opening a subsidiary within the EU single market, a company located in the UK can use passporting rules to access 500 million consumers,

> WE ARE CONFIDENT THAT WE OFFER A RELATIVELY FAVOURABLE REGIME FOR PRIVATE EQUITY INVESTMENTS.
>
> Pierre Gramegna

© 360Crossmedia/B.B.

LUXEMBOURG HAS BEEN EXTREMELY SUCCESSFUL IN ATTRACTING PRIVATE EQUITY FIRMS, ASSET MANAGERS, INSURANCE COMPANIES AND FINTECH START-UPS AS A RESULT OF BREXIT.

Pierre Gramegna

as the nearly 50 companies that have chosen to come to Luxembourg are doing. In addition, Luxembourg's financial industry also does business with the rest of the world. However, I must say that it is extremely frustrating for the EU27 to be faced with the current situation. A no-deal Brexit is very much a Pandora's box – no-one really knows what the consequences will be.

Competing on an increasingly level playing field, how can Luxembourg sharpen its edge in the financial sector?

If the playing field was truly level, we would not have been so successful in attracting companies as a result of Brexit. To put it differently, irrespective of Brexit, a lot of financial groups see Luxembourg as one of the best locations for financial services. A recent ranking compiled by U.S. News & World Report classified the Grand Duchy as the most open country for business in the world. That's further confirmation that our system is competitive, and that we are perceived as open and welcoming for business – which is why our financial industry continues to grow, including as a hub for private equity. Economic growth over the past five years has averaged 3.5%, which is very strong for a mature economy with a highly developed financial industry. But on the other hand, it is not excessive, contrary to what you sometimes hear. It is slightly less than double the average growth across the EU, which I think is in the right bracket.

What goals have you set for your second mandate with regard to the financial sector?

As part of our overall framework, we aim to deliver on our promise to remain an AAA-rated country. The AAA rating is extremely important for financial institutions, bolstering their confidence in Luxembourg and encouraging the location of European headquarters or investments here.

We see three opportunities for the development of the financial centre. One is for the financial industry to become more and more sustainable. Financing the green economy will become the priority for initiatives at both legislative and commercial level, as we have already done in recent years. We recently adopted a sustainable finance roadmap and will roll out the plan over the next couple of years, creating stable institutions and infrastructures as part of a strategy to measure ourselves against other countries.

We can build on the success stories of the past few years, such as the Luxembourg Green Exchange. There's also the EIB Luxembourg Climate Finance platform that we have developed for green investments in which the government takes on the initial risk as a junior partner, as well as the International Climate Finance Accelerator to encourage asset managers to create green funds. Finally, we have been pioneering the labelling of green products with LuxFLAG, for which we have just announced a three-year funding programme. Green finance is going to be critical. There's also a lot happening in fintech, especially digital transformation and AI, which we are seeking to encourage. The success of the Luxembourg House of Financial Technology (LHoFT) has demonstrated our international appeal: the LHoFT is full already, and innovators are flooding in from all over Europe and beyond, choosing us as the hub to access the EU single market. Finally, the experience of Brexit has shown that our ecosystem is seen as competitive by the PE industry, and I would like to encourage the LPEA to join the finance ministry to examine how we can become even more attractive in the future. I would also encourage you to help identify the decisive factors that prompted the largest PE companies that were not previously present in Luxembourg to choose this country.

© 360Crossmedia/B.B.

IF TWO YEARS FROM NOW, COMPANIES CAN ALREADY PROVE THEY ARE PAYING MORE TAX, WE WILL BE PREPARED TO NEUTRALISE THE INCREASE.

Pierre Gramegna

What contribution is private equity making to the Luxembourg economy?

The PE business was flying under the radar until two or three years ago. What we can do in the future is work together to increase the country's existing appeal, taking stock of what aspects are less popular with your members and where there is room for improvement. I am open to suggestions in this area and to conduct a regular dialogue.

What developments do you see for private equity in Luxembourg in the future in terms of legislation, new trends and the arrival of more leading groups in the sector? Could, as many PE firms claim, a more attractive carried interest regime bring more GP teams and their activities to Luxembourg?

First, I would make a general point about the openness of our economy and freedom of investment in our country. Very few nations have such a long tradition of openness as Luxembourg, and in the PE field the freedom to enter and exit with total transparency and efficiency is extremely precious. Secondly, I believe our tax system is relatively attractive The new government has announced a 1% reduction this year in the global corporate tax rate, including the municipal business tax, which will fall from 26% to 25%. We are confident that we offer a relatively favourable regime for private equity investments.

There are quite a few longstanding features of Luxembourg's tax regime that remain advantages today, despite our embrace of the principles on base erosion and profit shifting (BEPS) put forward by the OECD and G20. In the beginning, everybody was afraid that under the BEPS initiatives, Luxembourg would become less attractive but the good thing is that this broader tax base is taking effect everywhere at the same time, so it is not exclusive to Luxembourg and putting us at a disadvantage. We know that the financial industry is calling on us to lower taxes – it is something normal that happens all the time, in every country. But there is also a claim that due to the broadening of the tax base which took place last year through the EU's first Anti-Tax Avoidance Directive and will take place again this year with ATAD II, tax revenues will be raised and eventually make us less competitive, even though this will be the same throughout the EU. In this case, if the broadening of the tax base results is an increase in tax payments, if we see companies are really paying more tax because of the changes, we will adopt measures to neutralise the increase. We have already reduced the tax rate two years ago from 21% to 18% in anticipation of BEPS. Because of the broadening of the tax base, we took action in advance.

With the reduction this year we have already front-loaded a tax reduction. We cannot continue to reduce taxes simply because companies protest, they will have to pay more, but we are ready to monitor the situation.

As for the PE industry, our coalition programme states that we will improve the expatriates' tax regime. The idea is a system for expatriates that would be limited in time, as it must be, but that would help to attract PE and other players to Luxembourg.

WE AIM TO CREATE A REGIME TO ENCOURAGE THE INVOLVEMENT OF PRIVATE INDIVIDUALS' INVESTMENTS IN START-UPS.

Pierre Gramegna

Most countries across Europe offer tax policies to support start-ups, benefiting both entrepreneurs and investors. Do you have any incentives planned?

In our programme we set out our aim to create a regime to encourage the involvement of private individuals through the tax deductibility of part of their investments in start-ups. We have been looking at regimes in neighbouring countries, and I plan over the next month to collect all the data and submit proposal for a Luxembourg programme to the government. I should say there is no firm decision on this yet, but there is a willingness to examine the issue and I will be its advocate. ●

NORBERT BECKER

SERIAL ENTREPRENEUR AND INVESTOR IN PRIVATE EQUITY

INTERVIEW by **Rajaa Mekouar-Schneider**
President of LPEA.

LPEA MET WITH NORBERT BECKER, A SUCCESSFUL INVESTOR AND MANAGER WHO, AFTER AN INTERNATIONAL CAREER IN THE CONSULTANCY AND ADVISORY WORLD, RETURNED TO LUXEMBOURG IN 2004 TO LAUNCH HIS OWN VENTURES: ATOZ, A HIGH-END TAX ADVISORY AND CORPORATE FINANCE FIRM AND COMPAGNIE DE BANQUE PRIVÉE QUILVEST, A BANK FULLY DEDICATED TO WEALTH MANAGEMENT. IT IS IN HIS QUALITY OF FOUNDER AS WELL AS OF BESPOKE REPRESENTATIVE OF ENTREPRENEURIAL FAMILIES FROM ALL AROUND THE WORLD THAT HE SPOKE WITH LPEA ABOUT HIS PROFESSIONAL ACHIEVEMENTS, THE PRIVATE EQUITY SECTOR AND THE COUNTRY OF LUXEMBOURG.

What are you most proud of (so far) in terms of professional achievements?

That's quite a difficult question because I have done a few things in my life (laughs)... I think I'm particularly proud of the few enterprises I have created in the past 15 years. One was really a startup at the beginning which became now an international tax advisory fund. We started with six people and we have 160 today. We are mainly focused on private equity and serve nine out of 10 of the largest private equity funds in the world. I am also very proud of the creation of a private bank. This was the first incorporation by private capital in a bank in Luxembourg since 100 years! All banks in Luxembourg are subsidiaries of international groups and this was a pure plain private equity initiative.

Why does it make you so proud?

Because for 100 years nobody had the courage to do it. I feel it was really entrepreneurship. Together with my partners we created the bank from scratch. We had no systems, no processes, no clients, nothing at all when we started. And then we raised capital to form the bank and it oversubscribed which was fantastic as an experience. When we started some people said we would last six months but we are still here.

Why do you think it lasted so long?

Because of the quality of the service that we provide, the lack of any mistakes, satisfied clients and customers. No issue anywhere on the road. We were there to last.


© 360Crossmedia/N.G.

WE SERVE NINE OUT OF 10 OF THE LARGEST PRIVATE EQUITY FUNDS IN THE WORLD.

Norbert Becker

"I always do things with trusted partners" you told me once. Is this a success factor?
Yes, I never do anything alone. I always select, carefully, the partners with whom I want to do things. I strongly believe in partnerships, team work and together you are always stronger than alone. In all my ventures no partner has ever left.

You have been a PE investor for many decades. How do you view the industry evolution, especially after the last financial crisis globally and in Luxembourg?
I think that without private equity, the world economy couldn't function. In Luxembourg, private equity is yet a hidden jewel despite employing in total over 6.000 people. I am close to certain funds and I see the value of transactions that are being handled or structured through Luxembourg and they are very large transactions. That's why I said 'hidden' because unfortunately those funds do not communicate on this. I think it would be great if the LPEA could engage a conversation with the funds so that they reserve some space in their communication to mention the investments that are carried through Luxembourg.

If we look at the crisis, it has triggered a little bit this movement for more communication and accountability?
Accountability is set but communication no because the sector has grown to 6.000 people and nobody noticed that.

It is true but this is at the scale of Luxembourg. What about globally? You have investments everywhere in Asia, Europe, US... how has it changed?
It truly has changed in the past 15 years with all these funds becoming global powerhouses, highly specialized, highly dedicated, highly committed, and as an asset class it has performed better in certain time of period than public equity.

Some argue that it was helped by the low interest rates...
The low interest is good and bad at the same time. The banks have lost 1/3 of their profit and loss statement which is an issue for many banks. On the other side, obviously, if you leverage a position with debt it is ok. But if you look at the map of this very large funds, if you look at what they do in terms of stimulus and thinking, in terms of innovation, in terms of research and development, in terms of contribution to education... they have really become a very important player in the economy. Initially private equity funds had a very low reputation. Some even called them 'locusts' because they would come, buy, fire half of the staff and then sell the business with a huge profit and leave the business in trembles. The truth is they restructure companies, make them better and more efficient, open new markets and push them to innovate. For what I see today, it is just unthinkable to believe that the world would function without private equity.

It used to be a cottage industry, very secretive... at the same time unaware of its broader impact.
For instance, the fund that invested in Skype made it come to Luxembourg. And Skype has been until twelve

months ago a Luxembourg company. Largely unknown by people and for whatever reason there was not enough communication. By that time, our association didn't exist. So I think it is really a homework to do.

What is the view of Luxembourg as an investment hub in the different regions? What do people ask or tell you?
What I perceive is that everywhere I go, for those who have experience in Luxembourg, they find it extraordinarily efficient. What is unique is that all these service entities, being it audit firms, law firms, custodian banks, every client can speak in their own language to their service provider. Go to London, that is not easily true or anywhere else.

AS AN ASSET CLASS PRIVATE EQUITY HAS PERFORMED BETTER THAN PUBLIC EQUITY.

Norbert Becker

How different is the ecosystem here from London for instance?
I was an investor in London, New York... I came back as an investor here because I think that investing in Europe you're better off with a base in the continent than in London. There are US investors who considered the entry point to investments being in London but I think it changes with Brexit - depending where it goes. I have seen so many projects that did not deliver as expected because the entry point just wasn't the right one. It's very hard to do investments in southern Europe if you don't speak the languages or you don't understand the culture. For this reason I think the typical American-London firm will come directly in the continent and the only place they can get full satisfaction is Luxembourg.

What about the ones that haven't experienced it?
There it is our job to make sure that they know it and understand it, that we can showcase real cases. That's why my point on transparency. And you know there is this French saying: "savoir faire, et faire savoir" - that is really what we need to do.

You recently joined LPEA as a new member to support the new initiative dedicated to family investors and investment offices. How do you see the role of the association for this specific type of investors?
Well, I think family offices landing in this environment and this system find their way somehow. I see the association as the house under the roof of which people can meet and exchange. Where we can talk about our good and less good experiences. And then maybe we can build relationships and find co-investment opportunities. This is a very small circle of families that talk to each other and even so it can take years for the family heads to meet. The LPEA may be of good help to bring people closer.

Still family offices prefer to stay under the radar.
Yes, the credo of family offices is confidentiality and discretion. They certainly don't want any publicity around a co-investment or wouldn't want to be published unless there are specific circumstances. The association, working with family offices must be mindful of confidentiality which, by the way, fits well with the culture of the country.

How would you like to see the Luxembourg private equity hub in the coming 2-3 years?
Luxembourg has declared itself as a start-up nation which typically is in the value chain of private equity. My dream is that Luxembourg sets forth the conditions for this ambition to be achieved. I think Luxembourg needs to continue to present itself as creative place to do business. We have to apply our tax laws in the sense of the law and make sure that there is a dialogue in place between the business and the administration. Sometimes in private equity you do very complicated transactions that must


© 360Crossmedia/N.G.

BIO

Norbert Becker started his career with the financial services regulator in Luxembourg in 1974 to soon after in 1979 establish the Andersen Audit, Tax and Consulting firm in Luxembourg, of which the consulting arm later became Accenture. In 1994, Mr. Becker was appointed a member of the European Operating Committee of Andersen and served as the Regional Managing Partner for Central Asia, Eastern Europe, India and the Middle East. In 1998, he was appointed Global Managing Partner of Administration and Infrastructure of the Global Firm and moved to New York and London. In 2002, Mr. Becker managed the merger of over 50 non-US Andersen member firms into Ernst & Young where he served as the Global CFO of EY.

In 2004, Mr. Becker returned to Luxembourg and started various business ventures including Atoz and Compagnie de Banque Privée Quilvest. Currently Norbert Becker serves on the boards of several international corporations and is the Chairman of Lombard International with over EUR40 of assets under administration.

respect the underlying asset's point of view. There can be a lot of intellectual property and/or technology which you have to structure in a proper way. Sometimes you need interpretation of laws that were written 15 years ago and do not necessary apply to what we do today. We need to move towards more dialogue with the administration.

There is a public intention of Luxembourg to become a hub for FinTech and ICT sectors. Do you see any live examples becoming real?

Well, the largest FinTech in the world is based in Luxembourg and its name is Paypal. I happen to know it very well. There is a clear intention of the government to move to a broader recognition of Luxembourg in the IT space. The prime minister himself took that responsibility and he considers it a big commitment for his government.

To be successful a market place has to match talent with money. Is Luxembourg doing it the right way?

Not as much as we could. You mentioned talent which is indeed one of the key issues. If you talk today to the locally-based Fintech operators, they all have difficulties to find the required talents. There is also a mismatch with the public administration. If we declare that Luxembourg wants to be a startups nation and then we abolish the stock options regime, something doesn't match...

In March LPEA will host its flagship Insights 2019 conference in which you will be one of the keynote speakers. Why should someone from abroad take this opportunity to discover Luxembourg?

I think Luxembourg has so much to present and deliver but remains under rated despite a very innovative ecosystem. Because of its size and of the proximity with the government agencies, we can get decisions really fast. This includes adapting legislation – always in accordance with the European and other international rules. Over the past 20 or 30 years the country proved to be extremely well positioned to build new segments in the industry. The funds industry in Luxembourg is the second largest and private equity is clearly a significant sector in the financial industry – and I can only anticipate that sector to be doubling in size in a few years.

Then again, the financial services industry in Luxembourg represents 1/3 of the GDP, which not only shows how important it is but also that one can find a full ecosystem. Everybody is here and things can be moved very fast.

How is it to live again in Luxembourg?

It's great living in Luxembourg! I lived in London, New York, Chicago and a lot of other places but Luxembourg is now my home. I had many expatriates with me over the years and particularly people from the US. Their stories were always the same: the first six months, the daughter didn't want to go to school, the dog was sick, the wife wanted to return... But then after six months, they loved it and actually these expatriates had three years-contracts so after the third year, I had to call the Marine Corps to get them all again (laughs), nobody wanted to return, they all wanted to continue to live here. In fact, some of them returned to Luxembourg and even became Luxembourgers. So the question is how you live here once you have made your experience, once you realized that you're two hours or less away from the major cities in Europe; once you understand that you can do weekends in Rome or London, Berlin, Milan...

...or the Mullerthal.

It's great! Security, safety, schools, everything is working perfectly well. And so my experience is that all those people that came in Luxembourg are really happy living here and become Luxembourgers by heart. ●

THE PLACEMENT AGENTS' VIEW

IN VIEW OF THE CHANGING TIMES EXPECTED WITH THE UNITED KINGDOM LEAVING THE EUROPEAN UNION BUT ALSO WITH THE RECORD-BREAKING FUND RAISING BY PRIVATE EQUITY FUNDS, WE DECIDED TO TAKE THE PULSE AND TEMPERATURE OF THE PE INDUSTRY IN 2019 BY INTERVIEWING THREE PLACING AGENTS. WITH A BROAD COVERAGE OF THE PE INDUSTRY AND MARKET, WE TRY TO IDENTIFY THE SIGNALS THEY GET FROM PRIVATE EQUITY FUND MANAGERS AND FROM INSTITUTIONAL INVESTORS. INTERVIEW WITH WILL LAWRENCE, INVESTMENT MANAGING DIRECTOR OF CAMBRIDGE ASSOCIATES; JEAN CHRISTEL TRABAREL, FOUNDING PARTNER OF JASMIN CAPITAL AND RAPHAEL CWAJGENBAUM, VICE-PRESIDENT OF MOELIS & COMPANY.

By **Nick Tabone**
Partner, Private Equity Leader
Deloitte Luxembourg
Member of the LPEA
Executive Committee

and **Arnaud Bon**
Director, Advisory &
Consulting – Private Equity
Deloitte Luxembourg

As 2019 has just started, what would your main predictions be for the coming months regarding fund raising and performance?

Raphael Cwajgenbaum (RC): The fact that PE as an asset class has delivered on its key selling points (diversification, alignment, absolute performance, stability of returns) has enabled it to continue growing steadily. I don't see this trend changing in 2019, unless any meaningful macroeconomic correction takes place. I believe more GPs will continue actively exploring the secondary market as it has now become a normalised tool for liquidity and good fund management.

As the asset class continues to mature, investors will increasingly draw their attention to nichier strategies, be it sector-focused, regional strategies or even smaller club-type structures / deal-by-deal where they can achieve more discretion and even sometimes better economics.

Jean-Christel Trabarel (JCT): As regards to the fundraising, 2019 should be a good vintage and in fact better than 2018 as many jumbo and mega funds (+EUR5bn) will be on the road this year. Private Equity remains very attractive for LPs offering long-term double-digit IRR in a low interest rate environment and high volatility on public equities. Institutional investors continue to have a lot of cash to invest.

Will Lawrence (WL): Despite recent public equity declines we expect the fundraising environment for private equity in Europe and the US to remain robust in 2019. We already know of several established managers raising significantly larger pools of capital in 2019 and expect the supply side to be matched by continued strong demand from LPs. This demand should continue as seasoned private equity investors seek to reinvest proceeds gained from a strong decade of performance while other investors, traditionally with smaller allocations to the asset class, will tilt more towards illiquid investments and the higher return potential. Many will continue to view private equity favorably compared with public markets and/or other alternative asset classes. All of this sets the scene for an asset class priced to perfection. For managers with good assets, we expect that they will continue to generate strong distributions, however, managers with capital to deploy will struggle to complete deals at reasonable valuations. We must also consider that if public market valuations decline significantly then some inves-

THE SECONDARY MARKET HAS NOW BECOME A NORMALISED TOOL FOR LIQUIDITY AND GOOD FUND MANAGEMENT.

Raphael Cwajgenbaum,
Moelis & Company

THE MORE CAPITAL THAT IS RAISED BY THE MEGA-FUNDS, THE MORE "ROOM" THERE IS AT THE LOWER END OF THE MARKET FOR SMALL AND MEDIUM SIZED PLAYERS.

Will Lawrence, Cambridge Associates

tors, with already established portfolios, could become over allocated in private investments purely based on a denominator effect. Another effect of falling public markets could be that larger funds, which often try to exit investments via IPO, will have to hold assets longer to achieved the targeted returns and may also be less willing to pay high entry multiples (Enterprise Value/EBITDA) when acquiring new assets.

While the appetite for PE investments remains very high as demonstrated by recent fund raising records and mega PE funds being raised, do you still see place for small and medium size players in this industry?

RC: Granted that some players have moved upscale, the small and mid-cap PE market remains very active, largely off the back of good, risk-adjusted performances. Whilst increased entry valuations have led to an erosion of performance across the board, the small and mid-cap space still benefits from the multiple arbitrage factor that can be extracted once smaller businesses grow in size and professionalization

What's more, diversification, which led to the development of the PE asset class in the first place, supports the rationale for investors to keep deploying capital across the size spectrum and with a well-diversified number of GPs, which definitely leaves a meaningful space for small and mid-cap GPs. We continue to see large PE investors awarding dedicated mandates to third party consultants or funds of funds in order to get the small and mid-cap exposure they are not necessarily always equipped to develop internally.

WL: In fact, the more capital that is raised by the mega-funds, the more 'room' there is at the lower end of the market for small and medium sized players, and by definition, newer managers in the industry. The data that Cambridge Associates has gathered shows clearly the higher dispersion of return in the lower-end of the market. Managers operating smaller funds having the strongest potential to produce outsized returns. Furthermore, we continually see a number of new firms formed by investors spinning out from established GPs. The vast majority of these investors raise small funds targeting a market segment that their former employer has now left. This trend will persist as long as there is LP demand, and as long as private equity continues to perform.

JCT: There is indeed still place for small and medium size players in the private equity industry as LPs are looking for diversification while constructing their portfolio with Pan European midmarket funds and/or country focus small- lower mid funds. For these funds the key success factor is being able to differentiate themselves from competition for instance with a thematic (ie. build-up, digitalization, etc.) or sector focus approach. Plus, we keep seeing first time funds coming up with fund sizes between EUR100 and 200m.

PRIVATE EQUITY REMAINS VERY ATTRACTIVE FOR LPS OFFERING LONG-TERM DOUBLE-DIGIT IRR.

Jean Christel Trabarel, Jasmin Capital

9 Out of 12 top PE players have substantially reinforced their presence in Luxembourg over the last couple of years. What do you believe the drivers for this trend might be?

WL: This appears to have been primarily driven by the uncertainty surrounding Brexit whereby Managers have been forced to take a proactive

FOR MOST EUROPEAN INVESTORS, LUXEMBOURG VEHICLES ARE THE NEW "GOLD STANDARD".

Raphael Cwajgenbaum, Moelis & Company

approach to 'futureproof' their businesses and continue to have unrestricted access to European investors by increasing their presence in Europe. Whilst managers may have already had some form of presence in EU jurisdictions, whether for deal structuring or marketing purposes, it appears to have ramped up significantly in Luxembourg during 2018. With some of the bigger PE firms establishing a presence there as it became more apparent that the UK's exit from Europe would be a more complicated and drawn out process due to the disparity of opinion in the UK parliament.

JCT: Brexit is indeed one of the drivers for this trend. Big players have moved their headquarters from London to Luxembourg, anticipating that the United Kingdom won't be AIFMD compliant anymore. In addition, Luxembourg is the main financial center in Continental Europe benefiting from a regulation offering adapted vehicles to GPs and LPs such as the RAIF. Luxembourg offers political stability, high quality service providers and skilled people.

RC: The improvement of the limited partnership regime in 2013 is certainly also a big trigger for GPs to explore Luxembourg as a credible alternative. With respect to European mid-market GPs, the strategic importance of the EIF's investment program has also served as a trigger for certain GPs to shift to a Luxembourg structure.

What feedback do you get from LPs on Luxembourg? Are they generally comfortable with the local environment?

RC: Investors generally consider Luxembourg, nowadays, as a best-in-class jurisdiction where key topics such as transparency, alignment and ESG are upheld to the highest standards. International investors are now used to investing in Luxembourg vehicles, which can only be a positive, and most European investors actually consider it as the new gold standard! The quality of service providers in general, large international contingent from all over Europe and excellence of the financial services industry also add tremendous benefit to existing – and newly launched – funds in Luxembourg.

JCT: Luxembourgish vehicles are now the market standard benefiting from a leadership position. LPs are very comfortable with the political environment and local finance industry (service providers and local staff). They appreciate the favorable regulatory framework that evolves accordingly to GPs and LPs. Even if Ireland and France have changed their regulation, Luxembourg remains the frontrunner on the market. When fundraising GPs create a domestic vehicle, they often also create a mirror or parallel Luxembourgish vehicle, in order to address the expectations and needs of their non-domestic LPs. ●

BIG PLAYERS HAVE MOVED THEIR HEADQUARTERS FROM LONDON TO LUXEMBOURG, ANTICIPATING THAT THE UK WON'T BE AIFMD COMPLIANT ANYMORE.

Jean Christel Trabarel, Jasmin Capital

NEW STUDY ASSESSES THE IMPACT OF THE AIFMD

The Alternative Investment Fund Managers Directive, or AIFMD, contains a clause requiring the European Commission (EC) to review and assess several aspects of the directive: its application and scope; the experience acquired in applying the marketing and management passports; the impact on investors, AIFs, and AIFMs within the EU and beyond; and the degree to which the overall objectives underpinning this regulation have been achieved.

The EU Commission has now published this assessment, drawing on a general survey conducted in collaboration with KPMG and on an evidence-based study in compiling its analysis.

A closer look at the general survey

The scope of survey participants was broad, including AIFMs, distributors, asset managers, depositaries, regulatory bodies, investment advisors, investors and investor associations, and industry representative bodies at national, EU, and global levels. The majority of participants (51%) were AIFMs.

The survey covered 15 Member States, capturing the largest AIF and AIFM domiciles as well as the largest distribution markets. Luxembourg, Ireland, France, Germany and the UK were all included. Interestingly, the survey shows that the majority of participating AIFMs use Luxembourg as a domicile for their AIFs under management. The following graphic[1] shows the represented asset classes, i.e. the invested asset types of AIFs managed by participating AIFMs:

Assessment of the AIFMD

The general objective of the AIFMD was to create an internal market for EU and non-EU AIFs, and a harmonized and stringent regulatory and supervisory framework for AIFMs.

The report indicates that these objectives have effectively been achieved, with the framework for cross-border management of AIFs working well. Notably, however, the cross-border marketing passport is lagging behind, suffering from different national rules in the distribution countries.

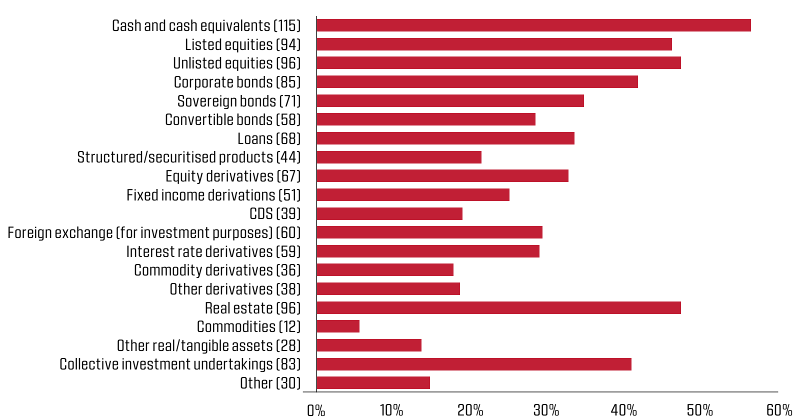
The monitoring and managing of risks is also deemed to be working well, although there are concerns when it comes to core topics such as reporting to regulatory authorities, leverage rules, valuation provisions, and requirements relating to investments in non-listed companies.

From an investor perspective the main findings are that the AIFMD has not influenced decisions of institutional investors to invest (or not) through AIFs, or to invest through EU AIFs rather than third-country AIFs. Competition between AIFMs was thought to have only slightly increased since implementation of the AIFMD.

The assessment has revealed some critical points for consideration by the EC in their preparatory work on future amendments to the AIFMD framework. ●

1. Source: KPMG (2018). Note: This question was posted only to AIFMs.

Asset Classes of surveyed AIFs



Source: KPMG (2018). Note: This question was posed only to AIFMs. The number of respondents to this question was 203. This number differs from the total of the numbers stated in the figure because it is a multiple choice question.

By **Dee Ruddyi**
Director
KPMG Luxembourg

By **Gabrielle Jaminon**
Director
KPMG Luxembourg

To access the Report on the operation of the alternative investment fund managers directive (AIFMD)
https://ec.europa.eu/info/publications/190110-aifmd-operation-report_en

THE NEW INTEREST LIMITATION RULES ON PE INVESTMENTS

THE LUXEMBOURG PARLIAMENT HAS NOW ADOPTED THE 2019 TAX REFORM IMPLEMENTING THE EU ANTI-TAX AVOIDANCE DIRECTIVE ("ATAD") AND OTHER ANTI-BEPS-RELATED MEASURES INTO LUXEMBOURG TAX LAW. WHEN IT COMES TO PRIVATE EQUITY (PE) INVESTMENTS, THE IMPLEMENTATION OF THE INTEREST LIMITATION RULES IS THE MOST IMPORTANT TAX LAW CHANGE GIVEN THAT DEBT FUNDING, BE IT FROM INTERNAL OR EXTERNAL SOURCES, IS AN INTEGRAL PART OF EACH AND EVERY PRIVATE EQUITY INVESTMENT.

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

The interest limitation rules under ATAD have been inspired by the recommendations of the OECD on Action 4 (Limiting Base Erosion Involving Interest Deductions and Other Financial Payments) of its Base Erosion and Profit Shifting ("BEPS") Project. The objective of these rules is to discourage multinational groups from reducing their overall tax base through the financing of group companies resident in high-tax jurisdictions with debt.

This article provides a clear and concise overview of the interest limitation rules and analyses its impact on typical private equity investments

The interest deduction limitation rule

Since 1 January 2019, Article 168bis of the Luxembourg Income Tax Law limits the deductibility of "exceeding borrowing costs" generally to a maximum of 30% of the corporate taxpayers' earnings[1] before interest, taxes, depreciation and amortization (EBITDA). The scope of the interest limitation rules encompasses all interest-bearing debts irrespective of whether the debt financing is obtained from a related party or a third party. However, exceeding borrowing costs up to an amount of EUR 3m may be deducted without any limitation (that is a safe harbour provision).

"Exceeding borrowing costs" correspond to the amount by which the deductible "borrowing costs" of a taxpayer exceed the amount of taxable "interest revenues and other economically equivalent taxable revenues". Borrowing costs within the meaning of this provision include interest expenses on all forms of debt, other costs economically equivalent to interest and expenses incurred in connection with the raising of finance.

As far as interest income and other economically equivalent taxable revenues are concerned, neither ATAD nor Luxembourg tax law provides for a clear definition of what is to be considered as "revenues which are economically equivalent to interest". However, given that borrowing costs and interest income should be mirroring concepts, the latter should be interpreted in accordance with the broad definition of borrowing costs.

Corporate taxpayers who can demonstrate that the ratio of their equity over their total assets is equal to or higher than the equivalent ratio of the group can fully deduct their exceeding borrowing costs (that is the so-called "escape clause" that should protect multinational groups that are highly leveraged).

Moreover, according to a recent announcement of the Luxembourg Government, the optional provision under ATAD according to which EBITDA and exceeding borrowing costs can be determined at the level of the consolidated group (i.e. when several companies form a fiscal unity) will be introduced within the upcoming six months with retroactive effect as from 1 January 2019.

The interest limitation rules also provide for carry forward mechanisms in regard to both non-deductible exceeding borrowing costs (i.e. to the extent the deductibility of interest expenses is denied) and unused interest capacity (i.e. when the exceeding borrowing costs are lower than 30% of the EBITDA).

Entities excluded from the scope of the rule

The interest limitation rules explicitly exclude financial undertakings and standalone entities from its scope.

Financial undertakings are the ones regulated by the EU Directives and Regulations and include among others financial institutions, insurance and reinsurance companies, undertakings for collective investment in transferable securities ("UCITS"), alternative investment funds ("AIF") as well as securitisation undertakings that are subject to EU Regulation 2017/2402.

Standalone entities are entities that (i) are not part of a consolidated group for financial accounting purposes and (ii) have no associated enterprise or permanent establishment. Thus, in order for a Luxembourg company to benefit from the standalone entity exception, it is necessary that none of the associated enterprises has directly or indirectly a participation of 25% or more.[2 3]

Loans excluded from the scope of the rule

According to Article 168 of the ITL, loans concluded before 17 June 2016 are excluded from the restrictions on interest deductibility. However, this grandfathering rule does not apply to any subsequent modification of such loans. Therefore, when the nominal amount of a loan granted before 17 June 2016 is increased after this date, the interest in relation to the increased amount would be subject to the interest limitation rules. Likewise, when the interest rate is increased after 17 June 2016, only the original interest rate would benefit from the grandfathering rule.

Nevertheless, when companies are financed by a loan facility that determines a maximum loan amount and an interest rate, the entire loan amount should be excluded from the scope of the interest limitation rules irrespective of when the drawdowns have been made.[4]

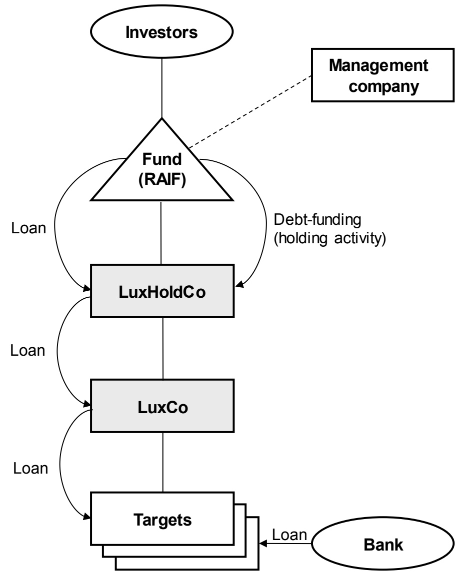
Moreover, loans used to fund long-term public infrastructure projects are excluded from the scope of the interest deduction limitation rule.

Analysing the impact on PE investments

PE investments are typically made via a Luxembourg or foreign fund vehicle (the "Fund") and Luxembourg companies which acquire businesses. The Luxembourg investment platform of the Fund may, for example, consist of a Luxembourg master holding company ("LuxHoldCo") and a separate Luxembourg company ("LuxCo") for each investment.

The target companies are generally financed by a mixture of equity and debt instruments. Additional funding may be obtained from external sources (for example, banks).

The following chart depicts a typical PE fund structure:



When analysing the impact of the interest limitation rules on private equity funds, it is crucial to distinguish the different activities performed by the Luxembourg companies involved.

Financing activities

When Luxembourg companies perform financing activities or on-lend funds, the receivables owed by other group companies are generally financed by debt instruments (for example, LuxCo grants a loan to its subsidiary that is financed by a loan from LuxHoldCo).[5] In this regard, the Luxembourg company has to realize an arm's length remuneration which should be reflected in the interest rates applied. In other words, Luxembourg companies should realize more interest income than interest expenses. It follows that in case of financing activities the interest limitation rules should not apply in the absence of exceeding borrowing costs.

Holding activities

With regard to holding activities, the potential impact of the interest limitation rules depends on how the participations are financed. Here, the investors have the choice between a range of equity and debt instruments.

In many cases, Luxembourg companies will not incur deductible interest expenses in relation to the holding of participations. This might be because of the instrument used (not creating any tax-deductible expenses) or the fact that interest expenses incurred in direct economic relationship to tax exempt income are not deductible for tax purposes.[6] Nevertheless, the interest limitation rules only apply in case of tax-deductible interest expenses.

When a Luxembourg company finances a participation by a debt instrument that bears fixed interest, the interest expenses incurred should be deductible to the extent the interest expenses exceed tax exempt dividend income in a given year. In these circumstances, the amount of deductible interest expenses should be limited to EUR 3m (i.e. the safe harbour).[7]

Other activities

When Luxembourg companies realize other financial income such as capital gains in regard to loan receivables or income from derivatives, the new rules should limit the deductibility of interest expenses if it is not possible to rely on the EUR 3m safe harbour.

Hence, whenever it is expected that a Luxembourg company may realize significant amounts of income of these categories, it is crucial to consider potential tax implications beforehand.

Conclusion and outlook

While the new interest deduction limitation rule should in many cases only have a limited impact on typical private equity investments, when it comes to certain types of income (income from derivatives, capital gains realized in relation to receivables, etc.) any limitation on the deductibility of interest expenses may have a significant impact on the tax position of the Luxembourg investment platform.

Looking at the wider picture, the potential implementation of interest limitation rules in the investment jurisdictions may also have an impact on the overall tax profile of private equity investments. Therefore, tax developments in the investment jurisdictions need to be carefully monitored.

Ultimately, going forward the interest limitation rules will need to be in the focus of each and every tax analysis. ●

1. Tax exempt income such as dividends benefiting from the Luxembourg participation exemption regime are to be excluded when determining the EBITDA.
2. In this regard, participation means a participation in terms of voting rights or capital ownership of 25% or more or the entitlement to receive 25% or more of the profits of that entity.
3. The definition of associated enterprise for the purpose of the newly introduced provisions is defined very broadly including individuals, companies and transparent entities such as partnerships.
4. This should remain valid as long as the conditions of the loan facility are not amended after 17 June 2016.
5. When a Luxembourg company bears the risks in relation to the granting of loans (in particular, the credit risk), it will be considered as a finance company from a Luxembourg transfer pricing perspective and required to realize an arm's length finance margin. In contrast, when a Luxembourg company merely on-lends funds without bearing any risks in relation to the on-lending of funds, it should be considered as a financial intermediary that needs to realize an arm's length remuneration for the services rendered. The arm's length remuneration for financial intermediation should be significantly lower than that of a Luxembourg finance company.
6. Article 166 (5) No. 1 of the LITL.
7. Should the Luxembourg company perform financing activities and realize a finance margin, the amount of deductible interest expenses should be limited to EUR 3m plus the amount of the finance margin.

CASE STUDY

RECOVERY OF VAT BY HOLDING COMPANIES

By **Joachim Bailly**
Partner, Deloitte Tax & Consulting

Michel Lambion
Managing Director, Deloitte Tax & Consulting

and **Cédric Tussiot**
Director, Deloitte Tax & Consulting

In two recent decisions, the Court of justice of the European Union (the "Court") has refined conditions under which holding companies could recover VAT on their costs[1].

An "active" holding company could deduct VAT incurred on its costs because its activities go beyond the "passive" ownership of shares and encompass taxable services such as management services or renting properties[2].

Traditionally, the Court ruled that the VAT is deductible when the expenditures have a direct and immediate link with the output transactions giving rise to a right of deduction, or in absence of such a link are part of its overhead costs. In other words, the expenditures must be a component of the cost of the output transactions that gave rise to the right to deduct. In practice, the Court has allowed active holdings to deduct VAT on acquisition costs but refused the deduction of the VAT on costs related to the sale of shares because the sale of shares are exempt from VAT.

The cases of Ryanair and C&D Foods

In two recent decisions, the Court refined its reasoning by considering that it is necessary to "(...) consider all the circumstances surrounding the transactions concerned and take account only of the transactions which are objectively linked to the taxable person's taxable activity". It follows that the VAT is deductible if the "exclusive reason" for the costs incurred lies in the economic activity of the taxable person entitling to VAT deduction.

The Court first applied this approach in the Ryanair case. Ryanair claimed the full deduction of the VAT incurred on costs in relation to the aborted acquisition of shares in Aer Lingus arguing that it had the intention to provide taxable management services to Aer Lingus should the acquisition succeed. The Court found that sufficient evidence supported the intention of Ryanair and accepted that the exclusive reason of the intended acquisition of shares lie in its economic activity entitling to a VAT deduction and therefore the VAT incurred could be deductible.

The Court also applied this approach in the C&D Foods case[3]. C&D Foods is an active holding company providing management services to subsidiaries and has engaged costs subject to VAT (advisor and auditor fees) to find acquirers for shares it held in other com-

RYANAIR CLAIMED THE FULL DEDUCTION OF THE VAT INCURRED ON COSTS IN RELATION TO THE ABORTED CQUISITION OF SHARES IN AER LINGUS.

panies. The Court ruled that C&D Foods could not deduct the VAT incurred because the exclusive reason of the sale does not lie in the economic activity of the company, providing management services, but that the objective was to use the proceeds of the sale to settle the debts owed to the owner of C&D Foods.

It is worth examining what might be the consequences of the concept of "exclusive reason".

As mentioned above, the jurisprudence of the Court is to refuse the deduction of the VAT on costs linked to the sale of shares because these sales, even if part of the economic activity, are VAT exempt. However, sale of shares can open the right to recover VAT when the buyer is established outside the European Union. When the Court requires that the exclusive reason of the sale should lie in the economic activity of the holding company, it adds a further requirement: the sales should not only be made to the profit of a non-EU purchaser but should meet this test. In this case, the exclusive reason concept may make the deduction of the VAT more difficult. However, in other situations, it might help. For example, the Court refused in the past the argument of taxpayers that the proceeds of the sale of shares will be used for its taxable activities[4]. Based on the concept of exclusive reason, it appears that the decision could now be different.

We may further push the concept. We could think of a situation where a company is holding shares in a "passive" manner and which could not deduct VAT. If this company sells these shares and if the exclusive reason is to acquire shares of companies as an "active" holding company or to acquire a building and rent it with VAT to the subsidiaries, it seems possible further to these considerations to defend that the VAT in relation to the sale of shares would be deductible. This would be a substantial evolution.

Regarding acquisition costs, the concept of exclusive reason might lead to a restriction of the deduction by an active holding should the exclusive reason of the acquisition not be to render management services but, for example, to combine such acquisitions with companies already owned and to sell them.

In conclusion, it could be said that the recognition in the Ryanair case of the possibility to recover VAT on an aborted deal is certainly good news. Moreover, the concept of "exclusive reason" could open new possibilities to recover VAT on costs but might be delicate to interpret and apply in practice. More than ever, a careful analysis of any transaction including its global economic context is necessary for all taxpayers. ●

1. The LPEA newsletter contains a more comprehensive article on these decisions.
2. See e.a. Marle Participations SARL, C-320/17, 5 July 2018 and quoted jurisprudence.
3. C&D Foods, C-502/17, 7 November 2018.
4. AB SKF, 29 October 2009, C-29/08 and BLP, 6 April 1995 C-4/94.

TAX: MORE THAN JUST A COST

By **Thijs van Dongen**
Tax integrity specialist
at the European Investment Fund

Taxation has filled many newspaper headlines in recent years. Public perception has changed and with more tax information becoming publicly available, the debate is unlikely to end soon. Thijs van Dongen considers the growing importance of tax good governance for limited partners and the influence this has on the GP / LP relationship.

Government agencies and pension funds are leading the way

Approximately 1/3rd of capital raised in 2017 by venture and growth funds was raised from government agencies and pension funds. Other significant LPs include corporate investors, private individuals and family offices. When distinguishing government agencies and pension funds from other limited partners, one will immediately recognise the social importance of government agencies and pension funds. Commitments by government agencies and pension funds are not (only) driven by the need to generate returns, but also serve a broader purpose.

A quick peek on the websites of some of the largest government agencies and pension funds in Europe will reveal that tax good governance is high on their agenda. A tax policy report, sustainable tax position, tax policy paper or similar documents can be found on most of these websites. Why, you ask? Only imagine the consequences should a limited partner invest in a PE/VC fund that receives negative media coverage about its tax practice...

What most of these reports, position papers and policy papers have in common is an aversion to tax avoidance and tax evasion. While one limited partner might take a more conservative approach than the other, the need to manage reputation risk is common ground among limited partners. Tax has historically been considered a cost factor, but limited partners nowadays approach tax as a potential reputation risk as well.

With the goal of managing their reputation tax risk, many government agencies and pension funds have increased the importance of tax good governance standards during their due diligence process. Fund managers receive more and more detailed questions about the proposed fund structure. Commercial reasons for the chosen set-up, substance, the use of holding companies, hybrid instruments and taxation of carried interest are among the topics

THE NEED TO MANAGE REPUTATION RISK IS COMMON GROUND AMONG LIMITED PARTNERS.

Thijs van Dongen

that are taken into account. Obtaining and assessing the information should ultimately enable the government agencies and pension funds to assess the reputation tax risk prior to signing a commitment. To better achieve this, such organisations are hiring more and more tax integrity specialists.

What are fund managers doing?

Other than managing the increased tax due diligence workload, should fund managers be concerned? As said, government agencies and pension funds are an important group of limited partners for venture and growth funds. Data from Invest Europe also shows that government agencies and pension funds play an important role in countries where the PE/VC ecosystem is less developed. Moreover, the same data for the period around the financial crisis reveals an important role for government agencies to help address investment gaps.

Because of the catalytic role which government agencies and pension funds play for certain groups of fund managers, reputation tax risk has received an important place on their agenda as well. Fund managers that have thought about the reputation tax risk aspects of their structure are better prepared for the due diligence process and can clearly express the commercial reasons for the chosen set-up and discuss any other relevant reputation tax risks.

The larger buy-out funds are often in a position to raise capital from a more diverse group of limited partners and the relative commitments of government agencies and pension funds to such buy-out funds is therefore lower. Interestingly, that is not to say that reputation tax risk management is not of importance to buy-out funds. This can be demonstrated by the fact that the publication of a (global) tax policy has become common ground. This trend can be seen amongst buy-out funds with a Luxembourg presence as well.

However, not all fund managers are there yet. Limited partners still have to raise reputation tax risk concerns during their due diligence process. Often this starts a discussion on the tax aspects of the proposed structure and quickly zooms in on the area(s) of concern for the limited partners. Generally, fund managers have been open to take the reputation tax risk concerns of their limited partners into consideration.

Managing reputation tax risk

The best way for limited partners and fund managers to address reputation tax risks starts with awareness during the fund raising process. Fund managers which take reputation tax risks into account before setting up their fund structure are likely to set up a less aggressive structure and are better positioned to explain their choices to (potential) limited partners. Tax aspects should of course be taken into account when establishing a fund structure. They should however not be the driving force, and commercial or other reasons should prevail.

After commitment, general partners and limited partners should remain aware and transparent about any reputation tax risk. An important factor in this respect are changing tax laws. Anti-BEPS measures are being enacted all over the world. Another example are the two Anti-Tax Avoidance Directives of which the first measures have been transposed into national laws as from January 1, 2019. Once again, these future requirements will not only have a financial impact, but shall also increase the need to properly manage reputation tax risks. As the title of this contribution already said: tax is nowadays more than just a cost. ●

BIG DATA, THE NEXT LEADING EDGE OF PRIVATE EQUITY FIRMS?

By **Olivier Coekelbergs**
Private Equity Leader,
EY Luxembourg

Historically, Private Equity firms have put the relationships and the human connections at the heart of their deal sourcing. Partners and deal teams were continuously asked to expend their network to identify new opportunities of investments. The ongoing creation of data everyday combined with the new technologies to use this data is currently disrupting the way Private Equity firms source their deals. Just like in the public markets 20 years ago where we have seen hedge funds building their trading strategies on algorithms, Private Equity firms will most probably have no other option than using Big Data and analytics to drive investment decisions and generate competitive returns for their investors. While this view has already been endorsed by a few firms (especially in the Venture Capital area), it will take some time to become the norm in this industry.

Overall, the digitalization of our day-to-day activities as individuals or as companies result in a continuous increase of data generated at multiple levels. Leveraging these data should complement all the fundamental and conventional processes of the Private Equity firms. Together with adequate and efficient technologies, it creates a unique and highly powerful tool to assist Private Equity firms in their core decisions.

The power of Big Data in the Private Equity industry is clearly relevant at different levels of the value chain. One should however point out the deal sourcing, the due diligence and the value creation as primary areas where tangible and immediate benefits can be brought.

Deal sourcing

The appropriate use of Big Data to source deals will entail benefits at different levels. Firstly, one can expect to increase significantly the deal flow (quantitative dimension) and enable Private Equity firms to spot targets which are not connected to the traditional network of the partners or the deal teams. Secondly, it should enable to rationalize the deal flow (qualitative dimension) to only include opportunities meeting sev-

DATA SHOULD COMPLEMENT ALL THE FUNDAMENTAL AND CONVENTIONAL PROCESSES OF PRIVATE EQUITY FIRMS.

Olivier Coekelbergs

eral predefined criteria and result in focusing the efforts on the right targets. A concrete example is the use of social media analytics to track customers' behavior towards brands and anticipate needs, and trends. We see many Private Equity firms active in the consumer business using those tools to better anticipate buzz generated by new brands and assess their potential. Overall, Private Equity firms who will use analytics will increase the granularity and the reliability of processes which have so far been human based.

Due diligence

Proper technology combined with the data should enable the Private Equity firms to better understand the target, its strengths and weaknesses, the key drivers of growth, profitability and performance as well as better benchmark the target versus its competitors and position it on the market on the basis of stronger and relevant KPIs. It should also enable the Private Equity firm to gain better insight on the disruptions which might affect their portfolio companies. In general, the due diligence process which has historically primarily focused on the past is broadening its scope with a more looking forward approach. Strengthening the due diligence process with analytics will ultimately help the Private Equity firm to better asses the pricing for the target.

Value creation

Companies are increasing the use of technologies to scale and improve operations and grow the revenue quicker than their headcount to increase EBITDA. Analyzing data from different sources should enable Private Equity firms to prioritize the areas to be improved at any level of their portfolio companies' operations. Segmentation of client bases, redevelopment of product ranges, restructuring of sales and marketing efforts and rationalization of sales channels are just a few examples of corrective measures implemented by Private Equity firms and resulting from data analytics applied to portfolio companies combined with other available data source. It should also be a major accelerator for funds implementing buy and build strategies through the identification of potential add-on which would have historically been under radar.

Towards a leading hedge, but for how long?

Overall, the use of Big Data at different stages of the transactions should strengthen the investment process and further unlock the value creation potential of portfolio companies. It will also generate a major shift in the mindset under which Private Equity firms have been operating for a long time. Finding the right balance between use of data and human insight and intuition might be challenging. It is however cleat that the big winners of tomorrow will most probably be those who will quickly adopt these technologies. On the other hand, considering the pace at which our world is being digitized, it seems like those Private Equity firms which will not move in that direction might become quickly out of business as the general landscape under which Private Equity firms operate will be very different in the medium term. ●

PE AND VC IN POLAND: OPPORTUNITIES ABOUND

By Sylwester Janik
General Partner at Cogito Capital based in Warsaw and NY

By Martin Jasinski
General Partner at Cogito Capital based in Warsaw and NY

At the heart of Central and Eastern Europe, Poland is home to a prosperous and growing private equity and venture capital sector. With 38 million citizens, the country boasts about a third of the region's population and has posted an enviable economic track record in recent decades: Poland's economy has not suffered a recession since 1991 and has more than doubled in size since it joined the European Union in 2004. As its economy has grown, Poland's capital markets have matured and developed – confirmed by FTSE Russell upgrading Poland to "developed market" status in its indices this past fall.

The region's 11 E.U. member states rank high on measures of political stability and ease of doing business. Multiple Central and Eastern European countries including Poland score better on both criteria than France or Italy, according to The World Bank. Poland's legal structure follows E.U. regulations, and its regulatory framework regarding capital markets and investment funds is well-developed and maturing.

Poland's gross domestic product at purchasing power parity per capita is now approximately equal to Portugal's, and is about 70% of the United Kingdom's or France's, according to the International Monetary Fund. But labor cost remains lower than Western European countries despite the region's well-educated workforce, particularly in IT, engineering, and science fields.

That has made Central Europe, and Poland in particular, a magnet for multinational companies' research and development centers. Google, IBM, Samsung, Intel, and Oracle are among those taking advantage of the highly educated and inexpensive engineering talent available. Several so-called "unicorns" have emerged from the region, including Skype, AVG, Allegro, CD Project, LogMeIn, TransferWise, and, most recently; Sequoia Capital, CapitalG, and Accel-backed UIPath.

THE BULK OF CENTRAL AND EASTERN EUROPEAN INVESTMENT SITS AT THE TWO OPPOSITE ENDS OF THE MATURITY SPECTRUM.

A 2018 report by venture capital firm Atomico identified the Polish cities of Warsaw, Wroclaw, and Katowice as among Europe's fastest-growing tech hubs. The 2018 Venture Capital and Private Equity Country Attractiveness Index prepared by the IESE Business School at the University of Navarra ranked Poland 26th in the world, right behind South Korea and Spain.

Investment capital has followed suit, with regional private equity and venture capital firms attracting funds from both local and foreign investors. In 2017, total fundraising in the region reached EUR1.26 billion, a 46% year-over-year increase but only 1.4% of total European fundraising, according to a 2018 Invest Europe report. The largest source of funds were Europe-

© DR

A WAVE OF POLISH ENTREPRENEURS [...] ARE BEGINNING TO REACH RETIREMENT AGE, PROVIDING A STEADY STREAM OF COMPANIES AVAILABLE TO PRIVATE EQUITY FUNDS.

an investors from outside of Central and Eastern Europe, accounting for 38% of capital raised, followed by investors outside of Europe providing 26% of fundraising.

Polish private equity firms in particular have raised notably large funds, including Enterprise Investors' EUR500 million 7th fund and Innova Capital's over-EUR320 million 6th fund. The Polish Private Equity and Venture Capital Association (PSIK) now counts 55 full members, with 13 funds each managing over EUR500 million.

Per Invest Europe's data, Polish enterprises were the destination for 71% of Central and Eastern Europe's record EUR3.5 billion in total investment value in 2017, accounting for 0.54% of GDP – the seventh-most in Europe. The region as a whole accounted for about 5% of total European private equity and venture capital investment in 2017, up from 3% a year earlier. 257 Companies in total received financing, with prominent deals including investments in convenience store-chain Żabka (acquired by CVC Capital Partners) and e-commerce site Allegro (acquired by Cinven, Permira, and MidEuropa).

Divestments reached EUR1.3 billion in 2017, up 16% from the previous year. Funds had a diverse range of options for exiting: 38% came through a sale to another private equity firm, followed by 29% through a trade sale.

A wave of Polish entrepreneurs who created and developed businesses in the years following the country's transition from communism to capitalism 30 years ago are beginning to reach retirement age, providing a steady stream of companies available to private equity funds aiming at succession cases. The country's Ministry of Enterprise and Technology estimates that over the next decade up to a million Polish family-run enterprises could see a change in control.

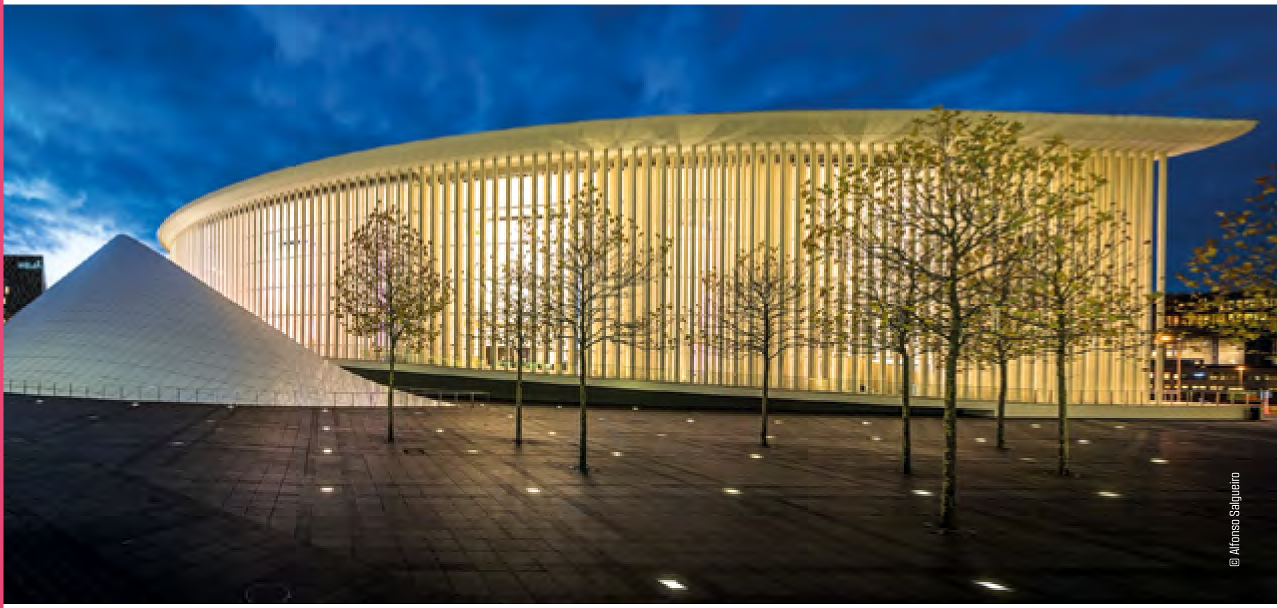
There is also a growing number of serial entrepreneurs with track records of successful ventures in their local markets or the greater region. These founders continue to provide a steady stream of new projects in Central and Eastern Europe that have global expansion potential.

Public Funds of funds and government agencies have recently become important sources of capital, comprising 31% and 26% of funds raised in 2017, respectively. The Polish Development Fund's (PFR) PFR Ventures – the largest fund of funds in Central and Eastern Europe – and Poland's National Centre for Research and Development (NCBR) each have hundreds of millions of euros deployed for venture fund investments. These institutions are largely focused on supporting innovation and the region's start-up ecosystem, and have seeded dozens of new venture capital funds in the recent years.

The result is that the bulk of Central and Eastern European investment sits at the two opposite ends of the maturity spectrum: seed and early-stage venture capital funds and classic private equity or buyout funds. That exposes a notable market need in the middle of the industry for late and growth-stage venture capital financing. Just 0.8% of total investment value in the region in 2017 went to late stage venture, versus four times that share in Europe as a whole.

Compared with the many funding options at the seed and early-stage financing level, there are very few funds in the region that can provide funding at the typical Series B or C stage and support their portfolio companies' international growth. Cogito Capital intends to deploy the majority of its capital in that underserved segment and to help sophisticated late and growth-stage technology ventures reach their global expansion potential. Using Cogito Capital's relationships and network in the U.S. and Western Europe, the fund's team will support these companies growing beyond their home region and entering the next stage in their development. ●

LËTZLIVE



PHILHARMONIE LUXEMBOURG

At the Philharmonie Luxembourg the great repertoire of classical music is performed by the most famous musicians and orchestras in the world. Since opening its doors for the first time in 2005 the landmark concert hall and cultural hub has been welcoming audiences to experience the very best of classical music.

The Orchestre Philharmonique du Luxembourg, which was founded in 1933 and comprises 23 nationalities, contributes a great deal to the success of the hall. With its talented Music Director and conductor Gustavo Gimeno there is a vibrancy and dynamism to their music making that sees the orchestra regularly invited to perform in the best concert halls of Europe. Critical acclaim for the six recordings that the orchestra and Gimeno have released together in recent months is outstanding.

The Philharmonie's world class musical programme is made possible thanks to a range of different funding structures that offer the opportunity to share some extraordinary moments with our audience and sponsors. Should you be interested in becoming our partner, we would be more than happy to present our range of packages to you. We offer visibility, exceptional musical experiences, long-term value investments and philanthropic programmes that are fiscally deductible in Luxembourg or elsewhere. Our sponsorship progammes are diverse and attractive to any individual or company wishing to support culture in general and more particularly those wishing to support music in Luxembourg.

We look forward to meeting, to discussing your needs and to sharing together the incredible adventure of the Philharmonie and the Orchestre Philharmonique du Luxembourg. Let the musical journey begin... ●

CONTACT

Marie Caillet – Business Development Manager
Tel: +352 26 02 27 920
Email: m.caillet@philharmonie.lu
www.philharmonie.lu

WHERE ART MEETS TECH

LUXEMBOURG IS THE BEATING HEART OF EUROPE. IT'S NOT ONLY THE EUROZONE'S LEADING FINANCIAL CENTER AND THE SECOND LARGEST INVESTMENT FUND CENTER IN THE WORLD, BUT ALSO THE PLACE TO BE FOR MANY STARTUPS WHO BUILD ON LUXEMBOURG'S AGILITY AND SPIRIT OF COLLABORATION. IN LUXEMBOURG, YOU CAN MAKE GREAT THINGS HAPPEN AND BRING TO REALITY A WIDE RANGE OF ENTREPRENEURIAL IDEAS. HERE, WE ARE LOOKING AT FOUR INNOVATIVE STARTUPS THAT BLEND TOGETHER ART AND TECHNOLOGY, CREATING A NEW APPROACH TO ART.

By **Carmen von Nell-Breuning**
senior manager, Private Equity
EY Luxembourg

AIVA: Artificial Intelligence Virtual Artist is an artificial intelligence company that composes emotional soundtracks for entertainment content, such as video games, movies, TV shows and trailers. The plan of AIVA is to compose unique classical pieces based on scores of all the great composers—Mozart, Beethoven, Bach, etc.—that are now in the public domain. Its deep learning algorithms continuously analyzes the collected works and can complete unfinished partitions or create entirely new songs. The first compositions of AIVA are already available on the site **www.aiva.ai**

Arius Technology, the leader in 3D mapping, digitization and re-creation of art masterpieces, have been selected by **Fine Art Logistics Natural Le Coultre (FALNLC)** to join them in offering art collectors' exciting new services: Based on Arius' technology, FALNLC offers now the re-creation of fine art as well as digital archiving services from within the safety of their state-of-the-art facilities at Luxembourg's Freeport. With art sale records being broken year after year, the secondary art market continues to prove lucrative for collectors and investors all around the world. With more pressure to insure and store humanity's most precious assets, the ability to enjoy a fine art re-creation, without taking a masterpiece out of storage, is a long-awaited opportunity for many. Together, FALNLC and Arius are at the forefront of using 3D digitization technology to change the way we protect, preserve, and live with art to ensure they remain available for future generations.
https://ariustechnology.com
https://www.falnlc.lu

ArtDesignPainting creates digital paintings 100% connected with augmented reality and blockchain technology for better traceability. Founded in France and Luxembourg, ArtDesignPainting has a close partnership with Luxfactory and its senior designers. **www.artdesignpainting.paris**

itondo is an augmented reality powered mobile iOS app and marketplace for previewing art to scale on art buyers' walls. It's really simple: Art professionals upload their work to itondo; Art lovers download the app, find a piece they like, visualize it, and contact the art professional directly to purchase it. itondo solves a common problem for any art buyer worldwide: they fall in love with a painting in a gallery or online but cannot imagine what this piece will look like on their wall. Is it the right size? Do the colors match the room? itondo's accurate augmented reality visualization gives the buyer that certainty, and the gallery a powerful sales tool to ease the buying decision whilst providing them with global reach. **https://itondo.com**

PHOTO GALLERY

Luxembourg Private Equity Reception in London, 7/02/2019

LPEA Seminar in Paris, 25/09/2018

LPEA Seminar in Paris, 25/09/2018

LPEA/ ChinaLux: Fund Raising in China conference, 19/10/2018

LPEA Seminar in London, 17/10/2018

GP Workshop on the CSSF Circular 18/698, 6/11/2018

LPEA New Year's Event, 28/01/2019

© DR

PRIVATE EQUITY INSIGHT/OUT #13

Meeting with Jeanne Crauser, Consul General of Luxembourg in New York (10/10/2018)

GP Workshop on the Tax Substance, 17/09/2018

© DR

UPCOMING EVENTS

PRIVATE EQUITY

LUXEMBOURG PRIVATE EQUITY SEMINAR
6 March
Zurich

LPEA & ALFI PRIVATE EQUITY WORKSHOP
8 May
London

QUORUM CLUB LUXEMBOURG (FAMILY OFFICES)
May
Luxembourg

LUXEMBOURG PRIVATE EQUITY SEMINAR
September
Paris

LPEA INSIGHTS 2019: PRIVATE EQUITY 3.0
19 March
Philharmonie Luxembourg

LPEA ANNUAL GENERAL MEETING
13 May
Luxembourg

LUXEMBOURG PRIVATE EQUITY SEMINAR
June
New York

LPEA ESG LUNCH ON REGULATION
26 April
Luxembourg

ALFI NEW YORK ROADSHOW (ALTERNATIVES)
22 May
New York

LUXEMBOURG VENTURE CAPITAL SEMINAR
June
Berlin

OTHER EVENTS IN LUXEMBOURG

Théodore van Loon: between Rome and Brussels
15 February - 26 May
National Museum of History and Art (MNHA)

Lovis Corinth: Plakeg!
16 March - 16 June
Villa Vauban

Sir Simon Rattle & Peter Sellars – Johannespassion
5 April
Philharmonie

DKV Urban Trail
28 April
Luxembourg City

Stomp
11-12 May
Rockhal

Luxemboug Museum Days
18-19 May
Luxembourg City

Conversations with Nick Cave
24 May
Philharmonie

ING Night Marathon
1 June
Luxembourg City

Jamiroquai
2 June
Rockhal

SKODA Cycling Tour of Luxembourg
5-9 June

Summer in the City: Music Festival
14 June - 15 September
Luxembourg City

Mark Knopfler
20 June
Rockhal

Skunk Anansie
1 July
Rockhal

J.P. Morgan City Jogging
7 July
Luxembourg City

Limp Bizkit
8 July
Rockhal

Festival Blues'n Jazz Rallye
27 July
Luxembourg City

Medieval Festival
27 July - 4 August
Vianden Castle

Schueberfouer (Fun Fair)
23 August - 11 September
Luxembourg City

Wine and Grape Festival
6-7 September
Grevenmacher

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 200 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!

EXECUTIVE COMMITTEE

Rajaa Mekouar-Schneider
President
Kharis Capital

Hans-Jürgen Schmitz
Honorary President
Mangrove Capital Partners

Olivier Coekelbergs
Vice President
EY Luxembourg

Jérôme Wittamer
Vice President
Expon Capital

Emanuela Brero
Member
CVC Capital Partners

Antoine Clauzel
Member
3i Luxembourg

Serge Weyland
Member
Edmond de Rothschild A.M. (Luxembourg)

Gilles Dusemon
Technical Committees Leader
Arendt & Medernach

Peter Myners
Secretary
Allen & Overy, S.C.S

Eckart Vogler
Treasurer
Investindustrial S.A. (Bi-Invest Advisors S.A.)

Claus Mansfeldt
Member
SwanCap Investment Management S.A.

Nick Tabone
Member
Deloitte

Paul Junck
LPEA Managing Director
LPEA

TECHNICAL COMMITTEES LEADERS

TAX
Martin Hollywood (PwC)

LEGAL
Gautier Laurent (Cinven)
Katia Panichi (Elvinger Hoss Prussen)

PROMOTION
Stéphanie Delperdange (Sofina)
Alexandre Prost-Gargoz (Deloitte)

ACCOUNTING & VALUATION
Laurianne Delaunay (Marguerite)
Yves Courtois (KPMG)

MARKET INTELLIGENCE & TRAINING
Andrea Montresori (PricewaterhouseCoopers)

YOUNG PRIVATY EQUITY LEADERS
Dušan Gladović (LPEA)

ESG
Anne Canel (HLD Associés Europe)
Oriane Schoonbroodt (LABEL-R)

LPEA TEAM

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