PRIVATE EQUITY
INSIGHT/OUT

DÖRTE HÖPPNER
(RIVERSIDE EUROPE)

WOMEN IN PRIVATE EQUITY

PE4W

Cyber threats: [don't] panic!	Venture Capital Who is who	Specialised is Beautiful

Issue 14, October 2019

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LPEA Matching talent and money!
THE LUXEMBOURG VOICE OF PRIVATE CAPITAL

DEAR READER,

We pride ourselves in honouring our starting mission at the helm of LPEA in the best possible way. This means ensuring Relevance, Accountability and Efficiency in everything we do for our vibrant community of members (230 at print time). We aim to reach 500 members by 2025, including growing the different types of PEVC practitioners we welcome in Luxembourg.

Amongst the key priorities that will contribute to this result is to increase diversity in all its forms, including the inclusion of more women in PE teams, at senior levels in particular. This is why we decided to dedicate this edition of INSIGHT OUT to "Women in Private Equity" and this is why we committed to signing the Pledge of Equilibre, the Luxembourg initiative that subscribes to important Sustainable Development Goals (Gender Equality; Decent work and economic growth; Reduced Inequalities). Tangibly speaking, this means: #nowomennopanel. All efforts in this direction will be channelled via our Technical Committee, #PE4W, co-led by LPEA members Nicolas Gauzes (Linklaters) and Manon Aubry (RSM).

Another priority for the new executive team is the fostering of the LPEA in the VC ecosystem, just as technological disruptions and digitalization are all the rage and affect the very way we do business. We are lucky to have a dynamic start-up scene in Luxembourg, in particular related to FinTech, hence our increasingly frequent collaboration with LHoFT, which will culminate in November 19th-21st, 2019, with the "Global Venture Summit", which will showcase the Silicon Valley in Europe for the first time and chose Luxembourg-Belval as its venue. LPEA proudly sponsors this historic event that is expecting 1,200 participants from all over the US and Europe. Expect also more tech-oriented LPEA events and workshops in the months to come, often in partnership with LuxInnovation and other initiatives!

As we are approaching our 10th anniversary, which will be celebrated in an unprecedented fashion over 2020, we are working hard to position ourselves at the forefront of Thought Leadership: Luxembourg-based PE professionals have real expertise that only awaits conveying to the wider world. This also means we welcome volunteers in our various Technical Committees and Clubs to contribute their insights in their given fields, and we are launching a comprehensive training programme to enhance the technical skills of PEVC staff based in Luxembourg, starting with a PE Certificate in collaboration with the Sacred Heart University.

Thank you for your continued support, which we hope will only keep increasing as the relevance of what we offer our members continues to grow!

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

Claus Mansfeldt
Chairman
Luxembourg Private Equity & Venture Capital Association

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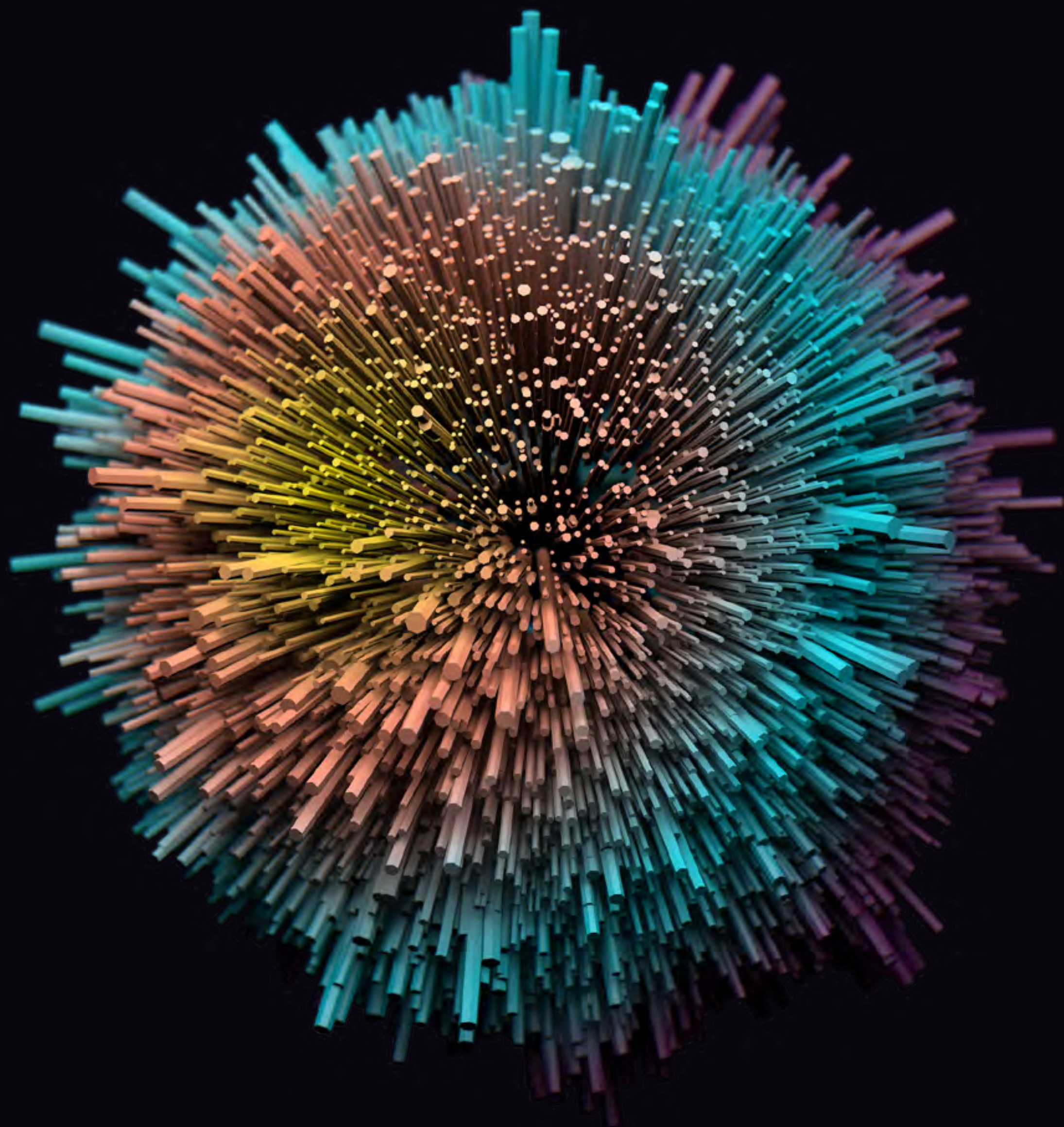

Cultivating the Private Equity industry

The Deloitte Alternative Day, a conference tailored for the alternative industry players is coming this October.
Dedicating an afternoon to offer the complete experience to PE professionals.

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LEADERSHIP CHANGE AT THE HELM OF LPEA

The new leadership team of LPEA took office on September 1st 2019, with Rajaa Mekouar-Schneider as CEO, and Claus Mansfeldt, as its new President.

This change come into effect following a board decision in May 2019, after the announcement of the previous Managing Director, Paul Junck, to retire after 10 years at the helm of LPEA.

The association also expanded its Marketing and Communications team by promoting Luís Galveias to Director and hiring Michaela Viskupičová as a new Events & Communication Manager and will onboard Stephane Pesch as Director of Strategy Implementation from October 15th.

The new leadership of LPEA has the task to develop and implement LPEA's new strategy, following on from an extensive review the association carried out earlier this year, and building on its mission to reinforce Luxembourg's role as the location of choice for Private Capital investors, whilst providing a platform for relevant parties to connect, learn from each other and stay informed.

PRIVATE EQUITY IS A GROWING ASSET CLASS THAT IS APPEALING TO AN EVER WIDER RANGE OF INVESTORS. ENSURING MORE TAILOR-MADE CONTENT FOR MEMBERS BUT ALSO BROADER ACCESS TO THE ASSET CLASS GENERALLY ARE CORE COMMITMENTS FOR ME AS PRESIDENT, FULLY IN LINE WITH WHAT THE EXECUTIVE TEAM LED BY RAJAA IS STRIVING TO ACHIEVE.

Claus Mansfeldt, President

MY PREVIOUS ROLES AS A BOARD MEMBER AND PRESIDENT OF LPEA ALLOWED FOR GREAT CONTINUITY IN MY INVOLVEMENT WITH THE ASSOCIATION OVER THE PAST 3 YEARS. MY GOAL IS TO SET THE COURSE FOR 2025, AFFIRMING LUXEMBOURG'S ROLE AS A HUB FOR PRIVATE CAPITAL, THUS MORE THAN DOUBLING OUR MEMBERSHIP TO 500 MEMBERS, WHILE ENHANCING RELEVANCE OF WHAT WE DO FOR THE MANY DIFFERENT TYPES OF CURRENT MEMBERS OUR COMMUNITY COUNTS, 220 AS WE SPEAK, 50% OF WHOM ARE INVESTORS.

Rajaa Mekouar-Schneider, CEO

LPEA STRATEGY: BRINGING VALUE TO THE ECOSYSTEM

During the course of 2018 and 2019, the LPEA reviewed its strategy by involving a large part of the financial constituencies including members and related associations in order to build an even bolder vision for its future and that of Luxembourg as an international hub for PEVC.

While preserving its entrepreneurial mindset and culture, the LPEA will strive to build an even more closely knit community with its members, especially the increasingly diverse membership base of investors, including GPs, LPs, be they Family Offices, Pension Funds or Private Banks. This requires to ensure relevance across the board while maximising efficiency and accountability towards its members:

1) Offering more tailor-made content to its different groups of members,

2) Strengthening partnerships with other associations, starting with LFF, the umbrella for Luxembourg's financial marketplace and

3) Conveying its key messages more broadly beyond the borders of Luxembourg.

On another level, LPEA vows to establish itself as a thought leader in the financial community, when it comes to PEVC trends and dynamics, which will entail broadening the skillset base of Luxembourg-based workforce via a comprehensive training programme.

LPEA TRAINING

One of the key takeaways from the LPEA's recent strategy review is a desire to focus on training for the benefit of our members.

A clear trend in Luxembourg in recent times has been the increasing role of members' Luxembourg based teams on deals. Luxembourg teams are increasingly driving and playing a key role on the negotiation and execution of deals, and a number of our GP members have either relocated or hired senior legal, tax and deal people in Luxembourg in order to support this trend.
The LPEA intends to launch a dedicated training programme for these teams, which would culminate in the award of an "LPEA Certificate". Topics to be covered will include: (i) the commercial drivers of deals, and how to achieve targeted returns, (ii) the power of leverage, (iii) the evolving role of Luxembourg teams on deals, and how to overcome specific challenges, (iv) target company valuations, (v) financial, tax and legal due diligence, (vi) key negotiation topics on transaction documents, (vii) management incentivising plans, (viii) key areas for dispute, and (ix) refinancing and restructuring of portfolio companies.
The sessions will be run by leading private equity professionals – leading investment professionals from GPs, leading M&A, leveraged finance, litigation and restructuring lawyers, and leading valuation specialists, in each case from across Europe.
The aim is to launch the programme later this year, and for the LPEA Certificate to become a badge of quality on the Luxembourg market.
The first step towards the implementation of this vision is the collaboration between LPEA and Sacred Heart University with the launch of a PE Certificate, which will allow professionals to gain insights into the fundamentals of PEVC as an asset class, from an investment and structuring standpoint.

By Peter Myners
Member of the LPEA Executive Committee
and Co-Head of Alternative Investment at Allen & Overy

The LPEA and the Jack Welch College of Business & Technology (JWCB&T) at Sacred Heart University (SHU) have joined forces to create a business certificate for Luxembourg professionals, specifically designed to focus on Private Equity: The Private Equity Business Certificate Program. Together, the LPEA and SHU developed a comprehensive curriculum that offers a unique opportunity to deep-dive into Private Equity and Venture Capital.
This initiative with the JWCB&T is the first of a long-term development in Luxembourg that aims at enhancing the skill set of newcomers and current practitioners in Private Equity and Venture Capital, while embracing the University's "Learn Today, Apply Tomorrow" mission.
The first flagship programme is the "Private Equity & Other Alternative Asset Classes" course taking place in October and November 2019.

SUMMARY OF LPEA INSIGHTS: PRIVATE EQUITY 3.0

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On March 19th, 2019 the LPEA welcomed 350 private equity professionals to the 3rd edition of the LPEA Insights Conference in the Philharmonic Luxembourg under the theme of "PE 3.0": The goal was to showcase the future trends underpinning the industry via live testimonials, debates and case studies.
As Sustainability is one of these key trends, LPEA invited as keynote Prince Max von und zu Liechtenstein, CEO of LGT which has adopted an impact investing strategy alongside other major investors. PE firms Ambienta, Bamboo Capital, PAI and Invest Industrial also joined the discussion with their own insights.
Other panels focused on Emerging Markets, investments in Space, innovation and disruption in Private Equity with perspectives from different segments of the asset class and high-level speakers from Ardian (France), Pollen Street Capital (UK), G Squared (US) and Swancap (LU).
The event closed with a lively exchange with Norbert Becker, a financial entrepreneur with his experience as a PE investor in Luxembourg, according to him a key hub for PEVC.
Save the date to the next LPEA INSIGHTS conference edition:
12 May 2020!

NEW LARGE BUYOUT CLUB

Following the request of large Buyout firm members, LPEA is launching a new group dedicated to allow them to exchange informally. A "Large Buyout" platform already exists at European level, in Invest Europe, and the need to extend the discussions at national level and allow executives to meet were raised by LPEA's members.
Large buyout firms, with funds of a size exceeding USD 750 million, are significantly represented in Luxembourg and in the association. This new initiative will be led by Sara Huda, Director of The Carlyle Group and Joshua Stone, Director of EQT Fund Management.

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Serge WEYLAND
Head of Institutional & Fund Services and CEO
Edmond de Rothschild Asset Management (Luxembourg).

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NEED MORE INFORMATION ?

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SILICON VALLEY LANDS IN LUXEMBOURG

The first GVS to be held in Europe is scheduled for the 19/20/21st of November, and the objective is to hold the Summit in Luxembourg on a yearly basis until at least 2022. The goal of GVS Luxembourg is to expose seasoned Silicon Valley VCs to the European start-up ecosystem, with a particular focus on Luxembourg as a core start-up hub and a super connected financial hub. According to Ahmed Shabana, conference director and Partner of Parkpine Capital, "we are expecting over 10 deals with over $50M in value between start-ups, venture funds, and limited partners as a result of the global audience gathering over 1500 participants from over 50 countries".

The Global Venture Summit (GVS) is the leading summit experience with the highest chance of securing start-up capital or Venture Capital financing. Nine Companies in the last 4 GVS events have secured funding of over $25M USD. The summit is structured to focus on leaving the summit not only with takeaways from high-profile venture capitalists but with funding! Deal rooms will be set up during the summit to fulfil this purpose. Great entrepreneurs don't just come out of Silicon Valley, and GVS seeks to provide financing and global support to the best business ideas, start-ups, and entrepreneurs from all over the globe.

Ahmed Shabana argues that "attending GVS is the chance for start-ups to meet hundreds of powerful investors from around the world, to pitch their ideas and solutions for the chance to gain funding, investment and mentoring support". GVS attendees will include major US funds such as Kleiner Perkins, Draper Nexus, Prtizker Group, Microsoft Ventures, HTC Ventures and many more. Some high profile speakers include Eric Bielke, Director at GE Ventures; Alex Estevez, Partner at Accel Partners; Tim Chae, Partner at 500 Start-ups; and many more. You can check the line-up page hereafter **www.gvsummit.co/speakers-lux**

APEX GROUP CONSOLIDATES IN LUXEMBOURG

Apex Group has been scaling up its presence in Luxembourg through a series of acquisitions. Earlier this year Apex confirmed the acquisition of M.M.Warburg & CO's Asset Servicing business, LRI Group ("LRI"), and specialist European private equity administrator, Ipes. These acquisitions added over $235 billion in assets under administration to the Group's portfolio and solidified its position as one of the world's largest fund services providers. More recently, in July, the group announced the closing of the acquisition of the corporate and private client services ("CPCS") and Throgmorton businesses from Link Group's Asset Services division, adding 600 employees and 6,000 clients across multiple markets.
Due to LRI's strong local reputation Apex has maintained its brand as a sub-company under the global Apex Group – folding Warburg Invest in to that brand to create a stronger united Management Company. The depositary service solutions from Warbug have been retained under the newly developed European Depositary Bank brand, another Apex company, strengthening the Group's combined service strength.
Luxembourg is one of Apex Group's largest centres, with over 600 employees locally, and a complete end-to-end service offering for clients. As the leading fund centre in Europe, Luxembourg is central to Apex's growth ambitions.

GROUPE HLD EXITS FILORGA

The Groupe HLD announced an agreement with Colgate-Palmolive to sell 100% of Filorga Laboratories for a value of EUR 1495.5 million. Groupe HLD is the main shareholder of Filorga since 2010 having supported the firm to be recognised as a market leader commercialised in 75 countries. Since 2007, Filorga develops and commercialises anti-aging products combining high-end with accessible prices, multi-channel distribution and a continuous innovation process which led to a growth of 50% in the past 10 years.

OCSIAL BECOMES FIRST LUXEMBOURG INDUSTRIAL UNICORN

OCSiAl, the world's largest manufacturer of graphene nanotubes headquartered in Luxembourg reached the valuation of $1 billion after A&NN Investments acquired a 0.5% stake in the company for $5 million.
OCSiAl was the first company to produce high-quality graphene nanotubes on an industrial scale and at a cost 75 lower than its competitors when it was created in 2014. Such price reduction made nanotubes accessible to a much larger number of industries. With revenues doubling annually ever since, the company expects to go public by 2025. Yuriy Koropachinskiy, President of OCSiAl, believes "the company will be worth at least $100 billion in ten years' time."

OVERVIEW OF LUXEMBOURG-BASED VCs

Name	2BE.LU Investments	Encevo SA	Expon Capital	Interstellar Ventures
Website	www.2be.lu	www.encevo.eu	www.exponcapital.com	www.interstellar.ventures
Set up in Luxembourg since (year)	mid-2014	1928	2015	Q4 2019
Company description	2BE.LU Investments is an alternative investment fund with a flexible structure that allows investment in a wide range of portfolio companies as well as in individual projects and rounds. The founder and manager of the fund is Alexander Tkachenko, MBA LBS and Columbia University, serial entrepreneur with 20 years professional experience in marketing, sales, business creation and development in large multinational companies as well as start-ups. The fund is surrounded by top-tier experts: angel investors, analysts and industry professionals all working in close proximity.	Encevo Group is the leading energy player in Luxembourg and active in Germany, France and Belgium. Encevo is active all along the energy value chain: Production, storage, supply, transport, trading, distribution and services. The group is based on three pillars, essentially represented by three distinct entities and their respective subsidiaries: energy supply and the production of renewable energies through Enovos , grid operation through Creos and energy related services (distributed production, energy efficiency, eco mobility...) through Enovos Services.	Expon Capital is a new breed of VC who seeks a Higher Purpose. It was created to finance and support exponential founders and their teams to address the world's biggest challenges (UN SDGs) using tech and help them become the most valuable companies in the world. From backing the development of the flash memory you have in your hand to the first e-Commerce company to IPO in Europe (among 6 IPOs under our belt) to upcoming unicorns Catalyte, Glovo, Spire, the team supported some of the most successful entrepreneurs of the last decades.	Interstellar Ventures (IV) is a key driving force in space exploration. With extensive market intelligence and outreach, IV leverages the momentum that the space ecosystem is experiencing. The firm offers access and expertise, capital and growth support connecting space and non-space industry and bridging the private and public sector in an efficient way. Through venture building, a new-space fund, contribution to the political space agenda and space law development and infrastructure development on the Moon, Interstellar Ventures embraces all relevant factors in space ecosystem development.
Investment strategy	Investment strategy (short/ 250 words max; stage, sector, investment size, geography...): Early stage business (Seed – A round), Platform businesses/ Process automation services using artificial intelligence or blockchain technology/E-commerce and services, USD 200,000-1,500,000 per round, South-East Asia/Persian gulf/ Russia/Great Britain/Northern Europe. We select teams that went through a well-known incubation or an acceleration program and has proven entrepreneurial experience as well as knowledge of the business field.	Profiling as a Corporate VC, the Encevo Group has launched in-house investment capabilities aimed at offering stronger ties with early stage companies and accelerated deployment of new solutions and services. The firm plans to, each year, perform a limited number of hand-picked, equity investments into European ventures during their international expansion stage, usually referred to as a Series A funding round. It focuses on a few targets and strategic connections to its operations are a key element of its decision process. Encevo is open to co-invest with international partners sharing the same vision, values and objectives. The areas of interest covered in its entire value chain.	Expon Capital invests from EUR 300k to EUR 10 million in Seed to Series C in exponential firms solving hard, valuable problems using digital technologies (sector agnostic) for a meaningful impact on the World. Expon Capital invests from Europe and North America to Israel. The firm also manages the Digital Tech Fund, a Luxembourg-focused early stage fund, supporting companies deploying operations in Luxembourg and targeting opportunities in BigData, Cybersecurity, FinTech, Digital Health, IoT, Digital Learning, Satellite telecommunications & services and Next-generation communication networks.	Operating similarly to a private space agency, we are carefully and thoughtfully deploying capital for our portfolio companies in alignment with a greater strategy to explore and develop space in a commercially-sustainable way. IV invests in early-stage space-related start-ups across the entire space value chain. It targets Seed-stage through Series B-stage companies that leverage, develop, and/or apply space technologies to solve both Earth-based and space-based problems.
Investments in the last 12 months	The fund has invested in 14 different projects with the total investment reaching close to USD 7,000,000.	None but several in the making	Glovo, Nannybags, OpenExo, Pliops, Service, Verse, WeFarm for Expon // Passbolt and Salonkee for the Digital Tech Fund.	New project
Key person of contact	Alexander Tkachenko	Nicolas Milerioux	Jerome Wittamer	Sebastian Straube (Berlin) and Agnieszka Noel-Druzd (Luxembourg)

WITH MANY VCS VISITING LUXEMBOURG FOR THE GLOBAL VENTURES SUMMIT IN NOVEMBER, THE LPEA MAPPED THE VCS WHICH ARE BASED IN LUXEMBOURG. ALTHOUGH TARGETING INVESTMENTS FAR BEYOND LUXEMBOURG BORDERS, THEY REMAIN A SUPPORTING PILLAR TO THE LOCAL ENTREPRENEURIAL COMMUNITY BY WAY OF COACHING AND OCCASIONALY INVESTING IN EARLY STAGES.

Mangrove Capital Partners	Odysseus Alternative Ventures	ORAXYS	Paladin Capital	Sweetwood Ventures
www.mangrove.vc	www.odysseus-investments.com	www.oraxys.com	www.paladincapgroup.com	www.sweetwoodcapital.com
2000	2018	2008	2016	2018
Mangrove is a leading seed and early stage firm investing across Europe and Israel, help-ing ambitious entrepreneurs start and grow global, disruptive tech companies. Early backer of companies such as Skype, Wix, Walkme, K Health, StoreKing and many more.	Odysseus Alternative Ventures is a new generation Asset Builder, actively creating and facilitating the transformation of nimble, disruptive financial services technology companies into genuine scale players. Through the power of its network, OAV sources and structures opportunities for family offices, institutions, and HNWs to participate as partners or co-investors in the nurturing of potential winners.	Oraxys is a unique European Private Equity firm founded in 2008, specialized in growth capital – LBO investments for companies that market products or services with a Sustainable Impact for Environment, Energy Efficiency or Public Health. Mission: to actively support the development of European sustainable groups by strengthening and accelerating their growth. Backed by long-term investors, Oraxys is managing two funds invested by industrial families, private investors and holdings.	Paladin Capital is a leading global cyber investor, investing, supporting and growing some of the world's most innovative companies through venture, expansion, and growth capital. With offices in Washington DC, New York City, Silicon Valley, Luxembourg and London, Paladin seeks out diverse investment opportunities across the US, Europe and worldwide.	Sweetwood Ventures is the venture capital arm of Sweetwood Capital, an Israel-based asset management firm, established in 2011. Its fund is domiciled in Luxembourg as a RAIF and is investing through a diversified strategy, which includes primary and secondary allocations to top-quartile Israeli venture capital funds and direct co-investments in leading Israeli start-ups.
Focus on Europe and Israel, B2B and B2C, Saas / Marketplaces / Ecommerce / Consumer products at large. Industry agnostic. First check from EUR 0.3k to EUR 5 million.	OAV identifies investment themes in 5 verticals: FinTech, InsurTech, PropTech, WealthTech, and Impact Finance and invests mostly in the EU and North America, with flexible tickets. OAV's main investment strategies are the following: Asset Builder, Venture Capital and Venture Capital as a Service.	Growth capital and LBO: Profitable companies generating net sales between EUR 10M and EUR 200M Targeted sectors: Green Chemistry, Waste Management, Eco-Materials, Organic Food, Information Technology, Smart Electrical Equipment, Automation and Robotization. Geographic focus: Benelux, France, Switzerland and Germany. Investment size: Equity/Quasi-equity investment ranging from EUR 5 million to EUR 50 million.	Multi-stage, focus on the cyber and related deep tech sectors with 'dual use' in commercial and government. Typical investment size EUR 1 – 10 million. Global geographic investment mandate with focus on the US and Europe.	Sweetwood Ventures invests in Israel's leading technology, through a diversified strategy, which includes primary (80%) and secondary allocations (10%) to top-quartile Israeli venture capital funds and direct co-investments in leading Israeli start-ups (10%). Its portfolio provides exposure to the different deployment stages of venture capital (pre-seed, seed, early and late/growth) and different investment sectors (such as IoT, Cyber Security, Fintech, Big Data, Digital Health, Artificial Intelligence, Augmented Reality and Virtual Reality).
Safe365, Lightico, AntiToxin, Flo Health, Clear Logistics and Sybel.	4 European companies in portfolio: Whitebox, Grid Finance, Finanzritter and Bankify	Successful divestment: Les Comptoirs de la Bio to Les Mousquetaires/Intermarché Group Successful divestment: Leosphere to Vaisala.	Secure Code Warrior (UK / Belgium), RangForce (Estonia) and Teraki (Germany)	Two primary commitments to early-stage focused top-quartile venture capital funds and the purchase of an existing fully-funded commitment in a venture capital fund focused on round-A investing, through a secondary transaction, at a significant discount to NAV.
Hans-Jürgen Schmitz and Yannick Oswald	Christophe Reech and Minh Q. Tran	Gregory Fayolle	Ken Pentimonti	Manuel Sussholz, Managing Partner

DÖRTE HÖPPNER

THE FLYING EUROPEAN WOMAN OF PRIVATE EQUITY

INTERVIEW by Rajaa Mekouar-Schneider
CEO of LPEA

and Olivier Coekelbergs
Vice-President of LPEA

THE LPEA MET WITH DÖRTE HÖPPNER TO DISCUSS ONE OF PRIVATE EQUITY'S (PE) MAIN CHALLENGES TODAY: THE NEED FOR MORE WOMEN IN SENIOR ROLES. RAJAA MEKOUAR-SCHNEIDER, CEO OF LPEA AND OLIVIER COEKELBERGS, VICE-PRESIDENT OF LPEA, DISCUSSED WITH HÖPPNER ABOUT HER CAREER AND HER COMMITMENT IN PUSHING FOR MORE WOMEN TO JOIN THE ASSET CLASS.

Tell us about the key moments in your career and how you entered the PE industry

After my career as a TV journalist, I worked at the German Institute for Economic Research as Head of Comms back in 2007. A keynote speaker at one of our events was Thomas Pütter from Allianz Capital, who chaired the German private equity association. I asked him why Private Equity as an industry was doing such a poor job at explaining itself to the wider public. A week later he called me and offered me the role of Managing Director at the Association to help improve the image of the industry. This was one of the key moments in my career.

I never sat down to plan my career methodically, but I was always open to new opportunities that presented itself. Not at evening networking events, which I always tried to avoid, but by staying open minded everywhere I am. Also, I was lucky to always have a boss or mentor who supported me to grow and develop. In my case it was always a man, which is not surprising given the few women in senior roles.

Also, as a mother of three, I found it was important to have the right partner at home who supports you, together with a strong social network of family & friends. After our second son was born, I initially stayed at home for a year or so before resuming work. Once I was back to work my husband, who also has

BIO

Dörte Höppner

Chief Operating Officer, Riverside Europe & Director, Fundraising and Investor Relations.

Ms. Dörte Höppner joined Riverside in 2017, bringing extensive experience in European private equity. She serves a multifaceted role, leading Riverside's initiatives in Europe and working closely with the Global Talent Management and Fundraising & Investor Relations teams. Ms. Höppner came to Riverside from P+P, a leading German law firm. Prior to that, Ms. Höppner was Chief Executive and Secretary General at Invest Europe and Managing Director at the German Private Equity and Venture Capital Association. Ms. Höppner began her career in financial journalism and communications. She earned her diploma in economics from the Freie Universität Berlin. Ms. Höppner has been recognized by a number of trade publications for her contributions to private equity, among them Most Influential Person in European PE and Best PE Personality of the Year.

NOW IS A GREAT TIME FOR WOMEN TO JOIN THE PE INDUSTRY.

Dörte Höppner

a demanding job, she was always there to share the household tasks and the kids' education. Combining children and work will look different for every young mother. There is no single role model. But it is doable, ultimately it is an organizational challenge.

The later part of my career, since 2007, has been spent within the PE industry and has always involved a great deal of travel. For example, during my tenure as CEO of Invest Europe, I was working out of Brussels, but I did not relocate my family and was commuting Monday-Friday every week. This certainly required me to have a good support system around me, but with all my travelling it was the best option for my family to stay in Berlin.

I think PE is a fascinating industry, led by people who are swift in their processes and decisions, compared with other sectors. Working within such an industry has been a big reward for me. After completing my mandate as CEO of Invest Europe, I was keen to stay in PE and Karsten Langer, a former chairman of Invest Europe, offered me a role working with him again, this time at his PE firm, Riverside Europe, as COO. I have now been with the firm for two years and love being on the inside of our industry as a GP.

Nowadays, some of the largest companies are imposing quotas for gender diversity in their management functions. Do you think it is a good idea and should PE Firms try to follow suit?

I do not think that imposing quotas is the solution. However, I believe that PE firms need to have a strategy on diversity with specific targets. Those targets will differ for each firm, depending on its size and the market segment it operates in. Some firms and advisory companies are already designing strategies around diversity in their organizations and more specifically in their management functions. This seems to be a very sensible approach. In my view, a proper strategy should include a number of key pillars, including: i) the recruitment and the retention of talented women at various level of the firm; ii) the design of dedicated programs or initiatives aimed at strengthening retention; iii) the development of inclusive coaching and developmental programmes designed for a diverse base and not just for men; and iv) processes supporting fairness for all employees when it comes to compensation and promotion.

You are a very active member of Level 20, an organization aiming at promoting women in PE. Could you tell us a bit more about Level 20?

Level 20 is a not-for-profit organization which was founded in 2015 to inspire more women to join and to succeed in the PE industry. In 2015, according to Invest Europe, women occupied only around 5% of senior roles in the European industry. Level 20's aim is therefore to increase the percentage of senior women in the industry to 20%. Level 20 is now supported by 46 major PE firms, which shows the growing goodwill and desire to promote gender diversity in our industry.

Level 20 has designed mentoring programs to enable women working in the industry to benefit from the lessons learned and insights of those with more experience. It is important to note that the mentors are also men – gender really does not matter here. Level 20 hosts a variety of events to support its objectives. These vary from large member networking sessions through smaller, more targeted events, often with an educational component, for a select group of members. The Level 20 Outreach Program aims to encourage young women to consider careers in PE.

Why do you and Level 20 consider gender diversity in PE team to be driver of success for PE Firms?

For the simple reason that diversity in views has a positive impact on the performance. Diverse teams have a stronger ability to understand the challenges presented by a specific opportunity and to deal with these efficiently and effectively. In the PE industry, a great deal of time is spent identifying high-potential opportunities for value creation. Clearly, diverse teams are better equipped to make better decisions. This view is not only the view of Level 20; many stud-

> THERE IS A POSITIVE CORRELATION BETWEEN GENDER DIVERSITY IN TEAMS AND RETURNS ACHIEVED.
>
> Dörte Höppner

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IT SHOULD NOT BE A HURDLE AT ALL FOR WOMEN TO ACCESS SENIOR POSITIONS IN THE FIRMS.

Dörte Höppner

ies have demonstrated that there is a positive correlation between gender diversity in teams and returns achieved.

What could the industry do to attract more women?

Reaching out to them! Discuss and see whether a career in a PE firm might be a first opportunity for them or as a next career step. Overall the goal should be to have a critical mass of women, which in turn will attract more women to the asset class, because they will say, "Wow this must be a good place to work if there are so many women". More women will want to join if they feel that they can be part of a diverse team.

Also, on the remuneration side, Carried Interest is something that can be structured in a way that takes into account the fact that someone may take a career break. This should of course be completely independent from whether the individual is a man or a woman because a male team member can also take a career break for family reasons or to sail the world or whatever. Compensation obviously is important and the Carry structure is important for the industry. It should be part of the strategy to help achieve more diversity within the firms.

DESCRIPTION OF RIVERSIDE

- Strategy: Riverside's unwavering focus on the smaller end of the middle market has led to a buy-and-build investment strategy that seeks to maximize potential for companies.
- Riverside manages 6 funds in Europe
- Sector / stage focus: Control buyouts of European companies with less than €25 million in LTM EBITDA.
- AuM: Over $8.9 billion in assets under management, as of Q2 2019
- Office Locations: Brussels, Stockholm, London, Madrid, Luxembourg, Munich / 9 offices in the US and Asia-Pacific

What´s next to promote women in PE

At Invest Europe, almost half of the Board members are women, which is great and shows the willingness of women to engage in causes they believe in, beyond the business itself.

To me, this also shows that it is possible to have more gender parity at all levels.

Another great way to promote women in PE is to strive for a 50/50 ratio between men and women in panels at all events. This way female representation is ensured and it speaks for itself; this is much more important than organizing female-only events.

During my tenure as CEO of Invest Europe, I encouraged and supported initiatives like Level 20, while allowing them to remain independent from Invest Europe, the association. This is the way forward.

I look forward to participating in future LPEA events, as a GP member of the Association.

A few words for Luxembourg?

Luxembourg has clearly become increasingly important for the PE industry in Europe and beyond. In light of regulatory, tax and other political evolutions such as Brexit, Luxembourg has managed to offer an appropriate and stable environment to PE Firms to structure funds, operations and transactions. Investors are also familiar and comfortable with the local environment. In the industry, we see more and more PE firms and investors putting Luxembourg as one of their key hubs to operate. ●

#PE4W

PE4W (PRIVATE EQUITY FOR WOMEN) IS AN LPEA INITIATIVE WHICH HAS BEEN LAUNCHED BY RAJAA MEKOUAR-SCHNEIDER, LPEA'S CEO, ON THE 8TH OF MARCH 2019 TO HELP PROMOTE GENDER DIVERSITY AND TO EMPOWER WOMEN IN THE PRIVATE EQUITY SECTOR AND BEYOND. IT IS CO-CHAIRED BY MANON AUBRY (RSM LUXEMBOURG) AND NICOLAS GAUZÈS (LINKLATERS).

By **Manon Aubry**
RSM Luxembourg

and **Nicolas Gauzès**
Linklaters

Mathieu Perfetti (CA Indosuez AM), Anne-Laure Giraudeau (Arendt & Medernach), Manon Aubry (RSM), Rajaa Mekouar-Schneider (LPEA), Stephane Pesch (Apex).

The reason why

"Investors keep pushing for more diversity - especially calling for women - and young female talents keep asking for support" declares Rajaa.

Private equity is a sector where women are still struggling to get equal opportunities, facing daily boundaries and hitting the glass ceiling.

There is a severe underrepresentation of women in the Private Equity sector: 18% employed, with solely 9.6% at senior positions according to PWC/ Preqin 2017 Report, while studies have shown that organisations promoting gender diversity perform better.

Social responsibility and financial performance are more than compatible, they now need to be systematically combined for the PE sector to further grow and mature.

The goals

PE4W aims at creating a platform for more equal opportunities for women in private equity in Luxembourg and support for young talents to persevere and succeed in a male oriented sector.

PE4W organises conferences, interactive panel discussions, keynote interviews, networking roundtables and workshops. The members freely discuss, exchange and share knowledge/ideas but also develop their own network.

Our mentoring program

PE4W is now launching an ambitious mentoring program to support women in the Private Equity and Venture Capital sector.

The mentoring programme will provide young talents with access to experiences, lessons learned and insights from successful professionals. Mentors will offer role models and facilitate their mentees' development by helping identifying and seizing opportunities and being available to discuss career decisions to be made.

The mentoring programme not only benefits mentees, it also challenges mentors on their perceptions and possible bias regarding diversity issues in the industry.

Whether you are keen to get support,

> INVESTORS KEEP PUSHING FOR MORE DIVERSITY - ESPECIALLY CALLING FOR WOMEN - AND YOUNG FEMALE TALENTS KEEP ASKING FOR SUPPORT.
>
> Rajaa Mekouar-Schneider, CEO, LPEA

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or willing to help others in their development, you may contact PE4W to join this program.

What's next?

The group will be pleased to welcome new members at its next events and is further investigating partnering with similar organizations such as Level 20 – Women in Private Equity, France Invest avec Elles, Private Equity Woman Investors Network (PEWIN) or Women's Private Equity network (WPEN) to reinforce its impact.
Last but not least, PE4W already counts more than 60 regular members and is a growing network to debate and move things forward together. ●

Interested to join or to support the initiative? Contact us at lpea-office@lpea.lu

RAISING PERFORMANCE AND COMPETITIVENESS THROUGH WOMEN

WHEN I JOINED EURAZEO IN 1992, THERE WERE 10 OF US, MOSTLY MEN. SINCE THEN WE HAVE MORPHED INTO A LEADING GLOBAL INVESTMENT COMPANY OPERATING ACROSS EIGHT STRATEGIES AND NINE OFFICES AROUND THE WORLD AND EMPLOYING 235 PROFESSIONALS. YOU CANNOT ACHIEVE SUCH A GROWTH WITHOUT DIVERSITY: BACKGROUND, ETHNICITY AND OBVIOUSLY GENDER ARE PARAMOUNT.

By Laurent Guerineau
EURAZEO
Managing Director
Business development

We have long been committed to promoting gender equality and women's leadership with a view to developing practices throughout our ecosystem and setting the example. As such, we created the Rising Talents program for the Women's Forum for Economy and Society, an initiative we have actively supported for the past 10 years.

This commitment is reflected in the Group's 2018 figures that are far superior to the sector's average: 45% of employees are female and c.25% of management positions are held by women, a figure that is constantly improving. That same year, we reached position #7 in the ranking of women on governing bodies of the largest listed French companies (SBF120).

> **BEING LED BY A WOMAN IS A DRIVER, BUT THE WILL TO MOVE FORWARD IN THAT DIRECTION IS CORE.**
>
> Laurent Guerineau, Managing Director Business development, EURAZEO

We truly believe that diversity is a performance and competitiveness driver. It also improves the image and attractiveness of our industry. As a matter of fact, in a 2018 study, McKinsey found a strong correlation between the presence of women in companies' top management and better financial results.
The industry's battle to improve its reputation is taking place against a backdrop of heightened public demand for higher standards on gender relations and diversity across all areas of public life. It is notably about culture change, balancing work with personal life and recruitment process; At Eurazeo we make sure that at least one female candidate is on the short list for any open position.
Being led by a woman is a driver, but the will to move forward in that direction is core. We strive to attract and develop the best talents, wherever they may come from as new ideas arise from the diversity of profiles and backgrounds. The world is changing, and we cannot invest in 2019 like we did 10 years ago. It is our industry's responsibility to support diversity and we fervently embrace it. ●

HOW TO BUILD A CAREER IN PRIVATE EQUITY

DIANA MEYEL, MANAGING PARTNER OF CIPIO PARTNERS, SHARES THE THREE THINGS TO KEEP IN MIND FOR WOMEN TO TRAIL A CAREER IN A PRIVATE EQUITY FIRM:

By **Diana Meyel**
Managing Partner
Cipio Partners

1 You need to add clear value to the firm and the partnership

Especially in PE: Do show people and proof to them that you could make the pie bigger and that it would be a substantial loss to the firm if you left

Find and then be clear about you field of expertise. Focus on something you are really good at. Ideally, you find something that has not been the focus of attention in your firm in the past.

However, just to be smart and prepared is not enough, you will need a sponsor and a bit of luck as well.

2 State your ambition and act accordingly

Speak about your ambition and have a clear understanding about which milestones need to be fulfilled to reach your goal – do not expect others to promote you just because you've been there and do a great job

Walk away if you feel you are not given the career perspective you are looking for or if you are facing a glass ceiling

Dare to take responsibility – there is nothing bad about that

3 PE is historically a man's world. Use it to your advantage

Don't deny that you are a woman: People will appreciate your empathy and the fact that you are not another while male Goldman Sachs alumni looking for a real job

Women from time to time tend to be too consensus oriented – in PE you want to be respected but do not necessarily need to be loved by everybody else. ●

> SPEAK ABOUT YOUR AMBITION AND HAVE A CLEAR UNDERSTANDING ABOUT WHICH MILESTONES NEED TO BE FULFILLED TO REACH YOUR GOAL.
>
> Diana Meyel, Managing Partner, Cipio Partners

Diana Meyel is a Managing Partner at Cipio Partners and the company's COO/CFO. She is located in Munich and leads the funds' operations and investor relations. In addition, she also oversees transaction structuring and represents Cipio on the board of selected portfolio companies. Prior to joining Cipio in 2004, Diana was a Finance Manager at Wellington Partners, the Pan-European venture capital firm and worked as a Senior Risk Analyst for Dresdner Bank group aka Commerzbank in Germany and Bogotá, Colombia. Diana holds a degree in Banking Administration from Frankfurt School of Finance & Management.

GP/LP WOMEN IN LUXEMBOURG

KATHERINE ANG
Chief Financial Officer and Conducting Officer
Royalton Partners

SANDRINE ANTON
Director
IK Investment Partners

DANIELE ARENDT
Managing Director
Cinven Luxembourg
Board Member of LPEA

LILIANE ARMEL
Managing Director
MPEP Luxembourg Management S.àr.l.

EMANUELA BRERO
Managing Director - Group Head, Corporate Admin
CVC
Member of the Executive Committee of LPEA

ANNE CANEL
Managing Director
HLD Associés Europe

EMMANUELLE CASTELLA
Senior Associate - Private Equity Investments
New Angle Capital

DAPHNÉ CHARBONNET
Secretary General
Argos Wityu

ALEXANDRA CIACAREANU
Risk and Compliance, AIFM Conducting Officer
Ergon Capital

BÉRENGÈRE DELABRE BROADWAY
Senior Tax Manager
Triton Partners

LAURIANNE DELAUNAY
Asset Management Director Marguerite
Coordinator of LPEA's Market Practice & Operations Committee

STÉPHANIE DELPERDANGE
Head of Luxembourg
Sofina

HIND EL GAIDI
Head of Financial Information and Valuation
Astorg Asset Management

SARA HUDA
Director, Head of Luxembourg Operations
The Carlyle Group
Coordinator of LPEA's Large Buyout Group.

RAJAA MEKOUAR-SCHNEIDER
Head of Private Equity
Single Family Office
CEO of LPEA

SEVERINE MICHEL
Head of Luxembourg
Senior Director
Permira

JOHANNA MICHELOT
Senior Corporate Administrator
Montagu Private Equity

MARINA MOURAVIEVA
Partner
Odyssey Impact Investments

CAROLINA PARISI
Director, Legal & Regulatory
Brookfield Asset Management

HELENA QUINN
Investor Relations & Fundraising Director
Alpha Private Equity

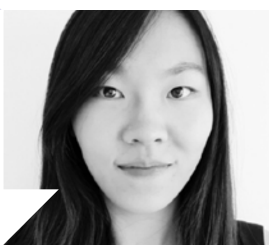
CHRISTELLE RÉTIF
Director
BC Partners

IRINA SVINAR
CFO, AIFM conducting Officer
VIYM Managers SA, AIFM

FLORENTA UDESCU
Finance Manager
CPP Investment Board

JULIA WALLON
Finance Director &
Conducting Officer
Castik Capital

LILY WANG
Senior Analyst
Expon Capital



KATRIN WEHR-SEITER
Partner/ Managing Director
BIP Capital Partners

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This list is not exhaustive and is based on public profiles available on LinkedIn or the respective firms' websites. The selection of profiles intendes to feature a wide range of PE and LP firms and roles.

DIVERSITY – AN IMPORTANT ESG CONCERN FOR PE FIRMS

By Sachin Vankalas
General Manager,
LuxFLAG

The integration of Environmental, Social and Governance (ESG) factors into investment decisions has become increasingly important for Private Equity firms over the years. Particularly those currently in the fund raising phase consider ESG as an important factor not only due to increasing demands from GPs, but also due to the common consensus on ESG providing a competitive advantage over time.

Moreover, increasing public and political awareness for topics such as Climate Change have created a huge momentum leading regulators, auditors, rating agencies to look at the topic very closely. As a result, ESG has become not only a 'feel good factor' or 'good to have' but also a tool that plays an important role in risk management, long-term value creation, and financial performance of firms.

While Europe continues to lead the way, with 79% of the 218 Private Equity managers surveyed by LGT ranking as excellent or good, the US and Asia have also shown improvement this year. Private Equity managers in both regions have moved up nine percentage points from last year with 49% and 59% of managers in the US and Asia respectively ranking as excellent or good according a report published by the Swiss firm LGT.

While compiling a checklist of high-level ESG risks for Private Equity firms, one of the major topic that repeatedly pops up is diversity and gender equality in the PE industry. While Private Equity firms say recruiting women and building diverse teams has become a priority, the latest figures don't necessarily support this claim. Women make up less than 18% of Private Equity employees as of February 2019 (unchanged since October 2017) according to a report published by data provider Prequin. Sadly, the gender balance in PE is lower than any other sector they have analysed. Though the overall number of female-owned Private Equity firms has slightly grown, it still remains relatively small. According to a survey conducted by PwC France, 78% of surveyed PE actors have confirmed that gender imbalance is a concern for them, however only 31 % of them have reportedly taken concrete actions to address it.

A McKinsey study analysed the relationship between diversity and business results and consequently published astonishing results highlighting a clear link between diversity and financial returns:

- Companies in the top quartile for racial and ethnic diversity are 35% more likely to have financial returns above their respective industry medians.
- Companies in the top quartile for gender diversity are 15% more likely to have financial returns above their respective industry medians.
- Companies in the bottom quartile both for gender and ethnic diversity are statistically less likely to achieve above-average financial returns than the average companies in their sectors.

The study also clearly outlines the benefits:

- Creating an advantage in talent recruitment: Having a stronger focus on gender and diversity increases the applicant pool.
- Greater employee satisfaction: Workplace diversity increases job satisfaction.
- Better decision-making and innovation: The presence of women and diverse teams at leadership enhances problem solving by adding a higher variety of skillsets to the workplace.

While research clearly indicates the importance and benefits of treating the topic of diversity as a priority, increasing recognition and participation by large actors will certainly ensure positive results with time. ●

COMPANIES IN THE TOP QUARTILE FOR RACIAL AND ETHNIC DIVERSITY ARE 35% MORE LIKELY TO HAVE FINANCIAL RETURNS ABOVE THEIR RESPECTIVE INDUSTRY MEDIANS.

PEARL: A SUSTAINABLE TRIPTYCH

SPECIALISED IN ENVIRONMENTAL INFRASTRUCTURE, LUXEMBOURG'S PEARL INFRASTRUCTURE CAPITAL FUND IS PRESENT IN THREE SEPARATE FIELDS: RENEWABLE ENERGY, WATER TREATMENT AND WASTE MANAGEMENT. BORN OF AN ALLIANCE BETWEEN A RENOWNED TEAM OF EXPERTS AND THE EDMOND DE ROTHSCHILD GROUP, IT COMPLETED ITS FIRST CLOSING AT €162 MILLION IN MAY, AND ITS SECOND ONE AT €207 MILLION IN JULY. INTERVIEW WITH JEAN-CHRISTOPHE GUIMARD, CO-FOUNDER AND DIRECTOR OF PEARL ADVISORY.

By **Jean-Christophe Guimard**
co-founder and director
of Pearl Advisory

How was the Pearl fund created?

Pearl Infrastructure Capital arose from a Pearl Advisory initiative, involving a team of some ten reputable and experienced experts in the environment. We had known each other for a very long time, and had complementary skillsets for application in renewable energy production, water cycle management and waste recycling. We joined forces with Edmond de Rothschild's private equity platform in a balanced partnership. Our outlook is one and the same: invest in the responsible economy and promote a new impact strategy.

What has your personal journey been?

I started out at PwC, and then went on to work for Veolia, Alstom and Suez. Around 10 years ago I created my own company in France, Nerea, specialising in renewable energy – cogeneration and biomass in particular. Nerea has become France's number one independent company for industrial biomass cogeneration.

Why invest in environmental infrastructure?

The current situation, in terms of energy transition and the circular economy, is forcing local authorities and the world of industry to become cleaner, use less water, recycle more of their waste and modernise their dilapidated infrastructure. Europe

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PEARL INFRASTRUCTURE IS TARGETING 12 TO 15 ASSETS, EACH REPRESENTING EQUITY INVESTMENTS OF BETWEEN €15 MILLION AND €40 MILLION.

Jean-Christophe Guimard, co-founder and director, Pearl Advisory

currently has more than 50,000 classified industrial sites, where ageing environmental infrastructure is facing modernisation and financing problems.
This creates new and very substantial funding requirements, necessitating the emergence of financial backers like private equity funds. This is because large industrial groups and local authorities are now subject to transparency rules and new accounting standards such as IFRS 16, which complicate their investment in such assets.

How did your first round of fundraising go?

We completed our first closing in June, raising €162 million, and our second one in July, at €207 million, attracting a wide range of institutional investors. We received the support of two strategic investors, the European Investment Bank (EIB) and Caisse des Dépôts et Consignations (CDC), who put in €40 million each, in addition to a number of European institutional investors. We are aiming for €250 million with our final closing.

How are you going to invest?

Pearl Infrastructure is targeting 12 to 15 assets, each representing equity investments of between €15 million and €40 million.

What makes a good investment project in your view?

We prefer solid projects built on industrial partnerships between renowned, high-performing operators, whose profitability reflects the level of risk incurred.

Do financial returns and environmental impact have to be balanced in a project?

We believe that any investment should carry environmental benefits and have a positive impact measurable by specific indicators that make a direct contribution to the UN Sustainable Development Goals. Within this scope, we choose those with the best financial returns.

Where do you focus your investments?

We only invest in Europe.

How does Pearl differ from other funds?

Few funds are comparable to ours. The "renewable energy, water and waste" triptych on which we are able to position ourselves is unique. We link these three areas based on the synergies that we have identified. Indeed, many projects combine all three elements.

How is the Pearl fund tied to Luxembourg?

Pearl Infrastructure Capital is a Reserved Alternative Investment Fund (RAIF), registered in Luxembourg. The EIB, which is based in Luxembourg, is one of our biggest investors, alongside the insurance company La Luxembourgeoise. ●

IN PRIVATE EQUITY, SMALL AND SPECIALIZED IS BEAUTIFUL

OVER THE COURSE OF MY CAREER IN PRIVATE EQUITY THIS BUSINESS HAS GROWN FROM A TINY BLIP ON THE FINANCIAL LANDSCAPE TO AN INVESTMENT STYLE EMBRACING ALL ASSET CATEGORIES FROM CREDIT TO REAL ASSETS AND BEYOND.

By **Antoine Dréan**
Founding Partner,
Mantra Investment Partners

In that 27-year period, private equity's assets under management have increased to some $5.2 trillion from just $30 billion. And private equity's long-term expansion across market cycles is still going strong. It's assets broadly defined, incorporating buyouts, growth, venture capital, real assets, credit, and increasingly, more specialized areas, are forecast to rise to $9.3 trillion by 2023, up 79 percent from current levels – faster expected growth than virtually any other asset category, including public equity (set to shrink, according to most analyses).

As private equity continues to diversify across asset classes and strategies, the structural catalysts behind its growth – an activist, micro focus on improving the returns of specific assets, and a corresponding lack of correlation with public markets – should continue to attract record levels of capital. But at the same time the traditional domains of private equity, notably plain-vanilla, debt-fueled buyouts, will only become more competitive and less remunerative for investors. The future, when it comes to private equity's promise of exceptional outperformance, really belongs to the specialists.

In fact, specialists have been able to lay claim to private equity's outperformance crown for some time. A 2014 report from Cambridge Associates, perhaps the most prominent of several similar studies done over the last decade, demonstrates that specialized funds returned an average of 2.2 times invested capital and a 23.2 percent annual return between 2001 and 2010. Generalist funds materially underperformed (but still produced nice returns compared to other asset categories) registering a 1.9 times money multiple and a 17.5 percent annualized gain over the same period.

All of this brings me to the following: I founded Mantra Investment Partners in 2007 based on the common-sense

WHATEVER THE BRANCH, THE APPEAL OF OFF-THE-BEATEN PATH INVESTING IS REMARKABLE INEFFICIENCY WHEN IT COMES TO PRICING VERSUS POTENTIAL APPRECIATION.

Antoine Dréan, Founding Partner, Mantra Investment Partners

LUXEMBOURG'S STATUS AS THE LEADING FUND DOMICILE WITHIN THE EU PROVIDES UNRIVALLED ASSISTANCE TO SMALLER GROUPS LIKE MANTRA IN BUILDING RECOGNITION AND TRACTION WITH INVESTORS.

Antoine Dréan, Founding Partner, Mantra Investment Partners

realization that in a private equity marketplace where competition was becoming more intense, the best returns would increasingly be in less crowded and more specialized areas. Mantra's mission is to invest in underserved private equity strategies on a global scale, through primary and secondary investments in funds. We call what we do off the-beaten-path investment.

Mantra looks principally for two types of managers, specialists in traditional strategies and managers in new strategies. Both types of managers benefit from specialist knowledge and tend to buy assets that others have difficulty understanding, leading to unusually attractive pricing.

Specialists operating in the more traditional areas of private equity – buyouts, venture capital and growth for example – are almost always hands-on operators, rather than financial engineers. Managers in new strategies focus on private equity's less explored frontiers: agribusiness, litigation finance, life settlements, digital infrastructure, specialty leasing, advanced materials, intellectual property, highly regulated technology sectors and pretty much anything else under the sun that's relatively untouched by private equity.

In keeping with its mission to bring more investment to underserved and neglected assets, Mantra also invests in listed private equity funds. These vehicles are typically poorly understood by public market investors and tend to trade at material discounts to net asset value.
Whatever the branch, the appeal of off-the-beaten path investing is remarkable inefficiency when it comes to pricing versus potential appreciation.

Almost all of the private equity funds Mantra invests in are also relatively small vehicles with less – often considerably less – than $350 million in assets under management. One reason for this is that specialists tend to operate smaller funds than generalists. But Mantra also favors smaller funds. It's counterintuitive, but they tend to be more robust than larger funds, particularly in recessions.

Let me expand on that point. Five years ago, private equity funds-of-funds leader Adams Street Partners analyzed some 1,600 realized investments made by funds it's owned. It discovered that funds investing in small and mid-cap companies achieved a return of 2.5 to 2.6 times the amount invested. Larger managers returned a respectable, but less consequential 2.0 times the amount invested. Adams Street also found that small companies tend to have less debt and lower purchase prices (measured as a multiple of cash flow), making them more bulletproof in downturns. This is particularly relevant at a time when many investors believe that we could be on the cusp of a significant global slowdown.

Though smaller and more specialized funds are increasingly recognized as a source of alpha in private equity, it is harder than ever for most investors to discover and due diligence them. As of June, there were 3,951 private equity funds worldwide seeking $981 billion from investors. That's up from just 1,385 funds seeking $417 billion in January 2015. The crowded marketplace puts a premium on sorting the wheat from the chaff and brings me to my last point.

Readers of this magazine will, in all likelihood, come to the correct conclusion that Mantra is domiciled in Luxembourg. "Private Equity Insight/Out" is, after all, published by the Luxembourg Private Equity and Venture Capital Association. Luxembourg is a highly-trusted European Union-based and EU regulated domicile. In a world where there is increasing regulatory scrutiny and where it is harder than ever to source and due diligence an unprecedented number of private equity fundraisings, Luxembourg's status as the leading fund domicile within the EU provides unrivalled assistance to smaller groups like Mantra in building recognition – and most importantly – traction with investors. Like smaller, more specialized funds, I'm convinced that Luxembourg is set to be an increasingly important part of private equity's future. ●

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PALADIN CAPITAL GROUP

STATE OF THE CYBER MARKET

ORGANIZATIONS ACROSS THE GLOBE, AND IN ALL INDUSTRIES, ARE FACING SIGNIFICANT DISRUPTIONS AND LOSSES FROM CYBER-ATTACKS. THE ATTACK SURFACE AND GENERAL CYBER RISK EXPOSURE FOR MOST ORGANIZATIONS ARE INCREASING AS THE DEPENDENCE ON DIGITAL INFRASTRUCTURE IS GROWING EXPONENTIALLY IN A HYPER-CONNECTED WORLD.

By **Ken Pentimonti**
Principal of Paladin Capital

All verticals of critical infrastructure increasingly rely on digital platforms to operate. In addition, the advent of recent regulatory mandates relative to data security and privacy, such as GDPR, are increasing the importance, both financially and reputationally, of personal data security and privacy.

Given these recent trends, investment in cyber technologies has become a significant priority for senior management and boards of organisations which in turn is driving robust spending growth globally in cyber technologies and solutions. Gartner estimates that the information security and risk management market will grow to approximately $175 billion by 2022, which is a five year CAGR of over 9% (source: Gartner March 2019).

THE WANNACRY HACK IN 2018 WHICH CRIPPLED COMPUTERS IN NHS HOSPITALS ACROSS THE UK AND COST THE NHS MORE THAT GBP 92 MILLION ACCORDING TO A DEPARTMENT OF HEALTH REPORT.

Ken Pentimonti, Principal, Paladin Capital

Each week it seems like there is a new high profile cyber-attack announced within organisations such as Sony, Equifax, Yahoo and Facebook, each of which results in significant financial and reputational cost, both for the attacked organization and its customers and partners. An example of the devastation a cyber-attack can have on an organisation that is not fully prepared, is the WannaCry hack in 2018 which crippled computers in NHS hospitals across the UK and cost the NHS more that GBP 92 million according to a Department of Health report. The hack caused more than 19,000 appointments to be cancelled and resulted in significant costs to clean-up and upgrade its IT systems. Another example is data breach of British Airways in 2018 in which thousands of their customers' credit card data was stolen in a sophisticated cyber-attack. In response to this attack, the Information Commissioner's Office (ICO) recently announced it intends to issue the airline a penalty under the Data Protection Act of GBP 183 million, representing 1.5 percent of its worldwide revenue in 2017. These types of attacks just highlight the need for organisations to adopt technologies which can help manage and protect personal and mission critical data.

At Paladin Capital, we are one of the leading global private investments firms focused on the cyber sector. We believe that globally organizations' growing reliance on digital platforms creates both increased opportunities and vulnerabilities. We see cybersecurity itself is critical but not sufficient. Digital resilience is only achieved through investment in a full spectrum of technologies and solutions that enable, monitor, manage, and defend private and public digital infrastructure.

In that guise, there are a number of themes within the broad cyber sector which we at Paladin Capital believe are pain points for many organizations and will see dramatic growth over the coming years. One of these areas is what we describe as the human element. The pace of digital adoption and ability of organizations to operate securely is challenged by scarcity of talent. Technologies and solutions that upskill and force-multiply the organization's human capital are becoming increasingly important for many organizations.

Another area we believe is becoming of increased importance is the ability to enhancing cyber defenses. Continuously evolving threat landscapes and blurring of the organization's perimeter require less brute force and more intelligence-based solutions. ●

CYBER THREATS: [DON'T] PANIC!

GETTING READY IN A DIGITAL WORLD FULL OF UNASSUMED RISKS

COMPANIES WORLDWIDE ARE FACED WITH THE NEED TO BECOME MORE "DIGITAL". MORE THAN EVER WE COMMUNICATE OVER E-MAIL OR DEDICATED INTERNAL PLATFORMS, PAPERLESS POLICIES ARE ADOPTED, TEAMS COLLABORATE FROM DIFFERENT PARTS OF THE WORLD AND TELEWORKING IS A REALITY FOR MANY FIRMS.

In most situations it is the best if not the sole choice to improve productivity or to survive competition. But it is not only our professional life that becomes more digitalised, our personal life is going ever more digital. Data and location devices are everywhere from the smartphones in our pockets to the car we use. Data is all around us and we create it all the time, even when we least expect it.

Such digital exposure opens new ways for criminals or malicious parties to interfere in companies' affairs raising new concerns for companies today: cyber threats.

Private equity (PE), like any other industry is exposed to sweeping digitalisation trends, including cyber risks. As a private equity practitioner, your data and decisions are exposed to being tracked, hacked and subject to digital threats. In order to understand the risks that PE professionals face in a digital world, we recently invited a group of LPEA members from the Young Leaders Committee to live a unique experience in Luxembourg's state-of-the-art Cybersecurity simulator.

We were welcomed at C3, the Luxembourg Cybersecurity Competence Center, by Jérôme Jacob who, beyond being an IT security expert, is a convincing actor and a talented script writer, which he happened to have proved to be during the simulation. Jacob shared some information about a fictitious firm, in this case a Private Bank, and distributed leadership and management titles to the participants: President, CFO, IT Director, HR Director, Public Relations Officer, etc. It is important to note that the cybersecurity simulation, also known as "Room #42 – Do[n't] Panic" is not a

PRIVATE EQUITY (PE), LIKE ANY OTHER INDUSTRY IS EXPOSED TO SWEEPING DIGITALISATION TRENDS, INCLUDING CYBER RISKS.

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technical exercise as no particular programming skills are required. The simulation explores exclusively management and personal skills and decision making which brings us quickly to understand that the weakest link is often not technology but "us", the humans, its users.

As the newly mandated staff of the Private Bank accessed the "Room #42", we moved to the control room from where the script was played and several digital attacks targeted the team in similar ways to what could have been a real case. Through fake phone calls, e-mails and special effects, Jacob amused himself defeating another team who, by the end of the exercise, heads-down, recognised their incapacity to deal with such a tenacious, unexpected and resourceful enemy. Like in real life, the target hardly wins.

Room #42 is probably Luxembourg's most challenging, educational and amusing team building event you can find. As you finish the exercise, you simply hope not to face the same problems in real life. What you learn in "Room #42" is that you can prepare in advance (as of today!) and minimise the impact of cyber risks by adopting adequate procedures.

So what should you do to prevent a cyberattack or data leak?

1. Create a Cyber Response Team. This team should involve different expertise from IT to management and be ready to work together in case of an attack. They should also have access to contacts that may lead to external technical and criminal support.

2. Identify key risks. The impact of a cyberattack can be very diverse. It can hit your company's finances but also its reputation. It can expose sensitive data or steal confidential information. Find the risks before criminals find them.

3. Improve your IT system to prevent attacks both from outside of your firm as from the inside.

4. Contract a cybersecurity insurance. While it doesn't prevent attacks, it will limit and hedge potential financial damage.

During the session we also learned that cyber threats don't always come from organised groups or venturous teenagers testing their limits. They also don't necessarily imply expensive tools or ingenuous plans. Many attacks actually come from the inside of the firm, from disgruntled employees with access to critical information.

Our smartphones expose us to the perils of the internet, track our location and establish connection with multiple Wi-Fi networks. That information may be used against the individual both in his / her private as in his / her corporate life. Ransomware[1] and phishing[2] being some of the most common threats, reach us both in the office as at home and are a reality already affecting hundreds of people in Luxembourg.

Cyber threats evolve as fast as cyber security which means you may never be 100% safe. Nonetheless, each of us can take measures as simple as regular password updates to keep ourselves and our organisations protected. ●

1. Ransomware is a type of malware that blocks access to the victim's data and threatens to publish or delete it unless a ransom is paid.
2. Phishing attack is the practice of sending emails that appear to be from trusted sources with the goal of gaining personal information or influencing users to do something.

CYBERSECURITY TIPS FROM LPEA'S YOUNG LEADERS COMMUNITY FOLLOWING THEIR PARTICIPATION AT ROOM #42 WITH LPEA

What are your key takeaway from the exercise?

Stephane: It was a great team experience and enabled us to slip into a very sophisticated and realistic simulation process. My key takeaway is that firms should gather transversal specialists in order to build a dedicated, experienced "Crisis team" able to proactively fight against cyber-attacks (IT, Executives, PR/Communication, Legal) and provide structured decisions in case of attack.

Stephane Pesch
Senior Manager – Business Development, Apex Fund and Corporate Services (Luxembourg) S.A.

Francesco: One may think to be protected at work by heavy firewalls and complicated IT systems, but actually we are as exposed as we could be. I never thought about personal vulnerabilities affecting the professional space and how quickly you may be exposed.

Tina: When a cyber-attack happens: keep calm, build a team, call for help immediately and communicate openly amongst the crisis team but avoid paying money to the hackers as they will always come back.

Namik: I learned that a hacker will less likely attack a firm than the individual. Our firm invests a lot in cyber security and we have very strict rules how we have to behave online, strong firewalls and blocked internet sites. We cannot use document share platforms in a normal way and all of this with the single goal of adding protection. However, as people working for our firm may not have enough protection in their private lives, the company remains vulnerable even with the strongest security measures in place.

Assem Karipanova
GP Associate, EQT Fund Management S.à r.l.

Assem: I learned that hackers may use personal information to affect the company you work in. I also learned that if a cyberattack has been planned, it will probably happen and we cannot really prevent it. What we can do is mostly win time and minimise the damage. I was quite surprised to know that there is a cybersecurity police (CIRCL).

Antoine: Cyber-attacks are by nature unpredictable and there is always uncertainty on how criminals will organize their threats. Therefore, it is crucial for any organisation to be prepared in order to respond to a

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Francesco Cavallini
Client Director, IQ-EQ

cyber-attack. An attack without the appropriate level of answer could affect the normal course of business and eventually the entire reputation of an organisation.

What most impressed/ surprised you in the exercise?

Assem: The exercise was very fun and useful. I have never had much idea on cybersecurity before and now after the exercise I feel more knowledgeable. What impressed me the most is the lack of time to think and make decisions as things were happening so fast.

Francesco: I was impressed by how quickly we were completely useless and lost control of the situation. Our workplace was in shambles and we could not control or mitigate anything.

Stephane: I was very surprised by the disruptive power and depth of the simulated "cyber-attacks". It showed what relentless "hackers" could do to a business, its reputation and viability. It generates a level of stress which, combined with a constant series of events, lead the participants to take rather complex and harsh decisions in a very short time, which lead again to more difficulties further down the line.

Tina: It was impressive how fast everything went and what hackers are able to do – we felt quite helpless at some point. I was surprised by the fact that attacks can come from different angles at the same time.

Antoine: In a cyber-attack there is always a combination of external threats and internal failures. We always thought to be aware of best practices, but realized during the simulation that hackers are always ahead, and very much informed on the organization they are attacking.

Namik: I was impressed how weak and lost I felt soon after the challenge started. One issue came after the other and increased the pressure, and we couldn't do anything about it. Hopefully the team stayed together and there were no fights but I think that in real life other internal issues could come through.

How far do you think your job may be impacted by cybersecurity?

Francesco: My job is impacted at 100% like any other business that operates with clients and has some kind of IT system.

Assem: We have clients whose data is very sensitive and confidential so we must ensure the information remains secure. My job is therefore highly impacted by cybersecurity such as other finance related industries.

Stephane: Cybersecurity plays a very important role in the life of modern businesses so each organisation should very seriously take into account the risk of cyber threats.

Tina Schwind
Senior Advisor, Financial Services Consulting, PwC

The national awareness campaign Cybersecurity Week Luxembourg will take place from October 15th to 25th. ECSO and SECURITYMADEIN.LU, the cybersecurity agency of the Ministry of the Economy, are jointly organizing the Cyber Investors Day. This event will gather the most promising European cybersecurity start-ups and SMEs which will pitch their cybersecurity solutions and meet with investors. Register in **www.cybersecurityweek.lu**

Tina: My employer provides a secure digital ecosystem, such as closed networks and firewalls, and does a good job in providing its staff with trainings and helpful tools, like a highly qualified IT department. I think that as long as I stick to all rules, stay aware and apply my knowledge around the topic in my daily operations, I can help limiting my job's exposure to cybercrime.

Antoine: The threat of cyber-security may very well be one of the biggest threat any business could face today.

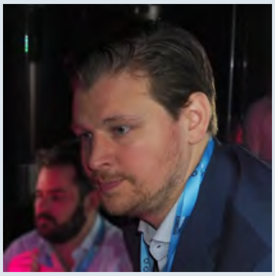
Namik: As we exercise a profession for which confidentiality and professional secret are very important, cybersecurity is extremely important. A single hacker attack could create irreparable damage to the firm and the individual.

Will you apply any of the session's learning in your real job?

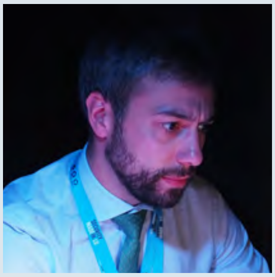
Assem: In a case of cyber-attack, or any item which looks suspicious, I would unplug all the cables and call our IT department or the CIRCL. I will be more careful with storing my personal data and changing passwords more often than I have done previously. Additionally, try to strengthen my passwords. In a case of cyber-attack, I will try to be calmer and use the steps we have discussed today.

Tina: I will certainly pay even more attention to my phone and computer, not only in my professional but also in my private life.

Namik: We are vulnerable and unconsciously share our information to strangers. At the firm we have our own internal security procedures and protocols to be respected in case of a cyberattack however I will certainly be even more careful in my private online life onwards. Maybe we cannot protect from every attack but we can make it difficult to reach to us i.e. change the passwords every six months, not use the same password for different accounts, avoid sharing personal data and personal information, etc.



Namik Ramic
Senior Associate, Lawyer at the Luxembourg Bar; Elvinger Hoss Prussen



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Antoine Legros Saint-Jalm
Senior Analyst - Group UHNW Investments, KBL European Private Bankers

Antoine: I will promote best practices with a focus on crisis management and crisis communication. I will also pay more attention to any potential in-house threat that could arise.

Stephane: After this immersive experience I will try to be more watchful concerning cyber threats, cyberattacks and news. With additional and transversal training, more "Crisis teams" should be formed. ●

USEFUL CONTACTS

Police grand ducale:	113
CIRCL (for companies):	24 78 84 44
BEESECURE (for citizens):	8002-1234
Cybersecurity portal:	cybersecurite.public.lu
CASES (information on best practices):	cases.lu

HYBRID MISMATCH RULES

ATAD 2: WHAT'S THE IMPACT ON PRIVATE EQUITY FUNDS?

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

Background

On 8 August 2019, the Luxembourg legislator released the draft law implementing EU Directive 2017/952 of 29 May 2017 (the "Anti-Tax Avoidance Directive 2" or "ATAD 2") which provides for a comprehensive framework to tackle hybrid mismatches in a mere EU context and transactions involving third countries.

ATAD 2 follows the recommendations of the OECD in regard to Base Erosion and Profit Shifting ("BEPS") Action 2 that aim at neutralising the effects of hybrid mismatch arrangements through the application of linking rules that align the tax treatment in two or more jurisdictions.

What are hybrid mismatches?

Hybrid mismatches typically originate from a different tax treatment of an entity or a financial instrument under the laws of two or more jurisdictions and may result in deduction without inclusion or double deduction outcomes.

What are the limits of the hybrid mismatch rules?

The hybrid mismatch rules target hybrid mismatches between associated enterprises, structured arrangements between third parties, imported hybrid mismatches and tax residency mismatches. At the same time, the hybrid mismatch rules should not create economic double taxation. This is ensured through a number of carve-outs and limitations that discharge the application of the hybrid mismatch rules (for example, timing differences, inclusion of the payment at the level of any payee, tax exempt status of the investor, transfer pricing adjustments).

THE COMPLEXITY OF THE HYBRID MISMATCH RULES MAY ALSO BE AN OPPORTUNITY TO MANAGE THEIR IMPACT IN PRACTICE.

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

How may Private Equity Funds be impacted?

Hybrid mismatches such as hybrid financial instruments and hybrid entities may also occur in the context of Private Equity Funds irrespective of whether or not these are intentional. In practice, private equity investments that are driven by US investors may in particular be at risk to be impacted by the hybrid mismatch rules (due to the particularities of US tax law). However, hybrid mismatches may also exist in other investment structures (for example, when a Luxembourg fund in the legal form of a partnership is treated opaque from the perspective of the investor jurisdiction(s)).

Who has the burden of proof?

The burden of proof that the hybrid mismatch rules do not apply is on the taxpayer. Taxpayers have, upon request, to provide relevant documentation (statement of the issuer of a financial instrument, tax returns, certificates issued by foreign tax authorities, etc.) which demonstrates that the hybrid mismatch rules do not apply, including information on the foreign tax treatment.

Going forward

The hybrid mismatch rules are characterised by an extreme complexity which requires a good understanding of the overall investment structure and the foreign tax treatment of payments, entities, financial instruments, etc. Given that the burden of proof regarding the non-application of the hybrid mismatch rules is on the taxpayer, a hybrid mismatch analysis will necessarily become an integral part of each and every tax analysis in the future.

Planning points

With few months left in 2019 before the new hybrid mismatch rules will enter into force, taxpayers have to analyse existing investment structures in order to detect potential hybrid mismatches and to implement, where necessary, structure alignments before year-end. Ultimately, the complexity of the hybrid mismatch rules may also be an opportunity to manage their impact in practice. ●

PE FUND RAISING: A LUXEMBOURG PERSPECTIVE

GLOBAL PRIVATE EQUITY HAS ENJOYED A PERIOD OF ENORMOUS GROWTH OVER THE LAST FEW YEARS AND, IN LUXEMBOURG, THIS HAS PROVEN TO BE A KEY FACTOR AS IT HAS LOOKED TO DRIVE GLOBAL INTEREST, IN REGULATED PRIVATE EQUITY FUNDS.

By **Ramón van Heusden**
Head of Client Services at TMF Group

Rising markets have led to an attractive selling regime among PE groups as they seek to lock in solid returns in their portfolios, but one of the dangers in such a highly valued marketplace today is that PE managers, start to acquire portfolio companies at prices that may prove to be overly inflated, in the event of a market reversal. In short, PE managers might still be raising substantial capital from investors but they are under increasing pressure to put that capital to work, and transform companies they acquire, so that even if the market becomes challenging, they can still create sufficient operational value at the time of exit.

Companies continue to do well in most industry sectors and that has an impact on valuations, which some PE funds are taking a lot of benefit from. Private equity is still a sector where institutional investors continue to allocate more and more money in to, and that money needs to be deployed using robust fund structures; and in that regard, Luxembourg is a good jurisdiction to use.

PE and RE managers have learned the lessons from 2003 to 2007 when prices continued to increase and leading to the credit crunch and subsequent events of 2007/2008. Funds that were launched in these years and bought assets at the top of the market got hit hard, some didn't survive – especially open-ended structures – while others incurred significant losses, when the market went into free fall.

There is a risk that companies are over-priced and that a major market correction in 2019 could have an impact on net capital inflows to private equity; possibly leading to outflows from some PE funds.

Some US private equity groups continue to show clear interest in Europe, both in terms of making investments and are setting up new fund structures in Luxembourg, as part of a centralised distribution strategy.

The types of clients we typically work with are mid-sized managers who are new entrants to the Luxembourg market, which requires us and other service providers to provide support and education.

One client recently set up a fund to invest primarily in cybersecurity companies. Another client is investing in software solutions for the on-

SOME US PRIVATE EQUITY GROUPS CONTINUE TO SHOW CLEAR INTEREST IN EUROPE, BOTH IN TERMS OF MAKING INVESTMENTS AND SETTING UP NEW FUND STRUCTURES IN LUXEMBOURG, AS PART OF A CENTRALISED DISTRIBUTION STRATEGY.

Ramón van Heusden,
Head of Client Services, TMF Group

line tourism industry. Technology focused opportunities such as artificial intelligence and biotechnology are also key areas of investment and present a good value proposition but we don't tend to see those types of investments being pursued through fund structures in a traditional GP/LP arrangement with a large number of investors. As these companies grow however, they then become the focus of early stage growth PE funds.

For PE managers looking to fund raise in Europe, Luxembourg offers many advantages. It has a long and distinguished history, having been home to UCITS funds for the last three decades. Indeed, it is the second largest onshore jurisdiction in the world, after the US.

When the Alternative Investment Fund Managers Directive ('AIFMD'), the Grand Duchy moved swiftly to update its alternative fund products, introducing the Special Limited Partnership (SCSp or société en commandite spéciale), taking inspiration from the Anglo-Saxon GP/LP model to make it more appealing to global PE groups.

The Luxembourg limited partnership has many advantages over the English limited partnership. Although the SCSp does not have its own legal personality or capacity, all contributions, acquisitions and dispositions of assets are made in the name of the SCSp and not the in the general partner's name nor any of the limited partners.

Aside from the SCSp, another highly attractive product for PE groups to consider is the Reserved AIF, which must be managed by an authorised EU AIFM. It can be created in the form of a company or a contractual common fund (FCP). If it is established as an investment company with variable capital it is set up legally as a SICAV. There, it can choose to operate as a partnership (SCS or SCSp), a limited liability company, or a limited company form; whatever suits the manager best.

The Special Limited Partnership and the RAIF have proven popular with PE groups. In addition, the jurisdiction is well located, being in close proximity to Frankfurt, Berlin, Paris, London.

More managers are also choosing to set up operations here as authorised AIFMs and establish economic substance; some of the functions are then outsourced to third parties, so there is a big push for talent.

Those two structures alone should, over the next five years, lead to a good level of new business for the Grand Duchy.

Looking ahead for the rest of 2019, I am broadly optimistic on the overall fund raising dynamics.

There is some uncertainty, with Brexit and other political factors, which could have a negative impact on valuations and, ultimately, on the level of fund raising. Though there is some risk of a slowdown in the market, I don't think it will be anything significant. ●

PRIVATE EQUITY AND TREASURY: WHAT UNITES US

CORPORATE TREASURERS AND PRIVATE EQUITY MANAGERS (FOR TREASURY MATTERS) HAVE A LOT OF COMMON ISSUES (E.G. REGULATORY, TECHNICAL, FINANCIAL OR STAFFING CONCERNS). IT CERTAINLY PLEADS FOR MORE COOPERATION BETWEEN THE TWO COMMUNITIES IN LUXEMBOURG. WE COULD SHARE EXPERIENCE, FEED EACH OTHER AND CROSS-FERTILIZE OUR OWN EXPERIENCES.

By **François Masquelier**
Chairman of Luxembourg Corporate Treasury Association (ATEL)

What concerns us, should bring us closer

It seems obvious to me that Private Equity (PE) managers and corporate treasurers have a lot of common technical and financial topics. Who would dare say today that he/she can afford not to be optimal in managing his/her cash management? Even a PE manager must manage and maximize his/her position, while ensuring the security of transfers and compliance with various financial regulations. These common focus topics allow one to learn from each other's experiences and share their respective approaches. In a similar vein, Family Offices (FOs) also have common interests with corporate treasurers.

Market conditions and lower returns than in the past have pushed PE's to better optimize their cash management more than before to create value, not just by buying and selling assets. These days, excess cash has a cost. They must also deal with a series of technical, regulatory, tax and economic constraints, as well as corporate treasurers.

But what are these common subjects you will ask me? There are several issues we both share. For example, I can list some of these issues.

Common issues for PE's and Corporates in terms of treasury

- The banking relationship and the growing difficulty of KYC requirements. The treasurers in Luxembourg are working on a "blockchain" solution to facilitate these data exchanges and for its part, SWIFT revived the idea of "KYC register" for corporates, already tested last year by some corporates.
- The payments that treasurers have fully automated, in paperless mode, via SWIFT to take advantage of the "gpi" (i.e. "Global Payment Innovation") for cross-border payments (i.e. SWIFT gpi offers traceability, transfer confirmation, higher speed, transparency,...). Automated gpi payments are typically an urgent need for a PE manager. Tomorrow, be certain no bank in this world will keep accepting and executing paper payment or the so-called "fax payments", for cost and security reasons.
- The cash surpluses remain a problem when interest rates are negative. The treasurer has for a very long time used Money Market Funds to mitigate and diversify his/her

BRIDGE FINANCING IS ESSENTIAL FOR PE'S AND REQUIRES TIGHT NEGOTIATION TO LIMIT THE COST OF CARRY, LIKE TREASURERS USED TO NEGOTIATE STRONGLY WITH BANKERS TO REDUCE COST OF FUNDING.

François Masquelier, Chairman of ATEL

risk, has ensured his/her return and limited the negative yield impacts. Asset (cash) management must become more dynamic if we want to return to positive territories and limit the value destruction haemorrhage.

- The Foreign Exchange (FX) is a daily problem for the treasurer as the volatility of markets in the midst of a trade war is at its peak. Not to be covered would be a crime of "lèse-majesté" for a treasurer or a PE manager, isn't it? Unfortunately, the cost of hedging increases overtime noticeably, but so does the need.
- Bridge financing is essential for PE's and requires tight negotiation to limit the cost of carry, like treasurers used to negotiate strongly with bankers to reduce cost of funding.
- The IFRS accounting standards affect all those who must report under their principles and impose the fair value principles. Their complexity is growing even if for hedging, IFRS 9 has broadened the horizons of treasurers and slightly flex the rules.
- Taxes and new EU BEPS (i.e. ATAD 1 & 2 Directives), for example, limit the deductibility of interest and requires more precise management to optimize the tax situation. PE's are also potentially impacted by these OCDE recommendations on Transfer Pricing.
- The various financial regulations, including EMIR with its recent "refit" or PSD2, Basel IV, MiFID2, etc ... undoubtedly have a huge impact on daily management.
- Political and economic interferences impact us all (e.g. Brexit, Sino-American trade war, embargoes, etc...).
- IT developments enable technical advances, automate and robotize processes, offer more powerful predictive analytic solutions and more performing decision-making tools. Strengthening internal controls backed by automation frees up time for higher value-added tasks
- The staffing of our teams (for treasury roles) is also a problem we are both facing when the necessary skills change and evolve. More agile profiles, more "technological" expertise and more diversified resources are needed.

Relatively new functions and new roles

The role of (modern) Corporate Treasurer remains relatively new if you think about it (i.e. less than 40 years old). However, the function has evolved incredibly over the last decade. This evolution can be shared with FO's and PE's. If PE's have entered version 3.0 of their evolution (according to LPEA); the corporate treasurers are often considered as having entered the 4th version of their evolving role. The job of corporate treasurer is today broader and more complex than it was ten years ago. Usually, the relatively small sizes of our structures require more efficiency and ingenuity to succeed and properly manage our treasury activities. When times become tough for all, every single euro saved counts and it is important to insure it by reducing risks and financial costs. Fortunately, technology can be enabler for more productivity and better efficiency in treasury.

Eventually, the management of a Private Equity Fund is not so different from that of a company, in terms of treasury tasks. The level of sophistication can vary from category to category. However, problems faced are similar and require a certain technical expertise. What brings us closer should also unite us and push both communities to cooperate and to collaborate more in future. Luxembourg is a fantastic place for fostering such a collaboration and potentially co-creation with our peers from Private Equity Funds and Family Offices. As Chairman of ATEL, I hope we will be able to develop further our cooperation in the years to come. ●

FRENCH PRIVATE EQUITY AND VENTURE CAPITAL: A MATURE AND EFFICIENT INDUSTRY

FOR MORE THAN 40 YEARS, THE FRENCH PRIVATE EQUITY AND VENTURE CAPITAL MARKET HAS GROWN STRONGLY. IT IS UNQUESTIONABLY ONE OF EUROPE'S LEADING MARKETS. SINCE THE MID-2000S, FRENCH PRIVATE EQUITY HAS ALSO BECOME A MAJOR PLAYER IN INFRASTRUCTURE FINANCING, COMPLETING THE CENTRE OF EXCELLENCE OF THE PLACE DE PARIS IN TERMS OF INVESTMENT IN THIS SECTOR.

By **Alexis Dupont**
Managing Director
of France Invest

and **France Vassaux**
Deputy Managing Director
of France Invest

In addition to capital financing, French Private Equity market players also provides Private Debt financing solutions, which is, for companies, an alternative financing solution complementary to bank debt. Today, France Invest's membership comprises almost all the Private Equity and Venture Capital, Private Debt and Infrastructure teams operating in France which is over 317 management companies.

In 2018, French Private Equity and Venture Capital, Private Debt and Infrastructure Funds have raised €36 billion.

Key figures 2018 Private Equity and Venture Capital

French Private Equity and Venture Capital will continue to grow. In 2018, the amount of capital raised was €18.7 billion. This is a new record, up 13% on the previous record in 2017.

61% of these inflows came from institutional investors (mainly funds of funds, insurers/mutual insurers and pension funds). Private individuals and family offices continue to account for a significant share of fundraising with 15% of the total, up 22% from 2017. The public sector accounted for 12% of the fundraising, sovereign funds 7%, and industrial companies only 4%, down 31% from 2017.

Foreign investors accounted for 48% of the amounts raised, a sign of the strong international attractiveness of French Private Equity and Venture Capital, and an increase compared to the last 10 years (39%).

€14.7 million billion invested in more than 2,200 start-ups, SMEs and mid caps.

In 2018, investments continued to increase (average annual growth rate of 16% between 2012 and 2018) to €14.7 billion.

They were allocated to 2,218 companies, a figure that has constantly increased in the past three years (+34% compared to the annual average for 20062017). 78% of these companies are SMEs, 20% are midcaps, and 84% are French.

In 2018, French Private Equity and Venture Capital is #1 in Europe by number of companies funded and is #2 in Europe by capital invested.

As in previous years, the leading investment sectors are industry (31%), and in number of companies financed, IT and digital (25%).

€18.7 billion of capital raised	€14.7 billion invested	2 218 companies funded
(€165. billion in 2017)	(€14.3 billion in 2017)	(2 142 companies in 2017)

Source : France Invest / Grant Thornton – 30th edition of the activity report on French private equity companies for 2018


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Nearly 80% of companies receive unit investment tickets of less than €5 million, or 14% of the amounts invested.

FOCUS ON FRENCH VENTURE CAPITAL IN 2018

2018 was characterised by an historic peak of capital invested by French Venture Capital which invested €1.619 billion in 877 companies funded. The number of companies funded by French Venture Capital continues to grow in 2018 for the fourth year in a row. The IT and digital sector is the largest in terms of amounts invested and number of companies funded.

More than 1,500 companies were divested, in whole or in part.
The liquidity of unlisted shares is confirmed and remains at a high level. In 2018, 1,532 companies were divested, in part or in full.

VERY POSITIVE SOCIAL IMPACT FOR THE PRIVATE EQUITY AND VENTURE CAPITAL-BACKED COMPANIES[1]

In 2017, revenues were up 5.3% and 56,500 net new jobs were created by companies backed by French Private Equity and Venture Capital.
In terms of social impact, French Private Equity and Venture Capital has shown that between 2012 and 2017 it created more than 210,000 net new jobs.

FRENCH PRIVATE EQUITY AND VENTURE CAPITAL WILL CONTINUE TO GROW. IN 2018, THE AMOUNT OF CAPITAL RAISED WAS €18.7 BILLION. THIS IS A NEW RECORD, UP 13% ON THE PREVIOUS RECORD IN 2017.

Key figures 2018 Infrastructure[2]

Late 2018, €57 billion in assets under management in infrastructure funds managed in France.
Out of this €57 billion, €34 billion has already been deployed: €21 billion in equity investments in 446 companies, €13 billion in debt financing in 272 assets.
In 2018, €14.6 billion (€12.1 billion in equity and or €2.5 billion in debt) was raised. Main subscribers are mutual insurance companies and pension funds/pension schemes.63% of investors are foreign.
In 2018, €6.5 billion (€3.9 billion invested in 111 companies and €2.6 billion in debt financing 61 assets) invested in 170 transactions in infrastructure. Mainly in renewable energies and transport (65% of equity and 61% in debt). Europe and France account for the majority of investments (91% in equity, vs 70% in 2017; 88% in debt).

Key figures 2018 Private Debt[3]

France is the second largest European market for corporate financing with private debt. €3.5 billion raised by French member funds of France Invest (up 48% from 2017).
€7 billion in private debt financed 147 transactions carried out by French and foreign funds active in France. This represents an increase of 16% in amounts invested and 20% in transactions compared with 2017.
With 29% of total transactions, the consumer goods and services sector is the largest sector financed by French Private Debt.
65% of the transactions accompanied a transaction carried out by an equity investor. 35% of the transactions are carried out without the involvement of an equity investor fund, which highlights, at the same time, that French Private Debt is becoming a source of financing in its own right.
With regard to French debt funds, 76% of their transactions were in France and 24% outside France, which represents a high level for these funds who were historically focus on France.●

1. Source: France Invest/EY/Bureau Van Dijk – 15th edition of the study on growth and job creation in companies backed by French private equity, https://www.franceinvest.eu/etude/croissance-creation-demploi
2. Source: France Invest/AFG - Activity of infrastructure funds managed in France in 2018, https://www.franceinvest.eu/etude/infrastructures
3. Source: France Invest/Deloitte – 2nd edition of the activity of active debt funds in France in 2018, https://www.franceinvest.eu/etude/dette-privee

LETZLIVE

LUXEMBOURG, A NEW SKYLINE ON THE GO

WHEN 200,000 PEOPLE OUT OF 435,000 WORKERS ARE COMMUTERS, THE NET POPULATION GROWS BY MORE THAN 1.5% EVERY YEAR, AND WHEN EACH HOUSEHOLD IS COMPOSED OF JUST 2.4 PERSONS ON AVERAGE, COMPARED TO 3.6 IN 1941, THIS BRINGS THE QUESTION OF A NEW WAY OF LIVING, WORKING AND SHOPPING.

The attractiveness of the country, among others its political stability, its renown financial sector and its low unemployment rate (5.5% in May 2019), helps to boost the population growth. Nowadays, people are seeking to live closer to their work place but in dynamic areas. However, with limited space and the fact that many of these people want to live as close as possible to Luxembourg City Center, one of the best ways to accommodate and galvanize specific neighbourhoods is to redevelop the skyline. Building skyscrapers with offices and shops, or even with residential, follows the new lifestyle trend observed in many other capitals around the world: "live, work and shop in the same place". Consequently, a new skyline has been under development in key districts for a couple of years now, thus drawing a new face of the old Grand Duchy.

Central Business District

End of 2019, the first building in Luxembourg offering a way to live, work and shop in the same place will be delivered in the historical city centre. Named Royal Hamilius, it will put together 36.000 sq.m. of retail, offices and high-end residential across three buildings going up to 9 floors. Indeed, this development will add-up to the few existing high-rise buildings located in the Central Business District, such as Carrefour, Forum Royal or the KBL headquarters.

Kirchberg

Kirchberg district can be considered as a pioneer in term of skyline in Luxembourg. It began decades ago with the two towers on the main road when entering Kirchberg from the City. Then, other high-rise buildings started to emerge, such as the Twin Towers of European Court of Justice, the brand new RTL City building or the 14-story oKsigen tower, the additional office building of the BGL BNP Paribas Headquarters. In the coming months, the third tower of the European Court of Justice should be delivered, a 115 meters high, 30-story building of that will blow all records previously set in terms of Luxembourgish skylines. Expected to be delivered end of 2019, the magnificent Infinity project will redesign the Portes de l'Europe entrance in Kirchberg. Staying in the live, work and shop in the same place trend, a 25-story residential tower together with a 6,800 sq.m. office building will be at the top of the 6,500 sq.m. shopping center. Nor far from this massive construction will be the soon-to-be-completed new Arcelor Mittal Headquarters, that is said to be a 16-floor transparent construction with a woodland garden, public restaurant and auditorium.


© Grossfeld

Current and future development in Cloche d'Or

BUILDING SKYSCRAPERS WITH OFFICES AND SHOPS, OR EVEN WITH RESIDENTIAL, FOLLOWS THE NEW LIFESTYLE TREND OBSERVED IN MANY OTHER CAPITALS AROUND THE WORLD: "LIVE, WORK AND SHOP IN THE SAME PLACE".

Cloche d'Or

Recent event in the national news was the opening of the brand new lifestyle shopping centre in Gasperich, the "Cloche d'Or Shopping Center" which is considered as a very high-end mall and the largest one in the Grande Région. Defined as a catalyst for this new way of living, not only does it include the largest shop opened by Auchan in Luxembourg, but especially because it includes two independent residential towers of 12 floors each overlooking the country's skyline on the top of it. This double tower has redesigned the skyline of Gasperich, together with the brand new Deloitte Headquarters, the D.Square building, that encompasses 16 floors and offers breath-taking panoramic views of the Luxembourgish landscape but even of the French, Belgian and German ones.

Belval

Just a few minutes drive from the capital, Belval is a new and modern district constantly evolving to become more and more attractive and dynamic. Including numerous office, academic, retail and residential buildings but also the large shopping mall Belval Plaza and the Rockhal concert hall, it has become a very attractive location where people can live, work and shop in the same place. In terms of the skyline, some of the buildings stand out from the crowd, such as the iconic "Les Terres Rouges" reaching 18 floors, the 8-story Naos building but also the 53 meters high Capelli Towers. The Capelli Towers are also a good example a live, work and shop in the same place concept, with its 100 appartments together with its office and retail areas.

Such developments continue to change the skyline as has also been the case for the past decade. Due to the fact that the Luxembourg authorities and the different cities support this new architectural style to respond to the constant population growth and evolving Luxembourg macroeconomic parameters, but also thanks to the success of and high demand for this new way of living, working and shopping, the Luxembourg skyline is expected to continue growing higher than ever, creating a new aerial setting for the Grand Duchy and its image of a dynamic and attractive place to be. ●

By **Jean-Pierre Lequeux**
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LETZLIVE

THE CHANGING LANDSCAPE OF CLOCHE D'OR, **LIVING AND WORKING IN A NEWLY URBANISED NEIGHBOURHOOD**

UNTIL 2012, LUXEMBOURG CITY'S CLOCHE D'OR NEIGHBOURHOOD WAS BARELY TOUCHED BY URBANISATION. THERE WERE SOME NEW BUILDINGS, BUT IT WAS MOSTLY IN ITS NATURAL STATE. BY 2025, THE LUXEMBOURGISH GOVERNMENT EXPECTS ABOUT 30,000* PEOPLE TO TAKE UP RESIDENCE AND TO LIVE, WORK AND STUDY THERE. HOUSING WILL TAKE UP 30%* OF THE NEWLY BUILT SPACE, AND 50%* WILL GO TO OFFICE SPACE. THE CLOCHE D'OR MIX, OUTSIDE THE CITY CENTRE, OFFERS MANY OPPORTUNITIES AND ADVANTAGES THAT WARRANT SERIOUS CONSIDERATION FOR RESIDENCE AND RELOCATION.

Cloche d'Or is close to the new Howald train station, the main highways and roads that lead in and out of the country, and to all the key districts such as Luxembourg Ville, Luxembourg University in Belval and Kirchberg. However, although people commuting to the area experience significant traffic issues today, mobility should improve in Cloche d'Or. Some major players in the area have started with initiatives to smooth traffic, and new projects will come up in the near future. When the Luxtram completes in 2023*, it will be even easier for people to travel around the city and to Luxembourg's International Findel Airport. The goal is to optimise traffic flows and at the same time minimise carbon footprints.

In May of 2019, Cloche d'Or welcomed Luxembourg's newest and biggest shopping centre; Auchan. Anchoring Auchan Cloche d'Or adds to the attractiveness of commercial centre with the expectation that there will be more than 160 shops in the area by 2025*.

In terms of housing, Cloche d'Or aims to provide enough housing units to welcome around 6,000 residents by 2025*. The increase in supply will help meeting the continually pressing demand from in-coming professionals and the appetite of new residents for a place to live.

When PwC Luxembourg moved into their Crystal Park office space in 2014, they kick started a trend. Since then, other major players for the financial industry, including Alter Domus and Deloitte, have moved in too and the district has flourished in terms of new office space.

For many, growth in Cloche d'Or is reminiscent of the developments in Kirchberg of the early 2000s. However, whereas Kirchberg is known as the largest workplace district of Luxembourg, the intent for Cloche d'Or is to position it as something more.

In 2018, new Cloche d'Or schools opened their doors and welcomed around 2,300 students** from the elementary to high school levels. By mid-2020, the brand new national rugby and football stadium should also be ready. Additionally, Luxembourg City plans on transforming the nearby Drosbach valley into a 15 acre park*. Drosbach Park will house numerous sport and leisure facilities, and include a 7.000 m² pond*. All these initiatives add to Cloche d'Or's overall attractiveness to make it a lively neighbourhood, ideal for families.

Overall, the transformation of Cloche d'Or is very promising, but there is still room for improvement. Mobility and traffic fluidity remain a big challenge for Luxembourg. ●

Sources: *clochedor.lu and **Vauban.lu

IN TERMS OF HOUSING, CLOCHE D'OR AIMS TO PROVIDE ENOUGH HOUSING UNITS TO WELCOME AROUND 6,000 RESIDENTS BY 2025*.

By **Dominique Laurent**
Managing Director Infrastructure and Property, PwC

and **Pierre Wauthier**
Managing Director Advisory, PwC

PHOTO GALLERY

Luxembourg Private Equity Seminar in New York (19/06/2019).

LPEA's AGM of 13/05/2019 with Nasir Zubairi (LHoFT), Rajaa Mekouar-Schneider (LPEA) and Paul Junck (LPEA).

ESG Committee lunch on the EU ESG Regulations and the Luxembourg sustainable finance roadmap; With participation of Anna Lekston (Invest Europe) and Jennifer de Nijs (Ministry of Finance) (26/04/2019).

Private Equity panel of the ALFI London Conference co-organised with LPEA (5/05/2019).

PE4W Workshop: "Striving to keep a 50/50 workforce as PE staff rises through ranks" (16/05/2019).

GP Workshop "Register of Beneficial Owners" of 17/05/2019.

© DR

LPEA's AGM of 13/05/2019 with Claus Mansfeldt (Swancap), Rajaa Mekouar-Schneider (LPEA), Daniele Cardoso (Trois I) and Eckart Vogler (Investindustrial).

Luxembourg Private Equity Seminar in Chicago (21/06/2019).


Paul Junck's Farewell Party. Pictured Hans-Jürgen Schmitz (LPEA Honorary President and Managing Partner of Mangrove) with Paul Junck (LPEA).


LPEA Reception in London (11/09/2019) with Luc Frieden.


LPEA/ BCEE Private Equity conference "Coming of Age" of 5/06/2019 with (left to right): Paolo Vinciarelli (BCEE), Paul Junck (LPEA), Françoise Thoma (BCEE), Rajaa-Mekouar-Schneider (LPEA), Peter Veldman (EQT), Daniele Cardoso (Trois I), Claus Mansfeldt (Swancap), Arnaud Bon (Deloitte)

UPCOMING EVENTS

PRIVATE EQUITY

LPEA/ SHU COURSE: PRIVATE EQUITY & OTHER ALTERNATIVE ASSET CLASSES
1 October – 14 Nov. 2019
Luxembourg

LPEA RECEPTION IN PARIS
2 October 2019
Paris

LPEA – LHOFT START-UP EVENT
8 October 2019
Luxembourg

LUXFLAG SUSTAINABLE INVESTMENT WEEK: TRENDS IN ESG INTEGRATION IN PRIVATE EQUITY
22 October 2019
Luxembourg

GP WORKSHOP ON ATAD 2
24 October 2019
Luxembourg

LPEA PRIVATE EQUITY CONFERENCE IN FRANKFURT
7 November 2019
Frankfurt

GLOBAL VENTURES SUMMIT
19-21 November 2019
Luxembourg

LUXEMBOURG FOR FINANCE SEMINAR IN MILAN
2 December 2019
Milan

IPEM 2020
28-30 January 2020

OTHER EVENTS IN LUXEMBOURG

Visual Arts: Le Monde en movement
21 Sept. 2019 – 13 April 2020
Mudam

Central and Eastern European Film Festival
3-20 October 2019
Luxembourg

Il Divo
12 October 2019
Rockhal

Tennis: BGL BNP Paribas Luxembourg Open
12-20 October 2019
Luxembourg City

Pixies
17 October 2019
The Box

European Outdoor Film Tour
20 October 2019
Rockhal

International Motor Show
15-17 November 2019
LuxExpo

Björk
16 November 2019
Rockhal

Literature: Walfer Bicherdeeg
16-17 November 2019
Walferdange

Christmas Market
22 November – 24 Dec. 2019
Luxembourg City centre

Swimming: Luxembourg Euro Meet
24-26 January 2020
d'Coque

Mika
29 January 2020
Rockhal

James Blunt
5 March 2020
Rockhal

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 220 members, LPEA plays a leading role in the discussion and development of the investment framework and actively promotes the industry beyond the country's borders.

Luxembourg disposes of a stable tax regime and is today at the forefront of international PE regulation providing a flexible, secure, predictable and multi-lingual jurisdiction to operate in.

LPEA provides a dynamic and interactive platform for its members to discuss and exchange information and organises working meetings and networking opportunities on a regular basis.

If Luxembourg is your location of choice for private equity, LPEA is where you actually join the industry!

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