PRIVATE EQUITY

INSIGHT/OUT

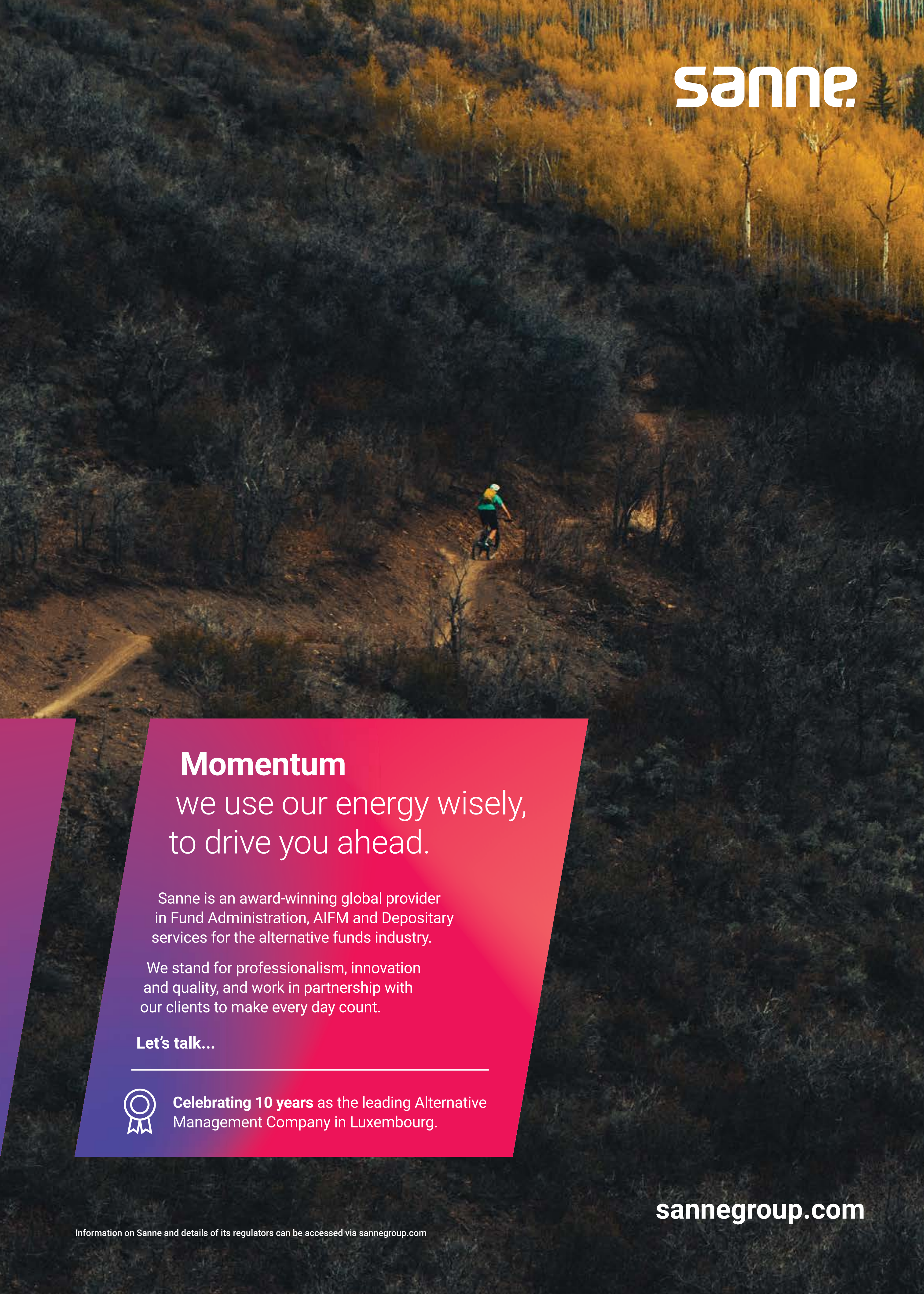
THE VIEW OF SINGLE FAMILY OFFICES BY RAJAA MEKOUAR

ESG:
Key milestones

New Invest Europe Chair
Anne Fossemalle

Life Insurance
and Alternatives

Issue 19, September 2021


sanne
Momentum
we use our energy wisely,
to drive you ahead.
Sanne is an award-winning global provider in Fund Administration, AIFM and Depositary services for the alternative funds industry.
We stand for professionalism, innovation and quality, and work in partnership with our clients to make every day count.
Let's talk...
Celebrating 10 years as the leading Alternative Management Company in Luxembourg.
sannegroup.com
Information on Sanne and details of its regulators can be accessed via sannegroup.com

CONTENT

Read the Digital Version of Insight Out

LPEA
THE LUXEMBOURG VOICE OF PRIVATE CAPITAL

DEAR MEMBERS, FRIENDS AND PARTNERS,

We hope that you enjoyed a safe, sunny summer break and were able to recharge your batteries for the new upcoming season, which already started beginning of September with the IPEM conference in Paris. This was a nice occasion to represent Luxembourg, our association and members during these two well attended days and allowed us to introduce our new Head of Events & Communications Johann Herz to the community. Inspiring exchanges and encounters confirmed the global appetite for PE/VC and impatience to switch back to more physical or hybrid events while still benefiting from the additional efficiency procured by the modern communication platforms and opportunities we all successfully integrated over the last 18 months. Innovation and technology will therefore and inevitably be at the centre of our upcoming Insights conference scheduled on October 28th. Next to our dedicated start-up pathway, this international event will underline how important and essential digitalisation and tech investments are and will be for the future. In this thriving context, the rise of family offices as investors will also be highlighted next to different smart solutions out on the market. The war for talents remains crucial and inspired us to organise a 2nd edition of our digital Job Fair (October 7th) which will also analyse some new trends and introduce you to some of the nextgen ambasadors.

We wish you a good read and expect to see you very soon again.


© DR

Stephane Pesch
CEO, LPEA


© DR

Claus Mansfeldt
Chairman, LPEA

THE MAGAZINE OF THE LUXEMBOURG PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION
Editors: Luis Galveias, Johann Herz / **Contributors:** Philippe Barthelemy, Silke Bernard, Troy Bishop, Laurent Capolaghi, Rolf Caspers, Olivier de la Guéronnière, Luc Falempin, Anne Fossemalle, David Liebmann, Charlotte Light, Melanie Mainz, Claus Mansfeldt, Gerard McCaul, Maarten Meijssen, Gilles Mougenot, Rajaa Mekouar, Stephane Pesch, Richard Reis, Nele Segers, Claire Virard-Canto, Jérôme Zahnen, Laura Zahren / **Conception & coordination:** 360Crossmedia - project@360Crossmedia.com - 356877 / **Artistic Director:** 360Crossmedia/F.W. / **Cover photo:** ©360Crossmedia/C.N.

LPEA INSIGHT 2021

The LPEA Insights conference gathers the PE/VC Community and spotlights investors and practitioners' expertise. Local and international GPs & LPs will take the stage to share their insights on how technology disrupts the PE industry.

PANELS

- Technology Disrupting PE
- Decentralised Finance (DeFi) and Blockchain
- Rising Exposure of LPs to VC
- Impact through VC: Making Money Responsibly

Register to LPEA Insights

More information: **www.lpea.lu/insights2021**

CAREER ADVENTURE DAY – THE PE & VC JOB FAIR

Following the first successful edition of the LPEA Job Fair in March, the LPEA organises a **new edition** taking place on **October 7th**.

This **full-day digital event** connects some of the biggest **PE/VC recruiters in Luxembourg** with **candidates from all across Europe** and features a series of discussion panels.

The Job Fair is organised in collaboration with the members of the association and is **free of charge** for candidates.

Register to the Job Fair

CARRIED WEEKLY SHOW

The LPEA extended its digital presence to a weekly video that summarises the association's initiatives and features interviews with members. The new "Carried Weekly" format is available every week through LPEA's newsletter and on the Youtube channel!

Watch Carried Weekly

NEW HEAD OF EVENTS & COMMUNICATIONS


© DR

The LPEA welcomed Johann Herz as the new Head of Events & Communications. Johann has a background in communication in inclusive finance and in both the public and private sectors. For the past four years he was Head of Production in a communication agency and often collaborated with the LPEA on event organisation and publishing projects.

BEYOND THE BILLION FOR EXPON CAPITAL

Since the beginning of 2021, Expon Capital's portfolio, composed of 26 companies, have raised a total of USD 1.1 billion. This figure further validates the Luxembourg based VC's strategy anchored in investing in both late and early stage companies. The portfolio includes **Glovo** a Spanish ondemand courier that raised USD 528 million; **Refurbed**, a marketplace for refurbished electronics – USD 54 million raised in August; **Spire**, valued at USD 1.2 billion, recently raised USD 265 million via its NYSE listing; and other innovative companies such as the Israeli data center efficiency company **Pliops** – USD 65 million.

QUINTET INVESTS EUR 200 MILLION IN AMUNDI

Quintet and Amundi are partneringup to boost sustainable investments in emerging markets. The Luxembourg-headquartered European wealth manager, Quintet will invest EUR 200 million in the Amundi Funds Emerging Markets Green Bond, boosting Amundi's AuM to more than EUR 450m in the third quarter of 2021. The Fund seeks to foster investments in environmentally friendly technologies and services across emerging markets.

LUXEMPART WILL PARTIALLY EXIT ITS INVESTMENT IN MARLINK

Luxempart will sell a substantial part of its stake in commercial satellite communications business **Marlink** to US-based **Providence Equity Partners**. Luxempart acquired a minority stake (<10%) in 2016 and expects now the deal to close in Q1 2022. This partial exit will allow Luxempart to crystalize an attractive cash return on its invested capital, with immediate cash proceeds in excess of EUR 25m (net of reinvestment) while confirming an overall IRR above the long-term target of 12-15%.

GUIDELINES FOR LISTING SPACS AT LUXSE

The Luxembourg Stock Exchange published guidelines to promote the listing of Special Purpose Acquisition Companies (SPACs) in Luxembourg. SPACs are considered blank-check companies designed for the acquisition of a single operational target company (or group of companies).

INVEST EUROPE OFFERS SOLUTIONS FOR MORE RETAIL INVESTORS IN PE

Retail clients only constitute to date a small proportion of investors who invest in long-term funds managed by Private Equity managers. In an open letter, Invest Europe proposes solutions to different types of retail investors in view of building a Capital Markets Union and help the financing of businesses through additional channels.

NEW "STARTUP LUXEMBOURG" WEBSITE

LuxInnovation launched a new website dedicated to startups willing to settle and grow from the heart of Europe. Startup Luxembourg represents and unifies all the players of the ecosystem that support entrepreneurship and foster innovation.
www.startupluxembourg.com

INTERVIEW WITH RAJAA MEKOUAR

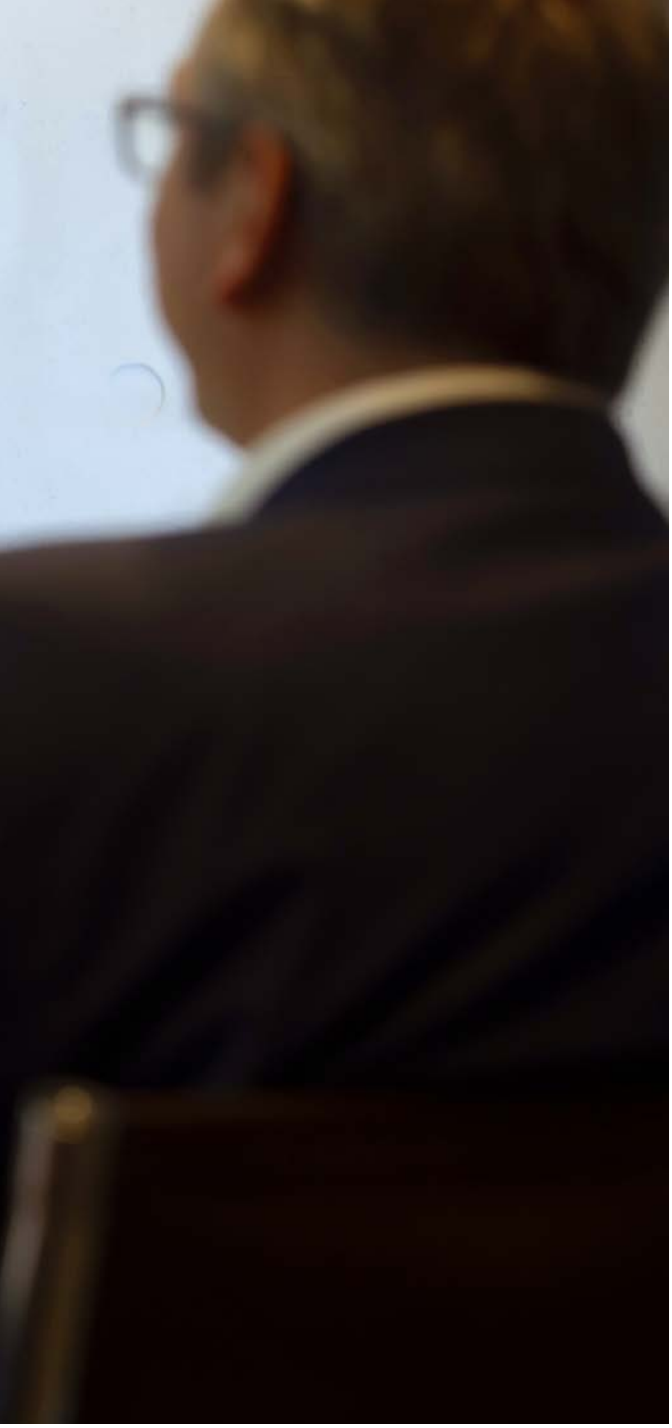
PRIVATE EQUITY'S NEW STEWARDS: SINGLE FAMILY OFFICES (SFOS)

RAJAA MEKOUAR, FORMER CHAIRWOMAN AND CEO OF LPEA, RECENTLY LAUNCHED AN INDEPENDENT ADVISORY FIRM, CALISTA DIRECT INVESTORS, WHICH PARTNERS WITH FAMILY OFFICES AND FOCUSES ON PROVIDING ACCESS TO DIRECT INVESTMENTS, AMONGST OTHER PRIVATE CAPITAL OPPORTUNITIES. SHE REMAINS ON THE BOARD OF LPEA AND STILL CO-CHAIRS THE "SINGLE FAMILY OFFICE CLUB". INTERVIEW CONDUCTED BY STEPHANE PESCH.

INTERVIEW by Stephane Pesch
CEO, LPEA

Stephane Pesch (SP): It has been a year since you left your role as CEO of the LPEA. What have you been up to?

Rajaa Mekouar (RM): What I do today is in total continuity with what I used to do last year. Remember that my role as CEO was a part time job, alongside which I was developing and managing the private equity portfolio of a small group of private investors. I continued doing that until the end of 2020, when the opportunity came up to set out independently and expand my scope of work to more family offices, with the support of a strong diversified team that I have been building. Most important in our business model is that we are exclusively "buyside" i.e., our revenues are only from our investors who tend to be small to mid-sized Single Family Offices (SFOs). We emphasise Calista´s ability to source, select and diligence quality deals that the



investors then decides to pursue or not, thus retaining the investment decision. We feel the market still requires more transparency and experts facilitating access to good opportunities. Around this we support investors in other ancillary services related their PE/VC portfolio, most of them being Family Offices.
In parallel, I'm personally glad to continue supporting the LPEA via the Board, the SFO club and of course the LPEA Insights Conference.

SP: Since you are active on the buy side, which changes have you witnessed over the past few years concerning GPs (General Partners) and LPs (Limited Partners), especially since the Global Financial Crisis?
RM: The growth of PE has been staggering. We are now at USD 7tn AUM, across the board. Let me first start with the LPs. Traditionally in PE, we always saw pension funds as the key players and decision makers. Well, they have been increasingly pushing the GPs for sustainability goals and strategies in line with the rise of ESG criteria. That's a big trend and a welcome one. In terms of the Family Offices, we are seeing them become very big contenders as PE and VC investors. They used to be fringe players and now they're really in the mainstream, especially the large ones but also smaller entrepreneurial outfits. They sometimes bypass GPs, but also partner with GPs for example in the case of co-investments or Club Deals, but I think they gained their mature status by becoming very big and important in our industry. In VC for example SFOs now account for some 30% of global VC deals (data from UBS Global FO report 2020). What I like most about Family Offices is the flexible, long term capital they bring, and the trust and transparency they require from their counterparties.
On the GP side the market is increasingly polarized, with mega firms like the KKRs and the Blackstones of this world that are multi-strategy platforms managing hundreds of billions, and more and more of them getting listed, the last of which being Bridgepoint. This was not the case in 2008. These large GPs are now the bellwether of private equity and give us a good idea of future trends. I never miss the quarterly earnings calls of the "big 5" (KKR, Blackstone, Ares, Carlyle and Apollo). At the other end of the spectrum, you find strong niche players, with strong specialisation in terms of sector or segment. This means that today you have over 10,000 private equity funds globally, more than half of which are in the US.
Overall, I would say that LPs have become more diversified in nature and demanding in substance, while GPs have won their credentials as value creators who capture future trends and capitalise on them.

SP: Has that been a good change for the industry?
RM: In one word, YES! I think we've become an industry where investors, GPs are extremely professional and that's why the industry sustained the COVID crisis so well. Last year, from spring until the summer, we were not quite sure how the industry would go and I felt also in my job, whether at the LPEA or at the family office, that there was a bit of a halt in investments, fundraising activity, but it lasted only a few months. The industry has learned a lot from the 2008 period and improved its act by 2014-2015. This

growth in AuM and dealmaking actually continued until the start of the pandemic and then pursued its upward trend since September 2020 faster than before. This is all the more valid because technological advancements have accelerated like never before. It's a historic moment, indeed a revolution, for our society and therefore our industry. Tech is everywhere across all stages and industries. It's reassuring from a sustainability point of view: The resilience of PE is due to its long term focus where operational support is crucial. The companies that are being sold or invested in by PE trust us.

There is however also a watch out, a bit of a fear in terms of valuations. The interest rates are remaining lower than ever, while inflation is picking up and you have to ask yourself at some stage, where the balance will shift, because it's more a seller's market than a buyer's market. Today, if you want to make a good deal, and I see it every day in my job, you really have to dig deep and perform what we call "pearl diving" to find the right companies to buy, whether it's direct or via a fund. Therefore, I would say the buy side has become stronger, more powerful, more institutional, but perhaps also more exposed to risks on the downside, if we look at the next 3 to 5 years. My golden rule is to always carefully identify all risks and spell out how they can be mitigated. To apply this efficiently it takes trust-based relationships with the management and stakeholders. That does not happen overnight. You become better at this as an investor as you get older and learn from your mistakes. Here again, Family Offices can hold a competitive advantage as many of the principals built their wealth after building real economy businesses that they sold. They know better.

SP: In Luxembourg too and across the board?

RM: Luxembourg has seen the buy side increase in size and substance thanks also to the efforts of LPEA. Brexit, among other reforms in Europe, have been very positive for us here. I think if we're patient and focused on the right areas, we will continue to gain importance as an ecosystem here in Luxembourg (for the buy side).

I liked how you coined this in the question: "buy side" is better than "front office" because in my new business I realise more and more everyday that there is no front and back office, everybody works hand in hand and you cannot deliver a good investment without working as a group across the value chain of the investment.

SFOS NOW ACCOUNT FOR SOME 30% OF GLOBAL VC DEALS.

Rajaa Mekouar

SP: You're working closely with single family offices (SFOs) from all over the world and successfully launched the LPEA SFO Club back in 2018 which counts now close to 30 members. What can Luxembourg do to attract and retain SFOs?

RM: I'm a strong believer that single Family Offices are the name of the game for a jurisdiction like Luxembourg. Traditionally large Family Offices are based in New York, in the US West Coast, in London, in Hong Kong, Singapore and of course Switzerland. Especially the international ones. Those in London always wanted to have a foot in Europe, or in the EU; now that the UK is not part of it anymore, I think the attractiveness of Luxembourg has just increased. The fact that the prevailing culture is to be low profile and value human relationships before transactional ones is good. Unlike Anglo-Saxon countries, to be frank.

The other reason why I'm very fond of having SFOs in our country is the fact that they are trendsetters, although they don't always show themselves in the most prominent way. I saw that you've organised a few events where some of our SFO members participated

© 360Crossmedia

and as we move towards a more open and transparent world, we will manage to leverage our relationships with SFOs as good flagbearers of Luxembourg and its advantages. The more Luxembourg is doing a great job from that standpoint, the more we will be able to communicate success stories (e.g. investments, teams being built here) and will continue to attract them.
Just like the whole ecosystem in Luxembourg, SFOs strive to attract more talent. At my modest level we just managed to hire a very good talent from France, who had never been in Luxembourg, had never heard about it as a centre for doing private equity deals and business. As soon as you bring talent here and introduce them to a few influential dealmakers and show them the goodwill that prevails in Luxembourg, you achieved a big part of the job.
Let's continue doing what we're doing, make this [SFO] Club more and more live. The challenge for this community is the digital world. They don't like to meet online unless it's something that they know and prefer to interact and exchange via peer-to-peer networking. My best deals always came from Family Offices.
In Luxembourg there are over 100 SFOs that not everyone hears or knows about. The idea is to leverage those already present in Luxembourg and make them come more upfront and talk to the community because we have a lot of substance for them to benefit from in terms of deal making, structuring, etc.

SP: You are also closely related to our Insights Conference of October 28th which will focus on decentralization, innovation and tech investments. How do you see the evolution of VC as a sector of investment?

RM: First of all, thank you for making me part of the task force organizing the conference. As you know, I'm very attached to this conference which we co-created with Luís Galveias. I believe the LPEA Insights remains the main if not the only true business-oriented or investment-focused conference in Luxembourg. This 5th Edition is a milestone to be proud of.
It was inevitable to choose “Tech Disruption” as a theme because we saw the coming of age of tech happening with COVID. Both in terms of performance, scaling up, innovation… by every metric, venture tech has invaded our lives. Which, by the way, is what many Family Offices are investing into, especially healthcare, e-commerce, foodtech and deep tech.
It seems it was never clearer that tech innovation helps improve social welfare. After COVID, nobody will ever say that tech or venture, especially in its earlier stages, is redundant. It demystified the asset class in Europe, which by the way is now performing at par or better than its US counterparts in certain segments. And we can be proud to have VC funds #madeinluxembourg confirming this with Mangrove, Expon, etc. As I learned from my friend and “godfather” of venture capital John Holloway, who was employee number four at the EIF, VC can only make us proud of the achievements of local and regional start-ups that have done extremely well across Europe.

SP: Which venture sectors are winning the race?

RM: As you can anticipate, healthcare is one of the biggest winners lately. Think that BioNTech was backed by German Family Offices, this shows a good example the pioneering role that wealthy families can play in innovation. There are many others but such investors like to remain below the radar for obvious reasons.
Another sector that's key to Luxembourg and has done very well is FinTech with the digitalization of payments and more seamless service to customers, whether individual or corporate. A word of caution though as I think on the FinTech side, we may have gone overboard in certain investments that multiplied by 10 their value over the last two years alone. You have to ask yourself the question if we're not a little bit overheated. But we do need FinTech innovation, and I think that the LPEA and its partner LHoFT are helping facilitate that.

© 360Crossmedia

IN LUXEMBOURG THERE ARE OVER 100 SFOS THAT NOT EVERYONE HEARS OR KNOWS ABOUT.

Rajaa Mekouar

Other sectors that retain our attention are related to food technologies. I think this is really like Internet was 20 years ago. We don't realize yet how protein-based meals and all kinds of fungi and lab-made food is going to change our daily life. It's going to be long in the making, but perhaps not as long as we imagined before. This is directly linked to the sustainability agenda and climate change. Because the way we eat today is not sustainable in relation to our environmental resources. Land is not duplicable. Drinking water is expensive to make.
Since tech innovation is helping us shape our future for the next generations, I should quote space tech as well. If you remember a couple of years ago we invited Spire to speak on stage about how space tech is improving and in the meanwhile space innovation has become mainstream. In Luxembourg, we have a few winners in this area as well as a couple of funds also backed by the government that allow us to leverage space-based data into very down-to-earth industries, like New Space Capital that we invited several times to speak at LPEA events. It's again like the Internet but 30 years ago, where infrastructure plays enable faster applications. So I'm very excited that we're going to welcome a great line-up of speakers and I look forward to speaking to some of them from a "family" perspective. In one sentence, Tech Venture Capital is now mainstream and we cannot imagine that a smart investor will not allocate to that segment especially if they want to be truly exposed to value creation going forward.

SP: Private Equity is coming of age. What are the trends that you see shaping the industry over the next five years?

RM: I wouldn't be surprised to see private markets exceed USD 20 trillion of AuM by 2030. As long as there's liquidity in the markets it will benefit the industry to some extent. Even if the interest rates start going up because of inflation and there's a squeeze on the LBO side of the market - which we know still represents 2/3 of PE investments (in terms of value).
Sustainability will become the name of the game brought as a "collateral benefit" of COVID. I am not supporting COVID of course. It caused tremendous loss and grievance including the loss of a valuable asset of our community, the Head of LuxFlag Sachin Vankalas who was himself a pioneer in sustainability. But remember how just 2-3 years ago, we were still very sceptical in terms of how fast the adoption of sustainability standards was going to reach us. Now there is no more

discussion, no more "if". Today we discuss the "how", whether we get a taxonomy of green finance or not, I think its going to happen. And in terms of "when, the time is now.

Tangibly speaking, LPs continue to put positive pressure on their GPs to come up with a scheme but honestly, every literature I receive on funds nowadays, contains a big part of ESG strategies and how they are being implemented, tracked and monitored. There's more and more signatories of the UNPRI (United Nations Principles for Responsible Investments), more firms also signing up and picking what are the principles of the 17 SDG (Sustainable Investment Goals) that match them the most. That's a good starting point.

While I'm not an expert at ESG or green finance, I think it just makes sense. Personally I feel a duty to contribute at my own level, hence embracing the opportunity to join the Selection Committee of the ICFA[1] which promotes Climate Change fund initiatives in Luxembourg. And especially for Family Offices, I would say, they are by design a sustainable player because the values that are integrated in the way they invest go beyond pure financial returns. Any business today has to reflect upon both the financial and quantitative KPIs but also upon the values that they promote. This is how we're going to be make our lives perennial for future generations.

Two last trends for the next 5 years:

1. Infrastructure is going to become bigger as the world needs to upgrade its rails, ports and energy producing assets

2. Asia, especially the South Eastern part, which is not yet very apparent on our radar here, is absolutely the winner of the next decade when it comes to generating growth and innovation.

SP: Would you include retailisation of PE as one of the trends?

RM: You're right, absolutely! Retailisation is also rolling out as we speak with the expansion of players like Moonfare and Liqid that offer access to affluent investors to PE funds. In the US the SEC now enables retail investors to invest in PE. And why not? If you look at retail trading and on the stock markets and the abuses and excesses that it has led to, you must wonder why we should not be able, with the right advisor to allow high net worth individuals to come into PE. I think the EU regulator will have to pay attention and I think the rise of cryptocurrencies is going to force that as well. I don't think however that PE should be for Mr. and Mrs. Main Street. I think the barrier to entry remains high and unless an individual investor retains professional without advice, I see it difficult to join the bandwagon of PE without advice.

There is one player in Europe that's playing quite a pioneer role in retailisation. BPI France, the public bank, is now offering retail investors the opportunity to invest in retail funds that are curated and come therefore with a government "stamp", thus providing a degree of reassurance in terms of what you're investing into. The other important thing is what kind of target returns are communicated to these investors. The main rationale behind this is that with such low interest rates, if you generate 6% to 10% from your PE portfolio, you're very happy. So will this last? I think so. But again, a word of caution, I wouldn't allow Mr. and Mrs. Main Street to invest in PE directly. It's maybe not retailisation but democratization. Private banks around us here in Luxembourg are jumping in offering it to their clients but these are not retail investors, they are still high net worth individuals considered retail because they're not well versed into financial transactions. Unless you're a sophisticated finance professional with direct experience in the sector, I would encourage any non savvy prospective PE investor to engage with an expert adviser before investing. The key is to remember the illiquid nature of PE as an investment class.

SP: LPEA's Private Equity for Women (PE4W) Club which you founded in 2019 brings together over 100 participants today. Which further initiatives could be pushed forward to have more women in PE?

RM: I'm glad that the PE4W club is well and alive despite not being able to meet physically lately. However I think it's a must to continue making efforts, perhaps joining forces with other female communities in Luxembourg. There are many initiatives to be started but if I had to keep one in mind, is to have more men joining in. I think women alone without men, it's just like men without women, it doesn't work. I don't know what it takes beyond repeating and insisting and persisting. When men will stop thinking, "it's not for me, it's only women", they will understand that throughout our careers as women we kept going to events and meetings with men only without thinking this. That's the SDG principle that I relate to the most: Diversity. Let's find initiatives that promote the two working together hand in hand even more. ●

1. International Climate Finance Accelerator (www.icfa.lu)

INTERVIEW WITH ANNE FOSSEMALLE:

FEDERATING THE INDUSTRY

RECENTLY ELECTED CHAIR OF INVEST EUROPE, ANNE FOSSEMALLE SAYS FOSTERING TRANSPARENCY, GOVERNANCE, AND ALIGNMENT OF INTERESTS FOR GENERAL AND LIMITED PARTNERS IS CRITICAL TO ATTRACT INVESTMENT.

INTERVIEW by **Luis Galveias**
Chief Operating Officer, LPEA

Congratulations for your recent election as Invest Europe Chair for 2021-2022. What are your priorities for this mandate?

I'm deeply honoured to have been elected to the position of chair of Invest Europe - the association representing Europe's private equity, venture capital and infrastructure sectors, as well as their investors. Its' exciting to participate in the representation of the membership of the association for the year to come, and to work with the strong, talented, and committed team at Invest Europe.

My priorities reinforce those of the association itself and are focused on: enhancing and expanding the membership; expanding on Invest Europe's tangible benefits for its membership and support for the wider Private Equity sector and support members to increase their diversity and accelerate their sustainability-related activities.

Given a key Invest Europe strength is its broad membership of GPs and institutional investors, i.e. EBRD, my first 'step' as Chair will be to meet as many of them as possible. My intent is to be a good conduit and understand how the association can provide even better support for its membership.

Next is sharing the excellent work done by Invest Europe and its previous chair, Thierry Baudon, in clearly outlining that Private Equity is a genuine force for good - both economically and socially

It is a fact that Private Equity creates jobs. The recent excellent publication by Invest Europe – Private Equity at Work, not only reveals that just over 10 million Europeans work in PE-backed companies, but that PE job creation was 6 times the European average in 2019! So, in 2019, PE created as many jobs as the entire working population of Tallinn!

Given my work as LP for a Development Finance Institution (DFI), I feel I'm very well placed to underline PE's social impact: PE helps pay pensions and it helps pay insurance premiums. Some 40% of capital raised by PE comes from pension funds and insurance companies! This is a 'virtuous circle', one in which PE has an important role in 'Building Back Better' post-COVID.

I'm also eager to continue to support Invest Europe's agenda when it comes to increasing diversity in the industry and growing its sustainability participation and presence.

For example, Invest Europe in March of this year launched its climate change guide - developed for private equity investors and providing practical, entry-level, support to actors and stakeholders in the European market seeking to integrate climate change considerations in their investment processes.

It also includes practical tools and guidelines for identifying climate change-related risks and opportunities in private equity portfolio companies, complemented with practical business cases. And two more advanced versions of the member-only guide are planned in 2021.

Which values of the EBRD, where you are Director of Equity Funds, are you bringing to your role in Invest Europe?

I have worked in several capacities prior to heading EBRD's Funds of Funds programme, notably leading EBRD's debt and direct equity investments into finan-

© DR

WE ENGAGE WITH POLICYMAKERS ON A WIDE RANGE OF TOPICS, FROM THE SCOPE OF STATE AID MEASURES TO VALUATION RULES.

Anne Fossemalle

cial institutions. I have over 25 years of private equity experience, holding numerous Supervisory Board and Investment Committee memberships with major fund managers within the EBRD's countries of operations. EBRD's goal is to invest and transform positively economies. Our aim is to demonstrate that these go hand in hand.
The EBRD is the largest investor in funds, particularly in Central and Eastern Europe and our aggregated numbers show that investing in funds in our regions provide healthy returns. Private Equity is a positive investment in this region. Moreover, beyond delivering good financial returns, we transform companies, we create jobs, moreover these returns also grow people's pensions. This is the message I bring from the EBRD and into the role of Invest Europe Chair.
With my guidance, and under the leadership of Eric de Montgolfier, CEO of Invest Europe, we will continue to demonstrate how Private Equity is a force for good. It supports long-term investors seeking returns to pay pensions and insurance premiums while meeting ambitious social and environmental goals. It is a cornerstone of Europe's economy and society.

Coming from the Limited Partners (LP) side and having been member of IE's LP Platform Council and of ILPA's Board for many years, what can be done to attract more investors to the asset class?

ILPA is a robust association that derives its strength from a broad but obviously differentiated membership. ILPA represents – globally and internationally – all institutional investors. The goals of ILPA and Invest Europe are similar: to be the voice of their membership; to defend their interests and participate in, and help inform, Public Affairs discussions and regulations affecting the sector.
Meanwhile, Invest Europe's Limited Partners Platform is made up of professional investors that are typically part of large investment institutions, including pension funds, insurance companies, government agencies, charities, and family offices, and come from across the globe. These institutions, and their underlying participants such as pensioners and endowment holders, are the key beneficiaries of private equity's outperformance and diversification.
I feel privileged to combine membership to both Boards for a year, and my goal will be to emphasise cooperation on numerous common topics.
You ask what can be done to attract more investors? Well fostering transparency, governance, and alignment of interests for General and Limited Partners is critical. ILPA Principles and Invest Europe Professional standards both contribute to shaping these principles.

A significant part of Invest Europe's work relates to regulation. Which of the upcoming policy developments should be mostly closely followed by all IE's constituency?

It is critical that we build Invest Europe's position as the key interlocutor for the industry and the foremost relevant partner for policymakers, as we seek to achieve maximum impact for our advocacy efforts on behalf of the European PE industry.
We will continue to focus on ensuring policymakers are aware of the impact of the crisis on our industry, and so be able to take decisions that would make it easier for our members and their portfolio companies to continue operating. We engage with policymakers on a wide range of topics, from the scope of state aid measures to valuation rules. Meanwhile, we have provided our members with relevant and detailed information on the various COVID measures that were introduced in all Member States.
Thought leadership, direct advocacy and member guidance will remain the top three priorities for Invest Europe on the policy front. ●

ARGOS WITYU

PEOPLE FIRST APPROACH

By **Laurent Capolaghi**
Partner, Head of Private Equity, EY Luxembourg and Member of the Board of LPEA

WE TRULY BELIEVE THAT SUCCESS IS MADE BY PEOPLE, NOT REPORTS.

Laurent Capolaghi: Gilles, Richard, Maarten and Olivier. We are very happy to have you all here to speak about Argos Wityu. Can you please introduce your firm and explain what is your "DNA"?

Gilles Mougenot: Argos Wityu is an independent pan-European private equity group with more than 30 years of experience and a team of 50 professional split across six offices (Luxembourg, Brussels, Paris, Geneva, Frankfurt, and Milan), covering eight countries. Today, we manage EUR 1.2bn and are funded by first class institutional investors such as insurance companies, pension funds, funds of funds and sovereign funds. Our investment strategy puts three differentiating factors forward: (i) a true European investment group, (ii) with an entrepreneurship mindset and (iii) a track-record in business transformations and complex situations (MBIs, MBOs, complex carve-out and spin-offs, asset arbitrage, privatizations, shareholders' disputes, complex processes).

Richard Reis: Our investment strategy implies majority stakes and a prudent approach with regards to debt. We are also known to be "hands-on" and very close to management teams.

LC: Do you have any sector focus? Who are the vendors you deal with?

RR: We are sector agnostic; we look at any vertical, except real estate. Historically, we have performed transactions in many different sectors such as business software, professional services, medical devices and products, aerospace & defense, food, logistics, and industry. We deal

with different type of sellers, but families and founders count for half of our transactions since 2000. We really enjoy accompanying them as these situations imply a specific deal dynamic and time. The other half is composed of corporates and, for a more limited proportion, financial investors.

LC: You have an international team with six offices present across Continental Europe. When and why did you decide to come to Luxembourg?

GM: As we are a pan-European group,

Richard Reis, Partner, Argos Wityu (Benelux); Olivier de la Guéronnière, Secretary General, Argos Wityu (Benelux); Gilles Mougenot, Managing Partner, CEO Argos Wityu (Benelux), former Chairman AFIC - now France Invest; Maarten Meijssen, Partner, Argos Wityu (Benelux).

© DR

we have decided to settle our holding company in Luxembourg (Argos Wityu Partners, formerly Argos Soditic Partners) in 1995. Also, fund VIII (on-going fundraising) is a Luxembourg-based fund and we have professionals operating locally.

RR: Besides, we started in 2013 to penetrate the Benelux market to perform investments. So far, we have invested around EUR 100m in Belgium and the Netherlands (Lineas, Gantrex, Cohedron) and supported a critical number of build-ups for our portfolio companies. With the same logic, we are active in Luxembourg on the investment side.

LC: Complex transactions are your specialty. Has this always been the case or did you develop this specific expertise over time?

GM: When I started Argos with my former business partners in 1989, our investment strategy was broader than focusing on the niche of majority investment to support business transformation. At the beginning of our story, we also took minority positions and deployed growth capital, which was exciting at that time. However, we quickly understood that our DNA was to accompany managers in complex situations. And we were good at that. As such, we have taken the "buy complexity, sell simplicity" strategy in 2000. Since then, we have developed our knowledge and expertise with more than 80 transactions and 150, including buy-and-builds.

LC: You have a "people first" approach in your company. What does that mean in your day-to-day business?

GM: It means that our values are re-

lying on trust and transparency. We truly believe that success is made by people, not reports. As such, we are excited to roll up our sleeves and help managers write new stories. The accumulated experience enables us deal with situations where good businesses find themselves in complex situations; we like to go beyond the first impression.

RR: To illustrate this approach, during due diligence phases, we (i) team-up very soon with managers to understand the business they operate in detail, commonly find value creation layers and design solutions to a certain complexity and (ii) systematically request management investment alongside us (to perfectly align the interests from day one). After the completion of the deal, we actively support managers throughout the holding period. We never take any operational role, but we schedule at least one weekly call and a monthly board to support the business and its direction.

LC: What is Argos Wityu approach regarding ESG?

GM: We have recently joined the United PRI. Besides, we are truly convinced that growth must encompass all its aspects and be based on a responsible management system that integrates environment, social and governance issues (ESG). As a private equity firm, we are at the forefront of efforts to encourage these values in the companies that make up our portfolio. We privilege a bottom-up approach and one key action per portfolio company, with concrete actions that are linked to our investment strategy and monitored by the relevant KPI.

LC: Next to people, technology plays an important role for private equity. Which type of technology do you apply when selecting and tracking investments?

GM: Obviously, the private equity industry must integrate the digitalization and AI challenges, which are deeply changing European business models, especially given the fact that a lot of SMEs still have a very limited culture related to data. The impact is broad and to give a simple answer is difficult.

RR: To select an investment, the recipe is a mix between the "savoir-faire" of the investment team and due diligence outcomes which integrate themselves a data approach. For instance, we are supported by external specialists in digital strategy and data management to perform CRM analysis or business model assessment, when the relevant information is available. To follow an investment, we have internally developed an in-house digital knowledge capitalization application named "Argos Paddles" which is tracking 45 value creation levers (at various stage of the investment period) with the objective to professionalize the business and to find solutions to medium term challenges. With that tool, we systematically assist in defining priority actions across the portfolio, based on prior experience.

LC: You launched the Mid-market Argos Index. Can you tell us about it?

GM: Published quarterly, the Mid-market Argos Index tracks the valuation of unlisted eurozone SMEs in cataloging mid-market acquisitions (majority deals implying an equity value between EUR 15m and EUR 500m) that have taken place during the previous three months and including all the sectors (except financial services, high-tech and real estate). The Index was launched in 2006 with the ambition to create a database for the unlisted market that would be both methodologically robust and rich in high-quality information.

RR: Content-wise, the Index also follows the multiples paid by investment funds and strategic buyers, the eurozone mid-market activity in volume (and by segment), the percentage of high-multiple transactions and the spread between the multiples of listed companies and the transaction multiples paid by strategic buyers.

GM: After 15 years of publishing, we are happy that our Index is now considered as a benchmark in Europe.

LC: Thank you for sharing these insights. ●

WHERE DO CUSTODIANS STAND IN THE AGE OF DIGITAL ASSETS?

By **Luc Falempin**
CEO at Tokeny Solutions

The digital asset space continues to thrive and attract institutional investors, as according to PitchBook, USD 17 billion worth of institutional capital[1] has poured into the sector this year alone. Moreover, 70% of institutional investors expect to invest in digital assets[2] in the future. Since the funding in the space has exploded, traditional custodians are trying to figure out how they fit in as new players on this value chain. Custodian banks have been slow to adapt and are now struggling with managing digital asset custody. Even worse, they mix up crypto-currencies and tokenized financial securities.

Digital assets: new opportunities for custodians

It is natural that custodians need time to understand how blockchain technology works. Once that happens, the lucrative opportunities that await on the other side will become clear. Here, we listed a few benefits and opportunities:

- **New safekeeping service**

As digital wallets are the access points for digital assets, custodians can provide custodial wallets for investors.

- **Reduced operational costs**

When all investor positions are kept on the blockchain, it eliminates the need for reconciliation of depository in the process. This reduces the heavy reconciliation costs.

- **Immediate services**

Custodians can provide immediate value-added services such as owning the recovery process for lost security tokens, reporting, tax certification, lending services and other collateral management services to investors. We used the word 'immediate' because with the blockchain, processing these services will use a single truth of information. Issuers, agents and investors can access the real-time data at any time. Services can be provided promptly by avoiding the lengthy process of flowing information throughout the traditional chain of custody and the risk of human errors.

The main challenge is not regulation but the adoption of the new model

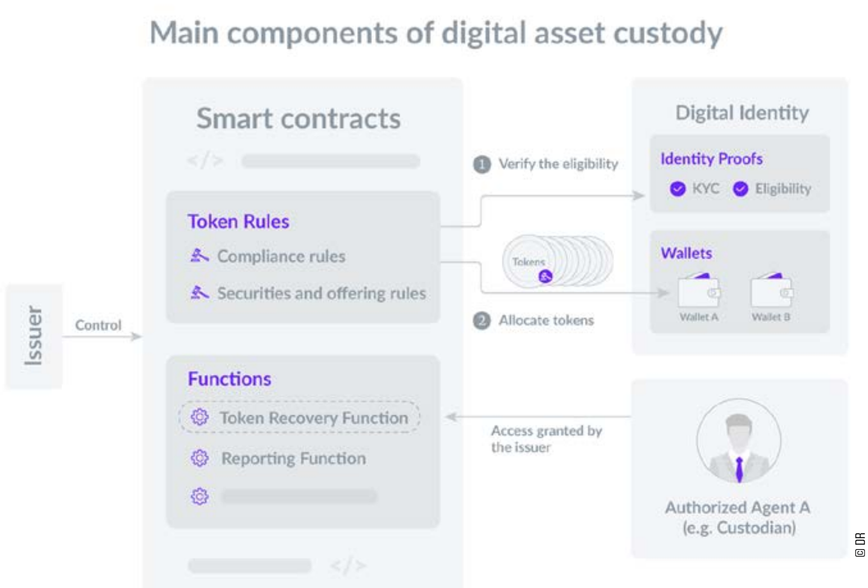
People often think the main challenge in this space is regulation, but it is actually not true. Instead, the real struggle for financial institutions including custodians is adopting new processes and new tools. When it comes to compliance, it is mostly about verifying the eligibility of investors. This can't be performed by identifying investor wallets, as they are browsers for the internet of value, not vaults. That is where digital identity comes into play, but how does it work? Let's take a look at the main characteristics in the blockchain-based model of custody to provide some clarity:

- **Smart contracts**

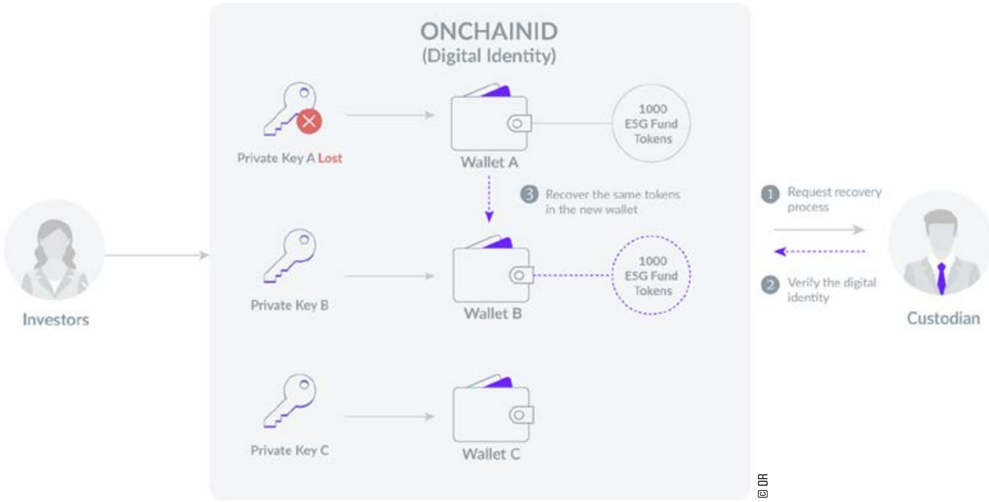
The smart contracts represent the asset(s) on the blockchain infrastructure. They code compliance rules into the security tokens, and only eligible investors can hold these tokens. The serious protocols for tokenized securities usually include a token recovery function that can be triggered by authorized agents.

- **Tokens**

The tokens that have eligibility rules embedded into themselves are permissioned tokens, and they



Custody For Security Token Investors



THE REAL STRUGGLE FOR FINANCIAL INSTITUTIONS INCLUDING CUSTODIANS IS ADOPTING NEW PROCESSES AND NEW TOOLS.

Luc Falempin

can only be traded between eligible counterparts.

- **Digital identity**

Investors have a digital identity that stores verified identity proofs onchain, and smart contracts can check these proofs to verify the eligibility of investors.

- **Wallets**

Once the smart contract code confirms the eligibility of the investor, the permissioned tokens will be allocated to wallets associated with the investor's digital identity. If the private key or access credential is lost, the permissioned tokens can be recoverable to another wallet. This can be processed after the verification of identity by token issuers or third-party agents.

Use cases: recovery of security tokens

It is therefore obvious that custodians need access to the token smart contracts, not to the wallets, for safekeeping investors' assets. For example, issuers of tokenized securities using the T-REX open source protocol are able to appoint a custodian bank as the recovery agent and grant that bank access to the recovery function of the smart contracts. In practice, the security tokens can be recovered in just a few steps:

1. Declare the loss of the wallet: The investor creates a request to recover their tokens to the custodian bank.

2. Verify the digital identity – ONCHAINID: The custodian bank verifies the token holder's identity with a standardized KYC process to validate the provenance of the request.

3. Recover the same tokens in the new wallet: If the verification is positive, the custodian bank triggers the recovery function and the lost tokens are transferred to the new investor wallet. This new wallet will also be added to the ONCHAINID of the investor. The custodian can perform this operation even if he doesn't have access to the investor's wallet.

Time to embrace and explore the new technology

Traditional custodians have an important role to play in digital asset custody, but they need an updated approach. There are some quick actors who are already reacting to it and updating their model. Recently, US custodian bank State Street launched a digital finance division to expand into the space. Why? It was because of client demand. Certainly, the demand will continue to increase, and as we mentioned earlier, seven out of ten institutional investors plan to invest in digital assets.

The good thing is that the technology has matured after years of use and securing billions worth of digital assets. Custodians can implement the technology quickly and straightforwardly. It is time to move and keep up with technology in order to gain a competitive advantage, those who react slower risk falling behind the competition, or other new players enter into this space. As Nadine Chakar, the lead of the new digital finance division at State Street, said, "This space is evolving at warp speed. I believe the winners will be those who embrace change versus those who stand back and watch – they will be disintermediated or disrupted. Business leaders, including myself, must set the tone that standing still is not an option." ●

1. Bloomberg "Venture Capital Makes a Record USD 17 billion bet on Crypto World".
2. Reuters: "Most institutional investors expect to buy digital assets, study finds".

BUILDING DIVERSIFIED AND SUSTAINABLE PORTFOLIOS WITH NON-TRADITIONAL ASSETS: THE LIFE INSURANCE WAY

ALL INVESTORS WANT THEIR ASSETS TO BE PROTECTED. RECENT RESEARCH SHOWS THAT 75% OF HIGH-NET-WORTH INDIVIDUALS (HNWI) SEE FUTURE-PROOFING THEIR WEALTH IS MORE IMPORTANT THAN EVER, AND PROTECTING THEIR ASSETS FOR THE FUTURE WAS THEIR TOP INVESTMENT GOAL[1]. FOR THIS PARTICULAR CLIENT SEGMENT, PRESERVING THEIR LIFESTYLE AND PASSING ON WEALTH TO THE NEXT GENERATION IS KEY, AND THESE OBJECTIVES CAN BECOME MORE CHALLENGING IN UNPREDICTABLE MARKET CONDITIONS.

© DR

By **David Liebmann**
Head of Distribution & Sales Innovation, Head of French Market, Lombard International Assurance

Historically, equities and bonds have long been at the heart of investment strategies. In times of economic weakness, bonds brought stability to portfolios, whilst equities provided long-term growth. However, in an increasingly uncertain geopolitical and economic environment, with asset values artificially buoyed by recurring quantitative easing measures and low interest rates, market dynamics have become more complex and the risk/performance balance is no longer the only part of the equation. Sustainable yield remains hard to find, especially in fixed income assets. The knock-on effect is that clients are shying away from traditional stock markets' growing volatilities.

For these reasons, client concerns over their assets have no doubt been heightened in recent years. Designing strategies that can help towards future-proofing investment portfolios involves two main considerations: portfolio diversification and succession planning. As such, it is important that client portfolios reflect not only risk appetite but also a wider approach based on asset diversification and wealth transfer – especially if protecting their wealth is a key priority.

A growing interest in alternative asset classes

Diversification is a core part of modern portfolio theory and not 'placing all your eggs in the same basket' is one of the most heavily cited adages in investment management which is still all the more relevant today.

In the search for improved real returns to support wealth and succession planning, considering international family circumstances, geographical footprint and lifestyles, clients and their advisers are further diversifying their portfolios and taking a greater interest in alternative and non-traditional assets (NTAs).

Non-traditional investment classes include real estate, commodities and private equity, which HNW clients are choosing for their alternatives asset allocation strategies. While they all have their own specific features, these asset classes share the same benefits when it comes to their ability to potentially deliver higher real returns over the longer term, with low to minimal dependency on market fluctuations and volatility, thereby providing greater portfolio diversification and risk mitigation.

Over the past 10 years, the demand for portfolio diversification with alternative asset classes has surged significantly. And this trend is only set to continue. Research from Morgan Stanley[2] evidenced that institutional investors, including family offices and UHNW individuals, already hold around 90% of today's more than USD 7 trillion private markets' assets under management (AUM). The report estimates that this AUM could grow to around USD 13 trillion by 2025, driven by the demand from HNW investors. Asset allocations into private markets could represent an additional USD 1.5 trillion-worth of AUM by 2025.

In a continued period of uncertainty, alternative asset classes such as private equity provide clients with the additional potential benefit of decorrelation. As outlined in McKinsey's Private Markets Annual Review[3], private

OVER THE PAST 10 YEARS, THE DEMAND FOR PORTFOLIO DIVERSIFICATION WITH ALTERNATIVE ASSET CLASSES HAS SURGED SIGNIFICANTLY. AND THIS TREND IS ONLY SET TO CONTINUE.

David Liebmann

equity continues to perform well, outpacing other private markets asset classes and traditional stocks and bonds. But the popularity of such investment decisions risks a backlog of capital. As commented by S&P Global Market Intelligence[4] in their 2021 Global Private Equity Outlook, dry powder is at an all-time high, with an estimated USD 1.9 trillion[5] globally, boosted by cheap debt.

This means that finding good investment opportunities is likely to become even more competitive in the near future, urging clients to not only diversify their assets across different categories, but also to rely on multiple asset managers, each one with a specific expertise, to manage them.

In this regard, whilst bespoke wealth planning solutions adapted to individual HNW requirements are becoming the norm, wealth advisers and their clients are tasking their providers with offering innovative and agile wealth planning solutions that facilitate flexible investment portfolios with the widest range of assets.

The benefits of investing in non-traditional assets using Unit-Linked life insurance

Investment-based insurance products, also known as Unit-Linked life insurance in Europe, provide HNW and UHNW clients with two intertwined benefits.

One is bespoke wealth and succession planning, with the ability to cater to the most complex of needs in terms of cross-border planning and wealth structuring, so that assets can be protected, preserved and passed on to the next generation.

The second one is the ability to invest in a broad range of asset classes, thanks to Luxembourg's unique investment regime. These two characteristics make it a solution of choice for clients willing to diversify their portfolios, benefiting, at the same time, from life insurance solutions' intrinsic set of features including deferred tax treatment, portability, asset protection and the ability to appoint the beneficiaries of your choice.

Unit-Linked life insurance solutions provide the opportunity to invest in NTAs such as private equity. Specifically designed for UHNW/HNW individuals and families, these solutions enable them to build their own tailored investment portfolios, giving them the freedom to appoint several custodian banks and asset managers, at the same time as having control over how and when their wealth is transferred. The investment strategy within a Unit-Linked life insurance solution is flexible and can be amended during the duration of the contract. Therefore, policyholders have the option of diversifying the assets they hold in their contract, in proportion to the amount invested and the type of funds chosen.

But NTAs go beyond just private equity and include a diverse range of assets, with no 'one size fits all' approach to their valuation or inclusion into the appropriate wealth planning solution. Each opportunity has specific valuation standards and methodologies that are often unique. It is therefore essential to partner with providers that have the required focus, expertise and experience when it comes to analysing, integrating and administrating NTAs into life insurance policies.

At Lombard International Assurance, we have built robust expertise in this field, with a proven track record of 30 years' experience and the largest team of NTA experts in the market. Over 10% of our European portfolio is currently invested in NTAs.

In addition to evaluating suitability, integrating and managing selected assets within each Unit-Linked life insurance structure, our expert team delivers a wide range of professional and added value services to further support clients and advisers, thereby reducing their time spent monitoring these assets. These services range from periodic reviews of the asset for the purpose of qualifying the asset as eligible to hold within an insurance contract, ensuring full compliance with local regulatory, tax obligations and reporting requirements, management of corporate actions on the asset, to obtaining external valuation of the investments and comparative analysis in terms of fair market value. Being able to offer these full range of services throughout the life of the insurance contract is crucial to enable clients to benefit from the advantages of investing in NTAs via a Unit-Linked life insurance policy and ensuring the policies are fully compliant in the jurisdictions their they reside.●

1. PR Newswire - High Net Worth Individuals say it's more important to future proof wealth than ever before as they plan for an extended-retirement
2. Morgan Stanley, Wealth and Asset Management: Competing for Growth, 2021
3. McKinsey: Private Markets Annual Review
4. SP Global: Global PE Outlook 2021
5. Preqin

WEINVEST CAPITAL PARTNERS: SHARING THE DYNAMICS OF A MULTI STRATEGY MANAGER


© DR

By Philippe Barthelemy
Managing Partner – CO Founder at WeInvest Capital Partners

The appetite for investors in alternative and real assets seems to be growing globally in most of the strategies. In addition, the level of liquidity in the market is historically high these days. Furthermore, the demand for fresh equity in most of the segments of the economy is also high, especially in innovating sectors, and even is reinforced by the COVID-19 crisis in the traditional economy segments. In combination with an increasingly favorable regulatory framework, these factors are sustaining the interest in Private Equity / Real Estate vehicles investments.

However, despite favorable conditions, the exercise to raise a first-time fund is not as easy as it could be perceived. As a matter of fact, questioning one's project to raise a first-time fund should be analyzed over several perspectives:

In terms of investment strategy, first. How do you differentiate from the competition? New fund managers should develop an approach of the market that creates an interest to LPs through its originality. This originality can be analyzed in different ways: some can see opportunities in addressing a new market segment in the innovating economy, some can also see opportunities in the more traditional economy, investing in segments that are not addressed by managers. In any case, the investment strategy has to be clear and documented. Your beliefs are also very important. LPs are looking for teams with convictions that are backed by a rational analysis.

I remember the baseline of one of my former companies: "more than numbers, our business is based on trust". And it's exactly that. When you are a first-time team / first-time fund,

QUESTIONING ONE'S PROJECT TO RAISE A FIRST-TIME FUND SHOULD BE ANALYZED OVER SEVERAL PERSPECTIVES.

Philippe Barthelemy

you must inspire confidence to succeed. Both to your investors and also to partners with whom you are investing and doing business.

In 2019, when we started defining our strategy, we built our approach on 2 pillars to generate confidence:

- Confirming our appetite for real estate, an industry in which we were already active. At that time, we were capitalizing on previous successful club deals and private debts in the niche premium segment of real estate development. We knew exactly which investment strategy to implement, with a clear path to creating value in our investments. Real assets are also an excellent start because of the nature of the investment. When you own an asset, the land and buildings provide strong protection for invested capital. It helps to create confidence with investors.
- Progressing gradually in reaching out to investors. First people first. We had strong interest from some of our former investors, clients, mentors, or managers that knew what we were able to achieve in our previous occupations. They helped us a lot in creating the foundations of our first closing.

Today, our first fund, Premium Real Estate Fund, has raised more than 20 million and is still raising capital until mid-2022. We have executed 7 investments in one year, deploying almost 100% of the committed capital in Luxembourg, the United States, Spain and France. The quality and speed of execution were key to make investors trust us, and we had identified all these investments before launching the fund.

2022 will be the year when we will add 2 new strategies to our portfolio:

- A private equity-like investment vehicle, Beautiful Small Cap Fund that will invest directly into a portfolio of (very) small cap companies in Luxembourg, Belgium and France. We believe that small companies will have a strong challenge to face to survive because of the wave of baby boomers who will have to retire in the next few years. And this will generate needs for financing transition to new managers, with also opportunities to build-up new groups by concentrating companies.
- A private debt vehicle investing in real estate as well, to enrich our financing proposition of development projects, capitalizing on Premium Real Estate Fund success.

To sustain our fast growth, we have strengthened our human resources, adding new seasoned professionals to our fellowship. Always lying upon the same values: we are in a people first industry! ●

ABOUT WEINVEST CAPITAL PARTNERS

WeInvest Capital Partners is a boutique firm specializing in Private Equity Real Estate (PERE), real estate asset management and Private Equity.

WeInvest Capital Partners seeks to create long-term risk-adjusted value for its investors through a portfolio of reserved alternative investment funds, creating positive impacts to every project it invests in. Led by serial entrepreneurs, bringing together a broad range of expertise, the company benefits from an extensive network and invests mainly in Europe and the United States.

Incorporated in late 2019 in Luxembourg, WeInvest Capital Partners, member of LPEA, is successfully finishing the raising of its first Real Estate fund and is pursuing its development through the forthcoming implementation of a Private Equity vehicle dedicated to very small cap investments.

PE/VC DEPOSITARY SERVICES COMMITTEE

By **Daniel Engel and Benoit Dewar**
Co-Chairs of the PE/VC Depositary Services Committee

At the origin

In 2020 the LPEA launched the Depositary Services Committee. The aim was to bring together the entire spectrum of depositary providers in the Luxembourg market that are providing services to the broader private equity industry. The main objective was to address different subjects pertinent to depositaries and address certain challenges currently perceived in the market.

Who

The committee has proven successful in attracting a wide range of depositaries and is currently composed of 18 members, representing a mix of depositary banks and non-banks acting as depositaries. Our current members comprise representatives of Banks (Banque de Luxembourg, BNP Paribas, Brown Brothers Harriman, ING, JP Morgan, State Street) and Non-Banks (PSFs) (Alter Domus, Aztec, IQEQ, Ocorian, Sanne, TMF, Vistra).

What

The committee is focused on grouping the widest possible spectrum of depositaries in the market to ensure fair representation and to ensure all viewpoints are taken into consideration. Our efforts and focus are on creating a forum where we can tackle various challenges and discuss existing pain points in exercising the role and duties in the day to day functioning of a depositary. The ultimate aim of the committee is to contribute in establishing best practices and standards for the market, therewith ensuring a certain coherence across market players. This will be welcomed by GPs and other market stakeholders who have frequent interactions with depositaries.

A further focus of the committee is to ensure we remain connected with other industry bodies' working groups that are focusing on the depositary function. In this context, we met with ALFI and the ABBL on different matters pertaining to depositary services. In relation to the recent guidelines on other assets that was recently published, we will look to work hand in hand with the ALFI and ABBL working groups on future updates of the stated guidelines.

We further created a smaller sub-working group a few months ago to address the topic of annual audit confirmations, as this has been an ongoing technical challenge in the market. The aim is to work towards a standard market template for alternative assets, therewith ensuring a coherent approach across all providers.

When

The committee meets every month. The working group on the confirmation template meets every two weeks. Our next meeting will take place in September after the summer break. During the COVID pandemic all meetings were held via Zoom. As soon as feasible we will organize the first in person meeting with all committee members.

How to apply

Depositaries interested in joining should fill in the application form or contact the LPEA directly. ●

Ashweeni Basenoo
Ocorian

Fabrice Buchheit
IQEQ

Marios Chouris
BBH

Eva Devine
Aztec

Ann Devos
State Street

Benoit Dewar
Alterdomus

Denis Dumont
BGL BNP Paribas

Daniel Engel
BBH

Jean-François Flamant
TMF

Sylvaine Fossen
Vistra

Sébastien Hiblot
Banque de Luxembourg

Roberta Robustelli
Sanne

Nathalie Segoloni
ING

Download the application form

THE ROLE OF PRIVATE EQUITY WITHIN AN HNWI'S DIVERSIFIED INVESTMENT PORTFOLIO


© DR

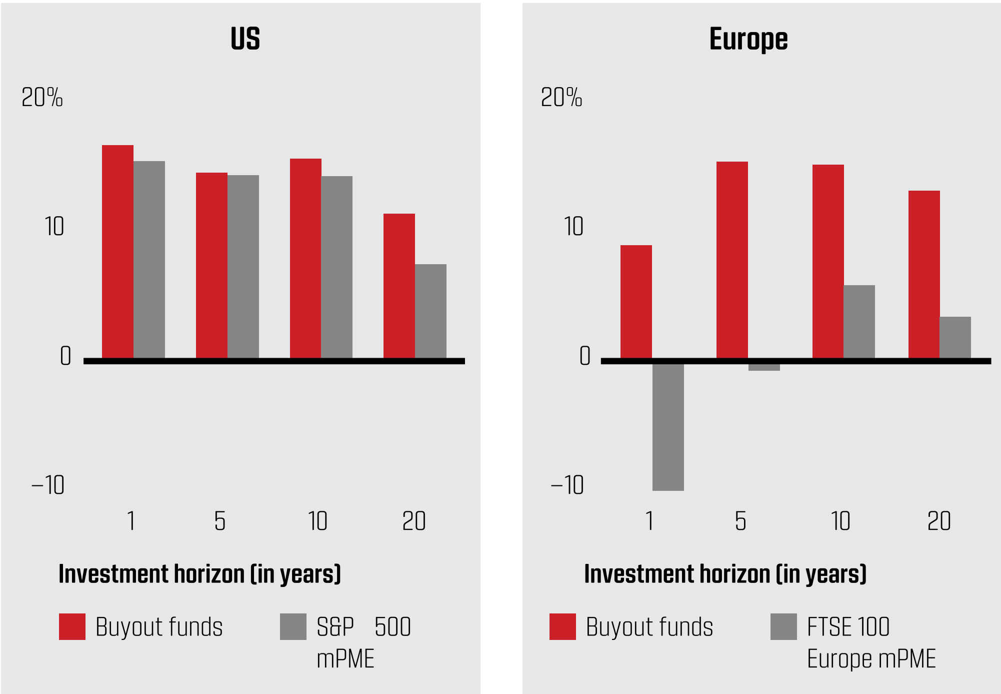
By **Jérôme Zahnen**
Investment Advisor - Product Specialist Private Equity, Banque de Luxembourg

For many years, Private Equity has clearly been a niche in the investment's universe, its investor base being mainly dominated by large institutional investors such as pension funds, insurance companies, large banks etc. However, today, one can clearly observe a significant increase in the interest dedicated to Private Equity and a certain "democratization" is taking place with lower minimum capital requirements that allows HNWI (High-Net-Worth Individuals) to gain access to this particular asset class. Consequently, it is worth looking into the underlying drivers of this trend and the reasons why wealth managers and private individuals should consider allocating a portion of their investable assets.

Larger investment landscape

Next to the fact that there are more and more opportunities to access Private Equity, one can also observe another tendency, more specifically, the decreasing number of publicly traded companies and more often than not, companies deciding to stay private. All companies should have a long-term view but going public can lead to short-termism due to the pressure to publish quarterly results and to be evaluated by the analysts and the market participants in general. Furthermore, being traded on a stock exchange also creates a burden due to the increased compliance and regulatory requirements that not only lead to significant costs but also consume time, time that could otherwise be used to focus on the

End-to-end pooled net IRR as of Q3 2020 for...



Notes: Data for US and Asia-Pacific calculated in US dollars; data for Europe calculated in euros; Europe includes developed economies only; Cambridge Associates Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions.

Source: Cambridge Associates

long-term value creation strategy of the underlying business. For those reasons, among others, the number of privately held companies, including those backed by Private Equity funds, continues to grow significantly and consequently the Private Equity universe really offers its investors a way to directly support the economy.

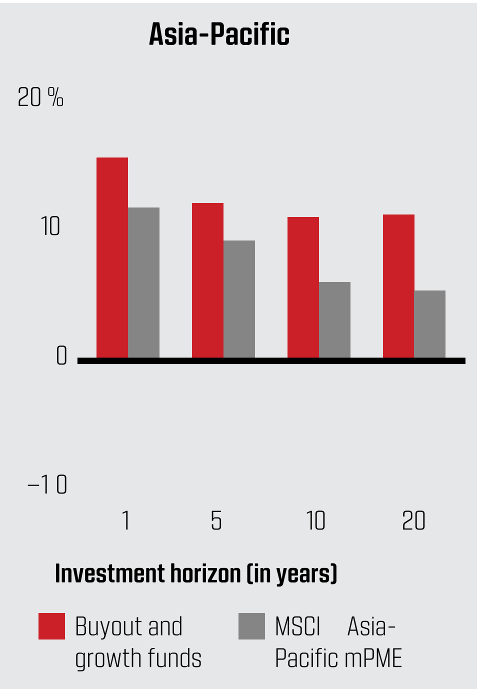
The increase in opportunities in Private Equity, both on the access - and the industry side, suggests that this asset class is becoming less and less "niche" and much more central in the strategic asset allocation of the investors' portfolio.

What about risk and return?

Leaving ESG - environmental, social and governance criteria on the side for now, investing is, for most part, about risk and return and Private Equity can clearly add value on both sides. On one hand, Private Equity has outperformed public markets both in Europe and the U.S. in the short-, mid- and long-term during most of the past 20 years. Therefore, allocating a portion to private companies can enhance the overall expected return of your portfolio. On the other hand, research has also proven that Private Equity has limited correlation to Public Equity and therefore clearly offers diversification benefits. Additionally, due to the absence of daily pricings of private companies, the perceived volatility is lower compared to publicly traded firms. Even though it is important to highlight that Private Equity is impacted by many of the same risk factors that influence public companies, this illiquidity feature is especially valuable during significant market turmoil where prices of public markets can dive significantly and quickly as we experienced for instance in March 2020 due to the pandemic. Here the illiquid nature of a private Equity investments can be advantageous since investors cannot exit their positions at unfortunate timings during which companies might be valued below their intrinsic value. Finally, it is safe to say that allocating a portion of your wealth to Private Equity can enhance the efficient frontier, or in other words the risk and return profile, of your portfolio.

Entrepreneurial investment

Private Equity investments can also give their investors the opportunity to invest in businesses that are at different stages of the growth cycle, from early stage up to the maturity stage, something which is much more difficult via a public company investment. More specifically, "Venture Capital" (VC) allows you



© DR

ALLOCATING A PORTION OF YOUR WEALTH TO PRIVATE EQUITY CAN ENHANCE THE EFFICIENT FRONTIER.

Jérôme Zahnen

to invest in early-stage companies (Start-ups), "Growth Capital" in companies that require capital to fund future growth and "Leveraged Buyout" (LBO) in mature businesses with foreseeable cash-flow profiles. This is especially of interest to current or former entrepreneurs that had to go through the different stages of the growth cycle with their own business, that are aware of the challenges and that want to be part of other success stories.

Diversification & "Fund Manager" selection

"Do not put all the eggs in one basket" also goes for Private Equity. Diversify your Private Equity portfolio on multiple levels such as vintage years, fund managers, geographies, sectors and strategies. Another essential element and in my view one of the most relevant points, "Fund Manager" selection is crucial! There is a significant dispersion of returns among the different Private Equity managers (and there are many of them) which is not the case for managers of listed equity funds, at least not to such an extent. Consequently, it is important to have access to Private Equity specialists that conduct a thorough due diligence in order to increase the probability of selecting a top quartile performing fund. Such experts are on one hand responsible for doing a comprehensive analysis of the various fund managers and monitoring the evolution of the Private Equity market in general and on the other hand advice you on the optimal strategic asset allocation of your portfolio.

Not to forget, a word on ESG. Investing is not all about returns and consequently many Private Equity fund managers have been increasingly building up ESG frameworks that they now implement during the initial company selection process and during the holding period of their underlying portfolio companies.

Be aware!

That being sad it's not all sunshine and rainbows. Even if investing in Private Equity makes sense for many investors, it's not suited for everyone and various elements such as the illiquid nature of this particular investment need to be taken into account. A typical Private Equity fund has a fund life of 10 years and during that time span you usually cannot exit your position. So before investing you clearly need to think about your financial situation and future spending needs in order to avoid facing liquidity issues. Furthermore, it is important to verify together with your wealth manager whether an allocation to illiquid assets such as Private Equity is in line with your investor profile in order to manage your expectations.

Conclusion

To conclude, for investors that tick the various boxes that need to be considered when seeking a Private Equity allocation and that target long-term capital growth, Private Equity clearly has its spot in a well-diversified portfolio. ●

MODERNISATION OF THE LUXEMBOURG SECURITISATION LAW

THE LONG-AWAITED MODERNISATION OF THE LUXEMBOURG SECURITISATION LAW HAS FINALLY BEEN SUBMITTED TO PARLIAMENT ON MAY 21ST 2021 AND IS EXPECTED TO BE ADOPTED BY THE END OF 2021.

© DR

By **Rolf Caspers**
Global Head of Capital Markets, Sanne Group

The Luxembourg investment and financial industry is well established as a leading jurisdiction for international securitisation structures. It is one of the few countries that has a specialised law ensuring legal protection on limited recourse and non-petition mechanics. Under the securitisation law one has the ability to create distinct and ringfenced compartments. In junction with the option of different legal forms that has proven to be a very powerful tool.
However, the Luxembourg Securitisation Law of March 2004 required an update. Being drafted before the EU securitisation law and following 17 years of practice, a number of questions had arisen that needed to be addressed.

What's new?

Clarification when a supervision by the CSSF is required. The current interpretation of the requirements has been confirmed with a slight adjustment to harmonise the requirements with the Prospectus Directive. The current Law requires CSSF authorisation for securitisation vehicles that issue securities to the public on a continuous basis. The draft Law now clarifies that this applies if more than three issuances are made in the financial year with a minimum denomination of the securities issued below EUR 100,000. Therefore, excluded are issuances solely made to professional investors (as defined in the law on the financial sector), issuances with minimum denominations above EUR 100,000 and private placements.

The means of funding have been expanded. Under the current Law, the main means of funding were the issuance of securities to fund the target assets. This is now expanded to include "financial instruments", allowing other means of funding such as loans. However, the limited recourse character and the performance link to the investments are still required. This will simplify several structures, e.g. the Warehousing of assets or the issuance of profit participating loans.

Active management will be permissible. This applies to repackaged debt, typically to CLOs or CDOs, as long as the securities are issued under private placement. This is a key clarification from the current view allowing passive management only and will further boost Luxembourg's attractiveness for CLO and CDO Managers. As a reminder, Luxembourg has no requirement for expensive IFRS accounting, representing a significant cost advantage for Luxembourg structures.

Under the new draft, **further legal forms are added** for securitisation undertakings. The choice between a corporate or fund form is still applicable, but it was felt that (transparent) partnerships were missing on the list of options. This change will help investors that are more familiar with partnership structures. Going forward, the general partnership, common limited partnership, special limited partnership and a simplified limited partnership have been added to the list of permissible legal forms.

An important change to the **compartment accounting and governance** has been introduced. In the case of a compartment issuing equity, it is proposed that the articles may define that special financial statements relating to the specific compartment shall only be approved by the shareholders of this compartment. In such case, the decision on distributable assets and reserves, including the legal reserve, shall be made at the compartment level only.

The ability to grant security over its assets has been adjusted and it will now be possible to also grant security for obligations relating to the securitisation to parties of the securitisation which are not direct creditors. This will ease the structuring especially in cases of multi-layer security interests. **The ranking of securities** has equally been adjusted and it is clarified, for example, that debt ranks senior to equity interests.

THE NEW SECURITISATION LAW WILL ALLOW GREATER FLEXIBILITY BY MAINTAINING THE LEGAL SECURITY OF A SPECIALISED LAW. THIS IS A WELCOMED EVOLUTION IN AN INCREASINGLY COMPLEX MARKET.

Rolf Caspers

The draft law further confirms the possibility for the securitisation to hold securitised assets directly, including the **direct acquisition of Real Estate assets**.

A further clarification has been introduced in respect to **securitisation funds**. These, going forward, will need to be registered with the Trade and Company register to obtain their **individual registration number**.

The proposed changes will further enhance the attractiveness of Luxembourg as a leading international finance centre of choice. The new Securitisation Law will allow greater flexibility by maintaining the legal security of a specialised law. This is a welcomed evolution in an increasingly complex market.

What does this mean for Luxembourg?

Luxembourg has always been positioned as a premium international finance centre of choice. The new Securitization Law bring added flexibility to create compartments and the choice to have either a securitisation company or a securitisation fund remains an integral part in the Bill. ●

ESG: KEY MILESTONES

By **Silke Bernard**
Partner, Linklaters LLP

and **Claire Virard-Canto**
Senior PSL, Linklaters LLP

The new European sustainable finance framework is a headache for some, and certainly a moving target for all. Many GPs are struggling to navigate their ESG project given the complexity of several overlapping sets of rules (SFDR, taxonomy, sales requirements, reporting rules…) and numerous different implementation dates. Also, final technical requirements are still not available and ESG data are crucially lacking. It is certain though that ESG is definitely here to stay - it is only a matter of when the whole set of rules will be available and businesses will need to comply with the new rules. To assist LPEA members in the concrete planning of their ESG implementation project we have tried to come up with a short and intuitive time line. Some dates may still move as legal requirements and target dates are still being challenged, so please watch the space for further adjustments being made as things develop. ●

2021

MARCH

Taxonomy – DA on transparency of undertakings in non-financial statements (Art.8 TR) – ESAs delivered final advice to the EU Commission.

SFDR – Level 1 principles start to apply.

ESAs published consultation paper on taxonomy-related product disclosures under Articles 8(4), 9(6) and 11(5).

APRIL

SFDR – Publication of DA with final ESG amendments to MiFID II, AIFMD and UCITS.

Taxonomy – Publication of EU Taxonomy Climate DA and Annexes (the TSC) for climate change mitigation and climate change adaptation.

Communication of the EU taxonomy, corporate sustainability reporting, sustainability preferences and fiduciary duties.

CSRD – Publication of proposal. This will impose further reporting obligations on all large and listed companies (with limited exemptions) in the EU.

MAY

EU Commission consultation on draft DA on Transparency of undertakings in non-financial statements.

JUNE

SFDR – Large FMPs must publish a statement on their website confirming that they will mandatorily consider PASIs, and a summary of their policies, procedures and planned actions in this regard (by reference to the Level 1 rules only).

Taxonomy – EU Commission adopts DA and its annexes (1 and 2) with TSC for climate change adaptation and mitigation.

Business and Human Rights – EU Commission publishes sustainable corporate governance proposal (including human rights due diligence).

JULY

Adoption by the EU Commission of DA on transparency of undertaking in non-financial statements.

Taxonomy – Brown & Social Taxonomies: PSF to consult on draft Reports on negative and low impact activities, and extension of the scope of the TR to social objectives and to minimum social safeguards.

EU Commission publishes Renewed Sustainable Finance Strategy.

SFDR – Publication of EU Commission guidance as requested by ESAs.

EU Green Bond Standard: EU Commission proposal.

AUGUST

Taxonomy – PSF consultation on draft TSC recommendations on criteria for remaining four environmental objectives to the EU Commission.

SEPTEMBER

Taxonomy –ESAs to deliver draft RTS on taxonomy-related product disclosures under Articles 8(4), 9(6) and 11(5) to the EU Commission.

SFDR –Final Report for combined SFDR/TR RTS (Level 2 rules) expected.

2022

1 JANUARY

Taxonomy – TR Level 1 rules (climate change mitigation and adaptation) come into effect.

GLOSSARY

DA	Delegated Act
PSF	Platform on Sustainable Finance, a consultative body to the EU Commission
RTS	Regulatory Technical Standards
SFDR	Sustainable Finance Disclosure Regulation
TSC	Technical Screening Criteria
ESA	European Supervisory Authorities
FMP	Financial Market Participants, namely managers
PASI	Principal Adverse Sustainability Impacts
CSRD	Corporate Sustainability Reporting Directive
TR	Taxonomy Regulation
DNSH	Do No Significant Harm
SIs	Sustainable Investments

DURING 2022

SFDR – FMPs must update their periodic reports, in relation to Article 8/9 products.

Taxonomy – DA to be adopted by the EU Commission covering mainly the remaining four objectives

1 JULY

SFDR – .MPs / financial advisers must have updated the following disclosures to reflect Level 1 (TR) and Level 2 (SFDR/TR) requirements:

- PASI entity level statements;
Article 8/9 pre-contractual product disclosures (FMPs only);
- Website disclosures for Article 8/9 products (FMPs only);
- Review of Level I Sustainability Risk Policy and Art 6 disclosures
- Art. 6 pre-contractual disclosures

Each sustainable investment in an Article 8 with SIs (Art.8+) /Article 9 product must be determined to be a sustainable investment under either the Taxonomy sustainable investment/DNSH test or the SFDR sustainable investment/DNSH test (i.e. the 2 tests apply independently and not cumulatively).

AUGUST

SFDR – ESG amendments to sectoral legislation (e.g. UCITS rules, MiFID II, AIFMD etc.) expected to come into effect.

DECEMBER

SFDR – FMPs must update pre-contractual product disclosures to explain whether, and if so, how their products consider PASIs.

2023

JANUARY

Taxonomy – Regulation comes into effect in respect of the remaining four environmental objectives.

SFDR – FMPs must update their Article 6/8/9 SFDR pre-contractual product disclosures and website disclosures accordingly.

DURING 2023

SFDR – First periodic reports compliant with the Level 2 SFDR requirements.

Taxonomy – Requirements (only for climate change adaptation and mitigation) for Article 8/9 products must be prepared and published by FMPs in 2023, depending on when the periodic reports are due under sectoral rules.

30 JUNE

SFDR – First entity level PASI report due (for the 2022 calendar year). It must comply with the SFDR level 2 requirements and report on the relevant indicators (excluding scope 3 carbon emissions, which must be first reported in the report due by 30 June 2024).

DURING 2024

Taxonomy – Periodic reports for Article 8/9 products must also now include information regarding the final 4 Taxonomy Regulation objectives.

CSRD – First CSRD reports expected to be due (covering the 2023 financial year).

HOW TECH IS HELPING FUND MANAGERS CONQUER COMPLEXITY

A SURVEY SENT OUT TO FUND MANAGERS DRAWS THE KEY ISSUES WHEN IT COMES TO MEETING CLIENT DEMANDS FOR DATA, AND HOW TECHNOLOGY IS SHAPING THE FUTURE OF FUND OPERATIONS.

By Charlotte Light
Chief Technology Officer
at the Aztec Group

In Aztec Group's recent survey of Europe's private equity CFOs and CEOs, 98% said that the need for new technology, and more efficient operational solutions, was being driven by investors. To drill deeper into this, we followed up with several CFOs to find out how technology is reshaping their operations, and transforming the relationship between General Partners (GPs) and Limited Partners (LPs):

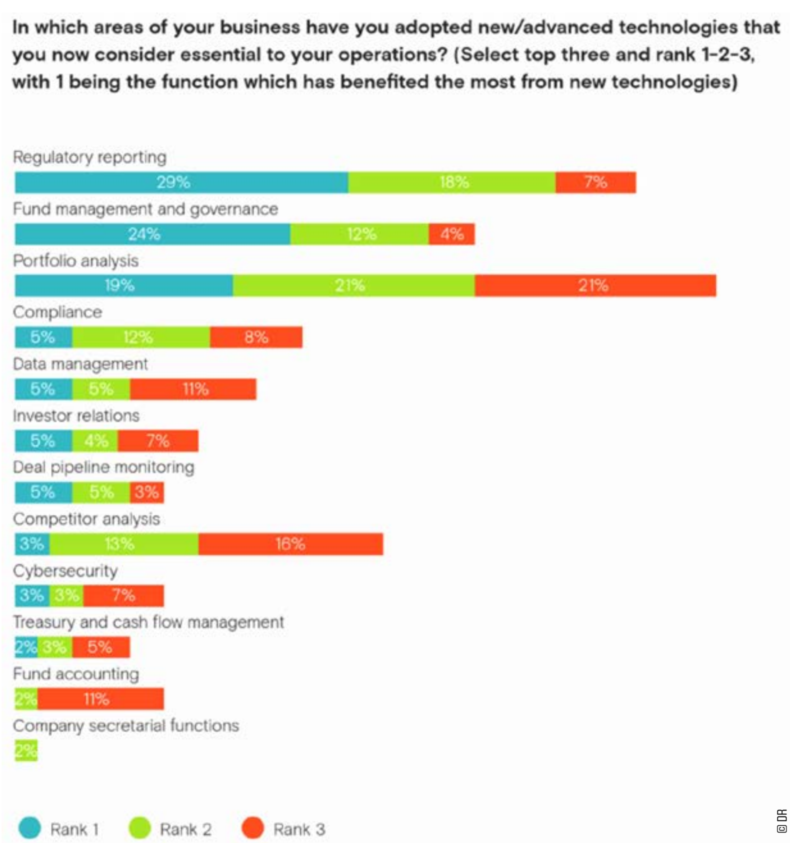
Investor demands for data have increased

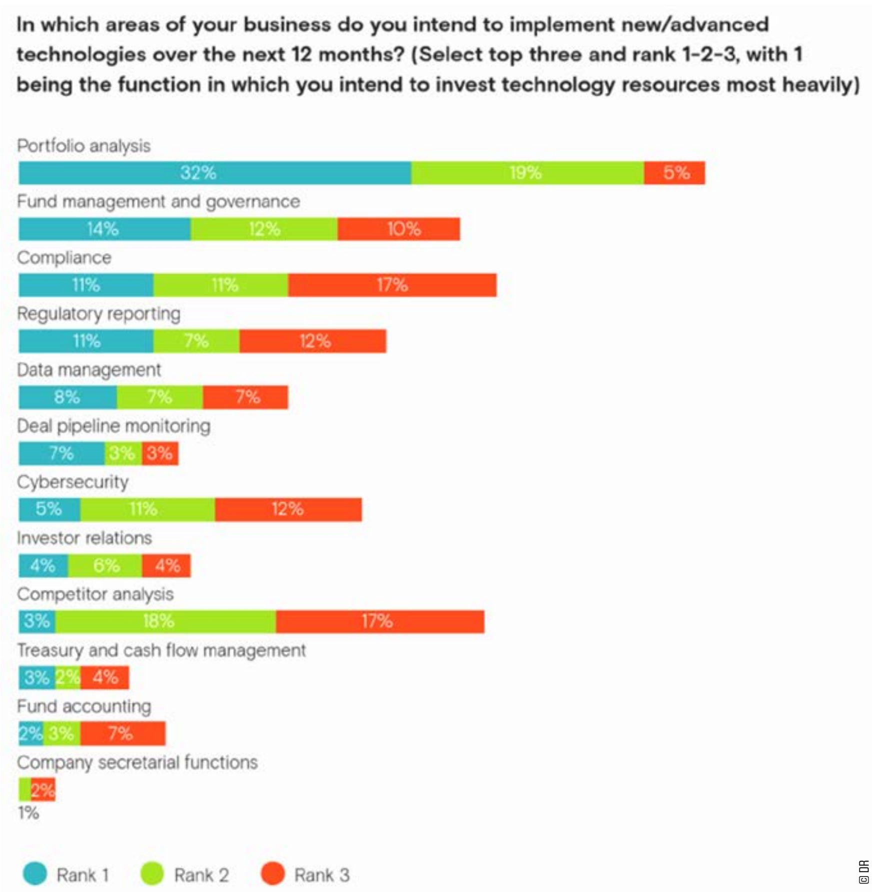
One indisputable fact recognised by the CFOs we spoke to is that investor demand for data has increased significantly. LPs expect more data to help them make better investment decisions and to enable them to act nimbly in response to fast-changing market conditions. While part of this demand has been led by regulatory requirements, GPs believe they are now expected to provide LPs with just as much information on illiquid asset classes as is available from more easily traded assets such as equities and fixed income. As one CFO told us: "Alternative investments such as private equity used to have more room to manoeuvre, by their nature of 'being different'. But now, with increased levels of allocation into alternatives in the last two or three years – particularly from institutional investors – that need for information has sharpened".

The drive towards standardisation is still some way off

For most CFOs, concerns over reporting centre on requirements such as the Sustainable Financial Disclosure Regulations (SFDR) and environment, social and governance (ESG). One CFO called this "not just a hot topic, but life changing". Unfortunately, the industry is still some way off standardisation, especially when compared with other asset classes. As a result, technology must be used by fund managers to overcome that lack of standardisation and deal with ever-increasing demand.

There's been an unequivocal move towards standardised reporting within the private equity sector. For example, Invest Europe's Investor Reporting Guidelines demonstrate a commitment to transparency and set out best practice for reporting to investors, while the Institutional Limited Partners Association (ILPA) is





dedicated to promoting transparency and aligning the interests of LPs and GPs. While these initiatives are an encouraging step forward, they're not yet embedded across the industry, nor do they fully reflect the increasing needs of investors for standardised reporting.

For CFOs, the drive towards standardisation appears something of a double-edged sword. On one hand, it's seen as the key to ensuring the industry can operate on a level playing field, and regulation is increasingly driving the requirement for standardisation. On the other hand, it can be challenging for firms to gather data from different sources and present it in a bespoke way to different clients. Most clients still expect to see quite specific, and sometimes quite nuanced, reporting represented in tailored ways for their consumption. These investors are often coming from a very standardised world – and that level of large-scale standardisation can be difficult for smaller fund managers to deliver, but as one CFO told us: "Investors are expecting the same amount of information on a look-through basis from private equity firms as they would expect to get elsewhere".

Fund managers need to manage their own data correctly

CFOs have also been telling us that one of the most crucial aspects is having their data stored in the right way. Many are discussing building data warehouses on top of existing systems, and having a real time view of their data. Some sectors of the investment market are more data-driven than others, but all firms recognise it's essential to have the right systems and tools to extract data and use it to carry out rigorous, accurate analysis.

Fund administration resources can help deliver significant benefits

As fund administrators operating across various jurisdictions, we have seen increased demand from clients for self-service data solutions, bespoke dashboards and portal access, as opposed to the provision of bespoke reports. There's always likely to be an element of tailored reporting required for investors so, from our perspective, it's about being able to accommodate this bespoke service and information, in ways that still make commercial and operational sense for the investment manager.

AI and automation has huge potential

Financial reporting is a particular priority for CFOs. And, from an administrative perspective, it would be a welcome move if the industry could move on from the current regime of 'guidelines' to more stringent controls and instructions in how financial reporting data should be represented. Automation can undoubtedly help to create greater efficiency, particularly when processing large volumes of information. However, firms must recognise that internally, automation may not always be welcomed with open arms, particularly in such a people-driven industry. It's therefore important to demonstrate automation is not about getting by with fewer employees, but about ensuring people spend more of their time on crucial value-add tasks, such as managing client relationships, rather than handling reams of data.

A time of opportunity

In many ways, private equity is at an inflexion point where data has become a precious commodity. How firms use technology to capture that data, and share it with clients, is going to become increasingly important. Those that embrace the challenge, both in satisfying client needs and uncovering unique insights, will have a clear competitive advantage. ●

THE FUTURE OF WORK – HOW TO MANAGE EMPLOYEE ENGAGEMENT IN A POST-COVID ERA

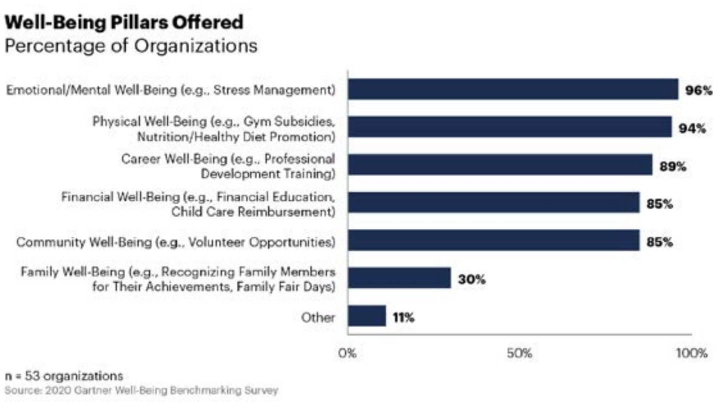
COVID-19 HAS UNDENIABLY HAD BOTH AN IMMEDIATE AND LASTING IMPACT ON THE WAY THAT WE WORK.

© DR

By Nele Segers
HR Business Partner, IQ-EQ

The pandemic forced employers and employees alike to embrace working from home overnight, but this didn't come without its challenges. From working parents left to manage homeschooling on top of their jobs, to increased isolation, this sudden change has left its mark on employee mental health and engagement.

Over the past year, mental health issues have grown incrementally, with burn-out in the lead[1]. Employees across the world have reported struggling with increased digital distractions, as they're faced with an inundation of emails, chat pop-ups and virtual team meetings on a daily basis. 'Virtual overload' as this has become known, refers to the cognitively draining effects of virtual conferences, meetings and discussion groups. Employees have been left feeling unable to disconnect, describing a pressure to always be 'on'. In response, 46% of organisations have increased their well-being budget, with mental health programmes seeing a significant boost in response to the immediate needs of employees.



However, these support programmes don't provide answers to the lasting effects employers are facing in the wake of the pandemic. This includes long-term issues such as increased turnover and absenteeism, in addition to a decrease in employee engagement, all of which are more generally categorised as fatigue.

Will hybrid working provide a solution?

Perhaps the obvious answer to tackle employee fatigue and increase engagement is a return to the pre-pandemic world. However, research has shown that, if an organisation were to go back to a fully on-site arrangement, it would risk losing more than 39% of its workforce, many of whom will be women, thereby further endangering the work many firms have done on their diversity and inclusion agenda.

Statec 2020[2] numbers show us that 55% of employees in Luxembourg embraced remote-working, mentioning a positive impact on employee autonomy, work-life balance, efficiency and the feeling of having gained more time. Many also mentioned that they feel insecure about the return to the work-place, fearing a loss of motivation if forced into a pre-pandemic work environment.

67% of employees agree that their expectations for working flexibly have increased since the pandemic and 55% agree that whether or not they can work flexibly will impact whether they will stay at their current organisations.

Luxembourg employers face specific challenges when it comes to flexible working. Cross border workers have limitations on the number of days they can spend working abroad without an impact on their social security and taxation regimes. This poses problems for employers seeking to fulfil the expectations of their current and future workforce: a hybrid working environment where flexibility, work-life balance and employee well-being are core elements.

The real solution: a people-centric hybrid working environment

Implementing a new hybrid framework is a step many employers have already embraced, however changing towards a people-centric hybrid working environment and adapting management style to fit this new way of working is the real key to success.

This people-centric hybrid working environment is built up around three pillars:

- employee driven flexibility
- intentional collaboration
- empathy-based management

Employee driven flexibility is best described as providing everyone with equal opportunities to succeed based on their personal circumstances.

One thing that became crystal clear during the pandemic is that there is no one-size-fits-all approach to managing remote teams. For example, a working parent might have different needs in terms of flexibility than a single worker. In a successful people-centric hybrid working environment, managers are able to provide their employees with the individual flexibility they require and measure performance by outcome over presenteeism.

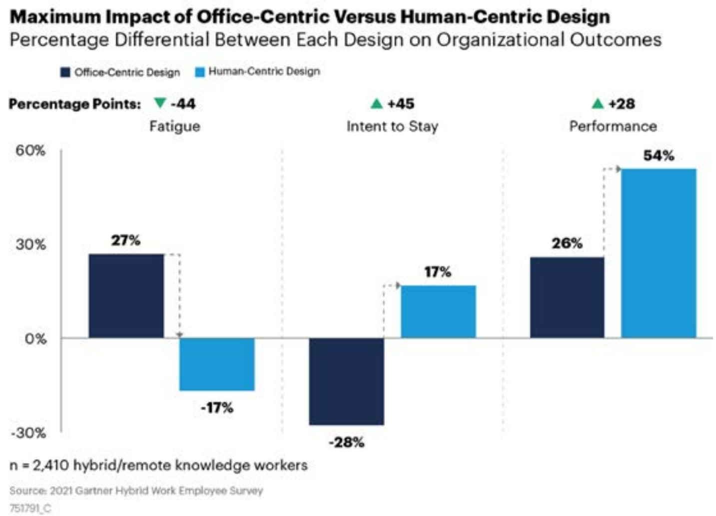
Employees who enjoy high levels of flexibility report a direct positive effect on work-life balance and are almost three times more likely to be high performers.

The second key to a successful shift towards a people-centric working environment is intentional collaboration.

In response to fears around a decrease of team collaboration, the approach is often to ramp up the number of meetings and virtual interactions. This has proven to increase fatigue and turns out to be an effective motivation stopper. Intentional collaboration is the outcome of conscious reflection on where, how and when the team has to collaborate. Introvert employees might not benefit from participation in a virtual team brainstorming, but might come up with a perfect solution to a known problem when paired with one peer.

Employees who operate in environments with high intentional collaboration are likely to be motivated and to achieve higher levels of innovation, thus managers should reflect on what the best approach is to each problem instead of automatically and consistently using the team meeting as a platform.

A third element to support the shift towards a people-centric organisation is an empathy-based management style. Whilst we've seen more traditional 'stiff-upper-lip' management styles replaced by more progressive leadership in recent years, it's important we maintain this empathy-based approach.



CHANGING TOWARDS A PEOPLE-CENTRIC HYBRID WORKING ENVIRONMENT AND ADAPTING MANAGEMENT STYLE TO FIT THIS NEW WAY OF WORKING IS THE REAL KEY TO SUCCESS.

Nele Segers

Management skills like emotional intelligence, emotional resilience and digital leadership, in combination with excellent communication skills, will become the most used tools in any manager's toolkit to successfully manage hybrid working teams.

Putting the theory in practice

In summary, if you wish to increase employee engagement, avoid disconnections with the company and increase employee well-being, the solution lies in a personal approach towards flexibility, intentional collaboration and empathy-based management.

While there's no-one-size fits all solution, it's clear that the organisation that will win the talent game is the one that's able to personalise its approach and set out a clear and effective learning programme across all levels of the organisation. Organisations still have a long road ahead when it comes to navigating the 'new normal' workplace, however it also provides an opportunity: to create a more flexible, engaged and happier company culture.

1. Paperjam "Tout le monde peut être touché par le burn-out"
2. STATEC: Teleworking, to be consumed with moderation?

THE ULTIMATE WORK-LIFE BALANCE IN 18 HOLES

THE GOLF COMMUNITY OF KPMG LUXEMBOURG INCLUDES MORE THAN 25 PASSIONATE PLAYERS. FOR THEM, GOLFING IS MORE THAN JUST A SPORT. THEY SHARE THEIR THOUGHTS ON GOLFING IN LUXEMBOURG, AND HOW IT OFFERS OPPORTUNITIES FOR BOTH WORK AND RELAXATION.

By **Melanie Mainz**
Events Team Lead of the Marketing & Communications Department at KPMG Luxembourg

and **Laura Zahren**
Alternative Investments Tax Manager and Sector Link at KPMG Luxembourg

and **Gerard McCaul**
Associate Partner – Accounting Advisory at KPMG Luxembourg

and **Troy Bishop**
Director, Head of Marketing and Communications at KPMG Luxembourg

Why golf?

After a busy day in the office, it takes just a few moments on the golf course breathing in the fresh air and being among nature to relax and de-stress. Standing on the freshly cut grass and focusing on one simple task that doesn't involve calls, computers, or spreadsheets, golf gives you a feeling of "Zen," where you can rebalance and recharge yourself.
KPMG understands and values the importance of work-life balance for its people. Golf offers a fun and quick way to achieve that balance.

But golfing also provides enjoyable work opportunities as well. Many of the same faces you see in the financial services sector can also be seen on the golf course. Golfing gives you the chance to connect with others and build relationships. Occasionally, the client that you spoke with during the day is also at the golf course in the evening. As a bonus, you can meet them for a beer at the "19th hole."
Even if you just decide to go on a quiet game on your own, you can still interact with others and create relationships. Golf connects people!

Last, but not least, despite handicaps you can play with EVERYBODY. You have good days and bad days as a golfer and everyone can start, regardless of experience or age. Every round is different, which keeps golf interesting!

Where to golf in Luxembourg?

The Luxembourg golf courses are good quality courses and well maintained. Despite Luxembourg's small

size, there are many great places for golfing:

- Golf Club Clervaux, Eselborn/ Clervaux
- Golf de Luxembourgv – Belenhaff, Junglinster
- Kikuoka Country Club, Canach
- Golf Club Grand-Ducal, Senningerberg
- Golf & Country Club Christnach, Christnach

For a little variety, you can also find some courses not far across the border:

- Golf Club Trier eV., Trier-Ensch
- Golf Resort Bitburger-Land, Wissmansdorf
- Golf Club, Südeifel, Baustert
- Golf de Preisch, Basse-Rentgen in France

Is there a particular etiquette applicable in Luxembourg?

Yes, there is an etiquette when playing golf. However, in Luxembourg people are quite relaxed and usually do not enforce a strict etiquette. Golf beginners are very welcomed in the Luxembourg golf clubs. In fact, Luxembourg is known for welcoming new golfers.

What about the golf dress-code?

There are some dress-code rules to follow, such as a collared shirt for both men and women and no jeans. But within the rules, colourful, hip and adventurous dress codes are welcomed on the Luxembourg golf courses. Golfers can certainly express themselves with the clothes they are wearing.

At the annual KPMG golf tournament in September, golfers are encouraged to wear fancy or unique outfits. The best-dressed golfer is given an award at the end of the tournament.

How is the gender diversity on Luxembourg golf courses?

There is certainly opportunity for more diversity on the golf course. While the majority of players are men, women are increasing in numbers and the entire golf community is always happy to welcome new players, especially women. Golfing is great sport for both men and women to play together.

What about the weather?

Ideally golf is a summer sport that is usually played from April to September or October. However, this is Luxembourg, and there are the "diehards" that play all 12 months of the year, from a frosty morning (-12) in December and on a hot evening in July (+30).

As the saying goes, "there is no bad weather, just bad clothing." So even if it is raining, simply put on waterproof clothes. Just go out and enjoy it!

This is why your golf bag is like a second cupboard from your home. You have to be prepared for all sorts of weather and conditions. Typical contents for a golf bag include: light jacket, rain clothes, winter jacket, hats, umbrella, fruits, water, and cereal bars.

What about golf competitions in Luxembourg?

Each club has their own weekly competitions for the members, as well as annual club champions and match double champion ships. There are also are inter-club competitions, such as one lady's and men's golf day per week.

Additionally, there are corporate golf leagues in Luxembourg.

Finally, do not forget the popular golfing events organized by ALFI, ILA, and KPMG, which include prizes, dinner, and a brilliant occasion to network.

What about golf schools in Luxembourg?

Each club has their own professional teachers for all levels. Anyone who has an interest in starting golf should go to a local club and speak with their professionals. They can provide all the basics to get a new person started in this great game.

What about golfing beyond Luxembourg?

Golf is a sport that you can play all around the world. It is easy to find good and varied golf courses whenever you want to combine your holidays with golfing.

Some of our favorite foreign golfing destinations include: Spain, Canary Islands, Portugal, Italy, Austria, South Africa, and Mauritius. ●

ABOUT LPEA

The Luxembourg Private Equity and Venture Capital Association (LPEA) is the most trusted and relevant representative body of Private Equity and Venture Capital practitioners with a presence in Luxembourg.

Created in 2010 by a leading group of Private Equity and Venture Capital players in Luxembourg, with 308 members today, LPEA plays a leading role locally actively promoting PE and VC in Luxembourg.

LPEA provides a dynamic and interactive platform which helps investors and advisors to navigate through latest trends in the industry. International by nature, the association allows members to network, exchange experience, expand their knowledge and grow professionally attending workshops and trainings held on a regular basis. If Luxembourg is your location of choice for Private Equity, LPEA is your choice to achieve outstanding results.

LPEA's mission towards its members is to represent and promote the interest of Private Equity and Venture Capital ("PE") players based in Luxembourg and abroad.

LPEA's mission towards Luxembourg is to support government and private initiatives to enhance the attractiveness of Luxembourg as an international hub for carrying out PE business and/or servicing the PE/VC industry in all its dimensions.

In summary, LPEA is the go-to platform where PE practitioners can share knowledge, network and get updated on the latest trends of the industry across the value chain.

EXECUTIVE COMMITTEE

Claus Mansfeldt
President
LPEA

Hans-Jürgen Schmitz
Vice-President
Mangrove

Nick Tabone
Vice-President
Deloitte

Eckart Vogler
Treasurer
Investindustrial

Peter Myners
Governance Secretary
Allen & Overy

Gilles Dusemon
Member
Arendt & Medernach

Sara Huda
Member
Carlyle

Katia Panichi
Member
Elvinger Hoss Prussen

Jérôme Wittamer
Member
Expon

Laurent Capolaghi
Member
EY

Giuliano Bidoli
Member
BC Partners

Stephane Pesch
CEO
LPEA

TECHNICAL COMMITTEES

LEGAL
- AML
- AIFMD
- CORPORATE LAW
- YPEL
- CMU
- UNREGULATED FUNDS
- FINANCING IN PE

TAX
- YPEL
- VAT

MARKET PRACTICE & OPERATIONS
- RISK MANAGEMENT

CENTRAL INTELLIGENCE
PROMOTION SOUNDING BOARD
PE/VC DEPOSITARY SERVICES
PRIVATE DEBT

CLUBS

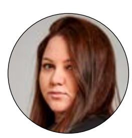
ESG
PRIVATE EQUITY FOR WOMEN (PE4W)
VENTURE CAPITAL
LARGE BUYOUT
SINGLE FAMILY OFFICES (SFO)
WEALTH MANAGEMENT
HUMAN RESOURCES (HR)
INSURANCE
CORPORATE VENTURE CAPITAL (CVC)

LPEA TEAM

Stephane Pesch
Chief Executive Officer

Luís Galveias
Chief Operating Officer

Kheira Mahmoudi
Executive Office,
Governance & Operations



Evi Gkini
Operations and Project
Manager

Johann Herz
Head of Events
and Communications