PRIVATE EQUITY

INSIGHT/OUT

APOLLO TO DOUBLE AUM BY 2026

Evergreen Funds | Time to Invest in Infrastructure? | PE Tech Tools

Issue 20, December 2021

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CONTENT

DEAR MEMBERS, FRIENDS AND PARTNERS,

We have the pleasure to share with you the latest edition of our magazine which is already the last one for this year, wow what a year! 2021, the second Covid-19 "vintage" has enabled us to pursue our digital webinars, Job fair and Training Academy at the same pace but also allowed us to organise again some physical events including our Summer drink in July, most importantly our annual flagship conference held in Luxembourg on October 28 (which successfully reconfirmed the steady appetite for "real" networking) and a dinner at the Luxembourg embassy in Berlin in parallel to the SuperReturn conference. The excellent resilience and performance our favourite PE/VC industries demonstrated despite the pandemic (cf. Invest Europe's latest statistics) are very promising signals and attraction magnets for existing and potential new investors.

One central '21 topic, next to the "rise" of ESG and sustainable finance, is and was technology. We dedicated a huge part of the Insights conference to tech topics, innovative platforms, disruptive solutions which could help us automate further our processes and delivery. Technology is key and will be a real enabler of the future!

The competitiveness of Luxembourg and the agile, smart implementation of new regulations will remain very high on the agenda especially in 2022 with the current AIFMD, ELTIF reviews and other new models we could further push locally.

Finally based on the positive and received feedbacks we intend to further enhance our "PE Insights magazine" which is a powerful tool, medium with even more articles, contributions from our community and hot trends which could bloom with the right level of visibility.

We wish you a good read and slightly in advance a very successful 2022 year both professionally and privately.

Stay safe and see you very soon.

Read the Digital Version of Insight Out

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Stephane Pesch
CEO, LPEA

Claus Mansfeldt
Chairman, LPEA

LPEA
THE LUXEMBOURG VOICE OF PRIVATE CAPITAL

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THE MAGAZINE OF THE LUXEMBOURG PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION
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BNP PARIBAS

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LPEA NEWS

LPEA ACADEMY

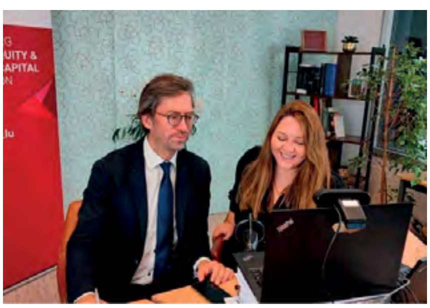
Training is a major pillar of the LPEA's mandate. Following three successful LPEA Academy sessions – featuring **230 participants and more than 40 speakers** sharing their PE/VC expertise - we are happy to welcome you to the next **edition of the Academy starting in March 2022.**

The extended curriculum combines both foundation and advanced courses, in a total of 10 different modules.

All sessions will be held during the lunch-break and will be recorded – offering the flexibility to attendees to re-watch them for a deeper understanding. Find the detailed program on the LPEA website

More information: **https://lpea.lu/academy/**

JOB FAIR



Attracting new talents to Luxembourg is a cornerstone of LPEA's vision. This is why we decided to launch the LPEA Job Fair aimed at people interested in working in PE/VC.

The fair gives the opportunity to young and experienced professionals to meet with HR specialists and practitioners representing some of Luxembourg's biggest players in the sector. The Job Fair also features discussion panels and 1-to-1 interviews with PE/VC recruiters.

The last LPEA Job Fair took place on October 7th and the next one is expected to take place in March 2022.

LPEA AT IPEM 2022

LPEA will be attending IPEM 2022 from the 1st to the 3rd of February in Cannes. The 3-day event brings together the entire private capital community and features a packed program touching on everything PE/VC related and intermitted with ample networking opportunities.

LPEA Members can benefit of the LPEA booth to host their meetings and interact with other members of the community. We look forward to seeing you there.

LPEA NEW YEAR'S PARTY

Following a busy year, LPEA will celebrate the New Year on the 26th of January 2022.

This laid back party will be a great opportunity for our members to look back at a busy 2021 and get acquainted with the 2022 program, around a few drinks.

LPEA MILAN EVENT

Following the great interest from our members in the Italian market, the LPEA will co-organise with Lio Capital, Quadrivio Group and Vistra, its first event in Milan on the 20th of January 2022.

The reception will be a great opportunity to bring the Luxembourg and Italian PE/VC communities together and share first-hand testimonials from Italian GPs operating in Luxembourg.

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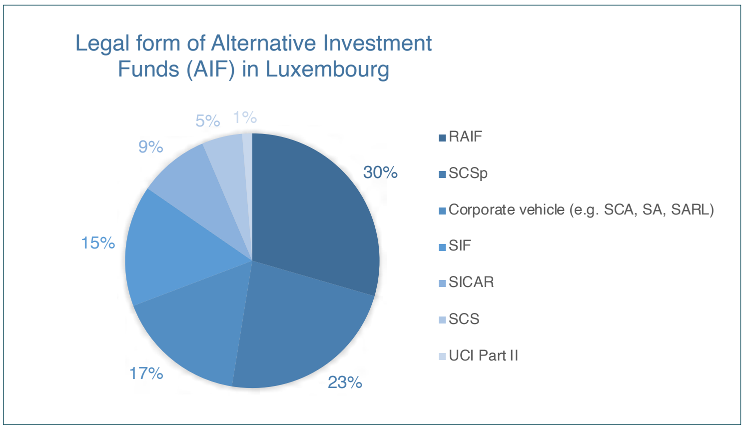
LPEA NEWS

LPEA GP SURVEY: 2/3 OF LUXEMBOURG GP OPERATING A FULLY AUTHORIZED AIFM

The results of the LPEA 2021 GP survey give a snapshot of the Luxembourg PE and VC industry. The sector continues to experience significant changes coming from international regulatory developments and new legislation. Luxembourg in particular has seen a positive impact with the growing number of GPs present in the country both as a result of its sophisticated legal framework fully adapted to the AIFMD as well as the impact of the final outcome of the Brexit process which led many players to reinforce their presence in Luxembourg and non-European GPs to adapt their model and strategy accordingly.



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The Survey highlights the following elements:

- Luxembourg is reinforcing its leading position as an **alternative fund location.** The number of Funds and Fund Managers structured in Luxembourg continues to increase year on year;
- The **RAIF** (Reserved Alternative Investment Fund) and the unregulated SCSp (Special Limited Partnerships) represent over **50% of PE's investment vehicles**. These two options are used for all strategies;
- Two third of GPs that responded to the survey are now operating a **fully authorized AIFM** (vs. half of them three years ago);
- Luxembourg's best asset remains the **stability** of its business environment;
- The market has witnessed an increase in **substance** with an average head count of 9.6 FTE;
- 65% of new hires are **highly qualified staff;**
- **ESG** is a key concern and is already translated into specific policies for 83% of surveyed GPs.

Survey conducted by LPEA's Central Intelligence Committee

Download the LPEA GP Survey

STARTUP FUNDING TRACK

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The Startup Funding Track took place on the 28th of October in parallel to the LPEA Insights conference. This new initiative by LPEA was designed to help founders and startups in their funding journey and included presentations by investors and entrepreneurs on the pitfalls of venture funding, the challenges of scaling up and how to fundraise the next investment round. Participants included AkknaTek GmbH, Cascade Lab, Deutsche Infrastructure, FundProcess, Greenwolder, Happy Local, L7 Defense, OQ Technology, Rejustify, Roommate, Rundit, TA-DA!, Taler Systems, Vialysis and Zortify.


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SECTOR NEWS

LUXEMBOURG-BASED SPACE FUND CLOSES €120 MILLION WITH EIF FUNDING

Orbital Ventures, a Luxembourg fund investing in early stage companies active in the space sector, closed at EUR 120m. The capital was raised from both private and public sector, the later including Luxembourg's Ministry of Economy - EUR 45 million - and the European Investment Fund – EUR 40 million. The fund will leverage the Grand Duchy's financial structures to invest in firms globally.
The closing of "Orbital Ventures" shows the VC increasing commitment in the new space sector which until recently was dependent on public funding. Pierre Festal – representing the fund - said "the global market for emerging space technologies is still relatively small, but it has grown from close to nothing a few a years ago to a market cap of €28 billion".

SIMMONS & SIMMONS TO SUPPORT GREEN START-UPS

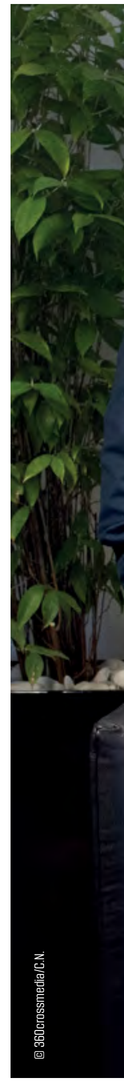
Simmons & Simmons has launched a Greentech Fund competition. The law firm will reward startups with legal support worth EUR 30.000 (each). The four winners will be selected from a pool of candidates located in the jurisdictions where Simmons & Simmons is active.
The international jury will select the winners based on three principles. Firstly, they should be active in new-tech tackling the environmental crisis or the decline in bio-diversity. Secondly, they should be backed by an incubator, an accelerator or an investor. Finally, the startup should have not gone beyond series A financing.
Candidates should apply until 31st of December 2021.

INVEST EUROPE STUDIES REVEAL PE RECORD ACTIVITY

The two reports published by Invest Europe underline the strong recovery of the PE sector in the first two quarters of 2021 and provide a blue print of the industry's role in the close term.

According to the first report – Investing in Europe: Private Equity Activity H1 2021 – a record breaking EUR 57.3bn were invested into European companies throughout H1 2021 - a substantial 38% surge in comparison to in H1 2020. The study also underlines an 85% increase in Venture Capital investments – EUR 10.2bn – in comparison to the same period.

The second report - The insight: how Europe's Private Equity industry is anchoring long-term investors - is based on Invest Europe's pan-European survey targeting 100 Limited Partners and 150 General Partners in different countries. The report underlined the adaptability, resilience, and the innovative nature of the industry, commanding a likely increase allocation into PE by pension funds, insurers, endowments, and other long-term investors in the future. Commitment to ESG standards is also noticed, reshaping due diligence practices.



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INTERVIEW WITH FABRICE JEUSETTE

APOLLO IN THE STARTING BLOCK TO DOUBLE ITS AUM BY 2026

APOLLO AIMS TO DOUBLE ITS CURRENT AUM BY THE END OF 2026, AN AMBITIOUS GOAL THAT THE LUXEMBOURG OFFICE WILL SUPPORT. INTERVIEW WITH FABRICE JEUSETTE, HEAD OF LUXEMBOURG OFFICE, MANAGING DIRECTOR AT APOLLO GLOBAL MANAGEMENT.

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INTERVIEW by Stephane Pesch
CEO, LPEA

Stephane Pesch (SP): Hello Fabrice, could you briefly introduce Apollo Global Management, its history and its philosophy?

Fabrice Jeusette (FJ): Apollo was incorporated in 1990 as an alternative asset manager with the ambition of being a contrarian investor. Contrarian meaning going into markets or selecting deals that others would not focus on because of their complexities. It also means being a pioneer on certain strategies as we do with our insurance platform for example, but without deviating from our disciplined investment approach. Since 1990, Apollo has been servicing institutional investors across three different strategies that we called yield, hybrid, and equity. Currently, Apollo employs more than 2000 people, including 550 investment professionals, and is located in multiple countries including the US, the UK, Luxembourg and India. Looking back at our timeline, Apollo was established in 1990, three years later the first real estate fund was raised and in 1995, the third Private Equity (PE) fund.

SP: Can you say you are pioneers in the field?

FJ: Exactly! After 1995 things started to move quickly. In 2001, the size of the PE Fund V was already USD 3.7 billion, which can be considered a mega-fund for that time. From 2005 the company started opening offices outside of the US - London and Singapore -

Top row from left to right: Rachid Mallouk – Andre Missuc – Fabrice Jeusette – Jérôme Léon
Bottom row: Efisio Follesa – Joanna Gosselin – Fabien Morelli

and continued doing so over 10 years. 2009 saw the creation of the Athene platform, one of the main drivers of Apollo's growth going forward. In 2011, Apollo was introduced to the New York Stock Exchange and the year after we founded Merx Aviation, that, among others, helped us increase our loan origination business. In 2014, we created Athora, an insurance business, similar to Athene but in Europe. Fund IX came by in 2017 with USD 24.7 billion, which was one of the biggest PE funds ever at the time. Finally, in 2020 we launched our impact investing platform. Overall, since 2011, our AuM has grown more than 6 times to reach USD 473bn and we are about to enter a new chapter in 2022 with the merger with Athene.

SP: Could you elaborate a little bit more on the strategies you have highlighted?

FJ: We will double our AuM size between now and the end of 2026 and even if it seems massive, we believe this prediction being somehow conservative. Apollo has multiple ways of achieving this goal and our plain vanilla PE funds will of course be part of the mix, but we think that our main source of growth will come with the insurance platforms Athene and Athora which are a way for us to differentiate ourselves. By merging with Athene, we have access to inexpensive, long-term and predictable capital coming from the policy subscribers. We use this money to invest in multiple of our existing funds which allows us to put significant commitment in our own funds alongside our usual investors, but it also helps us develop dedicated products. We are very focused on being directly at the source - the loan originator. So far, we have succeeded in originating loans at an unprecedented size and covering a wide spectrum of types of financing. This brings us to a specific market where you don't have many competitors able to originate loans over USD 1bn.

SP: What about your ESG strategy and tools? Is Apollo advancing in these fields as it is a vector for growth?

FJ: For over a decade, Apollo has built a successful ESG program that has been a leader within the alternative asset management industry, working with stakeholders to help drive sustainability, climate action, employee engagement, and responsible citizenship across the firm and its funds' portfolio companies. Earlier this year, we published our 12th annual report, where we highlighted our most recent developments, including our proprietary ESG rating system for our credit platform, further incorporating ESG into its lending and investment processes. More recently, we have made several key hires, including naming our first Chief Sustainability Officer, Dave Stangis, who will spearhead sustainability efforts across the entire firm. In addition, we have named Michael Kashani, Head of ESG for Credit and Carletta Ooton, Head of ESG for Private Equity. They join a distinguished group of individuals working on ESG initiatives across the firm, as we continue to expand our efforts. We see ESG integration as not only the right thing to do but a real driver of value creation.

To that end, we launched our dedicated Impact platform late last year. The platform leverages the expertise of the Firm's leading Private Equity franchise and looks to differentiate itself by seeking impact at scale via opportunities in later-stage companies across five key areas: economic opportunity; education; health, safety and wellness; industry 4.0; and climate & sustainability.

APOLLO WAS INCORPORATED IN 1990 AS AN ALTERNATIVE ASSET MANAGER WITH THE AMBITION OF BEING A CONTRARIAN INVESTOR.

Fabrice Jeusette

SP: What is the footprint of Apollo in Luxembourg today?

FJ: The Apollo Luxembourg office opened in 2011. Since then we grew to 22 employees, 4 secondees and we plan on recruiting an additional 10 people next year. In comparison to some competitors in Luxembourg, our model is to keep on externalizing all the production of accounting, NAVs, tax return and legal compliance to our local services providers. All our employees have a proven level of experience and are in charge of the coordination, organization, and supervision of our activity in Luxembourg.

Regarding activities, Apollo Luxembourg was used by Apollo as a platform for our holding entities and for our investments in Europe, which was a trend back in the past for almost all the players. The changes brought over by new regulations and with Brexit resulted in a very positive impact for Luxembourg. We therefore have now developed several activities including the launch of more than 20 funds, obtention of our AIFM license since January 2019 with the addition of a MIFID top-up license the following year.

SP:That is a significant change...

FJ: Indeed! The mandate of the Luxembourg office has evolved drastically, and it impacted the type of people we employ as well as the nature of activities we perform. Even though we keep on managing the holding entities as well as looking at the different investments from a valuation and risk perspective, we have now entered the new space of client facing and investor relationship. These aspects also lead to other discussions linked to the AIFM Directive such as distributions, marketing, etc.

Luxembourg is Apollo's primary hub for European investors, European funds, and European investments. The target operating model now states that as soon as we believe a fund will reach, at the global level, a

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certain target size (e.g. above USD 1bn), a Luxembourg sleeve of this fund will automatically be created as we believe there will be appetite for European investors. The next step for the Luxembourg office is of course to digest the growth, firstly on an AuM basis; secondly, in terms of number of funds, and finally in the number of holding entities. We expect the growth in Luxembourg to be at least equal to the one of Apollo group.

SP: Are you facing any specific hurdles or constraints for recruitment of personnel in Luxembourg?

FJ: I started working in Luxembourg 17 years ago and I have always heard people say that it was hard to find enough talents to keep the growth pace of our market. That was back in the days when, for example, the Big Four amounted to a couple of hundred people. However, I still hear the same complaints today and I keep on seeing that the overall market in Luxembourg is growing every year, no matter what. So what does that mean? In my view, it shows that Luxembourg is a good environment for the financial market. Even if we always say that it's hard to recruit, we keep on finding solutions without having a negative impact on the overall quality of the work delivered. It might become a bit trickier than before because we cannot just hire people coming from Luxembourg or neighbouring countries, but I think that this is where the market is somehow synchronized as PE firms like us can rely on lawyers, advisory companies and central administrative agents. These players have different sizes and different recruitment strategies where they can recruit people coming out of universities all over Continental Europe and even further. Indirectly, this is fortunate for us, as once the people have reached a certain level of expertise – these companies being very good training grounds-, we can potentially recruit them. Furthermore, some types of profiles are more complicated to find than others, but overall, I think that we're doing a good job in finding people in Luxembourg.

SP: You highlighted that in the future you would be more client facing and involved in investors' relations. Can front office profiles be found off the shelf in Luxembourg? Do they need to be built up or imported?

FJ: I think the back-office role has always been the strength of Luxembourg. So I have never had any specific issues finding people in that area. Now, when we come to new type of functions that were not significantly represented in Luxembourg in the past – notably functions that were performed elsewhere, in the UK, prior Brexit for example – it gets more complicated. Overcoming that issues is twofold. Firstly, people could be relocated to Luxembourg - some of our UK based colleagues have already asked to be relocated here. Secondly, some position will need to be created in Luxembourg at some point. This poses the question: what role can be easily created in Luxembourg? Valuation and Risk come directly to my mind, as again, they originate from the back-office sector. Such role can be boosted up a little bit to evolve from being mainly focused on the regulatory aspect of the function to become more front line oriented. Our partners in Luxembourg, and Big Four's in particular have such type of profiles and we can benefit from that.

For the deal professionals, one thing to remember is that most of the alternative asset managers were founded in the US or the UK and the investment teams were set-up there which attracted a meaningful number of Europeans. Even if the market is evolving and the asset managers are getting bigger and building more presence internationally, relocating investment professionals or creating local teams needs to be driven by a real desire, need or obligation. Brexit has created in some regards some type of need or obligation to relocate business but: is Luxembourg sufficiently attractive compared to other countries to initiate this move? I think we still have a lot of efforts to produce.

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SOME TYPE OF PROFILES ARE MORE COMPLICATED TO FIND THAN OTHERS, BUT OVERALL, I THINK THAT WE'RE DOING A GOOD JOB IN FINDING PEOPLE IN LUXEMBOURG.

Fabrice Jeusette

SP: What about marketing?

FJ: Regarding marketing, the situation varies from one PE firm to the other. For Apollo, I think that these roles can be created in Luxembourg, but it's more a question of knowing when we would be ready to do it rather than when Luxembourg is ready for it. Whatever happens, I think Luxembourg has got now a very good opportunity to increase its footprint. As for the UCITs world where Luxembourg was by far the best place for business, I believe the alternative industry is going into the same direction. This is such a fast-evolving environment, which can entirely change over one year. Never take anything for granted as whatever drives us are the new laws and regulations and how the different countries apply them. Having experienced the pandemic and Brexit, it is really important to realize that this is a fast-growing business that needs to have the proper infrastructure to keep on growing. This infrastructure is not just Apollo building it, but it's also the state, the regulator and the laws that keep on supporting us.

SP: Is Luxembourg maintaining its business edge?

FJ: Our business in Luxembourg was largely unregulated when I started, and it's becoming more and more regulated. This trend does not show any signs of slowing down. It is a normal trend as it also shows that the sector is getting more and more important in terms of market share. As it gets bigger, regulators start looking at you and say "hold on a minute, we need to pay attention to the alternative business". In the past there were slight regulatory evolutions, so a firm could function with multitasking employees that had a broad knowledge. Nowadays, smooth evolution doesn't occur anymore, regulatory revolutions can occur from one year to the other. Brexit is a good example of a market revolution taking place over two to three years leading to a complete shift in landscape. Consequently, we are now heading into a direction where we have a market of specialized people. Employees cannot be performing multiple tasks anymore. The business is more complex than ever leading to more complicated structures with more substance requirements and more compliance work needed.

Tax, compliance and AML completely evolved, ESG is a new topic and forces us to rethink the business. I'm not sufficiently knowledgeable of other industries, but I hope for them that they do not evolve as quickly as we do because it's really draining. We need to be really on our toes, at every moment, to be able to follow the new obligations we have. Apollo is so big and involved in so many different types of businesses that we are impacted by a whole range of evolutions. It remains a trend hard to manage. We are not the back-office operation anymore, we need to grow our own business in this country. To do so we need to ensure that we have the proper support. Support is staffing – which we can manage ourselves - but it's also our ability to compete with other countries. This is where we need to ensure that it becomes a core focus both for us and for the country.

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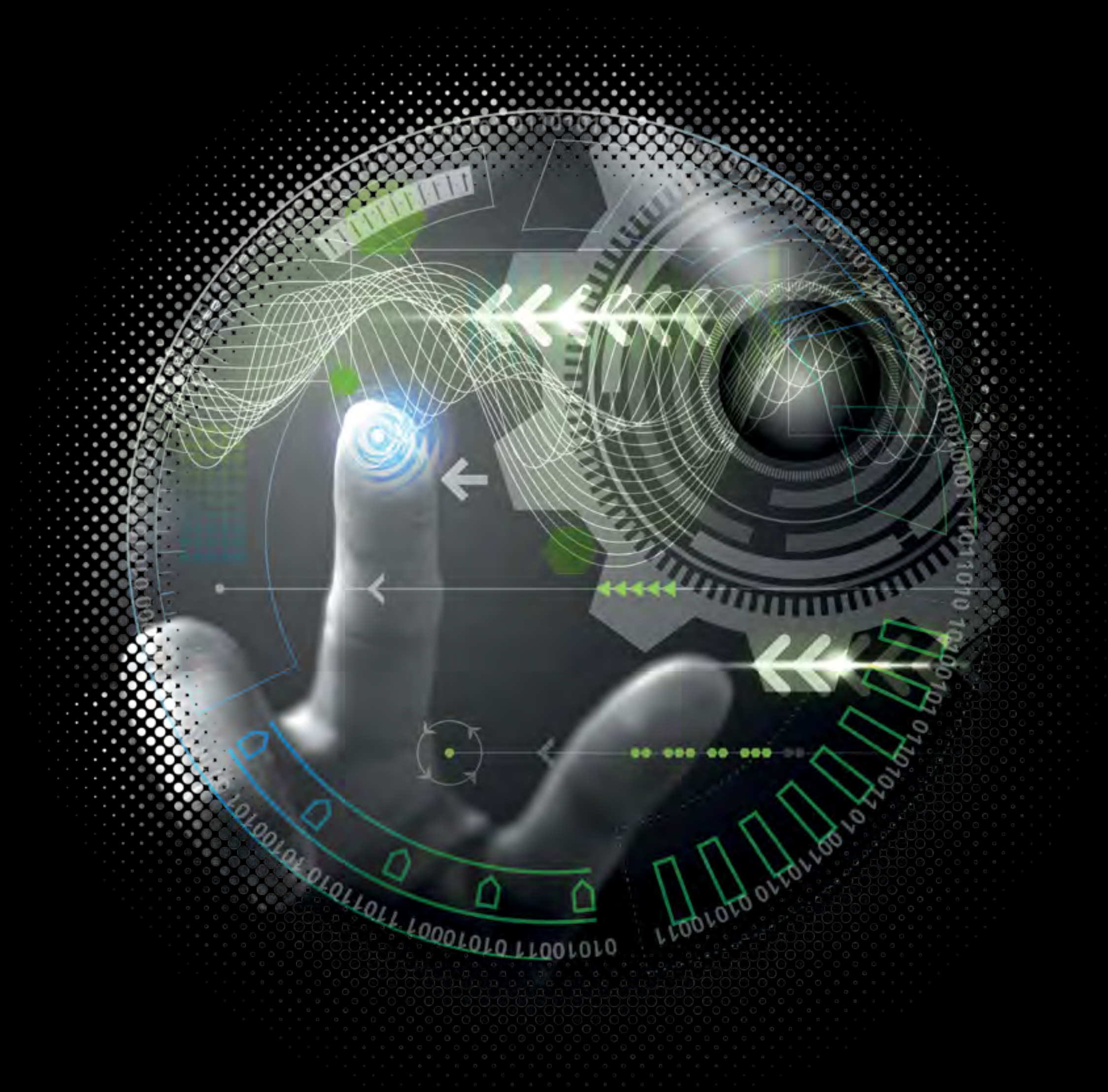

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SP: In order to remain competitive, how should Luxembourg support the alternative industry?

FJ: Since I started working, I had the feeling that Luxembourg was the best place to run this type of business as state bodies understood how it was working and were always one step ahead. When this was not the case, they reacted quickly enough so that the players didn't suffer too much. The coming major blocking point will however not be country related, but international, with measures that could somehow put a brake on our growth. Going forward, our ability as a market to react together to all these new obligations and trying to implement them in a sensible way will be crucial. This means ensuring that we are at all times compliant with whatever comes up on the market, but also ensuring that we are not pushed the extra mile every single day. Otherwise at some point, this will have a cost and in our business, if we take in too much costs, a cost reward comparison is made. It is therefore necessary to keep our edge.

GOING FORWARD, OUR ABILITY AS A MARKET TO REACT TOGETHER TO NEW OBLIGATIONS AND IMPLEMENT THEM IN A SENSIBLE WAY WILL BE CRUCIAL.

Fabrice Jeusette

SP: Any specific example?

FJ: An example I have in mind is a business important for Apollo in the US, which is the SPAC. To start such activity in Europe, multiple points have to be addressed. Firstly, to make it efficient and to make it appealing to investors a good stock exchange is needed. Additionally, you need local competent service providers and the overall support to run this business including weighing the past experience of the country on this specific market. Luxembourg is well placed on some of these aspects but from a US standpoint, our stock exchange could be considered too small and with too little volume compared to some other countries. This issue can be solved by organizing the SPAC here and listing it in another European country but there are also other hurdles to take into account such as the cost of setting up and running the business in one country or the other. Having our European platform in Luxembourg, I am trying to attract this business here but I still have to overcome some local constraints having an impact on the costs. This is a concrete example that underlines that in certain cases you need to make efforts to keep the business where it is or to keep on growing it. ●

THE QUEST TO “TECH” ALTERNATIVE INVESTMENTS

FRANCESCO MARINI, CEO AND FOUNDER OF LIO FACTORY SAYS TECHNOLOGY HAS RADICALLY TRANSFORMED THE WORLD WE ONCE KNEW AND MADE IT TOTALLY UNRECOGNIZABLE. HOWEVER FINANCE HAS, UNFORTUNATELY, REMAINED TOTALLY RECOGNIZABLE. THE WAY WE TRANSACT, SAVE, BORROW, INVEST AND MANAGE INVESTMENTS HAS BARELY ADVANCED.

IN A FEW OF YEARS EMBRACING AI WILL NOT BE SIMPLE TREND RIDING, BUT A MATTER OF SURVIVAL. IT’S PARAMOUNT THAT THE WHOLE FINANCE INDUSTRY UNDERSTANDS IT.

Francesco Marini

© DR

Interview of **Francesco Marini**
CEO and Founder of Lio Factory

By **Luis Galveias**
COO, LPEA

Luis Galveias: What do you see, as catalyst to break the outdated mould of investing?

Francesco Marini: Finance is the laggard of many industries when it comes to technological adoption. Sure, there has been some fintech innovation (especially “decentralised finance”) recently and the rate is increasing– but it is far from enough. We are at the very beginning of the transformational journey.

And just like magazines, retailers, hotels and taxi companies have been turned upside down from outside the cozy confines of their industries by technology, the same is happening to finance as we speak.

Change is inevitable. It’s happening fast and will never be this slow again.

We stand on the brink of a technological revolution that will fundamentally alter the way we live, work, and relate to one another. In its scale, scope, and complexity, the transformation will be unlike anything humankind has experienced before. And it’s all revolving around DATA.

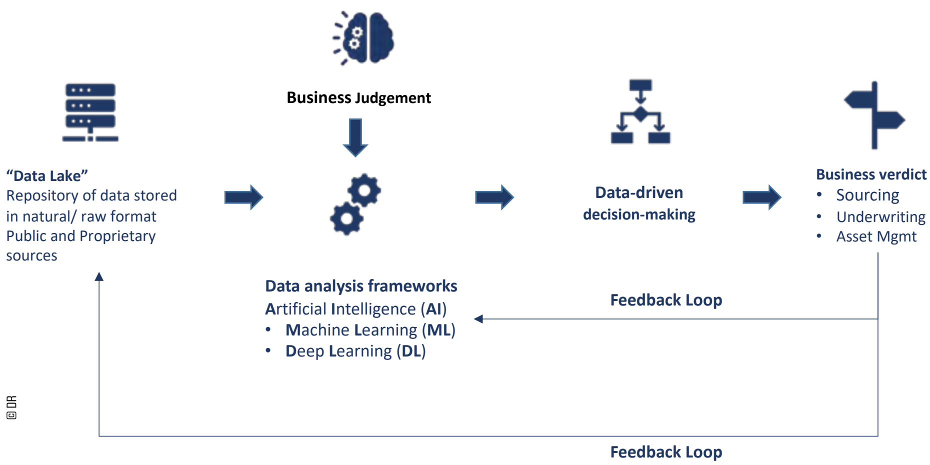
The First Industrial Revolution used water and steam power to mechanize production. The Second used electric power to create mass production. The Third used electronics and information technology to automate production. Now a Fourth Industrial Revolution is happening, and it’s the Data Revolution. Centred around AI and Machine Learning, this wave will reshape, re-think and improve all processes around us. It will not replace or eliminate the role of the human mind, but rather make enhance its processing power.

LG: Describe how you have embedded your passion for technology into your organization, Lio Factory.

FM: Technology is our “moat”. The term, popularized by Warren Buffett himself, refers to a business' ability to maintain competitive advantages over its competitors in order to protect its long-term profits and market share from competing firms. Just like a medieval castle, the moat serves to protect those inside the fortress and their riches from outsiders.

We at Lio Factory have been cherishing alternative investments for over a decade, for their ability to deliver superior risk-adjusted returns and act as portfolio stabilizers. With growing competition and interest in the field (stock market at the highest and “low for longer” bond yields being two catalysers of this movement), we have come to define technology (e.g. proprietary software, algorithms, artificial intelligence) as our one true moat going forward.

Lio Factory encompasses two main divisions: 1) Special Situations, which includes investments in real estate, bankruptcies and claims; 2) “Lio X”, which backs projects in the field of Fintech (with a particular focus on Decentralized Finances, DeFi) and Deeptech (biotech, climatech, energy). In both our divisions, technology fully owns every phase of the investment process at Lio Factory.



As a technology development firm, we make software development, algorithms and artificial intelligence the bedrock of our investment strategy. Our culture of rigorous analysis and scientific research, supported by a robust tech infrastructure is what defines Lio Factory and sets us apart, allowing us to create long-term value for our investors/partners

LG: Do you see technology as a substitution threat to human labour in your activities?

FM: Absolutely not. We believe that, human capabilities are elevated through accurate use of technology. We call it "Augmented Humanity". The opportunity to add an augmentation layer to human skills (and "humanise" interactions between humans and machines) thanks to software/AI is the real rocket fuel of the next decade. Augmented Humanity creates an interaction between the digital and physical worlds, allowing "technologically enabled humans" to unleash their full potential and perform at levels they could not reach without technology.
Technology will not replace humans, but facilitate their decision making and enhance their productivity.

LG: How is tech embedded in your current workforce setup at Lio?

FM: Lio Factory is an atypical alternative investment vehicle. Walk through the ranks of the office and, alongside your traditional finance/economics background you will see mathematicians, computer science majors, electrical engineers. This is because, alongside a more traditional investment team, we have built "Lio Tech", a team of tech professionals equipped with strong know-how in machine learning, big data and software engineering that support all of the company's divisions with ad-hoc projects.
Our Lio Tech "scrum team" (i.e tech project team) is composed of
1. Data Engineer, who extracts, processes and manipulates raw data. He designs and builds databases and datalakes
2. Data Scientist, who on those databases runs statistical modelling and machine learning
3. Software Engineer, who deploys the models that 1) and 2) have structured into software
4. Data Analyst, who turns all of the above into dashboard and visualization tools (thus making it accessible and actionable to the broader organisation

To survive an era in which AI is re-imagining every industry, organizational leaders need to level up their mindset for successful adoption and application of AI within their company, for which they either have to upskill or find a stellar data science team. Sure you could outsource Tech and AI, but to truly own it and make it our MOAT, we decided to internalise these processes.
Tech has really upped the game of our Real Estate Special Situations team, now able to make sense, in real time, of all the variables that affect their business, simply accessible in a cloud-based dashboard. Some of the features include:
- An automated software to daily monitor the sold properties on Italy's largest real estate classifieds sites. This improves the ability to anticipate possible market trends in specific areas of interest as well as discovering new investment opportunities
- A machine learning algorithm capable of predicting houses price, given a specific set of features (e.g., number of bathrooms, square metres, location, house type, house conditions, etc.). This is key when deciding how to design/structure a residential property that we acquire.

LG: What are some of the hurdles of your augmented humanity approach?

FM: The power and promise of this end-to-end tech-first approach to investments is very enticing but it's harder than one thinks. Getting it to do everything properly is a great challenge, and when machines don't do one or more things right, how do you patch it - since you're trying to retrain the whole algorithm or software altogether from scratch?
When there's a tech issue, it's always about breaking down a problem into smaller chunks. ●

More Information:
www.liofactory.com

EVERGREEN FUNDS

COMPOUNDING PRIVATE MARKET RETURNS

© DR

By **Luc Kicken**
Client Solutions
Benelux
at Partners Group

And **Liselotte Kuper**
Client Solutions
Benelux
at Partners Group

EVEN IN TODAY'S ENVIRONMENT, MANY INVESTORS ARE CONSISTENTLY FALLING SHORT OF THEIR PRIVATE MARKETS TARGET ALLOCATIONS. HAVING 'MONEY IN THE GROUND' IS A KEY PART OF THE PRIVATE MARKET RETURN EQUATION, AND THE CRUCIAL PART TO COMPOUND PRIVATE MARKET RETURNS.

While it reflects the difficulty of forecasting private market calls/distributions and NAV developments, psychological and appropriate risk management barriers to commit more than the NAV target; it is not helped by the fact that it is exceedingly rare an investor's commitment to a fund is ever fully called.

There are many investors who have successfully cracked the NAV target puzzle. A common point of attention of these investors - with decades of experience in Private Equity investing - is consistent annual deployment targets to spread vintages and maintain NAV targets, enabling compounding of private market returns.
For smaller investors, maintaining NAV targets and the compounding of returns can be much harder. To begin with, there are a myriad of opportunities to choose from. Achieving necessary diversification can increase the administrative burden and lead to a rather unmanageable amount of small capital calls and distributions. It takes time before any money is called, and due to the structure of private market funds and investments, many investors will hold cash on the sidelines before and after the investment holding period.

Since its early beginnings, Partners Group has been at the forefront of making private market investments accessible to all type of investors and has created so-called open-end evergreen private market funds. These funds offer investors immediate exposure to a diversified private markets portfolio. Capital is called in one-go; all the monies are at work and 'in the ground' from day one. There is a monthly valuation of the fund. Investors can subscribe and redeem each month, subject to gating restrictions as described in the respective fund documents. All realizations in the portfolio are reinvested into new investments. Investors profit of immediate value creation in the more mature assets and future value creation is secured by the new investments. The typical J-curve is not a feature of these programs.

Partners Group is the market leader in these types of solutions, managing over USD 30bn in evergreen funds with a 20-year track record of outperforming its return targets. The success of these funds is related to Partners Group's investment

EVERGREEN FUNDS PROVIDE THE OPPORTUNITY TO BE FULLY INVESTED AND COMPOUND PRIVATE MARKET RETURNS.

platform. First, there is a disciplined approach to the growth of the funds, favouring sustainable returns over maximizing assets. Nurturing the growth guarantees proper vintage diversification. Second, direct investments are the largest part of the portfolio. Direct investments make sure that new money coming into the funds is instantly invested. Third, the breadth of Partners Group's investment platform generates a constant flow of investment opportunities. In 2021 alone, over 30 direct equity investments are allocated to our flagship evergreen funds, ensuring consistent high investment levels and diversification across the portfolio. Fourth, the investor base consists of many like-minded, long-term private market investors.

While at first sight the main benefit of evergreen funds may seem the administrative ease to access private market investments; the reality is that evergreen funds provide the opportunity to be fully invested and compound private market returns - a combination difficult to replicate for many investors. ●

COMPOUNDING RETURNS IN A SINGLE INVESTMENT RE-UNDERWRITING FONCIA

When exiting, Private Equity managers are often divesting assets with continued, strong future growth prospects that they would rather hold onto for longer. These assets can benefit from extended periods of compounding.

Headquartered in Paris, Foncia provides a range of services primarily to residential property owners and tenants, including joint property management, lease management, letting, and brokerage services.

Partners Group acquired Foncia on behalf of its clients in 2016 and since then has significantly accelerated Foncia's growth and market leadership position. In the last five years, Partners Group has transformed Foncia into a more institutionalized business, accelerated M&A activity, with over 260 acquisitions completed, and started the Company's digital transformation through the in-house development of a new ERP software to tech-enable its services.

In 2021, Partners Group expanded the shareholder base of Foncia, and re-underwrote the Foncia investment. Foncia has compelling growth and value creation potential ahead. Partners Group will continue to lead the expansion of Foncia's platform across Europe and complete its digital transformation.

PARTNERS GROUP

Partners Group is a leading global private markets firm with 20 offices across the globe. It manages USD 119 billion in private equity, real estate, infrastructure and private debt on behalf of its global client base, with a growing base in Luxembourg.

HAS ANYTHING CHANGED IN INFRASTRUCTURE INVESTING POST-COVID?

THE COVID-19 PANDEMIC HAS UNDERSCORED THE IMPORTANT ROLE INFRASTRUCTURE PLAYS IN OUR LIVES, SOCIETIES AND ECONOMIES. IT HAS ALSO ACCELERATED PRE-EXISTING ECONOMIC TRENDS SUCH AS DIGITALISATION; URBANISATION; ENVIRONMENTAL AND CLIMATE CHANGE AWARENESS; AND SOCIAL AND DEMOGRAPHIC CHANGE, LEADING TO A "NEW NORMAL" FOR ESG (ENVIRONMENT, SOCIAL AND GOVERNANCE) INTEGRATION AND MANAGEMENT.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By **Ingrid Edmund**
Senior Portfolio Manager,
Columbia Threadneedle Investments

On one hand, social pressure and consumer preferences have led to a distinct shift in the expectation that private investment should address both societal issues and climate challenges, in addition to generating financial returns. What has fundamentally been a social and healthcare crisis has put the "S" in ESG firmly at the heart of the discussion. Moreover, there has been a growing realisation that environmental and social impact go hand in hand. This is even more salient for infrastructure investment, where ESG issues have been key investment considerations even before ESG became a recognised concept, due to its inherent characteristics and purpose of delivering essential services to the communities they serve and creating jobs. A recent IMF paper concluded that every dollar spent on carbon-neutral activities generates more than a dollar of economic activity[1], with this positive multiplier effect persisting for at least four years and the impact on economic activity being two to seven times larger than those associated with environmentally detrimental measures.

Regulation has not been slow to follow suit and create a much stronger framework for companies and investors. Take the 2015 Paris Agreement as an example – currently, around 66 countries have net-zero emissions targets, a significant increase from the 21 who had outlined their targets pre-Covid[2]. The European Union was among the first to commit to carbon neutrality – by 2050[3] – and has gone furthest in publishing investment plans to enable a green transition, with the Green Deal aiming to deliver a reduction of 50%-55% in carbon emissions by 2030 compared with 1990 levels.[4] Add the Taxonomy Regulation, the Sustainability-Related Disclosure Regulation, the Non-Financial Reporting Directive and the Shareholder Rights Directive and it is absolutely clear that ESG is here to stay, with huge momentum behind embedding it into investment decision-making.

There is also growing recognition and empirical evidence that ESG issues can have a material impact on the value of an investment, and the appropriate management of such risks will preserve and enhance value. For example, infrastructure usually involves large capital investments in assets that are designed to operate over the long term and therefore is more exposed to a changing climate and the resulting more extreme weather events. The direct threats range from disruption to critical systems, such as power outages and flooding, to operating cost increases and significant knock-on effects on communities which are reliant on those infrastructure assets and services and the broader economy.

Is now a good time to invest in infrastructure?

From our perspective, it is an exciting time for the infrastructure investor. The post-Covid world provides a complex environment of opportunities and challenges, but crucially there is an undoubted requirement for a more sustainable economy and infrastructure. As an asset class, infrastructure has proven its resilience during the pandemic and delivered on the narrative of more stable cash flows and performance. That's not to say there haven't been losers as well as winners over the past 18 months.

Transportation, and in particular airports, were hit hard by the outbreak. With government-enforced travel restrictions lasting more than 18 months, air travel fell sharply prompting airlines to cut capacity, leading to almost complete paralysis of revenues.[5] However, those assets more dependent on freight than discretionary passenger traffic, or generating revenues from availability payments, have fared much better. Take, for example, Condor Ferries, one of our investee companies, which continued to provide a lifeline service and connectivity to the inhabitants of the Channel Islands by delivering essential freight such as food and medicine and providing connectivity during the pandemic. Regulated assets such as utilities or renewable energy benefitting from feed-in tariffs or fixed power purchase agreements have been more resilient than those more exposed to the economic cycle. Fibre and data centres have established their position in the infrastructure mix and have been clear winners. Therefore, having core infrastructure characteristics is not enough – the definition of core infrastructure requires a deeper analysis to really understand what drives the risks and performance and how to build a portfolio which plays the defensive role expected of an infrastructure allocation.

We have identified several secular trends – green energy transition, decarbonisation of brownfield essential infrastructure and digital – where we see a strong flow of attractive opportunities, especially in the mid-market where we are active. All of these play to the sustainability agenda and can deliver significant environmental and social positive benefits.

Significant investment is required across all sources of renewable energy – the more established ones such as wind and solar have become more "commoditised", whereas biogas and green hydrogen are rapidly developing and could provide a source of higher risk-adjusted returns. Energy storage is another big focus, particularly to address grid constraints due to variations in electricity generation by renewable sources.

Most importantly, they are all complementary and can create a virtuous ecosystem. Green hydrogen involves the production of hydrogen produced by the electrolysis of water which, if done using a renewable energy source, is itself a zero-emission source. Green hydrogen can transform power into emission-free heat, synthetic gas or ammonia, which is essential to be able to achieve the decarbonisation of industrial sectors such as heavy transportation, steel and many more. For example, it is estimated that transportation needs to see a 90% reduction in greenhouse emissions by 2050 to support the EU carbon neutrality targets. Hydrogen can also store large amounts of electricity over long periods of time, a benefit that battery-based storage is unable to provide. Demand and supply are both growing, and we are beginning to see countries weave hydrogen strategies into their net-zero emissions plans, with 20 of the 66 countries who have such strategies doing so.[6]

The perpetual capital model

We believe an open-ended fund structure is ideal for infrastructure investing. Simply put, open-ended funds have no fixed term or investment period, meaning there is no specific date upon which the fund or any of its investments must be liquidated, and the fund can provide perpetual capital for new and existing investments.

Open-ended structures are often associated with low-risk assets with a long life and a steady long-term cash-flow profile, enabling consistent yield generation. One of the key benefits of perpetual capital availability is the ability to react and adapt to disruption to secure those stable financial returns – it is clear than no assets will remain immune to unexpected changes coming from technological, climate or regulatory changes. The next 30 years of infrastructure asset ownership will most certainly not look like the past 30 years – especially when also taking into account aspirations and the need to decarbonise in certain infrastructure sectors over a longer period than a limited ownership period would allow. In addition, there is a huge opportunity to invest in platforms that can be grown and matured over decades. This provides competitive advantages and alignment with the management teams that often created the businesses and would like to retain involvement into the next stage.

Ultimately, the power of this model is that it provides patient capital, bringing together a mix of financial and strategic mindsets and allowing for more value creation and active ESG asset management within the lifecycle of a long-term management approach. ●

AS AN ASSET CLASS, INFRASTRUCTURE HAS PROVEN ITS RESILIENCE DURING THE PANDEMIC.

Ingrid Edmund

1 IMF.org, Building Back Better: How Big Are Green Spending Multipliers (March 2021)
2 IEA (October 2021)
3 European Comission – 2050 long-term strategy-https://ec.europa.eu/clima/policies/strategies/2050_en
4 State of the Union: Commission raises climate ambition and proposes 55% cut in emissions by 2030
5 IFC – The impact of Covid-19 on Airports: An Analysis
6 Morgan Stanley Research: The Hydrogen Handbook

~~SHAREHOLDER~~ STAKEHOLDER VALUE CREATION: TIME FOR A NEW PE PERSPECTIVE

THE PRIVATE EQUITY INDUSTRY HAS SEEN TREMENDOUS SUCCESS OVER THE PAST FEW DECADES. ONE REASON FOR ITS SUCCESS DERIVES FROM THE ALIGNMENT OF INTERESTS BETWEEN THE GENERAL PARTNER AND THE LIMITED PARTNERS. EVERYBODY PULLING TOGETHER CAN INDEED LEAD TO BETTER PERFORMANCE.

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By **Carmen von Nell-Breuning**
Senior Adviser, Clifford Chance

AT THEIR BEST, PRIVATE EQUITY FIRMS GO BEYOND THE MERE GENERATION OF SHAREHOLDER VALUE AND BECOME AGENTS OF SOCIAL, ENVIRONMENTAL, CULTURAL AND POLITICAL CHANGE.

Carmen von Nell-Breuning

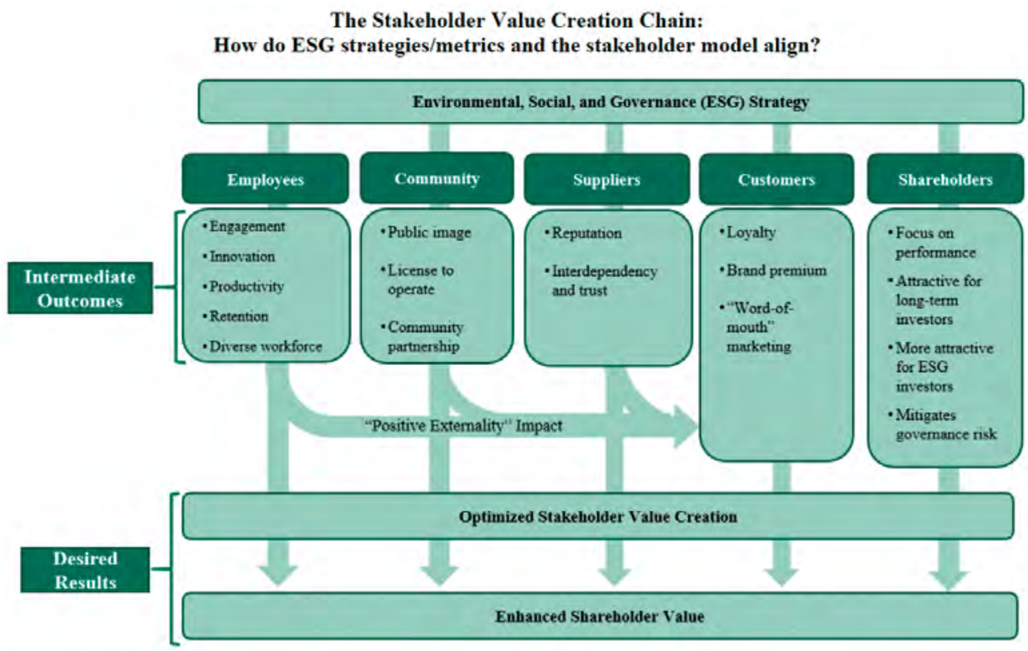
Thanks to its capacity to generate superior shareholder value, Private Equity has since its inception seen a strong influx of capital. Today, Private Equity has accumulated around two trillion dollars of dry powder and has become a powerful industry that efficiently allocates capital throughout the economy.

When speaking about allocational efficiency, we speak about the very best use of allotting goods, services and capital. However, what is "the very best use" of capital? The COVID-19 pandemic, climate change and societal shifts are forcing everyone to again question that which had become 'accepted', and to re-evaluate priorities that were considered fixed. It is becoming increasingly apparent that businesses need to serve multiple stakeholders and may not focus on their shareholders alone.

While shareholders own both a share and an interest in the entity, there are other stakeholders that do not own a share but nevertheless have an interest in the performance of a company, being employees, suppliers, customers, the community, financial markets and society as a whole. Fair to say that the Private Equity industry has long focused on its shareholders but not sufficiently embraced the interests of its manifold stakeholders.

The aftermath of the 2008 financial crisis saw one stakeholder appear front of stage: the financial regulators. This regulatory supervision laid the path for a more institutionalised industry. What was formerly a niche market of informal, private partnerships slowly but steadily transformed into a modern asset management industry which now attracts an even broader range of limited partners.

Pension funds, family offices, SWFs and alike today invest in Private Equity, thanks not only to its continually superior rate of returns but also due to its increasingly regulated and standardised set of processes and operations. The current trend of retailisation of Private Equity funds can as such be considered the next logical step and will further enhance the scope of Private Equity's stakeholders. It is worthwhile mentioning that the push for a more encompassing stakeholder perspective has to date been mainly driven by the limited partners.
The employees of Private Equity's portfolio companies are another important stakeholder group. Numerous studies prove the positive impact of



Private Equity in the creation of employment, but when it comes to an inclusive engagement with the millions of employees in portfolio companies around the world, Private Equity can still improve. What is the reason for many employees being fearful of Private Equity ownership? One reason may be the adverse portrayal in some media highlighting the few negative examples of the industry. Another reason may be the failure of Private Equity to seriously support the professional, personal and financial growth of portfolio companies' employees. As Steffen Meister, executive chairman of Partners Group's board of directors states in a recent interview with New Private Markets: "Portfolio company employees are Private Equity's stakeholder blind spot" (article of 19 March 2021)
How to consider the interests of further stakeholders? How to embed stakeholder value creation into enhanced shareholder value creation? These are the big questions of today and the future. The stakeholder model can assist with building the strategic vision of a Private Equity firm. ESG (Environmental, Social, and Governance) metrics can be used to assess and measure company performance, and its relative positioning on a range of topics relevant to the broader set of stakeholders, in the same way that financial metrics assess company performance for shareholders.

Private Equity can create value in particularly challenging economic environments. At their best, Private Equity firms go beyond the mere generation of shareholder value and become agents of social, environmental, cultural and political change. The PE industry has the potential to be one of the most effective catalysts of stakeholder value creation, because they bring together capital, great ideas and people as well as a long-term, entrepreneurial perspective. The more positive data the industry builds to show a positive correlation between an enhanced stakeholder perspective and financial performance, the faster Private Equity firms will incorporate these considerations into their investment decisions. Private Equity has the opportunity to create so much more than shareholder value: it can contribute to shaping the world in which we live. ●

INTERVIEW WITH EDUARD VON KYMMEL

RETHINKING BOARD OF DIRECTORS COMPOSITION

LPEA TALKED WITH EDUARD VON KYMMEL MANAGING DIRECTOR & FOUNDER OF ID LINKED, ABOUT HIS NEW DIGITAL INDEPENDENT DIRECTOR SEARCH PLATFORM ID SHIP, WHICH BREAKS AWAY FROM TRADITIONAL BOARD OF DIRECTORS (BODS) APPOINTMENT PROCESSES, BY FOSTERING DIVERSITY.

INTERVIEW by Stephane Pesch
CEO, LPEA

Stephane Pesch (SP): Eduard, what exactly is "id Ship"?
Eduard von Kymmel (EvK): id Ship is an independent, digital match-making search platform that connects interested independent directors (ID), interim managers and RCs, with companies from the financial sector, efficiently and easily. Our platform is technically up to date, the application self-explanatory and conceivably simple.

SP: How did the idea for id Ship come about?
EvK: Various governance studies, our own analyses and my experience as an independent director have shown me that there is an enormous need for improvement in the field of corporate governance of companies and funds, in particular the composition of BoDs. Looking closer at various existing BoDs, we often find an extremely homogeneous composition. The majority of board members are usually recruited from their own (limited) network, and thus often have the same age, the same attitude, come from the same industry or even group of companies. However, these similarities cannot be purposeful with regard to open-minded and sustainable corporate management. Diversity and heterogeneity enable a varied and open approach. id Ship was born from the idea of creating a novel and truly independent ID search platform in order to improve the selection process. Our goal is to bring more diversity to the BoDs in order to strengthen corporate governance and thus to make an active ESG contribution.

SP: Who can benefit from your service?
EvK: Interested independent directors, interim managers and RCs can register with our platform so that searching companies can get in touch with them. On request, the data can be displayed anonymously.
On the other hand, id Ship helps searching companies to increase the number of suitable candidates. And, our platform supports companies in improving their corporate governance through a sophisticated selection process and succession planning. Moreover, companies can expand their range of services as service providers, consultants or law firms by providing their customers with free SICAV search vouchers for the use of our platform.

SP: Do you see id Ship as a competitor to the existing Director Offices in Luxembourg?
EvK: Not at all. We see ourselves as an independent addition to the established office communities or existing director offices. Our goal is to bundle all the talent in the market through a digital pool in order to create

OUR GOAL IS TO BRING MORE DIVERSITY TO THE BOARD OF DIRECTORS IN ORDER TO STRENGTHEN CORPORATE GOVERNANCE AND THUS TO MAKE AN ACTIVE ESG CONTRIBUTION.

Eduard von Kymmel

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better corporate governance. In fact, we are pleased that many of these professional and qualified independent directors are already id Ship members and that some companies are using both options: in addition to their own pool, they also offer id Ship to their clients.

SP: What is the advantage of digital networking? Does it really beat its analog face to face counterpart?

EvK: Analog F2F recruitment often results in a fairly homogeneous group, which can also include conflicts of interest. This is not meant as an accusation, but simply describes the natural process of analog networking. And even if there is a desire to break out of the same group of people, there is often no opportunity to it. id Ship helps to break this cycle and brings a breath of fresh air into the recruitment of board members. Our members maintain a balanced mix of gender, age, gender, ethnicity, personality, background, objectives, independence, attitude, knowledge, skills, sector and experience, paving the way to a diverse, open-minded BoDs.

SP: How does id Linked meet their own core values innovation, sustainability and transparency?

EvK: id Linked is committed to society, the environment and future generations to actively live sustainability every day. Be it as a paperless office as far as possible or with our sustainably produced promotional materials. Moreover, we also sponsor Fairventures, a non-profit company that promotes the reforestation of forests and have strict CO2 limits on any company vehicles.

The pursuit of innovation is reflected not only in our state-of-the-art digital platform, but also in mindset. Continuous development, openness to new ideas, courage to leave the familiar characterize and drive us. Transparency is an important pillar for this and forms the foundation for successful interaction. Open, clear and honest communication is extremely important to us.

SP: What are your take-aways based on the first months of activity of id Ship?

EvK: Since the official launch of id Ship in July 2021, more than 140 highly qualified offering members have already registered with our platform. Furthermore, we have already been able to successfully support many companies looking for various mandates. We are very pleased with the high level of acceptance of our platform, as it shows that we are not alone in our desire for improved corporate governance. ●

More Information:
www.idlinked.eu

LPEA

PRIVATE DEBT TECHNICAL COMMITTEE

By **Marie-Laure Mounguia and Gautier Despret**
Co-chairs of the Private Debt Technical Committee

What

Over the past months, the appetite for investors in alternative and especially in private debt seem to be constantly growing globally. In 2020, Marie-Laure and Gautier convinced the LPEA's Executive Committee to revive the existing debt committee to promote the Luxembourg private debt space and to discuss hot topics. To differentiate this committee from the previous one, Marie-Laure and Gautier contacted asset managers active in the private debt industry and Luxembourg-based service providers (auditors, lawyers, accounting firms) to represent the marketplace.

Why

The goal of the debt technical committee is to focus on key subjects having direct or indirect impacts on the full spectrum of the private debt industry. Doing so, the debt technical committee makes the voice of the Private Debt market heard and raises awareness on the specificities of this asset class. At current date, the members are discussing topics covering the IBOR transition, peer-to-peer lending, the amendment of the securitization law, among others topics. Depending on the matters to be discussed, the committee is divided into sub-groups to increase the participation, to create efficiency, to promote and encourage the exchange of views and to allow each member to provide the group with their expertise and experience on each discussed matter.

Who

In order to keep the committee very active and manageable, we have decided to limit the participation to 20 members with a full gender and industry representation balance. The committee is composed of highly experienced and well-regarded debt experts comprising representatives from Allen&Overy, Arendt&Medernach, Clifford Chance, Elvinger Hoss Prussen, Alter Domus, IQ-EQ, Aztec, Brown Brothers Harriman, Carne, HACA Partners, PwC, EY, KPMG, AEW, Bridgepoint, Raiven Capital and Partners Group.

Inter and intra-connection

The committee also ensures an excellent connection with the other debt hubs of the debt sphere by actively participating into common projects with the debt group of the

RECENTLY, OUR VALUATION DEBT EXPERTS ISSUED A WHITE PAPER COVERING THE MAIN CHALLENGES FACED BY DEBT MANAGERS WHILE VALUING PRIVATE DEBT INSTRUMENTS.

ALFI, the other technical committees and/or clubs of the LPEA and pan-european organization like Funds Europe. Recently, our valuation debt experts issued a white paper covering the main challenges faced by debt managers while valuing Private Debt instruments. The paper addresses, among others, the influence of the investment strategy, the prevalence of inherent credit risk over market yield, the failure of traditional option pricing models and alerts on the urgent need for dedicated valuation guidelines tailored for this asset class.

When

The whole committee meets twice a quarter to define the areas to be covered and the strategy proposed. Then the frequency of the meetings of each sub-working group highly depends on the type and the complexity of the topic under discussion. They generally meet twice a month. During the COVID pandemic all meetings were virtually held via Teams. We will propose the members to be back in a person meeting mode for the coming sessions.

How to join

Debt experts interested in joining our technical committee are welcome by filling in the application form, by contacting the LPEA or Marie-Laure/Gautier.●


Lutfije Aktan
KPMG Luxembourg


Nicolas Bouveret
Arendt & Medernach


Davy Beaucé
Bridgepoint


Peter Brown
Aztec Group


Samuel Clerc
Haca Partners


Codrina Constantinescu
Allen & Overy


Joachim Cour
Elvinger Hoss Prussen


Gautier Despret
IQ-EQ


Daniel Engel
Brown Brothers Harriman


Maurice Elisha
Raiven Capital


Laurent Fudvoye
Alter Domus


Thibault Goix
Partners Group


Matthias Kerbusch
Clifford Chance


Rafaël Le Saux
Partners Group


Shpresa Miftari
Carne Group


Marie-Laure Mounguia
EY


Thibaut Partsch
Elvinger Hoss Prussen


Nicolas Payet
PwC


Paul Van den Abeele
Clifford Chance


Quentin Verschoren
AEW

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LPEA

LPEA INSIGHTS 2021: NAVIGATING DISRUPTION

TECHNOLOGY DISRUPTION HAS BEEN AT THE HEART OF THE LPEA INSIGHTS CONFERENCE, WHICH SHINED A LIGHT ON THE GROUND-BREAKING POTENTIAL OF DIGITALISATION. THE CONFERENCE TOOK PLACE ON THE 28TH OF OCTOBER AND GATHERED MORE THAN 300 PARTICIPANTS TO ASSESS INDUSTRY TRENDS.

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By **Johann Herz**
Head of events and communication, LPEA

And **Luis Galveias**
COO, LPEA

TOMORROW'S LEADER WILL BE THE ONE EMBRACING DATIFICATION, ESTABLISHING DATA STANDARDS WITH THEIR PARTNERS, AND WORKING ON COMMON AND COLLABORATIVE PLATFORMS.

Pierre Marie Nowaczyk, Blackrock

The big disruptor

Setting the tone for the tech deep dive to come, David Wright from the Systematic Active Equity Team at BlackRock stated that private companies increasingly interact with the digital world, generating huge amount of information from their customers and their activity. This process brings forward significant opportunities to blend a systematic data driven approach alongside an in depth analysis of growth opportunities. EQT GP Director Antoine Servais then took the floor showcasing Motherbrain, a system using Big Data and Machine Learning to browse the extensive startup ecosystem in search of new potential unicorns. On the subject of data governance, Pierre Marie Nowaczyk, Strategic Relationship Manager at Blackrock emphasised that digitalization is not yet complete but the market is clearly evolving towards data transformation. Tomorrow's leader will be the one embracing datification, establishing data standards with their partners - be it as an asset owner or an asset manager – and working on common and collaborative platforms. Beyond operation, the finance industry should also look at other sectors for inspiration. According to Theresa Condor, COO at Spire - a global data analytics company leveraging its proprietary satellite tools - technologies coming out of the space industry are going to start being used by organisation across an entire range of areas. Just about every company, going into the future will use space. It is therefore important to keep an eye out for sector trends and appreciate how they are going to shape everyone's life.

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The Rising Exposure of LPs to Venture Capital panel.
From left to right: John Holloway, Daniele Cardoso, Olaf Kordes & Rajaa Mekouar

Test cases and assessments

The decentralised finance (DeFi) & Blockchain panel provided insights on how LPs and GPs will be impacted by emerging technologies. Kicking off the discussion, Maya Zehavi, crypto investor at Daneel capital said "we have seen the crypto-market react to the current macroeconomic situation, characterised by Covid and a low yield environment. We have therefore seen a lot of crypto players develop DeFi into more mature products offering very competitive annual yields (12%) on the dollar and other tokens – rendering them more attractive to conservative investors that until now, looked at crypto from the side line". According to Pascal Bouvier Managing Partner & Co-Founder at MiddleGame Ventures, the most promising innovation emerging from these new asset classes might allow the financial service industry to become a little more decentralised. Adoption of blockchain, cryptography and public and private keys will optimise transaction throughput and reduce costs – a promising factor for the future of financial services. Humouring the attendees, Michael Jackson, a prominent venture capitalist stated "to not worry if you do not understand the complexity of the ecosystem. It is complex for a reason. It has been developed during the past ten years by a 24h/day work force of computer scientists, working in an open source fashion. One simply cannot keep up with the evolution and it is nothing to be embarrassed about."

Industry trends

Former PE Investments Director at the EIF, John Holloway showcased the rising exposure of LPs to Venture Capital with an Invest Europe figure: 18% of all the funding raised for Venture Capital came from family offices in 2020. A few years ago, the figure was zero. The entrance of family offices' fund into this business has had a substantial effects on fundraising. Olaf Kordes, Managing Director at Luxempart added "entrepreneurs tend to seek guidance and find family office investments attractive. Those families are themselves entrepreneurs and keen to share their know-how". Another emerging trend has been the democratisation or private assets. Gorka Gonzalez, Responsible for Retail Activity at Bpifrance said that in the coming 10 years access to this asset class will be facilitated through on line platforms and, at a later stage, through banking/insurance channels inviting individuals to invest smaller tickets in PE. For Zoe Peden Principal at Ananda Impact Ventures, impact investment is now mainstream. The volume of money coming in and returns are both at an all-time high. Now is the time to invest in impact. Nicolai Wadstrom, CEO and Founder of BootstrapLabs, concluded the conference by stating that "AI is the engine of the 4th industrial revolution. We are just in the beginning of one of the biggest disruptions and wealth creation opportunities – by many estimated to amount to USD 30 trillion by 2037. It is not a matter of which industry will be impacted, it is a question of when." ●

More Information:

- For more information visit our YouTube channel
- The conference sessions are available to members. Contact us at lpea-office@lpea.lu to receive your login


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PE TECH TOOLS SHOWCASE

AS A COMPLIMENT TO THE LPEA INSIGHTS PANELS, SOFTWARE PROVIDERS TOOK THE STAGE TO SHOWCASE THEIR SOLUTIONS CATERING TO THE PE/VC COMMUNITY. THESE TWO SESSIONS WERE A GREAT OPPORTUNITY TO DISCOVER THE TOOLS FACILITATING THE INDUSTRY'S ACTIVITY.

73 STRINGS

73Strings

73Strings helps their clients scale their processes and workflows for portfolio valuation, reporting, analytics, simulations and risk management. We are a global fintech powering financial analysis with augmented intelligence solutions, for valuations and portfolio analytics. Our founders are experienced veterans of the valuation and corporate finance industries. After years at leadership levels, witnessing the gap between what technology allows today and the traditional ways funds, their advisors, and their auditors still operate, they decided to create 73Strings.

We understand the importance of informed decision-making when it comes to managing capital. Qubit X, our valuation platform, provides our clients with the latest tech tools to access, monitor, process and extract intelligence out of financial, valuation, and alternative data in a fast, easy, smart way.

73Strings was founded in 2019. At a point where valuations have become a significant pain point when Alternative Investment Funds want to scale up, Qubit X is gaining a lot of traction from GPs around the world.

Scale your portfolio valuations, limit model risks, enable analytics and simulations, and manage better your Risks/Return equation. Step into the Future of Valuations and Analytics.

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GREENOMY

Greenomy

Greenomy is a one-stop SaaS platform allowing organizations to measure, report and improve their sustainability levels according to the new EU sustainable finance framework (Taxonomy regulation, NFDR/CSRD and SFDR). For Private Equity funds in particular, our solution bridges the current ESG data gap that separates them from listed holdings for which public data exists. Our integrated ecosystem gives investors access to standardized and verified ESG data coming straight from investees. Reliable ESG credentials are not only a matter of regulatory compliance: it provides value creation levers for portfolio companies, enhanced access to capital with LPs and better exit opportunities.

Greenomy targets three types of clients. Firstly, corporates, who need to calculate the Taxonomy score of their activities to be disclosed in annual reports. Secondly, investors (asset managers of Private Equity and listed holdings) who need to make certain sustainability disclosures on their assets at fund- and entity-level according to the SFDR (Article 8/9 disclosures, PAIs). Finally, lenders (commercial banks) who need to calculate and disclose the GAR (Green Asset Ratio) applicable to their loans and securities.

Greenomy is a diverse and complementary 20-member team. Our platform is available in all 24 EU languages and we chose Luxembourg to open our 1st foreign office.

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DOMOS FS

DOMOS FS is a FundTech specialised in the management of Alternative Investment Funds (AIFs) investing in non-listed assets: Private Equity, real estate, infrastructure and debt. Its suite of applications, DOMOS, structures data, automates operations as well as processes and facilitates AIFs reporting. The modular SaaS solution covers the entire AIFs' management value chain: portfolio monitoring and investments, risk management, compliance and legal reporting, limited partners management and accounting. DOMOS is constantly being upgraded to support the growth of AIFs players. Latest developments include firstly: fundraising with a single point of entry for (prospective) LPs in their journey with their GPs: from onboarding (data room and NDA signing) and online subscription (including AML/KYC checks), through an investor portal with performance indicators, documents and consolidation, to cash flow forecasting, look through and intelligence for more efficient fundraising. Secondly, DOMOS ESG Q® analyses the AIF's portfolio based on its main risk factors and its ESG rating calculated by DOMOS from the collected data and benchmark data. The DOMOS ESG Q® rating methodology is sector specific, based on the SASB (Sustainability Accounting Standards Board) materiality matrix. ESG reporting is one click away, SFDR compliant, ready to be integrated into a portfolio report.
Hosted in Luxembourg under a Tiers IV datacentre at a PFS, the native SaaS Solution offers the highest level of security and confidentiality with full IT costs controls. DOMOS FS has now more than 30 clients, including GPs, AIFMs, Fund Administrators, and Depositaries. DOMOS has been designed and built by experienced software engineers and financial professionals, with a growing team of more than 20 professionals.

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Rundit

Rundit is a VC/PE Portfolio Management and Monitoring Software. A single source of truth to stay on top of your venture investment ensuring holistic insights and data-driven decisions. Rundit has over 700 Fund Managers on the platform and paying customers in +30 countries. Most of Rundit's customers are VCs, however, Rundit services small Private Equity, Family Office, Corporate VC and Accelerators as well.
Rundit digitizes the entire process from data-flow and reporting into functional dashboards and enhanced analytics, allowing data-driven decision making for portfolio companies, fund managers (GPs) and their investors (LPs).

- Automatically visualize your fund performance, investments over specific time periods, investment diversification, etc.
- Keep track of all your investments and realisations over time and fund's KPIs
- Have a visual overview of your fund's performance and diversification in a beautiful dashboard
- Receive on time portfolio updates including companies' KPIs and management reports
- Automated reminders for all portfolio companies to report
- Easy data sharing with LPs (data export)
- Fully customisable platform to suit different client needs
- Multi currency investments allow you to store transactions with their original currencies and view the returns with any currency you want.

Rundit's unique selling point is that it is fully customisable, Freemium-model and highly praised for its modern look and feel, thus suitable for every investor regardless of their reporting needs and preferences. In addition, Rundit has an Angel account with (+1500 Angel investors) and a portfolio company account (+2500 portfolio companies) on the platform.

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Cascade

Founded by Maciej Waloszyk and Declan OhAnnrachain – executives from Luxembourg fund industry, Cascade offers a truly affordable award winning administration, compliance and governance platform. Its mission to provide a meaningful help to industry players. Cascade is built on three pillars focusing on Data Consistency and Efficiency (through digitalization and centralization of data), Regulatory Protection (complete AML & Compliance framework) and Accessibility (affordable to all). Advantages for PE/VC Groups include:

- Single entry point for data and single 'Client List'
- Registry of funds, SPVs and counterparties in one place
- Inbuilt complete full AML and Compliance Framework
- Daily name screening against Sanction & PEP Lists and Adverse Media
- Streamlined Risk Assessment through predefined steps
- Transparent and complete ongoing monitoring of pending items,
- Review and expiration dates monitoring
- Remote access for international teams
- Corporate Secretary
- Project Management
- Deliverables and deadline monitoring
- Contract and document storage
- Built as plug & play
- Installed within 2h with no installation costs Cloud or on premise

Cascade is designed for small firms and teams from or linked to financial sector such as: fiduciaries & trusts, fund managers and administrators, corporate administrators, law firms, investments funds, Private Equity and real estate groups and independent directors

Cascade services 30 clients from each of the above mentioned target groups across 9 countries and recently received the following awards: Fit4Start 2021, APSI Startup Award 2020 and EYnovation 2021

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Accelex

In today's alternative investment landscape, which is arguably becoming more 'mainstream', there is an increasing demand for greater transparency into performance and transactional data. The Accelex solution, that uses cutting-edge artificial intelligence and machine learning technology can deliver such information in an accurate, timely and cost-efficient manner whilst providing scale and auditability to highly manual and historically error prone workflows. Alternative investment firms are challenged with manual data acquisition, sharing, and reporting processes where current solutions are localised, integration intensive and legacy systems are prevalent.
Accelex combines the power of data science with private asset industry expertise and an intuitive user experience. Accelex technology utilises industry specific machine learning, enabling clients to leverage our deep private markets industry expertise encoded into the solution instead of generic machine learning models; designed to complement existing private markets processes. Accelex covers the following types of documents: performance reports, capital account statements and cashflow notices. Our extraction automation accuracy is of 89% straight through processing.

Current clients, which include Alberta Investment Management Corporation, BNP Paribas Asset Management, LGT Capital Partners and Novo Holdings amongst others, enjoy a wealth of tangible benefits including time and cost reduction, increased efficiency, improved accuracy, enhanced auditability, and scalability. At present the Accelex SaaS solution is applicable for the analysis of fund performance reports, cashflow notices and capital account statements; however, constant product development will result in an evolving and diversified list of document types.

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AssetMetrix

AssetMetrix is Europe's leading next generation asset servicer. We provide limited partners, general partners and their service providers with: modular outsourcing solutions for their middle- and back-office; web-based technology platform of the next generation; and industry-leading analytics for ESG, Risk and Portfolio Management.

AssetMetrix is at the forefront when it comes to providing technology solutions, but also when it comes to analyse what drives the performance of private capital portfolios. To do so, the AssetMetrix Analytics team's latest development includes a unique and innovative Factor Benchmark module following a linear multi-factor model, extending from the famous Capital Asset Pricing Model (CAPM) formula.

Most recently, AssetMetrix opened a new branch office in Luxembourg. Alexander Wedlich is heading the newly created base to look after the company's French-speaking prospects and clients and focus on the asset servicers segment. Luxembourg is considered as a key market for AssetMetrix, and we will be striving to actively contribute to this unique private capital ecosystem.

Relying on over 25 years of private capital experience and an international team of more than 85, AssetMetrix is trusted by European fund managers and institutional investors alike and has gained the backing of its strategic partner BNP Paribas Securities Services in 2019. AssetMetrix is not an investor, an investment consultant, or a placement agent and operates without conflicts of interest.

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Quantyx

Quantyx, the market leader in Risk Management for Alternative Assets, was incorporated more than 12 years ago by our two founders Roberto Botter and Andrea di Ciancia. Over the years, Quantyx acquired a dominating market share in Italy for risk management in alternatives and consolidated its success by acting as delegated risk Manager for more than 100 clients.

In 2014, Quantyx developed and rolled-out its own risk management software for alternative assets, QuantyxRM ("QRM"), covering a wide range of asset classes: Private Equity, real estate, venture capital, infrastructure, private debt and fund of funds.

Today, with 150+ clients, 600+ AIFs, 5,000 assets, QRM delivers sophisticated risk reporting at asset and fund level: our risk models rely on accurate quantitative methodologies, producing outcomes that are regularly back-tested to monitor and improve accuracy on a recurring basis.

The release of AIFMD regulation has accelerated the acceptance of QRM and has, in turn, influenced the development of our risk models, determining a strong adherence to the AIFMD risk principles and a reporting workflow in line with the requirements of our clients and regulatory expectations.

In 2020, Quantyx opened a local office in Luxembourg extending the offering of our risk management software and services to the Luxembourg alternative funds industry. Visit us at www.quantyx.net to find out more about our capabilities and how we can help you enhancing your Risk Management Process.

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PHOTO GALLERY

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Decentralized Finance and Blockchain panel. From left to right Alexander Tkachenko & Pascal Bouvier

Impact Through VC – Making Money Responsibly panel. Ilana Devillers & Uli Grabenwarter

Theresa Condor, COO and Board of Directors, Spire Global

Hans-Jürgen Schmitz at the Startup Funding Track

Pascal Bouvier coaching entrepreneurs at the LPEA Insights Startup Funding Track

LPEA Insights

Valentine Klein, Daniel Engel & Excee Tan

Pierre Thomas, Philippe Barthelemy & Frederic Depireux

Nick Tabone & Peter Veldman

Francis Bento & Rajaa Mekouar

Katia Gauzes & Anja Grener

Alain Rodermann & Gorka Gonzalez

Stefan Berend, Charles-Louis Machuron, Teona Khubutia, Romain Hoffmann & Luis Galveias

Pierre Weimerskirch & Mickael Tabart

Luis Galveias, H.E. Jean Graff, Julie Jacobs, Stephane Pesch at the Luxembourg Dinner in Berlin

The LPEA Team with Barbara Nowakowska, Managing Director of PSIK

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CYCLING IN LUXEMBOURG

By Christophe Diricks
Partner – Head of Alternative Investments, KPMG

And Bertrand Levy
Associate Partner – Tax Alternative Investments, KPMG

And Santiago Fernandez
Senior Manager - Tax Projects & Operations Lead, KPMG

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If in doubt, pedal it out!

Hundreds of professionals at KPMG Luxembourg have been bitten by the cycling bug! Cycling sharpens our mental focus and is an ideal way to live our values. There's lots in common between serving our clients and riding our bikes — both require well-defined objectives, courage and working together to go further.

Cycling in Luxembourg — past and present

Luxembourg's relationship with cycling is a long and rewarding one. Its first cycling associations appeared in the late 19th century, helping to rapidly develop the Grand Duchy's cycling culture. Luxembourg boasts many cycling champions and no less than five Tour de France wins (François Faber in 1909, Nicolas Frantz in 1927 and 1928, Charly Gaul in 1958 and lately Andy Schleck in 2010). And not to forget Elsy Jacobs, the first-ever female world champion in 1958!

Today, Luxembourg's cycling culture is still going strong. With its extensive 600km network of impeccable cycling routes (set to expand to over 1,000km over the coming years), there are many ways to explore this tiny country by bicycle.

There's plenty to delight off-road enthusiasts as well, who can discover the country's picturesque landscapes through a network of signposted trails, including the Müllerthal area, the Terres Rouges or the Lac de la Haute Sûre region to name only a few.

Cycling is the new jogging!

Christophe Diricks: "With our busy lifestyles, people wanting to lose weight often choose running or jogging for convenience — they just need an hour (shower included) and a small bag. However, if you weigh around

CYCLING WITH LIKE-MINDED PEOPLE WILL HELP EXPAND YOUR SOCIAL CIRCLE AND GIVE YOU A NEW PERSPECTIVE TOWARDS LIFE.

95kg as I do, your knees could suffer! I discovered cycling a decade ago like many so-called middle-aged men in Lycra (MAMILs) and eventually replaced my running shoes with my cycling outfit. Since then, a group of friends and I have organized a challenging cycling trip every year, climbing some of the most iconic mountains in Europe like the Galibier, Alpe d'Huez, Stelvio, Großglockner, Kitzbühel and the Ballons d'Alsace!

These 2-day challenges, involving a hefty 300km and 6,000m of altitude gain, require year-round training — helping you keep your weight down and the doctor away. Also, taking up cycling is one of the best ways to strengthen your immunity, with regular cyclists 50 percent less likely to get sick.

Last but not least, joining a cycling group or club is a wonderful way to meet people and make new friends. Cycling with like-minded people will help expand your social circle and give you a new perspective towards life."

Cycling @ KPMG

The health of our employees is a top priority at KPMG. We actively promote healthy lifestyles and sports, and cycling is no exception! In 2021, we launched a range of cycling initiatives, including offering our staff branded cycling outfits at preferential rates through a dedicated webshop. We also introduced a lease bike scheme for senior employees to further encourage soft mobility and cleaner modes of transportation.

Along with providing our employees with support and resources to maintain their physical and mental well-being, these cycling initiatives help us reduce our environmental impact and fulfill our worldwide commitment to becoming a net-zero carbon organization.

Also, we share our passion for cycling with our clients and friends through regular events like our traditional "Ride to the Beach" event during our annual KPMG Plage (which will hopefully return in 2022 post-Covid).

Last but not least, we've been a proud premium partner of the Skoda Tour de Luxembourg since 2021. This year's race, the 81st edition, was spectacular, with some of the world's top cyclists keeping up the suspense until the final stage of this 5-day cycling competition through the Grand-Duchy.

David Capocci, KPMG Luxembourg's Managing Partner: "Thanks to the Grand Duchy's well-earned reputation as a cycle-friendly country, cycling has always been an integral part of KPMG Luxembourg's DNA. Our wide variety of cycling initiatives, programs and sponsorships boost the physical and mental health of our staff and help bring us closer to our ambitious environmental goals." ●

Useful links:
www.visitluxembourg.lu
www.visit-eislek.lu
www.visitguttland.lu

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 314 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.

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FUND CFO FOCUS

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The future of fund technology

Realising the power of digital transformation

Nearly two-thirds of private capital funds plan to invest more in technology in the next five years – but where will these investments go? And who will be the pioneers? Intertrust Group's report explores this challenge, and more.

Top level-findings include:

68%
Nearly seven in 10 say increasing their level of technology and automation will be "vital" to growth in the next five years

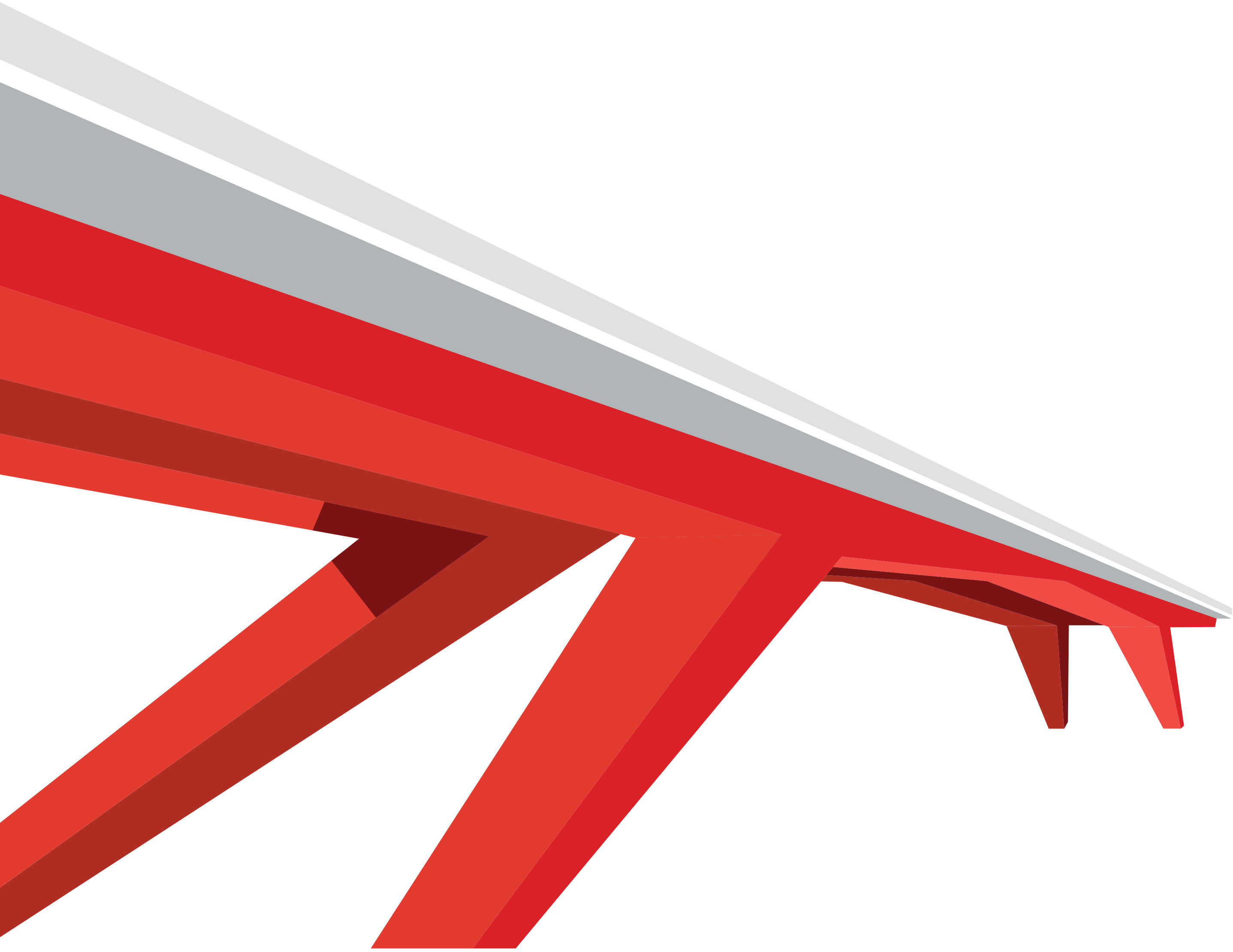
62%
But only six in 10 are actually planning to invest

45%
Nearly half say they prefer to wait until technologies have been "tried and tested"

Scan the QR code or visit
intertrustgroup.com/the-future-of-fund-technology
to read the full report

Regulatory information is detailed on intertrustgroup.com/legalnotice

ALLEN & OVERY



Some things *just stand out*

Allen & Overy is an international Tier 1 business law firm with a worldwide reputation built upon local expertise.

In Luxembourg, we are the trusted adviser to many players in the alternative investment space. Our full-service offering allows us to deliver seamless advice when it comes to structuring, setting up and managing Luxembourg investment platforms.

By bringing together our local expertise and international network, we can help you move ahead and expand your horizons.

The law firm with global reach and local depth