PRIVATE EQUITY INSIGHT/OUT

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Issue 22, June 2022

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ISSUE #22


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THE LUXEMBOURG VOICE OF PRIVATE CAPITAL

Dear members, friends and partners,

The LPEA team and community would like to express their sincerest sympathy with Ukraine and the Ukrainian population who have been victim of a brutal aggression. Despite the fact that history has inspired us to create internationally recognised entities, bodies, treaties, laws that were meant to regulate the balance of power and to impeach or at least limit as much as possible new conflicts, wars and the unlawful annexing of foreign territories, Ukraine is now suffering and paying a high toll with many unnecessary casualties, injuries, prisoners of war, a spiral of value destruction, poverty and a massive exodus which has already put millions of people on the road and forced them to leave behind them their entire life and memories.

This terrible war will bear many consequences for the country, its traumatised population, and its destroyed economy which will require huge funding in order to be rebuilt once the conflict ends hopefully as soon as possible. Many "allied" foreign countries, the US and the European Union have reacted quickly, shown a huge solidarity and have responded with strong measures and globally well-coordinated messages. The refugees and their integration surely represent the top priority of many helpful European countries and governments, which are ready to help but some other very important geostrategic elements will also require some rethinking and concrete measures around the future provision of energy, resources and the need to seriously increase further defence budgets and mechanisms.

Our industries could also have a role to play next to generous donations, humanitarian projects, charity actions and the hiring of Ukrainian talents who are currently looking out for work opportunities and purpose, with for example the sharing of expertise (value creation, mentoring/coaching, network), experiences (re-building successful businesses), some dedicated funding (targeting Ukrainian SMEs, start-ups and entrepreneurs abroad) in order to facilitate and accelerate the reconstruction of their country, economy, wealth and well-being which have all been confiscated.

Stephane Pesch
CEO, LPEA

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Claus Mansfeldt
Chairman, LPEA

The magazine of the Luxembourg Private Equity & Venture Capital Association
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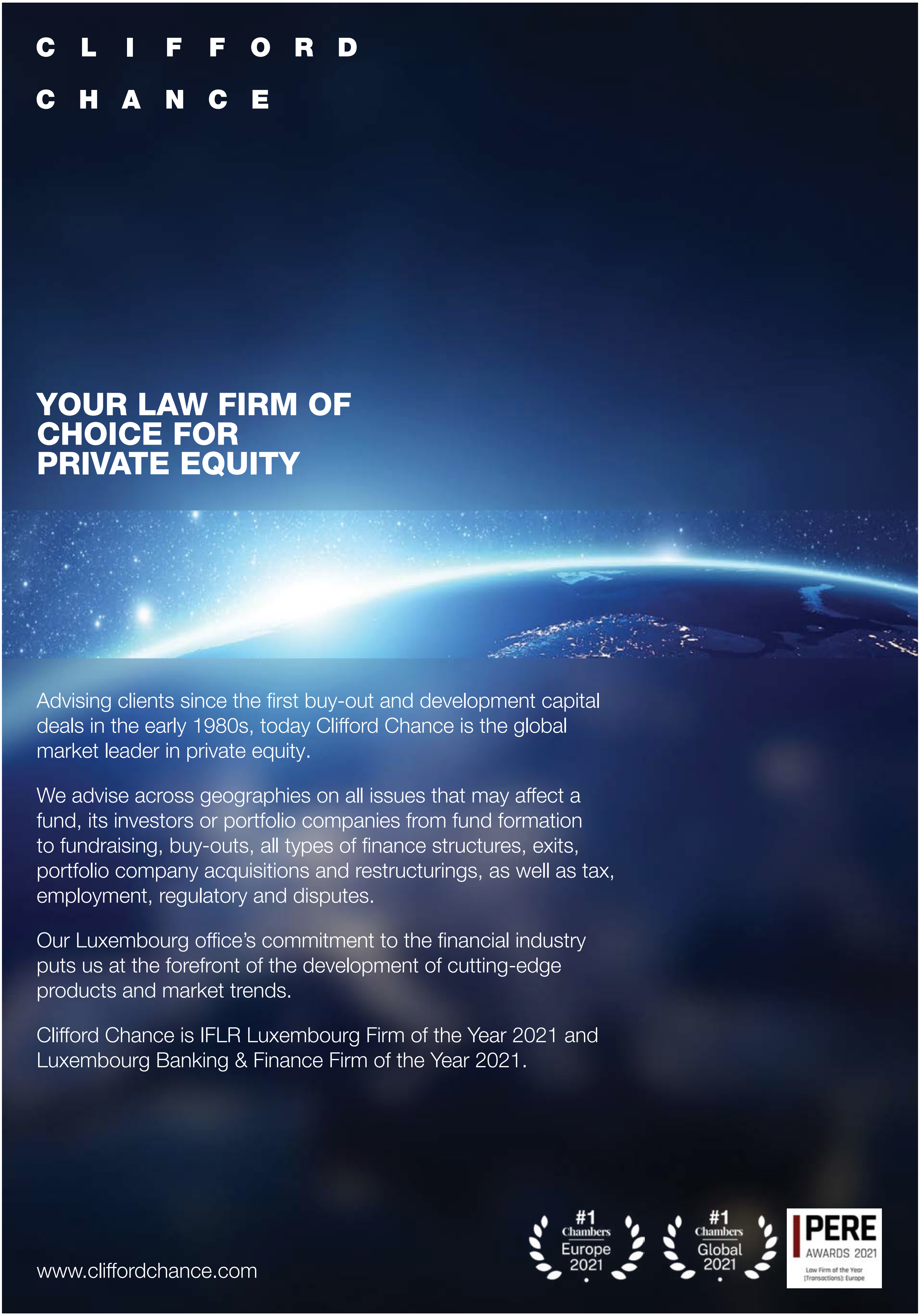
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LPEA Academy trains 115 PE professionals

Since 2020 the LPEA Academy has become a reference for young graduates and professionals who are looking for dedicated PE/VC training. With 115 participants joining the 2022 edition, the need for continuous development and high-quality education has been delivered thanks to hands-on and local experts. Next to the new "Value creation" module, additional courses are planned in 2023 which could tackle for example AML/KYC, Investor Relations and other hot topics. A networking event has been organised this year for the first time, opening the possibiliy to organise a potential hybrid edition in the future. Stay tuned for more news and developments.

LPEA Insighs: Access to PE fundraising

Save the date: October 13th!

The flagship event of LPEA will be back at the Philharmonie premises for its 6th edition. The focus of this year's conference will be on Private Equity fundraising and investor relations in general, a function that many experts from the sector anticipate will reshape the industry in the near future. Stay tuned as the subjects and speakers will be announced and registrations will open before the summer break.

More Information:
www.lpea.lu/insights2022

New club for CFOs

In view of the growing number of CFOs operating from Luxembourg, the time was ripe to create a club within the LPEA dedicated to this specific function. With its activities starting in June, the club remains open for all members featuring a CFO or equivalent position title.

PE/VC Vacancies

Looking for a job in Private Equity or Venture Capital? LPEA's vacancies page features job posts by LPEA members, a feature wich is made available for free both for candidates as well as for employers.

More Information:
www.lpea.lu/careers

Latest digital resources by the LPEA

- **VIDEO:** Carried Weekly - PE Tech Explained with AssetMetrix
- **PODCAST:** Behind the Private Equity scenes with the PE Leaders of the Big4 (LPEA Members exclusive)
- **VIDEO:** LPEA Academy 2022 – All 10 Modules (Paid)
- **VIDEO:** Career Adventure Webinar with CACEIS
- **VIDEO:** Legal Q&A by the Young PE Leaders
- **VIDEO:** The Luxembourg PE/VC Stories with Pascal Bouvier, Middle Game Ventures
- **VIDEO:** Carried Weekly - Adapting to the PE Sector's Growth
- **VIDEO:** LPEA Job Fair Sessions
- **VIDEO:** LPEA Carried Weekly - The Promotion Sounding Board
- **VIDEO:** The Luxembourg PE/VC Stories with Marc Boulesteix from Eurazeo

More Information:
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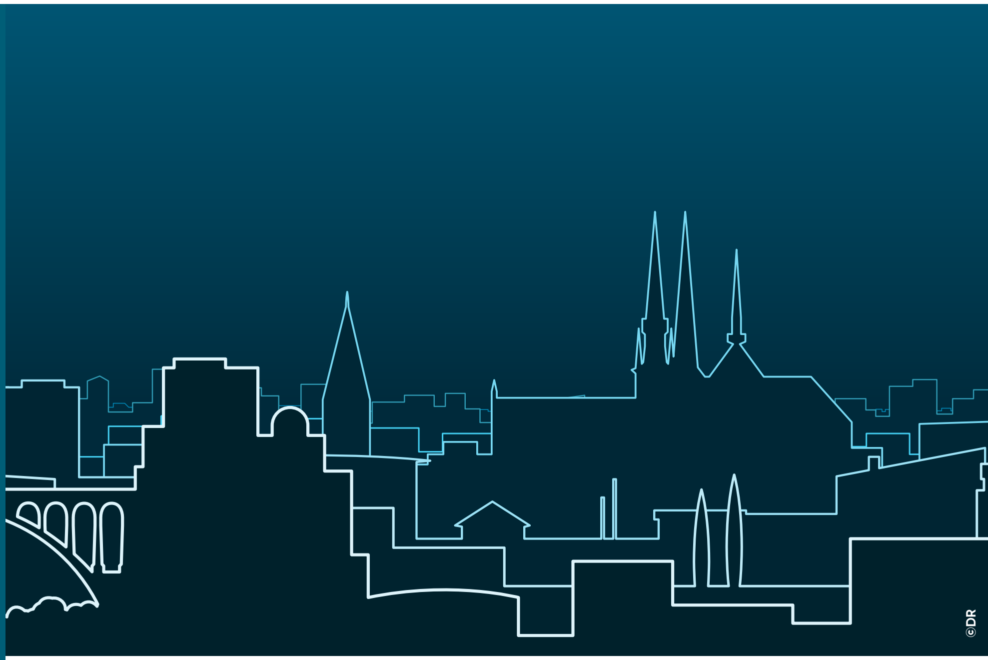

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SwanCap Closes Latest Fundraise Above Target

SwanCap's latest Private Equity Opportunities Fund ("Swan V") held its Final Close with aggregated commitments in excess of EUR 400 million. Swan V's investor base includes institutional investors, public and corporate pension funds, insurance companies, endowments, foundations as well as HNWIs and Family Offices. This closing strengthens SwanCap's investment strategy and provides diversified exposure to PE in the European and North American Midmarkets through a combination of primary funds, direct co-investments as well as select secondaries.

Access to HNWI with Antwort's Buyout Opportunities Feeder Fund

Swan V's access to HNWIs was facilitated by Antwort's dedicated feeder fund which collected EUR 26 million in capital commitment from private investors. The Luxembourg-based feeder fund platform provided 60+ qualified private investors the necessary access to top-tier private market funds.

Ilavska Vuillermoz Capital invests into two Fintechs

Following successful investments - among which N26, valued at more than $9bn - Ilavska Vuillermoz Capital furthers its commitment to the FinTech sector by investing in OptioPay and Teylor.

Berlin-based OptioPay, operates a fully serviced open banking solution without IT integration for businesses from various industries. End-customers receive rewards and value-add services in return for their bank account data to save time and money through exclusive cashbacks, higher-value vouchers, offers for sustainable consumption and CO2 compensation, etc.

Teylor automates the SME lending process. The Swiss financial technology company has developed its own lending technology, which allows them to provide one of the most customer-friendly and fastest loan application processes on the market.

Partners Group introduces portfolio company employee equity

Following a completed pilot phase programme in its portfolio company German toymakers Schleich, Partners Group opened-up equity ownership to Schleich's employees in order to benefit from the value creation and financial upside.

As laid out in Partner Groups' Corporate Sustainability Report, the Stakeholder Benefits Program aims to build companies that employees desire to work for, by re-investing substantially into development, financial or wellbeing initiatives for staff.


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INTERVIEW By **Stephane Pesch**
CEO

↘ Interview of Farhad Karim and Abdelkader Belkacem

Blackstone: High-Conviction Investments

Interview of Farhad Karim, Chief Operating Officer at Blackstone Europe and Abdelkader Belkacem, Conducting Officer in Charge of Risk Management, on Blackstone's investment strategy and its Luxembourg and global footprint.

What's the story behind Blackstone?

Farhad Karim: The story of how the firm was built is extraordinary. Blackstone was founded by Stephen A. Schwarzman and Pete Peterson in 1985 with each investing $200,000. Fast forward 37 years and the firm's AUM has reached $915 billion. Steve is still Chairman and CEO and I think the key to our success is that we still operate with the same values and culture as he instilled in the business at the beginning. It's a unique achievement to keep that core mission intact through such incredible growth and our culture is critical to everything we do.

The growth of the firm has been pretty extraordinary and it's in no small part down to our President, Jon Gray. We've just had the two best quarters in our history and now invest across a wide range of asset classes including real estate, private equity, growth, special situations, credit, infrastructure, life sciences, and secondary investing. We are the largest owner of commercial real estate in the world, our hedge fund business is the world's largest discretionary investor, and our credit team is a major provider of credit for small,


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“There is a desire to diversify portfolios away from traditional stock and bond investments, and into areas like real estate and private credit.”

Farhad Karim

middle-market and other companies. Amazing when you consider how it all started.

In how many countries is Blackstone currently active, and what is your footprint in Luxembourg?

Abdelkader Belkacem: We’ve been in Luxembourg for more than twenty years which, considering Blackstone is less than 40 years old, shows just how hugely important the country is to our history as well as our future. Our corporate operations in Luxembourg, Blackstone Europe Fund Management was established in May 2017 and provides alternative investment fund management services to each of our Blackstone segments/business units. (Abdelkader and Farhad, both pictured, are part of the governance team) and Revantage, the company we set up to support our portfolio companies operationally, combined are 350 employees and are a majority-female team. That puts it close to London in terms of real estate headcount, which gives you an idea of its importance to our European operations.

We also launched our regulated AIFM, Blackstone Europe Fund Management or BEFM, in 2017, which has 27 full-time employees across risk management, valuation, compliance, AML, marketing and oversight of portfolio management.

Luxembourg is perfectly placed as a hub for us in Europe. The geographical position and transport connections, the multilingual nature of the country, and its position a center for knowledge and skills in Europe, mean that we can attract exceptional talent. These factors make Luxembourg a unique and attractive place for us and the reason why we plan to continue growing our presence here in future.

Globally, Blackstone has an on-the-ground presence across 20 countries.

What sectors do you focus on, and what new trends have you seen emerge over the last years?

FK: Our investment approach is laser focused on ‘high-conviction themes’. Within those themes, the investment teams at the firm are always evaluating new opportunities. We are clear about what we believe are the fast-growing parts of the economy with strong tailwinds. From last-mile logistics to content creation, these themes span a broad array of sectors that touch all parts of Blackstone. I will give you one example: digital transformation. Covid-19 accelerated what was already a meaningful shift towards digitalisation.

The firm identified digitalisation as a megatrend that is here to stay and has already invested in several companies at the forefront of this transformation. This includes the healthcare software company HealthEdge, the dating platform Bumble, and the datacentre operator 21Vianet. Our investment teams are also identifying areas that benefit from this trend by proxy, which is why we have made significant investments in film studio and content creation space which can benefit from the growth in popularity of streaming services.

Concentrating on these high conviction themes means we can focus on areas where we have strong knowledge and expertise. We don’t look to boil the ocean. We can also knowledge-share between these specific investments which builds strength and expertise across the board.

Blackstone’s support for female entrepreneurs is another important focus. From Bumble, which is led by Whitney Wolfe Herd, to Sarah Blakely’s shapewear company Spanx, to Hello Sunshine, the media company founded by Reese Witherspoon: we regularly see women-led businesses perform well and prove great investments for us.

On the right Abdelkader Belkacem and to his left, the Blackstone Luxembourg team

“ Blackstone supports more than 300,000 jobs across the world and our commitment to ESG is unequivocal. ”

Farhad Karim

Empowering more female leadership in business is important – and it's also generating returns for our investors.

Your offer for institutional investors is well known. Do you offer services for individual investors too?

FK: Yes. Our Private Wealth Solutions group provides eligible individual investors with access to Blackstone's expertise across alternative investments.

We have seen exceptional growth in this part of the business in recent years. More and more individual investors are looking to alternatives in their search for yield in the current market environment. There is a desire to diversify portfolios away from traditional stock and bond investments, and into areas like real estate and private credit where we offer products they can access.

We believe that both real estate and private credit have the potential to provide investors with options for income in a high-inflation environment. We favour a long-term view in our investments, and we really focus on getting the right leadership to manage our offering for our clients - both factors in making these products successful, which is why our strategies for individual investors in real estate and credit have grown so rapidly. We always look to do more on this front.

We think that in the current environment, alternative funds should be considered as a core strategic component for individual investors. Many advisors have never allocated to an alternatives fund and we think that's a missed opportunity for them. The opportunities are significant, and we strongly believe that over the next decade we will see that trend change even more than it already has.

One of the most significant recent trends in investing has been ESG. How does Blackstone approach this theme, and do you see ESG as a factor in future investment decisions?

FK: ESG is mission-critical to Blackstone. Our leadership has always instilled a strong culture to conduct business in the right way. We have a team of more than 30 people focused on ESG at Blackstone and hundreds more in our portfolio companies. These teams are growing as we help our portfolio companies generate value by reducing carbon emissions and boosting diversity and strong governance.

I think one of the reasons Private Equity is well-placed for value creation through ESG is because we touch so many companies across so many sectors. Blackstone supports more than 300,000 jobs across the world and our commitment to ESG is unequivocal. This gives Blackstone the ability to knowledge-share to make sure if one portfolio company is doing something great, that is rolled out right across the portfolio and the firm spreads best practice.

This is endemic to the way we do business, but we also set hard targets. We have a target to reduce carbon emissions by 15% across all new investments in the aggregate where we control energy use starting in the U.S. and Europe. We've also set a goal to achieve one-third diverse representation on new controlled portfolio companies' boards. That's focused on the companies we invest in but we also do a lot at Blackstone internally. Our Women's Initiative, Diverse Leaders Programme, and Veterans Network are each helping us to expand opportunities to more and more people and driving us to a more inclusive company. That's the right thing to do and it's great for the culture and the future of our firm. ●


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By **Iman Crisby**
Executive Director,
Marketing, GP Bullhound

GP Bullhound strengthens European presence with strategic centre in the Grand Duchy

GP Bullhound, a leading technology advisory and investment firm which provides transaction advice and capital to the world's best entrepreneurs and founders, has recently announced the opening of its 11th and 12th offices, in Luxembourg and Zurich respectively.

Founded in 1999, with a diverse and constantly growing team of more than 180 employees spread across three continents, representing 40 nationalities and 35 languages, the firm adds to existing locations in London, San Francisco, New York, Berlin, Paris, Stockholm, Madrid, Hong Kong, Manchester, and Marbella. GP Bullhound has advised and invested in many unicorns and successful companies such as Spotify, Klarna, Patreon, Slack, Whoop, Revolut, DuckDuckGo, Glovo, Discord and HackerOne, just to name a few.

GP Bullhound secures CSSF licence

With the new office open on 33 Boulevard Prince Henri, GP Bullhound sees Luxembourg as one of the most important financial centres and hubs within the EU, and this crucial step marks the company's accelerating expansion and strategic direction across the European business landscape.

"Luxembourg has become a key financial and tech hub, and this office fits our firm's global development strategy. With more than €1bn in assets under management, three funds, a SPAC, and several co-investment vehicles already domiciled in Luxembourg, it was a natural decision to open and grow an office in EU's most important financial centre," said Per Roman, Co-Founder and Managing Partner of GP Bullhound.

The Luxembourg office, an authorised Alternative Investment Fund Manager (AIFM), greenlit by the local regulator (CSSF), will ensure post-Brexit continuity and compliance for GP Bullhound's advisory and investment activities, and allow for a close collaboration with domestic entrepreneurs and investors to further strengthen the local ecosystem. The new office, structured as GP Bullhound's operations and administration centre, will focus on fund management activities, such as portfolio and risk management and valuations; marketing of new funds; and local investment banking activities. With the CSSF licence in hand, the firm can now manage and be in complete control of the entire lifecycle and investment process of its own funds directly from Luxembourg, including everything from pre-marketing and deal sourcing to final exits and distribution to investors.

GP Bullhound's Entrepreneur Clock

GP Bullhound's Entrepreneur Clock describes how the entrepreneur is at the heart of the firm's mission to support founders throughout their journey. GP Bullhound partners with technology entrepreneurs throughout their founding journey, supporting them with advisory, capital, insights, and access to its global network. Many of their most successful transactions have come as a result of trusted relationships built up over many years, and from their sharp focus on key technology sectors - Soft-

> **Local presence allows us to offer the best possible services and products to our clients and investors."**
>
> Alek Jakima

ware, Digital Services, Digital Media, Fintech, and Digital Commerce - providing a depth of expertise that has proven critical to shaping profitable deals for their clients.

The heart and drive of the mission comes from an unwavering belief in the transformative power of technology, admiration for the people who bring it to life, and genuine empathy for what it means to be an entrepreneur in this fast-moving world. 23 years in and counting, these remain the guiding lights of GP Bullhound's values: the pursuit to build the future through the emerging landscape of digital technologies; and to support the world's best tech companies, entrepreneurs, and shareholders.

Advising leading technology companies in competitive international sale and acquisition processes

When entrepreneurs and investors are planning to sell their business, they need a trusted partner to support them through the challenges of negotiations and intensive levels of due diligence, often with buyers many time zones away. Extensive sector expertise and financial acumen, combined with access to global buyers, investors and partners, make a real difference for the success of a transaction.

With 550 advisory deals completed to date, and a total value of over $25bn delivered, GP Bullhound is a leading global advisor to companies and their owners on capital transactions and competitive international sale and acquisition processes. The firm offers a broad range of investment products across public and private markets, from growth equity to private credit to listed technology champions. Recent successful advisory transactions include the $436m acquisition of Busuu by Chegg, the £500m investment into Jellyfish by Fimalac, the $200m investment in Ecovadis by CVC Growth Partners, and the acquisition of Baltic Classifieds Group by Apax Partners.

Supporting global tech leaders on their mission to build the future

GP Bullhound's funds provide investors with access to global category-leading technology companies, and their limited partners include institutions, family offices and entrepreneurs from all over the world. With assets under management totalling more than €1bn, their software-focused investment strategy covers the private, public and debt markets. With portfolio companies such as Spotify, Klarna, Slack, Patreon, Typeform, Revolut, Discord, Whoop, Unity and many more, GP Bullhound has a proven track record of helping ground-breaking startups build exceptional businesses having the potential to turn into billion-dollar technology companies – so called unicorns - with the right kind of support, expertise, and advice.

Sharing insights and connecting brilliant people in the tech world

GP Bullhound supports innovation and entrepreneurship by organising more than 50 industry events annually, including summits, roundtables receptions and webinars, which bring together technology entrepreneurs, investors and business leaders from all corners of the tech world. The firm has established a strong reputation for its technology insights and publishes more than 30 thought-leading sector reports each year.

Ambitious Local Growth Plans

GP Bullhound launched its first Luxembourg-domiciled fund in 2017. The company has since established strong relations with local institutions, including institutional investors such as the European Investment Fund and Luxembourg Future Fund.

"We are greatly committed to the Luxembourg tech ecosystem. We are not only an AIFM, as we also bring our advisory expertise to the Luxembourg market and engage with the local tech industry," said Alek Jakima, Director at GP Bullhound, who oversees the new Luxembourg office and its team.

The expanding local team currently consists of seven staff members, covering Operations, Valuations, Fund Management and Compliance. The office is also planning to hire a Dealmaker in the coming weeks. Based in Luxembourg, they will support local deal sourcing activities. In addition, the team plans to organise regular events and get-togethers to facilitate and encourage the exchange between local tech companies and investment opportunities.

"Local presence allows us to offer the best possible services and products to our clients and investors, while also strengthening GP Bullhound's position as a leading advisor and investor in the technology sector, globally." The firm wants to have a substantial role in Luxembourg's technology community and "not just be an AIFM", Jakima said.

With a strong momentum and determined vision to inspire domestic actors and truly position itself as an active and present player in the Luxembourgish tech scene, GP Bullhound is excited to embark upon the next chapter of its European success journey. ●

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By **Fabienne Roussel**
Ph.D., Analyst for Vesalius Biocapital III Partners SàrL

and **Guy Geldhof**
Managing Partner for Vesalius Biocapital III Partners SàrL

Life Sciences VCs in Luxembourg

As a recent member joining the LPEA, Vesalius Biocapital wants to demystify the segment of Venture Capital investments in Life Sciences with the LPEA community. Allow us to share with you some trends and where we see a sweet spot for Luxembourg in the Life Sciences industry.

Did you know investing in Life Sciences brings bigger returns than in Tech?

The Life Sciences industry is an important one in Europe. Together with the United States, Europe generates a lot of breakthrough discoveries in the medical field. Europe wide, hundreds of new Life Sciences companies are seeded and funded every year. The most promising ones receive follow-on money over several financing rounds for the clinical validation of their technology and products. Clinical validation is a rigorous and regulated multi-annual effort under the supervision of (national) health authorities. Only a handful of products will make it to the market, mostly because of issues related to safety or efficacy. But those that reach the market do reap very high rewards. At some point, innovative companies typically join forces with a big pharmaceutical company, although a few survive as independent companies.

Let us illustrate this by how the industry contributed in the context of Covid-19. Indeed, the last two years have highlighted the need to develop our capabilities to mount a strong response to a sanitary crisis which was disruptive from an epidemiological, societal and economic perspective. The pandemic, which we are still reeling from, required innovative solutions for vaccines based on new technologies that needed to be brought to the market in months rather than the usual decades. We saw that consortia were built to combine innovativeness with the capacity to develop vaccines quickly. This was only made possible thanks to long-term investments made by Life Sciences funds in companies such as BioNtech or Moderna and sustained over the years by individual and Venture Capital investors. European investments in Life Sciences, which include biotechnologies, pharmaceuticals, medical devices and digital health products received a boost and have reached EUR 14bn in 2021 and are following a similar upward trend in 2022. Not only are massive amounts invested in European Life Sciences companies, the industry is also creating substantial financial value. It may come as a surprise to some that, over the last 10 years, Life Sciences VC funds have systematically outperformed ICT funds, be it in Europe or the US. Indeed, biotech startups' IRR was, on average, around 7% higher than the return on classic VC investments in software and services. This is partly due to the established innovation transfer model between the funded companies and the pharmaceutical companies that acquire their exciting technology and products. We see that this model allows realizing gains faster than in ICT, where exits are more dependent on the public markets.

Nonetheless, ICT and digitalization have become an integral part of the healthcare revolution precipitated by the COVID-19 pandemic, which disrupted healthcare and its delivery models. There is little question that the future of healthcare is more digital. But digital transformation is not simply about technology, it has to do with the integration of technologies in managing changes in the paradigm of how services are delivered and how best to benefit patients and healthcare workers. The European Commission recognized this and has multiplied initiatives to support the digitalization of healthcare systems. The European Commission noted in its report of April 2018 that the uptake of digital solutions remained slow and varied greatly across, and within, member states. Nowadays, we see a quicker adoption of digital solutions.

> **"There are many more investment opportunities in the HealthTech market, especially because of the enormous efficiency gains that can still be made."**

Luxembourg's take in digital and in VCs

While Luxembourg's Life Sciences industry is still emerging, the country took the digital path two decades ago by taking initiatives to become a digital nation, initially in support of the financial sector, then as part of a global development strategy which includes digital health, particularly data management. It does heavily invest in setting up an ecosystem where digital health innovations thrive in order to benefit patients - including considering the reimbursement of apps (digital diagnostics & digital therapeutics) - but also in order to attract investments that will sustain the growth of the health technologies sector. And because start-ups are the engine of innovation, incubators, new investment and coaching programs were created, such as Digital Tech Fund or Fit4Start. An entire campus, the Health and Lifescience Innovation (HE:AL) Campus, dedicated to health technologies will become reality in Esch/Alzette by 2024, surrounded by the House of Biohealth (HoBH), the future Südspidol of the Centre Hospitalier Emile Mayrisch (CHEM) and the Cité des Sciences of Belval.

Over the last 10 years, Luxembourg has also seen a steady, albeit slow, growth in the number of VCs and funds invested in the region, particularly through the attraction of international funds and the strong presence of Family Offices. The positive evolution of the VC landscape is partially explained by the regulatory environment set up by the Luxembourgish authorities around Limited Partnership structures and the investments made in favor of innovation and, while a lot still needs to be done to compete with neighboring countries, we see reasons to be optimistic.

Yet, despite the investment opportunities offered by digital transformation, particularly in the health sector, the attractive dynamics of the market and the favorable environment, very few VCs in Luxembourg are targeting investments in the Life Sciences sector. As with any disruptive trend, one can embrace the changes induced by the digitalization of healthcare or be subjected to them. Vesalius Biocapital chose to be precursor in HealthTech as illustrated by its first investment in Voluntis in France already back in 2014. Voluntis is an innovative platform of digital therapeutics enhancing treatment experiences by empowering patients and their care team through personalized, algorithms-based digital therapeutics. Since then Vesalius has made several HealthTech investments.

This first investment taught us the very different dynamics of HealthTech and today the area has become much broader. It is clear that there are many more investment opportunities in the HealthTech market, especially because of the enormous efficiency gains that can still be made. By building up its framework in digital health, Luxembourg is well positioned to take its share of this emerging HealthTech sector. ●

The story of Vesalius Biocapital started back in 2007. Since its creation, three funds have been set up with more than EUR 250 million commitments. With more than 30 investments in many European countries in therapeutics, medical devices, diagnostics and HealthTech, Vesalius Biocapital is a well-established Life Sciences and HealthTech fund. The focus is on mid-stage companies.

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By **Luis Galveias**
COO of the LPEA

Interview of Hedda Pahlson-Moller, EQT Future - Tiime

EQT Future: Time is now for Impact Investment to become mainstream

Luís Galveias interviews Hedda Pahlson-Moller, a long-time advocate for sustainable finance (and impact investing in particular), founder of TIIME, an impact catalyst advisory, and since January 2022, Mission Board member and Impact Director of EQT's newly launched fund, EQT Future.

Impact investment has been around for several years, but in quite niche pockets. Are we seeing it now opening up to mainstream funds?

Values-based investing has always existed in finance, from faith-based funds to activist movements. The Quakers refused to invest in slavery. Financing from religious groups (and these are serious investors) established negative exclusion screening way before it became popular. It's been around and evolving for a long time.

Impact investing was adopted across asset classes and by financial actors when the notion of generating positive societal benefits alongside financial returns proved itself not just possible but necessary, not to mention urgent. We are talking about measurable positive contributions to society – meaning people AND planet. The intersectionality of the two is obvious. Environmental degradation is effectively a crime against humanity if you look at the impact of climate change. You cannot separate or attempt to address one without the other. And whether in a low-income community in emerging

Hedda Pahlson-Moller

> **"The debate was always whether impact implies an implicit trade-off to financial returns. The answer has been proven by impact funds delivering robust performance linked to underlying strategies, with many outperforming traditional benchmarks."**
>
> Hedda Pahlson-Moller


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markets or next door in France, climate solutions will not work if they are not accepted and supported by people.
A recent quote from Paul Polman (who also sits on the EQT Mission Board) in Harvard Business Review sums it up nicely – and perhaps more politely than I would put it: "It's increasingly absurd and surreal to have to justify investing in our very survival".

The debate was always whether impact implies an implicit trade-off to financial returns. The answer has been proven by impact funds delivering robust performance linked to underlying strategies, with many outperforming traditional benchmarks. There has also been a recent explosion of successful 'traditional' financial actors adopting impact strategies. There is a strong business case to be made, even if I can insist that the moral and logical imperative is much greater.

So yes, impact is now officially 'mainstream'. It has been a long, arduous – and I can add humbling - journey to gain attention and credibility to the role of finance in addressing global challenges (and not just causing them). Now I have the privilege to represent the #impactimperative on boards of government bodies, NGOs, family offices and even public and private equity funds that are committed to evolving their strategies to build a better future. The appetite and demand for investment products that take responsibility for harm reduction as well as contributing to solutions will become the new gold standard – this change can't come soon enough.

How did you become aware that companies could also have an impact rather than just be making money for their shareholders?
Realization came when the words came into play, meaning I understand and even applied the concept before there was a taxonomy. I think we all inherently get that non-financial factors (sterile of a term as it is) drive value creation. And we recognize that value (and risk) goes far beyond monetary. We just needed language and frameworks to apply – along with some brave pioneers who were prepared to break from the flock and declare a purpose beyond the shareholder doctrine. It was so obvious and so necessary.

I started teaching MBA courses about 16 years ago. While reviewing academic

> **"Any private equity firm that has a unique investor contribution should be using their incredible skillset, financial capacity and capabilities to drive the changes that we all know are urgently needed."**
>
> Hedda Pahlson-Moller

literature, I came across the concept of social entrepreneurship – effectively business models addressing societal challenges. It made so much sense and resonated with my own investment activities. I discovered investment-ready organizations around the world tackling pressing issues like access to water, education, health care, social housing – just about any social or environmental problem. In 2015, we were introduced to the Sustainable Development Goals (UN SDGs) that created a useful framing and from there it became easier to find projects that were aligned to these thematics. In two decades of angel investing, I noted it was always non-financial factors that determined survival - the passion of the team, the commitment to their solution… the thrill of solving a challenge and being part of that disruption and journey. Entrepreneurs that had purpose and values always outperformed. I took that investment strategy to the rest of my portfolio and screened for that same purpose, values and commitment across asset classes – there are more and more options for values-based investors to choose from.

We all have to keep inquiring and demanding more to drive this transition – from our bankers, financial advisors, and anyone placing capital. If you look at the recent IPCC (Intergovernmental Panel on Climate Change) Sixth Assessment Report, the window that we have to shift our business and financial practices is closing quickly, both due to environmental and social urgencies. As we say at TIIME – the time is NOW.

The pulse for impact funds came initially from committed fund managers but do you think we're seeing new GPs embracing impact as a response to the growing demand by the investors? If so, what drives them?

GPs are attentive and reactive to investor demand and start adapting to the market calling for SRI, ESG and even 'impact', not always knowing what it entails… Some show up to stay ahead of regulatory pressures or keeping up with trends. But I find quite a few are adapting to a much deeper interest in aligning to a deeper sense of intrinsic values. Institutions are made up of people with a sense of dissonance if their organizations invest against their belief system. What's the meaning of reducing airmiles and using electric vehicles, trying to be diligent in recycling or teaching children about justice and equity and then getting to work and placing capital perpetuating the root causes? That's hard to reconcile.

People enjoy working for organisations that have purpose– and to find that sense of meaning in their roles as well. That's an overwhelming message we are getting from 'talent' that the industry is fighting for. We see so many professionals and younger generations asking for advice on how to find work in the financial service industry but with sustainability and impact as a prerequisite.

At TIIME, we've been teaching impact investing and sustainable finance to executive MBAs and wealth management courses – you can tell that students want to understand and navigate the field because that's where they want to commit their careers. So, if you want to capture talent, not to mention discerning LPs, new markets, comply with regulation, build the future, you have to redirect your resources and focus. There is also a noteworthy shift in capital to women as investors that is changing the tune of finance. Gender-smart investing is quickly growing alongside impact investing as a significant values-based investment strategy that will expedite the transition. Add social justice and you will find a new field called JEDI (Justice, Equity, Diversity and Inclusion), which should intrigue just about anyone.

EQT is one of the biggest mainstream funds to commit with the creation of a dedicated Future fund. Can you tell us more about it?

EQT has gone on an impressive journey defining their purpose and values. They

have been exploring their sustainability approach by challenging themselves to not just reduce footprint (which is a familiar term for our negative impact on the environment), but also to increase their handprint - the positive mark we are capable of making to people and planet.
There were interesting conversations with Paul Polman, the IMAGINE group and EQT on how to contribute to accelerating the shift in setting industry standards to influence the rest of private equity – not to mention the portfolio companies and their respective industries.
Let me clarify one thing about impact investing: we generally associate impact investing with finding wonderful green companies or organizations and then scaling that business and its positive impact. But there's another model of impact investing that is just as logical and paramount, which focuses on transforming a company from brown or grey and actively shifting them on the impact journey beyond ESG, beyond compliance and regulation requirements. This pushes companies from avoiding harm into actually contributing to solutions. The investor needs to work actively with the portfolio company to achieve these goals.
In the impact investing field, we talk about "investor contribution" - what do you do as an investor that is special, different, unique and generates intentional positive impact? To come back to EQT, their Future fund has a longer-hold ownership horizon, which means that you're not racing against time to capture value. It's really about transforming companies with market changing potential in a way that they influence the rest of the market. It's not just climate focused like many of the PE products. It focuses on 3 Ps: Planet, People and Prosperity, and with several themes that match the extensive experience and networks EQT already excels in. I sit as the Impact Director of the fund, on something called a Mission Board, which includes Paul Polman (ex-Unilever CEO), Ho Ching (Tamasak) and a few other remarkable leaders in the financial and business world committed to seeing a change in the financial systems. The Future Fund team is a group of exceptional and dedicated professionals leveraging their experience to set new standards in Private Equity – and they are all personally deeply committed, which is the most powerful engine of all. It's both a pleasure and an honour to work with the team as well as the rest of the committed EQT teams embarking on the impact journey. The entire organization is behind and supporting them.

Should we expect to see the same level of responsibility and commitment into the future by other private equity funds?

Let's start with the role of private equity. Impact investing really comes from early stage and venture because those were the smaller impact businesses it was grown from. Now we have to shift into growth and later-stage investing to make sure that these companies can reach their full potential. So private equity has to be there, particularly with its active ownership model, which means that investor contribution plays a critical part. There are private equity players that scan the market and pick up divested fossil fuel businesses and do nothing. They not only do not contribute to solutions, they actually continue creating the problems we are trying to solve. But organisations like EQT have a vision of the mark they want to leave on the world. Any private equity firm that has a unique investor contribution should be using their incredible skillset and financial capacity and capabilities to drive the changes that we all know are urgently needed. There's a responsibility and accountability for private equity to engage and pave the way for future listed companies. There is a growing wealth of impact reporting tools and harmonization of standards enabling leaders to transparently showcase their outputs, outcomes – and impact.

So even without the creation of impact dedicated funds, private equity funds should integrate impact principles into their portfolio and operations?

Absolutely. Anybody who has capital is accountable for building a more sustainable and just future. Private equity players, with their investment capacity and influence, are critical in the shift to have a better functioning economy that has a planetary ceiling and a social floor. It is the Doughnut Economics concept everyone should be familiar with. Investors must recognize that they have the key to unlock solutions to the world's most pressing problems.
As for the Future Fund, it is not a niche project. The intention is to inspire all of the organisation, all portfolio companies – and why not the rest of private equity. We call it a 'lighthouse' project where we aim for transformation at multiple levels. That is the kind of ambition we need to address current challenges. If you can prove that you can drive decent financial returns and growth that you'd expect from a private equity fund, while mitigating harm AND contributing to solutions, then we start building a new paradigm for finance and business. And hope for a more just and sustainable future… for all. ●

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By **Dörte Höppner,**
COO of Riverside Europe

Case Study: REPA Group

Headquartered in Germany, REPA Group is an independent distributor of spare parts for professional kitchens, coffee and vending machines in Europe. The company offers a comprehensive portfolio of parts to a well-diversified customer base of mainly small service companies that provide repairs for commercial customers. Riverside invested in REPA in October 2016, spending the next five years working closely with the management team to build the business into a European market leader.

The Growth Plan

Riverside Europe worked with REPA and leveraged its experience in specialty distribution and e-commerce businesses to build help expand the company's global footprint. From being an independent, special distribution business at the time of the initial investment, REPA has become a reliable, holistic outsourcing partner for the spare parts business of OEMs across the world.

There were a number of key areas Riverside and REPA focused on seeking to deliver growth. Firstly, the team prioritized an add-on strategy, which during the course of the investment saw the business successfully acquire and integrate six acquisitions in Italy, Spain, UK and Austria, and ever as far afield as Australia.

The international add-on strategy played a key role in establishing REPA as a leader in what is a fragmented market, and each addition brought a new dimension to the group, helping to build its presence geographically and also expanding its product portfolio.

LF Group, a distributor of spare parts mainly for professional kitchen equipment, strengthened REPA's position in Italy and France and further solidified its position in the pan-European market. Atel, a distributor of spare parts for vending machines and household appliances, added the product verticals vending machines and household appliance channel. CCS, a distributor of spare parts for professional kitchen equipment, strengthened REPA Group's position in the UK market. Big Warehouse, a distributor of spare parts for domestic appliances and consumer electronics, took REPA beyond Europe with an Australia-based company. Ascaso, a distributor of spare parts for coffee machines and professional kitchen equipment, expanded REPA into Spain and added new capabilities in the coffee segment. And finally GEV Austria, a distributor of spare parts for professional kitchen equipment, brought the company's Austrian division under the corporate umbrella.

Other Growth Channels

But this investment was not solely about M&A. Accelerating international organic growth in Europe and beyond was also key to Riverside's plan for REPA. During the course of their partnership, REPA established new product categories and strengthened its OEM partnerships. It also expanded its B2C business to allow for direct supply of spare parts to end-customers. The business invested in warehouse capacity and automation, including the installation of an automated warehouse system, which helped to provide faster delivery speeds. And REPA also invested in technology to improve efficiency and the customer experience, including

"From being an independent, special distribution business, REPA has become a reliable, holistic outsourcing partner for the spare parts business of OEMs across the world."

Dörte Höppner

through the development of a group-wide ERP system.

In addition to continuous and organic growth, Riverside also helped the company to further professionalize its operations, as is common with private equity investments, developing REPA's management and governance throughout the investment period.

The ESG Component

Another important area in the private equity industry at present is ESG. For Riverside, successfully integrating six add-ons goes well beyond meeting operational needs, particularly when considering the many different cultures and nationalities these new acquisitions brought into the group. Establishing and strengthening common values was therefore a very high priority, helping to ensure business continuity by providing a shared vision, and ensuring the highest standards of ethics through implementing reliable ESG policies based on international best practices.

In 2020, REPA also began developing a group-wide Code of Conduct – including anti-corruption policies – to reflect its values. To ensure maximum transparency for all stakeholders, this initiative was discussed with the management team and all relevant shareholders, drafted and presented to all REPA employees and published on the corporate website.

The Values and Code of Conduct are a pillar of REPA's "common sense" and foster cooperation among the company's various divisions and geographies. These policies ensure compliance with anti-corruption, fraud prevention and whistle-blowing requirements. The new policies have also increased employee integration and cooperation by clearly stating REPA's Values and establishing common policies based on global best practices. Across the group, employees are able to easily communicate with an internal ethics contacts or anonymously contact the external whistle-blowing hotline.

One European Team

None of this would have been possible without the strong legal and regulatory base for private equity in Europe, and particularly Riverside's presence on the ground in Luxembourg. As a firm, Riverside operates as "one European team", where the deal teams, located across five offices in Europe, and the Luxembourg office with its finance, legal and compliance teams work efficiently together.

The Outcome

Riverside Europe exited REPA in January 2022. During the hold period, the company deepening its capabilities and expanding its geographic footprint beyond Europe. From being an independent, special distribution business at the time of Riverside's initial investment, REPA has become a reliable, holistic outsourcing partner for the spare parts business of OEMs across the world.

The company is now placed to move to the next phase of its growth journey, having been acquired by PT Holdings, a U.S. distributor of repair and maintenance parts for the foodservice industry, backed by Berkshire Partners. ●


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By **Manon Aubry**
Manager - Client Relationships, RSM Luxembourg.

Interview of Pierre Festal, Partner, Promus Ventures

Closing the European Space Sector financing gap


Pierre Festal

Could you please introduce Promus Ventures?

Promus Ventures is an early-stage VC, founded in the US ten years ago and focusing on deep-tech startups, using innovative solutions to solve complex problems. We have been managing a range of funds in the US, and more recently, one in Europe. We have invested in over 95 companies spread all over the world, mostly at an early stage and opportunistically in later stage ones.

Promus Ventures has a strong knowledge of the US market and last year, you closed an European VC fund in Luxembourg : Orbital Ventures. Why Luxembourg?

Luxembourg is known as the fund management capital of Europe, so it made a lot of sense to be based here in from that standpoint. But more importantly, the fund that we are running in Europe, focusing on the broad space sector, was initiated by various stakeholders and institutions from Luxembourg including the government and the Luxembourg Space Agency, who wanted to support and continue to develop the space ecosystem out of Luxembourg.

What was your experience building a team in Luxembourg?

I was the first hire in Luxembourg. One of my first tasks was to set up our presence on the ground including hiring the team. We built a strong team of investment professionals, as well as marketing and operations specialists. It took a while to hire the right team. A few of our people came from outside the country and decided to come and live in Luxembourg. All in all, we now have an outstanding team, a good culture and a great foundation to further grow our business in the Grand Duchy and in Europe.

What is the strategy behind Orbital Ventures?

Our mandate is to invest in the broad, space economy. We can invest in any early-stage company that leverages a space technology into its offering and value proposition. When you look at the European ecosystem, it is still relatively early when it comes to space and also, by extension, deep-tech, but more opportunities are emerging. Luxembourg, for instance, has been very active in the space economy in the past four decades, pioneering the satellite industry with the launch of SES in 1985, and more recently setting up a regulatory framework around the space economy and space resources. We see a willingness to continue attracting space companies and talent and many initiatives and mechanisms being implement to that effect.

Orbital Ventures is part of the natural evolution of what Luxembourg has been doing over the years and a way to scale and leverage all the other initiatives.

In one word, what makes Orbital Ventures different?

Domain expertise would come to mind.

Promus Ventures has an impressive track record on space tech. How do you select your investments?

Space tech is no different from any other sector in technology when it comes to entrepreneurship and founding companies. At the end of the day, it's all about the team. We are in the business of backing people, the main thing we

> **Space tech is no different from any other sector in technology when it comes to entrepreneurship and founding companies. At the end of the day, it's all about the team."**
> Pierre Festal

assess when looking at an early-stage company is the founding team, their vision and their ability to execute on that vision.

What are the next challenges and opportunities for new space/deep-tech startups globally, in Europe, in Luxembourg?

Europe has always been a bit late to the party. It took Europeans a while to wake-up to the innovation that was happening in the space sector, which historically has been very government-focused, given how capital-intensive the industry is. Historically there were only governments and associated institutions, such as the space agencies taking the long strategic view and willing to invest significant money, time, and resources into building the space economy.

The evolution and commoditization of several core technologies in the last 20 years (e.g., launch, miniaturization of components that enable building low-cost satellites, advances in supply chain and outsourced manufacturing, etc.,) have enabled small, agile, and fast-moving entrepreneurial venture to emerge. It first started in the US and SpaceX is really the pioneer there, creating a model where a small private company could work with NASA and get contracts from the US government to launch payloads into orbit and help further advance the space economy.

Europe has been watching these developments with a lot of skepticism for a number of years, thinking this was not really possible. SpaceX has proven that not only it was possible, but you could create significant value for shareholders and everyone involved in the space ecosystem. In the end, Europe had no choice but to embrace the privatization of the space economy and it has many strengths to leverage: It has space agencies, a space flight heritage - Europe has been sending, astronauts and satellites into orbit for a long time - large companies with knowledge and expertise, talented human resources, the research institutions to bring R&D to fruition and so on.

Where Europe is still weaker than some of the other countries, like the US or China to some extent is on capital formation. And that's what we're trying to help solve with Orbital Ventures – closing the financing gap.

In a nutshell, what is your strategy to maintain your leading position in the space tech/deep tech sector?

We are working hard to stay active in the market, backing new companies. We have dry powder in the fund to continue making new investments and keep supporting our portfolio companies. By the time the fund is deployed, we'll have about 20 companies in the Orbital Ventures portfolio. And then we have another two dozen companies in the Promus Ventures portfolio that are active in the broad space sector, which takes us to over 40 companies in total.

There are few funds across the globe to have this kind of coverage when it comes to the space sector in North America, Europe, and beyond. We continue to invest and focus on finding those great entrepreneurs who try to solve significant problems within the space industry. We are also very involved with the general space ecosystem, collaborating with stakeholders, mentoring companies (and even companies we're not investing or planning to invest in), sharing our views on the market with large corporates, or participating in forums and conferences.

And by virtue of doing this, we will hopefully continue to back emerging leaders and winners in the sector. At the end of the day, that's what matters most and what will keep us in the lead.

What's next?

Right now we are focused on deploying the fund and helping our portfolio companies. We want to continue raising new funds in the future to focus on what we we've been doing well over the years, which is investing space and other sectors that fall under the larger deep tech category, like automation and robotics, applied artificial intelligence and so on.

We have the ambition to continue building a platform out of Luxemburg and the US. We think we have a great foundation, a great team, a good track record and we are getting increasingly known in the market, not only for space, but also for other deep-tech sectors. So, we want to leverage what we've built to date into growing our business. ●

About Promus Ventures
Promus Ventures invests in early-stage deep tech startups solving complex problems to advance everyday lives across the world. Since 2012, the firm has invested in 95+ portfolio investments across the US, EU, UK, and New Zealand, and has offices in Chicago, San Francisco and Luxembourg. Promus Ventures' other announced space and geospatial investments include Rocket Lab, ICEYE, Spire, Mapbox, Isotropic Systems, Mangata Networks, The Exploration Company and others. Some of Promus Ventures' other leading portfolio investments include Whoop, AngelList, Bellabeat, Swift Navigation, Halter, Cobalt Robotics, Diligent Robotics and others.

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Interview of
Bogdan Gogulan
CEO & Managing Partner
at NewSpace Capital

By **Johann Herz**
Head of Events and
Communication at LPEA

Investing in the "picks and shovels" of the space economy

Bogdan Gogulan showcases how NewSpace Capital invests in the space sector - the back-office of the global economy - and how its late funding approach compliments Orbital Venture's activity.

Can you introduce Newspace Capital to our readers?

NewSpace Capital is a growth fund focused on space and space-related industries. We are a team of five partners that together have over 150 years of investment, commercial and technical expertise in the domain. The experience and network of the team allows us to uncover unique deals that are off the beaten track – deeper in the midst of the supply chain and in certain segments of application layer. Our primary geographic focus is Europe; hence the fund is located right in the heart of it, here - in Luxembourg.

How is the space industry organised?

What we see in the space industry is similar to, for example, communication industry. Satellite infrastructure is a critical component in a same way that mobile towers and fiber networks are, however, it is a smaller part of the ecosystem in terms of revenue. The larger part is the supply chain that enables infrastructure and applications that make this infrastructure useful to the customers on Earth. Traditionally, the infrastructure piece was drawing most attention, as we were laying the foundation of the industry. It also attracted most investment to date. With time though, the focus is shifting towards application layer. It is already a bigger part of the market and growing faster than the infrastructure business.

Can you describe your investment strategy?

We invest into space "picks and shovels" - supply chain and applications. Both these segments benefit from the unprecedented development of the entire space domain, but are underinvested and undervalued. These segments have been overshadowed by the big news and big personalities of the in-space segment of the ecosystem – launchers, satellite mega constellations and space travel. However, none of the in-space operations are possible without batteries, antennas, optical instruments or electronics. And none of the in-space operations make sense without the companies that analyze and sell the data collected in space to the end customers. In the supply chain and applications' segments we see companies with lower valuations, but better margins and faster returns. By entering into later funding rounds we reduce our exposure to technical and market risk. This approach provides synergies with earlier stage funds, like Orbital, that nurture the businesses through the earlier stages of their development.

How do you foresee the space-sector investment evolve in the coming five years?

In the last decade the launch prices

> **“Morgan Stanley and Bank of America are forecasting the growth of the space ecosystem from current $350 billion to $1.4 trillion by 2040.”**
>
> Bogdan Gogulan

went from $54,500 to about $2,700 per kg of payload. This is more than a 95% reduction that was driven by technical innovation and increased competition. In the coming years the launch prices are expected to fall further to few $100 per kg of payload. The performance of satellites will continue to improve, while their cost will continue to decline. This will present opportunities for consumer and industrial devices with direct satellite connectivity, real time analytics for agricultural and security applications, autonomous shipping and off-the-grid broadband connectivity for the half of the world's population that does not have access to the internet at the moment. These developments are the basis for the Morgan Stanley and Bank of America forecasting the growth of the space ecosystem from current $350 billion to $1.4 trillion by 2040. Currently space is where internet was at the turn of the century or telecoms in 1990's – technology is more available and reliable than ever before; it is now about the right applications and winning business models.

What are the common misconceptions about investments in space?

There is a misconception that space is all about the future, when in fact the space ecosystem started 60 years ago and already matured commercially since then to become the invisible back-office of the global economy. Just in the last decade, 4,000 satellites were launched in space. They provide positioning, mapping, tracking, imaging and communication that is critical to modern society and our way of life. Remove these satellites and most of what we are used to, from TV to smartphone apps will stop working – no more Uber, tracking food delivery or finding singles in your area.

Another misconception is that space is all about government funding. In fact, the commercial space is larger and growing faster than the government segment, which is now more focussed on deep space exploration. Even after recent ground-breaking growth in public space budgets they amount to less than 25% of the overall spending.

Finally, there is a view that space is too risky as an investment area. However, as technology became more reliable, the risk has been significantly reduced both in terms of the occurrences of the risk factors and in terms of the cost – losing a satellite in the past was a multimillion-dollar write-off, but the cost of satellites has since decreased from hundreds of millions to hundreds of thousands. In fact, for many space companies outside of the mega-constellations segment, the cost of the satellite infrastructure is not greater than the cost of the ground IT infrastructure required for storing, processing and delivering analytics of the data collected in space. ●

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Interview of
Remco Haaxman
Partner and Head of EMEA Fundraising at Coller Capital

By **Stephane Pesch**
CEO of the LPEA

The Private Capital Secondary Market and flexibility

Remco Haaxman showcases the evolution of the secondary market and the flexibility provided by the model to both Limited and General Partners.

Could you briefly present Coller Capital?

We are a Private Capital Secondaries specialist, founded in the early 1990s and we are currently investing from our 8th fund. Coller International Partners VIII, is a USD 9 billion AUM fund backed by over 200 institutional investors from all over the world. We are one of the largest independent firms in the secondary space, focused on both private equity and private credit, with an investment team of close to 70 people – one of the largest in the industry – which allows us to source many transactions. This also means that we can work on several transactions at the same time and bear the opportunity costs of choosing not to win them. For us a key objective is to remain as selective as possible and only choose the most attractive investments.

Could you please explain what private capital secondaries are and describe the transaction process?

The market for secondaries has grown strongly and there has been significant innovation. At the core, a secondary transaction is the sale of private equity assets prior to their natural end of life.

Traditionally speaking, secondary transactions generally arise where, following a fund investment, a Limited Partner (LP) wants to exit that fund early. The secondary market buyer will step into the shoes of the existing investor, paying an agreed price to take over the net asset value and take on the unfunded liability that is associated with the fund's position. This is what we refer to as an 'LP-led transaction' and it is what the secondaries market was built upon.
However, what we increasingly witness now are 'GP-led transactions' (i.e. initiated and led by General Partners), where the manager of a fund provides a liquidity option to its existing LPs. In these situations, and for a variety of reasons, existing investors get a choice to sell their stake in an underlying company (or multiple companies) to a secondary buyer. The way the transaction typically happens is by setting up a new entity that buys the existing asset(s) from the fund. The original investors in that fund, then get a choice between cashing out as a result of the sale, or to roll into the new vehicle and effectively stay invested.

What is the private capital secondaries market size?

In 2021, market volume for private equity secondaries was an estimated USD 130 billion and, with the exception of 2020 due to Covid, the market has shown a very strong growth in recent years; since 2006, the market approximately doubled every five years. In terms of market composition, 15 years ago, there were very few GP-led transactions and today they represent about half the market. The growth of the market is to a large extent currently driven by GP-led deals. Since 2020 about half the market has been composed of GP-led transactions, an increase from 2019 when it amounted to 32%, or about 25% back in 2017.

What are the forces driving investments in Secondaries?

Typically speaking, secondary buyers tend to be specialist secondary funds. Some fund-of-funds may not have secondaries as their specific focus, but can still be active in this space. There are a couple of core reasons why a Limited Partner may wish to invest in secondaries. The first and most well-known one is 'J-curve mitigation'. What that means is when an LP invests in a typical private equity fund, the GP will take a couple of years to deploy the capital and will generally be charging fees based on commitments during that period. That means that the value of the investment might go below 1x invested capital early in the life of the fund before starting to increase. That phenomenon is called the J-curve. Secondaries can mitigate this issue, since the investor gains its exposure to a fund at a later stage of its life, meaning that there has already been some value uplift with respect to the underlying investments and the fees (payable to the private equity fund GP) are already beginning to 'step down'. Therefore, secondaries are considered to be a helpful way of addressing the J-curve, especially for organisations that want to avoid having to show negative returns early in the life of their new private equity programme.

The second major reason to invest in secondaries is that it provides a means of gaining exposure to a hugely diversified portfolio in an easy and quick fashion. The typical secondary fund will invest in a large number of deals and every transaction will consist, generally speaking, of a large number of underlying fund positions and, therefore, an even larger number of portfolio companies. Our own secondary funds have exposure to thousands of underlying companies – in different sectors, vintages and geographies. We are also diversified across the different private capital asset classes and cover large PE buyouts, the mid-market, growth, some VC, private credit and so on.

Investors may also choose to invest in secondaries for the attractive risk-return profile. Secondary funds tend to deliver strong returns, relative to the underlying risk. The key factors that mitigate risk include diversification, as well as the fact that secondary portfolios tend to generate cash early on. Secondary investments can often

> **"One or two years into the investment, a secondary deal can be significantly de-risked with part of our returns locked in."**
>
> Remco Haaxman

generate a cash yield from the portfolio almost from the day of closing due to their maturity and diversification; one or two years into the investment, a secondary deal can be significantly de-risked with part of the returns 'locked in'.

Can you develop more on the difference in risk between primary and secondary investments?

Sure. When you buy existing assets in an underlying private equity fund alongside a GP, you take a different kind of risk compared to when you write a primary check to a buyout GP. Of course, when buyout GPs make a new investment, they will have conviction about the asset. However, the GP will only really get to know the company it invests in once they own it. Is the company's management as good as they thought? Are there any hidden surprises? This risk is mitigated when investing through a secondary fund. Therefore, the risk profile is inherently different in the type of deals that secondaries funds make when compared to what primary investors. The returns also come quicker in a secondary fund, which brings us back to the maturity point.

How did secondaries lift off?

When Jeremy Coller founded our firm in the early 1990s, secondaries didn't really exist and there was effectively no way to exit private equity funds early. In those days, it could be quite hard to raise private equity funds and there were some investors that were more interested in selling private equity exposure, than buying it, and that is when the secondary market started. In the early days it used to mainly involve distressed investors or the ones truly needing liquidity. Secondaries later evolved into a commonly accepted portfolio management tool. Investors now use the secondary market to shape their portfolios if they feel they are overexposed to, for example, a certain sector, manager, or geography. This is a significant change from the early days of secondaries, when an LP selling a stake was not necessarily viewed so positively. In those days, GPs felt that a LP leaving their fund would make them look bad. Today, GPs usually know the reason for the sale and this usually has nothing to do with what's in the portfolio, but is much more driven by the situation of the seller.

> **"What we are increasingly witnessing now are GP-led transactions (led by General Partners) where the manager of a fund provides a liquidity option to its existing LPs."**
>
> Remco Haaxman

"Investors now use the secondary market to shape their portfolios if they feel they are overexposed to for example a certain sector, manager, or geography."

Remco Haaxman

So secondaries have advantages for both sellers and investors into the secondaries asset class. How does the rise of GP-led secondaries impact the industry?

That's very much the case. We discussed diversification, but of course this is much more a characteristic of LP-leds than GP-leds, which by their nature are more concentrated. This requires a different approach from secondary investors. Interestingly, GP-led secondaries, as a reasonably recent phenomenon, went through a similar journey as LP-led transactions. In the very early days, GP-led secondaries were associated with GPs that had a problem to solve but it has now morphed into a tool that even the most 'blue chip' of GPs will use in order to continue to own their 'trophy assets'. That's why are we are positive about this trend, as it gives us an opportunity to align ourselves with quality GPs to invest in their best companies. Secondaries and private equity are all about alignment of interest and we feel that if a GP is doing it for the right reasons then we can really align ourselves and generate great returns together. GP-leds are not easy to get right though, as GPs are, by definition, conflicted, with GPs acting as both buyer and seller in the same transaction. This means we must make sure all parties in a transaction have confidence that the process is run with integrity and that both buyers and sellers have received access to the same information.

Family offices often underline their need for liquidity. So I think you're also bringing an interesting value proposition here?

That's right. Both from the point of view of family offices as potential sellers, where GP-leds provide investors with optionality, as well as from the point of view as potential buyers, where GP-leds provide a compelling investment opportunity. In my view, well-structured GP-leds, where potential conflicts of interest are managed appropriately represent a positive development for the industry, benefitting investors and GPs alike. ●

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By Christen Estrup
co-founder of Jera Capital

Benefits of Evergreen Funds in the Private Markets investing model

The private markets asset classes have historically been reserved for large institutional investors and closed-ended fund structures were designed to meet the demands of these investors. In recent years the asset class has received increased attention from non-institutional investors who do not have comparable scale, lifespan, and resources. In this article, we argue that open-ended / evergreen fund structures offer strong benefits to non-institutional investors and even to some institutional investors that will benefit from having some level of allocation to evergreen structures.

Background

The typical framework for investing in private markets is based on illiquid closed-ended structures featuring a term of at least 10 years. These structures have the basic advantage that they are cash-in/cash-out structures. This means that capital is called when investments are made and distributed to investors when investments are realized. These structures are well suited for investors who have the means and patience to build and run large scale programs – such as large institutional investors.

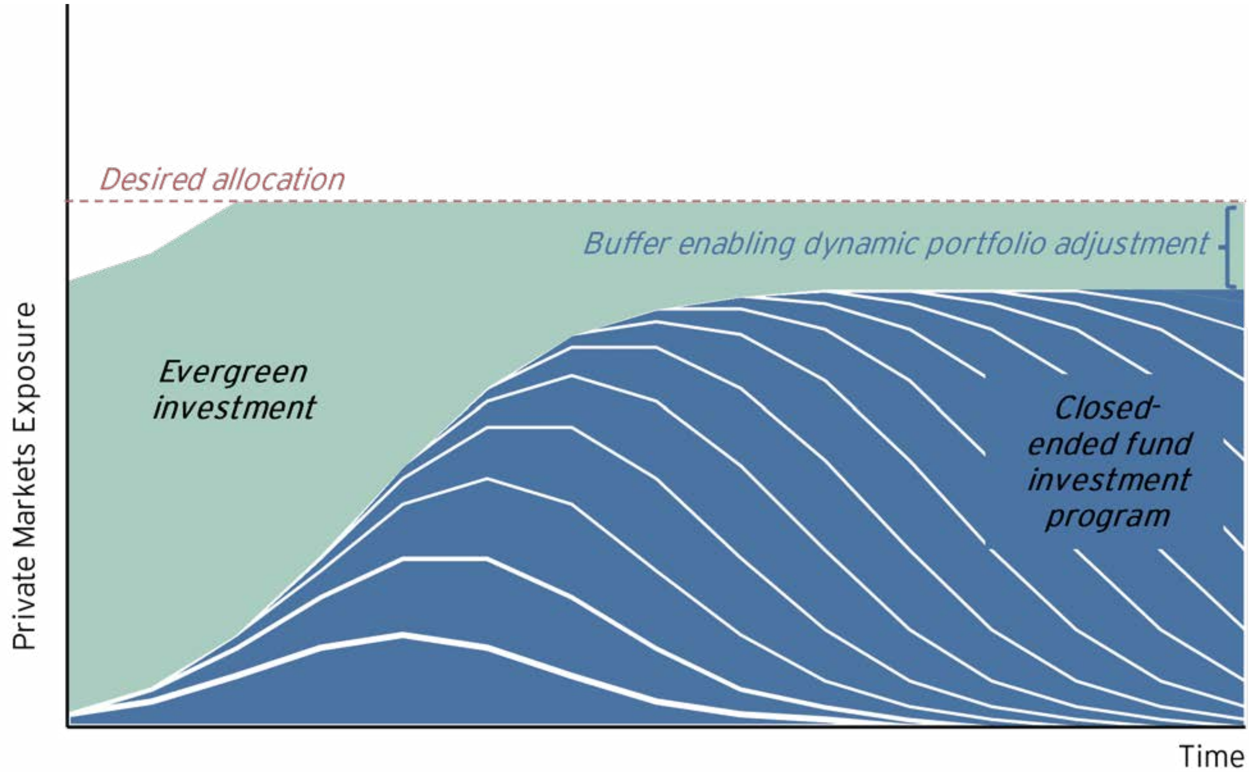
In comparison, open-ended ("evergreen") funds do not have a termination date and can accept new investors continuously (usually monthly). Capital is invested in such funds based on a subscription (i.e. the investor invests the full amount at the time of subscription) and investors can redeem their investments in the fund on an ongoing basis. In such structures, investors typically enter and exit the fund at the net asset value prevailing at the time of subscription/redemption and gain access to a diversified exposure to private markets upon investment.

Simplified access to private markets

The capital deployment pattern of closed-ended funds requires the investor to hold sufficient liquidity reserves to meet the unfunded part of the commitment. While models can be built to estimate this requirement, most investors will end up holding more liquidity than needed, thereby diluting their returns.

In evergreen structures, cash management is handled within the fund, and the evergreen fund manager will typically retain some level of cash to manage the cash-flows of the underlying investments, but the investor does not have any direct unfunded liabilities, and the liquidity management is outsourced to the evergreen fund manager. The cash balance of the evergreen fund will somewhat dilute returns but, provided that the evergreen fund manager is able to control capital deployment, the dilution would be limited. It is therefore critical for investors to select an evergreen fund manager that can control the deployment of capital through acquiring assets in the secondaries market for instance.

As the evergreen fund manager re-allocates distributions received by the open-ended fund, an investor can maintain its exposure to private markets through a single subscription, which dramatically simplifies the administration and portfolio management burden on such



investor, compared to managing and expanding a large portfolio of commitments to closed-ended funds.

A further benefit is that the cost structure of an evergreen is typically more aligned with the capital at work, as fees in evergreen funds are generally charged based on net asset value of the fund rather than on committed capital as is typically the case in the first years of a closed-ended fund.

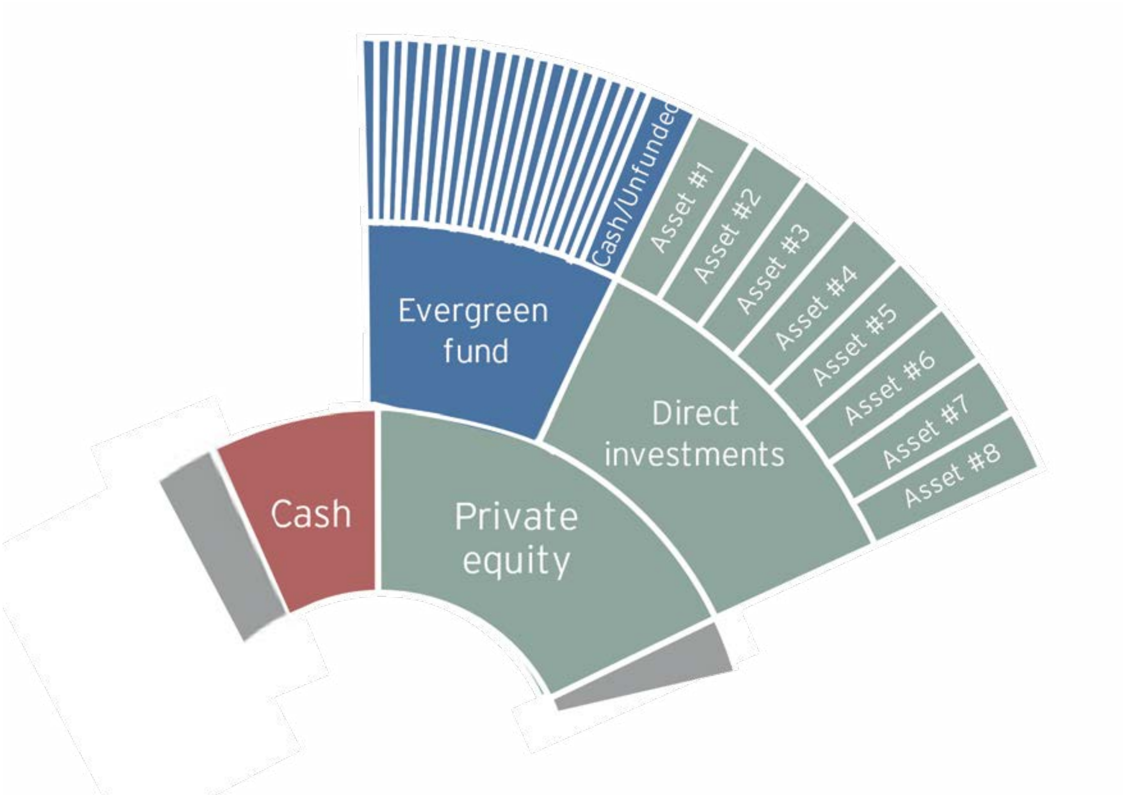
A flexible way to build and maintain exposure to private markets

For investors in closed-ended funds, it takes time and effort to reach a desired Private Equity investment level. Additionally, given that some assets are sold early in the life of a fund, investors will often only end up having a maximum of 60-70% of their total commitment deployed at any point in the fund's life. To reach a desired level of exposure, an investor therefore needs to undertake an overcommitment strategy, which comes with obvious risks.

On the other hand, investors with no prior exposure to private markets can almost instantly achieve their desired allocation to the asset class by subscribing their desired allocation to an evergreen fund. In a similar fashion, investors who are below their target exposure can also achieve their desired allocation by investing the shortfall amount to their desired allocation into an evergreen fund.

Investors in evergreen funds which are over-allocated can utilize the redemption feature to decrease their exposure. Institutional investors, which typically need to adhere to defined allocation guidelines can therefore benefit from allocating a potentially significant minority of their private markets' exposure to evergreen fund structures, to enable easy portfolio adjustments in fluctuating markets.

> **"Investors can almost instantly achieve their desired allocation to the asset class by subscribing to an evergreen fund."**
>
> Christen Estrup



Overcoming the liquidity hurdle in private markets

Achieving early liquidity has always been a hurdle for private markets investors. While secondary markets have developed significantly, selling still involves transaction risk, price uncertainty and a significant delay in achieving liquidity. As such, accessing the private markets through closed-ended structures requires the ability to remain invested for the very long term or the ability and patience to undertake sales in the secondary market.

The evergreen fund structure provides investors the valuable option to redeem their holding in the evergreen, in part or in full, at the reported net asset value of the fund holdings and within a reasonable timeframe. However, investors should bear in mind that the liquidity option for evergreen structures is an "option" that will only be available under "normal" market conditions and that the liquidity held in the evergreen may not be sufficient in all market conditions (and the fund manager may in some cases need to impose gates and postpone some redemption requests).

Conclusion

In conclusion, we believe that the features of the evergreen fund structure offer a much more attractive package to non-institutional investors than closed-ended structures and that most institutional investors would also benefit from adding some level of evergreen fund exposure to their private markets portfolios to enable dynamic portfolio adjustments.

This is also the reason why evergreen fund structures have seen an increase in popularity in recent years in conjunction with the increasing appetite of non-institutional investors for private markets. ●

About Jera Capital

Jera Capital is an independent private markets asset manager that offers flexible investment solutions to a wide group of investors (both institutional and non-institutional). The Jera Capital team has over 45 years of combined experience in private markets and its members have been active in the secondary market since 2006 and have managed evergreen fund structures since 2008.

More Information:
www.jera-capital.com

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By **Manuel Sussholz**
co-founder and General Partner of Sweetwood Ventures

From Start-Up Nation to Unicorn Capital of the World – an inside look at the Israeli technology ecosystem

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2021 was a year to remember for the Israeli venture capital ecosystem, with new records being broken on all fronts: the highest ever amount of capital raised by Israeli start-ups – USD 27 Billion -, record liquidity events – USD 95.6 Billion in public market debuts and M&A deal value - , record new unicorn formation – 48 - and a significant jump in the number of 'mega-rounds' - financing rounds of above USD 100 Million - , an increase of 25 folds in a short span of 3-years.

This past year marked a transition year for the Israeli ecosystem, as it graduated from being the “Start-Up Nation” to becoming the “Unicorn Capital” of the world, for the first time surpassing China and taking 2nd place behind the U.S. as the second largest unicorn factory in the world. When compared to the size of its population (9.3 million people), Israel's tech leadership stands out even further: in 2021 it counted 5.2 new unicorns per 1 million residents, compared to 1.8 for Singapore and 1 for the U.S.

How did such a young nation, founded in 1948, located in the Middle-East, with no significant natural resources, capture such a disproportionate share of the global innovation economy?

Israel's recipe for success in the innovation field has long been known as a combination of its 'deep-tech'-orientation flowing from its military and academia, a strong entrepreneurial spirit, a highly-developed hi-tech private sector with over 350 R&D centers of global corporates located around Tel-Aviv and finally, but not least important, a sophisticated and mature venture capital (VC) ecosystem to finance its innovations from seed-stage to IPO.

Investors in Israeli venture capital funds have long captured outsized returns compared to other geographies and 2021 has been its best year ever. One of the metrics which best rep-

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resents the outperforming capital efficiency in the Israeli market, compared to other tech investments hubs, is the ratio of capital distributions vs. the amount of capital invested in startups on an annual basis. While historically Israel has consistently outperformed other markets in its capital efficiency, 2021 was truly remarkable – with distributions reaching USD 95.6 Billion and capital raised reaching USD 27 billion, the capital efficiency ratio in Israel was a remarkable 3.5x, significantly higher than in the other main VC markets, such as the U.S. (1.8x) and Europe (1.4x).

Israeli VC has not only outperformed other regions in capital efficiency but has shown an ability to generate superior returns for investors for many years. Data from Sweetwood Ventures and Pitchbook indicated that the Median Net IRR for Israeli VC funds, with vintages from 2012-2016, stood at 20.5%, a whopping 2% higher compared to similar VC funds from the U.S., more than 3% above Chinese and more than 4% above European ones. The structural Israeli outperformance is further confirmed when looking at other performance metrics such as net multiples and distribution ratios of funds.

When zooming into the distributions for investors during 2021, we note that M&A's of Israeli companies continued to grow at a stable pace and weren't limited to a specific stage or market segment, something uncommon in the region, which has typically relied on transactions in the cybersecurity and fintech fields. A relatively recent feature, further attesting to the maturity and growth of the ecosystem, shows how Israeli companies have become the acquirers themselves as opposed to just being the targets: out of the 153 M&A deals, 58 involved Israeli companies on both the acquirer and target side.

2021's highlights in the exits weren't in the M&A market though, as was mostly the case in the past, most of the action came from the public markets. With 72 IPOs of Israeli companies, totaling a market capitalization debut of USD 84 Billion, many VC-backed Israeli start-ups rewarded their investors and employees with record distributions throughout the year.

Among the highest profile listings, we noted IronSource, a monetization platform for app businesses (USD 11 Billion in debut market capitalization), SentinelOne, a cybersecurity company (USD 9 Billion in debut market capitalization) and Monday.com, a project management software (USD 6.8 Billion in debut market capitalization), further adding to the view that 'Decacorns' can nowadays be 'Made-in-Israel' and can grow into global category leaders

Another feature affirming the coming of age of Israel as a top-tier tech investment hub is the increasing presence of 'repeat'-founders. According to a report by Viola Ventures in September 2021, out of the 61 unicorns active in Israel, 30 had a second-time founder as CEO. Given the successful M&A and exit wave in 2021, we expect previously successful entrepreneurs to continue coming back to the innovation economy and further launch new start-ups.

Parallel to the record start-up financing activity, Israeli VC funds saw frenetic activity in 2021 and raised their highest amounts ever, with over USD 3.4 Billion raised over 39 new funds according to proprietary data from Sweetwood Ventures. In our estimate this takes the dry powder of Israeli funds in early-stage investing (i.e. capital raised but not yet deployed) to USD 7.5 Billion for 2022, a record amount.

As publicly traded technology companies have seen their multiples compress quite significantly since the end of last year, given the shift in interest rates globally on the back of higher inflation, the impact on private markets has so far remained quite muted, but is likely to be important. The significant war-chest of Israeli funds and the ability of Israeli start-ups to remain ahead of the tech curve and innovate in deeply disruptive technological fields, leave us feeling confident about the bright future of the industry. ●

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By **Sherwani Shanu**
Private equity Analyst and Investor Relations / Executive in ManCo, AIFM, and PERE Funds

Listed Private Equity and Feeder Platforms, a democratised gateway to Private Equity

Private equity traded on a public exchange? A concept you may say sounds like an oxymoron.

Individual investors have long been barred from participating in private equity, despite hearing about the outsized profits provided by funds but being unable to access them.

Private equity has historically outperformed other private market methods in terms of returns. According to Pitchbook's most recent Global Fund Performance Report, growth equity funds outperform private debt, funds-of-funds, real estate, and infrastructure, with a 15.3 per cent 15-year internal rate of return. Meanwhile, at 12.5 per cent, buyout funds have the second-highest 15-year internal rate of return. During the same period, the S&P 500, for example, returned around 9.7 per cent per year. Many would argue that the PE model provides a far superior governance and ownership model, which underpins the PE Fund's ability to generate these returns through factors such as management team skills, an appropriate mix of equity and debt (leverage), and better pricing available in private markets. Private equity has historically proven to be a risk-adjusted attractive alternative asset class.

Private equity funds are usually only accessible to very large investors who have the financial resources to make significant long-term commitments. Consequently, traditional forms of private equity can be challenging to access for most small investors. Fewer still can buy private companies directly. It is an illiquid asset class, and traditional structures can lock in investors over a long period. However, given the competitive nature of institutional fundraising, it is not surprising that private equity firms, which typically target large institutional investors, broaden their target audience to include private investors.

Ten years ago, Blackstone, the private equity goliath, relied solely on large institutional investors for capital. Last year, individual investors already represented roughly 20% of its USD684 billion AUM last year. According to the firm, it could reach half in the next decade. Retail is a USD 80 trillion addressable market, and other large private equity firms such as KKR and Apollo are taking notice.

Historically, private investors were underrepresented in private markets. High entry requirements and unwieldy investment fees have proven to be significant impediments. Listed private equity funds and feeder platforms can address many of these issues.

> **Retail is a USD 80 trillion addressable market, and other large private equity firms such as KKR and Apollo are taking notice."**
>
> Sherwani Shanu

Listed Private Equity Funds

Listed Private Equity (LPE) comprises entities listed on international stock exchanges whose main activity is investing in private companies, private equity funds, or private equity funds' investment managers.

When investing in listed private capital, an investor may purchase shares in a direct fund, a fund of funds managed by a private capital company, or the private capital company itself. A direct fund invests directly in the underlying companies, whereas a fund of funds collaborates with numerous private equity managers and acquires positions in various private equity funds.

Some publicly traded private equity firms own the investment assets solely and pay a fee to a management firm. This is more standard in the UK, where closed-end investment trust structures are common. Others are hybrids, in which the fund management business is a component of the fund itself, allowing investors to hold both the underlying assets and an interest in the manager. In Continental Europe, this model is more widespread.

There are currently more than 200 Listed Private Equity (LPE) firms and more than 500 PE-backed listed enterprises. These LPE firms have a combined market capitalization of around $2,750 billion. Nearly one-third of these companies are headquartered in the United Kingdom, with the remaining in Europe and the United States. The sector consists of publicly traded companies that specialise in some or all stages of private equity investing, such as:

- o buyouts, including leveraged and management buyouts
- o expansion or growth capital
- o venture capital
- o distressed or special situations
- o mezzanine capital
- o secondary investments
- o fund of funds,
- o and private debt.

Typically, a corporation will specialise in one of these investing techniques and limit its attention to particular geographic regions. In recent years, private equity (PE) and alternative asset managers have listed their firms on public stock markets, allowing a broader spectrum of investors to purchase their shares and benefit from the economics of managing alternative assets.

Accessing listed private equity through an ETF removes these barriers, making this exciting asset class accessible to all types of investors. There are some significant differences between listed private equity and unlisted private equity. One considerable advantage of publicly traded private equity is that it can be bought and sold at any time. On the other hand, investors' capital in unlisted private equity funds may be locked up for several years before being released. In the latter case, only when investments are converted to cash are distributions made, and limited partners have no right to demand that sales be made on their behalf.

Liquidity can have both advantages and disadvantages. Because they are traded on a public exchange, the shares of a listed private equity firm can sometimes perform differently than the underlying portfolio of private businesses in which they invest.

Directly investing in listed alternative asset managers can give investors some exposure to the sector as a whole, but it doesn't give them direct access to private companies. Because of this, most funds in the sector put their money into a mix of listed alternative asset managers and investment trusts, which helps to spread out the portfolio. They usually also use different strategies, such as private equity, venture capital, and private credit, to spread their risk.

Private equity investment trusts like Oakley Capital Investments and 3i Group buy shares in private companies or invest in funds run by buyout groups. These investments have helped the sector make more money, but there are still problems with high fees and lack of information.

A lot of the London-listed investment companies are selling at big discounts, even though they are doing well. The main reason for this is that portfolio valuations take too long.

However, despite the possibility of volatile short-term fluctuations, the long-term returns of listed private equity shares are consistent with those of unlisted companies. According to Prequin, an alternative asset research firm, the portfolio returns of listed funds have a 94 per cent correlation to those of unlisted funds over the last decade, implying that their returns are nearly identical 94 per cent of the time, on average.

PE has historically generated higher returns than listed equities, with lower volatility due to the strategy's illiquid nature. LPE enables investors to capture the long-term private equity return premium while maintaining daily liquidity. Given the daily priced nature of its listed investible universe, LPE does exhibit greater market-like volatility.

LPE provides investors with the returns of private equity but with the liquidity and risks related of the public market.

> **"Portfolio returns of listed funds have a 94 per cent correlation to those of unlisted funds over the last decade."**
>
> Sherwani Shanu

Summary-Risks and benefits of listed private capital for smaller investors

Benefits

Diversification

- o Listed private capital holds companies in sectors and specialist sub-sectors not available on many public markets.
- o Many national stock markets have sector skews that do not provide adequate diversification.
- o "De-equitization" means that fewer and fewer companies are coming to public markets at any point in their life cycle. Most growth occurs before companies reach public markets but take private capital instead.

Performance

- o Listed private capital provides access to companies in their premium growth phase.
- o Public stock markets have shown lacklustre earnings growth, well below that achieved by private capital.
- o Private capital asset disposals tend to occur at a premium to the asset's carrying value in the fund - providing additional upside potential.

Structure

- o Investors have liquidity by being able to buy and sell on public marketplaces.
- o Investors can purchase considerably below the minimum sums for private capital fundraising rounds.
- o The listing fosters greater transparency and good governance.

Risks

NAV discounts

- o Occasionally, share prices might diverge substantially from the underlying asset value. This is the cost of being able to trade shares.
- o Because valuations are performed periodically, they can often lag behind the actual underlying asset value at any given time.
- o Valuations of holdings are subjective because they are not freely traded; price discovery is only possible at the point of sale.

Transparency

- o It can be challenging to comprehend the underlying portfolios/ individual assets, while the benefits of diversification alleviate this.

Fees

- o High performance and management fees

Historically, only the largest institutional investors have had the resources to build out a diverse portfolio of PE funds, and even then, it can take years. LPE investments, on the other hand, tend to be globally diversified across funds, strategies, and vintages – the year in which the PE fund makes its first investment.

Unlike traditional asset class investments, the commitment to a PE lim-

"Listed private equity and feeder platforms have increased the accessibility of private equity to a broader pool of investors and to democratize the access to this asset class."

Sherwani Shanu

ited partnership fund is gradually drawn over the investment period (between three and five years). It does not require a significant upfront investment. A portfolio of LPE securities, on the other hand, can provide an instant portfolio of private equity interests that is diverse by geography, deal stage, vintage year, and manager.

LPE diversifies investors in a variety of areas, including:

- o vintage exposure
- o industry exposure
- o exposure to geography

The term "vintage exposure" refers to the year a fund began investing, or more precisely, the date of capital deployed to a specific company or project. Unlike traditional asset classes, a PE fund's commitment is drawn gradually over the investment period (typically three to five years). It does not require an initial investment of the entire amount.

What makes vintage exposure significant is that investments in unlisted private equity funds can experience what is known as the 'J-Curve' effect. This is a phenomenon in which an initial investment in a private equity fund stagnates for two to three years before appreciating (in an ideal scenario). It is not uncommon for general partners to take time to deploy capital and for investments to pay off. In the meantime, management fees deplete the principal.

An LPE fund, on the other hand, can mitigate this effect because the underlying portfolio typically consists of a diverse array of existing investments at varying stages of maturity (much like a secondary transaction).

Private asset strategies, particularly in LPE and Traditional unlisted PE limited partnership Fund of Funds, offer attractive opportunities for investors seeking increased diversification and potential sources of return in their investment portfolio. Publicly traded vehicles investing in privately held businesses provide an appealing entry point to private markets. They are readily available, liquid, regulated, diversified, and investable. They assist investors in avoiding the typical post-commitment declines associated with private equity investments. LPE enables retail and institutional investors to gain exposure to the asset class.

While the LPE universe continues to expand and evolve, it is critical to recognise that these entities, whether stockbrokers or fund management organisations are under-researched by the broader research community. Only a few specialists' private equity firms and global equity fund managers have identified this investment opportunity and committed the time and resources necessary to (a) mine the market for these companies and (b) conduct in-depth coverage and research on these opportunities.

Motivations for PE firms to go public

One of the primary motivations for private equity firms to go public is to cash out founders. There is no better example than Blackstone, which went public in 2007 to help cash out Pete Petersen, the co-founder of Blackstone, who was 81 years at the time of the IPO.

Another primary motivation is to raise funds for acquisitions, and for this, let's look again at Blackstone. After the Private Equity firm went public in 2007, Blackstone purchased credit firm GSO which is now the alternative credit arm of Blackstone. The firm was able to use its stock as currency to fund the acquisition and build an extensive credit offering.

LPE vs Traditional PE-Limited Partnerships feeder funds

	Listed Private Equity	Traditional PE-Limited Partnerships feeder funds
Liquidity	Yes	Limited but increasing secondary market
Performance	Liquidity can have both advantages and disadvantages. Because they are traded on a public exchange, the shares of a listed private equity firm can sometimes perform differently than the underlying portfolio of private businesses in which they invest.	Feeder fund performance is correlated to the performance of the master fund with a slight impact on the IRR (Internal rate of return) due to the additional fees of the feeder.
Fees	High	Low compared to LPE
Deployment	Immediate	Delayed irregular capital calls.
Transparency of portfolio	Yes	Yes
Minimum Investment	No minimum, accessible to everyone	125.000 euros for qualified investors
Diversification	Yes	Yes
Inefficiencies	Sell-side coverage of LPEs is limited, creating opportunities for fund managers to outperform.	The top performing fund managers are known and often not listed and are very sought after, obtaining access to their funds is difficult for private investors as well as for institutional investors as often over subscribed and prioritize existing investors. One way to gaining access is through feeder platforms.

Feeder platforms

Feeder funds, which are becoming increasingly popular, are the preferred instrument for raising capital from private investors and are now used by a diverse group of private equity fund managers. Feeder funds pool capital and invest alongside institutional investors in master funds.

But it is important to note that feeder platforms, another gateway to accessing private equity funds, go through a detailed due diligence and selection process before onboarding top-quartile private equity funds, often not listed and very difficult to access.

By partnering with top-quartile funds and fund of funds, these feeder platforms give private investors access to many opportunities that LPE funds cannot access.

When we look at where the significant funds are putting a lot of their focus and where they're building new teams, private investors stand out. It's an untapped market, and for the most part, those markets have been frozen out of institutional commingled funds for a long time.

Banks, particularly in Europe and Asia, have been developing or outsourcing alternative investment platforms to capitalise on the increase in the appetite of private clients for this asset class. Fintech feeder vehicles such as Moonfare (founded by an ex-KKR executive), iCapital (part-owned by Blackrock), Luxembourg-based Antwort Capital and French-based Private Corner are channelling vast sums of private capital into the most well-known private equity funds, with the latter two focusing on the mid-cap PE segment, which in my view is one of the most appealing in terms of returns.

As financial technology has advanced, various businesses have emerged to pool investor funds or feeder platforms, lowering the minimum investment requirements for individual investors.

Private equity access and the investable ecosystem of private market opportunities continue to evolve. In other words, listed private equity and feeder platforms have increased the accessibility of private equity to a broader pool of investors and to democratize the access to this asset class. A combination of massively lower minimums, a truly liquid secondary market, and greater operational efficiencies will make private markets truly less private. Private capital markets are being re-invented as we speak. ●


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By **Manuel San Salvador**
Founder, Antwort Capital

Banks under challenges in offering private equity

In a wide and complex offering of Private Equity funds and managers, Banks are still facing challenges to add value to their clients' portfolios. Manuel San Salvador, a former banker and Founder of Antwort Capital, analyses those challenges.

Given the challenging market environment, Private Equity is becoming a must in investors' portfolios where the aims are to achieve higher returns over the long term.

Private Banks have applied different solutions and have increasingly democratized access through certain ad-hoc vehicles for retail investors. However, Banks are still facing several challenges in giving investment direction and opportunities to their HNW clients to join mid-market institutional managers and to build their portfolios. The real challenge is for banks to provide a continuous flow of Private Equity opportunities and advise their clients in the mid-market institutional manager's segment.

Good start but half of the journey

During the last twenty years some banks have started to offer Private Equity exposure to their top clients through well-diversified strategies like multi-manager strategies, by creating their feeders, or through certain vehicles eligible to more retail clients in the recent years, for example the FCR (Fondos de Capital Riesgo) or the FIL (Fondos de Inversión Libre) in Spain or the FCPR (Fonds Commun de Placement à Risques) in France.

All good initiatives, but with a shy approach to the Private Equity world in terms of strategies and manager profiles. They normally focus on big names and large-cap companies trying to minimize any capital loss or reputational risk. Are those where the real value is? "…there seems to be an inverse relationship between fund size category and average portfolio returns, in the sense that average returns of portfolios made up of large-cap funds substantially underperform portfolios made up of mid-cap and in particular of small-cap funds" as Prof. Dr. Oliver Gottschalg states in his study "size matters-small is beautiful".

The value is in identifying those specialized managers or multi-managers in the mid and small-cap segment normally available for institutional investors or very large investors, due to minimum commitments averaging EUR 3 million, and giving access to these managers to investors with average tickets of EUR 300.000.

Juxtaposing the needs of clients, bankers, and banks

I normally distinguish between three client segments within a Bank: Clients with average portfolios between EUR 3 thousand and 1 million; between EUR 1 to 3 million and between EUR 3 and 10 million, not mentioning clients with portfolios above EUR 10 million that normally might have their own PE advisor or even their own family office for the very top ones.

Creating a Private Equity solution for the first segment is not a challenge today, it just requires the Banks' willingness to find out a multi-manager solution and the appropriate vehicle. In the second and particularly the third segment things start to get complicated. It is then that the bank is required to

> **"Creating a Private Equity solution for the first segment is not a challenge today, it just requires the Banks' willingness to find out a multi-manager solution and the appropriate vehicle."**
>
> Manuel San Salvador

select those value-added managers for the second and third segments.
In a risk-controlled environment, the main challenge for the Bank is to perform the Private Equity funds' due diligence and selection and to provide their bankers with a recurrent selection of top Private Equity opportunities to respond to clients' and prospects' requests.
Creating a fund selection team internally is very costly and difficult to justify for a non-core asset class given the bank's addressable client segment. Private Equity should not represent on average more than 10% to 15% of the client's financial portfolio and in addition, not many clients are classified as well-informed or professional investors. This makes it difficult for the bank to focus on this asset class.
However, banks are being forced to react in order to retain their clients and attract new clients from target segments.

Many solutions have been tried, each with limitations for either the bank, the banker, or the investor

Although in-house solutions are perceived by clients as lacking independence, these are still valid solutions considering a bank's resources, its addressable clientele, cost and time-to-market.
The first approach would be the creation of an in-house fund of funds which would compete with established reputable multi-managers. This solution has tended to not do well because of the expense of setting up in-house research capabilities and difficulties in accessing the best mid-market funds.
The second approach would be the creation of a bank's own feeder vehicle to give its clients access to select funds. This solution is operationally cumbersome and requires the development of in-house due diligence capabilities. Developing an in-house feeder is typically a slow process and needs to reach sufficient overall scale to be economically efficient for the bank and the client.
A third solution would be to sponsor Private Equity managers and bring them in-house into a bank. This creates other issues such as lack of track-record and substantial effort in building internal governance and supervision. This has been an appropriate solution only for highly specialized banks with a long tradition in Private Equity and a large addressable client base representing substantial commitment pools of money.

Feeder funds platforms like Moonfare, ICapital, Private Corner, S64 Capital, or Antwort are a solution for the higher client segments of the bank

With some differences between all the most well-known platforms like Moonfare, ICapital, Private Corner, S64 Capital, or Antwort in terms of size, technology access platform, underlying costs, final users, funds profiles and fund managers, target investors, and value proposition, these platforms are responding to the needs of private investors to access to Private Equity.
When dealing with these platforms, the focus of a partner bank should be in fund selection and due diligence, the total expense ratio of the feeder fund and the net IRR difference compared to the net IRR of the target fund.
Antwort is an independent boutique in line with what an in-house Private Equity selection and product development team would be within a bank, aimed at overcoming the challenges and difficulties that I have experienced as a banker. Hence, Antwort offers a very institutional approach to banks in order to assist banks facilitate their clients with access to private markets, while maintaining control of client portfolios, in a controlled, cost-efficient, profitable manner with a quick time to market.
We perform due diligence on the master funds and make it available to our investors, supported by a specialized research team and a solid and reputable Advisory Committee. We analyse the TER and minimize the IRR loss of our feeders and then make it all transparent to our investors. We have built an efficient investors relations team to support banks operationally and in reporting to its clients.
I hope that we can all contribute to make this asset class more available to investors that, although well-informed, cannot reach the investment thresholds of most institutional Private Equity managers. ●

Antwort Capital is an independent Luxemburgish feeder fund platform dedicated to the best mid-market alternative funds giving access to qualified investors directly or indirectly through their Banks from minimum.

More Information:
www.antwort.lu

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By **Codrina Constantinescu**
Counsel at Allen & Overy Luxembourg

and **Ana Maria Barbu**
Senior Associate at RTPR

Cross interview by Codrina Constantinescu and Ana Maria Barbu

Investment by romanian pension funds in Luxembourg investment funds with a Private Equity strategy

Codrina Constantinescu, Counsel at Allen & Overy Luxembourg and Ana Maria Barbu, Senior Associate at RTPR, a leading Romanian law firm, discuss how Romanian pension funds leverage Luxembourg's tool box for their Private Equity investment strategies.

Codrina Constantinescu: Ana, could you please give us information on the possibility for Romanian pension funds to invest in Private Equity funds?

After the legislative overhaul of mid-May 2019 and at the beginning of February 2020, Romanian pension funds have been allowed to expand their investment opportunities by tapping into the pool of Private Equity funds and infrastructure funds. Given the governmental contribution to mandatory pension funds and their cumulated net asset value of over EUR19bn, investments made by Romanian pension funds are some of the most highly regulated on the market while the activity of the pension funds is under constant scrutiny by the national regulator.

Codrina: Ana, what are the market perspectives for Romanian pension funds to invest in Private Equity funds?

Despite the apparent legislative relaxation, Romanian pension funds have still been reluctant to take advantage of the new investment opportunity, with only a single Romanian pension fund announcing a Private Equity investment so far (in June 2021). Nevertheless, the market is shifting, and Romanian pension funds are gradually starting to look towards jurisdictions with established Private Equity fund regimes that would ensure a smooth investment process and satisfy the strict investment conditions imposed by national legislation.

Ana: Codrina, I think Luxembourg is very well placed to take this challenge. Could you expand on this?

Indeed, Luxembourg is the main funds' centre in the EU and it has developed a toolbox that offers a wide range of structuring options for alternative investment funds (AIFs) appointing an EU alternative investment fund manager (AIFM) (that can also be a third party based in Luxembourg) pursuant to Directive 2011/61/EU on alternative investment fund managers (AIFMD). Private Equity managers may opt for fully unregulated funds such as the Luxembourg special or common limited partnerships, for lightly regulated ones such as the reserved alternative investment funds (RAIFs) that require the appointment of a fully authorised pursuant to AIFMD or for fully regulated products such as the specialised investment funds (SIFs) and the investment companies in risk capital (SICARs). Institutional investors – including pension funds from throughout the world – are very familiar with these structures and invest in them frequently when seeking exposure to alternative assets such as Private Equity and Private Equity-like assets (i.e. infrastructure). These structures are flexible enough to easily accommodate the requirements of such pension funds.

> **"Romanian pension funds can invest, among others, up to 10% of their net assets in Private Equity funds and 15% in infrastructure funds."**
>
> Ana Maria Barbu

Codrina: Ana, what are the main restrictions applicable to Romanian pension funds when investing in Private Equity funds?

There are several key aspects which both pension funds and a potential Private Equity fund should take into consideration:

- Romanian pension funds can invest, among others, up to 10% of their net assets in Private Equity funds and 15% in infrastructure funds. The investment threshold is then further trimmed down by issuer exposure limits and indirect investment limits (e.g., co-investments or investments through another fund/vehicle in a Private Equity/infrastructure fund would be counted together within the same threshold).
- Investment restrictions: Romanian pension funds are subject to several investment prohibitions (e.g., entities with more than 50% turnover obtained from alcohol/tobacco production/sale, no investments in gambling/weapons businesses, no investment in real estate or the pension fund manager's securities). This could further narrow down the eligible Private Equity funds depending on the latter's investment strategy.
- Investment valuation: Under Romanian law, pension funds can only invest in transferable assets which can be valued. Investment is prohibited in assets with an uncertain valuation such as antiquities, works of art, vehicles and similar assets.

Moreover, Romanian pension funds can only target issuers who prepare annual audited financial statements which the pension funds then use as the basis for the investment valuation.

Ana: Codrina, are Luxembourg funds able to accommodate these requirements?

Correct – Luxembourg funds are diversified either by virtue of the law (this is the case for SIFs that are subject to a 30% diversification limit, i.e. a SIF should not invest more than 30% of its net assets or commitments in securities issued by a single issuer unless such issuer is diversified to at least the same degree) or by virtue of the contractual provisions included in the limited partnership agreement or the terms agreed in the offering memorandum. It is also possible to include specific limits that apply solely to one investor (such as a Romanian pension fund) in the side letter with that investor. For instance, the fund documentation or the side letter will provide that the fund does not invest in businesses that invest in alcohol, munitions or weapons. These limits are very common for institutional investors in general.

As for the asset valuation, Luxembourg funds comply with product-level valuation rules (i.e. SIFs, SICARs and RAIFs will have their assets valued at fair value unless their documentation provides for another valuation method) while their fully authorised AIFM will ensure that AIFMD valuation principles are properly apply by it and at the fund level. An annual audit report is required for all-Luxembourg funds that have an authorised AIFM.

Ana: Codrina, are there additional protections that apply to investors in Luxembourg funds?

Luxembourg market standards are well established and fully aligned with international standards. As a result, Luxembourg funds will generally include Private Equity terms that are in line with market standards in terms of management fee, carried interest, removal and termination provisions. If this is not the case, institutional investors may seek legal assistance and negotiate the fund terms to ensure alignment with market standards and even with ILPA (International Limited Partners Association) guidance or industry guidance (Invest Europe). This negotiation remains a commercial matter between investors and fund managers, but it should be noted that the Luxembourg legislation creates an optimal environment in order to allow parties to align their interests as much as possible.

The result is that Luxembourg funds already address the constraints applicable to Romanian pension funds and can thus be offered to such pension funds without particular difficulties.

Codrina: Ana, in relation to marketing Luxembourg funds to Romanian pension funds, what are the marketing rules applicable under Romanian law?

To the extent a Private Equity or infrastructure fund falls under the concept of an alternative investment fund (AIF) the general marketing rules under AIFMD should be observed. Romanian law does not provide for any derogatory or special regime in this respect. Consequently, an AIFM actively targeting a Romanian pension fund would need to be authorised and then passport its fund to Romania. Reverse solicitation is permitted under certain conditions. ●

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By **Xavier Balthazar**
Advisory Partner at PwC

and **Bertrand Jaboulay**
Assurance Partner at PwC

Luxembourg – The domicile of choice for funds pursuing alternative strategies and AIFMs

The CSSF has recently published the total assets managed in Luxembourg alternative investment funds ("AIFs") as at 31 December 2020, reaching 1.042 billion euros.

But these are only the "visible part" of the iceberg as the figure does not take into consideration alternative strategies implemented through Luxembourg unregulated vehicles such as the Reserved Alternative Investment Funds ("RAIFs").

Besides UCITS, Luxembourg has historically been a domicile of choice for real estate funds (German asset managers used to set up Luxembourg regulated funds investing in real estate); Cayman, Jersey, Guernsey used to be the preferred domicile for other alternative strategies, such as private equity or debt.

For 10 years more or less, the alternative business has been growing fast in Luxembourg for three main reasons.

1) The AIFM Directive, implemented in Luxembourg law in 2013, requires that both the AIFM and the AIF are based in the EU to benefit from the marketing passport foreseen in the Directive.

It has become very complicated to sell an AIF to EU investors outside of the passport, using reverse solicitation or private placement.

This means that anyone willing to set up an AIF for cross-border distribution in the EU, is de facto restricted to the EU 27 Member States for domiciliation of the AIF. This discards the formerly successful offshore jurisdictions such as the Cayman, Jersey or Guernsey (as well as the UK).

2) Luxembourg has modernised its legal framework by (i) creating an unregulated AIF regime - the RAIF - in 2016 and (ii) creating the Limited Partnership regime ("SCSp) in 2017—being a tax transparent, without legal personality type of partnership—which perfectly fits the needs of the alternatives market. Other EU jurisdictions, which usually compete with Luxembourg for the domiciliation of cross-border distributed funds, do not yet have a similar framework.

3) The so-called "SPVs" - being companies created and owned by the AIFs and which are used for holding the target assets (they pursue various objectives such as facilitating the sale at the time of disinvestment) - have for a long time been domiciled in Luxembourg. It makes sense for fund sponsors to concentrate both the SPVs and the AIFs which hold these SPVs, in one jurisdiction.

Asset managers choose Luxembourg not only for domiciling their EU AIFs but also their EU Alternative Investment Fund Manager ("AIFM").

"The large choice of products and the reputation and maturity of the domicile, are the main reasons for the success of Luxembourg."

There are two kinds of assets managers managing alternative strategies in Luxembourg AIFs:

- The large traditional asset managers which have successfully expanded in the alternative sector.

  A number of these players already had a Luxembourg management company of UCITS. It was natural for them to leverage on that substance and apply for an additional AIFM license, to become a "Super ManCo" in Luxembourg.

- The specialist asset managers which focus exclusively on one or more alternative strategies. They have grown tremendously over the last 15 years, following the overall growth of the alternative assets market.

  These asset managers have historically used third party AIFMs. A portion of them have set up / consider setting up their own AIFM in Luxembourg, as they have reached a critical mass for doing so.

These two categories of asset managers have this in common that, when they have a Luxembourg AIFs' range, they also choose Luxembourg as a domicile for their AIFM. This is for efficiency and substance reasons, it makes sense to have the AIFM, the AIFs and the SPVs all located in one country.

Luxembourg's third party AIFMs are able to provide adequate solutions to all types of asset managers who want to distribute their AIFs in the EU. The choice between the two options—their party AIFM or their own AIFM—is a combination of cost and benefit analysis, the willingness or not to deal with the Luxembourg regulator and to externalise or not some of the regulatory compliance risks.

Why Luxembourg?

Luxembourg is the domicile of choice for EU distributed funds pursuing alternative strategies.

This is because it offers a wide range of products (both regulated and unregulated) which can accommodate investors and asset managers' needs.
It is also because of Luxembourg's reputation and the expertise in the management, administration (incl. the fund & SPVs' administration and depositary business) and cross-border distribution of AIFs.

The regulator also plays a role in that success by issuing clear (and increasingly demanding) regulations while remaining pragmatic.

The large choice of products and the reputation and maturity of the domicile, are the main reasons for the success of Luxembourg. No other EU country has to date managed to combine such factors as well as Luxembourg to develop the AIFs' business.

The international legal and tax framework, as well as asset managers' and investors' needs, are in constant evolution. Other jurisdictions are inspired by Luxembourg to adapt their legal framework in order to make it more attractive. It is important that the players in Luxembourg remain alert to their clients' needs and carry on investing in systems and people. It is also important that Luxembourg carries on adapting its legal framework to remain attractive and make sure that the success story will continue. ●

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Interview of **Gabriela Nguyen-Groza**
Managing Partner, Amrop Luxembourg

By **Evi Gkini**
Business Development
and Project Manager

The Success or Failure of every Private Equity deal has to do with People

Gabriela Nguyen-Groza, the Managing Partner of Amrop Luxembourg, shares with us the importance of people due diligence in Private Equity deals.

What exactly is people due diligence and why it is important in a Private Equity deal?

Well, I would say it is a bit like a pre-nuptial agreement before a marriage. People have an idea about what it is, but very few people do it unless they have already been through a painful divorce. Even in this case, people often repeat the same patterns. They are so excited about the idea of marriage that they are oblivious to how to make the marriage work.

Too often, PE investors ignore, underestimate or postpone dealing with people. They focus on financial, commercial, and operational data and miss entirely the significance and the importance of human issues. People due diligence is unfortunately an exception when it should be a rule, in PE deals. Why? Simply because if the company to be invested in has a people problem, ultimately this will have a negative financial impact.

What is the process of such due diligence?

It is a diagnosis of the company from a people perspective, with a focus on the leadership team, their effectiveness, the leadership skills they have, the way they work together, and their culture. It usually starts pre-deal, during the general process of due diligence, with "a light pre-scan" that will show the red and green flags to be considered. Then, the process continues post-deal with the implementation of the measures to resolve the problems discovered during the assessment.

I must admit that most of the time, the process starts after the deal when the investors realize the gravity of the people's problems and try to fix them. Fortunately, the process can either solve these problems (if it is done after the deal) or, most importantly, avoid them (if it is done before the deal).

> **"PE investors reading this article found themselves, at a certain moment of their career, pulling out their hair, stuck in deals that suddenly went wrong because of people." "**
>
> Gabriela Nguyen-Groza

The People Due Diligence process is quite straightforward. It starts with an important conversation with the Investors about their values and investment approach. We need to understand their motivations to put money into a specific company, but also

- What are the values and the culture of the target company?
- What is the strategy that the investor has for it?
- What are the gaps between the leadership skills they have and the ones they need to fulfill the strategy?

This information helps them make critical decisions that will have a huge influence on the financial performance of the company. The outcome of this process is to empower the right people, put them in a position to be successful, and make the company financially successful as well. I can bet that the vast majority of the PE investors reading this article found themselves, at a certain moment of their career, pulling out their hair, stuck in deals that suddenly went wrong because of people.

Is there a difference in the methodology and results if the people due diligence is done before or after the deal?

The sooner it is done the better, as this process is extremely important to strengthen (or not) the investment decision. It can enhance a deal or kill it and it can also play a role in the size of the investment. The process can start before the deal with a quick organizational assessment, that will analyze the target company's way of functioning and its culture.

- Does it have a functioning organizational structure where decisions are taken effectively and executed properly?
- What are the reporting lines and how many hierarchical layers are between the leaders and the people on the frontline?
- How are decisions made and what is the company's system of checks and balances?

The assessment of the leadership gives a clear image of what are the leaders' individual values, their personal mission, and their own leadership style. Of course, every key individual is also benchmarked externally, to be sure that the company has the best management team from the start. This can lead to important decisions on whom the investor chooses to retain and who needs to be replaced. At a team level, we also analyze the link between the strategic challenges, the key targets, and the way the management team works together. Understanding how they work as a group helps communicate transparently and clearly what is expected from them, as a team and individually. Of course, in terms of communication, the investor has to be sure that people are empowered and given the means to reach the company's goal, by developing individuals who need it and helping them to acquire the skills they need to perform better.

What is the ultimate outcome of this process?

The goal is to build successful teams that will lead the company successfully to the next phase.

The process can highlight strengths and weaknesses from a people perspective in any investment proposition. It transforms unknown threats into opportunities at an early stage. The investors' commitment to deal with any issues and challenges upfront really makes the difference between a bad deal and a real success. We can blame market conditions, the general context, or find another reason for failure, but, at the end of the day, we all know that the success or failure of the PE deal has to do with people. People due diligence should be a rule, not an exception. ●

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By **Fouzia Benyahia**
Co-Chair of the Legal
YPEL

and **Mathieu Voos**
Co-Chair of the Legal
YPEL

LPEA

Legal Young Private Equity Leaders Group

At the origin

In 2017 the LPEA launched the Legal - Young Private Equity Leaders Group which is a sub-group of the Legal Committee. This group is a pool of young talents that brings together the young Private Equity market players of La Place with the aim to provide a fresh and different look and perspective on the Luxembourg Private Equity industry.

Who

The Legal - Young Private Equity Leaders (YPEL) Group is co-chaired by Fouzia Benyahia (Arendt & Medernach) and Mathieu Voos (Debevoise & Plimpton) and is currently composed of around 15 members who are experts working for major law firms in Luxembourg, thus creating a squad of young talents supported by the major actors of the Luxembourg legal market.

What

This group of young professionals aims to provide a new look on market trends by sharing their mutual experience and respective ideas. Our objective is to create and maintain an interactive and dynamic forum and to give to the Private Equity players a new and different vision based on members' knowledge, skills and market analysis.
Recently, in collaboration with the Tax Young Leader Working Group, we issued a paper setting out an overview of the Luxembourg legal and tax opportunities and challenges related to SPACs and DE-SPAC transactions analysing the approach to be adopted by the Private Equity investors who/which found/ may have found a new investment tool. We also organised a webinar to discuss the EU Commission's proposal to update the AIFM Directive and its implication for the Private Equity Industry notably regarding the delegation model. A Q&A session on trends in the Private Equity market has also been organised and is available on the website of the LPEA. Lastly, we set up a new working sub-group which will work on the draft law n°7890 on the right to disconnect which will have three objectives: advocacy for the interests of our sector, training session to be prepared allowing the PE actors to comply with the new regulation once it comes into force and setting up a general framework to be adapted for specific cases and situations. We are eager to continue our collaboration with others LPEA committees / groups to benefit from synergies and peering effects on a larger scale.
But this squad of young professional is not only about papers and technical webinars, it is also about having fun(d). Last winter, the YPEL and the Tax Young leader Working Group gathered for a festive night at the Cercle Munster and celebrated the New Year. More to come in the coming months.

> **"Our objective is to create a dynamic forum and to give to the Private Equity players a new vision based on members' knowledge, skills and market analysis."**

When

Despite the activity of the members which has continued to increase regardless the COVID-19 waves, the YPEL remains fairly active and is steadily adding its brick to the bastion by making regular contributions under various forms and meetings at least every quarter.
As the group welcomes more and more new members and Luxembourg eases COVID restrictions, physical meetings and events will resume on a more regular basis.

How to apply

If you are interested in joining, you will be more than welcomed to fill in an application form on the website of the LPEA (https://lpea.lu/membership/). ●

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Apex Corporate Services

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By **Marc Auxenfants**
Journalist

Leveraging parenthood as a Private Equity strategy

Three Private Equity professionals explain how being parents of babies and young children changed their own perception of their daily business.
How do Private Equity professionals accommodate their work-life balance as young parents? Did they choose a paid leave in order to stay at home and raise their children? When back to their office, how did/will they reorganize their day-to-day in order to combine both their family life and career?

Organization and forward-thinking are key

Petya Dimitrova is Partner in the International Corporate Tax department of ATOZ Tax Advisers. She advises mainly Private Equity, Real Estate and Infrastructure clients, providing General Partners and investors input into strategies to set up tax efficient structures, increasing the profitability of their investments, ensuring full regulatory compliance. She also conducts compliance and due diligence reviews on companies the parties intend to invest in. "I cover all tax aspects of the Private Equity business landscape, meaning from acquisition to divestment on both the buyers' and sellers' sides," she explains. "My role is here to anticipate and navigate, alongside with General Partners and investors, within the tax sphere. In the due diligence process, I review all corporate tax documentation before advising investors as to whether the deal at hand is interesting from a tax perspective."


Petya Dimitrova

Mother of a 3-year-old child and a 4-month-old baby, Petya is currently enjoying a 3-month parental leave. She will then return to the office for a few weeks before taking an extra month of parental leave in August, an off-peak period in Private Equity. However, she does not totally disconnect from her business: "Even if our organization's

> **"You need to have confidence in the system and to allow yourself to become parents [...] if it is your desire to raise a family while working and building a career"**
>
> Petya Dimitrova

When they will be older, I will take a parental leave, in order to spend more time with them, and to enjoy it."

Saïd Hadji

back-up system works well, I need to read, keeping myself informed and updated on industry happenings, as there are always new legislative and regulatory amendments driven by the OECD and the EU initiatives that I need to keep on top of," she explains. When back to the office, Petya intends to work full-time, leaving at 6pm to spend the evening with her children. If necessary, she will return to her client files once both "are tucked up in bed." "Tax advisory in Private Equity implies full availability and flexibility on a short deadline. When a deal is about to be signed-off, the review needs to happen quickly. You must react rapidly because deals will not wait," she details. "Therefore, a part-time schedule is not optimal in our profession as it is difficult to completely disconnect from your portfolio."

To future parents who hesitate combining family life and careers, Petya insists that maternity and parental leave periods are to be fully respected and taken in consideration: "You need to have confidence in the system and to allow yourself to become parents," she suggests. "You should get the best advantage of a parental leave, if it is your desire to raise a family while working and building a career". Back to her business, Petya intends to reassure colleagues who may have doubts about taking this next step in their lives: "Organization and forward-thinking are key. If you are well-organized, you'll be able to manage and balance both your personal and professional projects," she recommends. "Remember: People who are happy in their overall lives are always more productive!"

My fulfillment must be both personal and professional


Saïd Hadji

Saïd Hadji co-manages Haca Partners, Audit and Governance, a financial services and advisory firm he co-founded with Cyril Cayez in 2016. The company operates external and internal audit, compliance, risk management and consulting services. Clients are, among others, firms that specialize in Private Equity. Father of two children respectively of 4 and 15 months, he decided to take no parental leave: "In fact, I do not see the need, when my kids are too small," he explains. "I do my utmost to be available for them every day and spend qualitative moments: in the mornings, evenings and during the weekends, and sometimes I work from home. When it is needed, I always arrange at work to come home and take care of them. Hence I consider myself to be sufficiently present at this stage of their childhood." He therefore keeps this benefit for later: "When they will be older, I will take a parental leave, in order to spend more time with them, and to enjoy it," he says.

To better combine both professional and family lives as an entrepreneur, Saïd has completely changed his pace of life: "I now get up very early in the morning. As many other parents, my wife and I take care of our kids in the mornings and the evenings and then reconnect and work later," he details. For Saïd, achieving this double life is only a question of organization and planning: "Once the routine is integrated into your life, you can better manage, and you do not live it as a constraint," he explains.
However, this new parenthood has not changed his entrepreneurial nor his leadership approach. "We have always promoted a work-life balance by offering flexible hours, 33 annual vacation days instead of the legal 26 days off, and we organize a family day and a Christmas party, with our staff and their family" he says. "When you have children, you understand better the parental situations of your employees, because you also live these. For my

> I would like to capitalize on my experience and be a role model, especially for young women, who remain shy or don't dare having babies."
>
> Laura Zahren

part, my family remains my priority, even if I love my job." Should an entrepreneur be a model or an example on work life-balance matters for his teams? "I don't hide when I come home early to take care of my children," he replies. "As entrepreneurs, we also advocate long-term working relationships with our staff. For us, the most important is that people feel good about their work and stay the longest with us."
Indeed "Haca" stand for "Humility", "Availability", "Competencies" and "Accountability". Four values the firm puts in practice in its relationships with their employees, too. According to Saïd, being able to reconcile family and work, makes the right balance between both lives: "My fulfillment must be both personal and professional. This is for me the key to success and a personal goal," he says.

Professional mum and role model


Laura Zahren

Laura Zahren is Senior Tax Manager in the alternative investment department of KPMG Luxembourg. Among other tasks, she performs compliance, due diligence, and tax return reviews, with a focus on advising Private Equity players, real estate funds investors, on tax structuring and set upping. She is also Sector Ambassador for the alternative investment market within the whole KPMG group. She coordinates the industry's visibility on product and client relationship management.
Now a mother of a 7-month-old boy, Laura has been on parental leave for four months already. She will return to work in August, during the low-business season. A smooth return that will allow her to get back on track and update with new processes, legislation, and regulations, before the new business year starts in October. "I really wanted to enjoy the first months in my new mum and family role," she says. "However, I already miss the work and my colleagues. I'm therefore super happy to go back to work". She admits that she does not totally disconnect from work while at home: "Although I am confident in my team, I continue meeting my colleagues. I keep checking my emails regularly, to remain in the loop and to see what is going on in the company and in a tax law and environment, which are constantly evolving," she details. Three months prior to her childcare leave, she prepared her team and clients to her 11-month absence: "I trained my staff who took over my files, and I introduced them to my clients. It is a matter of ensuring a business continuity and trust between everyone involved in our projects," she says. "Organization and preparation are keys."

During her maternity and parental leaves, she shared photos of her pregnancy – then of herself and her kid – with her colleagues: "Although it is not business related and not something you usually announce as 'new job', I am happy to share that I entered into the adventurous new role of being a #mom!," she also posted on LinkedIn.
When back to work, she intends to implement changes in her new mum-job. First, she will work 80%, to spend time with her kid and friends, and have some 'me-time' for herself. "As a professional mum, I gained more sympathy with women who struggle to have a work-life balance. I will be more understanding to my parent-colleagues," she insists. "I also changed my way of listening, as it is important to listen, to keep connection and to motivate others." Laura is strongly willing to set up a working environment, where private life also matters. "As a senior manager, I really would like to capitalize on my experience and be a role model, especially for young women, who remain shy or don't dare having babies, taking parental leave and aspiring for a family life while pursuing a professional career," she details. ●

LPEA EVENTS

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Romain Chauvin and Amaury Lambert (Edmond de Rothschild Private Equity), speakers at the Luxembourg Private Equity Cocktail in Paris

Luxembourg Private Equity Cocktail in Paris

Luxembourg Private Equity Cocktail in Paris

Stephane Pesch (LPEA) and Martine Schommer, Ambassador of Luxembourg to France at the Luxembourg Private Equity Cocktail in Paris

Nick Tabone (Deloitte), Laurent Capolaghi (EY), Valérie Tixier (PwC) and Mickael Tabart (KPMG) speakers at Behind the Luxembourg Private Equity scene with the PE leaders of the Big4

Bertrand Manhe (Genii Capital), Valérie Tixier (PwC), Viviane Rouarch (Caceis), Anja Grenner (TMF Group), Daniel Engel (Brown Brothers Harriman) at Behind the Luxembourg Private Equity scene with the PE leaders of the Big4

Stephane Pesch (LPEA), and Guillaume Jobard (Alpha FX Group) at the LPEA Academy Networking Cocktail

Luis Galveias and Evi Gkini (LPEA), Josepha Damoiseau (Apollo Global Management) and Armin Thon at the LPEA Academy Networking Cocktail

Luxembourg Private Equity Cocktail in Milan

Maren Stadler-Tjan (Clifford Chance) and Pierre Weimerskirch (Sanne LIS) at the Luxembourg Private Equity Networking Cocktail in Munich

Luxembourg Private Equity Networking Cocktail in Munich

Claus Mansfeldt (SwanCap - LPEA) at the LPEA New Years' Party Milan

Riccardo Furlani (Trustmoore Luxembourg S.A.), Christine Impens (Three Hills Capital Partners), Valtteri Valpas (Innpact Fund Management) and Carolina Thiede (Boscalt Hospitality) at the LPEA New Years' Party

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 345 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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- AIFMD
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- Unregulated Funds
- Financing In PE

Tax
- YPEL
- VAT

Market Practice & Operations
- Risk Management

Central Intelligence
Fund Administration
Promotion Sounding Board
PE/VC Depositary Services
Private Debt

Clubs

ESG
Private Equity For Women (PE4W)
Venture Capital
Large Buyout
Single Family Offices (SFO)
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