LPEA

THE LUXEMBOURG VOICE OF PRIVATE CAPITAL

Press Clippings 2023

LPEA

TABLE OF ARTICLES

TABLE OF ARTICLES

NEWS

A guide to showcase the VC community in Luxembourg

Luxembourg start-ups are increasingly attracting investments from both national and international venture capital investors. The Luxembourg Private Equity Association (LPEA) published a VC Guide in November 2022 to highlight this community, which plays a key role for the start-up ecosystem.

Accueil

What venture capital (VC) firms are active in Luxembourg? In what areas do they invest? What are the maturity levels of the companies they support? Until recently, finding answers to these questions was difficult for those who were not directly in contact with each venture capitalists.

Thanks to the comprehensive VC Guide produced by the Luxembourg Private Equity Association (LPEA) in partnership with Silicon Luxembourg, extensive knowledge about this community of investors is now only a click away. In addition to the online version, a printed version can be ordered directly from Silicon Luxembourg.

Increasing number of venture capital firms

“The number of venture capital firms operating from Luxembourg has dramatically increased over the recent years, and today it is more complicated to navigate and target the right VCs,” says Luis Galveias, COO of LPEA.

> *The number of venture capital firms operating from Luxembourg has dramatically increased over the recent years.*

He adds: “In parallel, VCs are very busy and want to be approached by start-ups which match their main investment strategy. We are convinced that the market was in need of a VC Guide and therefore decided to partner up with Silicon Luxembourg to execute this project and deliver this constructive industry effort.”

Great added value for Luxembourg start-ups

The contribution of VCs is crucial for the development of the start-up ecosystem as they provide the necessary funds for accelerating the growth and internationalisation of start-ups.

> *Local VCs are very involved in sharing knowledge with founders.*

“VCs play a very important role in the local start-up ecosystem, because local VCs are very involved in sharing knowledge with founders,” argues Patrick Kersten, Chairman of the Luxembourg start-up association Startups.lu.

“Luxembourg has a booming ecosystem, and we are starting to see more and more success stories. I’m convinced that the VC community is increasingly interested in investing in our local start-ups,” adds Jonas Mercier, Coordinator of Startup Luxembourg.

io investment officer | Luxembourg | Sector | Markets | Regulation | People | Podcasts | Research | Partners

MARKET OUTLOOKS · PEOPLE

Luxembourg confident it can weather any turmoil in 2023

Raymond Frenken – 09 January 2023

While general expectations are similar to cautious voices heard elsewhere in Europe. Luxembourg remains confident that it is well placed to weather any turmoil that 2023 may bring. The continued push to make finance sustainable and the long-term perspective of investors in private markets are among the factors that underpin this optimism.

As 2023 kicked off, *Investment Officer* asked representatives of Luxembourg's financial ecosystem what the new year will bring for their business. Geopolitical uncertainty, rising interest rates, more stringent sustainability requirements, modernisation of the regulatory environment, democratisation of private equity, and pressure on costs and margins are expected to shape the next twelve months in the grand duchy's financial system.

Camille Thommes, director general of fund industry association ALFI:

"Implementing and complying with the continuing wave of regulation will remain a challenge for the asset management and fund industry. The implementation of the EC's sustainable finance agenda is key for all stakeholders: CSRD, EFRAG, additional technical screening criteria for the four remaining environmental objectives etc. In addition, pressure on costs and margins in a volatile economic environment, marked by geopolitical tensions will prevail in 2023."

"This being said, the fundamental strengths that characterise the attractiveness and international success of the Luxembourg fund industry stay intact. In order to retain its leading position, further efforts are required to modernise the regulatory toolkit and improve the overall tax framework."

Nicolas Mackel, CEO of Luxembourg For Finance:

"The macroeconomic and geopolitical turmoil that we saw define last year will continue to shape 2023. There are, however, silver linings. Most notably the fact that finance will persevere in its acceleration towards sustainability. As our need for energy independence and the existential fight against climate change converge, finance will play an increasingly significant role in achieving these goals. Finally, it is my hope that these shifts will in turn mean the financial services sector will see increased interest from young individuals deciding their future career path."

Jerry Grbic, CEO of Luxembourg's banking association ABBL:

"The year 2023 will be marked by uncertainty, both for the banks and for our fellow citizens in general. The geopolitical context will continue to weigh on the economy. Inflation is here to stay. After years of zero or even negative interest rates, we are now back to a situation where banks will be able to rely on interest margins closer to the historical norm. There is no denying that this will have a positive impact on the revenues of some banks. But the banking landscape is very diverse and other banks will be affected by negative market effects or a decline in lending activity. We can therefore expect a year of transition for banks in a context where companies would need them to be at their side to finance their ecological and digital transition."

Stephane Pesch, CEO of Luxembourg private equity association LPEA:

"After a 2022 vintage which could have been 'the year of all dangers', just after the C-19 pandemic, the private equity industry has shown its resilience, has adapted accordingly to the geopolitical, economic context and has implemented many mitigation measures in order to cope with the rise of interest rates, inflation and uncertainty. Nonetheless these adverse effects have influenced the fundraising, deal making activities and especially exits of the last months and this situation is meant to continue at least over the next quarter but the PE model – value creation – is completely intact and the investors – the LPs – have already integrated that in their future allocation plans. In 2023 we will mainly focus on ESG, sustainability and impact, the democratisation of the private markets, the Luxembourg fundraising hub, monitor the prospective regulations and closely follow the effects of the increasing costs of financing."

Nicoletta Centofanti, interim general manager, Luxembourg Sustainable Finance Initiative:

"Every year the need to urgently transition towards sustainability is becoming more evident. In this new year, sustainable finance will continue strengthening and being a priority while facing challenges such as greenwashing, the skillset gap, measurement harmonisation, the overall market turmoil, and the fast-evolving regulatory landscape. Overcoming these will be crucial to ensure this transition and have sustainable finance become mainstream. A great deal of attention will need to be placed on strengthening the required skillset, intensifying the work on the standardisation of reporting ensuring the impact of investments is measured, and continuing to raise awareness on this matter to increase investors' demand, avoid malpractices and refute misconceptions."

Annick Drui, manager of the BL Sustainable Horizon fund at BLI – Banque de Luxembourg Investments:

"Expect a continuous need for open-mindedness, change and adaptation as we are unlikely to see a slowdown in the emergence of new concepts, requirements and hurdles regarding ESG. In light of this, the importance will clearly be on not losing sight of the big picture nor practicality in all the turmoil surrounding sustainability. What is it you want to achieve? What resources do you have at your disposal? And how can you best mobilise them one step at a time to achieve the positive impact you want to see? Remember change is gradual until it is abrupt."

Riccardo Lamanna, country head Luxembourg at State Street:

"The institutional services business will experience further developments in some trends that already emerged in the last couple of years: ESG, Data and Digitalization. These trends, while having specific and inherent characteristics are interlinked as data is now at the core of every business process which has to be digitalized to provide appropriate outcome and reporting like for ESG. Service providers will have to continue to invest in these areas to strengthen their competitive position and provide high quality services to their clients."

Marc Kriegsmann, head of business development asset servicing, Hauck Aufhäuser Lampe Privatbank AG:

"Due to the high level of expertise and service quality of its market participants, Luxembourg has proven to be a fast-growing but robust and resilient fund market over the last decade. We expect 2023 to be more challenging for fund initiators in the alternative asset market – especially for real estate and real estate debt strategies. But there are plenty of strategies which are still very promising for professional investors who would like to set up their fund platforms and for fund promoters. The focus might transfer to areas like private debt, infrastructure and renewable energies for which Luxembourg will retain its excellent market position.

Xavier Zaegel, investment management leader at Deloitte:

"In 2023, macroeconomic and geopolitical uncertainty are expected to pose new challenges for investment managers. Most firms experienced a decrease in revenue base due to capital markets in 2022, with relatively flat organic growth. As deal activity declines in 2023, post-merger integration activity will most likely emerge as the M&A theme. The investment management industry is undergoing changes that should be addressed with increased technology spending and the development of new products and services that align with changing investor preferences. Cyber risk remains one of the most pressing concerns, and we expect significant increases in spending in 2023."

Alban Aubrée, assurance services partner and CFO of EY Luxembourg:

"2023 is expected to be another volatile year with unique opportunities, in particular for alternative asset managers to deploy capital they have raised in recent years but not yet invested. This dry powder may very well become an alternative source of financing for companies whose long-term leverage capacity is impacted by the continued rise in interest rates. Relatedly, we may see a rise in distressed debt and special opportunities in the 2022 accounts being released this first quarter. Overall, strategic cost management and deeper restructuring will be high priorities for those looking to maintain their earnings objectives."

Alek Jakima, director at GP Bullhound:

"Although we are in an economic downturn, technology has not failed us, and it is never as good or as bad as valuations may imply. What we're seeing is a correction and a return to looking at company fundamentals. For 2023, we are bullish on cloud and artificial intelligence, energy efficiency, enterprise software, and digital consumption to accelerate technology's progress in building the future with revolutionary products and solutions."

Max Mailliet, managing partner at E2M:

"The new year will be a year of great investment opportunities, especially into distressed assets, which might be on the rise. My only regret is that the reform of Luxembourg insolvency law, with new restructuring mechanisms, is still waiting to be passed, as it would be extremely helpful in the current economic climate."

Stay abreast of the key developments in Luxembourg's financial and investment ecosystem by subscribing to *Investment Officer Luxembourg*. Our editorial team, columnists and knowledge experts provide timely and relevant insights on topics such as supervision and regulation (EU and Luxembourg), sustainable finance and taxation, private markets and alternative investments. We also provide a daily newsletter in your mailbox around 8am on weekdays. If you are interested in sharing your expertise as an IO Knowledge Expert, contact Raymond Frenken, Editorial Manager Luxembourg via raymond.frenken(at)investmentofficer.lu.

FINANCE - FUNDS

PRIVATE MARKET FUNDS

New investor relations niche

Written by Stephen Evans
Published on 10.01.2023 • Edited on 10.01.2023 at 15:50

Claus Mansfeldt is chair of the Luxembourg Private Equity and Venture Capital Association and chair of Swancap Investment Management. Photo: Guy Wolff/Maison Moderne

Luxembourg private equity players should target the growth of the investor relations activity, says the local industry body Luxembourg Private Equity and Venture Capital Association (LPEA). We spoke to their chairman, Claus Mansfeldt, about what the industry and local regulators could do to make this happen.

In the decade since the alternative investment fund managers directive (AIFMD) has transformed Luxembourg's role within the private assets space in Europe, the country has grown its niche of helping fund managers achieve regulatory compliance. When considering how to take this to the next level, thoughts often turn to attracting fund deal makers to Luxembourg. However, movement in this direction has been minimal.

Digitalisation and rationalisation

Claus Mansfeldt, chair of the LPEA trade association, continues to see promise in this direction. "We know that some deal teams and portfolio managers are setting up in Luxembourg," he said. "You don't necessarily have to be walking the streets daily of the city where you might be doing your next transaction." He also sees other directions where the country would be able to step up.

"More of the entire workflow can be done digitally, and that's to Luxembourg's advantage." Aspects such as governance have migrated considerably to the grand duchy, particularly during the pandemic. Board meetings and their related procedures plus contractual and [anti-money laundering] work have taken place in digital formats and "the evidence is that it has worked quite well," Mansfeldt commented.

Investor relations hub

Inspired by this, the LPEA has decided to promote the country as a centre of excellence for private equity investor relations. This activity is about managing relationships with current investors while attracting new interest.

"We have the entire value chain here," said Gilles Dusemon, LPEA executive committee member, speaking at the Insights Fundraising conference organised by the association in October. He said this gave the country the foundations from which to grow as an investor relations hub. "We have over 600 registered investment fund managers, over 6,000 people employed in the sector, we have the custodians, the central administrators, we have the TAs [transfer agents], the risk management. And we have the product," Dusemon noted. "The entire world is using the Luxembourg fund product, so investor relations is a huge opportunity for our industry."

Split model

"The business model could be split between specialised hubs," Mansfeldt suggested. "The investment management, the deal making could be in one, while the fundraising and investor relations in another." Furthermore, he believes that investor relations is set to come to the fore: "In boom times, on the whole, the money finds the deal, and therefore investor relations perhaps doesn't have such a huge role. But now we are clearly entering a phase where that will play a bigger part."

A few companies have this activity located in Luxembourg, but Mansfeldt characterises this as "embryonic". Asked to quantify how big these investor relations teams could be, he suggested they could start gradually, with 1-2 people representing about a tenth of a large firm's investor relations activity. "But when you start your project you will add over time."

Cross-border DNA

An instinctive advantage for Luxembourg is the fundamentally cross-border nature of the work here. "Funds are being raised cross border with the Luxembourg domicile, so it's in the DNA already, unlike some other hubs," he said. London also has this outlook, and hence has a considerable specialisation in investor relations for the global market. However, from a European perspective, the question of Brexit is a concern. Many in the industry thought that the UK leaving the EU would have caused a faster outflow of activities of this nature, but so far this has been minimal. The LPEA sees signs of this starting to happen, however.

It appears that the pandemic and the move to remote working removed immediate pressure to change, which encouraged players to carry on using the UK as a base as per normal. "But now there is a lot more focus on the investor relations function all together," said Mansfeldt, and this could bring firms to reconsider how these operations are organised.

READ ALSO

- Eltifs an opportunity in democratisation of private assets
- People due diligence: "Be aware of what you will find in the company"
- Focus on fundraising at private market fund forum

Marginal gains reforms

To provide a jolt, the LPEA would like the government to make some small but significant adjustments to the regulations around the private equity business. "It's not so much failings as there being room for improvement. We are not looking for a revolution," said Mansfeldt. "I have a three-page list of very technical legal clarifications that our legal committee is communicating with the government."

For example, he cites the rules around the use of distributed ledger technology and how they could be reformed. TAs and custodians are turning increasingly towards these fintech and regtech options, and the regulator has allowed such players to use blockchain-based tools. However, the fundamental laws that govern certain details of these transactions date back to before the internet was invented.

Joined up regulation

"Distributed ledger technologies are to a large extent accepted at the CSSF level, but this is not reflected in the laws," he commented, referring to Luxembourg's financial regulator. Details like that makes some managers hesitate. "The London lawyers, the New York lawyers will point out that there's one thing on the regulator's website, but there's another thing in the law that doesn't quite correspond."

He added that this is a side effect of having a proactive regulator, with the CSSF being forward-looking in embracing new trends and adding to a first-mover advantage dynamic. "That's great, but it's the synchronisation of the regulatory interplay between the two frameworks that is also important."

Entry requirements

Another tweak would be lowering the minimum entry threshold for investors in private equity. Luxembourg law puts this bar at €125,000, but the likes of Ireland, Germany, the Netherlands and Italy have this at €100,000. "Anecdotally, we've heard some have chosen not to domicile funds in Luxembourg simply for that reason," said Mansfeldt.

This move goes with the growth of the "democratisation" of the alternative investments sector, with these seen more widely as being relevant for a greater number of individual private investors, including in the mass affluent client segment. EU regulators have signalled their interest in moving in this direction as they aim to help entrepreneurs gain access to a wider pool of investments. Hence, Mansfeldt would like Luxembourg to go with this momentum.

"The change from €125k to €100k might not sound like much but can tip the balance away from Luxembourg," he said. Moreover, it is also a somewhat emblematic figure that is easy to comprehend. Reform would reassert the desire of Luxembourg to be a pacesetter.

Either way, there is general industry optimism that the sector is set to grow, with the grand duchy able to take its share. Recent data from the research firm Preqin forecast that assets under management in alternative funds globally would increase from $13.7trn at the end of 2021 to $23.3trn at the end of 2027. In Europe, assets are set to nearly double to $4.1trn over this period.

As one would expect, Mansfeldt believes the attractiveness of PE investing remains despite the changed global economic circumstances. "It's more important than ever to make a relatively significant positive real return, hence the relevance of a strategy including a significant portion of investment in private equity," he said, citing "mid-teens" returns over the long term on average. The work has commenced on carving out a larger share of this promising activity for Luxembourg.

This interview originally appeared in the Delano 2022 alternative funds supplement

OUTLOOK

Institutional investors moving more into private market funds

Written by Stephen Evans
Published on 10.01.2023

Giuliano Bidoli, director, tax, BC Partners and Luxembourg Private Equity and Venture Capital Association (LPEA) executive committee member. Photo: LPEA

Listen to this article
0:00 / 1:33 1X

Institutional investors will continue to increase their exposure to private market funds over the next few years, according to Giuliano Bidoli at BC Partners.

"Looking at private markets in 2023, we think we will see institutional investors increasing their investments in this space, even given the current environment of rising inflation," said Giuliano Bidoli, director, tax, BC Partners and Luxembourg Private Equity and Venture Capital Association (LPEA) executive committee member. The main motivation will be the ongoing desire for diversification of investment in the search for returns in a variety of sectors and asset classes.

Regarding managing this growth, he believes that "ensuring cost control is a particular challenge for next year and beyond". Relying exclusively on manual processes is not an option, not least because more effort is required to analyse performance, costs and energy use in portfolio companies. "It will require an upgrade in digital technology, which will speed the collection and processing of the data needed to inform decision making," Bidoli said.

The government could help. "A change that many are calling for in the industry is a reduction in the minimum investable amount required by individuals to access alternative funds. Other countries have done this."

This article originally appeared in the Delano 2022 alternative funds supplement

FINANCE - PRIVATE EQUITY

LUXEMBOURG PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION

LPEA obtains sustainability label

Written by Lydia Linna
Published on 13.01.2023 • Edited on 13.01.2023 at 11:38

Share

Luís Galveias is chief operating officer and CSR manager of the Luxembourg Private Equity & Venture Capital Association. Photo: Maison Moderne

The Luxembourg Private Equity Association (LPEA) has been awarded the ESR-Entreprise Responsable label from the National Institute for Sustainable Development and Corporate Social Responsibility (INDR).

The certification process is "a big achievement for the LPEA and the start of a journey which will lead us to improve our decision-making process and to take conscious options in view of the commitments we are signing now," said the association's chief operating officer and CSR manager Luís Galveias. The certificate highlights the LPEA's commitment to implementing environmental, social and governance (ESG) criteria in the private equity and venture capital industries, the association stated.

The LPEA already has several initiatives in place, such as promoting CSR principles via their ESG Committee and their PE4W (Private Equity for Women) Club or offering a training budget to each staff member, explained Galveias. The importance of diversity was highlighted ahead of board elections, and last year, the association also donated to support Ukrainian refugees.

Promoting gender diversity

In addition, the private equity association has also applied the "no women, no panel" rule since 2019. This has resulted in a strong push to rethink who can--or should--contribute to events, said Galveias. The PE4W group supports women in pursuing careers in the private equity industry by providing a space to share stories, develop soft skills and to participate in networking opportunities.

The LPEA itself also consists of a diverse team in terms of gender and nationalities. "Our plan is to inspire by example, with a firm commitment to motivate our members to consider gender balance when applying to our executive committee and board," said Galveias. "It's important to note that the co-chairmanship of our committees and clubs underlines another good practice--22 of our 31 committees and clubs are at 'par,' meaning one woman and one man."

Code of conduct and CO2 compensation also announced

In addition, the LPEA announced that in 2023, it will introduce a code of conduct for its members. It is still in preparation, said the association, but the goal is to strengthen the LPEA's governance. "The number of our members and their diversity substantially increased over the last four years," said Galveias. Many single family offices have joined, as well as independent directors, non-executive directors or founders of technology firms. "It's now important to create an internal framework that guides members towards good practices and prevents any wrong decisions or activities which could negatively impact other types of members."

Moreover, the private equity and venture capital association will begin compensating for its CO2 emissions and have a budget dedicated to corporate social responsibility activities. It will offset the carbon emissions related to events and international roadshows.

The ESR-Entreprise Responsable label, which was awarded to the LPEA on 21 December, is valid for three years.

LUXEMBOURG PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION

LPEA starts 2023 with a bang

Written by Lydia Linna
Published on 20.01.2023

Share

Attendees at the LPEA New Year's reception at Melusina on 19 January 2023. Matic Zorman / Maison Moderne

1 / 26

There was a full house at the Luxembourg Private Equity & Venture Capital Association's New Year's reception at Melusina on 19 January, which featured carbon offsetting, a few brief words from association members and networking.

With references to the World Economic Forum taking place in Davos earlier in the week as well as ChatGPT, an artificial intelligence chatbot launched in November 2022, the LPEA kicked off 2023 with a packed New Year's event.

Stéphane Pesch, CEO of the association, and Claus Mansfeldt, LPEA president, thanked attendees for their presence and gave a few brief remarks to start the evening. The association, which added 101 new members in 2022, will continue with its roadshows throughout the European continent, as well as add events in Texas, California and Singapore in 2023.

As part of its sustainability goals, the LPEA will offset the carbon emissions related to its events and international roadshows. Upon their arrival at Melusina, attendees were asked about their mode of transportation and the distance they had travelled.

LPEA members Nic Müller (Avega Capital Management), Lily Wang (Expon Capital), Mathieu Perfetti (Threestones Capital), Stephanie Atnas (Aztec Group) and Benoit Moulin (Domos) also spoke about opportunities in venture capital, innovation and their outlook for 2023.

Luxembourg Private Equity & Venture Capital Association | LPEA | Stéphane Pesch | Claus Mansfeldt | Nic Müller | Lily Wang | Mathieu Perfetti | Stephanie Atnas | Benoit Moulin

WEBINAR

“Very bright future ahead” for Eltifs, say industry experts

Written by Lydia Linna
Published on 10.02.2023 • Edited on 14.02.2023 at 11:11

Silke Bernard from Linklaters (pictured) and Ronn Henry from Partners Group shared their experience with Eltifs and their outlook on the new regulation during a webinar on 9 February. Photo: Bob Voirgard

At a webinar on 9 February hosted by the Luxembourg Private Equity & Venture Capital Association, Silke Bernard and Ronn Henry talked about upcoming changes to regulation on European long-term investment funds (Eltifs) and its use as a tool to democratise private markets and assets.

The first regulation on European long-term investment funds (Eltifs) was published in December 2015, with the first Eltif launched in Luxembourg in 2016, began Silke Bernard, global head of Linklaters’ investment funds practice. As of January 2023, there are 84 Eltifs in Europe, with the majority domiciled in Luxembourg.

But Eltifs didn’t do as well as expected under the Eltif 1.0 regulation, she added. In the past year, there have been “very heavy discussions” between European lawmakers and the industry--lawmakers were interested in hearing about the obstacles and what didn’t work as expected. In November 2022, a final agreement was reached for the Eltif 2.0 regulation, and the final vote in the European Parliament is expected for 14 February--a nice Valentine’s Day gift, noted Bernard.

This update is long-awaited and much needed, added Ronn Henry, a senior structuring professional working within the private wealth structuring business unit at Partners Group, where he focuses on open-ended fund initiatives. “I think the updates that we’re seeing now will hopefully result in an increase in interest in the product,” said Henry. “I think the changes are positive, but some critical aspects still need to be clarified by Esma [European Securities and Markets Authority] in the months to come.”

Risk diversification and the 30-20-10 rule

“In the past, we had a diversification requirement of not more than 10% into one long-term asset,” explained Bernard. But this was difficult for many fund sponsors to achieve, leading many to shy away from Eltifs. “Now that has changed. The new requirement is 20% for Eltifs.” This is much more realistic, she added.

“Essentially, you can view it as a 30-20-10 rule,” said Henry. This means that an Eltif may acquire no more than 30% of the units or shares of a single Eltif, EuVECA (European venture capital fund), EuSEF (European social entrepreneurship fund), Ucits or an EU AIF managed by an EU alternative investment fund manager (AIFM). An Eltif can invest no more than 20% of its capital in units or shares of any single Eltif, EuSEF, EuVECA, Ucits or EU AIF managed by an EU AIFM.

And finally, an Eltif is allowed to invest in units or shares of one or several other Eltifs, EuVECas, EuSEFs, Ucits and EU AIFs, provided these target funds themselves invest in Eltif-eligible investments and have not themselves invested more than 10% of their assets in any other UCI. The 30% and 20% limits are not applicable to master-feeder structures or, in some cases, when Eltifs are marketed solely to professional investors, while the 10% limit is not applicable to feeder Eltifs.

A “key takeaway,” said Henry, “is the expansion of the qualified portfolio undertakings.” This now includes Ucits (Undertakings for the Collective Investment in Transferable Securities) and AIFs (alternative investment funds) specifically--“this wasn’t a provision in the 1.0 rules.”

Target funds now eligible

“Target funds are now eligible,” noted Bernard, and this is “really great news. That will very much open Eltifs to a much larger public.” Retail investors in certain countries are used to fund of funds, or basket, solutions. “They like that, because you can very quickly get access to a whole existing portfolio of underlying assets. And that is something that works really well.”

Clarifications of definitions

Some of the definitions in the past have been clarified. “For instance, real assets, there was a strange definition which referred to some policy objectives--that has been taken out,” said Bernard. Some of the thresholds of the assets for the eligibility have been taken out, some other assets have been added. For instance, fintechs are now eligible--that is interesting.”

" ALL THESE POINTS OF PUTTING THE REALITY INTO THE TEXT ARE REALLY HELPFUL TO CREATE CREDIBILITY AND ALSO RELIABILITY OF THE ELTI[F] TEXT GOING FORWARD. "

Silke Bernard, global head of investment funds practice, Linklaters

"So there are a number of things which have been brought, as I would call it, closer to reality, or closer to the market," said Bernard. Certain things have come closer to the reality of asset managers.

Past requirements regarding third country investments also created obstacles. But the text "very helpfully, it has now been clarified, beyond any doubt, that an Eltif can invest outside the EU, under certain conditions of course, like tax exchange of information," explained Bernard. "It is even clarified that the majority of assets can be outside the EU--that has always been a point of doubt in the past, so now it's clear, and that is really helpful."

Looking at the investor side, opening to retail clients

In the past, the investor side was one point that was seen as "holding back" Eltifs. "Eltifs were considered not to be attractive, neither to investors, retail investors, nor to distributors. So that was a big problem," said Bernard. Under the Eltif 1.0 legislation, there were certain thresholds and specific suitability tests, for example.

"So what we have now for retail investors is a pretty broad and general alignment to the Mifid [markets in financial instruments directive] rules, which is really helpful, because then distributors just have one set of rules to apply," declared Bernard. The special suitability assessment and thresholds have gone away. Furthermore, there's also the possibility now for investors who wish to invest--despite negative investment advice--in an Eltif.

What about ESG criteria and Eltifs?

A question from a participant concerned sustainability requirements for real assets. After quite some discussions, said Bernard, this has been clarified. "It is even clarified that there are no specific ESG requirements for real estate investments," she said. During the lawmaking process, there was an "attempt" to create Eltifs with specific ESG requirements--what Bernard called a "green Eltif."

"At the end of the day, this was rejected," Bernard explained. "It was too early to create a special regime, alongside SFDR [sustainable finance disclosure regulation] and taxonomy and so on, for specific Eltif ESG criteria. So they will review it, and I think the review period for that is two years. So in two years, they will look again at whether they want to create green Eltifs as a special category, with a special label."

Bright future for Eltifs

"I think all these points of putting the reality into the text are really helpful to create credibility and also reliability of the Eltif text going forward," said Bernard. There's "a very bright future ahead for Eltifs."

"The Eltif, at the end of the day, is a product meant for retail investors," Henry said. "And one of the questions from the audience here is--why would a retail investor invest in a product which has a very extended duration. But as mentioned, I think with the changes under the 2.0 regime that stands to change as managers offer greater liquidity."

"Additionally, it gives retail investors an opportunity to participate in private markets," said Henry. This contributes to the democratisation of the private markets sector and assets.

"Eltif 2 could be a very nice and positive tool for the democratisation of the private markets and assets," said LPEA CEO Stéphane Pesch, who gave the opening remarks at the webinar. "That's why we should really look into that, embrace it, be a frontrunner as Luxembourg's funds hub and see how far it will bring us in that direction."

INTERNATIONAL PRIVATE EQUITY AND VENTURE CAPITAL VALUATION GUIDELINES

Six things to note in the new IPEV valuation guidelines

Written by Lydia Linna
Published on 01.03.2023

From left to right, top to bottom: Benjamin Franck (Deloitte Luxembourg), Elena Moisei (EY Luxembourg), Daniele Arcidiaco (KPMG Luxembourg) and Talat Kadret (PwC Luxembourg) were panellists during the valuations event held on 28 February 2023 Photos: Deloitte Luxembourg, EY Luxembourg, KPMG Luxembourg, PwC Luxembourg. Montage: Maison Moderne

At a webinar co-organised by the Luxembourg Private Equity & Venture Capital Association and the Luxembourg Valuation Professionals Association on 28 February, experts from the Big Four talked about valuations and the new guidelines from the IPEV, published in December 2022.

The International Private Equity and Venture Capital valuation guidelines aim to establish "best practice where private capital investments are reported at 'fair value'" and "to help investors in private capital funds make better economic decisions," as described in its December 2022 publication.

"A key purpose of the revised edition of the IPEV guidelines is to provide a framework for consistently determining valuation for the type of investments held by private capital funds," explained Antoine Boggini, vice president of the LVPA and moderator of the webinar. Almost four years have passed between the two editions of the guidelines--the previous guidelines were published in 2018--and part of the aim of the webinar was to "consider what has happened during those four years."

There was, of course, the covid-19 pandemic, but also dislocation of the public and private markets and the significant development of early-stage venture capital companies. "The intention today is to focus on these edits, on these changes, to the guidance provided by the IPEV guidelines, and not to comment or to discuss about the overall guidelines," said Boggini.

At the webinar, the changes were divided in six categories.

1. Adjustment to enterprise value, with a focus on early stage, pre-revenue companies

"According to the guidelines, considerations should be given to performance--at, above or below expectation--cash burn, market acceptance, and how close is an exit and who would be the potential buyer," said Boggini.

So how is it possible to get "comfortable" with a fair value? "It's not easy," replied Elena Moisei, strategy and transactions senior manager at EY Luxembourg. From her experience, when one is analysing or evaluating a startup, there are two important things to determine. The first is what stage of development the company is in--valuation methods and key performance indicators (KPIs) will differ, depending on where the company's at.

It's also important to pay attention to the "structure of a capital," she noted. Is a company financed only by its founders, or have different investment rounds been financed by external investors? Common KPIs can include financial, technical and market metrics.

Talat Kadret, an audit partner at PwC Luxembourg, mentioned the importance of setting qualitative and quantitative milestones. Milestones need to be set, "and then at every single measurement date, you also assess where you are with this milestone, whether you have reached your objectives or not, and then consequently impact your valuation positively or negatively."

2. Known and knowable information at measurement date

"Known or knowable information pertains to facts, conditions, or observable information which exists as of the measurement date and is available to the valuer or would reasonably be available to the valuer through routine inquiry or due diligence," said Boggini, quoting from the IPEV guidelines. Could the spread of the pandemic be reasonably available to value, to consider, at the end of 2019?

This is an important question, but it's not only covid that raises this question--the question could be applicable to many other situations, said Daniele Arcidiaco, corporate finance partner at KPMG Luxembourg. These could include "a market which is changing, new players, new products, economic obsolescence, these are all items which could potentially impact the evolution of the financials of a company," he said.

"But the valuation date is really the point in time at which a potential valuer would have considered acquiring this asset," said Arcidiaco. So it's important to refer to identifiable, quantifiable information as at valuation date that could impact the value of the company, whether it's covid, technology or another element.

Moisei echoed this point, saying that "especially in a volatile environment, it's very important to fix on a valuation date," and not to deviate.

3. ESG and integration into valuation models

On the topic of ESG and its integration into valuation, Arcidiaco sees two trends: attempts to create a common framework and quantification.

ESG might seem "pretty easy," but implementing it in valuation is "not an easy exercise," Moisei cautioned. It's important to avoid giving a "double premium or a double penalty."

4. Discounts on contractual restrictions

"In the new IPEV 2022, the discount which was applicable to a contractual restriction applicable to security was removed," said Kadret, but "any specific legal or government restriction is still applicable."

In addition, "the FSAP [Financial Sector Assessment Program] has taken the same direction as the IPEV in removing the application of discount for a contractual restriction applicable to security." This means there's a "convergence" between the IPEV and the FSAP, though Kadret also noted that there's "still the possibility" to apply a discount under IFRS 13 [International Financial Reporting Standards].

5. Dislocation of markets

Something that has happened more frequently over the past four years is market dislocation, said Boggini. But there could be "some subjectivity" around what can be seen as "highly or excessively volatile." So what does it mean to talk about market dislocation?

"From a valuation standpoint, we define a dislocated market where there is a lot of volatility and uncertainty, in relation to potential future development," replied Arcidiaco. "It's a market that is altered, I would say, starting from the normal condition." It's a "very challenging" situation that requires a lot of "professional judgement."

But valuation should follow a few steps to ensure that fair value is "defendable," said Arcidiaco. The first point is that fair value is not a "fire sale." Instead, value creation should be monitored during the long run. Second, "different companies in different sectors behave in a different way under a crisis", so it's important to focus on the company in the context of its sector. And the third point is related to "the selection of the appropriate valuation methodology," he concluded.

6. Data quality

The webinar concluded with a brief discussion on data--the "raw materials," as Boggini called it. Benjamin Franck, senior manager in the valuation department at Deloitte Luxembourg, emphasised the importance of spending more time to gather the information necessary for the valuation process.

PLACE FINANCIÈRE & MARCHÉS - PRIVATE EQUITY

STÉPHANE PESCH (CEO, LPEA)

«Le modèle de création de valeur du private equity est intact»

Écrit par Sébastion Lambotte
Publié le 03.03.2023 • Édité le 03.03.2023 à 17:11

Stéphane Pesch, CEO de la Luxembourg Private Equity & Venture Capital Association. (Photo: Guy Wolff/Maison Moderne)

Écoutez cet article
0:00 / 4:17 1X

Alors que l'économie est appelée à ralentir, les acteurs du private equity appréhendent la conjoncture avec une certaine «sérénité». Comme l'explique Stéphane Pesch, CEO de la Luxembourg Private Equity & Venture Capital Association (LPEA), si les levées de fonds sont actuellement moins importantes, l'attention se porte sur le renforcement de la valeur des actifs en portefeuille.

En matière de private equity, comment s'est renforcé l'écosystème luxembourgeois ces dernières années?

Stéphane Pesch. – «Les grands acteurs du private equity positionnent désormais leurs AIFM (alternative investment fund managers) au Luxembourg, profitant de véhicules comme les limited partnerships (LP) ou les reserved alternative investment funds (Raif). Ce que viennent chercher les acteurs, c'est avant tout une plateforme stable et performante qui offre la possibilité de distribuer des produits, voire de lever des fonds à travers l'Europe. Mais ils trouvent ici bien plus qu'une boîte à outils et un passeport associé aux véhicules qu'ils y établissent. Nous sommes parvenus à développer un ensemble de services au niveau du middle office sur lesquels peuvent s'appuyer les gestionnaires d'actifs. De la gestion des risques aux enjeux de conformité en passant par les fonctions de valorisation des actifs, le Luxembourg dispose dorénavant d'une expertise qui répond à de nombreux besoins des gestionnaires, qui recrutent et fortifient ainsi leurs équipes locales.

Quelles pourraient être les répercussions des décisions prises par les banques centrales, dans l'optique de faire baisser l'inflation, sans oublier l'incertitude économique du moment, sur l'investissement dans le private equity?

«La conjoncture actuelle est moins propice au lancement de nouveaux véhicules et à la levée de fonds. Cela n'empêche cependant pas les gestionnaires de déjà planifier, malgré certains délais à prévoir, les prochains fonds qui seront lancés cette année. L'incertitude économique actuelle invite les investisseurs à la prudence et à temporiser. Le contexte ne remet pas pour autant en cause les stratégies et les démarches d'investissement déjà engagées, bien au contraire.

> « L'INCERTITUDE ÉCONOMIQUE ACTUELLE INVITE LES INVESTISSEURS À LA PRUDENCE ET À TEMPORISER. »
>
> Stéphane Pesch, CEO, LPEA

Comme vous le savez, l'investissement dans le private equity s'envisage à travers des approches à long terme, suivant des stratégies de création de valeur définies par des pointures de la finance, de l'entrepreneuriat et de l'excellence opérationnelle. Dans la situation actuelle, qui n'est pas forcément idéale en ce qui concerne la valorisation des actifs dans le cadre d'une stratégie de sortie, les gestionnaires vont se concentrer sur la gestion de leur portefeuille existant, en cherchant à renforcer la valeur à terme des sociétés détenues où à en intégrer de nouvelles au sein de leur portefeuille.

L'idée de démocratiser l'accès à l'investissement dans le private equity est régulièrement évoquée. Voyez-vous le marché évoluer dans cette direction?

«C'est l'une des voies poursuivies avec la nouvelle mouture de l'Eltif ou encore les fonds de type Partie II, qui émergent de nouveau au Luxembourg. Il y a une opportunité, à travers ces évolutions, de parvenir à s'adresser à une communauté plus large d'investisseurs.

Toutefois, il faut relativiser. Je ne pense pas que ces investissements seront accessibles à tous les particuliers. Le ticket d'entrée moyen, après une démocratisation progressive via ces produits spécifiques, pourrait s'établir autour de 25.000 euros, comme récemment vu dans le marché, voire au-delà. Nous ne sommes pas encore dans une telle logique d'industrialisation. Et les défis en matière de démocratisation, considérant le fonctionnement des fonds de private equity, sont encore nombreux et exigeront de procéder à des adaptations.

Quels sont les grands enjeux qui attendent les acteurs du private equity au Luxembourg?

«La réglementation relative à la finance durable constitue un défi et une opportunité majeure pour les années à venir. Comme pour tous les investissements, les gestionnaires sont appelés à composer avec les critères environnementaux, sociaux et de bonne gouvernance. Si les démarches ESG sont, de manière générale, plutôt bien appréhendées par les sociétés de gestion elles-mêmes, c'est au niveau des entreprises dans lesquelles elles investissent que c'est plus difficile.

Il faudra accompagner les sociétés cibles vis-à-vis des enjeux de transition, d'une part, afin qu'elles parviennent à rendre compte de leurs impacts environnementaux et sociaux, et d'autre part, pour les aider à les minimiser.»

Cette interview a été rédigée pour le supplément Fonds d'investissement *de l'édition de* Paperjam du mois de mars 2023 *parue le 28 février 2023. Le contenu du magazine est produit en exclusivité pour le magazine. Il est publié sur le site pour contribuer aux archives complètes de Paperjam.*

INTERNATIONAL WOMEN'S DAY 2023

"A brilliant ambassador" for Luxembourg: the woman who inspired Claus Mansfeldt

Written by Aaron Grunwald
Published on 10.03.2023

Claus Mansfeldt, managing director of Swancap and chair of the Luxembourg Private Equity and Venture Capital Association (LPEA), and Eléonore de Potesta, who handles investor relations at Antwort Capital, are seen during the LPEA Insights conference, 13 October 2022. Photo: Nader Ghavami

To mark International Women's Day, Delano asked Luxembourg financial sector professionals about the women who have inspired them. Claus Mansfeldt was inspired by Eléonore de Potesta at Antwort Capital.

Eléonore de Potesta, who handles investor relations at Antwort Capital, "inspires me as a true Luxembourgish professional in being my counterpart in business collaboration around enabling access to institutional class private equity savings for a broader audience of individual investors across Europe," Claus Mansfeldt told Delano.

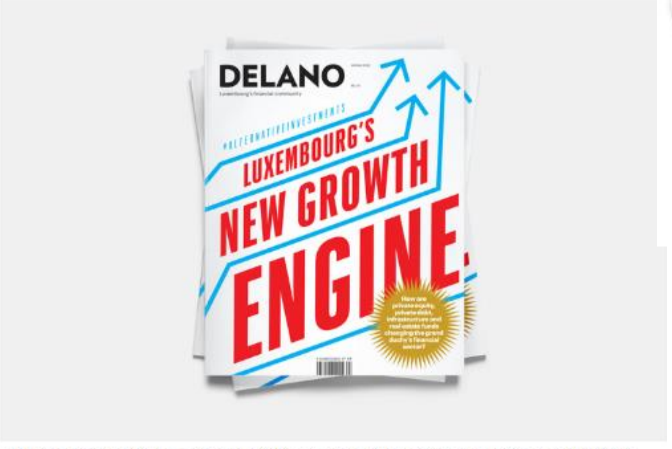
Mansfeldt, chair of the Luxembourg Private Equity and Venture Capital Association (LPEA) and managing director of Swancap, stated: "What inspires me most is Eléonore's dedication to making sure people are comfortable with the tasks at hand, that they truly understand what is being considered and that any collaboration ends with a smile for all."

"Apart from also being a 'super-mom' of 3 children, Eléonore is able to do it all in 5 languages: Luxembourgish, French, English, Spanish and German."

"In summary, and as quoted by others as well, Eléonore demonstrates perfectly a high proficiency in public relations and customer services through her character, sensitivity and understanding of people's needs," Mansfeldt said. "A brilliant ambassador for the 'best of Luxembourg'."

Alternative investments: Luxembourg's new growth engine

Written by Delano.lu
Published on 23.03.2023 • Edited on 23.03.2023 at 17:52



Delano's Spring 2023, with a special focus on alternative investments, is available on newsstands starting 24 March 2023. Cover: Serge Ricco (art direction)/Maison Moderne

In its latest issue--with a whole new format--Delano explores how private equity, private debt, infrastructure and real estate funds are changing the grand duchy's financial sector.

Fund services provider Aztec Group's Luxembourg operations has grown from 20 people in 2007 to more than 600 at the time of publication. It has been a recruitment and retention challenge, to say the least, as Peter Brown, the firm's Luxembourg head, explains in one interview in this special edition.

In many ways, this story represents the alternative fund sector's overall trajectory in the grand duchy. Assets under management in Luxembourg alternative funds have more than doubled, from roughly €413bn at the end of 2007 to more than €950bn in February 2023, according to figures from the Luxembourg Financial Sector Supervisory Commission (CSSF).

Such growth comes with change, and this issue examines how private equity, private debt, infrastructure and real estate funds are changing the grand duchy's financial sector, and which trends are changing them.

Also in this issue:

· A dossier devoted to communal election stakes, with an explainer about what communes do and the top priorities of each political party, with a call to action to encourage expat residents to register to vote;

· A special "Meet the finance execs" portfolio, with Denise Voss (Luxflag), Nicolas Mackel (Luxembourg for Finance), Corinne Lamesch (Alfi); Nasir Zubairi (Lhoft); Guy Hoffmann (ABBL, Banque Raiffeisen); Claus Mansfeldt (SwanCap Investment Management, LPEA) and Carine Feipel (ILA);

Delano's Spring 2023 edition is available on newsstands starting 24 March. Maison Moderne

10 / 12

· Foyer CEO Marc Lauer on how the insurance sector is keeping pace in light of rising threats, from cybersecurity to climate change;

· Lawyer Biba Homsy on blockchain industry trends and challenges;

· University of Luxembourg's Christian Meyers tackles certain conspiracy theories, ahead of this year's double elections;

· Tax education talk with independent director and co-founder of Charlotte in Red, Patrizia Luchetta;

· President of the Chamber of Skilled Trades and Crafts Tom Oberweis on the need for craftspeople to help tackle future challenges;

· Chamber of Deputies president Fernand Etgen (DP) on how parliament must represent the grand duchy's diverse population;

· Four professionals in the finance sector share their favourite places and tips for the perfect afterwork social; and more.


LIKE 32,280 SUBSCRIBERS,
Claus Mansfeldt
reads THE DELANO FINANCE NEWSLETTER
EVERY TUESDAY.
Claus Mansfeldt, LPEA
DELANO
LUXEMBOURG'S FINANCIAL COMMUNITY
Delano, Paperjam's sister publication, is published by
Maison Moderne and is Luxembourg's leading English language media.
Daily news on Delano.lu – Daily Newsletter – Quarterly Magazine –
Live Events – Finance Awards – Business Club
Join Claus
by signing up at

CARTE BLANCHE

Building private markets into individual investors' core portfolios

Written by Rashmi Madan, Blackstone
Published on 29.03.2023

Rashmi Madan has over 10 years' experience at Blackstone Handout photo

What's the role of private market investments' in driving the core of individual investor portfolios, and how is access to private markets being democratised? Blackstone's head of EMEA for private wealth solutions weighs in.

It is well known that private markets such as private equity, private credit and real estate have long been used by institutional investors to help reduce volatility and deliver consistent, long-term performance. What is less well known is the role of private market investments' in driving the core of individual investor portfolios.

The increase in the wealth of the global high-net-worth individual population--Capgemini's World Wealth Report 2022 recorded an increase of 7.8% in 2021--together with the impact of a slowdown in economic activity, inflation and geopolitical instability is shifting this dynamic. The traditional diversified portfolio of 60/40 stocks to bonds are arguably no longer providing investors with enough diversification to mitigate volatility and deliver investment returns across the economic cycle.

At Blackstone, we've long believed that private market investments can serve as foundational building blocks for both institutional and private wealth portfolios. However, for decades, these individual investors have had limited access to private market opportunities.

This is changing with efforts by private market asset managers like Blackstone to democratise access to private markets. It is enabling more eligible individuals to invest in private market assets and take advantage of these potential benefits.

Looking at individual asset classes, private real estate has proven an effective hedge against inflation. Unlike traditional fixed income which generate fixed cash flows, real estate leases are typically indexed to inflation or subject to regular rent reviews allowing income from real estate to rise over time.

Another good example is private credit. It benefits from floating rates which can keep up with a rising interest rate environment, as well as offering seniority in the capital structure and the ability to negotiate terms directly with borrowers. These attributes help ensure better structural protection and make for more defensive investments in comparison to traditional fixed income.

Finally, private equity continues to be seen as the most attractive asset class for private capital investment, with a history of performing well across the cycle.

With our track record in these asset classes, Blackstone is serving a wide range of clients, leveraging deep and trusted partnerships within the wealth management community in each of our local markets. This is particularly true in European cities, where we are investing in our on-the-ground presence and expanding our perpetual fund offering. In Luxembourg alone, we have a Blackstone team of nearly 40 staff, who sit at the heart of our European operations and bring deep local expertise, including to wealth management.

As we look to navigate a turbulent economic cycle, eligible individual investors can benefit from increasing their allocation to private markets as part of their core portfolio building blocks. To do this requires an understanding of these asset classes and an appreciation of their risks and benefits. With more private wealth clients in this space, the need for education will be paramount.

Rashmi Madan is the head of EMEA for private wealth solutions at Blackstone. Prior to her current role, Madan was chief operating officer of Institutional Client Solutions (ICS) in Europe, as well as head of ICS Europe for Blackstone Credit.

«Les gérants de private equity savent créer de la valeur»

Écrit par Marc Fassone
Publié le 07.04.2023

Pour Stéphane Pesch, CEO de la Luxembourg Private Equity & Venture Capital (LPEA), le private equity reste une stratégie d'avenir, malgré les actuels vents contraires. (Photo: Patricia Pitsch/Maison Moderne/Archives)

L'industrie du private equity a connu un trou d'air en fin d'année. Est-ce le signe de la fin d'une époque et de la normalisation d'une industrie qui a été la poule aux œufs d'or de la période des taux bas? Stéphane Pesch ne le pense pas.

La conjoncture incertaine, la remontée des taux et l'inflation persistante sonnent-elles la fin des années glorieuses du private equity?

Stéphane Pesch. – «On constate effectivement aujourd'hui un ralentissement des levées de fonds, tandis que les ventes sont quasiment à l'arrêt. Mais si la période semble compliquée, l'intérêt reste. Comme en témoignent les levées de fonds prévues cette année.

Ce n'est donc pas la fin d'une époque?

«Non, la stratégie fonctionne toujours et reste pertinente. C'est simplement un peu plus compliqué et plus long. Les promoteurs de fonds doivent se montrer, communiquer avec les investisseurs davantage qu'il y a quelques mois encore. Il faut profiter de cette pause pour revenir aux basiques que sont la réduction des coûts, l'augmentation des marges et l'affinement des stratégies des entreprises en portefeuille afin de préserver les objectifs.

Selon les gestionnaires obligataires, les obligations redeviennent plus attractives que le private equity. Qu'est-ce que cela vous évoque?

«Nous sommes bien conscients que lorsque les taux montent, d'autres investissements peuvent devenir ou redevenir séduisants aux yeux de certains investisseurs. Mais cela ne nous donne pas de sueurs froides. Les gérants de private equity savent créer de la valeur et générer du rendement sur le long terme. Et c'est pour cela qu'ils se démarquent des autres classes d'actifs.

Quels sont les grands défis de l'industrie pour les mois à venir?

«Le plus important me semble être le travail du portefeuille et sa valorisation. Les gestionnaires doivent rester vigilants, disciplinés, poursuivre sur leur lancée, envoyer les bons signaux aux investisseurs et se focaliser sur la création de valeur, afin d'être fin prêts lorsque l'environnement redeviendra plus propice. Ils doivent en même temps travailler sur le volet finance durable et ESG. Notre industrie peut apporter beaucoup dans ce domaine. Mais il faudra faire attention au volet reporting (SFDR), afin d'éviter toute promesse non tenue ou une mauvaise interprétation.

Les produits de private equity restent la chasse gardée des investisseurs et des grandes fortunes. Les rendre accessibles au grand public peut-il constituer un relais de croissance pour votre secteur?

«Oui. Mais notre approche sur ce point est prudente et progressive. L'idée n'est pas de faire des tickets d'entrée pour tous à 200 euros. Cela transformerait complètement notre modèle – des fonds de type fermés, utilisant des appels en capitaux et visant une stratégie long terme – en sacrifiant énormément de performance pour créer de la liquidité.

Que préconisez-vous?

«Pour les "investisseurs qualifiés", le ticket d'entrée au Luxembourg est de 125.000 euros. D'autres pays l'ont fixé à 100.000 euros. Pour une question de compétitivité, nous devrions également nous aligner et préparer l'avenir avec d'autres solutions, en utilisant notamment la nouvelle mouture de l'Eltif, voire des OPC Partie II, qui permettent de viser d'autres investisseurs potentiels.»

Cette interview a été rédigée pour l'édition magazine de Paperjam du mois d'avril 2023 parue le 29 mars 2023. Le contenu du magazine est produit en exclusivité pour le magazine. Il est publié sur le site pour contribuer aux archives complètes de Paperjam.

TAX

Call for Atad 3 carve-out

Written by Aaron Grunwald
Published on 07.04.2023

Giuliano Bidoli, tax director at BC Partners and member of the executive committee and board of directors at the Luxembourg Private Equity and Venture Capital Association (LPEA). Photo: LPEA

Private market funds want the European Commission to exclude portfolio companies from the Anti-Tax Avoidance Directive 3.

The EU's Anti-Tax Avoidance Directive 3 (Atad 3) is dominating tax talk in the private market fund sector this year, according to Giuliano Bidoli.

Bidoli is tax director at BC Partners--which is active in the private equity, private credit and real estate spaces and has roughly $40bn in assets under management globally--and a member of the executive committee and board of directors at the Luxembourg Private Equity and Venture Capital Association (LPEA).

The aim of Atad 3 is to crack down on the use of shell vehicles or letterbox companies for dubious tax purposes and to harmonise the rules on substance--meaning that real decision-making and operations are truly taking place in a jurisdiction--across the single market. The European Commission is expected to finalise the rulebook in the coming months, with Atad taking effect on 1 January 2024.

"It concerns all the EU member states, especially the EU member states which are known as a holding location," said Bidoli. Under Atad 3, an EU jurisdiction could find that a particular entity does not have sufficient substance in a specific country. That means it would be "considered as a shell company" and blocked from using double-taxation treaties, which reduce--often to 0%--tax rates on dividends in the jurisdiction where investors are located, since they are paid where the entity is based.

"And that's really the discussion today." The European Commission is still refining the exact rules on substance and corporate governance. Organisations like the LPEA, and its counterparts across Europe, are currently making the case to Brussels for "a similar carve-out that's already included in pillar two [under Atad 2], which take out all the [special purpose vehicles] and all the companies below the investment fund" from the scope of the directive. In other words, asset managers would not have to report down into portfolio companies. That is the "specific carve-out that we want."

Toolbox working

Atad 1 and Atad 2 have already "really changed how fund structuring is done," although Luxembourg fund firms have pretty much fully adapted to its requirements. The main consequence is that asset managers have to be sure they set up the right type of investment vehicles before they go to market.

For example, Luxembourg investment vehicles are often structured so "the partnership itself is tax transparent," Bidoli said. But "some jurisdictions don't have the concept of tax transparent partnerships; they assimilate that [Luxembourg entity] as tax opaque... it's called the reverse hybrid issue, because there's two ways to look at that. It can impact the taxation of the fund," possibly including the fund becoming taxable in both Luxembourg and the other jurisdiction.

Does that mean that funds avoid taking investors from certain jurisdictions or avoid making investments in certain places? "No, no, no," Bidoli replied. "In Luxembourg, we have a huge toolbox [of different] vehicles. So you can use a different vehicle which suits all the needs of the investor, as well as respecting the anti-tax avoidance directive, so that you avoid the negative tax impact. That's one, I would say, of the advantages of Luxembourg: huge number of different vehicles which can be set up." Given the Luxembourg toolbox, "no one will say, 'we don't accept this investor from that specific jurisdiction.'"

This article first appeared in the Spring 2023 issue of Delano magazine

LUXEMBOURG PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION (LPEA)

Transfer pricing should be seen as “strong risk mitigation tool”

Written by Lydia Linna
Published on 04.05.2023

Share

Oliver Hoor (Atoz) and Macide Candan (Elvinger Hoss Prussen) at the transfer pricing event organised by the Luxembourg Private Equity & Venture Capital Association (LPEA) at Arendt in Kirchberg on 3 May 2023. Photo: Matic Zorman / Maison Moderne

1 / 20

At a panel organised by the Luxembourg Private Equity & Venture Capital Association (LPEA) on Wednesday, experts discussed the importance of getting transfer pricing right in the context of fund management services.

TOP
RECOMMENDATIONS
1 ECONOMY Luxembourg flat and sales volumes, by municipality
2 FUNDS First complete master's in investment funds law in Europe
3 POLITICS Activists team up with MPs to propose due diligence law
4 FINTECH Applications open for Lhoft's 6th "Catapult: Inclusion Africa"
5 FUNDS "Sleeping beauty" Eltifs, sustainability and a three-legged stool

“Starting with the basics, the arm’s length principle is the cornerstone of transfer pricing,” explained Viktoria Dimitrova, an associate from Arendt, during the transfer pricing panel organised by the LPEA. It states that “enterprises should enter financial and commercial relations according to market conditions.”

This is meant to ensure that profit is not shifted around during transactions between companies in the same group and to ensure that taxes are paid accordingly. Article 56 and 56bis provide for the arm’s length principle in Luxembourg, said Dimitrova, making it a legal obligation for taxpayers to comply.

But it’s not just something that applies at a single point in time. It’s important to consider the arm’s length principle throughout the lifetime of a structure--from inception of a transaction to settlement of funds--and to monitor changes on an ongoing basis, noted Dimitrova.

More than “simple” compliance

Transfer pricing is indeed about documentation, said Macide Candan, senior advisor at Elvinger Hoss Prussen. “But it’s not only about this. I think it’s not really appropriate to reduce transfer pricing to compliance.”

Candan offered three examples that highlighted the importance of transfer pricing documentation. The first concerned tax assessments by the Luxembourg tax authorities. “In the absence of any TP documentation or TP support, it is quite complicated to prove that the transaction was actually at arm’s length.”

Her second example focused on annual audits, as auditors can ask to see TP documentation when performing an audit in order to approve the accounts, while the third example related to mergers and acquisitions. “A purchaser can request TP documentation from the seller in the context of the due diligence,” explained Candan. Without TP documentation, “the purchaser actually can negotiate the purchase price, and also push to include quite strong warranties in the sale purchase agreement.”

If TP documentation isn’t already in place, noted Candan, then preparing TP documentation may be “quite challenging,” both in terms of timing and the lack of security on the outcome of the TP analysis. “Transfer pricing should be seen also as a strong risk mitigation tool rather than a simple compliance exercise.”

Preparing TP documentation “contemporaneously”

Transfer pricing documentation is important in justifying profit allocation and mitigating the risk of double taxation, added Dimitrova. “Historically, multinational enterprises were using intragroup arrangements to shift profits from high tax jurisdictions to low tax ones.” But there has been a shift in this behaviour in recent years, and multinational enterprises have changed their behaviour.

“What didn’t change is the focus of the tax authorities in transfer pricing audits,” she said. “Now they’re equipped with the arm’s length principle, with more tools to actually look at how profits are extracted from their jurisdictions as well. And they’re much more focused on checking whether the transfer pricing positions taken in the past returns are indeed well supported with robust transfer pricing documentation.”

“It is important to stress that the transfer pricing documentation should be prepared contemporaneously,” said Dimitrova, and “this remains the strongest tool to substantiate the profit allocation into different jurisdictions.”

Right moment to review TP policies

Transfer pricing, therefore, can be used to confirm that a company is compliant with the law, but also to respond to questions from auditors, regulators or tax authorities concerning the proper allocation of profits, said moderator Sophie Boulanger, partner at KPMG.

Oliver Hoor, partner at Atoz, presented several case studies to illustrate the importance of taking a “proactive stance on transfer pricing documentation.” The tax authorities are becoming “more sophisticated” and “more challenging,” in particular with transfer pricing, he noted.

A draft law from March 2023--due to be voted in June--aims to increase the collaboration, transparency and exchange of information between the CSSF, Luxembourg’s financial regulator, and the tax authorities.

“I think it’s the right moment for everyone to think of the position of Luxembourg entities within asset management groups, and to try to review whether the group’s transfer pricing policy that has been put in place at a certain point in time reflects--or still reflects--what you live in your day-to-day,” concluded Boulanger.

LPEA

Private Equity

How Private Equity and Venture Capital became a cornerstone of our economy and portfolio

Stéphane Pesch CEO of the LPEA

Many non-professional investors have heard of Private Equity (PE) & Venture Capital (VC) on many occasions but this sector seemed a little bit distant, complicated, costly, "mysterious" and required some serious capital and savings – the asset class was initially mainly targeting institutional and professional investors before progressively opening up to "UHNWI" (ultra-high-net-worth individuals), "HNWI" (high-net-worth individuals) and even more recently "mass affluent". The press and professional PE associations recently listed some of the benefits including positive financial returns, direct links with the real economy, the outperformance of existing private businesses when backed by PE houses and after having undergone a transformational process, a push for innovative companies and economies, a contribution to the society - steady employment and new jobs - and an integration of robust sustainable standards, but is that it? Time is ripe to take a closer look at the more intimate ingredients of this success story.

The arguments to invest into PE/VC are in the end quite similar for professional or non-professional investors since solid **returns** and a resilient **performance** are expected over time. The PE/VC strategies are designed to produce **outperformance** on a recurring and patient basis - many professional studies and research papers highlighted the positive results of PE/VC including e.g. Invest Europe, Preqin, Bain & Company, World Economic Forum.. The model looks for **long-term investments** which are not directly dependent of quarterly results like for listed firms. A typical PE Fund usually lasts around 10 years and is closed-ended – the investor commits capital which once called will be used to invest and is locked for a specific and defined period of time - and this money will not be directly accessible. Some slightly different liquidity windows do exist nowadays in specific products which are deemed to *democratise* the access to PE/VC. This **liquidity premium** compensates the investors with a higher expected return for investing in less liquid assets - PE investing for example in privately owned, non-listed SMEs, growth companies, mature firms and VC more in start-ups. In the context of properly managing your wealth, it completely makes sense to embed such investments into a broader **diversification** and **asset allocation** plan. The PE/VC industry also stands out because the investors' and Fund managers' interests are aligned ("**alignment of interests**"). In fact the PE/VC Managers do invest a portion of their own assets into their investment vehicle – which is known as to have "**skin in the game**" - and therefore are incentivised to act in the best interest of all investors (them included) and to take proportionate risks. The alignment is also integrated in the "**carried interest**", which is a share of the profit earned by a PE/VC manager - usually 20% while the investors get 80% - and which can be compared to a performance fee. Carried interest is often only paid if the Fund achieves a minimum return known as the "hurdle rate", which is usually between 8% and 10% and motivates the manager to be successful while building and transforming the selected portfolio companies. This active management style is also the signature of our industry and is part of the **value creation model**. When investments are executed, the PE/VC managers have a "plan", they know already after the thorough due diligence process they have completed what they will change and how they will transform the underlying company into a stronger, more innovative and successful firm. Some of those actions will comprise for example an accelerated digitization of the portfolio company, cost reductions, different efficiency programs, a push for more organic growth or even expansion (geographic, products). Next to this **added value**, which will finally result in higher financial returns, the **ESG** criteria and goals will be increasingly integrated. This will elevate the current standards, foster more responsible, sustainable investments and ultimately deliver also some **non-financial returns** or positive impacts.

The different arguments mentioned above leave us now with one central question: "*how can one potentially enter this promising market*?" It would surely not be a bad idea to consult some persons of your entourage in order to hear more about their practice and experiences, if any. Another option could be to ask **trusted professionals** like your Private banker, Wealth Manager, insurer or a specialised advisor concerning the possibilities they offer internally or externally, which still require a certain amount of capital. Your personal situation - level of wealth, accessibility, time horizon, risk reward appreciation, expected performance, other preferences - also plays an important role and should therefore be combined with some specialised advice before jumping into the "cold water".

There are different ways to access the PE/VC markets with for example the **direct** solution i.e. investing in a specific product of a given manager which still requires higher levels of capital and which depend on the managers and their products. Another route is to invest **indirectly** via a **Fund of funds** ("FoF") with a specialised manager who invests into selected and well-performing PE/VC funds. Some sophisticated banks and providers have also launched their own products which **bundle** different PE investors ("feeder structure") and invest into one or more dedicated PE products.

In any case, the number of PE/VC managers has tremendously grown over the last years and many propose a quite complete offer which can facilitate such diversification process. One private investor can nowadays benefit from different **fund strategies** like Venture Capital, Growth, Buyout, Fund of Funds, Secondaries, Private credit/debt, Infrastructure, ESG/impact, can be exposed to different **geographies** with the target firms being e.g. located in Europe, the US, Asia, Israel,..., combine different **vintage years** i.e. mixing different vintages and successive funds of one manager, show a preference for certain **industries or verticals** like e.g. renewable energy, life sciences & healthcare, ICT, retail and consumer goods, business services & products and finally the distinguishing factor or "**secret sauce**" of each manager including differentiating factors like the team, track record, experience, specialty and type of investors.

In order to enjoy these advantages, it is key to keep in mind that the PE/VC industries are still sophisticated, complex and require professional advice and guidance.

LPEA

The qualified investor in the room

It was towards the end of the day, nested in the historic walls of the Grund and overlooking the river Alzette that a group of individuals met for the first of a new series of exclusive meetings.

Luís Galveias. COO of LPEA

This event took place just a few weeks ago and blossomed side by side with the first spring flowers. Unlike tulip bulbs however, the event will repeat on a quarterly basis.

Within the walls, fund managers pitched their Private Equity (PE) and Venture Capital (VC) funds to local qualified investors. Among the managers, two senior profiles who are closely related to the Luxembourg Private Equity and Venture Capital Association (LPEA), organisation that hosted this premiere. In the audience, a mix of family offices, private bankers, funds of funds and high net worth individuals (HNWI).

Having PE and VC funds pitching to investors is not new in Luxembourg but is usually driven by the managers themselves and targeted at their ongoing investors' base and some further acquaintances. What is new is the commitment to do such presentations on a regular basis and to underline how strategic and important those exchanges are for Luxembourg.

Last year the LPEA had already ventured in opening the doors of its annual conference ("Insights") to similar performances but the format remained open to the entire audience and was therefore educational rather than investment-driven. The new format took place within closed doors and was dedicated to a qualified audience only, which is what managers are looking for and investors more used to - and it worked! Although the LPEA kept the communication limited due to regulatory requirements, the word was out and several other fund managers took contact with the association to participate in future editions.

When ten months ago, the LPEA called out for fund managers willing to present their funds to the audience of the Insights conference, expectations were low but the outcome – six presentations, was a good surprise. The conclusion is that **Luxembourg has today local managers who already handle well the fundraising activities as well as other managers with offices in Luxembourg, who are also keen to incorporate the Grand Duchy in their international roadshows.**

Now the elephant in the room... or rather the investor in the room. Are there enough local investors to match this growing appetite of fund managers?

In the absence of many local institutional investors yet, or at least "heavy weights" such as the compensation fund of Luxembourg's pension scheme, which is to date not exposed to PE-VC, the local Limited Partners (LP) community remains limited.

The LPEA hosts a single family office (SFO) club since 2018 and the group, coordinated by Claude de Raismes – himself representing the Paris listed family backed Wendel Group, has been meeting regularly. Family offices are discrete but appreciate to network among peers and to obtain the latest insights from industry practitioners. Their interest for PE is clear with the target allocation according to Preqin being at 30% globally; nonetheless, their appetite for local investments remains to be confirmed.

While family offices are one of the core target audiences with the highest chances of becoming involved in funds promoted locally, other profiles provide untapped potential. Take Funds of Funds, which according to the CSSF represents EUR 284 billion of the net asset value managed by alternative investment funds in Luxembourg or the private banking, wealth management and insurance communities which hold the key to a significant amount of high net worth individuals (HNWI), "mass affluent" and private clients.

Life insurance also offers new routes to access PE and VC funds, an offer that is emerging but one that is being addressed, notably via a joint committee between LPEA and ACA, the Luxembourg insurance Association. We shall also not forget all the cash flow generating corporates looking to allocate their cash reserves into long-term PE-VC funds. Here again, LPEA animates a club particularly dedicated to those investing directly or indirectly in Venture Capital ("Corporate Venture Capital").

Some local fund managers explore even the "retail" option. With ELTIF 2 (European Long Term Investment Fund) providing soon new options to distribute funds to retail investors, feeder vehicles are already tapping the lower qualified investor segment which stands at EUR 125.000. These funds are popular among certain managers as they facilitate the access of qualified investors by pooling their funds into otherwise inaccessible PE-VC funds.

We are therefore in the middle of two challenges, on one hand seducing fund managers to increasingly deploy fundraising efforts in Luxembourg, and on the other hand to highlight existing investment opportunities to the local investment community. Five years ago such sessions would have been even more challenging on both sides of the equation. We are therefore closer to fill the gap and give both investors and managers new reasons to be and invest in Luxembourg.

« Le modèle de création de valeur du private equity est intact »

Alors que l'économie est appelée à ralentir, les acteurs du *private equity* appréhendent la conjoncture avec une certaine « sérénité ». Comme l'explique Stéphane Pesch, CEO de la LPEA, si les levées de fonds sont actuellement moins importantes, l'attention se porte sur le renforcement de la valeur des actifs en portefeuille.

Interview **SÉBASTIEN LAMBOTTE** Photo **GUY WOLFF**

Stéphane Pesch, CEO de la Luxembourg Private Equity & Venture Capital Association.

Conversation **Stéphane Pesch**

En matière de *private equity*, comment s'est renforcé l'écosystème luxembourgeois ces dernières années?
Les grands acteurs du *private equity* positionnent désormais leurs AIFM (*alternative investment fund managers*) au Luxembourg, profitant de véhicules comme les *limited partnerships* (LP) ou les *reserved alternative investment funds* (Raif). Ce que viennent chercher les acteurs, c'est avant tout une plateforme stable et performante qui offre la possibilité de distribuer des produits, voire de lever des fonds à travers l'Europe. Mais ils trouvent ici bien plus qu'une boîte à outils et un passeport associé aux véhicules qu'ils y établissent. Nous sommes parvenus à développer un ensemble de services au niveau du *middle office* sur lesquels peuvent s'appuyer les gestionnaires d'actifs. De la gestion des risques aux enjeux de conformité en passant par les fonctions de valorisation des actifs, le Luxembourg dispose dorénavant d'une expertise qui répond à de nombreux besoins des gestionnaires, qui recrutent et fortifient ainsi leurs équipes locales.

Quelles pourraient être les répercussions des décisions prises par les banques centrales, dans l'optique de faire baisser l'inflation, sans oublier l'incertitude économique du moment, sur l'investissement dans le *private equity*?
La conjoncture actuelle est moins propice au lancement de nouveaux véhicules et à la levée de fonds. Cela n'empêche cependant pas les gestionnaires de déjà planifier, malgré certains délais à prévoir, les prochains fonds qui seront lancés cette année. L'incertitude économique actuelle invite les investisseurs à la prudence et à temporiser. Le contexte ne remet pas pour autant en cause les stratégies et les démarches d'investissement déjà engagées, bien au contraire. Comme vous le savez, l'investissement dans le *private equity* s'envisage à travers des approches à long terme, suivant des stratégies de création de valeur définies par des pointures de la finance, de l'entrepreneuriat et de l'excellence opérationnelle. Dans la situation actuelle, qui n'est pas forcément idéale en ce qui concerne la valorisation des actifs dans le cadre d'une stratégie de sortie, les gestionnaires vont se concentrer sur la gestion de leur portefeuille existant, en cherchant à renforcer la valeur à terme des sociétés détenues où à en intégrer de nouvelles au sein de leur portefeuille.

L'idée de démocratiser l'accès à l'investissement dans le *private equity* est régulièrement évoquée. Voyez-vous le marché évoluer dans cette direction?
C'est l'une des voies poursuivies avec la nouvelle mouture de l'Eltif ou encore les fonds de type Partie II, qui émergent de nouveau au Luxembourg. Il y a une opportunité, à travers ces évolutions, de parvenir à s'adresser à une communauté plus large d'investisseurs. Toutefois, il faut relativiser. Je ne pense pas que ces investissements seront accessibles à tous les particuliers. Le ticket d'entrée moyen, après une démocratisation progressive via ces produits spécifiques, pourrait s'établir autour de 25.000 euros, comme récemment vu dans le marché, voire au-delà. Nous ne sommes pas encore dans une telle logique d'industrialisation. Et les défis en matière de démocratisation, considérant le fonctionnement des fonds de *private equity*, sont encore nombreux et exigeront de procéder à des adaptations.

Quels sont les grands enjeux qui attendent les acteurs du *private equity* au Luxembourg?
La réglementation relative à la finance durable constitue un défi et une opportunité majeure pour les années à venir. Comme pour tous les investissements, les gestionnaires sont appelés à composer avec les critères environnementaux, sociaux et de bonne gouvernance. Si les démarches ESG sont, de manière générale, plutôt bien appréhendées par les sociétés de gestion elles-mêmes, c'est au niveau des entreprises dans lesquelles elles investissent que c'est plus difficile. Il faudra accompagner les sociétés cibles vis-à-vis des enjeux de transition, d'une part, afin qu'elles parviennent à rendre compte de leurs impacts environnementaux et sociaux, et d'autre part, pour les aider à les minimiser.

—

> « L'incertitude économique actuelle invite les investisseurs à la **prudence** et à **temporiser**. »

509 MILLIARDS D'EUROS

Selon le dernier *AIFM Reporting Dashboard*, établi par la CSSF (situation au 31/12/2021), 509 milliards d'euros d'actifs sont gérés au départ du Luxembourg par des acteurs du *private equity*. En outre, cet indicateur n'inclut pas les investissements dans la dette privée, évalués par une récente étude menée par KPMG pour l'Alfi, à 267,8 milliards d'euros (source et méthodologie différentes). Le Luxembourg s'est positionné comme un domicile de premier choix pour ces actifs en Europe et 18 des 20 principaux acteurs mondiaux dans le domaine du *private equity* gèrent des investissements dans le monde entier y compris grâce à leurs structures luxembourgeoises.

Luxembourg, deal hub?

Booming investor interest should bode well for private equity. But can the market in Luxembourg mature?

Source: ~EXTERNE

Luxembourg has established itself as a prime European domicile for private equity funds over the past decade and a servicing hub for the industry. European Union rules known as the Alternative Fund Managers Directive (AIFMD), which took effect in 2013, are one of the reasons for the new business. Another is Brexit, which closed the doors for the EU single market for alternative funds that the legislation created for UK asset managers.

""More than a decade ago, the presence of a private equity houses in Luxembourg amounted to holding company structures known as Special Purpose Vehicles," said Stephan Pesch, CEO of the Luxembourg Private Equity and Venture Capital Association."

Traditionally, Luxembourg-based entities would hold a fund's portfolio companies – the underlying investment – and take care of the administrative functions relating to these SPVs, from incorporation to liquidation, Pesch said. Meeting the so-called substance requirements - which are meant to prevent empty shells from proliferating – means holding board meetings, applying good governance and meeting all the local legal requirements.

What changed in 2013 was the EU regulatory framework that established a single market, not unlike the 1985 UCITS rules for retail funds. "The AIFMD legislation, although initially perceived as cumbersome, evolved into a more mature framework and helped us to structure the upcoming growth and strengthen the Luxembourg toolbox of fund structures," Pesch said.

Then came Brexit, which accelerated the trend favouring Luxembourg as a private equity hub. "More and more general partners – fund sponsors – moved to domicile their funds in the Luxembourg jurisdiction, offering them the possibility to benefit from a European passport, which enables the fund to be marketed throughout Europe and also decided to set up their European Management company ("AIFM") in Luxembourg."

That also brought more senior staff to the country in functions such as risk management, valuation and compliance. "In some cases we are even seeing Chief Financial Officers (CFOs fundraising experts and analysts relocating here," Pesch said.

As of 2021 – no official and more recent data is currently available – the world's 18 largest private equity firms all had a presence in Luxembourg, LPEA said, while nine of the top 12 had significantly expanded their operations in the previous couple of years. The sector – including venture capital – already accounted for thousands of jobs, and oversaw €509 billion in assets under management, the lobby organisation says.

"So what about the more high-profile front-office jobs – investor relations, fundraising and even deal teams, which scout for companies to buy? Could they come to Luxembourg too? Pesch is hopeful: "We like to think that Luxembourg is seen, especially from a US perspective, as an efficient and neutral hub from which to operate in Europe. The multilingual environment and more than 30 years of experience [with retail funds] can certainly facilitate fundraising in other European countries," he said."

But even Pesch – whose job is to promote the industry in the country – conceded that it is a big ask to lure highly qualified dealmaking staff away from bustling European capitals. "There is still a perception of Luxembourg as a "small" city," Pesch said. "It is hard to compete with Paris, Munich, Zurich, Amsterdam, Madrid, Milan or London, especially amongst the bigger players in the industry, and there are few target companies to acquire here. If you are fundraising or brokering investment deals with target companies, you want the best international transport connections possible. "Where is that direct New York-Luxembourg flight we are still expecting?" is a comment we heard on many occasions from the biggest US players who opted for Luxembourg some years ago.

Moderately rich clients

Even if Luxembourg may never become a bustling deal-making hub, industry members see new chances in the changing composition of the private equity investor base. So far, the investors that private equity companies allow in – the so-called limited partners – have almost exclusively been institutional: pension funds, insurance companies, sovereign wealth funds, government agencies, banks, endowments, foundations and fund of funds. But the sector appears poised to attract wealth individuals and families as well, benefiting from the long-standing presence in Luxembourg of private banks and wealth managers, as well as high-end life insurers, whose tax-efficient products are targeted at the same clients.

""Wealth managers and their clients are increasingly interested in private assets," said Pesch, who also points to the influx in recent years of private investment structures. "Family offices, have been moving here, and the trend isn't just tax-driven. Even if these entities don't want to create their own private funds, they are interested in new investment opportunities. It is easy to conduct business here due to the size of the country, the competitive and flexible framework, and people feel comfortable about just picking up the phone and talking to investment firms directly." This points to increased potential for fundraising within the Grand Duchy; leading LPEA to start a Wealth management club. "In the near future I can see more [private equity companies] organising investor sessions here in Luxembourg. Family offices are definitely a profile of interest to be nurtured," Pesch said."

There are limits, he said, to the extent to which the industry can target retail investors, at least directly. "Most pure retail investors [may not] be comfortable with the "entry ticket" or underestimate the necessary risk assessment, the limited liquidity or complexity of a typical private equity structure. These elements require some serious training, external advice and guidance first. Some asset managers have started to experiment with new regulated products that offer a greater liquidity, for example a monthly [value calculation] and [the possibility of an] exit [...]although individuals would still need to invest a minimum of €25,000."

In addition, financial technology is also opening up new avenues to attract less wealthy investors to private equity. "Investment platforms now exist, where an individual with for example €50,000 and upward can invest," Pesch said. He also pointed out that, since most national pension funds in Europe hold private equity assets, it would be "logical to see Luxembourg's Fonds de Compensation [the national pension fund] diversifying by placing a small proportion of its assets in [...] private equity investments."

Private equity companies invest their capital in buying up companies and selling them at a profit, either in public markets or to other investors. The sector first hit public attention in 1988, with the battle for control of the US conglomerate RJR Nabisco. The largest leveraged buyout in history – eventually won by KKR - was immortalised in Barbarians at the Gate, the book by Wall Street Journal reporters Bryan Burrough and John Helyar.

The bitterly contested acquisition of the food and tobacco company lent private equity a reputation for aggressive dealmaking it never has completely been able to rid itself of. Nevertheless, the sector has continuously been growing since the 1970s.

Transactions are typically agreed deals, with the industry's targets typically mature businesses, that need capital to expand, or where the buyer sees an opportunity to create value, for example through expansion, restructuring, spinning off activities or acquiring competitors to create scale. Private equity firms will usually take a majority stake in companies through their funds. Venture capital firms by contrast usually take minority shareholdings in the companies in which they invest, which tend to be early-stage businesses, often in innovative fields such as information technology or biotech.

The private equity firm, which acts as the General Partner ("GP") of the fund, will manage its assets on behalf of other investors, known as Limited Partners ("LPs"). The GP will usually work closely with the company's management, providing operational expertise and guidance, as well as overseeing restructuring or refinancing. The GP receives management fees, often 2% of the fund's assets under management, and a performance fee, known as carried interest, that is typically a 20% share of the fund's returns. Funds usually have a lifespan of around a decade, and investments may be held for between five and seven years – less if an attractive offer allows the fund to exit earlier, sometimes longer if exits are more difficult. Apart from an initial public offering for the company, an exit may involve a sale to another company active in the field ("trade sale"), or to another private equity firm.

GENERAL MEETING

The LPEA has a new board of directors

Written by Mathilde Obert
Published on 16.06.2023

For LPEA CEO Stéphane Pesch, the association's growth reflects the resilience of the sector. Photo: LPEA

Four new members have been elected to the board of directors of the Luxembourg Private Equity & Venture Capital Association (LPEA), while six others have been re-elected.

There are four new names to represent the voice of private equity. The board of directors of the 30-member Luxembourg Private Equity & Venture Capital Association (LPEA) puts ten positions up for election each year for a three-year term.

Advent International, represented by **Martine Kerschenmeyer**, **Blackstone**, represented by **Tudor Sambritchi, EQT**, represented by **Peter Veldman**, and **Vodouhe Wendel**, represented by **Claude de Raismes**, are joining the board.

Also re-elected are **Astorg Asset Management**, represented by **Hind El Gaidi**, **BC Partners**, represented by **Giuliano Bidoli**, **CVC Advisers** (Luxembourg), represented by **Caroline Goergen**, **European Investment Fund**, represented by **Marcel Müller-Marbach**, **Mangrove Capital Partners**, represented by **Hans-Jürgen Schmitz** and **The Carlyle Group** (Luxembourg) S.à r.l., represented by **Estelle Beyl**.

They join 3i Luxembourg (Aline Bapst), Apollo Global Management (Fabrice Jeusette), Cinven (Gautier Laurent), Expon Capital (Alain Rodermann), Investindustrial (Eckart Vogler), Luxempart (Olaf Kordes), Threestones Capital Management (Mathieu Perfetti), SwanCap Investment Management (Claus Mansfeldt) and Allen & Overy (Patrick Mischo), Arendt & Medernach (Adrian Aldinger), Banque de Luxembourg (Lucienne Andring), Clifford Chance (Katia Gauzes), Deloitte (Nick Tabone), Elvinger Hoss Prussen (Jeffrey Kolbet), Edmond de Rothschild AM (Serge Weyland), EY Luxembourg (Laurent Capolaghi), KPMG (Mickael Tabart), Linklaters (Nicolas Gauzes), PwC (Valerie Tixier) and TMF (Marco Cipolla).

Comparing the new board with the old one, which was still online on the association's website at noon on 15 June, Norbert Becker Family Office (Rajaa Mekouar), Quintet Private Bank (Stephane Ries), Apex (Pierre Weimerskirch) and Sofina Luxembourg (Stephanie Delperdange) are the outgoing members.

+28% increase in membership

The LPEA had 413 members at 31 December 2022, an increase of 28% in one year. Its revenues reached €1.310m, compared with €1.106m in 2021. Its costs, meanwhile, rose by 987,000 to €1.094m. Earnings rose from €119,000 to €216,000, "significantly boosted by the increase in the number of members" (€820,000 in revenues), which will enable it to "continue to expand its activities and the promotion of the Luxembourg PE-VC industry abroad."

For CEO Stéphane Pesch, the association's growth "reflects the resilience of the sector." Chairman Claus Mansfeldt adds that "the total value of deals completed in 2022 far exceeded pre-pandemic levels. In fact, 2022 was the second busiest year in the previous decade."

LUXEMBOURG PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION

Festive networking at the LPEA's summer party

Written by Delano.lu
Published on 13.07.2023 • Edited on 13.07.2023 at 13:44

Ian Atkinson (Governance.com), Jonathan Prince (Finologee), Alex Lawrence (Titanbay), Neil Scoble (Cascade) and Darren Robinson (Anderson Wise) at the Luxembourg Private Equity and Venture Capital Association's (LPEA) summer party,

1 / 17

Luxembourg's private equity and venture capital communities enjoyed a festive networking event at the LPEA's summer party on 11 July.

The Luxembourg Private Equity & Venture Capital Association's (LPEA) summer party took place on 11 July 2023 at the Hotel Parc Belle-Vue in the city centre.

It was an occasion for the private equity and venture capital communities to network in a festive manner and to look back at the achievements made by the association and its members in the first half of the year.

Founded in February 2010, the LPEA now has more than 450 members, including investors, fund managers and service providers. The association provides networking opportunities, training programmes and workshops.

Private Equity Perspectives, KPMG Luxembourg, summer edition

Mickael Tabart
Audit Partner at KPMG Luxembourg – Private equity and Assurance Leader
4 articles + Follow

July 17, 2023

Dear clients, colleagues, and friends of KPMG,

This summer edition of KPMG Luxembourg PE perspective article aims to collect the most relevant information, data, and trend reports in the industry from KPMG Luxembourg and globally. In addition to this PE focused article, we are also issuing our **Luxembourg AI newsletter** that I encourage you to subscribe to, so that you are able to get the most out of our Luxembourg alternatives topics.

This edition provides a plethora of beach reading for the next few weeks of summer, and it is always a special one for us auditors as it marks the end of the busy season for most of us.

The past few weeks have been filled with long hours and rigorous deadlines. Despite the challenges we encountered along the way, we are incredibly proud of the resilience of our people and professionalism displayed by our PE team. Each of them has played an integral role in our collective success, demonstrating unwavering commitment to maintaining the highest standards of excellence.


Mickael Tabart, Stéphane Pesch, Olaf Kordes, Skinder Nehdi and Alexandre Hector

The month of June was also marked by the several events in Luxembourg and abroad, but most of all we were proud to host our annual KPMG Plage events and the opportunity to connect with clients and with our colleagues from other offices. It was again an incredible event with more than 500 people attending the AI grand opening, a record! We hope you made some unforgettable memories with your peers and, most importantly, had fun.

During the Plage, Alexandre Hector together with Mathieu Perfetti co-sponsored a **KPMG/LPEA conference** on the key trends of the PE industry and moderated a panel on the phenomenon of the democratization of the alternative market. It was an opportunity to welcome very distinguished panelists including Ludovic Phalippou, Professor of financial Economics at Oxford University who delivered a keynote speech on this topic and even sparked a heated debate with the other participants.

We also hosted our **annual KPMG Luxembourg Private Equity Audit Partners meeting** in which 12 of our partners from KPMG UK, Channels Islands, Cayman, Dallas attended. Key topics included a *client session* where CFOs answered the question: What does a CFO expect from the audit? Among many key other aspects where he valued the audit process, they also emphasized the collaboration between KPMG offices and teams as a key differentiator.


Emmanuel Gutton (ALFI), KPMG team and Viviane Rouarch (CACEIS)

Vincent Prophete and I attended the **ALFI US roadshow** in NYC and Miami, which not only saw meaningful discussions with our current clients on their developments, but also created an opportunity to meet new prospects with an interest in expanding or implementing their operations in Luxembourg for fund raising in the EU.

Luxembourg Updates

On July 10th, the Luxembourg Parliament voted on a new fund law which will improve and modernize the country's investment toolbox.

The changes will impact five sectoral laws, namely the laws on SICARs, SIFs, RAIFs, UCI, and AIFMs. They include an extension of the deadlines to reach the respective minimum capital, additional structuring options of UCI Part II funds, the possibility for AIFMs to use tied agents, a reduction of the minimum investment capital requirement from EUR 125,000 to EUR 100,000 to qualify as well-informed investor, and administrative simplifications.

From a tax perspective, new provisions introduce subscription tax exemption regimes in the UCI, SIF, and RAIF laws for ELTIFs and in the UCI law for PEPP funds. In addition, amendments to the existing sectoral laws clarify the subscription tax exemption regimes applicable respectively to funds of funds and to money market funds. The new provisions also align the subscription tax exemption for pension funds established under the UCI Part I law with the more flexible rules that already apply to SIFs and RAIFs.

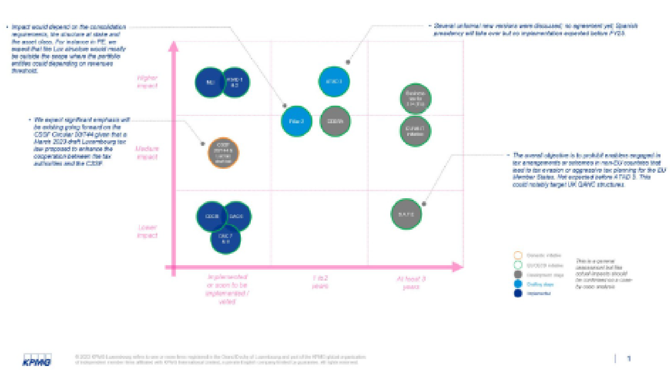
ALFI welcomes the changes made by the law. This initiative demonstrates Luxembourg's ability to keep up with new developments. The law further enhances the legislative framework applicable to the fund industry, which operates in a highly competitive international environment.

Provided that the Conseil d'Etat grants an exception for the second vote, the law will be promulgated by the Grand Duke and signed by the competent ministers. Afterwards, it will be published in the Official Gazette (Mémorial) and will enter into force three days later. For more information, please refer to the website of the Chamber of Deputies.

Source: ALFI

The direction of travel of tax within the alternative industry: Navigating through complexity

The Alternative Investment industry is currently subject to an avalanche of (existing/upcoming) tax reforms that could either ipact the IRR of funds (e.g. Pillar 2) or simply change their business models significantly (e.g. ATAD 3). The tax landscape is becoming rather complex, and we recommend fund managers to carefully consider all these topics thoroughly. The below matrix developed by our tax colleagues is offering an overview of what is going on currently and what would be at stake tomorrow. Please refer to Benjamin Toussaint and Christophe Diricks for any questions on these reforms and their impact to your organization.



Generative AI: From buzz to business value

Not a day has gone by lately where the topic of Generative AI has not come up. I invite you to read the two publications below which show how AI is disruptive. The disruption, in the context of AI taking on tasks currently done by humans, will ideally lead to the ability for organizations to harness AI to increase efficiency and efficacy. Freeing up talent and deploying both human and financial capital better will ultimately make companies stronger, drive growth and revenue, and for private equity firms in particular, result in better returns to their investors.

On a global basis, the annual survey produced by the Tax practice also has an AI component to it. Tax Reimagined 2023: Perspectives from the C-suite reveals a strong willingness among C-suite respondents to embrace AI as they modernize their tax departments and ultimately channel higher-impact, more strategic work through their talent.

Generative AI: From buzz to business value, which is the result of a survey KPMG conducted of 300 executives from across industries and geographies to understand their views on GenAI and how it will affect both their businesses and overall industries.

Along with this exciting topic, KPMG and Microsoft made an announcement this week of KPMG's US$2 billion investment in AI and cloud with Microsoft. This expansion of our current relationship with Microsoft is a game-changer in terms of putting AI at the forefront of professional services.

With all this being said, I wish you a wonderful vacation filled with relaxation, joy, and memorable moments. May you return refreshed and inspired, ready to tackle new challenges and achieve even greater milestones together.

Mickael

Trending topics

Prepare for 2023 SEC examination priorities – Asset management firms and private funds

This piece highlights the six Securities and Exchange Commission (SEC) areas of focus for asset management firms and private funds to watch out for and considerations for how they can navigate this newly energized regulatory environment. Each of these high-priority and risk topics will impact board members, senior management, and employees in virtually every area of activity. Learn more about the topics and what organizations should be doing to address them.

Ten Key Regulatory Challenges of 2023: Mid-year Look Forward

KPMG Regulatory Insights' Ten Key Regulatory Challenges of 2023: Mid-year Look Forward helps answer - with a unique Regulatory Barometer analysis, a look back on recent activity, and a preview on 'what to watch'.

Top read PE industry

The KPMG Board Leadership Center has published the findings from its 2023 private company board survey. The nearly 600 survey respondents included independent directors; founders and other executives; investment firm partners, employees, and operating advisors; and family members and ESOP trustees.

It's chilly out there, but private market fundraising hasn't frozen over

There's been a melancholy mood around private market fundraising lately. In the first half of 2022, mega-funds attracted mountains of capital, depleting LP commitment budgets before a fall in the public markets triggered the denominator effect for some institutional investors. Ever since, GPs raising private market funds have lamented an apparent slowdown in commitments. PitchBook's analyst note puts aside anecdotes to answer that recurring question through data-driven quantitative lenses. We found that even though GPs are raising billions of dollars across thousands of funds, they're having a harder time than usual.

As exits slow, US PE is headed for a $360B pileup

Fund commitment tallies are lower and debt's been harder to access, but the exit shortfall has been perhaps the greatest challenge to the US private equity industry in 2023. PE firms will soon be grappling with a backlog of maturing investments, weighing on fund performance, and reducing distributions to LPs. PitchBook's analyst note illustrates the scope of the exit shortfall and discusses the creative measures that some GPs will need to take as they hold on to aging assets.

VC fundraising, AI were key at one of Europe's largest tech conferences

The 2023 VivaTech conference in Paris drew more than 150,000 attendees together to discuss LP commitments, the future of generative AI and the current exit scarcity. The consensus is that GP track records remain a critical factor for VC fundraising, and our latest analyst note delves into this and more from the event.

What GPs, LPs really think about impact and ESG

Opinions on impact investing and ESG frameworks in the private markets are often described as politically polarized, and there's no sign that characterization will fade anytime soon. But between the sustainable investing diehards and the anti-ESG stalwarts, there's a much bigger set of investors with nuanced views on how to balance investing for profit and investing for purpose, and why they need not be mutually exclusive. Hundreds of private market players responded to PitchBook's Sustainable Investment Survey this year, and our 2023 report provides a window into their overlapping and sometimes conflicting views on impact and ESG.

More newly public companies return to PE hands

The number of companies going back into private equity ownership less than five years after going public is increasing. As we pass the half-year point in 2023, 13 such deals worth about US$26.7 billion have been struck, according to PitchBook data. That's already approaching the totals for all of last year, numbers that suggest a return to a trend seen prior to the pandemic.

PE's portfolio markdowns show no signs of letting up

Private equity firms are continuing to mark down the value of their portfolios in the second half of 2023. Even as public markets experience a bull run, PitchBook data shows that US PE firms are continuing a slow campaign of markdowns amid persistent financing challenges and dwindling exit opportunities. In Q1 2023, the six largest public PE managers generated a median quarterly return of 2.4%, lagging the S&P 500 by 5.1 percentage points.

How PE is paving the way for private wealth

Wealth managers and private banks serving high-net-worth individuals have been increasing their allocations to private equity. At the same time, GPs are looking for additional sources of capital as institutional investors dial back their overexposure to the private markets. Retail investing platforms, curated investments and semi-liquid funds are some of the ways these players are paving the road into PE for private wealth.

Stephane Pesch (LPEA): The new face of PE

With PE and VC thriving in Luxembourg, Stephane Pesch, CEO of the Luxembourg Private Equity and Venture Capital Association, explains how the LPEA has become a valuable forum for practitioners to share their ideas, views with their peers as well as with the Luxembourg government and public institutions.

Can you describe your association in a few words?

The LPEA was created in 2010 by visionaries who anticipated that alternative investments, including private equity (PE) and venture capital (VC) strategies, would represent the next big success for the Luxembourg investment funds' hub. The LPEA's 338 members comprise three categories: Full members, who are General Partners (GPs), Limited Partners (LPs) and family offices. Secondly, Associate members, who include service providers and advisors such as depositary banks, AIFMs, fund administrators, audit and law firms, tax experts and consultants. Finally, the Affiliate members are represented by non-executive directors with PE mandates, entrepreneurs and founders of innovative companies and independent PE specialists.

What is your mission as an association?

The main goal of our association is to represent, defend and promote the interest of our members and the PE/VC industries. The first mission of the LPEA encompasses public affairs and advocacy hand in hand with the representatives of other financial associations, with whom we discuss the latest directives and regulatory changes in order to share our common views with the authorities and some public entities. Our second mission is thought leadership. Alongside our annual flagship conference, the LPEA Insights, we have launched more than 25 technical committees and clubs - composed of LPEA members and industry experts – which tackle the latest trends and developments. The topics range from legal to tax and also include operational matters, focusing on different investment strategies as well as analyse the latest ESG developments. Our third mission is talent attraction. Over the past two years, we have developed a specialized training academy and have organized two dedicated job fairs. We also opened an HR club where practitioners discuss their needs and the hottest profiles.

What major trends do you see emerging in private equity?

The most recent trends englobe the broader acceptance of technological innovation and the "democratization" of PE which enables new stakeholders to access private asset classes via specific products, vehicles or platforms, next to the traditional institutional and professional investors. Nowadays new players also include more family offices (many were already active in the field) Private bankers, Wealth Managers and insurancers who have strongly increased their share in private assets over the recent years due to a high demand from their clients. Digital platforms and innovators are offering tech-based solutions which for example facilitate the on-boarding of clients, help identify promising opportunities thanks to AI-driven tools, optimise the reporting and administrative deliverables, make the whole industry more data-driven or accessible (via APIs) and also automate the operational workflows. "Off the shelf" structures allow a quite personalised experience and exposure to PE/VC, which in certain cases, can even be extended to more "retail" types of clients. The refurbishment of the European long-term investment fund (ELTIF) structure is also happening right now and could represent a very interesting catalyst, solution to cope with this increased appetite. Luxembourg start-ups with their inspired technologies have also been sprouting for some time now and have successfully rolled out their products, further proof that Luxembourg is further strengthening its position as an innovative ecosystem and a more transversal PE/VC hub which proposes efficient structuring solutions, the right

"REGARDS" Private Equity

"REGARDS" Private Equity

SPORTS AND PRIVATE EQUITY

Luxembourg: a football powerhouse?

Written by Sylvain Barrette
Published on 19.09.2023

Share

Delano interviewed Nicolas Moura at Pitchbook and Marc Diederich from the Luxembourg Football Federation to discuss the impact of private equity in the management of football clubs in Europe and the role played by Luxembourg on the pitch and in the board room. Photos: Pitchbook; Luxembourg Football Federation. Montage: Maison Moderne

Having a big name on a jersey is not synonymous with high valuation for European football clubs. Yet, the clubs from the "Big Five" European leagues are increasingly sought after by private equity firms to build an exposure in shares, debt or participation rights in various financial structures.

Football season has recently started in leagues across the continent. Private equity firms (PEs) and fans must wonde whether the recent transfers of high-profile players, such as Messi, Ronaldo, Neymar or Benzema to name but a few, to clubs in Saudi Arabia and the US will have some adverse impacts on club performance and valuations.

Messi or Ronaldo: Who impacts valuation the most?

"Their departure should not affect valuations as these players have reached near the end of their career," said Nicolas Moura, an analyst in EMEA private capital at research and data firm Pitchbook, during a phone interview on 29 August 2023. "Those clubs are bigger than the players [...] the valuation of Manchester United or Paris Saint-Germain will not decline after they [have] left." On the other hand, he expects the arrival of these players to have an impact the valuation of the welcoming clubs.

Moura thinks that his answer would be different for clubs where players, such as Mbappé at PSG, are at their "prime." Pitchbook, a Morningstar company, reviewed the recent acquisitions in a report, "Private Capital in European Football," and concluded that record valuations could be reached in 2023 should ManU be sold this year.

High prices feeding more transactions

The high valuation reached on several transactions involving PE prompted many owners to consider selling their shares. In addition to ManU, valued at more than €5.5bn, Liverpool, Everton, Inter Milan, Hellas Verona, Anger SCO and Monaco are all reported to be on the selling block (full or partial sale) for deals that could reach, in total, more than €10bn in 2023.

The study focused on the "Big Five" leagues comprising 98 clubs during the 2022-23 season. Not surprisingly, the data collection on ownership was challenging given the complex ownership structure and the limited disclosure provided by the PEs. Pitchbook reported that 35.7% of the clubs have some sort of participation (shares, debt) from PEs and VCs.

According to Stéphane Pesch of the Luxembourg Private Equity & Venture Capital Association, some of its members and non-members have various forms of exposure to European clubs (Oaktree Capital/Inter Milan, Ares Management/Atlético Madrid, Clearlake Capital/Chelsea, Elliot Management/AC Milan and Silver Lake/Manchester City).

Interestingly, Moura explained that CVC Capital Partners Fund VIII, a Luxembourg fund, has no direct stockholdings in clubs but rather participations, a form of fixed income security, to the broadcasting rights in France (Ligue 1) and Spain (LaLigua) for a period of 50 years. Contrary to owning a club, these stakeholdings do not face a relegation risk.

The US is getting big in football

Finally, a significant number of US fans and investors are catching up with football, or soccer, as it is known across the pond. Pitchbook reported that "34.7% of the clubs in the Big Five leagues have US-based capital participation at the ownership level."

It is the result of the emergence of dedicated sport funds (777 Partners), higher time spent in playing and watching football, higher TV rights ($1.5bn for six years) to broadcast the Champions League on CBS which attracted 5.2m viewers in 2022, and the partial hosting of the World Cup in 2026. Pitchbook believes that US participation in recent transactions is a "major reason" why valuations have reached new highs.

Football: a stable and/or a fame business in your portfolio?

Historically, high net-worth individuals (HNWIs) bought clubs for a variety of reasons beyond profitability. PEs see these investments as an opportunity to professionalise the management by restructuring the operations (i.e., increasing commercial revenues) and the financial profile to ultimately grow earnings to reach higher valuations "within seven to 10 years," a typical investment horizon for these investors.

Pitchbook thinks that investments in football clubs "bring diversification," are "uncorrelated" with other financial assets and are "mostly recession-proof" on the back of resilient broadcasting rights and matchday revenues, while merchandise sales are the most exposed to recessions.

Newcastle, Chelsea Football Club and AC Milan were sold to PEs at multiples of 1.7X (€351m), 5.3X (€3bn) and 4.5X (€1.2bn) revenues in the last two years. Roman Abramovich, a Russian billionaire, was forced to sell Chelsea after he acquired the club for £60m in 2003.

> " YOU CANNOT COMPARE CHELSEA TO HESPERANGE [SWIFT] WHICH HAS THE HIGHEST BUDGET AT €3.5M OF THE BGL LEAGUE "
>
> Marc Diederich, lawyer, Luxembourg Football Federation

Yet, the bidding war for ManU between a British billionaire and a Qatari royal that may result in a price tag above €5.5bn reflecting a 2022 revenue multiple of 8.0X. Challenging HNWIs remains "very difficult" for PEs when other reasons for the purchase, such as prestige, are at play. For context, PEs pay revenue multiples at around 2.4X for European and North American buyout transactions, according to another report from Pitchbook.

Multi-club ownership: risks and benefits

Pitchbook believes that PEs owning several clubs in multi-club ownership (MCO) structures "can create synergies" as they replicate buy-and-build strategies of PEs. However, the Union of European Football Associations' (UEFA) rules ban two teams in the same competition (national league or in one of the three prime European competitions) to be majority-owned by the same shareholder.

The promotion of two clubs owned by one MCO to the champion league, for instance, may create joy but also financial headaches as it would require a rapid divestment below 50% for at least one of its clubs. That risk explains why MCOs acquire clubs across the continents to avoid the risk of forced selling but also aims at other type of football related revenues.

What about PE involvement in Luxembourg clubs?

According to the statutes of the Luxembourg Football Federation, a club cannot be formed as a private company but only as an ASBL, a non-profit organisation.

"You cannot compare Chelsea to Hesperange [Swift] which has the highest budget at €3.5m of the BGL league," said Marc Diederich, lawyer at the Luxembourg Football Federation during a phone interview on 24 August 2023. He added that the average budget for the domestic clubs runs between €400k and €800k.

"There are no TV rights in Luxembourg as in other large European countries," said Diederich. He explained that the association must pay to be aired on RTL with their sponsors displayed on a football TV magazine. Besides, the live stream on RTL of national league matches is free for clubs and they get no revenues from the TV network.

Diederich explained that the ASBL regulation was recently amended but had no impact on the ownership structure of the Luxembourg clubs. "99% of the club members are happy with this legal structure and there are no plans to change that."

ELECTION REACTIONS

Important that state, financial sector interests be aligned: LPEA CEO

Written by Natalie Gerhardstein
Published on 11.10.2023 • Edited on 12.10.2023 at 06:52

Stéphane Pesch, CEO of the Luxembourg Private Equity & Venture Capital Association (LPEA). Library picture: Nader Ghavami

Stéphane Pesch, CEO of the Luxembourg Private Equity & Venture Capital Association (LPEA), gives his initial reactions to the results of Sunday's national elections.

On a purely political level, Stéphane Pesch, CEO of the LPEA trade group, says the results of the elections were "a bit of a surprise" and that some "extreme topics in the end did not catch as much traction as expected."

While it's clear it will be a coalition of two parties, for Pesch, "it's really more about having the right sparring partners in order to help the Luxembourgish financial hub to remain, and become, if necessary, as competitive as possible."

As other financial institutions have similarly stated, the LPEA will also stay close to the ministries and public authorities to be aligned to ensure the sector remains as attractive as possible. Pesch adds that Luxembourg is well recognised as a private equity hub and efficient hub for European fundraising.

"That's the goal we need to focus our efforts on: the best timing concerning the setups... when we have good structures, but we've heard of great features which exist in other countries or hubs, so to potentially adapt those into our own laws and be at the forefront of what can be combined around that strength."

> " IT'S HAVING THE BEST IN CLASS OF FINANCE, OPERATIONS, EXCELLENCE, AND ALSO DOERS. IN THE END, THAT WILL MAKE THE BIG DIFFERENCE. "
>
> Stéphane Pesch, CEO, Luxembourg Private Equity & Venture Capital Association (LPEA)

Stability is still a part of the toolbox. But while buzzwords might fly around, he hopes for concrete action, without foregoing innovation. "It's having the best in class of finance, operations, excellence, and also doers. In the end, that will make the big difference."

Pesch doesn't doubt the government's awareness of the important role the finance sector plays in the grand duchy, but he emphasises the need "to have constant exchange, have their ear. If we have suggestions or things we have observed, that we are able to bring those up and then to define, together, if feasible, what we can realistically implement."

For him, having the "interests of the state and financial sector" be "absolutely aligned" is important, which he sees happening through a "constructive path, with collective intelligence" to preserve that.

The LPEA, which counted 413 members as of 31 December 2022 (+28% year-on-year) and reached revenues of €1.310m the same year, added four new members to its board in June of this year.

“What’s next, now!” in Private Capital

An insider’s view to the Insights conference 2023 (19 October, Luxembourg)

11/10/2023

The latest Preqin figures do not lie: more than 50% of Private Equity funds launched in 2022 in Europe were domiciled in Luxembourg. When compared to a decade ago, less than two out of ten would have chosen the country. Looking at Private Debt, the prominence is even more remarkable with 90% of new funds setting up operations in the Grand Duchy.

The country is recognised today as the place to be when it comes to Private Capital fundraising across Europe. The famous Luxembourg “toolbox” that was developed over time, was already in place when investors globally gained further appetite for Private Capital and allocated funds at an average growth rate of 15% per year (*period 2015-2019; Preqin*). The forecast for the coming years is more conservative (12%) but points to a continued growth.

Will Luxembourg remain THE jurisdiction of choice? Will the sector continue to grow as forecasted? How are macro trends affecting Private Equity allocations? These and other questions are being discussed by the industry and that is why we bring them on stage for our annual Insights conference. In fact, when designing the seventh edition of LPEA’s flagship conference, we looked for one main trend and concluded that the industry is going in multiple directions and that we needed to dedicate time to each of those.

Here is a preview of what you can expect from the Insights which will be held on the 19th of October:

Buyout: macro clouds ahead

From a macro angle there is a general perception of slow down, notably in fundraising, partially explained by the need of institutional investors to wait and see or re-balance some of their existing portfolios. Interest rates also play an important role with a direct impact on the leverage and are proposing higher returns (via different financials products) which are now compared with those from our sector. Will better remunerated deposits drive investors away to other types of products? Other aspects will also be on the table such as the state of valuations, the regulatory environment and ESG – of course. A discussion animated by LPEA’s President Claus Mansfeldt **(SwanCap)** with Hind el Gaidi **(LVPA)**, Britta Harper (**Blackstone)** and Joshua Stone **(EQT)**.

From Traditional to Private Assets

The investors’ landscape is changing and so are asset managers. With the revamp of the ELTIF and the use of Part II funds for Private Equity, a potentially new era is about to start. Although we are really not in a retail mode, the democratisation of private markets and assets comes with many challenges and is drawing the appetite of specialised managers and also traditional (liquid strategies) ones which see in alternatives the next chapter for growth. From the experienced view of Thomas du Pasquier **(Unigestion)** to the shifting reality of Ingrid Edmund **(Columbia Threadneedle)** and Matthieu Broquère **(Cedrus & Partners),** we will explore how the transition happened and the reasons behind.

On the creation of new products designed for broader audiences (democratisation), Mathieu Perfetti **(Threestones Capital Partners)** will animate a panel with the views of Fabrice Jeusette **(Apollo),** Vanessa Grueneklee **(Schroders),** Markus Pimpl **(Partners Group)** and Giacomo Barchetta **(Neuberger Berman).**

The Path towards Net Zero

ESG is not only a regulatory matter but for many a strong conviction which we can only support. Matteo Squilloni **(European Investment Fund)** will moderate a discussion with pioneers and impact makers. The front-runners in the CO_2 neutral economy race will be Jack Azoulay **(Argos Wityu),** Pierre Abadie **(Tikehau Capital)** and Oliver Heiland **(Finance in Motion)** who will share their own strategy and how each and every manager can take concrete first steps towards the EU 2050 goals.

2023 – The Year of Private Debt?

As mentioned in the first paragraphs, Luxembourg is the go-to-place when it comes to Private Debt. It is therefore important to understand where we stand globally in the Debt space and how Europe is picking up to a more mature US market. That and other sector specific subjects such as interest rates or ESG will be on the agenda of Michael Maldener **(Nordea)** who will lead the exchange with Private Debt players Cécile Mayer-Levi **(Tikehau Capital),** Matthew Maguire **(Park Square),** Billyana Kuncheva **(MV Credit)** and Lukas Eckhardt **(Golding Capital Partners).**

The Venture Capital (VC) Angle

You might have noticed that the Venture Capital segment of the conference will be in partnership with other local players including LuxInnovation, LBAN (Luxembourg Business Angels Network) and the Luxembourg Startups Association (Startups.lu), all under the branding of the (first) “Luxembourg Venture Days”. This means we’re bringing VC to connect further with the national ecosystem. After several years of seeing successful investments into Luxembourg startups, we will focus on exits (divestments) to understand if the time has come for investors to ‘recycle’ their money in new ventures. Hear from Christophe Bianco **(Excellium)** – an “exited” entrepreneur himself, together with Hans Jurgen Schmitz **(Mangrove),** Marc Penkala **(ältitude)** and Riku Asikainen **(Evli Growth Partners)** – all investors who know what it is like to grow and sell a business.

We will also focus on scaling up and bringing startups to the next level of growth and funding. All with the experienced view of Simone La Torre **(Stellar),** Genna Elvin **(TadaWeb),** Patrick Kersten **(Startups.lu),** Andre Cordesmeyer **(Teylor)** and Laurent Hengesch **(Ilavska Vuillermoz Capital).**

The details

A successful conference is made of many important details: a certain speaker here, the unexpected session there and all those we meet. That is why particular attention is paid to special moments crafted throughout the day: an interview focusing on Secondaries and GP-led Secondary transactions between the Family Office Manager Matthieu Coisne **(MANHOSIOL)** and Secondaries leader Gerald Carton **(Coller Capital);** several “pitches” of less mainstream sectors such as life sciences and biotech by Guy Geldhof **(Vesalius),** space by Bogdan Gogulan **(New Space Capital),** Healthtech by Baudouin Hue **(Karista)** or other views from countries like the Ukraine by Andrey Kolodyuk **(UVCA).** We will also deep dive in the opportunities of AI (artificial intelligence) with Jerome Wittamer **(Expon Capital)** who will anticipate how AI could impact investments but above all our industry and many others.

We'll get to know first-hand the latest CSSF AIFM Dashboard figures and how they position Private Equity in the context of the dynamic Alternatives industry; and we will not forget the Luxembourg national elections, their outcome and consequences by Raphaël Kies **(University of Luxembourg)** and Patrick Dumont (Australian National University) who will help us better understand the results, the different potential coalitions in the making and what it could mean for the financial centre.

The side lines

For the first time the Insights conference will have a second stage. The size and diversity of our industry inspired us to propose more options and speakers. This 2nd stage will host sessions on Impact Measurement and Management, the influence of Technology in Infrastructure, the future of Fund administration, LP-GP alignment on valuations, the role of Non-Executive Directors and, in the context of the “Luxembourg Venture Days”, challenges and opportunities when doing co-investments and syndication.

Conclusion

The Insights is designed for Private Capital investors, fund managers and attracts a large diversity of industry professionals. This year and together with LuxInnovation, LBAN and the Luxembourg Startups Association, it will also open its doors to startups for the last part of the conference.

In alignment with LPEA’s sustainability goals and thanks to one of the conference sponsors, the Insights 2023 edition will be the first to have its CO_2 emissions calculated and compensated.

Moving to LuxExpo is not only a change of location or size, it is a statement about the growth, foothold of the industry in Luxembourg and about the diversity of the involved players. Above all, it is an invitation to ... be inspired!

ANDREY KOLODYUK

"The Ukrainian ecosystem is not only resilient, but also producing good companies"

Written by Lydia Linna
Published on 17.10.2023

Andrey Kolodyuk initiated the foundation of the Ukrainian Venture Capital and Private Equity Association (UVCA) in 2014. Pictured is Kolodyuk speaking at the Invest4Ukraine forum in June 2023. Photo: Provided by UVCA

Ahead of the LPEA Insights conference on 19 October, Delano sat down with Andrey Kolodyuk from the Ukrainian Venture Capital and Private Equity Association to hear about the sectors he's excited about and why people should continue to invest in Ukraine.

Lydia Linna: Could you give me some background on yourself and the Ukrainian Venture Capital & Private Equity Association (UVCA)?

Andrey Kolodyuk: I'm a Kyiv-born serial entrepreneur and venture capital investor. I started AVentures capital as a first VC fund focused on Ukrainian founders back in 2001. We basically have been investing in Ukrainian founders and building business globally, mainly in the US, with 36 investments, 14 exits so far.

All of them have been focused on different verticals. As you can imagine, 36 investments, that means we've been diversified in terms of verticals.

But UVCA, I initiated that in 2014 [the same year Russia invaded Crimea, part of Ukraine, and illegally annexed it], when actually investors were making choices: are they going to leave Ukraine? Or are they going to fight for their portfolio companies? That was in the summer 2014, when I called all investors and said, 'Let's set up the association.'

We immediately became a member of Invest Europe [an association of private capital providers]--we even used their charter for the UVCA establishment--and we've been a member since 2014. Currently, we have over 50 members, predominantly venture capital and private equity funds, and also a few investment banking funds, Big 4, M&A divisions and a few other players of the investment market in Ukraine.

Two-thirds of our members are local ones and one-third is international GPs [general partners], international funds that are invested in Ukraine.

You have founded and built companies in the IT, telecom, internet and media sectors. What sectors are you most excited about for the future?

Personally, I've invested in many sectors, or sub-sectors. But in the future, I'm excited to invest in the sectors that are solving problems--that's number one. That means that I'm interested in healthcare, I'm interested in, let's say, human-centric types of technologies.

And also because I've invested for more than 10 years already in the verticals related to artificial intelligence, like computer visions, for example, and some other ones. I'm interested in the verticals where AI can enable new solutions in different verticals. AI is not the vertical; AI is the enabler, the technology that can actually change or impact many industries. And that's what I'm excited about.

Russia's full scale invasion of Ukraine has been going on for over a year and a half now. Could you give some insights as to what the VC scene currently looks like in Ukraine? And why should investors continue to invest in Ukraine?

War for us was started back in 2014. And since 2014, more than 2,000 startups have been invested, with almost $4bn, with 300 international funds co-invested with Ukrainian ones, and we've created seven unicorns so far. Two happened, by the way, last summer: airSlate and Unstoppable Domains. And we have 50 more in the pipeline. That shows you the confidence that the Ukrainian ecosystem is not only resilient, but also producing good companies.

Also, exits are happening. Just to give you an idea, for the last five quarters, during the full-scale war, we had a total of 52 exits and 200 deals happened as well. And this is still happening.

> "WE CONTINUE TO PERFORM AND PRODUCE NOT ONLY UNICORNS, BUT ALSO GOOD COMPANIES AS WELL"
>
> 
> Andrey Kolodyuk, chairman of the supervisory board, Ukrainian Venture Capital and Private Equity Association

This is the main point for any investors: the market is functioning, the investments are happening and the exits are as well. The markets have not stopped and continue to perform. And we have many new investors, by the way, that entered or invested in the last 600 days in Ukrainian founders. So we have new funds as well.

By the way, UVCA also has grown by eight members over the last few months. This also shows you not only the appetite, but the confidence in the market. We continue to perform and produce not only unicorns, but also good companies as well.

What do you want investors and other contacts in Luxembourg's financial sector to know about investing in Ukraine?

There are a few things. Number one is that, it's already known in Luxembourg, because of the president of the European Investment Bank Werner Hoyer, that Ukraine is a more than €1trn opportunity. So it's a very sizeable opportunity.

I want to share with investors what's happening currently. We have also 17 funds that are raising capital towards Ukraine, different funds, from private equity to venture capital, different alternative asset funds as well. And we have already had successful cases, like Horizon Capital, which closed their fund with $300m of investment. So the opportunity to invest in Ukraine by being LP [limited partner] already exists... We believe that there will be hundreds of funds that are going to participate.

> "YOU CAN ALSO BE A PART OF THE UNICORN MARKET AND MAKE GOOD RETURNS"
>
> 
> Andrey Kolodyuk, chairman of the supervisory board, Ukrainian Venture Capital and Private Equity Association

Second one is that, as I mentioned, there have already been for the last nine years, many happy investors that have become part of the seven unicorns that have already been developed in the Ukrainian ecosystem. But more importantly, there are 50 more in the pipeline. You can also be a part of the unicorn market and make good returns... And it's also an opportunity to co-invest with UVCA members.

And message number three is, because it's a sizeable opportunity... you need to start early. We are sharing with you co-investment opportunities, and some of the bankable projects need time to be prepared. But you will have a first-mover advantage: when the war is over, then you're going to be already ready to deploy the capital.

Ukrainian reconstruction is a very sizeable opportunity as well, especially in infrastructure, agriculture, food processing, energy, medical, housing and so on. In order to have first-mover advantage, we are offering you to team up with our members and their portfolio companies, through joint ventures, as well as start preparation today to address the opportunity when the war is over.

> "THE MAJORITY OF THE OPPORTUNITIES ARE AVAILABLE NOW. YOU DON'T HAVE TO WAIT FOR POST-WAR"
>
> 
> Andrey Kolodyuk, chairman of the supervisory board, Ukrainian Venture Capital and Private Equity Association

But the majority of the opportunities are available now. You don't have to wait for post-war. That is a message that is already coming from the international community and governments like the US government. The special envoy on economic development, Penny Pritzker, said, 'We have no time to wait until the post-war. We need to invest in Ukraine now.'

It's become the US policy and also the European one, because, as you know, the European Parliament will support Ukraine with the €50bn Ukraine facility over the next four years.

Could you give a sneak peek of what you'll talk about during your session at the conference?

Of course. I will share information about the investors that continue to invest in Ukraine, as well as some datasets... Investors, they like not only the motivation or emotional or strategic trends, but also who's already in the game, who has already invested.

> "THE MAIN MESSAGE IS: INVEST IN UKRAINE NOW"
>
> 
> Andrey Kolodyuk, chairman of the supervisory board, Ukrainian Venture Capital and Private Equity Association

I will also share the mechanism that UVCA is offering for our international partners, co-investors, how co-investments can happen, what are the vehicles, what are the programmes, what are the instruments in order to invest in Ukraine now, not even waiting for the post-war.

My presentation will basically showcase the data and [tell] investors in Luxembourg about the opportunities to address the €1trn opportunity in rebuilding Ukraine.

Your main message?

The main message is: invest in Ukraine now. The best help is to co-invest with us, with our members... Follow us, co-invest with us--and this is how we can do great things.

MATTEO SQUILLONI

“Achieving ‘net-zero’ requires a holistic approach”

Written by Lydia Linna
Published on 18.10.2023

Matteo Squilloni is the head of southern Europe, equity investments, lower mid-market at the European Investment Fund. Photo: Provided by the EIF

Ahead of the LPEA Insights conference on 19 October, Delano caught up with the European Investment Fund’s Matteo Squilloni to hear about his thoughts on achieving net-zero, private equity’s role in accomplishing this goal and to get a sneak peek of the panel he’ll moderate at the conference.

Lydia Linna: The panel you’ll be moderating focuses on the path to net-zero. What exactly does “net zero” mean and what are the biggest challenges to achieving this?

Matteo Squilloni: Achieving “net-zero” means that the amount of human-origin greenhouse gas (GHG) emissions released into the atmosphere are equal to the total emissions removed or offset. Essentially, the goal is to reach a state where human-caused greenhouse gas emissions are completely offset through various methods (decarbonisation, reforestation or carbon capture technologies), resulting in no additional increase in the overall concentration of these gases in the atmosphere.

Reaching net-zero by 2050 is our best chance of tackling climate change and limiting global warming to a rise of 1.5 degrees above pre-industrial levels and is perhaps the greatest challenge humankind has ever faced.

Despite the enormous efforts put in place until today, the progress to reach this objective is happening at a far too slow pace for the world to hold temperature rise to 1.5 degrees. The UN finds that climate policies currently in place point to a range of 2.8-3.2 degrees temperature rise by the end of the century. Far too high.

> “ ACHIEVING ‘NET-ZERO’ REQUIRES A HOLISTIC APPROACH: WE ALL NEED TO BE COMMITTED, WE ALL NEED TO CONTRIBUTE IF WE WANT TO REACH THIS OBJECTIVE ”
>
> Matteo Squilloni, head of southern Europe, equity investments, lower mid-market, European Investment Fund

Governmental institutions are trying to stimulate and support the shift to net-zero--to mention just a few, the US’s Inflation Reduction Act (IRA), the European Union’s Green Deal or the REPowerEU program (which the EIB Group is strongly committed to deploying in the coming years).

However, achieving ‘net-zero’ requires a holistic approach: we all need to be committed, we all need to contribute if we want to reach this objective. This is the main challenge.

Individuals need to change their habits, governmental institutions and regulators need to stimulate as much as they can, industries need to strive for decarbonisation and the financial sector shall direct its effort to support and finance this structural change.

In your opinion, what are the key things needed from the financial sector to achieve net zero?

The financial sector plays a crucial role in achieving net zero emissions by directing investments and resources toward sustainable and low-carbon initiatives.

Financial institutions need to align their investments, moving away from fossil fuel-related activities and increasing investments in renewable energy, energy efficiency, green infrastructure and sustainable agriculture.

> “ WE NEED TO ACCELERATE ”
>
> Matteo Squilloni, head of southern Europe, equity investments, lower mid-market, European Investment Fund

Overall, it is estimated by the International Energy Agency (IEA) and the UN’s Intergovernmental Panel on Climate Change (IPCC) that between €4-6trn in investment per year is required from now until 2050 to achieve the transition to a net-zero economy. The current investment pace is not even reaching €2trn per year.

We need to accelerate.

How can private equity and venture capital in particular contribute to this goal of net zero?

The private capital industry is crucial for the required acceleration of investments into energy transition as it has the right instruments to contribute with both short-term and medium-term impact strategies.

Investments in new climate breakthrough technologies (i.e., venture capital) will be crucial to achieve a disruptive impact in the medium to long-term, moving the climate change curve mainly in the period 2030-2050.

However, to achieve the required 50 percent reduction in GHG emissions by 2030, major investments would need to be channelled now for the scale-up the existing technologies (i.e., private equity, infrastructure, private debt).

> " THE TECHNOLOGIES TO ACHIEVE A SHORT-TERM IMPACT ON NET-ZERO EXIST, THEY JUST REQUIRE AN INCREASE IN PUBLIC AND PRIVATE SUPPORT AND A STRONGER COMMITMENT OF EACH OF THE STAKEHOLDERS "
>
> 
> Matteo Squilloni, head of southern Europe, equity investments, lower mid-market, European Investment Fund

I refer here to investments and financing of energy production from renewable sources (including financing of the value chain), investments in companies, products, services linked to the global electrification, investments into energy efficiency projects, support to the overall decarbonisation of hard-to-abate industries, sustainable and regenerative agriculture, technology and processes for the sustainable use of land and natural resources.

The technologies to achieve a short-term impact on net-zero exist, they just require an increase in public and private support and a stronger commitment of each of the stakeholders.

Could you give a sneak peek about what will be discussed during the panel and why people should attend the conference?

At the LPEA Insights conference, I will have the honour to moderate the discussion on net-zero with the representatives of leading pan-European fund managers (which also have a significant presence in Luxembourg): Tikehau, Argos and Finance in Motion represent private capital players at the forefront of climate change and decarbonisation in Europe since many years now and are successful, virtuous and inspirational case studies for the whole private capital industry.

In the panel, we will hear what they are doing to achieve the net-zero objective, understand their investment strategies and how the achievement of the net-zero objective has changed their way to work, the way they structure deals and the way they interact with the different stakeholders.

The LPEA Insights conference will take place on 19 October at Luxexpo The Box. Matteo Squilloni will moderate a panel on "The path towards net zero," which will feature Jack Azoulay (Argos Wityu), Pierre Abadie (Tikehau Capital), and Oliver Heiland (Finance in Motion). Find the full programme here.

LPEA INSIGHTS CONFERENCE

Five reasons to invest in biotech: Guy Geldhof

Written by Lydia Linna
Published on 19.10.2023

Guy Geldhof is managing partner at Vesalius Biocapital, a life sciences venture capital firm that invests in European biopharma and healthtech companies. It focuses on "human biotech," which involves bringing new medicines, diagnostics and instruments to the market. Photo: Lydia Linna

At the Luxembourg Private Equity & Venture Capital Association's Insights conference on 19 October, Guy Geldhof from Vesalius Biocapital talked about the five main reasons he thinks people should invest in biotech.

"The biotech industry has been around for a very long time, especially in Europe," said Vesalius Biocapital's managing partner Guy Geldhof. "Historically, the origin of our industry is in chemistry, and when you look at chemistry and medicine, it's along the Rhine River," covering many countries where you have seen lots of innovations and companies emerge.

But of course, there's risk. Out of the thousands of molecules that are discovered, only one might hit the market.

What venture capitalists in this industry do, said Geldhof, is offer de-risked assets by supporting companies in their preclinical work, helping bring them to the clinical stage and making sure that what is brought to the market is safe and does what it's supposed to do.

So what are Geldhof's five reasons for investing in biotech?

It's profitable

"First of all, it's a profitable business," argued Geldhof. "You see that the returns from early-stage biotech is good, and many years, it's even much better than what our colleagues do in the traditional tech industry."

A Pitchbook report on European venture capital published on 19 October, for instance, found that exit value during Q3 2023 was mostly generated in the biotech & pharma and software sectors. In the first nine months of 2023, 58.7% of European VC exit value was in the software sector (€5.3bn). The second place sector was biotech & pharma, with a 16.1% share (€1.5bn in exit value).

"I think our industry has proven over time that we can consistently bring good returns to investors over the long-term," said Geldhof.

Proven business model

"The second reason why I think investing in biotechs is useful is that we have basically a proven business model," said Geldhof. Innovation is everywhere: a new drug to target this disease, a new instrument, artificial intelligence that makes better diagnostics. "There's constantly market for these types of things," he said. "And it's not stopping."
Over the last several years, the industry has produced many innovations to cure diseases that couldn't be cured before. In terms of cancer treatment, for example, immuno-oncology solutions that use the body's own immune system to fight cancer have been used for cancers that were previously un-treatable.

Personalised medicine

Well, then a follow-up question might be: if solutions have already been found, why continue to invest in biotech?

"I think we're seeing today the next type of companies that will emerge," said Geldhof. "Cancer treatments--there's plenty of them. But they're horribly expensive. So we now need to find ways that are more personal. Personalised medicine [which uses a person's specific genetic profile to help prevent, diagnose and treat disease, editor's note] is the next type of companies that we're going to see and that we, as an industry, support."

Europe has a research advantage

Europe "absolutely" has an advantage, said Geldhof, and still has a role to play. America and China are also working hard in the sector, but "pharmaceutical development and biotech is still something where Europe has a lot of cutting edge institutions of research that have come up with new ideas, new approaches that are worthwhile."
"Luxembourg also has a place," he added. "It hasn't been there naturally from the beginning," but the government is working on building this up.

Improving quality of life

And, last but not least: real-life impact. "When you bring a new treatment, or a new diagnostic, to the market that helps find solutions for people... you improve the quality of lives," said Geldhof.

"You're doing the right thing, you're doing a good thing, and as an investor, it also allows to create a return."

LPEA INSIGHTS CONFERENCE

When investing in space, remember: “The customer is on Earth”

Written by Lydia Linna
Published on 20.10.2023 • Edited on 20.10.2023 at 07:51

Bogdan Gogulan, CEO and managing partner of the private equity firm NewSpace Capital, talked about why people should invest in space during the Luxembourg Private Equity & Venture Capital Association Insights conference at Luxexpo on 19 October 2023. Photo: Guy Wolff/Maison Moderne

The space industry has the stability and predictability of a large industry, but certain parts have growth rates of an emerging industry, said Bogdan Gogulan during the Luxembourg Private Equity & Venture Capital Association’s Insights conference. It can also help generate returns for investors in a sustainable way.

When people think about space, they often think about three things: SpaceX, deep space exploration and SES, began Bogdan Gogulan, CEO and managing partner of the Luxembourg-based private equity firm NewSpace Capital. Luxembourg satellite provider SES “revolutionised commercial space,” while “space exploration corresponds with our natural curiosity,” Gogulan said at the LPEA Insights conference on Thursday.

SpaceX has dramatically changed the space industry, he argued. “SpaceX and other commercial launch providers have brought us to the stage where--since the times of the shuttle--launch costs have gone down by over 90%.” This has led to a disproportionate multiplier effect on the space industry: the number of objects that were launched into space increased by a factor of 20.

What’s more, the space industry is expected to keep growing. “By mid-century we should get to over $3trn. And that’s five times growth of the industry,” said Gogulan.

More than just launches

“If we’re thinking about launch, the overall launch market is just $6bn. So that’s about 1.3% of the whole $450bn industry,” said Gogulan. Satellites--what SES and others are working on at the moment--take up $16bn of the market, which is bigger than the launch part, but still “marginal.”

But ground infrastructure--from antennas to networks, “everything that actually allows people to get the communication, correct observation data and connectivity on the ground”--is five times bigger than the launch sector. It makes up a disproportionately large part of the industry.

> “ THE CUSTOMER IS ON EARTH ”
>
> Bogdan Gogulan, CEO and managing partner, NewSpace Capital

And things have gotten much more efficient in the last decades. “Applications--this is what all of this is about. This is about applications for the clients, for the customers on Earth.”

So what are these applications?

“If we think about the applications,” said Gogulan, “they’re going to be for very traditional, plain vanilla businesses. The customer is on Earth.” Looking at those industries, their future growth is actually dependent on satellite products and services.

Gogulan went on to give a few examples. “In finance, if we think about insurance, our portfolio companies are helping insurance companies to save hundreds of millions of dollars in working capital by helping them to process claims faster.”

Agriculture is another sector with potential. Precision-farming and precision agriculture, enabled from space, could be used to grow more food efficiently, said Gogulan.

> “ EVERY COMPANY IS TURNING INTO A SPACE COMPANY ”
>
> Bogdan Gogulan, CEO and managing parter, NewSpace Capital

Other applications include uses in software and artificial intelligence, 5G and the internet of things, cloud computing, GPS for autonomous vehicles and smartphone consumer apps. There’s a lot of potential without the inherent space risk.

More productive, efficient and sustainable

Thanks to flexible, efficient space infrastructure, businesses can use space products and services--“and that turns companies into space companies,” said Gogulan. “In the same way that 20 years ago, we were talking about, ‘Is this a tech company? Or is this a non-tech company?’ Now there isn’t such a distinction. Every company is a technology company. And in the same way, right now, every company is turning into a space company.”

Space infrastructure is helping companies and industries improve efficiency and productivity in their core activities, argued Gogulan. “And if we are to return growth into the economy, what we need to focus on is on productive investments.”

But space isn’t just about productivity and efficiency, he said. It can also boost sustainability. The impact of space infrastructure has a lower carbon footprint than terrestrial infrastructure. “Looking at just a couple of industries across the globe, using the impact of the space industry, there is already over 4.5 gigatonnes of CO2 equivalent being removed from he atmosphere every single year.”

Gogulan had another example from one of his firm’s portfolio companies. “One of our companies, earlier this year, using earth observation analytics, helped to find a leak on a pipeline that was pumping out methane,” which has 80 times the warming power when compared to carbon dioxide.

“Space technology can bring productivity and efficiency into industry and do that in a more sustainable way,” concluded Gogulan. “And it helps us to generate returns for investors.”

LPEA INSIGHTS CONFERENCE

Evidence suggests private equity performs best during downturns

Written by Lydia Linna
Published on 20.10.2023 • Edited on 23.10.2023 at 09:59

The CEO of the Luxembourg Private Equity and Venture Capital Association (LPEA), Stéphane Pesch, gave opening remarks at the Insights conference on 19 October 2023, Luxexpo. Pesch noted that the association had just reached an internal

1 / 11

Several hundred private equity professionals gathered at Luxexpo on 19 October to discuss the latest trends in the market at the Luxembourg Private Equity & Venture Capital Association's Insights conference.

Against a backdrop of de-globalisation, high inflation and interest rates, economic uncertainty and geopolitical turbulence--such as Russia's continuing invasion of Ukraine and the conflict in the Middle East--it's important to take a long-term view, said LPEA president Claus Mansfeldt in his introductory remarks at the conference, which is a key perspective in private equity.

But the good news is, "we also know that private equity performs better, relatively speaking, versus the alternatives during difficult times. During downturns. All the evidence suggests that private equity is alpha over public markets and is maximised during downturns," added Mansfeldt. The worse the stock market performs, the better--relatively speaking--private equity does, though this, of course, doesn't mean it's impossible to lose money in private equity.

And all that being said, we're coming into this period "with the coffers completely stuffed with cash," noted Mansfeldt. "There's $5trn of dry powder sitting in private equity funds worldwide." The industry has a lot of potential.

Macro themes: disinflation, growth slowdown, 1970s parallels

Mansfeldt was also the moderator of a panel dedicated to the buyout market, which featured Britta Harper (Blackstone), Joshua Stone (EQT) and Hind El Gaidi (ICG). Panellists discussed the macro themes and trends they were seeing in the industry, valuations and fundraising, amongst other topics.

For Harper, managing director in Blackstone's real estate group, disinflation, growth and parallels to the 1970s are three key issues in the macro picture. "We think that the disinflation process is going to be prolonged," she said. "We do think that inflation is going to continue to drop, but we're still far away from the 2% target." Blackstone's view is that rates are going to be higher for longer, which is being reflected in the stock market.

On growth, Harper thought that it was a matter of "when, not if" a slowdown in growth would be seen in the US, UK and the eurozone.

"For the third one, I would call it parallels to the 1970s," said Harper. She expects to see continued volatility in interest rates and inflation. "And for that reason, we're also pivoting into sectors that will have strong income and strong income growth."

Winners are those who can reap rewards of resilience

Confronted with an uncertain outlook and the increasing cost of capital, general partners have decisions to make, said ICG's El Gaidi. "In these market conditions, it's not all doom and gloom, I would say, because there is a runway for growth, and there will be winners and there will be losers. And the winners are the ones who are able to reap the rewards of their resilience." Those who can differentiate themselves in the market--in terms of client strategy, for example--will have an advantage.

"Valuations are super dynamic, and also defined by industry, of course," added El Gaidi, but she would expect to see some valuations coming down. Another aspect of note is the evaluation of risk, she said, referring to task forces being put together by the UK's Financial Conduct Authority and the US Securities and Exchange Commission on this subject. It's not just methodologies and inputs that are in the spotlight, but also governance.

Science-based targets

Regarding sustainability, ESG criteria and valuations, EQT's Stone mentioned that "we are pushing all of our companies to sign up for SBTs--science-based targets." A number of companies have signed up for this so far, he noted. Once you get more companies, you get more data and then you can start to track this against valuations.

AI transformation

"We see AI as one of the mega-trends , as technology transforms the way in which we work and in which we live," said Blackstone's Harper, who added that they're seeing "a huge demand for processing power." A ChatGPT inquiry, for instance, requires 10 times the computing power of a Google search. There will be an "exponential growth" in the need for computing power, and "that makes computing, data centres, the ecosystem and the suppliers around them the key for us to focus on going forward."

More infrastructure for data storage and data processing will also be key as more and more data is created.

"Our feeling is that we're just in the early innings of that trend, and it reminds us a little bit of where we were in logistics as e-commerce started to take off," she said. But the sector also has higher entries to barrier, such as land use approvals or expertise.

Words of wisdom

To conclude the panel, Mansfeldt asked the speakers: to somebody entering the private equity space, what would be a piece of advice that you'd like to offer?

"Pay attention to fundamentals," said Harper.

"Think ahead, all the time," was El Gaidi's recommendation.

Keep in mind, said Stone, that private equity "is definitely a long-term product."

CONFÉRENCE LPEA INSIGHTS

Le capital-investissement «plus performant en période difficile»

Écrit par Lydia Linna
Publié le 20.10.2023 • Édité le 20.10.2023 à 18:39

Claus Mansfeldt: «Il est prouvé que le capital-investissement est un alpha par rapport aux marchés publics et qu'il est maximisé pendant les périodes de ralentissement économique.» (Photo: Guy Wolff/Maison Moderne)

1 / 11




Plusieurs centaines de professionnels du private equity se sont réunis à Luxexpo le 19 octobre pour discuter des dernières tendances du marché.

Dans un contexte de démondialisation, d'inflation et de taux d'intérêt élevés, d'incertitude économique et de turbulences géopolitiques – telles que l'invasion de l'Ukraine par la Russie et le conflit au Moyen-Orient – il est important d'adopter une vision à long terme, a déclaré Claus Mansfeldt, président de la LPEA, dans ses remarques introductives à la conférence, ce qui est une perspective clé dans le domaine du capital-investissement.

Mais la bonne nouvelle, c'est que «nous savons également que le capital-investissement obtient de meilleurs résultats, relativement parlant, par rapport aux solutions alternatives dans les périodes difficiles». Pendant les périodes de ralentissement. Toutes les données suggèrent que le capital-investissement est un alpha par rapport aux marchés publics et qu'il est maximisé en période de ralentissement», a ajouté M. Mansfeldt. Plus le marché boursier se porte mal, plus le capital-investissement se porte bien, relativement parlant, même si cela ne signifie pas qu'il est impossible de perdre de l'argent dans le capital-investissement.

Cela dit, nous entrons dans cette période «avec des coffres complètement remplis de liquidités», note M. Mansfeldt. «Il y a cinq billions de dollars de réserve dans les fonds de capital-investissement du monde entier. Le secteur a un grand potentiel.»

Désinflation, ralentissement , parallèles avec les années 1970

M. Mansfeldt était également le modérateur d'un panel consacré au marché des rachats d'entreprises, auquel participaient Britta Harper (Blackstone), Joshua Stone (EQT) et Hind El Gaidi (ICG). Les panélistes ont discuté des macro-thèmes et des tendances qu'ils observent dans le secteur, des valorisations et des levées de fonds, entre autres sujets.

Pour Mme Harper, directeur général du groupe immobilier de Blackstone, la désinflation, la croissance et les parallèles avec les années 1970 sont trois éléments clés de la situation macroéconomique. «Nous pensons que le processus de désinflation va se prolonger», a-t-elle déclaré. «Nous pensons que l'inflation va continuer à baisser, mais nous sommes encore loin de l'objectif de 2%. Blackstone pense que les taux vont rester élevés plus longtemps, ce qui se reflète sur le marché boursier.»

En ce qui concerne la croissance, Mme Harper estime qu'il s'agit de savoir «quand, et non pas si» un ralentissement de la croissance sera observé aux États-Unis, au Royaume-Uni et dans la zone euro.

«En ce qui concerne la troisième, je parlerais de parallèles avec les années 1970», a déclaré Mme Harper. Elle s'attend à ce que la volatilité des taux d'intérêt et de l'inflation se poursuive. «C'est pour cette raison que nous nous tournons vers des secteurs qui offriront des revenus élevés et une forte croissance des revenus.»

Les gagnants sont ceux qui peuvent récolter les fruits de la résilience

Confrontés à des perspectives incertaines et à l'augmentation du coût du capital, les partenaires généraux doivent prendre des décisions, a déclaré Mme El Gaidi d'ICG. «Dans ces conditions de marché, je dirais que tout n'est pas sombre, car il y a une piste de croissance, et il y aura des gagnants et des perdants. Et les gagnants sont ceux qui sont capables de récolter les fruits de leur résilience.» Ceux qui peuvent se différencier sur le marché – en termes de stratégie client, par exemple – auront un avantage.

«Les valorisations sont très dynamiques et dépendent aussi de l'industrie, bien sûr», a ajouté Mme El Gaidi, mais elle s'attend à ce que certaines valorisations baissent. Un autre aspect à noter est l'évaluation du risque, a-t-elle ajouté, en faisant référence aux groupes de travail mis en place par la Financial Conduct Authority du Royaume-Uni et la Securities and Exchange Commission des États-Unis sur ce sujet. Ce ne sont pas seulement les méthodologies et les données qui sont sous les feux de la rampe, mais aussi la gouvernance.

Des objectifs fondés sur la science

En ce qui concerne la durabilité, les critères ESG et les évaluations, M. Stone d'EQT a indiqué que «nous poussons toutes nos entreprises à signer des SBT (objectifs fondés sur la science)». Un certain nombre d'entreprises se sont déjà engagées dans cette voie, a-t-il fait remarquer. Une fois qu'il y a plus d'entreprises, il y a plus de données et on peut alors commencer à les comparer aux évaluations.

Transformation de l'IA

«Nous considérons l'IA comme l'une des grandes tendances, car la technologie transforme notre façon de travailler et de vivre», a déclaré Mme Harper, de Blackstone, qui a ajouté qu'il y avait «une énorme demande de puissance de traitement». Une recherche ChatGPT, par exemple, nécessite dix fois plus de puissance de calcul qu'une recherche sur Google. Les besoins en puissance de calcul vont connaître une «croissance exponentielle», ce qui «fait de l'informatique, des centres de données, de l'écosystème et des fournisseurs qui les entourent des éléments clés sur lesquels nous devrons nous concentrer à l'avenir».

L'augmentation des infrastructures de stockage et de traitement des données sera également essentielle, car de plus en plus de données sont créées.

«Nous avons le sentiment que cette tendance n'en est qu'à ses débuts, et cela nous rappelle un peu la situation dans laquelle nous nous trouvions dans le domaine de la logistique lorsque le commerce électronique a commencé à décoller», a-t-elle déclaré. Mais le secteur doit également faire face à des obstacles plus importants, tels que l'approbation de l'utilisation des sols ou l'expertise.

De sages conseils

Pour conclure le panel, M. Mansfeldt a demandé aux intervenants: à quelqu'un qui se lance dans le capital-investissement, quel serait le conseil que vous aimeriez lui donner?

«Prêtez attention aux fondamentaux», a répondu Mme Harper.

Mme El Gaidi a quant à elle recommandé de «penser à l'avenir, tout le temps».

M. Stone a ajouté que le capital-investissement est un produit à long terme.

Cet article a été rédigé par Delano *en anglais, traduit et édité par Paperjam en français.*

A European Nasdaq? ‘Luxembourg, I beg you. Build it.’

RAYMOND FRENKEN · 23 OCTOBER 2023

Luxembourg, take the initiative for a European Nasdaq market. Take your expertise in financial structures and pioneer this change, says Finnish VC investor Riku Asikainen, managing partner and founder of Evli Growth Partners, or EGP, which hosts one of Europe's biggest scale-up breeding grounds.

PLACE FINANCIERE & MARCHES - PRIVATE EQUITY

STÉPHANE PESCH (CEO DE LA LPEA)

La technologie, levier de fluidification et de démocratisation du PE

Écrit par Stéphane Pesch

Publié le 23.11.2023 • Édité le 23.11.2023 à 15:02

Stéphane Pesch, CEO de la Luxembourg Private Equity & Venture Capital Association (LPEA). (Photo: Maison Moderne)

Si les perspectives de développement de l'activité private equity au départ du Luxembourg sont positives, divers défis se présentent. Dans une démarche de démocratisation de cette classe d'actifs, mais aussi pour mieux appréhender les contraintes réglementaires, les acteurs du secteur doivent s'appuyer sur les solutions technologiques disponibles en se rapprochant d'un ensemble de start-up innovantes.

Luxembourg est aujourd'hui un hub international majeur pour la domiciliation de véhicules d'investissement spécialisés dans le private equity. Le pays a fait de l'investissement alternatif l'un des principaux relais de croissance de son industrie des fonds, se dotant d'un ensemble d'outils flexibles qui viennent soutenir les démarches d'investissement dans des actifs privés, parmi lesquels les sociétés non cotées. De cette manière, l'industrie des fonds luxembourgeoise est parvenue à attirer les plus grands acteurs du private equity.

«Luxembourg s'est doté d'une expertise renforcée sur ce segment, développant un vaste écosystème, accueillant de plus en plus de fonctions liées et proches de la gestion des véhicules actifs dans ce domaine», explique Stéphane Pesch, CEO de la Luxembourg Private Equity & Venture Capital Association (LPEA).

Pilier de diversification

Le segment a profité d'une dynamique positive ces dernières années, séduisant de nombreux investisseurs institutionnels désireux d'aller chercher de la performance à long terme. Et si le contexte économique a changé, les fondamentaux en matière d'investissement dans le private equity restent solides. «L'activité est aujourd'hui portée par des pointures de la finance, de l'entrepreneuriat et de l'excellence opérationnelle, qui mettent toute leur expertise au service de la croissance de petites et moyennes entreprises, voire de start-up si nous parlons de Venture capital», rappelle Stéphane Pesch. «Ces acteurs, mieux que personne, savent comment soutenir la création la valeur.»

Dans une optique de diversification d'un portefeuille d'investissements, si l'on cherche à obtenir de la performance à long terme, le private equity est désormais une classe d'actifs incontournable. Par ailleurs, les besoins en financement de l'économie réelle sont eux aussi importants. Dans un contexte où les solutions de financement traditionnelles sont plus difficiles d'accès, notamment en raison d'un environnement de taux d'intérêt élevés, les entreprises à la poursuite de leurs objectifs de développement ont plus volontiers recours à l'investissement privé.

Démocratisation et fluidification

Si les perspectives de croissance future sont toujours positives pour le private equity, le secteur doit relever d'importants défis. «Dans la continuité des efforts consentis par les acteurs du secteur en vue de la professionnalisation de l'activité, plusieurs tendances peuvent être identifiées», ajoute Stéphane Pesch. «D'une part, il y a une réelle opportunité à démocratiser l'accès à ces actifs, de permettre aux gestionnaires d'aller au-devant d'une clientèle d'investisseurs plus large. En la matière, au-delà de la mise en place de véhicules adaptés à une clientèle privé élargie, il faut aussi faciliter la distribution des produits, parvenir à fluidifier les processus. D'autre part, l'un des enjeux réside dans la capacité du secteur à appréhender une réglementation toujours plus complexe.»

Face à ces enjeux, il est essentiel que les acteurs innovent au départ de la technologie. Afin de soutenir le secteur, la LPEA a pris l'initiative d'établir un mapping des technologies qui peuvent soutenir le monde du private equity dans sa transformation, au service des défis à venir. Au-delà de cet état des lieux, l'association organisera dans un futur proche des rencontres dédiées entre acteurs.

«De nombreuses plateformes numériques et sociétés innovantes développent des solutions technologiques qui, par exemple, facilitent la distribution des produits et l'on-boarding des clients», ajoute Stéphane Pesch. «D'autre part, la technologie peut aussi simplifier le sourcing des opportunités d'investissements. L'intelligence artificielle, par exemple, peut être mise au service des processus de due diligence, pour accélérer l'analyse et l'évaluation des futures sociétés cibles. Elle aide à faire le tri et permet aux experts de se concentrer sur les cas les plus pertinents. Les solutions numériques contribuent aussi à fluidifier l'échange des données, via notamment l'utilisation d'interfaces de programmation (API) ou des solutions d'automatisation, à faciliter l'établissement des reportings vers les investisseurs ou encore vis-à-vis du régulateur.»

Écosystème innovant

La technologie, dans cette optique, contribue à minimiser les coûts de gestion, à fluidifier les processus, à mieux gérer les risques. Elle vient soutenir la démocratisation de cette classe d'actifs tout en renforçant la transparence et la confiance. «C'est l'ensemble du secteur qui doit profiter d'une meilleure intégration de la technologie», assure Stéphane Pesch. «Notre initiative doit faciliter la rencontre entre les acteurs du métier et les sociétés qui fournissent des services ou des solutions pouvant répondre à leurs enjeux. En la matière, nous avons la chance de voir se développer au Luxembourg un riche écosystème de start-ups, qui participent au développement de solutions technologiques pertinentes et contribuent à l'innovation dans les métiers de la finance. Ces acteurs sont essentiels à la professionnalisation de l'activité private equity et à son développement futur.»

LES RÉACTIONS AU PROJET GOUVERNEMENTAL

ABBL, Chambre de commerce, FDA, ACA, OGBL, LCGB: ce qu'ils en disent

Écrit par Paperjam.lu
Publié le 23.11.2023

Ici en compagnie du président de la FDA, Michel Reckinger, pendant les négociations, le directeur de l'UEL, Jean-Paul Olinger (à gauche) s'est félicité des ambitions autour de la recherche d'efficience et de l'augmentation de l'activité économique. (Photo: Romain Gamba/Maison Moderne/Archives)

De nombreux acteurs du monde économique saluent des premiers pas dans la bonne direction du nouveau Premier ministre, Luc Frieden, mais attendent de voir comment ce programme sera mis en musique.

La présidente de l'OGBL, Nora Back

Index, droit du travail, «flexibilisation» du temps de travail, pensions, logement… Voici «les points les plus préoccupants» repérés par la présidente de l'OGBL, Nora Back. «On est dans deux mondes séparés, mais on espère trouver dans le dialogue social des solutions viables pour tout le monde», développe celle qui s'était déjà montrée «sceptique par rapport aux programmes électoraux, car il s'agissait des deux partis (CSV et DP, ndlr) avec lesquels nous avions le plus de divergences. Sans surprise, le programme reprend ce que les partis avaient proposé».

Pour le reste, Nora Back reste en position d'attente à l'issue du discours de Luc Frieden. «Il y a encore trop d'imprécisions, donc on ne se prononce pas.» La dirigeante de l'OGBL salue en revanche la volonté, «répétée à différents endroits», de maintenir une certaine qualité d'échange avec les partenaires sociaux. «C'est un aspect positif au même titre que les impôts, même si sur ce point il faut aller encore plus loin», termine-t-elle.

Le directeur de l'UEL, Jean-Paul Olinger

Le directeur de l'Union des entreprises luxembourgeoises (UEL), Jean-Paul Olinger, accueille d'un regard bienveillant les premiers pas de Luc Frieden, saluant «le renouveau et la cohérence» qu'incarne, à ses yeux, le gouvernement qu'il a constitué. «Les deux partis avaient des programmes électoraux proches sur de nombreuses questions. Sur d'autres, ils ont trouvé un accord. Ils vont dans la même direction. Ce gouvernement permettra peut-être d'avancer mieux sur le sujet de l'économie. Auparavant, on avait l'impression que c'était surtout le projet sociétal qui regroupait les trois partis. Sur l'économie et la croissance, il n'y avait pas forcément les mêmes vues», compare le dirigeant.

Pour lui, Luc Frieden se pose d'emblée en «élément fédérateur», soucieux «d'embarquer tout le monde». «On retrouve des thématiques subdivisées entre plusieurs ministères, et ce afin de trouver des solutions communes. Lui aura un rôle de coordination entre les différents ministères. Cela permettra d'avancer plus rapidement sur des sujets comme le logement ou l'assurance maladie.»

L'accent mis sur la simplification à travers la digitalisation et l'ambition affichée «d'accroître la compétitivité des entreprises et l'attractivité du pays» font également mouche du côté de l'UEL. «Ce qui est encourageant, c'est qu'on en train de se dire que l'on peut faire avancer le pays à travers la recherche d'efficience et une augmentation de l'activité économique. Cela crée de la prospérité pour le pays et pour les gens qui y vivent, qui y travaillent, qui y investissent. C'est un facteur positif», relève le directeur.

Le directeur de la Chambre des métiers, Tom Wirion

«Je trouve que c'est un discours qui a un fil conducteur clair. L'accent est mis sur l'importance d'avoir des entreprises fortes, des entreprises qui fonctionnent et une économie au sens large qui fonctionne, et que ça c'est le préalable, la condition sine qua non pour faire une politique sociale ambitieuse et pour pouvoir faire les investissements, la transition verte et cetera. J'ai lu l'accord de coalition. Tout n'est pas très précis, Luc Frieden le dit lui-même. Cet accord permet d'avoir une idée plus claire de ce qu'il compte mettre en place. Ce qui est très important, lorsque l'on parle d'attractivité du pays, c'est la thématique du logement. Frieden a bien fait le distinguo entre la crise de la construction, pour laquelle il faut des mesures à court terme pour redynamiser le secteur, et la crise du logement, il faut augmenter l'offre. Il a bien détaillé ce qu'il comptait mettre en place. Pour que le Luxembourg puisse avoir des ambitions. Il faut donc aussi des finances publiques et un taux d'endettement raisonnables. Et je trouve intéressant qu'il ait expliqué qu'il faut faire des dettes pour investir dans le futur, dans des infrastructures, dans des transitions. Ce n'est pas juste dépenser pour dépenser.»

La directrice des affaires économiques de la Chambre de commerce, Christel Chatelain

«Nous saluons la vitesse avec laquelle le gouvernement a été formé et à laquelle on a abouti à un nouvel accord. Et on estime aussi que cet accord prend la mesure des défis actuels. À voir maintenant comment cet accord va être mis en œuvre. La situation économique est actuellement complexe, volatile et totalement incertaine. Il faut voir aussi le timing pour la mise en œuvre de cet accord. Pour nous, il y a bien sûr des choses assez urgentes à mettre en œuvre. On a parlé du secteur du logement, mais on voit aussi que les grands défis, comme les difficultés à attirer des talents ou une fiscalité qui est de moins en moins attractive, sont vraiment des points cruciaux. La simplification administrative est vraiment un point important pour les entreprises.»

Le président du LCGB, Patrick Dury

S'il est un fait qui étonne le président du LCGB, Patrick Dury, au sortir de l'intervention de Luc Frieden, c'est sa concision: «C'était court. Mais je ne dis pas que c'était trop court!»

À l'arrivée, aucune surprise notable pour celui qui durant le week-end avait épluché les plus de 200 pages de l'accord de coalition, devenu aujourd'hui programme gouvernemental. «Ce qui a marqué ce discours, pour le syndicaliste que je suis, c'est la volonté de maintenir un dialogue social au niveau tripartite et d'entamer toutes les discussions concernant le travail avec les partenaires sociaux», souligne-t-il. D'ailleurs, «dans le volet travail, je retrouve beaucoup d'éléments que le LCGB a également dans son programme d'actions. Il y a des intersections». «Pour nous, c'est une bonne base de travail», assure Patrick Dury.

Sur le dossier des retraites, Luc Frieden a promis une «large consultation impliquant toute la société». «Depuis des années, on discute régulièrement de notre système de pensions, réagit Patrick Dury. Les premiers interlocuteurs naturels sont les partenaires sociaux et le gouvernement. Le débat avec la société civile… On peut toujours en discuter. Il faut attendre le processus pour savoir où l'on souhaite arriver. Du côté du LCGB, on est d'avis qu'il faut regarder où trouver des sources de financement supplémentaires ou complémentaires pour ne pas trop impacter le facteur travail.» Sans surprise là non plus.

Le directeur de la Fédération des artisans, Romain Schmit

«Il y avait à boire et à manger. Il a beaucoup parlé de l'artisanat et il a reconnu le fait qu'il y avait une crise dans le secteur de la construction. Ce discours c'était histoire de remettre l'Église au milieu du village, c'est-à-dire qu'il faut d'abord créer les richesses avant de les distribuer. À mes yeux, reconnaître qu'il y a des problèmes, c'est déjà un grand progrès. Je ne m'attendais pas à ce que l'artisanat soit au cœur du discours, mais là, comparé aux administrations précédentes, je suis plutôt satisfait.»

Le CEO de la LPEA, Stéphane Pesch

«Il fait beau aujourd'hui, donc on est de bonne humeur.» Une bonne humeur qui dans les propos du CEO de la Luxembourg Private Equity & Venture Capital Association (LPEA) depuis plus de trois ans, Stéphane Pesch, traduit un satisfecit. Le premier discours du nouveau ministre des Finances, Gilles Roth (CSV), mardi soir au Casino 2000 à l'occasion des Finance Awards, n'ayant fait qu'étoffer ce positif pressentiment: «Un très bon speech, très prometteur.» Globalement, le dirigeant y décèle «la bonne attitude pour préparer les cinq prochaines années». Dans le détail, Stéphane Pesch salue les orientations en matière de diversification de la place financière: «Qu'ils aient identifié les produits ESG et les produits alternatifs comme la nouvelle source de croissance du secteur des fonds d'investissement classiques qui ont un peu stagné de leur côté, c'est se rendre compte de la croissance et de l'essor de cet écosystème à Luxembourg. Ce n'est plus du petit jeu. Cela représente une partie du futur.»

De même, le CEO apprécie l'espace octroyé à la fintech – «Il y a de très belles pépites à Luxembourg» –, les réflexions quant au financement de la CSSF et du CAA ou les engagements en faveur des conventions de non-double imposition et de la taxation des hauts revenus (pas d'augmentation à l'horizon). Et ce afin que le Luxembourg conserve la tête du peloton et «attire des talents».

Dans cet océan de promesses, le point de vigilance, au dire de la LPEA, ce sera «l'exécution». «Dans des scénarios d'une économie pas très florissante et complexe, il faudra voir à la fin ce qui sera passé ou pas. C'est la grande question. Qu'est-ce qu'ils [le Premier ministre et son gouvernement] vont réellement mettre en place? Dans quel ordre? Et à quelle vitesse? La place attend», conclut Stéphane Pesch.

Le président de l'ABBL, Guy Hoffmann

Si le président de l'ABBL, Guy Hoffmann, s'attendait à «davantage de détails en matière de finance durable et de digitalisation», le représentant du secteur bancaire se réjouit de «l'ouverture du gouvernement pour développer la formation», que ce soit en entreprise (face au défi de la digitalisation) ou universitaire: «Nous devons développer notre offre dans la finance, avec des bachelors et des masters en digitalisation, finance durable ou compliance.» Autre point positif: pour la première fois, selon Guy Hoffmann, le gouvernement s'affiche en faveur de l'inclusion de l'éducation financière dans le cursus scolaire.

L'administrateur-délégué de l'ACA, Marc Hengen

Du côté des assureurs, l'administrateur délégué de l'ACA, Marc Hengen, salue la perspective d'une promotion accrue du deuxième et troisième pilier de prévoyance vieillesse, notamment par une amélioration des allégements fiscaux. «Nous avons été entendus», estime-t-il. «Nous le disons depuis des années: nous pouvons proposer un complément aux pensions étatiques. Nous préconisons une assurance complémentaire, soit au niveau des entreprises, soit à titre individuel.»

«L'intérêt pour les actifs privés est toujours aussi grand»

Un investissement auquel on fait encore la part belle

Von Sébastien Lambotte

Stéphane Pesch, CEO de la Luxembourg Private Equity & Venture Capital Association (LPEA) évoque avec nous l'importance que prennent les actifs privés, et notamment l'investissement dans des sociétés non cotées, au cœur des stratégies de placements des acteurs financiers.

Comment définiriez-vous le private equity? Et comment évolue l'attrait des investisseurs vis-à-vis de cette classe d'actifs?

«Le private equity (PE) désigne une démarche d'investissement, et plus précisément de prise de participation, dans des sociétés non cotées. Il s'agit d'une stratégie d'investissement liée à l'économie réelle, qui s'inscrit dans une démarche entrepreneuriale. Il s'agit de soutenir le développement d'entreprises prometteuses, selon diverses approches, pour en renforcer la valeur. On s'inscrit dans une logique à long terme, les montants investis devant être mobilisés pendant une période de trois à cinq ans. Cette classe d'actifs, qui relève de l'investissement alternatif au même titre que la dette privée ou l'immobilier, est toutefois réservée à des investisseurs avertis, le plus souvent institutionnels. Ces dernières années, on voit de plus en plus d'acteurs privés fortunés investir dans des fonds private equity, dans une démarche de diversification leur permettant d'atteindre des rendements supérieurs.»

Comment cela se traduit-il au niveau du marché?

«On constate toujours un fort appétit des investisseurs pour le private equity. En témoigne d'ailleurs l'évolution des actifs gérés par des véhicules luxembourgeois dans ce domaine. Fin 2022, on estimait à 503 milliards d'euros le volume d'actifs sous gestion domiciliés dans des fonds PE (comprenant également les fonds de venture capital). À cela s'ajoutent 69 milliards d'euros situés dans des véhicules investissant dans l'infrastructure et 118 milliards d'euros dans des fonds de fonds PE. Au total, sans compter les fonds de dette privée (qu'une étude de KPMG estime à 267,8 milliards d'euros), les actifs sous gestion privés et domiciliés au Luxembourg représentent donc 690 milliards d'euros.»

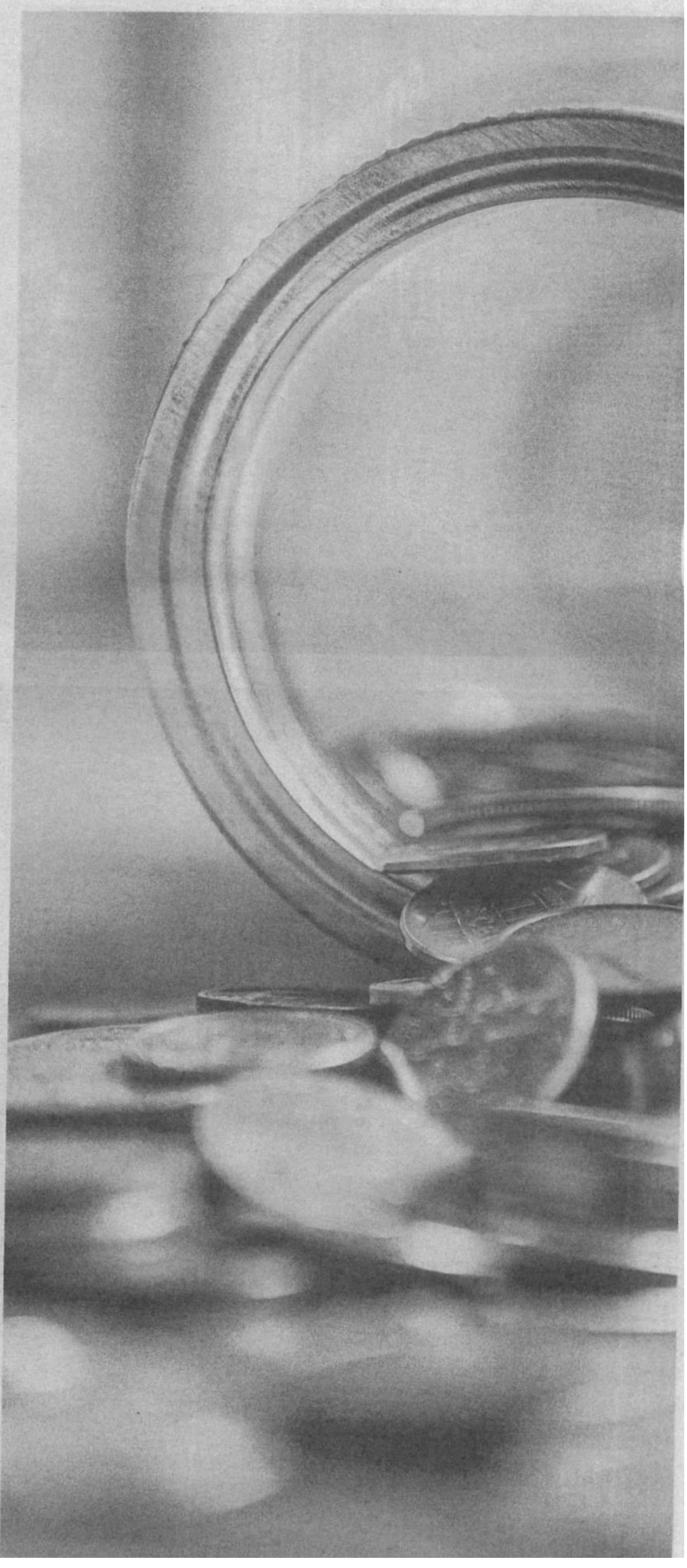
Que peut représenter le private equity au sein d'un portefeuille d'investissement?

«Si l'on prend un acteur privé, comme une famille fortunée, les actifs privés, parmi lesquels le private equity, peuvent normalement représenter entre 20 et 30% du portefeuille, voire plus. Cela dépendra de la sensibilité de chacun vis-à-vis de ces actifs. Ne pas les intégrer, sans nul doute, constitue une erreur. C'est aujourd'hui un levier de diversification majeure pour tout investisseur qui dispose de moyens confortables et qui souhaite aller chercher des retours importants sur le long terme.»

Comment le secteur voit-il son avenir?

«Si la conjoncture, combinée à la hausse des taux d'intérêt, peut peser sur les performances des entreprises, l'opportunité d'investir dans des actifs privés est toujours grande. Le modèle de création de valeur du PE est demeuré intact. L'activité est aujourd'hui portée par des pointures de la finance, de l'entrepreneuriat et de l'excellence opérationnelle, qui mettent toute leur expertise au service de la croissance de petites et moyennes entreprises, voire de start-up si nous parlons de Venture capital. On parle de pointures qui, mieux que personne, savent comment créer de la valeur.»

> **Si l'on prend un acteur privé, comme une famille fortunée, les actifs privés, parmi lesquels le private equity, peuvent normalement représenter entre 20 et 30% du portefeuille, voire plus.**



Comment se développe l'activité au départ de Luxembourg?

«Luxembourg a développé une expertise unique autour de ces actifs. Le pays a fait de l'investissement alternatif l'un des principaux relais de croissance de son industrie des fonds, se dotant d'un cadre réglementaire performant et de véhicules répondant aux attentes des gestionnaires de fonds private equity. Au fil du temps, le Luxembourg s'est doté d'une expertise renforcée sur ce segment, développant un vaste écosystème, accueillant de plus en plus de fonctions liées à la gestion des véhicules. On retrouve aujourd'hui, au Grand-Duché, tous les grands acteurs mondiaux du secteur. Cependant, rien n'est définitivement acquis. De nombreux défis et opportunités se présentent à nous, liés à l'augmentation des coûts, notamment réglementaires, à la nécessité de fluidifier le traitement des données ou encore à la démocratisation de cette classe d'actifs.»

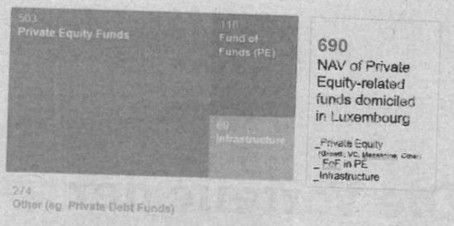
On parle de démocratisation du private equity. Peut-on s'attendre à voir cette catégorie d'investissement plus accessible à l'avenir?

«Aujourd'hui, pour investir dans un fonds de private equity régi au niveau de la directive sur les fonds alternatifs, il faut pouvoir apporter au minimum 100.000 euros en tant qu'investisseur averti. C'est ce qu'exige la réglementation. Dans la réalité, les niveaux d'investissement pour cette classe d'actifs sont souvent bien supérieurs. Un mouvement de démocratisation a été engagé, avec notamment la volonté de mobiliser l'épargne au service de l'économie réelle. C'est notamment l'ambition poursuivie avec la mise en œuvre des European Long Term Investment Funds (ELTIF 2), dont la première version va évoluer.

Toutefois, nous ne sommes pas encore dans une logique d'industrialisation. Ces produits, en raison de leur nature, ne sont pas encore accessibles à tout investisseur particulier, comme le sont les fonds UCITS. Le ticket d'entrée moyen, après une démocratisation progressive via ces produits spécifiques, pourrait s'établir autour de 25.000 euros, voire en-dessous. Pour le moment c'est la tendance actuelle du marché.»

Market size

Market Size of Luxembourg PE (EUR billion)



CLAUS MANSFELDT
President
Luxembourg Private Equity & Venture Capital Association

Education and deregulation. The LPEA wants to educate people about the critical importance and material benefits of private equity and venture capital in a capitalist system, which we inhabit, in terms of increased efficiency and employment.

The education starts at the top. Government pension funds can, for instance, reduce future budgetary transfers by obvious improvements in investment portfolio returns (by adding PE). Personal savings can similarly benefit. Private pensions on offer today still leaves investors short of top-class global PE portfolio allocations. Regulations overall, in the industry, are bordering prescriptive day-to-day micro-management, unlike public markets where people are free to manage businesses and free to trade risk capital products, as adults, using their own brains.