PRIVATE EQUITY
INSIGHT/OUT

Building a Luxembourg VC from the Ground Up

Ilavska Vuillermoz Capital

Democratisation Dossier

**Crypto Assets
A Current State of Affairs**

Issue 29, March 2024

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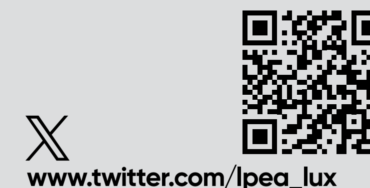

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Dear members, friends and partners,

This new vintage has started pretty well with a whole range of diverse and exclusive events such as the participation in the IPEM Cannes conference, which always gives a good indication of the ambient mood and nowadays a classics "The LPEA New Year's Party" (500+ participants).

In the meanwhile we have witnessed a steady growth of our community and have defined a thorough expansion plan in order to adequately represent the European and Luxembourg PE/VC hub abroad. Asia, the US and the major European capitals will be on the menu of our roadshow campaign, with a few new names to be revealed soon.

Will 2024 be the "ELTIF 2" year, will the democratisation of the private markets accelerate over the next months, will new types of investors be seduced and invest some of their wealth into the long-term value creation model our industry represents and proposes? The future will tell us but we have already heard from members and large market participants that some of last year's worries, especially around exits and fundraising, might slowly but surely "ease up" and that a return of more capital fluidity could be expected before Q4.

These rather positive and encouraging signals underline the vitality and resilience of our sector, the capacity to bounce back and react according to market shocks (inflation, interest rates), new disruptive trends (integration of AI) and adversity (geopolitics and climate change). We have certainly not solved all problems yet but with the right partners and attitude, many things could be transformed together with our new Government and the public authorities, with the usual portion of pragmatism.

Next to the relaunch of our Training Academy with new modules and features (in person and digital sessions over the entire year), we will cooperate soon with a European University and participate in their dedicated PE program. M&A events, more transactional and front office oriented seminars are also in the make and perfectly illustrate our appetite to help inspire new vocations and facilitate the implementation of additional experts and fields of expertise in Luxembourg. We highly value the continued progress of our industry and count on you and your motivation to make with us, a real difference.

Stephane Pesch
CEO, LPEA

Claus Mansfeldt
Chairman, LPEA

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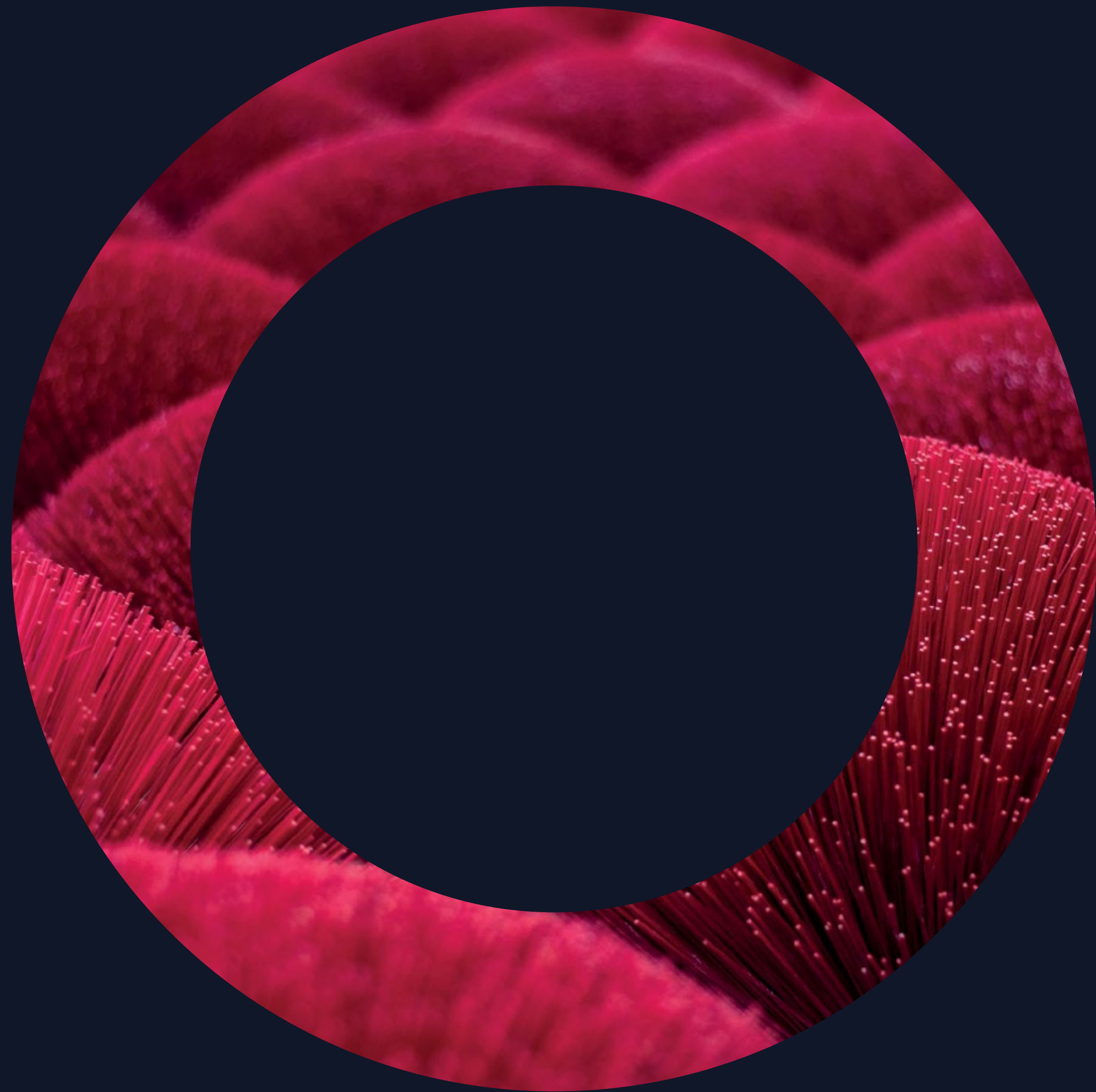

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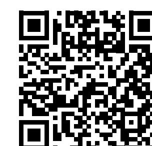
LPEA Job Fair

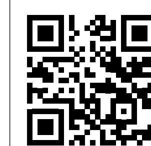
Talent attraction remains paramount within the PE/VC sectors. In response to this demand, LPEA hosts its digital job fair, aimed at attracting both emerging and experienced professionals to Luxembourg. This initiative offers attendees the chance to engage directly with HR specialists and PE/VC practitioners from some of the sector's leading firms and institutions in Luxembourg. To date, the LPEA has successfully organized five digital job fairs, collectively drawing over 1.200 job seekers from around the world. Mark your calendars for the next edition on April 30th.



More information

LPEA Academy

The upcoming edition of the LPEA Academy, launching in March 2024, will introduce a refreshed format emphasising networking, a key aspect of the Private Equity and Venture Capital sectors. Therefore, training sessions will now blend digital and in-person experiences. While maintaining the fundamental PE & VC foundation classes, essential for nurturing new talent, we're excited to introduce the Middle Management module aimed at more seasoned professionals. Additionally, our program features returning favourites such as Valuations, Secondaries, Tax and Legal lessons, ensuring a comprehensive learning experience.



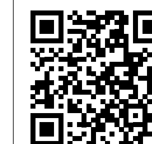
More information

PE Tech Demo Day

Last year, the LPEA and the PE Tech Club launched the PE Tech Map to showcase technology solutions available on the market and to facilitate their adoption in the PE/VC sector.

Building on this initiative, the LPEA organized the first PE Tech Demo Day in November 2023, bringing together 26 exhibitors and more than 100 participants in interactive demo and one-on-one formats. The objective was to facilitate connections between tech providers and industry stakeholders, including GPs, LPs, and asset servicers, seeking suitable technology solutions.

The second edition will take place on May 22nd with the objective to attract over 200 participants as well as introducing new tech providers.



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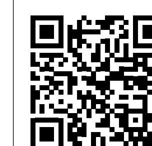
PE Tech Map



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PE Tech Demo Day

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IPEM Survey 2024 Reveals Mixed Expectations

Based on responses from 157 European GPs, the survey aims to accurately reflect the sentiment within the European Private Equity sector. The results underlined an optimism among GPs – be it a cautious one - for the year ahead.

Expectations for business activities have improved, with positive indicators for exit conditions and decreasing valuation levels. However, concerns are growing over an economic slowdown - reaching an all-time high in survey history - and geopolitical instability is now seen as the foremost external threat to the industry. Upcoming major elections in the US, the EU, the UK, and other regions add to the uncertainty, with political changes and rising populism and social unrest identified as significant concerns. Despite these challenges, there's an increasing belief in the potential for successful exit deals in 2024, through corporate acquisitions, which are viewed as the primary exit route.

Read the results here

EIF's European Tech Champions Initiative invests EUR 1 billion

The European Tech Champions Initiative (ETCI), managed by the European Investment Fund (EIF), invested nearly EUR 1 billion in four strategic funds within its first year, aiming to stimulate the EU's tech sector.

This move is part of an initiative launched in February 2023 with a starting fund of EUR 3.75bn funded by the European Investment Bank Group along with Spain, Germany, France, Italy, and Belgium. ETCI is expected to potentially leverage up to €6bn. This initiative is dedicated to stimulating the EU's digital transformation by supporting high-tech companies in their late-stage growth, particularly those aiming to secure funding over EUR 50m and thereby enhancing the EU's competitive stance in the global tech arena.

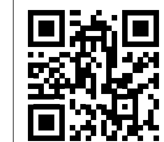
Alter Domus Secures Investment from Cinven

Alter Domus, the Luxembourg fund administrator announced that it has secured a new strategic investment from Cinven. The transaction gives Alter Domus an Enterprise Value of €4.9 billion ($5.3 bn). Through the transaction, Cinven will support the long-term strategic growth of Alter Domus, working in close partnership with the founders of Alter Domus and Permira, who will continue to be significant shareholders. The new structure means Alter Domus will now benefit from the support of three partners in Cinven, Permira and the founders, and this transaction strengthens the capital base of the company enabling it to focus on the next stage of its growth.

PE & VC Related Podcasts

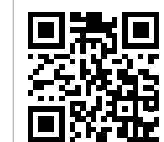
There is a sea of content available on the web, and it is oftentimes hard to filter out the noise. Here is a selection of podcasts tested and recommended by the LPEA team.

ILPA Podcast – Voices of Private Equity



Voices of Private Equity is a podcast series featuring the leading voices from across the Private Equity industry in candid, personal conversation about the industry itself and their experience within it.

EUVC Podcast



The EUVC Podcast features some of the most prominent people from the European VC industry, giving you a fresh new perspective on the industry and geo we love.

The David Rubenstein Show

Last and obviously not least, the David Rubenstein Show, which features Peer-to-Peer Conversations explores successful leadership through the personal and professional choices of the most influential people in business.

COVER STORY

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By Luis Galveias
COO of LPEA

↘ Ilavska Vuillermoz Capital:

Building a Luxembourg VC from the Ground Up

In this interview Laurent Hengesch and Alain Wildanger, both Founding Partners, share the story behind the creation of Ilavska Vuillermoz Capital and the outlook of this Venture Capital house made in Luxembourg.

You two (Laurent and Alain) have a famous story in which you, both Luxembourgish, actually first met on a bus in Tehran (Iran)...

Laurent Hengesch (LH): Indeed, in 2017, we crossed paths on a bus in Tehran and hit it off immediately. We discovered that I am from Dudelange and lived in Luxembourg City, while Alain is from Luxembourg City and lived in Dudelange. We also have another city we call home - Prague for Alain and Berlin for me, which means we constantly commute.

Alain Wildanger (AW): We decided to share a flat when we returned to Luxembourg. Sharing a flat is not only more enjoyable but also saves costs. This is also how our venture started; our flat has gradually transformed into our office over the past few years.

LH: Over time, we discovered more similarities; our fathers are Luxembourgers, while our mothers are not. We were slightly rebellious in the local school system, and our subsequent jobs were unconventional. We have similar hobbies; Alain is an aircraft captain, and I'm a nautical captain. Despite a slight age difference of 9 years (I was born in 1990 and Alain in 1981), we have always gotten along remarkably well. It also offers us various perspectives on how to run our company and fosters healthy discussions.

How did you end up creating a VC fund?

LH: Both of us have a background in finance, specifically in investment banking and fund services.

AW: I began my career at UBS Investment Bank in London and later worked for Corporate Finance boutiques and smaller PE firms. I then initiated a Real Estate Fund in Prague and bought shares in a Luxembourg-based building construction company called Sanichaufer (today Genista). I co-led the company, growing it to become one of the market leaders, with a team of over 300 people. I left the company to pursue our venture full-time.

LH: I started my career at the oldest trust company in the Channel Islands, a subsidiary of the law firm Carey Olsen, and, at age 26, moved to Warburg Bank, where I led the business development team. We both saved a portion of our earnings to invest. So, we had the idea to create a company similar to a family office and invest in various businesses. We gathered at Bistrot Beim Renert in Luxembourg the day before visiting the notary to brainstorm. Over a few drinks, I asked Alain, whose grandmother lives in the Slovak Tatras Mountains, what her last name is. He revealed that his grandmother's last name is "Ilavska" and I said mine is "Vuillermoz." It's how we came to name our company Ilavska Vuillermoz Capital (IVC). It began as a joke, never imagining it would become a real business. Those who understandably struggle with these names call us IVC.

Laurent Hengesch and Alain Wildanger.

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And what was your first investment together?

AW: Laurent heard about Steve Bernat and Revel Wood starting a new 3rd party ManCo/AIFM called ONE group solutions. Unlike most, this company wouldn't be owned by a PE house, but would be privately owned. Intrigued, Laurent suggested that we should invest. We met with them and were immediately captivated by their vision. It turned out to be a highly successful investment. Today, ONE serves 150 asset managers globally and has nearly 100 staff members. They operate in Luxembourg, Ireland, and just opened an office in New York, with additional representative offices in major financial centres worldwide. While we are a minority shareholder, we also utilise them as the AIFM for our funds.

As a VC, what are your core values and verticals?

AW: We initially focused on later-stage FinTech investments, specifically in the DACH region. Due to our extensive financial background and Laurent's 15-year presence in Berlin, we have the expertise and connections to access the ↘

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top companies in the industry. Moving forward, we will maintain this strategy while expanding our product offerings. The urgent need to decarbonize our planet led us to create a Climate Tech Fund, assembling top experts in the field. Quentin Dupraz, with extensive expertise in the space, joined our team as a Principal last year and will lead the Climate Tech practice. Our strength and know-how in FinTech and our presence in the CEE will also drive a tailor-made product for the CEE region in the field.

LH: We never intended to be just a VC. Our goal is to be the premier company in Luxembourg for Alternative Investments. We also explore other asset classes, such as real estate. We aim to generate sustainable economic growth in the VC space by investing primarily in later-stage companies, and utilising exceptional individuals and flexible capital to solve problems. Our approach enables companies to expand, innovate, acquire transformative technologies, and enhance their long-term strategic plans. We invest in companies that provide solutions to solving world problems in the best way, solutions with potential on a mass scale throughout our fund's lifetime, that have both multi-application & market potential. This includes and focusses on start-ups with critical attributes that have the potential for an economic moat, and visionary founders who aim for high impact on society, have irreproachable corporate governance and healthy capitalization table, as well as capital efficiency and risk management at the core of their decision making, and unit economics with the evolution potential for net margin in the long run.

From left to right: Luc Berns, Laurent Hengesch, Daphne Dijkstra, Quentin Dupraz, Alain Wildanger, Tomas Cironis.

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You are a home-grown Luxembourg VC, but you look East with an office in the Czech Republic. How does it fit into your investment strategy and future growth?

LH: Luxembourg and the Czech Republic share a captivating history dating back hundreds of years. It is time to rebuild that bridge (like Charles IV). Furthermore, we are proud to be the only foreign VC currently establishing a local investment team in the Czech Republic.

AW: I've lived in Prague for 15 years and am fluent in Czech and Slovak. The Czech Republic has seen significant growth and has a thriving, but underfunded Venture Capital scene. Naturally, we decided to get involved. Last year, we partnered with a well-established local investment firm and are working on various investment opportunities.

What was it like to build a VC in Luxembourg? What challenges did you face and how did you meet them?

AW: Starting our company was not an easy task. We learned everything through hands-on experience and had to build our firm without any outside financing, like state subventions. Despite facing significant macroeconomic challenges, such as launching our firm during a major pandemic, we overcame minor regulatory issues quickly. However, just as the pandemic was coming to an end, markets crashed. In the beginning, you have the vicious circle; no money means no investments, and no investments mean no money. That phase is the most difficult one.

LH: To set up a fund, several simultaneous tasks exist. First, you must create an attractive investment product that sparks interest among potential investors. Next, you have to ensure that you have the appropriate structure to inspire investor confidence. You also have to conduct fundraising and perform KYC on investors. It is crucial to source deals and do a thorough due diligence on them, all while implementing proper governance. You must manage media relations effectively and diligently select reliable service providers such as banks, an AIFM, lawyers, auditors, administrators, and regulations specific to your type of VC funds. Lastly, assemble a competent investment team, as well as board members and advisors. This is all while trying to create a brand and build a positive reputation, without personal income for many years. When you achieve all of this, you will then start to compete with the hundreds of other VCs in the market. There are easier tasks in life, but we embraced the challenge.

You have been expanding your local team with front office profiles. How is the process going?

LH: Finding the right talent is a challenge throughout Europe, especially in Luxembourg. Early on, we convinced some of the most prominent figures in Luxembourg to work with us. Georges Bock joined us as a partner at the beginning when we established our FinTech Fund. He is the former Managing Partner of KPMG Luxembourg and worked for them for 28 years. He is a member of the supervisory board of Bank Julius Baer Europe S.A., a board member of

> **"The annual funding requirement to 2050 for low-emissions technologies is a magnitude of 6x the current annual capital deployed."**

the Luxembourg Sustainability Board, the National Council of Public Finances of Luxembourg, and UNICEF Luxembourg. We used the period of low deal activity in the market to strengthen our board and our governance over the past year with two new individuals: Martin Vogel is a Swiss lawyer and founder of the third-party AIFM MDO, which became Waystone, a company that is now serving assets under management in excess of USD 2Tn; Marc Schmitz is a former partner at Ernst & Young (EY) in Luxembourg. He spent over three decades advising large multinational clients on cross-border corporate investment and financing projects. Our advisory board is comprised of Tom Loesch, Founding Partner of Linklaters in Luxembourg, who runs his own boutique law firm; Serge de Cillia, the former CEO of ABBL; and Etienne Schneider, former Deputy Prime Minister, Minister for the Economy and Foreign Trade, Minister of Health, Minister of Internal Security, and Minister for Defence in Luxembourg.

And when it comes to the executive team?

LH: We value diversity and its significance to our organization. But being named after two old ladies is not enough. Let me give you an example: Last year, we were searching for an investment associate in Luxembourg. We received a total of 200 applications within two weeks. Surprisingly, 40% of the applicants were from India and only two female candidates (1%). Unfortunately, none of the candidates met our requirements. This

left us pondering over how to tackle this situation going forward. We plan to hire a minimum of three people this year. Luc Berns, who joined our investment team in Luxembourg in February, comes from Aquila Capital in Zurich. We are looking for two more people in Prague and one in Luxembourg.

AW: In the Czech Republic, we received several applications from dynamic and ambitious women, a very different mix from our recent experience in Luxembourg.

Also, Laurent and I agreed from the outset that we would only collaborate with individuals who surpass our abilities, striving to find the best in the market and offering unique opportunities to grow with us.

> **I would be excited to witness more Luxembourgers who dare to establish innovative companies that foster personal growth, contribute towards humanity's advancement, and promote the well-being of our planet.**

VCs, in general, have been struggling to fundraise. How are things going for you?

AW: We were in the same situation, but fundraising is slowly regaining momentum. With our new management board in place and low deal activity in the markets, we took the opportunity last year to work on all of our internal processes. Still, we made seven investments into existing portfolio companies. We are looking at numerous, exciting investment opportunities in specific sectors and continually fundraising with a sector-specific approach. We witnessed the evolution of a preference from Limited Partners that General Partners verticalize their investment strategy, relying on know-how and expertise from the investment teams in the chosen focus. Since day one, this has been our approach, and we intend to replicate it for new products, based on the confidence we have gained in our ability to fundraise.

What type of investors do you target, and what's your view on the current trend to democratise access to VC funds?

LH: Most of our investors are HNWIs from Luxembourg, the DACH region, Family Offices in Finland, and pension funds in Germany. Our investor base has always been rather conservative. While I find the democratisation of Venture Capital and Private Equity intriguing, professional guidance, such as that provided by fund managers, is essential in investment decision-making. When considering the number of private individuals who lose money trading stocks, there is an indication that the same will apply to private markets.

You already mentioned the new Climate Tech fund which marks a shift from your previous Fintech focus. How do you define your investment strategy today?

LH: We share a vision to become an Alternative Investment Firm since day one. We aim to provide sector-specific investment products backed by our in-house expertise. Since the Paris Agreement and its subsequent supportive policies, we have witnessed a remarkable shift in awareness and action among corporations and consumers in addressing global warming, the most significant challenge humanity has faced in generations.

When I first met Quentin at the LPEA Insights conference in 2022, we quickly recognised the opportunity to launch a Climate Tech fund (see box).

The fundamental shift required for the most significant greenhouse gas emitting sectors to decarbonize provides room for disruption and demand for venture funding. We have a role to play in financing technologies that make the world a better place.

AW: During my time at Genista, I experienced the gradual uptake by customers for PV panels, heat pumps, and EVs, supported by favourable incentives and policies. However, looking at the data, solving the climate equation has yet to be achieved. The latest Synthesis Report issued by the Intergovernmental Panel on Climate Change in 2023 indicated that the reduced emissions on the one hand, have been counteracted by higher emissions on the other. Decarbonizing society is, of course, a physical problem to solve. We noticed that a large chunk of the capital deployed by some of our VC peers are allocated to carbon accounting platforms or other similar software tools. We do not question investment strategies, but when crafting ours, the estimations shared by the International Energy Agency that 35% to 45% of the emissions reductions could come from technologies that do not exist yet, and an additional 40% from technologies that are currently in the early marketing stages, convinced us of the expected predominance of hardware technologies in our investment focus. The recent announcement by the EIF regarding a financial plan to co-invest with fund managers in the "second equity gap" that cleantech companies face during their transition from start-up to growth phase, is reshaping perceptions of hardware investments in the venture space.

Given the scale of the problem, the current ratio of venture investments in relation to total venture funding, and the positive developments in funding plans for Climate Tech, we see a promising investment opportunity for our investors. This offers potential returns on investment and supports a vital economic transition.

How would you characterise the local start-up scene and how is Luxembourg fairing in this area, compared to other European or international hubs?

AW: Over the past few years, we have seen positive development in the Luxembourg start-up scene. In FinTech, we have only one portfolio company in Luxembourg, mainly because we invest larger amounts, which does not suit the stage those companies are often in. We are monitoring this closely, and some companies are already on our list as potential targets, be it for FinTech or Climate Tech.

LH: I would be excited to witness more Luxembourgers who dare to establish innovative companies that foster personal growth, contribute towards humanity's advancement, and promote the well-being of our planet. Also, we would be happy to see more VC firms established by Luxembourgers.

The world is facing so many challenges, from climate change to armed conflicts and more recently, the proliferation of AI. What do you think is the role of technology in making the world a better place?

AW: Even thinking about AI as a normal option to answering this question shows its already vast potential. Whether technology makes the world a better place depends on how it is developed, deployed, and regulated. Technology's responsible and ethical use is crucial to maximizing its positive impact while mitigating potential negative consequences. A balance between technological advancements and addressing societal challenges is vital to realising the full potential of technology to make the world a better place.

How would you like to see IVC five years from now?

LH: Our goal is to be the leading pan-European Alternative Investment Firm with a strong presence in Luxembourg and the Czech Republic. We strive to assemble a talented and diverse international team of brilliant minds.

In our view, when you name your company after your grandmothers, you take better care of it.

We will continue to do so. ●

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Climate Tech fund

By **Quentin Dupraz,** Principal

Solving the climate equation, that is, limiting global warming of the atmosphere by reducing Greenhouse Gas (GHG) Emissions to Net Zero by 2050, is the biggest problem faced by humankind in generations.

In 2020, during COVID-19, the GHG emissions only reduced by 4%, even while the global economy paused, with limited transport and manufacturing activities. This demonstrates the magnitude of the fundamental change required for the largest GHG emitting sectors to decarbonize into a net zero scenario. As Venture Capital investors, we are convinced this paradigm shift provides room for disruption and demand for venture funding.

The latest Synthesis Report issued by the Intergovernmental Panel on Climate Change in 2023 indicated that the reduced emissions on the one hand have been counteracted by higher emissions on the other. To reverse this trend, the global capital commitment to low-emission technologies has to increase.

The annual funding requirement to 2050 for low-emissions technologies is a magnitude of 6x the current annual capital deployed, as per McKinsey & Company.

While representing only 1.6% of the total annual Venture Capital and Private Equity investments in 2013, Climate Tech investments multiplied by a factor of seven in ten years, or 10% in 2023. With this significant progression in the last ten years, and considering that the reduction of GHG emissions is the biggest challenge faced by society in generations, along with the previously evidenced requirement for new technologies[1], the Climate Tech section of Venture and Private Equity investments is now expected to grow in proportion to other sectors.

1. i.e. *Estimations shared by the International Energy Agency that 35% to 45% of the emissions reductions could come from technologies that do not exist yet and an additional 40% from technologies that are currently in early market stage.*

VENTURE CAPITAL

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By **Lily Wang,**
Partner at Expon Capital

The Case for Venture Capital

Over the years, more and more funds and family offices have not only set up their operations in Luxembourg, but also expanded their presence with the hiring of front-office professionals. Today, there are about 40 front-office investment professionals in Luxembourg in VC alone, without even considering the EIF and EIB. This number is much higher in PE. This large talent pool creates opportunities for more Luxembourg-born managers in the future.

There is also an increasing collaboration and collective effort among all professionals across service providers, investment funds and law firms to attract more investments and funds to Luxembourg and, hence, more talent, creating a virtuous circle in the ecosystem. LPEA plays a critical role in facilitating this collaboration.

VC could be a good diversification

Venture Capital (VC) is a strategic diversification tool because it invests in emerging trends and technologies before they reach mainstream adoption. This approach allows investors to tap into the potential for high returns by identifying and supporting innovative startups poised to disrupt established industries. For instance, Tesla's focus on electric vehicles (EVs) and sustainable energy has fundamentally disrupted the traditional automotive industry, which once dominated transportation. Tesla's success highlights how VC-backed companies can challenge and transform long-standing market norms, rendering previous industry standards obsolete. By investing in such forward-looking ventures, VC provides a unique opportunity to benefit from the shifts in consumer preferences, technological advancements, and market dynamics, underscoring its value in diversifying investment portfolios.

Within the VC asset class, there are many different strategies offering various levels of risk, return and diversification. The strategies vary by i) stage (seed, scale-up, growth equity/late-stage), ii) software vs hardware, iii) geography (country, region, global), iv) business model (B2B vs B2C), v) sector (generalist, healthcare, climate, spacetech, fintech, cybersecurity, deeptech).

Different VC strategies vary significantly in their risk-return profiles. For example, seed stage investment is obviously riskier than the scale-up stage. Therefore, a seed-stage VC fund often has a larger number of portfolio companies and a greater portion of capital reserved for follow-on investments to bet on one winner, i.e., fund returner. As software companies reach a scale-up phase of 2-5m EUR annual recurring revenues, the risk is much lower as the product market fit is proven, and the scaling potential can be quantified with measurable sales efficiency by the existing sales team. With reduced risk on each investment, the fund strategy is not betting on a single fund return, but good performance across most of its portfolio. As those companies reach late-stage, the risk of the company is much lower, but the return potential is more limited, particularly during a tough IPO market period.

One firm, two strategies

In the case of Expon Capital, we manage two strategies. First, for the seed-stage strategy, the Digital Tech Fund (DTF) focuses on investing in software companies located in or setting up operations in Luxembourg. The DTF has public and private investors, including SNCI, the State of the Grand Duchy of Luxembourg, the Luxembourg Chamber of Commerce, SES, Cargolux, Proximus, Post, BIL, Arendt, as well as family offices. It was created to support Luxembourg's startup ecosystem, which is wholly overlooked. Fund returners have already been identified out of just 13 portfolio companies in fund 1.

Second, the scale-up strategy focuses on investing in European software companies in climate tech, health tech and digitalisation. The main investors in the fund are family offices. While climate tech and digital health are pretty popular now, we have been early movers since 2017, have tested what works and what doesn't, and built a strong network. There are, of course, real business opportunities in these markets, like our Refurbed, Sympower and Hellobetter portfolios. But we remain more diligent than ever, given the availability of capital in those two markets.

> **Savvy investors recognise that real value lies in identifying under-the-radar opportunities with solid fundamentals rather than chasing popular, overvalued ventures."**
>
> Lily Wang

How are VC investors paid?

While the business model is typically similar to PE, a VC fund is usually much smaller in size than a PE fund. The economics of Venture Capital is primarily driven by carried interest, not management fees. Success in VC hinges on the long-term performance of investments, as carried interest represents a share of the profits generated. This aligns incentives, prioritising substantial returns from successful ventures over the steady, but lesser income from management fees.

People always assume that VC investors are chasing the next big thing, whether AI, blockchain, or the internet of things. But 'hot deals' don't often equate to good investments. The hype surrounding these deals can inflate valuations, leading to unrealistic expectations and potential overinvestment. Savvy investors recognise that real value lies in identifying under-the-radar opportunities with solid fundamentals, rather than chasing popular, overvalued ventures. VC investors are paid to access high-quality deals and generate returns, rather than investing in the most popular and expensive company.

After identifying the right investment, it is about creating value throughout the portfolio management lifecycle

The three key value creation drivers of an investment are operational improvement, multiple expansion, and leverage. Operational improvement is the combination of growing revenues and expanding margins, driving returns more consistently over time compared to leverage and multiple expansion. This is particularly true in the current market with the high cost of debt.

Value creation is a long-term process requiring a time commitment and experience managing companies and relationships with founders. VCs typically have c.6-12 meetings every year for each active investment, including both board and strategy meetings. The number of meetings could significantly increase during the period of a new financing round. VCs invest the time to share the learnings and knowledge they have accumulated over the years, having been exposed to so many - both successful and unsuccessful - startups.

In addition, VCs share their network with their portfolio companies. There is also peer knowledge sharing among portfolio companies. VCs also provide the playbooks to founders on what to do and how, based on learnings from decades of startup experience from the best entrepreneurs and VCs.

In this market, profitability is everything. Some companies have fundamentally unprofitable business models. Others have business models that are already profitable, but not yet EBITDA positive and would be, if they chose to reduce the annual revenue growth rate from 80% to 20%, by lowering sales & marketing costs. How do VCs help portfolio companies measure profitability? Numerous metrics are used, such as CLTV/CAC, payback period, NRR, ARR/FTE, etc. On top of analysing the numbers, it is essential to understand the changing market dynamics and competitive landscape, and attract the right talent to convert strategy into reality.

Finally, it is about exits – both good and bad ones. Typically the best performing companies are usually the last to be sold, as they continue to grow quickly and offer attractive value over time.

Summary

VC could offer good diversification for investors. There are various strategies within the VC classes with very different levels of risk, return and diversification. GPs' interests are well-aligned with LPs by focusing on return generation and value creation. ●

DEMOCRATISATION

Interview with **James Abram,**
Principal Presales Consultant
at Temenos Multifonds

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

How can the Market Make the Most of ELTIF 2.0?

ELTIF 2.0 is finally here, having come into force in January 2024 to broaden access to alternative investments. A response to investors' never-ending drive for alpha and the constant quest of fund managers for new revenue streams and offers, the new legislation has the potential to change the shape of the market. In this feature, we ask James Abram, Principal Consultant at Temenos Multifonds, what ELTIF 2.0 means for the industry – the upsides, challenges, market experience so far – and what managers should be doing now to take advantage of this change.

Now that ELTIF 2.0 has come into force, how will it benefit asset managers and investors?

Asset managers stand to benefit in two ways from this new legislation. First, it makes it possible for traditional asset managers to offer attractive alternatives to their clients, who are looking for more diversification and protection from inflation. These clients can also see that returns from Private Equity funds are outperforming what they can get in the mutual fund market. And for private funds whose traditional market of institutional investors has become saturated, ELTIF 2.0 gives them the potential to tap into a brand new pool of semi-professional and retail investors.

Passporting under ELTIF 2.0 gives asset managers another advantage. Because the legislation is EU-wide, funds can be marketed in any member state without having to comply with local regulations. A fund domiciled in Luxembourg can now be distributed across Europe.

And for investors, ELTIF 2.0 means more choice, and potentially better returns from alternative investments that have up to now been largely inaccessible to them.

What are the operational and technical challenges of this shift?

First, there's scale and volume. Typically, PE asset managers operate high-value, low-volume operations with small numbers of investors who may each be putting in hundreds of millions. The retailisation of alternatives turns this on its head, bringing in large numbers of investors committing sums that could be as low as €1,000. These managers need to be able to operate at this vastly different scale.

There are also issues around liquidity. Semi-liquid alternative funds have been introduced for investors who need to be able to get in and out of funds more quickly and easily. However, they also bring significant challenges to automation and efficiency in existing support/back-office systems – for example, around how to apply lockup periods and gating mechanisms, or the need for managers to hold liquidity to service redemptions.

Compliance is a further challenge: specifically, how to stay compliant while offering PE investments to both professional and retail investors. Although ELTIF 2.0 loosens many of the restrictions that were in the original ELTIF regulation, managers will have to comply with MiFID II appropriateness tests as they onboard retail investors. Managers will also need KYC/AML frameworks to allow for the onboarding of high volumes of investors.

> **"Compliance is a further challenge: specifically, how to stay compliant while offering PE investments to both professional and retail investors."**
>
> James Abram

What is your role in supporting ELTIF 2.0 and the growth of alternative funds?

The capabilities of Temenos Multifonds mean that it is ideally positioned to help the industry overcome the challenges associated with the retailisation of private assets. Its embedded workflow and control framework, native SWIFT interface and private market APIs enable clients to address the challenges of both scale and volume.

Our platform also offers a full suite of liquidity management tools required by ELTIF 2.0, including gating, fund lock-ups, side pockets, and transaction-level fees. Its asset class coverage spans both long-term, illiquid assets and UCITS eligible liquid investments, and Multifonds also manages master/feeder and fund of funds structures across asset classes and currencies. Finally, our platform addresses the compliance challenges of alternatives, with the ability to record MiFID II assessment data on retail investor suitability.

It is for these reasons we have recently been chosen by a leading fund administration provider to support the launch and administration of both closed and open-ended funds with liquidity management features. Here, Multifonds is automating and streamlining investment operations for the provider, enabling it to onboard an unlimited number of investors and automate a wide range of activities including commitment tracking, capital calls, valuation, drawdowns, distributions, and fees processing.

The administrator can use the platform across the full investor life cycle, including digital onboarding, AML and KYC due diligence, and MiFID II classification and appropriateness assessment.

With fast onboarding, pre-packaged liquidity management tools and built-in connectivity to SWIFT, NSCC, Euroclear and Clearstream, Multifonds offers an out-of-the-box solution that reduces the time to market for organisations looking to benefit from the opportunities of ELTIF 2.0. Its high levels of STP and exception-driven workflows enable the platform to handle the high volumes associated with retail investors coming into the alternatives market.

How can managers and administrators quickly take advantage of the ELTIF 2.0 opportunity?

The changes and challenges of ELTIF 2.0 mean that for managers and administrators looking to take rapid advantage of the opportunity it presents, it is less about migration and more about looking for entirely new platforms. It's here that SaaS options such as Multifonds present an ideal solution. Pre-packaged with all the necessary connectivity and capability needed, our platform dramatically reduces time to market, with quick training and onboarding, meaning that administrators and managers can quickly take advantage of Private Equity retailisation. ●

By **Marc Meyers,**
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The Luxembourg Umbrella Part II UCI, With or Without ELTIF Add-on: The Fund Regime of Choice for Accessing Private Wealth Investors

Fund sponsors increasingly explore ways to facilitate access by retail investors to private assets. Part II UCIs have been instrumental in this development.

With a view to remain agile and based on years of regulatory and market practice, as well as developments at European and international levels, including ELTIF 2.0, and the increased appetite of non-professional investors for alternative asset classes, Luxembourg modernized its Part II UCI regime in 2023 to further align it with the needs of fund managers. This contribution highlights some of the most important changes, with a focus on the increased success of the Part II UCI fund regime with private markets firms accessing the private wealth market.

1. Part II UCIs & Impact of the Modernization of the Luxembourg Fund Structuring Toolbox

1.1. The Introduction of Partnership Structures for Part II UCIs

On 11 July 2023, the Luxembourg legislator adopted the bill of Law N°8183 (the Law). The Law, amongst others, increased the structuring options for Part II UCIs by adding additional legal forms under which such funds can be established. Till the adoption of the Law, SICAVs (société d'investissement à capital variable) were required to be incorporated as a public limited company (société anonyme or SA). However, the Law changed this as such a limitation was not anymore in line with the needs of the market, in particular in light of the resurgent use of Part II UCIs by alternative investment fund managers, who would typically launch their funds as a limited partnership. Therefore, since the entry into force of the Law, SICAVs under Part II of the Law of 17 December 2010, as amended, can also be established in the form of, amongst others, partnerships limited by shares (société en commandite par actions or SCA), common limited partnerships (société en commandite simple or SCS) and special limited partnerships (société en commandite spéciale or SCSp).

The addition of these legal forms is of great value and will, moving forward, constitute a further catalyst to the resurgent success of Part II UCIs, in particular as umbrella structure, with or without ELTIF label at sub-fund level. In particular, we expect that the SICAV-SCA will progressively replace the SICAV-SA as the form of choice as investor facing vehicle. Indeed, the SICAV-SCA combines the variable capital and control through a manager-owned general partner with an opaque legal form, which is typically preferred in an open-ended structure with retail or private wealth investors.

1.2. Exemption from Subscription Tax

Recently, the subscription tax regime with respect to, amongst others, Part II UCIs that are established as ELTIFs were altogether being exempted from subscription tax. This forms the regulator's response to the recommendations that have been made in light of the European Capital Market's objectives on the European level to take measures on the national level to fiscally support these (European) initiatives.

> **Part II UCI, structured as an umbrella fund - with the option to launch multiple sub-funds within the same legal entity - will quickly establish itself as the fund regime of reference to cover the retail and private wealth investor markets."**

2. Part II UCIs & ELTIF 2.0: Where do we stand?

It is clear that the Luxembourg toolbox updates discussed bring Luxembourg law further in line with recent developments, such as the amendments made to Part II UCIs, ELTIFs on the European level and the ongoing tendency to make AIFs more accessible to retail investors.

In this context, while the Part II UCI regime was only used by a limited number of alternative investment fund managers over the past decade, including under ELTIF 1.0, it has been "rediscovered" over the last couple of years with private wealth investors' growing interest in private markets and private markets players looking into broadening their investor base. Indeed, Part II UCIs allow for the launch of open-ended subscription-based funds that sponsors launch, including as feeders or fund-of-fund structures ("FoF") investing in traditional illiquid AIFs that are, normally speaking, restricted to professional investors only. Part II UCIs are also available for all types of investors with minimum investment tickets significantly lower than the EUR 100K, which apply under other Luxembourg product laws and the marketing to retail or semi-professional investors, subject to certain local restrictions, has been accepted in many European jurisdictions.

Due to their flexibility, Part II UCIs are also expected to remain to be the most popular vehicle for ELTIFs established under ELTIF 2.0, in particular for retail ELTIFs availing of the EU distribution passport to retail investors.

3. Part II UCIs: More than just a Resurgence

While there is no one-size-fits-all solution for alternative investment fund managers when it comes to tapping into the retail investor base, considering the very wide bandwidth of the retail concept, we are convinced that the Part II UCI, structured as an umbrella fund (with the option to launch multiple sub-funds within the same legal entity), will quickly establish itself as the fund regime of reference to cover the (real) retail and private wealth investor markets.

Indeed, in an environment where evergreen funds are poised to become ever more popular, the umbrella Part II UCI provides the ideal platform under which various (semi) open-ended strategies (through one or more sub-funds with an unlimited duration) marketed to private wealth investors, could be combined with either closed-ended (with limited duration) or (semi) open -ended ELTIFs (with longer duration, albeit mandatory specific term) marketed to either professional, private wealth or (real) retail investors. Considering also the costs of setting up and maintaining these regulated structures and the typical ROI being potentially hampered by the (required) liquidity pockets in the case of (semi) open-ended (sub-) funds, using an umbrella Part II UCI as platform assists in achieving substantial economies of scale, while facilitating the management from an operational side.

The solid success of Part II UCIs will only be further sustained by regulatory updates expected during 2024, including clarifications as to the applicable investment restrictions (considering that the CSSF Circulars 91/75 and 02/80 are in practice not strictly applied as such anymore) and a, potentially, faster regulatory approval process.

Irrespective of how regulatory developments with respect to ELTIF 2.0 crystallize, Luxembourg is on such basis, either way, expected to increase its attractiveness as an attractive pan-European hub for retail AIFs. ●

DEMOCRATISATION

INSIGHT/OUT #29

DEMOCRATISATION

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Interview with **David Genn,**
CEO of Goji

by **Alexandre Hector,**
Partner at KPMG Luxembourg

Widening the Access to Alternatives - The Tech Way

In this interview, David Genn showcases how Goji - through its integration into the Euroclear financial markets ecosystem - facilitates interactions between distributors and private fund managers, democratising access to the alternative assets industry.

Based on your experience, what are the critical operational and distribution challenges in the alternative asset sector?

The alternative asset sector lacks scalability and connectivity. Without homogenised, industry-wide technological infrastructure, the market is fragmented and continues to rely on cost-ineffective, labour-intensive manual processes, and outdated software that can't scale to meet demand.

In terms of distribution, private markets tend to rely on bilateral relationships with institutional investors who can meet high investment minimums. However, demand is growing in the private wealth community as high-net-worth individuals want to unlock the same high returns enjoyed by institutions.

For managers who want to distribute their funds through private wealth channels, negotiating a separate agreement with each distributor is time consuming and expensive. By facilitating global distribution agreements on our platform, we can solve this problem, allowing managers to distribute to higher numbers of private wealth investors without needing to sign a new agreement for each distributor.

What is your view on the evolution of demand in the coming decade?

Many institutional investors are already turning to alternative assets for higher returns and portfolio diversification. Now we are also seeing increased allocations from private wealth to private market funds.

While individuals have traditionally had difficulty accessing private assets due to high entry points, limited operational infrastructure to manage high volumes, and a lack of regulation, they continue to demand access. As market infrastructure continues to evolve with scalability and connectivity at the core, we anticipate that allocations will skyrocket from private wealth investors.

We also expect to see rising interest from jurisdictions outside of Europe and North America. The APAC region is seeing record growth in allocations to private funds. This is largely thanks to high-net-worth individuals intending to raise their allocations to private markets to take advantage of the increased security that comes from liquidity and risk visibility.

Following Euroclear's acquisition of Goji, how do you envision the future of digitisation service providers in the private markets?

After assessing the needs of the industry, Euroclear discovered that a lack of scalability was creating issues for private market participants.

In particular, the process for managing investor KYC and capital calls needed to be modernised and made scalable to cope with increasing investor volumes. By acquiring Goji, Euroclear can provide a comprehensive, scalable solution for private markets to their existing clients who already use the FundSettle platform, without them needing to adopt new technologies or processes.

Innovation and transformation in private markets are driven by digitisation service providers such as Goji. With the backing of established financial market infrastructures like Euroclear, these providers can scale globally to meet ever-increasing client demand.

How do you anticipate technological developments will foster growth in the alternative asset sector?

We expect that technological developments in the alternative asset sector will continue to drive the democratisation of this industry, opening access to an even larger group of investors. For example, Goji's investment platform technology has enabled Euroclear FundsPlace to offer access to a universe of private market funds through the same point of entry as for mutual funds and ETFs.

Accessibility in private markets will be furthered by developments in blockchain technology and tokenisation. The integration of these technological developments creates a mutual infrastructure that provides a platform for all to access alternative assets in a digital, secure, and transparent way.

We are always looking into developing technologies, blockchain and tokenisation included, and aim to continue boosting access to private markets through a common market infrastructure across all asset classes and market participants. ●

> **"As market infrastructure continues to evolve with scalability and connectivity at the core, we anticipate that private assets allocations will skyrocket from private wealth investors."**
>
> David Genn

ABOUT GOJI

Euroclear's private markets solution forms a part of its broader FundsPlace offering, allowing market participants to access both private funds and mutual funds from a single point of entry. Goji's technology is integrated into Euroclear's financial market infrastructure, creating a global network for private market funds that digitises the entire investment lifecycle.

This includes streamlined investor onboarding and a digitised subscription process where documentation is pre-filled with investor details and can be signed digitally by clients. Once the investor has subscribed into the fund, Goji can offer digitised and automated capital calls and distributions, leveraging Euroclear's banking infrastructure to give distributors and investors visibility over capital events. Finally, Goji provides real-time access to fund and portfolio-level reporting and transaction data, satisfying investor demand for transparency.

By accessing Euroclear's private funds solution, asset managers can connect with more than 2,000 distributors already in the Euroclear network, and fund administrators can offer a fully digitised private funds service to drive growth and overcome operational inefficiencies. Distributors can connect to a universe of private funds, across asset classes and fund types, therefore increasing the opportunities available to their clients.

INSIGHTS

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By **Rita Hunter,**
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SFDR Targeted Consultation – A Wish List for Luxembourg Funds

"Luxembourg funds are uniquely placed to report what their investors want to see from the SFDR to improve their investment experience, improve disclosure on funds and reduce greenwashing."

For Luxembourg funds complying with Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the SFDR), the targeted consultation and public consultation (the consultations) launched by the European Commission seeking feedback on the SFDR on 14 September 2023 may invoke hope or despair. Over the last couple of years, the gaps in legislation have been gradually filled by the European Commission, ESMA and the European Supervisory Authorities (ESAs) but there are still questions about how to improve the effectiveness of the SFDR in combatting greenwashing and driving investment in sustainable activities. Below we look at the consultations and how the proposed changes will affect funds domiciled and/or marketed in Luxembourg, considering which changes might be on the wish list for them.

Why is the SFDR important in Luxembourg?

The Sustainable Finance Disclosure Regulation (EU) 2019/2088 (the SFDR), which came into effect in March 2021, sets out how financial market participants, such as asset managers, should communicate sustainability information to investors. The SFDR is fundamentally a disclosure regulation and is not intended to act as a labelling regime (though there is evidence that it does in fact act as a de facto labelling regime). Luxembourg is home to a large number of funds which comply with the SFDR and its disclosure requirements, so changes to the SFDR will have a profound effect on the local market.

The turbulent fortunes of Article 8 and Article 9 funds

Since 2018, a number of delegated regulations accompanying the SFDR have been published as well as a number of regulatory technical standards which have supplemented the requirements of the SFDR. There have been a lot of gaps in regulatory interpretation of the SFDR and financial market participants in scope for the SFDR have struggled to interpret many of the concepts included in the SFDR and the related interconnections with the Taxonomy Regulation (EU) 2020/852 with any certainty.

When the European Supervisory Authorities (the ESAs) "clarified" on 2 June 2022 that Article 9 funds should only contain "sustainable investments" (and cash and hedging assets), according to Morningstar[1] more than 320 funds were subsequently changed from Article 9 to Article 8 from Q4 2022 to end of Q1 2023.

In response to the large number of downgrades (which was not the intention of the EU), the Commission clarified in its answers to questions on the interpretation of the SFDR in April 2023 that "financial market participants must carry out their own assessment for each investment and disclose their underlying assumptions". This was calculated to bring some stability to the market, confirming that funds could use their own discretion to determine whether an asset was a "sustainable investment", however the expected upgrading of previously downgraded Article 8 funds to Article 9 funds did not occur. In addition, according to Morningstar data[2], "Article 9 funds attracted EUR 1.4 billion in Q3 2023, a new low". One reason for the dearth of upgrades and lack of new money in Article 9 funds can be explained by the upgrading of Article 8 funds not being perceived as essential for investors. Another reason is that funds were mindful that the five year consultation on SFDR would be launched and they wanted to avoid "flip-flopping" between making Article 8 and 9 disclosures.

The consultations

On 14 September 2023, the European Commission published its targeted consultation and public consultation to seek views on the implementation of the SFDR (the consultations).

These consultations posed a unique opportunity for Luxembourg funds (as well as the LPEA) to provide feedback to the regulators on their observations as to what works and does not work in the Luxembourg market. Luxembourg funds are uniquely placed to report what their investors want to see from the SFDR to improve their investment experience, improve disclosure on funds and reduce greenwashing.

For those same asset managers and owners in scope of SFDR, the last five years have brought continual adaptation and change as they have sought to comply with the letter and the spirit of the SFDR. More change may well be daunting as systems have already been built (at much expense) to integrate the existing requirements of the SFDR.

However, these consultations also provided an opportunity to:

- ensure that the regulator understands how the markets work in practice
- highlight shortcomings of the SFDR, improvements to address these and how it interacts with other parts of the European sustainable finance framework
- whether there should be changes to the disclosure requirements and views on the use of Articles 8 and 9 of the SFDR as "de facto product labels"
- encourage synergies and interoperability with the UK Financial Conduct Authority's proposals for a UK financial product labelling regime
- communicate if market participants don't want a wholesale change to the SFDR, if market participants feel that these are important.

Morningstar has reported[3] interesting results of a survey it made, finding "that market participants are split on the future of Article 8 and Article 9. Fifty percent of respondents would like to see these classifications replaced by labels, 39% would prefer to keep Article 8 and Article 9 but introduce minimum standards, and 7% voted for the status quo."

Responses from market participants are particularly important as there are signs that the Commission may be considering more than technical tweaks to the regime to address its concerns about the legal certainty and useability of the SFDR framework and its ability to tackle greenwashing.

Next steps

Responses to the targeted consultation were requested by an online questionnaire and to the public consultation via a dedicated webpage by 15 December 2023. We understand that the Commission intends to adopt a report on the SFDR in Q2 2024. Needless to say that this important development should be monitored closely. ●

1. SFDR Article 8 and Article 9 Funds: Q1 2023 in Review, Morningstar Manager Research, 4 May 2023.
2. SFDR Article 8 and Article 9 Funds: Q3 2023 in Review, Morningstar Manager Research, 25 October 2023.
3. SFDR Article 8 and Article 9 Funds: Q3 2023 in Review, Morningstar Manager Research, 25 October 2023.

Disclaimer: This note is intended to be a general guide and covers questions of law and practice. It does not constitute legal advice. Hogan Lovells (Luxembourg) LLP is registered with the Luxembourg bar.

By **Martin Hermanns-Couturier,**
Head of Investment & Asset Management
Practice at Praxio Law & Tax

Sustainable Development Goal Funds – New Regulations Ahead?

After the financial crisis of 2008, legislators and regulators have established the finance industry as a fertile ground for regulation and this tendency is not about to stop. Hence, it is a good idea to pay attention when indicators for new regulations appear on the horizon. With this in mind, it is noteworthy that on 1st February 2024 the European Securities and Markets Authority (ESMA) has published a risk analysis entitled "Impact investing – Do SDG funds fulfill their promises?". ESMA's analysis might indicate where the regulators see future areas of regulation and therefore, it might be useful to take a closer look at it.

Impact Investing

The analysis uses the Global Impact Investing Network's definition of impact investing, which defines the term as: "Investing with the intention to create positive, measurable social and/or environmental impact alongside financial return."
While there is a very optimistic drive in this definition, it unfortunately lacks precision what "positive, measurable social and/or environmental impact" actually means. However, the United Nations (UN) have considered the question what positive social and/or environmental impact might comprise and have defined 17 goals for sustainable development (the SDGs), being in short: no poverty; zero hunger; good health and well-being; quality education; gender equality; clean water and sanitation; affordable and clean energy; decent work and economic growth; industry, innovation and infrastructure; reduced inequalities; sustainable cities and communities; responsible consumption and production; climate action; life below water; life on land; peace, justice, and strong institutions; and partnerships for the goals.

ESMA's approach

From the perspective of the ESMA, the provision of financial support to any of these goals with the aim to achieve at the same time a financial return should qualify as impact investing.
The analysis considered (a) the fund documentation of various funds claiming to pursue impact investing compared to other funds with no such claim, being either traditional investment funds or funds complying with certain environmental, social and governance (ESG) requirements, (b) the funds' portfolios, (c) SDG alignment of the portfolios considering SDG alignment on country and corporate level and (d) the disclosures of principle adverse impacts (PAIs).
ESMA assumes that funds pursuing SDGs are funds whose investment approach considers ESG requirements. Impact investing funds are thus a specific form of ESG funds and may fall within the scope of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR), especially article 8 SFDR relating to funds that are promoting sustainability characteristics and article 9 SFDR for financial products having sustainable investment as its objective.

ESMA's findings

For its analysis, ESMA collected data from 14,633 investment funds of which 187 were considered SDG funds. ESMA established a significant increase in launches of SDG funds over the last few years as about 44% of those funds were launched in or after 2020. The statistics established by ESMA show that the number of SDG fund launches is accelerating compared to launches of non-SDG funds.
ESMA bases its comparison between SDG- and non-SDG funds on three major criteria / pillars, (a) investments in companies which have joined the United Nations Global Compact (i.e. companies committing to the SDGs – the UNGC) compared to investments in other companies, (b) investments in sovereigns based on the UN's SDG index score of the relevant issuing countries, and (c) investments in development bank bonds.

Investments in companies

The percentage of the portfolio that SDG funds invest in UNGC companies is not considerably different from that of non-SDG funds. Regarding the number of assets held in such companies, SDG funds mark slightly better than the others, when it comes to assets under management this role is inversed. In any case ESMA considers the differences as statistically insignificant. The analysis establishes however certain statistically relevant differences when comparing SDG funds to funds falling under articles 8 and 9. Those funds show a higher average investment rate in UNGC companies in terms of number of assets and assets under management.
For PAIs, ESMA's risk analysis shows mixed results, too: For most SDGs, the SDG funds perform better, however with some exceptions.
Finally, ESG funds do perform better when it comes to the disclosure of assets violating the UNGC principles but their investee companies tend to do worse regarding the UNGC compliance mechanisms.

Investment in sovereigns

The analysis shows that in general SDG funds invest more in sovereign debt of countries with a higher SDG index score (74 for SDG funds vs. 64 for non-SDG funds). However, for some SDGs (notably responsible consumption and production as well as climate action) this is not the case.

Investment in development bank bonds

Finally, for investments in bonds of development banks, the result is once again mixed. While the percentage of funds holding such bonds is higher for non-SDG funds, the SDG funds actually investing in such bonds appear to invest a higher part of their assets under management into those bonds.

ESMA's conclusions

While ESMA points out that there is an increasing offer and demand for SDG funds in the market, ESMA deducts from its findings that SDG funds are "not significantly different" from other funds. ESMA sees a relevant potential for "impact-washing", especially considering SDG funds' "broad scope and absence of a harmonised definition or specific requirements".

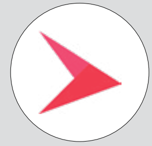
> **"One of ESMA's findings is that SDG funds are holding fewer assets on average while being larger than non-SDG funds."**
> Martin Hermanns-Couturier

At the same time, ESMA underlines the importance of these funds for the SDGs' success. However, the final conclusion is that the "analysis raises investor protection concerns as the funds claiming to contribute towards the SDGs do not appear to differ significantly from other funds in their exposure to firms signalling to concretely contribute to the UN SDGs".

Observations

ESMA's interest to better understand the possibilities and risks of impact investment is a positive sign. Important efforts were made for this analysis and the idea to fight greenwashing and impact-washing is crucial to ensure the success of SDG funds and of the SDGs in general.
Still, some observations should be made:
1. The analysis primarily verifies the extent of SDG funds' investments in companies having declared to pursue the SDGs. ESMA's assumption being that the best/most efficient way to support the SDGs is by investing in such companies. The analysis does not specify the reasoning behind this assumption, especially as the hurdles for membership are low and thus the risk of greenwashing is rather high. The possibility that investments in UNGC companies might be a very limited indicator for SDG compliance is not considered. The fact that there is not much difference when investing in UNGC companies is then presented as proof that SDG funds are in principle normal funds with a risk of impact-washing.
2. As impact investing aims at supporting change over a certain period of time, SDG funds may consider to invest where the change is too slow or not yet happening, with the intention to support any positive change. ESMA's analysis does not take into consideration the possibility of a development from a non-UNGC company to a company adhering to the SDGs. One of ESMA's findings is that SDG funds are "holding fewer assets on average" while being "larger than non-SDG funds". This could be an indicator that SDG funds effectively aim at a higher involvement in their portfolio companies than more traditional funds (however, other explanations are of course possible, too). If that were to be the case, SDG funds would be acting as active investors, trying to direct the management of their portfolio companies towards the SDGs. For a fair evaluation of SDG funds it would be necessary to analyse the active involvement of the funds in the SDG decisions of their investee companies. Due to the way data was collected, this could not be done in the ESMA analysis, leaving thus an important area for future research.
3. The analysis states that much of its data is pretty new with 44% of the funds under review having been established in or after 2020. The impact of such SDG funds is likely to be rather limited in such a short period. Hence, to establish the effectiveness of the SDG funds, it would be necessary to review the developments of the investee companies over a longer period of time. The analysis does not indicate if ESMA will do this and update its analysis in the future.
In conclusion, the analysis has collected and compared a considerable amount of data. However, the choice and interpretation of the data seems to be too limited to establish the chances and risks involved in SDG funds. If the idea is to draw up regulations for SDG funds in the future, ESMA's present analysis is only a small first step in that direction and more research will be necessary to evaluate how and to what extent SDG funds effectively support the SDGs and how the necessary transparency for investors can be ensured. ●

INSIGHTS



By The Market Practice and Operations Committee - ESG & Valuation Working Group

LPEA ESG & Valuation Survey Key Results and Next Steps

Introduction

In recent years, there has been a transformative move in the business landscape, with ESG considerations emerging as pivotal factors in investment management and decisions. Investors, regulators, and society at large are increasingly recognizing the profound impact that businesses can have on the world beyond financial returns. With the global community grappling with challenges such as climate change, social inequality, and corporate governance matters; business and investment fund players are experiencing a growing imperative to incorporate ESG criteria in their day-to-day monitoring and reporting activities. In particular, the latest version of IPEV guidelines issued in December 2022 addresses the inclusion of ESG factors into valuations processes from a qualitative and quantitative perspective given it potential impact on fair value (Section II, par.5.17).

As we navigate the evolving landscape of investment portfolios, ESG considerations are poised to become an even hotter topic in the valuation realm. The momentum is driven by the recognition that companies demonstrating strong ESG performance often are perceived to exhibit better risk management, enhanced operational efficiency, and improved long-term financial prospects. Investors, now more than ever, are demanding transparency and accountability in how businesses manage ESG risks and opportunities and how these should be factored within the valuation of certain investments.

However, putting ESG considerations into practice are still perceived as a preliminary point of discussion within valuation professionals. The Market Practice and Operations Committee of the LPEA has performed a market survey to be serve as a first step in assessing the state of play and maturity in the current market, gauging the readiness of the Luxembourg Private Equity ecosystem in incorporating elements of ESG into valuations.

Objective

The purpose of our survey is to reach out to a diverse and extensive list of senior practitioners within LPs, GPs and service provider firms to identify the current state of play of ESG frameworks within the valuation practice. With such information we planned to understand the current maturity of the market, different considerations and appetite. Next steps for the MPOC would be to engage with identified parties to develop a guidance, and eventually a framework to integrate ESG factors into valuations. Our survey featured a dynamic format, with questions tailored to respondents' answers. The survey included a mix of closed, multiple-choice, dichotomous, and open-ended questions.

Research method and results

After establishing who the respondents were in terms of business, home location and size, we moved on to a first key question which was 'how often valuation professionals are currently incorporating ESG in their valuations today'.

The survey reveals a diverse range of integration of ESG factors in valuation models. Some respondents (3) have not yet integrated ESG factors, and a significant number (8) have just started considering their inclusion, showing that there is a majority of valuation professionals who are not considering ESG in their valuations to any significant extent thus far. Additionally, a few respondents (3) indicate that ESG factors are sometimes incorporated. Interestingly, several respondents (4) said that they are routinely integrating ESG into their valuations, showing that some players are leading the way despite a lack of clear guidelines on the market.

Another interesting finding of the survey sheds light on 'the barriers preventing the integration of ESG factors into valuations' for those who responded that they never or have just started incorporating ESG in their valuations. The most commonly cited obstacle is the lack of guidelines/standards, identified by 9 respondents. This signifies the need for clear frameworks that provide guidance on how to incorporate ESG factors effectively, which we are hoping will come from in the near future given the recent update of the IPEV guidelines requiring ESG integration but giving little to no practical guidance on how to do this. Other reasons include the absence of data (4), lack of expertise (3), and limited support from senior leadership (2). However, it is encouraging to note that only one respondent found ESG factors to be irrelevant for valuation.

Given that most participants in the survey are rarely, if at all, incorporating ESG into their valuations, we examined 'the willingness of respondents and their organizations to be pioneers in valuing assets with the inclusion of ESG factors'. While no respondents consider themselves very unlikely to be first movers, 5 respondents express reluctance, but an equal number indicate that they are likely to take the lead. Furthermore, one respondent displayed a strong inclination to be a first mover. It is also worth noting that of these respondents, all were interested in integrating ESG factors in their valuations, despite some not wanting to be first movers.

The final questions of the survey explored 'the satisfaction with current guidelines and frameworks and the preferred level of detail in future ESG valuation integration guidelines'. Firstly, only one of the 18 participants was satisfied with current guidelines and frameworks in place, so the next question to ask was what level of detail they would want in future ESG guidelines. None of the respondents expressed a desire for no guidelines, indicating the importance of clear frameworks in this field. Four respondents prefer general descriptions which would inherently provide more flexibility in applying the guidelines, while 10 respondents desire somewhat detailed guidelines. Additionally, 4 respondents seek highly detailed guidelines, suggesting the need for comprehensive frameworks to facilitate effective integration of ESG. ●

> "Investors, now more than ever, are demanding transparency and accountability in how businesses manage ESG risks and opportunities and how these should be factored within the valuation of certain investments."

Figure 1: To what extent are ESG factors currently incorporated in your valuation models? (all)

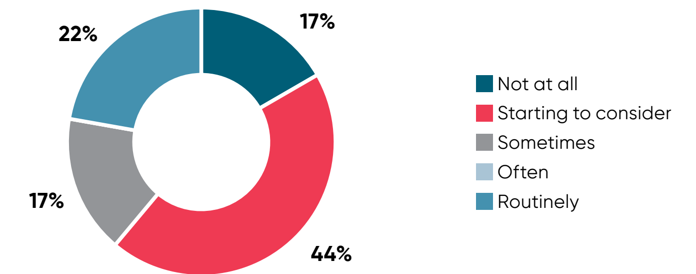


Figure 2: Why have you not started or just recently started considering ESG factors in your valuations? (not integrating)

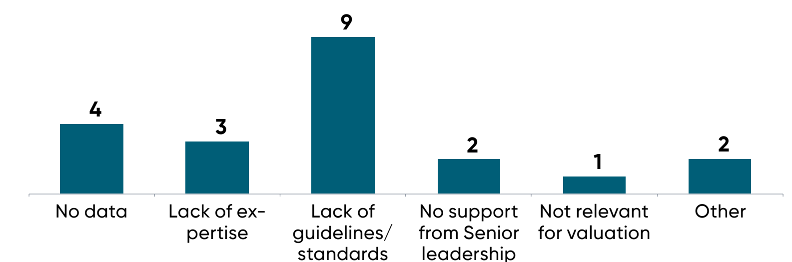


Figure 3: To what extent would you and your company be willing to be a first mover to value your assets including ESG factors? (not integrating)

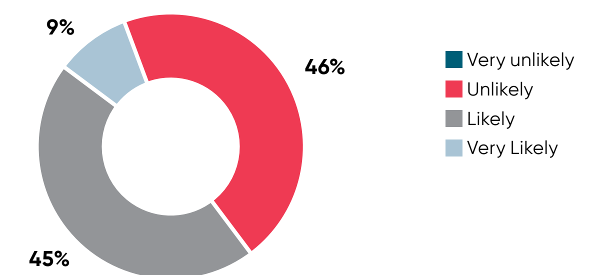
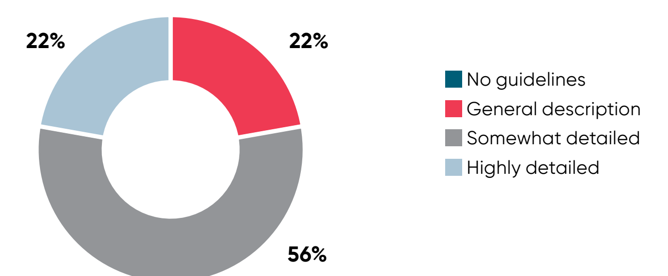


Figure 4: What level of detail would you like to see in any future ESG guidelines? (all)



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INSIGHTS

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By **Filip Suchta,**
Director at Q Securities

A Depositary Weighs In: Maintaining Luxembourg's Edge

For now, Luxembourg's position as a primary global investment fund centre is indisputable. However, in an ever-changing world, are there potential challenges to the Grand Duchy's crown, and how can its top spot be maintained?

Luxembourg occupies the top spot for now – but could that change?

Luxembourg has long been the primary jurisdiction for funds, fund managers, and all other entities operating in the asset management industry. When our firm decided to build on our operation in Poland and expand abroad, the decision about where to branch out was obvious - if we wanted to grow, Luxembourg was the place to be. But the question was, would a company facing a similar expansion decision 10 years later still view Luxembourg as the first choice?

Luxembourg's position as a leading fund domicile can be attributed to many factors; the high quality of its legal and regulatory framework, its financial and political stability, and a wide selection of excellent service providers. The critical factor has been Luxembourg's consistency: knowing what you are getting for your money if you choose Luxembourg as the hub for your fund.

Being the first-choice fund jurisdiction does not mean that Luxembourg is perfect. To use an example from another industry, the fact that the iPhone is the most popular choice for smartphone users does not mean it doesn't have flaws – some will complain about its price, others will point to the lack of specific features available on other brands. Let's look at what Luxembourg fund 'users' might be concerned about.

Being good does not mean you can't be better

Luxembourg is not equally attractive to all. The quality of the Luxembourg experience from a fund's perspective largely depends on its size and status. Fund managers with billions of Euros under management have fewer reasons to complain – they can select from multiple top-tier service providers to compete for their business, and the quality and efficiency of services leaves little to criticise.

The situation can be different for emerging fund promoters just starting up in Luxembourg. In their case, the Grand Duchy can be less welcoming. When we launched in Luxembourg three years ago and started providing depositary services, to our surprise many prospects admitted to having difficulties finding service providers and felt they were not getting value for their money. We were pleased that we could help them out and onboard them as clients, but what became evident was that for certain groups of fund managers, setting up shop in Luxembourg is a challenge. This seems counterintuitive, considering the abundance of service providers in the Grand Duchy.

What are the underlying causes of this unfortunate phenomenon? It boils down to resources. Service providers have a limited talent pool available and need to consider the operational and compliance costs to service each client. Many decide to turn down smaller funds because of the ever-growing need to meet more rigorous requirements when taking on new clients. The largest service providers rely on their outsourcing centres in Poland, Malta or elsewhere. But for the 'middle-class' and small players, this is not a viable option due to costs, so difficult choices have to be made about which clients to accept.

The resource problem is also tangible in more universal sectors like banking services, an issue Luxembourg has been facing for quite some time now. In the past, Luxembourg credit institutions' appetite to provide services to corporate clients – including investment funds – has fallen dramatically and has been widely discussed in the Grand Duchy. Some even point out that this reflects poorly on Luxembourg's reputation, not only as a fund hub but, more generally, as a place for doing business. In that regard, recent initiatives undertaken by industry associations, like the ABBL, aiming to solve this issue, are a step in the right direction. One can hope that all stakeholders will continue to work together, to make sure that opening a bank account in Luxembourg is not an impossible feat.

One could argue that the relative inaccessibility of Luxembourg for emerging funds is not a bug but rather a feature of its fund ecosystem, evolving as a fund jurisdiction accessible only, in principle, to the world's most prominent fund promoters. For some, it might seem reasonable – after all, the resources of service providers are not limitless and economically speaking, it makes sense to focus on the funds with the largest assets.
In the long term, however, such an approach may lead to Luxembourg missing out on the next unicorn, that could decide on another jurisdiction, if their initial experience with the Grand Duchy is disappointing.

> **"Last year's bill updating the Luxembourg fund toolbox was welcomed by the market, and similar initiatives aimed at enhancing the regulatory and legal framework in line with global trends and investor expectations should be the rule, rather than the exception."**

How can Luxembourg keep its edge?

There are two critical factors for Luxembourg to keep the crown.

To maintain the qualities that made it a first-choice fund domicile originally, as discussed earlier, it needs to continuously modernise its business offering. Last year's bill, which updated the Luxembourg fund toolbox, was welcomed by the market and similar initiatives aimed at enhancing the regulatory and legal framework in line with global trends and investor expectations, should be the rule, rather than the exception.

Limited resources should not only be addressed by fortifying and expanding the talent pool and attracting people from abroad. In some areas, Luxembourg lags behind its competitors when embracing innovation and technology. Streamlining processes, implementing specialised IT solutions, and engaging reputable partners to decrease time spent on paperwork, while increasing the efficiency of client servicing, will help to ensure that there's room for everyone who is interested in setting up funds in Luxembourg.

What matters most in ensuring Luxembourg stays at the top is continued awareness of the ever-changing financial world and staying ahead of the curve, instead of reacting to shifts in the market. As rightly pointed out by author Robert H. Waterman Jr., "Market leadership is not given, it is earned". ●

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By **Simarjit Singh Sra,** Director – Advisory at PwC

Kai Braun, Partner - Alternatives Advisory Leader at PwC

and **Valerie Tixier,** Assurance Partner - Private Equity Client & Market Leader at PwC

How to Build a Digital Operational Strategy to Win the Investor Experience Race

Key Takeaways

- Challenges in investor onboarding, AML/KYC checks, leading to delayed responses and coordination issues among fund operations teams.
- Decentralised oversight of investor query management and challenges in efficiently managing and responding to investor queries, leading to potential delays and communication issues.
- Issues related to data access, clean data models with ability to drill down at next level of detail.
- Significant increase in investor data needs due to shift from annual investor queries to quarterly requests for detailed information on fund performance and holdings.
- However, we observe that many asset managers are investing significantly into their fund operations to build strong foundations for providing differentiated services to their investors.

Overview

While institutional investors are breathing a sigh of relief in 2024 with a stable inflationary outlook and a strong markets recovery, from the sharp market downturn of 2022, private capital portfolios are struggling with lagging returns and lack of liquidity. Although overall returns for larger investors were still positive for first half of 2023, Private Equity firms were struggling with slowdown in deal activity in 2023 compared to the prior year as high interest rates, and macroeconomic headwinds continue to affect financial markets.

As private capital portfolios have grown significantly as a percentage of total assets under management, with over a decade of outperforming public markets, returns are increasingly under scrutiny by investors due to limited transparency on portfolio performance data and valuations. The overarching theme among investors is a desire for more transparency and information sharing. This extends beyond mere curiosity, as enhanced information flow is seen as crucial for managing investor relations (IR) effectively, proactively addressing issues, and maintaining commercial relationships efficiently. Asset Managers of private capital will need to look to solutioning three key challenges when it comes to investor servicing:

- Investor onboarding
- Investor queries and communications, and
- Ongoing investor reporting

Investor onboarding challenges

The overall investor onboarding experience varies, with some cases running smoothly while others becoming exceptionally challenging. In certain highly manual operational situations, instances have occurred where investors waiting for closure or legal comments were inadvertently overlooked due to resource constraints or a lack of focus. External factors, such as the impact of events like the Coronavirus, can significantly disrupt the process, necessitating direct involvement of the in-house teams to monitor and resolve issues, especially where most of the operational aspects including data and documentation collection process is outsourced to third parties. Such cases require active involvement to monitor and resolve, ultimately making the onboarding experience difficult.

The IR teams have limited visibility on the onboarding information and status of different investors in terms legal documentation, AML/KYC, last contact dates etc. This opacity results in delays and missed investor queries, impacting the fundraising process.

A fundraising workflow platform where all parties can coordinate and investors can interact and upload information, including downstream sharing of data and documents with relevant teams and service providers, has the potential to significantly streamline this process for investors.

> **"There has been a significant shift from investors asking annual questions to now quarterly requests for detailed information on fund performance and holdings. This surge in investor queries has led to a substantial increase in data needs."**

Investor queries and communication

Over the past decade, there has been a significant shift from investors asking annual questions to now quarterly requests for detailed information on fund performance and holdings. This surge in investor queries has led to a substantial increase in data needs. Additionally, the growing number of funds and their increasing sizes, along with expanding into new strategies, pose challenges in managing and processing data effectively. The current situation involves a plethora of data with limited structured data, leading to a lack of scalability and increased workload for the IR and fund operations teams.

While fund operations teams hold a vast amount of data, there are concerns about the visibility and accessibility of this data, especially from the IR team's perspective. There is a need for improvements to enable scalable responses to investor queries.

The prevalent model of handling investor queries involves a scattered approach, with emails going to different contacts and teams. Streamlining this communication process to a centralised mailbox could enhance efficiency, providing better oversight and a more standardised approach to query resolution.

Overall deployment of a ticketing system with efficient channelling of queries to relevant teams and a database repository to track the response timeline and information captured in the process and ensure strong oversight of query resolution process can ultimately solve the issue of disparate information flows.

Ongoing reporting

Timely delivery of quarterly and annual reports, especially ILPA templates have been a challenge, with reports being late or not having all relevant data points or sufficient granularity, impacting the internal reporting process for investors. Investors need to approach asset managers still regularly for financial statements, co-investment reports, ILPA templates, custom Excel templates and ad-hoc audit/client requests. Investors also need more comprehensive ESG reporting information beyond carbon emissions.

Our ongoing work to improve reporting and query resolution process demonstrated that majority of investors face challenges in getting timely responses and relevant information in a flexible manner. The ad hoc information is often compiled in a haphazard manner with errors and omissions and mostly hard to reconcile with the main reporting figures. Such requests for more automated feeds and higher granularity will require asset managers to make significant investments to maintain clean data and provide easily accessible channels to internal and external stakeholders. Asset managers also need to build better review and controls processes to ensure that there is good visibility on delayed reporting with more automation in reporting and tighter NAV review cycles, to further shorten the reporting cycles and have more buffer in the delivery timelines.

How to win this race

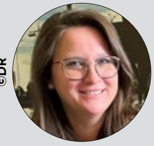
It can be overwhelming for asset managers to establish a clear approach and efficiently tackle these challenges in order to build a roadmap for change. Most asset managers and fund administrators lack mature solutions in these areas and hence continue to manage these critical processes in a highly fragmented and manual way. Additionally, there are no standard tools to automate the majority of core fund operations processes which often lead to deployment of point solutions that are rarely industrialised with proper integrations to document and data management systems.

Asset managers need to embark on a journey to map these processes and corresponding data attributes, to identify best technology solutions that can meet the requirements. Additionally, internal stakeholders need to be aligned with future process design to avoid delays in solutions rollout. Depending on the existing process and technology architecture, an existing point solution, or a generic or niche workflow orchestration tool along with a database management system, should provide the building blocks to start automating workflows. Asset managers will need to apply similar operational improvements as they perform with their investment portfolios to secure their ability to operate and interact with investors in a meaningful manner and reduce operational risk in fund raising.

Conclusion for asset managers:

- Common understanding and definitions of financial figures to create consistency in reporting and responses to investor queries.
- Development of a robust data model that facilitates self-service for IR, fund operations and fund administrators in fund reporting and query resolution.
- Workflow for investor queries and investor onboarding, including a ticketing system and an escalation process, with a focus on response times and analytics. ●

INSIGHTS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By **Valentina Pavlova,**
Head of Tax at Apex I FundRock

Tax Governance - Strategic Relevance for the AIFM

What is the first thing that comes to your mind, when you hear "tax"?

We observe that when "tax" is being dropped in a board room, during a management meeting, or a professional gathering, most managers think about compliance work, meeting filing deadlines, satisfying substance requirements or optimizing deal structures. But tax doesn't stop there and is gaining ground when building organizations and their reputation, implementing business strategies, or taking operational decisions - put differently, tax is becoming an integral part of fund management, corporations and therefore corporate governance.

Why tax governance?

When reading the newspaper or scrolling through social media, tax seems to be all over the place with new EU Council Directives in the pipes, Luxembourg courts declaring specific minimum net wealth tax provisions to be unconstitutional, the EU courts overturning previous decisions on State Aid / transfer pricing and more recently the VAT treatment of directorship remunerations. This glimpse of recent tax developments clearly demonstrates that tax is not only an ever-evolving topic but is also getting increasingly complex and benefits from an extensive media coverage thus capturing the public eye.

You might wonder what this has to do with your corporate governance - well, no fund manager wants to make the headlines with an investigation on its own tax affairs, being drawn into aggressive tax schemes / tax fraud allegations with respect to funds under management or being (publicly) fined by the regulator for lack or inaccuracy of governance when it comes to predicate offence of tax laundering (criminal offence).

This is where having a solid tax framework should enable fund managers to grasp the changing tax environment and adapt to it while identifying potential tax risks associated with own affairs, funds under management and business counterparties. When tax risks are identified, they can be mitigated, and the manager can reduce its risk of being unknowingly exposed to aggressive or even abusive tax practices. Here, each manager has the responsibility of determining its own tax risk appetite, which should be integrated in the overall business risk appetite. Therefore, criteria such as tax good standing should be considered when onboarding new clients, monitoring delegates or approving investment transactions.

Tax authorities: automatic exchange of information and DAC 6

Exchange of information on tax matters has been around for over 10 years and was typically dealt with by tax advisors, banks, transfer agents and central administrators. Here, the yearly reporting by end of June on FATCA / CRS (DAC 2) might ring a bell for some of you.

However, with the transposition of the Mandatory Disclosure Rules (DAC 6) in March 2020, we saw a shift in responsibility and management of this matter throughout the fund industry. These rules have a very broad scope and wider impact than the previous DAC transpositions and thus fund managers, investment advisors as well as portfolio managers had to beef up their internal procedures to meet the new due diligence and reporting requirements.

Fund managers are expected to document their intermediary classification under DAC 6 and adapt relevant internal procedures to match such classification which goes beyond the initial impact assessment delivered by your local tax adviser. Accordingly, a fund manager might face reporting obligations under DAC 6 with respect to deals entered into by its funds or be named as an intermediary (or taxpayer regarding its own affairs) with respect to a reportable transaction in another EU Member State and is expected to be in a position to spot such deals, document them and have a comprehensive overview of submitted reports.

In this context, the Luxembourg tax authorities already conducted first audits with a dedicated focus on intermediaries benefiting from the legal professional privilege (not applicable to fund managers) and further audits are expected in relevant industries. As a reminder, penalties under DAC 6 can amount up to 250k € and such penalty should not be deductible i.e. adding a 24.94% tax top up in 2024.

Regulator: tax offences and CSSF 20/744

On 8 November 2022, the CSSF published a Communiqué on its first thematic review covering controls applied to prevent tax offences - this publication served as wake-up call for many fund managers who, until then, did not consistently consider tax in their risk assessments and overall governance.

As of today, the CSSF issued three circulars tackling tax compliance topics ranging from automatic exchange of information and transfer pricing to investor tax reporting and securities lending. The issuance of CSSF 20/744 with its nine tax risk indicators dedicated to the fund industry, clearly states the importance of adequate tax risk management and understanding the tax standing of funds under management to the regulator. This is no longer a nice to have but is becoming industry standard. Given that tax offences are considered to be money laundering offences, the same fines / criminal penalties apply as for the latter.

> **"No fund manager wants to make the headlines with an investigation on its own tax affairs."**
>
> Valentina Pavlova

What does this mean for the AIFM?

In our view, building a robust tax governance means having the adequate in-house knowledge and translating it into an efficient operating model cross-function. It's important to pinpoint that tax should not be considered as an isolated internal function that operates purely as a compliance check or reporting tool but extends through various functions such as compliance, onboarding, portfolio management, delegation monitoring, client services management and of course the management itself.

In practice, this means that your Tax Policy should not only be part of your Organisational Manual but should be deployed through clear operational procedures, updates in legal documentation and training to relevant teams.

Let's illustrate this through a simple example: you are currently onboarding a new RAIF with a venture capital strategy in the EU healthcare sector.

At onboarding, the envisaged investment structuring should be discussed with tax to spot potential risk areas in terms of instruments used or jurisdictions involved. Depending on the anticipated complexity this should be documented in a tax structuring memo prepared by a renowned advisor and shared with the AIFM as part of the onboarding process.

On a transactional basis, additional tax confirmations, incl. potential reporting under DAC 6 of a given transaction might be sought, if such aspects are not sufficiently covered in the initial tax memo or deviate from / present increased risks compared to previous discussions.

Given that the RAIF will be distributed in EU countries which have specific investor tax reporting obligations, the AIFM needs to comprehend which providers will be managing such reporting and keep an eye on the timely execution of these obligations.
Further, the RAIF elected to be taxed according to article 48 of the RAIF Law and thus the fund manager should seek confirmation that relevant tax filings are being made with the direct tax authorities instead of the indirect tax authorities.

As we can read from this simple illustration, a fund manager should have a comprehensive view of any tax structuring performed by its funds, monitor that relevant tax filings are properly handled by the appointed services providers and have adequate resources to handle tax matters.

Therefore, tax governance for an AIFM doesn't stop at the fund manager's own affairs but extends to understanding and monitoring that of its clients. ●

By **Pol Theisen,**
Counsel at Allen & Overy

And **Jacques Hoffmann,**
Associate at Allen & Overy

Navigating Through Financial Distress: Between Enhanced Duties of Board Members and New Restructuring Tools

> **"The board shall therefore adopt additional measures in the interest of the creditors and with a view to reduce their potential liability risks, in particular in the event of a potential future bankruptcy scenario of the company."**

In the current macroeconomic turmoil, financial distress is a more frequent situation for commercial companies. This includes both operational and holding companies. When facing financial difficulties, members of the board[1] of a Luxembourg company shall adopt appropriate measures in order to properly navigate the company through the difficult situation.

The Luxembourg law dated 7 August 2023 on business continuity (the BCA) widened the arsenal of restructuring mechanisms for Luxembourg companies by introducing new restructuring tools with the aim to avoid bankruptcy and preserve the continuity of the company's business.

This article provides a general overview of the enhanced fiduciary duties of the board in the event that the company faces financial difficulties (1), before analysing the restructuring instruments introduced by the BCA (2).

1. Enhanced duties of the board in financial difficulties

In the event of financial difficulties, board members shall first of all continue to comply with their general fiduciary duties, in particular (without limitation) the duty to act in the company's best corporate interest, the duty of care and the duty of confidentiality. The duty to act in the company's best interest shifts in such case, to a certain extent, from the wider group of shareholders and other stakeholders to the narrower group of creditors.

Board members face liability risks both towards the company and towards the creditors in the event that they do not take adequate actions in a distressed situation.

The board shall therefore adopt additional measures in the interest of the creditors and with a view to reduce their potential liability risks, in particular in the event of a potential future bankruptcy scenario of the company. Such measures include the following:[2]

- Regular meetings: The board should increase the number and frequency of (in-)formal board meetings and invite relevant external persons (eg senior accountants, treasury team members, representatives of other affiliates, etc) in order to stay on top of the situation and to be able to react in an agile manner.
- Proper documentation: The board shall keep a proper and comprehensive paper trail of the various discussions, actions and decisions taken by its members in order to evidence the fulfilment of their duties.
- Establishment of a restructuring plan: The board should establish a restructuring plan, in particular to avoid insolvency and ensure the preservation of the company's and its creditors' interests. The board should anticipate the consequences of default under existing debt financing, explore the possibility of raising additional funds from shareholders and external debt providers, and analyse the cash flow forecast.
- Avoid untimely resignation: The resignation by a board member does not cure past actions and may result in additional liability risks if it is done in an untimely manner. Board members should rather assess their competency and communicate whether they are available to continue or require additional expertise (e.g. a Chief Restructuring Officer).
- Payments in the run-up to (potential) bankruptcy filing: In the event that a bankruptcy filing becomes rather likely, board members shall carefully assess the payment of any debts when there is still cash available. Board members shall not treat certain creditors more favourably over others. Any available cash may in principle be used to pay outstanding tax and social security debts in order to avoid specific (personal) liabilities in this respect. In addition, board members may pay certain debts that are for the benefit of the company's assets and its creditors in general (e.g. payments to preserve certain assets of the company).
- Obligation to file for bankruptcy: In the event that the bankruptcy conditions are met, i.e. (i) the company has ceased the payment of the debts as they fall due, and (ii) it has lost its creditworthiness,[3] board members must file an application for bankruptcy as early as possible and in any event within a statutory one-month period after such conditions have been met.

The bankruptcy conditions are based on a liquidity test rather than a balance sheet test. As such, the company may be legally bankrupt if it does not have sufficient cash to pay debts that are certain, liquid and due regardless of their amount (even though the assets exceed the liabilities from a balance sheet perspective).

2. New restructuring tools introduced by the BCA[4]

As mentioned above, the BCA has introduced new restructuring mechanisms – and the board should carefully assess whether it makes sense to initiate such mechanisms in order to avoid a bankruptcy scenario and preserve the company's continuity. Such mechanisms are available for Luxembourg unregulated commercial companies.[5]

These restructuring procedures include an out-of-court procedure, the so-called amicable agreement, and an in-court judicial reorganisation, which may take different forms as further set out below.

The BCA also provides for the possibility to appoint a business conciliator (conciliateur d'entreprise) at the request of the debtor in order to facilitate the reorganisation of part or all of its business. This can be done before initiating any of the new procedures or in the course of such procedures.

i. Out-of-court amicable agreement

This procedure allows the company to enter into an agreement with at least two of its creditors in view of reorganising all or part of its assets and activities. The company and the relevant creditors may be quite flexible with respect to the content of the amicable agreement, which could for instance aim to extend the maturity or get a standstill or a reduction of liabilities.

The company can submit the agreement to the judge in order to receive certification (homologation) which renders it enforceable. The court decision will in principle not be notified to creditors that are not party to the agreement.

The advantage of this procedure compared to the judicial reorganisation is that it is less costly and less time consuming. On the flip side, there is no statutory stay on payments during the process and there is no cram-down, ie the agreement does not have any binding effect on third parties who did not consent to it.

ii. In-court judicial reorganisation

The judicial reorganisation proceedings may have three different objectives:[6]

a. obtain a stay on payments to negotiate an amicable agreement (see above);
b. collective agreement of the creditors (including a potential cram-down), which will be submitted to a vote by the creditors; or
c. transfer of all or part of the business by court decision to one or more third parties through a court appointed restructuring officer.

The board may decide to file for the opening of judicial reorganisation proceedings under the condition that its business is jeopardised, even in the event the bankruptcy conditions are met. The entire proceedings will, unlike the amicable agreement process, be under the supervision of the court. The company and its management remain, in principle, under full control of the proceedings but may be assisted by a business conciliator or a restructuring officer.[7]

When opening the proceedings, the court fixes the duration of the stay on payments (sursis) up to four months.[8] The judge may in principle only refuse the opening of the proceedings in the event the business does not seem to be jeopardised.

The collective agreement is arguably the backbone of the new procedure and has the following key features:

- Such agreement entails the establishment of a restructuring plan which may take different forms, including without limitation a debt rescheduling, the reorganisation of the liabilities of the company, the waiver of interests and/or a debt-to-equity swap.
- Once finalised, the restructuring plan will be submitted to the vote of the creditors. The creditors will vote in two different classes, i.e. the extraordinary creditors (creditors with special preferential rights, mortgages, and owner creditors, as well as tax administrations and social security) and ordinary creditors. The plan requires the favourable vote by the majority of creditors representing the majority in the amount of claims in each creditor class in order to be adopted.[9]
- If voted in favour, the court will verify whether the restructuring plan offers reasonable prospects of averting the liquidation or bankruptcy of the debtor or of ensuring the viability of the company in order to certify the restructuring plan, rendering it enforceable towards the creditors. In the event some creditors contest the plan, the court must in addition verify whether the dissenting creditor(s) is not worse off with the plan compared to a bankruptcy scenario.
- Once certified, the restructuring plan must be implemented within five years.

The judicial reorganisation proceedings take a couple of months between the introduction of the request and certification by the judge (to the extent granted); therefore it is important that the board considers whether the company has sufficient cash in order to move on with such proceedings.

Based on the first case law for this subject matter, it is important to note that the judges do not assess the likelihood of a successful reorganisation in order to open the proceedings but limit their view specifically to the sole condition of the judicial reorganisation, i.e. that the business is jeopardised. ●

1. This article uses the term "board" to make a reference to either the board of managers (conseil de gérance) or the board of directors (conseil d'administration).
2. It should be noted that this list is not exhaustive.
3. The loss of creditworthiness is established by the fact that no debt provider (including the shareholders or other affiliates) is willing to grant any further credit to the company, whether in the form of a loan, parent guarantee, extension of maturity dates or otherwise.
4. The purpose of this article is to briefly set out the new restructuring mechanisms provided for by the BCA without analysing the technical details of the various proceedings.
5. The scope specifically includes special limited partnerships (sociétés en commandite spéciales). The BCA excludes from its scope credit institutions, insurance and reinsurance undertakings, regulated securitisation undertakings, payment and electronic money institutions, law firms and regulated investment funds (ie undertakings for collective investments, SIFs, SICARs and RAIFs).
6. It is possible to switch among the different objectives throughout the proceedings.
7. The court may decide to appoint a provisional administrator in the event of serious faults (fautes graves et caractérisées) by the company and its board.
8. The stay on payments can be extended up to 12 months under certain circumstances.
9. In the event that the restructuring plan is adopted by one class only, the court will have additional scrutiny to decide whether there shall be a cross-class cram-down.

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Interview with **Hocine Nadem,**
Partner at KPMG

by **Daniel Engel,**
Head of Sales & RM at Edmond de Rothschild Asset Management

Crypto Assets – A Current State of Affairs

This publication was drafted by the PE/VC Depositary Services Committee of the LPEA

The emergence of digital assets dates back to 1998 when Nick Szabo proposed the idea of "bit gold", a decentralised digital form of currency. This concept was however never fully completed and a decade later, Satoshi Nakamoto proposed the idea of Bitcoin. This represented the introduction of the first cryptocurrency in the market using distributed ledger technology (DLT), with no intermediary or central authority to govern it. The blockchain technology used in Bitcoin rapidly gained attention from financial institutions, especially due to its promises of improved security and efficiency for the electronic settlement of transactions.

Subsequently, the crypto market has evolved and continues to evolve rapidly, which has led some to raise the question whether we are currently experiencing a seismic shift in financial markets. Despite facing regulatory uncertainty and occasional setbacks, the crypto market has experienced remarkable growth in recent years. In 2024, the SEC approved the first Spot Bitcoin ETF, signaling a degree of acceptance and recognition within the traditional financial sector. However, alongside these positive developments, there have been concerns about the potential for volatility and market manipulation within the crypto space, particularly in light of recent events involving FTX and Binance.

In this article we will look at the fundamentals of crypto assets and some of the key developments in terms of the evolving regulatory framework. It is a pleasure to have Hocine join me for a quick fireside chat on the topic, which will hopefully help demystify this asset class.

We have seen that crypto assets have been on the rise over the past twenty years – could you perhaps give us an indication of the current market size and potential?

The global cryptocurrency market, comprising Bitcoin and other investments such as stablecoins, has experienced remarkable growth in recent years, reaching a market capitalization of over $1.73 trillion as of January 31, 2024. This represents a significant increase from a market cap of just over $500 billion in early 2021. The recent market downturn has not dampened investor enthusiasm, with many experts predicting that the "crypto winter" is soon coming to an end, followed by continued growth in the coming years.

In contrast, the potential for tokenized assets differs across countries due to a variation in the maturity of regulation and the much larger size of the market. In principle, any form of value or cash-flow – financial instruments such as equities, bonds or fund units as well as real or virtual assets – can be issued on a blockchain.

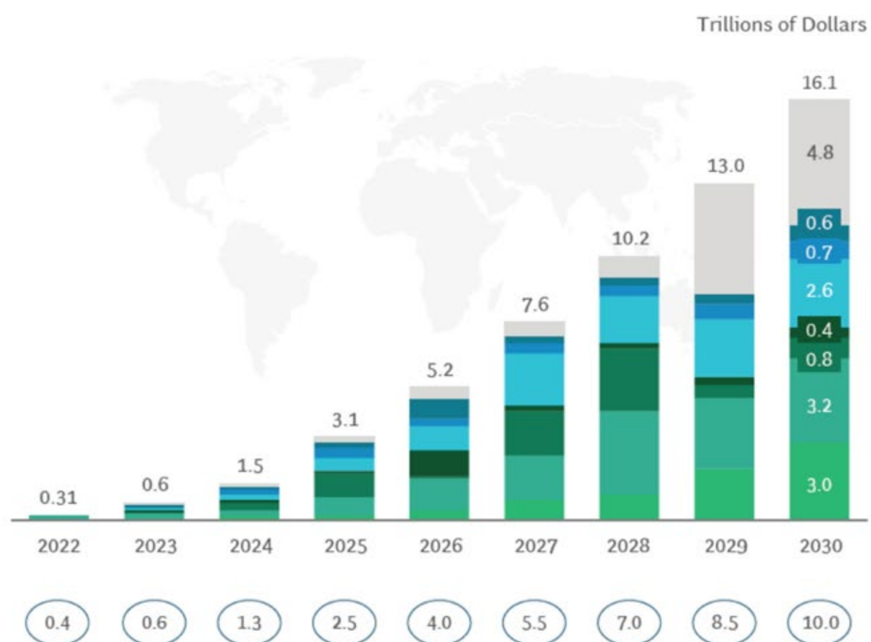
The global opportunity for tokenized assets is estimated to reach USD 16.1 trillion by 2030 according to recently published studies.

What type of investments can you make via a crypto asset?

The term "crypto asset" encompasses a diverse range of investments, each serving a different purpose in the digital economy. The main categories are:
Cryptocurrencies: These digital currencies, such as Bitcoin and Ethereum, serve as a means of payment, allowing users to conduct transactions, pay for goods and services, or transfer value without relying on traditional central banks or financial authorities.
Stablecoins: Like cryptocurrencies, but pegged to the value of a real-life asset, and aims to reduce volatility. There are two subcategories:

- **Asset-referenced Tokens (ART):** Designed to maintain a stable value by referencing the value of fiat currencies, commodities, or other crypto-assets.
- **Electronic Money Tokens (EMT):** Meant to be a means of exchange pegged to the value of a fiat currency that is legal tender.

Central Bank Digital Currencies (CBDCs): Instead of printing money, the central bank issues widely accessible digital coins so that digital transactions and transfers become simple.



Tokenized market as a % of global GDP
- Listed equity
- Unlisted equity
- Other equity
- Investment funds
- Bonds
- Home equity
- Other financial assets[1]
- Other tokenizable assets[2]

Sources: OECD; SIFMA; IIF; MSCI; Savillis

> **"The country has recognized the potential of digital assets in the financial sector and has taken steps to position itself as a hub for digital innovation in fund management."**
>
> Hocine Nadem

Utility Tokens: These digital assets provide access to specific goods or services within a Distributed Ledger Technology (DLT) ecosystem. Their value and utility are restricted to acquiring or using the particular goods or services and are generally accepted by the issuer only.
Tokenized Financial Instruments: Digital assets based on DLT/blockchain representing a financial instrument (as defined under the MiFID regulation), such as e.g. traditional securities like equities or bonds, differentiating between two subcategories:

- **Natives:** Financial instruments issued using a crypto-register
- **Clones:** Tokens representing a security which was issued in traditional form (e.g. bearer shares)

Non Fungible Tokens (NFTs): Digital cryptographic assets representing something unique and not mutually interchangeable (e.g., digital art or collectables). Their value is determined by rarity/scarcity.

While these are the primary types of investments facilitated by crypto assets, it's worth noting that the crypto space is dynamic and continuously evolving.
In the context of crypto investments, we are experiencing the evolution of an entirely new ecosystem bringing classical financial services such as loans on-chain, all of which can be summarized as Decentralized Finance (DeFi).

Investors should carefully evaluate the characteristics and risks associated with each type of crypto asset before making investment decisions, considering factors like volatility, regulatory frameworks, and the specific use case of the digital asset.

Crypto assets have also drawn regulators to increase their focus on this segment. At a high level, what is the regulatory framework and what are the next steps that we can expect in the coming months?

The regulatory framework for crypto assets (CAs) is evolving rapidly. While in the past we have seen a number of national legislations, the focus is clearly shifting now to a more uniform approach. Currently, key European regulations include the DLT Pilot Regime, MiCA, and updates to MiFID II.
In the coming months, we anticipate:
ESMA Guidelines: Within 18 months of MiCA's enactment, ESMA is expected to issue guidelines clarifying conditions for qualifying crypto assets as financial instruments, providing much-needed regulatory clarity.
Regulatory Guidance: CSSF has not only provided guidelines on virtual assets, but it was one of the first regulators to publish a paper on how financial institutions might make use of AI.
National Adaptations: Countries may refine their individual regulatory approaches, introducing new laws or updating existing ones to address emerging challenges and technological advancements in the crypto asset space.
AML Enhancements: Regulators may strengthen Anti-Money Laundering (AML) measures, focusing on closer scrutiny of Crypto Asset Service Providers (CASPs) to ensure compliance with AML/CFT obligations, given the potential for illicit activities. The "Travel Rule" requires crypto providers to stick to international rules that ensure the protection of legitimate finance and prevent illicit finance1.
Regulatory Technology (RegTech) Innovations: Regulators may explore and encourage the development of innovative technologies, such as block-

> **“Stablecoins and tokens could significantly improve the operational efficiency of the management and administration of private and mutual funds, as well as distribution, by connecting all players sharing the same references and data instantly.”**
>
> Hocine Nadem

chain, for enhanced regulatory oversight and monitoring of crypto assets, including reporting and surveillance.
In summary, the regulatory landscape for crypto assets is dynamic, with ongoing and anticipated developments aimed at fostering a secure and transparent environment for the growing crypto market. Expectations include more specific guidelines, regulatory adaptations at the national level, and a focus on leveraging technology for effective oversight.

How would you characterize the Luxembourg marketplace compared to other regions when assessing the investment fund industry?
Luxembourg has been proactive in adapting to the changing landscape of digital assets and blockchain technology, particularly within the investment fund industry. Luxembourg has implemented regulatory frameworks, such as the Blockchain III Law, to facilitate the use of distributed ledger technology (DLT) and provide legal certainty for digital asset transactions.
The country has recognized the potential of digital assets in the financial sector and has taken steps to position itself as a hub for digital innovation in fund management. Luxembourg has a history of being a leading global financial center, and its fund industry is known for its sophistication and adaptability.
Nevertheless, due to their different economic and regulatory legacy, we have seen countries such as Switzerland, Germany or France really spearheading the quest to bring DLT/blockchain into the real financial community.

When looking at the Luxembourg marketplace do you feel that depositary providers are ready and equipped to deliver services to funds holding crypto assets?
Depositary providers in Luxembourg are actively preparing and adapting their services to accommodate funds holding crypto assets.
Luxembourg has implemented regulatory frameworks, to align with European initiatives like the DLT Pilot Regime and MiCA. These regulations provide a legal framework for handling crypto assets within the investment fund industry.

In practice, depositaries are required to notify the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg beforehand when they intend to act as a depositary for a fund directly investing in crypto assets, indicating a proactive approach to regulatory compliance.
Depositaries are authorized to offer custodial wallet services for Undertakings for Collective Investments (UCIs) directly investing in crypto assets. This involves safekeeping of the private cryptographic keys and day-to-day administration of the crypto assets. Furthermore, depositaries offering custodial wallet services are also required to register as Virtual Assets Service Providers (VASPs) under the Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) law. This demonstrates a commitment to compliance with financial action task force (FATF) obligations regarding money laundering and terrorist financing risks.
Nevertheless, Depositaries can service UCIs investing directly into crypto assets even when they do not provide digital custody services. In this instance, the IFM will have to contractually engage with a Crypto Assets Service Provider (CASP) who will legally assume the responsibility of safekeeping the crypto assets, while regulatory obligations that depositaries are subject to do not change.
The critical point from a depositary standpoint is the classification of the crypto assets, as this will determine the liability regime under which the appointed depositary will operate. For crypto assets that qualify as other assets the depositary liability in its functions is limited to safekeeping duties regarding ownership verification and record-keeping in line with art. 19.8 (b) of the AIFM law and art. 90 of DR 231/2013, where depositary can be held liable only in case of negligence.

We also see the actor being extremely attentive of the evolution of the regulatory framework, with anticipation of ESMA issuing guidelines on the qualification of crypto assets as financial instruments in the course of 2024 (Editor’s note: the ESMA guidelines have since been published – see the QR code at the end of the article).

How could the development of cryptocurrency, stablecoins, and tokenization support the development of our industry?
We are still at the beginning of a 'journey' with the use of coins and tokenization. Stablecoins and tokens could significantly improve the operational efficiency of the management and administration of private and mutual funds, as well as distribution, by connecting all players sharing the same references and data instantly. They could also better support the setup of secondary markets to exchange funds, but many other challenges need to be clarified before that: regulatory environment, operational efficiency, and the development of democratisation. ●

ESMA consultation paper on the draft guidelines on the conditions and criteria for the qualification of crypto-assets as financial instruments

Communiqué regarding the CSSF’s position on eligible investors for UCIs investing in virtual assets

What is a crypto asset?

Crypto assets are a subset of digital assets that use cryptography to protect digital data and distributed ledger technology to record transactions. They may run on their own blockchain or use an existing platform. Crypto assets generally operate independently of a central bank, central authority or government.

What to consider when investing in crypto assets:

- Crypto transactions can have lower fees and faster transfer times than some traditional bank transactions.
- Cost effectiveness due to lower transaction costs.
- Like other asset classes, crypto assets can help diversify a portfolio.

INSIGHTS

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Keynote speech by
Ying White,
partner at Clifford Chance

Private Equity Market in China and its Opportunities for Luxembourg

In January 2024, Ying White, a partner from the global law firm Clifford Chance's China office gave a keynote speech on the PE market in China and opportunities for Luxembourg. According to White, the PE market in China is in a crisis-like situation, caused by geopolitical tensions, crackdowns on industries such as property, tech and finance, tighter regulatory controls, and slumping valuations in the HK stock market. However, there are specific and discrete opportunities for global managers and service providers in Luxembourg. This perfectly reflects the Chinese word "危机" (crisis and opportunities).

Sharp Decline in USD Fund Raising and NY/HK IPO Exits

China-focused PE/VC funds raised substantially less capital than before. According to Bloomberg data, fund raising declined by 89% in H1 of 2023 compared with a year earlier.

On the exit end, HK Listings, which has been among the most popular exit options for USD funds, only raised US$ 3.5 billion by October 2023, down by 68% from the same period last year and far below 2021's US$ 42.8 billion. In fact, IPO capital raising was the lowest since 2001 and volume had dropped by 85% from the 10-year average, according to Bloomberg. PE and VC exits through New York listings have barely restarted in October 2023.

China Domestic RMB Fund Raising and IPOs

China-focused, yuan-denominated PE funds did not fare well either. Fund raising was only US$9.7 billion by September 2023, compared to US$33.7 billion in 2022 and $116.6 billion in 2021, according to Reuters.

On domestic exits, after an IPO explosion between 2020 to 2022 with 1,600 new listcos, the market saw a steep decline in 2023 with 313 new IPOs and a de facto suspension of approvals from the Chinese regulators since September 2023.

The China PE Market is Changing

From outside of China, downward pressure on valuations and deal flow and lack of liquidity in the capital market has led to a cautious sentiment of global investors toward investment in China. Parallel with that, Singapore is increasingly replacing Hong Kong as the hub to conduct work for China PE or IPOs.

Inside China, the changes are even more significant. On the policy front, the geopolitical tensions, the retreat of foreign capital, and the Chinese government's increasing emphasis on national self-reliance in tech and security related areas are showing their impact on the domestic PE market. For example, in the fund-raising market, state and local government funds now account for 70% of total RMB fund raising. As the governments have different objectives from the private investors, this is driving changes in PE/VC's investment strategies and risk management practices, becoming closer aligned with their government investors' requirements, rather than market demands.

Opportunities for Luxembourg

The poor performance of the domestic market is driving a tremendous demand from the Chinese investors to diversify and invest overseas. Currently two programs are widely sought after: (i) the QDLP program and (ii) the QDII program. Global managers interested in opening a new fund-raising channel can certainly explore these.

QDLP programs are sponsored by several local governments in China, including the municipal governments of Shanghai, Beijing, Shenzhen, and the provincial government of Hainan. They allow a global manager to set up a local Chinese feeder fund with Chinese investor capital and investing that feeder fund into the manager's global fund products or direct investment projects. The QDLP regulations tend to be more flexible, allowing a QDLP feeder fund to invest in all sorts of fund products and direct investments. For a global manager, the key task is fund marketing in China to Chinese investors. To achieve this, managers will need to find local distribution partners, which are typically financial institutions.

The QDII programs are regulated by the Chinese financial regulators. QDIIs are Chinese financial institutions, such as banks, trust companies, mutual fund companies, insurance companies and securities companies, which are authorized to pool Chinese investor money in fund products and invest them abroad. The regulations governing these QDIIs are restrictive (other than in respect of insurance company QDIIs). As a result, they are more suited to Chinese retail investors.

Another opportunity for Luxembourg may come from China focused USD/Euro fund managers, who are now increasingly looking to fund raise from European family offices following the

> **"The poor performance of the domestic market is driving a tremendous demand from the Chinese investors to diversify and invest overseas."**

retreat of North American investors. Given that marketing to European investors were not common in the past, managers are seeking to engage European fund-raising consultants to jump start the process. Additionally, the Chinese managers are now exploring setting up Luxembourg fund structures to house European investors. Related to that is an increasing interest in using existing third-party AIFM platforms.

All these present new and interesting opportunities for the Luxembourg funds industry. We will continue to monitor this area and welcome your thoughts and inquiries. ●

INSIGHT/OUT #29

CAREER CHANGES

This section aims to share the promotions and the career moves of Private Equity and Venture Capital professionals in Luxembourg. We wish great successes ahead to the people joining a new team and extend our congratulations to newly promoted individuals.

People on the Move

Abdel Hmitti
Managing Director and Global Head of Funds
Vistra

Peter Klinkner
Head of Fund Operation
Fundcraft

Lenka Kopecka
Head of Sales – Benelux
Allfunds

Dr. Marcel Bartnik
Partner – Investment Funds Practice
VANDENBULKE

Rolf Caspers
Managing Director and Group Head of Capital Markets
Altum Group

Barbara Martin
Luxembourg Country Head
Alchelyst

People on the Way Up

Dr. Daniel Krauspenhaar
Partner
Luther

Mathieu Feldmann
Tax Partner
PwC

Nicolas Bouveret
Partner Investment Management, Private Equity & Real Estate
Arendt

Rodrigo Delcourt
Partner Private Equity & Real Estate
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Vincent Mahler
Partner Tax Law
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Astrid Wagner
Partner IP, Communication & Technology, Corporate Law, Mergers & Acquisitions
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LPEA New Year's Photos

Stephane Pesch (LPEA)

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Lars Goldhammer (EY), Candida Nedog (Aztec group), Edgar Villaverde (Zedra), Kasia de Oliveira (Aztec group), Alessandro Pascale (EY)

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Claus Mansfeldt (SwanCap & LPEA)

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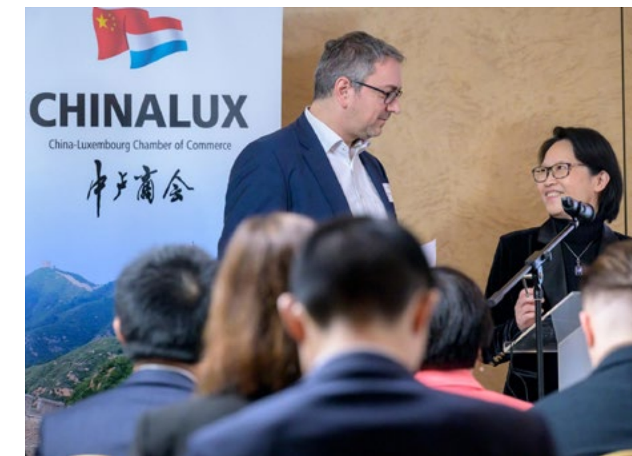
Fabrice Jeusette (Apollo Global Management), Johann Herz (LPEA), Lionel De Hemptinne (Luxempart), Stephanie Delperdange, Daniel Engel (Edmond de Rothschild)

Niki Efthymiou (Aztec Group), Daniel Martinez Herrero & Tom Porter (Aztec Group), Anastasia Semertzidou (Carne), Evi Gkini (LPEA), Emilia Salaga (Investindustrial)

EVENT COVERAGE

Private Equity Market in China and Opportunities for Luxembourg

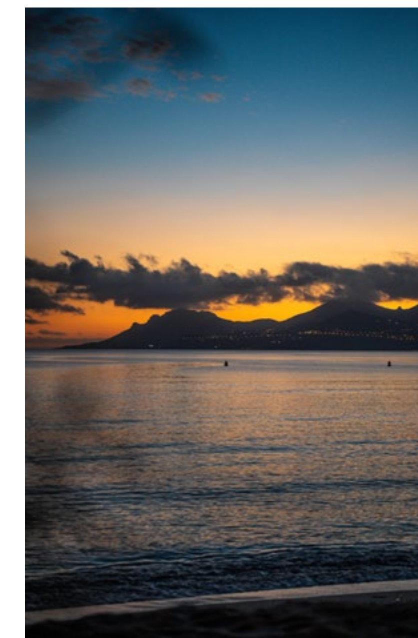


Stephane Pesch (LPEA) & King Zhujun XIE (CHINALUX)

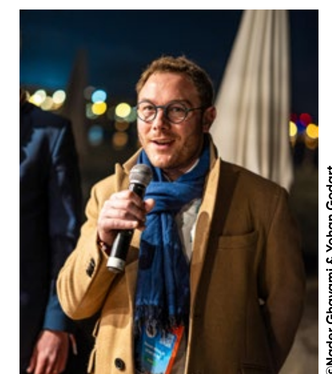
Daniel Wang (Tuspark) & Oliver Benner (BIL Asset Services)

Ying White (Clifford Chance)

Luxembourg Private Equity Networking Cocktail in Cannes



Stephane Pesch (LPEA)



Benoit Moulin (Domos FS)

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About LPEA

The Luxembourg Private Equity and Venture Capital Association (LPEA) is the most trusted and relevant representative body of Private Equity and Venture Capital practitioners with a presence in Luxembourg.
Created in 2010 by a leading group of Private Equity and Venture Capital players in Luxembourg, with 540 members today, LPEA plays a leading role locally, actively promoting PE and VC in Luxembourg.
LPEA provides a dynamic and interactive platform which helps investors and advisors to navigate through the latest trends in the industry.
International by nature, the association allows members to network, exchange experience, expand their knowledge and grow professionally, attending workshops and trainings held on a regular basis.
If Luxembourg is your location of choice for Private Equity, LPEA is your choice to achieve outstanding results.
LPEA's mission towards its members is to represent and promote the interest of Private Equity and Venture Capital ("PE") players based in Luxembourg and abroad.
LPEA's mission towards Luxembourg is to support government and private initiatives to enhance the attractiveness of Luxembourg as an international hub for carrying out PE business and/or servicing the PE/VC industry in all its dimensions.
In summary, LPEA is the go-to platform where PE practitioners can share knowledge, network and get updated on the latest trends in the industry across the value chain.

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- AIFMD
- Corporate Law
- YPEL
- CMU
- Un/Regulated Funds
- Financing In PE

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- VAT

Market Practice & Operations
- Risk Management

Central Intelligence
Fund Administration
Promotion Sounding Board
PE/VC Depositary Services
Pre-Marketing & Distribution
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Clubs

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Private Equity For Women (PE4W)
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Large Buyout
Single Family Offices (SFO)
Wealth Management
Human Resources (HR)
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PE Tech
Independent and Non-executive Directors
Chief Financial Officer
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LPEA Team

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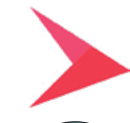
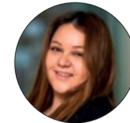
Luis Galveias
Chief Operating Officer



Kheira Mahmoudi
Executive Office, Governance & Operations



Evi Gkini
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Johann Herz
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Joana Barreiro
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