PRIVATE EQUITY
INSIGHT/OUT

30TH EDITION

Forefronting Secondaries
Coller Capital

ESG Integration in Private Credit

The Distribution Challenge

Issue 30, June 2024

30TH EDITION

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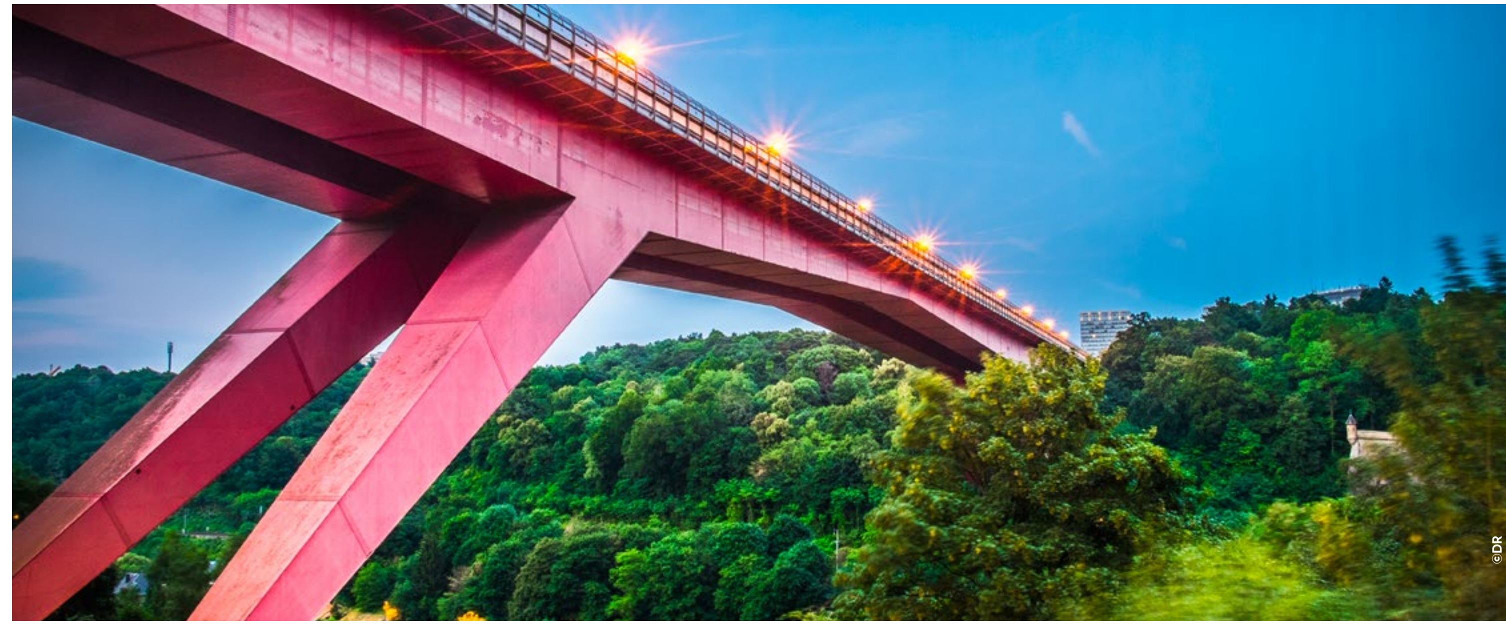

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LPEA
THE LUXEMBOURG VOICE OF PRIVATE CAPITAL

Dear members, friends and partners,

In the context of the 2024 edition of the LPEA Training Academy and constant "hunt" for talents, we recently brainstormed with coaches about the ingredients of robust teams and success stories. The identified characteristics included: creativity, innovation, decisiveness, agility, positive energy and leadership, curiosity, open communication, respect, care, diversity and hard work. This list, although non-exhaustive, looked valuable from our industry standpoint.

The LPEA recently conducted roadshows, including both "refreshers" in key destinations (Paris, Zurich) and new destinations (Stockholm, Lisbon and Vienna), which led to positive exchanges with the local practitioners and confirmed the continued interest for the Luxembourg hub, latest legal & regulatory updates and trends. The next weeks are, as you can imagine, still well "paved" with international conferences, events (SuperReturn Berlin, London and a 2nd trip in Asia with Hong Kong, Tokyo) as well as technical or community-oriented seminars.

During this first half of the year, we were also able to further deepen our public advocacy activities and dialogue, thanks to constructive discussions with our Minister of Finance, regulator and Invest Europe, mostly around the competitiveness of our industry, the European continent and certainly Luxembourg.

At the level of the association, we are collectively executing our qualitative growth strategy and are highly motivated to raise even more the overall visibility of our industry with profound technical content and inspiring members. New projects and committees have been launched with the concrete goal of further building, diversifying our model including for example the new M&A Club, representing both the international and local best-in-class practice and practitioners, next to the Fund Finance committee led by credit institutions.

After this year's AGM and election process, new potential Board members might join the ranks of the LPEA, good luck and welcome on board to all of you! Finally a new LPEA Treasurer will be elected – replacing Eckart Vogler (Investindustrial) after more than 9 great years of collaboration - and the newcomer will take on this new important role after the summer holidays.

In the meantime we wish you all the best for the next months, some shiny moments and great stories to be shared soon with us and the industry.

Stephane Pesch
CEO, LPEA

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Claus Mansfeldt
Chairman, LPEA

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Venture Capital MasterClass Education Program

The VC MasterClass Program 2024 is an immersive educational program designed to provide comprehensive insights into the art, science, and business of venture capital. It will consist of a series of sessions led by experienced VC practitioners and external speakers, covering various facets of venture capital and innovation.

The program is held online and in Luxembourg for a duration of three months, in the second half of 2024.

Participants will engage in hands-on tasks and peer assessments, with high performers having the opportunity for internships at partnering VC funds. This initiative is led by MiddleGame Ventures, Mangrove Capital Partners and Expon Capital.

More information

LPEA, SafesPro and Italian University Collaboration

An Italian University and the School of Higher Education SafesPro, with the support of the LPEA, are set to launch a new 1st degree Master in Administration, specialising in Private Capital Funds, starting October 2024. This program, first in its kind, will feature over 1,000 hours of coursework and is designed to accommodate 50 students through both online and in-person sessions. In an exciting collaboration, the LPEA will actively promote the master's program and assist students in securing internships post-completion by sharing their profiles within its network.

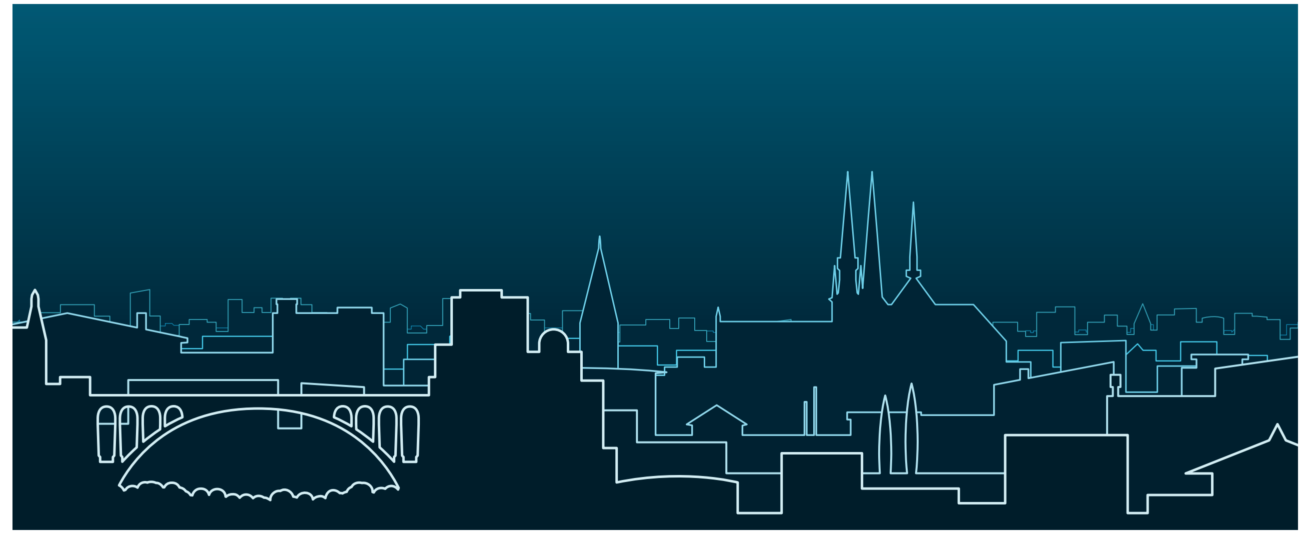
Further enriching the course, the LPEA will also contribute to the curriculum by engaging key industry players as guest speakers and potential teachers. Notable LPEA members will include top-tier firms such as Clifford Chance, JP Morgan, Blackstone, Macquarie, and Loyens & Loeff.

LPEA International Footprint

In Q1 and Q2 of 2024, LPEA returned to Zurich, Paris, Berlin, and London to host international seminars, continuing its efforts to highlight new trends in PE & VC and how to best leverage opportunities offered by the Luxembourg private assets hub. For the first time, the association also visited Lisbon and Vienna. The seminars held in these new locations were well-attended, underscoring the interest of local GPs and investors eager to explore the opportunities available through Luxembourg.

Following last year's initial foray into Asia, LPEA is set to return to Hong Kong and make its first appearance in Tokyo. These efforts aim to illustrate how to fundraise from EU investors via Luxembourg, emphasizing its adaptable legal structure and its status as a reliable investment hub.

Throughout Q3 and Q4, LPEA will sustain its global advocacy initiatives across the EU and beyond, with seminars scheduled in Madrid, Warsaw, New York, Chicago, Milan, and Frankfurt.



Private Equity at Work figures

Invest Europe's "Private Equity at Work" report reveals that PE and VC backed companies created 451,511 jobs in 2022, marking a 7.2% increase compared to the 2% growth in overall European employment. These companies employed 10.9 million people, representing 5% of the European workforce. Venture capital-backed firms led with an 18% job increase, adding 83,966 new roles. Buyout-backed firms contributed 242,334 jobs, a 6% rise. The Nordics saw the fastest regional employment growth at 9.5%, driven by Sweden's 12.5% increase. Central and Eastern Europe outperformed local growth rates, adding 6.6% more jobs. Key sectors such as ICT, Biotech & Healthcare, Energy & Environment, and Financial & Insurance Activities experienced notable job growth.

A&O Shearman Completes Merger

On May 1st, A&O Shearman announced the successful merger of Allen & Overy and Shearman & Sterling, forming the first fully integrated global elite law firm. This merger creates a firm with nearly 4,000 lawyers, including 800 partners, across 47 offices in 29 countries, generating approximately $3.5 billion in revenue. The firm's unparalleled geographic reach and global scale allow it to operate at the forefront of every industry sector and markets. A&O Shearman advises over a third of NYSE-listed and a fifth of NASDAQ-listed businesses. The firm's structure includes global practice groups such as mergers & acquisitions and litigation & investigations, active in six key industry sectors including Private Equity, Private Capital and financial institutions.

CVC Capital Partners' IPO

Shares of private equity group CVC Capital Partners soared by up to 25% on their Amsterdam debut on April 26th, making it Europe's largest IPO this year. The IPO aimed to raise 2 to 2.3 billion euros, with strong demand from institutional investors globally, resulting in the offer being oversubscribed.

Interviewed, Rob Lucas, the CVC chief executive, said: "We have spent more than 40 years building the CVC network and developing a unique entrepreneurial culture centred on delivering consistent investment outperformance for our clients".

Read the report

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By **Stephane Pesch,**
CEO of LPEA

Forefronting Secondaries

In this interview, Helene Noublanche, Investor Relations Senior Manager, discusses how Coller Capital spearheaded the secondary investment market and how, through the recent adoption of its Luxembourg AIFM license, the British GP plans to leverage Luxembourg to increase its global footprint.

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LTR: Gerald Carton, Hélène Noublanche and Remco Haaxman, members of Coller Capital's investor relations team

Coller Capital is a leader in private capital secondary investing. Can you share more about this particular asset class?

Since its inception in 1990, Coller Capital has specialised in the secondaries market for private assets. The bedrock of Coller Capital's culture and investment philosophy has been a sustained focus on innovation, and the firm is recognised for driving innovation in the secondaries market throughout its history. Coller Capital's team is composed of more than 270 professionals spread out across six offices around the world, the latest one opened in January 2024 in Luxembourg.

The private capital secondaries market is the only way private markets investors (or LPs) are able to exit early from their private capital investments. It also allows fund managers (or GPs) to provide additional liquidity options to their investors.

The secondaries market is driven by the growth of the primary market. As with any large pool of capital, eventually liquidity solutions are required by participants. We believe the secondary market has plenty of room for long term growth. From being a niche strategy in the early 1990s, secondaries have expanded rapidly, to become a mainstream feature of the private capital world.

"I'm delighted that Coller Capital has expanded our global footprint to Luxembourg, an established financial centre in the heart of Europe, which provides fund managers and investors alike with a robust and reliable regulatory framework. This new license will ensure our clients have access to the best possible investment opportunities, within a trusted regulatory framework."

Jeremy Coller, Chief Investment Officer and Managing Partner.

Limited partner (LP) led secondaries: transactions in which an LP sells some or all of their commitment in a fund or a portfolio of funds to a third-party secondary buyer.

General Partner (GP) led secondaries: the Private Equity Fund's GP initiates a sale of one or more of its portfolio companies to a new fund formed by a new set of limited partners (LPs).

Coller Capital expects the market to continue growing and developing for years to come and for secondaries volume to reach $500 billion by 2030. Even today, with market volumes at historically high levels, annual secondary transactions account for only around 1.4% of Private Equity's total net asset value.

Coller Capital has over 30 years of experience in secondaries investing, how do you see the evolution of the sector, how has it changed over the years and how have you adapted?

Over the past decade, not only has the secondaries market grown in scale, but it has also grown in scope, and today, is highly diversified.

Until about a decade ago, there was little over $10bn in secondary volume. The global economy was still recovering from the Global Financial Crisis and the majority of the secondaries market activity was composed of LP-led portfolios, with volume driven by distressed sellers. LP-leds were then joined by a small proportion of direct secondaries transactions.

Since 2016 the size and quality of GP-leds have increased and a number of top-tier GPs have used secondaries as a liquidity solution. GP-leds now represent around half of transaction volume. Single-asset GP-leds have also grown in popularity. They can be attractive to buyers and GPs, sometimes providing assets with capital for growth and/or M&A.

COVER STORY

> **"The rationale behind acquiring the AIFM license stems from the increasing demand for our services in the European market."**
>
> Hélène Noublanche

Both LPs and GPs are increasingly comfortable with GP-led secondaries and the strategy is now accepted as a tool for liquidity and fund management. Coller Capital has more experience than any other secondaries manager in GP-leds having done the first in 1996 before they were even called GP-leds.

In today's market, we see a wider variety of transaction types, providing liquidity solutions across the entire spectrum of alternative asset classes and investment stages. The expansion and evolution of the secondaries market is a function of its proposition; as the mechanism for private market participants to actively manage their portfolios.

This notably includes the growth of the private credit secondaries market which has accelerated in recent years, driven by the growth in the primary market, the variety of reasons for investors to sell positions and LPs grappling with liquidity shortfalls.

Market growth has been driven by assets held in fund structures, which Preqin estimates to be in excess of \$2trn, but the addressable market also contains assets held outside of funds such as leveraged loans, preferred equity, and Collateralised Loan Obligations (CLOs). These ex-fund assets total to approximately \$1.3trn, resulting in a total addressable market of \$3.4trn. In February 2022, this huge growth in the secondary credit market led us to closing our first credit secondaries fund, the largest in the market at that time.

Looking forward to 2026, we estimate that the continued growth in the primary private credit market could result a total addressable market of \$5.4trn.

Your latest development is the launch of your Luxembourg AIFM in January 2024, what's the rationale behind this and how do you expect it to support your growth?

The launch of our Luxembourg AIFM (Alternative Investment Fund Manager) in January 2024 is part of our strategic plan to expand our global footprint. Luxembourg is recognised as one of the leading European financial centres with a strong regulatory framework, which aligns with our commitment to operate under the highest standards of regulatory compliance.

The rationale behind this development stems from the increasing demand for our services in the European market. By establishing an AIFM in Luxembourg, we can cater directly to this demand and offer our clients a local solution for their alternative investment needs.

This move also enables us to serve our existing clients by providing them with more diverse investment solutions. The new AIFM will ensure our clients have access to the best possible investment opportunities, within a robust and trusted regulatory framework.

Tell us more about the process of acquiring the AIFM license?

Acquiring the Alternative Investment Fund Manager (AIFM) license is a rigorous and comprehensive process, requiring extensive preparation and thorough understanding of the regulatory requirements and guidelines.

The process typically begins with the preparation of application documents, which include detailed information about the firm's organisation, its operating conditions, the risk management systems it has in place, and its strategies for governance and compliance. This information must be presented in a clear and convincing manner to the relevant regulatory authorities.

During the application process, we also had to demonstrate our ability to meet capital requirements and to prove the suitability and experience of our management team. This involved providing evidence of their professional qualifications and their track records in the industry.

We of course had to demonstrate that all aspects of our business complied with the stringent regulatory requirements of the AIFM directive. This required significant time and resources, as well as a deep understanding of the regulatory landscape.

The process was relatively smooth, thanks to the expertise of our team and our proactive approach to compliance. We worked closely with the regulators throughout the process, responding promptly to their queries and providing all the necessary documentation in a timely manner. This proactive and cooperative approach helped to expedite the process.

Why are institutional investors interested in Secondaries?

Institutional investors are attracted to the secondary market for several key reasons. One of the main ones being that secondary investments offer exposure to a broad range of assets, sectors, and geographies, allowing investors to diversify their portfolios.

This is a key factor to observe when

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> **"Due to the nature of secondary transactions, investors have access to more information about the assets they are acquiring, including their performance history."**
> Hélène Noublanche

looking at secondary investments as often, unlike primary investments, secondary investments have a shorter investment horizon and can provide quicker returns. This mitigates the J-curve effect often seen in Private Equity, where returns are initially negative due to upfront costs and then gradually increase over time. Another advantage of secondary investments is that they provide investors the opportunity to manage their portfolios more actively. They can exit investments that no longer fit their strategy and reinvest in new opportunities.

Due to the nature of secondary transactions, investors have access to more information about the assets they are acquiring, including their performance history. This can help to mitigate risk. Assets that have performed well but are part of a fund that has reached the end of its cycle can be given a renewed investment opportunity in a secondary fund, this can be a comfort to investors who want to know how well the asset performed in the past as they are investing further down the line.

You are the investor relations representative in Luxembourg, what opportunities do you see in this market?

Luxembourg is a highly attractive market for several reasons. First, its strategic location in the heart of Europe makes it an ideal hub for businesses looking to expand their operations across the continent. The country is known for its robust and reliable regulatory framework, which ensures a high level of investor protection. It's particularly well-regarded for its strong regulations around alternative investment funds.

With a highly skilled and multilingual workforce, this makes it an ideal location for businesses that require specialised financial expertise and puts it on the map as a leading international financial centre, which enhances credibility and trust with investors.

Luxembourg has a highly diverse financial sector with a wide range of investment vehicles available. This diversity provides ample opportunities for fund managers to tailor their product offerings to meet the specific needs of investors. Recently, there has been growing interest in sustainable and ESG (Environmental, Social, and Governance) investments in Luxembourg. Additionally, the country's strong regulatory framework for alternative investment funds provides opportunities for growth in this sector.

All these points encouraged Coller Capital to acquire an AIFM licence and open an office in the country.

There are very few women who have a senior role like yours in Luxembourg, do you see yourself as an example for other women who, for instance like you, started their career in another field, working for a service provider?

Having women in senior roles in any field, including the financial sector, can indeed serve as an inspiration for other women. It shows that it's possible to rise to senior positions, regardless of where you started your career.

A career transition from one field to another requires tenacity, adaptability, and continuous learning. Seeing someone successfully navigate this path can provide motivation and a roadmap for others looking to do the same.

It's important to note that achieving gender balance in leadership positions in the financial sector and other industries is not only a matter of fairness, but also a business imperative. Studies have shown that companies with diverse leadership teams often outperform their less diverse counterparts, as they benefit from a broader range of perspectives and ideas.

In my career, I strive to promote diversity and assist other female colleagues in their career by mentoring them. This way, I hope to contribute to their overall success and to improve diversity in the industry.

It must be noted however, that the work I and others do is not enough. To encourage systemic change, diversity and inclusion need to be supported by everyone across the industry. ●

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By **Matthieu Broquère,**
CEO of Cedrus & Partners

And **William Guilloux,**
Partner & CIO of Cedrus & Partners

The Imperative Shift to Net Zero: A New Asset Class in Private Equity

In this article, Matthieu Broquère and William Guilloux discuss their perspectives on the crucial shift to Net Zero and why it's emerging as a new asset class for the most sophisticated investors.

Why have the most sophisticated investors already integrated the Net Zero Transition as a distinct asset class? The capital intensity required for the energy transition and the decarbonization of industry represents one of the most significant challenges in the history of our modern economies: an investment need of USD 9.2 trillion per year until 2050, according to McKinsey. This accounts for 9% of global GDP annually! Remarkably, 80% of the technologies necessary for the next 10-year phase already exist and need funding, not creation, as highlighted by the International Energy Agency (IEA) in 2021.

A Playground for Private Equity and Infrastructure Funds

Matthieu Broquère (MB): Private Equity and infrastructure funds find themselves at the forefront of an ideal investment landscape, uniquely positioned to finance the long-term, global-scale trends shaping the future of technology and markets. This scenario offers a quintessential opportunity to engage in meaningful financial activities that are not only profitable but pivotal to global sustainability efforts. The diversity of the Net Zero Transition allows for investment across the value chain - from upstream production to downstream recycling - providing a wide array of opportunities for intervention. Such versatility in investment possibilities caters to a broad spectrum of investors, from traditional PE LBOs to growth equity and infrastructure funds, thus broadening the sources of financing and attracting increasingly significant amounts of capital.

Blending Societal Impact with Financial Performance

William Guilloux (WG): Investing in the Net Zero Transition asset class enables investors to seamlessly integrate societal and environmental considerations with robust financial performance. Projects within this asset class inherently address multiple United Nations Sustainable Development Goals (SDGs), impacting areas such as health, through the reduction of pollutant emissions, and contributing to sustainable growth and the deployment of innovative technologies and infrastructure. This alignment not only amplifies the tangible impacts of business transformations but also facilitates the measurement and evaluation of such impacts by investment funds, offering a clear path to quantifying both societal benefits and financial returns.

Investment Opportunities Across the Value Chain

WG: The transition towards Net Zero opens avenues for investing in segments that are typically more mature than those targeted by venture capital, offering potentially higher and more consistent return metrics for Limited Partners (LPs). This distinction ensures that impact investing in the Net Zero Transition is not merely about ethical or environmental considerations but is fundamentally linked to solid financial performance. Examples like Ara Partners, with its significant fund closure and targeted returns, underscore the alignment of Net Zero investments with traditional Private Equity performance metrics, suggesting a profound and lucrative convergence of financial and environmental objectives.

Diverse Sectors, Unified Goal

MB: The Net Zero Transition encompasses a broad range of sectors, each offering unique investment opportunities and challenges.

> **"As interest in the Net Zero Transition grows among GPs and LPs, the differentiation of this asset class becomes increasingly apparent, necessitating a unique set of qualities and competencies among GPs."**

The theme brings together 3 major themes around the central subjects of the energy transition and the challenges of decarbonization of industries:

- Participation in the aggregation of a decentralized energy system and development of green energy production: innovative next-gen energy infrastructures and networks of small production sites,
- Support tools/technologies to make energy infrastructures more efficient: energy efficiency and flexibility,
- Large-scale development of industrial/technological know-how that facilitates decarbonization: recycling and circular economy, innovation of industrial processes for carbon reduction, capture or transformation.

From innovative green energy production and storage solutions to the development of new energy vectors like power-to-X technologies, the transition is a mosaic of endeavors aiming to stabilize the grid, enhance smart energy consumption, and enable industrial decarbonization. These sectors not only highlight the multifaceted nature of the transition but also demonstrate the dynamic investment landscape available to GPs and LPs. By featuring success stories across these sectors, we illustrate the tangible achievements and potential of investments in this space, reinforcing the viability and attractiveness of the Net Zero Transition as a distinct and promising asset class.

Seeking GPs with Unique Qualities for a Sustainable Future

WG: As interest in the Net Zero Transition grows among GPs and LPs, the differentiation of this asset class becomes increasingly apparent, necessitating a unique set of qualities and competencies among GPs. The ability to navigate the complexities of project management, coupled with an industrial or engineering background, becomes a significant advantage, enabling GPs to oversee the development of industrial sites, manage risks effectively, and appreciate the intricacies of intellectual property in cutting-edge technologies. This preference for GPs with a robust operational focus and a deep understanding of the technological and industrial aspects of the Net Zero Transition highlights the evolving criteria for success in this burgeoning field.

Conclusion

MB: The integration of Net Zero Transition as a distinct asset class by forward-thinking investors is not just a trend but a reflection of the evolving landscape of global investment priorities. In addition to that, Net Zero Transition is maybe one of the most high growth investment theme in terms of growth given the intensity of capital required to meet such a foreseeable demand. The intersection of technological advancement, profound capital needs, environmental sustainability, as well as sustainable financial performance presents unprecedented opportunities for Private Equity and infrastructure funds. As we venture deeper into this new era, the potential for impactful investment that drives both economic growth and environmental resilience is immense. It invites us to explore further, understand deeper, and invest wisely in the transition towards a sustainable future. This thematic not only holds promise for substantial returns but also the potential for contributing significantly to global sustainability goals, urging us to continue exploring the horizon of opportunities it unveils. Finally, this assembly of assets upstream and downstream of standardized infrastructure themes will also make it possible to diversify the performance drivers in the long term taking into account the complementarities of the value creation processes. ●

ABOUT CEDRUS & PARTNERS

Cedrus & Partners is an European investment company, leader in supporting long-term investors, created in 2010. It has €10bn of advised assets, of which €3bn of advised private assets and 160 Single Family Offices and Endowments as Clients.

By Pedro Carreira,
Principal at 33N

Gonçalo Borges,
Principal at 33N

And Margarida Correia,
Senior Associate at 33N

Generative AI: A (Secure) Opportunity Waiting to be Unlocked

At the tipping point

In the wake of a transformative year in 2023, where the promise of GenAI captured the world's imagination, 2024 dawned as the year to bring these lofty ideals into tangible reality. However, three months into this pivotal year, critical voices are now raising concerns about the balance between the benefits and the risks associated with adopting GenAI use cases.

What are the real impediments in the path of widespread adoption? Beyond the challenges of prioritising use cases, hiring/retaining the right technical talent, designing & building the tech stack, among others, there are still substantial technological hurdles yet to overcome (and enough space to build!).

Nascent Adoption of Large Language Models (LLMs)

Enterprises, while enthusiastic about the potential of LLMs, remain in the experimental phase, hesitating to transition from exploration to production. GSI Accenture announced bookings of a whopping $600 million in AI revenue, underscoring the significant investments being made in this arena.

According to Gartner, the initial response from enterprises was one of caution, actively blocking usage of public LLM's by its staff to avoid issues such as data leakage or IP protection, focusing on damage control measures(Figure 1). Notably, emerging security vendors like Prompt Security, among others, stepped up to address these concerns by offering 'Shadow AI detection' tools to monitor the usage of GenAI as well as LLM firewalls to protect the organisation from data leaks.

Medium to long-term, however, enterprises have started to embrace LLMs, initially for internal use cases which provide higher risk control, while building confidence for future external ones. At present, as a recent report from a16z shows, the primary use cases for LLMs are predominantly internal-facing, reflecting a cautious approach to deployment (Figure 2).

Persistent Challenges in LLM Security

Security remains a paramount concern in the adoption of LLMs, with issues such as bias, hallucinations, and vulnerabilities yet to be fully resolved. The Open Web Application Security Project (OWASP) has identified the top 10 threats posed by LLMs, with proactive measures being advocated to mitigate risks. Caleb Sima, Chair of the CSA AI Safety Initiative, provides detailed insights into the top-3 threats for LLMs today and most mature solution types the industry has so far found:

- Prompt Injection: Manipulating the prompts provided to the LLM to induceunintended behaviour. Most promisingsolutions so far include prompt vulnerability scanners as well as LLM firewalls, dual LLM approaches or ChatML model.
- Data Poisoning: Attackers injecting malicious data into the training datasets, leading to skewed model outputs. Most considered solutions are still evolving but mainly rely on pre-GenAI tools for data verification, outlier detection and trusted domain enforcement.
- Data Leakage: Unauthorised access to model outputs or training data poses a significant risk. Access control mechanisms (built into the application's architectural design) as well as LLM firewalls are essential for mitigating this threat.

Several players have emerged to cover these issues (Figure 3) but the landscape is yet made up of very nascent players, while 'traditional ML' security players (eg. Robust Intelligence, Protect AI, HiddenLayer or CalypsoAI with different scopes across the ML dev pipeline) quickly evolved their offering or acquired smaller vendors to cover LLM security.

Navigating LLM Compliance Amid Regulatory Shifts

The regulatory landscape surrounding LLMs is evolving rapidly, with recent legislative developments demanding compliance from stakeholders. The European Union's AI Act, one of the most comprehensive regulatory frameworks, is set to have a profound impact on the adoption and deployment of AI technologies (ML and LLM broadly). Most importantly the act sets key references in terms of risks for AI systems and different timelines for application of the legislation for each risk level:

- Timeline Overview: The act outlines a phased timeline for implementation, but generally becomes fully applicable 24 months after coming into force
- Risk Overview: While use case dependent, certain industries such as insurance and financial services, are poised to be among the first to feel the impact of these regulatory changes (e.g., credit scoring used for loans were deemed as high risk) - industry leaders like Allianz recently highlighted the need for proactive measures to ensure compliance with the EU AI Act.

As stakeholders grapple with the complexities of compliance, collaboration and knowledge sharing will be essential in navigating the regulatory landscape effectively.

Unlocking the Potential

Despite the formidable challenges on the horizon, the journey towards widespread LLM adoption presents a unique opportunity to unlock unprecedented productivity gains for enterprises, economies and our society as a whole.

At 33N, we remain optimistic in the cyber ecosystem's ability to address the security and compliance hurdles on the horizon. As specialized investor, 33N continues to be deeply grounded grounded on the pieces of the technology stack needed to deliver the GenAI promise, supporting entrepreneurs in the space via:

- Domain expertise, namely on identifying key pain-points in cybersecurity, evolving threat landscape, innovative tech approaches and bottlenecks to scaling
- Direct access to market, via a network of CISOs and tech executives with deep expertise in key domains across cyber, while at the same time regional network in key regions globally
- Indirect access to market, via a network of resellers and services partners across key regions globally

In innovative topics such as security and compliance for GenAI, corporates have also seen benefits in collaborating with innovative vendors and specialized investors. One of the largest Iberian banks, for example, took a strategic position in 33N's fund, contributing not only with a sizeable investment but also appointing a member to 33N's Strategic Committee. Such collaborations bring valuable insights into the needs of a major player in the financial industry to 33N, while reciprocally magnifying the bank's insight into the cybersecurity ecosystem and innovative vendors through 33N's network.

Pan-European service providers also play a significant role in the adoption of these innovative cybersecurity solutions. Christophe Bianco, Venture Partner at 33N and co-founder of Luxembourg-based Excellium services, reinforces his view: "Specialized service providers and investors are crucial partners in this endeavor, partnering with emerging vendors, in an increasingly challenging cybersecurity landscape."

As the industry navigates through these challenges, the potential for transformative advancements in GenAI adoption remains very promising. ●

Figure 1: Five Tactics to Quickly Adapt to Uncontrolled LLM App Consumption (source: Gartner)

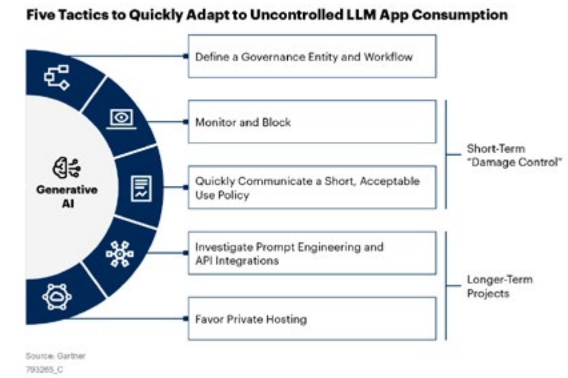


Figure 2: Enterprise LLM use cases (source: a16z).

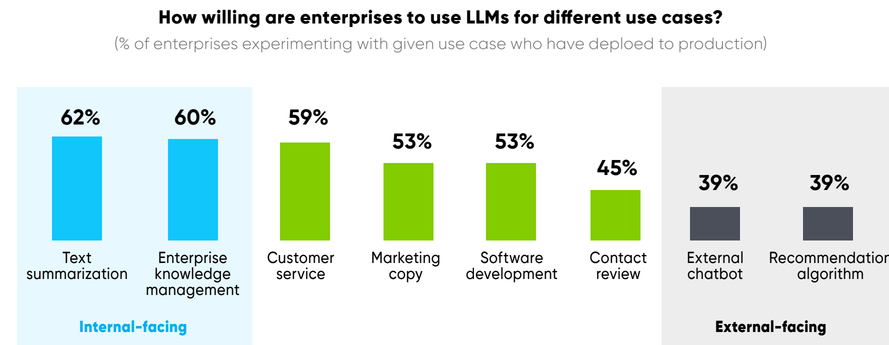


Figure 3: Security for AI market map in Feb-2024 (source: Menlo ventures)

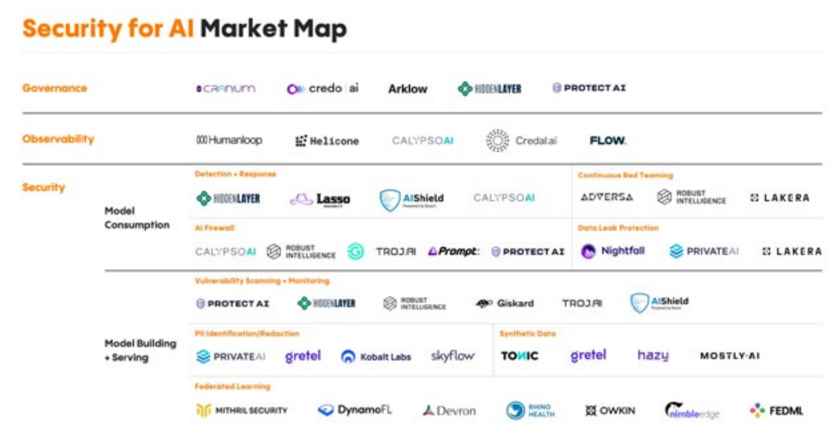
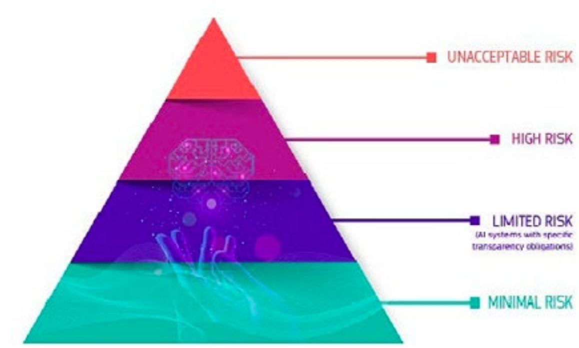


Figure 4: Regulatory Framework's 4 levels of risk for AI systems (source: EU AI Act)



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By **Shanu Sherwani,**
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Adapting to Uncertainty: Private Equity Trends in 2023 and What Lies Ahead in 2024

This article provides a brief analysis of the 2023 global PE market, outlines key trends, forecasts for 2024, and discusses potential benefits for Luxembourg's PE landscape.

One striking observation for the global PE market in 2023 is the significant decline in deal values, which plummeted by approximately 45% in mid-2023 compared to the previous year. Furthermore, exits have faced an even more challenging landscape, experiencing a staggering 70% decrease. The resultant pressure on fundraising has been immense, with expectations of a potential 30% decline by the end of 2023, pending the release of final statistics. Large funds dominated capital raised, while smaller funds faced challenges.

Since June 2022, the potential threat of a recession has cast a shadow of uncertainty over the PE market, leading to speculation about the timing of its revival in deal-making activity. Despite a rapid increase in interest rates, it's crucial to note that the current federal funds rate is on par with the levels observed in 2006 and 2007. These years marked the zenith of deal-making activity until 2021. Therefore, interest rates should not present an insurmountable hurdle to the completion of deals. Importantly, interest rates have now stabilized, creating a more favourable environment for deal-making in 2024.

Despite unusually high inflation, corporate earnings remain strong across multiple sectors. There are no apparent signs of a failing banking system or significant asset bubbles like those seen in the 2009 Great Recession, requiring long-term solutions. Thus, the current market appears fundamentally sound.

The central question is when deal-making will recommence and what factors are causing the delay. A significant obstacle impeding the industry's recovery is the requirement to infuse more capital into the coffers of Limited Partners (LPs). To rejuvenate the sector, it's essential to direct funds towards exits and other liquidity solutions, thereby enhancing LPs' confidence in future investments. A considerable backlog of portfolio companies is awaiting exits, underscoring the need for liquidity to enable transactions.

Challenges in Securing Investment Deals

Investments face challenges, especially when financing large transactions, due to increased loan costs and strict lending standards, particularly from banks. On a brighter note, private credit has gained prominence in the Middle Market, enabling funding for larger transactions, and showcasing the adaptability of the financial sector. However, ongoing market uncertainty has created a disparity in price expectations between buyers and sellers, raising questions about its longevity.

Key Trends in Investments

In 2023, global deal values and counts fell by 45% and 40% respectively. Add-on acquisitions, smaller buys integrated into larger platforms, were a key strategy, contributing to 11% of total value and 60% of deal count. U.S. purchase price multiples remained high at 12.5 times EBITDA in Q1 2023, while European multiples declined to around 10 times EBITDA. This unusual disparity between U.S. and European markets can be attributed to factors like U.S. earnings fluctuations, GDP movements, Germany's technical recession, and Europe's economic landscape.

The Global Dry Powder Perspective

The global dry powder in private asset class strategies was stable at around $3.7 trillion in 2023, with $1.1 trillion allocated for buyouts. About 75% of this buyout allocation is considered "fresh powder," meaning it's less than three years into its investment period, providing ample time for effective fund deployment. In the context of buyouts, the current dry powder level represents approximately three to four years' worth of typical deal investments based on the average deal values over the past five to seven years.

Looking back over the last two decades, the dry powder to deal activity ratio falls within the normal range. Therefore, concerns about an excessive amount of dry powder in the buyout sector appear unjustified currently.

Challenges and Strategies in Exits

In the first half of 2023, the financial landscape notably shifted towards exits rather than investments. However, all exit routes saw a significant decline, with global buyout-backed exits experiencing the most severe drop, falling by 67% compared to the previous year. This two-thirds decrease reflects the challenging environment. The total exit count also dropped significantly by 40%, highlighting the situation's severity. A significant challenge stems from the considerable backlog of exits, involving over 26,000 portfolio companies held in buyout funds, collectively valued at approximately $2.7 trillion. It's particularly concerning that a quarter of these companies have been under general partners' management for six years or more.

General partners urgently need strategies to unlock the potential of $2.7 trillion in assets, involving revaluation of initial values and maximizing earnings while ensuring returns. The urgency stems from Limited Partner (LP) cash flows turning negative in 2022, after a positive 2021 trend. This negative cash flow, persisting for five years due to capital calls outpacing distributions, raises concerns about its duration and depth.

To address liquidity challenges, general partners are exploring alternatives beyond traditional full exits or sales. These include secondary market solutions like continuation vehicles, portfolio strip sales, and Net Asset Value (NAV) loans. These strategies aim to infuse liquidity into limited partners' pockets, leading general partners to increasingly explore these alternatives to ease cash flow constraints.

Challenges in Fundraising

The private capital industry faces significant fundraising challenges. A scarcity of investment opportunities and exits has hindered GPs' ability to secure new funding, pressuring LPs despite no full-blown recession. Global private capital raised in mid-2023 fell by 30%, with a 45% drop in successful deal closures compared to 2022. The "dry powder" issue, where firms rapidly raised significant funds, worsens the situation, compounding cash flow issues. LPs must manage $1.1 trillion callable by GPs for buyouts, leading to a total exposure of $3.7 trillion across private asset classes.

Competition for LP capital has surged, with 14,000 private capital funds seeking $3.2 trillion, while $3.7 trillion in dry powder remains. For each dollar to be raised, three dollars are sought, a supply-demand imbalance unseen since the 2009 financial crisis, making capital raising extremely challenging.

A resurgence in substantial deal-making is key to addressing this challenge, enabling liquidity and liquidation of 26,000 portfolio companies. This would channel capital back to LPs and reignite the fundraising engine, facilitating industry growth.

The Outlook for 2024

In 2024, the PE sector is set for a potential recovery. This optimism is driven by the anticipation of a rise in both the number and value of deals, as interest rates stabilize and dry powder is deployed. Despite a liquidity crunch in 2023, sectors that require investment and growth still exist, making 2024 a prime time for well-capitalised investors.

Deal activity is predicted to increase across several areas. These include add-ons, secondary buyouts, technology investments, and the restructuring of distressed assets. The trend of secondary transactions, carve-outs, and private-to-private deals in late 2023 sets a positive tone for 2024.

Firms may seek liquidity opportunistically, focusing on secondary sales and continuation funds. Private credit, which funded over 80% of PE deals in 2023, is expected to continue its influence in 2024. Small- and mid-cap segments are promising due to their lower dependence on large debt financing.

A recent survey by Roland Berger, a global strategy consulting firm, revealed a positive shift in sentiment, with 65% of respondents expecting an increase in M&A transactions involving PE. Technology, software & digital solutions, and pharma & healthcare remain the most attractive industries for PE M&A transactions.

Over 75% of PE professionals believe valuation multiples are overvalued, with high multiples expected to continue in certain sectors. Primary investments and secondary buyouts are anticipated to be the main deal sources. While fundraising may be less of a focus in 2024, competition for funds is predicted to intensify. Artificial Intelligence (AI), digitalization/data analytics, and Environmental, Social, and Governance (ESG) factors are seen as key future value drivers. The DACH region (Germany, Austria, and Switzerland) and France are expected to see strong growth in PE M&A activity.

Luxembourg, a key player in the PE market, is projected to grow annually by 10% until 2025, not only driven by historical back office services but also the relocation of middle and front-offices, particularly in investor relations. While Luxembourg provides robust legal and regulatory services, there is potential for improvement in depository, fund administration, and transfer agent services dedicated to alternative investments. This could lead to a further increase in assets under management in Luxembourg. ●

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By **Gilles Dusemon,**
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Celebrating 20 Years of the Luxembourg SICAR Law: a Transformational Journey

"In commemorating the 20th anniversary of the SICAR regime, we celebrate not just a legislative milestone but a transformative journey that has propelled Luxembourg to the forefront of the global Private Equity industry."

Gilles Dusemon

As we mark the 20th anniversary of the Luxembourg SICAR Law, it's imperative to reflect on its profound impact on the Luxembourg and European financial landscape, particularly in the realm of Private Equity. Enacted on June 15, 2004, this legislation laid the foundation for what has by now become one of the pillars of the Luxembourg financial centre, catalysing a remarkable transformation over the past two decades.

Looking back more than 20 years, it was then Minister of Finance Luc Frieden who introduced the SICAR bill of law N° 5201 in September 2003 into the parliamentary process. At the time, Minister Frieden positioned the SICAR regime as the Luxembourg response and structuring solution to the European Council's strategic conclusions adopted in the year 2000 in Lisbon whereby Private Equity was going to play a central role in the development of and the creation of employment within the European Union. Most importantly however, the SICAR was designed as a financing and funding tool for SMEs in Luxembourg as well as in the greater region and, of course, internationally.

Before delving into the significance of this milestone development, it is essential to revisit the backdrop against which the SICAR regime emerged. At the time, Luxembourg's financial sector was predominantly a private banking centre while also focussing on the continued development of retail funds under the "UCITS" brand. The regulatory standards very clearly emphasised investor protection, underpinned by stringent oversight. Private Equity however was relatively nascent and largely unregulated, thereby making it more difficult to fit into then the then existing servicing ecosystem.

The introduction of the SICAR regime represented a departure from the status quo, leveraging Luxembourg's robust regulatory framework while addressing the evolving needs of the (global) real economy and its financing requirements. Despite initially perceived misalignment with the expectations of general partners due to the regulated status of the SICAR, the regime garnered positive reception from inception. It offered unparalleled structuring flexibility, integrated investor protection mechanisms, and crucially, tax neutrality, making it an attractive proposition for fund structuring on a regional, international, and even global scale.

Back then, the idea of a Private Equity fund harnessing up to EUR 500 million in investor commitments seemed ambitious. Little did we know how quickly the goalposts would shift and how our initial aspirations would be outpaced. But neither New York nor London's financial centres were built in a mere 20 years!

Despite initial challenges, including state aid investigation allegations or the threat thereof, the SICAR regime persevered, providing a stable and conducive environment for the growth of the Private Equity segment in Luxembourg's financial sector.

Over just 20 years, this growth has transformed Luxembourg into the world's third-largest Private Equity administration hub, boasting a comprehensive ecosystem of expertise and infrastructure second to none in Europe. The combination of diverse skills, cultural backgrounds, and the premise that sound financial regulation can underpin growth, along with a contractual approach towards law (as opposed to the predominantly institutional approach across the European continent), has created what is now known as the Luxembourg (funds) structuring toolbox.

The resilience of the regulated financial services sector in Luxembourg demonstrated during the 2007/2008 financial crisis and subsequent crises further solidified Luxembourg's standing as a regulatory pioneer.

With almost 500 SICARs launched over the past 20 years, it is not so much the number of SICARs formed but the success of the SICAR regime, which paved the way for a much broader evolution within the Luxembourg alternative investment funds landscape. Be it the 2007 SIF Law, or the modernisation of the Luxembourg limited partnership regimes and even the introduction of the 2016 RAIF Law, all of these were to a certain extent made possible thanks to the positive experiences with and the validation of the SICAR regime.

However, as we celebrate this milestone, it's crucial to look ahead.

The AIFM Directive 1.0 has been transformational globally. If Luxembourg's successive legislators have mostly been product-centric for the past 20 years, Brexit has underscored the importance of focusing on (investment fund) managers (IFMs), i.e., the individuals driving innovation and shaping the industry's trajectory. Luxembourg-based IFMs are now using the breadth and depth of the toolbox to bring about multi-billion fund raises, something unimaginable even a decade ago. Policymakers must therefore prioritize attracting, supporting and nurturing this growing talent pool, particularly as it looks to the European continent from London or further afield. As Luxembourg solidifies its position as the European investment management and Private Equity hub, attention must shift decisively from product-centric to manager-centric regulations. Legal certainty and regulatory pragmatism must however remain centre-stage. By prioritizing the needs of investment fund managers to attract and thrive, Luxembourg is poised to reap the benefits of sustained job creation, economic growth, and institutional excellence.

As the financial landscape continues to evolve, Luxembourg must also remain agile, continuously updating and refining its regulatory framework to maintain its competitive edge. The journey initiated by the SICAR regime is therefore far from over as the most recent ELTIF 2.0 evolution shows. While the scope of the permitted investment activities under the ELTIF 2.0 Regulation goes beyond what can be done under the SICAR regime, Private Equity and the funding of the real economy are very much at its core. With two thirds of all European ELTIFs being established in Luxembourg, this is probably the strongest confirmation that Private Equity and supervisory excellence go very well together, something the SICAR regime set out to prove in 2004.

In commemorating the 20th anniversary of the SICAR regime, we celebrate not just a legislative milestone but a transformative journey that has propelled Luxembourg to the forefront of the global Private Equity industry. As we embark on the next chapter, our focus must be on maintaining a fertile ground for attracting and nurturing the next generations of IFMs, ensuring Luxembourg remains a beacon of innovation and opportunity in the global economy for decades to come. ●

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By **Brian Campion, CSC,**
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Reflecting on LPEA and the Association's Sounding Board: A Journey Through International Seminars

In the fast-paced world of investment and finance, effective communication is key. International seminars serve as crucial platforms for disseminating information, fostering connections, and catalysing investment opportunities.

Over the past years, the Luxembourg Private Equity and Venture Capital Association (LPEA) alongside the Sounding Board have spearheaded remarkable efforts orchestrating international seminars around the globe. Let's delve into their impactful work, exploring how these initiatives have shaped the landscape of investment and propelled collaboration.

Unveiling Opportunities: International seminars orchestrated by LPEA have been instrumental in unveiling opportunities in the ever-evolving investment ecosystem. Through meticulously curated events, General Partner's (GPs), Limited Partners (LPs) and all market participants have gained insights into emerging trends, promising sectors, and untapped potentials. These international seminars serve as platforms for showcasing Luxembourg's innovation, encouraging dialogue, and fostering collaborations that transcend geographical boundaries.

Building Bridges: Beyond merely showcasing the advantages of Luxembourg as a hub for fund services and management, LPEA have played a pivotal role in building bridges between diverse stakeholders. By bringing together investors, fund managers, industry experts, and policymakers, these international seminars facilitate meaningful exchanges that drive progress. Whether it's forging partnerships, sharing expertise, or exploring synergies, these platforms serve as catalysts for fostering connections that underpin sustainable growth.

Luxembourg Fund Ecosystem: Travelling to multiple cities in the US, Europe, and Asia on an annual basis shows the commitment that the LPEA and its members have, ensuring the Luxembourg fund ecosystem continues to grow into the future. Members of the association use these international seminars to build on existing connections and to meet with new entrants into the market by presenting the types of frameworks available through Luxembourg investment laws, and continuingly conveying updates to existing laws and regulations. The association provides a platform for new entrants to the Luxembourg market to meet with GPs, LPs and 3rd party service providers who are currently operating in the ecosystem.

"Expansions into new markets are driven by the growing demand for information and collaboration with Luxembourg as an investment hub."

Exploring Global Markets: LPEA have traversed the globe, bringing their international seminars to financial hubs and emerging markets alike. Regular destinations over the past years have included Munich, Frankfurt, Paris, London, Zurich, Madrid, Milan, Hong Kong, New York, Chicago and San Francisco to name a few. These established financial centres have provided ideal platforms for connecting with market peers. Moreover, new destinations have emerged on the seminar circuit, reflecting the evolving landscape of the alternative investment world. These expansions into new markets are driven by the growing demand for information and collaboration with Luxembourg as an investment hub.

Navigating Challenges: In navigating the complex terrain of global investment objectives, challenges are inevitable. However, through strategic insights and collaborative efforts, LPEA have adeptly navigated these challenges, turning obstacles into opportunities. Be it regulatory hurdles, tax amendments, market uncertainties, or technological disruptions, these international seminars provide a forum for addressing concerns, brainstorming solutions, and charting a course towards resilient investment strategies.

Empowering Innovation: At the heart of LPEA endeavours lies a commitment to empowering innovation. By spotlighting ground-breaking ideas, disruptive technologies, and visionary service providers, these international seminars serve as catalysts for fostering innovation. From early-stage start-ups to established enterprises, these platforms provide the necessary impetus for nurturing ideas into impactful ventures that drive economic growth and societal progress.

Enhancing Collaboration: Collaboration is the cornerstone of success in the investment landscape, and LPEA have been instrumental in catalysing collaborative endeavours. By fostering an environment of trust, transparency, and mutual respect, these international seminars lay the groundwork for fruitful partnerships that transcend traditional boundaries. Whether it's cross-border investments, strategic alliances, or joint ventures, these platforms facilitate collaborations that unlock new opportunities and create value for all stakeholders involved.

Gaining Insights and Understanding Local Dynamics: These international seminars are not just about disseminating information; they are also invaluable platforms for knowledge exchange. LPEA gains crucial insights into the needs of local GPs and how their ecosystems are evolving. For instance, meetings with investors and fund managers in Asia might focus on the growing interest in sustainable investing and expanding product offering to include European fund options to its investor base, while events in Eastern Europe shed light on the region's appetite for venture capital. In America, discussions may revolve around regulatory changes impacting the venture capital landscape, while in Portugal/Italy, the focus may be on the emergence of new fund managers and the growing interest in impact investing. These interactions not only inform LPEA's strategies but also contribute to a deeper understanding of global investment trends and challenges.

Looking Ahead: As we reflect on the journey thus far, it's evident that the work done by LPEA and the Sounding Board on international seminars has left an indelible mark on the investment landscape in Luxembourg. From unveiling opportunities to fostering collaboration and empowering innovation, these initiatives have been instrumental in shaping the future of Luxembourg's ecosystem. The road ahead is filled with promise and possibility, as LPEA continue to lead the way towards a more connected, collaborative, and prosperous future.

In conclusion, the work done by LPEA, the Sounding Board and all members on international seminars stands as a testament to the power of collaboration, innovation, and resilience. Through their unwavering dedication and visionary leadership, these initiatives have not only unlocked new opportunities but also fostered a culture of collaboration and innovation that transcends boundaries. As we look to the future, one thing remains clear – the journey of exploration, discovery, and growth continues, propelled by the tireless efforts of organizations like LPEA. ●

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By **Jonas Mullo,**
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Is Democratising Private Markets the Solution to Boost European Financial Markets?

2024 is an important year for elections, and it is likely that we have a change of government in the UK and quite possibly in the US also. Against this backdrop the sense that we are living through a democratic recession is palpable, and that the certainty of the age of globalisation is giving way to something else, such as a re-aligning of nations and powers into some form of multi-polar system.

In this multipolar world, there is an emerging narrative on the need for Europe to build strategic autonomy, and in general to boost its growth. The plans of the EU are impressive and in some segments Europe can be a leader globally. However, the question economists and investors keep asking themselves is, how is Europe going to finance such plans and opportunities.

If we bear in mind that the market capitalisation of JP Morgan is now greater than that of the top ten euro-zone banks, underlining the enormous gap in progress that European banks have made since the global financial crisis becomes stark.

One policy response to that, in 2014, was the launching of the capital markets union (CMU) which was headlined by the aim of moving corporate financing away from bank lending to capital markets, and the harmonisation of finance regulations so that capital can flow better across the euro-zone.

Given the economic and geopolitical urgency facing Europe, the lack of momentum on capital markets union is disappointing, and the division within individual country governments suggest that the strategy has not been given the time and place it requires in policy debates.

However, there is a glimmer of hope. One element where there has been progress is in the revamping of the ELTIF, the European Long-Term Investment Fund, whose objective is to channel funds (from pension funds to private individuals) to projects that require long-term capital such as infrastructure and other opportunities.

While the original ELTIF regulation was a disappointment, ELTIF 2.0 already looks more promising despite having entered into force only recently. It has the opportunity to revolutionise investing in Europe. As a thematic, public markets in Europe have fewer large technology companies than the US, and in many countries public market indices are seeing supply of equity dwindle as a mixture of corporate buybacks, takeovers and fewer IPOs diminish supply of equities. This is as much the case in the UK as in the EU.

Moonfare is particularly excited about ELTIF 2.0, which fits very nicely with the vision of democratising private markets. For a broad investor base, subject to the MIFID II appropriateness tests, who have previously been completely cut off from access to the interesting returns private markets have traditionally been providing, we find it encouraging that ELTIFs seems to be taking off, and being considered and launched by many sponsors. The promising mutual benefits for European capital markets, asset managers and investors alike are reassuring.

> **“By encouraging investment in long-term assets, regulators will eventually help open up a debate on education around investment, and notably the role of private capital in building economies.”**
>
> Jonas Mullo

As such, ELTIF opens up the “private economy” to European investors and permits them access to growing private companies, restructuring and for instance a range of infrastructure opportunities. In many of these private economy sectors, businesses are funded by institutional investors and at a larger scale by private markets including PE and VC firms. The ELTIF opens this up to new segment of investors who might previously have only had limited, if any, access to these opportunities and at very high minimum investment amounts.

The other contribution of the ELTIF is to open portfolios to a set of assets that can improve diversification, and help ease concentration risk (in highly correlated government bonds and equities). Our sense also is that by encouraging investment in long-term assets, regulators will eventually help open up a debate on education around investment, and notably the role of private capital in building economies. Education will also be one of of the challenges in the context of ELTIF, including educating sponsors, distributors and investors. Education in combination with constructive conversations with regulators and the EU institutions, which we have been privileged enough to take part in, can be pivotal for making ELTIF a success.

If education is just one part of the task of building the investment infrastructure in Europe, then the role of the funds industry and notably Luxembourg, is as well. The aim should be to build scale through having a reasonable number of fund structures that can operate across European countries and investors, and Luxembourg is key in this regard, both in view of structuring as well as in view of a hub for distribution.
The Luxembourg toolbox has generally also through the years, become more interesting for the alternative investment industry. Luxembourg offers a wide range of opportunities from regulated to the more flexible or even, outside the ELTIF context, completely unregulated structures. This is also an important step in attracting more of the private markets value chain to Luxembourg. Indeed, there are ambitions to add investor relations, middle office, and maybe someday even more investment teams to the broad industry presence in Luxembourg.

For its part, Moonfare remains committed to Luxembourg, benefitting from the destination’s special limited partnerships and its wide offering of service providers, which is generally a strong sales argument in conversations with our investors who seems to have confidence in Luxembourg AIFMs, depositary banks and others.
The ELTIF combined with other trends in our industry, such as secondaries, which we see as the fastest-growing fund segment in private market investing in terms of strategy, are central for positioning Europe. Above all, we believe that having more private capital flowing into European investment opportunities is a benefit for all stakeholders, and granting access to a wider investor base is critical for us to finally be able to speak about “retailisation” alongside “democratisation of private markets”. All this would contribute to making an imprint on the need for the continent to grow better and more sustainably. ●

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The Distribution Challenge: Finding EU Distribution Solutions for non EU-Fund Managers

The Impact of Brexit

London has long served as the focal point for alternative fund managers in Europe, drawing not only UK-based firms but also attracting significant numbers of US and Asian managers. Additionally, many European managers maintained offices in London. However, with Brexit, London's status as a gateway to Europe was compromised as EU passporting privileges were revoked. This not only affected funds domiciled in the UK but also had repercussions for alternative fund managers and their investor relations teams, the majority of which were based in London.

Third-party Alternative Investment Fund Managers (AIFMs), primarily located in Luxembourg and Dublin, provided a workaround, enabling managers to continue issuing EU funds while keeping portfolio managers in London or elsewhere, such as the US. However, there was no straightforward solution for investor relations teams, which, like portfolio managers, were hesitant to relocate from London.

Options for Non-EU Managers:

- Establishing a proprietary AIFM in the EU: While offering comprehensive control over the value chain, this option is time-consuming and costly to set up. It also requires persuading members of the sales team based in London to relocate to Luxembourg or Dublin or hiring new staff all together. Only a few firms have managed this successfully.

- Creating a MiFID firm in the EU: This option offers few advantages over the previous one, with a lengthy time to market and high ongoing costs.

- Utilizing reversed solicitation: Reversed solicitation has been for a long time the preferred marketing route of many US fund managers with their Delaware or Cayman funds as well as for managers in other parts of the world. A fully legal option, as long investors contact the fund directly without prior information from the manager. The regulators are increasingly skeptical of reversed solicitation's authenticity and questionning its heavy usage. This skepticism is evidenced by closing the reversed solicitation route when new pre-marketing has been initiated.

> **"The introduction of the new pre-marketing directive signals increased regulatory attention to institutional placement, which poses a significant challenge for non-EU managers."**

- Engaging placement agents: While historically important in distributing alternative funds, placement agents charge high fees (often up to 2% of capital raised, plus a retainer) for bringing in new investors, a service that may overlap with existing investor relationships maintained by the investor relations team. Why pay high fees for investors which have already invested with the manager.

- Employing tied agents and chaperoning: After Brexit, these solutions were considered, until recently, optimal for managing EU distribution, but neither has proven capable of facilitating seamless distribution.

  - Tied agents: MiFID firms operating under the tied agent model, particularly those based in Malta, have faced resistance from EU regulators and are under scrutiny including from ESMA.

  - Chaperoning: Chaperoning has been slightly more successful and is offered mainly by third party AIFM. But it does not seem to satisfy the London based investor relationship teams. The biggest downside of chaperoning is that it is not an option for many investor contacts. Furthermore, it is expensive when the fund raising last over 6 months, as has been the case in recent years.

Emerging Trends

- Many managers are still "ignoring the issue" and continue their fundraising activities as before Brexit, relying on the London-based sales teams. This is a risky approach in an increasingly regulated market.

- Larger fund managers have opted to establish appropriately licensed entities in the EU and recruit or move investor relations teams to major European cities, though this solution is complex and costly for smaller firms.

- Some firms persist with reverse solicitation, but the risks, including potential legal repercussions, like mis-selling, from investors, make this approach more and more perilous.

- Distribution as a service is a new trend. Distribution as a service is the use of MIFID firm to address existing investors of a fund manager and provide them with the necessary information and fund documentation. The main difference with placement agents is that distribution as a service is that the fees are not calculated on the AUM placed but on fixed monthly fees for the duration of the placement and therefore less onerous. Distribution as a service could become a valid alternative for non-EU managers with an existing European investor base.

In conclusion, it is evident that distributing alternative funds to institutional investors has historically not been a primary focus for European regulators, but this is changing. The introduction of the new pre-marketing directive signals increased regulatory attention to institutional placement, which poses a significant challenge for non-EU managers.

Obviously, there is no perfect solution. But the emerging trends seen in the market should be looked at to ensure efficient and compliant distribution. ●

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A Blueprint for Blockchain-based Financial Transactions in Europe

Financial exchanges are an essential tool in any modern economy. However, they still largely rely on traditional systems that can be rendered more efficient and tech-driven. The rise of new technologies such as Distributed Ledger Technology ("DLT") has offered promising solutions to improve efficiency in the financial infrastructure. In this context, Teylor AG, a Swiss Fintech company specialising in credit technologies and digital lending solutions, has taken the initiative to issue the first tokenized debt securities combining Luxembourg and Swiss law, thanks to a legal structured devised by Allen & Overy and Schellenberg Wittmer.

Today's registers and inherent challenges

Financial exchanges are crucial for channelling liquidity into businesses, playing a pivotal role in economic vitality. Capital markets – essentially the lifeblood of the economy – enable companies to raise funds through securities and provide investors with opportunities for valuable investments and security exchanges.

The smooth functioning of capital markets relies not only on trading but also on the accurate recording of ownership transfers. In this context, financial instruments' registers and records are critical in establishing ownership. The evolution of rules and regulations governing these transfers reflects decades of development and refinement. However, registered form securities remain a popular form of issuance. The ownership of registered form securities is recorded on registers held by the issuer, or by a registrar appointed by the issuer. The transfer of securities takes place upon registration of the new owner.

However, to be traded in financial markets, securities need to be represented in book-entry form, which requires, in turn, that the securities are immobilized with central securities depositories and recorded with securities custodians recording the securities holdings in their books. To the extent that securities are issued as registered securities, it may not be practicable to register the ultimate securityholder's name in the relevant register, but the securities may have to be registered under the name of an intermediary: a "**nominee**". The nominee then records the real ownership of the securities in its own system. This has meant that traditional systems, including paper-based and centralized electronic platforms, have faced challenges, such as lack of transparency, intermediary risks, susceptibility to cyber threats, and interoperability issues. In this case, it is impossible for the issuer to know at any point in time who the real holders of its issued instruments are. This creates communication difficulties between the issuer and the holders, making liability management exercises all the more difficult.

DLT offers promising solutions to mitigate human error, streamline and automate transactions, and transparently monitor financial instruments' ownership, and can optimize the matching, clearing and settlement processes for securities.

> **"Luxembourg has been a frontrunner in recognizing DLT's impact on financial markets, evident in the blockchain laws of 2019, 2021, and 2023."**

DLT fosters a more efficient financial system, but financial instruments need to be tokenized to be represented on such networks.

Tokenization

DLT notably operates on a decentralized model, in contrast to traditional centralized systems, storing and verifying data across multiple nodes. This structure enhances interoperability, allowing various parties across different markets and jurisdictions to access a shared ledger, thereby enhancing market liquidity and enabling global market access.

Tokenization is essential for representing financial instruments like bonds or shares on DLT. It involves converting asset rights into digital tokens, operable on a DLT network, utilizing smart contracts. Smart contracts facilitate advanced features like Delivery versus Payment ("**DvP**") atomic settlement[1] and the automation of corporate actions.

Ownership changes of financial instruments can be recorded instantaneously on DLT, leading to the possibility of reduced intermediary involvement and same-day settlement (T-0 settlement). Tokenized financial instruments represent a digital transformation of traditional financial instruments through DLT.

The legal frameworks of Luxembourg and Switzerland have adapted to the potential of DLT in capital markets.

1 "Atomic settlement" in DLT platforms refers to a process where two or more parties exchange assets in a single, indivisible transaction, thereby bringing operational settlement finality. With an atomic settlement the transaction is either completed in its entirety or not at all, thus eliminating the risk of partial execution and associated counterparty risk. Atomic settlements leverage smart contracts to ensure that the exchange of assets occurs simultaneously without relying on intermediaries. This not only reduces counterparty risk but also increases the settlement efficiency of the transaction.

The next section will explore the context of this tokenized issuance, henceforth referred to as the "**Tokenized Issuance**".

The context of the tokenized issuance

Teylor AG issued tokenized pass-through notes via a Luxembourg securities company. These Tokenized Notes, compliant with both Luxembourg and Swiss law, showcase a unique dual-legal framework. The notes are issued in the form of Swiss law-governed ledger-based uncertificated securities that are recorded on the Ethereum Blockchain, with T-DX OTF (operated by Taurus SA) maintaining the registry based on DLT records.

Luxembourg law permits a Swiss-based registrar to manage this role, highlighting the legal framework's adaptability to complex financial transactions. The success of the Tokenized Issuance underlines Luxembourg's ability to meet the evolving needs of the financial industry. It also showcases the ability to use Swiss law to tokenize notes as ledger-based uncertificated securities which can exclusively be transferred on a distributed ledger.

Luxembourg legal framework

Luxembourg has been a frontrunner in recognizing DLT's impact on financial markets, evident in the blockchain laws of 2019, 2021, and 2023. These laws facilitated the use of DLT to issue dematerialized securities and to safekeep and service book-entry securities. An Industry White Paper [2] confirms that DLT is also suitable for recording registered financial instruments, equity and debt alike.

The Luxembourg Companies Act 1915 (the "**Companies Act**"), with specific provisions for debt and equity instruments, has evolved to accommodate DLT. While registers used to prove ownership of registered shares must be recorded at an issuer's registered office, this requirement has been interpreted to allow data storage elsewhere, as long as the ownership data is accessible (not necessarily physically present) at the issuer's registered office, paving the way for DLT use. However, as we are discussing the Tokenized Notes debt instruments, we will set aside equity instruments and focus on the rules applicable to debt instruments.

The Luxembourg framework permits tokenization for financial instruments in both registered and book-entry forms. The Teylor transaction utilized this flexibility, combining Luxembourg and Swiss law for various aspects of the Tokenized Notes. This adaptability also extends to foreign companies issuing financial instruments, with recording done by registrars in Luxembourg. However, the Luxembourg framework also accommodates other possible scenarios.

2 “Luxembourg: The Epicenter of the Tokenization Era” Report, Tokeny, The LHoFT, Luxembourg Blockchain Lab et al.

The Luxembourg framework recognizes DLT-issued financial instruments, allowing for innovative combinations of tokenization and securitization. This aspect of the legal framework demonstrates Luxembourg's readiness to support complex financial structures involving multiple jurisdictions and legal systems.

> **"The advantage of combining tokenization and securitization is particularly relevant in framing complex international transactions."**

The advantage of combining tokenization and securitization is particularly relevant in framing complex international transactions. The Luxembourg Securitization Act of 2004 has shaped an investor friendly and flexible framework, which has fostered the development of Luxembourg as a leading European securitization hub. The 2022 amendment to the Securitization Act broadened the definition of securitization, allowing undertakings to issue financial instruments at large which, following the 2023 Blockchain Law, can be issued and kept through DLT networks with full legal certainty. This has paved the way for innovative legal combinations.

The flexibility of Luxembourg's legal framework is particularly advantageous for debt instruments. In fact, the legislator has enabled parties to derogate from the provisions of the Companies Act. This means that the terms and conditions of the debt securities can be contractually determined, and that the conditions set out in those provisions do not necessarily need to be complied with. Consequently, the issuer can deviate from certain provisions, offering flexibility in designing debt instruments. In the case of the Tokenized Issuance, the notes were structured under Luxembourg law for the general aspects, with Swiss law governing the form, title, and transfer.

Furthermore, while issuers must typically maintain a register at their office, the Companies Act allows for alternative arrangements, such as the storage of data on a DLT network or a waiver of the requirement to keep the register at the office. For the Tokenized Issuance, the specific path chosen was to maintain registered form securities with the option of recording on DLT, showcasing the framework's adaptability.

This flexibility exemplifies Luxembourg's ability to accommodate diverse legal needs in tokenized transactions.

5. Swiss legal framework and Taurus SA

The unique aspect of the Teylor transaction is the combination of (1) Swiss law as the applicable law regarding the form of, title to and the transfer of the Tokenized Issuance, (2) Luxembourg law as the governing law of the terms and conditions of the Tokenized Issuance for all other purposes, and (3) the role of Taurus SA as provider of the platform, where the Tokenized Issuance was recorded and traded.

Switzerland has been an early adopter and pioneer of the blockchain technology. Its financial market regulation is favorable towards DLT, and the Swiss Financial Market Supervisory Authority ("FINMA") has a pragmatic approach with respect to innovations in the DLT space. Also, Swiss law was updated in 2021 in order to introduce "ledger-based uncertificated securities" as a new form of securities. Ledger based uncertificated securities are structured as the digital equivalent to certificated securities by linking an asset (e.g. a debt claim towards the issuer of a note) to a distributed ledger instead of a certification in a document.

Once ledger-based uncertificated securities have been created, the assets represented by such securities can only be exchanged by a transfer of the tokens on the distributed ledger. Therefore, ledger-based uncertificated securities are an ideal structuring option for the creation of tokenized notes, as they link the title to an asset with the ownership of a token and, thus achieve finality of transactions on a distributed ledger regarding such tokenized assets.

The Tokenized Issuance uses ledger-based uncertificated securities as the form of the notes. Taurus SA is mandated to maintain the registry of the notes and the trading system based on DLT records. As a Swiss-based fintech providing digital asset platforms, the involvement of Taurus SA underlines the collaborative nature of the transaction, combining Luxembourg's legal flexibility with Swiss technological and legal expertise.

Conclusion

The Tokenized Issuance, in leveraging Luxembourg's and Switzerland's legal frameworks as well as Swiss technology, exemplifies the innovative potential of tokenized financial instruments. Luxembourg's and Switzerland's adaptable legal environments, capable of integrating various legal and technological elements, offer a blueprint for future financial transactions in the digital age. This flexibility, coupled with technological advancements, promises to reshape how financial instruments are issued, traded, and managed globally. ●

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By **Georgios Kortesis,**
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and **Julien Robert,**
Knowledge Lawyer and Senior Associate at CMS

Advancing Robust Liquidity Management Regulations to Mitigate Liquidity Mismatch Risks

In the current environment of global uncertainty, punctuated by significant events such as armed conflicts, pandemic crisis and drastic changes in interest rates, limited partners have demonstrated a growing interest in open-ended solutions. This phenomenon, coupled with the trend towards "retailisation" - the process of making private market funds accessible to retail investors - has considerably amplified the significance of liquidity management in the fund sector. This is largely due to concerns over a potential liquidity mismatch between a fund's investments and the redemption rights of its investors, which could escalate liquidity risks.

In response to this, the Financial Stability Board (**FSB**) issued revised policy recommendations in December 2023 to tackle structural vulnerabilities arising from liquidity mismatches in open-ended funds. Concurrently, the International Organization of Securities Commissions (**IOSCO**) released its final guidance on anti-dilution liquidity management tools, aimed at facilitating the effective implementation of recommendations for managing liquidity risk in collective investment schemes. The FSB encourages the use of a comprehensive suite of liquidity management tools and measures by managers of open-ended funds under both normal and stressed market conditions as a crucial part of robust liquidity management practices, with specific expectations based on the liquidity level of underlying assets. Meanwhile, IOSCO strongly advocates for entities to put in place at least one suitable anti-dilution liquidity management tool for each open-ended fund they manage. This is intended to mitigate investor dilution and potential first-mover advantages that could arise from structural liquidity mismatches in the open-ended funds they oversee.

Recent regulatory developments, such as the ELTIF 2.0 and the AIFMD II reform, which both include specific liquidity requirements, highlight the fact that liquidity risk has been elevated to a policy priority within the European Union. These developments are indicative of a broader shift towards more stringent liquidity management practices in the investment fund industry.

AIFMD II: liquidity management tools to tackle liquidity risk in open-ended funds

AIFMD II became effective from 16 April 2024 and amended the existing AIFM Directive. Member States shall implement its rules within a 24-month timeframe.

AIFMD II introduces new regulations concerning the use of Liquidity Management Tools (**LMTs**). It requires any alternative investment fund manager (**AIFM**) that manages an open-ended alternative investment fund (**AIF**) to select at least two appropriate LMTs detailed in Annex V of AIFMD II, such as swing pricing, redemption gates, side pocket mechanisms, and redemptions in kind, to be used in the interest of the AIF's investors and included in the AIF's rules or instruments of incorporation. However, money market funds, regulated under Regulation (EU) 2017/1131, are only required to select one LMT.

AIFMs are also required to establish detailed policies and procedures for the activation and deactivation of any selected LMT.

In the event of activating or deactivating the suspension of redemptions and subscriptions, side pockets, or any other liquidity management tool in a manner that deviates from the ordinary course of business as outlined in the fund documentation, an AIFM must promptly notify the national competent authority (NCA) of its home Member State which, in turn, must immediately notify the NCA of a host Member State of the AIFM (if any) and ESMA of any notification received. If there is any potential risk to the stability and integrity of the financial system, the NCA must also notify the European Systemic Risk Board.

Redemptions in kind can only be activated to meet redemptions requested by professional investors and if it corresponds to a pro rata share of the assets held by the AIF.

Under specific circumstances, an NCA or ESMA may require an AIFM to activate or deactivate the suspension of redemptions and subscriptions.

LTIF 2.0: the rise of (semi)-open ended ELTIFs

The ELTIF 2.0 regime came into effect on 10 January 2024 and amended the existing ELTIF Regulation, notably introducing new rules on liquidity management.
Under this new regime, ELTIFs (European Long Terms Investment Funds) may now adopt a (semi-) open-ended form. This includes the possibility for redemptions during the lifecycle of the ELTIF under specific conditions, such as a minimum holding period and a detailed redemption policy.

ESMA was mandated to develop draft regulatory technical standards (**RTS**) specifying (i) the criteria to determine the minimum holding period, (ii) the minimum information to be provided to the NCA of the ELTIF, (iii) the requirements to be fulfilled by the ELTIF in relation to its redemption policy and the LMTs, and (iv) criteria to assess the maximum percentage for redemptions.

However, RTS are still subject to intense debate between the European Commission (**EC**) and ESMA, which highlights the fragmentation of the market on this topic, between a rigid "one-size-fits-all" approach promoted by ESMA (including fixed holding and prior notice period) and a more proportional one promoted by the EC, relying on the asset managers' expertise in liquidity management, which seems to be more aligned with existing market practices and the unique circumstances of ELTIFs.

> **"The completion and practical application of ESMA's RTS will serve as a litmus test, determining the effectiveness of these tools in mitigating liquidity risks and safeguarding investor interests."**

Conclusion

In conclusion, the imperative for robust LMTs to address liquidity mismatch risks within fund structures has never been clearer. Recent regulatory developments underscore the importance of implementing effective LMTs. With ESMA's pivotal role in drafting the RTS and formulating guidelines under AIFMD II, the industry awaits this guidance as a critical step towards ensuring the stability and integrity of funds. The completion and practical application of ESMA's RTS will serve as a litmus test, determining the effectiveness of these tools in mitigating liquidity risks and safeguarding investor interests. As we advance towards stronger liquidity management regulations, collaboration between regulators, promoters, and fund managers will be essential to uphold the resilience of the financial ecosystem. ●

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By **Tomasz Szubartowski,**
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What if Luxembourg Takes the Lead in Private Asset Data Standardisation?

A more professional approach to asset servicing is required as global demand for private asset fund investments continues to grow. Investors have the right to demand regular, comparable updates of financial and qualitative data about their holdings. Greater standardisation of industry KPIs would make a major contribution to such an upgrade.

The Private Equity industry has thrived for decades on a foundation of mutual trust between general and limited partners. Such "club deals" are lubricated by semi-formal conversations and email exchanges between long-standing trusted colleagues, ensuring that portfolios are serviced in line with mutually understood values. Formal reporting tends to be of a relatively basic nature.

Fast changing industry

This personal approach works well when a fund has a handful of investors, but this reality has been changing quicklyt over recent years as demand for private assets has boomed. It is now common for funds to have dozens or hundreds of investors, and this could become thousands if the process of "democratisation" of alternative funds takes full flight.

There is no pressing need for regular updates when investors have implicit trust in personal relationships, with these being acceptible every quarter or even longer. However, things are different in today's more impersonal global market, where many investors are attuned to the reporting rhythms of liquid assets, and thus have similar expectations for alternatives.

Adapting to new investor demands

Globally dispersed investors require data they can trust and compare, not least to satisfy the regulatory compliance and risk management requirements that come with being listed, regulated institutions. They often demand granular data to fulfil their in-house KPIs, and this requires high degrees of transparency in the relationship and the way data is shared.

Hence there is demand for more regular updates of a range of data points, as well as investors now seeking monthly and even fortnightly NAVs, ESG and other qualitative data needs reporting as soon as facts change or new metrics come available. This is a relatively complicated process for assets that are by their nature private, with data not readily available on terminal screens.

Changed expectations

For example, updated NAVs are generally estimates and extrapolations made by valuators working for the asset manager. There are also expectations that valuation numbers will change at the completion of transactions such as capital calls; reporting that has traditionally been taken on trust in this industry. ESG methodology and data change daily, as does the unique nature of each private asset. All of this also needs to be communicated quickly to investors.

Investors also need a timely flow of qualitative data about each asset. Information such as whether sales targets are on course and if staff-recruitment is going to plan provide vital context to understanding each asset. This includes ESG criteria such as estimates of the carbon footprint data, HR diversity achievements, social impact performance and so on.

Improving on bilateral exchanges

At present, this information is mostly communicated on a bilateral basis, with asset managers giving updates ad hoc via non-standardised, unstable formats such as Excel and email.

> **"Private assets remain relatively hard to quantify and fund administration in this space will require careful curation for some time to come."**
> Tomasz Szubartowski

Efficiency and accuracy would improve substantially if the PE sector could embrace standardised reporting processed via central hubs.

As well, limited partners appreciate being able to "look through" reports to see the performance of underlying assets. Often information is given at the global, fund level but this frequently masks what is happening on the ground. Well curated data delivered effectively by efficient IT systems gives the transparency investors require.

Luxembourg in the driving seat, LPEA co-pilots

As the leader at the heart of the European private assets space, with its products distributed globally, Luxembourg is well positioned to be at the forefront. Players here understand investor needs, the range of data collected by asset managers, and the potential technology solutions that could enable this data to be shared efficiently. The country could drive the creation of norms that could become widely accepted in Europe and even across the world. With its globally respected brand name, the Luxembourg industry could help this work gain widespread recognition.

A fresh, technical approach

This would go beyond the processing and ordering of how data is presented, but going deep into the technicalities of how KPIs are calculated. Investors will often have their own unique ways of assembling these indicators and metrics, and so require data at the right level of granularity. Not all methodologies can or should be standardised, but Luxembourg can provide the lead on setting standards for how certain calculations could be made.

For example, metrics such as the internal rate of return (IRR) are widely recognised in the industry, but players often have their own understanding of this measure, particularly in their own internal definitions of gross and net returns. While funds have good reasons for creating these as they see fit, this heterogeneity does not help investors understand the positions they hold.

Reputation building and preservation

Potentially, failure to act could reflect poorly on the Luxembourg fund sector. General and limited partners know that much of the data they require is collected from multiple sources and is passed through administrators in Luxembourg. They could reasonably expect administrators in this country to process this information in a more professional manner, resulting in greater transparency and reduced administration costs.

Greater standardisation would be no panacea. Private assets remain relatively hard to quantify and fund administration in this space will require careful curation for some time to come. However, the industry should seize every chance to move in the direction of greater normalisation to facilitate higher levels of automation and efficiency. ●

LPEA BACKS THE FUTURE FOUNDATIONS PROGRAMME

Through its Market Practice & Operations Committee, the LPEA feeds into the Future Foundations Programme. More on this industry reshuffling initiative:

In Luxembourg, private market and alternative investment players are on the hunt for smart solutions to navigate stricter demands from investors and regulators. They're shaking things up, aiming to streamline operations both inside and out. A pioneering program is underway to position Luxembourg as a leader in Europe's private markets. The goal? To embrace new tech and financial systems. These players would need to team up and invest together to get ahead. Enter the Future Foundations Programme, a game-changer sparked by the 'Haut Comité de la Place Financière' (HCPF). Backed by key industry names and government bodies, this initiative, under the Luxembourg House of Financial Technology (LHoFT), is all about tackling the tough challenges faced by financial institutions. Running for 18-24 months, this program is an opportunity not to be missed. The LHoFT will soon launch a call for applications, seeking out top talent to solve for the first challenge identified by the SteerCo, namely ´Institutional Investor Onboarding'. Benefits for participants include financial incentives and proof-of-concept opportunities. Once selected, participants will dive into a week-long boot camp where they'll get hands-on advice and insights from industry experts. Then it's go time! Applicants must submit their proposals with a chance to win a grant. But what's on the agenda? Well, topics are hot and varied. There is plenty to sink your teeth into. Excited? You should be! This program is a game-changer. So, if you're looking to get involved, reach out to info@lhoft.lu or swing by https://lhoft.com/events/ for more details. It's time to bring collective intelligence to Luxembourg's financial scene!

Hind El Gaidi, Co-Head of the Market Practice & Operations Committee and Head of Luxembourg at ICG

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By **Gilles Heckel,**
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The Luxembourg Foreign Direct Investment and Merger Control Regimes: Key Transactional Challenges to Unlock

The European Union has implemented extensive legislation to strengthen its economic resilience, regulate markets, and protect against foreign investment risks. This includes, among others, screening foreign direct investments and enforcing stringent antitrust rules. In response, Luxembourg has updated its laws to match these enhanced EU standards.

Since 1 September 2023, Luxembourg has implemented a foreign direct investment (FDI) screening law in compliance with EU regulations. Under the FDI framework, non-EU/EEA investors shall notify the Luxembourg ministry responsible for economic affairs before making any investment resulting in acquiring or maintaining control of a Luxembourg entity involved in critical sectors like energy, defense, finance, etc.

Luxembourg is set to enact a mandatory merger control regime in 2024, aimed at scrutinizing mergers, acquisitions and joint ventures that result in lasting control changes. Under the proposed legislation, transactions must be notified to the Luxembourg Competition Authority if they exceed two cumulative thresholds: a combined turnover of over EUR 60 million in Luxembourg and individual turnovers of more than EUR 15 million from at least two of the entities involved. Transactions must not be implemented until authorized by the Luxembourg Competition Authority, with significant fines up to 10% of worldwide turnover for noncompliance.

These regulatory changes are likely to affect the timing of certain M&A transactions and shift the balance of risk assessment and bargaining power among stakeholders involved in M&A activities.

This brief aims to explore several M&A-centric contractual considerations that stakeholders should be aware of when navigating this evolving regulatory landscape.

Preliminary assessment

The buyer, with assistance from the seller, should evaluate at the earliest stage possible whether the deal falls under the scope of the Luxembourg law on FDI. This determination should consider: (i) the sensitivity of the business activities of the target company; (ii) the identity of the buyer and of its upstream shareholding structure; and (iii) the degree of control the buyer gains through the transaction.

From a competition law standpoint, the buyer, with the seller's support, primarily carries the responsibility for conducting a preliminary assessment of the financial thresholds relevant to the market, industry, and the target company and its group.

Given the extended timelines, the parties are likely to start exchanging a broad range of information early in the process, through due diligence or other means. Any disclosure of sensitive information regarding either party or the target's business shall be made under strict confidentiality agreements.

In addition, it is essential to establish a clean team mechanism when the parties are deemed competitors or face competition law limitations. Parties will sign a clean team agreement that will define sensitive information, outline the limits for its disclosure and specify the procedural rules for handling clean team data. Clean team members will prepare redacted and desensitized reports to non-clean team members.

Conditions precedent

The standstill features of the FDI or merger control framework will be translated into one or several conditions precedent that affect the completion of the transaction. The terms and conditions under which the condition precedent will apply, and the parties' obligations in relation to them, will be provided in the share purchase agreement (SPA). In certain situations, this may turn a straightforward acquisition process into a two-step mechanism with an intermediary period and a deferred completion, which may not take place before the applicable regulatory procedure has been cleared.

Parties will most likely include a timeline for satisfying the conditions precedent and cooperation obligations. They will agree on a long-stop date, and possibly on a mechanism for its extension, considering the likely duration of the regulatory FDI screening and merger control proceedings.

Cooperation obligations

FDI and merger control procedures cannot be completed without an effective cooperation between parties. As such, a cooperation undertaking from all parties should be carefully crafted and included in the SPA. Such undertakings could also include the buyer consulting and sharing with the seller draft communications and support documents before these are communicated to the relevant authorities, as well as keeping the seller actively informed of the progress of the procedure.

> **"With the implementation of FDI and merger control procedures, more M&A transactions will now undergo a multifaceted review process that must be evaluated early and managed meticulously throughout."**

In certain situations, the clearance may be conditional on the parties undertaking certain commitments. The authorities may, for instance, request that the parties reduce the perimeter of the transaction, to discontinue certain business operations or practices or to implement a carve-out of the business, or they may impose a particular timing on the overall acquisition process.

Gap control

The time between signing and completing a transaction typically involves gap control covenants, where one party commits to the other to take or refrain from specific actions. These covenants are designed to ensure that the business continues to operate as before, preserving its value until completion.

Gap control commitments must be crafted with a view to prevent "gun jumping" behaviors, where parties implement the transaction before receiving merger clearance. As such, negotiating broad interim covenants that give the buyer de facto control or influence over the target's decisions or operations could be seen as a breach of the standstill obligation.

Remedies and ways out

The outcomes of the regulatory filings should be anticipated in the SPA, by including the following mechanisms:

i. A "rendezvous clause" whereby, upon certain triggering events occurring, parties shall meet and discuss in good faith with a view to agreeing whether or not the transactions shall be terminated or if they may be completed
ii. An agreement on the allocation of costs and responsibilities, where clearance is given subject to certain conditions
iii. Specific performance obligations that activate if a party fails to comply with the cooperation undertakings (if a material breach occurs, the non-breaching party may have the right to exit the deal and, in some cases, seek damages from the breaching party)
iv. A "hell or high water clause" that addresses the risks of regulatory challenges, delays or deadlocks in FDI or merger control procedures
v. Indemnification mechanisms, or a right to terminate the deal and walk away under carefully specified situations, such as the launch of an FDI phase II investigation, or a clearance being denied or obtained subject to certain conditions

With the Grand Duchy of Luxembourg implementing FDI and merger control procedures, more M&A transactions will now undergo a multifaceted review process that must be evaluated early and managed meticulously throughout. The early engagement of regulatory counsel, alongside M&A counsel, will enhance the parties' ability to negotiate and to strategically allocate potential risks and remedies in the transaction documentation. ●

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By **Philippe Harles,**
Partner at Arendt

Luxembourg – The Ideal Hub for Asian Private Equity Fund Managers?

Asia is the most vibrant, diverse and dynamic continent on the globe and is growing demographically and economically at a tremendous speed.

Asia and Luxembourg have been maintaining strong and long-standing diplomatic and economic relationships. Bank of China has set up its first overseas subsidiary in Luxembourg in 1979 and in meantime seven Chinese banks have set up their EU hubs in Luxembourg. Around 20 Japanese companies are active in the Luxembourg financial sector, among which Nomura Bank and Mizuho Trust & Banking. Singapore and the other ASEAN states are important trading partners for Luxembourg and the EU.

While the Private Equity markets in Asia are still very much underdeveloped in comparison to the US and the European ones, they are dynamic and rapidly growing industries. Some markets, like Hong Kong, Singapore, Korea, and Japan are nowadays very sophisticated. Others, like the ASEAN region, are stepping up their efforts. Given the large potential of the Private Equity markets in Asia, a number of the most important players active in the Asian Private Equity market, i.e., KKR, Carlyle, Blackstone and Bain Capital which are already very active in Luxembourg, are now more and more targeting the Asian market. This if often done through Luxembourg funds and vehicles. The same is true for a number of Asian-based fund managers. Luxembourg is the second biggest investment funds center globally including a substantial, but still fast-growing Private Equity and venture capital industry. The stable political, social and economic background in Luxembourg largely contributes to such growth which is of particular relevance in times of geopolitical and economic instability. Another important factor is the business minded financial services authority, the CSSF.

In addition, Luxembourg has currently signed 86 double taxation treaties, out of which about 20% with Asian countries including PRC, Japan, Korea, Singapore and Hong Kong, allowing a tax efficient structuring of fund vehicles. From a regulatory and compliance perspective, Luxembourg offers the highest standards in terms of investor protection. Luxembourg funds are generally subject to the rules set out by the Alternative Investment Fund Managers directive of 8 June 2011 (the AIFMD), providing for certain pre-contractual investor disclosures, regular reporting, fair treatment of all investors and a monitoring and liability system applicable to the various service providers. This offers a high level of security for investors in a Luxembourg fund, backed by the European anti-money laundering rules to which Luxembourg funds are subject. Luxembourg has implemented the Sustainable Finance Disclosure Regulation (SFDR) which is a European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by market players including investment funds.

The Luxembourg fund toolbox offers a number of well-suited options to Asian fund managers. A Luxembourg Private Equity fund may host European investors and may easily be marketed in all European members states through the EEA marketing passport. The fund may be set up in the form of a tax transparent special limited partnership (société en commandite spéciale), of which there are around 8,500 as of today. It may also be set up as a

“While Luxembourg has traditionally been used for parallel fund structures, it moves increasingly towards being a hub for the main or sole fund, in the latter case reducing the fund’s maintenance costs.”

Philippe Harles

Photo of the LPEA event in Singapore in November 2023

tax-exempt vehicle in the form of corporate limited partnership (société en commandite par actions) subject to the Reserved Alternative Investment Fund (RAIF) regime.

If not marketed in the European Economic Area, a fund set up in the form of a limited partnership may not need to be fully compliant with the AIFMD, thus providing for additional flexibility.

While Luxembourg has traditionally been used for parallel fund structures, it moves increasingly towards being a hub for the main or sole fund, in the latter case reducing the fund’s maintenance costs.

It should be noted that Luxembourg hosts an important number of well-established service providers with a good understanding of the needs of Asian actors, including Chinese and Japanese ones, which may be instrumental in assisting Asian managers in the setup of their Private Equity fund to make this a quick, smooth and seamless process.

In conclusion, it appears only natural for Asian Private Equity fund managers to look towards Luxembourg when considering setting up a fund vehicle. Luxembourg may take the unique role of the smallest common denominator, allowing to onboard European investors as well as generally all Asian and US based investors.

Given the likely growth of the Asian Private Equity industry and the additional need for financing, chances are that the grounds for cooperation between the various Asian jurisdictions and Luxembourg as far as fund structuring is concerned will increase substantially in the near future. ●

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By **Dr. Stefan Kratzsch,**
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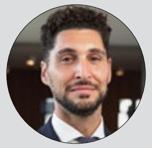

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What About the S and the G of ESG?

This article does neither intend to put forward a new interpretation of the EU Sustainable Finance Disclosure Regulation (SFDR), nor to explain to fund industry practitioners the compliance requirements the SFDR introduced. Much more simply it raises the question which gives the title to the article: "In the discussion around and about ESG, has attention not focused predominantly (if not exclusively) on its environmental dimension and substantially remained silent on its other (equally relevant) dimensions, namely the social and the governance ones?" In short, "What about the S and G of ESG?"

Dr. Stefan Kratzsch, Team Lead at the United Nations Industrial Development Organization (UNIDO), and Dr. Matteo Menegatti, Partner at EY Luxembourg, discuss the relationship between the SFDR regulation (and thus ESG) and the UN Sustainable Development Goals (hereafter SDGs in short). It appears that the environmental aspect is not, and has never been, the sole dimension the SFDR intended to tackle. Second, they unpack the important role that impact investing can play within the ESG regulation for the achievement of the SDGs and the wider EU and UN policy agenda.

SDGs as the policy context for the SFDR

As a starting point it should be noted that the relationship between the SDGs and the SFDR has gone rather unnoticed since the latter's introduction in 2019. In a sense this is quite surprising. In fact, anyone venturing to do a full reading of the SFDR will quickly note that SDGs are already referenced in the introductory SFDR paragraphs (to be precise three times in its first and once in its second paragraph). In a sense, SDGs constitute the macro-policy background and the overall context of the SFDR and thus ESG itself.

And in this regard it is worth highlighting how sustainability risks are defined in the SFDR (see sub 22 of art. 2), namely as an "environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment". As it appears clearly from this broad definition, ESG is not limited to environmental risks. And although it needs to be acknowledged that throughout the SFDR text there are other (and more frequent) references to the Paris Agreement (which relates to climate change), the focus for SFDR was never meant to be limited only to this environmental dimension.

Interestingly, even pre-SFDR, various investment managers had been active in the venture capital and private equity space with a geographical focus centered around Africa and South America and in other developing countries. In certain instances these players included micro-finance components in their investment strategy and acted/invested in close cooperation with the development community at large (UN, national agencies and NGOs) at the boundaries between technical assistance and the private sector in developing countries.[1] In general, Public-Private Partnerships (PPPs) seem to be very common in the sustainable investment space.[2]

Most importantly, it should be highlighted that these impact investment players did not attract the same interest that others did as the attention was catalyzed by the environmental aspect, also due to the focus given by investment vehicles with a geographical focus in developed countries such as the US and the EU.

1 Private Equity and Venture Capital in SMEs in Developing Countries. The Role for Technical Assistance, World Bank Policy Research Working Paper 6827, April 2014
2 Venture Capital in the Rise of Sustainable Investment, L Lin, February 2022

Impact investing and the achievement of the SDGs

The SFDR presents an important step forward for EU-based investment managers to re-orient their performance criteria that helps expected sustainability returns from their investments. Specific attention here is on showing compliance with SFDR Art. 8 vs. Art 9 in terms of promoting environmental and social outcomes (Art. 8) vs. putting them at the core of the actual investment (Art. 9). If these SFDR Articles have become a sort of classification standard in the industry, a key question should be raised: how do they align or, to borrow a technical term from the world of international standards, how "interoperable" are these SFDR Articles with other existing global metrics on ESG performance, impact investing (e.g., the IRIS or the Global Impact Investing Network, GIIN) and most importantly the world's 2030 Sustainable Development Goals (SDGs)?[3]

The SDGs are referenced as overall context in the introductory paragraphs of the SFDR but nowhere again in the Regulation itself, especially when defining "sustainable investment" as per its Article 2 (17).[4] This poses a challenge to securing more buy-in for the SDGs by those who manage the funds that are urgently needed to address the staggering annual investment gap of USD 4 trillion (grown from USD 2.5 trillion in 2015) that needs to be overcome to meet the 2030 SDGs.[5] The world is far off in raising such amounts of investments with identifiable social and environmental contributions and hence, unsurprisingly, the UN's SDG Summit attested in September 2023, that the 2030 SDGs are "woefully off track".[6]

3 Where do SDGs fit into new EU green finance rules? Geneva Solutions, February 2021
4 EU Sustainable Finance & SFDR: Making the framework fit for purpose, Eurosif, 2022
5 World Investment Report – Investing in sustainable energy for all, UNCTAD, July 2023
6 Halfway to 2030, world 'nowhere near' reaching Global Goals, UN warns, United Nations, July 2023

"The classification of assets under SFDR Art. 8 or Art. 9 have already converted, intentionally or not, into a type of sustainability seal in the financial industry and have become an integral part of branding of investment portfolios for the increasingly ESG-minded investor community."

The majority of fund managers may associate the SDGs with 17 colorful squared icons that describe abstract solutions to address the world's most pressing challenges until 2030. But they are much more than that. They represent, at a higher political level, a consensual anchor bringing the UN, national governments and the private sector around the table, expressly including investors, fund managers and development finance institutions (DFIs).

But there is also an operational dimension in them in that the SDG framework offers granularity, making them suitable to become a risk and reporting management instrument for fund managers and investee companies – besides the 17 goals, there are 169 targets and a total of 231 unique indicators.[7,8] This represents a solid set of sustainability metrics that deserves a closer look. Clearly, the existence of a measurement framework alone will not be enough. It needs to be complemented with capacity building, coordination and awareness building activities, especially in developing countries, to move towards *direct* measurements of environmental and social outcomes instead of relying on fuzzy proxies or expressed impact intentions at only the pre-investment stage.[9]

7 The 17 goals, United Nations
8 SDG Indicators, United Nations
9 DCED (2017). Attribution in Results Measurement: Rationale and Hurdles for Impact Investors, DCED, 2017

The classification of assets under SFDR Art. 8 or Art. 9 have already converted, intentionally or not, into a type of sustainability seal in the financial industry and have become an integral part of branding of investment portfolios for the increasingly ESG-minded investor community. This is a positive momentum and should be an opportune moment for the SDGs to become a principal reference in the SFDR, as opposed to being treated as merely a contextual high-level political discourse on the future of our planet, people and prosperity. In this regard, the High-Level Expert Group on scaling up sustainable finance in low- and middle-income countries final recommendations, recently published[10], clearly shows the commitment at an EU level to facilitate the transition towards sustainable development by mobilizing finance effectively. Moreover, such mobilization clearly involves leveraging public and private capital and also promotes innovative financial mechanisms and collaborations to unlock investment opportunities that align with the ESG principles.

The views expressed in this article are those of the authors based on their experience and on prior research and do not necessarily reflect the views of neither the UNIDO Secretariat nor of EY. ●

10 Scaling up sustainable finance in low and middle-income countries: Final recommendations, High-Level Expert Group, April 2024

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By **Priscilla Schnepper,**
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Pushing the Envelope: ESG Integration in Private Credit

Following its insightful article on Sustainability-linked Loans in Insight Out #28, the LPEA Private Debt Committee presents an extensive dossier that further explores the link between Private Credit and ESG. This dossier contains a range of in-depth articles from the European Investment Fund, I4B, A&O Shearman, and Ogier, sharing their expert insights on the topic. In the following pages, LPEA has curated a selection of executive summaries and invite you to digitally access the full content of the articles by scanning the QR code located at the end of this section.

Move towards sustainability in Private Credit – an overview and EIF's role and contribution as an LP

Sustainability has become increasingly important in the general investment space. The overall spectrum of ESG is wide, in the same way as topics covered under its umbrella. The European Commission explains sustainable finance as referring to the process of taking environmental, social and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and products.

Through its unique investment approach and tools (e.g. sustainable purpose finance, link to sustainability targets), private credit has a critical role to play and the potential to address and improve relevant ESG related aspects, while maintaining an attractive risk-adjusted return profile. Investment opportunities go beyond the integration of a detailed ESG assessment and include debt financing to growth companies developing innovative (climate) solutions, bridge financing between initial equity and bank debt financing for renewable energy installations or linking financing to ambitious decarbonization goals. Data availability, useability and harmonization remain challenges, inter alia from a cost-benefit analysis. Initiatives leading to increased measurement and disclosure (e.g. PCAF, SFDR, ESRS, ISSB's IRFS S1&S2) pave the way towards increased awareness, knowledge and understanding of ESG and climate-related risks and opportunities. In the private credit space, GPs leverage on a unique access to companies in order to obtain and encourage further information collection and knowledge sharing.

ESG risk is financial risk and climate risk will sooner or later affect companies' and thus investors' bottom lines. Incorporating an extra-financial analysis and/or climate (tech) solutions into the investment portfolio can support future-proofing the investment portfolio and begin to (quoting N. Stern) remedy one of the biggest market failures.

As an EU body and a large European LP in private credit (LP Investor of the year 2023 by PDI Awards), the EIF aims at identifying and fostering investments in attractive risk-adjusted return opportunities, while supporting the sustainable development of SMEs in Europe and the private credit ecosystem to provide alternative sources of finance. In this role, the EIF has the potential to front-run ESG and climate-relevant investment initiatives and other EU policy priorities with the aim to catalyze private capital into attractive investment opportunities serving the common European good.

> **"Through its unique investment approach and tools, private credit has a critical role to play and the potential to address and improve relevant ESG related aspects, while maintaining an attractive risk-adjusted return profile."**

The detailed article - see QR code on page 47 - covers, inter alia, the overall shift of private credit towards sustainability, the urgency to act and support a just climate transition with relevant environmental, social (and governance) priorities, the attractive and relevant role private credit plays in this context, a deeper dive into data collection and availability and finally the EIF's role and investment approach. ●

Priscilla Schnepper,
Investment Manager
Private Debt Fund Investments,
European Investment Fund

Navigating ESG Integration in Infrastructure Investments: Embracing Opportunities Amidst Challenges

Gone are the days when ESG issues were just for a niche group of investors. Now, according to the latest Global Sustainable Investment Alliance (GSIA) report, a whopping $30.3 trillion is invested globally in sustainable assets. More and more investors are taking sustainability seriously.

Infrastructure investments are at the heart of this shift. They are crucial for driving positive change and building a greener future. The Global Infrastructure Hub says a massive $3.7 trillion are needed each year until 2035 to meet global sustainability goals. That's a big job, and infrastructure investments are key to making it happen.

ESG integration offers numerous opportunities for infrastructure managers, but it also comes with its own set of challenges.

Infrastructure managers who integrate ESG analysis in their investment process are certain to enhance their projects' resilience and safeguard long-term value. Their efforts also unlock opportunities for innovation, efficiency improvements, and stakeholder engagement. This also drives sustainable development outcomes for the communities where they invest and contributes to achieving broader sustainability goals.

Integrating ESG principles into infrastructure management does require navigating some hurdles. While regulations like the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy for sustainable activities are pushing us in the right direction, they also add complexity to the mix. Asset managers grapple with the challenge of taxonomy alignment, weighing the trade-offs between investing in newly constructed taxonomy-aligned assets against the ease of upgrading existing infrastructure to improve its sustainability performance even if doesn't align with the Taxonomy. Marginal improvements may not meet stringent taxonomy criteria, yet they do signify progress towards a more sustainable future. This is the dilemma faced by many infrastructure investors when allocating capital.

Read the full article - see QR code on page 47 - for more details and examples of the opportunities and challenges faced by infrastructure investors. ●

Nadia Popova de Coninck
& Moyra Bonjean,
I4B – The Belgian Infrastructure Fund

> **"According to the latest Global Sustainable Investment Alliance (GSIA) report, a whopping $30.3 trillion is invested globally in sustainable assets."**

INSIGHTS

Private Debt Funds – How to Strike the Right Balance Between ESG Integration and Regulatory Requirements

Private debt is rapidly catching up in the realm of ESG integration, with the pace of sustainable investment advancements in this asset class being unprecedented. Despite the challenge of obtaining reliable ESG data, it is expected that private debt funds will focus more and more on ESG and responsible investments, as both regulators and investors are demanding high levels of ESG integration, product offerings, and regulatory reporting. Moreover, there is a notable surge in the demand for ESG-impact investments within the private debt sector. This trend is particularly pronounced in Europe, where there is a burgeoning demand for private debt funds that focus on climate change and other environmental challenges. These funds typically invest in sustainable transportation, mobility solutions, energy transition and renewable energy. These targeted investment areas are not only pivotal in the fight against climate change but also represent a growing recognition of the critical role that private capital plays in fostering sustainable development. As private debt funds increasingly pivot towards ESG and responsible investment practices, they encounter a complex web of regulatory challenges that necessitate a nuanced understanding of the evolving policy environment and a proactive approach to compliance.

The regulatory environment for private debt funds is characterized by a proactive stance from the European Union, which has been at the forefront of fostering a sustainable finance ecosystem. Initiatives such as the Sustainable Finance Disclosures Regulation (SFDR), the Corporate Sustainability Reporting Directive (CSRD), the ESG Ratings Regulation and the ESMA guidelines on fund names, exemplify the EU's commitment to transparency and accountability in sustainable finance. However, these regulations also pose challenges. For instance, transition-focused funds may not qualify as sustainable investments under SFDR, prompting discussions about the need for a new category or label under SFDR or clearer definition of sustainable investment to encompass transitional funds. To overcome the lack of ESG data, private debt funds are exploring innovative structuring options, such as sustainability-linked loans and ESG margin ratchets. The CSRD and European Sustainability Reporting Standards (ESRS) could help align Principal Adverse Impact (PAI) indicators with materiality assessments, thereby enhancing data collection. Private debt funds may need to define reporting terms contractually, and consider fund lifecycle stages to mitigate greenwashing risks.

The upcoming ESG ratings regulation may introduce additional transparency obligations on AIFMs disclosing their own ESG methodology for marketing to third parties. Additionally, ESMA guidelines on fund names will also set minimum thresholds and standards to use certain ESG-related terms ensuring that fund names accurately reflect the underlying investment strategies.

> **"The regulatory environment for private debt funds is characterized by a proactive stance from the European Union, which has been at the forefront of fostering a sustainable finance ecosystem."**

In Luxembourg, a key jurisdiction for private funds, a recent CSSF circular 24/856 increases the regulatory oversight on investment restrictions breaches and Net Asset Value (NAV) errors by alternative investment vehicles. Although the focus of this regulation is not specifically on ESG or private debt funds, it will bring into scope some Luxembourg private debt funds and enhance the regulatory focus on their compliance with their investment restrictions, including their ESG policy.

For private debt funds, staying informed and compliant with these regulatory updates is not just a matter of legal necessity but also a strategic imperative. Ensuring that operations, marketing, and naming practices align with regulatory standards is crucial for demonstrating a genuine commitment to sustainability. It also serves to protect investor interests and reinforce the fund's credibility and integrity in a market that is rapidly evolving and increasingly scrutinizing the authenticity of ESG claims. As the regulatory landscape continues to evolve, private debt funds must remain vigilant and adaptable to maintain their competitive edge and uphold the principles of responsible investment.

Scan the QR code hereunder to read the full article and be kept abreast of the latest EU regulatory changes ●

Codrina Constantinescu, Counsel
& **Dara Ingallo**
Senior Knowledge Lawyer at A&O Shearman

ESG and Debt Funds - Contrasting Regulatory Developments in the US and EU

While the EU's approach to ESG is regulatory-driven, ESG integration in the US was historically led by the private sector. The US regulator is steadily picking up this topic and currently adopting final rules on ESG disclosures for funds and advisors, which underlines the increasing importance of ESG in the US.

A recent proposal from the Securities and Exchange Commission (SEC) distinguishes between different fund categories depending on the consideration of specific ESG factors. The US regulator therefore seems to take an approach comparable to the EU. The same goes for the SEC fund naming convention, which is generally aligned with the key concepts of the recently revised ESMA guidelines establishing harmonised criteria for the use of ESG and sustainability terms in fund names.

Careful reconciliation of the EU and US ESG rules in the fund operations and legal documents is, however, only one aspect to be taken into consideration by US managers willing to engage with the EU market. US managers also need to strike the balance between different groups of investors with opposing ESG appetites. Certain US investors are subject to anti-ESG rules while EU institutional investors are generally keen to see a certain ESG commitment. In addition, complex fund structures with several EU fund vehicles in different jurisdictions require pragmatic solutions to address the various regulators' nuanced views on specific disclosure points. With a collaborative cross-jurisdictional effort between the involved service providers, combined with thorough drafting of the legal documents, it is possible to establish legally and commercially sound fund structures.

> **"Careful reconciliation of the EU and US ESG rules in the fund operations and legal documents is one aspect to be taken into consideration by US managers willing to engage with the EU market."**

Read the full article - scan the QR code hereunder - for more details on the latest regulatory developments in the US in contrast to the EU, along with practical examples of the challenges US managers face when conquering the EU market. ●

Milan Hauber,
Managing Associate at Ogier

Access all the articles

INSIGHTS

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By **Elena Gibson,**
Director, Carry4Good and
Partner, Ashoka Europe

Carry4Good – How Investors Leverage the Impact of the World's Leading Social Entrepreneurs.

A very different conversation

At last year's Super Investor in Zurich attendants were surprised by a rather unusual panel discussion on the agenda. On the panel: Alain Werner, a social entrepreneur who takes war criminals to court and Alain Nicod, founder of Swiss Venture Capital fund VI Partners. The question the panel discussed was how we can ensure that capital meets ideas that have the ambition to solve some of the world's most entrenched social and environmental challenges. In answer to this question, Ashoka – the world's largest network of social entrepreneurs and one of the top 10 most impactful NGOs - launched the Carry4Good pledge: a simple idea, by which GPs like Alain pledge a percentage of their carry as well as their brain power to the most innovative social entrepreneurs, thereby increasing their potential to solve society's most urgent challenges.

The power of selection

Carry4Good was born out of conversations with many players from the Venture Capital and Private Equity industry, more and more of whom are wondering how they can apply their resources and networks to have the biggest social impact. The pioneers behind the idea were the founding partners of Acton Capital, a Munich based VC fund, as well as Klaus Hommels, founding partner of Lakestar. They were the first to commit and inspired over 40 funds and individual GPs to sign the pledge since. The model resonates with many investors who believe in the power of entrepreneurship and understand that it takes time and experience to select the right and very best people to innovate, disrupt and improve industries - or in this case failing systems.

The history of social entrepreneurship

Ashoka coined the term social entrepreneurship in the early 80s, identifying individuals who solve social issues with an entrepreneurial mindset and the ambition to tackle the root cause of a problem, rather than the symptom. Many Ashoka Fellows have done just that: Jimmy Wales, the founder of Wikipedia proved that knowledge should indeed be free, Muhammad Yunus showed the world that the poor, and women in particular, are credit worthy and can boost an economy through micro credits, Mark Koska has shown that infecting innocent patients through dirty syringes is an avoidable tragedy by introducing the world's first auto-disabled syringe and bringing about the 3rd ever WHO recommendation. These are just 3 examples of the nearly 4000 social entrepreneurs who have gone through Ashoka's rigorous selection process and who entered its Fellowship, receiving some financial and lifelong strategic support.

What makes a social entrepreneur?

Since coining the term, social entrepreneurship has been interpreted in many ways. But there are a few characteristics that set social entrepreneurs apart from business entrepreneurs or charities:

1. **They create systemic change**
   Social entrepreneurs go beyond service delivery. While there is still a legitimate case for emergency response and provisions for those in need, a soup kitchen will never ultimately solve the root cause of a system. Hence, social entrepreneurs carefully study the system they are trying to disrupt: What resources go into it, who plays which role within it, which rules and regulations apply? They work on a systems level, addressing the root cause of a problem and working on the many underlying sub-systems. For the issue of re-offending for example, this would require considering not only the prison system, but the probation, housing, social care, and education system. As Desmond Tutu put it 'There comes a point where we need to stop just pulling people out of the river. We need to go upstream and find out why they're falling in.' Social entrepreneurs like Nicole Rycroft do just that. Concerned with the survival of ancient woodland, rather than chaining herself to the treetops like an activist might do, she identified the industries most reliant on wood: the publishing, packaging, and fashion industry. And rather than influencing the behavior of millions of customers, she works with the executives of 800 companies, helping them to free their supply chains from ancient wood by changing the way they operate.

2. **They grow their impact, not their organization**
   Social entrepreneurs also understand that growing their impact does not necessarily correlate with growing their organization. You wouldn't want any charity to grow as big as the problem it's trying to solve in order to meet demand. Instead, social entrepreneurs scale their indirect impact. They change norms, policies and society's mindset on a given subject, they build alliances and might even encourage copycats to ensure their ideas spread. Only by scaling in this way can they ensure that their impact can outgrow and outlast their reach and work.

3. **They measure their success in impact, not in financial terms**
   Most social entrepreneurs are agnostic to the legal structure of their organization. The guiding question is which form will allow them to make the biggest impact. Typically, they work in places and on issues where the market in the traditional sense may not be able or willing, or indeed fit to solve problems. Sometimes, there is a revenue model, sometimes there isn't – not due to lack of innovation, but because markets are not prepared (yet) to pay for negative externalities or human tragedy. Sometimes social entrepreneurs would risk compromising their mission by pursuing a market opportunity. This mostly applies to those working in the fields of human rights, state violence, freedom of speech or even those working on climate change where the greatest threat to credibility is greenwashing.

How do investors fit in?

We all know that ideas need capital. In the case of social entrepreneurs this might be philanthropic capital, but not in the traditional sense: Systems-change requires funding that understands entrepreneurship, takes risks, invests in ideas, rather than programs. And that is where investors from the Private Equity and Venture Capital industry are uniquely positioned to contribute. They can apply all they have learned in the venture world to make sure that their impact strategy is as effective and scalable as their business strategy. With no exits or IPOs in sight for social entrepreneurs and with limited ways to reach traditional financial markets, it is communities like the Carry4Good pledge that can provide the moral, financial, and strategic support that social entrepreneurs need to scale, influence and inspire for the good of all. ●

> **"Systems-change requires funding that understands entrepreneurship, takes risks, invests in ideas, rather than programs. And that is where investors from the Private Equity and Venture Capital industry are uniquely positioned to contribute."**
>
> Elena Gibson

INSIGHT/OUT #30


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By **Myriam Baustert,**
Programme Coordinator at
Jonk Entrepreneuren

Chasing the Entrepreneurial Spirit: About Entrepreneurial Education and Employability

As companies continue to hunt for employees with an "entrepreneurial spirit", more and more job seekers are adding this attribute to their resume. The notion of having an entrepreneurial mindset has become trendy, but the significant question lingers: is it more than just a buzzword? And perhaps more crucially, can individuals cultivate an entrepreneurial mindset? Looking at the concept of entrepreneurial education, one would think so.

Empirical research suggests that education can raise awareness of entrepreneurship as a viable career option, therefore hinting at the idea that entrepreneurship can indeed be taught. Already in 1984, Peter Drucker, educator, author and management consultant stated that entrepreneurship is neither a science nor an art, but a practice. According to Santana-Vega and Gonzalez-Morales (2020), entrepreneurial education teaches students to turn ideas into actions and helps them develop valuable skills like critical thinking, problem solving, taking initiative and working collaboratively.

Those skills are often associated to the entrepreneurial spirit, which has been defined as the “capacity of individuals to recognise and seize opportunities, undertake calculated risks, and transform ideas into significant innovations that benefit society”. As entrepreneurs play a role in boosting job creation and fostering a culture of innovation and investment, the level of entrepreneurship in a country and its economic growth are undeniably linked. This connection underscores the importance of cultivating an entrepreneurial mindset among individuals, explaining the growing interest in doing so. Education being seen not only as a means to transfer academic knowledge, but also a way of moulding the character and establishing certain values and attitudes, the assumption that entrepreneurship can be taught is natural.

Considering that the key characteristics of the entrepreneurial spirit encompass various traits such as opportunity orientation, perseverance, passion, flexibility, adaptability, customer and market orientation, as well as proactivity and a willingness to take calculated risks, both entrepreneurs and employees can derive benefits from embodying this spirit. Entrepreneurship initiatives within educational institutions, such as schools and universities, are viewed as a means of nurturing entrepreneurial curiosity and fostering an entrepreneurial mindset. Examples of entrepreneurial programmes include business competitions, the provision of entrepreneurial mentors and the engagement of students in innovative ventures.

Furthermore, education also plays a

vital role in addressing the negative societal stigma surrounding failure. Failure is often viewed as a sign of weakness and ineptitude, despite the commonly shared notion that we learn from our mistakes. Unfortunately, traditional educational systems fall short in teaching students how to cope with failure. The conventional use of point systems can lead to students feeling inferior if they do not perform as well as their peers. Additionally, the lack of repercussions, such as having to repeat a school year, may convey the message that success can be achieved without exerting effort. In the realm of entrepreneurship, failure is viewed as a natural part of the learning process and is ultimately essential for personal growth and improvement.

It is in this setting that Jonk Entrepreneuren Luxembourg (JEL) has dedicated itself to implementing entrepreneurial programmes in Luxembourgish schools since 2005. These initiatives may include hands-on entrepreneurial experiences, where students are able to develop and present their own business ideas, or classroom interventions led by volunteers addressing important topics such as financial literacy. To effectively cultivate entrepreneurial spirit among the youth, it is essential to encourage collaboration among various stakeholders, such as the government, educational institutions, the corporate sector, and the wider community. Jonk Entrepreneuren Luxembourg plays a facilitating role in uniting these stakeholders and enabling a direct contact between students and companies. In 2022/23, almost 16 000 students and 500 volunteers from the professional world took part in one of JEL's 13 programmes.
The financial literacy program "Fit for Life" by JEL, for example, pairs up volunteers from the financial industry with students aged 14 to 16 years old. According to a study conducted by Hastings et al. in 2013, individuals with low financial literacy are more likely to engage in negative credit behaviours

> **"Jonk Entrepreneuren Luxembourg has dedicated itself to implementing entrepreneurial programmes in Luxembourgish schools since 2005."**
>
> Myriam Baustert

such as accumulating debt, resorting to high-cost borrowing, making poor mortgage choices, experiencing mortgage delinquency, and facing home foreclosure. Given the complex nature of today's financial landscape and the fact that financial debts can burden not only the debtors themselves, but society at large, students must learn how to navigate this terrain as early as possible. In the ideal case, continuous financial-literacy programmes should be a compulsory part of the school curriculum throughout the students' education. During the 2022/23 academic year, the "Fit for Life" initiative facilitated financial literacy training for 3,300 students through the support of more than 90 volunteers.

Ultimately, it is clear that the idea of the entrepreneurial spirit goes beyond mere trendiness, encompassing valuable skills and attitudes that should be nurtured in young individuals to create a society marked by dynamism, innovation, and sustainability. An entrepreneurial mindset can be fostered through appropriate education, by implementing suitable curricula, creating a supportive and inclusive environment, utilizing innovative technology, offering education on social entrepreneurship and encouraging strong collaboration between stakeholders.
It is our duty to equip individuals with essential entrepreneurial skills, dispel misconceptions surrounding failure and foster a supportive environment for future entrepreneurs and job seekers alike. Promoting ethical values, social responsibility and inclusivity is also an integral aspect of this endeavour. Understandably not everyone will become an entrepreneur (nor should they), but the skills and knowledge gained from entrepreneurial education are valuable for all individuals. Ensuring equal opportunities is thus key. For anyone interested in contributing their time and skills to drive positive transformation in society contact Jonk Entrepreneuren Luxembourg to explore opportunities for becoming a volunteer! Various options are available, ranging from direct coaching to facilitating workshops and intervening in classrooms. ●

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By **Anne Canel,**
Co-head of the Independent &
Non-executive Directors Club

Managing Permanent Change in Private Equity with Collective Intelligence: the Role of the Board and Independent Directors

Readers of LPEA publications; you probably don't need to be reminded of the continuously changing landscape that Private Equity has to deal with…
In this complex environment, the role of independent directors has never been more crucial. These seasoned experts and managers are pivotal in steering Private Equity firms through challenges like increased regulation, liquidity constraints, problematic valuations, and significant transmission issues, all while mitigating the impacts from external shocks including climate change, wars, and geopolitical fluctuations.

Increased Regulation

As a victim of its own success, Private Equity has seen a significant surge in regulatory scrutiny. This uptick is largely due to a growing recognition of the substantial impact our firms have on the global economy. Independent directors are tasked with not only ensuring that firms comply with these regulations, but also with guiding them through the labyrinth of legal frameworks. Luxembourg has not been spared in this respect.
By staying ahead of regulatory changes and understanding their implications, lawyers that are independent directors can shield firms from potential legal entanglements, as well as enhance their reputation for corporate governance, which is critical to maintaining investor confidence.

Challenges in Liquidity and Valuation

Liquidity and valuation are recurrent challenges in Private Equity, but even more pronounced since the challenges post-COVID. Former Auditors and M&A consultants as directors play a critical role in overseeing the financial health of assets, ensuring that liquidity is maintained without unnecessarily sacrificing investment opportunities. Additionally, they will objectively oversee valuation processes, guaranteeing their continuity and/or adapting based on context. Their oversight is crucial to preventing overvaluation that could lead to significant losses or missed potential growth opportunities due to undervaluation.

Science and Transformation Management

As Private Equity firms navigate the complexities of integrating new technologies such as AI and cybersecurity, independent directors bring a wealth of knowledge and an external perspective that can significantly enhance strategic decision-making.
With scientists and managers of start-ups as directors, you benefit from their expertise to ensure that technology adoption aligns with the firm's overall strategy and regulatory requirements, enhancing its operational efficiencies and competitive advantage. Moreover, they can drive the adoption of these technologies to improve risk management and data security, crucial areas as firms become increasingly digital.

> **"By reviewing contingency planning and crisis management efforts, independent directors help ensure that Private Equity firms are not only prepared for the unexpected but can also capitalize on new opportunities that arise from these changes."**
> Anne Canel

Enhancing ESG Reporting

With increasing focus on an environmental, social, and governance (ESG) regulations framework, independent directors play a pivotal role in ensuring robust ESG reporting, particularly within those like the Sustainable Finance Disclosure Regulation (SFDR). Their experience in governance and oversight helps firms navigate the complexities of ESG criteria, ensuring compliance and transparency. This not only helps in meeting investor and regulatory expectations, but also in positioning the firm as a responsible entity in the market.

Navigating Transmission Issues

Transmission issues, including leadership transitions and strategic pivots, are crucial periods for any Private Equity firm, and there is momentum now in which the "next gen" is waiting to take its place. Seasoned businesspeople as directors are essential during these periods, ensuring that discussions are possible, allowing smooth, seamless transitions and mitigating breaches in a firm's operational or strategic continuity. Their external, objective perspective and experience can be invaluable in aligning new leadership with the firm's long-term goals and stabilizing the firm during potentially turbulent times.

Responding to Unexpected Events

The current perceived instability in business, due to the impact of global events such as climate change, wars, and shifts in geopolitics has created significant disruption for any management, having had a far easier go of it until fairly recently.
Independent directors are key and invaluable at these times, providing established strategies to address these challenges.
Their ability to plan for and react to these events helps firms to manage risks effectively and position themselves advantageously for the future. By reviewing contingency planning and crisis management efforts, independent directors help ensure that Private Equity firms are not only prepared for the unexpected but can also capitalize on new opportunities that arise from these changes.

Relying on collective intelligence

Independent directors are the linchpins in the governance of Private Equity firms, especially crucial in a period marked by significant change and uncertainty. Their expertise and oversight facilitate compliance, financial stability, strategic continuity, and effective crisis management.
As the Private Equity landscape continues to shift, the strategic incorporation of experienced, knowledgeable, independent directors will be vital for firms aiming to thrive in an unpredictable global market.
Their proactive, practiced approach to governance is not just beneficial but essential for navigating the future challenges that lie ahead in the sphere of Private Equity. ●

LPEA IDs & NEDs' Club, an exclusive community within the Luxembourg Private Equity and Venture Capital Association (LPEA). **When choosing Luxembourg as your hub for Private Equity and venture capital, the LPEA IDs & NEDs' Club is your key to success in this dynamic sector.

iNED's Webpage

iNED's LinkedIn Account

By Estelle Beyl Vodouhe,
Co-Chair and Co-head of Platform investing and Head of Real Assets at Carlyle

And Tudor Sambritchi
Co-Chair and Conducting Officer at Blackstone

LPEA

Large Buyout Club

At the origin

In 2019, the LPEA initiated the establishment of the Large Buyout Club. This initiative's core objective remains to convene prominent figures within the vast landscape of the private equity sector. Its purpose is to foster dialogue, facilitate the interchange of insights, and address challenges collaboratively among its members. This is primarily achieved through active engagement in the LPEA's internal workgroups and the role of the Large Buyout Club is to act as a sounding board for challenges that the market faces and solutions for those challenges.

Who

The formation has been effective in attracting a diverse array of participants within the private equity realm, now boasting approximately 20 member entities. These include 3i Group, Alpha Private Equity, Apollo, BC Partners, Blackstone, CVC Capital Partners, Carlyle, Castik Capital, Castlelake, Cinven, EQT, Eurazeo, ICG, IK Partners, Lone Star Luxembourg (LSCI), Montagu, Pai Partners, Swancap, TPG Capital, Triton Partners, Warburg Pincus. The co-chairs of the group are currently Estelle Beyl Vodouhe from Carlyle and Tudor Sambritchi from Blackstone.

What

The group dedicates on bringing together a broad spectrum of market participants to ensure balanced representation and incorporate diverse perspectives. Its concerted efforts are directed towards creating a platform that helps tackle challenges and discuss important issues in the private equity sector. This includes sharing the best methods and standards to help everyone work together more smoothly. After the pandemic, the LBO Club hosted a strategy session to welcome new joiners and reacquaint in-person. This meeting combined introductions and planning for the future, aligning with the vision of the LPEA. It focused on the year ahead, including engagements with governing bodies and fostering interactions across the LPEA, which is a crucial step toward working better together and having a stronger influence.

The working group is moving forward with key projects, such as a SWOT analysis on Luxembourg attractiveness for fund managers, addressing both strengths and critical challenges. Discussions are also unfolding on treasury challenges and digital innovations, including digital investor onboarding and establishing a 'Single Source of Truth.' Plans to collaborate with additional LPEA clubs and committees are in place as the group prepares for significant upcoming regulations like the AIFMD II review and the CBDF Directive. These efforts reflect a commitment to streamline operations, enhance compliance, and foster sustainable practices within the financial sector.

When

The group convenes at least on a semi-annual basis.

How to apply

Individuals with an interest in joining are encouraged to submit an application through the provided form or by reaching out directly to the LPEA. ●

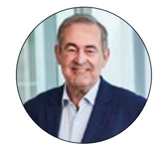
> **"The working group is moving forward with key projects, such as a SWOT analysis on Luxembourg attractiveness for fund managers, addressing both strengths and critical challenges."**

Alexandra Matias
TPG

Aline Bapst
3i Investments

Caroline Goergen
CVC Advisers

Claus Mansfeldt
SwanCap



Dan Arendt
Castik

Elona Ajdari
Cinven

Estelle Beyl Vodouhe
Carlyle

Fabrice Jeusette
AMI

Giuliano Bidoli
BC Partners

Hind El Gaidi
ICG

Johanna Michelot
Montagu

Joshua Stone
EQT

Julia Wallon
Castik

Luca Baggioli
EQT

Marc Boulesteix
Eurazeo

Maxime Miossec
PAI Partners

Patrick Steinhauser
Lone Star Capital

Pierre-Alexandre Lechantre
Triton Partners

Piotr Andrzejewski
CL Lux Services

Raquel Guevara
Warburg Pincus
IK Investment

Sandrine Anton
Partners

Sébastien Wiander
Alpha Private Equity

Tudor Sambritchi
Blackstone

Yassine Khechini
Montagu

... in Zurich

Speakers line-up of Luxembourg Private Equity Seminar in Zurich

Lina Novak (KPMG Switzerland) and Laura Zahren (KPMG Luxembourg)

Ambassador of Luxembourg in Bern, H.E. Conrad A. Bruch

Luxembourg Private Equity Seminar in Zurich

... in Stockholm

Democratization Panel with Excee Tan (KPMG), Kerstin Lindgren (CACEIS), Steve Keiser (SEB), Jeffrey Kolbet (Elvinger Hoss Prussen)

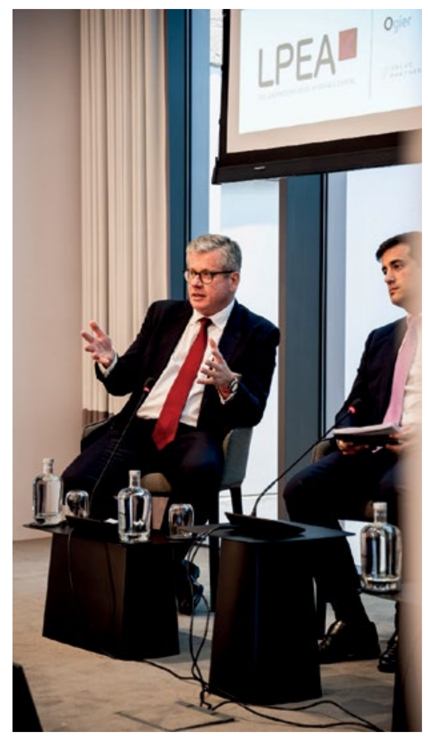
... in Paris

ELTIF Panel with Joanna Pecenik (Allen & Overy), Sébastien Robillot (BNP Paribas Asset Management), Alexis Sarrazin (Schelcher Prince Gestion)

Aurelien Hollard (CMS)

Mathieu Scodellaro, PwC Legal

... in Lisbon



Claus Mansfeldt, President of LPEA

Stephane Pesch, CEO of LPEA

Luis Galveias, COO of LPEA

Ambassador of Luxembourg in Portugal H.E. Martine Schommer

EVENT COVERAGE Luxembourg PE Seminar...

LPEA PE Tech Demo Day held at Spuerkeess

LPEA Investment Circle hosted by Blackstone

Jessica Peters (Argos Wityu) and Jeremy Pages (Deloitte) in the Navigating ESG Reporting Frameworks event

Leveraging Visible Diversity, co-organised with A&O Sherman and Apollo

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 Way Up

Arnaud Julien
Luxembourg Managing Partner
Ashurst

Catherine Kremer
Partner
Linklaters

Mónica R. da Fonseca
Conducting Officer- Head of Sales and Distribution
MC Square

Francesco Cavallini
Regional Head of Sustainable Finance
IQ-EQ

Arnaud Fostier
Partner
Simmons & Simmons

©DR

People on the Move

Christophe Santer
Head of Sales
IQ-EQ

Hervé Leclercq
Partner
Ogier

Looking for talents or a new professional challenge?

Share your vacancies and check for job opportunities in LPEA's Vacancies page. The publication of job vacancies is free and exclusive to members of LPEA.

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 547 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.

Executive Committee


Claus Mansfeldt
President
LPEA


Hans-Jürgen Schmitz
Vice-President
Mangrove


Nick Tabone
Vice-President
Deloitte


Eckart Vogler
Treasurer
Investindustrial


Yannick Arbaut
Governance Secretary
Allen & Overy


Gilles Dusemon
Member
Arendt & Medernach


Gautier Laurent
Member
Cinven


Katia Panichi
Member
Elvinger Hoss Prussen


Jérôme Wittamer
Member
Expon


Laurent Capolaghi
Member
EY


Giuliano Bidoli
Member
BC Partners


Stephane Pesch
CEO
LPEA

Technical Committees

Legal
- AML
- AIFMD
- Corporate Law
- YPEL
- CMU
- Un/Regulated Funds
- Financing in PE - Legal
- Fund Finance - Banking

Tax
- YPEL
- VAT

Market Practice & Operations
- Risk Management

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

Clubs

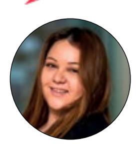
ESG
Private Equity For Women (PE4W)
Venture Capital
Large Buyout
Single Family Offices (SFO)
Wealth Management
Human Resources (HR)
Insurance
Corporate Venture Capital (CVC)
PE Tech
Independent and Non-executive Directors
Chief Financial Officer
Infrastructure
Private Debt
Secondaries
M&A Club

LPEA Team

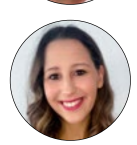

Stephane Pesch
Chief Executive Officer


Luis Galveias
Chief Operating Officer

Kheira Mahmoudi
Executive Office, Governance & Operations


Evi Gkini
Head of Business Development and Project Management


Johann Herz
Head of Events and Communications


Joana Barreiro
Marketing & Events Officer

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