PRIVATE EQUITY
INSIGHT/OUT

Vesalius Biocapital

Driving Innovation in Life Sciences

IPEM: An Accelerator for Private Equity

Hydrogen: The Critical Element for the Future Energy Economy

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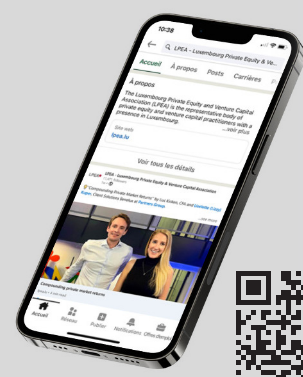

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LPEA
THE LUXEMBOURG VOICE OF PRIVATE CAPITAL

Dear members, friends and partners,

The LPEA, with its dedicated Public Affairs group of experts, official representatives, and the arrival of Emilie (Legal & Regulatory Coordinator of the association), has worked extensively over the last few months and has reached its cruising speed. Many important topics for our industry, ecosystem, and members have been tackled in the meantime and will remain high on our agenda (follow-ups) over the next few months. With our government, many constructive discussions have also been launched, and we are persuaded that Luxembourg will further develop enriching opportunities thanks to the public-private partnership and the creativity and agility of our industry.

With our partners Luxinnovation, LBAN, internationally-recognized speakers, and local experts, our flagship event, the Insights conference, held every year in October, was a great moment of exchange and experience-sharing, with many inspirational talks. This allowed us to surpass last year's success with 1,000 registrations and 850+ attendees. The LPEA team is eager to deliver, once again, another milestone event next year together with our closest contributors and members.

The roadshow season has slowly but surely reached an end after the US (NYC and Chicago), Warsaw, Milan, and Frankfurt events before starting a short hibernation until the IPEM conference in Cannes, scheduled for January 2025. Next to the traditional LPEA booth, a dedicated Luxembourg session around Wealth Management and the democratization of private markets will also be organized. Concerning the new cities and countries to be visited in 2025, do not hesitate to reach out to the LPEA team if you want to plan ahead and be part of this new campaign.

Last but not least, the first brainstorming sessions of the LPEA AI Lab have also been held in Q4 with the goal of concretely looking at different use and business cases, new opportunities, and potential disruptions, which could be part of this game-changing process for our ecosystem (GPs, service providers, and other experts). As heard many times, the short-term effects of ground-breaking innovations are often overestimated, while the midterm ones are rather underestimated. Therefore, let's figure out how this trend will evolve over the next few months and embrace this momentum with the right optimism and vision.

In the meantime, we wish you some nice Christmas holidays, memorable moments with your loved ones, and a well-deserved, successful 2025 vintage.

See you soon!

Stephane Pesch
CEO, LPEA

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Claus Mansfeldt
Chairman, LPEA

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LPEA at IPEM Wealth Cannes 2025

LPEA will participate in IPEM Cannes from January 28 to 30, 2025, the first edition focusing on wealth. As in previous years, LPEA will host its signature IPEM Cocktail, connecting Luxembourg's PE/VC community with the larger ecosystem.

For the first time, LPEA and some co-sponsors will lead a session on the democratisation of Private Equity with a wealth management focus. This new format highlights the long-term partnership LPEA and IPEM have built throughout the years.

Learn more about IPEM Cannes and its opportunities for meaningful connections in Antoine Colson's interview on page 20 of this magazine.

LPEA VC Masterclass: A Comprehensive Program on Venture Capital

The LPEA, together with its partners, is currently running the VC MasterClass Program, designed to educate individuals about the workings of venture capital. The program provides a thorough understanding of key aspects of the VC profession, including investment sourcing, due diligence, legal negotiation, portfolio management, and board governance. It also covers critical areas of fund management such as fund setup, structuring, investor relations, and operations.

Specialist sessions led by experienced VC practitioners offer insights into specific focus areas, including FinTech, B2B SaaS, Space, and BioTech/HealthTech.

The program involves 17 participants from Luxembourg and abroad and includes 34 detailed sessions. It is supported by leading organizations such as Expon Capital, MiddleGame Ventures, Mangrove Capital Partners, EIF, LBAN, Vesalius Biocapital IV Partners, Encevo, Catalpa Ventures, Cycle Group, Promus Ventures, Fidelity International, Multiple Capital, DLA Piper, and Pitch Me First.

LPEA Marks 15 Years of Driving PE&VC in Luxembourg

The LPEA is set to celebrate its 15th anniversary, uniting distinguished guests and professionals from the PE/VC sectors in a festive and reflective gathering. This milestone underscores LPEA's evolution and its contribution to Luxembourg's financial ecosystem.

To commemorate the occasion, LPEA will unveil an anniversary book featuring insights from thought leaders and long-time collaborators, chronicling the industry's transformation over the past five years and its future prospects.

The event will also mark the launch of LPEA's 2025-2030 strategy, centered on three pillars: reaffirming the association's role, advocating for Luxembourg's competitiveness with institutions and regulators, and advancing talent attraction, retention and education.

Draghi Report Highlights Critical Role of PE in Europe's Competitiveness

The Draghi Report on European Competitiveness highlights the urgent need for the EU to close its competitiveness gap with other regions. Leveraging private capital is deemed central to ensuring Europe's economic resilience and future prosperity.

PE & VC are acknowledged as pivotal forces behind innovation and economic transformation. These sectors consistently deliver strong returns, outpacing public markets and driving progress in critical areas like digitalization and climate transition.

Nevertheless, regulatory obstacles and market fragmentation limit the full impact of private capital. The report calls for the completion of the Capital Markets Union and the removal of cross-border tax frictions to unlock greater investment. As Europe faces geopolitical volatility and economic uncertainty, private capital is positioned to spearhead the next wave of innovation, job creation, and global competitiveness.

Golding Capital Partners Closes €250 Million Buyout Fund

Golding Capital Partners has successfully closed its "Golding Buyout 2021" fund at €250 million, marking the fourth generation of its established buyout strategy. This Article 8 fund, compliant with the EU Sustainable Financial Disclosure Regulation, combines primary, secondary, and co-investment strategies, attracting both existing and new investors, including foundations, savings banks, and family offices.

The fund focuses on small and mid-cap companies in resilient sectors like technology, healthcare, and B2B services across Europe and the USA. Leveraging experienced managers and active value creation, Golding's approach has already delivered positive results, including successful exits.

Call for Expressions of Interest: 2025 Cohort of the ISFA

The International Social Finance Accelerator (ISFA) is excited to announce that the call for expressions of interest for its 2025 Cohort will open on January 1st and run through the end of February. This multi-year program provides technical and financial support to early-stage impact investment managers with innovative social investment strategies who are actively fundraising. Selected participants, chosen through a rigorous process, gain access to expert training, coaching, working capital, and more. Stay updated by following the (ISFA) LinkedIn and visiting website.

COVER STORY

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Interview by **Stephane Pesch,**
CEO of LPEA

Driving Innovation in Life Sciences

In this interview Guy Geldhof and Fabienne Roussel, respectively Managing Partner and Partner, shed light on Vesalius Biocapital, a European life sciences venture capital firm established in Luxembourg in 2007. Specializing in biotech and healthtech investments, the firm focuses on companies addressing unmet medical needs with first- or best-in-class products.

Left to right: Stephane Verdood, Fabienne Roussel, Guy Geldhof and Olivier Houben.

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"Our ideal target company is addressing an unmet medical need, is at clinical stage, with an established proof of concept and a best/first-in-class product."

Can you tell us more about Vesalius?

Vesalius Biocapital is an established, life sciences, venture capital firm with a long track record of consistently high returns. Our seasoned team of domain experts invests in best- or first-in-class European biopharma and healthtech companies. The fund is also fully ESG compliant. The first Vesalius fund was set up in 2007 in Luxembourg as a SICAR, which offered a stable yet flexible framework for fund raising on a pan-European basis.

Vesalius Biocapital is currently in its fourth generation of fund raising, Vesalius Biocapital IV, which was set up in the Summer of 2023. As with all previous funds, the current fourth fund has been set up as a SICAR.

With nearly € 110 million raised today and already 4 investments executed in our fourth fund, which has had a good start and we are well underway in building our portfolio. We want to invest half of this latest fund in biotech companies and the other half in digital health companies. Our ideal target company is addressing an unmet medical need, is at the clinical stage, has an established proof of concept, and a best/first-in-class product. By first-in-class drugs, we mean those that employ a new and unique mechanism of action for treating a medical condition. A best-in-class drug is typically a follow-on drug that is considered superior, within an established mechanism of action, providing improved efficacy, safety, patient compliance, and/or reducing the cost or burden of treatment, when compared to a first-in-class or previous best-in-class drug. Essentially, as new treatment options are created, we want our products to be innovative and provide a significant impact for patients.

This applies to our healthtech target companies as well, where we strive for innovative solutions that will improve treatments and positively impact patients.

We are currently working towards a final closing of the fund in 2025 and are welcoming new investors who share our value creation approach, because fund size does matter, especially for implementing our strategy of building a well-balanced and representative portfolio of the best in European biotech.

In our fourth fund, we are also putting our younger professionals at the forefront. At the partner level, our team now includes a new generation

COVER STORY

"We have not been confronted with heavy write-offs in the portfolio. We can really say today that our LPs appreciate our strategy to take the time to make the right investments and to have stayed away from those inflated deals."

of ambitious and well-seasoned life sciences experts.

You've been situated in Luxembourg since your first fund. What is your relationship with the country?

We adopted Luxembourg in 2007 after a rigorous process of analysing where to set up the fund. We have repeated this analysis for each fund generation and, as you can see, we chose to remain in Luxembourg. We also strengthened our bond with the country when we set up our own EuVeca Manager in Luxembourg. With the arrival of AIFMD, the choice of a resident country was again on our plate and we reassessed the pros and cons of different jurisdictions. In the end, with our network and presence already in place, choosing Luxembourg was obvious. We are in a very central geographical position and within easy reach of our daily operations, close to the Benelux countries, Germany, France, and Switzerland, where we find the majority of our investment opportunities.

At the time of Vesalius' formation, Luxembourg was consolidating its research infrastructure in human health via the creation of the Luxembourg Institute of Health (previously named CRP-Santé) and the University of Luxembourg. Since then, many initiatives have emerged to bring the country's capacity for innovation in Life Sciences on par with its neighbours, with a unique twist; to be competitive but not in competition. The government's Digital Health strategy aims to put Luxembourg on the map in Europe with the future development of the HE:AL campus, next to the House of BioHealth, and CHEM's Süd-Spidol, alongside the Cité des Sciences de Belval. We are in close and regular contact with the actors of innovation in Luxembourg, at times contributing to initiatives such as Fit4Start, which selects and supports start-up companies locally.

We will therefore be on the lookout, as these young start-up companies grow within the Luxembourg ecosystem and need follow-on funding. At the moment, a great many of the companies that have been presented to us are still too early-stage, as Vesalius has evolved to become a mid- and later-stage investor, but we'll be in the first row when these companies have completed the proof of concept for their product.

The VC fundraising environment has been challenging. Nonetheless you managed to make the first close of your fund in 2023. What is your main takeaway and what is the profile of investors allocating to Biotech?

You are right that the fundraising environment has been challenging and let's say that it still is. With perseverance, a strong track record, and a solid, existing LP-base, we were, however, able to realise a first close over the summer of 2023.

The Covid pandemic on the one hand and the strong financial markets in 2020-2021 on the other, created an increased investors' appetite for the life sciences fund industry. This field also attracted big amounts of money and these seemingly never-ending funds created unrealistic expectations for biotech and digital health companies. We saw many target companies outprice themselves in those years. In this widespread exuberance, we found it very difficult to deploy our money at that time, as many company valuations went through the roof, to the point where we could no longer rationalize the numbers. As an illustration, it took us two years to execute the last investment in our previous fund, Vesalius Biocapital III. That cautious strategy has been paying off for our fundraising, as our portfolio has kept its value over time. We have not been confronted with heavy write-offs in the portfolio. Today, we can actually say that our LPs appreciate our strategy of taking the time to make the right investments, and to have stayed away from those inflated deals.

Over the succession of funds, we have been able to fine-tune our strategy, and our performance has been steadily growing, fund after fund. We are increasingly in a situation where we have demonstrated our capacity to generate consistent returns for our investors.

We also have a pretty loyal base of investors, many of them private investors. Since our first fund in 2007, Vesalius has been focussed on attracting private individuals and Family Offices. Over time, they have seen our approach and value the returns we have generated for them. Even in the most difficult years, we have been able to realize capital distributions and return money

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to our investors. This has allowed our investors, in turn, to allocate new and additional commitments to us. We now benefit from this strategy, with word of mouth spreading among LPs' networks, as they talk to their families and friends. Our LP base supports our strategy of a diversified portfolio approach, because they realise that our industry is capable of creating very high value, but diversification is key to managing the often binary outcomes of individual companies. By offering them access to a balanced portfolio, they are mitigating the risk profile of individual investments in life sciences, while tapping into a broad area of very promising, but risky innovative technologies.

We should also mention that the European Investment Fund has made a strong commitment to our new fund. Their endorsement is, of course, an indicator of quality and a very strong signal to new investors, as well as other institutional and private money.

Can you describe the life sciences VC environment in Europe and how you source your deals?

As mentioned earlier, the recent pandemic brought the Life Sciences sector into the limelight, for better or for worse. There was a surge of interest and money into health startup and biotech companies, which had up until then been discreet for the most part, only popping up in the news when citing a remarkable IPO, or when acquired by a large pharmaceutical company. Those acquisitions are the successful conclusion of many years of development by the companies and their investors, mostly Venture Capital, that drive the successive fundraising rounds needed to go all the way from a biological concept to an authorized drug. Europe remains an important player in the field and boasts many top research institutes where exciting new drugs are invented. Europe is definitely not lagging behind in terms of innovation in life sciences, as illustrated by the numerous research hubs and outputs, level with those in the U.S.

The life sciences VC environment in Europe is vibrant, with the investment share in the biotech & healthcare sectors growing from 16% in 2022 to 23% in 2023[1]. After 2 out-of-the-ordinary years in 2021-2022, when the number and size of deals soared under the influence of the COVID pandemic, investments in life sciences have returned to their 2019 levels, indicating the resilience of the sector. European VC funds have had to catch up performance-wise, compared to their American counterparts. In recent years, they have even outperformed their North American peers over the 10- and 15-year periods. Investing in life sciences in Europe thus generates returns to investors on a par with other technology sectors and with other parts of the world. This high-quality output helps us to build our deal pipeline by attending international conferences, such as BIO-Europe, LSX or the Sachs Conference, and by leveraging our local presence in several European countries and the Middle East. Local anchorage allows us to maintain privileged contacts with actors of innovation, with whom we can scout out new technologies, and then follow their maturation before considering an investment. As a now well-established player, Vesalius is on the radar of most European fundraisers and colleagues in other venture funds. This is a nice multiplier for access to interesting deals across Europe and the rest of the world.

> **"The life-sciences VC environment in Europe is vibrant with the investment share in the biotech & healthcare sectors growing from 16% in 2022 to 23% in 2023."**

How do you create value within your portfolio companies?

First of all, one needs to define what is meant by "value". In our case, we see value in a drug or medical device answering an unmet medical need, a disease for which no therapy is yet available, or existing therapies that come with dangerous side-effects or address only part of the symptoms. In our strategy, we look for first- or best-in-class therapies with a unique,mechanistic approach to a disease, be it a new molecular target or a new metabolic pathway. Keeping the focus on addressing such unmet medical needs, we have the ideal starting point for our portfolio companies to define and shape products that will create value when they reach patients.

This focus also contributes to determining very early on who the potential acquirers may be, and the path needed for the company to develop. This exit-oriented perspective is essential in the shaping of the company by, for example, building its team and identifying the hires, defining the Business Development strategies, specifying the next value inflection points, etc. Drawing on Vesalius' extensive, cumulative experience and network, we can provide guidance and support to the portfolio companies on whose Board we are serving. One very hands-on way of doing this is by implementing an exit committee, shortly after entering the company's cap table. With our syndicate members, we start mapping out the portfolio company's full ecosystem and competitive landscape. The committee needs to understand the dynamics of all those players and how they are positioning themselves: which indication do they pursue, are they targeting the same biological effect, do they aim to develop a disease-modifying drug or alleviate its symptoms, what are the limitations of the technology approach they chose… Based on this type of analysis, we can develop and fine-tune the company's Unique selling point and map out the path forward.

Last but not least, we have extensive reviews of our companies from within our team, amongst our colleagues, and our network of experts. By discussing and challenging each other's insights and viewpoints, new perspectives emerge, which we happily share with the management teams in the portfolio companies. ●

1. https://www.investeurope.eu/news/newsroom/143-billion-invested-in-10-years-vc-drives-european-innovation/


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By **Marcel D. Werner,**
Partner at SENCO
Hydrogen Capital

Hydrogen: The Critical Element for the Future Energy Economy

This article discusses the supply and demand factors driving the expansion of the hydrogen economy and highlights opportunities for institutional investors, particularly in Private Equity, to invest in key suppliers involved in the energy transition.

Both demand and supply drivers stimulate the hydrogen economy's growth

Hydrogen is critical for the future economic landscape of industrialized nations, playing a vital role in decarbonizing many industries and ensuring energy supply aligns with climate goals. Two key factors drive the expansion of the hydrogen economy: growing demand for hydrogen as an industrial feedstock (raw material), and its essential role in storing and transporting renewable energy across time and distance.

For decades, hydrogen has been a vital component in industries such as fertilizer production, refineries, and chemicals. Currently, most of this demand is met by "grey" hydrogen, which is produced from natural gas and emits approximately ten times the amount of CO2 per unit of hydrogen. Around 125 million tons of hydrogen are consumed annually. To decarbonize these sectors, a significant transition to green hydrogen – produced via electrolysis, powered by renewable energy sources like wind and solar, for example – is crucial. The increasing volume of international tenders for long-term green hydrogen supply underscores this growing demand.

At the same time, the global capacity for renewable energy generation is rapidly expanding. Countries like Germany now generate over 50% of their electricity from wind and solar power. However, the intermittent nature of these energy sources creates volatility in power systems, leading to situations where renewable energy supply exceeds demand. This results in inefficient curtailment of renewable generation and a rise in negative electricity prices during periods of excess supply. Conversely, when renewable generation is low, non-renewable sources such as coal or gas are often required to meet baseline demand.

The solution to this dilemma lies in energy storage and arbitrage. When market prices for renewable electricity are low, it makes sense to store this energy and release it during periods of higher demand. While batteries can serve as short-term storage (day/night), they are often limited in both capacity and cost-effectiveness. Green hydrogen, on the other hand, offers a compelling alternative, due to its ability to be stored long-term, transported, and used over prolonged periods. Therefore, the continued growth of renewable electricity generation simultaneously drives the supply of green hydrogen, which can serve as both a fuel and an energy carrier.

The hydrogen economy: A growing investment opportunity

The synchronized growth in both demand for decarbonization and the supply of renewable electricity is creating a significant stimulus for the hydrogen economy. According to a recent McKinsey report from the Hydrogen Council, final investment decisions in green hydrogen production increased by 90% between October 2023 and May 2024 alone, totaling $75 billion. Globally, the volume of announced hydrogen-related investments to be completed by 2030 is approaching $700 billion, more than seven times the amount reported in 2020. This rapid growth reflects a global trend, with key markets emerging in Europe, the U.S., and China.

If a gold rush is coming, invest in shovels first!

Many hydrogen infrastructure projects are currently in development, particularly in Germany, but many have yet to secure full financing. Uncertainty around regulatory details, fluctuating subsidy structures, and a lack of established long-term, off-take agreements are some of the most cited reasons for delayed investment decisions. However, most market participants expect significant progress by 2026, presenting vast opportunities for long-term infrastructure investors. Several initiatives, such as Germany's decision to establish a hydrogen core network and the approval of nearly €5 billion in IPCEI (Important Project of Common European Interest) funding, are setting the stage for this anticipated growth.

Less publicly discussed, but equally significant, is the industrial supply chain underpinning the hydrogen economy. Before the build-up of large-scale hydrogen production, the capacity of equipment like electrolyzers, a technology used to produce hydrogen, must be expanded. Major electrolyzer manufacturers rely heavily on specialized, technology-oriented, medium-sized suppliers (Mittelstand), which are critical for building the necessary infrastructure. These companies supply specialized compressors, valves, and purity-measurement instruments for the hydrogen network, which itself requires significant retrofitting, rather than new pipeline construction.

The manufacturers of hydrogen-powered fuel cells or hydrogen combustion engines – for example – depend on a wide array of specialized suppliers. As the hydrogen economy scales up, these medium-sized companies are expanding their capacities and will require capital for growth. Due to their specialized technical expertise, they are essential to the hydrogen supply chain's success. This presents a compelling opportunity for private equity investors, particularly those focused on the industrial backbone of the hydrogen sector. As the old investment adage suggests, "If a gold rush is coming, invest in shovels first" – the equivalent of investing in the key suppliers that will enable the hydrogen boom. ●

> **"Many hydrogen infrastructure projects are currently in development, particularly in Germany, but many have yet to secure full financing."**
> Marcel D. Werner

1. *Hydrogen Insights 2024* by the Hydrogen Council in collaboration with McKinsey & Company

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How do Private Markets Fit Into a Family Office Portfolio Strategy?

The strategic role of private equity in unpredictable economies

According to McKinsey's latest Global Private Markets Review, private markets entered a slower era in 2023 with macroeconomic headwinds, rising financing costs and an uncertain growth outlook weighing on fundraising, deal activity and performance. Performance which, in most private asset classes remained below historical averages for the last two years. The wave of optimism of the past decade, supported by low interest rates and consistently expanding multiples, seems a long way off.

Rising funding costs, depressed M&A activity and an uncertain macroeconomic environment have made private equity managers' job difficult in 2023.

For Real Estate, 2023 and the first semester of 2024 was a period of transition, characterized by the presence of new and familiar challenges: pandemic-driven demand issues continued, while elevated financing costs, expanding cap rates, and valuation uncertainty weighed on commercial real estate deal volumes.

In consequence, fundraising and investment performance of real estate underperformed historical averages in 2023, as previously high-performing multifamily and industrial sectors joined the office segment in producing negative returns.

Other private asset classes, such as Debt and infrastructure, again proved to be the most resilient against a turbulent market backdrop.

Despite this landscape and looking at an economic context marked by geopolitical uncertainty, Private Equity (PE) still continues to be an essential asset class for sophisticated investors, mainly family offices. According to Deloitte Private Family Office Insight, private equity has surpassed public equity as the number one asset class family offices invest in. This analysis is also confirmed by the J.P. Morgan Global Family Office report, edition 2024, which illustrates the preference of family offices for Private Equity and Real Estate, as showed in the chart below.

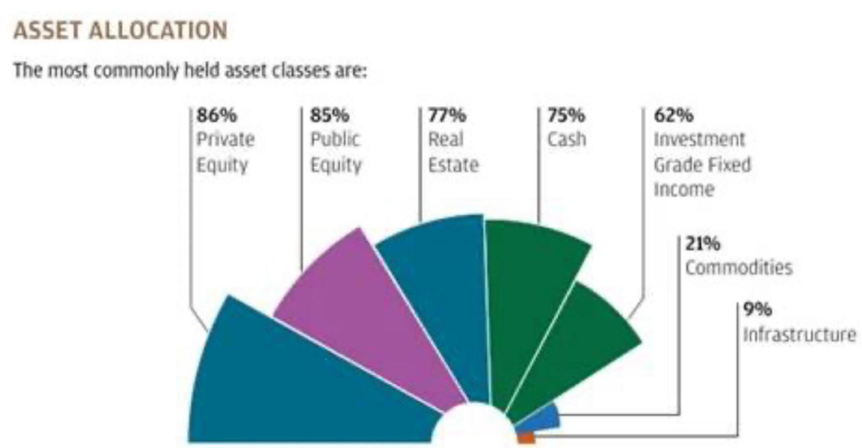
In parallel to these trends, there is a noteworthy shift towards sustainable investing. This not-so-new development has shown to take a pivotal role at the centre of European family offices' investment convictions, as well as Edmond de Rothschild's strategy.

What's more? Recent surveys also pinpoint that family offices increasingly opt to create and structure their own private equity funds on top of directly investing in companies. A majority (62%) of family offices made at least six direct investments last year, where they buy a stake in a private company or provide lending, according to the survey of family offices by BNY Mellon Wealth Management.

In order to identify global trends that will shape the world of tomorrow, family offices need a conviction-driven investment house with a longstanding expertise: that's what we aim to do through innovative solutions.

This includes offering private equity opportunities that have a tangible impact on major issues such as competitiveness, job creation, innovation and energy transition.

Figure 1: Asset allocation for family offices: the most commonly held asset classes
(Source : J.P. Morgan Global Family Office Report 2024)



Our approach targets high-potential opportunities, supporting the development and transformation of businesses while collaborating with expert investment teams. We manage financial, environmental, social, and governance risks to achieve sustainable growth, balancing long-term financial performance with positive impact.

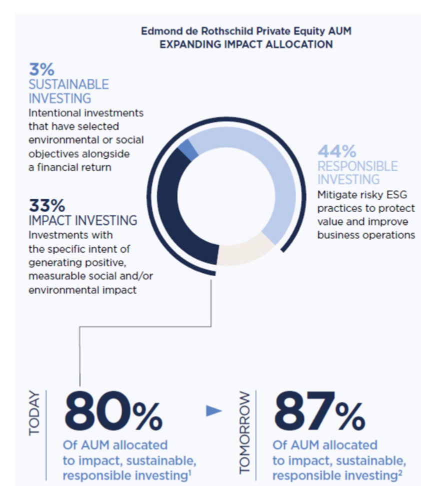
Alignment of interests with our investors is key: beyond convictions, it is a common entrepreneurial vision.

Investing in the real economy with common aspirations

Our approach to Private Equity: 14 strategies spread across 3 pillars to address the challenges of the 21st century:

- Real assets: focused on the regenerative economy & energy transition ranging from strategies in environmental infrastructure to social & mobility infrastructure,
- Emerging economies: strategic support and finance to help promising SMEs reach critical size such as providing growth capital to the agro-industry in Africa and Latin America,
- Buyout & Growth Capital: assisting companies in their growth through long-term financing with strategic and operational support.

We are committed to enhancing the footprint of our investors' wealth by pursuing a harmonious balance between robust financial performance and substantial improvements in the social and environmental realm. Our involvement in Real Estate goes above and beyond the common conception of the purchase and sale of buildings; it includes investments in European industrial and logistics assets, European real estate debt and "green" offices.



> **"We have observed an increasing sophistication in our private clients' needs, both in specific asset classes and in the chosen structuring solutions."**

Bridging investor aspirations and single assets

The rise in investors' ambitions to invest in funds has as well reinforced their appetite for direct investments, to have a targeted approach to private markets. Within our ecosystem, this encompasses investments focusing on single assets and companies within private markets, alongside or instead of traditional asset allocation, addressing crucial investor requirements:

- Selected opportunities in line with investor's personal and financial convictions,
- Immediate exposure to identified investments,
- Proximity to investments contributing to an entrepreneurial journey,
- Global portfolio allocation optimization,
- Diversification,
- Superior expected performance, and last but not least,
- A tailored solution.

Engraving a long-term vision in private clients' wealth

We consistently face the complexities and demands of our clients, primarily entrepreneurs. Thanks to an extensive experience in fund structuring and expertise in wealth planning, we are able to guide and support our clients in structuring their wealth with a long-term vision, adapting to a wide range of asset classes.

Like the economic landscape, family dynamics are also becoming increasingly complex: growing international exposure and relationships involving children from different marriages may introduce additional intricacies to family relations. In this context, ensuring governance, integrity and the effective transfer of wealth has become essential. A carefully designed long-term structure is often the answer, safeguarding the interests of all beloved ones.

When it comes to wealth structuring, Luxembourg is frequently the jurisdiction of choice, renowned beyond its borders for compelling reasons: political stability, professional infrastructure, a broad range of investment vehicles, regulatory frameworks designed to protect investors and finally, an international edge proven by 180 coexisting nationalities and 88 Double Tax Treaties.

Among the available options, an investment fund can be an attractive solution for families with diversified portfolios across multiple asset classes and jurisdictions. It provides a streamlined operational structure, preserves asset integrity across generations, and offers clear governance within a regulated or semi-regulated framework.

Leveraging on longstanding know-how, we are able to guide and assist our private banking clients in structuring their own investment fund as well as offering depositary bank, central administration, portfolio management and AIFM services.

Conclusion

In the recent years, we have observed an increasing sophistication in our private clients' needs, both in specific asset classes (such as private equity, real estate and direct investments) and in the chosen structuring solutions (such as dedicated funds and philanthropic initiatives).

In this context, it is essential to effectively guide the wealth management journey across its various aspects and support clients in selecting the best options available. ●

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Interview with **Antoine Colson,**
CEO & Managing Partner of IPEM

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

IPEM: An Accelerator for Private Equity

Since its founding in 2016 IPEM has transformed into a pivotal platform in the Private Equity industry, fostering connections and knowledge exchange across global markets. With major events in Cannes, Paris, China and the US, IPEM promotes accessibility, innovation, and collaboration, attracting key players worldwide as it expands Private Equity's reach and impact.

How was the IPEM concept born, and who are the people and shareholders behind it?

The story of IPEM goes back to around 2014 when the idea of creating a dedicated Private Equity market platform started to take shape. The founders recognized a gap in the industry for a high-quality, accessible space where Private Equity professionals could meet, connect, and develop meaningful partnerships. What makes IPEM unique is how it was shaped by a blend of visionaries, each bringing a different perspective, along with strategic shareholders who saw the potential of this platform. It's been a journey that has really benefited from the "magic" of the right timing and a great convergence of people aligned on a shared mission.

IPEM has grown exceptionally fast in just a few years. How did you manage to bring together more than 5,000 participants?

The growth has been both thrilling and challenging. Bringing 5,000 participants under one roof took a concerted focus on creating a truly unique event in the industry. We recognized early on that we needed to prioritize quality connections, not just numbers. Each IPEM event is curated to ensure an environment where people can form authentic relationships and achieve real networking success. By fostering this interactive environment, we give attendees a sense that their time is well spent, which has become one of our defining strengths. Word-of-mouth from satisfied participants has played a significant role in our growth, as has our commitment to maintaining this standard.

In your view, what are IPEM's unique selling points, and how does it differentiate itself from other international conferences?

IPEM is designed to be a marketplace rather than a traditional conference. Unlike other events, we aim to create an inclusive environment where professionals across all sectors of Private Equity feel comfortable sharing ideas and exploring potential partnerships. One of our biggest differentiators is our focus on accessibility and collaboration. Our events are structured to facilitate high-quality interactions and allow people to connect in ways that are often more direct and informal than typical conferences. By removing some of the formality, we make it easier for everyone to meet as equals and engage in meaningful discussions.

What impact do you believe IPEM has had on the European Private Equity landscape?

IPEM has had a significant one by creating a central gathering point for the European Private Equity community. Before IPEM, there wasn't a similar event that consistently brought together such a broad spectrum of participants—from investors and fund managers to advisors and service providers. We've made it easier for European professionals to network across borders and stay informed on industry trends. This accessibility has fostered stronger ties across countries and increased collaboration within the industry. In doing so, I believe IPEM has contributed to the growth of Private Equity in Europe by creating a platform where knowledge sharing and partnerships flourish. Furthemore, since 2016, IPEM has driven a strong community and contributed to the growth of the last decade of Private Markets to enable fundraising, facilitate connections, and bring people together in a friendly, business-like atmosphere.

> **"As the brand grows internationally, we're exploring new formats and potentially smaller, more focused events that allow for even deeper interactions and customized experiences."**
>
> Antoine Colson

IPEM is now becoming a global brand with events across Europe, China, and the U.S. Can you describe the differences between each of the IPEM events in these regions?

Certainly. Each region has its unique characteristics, so we tailor our events accordingly. In Europe, where Private Equity is relatively mature, the events focus more on networking and deal-making. People are here to connect with a high level of familiarity and engage on specific deals. In China, however, the industry is more nascent, and so the events are geared towards education, market entry strategies, and building connections for newcomers who want to gain a deeper understanding of the region. The U.S. events are also unique, often emphasizing both market trends and cross-border collaboration, given the strong influence of American Private Equity globally. The goal with each event is to meet the region's specific needs while maintaining the core IPEM values of accessibility and collaboration.

IPEM Cannes 2025 sounds exciting. Can you tell us more about what attendees can expect from this event?

Yes, IPEM Cannes 2025 is shaping up to be one of our most dynamic events yet! This event will spotlight some of the biggest emerging trends in Private Equity, focusing on sustainability, technology, and innovation. We're enhancing the experience for participants by introducing new session formats and opportunities for deeper, interactive engagement. Cannes, as a location, also brings a special ambiance to the event, creating an environment that's both inspiring and productive. We're looking forward to seeing how attendees connect with these new themes and how the setting will foster discussions on the future of Private Equity.

The wealth revolution is ushering in a new and potentially disruptive era for private capital. Private markets are expanding beyond traditional institutional investors, with high-net-worth individuals increasingly gaining access through wealth management channels. This trend is reshaping Private Equity, as wealth managers play a critical role in making private assets more accessible.

In this context, we are introducing IPEM Wealth (January 28-30, 2025), hosted by IPEM Cannes. This event will be the first pan-European gathering connecting private capital with wealth management channels. Additionally, the brand-new IPEM Wealth Awards will recognize the top innovators of 2024 in wealth management and private capital.

How is IPEM Cannes different from IPEM Paris?

While both IPEM Cannes / Wealth and IPEM Paris share our commitment to fostering meaningful connections in Private Equity, each event has its own unique character and focus. Cannes is known for its relaxed, open setting, which encourages attendees to engage in in-depth discussions and informal networking. The atmosphere here is conducive to big-picture thinking, exploring trends like the democratization of private assets and sustainability in Private Equity. We design Cannes with more interactive sessions and new formats that allow participants to dive into emerging industry themes in a creative, collaborative environment.

IPEM Paris, by contrast, is centered around the efficiency and fast-paced networking opportunities that a major financial hub like Paris offers. The event tends to attract attendees focused on immediate deal-making and specific business objectives. Additionally, Paris draws an international crowd, particularly LPs from the U.S., who are interested in the European market and see Paris as a convenient access point. This makes the Paris event ideal for those seeking targeted connections and high-intensity networking. Together, Cannes and Paris provide the IPEM community with a well-rounded platform—whether the focus is on broad trends or immediate deals.

And finally, what's next for the IPEM brand?

Moving forward, we're focused on expanding IPEM's international presence while staying true to our original vision. As the brand grows, we're exploring new formats and potentially smaller, more focused events that allow for even deeper interactions and customized experiences. We're also looking at further digital engagement to connect people beyond the physical events, creating a year-round IPEM network. Our goal is to continually adapt to industry needs and global shifts while remaining a trusted, accessible platform where Private Equity professionals can come together to learn, network, and grow. ●

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By **Luis Galveias,**
COO of LPEA

Alexandre Hector,
Partner at KPMG and
Co-head of the Wealth
Management Club

and **David Zerbib,**
Head of Private Wealth
France at Partners Group

Adapting to the "New Normal" and “Building Confidence”

Insights from the September IPEM Conference in Paris

During the last IPEM conference in Paris, key discussions focused on how private equity firms are responding to challenges such as rising interest rates, political instability, capital-raising complexities...Amid an increasingly complex environment, the industry has had to navigate turbulent times. However, a consensus seems to have emerged: far from being paralyzed by these challenges, most market players are adapting and incorporating these exceptional circumstances as the "new normal." This new economic reality is pushing GPs and Asset Managers to rethink their strategies and find innovative ways to continue growing, adapting to these challenges, and integrating them across all processes: due diligence, portfolio management, fund structuring, investor relations, and fair value assessment.

Rather than viewing these conditions as a deadlock, more and more GPs and Asset Managers are also beginning to see them as opportunities. The growing demand for investment and the limited capacity of banks and governments to meet these needs, is creating fertile ground for private investors. Whether in AI, infrastructure, renewable energy, defense, digital transformation...the private assets sector is positioning itself as a key player in financing the economy of the future. The Draghi Report further reinforces this outlook, emphasizing how critical these investments are for Europe's future.

A key element to follow is the potential revival of exits, which were largely suspended due to market uncertainty. The market seems to be preparing for a wave of exits that will unlock liquidity and enable reinvestment in new opportunities. However, some GPs reported during IPEM that the spread between bid and ask prices remains significant, which is still holding back some transactions. This discrepancy highlights the challenge of aligning seller expectations with the current market environment. Nevertheless, the expected, albeit modest, decrease in interest rates should help bridge this gap, by easing pressure on valuations and financing costs, making transactions more feasible.

National governmental banks and European institutions (EIB, EIF, EIC, BPI, etc.) are also playing a vital role in supporting investments in real economies, aiming to trigger a rebound in the markets.

With more than €3 billion of cash sitting uninvested in individual bank accounts, the democratization of private assets is expected to play a key role in financing the real economy and providing the private assets sector with more diversified sources of capital. This shift is not without operational and distribution challenges, as these investors often access the private assets sector through evergreen funds with thousands of investors. The recent LPEA Insight conference on 'Operational Excellence' emphasized the critical challenge currently facing our industry: unlocking the potential of individual investors by industrializing, digitizing, and standardizing our operations. ●

LPEA Wealth Management Club

The Wealth Management Club aims to represent and define members' interests, provide relevant content, and enhance communication and networking opportunities. It seeks to establish partnerships that benefit both the club and community, fostering efficient collaboration. Additionally, the club focuses on attracting new members interested in wealth management, promoting the exchange of knowledge and information with existing members to build a strong, informed community.

Don't hesitate to contact us at the LPEA Wealth Management Club if you would like to further discuss distribution and operational management in the private asset world. The Wealth Management club focuses on tackling the distribution and operational challenges associated with distributing private asset funds (Mathieu Perfetti and Alexandre Hector – Co-Chairmen of the WM Club).

“With more than 3 billion EUR of cash sitting uninvested in individual bank accounts, the democratization of private assets is expected to play a key role in financing the real economy.”

During the conference, we had the opportunity to speak with David Zerbib from Partners Group to discuss his views on the private assets market.

Luis Galveias: How have you seen capital raising evolve over the last few months?

David Zerbib: Sentiment in the last few months has certainly changed for the better. Inflation fears have slowly made way for cautious optimism, spurred by major central banks starting their rate-cut cycles. Additionally, and certainly a more long-term driver, there’s no doubt that private investors are increasingly finding their way to private markets, an asset class historically dominated by large institutional investors. While we have been managing evergreen funds for over two decades, the “frenzy” of evergreen funds launched in recent years has only accelerated the adoption by private investors and therefore encouraged distribution partners, such as banks, to build a suitable offering for their clients, across both traditional, closed-ended products and - increasingly so - evergreens. I honestly don’t think there’s any bank I’m talking to across the region that isn’t interested in building out their private markets offering.

To what extent are individual investors important in your distribution strategy?

The short answer? Very important. As a pioneer in evergreen solutions, we’ve historically always had a good amount of private investors. Looking forward, none of us (unfortunately) have a crystal ball, but I think we can all agree that allocations from private investors are increasing from where they currently are. Whether their portfolio allocation moves to 3, 5 or 10%; that represents an enormous, trillion euro opportunity, which clearly we want to remain a part of. As indicated earlier, we have seen a surge in new private market products being launched by our peers. From 2020 to 2023, by our count, 34 new evergreens were launched. To put this into perspective, this compares to 26 in the 20 (!) years prior. Investors will need to remain critical and look for a few key elements in the evergreen funds they invest in; best in class investment content, a pro rata allocation policy, sound and transparent valuation processes, a proven ability to manage liquidity within the portfolio, and an ability to diversify investment vintages!

What are the key distribution challenges you are currently facing?

I think as an industry, we carry a huge responsibility to our investors. While I personally believe it’s fantastic that we provide private individuals with the same access to the asset class and potential returns as institutional investors, this doesn’t come without its own set of challenges. Investor education to me, personally, is crucial for individuals looking to invest in evergreen private market funds. These funds offer long-term investment opportunities, but are sometimes less understood than their public market counterparts. As mutual funds in public markets celebrate their 100th anniversary this year (congrats, MFS!), it is important for investors to realize that private market funds operate differently and require a deeper understanding of their unique dynamics. Topics such as liquidity features, risk-return expectations and how these funds fit into a broader portfolio, will be key to optimizing the opportunities presented by evergreen private market funds. You’ll notice that Partners group has a large, dedicated team catering to the private wealth segment. This allows us to sufficiently support our distribution partners and investors with educational topics as needed. We frequently host private market academies, webinars, and publish white papers to increase investors’ expertise!

By **Eduardo Fonseca,**
Senior Associate at DLA Piper

The Listing Act: Enhancing Access to Capital Markets in the EU

The CMU

The Capital Markets Union ("CMU") represents the European Union's ambitious initiative to establish a unified capital market, aimed at enhancing the flow of investments and savings across the European Union ("EU"). It seeks to provide diverse funding sources for businesses, offer more options for savers, and strengthen the resilience of the European economy.

A robust CMU is increasingly essential to support economic growth, finance the green and digital transitions, and address societal challenges such as an ageing population. Moreover, integrated capital markets are vital for enhancing the EU's global competitiveness and autonomy.

Despite progress since the inception of the CMU, European public markets continue to underperform, particularly compared to other major economies in terms of market capitalisation and the number and value of initial public offerings ("IPOs").

The 2020 Action Plan

In September 2020, the European Commission unveiled a new CMU action plan outlining three key pillars: (i) supporting a green, digital, inclusive and resilient economic recovery by making financing more accessible to European companies; (ii) making the EU a safer place for individuals to save and invest long-term; and (iii) integrating national capital markets into a genuine single market.

One of the main actions of the first pillar, includes improving access to public markets by simplifying listing rules to lower compliance costs, helping small and innovative companies access funding more easily.

Central to this action is the commitment to broaden market-based financing options for small and medium-sized enterprises ("SMEs") at all development stages. In line with this goal, the Commission established the Technical Expert Stakeholder Group on SMEs ("TESG") in October 2020 to assess and enhance SMEs' access to public funding.

The TESG's work resulted in a final report containing 12 recommendations aimed at fostering SME listings. Building on these insights, the Commission adopted a legislative package known as the Listing Act on 7 December 2022, which was later adopted by the European Parliament on 24 April 2024 and by the Council more recently, on 8 October 2024.

The Listing Act

Although one of the stated objectives of the Listing Act is to enhance capital access for SMEs, its scope is broader, affecting all listed companies as well as those pursuing a listing.

Indeed, the objective is to reduce bureaucratic barriers for all companies seeking to raise funds in EU public markets while ensuring market integrity and investor protection, thus revitalising the EU's capital markets.

The Listing Act amends the following legal frameworks:

- Regulation 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market ("Prospectus Regulation");
- Regulation 596/2014 on market abuse ("MAR"); and
- Directive 2014/65 on markets in financial instruments ("MiFID II") and Regulation (EU) No. 600/2014 on markets in financial instruments ("MiFIR"). 25

The Listing Act consists of (i) a regulation amending the Prospectus Regulation, MAR, and MiFIR, (ii) a directive amending MiFID II, and (iii) a directive on multiple-vote shares aimed at facilitating the issuance and use of multiple-vote shares.

Amendments to the Prospectus Regulation

The amendments to the Prospectus Regulation stem from a need to reduce the excessive length of IPO prospectuses, which are considered overly burdensome for SMEs.

Moreover, the Listing Act introduces additional exemptions to the prospectus requirement, further expanding existing ones.

The TESG mentions in its final report a 2019 analysis that revealed that the median length of an IPO prospectus in Europe was 400 pages, with considerable variation across countries. This excessive documentation is costly and time-consuming for SMEs and complicates information access for investors, often discouraging them from engaging with the material.

> **"Integrated capital markets are vital for enhancing the EU's global competitiveness and autonomy."**
>
> Eduardo Fonseca

The amendments to the Prospectus Regulation contemplate, among others, the standardisation and streamlining of the prospectus for primary issuances to the public or admissions to trading on a regulated market. Prospectuses for shares IPOs will be limited to 300 A4 pages. Amendments also streamline risk factors, make incorporation by reference mandatory, remove the option for investors to request paper copies of the prospectus, and allow issuers to draw-up the prospectus in English only, except for the summary.

Additionally, the Listing Act extends the exemption from publishing a prospectus for secondary issuances. The threshold for the admission to trading exemption is raised from 20% to 30% and is extended to public offerings, allowing companies to issue shares up to 30% of their outstanding share capital without the need to prepare and publish a prospectus.

The threshold for exempting small offers is harmonised at EUR 12 million (increased from the current EUR 8 million), below which securities' offerings are exempt from the prospectus requirement.

Finally, it is worth mentioning the introduction of a new prospectus, the EU Follow-on Prospectus, which replaces the simplified prospectus for secondary issuances and applies to secondary issuances that do not fall under an exemption.

Amendments to the MAR

The current market abuse rules, designed to prevent insider trading and market manipulation, can be complex and expensive for companies to comply with, especially smaller ones. In this regard, the TESG identified several issues within the current market abuse regime that hinder issuers:

1. **High compliance costs:** ongoing regulatory requirements under MAR impose significant costs, discouraging companies from remaining listed.
2. **Legal uncertainty:** clearer definitions of inside information and disclosure obligations are needed to reduce compliance costs for issuers.
3. **Issuer responsibilities:** issuers should not function as gatekeepers for competent authorities, as investigation costs can burden companies lacking adequate resources.
4. **Compliance risks:** the risk of inadvertent breaches of MAR, along with associated sanctions.
5. **Proportional sanctions:** administrative sanctions should be harmonised across the EU and be proportionate to the nature of violations, while retaining the option for criminal sanctions in severe cases.
6. **Simplifying disclosure requirements:** disproportionate requirements related to recommendations and disclosures should be simplified.

In response to these issues, the Listing Act limits the disclosure obligation for multi-staged events (protracted processes), such as mergers or litigation, by clarifying that issuers are only required to disclose information related to the event completing the process, not intermediate steps.

The Listing Act also clarifies the conditions under which issuers can delay the disclosure of inside information. Issuers may delay disclosure when immediate disclosure would prejudice their legitimate interest, when the information that is intended to be delayed is not in contrast with the latest public announcement or other type of communication by the issuer on the same matter and when the issuer is able to ensure confidentiality.

Additionally, the Listing Act extends the simplified insiders list regime, previously introduced for SME growth markets, to all issuers, including those in regulated markets. Issuers will now maintain a less burdensome list of "permanent insiders," covering individuals with regular access to inside information due to their role (e.g., board members, executives, or administrative staff). This alleviation applies only to issuers and does not affect third parties acting on their behalf, such as lawyers or rating agencies, who must maintain their own insider lists.

There are also amendments to the notification of managers' transactions. The Listing Act raises the threshold for notification to EUR 20,000 (up from EUR 5,000), addressing concerns over disclosing immaterial transactions. Moreover, the scope of exempted transactions during the closed period is expanded to include employee schemes and transactions where no investment decision is made by the managers.

Amendments to MiFID II

EU SMEs have long struggled with limited or no equity research coverage, making it difficult for investors to properly assess investment opportunities.

This situation was worsened by MiFID II's unbundling rules, which require brokers to separate payments for research and execution. According to the Commission, these rules led to less research availability, especially for SMEs.

To address this, the Listing Act removes the market capitalisation threshold below which MiFID II research unbundling rules do not apply, allowing firms providing research to bundle the cost of research with brokerage services.

Additionally, the Listing Act recognises that the Directive on the admission of securities to official stock exchange listing is outdated and largely redundant. Therefore, the Listing Act repeals this Directive and incorporates the relevant provisions into its text.

Next steps and timings

The regulation amending the Prospectus Regulation and MAR, and both directives, are yet to be published in the Official Journal of the EU. Once published, they will enter into force after 20 days.

For both directives, Member States will have 18 months to transpose the directive amending MiFID II and two years to transpose the directive on multiple-vote shares into national law. ●

By **Gregorio Pupino,**
Head of Funds Luxembourg
at Centralis Group

And **Thomas Erichsen,**
MD, EMEA Head of Alternatives Business
Development at Centralis Group

How Co-sourcing Partnerships are Enhancing Private Capital Funds Operations

In the increasingly complex landscape of fund administration, fund managers are under growing pressure to provide precise, timely reports, while keeping costs in check and complying with extensive regulatory demands.

One solution to these pressures that is gaining traction across the sector is co-sourcing - a hybrid solution that blends in-house capabilities with external expertise. Co-sourcing allows fund managers to maintain control over key activities, while leveraging external expertise and resources.

What is co-sourcing?

Co-sourcing is becoming a buzzword in the fund industry now, but it was born in the 90s. The first examples of co-sourcing can be traced back to 1994, when this practice of collaborative outsourcing was implemented in the chemical sector to help maintain competitiveness (Tattum, Lyn. *Cosourcing: A Relationship Based on Trust.* vol. 158. Englewood: IHS Markit Ltd, 1996).

At that time, C-suite executives were struggling with a rapidly changing world and business models that did not evolve at the same pace as the IT solutions available on the market to support them. In this case, the knowledge gap between those who knew the chemical business (BASF) and the IT experts proposing their innovative solutions (EDS), prevented business owners from using the available information technology to innovate and disrupt as they would have liked.

EDS became a pioneer of co-sourcing by enabling BASF and other chemical and pharmaceutical companies to align IT resources with business objectives, reducing the time to market for new products and enhancing the customer experience.

The 90s marked a tipping point in the classical make-or-buy decision, as this new trend began to take hold: rather than fully contracting out a problem, it is better to bring the expertise needed in-house to solve it. This approach helps the entire organization progress more effectively, by increasing value and retaining control over key processes.

The main difference between external consultants and co-sourcing services is that the latter foresee the expert pool/co-sourcing provider mingling with and virtually extending the receiver team. This boosts the team's capabilities with additional knowledge and expertise, which would take time and resources to develop in-house. It is the combination of the two human resource pools (provider and receiver), with technology that differentiates co-sourcing from classical consultancy services.

Co-sourcing on the rise now in the Private Market Funds Industry

"Co-sourcing has helped many companies that don't have the staff capability to deploy new systems" (Thomas, C. William, and John T Parish. *Co-Sourcing: What's in It for Me?* vol. 187. New York: American Institute of CPA's, 1999.)

The rise of co-sourcing in the alternative fund industry is linked to its evolution into a more mature stage of its lifecycle, where various phenomena are impacting this business model:

- Increased competition from new market players is decreasing margins and increasing pressure on costs.
- The ad-hoc nature of each investment strategy has made it difficult to completely standardize tech solutions for certain fund operations, such as accounting and investor reporting.
- Non-standardization of operations has kept many manual processes alive, currently relying on email exchanges, Word documents, and Excel files.
- The pace of business and increased complexity no longer leave room for improvisation. The innovation required to compete is a core competence that cannot be outsourced; therefore, every other process needs to be improved with the help of experts.

If we define outsourcing as the decision to decrease control of and involvement in a process to a minimum (linked to a low value-added categorization), and in-housing a process as the willingness to identify it as a core competency/high value-add, the natural consequence is that co-sourcing would be in the middle. It involves collaborating in value-added processes, where retaining control is key in the value creation chain, but where the specific competency exists in another company.

Based on this assumption, we have mapped out the activities in our impact assessment on the value chain of an asset manager and the competencies provided by their outsourcing and co-sourcing partners.

Key benefits of co-sourcing

"Co-sourcing combines an in-house department with resources of a dedicated outside pool of experts" (French, D. (2003) The co-sourcing solution, Best's Review 104 (6), 85.)

A co-sourcing solution is particularly valuable in the complex world of fund administration, where regulatory compliance, reporting standards, and operational demands are constantly evolving. Some of the key benefits include:

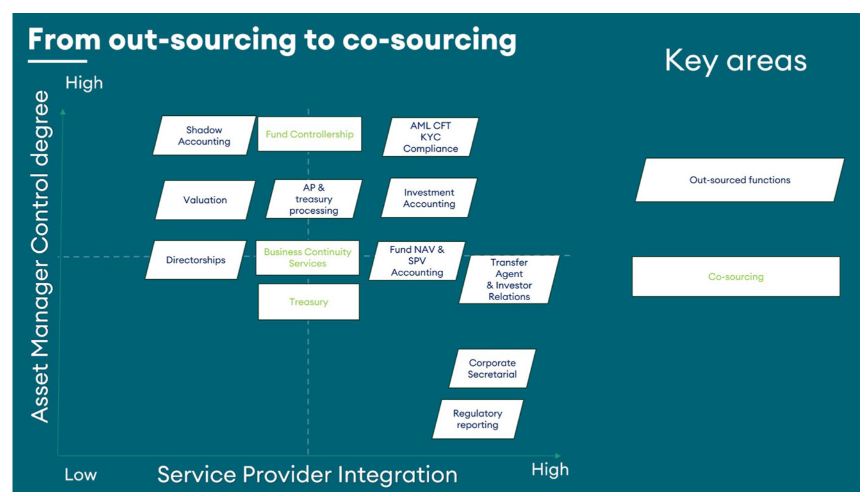
- **Operational efficiency** - co-sourcing allows fund managers to tap into the operational expertise of specialised providers, while retaining oversight of core activities. This helps streamline back-office functions like accounting, NAV calculations, compliance, and investor reporting.
- **Cost-effectiveness** - by co-sourcing, firms can reduce the overhead of building full, in-house teams, while still benefiting from a shared service model.
- **Regulatory expertise** - with regulations becoming more stringent (such as ESG/SFDR, FATCA, CRS, and AIFMD), co-sourcing partners offer specialised knowledge and expertise to ensure compliance. Firms can benefit from a co-sourcing partner's familiarity with complex reporting and filing requirements across different jurisdictions.
- **Scalability** - co-sourcing offers flexibility, enabling fund managers to scale their operations as needed. This is particularly useful in periods of growth or market expansion, where having an adaptable partner can reduce the friction of adjusting internal processes.
- **Focus on core competencies** - fund managers can focus on investment strategies and portfolio management, leaving administrative tasks to the co-sourcing partner. This can lead to improved performance, by allowing managers to concentrate on what they do best.

Co-sourcing vs outsourcing

While outsourcing involves handing over entire processes to a third party, co-sourcing involves a shared responsibility, where both the fund manager and the service provider work in tandem. Co-sourcing offers more control and collaboration compared to traditional outsourcing models, providing greater transparency and adaptability.

Examples of co-sourced services include:

- Fund accounting and reporting



"The co-sourcing model is increasingly being adopted by managers within Private Markets where the complexity of operations and regulations demands both in-house control and external expertise."

- Regulatory compliance and risk management
- Investor relations and reporting
- Transfer agency services
- Tax compliance and structuring

The co-sourcing model is increasingly being adopted by managers within Private Markets, where the complexity of operations and regulations demands both in-house control and external expertise.

How to implement a co-sourcing strategy

To successfully implement a co-sourcing model in fund administration, firms should first identify core vs. non-core functions. Determine which functions can be effectively managed in-house and which should be co-sourced. A consultative approach is vital, as everyone's needs will be different, and a blend of tasks in each function is also possible.

It is then important to select the right co-sourcing partner. Focus on providers with a proven track record, relevant expertise, and a strong understanding of your company's specific needs. After choosing a partner, effective communication is essential. Establish regular reporting methods to ensure alignment between internal teams and external partners.

Ongoing monitoring of performance and compliance is also essential. Continuous monitoring helps identify areas for improvement and reinforces accountability. Co-sourcing strategies should be flexible and easily adaptable to change, as the business needs change or new opportunities for efficiency and innovation arise. ●

INSIGHTS

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Interview with **Joerg Grossmann,**
Chief Product Officer at FE fundinfo

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

Leveraging AI and Compliance for Growth

As Luxembourg continues to be a leading hub for the alternative investment industry, Joerg Grossmann, Chief Product Officer at FE fundinfo, discusses the opportunities and challenges that come with this growth, and how firms can adapt by integrating AI and streamlining data collection.

> **"Despite all the technological advancements, many asset managers still struggle with basic issues like data consistency. Addressing these pain points is where innovation will have the most impact."**
>
> Joerg Grossmann

How do you see the growth of alternative investments impacting the industry, particularly in Luxembourg?

The alternative space, especially Private Equity, is growing rapidly. Many traditional asset managers are moving into this space because it offers better margins and growth potential. Meanwhile, Private Equity firms are starting to target high-net-worth individuals through wealth management channels. Luxembourg, as a key hub, is well-positioned to support this growth. The challenge is ensuring that data, reporting, and compliance are up to speed as the sector expands.

This trend is supported by the expansion of products like the ELTIF (European Long-Term Investment Fund), which offers investors easier access to alternative asset classes. The new ELTIF 2.0 regulation makes the product more interesting from an investment perspective. The regulatory complexity tied to such diversification presents opportunities for platforms like ours, to help clients navigate these new landscapes efficiently.

Do you think Luxembourg needs to adapt to maintain its position as Europe's leading fund domicile?

Luxembourg is doing well, but must continue adapting to evolving regulatory and technological landscapes. The key for any domicile, including Luxembourg, is to provide an environment where asset managers and service providers can innovate and operate efficiently. The focus should be on streamlining regulations, fostering a skilled workforce, and maintaining a strong reputation for financial stability and transparency.

You joined FE fundinfo less than a year ago. What has kept you busy?

Since I joined earlier this year, one of the key focuses was to integrate AI into our services and operations. AI plays a significant role behind the scenes, helping to gather data from multiple global sources and validate it with a reduced error rate, using human oversight only for high-level verification. This AI-driven system helps streamline both the asset management and distribution sides, by ensuring data consistency across the value chain.

What also happened since my joining, is that FE fundinfo further developed its offering architecture, moving from point solutions to an integrated suite of products operated on a highly efficient and scalable product and data platform. This transition is pivotal as FE fundinfo moved from selling standalone products to offering an integrated platform that brings everything under one umbrella. Now, the platform not only organises these solutions but also ensures consistent, timely, and accurate data management across the value chain.

How has regulation influenced your product offerings, particularly the growing complexity of data requirements?

Regulation has significantly driven our move to bundle services into platform solutions. Asset managers face mounting regulatory requirements, and managing data accurately and efficiently across various endpoints is a real pain point. We help streamline this process, ensuring compliance with regulations like the PRIIPs KID.

AI can also help in adapting to regulatory changes faster. For instance, when regulations evolve, AI can help us create "heat maps" that highlight which areas of a fund's documentation—like fact sheets or other disclosures—need to be updated. This reduces the need for extensive manual reviews and helps keep products compliant with the latest regulations more efficiently.

So far, AI has been primarily used behind the scenes to improve efficiency, such as ingesting and mapping data from multiple sources. It's also becoming increasingly important in automating code development, changing how our tech teams operate. However, human oversight remains essential for compliance.

Speaking of regulation, how is the new Digital Operational Resilience Act (DORA) impacting your business?

Interestingly, DORA is more of an opportunity than a challenge for us. While asset managers must ensure compliance with DORA, we, as a large outsourcing provider, already meet many of the stringent requirements it imposes. Smaller, fragmented players may struggle with compliance, but our scale and capabilities give us a strategic advantage.

What are the most significant challenges or bottlenecks in the fund industry?

Regulation continues to be a persistent challenge, especially as asset managers are often hit with version 2.0 of regulation before they've fully digested version 1.0. This constant regulatory pressure makes it difficult for companies to keep up and complicates decision-making.

And what do you see as the biggest opportunity for innovation in the fund services industry over the next few years?

The real opportunity lies in fixing what's already broken. Despite all of the technology advancements, many asset managers still struggle with basic issues like data consistency. Addressing these pain points is where innovation will have the most impact. It's not about creating fancy, cutting-edge technologies, but about ensuring that the foundational elements work smoothly. ●

INSIGHT/OUT #32

By **Frédéric Kemp,**
Managing Director
at SuisseTechPartners

And **Frédéric Pérard,**
Strategic Advisor
at SuisseTechPartners

Depositary: In Need of Evolution or Revolution?

Depositaries are currently facing changes forcing them to reimagine their operating model to fulfill their regulatory duties, deliver the services expected by clients and remain cost-effective.

Dynamic regulatory environment

The regulatory landscape governing the roles and responsibilities of a depositary for an AIF (Alternative Investment Fund) is complex and often subject to interpretation between actors and even countries, producing many significant variations. An example of this would be the obligation for a depositary Bank in Germany to recalculate the NAV, which is not the norm in Luxembourg. These exceptions could evolve into more widely adopted standards over time.
Depositaries face an increasingly complex mission due to regulatory pressure to conduct stricter, more frequent controls while meeting cost-effectiveness imperatives.
In Luxembourg, the statement published by CSSF on 24th July 2024 about controls to be performed on investments made by an AIF signals a clear intent to clarify their expectations on the way depositaries should perform their duties.
This point may not be specifically addressed in the AIF regulation and this type of situation often creates a high-level discussion at the practitioners' level. Nevertheless, the aim of the regulator remains to ensure investor protection and transparency and we clearly see a growing and converging need for independent controls on all activities of the fund.

New fund types and asset classes

An ongoing challenge for depositaries is the increasing complexity and diversity of fund structures and the assets classes they need to oversee.
The most recent case is the growing development of ELTIF2 funds. ELTIF2 RTS have led the multiplication the issuance of ELTIF Funds, bringing additional operational complexity due to their hybrid nature.
The profile of investors, the need to handle closed and open-ended funds, the diversity of liquidity management mechanisms, the valuation of underlying assets and the increasing needs related to AML / KYC monitoring are going to impact operating processes designed in most instances to handle UCITS or traditional AIFs.
Crypto assets / funds are picking up as well and they represent a new opportunity for depositaries to move into the complex digital space. At the same time, they force them to embrace brand new processes in a highly complex domain using technology, which may not be able to handle such cases.

ESG compliance

The implementation of ESG regulations is clearly a new challenge for the Depositaries since they are expected to be in a position to oversee the adherence of Article 8 and 9 funds in their ESG strategies and objectives. The monitoring of ESG ratios can sometimes prove impossible due to the scarcity of reliable data for the depositary.

Data and document management

A clear consequence of the points discussed above is the requirement for depositaries to store, manage and consume a significant amount of data and documents in order to perform controls in a timely manner, track issues and report to the involved parties in a fund's life-cycle.
This requires the capability to adapt the data model to handle the specificities of new instruments, new structures, new investors, new data such as ESG data as well as a powerful data management capabilities.
Depositaries also have to maintain a huge volume of documents such as fund prospectuses, service-provider agreements or deal and transactions documentation. These documents need to remain accessible at all times, to be updated according to new versions and remain accessible for different controls and processes.
A good example is the current difficulty faced by some to perform cash flow monitoring due to the high number of cash custodians involved, the paucity of interfaces and the complexity involved in automating processes.

> **"A single source of data is pivotal to achieve efficiency, consistency and ensure agility when adding new functionalities."**

A required evolution of the operating models

The efficiency of an operating model hinges on three main factors: people, processes and technology.
In most instances priority has thus far been given to the use of labor-intensive, spreadsheet-driven processes, which have now reached their limits due to lack of data consistency, version controls, easy access to paper documentation and data as well as shortage of resources to perform controls in due time.
As seen above, the evolution of regulations and servicing needs will push towards a greater use of the third dimension: technology.
Most players in the industry have already started to redesign their operating models to be more agile, efficient, cost-effective and less labor-dependent. To reach these objectives they clearly need to focus on solutions, which can consolidate most processes in a core platform, offering a flexible data model that can adapt to current and future needs, is easily connectable to the outside world via APIs and / or interfaces with or is equipped with a powerful reporting / analytics engine.
On top of this, the application should be cloud or on-premises agnostic allowing the greatest flexibility of implementation design.
Over the recent months, the launch of Gen AI solutions has opened up new horizons to optimize the integration of data and processes involving unstructured documents and data; this evolution now seems to be unstoppable.

Embracing new Core platforms

The traditional platforms that used to cover investment guidelines or cash flow monitoring provided adequate support for these specific processes on a stand-alone basis.
However to optimize the use of data and automate processes, the target solution should offer a common user interface allowing the addition of modules and processes when needed and comprehensive workflows to optimize processes using a single data source.
A single source of data is pivotal to achieve efficiency, consistency and ensure agility when adding new functionalities.

Robust data models and data management as a foundation

As explained above, the need to manage a growing quantity and complexity of data related to fund structures, instruments, investors and transactions encourages the use of data models that can easily be extended and adapted by users without heavy and lengthy developments.
It is also crucial that data ingested or resulting from a process be readily auditable with a comprehensive and real-time log of the data source, the user(s) modification of data. Data is too often stored on a "garbage-in / garbage-out" mode with no data consistency checks, which can jeopardize the results of controls and reporting.

Strong connectivity with the fund ecosystem

Depositaries are part of an ecosystem including Asset Managers, Fund servicers, Custodians, auditors and regulators.
This is a complex environment and the efficiency of processes and controls will greatly depend on the capacity to ingest and digest enormous amounts of data.
This is where the greatest effort is required to digitize processes like investor onboarding, deal-flow or cash-flow monitoring. Requiring users to access custodian websites every day to extract data manually and to securely store access keys should be consigned to history.
As a consequence, the ability of the solution to come already connected to market infrastructures, offering multiple formats of connection including APIs is critical.

In summary, as a depositary, it is maybe the right time to reassess your current operating model, processes and underlying technology. In doing so, make sure the core platform you are going to select meets the main cornerstones mentioned above. This is a long-term investment with a direct impact on your efficiency and quality of service. ●

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By **Sandrine Leclercq,**
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The Evolving Role of Conducting Officers in Luxembourg's AIFM Industry: "Adapting to the Shifting Challenges of Digitalization"

The role of Conducting Officers vis-à-vis Alternative Investment Fund Managers (AIFMs) has been continuously evolving since 2013, reflecting the need to adapt to changing business models and regulatory constraints.

The advent of the digital era has introduced significant challenges and risks, transforming operational processes and client relationship models, while broadening the spectrum of risks that could jeopardize both corporate activities and those of its clients.

Since 2018, regulators have intensified their focus on Information and Communication Technology (ICT) risks, imposing escalating requirements on AIFMs to manage and mitigate these risks.

In an increasingly digitalized world, it is essential for AIFMs to assess whether their resources and organizational structures are consistently adequate to support this expansion.

This article examines the governance challenges associated with the rapid digitalization of AIFM activities, the impact on Conducting Officers' work plans, and the requirements necessary to enable Conducting Officers to effectively fulfil their responsibilities.

Renewed Governance Challenges for AIFMs due to Digitalization

The digital transformation within the financial sector over recent years has brought ICT risks to the forefront for many companies. This shift has prompted regulatory actions, with the first EU initiative in 2018, which included the European Banking Authority (EBA) guidelines on ICT and Security Risk Management. This was followed by GDPR and most recently, the Digital Operational Resilience Act (DORA).

DORA marks a significant turning point, by establishing extensive requirements for institutions to manage and mitigate risks related to disruptions in their IT systems and operations, and intensifying their reporting obligations. This includes, most notably, ICT-related Incident Reports documenting causes, impacts, and mitigation actions for significant ICT disruptions; Operational Resilience testing reports, detailing stress test results and preparedness assessments; and Risk Assessment Reports that periodically evaluate IT risks and outline mitigation strategies. AIFMs must also report on ICT Compliance for any dependencies they have with external ICT providers.

At the same time, customers are demanding greater transparency regarding the security measures implemented by their providers, along with ad-hoc reporting. Today, inquiries about a financial actor's cybersecurity practices in RFPs account for a significant percentage of the questions posed.

This evolution calls for an extension of the Conducting Officer's role, requires new skills, and significantly increases their administrative workload.

Conducting Officers' evolving roles and responsibilities

ICT risks and compliance have become critical aspects for financial actors, just as important as their ability to fully leverage the digitalization of their services and operations.

The Management Committee, being the body responsible for the proper conduct of business, must ensure that ICTs are optimally used and integrated effectively into the company's operations. It verifies that all risks associated with ICT usage (data protection, incident response, business continuity, and cybersecurity) are adequately captured and efficiently managed.

Achieving this first requires the establishment of clear accountabilities for Conducting Officers in ICT related matters.

As digitalization disrupts the entire value chain by imposing new ways of working across the organization, it also questions the relevance of historical governance models.

Beyond the functions responsible for Strategic Innovation and ICT Operations, the Risk Management function identifies and assesses potential risks to organizational security, as well as implementing effective mitigation measures. Compliance monitors the effectiveness of administrative and physical safeguards, designed to protect sensitive information—such as firewalls, encryption, access controls, and employee training. The Sales function focuses on enhancing the quality of the customer digital experience, while the Marketing team develops strategies based on the tools employed. Additionally, the CSR function focuses on the responsible use of technology, while HR faces the challenge of developing the right talents/skills to support this transformation.

This collective responsibility for the company's digitalization inevitably affects the functioning of the Management Committee as its responsibilities evolve, prompting Conducting Officers to acquire specialized expertise in areas that require advanced skills, that are markedly different from the competencies traditionally expected of this role.

> **"AIFMs must determine the optimal configuration of their Management Committee to ensure that no aspects of digitalization are overlooked, all while navigating defined role incompatibilities and avoiding an excess of Conducting Officers."**

Management Committee best practices for ICT Governance

AIFMs must determine the optimal configuration of their Management Committee to ensure that no aspects of digitalization are overlooked, all while navigating defined role incompatibilities and avoiding an excess of Conducting Officers.

Reported increased demand for interim Conducting Officers reflects the complexity of accommodating all the necessary skills within the management board: organizations are increasingly seeking interim Conducting Officers, as they search for the ideal, yet rare candidate to recruit and to prepare for licensing applications for AIFMs.

There are many ways to configure a Management Committee capable of consistently driving a successful digital transformation, and tailored to the specific organization of the company. Yet in all cases, digital transformation requires a holistic approach that integrates strategic guidance, continuous training, and an environment that promotes innovation at all levels of the organization.

AIFMs must ensure that their Conducting Officers receive effective and ongoing training, to understand the moving ecosystem they are a part of.

Training alone, though, is not enough, as transitioning to a technology culture requires more than just up-skilling: it also calls for new ways of thinking.

The Management Committee can enlist digital strategy experts to provide an objective perspective and guide the implementation of best practices.

Additionally, engaging internal sponsors, such as young technology enthusiasts, can be beneficial. These individuals can share their passion for technology and offer valuable insights to the Management Committee.

Finally, to absorb these new complexities, Conducting Officers can find relief in using digital tools to streamline and automate certain tasks, allowing them time for more pressing and critical matters. These tools may, for instance, include compliance dashboards that centralize regulatory obligations and deadlines, as well as workflow automation tools and data analytics platforms, etc. Digital document management systems can also enhance record-keeping efficiency and facilitate secure access to compliance and audit records.

Looking ahead with AI

Looking ahead, the governance landscape is on the verge of further significant transformation, necessitating constant vigilance to ensure that an organization's governing bodies are up to speed on any moving targets and duly equipped to address them.

As these technologies continue to evolve and reshape operational and oversight functions, they hold the promise of unveiling new capabilities for governance that organizations have yet to fully explore, potentially transforming how AIFMs approach compliance, risk management, and overall organizational agility.

For AIFMs, the integration of artificial intelligence marks a profound shift, with the potential to redefine roles and enhance organizational resilience, which will necessarily reflect in the manner Conducting Officers operate. ●

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Interview with
Betty Kizimale-Grant,
Legal Manager at
Luxempart

and **Alexandre Tangton**
Senior Associate at CMS

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Legal Committee

AI Tools in Law: Benefits, Risks, and Best Practices

This article was published by the Legal Young Private Equity Leaders Committee

Can you please introduce yourselves?

Betty: I am a Legal Manager at Luxempart, a listed investment company, responsible for overseeing three areas: transactional legal support for our investment teams, corporate matters and regulatory compliance. We ensure that each transaction is in line with the company's strategic objectives, while mitigating legal risks through the review and negotiation of transaction documentation. Our in-house legal team also handles the group's legal management in compliance with stock exchange governance rules, company law, transparency and market abuse regulations, as well as AML/CFT and data protection rules.

Alexandre: I am a corporate / M&A lawyer, and I advise clients in connection with mergers and acquisitions, joint ventures, restructurings, corporate finance, transactional business law and day-to-day corporate housekeeping of Luxembourg companies, as well as on corporate governance.

How Can AI Tools Help Lawyers?

Betty: Staying up to date with technology trends in the legal sector is essential for in-house lawyers. Within our team, we have identified several use cases where AI solutions could support our work. For example, AI could assist in drafting legal provisions by providing templates or suggesting language based on legal databases. In contract review, AI tools could flag potential risks or inconsistencies, reducing the time spent on document analysis. AI-driven translation tools could quickly and accurately convert legal texts in the context of our international transactions. Moreover, AI could streamline legal research and our legal watch activity by retrieving relevant legal precedents, regulations, or case law. Additionally, AI could help summarize long contracts or explain specific clauses, providing quick insights into key obligations or risks, which is especially helpful for communicating with non-legal colleagues.

Alexandre: AI used wisely is also helping lawyers to become more efficient in the way they deliver work to clients, and clients are increasingly expecting law firms to be properly equipped with AI tools.

An example is the use of AI as part of a due diligence in the case of a sale or acquisitions. Due diligences often require several lawyers to go through thousands of pages of documents (often in different languages) to look for certain pieces of information that are of interest to their clients. Certain AI tools, under the supervision of skilled lawyers, can now undertake this time-consuming and labor-intensive task in a much more efficient way, freeing-up time for lawyers to focus on more rewarding aspects of their legal work.

Another example where AI can be useful, as mentioned by Betty is the review of contracts. Certain AI tools can for instance review clauses and benchmark them against the data they have collected, allowing to check whether such clauses (i) reflect the market practice or if they (ii) are more in favor of one party or the other.

What Risks Should a Lawyer Bear in Mind before using AI Tools?

Betty: The introduction of AI tools into the legal work could offer significant efficiency gains, but it also comes with risks that must be carefully managed.

A key initial consideration is whether the applicable legal and contractual framework permits the use of AI tools—especially third-party solutions—for processing the relevant information. It is crucial to ensure that the processing of sensitive information such as corporate data, investment details, and confidential information does not violate any legal or contractual obligations applicable to the company.

Another risk lies in how the confidentiality and security of input and output data are ensured by the AI provider,

"For law firms, embracing AI has become necessary, but can also be seen as an opportunity to better serve client and boost productivity."

particularly when it comes to AI platforms that rely on cloud computing. A security breach in the AI provider's system could expose sensitive data, potentially causing financial loss and reputational harm. This risk would be particularly acute when dealing with confidential business strategies or market-sensitive information that could impact ongoing or future investments.

Another significant concern is intellectual property rights over the data processed by AI tools. The company generates proprietary legal documents, investment strategies, and know-how. If this information is input into an AI system, questions arise about ownership of both the input data and the resulting output, especially if the AI system uses data to improve its algorithms or train future models.

Compliance with data protection regulations, such as GDPR, is also a top priority. One of the major risks is that the data processed by AI might contain personal information, and if mishandled, this could lead to GDPR violations, resulting in significant penalties and reputational damage.

Alexandre: The risks highlighted by Betty are of course of essence for both in-house legal teams and law firms.

These risks have also been picked up by the European Legislator which has addressed them with the EU AI act (Regulation (EU) 2024/1689 laying down harmonised rules on artificial intelligence), which entered into force on 1 August 2024. In short, the AI Act classifies different types of artificial intelligence systems based on the risk they present, from unacceptable to minimal. AIs presenting unacceptable risks are banned, while those posing minimal risks are unregulated. Providers (developers) of high-risk AI systems will be subject to the most stringent regulations and will for instance need to be assessed and registered before being put into service and such systems will need to be subject to adequate human oversight.

In addition, certain risks linked to the use of AI itself should not be neglected. One of the important issues to be kept in mind are the so called "hallucinations" which occur when an AI system generates text or information that appears plausible but are factually incorrect or entirely fabricated. The fact that AI systems do not always provide for the sources of the information they use and that it is not always clear how an AI system takes its decisions (the so-called "black box" problem) does not help.

To address these issues, the intervention and supervision of skilled legal experts to check and verify the work of an AI will remain essential.

Conclusion and Advice to other lawyers on the Use of AI Tools

Betty: AI tools present a promising avenue to streamline certain legal tasks. It may be worthwhile for in-house lawyers to explore and test existing AI solutions to see where they might add value to their practices. Before deploying any AI tool within the legal team and more generally the company, obtaining clearance from a legal and security standpoint should however be vital. Third-party AI tools that rely on cloud-based platforms or shared servers, raise concerns about data security, confidentiality, intellectual property and compliance with regulatory obligations like data protection standards. For in-house lawyers, ensuring that the use AI solutions comes with adequate safeguards should be non-negotiable. In this context, it may also be useful to issue internal guidelines on how AI tools should be used to avoid the risk of sensitive information being exposed or mishandled and to actively monitor for potential breaches. Balancing innovation with strong legal and security protections is the key to successfully integrating AI into the legal workflow.

Alexandre: For law firms, embracing AI has become necessary, but can also be seen as an opportunity to better serve client and boost productivity. A careful strategic approach is to be put in place by law firms to successfully integrate AI in their day-to-day work. As it is easy to bet on the wrong horse, law firms should consider and test several AI tools before adopting such tools. Moreover, having clear internal policies on AI use, data handling, and compliance, along with regular training for lawyers will help minimize the risks linked to the use of AI. ●

LPEA COMMITTEE FOCUS

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By **Delphine Gomes,**
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LPEA

Legal Private Equity Financing

At the origin

In 2021 the LPEA launched the Legal PE Financing group which is a sub-group of the Legal Committee. This group is a pool of lawyers and legal counsels from leading law firms and major actors on the Luxembourg market which is dedicated to promoting the benefits offered by the Luxembourg law for Private Equity financing operations, to increase the awareness of Private Equity actors of such benefits and advocate for changes to the Luxembourg legal framework which will consolidate its place as a leading European and international financial centre.

Who

The Legal PE Financing group is co-chaired by Delphine Gomes and Constantin Iscru (both at Ogier) and is currently composed of around 15 members who are legal experts in the field of financing working for major law firms in Luxembourg (including all tier 1 and Magic Circle – present in Luxembourg – law firms in the banking and financing sector) or in-house for Private Equity firms.

What

This team of professionals seeks to offer a fresh perspective on market trends by exchanging their collective experiences and individual insights. The main objective of the group is to promote Luxembourg as the go-to place for structuring financing transactions thanks to the large and flexible tool box offered by Luxembourg law.

Over the past year, the group has published several articles including a general and transversal article on the recent changes of Luxembourg law rules impacting Private Equity financings at the end of 2022. This publication has been followed by a conference organised at BGL BNP Paribas' premises.

In 2023, further to the entry into force of the Luxembourg law dated 7 August 2023 on business preservation and modernisation of the bankruptcy regime, the group led discussions amongst Luxembourg legal practitioners (including law firms not represented within the group) in order to reach an agreement on the interpretation to be given to certain provisions of the new law and the manner to apply such provisions in transactions.

More lately, the members of the group agreed on a list of conditions precedent and subsequent for financing transactions with the intention that such list be used as standard guidelines by lawyers on the Luxembourg market for easing negotiations on those items and quickening the course of the transactions. This list will be made available to the public through the LPEA website soon.

In collaboration with the new (Luxembourg banks') fund finance group, a working sub-group is also currently working on two joint projects. The first one consists in a project relating to fund finance in Luxembourg and involves a series of podcasts on the topic, which will be released in 2025. The second common project focuses on assessing the impact of CRD VI on financings to Luxembourg borrowers, with an emphasis on the impact on third country lending entities.

The working group is also constantly assessing the impact on Luxembourg financing transactions of the recent Luxembourg insolvency reform and is considering for 2025 issuing a publication assessing its practical implications in the PE sector.

The group is very enthusiastic about furthering its collaboration with other LPEA committees and groups to leverage synergies and mutual learning on a larger scale.

When

The group is meeting on a monthly basis to discuss ongoing and new projects as well as legal updates and technicalities encountered on transactions and is making regular contributions under various forms such as articles, podcasts, videos and conferences.

How to apply

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

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LIFESTYLE


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By **Jonas Mullo,**
Head of Legal Funds at
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Tornado Luxembourg: A Rising Force in Ice Hockey's Fast Lane

As Luxembourg's most successful ice hockey team, Tornado Luxembourg is shaping the future of the sport across the country. Recently promoted to France's Division 2, the team's diverse composition and passionate following reflect its role as both a competitive force and a catalyst for ice hockey's growing popularity.


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> **"Tornado Luxembourg has for many years being playing in the French Division 3, but under the leadership of coach Christer Eriksson, at the end of a very successful season 2023-2024, the team was promoted to the French Division 2."**

On a normal Tuesday night in November, a group of guys get together in Kockelscheuer for a regular dose of adrenaline, an intense physical workout, and the passion they all share, namely ice hockey. Laughter and friendly banter echo around the rink as much as the pucks hitting the ice or clanking against a goal post. The guys are here to have fun, but to also push themselves and each other in pursuit of improving their hockey skills, which has also lead to increased visibility for what has traditionally been a little known sport in the Grand Duchy. But the secret is out and this fast paced and entertaining sport is gaining a lot of traction, with 400 to 500 spectators regularly attending Tornado Luxembourg's home games in Kockelscheuer. Tornado Luxembourg is the most successful ice hockey team in the country, and draws larger crowds than some of the teams in the biggest sport in Luxembourg, football, that play in the BGL League. For important games and the playoffs, the rink can be sold out, and then the atmosphere is electric, in part thanks to its fan club, the Tornado Ultras.

The Team Behind the Success

Tornado's composition is diverse in terms of nationality, age, and background. Many players are originally from traditional ice hockey nations such as Sweden, Finland, Czech Republic etc., but several Luxembourg natives are also part of the mix. From the age of around 17 or 18, promising young talent starts fighting for a spot on the roster, which includes players who have already hit 40. A few of the players have ice hockey as their main occupation, but most players study or work in trades, ranging from manual labour to entrepreneurship. Just like anywhere else in Luxembourg, financial markets are well represented among the day jobs, including lawyers, accountants, economists, etc., some of whom work in PE and for member firms of the LPEA.

Ice hockey, requiring full attention and focus for the 1.5 hour practices, or 3 times 20 minutes of game time, is an excellent way of putting any work related matters aside, because when a 100 kg mountain of muscle approaches with the sole purpose of skating straight through you and stealing the puck, any thoughts of equalisation interest, GP clawback and side letter negotiations are very distant. Contrary to many other ice hockey teams though, many worldly topics are covered in the locker room, not atypical when a group of 20 young(ish) men get together. However, it is also not unheard of to hear discussions on topics such as currency hedging, fund distribution and the democratisation of private markets that Moonfare is pursuing, or exchanging notes on the service levels of third party AIFMs, and which of them can provide the best possible quality for a reasonable price. During the long hours in the bus to and from away games all over France, work is often a topic, one way or the other.

Achieving Milestones and Looking Ahead

Tornado Luxembourg had been playing in French Division 3 for many years. However, under the leadership of coach Christer Eriksson, at the end of a very successful 2023-2024 season, which culminated in a playoff victory in Dijon in early May 2024, the team was promoted to French Division 2. This level of hockey is more advanced, with a greater number of (semi-) professional players. Consequently, the club has had to invest a lot more, benefitting from the many volunteers who sacrifice many hours of their time to give the team the opportunity to compete. An important part of the financial support comes from sponsors, many of whom have provided consistent, indispensable backing for many years. With this new, more competitive level comes new and greater requirements, including financial. The first part of the season consists of 18 games in the Northern pool, including Luxembourg, Lille, Rouen, Dijon, and Orleans, as well as many Parisian teams. Half of these are home games more or less, every second week throughout the winter, followed by playoffs for the most successful teams, then playing against teams all over France, as far south as Montpellier or Toulouse. Playoffs in the past have taken the team to Marseille, Anglet, and Briançon, creating lasting memories for the players and participating staff.

Playing for Tornado is a big commitment, not only for the players, but also for their wives, children, and families. Some of the players are now at an age when they have (young) children and are already fostering the next generation of players in the junior organisation, Hiversport Huskies, which serves as an excellent opportunity for small boys and girls alike to try this fast-growing sport. Training and coaching is available for children from the age of 4, even without any previous experience or any particular skating skills, giving the young ones an opportunity to dream of one day playing for Tornado, or even beyond.

Ice hockey is particularly interesting to both play and watch, because of how fast and intense it is, with games consisting of 3 action-packed periods, and a clock that stops the match when the puck is out of play. Consequently, no player or team has any incentive to waste time, delay the game, or roll around on the ice. The rules, although seemingly complicated for a first-time viewer, really aren't. Icing and offside are the main rules, in addition to certain violations being punished, usually with 2 minutes in the penalty box. The common misconception that ice hockey games always contain some boxing is generally untrue, although games do tend to get a bit heated, especially when the score is tied.

There are many ways to support Tornado Luxembourg, including sponsorship opportunities, but the best is to find Tornado Luxembourg on Instagram or other social media, or at https://www.tornadoluxembourg.com/, check out the schedule, then come and watch a home game in Kockelscheuer on a Saturday night at 19.00. ●

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By **Emilie Moray,**
Legal & Regulatory Coordinator
at LPEA

Operational Excellence in Private Markets

The LPEA held its annual conference on 17 October, bringing together industry leaders and stakeholders to discuss the latest trends and insights in the Private Equity (PE) and Venture Capital (VC) Industry. This year's edition focused on operational excellence in private markets, highlighting the importance of effective management strategies in navigating the current complex environment. Panellists explored innovative approaches to investment, the integration of technology, as well as the evolving expectations of investors, underscoring the need for firms to adapt in order to succeed in an ever-changing market.

Operational excellence in fund and portfolio management are central for driving growth and navigating the increasingly challenging market. Firms must adopt tailored approaches that moves beyond a one-size-fits-all operating model, particularly in strategic areas like technology, innovation and clients servicing.

Building robust relationships with teams and investors is essential, as it allows investors to understand the foundations of each business and fosters collaboration to support adaptation to changing market dynamics.

The integration of artificial intelligence (AI) and data science can significantly enhance competitive advantage, enabling firms to derive insights from data intelligence and effectively track evolutions. Establishing a robust data-based, technological architecture, while recognising the human role in fast-evolving situations, ensures a holistic view of operations. KPIs remain crucial in measuring and reporting success in a sophisticated market characterised by consolidation trends. This multi-faceted approach requires operational excellence in order to positions firms for sustainable success.

Navigating the Regulatory Landscape: towards Value Creation through ESG and Cyber Resilience

The journey from regulation to value creation in ESG can be challenging, particularly in the early stages, but the long-term benefits can be significant. By focusing on value creation, companies can unlock growth opportunities while appealing to environmentally-conscious investors. Regulations such as the Corporate Sustainability Reporting Directive (CSRD) and the Sustainable Finance Disclosure Regulation (SFDR) emphasise the need for robust ESG frameworks.

Establishing proper procedures and resources to address ESG topics is thus needed. Firms should set clear targets, benchmark against peers, and adopt step-by-step processes for integration. Indeed, as companies will improve their reporting practices, the quality of data will enhance, notably reinforcing attractiveness to investors. This holistic approach will not only enhance financial returns but also foster long-term sustainability, reflecting the current growing importance of ethical considerations. Embracing ESG principles can indeed lead to a resilient business model that drives both economic and social value.

On the cyber resilience scene, GPs and Board Members play a strategic role in ensuring digitally resilient momentum throughout the organisation and beyond. Effective oversight and audit mechanisms are strategic. So is the pre-investment cybersecurity due diligence. Post-investment, it remains crucial to ensure that portfolio companies enhance their cybersecurity posture and framework, safeguarding not only their assets but also the fund's reputation. Implementing robust data protection measures and security controls is vital to address cybersecurity risks, which is even more applicable in the context of DORA. By prioritising cybersecurity governance, GPs can build cyber-resilient portfolios, ultimately preserving the integrity of their investments and fostering trust among stakeholders where data breaches can have significant repercussions on the company as a whole.

Nurturing Investor Confidence in a Competitive Landscape

In today's selective market, building and nurturing investor confidence requires a multifaceted strategy emphasising transparency and trust overtime. As investors increasingly seek diversification, the importance of metrics such as DPI and other KPIs cannot be overstated. Effective liquidity management techniques and well-planned, successful exit strategies are central in demonstrating the company's reliability. Investors desire to see tangible progress, making the narrative surrounding investment journeys critical. Moreover, as investor strategies become more sophisticated and heterogeneous, it is important to recognise that this diversity in investors' strategies allow both large and smaller players to thrive. While AI can enhance operational excellence, it remains certain that the human factor is vital in the industry. By prioritising transparency and engaging with investors, firms can cultivate lasting confidence, leading to stronger partnerships and sustained success.

> **"As the industry continues to evolve, the commitment to operational excellence will remain a defining characteristic of those who wish to stay ahead in this competitive environment."**
>
> Emilie Moray

In the field of Wealth Management, close monitoring of these investments is key to ensure alignment with client expectations. Integrating ESG criteria into the due diligence process is not just a best practice but a necessity, as ESG considerations should be woven into investment strategies from the outset. Wealth Managers also have a duty of preservation, safeguarding clients' capital while promoting responsible practices, in order to align with sustainable considerations.

Opportunities and Challenges in the VC Market

Adopting a multi-level approach in structuring VC Funds is interesting as it fosters (i) structural flexibility to allow adaptation to various investment strategies and market conditions (ii) investor protection including safeguards to ensure transparency and accountability, and (iii) an appropriate taxation regime that incentivises investment. By considering these levels, the Fund can effectively navigate the complexities of the VC market, driving growth and stability in the start-up ecosystem.

In terms of challenges, fundraising intricacies were highlighted during the conference. Success seems to hinge upon offering differentiated value propositions and fostering stronger investor relations. As the market anticipates renewed momentum in VC fundraising, it becomes indeed essential to focus on long-term value creation while building robust relationships with investors. Managers must approach a diverse range of investors, tailoring their investment framework to meet varying expectations and requirements. The management team plays a pivotal role in this process, as their experience and vision can significantly influence the decision-making process. In order to stand out, VC firms must differentiate themselves through unique insights and innovative approaches, ultimately aiming to build a diversified base of Limited Partners (LPs).

In this dynamic context, effective due diligence processes play a central role for Business Angels (BAs) and VCs, utilising strategic KPIs to evaluate potential investments most effectively. While both BAs and VCs share important due diligence KPIs, BAs may prioritise metrics related to early-stage viability, while VCs might concentrate on scalability and market potential. Additionally, sustainability considerations at the due diligence level is becoming increasingly important, as investors seek to align their portfolios with ESG standards.

Insights in Private Markets: Evolution of Perpetual Funds, Strategic M&A

Perpetual funds undergo a significant evolution in investment strategies, while promoting democratisation in finance by enhancing accessibility and inclusivity. With a trend towards retailisation, investors' education is key to ensure proper understanding of the unique features and benefits of perpetual funds compared to other structures. Effective liquidity management tools are needed to balance accessibility with a long-term investment horizon, and diversification strategies are crucial for mitigating risk. By collaborating with wealth managers, fund managers can more effectively manage investor expectations, ensuring clients are well-informed about the nuances of perpetual investments and their potential for sustainable growth.

In the realm of M&A deals, seizing opportunities are at the core of creating success stories. Once the strategic partnership has been initiated, it remains essential to grow the business while fostering the existing entrepreneurial culture to stimulate innovation and adaptability. By deepening customer relationships in understanding their needs, companies can further expand their market share while delivering quality service that meet customers' expectations. Moreover, investments in technology can enable efficiency, allowing businesses to maintain growth momentum while enhancing their capabilities. By focusing on these elements, organisations can complement their offerings and secure long-term success.

Conclusion

In the ever-evolving landscape of private markets, operational excellence is not merely an aspiration but a necessity. By embracing tailored strategies, fostering strong investor relations, and prioritising principles such as Sustainability, Transparency and Adaptability, firms can navigate the complexities of the market and position themselves for sustainable success. As the industry continues to evolve, the commitment to operational excellence will remain a defining characteristic of those who wish to stay ahead in this competitive environment. ●

INSIGHTS CONFERENCE

LPEA Insights 2024

Main Stage

Claus Mansfeldt (SwanCap / LPEA)

Claus Mansfeldt (SwanCap / LPEA), Stephane Pesch (LPEA), Lex Delles (Minister of the Economy), His Royal Highness Prince Guillaume, Sasha Baillie (Luxinnovation), Michel Rzonzef (LBAN) and Marjut Falkstedt (EIF).

Jean-François Findling (Baker McKenzie), Joé Lamesch (Luxembourg Competition Authority), and Philippe Harles (Arendt).

... Seminar in Madrid

Madrid Seminar Speakers Group

Jean-Daniel Zandona (Arendt Investor Services) and Jose Luis Martinez Partner (Alaluz Capital).

David Burgos (TMF Group) and Miguel Solana Partner (Alter5).

... Cocktail in Paris

Marc Ungeheuer (Luxembourg Ambassador to Paris), Stephane Pesch (LPEA) and Omar Ceron Meliani (Domos FS).

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... Seminar in New York

Miao Wang (A&O Shearman).

Nicole Bintner-Bakshian (Luxembourg Ambassador to Washington).

Stephane Pesch (LPEA) and Patricia Volhard (Debevoise & Plimpton).

... Seminar in Chicago

Chrys Ibombo (MC Square) and Stephane Pesch (LPEA).

Arnaud Bon (Deloitte).

Philippe Belche (PwC), Brian Leegan & Bénédicte Moens-Colleaux (KPMG), and Cornelius Bechtel (Independent Director).

Aurélien Hollard (CMS).

Antonis Anastasiou (Alter Domus).

... Seminar in Milan

Vittoria Faraone (A&O Shearman), Silvia Corbella (Algebris Investments), Gualtiero De Micco (Heritage Holdings) and Andrea Arcangeli (CMS).

Anastasia Di Carlo (Hamilton Lane).

Catherine Martougin (Baker McKenzie), David Bonafini (PwC), Alessia Lorenti (INED).

Michele Di Palma (Alter Domus) and Daniele Spada (Tages Capital).

... Seminar in Warsaw

Filip Suchta (Q Securities), Rafał Lis (CVI), Jacek Pogonowski (Value4Capital) and Łukasz Dziekoński (Montis Capital Group).

Piotr Kozikowski (PwC), Piotr Miller (Avallon) and Tomasz Klarowicz (PwC).

Michal Stepien (DLA Piper).

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

People on the Move

Mathieu Perfetti
Head of Private Markets
Société Générale

George Bagkalas
Partner
BDO

Carine Boutin
Business Development
Ogier

Henning Swabey
Chief Commercial Officer
Governance.com

Neil Scoble
Director of Business Development
RFA

Codrina Constantinescu
Partner
Goodwin

Peter Brown
Managing Director
ZEDRA's Luxembourg

People on the Way Up

Laura Zahren
Director
KPMG Luxembourg

Milan Hauber
Partner
Ogier

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Emre Akan
Counsel
DLA Piper

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

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Luís Galveias
Chief Operating Officer

Kheira Mahmoudi
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Evi Gkini
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Hosted in Luxembourg at a Professional of the Financial Sector, Domos has been designed to support Alternative Investment Funds Managers and Fund Administrators in streamlining their processes, operations and reporting through the latest technologies, allowing to cut costs, gain control and security while complying with regulations.

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