LPEA

15TH ANNIVERSARY

This publication offers a glimpse into the future of the Private Equity and Venture Capital industry in Luxembourg, inspiring us to embrace a futuristic theme by using an AI tool transforming the photos of the book's contributors. We hope you enjoy the effect.

Imprint: LPEA 15th Anniversary Book | **Publisher:** LPEA, 14, rue Erasme, L-1468 Luxembourg | Tel: + 352 28 68 19 | Email: lpea-office@lpea.lu | **Editor:** Johann Herz | **Contributors:** Claus Mansfeldt, Stephane Pesch, Luís Galveias, Evi Gkini, Johann Herz, Joshua Stone, Hind El Gaidi, Hakan Yar, Gautier Laurent, Helene Noublanche, Joaquin Ruiz, Francisco Da Cunha, Marie-Laure Mounguia, Gautier Despret, Marcel Müller-Marbach, Claude de Raismes, Mathieu Perfetti, Alexandre Hector, Daniela Klasen-Martin, Yves Wampach, Jean-François Findling, Jean-Philippe Smeets, Jerome Wittamer | **Photo Copyrights:** Eric Devillet & D.R.

ISBN: 978-2-87996-119-4

SUMMARY

By Stéphane Pesch
CEO of LPEA

EDITORIAL

Dear Members, Friends, and Partners,

It is impressive to look back at what has happened over the last 5 years, a "short" but decisive period. With the impression that it was like yesterday, we fondly remember the celebration of our 10th anniversary (February 2020) just before the global pandemic caught the entire world by surprise and profoundly transformed our personal and professional lives.

Nonetheless, even during these complicated times, humanity was able to demonstrate real resilience, scientific genius, and the positive effects of working together and collaborating on a global scale.

On the LPEA side, we also underwent several transformations with first a change in leadership (thanks to the work of our predecessors!) and the build-up of a new team composed of highly engaged and inspired professionals. The number of members also exploded during this period, from around 280 to almost 600 nowadays, including many GPs, Asset servicers, Independent Non-Executive Directors and entrepreneurs.

The number and size of the in-house Technical Committees and Clubs doubled during this period and the new groups were launched around key strategies including Infrastructure, Private Debt/Credit, Secondaries and also trends, including for example M&A, Fund financing, Wealth Management (democratisation of private markets) and ESG. Those thought leadership activities enabled the creation and delivery of important papers, recommendations, articles and events. This, in turn, accelerated the growth of our ecosystem with best practices and pragmatic solutions provided for example by the Tax, Legal, Depositary, Fund Administration and other committees.

Concerning the international representation of our industry and of the Luxembourg hub, we have multiplied our roadshows by adding new EU locations (e.g. Lisbon, Warsaw, Madrid, Stockholm, Vienna and Milan), promising US cities (Miami, Austin, Dallas, San Francisco, Chicago), Canada (Toronto) and last, but certainly not least, our first trips to Asia (Singapore, Hong Kong, and Tokyo). Those events were delivered with our closest members and, in certain capitals, with the help of our country's diplomatic network.

With the LPEA Training Academy launched in 2020 (digital format), additional relationships with top EU Universities/Business schools, the delivery of the "PE certificate" in collaboration with HEC Liége Luxembourg, the recent launch of our brand-new VC Masterclass and the organization of Job fairs, we have tried to enlarge the access to specialized, professional education and have tried to facilitate the attraction of talents to Luxembourg. In parallel we have also witnessed the reinforcement of "back office" and more specifically "middle office" activities with many new profiles and opportunities in Luxembourg (Risk Management, Valuations, Compliance, COOs/CFOs), which have grown a lot over the last years. In addition, it has become clear that Luxembourg's ambitions in this area should be to continue fortifying these skills and services while using accelerators like technology, digitisation and AI. It is also important to "boost" further Luxembourg's strategic position with more Investor Relations, Fundraising and deal activities (as close as possible to the transactional part and whenever it concretely makes sense).

We are ready to embrace the upcoming years with even more energy, inspiration and creativity, more LP events (Investment Circle) and our annual flagship event - the Insights conference, which has almost tripled the number of attendees over the last 3 years and hosted several world-class speakers.

LUXEMBOURG: A RISING GIANT IN GLOBAL PRIVATE EQUITY

By Luís Galveias
COO of LPEA

Luxembourg's stature as a global hub for Private Equity and Alternative Investments in general, continues to grow at an impressive pace. Recent figures from the Commission de Surveillance du Secteur Financier (CSSF; *AIFM Dashboard*) illustrate the sector's dynamic expansion, underlining Luxembourg's critical role in the global investment ecosystem.

RECORD GROWTH IN PRIVATE EQUITY

In 2023, the CSSF reported a Net Asset Value (NAV) of Private Equity funds domiciled in Luxembourg at an astounding €623 billion. This represents a year-on-year growth of 21% from €514 billion in 2022, and a staggering 60% increase from the €388 billion reported in 2021.

When factoring in Infrastructure funds (€104 billion) and Funds of Funds in Private Equity (€139 billion), Luxembourg's Private Equity sector reaches an NAV of €866 billion. This robust growth underscores the sector's status as a cornerstone of Luxembourg's Alternative Investment Funds industry, accounting for 42% of all Alternative Funds domiciled in the country.

THE BROADER ALTERNATIVES LANDSCAPE

While Private Equity dominates, Luxembourg's Alternative Investment Funds industry is further enriched by the presence of Private Debt funds. Despite the lack of specific reporting categories in the annual CSSF AIFM Dashboard, industry surveys by KPMG and ALFI, based on input from Depositary providers, estimate that Private Debt funds domiciled in the country manage over €510 billion in Assets under Management (AuM).

Altogether, the LPEA represents an industry managing approximately €1.4 trillion, a figure that accounts for close to a quarter of the total Assets under Management of Luxembourg's fund industry.

A EUROPEAN AND GLOBAL LEADER

Luxembourg's dominance in the Private Equity sector extends beyond its borders. From a European perspective, Luxembourg-domiciled Private Capital funds accounted for 57% of all fundraising in 2022. In the realm of Private Debt, the country's leadership is even more pronounced, representing 74% of all European raised capital.

Globally, the figures are equally compelling. With a global Private Equity NAV estimated at €10.6 trillion (Bain Global PE Report 2024), Luxembourg's share of €866 billion suggests it domiciles 8.2% of the global Private Equity funds industry. These numbers highlight Luxembourg's role as a pivotal player in the global Private Equity ecosystem, providing a reliable and efficient domicile for capital deployment worldwide.

THE WEIGHT OF RESPONSIBILITY

As Luxembourg cements its place as a leader in Private Equity, the growing scale of the sector brings both opportunities and responsibilities. For the LPEA and its members, this success comes with a duty to uphold the highest standards of governance, innovation, and collaboration. The association's governing bodies and working groups bear the significant task of ensuring that Luxembourg not only maintains its competitive edge but also continues to set benchmarks for excellence in the global industry.

Luxembourg's rise has been fuelled by its deep-rooted expertise, world-class regulatory framework, and its adaptability to the evolving needs of fund managers and investors.

* Private Equity, Funds of Funds in Private Equity and Infrastructure
Source: CSSF AIFM Dashboard 2023

CONCLUSION: A BRIGHT FUTURE WITH CHALLENGES AHEAD

Luxembourg's ascent in the world of Private Equity and Alternatives is a testament to its strategic vision, robust Infrastructure, and the collaborative efforts of its industry stakeholders. While the achievements are remarkable, they also come with the imperative to navigate the challenges of a rapidly evolving global landscape.

As the LPEA and its members continue to build on this legacy, they do so with the understanding that their work has implications not just for Luxembourg but for the global investment community. With foresight, collaboration, and innovation, Luxembourg is well-positioned to shape the future of Private Equity and maintain its leadership on the global stage.

Luxembourg's rise has been fuelled by its deep-rooted expertise, world-class regulatory framework, and its adaptability to the evolving needs of fund managers and investors."

CELEBRATING 15 YEARS OF GROWTH AND INNOVATION: THE EVOLUTION OF LPEA'S MEMBERSHIP

Since its inception, the LPEA has been a cornerstone of the Private Equity and Venture Capital ecosystem in Luxembourg. For 15 years, we have been fostering a vibrant and collaborative environment for professionals in the sector. Over this time, LPEA has grown in size, diversity, and influence, while staying true to its mission of supporting members and promoting Luxembourg as a premier hub for Private Equity and Venture Capital.

As the voice of the industry, LPEA is more than just an association—it is a community. We engage in public affairs and advocacy, working closely with regulators to shape a favourable operating environment. At the same time, we proudly carry the Luxembourg flag across the globe, showcasing the country's unique advantages, including its robust regulatory framework, political stability, and world-class expertise in fund administration. Through thought leadership, specialized training programs, and platforms for collaboration, we empower our members to adapt, innovate, and thrive in an ever-evolving industry.

By Evi Gkini

Head of Business Development and Project Management at LPEA.

Collaboration, innovation, and a shared vision define the LPEA ecosystem."

A GROWING COMMUNITY IN A GLOBAL HUB

By 2020, LPEA had established a solid foundation with approximately 300 members. Today, we are proud to announce that our membership has nearly doubled, reaching almost 600 members, comprising mostly corporate entities with a few individual members.

This remarkable growth reflects the increasing global interest in Luxembourg as a premier European hub for Private Equity and Venture Capital activities - the second biggest worldwide after the US.

Our diverse membership includes stakeholders across the PE/VC ecosystem—not only those operating directly in Luxembourg but also international players eager to collaborate with Luxembourg-based entities. This inclusivity strengthens LPEA's ability to foster meaningful connections and drive the continued growth of the industry.

DIVERSITY FUELS INNOVATION

As a GP-LP centric association, LPEA places fund managers and investors at the core of its community, ensuring they receive tailored support and resources. Alongside these core members, our community includes a wide range of relevant service providers that play an essential role in the Private Equity and Venture Capital ecosystem.

Notably, our membership has expanded to include independent directors and tech firms offering cutting-edge solutions for the industry. This diversification not only enriches the community but also drives innovation, enabling members to address emerging challenges, explore new markets, and adopt innovative practices.

By fostering a culture of collaboration, LPEA encourages members to share knowledge, form partnerships, and actively contribute to the collective success of the sector. This approach ensures that LPEA remains focused on industry developments and continues to assist its members to thrive in an ever-evolving landscape.

DRIVING CHANGE THROUGH ACTIVE COMMITTEES AND WORKING GROUPS

Building on the strength of our growing membership, LPEA's network of over 30 active committees and working groups plays a pivotal role in shaping the future of the Private Equity and Venture Capital industry. With the active contribution of around 800 participants, these groups are the backbone of LPEA, addressing key industry topics and providing a platform for collaboration, knowledge exchange, and innovation.

Our committees have steadily broadened their focus to tackle emerging topics such as technology adoption and sustainability. Specialized subcommittees and working groups ensure members stay on top of industry trends by offering cutting-edge expertise and actionable insights. Through targeted surveys, white papers, interactive workshops and other initiatives our working groups provide members with the tools and knowledge needed to address emerging challenges. These efforts foster innovation and promote the adoption of best practices, ensuring continuous improvement and leadership across the sector.

Recognizing the increasing importance of digital transformation, LPEA is exploring new tools to streamline collaboration, enhance communication, and ensure committees remain informed and efficient.

EYES ON TOMORROW

The remarkable growth of LPEA's membership and the impact of its committees underscore the strength of the community we have cultivated together. Collaboration, innovation, and a shared vision define the LPEA ecosystem. As we celebrate 15 years of success, LPEA remains dedicated to supporting its members, driving innovation, and advancing Luxembourg's leadership in Private Equity and Venture Capital. Together, we will continue to evolve, innovate, and lead the way forward.

LPEA INTERNATIONAL SEMINARS: SHOWCASING LUXEMBOURG'S PE & VC EXPERTISE GLOBALLY

By Johann Herz
Head of Events and Communication at LPEA

The LPEA has cemented its role as a global ambassador for the Grand Duchy's alternative investment sectors through its international seminars. These events serve as a platform to showcase Luxembourg as a premier jurisdiction for Private Equity fund domiciliation and the extent of its expertise and know-how.

STRUCTURE AND GOALS

The LPEA International Seminars are a blend of informative sessions and networking events designed to engage international General Partners (GPs), Limited Partners (LPs), and other key stakeholders with the delegation that travels from Luxembourg. In 2024, LPEA visited 17 destinations, covering established financial hubs and slightly less known markets across Europe, North America and Asia.

The primary objective of these seminars is to promote Luxembourg as a flexible, stable, and efficient jurisdiction for alternative investments. Another equally important element is to attract new GPs to Luxembourg by showcasing the countries legal, tax and broader financial frameworks, which cater to diverse strategies and ambitions.

LUXEMBOURG'S USP

Luxembourg is recognised for its robust and versatile *Private Equity toolbox*, which offers a wide range of solutions for alternative asset management. This flexibility is complemented by the country's political stability, multilingual workforce, and expertise in financial services.

In addition, Luxembourg is the second jurisdiction for fund domiciliation in the world, after the United States.[1] The fund industry in the Grand Duchy amounts to EUR 5.7 trillion of AuM, of which EUR 2.057 trillion accounting for the Alternative fund industry. Those hard facts tend to grab the attention of the visited country's audience, and consolidate Luxembourg's reputation as a go-to jurisdiction for fund setup.

A key feature of the seminars is the emphasis on the quality of Luxembourg's service providers, including legal and tax advisors, fund administrators, auditors, and independent directors. These professionals simplify processes such as EU-wide fund distribution, making Luxembourg a highly attractive jurisdiction for GPs seeking to fundraise from the wide variety of LPs located within the EU. Concretely speaking PE&VC funds raised €133bn in the EU in 2023[2].

TAILORING CONTENT TO LOCAL MARKETS

The success of the seminars hinges on their adaptability to the specific needs and knowledge levels of local markets. In familiar and *PE-mature* countries, such as European capitals, the seminars often focus on detailed legal and tax discussions. In contrast, for markets outside the EU, like Asia and the United States, the narrative emphasises Luxembourg's role as a gateway to Europe and its advantages for fund distribution and fundraising.

A recurring strategy involves inviting local GPs who have successfully navigated Luxembourg's ecosystem to share their experiences. These testimonials resonate with local audiences, offering credible and relatable insights into the benefits of operating in Luxembourg.

EXPANDING REACH THROUGH STRATEGIC ENGAGEMENT

The LPEA has steadily increased its global presence. In 2024, it explored new markets, such as Austin, Dallas, and Miami, reflecting industry shifts in the United States. Asian financial centers like Tokyo, Singapore, and Hong Kong have also been key destinations – and part of a long-standing effort to consolidate relationships with the Asian continent where PE & VC strategies are widespread.

For 2025, LPEA plans to visit 15 destinations, chosen based on feedback from past seminars and local market analysis. This refined approach focuses on delivering quality storytelling tailored to the needs and interests of each jurisdiction, ensuring a more targeted and effective message.

[1] CSSF AIFM Dashboard 2023, Preqin; KPMG/ ALFI

[2] Investing in Europe: Private Equity Activity 2023, Invest Europe

LPEA MEMBERS' PARTICIPATION

Member involvement has grown significantly in recent years. Initially, only a small segment of members actively participated in these seminars. Today, the demand to join delegations has surged, driven by the recognition of the value these events bring for business development, visibility, and most importantly consolidating Luxembourg as a global hub for the alternative asset industry. LPEA members play an active role in shaping the seminars, providing local insights and expertise that enhance the agenda's relevance and impact.

PLANNING AND EXECUTION

Organising an international seminar begins with building relationships in the target market. LPEA collaborates with EU member states' PE and VC associations through its affiliation to Invest Europe, Luxembourg's diplomatic network, and other local stakeholders (e.g. financial industry promoters, CAIA chapters, etc.) to gather market intelligence, and identify potential agenda topic and speakers.

Data analysis also plays a crucial role. Market data tools help identify jurisdictions with high potential and where Luxembourg's offerings are most likely to resonate.

EVOLVING STRATEGIES AND FUTURE FOCUS

Looking ahead, LPEA aims to refine its approach by emphasising qualitative storytelling. This involves developing concise, targeted agendas that align with the needs of local markets and highlight Luxembourg's ability to address specific challenges. High-quality speakers and expert-driven sessions will further enhance the seminars' effectiveness.

The association is also investing in deeper preparatory work, leveraging its growing team and technical committees to gather intelligence on local markets. By aligning its resources with market demands, LPEA aims to create impactful seminars that foster long-term partnerships.

EYES ON TOMORROW

The LPEA International Seminars are a central component of Luxembourg's global PE & VC promotion efforts. By combining tailored storytelling, strategic planning, and stakeholder collaboration, these events effectively position Luxembourg as a leader in alternative investments. With 15 destinations planned for 2025, the LPEA is poised to continue building bridges between Luxembourg and the global PE & VC community, ensuring its relevance and appeal in a rapidly evolving industry.

By aligning its resources with market demands, LPEA aims to create impactful seminars that foster long-term partnerships."

LPEA INSIGHTS CONFERENCE: A CONFERENCE WITH A VISION

By Luís Galveias

COO of LPEA

Luxembourg's Private Equity and Venture Capital (PE/VC) landscape has witnessed remarkable evolution over the past decade, with the Insights Conference emerging as a flagship event for fund managers and investors. Conceived with a vision to highlight the perspectives of Limited Partners (LPs) and of General Partners (GPs), the conference has grown exponentially since its "zero" edition in 2016, becoming a cornerstone of the investment community in Luxembourg and beyond.

THE BEGINNINGS: A VISION REDEFINED

The inaugural edition in 2016, hosted at Banque Internationale à Luxembourg (BIL), marked a turning point for the LPEA. It was the brainchild of Rajaa Mekouar, whose fresh perspective shifted the focus from Luxembourg's back-office reputation to a GP-centric approach. This pioneering event was among the first in the region to provide GPs with a platform to share their opinions and strategic insights, setting a new tone for PE/VC discourse.

The following year, LPEA organised the first official Insights Conference under the banner of "A 360 GP View." This thematic approach established the format that has since become a hallmark of the event—offering an immersive experience through topics curated specifically for GPs and LPs. The conference prioritises experiential learning and open dialogue, showcasing the testimonies of leading firms both within Luxembourg and internationally.

GROWTH AND IMPACT

The first official Insights Conference in 2017 drew over **300 guests** to the iconic **Philharmonie** building. What began as a single-stage event quickly evolved, attracting a larger audience each year and necessitating a more complex setup. By 2024, the conference had grown to host more than **800 participants**, with three stages and 100 speakers representing some of the most influential names in the PE/VC ecosystem.

The content has remained dynamic, addressing a wide spectrum of themes relevant to the ever-changing investment landscape. Whether exploring market trends, showcasing innovative practices, or fostering debate on challenges facing the industry, the conference continually adapts to meet the interests of its audience.

A PIVOTAL PARTNERSHIP: LUXEMBOURG VENTURE DAYS

In 2023, the conference took another significant step forward by partnering with **LuxInnovation**, resulting in the creation of the **Luxembourg Venture Days**. This joint initiative bridges the gap between investors and the entrepreneurial ecosystem, bringing together fund managers, startup founders, incubators, and innovation stakeholders. Key highlights include the highly anticipated **Fit4Start competition**, a platform for startups to pitch their groundbreaking ideas,

LPEA INSIGHTS 2018

LPEA INSIGHTS 2018
Rajaa Mekouar and Jérôme Wittamer

LPEA INSIGHTS 2019

LPEA E-NSIGHTS 2020
Digital conference in response to the COVID-19 Pandemic

alongside numerous side events and presentations designed to foster collaboration and knowledge-sharing.

This strategic partnership amplifies the conference's global reach, aligning with Luxembourg's positioning as an international hub for investment and innovation. The inclusion of entrepreneurial voices enriches the dialogue, providing investors with first-hand insights into the challenges and opportunities in the startup ecosystem.

FAITHFUL TO THE CORE, OPEN TO INNOVATION

As Luxembourg's Private Equity sector matures, so too does the **Insights Conference**. While the event remains steadfast in its commitment to providing a GP- and LP-focused platform, it continues to embrace innovation. Each edition introduces new elements, whether in its thematic content, presentation format, or strategic partnerships.

The PE/VC value chain in Luxembourg has expanded significantly, now encompassing a broader array of functions—from fundraising to investment and portfolio management. As these changes unfold, the Insights Conference is well-positioned to adapt, addressing emerging challenges and providing actionable solutions for industry stakeholders.

The event's growing international participation reflects Luxembourg's reputation as a global investment hub, bolstering its status in the competitive world of Private Equity and Venture Capital. By attracting a diverse audience of investors, entrepreneurs, and innovators, the conference fosters cross-border collaborations that benefit both the Luxembourgish and global investment communities.

LOOKING AHEAD

The **Insights Conference** has become a vital platform for knowledge exchange and networking in the PE/VC industry. From its modest beginnings in 2016 to its current status as a must-attend event with a global audience, the conference exemplifies Luxembourg's ability to evolve and innovate in response to industry demands.

As future editions build on the legacy of the past, the event is poised to remain a beacon of excellence in Private Equity and Venture Capital, setting the standard for impactful investment conferences worldwide. With its emphasis on collaboration, thought leadership, and adaptability, the Insights Conference continues to drive the success of Luxembourg's PE/VC sector—one edition at a time.

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LPEA INSIGHTS 2022

LPEA INSIGHTS 2022
Stephane Pesch, CEO of LPEA

LPEA INSIGHTS 2024
Claus Mansfeldt, President of LPEA

LPEA INSIGHTS 2024
Arrival of His Royal Highness Prince Guillaume

LPEA INSIGHTS 2024

LPEA INSIGHTS 2024
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)

INVESTMENT CIRCLE: BRIDGING FUND MANAGERS AND INVESTORS IN LUXEMBOURG'S PRIVATE EQUITY ECOSYSTEM

By Luís Galveias
COO of LPEA

Luxembourg's position as a global hub for Private Equity and Venture Capital has been further solidified with the launch of the Investment Circle, a unique initiative that connects fund managers with the local investment community. Introduced in 2023 by the LPEA, this quarterly event is already making waves as a vital platform for fostering engagement between fund managers and a diverse pool of investors.

A STRATEGIC MEETING POINT FOR THE PRIVATE EQUITY ECOSYSTEM

The Investment Circle is a restricted, invitation-only event designed to support fund managers in their fundraising efforts while exposing local investors to the spectrum of opportunities available in Private Equity and Venture Capital. Since its inception, the initiative has hosted eight editions, featuring 17 funds that represent a wide variety of investment strategies, from buyouts and Venture Capital to debt, Infrastructure, and fund of funds.

The diversity of the funds aligns with the initiative's objective to showcase the breadth of Luxembourg's Private Equity sector. Participants include institutional investors, family offices, corporates, wealth managers, and high-net-worth individuals, creating a dynamic mix of stakeholders.

DUAL PURPOSE: EMPOWERING FUNDRAISING AND INVESTOR AWARENESS

At its core, the Investment Circle serves a dual purpose. For fund managers who are members of LPEA, the event offers direct support for fundraising efforts by connecting them with potential investors in Luxembourg. At the same time, it provides investors with a gateway to explore locally managed funds, thereby strengthening Luxembourg's reputation as a destination for sophisticated investment opportunities.

This initiative complements LPEA's ongoing efforts to enhance Luxembourg's standing in front-office activities, particularly in investor relations. By mobilising local investors and nurturing relationships with Single Family Offices, the Investment Circle encourages greater participation in Private Equity as an asset class.

DEMOCRATISING ACCESS TO PRIVATE EQUITY

The Investment Circle also represents a tangible step toward the democratisation of Private Equity, a topic of growing debate within the industry. Traditionally seen as an exclusive domain for institutional investors, Private Equity is increasingly seeking ways to broaden its appeal to individuals and organisations that are new to the asset class.

By providing a structured environment where fund managers can present their strategies and investors can gain direct exposure, the Investment Circle lowers the barriers to entry. This approach aligns with a broader industry shift toward making Private Equity more accessible, transparent, and appealing to a wider audience.

AN INITIATIVE WITH STRONG MOMENTUM

In its first two years, the Investment Circle has already proven its value. Fund managers recognise the platform as a key benefit of their membership with LPEA, while investors appreciate the curated opportunities and direct access to decision-makers. This positive reception positions the initiative for continued growth.

Looking ahead, the Investment Circle is expected to attract a larger and more diverse pool of investors, further enriching Luxembourg's investment ecosystem. As the Private Equity sector evolves, initiatives like this will play a crucial role in ensuring that Luxembourg remains at the forefront of industry innovation and collaboration.

A STRATEGIC INITIATIVE TO LUXEMBOURG

The Investment Circle is more than just an event series—it is a strategic initiative that embodies LPEA's commitment to advancing Luxembourg's Private Equity and Venture Capital sector. As it grows, the Investment Circle will continue to drive value for its participants, supporting fundraising efforts, expanding investor access to Private Equity, and contributing to Luxembourg's appeal as a premier destination for investment opportunities. In doing so, it not only enhances the local ecosystem but also sets a standard for innovative engagement in the global Private Equity landscape.

By mobilising local investors and nurturing relationships with Single Family Offices, the Investment Circle encourages greater participation in Private Equity as an asset class."

FROM *CAPITAL V* TO *INSIGHT OUT* MAGAZINE: OVER A DECADE OF SUPPORTING LUXEMBOURG'S PE & VC INDUSTRY

By Johann Herz

Head of Events and Communication at LPEA

Since its launch in 2013, the LPEA magazine—initially titled Capital V and later rebranded as Insight Out—has played an important role in promoting knowledge-sharing within Luxembourg's alternative asset industry. Designed to provide insights into Private Equity, Venture Capital, Private Credit, and Infrastructure, the publication has grown into a respected platform for industry professionals and stakeholders.

ORIGINS AND EVOLUTION

The magazine began as a collaborative effort between the LPEA Promotion Committee (currently the Sounding Board) and 360Crossmedia, a media agency. Recognising the need for a publication to enhance communication within the sector, the first issue of Capital V was published in 2013. After 10 editions, the magazine was rebranded as Insight Out, reflecting a modernised vision and aligning to the associations' leading conference, the LPEA Insights.

Since its inception, the production and editorial processes have relied on a combination of internal and external expertise. The design and printing remain managed by 360Crossmedia, while editorial oversight is led by LPEA's team, with written contributions coming from members and external guests.

CONTENT AND STRUCTURE

Each issue of Insight Out revolves around a central cover story, typically focusing on a General Partner or Limited Partner and their investment strategies, market outlooks, or approaches to subjects such as value creation or ESG. Other regular features include:

- **Member Contributions:** Articles addressing industry-relevant topics such as regulatory changes, tax updates, market trends, and case studies.
- **Committee Updates:** Reports from LPEA's Technical Committees and Clubs as well as focus on other of their initiatives.
- **Event Recaps:** Coverage of recent LPEA events, including photo reports.
- **Industry News:** Updates on developments within Luxembourg's financial ecosystem or even abroad.

The editorial approach prioritises objectivity, focusing on the dissemination of industry knowledge over promotional content. Articles are concise and targeted, typically between 1,000 and 1,200 words, and can consist in case studies, market research, regulatory or tax updates, etc.

DISTRIBUTION AND REACH

As of today, the magazine is distributed in both print and digital formats to ensure wide accessibility. The print edition, with 1,400 copies per issue, is delivered to LPEA members, government bodies, regulators, and other key stakeholders in Luxembourg. The digital edition is shared via LPEA's LinkedIn account, which boasts 22,000 followers, as well as through the association's website and weekly newsletters.

This distribution model enhances visibility for contributors while ensuring the magazine reaches a broad audience, extending its relevance beyond the Luxembourgish market.

POSITIVE RECEPTION AND ENGAGEMENT

Feedback on Insight Out has been consistently positive. Contributors value the exposure the publication provides, while readers appreciate its quality. Since transitioning from a bi-yearly to a quarterly publication in 2018, the magazine has seen growing interest from LPEA members eager to contribute. Recent editions are often fully planned well in advance, demonstrating strong engagement and recognition from the industry.

FRESH LOOK AND MILESTONES

Looking ahead, Insight Out is set to adopt a more structured editorial framework. The LPEA team together with the Pomotion Sounding Board (LPEA's marketing committee) are identifying trends, regulatory developments, and key topics, creating a more comprehensive content plan. Annual themes will be shared with members through a media kit, enabling contributors to align their submissions with the magazine's focus areas.

Recent milestones include the 30th edition - issued in June 2024 -, which highlighted Coller Capital and its work in secondary markets, and the 31st edition, featuring Luxembourg Finance Minister Gilles Roth. He is not the first Finance Minister to be featured; previous editions also included interviews with Yuriko Backes and Pierre Gramegna. This consistent engagement with high-ranking institutional figures underscores the magazine's recognition and credibility at both market and institutional levels.

ROAD AHEAD FOR INSIGHT OUT

Insight Out has established itself as a valuable resource within Luxembourg's Private Equity and Venture Capital sectors. By consistently delivering expert-driven content and strategically targeting its audience, the magazine continues to support the industry's growth and visibility. With plans for further refinement and enhanced member participation, Insight Out is well-positioned to remain a key publication for the alternative asset industry.

Consistent engagement with high-ranking institutional figures underscores the magazine's recognition and credibility at both market and institutional levels."

THE NEW LUXEMBOURG MIDDLE OFFICE: A STRATEGIC ASSET FOR PRIVATE MARKETS

By Joshua Stone

Managing Director & Head of Strategic Initiatives at EQT and LPEA Board Member

As the private markets industry continues to evolve, Luxembourg's ability to combine compliance rigor with operational flexibility will help define its future role in shaping the industry.

INTRODUCTION

Luxembourg has evolved rapidly over the past decade, transforming from a center for compliance and back-office tasks into a key strategic hub for private markets operations. Originally seen as a place to establish regulatory and tax substance, Luxembourg is now home to vital middle office functions, that streamline global, private market firms' operations. This shift is driven by the growing need for transparency, efficiency, and real-time decision-making, which Luxembourg's robust Infrastructure now supports.

A STRATEGIC SHIFT: THE EQT EXPERIENCE

In 2015, EQT's Luxembourg office was a small team of less than 10, focused on meeting regulatory and tax obligations for a few of EQT's funds. By 2017, however, EQT recognized Luxembourg's potential and centralized fund management and structuring activities here, which has resulted in the expansion of its office to over 150 employees today. What began as a compliance hub has become an indispensable part of EQT's global operations, involved in everything from investor reporting to transaction execution and investor onboarding. Luxembourg's middle office capabilities now directly contribute to the firm's growth and success.

LUXEMBOURG'S EXPANDED ROLE

Luxembourg has become more than a regulatory center—it's a dynamic hub offering a wide range of middle office services. Fund controlling, liquidity forecasting, and valuations are now just a few of the critical functions with a heavy presence in Luxembourg. This strategic role not only adds value for firms, but also supports meaningful decision-making, which drives operational excellence.

MEETING THE NEEDS OF A GROWING INDUSTRY

As Private Equity and Venture Capital firms expand globally, Luxembourg is becoming a go-to destination for centralizing and/or controlling complex operations. Its ability to manage sophisticated fund structures, ensure regulatory compliance, and handle investor servicing sets it apart from other financial hubs. For EQT, Luxembourg's growing capacity has reduced administrative burdens, allowing for a more streamlined and efficient service model. This capability is now essential to handling the increasing complexity of global Private Equity operations.

THE FUTURE OF LUXEMBOURG'S MIDDLE OFFICE

Looking ahead, we believe that Luxembourg's role as a strategic hub will continue to be of great importance. Its ability to attract and retain top talent to manage highly specialized tasks, such as fund structuring and liquidity management, will likely be crucial for supporting the next wave of Private Equity growth. However, the high cost of talent acquisition and a potential shortage of skilled professionals pose real risks to supporting this growth. In our view, balancing these workforce challenges with regulatory rigor, alongside the need for innovation and flexibility, will be essential for Luxembourg to remain competitive in an evolving global market.

SHAPING THE FUTURE

Luxembourg's transformation into a strategic middle office hub has been impressive. For EQT, the growth of our Luxembourg office underscores this evolution, positioning it as a critical element in our global operations. As the private markets industry continues to evolve, Luxembourg's ability to combine compliance rigor with operational flexibility will help define its future role in shaping the industry.

THE EVOLUTION OF VALUATION PRACTICE IN LUXEMBOURG: A FIVE-YEAR RETROSPECTIVE AND FUTURE OUTLOOK

By embracing innovation and maintaining a commitment to excellence, the valuation practice in Luxembourg is well-positioned to meet the challenges and opportunities of the future."

By Hind El Gaidi

Head of Luxembourg at Intermediate Capital Group (ICG) and Co-chair of the LPEA Market Practice & Operations Committee

Over the past five years, the valuation practice in Luxembourg has undergone significant transformation, driven by regulatory changes, technological advancements, and evolving market dynamics. In this article we will explore the key developments within the industry and the LPEA, highlighting milestones, and offering a forward-looking perspective on the future of valuation in Luxembourg.

REGULATORY CHANGES AND THEIR IMPACT

One of the most significant drivers of change in the valuation practice has been the evolving regulatory landscape. The introduction of new regulation, such as the AIFMD and updates to IFRS and IVSC, dictated more rigorous and transparent valuation processes. In addition, local regulators took it upon themselves to increase the scrutiny and supervision around valuation and related governance of the valuation function. These regulations have not only increased the complexity of valuations, but also enhanced the credibility and reliability of robust valuation processes.

MARKET DYNAMICS AND INDUSTRY GROWTH

The Private Equity and Venture Capital sectors in Luxembourg have experienced robust growth, driven by a favourable economic environment and strategic local initiatives. In turn, this growth has fuelled the expansion of service teams within AIFM companies in Luxembourg, and increased their skills. We've witnessed a surge in demand for high-quality valuation services in both internal roles and advisory services. Valuation professionals have had to adapt to the increasing complexity of transactions and the diverse needs of international investors. The Rising market uncertainty, coupled with more stringent expectations, including new factors like sustainability, introduced new dimensions to valuation models.

TECHNOLOGICAL ADVANCEMENTS

Technology has played a pivotal role in transforming valuation practices. The adoption of advanced analytics, artificial intelligence (AI), and machine learning (ML) has enabled valuation professionals to process large volumes of data with greater accuracy and efficiency. These technologies have also facilitated more sophisticated modelling techniques, allowing for more precise and dynamic valuations. The integration of blockchain technology is another emerging trend, promising to further enhance transparency and security in valuation processes. Despite the bifurcation among players in adoption of technology within the valuation practice, we're observing considerable appetite for using technology as an enabler for valuation teams. This thesis is certainly reinforced by the velocity of data in Private Markets in particular, especially for open-ended funds that are moving towards monthly valuations.

THE ROLE OF THE ASSOCIATION

The LPEA has been instrumental in supporting the evolution of the valuation practice in Luxembourg. Through continuous professional development programs, industry conferences, and collaborative initiatives, the LPEA has fostered a culture of excellence and innovation. It has also played a crucial role in advocating for best practices and ethical standards, ensuring that valuation professionals are well-equipped to navigate the complexities of the modern financial landscape. It is the source of the seed planted for the launch of another association specialized only in valuations, namely the Luxembourg Valuation Professionals Association (LVPA). Both associations cooperate regularly to bring the latest intel to the marketplace and maintain an open dialogue with the CSSF.

FORWARD-LOOKING PERSPECTIVE

Looking ahead, the valuation practice in Luxembourg is poised for continued growth and innovation. The increasing integration of technology will further streamline valuation processes, while ongoing regulatory developments will continue to shape the industry. The focus on ESG factors is expected to intensify, with valuation professionals playing a key role in assessing the long-term sustainability and impact of investments. Additionally, the association is and will remain a cornerstone of the industry, driving forward initiatives that promote transparency, accuracy, and ethical standards.

EVOLVING PRACTICES

The past five years have been a period of significant evolution for the valuation practice in Luxembourg. As the industry continues to adapt to regulatory changes, technological advancements, and shifting market dynamics, the role of valuation professionals will become increasingly critical. By embracing innovation and maintaining a commitment to excellence, the valuation practice in Luxembourg is well-positioned to meet the challenges and opportunities of the future.

LUXEMBOURG-15 YEARS OF GOLDCREST INSPIRED SUCCESS

By Gautier Laurent
Managing Director at Cinven and LPEA Executive Committee Member

Luxembourg has an uncanny ability to transform challenges into opportunities."

"Mir wëlle bleiwe wat mir sinn" — we want to remain what we are. At first glance, this motto might appear conservative, even resistant to change. Yet after 20 years in Luxembourg, I can confidently assert that this country is, in reality, one of the most agile and forward-thinking in the world. How does one reconcile this apparent paradox?

To decode it, one must grasp the deeper meaning of "mir sinn". For a small, landlocked nation with the smallest population among EU members to rank among the world's most prosperous is nothing short of extraordinary. It reveals an uncanny ability to transform challenges into opportunities.

Luxembourg is often symbolized by its red lion, De Roude Leiw. Yet, a more fitting emblem might be the Goldcrest, a bird featured on many of the country's postage stamps. Tiny but swift, agile, powerful—and undeniably elegant—the Goldcrest encapsulates Luxembourg's essence.

Luxembourg's success is not rooted in natural advantages, like vast resources or strategic geography. Quite the contrary: it has never had a windfall economy. Instead, its strength lies in an extraordinary capacity to pivot, often outpacing its larger neighbors in adapting to economic shifts. This agility has become its hallmark and a cornerstone of its resilience.

Predicting the "next big thing" in global markets is inherently uncertain. Luxembourg may still not be perfectly positioned for the challenges to come. But in a world where the only constant is change, being the Goldcrest—a nation that is small, fast, and nimble—is the ultimate asset for enduring success.

This persistent adaptability, however, is no accident. It requires a deliberate, collaborative effort between policymakers and the private sector—a synergy that the Luxembourg Private Equity and Venture Capital Association (LPEA) has championed since its inception.

No one understands the threats, opportunities, and needs of an industry better than those within it. Over the past 15 years, the LPEA has cemented its role as a trusted advisor to the government, advocating effectively for Private Equity (PE) and Venture Capital (VC). With a membership base of more than 580 firms that continues to grow, the LPEA stands as a powerful voice for the industry.

Through its 34 working groups and an extensive network of contributors, the LPEA not only anticipates market trends, but also translates insights into actionable policy recommendations. This proactive approach ensures Luxembourg remains agile and well-positioned to seize emerging opportunities.

In doing so, the LPEA has, over the last 15 years and will for hopefully much longer, play an instrumental role in ensuring Luxembourg stays true to its nature: a beautiful, strong, and nimble Goldcrest, turning every challenge into an opportunity for greatness.

THE TIMELY EVOLUTION OF RISK MANAGEMENT: A GROWING OPPORTUNITY

Risk management in the Private Equity (PE) and fund management sectors is at a crossroads. While historically viewed by some institutions as a regulatory obligation rather than a strategic asset, there is a growing recognition of the Chief Risk Officer (CRO) role as integral to a company's resilience and long-term success. This evolving perspective presents an opportunity to elevate risk management and unlock its full potential.

By Hakan Yar

Conducting Officer Risk Management at JTC and Chair of the LPEA Risk Management Committee

THE SHIFTING PERCEPTION OF RISK MANAGEMENT

Traditionally, some institutions have regarded the CRO role as a function primarily imposed by regulatory authorities, with the primary goal of compliance. In certain cases, this perception led to the hiring of risk professionals with limited expertise in financial and operational risk management, often from legal or compliance backgrounds. These hires, while valuable in their areas of expertise, have sometimes left institutions underutilizing the full scope of what a CRO can offer.

However, this mindset is slowly but surely changing. In Luxembourg, a key hub for the fund industry regulated by UCITS and AIFMD, the regulatory landscape is evolving. The Luxembourg Financial Supervisory Authority (CSSF) is increasingly emphasizing the importance of a waell-rounded CRO. This shift is driven by pressure from European regulators such as the European Central Bank (ECB), the European Banking Authority (EBA), and the European Securities and Markets Authority (ESMA). This regulatory momentum is pushing institutions to recognize the broader strategic importance of the CRO role.

A VISION FOR THE CRO ROLE

A well-equipped CRO is not merely a compliance officer but a strategic partner who adds significant value to the institution. The ideal CRO combines expertise in risk management, business strategy, quantitative modeling, and financial analysis with strong communication and people-management skills. They work collaboratively with senior management to balance risk and reward, ensuring the institution is both resilient and forward-looking.

The responsibilities of a competent CRO extend beyond meeting regulatory requirements. They analyze national and international economies, assess financial markets and instruments, and provide strategic insights into potential risks and opportunities. Their ability to synthesize this data into actionable recommendations can be a game-changer for institutions willing to invest in the right talent.

RECOGNIZING THE VALUE OF THE CRO

Institutions that view the CRO role as an integral part of their strategic framework stand to benefit immensely. Risk managers are not just «number crunchers»; they are key contributors to decision-making processes. By hiring CROs with expertise in financial markets, risk strategy, and quantitative analysis, institutions can unlock valuable insights that drive innovation, strengthen resilience, and open new avenues for growth.

Moreover, involving CROs in evaluating new business opportunities and expansion plans allows institutions to make more informed decisions. This proactive approach to risk management enhances the ability to navigate complex financial landscapes and respond effectively to emerging challenges.

THE ROLE OF ADVISORS AND EXTERNAL SUPPORT

Even as institutions strengthen their internal risk management capabilities, external advisors such as the «Big Four» consultancies play a complementary role. These firms can provide specialized insights and technical support, but their involvement should not overshadow the development of robust in-house risk management expertise. A strong CRO, supported by a skilled Risk Management Department (RMD), is essential for long-term institutional success.

CHANGING THE NARRATIVE

Risk management should no longer be seen as a regulatory burden but as a cornerstone of modern business strategy. The analogy of traffic lights is apt: while imposed rules, they are essential for ensuring order and safety. Similarly, a capable CRO ensures that institutions navigate risks effectively while seizing opportunities to grow.

Institutions that hire competent and well-rounded CROs stand to gain not only compliance but also strategic insights that propel them ahead in an increasingly complex financial environment."

Forward-thinking institutions are beginning to embrace this perspective. While there is still room for improvement, the trend is encouraging. The growing awareness of the importance of a robust risk culture signals a shift toward recognizing risk management as a driver of competitive advantage.

LOOKING AHEAD WITH OPTIMISM

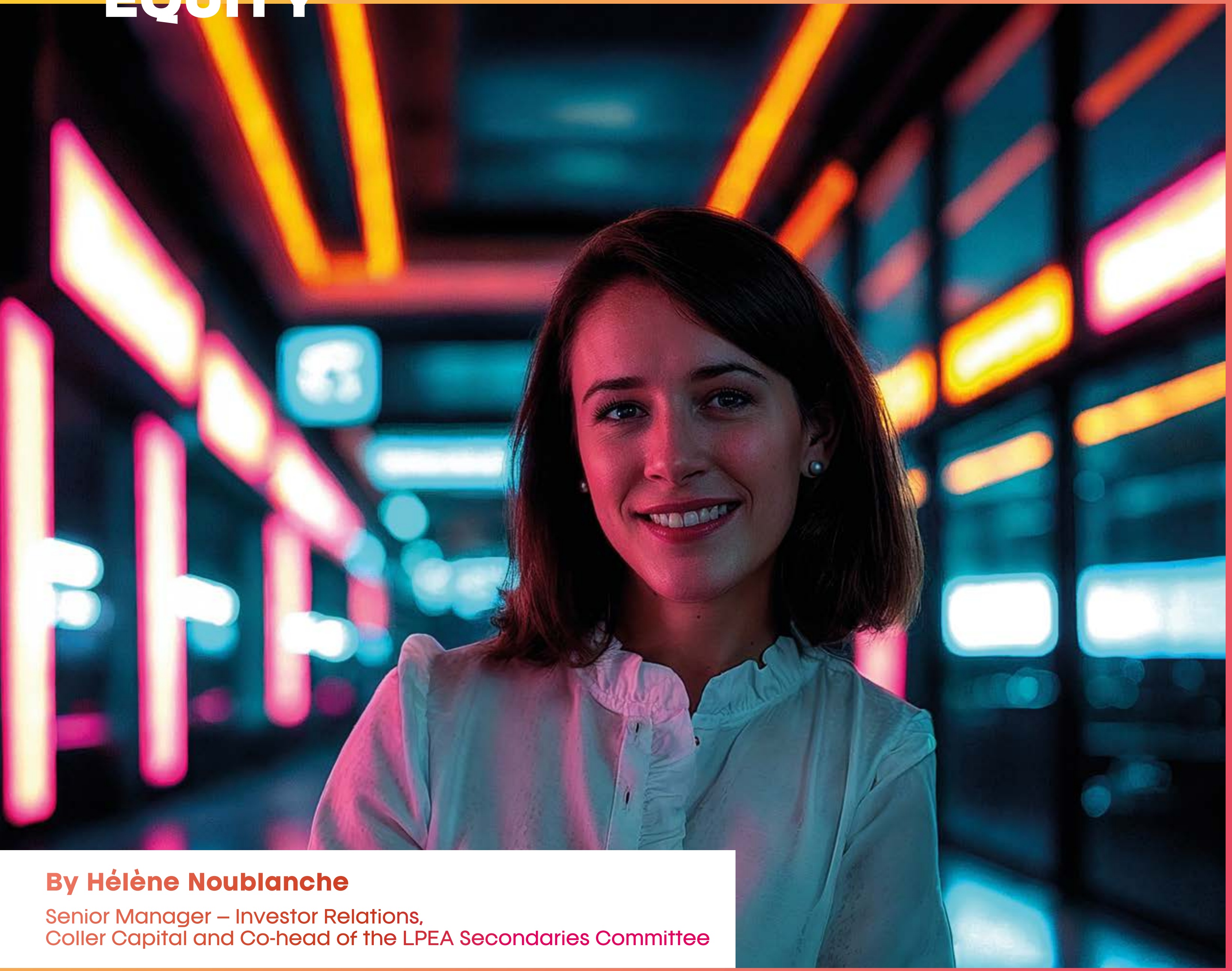
As regulatory expectations continue to evolve, so too does the opportunity for institutions to leverage the full potential of the CRO role. By investing in highly skilled risk managers, organizations can create a resilient and adaptive framework for success. The path forward involves shifting focus from regulatory compliance to strategic empowerment—harnessing the expertise of CROs to guide institutions through uncertainty and toward sustainable growth.

CONCLUSION: THE CASE FOR STRONG RISK LEADERSHIP

The evolution of the CRO role offers a chance to rethink risk management as a key driver of institutional success. Institutions that hire competent and well-rounded CROs stand to gain not only compliance but also strategic insights that propel them ahead in an increasingly complex financial environment.

The journey to fully integrating the CRO role into business strategy is ongoing, but the progress made so far offers hope for a future where risk management is not just a necessity but a cornerstone of success. By valuing and empowering the role of the CRO, institutions can ensure they are prepared for the challenges of tomorrow while seizing the opportunities that lie ahead.

THE RISE OF THE SECONDARIES MARKET: A NEW ERA IN PRIVATE EQUITY



By Hélène Noublanche

Senior Manager – Investor Relations,
Coller Capital and Co-head of the LPEA Secondaries Committee

The Private Equity (PE) landscape has witnessed significant changes over the past decade, with one of the most notable being the evolution of the Secondaries market. Once viewed as a niche and opportunistic segment, the Secondaries market as since been transformed, becoming an integral part of the PE ecosystem.

Originally, the Secondaries market was a platform for liquidity-strapped investors seeking to offload their illiquid assets in times of financial distress. However, the narrative has since changed. In our view, this market has evolved into a sophisticated and strategic tool for portfolio management.

Several factors have driven this evolution. First, the need for liquidity and portfolio diversification has led to an increase in demand for secondary transactions. Investors are now able to strategically adjust their investment exposure, achieve early exits, and rebalance their portfolios.

Then, there is a growing trend of General Partners (GPs) using the Secondaries market as a portfolio management tool. GPs use it to continue managing their best-performing assets, to potentially generate more value over time, or provide liquidity to limited partners.

Finally, the increased transparency in pricing and efficiency has boosted investor confidence in the Secondaries market. Unlike the traditional PE market where pricing is subjective and often opaque, its pricing is more transparent, which has resulted in increased investor participation.

The Secondaries market's growth and evolution have also been facilitated by a supportive and evolving regulatory environment in key financial jurisdictions. In Luxembourg, for instance, a leading hub for global PE funds, the regulatory framework and the adoption of the Alternative Investment Fund Managers Directive (AIFMD) has generally led to more robust investor protection, thereby fostering confidence in secondary transactions.

Moreover, the country's well-established fund administration services have played a pivotal role in managing the complexities of secondary transactions. These include fund accounting, investor reporting, and capital call and distribution services, which are crucial in handling secondary transactions.

The evolution of the Secondaries market marks a new era in Private Equity, offering strategic portfolio management tools, enhancing liquidity, and providing a more transparent pricing mechanism. As the market continues to mature, we believe it is poised to play an even more significant role in the global Private Equity landscape.

Luxembourg's well-established fund administration services have played a pivotal role in managing the complexities of secondary transactions."

PUBLIC PLAYERS IN PRIVATE EQUITY: STRENGTHENING THE SECONDARIES MARKET

By Joaquin Ruiz
Head of Secondaries at the European Investment Fund and Co-head of the LPEA Secondaries Committee

The Secondaries market provides essential liquidity and flexibility in an otherwise illiquid Private Equity (PE) asset class. These solutions enhance the attractiveness of PE investments, ensuring that investors are not locked into long-term commitments and have helped to promote a dynamic sector. Without this market, the PE industry would struggle to attract investors that need flexibility and liquidity.

Drawing a parallel with public equities, where secondary markets (stock exchanges) are crucial for liquidity, it becomes evident that the Secondaries market in PE has significant growth potential. Despite its rising importance, studies show that the Secondaries market currently represents only 1-2% of total private capital markets' net asset values.

Moreover, the Capital Overhang Multiple—a key metric representing the ratio of available capital (dry powder) to the total volume of secondary transactions—indicates significant undercapitalization. This multiple has typically oscillated between 1.5x to 2.5x in recent years, much lower than observed in the primary PE market.

These points highlight a substantial market gap, underscoring the potential for expansion, and the strategic opportunity for public players to support this segment in PE. By actively engaging, public institutions can support the development of a robust and dynamic Secondaries market. Their involvement on both the buy-side and sell-side could ensure a steady flow of capital, crucial for market stability and growth.

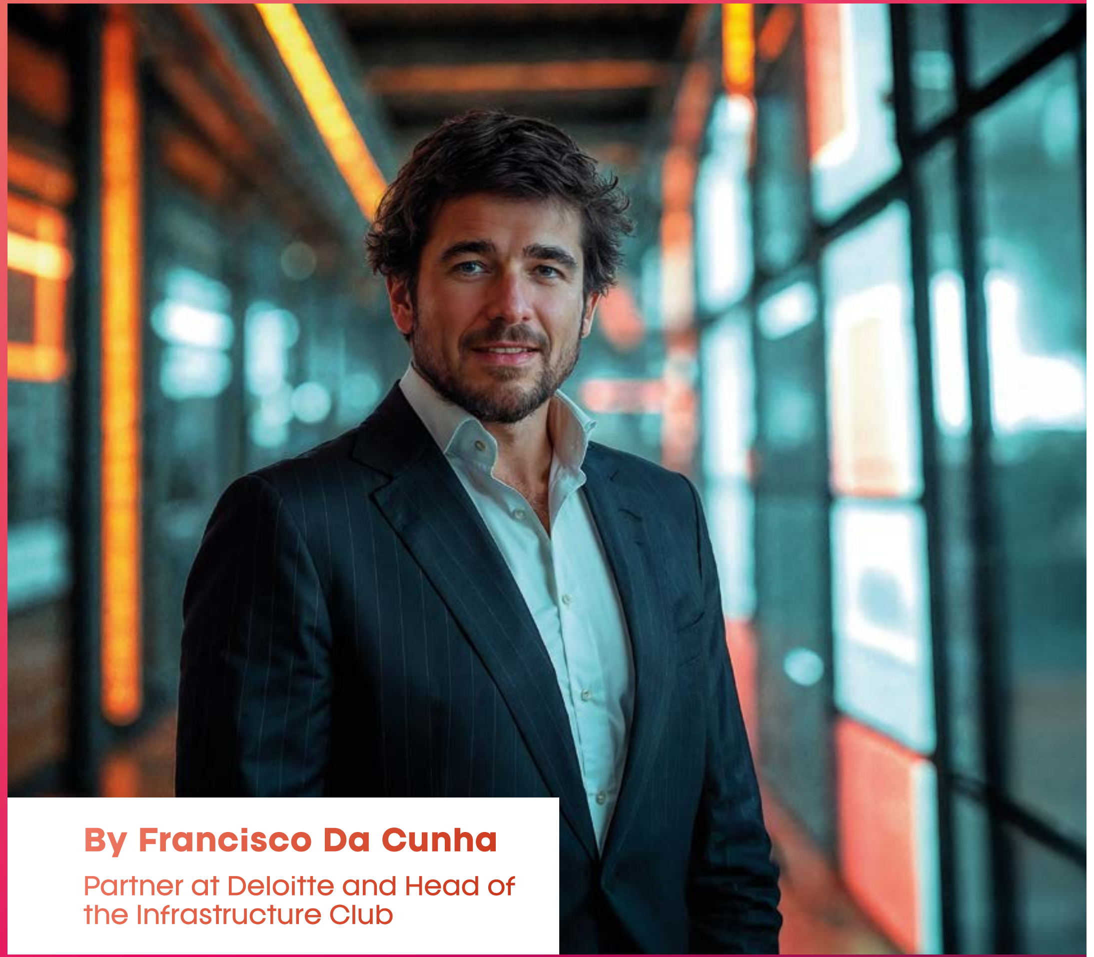
The Mario Draghi Report on European Competitiveness underscores the significance of private assets and the Capital Markets Union (CMU) in fostering economic growth and competitiveness in Europe. The report emphasizes the need for substantial investment in private assets to transform the European economy. Yet, imagine owning a valuable asset, but being unable to sell it when you need liquidity. This common PE dilemma is being addressed by the evolving Secondaries market, now a crucial industry component. Public players should actively participate in this rapidly expanding market to harness its full potential.

In conclusion, the Secondaries market is indispensable for the health and growth of the PE sector. It provides liquidity in an illiquid asset class, supports investor flexibility, and drives economic growth through efficient capital allocation. With the active participation of public players, the Secondaries market could contribute significantly to a robust and competitive European economy.

A special acknowledgement to the LPEA, which recently launched a new Secondaries Club, and has increasingly hosted panels and published articles on Secondaries. These initiatives are part of LPEA's strategy to enhance the ecosystem, positioning Luxembourg as a premier destination for all facets of PE investments, including Secondaries.

The Secondaries market is indispensable for the health and growth of the PE sector. It provides liquidity in an illiquid asset class, supports investor flexibility, and drives seconomic growth through efficient capital allocation."

NEW INFRASTRUCTURE STRATEGIES IN LUXEMBOURG



By Francisco Da Cunha

Partner at Deloitte and Head of the Infrastructure Club

In recent decades, Luxembourg has solidified its position as a prime jurisdiction for alternative investment funds. The market has enjoyed a steady growth in investment fund platforms that embed Infrastructure strategies, including the set-up of local, European-based hubs by renowned Infrastructure asset managers.

Infrastructure has slowly but surely become one of the four major asset classes in the alternatives world, alongside Private Equity, real estate, and Private Debt. It has transformed from a niche investment strategy to an established asset class, due to its unique factors and the different cashflow models that investors are exposed to.

This article offers a snapshot of why Infrastructure is here to stay and what could lie ahead.

UNDERSTANDING INFRASTRUCTURE AND ITS DIFFERENCES

Infrastructure is essentially the backbone of a country's economy.

Along with physical assets, equipment, and facilities of interconnected systems, it also includes providers offering related products and services that aim to enable, maintain, and enhance societal living conditions. Consequently, Infrastructure managers invest in a wide range of assets, such as roads, airports, renewables, hospitals, schools, data centres, and Infrastructure debt.

The Infrastructure sector is characterized by investments with specific (and sometimes distinct) risk-return profiles. Unlike traditional investments like stocks and bonds, Infrastructure investments can offer predictable and inflation-linked returns by providing essential services, making them less susceptible to economic cycles.

Investors usually seek exposure to Infrastructure investments due to the illiquidity and higher return potentials of Private Equity, combined with the tangible asset collateral found in real-estate strategies. In addition, the long service lives of these assets translate into typically longer-term stability and security, making them highly attractive to investors seeking reliable returns and a regular, stable cash flow.

Infrastructure assets also offer robust protection against inflation, thanks to market regulations and specific contractual clauses. These mechanisms allow revenues to be adjusted according to inflation indices, ensuring income streams keep pace with rising operating costs. This helps maintain and preserve the value of investments, even during periods of high inflation, translating into a stable, secure income for investors.

These unique advantages make Infrastructure investments stand out, offering investors an attractively balanced, risk-return profile that provides stability and predictable returns.

THE EVOLUTION OF INFRASTRUCTURE FUNDS

Despite the many social, geographic, and financial upheavals over the last five years, Infrastructure has seen record fundraising levels, due to the stable returns and resilience of this asset class. Core and core-plus strategies also gained traction during this time.

Currently, the asset class is witnessing a prolonged fundraising slowdown, possibly due to 2022's outstanding amounts of capital raised, logistical issues due to the Russia-Ukraine war, EU-zone inflation, and spiralling interest rates.

However, according to Preqin's Future of Alternatives 2029 report, the total assets under management (AUM) in unlisted Infrastructure are projected to rise from US$1.27 trillion in 2023 to US$2.35 trillion by 2029.[1] This growth follows a rebalancing period after 2022's flood of capital and the effects of higher interest rates on deal markets.

WHAT LIES AHEAD FOR INFRASTRUCTURE?

The current fundraising slowdown should not be viewed as a sign of investors' lack of confidence in the asset class.

Mergers and acquisitions (M&A) activity in Infrastructure has steadily increased, with some subcategories receiving more attention in terms of deployment than others, including renewables, social, and debt. Given the current economic cycle, this shows a clear preference for value-add strategies to compensate for higher financial costs and inflation, rather than core or core-plus.

Further/Additional signs of the resilience of this asset class is the recent M&A activity at the asset manager level, with historically Private Equity or Real Estate managers taking significant and sometimes controlling stakes in Infrastructure managers. This shows not only confidence in the current incorporated funds and cash availabilities, but also that future fund vintages will focus more intensively on Infrastructure.

Finally, while Infrastructure M&A traditionally concentrated on the more "tangible" assets, such as airports, ports, and wind parks, this asset class has evolved to encompass carbon transition strategies that will shape it/define it/guide its trajectory in the years to come. The uptake of these strategies is clear, with specific funds being incorporated to accommodate them.

All in all, Infrastructure's uniqueness, resilience to market fluctuations, and evolving sub-strategies have long reflected an asset class that remains highly attractive to a wide range of investors.

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[1] Preqin, Future of Alternatives 2029, 18 September 2024.

DEBT DONE RIGHT: LUXEMBOURG'S PLAYBOOK FOR PRIVATE MARKET

This article examines the factors positioning Luxembourg as a central hub for Private Debt. activity and explores how ongoing innovations will shape its future position.

By Marie-Laure Mounguia
Luxembourg Private Equity and Private Debt Partner at EY and Co-head of the LPEA Private Debt Committee

And Gautier Despret
Regional Head of Private Debt - Europe & AIFM Conducting Officer in charge of Valuation and Oversight at IQ-EQ and Co-head of the LPEA Private Debt Committee

LOAN ORIGINATION FUNDS

Loan origination funds have gained popularity as institutional investors seek alternative assets to generate yield. These funds provide direct loans to borrowers, typically in the private market, offering investors access to credit opportunities, while diversifying their portfolios. However, this growth has also raised concerns about risks associated with credit quality, default rates, and potential systemic implications.

To mitigate these risks, on 15 April 2024, a directive amending the 2013 Alternative Investment Fund Management Directive entered into force, containing a specific section of requirements applicable to AIFs who originate loans. Member States have 24 months to adopt and publish the laws, regulations, and administrative provisions necessary to comply with this new Directive, essentially by 16 April 2026 at the latest.

AIFMD2 brings the Loan Origination Fund (LOF) and passporting together. Today, lending in the EU is subject to a patchwork of legal and regulatory requirements. Even if this first version results in lots of questions and challenges, the EU brought a harmonized framework.

We expect Luxembourg to lead the way when it comes to transposing the new AIFMD 2.0 regulation, like it did with the original AIFMD in 2013."

This new regime is significant for asset managers because it applies to AIFs, regardless of whether they originate considerable loans or not (with some additional provisions applying specifically to LOF). Over the coming months, they must review their AIFs and their originated loan portfolio, to assess which regime will apply to existing AIFs (only AIFs constituted before 15 April 2024 can benefit from transitional exemptions), and the new rules that will be applicable on the transposition date.

We expect Luxembourg to lead the way when it comes to transposing the new AIFMD 2.0 regulation, like it did with the original AIFMD in 2013. It is likely that the Luxembourg government will adopt the new regulation without adding more stringent local requirements (member states can adopt stricter rules during the transposition phase if they want to), and that the local authorities will be pragmatic in the interpretation of the new requirements. Member states will have the ability to prohibit LOFs from granting loans to consumers in their territories, if they feel that it is prudent to do so. There is a chance that Luxembourg could apply this prohibition to leave the granting of consumer loans to banks, which are regulated more heavily by EU authorities.

Even if the RTS are not expected before April 2025, these new requirements have already fueled tense discussions in the market around:

- the definition of loans,
- a potential exclusion of the Private Equity industry,
- a ramp-up period for the application of the leverage limit,
- the treatment of Luxembourg specific instruments (IPLNs, (C)PECs) in the assessment of the leverage limit,
- the syndication activities by AIFs to co-investors when determining the risk retention limit, and
- the nature of the information on the originated loan portfolio to be disclosed.

ASSET-BACKED SECURITIES

With varying degrees of success, Luxembourg has emerged as a leading hub for the asset-backed securities market in Europe since 2004, with the implementation of a form of a structured finance mechanism, securitization, in which assets are pooled and backing securities are issued to the capital market.

During the early years, there was notable growth in the establishment of securitization vehicles and the diversification of securitized asset classes. Market participants capitalized on Luxembourg's reliable legal and tax frameworks, attracting both investors and originators seeking efficient financing solutions. Then, due to the global financial crisis, the implementation of ATAD 1, and an outdated law with some inflexibilities, Luxembourg lost its leading position to Ireland. To address those obstacles, the legislator embarked on a path of regulatory modernization, including the setup of the Luxembourg Capital Market Association in 2019.

This modernization materialized when the amended Securitization Law was enacted in March 2022, which contained the implementation of two main changes: the possibility of issuance of all types of financial instruments and active management of a debt portfolio. The modernization of the Securitization Law has been well received in the marketplace and positively repositioned the country (2nd – 29%), when compared to other jurisdictions (Ireland: 1st – 32%; Italy: 3rd – 19%; France: 4th – 8%).

Even though the Luxembourg CLO market took slightly longer to launch, and despite the difficulty to navigate through various tax initiatives, as well as the increased operational challenges (lack of resources and increased activity to open up bank accounts), the future of the Luxembourg capital market is bright, with lots of opportunities (blockchain, green market, digital assets) to reinvent itself, thanks to enhanced operational models and the setup of new products.

THE EMERGENCE OF SEMI-LIQUID FUNDS

Long excluded from the illiquid world, retail investors are now courted by numerous alternative asset managers in the race for Assets under Management (AuM). In fact, after two decades of intensive fundraising campaigns, most of the institutional investors are now well-exposed to Private Assets, especially Credit. The path towards a slightly more retail environment is, however, full of challenges. Stringent regulation and public scrutiny are now part of the game.

Under these conditions, both carefully calibrating the investment strategy and picking an appropriate legal framework are key. In the European galaxy of investment options, the Luxembourg toolkit offers ready-to-use vehicles for semi-liquid funds with, for instance, the UCI Part II, which fits well under an ELTIF 2.0 label. In terms of asset class, Private Credit is often the preferred option, together with fund-of-funds. Credit provides the ability to meet all of the constraints of a retail fund, such as liquidity management, accelerated deployment, risk diversification, and investment limits, while still leaving room for alpha management. In addition to providing recurring yield, credit strategies can also be easily deployed across the entire spectrum of instruments, from listed bonds to tailored-made private origination, which provides more flexible portfolio management.

The first semi-liquid funds that appeared in the market were quite sizeable, which showed a certain appetite for this type of product. Now pressure is high on asset managers, who might be tempted to prioritize those retail funds to the detriment of traditional vintages. If such semi-liquid funds have the success that is expected, one might question the ability of traditional closed-ended credit funds to survive going forward.

SUSTAINABILITY-LINKED LOANS ON THE RISE

The Sustainable Finance Disclosure Regulation (SFDR) is a good example of how awareness can be raised on sustainability when it comes to finance. ESG is not a new topic for Private Credit. It has always been part of the DNA for some credit players. Some have even implemented non-financial performance indicators long before SFDR came into force.

The change is the higher level of transparency that is now required from asset managers. When put in the spotlight, credit managers started to promote their ESG sensibility, from filtering the investment pipeline with negative industry screening, to deploying ESG ratchets, or even implementing ESG-linked carried interest.

Sustainability-linked loans (SLL) are a first step towards the full integration of non-financial parameters in risk/pricing modelling. Indeed, with this type of mechanism, the borrower benefits from a lower or higher cost of debt, depending on whether pre-determined Sustainability Performance Targets (SPT) are achieved.

The biggest challenge in operating SLLs is access to high-quality ESG data from portfolio companies. This might have slowed down the deployment of SLLs in the past. The entry into force of the Corporate Sustainability Reporting Directive (CSRD) will hopefully address this, especially when it applies to smaller-sized companies. Improvement in the quality of ESG data, combined with higher regulatory pressure on the transparency and comparability of financial products, should be favorable to SLLs in the coming years.

Sustainability-linked loans are a first step towards the full integration of non-financial parameters in risk/pricing modelling."

By Marcel Müller-Marbach
Senior Regional Representative Germany at EIF and LPEA Board Member

THE VIEW OF INTERNATIONAL INVESTORS ON THE PRIVATE EQUITY AND VENTURE CAPITAL INDUSTRY IN LUXEMBOURG

The Grand Duchy of Luxembourg has emerged as a vital hub for the Private Equity (PE) and Venture Capital (VC) industries in the 21st century. Thanks to its sophisticated legal framework, robust financial Infrastructure, and favourable tax regime Luxembourg's appeal has significantly grown, positioning it as a key player for investors in the PE&VC scene.

LUXEMBOURG'S APPEAL TO INTERNATIONAL INVESTORS

Luxembourg, which enjoys a AAA rating throughout major agencies for many years, has long been regarded as a leading financial centre, with expertise in banking, asset management, and insurance. Its appeal to PE&VC investors has steadily become more pronounced. Several factors contribute to Luxembourg's allure:

- Stable regulatory environment: Luxembourg is known for its political and economic stability, backed by a robust regulatory framework aligned with European Union (EU) standards. For international investors, the regulatory predictability and pro-business policies are critical. Luxembourg's legal system is investor-friendly, offering a wide range of vehicles that provide flexibility and legal certainty, making them attractive for investors.

- Tax efficiency and double taxation treaties: Luxembourg has a robust tax frameworks for PE and VC investments. It offers efficient tax treatments on capital gains and dividends, along with a broad network of double taxation treaties with over 80 countries. For international investors, especially those from countries with high corporate tax rates, Luxembourg offers a legal and tax structure that significantly enhances investment returns.

- Cross-border investments: Luxembourg serves as an ideal base for cross-border PE&VC activities. As Europe's largest and after the United States the world's second largest investment fund centre, Luxembourg acts as a catalyst for global investors seeking access to the European market. The country's legal framework supports cross-border fund distribution, which has been crucial for firms looking to set up pan-European investment strategies.

LUXEMBOURG'S RISE AS A HUB

While the country had long been a preferred domicile for alternative funds, recent developments have amplified this trend.

One notable development is the Reserved Alternative Investment Fund (RAIF), introduced in 2016. This flexible investment vehicle allows asset managers to benefit from the advantages of Luxembourg's regulatory framework while avoiding direct supervision. The speed and simplicity in fund structuring have attracted fund managers from across the globe, particularly those looking for a fast-track fund setup.

LPEA publishes a wealth of data that underpins this impressive development, and the following is just for giving some flavour[1]:

- Luxembourg domiciles investment funds with EUR 5,1 trillion assets under management (AuM) out of which EUR 1,3 trillion account for alternative strategies;
- 2,057 alternative funds are domiciled in Luxembourg, giving the country a 51,5% share of European PE&VC funds;
- 18 out of the 20 biggest PE fund managers globally have operations in Luxembourg;
- PE net asset value (NAV) in Luxembourg stands at EUR 865 billion, representing 42% of the total alternative funds NAV and constituting an increase of 25% compared to the previous year;
- Luxembourg has increased its share of European alternative assets steadily from 2010-2022, growing from 15,6 to 61.8%.

This tremendous growth is fuelled by international investors, particularly from the US, the UK, and Asia, who view Luxembourg as a stable entry point for investments into Europe.

Moreover, Luxembourg's thriving financial ecosystem, which includes a broad array of service providers — law firms, tax advisors, and fund administrators — has facilitated this growth. These factors ensure that asset managers have access to world-class Infrastructure, making it easier to manage funds and comply with regulatory requirements.

VENTURE CAPITAL: A NASCENT BUT GROWING ECOSYSTEM

While PE has been well-established in Luxembourg, the VC industry has only recently gained significant traction. Over the past years, the country has made significant strides in building a supportive environment for venture capitalists and startups.

Luxembourg's government has been proactive in encouraging innovation and entrepreneurship through initiatives like the Digital Tech Fund and the Luxembourg Future Fund Initiatives (LFF 1 & LFF 2). These programs aim to foster the growth of tech startups and early-stage companies in sectors like spacetech, fintech, clean energy, and biotech. In particular the LFF 1 & 2 initiatives, which are investment cooperation programmes between the European Investment Fund (EIF) and the Société Nationale de Crédit et d'Investissement (SNCI), have supported the establishment and growth of both VC fund managers and innovative companies in Luxembourg. The presence of the House of Startups, an incubator space launched in 2018, further reinforces Luxembourg's commitment to building a thriving VC ecosystem.

For international VC investors, Luxembourg's appeal lies in its strategic location in the heart of Europe, its multilingual workforce, and its access to the broader European single market. The government's pro-business stance and support for innovation-driven industries have also attracted VC firms looking to tap into the region's growing tech scene.

[1] All data as of 31/12/2023. For details please consult https://lpea.lu/wp-content/uploads/2024/08/LPEA-STATS-DASHBOARD-Aug2024.pdf

RECENT TRENDS: SUSTAINABILITY AND DIGITALIZATION

Luxembourg's PE&VC industries have aligned with global trends toward sustainability and digitalization. The country is increasingly becoming a hub for impact investing, with funds focusing on environmental, social, and governance (ESG) criteria. International investors are drawn to Luxembourg's regulatory framework, which supports sustainable finance initiatives, including green bonds and impact funds.

The fintech and digital transformation sectors are also gaining momentum, with several VC-backed startups emerging in Luxembourg. The government's focus on digital innovation, along with supportive policies such as the 5G rollout and the National Plan for Digital Luxembourg launched by the government in 2014, has enhanced the attractiveness of the tech ecosystem for VC investors.

LOOKING AHEAD

As Luxembourg continues to build on its strengths, its PE&VC industries are likely to grow even further. International investors remain bullish on Luxembourg, seeing it as a stable, flexible, and tax-efficient gateway to European markets. With continued support from the government and an expanding network of financial services providers, Luxembourg is well-positioned to remain a key destination for global PE and VC investors in the years to come.

"As Luxembourg continues to build on its strengths, its PE & VC industries are likely to grow even further. International investors remain bullish on Luxembourg, seeing it as a stable, flexible, and tax-efficient gateway to European markets."

PRIVATE EQUITY IN LUXEMBOURG: RESILIENCE AND ADAPTATION IN A CHAOTIC WORLD

The last five years have been marked by tumultuous global events that have profoundly impacted our political and economic lives. The COVID-19 pandemic, the resurgence of major geopolitical risks, and the sharp rise in interest rates have had significant consequences across various sectors, including Private Equity. This article examines the impact of these shocks on the Private Equity sector in Luxembourg and how the country has managed to navigate these challenges.

By Claude de Raismes

CEO of Wendel Luxembourg, LPEA Executive Committee Member and Chair of the SFO Club

VIOLENT SHOCKS: A CHALLENGING CONTEXT

The COVID-19 pandemic led to unprecedented economic uncertainty. Lockdowns, disruptions in supply chains, and rapid changes in consumer behaviour forced many companies, including Private Equity funds, to reevaluate their strategies.

The resurgence of geopolitical tensions, marked by armed conflicts and political instability in several regions, also created an environment of uncertainty. Investors became more cautious, seeking to hedge against systemic risks.

Starting in 2022, interest rates saw a dramatic increase, with the U.S. Federal Reserve raising rates from near-zero levels to over 5% within a span of just 18 months. This sharp rise created higher borrowing costs, significantly impacting Private Equity deals and valuations, and prompting funds to seek alternative financing and adapt their strategies.

DISTINCT EFFECTS ON THE PRIVATE EQUITY SECTOR

One of the most visible effects of these shocks was the significant decline in the number of Private Equity transactions. For instance, global Private Equity deal value fell by 37% in 2023, compared to the previous year, with many firms opting to hold back on new investments amid economic uncertainty. Although higher-quality transactions continued ("flight-to-quality"), the overall setting remained challenging.

In response to this uncertain environment, the reliance on Private Debt funds surged. These funds have become an attractive alternative for companies looking to raise capital, while minimising the risks associated with traditional capital markets.

Fundraising periods are now longer/, with investors adopting a more patient approach. They are waiting for distributions before reinvesting, altering the classic Private Equity cycle and imposing greater transparency and communication demands on managers. Investors have become more selective than ever, favouring asset managers who generate the most consistent performance and with high DPI.

This turbulent period has also led to a consolidation in the Private Equity industry. Large asset management platforms have emerged, integrating various funds under one umbrella. This consolidation aims to provide greater stability and optimise synergies among different management teams. As such, Wendel is a key player in the consolidation of the sector, with the acquisition of a majority stake in IK Partners, a European leader in middle market Private Equity, in 2023 and Monroe Capital, a private credit market leader focussed on the U.S. lower middle market, in 2024.

RECOGNIZING THE VALUE OF THE CRO

Despite these shocks, Luxembourg has positioned itself as an island of stability in an ocean of uncertainties. Its reputation as a solid financial centre, coupled with a favourable regulatory framework, has continued to attract investors even during crises. Over the past five years, assets under management (AUM) for Private Equity funds in Luxembourg have grown by more than 50%.

The need to diversify Luxembourg's economy has become more pressing than ever. Initiatives in sectors such as digitalisation and the space industry are underway, strengthening the resilience of the national economy against future shocks.

The LPEA plays a key role, as a driving force in the private funds industry. It advocates for and promotes the interests of sector players, while also providing training and networking opportunities for its members, thereby fostering an environment of innovation and collaboration.

In summary, the Private Equity industry in Luxembourg has demonstrated remarkable resilience in the face of unprecedented challenges. By skilfully navigating risks and uncertainties, Luxembourg positions itself as a key and dynamic player. With an economy undergoing diversification and an ecosystem supported by initiatives like those of the LPEA, the sector is ready to tackle the challenges of the next five years, while continuing to grow and evolve.

By skilfully navigating through risks and uncertainties, Luxembourg positions itself as a key and dynamic player."

CATALYSING THE EVOLUTION OF PRIVATE MARKETS IN WEALTH MANAGEMENT

By Alexandre Hector
Partner at KPMG and Co-chair of the Wealth Management club

And Mathieu Perfetti
Head of Private Markets at Société Générale and Co-chair of the Wealth Management club

The private markets industry stands at a pivotal moment, with growing interest from GPs to expand beyond traditional institutional investors, combined with an increasing appetite from the wealth management industry to increase exposures to alternative investments. In parallel, the Draghi report recently emphasised Europe's critical need for private capital, for, notably, fund growth, innovation, and green transition, and this democratisation trend in private markets could significantly contribute to filling this investment gap.

With global private market assets under management surpassing USD 10 trillion, traditional distribution models are being challenged to adapt to this trend and these new demands. Luxembourg, acting as Europe's leading investment fund centre, is playing a key role as both a facilitator of existing challenges and a driver of upcoming private market transitions.

THE EVOLUTION OF DISTRIBUTION IN PRIVATE MARKETS

The traditional private markets distribution model, designed for institutional investors, used to face significant hurdles in serving wealth management clients. High minimum investments, complex subscription processes, and resource-intensive operations often made private market investments complex for private banks and wealth management firms to implement at scale. Moreover, regulatory requirements for client suitability and increasing demand for transparency added layers of complexity to the distribution process.

"Recent enhancement of the ELTIF framework combined with Luxembourg's historical capability in cross-border distribution and investor relation's expertise is facilitating such capital flow in the wealth management industry locally" says Olivier Gerard (Head of Wealth Management at Société Générale Private Banking Europe).

An effective integration of private markets into wealth management will continue to require a comprehensive effort in terms of educating the entire value chain, since understanding the characteristics, risks, and roles in portfolio construction in these markets is crucial to all stakeholders.

BRIDGING THE GAP BETWEEN OPERATIONS, TECHNOLOGY AND EFFICIENCY

Another identified challenge is that the operational Infrastructure of private markets remains largely manual and fragmented, creating inefficiencies that ultimately impact both costs and accessibility.

"The market is actively seeking new solutions to significantly reduce operational burdens for wealth managers while ensuring the maintenance of appropriate investor protection standards." states Michael Tabard (Partner at KPMG), indicating that the development of industry-wide digital platforms, leveraging blockchain technology and automated compliance tools, as well as the standardisation of reporting formats will most likely transform the operating model across the entire value chain.

THE CHALLENGE TO INNOVATE FOR LIQUIDITY

Perhaps the most challenging aspect of integrating private markets into wealth management is to address liquidity needs and expectations. ELTIF 2.0 supports the development of evergreen fund structures; hybrid structures that aim to balance the inherent illiquidity of private investments with investors' need for some degree of flexibility. It will remain important to see how successful asset managers will be with the multiplication of initiatives, both in terms of raising capital and in delivering performance, given the inherent long-term nature of private investments.

PROSPECTIVE VIEW

The democratisation of private markets holds immense potential for both investors and the broader economy. Individual investors gain access to previously restricted investment opportunities, while European businesses will benefit from expanded access to growth capital.

Success will require continued focus on several key elements: maintaining robust investor protection while increasing accessibility, ensuring efficient operation at scale, and fostering ongoing education and alignment of interests for all stakeholders. Luxembourg's approach of combining a deep understanding of both private markets and wealth management, significant local expertise, and a commitment to innovation with forward-thinking initiatives, positions it well to lead this transformation.

The evolution will be crucial as the industry seeks to make private market investments more accessible, while maintaining their essential characteristics and benefits for investors. Being at the forefront of shaping how private markets and wealth management have converged in Luxembourg for the past 10 years, the Wealth Management club of the LPEA is committed to further promote exchanges and collaboration between investment firms, wealth managers, family offices, and service providers, to create a unified forum for all actors involved in the wealth management industry. We look forward to further contributing to both industries and bridging the gap between Private Markets and Wealth Management.

"Luxembourg's approach, combining deep understanding of both private markets and wealth management, positions it well to lead the democratisation transformation."

ADAPTING TO CHANGE: REGULATION, OPPORTUNITIES, AND PUBLIC ADVOCACY IN OUR INDUSTRY

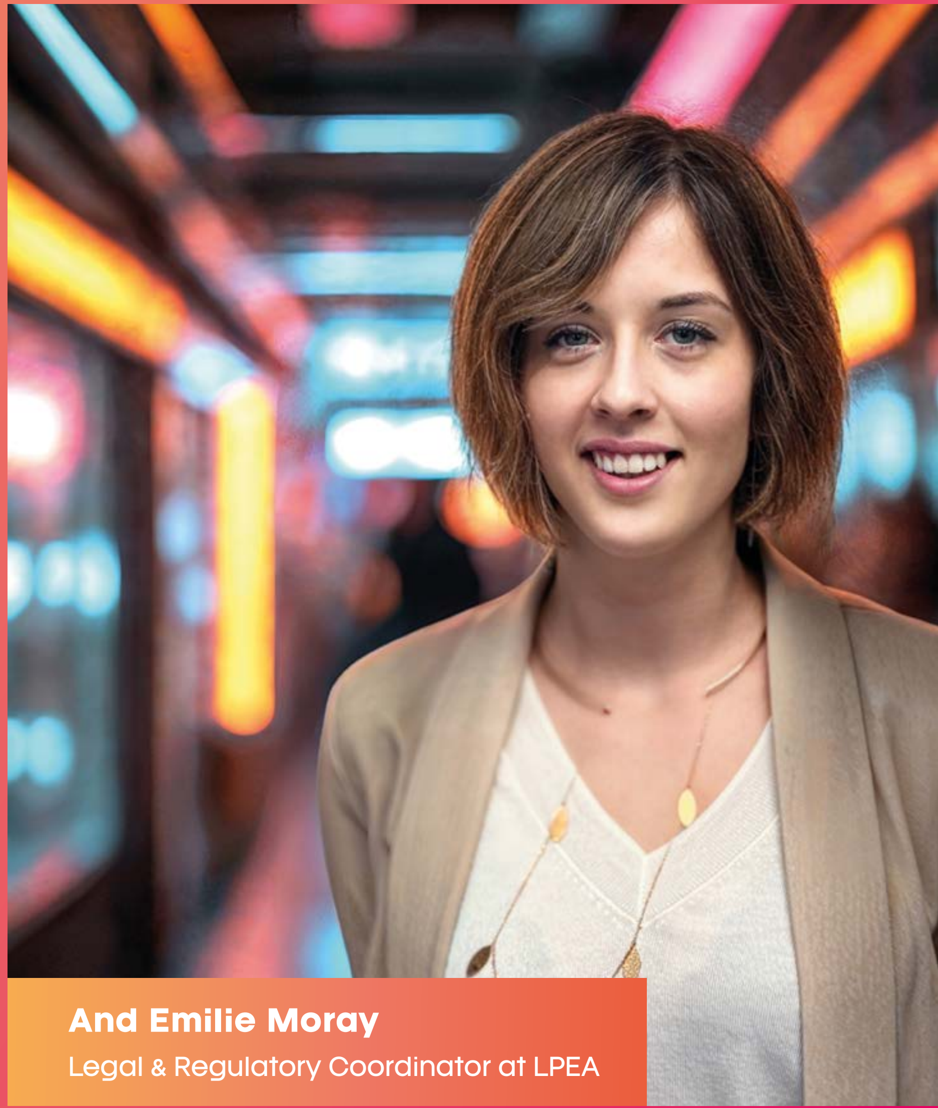
The regulatory activities, legal & tax topics have, with a high vitality and velocity, "influenced" the evolution of our industry over the last decade and certainly more recent years. New consultations, directives, RTS, circulars, FAQs, white papers, surveys and best practices have become the norm and really strategic for the entire ecosystem since requiring a lot of expertise, time, budget, human resources, attention and a timely implementation.

By Stéphane Pesch
CEO of LPEA

Next to our Board and ExCom, we have also created a dedicated Public Affairs group composed of different LPEA representatives and ambassadors, with whom we will tackle the most urgent, important and strategic topics of our ecosystem."

In this context, our growing industry had to cope with this volume and pace, but also benefited in certain cases from new opportunities like the EU passport, the refurbished Limited Partnership structures, new business models (3rd party AIFM, non-bank depositaries) thanks to the AIFMD, and this year again from the revamp of the ELTIF regime, which was a very positive decision since not as successful as initially expected. We are eager to do the same with the important and transversal ESG topic in order to come back to a more concrete "basis", facilitate its simplification and make sustainable finance more effective, intelligible, meaningful for all of us, and finally inspire more actions in the field.

Regulation whenever pragmatic, business-friendly, realistic can really be helpful for the industry and make our model, substance, operations, increasingly robust and transparent. A well-equipped industry with a good reputation, practical rules and processes is able to further enlarge its reach, capable of evolving and ready to open up to new investor types. It also clearly underlines that the value creation mantra of our Funds has become instrumental to the financing of SMEs, start-ups, job creation, innovation and represents a key driver of our future.



And Emilie Moray
Legal & Regulatory Coordinator at LPEA

In order to cope with all those changes, we know that we can count on our motivated and specialized Technical committees, Clubs and will, as the voice of our industry, represent and properly defend our interests together with Emilie our new in-house Legal & Regulatory specialist. Next to our Board and ExCom, we have also created a dedicated Public Affairs group composed of different LPEA representatives and ambassadors, with whom we will tackle the most urgent, important and strategic topics of our ecosystem and work hand in hand with the other active financial associations and partners (public-private).

TALENTS AND TRAINING: A STRATEGIC PRIORITY

By Evi Gkini

Head of Business Development and Project Management at LPEA

As part of our 2020-2025 strategy, we set out to attract and educate future talents in the Private Equity and Venture Capital sector while keeping existing professionals up-to-date with industry evolutions. Since 2020, we have launched several initiatives aimed at making PE and VC in Luxembourg thrive.

THE BIRTH OF THE LPEA ACADEMY

In response to the evolving needs of our members and the broader PE/VC community, the LPEA Academy was launched during the Covid-19 era, providing specialized education and training from the comfort and safety of participants' homes. The Academy quickly gained traction, attracting over 500 participants from Luxembourg and abroad, representing various levels of seniority and experience.

Recently, some courses have shifted to in-person formats to offer participants valuable networking opportunities with industry experts. The Academy offers a comprehensive curriculum, ranging from foundational courses for newcomers to advanced modules for experienced professionals. Topics include legal, tax, risk management and ESG and specialized training on different asset classes, ensuring participants gain practical and relevant knowledge to excel in their careers.

In 2024, LPEA launched its first VC Master Class, founded in collaboration with MiddleGame Ventures, Expon Capital, and Mangrove Capital Partners, providing participants with an in-depth exploration of the Venture Capital world. Led by experienced VC professionals, the program combines theoretical insights with practical tasks and assessments. Delivered over three months, it equips participants with the tools and knowledge to excel in the VC industry while offering a comprehensive understanding of the day-to-day responsibilities of VC professionals.

ALLIED EFFORTS IN PE EDUCATION

Collaborating with international universities has been a cornerstone of our educational initiatives.

In partnership with Sacred Heart University Luxembourg, we introduced the Private Equity Certificate in 2018, which ran successfully for five years. Following the university's departure, HEC Liège Luxembourg redefined the program to offer a hands-on curriculum covering the PE industry, its instruments, and key players in Luxembourg.

The HEC Liège Private Equity Certificate is highly regarded for its practical approach, combining insights from international faculty members and seasoned professionals. Graduates leave well-prepared to navigate the complexities of Private Equity, providing added value to to their organizations.

In addition, recognizing market needs and skill gaps, we collaborated with SafesPro and Università degli Studi "G. d'Annunzio" to launch Europe's first master's degree in Private Capital fund administration, set to commence in March 2025.

This program targets graduates in economics, finance, law, marketing, and management engineering who aspire to build careers in investment fund administration. It features a two-week project in Luxembourg and a three-month internship in Luxembourg or another European state, providing hands-on experience and a comprehensive understanding of the industry. Accredited by the Italian Ministry of Education, University and Research, this master's program enhances participants' professional credentials and industry readiness.

In addition to the Academy, LPEA has significantly expanded its general training program with workshops delivered by the different working groups and members, to address the diverse needs of our community. Covering topics such as due diligence, valuations, and M&A, these sessions provide practical insights into key industry areas.

One of the key strengths of these workshops is their interactive nature, allowing participants to engage directly with industry leaders, discuss real-world challenges, and share best practices. This collaborative approach fosters a deeper understanding of the subject matter and strengthens the bonds within our community.

ATTRACTING FUTURE LEADERS

Attracting and retaining talent in Luxembourg's growing PE/VC industry remains a challenge, as the sector demands specialized skills, including financial expertise, regulatory knowledge, and multilingual capabilities, which are both rare and highly sought after across Europe. Additionally, while Luxembourg's smaller size and the need for relocation may make it less immediately appealing to international talent compared to larger financial centers, the country offers a dynamic and rapidly growing ecosystem, competitive compensation packages, and an attractive work-life balance.

Attracting top talent is a cornerstone of LPEA's strategy to support of the industry.
Since 2019, our dedicated HR group has served as a platform for peers to discuss sector trends, exchange ideas, and brainstorm strategies for retaining talent.

The HR group has organized webinars and workshops focused on career development, offering valuable resources to both employers and employees in the industry. Furthering our commitment to talent development, LPEA successfully ran a series of PE/VC digital job fairs between 2021 and 2023. These events connected employers with future talent, creating a bridge between academia and the industry while showcasing the career opportunities available in Luxembourg.

In addition to these efforts, LPEA has implemented several initiatives to engage with universities and attract young talents. These include international roadshows combined with university presentations to promote Luxembourg's dynamic PE/VC ecosystem.

Tailored study trips for European universities visiting Luxembourg are also organized, allowing professionals from fund managers and asset servicers to present the industry and share insights. Furthermore, LPEA actively identifies and invites relevant speakers to participate in university-hosted sessions, ensuring students gain direct exposure to the industry's opportunities and challenges.

WHAT'S NEXT?

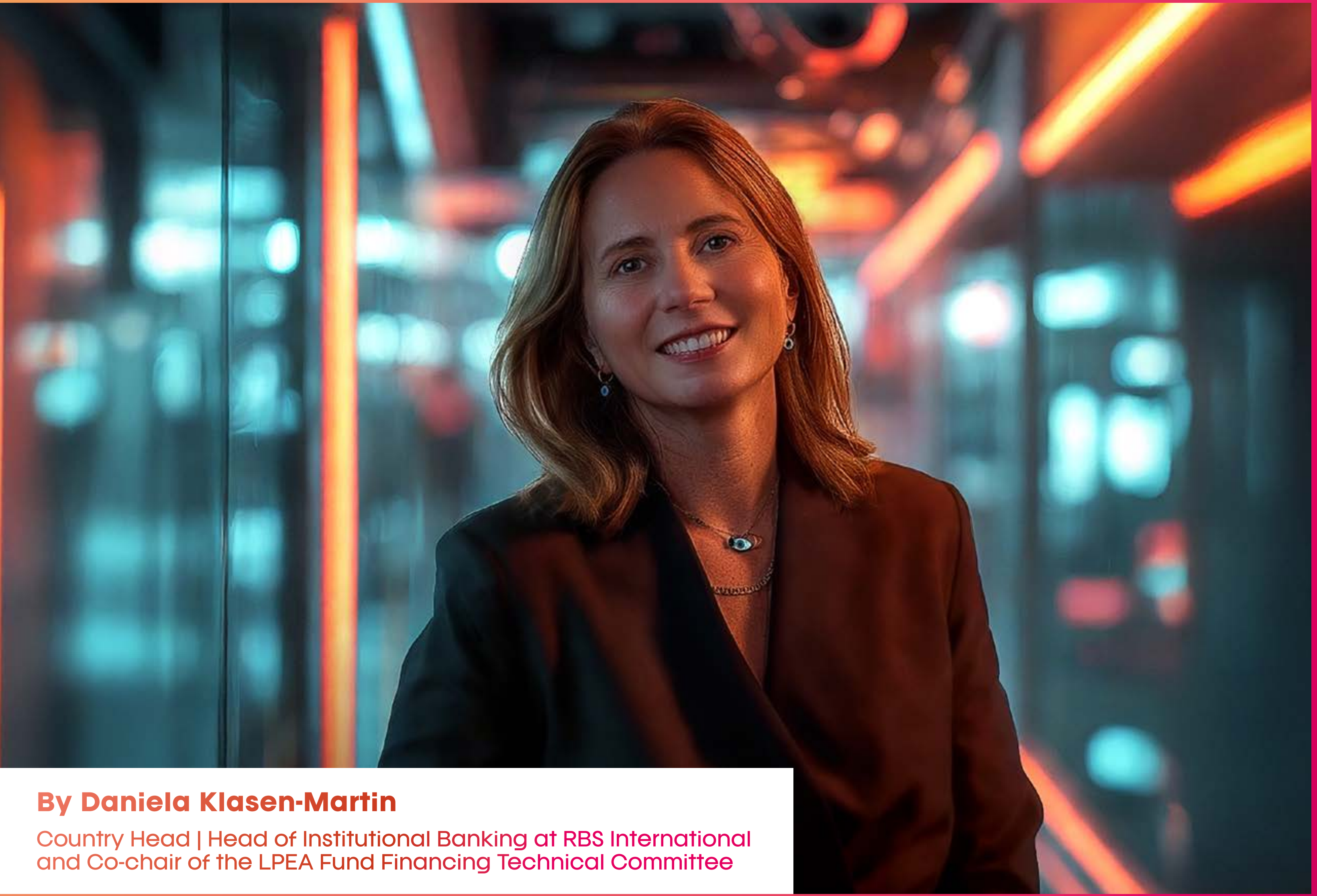
The past five years have been transformative for LPEA. As we celebrate our 15th anniversary, we reflect on this journey of dedication to empowering the PE/VC community in Luxembourg and beyond. Looking ahead, we are excited to embrace even more dynamic collaborations.

Luxembourg is ready and open to welcome its future leaders, offering a vibrant and supportive ecosystem for those seeking to shape the next chapter of the PE/VC industry. Together, we will continue to build a thriving community equipped to navigate the challenges and opportunities of a rapidly evolving industry landscape.

"Luxembourg is ready and open to welcome its future leaders, offering a vibrant and supportive ecosystem for those seeking to shape the next chapter of the PE/VC industry."

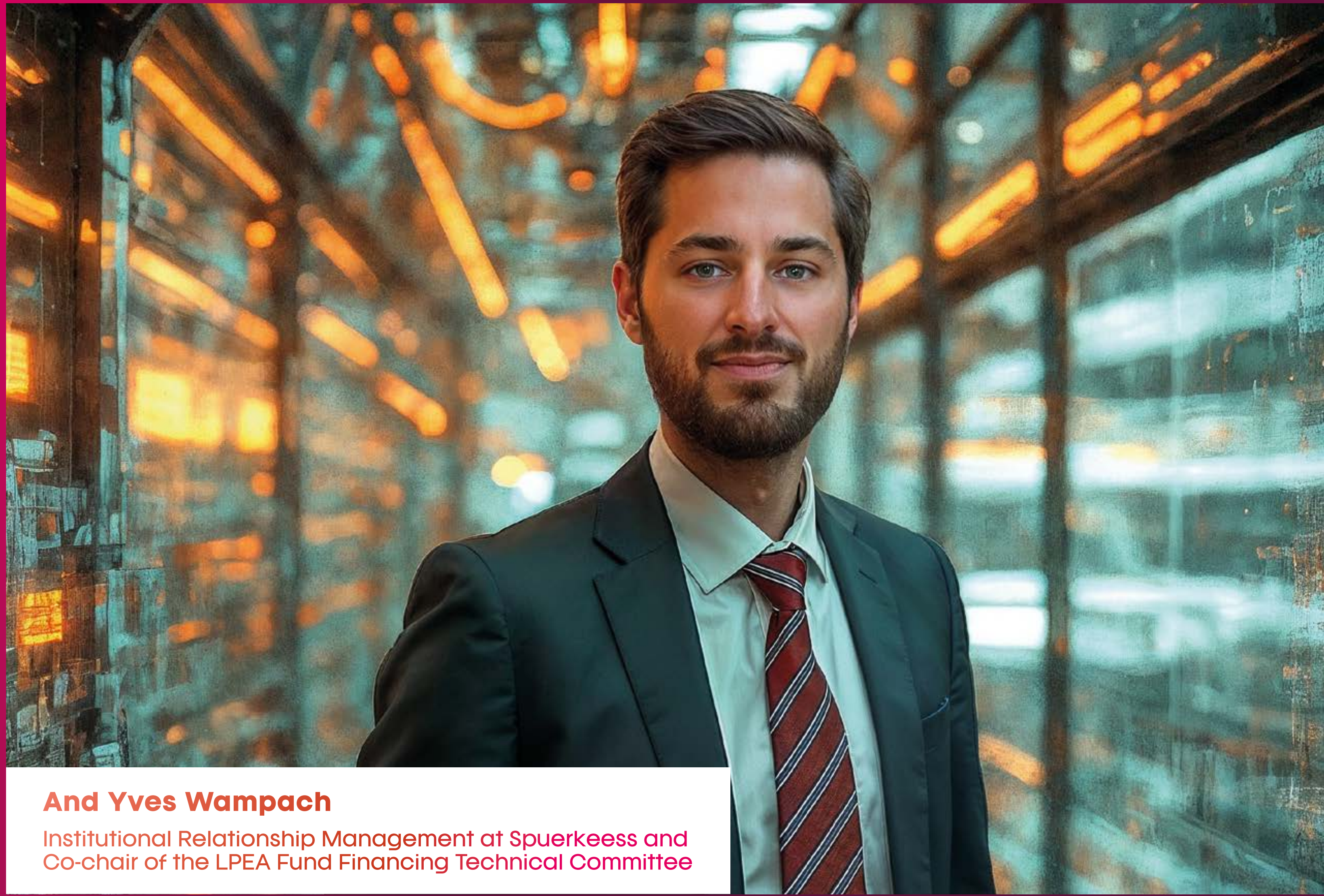
THE RISE OF FUND FINANCING: LUXEMBOURG'S PRIVATE EQUITY BOOM

Luxembourg has experienced an astonishing rise in fund financing over the last few years, closely tied to the success of its Private Equity (PE) industry. This evolution has not only sustained Luxembourg's position as a leading financial center, but also opened new and promising opportunities for investors and fund managers. This article delves into the factors driving this growth and explores the innovative prospects emerging in Luxembourg's financial landscape.



By Daniela Klasen-Martin

Country Head | Head of Institutional Banking at RBS International and Co-chair of the LPEA Fund Financing Technical Committee



And Yves Wampach

Institutional Relationship Management at Spuerkeess and Co-chair of the LPEA Fund Financing Technical Committee

THE GROWTH OF PRIVATE EQUITY IN LUXEMBOURG

The PE sector in Luxembourg has experienced exponential growth over the past decade. The high standards and expertise of its service providers, along with a favorable regulatory framework, have made Luxembourg an attractive domicile for both fund managers and investors seeking stability and growth.

THE ROLE OF FUND FINANCING

Fund financing has become a critical component in the success of Luxembourg's PE industry. This financing method allows PE firms to leverage their investments, thereby enhancing returns. Luxembourg's sophisticated financial Infrastructure, including a robust banking sector and a network of experienced service providers, supports the seamless execution of fund financing strategies.

TYPES OF FUND FINANCING

There are several types of fund financing that have gained prominence in Luxembourg:

1. Subscription Credit Facilities: These are short-term loans secured against the capital commitments of the fund's investors. They provide immediate liquidity, allowing funds to make timely investments without waiting for capital calls from investors. This type of financing is particularly advantageous during the initial stages of a fund's lifecycle, enabling managers to act quickly on investment opportunities and maintain a steady investment pace. Subscription credit facilities also help in smoothing out cash flows and reducing the administrative burden of frequent capital calls.

2. Net Asset Value (NAV) Financing: This type of financing is secured against the net asset value of the fund's portfolio. It is particularly useful for funds with mature portfolios, providing liquidity for further investments or distributions to investors. NAV financing allows funds to unlock the value of their existing investments, offering a flexible source of capital that can be used for various purposes, such as supporting portfolio companies, making new acquisitions, or returning capital to investors.

ADVANTAGES OF FUND FINANCING

The advantages of fund financing are manifold:

- **Enhanced Liquidity:** Provides immediate access to capital, enabling funds to seize investment opportunities without delay.
- **Increased Flexibility:** Allows for tailored capital structures through various financing options, like subscription credit facilities and NAV financing.
- **Improved Returns:** Leveraging investments can enhance returns, making funds more attractive to investors.
- **Operational Efficiency:** Reduces the need for frequent capital calls, streamlining fund management and improving relationships with investors.
- **Risk Management:** Ensures funds have the necessary capital to meet obligations and capitalize on market opportunities.
- **Strategic Advantage:** Enables funds to act swiftly in competitive markets, securing desirable assets and investments ahead of competitors.

These advantages equip Luxembourg's PE firms with the agility and resources needed to thrive in a competitive landscape.

SUPPORTING THE PE INDUSTRY

The rise of fund financing, in tandem with the success of the PE industry, has positioned Luxembourg as a leading financial center. As Luxembourg continues to evolve, it offers a wealth of opportunities for investors and fund managers seeking to navigate the dynamic PE landscape. The future looks promising, with fund financing playing a pivotal role in sustaining and enhancing the industry's success.

We see that the Luxembourg banking sector is now continuously focused on providing fund financing solutions to funds and asset managers, with increasing local expertise and substance in the domicile.

New regulations, such as CRD6, are likely to further support the trend of third country banks that are considering an increased presence in Europe specifically in Luxembourg, as the leading European fund domicile.

LPEA is supporting the industry with the recently created fund financing technical committee, co-chaired by Daniela Klasen-Martin of RBS International and Yves Wampach of Spuerkeess, with the goal of raising awareness about fund financing solutions.

"The future looks promising, with fund financing playing a pivotal role in sustaining and enhancing the industry's success."

THE NEED FOR INNOVATION IN PRIVATE EQUITY

By Luis Galveias
COO of LPEA

And Evi Gkini
Head of Business Development and Project Management at LPEA

The Private Equity sector, despite its dynamic nature, remains a largely traditional industry where the adoption of technology is still lagging behind other financial sectors. This has created a pressing need for innovation to address the growing complexity and sophistication that characterise the industry today.

REGULATORY CHALLENGES & GROWING EXPECTATIONS

Since the introduction of the AIFM Directive, the sector has experienced heavy regulatory demands, enhancing investor safety but also introducing significant operational challenges for fund managers. Combined with increasing ESG, KYC, and AML obligations, the complexity of managing PE funds has escalated. Further to that, investor expectations are becoming more varied and demanding, increasing the need for effective solutions to manage the complex LP-GP relationship.

LPEA'S ROLE IN PROMOTING TECHNOLOGY ADOPTION

To help the sector adapt, the LPEA has taken proactive steps to shine a light on the technological tools developed to ease the daily challenges faced by managers and asset servicers. Technology offers the means to boost efficiency, enhance agility, and meet operational demands effectively.

Since 2021, the PE sector in Luxembourg has witnessed a significant increase in technology firms emerging to address these needs. Many of these innovative companies have joined the LPEA, leading to the creation of the «PE Tech» working group. This initiative serves as a platform to bring peers together, discuss concerns, share pain points, and identify areas for improvement. Through this collaboration, LPEA has fostered a community dedicated to addressing the sector's technological challenges and opportunities.

The working group has also been instrumental in launching dedicated PE Tech Demo Days. These events provide a platform for technology providers to showcase their solutions, allowing fund managers to explore new tools and approaches tailored to their specific needs. Such initiatives underscore LPEA's commitment to empowering its members with the knowledge and resources to stay ahead in a rapidly evolving landscape.

Furthermore, LPEA has developed an interactive technology map that identifies and categorises over 60 technology providers active in Luxembourg and beyond. This comprehensive resource equips members with the insights needed to navigate the fast-changing tech landscape and adopt the right tools for their operations.

THE CALL FOR TRANSFORMATION

Historically, the PE and Venture Capital sector has played a pivotal role in modernising portfolio companies, leveraging technology to drive innovation and differentiation. Now, it is time for the sector itself to embrace transformation, digitise, move on from the spreadsheet and automate its processes. By integrating modern technology into their operations, fund managers can not only stand out to investors but also unlock more value from their investments and contribute to their own growth and development.

FIRST PE TECH DAY AT PWC LUXEMBOURG

SECOND PE TECH DAY AT SPUERKEESS

THIRD PE TECH DAY AT LPEA INSIGHTS 2024

"By integrating modern technology into their operations, fund managers can not only stand out to investors but also unlock more value from their investments and contribute to their own new opportunities for growth and development."

LUXEMBOURG LAW: THE BEST CHOICE FOR PRIVATE EQUITY TRANSACTIONS

By Jean-François Findling
Partner at Baker McKenzie Luxembourg and Co-chair of the M&A Club

Private Equity transactions often involve complex contractual arrangements between the parties, such as Share Purchase Agreements (SPAs) and Shareholders' Agreements (SHAs). Choosing the appropriate law and jurisdiction to govern and enforce these agreements is a crucial decision with significant legal and practical implications. When the target company is a Luxembourg company, Luxembourg law naturally stands out as the best choice, for several reasons:

- It ensures alignment and compatibility with the local corporate law and the company's constitutional documents, avoiding conflicts of laws or enforcement issues.
- It offers a high degree of flexibility and adaptability to the parties' needs and expectations, allowing them to tailor their agreements to their specific situation and objectives.
- It provides a stable and predictable legal framework, influenced by European Union law and international conventions, and constantly updated and modernized to reflect the evolving needs and challenges of the business and financial sector.
- It is widely recognized and accepted as a neutral and convenient choice of law in international transactions and agreements, fostering a level playing field and simplifying negotiations between parties from different jurisdictions and backgrounds.
- It is supported and respected by the Luxembourg courts and authorities, which are well-versed in handling corporate and Private Equity disputes, and apply and interpret the law in a consistent manner with a practice to follow the intentions of the parties as expressed in the provisions of their agreements.

> **Luxembourg's legal system is highly conducive to Private Equity transactions, offering tax-efficient solutions and legal certainty for provisions like tax indemnities or gross-up clauses."**

However, despite these intrinsic qualities of Luxembourg law, some Private Equity players and their legal advisors are still tempted from time to time to submit their SPAs and SHAs relating to Luxembourg companies to a foreign law and jurisdiction. Usually mostly to stay in familiar waters. This is legally possible, subject to certain conditions. However, such a choice entails major drawbacks, which are often overlooked when making such a crucial choice. Indeed, opting for foreign law and jurisdiction may create legal and practical risks, such as mainly:

- ***Lack of familiarity or acceptance of foreign law*** by the parties, creating potential biases or imbalances, and complicating the negotiation and execution of the relevant SPAs and/or SHAs.
- ***Incompatibility or inconsistency*** with Luxembourg corporate law or the company's articles of association, leading to potential invalidity or unenforceability of key provisions, such as, without limitation, share transfers, exit rights, or escrow arrangements in SPAs or governance and decision making process rules or share transfer restrictions in SHAs.
- ***Dispute resolution complexity,*** resulting from the need to educate foreign courts about Luxembourg law, often requiring expert testimony or legal opinions, which can be time-consuming and extremely costly, and may lead to misinterpretations or incorrect applications of the law, at a moment where the parties are usually the most in need of legal certainty.

And Jean-Philippe Smeets
Partner at Ashurst LLP - Luxembourg Branch and Co-chair of the M&A Club

Not to mention - in addition - the need to involve two legal teams in the drafting and negotiation process, triggering new additional costs.

Therefore, it is highly advisable for the Private Equity players and practitioners to carefully consider the implications and risks of choosing a different law and jurisdiction than the law and jurisdiction of the company.

We will examine below certain specific benefits and risks of Luxembourg law for SPAs and SHAs, and why it remains - in our humble view - the optimal choice for both types of agreements any time they relate to a Luxembourg company.

1. LUXEMBOURG LAW FOR SPAS

SPAs govern the acquisition or sale of shares in a target company, and often involve intricate terms concerning representations, warranties, indemnities, and post-closing obligations. When the target company is a Luxembourg entity, using Luxembourg law for the SPA offers the following benefits:

- ***Tailored structuring and flexibility:*** Luxembourg law allows parties to design agreements that are perfectly tailored to their transaction's needs, free from unnecessary legal constraints that exist in other jurisdictions. Key provisions, such as price adjustment mechanisms, earn-outs, indemnities, and escrow arrangements, can be crafted with precision, and will be upheld and enforced, provided they comply with mandatory laws and public policy. However, parties must ensure that the price is either determined or determinable, and that any conditions precedent are not potestative, to prevent nullity.
- ***Alignment with Luxembourg corporate law:*** Luxembourg law offers clarity and predictability for the formalities required for the legal transfer of shares, including registration in the company's shareholder register and compliance with any pre-emption rights. It also aligns seamlessly with the company's articles of association, ensuring the enforceability of specific exit rights, such as tag-along, drag-along, or put options, without conflict with corporate governance rules.
- ***Judicial expertise and enforcement:*** Luxembourg courts are well-versed in handling corporate and Private Equity disputes, ensuring that the SPA is interpreted and enforced in line with Luxembourg's well-established legal principles. The judicial predictability and business-friendly approach of Luxembourg courts minimize the risk of protracted or uncertain litigation. Furthermore, local enforcement of SPAs under Luxembourg law eliminates the complexities associated with having to educate foreign courts about Luxembourg corporate principles.
- ***Tax and legal certainty in Private Equity:*** SPAs in Private Equity often incorporate provisions relating to tax structuring, capital gains, or cross-border reorganizations. Luxembourg's legal system is highly conducive to Private Equity transactions, offering tax-efficient solutions and legal certainty for provisions like tax indemnities or gross-up clauses.

"Luxembourg law is widely recognized and accepted as a reputable and reliable choice of law in international transactions and agreements."

2. LUXEMBOURG LAW FOR SHAS

SHAs regulate the rights and obligations of the parties within the target company and its management and operation. When the target company is a Luxembourg company, using Luxembourg law for the SHA offers mainly the following benefits:

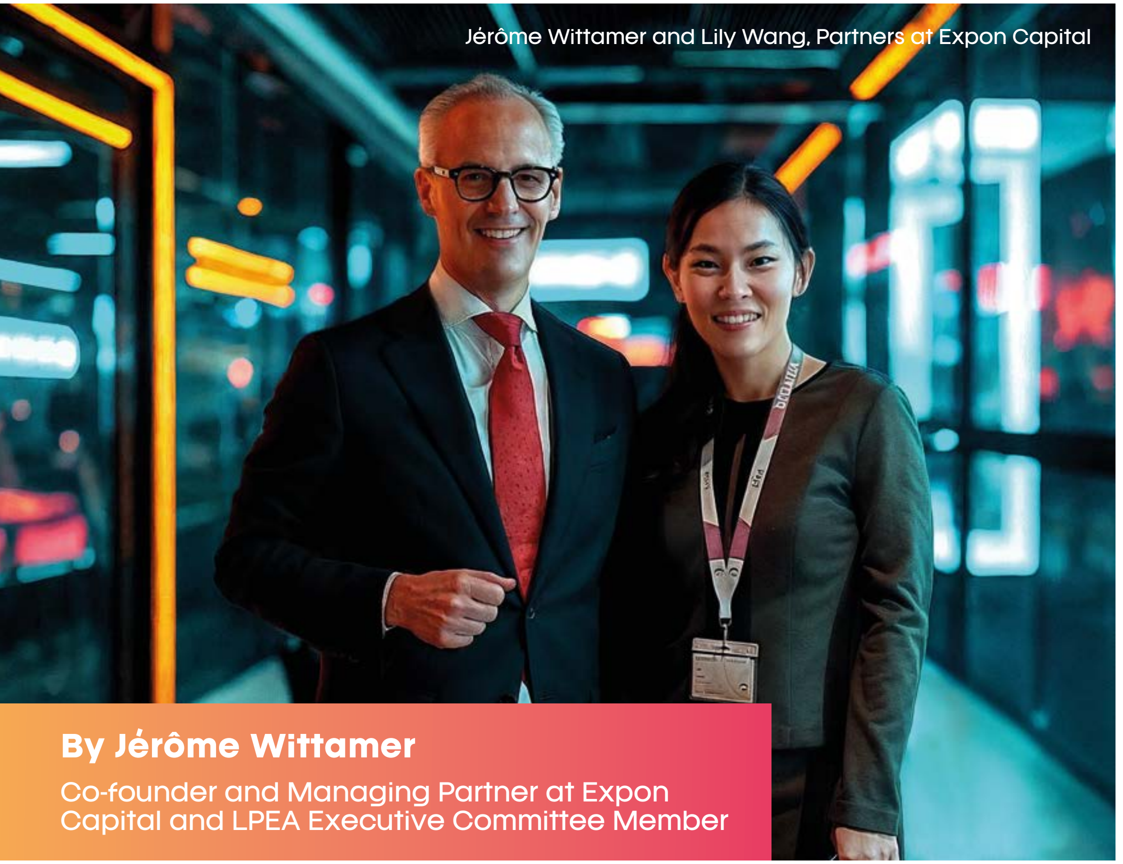
- ***Flexibility and adaptability:*** Luxembourg law upholds the principle of contractual freedom and autonomy, generally validating and enforcing the parties' agreements, except in very limited situations. This allows parties to tailor their agreements to their specific situation and objectives, and to include sophisticated provisions, such as governance mechanisms, veto rights, information rights, or deadlock resolution mechanisms, without being subject to unnecessary legal constraints that exist in other jurisdictions.
- ***Stability and predictability:*** Luxembourg law, influenced by European Union law and international conventions, offers one of the most stable and predictable legal frameworks in Europe and abroad. It is constantly updated and modernized to reflect the evolving needs and challenges of the business and financial sector, and to maintain its attractiveness and competitiveness as a leading jurisdiction for cross-border private transactions and investments. Likewise, Luxembourg courts and authorities are supportive and respectful of the parties' contractual arrangements, and tend to apply and interpret the law in a consistent and coherent manner, making Luxembourg one of the most secure and business-friendly jurisdictions.
- ***Neutrality and convenience:*** Luxembourg law also offers a neutral and convenient choice of law for parties from different jurisdictions and backgrounds, who may wish to avoid the potential disadvantages or complications of choosing the law of one of the parties' home countries, thereby creating an unbalanced negotiation field. Luxembourg law is widely recognized and accepted as a reputable and reliable choice of law in international transactions and agreements, and is compatible and harmonized with the main principles and standards of European Union law and international law. Luxembourg law is also largely accessible and transparent, as it is written and published in several languages, and influenced and inspired by other major legal systems and traditions.

For all the reasons above, Luxembourg law appears as a natural and optimal choice for SPAs and SHAs in Private Equity transactions involving Luxembourg entities.

It offers unparalleled flexibility, legal certainty, and alignment with local corporate law, while minimizing risks and inefficiencies associated with applying foreign law.

For Private Equity players seeking predictable, efficient, and secure frameworks for their acquisitions, Luxembourg law therefor remains, in our view, the gold standard.

THE PE-VC INDUSTRY'S EVOLUTION IN LUXEMBOURG OVER THE LAST 5 YEARS


Jérôme Wittamer and Lily Wang, Partners at Expon Capital

By Jérôme Wittamer

Co-founder and Managing Partner at Expon Capital and LPEA Executive Committee Member

In this op-ed, LPEA asked me to share my perspective on the evolution of our industry. I'll touch upon a few controversial topics and hope you'll find some inspiration.

2020-2024: A ROLLER COASTER PERIOD

Over the past fifteen years, the LPEA has contributed to the transformation of Luxembourg into Europe's leading PE-VC fund and back-middle office hub. In the last five years, we've firmly cemented this position. During this time, our industry capitalized on favorable monetary conditions, navigated a global pandemic, and prospered, despite increasing competition for talent. Amid higher interest rates, evaporating exit routes, and stifling regulatory pressures, our competitiveness has been tested. We should emerge stronger and more resilient.

AN EMERGING VC SCENE

Our local VC scene has demonstrated increasing signs of vitality. We're seeing this materialize in two key ways: first, a small but growing cohort of startups has successfully graduated from seed to scale-up stage, with several raising Series A and B rounds from international VCs. Second, our homegrown VC funds have matured and expanded in size. While still modest compared to hubs like Paris or Berlin, this ecosystem development suggests Luxembourg is evolving beyond its traditional fund administration strengths into an emerging venue for Venture Capital deployment.

GROWING TOWARDS MATURITY

In the last five years, our industry has capitalized on Luxembourg's leadership and core strengths in cross-border investing. The number of funds and assets under management have roughly doubled in size to €865 billion, more than 50% of the European market share. Service providers to PE fund managers expanded rapidly, sometimes outpacing the availability of qualified talent and too fast to integrate new teams, leading to pressure on service quality. However, the rise in interest rates and the economic slowdown offer an opportunity to consolidate teams, improve training, and streamline processes. After a phase of rapid growth, rationalization is often necessary. This maturity extends to the vibrant LPEA community, bringing together the brightest minds in financial services. This collective energy drives us forward.

REGULATORY CHALLENGES

Over the same period, the unrelenting regulatory and reporting pressures imposed by Brussels, ESMA, and CSSF have weighed heavily on local AIFMs. The layers of compliance, constant issuance of circulars, and reporting obligations have created significant operational burdens and, sometimes, unnecessary costs. For many firms, navigating these complexities is proving to be a challenge, stifling agility and diverting resources away from their core business. This regulatory oversight, while ensuring greater transparency, demands careful balancing and maybe altogether different approaches to avoid hampering Luxembourg's competitive edge. ESG has added additional complexity due to global scrutiny over greenwashing, yet will likely remain at the core of investment strategies, given regulatory and investor demands.

TOWARDS SMOOTHER PE OPERATIONS?

While PE firms have embraced technology to improve productivity and strengthen margins within their portfolio companies, management companies have struggled to get the same gains at the Fund level. Service providers still struggle to automate complex, inefficient, workflows. Bespoke structures, lack of standards, and non-uniform data frameworks require labour-intensive services. Identifying automatable workflows and the right tools has therefore been challenging. Recent strides in automating investor reporting, capital calls, fund accounting, compliance, and onboarding may have set the stage for greater efficiency. Despite these advancements, I believe that further standardization is needed to fully streamline fund administration, in collaboration with PE firms.

ON THE ATTRACTIVENESS OF LUXEMBOURG FOR FOREIGN TALENT

Maintaining leadership requires attracting top talent, often from abroad. However, the global talent war and shift to remote work have challenged Luxembourg's PE industry. Service providers have struggled to maintain standards while managing talent shortages. In response, LPEA has intensified delivering high-calibre training across subjects PE professionals face. Additionally, showing that our voice is being heard, Luxembourg's government introduced an inpatriate regime, helping us attract foreign talent.

THE ROAD AHEAD: CHALLENGES AND OPPORTUNITIES

As Luxembourg's PE-VC industry flourishes, neighboring countries envy our success, leaving us no room for complacency. To maintain and build our lead, we must contend with formidable adversaries and stay focused, coordinating with local and Brussels stakeholders. Geopolitical and economic challenges will persist, yet I see that AI Agent-driven efficiency gains and process standardization offer promise. These advancements could support the democratization of PE (for better or worse) and bring continued growth.

CHARTING THE FUTURE OF LUXEMBOURG'S PE-VC INDUSTRY

Over the past five years, Luxembourg's PE-VC industry has shown remarkable resilience and adaptability, solidifying its position as Europe's leading PE Fund hub. Challenges bring opportunities, and Luxembourg's strategies in technology and talent acquisition pave the way for sustained growth, as we continue to balance regulatory demands. As the industry evolves, I am confident that Luxembourg will navigate future uncertainties successfully.

"Over the past five years, Luxembourg's PE-VC industry has shown remarkable resilience and adaptability, solidifying its position as Europe's leading PE Fund hub."

NAVIGATING THE FUTURE OF PRIVATE EQUITY

Private Equity is undergoing a significant transformation, driven by interest rate shifts, technological advancements, and evolving investor demands. Key factors influencing investment decisions, emerging industry trends, and strategies to strengthen Luxembourg's role as a global private capital hub are at the forefront of this dynamic landscape, shaping its future trajectory.

By Claus Mansfeldt

Chairman of SwanCap Luxembourg and President of the LPEA

KEY FACTORS TO CONSIDER WHEN INVESTING IN THE NEW PRIVATE EQUITY CYCLE

Private Equity, including Venture Capital, remains especially sensitive to the interest rate environment. Anticipated and ongoing interest rate cuts will lead to lower borrowing costs, already revitalizing deal-making activities. However, the extent of this impact will depend on the pace and magnitude of these rate adjustments. This also impacts exit opportunities. The current backlog of unsold assets has extended holding periods in funds, and is starting to challenge fund-returns, especially in terms of IRR. Hence, investors need to take potentially longer holding periods into account when allocating to the asset class. These factors alone will likely further accentuate the bifurcation of the return spectrum between the top and bottom performing managers. Hence, I would recommend, more than ever, that investors diversify their exposures amongst many different funds and/or deals. Finally, a comment on geopolitics, where we observe seemingly escalating global conflicts impacting investments and returns. Remaining invested in the "free world" will, again, provide better odds for strong investment performance than, for example, in "regressing markets"…formerly known as "emerging markets."

EMERGING TRENDS DEFINING THE PE INDUSTRY OVER THE NEXT FIVE YEARS

Traditional asset management firms are increasingly shifting towards private funds, to capitalize on the higher fee potential in the PE sector. Major players like BlackRock, Franklin Templeton, and Amundi are leading this movement. Private credit is also becoming an increasingly significant force, and investors will likely appreciate their predictable returns when PE and VC portfolios oscillate. The adoption of artificial intelligence (AI) and advanced analytics is transforming deal sourcing, due diligence, and portfolio management. PE firms that are leveraging these technologies will enhance operational efficiency and gain competitive advantages. Furthermore, PE firms are increasingly targeting high-net-worth individuals and retail investors, expanding their investor base beyond traditional institutional clients. This shift involves creating retail-friendly, semi-liquid fund structures to attract affluent clients. It is an unstoppable trend; some structures will try to mimic liquid alternatives which will likely prove very costly to performance, but the "idea of liquidity" sells well and will likely be where most individual investors end up. On the topic of liquidity, those who manage to stay in the game and follow the cash-flow cycle of PE funds to maturity, may be rewarded by both stronger returns and improved liquidity, given the monetization pressure on GPs, continuing vehicle innovation, and improving market conditions overall.

LPEA - BUILDING THE RIGHT ENVIRONMENT FOR PRIVATE EQUITY IN LUXEMBOURG

The right environment for Luxembourg is one in which the private capital industry fires on all cylinders. At the moment, we're "on fire" in fund domiciliation and fund administration. The potential is there to extend this advantage to fund management and fund distribution. The LPEA can and will collaborate with governmental bodies to streamline and update regulatory frameworks, ensuring they align with the evolving needs of the PE industry globally, and build a conducive environment for the "full value chain" in Luxembourg. This includes supporting legislative efforts such as the modernization of Luxembourg's fund laws, ranging from taxation to AML, and legally accommodating investment products.

The LPEA can and will collaborate with governmental bodies to streamline and update regulatory frameworks, ensuring they align with the evolving needs of the PE industry globally, and build a conducive environment for the full value chain in Luxembourg."