Jasmin capital

Private Markets Advisors

newsletter

1st QUARTER 2014

SUMMARY

January 2011 in Paris, Jasmin Capital is created

- Advisor and gatekeeper in Private Equity and Infrastructure for family offices and institutional investors
- Marketing Advisor and Placement Agent for Private Equity and Infrastructure fund managers

Registered with the French Financial Market Authority (AMF) as a financial investment consulting firm

Member of the French Private Equity Association AFIC

Signatory of Principles for Responsible Investment (UN PRI)

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Fundraising News

In today's context of low bond yield rates and stock market volatility, "alternative" investments such as private equity, infrastructure and private debts / loans, have regained the favour of institutional investors and family offices. Institutional Investors supported by a net raise that improved over 2013, like French Life Insurance Companies, and by bond portfolios reaching their maturity date, are more and more inclined to seek premiums based on risk and illiquidity.

The private equity industry raised $432 bn in 2013, displaying a 13% growth vs. 2012. This fundraising benefited some mega-funds with over $5 bn (Apollo, CVC, Warburg Pincus, Silver Lake, Apax, Cinven, KKR, etc.). The funds with high-return investment strategies are particularly sought after: secondary, mezzanine, LBO, and for investment teams with a strong track record.

As for the so-called « brownfield » infrastructure, invested in mature existing assets, it attracts insurance companies and pension funds. The latter are attracted by the fund's ability to deliver an annual cash yield of 4 to 6%, combined with expected IRR at over 10% per year. This asset class raises over $40 bn per year.

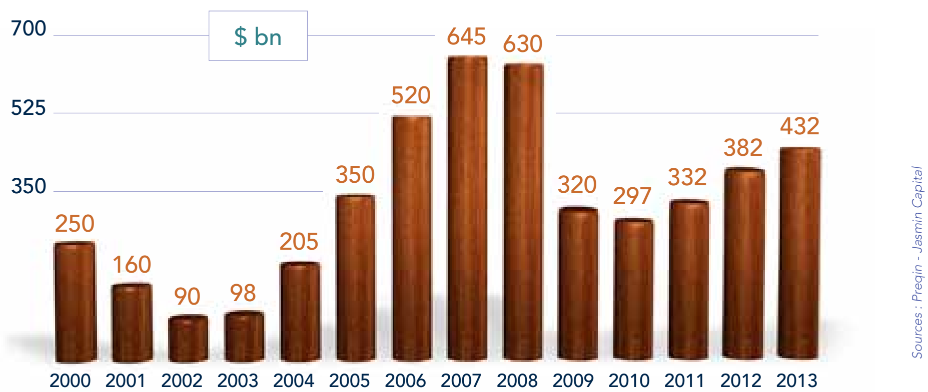
Finally, sums allocated to private debts / loans, an asset class resulting from the disengagement of banks complying with the Basel III regulations, have witnessed a net increase over these past two years. Institutional Investors are thus attempting to diversify and optimize the performance of their bond asset class, anticipating both a raise in interest rates and volatility.

Geographically speaking, Asia and the Middle East, with their sovereign wealth funds, are more and more invested in these assets. In Europe, Germany appears to be very active, followed by Nordic countries, Switzerland and the United-Kingdom.

The sums raised for these "alternative" investments are once again on the increase. However, since the crisis, the behaviour of investors in such funds has drastically changed. Indeed, they have downsized the number of funds invested in, while increasing the unitary ticket, selecting the managers ranked within the "top quartile" if not in the "top decile".

Thus, there is clearly a premium for fund managers offering investment strategies matching with investors' expectations, while at the same time being able to differentiate themselves from the competition.

Worldwide Fundraising in Private Equity



Private Equity

INTERVIEW

Cédric Bannel

Managing Director at Latour Capital

Founder of Caradisiac.com and former Partner at 3i

What feedback did you get from your fundraising? Was launching a first team first time fund in 2011-12 a real challenge?

Latour Capital was born from the idea that the usual private Equity mechanism was seized up because of the crisis. Opportunity analysis and investments monitoring by teams without any real operational experience, such as quasi-exclusive sourcing by M&A intermediaries, was no longer adapted to the situation. The proliferation of successive LBOs on the same target served as proof of a market dysfunction, and was similar to the financial pyramid phenomenon. Therefore, we thought that this new situation called for new teams, with a culture that would be less financial and more operational, and which would have increasingly limited recourse to the leverage effect. In my opinion, that was where the challenge lay; approach the market with a disruptive message. However, we all know that disruptions are not well-liked, especially not in finance.

How did the exchanges with your investors go? What were their expectations?

Part of the market rejected our point of view and simply didn't believe in our concept or our team. In a way it is absolutely normal. But what really matters is that eventually, we met a number of French and international investors, both individual and institutional, who shared our vision and were willing to bet on us for significant amounts. The fund commitments were therefore a lot higher that the € 115 M of our hard cap. For me, this is the proof that there will always be professionals in our industry who are ready to hear a new message and bet on new people.

What developments are you anticipating for the private equity market in the next years?

My vision hasn't changed; I believe France will take a long time to reform itself. In the meantime, it will undergo a long stagnation period, a form of "slow crash".

This situation condemns the traditional Private Equity forms, which are very accountancy and finance oriented.

Creating a 20% IRR when the annual GDP steadily increases by 1 % or less, is a daunting challenge that cannot be addressed with the leverage effect. Consequently, we will have to seek to create values in a more endogenous way. Our industry is only at the beginning of its aggiornamento, and this is going to be a painful change.

Arthur Rakowski

Senior Managing Director, Macquarie Infrastructure and Real Assets (MIRA)

Arthur is a member of the European Investment Committee responsible for institutional relationships

In the current difficult context of fundraising, what are the main lessons of the fundraising of your 4th European Infrastructure Fund that you have just closed in May 2013 at €2.7bn?

Macquarie has been investing in infrastructure on behalf of pension funds, insurance companies and other institutional investors for almost 20 years. Ten years ago we raised the first Macquarie European Infrastructure Fund, MEIF1. At the time, the concept of investing in infrastructure was unknown to most European investors and the most active investors were Australian and Canadian pension funds.

The growing understanding of infrastructure as an asset class among European and Asian institutions was very obvious during fundraising for MEIF4. It was also clear that these investors are increasingly rigorous in fund manager selection where a demonstrated track-record is key. There was also strong interest from larger funds to invest directly, alongside the Fund and MIRA as an asset manager - MEIF4's final close of 2.75 billion (US$3.5 billion) was well above its initial €1.5 to €2 billion target. In addition, co-investment arrangements of at least a further €2 billion were agreed with investors in the fund.

How did the interactions with you subscribers go? What were their expectations?

Institutional investors increasingly understand the positive role infrastructure can play in their portfolios. It is a strongly growing asset class where experienced fund managers have an important role to play in responsibly investing this growing pool of capital in much-needed infrastructure across the globe.

As the asset class matures, investors are increasingly rigorous in their manager selection process, focusing on access to investment opportunities, investment strategy and team, ability to add operational value and proven track record. For this reason, we are particularly pleased with the support that MEIF4 and our other regionally focused funds have received from investors around the world.

Access to investment opportunities differs from market to market, and knowledge of local conditions, regulation and market participants is increasingly important. After almost 20 years' investing in infrastructure around the world, MIRA has built experienced teams in every region.

Local management and track-record

In Europe, MEIF4 is a successor fund to MEIF1, 2 and 3 which have been investing in European infrastructure since 2003, and have built a strong European asset management team with operational and financial expertise. Together these funds are investing more than almost €8billion of equity to over 20 infrastructure businesses.

Access to deal flow and co-investment

Before the final closing, MEIF4 had already committed approximately €500 million to two core, regulated infrastructure assets. In July 2012, alongside several Limited Partners and other investors, MEIF4 led the consortium which acquired Open Grid Europe , Germany's largest gas network, from EOn. In December 2012, MEIF4 acquired a stake in a Czech gas network from RWE.

The fund continues to pursue numerous quality infrastructure investments on behalf of its investors.

What changes do you expect on the infrastructure market in the next few years?

We expect the infrastructure fund market to continue to mature and grow. There will continue to be a level of consolidation with a smaller number of credible and successful managers differentiated by strategy, investment style, geography and scale. The amount of capital flowing into the sector will increase over time and we expect the manager selection process will continue to normalise.

While some of the larger infrastructure investors may continue to move into direct investments, pooled vehicles will remain the instrument of choice for the vast majority of investors. Further, many of the large direct investors will continue to selectively support pooled investment funds in order to access deal flow and asset management expertise.

The appropriate level of allocation to infrastructure will always depend on each individual investor. However, we have observed that allocations from European institutions to alternatives in general, and infrastructure in particular, are low by global standards and can be expected to grow over time.

What we do

Advisor for Family Offices and Institutional Investors

• Reviewing and analyzing portfolios
• Defining targeted investment strategy
• Implementing and monitoring investment strategy

Placement Agent

• Identifying prospective LPs
• Assisting with the writing of marketing documents: slide show, PPM, DDP, DDQ
• Managing fundraising process

▶ Organizing and preparing meetings with LPs

▶ Following up on the LPs

Marketing Advisor

• Advising on creation of funds: structuring, investment strategy, competitive benchmark, product testing
• Image/Perception Study

▶ Analyzing how the management team is perceived by LPs, CEOs, etc.

▶ Marketing approach to put in place with regards to LPs typologiess

Secondary Transaction

• Investments valuation
• Sale of shares of private markets funds or portfolios of direct company stakes

KEY FIGURES

5 successful fundraising, from €40m to more than €2.5bn, with European, North America and Asian LP's for seed capital, growth, buy-out and infrastructure funds

12 awards including "Best French Placement Agent of the Year" awarded by the British ACQ Magazine in 2011, 2012 and 2013, and "Best French Private Equity Advisory Firm" awarded by the InterContinental Finance Magazine in 2011 and 2012

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