Jasmin capital

Private Markets Advisors

newsletter

2nd SEMESTER 2016

SUMMARY

- A new organisation:

  Lucia Roman, Manager at Jasmin Capital for the past 5 years, is to lead the Brussels office

  Ludovic Douge, former Director of a Swiss secondary intermediary firm, has been recruited as Manager in charge of secondary activities

  Christilla de Moustier joins Jasmin Capital as Senior Advisor

- The team possesses specific know-how in the fields of private equity, private debt and infrastructure:
  - Placement Agent
  - Secondary Transaction
  - Co-Investment
  - Marketing Advisor
  - Merger & Acquisitions on GPs
  - Advisor for Family Offices and Institutional Investors

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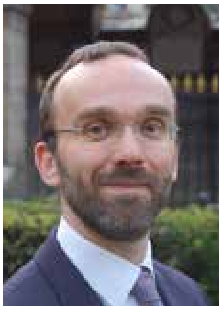
Strong interest in private equity from family offices

By Jean-Christel Trabarel, Partner- Founder of Jasmin Capital



Non listed assets are beating records in terms of fund raising in the current context of persistently low rates and volatility in listed markets. The amounts collected in 2016, estimated at over 500 billion dollars, are expected to come close to the historic high of 2008.

In this context, a particular type of subscribers are increasingly coming to the fore: family offices and HNWI. Over the past ten years, they have become one of the leading categories of subscribers in private equity funds, 6 % of the total amounts raised in Europe in 2007 and up to 12% in 2015. Their weight is currently higher than insurance companies (9%) and banks (4%).

In view of their importance in terms of fund raising, we have conducted an analysis on these subscribers who are less well-known than traditional institutional investors.

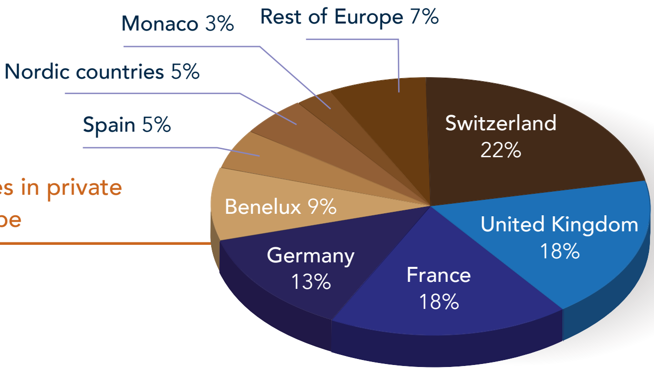
Jasmin Capital has identified around 400 family offices in Europe, mainly single family offices*, active in private equity. Four countries account for 70% of these family offices: Switzerland, the United Kingdom, France and Germany.

They particularly favour buy out and growth capital funds and have a fondness for co-investments. They invest mainly in their domestic zones. For example, in France in 2015, out of the one billion euros invested by family offices in funds, excluding tax systems, 3/4 stemmed from French families and a quarter from international families.

Apart from subscribing to funds, this keen interest in private equity has also resulted in the creation of internal management teams dealing with direct investments. Around a dozen French families have established direct investment structures since 2009.

Both family offices and HNWI have become an essential component in the success of fund raising. They are active players who have less regulatory restrictions than institutional investors. However, a specific approach is required in line with their expectations: co-investment, governance, diversification with regard to their direct investment team or industrial assets, etc.

Distribution of family offices in private equity in Europe



** A Single Family Office is dedicated to the investments of a single family in contrast to the Multi Family Office which groups together several families (often less wealthy).*

PICTET 1805

Nathalie Krieger
Private Equity Investment Manager at Pictet Alternative Advisors

Pictet Alternative Advisors is a subsidiary of the Pictet Group specialising in hedge fund, private equity and real estate investing. It manages over 20 billion dollars invested in third-party funds.

Pictet Group has grown from Pictet & Cie, who is one of the leading Swiss private banks and was established in 1805 in Geneva.

What are the investment strategies sought by Pictet Alternative Advisors in private equity, infrastructure and private debt?

The Pictet Group has been investing in private equity on behalf of its clients for over 25 years and currently manages over 8.4 billion dollars.

We invest globally throughout the life cycle of a firm: from venture capital to LBO, special situations and turnarounds.

The funds are selected according to a «bottom-up» approach: we seek out successful, stable management teams with a consistent, differentiated investment strategy. We need to have extremely strong convictions regarding the General Partners' real added value in their portfolio companies. We focus mainly on managers with a hands-on approach and a track-record showing strategic and operational improvements in the portfolio companies they actively manage.

We enjoy developing relationships over time with managers and strive to become favoured partners for our active network of thirty or so GPs.

As far as infrastructure and private debt are concerned, we are currently considering the interests of our clients.

What kinds of developments do you anticipate in private equity?

The Pictet Group has traditionally shown a strong liking for LBOs, justified by the attractive risk/return profile of the strategy. However, we also intend to extend our coverage in the field of venture capital.

From a geographic point of view, we have always over-weighted the most mature markets such as Europe and North America. We take a more opportunistic approach in emerging markets. We have been covering Asia for around 10 years and aim to become more active in this region, provided that we find the appropriate management teams.

The team of investment professionals continues to grow in order to execute these projects.

What is your vision of the unlisted European market?

In an environment of low interest rates, investors are becoming increasingly keen on private equity due to its potentially attractive returns in the long run compared with other traditional asset classes. This heightened interest is creating a significant inflow of capital and competition to access funds with strong, long-standing, disciplined teams irrespective of their size.

We follow a global approach in the construction of our portfolio. We create diversified portfolios alongside leading traditional pan-European and American names primarily in large caps or upper mid-caps, while also including a significant proportion of niche funds.

Around ten years ago, we decided to increase our exposure to low mid-market and small cap funds. This trend has been increasing ever since. For example, in France and the United Kingdom, two highly competitive countries with low growth macro-economic environments, it is necessary to subscribe to differentiated niche funds in order to outperform the market.

Our portfolios also typically include between 20% and 30% of secondaries and co-investments, which enables us to deploy the capital more quickly and speed up the distribution rate. The size of our team, with the support of industry specialists from the Pictet Group, allows us to have the research and execution capacity required to deliver on time with such highly sought-after opportunities.

Paul Mizrahi
Founding Partner at BlackFin Capital Partners

BlackFin Capital Partners, an independent investment capital management company, invests in financial services companies in continental Europe. BlackFin groups together 20 professionals based in Paris and Brussels. BlackFin already manages two buyout funds with €220m raised in 2011 and €400m in 2015. The company is currently raising a new innovation capital fund dedicated to FinTech: BlackFin Tech Fund I.

What is the feedback on the raising of BlackFin Financial Services Fund II?

I was struck by four elements during the raising of our latest buyout fund.

The first was the climate surrounding the raising of the fund. It was far more pleasant than during the previous fund raising in 2011. Whilst we generally dealt with the same subscribers for both funds, the size of their investment ticket had been increased significantly.

The second point was that subscribers, particularly institutional investors, are looking for funds which are a cross between a specialised fund and a small-mid caps fund with a strong operational involvement, such as BlackFin. Our investment strategy is highly differentiating and recognised as such by subscribers in terms of market position, income and positioning.

Thirdly, we have noticed that non-European and particularly American investors are showing an increased interest in Europe.

In factual terms, this fund II was raised 60% in France and 40% in the rest of Europe. Bank insurance companies are strongly represented at our LPs round table and account for 40% of commitments. This represents a major difference compared with the raising of the fund I in 2011 when they were far more hesitant towards private equity.

How were the discussions with your subscribers? What were their expectations?

The subscribers were particularly interested by the portfolio companies.

We presented each company to them in detail, outlining how they had been transformed and explained what the management team had done for each one of them.

The subscribers were therefore made aware of the major developments taking place in the fund I companies.

BlackFin is clearly positioned as an active shareholder which leads transformations to create value in portfolio companies. On average, our companies have increased their turnover by 10% per year and their EBITDA by 30%.

This represents a real strength for the raising of fund II and has resulted in reaching the hard cap of €400m.

Jasmin Capital is supporting BlackFin in the fundraising of BlackFin Tech Fund I

What kind of developments do you anticipate in the private equity market over the next few years?

Subscribers seem to be looking for increasingly specialised teams with a high level of operational involvement. The creation of value in companies must stem from an increase in their operational value and not from financial leverage.

In this context, pan-European thematic funds with a real «hands-on» approach seem to me to be more in line with subscribers' expectations than general single-country funds.

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Advisor for Family Offices and Institutionals

Placement Agent

PRIVATE EQUITY
PRIVATE DEBT
INFRASTRUCTURE

Mergers & Acquisitions on GPs

Secondary Transaction

Marketing Advisor / Image Study

Co-investment

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