Jasmin capital

Private Markets Advisors

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AT A GLANCE

- Last November, Jasmin Capital created its own Endowment Fund to contribute to actions of general interest with a focus on health, education, environmental protection, sports promotion, and social inclusion.

- Jasmin Capital is regulated by the financial markets authorities in Europe, USA, Canada, Japan and South Korea. The team has strong expertise in the fields of private equity, private debt and infrastructure:
  - Placement agent
  - Secondary advisor
  - Co-investment
  - Marketing advisor
  - Merger & Acquisitions on GPs
  - Advisor for Family offices and Institutional investors

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Fundraisings in the Covid-19 context

by Jean-Christel Trabarel - Founding Partner of Jasmin Capital

The coronavirus crisis has deeply affected us all both personally and professionally.

Since March 2020, the fundraising process has been drastically altered, notably through the transition to "remote" mode with videoconferencing. This situation will be perpetuated in the coming months.

At the beginning of the lockdown, most institutional investors put their subscriptions on hold to focus on measuring the impact of Covid on their own portfolios. 20% of LPs resumed their investment activities rather rapidly and made new commitments anticipating that funds would achieve good performances for vintages post-crisis.

By June, over half of the LPs had resumed their investment activity, including with new relationships.

For example, during Lautour Capital III's fundraising, for which Jasmin Capital acted as global placement, LPs with whom we had conducted physical meetings before agreed to convert their on-site due diligence into video due diligence, with a very high conversion rate into commitments.

New Australian, Singaporean, Swiss, German, Dutch and French LPs joined the fund during the lockdown period. Thanks to the commitments of these new LPs combined with those of previous European, Japanese, American, Canadian and Middle Eastern investors, Latour Capital III was able to reach its hard cap and to finalize its fundraising reaching over 1 billion euros in 2020.

Future fundraisings will without doubt be impacted by recent events:

- Increased GP-LP interactions through digital communication media to go beyond regulatory reporting
- More videoconferences, especially for subscriptions in successor funds
- An enhanced Tech and digital portfolio positioning, even in traditional business sectors
- A shift towards 100% digitalized subscription processes
- More exhaustive data-rooms with an increasing importance of reference calls in the due diligence process

In the short-term, LPs will focus on re-ups, large fund and/or established teams to reduce risk.

First-time funds are struggling a little more, especially in a context where physical meetings are no longer possible, with exceptions for Health, Tech, and Energy Transition funds, which are at the heart of the institutional investor's current agenda.

In conclusion, LPs have successfully adapted themselves to lockdown constraints to remain active investors and to support the economy. As a result, in a world that is more concerned about its carbon footprint, it seems clear that we will never completely return to the model we had before and will rather shift to a remote system to facilitate interactions between LPs and GPs.

Blackstone Strategic Partners

Jameson L. Mones
Managing Director

Strategic Partners is Blackstone's dedicated secondary investment and fund solutions business, focused on providing limited partners a range of liquidity solutions on a fair, timely and confidential basis. As of September 30, 2020, Strategic Partners had $36 billion of assets under management across private equity, infrastructure and real estate secondaries, and co-investments.

Strategic Partners took part in several secondary processes led by Jasmin Capital

How has your investment strategy changed over the last few years in terms of allocation, tickets and geography?

We've actually remained very consistent the last few years. From the beginning, we liked to do lots of smaller transactions. We are doing upward of 100+ deals annually, and that really has not changed over time.

We look at a tremendous number of deals, and that is what leads us to do a large number of deals per year. When we're evaluating the same fund interest across many different transactions, there is an element of Lego construction. We're taking the work from one transaction and bringing it to another and assembling the pieces for each individual deal. These economies of scale allow us to build a database and relationships over time, making each incremental transaction inherently a lot faster and easier to execute.

That is why Strategic Partners, unlike many groups, is very open and eager to look at deals where there are hundreds of individual line items. Very few groups get excited by 100 different funds in a transaction.

How would you describe the current evolutions in the secondary market in terms of deal flow, competition and returns before and after Q4 2019?

This is a market that has generally benefited from a sustained tailwind. The market has been growing fairly consistently for the last 20 years and should continue to grow in the future. It evolved from traditional deals where you have LPs selling interest in funds, to GP-guided transactions where they are reconstituting the LP base of a fund, or taking an asset out of a fund and placing it into a special purpose vehicle. GP-guided transactions have grown from a tiny slice to more than a third of the market. That really has been the largest evolution in the past few years.

There is also a sort of polarization in the market. Well-established groups are taking advantage of the deals that are getting bigger and bigger, while smaller players are exploring unaddressed niches.

With respect to the current crisis, the pandemic really pushed us to double down in diligence, buying what we know. We have been active and focused on buying things at attractive returns that are commensurate with the risks.

Where do you see the market in the next 5 years, both on the primary and secondary side?

The primary market continues to expand rapidly. Investors today face significant headwinds meeting portfolio return objectives. Global bond yields are at historical lows, with a good amount of the current global bond market negative yielding. Projected returns from traditional asset classes are down significantly from historical averages. As a result, investors have meaningfully increased allocations to private markets in search of long-term outperformance and we believe this growth trend will continue.

Looking at the past decade, the number of institutional investors committing to private equity has quadrupled since 2009. During this same time period, the overall secondary market has experienced sustained growth as there are more investors and more General Partners.

The available pool of private market net asset values continues to expand each year. We believe these fundamental investor trends, combined with GP-led transaction activity, will drive the market to new levels over the next five years.

Apax PARTNERS

Eddie Misrahi
Chairman and Chief Executive Officer

Apax Partners is a pioneer of the private equity industry in Europe, it manages over €4bn invested through its small and mid-market funds.
The firm is renowned for its strong specialisation in 4 specific sectors: Tech & Telecom, Services, Healthcare and Consumer.

What is the feedback from Apax Partners' latest fundraising efforts?

Apax Partners is currently finalising the fundraising of its latest midcap fund «Apax France X», after having closed our first smallcap fund "Apax Development Fund" last year. These last two fundraisings have been very successful and have exceeded our objectives.

This reflects, on the one hand, the renewed confidence of our historical LPs who have contributed even larger amounts, and on the other hand, the attractiveness of French and continental European investments abroad.

Over the past five years, France's image has evolved drastically in the mind of international investors. This has been amplified with Brexit. Our country is now a key destination for private equity investment in Europe.

How do you interact with your subscribers? What are their expectations?

Our LPs value 1) our ability to deliver consistent long term performance regardless of economic cycles, 2) our strong value creation for our portfolio companies and 3) our close relationships with them. Furthermore, we have a dedicated three person investor relations team.

Our LPs rely on our availability and responsiveness to have access to information related to investments and to capital call and distribution schedules. They receive newsflashes and major events updates during the life of our funds. On a more informal basis, we also organise meetings or conference calls with them.

During the Covid-19 outbreak, we organised several webinars and broadcasted weekly newsflashes to inform our investors of the impact of the crisis on our investments.

We also participate in the main European conferences gathering GPs and LPs to increase interactions with our LPs.

Investors are very sensitive to the co-investment opportunities that we offer them under very attractive economic conditions. In Fund IX, for example, we offered our LPs over €400m of co-investments, i.e. 40% of the size of the fund.

Jasmin Capital advises Apax Partners on the fundraising for its Fund X

What major changes do you anticipate in the private equity market in the coming years?

From our point of view, several developments are to be anticipated:

- We are seeing a strong increase in the number of high-net-worth individuals and family offices in our funds; they account for 10 to 20% of our commitments to date. This trend will continue with the democratisation of private equity for these clients, notably thanks to the new provisions of the loi Pacte in France,
- We anticipate a dislocation of the market and a polarisation between the best and less performing funds. IRR returns are expected to decline over the next two years with a strong disparity between players, depending on their degree of exposure to the most affected sectors. Overall, we expect private equity assets under management to grow steadily in the long run,
- Given the large amount of liquidity available in the market, we believe valuations will remain high in sectors that are not significantly impacted by Covid-19,
- Finally, we expect a strong increase of investment opportunities in digitalisation and advances in the healthcare sector, digital transformation of traditional businesses, workflow automation, e-commerce and contactless payments.

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Private Markets Advisors

Advisor for Family Offices and Institutionals

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