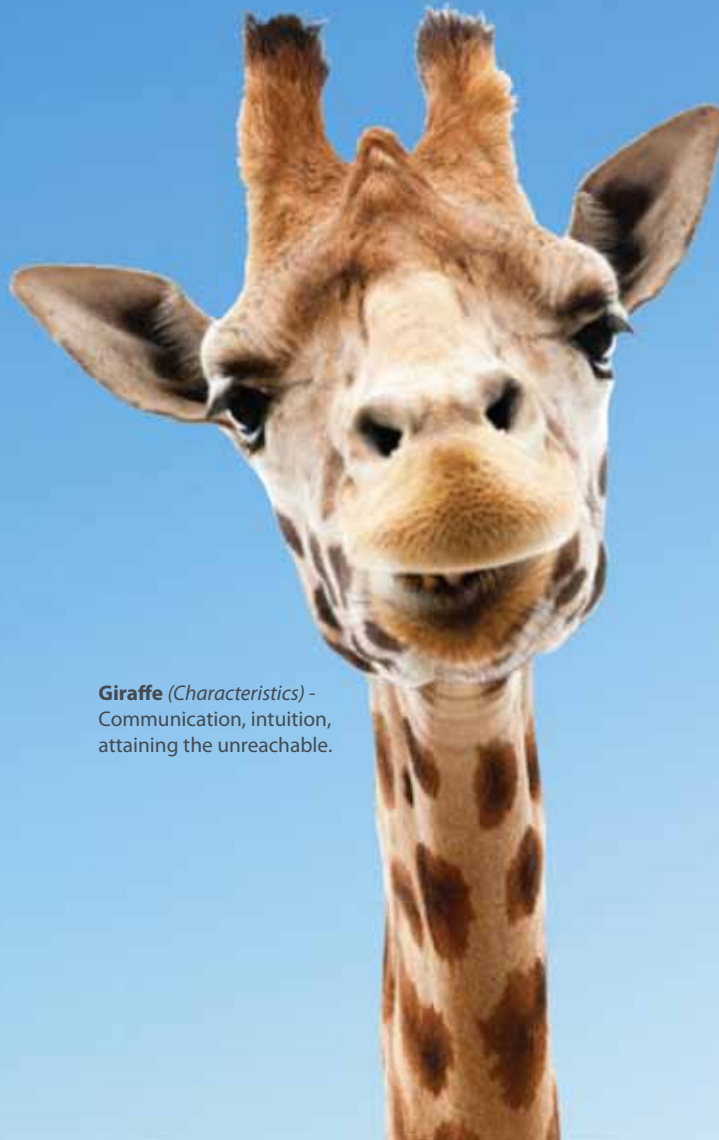




THE STEVENSON JAMES ANNUAL INVESTOR RELATIONS AND FUNDRAISING SURVEY

July 2015



Giraffe (*Characteristics*) -
Communication, intuition,
attaining the unreachable.



stevensonjames
search & advisory



FOREWORD

NEIL BROWN
PARTNER & HEAD,
INVESTOR DEVELOPMENT
ACTIS

I was pleased to be asked by Stevenson James to write the foreword for their second annual Investor Relations and Fundraising Survey given my positive impression of the previous edition. I welcome their efforts in taking the lead to deliver high quality research on a key area of the alternative assets space that has been overlooked to date.

With around \$7.6bn of AUM and 200+ Limited Partners invested across our private equity, real estate and energy funds, Actis is a strong advocate of the Investor Relations function and the key role that it plays. Our Investor Development Group (IDG) currently numbers almost 20 professionals, as part of a 200-person strong firm with investment teams based in emerging markets around the globe. Actis has had to adapt to a rapidly changing investment landscape, and this includes anticipating and responding to the increased demands from our sophisticated group of LPs. We have identified the management of our relationships with our clients as a business critical function which no firm can afford to ignore.

The Stevenson James Survey has highlighted a number of interesting views from LPs, some of which challenge the status quo and deserve further exploration. It is intriguing to note that almost all respondents see an increase in the remit of Investor Relations going forward, but only 25% of respondents see GPs as being well equipped to deal with the increase. There is clearly much work to do!

Now in its second year, the Stevenson James IR and Fundraising Survey is proving to be an important piece of research on the IR function and underlines the credibility of the work the firm undertakes in this sector. The survey provides a solid framework for the on-going discussions around IR and in assisting GPs looking to implement or expand their own IR capabilities.

I look forward to continuing the dialogue around this key area as the industry continues to professionalise.



Neil Brown
Partner
Head, Investor Development
www.act.is

July 2015





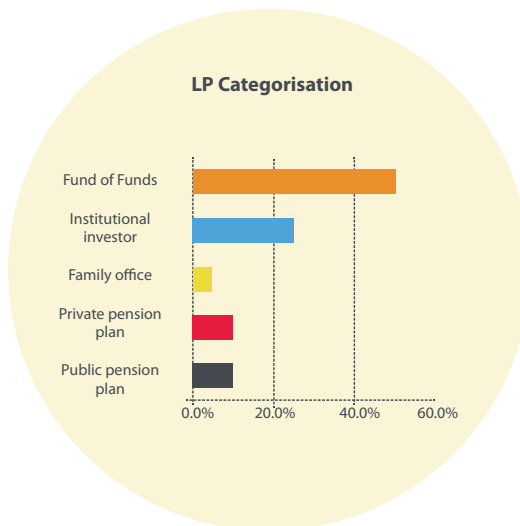
BACKGROUND

In 2014 Stevenson James produced its inaugural Investor Relations ('IR') and Fundraising Survey reflecting the views of a targeted group of Limited Partners ('LPs') on the IR and Fundraising function. The survey had been instigated in order to try and understand how LPs really viewed IR and was, we believe, one of the first of its kind to be undertaken. We recognise the complexity around IR and Fundraising, and that there are a number of factors to be considered when assessing the IR role including AUM and the geographic location of the fund. However our goal was, and continues to be, to provide a broad framework for an on-going dialogue around IR and fundraising and to assist in establishing parameters for a "best in class" offering.

METHODOLOGY

The Stevenson James IR and Fundraising Survey was established in order to gather the opinions of a select number of LPs on the IR and Fundraising function. The survey was structured with both qualitative and quantitative questions, enabling LPs to provide commentary alongside the more data driven responses. The survey questions were broken down into three key areas, being the definition of the function, how IR was delivered to investors and an assessment of future requirements. In addition, for those LPs who completed the first survey, there was an additional section of questions in order to compare and contrast views from the prior year.

The research for the survey was undertaken over the fourth quarter of 2014 and the first quarter of 2015 with survey respondents representing Private Equity investors from across the UK, Northern Europe and the US. In total, the survey respondents have over £300bn* of AUM allocated to Private Equity, a substantial increase from last year's total of c.£80bn. A breakdown of the respondent type can be found in the graph below.



*Currency conversion: Oanda.com



EXECUTIVE SUMMARY

“Often it (IR) is an overlooked function, but can deliver enormous value if prioritised”.

There were a number of notable findings arising from this year’s survey. Firstly, and continuing the views from last year, **93% of LPs rated the function as “valuable” or “extremely valuable”**. One respondent noted “Often it (IR) is an overlooked function, but can deliver enormous value if prioritised”.

Alongside that, and providing a contrarian view, one respondent did make the comment that “relationships should be direct with the General Partner (‘GP’) and not via a third party”. This, we believe, does highlight an interesting point, being the appropriate management by IR professionals in providing access, when necessary, to the investment teams. Another respondent noted that “the best IR people are the ones who hold the relationships with the LPs but bring along deal professionals to the meetings. It is a balance between answering questions, being proactive, and knowing when to have a senior deal person present”.

Another key highlight came around the optimal timing for GPs to implement an IR function. Specifically, we asked for opinions on whether this was a decision that should be driven by number of funds raised, amount of AUM or other factors.

- 62% of respondents commented that **an IR function should be in place at inception** or soon thereafter, with one comment being “From the start. It’s a key part of the organisation”.

Looking at AUM as a driving factor, one respondent noted “institutionally minded funds should all have a dedicated IR professional, whatever the size” and “any fund above \$1bn should really have it”.

Resourcing of the IR function continues to be a theme of interest. Last year’s survey revealed that 50% of respondents felt that IR functions were moderately well resourced with 46% this year commenting that resource was fair but could be improved.

- Looking to the future, 57% of respondents anticipate a substantial increase in the IR remit going forward with a further 36% anticipating a smaller increase.
- However, 75% of the respondents felt GPs were inadequately resourced to meet this increase, identifying that there is still some difference between LPs’ expectations and the GPs’ deliverable.

In summary, the debate around IR shows no sign of abating as the importance of the function continues to grow. Further, that IR is not just isolated to fundraising, more it is a vital continuous cycle of LP engagement.

I would like to extend a grateful and heartfelt thank you to the LPs who found the time in their extremely busy schedules to participate in the survey. Their input is invaluable and, together with their insightful commentary, very much appreciated.



Josephine Defty
Director
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July 2015



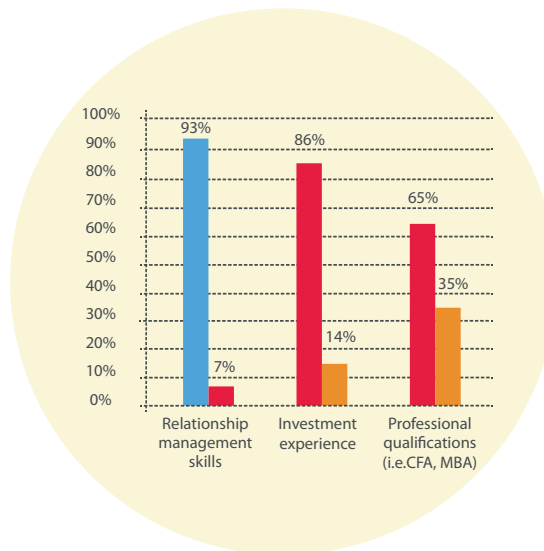
DEFINING THE IR FUNCTION

The overall premise of the IR function continues to be to provide a qualified conduit between LPs and the investment teams. Alongside that, the role is a wide reaching one, including but not limited to covering portfolio updates, managing the fundraising process, attending regular update meetings with investors, reporting, managing the co-investment process, responding to investor queries and providing firm updates. In addition, 50% of LP respondents stated that covering regulatory issues such as AIFMD was integral to the role.

The importance of the function cannot be understated – one respondent noted that IR was **“an integral part of the “life blood” of the platform, equal in importance to investment** – driving new product development, capital raising, communication and thought leadership”. Another noted that it was “critical to ensuring smooth relations between the LP and GP and adequate and timely information flow”.

Skills/qualifications of an IR professional

When looking at the skills and qualifications needed by the IR professional, as with last year’s survey, relationship management skills came out on top with 93% of LPs stating these were essential to the role.



● Essential ● Preferred ● No preference





Alongside that, there were notable increases in the demand for IR professionals to have investment experience and professional qualifications, all of which would indicate a growing and welcome trend as the role becomes increasingly professionalised and recognised.

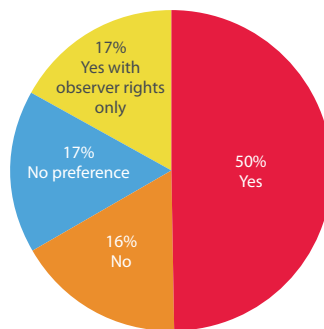
Change in Preferred Skills/Qualifications of an IR Professional

	2014	2015
Relationship management skills	100%	93%
Investment experience	56%	86%
Professional qualifications	31%	65%

“the IR individual understands the clients’ perspective on the GP’s investment strategy and can act as a “voice of reason” to potentially avoid strategy drift”.

Continuing on this theme, there was an increase in the number of LPs, from 44% to 50%, who believed that IR individuals should have a seat on the Investment Committee, with a further 17% observing they should have a seat however, with observer rights only.

Should the IR individual have a seat on the Investment Committee?



One LP commented that “the IR individual understands the clients’ perspective on the GP’s investment strategy and can act as a “voice of reason” to potentially avoid strategy drift”.

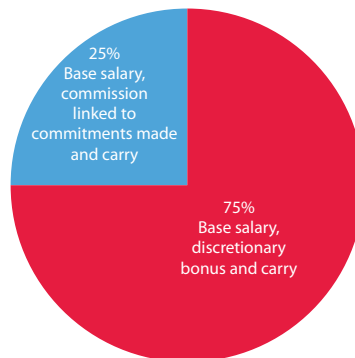
With the increase in co-investment, direct and secondary activity, we also asked LPs to rate the IR professional’s ability to cover these matters. 78% of respondents commented that this was either important or an integral part of the role reflecting again, we believe, the need for experienced and technical individuals in the role.





Compensation

In your opinion how should an IR professional be compensated?



The most notable observation from this year’s responses was that all respondents would like IR professionals to receive carry as part of their compensation package. This would seem to reiterate the view from last year, with LPs keen to see compensation packages that focused on providing IR professionals with the necessary incentives to remain with the firm.

INVESTOR RELATIONS – DELIVERABLE

Whether GPs are adequately resourced in IR remained an interesting topic of comment with 46% of respondents stating that the resource was fair but could be improved. This number being slightly down from last year when 50% of respondents commented that the function was moderately well resourced.

Another point we observed was the difference in the levels of IR service that LPs received. Over 75% of respondents noted there was a marked difference in service levels with one LP remarking “Some IR people are just product pushers, others have a very good understanding of the investments”.

Alongside that, when observing the improvements in the IR function over the last 12 months, one LP noted that the service was “more timely, better extranet services, more detail”, and there was a general consensus that the service had seen some overall improvement.

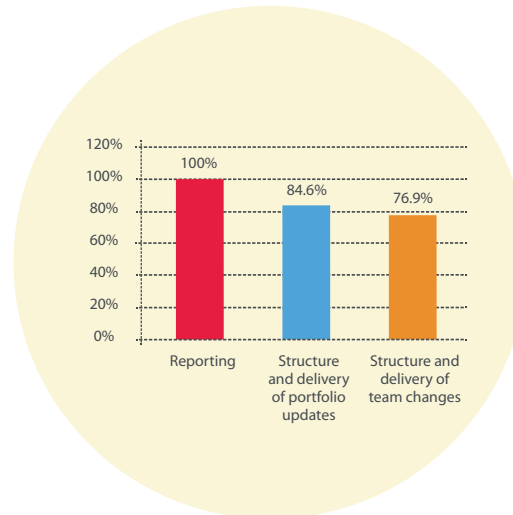
In terms of standardised parts of the IR service, there was a fairly even mix amongst the replies on reporting and portfolio, team and company updates.





Would you find it helpful to have any of the following standardised as part of the overall IR service?

“100% of respondents would like reporting to be standardised”.



When looking at the impact of IR on the re-upping process, and again mirroring LPs' views from last year, over 60% of respondents noted that IR was assessed alongside other factors as part of the overall diligence process. With that, whilst one would not expect to see IR solely driving an LP's decision to re-up, the function still has a role within the determining criteria.

Looking at the use of placement agents alongside an IR function, just under 70% of LPs noted that they saw this as acceptable if the placement firm was accessing a specific region or targeting a specific LP base, with 30% being very comfortable with their overall use. Comparing this to last year when 75% of LPs were comfortable with the overall use of a placement agent, it should be noted that most LPs last year made additional comments on the use of a placement agent and, echoing the sentiment of this year, felt the value was beneficial when targeting a certain geography or LP type.

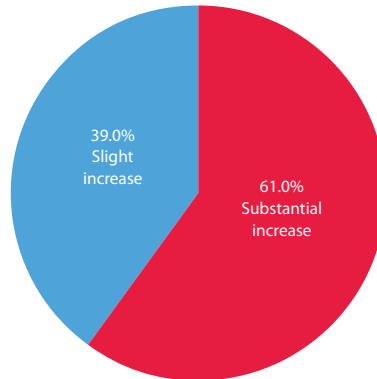




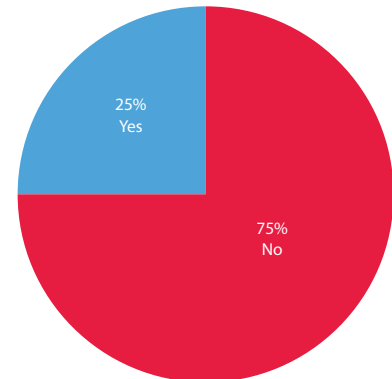
FUTURE REQUIREMENTS

Over 90% of respondents anticipated an increase in the IR remit going forward however, only 25% felt that GPs were adequately resourced to meet this increase.

Do you envisage an increase in the IR remit going forward?



Do you believe GPs are adequately resourced to meet this increase?



Whilst one LP did note that “many GPs seem to be extending this function and gearing up experience,” there continues to be a gap between what is being delivered by GPs and LPs’ expectations. The increase in co-investment and direct activity seems only likely to grow, together with the desire by LPs for more tailored portfolios, such as segregated or managed accounts (the first quarter of 2015 saw 17* such accounts being awarded, representing approximately \$3bn).

These factors, together with on-going fundraising and IR needs, would indicate that GPs will need to continue to review their IR functions and assess how best to resource these to meet the growing requirements from investors.

Over 90% of respondents anticipated an increase in the IR remit going forward however, only 25% felt that GPs were adequately resourced to meet this increase.

*Source: Prequin Quarterly Update





SUMMARY

The fundraising climate has certainly improved in the first quarter of 2015. Although the number of funds that have closed dropped from 324* to 166 versus the same period in 2014, the level of total capital raised remained similar at \$104bn vs \$111bn. In addition 50% of the 166 funds exceeded their targets with a further 24% meeting their targets. Notwithstanding this improving environment, the pool of available capital continues to reduce as LPs look to rationalise the number of their GP relationships. This was most recently demonstrated with the announcement by The California Public Employees' Retirement System ('CALPERS') that they were looking to cut the number of PE managers by two thirds. We therefore believe that this fundamental change in the LP landscape, together with the responses from this year's survey, continues to demonstrate the need for GPs to have strong, technical and experienced IR teams in place to not just meet the needs of their investors but to deliver a "best in class" offering to them.

We at Stevenson James look forward to continuing our participation in the industry debate and to working with the key players to improve and enhance the IR function for all market participants.



STEVENSON JAMES

Stevenson James is an Executive Search and Advisory firm established in 2004 by Richard Collins and Tom Quinnen who have over 30 years combined experience in these sectors.

The firm has two key areas of focus – Executive Search and Advisory. Within Executive Search, the firm focuses on sourcing experienced and talented individuals across the IR and Fundraising disciplines. Our mandates span the globe across the alternative assets sector including private equity, venture capital, secondaries, fund of funds, credit, real estate private equity, infrastructure and hedge funds. The Stevenson James team represents over 35 years of search experience and boasts an impressive history of repeat business. Our clients are some of the most notable and successful names in the industry and encompass alternative asset managers, GPs and placement agents.

On the Advisory side of the business, the team has developed a strong reputation as an advisor to its clients, undertaking market mapping, strategic introductions and performance bench-marking projects, together with strategically assisting firms as they grow their investment and IR capabilities.

In order to bolster its strategic reach, the firm appointed John Webster as non-executive Chairman in 2014. John brings with him 30 years of experience within financial services including 13 years consulting experience with Greenwich Associates, and nine years as Chairman/CEO of Altima Partners LLP, an alternative assets manager.

In 2015 Kate Goodall joined the firm as Research & Marketing Director following roles at Capital Dynamics, SVG Capital and Connection Capital. Kate brings a wealth of industry knowledge and expertise to the team and is responsible for building and developing the firm's industry research capability and strengthening its consultative offering.

*Source: Prequin Quarterly Update



STEVENSON JAMES – IR AND FUNDRAISING

The firm's heritage within the Fundraising sector can be traced back to the work Tom and Richard undertook for Helix Associates and the team have a 20 year legacy of undertaking fundraising mandates. Since its inception, Stevenson James has successfully executed numerous mandates in these sectors and has built an unrivalled reputation for its understanding of the IR and Fundraising markets. The firm's reputation was further enhanced in 2013 when Josephine Defty joined the business, following an IR career that included roles at Pantheon, XS Investments (a boutique placement firm) and Advent Venture Partners. Josephine's addition to the firm strengthened its competitive advantage given her first-hand knowledge and understanding of both IR and Fundraising roles.



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