




stevensonjames
search & advisory

**THE STEVENSON JAMES ANNUAL
INVESTOR RELATIONS
AND FUNDRAISING SURVEY**





Section 1
**AN INTRODUCTION
TO STEVENSON JAMES
and
THE ANNUAL INVESTOR RELATIONS
AND FUNDRAISING SURVEY 2017**

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

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STEVENSON JAMES - ABOUT US

Established in 2004, Stevenson James is an Executive Search firm dedicated to the Private Capital market. Led by Richard Collins and Tom Quinnen who have over 35 years combined experience, the firm focusses on sourcing experienced and talented individuals across the Investment, Investor Relations (IR) and Fundraising disciplines. Our mandates span the globe across the Private Capital sector including Private Equity, Private Debt, Infrastructure, Venture Capital and Real Estate.

The Stevenson James team is comprised of experienced individuals whose complementary skill set and specialist industry knowledge has enabled us to establish a compelling reputation whilst boasting an impressive history of repeat business. Our clients include some of the most successful and notable names in the industry, encompassing General Partners (GPs), Limited Partners (LPs), Asset Managers and Placement Agents.

The team is supported by its Non-Executive Chairman John Webster. John began his career in financial services more than 30 years ago with James Capel, where he worked in senior management positions in both London and New York. He spent 13 years consulting to Investment Managers and Investment Banks with Greenwich Associates, the global strategy consulting firm based in Greenwich CT, USA, before returning to the UK in 2006 as Chief Executive Officer of Altima Partners LLP, an alternative asset manager.

Having retired from full time work, he has assumed a number of non-executive roles. In addition to Stevenson James, he is also Chairman of Deutsche Asset Management UK Limited as well as Chairman of Altima Partners LLP.

John read Classics at Oriel College, Oxford, and gained a M.Phil. in Management Studies, also at Oxford University.

Stevenson James has built an unrivalled reputation for its understanding of the IR and Fundraising sectors within Private Capital. Its team includes industry specialist Tim McKean, who was formerly responsible for Credit and Asset Procurement and latterly for Investor Relations at 3i Debt Managers and Kate Goodall who is an advisor to Stevenson James. Kate has held Marketing and Client Relations positions with SVG Capital and Capital Dynamics.

Stevenson James has successfully executed numerous IR and Fundraising mandates which have led to the placement of highly regarded professionals within leading Private Capital firms.

OUR TEAM



Tom Quinnen



Richard Collins



Tim McKean



Phoebe Hatley



John Webster



Kate Goodall

FOREWORD



Tom Quinnen
Managing Director, Stevenson James
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Welcome to the fourth Stevenson James Investor Relations and Fundraising Survey. As ever we are indebted to the support that we receive from our clients and the generosity shown by the people who have been prepared to spend one of the scarcest of commodities - time - in helping us produce this research. The contribution of LPs continues to grow as shown by the fact that this year's survey represents over £550 billion of capital committed to Private Capital markets. Feedback from some of the most respected Investor Relations professionals in the industry gives a deep insight into the nature of the role today and how this ever-important function within a GP is evolving. We are also thrilled to be able to include a conversation with a leading Investor Relations professional from the Private Debt market, which highlights both the importance of the role in this rapidly developing market and the differences in approach compared to Private Equity.

There is always a sense of excitement when Kate circulates the first draft of our survey as it has become one of the pillars of our activity. This year didn't fail to deliver. Whereas the highlight of last year's findings focused on the impact the quality of a GP's IR service had on the decision of an LP to commit to a fund, this year's stand out commentary from LPs was around the fact that only 8% felt that a good level of resource was being applied to Investor Relations by GPs. For the first time producing this survey we felt that the feedback received warranted follow up conversations to gain greater clarity about why the function appeared to be performing so poorly. After going into greater detail it transpired that the main negative related to the quality of reporting both around detail and timing. The conclusion that must be drawn is that while the industry has made great strides in bettering the way it interacts with its clients, and the quality of the people leading the Investor Relations activity has consistently improved, the issue of how a fund reports to its LPs continues to be a cause for concern within the industry. This is clearly seen as a resource issue and those GPs who can afford to have a large dedicated team that can react to information requests in real time are delivering on this aspect of their relationship management. But clearly this is not a luxury afforded by the majority of the market.

Of equal interest, while LPs aspire to standardised reporting there is a contradiction in the commentary. While there is demand for standardisation (and the ILPA guidelines have been viewed as a major step forward in this process), there is still demand for an element of bespoke service, both with respect to how the

information is provided and how the relationship itself is managed. It appears that all LPs would like a standardised report as long as it adheres to their own standards and requirements. We know from conversations with both GPs and LPs that there are sometimes dramatic differences between what each LP wants to see in a report. Is this element of delivering a truly best in class service turning from the search for the Holy Grail into a Unicorn Hunt?

This year's survey has been conducted amid a buoyant fundraising market with £669 billion raised in 2016 and 742 private capital funds raising £391 billion in the first half of 2017 (according to Preqin figures). This 2017 figure exceeds the highs of 2008. This comparison is just one of the reasons why people in the industry are raising eyebrows not only about the current levels of fundraising but also the amount of, and access to debt, thus questioning how long this momentum can continue. Coupled with political events such as Brexit this concern is certainly keeping the industry on its toes.

The competition for capital coupled with high pricing, record levels of dry powder and the subsequent pressure this creates on returns, are all dynamics that are challenging the industry today. At the time of writing our research, a survey by Palico found that 59% of LPs and GPs did not expect buyout funds to return over 10% annually given the current market dynamics. However, the Palico survey suggests this seems to be acceptable to investors as it is still comfortably ahead of returns that other asset classes are forecast to achieve.

We would ask whether this change in the assessment of the risk/return profile of the asset class recognises that Private Capital has finally moved from "alternative" to mainstream in the investment universe.

Additional challenges include the trend for managers to develop new fund strategies in order to grow their firms AUM and diversify their investment strategies, including a number of traditional Private Equity managers making a move into the developing debt market.

It is unclear whether this is being driven by LP demand to put capital to work or GPs aspirations. In either case it requires a talented Investor Relations professional to navigate this path from both a strategic and/or product perspective in order to be able to raise capital for these new vehicles. As a result of this trend we expect to see Investor Relations teams grow further as GPs acknowledge that raising capital for debt products requires a different approach from more typical Private Equity strategies. This is highlighted in the feedback from LPs and there are a number of notable GPs who have already taken steps to address this question.

All the questions above point to a fascinating 12 months in the Private Capital market where the competition for capital will continue to be extremely challenging and the presence of a well-resourced, professional and respected Investor Relations function is critical to the future success of a GP across all the Private Capital markets.

INTRODUCTION

When we launched our first survey in 2014, we were focussed on collecting feedback from a targeted group of LPs on the role of IR and its function within Private Equity; specifically with respect to the value it adds to the relationship between LP and GP. Over the years, our survey, which remains the only one of its kind, has continued to generate feedback which provides crucial insights into the LP/ GP relationship, specifically the service delivered to LPs and their respective requirements and expectations. The information gathered not only allows us to remain abreast of developments and further our understanding of the role for the benefit of our clients, but has also been used by GPs for the development of their own IR functions.

In the four years since our inaugural survey, we have observed not only the continued development of the role of IR but also a changing dynamic in the industry. In the first instance, assets traditionally regarded as alternative have gradually become more mainstream. GPs keen to capitalise on the continued appetite from investors for assets across the Private Capital spectrum have launched funds designed to meet the evident demand. GPs that traditionally focussed on a single asset, Private Equity, have sought to broaden their offering with the development of a variety of Private Debt funds.

To reflect the changes in the market, we have explored the wider Private Capital market. For the first three years we focussed exclusively on Private Equity which was at the forefront of Private Capital and in which the role of IR had grown in importance, driven in part by the need for greater transparency and an increase in the level of information required by LPs. These developments led many firms to apply a dedicated resource to the function of IR allowing the investment professionals, who may previously have had responsibility for this function, to focus on investment activities. This was a key concern that LPs had shared with us in previous surveys with respect to firms without a dedicated resource in place.

However, these developments were not limited just to the Private Equity market. IR is a function of growing importance within other asset classes of the Private Capital spectrum, notably Private Debt, an area of the market we cover in this edition of the survey. As a result, we have adapted the questions posed to the LPs who participated in this edition of the survey to ensure we cover all areas of the Private Capital market, thus providing a more comprehensive view.

We have used this opportunity to question LPs on their response to Brexit and the possible impact on their respective investment strategies. We also questioned them on their asset allocations before moving onto detailed questions relating to the function of IR, its role and responsibilities, and the service delivered to investors. We have included a roundtable discussion between three highly regarded IR professionals who discuss the role of IR, its development and the challenges they, their respective firms and the market may face in the future. Also, included is an interview with a senior IR professional in a Private Debt Fund Management business: Glenn Clarke, who heads up the Investor Relations and Business Development team within Haymarket Financial (“Hayfin”) in London.

Our objective remains to 1) produce quality and insightful research which continues to contribute to the debate around the LP/ GP relationship and IR & Fundraising within the Private Capital market, and 2) provide information which may be used to assist GPs in the development of their own IR functions and lead to improvements to the existing services delivered to LPs.

METHODOLOGY

The Stevenson James Investor Relations and Fundraising Survey has been designed to gather the opinions of a group of LPs on the IR and Fundraising function and its role within the Private Capital market. Using a series of both qualitative and quantitative questions, the LPs who participated had the opportunity to provide commentary alongside more data driven responses.

Each year, the questions are adapted to ensure we cover relevant developments in the role of IR and the wider market. Whilst some questions are subject to change year on year, where possible, we include a core set of questions which have featured in previous editions of the survey so that we are able to analyse changing sentiment and trends.

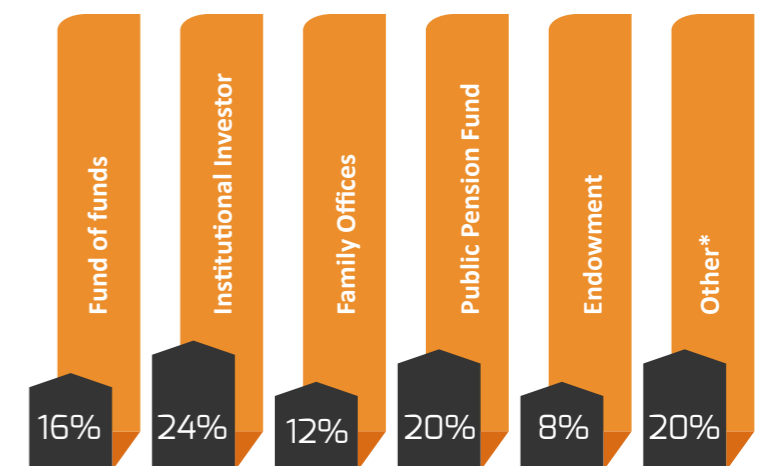
The focus of the survey continues to be the role of IR, its growing remit of responsibilities and its value to LPs invested in various assets within the Private Capital market. In this edition, we examine the key components of the role and explore with LPs who they believe should have responsibility for specific functions and the value that the IR function provides.

The research for the survey was undertaken during the 2nd and 3rd quarters of 2017 with survey respondents representing investors from across the UK, Northern Europe, the USA and the Middle East. They include Public Pension Plans, Endowments, Family Offices, Institutional Investors, Fund of Funds and Private Investors.

In total, the survey respondents have over £550 Billion* of capital committed to Private Capital (globally), up from last year's total of £350 Billion.

* FX currency exchange

A breakdown of the respondent type can be found below:



*including HNW investors and consultants

EXECUTIVE SUMMARY

A year into Brexit, there is evident caution amongst investors. However, the majority of respondents confirmed that investment in Europe, and in the UK in particular, directly or via GP managed funds, remains a core part of their investment strategy.

With the focus of this year's survey on the wider private capital market, we were keen to understand how LPs have managed their respective asset allocations, specifically the split between Private Equity, Private Debt, Infrastructure, Venture Capital and Real Estate.

Our findings confirm that allocations to Private Equity, Private Debt and Infrastructure have increased in the past five years. We were unsurprised to find allocations heavily weighted towards Private Equity (96% versus 76% for infrastructure and 72% for private debt). Allocations to Venture Capital match Private Equity at 96%. Recent research published by KPMG points to a more optimistic view of the Venture Capital sector by investors which KPMG suggests may be driven by the view that the IPO market in the US is opening which could lead to renewed interest in the sector.

The trend towards higher allocations to Private Debt (72%) is consistent with the growth seen by Stevenson James in this area of the market and would point to investors recognising both the attractive risk return characteristics displayed by an asset class which has averaged c.2% defaults on an annualised basis since 1997; and the attractive yields available to investors, particularly when compared to other fixed income products.

With respect to future allocations, the majority of respondents expect their allocations across the asset classes to either stay the same or increase over the next five years.

Consistent with the feedback received in our 2016 survey, the number of GP relationships has continued to increase (43% in 2016, 68% in 2017) and is expected to continue to do so as LPs seek to build portfolios diversified by geography and asset class.

Based on the feedback received this year, investor sentiment towards the role of IR remains strong and the majority of LPs surveyed continue to see it as a valuable resource. In some cases **extremely valuable**.

Once again, a high number of LPs (50%) confirmed that the presence of a high-quality IR function could influence their respective decision to invest, thus providing GPs with an advantage over their counterparts during fundraising. This is particularly pertinent given the high number

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of funds in the market. According to Preqin, there are currently over 3,000 private capital funds now seeking almost USD\$1.2tn from investors, almost twice as much as at the start of 2008.

LP feedback this year demonstrates a clearer understanding of the role of IR and recognition of its broadening remit. Communication remains key, specifically responding to enquiries and requests for information which over 70% of respondents confirm, once again, should **not** be the responsibility of members of the Investment team.

Whilst most LPs would like to see reporting standardised, we were interested to discover a growing preference amongst LPs for a more bespoke approach towards Investor Relations. This should be based on a thorough understanding of the information requirements of individual LPs including not only the frequency of meetings and communication but also the preferred methods of communication.

This further demonstrates the need for a dedicated resource. It also supports our own observations and findings from previous surveys of the growing importance of the role within the Private Capital industry, and recognition from LPs that IR is an integral function rather than simply a conduit between LP and GP.

However, whilst the recognition of the importance of the role continues to grow, we were surprised to discover that **only 8% of the LPs surveyed believe the resource applied to IR to be sufficient**. This suggests that the level of service has slipped this year. There is a strong correlation between the resource applied to IR and the quality of the service delivered to LPs. We were so surprised by the feedback that we spoke again to a number of the LPs who participated in the original survey in order to provide further, useful explanation which is provided in the section entitled 'Deliverables' on page 35.

It is clear from both the original research and our follow up that the quality and content of reports and the timeliness of delivery of information are evidently areas of concern, particularly with respect to smaller, less well established firms who may not have a dedicated IR function in place.

Whilst the findings suggest frustration from LPs who have clearly come to rely upon an IR function to provide an accurate and timely response to their information requests, we were interested to see a sharp increase in the number of LPs (from 44% to 75%) now challenging their GPs on elements of the service provided with which they are dissatisfied and in some cases making clear recommendations to GPs for an IR function to be put in place ●

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Section 2
**DEFINING THE ROLE OF
 INVESTOR RELATIONS**

Communication - Although often thought to be silent, giraffes communicate infrasonically. This communication uses very low frequency grumbles and moans, so low in fact that humans can't hear.

DEFINING THE ROLE OF INVESTOR RELATIONS

We know the role of IR within the Private Capital market to be wide and diverse, and therefore difficult to define. In our experience firms will typically adopt an approach best suited to their size, strategy and the resources available. In some cases, this may be an IR role focussed exclusively on the management of the relationships with a small number of investors through to a multi-faceted role which may be covered by a sizable team covering multiple jurisdictions.

However, despite the absence of an industry standard, a key function which remains central to the role of IR is communication, namely requests for information, answers to questions, financial reporting and updates pertaining to the funds and underlying portfolio, with the onus on timely delivery.

We know that LPs recognise the importance of a dedicated IR function - a person or team who can provide the information required without interrupting or 'distracting' the investment professionals but we were interested to note feedback that LP's place emphasis on a bespoke approach to IR, specifically with respect to the reporting and information requirements of individual LPs. Also, as we will cover later, LPs believe it to be the responsibility of the IR professionals to understand their respective investment strategies, information which can be used to formulate a targeted approach to fundraising.

Another key point raised by LPs is that the information provided by an IR function must extend beyond the activities of the firms they represent to include commentary on the market environment - pricing levels, tempo of investments etc. - information that investors would historically have sourced from members of the investment team. We believe this to be further evidence of the growing importance in which the role of IR is held by LPs.

Further evidence of this broadening remit is the continued trend that the IR function is integral to a firm's fundraising activities. In many cases LPs confirmed that they regard the IR function to be wholly responsible for fundraising from strategy development through to execution. This feedback supports our own observations of the requirements when undertaking a search for an IR professional with GPs across the Private Capital spectrum seeking individuals with a track record of raising capital and the ability to manage relationships to a high level of sophistication.

LPs recognise the importance of a dedicated IR function - a person or team who can provide the information required without interrupting or 'distracting' the investment professionals

ROLES AND RESPONSIBILITIES

To help us define more clearly the role of IR we have, for the past two years, asked the LPs to clarify which teams or functions, either IR, Investment or Management, within a firm they believe should have the responsibility for key roles.

With respect to who should have responsibility for responding to enquiries and requests for information, last year, there was a split across Management team, Investment team and IR with a weighting towards IR. Whereas this year 95% of LPs believe it should be the responsibility of the IR team. Also more than 70% of LPs do not believe the Investment professionals should be responsible for responding to queries and requests for information, an increase of 20% on last year.

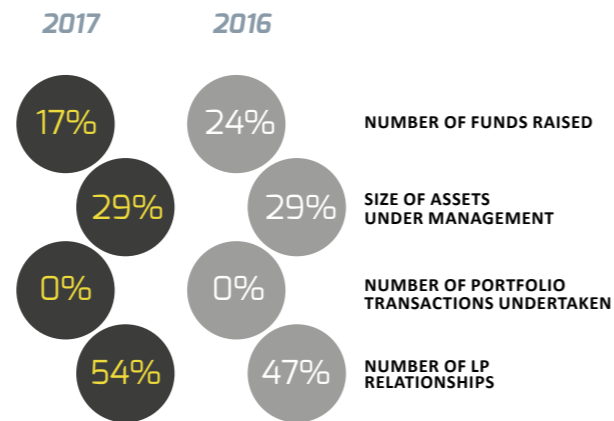
Comments from LPs confirm that they want to see Investment professionals making investments, sourcing and transacting opportunities, not responding to requests for information.

Two of the LPs commented that in a small firm this is difficult, given the lack of available resource and potentially a lack of budget, but they both concurred that an IR function is vitally important to a GP even at the early stages of its development.

So when should a GP put an IR function in place? The majority of LPs (54%) believe that it is the number of LP relationships which dictates when a firm should put a dedicated function in place. The findings received this year are consistent with the findings we received last year.

Comments from LPs confirm that they want to see Investment professionals making investments, sourcing and transacting opportunities, not responding to requests for information

At what point do you think a GP should put a dedicated IR function in place?



There was a significant increase this year in the number of LPs surveyed who believe that the drafting of financial reports should be the responsibility of members of the Senior Management Team of the GP. Last year the figure was 6%, this year the number was close to 50%. Interestingly, it is the IR team which 63% of LPs believe should have responsibility for producing updates from the GP on the firm and investment portfolio.

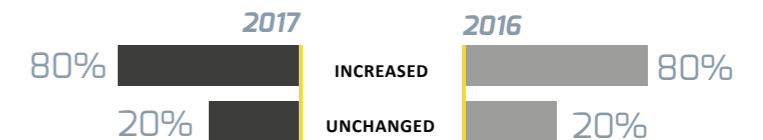
Another point of interest is that 80% of the LPs surveyed believe the responsibility for understanding the respective investment strategies of the firm's LPs falls firmly with the IR team, information which will underpin a firm's fundraising strategy.

Over half of respondents believe that the IR team should be responsible for the management of the co-investment process which is consistent with the developments we have seen within the role where management of co-investments has become an important part of the IR function.

There has been a shift in LP sentiment with respect to the communication of difficult news as the IR role matures. Last year, 41% of LPs confirmed that this should be the responsibility of the Management Team. This year the responsibility has shifted towards the IR function (42%) versus 29% believing this to be the responsibility of the Management team.

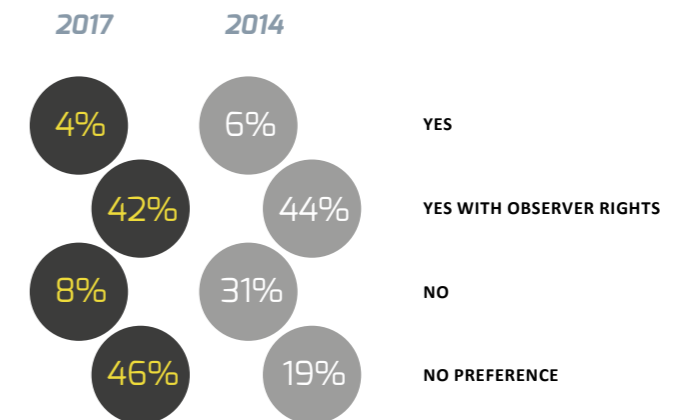
Have you noticed an increase in the services for which the IR function is responsible?

As discussed, we have observed growth in the remit of responsibilities now covered by the IR function which is clearly reflected in the response we received to the question about whether LPs have seen an increase in the services for which the IR function is responsible:



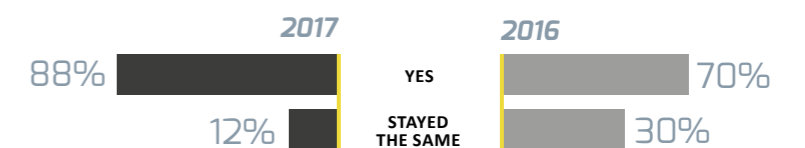
Should the IR function have a seat on the Investment Committee?

When asked whether an IR professional should have a seat on the Investment Committee, more than 45% of respondents agree that they should, either with observer rights or as a full member.



Importantly only 8% of LPs do not believe that the IR function should be represented on the Investment Committee at all, down from 31% in 2014. This demonstrates the degree to which the IR role is now central to the LP's understanding of a GP's investments.

The graphic below notes the high number of LPs who confirmed that their interests were being represented fairly.



FOCUS ON INVESTOR RELATIONS AND BUSINESS DEVELOPMENT IN PRIVATE DEBT



Tim McKean
Director, Stevenson James
tmckean@stevensonjames.com

In this piece, Tim McKean, who is responsible for the Private Debt practice at Stevenson James, talks to Glenn Clarke, Managing Director at Hayfin Capital Management, about the role of Investor Relations (IR) and Business Development (BD) within the Private Debt Market.

Tim, who was previously responsible for Investor Relations and Business Development at 3i Debt Management, and Glenn, who is responsible for Business Development at Hayfin, discuss a range of topics relating to the role of IR and BD within the Private Debt market; including the profile of investors committing to the asset class; the dramatic growth in the number of Private Debt lenders in the European market; whether Private Debt Managers can learn from the experience of Private Equity GPs when setting up an IR function; how the Private Debt market has evolved in both breadth and depth; and the potential challenges firms are likely to face in the future.



Glenn Clarke
Managing Director,
Hayfin Capital Management

What is your title / role within the team; and what was your route into IR & BD?

I am a Managing Director within the Business Development (BD) team at Hayfin. Prior to joining Hayfin I was a Managing Director with CCP, a credit trading business in New York, and before that Managing Director with Credit Suisse Alternative Investments, where I ran the European Credit Investments Group and was responsible for portfolio management and trading. I started my career with the AIB Capital Markets European Leveraged Finance team.

How is the Investor Relations (IR) and Business Development (BD) team at Hayfin structured?

Hayfin's IR team can broadly be defined as a client service and reporting function. This has both proactive aspects, such as maintaining an active dialogue with clients, constantly reassessing current and future reporting or statistical requirements, and reactive, dealing with client requests as they arise.

The BD team, by contrast, is structured to be more closely aligned to Hayfin's team of investment professionals. The primary responsibility of the BD team is to meet and communicate with Hayfin's clients on a regular basis, providing information and updates on the strategic direction of the firm, educating and advising them on the full range of Hayfin products, and of course marketing new fund offerings as and when they become available.

Please summarise the key functions covered by the IR team in your organisation

Our IR team seeks to proactively anticipate our clients' needs, meeting financial reporting requirements and supplying information and trend analysis for the portfolio.

What are the key functions for the BD team?

The key functions of our BD team are to maintain existing and build new relationships, ensuring Hayfin is front and centre of investors' allocation processes with respect to existing products, as well as positioning new product launches appropriate for the clients' individual portfolio needs.

The key functions of our BD team are to maintain existing and build new relationships, ensuring Hayfin is front and centre of investors' allocation processes with respect to existing products, as well as positioning new product launches appropriate for the clients' individual portfolio needs. That means meeting with investors, often alongside an investment professional from the origination team, to talk through portfolio updates in detail, provide corporate updates, and introduce and educate with regards to new fund offerings.

Can you outline the structure of the team and its evolution since Hayfin was established in 2009?

Up until 2014, there was a single BD team which covered both IR and BD functions. Since 2014 the team has separated into dedicated BD and IR functions. Today we have five BD and four IR professionals.

What is the reason for the recent growth of the team? Is it because of diversity of products or coverage of clients?

With an increasingly diversified and globalised client base allied to the need to be more penetrative in certain markets, we've taken a view that in the long term, having experience and conversant staff on the ground will be beneficial to the overall growth and success of the business.

Looking at the team you have built up, do they come from similar backgrounds? Or have you made a conscious decision to diversify the backgrounds of the team?

We have traditionally employed people with banking or asset management experience. It is important to recognise that both the Direct Lending and Liquid Credit strategies are fundamentally credit fund strategies and therefore we need the BD and IR function to have broad experience of credit markets. We also run a Special Opportunities strategy which is more aligned to investing in traditional private equity and therefore we require IR and BD professionals to be highly proficient in understanding the differences between investing across the alternatives universe.

EVOLUTION OF THE PRIVATE DEBT MARKET

What have been the key developments within the private debt market over the past five years?

In 2010 European private debt was in its infancy, a limited manager universe and a new asset class for investors to understand and diligence.

We believe the evolutionary leap came with the launch of €2bn+ dedicated private debt funds in 2012 and 2013, which were primarily focussed on the upper mid-market (i.e. companies with EBITDA in excess of €30m and debt in excess of €100m - €120m). That really caught the attention of clients and consultants who hadn't historically had regular access to such diversified portfolios, or investment opportunities with higher running coupons than syndicated strategies.

Today European private debt is a recognised asset class; investors and consultants have truly embraced the product.

Is that why we are seeing this proliferation in the number of funds and managers?

Deloitte track 57 managers who participate in and arrange middle-market transactions. In our estimation, these managers represent active capital in the region of €50bn. This is still a small percentage of the overall sub-investment grade debt market; however, we are seeing more new entrants looking to expand into what is now a recognised asset class.

While there are certainly more players in the market, we don't see increasing competition as being detrimental to the opportunity for investors like Hayfin. Our view is that so long as you have patience, the right scale and a presence in local markets across Europe, you will be able to source and execute to consistent credit standards.

Is there a typical investor in Private Debt?

It varies across regions. Countries with well-funded pension schemes or large insurance companies are typically the most active allocators to private debt on the basis that these clients are willing to withstand the illiquidity in exchange for the high single-digit return.

That said, the market continues to develop. With an increasingly broad acceptance of European private debt as a standalone asset class, we are seeing a wider investor universe express interest in the product, from insurance to corporate and public pensions, to family offices.

Have Investors reduced, maintained or increased their exposure to Alternative Asset classes; and are Alternative Assets such as Private Debt now considered more mainstream?

Investors are generally increasing their exposure to the broad alternatives space, as alternatives such as private equity are increasingly considered mainstream asset classes. Preqin's latest investor outlook survey provides a good overview of this theme.

So, do you think investors see the assets as more mainstream? Do you think investors feel that it's safer to invest in these products now than it was five or six years ago or do they understand them better so are comfortable increasing allocations to them?

The first challenge for European private debt was the investors' requirement for historical data through multiple cycles, which was really non-existent outside banks' balance sheets. Six years ago, with limited data, investors were taking a greater risk allocating to new managers, even though it is a senior debt asset class. Today, with greater levels of information available across multiple managers, the process of allocating has become more straightforward than in the past.

Today European private debt is a recognised asset class; investors and consultants have truly embraced the product.

If Investors are increasing their exposure to Alternative Assets, how has this impacted fundraising activities and the type of LPs being targeted?

We believe the investor universe is broadening as well as deepening, and that's normal as the product evolves and gains wider acceptance. We are getting to the point now where there are auditable track records for European private debt. Hayfin and a number of our peers have invested or are investing their third fund vintages. Investors can see the performance over a longer period, even though it's not through a cycle, and that's going to attract more allocators to the asset class.

The investor base is deepening as well. This is largely being driven by consultants' activity across the asset class - the majority of global and local consultants have preferred lists of European direct lending providers that they probably wouldn't have had five years ago.

Do you believe people will still use placement agents in selected markets?

Yes. There are significant benefits to using placement agents in the markets where you naturally have limited access due to regulation or language barriers.

FUNDRAISING & INVESTOR SUPPORT

How do you differentiate your firm from other GP firms in the market when fundraising?

By demonstrating our track record, the experience of our team, our size and our local market coverage. From a very early stage, the team - from CEO down - is interacting with new and existing investors, providing the right level of information and data required to support them in their investment process and throughout our relationship. We also spend a lot of time with consultants to make sure they have all of the information they need to correctly understand and rate our product.

Do you think Private Debt GPs have benefitted from the experience of other Alternative Asset Managers such as PE in terms of perfecting the service they provide to investors? Have you learned from them or are you a different animal?

We believe private debt is a differentiated asset class; however, if we need to be in a bucket, we are closer to the fixed income markets than private equity.

Can you outline typical challenges you have you faced when fundraising?

In certain markets, it's liquidity. Not all investors have the ability to increase allocations to illiquid asset classes. But we believe the biggest barrier to entry is still education and the willingness of the investors to allocate outside traditional asset classes.

Excepting Alternative Assets, have you modelled the Hayfin IR & BD function on any other asset classes e.g. listed corporate IR or has it just evolved based on client needs?

We operate three product lines - liquid credit, direct lending and special opportunities - and they require slightly different skill sets. These product lines also have different investor bases with varying information needs and reporting requirements. We have built our team with this in mind.

THE FUTURE

What challenges do you expect to see in the future with respect to the development of your business; and the continued development of the private debt industry?

The biggest challenge is staying disciplined as the capital base of direct lenders continues to grow. Having the discipline to reduce investment pace when credit fundamentals are poor and investors are not adequately compensated for the underlying risk is going to be the biggest challenge over the next 3 - 5 years.

Do you think Hayfin is well placed because it was one of the first in the market and because of its scale and track record which you can now demonstrate to investors because you have retained the discipline?

We hope we are well placed as we are well resourced in our local markets, backed by a disciplined credit process and sizeable in-house legal function which is critical when default cycles spike.

What innovations in Debt Fund IR & BD do you expect to see over the next 2-3 years - we recently alluded to an inversion of the old 20:80 model to an 80:20 model where BD and IR now knows 80% of the detail on a deal and only goes to the deal team for the additional 20% because they need to free up the deal team to do deals?

We recognise that trend in our own business. We need people who are product specialists and are able to communicate corporate and credit messaging on behalf of the firm without taking up excessive amounts of the portfolio managers' time.



Hayfin Capital Management is an independent investment firm that offers lending solutions to European middle-market companies and asset management services to institutional clients. hayfin.com



Paola Maleh - Managing Director, Investor Relations, EQT

THE PANEL

Paola Maleh joined EQT Partners' Investor Relations team in March 2015. Prior to joining EQT, Paola was Head of EMEA Marketing and Investor Relations at Silver Lake in London. Previously she was with Abu Dhabi Investment Authority ("ADIA") where she focused on private equity fund investments and co-investments as well as on developing the Private Equity department's strategy. Before ADIA, Paola was with McKinsey & Company based in the New York and London offices. Paola also worked for EMC² in Boston as a software engineer.

Paola received an M.B.A. from the MIT Sloan School of Management, and a B.Sc. in Computer Science from McGill University.

EQT

EQT was founded in 1994 in Sweden. It is a multi-strategy firm (Private Capital, Real Assets and Credit) with offices in 14 countries across Europe, Asia and North America. The firm has raised 24 funds - €37 billion of raised capital, €22 billion invested in 170 companies with 84 exits. The firm has 400 institutional investors. Size of Investor Relations team - 43.



Marius Østlie - Head of Investor Relations, Exponent

Marius joined Exponent in June 2016 and leads the firm's Investor Relations work. Prior to joining Exponent he worked for Triton, Deloitte, Nordea Bank and Mercer. Marius holds a BSc Econ in Economics from University of Wales, Swansea.

Exponent

Exponent was established in 2004 and has raised and invested three funds focused on companies headquartered in the UK and Ireland with enterprise values of between £100m - £400m. The firm has raised £2.2bn and has a portfolio of 26 investments. Size of Investor Relations team - 2.



Steven Batchelor - Partner, Head of Client Services Team, HgCapital

Steven is a partner at Hg, the Head of the Client Services team and is a member of Hg's Operating and Realisation Committees. Steven joined Hg in 2003, having previously worked at Morgan Stanley, where he was involved in a number of M&A and capital market related transactions. His current responsibilities at Hg include fundraising, co-investments, strategy and ongoing investor coverage. He also sits on the firm's Valuation Committee. Steven holds a degree in History from the University of Bristol.

✖ Hg

HgCapital began life as Mercury Private Equity the PE arm of Mercury Asset Management which was acquired by Merrill Lynch in 1997. In December 2000 the firm negotiated its independence from Merrill Lynch and HgCapital was established as a fully independent partnership wholly owned by its partners and employees. The team operates from two investment offices in the UK and Germany. It has £5.2bn of Assets Under Management and serves over 100 institutional investors. Size of Client Services team - 6

INVESTOR RELATIONS IN PRIVATE CAPITAL - THE DEVELOPMENT OF THE ROLE WITHIN AN EVOLVING PRIVATE CAPITAL MARKET

Having witnessed significant developments within the Private Capital market over the past five to ten years, we were keen to explore the developments and their impact on the role of Investor Relations with three highly regarded Investor Relations professionals - Paola Maleh from EQT, Marius Østlie from Exponent and Steven Batchelor from HgCapital.

In this insightful and candid piece, we explore with Paola, Marius and Steven the role of IR within their respective firms and also within Private Capital. We focus on their own experiences, the impact of the developments within the industry and what challenges each of them see for the future.

Can you provide some background on the Investor Relations (IR) function within each of your respective firms?

Paola - I am a Managing Director within the Investor Relations team, based in the London office. The team at EQT now comprises 43 people. When I joined the firm two and a half years ago it was around 25 people, so it's almost doubled in that time.

The IR team is responsible for client coverage, event servicing which includes the AGM, conferences, dinners, portfolio company monitoring, RFIs, project management and the production of sales and marketing materials.

What the team does not do, which is perhaps a reflection of the importance of the two functions, is LP reporting and coverage of ESG and Responsible Investing. Each of these has been spun out into separate teams.

Marius - I head the Investor Relations effort here at Exponent. Prior to me joining last year the IR responsibilities of the firm were covered by our former Managing Partner, Hugh Richards, who retired soon after I joined. My role was newly created as part of succession planning which also saw the creation of a new COO role and Richard Lenane's appointment as Managing Partner. Initially on my own, I have since added an Associate, Sophie Porter, who used to work on the deal side at Exponent.

Central to my role is the management of existing LPs - ensuring that an LP in each of the three funds gets what they need in transparent communication. Investor reporting and ESG are separate functions within the firm, but I work closely with our COO on both of these as well.

We explore with Paola, Marius and Steven the role of IR within their respective firms and also within Private Capital.

The other role is to ensure that the firm has access to future capital. Any investor base will have a natural attrition and it is very important to develop relationships with new, prospective LPs well in advance.

Steven - I'm a Partner in Hg and run the Client Services team which is comprised of six people. The team is responsible for Client Management, Fundraising, AGMs and Reporting.

We also manage the Co-investments, the HgCapital Trust which is a listed entity and have oversight of Marketing. Also, as individuals, we tend to participate in broader firm activities and initiatives.

What was your route into the role of IR?

Paola - I was formerly an engineer before completing an MBA from MIT, after which I went into management consulting. From there I went on to become an LP and then joined the GP world.

Marius - I started my professional career at a Norwegian family office. I quickly worked out that I needed some blue-chip training and in 2002 I started with Mercer Investment Consulting. After spells with Nordea Investment Management and Deloitte's fund placement team I was approached by Triton to be the number two in their Investor Relations team. I went on to have nine fantastic years at Triton before joining Exponent last year.

Steven - I've been doing IR for 14 years within HgCapital. Before that I was at Morgan Stanley where I was in the financial sponsors team, working with private equity clients on M&A and capital markets related activities.

How has that experience helped you in your IR role?

Paola - It helps to have the analytical and strategy skills - this combination helps to structure and deconstruct questions/issues, to think outside the box, and to be creative with finding solutions. IR roles require the ability to think strategically, and is a pretty analytical job even though it is client facing.

The other thing about having previously been an LP which is really helpful is that I am able to better understand both sides (LP and GP). This was very helpful when I first moved to the GP side.

Marius - Setting aside the technical and strategic experience, one thing that has really benefited me is to have moved around new cultures at work and in my personal life. Adaptability to culture and having empathy and understanding helps me walk into an office anywhere in the world and present Exponent.

Once you start moving around countries and travelling a lot, you learn the importance of empathy towards the place you are visiting. So, to take an example, going to the US. It's very important to try and learn a little about the state and the city you are visiting - local politics, local sports, local interests because if you've made the effort to educate yourself about the people you are meeting, they will recognise that. If you fly in looking like a brash financier, I think the likelihood of you being able to provide the investor with the comfort that you understand them and that you will safeguard their money is lower.

Learning about and taking time out with clients is important and fun too! I have done everything from historic sightseeing on the West Coast of the US with an endowment, to a tour of a school in New York and a gun range in Texas. I really enjoyed it. It's one of the things I like about the job, meeting new people and learning about them.

Steven - The thing that has helped me over the last 6 years is that I have been part of a number of different committees and that gives you a broader view of what the firm is doing. I also like to think that what we [the client services team] can add within the firm is to be the voice of the client. In terms of "our clients think this" or, we speak to the client and get their view to see what they think.

Being part of the 'Realisation Committee' formerly known as the Portfolio Review committee, which I have been on for approximately 6 years, has involved discussing portfolio exits and management planning and that has given me an amazing perspective on the portfolio.

The other thing about having previously been an LP which is really helpful is that I am able to better understand both sides (LP and GP). This was very helpful when I first moved to the GP side.

Paola, to have sat in the seat of the LP and walked in their shoes, does this give you a competitive advantage over others who don't have that experience?

I have never done this job without having been an LP before, so I don't know what it would be like without that experience. But it is certainly very helpful when I think about how to address certain questions or do something for a specific client. Having been on the LP side, I understand the way they think, why they do the things they do, and how they think about asset allocation etc... It was also certainly very helpful when I first moved to the GP side

So, do you think your experience as an LP has changed the way in which your LPs engage with you?

It adds another perspective to the role and some LPs appreciate that. I have now been on the GP side for a long time. When I started my IR career it made a big difference - being on the LP side before - but now, seven years later, you either have good relationships with your clients or you don't but when you first start in IR, having had that experience does make a difference.

Marius, did the experience of working with a family office or as a consultant have a material impact on how you do your job in IR?

Yes, I think so. Being able to walk into a meeting without the fear of the unknown, a different culture and a different background. One of the people who taught me that was Peder Prah at Triton. He was phenomenal at learning and going into a meeting wherever he might be in the world, competently.

So, it basically comes down to smart preparation, doesn't it?

Yes. A lot of it is just preparation and empathy. Everyone spends time preparing their own story and the story is important but it's no good if you go into a meeting on broadcast and do not listen to the LP. So, a benchmark for a good result for me is that I leave a meeting with an investor or a client, with that person having done 50% of the talking.

How has the role of IR changed and developed in the firm/ within the industry over the past five years?

Paola - IR has really become a key function within PE firms, something which started 7 - 8 years ago. It's no longer a "nice to have" within established PE firms. It's really become a must have.

There are a few reasons for this: Bigger more frequent demands from LPs - reporting, data requests, more granular data provided more frequently. Also, a realisation that the firm must retain all LP relationships in-house. Many PE firms don't really want their client relationships outsourced to third parties. They want to own them and, as a result, you need more people focused on coverage. Finally, it is increasingly important to maintain contact with LPs in between fundraising, not just when you are out in the market raising capital.

All of which puts pressure on the demand of internal resources for IR which has resulted over the years in IR teams increasing in size.

IR has really become a key function within PE firms, something which started 7 - 8 years ago. It's no longer a "nice to have" within established PE firms. It's really become a must have.

Plus, the industry has matured quite a bit over the years so all players and stakeholders have become more sophisticated, not just the IR teams within the GPs but also the LPs, the GPs, regulators, administrators and lawyers. Everyone within the value chain has become more sophisticated.

By definition, all of these have different demands, different requests and the industry as a whole is more demanding than it was five years ago; and who typically handles the increased demands for information from increasingly sophisticated stakeholders but the IR team.

Furthermore, firms in other industries don't typically outsource their sales and marketing. Successful firms within PE are typically owning their own sales and marketing functions, bringing them in house. This is a natural evolution of any successful industry.

Marius - Since I joined the industry the IR world has been transformed with impressive talent joining from placement agents and the deal side. The role has also been institutionalised and it's no longer acceptable for LPs to do a lot of the legwork and chase information. Firms now rightly place a much greater emphasis on keeping LPs informed about their portfolios and make the LPs lives easier.

What I do think, to emphasise the point, is that one of the key drivers behind all of the changes in the last decade, particularly noticeable in the past five years, is that the LPs have gone from appreciating transparency and clear communication across a number of fronts - ESG, the portfolio - to expecting it and it becoming a requirement. For example, it is quite simply no longer acceptable to not have a website, a face to the outside world.

Echoing a point made by Paola, another important development that has taken place within Exponent whilst fundraising for Fund III is to think about who might be there for Fund IV rather than thinking in fundraising cycles. So, we continue to develop dialogue with the LPs who got close to Fund III and to Exponent in the past who may need a bit of convincing to get them over the line of the next fund, whilst also instilling in the firm the mindset that we are always fundraising. It was the former placement advisors, Campbell Lutyens, who helped the team to pursue and change the mindset of the past which is that fundraising is continual.

Steven - I believe a big development in the industry has been the change in way in which things are done. In the 90's and the early 2000's, there was a particular set of people who were typically involved in IR, who were of a particular vintage and did things a certain way which is different to how things are done now. What's happened is that investors have become understandably more demanding in terms of analysis of performance and analytics of diligence on a fund or a firm.

The smart investors are focussed on doing diligence on a GP from the moment a fund has closed. So, if you're not in a fund, what better way to learn about a manager than immediately after a fund has closed? You have a 3 to 5 year window to really diligence a GP.

So, in a sense you're always being assessed and subject to diligence. Likewise, on the other side, GPs need to feel a level of comfort with their own counterparts in terms of clients and it's got to be a good, mutual fit. That's a big change.

Even in the last five years we can see the difference in terms of the depth of diligence and the data required but I think we've moved into a new phase now where investors are balancing a few different things. They're balancing data which, by definition, tends to be more historic versus what they think the future is going to be, to help them find the top firms that are going to be delivering over the next 10 years. I didn't see that five years ago. It's more and more evident and I think people are realising this.

Steven, how have you adapted as a team to these changes?

Size is an obvious one. When we started there were two people in the team. Now we have tripled in size. You need to be able to respond quickly and accurately. If you don't do that people lose trust and respect pretty quickly. The trick is hiring good people. We've been very fortunate at Hg in that the colleagues we have recruited have been very high calibre and they are people who would be able to do any job they wanted to. That's the key, you need the right people on the bus, that's important.

How has the increased level of diligence impacted your business?

Steven - It's interesting. It makes you more thoughtful about your business which in turn makes you a better business. We find in every fundraise that you get a number of questions or comments or feedback from investors and think, that's a good point!

Either we were aware of it [the point] or not, and you try and learn from it because the very best managers want to improve and get better, which is a good thing. The reality is, if it's a fair point you can choose to ignore it or you can do something about it. We certainly take the view that it's better to embrace it.

Taking a broader view of the industry as a whole, do you believe Private Capital is increasingly seen as a more mainstream asset class?

Paola - Yes, it is seen as a core part of most LPs' investment strategy.

If we think about private investments, i.e. private capital in contrast to listed investments, the consistency of the returns and performance certainly makes investment in private capital very attractive and we are seeing more and more new entrants and more long-term investors increasing their exposure to the asset class at the expense of more liquid or lower returning asset classes. So, they are accepting longer lock up periods in return for higher potential returns.

So, if you put it altogether, private capital and private investing is becoming more mainstream when compared to more traditional types of investments.

Marius - Yes. From my early days at Mercer, when PE was seen as something really quite peripheral in a portfolio and only pursued by a minority of pension fund clients to now forming a core part of any institutional portfolio's alternative investment allocation.

One of the great things about PE is that we have, as an industry, been able to generate very good returns through the cycles. We outperformed during the downturn. Clearly there were some write-downs and pain but at a fund level, capital preservation was very strong and generally GPs who invested or held assets through the crisis ended up doing very well.

We are now a mainstream part of any institutional investor's programme and asset allocation. I think we have great prospects to continue to grow and the returns speak for themselves.

Steven - Yes. The driver of that, ultimately, is the enduring quality of returns that are being delivered. Where else are you going to put money these days to deliver these type of returns?

Things always change and we have to be cautious and see what the future holds but PE has delivered, over any time period, strong returns against other competitive or comparable asset classes.

In that regard it's not surprising PE funds have got better in terms of transparency and openness. Some of it was forced, some of it voluntary - and that helps. What you end up doing is essentially making PE a much more obvious route for investment capital than was the case 10 or 15 years ago, when there was a lot of smoke and mirrors. Prequin and other sources have been a good and helpful factor in demystifying some of those issues.

How has this impacted your business?

Before it was obviously harder, rolodex-based and a little bit mysterious. That's less the case today. It's a combination of strong performance on a consistent basis that's driven capital coming into the asset class - but also for the asset class to be competitive it has had to adjust in terms of its behaviour and transparency.

Paola - It has had a very positive impact as it has allowed EQT to continue developing its platform given 1) more existing LPs are investing more broadly in private markets (i.e. not just PE or buyouts), 2) we are seeing many new LPs enter the asset class, and 3) many existing LPs are increasing their exposure to private markets. So, there is more capital waiting to be deployed which has benefited a multi-product firm like EQT as we can really accommodate a larger sub-set of LPs in the industry with a product suite that caters to different needs, different risk/return appetites or geographical preferences. EQT is very well positioned to cater to different types of investors globally with different risk/return needs and profiles.

Marius - I initially struggled to identify a link between PE becoming a more mainstream asset class and how it benefited Exponent directly. However, having thought more about it and looked at our investor base, we will have benefited from CEOs and board members of the LP's organisation now likely having a more positive view of the asset class than a decade ago. Hence private equity being more mainstream will have indirectly helped us secure some new LPs during the last fundraising.

Steven - It's had some impact on our business, particularly with regards to the size of tickets some LP's can now invest with us. People who have already committed to us may be committing on a scale that is somewhat different to what they did before. They may have been investing 20 million, now they are investing double/triple that. That's a big change.

However, the way in which we engage with investors and do business hasn't really changed. We are seeing the opportunity to deepen relationships in regions you wouldn't have thought of covering 5 to 10 years ago. South America for instance. That's a function of the maturing of the asset class and having the ability to attract investors from regions where you wouldn't have necessarily thought of going before but now you have that opportunity to do so.

We've seen GPs exploring the idea of adding new strategies or variations to existing strategies over the last few years. Is it a natural evolution of the industry as it becomes more mainstream as an investment class or is it an indicator that perhaps the industry is overreaching?

Paola - Firms that don't grow, die. This is not just true for PE firms but rather relevant to most firms and industries. It is hard to recruit and retain the best talent in a firm that doesn't grow, doesn't innovate, doesn't adjust. Firms can't have the world around them change and evolve and sit back and watch and not do anything to adapt and evolve. I am a strong believer that is the case in most industries.

In addition, there are a lot synergies amongst different types of private investments and asset classes making it even more natural to expand. Having multiple business lines is a strength and a competitive advantage, not a weakness. Given the evolution of the market, EQT benefits from finding new ways of delivering good, risk adjusted returns to our LPs who are also looking for new ways to deploy capital to improve returns whilst diversifying risk.

So, it's a natural evolution of the industry as it develops and becomes more mainstream.

EQT is well placed because we started early with diversification and were able to cater to lots of different LPs because of that. Investment businesses are not static by nature. A business has to grow to retain and motivate their staff.

GPs and firms have been growing, introducing new and different asset classes. However, when you do that, there is a need to centralise and make consistent the IR functions across the different business lines. You can't have different business lines reporting and interacting with investors in different ways. You need to centralise it all which is why having IR in-house, is very important and so the function has naturally grown as the business has grown.

Marius - I think it's a natural evolution and I think it's a good thing. For example, I think Triton branching out into Private Debt made total sense and I think they've performed well. It was a natural extension of Triton's strategy and core skill set.

So, I think that to the extent that a GP has the competency and the expertise in-house to pursue a slightly different strategy it is a good thing.

At Exponent we have decided that the best way to achieve our ambitions and grow is to stick with a single office, single strategy and invest in UK and Irish headquartered businesses. Hence ultimately it boils down to horses for courses.

Firms can't have the world around them change and evolve and sit back and watch and not do anything to adapt and evolve.

Steven - The data speaks volumes here in the sense that you look at previous booms and you see the same proliferation of things happening. I don't think that, in itself, it's the end of the world, I think the test is around how long or short term the thinking is in developing other products and strategies. If you are developing a strategy or product that's not in line with your existing strategy that would be a concern.

Therefore the questions I believe you should ask yourself when thinking about new strategies are; is it core to what you do, to your DNA? Do you have the talent and resource to have a good reason to justify what you are doing?

If you don't, and you're doing it just because you can or because another firm is and you want to keep up with the Jones's, then that to me is overreaching. However, where a new strategy is developed and is followed by a successful fundraise, it would suggest it's a natural evolution of the wider private capital asset class.

What is the greatest challenge you and the firm have faced and what challenges do you see for the future?

Paola - A challenge that EQT faces and will continue to face is maintaining the DNA and the culture of the firm as we grow. Culture and values are extremely important to EQT, it's at the heart of everything we do and also the basis for our success as a firm.

The industry wide challenges for the future? Continued pressure on fees, continued growth of shadow capital - LPs investing directly and being more demanding with respect to co-investments, and high prices for assets. Prices are pretty rich indeed and have been for a while but EQT has always said that we are not traders or macro experts. We don't try to time the market. We will continue to buy companies and develop them in the way we always have for the past decades, and this has worked out very nicely for the firm regardless of market cycle.

Marius - I think the biggest challenge that Exponent has faced in the last few years was the succession planning around the retirement of Hugh Richards which was long in the making and we have been broadly praised by LPs and others in the market for how it was handled. First of all, we were very transparent about Hugh's retirement during the Fund III fundraising process in 2014. So, everybody was told early on that he would be stepping aside during the life of Fund III and that a new Managing Partner would be appointed. Hugh's role was transitioned to Richard Lenane as Managing Partner and the operational aspect passed on to Craig Vickery as COO, with Hugh's IR responsibility going to the new IR role.

Succession is, and I think will be for many years, a big challenge for many other firms and I'm pleased that we've been through this and been praised for how we handled it.

Steven - The market has been incredibly good for seven years. Some of the more recent entrants to the market and some of the people who have lost discipline at this point in the cycle may face issues in the future, and that could challenge the industry as a whole.

I believe there will be challenges around talent. You now see GPs who understand that they need to have high quality IR/client service teams and this will make the market far more competitive. You're already seeing that to some degree but the challenge is, if you're a member of a team and you've built a reputation as a firm over a period of time, you've earned credibility. Moving to a competitor may become harder and less credible - it's hard if you've been working for a company and turn up somewhere else two years later, there's a limit to how often you can do that.

You now see GPs who understand that they need to have high quality IR/client service teams and this will make the market far more competitive.

Section 3
**INVESTOR RELATIONS
 DELIVERABLES**

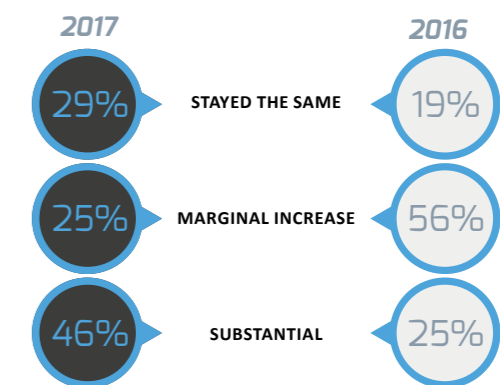


Intuition - Giraffes are incredibly quick learners. Baby giraffes learn to walk within an hour and are hunting their own vegetation within a week, picking up all of their skills from watching their peers.

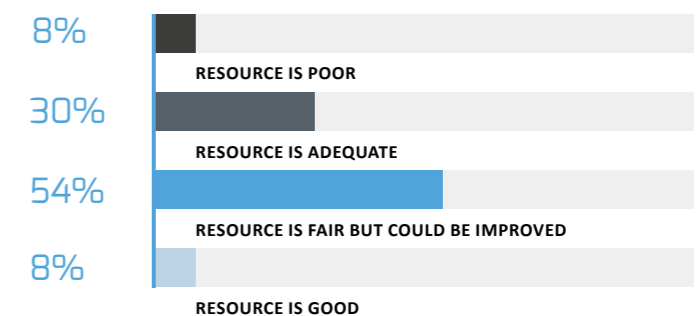
Do GPs adequately resource the IR function?

INVESTOR RELATIONS - DELIVERABLES

When asked whether the amount of information required from GPs has changed, particularly with respect to reporting, portfolio updates and due diligence requirements, *over 70% of respondents confirmed that they have seen an increase in the amount of information now required from GPs.* We were particularly interested to find that almost half of the respondents surveyed confirmed the increase to be substantial.



With a broadening remit and a substantial increase in the amount of information now required from GPs, we were particularly interested to find that only 8% believe the resource applied to the IR function to be good. Over half of the LPs believe that the resource applied to IR is fair but could be improved and 38% of respondents believe the resource applied by GPs to the IR function to be either adequate or poor.

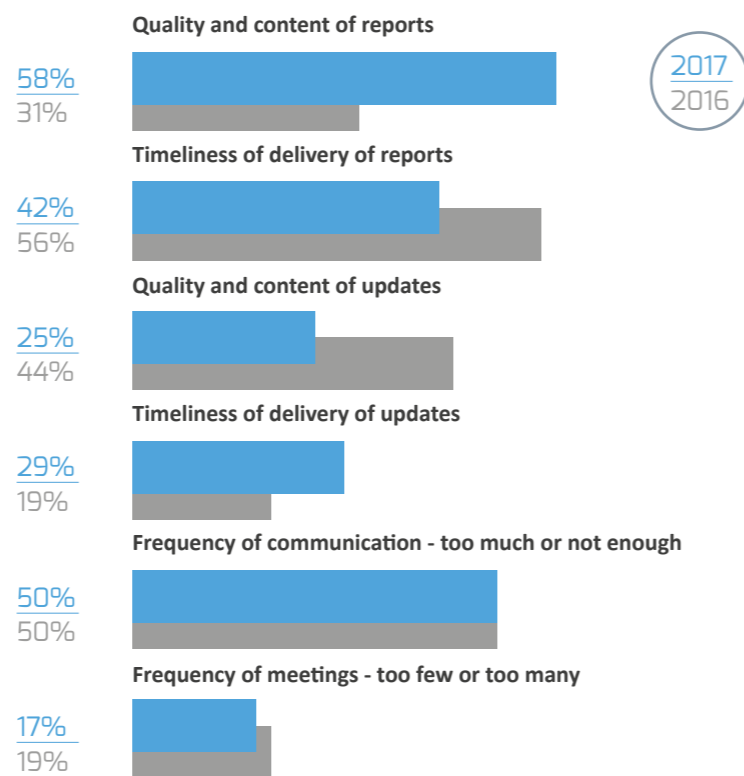


We believe there to be a strong correlation between the resource applied to IR and the quality of the service provided to LPs.

When considering the relationship with your GPs and the service provided, which of the following are you most likely to be dissatisfied with?

Last year we reported that the timeliness of delivery of reports was the service provided by GPs with which LPs were most dissatisfied. This year we were interested to find that it is the quality and content of reports, closely followed by the frequency of communication.

For the past two years we have asked the LPs surveyed to identify all that apply.



As stated, we believe that our findings suggest that there is a strong correlation between the resource applied to IR and the service delivered to LPs. Speaking directly with LPs it is evident that the most significant challenge they face is the timely delivery of information, either through reports or in response to their respective requests.

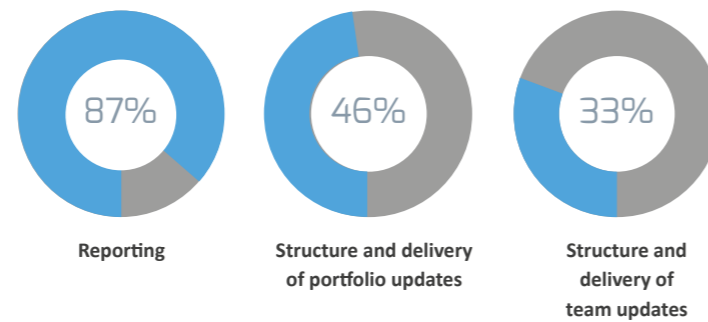
This correlation is particularly apparent to investors in firms where there is no dedicated IR function and the responsibility for IR is assumed by a member of the Investment team. Whilst each of the LPs we spoke with agreed that it is not always possible for small, emerging GPs to put a dedicated IR function in place from the outset given the lack of available capital to cover the necessary costs, they each concluded that it must be priority for GPs as they grow and develop. The investors are invested across a number of different managers and they concluded that the IR service they receive varies. In some cases, the IR function is comprised of several individuals focussed on different aspects of IR, which in most cases ensures the timely delivery of accurate information versus a small, emerging manager for which the responsibility of IR is assumed by a member of the Investment team. As we have found in previous surveys, the majority of LPs do not support this scenario, preferring the investment professionals to focus exclusively on investment activities.

One LP confirmed that they have made recommendations for a dedicated IR resource to be put in place and that their commitment to a given fund has been contingent on this being agreed by the GP.

Have you ever talked to your GPs about either your satisfaction or dissatisfaction with any aspect of the IR service you receive?

More than 75% of respondents have talked to the GPs about their dissatisfaction. This is an increase on last year which found that only 44% of LPs surveyed discussed their dissatisfaction with GPs albeit because they were not provided with the necessary opportunity to do so.

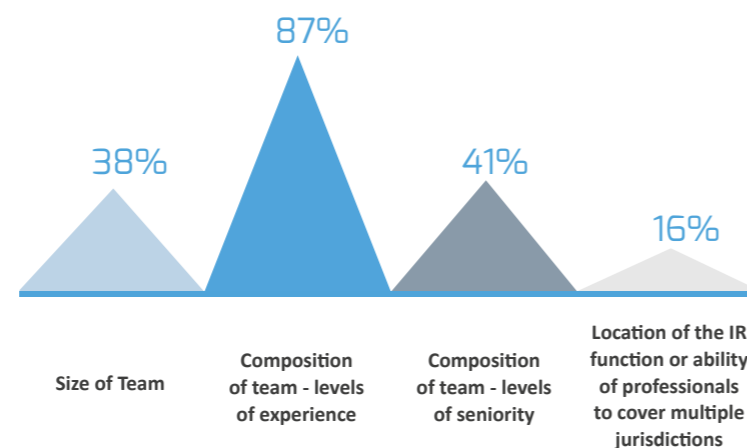
Would you find it helpful to have any part of the following standardized as part of the overall IR service? The LPs were asked to identify all that applied.



We were unsurprised to find that the majority of LPs surveyed would find it helpful to have reporting standardised. This is entirely consistent with the feedback received in previous years and echoes comments made publicly by LPs keen to see financial information delivered to them by GPs in a standard format which can be easily disseminated and transferred to their own in-house portfolio monitoring systems and processes. However, whilst we know that LPs are keen to see a standard reporting format applied industry-wide, the feedback received points to a more personalised approach to the relationship that they enjoy with their GPs, based on a thorough understanding of what each LP is looking for particularly with respect to the frequency of communication and meetings, the preferred methods of communication and format in which information is delivered.

Which factors contribute to the quality of the IR function and the service provided?

Having invited the survey participants to identify all of the factors that apply, the composition of the team in terms of level of experience is the principal factor contributing to the quality of the IR service. Level of seniority of the IR professionals within a team is also of importance.



...the quality of the IR function depends on who is hired for the role

THE VALUE OF INVESTOR RELATIONS

Each year, LPs have confirmed that the role of a dedicated IR function is both beneficial and of value, particularly given the continued growth in the amount of information required and the onus on timely delivery. This year, over 80% of respondents confirmed that the role of IR is either valuable or extremely valuable.

One of the stand out highlights of last year's survey was the feedback from around half the LPs that when appraising opportunities with GPs who have a similar strategy and focus and if all things are equal in terms of track record, the presence of a well-regarded IR function could be the deciding factor between competing GPs.

This year reveals little change and it is still a clear demonstration of the value and the competitive advantage that the presence of an IR function can add during the fundraising process.

This year, over 80% of respondents confirmed that the role of IR is either valuable or extremely valuable

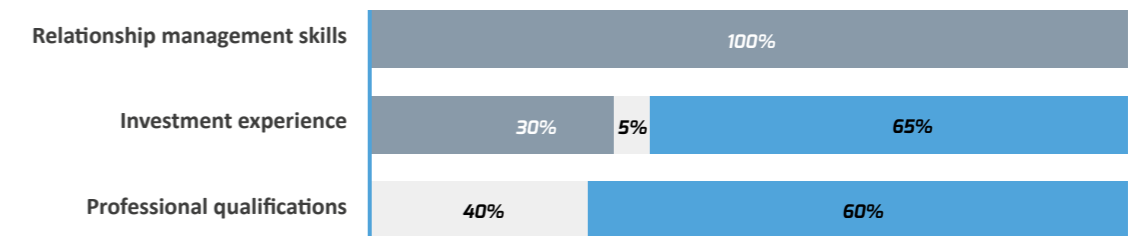
SKILLS AND QUALIFICATIONS

Unsurprisingly and in line with the feedback in prior years, relationship management remains a skill essential to IR professionals. A notable change to the findings published last year is a sharp increase in the number of LPs who regard transaction / investment experience as being essential.

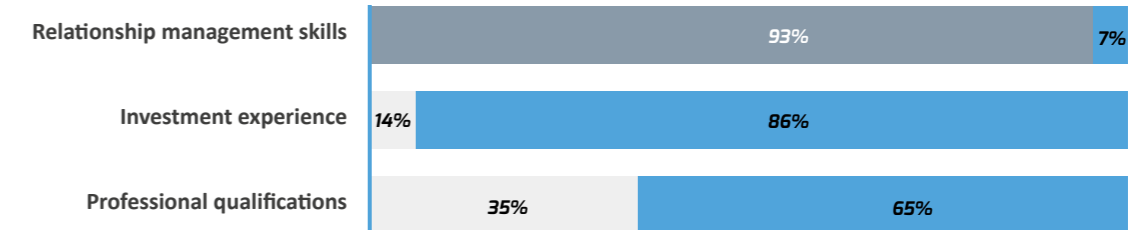
This is particularly interesting with respect to the growing number of debt/credit funds in the market. One of the LPs we spoke to confirmed that they believe IR professionals responsible for such funds need to have industry experience to enable them to accurately disseminate and communicate data and information which is recognised by LPs as being more complex than the information relating to a traditional Private Equity fund. However, whilst in agreement that it is helpful when IR professionals within the Debt market can speak in detail about the asset class, one LP commented that the knowledge does not necessarily have to be gained through investment experience in the Debt market.

We put this feedback to Tim McKean, a Director with Stevenson James who is responsible for the Debt practice within the firm. Tim was previously responsible for IR with 3i Debt Management (3iDM) having successfully transitioned from a credit focussed investment role. Tim agreed that his knowledge and experience of the underlying asset class and the associated nuances enabled him to communicate coherently and to provide accurate and informed commentary to support the data being shared with his LPs, which allowed the investors to make informed decisions regarding their investments.

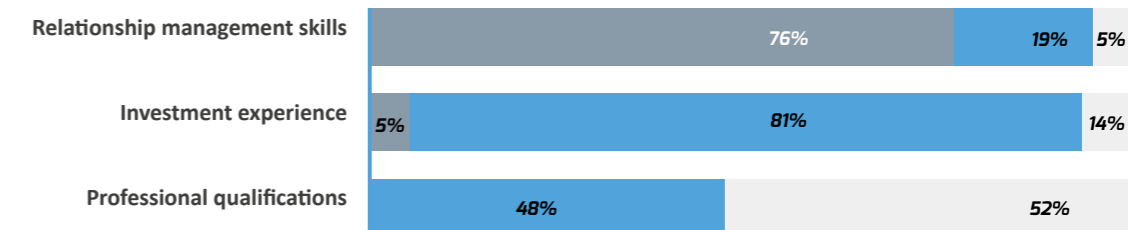
2014



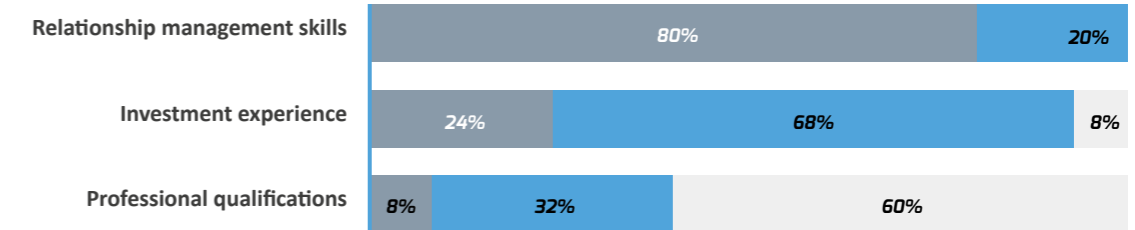
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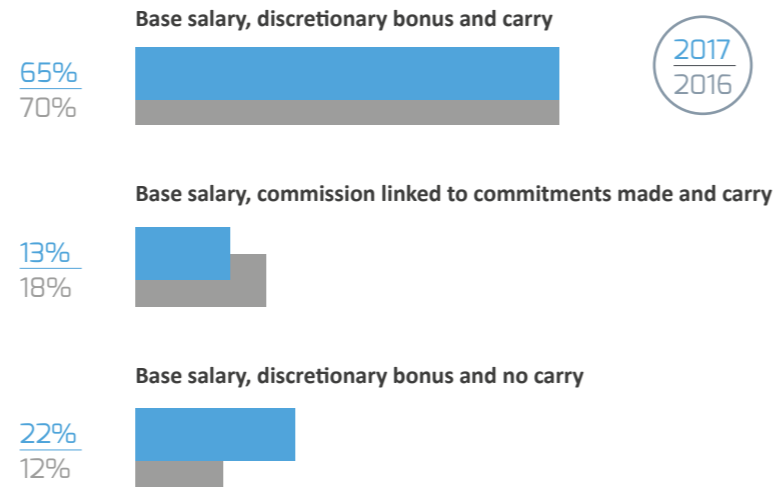


2017



Essential Preferred No preference

COMPENSATION



There has been a modest increase in the proportion of LPs who believe that the IR should be excluded from any carry. Whilst interesting, the overwhelming majority of LPs do believe that carry should be included in an IR professional's compensation package. This supports our own observations that the role of IR has become more integral to GPs in the market and that there is recognition by LPs that it is important to reward IR professionals in a way which fosters longevity within the role for the sake of building sustainable and rewarding relationships with investors ●

Section 4 SUMMARY



Attaining the unreachable - Giraffes are the tallest mammal in existence, reaching heights of up to 19 feet tall. Fittingly, a group of giraffes is called a 'tower'.

SUMMARY



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In the four years since we launched our Annual Investor Relations and Fundraising Survey, we have collected valuable feedback from the LPs surveyed with respect to the role of IR and its broadening remit. We have also been provided with crucial insight into its perceived value.

For existing investors, a dedicated IR function is recognised as key to the timely delivery of information, responding quickly to questions whilst at the same time, ensuring members of the Investment team remain focussed on the investment activities of the firms they represent. During fundraising, the presence of a well-regarded IR function can provide a competitive advantage.

However, whilst the value of IR is clear so too are the requirements and the expectations of the LPs. Over half of LPs believe there will be an increase in the IR remit in the future and yet only two thirds believe that GPs across the Private Capital market are adequately resourced to manage the increase. There is also evidence of dissatisfaction amongst LPs with respect to the level of service delivered and, for the first time, feedback from a small number which confirms the service provided has in fact deteriorated over the past 12 months.

Highlighted in the survey, it's clear that GPs who have IR professionals with specific product knowledge, particularly in the case of the private debt market, have an advantage, not only for attracting LPs and capital to their fund but also minimising the impact on the investment team's time.

It is therefore clear that in order to meet the demands of a competitive fundraising market and to deliver a high quality, more bespoke service to LPs based on their respective requirements, GPs must review the resources applied to the management of IR, bolstering existing resources where necessary with, in some cases, industry specialists who can support the diversification of investment strategies ●





PRIVATE EQUITY | PRIVATE DEBT | VENTURE CAPITAL | INFRASTRUCTURE | REAL ESTATE



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