

SEE WHAT'S NEW AND NOTEWORTHY IN PRIVATE EQUITY THIS WEEK /// ISSUE 64

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EUROPE'S MOST INFLUENTIAL PE FUND MANAGERS

This week Europe's largest and most influential investors were identified by PEN using a mix of data from Preqin and more subjective input such as recommendations and opinion from private equity firm executives and intermediaries that specialize in fundraising. It is the fifth annual survey, according to [Financial News](#).

Influential investors are those who are able to write "big tickets" and commit to funds as cornerstone investors. If one of these investors has invested in a fund, for example, then other smaller ones tend to follow, says PEN. Since fundraising is difficult these days for buyout and PE fund managers (general partners), such institutional investors are even more important and influential, the report said. These big name investors in the ranking apparently have little difficulty raising pools of capital themselves, according to the study.

Several Swiss fund managers made the top rankings, including Partners Group (1), Capital Dynamics (6), Adveq (20) and Pictet (17). The asset manager of Swiss bank UBS mainly manages the money of high-net-worth clients and it climbed the ranking to spot 12 this year because its clients are growing allocations to the PE asset class. Yet another Swiss fund manager is LGT Capital (5) has increased its allocation to PE by EUR 1.7 billion over the past year, according to the report, which also said that LGT is known for its ability to influence terms and trends, as well as getting high marks for its communication skills.

New names that have entered the rankings over the past five years include Axa Private Equity, which has increased its allocation by EUR 4.3 billion over the past three years, was ranked in 15th place in 2009 and is now number 4. Another up and comer is Access Capital Partners, which only entered the list last year and is now number 10. Access Capital Partners has expanded beyond its native France through acquisitions of most of the private equity operations of Finnish bank Pohjola.

Not all the fund managers are independent companies. For example, Luxembourg-based European Investment Fund is backed by the European Investment Bank. It has over the years become a name to reckon with, particularly for small and medium-sized enterprise-focused funds. EIF said to be influential in negotiating wording in limited partner agreements.

Leaderboard

The 25 most influential investors

Rank Investor

1	Partners Group (1)
2	Pantheon Ventures (2)
3	AlpInvest Partners (3)
4	Axa Private Equity (4)
5	LGT Capital Partners (5)
6	Capital Dynamics (8)
7	Altius Associates (7)
8	SL Capital Partners (9)
9	ATP Private Equity Partners (6)
10	Access Capital Partners (10)
11	Credit Suisse AM (12)
12	UBS Wealth Management (13)
13	Allianz Capital Partners (14)
14	Wellcome Trust (15)
15	Shell Asset Management (16)
16	Universities Superannuation Scheme (17)
17	Pictet & Ce (19)
18	Hermes GPE (20)
19	CDC Enterprises (-)
20	Adveq (21)
21	SVG Capital (22)
22	PGGM (-)
23	APG - All Pensions Group (18)
24	European Investment Fund (25)
25	Aviva Investors (23)

Source: Preqin and Private Equity News intelligence
NOTE: Figure in brackets denotes last year's ranking

An interesting note was found elsewhere about fund of funds and their possible allocation activity for the coming year. The latest [Triago Quarterly](#) report says these fund managers have about USD 12.5 billion in “dry powder”, capital raised in 2007 and 2008 that has yet to be invested. Triago’s experts say that they believe that “the bulk of that money” will go to secondaries. “Given the goal of investing unspent capital before standard 5-year commitment periods end, and the importance of cashing out LPs within the standard 10- year fund-of-funds life cycle, it is reasonable to assume that two-thirds of this money, or \$8 billion, will be spent in the private equity secondary market by the end of 2013”. The main reason the asset class is attractive, says Triago, is that “due diligence is easier than with blind pools and duration is shorter”.

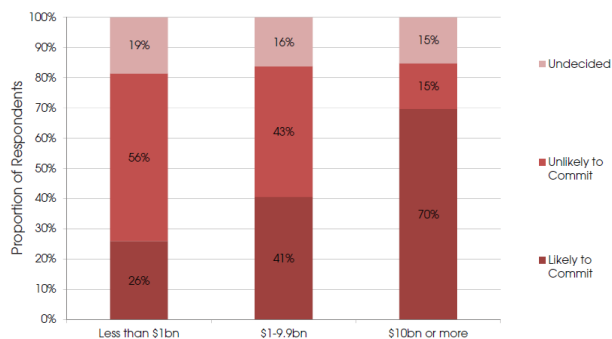
APAX LEADS CANADIAN TAKE PRIVATE DEAL

This week’s deal of the week looks to be a take private of Montreal-based armored car company Garda World Security CDN\$1.1 billion, according to an Apax press release (via [PEHUB](#)). The consortium for the buyout includes the founder of Garda Securities, who is keen to grow the company by acquisition. Another potential deal of the week is on the horizon, as [PEHUB reports](#) rumors that PE giants KKR and Apollo are competing to acquire a leading US wholesaler of automobiles and other vehicles, called KAR Auction Services Inc., in a deal that could total USD 4 billion.

US REAL ESTATE ATTRACTS WEALTH MANAGERS

Real estate is an asset class that is becoming increasingly important in wealth management portfolios, reports Preqin. The hope is that returns will be greater than those offered by more traditional asset classes- Preqin currently tracks 361 wealth managers -- 213 of which were active investors in the real estate asset class. As the graphic here shows, very large asset managers are more likely to commit to real estate investments in the next 12 months.

Investor Intentions for Private Real Estate Investments in the Next 12 Months by Assets under Management



Source: Preqin Investor Outlook: Real Estate, H2 2012

Image source: Preqin

The majority of the real estate fund managers (62%) are based in North America, followed by 27% based in Europe and 11% based in Asia and Rest of World. In line with that, North America is also the most popular location for real estate investment from wealth managers. Of those investing in the asset class, 43% include North America within their geographic preferences. Europe and Asia and Rest of World appear to be less attractive regions to wealth managers, with 27% and 29% respectively including these regions as part of their geographic preferences for real estate investment, says Preqin.

ENERGY-FOCUSED LBO FUNDS IN THE SPOTLIGHT

FUND MONITOR

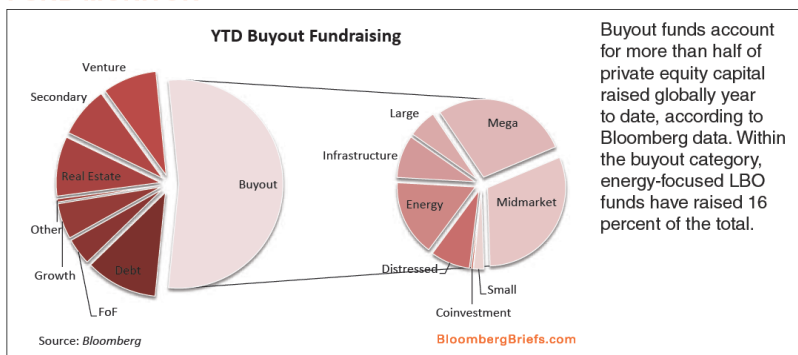


Image source: BloombergBriefs.com

EnCap Investments LP, a 12 year old PE fund manager that has backed about 190 oil and gas companies is reportedly raising USD 4.25 billion for a new fund to invest in gas and oil exploration ventures, according to [Bloomberg](#). It is just one of several large energy firms currently raising funds, including Riverstone Holdings LLC, First Reserve Corp. and Kayne Anderson Capital Advisors LP.

The [WSJ](#) also wrote about the interest in energy dealmaking this week, pointing out that midstream-oriented funds are particularly attractive to LPs at the moment with some USD 5.1 billion in allocations in recent months. The trend is a natural progression for these firms which have poured billions into oil and gas exploration and production companies over the past five years. Interestingly, energy focused LBOs have attracted 16% of the total of buyout fund allocations this year, which is more than infrastructure, distressed, and large-buyout fund allocations as the graphic here illustrates.

CROWDFUNDING ECOSYSTEM EXPANDS

Crowdfunding as it evolves in the US is a trend we are following. Inspired by new SEC regulations for raising capital in the US and meant to stimulate jobs creation, the crowdfunding trend continues to generate industry media interest. [PE Hub](#) says that VCs should be paying more attention to sites like Kickstarter, reporting that a couple of early stage accelerators focused on innovative hardware and gadgets are using it to not only raise capital but also test consumer demand. Not all the opportunities are in tech and industrial companies as the intriguingly titled, [Why I left Private Equity...And Started A Crowdfunding Site](#) article reveals. It is written by the founder and CEO of CircleUp, an equity-based crowdfunding platform focused on consumer and retail companies, and makes a pretty good argument for this type of investment. Yet another PE industry insider has started up a company to help entrepreneurs actually execute on their plans and achieve the milestones required by new investors, according to [BW](#). Meeting project milestones and deadlines is already a problem on sites like Kickstarter, says the report. It is pretty clear from the reports mentioned here that the challenges faced by investors using the crowdfunding sites are the same as for other private equity investors and entrepreneurs, identifying good opportunities to invest capital might be difficult, but it is not where the real challenges lie, execution by entrepreneurs and fulfilling the business goals are the crucial elements that decide who is successful and who is not.

QUOTE OF THE WEEK: VOLATILITY VOTE OF CONFIDENCE



“We are trying to make exceptional returns. In order to do that, we actually need a bit of volatility. Price volatility, technological innovation and changing government regulations all cause assets to be mispriced”.

Who said it: David Foley, chief executive of Blackstone Energy Partners, in an interview with the WSJ

In Context: You don't often hear PE investors putting much faith in commodity market volatility, so the above quote caught our eye. According to the article (and as we mention elsewhere in this issue), energy-focused funds have raised tens of billions of dollars this year. But Foley says these amounts are “nothing” compared to the actual size of the global energy industry. The market cap of Exxon alone is USD 400 billion, he said, as a way of backing up that assertion. The Blackstone executive posits that the volatility of commodity markets can be managed and opportunities can be exploited with discipline and knowledge. He claims that his funds under management, raised since 1997, have generated a net internal rate of return of 37% across 21 transactions.

Where we found it: [WSJ Blogs](#)

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