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INSIDE

Future 40

IMPACT INVESTMENT FUNDS

Revealed: The top 40 alternative impact funds.

In association with

PER

Editorial

Leader Talya Misiri

Profit and purpose

Front runners in the industry are reaping the rewards of aligning both profit and purpose.

It is time for private equity to prove that its purpose is not solely profit driven. Of course, private and public markets alike exist to generate returns and capital gains for investors, but this does not have to be a negative. When investments are navigated in an impactful way, positive outcomes can be achieved across the board, for all stakeholders in an asset.

It is now universally accepted and understood across our industry that impact and ESG-based investments are intrinsically linked to higher returns. So, it is for this reason that we decided to call the industry for proof to solidify this point. Our Future 40 listing [pages 20-27] this issue, in association with Private Equity Recruitment (PER), showcases alternatives funds that are aligning profit and purpose. This years' list highlights the funds that are at the forefront of private markets investment that are making a measurable difference to our society and environment.

To compile the top 40 funds and firms across the alternatives landscape, we called for nominations from the sector and our judges selected the top 40 from a list of over 100! These funds span across the globe and alternative asset classes including private equity, private debt, venture and real estate, and have some truly impressive missions and operating models.

Stand out examples include Spain's first impact fund Creas Impacto, European impact firm RAISE Impact, and Weinberg Capital Partners who are all holding themselves accountable by linking carried interest to the achievement of impact KPIs.

For Weinberg in particular, carried interest is conditioned upon the achievement of impact objectives, and up to 50 per cent of the carried interest may be donated to the Télémaque association if the impact criteria are not met.

It is reassuring to see that larger funds, too, such as mid market behemoth EQT realising the need to raise impact-dedicated funds, as opposed to stating that impact and ESG are within a firm's existing strategy.

EQT has also been praised for being one of the first to set science based targets (SBTs) as part of its strategy to address climate change by identifying gas emission reduction targets.

Doing more

Indeed, the industry is recognising the need to do more. Financial engineering is becoming a thing of the past in lower- and mid-market private equity and GPs are becoming more considerate about how their actions impact the environment around them.

A commendable example is UK small-cap buyout house Mobeus. As recognised in our latest profile piece on the firm [pages 14-15], Mobeus is acutely aware of the challenges that continue to be faced by the industry including ESG and the lack of diversity. Therefore, the business is committed to behaving and investing in a way that makes a true positive impact.

Mobeus partner Justin Maltz explains: "Most of our companies want to have something in their mission that is about ESG, about having a purpose, rather than just a financial purpose. To do that, for every board that we sit on, we help to develop a set of objectives around how we think the company can move the needle on the E, S or G."

Moreover, a standout and truly commendable feature of Mobeus' business model is also its long-running charity mentoring programme. Successful candidates for Mobeus' Scholarship Scheme receive up to £10,000 per year, for up to three years, to contribute towards the cost of university tuition fees at a UK University; a Mobeus mentor, one month's paid work experience at the firm per year for three years and tuition.

The firm is wholly committed to tackling diversity challenges within the industry and the team's actions prove that ESG and diversity, alike, are not just tick-box exercises. It's certainly encouraging to see some in the industry doing more and looking to achieve far reaching positive outcomes. So, if you've got a positive strategy or case to share on how your firm is approaching both profit and purpose, we want to hear more!

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Mobeus raises £115m in first close of Fund V

UK small-cap specialist Mobeus Equity Partners has held its first close of Fund V on £115m.

The fund is targeting £175m and is the first institutional fund raised since Mobeus' recent sale of its VCT business.

Fund V was launched in Q2 2021 and has recorded a strong re-up rate from UK and US pension funds, endowments and foundations. New commitments have also been secured from a select group of high net worth entrepreneurs from the Mobeus Alumni network, as well as a significant commitment from British Business Investments.

Fund V will continue with Mobeus' investment strategy of committing £5m to £20m in a mix of control and minority stakes in UK small cap businesses.

Asante Capital is acting as exclusive global placement agent and Macfarlanes is providing legal advice.

Fund IV, which closed in 2017, has already seen two exits, the latest of which was Ludlow Wealth Management that was sold to Mattioli Woods plc, delivering a gross IRR of 34 per cent and a 3.4x MoC.

Pantheon raises $624m for secondaries fund

Pantheon has reached the final close of Pantheon Secondary Opportunities Fund (PSOF), with total investor commitments of $624m — exceeding the initial target.

The fund will exclusively invest in GP-initiated secondary solutions.

PSOF will invest across the range of GP deals, which are often complex transactions that carry larger ticket sizes.

PSOF has already generated strong momentum, committing to 11 transactions since its initial close held earlier this year, with a total value of approximately $200m.

All deals were completed alongside other Pantheon private equity secondaries vehicles and established fund managers.

Paul Ward, managing partner, said: "We expect the [secondary] market to continue to expand and evolve. This is presenting compelling opportunities for us to invest alongside high quality and established fund managers in some of their coveted private equity assets."

Since 2010, Pantheon has deployed a total of $3.6bn over 37 transactions.

GP transparency and tech: Room for improvement

SS&C IntraLinks' 2022 LP Survey found that the tech capabilities of GPs, as well as the level of transparency in communication, could be improved.

A **majority (69%) of LPs were** 'moderately satisfied' with the technology capabilities of the GPs they currently invest with, according to recent research.

SS&C IntraLinks' 2022 LP Survey found that only 20 per cent of investors were 'very satisfied' with managers' tech capabilities, while 10 per cent weren't satisfied.

According to a UK-based fund of funds, which contributed to the report, GPs' data capabilities are improving all the time. "We expect our GPs to focus on and invest in this area, and we are broadly impressed with the ongoing evolution we are seeing," they said.

In addition, almost half (45 per cent) of LPs rated the level of transparency provided by GPs as average, meaning there is room for improvement.

The majority (56 per cent) of LPs said communication could be improved, while three-quarters rated transparency levels as either 'average' or 'above average'

When asked what would help to improve their relationships with GPs, 30 per cent of LPs said better reporting analytics, while around 18 per cent of respondents said standardised reporting, such as ILPA templates.

At the same time, more than half (around 55 per cent) of LPs said that more frequent conversations with portfolio managers would improve their relationship with managers.

On the flip side, less than 10 per cent said social media platforms such as LinkedIn would help to improve their relationship with GPs.

When asked if they would divest from a manager if they weren't willing to show them their updated ESG policy on an annual basis, only 10 per cent of LPs said they'd very likely divest. Similarly, less than 20 per cent said they would highly consider it.

BRIEFS

Summa Equity receives B Corp status

Summa Equity has achieved the B Corporation certification for its dedication to pursuing purpose as well as profit. The certification has been awarded by B Lab, the not-for-profit behind the B Corporation movement. Certified B Corps are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. Summa Equity joins a community of 4,000 businesses globally with B Corp status.

MJ Hudson releases ESG Advantage

MJ Hudson has released a digital solution aimed at helping private market participants to streamline and simplify ESG assessments. ESG Advantage guides users on a step-by-step basis through the assessment process by tracking important data and reporting. It aims to reduce the time and effort required to perform ESG assessments at the fund manager, portfolio and underlying company level. It also helps clients to determine what is most relevant to their business and ensures compliance with existing and emerging regulations and standards, including SFDR, EU Taxonomy, TCFD and SDGs.

Intertrust launches ESG data solution

Intertrust Group has launched an end-to-end ESG data gathering and analytics solution for private fund managers. The solution aims to help GPs meet ongoing, critical ESG demands by providing an integrated approach to collecting and analysing ESG data, while managing ESG risk in portfolios. The tool supports local currencies and metrics, ESG data management for illiquid assets and ongoing updates to local carbon emission factors. It also offers data validation features, removing potential formatting issues, while ensuring clients can trust the insights and reporting produced by the solution.

Alphabites

Private capital investment in Spain soars to €4.8bn in Q3

The volume of private capital investment in Spain reached €4.8bn in the third quarter of the year in a total of 618 investments.

According to estimates by the Spanish Venture Capital & Private Equity Association (ASCRI), that is 18.4 per cent more than in the same period of 2020.

Venture capital has surpassed record figures, seeing 512 investments totalling €1.2bn, this partly due to the high number of tickets above €10m. Private equity also registered record highs, with 106 investments.

International PE and VC funds continue to have strong appetites for Spanish investments. The report also noted that fundraising from domestic private investors reached €1.3bn. Domestic fund managers slightly increased their investment volume, with 372 investments into Spanish companies, according to ASCRI.

The mid-market continues to be very active and this year, it has maintained the dynamism of recent years, both in terms of volume (€1,498m) and number of deals (79 investments), the association found.

EQT launches impact-driven fund

EQT has launched its impact-driven, longer-hold fund, EQT Future.

With a target size of €4bn, the fund will invest in mature companies with market-shaping impact potential.

The fund will accelerate sustainable transformation within its portfolio, through the deployment of an Impact Acceleration Plan, to achieve asset-specific and portfolio-level KPIs.

The fund will be supported by a Mission Board, co-chaired by Paul Polman and Jacob Wallenberg, to provide strategic direction and impact-focused advice. Polman is the former CEO of Unileaver and a UN Sustainability Ambassador, and Wallenberg is a chairperson of Investor AB. Other board members are expected to be announced by the end of the year.

The fund's longer-term ownership horizon will unlock new opportunities that historically have fallen outside the investment mandate of EQT's private equity funds.

UK Government unveils series of inward investment funds

Chancellor Rishi Sunak has unveiled the Global Britain Investment Fund, a venture capital co-investment fund, and plans to consult on pension charge caps.

The UK Government is to launch a £1.4bn UK investment fund to support transformative businesses.

During the recent Autumn Budget, Chancellor Rishi Sunak announced that the Government will introduce "a new £1.4bn Global Britain Investment Fund to support transformative economic activity in sectors like life sciences".

The Government has also launched the Help to Grow Fund to "turbocharge SME productivity" and has started a new £375m co-investment venture capital fund, Future Fund: Breakthrough.

Further to this, the Government will consult on further changes to the regulatory charge cap for defined contribution pension schemes to "unlock institutional investment whilst protecting savers," Sunak said. According to the Government's accompanying documents "This will consider options to amend the scope so that the cap can better accommodate well-designed performance fees to ensure savers can benefit from higher return investments, while unlocking institutional investment to support some of the UK's most innovative businesses."

The Budget also revealed an increase to the British Business Bank's regional financing programme to over £1.6bn to expand its coverage, and help innovative businesses to get access to the finance they need across the whole of the UK. By region, the Government has deployed: £150m to Scotland, £130m to Wales, and £70m to Northern Ireland. The funds will also expand funds in the North East and South West of England.

Catherine Lewis La Torre, chief executive, British Business Bank, said: "The package the Chancellor has announced today enables us to build on our range of programmes to support sustainable economic growth by increasing the supply, diversity and demand for finance for UK smaller businesses. We welcome the provision of this funding to deliver our expanded programme of activity, enabling us to make over £4.9bn of financial commitments and loans."

UKCorporation Tax to rise to 25% and 28% for banks

The British Government has confirmed that the overall rate of UK corporation tax is set to rise to 25 per cent and 28 per cent for banks.

The tax increase follows the Government's previous announcement at the Spring Budget to review an increase to the corporation tax rate to 25 per cent.

Speaking at the Autumn Budget, Chancellor Rishi Sunak announced that corporation tax for banks will increase from 27 per cent to 28 per cent.

As set out in accompanying Budget documents: "In light of the upcoming increase in the main rate of corporation tax, the rate of the Bank Surcharge has been set at 3% from April 2023 to ensure that banks continue to pay their fair share of tax, while maintaining the UK's financial services competitiveness and safeguarding British jobs and tax revenue."

Further updates to the tax system include extension of the £1m annual investment allowance (AIA) to March 2023, instead of ending in December, as previously planned.

The Super Deduction tax cut, announced in March, has been extended for a further six months.

Kempen raises €173m for Fund II

Kempen Capital Management has raised over €173m for its first closing of Kempen European Private Equity Fund II.

The new vehicle will focus on small and lower mid-market private equity buyouts in Europe.

The private equity fund is available to clients of Van Lanschot Kempen. The first subscriptions to the fund come from both private investors and private equity investors across the Netherlands, Belgium and Switzerland.

Sven Smeets, managing director of the Private Markets team, commented: "Fund II makes this investment category more accessible for, among others, high net-worth private investors and family offices. The interest shown by these client groups has therefore been translated into this first closing of the fund in a relatively short period of time."


Post-Brexit Britain:
IS THE UK UP
FOR SALE?

As UK public-to-private transactions surge, the surrounding complexities involved in these kinds of deals are laid bare. *Jennifer Forrest writes.*

Deal activity in the UK private equity market has boomed throughout 2021, and shows no signs of slowing down in the coming year. As with the rest of Europe, an uptake in investments in technology and healthcare are fuelling this volume growth, ultimately driving competition for these assets.

Florencia Kassai, partner at Inflexion, says that this was brought about during the pandemic, as high quality investment opportunities weren't as readily available, but competition and activity has refused to slow down as we enter a post-pandemic era. "This competition is also evidenced from the shortness in time that it takes for these very high quality businesses to trade when they come to market. At Inflexion, we're focusing on the assets that we really want to invest in, much earlier than ever before," she says.

Part of this surge in deal activity comes down to the rise in public-to-private transactions involving British businesses, with the number of bids from private equity firms for UK businesses reaching an all-time high. According to data from financial market data company Refinitiv, in August this year, there were 220 takeover proposals with a total value of c.$35bn. Just two months earlier, takeover proposals had a combined value of c.$37bn.

LOWER VALUATIONS CHEAPENS BRITAIN?

The trend toward P2P transactions goes hand-in-hand with the falling valuations of British businesses. White & Case partner Kenneth Barry tells *Real Deals*: "We are seeing a lot of public-to-private activity in the market, driven to a large degree by depressed stock prices for unloved assets where PE sees an opportunity to take advantage."

Bowmark's managing partner, Charles Ind, adds that the undervaluation of UK businesses is likely the reason why the UK market is attracting more and more international investors. "The UK quoted equity market is arguably undervalued compared to global equity markets. Hence we've seen the large buyout houses, which have a global remit, really zone-in on the UK as they seek out value creation opportunities," Ind says.

Research from Mayer Brown shows that US PE firms have been increasingly looking to UK businesses for takeover opportunities. In 2021 (as of July 2021), UK deals by US PE firms stood at 65, compared to 34 in 2016/17.

Kate Ball-Dodd, partner at Mayer Brown, finds that US investors haven't been put off by macro events from investing in the UK market, and is unsurprised that the US takeover opportunities remain high. "We've always seen a significant amount of overseas interest. We're not in a position where these overseas investors are worried about investing into the UK. A lot of jurisdictions are aware of how the UK takeover code works. US investors haven't been put off as a result of this impact," Ball-Dodd notes.

However, this rise isn't necessarily bringing about positive publicity for the industry. Last month, the UK Government's House of Lords discussed the impact that takeover deals are having on the UK economy. Lord Browne of Ladyton referenced the latest Bank of England Financial Stability Report during the debate, which states that the current level of debt-fuelled US equity takeovers poses a growing threat to the UK economy, through a speculated shrinking in employment, and other means.

One only has to look at the prolific supermarket deals by US buyers to see examples of these transactions in the public eye. Following in the footsteps of KKR's £1.2bn takeover of Boots in 2007, the ISSA Brothers and TDR Capital's takeover of ASDA, and CD&R's bid for Morrisons has been in national headlines consistently ever since. The acquisition of Morisons completed just weeks ago for £7bn.

With these deals being so prominent in news coverage, any element of secrecy and privacy needed during a competitive auction process could be undermined. Ball-Dodd says "Leaks are hugely inconvenient to these deals, as secrecy is paramount and much work goes on to try to keep the offer timetable as short as possible."

These big transactions are inspiring further P2Ps throughout the market. As White & Case partner Colin Harley told *Real Deals*, they make P2Ps "more accessible" to the rest of the industry. "Asda and Morrisons have allowed these sorts of deals to appear accessible to PE firms. Everybody needs and uses supermarkets, with an increasing population and so on, and that provides the predictable cash flows that help service the debts taken on to finance these deals," Harley says.

Mayer Brown's Ball-Dodd agrees that buyout players have become more familiar with these competitive P2P auction processes, and that it's a big factor in driving the number of transactions. "In the public M&A arena, PE has become a lot more comfortable in navigating the rules and the restrictions that apply. That touches on the initial deal planning, how to make your approach, what sort of financing do you need available and understanding how they can best protect their deal, in the face of the restrictions that apply," she notes.

PUBLIC PERCEPTION MATTERS

These transactions, however, aren't as innocent as they seem, and there might be some truth in the negative press which surrounds them. The Competition Markets Authority has just opened an investigation into CD&R's takeover of Morrisons, as it is worried another of the PE firm's investments, Motor Fuel Group, will create a monopoly of forecourts in the UK - as they're set to control 1,235 of the UK's 8,000 forecourts.

The owners of ASDA are also facing backlash after the completion of the transaction. It recently came to light that its owners would need to take on an extra £500m in debt following the collapse of its petrol station sale,

A bidder should be as clear as possible in its own mind what it is willing to pay, and what to offer when. You can spend a lot of time on strategy, but money (usually) talks.

despite plans during the auction process to sell the supermarket's petrol stations for £750m.

Nonetheless, despite negative commentary surrounding these deals, auction processes remain competitive. Neil Evans, partner at Mayer Brown, says that the secrecy surrounding these deals as they're happening typically puts the buyer at a disadvantage. "You haven't got many weapons available to you as a bidder, and in a competitive auction process like this, detailed strategic planning can make all the difference.

"Saying all of that, the highest price usually wins and cash is king. A bidder should be as clear as possible in its own mind what it is willing to pay, and what to offer when. You can spend a lot of time on strategy, but money (usually) talks," he adds.

Chris Harley, partner at White & Case, further explains why people are cautious around these types of deals. "[There are] other people frustrated that international investors can easily buy our biggest supermarkets or other "national treasures". There's a very obvious inconsistency there, which then has an impact on the deals themselves. There's a greater level of political scrutiny, which provokes a higher level of interest from regulators whether or not that interest is likely to lead to any significant action from those authorities."

GROWING CONFIDENCE

Firms have quickly become more accustomed to the regulations and proceedings of carrying out P2P transactions within the UK market. "I think that private equity has become more comfortable with the challenge of taking a company private. Whereas before, there may have been concerns around the delisting process and the potential for an interloper at the last minute. I think faced with a more competitive market environment for better deals today, PE funds have made the decision that they can take that risk, especially when it's in a sector they're confident in," Kassai says.

Britain's regulatory environment puts the UK PE market in a unique position in comparison to its European counterparts. Bowmark's Ind explains that the regulatory framework surrounding transactions keeps investors interested in the UK. And, while macro events like Brexit and the pandemic might play a part in affecting deal activity, the reliability of the model keeps investors returning. "LPs are attracted to the UK, not only because it's the largest private equity market within Europe, but also because it has a well-established infrastructure for compliance, legal and regulatory purposes," he says. ●

SUPPLY CHAINS & BREXIT:

The fallout from Brexit continues to affect the businesses of both UK and European PE firms.

Issues with supply chains aren't necessarily UK-specific, with the entirety of Europe facing challenges around HGV drivers. However, problems around supply chains, outside of that, might not be as severe in other European nations. Inflexion's Kassai says that this is something his firm is becoming increasingly aware of post-pandemic. "The issues on the supply side have been put into the spotlight. Talent hiring and supply chain constraints have now come to the forefront of our investment decisions," Kassai says.

Bowmark's Ind, however, isn't as affected by it, and puts these problems down to having a short term view, compared to the average life cycle of private equity. "Private equity is a long-term asset class and, while we can't dismiss these supply chain issues, they shouldn't have such a big impact by the middle of next year."

While the supply chain issues almost definitely could have been foreseen, it's been a learning curve for the industry, and for management teams in portfolio companies. Kassai says it's caused her colleagues to change the way they conduct their due diligence as a result, so they can "ensure there is a plan in place to develop a domestic, leaner, and more flexible supply chain, to avoid potential future disruptions, due to shipping or manufacturing interruptions."

These disruptions, however, have made certain businesses more attractive to investors — namely those in logistics and businesses that can show they can iron out kinks in their supply chains.

Q&A

LINCOLN INTERNATIONAL

Phillip McCreanor, senior mid-market M&A advisor and head of investment banking, UK & Nordics at Lincoln International, discusses key trends driving UK M&A deal flow and opportunities for businesses in the year ahead.

By *Sam Birchall*

What has been driving the unprecedented levels of M&A deal flow in the UK market this year?
A number of things. At the start of the year, there was still an overhang of businesses from the pandemic era where processes were delayed. And so, as the market started to reopen, those delayed processes started to come back alongside those that just naturally were on a timeframe to kick off in 2021.

People were also eager to get deals done prior to any changes in Capital Gains Tax. That was certainly a big factor in the US and has been a consideration in many of our deals in the UK. On top of that, there has been a very strong financing market, so for private equity firms, they're looking for a home for their money. For public companies who are trading on very high multiples, in order to justify the implicit growth assumptions in their share prices, they need to get on and spend money and make acquisitions to show growth. With all of that going on, it has been a very strong market.

How has Lincoln International managed its record pipeline following the pandemic?
It was all about protecting the team during 2020. We made sure to keep all of our sector teams and product teams together; we continued to actively invest in our people and made a number of strategic lateral hires. In keeping the teams together and keeping that focus on the marketplace, it has meant that we have been in a great position to help our clients to take opportunities without having the challenges of re-engaging with the market or staff.

We've also focused on individual sub-sectors and trying to think about how they're going to unfold over the coming period, thereby placing our bets early and ensuring that we've got the right resourcing to look at those genuine opportunities. By maintaining all those business disciplines, I think we've been able to come through the period very strongly.

What have been the key challenges in doing deals from a due diligence provider's point of view?
There has been a limited number of due diligence providers in the marketplace and I think some of the larger providers reached capacity early on due to resourcing issues following a surge in deal volume. Consequently, we've seen a number of those boutique houses starting to emerge and take even more market share. They've been able to attract staff because they have different remuneration structures. And so, whilst they've come under some pressure themselves, what we found is that they've been willing to support us and our clients.

Another big area has been the W&I market. Most deals coming through the UK will be insured and the lack of bandwidth in that market has meant that deals have just naturally slowed down as you've headed towards the finish line.

How have UK valuations and multiples performed this year?
Lincoln's Valuations & Opinions Group has performed quarterly valuations on over 100 private UK companies in 2021 across over 70 sponsors, which represents over £70bn in Enterprise Value. What we can see is the LTM Ebitda multiples have gone up very slightly during the first half of the year, peaking at 13x as of our mid-year valuations, but those multiples have come back a bit to around 12.5x LTM Ebitda as of Q3. This makes sense, as depressed earnings from Covid during 2020 have broadly rebounded during 2021. In spite of rising EV multiples, we've seen the leverage underpinning those acquisition multiples remain flat at about 5.5x throughout the same period.

> **We've seen more examples of bilateral pre-emptive deals being done, or people running very hard in round one...**

Given the strong competition for assets, how can firms stand out?
We've been recommending clients to engage early. It's a bit of a self-fulfilling prophecy, but what we've been very keen to do is to make sure that opportunities are on the right buyer's radar screens and they're getting a chance to speak to the company fairly early in order to build rapport and traction. This is a huge advantage in a crowded market.

As a result, we've seen more examples of bilateral pre-emptive deals being done, or people running very hard in round one and being able to complete early in round two. That has become a bit of a feature. Those able to capitalise on the best opportunities in the market are those who position themselves early and are able to execute efficiently.

The last 12 months have been marked by a very strong mix of domestic and cross border deals in the UK. How attractive are UK companies to acquire?
The UK has got a lot going for it. If you look at a lot of the acquisitions that have been made into the UK, they've been from the US and I think that the link between the UK and the US continues to grow stronger in many ways. It's a natural stepping stone for Americans because it tends to be a similar entrepreneurial culture, similar rule of law and regulatory environment, which appeals to US buyers.

Looking ahead, the UK Government's recent Autumn Budget is only going to add more fuel to the fire. With inflation going up 4.5 per cent, we'll see strong growth numbers behind companies and they'll continue to remain very attractive.

COMMENT

Increase your exit multiple by getting the expansion strategy right

Armstrong's Mike Callow and Simon Hemsley explain why increasing multiples and more competitive processes mean that it is now even more important for PE funds to get the right expansion strategy for their investments.

It has been a very busy year for mid-market PE investors. DC Advisory's latest *European Private Equity Mid-Market Monitor*, estimates mid-market PE deal volume in H1 2021 up 79 per cent vs. H1 2020. Pricing is high across the board, and scaling new heights in hot sectors. It is even more important that investors have conviction that business plans are achievable, that they can accelerate growth or improve multiples during the hold period, and that they understand the potential buyer universe at exit.

As processes are so competitive, funds must carefully choose the deals to hunt. Understanding value levers and how they are aligned with an investor's track record and house style helps triage deals and focus time on the most promising opportunities.

Mike Callow

Building on DD insight

Good commercial due diligence not only tells investors and management teams what the business is now. Far more important is understanding what it could be in the future, and how it can get there. It gives investors the confidence to make the right decisions, starting with whether to go ahead with a deal on the agreed terms. It provides clear, strategic and practical operational recommendations; what needs to be fixed and how, and which commercial opportunities should be prioritised.

As multiples increase, Armstrong is being asked to use the depth of our expertise to help investors and management teams develop expansion strategies by building on our due diligence fieldwork. Basically, what are the value creation levers, what order should they be pulled, what extra support is required, and when is the right time to exit?

Developing a robust expansion strategy

An expansion strategy builds on the commercial due diligence work by giving investors evidence-based confidence that the business does justify its valuation. It tells them:

- The business is offering the right products and services to the right customers in the right markets;
- The management team have properly understood their business' differentiators, and know how to reinforce them;
- The business plan has fully assessed the commercial implications of new products & services, new customer target segments, and new markets;
- That the business is able to deliver them with the resources it has (or can, buy/build); and
- That working together the investor and the management team will be able to deliver the strategy.

In practice, an expansion strategy validates the business plan and provides granular, actionable and coherent recommendations to achieve the strategy.

What to expect from an expansion strategy

An expansion strategy will provide a thorough evaluation of expansion routes (by vertical, by customer segment, by product/service line, and by geography), strategic and operational recommendations for organic growth, and the opportunity for accelerating this expansion through M&A including:

- Scale of opportunity, competitive intensity, ease of entry (organic vs. M&A) for identified target regions and verticals;
- Potential additional service lines – revenue opportunity, cross-sell potential, underlying technology focus;
- Availability of bolt-on acquisition targets, acquisition strategy and focus areas (e.g. geographical expansion, new capability/service lines);
- Profile of 'ideal' acquisitions, identification of suitable targets, and review of strategic value and achievability; and
- Target 'end state' to maximise equity value for likely exit routes.

Successful exit planning

When formulating strategy, it is helpful to begin at the end:

- Who is in the potential buyer universe, and who are the most likely buyers of this business?
- What is achievable in this holding period versus what can be left on the table for the next buyer?
- What must be done before planning for an exit versus what needs to be started before then?
- Has all of this been properly thought through and costed in the business plan?
- Does management have the capacity and capability to deliver the business plan?

Please contact a member of the Armstrong team if you would like to hear more about how we've helped investors and management teams develop expansion strategies this year, and to discuss how we can help you.

Simon Hemsley

FUND DOMICILE OVERVIEW: UNITED KINGDOM

Key facts and figures relating to why the UK is an emerging domicile.

By *Krystal Scanlon*

Pros	Second largest asset management industry in the world
Cons	No longer part of the EU
Need to know	Work underway to update fund structures

KEY STATISTICS

In 2019:

118	Total private equity funds
£47.95bn	Combined value of PE funds

Source: Statista

RECENT DEVELOPMENTS

In May 2021, the FCA launched a consultation on a new long-term asset fund (LTAF), which aims to provide an open-ended fund structure for PE, VC, private debt, RE and infrastructure strategies. The structure allows investors to move in and out of investments at the NAV. Consultation closed in July. The FCA is expected to publish feedback on responses and to issue a Policy Statement on the regime.

FUND STRUCTURES

Two types of limited partnership structures:

- English Limited Partnership
- Scottish Limited Partnership

TAX & SUBSTANCE

- UK incorporated companies: generally treated as UK resident
- Companies resident in the UK under domestic law, but treated as solely resident in a different country under its DTT with the UK, aren't treated as UK resident regarding UK domestic tax law
- Subject to the above exception, companies incorporated overseas are also treated as UK resident if central management and control is in the UK
- This includes the highest form of control and direction over a company's affairs as opposed to decisions related to day-to-day running of the business - takes place in the UK

Source: PwC

The UK is a member of the OECD/G20 Inclusive Framework on BEPS.

TAX TREATIES

More than 100 tax treaties.

Source: PwC

TAX STRUCTURE CORPORATE

The Finance Act 2021 introduced incentives to encourage capital investment by businesses between 2021-22. In addition, the main rate of corporate tax, which is currently 19%, will rise to 25% from 1 April 2023.

Source: PwC

SERVICE PROVISION

24 fund administrators and 84 law firms are members of the BVCA.

In March 2020, tax consultancy Wheelhouse launched in the UK, following a PE-backed MBO of the financial & regulatory reporting and tax divisions of ACA Compliance.

COSTS

Fee type	Cost
Authorisation: Straightforward application	£1,500
Authorisation: Moderately complex application	£5,000
Authorisation: Complex application	£25,000
Annual fee:	Various costs Calculations dependent on: • Type of regulated activities carried out (fee-blocks) • Extent of the firm's activities (amount of business undertaken) • How much it costs the FCA to regulate the above activities

Source: FCA

COMMENT

The future is calling

Alter Domus regional executive Spencer Wells, discusses technology trends that are changing the private equity marketplace and how to manage a new cohort of investors.

Covid-19 changed the world, and that includes the world of private equity. With more business being done online, clients have focused on technology solutions and are actively asking for fast access to core data, as well as increased transparency.

The ESG push has also made analytics more important than ever.

In response, service providers have upped their game to respond to fund managers' pain points and adjust to the fast-moving market. That includes adding online workflow tools, developing and professionalising client and investors portals, generally increasing collaboration around technology, and being more agile than ever before.

Learning from the past

Before the pandemic, the private equity market operated with limited access to static data and processes were fairly manual and inefficient. This led to time delays, duplication and errors. When service providers weren't transparent with their data, managers would create their own, duplicating the process. Of course, working with two sets of data introduces the possibility of error.

Workflows lacked transparency, too, which kept managers from feeling like a valued part of the process and importantly unclear on the status of certain fund operations.

Over the past 18 months, though, clients began asking for change. To better understand their needs, Alter Domus has held virtual workshops and brainstorming sessions with fund managers and continued along a heavily client focused technology journey.

What the company found was that fund managers want to access core data that they can manipulate and analyse. And, they want it from a source they can trust—one that is fuelled by speed and flexibility.

As a result, Alter Domus began creating and improving online workflows that show the progression on all key fund processes. For instance, managers can now view the status of onboarding and KYC procedures, as well as other key fund operations, remotely.

"Fund managers want to access core data that they can manipulate and analyse. And, they want it from a source they can trust…

The company and other state-of-the-art service providers also improved investor and client portals by increasing the quality of information that can be accessed.

Gone is the reliance on manual processes and Excel worksheets; in their place, managers and clients can now see financial and performance overviews, asset-level analysis, AML, KYC, and subscription processes via dashboards and client portals.

Global impact

There is a trend where more retail investors are entering the private equity market, and this presents new challenges.

As more and more retail investors enter the market, service providers and managers have to find a way to cope with the volume. That means the trends that we see in the UK will benefit the marketplace globally.

We can predict that in the near term, an open architecture based on automation and robotics will allow for easy access for all parties. This will make for easier onboarding and will help build true partnerships between clients and service providers.

Those partnerships will likely result in service providers taking on a bigger role, including helping with asset analysis, IRR calculations, the subscription process, and even investor relations. And, as processes will standardise and become more agile due to automation, the industry will evolve together as a whole.

Clients see the provider's role as a real servicing partner rather than the historically transaction-oriented role. Managers and investors want to see a technology roadmap. They want to know that their service provider is embracing technology and looking to the future.

Q&A

MOBEUS: DEVOLUTION TO EVOLUTION

Following its recent partner succession and buyout, the Mobeus partner group discuss what the future holds for the firm and why Mobeus will remain in the small cap space. Talya Misiri writes.

Since its establishment over twenty years ago, Mobeus has undergone a series of milestone evolutions that has shaped the firm into what it is today. Initially part of the Matrix Group, the firm underwent its first buyout in 2012 to become an independent business, which invested via VCTs. Following rule changes to VCTs in 2015, the firm could no longer use the capital to do buyout acquisitions and so the business was split into a VCT, venture business and a new institutional fund was raised to do buyout deals.

Most recently, in September 2021, the UK private investment firm announced the sale of its VCT business to Gresham House. The deal marked the next stage in Mobeus' evolution and accelerated its partner group succession and streamlined its focus on its institutional buyout fund.

The partner group that has completed its second buyout of the business now comprises Ashley Broomberg, managing partner; and partners Chris Price, Justin Maltz and Richard Babington; all of whom have been with the firm for some years and worked their way up through a series of transitions. While the firm has undergone several changes, the business remains in the hands of a management team that is dedicated to building on Mobeus' strengths and commitment to partnering with lower mid-market businesses in the UK.

Consistency is key

Consistency is key to success and this is certainly something that the new partner group is particularly conscious of. Discussing the firm's recent transition, Maltz explains that while the previous founders have only recently retired, the current group had been effectively leading and managing Mobeus' buyout arm for the last three to four years. "So, in terms of the day to day, for us and the buyout business, it [the buyout and succession] has felt no different," he notes.

It's certainly clear that the new partner group are well versed in their specific areas and are truly prepared for this next step; especially as they had been planning for the succession for many years. As a result of this, the process has been "utterly seamless," Broomberg says.

Considering the separation of the two business divisions, Babington says: "The institutional side of the business was working completely separately from the VCT side, even prior to the deal, because it was the right thing to do for the business to align the capital with the strategy and the team." As soon as the dotted line had been signed, the new management group were prepared to clearly outline their plans to the rest of the business and illustrate how they would operate going forwards. "For the buyout business, it was simply topco ownership change and nothing much else," Broomberg adds.

While the firm's management has changed, the group is keen to continue with Mobeus' strategy of investing in the UK small-cap market to accelerate businesses into the next stage of growth. The investment focus remains the same and will look to hone in on certain themes that have run through Mobeus' previous funds, such as business services, financial services and human capital. The institutional fund will continue to source businesses with an EV up to c.£30m and will write checks of up to £20m.

Commenting on the benefit of the buyout, Price adds: "We are less distracted from running a wider business with exposure to the plc fund world and the regulation that comes with that, and are now able to focus on delivering the performance that has made Mobeus successful over the last 25 years."

Mobeus' faithfulness to this space is certainly something that has paid off when it comes to retaining its investors. The firm is now raising Mobeus V(fist close £115m); its first fund as a pure buyout house.

This streamlining of Mobeus' offering is likely something that LPs prefer, Broomberg suggests. He says: "Institutional investors prefer a clean, pure play house where the investment strategy and the alignment of the team are very clear. So, there is a definite preference from LPs for a pure buyout house, rather than the hybrid venture and buyout house that it was before."

In addition to this, the firm had been open with its investors early on - prior to the succession - to outline its plans for the future of the business. Broomberg notes that a number of Mobeus' LPs were looking to make commitments over a number of vintages rather than a single fund and so plans were shared early on to ensure that investors were clear with Mobeus' ambition for the future of the firm. "Right at the outset, back in 2016, succession was discussed with LPs. They wanted to look us in the eye and make sure that we were committed for a series of funds, notwithstanding the existing partner composition."

True partnerships

A key feature of Mobeus' history to date, and its continued focus, is its partnerships. As part of its investment philosophy, the firm works closely with its portfolio companies to deliver considerable value.

The firm prides itself in being a trusted business partner to companies in the small-cap market. As noted by Broomberg: "Whether it's a corporate finance advisor, a vendor or a management team, they trust us and see us as good deal partners and business partners. That has been a key part of our culture and a pillar of our success."

In line with its UK small-cap sweet spot, Mobeus is often the first financial investor in private companies that have a compelling proposition and strong market position. Thus, Mobeus' strengths lie in partnering with the owners/management teams of these businesses to help the business become professionalised and scalable. "This means that by the time we come to the end of our hold period, those

> **Most of our companies want to have something in their mission which is about ESG, about having a purpose, rather than just a financial purpose.**

businesses are much more attractive to trade buyers, and financial buyers, because they see that they've got a more sophisticated, scalable and sustainable infrastructure," Maltz says.

Looking at Mobeus' value creation strategy specifically, the partner group notes that with each of its investments, it works towards growing the portfolio companies' profits, the quality of the business to enhance exit multiple, and assisting the business to generate cash. And, Mobeus is keen to support both organic growth and acquisition programmes to assist with driving growth in these areas. For example, Mobeus supported wealth management firm Ludlow in making four acquisitions, and its recently exited invoice finance business, Advantage, made a key geographic acquisition to extend its reach and drive further growth.

A unique advantage in Mobeus' strategy and thus its value creation capabilities, is the fact that the firm does not use leverage in its deals. Broomberg notes that this can be a considerable advantage, particularly in the early stages of a deal; where the team are "not spending the first couple of years dealing with covenants and managing bank relationships. Instead, we are focusing on how we can build these businesses." As a result of this, Mobeus' returns are "driven primarily by growth and professionalisation, and not by financial engineering," Broomberg adds. Indeed, Mobeus' limited use of debt financing allows the firm to confirm deals more quickly and focus on building relationships and scaling its companies.

Mobeus stands as an example of the importance of building strong, lasting partnerships. With its most recent fund, (Fund V) for example, the firm received investment from a number of successful entrepreneurs that it has previously backed. Babington says: "We've worked with these people, we've created value for them. And they see us as a continued good home for their capital."

Doing more

Mobeus is acutely aware of the challenges that continue to be faced by the industry including ESG and the lack of diversity. Therefore, the business is committed to behaving and investing in a way that makes a positive impact.

The GP is focused on making ESG improvements both within its firm and within its portfolio companies. At portfolio level, Mobeus ensures that each of its companies have clear objectives around ESG, which is monitored and tracked regularly by the investor.

Maltz explains: "Most of our companies want to have something in their mission which is about ESG, about having a purpose, rather than just a financial purpose. To do that, for every board that we sit on, we help to develop a set of objectives around how we think the company can move the needle on the E, S or G." This is tailored to each company and reported on quarterly.

Focusing on the firm's activities specifically, Price says: "In the same way that we have asked our portfolio companies to identify key ESG elements that impact their business, and to monitor and hold themselves accountable for that, we didn't feel it was fair or appropriate not to do this ourselves. So, we developed our own ESG tracker, which we run within the partnership."

Moreover, a standout and commendable feature of Mobeus' business model is also its long-running charity mentoring programme. Through this, Mobeus has proven its commitment to working to improve diversity in the industry and is doing so by targeting individuals at entry level. Mobeus' Scholarship Scheme backs young people who might otherwise be put off going to university because of the cost or a lack of role models.

Price explains: "We are constantly trying to work out how to deal with the challenges of diversity within our own business... So, we took the view that the most direct impact we can have is on the pool of people that are entering the workforce and their aspirations and their view of where they can get in future."

Successful candidates for the scheme receive up to £10,000 per year, for up to three years, to contribute towards the cost of university tuition fees at a UK University; a Mobeus mentor, one month's paid work experience at the firm per year for three years and tuition, provided by MyTutor and paid for by Mobeus in their final year of study. Those on the scheme are also able to attend alumni events, where they can connect with leaders across a variety of sectors.

The firm is wholly committed to tackling these challenges within the industry and the team's actions prove that ESG and diversity, alike, are not just tick box exercises. Price concludes: "If our partnership table looks the same as us in 15 years' time, we'll have failed. So, we need to bring through people with real potential through our business who can take over from us one day." ●

Q&A

QUILVEST CAPITAL PARTNERS

Christophe Evain, independent director and Alexis Meffre, executive chairman and director at Quilvest discuss the attraction of PE for family offices and the evolution of the business after six generations.

By Jennifer Forrest

The Quilvest Group was formed in 1917 to manage the financial holdings of the Bemberg family. After six generations, how has the generational succession been managed over the years?

Alexis Meffre: I'm part of the sixth generation of the family group. The Bemberg Family Group started in 1851 when a French German borrowed some family money to settle him and his family in Argentina and started a business. The group has always had two legs, one of them is industrial in South America and in the US, and the other is the global financial activity. From the early 1970s, it invested in its first few private equity funds, based in the US, and moving from minority to majority investments in both the US and Europe.

I joined Quilvest Capital Partners in 2018. It now has six offices and $6.4bn AUM, a billion of which comes from its shareholders, another billion from institutions, and the rest from other family offices.

There's a family advisory council of about 20 people that manages the strategy of the group and its assets. In 2010, they decided to engineer the transition from the fifth generation to the sixth over the course of eight years, to ensure a smooth handover.

How has this affected your investment strategy? How has your focus changed?

Meffre: The first point is that quite early on in Quilvest's history, the group understood the importance of diversification. Today at QCP, we deploy capital across four different asset classes: direct private equity, fund of funds and co-investments, private debt and real estate. The second point is how alternative assets can actually help a lot with your portfolio for wealth preservation. We've found that the families that join us as partners and co-investors face the same issue.

What you would see in any family group is, the more mature that family becomes, the more the diversification in wealth preservation is key. So yes, the investment strategy does evolve from one generation to another.

Christophe Evain, independent director & Alexis Meffre, executive chairman and director at Quilvest

The type of return targets you aim for will evolve over time as well. It's well known from a number of studies that if you want to preserve wealth and capital, you have to aim for 9-10 per cent net return over a generation. I think alternative assets and PE have demonstrated that over time, they can deliver these stable, long-term returns, which helps to provide that attractive risk/return profile and appropriate diversification.

Christophe Evain: There's plentiful capital in the market, and that is increasingly moving into alternative assets. Our capital has got the same characteristics as anybody else's, and therefore, to be able to identify value and help build value through investments, you need to specialise in a number of areas, and make sure your teams will be more knowledgeable than the average team.

How has the firm been able to keep up with the competitive and growing private equity landscape? How does Quilvest differentiate itself from its peers?

Meffre: We have built an institutional platform with a family DNA at its heart. The way we position ourselves amongst our peers is with that family running through the generations, and we don't go for an aggressive nature in approaching investment opportunities or with valuations.

We find that a lot of entrepreneurs can relate to us, and they want to be backed by another family who understands their values and aspirations. We're not a new name in the market - the companies we approach can look back at our track record, and that speaks for itself.

Evain: When you're exposed to entrepreneurs, they really like that we're a family, approaching a family. The family office aspect of Quilvest is also very attractive to other family offices in private wealth, who don't necessarily have the same infrastructure that we do.

Meffre: Definitely. The market is so competitive. If you want to invest into ever more selective funds, and if you want to have access to the right opportunities and investments as well, you need to spend years building that reputation and consistency.

69% of family offices now view private equity as a key driver of returns. Why are family offices so interested in private equity? What's the attraction?

Meffre: $4bn out of our $6.4bn AUM comes from family offices that see the attraction of these investments, which is deep in each and every asset, and also in each and every local market.

Evain: The first attraction for family offices has to be the returns - private equity returns are less cyclical than public market returns. Family offices, however, do not have the same constraints as some of the institutional investors, when they allocate to certain asset classes - they have more freedom of allocations. Most pension funds would limit their exposure to private equity.

Within this world of family offices, the sense of appetite is here to stay, and will survive interest rates, because the gap between interest rates and LP returns, even though it might be diminishing, still remains very wide.

How does your generational history play a part in attracting investors, and working with portfolio companies?

Meffre: It's something that they can relate to and take comfort from. They really see how we can add value to our assets, and the way we've managed that through each generation as a wealth preservation and diversification tool. The fact that you still have a family in the business after six generations demonstrates to these family offices that our savvy and conservative approach is something that works. There's a strong alignment of interests.

Evain: I've found that one of the attractions is that Quilvest isn't about investing other people's money, unlike many other PE firms, but it's about investing the family money. That has a big impact on how people feel about deploying capital. Quilvest has a way of explaining to its investors that they're investing along with Quilvest's own money, which proves to be a powerful alignment of interests.

That same sense is carried onto the portfolio companies. When you run a business where you have committed your own time and resources, as a lot of entrepreneurs do, and it comes to selling a part of your business to a PE firm, it's a big jump into the unknown. There's something reassuring to know that the person sitting across the table from you really understands what you're talking about.

COMMENT

Labour supply shocks and lessons for UK investors

Global Counsel senior practice lead Joe Palombo, and senior associate, global investor services Felix Cazalet, assess the main drivers of the UK's supply shortage and the future of the UK labour market.

Empty shelves and petrol station queues are real-world symptoms of a UK labour market in the throes of a significant supply shock.

Office for National Statistics numbers reinforce this. While rising, the employment rate in the three months to August 31st remained 1.3% below February 2020. Yet job vacancies in the third quarter hit a record 1.1m - more than a threefold increase on pre-pandemic levels.

The UK's labour supply shock is driven by two main forces: Brexit-driven immigration policy changes and pandemic-driven behavioural shifts. We see three lessons investors can draw from this shock – and the pick-and-mix interventionism of the government's response about the future of the UK labour market.

Immigration

First, immigration will not be the main lever this government pulls to fix disruptions. Despite fuel shortages attracting intense scrutiny, the prime minister refused to reach for what he called the "big lever marked uncontrolled immigration". He acknowledged that some controlled immigration might be "entirely sensible", which means that we can expect more sticking plasters - for instance through tweaks to the shortage occupation list - as future pinch points emerge. But anything more significant is a political red line. This is not entirely surprising given Johnson previously argued that reliance on cheap migrant labour has suppressed British workers' wages. But recent months have shown that Johnson would rather endure political discomfort from food and petrol shortages than cross immigration red lines. The key takeaway for investors is that the government will only use immigration for small fixes to labour market disruptions; longer-term adjustments should be expected.

Wages and productivity

Second, the government's alternative to the immigration lever - transitioning to a high-wage, high-productivity economy – likely places the onus on firms to lead this shift. Johnson claimed that recent shortages were a necessary step in this direction.

It is true that high wages can encourage greater productivity, by incentivising employers to save on labour by investing in automation and other means of increasing output from fewer workers. Scandinavia has been successful here. But this is a complex process which is unlikely to succeed in the UK, at least in the short term. Government speaks of upskilling the workforce for higher-value jobs, but has shown little sign of the strategic policies needed to back this up. The autumn budget's "skills revolution" heralded £3.8 bn extra funding by 2024-25. But this is too modest: it may make up some lost ground but is insufficient to catalyse a new economic model. As well as potentially leaving a mismatch between skills and vacancies, pushing wages higher without sufficient upskilling may contribute to already-rising inflationary pressures.

The lack of policy substance looks likely to place the emphasis on firms to lead wage and productivity drives. Government hopes that this, along with initiatives such as the super-deduction for plant and machinery assets, will incentivise firms to invest in automation that allows for fewer, better-paid workers. Even if this works, one problem is that some firms in sectors that cannot automate quickly enough will simply go out of business. The key lesson for investors is that having a domestic upskilling offer and making productivity-boosting investments in tech, innovation and automation will become increasingly important.

The great resignation

Third, the pandemic has prompted many to reassess their priorities and seek new careers accordingly. A March 2021 survey, for instance, found that 38% of UK and Ireland employees were looking to change roles in the next 6 or 12 months. This "Great Resignation" is not limited to the UK: in the US, a record 4.3m workers quit in August.

So, what is driving this? It might partly be down to practical reasons, such as the increasing ability of some to afford a career change, break or retirement. Q2 2020 saw the biggest increase in UK household savings since records began. Low interest rates have also pushed up asset prices, further boosting the wealth of asset holders and reducing incentives for some to remain in the same job. Many non-UK born workers also decided to leave the UK during the pandemic. But, beyond such practical factors is something much deeper: a behavioural and psychological reorientation toward reassessing one's purpose, values and priorities – and rethinking how one's job matches up. Put simply, our time and how we spend it matters more. Investors should pay attention for several reasons. Ensuring that corporate purpose and values align with those of staff is becoming more important for attracting and retaining talent. Moreover, this increased emphasis on corporate values may further accelerate trends toward ESG management.

Shortages are one visible symptom of a deep UK labour supply shock, which is driven by long-term factors linked to Brexit and the pandemic. Government's initial response suggests this shock may persist for quite some time. Tighter immigration policies and the pandemic have created the need for a strategic fix in other areas, such as productivity, but the government has yet to demonstrate significant appetite or capacity to provide this soon. This pick-and-mix interventionism means investors may need to rethink how portfolio companies will manage persistent disruption.

Felix Cazalet

Joe Palombo

COMMENT

The impact of data in UK PE marketing

onefourzero CEO Fleur Hicks discusses how UK private equity is leading in its use of data to create value for its businesses.

The use of alternative data is changing the landscape of private market investment in the UK. With increased access to large tranches of data across all market sectors, the ability to access, analyse, and present more and more data sets is quickly becoming a key differentiator in how investors diligence target assets, but also how they view the sophistication of private market participants.

Data to create value

Forty zettabytes (43 trillion gigabytes) of data will be created by 2020, up 300 per cent from 2015 (IBM). Storing and warehouse internal data sets can create significant efficiencies within companies across cost management, market capture and of course, sales and income optimisation. In our experience of helping firms understand, standardise and put data to good use, we have seen tangible increases in operational and commercial efficiencies for our clients. Those within sectors who are not utilising and analysing data are falling behind in the competition.

Utilising data to your advantage can help refine operations, recognise future trends and allow for better targeting. Importantly, the availability of more data has given UK investors a clearer view on competitive dynamics, in real-time, using reliably high data volumes.

But why have private markets typically lagged behind public markets in utilising larger data sets? Perhaps habit plays a part. However, more and more UK GPs are breaking boundaries and lending partners are responding favourably. By harnessing the power to deliver above and beyond expected returns, even against a backdrop of unsteady socio-political dynamics, the UK private equity space is seeing growth. And, it is up to firms such as onefourzero to encourage the use of data, to enable its consumption and to develop tools for funds and businesses to take control of their data.

Importance of analysing data

Understanding how to analyse and digest large amounts of data is crucial to uncovering the commercial implications for our clients. Though data speaks volumes, it is not helpful if it cannot be understood. Consultancy UK predicts that by the end of 2021, the number of consultants in the UK will have increased by 9 per cent within M&A, with key growth in data and digital analytics skill sets. We welcome this. Data literate consultants across the PE teams can add valuable analytics local and industry insights. But, do not take our word for it:

- A client of ours in the health sector began using onefourzero's threesixty platform in summer 2020 during the height of the pandemic in order to access real-time sector activity within the patient clinic space. Blending their multi-source internal performance data with external scraped data sets they have been able to grow operational and tactical visibility leading to a 12 per cent increase in company-wide performance.
- Another client uses our suite of cloud-based monitoring modules to track target assets across several sectors for their originations. Using outside-in data only they are able to use big data and alt data sources to track proxy performance indicators against each other and make early stage approaches more accurately and successfully. As a high-volume fund, this has been an essential advantage in today's competitive marketplace.
- And of course, our data-led approach is making waves within the industry with DaaS seeing many imitators in the seven years since our foundation. 59.5 per cent of executives state that they are driving innovation using data (NewVantage Partners, 2020).

Using data diligently

"The scale and granularity of onefourzero's datasets let us take macro or micro views of factors affecting potential or current investments. Being able to apply robust, recent data to businesses across multiple industries lets us answer a wide range of commercial questions with confidence," says Doug Kruep, partner, Cortec Group.

The value of data will keep on rising as time goes on and more data is collected. $103bn is the big data analytics market's projected value by 2023 (TechJury, 2021). Data is used in scientific research, finance, government rates, business management and virtually any other human activity.

A central database allows for data to be more digestible and easier to access. We use AI to transform data into a usable form for analysts to save time while, offering a reliably consistent way forward. Offering clients a tech-enabled range of products for assistance with M&A Advisory, Asset Monitoring and Value Creation, lets them utilise this data by identifying where value lies and we collate it in a central server. It need not be scary or overwhelming, and in our experience the UK markets are finding it less and less of a daunting prospect.

Big data approach

Taking a big data approach to M&A, value creation and monitoring, saves time and money. And, if data integrity is a concern then asking a firm such as ours, where we are experienced in handing data and know where to cross-reference and triangulate data sets, there is less risk to data integrity. To put into perspective, Netflix saves $1bn per year on customer retention (TechJury, 2021) by analysing its internal data alone. That is without external market reference. In a more typical managed asset, 88 per cent of data is being ignored (Big Data Made Simple), which means a lot of information could help resolve issues or increase operational efficiency and revenue is missed.

Data has a significant impact on sectors, especially with the rise of digitisation since the Covid-19 pandemic. Through analysing and utilising data to its full potential, organisations can stay ahead of the competition within their industry, while also providing the best quality of service/products to consumers. Robust data managed objectively, sourced ethically and modelled diligently, is how we should look at diligence, portfolio benchmarking and value creation.

onefourzero delivers data-led M&A consulting, market performance monitoring and value creation for private equity and investment-backed businesses across the globe.

Future 40

IMPACT INVESTMENT FUNDS

The *Real Deals* Future 40 Impact Investment Funds showcases alternatives funds that are aligning profit and purpose. This years' list highlights the funds that are at the forefront of private markets investment and are making a measurable difference to our society and environment.

In association with

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By *Real Deals team*

ACCION VENTURE LAB

Accion Venture Lab has made this year's list due to its contribution to the promotion of financial inclusion in underserved populations. Accion is an international non-profit focused on making seed-stage investments in start-ups that help individuals and businesses that are excluded from or poorly served by the current financial system.

From a portfolio perspective, Accion focuses on measuring increased access and quality of financial services to underserved populations. The firm uses this framework to establish impact goals as a fund, assess a company's potential impact during due diligence, and track portfolio companies' impact post-investment on a quarterly basis.

Since its establishment in 2012, Accion has deployed over $34m in capital across 56 start-ups in 39 countries. In this time, its portfolio companies have positively impacted nearly 37 million individuals and businesses. The firm's capital is also proving to be catalytic – with Accion's portfolio companies going on to raise an additional $500m+ in equity and $550m+ in debt.

ECOENTERPRISES FUND

EcoEnterprises Fund builds portfolios for the planet. The firm serves to fill the void in capital markets for innovative, nature-based companies in Latin America, with transformative environmental and social impacts. The $100m EcoEnterprises Fund delivers hands-on advisory and value-added services, alongside long-term growth capital for scaling community based businesses in biodiversity conservation, mitigation of climate risks, and the creation of economic opportunities for local people.

A flagship investment and key example of an impactful company delivering financial results is Sambazon, a first mover in organic and fair trade certified sustainable harvested açaí-based products from Brazil. To date, the company has protected more than 2.5 million acres of critical Amazonian rainforest, created thousands of jobs for growers, cooperative members, boat operators, factory workers and local processors. A longer term partner, the EcoEnterprises Fund has helped Sambazon to further expand its supply chain to include more small producers and enhance its impact.

ALDER

Nordic investment fund, Alder, has been commended for its dedication in developing technology companies that improve the long term sustainability of the environment. Alder's portfolio companies create value through a range of environmental benefits, such as reduced consumption of energy and resources, reduced emissions to air and water and reduced waste. The Planetary Boundaries framework from the Stockholm Resilience Centre[1] and the UN SDGs are used as tools to identify industries of interest.

One outstanding example of Alder's impact strategy is its 2020 investment in Autocirc, a company aimed at improving circularity and reuse in the original auto parts industry. Since the investment, Autocirc has grown from 1+3 (mother company + subsidiaries) to 1+14 companies. During Alder's investment period, January to July 2021, the company has earned +47 per cent on recycling projects.

AMBIENTA

Ambienta has been a long-standing pioneer of impact investment and ESG. Ambienta's belief that companies providing sustainable solutions are set to be more competitive is what led the firm to first look into sustainable packaging materials in 2012 and sustainable agricultural solutions in 2013. The firm's latest impact fund raised €635m, representing the largest capital pool in the EU fully dedicated to environmental sustainability.

Ambienta's proprietary methodology, the Environmental Impact Analysis (EIA), reflects the firm's holistic approach to environmental impact, capturing issues that are very different across a range of sectors. It uses a set of 11 metrics to capture the full environmental impact of companies, including: energy saved, water saved, materials saved, land(fill) saved, food saved, pollution control metrics, CO_2 emissions reduced, air cleaned, pollutants avoided, water cleaned, materials recycled and biodiversity preserved.

RAISE IMPACT

RAISE Impact backs and supports companies with the protection of future generations and the planet at the heart and depth of their mission and operations. Its most recent €250m fund invests in France and Europe, with as much as 20 per cent of its allocations made in emerging countries. RAISE has deployed €100m of the fund into impact growth SMEs delivering solutions in energy transition, agricultural transition, circular economy and social inclusion.

The fund's remit is not only in impact-native companies, but also helping more classical companies willing to undergo a transformation or a transition.

The firm has a rigorous, material and holistic process when it comes to measuring, monitoring and managing performance of its portfolio companies to amplify their positive impact. Going further than committing management teams to the realisation of impact metrics with additional financial criterias and compensation, part of the investment team's carried interest also is tied to the achievement of extra targeted impact KPIs.

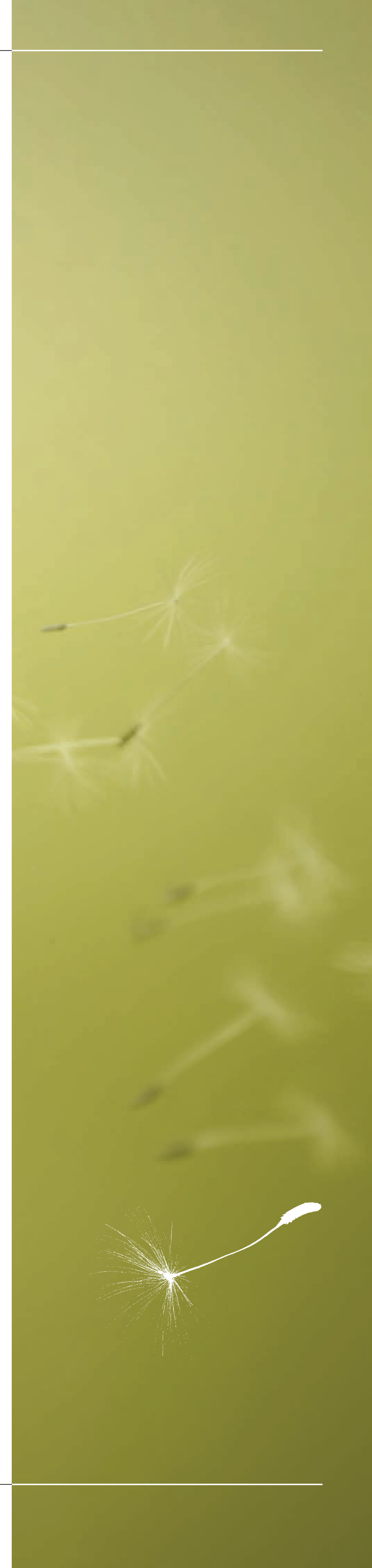
LIGHTROCK GROWTH FUND

Lightrock Growth Fund backs companies that give broader access to fundamental services or re-innovating products to be more sustainable and responsible.

Lightrock Growth Fund I raised $900m and invests in Europe, Latin America, Africa and India, into the healthcare, education, renewables, sustainable foods and agriculture, mobility, finance and digital infrastructure sectors.

To guide its impact investment decisions, monitoring and management, the firm has developed proprietary impact assessment tools based on industry best practices. The tools determine the risk-adjusted attractiveness of new investments and generate impact potential scores, to quantify each investment's net positive impact capacity.

Lightrock's investments have had a measured global impact reach of 24 million lives touched. Its health and education investments have seen 7.7 million patients provided with access to affordable healthcare, 175,000 critical eye care treatments provided, and 4.6 million students have been helped to achieve better education outcomes.



BLUEORCHARD MICROFINANCE FUND (BOMF)

BlueOrchard is helping to end world poverty through improving financial inclusion. Since it was founded in 2001 by an initiative of the UN, as the first commercial manager of microfinance debt investments worldwide, the company has evolved into a leading global impact investment manager — helping make impact investment solutions accessible to all.

Through the BlueOrchard Microfinance Fund, 11 out of the 17 SDGs are addressed with the objective of supporting underrepresented individuals. The fund serves as a key financing partner to financial institutions that promote access to finance, women empowerment, and environmental sustainability. An important aspect of BOMF is its mission to empower women through the provision of access to financial services. At this stage, 77 per cent of BOMF funding is provided to female clients of MFIs.

To date, BlueOrchard has invested over $8bn across more than 90 countries. As a result, as of June 2021, 216 million people with low income in emerging and frontier markets have received access to financial and related services.

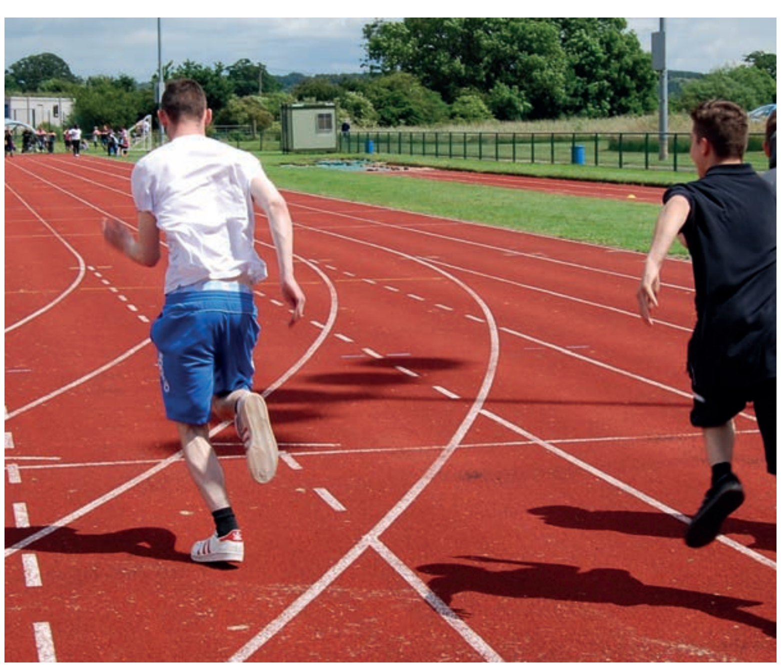
CAPITAL DYNAMICS

It's fair to say that corporate responsibility is deeply woven into Capital Dynamics' DNA. Each of the firm's business lines — private equity, private credit and clean energy infrastructure— is required to follow the firm's Responsible Investment Policy throughout the investment appraisal, due diligence, decision-making and post-investment monitoring process.

The firm developed Capital Dynamics R-Eye, a scorecard that monitors responsible investment criteria throughout the ownership phase, scoring each investment from 0 (lowest ESG score) to 5 (highest ESG score) based on PRI principles and UN SDGs.

Capital Dynamics' recent acquisition of Longhill wind farm demonstrates the firm's commitment and contribution to the UK's net-zero climate targets, with the project estimated to reduce greenhouse emissions by over 2.6 million metric tons during its lifetime.

BRIDGES FUND MANAGEMENT



Bridges Fund Management has embraced impact investing across its entire investment platform. It has raised £79m to date for Bridges Evergreen Holdings, a pioneering permanent capital vehicle, and has has now also closed Bridges Sustainable Growth Fund IV (SGF IV), with £81m of commitments.

One of its portfolio companies, AgilityEco, provides energy-efficiency and low-carbon services across the UK, helping to tackle the challenge of fuel poverty. During the Covid-19 lockdowns, it adapted its model to allow for remote telephone provision.

Bridges uses the framework developed by the Impact Management Project (IMP) to help analyse and optimise the impact of its investments.

The IMP was launched by Bridges in 2016 and is now hosted by Bridges Insights, the firm's not-for-profit field-building arm. In the last five years, it has brought together over 2,000 organisations to agree on shared norms and standards.

PALATINE PRIVATE EQUITY

Palatine is the first UK mid-market PE house to raise a dedicated, returns focused impact fund. The PE firm launched its first impact fund to prove that returns, and purpose can be achieved simultaneously.

Fund I, a £100m fund, was raised in 2017 to back UK headquartered companies in sustainable communities, children and young people, skills and training and sustainable housing. The fund supports and scales the reach of companies that are tackling some of the biggest issues facing society, such as inequalities in education, healthcare access, and climate change.

One of the Fund's seminal investments has been in Estio, a provider of digital and IT apprenticeships that lead directly to good jobs and careers in the digital economy. Since Palatine's investment, the education company has increased the number of learners in its program by 50 per cent, reduced its carbon footprint by 94 per cent, and increased the number of female students by 33 per cent.

CREAS IMPACTO FESE, S.A.

Creas Impacto is making waves in the Spanish impact investing market, as the first impact fund in Spain sponsored by EIF and ICO, as well as being the first BCorp fund in Spain. The firm has an active role in building the Spanish and EU impact ecosystems and promoting best-practices alongside national and European institutions such as Spain's NAB, ASCRI (Spanish Venture Capital Association), EVPA, IMP, and leading academia such as IE and ESADE.

Creas Impacto's key metric is the Social Impact Multiple (SIM), which is calculated for each portfolio company and on a weighted aggregated level for the entire portfolio. The SIM measures percentage achievement against the end impact goals, four years after the initial investment.

Notably, the fund's carried interest is linked to the Fund's SIM, ensuring that the management team is aligned with impact maximisation. The firm has already achieved 60 per cent of the impact goals that it established at the end of each company's four-year holding period.

BLUE HORIZON

Blue Horizon is tackling the future of food by embarking on a mission to replace animal-based proteins with sustainable alternatives. By partnering with tech start-ups and founders who are revolutionising the food ecosystem, the VC fund helps to build companies that are better for human impact, animal animal and planetary impact.

Blue Horizon achieves its impact goals by evaluating key impact levers for delivering higher positive impact, helping set priorities for those key levers and working together with its network to deliver results.

Most recently, Blue Horizon made an investment in Agbiome, which is involved in the development and sale of 'next-generation' biological crop protection products, offering comparable efficacy to synthetic chemical protection, but without the associated negative impacts on the environment, human health and biodiversity.

BIG ISSUE INVEST

For the past 30 years, Big Issue Invest has been busy building a world that works for everyone, challenging, innovating and creating sustainable business solutions that dismantle poverty and protect future generations. Since its establishment, Big Issue Invest has made over 300 investments in the UK, supporting enterprises that all help eliminate poverty.

The firm aligns to the SDG's and its impact measurement tool assess: impact delivered; additionality of investments; and diversity, equity and inclusion. The firm has also implemented live dashboard mapping for all of its investments against UN SDG goals and financial measures.

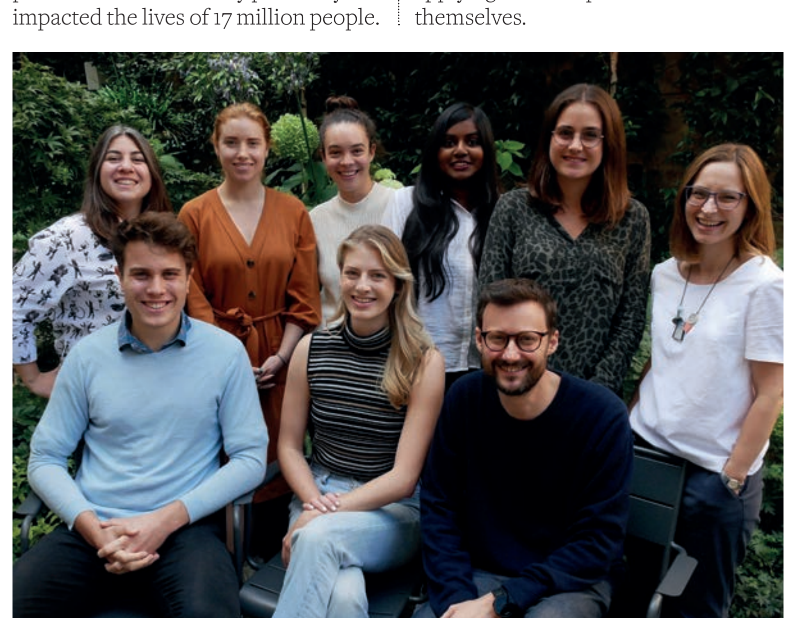
Big Issue Invest has been particularly active in rescuing Covid-ravaged investments over the last year. As one of the first movers in the impact investing space, this year's Future 40 list wouldn't be complete without it.

BETHNAL GREEN VENTURES

Bethnal Green Ventures is driven by the thesis that technology can not only be a force for good, but holds the answer for many of the world's most pressing issues. The VC backs early-stage tech founders who are tackling crucial social and environmental problems.

As part of its impact strategy, Bethnal Green asks companies to report on their impact on a yearly basis using a number of industry frameworks, including Nesta's standards of evidence, the impact class matrix and the SDGs. So far, the VC's portfolio has collectively positively impacted the lives of 17 million people.

Most recently, Bethnal Green invested £200,000 into LettUs Grow, a company that is building the farms of the future, tackling CO2 emissions, ecosystem collapse and food security. The company's patented aeroponic system has shown growth rate increases of over 70 per cent, compared to existing solutions and a 95 per cent reduction in water usage versus open-field farming. As a founding UK B Corp, Bethnal Green has also supported LettUs Grow in applying for B Corp certification themselves.



CLOSED LOOP PARTNERS

Closed Loop Partners presently manages seven funds, all of which are focused on building the circular economy, looking at natural resource efficiency and supply chain optimisation. The firm's focus areas are plastics and packaging, food and agriculture, fashion, and supply chain technology. With this, it targets competitive financial returns and a net positive impact through avoided landfilling, reduced resource extraction, avoided GHG emissions and a systemic shift toward a circular economy.

Evidence of Closed Loop Partners' success can be seen through its impressive impact outcomes — as of year-end 2020, the firm has made 46 investments across its platform, keeping 2.3 million tons of material in circulation and mitigating 5.3 million tons of CO_2 equivalent GHG emissions.

EARTH CAPITAL

This year's Future40 wouldn't be complete without Earth Capital. The firm's Nobel Sustainability Fund (NSF) invests exclusively across the climate change nexus of energy, food, and water — sectors that will become critical in a world facing rising populations, resource scarcity and the systemic challenges of climate change.

The firm's specialist in-house sustainability team, led by Richard Burrett, chief sustainability officer, developed the Earth Dividend tool for measuring the sustainable development impact of its investments. The scorecard enables Earth Capital to identify both ESG risks at a company and fund-level, as well as ESG and impact-related opportunities. Notably, all of the firm's current investments hold net positive impact scores — demonstrating how NSF makes a net positive contribution to sustainable development.

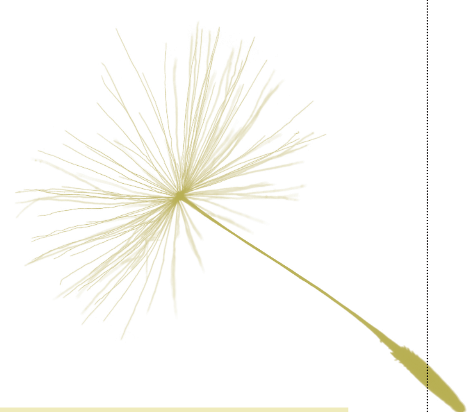
The Earth Capital team's long-standing, 34-year track record has an IRR of 28.4 per cent across all investments. In addition, according to the firm's Green Tech results, the team has made 47 sustainable investments since 1985, generating an IRR of 45.2 per cent.

RAVEN INDIGENOUS CAPITAL PARTNERS

Raven Indigenous Capital Partners is the world's first Indigenous owned and led impact investment intermediary. The firm backs innovative, scalable Indigenous enterprises with transformational impact narratives between Canada and the US. Raven's funds and investments are prioritised in tech, food sovereignty, and natural products that integrate traditional knowledge.

The relationship between indigenous people and money has long been fraught, a central part of Raven's approach is ensuring that money represents medicine rather than extraction. The firm designs investment structures that offer both competitive returns for investors and cultural safety for its indigenous businesses and partners.

Half of the firm's investable capital is reserved for bridge and follow-on rounds, as the firm has come to learn just how limited the financing ecosystem is for Indigenous enterprises. Raven Capital's Impact Fund raised $25m and the firm is now raising $75m for Fund II.



EKA VENTURES

Eka Ventures is a new, early stage venture capital firm focused on sustainable consumption, consumer healthcare and inclusive economy. It's most recent impact fund raised £95m to support companies with products and the capacity to positively transform the economics and the societal impact of the industries they operate in. The fund seeks to guide and finance companies leveraging innovations and developments in consumer led healthcare, sustainable consumption, and inclusive products.

Broadly, Eka's investments are guided by the idea that modern industry, and the lowest cost ways of doing business are often extremely inefficient and foster major negative societal side effects. Eka selects investments that have the capacity to change whole industries, as a company can change an industry if it can get enough market share to make all the other companies within it react.

Eka Ventures only had its final close in April 2021, but anticipates building categories that don't currently exist.

EQT PARTNERS

Sustainability and impact are encompassed at all stages of the firm's business lines and funds. As part of EQT's strategic agenda, the firm focuses on putting purpose into practice, contributing to societal impact, with investments catering to societal challenges, supporting companies in renewable energy transition, driving diversity among EQT service providers and reducing pension funding gap.

EQT believes that there is a positive correlation and mutual reinforcement between sustainability and financial performance. Some quantifiable impacts of EQTs impact strategies have been the reduction of its greenhouse gas emissions by 80 per cent between 2018-2021. In terms of diversity, 60 per cent of EQT teams achieved the goal of having women account for 65 per cent of the investment advisory professionals hired in 2020.

EQT recently launched its longer-hold impact fund, EQT Future Fund, targeting €4bn. The firm has also become the first private markets firm to set science based targets (SBTs) as part of its strategy to address climate change by identifying gas emission reduction targets.

ZEAL CAPITAL PARTNERS

Zeal Capital Partners stood out for its focus on inclusive investing. The fund aims to tackle the lack of diversity in venture capital via its investments and value creation strategies. Zeal applies its inclusive investment philosophy both internally and within its portfolio companies, by building a diverse team of fund managers, while also supporting companies to proactively source diverse management teams. Diversity at all levels is key to long-term success, the fund notes.

More broadly, the firm invests in and scales companies that directly align with nine of the 17 SDGs and businesses are provided with a customised impact framework to capture its impact. Every founder from Zeal's investments are also required to sign a diversity pledge, highlighting their accountability in ensuring they are hiring and scaling products and services into low wealth communities and consumers.

BAIN CAPITAL DOUBLE IMPACT

Bain Capital has been instrumental in paving the way for impact investing, as one of the first major alternative asset firms to launch a dedicated social impact fund in 2016. Bain Capital Double Impact invests in opportunities in sustainability, health & wellness and education & workforce development.

The fund measures the impact of its portfolio companies in four key ways: Working with portfolio company management to identify two to three unique impact metrics that are core to the company's impact potential; creating three to five year forecast targets for each impact metric in order to align impact goals with operations and financial targets: using the B Impact Assessment annually to identify areas of improvement; and measuring against cross-cutting portfolio goals like gender diversity.

Bain Capital Double Impact has raised two funds to date. In 2017, it raised $390m for Fund I and in November 2020, it held a strong final close for its second fund at more than $800m in total commitments.

NORRSKEN VC

Norrsken VC invests and operates on a 1 to 1 ratio between impact and profits: for each unit of product or service portfolio companies deliver, there must also be an equivalent unit of positive impact. The firm has no specific sector focus, but has a global mandate investing in impact start-ups that address the UN's SDGs.

Norrsken VC backs start-ups early, with particular attention to those with potential to develop to become impact unicorns: organisations making the world a better place for one billion people.

The firm has €123m AuM and its most recent impact fund raised €110m. The fund is structured with teams' financial remuneration linked to it's impact targets. Notable successes from its portfolio include: 11,000 tonnes of food saved from waste, 41,000 workers trained on human rights, and carbon reduction with 10GWh of electricity savings. In addition, Norrsken VC is a trailblazer in transparency and publicly discloses its impact report each year.

SUMMA EQUITY

Summa Equity is praised for its investment strategy of exclusively backing purpose-driven growth companies that are harnessing growth in industries underpinned by global megatrends. Specifically, the firm invests in resource efficiency, changing demographics, and tech-enabled transformation.

Summa uses the UN Sustainable Development Goals, as a framework for value creation, alongside a deep ESG specialism. The firm has a €2.4bn impact capital AuM, raised €670m for its latest fund, Fund II, and believes that there is no trade-off between generating strong financial returns and delivering on a high ESG KPI level.

Impressively, Summa's portfolio companies have avoided 701,000 potential CO2e emissions and in its changing demographics theme, 317 million patient outcomes have been impacted. In its tech-enabled theme, more than 2 million working lives have been made safer through its SAAS solutions. By working and bridling specific mega trends, the firm is able to drive ongoing business expansion and deliver resilient, consistent performance to investors across economic cycles.

IMPAX ASSET MANAGEMENT

With an AuM of c.€40.2bn, Impax backs companies and industries positioned to benefit from the shift to a more sustainable global economy and the move to renewable energy. An established private markets investor, Impax' private markets funds focus on creating impact with investments in European renewable energy projects. The New Energy Strategy funds, constructs, operates and sells onshore wind, solar and small-scale hydroelectricity projects, and is also active in adjacent renewable sectors, such as battery storage. Impax actively works to displace fossil fuel-fired energy generation to reduce the CO2 emissions of the European power network. In 2020, a $10m investment in the New Energy strategy generated 24,560MWh of renewable electricity, equivalent to 4,080t CO2 net emissions avoided.

CIRCULARITY CAPITAL

As one of the most notable circular economy investors in Europe, we are pleased to include Circularity Capital in this year's Future 40. The firm focuses on growth stage circular economy businesses driven by the belief that circular business models have a competitive advantage that is driven by their positive impact.

The firm screens potential investments according to its five circular business archetypes - business models which help assess whether the impact objective of the business is fully and intrinsically linked to the commercial business model and a key driver of commercial advantage. Following the initial screen, the team completes a Theory of Change paper, which assesses the degree to which a business generates a positive environmental or social impact.

Circularity's strategy is clearly working — It's aggregate fund has achieved: 138,000 tons GHG reduction from services sold since inception; 35,000 units of avoided manufacture of new products; and 69 million meals saved.

CLEAN GROWTH FUND

A relative newcomer to the world of impact investing, Clean Growth Fund launched last year and is punching well above its weight. The firm's purpose is to drive positive impact in the fields of decarbonisation and resource efficiency by backing early stage companies spanning sectors such as power, transport, buildings, industry and circular economy.

Since launching last year, CGF has already invested in three companies: Piclo, Indra and Tepeo. Piclo has developed an online platform that unlocks new revenue streams for low carbon energy assets, while simultaneously balancing supply and demand of power at the grid level. Indra manufactures smart and bidirectional chargers for electric vehicles. These reduce stress on the power grid and enable consumers to charge during low carbon and low cost periods. Meanwhile, Tepeo has designed a Zero Emission Boiler that is a drop-in replacement for residential gas and oil boilers.

CGF has raised £60m to date and is on track to make the positive impact it set out for via its investments.

EUROPEAN CIRCULAR BIOECONOMY FUND (ECBF)

European Circular Bioeconomy Fund has a mission to deliver finance to businesses with innovative solutions, that are transitioning industries from the linear economy to a more sustainable circular one. It seeks to back new technologies and business models in Agtech; blue economy; and bio-based chemicals, specialities and materials, with applications in nutrition; packaging, personal care, construction, and textiles.

The firm is relentless when it comes to the fulfillment of ESG targets - if an investment target has even minor ESG deficits, the firm consults the company to remedy its ESG deficiencies.

The Fund only started actively operating via its €200m in 2020, and has already invested in three portfolio companies. A flagship investment for the firm has been PeelPioneers. The business offers a circular solution for the disposal of orange peels, which are then used as ingredients in food and beverage applications, cleaning products and cosmetics that don't currently exist as of yet.

EIFFEL INVESTMENT GROUP

Eiffel Investment Group is a pioneer in energy transition financing. The investor's debt arm, Eiffel Impact Debt, is the first European fund to have implemented impact covenants that are placed at the same level as financial covenants and modulate the interest rate of its loan.

The firm seeks to finance future leaders in energy transition, with its guiding approach based on the notion that companies that integrate sustainable development issues into their strategy offer better long-term prospects.

The Eiffel Energy Transition program is composed of three funds, including two bridge debt funds and one gas equity infrastructure fund, amounting to more than €1bn AuM. Projects funded by the program in 2020 avoided the emission of c.370k tons of CO_2, and financed the generation of 2000 MW of energy capacity, equivalent to the energy needs of 1.3 million homes. Eiffel investments financed across the world have mobilised 600,000 jobs yearly.

UNOVIS ASSET MANAGEMENT

Unovis Asset Management has 'tackling climate change' at the heart of its investment philosophy. The firm, which is currently raising its second fund (c.€150m target), is an impact venture fund, focused on replacing animal agriculture with plant-based and cultivated meat, dairy, seafood, and egg alternatives to reduce harm and suffering for the planet, people, and animals. Through its portfolio companies, the firm looks to plant seeds today that will make a positive impact on society in several years' time.

Unovis ensures that its investments are in line with the UN's SDGs and continues to monitor its companies' impact through the investment process. The firm requires its companies to provide key environmental and social metrics in their quarterly reporting, such as workforce and board diversity, packaging initiatives, and recruiting protocols, among others.

EIF SOCIAL IMPACT ACCELERATOR

For almost a decade, EIF has been dedicated to impact investing and has committed over €500m to social impact by investing in funds that support European SMEs.

The organisation's most prominent initiative has been the Social Impact Accelerator (SIA), which operates as a fund-of-funds specifically for social impact venture capital and private equity funds. SIA's fund commitments amount to €243m, its portfolio consists of 18 social impact funds, which have invested in 283 social enterprises across Europe. SIA has functioned as a vanguard in the European impact investing space, as it has built up existing market infrastructure for social impact investing, to put the emerging asset class on a path to long-term sustainability.

Since SIA was launched in 2013, EIF has witnessed impact investing contribute to growth and have an ever-increasing role in promoting social inclusion and a more equitable and sustainable society. EIF has seen its impact multiple on returns increase from 0.348x in 2014 to 0.611x in 2020.

WEINBERG CAPITAL PARTNERS

Weinberg Capital Partners knows that for businesses to survive, they must take sustainable development issues into account. The firm's impact fund, which held its final close at €115m in June 2021, will target unlisted French SMEs that address sustainable development, environmental and societal issues, specifically in health, education, social inclusion, sustainable consumer goods (including agri-food) and ecological transition.

Weinberg Capital is applauded for its thorough diligence and monitoring of its portfolio and potential targets. The firm structures its impact measurement based on the IRIS indicators suggested by the Global Impact Investing Network (GIIN), which includes more than 559 indicators, of which Weinberg has formed a benchmark from. In addition, the fund works with third parties to give a detailed report on a company at acquisition and to develop a three to five year impact plan.

The firm was commended by the judges for tying its impact goals to its team's incentives. Carried interest is conditioned upon the achievement of the impact objectives and up to 50 per cent of the carried interest may be donated to the Télémaque association if the impact criteria are not met.

SWEN CAPITAL PARTNERS

Through its Blue Ocean fund, SWEN Capital Partners has refocused on startups that address ocean sustainability.

Following in the footsteps of SWEN Impact Fund for Transition, launched in 2019, Blue Ocean will also develop impact strategies for future impact themes, both societal and environmental.

It's impact is measured through impact KPIs prior to investment, which are submitted to SWEN's impact committee, on an ongoing basis annually. Ocean impact is assessed on overexploitation, pollution, and climate change. However, work on how exactly these impact KPIs will work is still ongoing, as the fund just launched in July this year.

SILVERSTREET CAPITAL

Silverstreet Capital is driven by an intensifying reality of food insecurity in Africa. Already facing significant food shortages and growing levels of poverty, the continent is set to see the majority of the world's population growth between now and 2050. With $445.8m AuM, all of Silverstreet's investments are geared towards increasing African food production and supporting smallholder farmers.

To date, Silverstreet has backed 11 portfolio companies across the agricultural value chain in areas such as seeds, primary production, processing, protein and manufacturing. The investments have brought a multitude of quantifiable impact to the region, with 10,400 jobs created, with direct economic benefits for 386,000 people, and increased community income of $116m pa. Silverstreet has also increased female employment: 42 per cent of staff across Silverlands I and II funds are women.

SWEEF CAPITAL

As a women-led fund management firm, South-East Asia-based Sweef Capital has a bold focus on diversity and gender equality. It's investment strategy is simple - to provide scalable solutions that meet the community's needs and drive value through D&I.

Sweef Capital faced more difficulties than most during the Covid-19 pandemic, as retention rates and employee numbers rapidly decreased through its portfolio, as retail was worst affected. As a result, it re-focused its gender action plans, established even closer relationships with its entrepreneurs, and acted as a sounding board to help with navigation through, and post lockdowns.

The firm measures impact from its due diligence processes, and is carried over the course of portfolio companies' holding period. Gender equality is addressed in periodic assessments to drive the company's score through active gender intervention and value creation work.

TPG/ TPG RISE

With its most recent fundraise, TPG Rise Climate, reaching a first close of $5.4bn after launching in January this year, and has set a hard cap of €7bn. The impact fund will focus on clean energy, enabling solutions, decarbonised transport, greening industrials and agriculture & natural solutions.

Over the last five years, TPG Rise's mission to bring institutional capital at scale to impact investing, has led to the launch of several other PE impact investment vehicles in the industry. It's method to achieve this mission is through "enterprise additionality" - asking the question "how is the world different because of something the business did?"

TPG Rise's target areas through its impact investing is wide-spanning from investing c.$868m in access to education in the last financial year, to efforts in reducing carbon emissions, reducing poverty and providing quality healthcare.

JONATHAN ROSE COMPANIES

Jonathan Rose Companies is one of the largest operators of affordable housing in the US. The mission driven organisation is committed to enhancing the health and wellness of residents and the environment, with green, energy efficient property innovations and enhancements.

Jonathan Rose Companies' most recent impact fund, Fund V, raised $525m to support the creation of affordable multifamily housing; implementing practical green strategies to reduce costs and increase efficiency; and increasing opportunity for its residents through social and educational services. The mission is the provision of safe, energy efficient and affordable housing as a stable base for families and seniors and to connect residents with a range of health, educational and social services.

A defining investment for the firm has been Goodwill Terrace, a 202 unit NYC property providing affordable housing and supportive services to residents for 45 years. Approximately $12m in planned renovations will go toward capital improvements to increase energy efficiency, modernize the building, increase amenities and social services spaces, and revitalize the property for another generation. Jonathan Rose companies has put $3.2bn to work since 1989.

SUSTAINABLE DEVELOPMENT CAPITAL LLP (SDCL)

SDCL is the investment manager of the SDCL Energy Efficiency Income Trust plc (SEEIT), which currently has a market cap of c.£1.03bn, following its £100m IPO in December 2018.

SEEIT is the largest UK-listed investment company to invest exclusively in the energy efficiency sector. Specialising in environmental infrastructure, the firm focuses on reducing energy waste, greenhouse gases, and its associated costs. And the fund has provided energy efficient solutions to over 55,000 properties in the UK, Europe, and US so far.

It's recent investment in US-based Primary Energy utilized waste heat and gases to deliver cheaper, cleaner, and more reliable energy infrastructure solutions for the steel industry. It's new low-cost energy is c.70% cheaper than energy supplied from the grid, and has saved one million tonnes of CO_2 emissions annually.

VITAL CAPITAL

Vital Capital invests in four impactful themes across growth markets: the provision of water, food, healthcare and sustainable infrastructure. The firm is applauded for its no-compromise approach and seeks to back businesses where investing for impact generates significant enhancing synergies that create a strong positive correlation between an investment's impact and its financial performance.

Vital's companies target its four desired impact outcomes: increased access to food, clean water, healthcare, housing and other essentials; increased employment opportunities; increased local capacity and know-how, and improved infrastructure to provide for safe, connected and sustainable environments.

The firm became a signatory to the International Finance Corporation-led Operating Principles for Impact Management earlier this year and will publish its first annual public disclosure statement in 2022.

SUNFUNDER INC.

SunFunder's mission is to become the world's leading fund manager for distributed clean energy investments in emerging markets and underserved communities. With its focus predominantly in sub-saharan Africa, south and south-east Asia, and the Middle East,

With its three objectives: to improve access to clean energy, mitigate CO_2 emissions, and improve quality of life and increase opportunities for women, SunFunder is keen to accelerate the transition to a low-carbon economy.

The firm takes a conservative approach in gathering its metrics to measure impact, with the belief that this ensures it can provide an honest, realistic picture. As a result, through its investments, SunFunder has offset 750,000 tonnes of CO_2 emissions, improved energy access for over eight million people, and improved access to energy for nearly four million women.

TRILL IMPACT

Trill Impact's mission is clear - deliver real returns and make a lasting impact for investors, businesses and society at large. With €900m raised for its inaugural impact fund this year, the Fund is one of the largest in terms of capital commitments raised by an emerging manager since the global financial crisis. It's evident that investors are confident in the fund's investment strategy and philosophy, in which it will target businesses with annual sales of €15-300m in the Nordic, DACH and Benelux regions.

The firm is a hands-on investor with a focus on acting as a thought leader to drive positive change in the industry. What makes Trill Impact standout is its Impact Toolbox value creation strategy, comprising four key areas in which it assists portfolio companies on. These include: sourcing businesses that will make a positive impact and financial return; working with management to grow the business; actively tracking impact KPIs and facilitating partnerships with industry and impact professionals.

Analysis

LONG OR SHORT HAUL?

Is the increasing number of co-investment deals a result of inflated pricing and a quick fix for GPs, or is it a matter of meeting LP requirements?

By *Talya Misiri*

Over the years co-investment has evolved from a minority sport involving few investors and private equity funds, to a strategy that is in high demand on both sides of the table. As we come out of the pandemic, it appears that an increasing number of GPs are keen to engage in co-investment transactions and are seeing the benefits of these.

While co-investments offer cost reductions, portfolio diversification, flexibility and additional cash, it's interesting to note that peaks in co-investment activity tend to follow economic instability.

During times of economic uncertainty, co-investment is preferred for stronger deal performance, too. As noted by Capital Dynamics' senior managing director David Smith: "In the Covid environment, we have found from our research that co-investments have outperformed buyouts generally across all cycles."

The highly competitive market has driven up prices at acquisition and at exit - and with lucrative sums being returned to investors, they are keen to come back for more. Speaking to *Real Deals*, Searchlight Capital founding partner Oliver Haarmann says: "Co-invest is directly correlated to liquidity in the market. So, the more money LPs get back every year, the more money they have to invest in private equity."

A sign of the times

Where co-investment has long been a strategy for a select few sophisticated investors, it appears that it is now becoming more mainstream. However, investors cannot help but question whether the uptick in co-investment opportunities being offered by GPs is a sign of the times and current economic conditions. Essentially, are GPs looking for co-investment to score attractive deals that have been valued at an inflated price in the current market?

According to recent proprietary research conducted by Capital Dynamics, in the years following financial downturns, average (median) performance of co-investment transactions that had been fully realised was above 20 per cent IRR for the post-GFC investment years and, similarly, above 25 per cent IRR after the dot com bubble burst.

While it is too early to measure the impact of the pandemic on co-investment figures, in this post-Covid environment, certain assets continue to be valued at higher prices, leaving GPs to scramble for ways to meet sellers' demands. As such, co-investment is being exercised at an increasing pace by some GPs to secure in-demand businesses.

BC Partners is an international alternatives firm that has a long-established co-investment division. Speaking to *Real Deals*, BC partner Alexis Maskell notes that where co-investment is a key strategy for the firm, other GPs tend to utilise co-investments as and when they need it financially. He says: "For some of our competitors, co-investment tends to take place on an ad-hoc basis. For example, co-investment tends to be driven by a need, they may say 'this equity check is rather large, we may want to find some co-investors.'"

Searchlight Capital writes equity cheques of around \$150m to \$300m. Haarmann notes that for GPs, co-invest can certainly be advantageous when it comes to entering larger deals. He says: He says: "Co-investment effectively allows us to punch above our weight. Co-invest allocations continue to be highly desirable for LPs, and so sometimes, we can even write equity checks in excess of twice the size of our typical deals because co-investment demand allows us to scale up if we so choose. It ultimately offers a lot of strategic flexibility."

Maskell agrees that co-investment is enjoyed for the flexibility it offers around pursuing larger transactions. "Having the ability to flex our equity check up and down because we know we're going to syndicate a large part of it gives us great flexibility in the amount we invest and the types of businesses we can go after."

LPs enjoy this flexibility too. With more GPs seeking co-investment, LPs can be selective with deals and structure, Smith says. He notes that with a co-investment, rather than simply investing common equity on the same terms as the lead investor; there is flexibility when it comes to the structure. As an example, Smith says: "You can say - I know you want another £20m to get this deal done; we're happy to provide you that, but we want it to be in preference shares and warrants."

Long-term shift

On the other hand, the benefits of co-investment are plenty for both GPs and LPs; and so the uptick in activity could largely be a natural evolution.

"We decided to offer co-investment very early on because we saw the long-term benefit," BC's Maskell says. He explains that offering this to its LPs is important to the GP because it helps to build investors' trust in the firm. "There's no better way for an LP to gain trust in the way that you transact than by actually seeing you in action. They [LPs] follow us from inception to conception on deals and through to exit."

Maskell highlights that for about 50 to 60 per cent of the investors that BC speaks to, "Co-invest is part of the menu." LPs are keen to know about the firm's co-investment offering and this can help to win investor support. Co-investment is viewed as a "partnership tool" between the GP and its investors.

Indeed, similar to the uptick in ESG considerations, increasing levels of co-investment can be largely put down to growing demands from LPs.

Maskell and Cap Dynamics' Smith signal the fact that a long-standing benefit of co-investment is that it provides a way for LPs to average down costs. In nearly all cases, co-invest will be free of management fee and carry. "This fee model is much more attractive to the institutional investor," Smith says.

Maskell adds: "LPs, and especially state pension schemes, and many of the sophisticated family offices are very focused on fees and costs, therefore, if they can bring that down through co-investment, then that's very attractive."

Second to this, and perhaps a growing reason for investor appetite in co-investment, is fund diversification. Through direct co-investment transactions, LPs are able to go beyond selecting certain funds by year, sector, market segment and country and also diversify by manager. "Co-investment goes one step further in diversifying a portfolio of investments and this has a very profound impact on the risk of that portfolio," Smith highlights.

Where LPs and GPs alike are both increasingly seeing the benefits of co-invest, it appears that there's definitely a real pull from the investor community for co-investment and this is likely to continue. Nonetheless, one thing is for certain, regardless of market conditions and fees, co-investment is key to strengthening LP-GP trust and partnerships.

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COMMENT

Management diligence - it's about who you know and where to look

Control Risks partner Henry Smith discusses GPs' evolving considerations regarding management due diligence and how advisors can assist with the extra details.

Management team diligence is an established and critical part of evaluating new deals and building your investment thesis. But, the context in which these variables are evaluated has changed. Diligence processes have adapted to fewer face-to-face discussions, which means there is less time for more informal social interactions in which people's personalities can be gauged and relationships built outside of the more formal deal negotiations.

More broadly, activism on political and social issues, and in some cases regulation, is focusing GPs' and LPs' minds on a different set of leadership qualities and values, and the corporate culture that leaders create. These important contextual changes have created two changes in how GPs approach us for management diligence.

Early entry

First, GPs are starting their management diligence earlier in their process. GPs want to gauge sooner rather than later whether the narrative they have built about management – or indeed the narrative crafted by the seller – is shared by industry peers, former colleagues, and business partners. The findings are often positive and affirm some of what the GP already knows, adding to the trust of the GP and the confidence of their investment committee. Deal timelines are tight, with sellers able to restrict access and drip feed information, meaning there is less time to get to know the people you are investing in.

However, GPs also want to know about past difficulties and leadership challenges, so they can raise them in discussions with management to hear their interpretation of events and to ensure there are not any surprises after the deal closes. We help GPs to do this by identifying people with the right access and experience to discreetly speak with.

Cultural considerations

Second, the leadership challenges that Covid-19 and the rise in social activism mentioned previously have made evaluating the culture of an organisation and its leadership more of an imperative. We see GPs reacting to this – either because they want to, or at the encouragement of LPs – by asking us to focus our conversations on how management teams are perceived by former employees and industry peers on diversity, equity, and inclusion themes, and whether the management's reputation has been burnished or tarnished by their approach to leadership during the pandemic. These have been testing times for everyone.

We help our clients find initial public indications of whether a company's culture is good or bad. We look at comments and reviews on professional networking sites and social media. We look for data that suggests there has been a high turnover of employees in specific roles or functions. We identify if there is a high concentration of employees in a specific country, often the case with technology companies with back-office support or research centres.

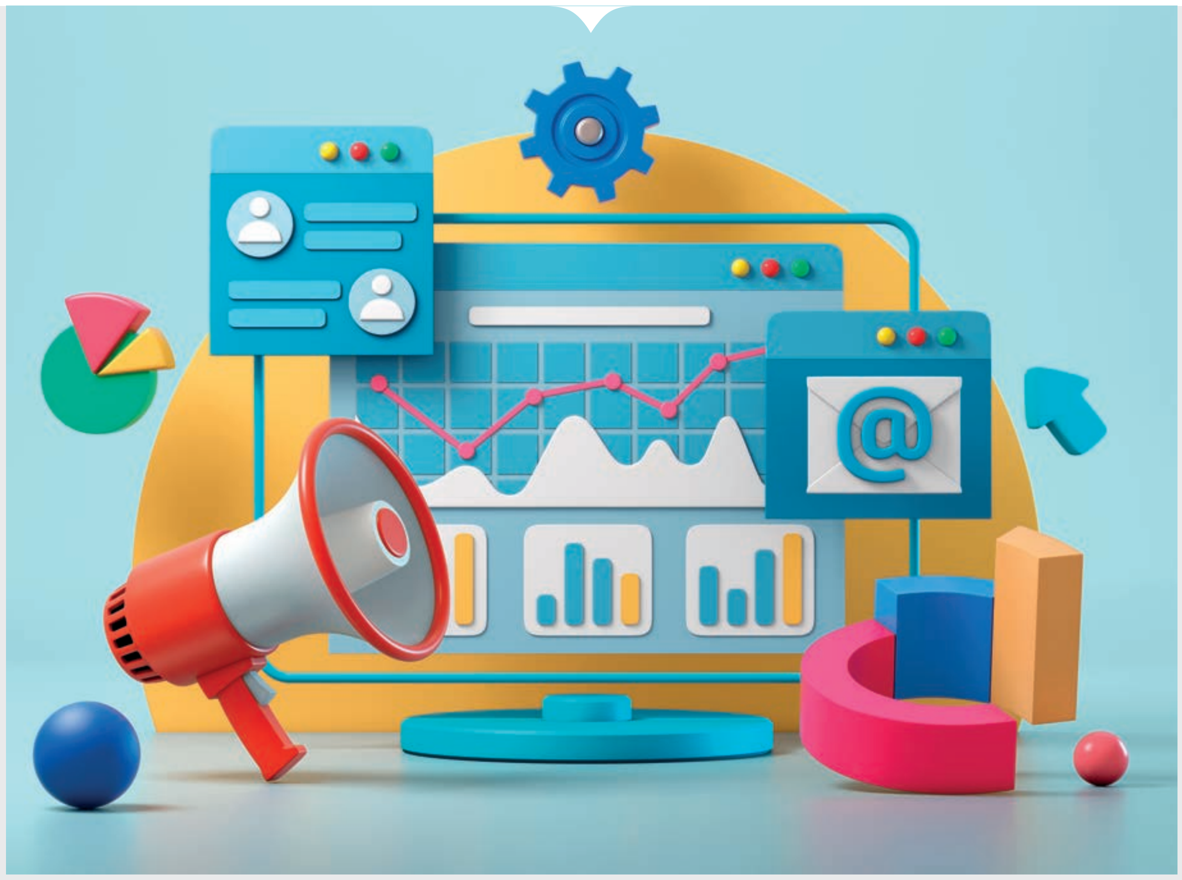
These exercises are also useful starting points for identifying former employees and industry peers with a perspective of the organisation's make-up and culture and allow us to frame conversations for more rounded and insightful analysis.

During this pandemic, we have helped GPs surface issues they would have missed through remote diligence including inappropriate behaviour in the workplace; overly autocratic decision making; leadership teams being closed off and unreceptive to employees' feedback; and organisations that are routinely failing to retain their rising stars.

We have helped GPs considering cross-border deals to identify cultural clashes between headquarters and operating companies; poorly managed integrations after a spate of acquisitions; and employees being pushed to work in breach of Covid-19 regulations in manufacturing sites. This is hard to do from behind a desk without access to the people involved.

None of these points change the core focus and purpose of management diligence described at the start of the article, rather they demonstrate the importance of asking the right questions to the right people at the right time.

Deals in brief



Carlyle seals stake in CSS

Carlyle has taken a majority stake in CSS, a German business software provider focused on accounting, controlling and HR software. Founded in 1984, CSS is specifically targeted at the needs of local and multinational German mid-market customers. Carlyle will work alongside the CSS management team to support the company's growth through the further development of its products.

TMT, UK

Target mmadigital
In Rockpool Investments
A Claritas Tax
C CIL
CF Frazer Hall, HMT
L Taylor Wessing, Knights
M Catalysis
T onefourzero

Rockpool Investments has injected growth funding into lead generation tech company mmadigital.

Founded in 2016, the business makes use of its proprietary lead generation platform to generate qualified leads for its base of over 70 law firm clients.

Rockpool's funding will assist mmadigital to continue its impressive growth journey and to further capitalise on its lead generation expertise by expanding its service range organically and via bolt-on acquisitions. Rockpool was advised by Taylor Wessing, HMT, CIL, onefourzero, Catalysis Advisory and Claritas Tax. mmadigital was advised by Knights and Frazer Hall.

BUSINESS SERVICES, BELGIUM

Target Scivera
In CGE Partners

CGE Partners' global compliance and sustainability business Enhesa has acquired Scivera.

The deal marks the second bolt-on for Enhesa since CGE acquired the company in July 2020 and bolsters CGE's European tech-enabled business portfolio.

Scivera enables companies to better manage chemicals in products and processes to address regulatory, market, and product quality needs.

Its platform ScIveraLENS is working towards safer chemistry and material health, helping businesses to simplify the start of their chemical management programs.

RETAIL, GREECE

Target Pet City
In BC Partners
A Deloitte
CF Ionian Capital
L Karatzas & Partners

BC Partners has agreed to acquire a controlling stake in Pet City, a pet retailer in Greece.

It is the first investment of BC Partners GR Investment LP (BCPGR), a special purpose fund dedicated to small and mid-sized companies in Greece. Pet City was founded in 1988 as a family-owned business.

In recent years, it has achieved double-digit sales growth driven by its wide network of nearly 80 stores and its strong e-commerce platform. As part of the deal, the founding family will retain a minority share in the company. Pet City was advised by Ionian Capital. BC Partners was advised by Deloitte and Karatzas & Partners.

MANUFACTURING, UK

Target BillerudKorsnäs
In Inspirit Capital
A Interpath Advisory
C AFRY, SIA Group
CF FRP Advisory
L Eversheds
I AON
T JacksonBreen

Inspirit Capital has carved out the UK-based medical paper manufacturing division of Swedish-listed group, BillerudKorsnäs.

The new company will be rebranded as Pelta Medical Papers.

The paper mill produces machine glazed kraft paper for the packaging of medical devices, quick service products. It has a capacity of around 45,000 tonnes per year and facilitated revenues of around SEK 480m in 2020. Inspirit Capital will support Pelta Medical Papers as it continues its expansion into the healthcare space. Inspirit was advised by AFRY (commercial), Eversheds (legal), FRP Advisory (debt), SIA Group (collateral review), JacksonBreen (technology), Interpath Advisory (tax) and AON (insurance).

TMT, THE NETHERLANDS

Target Zig Websoftware
In: Main Capital Partners

Main Capital Partners has acquired a majority stake in Zig Websoftware.Zig develops and implements software solutions for housing corporations, student accommodation and commercial property management.

Zig enables tenants to manage their own affairs online or via an app such as payments, reporting complaints, submitting repair requests or to cancel a rental tenancy agreement. Over 160 real estate organisations and 1.8 million tenants use Zig's software. Main will support Zig as it looks to further develop its product portfolio.

TMT, ICELAND

Target Míla ehf
In Ardian

Ardian has acquired Míla ehf, the largest integrated telecommunications network in Iceland.

The transaction sees Ardian acquire a 100 per cent stake in the business from Síminn Group, a telecommunications operator in Iceland.

With Ardian's backing, Míla will enhance the country's connectivity through substantial investment in additional fibre and 5G technology.

This investment marks the sixth for Ardian Infrastructure in the Nordic region, and it's first in Iceland.

This transaction is yet to receive clearance from local competition authorities. Ardian does not own any competing or overlapping businesses with Míla in Iceland or in the Nordic countries.

RETAIL, SWITZERLAND

Target Breitling
In Partners Group
Out CVC

Partners Group has acquired a minority stake in Breitling from CVC Capital Partners.

Founded in 1884, Breitling is a luxury Swiss watchmaker, with a heritage as the inventor of the modern wrist chronograph.

CVC first invested in Breitling via CVC Capital Partners Fund VI in 2017.

During this time CVC were able to significantly accelerate Breitling's growth through a repositioned brand, a rejuvenated product offering and a continued digitization of the business.

The transaction sees Partners Group acquire a significant minority stake in the Swiss watchmaker from CVC Capital Partners and its management.

The three entities will work together to drive value creation initiatives including growing its direct-to-consumer sales channels, expanding Breitling's retail network in Asia and the US, and improving operational efficiency.

TMT, ITALY

Target InfoCert
In Bregal Milestone
A EY
L Roland Berger, Cappelli RCCD

Bregal Milestone has invested €100m in InfoCert, taking a 16 per cent stake in the company.

InfoCert is an Italian digital trust company providing secure electronic solutions to manage and exchange documents, transactions, identification details, and communications materials. The business already commands a 45 per cent market share in Italy and is the third largest company of its kind globally, behind Docusign and Adobe.

The deal gives InfoCert an EV of €501m. Bregal Milestone's investment will allow the company to accelerate its internationalisation process and expand its global presence.

Bregal Milestone's network of companies in Europe will also allow InfoCert to seize the opportunities arising from the consolidation process of the digital trust sector.

Bregal Milestone was advised by Cappelli RCCD, EY Advisory SpA and Roland Berger.

KEY:
D Debt
MZ MEZZANINE
NC Newco
B Broker
CF Corporate finance
L Legal
A Accounting
C Commercial
T Technical
MG Management
I Insurance
P Property
EV Environmental

A round-up of deals from the past few weeks.

RETAIL, SWEDEN
Target Strandberg Guitars
In Procuritas

Procuritas has invested in Strandberg Guitars.

Founded in 2012 and headquartered in Uppsala, Sweden, Strandberg Guitars, under the 'Strandberg' brand, is a retailer of headless guitars. The brand has an established digital platform that has built a community of engaged followers and musicians internationally.

Procuritas has invested in the business via its Procuritas Capital Investors IV fund and will work alongside the company's founder, Ola Strandberg, to support scale-up growth.

SOFTWARE, FRANCE
Target Eudonet Group
In Montagu Private Equity
Out Quilvest

Montagu Private Equity has entered into exclusive negotiations with Quilvest Capital Partners to acquire Eudonet Group. Founded in 2000, Eudonet is a developer of CRM software based in Courbevoie, France.

The business serves local authorities and higher education organisations across France, the Netherlands, the UK, Belgium, Switzerland and Canada.

Quilvest supported Eudonet's management team as it grew the business considerably, improving functionalities, invested in product development and made acquisitions.

Montagu will leverage its expertise in the technology space to partner with Eudonet's management team as it pursues further growth through product development and expansion in new verticals and geographies.

BUSINESS SERVICES, UK
Target Bellrock
In Sun European Partners
Out Horizon Capital

Horizon Capital has sold Bellrock to Sun European Partners.

Bellrock is a provider of specialist risk focused workplace and property management solutions. Horizon first backed Bellrock in 2013 and has supported the business through organic growth and 11 strategic acquisitions.

Revenues of the business have quadrupled to over £160m.

BUSINESS SERVICES, UK
Target Anderson Anderson & Brown
In August Equity
A KPMG
C Strategy&
I Lockton
L Macfarlanes
T Xaeus Blue

August Equity has acquired Anderson Anderson & Brown (AAB). Based in Scotland, AAB is a tech-enabled business critical services group. The business supports a range of SME and enterprise clients, with a strong exposure to the energy, technology, business services, public & not for profit, food & drink and property & construction sectors. The transaction sees August make a significant investment, to support plans for doubling spending in tech and executing an M&A strategy throughout the UK. August Equity was advised by Macfarlanes (legal), KPMG (financial & tax), Strategy& (commercial DD), Lockton (insurance) and Xaeus Blue (technology). y).

SOFTWARE, GERMANY
Target CONET
In IK Partners
Out H.I.G. Capital

IK Partners has agreed to acquire CONET, the IT consulting and software development company, from H.I.G. Capital.

IK IX Fund will be acquiring a majority stake, with CONET's management team investing alongside IK.

Founded in 1987 and headquartered in Germany, CONET offers SAP consulting, communication solutions, software development and managed services to the public and private sectors. The company employs over 1,100 people in 13 offices across Germany, Austria and Croatia.

H.I.G. Capital invested in CONET in May 2017 and has since supported the management team in completing a series of strategic add-ons, including ACT in 2017, Babiel in 2019 and Procon IT in 2020.

Together with IK, CONET plans to continue its growth plans in the DACH region.

BUSINESS SERVICES, UK
Target Fletchers Solicitors
In Sun European Partners

Sun European Partners have acquired Fletchers Solicitors.

Founded in 1987, Fletchers is a UK personal injury and medical negligence law firm, with offices in Manchester and Southport.

The law firm has grown its sales at over 20 per cent CAGR since 2010 and has industry leading win rates.

Sun European will leverage the law firm's market position to seize significant opportunities within the highly fragmented and non-cyclical legal services space.

FINANCE, UK
Target CET Group
Out Palatine

Palatine has partially exited CET Group with the sale of its tech-enabled insurance claims management division to HomeServe for £53m.

Based in Castle Donington, CET is a provider of outsourced home emergency, drainage and subsidence services to one in eight UK households.

Since Palatine's initial investment in November 2018, revenues have grown by almost £12m to £32m and EBITDA has more than doubled. In the last twelve months, its workforce has also increased, rising from 190 to more than 300 people.

Since Palatine's investment, CET has increased the number of claims it handles by 40 per cent. This is due to improvements being made to the company's technology platform, Simplifi.

Palatine remains invested in CTS – Construction Testing Solutions, formerly CET Group's infrastructure testing division.

TMT, UK
Target Intelling
In RDCP
Out NVM

NVM has sold its stake in Manchester-based specialist communications business, Intelling, to RDCP.

RDCP has acquired a 67.4 per cent stake. NVM first backed Intelling in 2017, and its investment and additional board support has seen the company transformed into a £40m turnover, tech-enabled business, in the UK and overseas.

The existing management team will retain a large stake in the business and work closely with RDCP on Intelling's future growth strategy.

SWITZERLAND
Target swissfillon
In 3i

3i Group-backed ten23 health has acquired swissfillon.

Founded in 2013 and based in Visp, Switzerland, swissfillon is a contract development and manufacturing organisation (CDMO), focused on sterile filling of complex pharmaceuticals.

Headquartered in Basel, ten23 health is focused on helping biotech and pharma customers to develop and commercialise injectable biopharmaceutical drugs.

The partnership will position both businesses well as biologics modalities mature and move from bulk vials into formats that facilitate better routes of administration for patients.

3i first backed ten23 health in September 2021.

TMT, UK
Target adm Group
In Equistone Partners

Equistone Partners Europe has made an investment in UK-based global marketing services business, adm Group.

Founded in 1992, adm designs and distributes marketing products for over 600 brands across 130 countries. It recently acquired Supremia in 2020 and XL Concept in 2021 as part of its growth strategy. The company employs over 600 people across 51 locations globally and is projected to generate more than €320m in revenue in 2021.

As part of the deal, adm CEO, Justin Barton, is reinvesting in the business.

Tim Swales and Chris Candfield led the investment on behalf of Equistone and will both join the board of adm. Equistone's investment will allow adm to continue scaling the business through targeted acquisitions, as well as maintaining its organic growth.

Equistone was advised by Raymond James and Travers Smith. adm was advised by GCA Altium and Macfarlanes.

BUSINESS SERVICES, GERMANY
Target Sanner Group
In GHO Capital
A Deloitte
C Roland Berger
CF Solid Trust
EV ERM
L Wilkie Farr & Gallagher, Rittershaus

GHO Capital Partners has agreed to invest in Sanner Group, a global supplier of packaging solutions for the pharmaceutical, diagnostic, nutraceutical and medtech industries.

Headquartered in Germany, with manufacturing facilities across France, Hungary and China, Sanner produces more than four billion component parts each year and has over 600 employees. Its sales in 2020 increased by more than 15 per cent from 2019.

Following the acquisition, GHO will work closely with existing management and the Sanner family, who remain closely involved with the business.

GHO will support Sanner in accelerating growth plans through the expansion of manufacturing sites in Germany and China, and developing capabilities to facilitate expansion in US markets. GHO will also support management in accelerating product expansion initiatives, and sales and investment in business development.

Wilkie Farr & Gallagher acted as legal advisor to GHO, Roland Berger as commercial advisor, Deloitte LLP as financial and tax advisor and ERM as ESG advisor.

Rittershaus acted as legal advisors to Sanner and Solid Trust as M&A advisors.

HEALTHCARE, BELGIUM
Target Plastiflex
In IK Partners
Out 3d investors

IK Partners has acquired Plastiflex, a provider of tube system solutions for the healthcare, industrial and appliances industries, from 3d investors.

Plastiflex operates seven manufacturing facilities across four continents, serving blue-chip customers.

IK will partner with Plastiflex to drive further growth in the healthcare segment by making new client acquisitions and expanding its product offering.

Plastiflex will continue to be led by CEO Piet Gruwez and his team, who will also be reinvesting alongside IK.

BUSINESS SERVICES, GERMANY
Target ACTINEO
Out Riverside

The Riverside Company has exited its investment in ACTINEO a global data analytics provider.

ACTINEO is a German provider of digitization and medical assessment of bodily injury claims. The group operates in Germany, Austria, France, Spain and Italy, providing holistic data management and software-based solutions to support insurance companies in managing the entire bodily injury claims process.

Riverside invested in ACTINEO in mid-2019. During Riverside's investment, ACTINEO built out its technology platform and capabilities to significantly extend the range of services.

The company also expanded its business into the French, Spanish and Italian markets.

PEOPLE

SUMMA EQUITY

Summa Equity has promoted **Christoph Waer, Tim He** and **Matthias Fink** to partners.

Based in Belgium, Waer will focus on the changing demographics theme, by targeting companies in the healthcare and life sciences sector. Most recently, Waer managed the life science activities for Korys.

He will be based in Stockholm, and joins Summa from Kinnevik, where he served as investment director, and led its Nordic portfolio. In his new role, He will be focused on Summa's growth investment strategy - focusing on new idea generation, assessing and executing new investments.

Fink will start his new position as partner this month, and will lead Summa's value creation and portfolio management work in the DACH region. He will be especially focused on resource efficiency and tech enabled transformation.

Fink joins Summa's Munich office from The Riverside Company. Prior to that, he was at Boston Consulting Group.

AGILITAS

Agilitas has added four to its investment team, with the appointments of **Amol Judge, Nadja Goldbach, Niklas Quadt** and **Verdeep Dost.**

Prior to joining Agilitas, Judge was an investment professional at Herkules Capital in Osla, and before that, worked on M&A transactions at Carnegie Investment Bank.

Goldbach has spent the last three years at Monitor Deloitte. Prior to that, she worked at Norland Capital and Kearney.

Quadt started his career at Oliver Wyman, where he spent four years, before moving to TA Associates, where he spent the last three years.

Dost joins Agilitas from Hermes Infrastructure, where he worked on investments across the infrastructure and energy space.

In their new roles, the four will work across every stage of Agilitas's investment process.

BLUE HORIZON

Blue Horizon has added three to its investment team, with a new partner and two directors.

Lea Bajc joins as partner, and will focus on deploying her expertise across Blue Horizon's investment activity, and provide hands-on support to portfolio company management. Bajc brings two decades of investment and operational experience in venture capital and is a serial founder and entrepreneur across finance, technology and impact investing.

Friederike Grosse-Holz and **Olivia Stolt-Nielsen Meinl** both join Blue Horizon as directors.

Grosse-Holz will be responsible for establishing relationships with technically versed founders, scientists and industry stakeholders.

Before joining Blue Horizon, Grosse-Holz was a consultant at Boston Consulting Group, working with biotech and biopharma clients.

In her new role, Stolt-Nielsen Meinl will be responsible for impact and ESG strategies with the firm. She previously served as Blackstone's Alternative Asset Management, and before that, as an investment banking analyst at Goldman Sachs.

The three new hires will help to ramp up Blue Horizon's deal pipeline activity, in order to address accelerated growth and market opportunities in the sector.

BALTCAP

BaltCap has promoted two long-standing team members, **Sarunas Alekna** and **Eneken Napa**, to partner.

Since joining the firm in 2010, Alekna has contributed to the BaltCap buyout funds through numerous investments, including the recent exits in Ecoservice and Eesti Keskkonnateenused. He remains involved in several current portfolio companies where he is driving value creation initiatives.

Napa joined BaltCap's Tallinn office in 2012, initially as finance director and was subsequently promoted to finance & risk director in 2017.

BaltCap has grown the team in recent years and promoted from within to support the depth of service provided to its investors. In 2019, the firm embarked on further expansion of its offices into Finland, Sweden, and Poland, totalling six international offices.

TITANBAY

Titanbay has appointed **Gareth Read** as chief operating officer.

Read served as the former Barings managing director. Following this, he served as finance and operations director at AshGrove Capital.

In his new role as COO, Read will assume responsibility for Titanbay's operational infrastructure, and will work closely with the tech team to digitise operational processes. He will also oversee Titanbay's fund structures to facilitate geographical expansion.

GCA ALTIUM

GCA Altium has appointed **Tom Barnard** as director in its London team.

Barnard brings over a decade of experience in the industry, having served at BDO from internship level. He recently completed an 18 month secondment with the LDC London investment team.

In his new role, Barnard will work within GCA Altium's leisure M&A team.

IQ-EQ

IQ-EQ has appointed **Rashmi Rao** as group chief information officer.

Rao brings over 20 years' experience in technology transformations within regulated industries. She previously held roles at Bupa, McKinsey and Andersen, as well as at Fortune 100 banks.

Rao's appointment is part of a long-term technology push for the investor services group.

BARINGS

Magnus Lilja joins Barings in Frankfurt as a senior member of Barings' Global Private Finance Group.

Lilja will report to Mark Wilton, managing director, European Private Finance, in London and will be responsible for Barings' Private Finance activities in Germany, Austria and Switzerland.

Lilja is a native of Sweden, but has worked in the industry in Germany since 2004. He is fluent in German, Swedish, English and Polish. Prior to joining Barings, Magnus was head of leveraged finance Germany at SEB. He previously worked in the leveraged finance team at Royal Bank of Scotland.

OCORIAN

Ocorian has appointed **Carole Murphy** as COO.

Most recently, Murphy served as head of business transformation services and head of the finance and accounting practice at Capgemini. Her career has predominantly focused on the accounting and finance industry.

In her new role, Murphy will be responsible for leading Ocorian's global IT and operations functions, and will report to Ocorian's CEO and chairman, Frederik van Tuyll.

WHITE & CASE

White & Case LLP has made three additions to its partnership within its global mergers & acquisitions practice.

Ross Allardice, Mark Evans and **Tony Brown** will all be based in the firm's London office, and are rejoining the firm from Dechert.

Allardice will be rejoining the partnership, and will advise PE firms on every phase of the transaction, serving a number of sectors.

Evans will advise private equity sponsors, alternative capital providers, hedge funds and private equity investors on acquisitions, take-private transactions, minority investments and other strategic transactions.

Brown will advise PE firms on M&A, complex investments, restructurings and fast-growth investments.

Vulture

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Long live Spanx

Whoever said private equity firms are just self serving, money-grabbing looters, draining businesses dry, has clearly not seen Blackstone's most recent $1.2bn investment in Spanx — the unsung hero of shapewear clothing. Forget about impact investing and climate change, in Vulture's humble opinion, a world without Spanx is a world not worth living in. And now, thanks to Blackstone, no-one has to!

The best part is that Spanx founder, and living legend, Sara Blakely, has commemorated the company's new $1.2bn valuation by gifting her employees with two first-class plane tickets and $10,000 in spending money each. Long live Spanx!

PE wizardry

Whilst chatting with Vulture earlier this week, one GP couldn't stop yawning. Thankfully it wasn't the conversation that had the private equiteer falling asleep, but a late night with his kids caused by a halloween-fuelled sugar high. When pressed to confess if he had dressed up for the occasion, the GP admitted that he had gone as Harry Potter. Judging by the dealmaker's own powers of wizardry when it comes to financial engineering, his choice in costume came as little surprise to the old bird.

Money talks

Vulture was enjoying an end of week whisky snifter, when an intriguing conversation between two young women sitting nearby caught this raptor's attention. Turns out, one of them was currently dating a managing partner at a UK private equity firm — who shall remain anonymous. She confessed to her friend that while she'd initially had some concerns over their age gap, his £80k Mercedes had helped quell such doubts — turns out, money talks.