

DUKE

18

12 euros



THE THOUGHT LEADERSHIP FACTORY

PRIME CAPITAL:

Building on specialization
in private market
strategies

LOÏC LE FOLL (LA MONDIALE EUROPARTNER):

Anticipating and
Supporting the New
Needs of High-Net-
Worth Customers

BearingPoint®

*Explore the results
of our study into
the search for
efficiency through
Client Lifecycle
Management.
(p.54-55)*

CLAUS MANSFELDT

(SwanCap)

Private Equity Opens Up

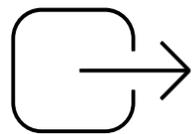
CLAUS MANSFELDT
SwanCap

Private Equity Opens Up

 **MORE INFORMATION**
www.duke.lu/swancap2022
www.swancap.eu

"AT SWANCAP, WE INVEST GRADUALLY: WE ARE NOT UNDERINVESTED IN HARD TIMES NOR OVERINVESTED IN EXUBERANT TIMES," SAYS CLAUS MANSFELDT, CHAIRMAN OF SWANCAP LUXEMBOURG. INTERVIEW.





Private Equity Opens Up

How is SwanCap doing?

Very well. We are pleased to see how PE has performed through the successive Corona lockdowns over the past two years. We are now facing a new – semi-cataclysmic – event with Russia's war, and yet financial markets are holding up. In general, private equity maintained its historical out-performance relative to public markets. This provides a great backdrop for SwanCap. With pooled funds performance of 25% net IRR, our funds are in the top quartile amongst our peers which drives continuous investment from our clients. And what we have learned in the past is that it is a good idea to remain invested in productive assets even during turbulent times, as Warren Buffet recently also reminded us. At SwanCap, we invest gradually: We are not underinvested in hard times nor overinvested in exuberant times.

Which trends are impacting the PE industry?

I identify three main trends. Firstly, large funds and large deals are driven by the appetite of pension funds, fueling the fundraising by mega-funds, sometimes exceeding €20 billion each. This clearly benefits big names, even though they have not always produced the best returns. Secondly, we witness very strong performance in the mid-market – where SwanCap is especially active. In our experience, this segment produces the highest returns. The challenge for investors is that mid-market funds, e.g. sized between €500 million and €5 billion, do not allow for unlimited subscriptions. However, SwanCap being in the market for more than 20 years allows us to gain access to desirable funds. The last trend is add-on M&A by investee companies for which private equity's stewardship is arguably best suited.



“From “Save the Planet”, governments are now switching to “Save Societies”.”

CLAUS MANSFELDT,
SWANCAP

What about ESG?

It remains a huge trend in the market. A spillover from trends that started in the public equity and bond markets was pushed by large institutional pension funds in northern Europe. Firstly, in the Netherlands and Scandinavia, institutions are demanding that managers address their business in terms of ESG on a global basis. The industry is scrambling to establish standards. It is a work in progress. The United Nations published the PRI and, in addition, the EU is driving the establishment of its own standards, which will discipline the market and ultimately pressure underlying corporate entities to comply. At the moment, given the war in Ukraine, there is a paradox evolving: Our free societies feel under threat. Governments are scrambling to catch up with their defense capacities. This spills over to the private equity sector being encouraged by authorities to also step up. This is a conundrum for PE managers who generally classified the defense sector as a no-go area only a few weeks ago. From “Save the Planet,” governments are now switching to “Save Societies.” You know, every morning, when I go to work, I can see the Luxembourg-American memorial in front of the airport, paying tribute to the 4th Infantry Division of General Patton's victory in the “Battle of the Bulge.” It reminds me that we have been through many wars in history, nearby, and that we should always remember who will come and save us when we need it. Finally, another very poignant ESG trend is the acceleration, spurred by the sanctions against Russia, of an energy-transition away from carbon-fuel towards renewable energy.

What risks and opportunities do you identify?

Generally, in private equity, concentration is a risk: Investing too much in one company, one fund, one sector. Remember

“We should always remember who will come and save us when we need it.”

CLAUS MANSFELDT
SWANCAP

that you can't switch easily, so diversification is the key. In terms of opportunity, I think that the inclusion of more investors is equally important. At the moment, private equity is a closed-shop reserved for pension funds, institutions and the richest people. Efforts are being made right now to facilitate the participation of more investors. ELTIF is driving investments towards infrastructure – which, by the way, is not completely safe, as it is dependent on e.g. public pricing schemes subject to political manipulations. At SwanCap we have teamed up with Antwort to lower the barrier of entry. I hope that this will allow more investors to participate in the premium returns available in the PE sector. Finally, I hope that regulation will not reach a point where only certain super-sized firms can participate. There are so many laws, directives, policies and audits right now that entrepreneurship and innovation are in danger of being limited. In time, over-regulation drives the whole industry into the hands of huge players and past performance does not assure that they are necessarily the best performers nor best innovators alone.