



A Landmark Year for European Private Equity



This month, Preqin spoke with [Michael Collins](#), Director of Public Affairs at the [EVCA](#), regarding the state of the European private equity industry and what it means for an investor to be appointed Chairman of the organization.

How have you felt this year has been for private equity across Europe?

It has been a landmark year for European private equity. The industry has entered into a new era of pan-European regulation with the Alternative Investment Fund Managers Directive coming into force. But by no means does that mean our work on that file is over. There are still detailed rules that need to be finalized by European Union regulators and at the national level not all Member States have yet adopted the laws necessary to give the Directive legal effect. It is therefore very important that we remain fully engaged to ensure that the AIFMD remains proportionate and is implemented consistently across the EU – which is something that will benefit all our members – both investors and private equity managers alike. But our work on AIFMD will not end even once all the rules are in place – we will continue to remain active so that we can shape its review in 2017.

It has also been a big year for the EVCA. Not only did the association celebrate its 30th anniversary but it also elected its first Chairman to come from the investor community: George Anson of HarbourVest Partners.

How significant is having an investor as Chairman of the EVCA?

It's very significant. Especially as one of our major areas of focus is on forthcoming European investor regulation. George's expertise and leadership will be vital. His election shows how important our investor members have become in a very short time and it shows that the EVCA is truly representative of the whole of European private equity.

Are investors becoming an increasingly important part of the EVCA's membership?

Absolutely; our investor members are a valuable part of our membership. From the foundation of our LP Platform in 2010, we now have more than 100 investor members. The LP Platform makes a huge contribution to our work, bringing additional expertise and an invaluable new perspective. The EVCA is now a bridge between investors and managers. Last year we published the EVCA Handbook of Professional Standards, which contains a code of conduct which both investors and managers have agreed to adhere to. It's the first time they have agreed to follow the same code. That's an important public statement of our industry's commitment to ethical behaviour which we know is increasingly important to investors.

What are the key objectives and priorities for the new Chairman of the EVCA?

One of the EVCA's key objectives is to encourage even more investors to join us, from both inside Europe and further afield. The more of us there are, the stronger our voice in Brussels. The private

equity world is about more than just the fund managers, it's the whole community. The new Chairman will bring a particular insight into investor issues, but will represent the interests of the wider community of stakeholders involved in venture capital, growth equity, mezzanine, private credit and buyout investment in Europe. That will include promotion of the EVCA Handbook, which will encourage high standards of governance by private equity, venture capital and their investors.

Emphasizing the important role of long-term investors in Europe, building coalitions among other like-minded long-term investment groups and national associations are also key priorities. Everyone at the EVCA, including George and myself, is committed to continuing our transparency drive, which aims to educate policymakers about what private equity really does. How it invests, over the long term, in Europe's businesses and makes them better. Of course that can have a beneficial effect on the economy to say nothing of the obvious social benefits that stem from strong returns for institutional investors such as pension funds.

What are the main concerns for investors in the current market?

Although there are some emerging signs of improvement, the economic climate in Europe remains challenging and investors in private equity are not immune from that. Given the uncertainty and turbulence generated by the banking crisis and then by the problems experienced in the euro area, it's natural that investors would have some concerns about investing in Europe. But Europe still has an incredible amount to offer; fantastic companies, experienced top class GPs, the world's largest single market, and effective and stable political and legal systems that work. It's a great place to invest over the long term and now is an excellent time to do so. And private equity, which by its nature can ride out the economic cycle, has shown it can deliver strong, stable returns through economic downturns. Based on cumulative returns data for fund vintages back to 1990, EVCA research shows that EU mid-cap firms (those raising between €250mn and €1bn) generated an average IRR of 17.2%.

Beyond that I think investors want regulatory certainty, which is something they still don't have. Even if AIFMD is now entering into force, other initiatives such as Solvency II (insurance) or possible revisions to the IORP Directive (pensions) leave investors with unanswered questions. Fortunately with the IORPD, the Commission has signalled it will shelve Solvency II style capital rules to workplace pensions rules. We've been at the forefront of that battle with partners like PensionsEurope but we can't be complacent. Disproportionate capital adequacy rules have the potential to discourage investors from allocating capital to long-term opportunities like private equity funds.

Investors need long-term illiquid asset classes such as private equity to achieve the strong, stable returns their long-term liabilities require.



Beyond that the economy and the businesses that drive it need access to long-term patient capital. While it is easy to understand why regulators want to use market prices to determine the value of an asset – rather than relying on an institution's own valuations – they equally have to find a way to take account of the characteristics of less liquid assets that create value over the long term. So with George, as an investor, at our head, the EVCA will be even better placed to press for long-term investments like private equity funds to be treated appropriately.

What are your thoughts on the current state of the European private equity market?

There is plenty of reason for optimism. Over the last five years, during challenging macroeconomic times, EVCA research shows European private equity has invested more than €270bn, for the long term, into 22,000 European companies. In 2012, private equity invested in nearly 5,000 European businesses, a similar number to the previous year. Nearly half (about 43%) of all the companies receiving investment were private equity backed for the first time. This shows private equity's continued commitment and belief in Europe and that's a belief that should be shared by investors. The industry is continuing to act as an alternative form of company financing for many European businesses and has shown in the past that it can deliver through economic downturn.

Meanwhile more than 2,100 European companies were exited, representing former equity investments of €22bn. That's a similar amount to the year before and there are good reasons to be optimistic that there will be an uptick in the future across the board. Furthermore, private equity continues to attract significant levels

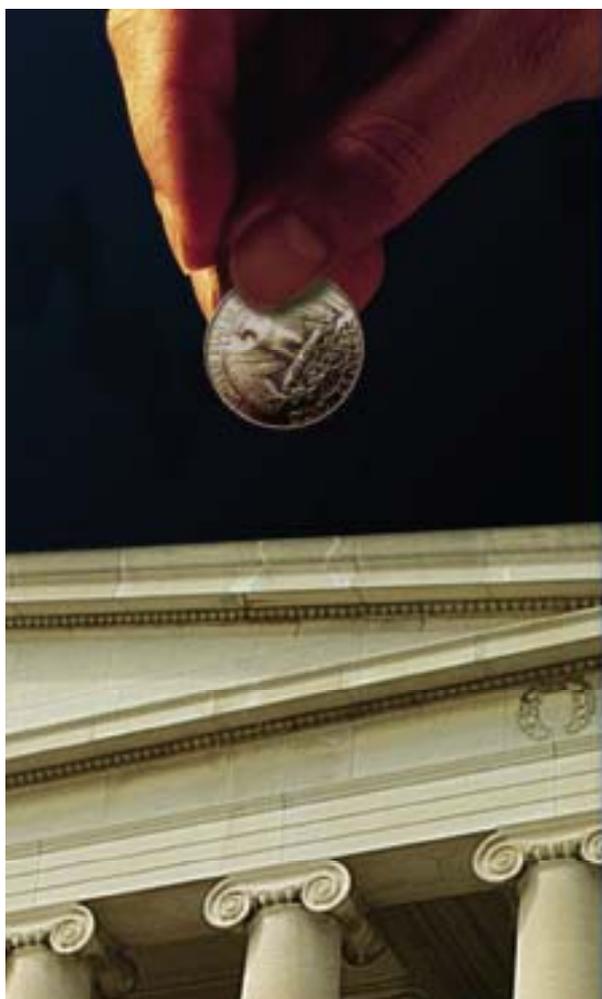
of overseas capital into Europe. Forty percent of all funds raised in 2012 from institutional investors came from outside of Europe. The time is right for investors to look again at Europe. The combination of highly motivated entrepreneurs and experienced fund managers with the right skills make it the perfect time to invest.

Thank you for your time.

Michael Collins recently joined the EVCA as its Director of Public Affairs, and covers both regulatory issues and wider EU political developments for the industry. Prior to this role he was Managing Director European Government Affairs at Citi and spent 15 years as a UK civil servant.

The EVCA is the voice of European private equity. Our membership covers the full range of private equity activity, from early-stage venture capital to the largest private equity firms, investors such as pension funds, insurance companies, fund of funds and family offices and associate members from related professions. We represent 650 member firms and 500 affiliate members. The EVCA shapes the future direction of the industry, while promoting it to stakeholders such as entrepreneurs, business owners and employee representatives. We explain private equity to the public and help shape public policy, so that our members can conduct their business effectively.

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