Investec

OUT OF THE ORDINARY

GP Trends 2021 Report

Contents

3 | Introduction

4 | Economist update

5 | Weathering the storm

9 | The new normal, wherever you are

11 | All together, now

14 | Making a commitment

16 | Origination, structuring and financing

19 | The road ahead is clearer (and may be paved with gold)

21 | Word of thanks

22 | Final word

24 | Our team

Introduction

Last year marked the 10th anniversary of our GP Trends research. We focused on how things had changed in the short- and medium-term, how Covid-19 had affected activity and how a decade of ups and downs – but mostly ups – helped the industry develop.

Now, as we demonstrate the research for the 11th report, we are glad to see optimism returning to the market. Most respondents anticipated last year that their firms would have to take dramatic action in response to Covid-19, but the majority now believe the economic impact has been less severe than expected.

In this year's report, we begin by looking at the experience of managing a firm and a portfolio through Covid-19. We also feature some of the stories shared by senior professionals. Next, we turn to the changes that the pandemic and enforced remote working have brought about, before looking briefly at the potential reclassification of carry as income rather than capital gains.

Then, we look at diversity and inclusion through both a gender and an ethnicity lens, and look at career satisfaction and pay.

We next look at GP commitment and whether financial services firms really understand the private equity income profile, before looking at how deals are sourced, financed and structured. Our final topic is the road ahead and the opportunities for the industry.

Economist update

Despite optimism returning to the industry and the impact not being as severe as expected, the Covid-19 pandemic still caused one of the most turbulent periods in our recent history. As a result of Covid-induced restrictions, parts of the economy effectively came to a standstill. This resulted in a severe contraction in global GDP in 2020. However, the rapid development and deployment of vaccines have allowed some easing of restrictions, lifting sentiment. Indeed, we are looking for global growth of 6.2% in 2021. However, significant downside risks remain, especially if new vaccine-resistant strains of the virus emerge.

One key characteristic of the recovery is the resilience of the consumer. Limited opportunities to spend and large fiscal stimulus packages have resulted in consumers in the major advanced economies sitting on large pots of excess savings. According to our calculations, this amounts to around £140.6 billion in the UK. We already see signs of some release in pent-up demand through strong retail sales numbers, major equity indices reaching all-time highs and buoyant housing markets, despite a substantial degree of uncertainty regarding the economic outlook remaining.

Meanwhile, throughout the pandemic, central banks across the globe have aimed to bolster economic activity and safeguard ample liquidity in the financial system by adopting large-scale asset purchase programmes and low policy rates. However, as of late, concerns have arisen over this ultra-accommodative policy stance in light of pockets of price pressures that have accompanied the economic unlocking. But we remain of the opinion that central banks will be wary of withdrawing stimulus until they are confident that labour markets can stand on their own two feet without government support. As such, we see highly accommodative policy in place for longer than markets currently price.

Weathering the storm

It wasn't at all clear how long the situation would last. When Boris Johnson announced it, the first lockdown was supposed to be three weeks — it ended up being three months. Rather than wait for things to get back to normal, the best strategy was to see where the pieces lay and make the best moves possible, from there."

Wol Kolade, Managing Partner Livingbridge

During the first few months of 2020, it was clear that Covid-19 would cause significant disruption to private equity portfolios. The degree and duration of this interference were uncertain at the time. Still, there was enough evidence from the actions taken by many governments to indicate that lockdowns and other restrictions would be long-lasting and severe. Indeed, the uncertainty itself was a major factor in slowing activity, as investors waited to see a clearer picture before formulating a response.

Wol Kolade CBE, Managing Partner at Livingbridge, described his firm's experience of managing investments through Covid-19:

"If you liken the act of managing investments to playing a complicated board game, it's as if, having judiciously moved your pieces into position over time, you turned away for a moment and, at that moment, the board was vigorously jostled. Some pieces that had been in a good position suddenly weren't and, conversely, some that had been in average or mediocre positions were now much more advantageously situated.

"That's what happened to private equity portfolios, for GPs: some sectors that had been performing very well were suddenly hit very hard, and others, that may have been struggling or were doing OK, suddenly looked like sure-fire winners.

"It wasn't at all clear how long the situation would last. When Boris Johnson announced it, the first lockdown was supposed to be three weeks – it ended up being three months. Rather than wait for things to get back to normal, the best strategy was to see where the pieces lay and make the best moves possible from there."

Fund managers and their investors moved quickly and made significant changes. We asked several senior industry professionals about their experiences at the start of Covid-19 and what they did in response. Most indicated not knowing exactly how long the pandemic would last, as Matthew Robinson, Director at Intermediate Capital Group (ICG), explained:

“It was stressful – the unknown of what this meant to portfolio companies. A lot of people took the actions they could to cut costs; the hard thing was estimating how long it would last. The private equity industry, in general, acted quickly, but the tunnel seemed to have no end at the time. Stakeholders were generally all supportive through the early months.”

On top of this uncertainty of duration, the majority of GPs were also unsure of the severity of Covid-19. Aldo Beolchini, Managing Partner at NextEnergy Capital, commented on his firm’s experience and, in particular, the trial of fundraising in this environment:

“It was certainly very challenging. We have been very rapid at adapting to these dynamic conditions. We have executed transactions in a number of jurisdictions, some where we had not previously invested. We managed to build new relationships, too.

“On the fundraising side, the limitations at the beginning of 2020 were quite difficult – limited partners (LPs) couldn’t meet GPs or conduct site visits in person. But we have been able to successfully raise capital.”

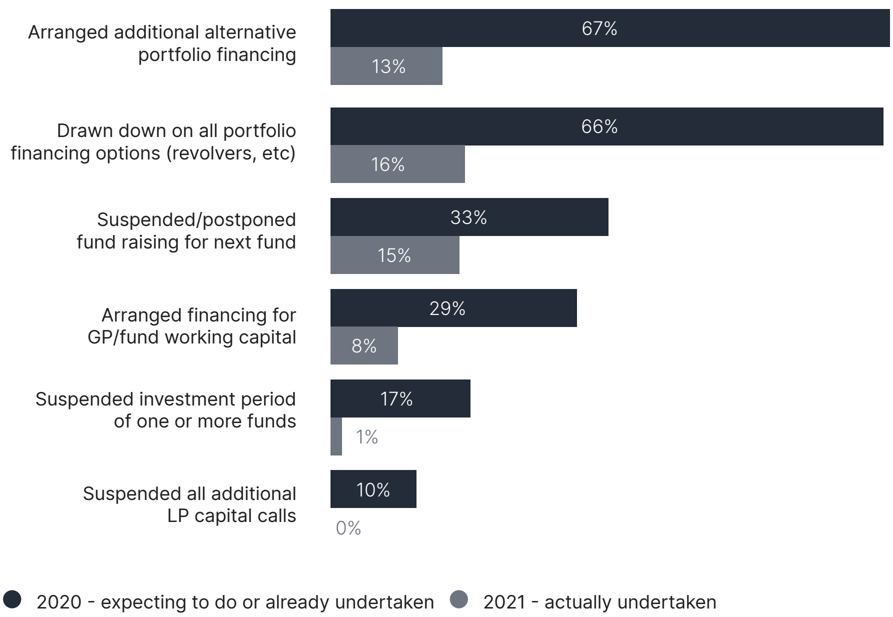
Some managers also decided to postpone or suspend fundraising during the pandemic and instead focus on safeguarding their existing portfolio of investments. Matthias Kromayer, General Partner at MIG Verwaltungs AG, shared how his firm responded to Covid-19:

“Like most investors, we very quickly decided to keep our powder dry during the crisis and to focus on our existing portfolio. We compiled best practices on a range of topics such as financially freezing hires and capital expenditure (CapEx), and shared knowledge and advice on sources of public funding, such as bridging loans. We also provided access to legal advice.”

These sentiments came about during the start of the pandemic, when there was a lot more uncertainty around just how much the market would be affected. A year later, looking at the actions that managers have taken in response to Covid-19, we can see that most overestimated the extent and severity of changes they would need to instigate.

For instance, although two-thirds had said in last year’s survey that they had or expected to draw down on all portfolio financing options, our latest research showed that

In response to Covid-19, which of the following steps has your firm undertaken?



only 16% of GPs ended up doing this. The same proportion had also said they would expect to require additional alternative portfolio financing, but only 13% undertook this. One-third had also said they expected to suspend or postpone fundraising for their next fund, but only 15% of managers claimed to have done this.

Ingo Potthof, Managing Partner at UVC Partners, indicated how the industry adjusted to the friction in the marketplace:

"I think that, initially, everybody was cautious, looking at the impact. Within a few weeks, all the fund managers and portfolio companies had a Covid-19 plan and valuations were selectively adjusted where appropriate."

Now that uncertainty in the market has begun to lift, optimism amongst the industry's workforce has begun to return. Last year, during the start of the pandemic, only just over a quarter of respondents said they were more satisfied with their careers compared to the previous 12 months, with the majority saying that their satisfaction was unchanged. This year, when asked to describe their level of satisfaction with their career in private equity, half of the market said that they are now more satisfied than how they felt 12 months ago, with 39% saying they felt about the same.

Last year, there was an increase in managers considering retirement as the uncertain environment and concerns around Covid-19 perhaps dissuaded extending careers. Before the pandemic, amongst the managers considering leaving their firm, 19% said they would retire. When lockdown and restrictions began to be put in place in response to Covid-19, this number went up to 32%, a very significant uptick. However, as trepidations towards the longer-term effects of the pandemic have begun to fall away, the proportion of managers considering retirement has also decreased, with only 24% now considering retiring should they leave their current job. Does this indicate a return to confidence among the most senior GPs? Perhaps, but there is no indication that the wave of succession in the industry is about to abate.

As with previous years, a small number of respondents (less than one in five) are considering leaving their current firm, but this is predominantly amongst those below partner level; nearly a third of those that said that they would stay in the industry and move to another private equity firm. Overall, there does not seem to be much desire to leave the industry, as only 6% of those who said they were considering leaving their current firm said they would move to another sector.

Concerningly, ethnic minority respondents (32%) were much more likely than their white peers (13%) to leave their current firm. Women were also more likely (25%) than men (16%) to leave their current position in the near-to-medium term. Whilst the reasons for the higher percentage of potential leavers in these groups may be

1/3

SAID THEY EXPECTED TO SUSPEND OR POSTPONE FUNDRAISING FOR THEIR NEXT FUND

7%

OF MANAGERS BELIEVE THAT SPACS WILL BE A SIGNIFICANT COMPETITIVE THREAT TO THEIR CURRENT DEALFLOW

> "There is a bit more momentum in that area, but we are still waiting and watching to see if this is a market shift. There is a lot of press and news attention, but it is too soon to tell if SPACs will stick around."

Lorna Davies
Chief Financial Officer,
GHO Capital Partners

varied and specific to individuals, the discrepancy is certainly a red flag.

While firms' attention has been focused on 'damage control' with regards to the potential effects of the pandemic over the last year, diversity and inclusion continue to be an issue in the private equity industry. This affected the views of many female employees, with 15% of female GPs considering leaving their firm saying that they would move to another sector.

However, despite the challenges of gender diversity in the industry, one in five female respondents also expressed that they would want to start their own fund. That is a considerable change from last year, when no women expressed this aspiration, indicating a significant increase in women's confidence within the private equity sector. Were this to materialise, not only would this begin to redress gender inequality within senior positions, but this would also significantly affect the visibility of prominent women in the industry – a key factor in encouraging more women to join.

Lucia Villamor, Partner - Investor Relations at Endless, emphasised the importance of having women in senior positions:

"It is hard for junior women to find role models and that creates a bit of a vicious circle. That can put women off."

Over the past year, Covid-19 has taken the limelight in terms of impact upon deal flow, but other threats have not gone away. Although no managers anticipated a very strong competitive threat, 16% thought regulations around Brexit would have a somewhat high impact on their deal flow.

Beolchini speaks to how his firm has addressed the effects of Brexit:

"We are working through the new regulatory requirements in terms of marketing funds and setting up new vehicles. We are also setting up a European Union structure in Luxembourg, where we have been for many years."

As well as Brexit, special purpose acquisition companies (SPACs) have become more prevalent in the market. However, only 7% of managers believe that SPACs will be a significant competitive threat to their current deal flow. This was primarily felt amongst GPs managing funds of over £1 billion, with 12% suggesting they are a threat.

Lorna Davies, Chief Financial Officer at GHO Capital Partners, gave her view of SPACs:

"There is a bit more momentum in that area, but we are still waiting and watching to see if this is a market shift. There is a lot of press and news attention, but it is too soon to tell if SPACs will stick around."

The new normal, wherever you are

Before Covid-19, working from home was not an option for many employees, but it has since become a necessity. With businesses having to adapt to ensure their workforces could operate remotely, many respondents wonder how working habits will change.

From all the GPs we spoke to, none expected working from home to become a permanent transition. But only 22% expected to return to a five-day working week in the office once restrictions are lifted. Most GPs expect a hybrid working week, spending at least one day at home and one day in the office every week. Nearly three in four people (73%) said they expect to spend between two to four days per week working in the office.

Davies expects a hybrid working week once restrictions are lifted:

"I would expect that we would go back to three days per week in the first instance. We will get input from staff and see what they want to do. We want to manage the transition well. We recognise how much we have managed to do remotely and want to support those that wish to continue some elements of working work from home, but we also see the value in working collaboratively."

Although it seems that most are ready to move forward with a hybrid model, over a third of female GPs (35%) said that they expect to continue with a five-day working week in the office, more than their male peers (20%). This means that more than two-thirds of private equity professionals expect to work from home at least part of the time.

The need to work from home has also affected the way internal due diligence is conducted. Ninety-four percent of GPs said they now run their due diligence via virtual meetings over digital platforms such as Zoom or Teams. The rapid implementation of technology for a lot of firms has widened the possibilities of working methods and many hope these changes are here to stay.

The increased digitisation of the workplace can have portfolio benefits too. Kromayer commented on a moment that he experienced during the pandemic regarding one of his firm's portfolio companies' webinars:

"One of the companies that used to hold webinars with 30 participants suddenly found they had a webinar with 800 participants."

Boris Bernstein, Venture Partner at MIG Verwaltungs AG, explained how the pandemic had accelerated technological development, even if it had not always increased decision speed, particularly during the earlier months of the pandemic:

"We have quite a few businesses with digital solutions or digitised business models and Covid-19 was an accelerant – a catalyst – to them. Covid-19 has made digitisation much more familiar and acceptable. Even where companies benefited, however, there were challenges. It sometimes took a long time to get a decision on a contract – there was hesitance to take decisions during the early stages of the pandemic, in some cases."

Additionally, Beolchini described the benefits that virtual working has brought to his firm:

"We all hope for a return to normality, but frankly, this new paradigm sees investors now able to invest even with limited physical interaction, and we hope to be able to continue this way. It has been very efficient for us."

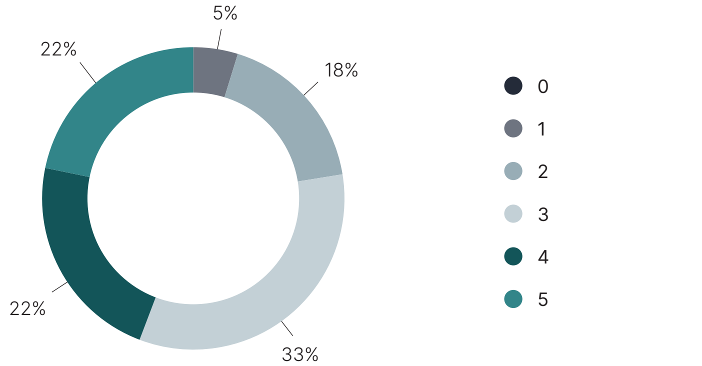
Despite these changes and improvements made to internal processes, most still feel that a physical presence, at least in part, is required for the firm to succeed.

Sheenagh Egan, Chief Operating Officer at Livingbridge, expanded on this:

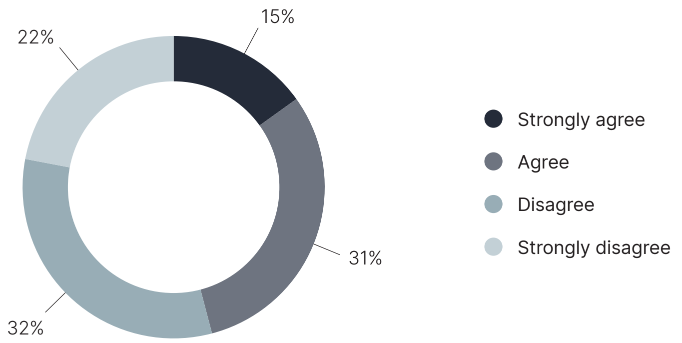
"We got our IT sorted very quickly and...we've tried to keep business as usual. Using technology is great, but the magic happens when we are together."

Of course, not all change is Covid-19-related and one industry topic that continues to be discussed is the tax treatment of carried interest. Nearly half (46%) of participating GPs say they would change their tax residency if carried interest were to be taxed as income instead. Given that remote working is now easier and more widely and consistently accepted, this may not be an idle threat.

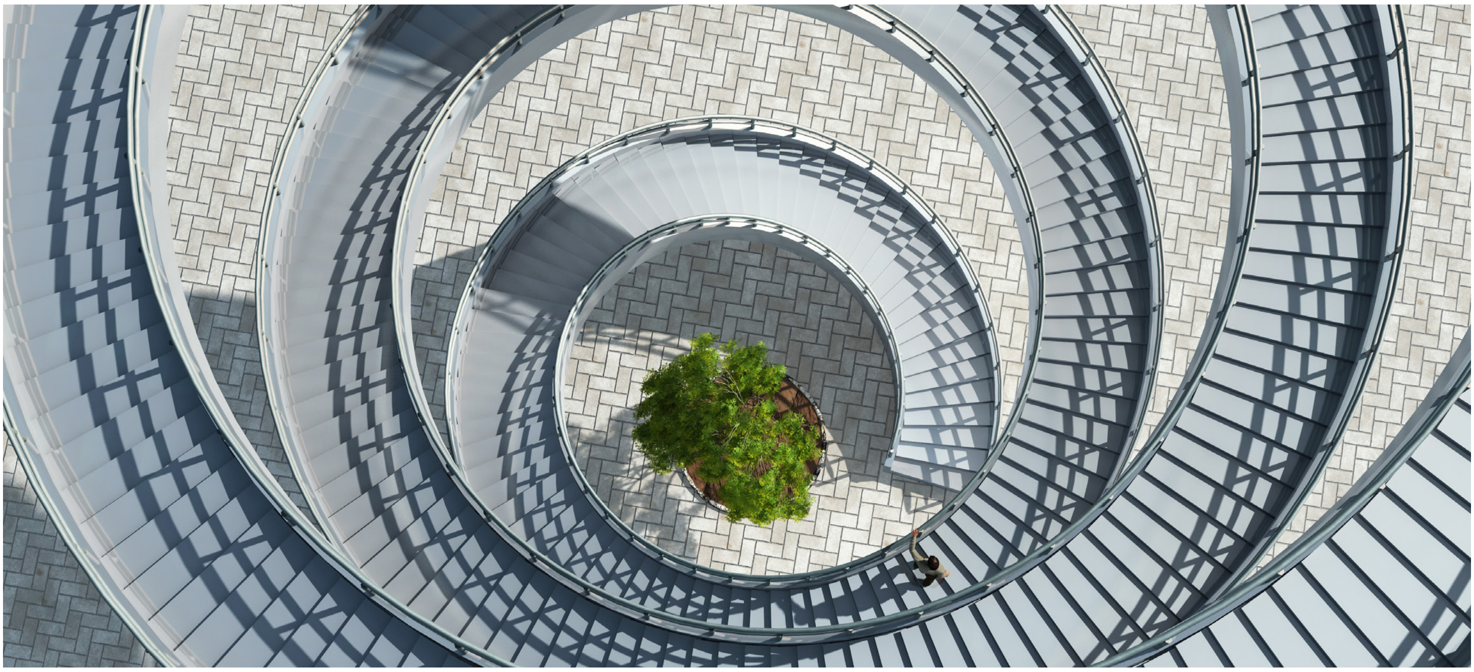
Once lockdowns and other restrictions are lifted, how many days per week to you expect to work from the office?



Please indicate your level of agreement with the following statement: "If carried interest were to be taxed as income, rather than as capital gains, I would change my tax residency"



All together, now



69%

OF WOMEN FEEL THEY WOULD BE PAID MORE IF THEY WERE MALE

According to our survey participants, the private equity industry continues to exhibit gender inequality. Despite progress in some areas, the majority of female employees feel like there is still room for improvement. Before the start of the pandemic last year, 63% of female GPs felt that they would get paid more for doing the same job if they were male. When lockdowns and restrictions began to be introduced globally and other concerns perhaps diverted their attention away from the gender pay gap, this percentage fell to 40%. However, roll forward 12 months, and concerns on this issue have returned. This year, 69% of women feel that they would be paid more if they were male.

Egan shared her view:

"We have always been quite diverse from a gender perspective in our firm. It has been easy for me, but it is still a male-dominated industry."

In terms of pay, gender appears to be a bigger hurdle in the industry than ethnicity, with just over a third of ethnic minority GPs feeling that they would be paid more for doing the same job if they were white. Perceptions are starkest among ethnic minority females, with six out of the seven that participated in the study saying they felt they would be paid more if they were a male, and 57% said they felt they would be paid more if they were white.

When it comes to how satisfied respondents are in their careers, women, in general, are almost twice as likely to be less satisfied and five times as likely to be much less satisfied than their male peers.

Looking at ethnicity and excluding gender data, nearly one in three ethnic minority GPs are considering leaving their firm in the next 12 months.

Kolade shared his experience on the differences being black has made to his career:

"Working in an industry where you get to work with the best businesses and entrepreneurs that UK PLC has to offer is such a privilege. Being black or white has nothing to do with that – all of us that work in private equity are lucky. I have had small issues with some around my race, but it has also helped me in some cases because I stood out. There has been as much smooth as rough.

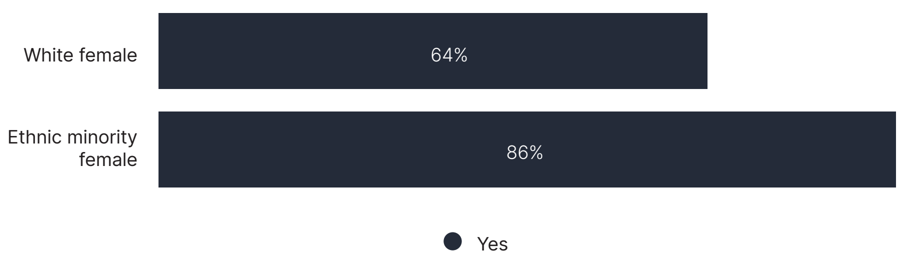
"That said, it is important to attract more people. That's why initiatives like 100 Black Interns (which is now 10,000 Black Interns) are so important, ensuring that people have the access to opportunities and exposure in the sector."

Before Covid-19, 90% said that their firm takes diversities and equal opportunities seriously. We saw this percentage drop to 79% at the start of the pandemic, but this has begun to rise again. In 2021, 83% said their firm considers diversity and equal opportunities to be key in building a successful business with longevity.

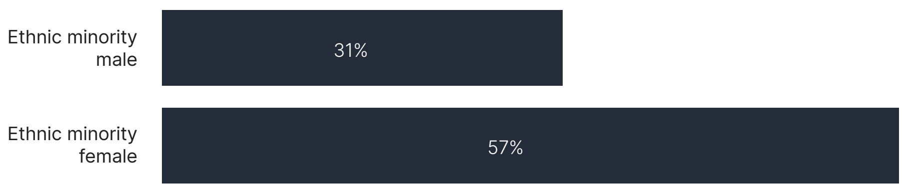
As Villamor notes, there are not necessarily any shortcuts here:

"It's a long game – there are no quick fixes. Firms need to look at their intake at a junior level. You need to understand why your current approach is not attracting enough females if that is the case. Then, it is a case of trying harder to retain that talent by providing coaching and the tools and confidence to stay in the firm and progress. Firms need to listen to their employees and not be afraid to have frank and open discussions. If a woman leaves, you need to understand whether it was a gender issue or not."

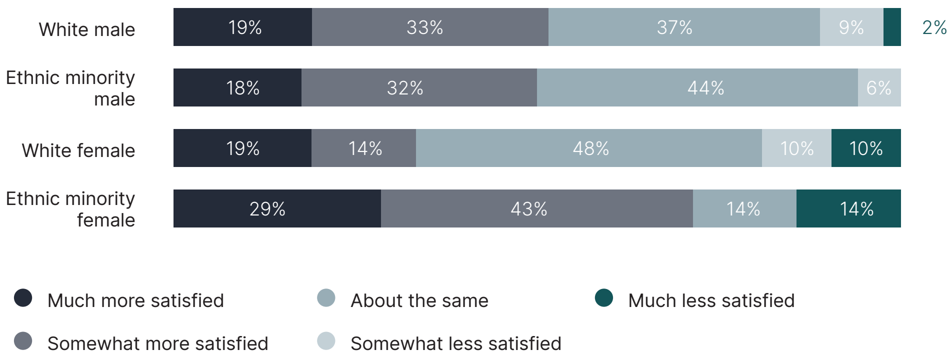
Do you feel you would be paid more for doing the same job if you were male?



Do you feel you would be paid more for doing the same job if you were white?



From the list below, which best describes your level of satisfaction with your career in private equity, compared to 12 months ago?



Villamor continued, highlighting the importance of diversity and inclusion to LPs:

"I think it is huge. We have seen a lot more interest from LPs around diversity and inclusion information, around KPIs and actions and initiatives in the fund manager and in the portfolio, too."

How these factors are considered doesn't just affect the workforce but also how the firm is perceived. As diversity and equal opportunities begin to be scrutinised more closely, it affects how investors evaluate fund managers. Around 62% of GPs said that environmental, social and governance (ESG) or ethical factors had been significant contributors to the decision not to invest in one or more companies in the last year. This has increased from 55% before Covid.

More than half of GPs indicated that their firm's core values drive their attitude and activity with regards to and sustainability (LP pressure was the other major factor). "Do as I say, not as I do" is not an acceptable position to take.

Angus Whiteley, Chief Executive Officer at Stafford Capital Partners, explained the importance of diversity and inclusion in his firm and its investment process:

"If you believe that diversity of opinion leads to better outcomes, as we do, it is easy to subscribe to the idea that diversity in your firm is important. We remain on a journey and are focused on making improvements around diversity."

Of course, diversity and inclusion are not the only important aspects of ESG to LPs. As Whiteley adds:

"Yes, ESG is important, not only when carrying out individual investments, but our strategies are themselves designed with all ESG benefits in mind.

"As part of our due diligence, when we are meeting a manager for the first time, we will have a focus on ESG – it's thorough and is reviewed every other year. We complement this each year with an annual ESG survey."

Making a commitment

When it comes to how much a GP should commit to their funds, historically, the typical expectation might have been 1-2%. However, today the market norm is more than twice that, averaging just under 5% (4.8%). Across all investment areas, this ranges between secondaries funds (3.0%) and large buyout funds (with an average commitment of a hefty 5.8%).

Much like last year, the majority of GPs are funding their commitments using existing resources. At 62%, this is the same percentage as before Covid-19. For those that will be looking to use other sources, significant challenges remain.

Fewer GPs think that finance providers understand their income profile compared with last year, decreasing from 61% to 53%. This lack of understanding is found most frequently amongst venture capital and private credit managers, with less than a third declaring that finance providers understood their income profile.

Kromayer remembered an early experience of his:

“A financial adviser, 11 years ago, discounted all of my carry and investment-related income to zero.”

Bernstein explained that the industry is difficult for outsiders to understand and, therefore, service:

“Financial advisers and institutions have no visibility as to bonus or carry, so it is difficult for them to understand their potential.”

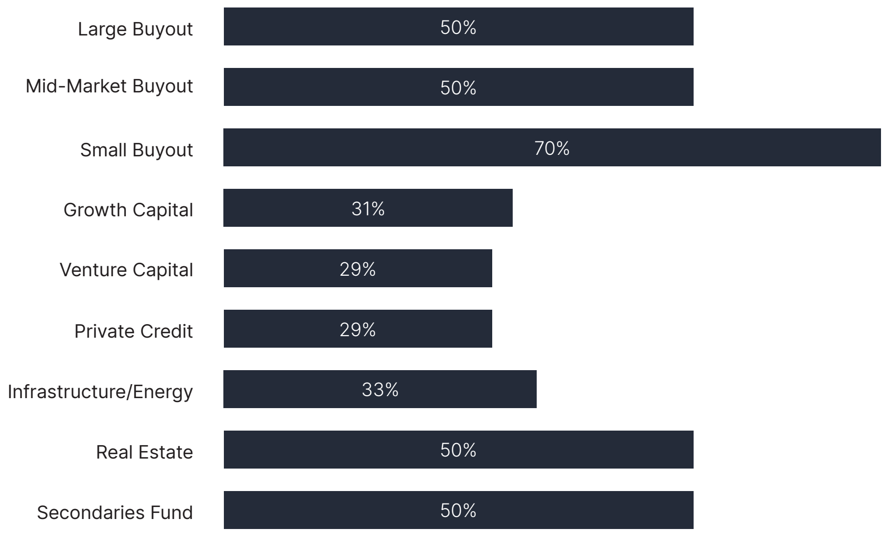
However, as Kromayer noted, private equity is not the new industry it once was:

"After several years, it should be possible to get a picture of the profile."

Potthof described his own firm's experiences addressing this kind of financing:

"We couldn't go to a normal financial services bank for that – they wouldn't understand. LPs want GPs to keep management fees low and keep an eye on salary levels. This can make it difficult, especially for younger team members, to fund commitments and to access appropriate financing for things others would find much easier – like a mortgage, for example."

Do you find that finance providers understand your income profile? ('yes' responses)



Origination, structuring and financing

1 in 3

GPS NOW USE ASSET-BASED FINANCE IN ORDER TO FINANCE PORTFOLIO ACQUISITIONS FOR THEIR FUND

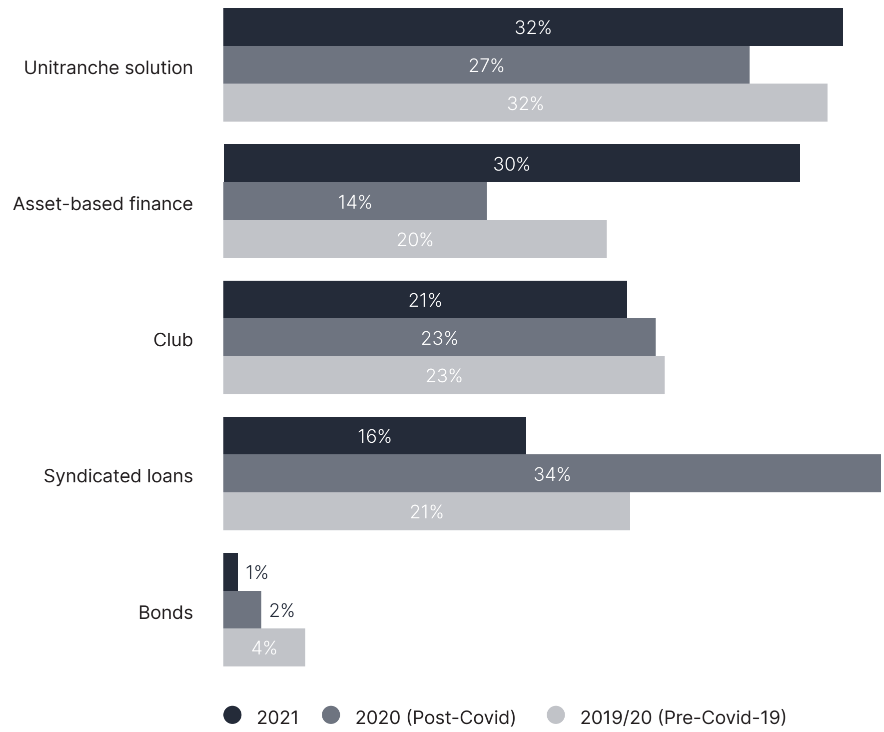
In terms of deal sourcing, family-owned businesses were ranked as the most important origination source by participants, followed by disposals from corporate parents and from other private equity portfolios (secondary and tertiary buyouts).

Before Covid-19, one in five managers used asset-based loans to finance portfolio acquisitions for their funds. This went down to 14% at the start of the pandemic. But over the last year, the use of asset-based finance has continued to rise and is now used by nearly one in three GPs, primarily as a means to lower the cost of capital where possible. Against this increase, there has also been a reduction in the use of syndicated loans, which picked up some popularity during the pandemic. During that time, 34% of fund managers had used a syndicated loan. Before Covid-19, this tool was only being used by 21% of GPs. The proportion using it now has fallen back to below this mark, sitting at 16%.

The use of unitranche financing has also marginally increased, bouncing back from a dip last year. It is most often utilised by managers based in the UK, with 47% indicating that they use this type of debt structure. However, it's less popular in North America, only being employed by 22% of GPs.

In the last 12 months, there has also been an increased use of debt funds to finance investments and portfolio merger and acquisition (M&A) activity, rather than relying on banks. Last year, 17% of GPs used private debt funds for 75%

What type of debt structures does your fund most often use to finance its portfolio acquisitions?



"The current environment of uncertainty with the double dislocation of Covid and Brexit in the UK has led to a hugely interesting investing environment."

Patrick Smulders, Co-Founder and Managing Partner at Freshstream Investment Partners

or more of their investment and portfolio M&A financing. This year, the proportion has risen to 31%. Whilst this level of private debt fund patronage may be expected to fall, many GPs intend to keep relying heavily on debt funds in the future, with 26% expecting to place 75% or more of their financing needs with them in the next 12 months. That compares with 18% last year.

Patrick Smulders, Co-Founder and Managing Partner at Freshstream Investment Partners, sounded a note of caution with regards to leverage, regardless of the source:

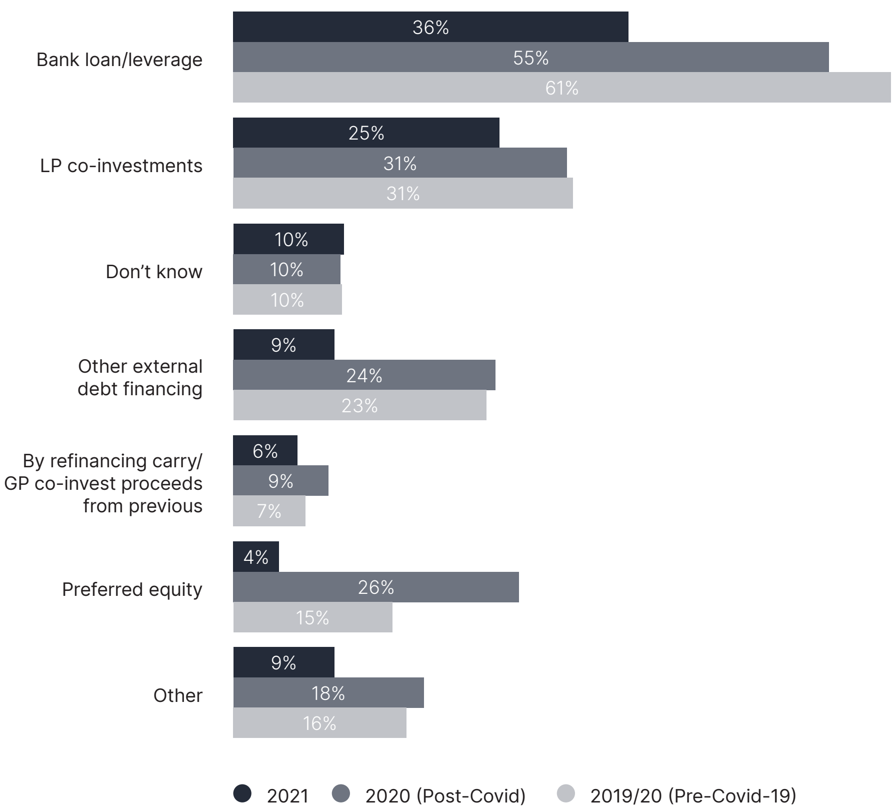
"There are a substantial number of over-levered businesses, where private equity firms have been far too aggressive in the leverage levels that they have imposed. When you suddenly have zero revenues, that hits you pretty hard."

Of course, the environment doesn't necessarily mean that there will not be opportunities. Smulders continued:

"The current environment of uncertainty with the double dislocation of Covid-19 and Brexit in the UK has led to a hugely interesting investing environment."

Four in five managers intend to make bolt-on or follow-on investments in their portfolio after the investment period has closed. It appears that the rush to preferred equity or other innovative structures and instruments has slowed for the time being. The intention is to finance these using bank loans or leverage (36% of GPs) or LP co-investments (25% of GPs). The return to more traditional financing may signal that the market is returning to "normal" and that traditional, perhaps more "conservative", lenders are starting to share a more optimistic view of the market. The reduction in the anticipated need for speciality financing certainly suggests that confidence in asset performance has returned.

How do you expect to finance bolt-on or follow-on investments mainly?



The road ahead is clearer (and may be paved with gold)

2/3

OF GPS SAID THAT THEY EXPECT RETURNS AT THEIR OWN FIRM OVER THE NEXT TWO YEARS TO BE BETTER THAN 2020

After over a year of turbulence, the fog of uncertainty has begun to slowly dissipate and confidence is returning to the market. Despite the doubts present at the start of the pandemic, the majority of GPs are now hopeful that the industry will recover and, in fact, perform very well.

Two-thirds of GPs said they expect returns at their firm over the next two years to be better than 2020, and only 3% expect them to be worse than 2020. This was a big improvement from last year's GP Trends, when 29% of GPs expected returns at their firm to be worse than the previous year.

Looking at returns across the industry in general, nearly half of GPs said they expect returns to outperform 2020, and 37% expect returns to remain about the same.

Last year, more than half predicted that returns in the industry would be worse than the previous year. Now, this has fallen to only 16%.

On another positive note, 42% of GPs said that they would fund their portion of their next fund's GP commitment via carry. Clearly, there is confidence in a strong performance.

Finally, we opened the floor and asked several senior industry professionals to share their expectations for the industry in the coming year.

Of course, many had the end of Covid-19 on their minds, even if, as MIG's Boris Bernstein noted:

"The financial part of the crisis was over sooner than anticipated, even as the pandemic lingered on."

Still, some felt that the industry could work through almost anything if it sticks to its guns, as Ingo Potthof explained:

"I've been expecting the next financial crisis for the last five to seven years [...] We need to continue focusing on our investment business, i.e., selecting and building great companies. [...] You cannot rely on the market – you need a strong portfolio. Maybe it will take a bit longer, but you will be able to achieve a good return."

Lorna Davies wanted to make sure that our approach to the post-Covid-19 era is collaborative and inclusive:

"I'm hopeful that we can work together to build a new normal, deciding on that journey collectively with our staff."

Sheenagh Egan noted that a return to normality might see things being more similar to pre-Covid-19 than some have anticipated, at least in the short-term:

"Most things will bounce back. There will be a lot of change from this, but it will take longer than people have assumed to bed in. There will be more flexibility, but at this stage, we all just want the options."

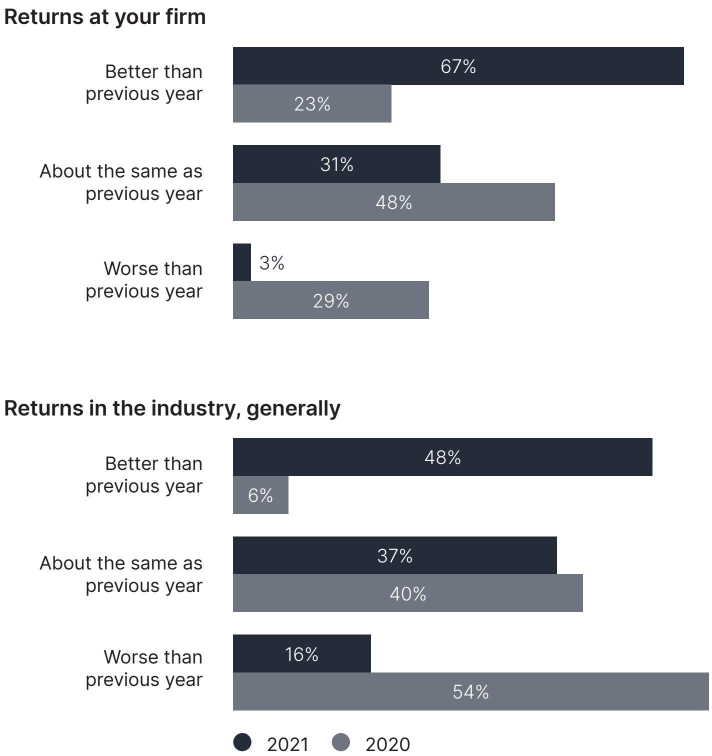
And we'll end with Patrick Smulders, who captured the positive mood that is in evidence throughout this edition of the GP Trends report:

"I am hugely excited. When I look back in five years, I believe this vintage will be the best in all the 30 years of my investment career."

"I am hugely excited. When I look back in 5 years, I believe this vintage will be the best in all the 30 years of my investment career."

Patrick Smulders, Co-Founder and Managing Partner at Freshstream Investment Partners

Relative to 2020, how do you expect private equity returns (both at your firm and the industry generally) to perform in the next two years?



Word of thanks

Many thanks to all of the GPs who participated in the 11th edition of GP Trends. In addition to those who took the time to complete our survey, we want to specifically acknowledge the senior industry professionals who took the extra time to talk to us in more detail about their own experiences and their expectations for the future. Thank you for your significant contribution to the report:

Aldo Beolchini, Managing Partner at NextEnergyCapital

Boris Bernstein, Venture Partner at MIG Verwaltungs AG

Lorna Davies, Chief Financial Officer at GHO Capital Partners

Sheenagh Egan, Chief Operating Officer at Livingbridge

Wol Kolade, CBE Managing Partner at Livingbridge

Matthias Kromayer, General Partner at MIG Verwaltungs AG

Ingo Potthof, Managing Partner at UVC Partners

Matthew Robinson, Director at Intermediate Capital Group (ICG)

Patrick Smulders, Co-Founder and Managing Partner at Freshstream Investment Partners

Lucia Villamor, Partner - Investor Relations at Endless LLP

Angus Whiteley, Chief Executive Officer at Stafford Capital Partners

Final word

We hope you enjoyed reading the 11th edition of our GP Trends report. As ever, our goal has been to collect the views and experiences of the industry and to reflect this back to you. We hope we have provided answers to some of the questions that may have been occupying you. Still, we also recognise the role of GP Trends in encouraging further debate around issues that are important to all in the industry.

Over these past 12 months, Covid-19 has taken its toll. But even though we will hopefully soon put it behind us, one thing is clear: it has been an immensely trying time for many, on a very personal level, and one of the greatest economic challenges in living memory. As we now start to look forwards rather than backwards, it is clear that changes in our work patterns, made necessary by Covid-19, will endure – to some extent, at least. However, whilst these changes may bring greater flexibility and efficiency to some, we must ensure that we uphold our industry's long-held conviction that private equity is a 'people business' first and foremost.

What does this really mean? It means that the essence of good deal-making, value creation and career development is in our human interactions. Whilst we have spread our nets more widely through video calls and other technologies, deeper relationships are forged when we are in the same room. We can create exceptional and often unanticipated value just by spending time together, formally and informally. If we want the next generation of professionals in our firm to progress successfully, we owe it to them to take the time to spend time together.

And as we work together to move our firms forwards, market conditions look favourable. It is clear that confidence is returning and the future looks promising. Professionals in the industry are anticipating strong vintages and robust fundraising.

Whatever your priorities, all of us at Investec look forward to working with you to help you capture the opportunities on the horizon.

Jonathan Arrowsmith,
Co-Head of Private Equity, Investec

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About the research

Research for this edition of the GP Trends report was conducted in conjunction with MJ Hudson, a leading provider of research, legal, ESG and other services to the private equity industry; 219 responses were gathered from GPs from across the globe.

A number of senior professionals took part in additional telephone conversations, in order to provide further input. More information on MJ Hudson can be found at www.mjhudson.com

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