PREQIN MARKETS IN FOCUS: ALTERNATIVE ASSETS IN EUROPE

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Acknowledgements

Executive Authors
Christopher Beales
Grant Murgatroyd

Editorial Manager
Charlotte Mullen

Authors
Ashish Chauhan
Julian Falcioni
Cameron Joyce
David Lowery
Jordan Poulter

Client Contributions Manager
Louise Weller

Production Editors
Logan Scales
Tim Short

Editorial and Production Staff
Clara Bleda
Cat Hall

Contributing Preqin Researchers
Justin Beardon
Daniele de Bortoli
Thea Diaz
Elliott Donnelly
Darren Fernandes
Jamie Fisher
Melina Heinl
Milan Hirani
Adam Jackson
Rahmin Maali
Lauren Mason
Sam McKenzie
Lewis McNeil
Ibrahim Mir
Jaysul Mistry
Thomas Mulready
Karel Nguyen
Mathilda Norstrom
Sandra Peña
Andrea Ramírez
Pav Rehal
Kamarl Simpson
Martina Ventura
Branislav Vidakovic
Charlie Wood

External Contributors
Keith Black, PhD, CFA, CAIA, FDP, *CAIA Association*
Dominique Carrel-Billiard, *Amundi*
Innocenzo Cipolletta, *AIFI*
Jean-Marc Coly, *Amundi*
Mounir Corm, *Vauban Infrastructure Partners*
Michael Ebner, *KGAL*
Dominique Gaillard, *France Invest*
Annette Olschinka-Rettig, *Bundesverband Alternative Investments e.V.*
Thierry Vallière, *Amundi*

Data Pack

The data behind all of the charts featured in this report is available to download for free. Ready-made charts are also included that can be used for presentations, marketing materials, and company reports.

Download the Data Pack

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CEO's Foreword

Mark O'Hare
CEO

Preqin
www.preqin.com

European countries and economies are nursing their COVID-19 wounds. Countries that were the first to be struck by the pandemic have been hit particularly hard, with Q1 2020 GDP falling further than the eurozone average of 12.1% in Spain (-18.5%), France (-13.8%), and Italy (-12.4%).[1] With spikes in infections as lockdown and distancing measures were relaxed across the region, it has become clear that COVID-19 has not been vanquished.

As we observed in our 2020 Alternative Assets in Europe report, the region was already looking at a period of slower growth. In its most recent update in June, the IMF downgraded its global GDP forecast for 2020 from -3.0% to -4.9% and stressed the "higher-than-usual degree of uncertainty." Europe is expected to suffer a bigger contraction than any other region: the latest forecasts are for a 10.2% fall in GDP in both the eurozone and the UK in 2020.

On a positive note, Europe is also expected to lead the economic recovery in 2021. The 6.0% growth forecast for the eurozone and 6.3% for the UK are higher than the global total (5.4%), advanced economies (4.8%), and emerging and developing markets (5.9%).[2]

There have been unexpected positives from the pandemic, not least that EU members were able to agree on a €750bn recovery plan, dubbed Next Generation EU[3]. In the alternative assets space, investors and fund managers managed the enforced transition to virtual working extremely well and were able to continue supporting and financing the companies that will be crucial to the economic recovery.

The European alternative assets industry continues to grow. Preqin Pro now tracks over 6,900 alternative asset fund managers across Europe (a figure that covers only professional managers of third-party capital, not the many investors that use their own balance sheets), with an extra 600 added in the past year alone. Together, they have assets under management (AUM) of €2.00tn, up from €1.79tn a year ago (page 12).

Private capital funds' long cultivation of continental European companies is bearing fruit. The €17.2bn acquisition of Thyssenkrupp Elevator AG by an Advent International and Cinven-led consortium was Europe's largest-ever private equity-backed buyout, and helped Germany overtake the UK as the most active private capital market by total deal value for the first time, with $34bn of transactions in H1 2020 compared to $31bn in the UK. It's a massive shift from 2015, when the UK recorded $122bn of transactions and Germany $34bn. Headline-grabbing deals like this will help funds win over owners and managers at Germany's SMEs, where state-owned development bank KfW estimates that over 500,000 Mittelstand companies will change ownership by 2022[4] (page 90). The UK maintains its position as the second-largest private capital market in Europe, though the specter of Brexit still hangs over the long-term future of the market.

While private equity funds have led the way in establishing private capital in the region, the first half of 2020 saw a rush of capital into private debt funds (page 31). The $21bn raised by 28 private debt funds surpassed the totals raised for real estate ($18bn),

[1] *https://www.ft.com/content/c45cf867-2821-4d3a-ab48-0bc809f8cf26*
[2] *https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020*
[3] *https://www.ft.com/content/2b69c9c4-2ea4-4635-9d8a-1b67852c0322*
[4] *https://www.kfw.de/KfW-Group/Newsroom/Latest-News/Pressemitteilungen-Details_453312.html*

infrastructure ($9.0bn), and natural resources ($4.7bn). LPs have been particularly attracted to funds aimed at distressed opportunities and special situations.

Europe's hedge fund industry is dominated by hubs in the UK, France, Switzerland, Sweden, and Luxembourg, which together account for 90% of AUM (page 42). After a poor 2018 that saw negative returns and a decline in AUM, the world's second-largest hedge fund market stabilized in 2019, with AUM growing from €595bn to €609bn. The first quarter of 2020 saw AUM fall by 10% before a 2.8% rebound in Q2 2020 as strong performance drove industry AUM to €563bn, offsetting net investor withdrawals of €7.3bn.

Real estate funds targeting Europe have continued to attract investment, with 40 funds securing a total of $18bn in H1 2020, and between €30bn and €38bn raised every year since 2014 (page 55). Fundraising in 2020 has shifted toward opportunistic and value-added strategies, with proportionally less for core and debt strategies.

In infrastructure there is an opportunity for funds to support the transition to a low-carbon economy (page 62). In 2018 the EU reiterated its commitment under the UN's Paris Agreement to a reduction of at least 40% in greenhouse gas emissions from 1990 levels, while increasing its targets for renewable energy to a 32% market share and for energy efficiency to a 32.5% improvement. Country-level programs such as Germany's energy transformation – widely known as Energiewende – illustrate the far-reaching changes needed to transition to a low-carbon, nuclear-free future. Germany's Renewable Energy Sources Act of 2000, which set targets of 40-45% for renewable energy generation, has stimulated the development of a sector that now employs hundreds of thousands of people.

Though still small relative to the other alternative asset classes, the natural resources sector in Europe has been growing steadily (chapter 7). The number of funds closed increased from 29 in 2015 to 39 in 2019, while aggregate capital raised tripled, rising from €11bn to €34bn respectively.

Europe faces significant challenges restructuring, reforming, and growing its economies. But the evidence points to a dynamic and successful alternative assets industry, fully equipped and ready to continue to grow and evolve to meet the changing needs of all stakeholders. Although Preqin is a global business, our home is in Europe, and we are honored to be the industry's partner, providing the very best data and information to assist our customers – investors, fund managers, advisors, and service providers – in making the best decisions and developing their businesses successfully. Preqin will continue to invest heavily to maintain, expand, and improve our services to the industry. We are delighted and honored to work in partnership with our colleagues at Amundi to research and prepare this report, which we hope will help our alternative assets community to serve the needs of all stakeholders.

European Alternatives Have a Bright Future

COVID-19 has created challenges for performance and fundraising in the short term, but the longer-term prospects are strong and the capital shift to alternatives will continue

Dominique Carrel-Billiard
Global Head of Real and Alternative Assets Business Line
Amundi
real-assets.amundi.com

The COVID-19 crisis obviously caught us off guard by the speed with which it spread and the force of the virus. We had to deal with it by adapting to a new environment and new ways of working. Countries in Europe are now learning to live with the virus, and its impact is not behind us by any means, and the coming months could be crucial for our industry.

Given this level of uncertainty, it is worth looking at the consequences of the Global Financial Crisis (GFC) of 2007-2008 – the last major systemic crisis – to try to assess the repercussions of the current environment on private markets. Funds that deployed their capital in 2005-2006 posted poor performance. Acquisitions by those funds were fully valued at the top of the cycle and then sold on bases – multiples and levels of earnings – that led to low IRRs. In addition, the GFC had a very negative impact on fund inflows in 2009, and it took more than seven years for fund raises in Europe to match pre-GFC levels. On the performance front, however, the vintages immediately after the GFC performed well.

Is this pattern going to repeat itself with the COVID crisis? To *borrow* from Reinhart-Rogoff's famous book: *This time is different!*

On the performance front there is a risk that the pattern will be repeated for the most recent vintages, because it will probably take three to four years for income at companies in many sectors to recover to 2019 levels.

But when it comes to fund raising, liquidity is abundant and central banks, particularly the ECB, have been much more accommodating than they were in 2008-11. Fundraising will be supported by this liquidity and investors' quest for returns that will not be available in many markets, given the low level of interest rates, constraints on dividends, and equity market levels.

So while there is a good chance that 2020 will be particularly difficult for new funds, or first-time funds, as the 'winner takes all' phenomenon observed over the past three years is likely to intensify, we believe that longer term, real assets will continue to attract increasing flows.

We are indeed persuaded that the overall shift toward alternative assets is not about to stop, even if fundraising and performance are negatively impacted by the COVID-19 crisis. This shift is fueled by powerful forces.

Firstly, the equity markets appear to be expensive after the very strong rebound experienced since the start of the COVID crisis, and current interest rate levels will probably not enable liabilities to be met via bond markets' returns, particularly in the pensions and insurance sectors.

Secondly, many investors realize that the performance of alternative assets is not measured solely by their illiquidity premium, but also by their contribution to the robustness of portfolios.

Thirdly, these alternative assets play a key role in financing the real economy. At a time when ESG investing is becoming the norm, real assets strategies are particularly well positioned to implement concrete ESG policies, and they clearly advertise their responsible objectives. They have demonstrated their usefulness in this respect during the COVID crisis. For example, in the real estate sector, some fund managers have agreed to defer or reduce the rents paid by the tenants of their buildings. Private debt managers have also granted payment facilities or deferred interest to avoid liquidity crises and to support government measures. Similarly, private equity GPs have accepted interest payment deferrals on convertible bonds (quasi-capital) or waived certain dividends. Lastly, in the infrastructure sector, airports have waived the parking charge for aircraft grounded at their airfields due to the crisis.

These measures will certainly affect the performance of recently invested funds, but we believe that protecting investors' interests and financing the real economy are not contradictory - quite the contrary. The payment facilities granted by alternatives managers during the crisis will help to protect clients' interests and fund performance in the medium- to long-term, and we must accept this volatility in short-term performances. Just as we must accept the idea that the decorrelation between private markets and listed markets has been overestimated.

Finally, while these strategies have been widely used in the institutional markets, changes in EU regulations, particularly the availability of a new format geared towards affluent and high net worth investors, will further help break into new pockets of demand. We are slowly but surely seeing the emergence of European Long-Term Investment Fund (ELTIF) solutions which, although imperfect, are highly innovative. They should make it possible to expand private markets and investment in real assets, in the same way the UCITS encouraged the development and democratization of traditional mutual funds.

This is why the European alternatives industry has a bright future ahead and why, despite the concentration of inflows into mega funds, it is far too early to know who the ultimate winners will be.

Amundi is the leading European asset manager, ranking among the top 10 global players[1]. Created in 2010 and listed on the stock exchange in 2015, Amundi manages €1.6tn of assets[3] across six international investment hubs[2]. Amundi counts 4,500 employees in nearly 40 countries. On the back of multi-decade expertise in private markets, Amundi launched a Platform dedicated to Alternative and Real Assets (PARA) in 2016. Real estate, private debt, private equity, infrastructure are all part of a single integrated business, bringing together 200 professionals in origination, structuring and management of private assets.

Today with AUM of €55bn[3], PARA has a European ambition in financing the real economy with more than 1,000 assets across 13 countries, leveraging strong synergies with Credit Agricole's banking networks on the continent. With strong convictions in terms of transparency, deal execution and responsible investment, PARA provides innovative and long-term investment solutions for both professional and retail investors through funds, separate accounts, club deals, co-investments and multimanagement.

Dominique joined Amundi end of 2016 as Deputy CEO and Global Head of the Institutional Division. He was previously CEO of La Financière de l'Echiquier and before that CEO of AXA Investment Managers..

[1] Source: IPE "Top 400 asset managers" published in June 2020, based on assets under management as at 31/12/2019.
[2] Boston, Dublin, London, Milan, Paris, and Tokyo
[3] Amundi data as of 30/06/2020

Executive Summary

Europe's alternative assets market has been rocked by COVID-19. Strong private capital deal activity had been recorded in recent years, with aggregate value reaching a record €448bn in 2018, and surpassing €300bn in four of the past five years. In the first half of 2020, however, total deals were valued at only €126bn. This figure may have been driven by a number of large transactions, but even so, numbers are down significantly from what are now known as 'pre-pandemic' levels.

Since many private capital funds that reached a close in H1 2020 would have begun their fundraising journeys well before the outbreak of COVID-19, it is too early to gauge the pandemic's true impact on the numbers. The €99bn raised by Europe-focused private capital funds in H1 2020 would suggest that the year is on course to match 2017 and 2018's totals (each €190bn), but to fall slightly shy of 2019's record (€214bn). Two mega funds have driven this total, Ardian's giant secondaries fund ASF VIII (€19bn) and Blackstone Real Estate Partners Europe VI (€10.6bn). It is also worth noting that CVC Capital Partners Fund VIII closed as the second-largest Europe-focused private fund of all time in the first week of H2 2020, on €21.3bn.

How have hedge funds fared amid the significant market volatility? Europe-focused hedge funds lost 9.58% in Q1 2020, their largest quarterly loss since the Global Financial Crisis. That said, the Eurostoxx 50 lost 25.65% and the FTSE 100 was down 24.80% over the same period, meaning that hedge funds displayed some defensive qualities for their investors. And after a Q2 2020 return of +12.87%, Europe-focused hedge funds ended H1 2020 in the black (+2.05%), while public markets remained underwater.

Alternative Bright Spots Have Emerged

Amid the economic turmoil, certain segments of alternatives investment have attracted particular attention in the European market.

In private equity, secondaries are moving into the spotlight. Ardian and Lexington Partners each closed large funds in Q1, demand for liquidity is rising, and investors are optimistic there will be opportunities to acquire discounted fund stakes (page 17). In private debt, as fund managers target opportunities at struggling companies, distressed debt funds have swept up a larger proportion of commitments in H1 2020 (page 28). And in private real estate, where deal flow has been the most impacted among private capital sectors, demand for logistics and industrial assets is rising across Europe as online shopping levels pick up (page 53).

Hedge fund performance has bounced back, but fund managers are looking to the future: credit and relative value strategies fund launches are both on the up (page 40). In infrastructure, activity in the renewable energy sector drove the majority of deal flow in H1 2020 as non-renewable transactions declined (page 64). Natural resources fundraising has been severely impacted, but a number of pure natural resources funds reached a close as the asset class continues to attract institutional capital (page 10).

The Country-by-Country Impact

In Western Europe, the UK has recorded an uptick in private debt activity, while deal levels for infrastructure and venture capital remain on track to match activity in 2019 (chapter 8). In France, the largest alternative assets market in mainland Europe, digital infrastructure investment made headlines with the €4.3bn creation of Vauban Infra Fibre, a firm established by Vauban Infrastructure Partners and Axione (page 86). And in Germany, the largest-ever private equity-backed buyout deal for a European asset was announced in February 2020: the €17.2bn acquisition of Thyssenkrupp Elevator AG by a consortium of private equity firms Advent International, Cinven, and foundation RAG-Stiftung (page 90).

Activity in Benelux is driven by the Netherlands and its real assets industry. In fact, the alternatives market in the Netherlands could see significant growth if it is able to capitalize on any potential Brexit fallout, with Amsterdam looking to attract relocating firms (page 98).

In Southern Europe, Italy's market is seeing activity in old and new economy sectors, with notable deals in fashion, football, automotive, digital engineering, and wireless infrastructure (page 106). Spain was hit particularly hard in H1 2020, with private capital deal flow slowing across all asset classes (page 110).

In the Nordic region, Sweden houses the largest alternatives industry – and indeed the second-largest in mainland Europe – and boasts one of the world's largest hedge fund industries. Sweden's alternatives markets struggled in H1 2020, with hedge funds posting losses and the value of private capital deals plummeting, though transaction volumes held up (page 114).

Other Nordic countries are seeing their fledgling alternatives markets evolve: Denmark's venture capital market has attracted increased attention from international investors (page 116); private capital investment in Norway stalled after a bumper year in 2019, though it will receive a massive boost if proposals to allow the country's sovereign wealth fund, Government Pension Fund Global, to invest in private equity are approved (page 118); while in Finland there has been increased investment in infrastructure (page 120).

The Road to Recovery

The economic crisis caused by the pandemic has significantly disrupted alternatives activity in Europe. The timeline for economic recovery is uncertain, with the summer seeing infection rates rising across the continent, though at a slower rate than in the first phase of the pandemic. With hedge funds already displaying a rebound in performance, fresh opportunities being seen across private capital, and lockdown restrictions less severe than in the spring, there is an opportunity for private capital to play a key part as Europe sets out on the road to recovery.

In Numbers

€2.00tn

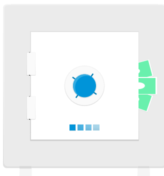
Europe-based alternative assets under management as of December 2019. The private equity (€795bn) and hedge fund (€609bn) industries make up the majority.

€126bn

Aggregate value of European private capital deals completed in H1 2020, 38% of the full-year 2019 total (€329bn).

+2.05%

H1 2020 net return of Europe-focused hedge funds, recovering from a loss of 9.58% in Q1 with gains of 12.87% in Q2.



€99bn

Aggregate capital secured by 213 Europe-focused private capital funds in H1 2020; €59bn of the total was raised by funds closed in Q2.

1,018

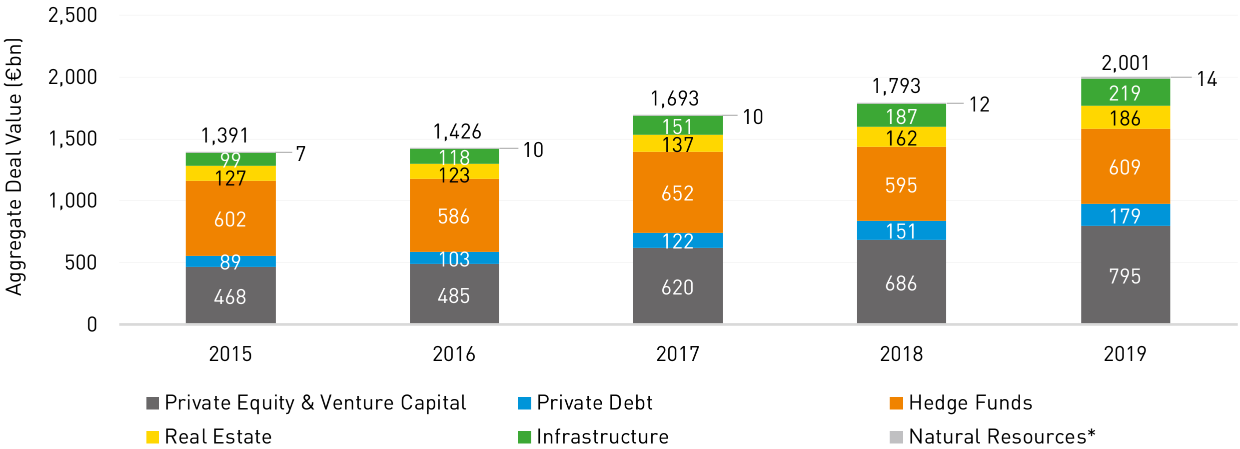
Number of Europe-focused private capital funds in market as of July 2020, seeking an aggregate €389bn in commitments.

2,926

Number of Europe-based institutional investors active in alternative assets.

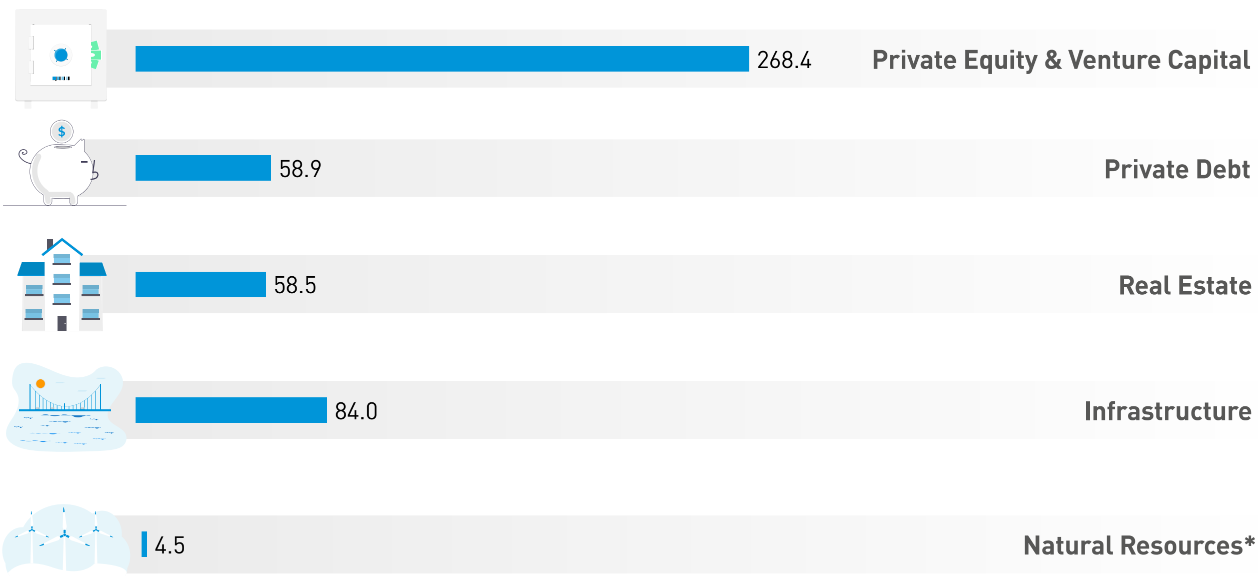
European Alternative AUM

Fig. 1.1: Europe-Based Alternative Assets under Management by Asset Class, 2015 - 2019



Source: Preqin Pro. Data as of December 2019

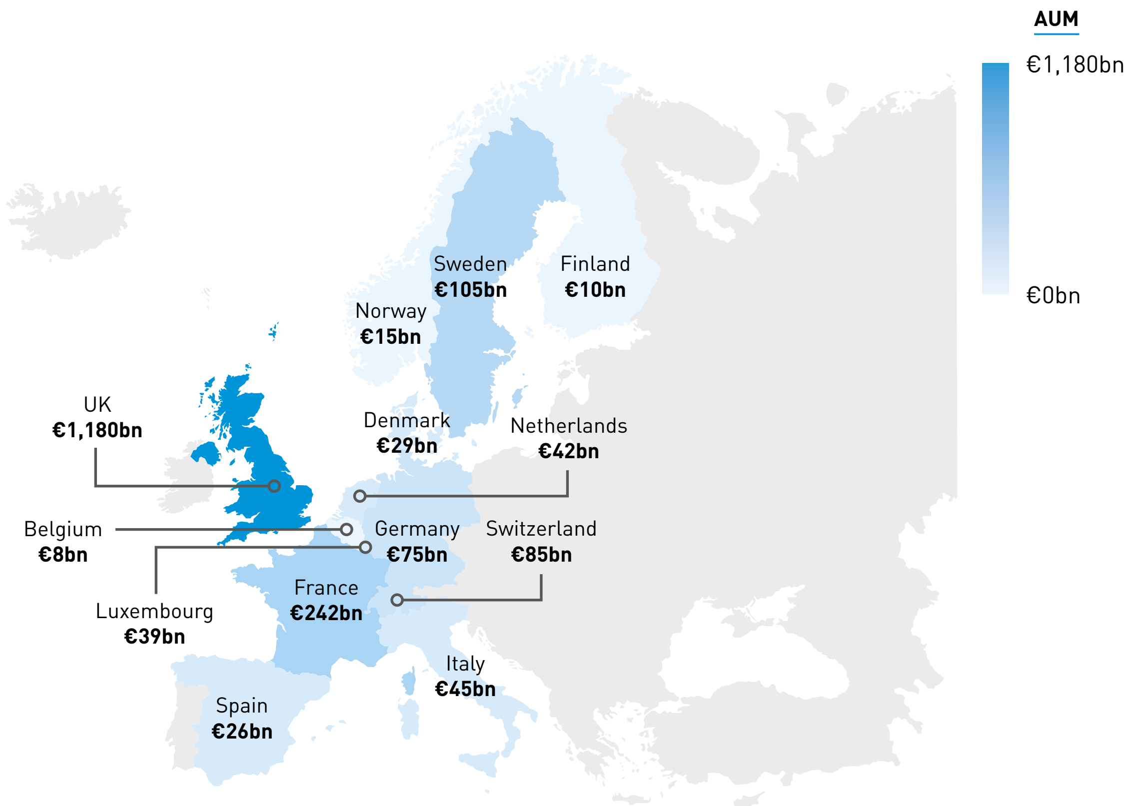
Fig. 1.2: Europe-Based Alternative Assets Dry Powder (€bn) by Asset Class



Source: Preqin Pro. Data as of December 2019

**Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.*

European Alternatives: At a Glance



	Aggregate Private Capital Deal Value, 2019 (€bn)	Aggregate Private Capital Deal Value, H1 2020 (€bn)	No. of Active Investors	No. of Active Fund Managers	H1 2020 Hedge Fund Net Return
UK	92.9	30.8	756	2,195	1.15%
France	28.7	16.5	166	559	-5.00%
Germany	52.2	33.7	377	840	-3.33%
Switzerland	20.6	5.4	428	413	0.82%
Netherlands	26.0	25.1	228	424	3.53%
Luxembourg	1.7	0.1	40	191	2.54%
Belgium	3.0	1.3	65	110	N/A
Italy	15.6	9.0	194	205	N/A
Spain	27.1	9.1	102	323	0.33%
Sweden	10.5	1.6	83	275	-1.75%
Denmark	3.4	0.2	69	118	-1.94%
Norway	4.5	0.7	72	98	-7.56%
Finland	3.4	0.2	69	118	-1.94%

2.
PRIVATE EQUITY & VENTURE CAPITAL

- Overview
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- Largest Fund Managers
- Largest Investors
- Top Performers

Private Equity & Venture Capital

Fundraising and deal activity held up through COVID-19, with the secondary market standing out

Private equity & venture capital is the largest alternative asset class in Europe. At 3,981, the number of active fund managers is more than double that of any other alternatives market. Nearly 5,000 private equity-backed buyout and venture capital transactions were completed in 2019, ahead of private real estate with 2,488 deals.

Managers Hold Steady during Economic Turmoil

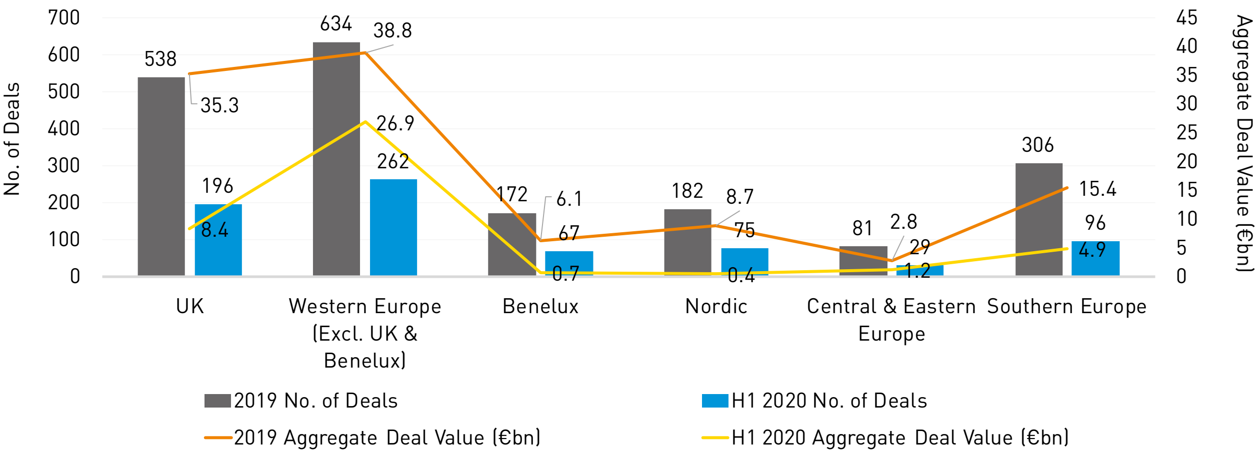
Europe-based GPs were largely able to maintain investment momentum through the COVID-19 pandemic, despite the need for both financial and operational resources to prop up struggling portfolio companies. This is especially true in the venture capital space, where the 1,301 deals completed in the first half of 2020 represented a combined value of €12.9bn, figures that equate to 43% and 49% of full-year 2019 totals respectively.

Managers have been able to successfully close funds, too. London-headquartered CVC Capital Partners smashed through a €17.5bn target to close at the hard cap of €21.3bn in July 2020, just six months after launch. CVC Capital Partners VIII, which will invest in Europe and North America, is one of the largest funds ever raised by a European firm. CVC also closed €720mn of CLO funds, a $657mn US direct lending fund, and a $4.5bn Asia-Pacific private equity fund in 2020, propelling it to the top spot in Preqin's league table of Europe-focused fund managers by capital raised over the past 10 years, ahead of Ardian in second place (page 21).

In total, 117 Europe-focused funds closed in H1 2020, raising an aggregate €50bn. The total for 2020 so far remains on track to match last year's €95bn. Indeed, it is likely to rise significantly in the second half of the year, with a number of established managers currently raising large buyout funds across the region. These include EQT (€14.7bn), Apax Partners ($10.5bn), BC Partners (€8.5bn), Ardian (€6.0bn), Nordic Capital (€5.0bn), HgCapital ($4.8bn and $4.4bn), and Vitruvian Partners (€4bn).

In the fundraising market, there is often a trade-off between achieving the best possible return and the amount of capital that can be put to work. This can present a dilemma for LPs looking to select managers.

Fig. 2.1: Private Equity-Backed Buyout Deals in Europe by Region, 2019 vs. H1 2020



Source: Preqin Pro

In the case of the European market, none of the GPs currently on the road with mega funds feature in Preqin's ranking of the most consistent top performing private equity fund managers (page 23), which is led by Hollyport Capital (UK), ATP Private Equity Partners (Denmark), Ufenau Capital Partners (Switzerland), Axon Partners Group (Spain), and Egeria Capital Management (Netherlands).

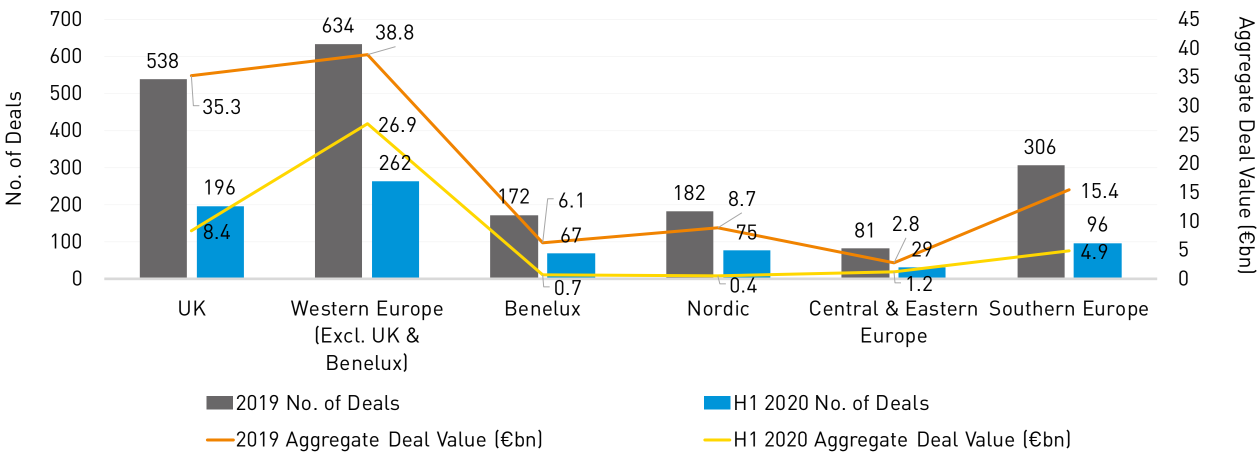
Secondaries Move to Center Stage

The European secondary market has proved particularly strong so far in 2020. A total of €19.0bn was raised by funds closed in H1 2020 targeting Europe, dwarfing the €1.9bn total for the whole of 2019. The market was dominated by two global mega funds – Ardian's $19bn ASF VIII, which included $5bn in co-investment, and Lexington Partners' $14bn ninth fund – both of which closed before COVID-19 hit financial markets.

As measured by median net IRR, secondaries funds have outperformed private capital every year since 2007, with the gap widening to double digits across 2015-2017 vintages. As the GFC unfolded, the secondary market saw a massive rise in supply as LPs were forced to sell positions to either meet commitments or maintain balance in their allocations to alternatives and public markets.

The market is less likely to experience such imbalance with the current crisis. Transaction volumes in H1 2020 were down 30% on H1 2019, as shown in the Preqin Secondary Market Update: H1 2020, likely reflecting a mismatch in pricing expectations between buyers and sellers. With just 181 of 1,082 sellers tracked on Preqin Pro considering themselves "highly likely" to sell fund stakes over the coming 12 months, opportunities for bargains will be few and far between.

Fig. 2.2: Venture Capital Deals* in Europe by Region, 2019 vs. H1 2020

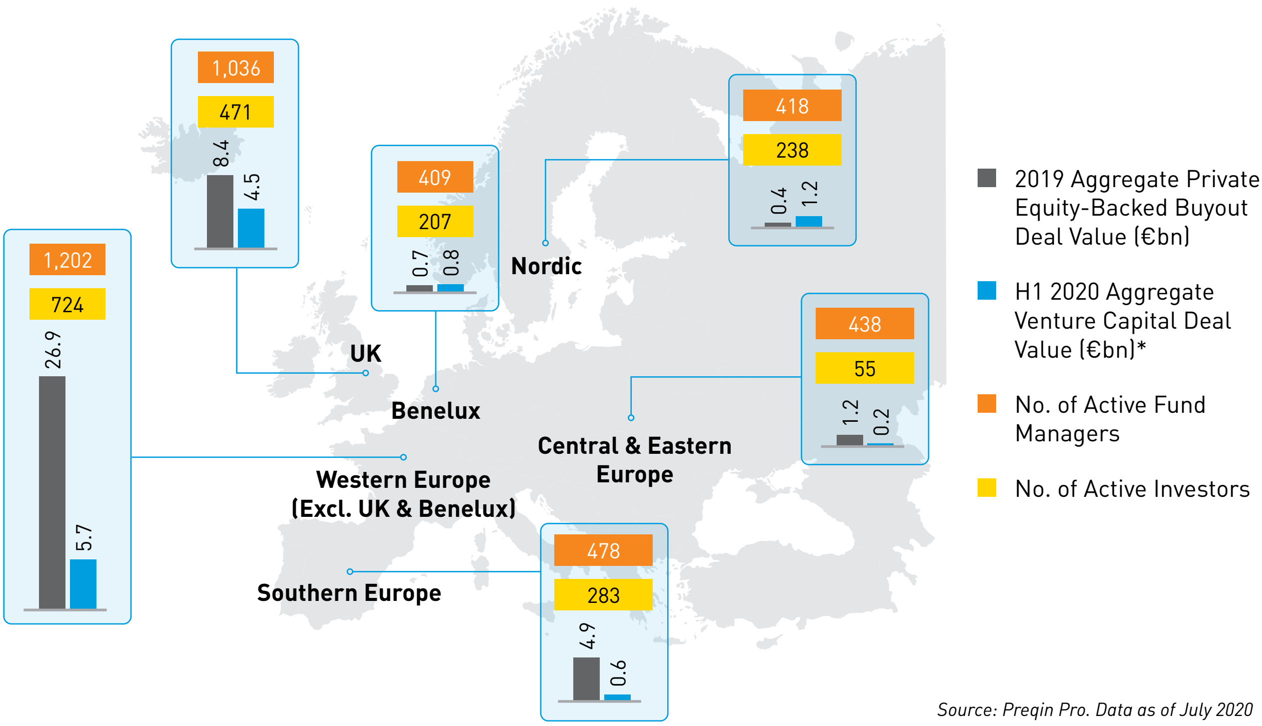


Source: Preqin Pro

**Excludes add-ons, grants, mergers, venture debt, and secondary stock purchases.*

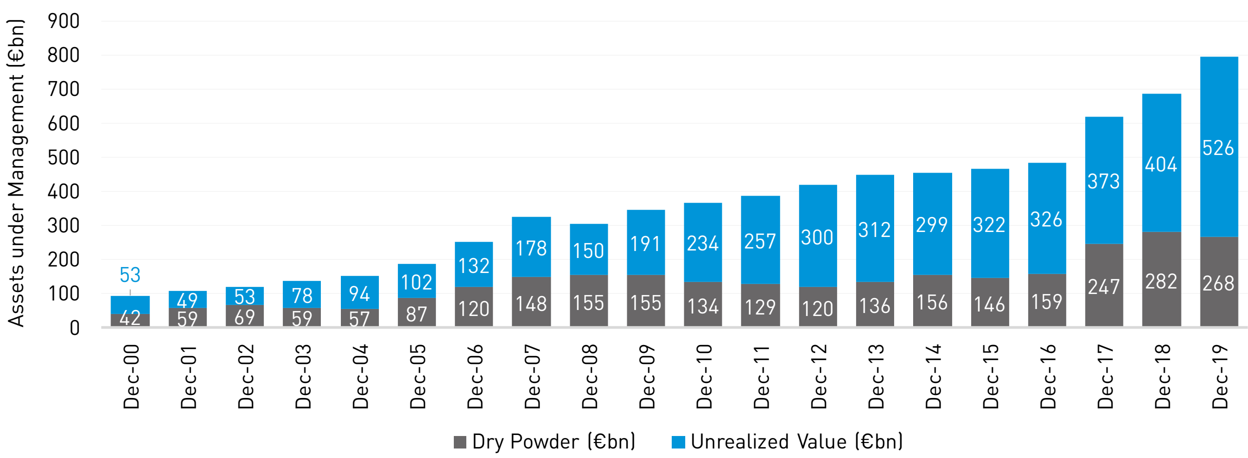
Private Equity & Venture Capital: Key Charts

Fig. 2.3: Private Equity & Venture Capital in Europe



Source: Preqin Pro. Data as of July 2020

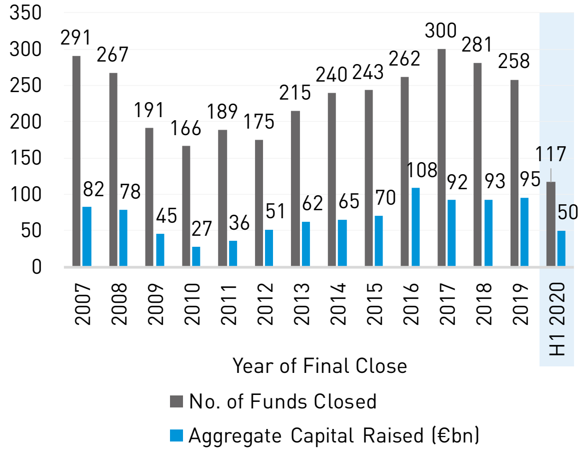
Fig. 2.4: Europe-Based Private Equity & Venture Capital Assets under Management, 2000 - 2019



Source: Preqin Pro

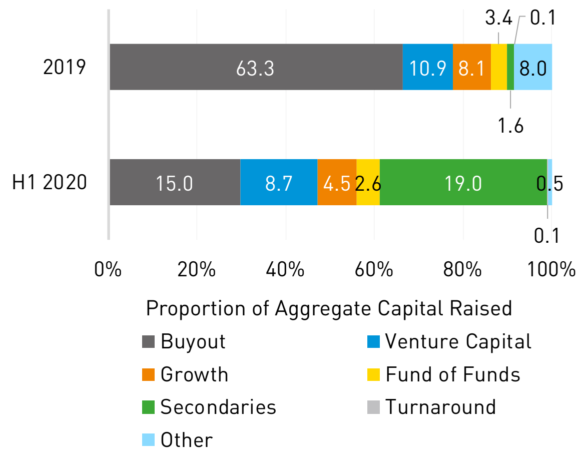
**Figures exclude add-ons, grants, mergers, venture debt, and secondary stock purchases.*

Fig. 2.5: Europe-Focused Private Equity & Venture Capital Fundraising, 2007 - H1 2020



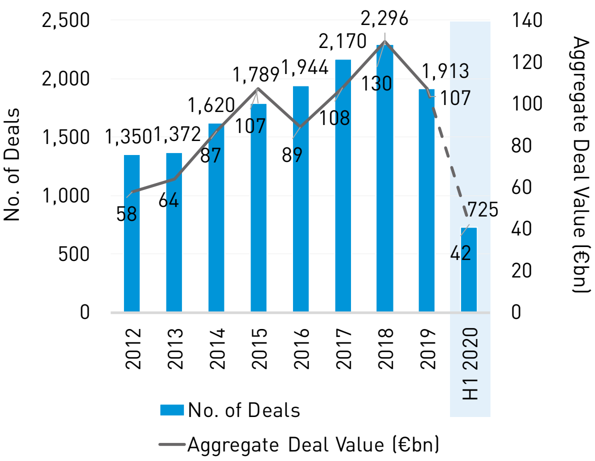
Source: Preqin Pro

Fig. 2.6: Aggregate Capital Raised (€bn) by Europe-Focused Private Equity & Venture Capital Funds Closed by Fund Type, 2019 vs. H1 2020



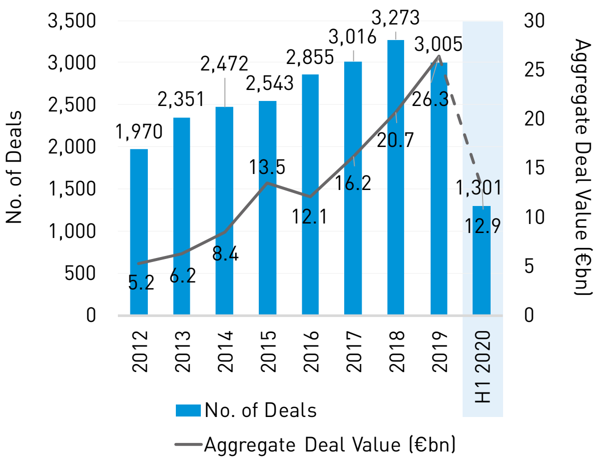
Source: Preqin Pro

Fig. 2.7: Private Equity-Backed Buyout Deals in Europe, 2012 - H1 2020



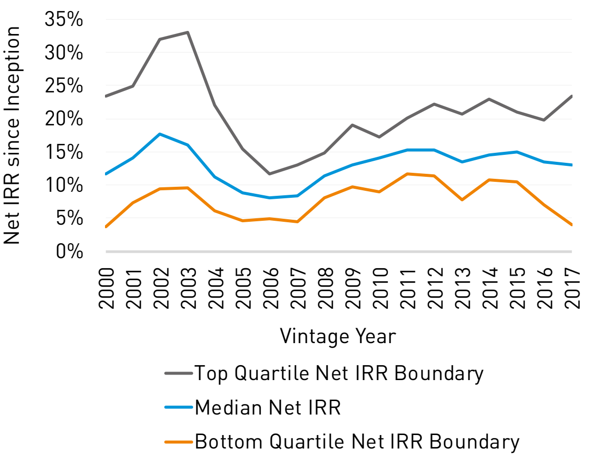
Source: Preqin Pro

Fig. 2.8: Venture Capital Deals* in Europe, 2012 - H1 2020



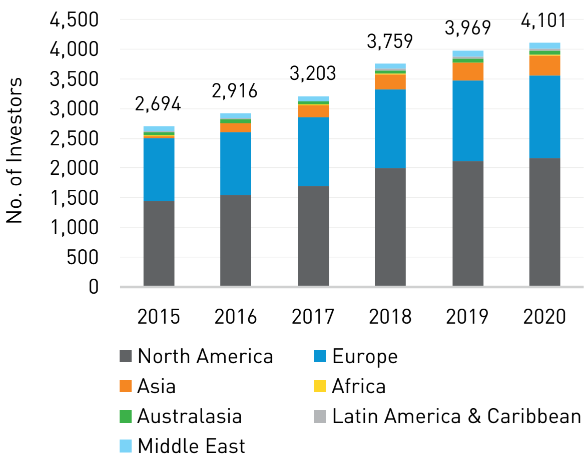
Source: Preqin Pro

Fig. 2.9: Europe-Focused Private Equity & Venture Capital: Median Net IRRs and Quartile Boundaries by Vintage Year



Source: Preqin Pro. Most Up-to-Date Data

Fig. 2.10: Europe-Focused Private Equity & Venture Capital Investors by Location, 2015 - 2020



Source: Preqin Pro

*Excludes add-ons, grants, mergers, venture debt, and secondary stock purchases.

Largest Funds

Fig. 2.11: Largest Europe-Focused Private Equity Funds Closed in 2020 YTD

Rank	Fund	Firm	Headquarters	Fund Size (mn)	Fund Type	Final Close Date
1	CVC Capital Partners Fund VIII	CVC	UK	21,300 EUR	Buyout	Jul-20
2	ASF VIII	Ardian	France	19,000 USD	Secondaries	Jun-20
3	IK IX Fund	IK Investment Partners	UK	2,850 EUR	Buyout	May-20
4	EMK Capital Partners II	EMK Capital	UK	1,500 EUR	Buyout	Jun-20
5	Francisco Partners Agility II	Francisco Partners	US	1,500 USD	Buyout	Jun-20
6	Gilde Buyout Fund VI	Gilde Buy Out Partners	Netherlands	1,346 EUR	Buyout	Mar-20
7	Deutsche Beteiligungs AG VIII	Deutsche Beteiligungs AG	Germany	1,109 EUR	Buyout	May-20
8	Five Arrows Secondary Opportunities V	Five Arrows Secondary Opportunities	France	1,000 EUR	Secondaries	Jan-20
9	Summit Partners Europe Growth Equity Fund III	Summit Partners	US	1,089 USD	Growth	Mar-20
10	Stirling Square Capital Partners Fourth Fund	Stirling Square Capital Partners	Jersey	950 EUR	Buyout	Feb-20

Source: Preqin Pro. Data as of July 2020

Fig. 2.12: Largest Europe-Focused Private Equity Funds in Market

Rank	Fund	Firm	Target Size (mn)	Fund Type	Geographic Focus
1	EQT IX	EQT	14,750 EUR	Buyout	Europe, Nordic
2	Apax X	Apax Partners	10,500 USD	Buyout	Global, North America, Europe
3	BC European Cap XI	BC Partners	8,500 EUR	Buyout	North America, Europe
4	Coller International Partners VIII	Coller Capital	9,000 USD	Secondaries	North America, Europe, Asia
5	Ardian Buyout VII	Ardian	6,000 EUR	Buyout	Western Europe
6	Nordic Capital Fund X	Nordic Capital	5,000 EUR	Buyout	Nordic, Western Europe
7	Hg Saturn 2	Hg	4,850 USD	Buyout	Europe
8	Vitruvian Investment Partnership IV	Vitruvian Partners	4,000 EUR	Buyout	Western Europe, UK
9	Genesis 9	Hg	4,400 USD	Buyout	Europe
10	Partners Group Secondary 2020	Partners Group	4,000 USD	Secondaries	North America, Europe, Asia

Source: Preqin Pro. Data as of July 2020

Largest Fund Managers

Fig. 2.13: Largest Fund Managers by Total Capital Raised for Europe-Focused Private Equity Funds in the Past 10 Years

Rank	Firm	Headquarters	Total Capital Raised in Past 10 Years (€bn)	Estimated Dry Powder (€bn)
1	CVC	London, UK	59.5	36.2
2	Ardian	Paris, France	58.2	28.7
3	EQT	Stockholm, Sweden	26.2	3.8
4	Permira	London, UK	25.3	10.7
5	Cinven	London, UK	22.3	8.9
6	Advent International	Boston, US	20.0	0.5
7	Apax Partners	London, UK	15.1	0.6
8	Carlyle Group	Washington, US	14.0	6.4
9	BC Partners	London, UK	13.7	0.5
10	Partners Group	Zug, Switzerland	12.0	4.4
11	Bridgepoint	London, UK	11.0	4.8
=	Coller Capital	London, UK	11.0	2.9
13	LGT Capital Partners	Pfäffikon, Switzerland	10.3	5.3
=	Nordic Capital	St Helier, Jersey	10.3	2.7
15	Russian Direct Investment Fund	Moscow, Russia	9.6	1.6
16	KKR	New York, US	9.1	4.6
=	Triton	St Helier, Jersey	9.1	4.1
18	PAI Partners	Paris, France	8.7	4.6
19	Bain Capital	Boston, US	8.1	3.7
=	Hg	London, UK	8.1	2.2
21	Investindustrial	London, UK	7.5	3.6
22	Astorg	Paris, France	7.4	3.6
23	IK Investment Partners	London, UK	7.1	2.8
=	TDR Capital	London, UK	7.1	4.5
25	Equistone Partners Europe	London, UK	6.3	1.8

Source: Preqin Pro

Largest Investors

Fig. 2.14: Largest Europe-Based Investors in Private Equity by Type

Type	Rank	Investor	Allocation to Private Equity (€bn)	Location
Endowment Plan	1	Oxford University Endowment Management	1.1	UK
	2	Church Commissioners for England	0.6	UK
	3	Cambridge University Endowment Fund	0.5	UK
	4	Aalto University Endowment	0.1	Finland
	5	University of Edinburgh Endowment	0.0	UK
Family Office	1	Bregal Investments	3.5	UK
	2	KIRKBI	1.6	Denmark
	3	Torreal	1.3	Spain
	4	MdF Family Partners	0.4	Spain
	=	Smedvig Asset Allocation AS	0.4	Norway
Foundation	1	Wellcome Trust	9.2	UK
	2	RAG Stiftung	2.1	Germany
	3	Realdania	0.7	Denmark
	4	Compagnia di San Paolo	0.3	Italy
	=	Esmée Fairbairn Foundation	0.3	UK
Insurance Company	1	VidaCaixa	9.0	Spain
	2	CNP Assurances	8.7	France
	3	Skandia Life Insurance Company	5.1	Sweden
	4	Varma Mutual Pension Insurance Company	4.9	Finland
	5	Ilmarinen Mutual Pension Insurance Company	4.0	Finland
Private Sector Pension Fund	1	Universities Superannuation Scheme	8.8	UK
	2	Metal and Engineering Pension Fund	4.1	Netherlands
	3	Pension Fund for Bituminous and Plastic Roofing Companies	3.5	Netherlands
	4	GlaxoSmithKline Group Pension Fund	3.3	UK
	5	Lloyds Banking Group Pension Schemes	2.9	UK
Public Pension Fund	1	ABP	27.5	Netherlands
	2	Stichting Pensioenfonds Zorg en Welzijn	14.1	Netherlands
	3	Keva	5.0	Finland
	4	Bayerische Versorgungskammer	4.9	Germany
	5	AP-Fonden 6	3.5	Sweden
Sovereign Wealth Fund	1	Bpifrance	35.0	France
	2	Ireland Strategic Investment Fund	0.7	Ireland
	3	n/a	n/a	n/a
	4	n/a	n/a	n/a
	5	n/a	n/a	n/a

Source: Preqin Pro

Top Performers

Fig. 2.15: Most Consistent Top Performing Europe-Focused Private Equity Fund Managers (All Vintages)*

Rank	Firm	Headquarters	Overall No. of Funds with Quartile Ranking	No. of Funds in Top Quartile	No. of Funds in Second Quartile	Average Quartile Rank
1	Hollyport Capital	UK	5	5	0	1.00
2	ATP Private Equity Partners	Denmark	4	4	0	1.00
3	Ufenau Capital Partners	Switzerland	3	3	0	1.00
4	Axon Partners Group	Spain	3	2	1	1.33
5	Egeria Capital Management	Netherlands	3	2	1	1.33
6	Index Ventures	UK	3	2	1	1.33
7	Keyhaven Capital Partners	UK	3	2	1	1.33
8	KJK Capital	Finland	3	2	1	1.33
9	Nordea Private Equity	Denmark	3	2	1	1.33
10	SwanCap Partners	Germany	3	2	1	1.33

Source: Preqin Pro

Fig. 2.16: Top Performing Europe-Focused Private Equity Funds (Vintages 2007-2017)

Rank	Fund	Firm	Vintage	Fund Size (mn)	Type	Geographic Focus	Net IRR (%)	Date Reported
1	BioGeneration Ventures II	BioGeneration Ventures	2012	23 EUR	Early Stage	Netherlands	104.0	31-Dec-19
2	GMT Realisation Fund	GMT Communications Partners	2017	149 EUR	Buyout	Europe	88.6	30-Jun-20
3	4BIO Ventures I	4BIO Capital Partners	2014	10 USD	Venture Capital (General)	Europe	72.6	31-Dec-19
4	Mandarin Capital Partners Secondary	Mandarin Investment Management	2015	88 EUR	Secondaries	Western Europe	68.2	30-Jun-20
5	Ufenau III German Asset Light	Ufenau Capital Partners	2011	25 EUR	Buyout	Western Europe	64.0	31-Mar-19
6	Earlybird Digital East Fund	Earlybird Venture Capital	2014	150 USD	Early Stage	Central & Eastern Europe	61.7	31-Dec-19
7	EB III Annex	Earlybird Venture Capital	2009	5 EUR	Early Stage	Europe	60.7	30-Jun-20
8	Catalyst UK Partners	Catalyst Investors	2007	55 USD	Co-Investment	Europe	53.7	30-Jun-20
9	Via equity Fond II K/S	Via Equity	2011	1,000 DKK	Buyout	Nordic	51.4	31-Mar-20
10	H2 Equity Partners Fund IV	H2 Equity Partners	2011	300 EUR	Balanced	Western Europe	48.0	30-Jun-19

Source: Preqin Pro

**The most consistent top performing fund manager table is based on the average quartile ranking of a manager's funds. The entire pool of buyout funds is ranked within each vintage year according to its net IRR. The funds are given a score based on their quartile: 1 for top-quartile funds, 2 for second-quartile funds, and so on. This is the fund's 'quartile ranking.'*

A manager's average quartile ranking is the average of all of the funds' quartile scores, with a minimum of three funds required in order to appear in the table. The average quartile rankings can vary from 1.00 for a fund manager with only top-quartile funds, to 4.00 for a fund manager with only bottom-quartile funds.

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3.
PRIVATE DEBT

- Why We Invest at the Top of the Capital Structure – *Thierry Vallière, Amundi*
- Overview
- Key Charts
- Largest Funds
- Largest Fund Managers
- Largest Investors
- Top Performers

Why We Invest at the Top of the Capital Structure

For attractive risk-adjusted returns in good times and bad, savvy investors must be selective, says Thierry Vallière, Global Head of Private Debt, Amundi

Thierry Vallière
Global Head of Private Debt

Amundi
real-assets.amundi.com

How has COVID-19 changed your investment strategy?
We had been preparing for a potential change in the cycle. We decided three years ago to have broader diversification in geography and sector and to only invest at the top of capital structure, where risk-adjusted returns are attractive.

We also spent much more time structuring transactions to mitigate risks identified during our due diligence and make sure we would be on the right side of the negotiating table if there were problems. We gave more consideration to local insolvency regimes and security package enforcement, and brought in additional resources with workout experience. This industry requires a lot of resources and a lot of people – you need to have scale and the right infrastructure.

Looking at the European private debt market today, what do you see as the key challenges?
In the first two months of the pandemic we did what was critical, dealing with the emergencies and avoiding a liquidity crisis. We helped companies access government support extremely quickly. Everybody was very professional, constructive, and pragmatic.

After the summer we will enter a new phase. Discussions will be tougher and companies with weaker balance sheets, higher indebtedness, lower profitability, and low visibility will find it harder. The key question is: how can these companies repay liabilities incurred during this crisis? Private capital has a lot of advantages over traditional liquid credit in these situations, with stringent financial documentation, and the ability to negotiate with shareholders and to restructure in terms of pricing or exit.

What are the big differences between this crisis and the GFC for private debt?
The private debt market is much larger than it was, but it's still relatively immature. There's a lot of dry powder and it's easier to get capital than it was after the Global Financial Crisis (GFC). The question is: can you spend it wisely?

Are LPs diversifying their private credit strategies to target new opportunities?
First, clients want to test what we told them about the benefits of this asset class for investors with a long-term horizon, and who can bear some liquidity constraints: diversification, relative uncorrelation with other asset classes, lower volatility, alternative premiums, recurring cash flows. Probably more importantly, clients will appreciate the embedded option to restructure pricing or terms, the ability to repossess hard assets if need be, and of course the option to exit at par. In this economic environment, clients are challenging us on those aspects more than they are looking for new opportunities.

After the summer we will have to deal with the most difficult situations and restructuring processes, and by then there will be more funds raised for restructurings, turnarounds, and mezzanine. There is a lot of dry powder so investors will be able to adapt and invest much more quickly than they did after the last financial crisis. However, there is not a direct correlation between the capital raised and the investment opportunity.

Which types of private debt investment do you think are interesting right now?
I am not sure that all LPs fully understood the funds they were investing in – this crisis will be an acid test for some LPs and GPs. If a fund is getting an 8-9% return, it's not investing in high-quality assets or ultra-senior secured assets, whatever GPs were telling them.

We've always liked sectors that are resilient. We expect to see a flight to quality with people wanting to invest in safer strategies, more senior, more secured, and in asset-based financing.

Asset-based lending strategies saw a lot of interest coming into this crisis. Which markets should LPs look at?
Some markets are already very deep, such as real estate and infrastructure. I think we will see some short-term strategies with securitization of short-term commercial paper and perhaps the rise of reverse factoring to help small suppliers to large companies, where rates will be better than public markets.

Funds that came out of the GFC outperformed in terms of median net IRRs. Do you think that will repeat through this crisis?
These crises were linked to the financial system and banks retreating from the market, so funds that had the capacity to fill the gap had a lot of great opportunities. The banking industry is in better shape now, funds have dry powder, and clients are more familiar with turnaround or restructuring situations. There will be more competition, so post-COVID-19 vintages may not be as good as the ones after the GFC.

What is Amundi's strategy for a post-COVID world?
There are two elements: we will be opportunistic, seizing the short-term opportunities that will arise, and we will continue the sustainable long-term strategy we have developed over the years. We will continue to focus on the top of the capital structure, preferably secured deals, which offer attractive risk-adjusted returns.

How do you see the European private debt industry evolving?
We will continue to see the importance of scale and building the right infrastructure. We'll see some consolidation in the largest players that have established, long-term relationships with large LPs. I expect this trend to continue and some small GPs will disappear.

Amundi is the leading European asset manager, ranking among the top 10 global players[1]. Created in 2010 and listed on the stock exchange in 2015, Amundi manages €1.6tn of assets[3] across six international investment hubs[2]. Amundi counts 4,500 employees in nearly 40 countries. On the back of multi-decade expertise in private markets, Amundi launched a Platform dedicated to Alternative and Real Assets (PARA) in 2016. Real estate, private debt, private equity, infrastructure are all part of a single integrated business, bringing together 200 professionals in origination, structuring and management of private assets.

Today with AUM of €55bn[3], PARA has a European ambition in financing the real economy with more than 1,000 assets across 13 countries, leveraging strong synergies with Credit Agricole's banking networks on the continent. With strong convictions in terms of transparency, deal execution and responsible investment, PARA provides innovative and long-term investment solutions for both professional and retail investors through funds, separate accounts, club deals, co-investments, and multimanagement.

Thierry Vallière is Global Head of the Private Debt Division and Committee at Amundi. Thierry joined Amundi in 2015 from Printemps, the leading French department store and real estate group, where he was deputy CFO

1 Source: IPE "Top 400 asset managers" published in June 2020, based on assets under management as at 31/12/2019.
2 Boston, Dublin, London, Milan, Paris, and Tokyo
3 Amundi data as at 30/06/2020

Private Debt

Strong performance and distressed opportunities are driving private debt fundraising

Private debt fundraising in Europe was relatively strong over the first half of 2020. The 28 funds closed secured an aggregate €21bn in commitments – just under half the amount raised over the whole of 2019 (Fig. 3.5). This is especially significant considering the economic impact of COVID-19, with the asset class surpassing the totals raised for real estate (€18bn), infrastructure (€9bn), and natural resources (€4.7bn) over the same period.

Strong and consistent performance has been a key driver behind these robust fundraising figures. Preqin's most up-to-date data shows Europe-focused private debt funds of vintage 2017 have a median net IRR of 7.8%, outperforming both infrastructure and natural resources funds of the same vintage (both 5.0%). Median net IRRs have remained relatively flat across previous vintages (Fig. 3.9).

Distressed Debt Sees Uptick in Commitments

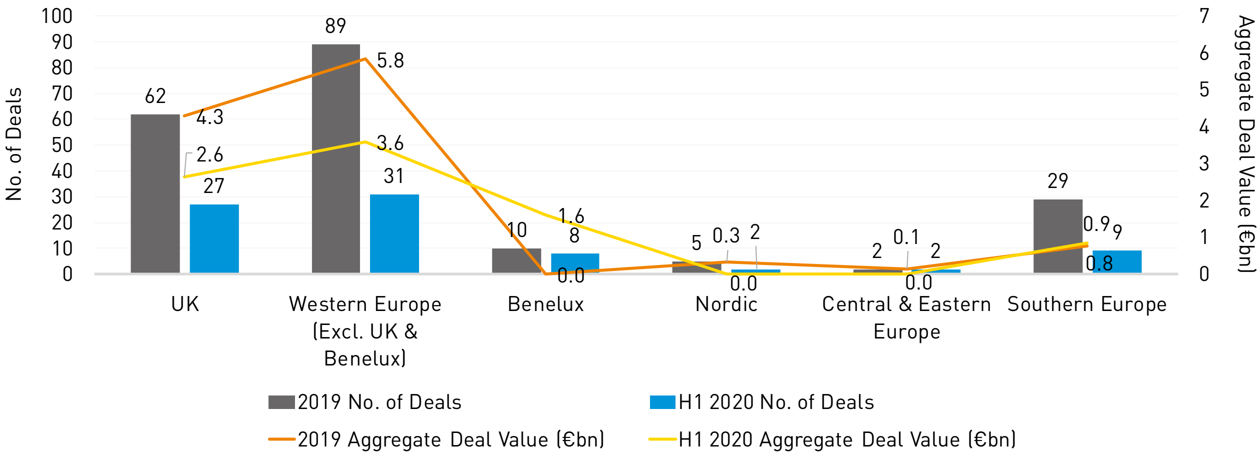
Industries most affected by the economic impact of lockdowns imposed across the globe – such as hospitality, sport, and entertainment – are expected to be fertile ground for debt investors. European investors are seeing the ability to generate higher returns from a portion of their investments.

As such, distressed debt captured a notable share of capital raised in H1 2020 compared to the whole of 2019. Europe-focused distressed debt funds raised €4.2bn over the first half of 2020, 20% of total private debt capital secured. To compare this with 2019, distressed debt funds raised 10% of total private debt capital. The €4.2bn raised by distressed debt funds in H1 2020 equates to 80% of the total capital raised by such funds in full-year 2019 (Fig. 3.6).

Capital Is Being Put to Work

European private debt AUM has more than doubled since December 2014, reaching €179bn as of December 2019. However, dry powder fell 3% from €61bn to €59bn between 2018 and 2019, indicating the presence of attractive opportunities (Fig. 3.4). This is the first time dry powder has fallen in European private debt since the period between 2015 and 2016 (€36.1bn to €35.9bn).

Fig. 3.1: Private Debt-Backed Deals in Europe by Region, 2019 vs. H1 2020



Source: Preqin Pro

So far in 2020 the value of European private debt-backed deals has soared, even though deal flow has declined. A total of 79 deals were completed in H1 2020 (vs. 197 in 2019), for an aggregate value of €8.7bn (see page 31). This is already greater than the full-year value in 2018, and three-quarters of the way to matching the 2019 total.

Large debt financings drove this surge in deal value. Los Angeles-based Ares Management's June 2020 €2bn financing of The Ardonagh Group, the UK's largest independent insurance broker, was the largest-ever unitranche financing. KKR and HPS Investment Partners participated alongside Ares.

Driven by this deal, the UK accounted for the largest proportion (30%) of aggregate private debt-backed deal value across Europe in H1 2020, followed by the Benelux union which made up 20% (Fig. 3.1).

Investing for the Long Haul

European private debt has had a strong H1 2020, and investors continue to target the market. The number focusing on private debt in Europe is now just shy of 1,900, an increase of 86% from five years ago.

While markets brace for the impact of further waves of the pandemic across Europe, investors have not lost sight of their objectives. Among those recently surveyed by Preqin, 63% believe there will be no long-term impact from COVID-19 on their future alternative investment strategies.[1]

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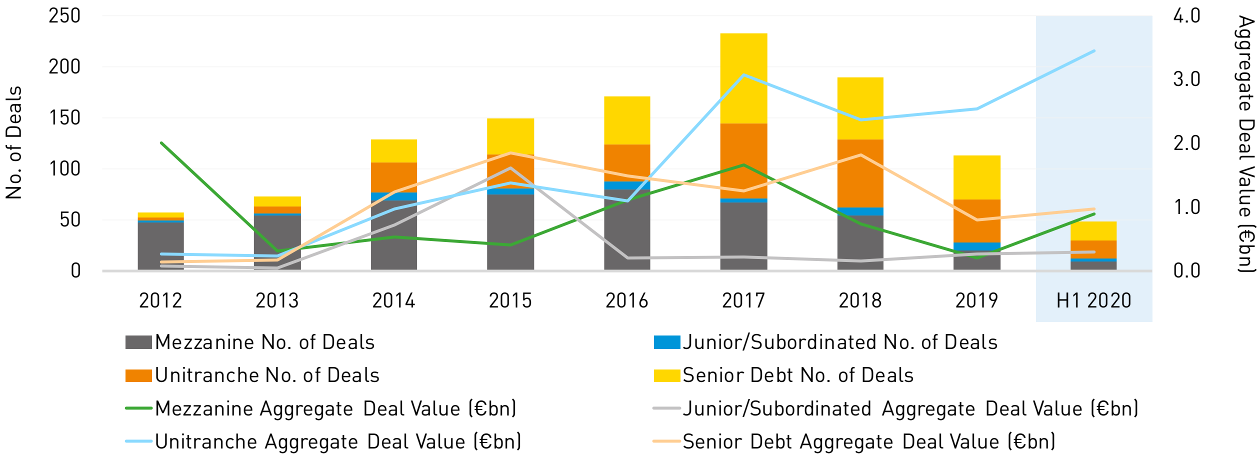
[1] *https://www.preqin.com/insights/research/blogs/how-investors-are-responding-to-covid19*

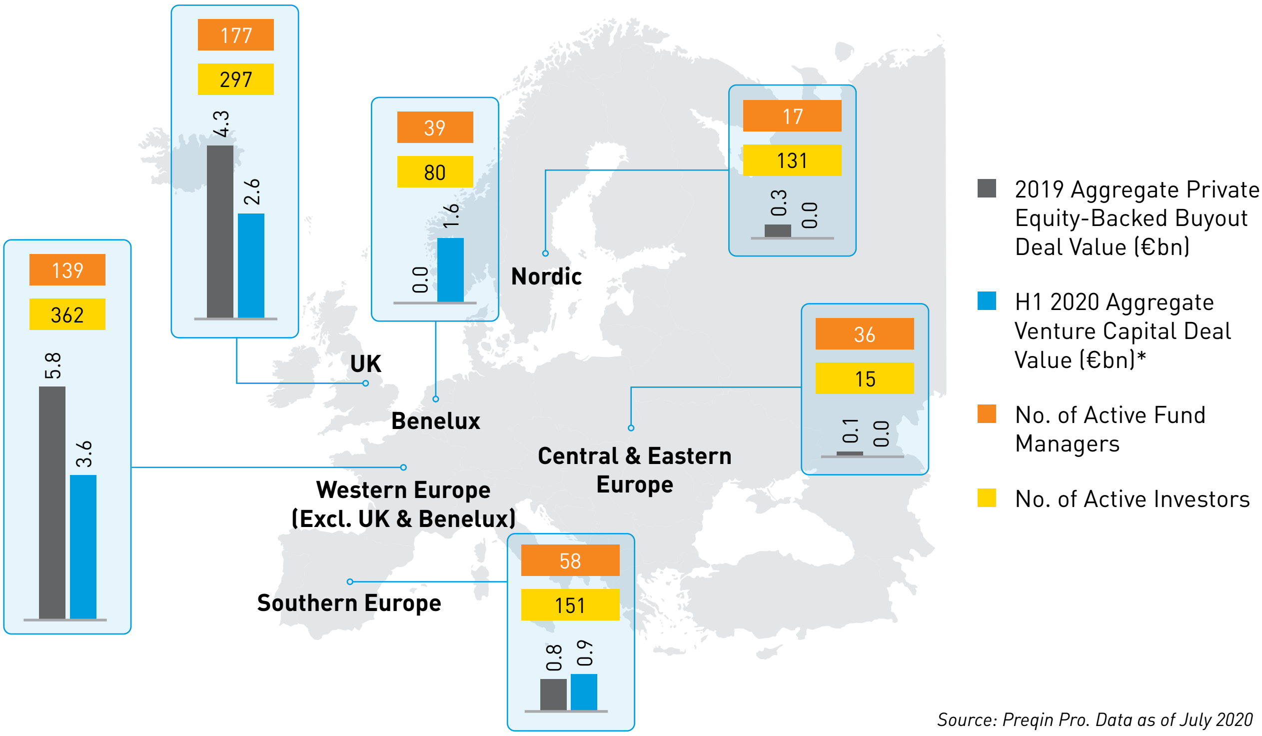
Fig. 3.2: Private Debt-Backed Deals in Europe by Debt Type, 2012 - H1 2020



Source: Preqin Pro

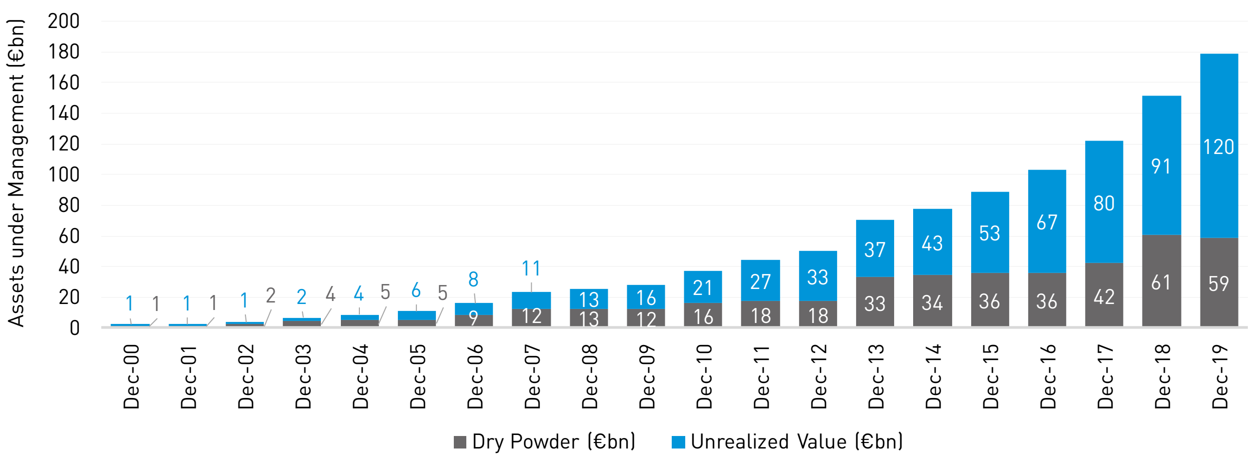
Private Debt: Key Charts

Fig. 3.3: Private Debt in Europe



Source: Preqin Pro. Data as of July 2020

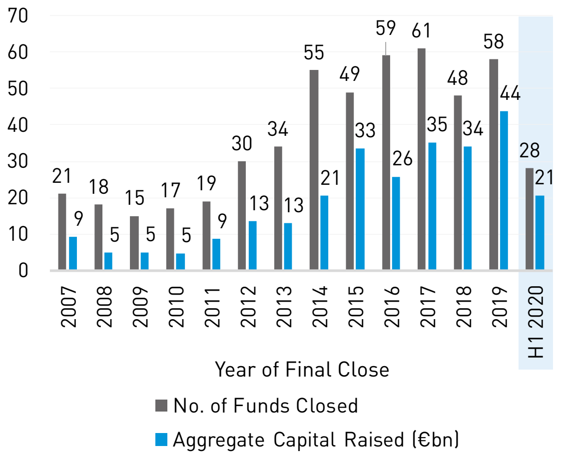
Fig. 3.4: Europe-Based Private Debt Assets under Management, 2000 - 2019



Source: Preqin Pro

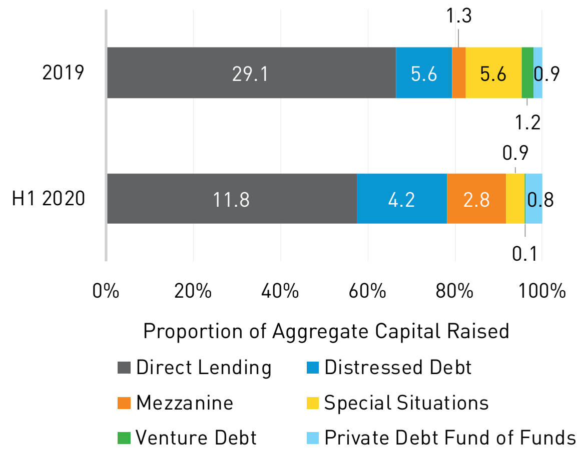
*Figures exclude add-ons, grants, mergers, venture debt, and secondary stock purchases.

Fig. 3.5: Europe-Focused Private Debt Fundraising, 2007 - H1 2020



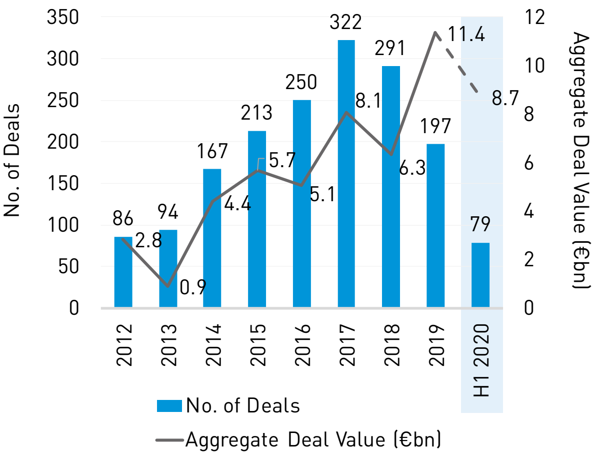
Source: Preqin Pro

Fig. 3.6: Aggregate Capital Raised (€bn) by Europe-Focused Private Debt Funds Closed by Fund Type, 2019 vs. H1 2020



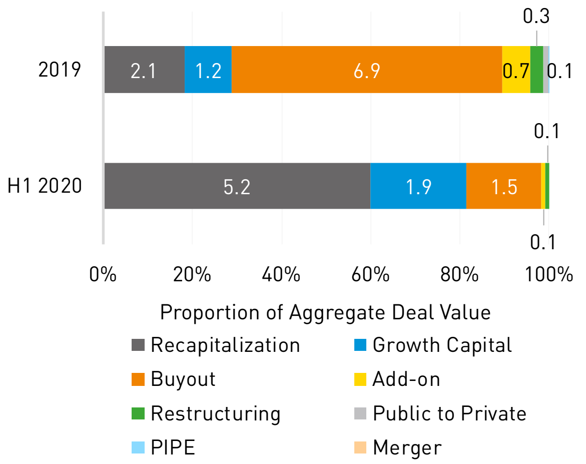
Source: Preqin Pro

Fig. 3.7: Private Debt-Backed Deals in Europe, 2012 - H1 2020



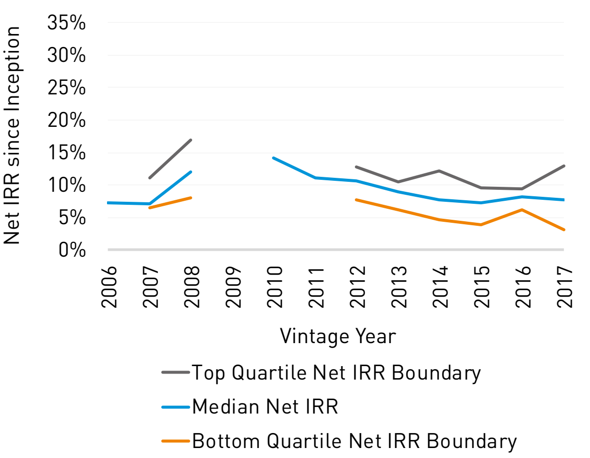
Source: Preqin Pro

Fig. 3.8: Aggregate Value (€bn) of Private Debt-Backed Deals in Europe by Investment Type, 2019 vs. H1 2020



Source: Preqin Pro

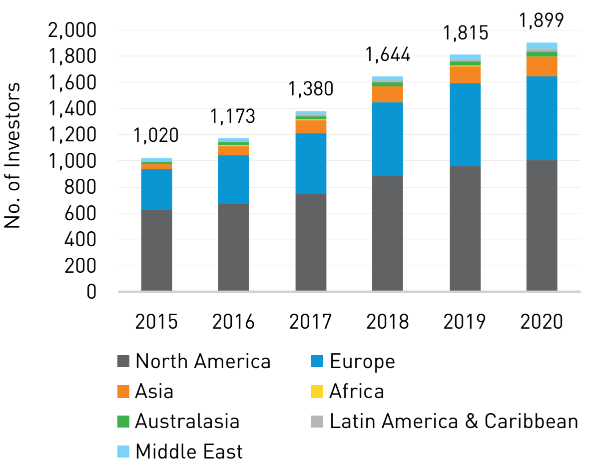
Fig. 3.9: Europe-Focused Private Debt: Median Net IRRs and Quartile Boundaries by Vintage Year



Source: Preqin Pro. Most Up-to-Date Data

**Excludes add-ons, grants, mergers, venture debt, and secondary stock purchases.*

Fig. 3.10: Number of Europe-Focused Private Debt Investors by Location, 2015 - 2020



Source: Preqin Pro

Largest Funds

Fig. 3.11: Largest Europe-Focused Private Debt Funds Closed in 2020 YTD

Rank	Fund	Firm	Headquarters	Fund Size (mn)	Fund Type	Final Close Date
1	GSO European Senior Debt Fund II	GSO Capital Partners	US	4,546 USD	Direct Lending - Unitranche Debt	Feb-20
2	Permira Credit Solutions Fund IV	Permira Debt Managers	UK	3,400 EUR	Direct Lending - Senior Debt	Mar-20
3	KKR Dislocation Fund	KKR	US	2,800 USD	Distressed Debt	May-20
4	Crescent European Specialty Lending Fund II	Crescent Capital Group	US	1,600 EUR	Direct Lending	Apr-20
5	M&G Debt Opportunities Fund IV	M&G Investments	UK	1,060 EUR	Distressed Debt	May-20
6	EMZ 9	EMZ Partners	France	1,043 EUR	Mezzanine	Mar-20
7	ICG Europe Mid-Market Fund	ICG	UK	1,000 EUR	Mezzanine	Jan-20
8	RoundShield Partners Fund IV	RoundShield Partners	UK	670 GBP	Special Situations	Mar-20
9	Quaestio Private Market Funds- European Private Debt	Quaestio Capital Management	Italy	650 EUR	Direct Lending - Senior Debt	Mar-20
10	Avenue Europe Special Situations Fund IV	Avenue Capital Group	US	680 USD	Distressed Debt	Mar-20

Source: Preqin Pro. Data as of July 2020

Fig. 3.12: Largest Europe-Focused Private Debt Funds in Market

Rank	Fund	Firm	Target Size (mn)	Strategy	Geographic Focus
1	Ares Capital Europe V	Ares Management	9,850 EUR	Direct Lending - Senior Debt	Europe, UK
2	Hayfin Direct Lending Fund III	Hayfin Capital Management	4,500 EUR	Direct Lending - Senior Debt	Europe
3	LCM Credit Opportunities Strategy 4	LCM Partners	4,000 EUR	Distressed Debt	Europe, Nordic, UK
4	Park Square Capital SMBC JV	Park Square Capital	3,000 EUR	Direct Lending - Unitranche Debt	Europe
5	Fortress Credit Opportunities Fund V Expansion	Fortress Investment Group	3,000 USD	Distressed Debt	Europe, Global
6	Arrow Credit Opportunities	AGG Capital Management	2,000 EUR	Distressed Debt	Europe, UK
7	Ares Pathfinder	Ares Management	2,000 USD	Direct Lending	North America, Europe, Asia
8	Park Square Capital Partners IV	Park Square Capital	1,500 EUR	Mezzanine	Europe
=	Capza Private Debt 5	CAPZA	1,500 EUR	Direct Lending - Unitranche Debt	Western Europe
10	Cross Ocean USD ESS Fund III	Cross Ocean Partners	1,500 USD	Special Situations	Western Europe

Source: Preqin Pro. Data as of July 2020

Largest Fund Managers

Fig. 3.13: Largest Fund Managers by Total Capital Raised for Europe-Focused Private Debt Funds in the Past 10 Years

Rank	Firm	Headquarters	Total Capital Raised in Past 10 Years (€bn)	Estimated Dry Powder (€bn)
1	ICG	London, UK	21.2	3.2
2	Ares Management	Los Angeles, US	16.2	2.9
3	Arcmont Asset Management	London, UK	12.0	4.6
4	Fortress Investment Group	New York, US	10.0	2.6
5	M&G Investments	London, UK	9.0	1.4
6	Hayfin Capital Management	London, UK	8.6	0.5
7	Alcentra	London, UK	8.4	3.5
8	KKR	New York, US	7.9	3.0
9	Park Square Capital	London, UK	7.2	1.7
10	Amundi Platform of Alternative and Real Assets	Paris, France	6.6	1.1
11	Permira Debt Managers	London, UK	6.2	3.2
12	Pemberton Capital Advisors	London, UK	6.1	0.9
13	GSO Capital Partners	New York, US	5.9	3.2
14	Oaktree Capital Management	Los Angeles, US	5.8	1.0
15	Tikehau Capital	Paris, France	5.1	1.6
16	Ardian	Paris, France	5.0	2.2
17	Avenue Capital Group	New York, US	4.9	0.8
18	EQT	Stockholm, Sweden	4.5	1.7
19	Strategic Value Partners	Greenwich, US	4.1	1.4
20	Proventus Capital Partners	Stockholm, Sweden	3.9	1.5
21	Idinvest Partners	Paris, France	3.8	0.4
22	CAPZA	Paris, France	3.3	1.4
23	AlbaCore Capital Group	London, UK	3.0	0.9
24	Metric Capital Partners	London, UK	2.8	1.4
25	Partners Group	Zug, Switzerland	2.7	0.2

Source: Preqin Pro

Largest Investors

Fig. 3.14: Largest Europe-Based Investors in Private Debt by Type

Type	Rank	Investor	Allocation to Private Debt (€bn)	Location
Endowment Plan	1	Oxford University Endowment Management	0.4	UK
	2	Church Commissioners for England	0.3	UK
	3	Aalto University Endowment	0.1	Finland
	4	Imperial College Endowment	0.01	UK
	5	n/a	n/a	n/a
Family Office	1	Woodman Wealth Management	0.3	Switzerland
	2	Torreal	0.1	Spain
	3	TY Danjuma Family Office	0.03	UK
	4	LEON Family Office	0.02	Russia
	5	Hereditas	0.01	Finland
Foundation	1	Lundbeck Foundation	0.3	Denmark
	2	The Velux Foundations	0.1	Denmark
	=	Guy's & St. Thomas' Charity	0.1	UK
	4	Fondazione Cassa di Risparmio di Lucca	0.05	Italy
	5	Barts Charity	0.02	UK
Insurance Company	1	Zurich Insurance Company	8.5	UK
	2	Swiss National Accident Insurance Institution (SUVA)	5.2	Switzerland
	3	BNP Paribas Cardif	4.4	France
	4	SOGECAP	3.6	France
	5	Ageas	3.5	Belgium
Private Sector Pension Fund	1	BT Pension Scheme	4.6	UK
	2	Universities Superannuation Scheme	3.7	UK
	3	Pension Protection Fund	3.6	UK
	4	Lloyds Banking Group Pension Schemes	2.4	UK
	5	Mineworkers Pension Scheme	2.0	UK
Public Pension Fund	1	Local Pensions Partnership	3.0	UK
	2	Danica Pension	1.6	Denmark
	3	PensionDanmark	1.0	Denmark
	=	Keva	1.0	Finland
	5	Birta Pension Fund	0.8	Iceland
Sovereign Wealth Fund	1	Bpifrance	1.0	France
	=	Ireland Strategic Investment Fund	1.0	Ireland
	3	n/a	n/a	n/a
	4	n/a	n/a	n/a
	5	n/a	n/a	n/a

Source: Preqin Pro

Top Performers

Fig. 3.15: Most Consistent Top Performing Europe-Focused Private Debt Fund Managers (All Vintages)*

Rank	Firm	Headquarters	Overall No. of Funds with Quartile Ranking	No. of Funds in Top Quartile	No. of Funds in Second Quartile	Average Quartile Rank
1	Inveready Asset Management	Spain	3	3	0	1.00
=	Kartesia Advisors	Luxembourg	3	3	0	1.00
3	Alchemy Partners	UK	3	2	1	1.33
=	AnaCap Financial Partners	UK	3	2	1	1.33
=	Tikehau Capital	France	3	2	1	1.33
6	ICG	UK	11	5	5	1.64
7	Oaktree Capital Management	US	6	3	2	1.67
8	Indigo Capital	France	4	1	3	1.75
9	CAPZA	France	5	2	2	1.80

Source: Preqin Pro

Fig. 3.16: Top Performing Europe-Focused Private Debt Funds (Vintages 2007-2017)

Rank	Fund	Firm	Vintage	Fund Size (mn)	Type	Geographic Focus	Net IRR (%)	Date Reported
1	Permira Sigma 2	Permira Debt Managers	2012	30 EUR	Private Debt Fund of Funds	Europe	26.9	30-Jun-20
2	ICG Minority Partners Fund 2008	ICG	2008	116 EUR	Mezzanine	UK	24.4	30-Jun-20
3	ICG Europe Fund VI	ICG	2015	3,000 EUR	Mezzanine	Europe	21.0	30-Jun-19
4	AnaCap Credit Opportunities I	AnaCap Financial Partners	2010	59 GBP	Distressed Debt	Europe	21.0	30-Jun-20
5	Permira Sigma 3	Permira Debt Managers	2012	40 EUR	Private Debt Fund of Funds	Europe	19.2	30-Jun-20
6	Armada Mezzanine Fund III	Armada Credit Partners	2008	103 EUR	Mezzanine	Europe	18.8	31-Mar-20
7	OxyCapital Mezzanine Fund	Oxy Capital	2014	67 EUR	Mezzanine	Portugal	18.3	31-Dec-19
8	Kartesia Credit Opportunities IV	Kartesia Advisors	2017	870 EUR	Direct Lending - Senior Debt	Europe	17.0	31-Dec-19
9	EQT Credit Fund	EQT	2010	350 EUR	Distressed Debt	Europe	16.5	30-Jun-20
10	Avenue Europe Special Situations Fund	Avenue Capital Group	2008	1,138 EUR	Distressed Debt	Europe	16.3	30-Jun-20

Source: Preqin Pro

**The most consistent top performing fund manager table is based on the average quartile ranking of a manager's funds. The entire pool of buyout funds is ranked within each vintage year according to its net IRR. The funds are given a score based on their quartile: 1 for top-quartile funds, 2 for second-quartile funds, and so on. This is the fund's 'quartile ranking.'*

A manager's average quartile ranking is the average of all of the funds' quartile scores, with a minimum of three funds required in order to appear in the table The average quartile rankings can vary from 1.00 for a fund manager with only top-quartile funds, to 4.00 for a fund manager with only bottom-quartile funds.

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4.

HEDGE FUNDS

- The Rise of Liquid Alternative Investments in Europe – *Keith Black, PhD, CFA, CAIA, FDP, CAIA Association*
- Overview
- Key Charts
- Largest Funds
- Largest Fund Managers
- Largest Investors
- Top Performers

The Rise of Liquid Alternative Investments in Europe

Liquid alternatives are growing their share of the hedge fund market as investors see value in liquidity and transparency

Most alternative investments, such as private equity and hedge funds, have historically been offered as illiquid private placements sold to high-net-worth and institutional investors. Private placements require less disclosure than publicly traded products and have little to no regulations on leverage, derivatives, short selling, or concentrated positions.

The regulation governing open-end investment funds in Europe is the Undertakings for Collective Investments in Transferrable Securities (UCITS). UCITS regulations offer fund managers a 'passport,' meaning funds properly registered in one European domicile can be marketed across the EU. In contrast to the lighter regulation of private hedge funds, funds regulated by UCITS must follow a number of strict guidelines, such as a limit on the holdings of illiquid investments at 10% of assets under management (AUM) or leverage and risk typically limited to 200% of the underlying assets.

In recent years, growth in the liquid alternative investment market has eclipsed the growth of private alternative investments. The AUM of the global private hedge fund business recently passed \$3tn, up from \$1tn in 2005 and \$2tn in 2011. AUM for alternative mutual funds (offered in the regulated world of UCITS in Europe and the Investment Company Act of 1940 in the US) recently reached \$873bn, up from \$156bn and \$495bn in 2005 and 2011, respectively. Liquid alternatives, then, have grown from 13% of the global hedge fund industry in 2005 to 23% today. However, liquid alternative mutual funds still only control about 2% of the assets in the regulated open-end mutual fund market in the US and in Europe.

Keith Black, PhD, CFA, CAIA, FDP
Managing Director, Content Strategy

CAIA Association
www.caia.org

The CAIA Association is a global professional body dedicated to creating greater alignment, transparency, and education for all investors, with a specific emphasis on alternative investments. A member-driven organization representing professionals in more than 95 countries, CAIA Association advocates for the highest ethical standards in the investment industry.

Investors are drawn to alternative mutual funds due to their greater liquidity, as redemptions may be daily or weekly while private hedge funds may offer quarterly redemptions subject to gates and lock-up periods. UCITS funds have greater disclosure than private hedge funds and much tighter controls on risk exposures. It is encouraging that managed futures mutual funds have a correlation of returns to managed futures hedge funds exceeding 80%, showing that liquid alternative funds have succeeded in bringing diversification and risk management to the retail market.

Hedge Funds

Europe-based hedge funds pared substantial losses from Q1 to deliver positive returns for H1 2020

The European hedge fund market finished H1 2020 up 2.05% in terms of net returns, breaking even and then some after an incredibly turbulent start to the year. The strong performance was led by hedge funds in the Netherlands (+3.53%), Luxembourg (+2.54%), and UK (+1.15%). In contrast, funds based in Norway (-7.56%), France (-5.00%), and Germany (-3.33%) dragged the broader performance down. Equity market performance was variable between countries during H1 2020, with the FTSE 100 falling around 18%, while the DAX was down 7% through 30 June. While often cited as a major attraction to hedge funds, correlations between hedge funds and equity markets have been low when viewed in aggregate during 2020.

Equity Market Peaks and Troughs

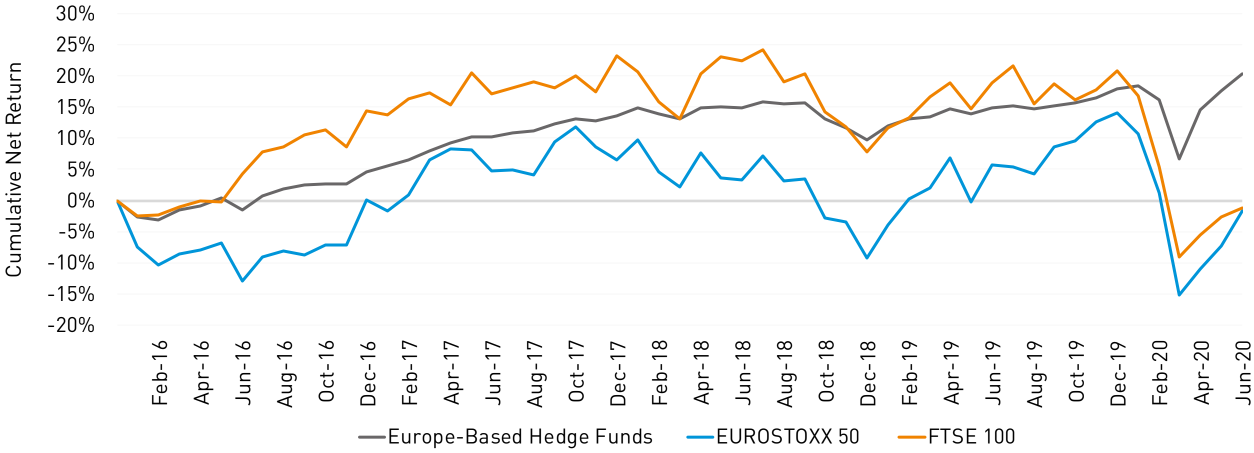
Hedge funds are some of the most active players in equity markets and this has served them well in H1. The performance of Europe-focused hedge funds relative to the EUROSTOXX 50 and FTSE 100 from 2016 through H1 2020 is testament to the ability of hedge funds to limit losses while simultaneously maximizing gains (Fig. 4.1). The drawdown on Europe-focused hedge funds' cumulative performance over the same period was an 11.8% loss, compared to the 30% and 27.9% cumulative losses in the FTSE 100 and EUROSTOXX 50 respectively. Equity markets experienced record levels of volatility in H1 and, as a result, paved the way for active traders to deliver higher profits.

Funds Launch to Take Advantage of Market Volatility and Mispricing

Equity strategies represented the largest proportion of hedge funds launched in H1 2020, as they usually do; however, credit and relative value strategies saw increased demand (Fig. 4.2). These two strategies are seen as highly uncorrelated to equity markets and can provide diversification, particularly in times of uncertainty.

The increase in credit strategies launches is understandable, as corporate debt issuance has hit all-time highs in Europe due to extremely low interest rates. The role of central banks in credit markets shifted substantially during H1 2020, with large-scale

Fig. 4.1: Cumulative Performance of Europe-Based Hedge Funds vs. EUROSTOXX 50 and FTSE 100, 2016 - 2020



Source: Preqin Pro

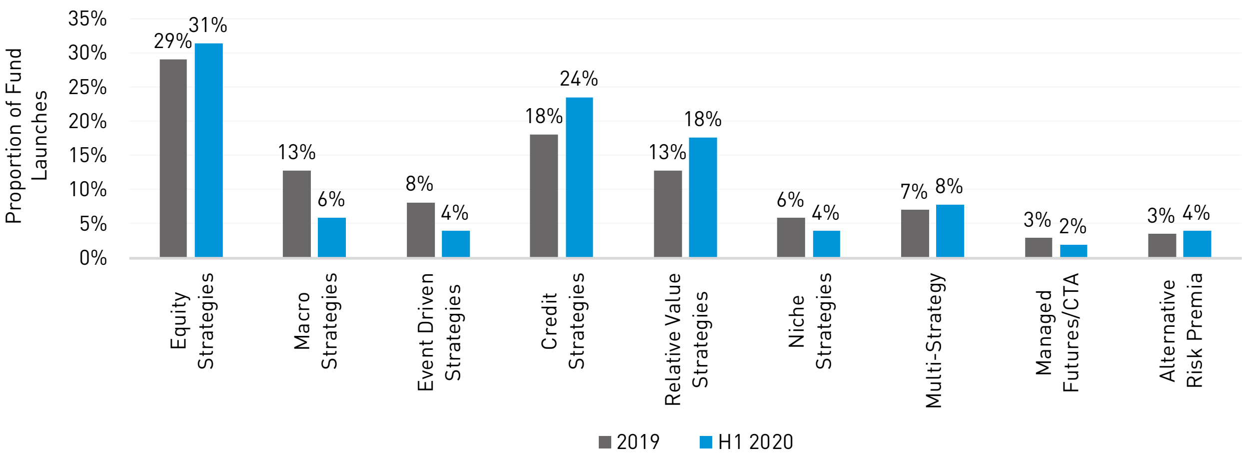
asset purchases underpinning the market. The ECB boosted activity in fixed-income markets through the Pandemic Emergency Purchase Programme (PEPP), which allotted €1,350bn for asset purchases.

The rise in relative value strategies funds is also logical. Equity market pricing has largely shifted away from fundamentals in almost all markets and sectors, leaving room for arbitrage.

Regulators Get Tough with Short Sellers

All financial markets were significantly impacted by COVID-19, and hedge funds, particularly equity and macro strategies, suffered from a range of short-selling bans as well as a crash in oil prices. Equity driven strategies suffered a loss of 4.23% in H1, making it the worst performing strategy over the period. Meanwhile, macro strategies suffered a 1.7% loss – the second worst performer. Both risk mitigation and alpha generation were limited by EU regulators' range of limitations placed on the short selling of equities, fixed income instruments, and derivatives. Austria, Belgium, France, Greece, Italy, and Spain were the countries that upheld the constraints for the longest time, spanning from mid-March to mid-May.

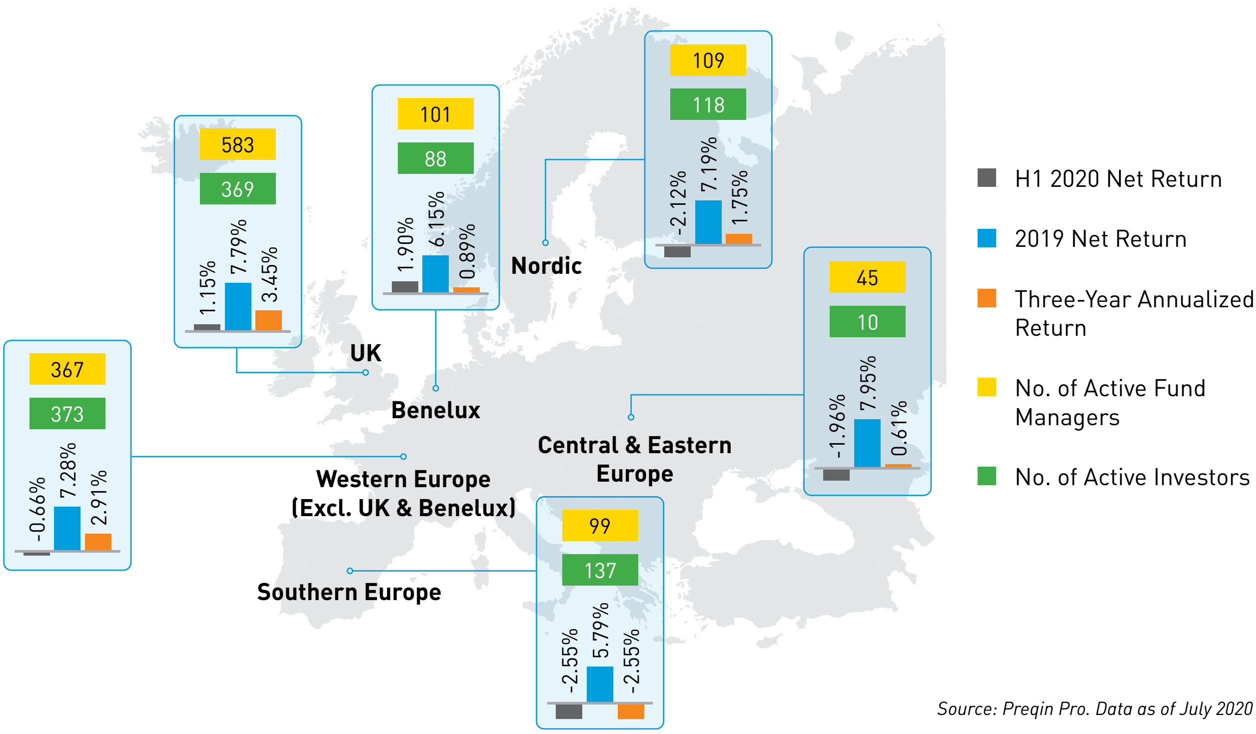
Fig. 4.2: Europe-Based Hedge Fund Launches by Top-Level Strategy, 2019 vs. H1 2020



Source: Preqin Pro

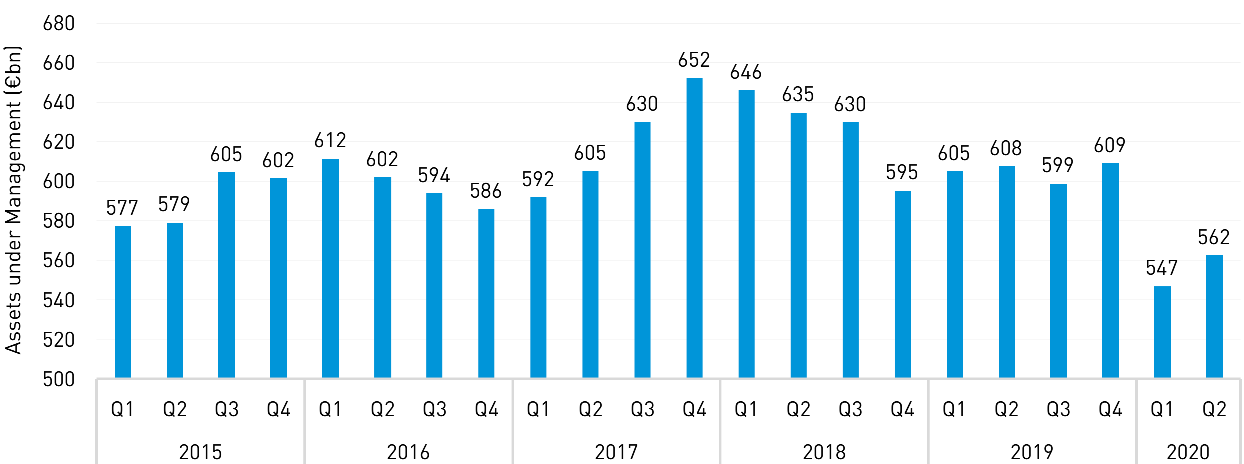
Hedge Funds: Key Charts

Fig. 4.3: Hedge Funds in Europe



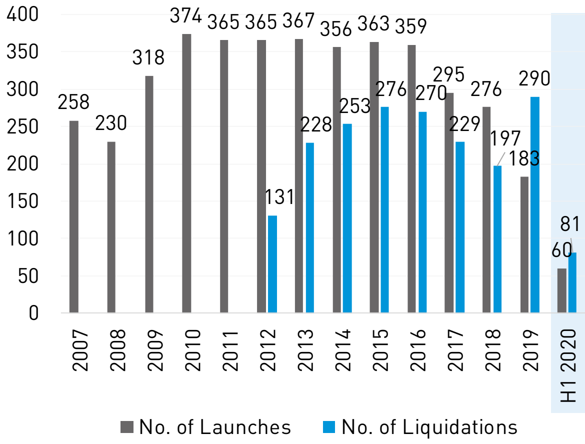
Source: Preqin Pro. Data as of July 2020

Fig. 4.4: Europe-Based Hedge Fund Assets under Management, Q1 2015 - Q2 2020



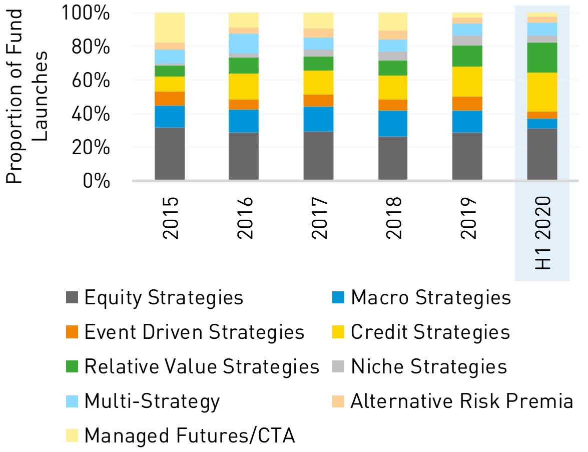
Source: Preqin Pro

Fig. 4.5: Europe-Based Hedge Fund Launches and Liquidations, 2007 - H1 2020



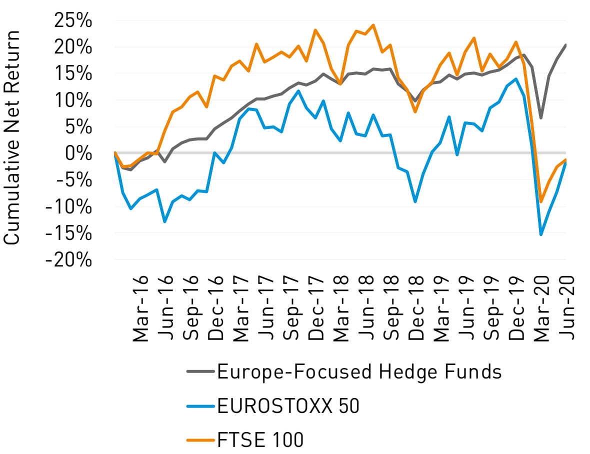
Source: Preqin Pro

Fig. 4.6: Europe-Based Hedge Fund Launches by Top-Level Strategy, 2015 - H1 2020



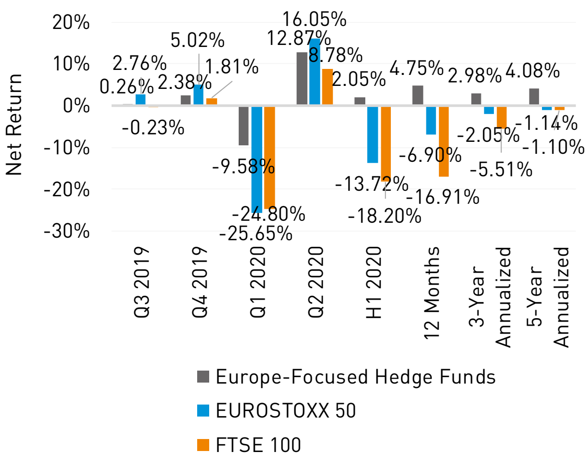
Source: Preqin Pro

Fig. 4.7: Cumulative Performance of Europe-Focused Hedge Funds vs. EUROSTOXX 50 and FTSE 100, 2016 - 2020



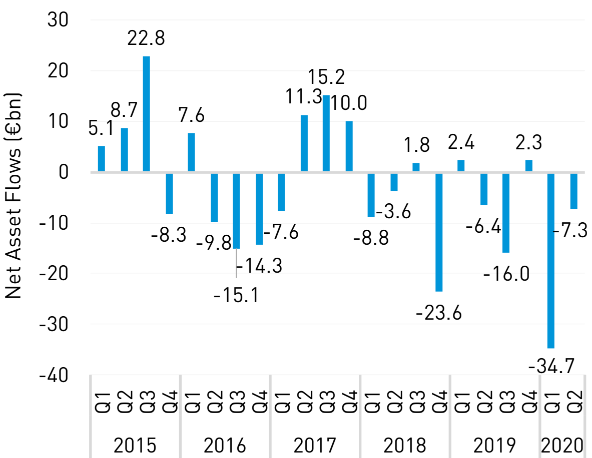
Source: Preqin Pro. Data as of July 2020

Fig. 4.8: Performance of Europe-Focused Hedge Funds vs. EUROSTOXX 50 and FTSE 100



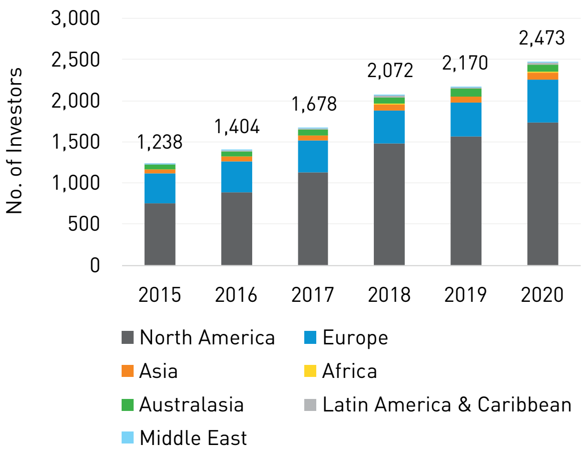
Source: Preqin Pro

Fig. 4.9: Quarterly Europe-Based Hedge Fund Asset Flows, Q1 2015 - Q2 2020



Source: Preqin Pro. Most Up-to-Date Data

Fig. 4.10: Europe-Focused Hedge Fund Investors by Location, 2015 - 2020



Source: Preqin Pro

**Excludes add-ons, grants, mergers, venture debt, and secondary stock purchases.*

Largest Funds

Fig. 4.11: Largest Europe-Based Hedge Funds

Rank	Fund	Manager	Headquarters	Assets under Management
1	The Children's Investment Master Fund	The Children's Investment Fund Management	UK	€19.6bn as of 31 March 2020
2	Marshall Wace Investment Strategies - Eureka Fund	Marshall Wace	UK	€16.2bn as of 30 September 2019
3	Pictet Multi Asset Global Opportunities	Pictet Asset Management	Switzerland	€6.9bn as of 30 June 2020
4	Man Alternative Risk Premia	Man Group	UK	€4.9bn as of 31 March 2020
5	Absolute Insight Broad Opportunities Fund	Insight Investment Management	UK	€4.7bn as of 30 June 2020
=	Pharo Gaia Fund	Pharo Management	UK	€4.7bn as of 30 June 2020
7	Pharo Macro Fund	Pharo Management	UK	€4.5bn as of 30 June 2020
8	Stratus Master	Capital Fund Management	France	€4.4bn as of 30 June 2020
9	Standard Life Global Absolute Return Strategies Fund	Aberdeen Standard Investments	UK	€4.2bn as of 31 May 2020
=	The Winton Fund	Winton Capital	UK	€4.2bn as of 29 February 2020

Source: Preqin Pro

Fig. 4.12: Largest Europe-Based Funds of Hedge Funds

Rank	Fund	Manager	Headquarters	Assets under Management
1	Brummer Multi-Strategy Master	Brummer & Partners	Sweden	€2.8bn as of 30 June 2020
2	Brummer Multi-Strategy	Brummer & Partners	Sweden	€2.6bn as of 30 June 2020
3	ACL Alternative Fund SAC	Abbey Capital	Ireland	€1.5bn as of 30 November 2019
=	HSBC GH Fund	HSBC Alternative Investments	UK	€1.5bn as of 30 June 2020
5	The Alphanatics Fund	Pictet Asset Management	Switzerland	€1.2bn as of 31 May 2020
=	Targeted Skills II	Stenham Asset Management	UK	€1.2bn as of 31 May 2020
7	Stenham Cooper's Hawk	Stenham Asset Management	UK	€1.1bn as of 31 January 2019
8	Haussmann	Notz Stucki Group	Luxembourg	€1.0bn as of 30 June 2020
9	Mosaic	Pictet Alternative Advisors	Switzerland	€0.9bn as of 30 June 2020
10	Abbey Capital Futures Strategy Fund	Abbey Capital	Ireland	€0.8bn as of 30 June 2020
=	Brummer Multi-Strategy 2XL	Brummer & Partners	Sweden	€0.8bn as of 30 June 2020

Source: Preqin Pro

Largest Fund Managers

Fig. 4.13: Largest Europe-Based Hedge Fund Managers

Rank	Manager	Headquarters	Assets under Management
1	Man Group	UK	€71.7bn as of 31 March 2020
2	Marshall Wace	UK	€29.0bn as of 1 June 2020
3	H2O Asset Management	UK	€22.0bn as of 31 May 2020
4	The Children's Investment Fund Management	UK	€19.6bn as of 31 March 2020
5	Capula Investment Management	UK	€17.3bn as of 31 March 2019
6	CQS	Switzerland	€16.6bn as of 31 October 2019
7	Aberdeen Standard Investments	UK	€15.4bn as of 30 September 2019
=	Winton Capital	UK	€15.4bn as of 28 February 2020
9	RWC Partners	UK	€13.0bn as of 30 June 2020
10	Algebris Investments	UK	€11.7bn as of 31 December 2019
11	La Française Global Investment Solutions	France	€11.6bn as of 29 February 2020
12	Cevian Capital	Sweden	€11.4bn as of 30 June 2019
13	Pharo Management	UK	€10.5bn as of 31 May 2020
14	Lansdowne Partners (UK)	UK	€9.4bn as of 31 March 2020
15	Brummer & Partners	Sweden	€9.0bn as of 30 March 2020

Source: Preqin Pro

Fig. 4.14: Largest Europe-Based Fund of Hedge Funds Managers

Rank	Manager	Headquarters	Assets under Management
1	Aberdeen Standard Investments	UK	€12.3bn as of 30 September 2019
2	Man FRM	UK	€12.0bn as of 10 June 2020
3	UBP Alternative Investments	Switzerland	€9.2bn as of 30 June 2019
4	HSBC Alternative Investments	UK	€8.9bn as of 31 March 2019
5	Pictet Alternative Advisors	Switzerland	€8.8bn as of 31 March 2020
6	LGT Capital Partners	Switzerland	€6.5bn as of 31 March 2020
7	Mercer Alternatives AG	Switzerland	€6.1bn as of 30 June 2019
8	International Asset Management (IAM)	UK	€3.7bn as of 30 September 2019
9	Abbey Capital	Ireland	€3.0bn as of 30 June 2020
10	Aurum Fund Management Ltd	UK	€2.5bn as of 31 May 2020
11	Unigestion	Switzerland	€2.4bn as of 30 April 2020
12	EFG Asset Management	Switzerland	€2.3bn as of 10 March 2020
13	NewAlpha Asset Management	France	€1.9bn as of 31 December 2019
14	GAM	UK	€1.8bn as of 31 December 2019
15	Tages Capital	UK	€1.6bn as of 3 March 2020

Source: Preqin Pro

Largest Investors

Fig. 4.15: Largest Europe-Based Investors in Hedge Funds by Type

Type	Rank	Investor	Allocation to Hedge Funds (€bn)	Location
Endowment Plan	1	Church Commissioners for England	1.4	UK
	2	Cambridge University Endowment Fund	0.3	UK
	3	Aalto University Endowment	0.2	Finland
	4	Gonville & Caius College Cambridge	0.03	UK
	5	Aberystwyth University Endowment	0.01	UK
Family Office	1	Bedrock	0.4	Switzerland
	2	Woodman Wealth Management	0.3	Switzerland
	3	Unigestion	0.2	UK
	=	Borletti Group	0.2	Luxembourg
	5	Limmat Wealth	0.1	Switzerland
Foundation	1	Wellcome Trust	3.2	UK
	2	Compagnia di San Paolo	0.5	Italy
	3	Paul Hamlyn Foundation	0.3	UK
	4	Esmée Fairbairn Foundation	0.2	UK
	=	Health Foundation	0.2	UK
Insurance Company	1	Varma Mutual Pension Insurance Company	7.7	Finland
	2	Ilmarinen Mutual Pension Insurance Company	5.5	Switzerland
	3	Swiss National Accident Insurance Institution (SUVA)	3.6	Switzerland
	4	AXA Winterthur	1.8	Finland
	5	Elo Mutual Pension Insurance Company	1.5	Sweden
Private Sector Pension Fund	1	AA Pension Scheme	4.8	UK
	2	Pension Fund for Bituminous and Plastic Roofing Companies	3.0	Netherlands
	3	Pension Fund for the Dutch Construction Industry	2.3	Netherlands
	4	Mars Pension Plan	2.1	UK
	5	HBOS Final Salary Pension Scheme	2.0	UK
Public Pension Fund	1	ABP	21.3	Netherlands
	2	Bayerische Versorgungskammer	10.7	Germany
	3	Keva	3.1	Finland
	4	AP-Fonden 1	1.9	Sweden
	5	City of Zurich Pension Fund	1.6	Switzerland
Sovereign Wealth Fund	1	Ireland Strategic Investment Fund	3.5	Ireland
	2	States of Jersey Common Investment Fund	0.9	Jersey
	3	n/a	n/a	n/a
	4	n/a	n/a	n/a
	5	n/a	n/a	n/a

Source: Preqin Pro

Top Performers

Fig 4.16: Top Performing Hedge Funds in H1 2020

Rank	Fund	Manager	Headquarters	Core Strategy	H1 2020 Net Return (%)
1	Herculis Partners Aries Fund - CHF	Herculis Partners	Switzerland	Long/Short Equity	92.83
2	SwissRex Crypto Fund	SwissRex AG	Liechtenstein	Cryptocurrency	83.84
3	Westbeck Energy Opportunity Fund	Westbeck Capital Management	UK	Commodities	70.80
4	Cygnus Europa Event Driven - Cygnus Europa Alternative Feeder - Class A	Cygnus Asset Management	Spain	Event Driven	63.82
5	North Emerging Markets Master Fund - Class F USD	North Asset Management	UK	Macro, Foreign Exchange, Fixed Income	51.50
6	East Sea Opportunities Fund - Class C	East Sea Capital	UK	Macro	50.07
7	1798 Credit Convexity Fund - A - USD	Lombard Odier Investment Managers	Switzerland	Relative Value Arbitrage	37.34
8	HCP Focus	Helsinki Capital Partners	Finland	Value-Oriented	33.25
9	Lemvi Crypto AMC	Lemvi SA	Switzerland	Cryptocurrency	32.98
10	Systematic DLT Fund - Unit Class A USD	Crypto Finance	Switzerland	Cryptocurrency	32.95

Source: Preqin Pro

5.
REAL ESTATE

- To Combat Value Destruction, Core Assets and Diversification – *Jean-Marc Coly, Amundi*
- Overview
- Key Charts
- Largest Funds
- Largest Fund Managers
- Largest Investors
- Top Performers

To Combat Value Destruction, Core Assets and Diversification

Not swayed by the potential of a price collapse, Jean-Marc Coly, CEO of Amundi Real Estate, sees an opportunity to adjust market value scales and underlines the importance of European diversification against the erosion of performance

Jean-Marc Coly
CEO

Amundi
real-assets.amundi.com

How has the COVID-19 crisis impacted the fundamentals of the real estate market in Europe?
The effects of the crisis are some way off, as it takes six months to see the first transactions and another three months for rentals. The consequences will therefore be measurable only at the end of 2020. That said, the crisis has occurred in a healthy market with few vacancies, and concerns about a possible rise in interest rates have been swept away. We believe that the adjustment of prices and rents should therefore be moderate.

We expect office real estate to be refocused on core assets and remain relatively unscathed, as should be residential housing, managed residences, and logistics. Shops, on the other hand, already weakened by the boom in online sales, may be harder hit. Retailers are no longer prepared to pay high rents. And lastly, the hotel industry is expected to suffer the effects of the crisis for a longer period of time, assuming its entire model is not called into question. We believe this could result in lower valuations.

What impact on price levels is to be expected?
We are not expecting a scenario similar to 1995 or 2008, when real estate collapsed. The low interest rate environment will continue to support the economy, and we are starting from historically high risk premiums on real estate, between 250 and 300 basis points. This should make it possible to contain the decline in values, which may fall by only 2-3% in offices and 10% in retail and hotels.

More than sales price, it is rents for vacant premises that are set to fall, especially for properties on the periphery and those not dedicated to a specific business sector. We expect to see a scale of value among properties, especially according to location – something that had been dissipating before the crisis.

Should we anticipate that real estate funds will reduce income distribution?
The valuation of our assets, which are essentially core assets, should not be penalized. However, we will have less income than expected due to the impact of the crisis on rents. We have agreed to defer rents and granted some waivers – particularly for very small businesses – and so anticipate a 20-30% drop in revenue for this year. However, our real estate investment products will continue to distribute income, unlike some companies, which have not paid dividends.

We expect to be able to collect deferred rents in 2021 and 2022, which will ensure revenues through to the economic recovery that is forecasted in 2022. We also have reserves to support our distributions until then, if necessary.

Real estate is doing a good job of fulfilling its role as a shock absorber in the crisis and we remain confident in our ability to deliver on our promises to our clients. We intend to launch a product aimed at individuals and the retail network, which will be marketed throughout Europe. This will enable investors to access the European real estate market, despite differing regulations in various countries, something that was previously impossible to such an extent.

What is the best investment strategy in this context?
More than ever, we are targeting core assets, which allow us to forestall the destruction of value and performance in times of crisis. Thanks to low rates, we will continue to use leverage, at 30% or 40%, in our retail funds.

We should be able to boost performance by focusing on development strategies, which benefit from a risk premium that is 100-200 basis points higher. We call this strategy "manage to core." We aim to transform existing buildings into core ESG assets that comply with the highest environmental and energy consumption standards, avoiding commercialization risks.

Diversification is fundamental, as demonstrated by the varied reactions observed in European markets. In Northern European countries, for example, rent collection rates have remained very high. We are thus continuing our strategy of geographic and sectoral pooling, with a high proportion of offices and increasing weightings in healthcare, residential, and logistics.

How do you see the COVID-19 crisis impacting office real estate?
It's important to keep enthusiasm for telework in perspective. We should expect to witness a transformation of the office. There is a desire to bring housing closer to the workplace in order to save travel time and improve quality of life for employees. Hence, new locations for offices. The use of space is also being reviewed: smaller individual offices, but more meeting rooms, concentrated on a single floor, with top-of-the-line services. And lastly, coworking spaces are poised to develop as individuals seek to establish a clear separation between their personal and professional lives, a separation that is sometimes difficult to maintain when teleworking.

Is the crisis impacting the integration of ESG standards in real estate?
This process has so far been driven by players in the sector without need for legislation. This trend should actually accelerate further. Integration of ESG standards in the construction industry is now a reality and it is time to promote reductions in energy consumption through individual action. Thanks to the ability to collect data on the habits of tenants, we can help them manage their consumption, improve behaviors, and so achieve the objectives of COP 21. Nor are we ignoring the social aspects of real estate. We emphasize collective wellbeing, as well as sites that enable return to the workplace or quality intermediate housing. Lastly, we place great importance on governance. In fact, we aim to extend the governance system established in one of our SCPIs: every three years, all product holders may vote to determine the candidates in charge of auditing the management company.

Environmental issues are crucial, but in real estate today, they are only a good start – we must go further.

Amundi is the leading European asset manager, ranking among the top 10 global players[1]. Created in 2010 and listed on the stock exchange in 2015, Amundi manages €1.6tn of assets[3] across six international investment hubs[2]. Amundi counts 4,500 employees in nearly 40 countries. On the back of multi-decade expertise in private markets, Amundi launched a Platform dedicated to Alternative and Real Assets (PARA) in 2016. Real estate, private debt, private equity, infrastructure are all part of a single integrated business, bringing together 200 professionals in origination, structuring and management of private assets.

Today with AUM of €55bn[3], PARA has a European ambition in financing the real economy with more than 1,000 assets across 13 countries, leveraging strong synergies with Credit Agricole's banking networks on the continent. With strong convictions in terms of transparency, deal execution and responsible investment, PARA provides innovative and long-term investment solutions for both professional and retail investors through funds, separate accounts, club deals, co-investments and multimanagement.

Jean-Marc joined Amundi Real Estate in 2015 to manage real estate investments and assets as well as the structuration and distribution of retail and institutional funds. He was previously CEO of Alta Reim, the Altarea-Cogedim division dedicated to Real Estate Funds.

[1] Source: IPE "Top 400 asset managers" published in June 2020, based on assets under management as at 31/12/2019.
[2] Boston, Dublin, London, Milan, Paris and Tokyo
[3] Amundi data as at 30/06/2020

Real Estate

Aggregate deal value falls but the quest for yield continues

In the first half of 2020, aggregate PERE transactions in Europe were valued at just €23bn, which compares with €82bn throughout the whole of 2019. No country or region escaped unscathed, with Benelux and the UK experiencing the sharpest falls. Central & Eastern European countries have outperformed in terms of relative transaction volumes, possibly a result of their faster-growing economies and their potential to secure significant funds under the EU's COVID-19 recovery plan (Fig. 5.1).

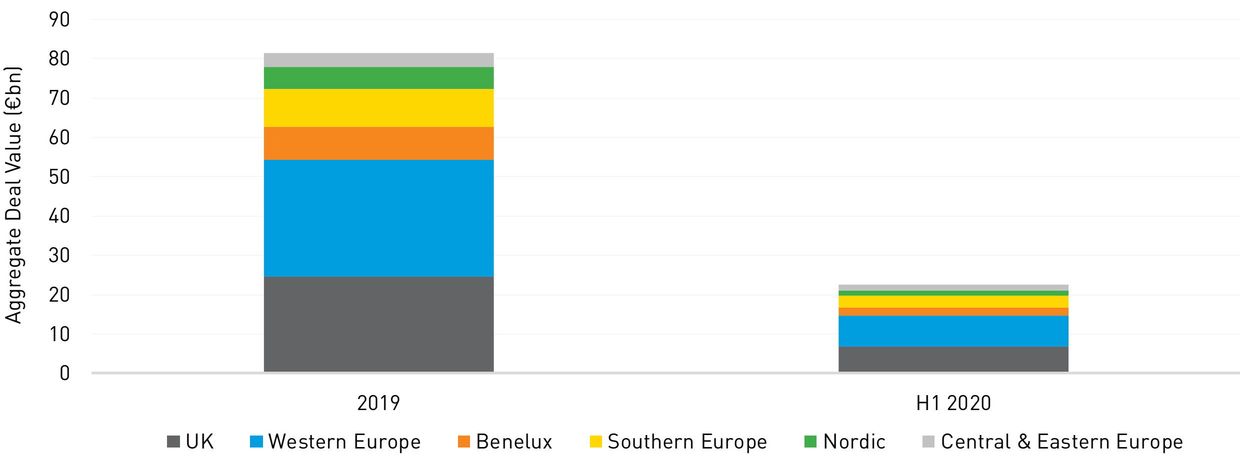
Many real estate investors target the asset class to achieve diversification across multi-asset-class portfolios. With income generation a primary concern for investors and yields on many 10-year government bonds in negative territory, real estate is viewed as an alternative source of solid income. The yield differential to government bonds has played a significant part in real estate investment over recent years, driving an increase in transaction volumes and a fall in yields that equates to higher asset values. Between 2012 and 2018 private equity real estate (PERE) transaction volumes in Europe grew at a CAGR of 34%, rising from €21bn in 2012 to €120bn in 2018 – when transactions peaked (Fig. 5.2).

Valuations Decline in Key Sectors

Central London offices have traditionally formed Europe's most liquid real estate market and, prior to 2020, yields were relatively stable across prime assets. There has been some upward yield shift recently as capital values have fallen, a trend seen across Europe. Retail assets, which had begun repricing in 2019, saw an acceleration of declining values among even the most prime assets. This part of the market has been hit hard, with footfall across shopping centers and high streets down significantly even after lockdown restrictions began to be eased.

Hotel valuations have also suffered, as occupancy and RevPAR plummeted. Despite this, hotel assets are still trading. In May, SIGNA Real Estate Capital Partners acquired Hotel Bauer Palazzo from Elliott Bay Capital Trust in a deal estimated to be worth around €240mn. The hotel is in Venice, Italy – one of the cities to have suffered most from a fall in tourist numbers.

Fig. 5.1: Aggregate Value of PERE Deals in Europe by Region, 2019 vs. H1 2020



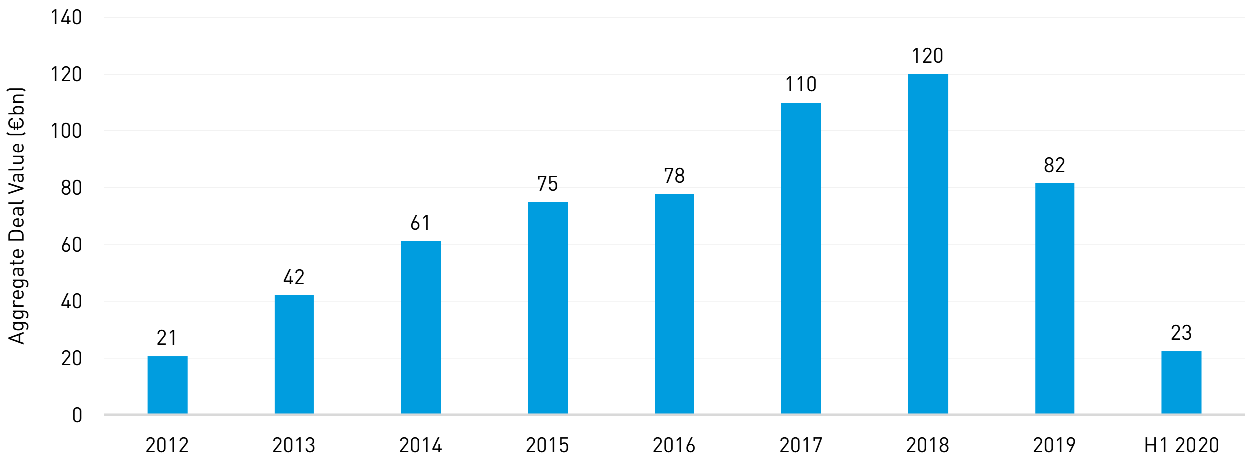
Source: Preqin Pro

Industrial and Logistics Attract Investors

Despite the various headwinds facing European real estate, there are some bright spots. Industrial and logistics assets are continuing to experience solid investor interest, with yields in some locations falling due to solid competition for assets. The rise in online shopping has accelerated during 2020, which means more warehousing and distribution space is required. And as more people shop online, product returns mean logistics operators require a larger footprint than would otherwise have been the case.

The future may be shaped by continuing uncertainty and volatility, but real estate assets should see rising demand in future, particularly given the current low levels of activity. Government and central bank responses to the economic turmoil are adding huge amounts of liquidity into markets, keeping interest rates and bond yields low. This should ensure real estate remains an attractive asset class for both income-seeking investors and those wishing to capitalize on future capital value growth after the current phase of repricing.

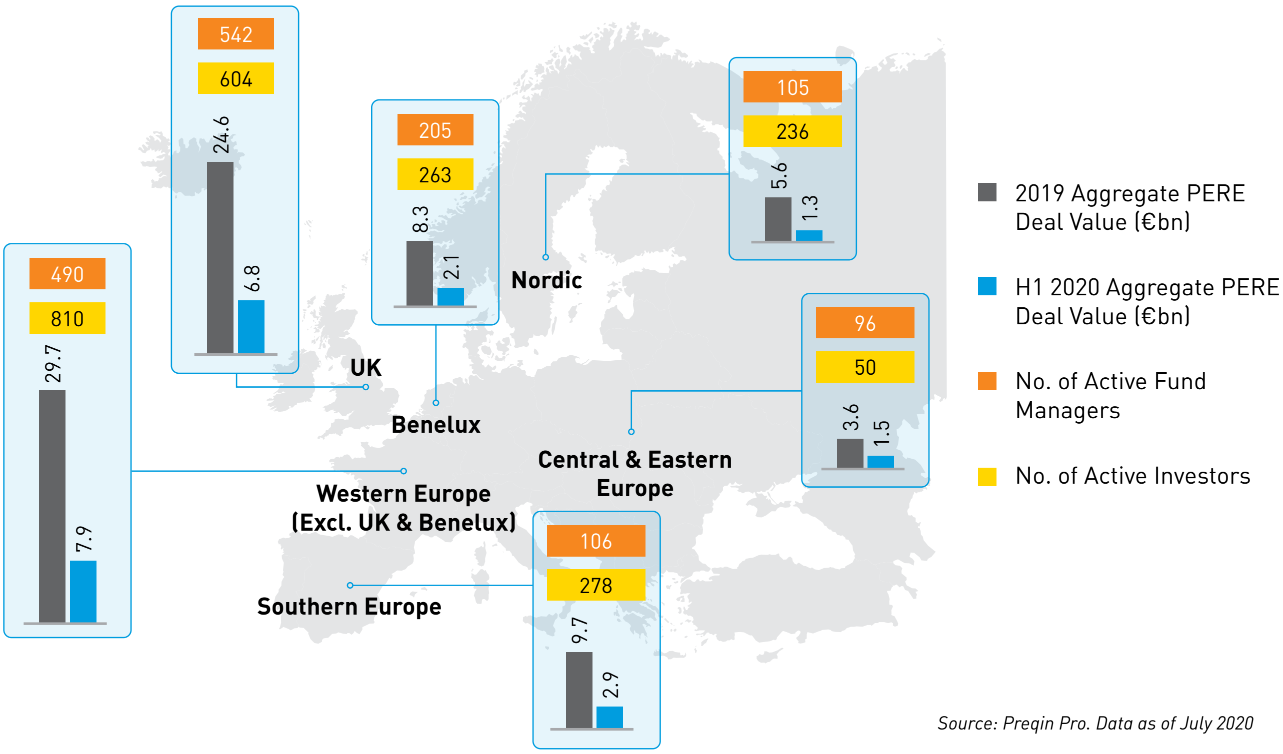
Fig. 5.2: Aggregate Value of PERE Deals in Europe, 2012 - H1 2020



Source: Preqin Pro

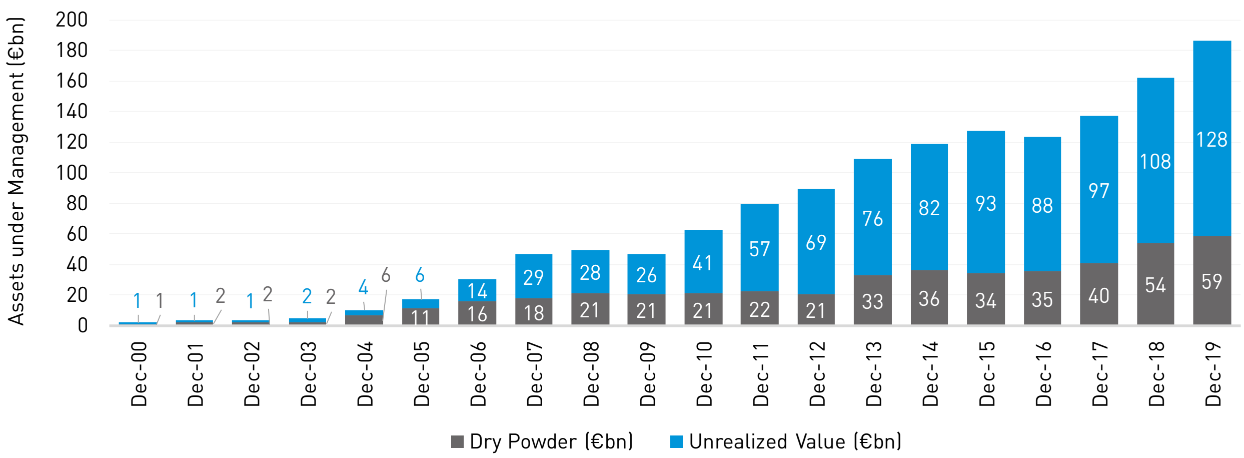
Real Estate: Key Charts

Fig. 5.3: Private Real Estate in Europe



Source: Preqin Pro. Data as of July 2020

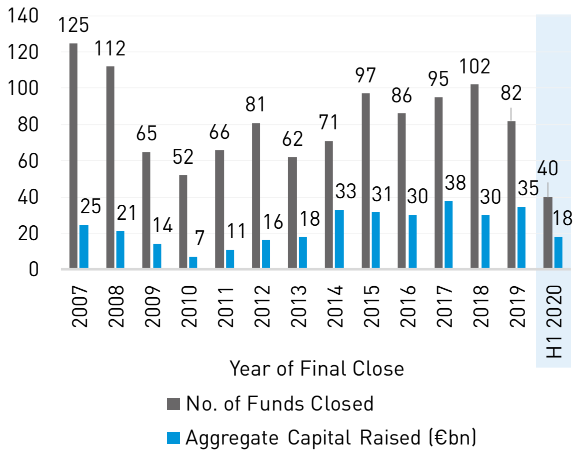
Fig. 5.4: Europe-Based Private Real Estate Assets under Management, 2000 - 2019



Source: Preqin Pro

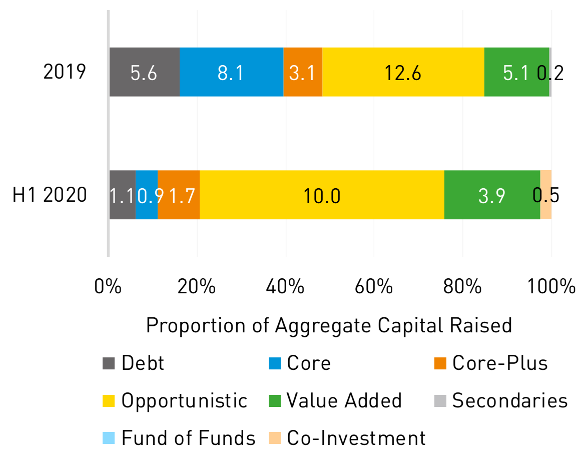
**Figures exclude add-ons, grants, mergers, venture debt, and secondary stock purchases.*

Fig. 5.5: Europe-Focused Private Real Estate Fundraising, 2007 - H1 2020



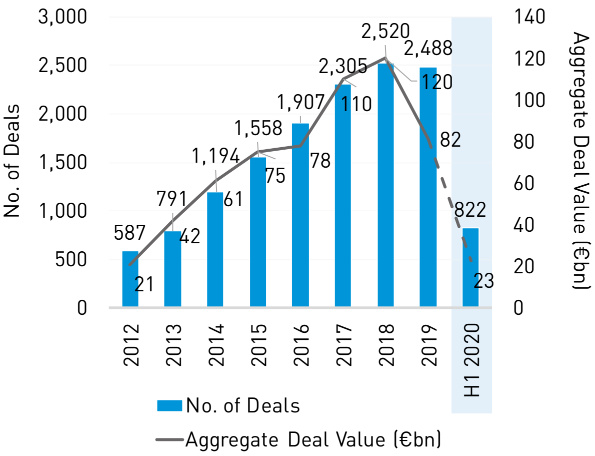
Source: Preqin Pro

Fig. 5.6: Aggregate Capital Raised (€bn) by Europe-Focused Private Real Estate Funds Closed by Fund Type, 2019 vs. H1 2020



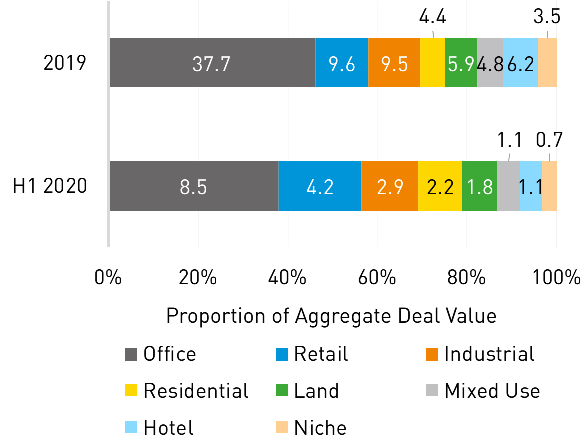
Source: Preqin Pro

Fig. 5.7: PERE Deals in Europe, 2012 - H1 2020



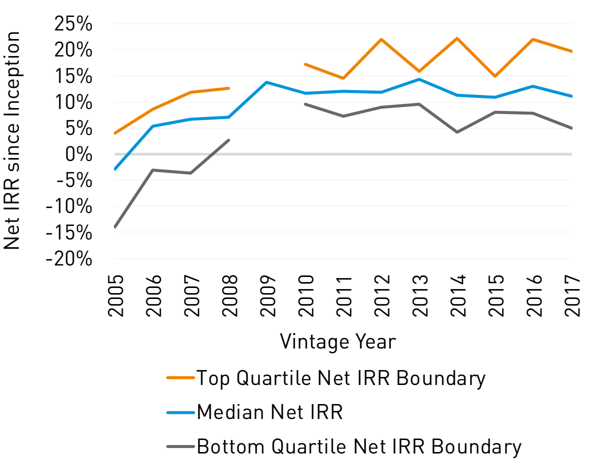
Source: Preqin Pro

Fig. 5.8: Aggregate Value (€bn) of PERE Deals in Europe by Property Type, 2019 vs. H1 2020



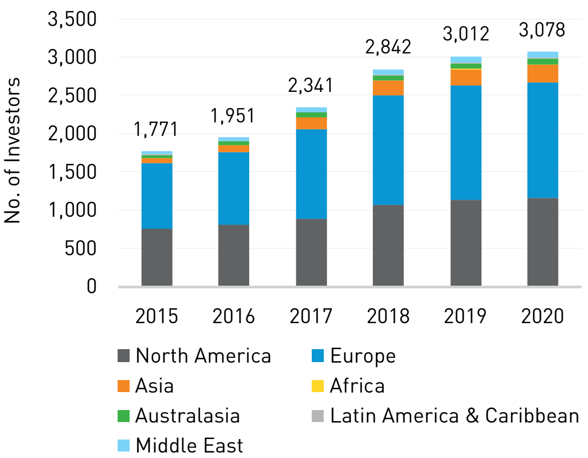
Source: Preqin Pro

Fig. 5.9: Europe-Focused Private Real Estate: Median Net IRRs and Quartile Boundaries by Vintage Year



Source: Preqin Pro. Most Up-to-Date Data

Fig. 5.10: Europe-Focused Private Real Estate Investors by Location, 2015 - 2020



Source: Preqin Pro

Largest Funds

Fig. 5.11: Largest Europe-Focused Private Real Estate Funds Closed in 2020 YTD

Rank	Fund	Firm	Headquarters	Fund Size (mn)	Strategy	Final Close Date
1	Blackstone Real Estate Partners Europe VI	Blackstone Group	US	10,639 USD	Opportunistic	Apr-20
2	AG Europe Realty Fund III	Angelo, Gordon & Co	US	1,500 USD	Value Added	Jul-20
3	BlackRock Europe Property Fund V	BlackRock	US	1,290 EUR	Value Added	May-20
4	PATRIZIA TransEuropean Property VII	PATRIZIA	Germany	750 EUR	Value Added	Jul-20
5	Pictet Real Estate Capital-Elevation I	Pictet Alternative Advisors	Switzerland	700 EUR	Value Added	Feb-20
6	GreenOak Europe Core Plus Logistics	BentallGreenOak Europe	UK	620 EUR	Core-Plus	Jun-20
7	Tikehau Real Estate Opportunities	Tikehau Capital	France	560 EUR	Value Added	Feb-20
8	AREIM Fund IV	AREIM	Sweden	5,600 SEK	Value Added	Jan-20
9	TSC Eurocare Real Estate Fund	Threestones Capital	Luxembourg	450 EUR	Core	Mar-20
10	Global Real Estate Debt Partners - Fund II (UK)	Nuveen	US	351 GBP	Debt	Jan-20

Source: Preqin Pro. Data as of July 2020

Fig. 5.12: Largest Europe-Focused Private Real Estate Funds in Market

Rank	Fund	Firm	Target Size (mn)	Strategy	Geographic Focus
1	Generali Europe Income Holding	Generali Real Estate	4,000 EUR	Core	Europe, Nordic
2	Partners Group Real Estate Opportunities 2019	Partners Group	3,000 USD	Secondaries	Global, North America, Europe, Asia
3	Next Estate Income Fund III	BNP Paribas Real Estate Investment Management Luxembourg	1,800 EUR	Core	Europe
4	European Residential Income Fund II	Round Hill Capital	1,500 EUR	Core	Europe
5	AXA Logistics Europe Fund	AXA Investment Managers	1,400 EUR	Core	Europe, Western Europe
6	NREP Nordic Strategies Fund IV	NREP	1,250 EUR	Value Added	Europe, Nordic
=	Hines European Value Fund 2	Hines	1,250 EUR	Value Added	Europe
8	Henley Secure Income Property Unit Trust	Henley Investment Management	1,000 GBP	Core	UK
9	Ardian Real Estate European Fund II	Ardian	1,250 USD	Value Added	Western Europe
10	Valesco European Fund I	The Valesco Group	1,000 EUR	Core	Europe

Source: Preqin Pro. Data as of July 2020

Largest Fund Managers

Fig. 5.13: Largest Fund Managers by Total Capital Raised for Europe-Focused Private Real Estate Funds in the Past 10 Years

Rank	Firm	Headquarters	Total Capital Raised in Past 10 Years (€bn)	Estimated Dry Powder (€bn)
1	Blackstone Group	New York, US	25.8	9.2
2	PATRIZIA	Augsburg, Germany	23.7	2.1
3	Lone Star Funds	Dallas, US	19.9	7.0
4	Amundi Platform of Alternative and Real Assets	Paris, France	12.7	1.0
5	AXA Investment Managers	Paris, France	11.5	1.4
6	PGIM Real Estate	Madison, US	7.0	0.7
7	Apollo Global Management	New York, US	6.3	1.2
8	AEW	Paris, France	6.0	0.8
9	CBRE Global Investors	Los Angeles, US	5.7	0.4
10	ICG	London, UK	5.5	1.3
=	Partners Group	Zug, Switzerland	5.5	1.7
12	ARA Venn	London, UK	5.4	1.3
13	Tristan Capital Partners	London, UK	5.2	1.5
14	Aermont Capital	London, UK	4.8	2.1
15	LaSalle Investment Management	Chicago, US	4.1	1.2
16	BentallGreenOak Europe	London, UK	4.0	1.0
17	Ares Management	Los Angeles, US	3.7	1.3
=	Cale Street Partners	London, UK	3.7	1.6
19	Prologis	San Francisco, US	3.6	0.2
20	NREP	Nordhavn, Denmark	3.4	1.6
21	Kildare Partners	London, UK	3.2	0.2
=	Niam	Stockholm, Sweden	3.2	1.1
23	Hines	Houston, US	3.0	0.7
=	KGAL Real Investments	Munich, Germany	3.0	0.2
25	GLP	Singapore	2.9	0.8

Source: Preqin Pro

Largest Investors

Fig. 5.14: Largest Europe-Based Investors in Real Estate by Type

Type	Rank	Investor	Allocation to Real Estate (€bn)	Location
Endowment Plan	1	Church Commissioners for England	2.1	UK
	2	Trinity College Endowment, Cambridge University	1.0	UK
	3	Cambridge University Endowment Fund	0.3	UK
	=	Oxford University Endowment Management	0.3	UK
	5	All Souls College Oxford, Endowment	0.2	UK
Family Office	1	Pontegadea Inversiones	10.7	Spain
	2	KIRKBI	0.9	Denmark
	3	Rosp Corunna	0.6	Spain
	4	Münster Stegmaier Rombach	0.5	Germany
	5	MdF Family Partners	0.3	Spain
Foundation	1	Swiss Life Investment Foundation	3.3	Switzerland
	2	Wellcome Trust	2.7	UK
	3	RAG Stiftung	1.2	Germany
	4	VSAO Stiftung für Selbständigerwerbende	1.0	Switzerland
	5	Volkswagen Foundation	0.5	Germany
Insurance Company	1	Prudential	40.3	UK
	2	Assicurazioni Generali	24.1	Italy
	3	Zurich Insurance Company	19.9	UK
	4	CNP Assurances	14.0	France
	5	Aviva Life and Pensions	12.4	UK
Private Sector Pension Fund	1	Pension Fund for Bituminous and Plastic Roofing Companies	15.5	Netherlands
	2	AMF Pensionsförsäkring	13.2	Sweden
	3	Pension Fund for the Dutch Construction Industry	10.7	Netherlands
	4	Migros-Pensionskasse	8.0	Switzerland
	5	Metal and Engineering Pension Fund	7.5	Netherlands
Public Pension Fund	1	ABP	43.1	Netherlands
	2	Stichting Pensioenfonds Zorg en Welzijn	28.8	Netherlands
	3	Bayerische Versorgungskammer	19.2	Germany
	4	ATP	8.2	Denmark
	5	ENPAM	6.9	Italy
Sovereign Wealth Fund	1	Government Pension Fund Global	25.5	Norway
	2	State Oil Fund of the Republic of Azerbaijan	2.2	Azerbaijan
	3	Ireland Strategic Investment Fund	0.2	Ireland
	4	States of Jersey Common Investment Fund	0.1	Jersey
	5	n/a	n/a	n/a

Source: Preqin Pro

Top Performers

Fig. 5.15: Most Consistent Top Performing Europe-Focused Private Real Estate Fund Managers (All Vintages)*

Rank	Firm	Headquarters	Overall No. of Funds with Quartile Ranking	No. of Funds in Top Quartile	No. of Funds in Second Quartile	Average Quartile Rank
1	Terra Firma Capital Partners	UK	3	3	0	1.00
2	NRP Asset Management	Norway	6	4	2	1.33
3	Mengus	Sweden	3	2	1	1.33
4	NREP	Denmark	7	4	3	1.43
5	Niam	Sweden	9	5	2	1.67
6	Aermont Capital	UK	3	1	2	1.67
7	Profi Förvaltning	Sweden	5	3	1	1.80
8	ICG	UK	5	2	2	1.80

Source: Preqin Pro

Fig. 5.16: Top Performing Europe-Focused Private Real Estate Funds (Vintages 2007-2017)

Rank	Fund	Firm	Vintage	Fund Size (mn)	Strategy	Geographic Focus	Net IRR (%)	Date Reported
1	NREP Retail 1	NREP	2009	12 EUR	Value Added	Sweden	67.1	30-Jun-20
2	ANL Kiinteistöt I Ky	Catella	2009	25 EUR	Core-Plus	Finland	64.8	30-Jun-20
3	Nordika I	Nordika	2011	45 EUR	Value Added	Europe	62.0	30-Jun-20
4	Fprop Romanian Supermarkets	First Property Asset Management	2016	4 GBP	Core	Romania	40.4	31-Mar-19
5	Terra Firma Special Opportunities Fund II	Terra Firma Capital Partners	2017	509 GBP	Core-Plus	UK	39.0	31-Dec-18
6	Castleforge Initial Platform	Castleforge Partners	2010	37 GBP	Value Added	UK	37.0	30-Jun-20
7	PW Real Estate Fund III	Aermont Capital	2016	1,500 EUR	Opportunistic	Western Europe	35.0	31-Dec-19
8	NREP Copenhagen Residential Fund 1	NREP	2014	22 EUR	Opportunistic	Denmark	34.2	31-Mar-20
9	Sirius Fund II	Sirius Capital Partners	2016	135 EUR	Value Added	Finland	33.3	31-Mar-20
10	Profi Stockholm 2016	Profi Förvaltning	2016	650 SEK	Value Added	Sweden	31.8	30-Jun-20

Source: Preqin Pro

**The most consistent top performing fund manager table is based on the average quartile ranking of a manager's funds. The entire pool of buyout funds is ranked within each vintage year according to its net IRR. The funds are given a score based on their quartile: 1 for top-quartile funds, 2 for second-quartile funds, and so on. This is the fund's 'quartile ranking.'*

A manager's average quartile ranking is the average of all of the funds' quartile scores, with a minimum of three funds required in order to appear in the table. The average quartile rankings can vary from 1.00 for a fund manager with only top-quartile funds, to 4.00 for a fund manager with only bottom-quartile funds.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6. INFRASTRUCTURE

- Europe's Energy Transition in the Age of Coronavirus – *Michael Ebner, KGAL*
- How Infrastructure Is Demonstrating Resilience in a Crisis – *Mounir Corm, Vauban Infrastructure Partners*
- Overview
- Key Charts
- Largest Funds
- Largest Fund Managers
- Largest Investors
- Top Performers

Europe's Energy Transition in the Age of Coronavirus

Investment opportunities in energy are evolving; with electricity prices poised to overcome the challenges of COVID-19, institutional demand is on the up

Michael Ebner
Managing Director & Head of Infrastructure

KGAL
www.kgal.de/en

Michael Ebner is a founding member of KGAL's Infrastructure department, which has been investing in renewable energy projects across Europe since 2003 with a team of more than 50 professionals.

The energy transition in Europe, and renewables themselves, is currently seeing an evolution in the development stage. This has been ongoing for some time and essentially involves two changes.

Firstly, in the past, investments in renewable energy generation were almost exclusively characterized by investments in generation capacities. Yet the intermittent generation profile of wind power and photovoltaic plants, together with the increased share of renewables within the wider generation mix, requires additional transitional technologies, such as storage and transmission capacities. The range of investments in the energy transition space is widening.

Secondly, at the beginning of this energy transition, electricity production from renewables generally failed to be competitive with conventional generation sources due to their relatively high costs, albeit with some notable exceptions. This is why in the early phase – and in part through to present day – state subsidies and guaranteed feed-in tariffs were necessary to facilitate the development of the required generation capacities through yield-oriented private capital. However, continual technical progress and economies of scale have led to a considerable decline in the levelized cost of electricity across all forms of renewable generation. In many cases, price competitiveness with conventional energy sources – the so-called 'grid parity' – has been achieved for renewable energy investments.

The Impact of the Coronavirus on Electricity Markets

The pandemic and economic lockdown left their mark on electricity markets, with demand for electricity declining significantly. Consequently, there was a significant drop in prices on the electricity spot markets, declining by up to 50% at times.

The power purchase agreement (PPA) market, however, appears to have overcome its first major stress test. The conditions for new PPA contracts in Europe, as evidenced by the European PPA index PEXA Euro Composite, saw a lesser decline, falling by around 10% and forming a flat dent, which has more or less reverted to pre-crisis level. Although fewer contracts were concluded for a period at the start of the European lockdown, the majority of market players appear to be convinced that electricity prices will recover in the mid-term. For institutional investors, this stability in the crisis is an important factor.

The long-term trends are, and will remain, in place. Climate protection and the shift in energy supply in Europe are at the top of the political agenda – and are being expedited accordingly. In addition, the transition from state-aided remuneration systems to stronger market economy mechanisms may well see some individual setbacks, but on the whole it cannot be stopped. Trends such as digitalization, which will require more powerful computing centers, and the electrification of mobility, which is still only in its infancy, will lead to demand for electricity increasing as opposed to declining.

How Infrastructure Is Demonstrating Resilience in a Crisis

Six key takeaways for the infrastructure market in a post-COVID-19 future

Mounir Corm
Deputy CEO & Founding Partner

Vauban Infrastructure Partners
www.vauban-ip.com

Vauban Infrastructure Partners is a leading European infrastructure asset manager investing in core assets that are essential for local communities. Vauban commits to investors, industrial partners, and users through a long-term approach to investing.

www.linkedin.com/company/vauban-infrastructure-partners

1. The macroeconomic environment remains positive. The current crisis differs significantly from the Global Financial Crisis of 2008. Disruption to financial markets has been kept to a minimum due to the unprecedented and combined efforts of European governments, the European Commission, and the European Central Bank to sustain liquidity and low interest rates throughout the pandemic's timeline.

2. Vauban Infrastructure Partners strongly believes that this crisis will lead to a strategic evolution in public policies, with a new or increased focus on 'resilience.' Reinforcing climate change policies, the transition to renewable energy, and corporations embracing digitization – all are trends that will be accelerated by the impact of COVID-19.

3. High-quality core infrastructure assets will see strong demand in the short term. Such assets have provided essential services to local communities and played key roles in keeping economies moving throughout widespread and prolonged lockdowns, demonstrating their value to investors as well as users.

4. A conservative approach to structuring of infrastructure investments will be ever more crucial. Vauban's investments are realized with a long-term approach within strong regulatory frameworks, with long-term contracted cash flows and sound capital structures that reinforce their robustness. This approach has proved valuable in navigating the challenges of 2020 and delivering resilient returns to investors.

5. An infrastructure portfolio containing assets from a diverse range of sectors and geographies provides additional resiliency. Core assets such as utilities, social infrastructure, and digital infrastructure have seen little or no impact in this crisis, while other sectors such as transportation have suffered significantly from lockdown measures. Nevertheless, high-quality transportation assets have demonstrated that when structured well they can resist significant drops in traffic; while the pandemic has raised concerns surrounding long-term traffic trends for some assets (notably airports), sectors like local mobility (car parking concessions, highways, tramways) are already recovering fast.

6. Last but not least, this crisis has further demonstrated that engaging in the long-term stewardship of core infrastructure assets, by creating a supportive ecosystem and taking all stakeholder interests into account, significantly enhances their lasting resilience.

Infrastructure

Although total infrastructure activity has slowed, renewable energy dominates deal flow amid huge opportunity

Infrastructure fundraising momentum has slowed significantly across Europe, with just €9.0bn secured by 17 funds focused on the region in the first half of 2020 (Fig. 6.5). Aggregate capital raised equates to less than a quarter of the €40bn secured in 2019, which halts the trend of increasing capital concentration observed in recent years.

With many infrastructure assets exposed to shifting demand in the COVID-19 crisis, there is much uncertainty as to how revenues and profitability will be impacted. Fund managers may be reluctant to commit to assets until future demand becomes clearer, leaving dry powder at a record €84bn as of December 2019 (Fig. 6.4). With managers holding on to their capital, only 425 infrastructure transactions were completed in H1 2020, behind the pace to match the 1,004 completed in 2019 (Fig. 6.7).

Renewable Energy a Bright Spot

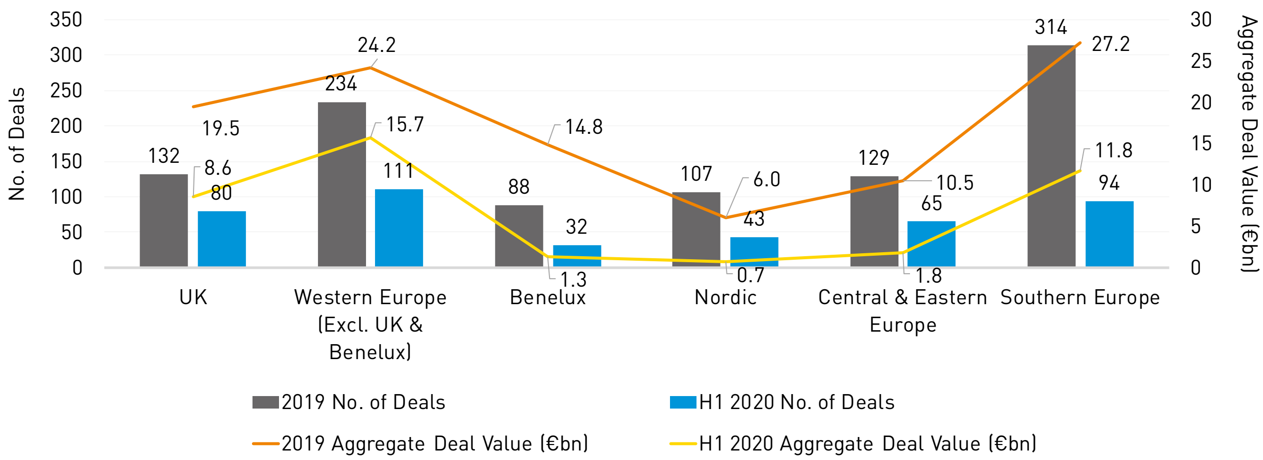
Infrastructure deal activity so far this year has been driven by the renewable energy sector, which was responsible for 67% of transactions during H1.

Decarbonization and the transition to an increased role for renewable energy represents a huge investment opportunity in Europe. In 2018, the EU reiterated its commitment to reducing greenhouse gas emissions by at least 40% from 1990 levels, while increasing its targets for renewable energy to a 32% market share by 2030 (up from 18.9% in 2018). A review of this target is expected in 2023, with the possibility that it will be increased.

Legislative and regulatory encouragements will keep renewable energy at the forefront of infrastructure activity in Europe. In Germany, for example, an ambitious program called Energiewende was introduced in 2010. It is a multifaceted 'energy transition' aimed at pushing Germany to meet its target commitments of renewable energy at 60% by 2050 and nuclear abandonment by 2022.

Looking toward the other end of the market, industry sectors such as non-renewables and utilities saw the sharpest relative declines in deal activity in H1. Non-renewables tend to have long-term PPAs and utilities

Fig. 6.1: Infrastructure Deals in Europe by Region, 2019 vs. H1 2020



Source: Preqin Pro

are tightly regulated, which makes for stable but often limited returns. These assets might be out of favor as investors seek to bolster returns with higher-risk investments.

Balancing Risk and Return a Challenge

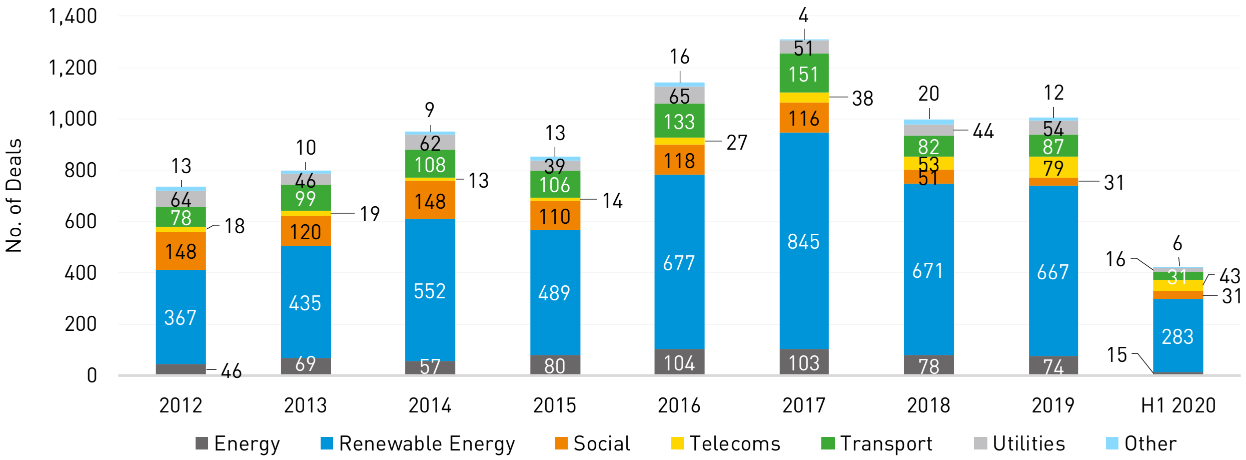
Although renewable energy remains the focus, infrastructure investors have displayed slightly more appetite for risk. Core-plus funds saw their share of capital raised increase to 23% during H1 2020, compared to 4% for the whole of 2019. As investors look to diversify, another strategy that has seen increased investor interest is fund of funds, whose share of capital has grown to 36% from 8% in the same period. While funds of funds offer greater diversification, the attraction of core-plus indicates investors' willingness to move slightly further up the risk curve in order to achieve their desired returns.

Within the economic infrastructure space, the transport sector – which provides stable, longer-term returns – is likely to be re-examined in future. Although the fall in the number of transport deals is in line with other sectors (Fig. 6.2), the industry is at risk from the ongoing requirement for social distancing, travel restrictions, and the increased prevalence of home-working. Until these restrictions are lifted, there may be no clear path to financial recovery.

With some countries, such as the UK, supporting key infrastructure providers such as train operating companies, investors face additional risks as these support mechanisms are wound down. When and if transport sectors recover to previous levels of activity and profitability will determine future deal activity.

Transaction underwriting could see a wide range of potential scenarios, with the most risk averse likely to lose out.

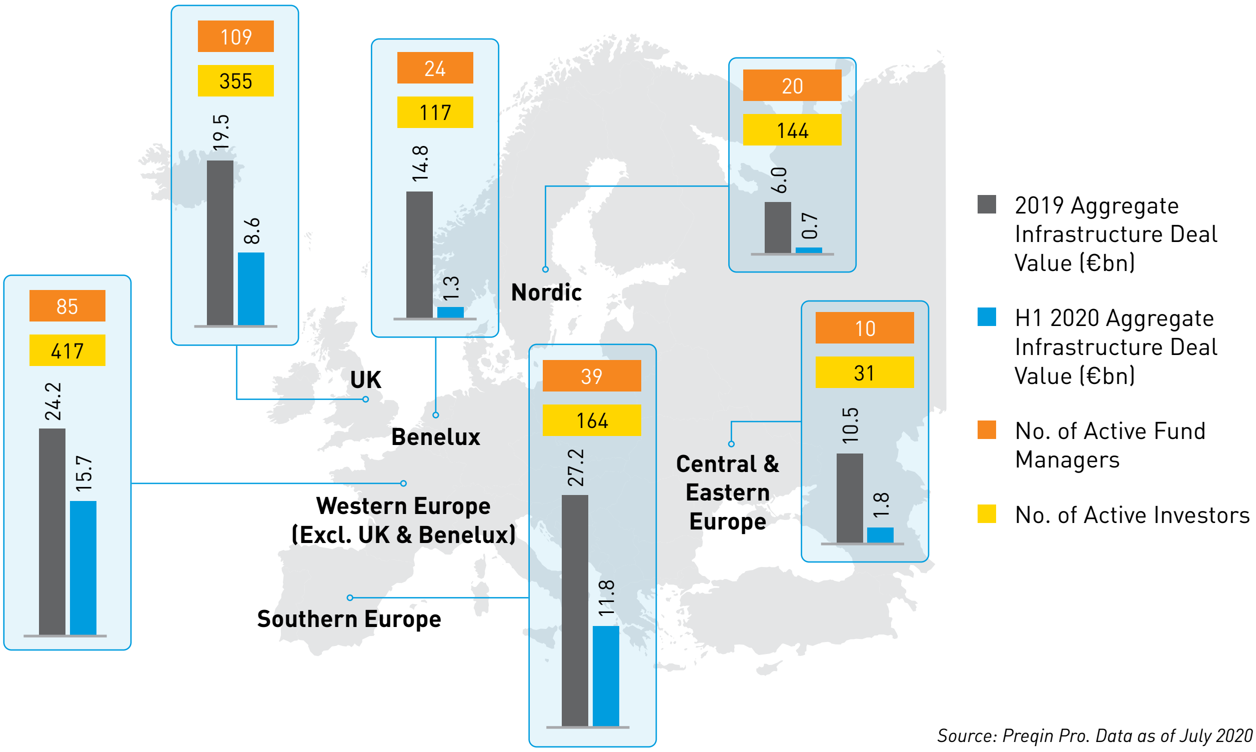
Fig. 6.2: Infrastructure Deals in Europe by Industry, 2012 - H1 2020



Source: Preqin Pro

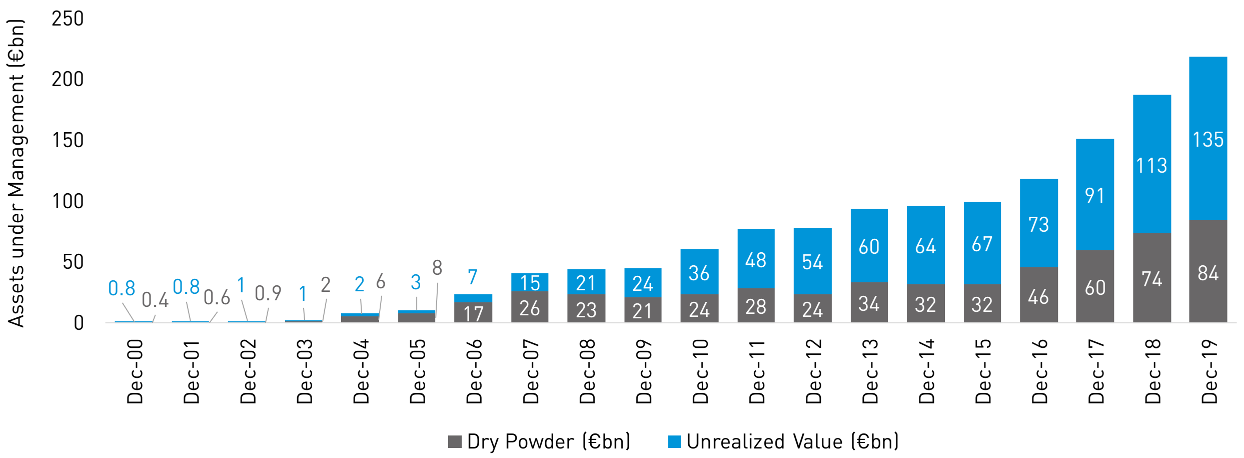
Infrastructure: Key Charts

Fig. 6.3: Unlisted Infrastructure in Europe



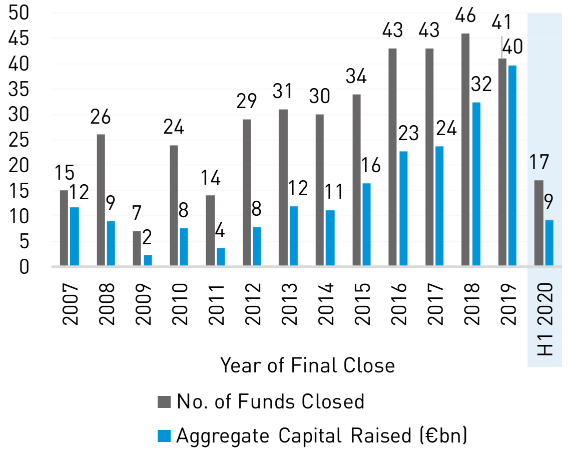
Source: Preqin Pro. Data as of July 2020

Fig. 6.4: Europe-Based Unlisted Infrastructure Assets under Management, 2000 - 2019



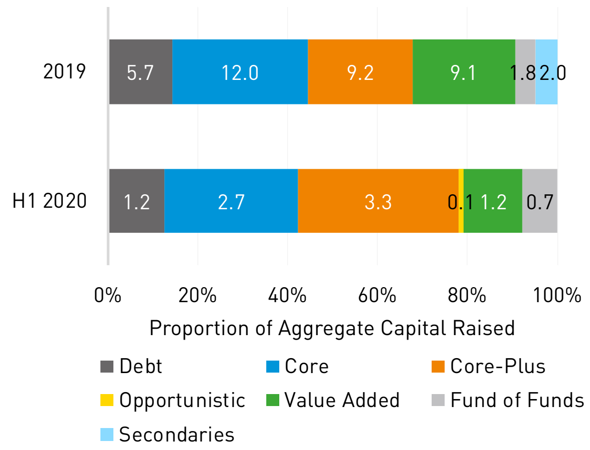
Source: Preqin Pro

Fig. 6.5: Europe-Focused Unlisted Infrastructure Fundraising, 2007 - H1 2020



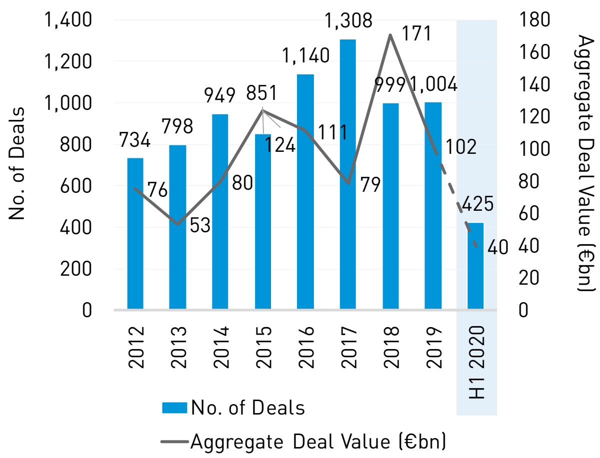
Source: Preqin Pro

Fig. 6.6: Aggregate Capital Raised (€bn) by Europe-Focused Unlisted Infrastructure Funds Closed by Fund Type, 2019 vs. H1 2020



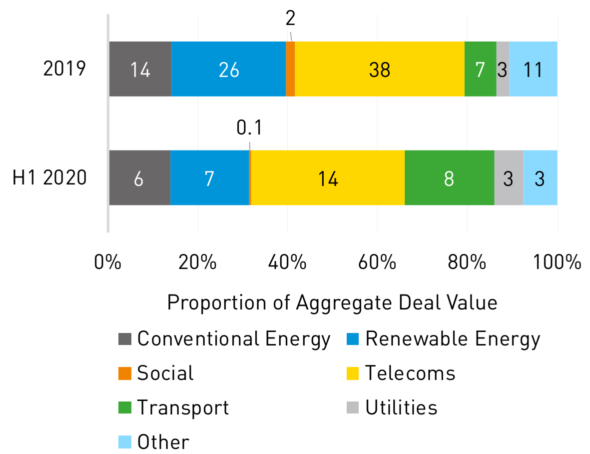
Source: Preqin Pro

Fig. 6.7: Infrastructure Deals in Europe, 2012 - H1 2020



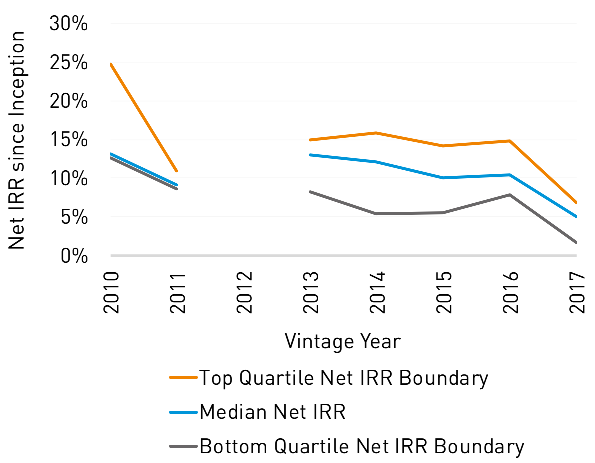
Source: Preqin Pro

Fig. 6.8: Aggregate Value of Infrastructure Deals in Europe by Industry, 2019 vs. H1 2020



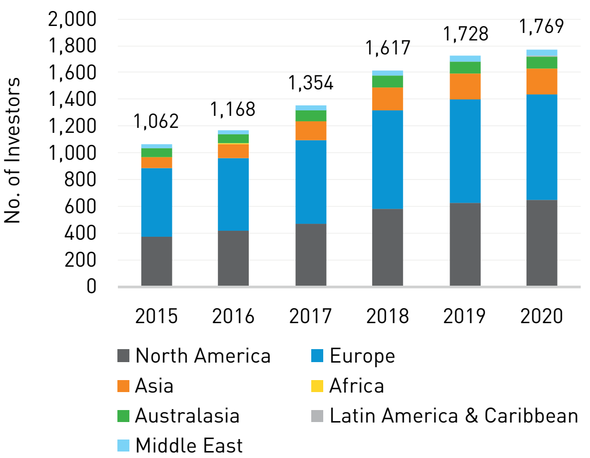
Source: Preqin Pro

Fig. 6.9: Europe-Focused Unlisted Infrastructure: Median Net IRRs and Quartile Boundaries by Vintage Year



Source: Preqin Pro. Most Up-to-Date Data

Fig. 6.10: Europe-Focused Infrastructure Investors by Location, 2015 - 2020



Source: Preqin Pro

*Excludes add-ons, grants, mergers, venture debt, and secondary stock purchases.

Largest Funds

Fig. 6.11: Largest Europe-Focused Unlisted Infrastructure Funds Closed in 2020 YTD

Rank	Fund	Firm	Headquarters	Fund Size (mn)	Strategy	Final Close Date
1	iCON Infrastructure Partners V	iCON Infrastructure	UK	1,901 USD	Core	Mar-20
2	European Asset Value Fund (USD) II	HPS Investment Partners	US	1,500 USD	Core-Plus	Apr-20
3	Arcus European Infrastructure Fund II	Arcus Infrastructure Partners	UK	1,220 EUR	Value Added	Apr-20
4	Asterion Industrial Infra Fund I	Asterion Industrial Partners	Spain	1,100 EUR	Core-Plus	Jan-20
5	Ancala Infrastructure Fund II	Ancala Partners	UK	795 EUR	Core	Mar-20
6	Golding Infrastructure 2018	Golding Capital Partners	Germany	710 EUR	Fund of Funds	Mar-20
7	Macquarie Global Infrastructure Debt Fund	Macquarie Infrastructure Debt Investment Solutions	UK	645 USD	Debt	Mar-20
8	Fidelio KA Infrastructure Debt Fund Europe 1	Kommunalkredit Austria AG	Austria	354 EUR	Debt	Feb-20
9	Copenhagen Infrastructure Artemis II	Copenhagen Infrastructure Partners	Denmark	300 EUR	Core-Plus	Mar-20
10	SUSI Energy Efficiency Fund II	SUSI Partners	Switzerland	289 EUR	Core-Plus	May-20

Source: Preqin Pro. Data as of July 2020

Fig. 6.12: Largest Europe-Focused Unlisted Infrastructure Funds in Market

Rank	Fund	Firm	Target Size (mn)	Strategy	Geographic Focus
1	Copenhagen Infrastructure Partners IV	Copenhagen Infrastructure Partners	5,500 GBP	Core-Plus	Asia, Australasia, Europe, North America
2	Antin Infrastructure Partners IV	Antin Infrastructure Partners	5,500 EUR	Value Added	North America, Europe
3	Partners Group Direct Infrastructure 2020	Partners Group	5,000 USD	Value Added	Europe, Global
4	European Diversified Infrastructure Fund III	First Sentier Investors	3,500 EUR	Core	Europe, Western Europe
5	DIF Infrastructure VI	DIF	2,500 EUR	Core	North America, South America, Europe, Australasia
=	Pan-European Infrastructure Fund III	DWS Group	2,500 EUR	Core-Plus	Europe
7	Core Infrastructure Fund III	Vauban Infrastructure Partners	2,000 EUR	Core	Europe
=	Circuitus Real Assets I	Circuitus Capital	2,000 EUR	Opportunistic	South America, Europe
9	Basalt Infrastructure Partners III	Basalt Infrastructure Partners	2,000 USD	Core-Plus	Europe
10	Greencoat Solar II	Greencoat Capital	1,500 GBP	Value Added	UK

Source: Preqin Pro. Data as of July 2020

Largest Fund Managers

Fig. 6.13: Largest Fund Managers by Total Capital Raised for Europe-Focused Unlisted Infrastructure Funds in the Past 10 Years

Rank	Firm	Headquarters	Total Capital Raised in Past 10 Years (€bn)	Estimated Dry Powder (€bn)
1	Macquarie Infrastructure and Real Assets (MIRA)	London, UK	20.9	7.6
2	EQT	Stockholm, Sweden	14.9	4.3
3	Ardian	Paris, France	10.4	6.3
4	BlackRock	New York, US	10.1	1.5
5	Copenhagen Infrastructure Partners	Copenhagen, Denmark	8.8	3.4
6	Antin Infrastructure Partners	Paris, France	8.1	2.5
7	DIF	Schiphol, Netherlands	6.2	2.9
8	Infracapital	London, UK	6.0	3.3
9	F2i SGR	Milan, Italy	5.2	0.8
10	Partners Group	Zug, Switzerland	5.0	1.6
11	First Sentier Investors	Sydney, Australia	4.6	0.7
12	iCON Infrastructure	London, UK	4.4	2.4
13	Dalmore Capital	London, UK	4.0	0.3
14	Equitix	London, UK	3.9	0.5
15	Allianz Global Investors	Frankfurt, Germany	3.6	1.8
=	InfraVia Capital Partners	Paris, France	3.6	1.6
17	DWS Group	London, UK	3.3	1.4
18	Golding Capital Partners	Munich, Germany	2.8	0.7
19	Meridiam	Paris, France	2.7	0.9
=	Rivage Investment	Paris, France	2.7	1.2
21	Arcus Infrastructure Partners	London, UK	2.6	1.0
=	InfraRed Capital Partners	London, UK	2.6	0.7
=	Swiss Life Funds Management (LUX)	Zurich, Switzerland	2.6	0.7
=	Vauban Infrastructure Partners	Paris, France	2.6	0.9
25	KGAL Real Investments	Munich, Germany	2.4	0.6

Source: Preqin Pro

Largest Investors

Fig. 6.14: Largest Europe-Based Investors in Infrastructure by Type

Type	Rank	Investor	Allocation to Infrastructure (€bn)	Location
Endowment Plan	1	Church Commissioners for England	0.1	UK
	2	Gonville & Caius College Cambridge	0.01	UK
	3	University of Sheffield Endowment	0.002	UK
	4	All Souls College Oxford, Endowment	0.001	UK
	=	University of Reading Endowment	0.001	UK
Family Office	1	KIRKBI	0.7	Denmark
	2	Cerno Capital	0.04	UK
	3	Ritzer & Rouw Private Management	0.01	Netherlands
	4	n/a	n/a	n/a
	5	n/a	n/a	n/a
Foundation	1	Fondazione Cariplo	0.2	Italy
	2	VSAO Stiftung für Selbständigerwerbende	0.1	Switzerland
	3	Fonds 1818	0.05	Netherlands
	4	Realdania	0.03	Denmark
	=	Hertie Foundation	0.03	Germany
Insurance Company	1	Aviva Life and Pensions	6.0	UK
	2	BNP Paribas Cardif	3.3	France
	=	PFA Pension	3.3	Denmark
	4	CNP Assurances	3.0	France
	5	Skandia Life Insurance Company	1.8	Sweden
Private Sector Pension Fund	1	Universities Superannuation Scheme	5.9	UK
	2	Industry Pension Insurance	2.5	Denmark
	=	BAE Systems Pension Funds	2.5	UK
	4	AMF Pensionsförsäkring	2.1	Sweden
	5	Barclays Pension Fund	1.7	UK
Public Pension Fund	1	ABP	16.9	Netherlands
	2	Stichting Pensioenfonds Zorg en Welzijn	9.5	Netherlands
	3	Bayerische Versorgungskammer	3.7	Germany
	4	PensionDanmark	3.2	Denmark
	5	Local Pensions Partnership	2.7	UK
Sovereign Wealth Fund	1	National Wealth Fund	27.3	Russia
	2	Wren House Infrastructure Management	4.4	UK
	3	Ireland Strategic Investment Fund	0.3	Ireland
	4	States of Jersey Common Investment Fund	0.001	Jersey
	5	n/a	n/a	n/a

Source: Preqin Pro

Top Performers

Fig. 6.15: Most Consistent Top Performing Europe-Focused Unlisted Infrastructure Fund Managers (All Vintages)*

Rank	Firm	Headquarters	Overall No. of Funds with Quartile Ranking	No. of Funds in Top Quartile	No. of Funds in Second Quartile	Average Quartile Rank
1	Taaleri Energia	Finland	4	4	0	1.00
2	iCON Infrastructure	UK	4	3	0	1.50
3	InfraVia Capital Partners	France	3	2	0	1.67
4	Antin Infrastructure Partners	France	3	1	2	1.67

Source: Preqin Pro

Fig. 6.16: Top Performing Europe-Focused Unlisted Infrastructure Funds (Vintages 2007-2017)

Rank	Fund	Firm	Vintage	Fund Size (mn)	Strategy	Geographic Focus	Net IRR (%)	Date Reported
1	Aravis Energy I	Aravis	2009	47 EUR	Core-Plus	Europe	448.0	30-Jun-20
2	European Opportunities	BTG Pactual	2012	68 EUR	Opportunistic	Europe	41.4	30-Jun-20
3	iCON Infrastructure Partners	iCON Infrastructure	2010	231 EUR	Core	Western Europe	35.0	30-Jun-20
4	InfraVia III	InfraVia Capital Partners	2015	1,000 EUR	Core-Plus	Western Europe	19.9	31-Dec-19
5	EQT Infrastructure II	EQT	2013	1,925 EUR	Value Added	Europe	19.0	31-Dec-19
=	EQT Infrastructure III	EQT	2016	4,000 EUR	Value Added	Europe	19.0	31-Dec-19
7	InfraRed Infrastructure Fund II	InfraRed Capital Partners	2007	300 GBP	Value Added	Europe	18.5	30-Jun-20
8	Antin Infrastructure Partners Fund	Antin Infrastructure Partners	2008	1,105 EUR	Value Added	Europe	16.9	30-Sep-19
9	Taaleri Wind Power II	Taaleri Energia	2014	84 EUR	Core-Plus	Finland	15.9	31-Dec-19
10	InfraVia II	InfraVia Capital Partners	2013	530 EUR	Core-Plus	Western Europe	15.7	31-Dec-19

Source: Preqin Pro

**The most consistent top performing fund manager table is based on the average quartile ranking of a manager's funds. The entire pool of buyout funds is ranked within each vintage year according to its net IRR. The funds are given a score based on their quartile: 1 for top-quartile funds, 2 for second-quartile funds, and so on. This is the fund's 'quartile ranking.'*

A manager's average quartile ranking is the average of all of the funds' quartile scores, with a minimum of three funds required in order to appear in the table. The average quartile rankings can vary from 1.00 for a fund manager with only top-quartile funds, to 4.00 for a fund manager with only bottom-quartile funds.

7.
NATURAL RESOURCES

- Overview
- Key Charts
- Largest Funds
- Largest Fund Managers
- Largest Investors
- Top Performers

Natural Resources

Fundraising slows in Europe's emerging asset class as only one mega fund closes successfully

The outbreak of COVID-19 has stalled the momentum of the European natural resources market. Just 12 unlisted funds reached a close in the first half of the year, and the €4.7bn raised by these funds equates to only 14% of 2019's record total.

Indeed, natural resources managers secured €34bn from Europe-focused investors last year, topping off a record-breaking run that stretches back to 2011. Off the back of this growing institutional demand for European assets, AUM has more than doubled in just five years, and stands at a record €206bn as of December 2019 (Fig. 7.5).

Drop-off in Mega Funds Drives Wider Slowdown

It is important to recognize that the natural resources industry can be divided into two segments: there are pure natural resources investments, and there are funds that gain exposure to the sector through private equity or unlisted infrastructure vehicles. And it is in the latter, much larger part of the natural resources market where activity has slowed most drastically amid the fallout from COVID-19.

Where in recent years a flurry of mega funds have entered the market – vehicles sized at €1bn or more – there has been only such closure so far in 2020. Asterion Industrial Infra Fund I, which secured €1.1bn in January 2020, is targeting infrastructure and energy assets across Europe. The fund acquired AMP Clean Energy for €63mn in November 2019, a UK-based renewable energy company that develops, owns, and operates a portfolio of solar and biomass power projects across the country.

Mega funds have been critical to the growth of the natural resources fundraising market in recent years. Funds such as EQT Infrastructure IV (€9bn), Ardian Infrastructure Fund V (€6.1bn), and Macquarie European Infrastructure Fund VI (€6bn) all closed in 2019 and target the European energy sector among other infrastructure investments. Together these three

Fig. 7.1: Average Size of Europe-Focused Unlisted Natural Resources Funds Closed, 2012 - H1 2020

Source: Preqin Pro

funds accounted for 63% of the record €34bn secured in 2019, pushing the average size of Europe-focused natural resources funds close to €1bn (Fig. 7.1).

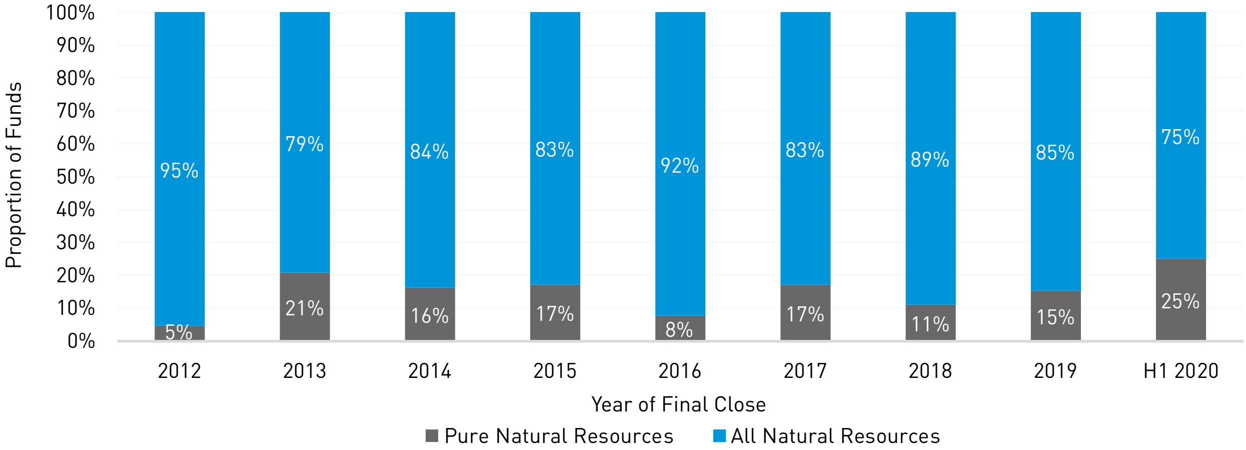
Pure Funds Increase Their Market Share

In the smaller portion of the market – funds targeting pure natural resources investment – activity has kept relatively steady amid the turmoil. The drop-off in the number of funds with a wider investment remit means pure natural resources funds represented a quarter of all funds closed in H1 2020, which is up from 15% in 2019 (Fig. 7.2).

Warwick Royalty & Mineral Fund II was the largest Europe-focused pure natural resources fund closed in H1 2020, raising €274mn at final close in April. More recently, True North European Real Estate Partners closed its Forestry Carbon Sequestration Fund on £30mn in June 2020. The fund will invest in agricultural land across the UK to develop as commercial forestry.

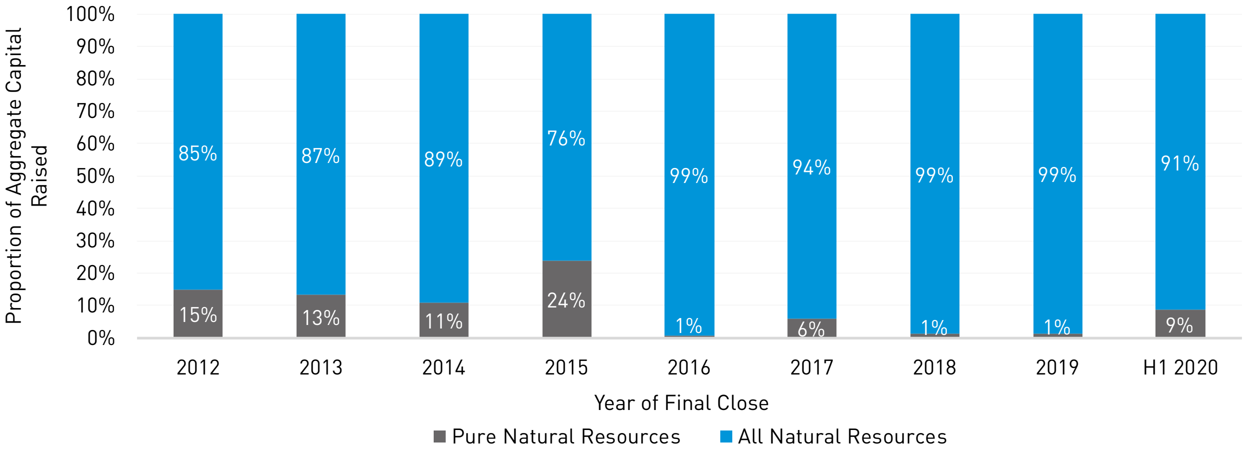
Managers will be encouraged by the pure natural resources funds continuing to close through the pandemic. And while larger funds are not as prevalent in 2020 as in previous years, the record total fundraise in 2019 underscores the growing investor interest in European natural resources.

Fig. 7.2: Europe-Focused Unlisted Natural Resources Funds Closed: Pure vs. All Strategies, 2012 - H1 2020



Source: Preqin Pro

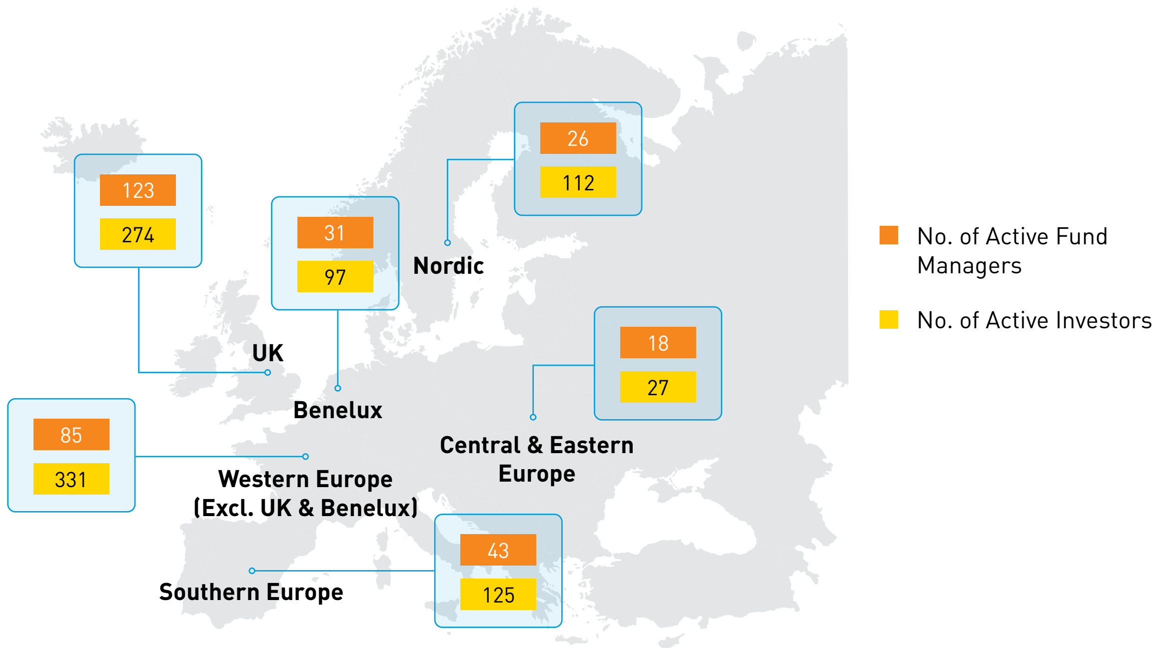
Fig. 7.3: Aggregate Capital Raised by Europe-Focused Unlisted Natural Resources Funds Closed: Pure vs. All Strategies, 2012 - H1 2020



Source: Preqin Pro

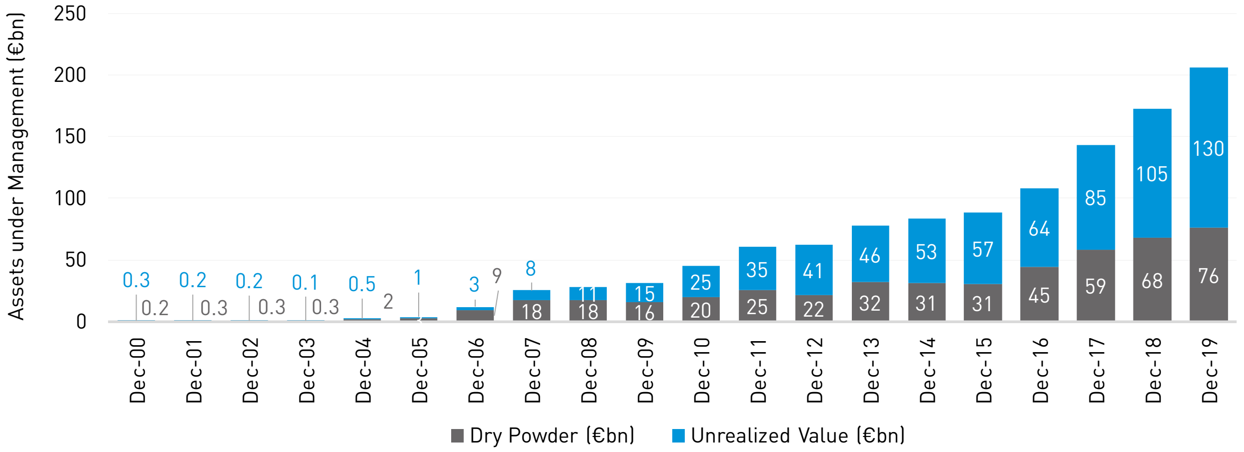
Natural Resources: Key Charts

Fig. 7.4: Unlisted Natural Resources in Europe



Source: Preqin Pro

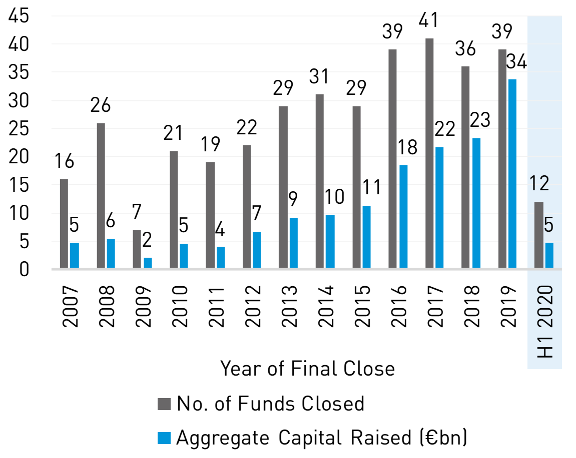
Fig. 7.5: Europe-Based Unlisted Natural Resources Assets under Management, 2000 - 2019*



Source: Preqin Pro

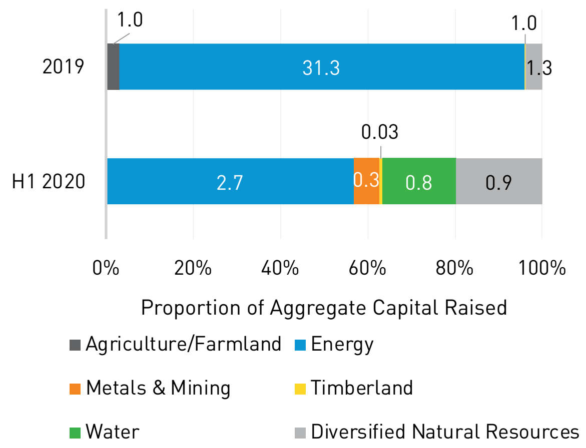
*Figures denote entire Natural Resources industry including Buyout and Infrastructure funds targeting natural resources opportunities.

Fig. 7.6: Europe-Focused Unlisted Natural Resources Fundraising, 2007 - H1 2020



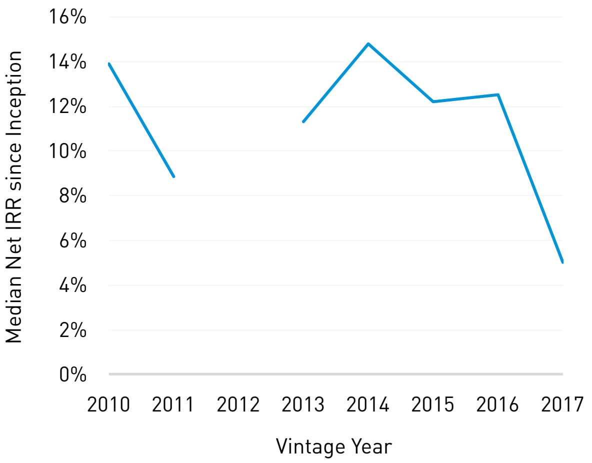
Source: Preqin Pro

Fig. 7.7: Aggregate Capital Raised (€bn) by Europe-Focused Unlisted Natural Resources Funds Closed by Fund Type, 2019 vs. H1 2020



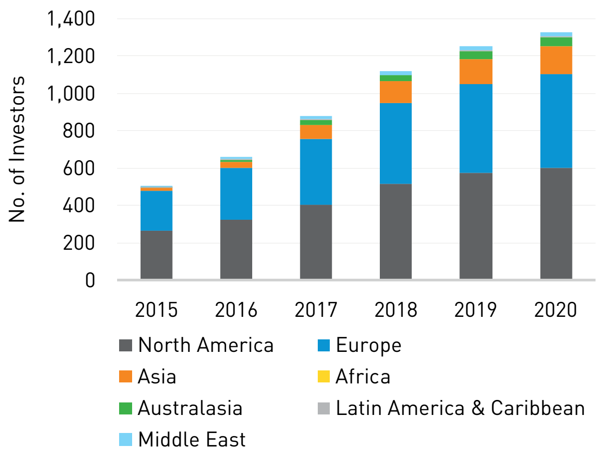
Source: Preqin Pro

Fig. 7.8: Europe-Focused Unlisted Natural Resources: Median Net IRRs by Vintage Year



Source: Preqin Pro

Fig. 7.9: Europe-Focused Unlisted Natural Resources Investors by Location, 2015 - 2020



Source: Preqin Pro

Largest Funds

Fig. 7.10: Largest Europe-Focused Unlisted Natural Resources Funds Closed in 2020 YTD

Rank	Fund	Firm	Headquarters	Fund Size (mn)	Fund Type	Final Close Date
1	Asterion Industrial Infra Fund I	Asterion Industrial Partners	Spain	1,100 EUR	Energy	Jan-20
2	Ancala Infrastructure Fund II	Ancala Partners	UK	795 EUR	Water	Mar-20
3	Golding Infrastructure 2018	Golding Capital Partners	Germany	710 EUR	Diversified Natural Resources	Mar-20
4	Macquarie Global Infrastructure Debt Fund	Macquarie Infrastructure Debt Investment Solutions	UK	645 USD	Energy	Mar-20
5	Fidelio KA Infrastructure Debt Fund Europe 1	Kommunalkredit Austria AG	Austria	354 EUR	Energy	Feb-20
6	SUSI Energy Efficiency Fund II	SUSI Partners	Switzerland	289 EUR	Energy	May-20
7	Warwick Royalty & Mineral Fund II	Warwick Capital Partners	UK	274 EUR	Metals & Mining	Apr-20
8	Hydropower Fund I	Aquila Capital	Germany	250 EUR	Energy	Feb-20
9	Zencap Infra Debt 3	ZenCap Asset Management	France	227 EUR	Diversified Natural Resources	Jun-20
10	Kobus Renewable Energy III	Kobus Partners	Spain	100 EUR	Energy	Jan-20

Source: Preqin Pro. Data as of July 2020

Fig. 7.11: Largest Europe-Focused Unlisted Natural Resources Funds in Market

Rank	Fund	Firm	Target Size (mn)	Fund Type	Geographic Focus
1	Carlyle International Energy Partners II	Carlyle Group	4,000 USD	Energy	Europe, Asia, Americas
2	Pan-European Infrastructure Fund III	DWS Group	2,500 EUR	Energy	Europe
=	DIF Infrastructure VI	DIF	2,500 EUR	Energy	North America, South America, Europe, Australasia
4	Circuitus Real Assets I	Circuitus Capital	2,000 EUR	Energy	South America, Europe
5	Greencoat Solar II	Greencoat Capital	1,500 GBP	Energy	UK
6	Macquarie GIG Global Renewables Fund II	Green Investment Group	1,500 USD	Energy	North America, Europe, Asia, Australasia
7	Macquarie Infrastructure Debt Fund (UK Inflation Linked) 2	Macquarie Infrastructure Debt Investment Solutions	1,000 GBP	Energy	UK
=	Hermes Infrastructure Fund II	Hermes Infrastructure	1,000 GBP	Energy	UK, Europe, OECD
=	Greencoat Renewable Income Fund	Greencoat Capital	1,000 GBP	Energy	UK
10	T2 Energy Transition Fund	Tikehau Capital	1,000 EUR	Energy	Western Europe, UK

Source: Preqin Pro. Data as of July 2020

Largest Fund Managers

Fig. 7.12: Largest Fund Managers by Total Capital Raised for Europe-Focused Unlisted Natural Resources Funds in the Past 10 Years

Rank	Firm	Headquarters	Total Capital Raised in Past 10 Years (€bn)	Estimated Dry Powder (€bn)
1	Macquarie Infrastructure and Real Assets (MIRA)	London, UK	18.0	6.2
2	EQT	Stockholm, Sweden	14.9	4.3
3	Ardian	Paris, France	8.8	6.1
4	Copenhagen Infrastructure Partners	Copenhagen, Denmark	6.9	1.6
5	DIF	Schiphol, Netherlands	5.7	2.5
6	Partners Group	Zug, Switzerland	5.0	1.6
7	F2i SGR	Milan, Italy	4.8	0.5
=	Infracapital	London, UK	4.8	2.2
9	Carlyle Group	Washington, US	4.0	1.3
10	Antin Infrastructure Partners	Paris, France	3.6	0.4
=	InfraVia Capital Partners	Paris, France	3.6	1.6
12	DWS Group	London, UK	3.3	1.4
=	Equitix	London, UK	3.3	0.1
14	BlackRock	New York, US	2.8	1.1
15	Allianz Global Investors	Frankfurt, Germany	2.6	0.9
=	First Sentier Investors	Sydney, Australia	2.6	0.7
=	HitecVision	Stavanger, Norway	2.6	0.4
18	iCON Infrastructure	London, UK	2.0	0.9
19	Edmond de Rothschild Asset Management	London, UK	1.9	0.2
=	Greencoat Capital	London, UK	1.9	0.8
=	UBS Asset Management	London, UK	1.9	0.7
22	Ancala Partners	London, UK	1.8	0.6
=	Cubico Sustainable Investments	London, UK	1.8	0.2
24	Blue Water Energy	London, UK	1.6	0.6
=	Golding Capital Partners	Munich, Germany	1.6	0.6

Source: Preqin Pro

Largest Investors

Fig. 7.13: Largest Europe-Based Investors in Natural Resources by Type

Type	Rank	Investor	Allocation to Natural Resources (€bn)	Location
Endowment Plan	1	Church Commissioners for England	0.4	UK
	2	Jesus College (Oxford)	0.04	UK
	3	n/a	n/a	n/a
	4	n/a	n/a	n/a
	5	n/a	n/a	n/a
Foundation	1	Fondazione Cariplo	0.1	Italy
	2	Fondazione Cassa di Risparmio di Lucca	0.04	Italy
	3	King's Fund	0.02	UK
	4	Realdania	0.01	Denmark
	5	Bank Workers Charity	0.003	UK
Insurance Company	1	Prudential	16.5	UK
	2	VidaCaixa	1.4	Spain
	3	Gothaer Insurance Group	0.9	Germany
	4	Ageas	0.3	Belgium
	5	Die Bayerische	0.1	Germany
Private Sector Pension Fund	1	PME	1.4	Netherlands
	2	Roche Retirement Plans	1.0	Switzerland
	3	Pensionskasse Post	0.8	Switzerland
	4	Pension Fund for Housing Associations	0.6	Netherlands
	5	Pension Protection Fund	0.5	UK
Public Pension Fund	1	ABP	19.1	Netherlands
	2	AP-Fonden 2	1.5	Sweden
	3	Sampension	1.3	Denmark
	4	Bayerische Versorgungskammer	1.2	Germany
	5	compenswiss (AHV/IV/EO Equalisation Funds)	0.8	Switzerland

Source: Preqin Pro

Top Performers

Fig. 7.14: Top Performing Europe-Focused Unlisted Natural Resources Funds (Vintages 2007-2017)

Rank	Fund	Firm	Vintage	Fund Size (mn)	Natural Resources Strategy	Geographic Focus	Net IRR (%)	Date Reported
1	Aravis Energy I	Aravis	2009	47 EUR	Energy	Europe	448.0	30-Jun-20
2	Kobus Renewable Energy I	Kobus Partners	2016	6 EUR	Energy	Spain	63.1	30-Jun-20
3	iCON Infrastructure Partners	iCON Infrastructure	2010	231 EUR	Energy	Western Europe	35.0	30-Jun-20
4	InfraVia III	InfraVia Capital Partners	2015	1,000 EUR	Energy	Western Europe	19.9	31-Dec-19
5	EQT Infrastructure II	EQT	2013	1,925 EUR	Energy	Europe	19.0	31-Dec-19
=	EQT Infrastructure III	EQT	2016	4,000 EUR	Energy	Europe	19.0	31-Dec-19
7	Antin Infrastructure Partners Fund	Antin Infrastructure Partners	2008	1,105 EUR	Energy	Europe	16.9	30-Sep-19
8	Taaleri Wind Power II	Taaleri Energia	2014	84 EUR	Energy	Finland	15.9	31-Dec-19
9	InfraVia II	InfraVia Capital Partners	2013	530 EUR	Energy	Western Europe	15.7	31-Dec-19
10	Taaleri Wind Power III	Taaleri Energia	2016	45 EUR	Energy	Finland	15.2	31-Dec-19

Source: Preqin Pro

8.
ALTERNATIVES IN WESTERN EUROPE

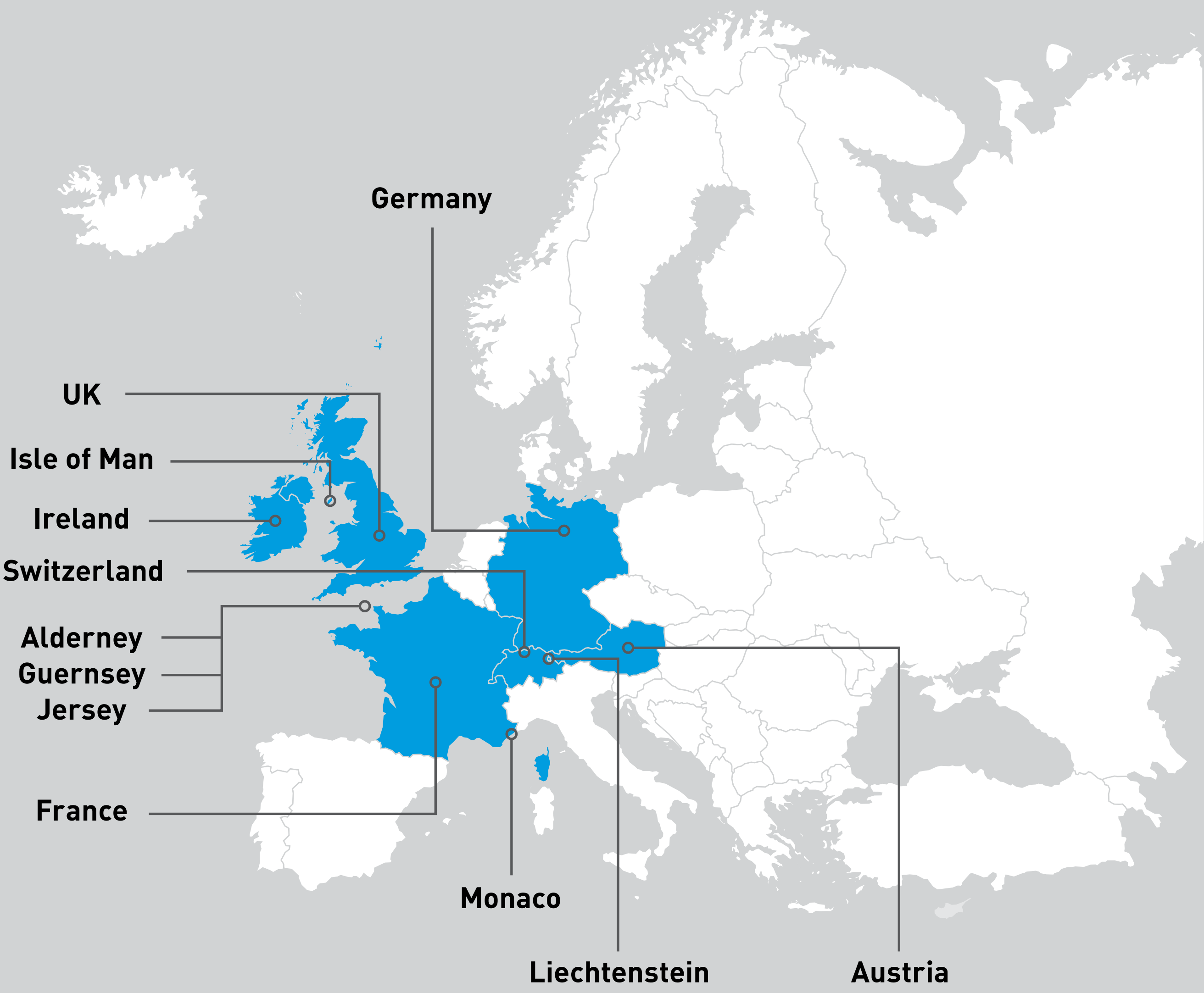
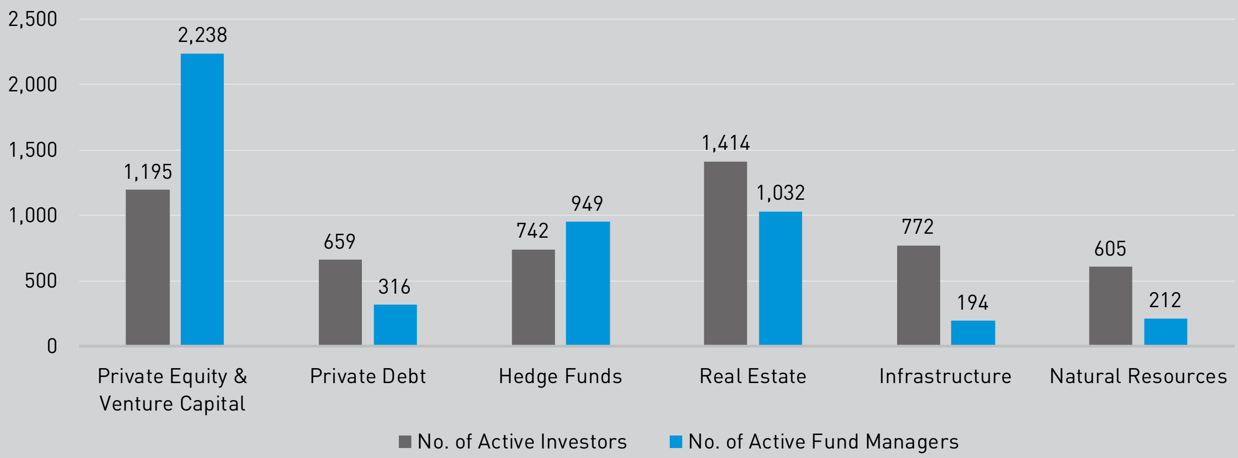


Fig. 8.1: Hedge Fund Performance: UK vs. Western Europe

	2019 Net Return	H1 2020 Net Return	Three-Year Annualized Return
UK	7.79%	1.15%	3.45%
Western Europe (Excl. UK)	7.28%	-0.66%	2.91%

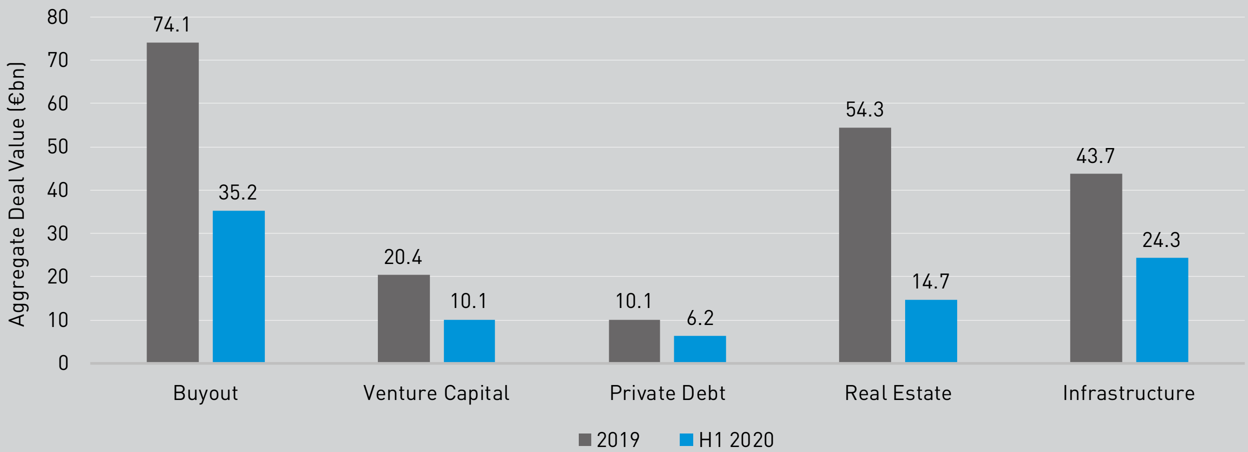
Source: Preqin Pro

Fig. 8.2: Western Europe-Based Investors and Fund Managers by Asset Class



Source: Preqin Pro. Data as of July 2020

Fig. 8.3: Aggregate Value of Private Capital Deals in Western Europe by Type, 2019 vs. H1 2020



Source: Preqin Pro

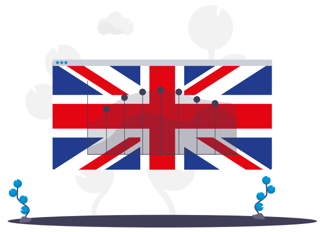
UK

756

Number of UK-based investors active in alternative assets

2,195

Number of UK-based fund managers active in alternative assets



1.15%

Net return of UK-based hedge funds in H1 2020, vs. +7.79% in 2019

Buyout and PERE deal volumes are hit hard by COVID-19 but private debt emerges as bright spot

As in our 2019 study, the UK is the clear leader in the pan-European alternative assets market. At almost €1.2tn in AUM, the UK accounts for 54% of total European assets, unchanged from the midpoint of 2019. Despite Brexit and political uncertainty, transparency and liquidity drive continued capital flows to the UK.

The UK is home to three of the 10 largest Europe-focused private equity funds closed during 2020, including the largest, the €21.3bn buyout vehicle CVC Capital Partners Fund VIII. London-headquartered CVC has been the most successful capital-raiser over the past 10 years for Europe-focused private equity funds, securing €59.5bn.

Across many asset classes, 2018 marked the peak for transaction volumes in the UK. Brexit and the General Election served to make the UK investment market less certain and deal flow declined generally between 2018 and 2019. As 2020 commenced investors were more positive, but with the outbreak of COVID-19, all bets were off. The buyout and private real estate sectors were hardest hit, with H1 aggregate deal values falling 76% and 72% respectively compared to the whole of 2019. This highlights the scale of the challenge ahead in H2 2020 if we are to get anywhere close to last year's levels of activity.

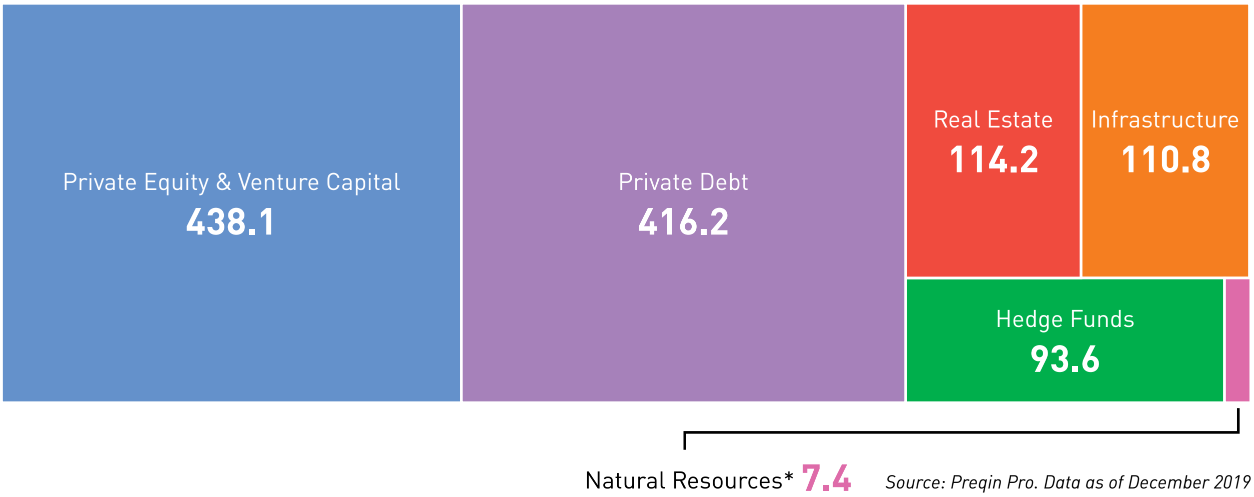
Balance Sheet Refinancing Is Driving Private Debt

But it is not all bad news. Venture capital and infrastructure transaction volumes are on track to reach 2019's levels, if H1 performance is matched in H2. The largest infrastructure deal in the UK during H1 was the £4.2bn acquisition of Viridor – which owns and operates waste-to-energy plants and waste management facilities – by KKR and Hermes Infrastructure.

Private debt is perhaps the brightest spot in the UK investment market. With €2.6bn in aggregate deal value for H1, it is likely private debt will see activity over and above 2019 levels, with the refinancing of legacy debt a key driver. Listed industrial specialist Segro raised €450mn in a debt placing of senior unsecured notes with a group of institutional investors. Coupons ranged from 1.35% over 12 years to 1.83% over 20 years, replacing debt with coupons ranging from 6.75% to 7%, resulting in a significant reduction in the firm's weighted average coupon. With metrics such as this, it is unsurprising that firms are increasingly turning to private debt specialists as they refinance their balance sheets.

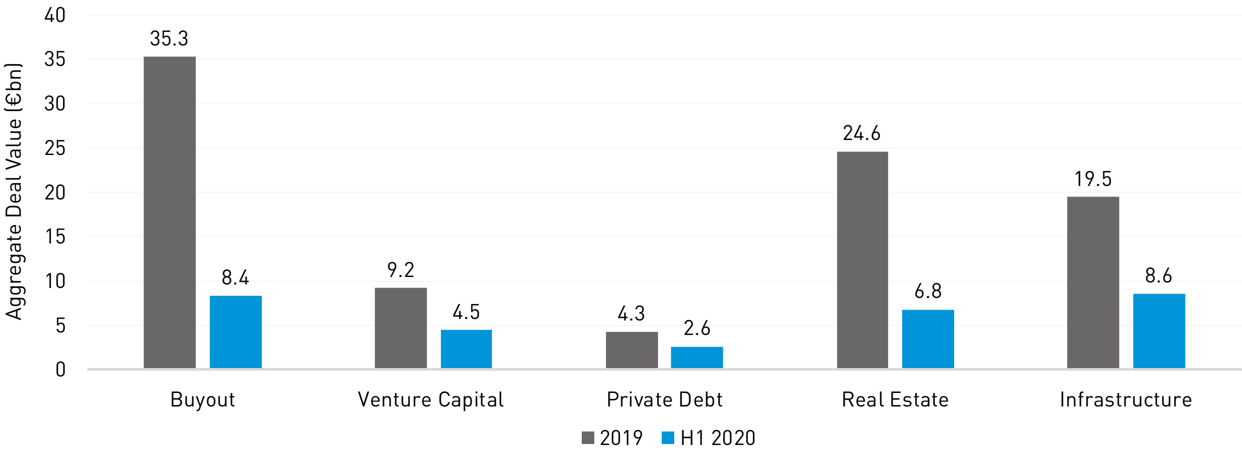
€1,180bn UK-based alternatives assets under management as of December 2019

Fig. 8.4: UK-Based Assets under Management (€bn) by Asset Class



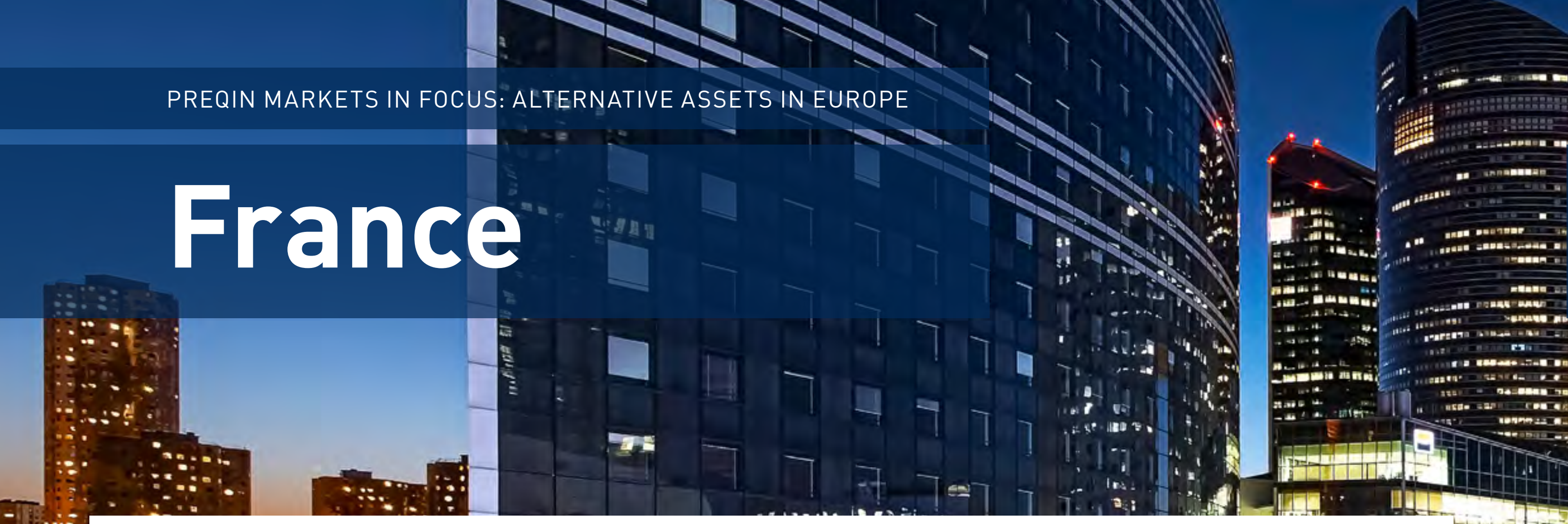
Source: Preqin Pro. Data as of December 2019

Fig. 8.5: Aggregate Value of Private Capital Deals in the UK by Type, 2019 vs. H1 2020



Source: Preqin Pro

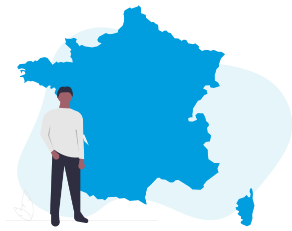
**Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.*



France

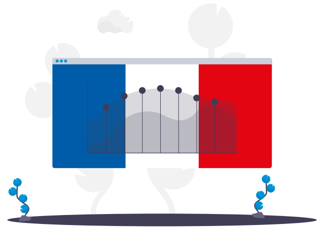
166

Number of France-based investors active in alternative assets



559

Number of France-based fund managers active in alternative assets



-5.00%

Net return of France-based hedge funds in H1 2020, compared with +6.25% in 2019

Europe's largest market has felt the effects of COVID-19, but infrastructure investment has already outpaced 2019

France is the largest alternative assets market in mainland Europe, with more than €240bn in AUM, of which dry powder is more than €80bn. The country has a long history of alternative asset investment, with many large fund managers located in the country, including Amundi, AXA Investment Managers, and Ardian. But history counts for little and France has been hit hard by the COVID-19 pandemic, with GDP expected to fall by 10.2% in 2020, according to Oxford Economics. Economic output will remain below its pre-crisis level until 2022.

Despite the weak macro backdrop, there have been some bright spots in French alternatives during the first half of 2020. The largest infrastructure deal was the €4.3bn creation of Vauban Infra Fibre, a firm established by Vauban Infrastructure Partners, an affiliate of Natixis Investment Managers, and Axione. The new platform will consolidate existing or newly deployed fiber infrastructure and will provide a single offering available to all operators, maximizing digital coverage at a national level. Plans are in place for 11 million FTTH (Fibre To The Home) connections, with a €6bn investment plan, of which €4.3bn has been committed. This transaction took H1 2020 infrastructure investment to €5.6bn (Fig. 8.7), outpacing the whole of 2019. Private debt was another standout sector, despite its smaller size. During H1 2020, transaction volumes nearly doubled to €1.2bn, compared to €0.7bn during the whole of 2019.

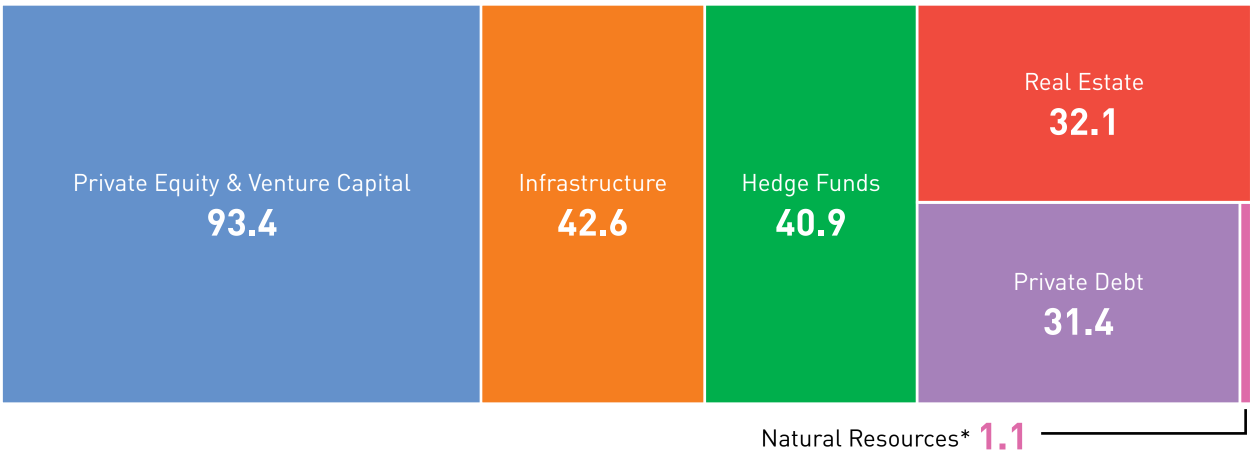
Real Estate Lags Behind

Private equity real estate deal value has fallen significantly during H1 2020, totaling just €3.4bn, compared with €14bn in 2019. Yields available on prime office assets in Paris, the most liquid real estate market in France, hit 2.75% during H1. While this is significantly higher than the negative yields on French 10-year government bonds, those investors seeking some income may be priced out of the French market. The severity of the lockdown in France at the height of the COVID-19 pandemic, which hit activity across a wide range of sectors, has resulted in weaker valuations and reduced demand for assets.

Despite this, deals were still completed in H1, with transactions across a variety of sectors. The largest was Union Investment's €800mn acquisition of a logistics portfolio with some assets in France. The industrial and logistics sector has been in demand for several years, and with COVID-19 leading to a faster adoption of online shopping in most countries, there is demand for additional logistics space.

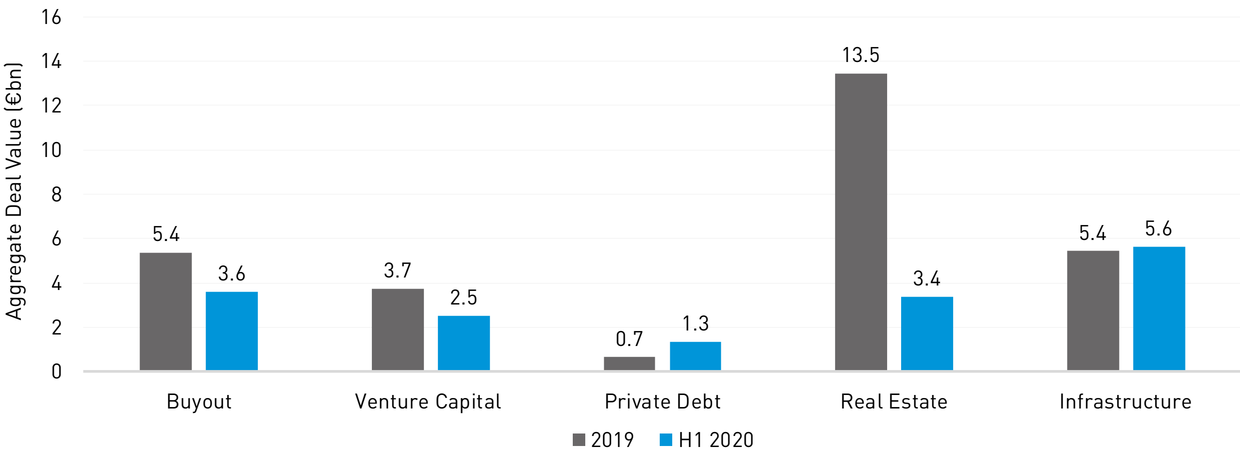
€241bn France-based alternatives assets under management as of December 2019

Fig. 8.6: France-Based Assets under Management (€bn) by Asset Class



Source: Preqin Pro. Data as of December 2019

Fig. 8.7: Aggregate Value of Private Capital Deals in France, 2019 vs. H1 2020



Source: Preqin Pro

**Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.*

The Diversity and Clout of French Private Equity

Investor demand for France's growing alternatives industry and thriving entrepreneurial market will continue despite the COVID-19 crisis

Dominique Gaillard
Chairman

France Invest
www.franceinvest.eu

France Invest, the French Association of Investors for Growth, brings together more than 330 private equity and venture capital companies active in France and around 200 firms representing the associated professions that support them. Its members play a major role in the growth and transformation of companies and in supporting the French economy. France Invest promotes the growth of private equity and venture capital among entrepreneurs, global savings managers, French and European public authorities, and opinion leaders.

France Invest brings together all segments of investment in unlisted companies under a single banner. Our members are venture and growth capital specialists, buyouts, infrastructure and private debt players. A total of 338 management and investment companies made up our association at the end of June 2020. The diversity of this equity and debt financing ecosystem gives us considerable clout. In 2019, French private equity raised a total of €41bn (up 13% on 2018) and invested €37bn (up 35% on 2018), making it a leading market in Europe[1 2 3].

These figures reflect three phenomena: a dynamic market for entrepreneurial initiatives in France, the appeal of the French market for foreign investors, and the strong development of infrastructure and private debt funds. We do not expect these deep underlying trends to be undermined by the COVID-19 crisis. Rather, we expect companies to find strong support in this crisis to plough ahead with their development.

An Enterprise-Driven Market

There are approximately 140,000 SMEs in France (excluding very small enterprises). They weave a dense and dynamic fabric that has long formed a cornerstone for French private equity in terms of the number of companies financed. These companies want to bring in professional investors to help them grow and join the much-vaunted ranks of mid-caps, the main drivers of job growth in France.

At the same time, the French Tech movement championed by Emmanuel Macron is having very visible effects on our industry. We have seen a sharp increase since 2017 in the number of start-ups, which naturally seek to raise funds. Their number has more than doubled since 2012 and, for the first time in 2019, venture capital deals exceeded growth capital deals, with more than 1,000 start-ups financed[1]. The French venture capital industry is ranked first in Europe based on the number of companies backed and is in second place based on the amount invested, just behind the UK.

This entrepreneurial vitality is reflected in the total number of companies that have been financed through French private equity. In 2019, we registered a record high of more than 2,300 companies, half of which were seeking external investment through a fund for the first time ever[1].

Powerful Development in Infrastructure and Private Debt Funds

In just a few years, infrastructure funds managed in

[1] France Invest – Grant Thornton report on the French private equity market for 2019
[2] France Invest – AFG report on infrastructure funds managed in France for 2019
[3] France Invest – Deloitte report on debt funds active in France in 2019

France have climbed to the upper echelons of the market, regardless of whether they provide equity and/or debt financing.

In infrastructure, the amounts raised have almost reached the levels observed in the mature French private equity industry, exceeding €15bn in 2019[4]. More than two-thirds are collected from foreign investors. The amounts invested have risen sharply. There can be no denying that the momentum and attractiveness of this asset class are being driven by the longstanding expertise of the Paris ecosystem in the financing and construction of infrastructure.

The private debt market, which emerged with the 2008 crisis, continues to grow, both in terms of funds raised and investment. In 2019, France was once again Europe's number-one market for private debt in continental Europe based on the number of deals completed[3].

France's Appeal for Foreign Investors

The robust private financing activity in France is tied to France's renewed appeal in the eyes of foreign investors. Various recent studies confirm that this movement has gained momentum, attributable to the measures introduced by a French government that is very much 'pro-business.' These measures – both qualitative and quantitative – have made the French economy as a whole more competitive. The EY half-yearly report on direct investment shows that, in 2019, and for the first time, France became the leading destination for international investment in Europe, ahead of the UK and Germany. The reports prepared by France Invest clearly show the large proportion of foreign institutional and sovereign investors in the funds that we raise, with for example 43% of private equity & venture capital being raised with these investors in 2019[1].

What Lies beyond COVID-19?

Can all this be jeopardized by the COVID-19 crisis? We don't believe so.

The underlying fundamentals are good. A well-trained workforce, excellent engineering schools, and high-level R&D are what makes France attractive. Moreover, the creation of an ecosystem of start-ups and tech companies will not just stop overnight.

French companies currently backed by private equity players have been able to occasionally call on the various schemes introduced by the government to cope with a partial or complete shutdown of their business in the early months of 2020. This includes short-time working, a moratorium on tax and social security payments, solidarity funds, state-guaranteed loans, sector investment funds, to name but a few. Going forward, the French Government appears intent on financing the economic rebound through large-scale stimulus plans. Businesses are receiving the support of funds that have acquired a good deal of maturity, putting them in a position to handle the unexpected, adapt their business models when needed, and organize the recovery phase.

It is in times of crisis that the economy re-invents itself. This crisis should be no exception and we are expecting three movements to emerge.

Firstly, we expect family businesses that had been reluctant until now to bring in professional shareholders, even minority ones, to seek external investors to help them strengthen their balance sheet and be solidly armed to manage the rebound. We are currently working with the French Ministry of the Economy and Finance on a special 24-30 month scheme to help 2,000-2,500 family-run SMEs and mid-caps that have good fundamentals but have been temporarily weighed on by the crisis.

Secondly, we expect to see a large number of young people coming on the market who may be tempted to start up their own business in a tight recruitment market. This would inject added momentum into the French entrepreneurial engine.

Lastly, the ability of funds to further reconcile growth and environmental, social, and governance (ESG) issues. This has been a focus for the French private equity industry for more than 10 years and one in which France Invest has become more proactive than ever. We take concrete action to implement value-sharing mechanisms between shareholders and employees, to strive for gender equality in our industry, to commit to a reduction in greenhouse gas emissions, and to finance the ecological transition.

As an industry organization, our field weaves through the economic, political, and social spheres. With this three-pronged focus, France Invest strives to convey our industry's vision, playing a part in its resilience and the rebound.

[4] *France Invest – AFG report on infrastructure funds managed in France for 2019*

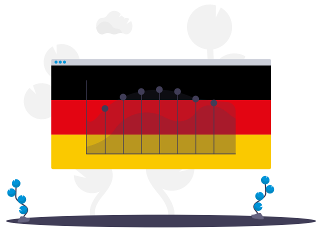
Germany

377

Number of Germany-based investors active in alternative assets

840

Number of Germany-based fund managers active in alternative assets



-3.33%

Net return of Germany-based hedge funds in H1 2020, compared with +8.63% in 2019

Private investment in Germany is on the rise as investors eye new leadership among the country's SMEs

Germany has been one of Europe's most active markets for private capital investment in 2020. The $34bn of deals recorded in H1 2020 is the highest total of any European country, eclipsing the UK's $31bn (Fig. 8.7). While deal-making has slowed following the outbreak of COVID-19, several mega deals completed in Q1 2020, highlighting the increasingly important role private capital is playing in Germany.

The most notable deal was the €17.2bn acquisition of Thyssenkrupp Elevator AG by an Advent International and Cinven-led consortium. The purchase of the Essen-based company, the fourth-largest lift manufacturer in the world, was the largest-ever private equity-backed buyout deal in Europe.

Germany's infrastructure market also saw strong activity in Q1 2020, with Bombardier Transportation sold for €5.8bn to France-based Alstom in February. The Berlin-based company covers the full spectrum of rail solutions, from trains to sub-systems and signaling to complete turnkey transport systems, e-mobility technology, and data-driven maintenance services.

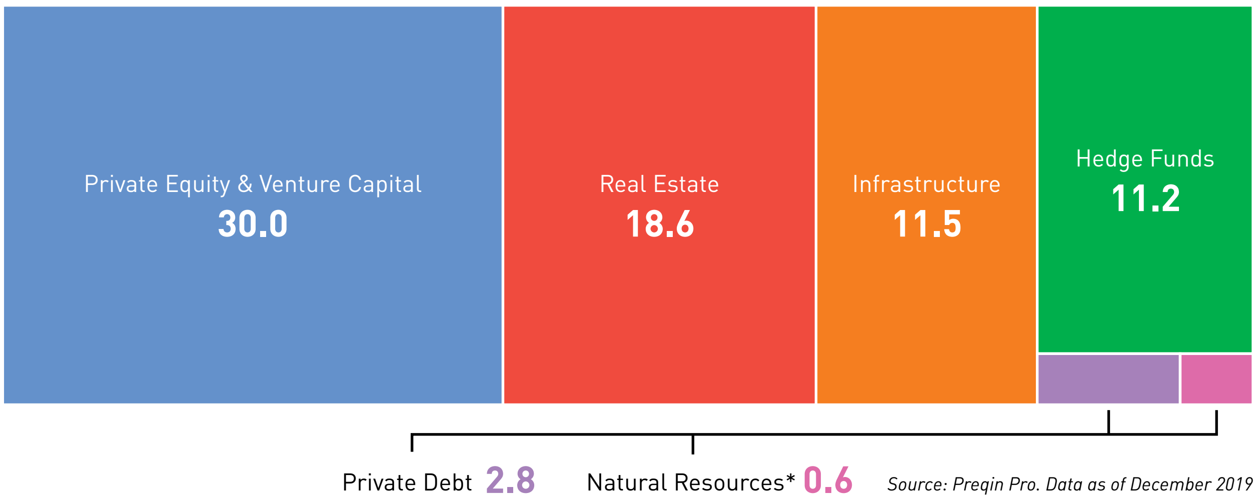
Private investment in Germany has been rising in recent years. A total of $86bn of private capital deals have been completed since 2019, surpassed only by the UK ($124bn). But, despite the flurry of larger deals in the largest economy in Europe, Germany's alternative assets industry remains relatively undeveloped. With $75bn under management, the Germany-based alternative assets industry sits fifth among European countries (Fig. 8.8).

An Evolving Mittelstand

Germany's stance toward the private equity industry has changed over time. The past decade has seen more private capital firms conduct business in the country, while increasing valuations are making sales more attractive to Germany-based firms, and traditionally conservative post-war entrepreneurial owners of SMEs in Germany are looking to step down. Research conducted by state-owned development bank KfW in 2018 shows that over 500,000 German SMEs are projected to change ownership by 2022. Private capital firms will be hoping a new generation of leaders in Germany's SMEs – known collectively as the 'Mittelstand' – will pave the way for increased investment.

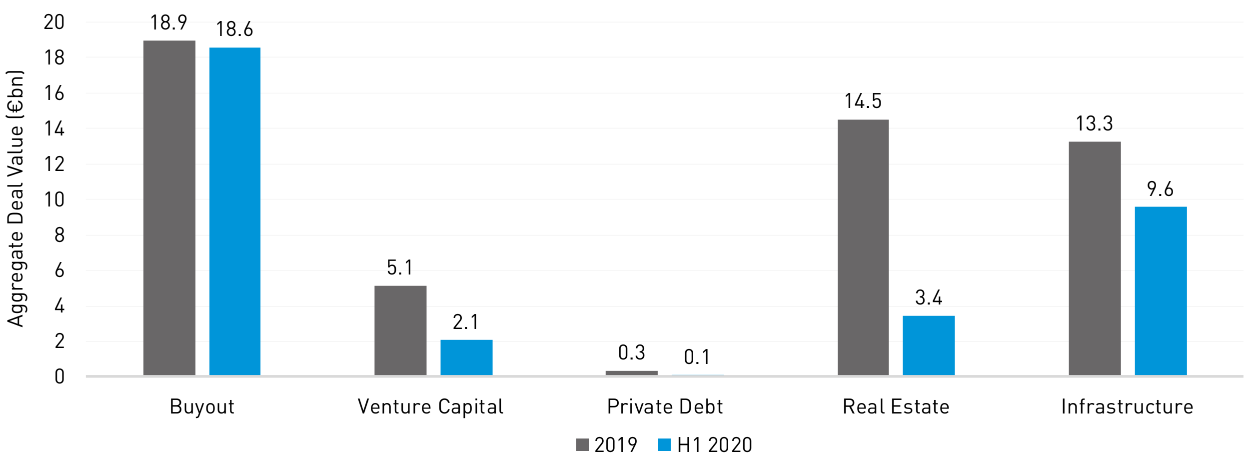
€75bn Germany-based alternatives assets under management as of December 2019

Fig. 8.8: Germany-Based Assets under Management (€bn) by Asset Class



Source: Preqin Pro. Data as of December 2019

Fig. 8.9: Aggregate Value of Private Capital Deals in Germany by Type, 2019 vs. H1 2020



Source: Preqin Pro

**Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.*

Alternatives Move into the Mainstream in Germany

Investors are looking to alternatives more than ever before, and interest will only grow as COVID-19 highlights their value

For many years institutional investors in Germany have seen their assets under management (AUM) increase, with Preqin reporting total AUM of Germany-based insurance companies and pension funds at €3.7tn. Alternative assets are playing an increasingly important role in German institutional investor portfolios, with most of respondents to the German Association for Alternative Investments' (BAI) annual survey increasing their exposure to alternatives in 2019.

German investors are active across a range of alternative assets markets, with the majority of the 75 survey participants investing in multiple asset classes. Over three-quarters (78%) invest in equity real estate, 77% in private equity, and 60% in corporate private debt. Based on the BAI investor survey and a separate BAI private debt study in 2019, other debt classes such as real estate and infrastructure are becoming increasingly attractive.

Looking forward to 2020 and beyond, we expect even greater demand for established alternatives from investors in Germany. With sectors across alternatives, such as renewable infrastructure or real estate logistics, delivering stable returns during the crisis, the value of an alternatives allocation is becoming increasingly apparent to institutional investors.

Nevertheless, deploying capital will be challenging: processes for mandating new asset managers are still being delayed due to travel restrictions. For German investors, virtual meetings alone with potential new managers do not yet seem an adequate replacement for face-to-face contact. Furthermore, continuing market volatility will be determining investors' decisions. The overall effect of the crisis on alternative investments will be analyzed further in the next update of the BAI investor survey in Q4 2020.

Annette Olschinka-Rettig
Managing Director

Bundesverband Alternative Investments e.V.
www.bvai.de

The German Association for Alternative Investments (BAI) acts as a catalyst between German institutional investors and recognized providers of alternative investments products worldwide, enhancing the environment for investors when diversifying their financial assets into alternative investments. Our annual investor survey, exclusively addressed to Germany-based investors, aims to increase transparency in the alternative investment market and has been an integral part of BAI's research since 2013.

The BAI was established in 1997 and has approximately 230 members from all areas of the alternative investment industry. One objective of the Association is to increase public awareness and understanding of alternative assets and strategies in public, thereby also covering new, developing investment alternatives such as crypto assets. The BAI cooperates with various national and international organizations and industry associations, and advocates for legal reforms to design attractive and competitive regulatory environments for the alternative investments industry in Germany. The BAI is supported by an investor advisory board with members from insurance companies, pensions funds, and foundations.

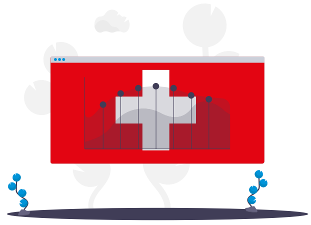
Switzerland

428

Number of Switzerland-based investors active in alternative assets

413

Number of Switzerland-based fund managers active in alternative assets



+0.82%

Net return of Switzerland-based hedge funds in H1 2020, compared with +7.38% in 2019

Swiss crypto hedge funds generate high returns while private capital deals stall

Switzerland's alternative asset market was resilient during the economic turmoil of H1 2020. The country is home to over 800 active fund managers and investors, with investments concentrated in private equity and hedge funds.

Four of the top 10 performing hedge funds in Europe are located in Switzerland. Herculis Partners Aries Fund – CHF topped the charts with gains of 92.83% in H1, 1798 Credit Convexity Fund – A – USD returned +37.34%, Lemvi Crypto AMC posted +32.98%, and Systematic DLT Fund – Unit Class A USD made gains of 32.95%. These strong returns compare to a 2.05% H1 return for Europe-based hedge funds overall. Switzerland-based crypto funds in particular are generating sizable returns, as demonstrated by the last two funds mentioned, managed by Lemvi SA and Crypto Finance. Switzerland set itself up to be a leader in the cryptocurrency industry as early as 2018, when it released the world's first crypto exchange-traded product (ETP).

Deal Values Collapse, Though Numbers Remain Elevated

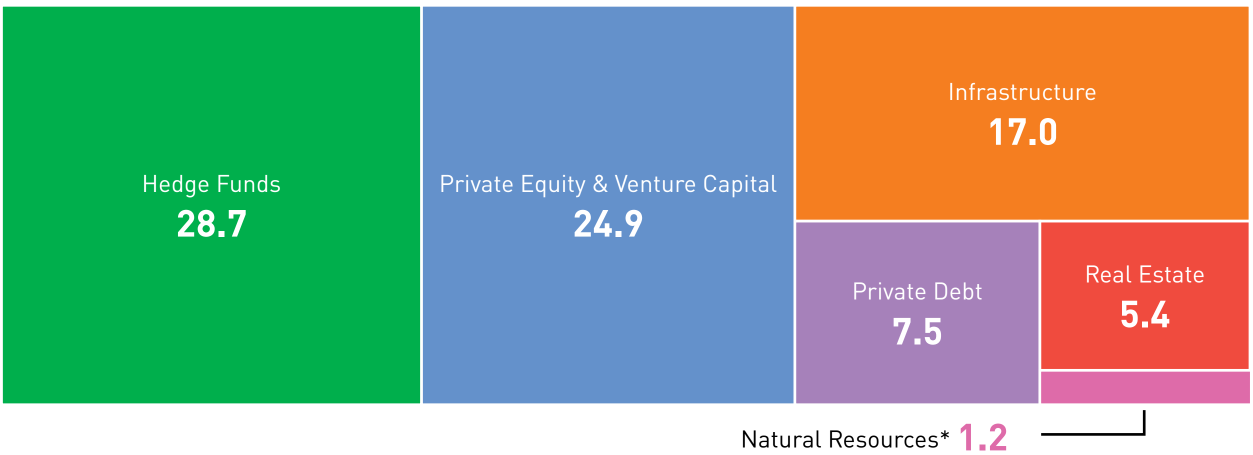
The number of private capital deals during H1 2020 progressed at a comparable pace to 2019, but aggregate deal value has not. The number of deals completed in H1 2020 as a proportion of 2019's total is over 50% across all private capital strategies, with buyout and PERE deals reaching 68% and 67% respectively of last year's volume. Only the number of infrastructure deals slowed dramatically, amounting to just 14%.

Aggregate deal value is well below the pace of last year, falling more than 50% across all asset classes (Fig. 8.11). Buyout deals record the largest proportion at 48%, with infrastructure and private debt-backed deals at below 1% of 2019's total value. Amid the economic fallout from COVID-19, this likely reflects a reduced appetite for risk, with investors avoiding larger transactions and focusing on smaller assets. It could also point to dearth of larger assets on the market, as sellers wait for a recovery in pricing.

Although real estate is Switzerland's second-smallest alternative asset class in terms of AUM, it contains the greatest number of active investors, at 76%. Low interest rates mean the yield differential on real estate assets can be substantial, driving activity for income-seeking investors. Low borrowing costs can also encourage the use of leverage to drive returns. Add in tax advantages for Switzerland-domiciled investors and the sector is increasingly appealing, despite facing multiple headwinds for sectors such as retail and hotels.

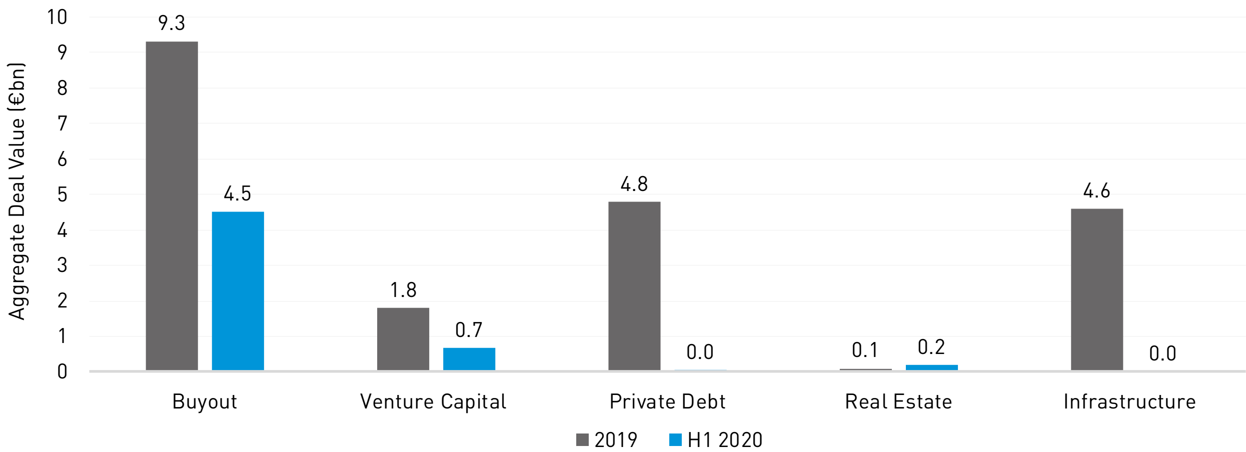
€85bn Switzerland-based alternatives assets under management as of December 2019

Fig. 8.10: Switzerland-Based Assets under Management (€bn) by Asset Class



Source: Preqin Pro. Data as of December 2019

Fig. 8.11: Aggregate Value of Private Capital Deals in Switzerland, 2019 vs. H1 2020



Source: Preqin Pro

**Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.*

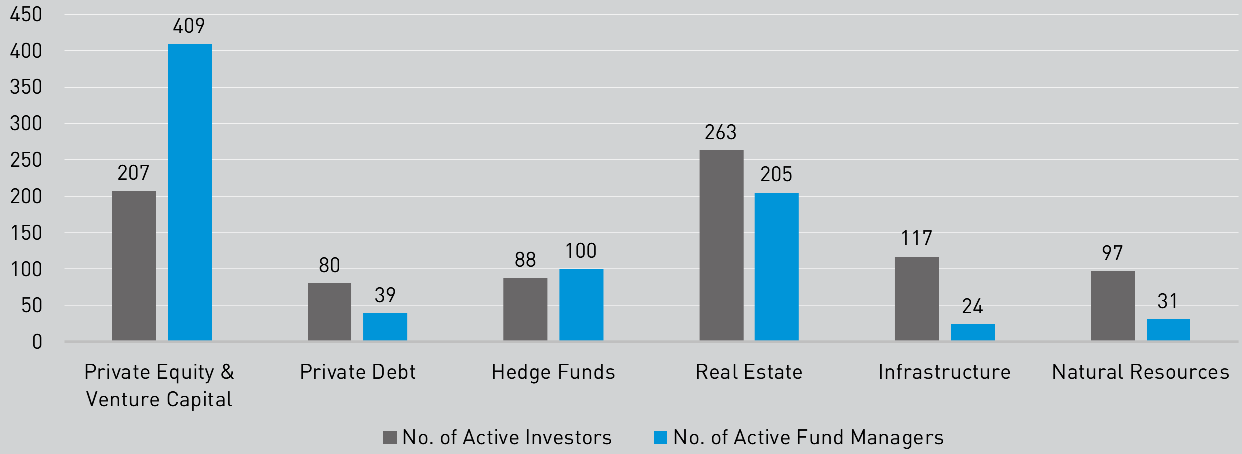
9.
ALTERNATIVES IN BENELUX

Fig. 9.1: Performance of Benelux-Based vs. Europe-Focused Hedge Funds

	2019 Net Return	H1 2020 Net Return	Three-Year Annualized Return
Europe	7.41%	2.05%	2.98%
Benelux	6.15%	1.90%	0.89%

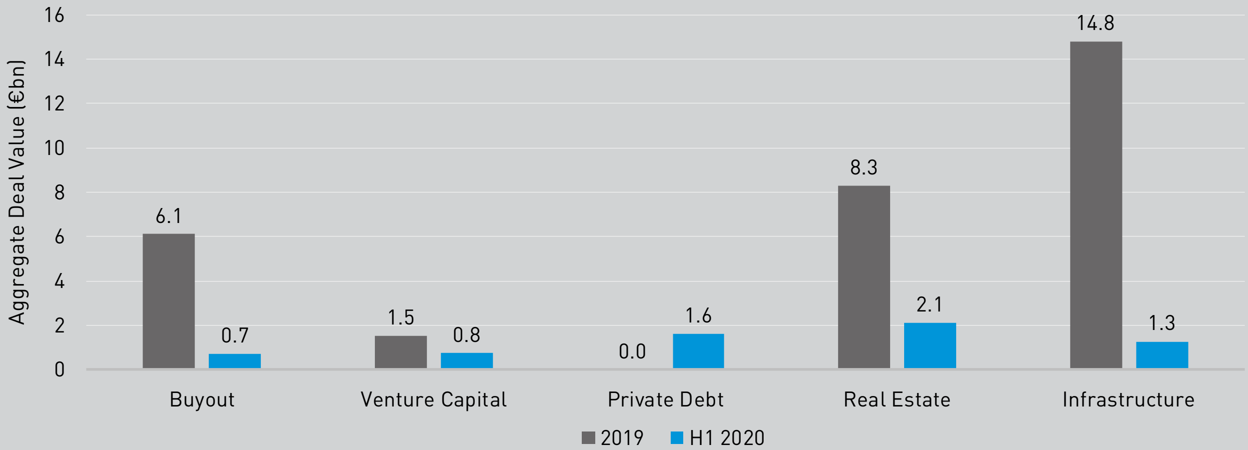
Source: Preqin Pro

Fig. 9.2: Benelux-Based Investors and Fund Managers by Asset Class



Source: Preqin Pro. Data as of July 2020

Fig. 9.3: Aggregate Value of Private Capital Deals in Benelux by Type, 2019 vs. H1 2020

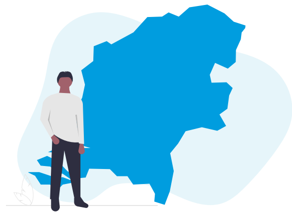


Source: Preqin Pro

The Netherlands

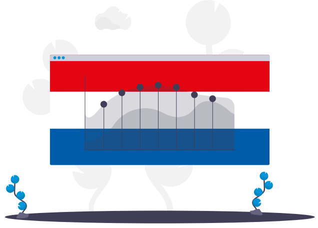
228

Number of Netherlands-based investors active in alternative assets



424

Number of Netherlands-based fund managers active in alternative assets



+3.53%

Net return of Netherlands-based hedge funds in H1 2020, compared with +10.49% in 2019

After weathering the COVID-19 storm, the Netherlands' alternatives industry could stand to gain from a no-deal Brexit

The alternative assets industry in the Netherlands has shown resilience in the face of COVID-19. The OCED expects an 8-10% contraction in Dutch GDP in 2020 – depending on whether we see a 'single-hit' or 'double-hit' scenario – which is slightly less severe than for some of its larger European neighbors. Despite the difficulties, private capital fundraising activity has been resilient, with €4.6bn of funds closed by Netherlands-focused funds so far this year. This compares with €2.5bn in H1 2019. Example funds closed in 2020 include Parcom Buyout Fund VI, which raised €775mn in April, and Main Capital VI, which closed on €564mn in early May.

The Netherlands is home to some of continental Europe's most established private equity players. Now owned by Washington-based Carlyle Group, Alpinvest is one of the largest managers in the market, having committed over €63bn since inception. Established in 1982, Gilde is one of the oldest private equity managers in Holland and operates three independent investment partnerships across buyout, equity, and healthcare. Together, these partnerships have raised over €5bn in the past decade.

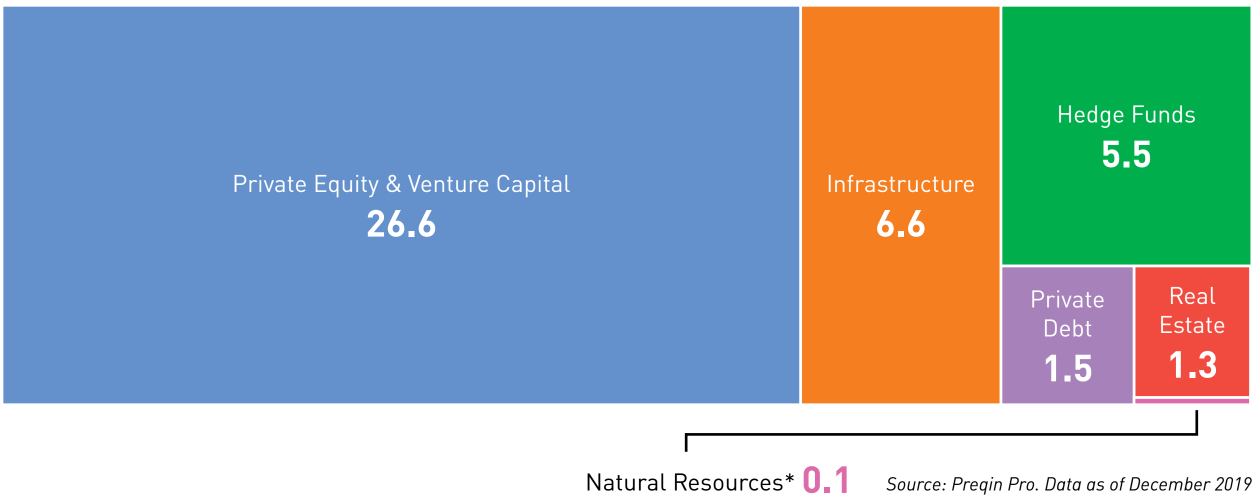
Amsterdam Could Become Key Brexit Beneficiary

Amsterdam manages 59% of the Netherlands' total private capital industry AUM and is seen as a potential beneficiary of a no-deal Brexit at the end of 2020. The Netherlands' €42bn alternatives market pales in comparison to the UK's €1.2tn industry, meaning even the slightest flow of activity from London to Amsterdam would have a material impact (Fig. 9.4). Having said that, it is difficult to see how London's dominance over the European alternatives market could be challenged any time soon.

A no-deal Brexit scenario will generate uncertainty surrounding how UK funds will be marketed across Europe. Managers may have to work with dozens of National Private Placement Regimes (NPPRs), or issue third-country marketing passports. This may be enough to tempt UK-based private equity firms to move some operations to mainland Europe in order to mitigate risk, with Amsterdam, Paris, and Frankfurt all competing for the prize. EU authorities may lack an incentive to clear up regulatory uncertainties quickly, especially while Brexit negotiations are ongoing and while remaining member states may be set to benefit.

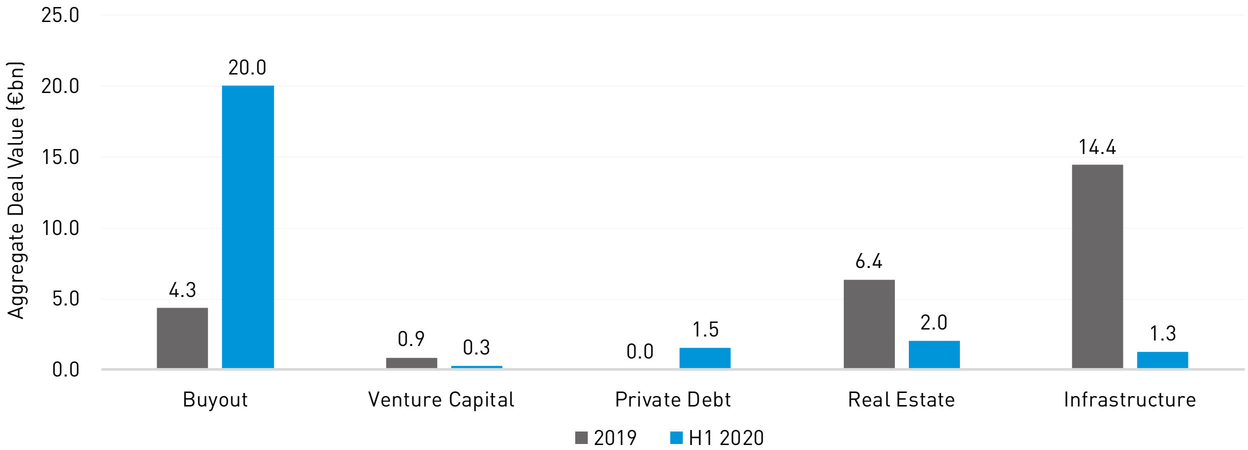
€42bn The Netherlands-based alternatives assets under management as of December 2019

Fig. 9.4: Netherlands-Based Assets under Management (€bn) by Asset Class



Source: Preqin Pro. Data as of December 2019

Fig. 9.5: Aggregate Value of Private Capital Deals in Netherlands, 2019 vs. H1 2020



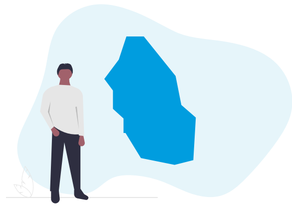
Source: Preqin Pro. Data as of July 2020

**Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.*

Luxembourg

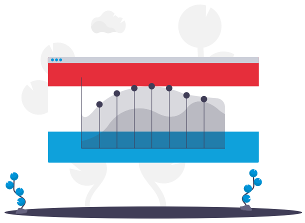
40

Number of Luxembourg-based investors active in alternative assets



191

Number of Luxembourg-based fund managers active in alternative assets



+2.54%

Net return of Luxembourg-based hedge funds in H1 2020, compared with +3.86% in 2019

Luxembourg-based vehicles maintain dominant global position

Luxembourg remains the largest alternative investment fund center in Europe, thanks largely to the preferential tax treatment available. Luxembourg-based funds have proved an attractive option for global managers that distribute not just across Europe, but also Asia and Latin America. Across all public and private market asset classes, €4.5tn in funds were domiciled in the territory as of May 2020, according to the Association of the Luxembourg Fund Industry. However, management of these funds is typically conducted elsewhere, with Preqin counting €39bn of AUM in alternative asset funds that are managed in the territory itself – less than 1% of the total (Fig. 9.6).

There are 40 investors active within alternative assets in Luxembourg, with 75% active in private equity & venture capital and 60% active in real estate investments (Fig. 9.7). Large investors include MPEP Luxembourg Management, which manages €1.9bn across private equity funds of funds in the European and North American mid-market buyout space.

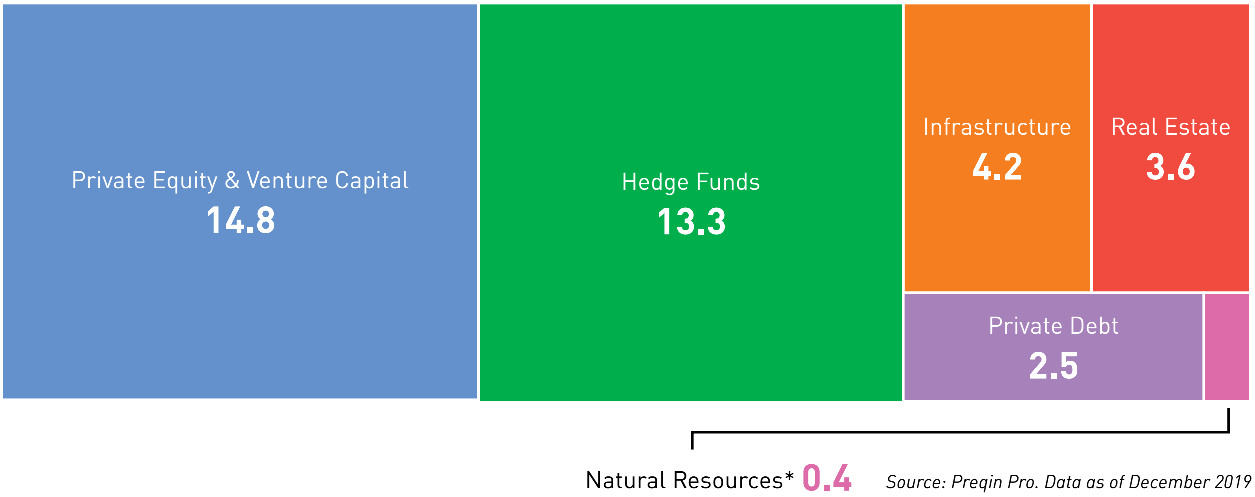
Deal activity within Luxembourg itself is small, with only €800mn in private capital deals completed in 2018, equating to 1.3% of GDP. Activity increased to €1.7bn in 2019, but Luxembourg registered just €100mn in aggregate deal value in H1 2020.

Hedge Funds Make up Large Portion of Domestic Activity

Private equity & venture capital represents €15bn and 38% of total alternative assets AUM, making it the largest asset class in the market. Hedge funds, however, also maintain a sizable position with a 34% share of AUM as of the end of 2019 (€13bn). Hedge fund managers include Candriam Investors Group and Englewood Asset Management, which manage €5.3bn and €712mn in hedge fund strategies respectively. Luxembourg has 120 hedge fund vehicles, which generated an average net return of 2.5% in H1 2020, following an average 3.9% return in 2019.

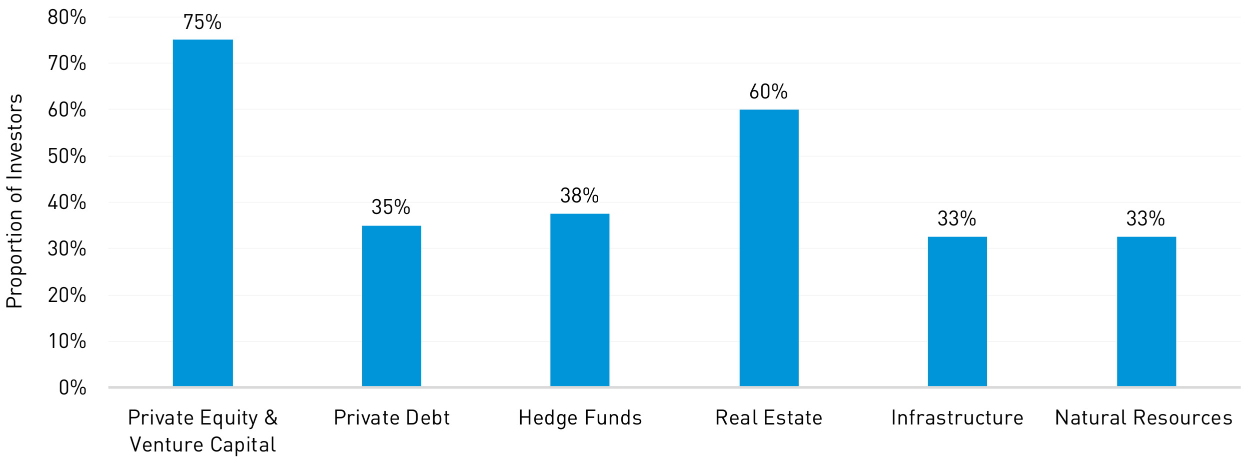
€39bn Luxembourg-based alternatives assets under management as of December 2019

Fig. 9.6: Luxembourg-Based Assets under Management (€bn) by Asset Class



Source: Preqin Pro. Data as of December 2019

Fig. 9.7: Luxembourg-Based Investors Active in Each Asset Class



Source: Preqin Pro. Data as of July 2020

Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.

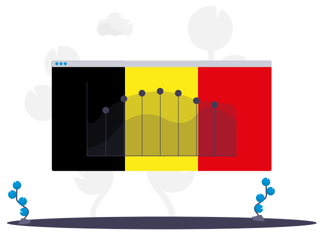
Belgium

65

Number of Belgium-based investors active in alternative assets

110

Number of Belgium-based fund managers active in alternative assets



€3.0bn

Aggregate value of private capital deals completed in H1 2020

Private equity dominates alternatives industry in Belgium

The alternatives market in Belgium remains relatively small, with domestic capital typically attracted to larger European financial centers of London, Amsterdam, or Luxembourg. Alternatives AUM stood at €8.3bn at the end of 2019, equating to only 1.5% of GDP (Fig. 9.8). At €6.6bn, the lion's share of these investments is held in private equity & venture capital, of which €2.3bn is dry powder. Among the Belgium-based alternative investment managers that Preqin tracks, few are active outside of private equity. Larger players include Core Equity Holdings, GIMV, and Cobepa, which have each raised more than €1bn over the past decade.

Economic Hit Less Severe than Elsewhere in Europe

After a comparatively strong 2018, in which €5.5bn of private capital deals were completed in Belgium, aggregate transaction values dropped to €3.0bn in 2019. This was consistent with broader reduced deal activity in Europe that year, especially in private equity and private debt markets.

The expected economic impact of COVID-19 is slightly less severe for Belgium than for neighboring European countries. The OECD forecasts an 8.9% contraction in Belgian GDP in 2020 under a 'single-hit' scenario, which compares favorably to the UK, France, Italy, and Spain – all are expected to see GDP contractions in excess of 11% under the same scenario.

Despite the weak macro backdrop and financial market turmoil, Belgium has been able to register some activity during 2020. Private capital deals completed in the first half of 2020 reached a combined €1.3bn; these included a number of small buyout deals that managed to complete after the COVID-19 outbreak. In June, Antwerp-headquartered GIMV paid €60mn for communications technology provider Televic Group NV. Waterland Private Equity Investments also exited a Brussels-based environmental, health, and safety compliance intelligence platform named Enhesa to CGE Partners in a deal worth €100mn in July.

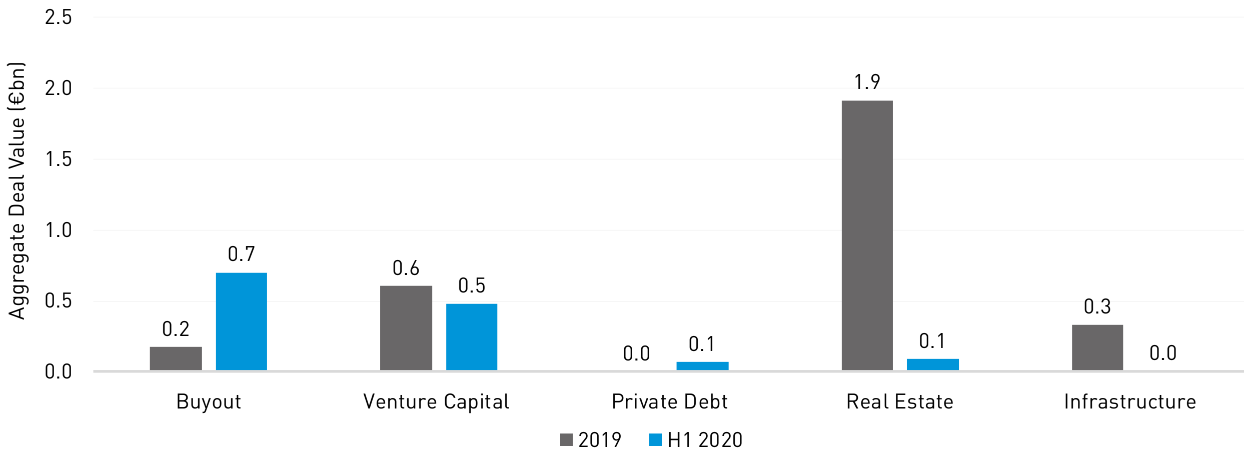
€8.3bn Belgium-based alternatives assets under management as of December 2019

Fig. 9.8: Belgium-Based Assets under Management (€bn) by Asset Class

Natural Resources* 0.0

Source: Preqin Pro. Data as of December 2019

Fig. 9.9: Aggregate Value of Private Capital Deals in Belgium, 2019 vs. H1 2020



Source: Preqin Pro. Data as of July 2020

**Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.*

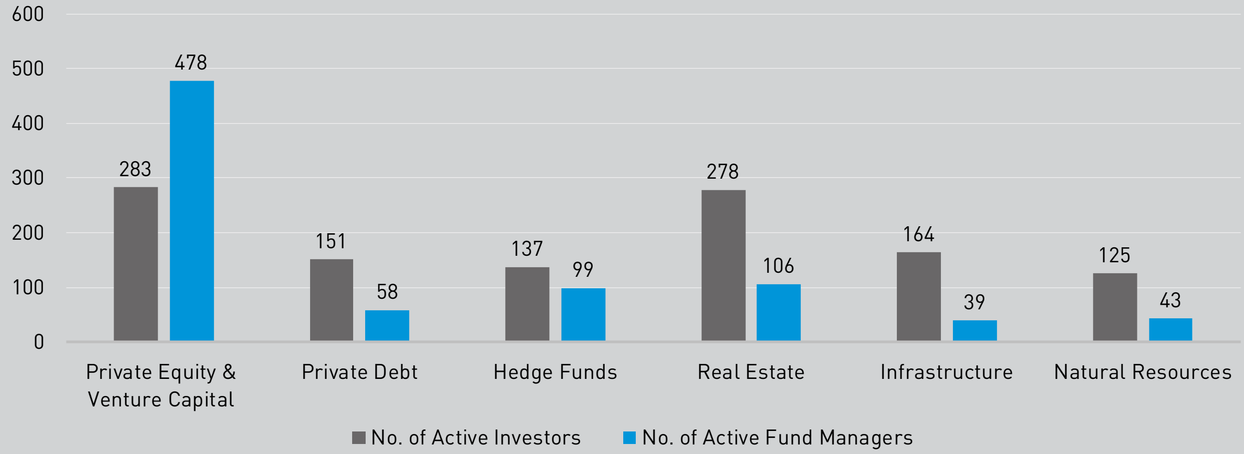
10.
ALTERNATIVES IN SOUTHERN EUROPE

Fig. 10.1: Performance of Southern Europe-Based vs. Europe-Focused Hedge Funds

	2019 Net Return	H1 2020 Net Return	Three-Year Annualized Return
Europe	7.41%	2.05%	2.98%
Southern Europe	5.79%	-2.55%	-2.55%

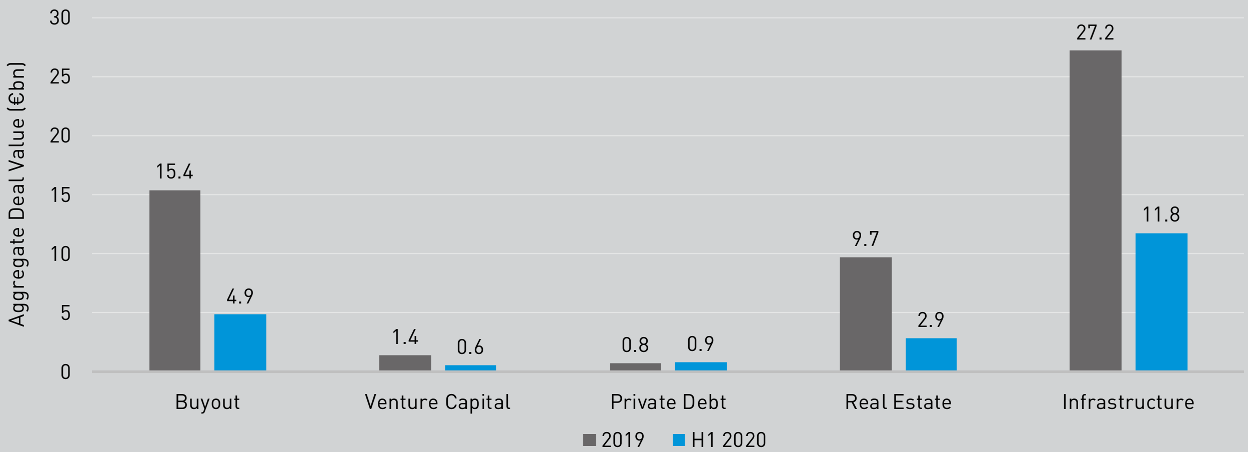
Source: Preqin Pro

Fig. 10.2: Southern Europe-Based Investors and Fund Managers by Asset Class



Source: Preqin Pro. Data as of July 2020

Fig. 10.3: Aggregate Value of Private Capital Deals in Southern Europe by Type, 2019 vs. H1 2020



Source: Preqin Pro

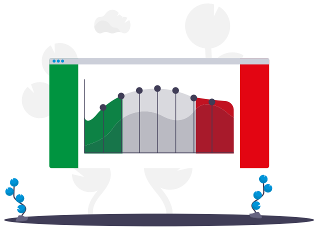
Italy

194

Number of Italy-based investors active in alternative assets

205

Number of Italy-based fund managers active in alternative assets



€9.0bn

Aggregate value of private capital deals completed in H1 2020

Despite economic headwinds, Italy's range of traditional and emerging sectors are seeing billion-dollar deals

The Italian private capital market has seen healthy deal activity in 2020. The €9.0bn of deals completed in H1 puts the year on course to surpass the €16bn total in 2019, though the full-year total is unlikely to reach 2018's €25bn (Fig. 10.5). This activity has come at a time of significant challenges for the Italian economy, which was already edging toward a recession before the outbreak of COVID-19. Italy's economy shrank by 12.4% from Q1 to Q2 2020, a greater decline than the wider eurozone (-12.1%) and Germany (-12.0%) but less of a contraction than in Spain (-18.5%) and France (-13.8%).[1]

Strong Activity in Both Old and New Economy Sectors

Against strong economic headwinds, Italy's traditionally world-leading fashion and automotive sectors have recorded mega deals in 2020. Online clothing retailer Golden Goose was purchased by UK-based Permira for €1.28bn in February, while KKR recapitalized Magneti Marelli by approximately €1.08bn to help the automotive systems and components firm weather the challenging conditions in the sector.

Football – a crucial export for Italy in recent years – has also seen a number of deals involving private equity powerhouses in 2020, including CVC Capital Partners and Blackstone's bid to acquire a stake in the broadcasting rights of Serie A as the league struggles with the financial impact of COVID-19.

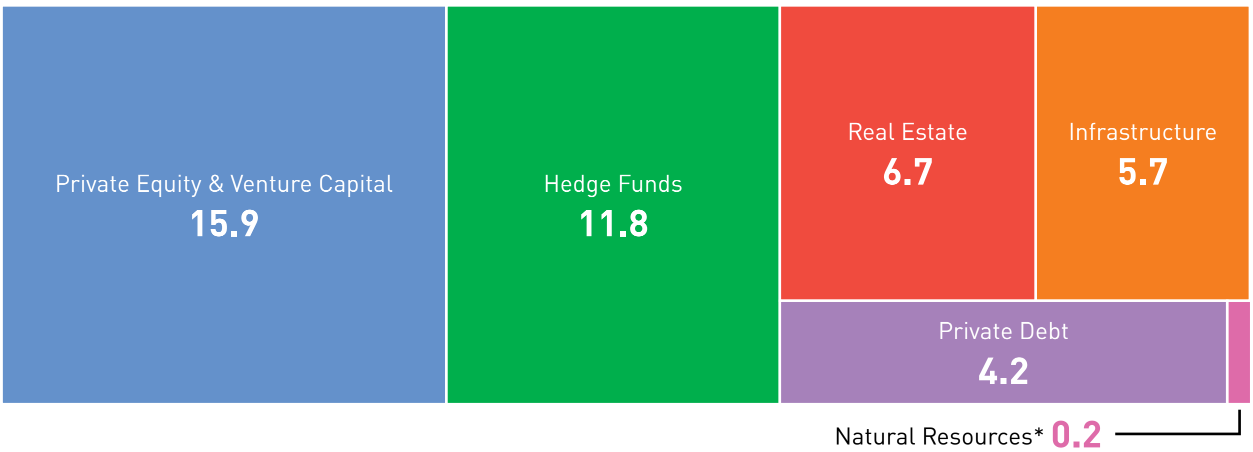
On top of activity in Italy's best-known markets, private capital investors have been active in emerging sectors. In February 2020 Bain Capital acquired a controlling stake in Engineering Ingegneria Informatica for €1.6bn. The Rome-based firm manages digitization solutions in areas such as digital finance, smart government & e-health, smart energy & utilities, and digital telco & multimedia. In Italy's telecommunications sector an Ardian-led consortium acquired a stake in Infrastrutture Wireless Italiane (INWIT), a Milan-based owner and operator of a portfolio of telecom towers and a key player in Italy's mobile network.

Italy is an emerging region for alternative assets in Europe. With $45bn in alternative AUM, the Italian market is the sixth largest among European countries, behind the UK, France, Germany, and the hedge fund hubs of Sweden and Switzerland, but ahead of the Netherlands and the domiciling hub of Luxembourg. While economic challenges are acute for Italy, large private capital firms are targeting a range of sectors across the country, meaning Italy's alternative assets market will continue to chase the more established countries of Europe.

[1] *https://www.ft.com/content/c45cf867-2821-4d3a-ab48-0bc809f8cf26*

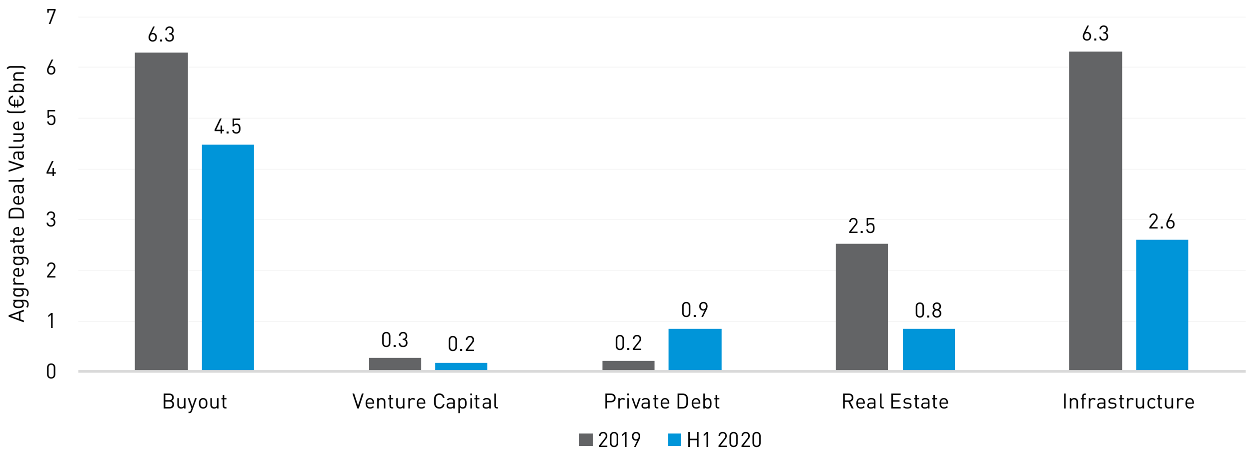
€45bn Italy-based alternatives assets under management as of December 2019

Fig. 10.4: Italy-Based Assets under Management (€bn) by Asset Class



Source: Preqin Pro. Data as of December 2019

Fig. 10.5: Aggregate Value of Private Capital Deals in Italy by Type, 2019 vs. H1 2020



Source: Preqin Pro

**Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.*

Capital to Keep Italy's Industrial Heart Pumping

The Italian private capital market is poised to play a key role in the country's economic recovery

During the last few months, the economic and financial landscape has deeply changed. The industrial and job sectors, as well as Italian and European institutions, are under considerable pressure. In this scenario, a GDP decline was inevitable, but Italy's economic fundamentals remain solid, thanks to the level of private and family savings and their low debt. The industrial sector has positive prospects: it is export-oriented and characterized by a positive balance of payments. On the other hand, the service sector – especially tourism and its related activities – is in a more difficult situation, having suffered very large losses that cannot be recovered during this year.

Italian companies are often undercapitalized and need to grow, internationalize, and invest in technology and innovation in order to be able to compete. In this context, the Italian private capital market can play a very important role in the recovery process, providing companies with the resources and know-how to face the crisis and become more competitive all over the world.

Today AIFI has 150 full members, comprising private equity, venture capital, and private debt players. In the past three years they have invested €25bn in Italian companies, a sign of the maturity of the private capital sector. If we compare it now with 1986, when AIFI was established, private capital has changed deeply, with the emergence of new types of investments on both the equity and debt sides, and also new types of players, less structured in some cases, but all with the aim of creating value in target companies. Despite this difficult period, we hope that the private capital market will continue to grow and support the huge number of excellent companies that are the Italian industrial system.

Innocenzo Cipolletta
Chairman

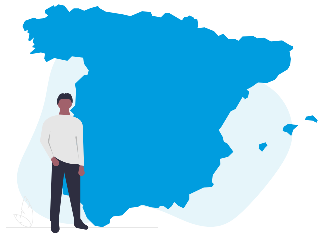
AIFI
www.aifi.it

Innocenzo Cipolletta is Chairman of AIFI (Italian Private Equity, Venture Capital and Private Debt Association), Chairman of Assonime (Association of the Italian joint stock companies), Senior Advisor of UBS Italy Branch, and Chairman of UBS Fiduciaria. He is also Deputy Chairman of FeBAF (Italian Banking, Insurance and Finance Federation) and member of the board of Lunelli SpA.

Spain

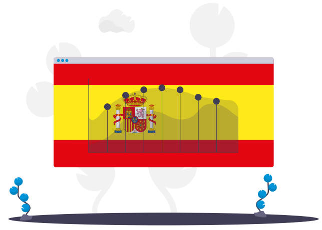
102

Number of Spain-based investors active in alternative assets



323

Number of Spain-based fund managers active in alternative assets



+0.33%

Net return of Spain-based hedge funds in H1 2020, vs. +1.16% in 2019

Significant dry powder is ready to be deployed as infrastructure investment picks up

Alternative assets under management in Spain stand at €26bn as of December 2019, of which the €8.7bn in private capital dry powder accounts for more than a third. Spain-based AUM is around 10% of that in France, the largest alternative assets market in mainland Europe, but is greater than that of Belgium, Denmark, Norway, and Finland.

Before the outbreak of COVID-19, the private real estate sector in Spain was in a strong position, recording peak capital inflows in 2019. Indeed, through 2018 and 2019 the Spanish economy outperformed most other European countries, with GDP growth of over 2%. But Spain's severe lockdown put the brakes on real estate investment in 2020, with aggregate deal value of €1.4bn from 33 transactions in H1, compared with €5.7bn in 2019 (Fig. 10.7).

Although investment slowed across all asset classes in Spain, venture capital and infrastructure have weathered the pandemic best, recording 60 and 53 transactions respectively in H1 2020.

The number of active fund managers in private equity far exceeds the other asset classes, making up 73% of the Spain-based alternatives investor universe. Axon Partners Group stands out with two of its three most recent funds in the top quartile for net IRR performance, earning it fourth spot in Preqin's consistent top performing private equity fund manager league table (page 23) – the only Spanish manager to make the rankings.

Infrastructure Driving Transaction Activity

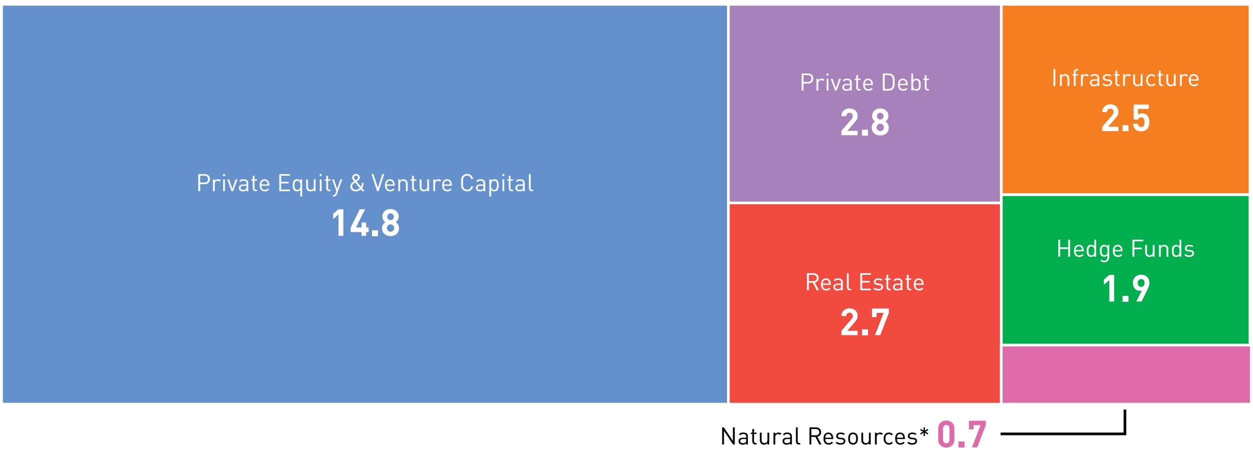
In a difficult year, infrastructure has been the bright spot in Spanish alternatives. The aggregate value of infrastructure deals reached €7.1bn in H1 2020, accounting for 78% of total private capital transaction value in Spain. While it is not unusual for infrastructure to take a large slice of the pie, this marks a significant increase on its 43% share in 2019.

Madrid-based fund manager Asterion Industrial Partners closed its debut industrial infrastructure fund on €1.1bn, making it the fourth-largest infrastructure fund closed in Europe in H1 2020. Having already acquired telecoms asset Marconi from Telefónica for an undisclosed amount, it is likely that this could be the first of many telecoms acquisitions given the fund's investment focus.

With the promise of stable cash flows despite the ongoing economic uncertainty, infrastructure assets in Spain are likely to experience continued demand from investors into 2021 and beyond.

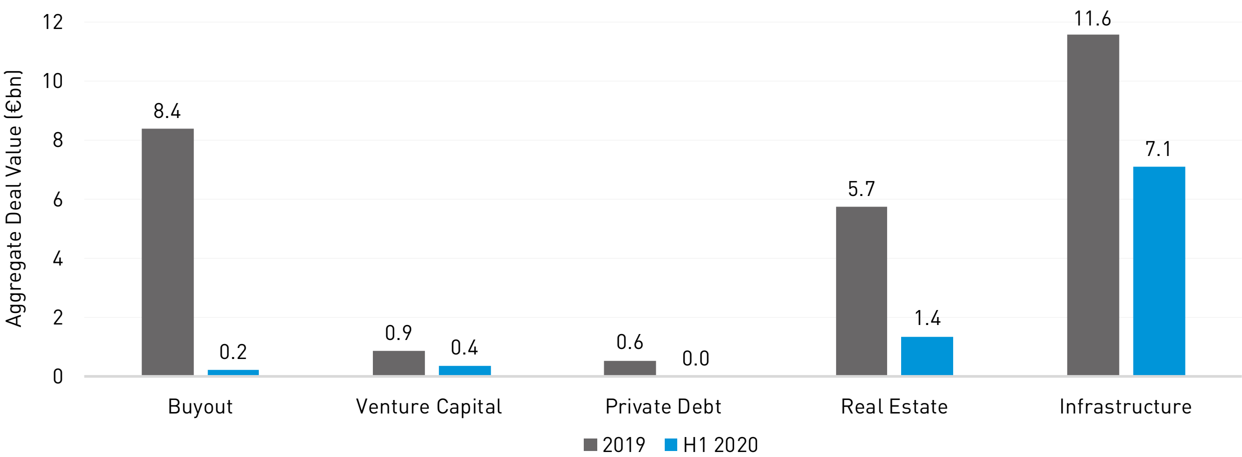
€26bn Spain-based alternatives assets under management as of December 2019

Fig. 10.6: Spain-Based Assets under Management (€bn) by Asset Class



Source: Preqin Pro. Data as of December 2019

Fig. 10.7: Aggregate Value of Private Capital Deals in Spain by Type, 2019 vs. H1 2020



Source: Preqin Pro

*Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.

11.
ALTERNATIVES IN THE NORDICS

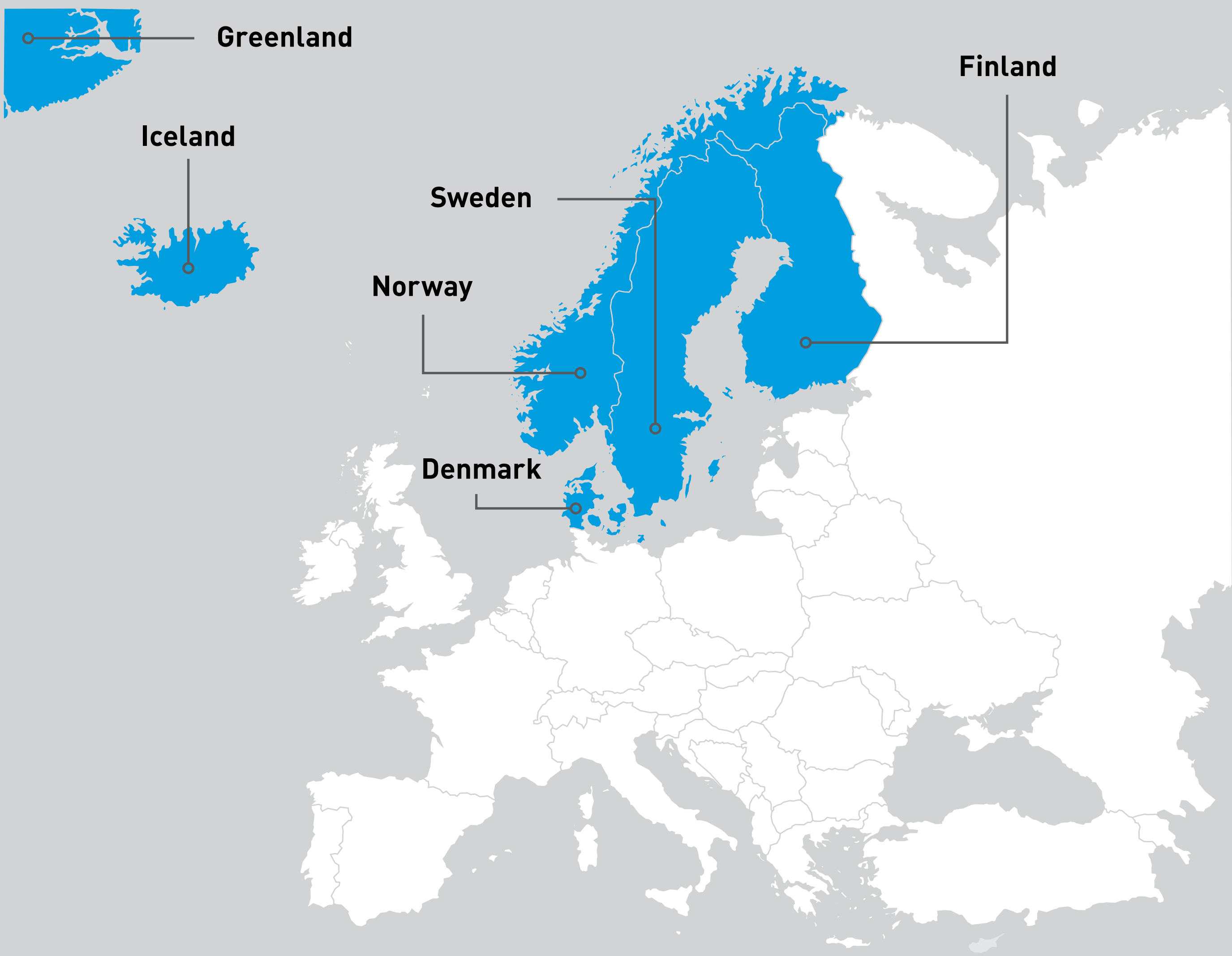
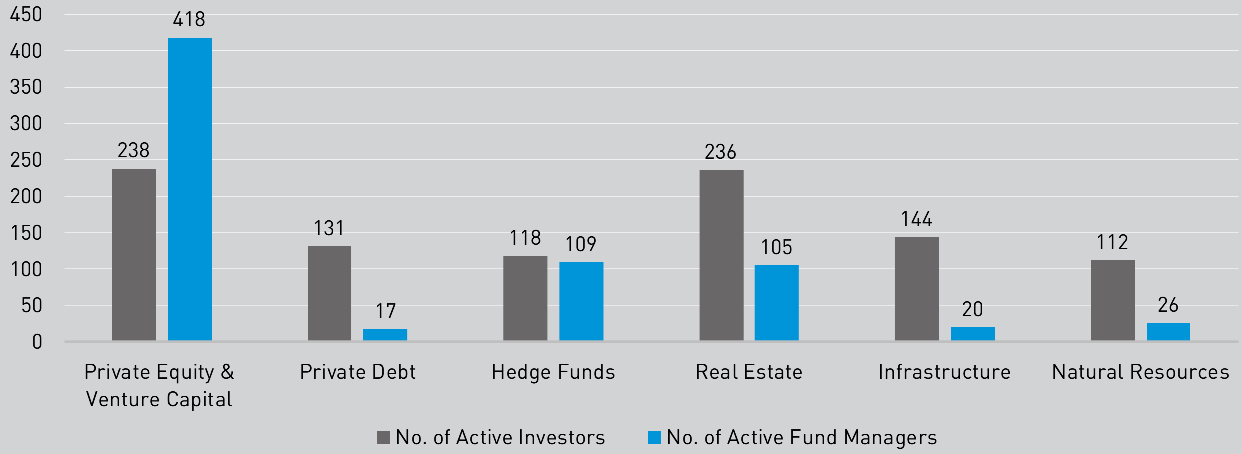


Fig. 11.1: Performance of Nordic-Based vs. Europe-Focused Hedge Funds

	2019 Net Return	H1 2020 Net Return	Three-Year Annualized Return
Europe	7.41%	2.05%	2.98%
Nordics	7.19%	-2.12%	1.75%

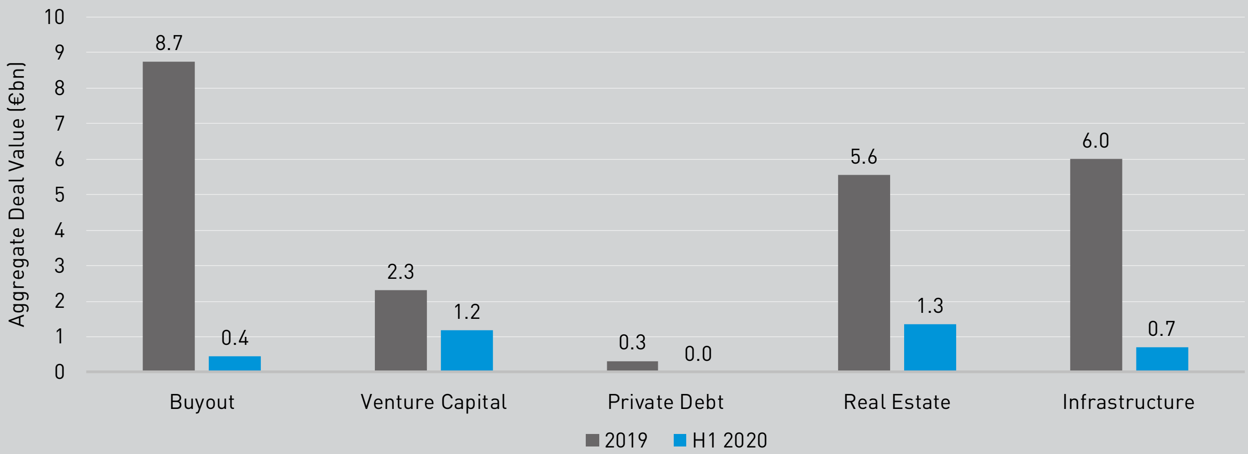
Source: Preqin Pro

Fig. 11.2: Nordic-Based Investors and Fund Managers by Asset Class



Source: Preqin Pro. Data as of July 2020

Fig. 11.3: Aggregate Value of Private Capital Deals in the Nordics by Type, 2019 vs. H1 2020

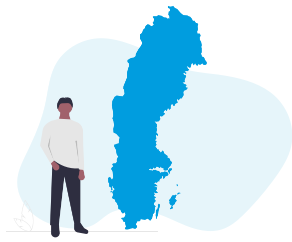


Source: Preqin Pro

Sweden

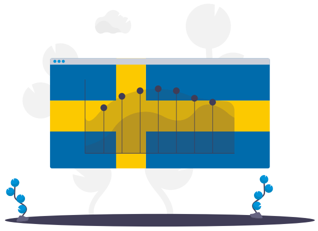
83

Number of Sweden-based investors active in alternative assets



275

Number of Sweden-based fund managers active in alternative assets



-1.75%

Net return of Sweden-based hedge funds in H1 2020, compared with +5.76% in 2019

A dominant force in the alternatives market loses ground in 2020

Sweden's largest asset classes by AUM, private equity and hedge funds, together account for 82% of alternative assets in the country (Fig. 11.4). Sweden is home to EQT, which is the third-largest private equity fund manager by total capital raised for Europe-focused funds over the past 10 years (€26bn). Three of the largest Europe-based funds of hedge funds also reside in Sweden; all are operated through Brummer & Partners and together account for 34% of European fund of hedge funds AUM.

Deals Are Being Done, But They Are Smaller

Sweden's alternative assets market struggled by almost every measure in H1 2020. Sweden-based hedge funds were unable to recoup losses from earlier in the year, ending with a net loss of 1.75% and lagging the European average net return of +2.05%.

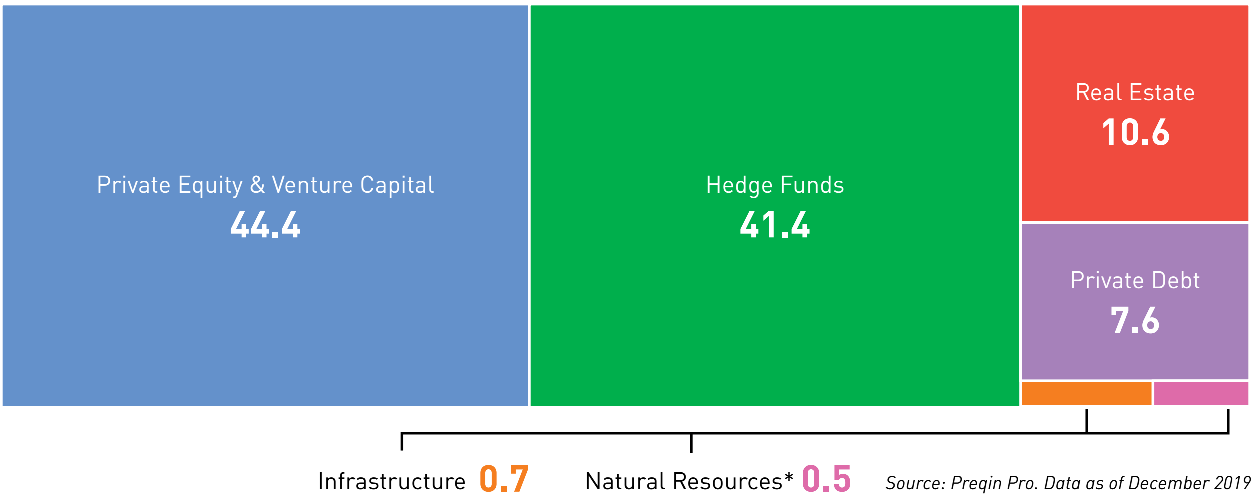
Amid the economic turbulence of H1, the number of private capital deals declined drastically. In fact, there were no deals at all within the private debt asset class in the first half of 2020. Although the number of buyout deals is on pace to match last year's total, the aggregate value of these transactions represents only 7% of 2019's figure (Fig. 11.5). The higher number of smaller buyout deals appears to reflect the market uncertainty and potential reduced risk appetite.

Venture capital, specifically in the tech industry, has been Sweden's hotspot in recent years, but even this sector has suffered so far in 2020. Funding is down, primarily a result of valuation concerns and an expected sizable decrease in revenue generation from start-ups – a loss of income due to a decrease in sales has been start-ups' most pressing issue .

To counteract the negative impacts of COVID-19, the Swedish Government has extended financial assistance to start-ups by taking on 75% of the cost of employees' work hours and lending up to €46bn to companies in financial distress. These measures aim to reduce costs and strengthen liquidity. Against this backdrop, Swedish-backed Eir Ventures is looking to make its first investments in medical technology and digital health to help meet new demand that the pandemic has created.

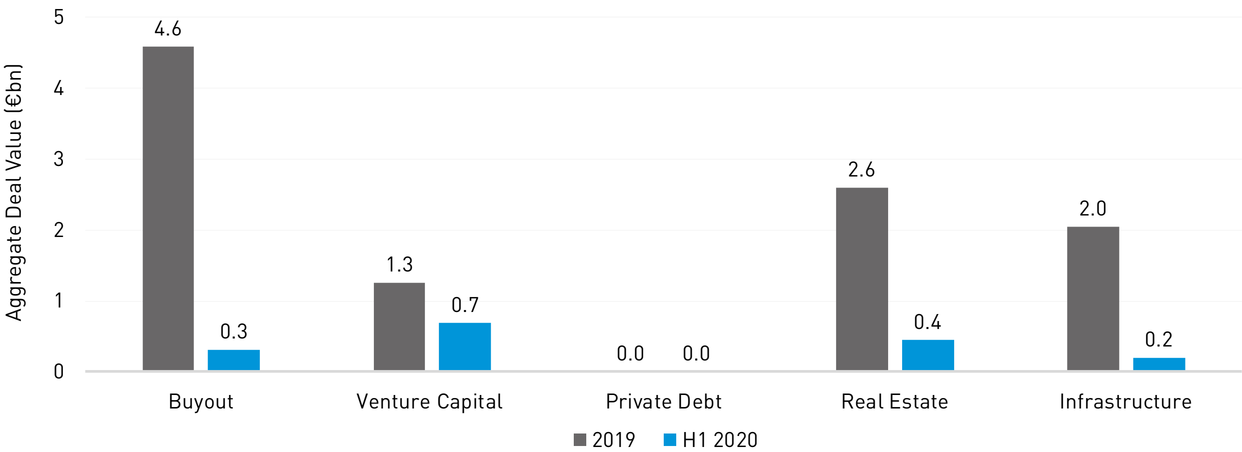
€105bn Sweden-based alternatives assets under management as of December 2019

Fig. 11.4: Sweden-Based Assets under Management (€bn) by Asset Class



Source: Preqin Pro. Data as of December 2019

Fig. 11.5: Aggregate Value of Private Capital Deals in Sweden, 2019 vs. H1 2020



Source: Preqin Pro

**Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.*

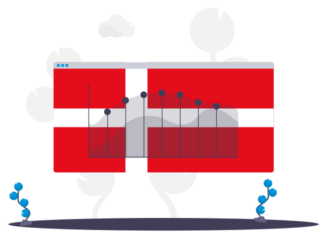
Denmark

69

Number of Denmark-based investors active in alternative assets

118

Number of Denmark-based fund managers active in alternative assets



-1.94%

Net return of Denmark-based hedge funds in 2020, vs. +9.45% in 2019

Venture capital shows promise, but hedge funds struggle to make gains

Alternative assets activity in Denmark has continued to grow. Managers in the country hold €29bn in AUM, a rise of €3.0bn since last year's study (Fig. 11.6). While infrastructure remains the largest asset class in Denmark by total assets, hedge funds have overtaken private equity & venture capital to become the second-largest asset class. AUM for Danish infrastructure firms increased by 30% between June 2018 and December 2019 to reach €10bn, while total assets in Danish hedge funds rose 16% to €8.6bn over the same period.

Venture Capital Investors Recognize Danish Appeal

The perception of the venture capital market in Denmark has been improving. Indeed, the largest proportion (81%) of the 69 active Denmark-based alternatives LPs invest in private equity & venture capital, followed by 75% that invest in real estate.

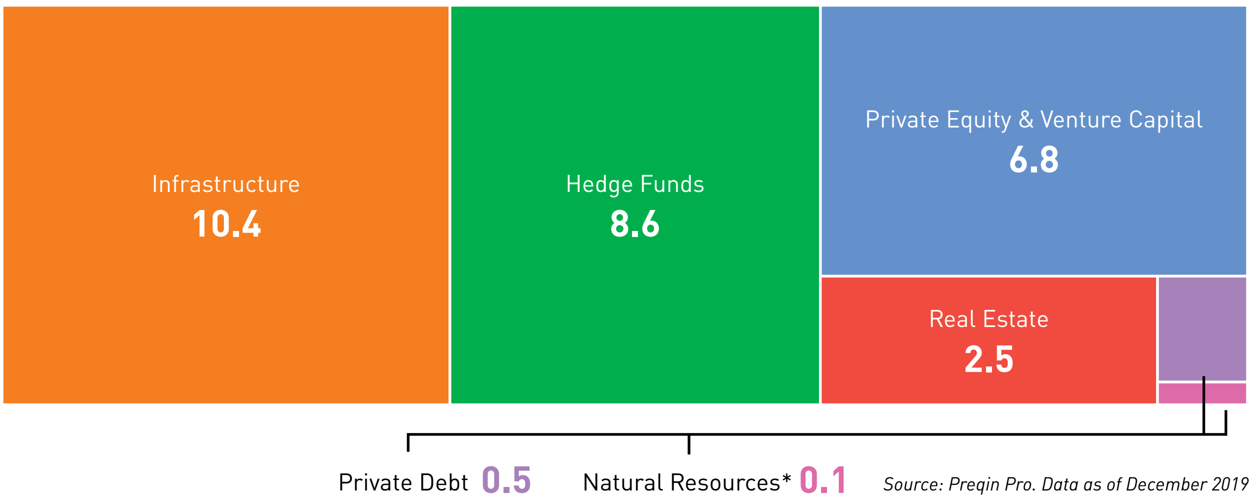
The number of active firms and the level of funding for digital and life sciences ventures has also attracted international investors, according to EY.[1] Among the 18 venture capital deals completed in Denmark in H1 2020 was London-based Notion Capital's €30mn Series B funding of Copenhagen-based customer service tech company Dixa ApS. Berlin-based Project A Ventures and Copenhagen-based SEED Capital, which had invested in the Series A round, also participated.

No Luck for Hedge Funds

Total assets for Danish hedge funds may have risen, but performance has faltered as Europe begins the slow process of recovering from the COVID-19 pandemic. In 2019, Denmark-based hedge funds returned an impressive +9.45%, but in H1 2020 they returned -1.94%, well below the +2.05% benchmark average for Europe-based hedge funds during the same period.

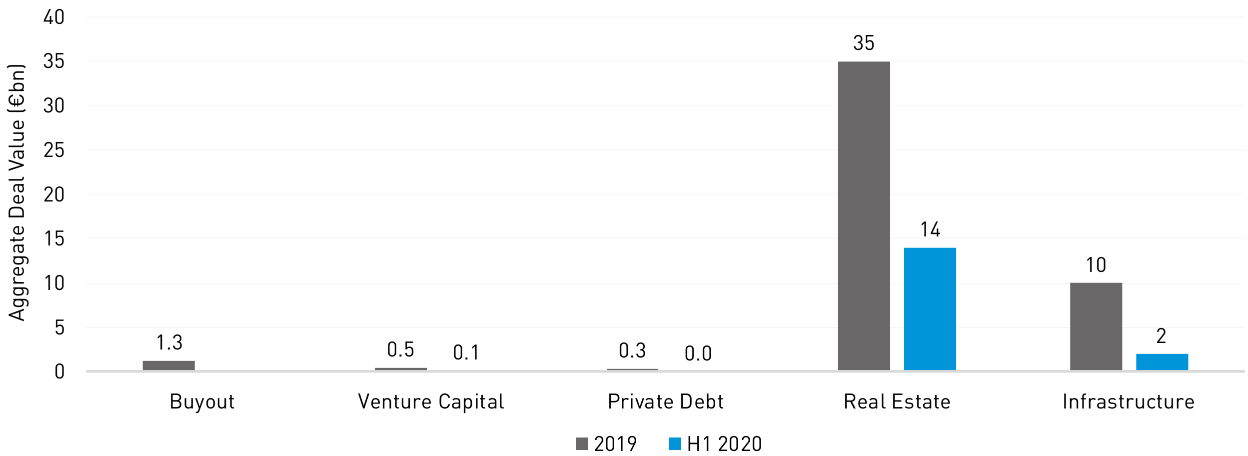
[1] *https://assets.ey.com/content/dam/ey-sites/ey-com/da_dk/topics/transaction-advisory-services/transactions-pdfs/ey-venture-capital-and-start-ups-in-denmark.pdf?download*

Fig. 11.6: Denmark-Based Assets under Management (€bn) by Asset Class



Source: Preqin Pro. Data as of December 2019

Fig. 11.7: Aggregate Value (€bn) of Private Capital Deals in Denmark by Type, 2019 vs. H1 2020



Source: Preqin Pro

**Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.*

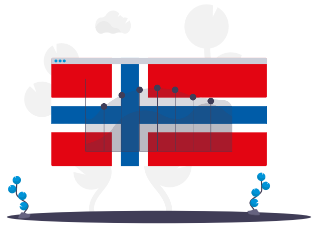
Norway

72

Number of Norway-based investors active in alternative assets

98

Number of Norway-based fund managers active in alternative assets



-7.56%

Net return of Norway-based hedge funds in H1 2020, compared with +8.07% in 2019

Deal activity stalls in 2020 after a bumper year for private capital in 2019

At €15bn, Norway's alternative assets market is among the smallest of the countries we have looked at for this report (Fig. 11.8). But, with a private equity & venture capital industry of €9.2bn, Norway's is a larger market than its Nordic compatriot Finland.

COVID-19 has created significant challenges for investors across Europe and, with just $700mn worth of deals transacted in 2020, activity in Norway has slowed (Fig. 11.9).

Prior to this, Norway had a strong 2019 for private investment, belying its relatively fledgling status in alternative assets. Private capital deal value reached €4.5bn, almost double the 2018 total of €2.7bn. The buyout market was the most active, with deal value reaching €2.2bn in 2019, the country's second-highest annual total in the past five years. Driving this rise were two large deals: Solveig Gas Holdco AS, an oil & gas company that develops and maintains infrastructure including gas pipelines and processing facilities, was acquired by Norway-based HitecVision in 2019 for €1bn; while Canada-based CPP Investment Board acquired a stake in Oslo-based Visma Group, a developer of cloud-based solutions, for €750mn.

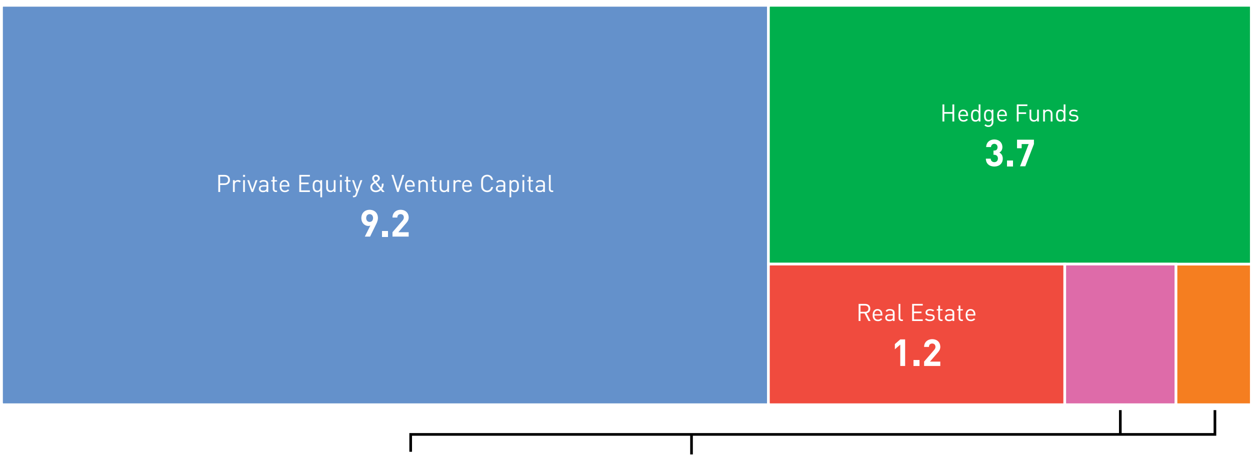
Private Equity NOKs?

Looking ahead, the private equity industry could get a significant boost from Government Pension Fund Global, Norway's sovereign wealth fund that, with assets of NOK 101tn (€958bn), is the world's largest. The fund is managed by Norges Bank Investment Management (NBIM) on behalf of Norway's Ministry of Finance. In August 2019, NBIM requested a change to the fund's mandate from only investing in private firms that have near-term plans to go public, to a wider private equity investment strategy.[1] The fund is currently active in unlisted real estate and infrastructure, but expanding its private equity activity, as detailed in NBIM's *Strategy 2020-2022 report*[2], would signal a significant change in its investment approach. The Oslo-based asset manager is targeting a €6.3bn allocation to private equity, which would be a sizable boost for the industry.

[1] *https://www.ft.com/content/c95e08b2-c977-11e9-af46-b09e8bfe60c0*
[2] *https://www.nbim.no/contentassets/91acb51969d4488da153371b5f0db1e1/strategy-plan-2020-2022-norges-bank-investment-management.pdf*

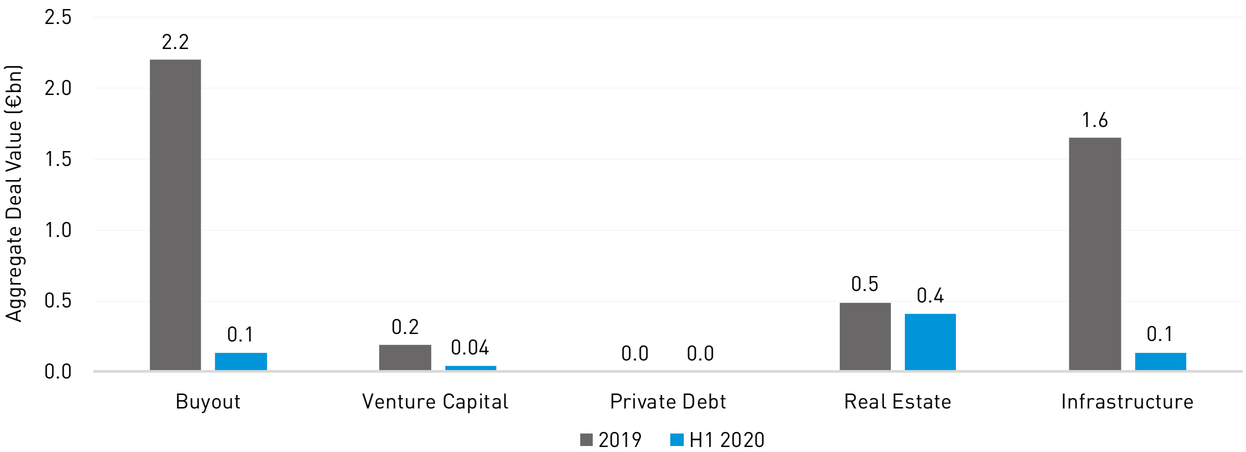
€15bn Norway-based alternatives assets under management as of December 2019

Fig. 11.8: Norway-Based Assets under Management (€bn) by Asset Class



Source: Preqin Pro. Data as of December 2019

Fig. 11.9: Aggregate Value of Private Capital Deals in Norway by Type, 2019 vs. H1 2020



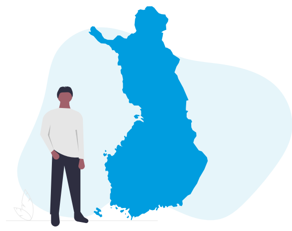
Source: Preqin Pro

**Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.*

Finland

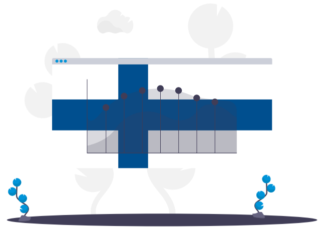
60

Number of Finland-based investors active in alternative assets



128

Number of Finland-based fund managers active in alternative assets



€1.1bn

Aggregate value of private capital deals completed in H1 2020

Real assets transactions trended upwards in 2019 alongside declines in private equity activity

Finland is the smallest alternative assets market in Europe, with just €9.7bn in AUM, of which €2.7bn is dry powder held in private capital funds (Fig. 11.10). That said, Finland's fund managers and investors are a force to be reckoned with. In all asset classes except private debt, Finnish funds or fund managers feature high up Preqin's performance league tables. Not only this, but Finnish endowment plans, public pension funds, and insurance companies are some of the biggest alternatives investors in Europe. With such a small domestic market, it is unsurprising that their focus is primarily on other markets within Europe.

Buyout deal activity has been declining consistently in recent years. There is some consensus that it is linked to concerns around a slowdown in GDP growth for the Finnish economy, which has already seen low and even negative growth. Back in 2018 there were 71 such transactions recorded in Finland, with totals falling to 33 in 2019 and 13 in H1 2020. The data shows a similar but less dramatic trend in venture capital as hardware and internet industries saw deal numbers increase.

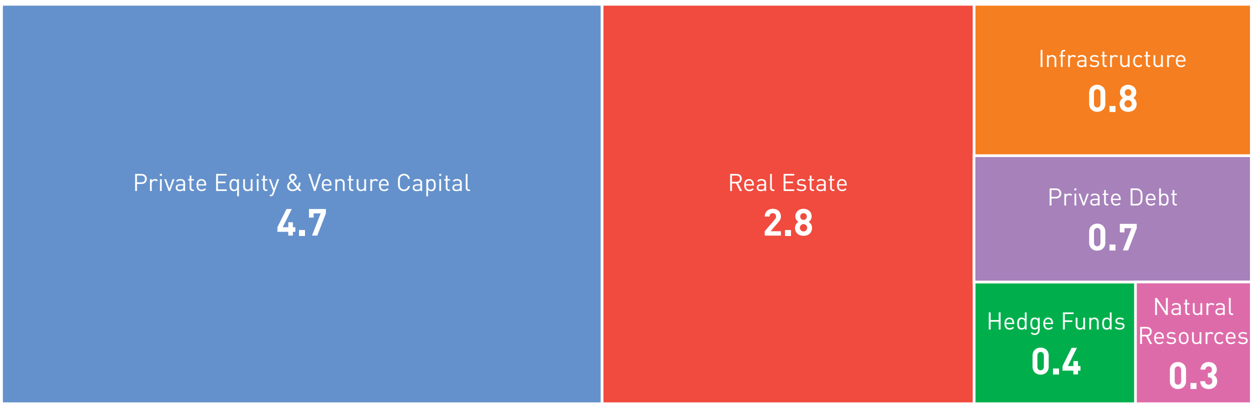
Real Assets Show Promise

Infrastructure and real estate, on the other hand, have bucked this trend. The aggregate value of infrastructure deals increased 31x from €0.07mn in 2018 to €2.3mn in 2019, with the number of deals also rising from 16 to 35 (Fig. 11.11). While these are small numbers overall, they are the only asset classes to record a positive trend in recent years. In 2019, Finland registered the third-highest percentage of people aged 65+ in the world, meaning large-scale investment in social infrastructure, such as healthcare and social services, is necessary to support its aging population.

As with every market, the pace of real assets deal-making has slowed in H1 2020 amid the economic fallout from COVID-19. That said, the strong performance of Finnish real assets should ensure continued investor demand. Indeed, Helsinki-based Taaleri Energia's four solar and wind energy funds are each ranked in the top quartile for their respective vintage, making it the most consistent top performing Europe-focused infrastructure fund manager (page 71). One of its funds, Taaleri Wind Power II, features in the top 10 performing Europe-focused infrastructure funds of vintages 2007-2017, with a net IRR of 15.9%.

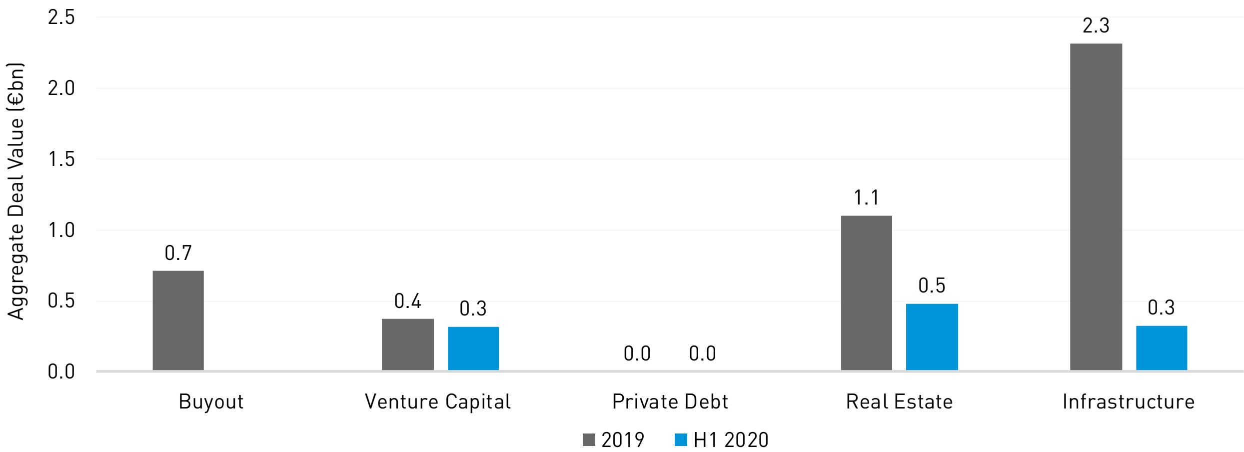
€10bn Finland-based alternatives assets under management as of December 2019

Fig. 11.10: Finland-Based Assets under Management (€bn) by Asset Class



Source: Preqin Pro. Data as of December 2019

Fig. 11.11: Aggregate Value of Private Capital Deals in Finland by Type, 2019 vs. H1 2020



Source: Preqin Pro

**Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.*

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info@preqin.com