



## MOUNIR GUEN

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*Guen explains why concerns around a slowdown in private equity fundraising are misplaced and discusses the rapid growth of alternative asset programs in emerging markets.*

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**here seems to be a fair amount of commentary around suggesting that private equity fundraising is peaking. Should managers be concerned?**

My view is that the fundraising market is still quite robust. There is still a capital overhang and deployment remains a priority for investors.

What I would say is that what investors want is very different from the past. They want to back managers who can generate consistent gross returns of 2x money, deploy their full allocations and provide principal protection.

So the volume of capital is high, but the quality of the manager has to access that capital. LPs are in a bit of a catch 22, because they want to deploy but are limited by the number of quality managers to choose from.

Overall, though, there is a good buzz around the industry and the only thing that will change that is an extreme crisis.

**Where does that leave GPs that are preparing to fundraise?**

The quality of the manager, the region where a manager operates and the size of the fund are the important factors.

If you are a manager with the track record, quality of reporting and transparency and solid skill set with

clear governance then you are going to have no trouble fundraising. There are limited number of these skilled professionals around that investors focus on and most of them are based in either North America or Northern Europe. After that there aren't many pockets of talent in other regions, so if you are a manager that meets the criteria and you are based in Asia or Latin America then your fund is probably going to fly off the shelves.

With regards to size, if you are raising €1bn or more then you are going to capture a much larger universe of types of investors. The larger LPs need to deploy but they also want to trim relations, so fundraisings at the larger end are attractive.

If you are in the smaller cap space it is more difficult. You can get strong local support, but that depends on the market you are in. A Nordic GP will have a strong local investor base. An Italian GP won't have the same pool of domestic LPs to draw on.

**Given that what LPs want from private equity has changed, how should managers build relationships and market?**

What LPs are doing is working to pre-identify GPs very early on and have a dialogue when the manager is out of fundraise. They want to build that closeness of contact and follow the GP over a period of time.

The process is less about trying to make as many introductions as possible and more about processing and closing those relationships.

**What about the LP bases GPs can tap? Does North America still lead the way?**

Private equity fundraising is dominated by North America. If you compare the programmes in the US with those in emerging countries, for example, the US will be deploying more in a year than the size of entire

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But it is a mistake to overlook emerging markets like Asia and Latin America. Alternative assets under management are growing exponentially in these regions. Over time an increasing component of fund commitments will come from these pools.

**Are these programmes mature? Can they make primary commitments or are they still building up through funds of funds?**

It is a very interesting question. If you look at these markets everyone is active and these new programmes are making hyper jumps. There is no real learning curve and investors are picking up on what is happening in more mature markets very quickly. It is astounding how some programmes have become so sophisticated so quickly.

**Finally then, how do you see the fundraising market developing over the next 12 to 24 months?**

As I said earlier I think the only thing that can hit the market is a severe crisis. The private equity industry has grown up. You have people in firms who have been doing this for more than 30 years now. They have good work ethics, know what needs to be done and they know how to do things right. Lessons have been learned and the industry has proven its value.

It is also encouraging to see the industry continue to innovate. Interest rates remain low and investors are aligning with firms to invest. We are seeing the emergence of long-term investment products and real assets platforms.

The growth in the LP base also bodes well. You see emerging programmes that want to double their alternative assets under management every six years and there are large pools of capital sitting in emerging markets right now that need to be invested. ●

