
Super Return 2005

LP/ GP Alignment of Interest

Examining alignments of interest between client and provider: What are the current level of satisfaction in LP/ GP relations?

Panel discussion

23 February 2005

Panel Participants

Panellists:

Colin Maltby

Head of Investments

BP Investment Management Ltd

Javier Loizaga

Executive Partner

Mercapital

Jos van Gisbergen

Director Alternative Investments

MN Services

Piers Dennison

Investor Relations Director

Candover

Panel Chair:

Armando D'Amico

Managing Partner

Acanthus Advisers LLP

Questions for the panel

- What do LPs and GPs perceive as the most critical issues in LP/ GP relations today?
- How do different LPs' levels of involvement affect LP/GP relations?
- What is the ideal GP/LP communication inter-fund?
- Based on your experience, what should be avoided (by the GPs / by the LPs)?
- Is there a correlation between good performance and LP/GP relations?
- How does "fundraising behaviour" affect LP/GP relations? How do you best shift from IR to fundraising?

What are the most critical issues in LP/ GP relations today?

Q1: Quality of the regular reports provided by GP (e.g. quarterly reports)

Q2: Informal, ad hoc information provided by GP

Q3: Quality of the Annual General Meeting and related "LP pack"

Q4: Investor relations function

Q5: General PR by GP (newsletters, conferences, mailings)

Q6: "Limited Partner Area" on GP website

Communications and decision-making processes related to:

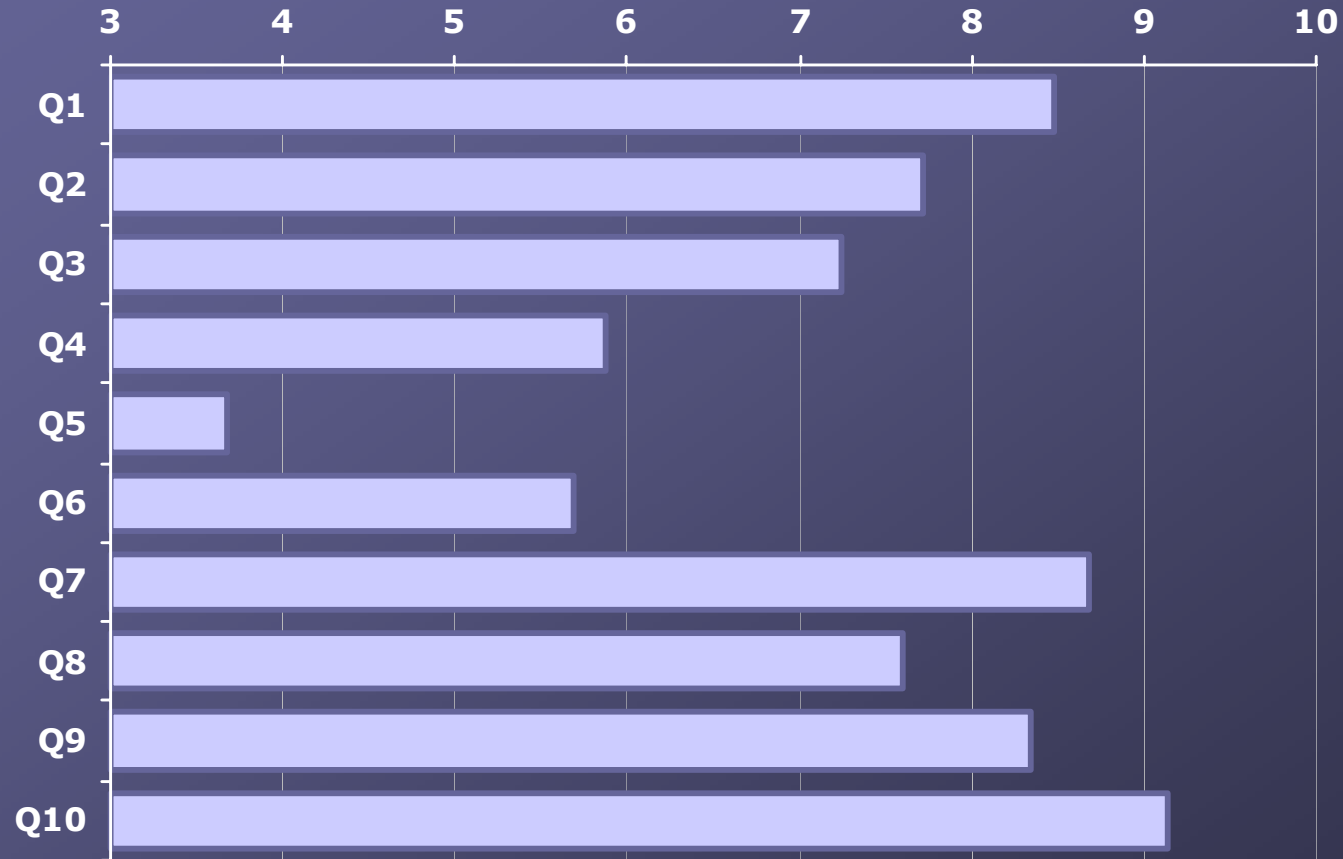
Q7: ...transition and/ or succession issues at GP

Q8: ...staff compensation including carry allocation and vesting

Q9: ...staff turnover, new hires, team size, resources, etc

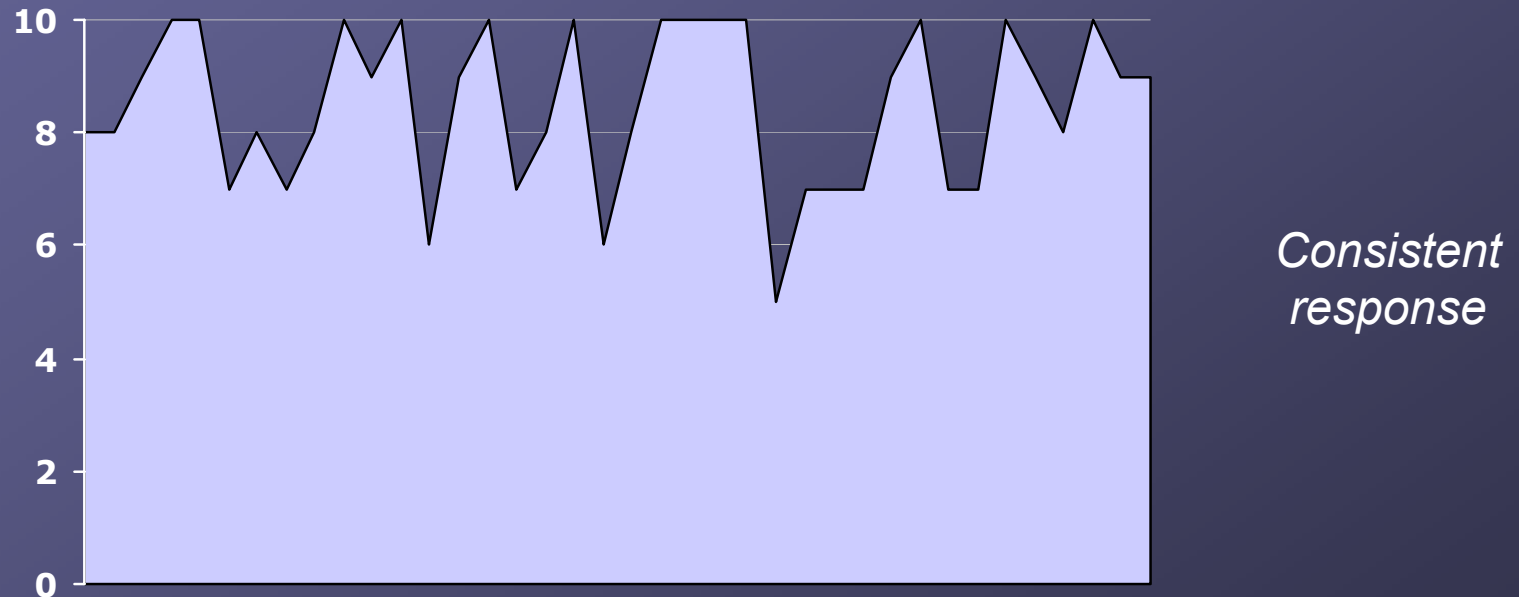
Q10: ..changes in investment strategy

Survey results: LP Ratings



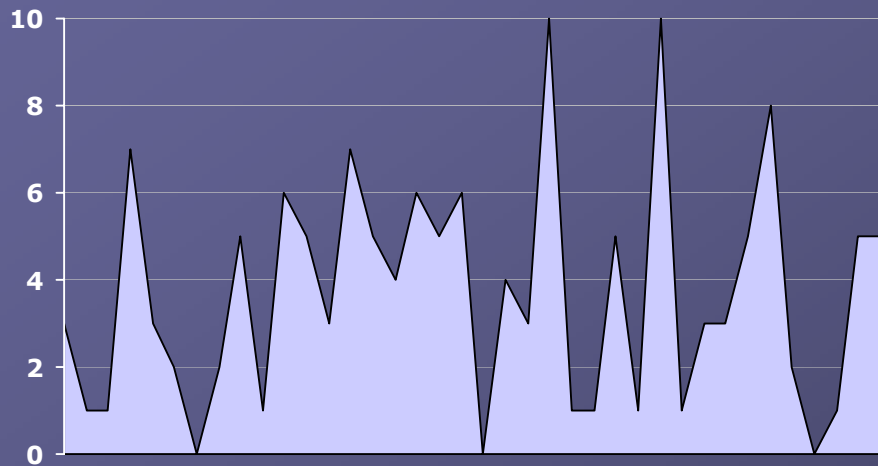
LP Ratings

Q1: Quality of the regular reports provided by GP (e.g. quarterly reports)

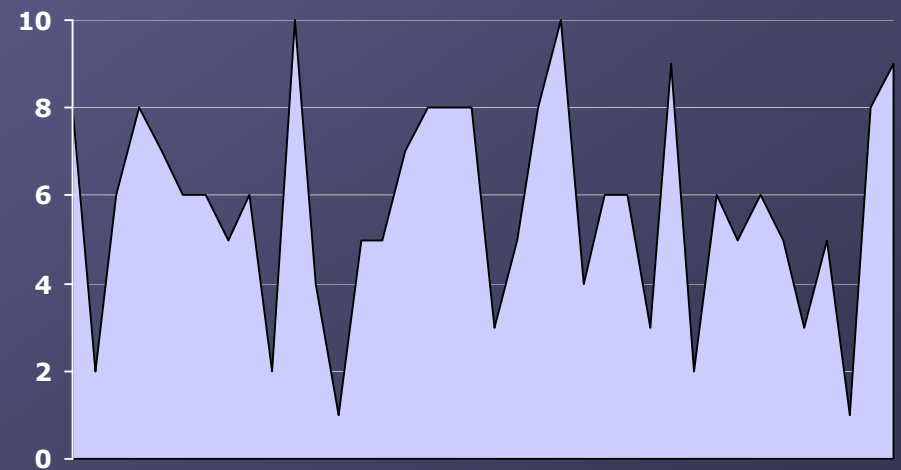


LP Ratings

Q5: General PR by GP (newsletters, conference speaking/ sponsoring etc.)



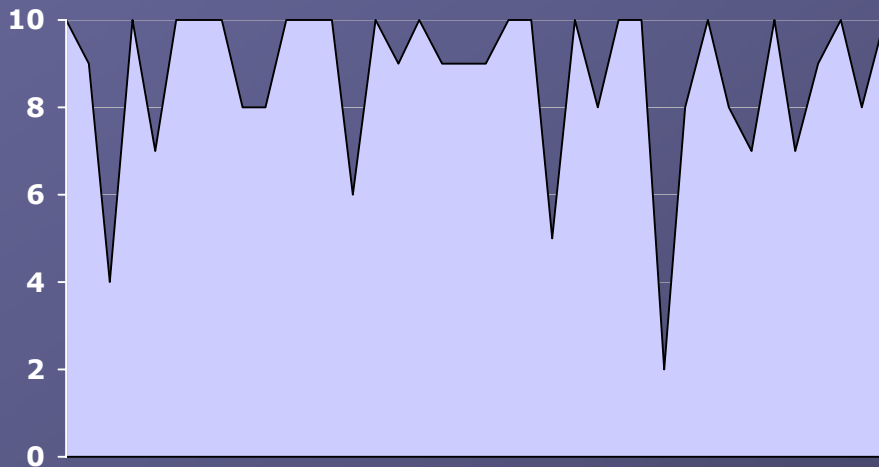
Q6: "Limited Partner Area" on GP website



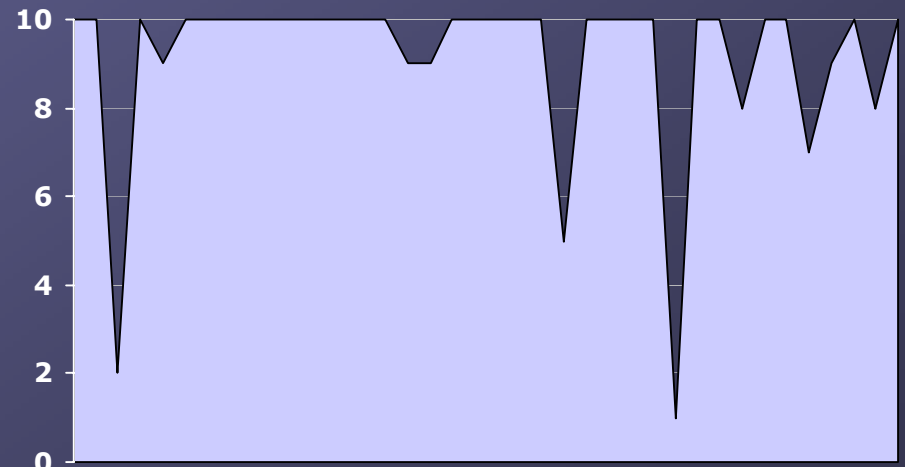
Dispersed response

LP Ratings

Q7: Communications and decision-making processes related to transition and/ or succession issues by GP



Q10: Communications and decision-making processes related to changes in investment strategy



Consistent, high score

Comparative Results

Questions	LP	GP
1. Quality of the regular reports provided by GP (e.g. quarterly reports)	8.5	8.5
2. Informal, ad hoc information provided by GP	7.7	7.8
3. Quality of the Annual General Meeting and related "LP pack"	7.2	7.8
4. Investor relations function	5.9	6.9
5. General PR by GP (newsletters, conference speaking/ sponsoring, press profile etc.)	3.7	4.3
6. "Limited Partner Area" on GP website	5.7	3.6
7. Communications and decision-making processes related to transition and/ or succession issues by GP	8.7	7.3
8. Communications and decision-making processes related to staff compensation including carry allocation and vesting	7.6	4.6
9. Communications and decision-making processes related to other team issues including staff turnover, new hires and departures, team size, resources, etc	8.3	5.8
10. Communications and decision-making processes related to changes in investment strategy	9.1	7.6

LP comments

Nice to come to an informative AGM but regular information flow is more important

Prefer to talk directly to the GP

... they have to be honest and tell things as they are

1-1 meetings with senior GP maybe once or twice a year, and not when fundraising

They may make a mess of all the above-mentioned activities, as long as they produce exceptionally good performance

GP's view on market dynamics and competitor information (who won deal?... why?, ... who was in the final race?)

... don't waste the others' time !!!

What makes a good LP?

The GP view

Input from experience gained in other funds, providing contacts. Relationships that help our business.

Don't keep changing the personnel dealing with the fund

Co-investments, regular information flow, long term view

Re-upping for every fund. No side letters, minimal extraordinary requirements.

- Stable team (little turnover in team following the fund)
- Long-term commitment to the asset class
- 'Intimate' relationship with GP (not just Boards or annual meetings)
- A potential good co-investor for larger deals

Access to target industry sectors

Cheques !!!

Questions for the panel

- What do LPs and GPs perceive as the most critical issues in LP/ GP relations today?
- How do different LPs' levels of involvement affect LP/GP relations?
- What is the ideal GP/LP communication inter-fund?
- Based on your experience, what should be avoided (by the GPs / by the LPs)?
- Is there a correlation between good performance and LP/GP relations?
- How does "fundraising behaviour" affect LP/GP relations? How do you best shift from IR to fundraising?

Appendices

LPs – Other comments

Other Comments

Speed of production of quarterly reports. European financials are on average a '4'

1-1 meetings with senior GP maybe once or twice a year, and not when fundraising

GP's view on market (segment) dynamics and competitor information (who won deal?... why?, ... who was in the final

Performance, timeliness, one-to-one updates

Don't waste the others' time

Receptiveness and responsiveness to market observations, improvement suggestions, information on experiences of other funds, ... provided by LP

Information provided on drawdown notice what the money is being called for

Communications about possibility to exercise LP preemption rights

Offering co-investment opportunities
informing us of any secondary sales in prior funds and/ or in the fund in which we are LPs

We have entered in funds through the secondary route and then re-up in primary

Performance - Cash-on-cash returns are the most important to us in the LP/ GP relationship

AGM Meetings:

Nice to come to an informative AGM but regular information flow is more important

Investor Relations Function

Prefer to talk directly to the GP

They have to be honest and tell things as they are.

They may make a mess of all the above-mentioned activities, as long as they produce exceptionally good performance

What makes a good LP

Cheques !

A lasting commitment

Don't keep changing the personnel dealing with the fund

Consistency of approach, continuity of personnel, realisation that these are long-term investments

Totally open and frank communication is the most important thing

-
- * Access to target industry sectors.
 - * Access to other LPs.
 - * Long-term relationship development

Honest, open and well informed support

-
- * Stable team (little turnover in team following the fund)
 - * Long-term commitment to the asset class
 - * 'Intimate' relationship with GP (not just Boards or annual meetings)
 - * A potential good co-investor for larger deals

Input from experience gained in other funds, providing contacts. Relationships that help our business.

Supportive and trusting

Efficiency in feedback to ad hoc questions

People who are seriously interested in long term relationships

Long term commitment, so backing the team and strategy through difficult times as well (or at least seriously looking at the re-up)

Experience in the respective asset class

Co-investments, regular information flow, long term view

LPs should tend to have on GPs the same kind of relationship the GPs have with the managers of the portfolio companies: value added, proximity, encouragement, positive critic, trust.

Re-upping for every fund. No side letters, minimal extraordinary requirements.

Acanthus Advisers

Firm profile

- Independent fund placement and corporate advisory firm founded in 1998
- Fund focus: Typically Europe, €100-500m any stage; providing fundraising, investor relations and strategic advice
- Corporate advisory focus: private transactions; €10-150m EV

Armando D'Amico – Managing Partner and founder

- 20 years' experience in private equity, banking and strategy consulting
- Senior banker at EBRD - €700m fund of funds
- Special adviser to Euro Private Equity Partners (FOF)
- Ten years strategy consulting Europe/US (Bain & Co., Alliance, Telesis)
- M.Sc. Civil Engineering, INSEAD MBA