Views from past participants of CAIA France events on Alternative Investment Management, including Absolute Return, Credit, Real Estate & Infrastructure and Private Equity.
FOREWORD
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CAIA France Chapter Head

Founded in 2002, the Chartered Alternative Investment Analyst (CAIA) Association is the global authority in alternative investment education. The CAIA Association is best known for the CAIA Charter®, an internationally recognized finance credential and gateway to a network of more than 10,000 alternative investment professionals in almost 90 countries.

As one of 30 chapters in 20 countries, CAIA France supports a local educational mission through the organization of events addressing core curriculum areas (i.e., Private Equity, Hedge Funds/Absolute Return, Real Estate/Infrastructure, Credit).

Since 2015, 14 panels involving 63 speakers from 53 alternative investment managers and specialists (mostly French and European) have been organized in Paris. We thank our local partners BNP Paribas Asset Management and Amundi Asset Management, who provided support in organizing these events in Paris.

This educational journey provided some hints concerning key alternative investment issues. What are the determinants of performance and outperformance in alternative investments? How can investors deal with increased financial and operational complexity implied by greater alternatives exposure? What is the optimal competitive positioning for investment managers in a context of changing financial conditions and investor demands? What are the organizational consequences of institutionalization?

Our events in France and our relationships with past speakers constitute an opportunity to provide insights about alternative investment management from France.

In the last quarter of 2018, the CAIA France Chapter contacted all past speakers and requested a written contribution about their view of the current investment environment for their strategies. We thank the 49 past speakers who accepted to participate by providing a written contribution.

This survey report addresses: 1/ global trends in the alternative investment space, 2/ facts about alternative investments in France and key takeaways from written contributions received, and 3/ views on alternative investment management from speakers at CAIA France events.

Through the diversity of topics addressed, we hope readers will find interesting insights within and outside their usual scope of investment interests.

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The France Panel Events Program and this survey report were initiated, designed and coordinated by Laurent Bademian, CAIA France Chapter Head.

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Alternative investments continue to defy their label by becoming more mainstream each year. Allocations continue to increase across all investor types, hitting a new high of 13% of global assets. This includes 30% of assets at sovereign wealth funds, over 50% at the largest university endowments in North America, and approaching 20% at global pension funds. Due to issues related to regulations as well as minimum investment sizes, retail investors lag with allocations averaging less than 5%. This growth is stunning in the face of a global equity bull market since the depths of the global financial crisis of 2008-2009. As interest rates increase from zero and volatility and downside risk return to global equity markets, the diversifying power of alternative investments is likely to be even more prized in the next decade.
Alternative Investment Global Trends

**Current Trends, Issues and Research**

1. Hedge funds experienced weak returns over the trailing decade, with 10 year returns to global hedge funds matching returns of the US investment grade bond market. Headwinds included low interest rates, low volatility, strong equity markets, and low dispersion across stock returns driven by accommodative monetary policy by global central banks.

2. Assets have a growing concentration across the largest global hedge fund managers. HFR data shows that 27.3% of hedge fund managers with over $500 million in AUM control 94.2% of global hedge fund assets. The smallest 3,000 hedge funds control only 1.1% of global hedge fund assets.

3. Selections from hedge fund research published in journals edited by the CAIA Association.
   c. Reconsidering Hedge Fund Contagion by Richard Sias, H.J. Turtle and Blerina Zykaj (Summer 2018; Volume 21, Issue 1). The Journal of Alternative Investments

4. Across private credit, private equity and infrastructure, investors continue to grow allocations faster than fund managers can invest that capital. The accompanying charts show that 79% of investors want to grow their private equity allocations, while 62% will increase private debt and 70% hope to increase infrastructure allocations over the next five years. At the same time, dry powder, the amount of committed capital not yet invested, continues to grow. The level of dry powder has reached over $1.1 trillion in private equity and an additional $280 billion in private credit.

**Private Equity**

**Global Facts about Private Equity**

The goal of investing in private equity and venture capital is to enhance the returns to investors. Over the last decade, venture capital and private equity fulfilled this promise by outperforming the MSCI world equity index by over 3% per year. It is concerning, though, that IPO activity is relatively low given the returns and valuation levels of global equity markets.

**Current Trends, Issues and Research**

1. Across private credit, private equity and infrastructure, investors continue to grow allocations faster than fund managers can invest that capital. The accompanying charts show that 79% of investors want to grow their private equity allocations, while 62% will increase private debt and 70% hope to increase infrastructure allocations over the next five years. At the same time, dry powder, the amount of committed capital not yet invested, continues to grow. The level of dry powder has reached over $1.1 trillion in private equity and an additional $280 billion in private credit.

**Allocations**

**Dry Powder**

**Private Debt & Equity: Dry Powder by Fund Type, 2009 - 2018 YTD (As of September 2018)**
2. Venture capital activity has moved decisely to Asia in recent years. In 2014, venture capital funding in Asia comprised $16.5 billion, relative to $62 billion in North America and $21 billion in the rest of the world, including Europe. By 2017, Asia had grown to $65 billion, relative to the $77 billion in North America and the $44 billion elsewhere including Europe. Within Asia, that is a growth of 293% since 2014 vs. the 25% increase in North America. Lastly, China is now a competitor to the US as a source of unicorns, which are private companies valued at over US$1 billion.

Credit Strategies

Global Facts about Alternative Credit Strategies

The assets under management in private credit continue to grow, more than tripling from $200 billion in 2007 to nearly $700 billion by 2017.

Private Debt Assets under Management

Current Trends, Issues and Research

1. Both the supply and demand for private credit continues to boom, driven especially by an increase in direct lending strategies. The demand for private credit is large, as the fallout from the GFC as noted by Dodd-Frank and Basel 3 led European banks to reduce lending to middle market firms by over €500 billion over the last decade. Simultaneously, investors allocated a greater share of their portfolio to private credit to enhance yields at a time of record low interest rates.

2. There are concerns that the growth in private credit has driven yield spreads to record lows despite not experiencing a recession since 2009. With uncertain loan losses in the next recession, credit analysis and loan structuring is vital. Many lenders stay in senior secured loans, even at lower interest rates, to reduce risk. Those lending in the unitranche or unsecured market may face heightened risk when covenants are light.


   a. Enhancing Private Equity Manager Selection with Deeper Data by Cameron Nicol (Q3 2018 Vol. 7, Issue 3). Alternative Investment Analyst Review

   b. Private Equity: Rethinking the Neoclassical Axioms of Capital Markets by Eli Talmor (Fall 2018; Volume 21, Issue 2). The Journal of Alternative Investments
Real Estate & Infrastructure

Global Facts about Real Estate & Infrastructure

Preqin expects that real assets could be the fastest growing area of alternative investments over the next five years.

Current Trends, Issues and Research

1. Infrastructure assets continue to rise, more than doubling from $200 billion in 2011 to nearly $450 billion in 2018. Deal flow remains a key concern of investors, as dry powder has reached a record level of over $150 billion. Political risk is high, as public-private partnerships and privitizations are difficult to get approved, especially in the wake of populist politics and concerns regarding wealth distribution. Investors are especially seeking assets in the energy and transportation sectors (see Investor Preference below).

2. Real estate investors are preferring to increase investments in Europe. Core assets are increasing their share of investments, as risk aversion is likely to reduce the growth rate of value added and opportunistic strategies.

3. Selections from real assets research published in journals edited by the CAIA Association.
   b. ESG in Infrastructure by Abigail Beach (Q1 2017 Vol. 6 Issue 1). Alternative Investment Analyst Review
   c. Limits to Diversification: Tail Risks in Real Estate Portfolios by Michael Stein (Summer 2017; Volume 20, Issue 1). The Journal of Alternative Investments

Investor Preference

Sectors that Investors View as Presenting the Best Opportunities

<table>
<thead>
<tr>
<th>Sector</th>
<th>Proportion of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy (Excl. Renewables)</td>
<td>49%</td>
</tr>
<tr>
<td>Renewable Energy</td>
<td>44%</td>
</tr>
<tr>
<td>Transport</td>
<td>46%</td>
</tr>
<tr>
<td>Utilities</td>
<td>37%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>28%</td>
</tr>
<tr>
<td>Waste Management</td>
<td>18%</td>
</tr>
<tr>
<td>Social</td>
<td>13%</td>
</tr>
</tbody>
</table>

Strategies that Investors View as Presenting the Best Opportunities

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Proportion of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core</td>
<td>47%</td>
</tr>
<tr>
<td>Opportunistic</td>
<td>36%</td>
</tr>
<tr>
<td>Core-Plus</td>
<td>36%</td>
</tr>
<tr>
<td>Value Added</td>
<td>28%</td>
</tr>
<tr>
<td>Fund of Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Debt</td>
<td>14%</td>
</tr>
<tr>
<td>Secondaries</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Preqin Investor Interviews, December 2017
Since 2015, the 14 panels that took place in France covered a wide range of strategies and geographical areas. The speaker universe comprised six institutional investors, two global data and rating provider analysts, eight fund-of-funds specialists and 47 fund managers and partners. 41 of the 45 investment management firms were based in France.

At the global and the US levels, real estate, buyout, event driven, global macro, CTA, quantitative equity long/short and market neutral strategies were presented. At the European and French level, small and midmarket buyouts, hospitality real estate, logistics real estate, real estate private debt, digital and bio/medtech venture capital, growth PE, equity long/short, credit long/short, fixed income and equity factor investing, alternative beta, core and value-add real estate, core and value-add infrastructure, leveraged loans, and High Yield were discussed. At the emerging market level, Africa growth PE, long-only local emerging market debt and total return emerging market fixed income were reviewed.

During these three years, we saw a growing integration of ESG considerations within strategies, especially private investments. It may be connected to the fact that about 75% of French institutional assets are managed within an ESG framework.
Absolute Return

Facts about Absolute Return Management in France

According to Prequin, French hedge fund firms (inclusive of CITS) managed €29 billion as at Q2 2018.

Based on a 2017 study, the table below provides a breakdown of the French hedge fund manager population (estimated at around 60) by top-level strategy, as well as a breakdown of the French investor base.

<table>
<thead>
<tr>
<th>Top-Level Strategy</th>
<th>Investor Types</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Strategies:</td>
<td>Fund of HFs: 25%</td>
</tr>
<tr>
<td>Multi-Strategy:</td>
<td>Insurance Company: 17%</td>
</tr>
<tr>
<td>Man. Futures/CTA:</td>
<td>Family Office: 15%</td>
</tr>
<tr>
<td>Relative Value:</td>
<td>Asset Manager: 12%</td>
</tr>
<tr>
<td>Event Driven:</td>
<td>Public Pension Fund: 12%</td>
</tr>
<tr>
<td>Macro Strategies:</td>
<td>Bank/Investment Bank: 10%</td>
</tr>
<tr>
<td>Credit Strategies:</td>
<td>Private Sector Pension: 9%</td>
</tr>
<tr>
<td>Other:</td>
<td>8%</td>
</tr>
</tbody>
</table>

Takeaways from Absolute Return Management Survey from France

In Section III of this report, we present 14 contributions on hedge fund strategies by the events’ participants. They are divided into the following: six Funds of Funds & Multi-Strategy, five Event Driven and Long/Short Equity, and three CTA, Quantitative & Multi-Factor strategies.

Below are a few takeaways:

Investment Environment:

- In 2018, the market environment has proven challenging for some strategy styles. Sharp market reversals (i.e., February and October) hampered trend following by CTAs; and volatility of M&A deal spreads impacted event-driven funds. However, severe dislocations observed in many relative value trades (i.e., currency exchange rates, slope of yield curves) can constitute alpha-generating opportunities in the coming months.

- Fund managers insist on the necessary adaptation to a risky environment owing to the global trade war, the FED monetary policy normalization, the potential weakening of economic fundamentals in the US and China, Brexit and the US foreign policy.

- Investors in hedge funds can benefit from the broader offering of solutions along the alpha and beta spectrum (i.e., alternative beta, factor investing, artificial intelligence, SRI) and the downward trend in fees to construct a cost-efficient exposure.

Investment Strategy:

- The current environment of increased economic risks and market volatility should favor low beta strategies (i.e., Merger Arbitrage, Fixed Income Arbitrage, Variable Bias Long/Short Equity).

- Business investment: Alternative data investments for Big Data, Machine Learning and Artificial Intelligence to increase efficiency and raise alpha generation constitute strong market trends amongst hedge funds managers.

Specific Hedge Fund Processes Addressed

- Operational Due Diligence new challenges for FoHFs

- European Long/Short Equity process

- Trend following, Multi factor strategies and Alternative Beta

Concepts:

Alternative beta | Behavioural bias | Big Data | Brexit | Completion portfolios | Cybersecurity | Dislocations | Flash crash | Low beta strategies | M&A spreads | Machine learning | ODD | Risk parity | SRI | Statistical significance | Trade war | Value vs Growth
Private Equity

**Facts about Private Equity in France**

According to Prequin, French PE firms managed €49 billion as at Q2 2018.

According to France Invest, as at 31/12/2017, 196 French PE firms were involved in buyout. The number of growth and venture capital firms amounted to 220 and 122, respectively. The French PE firms raised €16.5 billion in 2017 (vs €14.7 billion in 2016); of which €2.6 billion in Venture Capital, €4.8 billion in Growth Capital, and €9.2 billion in Buyout. About two-thirds of 2017 fundraising (€10.4 billion) stemmed from French investors. 242 funds raised funds in 2017 (vs 196 in 2016) of which 177 raised funds only from France. The recent "Société de Libre Partenariat" (SLP) French investment vehicle legal framework registered more fundraising (30% of total fundraising in 2017).

Total PE fund investment in 2017 amounted to €14.3 billion and included 2,100 firms (vs €12.4 billion in 1,900 firms in 2016) of which 85% were domiciled in France. Divestments in 2017 counted 1,500 firms (vs 1,400 firms in 2016).

As at Q2 2018, French PE firms raised €50 billion over the past five years.

According to INDEFI, French institutional investors had a cumulative exposure to PE of €27 billion in 2017 with an average asset allocation of 1%.

**Takeaways from Private Equity Management Survey from France**

In Section III of this report, we present 11 contributions on private equity investing and strategies by the events’ participants. They are divided into the following: three Investor/Funds of Funds, five Buyout & Growth, two Venture Capital, and one Emerging Markets private equity.

Below are a few takeaways:

**Investment environment:**
- Managers across various strategies agree on a “high valuation environment” stemming from the entry in the later stage of the private equity cycle, the robust momentum of fundraising and the record levels of dry powder.
- In Europe, this situation has led to an average entry multiple above 10x EV/EBITDA (6 quarters ended Q1 2018). Valuation disparities exist between countries: long term average of 11.0x for the Nordic region, 10.3x for the DACH region and UK, 10.1x for France and 9.8x for Southern European countries.
- On a global relative value basis, Europe still benefits from the support of very accommodative financing conditions compared to the US. In the context of Brexit, Continental Europe may be positively impacted by risk management arbitrage in PE portfolios.

**Investment strategy:**
- In this competitive environment, value creation strategies mainly rely on operational improvement leveraging PE firms’ in-house resources, cashflow generation and build-up (i.e., multiple arbitrage) over financial engineering/leverage and multiple expansion.
- Regarding deal flow origination and entry price discipline, complexity of growth (active minority investing) and Buy-in (acquisition by new management) transactions may allow for lower purchase multiples.
- Technology and healthcare sectors are deemed attractive throughout all PE strategies.
- In a context of upcoming slower capital deployment, GP/ LP dialogue and continuous improvement of contractual relationships remain of utmost importance. Changes towards better alignment in areas of management fees, fund transparency and hurdle rates are desired by investors.

**Specific Private Equity processes addressed**
- Fund structuring and governance
- Private Equity program structuring

**Concepts:**
- Africa Private Equity
- Biological systems
- Brexit
- Buy-and-build
- Buy-in
- Complexity of growth
- Competition
- Digital health
- Leap-frogging opportunities
- Market cycles
- Megatrends
- Over-commitment
- Price discipline
- Sector funds in technology and healthcare
- Side-letters
- Workforce automation
Credit Strategies

**Facts about Alternative Credit Strategies in France**

French investment managers cover all strategies (absolute return, fixed income, real estate and infrastructure private debt, corporate private debt, emerging markets debt, structured finance, insurance-linked securities).

According to Prequin, French direct lending firms managed €15 billion as at Q2 2018. This only represents a subset of the private debt management landscape, which includes significant assets for lower risk strategies (corporate senior secured, Euro Private Placement, and asset financing).

According to France Invest, 15 French direct lending funds (senior, mezzanine and unitranche) raised €2.3 billion in 2017. These funds represented 12% of European fundraising in 2017. Among asset-related strategies, 7 French infrastructure debt lending funds managed €17 billion and raised €2.6 billion in 2017.

**Direct Lending Facts**

- Total direct lending activity in France of 123 transactions in 2017 (vs 95 in 2016)
- €3 billion of lending transactions in 2017 by French direct lending managers
- 88 deals with French manager participation (structures: 36% senior, 30% unitranche, 21% mezzanine, 13% other subordinate)
- 28% of transactions were sponsorless

<table>
<thead>
<tr>
<th>Direct Lending Facts</th>
<th>Infrastructure Debt Facts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total direct lending activity in France of 123 transactions in 2017 (vs 95 in 2016)</td>
<td>€3.2 billion of lending transactions in 2017 by French funds</td>
</tr>
<tr>
<td>€3 billion of lending transactions in 2017 in France by French direct lending managers</td>
<td>84 assets financed (Conventional and renewable Energy: 50% of deals and 30% of value, Transportation: 25% of deals and 30% of value)</td>
</tr>
<tr>
<td>88 deals with French manager participation (structures: 36% senior, 30% unitranche, 21% mezzanine, 13% other subordinate)</td>
<td>2/3 of transactions took place in Europe outside of France</td>
</tr>
<tr>
<td>28% of transactions were sponsorless</td>
<td>80% of deals (and 90% of invested amount) were brownfield</td>
</tr>
</tbody>
</table>

According to INDEFI, French institutional investors had a cumulative commitment to Private Debt of €53 billion in 2017. The total private debt allocation breakdown included 62% of corporate debt, 18% of real estate debt, 17% of infrastructure debt, 2% of municipal/government-related debt, and 1% of other strategies. In terms of fixed income allocation, the average breakdown comprises 48% of Euro Investment Grade Credit, 46% of Euro Sovereign Debt, and 6% of diversification strategies (High Yield: €37 billion, Private Debt: €43 billion, Emerging Market Debt: €15 billion).

**Takeaways from Credit Strategies Management from France**

In Section III of this report, we present 13 contributions on credit markets and strategies by the events’ participants. They are divided into the following: four Credit Markets & Allocation, three Liquid Credit strategies, five Private Credit strategies, and one Emerging Markets.

Below are a few takeaways:

**Investment environment:**

- Scenarios for the performance and the diversification potential of core fixed income assets in an environment of monetary policy normalization have been questioned by rising risks (i.e., trade war, risk aversion).
- The European leveraged finance sector benefits from current favorable technicals: prominence of first-time ratings for loan issuance reflecting strong M&A activity, low default rate, robust issuance volume, limited short-term refinancing risk and the continuing support of an accommodative monetary environment in the Euro zone with rates at historical lows.
- However, participants in the Euro leveraged finance sector agree on a rising risk picture. They mention weakening lending legal structures and documentation, macroeconomic risks impacting local cyclical issuers, increased competition for Continental European deals due to Brexit, the current advanced stage of the credit cycle and the end of the expansion of the ECB’s Corporate Sector Purchase Program.
- Despite the volatility in 2017 and losses related to the sequence of hurricanes H.I.M. (Harvey, Irma, Maria), the Insurance-Linked Securities market has shown resilience. Capital inflows in Q4 2017 and Q1 2018 replaced capital drained in the previous year, hinting at a greater maturity of the asset class. Current developments following 2018 California wildfires will test this trend.

**Investment strategy:**

- Within European leveraged loans portfolios, exposure to smaller capitalization transactions may partly mitigate the deterioration of average covenant protection. In European High Yield portfolios, macroeconomic uncertainty favors globally diversified issuers. Rising idiosyncratic risks and valuation levels arising from 2018 dislocations may provide opportunities for long/short credit managers.
- Global yield seekers are deterred from USD-denominated strategies due to currency hedging costs. This may prompt portfolio reallocations and developments in capital markets (i.e., an increase in EUR-denominated emerging markets debt issuance).

**Specific investment topics addressed**

- Leveraged finance
- Factor investing in credit

**Concepts:**

Aggressive capital structures | Brexit | Cost of hedging USD risk | Competition | Covenants | Default rate | Emerging debt | Liquidity | Overliquidity | Refinancing risk | TLTROs | Trade war | Volatility | Weakening documentation
Real Estate & Infrastructure

Facts about Real Estate & Infrastructure in France

According to MSCI, the total value of professionally managed listed and unlisted French real estate (including direct investment by institutions) amounted to €352 billion as at 12/31/2017.

According to Prequin, French private equity real estate funds managed €15 billion as at Q2 2018. This only represents a subset of the private real estate management landscape, which mainly comprises investments in core buy-and-hold real estate strategies.

According to the ASPIM, 75 French real estate investment managers managed 960 unlisted funds with a total value of €149 billion in 2017. In terms of legal framework, the breakdown of funds included 181 SCPI funds for €50.3 billion, 309 OPPCI funds for €74.2 billion, 14 OPCI funds for €13 billion and 456 Autres FIA funds for €11.3 billion.

The table below presents the cumulative geographical and sector exposures of the aforementioned fund universe.

<table>
<thead>
<tr>
<th>Sector Exposure</th>
<th>Geographical Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office:</td>
<td>61%</td>
</tr>
<tr>
<td>Retail:</td>
<td>17%</td>
</tr>
<tr>
<td>Residential:</td>
<td>9%</td>
</tr>
<tr>
<td>Industrial/logistics:</td>
<td>5%</td>
</tr>
<tr>
<td>Hospitality:</td>
<td>4%</td>
</tr>
<tr>
<td>Healthcare:</td>
<td>4%</td>
</tr>
<tr>
<td>Other:</td>
<td>2%</td>
</tr>
<tr>
<td>Paris:</td>
<td>27%</td>
</tr>
<tr>
<td>Paris suburb:</td>
<td>36%</td>
</tr>
<tr>
<td>Rest of France:</td>
<td>29%</td>
</tr>
<tr>
<td>Foreign investment:</td>
<td>8%</td>
</tr>
</tbody>
</table>

In 2017, a third of investments by SCPI funds took place in foreign markets.

According to France Invest, 16 French infrastructure PE investment firms managed €35 billion (including €21 billion invested in 374 firms and €14 billion dry powder) and raised €4.2 billion in 2017. Fundraising mostly stemmed from Europe (France: 44%, Other Europe: 27%, and North America (25%). Investments amounted to €4.5 billion and covered 122 infrastructure entities in 2017. Favored sectors comprised renewable and conventional energy (€1.1 billion) and transportation (€2.3 billion). French PE firms invested €0.9 billion in France, €2.3 billion in Europe ex-France and €1.3 billion in North America.

According to INDEFI, French institutional investors had a cumulated exposure to real estate of €140 billion (vs €130 billion in 2016) and €17 billion (vs €13 billion) in infrastructure in 2017.

Takeaways from Real Estate & Infrastructure Management Survey from France

In Section III of this report, we present 11 contributions on real estate investing and strategies by the events’ participants. They are divided into the following: five Multi-Sector Core & Value-Add Real Estate, four Sector-specific Real Estate, and two Infrastructure Private Equity.

Below are a few takeaways:

Investment environment:

- Debt and equity real estate managers agree on the “high valuation” environment in Europe. In Paris, the capitalization rate for CBD prime offices stood at a historical low of 3% in Q3 2018.
- As coworking firms continue to increase their footprint and lease space in the most expensive locations, the issue of the strength of their business model must be carefully understood.
- Industrial real estate has enjoyed strong returns in 2017 across nearly every global real estate market. The yield spread between industrial and the broader market has compressed to new lows globally. Historical evidence shows that higher yielding sectors have often performed well in the later stages of a cycle, as investors rotated into these assets in search of yield.

Investment strategy:

- For core real estate fund managers, the current environment of tight yields and risk premia offered in most European markets requires optimal diversification as well as de-risking through selective deleveraging.
- For European value-add real estate fund managers, opportunities may reside in special asset-related situations, but also in broader themes (i.e, service-intensive office building, student housing market in demographically youthful cities across Germany, the UK, Spain and Central Europe).
- A systematic search of higher-yielding sectors may include the review of hospitality, student housing, healthcare, data centers, and parking.
- Investors should always conduct a precise liquidity analysis, as changing market conditions and unexpected short-term treasury requirements may lead to forced selling.
- Infrastructure private equity fund managers have had tremendous success in fundraising and investing over the past 10 years. It has enabled them to target “mega-fund” sizes of more than $5 billion. Deployment of capital at this new scale requires appropriate resources.

Specific investment processes addressed

- Fundamentals of long-term private investing.
- Description of diversification sectors – Hospitality and Student accommodation

Concepts:

Capitalization rates | Coworking | Cyclical rotation | Deleveraging and de-risking | ESG | Hospitality | Impact of e-commerce | Intensive asset management | Liquidity | Modern warehouses | Non-standard assets | Predictive maintenance | Portfolio deals | Real estate cycle | Resilience | RevPAR | Single-asset deals | Student housing | Vacancy rates

1 SCPI, OPCI and OPPCI funds mainly cover core buy-and-hold real estate strategies, while Autres FIA might include a wider array of strategies.
Section III

Survey of Alternative Investment Managers: Speakers Views and Comments

Absolute Return/Hedge Funds

Funds of Funds & Multi-Strategy
1. Absolute Return Multi-Strategies, Boussard & Gavaudan
2. Alternative UCITS, BNP Paribas Capital Partners
3. Fund of Hedge Funds Management, Darius Capital Partners
4. Hedge Fund Operational Due Diligence, BNP Paribas Capital Partners
5. Institutional Investing, Credit Agricole Assurances

Event Driven & Long / Short Equity
7. European Long/Short Equity Trading, Deutsche Bank
8. Event-Driven, Syquant Capital
9. Event-Driven Equity Arbitrage, Laffitte Capital Management
10. Long/Short Americas Equity, Quantitative & Big Data, Blackrock
11. Long/Short European Equity Market Neutral, DNCA Finance

CTA, Quantitative & Multi-factor
12. Alternative Beta, CFM
13. CTA Strategy, Candriam
Funds of Funds & Multi-Strategy

1. Absolute Return Multi-Strategies by Emmanuel Gavaudan, CEO – Boussard & Gavaudan

**Keywords:** Volatility | Decorrelation

"This year, the global economy has been full of contrasts so far. The Sino-US trade war has been a constant threat over the market conditions. With a recent record-high S&P 500, and volatility breaking again, one could anticipate a prolonged instability in markets for 2019. In Europe, back-and-forth discussions on Brexit format and relatively weaker macro conditions resulting from late Economic and Monetary cycle stages were some of the factors preventing strong positive returns.

Within that environment, Boussard & Gavaudan will continue to be well hedged for its market neutral multi-strategy flagship fund. Boussard & Gavaudan is gradually including new strategies that seek decorrelation from existing ones, to improve the portfolio depth and seek additional returns. The fund allocation to strategies remains flexible in order to seize any arising market opportunities."

As at 10/01/2018, the total AUM for Absolute Return Multi-Strategies amounted to €4.9 billion.

2. Alternative UCITS by Eric DEBONNET, Head Absolute Return & alternative solutions, BNP Paribas Capital Partners

**Keywords:** 2019 Should be a Better Year

"Alternative UCITS funds struggled in 2018, with most indices slightly negative at the end of September. A combination of unrelated events like the US-led global trade war, the FED monetary tightening, and anti-establishment push in developed countries as well as emerging countries account for this underperformance. Implications are severe dislocations in many relative value trades like the value of the USD vs. several currencies, the slope of yield curves, or the widening of M&A spreads. For 2019, most managers are currently capturing the numerous opportunities arising from current excesses in many asset classes. They are very optimistic and confident that the positioning of their funds will generate alpha and strong returns during the coming quarters. Such difficult times for absolute return managers have happened in the past, and have always been followed by periods of solid performance."

As at 08/30/2018, BNP Paribas Capital Partners managed or advised a total of €6.3 billion in alternative assets (Alternative UCITS, Hedge funds, Private Equity, and Private Debt funds).

3. Fund of Hedge Funds Management by François Faure, CAIA, Senior Analyst – Darius Capital Partners

**Keywords:** Flows | Fees | Alpha

"While 2016 had been marked by net outflows amounting to more than $100 billion, the hedge fund industry saw in 2017 and in the first half of 2018 a renewed interest from an ever more institutional client base. The combination of three elements explained positive, albeit modest, recent flows of $45 billion in 2017 and $14 billion in the first six months of the year: the downward trend in fees (management and performance), a rebound in alpha generation (particularly regarding Equity Long/Short managers) and unattractive valuations for most traditional asset classes. In addition, the launch of innovative strategies, such as funds using "Big Data" or “Machine Learning” techniques to generate new uncorrelated signals or SRI approaches exploiting undervalued information, often ignored by traditional managers, has not gone unnoticed and has provided new opportunities for the HF sector."

As at 09/27/2018, total company AUM amounted to €1 billion in hedge fund advisory.

4. The Operational Due Diligence in Alternative Investments by Jose Louis Fernandez, Head of Operational Due Diligence – BNP Paribas Capital Partners

**Keywords:** Operational Due Diligence | Risk Assessment | Operational Concerns Cybersecurity | Brexit Implications | Valuation

"The ODD (Operational Due Diligence) expert has to turn over every stone to assess a large variety of risks. The outcome provides an ODD rating hinged on the best practices recommendations from the alternative industry associations (AIMA; IOSCO; SBAI; NFA, etc.).

The ODD expert can use a Veto Power if the outcome of the analysis is negative ('not investable; significant risks detected'). ODD is a dynamic topic and of significant importance to investors. The scope of items covered by ODD has grown dramatically with the growth of the Global Regulatory Regime, the associated requirement for maintaining compliance with those regulations, new concerns on certain hot topics, such as Cybersecurity, Brexit implications, MIFID II, and ESG considerations alongside constant areas of attention such as valuation; segregation of functions, bridge financing, fund expenses, cash controls, service providers checks, conflict of interest, AML policy, compliance culture or governance oversight, etc.

In the field of absolute return funds' ODD, cybersecurity risks include identification of a layered vigilance (governance and risk assessment surveillance), an adequate protection of control and access (procedures, readiness of operational capabilities with a visual command center), detection processes and resilient response planning (coordinated response, mitigation and recovery).

The delivery of ODD needs to adapt to the larger number of topics covered. Once invested, the ODD expert will provide ongoing monitoring of the funds invested and the related investment managers."

As at 08/30/2018, BNP Paribas Capital Partners managed or advised a total of €6.3 billion in alternative assets (Alternative UCITS, Hedge funds, Private Equity, and Private Debt funds).
5. Alternative investment by Pierrick Louis, Insurance Portfolios Asset Allocator and Manager. PACIFICA, SPIRICA (Crédit Agricole Assurances)

**Keywords:** Convexity | Flexibility | Private Investing

"Although financial assets remain mostly well-priced despite the recent correction, the conjunction of continuing normalization of monetary policies and macro-developments with some features of late cycle characteristics may lead to high volatility in financial markets in 2019. However, traditional diversification no longer provides enough protection in portfolios (i.e., market drawdowns in February and October 2018, among other market situations). Furthermore, the development of management techniques like "risk-parity" or "target volatility" creates negative market impact through forced selling.

In this context, and as long as liability constraints allow it, I consider, as an asset allocator, that investing in strategies with lower sensitivity to mark-to-market (private equity, infrastructure, real estate, etc.) or adding significant decorrelation (hedge fund, flexible multi-asset investing, convertible bonds) constitutes efficient diversification options for today's environment.

Although benign a few years ago, allocation to alternative investment strategies should reach up to 15-20% in some portfolios in 2019."

6. Views on Liquid Alternative Strategies by Jonathan Kieffer, CAIA, Head of Asset Allocation – Advisory services – Société General Private Banking (formerly Senior Portfolio Manager at Lyxor Asset Management)

**Keywords:** Low Beta Strategies | Flexibility Required | Macro Uncertainties

"In a context where economic fundamentals are set to weaken in 2019 (U.S., China), the valuation of traditional assets is rich and monetary policy is not expected to provide a backstop, we have a preference for low beta strategies.

Several strategies have been able to deliver attractive risk adjusted returns in adverse market environments in the past, such as CTAs, L/S Equity Market Neutral and Merger Arbitrage. Meanwhile, Fixed Income Arbitrage tends to perform well when bond yields rise. We recommend avoiding high beta strategies such as Special Situations (a subset of Event-Driven), directional L/S Credit and long biased L/S Equity.

However, to the extent that the probability of a full-fledged recession in major economies remains low in 2019, we believe it makes sense to have flexible L/S Equity strategies in portfolios. Such "variable biased" L/S Equity funds can adjust their net exposure up or down according to market conditions and thus capture some market beta.

Our strongest convictions for 2019 thus stand on Merger Arbitrage, Fixed Income Arbitrage, and variable biased L/S Equity strategies."

As at 09/28/2018, SGPB total company AUM amounted to €121 billion, out of which about 5% were in alternative investments.
10. Long/Short Americas Equity, Quantitative & Big Data by Wright David, Director, Blackrock

**Keywords:** Adoption | Cost | Integration

"Coming into 2019, we are at a tipping point in the use of Big Data/Machine Learning/Artificial Intelligence by asset managers. Many groups have experimented with technologies like natural language processing, image recognition and machine learning to analyse “Big Data”, but the adoption has been slower than in many other industries. Cost is certainly a big factor to consider and may be why there has been slower adoption across the industry. There are set up costs in developing the infrastructure to cope with the larger amounts of data and in more varied forms. There is also the on-going cost of new data sources, which are required to keep ahead of the competition. However, many see the broad adoption as inevitable. AlternativeData.Org estimated that in 2017, $373 million was spent on alternative data by buy side firms. They see this crossing $1 billion by 2020. The use of alternative data and new techniques does not guarantee that alpha will be generated. Integrating new techniques, new data sources and often colleagues with differing skills & backgrounds has proved to be another barrier to full adoption. This will remain an on-going challenge and something that the most successful groups will be able to overcome."

As at 9/30/2018, total company AUM amounted to $6.4 trillion, Scientific Active Equity investing: $104 billion, market neutral hedge funds: $5 billion.

11. Long/Short European Equity Market Neutral by Cyril Freu, Deputy CIO – Portfolio manager –DNCA Finance

**Keywords:** Dichotomy | Valuation | Convictions

"A significant dichotomy between valuations of value and growth styles has happened in the European equity market. In our opinion, it is not sustainable over time, and it is much more the growth of EPS than the expansion of valuation multiples, that will explain the evolution of stock markets prices over the coming quarters. This analysis, if it is correct, will be favorable for stock-picking. A focus on valuation fed by proprietary models and knowledge about companies are therefore key elements for our management. We thus favor the most liquid companies as well as ‘value’ /cyclical quality stocks that we consider unfairly discounted (telecoms, construction, media) but also companies that could benefit from the digitization of the economy. In accordance with our DNA, the performance of our market-neutral funds will be mainly driven by stock selection and convictions rather than by the markets’ direction."

As at 10/31/2018, total company AUM amounted to €24.8 billion, Alt. Inv. Asset Class (Long/Short European Equity) €2.7 billion and Strategy (Market Neutral): €1.8 billion.

12. Alternative Beta by Stephane Vial, Director, CFM

**Keywords:** Systematic | Persistent | Implementation Details

"Alternative Beta strategies are (to CFM) a systematic approach to capturing persistent behavioural biases and alternative risk premia, which often make up the building blocks of hedge fund strategies.

Key selection criteria for the inclusion of individual strategies in an Alternative Beta program are persistence, robustness and statistical significance, which is more important than recent performance. Similarly to Equity Beta, we expect individual strategies to be highly persistent while their expected risk adjusted returns are modest (Sharpe Ratios comparable to that of Equity Beta i.e. 0.3). Drawdowns will occur with similar magnitude and length than for the stock market itself.

Implementation practices are crucial in effectively exploiting strategies with relatively modest Sharpe Ratios. As Alternative Beta strategies are often well-known (e.g. volatility premia, trend following, carry strategies, value investing in stocks, etc.), we see implementation as a key differentiator between managers.

Alternative Beta portfolio should be diversified across strategies to improve both the risk-return and the skew-return profiles of the program. As a result of low correlation (to traditional markets), allocating to a diversified Alternative Beta program significantly enhances the experience relative to a traditional balanced, or 60/40 benchmark, portfolio."

As at 11/01/2018, CFM’s total client AUM amounted to $10 billion in systematic and alternative strategies (including $4 billion in Alternative Beta strategies).

13. CTA Strategy by Steeve Brument, Head of Systematic Strategies – Candriam

**Keywords:** Flash Crash | Trading Range | Trade War

"Most CTAs pursue trend following strategies, therefore trends are necessary conditions to long-term performance. While long lasting trends across a wide range of assets classes represent an ideal environment for CTAs, swift reversal and extended periods of uncertainty are usually detrimental. In the recent past we experienced quick unexpected turnarounds (February and October 2018) which have been difficult to navigate for systematic investors. Very substantial allocation from US pension funds demonstrate that even facing such a difficult environment, investors have not turned away from a strategy that has proved its ability to deliver strong returns whenever markets experience solid trends."

14. Dynamic Multi Factor Strategy by Frédéric Hoogveld, CFA, CAIA, Head of Investment Specialists Index & Smart Beta – Amundi Asset Management

**Keywords:** Factor Investing | Risk-Based Allocation | Completion Portfolios

"Factor and multi-factor investing is becoming increasingly popular among the investment community. The rationale for factor investing is that some risk factors appear to generate superior long-term return because they are associated with a secondary risk premium or a market anomaly. Multi-factor strategies seek to build diversified exposure to these different "rewarded risk factors", such as Value, Momentum or Quality in order to generate long-term positive excess return at a low tracking-error.

Another recent innovation in factor investing is the development of "completion portfolios". Completion portfolios are custom-made portfolios, either long-only or long-short, designed to mitigate the existing factor biases of an institutional investor portfolio. With completion portfolios, institutional investors can remain allocated to the Portfolio Managers they believe can generate alpha, while at the same time making sure they are positively exposed to rewarded risk factors."

*As at 06/30/2018, total company AUM amounted to €1.5 trillion, Smart Beta and Factor Investing Strategy: €22 billion.*
Survey of Alternative Investment Managers: Speakers Views and Comments

Private Equity

PE Fund-of-Funds
1. European Private Equity in 2018, Access Capital Partners
2. Fund Structuring and Governance, PPC
3. FoF Program Structuring, BNP Paribas Capital Partners

Buyout & Growth
4. European Growth Capital, Amundi Asset Management
5. European Midmarket Private Equity, Tikehau Capital
6. European MidCap Buyout, LBO France
7. European Upper Midmarket Buyout, KKR
8. French MidCap Buyout, Eurazeo PME

Venture Capital
9. Digital Venture Capital, Idinvest Partners
10. Life Sciences Venture Capital, Andera Partners

Emerging Markets
12. Africa Growth Private Equity, AfricInvest
Private Equity Fund-of-Funds

1. European Private Equity in 2018 by Pierre Abrial, Partner – Access Capital Partners

**Keywords:** European Private Equity | Fundraising | Investment Strategies

"The European private equity fundraising activity has been quite robust in 2018 (although weaker than in 2016-2017, with fewer very large funds coming back to market). Fund managers with an established track record have been able to accelerate their fundraising timelines (ahead of a potential turn in the cycle) and raise much larger successor funds (but still on an “invitation-only” basis). Some of them have also been able to successfully diversify their product offering (raising smaller funds or sector-focus funds).

The record-high levels of dry powder, together with the ease of financing (through banks and debt funds) have generated a significant inflation in asset prices across all segments of the market. Average EV/EBITDA at entry for the six quarters ended Q1 2018 has reached 10.3x across European buyout transactions, with Net Debt levels close to 5.0x EBITDA (sources: Clearwater, Unquote, S&P and Argos). Geographies perceived as “safer” tend to be the most expensive; the Nordic region continues to be the hottest region, with a long-term-average of 11.0x EV/EBITDA, versus 10.3x for the DACH region and the UK, 10.1x for France, and 9.8x for Southern European countries (sources: Clearwater and Unquote).

In this seller’s market, exit activity has remained very strong in 2018. Some listed trade buyers (representing c. 40% of buyers according to CMBOR) have offered particularly strong premiums (out-bidding PE firms with a lower cost of capital and greater synergies). On the downside, deals have become more and more difficult for fund managers, who must now come up with creative solutions to keep investing. While some of them choose to focus on increasingly complex transactions to deter competition, others prefer to adopt buy-and-build strategies, acquiring small add-ons at lower multiples to mechanically reduce the entry price of their platform investment. Many fund managers also tend to refocus on flourishing sectors, such as technology or healthcare, which are considered as safe bets and are highly sought-after in an environment with quite uncertain macroeconomic factors.

As at 11/15/2018, total company AuM amounted to €8.7 billion (private equity, infrastructure and private debt), Private Equity: €6.9 billion.

2. Fund Structuring and Governance by Paul Cornet, CFA, CAIA, PPC

**Keywords:** Fundraising | Survey | Structuring | Governance | Fund / Side-Letter Terms

**Environment**

Globally, fundraising has been calmer in 2018 with 28% fewer fund closings (1,230 vs 1,717) and 24% less capital raised ($424 billion vs $559 billion) LTM Q3 2018 YoY. Six out of the 10 largest funds were targeting Asia with approximately half of the industry capital raised by the top 10 funds. Despite the calmer YoY comparison, PwC expects private equity to grow faster than its alternative investment fund sector. It expects AIF AuM to grow at a 8.7% CAGR from 2020-2015 vs private equity at a 9.8% CAGR over the same period. PwC also projects management fees to decline 16.4% whilst private equity firms increase their revenue from AuM and move to outcome based fee models over the 2017-2025 period. Multiple industry surveys continue to highlight the high level of investor satisfaction with the performance of private equity. In one PwC survey (Q3 2018), although 88% of investors cite valuations as a key issue in 2018, 77% plan to make private equity commitments by the end of 2018 with “diversification” and “performance” stated as the primary drivers of investment.

**Structuring and Governance**

The largest global private equity General Partners continue to structure tax transparent limited partnerships with bespoke feeders for certain investors (i.e. US, non-US and US tax-exempt) predominately with Cayman, Delaware and Channel Islands domiciles. Normally, special purpose vehicle (SPV) holding companies are established below the fund, typically in Luxembourg or the Netherlands for private equity strategies. However, locally based limited partnerships remain popular for locally based strategies, especially in France and in the UK. More competitive GPs raising capital from Europe, Asia and the Middle East are increasingly organizing on-shore vehicles or on-shore parallel investment vehicles with Luxembourg and Ireland domiciles dominating. Global anti-tax avoidance measures are contributing to the need for management substance and the search for fund management cost efficiencies are driving the use of regional platforms for fund, manager and holding companies. On-shore structures also tend to more often implement governance best practices with the use of independent directors on fund boards and AIFMs. Fund boards are increasingly split with directors independent from each other as well as from the manager and other service providers to best manage potential conflicts of interest.

Key terms to investors in private equity funds today include:

- Clarity on recycling and end of investment period
- Full fund waterfall based on time value of invested capital
- Recovery of all fees and expenses prior to payment of carried interest
- Security for carried interest, e.g. clawback
- Post investment period management fees
- Disclosure on fund expenses and break-up fees
- Transaction fee off-sets
- Placement agent fees the responsibility of GPs
- Remedies for removal or GP for "cause"
- Management of related party transactions, conflicts of interest, allocation policies between fund and vehicles through Advisory Committee and independent directors
The use of side-letters is typical for large investors; key terms of importance include:

- Most favoured nation (MFN) clauses
- Co-investment rights
- Advisory Committee membership
- Preferential management fee /carried interest
- Notification rights on % ownership in fund
- Use of investor’s name
- Tax matters / limiting tax leakage or filing obligations

3. FoF Program Structuring by Patrick Perez, Chief Operating Officer, BNP Paribas Capital Partners

“The sustained popularity of private equity derives from the returns and diversification that the program provides for investors. With respect to setting up and maintaining a private equity allocation, a key overarching concept is to invest steadily towards a long-term target and “play through the cycles” with incremental annual adjustments to segment allocation.

The percentage of total assets to be invested is determined as a part of a larger asset allocation analysis. Around a 5% allocation is the minimum size that will have an impact on the level of returns and diversification of the total portfolio.

To build an allocation, investors need to combine research and selection capabilities and to seek to build an optimal mix of assets. The allocation to private equity will be driven more by qualitative factors such as perceived tolerance for the illiquidity and the correlation with both business cycles and stock market cycles, in the specific context of non-public information for the private equity.

The illiquidity of private equity makes it difficult to instantly rebalance the allocation to the asset class, as can be done with public securities. It is important to take into consideration that the capital commitments to private equity are drawn down and invested over three to five years, and that there is no control over the timing of the cash flows (capital calls and distributions). Therefore, commitments will generally exceed the active amount invested by 1.5 to 2 times, depending on market conditions and the age and structure of the private equity portfolio.

The other way for private equity allocation is to deal with a fund of funds manager offering a high level of selection capacity, a sector and regional focus, a diversification in terms of vintages, and an access to secondary operations in order to accelerate the inflows curve (or to flatten the J curve)."

As at 08/30/2018, BNP Paribas Capital Partners managed or advised a total of €6.3 billion in alternative assets (Alternative UCITS, Hedge funds, Private Equity, and Private Debt funds).

Buyout & Growth

4. European Growth Capital, Stanislas Cuny, Head of Private Equity - Amundi Asset Management

**Keywords:** Megatrends | Active Minority Investor | Growth Capital and Buyout

"As a Private equity investor for several decades in Europe in a low growth economy, we regularly meet high growth companies that are our investment targets. We note that these fast-growing companies in a weak economy have one thing in common: they almost all benefit from one of five megatrends: technology, demography, environment, globalization, and societal changes. These long-term megatrends act as powerful forces on all sectors of the global economy, creating tremendous opportunities for companies that know how to take advantage of them. Hence our investment strategy is focused on companies benefiting from megatrends. For example, we are an investor in the organic food distribution chain Marcel & Fils, which benefits from the “societal change” that pushes consumers towards healthier food and in the Italian company RCF, one of the world’s leaders in professional audio systems whose growth is driven by the “technology” of its products and the “globalization” of its market.

In addition, our position as an active minority investor allows us to target family and entrepreneurial businesses for which families and entrepreneurs want to maintain control. These companies are inaccessible to conventional LBO funds that only acquire controlling stakes. Thus, our investment universe is wider and less crowded than the universe of the majority of LBO firms allowing us to maintain a reasonable entry valuation."

As at 30/06/2018 AUM of Amundi Private Equity Funds: €6.3 billion.

5. European Midmarket Private Equity, Emmanuel Laillier, Head of Private Equity – Tikehau Capital

**Keywords:** Energy Transition | Selectivity | Pan-European Strategy

"Tikehau is a pan-European alternative asset management and investment company. As far as Private Equity is concerned, we target private companies with high growth potential and help them to deploy their ambitions. By providing patient capital (through minority positions) and operational support to management teams, we make a transformative impact and create value. In a high valuation environment and due to first signs of a slowdown, we plan to be very selective in 2019 and also to exploit special situations. We will focus on identified sectors with a global long-term mega trend of growth, for example energy transition, where we plan to be very active."

As at 09/30/2018, total AuM of Tikehau Capital amounted to €15.9 billion, Private Equity: €2.2 billion.

6. European Midcap Buyout, by Jean-Marie Leroy, Partner – Head of Small Caps – LBO France Gestion

**Keywords:** Business Transformation Strategy | Operating Teams | Buy-in Situations

"On the Small and MidCap segments in France and in Europe the differentiation strategy pursued by GPs has to be focused on the uniqueness of the deal flow and on the capacity of the team to...
support business transformation strategies aiming at operational excellence, in an international and fast-moving environment.

The experience in handling Buy-in situations is also a good way to address a less competitive market segment. Operating teams, internalized by some GPs, are the cornerstone of these investment strategies.”

As at June 30, 2018, total LBO France Gestion AUM amounted to €3.6 billion, Private Equity: €2.5 billion.

7. European Upper Midmarket Buyout by Stanislas de Joussineau, Director – KKR

**Keywords**: Private Equity | Interest Rates | Brexit | Valuations

“We believe the current market environment is very conducive to investing in Europe. Quantitative easing and the loose monetary policy of the ECB have been key drivers for the acceleration of growth in Europe and, while there are some indications that interest rates may go up, the relatively low inflationary environment suggests that such rises will likely be limited and held at a level favourable to growth in the foreseeable future. Meanwhile, although it has strengthened recently, the relatively weak euro is benefiting export-driven economies in the Eurozone. As such, we believe that European businesses will be supported by macroeconomic tailwinds. From a political perspective, we are also encouraged by recent developments in continental Europe, especially in France. We remain more cautious on the UK, given the uncertainty of the future of trade relations resulting from Brexit. However, in the UK, too, we see attractive opportunities, especially in businesses that have significant overseas operations and that are well positioned for global growth. While valuations are at historic highs, and we share investors’ concerns about the risks of investing in a late-cycle, private equity funds are typically structured to invest across market cycles with a 5-year investment horizon and are well positioned to deploy capital opportunistically, without undue pressure to put money to work. Nevertheless, in today’s environment, we exercise extreme discipline on price. On the majority of our recent deals, we have underwritten multiple contraction during the 5-7 year period of ownership that we model at entry, meaning that our return expectations at acquisition are largely driven by the topline and EBITDA growth that we believe we can achieve for our businesses.”

As at 30/09/2018, total KKR AUM amounted to $195 billion, Private Equity AUM: $66.8 billion, European PE: $6.8 billion.

8. French Midcap Buy-out by Erwann Le Ligné, Managing Director – EURAZEO PME

**Keywords**: Transformation | Operating Support | Long Term

“EURAZEO is a public investment firm and has a differentiating factor as the investments are realised mainly through its balance sheet. We believe that Private Equity will be constituted in the near future on the one hand by strong investment platforms such as EURAZEO and on the other hand by vertical specialists (agro food business, technology, healthcare, etc.).

Investing in Private Equity involves not only strong financial, legal and tax analysis skills but also a strong knowledge of market analysis, in order to identify or validate long term industry trends. While the sourcing of opportunities, financial structuring, and negotiation capabilities are key in the deal making, experience is the key success factor for the investment team members. Completing an investment is just one part of the job. The value creation as an investor/shareholder of a private company comes from the ability to interact with the management team, to align interests with them and to provide operating support in order to implement the portfolio company strategy on a long-term basis, beyond a five-year business plan horizon. Eurazeo provides operating support to the portfolio companies such as RH and organisation support, IT and Digital, CSR/ESG integration, legal, Risk management/compliance and also thanks to its international offices, a strong support in key regions: US, China, and Brazil. The performance at exit will come from the ability to create opportunities for long-term business development thanks to an appropriate mix of clear strategic vision and adequate resources for implementation.”


Venture Capital

9. Digital Venture Capital by Benoist Grossmann, Managing Partner – Idinvest Partners

**Keywords**: Digital Health | Cryptocurrency | Workforce Automation

“We believe that Europe has proven its ability to fuel the digital dimension with innovative ideas and will keep doing so in 2019. Planets seem aligned for the European Digital Health sector. Indeed, as Artificial Intelligence is revolutionizing machine diagnostics and telemedicine is booming. The ongoing consumerization of healthcare is backed by a more favorable European regulatory framework towards telemedicine – let alone the smartphone ubiquity creating new ways to interact with healthcare providers. CARDIOLOGS is a startup financed by Idinvest, using AI to improve and accelerate diagnosis on ECG.

Machine Learning has led to further automation, especially of the workforce. Thus, utterly reshaping the working environment and processes, from factory work to accounting and sales. ONFIDO has been financed by Idinvest since 2014. Using machine-learning technology, ONFIDO validates a user’s identity document and compares it with their facial biometrics.

The financial world is undergoing deep transformations as well, thanks to cryptocurrency technologies. The latter, governed by the Blockchain system – an open, permanent and decentralized information ledger managed by all its participants rather than by a central authority – cuts out financial intermediaries and enables secure payments between individuals. In a world were decentralization is a strong trend, there is room for new disruptive ideas thanks to cryptocurrency technologies. LENDIX is a participation of the Digital Portfolio of Idinvest. Lendix enables SMEs to borrow directly from individual and institutional lenders without going through banks.”

As at 30/09/2018, AUM of Idinvest Partners: €8 billion of which €2 billion Venture Growth – part of the €16 billion AuM Eurazeo group
10. Life Sciences Venture Capital by Gilles Nobecourt, Partner, Andera Partners

**Keywords:** Innovation | Valuation | Public Markets

"Investing in innovation in life sciences requires scientific research intelligence and early identification of innovation trends in order to invest in companies developing innovative technologies to address unmet medical needs.

In the past few years, the acceleration of the understanding of biological systems has led to an increase in the number of innovation-centered startups and to breakthroughs in terms of more efficient therapeutic responses.

For instance, the understanding of DNA repair biological systems resulted in the discovery of new type of molecules effective for the treatment of certain types of cancer; these molecules, PARP inhibitors, have recently been approved and are now commercialized for the good of patients. Even if industrialization remains a very significant challenge, cell genetic engineering allowing modification of immune cells ex-vivo before reinjecting them into the patient, has led to promising clinical trials results (CAR-T cell therapies).

During the past five years, these startups have generated significant investment returns and reinforced the attractiveness of the sector, leading to large capital inflows. Specialized fund managers have raised new vehicles of larger sizes and public markets, notably in North America, have been very dynamic, leading to some overvaluation of certain sub-sectors."

As at 9/30/2018, total company AUM amounted to €2.3 billion, Life Sciences venture capital: €0.8 billion.

Emerging Markets

11. Africa Growth Private Equity, Stephane Colin, President – AfricInvest Europe

**Keywords:** Africa | Positive Impact | Active Shareholding to Create Panafrican Champions

"Africa is an incredibly large and heterogeneous continent. The Africa growth story is still positive, as long-term fundamentals remain strongly powered by (i) a growing workforce, (ii) rapid urbanisation, (iii) technology allowing leap-frogging opportunities and (iv) a significant share of global resource reserves. Private Equity in Africa is playing a crucial role in the economic development of the continent: it is a deepening and growing market, as the number of Private Equity funds has significantly increased over the past few years, ranging from Venture Capital to Large LBO funds (we count today over 160 funds, with 60% of them based on the continent). Approximately US$2 billion was raised in 2017, down from almost US$5 billion in 2015, spread over 30 investment vehicles. 50% of the amount is dedicated for growth capital and over 50% of the funds raised are dedicated to Sub-Saharan Africa. Over 130 transactions were realized in 2017, down from its highs from 2013-2016: over 100 of those transactions were growth-capital injections.

The African PE investment cycle is at a pivotal point: (i) Increasing geographical diversity with more deals being done in more countries, (ii) Consumer theme still persistent, but supported by a broader range of sectors, (iii) Infrastructure related activity presents a large opportunity for private investments, (iv) Entry valuations are still attractive relative to listed equity.

Exit routes are expanding: (i) Africa’s growth prospects remain attractive to strategic buyers, (ii) Increasing PE-PE sales indicates a maturing African PE industry, (iii) Growing number of exiting PE houses indicates a PE industry with more GPs having a proven track record, (iv) IPOs are providing a viable exit route in some markets.

Compelling investment themes are emerging: (i) Stabilizing economies and quickening growth in some established markets combined with resilience in some newer markets provide diverse investable opportunities, (ii) Microeconomic themes also provide many attractive opportunities across countries and sectors.

Private equity in Africa is playing a crucial role in the economic development of the continent: it targets investments in small and medium-sized enterprises (SMEs) that are well-positioned in their local markets with the potential to scale up their activities beyond their own country’s borders and become “regional champions.” The African private equity industry brings significant added value to its portfolio companies by (i) strengthening their managerial teams and aligning the interests of all shareholders with those of management, (ii) enhancing corporate governance, financial reporting, and transparency, and (iii) creating synergies by leveraging its extensive network throughout Africa, Europe, and beyond."

As at 30/11/2018, total Africinvest AUM amounted to €1.3 billion.
## Credit Strategies

### Credit Allocation
1. European Bond Markets, Ostrum Asset Management
2. Fixed Income Markets, HSBC Global Asset Management
3. High Yield Credit Trends, Moody’s
4. Institutional Investing, CARMF

### Liquid Credit
5. Euro High Yield, Edmond de Rothschild Asset Management
6. Long/Short Credit, Chenavari Investment Managers
7. Multi-factor Credit Strategy, BNP Paribas Asset Management

### Private Credit
8. European Direct Lending, Tikehau Capital
9. European Leveraged Loans, SCOR Investment Partners
10. Leveraged Loans, BNP Paribas Asset Management
11. Insurance-linked securities, SCOR Investment Partners
12. Private Debt, Amundi Asset Management

### Emerging Markets
13. Emerging Market Debt Total Return, Finisterre Capital
Credit Allocation

1. European Bond Markets by Axel Botte, Fixed Income Strategist - Ostrum Asset Management

Keywords: Low ECB Rates | New TLTROs | Higher Volatility

“The interest rate environment is still an obstacle to absolute bond performance in the Euro area. The current economic slowdown will extend into next year. The ECB hence will have little leeway to raise rates. In fact, the likely extension of TLTROs and the “flexibility” of bond reinvestment policy will if anything add to the accommodative bias of monetary policy. The increase in Bund yields, influenced by US Treasury bonds, may stop at about 0.70%. The yield curve will steepen somewhat. In parallel, higher volatility, around political events in particular, is a boon for active fund management. The deterioration in Italy’s sovereign spreads is not over. Selling pressure in credit markets may ease after continued spread widening throughout 2018.”

As at 9/30/2018, total company AUM amounted to €265 billion, Fixed Income Strategies: €226 billion.

2. Fixed Income Markets by Baraton Xavier, Global CIO Fixed Income and Alternatives, HSBC Global Asset Management

Keywords: Volatility | Diversification and Emerging Debt

"Over the long run, the market context remains supportive of absolute performance in fixed income portfolios. The reasons are two-fold: 1. the constantly rising breadth and depth of global bond markets, notably with the expansion of the emerging market debt segments, 2. a steady appetite for income and fixed income assets by an ageing global population. The market environment will however remain volatile and challenging in 2019 as central banks gradually pull back QE liquidity and as geopolitical risk and protectionism threats continue to loom. Diversification (into alternative credit notably), tactical adjustment, valuation discipline and careful issuer selection will be key success factors.”

As at 6/30/2018, total company AUM amounted to $468.3 billion, Fixed Income: $189.4 billion.

3. High Yield Credit Trends by Guillaume Leglise, Assistant Vice-President Analyst – Moody’s Investors Service

Keywords: Credit | High Yield | Issuance

"European Leveraged Finance momentum was strong in 2018, with robust issuance volumes in both bonds and loans. Refinancing was the main driver for bond issuance in 2018. Loan volumes were particularly strong owing to LBO transactions and strong demand from CLOs (collateralized loan obligations). First time ratings are prominent for loans, reflecting continuance of a steady trend of M&A activity and strong investor demand. In Moody’s opinion, overall credit quality indicators are improving owing to low default rates and limited refinancing risks in the next two years. However, we believe that risks for investors are increasing owing to first-time issuers with higher risk profiles, more aggressive capital structures and an erosion of covenant quality indicators.

Moody’s still expects robust high yield (HY) bond and leveraged loan volumes in 2019, albeit slightly softening compared with 2018. The market has also become more volatile since June 2018, a situation that we believe is likely to persist due to concerns over trade tariffs, Brexit and Italy’s public finances. The phasing out of the European Central Bank’s Corporate Sector Purchase Program (CSPP) could translate into higher borrowing costs, because HY issuers have benefitted indirectly from tighter bond spreads.”

4. Institutional Investing by Michel Manteau, Head of Portfolio Management & Asset Allocation - Caisse de Retraite Autonome des Médecins de France (CARMF)

Keywords: Performance | Risk | Liquidity

"At the end of 2017, reserves amounted to more than €7.5 billion with the following breakdown: 45% in equities, 35% in bonds (convertibles included) and 20% in real estate mainly in Paris. The objective is to achieve a 3% annualized real return over the long term, while managing drawdown risk through overlays. As a requirement, the investments need a sufficient level of liquidity to pay pensions.

To obtain this real return, we invest in other alternative investments on top of real estate: private equity, loans (floating rates) and risk premia (used as a substitute to multi-strategy absolute return). But first of all, the greater part of the portfolio comprises listed equities with international diversification (including emerging markets) and listed European straight, floating and convertible bonds (including high yield).”

As at 12/31/2017, total pension fund assets amounted to €7.5 billion.

Liquid Credit

5. Euro High Yield by Alexis Foret, Portfolio Manager, Edmond de Rothschild Asset Management

Keywords: Market Volatility | Refinancing Risk | Credit Selection

"An uncertain macroeconomic context coupled with lower quantitative ECB support will make it more difficult for leveraged/ cyclical credits to access markets. Global and Sizeable Credits should retain good access whilst leveraged and/or cyclical credits will have tougher times. Working capital positions for cyclical businesses are likely to require additional short-term funding; the HY market will not be there to fund those shortfalls. Therefore careful analysis of prospective issuers’ liquidity positions will be key in 2019 as we wait for further clarity on the direction of the cycle. The HY market is likely to remain polarized in terms of valuations, with weaker credits pushed into stressed levels. Solid HY portfolios will require a core of large and diversified credits, complemented with only a handful of selected B/CCC issuers that today can offer significant value opportunities.

As at 9/30/2018, total Fixed income AUM amounted to €12 billion, High Yield: €2 billion.

6. Long/short credit by Stephane Parlebas, co-Portfolio Manager – Chenavari Investment Managers

Keywords: Dispersion | Rates | Brexit

"Volatility and idiosyncratic risks are increasing in Europe. Volatility is being driven by the ECB winding down QE and the
Private Credit

8. European Direct Lending by Cécile Mayer-Lévi, Head of Private Debt – Tikehau Capital

Keywords: Overliquidity | Tailored-Made

“Private Debt has become a mainstream and secular solution mainly designed for acquisition financing to support Private Equity-backed companies as well as sponsorless opportunities via flexible, onestop, reliable and rapidly executed solutions (unitranche, or junior subordinated debt). Private Debt Managers are at the crossroads between (i) large institutional investors (insurance groups, pension funds), looking for floating and currently attractive yield investments and (ii) corporates keen to diversify their sources of financing or (iii) Private Equity sponsors looking for quick and confidential solutions particularly in the dynamic of proprietary situations.

New challenges arising for Private Debt managers come from intense competition in the current environment, which drives leverage levels upward. This competition is driven by (i) the side effect of quantitative easing which led to abundant liquidity and (ii) the growing number of anglo-saxon funds investing in continental Europe in anticipation of a softer economy in the UK. In this environment, private debt lenders need to be more cautious and focus on capital preservation and credit discipline.”

As at 9/30/2018, total AuM of Tikehau Capital amounted to €15.9 billion, Private Debt: €7.5 billion, and Direct Lending: €2.6 billion.

9. European Leveraged Loans by Remy Chupin, Head of Leveraged Loans - SCOR Investment Partners

Keywords: Leveraged Loans | Corporate Financing

“The dynamism of the leveraged loan market did not abate in 2018, boasting a strong primary market activity. Returns remain attractive (Euribor + 375 bps on average), and default rates are notably low. With an average leverage of 5.2x, versus 6x in the US, and an elevated equity contribution (ca. 50% in Europe versus 40% in the US), the segment continues to offer interesting investment opportunities. While documentation for the issuance of large-cap loans (>€300 million) tends to weaken, the mid-market loan segment (<€300 million) continues to benefit from financial covenants and lower leverage levels. Furthermore, the Euro market benefits from three types of stable investors, which include banks (nearly absent in the US primary market), institutional funds and CLOs (ensuring a strong resilience of the secondary market).”

As at 9/30/2018, total company AUM amounted to €14.5 billion, Leveraged Loans: EUR 1.6 billion (excluding undrawn commitments).

10. Leveraged Loans by Javier Peres-Diaz, Head of European Loans/ Lead Portfolio Manager, Europe – BNP Paribas Asset Management

Keywords: Primary Deal-Flow | Lending Standards | Risk Compensation

“Over the past few years, the unprecedented monetary policy easing pursued by major central banks globally has been pushing institutional investors to seek yield opportunities in alternative asset classes. In this context, European leveraged loans have witnessed significant inflows due to their attractive cash income profile, capital structure seniority and floating rate nature. From an asset allocation perspective, these features offer the possibility of generating consistent cash returns with limited interest rate duration and a balanced risk profile. Looking forward, and within the context of a monetary policy normalization scenario, the investment case for the asset class remains solid given the negative convexity of the loan instrument. The challenge for investors will
be to select strong loan managers capable of effectively navigating across the credit cycle.”

As at 09/30/2018, total company AUM amounted to €416 billion, Private Debt & Real Assets: €7.9 billion and Leveraged Loans & Corporate Private Debt: €5.6 billion.

11. Collateralized reinsurance (Insurance-linked securities) by Vincent Prabis, Head of ILS – SCOR Investment Partners

**Keywords:** ILS | Cat Bonds | Collateralized Reinsurance

"The size of the "collateralized reinsurance" market reached $98 billion at the end of June 2018. The traditional reinsurance market has continued to grow as the need for protection increased (economic growth, demographic, etc.). The "alternative" or "collateralized" market experienced an ever further accelerated growth due to sponsors pursuing to diversify their protection in addition to the securitization provided by the collateralization. 2017 has been a costly year for the reinsurance industry. The sequence of hurricanes H.I.M (Harvey, Irma, Maria) and the wildfires in California have caused insured losses of $79.4 billion alone (as at end of August 2018, not yet final). The upward reassessment of estimated losses linked to the 2017 events created uncertainty, leading to an increased volatility and consequently a negative mark-to-market effect. Nonetheless, the suffered losses have not sufficed to generate a long-term increase of reinsurance premiums. The capital inflows of Q4 2017 and Q1 2018 have been enough to replace the capital drained by 2017 losses. This heavy demand exceeded the level of issuance of early 2018 and led to pressure on spreads, which have, despite the suffered losses, mostly been settled at the same levels as in the previous year."

As at 9/30/2018, total company AUM amounted to €14.5 billion, Insurance-linked Securities: $1.4 billion.

12. Private Debt by Thierry Vallière, Global Head of Private Debt Group – Amundi Asset Management

**Keywords:** Private Debt | Fixed Income | Credit | Selection

"Private debt has become a staple of any portfolio and the size of the private debt markets make it impossible to ignore. Without replacing traditional fixed income, private credit helps capture additional premiums (relative illiquidity, sourcing, structuring, size, etc.) and offers diversification with low volatility that traditional fixed income cannot offer. However, the amounts available for investment in this asset class are such that they call for a high degree of caution in the selection of assets. Private debt markets are not immune to decreasing returns and weakening legal structures and documentation. Therefore, we are convinced that thorough selection and an in-depth understanding of underlying credits are key to success."

As at 30/06/2018, total company AUM amounted to €1.5 trillion, Real, alternative and structured assets: €71 billion and Private debt: €6.8 billion.

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**Emerging Markets**

13. EMD Total Return by Damien Buchet, CFA, Partner and CIO Total Return – Finisterre Capital

**Keywords:** US Slowdown | EM Resilience | EUR EM Debt Demand.

"The US policy mix and growth model is unsustainable at this pace and fading fiscal stimulus, further FED hikes, and rising corporate margin pressures warrant a valuation adjustment in US equities and HY. Conversely, this implies a halt to further rises in US 10Y yields and the USD which will remove pressure from EM assets at a time when the asset class trades near 5 year lows and is technically cleaner after 2018 outflows. An engineered China slowdown, a broadly resilient EM growth momentum, coupled with an end to extreme EM risk events will help stabilise the outlook. The next leg of the EMD asset price cycle is up, although more “L” than “V” shaped, favouring income and alpha positions, while beta timing should remain long-biased but nimble and tactical. Opportunities lie in short to mid-duration EM hard currency bonds, high yielding currencies versus the Renminbi and Asian Low beta FX, high real rates local bonds of Indonesia, Russia and possibly Mexico. Frontier local markets of Argentina and Egypt should exhibit some resilience due to better technicals.

In terms of demand, the key hurdle for non-US (EU and Asian) investors into a USD based asset class like EMD, remains the high cost of hedging the USD risk. We expect EUR denominated EM issuance to pick up as demand likely exists for such products and access to USD financing is more competitive for EM issuers."

As at 31/10/2018 total company AUM amount to $2 billion, Alt. Inv: 100%, Alt. Asset Class: Emerging Markets Fixed Income and Strategy: Global-Macro and Long/Short EM Credit Hedge Funds / EM Total Return UCITS.
Survey of Alternative Investment Managers: Speakers Views and Comments

Real Estate & Infrastructure

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2. European Value-Add Real Estate Debt, SCOR Investment Partners
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4. Pan-European Core Real Estate Investing, Amundi Immobiler
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9. Investing in Logistics, AXA Investment Managers - Real Assets

Infrastructure
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11. Private Infrastructure Investing, SWEN Capital Partners
Multi-Sector Core & Value-Add Real Estate

1. European Real Estate Debt by Philippe Deloffre, Head of Real Estate Debt – BNP Paribas Asset Management

**Keywords:** International Experience | Alternative Assets | Socially Responsible Investment

"As the European Real Estate Debt market shows a lack of homogeneity, an internationally experienced Investment Team with access to local market knowledge is crucial to taking advantage of local pricing windows of opportunity for a given risk profile across the whole region. Given the low yield on traditional asset classes (particularly Office and Retail) and the fierce competition driving debt pricing down on these asset types, a capacity to source other asset type such as operating (student housing, clinics, care homes, etc.) and non-standard assets (leisure, parking, data center, etc.) allows for higher risk-adjusted returns. Finally, one does not need to follow an equity strategy to implement a robust SRI strategy: Debt strategies can do so through monitoring and assessment of the property owner and building performance for example."

As at 09/30/2018, total company AUM amounted to €416 billion, Private Debt & Real Assets: €7.9 billion.

2. French Value-Add Real Estate Debt by Gilles Castiel, Head of Real Estate - SCOR Investment Partners

**Keywords:** Low Vacancy Rate | Low Cap Rates | Value-Add Transactions

"The real estate market for offices in the region of Île-de-France (Paris region) continues to show signs of dynamism. Due to a decreasing vacancy rate, upward pressure on rents started to materialize with some subsectors already registering increases. Even though lease negotiation arrangements (more specifically, initial rent-free period) slightly improved in some areas, they mostly remain stable. Consequently, the all-in net rent has increased only marginally.

After two very robust first quarters, the third quarter of 2018 saw a slight decline in terms of office take-up in comparison with Q2 2018. Nonetheless rental transactions reached 1.9 million m² for the first three quarters of 2018, which represented an increase of 6% in comparison with the previous year.

In Paris as well as the most established markets of the first Crown, coworking companies are very active and continue to lease spaces at the highest rents. This phenomenon is carefully analyzed by established real estate players since long-term business viability of these new tenants is yet to be verified.

Respecting investments, €16.6 billion has been invested in the French office market, of which 75% took place in Île-de-France (+11% compared with the previous year). The share of foreign investors, notably American (17%) or German (10%), has strengthened since 2017 and represented 39% of the investment activity.

The capitalization rates remain at historical lows with unchanged prime office rates for Paris CBD at 3%. This leads to a risk premium of >2.5% over the risk-free rate, which is in line with the 10-year average.

In this context, SCOR Investment Partners’ focus lies on the financing of Value-Add real estate transactions through occupancy improvement or repositioning of assets. Value creation represents a form of hedging against unfavorable developments in the real estate market. Under current market conditions, expected yields for such lending transactions would settle at Euribor with spreads of ca. 2.5% for an average maturity of 4 to 5 years."

As at 9/30/2018, total company AUM amounted to €14.5 billion, Real Estate Debt: €1.3 billion.

3. Institutional Investing in Private Strategies, Etienne Stofer, CEO, Caisse de Retraite des Personnels Navigants Professionnels de l’Aéronautique civile (CRPNAC)

**Keywords:** Resilience | Entry Price | Investment Horizon

"Resilience: A strategy of regular yearly commitments in different private strategies provides diversification in terms of asset classes and vintages and mitigates uncertainty connected to bad timing and bad decision-making usually occurring in adverse market conditions.

Entry Price (especially in real estate): location still remains the first criterion, but beware of price in the current market conditions, as fair value may be hard to assess in the current low interest rate environment.

Investment Horizon: avoid acquiring private assets with certain liquidity in current market conditions, but facing uncertain liquidity in case of adverse market conditions, without having the ability to hold still during the required recovery time period before selling."

As at 12/31/2017, total pension fund assets amounted to €5 billion comprising listed fixed income (44.5%), public equities (32.5%), private alternative investments (total: 23%, real estate: 19%, infrastructure: 1%, private equity: 1.5%, debt: 1.5%).

4. Pan-European Core Real Estate Investing by Nicholas Holford, Senior Fund Manager, Amundi Immobilier

**Keywords:** Diversification | Selectivity | Rationalization

Despite slightly lower inflows into real estate compared to 2017 and a modest rise in interest rates, the yields and risk premia offered by most markets remain tight. In this context, we target demand-driven markets with potential for rent increases and remain focused on prime locations. We seek to maximise both the sectorial and geographical diversification of our funds while remaining selective in our investment choices. We also aim to de-risk existing portfolios by deleveraging where it makes sense and rationalising them through the sale of less defensive or mature assets."

As at 06/30/2018, total company AUM €29 billion, throughout Europe.

5. Value-Add European Real Estate by Sebastien Daguenet, Director - Client Portfolio Management - Invesco Real Estate

**Keywords:** Flexibility | Active Management | Local Presence

"Value-add opportunities may be greater where there is a larger gap between prime rents and the wider market and when these are supported by long-term drivers: (i) The impact of e-commerce..."
on the retail sector suggests potential for mispricing with change-of-use or redevelopment opportunities, (ii) Lead by technological changes, creating best-in-class office assets to capture market rental growth and meet modern day occupiers’ needs in Milan, Paris and Germany’s key office markets. (iii) Demography is supporting development strategies for residential and the emerging student housing market in demographically youthful cities across Germany, the UK, Spain and Central Europe.

The Invesco Real Estate (“IRE”) approach to Value-Add strategies focuses on using intensive asset management to create stabilized assets for sale into the Core market. The objective of the Value-Add strategy is to achieve a double digit IRR over a holding period of 3-4 years. The strategy remains flexible in terms of European markets and sectors, including offices, retail, residential, logistics and hotels. IRE focuses on markets where its local teams provide an information, sourcing and execution advantage in micro-locations with the greatest demand from tenants and investors.”

As at 06/30/2018, total company AUM amounted to €825 billion, including €55.9 billion in Real Estate and €9.3 billion in European Direct Real Estate.

**Sector-Specific Real Estate**

6. European Industrial Real Estate by Saloua Cavrois, Senior Associate - MSCI

“Industrial investors enjoyed strong returns in 2017 across nearly every global real estate market. The sector’s performance was particularly strong when viewed relative to that of the retail sector. Many commentators have cited structural shifts in e-commerce and their impact on retailers’ distribution networks as the main driver of these performance trends.

However, we have seen industrial real estate outperform before. Historical evidence shows that higher yielding sectors have often performed well in the later stages of a cycle, as investors rotated into these assets in search of yield. Indeed, until recently a significant yield premium was evident between industrial and the broader market, as seen in previous cycles. But this yield spread has compressed to new lows, both in single asset sales (~325 transactions for ~€9 billion in 2017 vs ~160 transactions for ~ €2.3 billion in 2013) and portfolios (46 transactions for €12 billion in 2017 vs 18 transactions for €3.5 billion in 2013). Most European transactions in three countries in 2017 (UK 25%, Germany 18% and Spain 23%).

(ii) Seller and buyer types in 2017 were varied and quite well balanced between single asset and portfolio (Hotel Investment company, Real Estate Investment Company, HNWI, Hotel owner-operator, Private Equity, Institutional Investor).

(iii) Capital mainly comes from Europe with a strong return of American buyers in comparison with Middle Eastern and Asian. Persistent interest of investors for portfolios but stronger growth of single asset transactions.”

As at 12/31/2017, total company AUM amounted to €191 billion, Real Estate: €69 billion and Hospitality: €0.9 billion.

8. European Student Accommodation by Alex Douaihy, MRICS, CAIA, Managing Director - Crosslane Real Estate France

**Keywords: Established Real Estate Sector | Countercyclical Investment | Shortage Market**

“Student accommodation is a real estate asset which constitutes a source of diversification for institutional real estate portfolios. The global investment in this asset class strongly increased during the last ten years: from $3.5 billion in 2007, it reached $16.5 billion in 2016, among which $6 billion in Europe (Savills World Research source, 2017-18).

As other property types such as office or retail, student accommodation is classified according to its geographical location in primary, secondary or tertiary markets. These latter correspond to the ranking of university city-hubs, according to the importance of their student populations and the reputation of their universities. From a niche sector, student accommodation is now considered more and more as a mainstream and established sector, although varying levels of market maturity prevail in major international markets.

In the mature markets of student accommodation, such as that of the United States or the United Kingdom, this property type presents enough market volume to be able to construct portfolios of substantial size which can meet the investment criteria of global investors.
Student accommodation has the advantage of benefiting from a growth market. Indeed, in a knowledge economy increasingly requiring the pursuit of university studies to satisfy the labour market evolution, this asset class satisfies a real and expanding economic need, that of accommodating an increasing number of higher education students in a global context of a shortage of student accommodation in various European countries. Further, this asset class can enjoy countercyclical behavior, because students tend to extend their period of studies to delay their entrance into the labor market in times of economic recessions.

In Europe, the British market of student accommodation is the most mature: since 2010, it attracted approximately 80% of the investments in this sector. However, Continental Europe has begun to catch up in the past few years with an increasing interest of global investors for its different markets. In continental Western Europe, this property type offers an average return premium of about 100 to 125 basis points compared with that of a comparable investment in the classic residential sector (Savills World Research source, 2017-18). However, this spread tends to be reduced because of the scarcity of student accommodation products offered in these markets.

In France, in 2017, 2.7 million students were registered in higher education, among whom 1.6 million were living far from home. These figures include 320,000 international students constituting 12% of the total registered students. Regarding the student accommodation offer, approximately 470,000 beds, combining both public and private stocks, were available on the market with a shortage of approximately 1.1 million beds, currently satisfied by the private residential market (Xerfi - Precepta source, September 2017). In France, the investment in this asset is closely tied to the development activity of new student housing which is currently growing.”

Crosslane Property Group (Development and the operation of purpose-built student accommodation in the UK and continental Europe). UK: Operation of 2,500 beds, ongoing development of 6,000 beds.

9. Investing in Logistics by Arnaud De Jong, Senior Fund Manager – AXA IM - Real Assets

Keywords: Structural Shift | Income | Diversification

“The supply chain reconfiguration together with the rapid growth of e-commerce continue to be the significant game changers for the logistics market across Europe. Real estate assets are more than ever embedded within the value creation processes of occupiers that seek greater efficiency and place a lot of value on the relationship with their landlords and the ability to respond their needs.

This ongoing structural shift is an opportunity for investors to design efficient investment strategies within a wide range of risk profiles. At the high end of the risk spectrum, logistics development is a natural fit in this environment as it satisfies a growing demand for modern warehouses (i.e. buildings with Grade A specifications: minimum clear heights, number of docks, minimum floor load capacity). Within a core/core+ investment approach, pan-European logistics portfolios with a good diversification base and resilient income returns become even more attractive as we are advancing in the later part of the cycle.”

As at 9/30/2018, total company AUM amounted to €79 billion, Logistics Strategy: €1.9 billion.

Infrastructure

10. European Core Infrastructure by Benoit Gaillotchet, Managing Director, Ardian

Keywords: Digital | Real Assets | ESG

"Infrastructure investment requires a long-term vision relying on this asset class’ stable and predictable cash flows. Beyond the search for yield, our investment strategy involves the assets’ development and enhancement. Indeed, infrastructure now incorporates digital tools (notably predictive maintenance) that transform their operations and make them closer to end users. Similarly, ESG policies ensure durability, sustainability and consistency of these long-term investments.”

As at 10/11/2018, total ARDIAN AuM amounted to $72 billion, Infrastructure: $9 billion.

11. Private Infrastructure by Jean-Philippe Richaud, Managing Director – SWEN Capital Partners

Keywords: Inflation | Competition | Capital Deployment

"Private Infrastructure as an asset class has come to a maturity stage. Ten years ago, fund managers were initializing their entry is this new area in the context of the large indebtedness of most of the traditional players (banks, states, and construction & public works companies). Starting with a €500 million - €1 billion fund size, these first movers have been raising at the moment their 4th or 5th fund and targeting €5-10 billion in size. This outstanding inflation has mostly benefited brownfield strategies. Greenfield remains a niche strategy and dedicated renewable energy players had to deal with regulatory changes, price constraints, energy market transformation, etc. Growing in size and facing competition from direct institutional investors, the main challenge for these mega-funds is to maintain a steady deployment pace and performance level while managing potential spin-offs of investment teams aiming to fill the mid-market gap. Inflation should also be considered at asset revenue levels. Presented as a strong protection element within the early approach, pan-European logistics portfolios with a good diversification base and resilient income returns become even more attractive as we are advancing in the later part of the cycle.”

As at 06/30/2018, total company AUM amounted to €4.4 billion, Infrastructure fund-of-funds: €1.5 billion.
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2. Alternative UCITS, BNP Paribas Capital Partners
3. Fund of Hedge Funds Management, Darius Capital Partners
4. Hedge Fund Operational Due Diligence, BNP Paribas Capital Partners
5. Institutional Investing, Credit Agricole Assurances

**Event-Driven & Long/Short Equity**
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**Private Equity**

**Private Equity Fund of Funds**
1. European Private Equity in 2018, Access Capital Partners
2. Fund Structuring and Governance, PPC
3. FoF Program Structuring, BNP Paribas Capital Partners
Buyout & Growth

4. European Growth Capital, Amundi Asset Management
5. European Midmarket Private Equity, Tikehau Capital
6. European MidCap Buyout, LBO France
7. European Upper Midmarket Buyout, KKR
8. French MidCap Buyout, Eurazeo PME

Venture Capital

9. Digital Venture Capital, Idinvest Partners
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11. Africa Growth Private Equity, AfricInvest

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Private Credit

8. European Direct Lending, Tikehau Capital
9. European Leveraged Loans, SCOR Investment Partners
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Real Estate & Infrastructure

Multi-sector Core & Value-add Real Estate

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Sector-specific Real Estate

6. European Industrial Real Estate, MSCI
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2015 - Steeve Brument, CTA, Candriam
2015 - Eric Lauri, Equity Market Neutral L/S, Exane AM
2016 - Loic Cadiou, Global Macro, H2O AM
2016 - Eric Debonnet, Alternative UCITS market, BNP Paribas Capital Partners
2016 - Carl Dunning-Gribble, Event Driven Equity, Syquant Capital
2016 - Karim Moussalem, Equity L/S, Verrazzano Capital
2016 - Pierrick Louis, Institutional Investing, Credit Agricole Assurances
2017 - Boris Bourdet, Equity Market Neutral, DNCA
2017 - Jose-Louis Fernandez, HF Operational DD, BNP Paribas Capital Partners
2017 - Stephane Vial, Alternative Beta, CFM
2017 - David Wright, US Equity Market Neutral – Big Data, Blackrock
2017 - Pierrick Louis, Institutional Investing, Credit Agricole Assurances
2018 - François Faure, CAIA, Fund of HF Management, Darius Capital Partners
2018 - Emmanuel Gavaudan, Multi-Strategy Market Neutral, Boussard & Gavaudan
2018 - Frederic Hoogveld, CAIA, Factor Investing, Amundi Asset Management
2018 - Jonathan Kieffer, CAIA, Fund of HF Management, Lyxor Asset Management
2018 - David Lenfant, Event Driven, Laffitte Capital Management
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2016 - Alexis Lavaillote, MidCap Buyout, Ardian
2016 - Gilles Nobecourt, Life Sciences Venture Capital, Andera Partners
2016 - Jean-Marc Rivet-Fusil, Private Equity FoF Investing, BNP Paribas Capital Partners
2016 - Philippe Taffin, Institutional Investing, Aviva France
2016 - Sara Verdi, Global Buyout, Blackstone
2017 - Cedric Chavot, Institutional Investing, CARDIF
2017 - Stanislas De Joussineau, European MidCap Buyout, KKR
2017 - Benoist Grossmann, Digital Sector Late Stage VC, Idinvest
2017 - Emmanuel Laillier, French MidCap Buyout, Eurazeo PME
2017 - Patrick Perez, Private Equity FoF Program Structuring, BNP Paribas Capital Partners
2018 - Pierre Abrial, Private Equity FoF Investing, Access Capital Partners
2018 – Stéphane Colin, Africa Growth Private Equity, AfricInvest
2018 – Paul E. Cornet, Fund Structuring and Governance, PPC
2018 - Stanislas Cuny, European Growth Investing, Amundi Asset Management
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2016 - Alexis Foret, Euro High Yield, EdrAM
2016 - Javier Peres-Dias, Leveraged Loans, BNP Paribas Asset Management
2017 - Xavier Baraton, Fixed Income Markets, HSBC GAM
2017 - Michel Manteau, Institutional Investing, CARMF
2017 - Stephane Parlebas, Relative Value Fixed Income, Chenavari Investment Partners
2017 – Sydney Rostan, Insurance-Linked Securities, SCOR IP
2017 - Thierry Valliere, Private Debt, Amundi Asset Management
2018 - Remy Chupin, Leveraged Loans, SCOR IP
2018 - Damien Buchet, Emerging Market Debt Total Return, Finisterre Capital
2018 - Olivier Laplenie, Smart Beta Credit, BNP Paribas Asset Management
2018 - Guillaume Leglise, European HY and Loan Market, Moody's

Real Estate & Infrastructure

2016 - Johanna Capoani, Hospitality Investing, Swiss Life REIM
2016 - Saloua Cavrois, European and US Real Estate Markets, MSCI
2016 - Jerome Fremaux, FoF Infrastructure PE Investing, Amundi Asset Management
2016 - Nicholas Holford, European Core Real Estate Investing, Amundi Asset Management
2016 - Sebastien Lecaudey, European Value-Add Infrastructure Investing, Antin Infrastructure Partners
2016 - Etienne Stoffer, Institutional Investing, CRPN
2017 - Saloua Cavrois, European and US Real Estate Markets, MSCI
2017 - Arnaud De Jong, Logistics Development Investing, AXA IM - Real Assets
2017 - Benoit Gailllochet, European Core Infrastructure, Ardian
2017 - Francois Marbeck, Institutional Investing, La Banque Postale
2018 - Gilles Castiel, French Value-Add Real Estate Debt, SCOR Investment Partners
2018 - Sebastien Daguenet, Value-Add European Real Estate, Invesco Real Estate
2018 - Philippe Deloffre, European Real Estate Debt, BNP Paribas Asset Management
2018 - Alex Douaihy, CAIA, European Real Estate Markets & Investing, Crosslane Real Estate France
2018 - Jean-Philippe Richaud, FoF Infrastructure PE Investing, SWEN Capital Partners
2018 - Thomas Vieillescazes, European Core Infrastructure Investing, DIF
Data Partners

1. ASPIM (Association Française des Sociétés de Placement Immobilier)
2. CAIA Association Partners (Prequin, HFR)
3. INDEFI (Baromètre Institutionnels INDEFI 2017)
4. France Invest (Association of French private equity fund managers)
Authors

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