

## **LPEQ SURVEY OF WEALTH MANAGERS SHOWS RETURNING DEMAND FOR LISTED PRIVATE EQUITY IN SPITE OF VOLATILITY**

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- Over half (53%) of LPE users intend to increase their allocation to LPE in the coming year
- Among those not invested in LPE, 13% anticipate doing so in next year
- Awareness of LPE has increased for 45% of respondents
- 72% see access to the asset class as a key advantage of LPE
- 79% see LPE as providing portfolio diversification
- 60% feel wide discounts of LPE shares create a buying opportunity

LPEQ, the group of 17 European UK- and continental-listed private equity companies, today published the findings of its third survey of the attitudes to listed private equity (LPE) of wealth managers.

For the first time, continental wealth managers were included in LPEQ's wealth manager survey, which was conducted with the help of WealthBriefing and ComPeer. Over 200 wealth managers participated in the survey, of whom approximately half were based in the UK and half based in continental Europe. Some held LPE stocks for clients at the time of the survey in July ("users"); others did not ("non-users").

The survey showed that the advantages of investing in LPE included access to an asset class otherwise only available to the largest investors (72% of respondents agreed); portfolio diversification (79%) and liquidity, relative to LP funds (40%).

Despite recent market conditions, wealth managers retained confidence in the performance of private equity in general, with 64% of all respondents and 75% of LPE users agreeing that private equity outperforms over the cycle. However, confidence in the long-term performance of listed private equity has, perhaps unsurprisingly, diminished since the last survey in 2007, with 40% in 2009 thinking that listed stocks outperform in the long term, as against 73% in 2007.

Demand for listed private equity seems poised to rebound. 60% of all respondents felt widening discounts of listed private equity shares created a buying opportunity. Over half (53%) of LPE users intended to increase their allocation to LPE in the coming year, with only 11% intending to decrease it. Among those not currently invested in LPE, 13% anticipated entering the market in the coming year.

Wealth Managers also believed LPE to be suitable for a wide range of client portfolio sizes. As seen in previous LPEQ surveys, 65% use LPE as an alternative asset rather than as an equity.

The survey also revealed that wealth managers were becoming more knowledgeable about private equity and were more likely to invest in both LP funds and LPE on behalf of clients - a marked difference from wealth managers in LPEQ's previously UK-focused research. 73% of LPE users, including all the German and Swiss users surveyed, also invested in LP funds. In contrast, in LPEQ's 2007 UK survey, only 18% invested in both LP funds and LPE. Awareness of LPE had increased for almost half (45%) of all respondents and 60% of LPE users in the past year.

As a complement to LP fund investment, 57% of all respondents felt that LPE helped them to reach their target private equity allocations more quickly, while 62% of all respondents felt LPE helped them manage their target allocations better.

When asked about what type of listed private equity stocks they held, 34% of LPE users had investments in both London and Continental-listed companies, 40% had London only and 26% Continental European companies only.

Barriers still exist to prevent wealth managers from investing in LPE, with nearly half of non-users not investing because their investment mandate or job description prevented them from doing so. More crucially, improved communication from fund managers was sought by both current investors and those considering investment. Only 43% of respondents agreed that they had sufficient information to make an investment decision about LPE.

68% of all respondents relied on LPE companies' own websites for their information and 81% of LPE users cited broker research as their principal source of information. This contrasted with the 2008 LPEQ Prequin survey of European institutional investors, only 24% of whom utilised broker research.

LPEQ's website has established itself an important source of sector information: 26% of all respondents and 76% of LPE users had used [www.LPEQ.com](http://www.LPEQ.com) and almost all found it a useful source.

Commenting on the findings, LPEQ Chairman, Ian Armitage of HgCapital says: "This is the third time LPEQ has surveyed the wealth management community in as many years and it is reassuring to see the healthy demand and interest shown in LPE, in spite of a decline in performance over the past 18 months. Lack of adequate information still prevents more investment in listed private equity - something LPEQ members are committed to improving. "

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## **Methodology**

LPEQ worked with ComPeer, a research firm specialising in the wealth management sector, and WealthBriefing, a leading news, features and information source for the global wealth management sector, to access their European electronic subscription base. An online research survey was conducted in July 2009 with the link sent twice by mailshot to WealthBriefing's 12,000 European subscribers.

## **NOTE TO EDITORS**

### **About LPEQ**

LPEQ was launched in 2006 (originally as iPEIT) to increase awareness and understanding of listed private equity among the investment community and its commentators. The members of LPEQ are: Conversus Capital LP, Deutsche Beteiligungs AG, Dinamia Capital Privado SCR SA., Dunedin Enterprise Investment Trust PLC, Electra Private Equity PLC, F&C Private Equity Trust plc, Gimv NV, Graphite Enterprise Trust PLC, Henderson Private Equity Investment Trust plc, Hg Capital Trust plc, J.P.Morgan Private Equity Limited, JZ Capital Partners Limited, NB Private Equity Partners Limited, Pantheon International Participations PLC, Princess Private Equity Holding Limited, Standard Life European Private Equity Trust PLC and SVG Capital plc. More information is available at [www.lpeq.com](http://www.lpeq.com)