OPALESQUE
PRIVATE EQUITY STRATEGIES

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In This Issue

Welcome to the latest issue of Private Equity Strategies. In this issue, we take a look at how Brazil is bouncing back after recent turmoil in LatAm's largest economy.

Our data heavy year-end issue also looks at the expectations gap between investors and GPs both from a transparency standpoint and from a technology standpoint. Independent analyst Roger Beutler also takes a look at the fundraising environment as we head into a new year.

Data from Coller's Private Equity Barometer shows that investors are warming to European private equity as they look for new, global opportunities. This trend is backed up by an examination of recent changes in France by lawyers for Latham and Watkins - recent legal trends show positive regulatory changes for private equity in France.

Finally, in our Movers & Shakers section, we highlight new transactions and funds from Silverpeak, NEXT Investors, DSC Quantitative & Northleaf.

We hope you enjoy the issue - stay tuned for new releases in 2017 and please reach out if you would like to contribute.

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Brazil Bounces Back

By: Oscar Decotelli
DXA Investments

Negative news and information have dominated the headlines regarding Brazil for the past several years. The media have focused on various cases of public corruption which are at least partly responsible for the major recession now affecting the overall economy. However, the fundamentals of the Brazilian economy remain sound, and significant opportunities exist for the long term investor to take advantage of uncommonly low entry points.

A bit of history

Traditionally, investment in Brazil has been a tricky proposition; one fraught with uncertainty. Since the latter part of the twentieth century, public and private leaders have worked to achieve economic and political stability, and thus enhance the international reputation of this sizeable and significant country.

In 2002, Brazil elected its first left-leaning/socialist President, when Luis Inácio Lula da Silva was inaugurated on 1 January 2003. This event was followed by a period of momentous economic development from 2003 through 2014- the longest period of positive growth and capital appreciation in Brazilian history. With the resulting reputation of Brazil as an economic and investment darling, knowledgeable leaders and professionals recognized the need for additional significant structural improvements -- efforts which continue to this day. Paramount among these needed enhancements are restructuring the social security system, simplification of the tax laws, and labor and political reform.

In 2014, the eyes of the world focused on Brazil as it hosted the World Cup in soccer. Meanwhile, the political and economic base was shaken to its core by a series of landmark events. Brazil entered a new phase as its socio-economic strata realigned and people no longer accepted the "business as usual" mentality.

Citizens demanded a "clean" and professional leadership class. This sentiment was embodied in "Operation Carwash," which began as a minor prosecution of car wash businesses which were used to launder money, and metastasized into the largest corruption investigation and scandal in Brazilian history. To date, an elected President (Dilma Rousseff) has been impeached, more than 2,000 individuals implicated, authorities have arrested and jailed over 200 individuals from every level of society, including billionaires, politicians and other leaders; the last chapter has not been written as prosecutions continue.

Between 2015 and 2016 Brazil endured the worst recession in recorded history while the economy contracted by 7 percent in each of those years. However, the bedrock remained solid throughout, and now fundamental measures of economic health have begun to evolve dramatically.

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From its peak of 10 percent in 2015, inflation has retreated to an annual rate of approximately 3 percent in 2017. Similarly, interest rates which spiked at 14 percent in 2015 are now at 7.5 percent and trending lower. Brazil has begun the arduous but requisite process of structural transformation. The next decade will present innumerable opportunities for advantageous private investment in businesses with sound management and fundamental financial strength.

Where we go from here

Brazilian businesses provide some of the best risk-return ratios in the world. Enticingly high return multiples on equity and double-digit interest on debt instruments are a reality in the arena of Brazilian investment today. Opportunities should be viewed through the prism of small and medium investment opportunities where local knowledge and expertise is requisite.

The Brazilian middle class has many of the same aspirations as those in developed markets and many of the same consumer habits. By focusing on local companies that are well positioned to take advantage of those consumer interests, investors can expect to see multiple expansion and a long runway for future growth.

Expectations Gap Persists Between LPs and GPs, Survey Shows

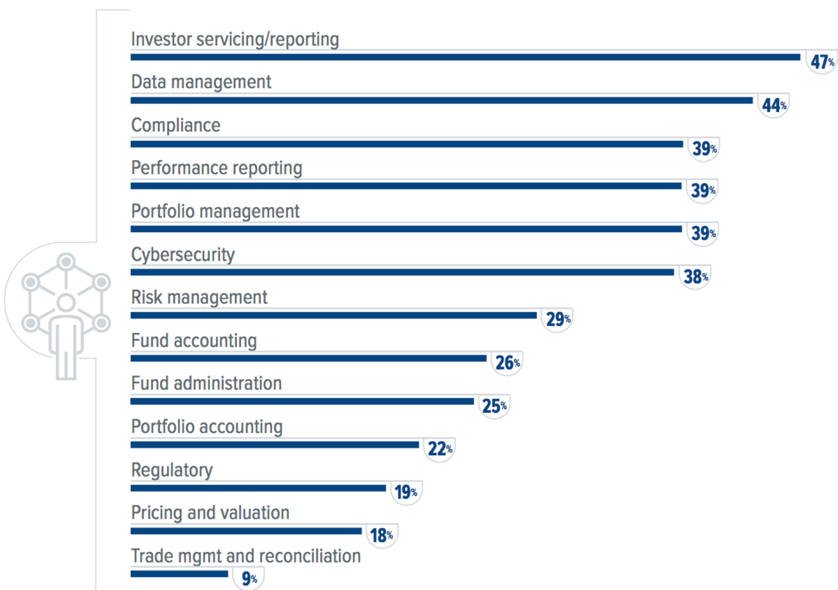
By: Bailey McCann
Private Equity Strategies

New survey results from SEI & Preqin show a persistent disconnect between investment managers and investors. Preqin puts the total alternatives market at approximately $7.7 trillion across strategies and investors in the survey indicate that they have plans to continue to allocate to alternatives. However, investors also expect more transparency, as well as a vast operational and technological infrastructure - all with lower fees.

"The disconnect between what LPs expect and what it means for the GP continues to be significant," says Jim Cass, Senior Vice President and Managing Director, at SEI Investment Manager Services in an interview with Private Equity Strategies. "For firms that aren't running mega-funds, there is a significant cost to do business and that puts pressure on GPs and what they can do."

According to Cass, as investors have moved into alternatives they have also set the bar higher for the managers they select - in some cases trading away outperformance for the consistency of mega-funds. As a result, mid and small-tier GPs have moved to offer more fund structures and separately managed accounts that let LPs pick and choose best ideas. While that works for bringing in new business, it also sets up an increasingly complex account management structure for GPs and can make it difficult for LPs to compare peer managers across vehicles. The multi-structure approach also removes resources from investing in order to meet growing reporting demands. In the GP survey, managers listed investor reporting/service as the top area where IT resources were allocated in 2017, portfolio management came in fifth. Based on resource allocation, there is arguably more innovation in account structure than there is in finding investment ideas.

FIGURE 5 Select the top five areas where your firm will allocate additional IT resources in 2017



Source: 2017 SEI/Preqin GP Survey.

Past performance determines future relationships

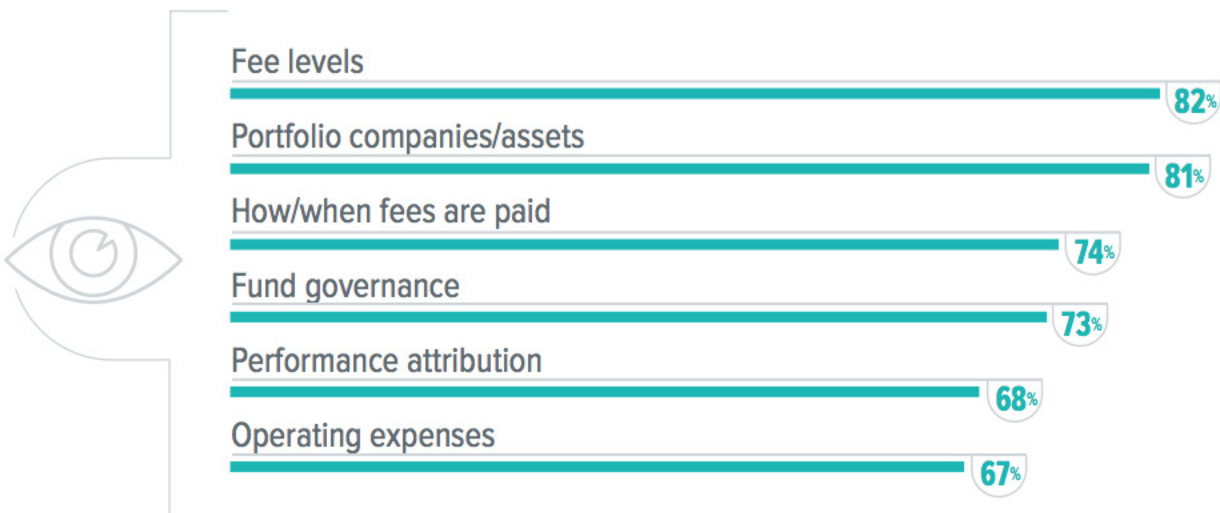
While past performance may not determine future results, it does determine future relationships. Data in both surveys shows that LPs are allocating more to alternative strategies but they have moved out of hedge funds as a result of recent lackluster performance. 72 percent of respondents said they expected to see the most asset flows going to private debt, compared to hedge funds, where only 26 percent saw growing demand. Infrastructure, private equity, and real estate demand are also outpacing hedge funds.

According to the surveys, investors are looking to private debt as a result of high valuations in the public markets. Private debt is viewed as a diversifier asset class that is broadly uncorrelated to the equities market.

The move away from hedge funds has slowed somewhat this year, as performance has rebounded. Hedge funds have posted seven consecutive months of positive returns according to Preqin data and asset flows are broadly positive across strategies. However, it's too early to tell if this is a trend that will last.

SEI's Cass notes that investors have started to look for equities strategies that have downside risk protection as a component which is bringing them back to hedge funds. "It's hard to make the case for hedge funds when the market is only going one direction," Cass says. "But investors have started looking at ways to get out in front of a correction - they want exposures that could weather a downturn."

FIGURE 7 Do you believe that current levels of transparency to LPs are sufficient in the following areas?



Source: 2017 SEI/Preqin GP Survey.

Regs Watch: Brief Updates on Changes in Regulation for Private Equity

As journalists like me and lawyers have written ad nauseum, new and ever more regulations are in the pipeline for private equity and alternatives as a whole. Here we will hit on some of the cases of note and provide links to new guidance over the past month.

Is private equity paying attention to ASC 606?

ASC 606 is the most important thing you've never heard of. Learn more at PEHub.
Read More.

How FDI regulation will change the game for Indian startups

India has become one of the top places for new technology startups, but the Indian government is working on disruption of its own by changing regulation - a new report from EY looks at what that might mean for business owners and investors.
Read More.

SEC explains Regulation G exemption for M&A forecasts

SEC Staff's clarification should have a significant effect on numerous pending suits and on the ability of the plaintiff's bar to bring such claims in the future. Read more.

Luxembourg's strength is its regulatory backbone

Luxembourg will always be a very heavily regulated jurisdiction. When the Alternative Investment Fund Managers Directive was introduced in 2011, the Grand Duchy was well prepared in advance of this new post-financial crisis environment of global regulation.
Read more.

Israeli parliament eases regulation on startup equity crowdfunding

Israeli Parliament amended a series of regulations that will ease fixed-income debt crowdfunding for startups and small businesses.
Read more.

Covering compliance for private equity firms

A cottage industry of outsourced compliance professionals has emerged for middle market private equity firms, as reporting requirements grow.
Read more.

Trump's Fed chair nominee says Wall Street regulations are 'tough enough'

Powell needs a majority of senators to vote for him to be the nation's top economic policymaker. If confirmed, Powell would start in early February.
Read more.

UK the riskiest market after China, say finance and tech firms

Political and economic uncertainty emanating from the Brexit vote have contributed to make the UK the second riskiest market in which to do business – after only China – according to a new survey of senior executives in the finance and technology sectors.
Read more.

The remaking of Wall Street

Political and economic uncertainty emanating from the Brexit vote have contributed to make the UK the second riskiest market in which to do business – after only China – according to a new survey of senior executives in the finance and technology sectors.
Read more.

A Chinese billionaire has quietly become one of the biggest seed investors in Silicon Valley

Chinese magnate Shan Xiangshuang has created the largest seed fund in Silicon Valley in just three years. His goal? Invest in the most early-stage startups as possible.

Read more at Quartz.

Chicago Banks $1.7bn in VC Funding For 2017

It's been quite the year for Chicago startup funding. Chicago startups and tech companies cumulatively received about $1.7 billion in venture capital funding over 186 deals in 2017, according to data provided to Chicago Inno from venture capital database PitchBook.

In 2016, companies received $1.2 billion across 234 deals, showing that even though fewer companies received funding in 2017, the amounts they are getting are much more substantial. Check out the top ten fundings from Chicago Innovation - here.

Investor Communications: Private Equity's Information Gap

by Ian Kelly
Chief Executive Officer, Augentius

Enthusiasm for private equity as an asset class continues to rise in a time of opportunity for fund managers - Prequin data shows the number of private equity funds in the market continued to grow in Q3 2017, with a 10 percent rise in the number of funds raising capital since the start of the year. And this enthusiasm can be easily explained. The macroeconomic environment continues to be characterised by volatility and a paucity of yield when it comes to more traditional asset classes. Not only does private equity allow institutional investors to invest in 'real' assets that they can see and understand, it also clearly delivers better returns than other asset classes over the long term. It offers pension funds an attractive alternative at a time when they are under pressure to generate increased returns for members.

The transparency problem

However, the good news comes alongside a growing challenge for the industry in terms of how fund managers (GPs) communicate with their investors (LPs). LPs' lives are becoming more complex for a host of reasons as they face increased demands from their own investors and members, as well as - of course - regulators. Post-2008, we live in an era where transparency is the watchword: everyone wants more data, more granular information, and to know precisely what's going on.

Alongside this, regulatory transparency has exposed issues relating to fees and expenses charged by PE funds, with the old '2 and 20' model coming under increasing attack, putting investors "on notice" when it comes to securing value for their allocations. This means GPs have to go the extra mile in order to demonstrate bang for buck and secure big ticket investments.

Ultimately, the pressure to better manage their asset allocations leaves LPs needing a deeper understanding of valuations, and the reasoning behind the multiples of each investment. Traditional reporting wherein GPs send quarterly updates on the value of LPs' investments is no longer enough. Investors need far more granular detail on the workings of the fund, which companies are faring well and which aren't - not just one simple figure.

As investors become increasingly demanding in terms of their information needs, Augentius' recent private equity survey reveals that to a large extent the needs of LPs are being met - almost half (47 percent) of investors generally felt their managers are providing all the needed information.

However, more work is needed. Almost one-fifth of fund managers are still not providing their investors with the information they require. In total, 47 percent of global managers were considered "up to speed" with investor demands, which means LPs did not need to make special information requests. And just over one-third provide more information, after being asked.

This means additional work is still being created for LPs, and what is surprising and somewhat concerning is that nearly one in five investors ask for additional information but never receive it.

The survey also showed there is a regional divide on how managers intend to bridge this information gap. American and European managers are eyeing technology as a solution, while the results show their Asian peers plan to increase resources to address the issue.

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Change isn't easy

So not only are GPs moving towards providing more information, but LPs are having to develop their own operating models to absorb and effectively use the data. But this is never easy.

A key issue here is formatting. On the one hand, GPs often present data in emails or PDF documents which provide little value to data-hungry LPs. On the other, some LPs circulate their own files for completion by the GP, which allow for automated mapping into LP systems, but there is little consistency, and GPs are reluctant to go down this route given the time and effort involved to complete.

With the globe's digital revolution continuing at speed, cybersecurity and the question of whether investor communications are secure are becoming ever-increasing concerns to both the industry and regulators alike. With the advent of advanced and secure investor portals, some managers have begun to transition away from this relatively unsecure approach of using emails and PDFs. However, as Augentius' private equity industry survey revealed, this transition is still very much underway.

The results highlighted the need for more GPs to move towards more secure communication methods. Only 35 percent of investors currently receive information via investor portals, but 42 percent would prefer this format. This suggests investors are increasingly aware of the risks involved in older methods and are starting to expect more.

Again, there were regional differences in communications trends, with more fund managers in the Americas already reporting via a portal. Just under half, 43 percent, do so compared with 36 per cent in Europe and 22 percent in Asia. Fund managers, who aren't already, should consider using more secure portals, especially when communicating on issues such as drawdown payments. The rise of cybercrime means the world is becoming a more dangerous place every day - so it is imperative that everyone has the right protections in place, either in their own systems or via third parties.

So what's the way forward?

Given the various restraints on costs and resources, GPs are continuing to look to third party providers to provide both the technology and resources to meet the ever-increasing communication demands of their LPs.

Plugged in as they are to a wealth of client and portfolio data, coupled with a preoccupation with detail, fund administrators are well-placed and have the right mentality to collect the data required, and provide the detailed analysis required by LPs. Output can be provided to the depth and frequency demanded - and delivered in a secure and efficient manner.

If the past year has taught us anything, it's that market change can be unexpected and abrupt. A lot will depend on how newly emergent political and macroeconomic tensions end up playing out - the final details of the Brexit settlement, in particular, could end up redrawing the European regulatory map. But by embracing new technology and communication methods, private equity firms can improve investor relationships, putting themselves on good footing to weather any storms ahead, and gain that crucial edge in an increasingly competitive and unpredictable environment.

Data Snapshot: Global Private Equity

by Roger Beutler, CAIA
Independent Private Equity Analyst

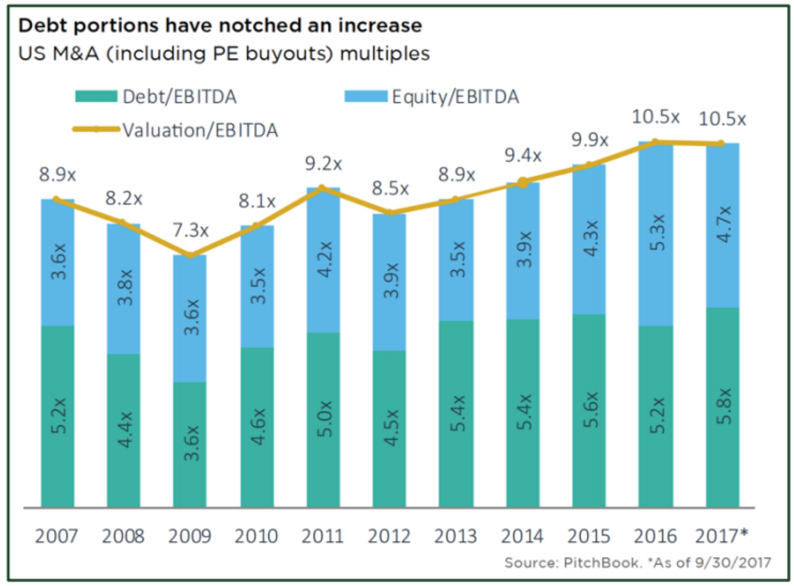
The Cambridge Associates U.S. Private Equity Index posted preliminary results of 3.51% for the second quarter and 7.53% YTD, with the S&P 500 Index posting 3.09% and 9.34%, respectively for the same period. Globally, the CA Global Buyout and Growth ex. U.S. Index returned 7.75% in the second quarter and 12.05% YTD, compared to the MSCI World All Country Index at 5.78% and 14.10%.

More meaningful long-term performance, especially when considering cash flows as measured by public market equivalent returns, remain favorable for private equity, rewarding long-term investors with a liquidity premium over public market returns. Nevertheless, the investing environment for private equity investors has become more challenging recently.

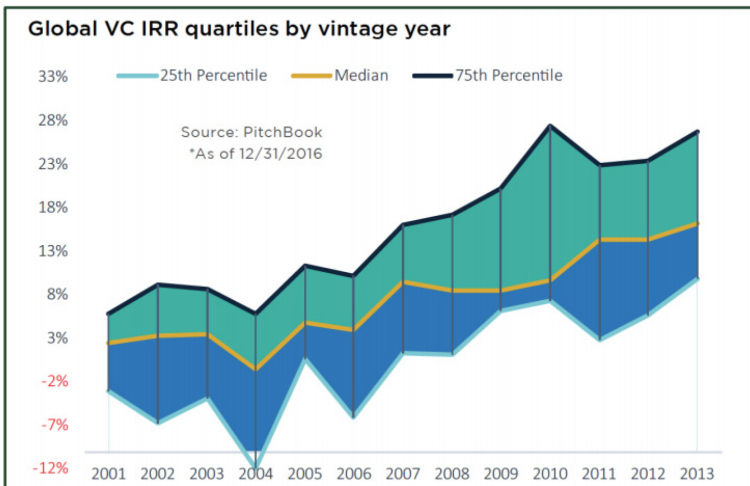
While record setting public markets provide a favorable exit environment, higher valuations also potentially increase entry valuations for new investments. Total leverage for buyout deals has been creeping back up while equity participation decreased amid still cheap financing despite private equity funds swimming in an abundance of dry powder.

While sponsor to sponsor deals aka secondary buyouts have increased, M&A activity decreased significantly as corporations are wary of making high priced acquisitions late in the growth cycle. IPOs have been fairly stable but are only a small contributor to buyout exits. With close to 40% of buyout deals due to exit, private equity firms are starting to feel the pressure from investors to realize paper gains and refocus their resources on new deals, especially in light of the massive dry powder.

Fundraising, despite plenty of dry powder, continues to be brisk. With Apollo closing its 9th fund at a record setting $24.7B, many investors continue to bet on marquee names and large funds as a safe haven and means to deploy money in order to reach asset allocation targets. U.S. Venture Capital, as measured by the Cambridge Associates U.S. VC Index, returned 0.96% in the second quarter and 4.75% YTD based on preliminary results. While the results of pooled public market equivalent returns over the long term remains mixed at best, investors should keep in mind that PE / VC was never an asset class where one adds value with average managers.



Source: Pitchbook, US PE Breakdown, 3Q2017



Vintage Year	2006	2007	2008	2009	2010	2011	2012	2013
Bottom	-6.1%	1.3%	1.2%	6.2%	7.4%	2.8%	5.7%	9.9%
Median	4.0%	9.5%	8.6%	8.5%	9.6%	14.4%	14.4%	16.2%
Top	10.2%	16.0%	17.3%	20.2%	27.4%	22.9%	23.5%	26.8%

Source: PitchBook
*As of 12/31/2016

Source: Pitchbook, PE & VC Fund Performance report through 4Q2016

Data Snapshot: Investors Eye European Private Equity

by Bailey McCann
Private Equity Strategies

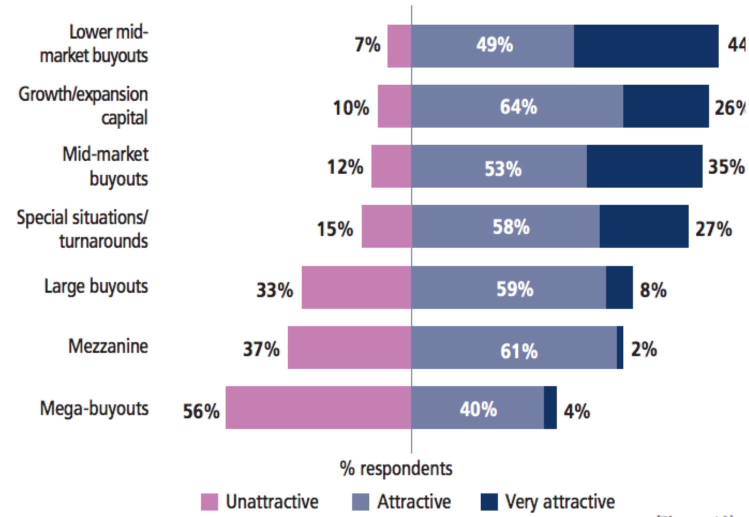
The proportion of Limited Partners that make 'direct' investments (investments into private companies without the involvement of a private equity fund) has peaked, according to Coller Capital's latest Global Private Equity Barometer.

Between 2006 and 2012, the share of LPs making direct investments almost doubled, but it has not changed materially since then, remaining at about a third of LPs. Co-investing, by contrast, has been increasingly popular, with the number of LP co-investors doubling over the last decade.

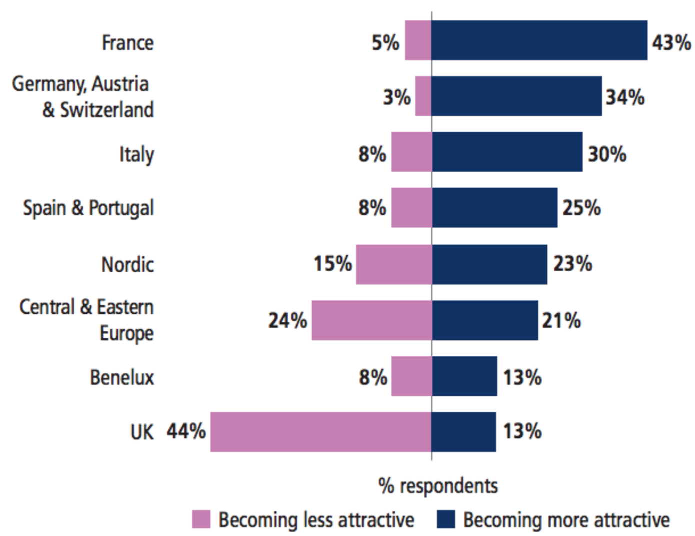
"This Barometer paints an interesting picture of an industry whose size is continuing to grow, but whose shape is starting to become fixed," said Jeremy Coller, CIO of Coller Capital. "We're seeing a parting of the ways in the investor community. Limited Partners who have adopted specialized approaches to private equity – investing directly into private companies, for example – will probably increase the proportion of capital they put to work in those areas. Investors who have not already chosen such routes will not necessarily do so in the future."

In addition to more specialized private equity strategies, investors are also looking closely at Europe. Many European investors see buyouts in France and German-speaking countries as being more attractive now than in the last few years (43% and 34% of European LPs respectively) – whereas the UK buyout market is seen as having become less attractive by 44% of European LPs. LPs from all regions of the world are also positive about the prospects for venture capital in Europe over the next five years. Fully three-quarters of European and Asia-Pacific LPs see the European VC sector as attractive or very attractive, as do over half of North American investors.

Where LPs expect to see good investment opportunities for GPs in the next 3 years – by investment stage/strategy



The changing attractiveness of Europe's regional buyout markets – European LPs' views



Movers & Shakers: Silverpeak, NEXT Investors, DSC Quantitative & Northleaf

Silverpeak Credit Partners Launches First Fund, Targets $250M

By: Bailey McCann

Silverpeak Credit Partners is in market with a $250 million special situations credit fund, according to information reviewed by Opalesque. This is Silverpeak's debut fund and the firm plans to start investing from the vehicle next year.

Silverpeak Credit Partners is part of the Silverpeak investment platform and was formed in 2015 by Adam Hagfors, former global head of the Legacy Bank at UBS. The Legacy Bank was responsible for unwinding $40 billion in toxic assets UBS had on the books from the 2008 financial crisis. Silverpeak's joint portfolio managers Vaibhav Kumar and Brian Rigert also worked with Hagfors at UBS and moved over when Silverpeak launched.

Prior to launching the Silverpeak Credit Opportunities Fund, the firm invested $160 million in opportunistic transactions through managed accounts and CLOs.

Hagfors plans to launch several credit funds which will look for special situations investments across all industries. The team will use its understanding of the distressed debt universe and its network from the UBS Legacy Bank to source investments.
Silverpeak is a $14 billion multi-strategy firm that invests in real estate, energy, and credit.

Credit Suisse Asset Management's NEXT Investors leads $6M Series A round for LUX Technology and Services

By: Bailey McCann

Credit Suisse Asset Management's NEXT Investors has led a $6 million Series A funding round for LUX Technology and Services, a business and technology solutions provider for the alternative assets industry. The investment will be used to fuel growth of Transcend, the company's front-to-back office automation technology platform.

The Transcend platform is designed specifically to integrate various investment business services into a single platform and is for fund managers and investment staff.

Commenting on the round, Jeremy Siegal, Global Head of Prime Consulting at Credit Suisse said, "the days of installing expensive data warehouses or waiting for a 3rd party to create a specific report are no longer sufficient in this fast moving environment."

Credit Suisse Asset Management's NEXT Investors, is a New York-based firm that identifies minority growth equity investment opportunities in private technology and services companies. The firm has made a number of investments in FinTech and market structure companies including AX Trading, Bids Trading, and marketplace lender Prosper.

At the end of November, NEXT Investors exited its investment in Actiance, a communications compliance platform in a sale to private equity firm K1 Investment Management.

DSC Quantitative gives index investors access to private equity and venture capital

By: Bailey McCann
The indexing craze has made it to private equity. Chicago-based DSC Quantitative Group has partnered with Thompson Reuters on two indices designed to provide liquid exposure to private equity and venture-backed companies.

DSC's indexes track the performance of all companies backed by private equity and venture capital firms in order to provide a return that replicates private equity investment before fees. In order to develop the indexes, DSC CEO Art Bushonville and DSC President Jeff Knupp, partnered with researchers from the Kellogg School of Management at Northwestern and TCU. "The product is really a synergy between the academic research around private equity indexing and market application," Bushonville tells Private Equity Strategies.

The PE Buyout Research Index includes over 2,000 private equity-backed companies and the VC Research Index includes nearly 8,000 venture capital-backed companies. Companies in both research indexes are market-cap weighted and organized by sector to create two investable indexes which replicate the performance of the research indexes and private investment using liquid securities. "We think the index solves for a lot of the issues that arise with private equity investing," explains DSC's Knupp. "We're removing layers of management fees, consultant relationships, you're getting the returns of the companies that funds invest in before the funds take their fees off the top."

The venture capital index started building a track record in 2012 and the private equity index started building its track record in 2014. So far, the venture capital index since its launch has returned 29.22% annualized through November 2017, while the Nasdaq returned 19.37%. Since going live, the private equity index has returned 16.06% through November 2017, compared to the S&P 500 which was up 11.93%% through the same period.

According to Bushonville, DSC is considering launching other indexes, including a global version of the private equity index.

Northleaf Capital Partners closes debut private credit fund on $670M

Northleaf Capital Partners has closed its debut private credit fund - Northleaf Private Credit I - on $670 million. The vehicle will invest in private credit transactions in Europe and North America, with a primary focus on lending to private equity-backed companies.

The fund will invest throughout the capital structure including senior, unitranche, second lien, mezzanine and subordinated loans. Northleaf's private credit investment team has invested more than 30% of NPC I's capital during its first year in ten loans to private equity-backed mid-market companies so far - six in North America and four in Europe.

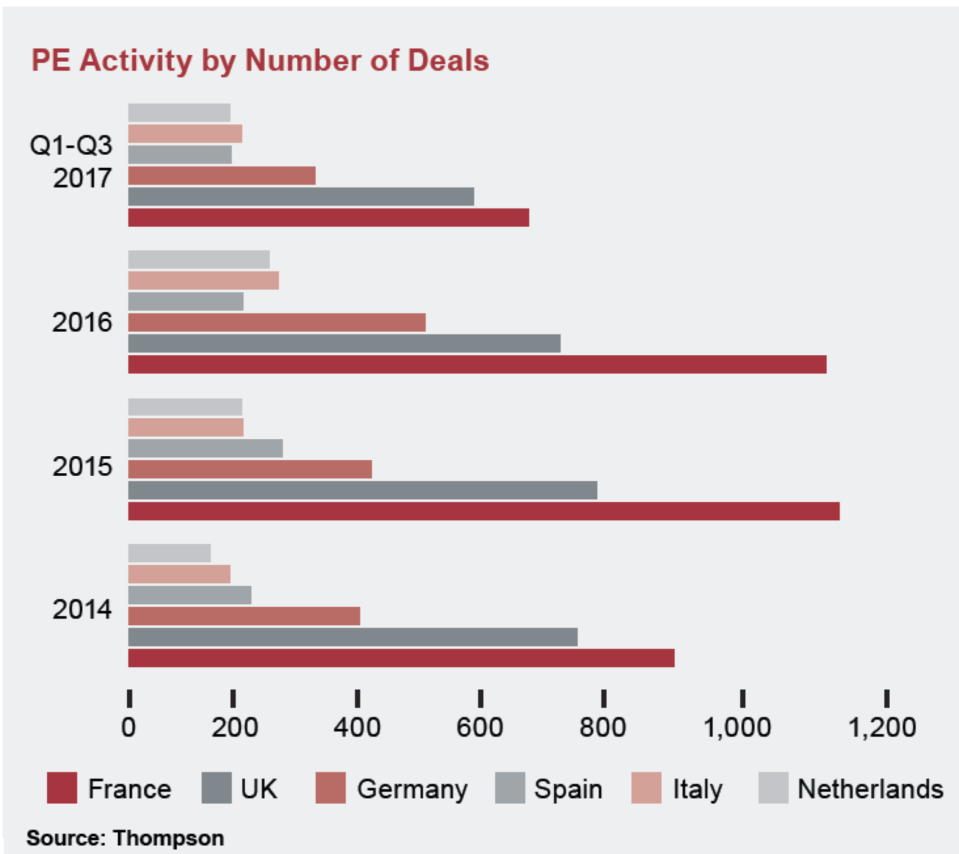
The close of NPC I is just the latest in a string of expansionary activities at Northleaf. Earlier this year the firm opened an office in Montreal, formalized a representative office in Melbourne and expanded its team to more than 100 professionals around the world. In addition to its global presence, Northleaf also expanded its Chicago office bringing on Robert Weiss as Managing Director, Senior Credit Officer, and Michael Morris as Director. Both men will focus on Northleaf's middle market credit strategy.

Weiss joins the firm from the Chicago office of Bain Capital - which he led. Morris was previously a principal at H.I.G. Capital.

French Employment and Tax Reforms Set To Boost Private Equity Buyouts

By: Latham and Watkins, LLP

President Macron recently unveiled employment and tax reforms to increase France's appeal for deal makers. While France ranks highly as an investment destination for private equity firms, complex and inflexible French employment laws have been perceived as a hindrance — perpetuating the belief that France can be an unfriendly jurisdiction for businesses and investors. In our view, these reforms — which focus on employee termination, collective bargaining, and employee consultative bodies — will make doing business in France easier and, coupled with proposed tax reforms, should facilitate an even stronger French dealmaking environment.



Collective Bargaining and Employee Termination – Developments and Implications for Private Equity

Rules on collective bargaining agreements, a key feature of the French labour market, are changing. Previously, French companies could not change employment terms with workers if such changes were less favourable to employees than the rules set by industry-level agreements. Under the reforms, employers can now agree to company-level deals with unions that will supersede industry-level rules. This allows PE owners more flexibility to tailor agreements that better align with their actual business needs.

There is further positive news for PE regarding collective dismissals. Previously, international businesses were forced to demonstrate economic reasons for French redundancies. Yet, crucially, they needed to show problems at international or group, rather than local, level. Under Macron's reforms, companies need only demonstrate economic problems in France.

Further, French employers have historically been vulnerable to unlimited damages claims for unfair dismissal. The reforms introduce minimum and maximum damages caps, enhancing certainty and bringing cost foreseeability to terminations. Claims for discrimination, harassment, and overtime pay remain uncapped. These kinds of claims may increase, therefore diminishing the reform's overall effect on labour exposure. However, our overall view is that these changes, which bring unfair dismissal and discrimination claims exposure more in line with the UK, are a positive development.

Consultation Requirements – Simplifying the Put Option Process?

French employee representative bodies have prior consultation rights that employers must meet before a binding sale or asset purchase agreement is signed. Generally, parties finalise terms and enter into a put option whereby the preferred bidder commits to buy the target on such terms. The seller is not bound to sell, but agrees to an exclusivity undertaking with the buyer. Consultation with employee bodies then begins.

Dependent on size, French companies can have multiple employee representative bodies: a works council, health and safety committee, and staff delegates — each with differing requirements and time limits for consultation. The reforms will streamline all employee representative bodies into a single body, named the "social and economic committee". Put option and exclusivity undertaking procedures will remain a feature of French deal making, but the changes will facilitate more efficient employee consultation for PE firms, reducing time spent on duplicate meetings and documentation.

Tax Reforms – Monitoring Required

Sweeping tax reforms may also provide a boost for PE. The French government's 2018 Finance Bill proposes corporation tax rate cuts from 33.3% to 25% by 2022, which may spur further buyout activity. The Finance Bill also proposes abolishing the 3% dividend distribution surtax, which has caused tax leakage from PE transactions. PE firms will also welcome the government's proposal to cancel limitations on the deductibility of interest expenses incurred in respect of the acquisition of participating shareholdings. However, cancellation of the limit may only extend to EU buyers, and is subject to ongoing discussion in parliament.

The changes will facilitate more efficient employee consultation for PE firms, reducing time spent on duplicate meetings and documentation.

Finally

Overall, the labour and tax reforms send a positive signal that France is open for business and keen to attract PE investment.

Quick Hits

Twin Brook Capital Partners has committed over $1 billion to private equity sponsors in support of healthcare sector transactions in the middle market. Since inception, Twin Brook has closed on 42 healthcare transactions.

Capital Partners LLC, a Norwalk, Connecticut-based private equity firm, raised $600 million for its third fund. Capital Partners focuses on investments in manufacturing companies.

International Finance Corp. (IFC), a part of the World Bank Group, and its asset management arm plan to invest $45 million in Lighthouse, a private equity firm focused on growth investments in India's consumer sector.

Apollo Global Management is in advanced talks to acquire up to a $50 billion portfolio of retirement income annuities from Voya Financial.

Bold Capital Partners, a VC firm founded by X Prize Foundation CEO Peter Diamandis is targeting $200 million for a new fund, according to regulatory filings.

Apple has agreed to acquire Shazam, a London-based sound identification app, for a reported $400 million, according to TechCrunch.

Seraphim Capital hired Matt O'Connell as a partner. Previously, O'Connell was at GeoEye and OneWeb.

GP Investments Ltda., the private-equity firm founded by Brazil's richest man, is raising at least $300 million from international investors for a fund to buy the control of a power distribution company in Latin America's biggest economy.

Delta Joins BMW i Ventures as Strategic Investor in GaN Systems. GaN Systems plans to use the funding to expand global sales and accelerate product innovation to help customers reduce system costs, increase revenue and gain market share.

Menlo Security, a Menlo Park, California-based isolation platform for protecting organizations against cyber-attacks, has raised $40 million in Series C funding. American Express Ventures, Ericsson Ventures and HSBC were joined by return backers JPMorgan Chase, General Catalyst, Sutter Hill Ventures, Osage University Partners and Engineering Capital.

Events

Private Equity Investing in Education-Focused Companies

January 25, 2018 | New York
Hosted By: Capital Roundtable

Best Practices for Managing & Launching an SBIC

March 22, 2018 | New York

Best Practices for Creating Value in PE Portfolio Companies

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