VIRTUAL ROUND TABLE

Corporate LiveWire

Private Equity 2014

MEET THE EXPERTS

Hugh Naylor - Trinity International LLP
T: +44 (0)207 9977049
E: hugh.naylor@trinityllp.com
W: www.trinityllp.com

Hugh Naylor is head of Private Equity at Trinity International LLP. Hugh is a highly experienced corporate lawyer specialising in private equity and growth capital transactions, with a particular focus on Africa and other emerging markets. He has a broad range of experience advising sponsors, management teams, co-investors and companies raising funds privately. He also focuses on funds work, including PE fund formation and acting for investors into funds. He has extensive experience of private M&A, re-constructions, re-organisations, joint ventures and general corporate work. Hugh's geographical experience includes the UK, Europe, Africa, CIS and the Middle East. Hugh is a Prince's Trust business mentor.

Michael Maryn - Dentons
T: +1 202 408 6436
E: michael.maryn@dentons.com
W: - www.dentons.com

Michael Maryn is a partner in Dentons' Pension, Benefits and Executive Compensation practice, with extensive experience in all aspects of employee benefits and executive compensation. In the executive compensation area, Michael represents and counsels both employers and executives in negotiating employment agreements, change of control (parachute) agreements, severance agreements and retention agreements. Michael also counsels employers in the design and implementation of equity incentive plans and has extensive experience structuring equity and cash incentive arrangements for partnerships and limited liability companies, including arrangements utilizing profits interests and tiered partnership structures. Michael has a substantial track record addressing ERISA issues arising in connection with investment fund formation and operation, including transactional experience involving venture capital and private equity funds. Michael is a frequent speaker and has authored numerous articles on ESOPs, nonqualified deferred compensation plans, equity-incentive compensation and employee benefits case law developments. Michael is a fellow in the American College of Employee Benefits Counsel.

Nathan Cahill - Minter Ellison
T: +61 2 9921 4933
E: nathan.cahill@minterellison.com
W: www.minterellison.com

Nathan Cahill is a leading lawyer in private equity, hedge and equity fund formation and investment within the financial services industry with wide experience in local and offshore funds. He is lauded and sought after for his commercial acumen, innovation and valuable strategic advice to major financial institutions including in respect of the establishment and restructure of their financial services businesses, defending predatory investors and product development. He advises leading funds managers and financial services providers on product structuring, IPOs, fund raisings, the investment and divestment process, offshore products and innovative IDPS and wrap platforms. Nathan is recognised in Chambers and Best Lawyers in relation to investment funds management.

Arne Bolch - Allen & Overy
T: +352 44 44 5 5453
E: arne.bolch@allenovery.com
W: www.allenovery.com

Arne specialises in fund formation work and ongoing regulatory advice for UCITS funds and alternative investment funds under Luxembourg law. He advises on a wide variety of fund transactions such as financing, derivative and securities lending transactions. In addition, he regularly advises investment managers as well as investors, in particular German institutional investors, on their dealings with Luxembourg funds.

He is an active member of the Luxembourg Investment Fund Association (ALFI) and in particular its PE and REIF Strategy working groups. He also co-chairs the PE publications working group.

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Urs Haeusler - DealMarket
T: +41 43 888 75 35
E: urs@dealmarket.com
W: www.dealmarket.com

Urs studied Business at the University of St. Gallen and has many years of experience in building and leading online companies. He was previously employed at amiando GmbH, Europe's leading online event registration and ticketing platform based in Munich. As Chief Sales & Customer Officer at amiando he was primarily responsible for building up and internationalising the company from a small German start-up to an international company with 75 employees and offices in London, Paris and Hong Kong. He was also deeply involved in the successful trade sale of the company to XING. Prior to amiando, he was the CEO of Ticket Online AG Schweiz in St. Gallen and Country Manager Switzerland for Jamba!. one of the world's leading mobile entertainment brands. He also is the owner of Haeusler Management & Ventures, an internet business consulting firm, since 2008. Urs has a son and lives with his family in St. Gallen, Switzerland.

Giuliano Bidoli - KPMG Luxembourg
T: +352 22 51 51 5528
E: giuliano.bidoli@kpmg.lu
W: www.kpmg.lu

Giuliano Bidoli is Tax Director at KPMG Luxembourg. He works closely with national and international clients in the Private Equity, Hedge Funds and corporate sectors in designing and executing complex multijurisdictional investment and transactional structures. His practice supports multinational corporate, private equity, hedge funds and real estate clients on tax matters related to merger and acquisitions, debt restructuring and divestitures.

Giuliano is a graduate of Université Catholique de Louvain and a certified accountant ("expert comptable") under Luxembourg Law.

Please note that the views expressed here are those of the respondent and not of the firm.

Simon Raftopoulos - Appleby
T: +1 345 814 2748
E: sraftopoulos@applebyglobal.com
W: www.applebyglobal.com

Simon Raftopoulos is group head of Private Equity and a member of the Corporate Finance team. He represents clients in a wide variety of corporate finance transactions, including private equity and fund finance, joint ventures, mergers, acquisitions, leveraged buyouts, initial and secondary public offerings, structured finance, asset securitisations and private placements of equity and debt securities. Simon also represents clients on large insurance transactions.

Prior to joining Appleby, he was an associate in the Banking and Financial Services Group of Matheson Ormsby Prentice Solicitors in Dublin.

Chambers Caribbean 2014 reported clients had this to say about Simon: "He provides really good service, and is very responsive and great when we need things done within a quick timeframe". Simon was also recently listed in the Who's Who of Merger & Acquisition Lawyers 2014 as well as the Who's Who of Insurance & Reinsurance Lawyers 2014. He was previously listed in the 2013 Who's Who Legal 100 in the area of Insurance & Reinsurance. Chambers Global 2013 ranked him as a 'Leading Individual' and its commentators reported that he 'is always very responsive and gets things done in an organised and efficient process, so working with him is a real pleasure'. Simon was also recognised in the inaugural rankings for Insurance/Re-insurance in Legal 500 (2012) and in the 2012 Caribbean rankings, Legal 500 listed Simon as an 'experienced practitioner'.

Simon also participates regularly at conferences and seminars, and provides commentary to international and local media on the Cayman insurance industry. He recently participated in the MandA.TV Leaderboard Interviews at the 2013 Cross Border M&A Advisor Symposium and spoke on the subject of 'Trends in Offshore M&A'.

Simon holds the Securities Institute International Capital Markets Qualification. In the Cayman Islands, Simon has also been involved in undertaking pro bono charitable work at the Family Resource Centre.

Private Equity 2014

In this roundtable we spoke with seven experts from around the world to discuss the current Private Equity landscape. Highlighted topics include predictions for future trends including the rise of online dealmaking, the increase in unitrance financing in middle market deals, and an analysis on the most opportune jurisdictions for PE activity such as USA, sub-Saharan Africa, and in tech investment, Israel, Scandinavia, Germany, Ireland & Scotland.

1. Can you talk us through the current private equity landscape?

Bidoli: Today's PE landscape is strewn with challenges. The number of deals moving through the pipeline has slowed; transactions that do get pushed through take significantly longer to close. There is a real desire for more detailed and timely information to facilitate decision-making on investments.

Firms need to deliver value to investors the old-fashioned way, by investing prudently in companies with the potential to grow and instigating improvements that foster better returns.

Alongside this, there is the increase in regulation: notably AIFMD and FACTA. Whereas regulators previously approached reporting with a 'light touch', times are now changing.

Raftopoulos: The 'tale of two managers' trend has continued into 2014 – while the market remains crowded, fewer funds are reaching final close and, those that do, are seeing an increase in the amount of capital secured. Larger managers with solid track records continue to raise capital with relative ease (although concessions on terms, particularly around first close discounts, fees and other incentives, are ever more common) while smaller/start-up managers tend to require a specialisation in the target market or sector to have success on the road. As the amount of capital raised has grown, the level of dry powder has continued to swell putting originations in focus.

Haeusler: Currently, the landscape is evolving with more and more private equity deals starting to happen online. Online tools are becoming an important place for investors to seek deals and for entrepreneurs & businesses that are fundraising. In addition to deal seeking, these platforms are brilliant for networking and building business relationships, so if a deal isn't done today a relationship can still be formed and people may perhaps work together in the future.

In terms of private equity deals, the landscape looks healthy, although the biggest trend at the moment is seeing the larger firms holding out for the best deals and still generally being risk averse.

Maryn: The major theme for the middle market private equity landscape is the abundance of available cash chasing very few transactions. Despite the publicity for the well-known very large transactions by the giant Funds, most Fund managers are looking at 50-60 proposals a month and doing two or three transactions a year. Some Funds have not consummated a transaction in 12 months. The competition for deals is fierce. The attractive transactions are either subject to auction, which many Funds avoid because of the time, expense and risk-reward ratio, or are proprietary and relationship-driven.

Cahill: The Asian Pacific region has seen a great number of divestments over the past 12 months. Several of our clients have delivered fantastic IPO exits. The exits have in part played a strong role in driving successor fund fundraising.

The fundraising process has been two speed. There are those GPs with investor bases that have evaporated since the last fund they have raised because those investors no longer exist or have no capital to invest. And then there are those which have been fortunate with their investor base. For the later the market has been very buoyant. Quadrant ($850m) and Anchorage ($250m) are examples of two very strong quick capital raises with interest from around the globe.

2. Can you analyse the different types of investments available?

Haeusler: While there are plenty of types of investments available, most private equity firms are targeting buyouts. It appeared earlier in the year that many firms would look to take minority stakes in businesses and place a member of their team on the board or hire someone specifically for such a role, but such deals haven't been as common as

expected. Instead, private equity firms are identifying businesses where there are opportunities for growth and improvement but where the existing management team is a strong one. Therefore, there are lots of deals where a firm will take a controlling stake yet retain the managers and work with them rather than appointing their own. From outside of private equity, plenty of investments have become available as firms have commonly used the IPO route as an exit strategy.

Maryn: We're currently seeing mostly LBO's, dividend recaps and unitranche financing transactions.

3. Have there been any recent regulatory changes or interesting developments?

Bolch: From a Luxembourg perspective, the most prominent regulatory change has been brought about by the law implementing the European alternative investment manager directive (2011/61/EU). The laws aims were twofold: (i) implement the directive and (ii) revamp the Luxembourg limited partnership regime (i.e., the Luxembourg SCS and SCSp) in order to allow in particular initiators and investors of an Anglo-American or German background to use an investment vehicle broadly similar to the common investment vehicle of their respective home jurisdictions, while at the same time taking advantage of what Luxembourg as a popular PE structuring jurisdiction has to offer. Since the adoption of the law, the Luxembourg LP (with (SCS) or without legal form (SCSp), regulated or unregulated has proven very popular with market participants.

Bidoli: The most significant recent regulatory change has been the Alternative Investment Fund Managers Directive (AIFMD). By 22 July 2013, all EU member states were supposed to have transposed the AIFMD into national law. Grandfathering rules gave firms until 22 July 2014 to obtain the license necessary to manage and market AIFs after this date.

Although the main focus of the directive is fund managers, it will not only impact EU and non-EU AIFM, but also EU and non-EU domiciled Alternative Investment Funds (AIF), their service providers and investors.

Raftopoulos: The Cayman Islands is the jurisdiction of choice for offshore alternative investment funds, and has taken steps over the last few years to ensure that it is well placed to navigate the new regulatory landscape in Europe following the implementation of the AIFMD. Of note is that the transitional period for the implementation of the AIFMD expires on 22 July 2014, and from this date Cayman Islands Funds may only be marketed in the member states of the EU in compliance with the requirements of the AIFMD, unless a relevant exemption applies (although different marketing regimes will apply from the end of the transitional period to 2018 and beyond).

What this means in practical terms is that managers of Cayman funds (i) will be able to continue marketing their funds in the EU member states under the NPPRs until at least 2018, and (ii) those marketing under the NPPRs, will not need to comply with all of the requirements of the AIFMD. This may be seen to be advantageous (particularly for Third Country managers) as certain managers will be able to avoid some of the compliance burden and associated costs. In addition to this, if the passport is extended to Third Countries (which will be in 2015, at the earliest), it is expected that Cayman funds should be eligible to access it, although this will entail the manager complying with all of the requirements of the AIFMD.

The existence of a number of exemptions means that it may be possible for certain managers to accept EU investors in their Cayman funds without having to comply with the AIFMD, which is expected to allow Cayman funds to maintain their competitiveness in the European market now and in the future.

The Cayman government has also announced how it plans to handle FATCA compliance, which targets non-compliance by US taxpayers using foreign accounts. Pursuant to the intergovernmental agreement entered into between the United States and the Cayman Islands, Cayman entities will not be subject to withholding under FATCA if they comply with Cayman Islands legislation that requires them to provide the name, address, taxpayer identification number and certain other information with respect to certain holders of securities to the

Tax Information Authority of the Cayman Islands, which would then provide this information to the IRS. This Cayman Islands legislation came into force on 1 July 2014. Certain U.S. Treasury regulations may also exempt a Cayman entity from FATCA withholding if such entity enters into an agreement with the IRS that would require such entity to provide similar information directly to the IRS, and possibly to withhold amounts from certain holders beginning no earlier than 1 January 2017.

Also, the Cayman Islands government signed an intergovernmental agreement with the United Kingdom on 5 November 2013. The UK IGA provides a framework for the implementation in the Cayman Islands of a UK tax residents reporting regime which is similar in scope to the US FATCA. In that respect, the structure and scope of the UK IGA is very similar to the intergovernmental agreement which the Cayman Islands government signed with the US government to implement US FATCA. Regulations to give effect to UK FATCA in Cayman Islands law were passed on 4 July 2014.

Haeusler: In the US on 23 September 2013, the formal implementation of the Jumpstart Our Business Startups (JOBS) act lifted the ban on general solicitation for small companies and startups. The JOBS Act was created with small businesses in mind, giving them greater opportunities to raise capital under new regulations that allow general solicitation and advertising. With these new provisions now in full effect, business owners have the freedom to advertise for and obtain the crucial funding they need.

European lawyers of top tier and midmarket firms expect the JOBS act and the further rules that the SEC has applied to stimulate a change of regulatory framework for equity crowdfunding operations in Europe too.

Maryn: Last year's U.S. Federal Appeals Court decision in the Sun Capital Partners case poses a potentially significant economic challenge to the PE industry. The court in that case concluded that a private equity Fund was a "trade or business" that could be held liable for the multiemployer plan withdrawal liability incurred by one of the Fund's portfolio companies. The court reasoned that the degree of involvement of the Fund manager in the management and operations of the portfolio company and the economic benefit the Fund received over and above the pure investment was sufficient to bring the Fund within the scope of the ERISA controlled group liability rules.

Cahill: Australia and Asia have been in a state of regulatory and tax flux. There has been increased focus on GP regulation, KYC/AML and tax investigations. Some strong returns and major transactions have attracted surveillance by regulators and revenue collectors. Whilst we are not aware of any GPs running afoul of regulator or revenue collectors it has highlighted the need to make sure that transactions are properly structured and appropriate advice kept on record so when there is a knock at the door the GP can properly defend the enquiries.

Naylor: As the transitional provisions of the AIFM Directive come in to force GPs are focusing an increasing amount of resource on the new compliance and regulatory obligations. New funds, to the extent they have flexibility, are having to decide whether to comply and reap the benefits of the AIFM Directive, such as the EU-wide passport or structure themselves to remain outside the scope of the Directive.

4. How can private equity firms leverage their brand to stand out in a highly competitive industry?

Bidoli: The PE industry has reached near universal agreement on the importance of building a strong brand, as an "active way to build external awareness and internal cohesion". Firms are moving from brand development to "active brand management". Brands are built over time, based on achieving consistently strong portfolios, company performance/returns and avoiding major portfolio company blowups.

Social media is increasingly gaining a foothold as an additional communication channel in the private equity community, giving greater visibility to these brands.

Haeusler: The big opportunity for most firms is going to be transparency and people speaking well of them in the media. As regulations around the private equity marketplace, particularly in the United States,

become more robust, well known firms stand to gain a lot by being at the forefront of change and actively embracing it rather than seeing it as an obstacle. If anything, increased regulation may provide additional barriers for new firms and investors looking to enter the market, so the established names may already have a competitive advantage. That said, new and lesser known firms could benefit from standing up and saying, "we're going to be different, and this is how we're going to operate" as whenever the industry is shed in a negative light attention usually turns to the bigger players.

Cahill: Being actively involved in the fundraising process for many GPs in the region we get a feel after a while for why some GPs find it easier than others to raise capital and have better brand awareness. Returns are compelling but when you have several GPS with comparable returns over a number of funds and same major terms. What is the driver?

The biggest driver to allocations in the region over recent years has been a pull back from local investors to invest in only one or two local GPs and more abroad. Similarly there has been an influx of offshore investors seeking global exposure.

So when investors have been allocating to those one or two GPs, in our view it has been the relationships, team stability reputation, downside risk management (i.e., how many failures) and a strong exit history that has won the day. Those GPs that have focussed on this and transparent down to earth communication with investors have been able to stand out. It has not necessarily been the highest returns or lowest fees but rather the most reliable returns and not higher than market fees.

Naylor: Private equity is well established as an asset class within the UK. While it has many detractors it continues to generate sufficient returns to attract investment. The industry has a long since had a critical mass, exemplified in the every growing secondaries market. Venture capital remains harder sell with fewer scalable opportunities requiring much greater management time and operational interaction but the development of venture clusters and tax incentives to invest may provide long term support.

5. Which industries provide the best opportunities for investors?

Haeusler: Technology, unsurprisingly, is generally regarded as providing the best opportunities. Growing technology hubs across Europe and in Israel, and emerging tech markets in Africa mean there is a real global demand for tech investments, and coupled with the desire at business and consumer level to always have the best products and services, it is easy to see where gains can be made here. Pharmaceuticals and Cleantech are also widely seen as good opportunities, while the food and drink industries also provide potentially lucrative investments if there is potential to exploit growing markets for certain products, with dairy in China being a current relevant example. FinTech investments are great opportunities for early stage investments as we are seeing a lot of very disruptive models starting to become a lot of traction in the next 12 months.

Maryn: The best opportunities, in terms of number of transactions available (but not necessarily pricing), are energy, healthcare, consumer products and services and high technology.

6. What areas are being targeted geographically?

Bolch: Luxembourg itself is rarely a target jurisdiction for PE deals. However Luxembourg is very popular for establishing holding structures for PE deals (of mostly foreign but on a considerably smaller scale Luxembourg domiciled funds). Most of the deals that we as firm have come across or witnessed in the market were particular in 2013 large real estate private equity type transactions such as the Dewag deal by Deutsche Annington, the GBW deal by Patrizia (that our firm advised on).

Bidoli: Opportunities for PE in emerging markets have developed significantly in the last decade, in both scale and quality. However, in certain important respects it remains different from the predominant LBO opportunity in the US and Europe.

This growth has largely been driven by an increase in the availability of control positions. Company owners' willingness to give control to third parties has increased. Although PE investment activity in Africa lags behind other emerging markets like India, China and Brazil, the region is becoming increasingly attractive to the global investor community.

Raftopoulos: PE interest and activity in Africa has been growing steadily in recent years and is now entering a new level of maturity. A variety of global and local players are exploring opportunities beyond the already established market of South Africa; many of such opportunities being explored are in the traditional consumer-driven sectors and sectors benefiting from commodity-led and infrastructure-led growth, particularly in the sub-Saharan region. This growing interest in Africa is being backed by increasing LP appetite for the region which is translating into improved fund-raising numbers.

By and large, the African market is still very much a future growth story and some early managers remain in queue, ready to seize exit opportunities. The pipeline for exits in the medium term is set to continue growing as there have been a significant number of investments on the continent over the last five years, and many managers now have maturing portfolios that are ripe for exit.

Haeusler: Africa is a big opportunity right now, yet some firms are only just establishing a presence in the region, while there are still wider fears over the number of scams and fraudulent offers emanating from there. However, in the coming years there is every possibility that Africa could become the 'jewel in the crown' of the private equity world. Today, Israel is the world's largest incubator for start-ups in the tech industry, and interestingly many buyers both from private equity and the wider business world now seem happier for businesses to remain in Israel rather than relocating to Europe or the United States. In Europe, Germany, Ireland, Scotland, and the Scandinavian nations are all hot for tech investment, too.

Maryn: Most of the recent transactions we have worked on were concentrated in California, Texas and the Northeast.

Naylor: Of the emerging markets Africa is increasingly attracting investors' attention but many EU countries which were particularly badly hit during the financial crises, such as Ireland and Spain, are appearing more regularly on deal lists.

7. It can take time to integrate with local culture, norms, resources and political considerations. Can you outline the attractions and challenges of investing in your jurisdiction?

Raftopoulos: Cayman is more of a domicile for PE funds looking to invest elsewhere. As such there are a number of advantages to setting up in Cayman. One of the most obvious benefits is that there is no direct taxation in the Cayman Islands; although onshore investors into a Cayman fund may still be subject to tax in their home domicile. The Cayman Islands also have relatively flexible regulation for PE funds while at the same time being a politically stable and internationally respected financial centre. We also have a world class industry of lawyers, accountants, administrators and financial service companies.

Cahill: The attractions of Australia are its stability, stable growth, investor protection orientated legal system, quality GPs and good industry track record. Plus it's a great way to get exposure to Asia with managed risk.

Australia is very multicultural and is used to dealing with multiple cultures and approaches in transactions. However, it is important for offshore GPs to understand local custom around debt terms and documents, market terms and legal differences as there are a number of differences between the US and Europe.

8. Can you highlight some of the key risk management issues facing PE firms, particularly when operating in emerging markets?

Haeusler: Investments beyond their home markets especially in emerging markets make the due diligence process even more critical to success on the one hand and due to different cultures, norms, political issues much more difficult on the other hand. Tasks like sourcing and screening deals, valuation, finding local partners and advisers, negotiating and contracting become more challenging and complex. Due diligence is even more important than ever, and yet more complex for foreign investing. It needs to be done more efficiently, more quickly, while keeping transactions costs down and the strain on resources to a minimum. One of the ways to address these challenges is to use online tools and services, either accessing them individually, or through highly integrated and global

platforms like DealMarket. By using online platforms users can save money and increase productivity in the pre-investment and post-investment processing steps, lowering the barriers to success.

Naylor: The key issue, more so than in developed markets, is the quality of the due diligence and access to reliable and consistent financial information. In part this can be ameliorated by using imaginative pricing structures, such as earn outs and deferred payment arrangements. Operational control remains a huge stumbling block with companies seeing funds more as (temporary) providers of capital rather than key partners and decision makers in the business. Exit strategy remains a huge issue, with trade sales and IPOs being limited, not just be a lack of credible buyers but a reluctance on the founding families to sell within a specific time line. This can, in part, be dealt with through put options.

9. How can a firm attract and retain talent?

Bidoli: PE firms are already very attractive on the job market, offering meaningful roles that are often very sought after. The challenge now is to gear up for the next generation of employees. PE firms will have to build career entrepreneurship into their organisation, create a flexible work environment and understand and embrace real diversity if they are to attract and retain Generation Y.

Investment in training should also feature more highly on the agenda, especially for firms wishing to retain talent in the long term. Professional development can also be expanded to include career planning and mentoring: such non-financial retention tools rank highly for high potential employees.

10. How can a firm effectively manage its compensation and incentives?

Maryn: Despite the on-going threat of carried interest tax legislation, private equity firms still enjoy certain advantages in structuring equity-based compensation relative to employers organised as corporations. Businesses organised as limited liability companies have tremendous flexibility in designing equity compensation programs for senior management using profit interests or carried interests, which have substantial tax advantages over other forms of equity incentive compensation. Although congressional dysfunction and gridlock have temporarily stifled attempts to enact carried interest legislation that would curtail some of those advantages, the legislative environment for tax reform and other tax legislation remains volatile and uncertain.

11. What types of deals or transactions are currently proving popular?

Bolch: After several years of shortage in debt finance and in some case also "full equity" deals, the classical leveraged buy-out is back, i.e., deals in which PE firms finance the deals with substantial amounts of debt. The debt-equity ratio in the deals we have seen of late differs but usually is in the range of 40-60% of debt (sometimes also driven by regulatory requirements driven by certain investors), although in some instances we also saw deals 100% financed by debt. Regarding the structure of the debt: the senior tranches are frequently complemented by high-yield bonds which, given the current low deposit interest rates offered by banks, provide attractive investment opportunities for investors. In middle market deals, the unitranche financing is becoming acknowledged by the markets. Unitranche is a hybrid loan structure that combines senior debt and subordinated debt into one amount with a blended interest rate between senior and subordinated debt.

Raftopoulos: We are seeing secondary transactions at an above historical trend rate, with targets trending towards buyout and growth funds, and fundraising at an all-time high. The latter trend was recently punctuated by Ardian Secondary Fund VI, the largest dedicated secondaries vehicle to ever be raised, closing on US$9bn in April 2014 (US$2bn above its original target). A further five secondaries funds currently in market are seeking an aggregate target of over US$15bn. Such levels of investor appetite are giving clear indications of upward momentum in the secondaries sector.

12. What has the year brought in terms of PE exits?

Bolch: Although the number of exits

has in our observation not reached the peaks we had seen prior to the financial crisis in 2008, the year has brought some large exits, such as the divestment of KKRs/Permira's shares in the German TV channel ProSiebenSat1, the sale of Minimax by IK Investment for more than 1.4 billion Euros, Bridgepoint's very successful disposal of CABB and very recently 3i's exit of Hilite.

Maryn: Those Funds formed 5-10 years ago are in harvest mode. They are looking to create a realised track record so as to obtain subscriptions for their next Fund; hopefully including re-ups from existing anchor L.P.'s. Many of their exits are to other PE Funds.

Cahill: The year has brought strong divestment activity. The IPO market has been subdues for a number of years but has now fired up. We have been involved in some great exits such as iSentia (Quadrant), Dick Smith (Anchorage), Discovery Holiday Parks (Allegro/Next), Asaleo Care (PEP) where investors have enjoyed very strong returns.

Naylor: In the first half of the year the buoyant IPO market provided an attractive opportunity for those funds who got their timing right to realise investments. This window has, to a greater or lesser extent, closed not least as various newly floated companies (both PE-back and non-PE-backed) trade below their listing price. Various high profile floats – such as clothing retailer, Fat Face – have pulled floatation plans over the summer. With the markets winding down over the summer break the key questions is to what extent the IPO window will re-open in the autumn.

13. What opportunities exist for trade sales, secondary buyouts and IPOs?

Bolch: Our PE head Stephen Kensell, who recently joined our firm from Ashurst, denoted in a publication of our firm that there was a lot of enthusiasm by private equity investors for using IPOs as an exit strategy during the first half of this year. The secondary M&A market in contrast has been relatively quiet. It remains to be seen for how long the window of opportunity for doing a successful IPO will remain open. Twin or dual tracks (i.e., running the processes for an M&A sale and an IPO simultaneously) may increasingly be considered as a viable exit option. This approach allows the sponsor to take the decision which exit route best to take (i.e., IPO or M&A sale) to the last minute and the M&A leg may in addition prove useful as a hedge against a potentially unsuccessful IPO. A recent example of a dual track approach involving Luxembourg structures was the acquisition of the Gea Heat Exchangers division by Triton.

Naylor: IPOs have fallen of over the summer as the markets have reacted to concerns of the quality of various listings in the early part of the year and a number of IPOs have been pulled. The secondaries market remains bullish, driven by the need for the larger funds to deploy capital in a relatively spartan market but trade sales remain relatively constrained, which in many ways is surprising given the recent generally upbeat economic news and confidence with the United Kingdom.

14. What key trends do you expect to see over the coming year, and in an ideal world what would you like to see implemented or changed?

Bolch: Given the low interest rate environment we have been living in now for years, PE will continue to be an attractive investment for all institutional investors. However, in auction processes, we see more and more that PE buyers are losing against strategic bidders which are willing and able to pay a price that PE buyers cannot compete with. Debt financing is available again for PE buyers and ideally this trend continues for the next year.

Bidoli: Confidence in the global economy is bouncing back and consequently PE houses no longer see the global economy as being in decline. The recovery is supported by corporate earnings, employment growth and the outlook for stock markets, which will continue to improve.

In terms of what I would like to see implemented or changed, I would say that regulation suitable for the PE industry would be a priority. I would not only recommend a decrease in the volume of regulation, but also an end to lumping PE together with other kinds of alternative investments.

Raftopoulos: The substantial

increase in dry powder available to managers as a result of the buoyant fundraising market has caused many LPs to be concerned as to whether there will be too many fund managers searching for limited investment opportunities in the near future. It is conceivable that more managers may be faced the conundrum of discussing extensions investment period extensions with their LPs or rationalising deals done on an accelerated basis ahead of capital commitment expirations; though neither could be perceived as favourable to the manager's reputation and may even negatively affect fundraising efforts in the future.

The long term trend of growth in secondary buyouts as a proportion of all buyout deals continues to advance in spite of the recent decrease in sales to managers as a proportion of all PE exits observed during 2013. While some managers do believe that this deal type presents an attractive opportunity to invest, there is some negative sentiment towards it in the industry. Secondary buyouts can sometimes be deemed as 'pass-the-parcel' deals and some LPs worry that these may be more of a deal type pursued by those managers under increased pressure to invest dry powder.

Haeusler: From the perspective of the private equity firms, they will continue to move with the flow and quickly change their attention depending on how different areas of the market are performing. In terms of the wider industry, we fully expect online tools to become more relevant and a real "go to" resource for the industry, particularly as they become more comprehensive and the providers of such platforms are able to give assurances around the levels of due diligence and efficiency that are available. Online dealmaking will continue its evolution towards becoming THE way to invest, analyse deal flow, build relationships, and much more. Elsewhere, it will be interesting to see how organisations such as the SEC influence the industry, be it with legislation or comments from high ranking officials.

Cahill: We expect to see further exits if the capital markets stay buoyant.

There are a number of funds hunting for investable assets following fundraising so we expect to see more investment activity in 2014/2015.

We have around six funds on the runway to raise capital in the next 12 months. We expect and are seeing a lot of interest from offshore investors who are looking for exposure to a stable and solid growth market such as Australia and close by Asian neighbours.

Naylor: The costs of operating a PE fund will increase and the flight to larger multi-asset managers will increase. The market is maturing with the result the larger funds will dominate and smaller funds will need to focus in specialist areas and on particular LPs.