

Press release:

Family offices ramp up allocations to private equity

- One in three family offices surveyed have a portfolio allocation to private equity of more than 20%
- Over two thirds will maintain or increase their existing PE allocation in 2014
- Primary funds are most common means of accessing the asset class – secondaries and fund of funds also popular

The first ever private equity survey among family offices and foundations undertaken by PEI (Private Equity International) and montana capital partners reveals a strong, and growing, interest in the asset class. The study found a third (30%) of surveyed institutions currently have at least 20% of their portfolios allocated to private equity. More than half of institutions questioned have allocated more than 15%.

Such commitments are in contrast to those of the majority of private equity investors (LPs) more broadly. PEI's Private Equity Investor Sentiment Survey, carried out in June this year, found over half of LPs (53%) allocating less than 10% of their portfolios to the asset class. The average allocation for pension funds and insurance companies stands at 7.3% and 3.6% respectively, according to data from PEI's Research and Analytics. The average private equity allocation among the family offices and foundations in PEI's study was 14.7%.

As well as revealing strong current interest, the study indicates an increasing bullishness on the part of family offices. 39% of respondents said they would be upping their allocation to private equity in the year ahead, while just under a third (29%) will be maintaining current levels.

"It's clearly positive for private equity fund managers to see such strong interest among these investors and that many are looking to up their allocations is testimony to the relationships the industry has built with them," said Dan Gunner, Director of Research and Analytics, PEI.

"The asset class has matured to a point where smaller investors feel very comfortable with it and, being more flexible than some of the bigger institutions, are able to exploit opportunities with non-traditional assets.

"It'll be fascinating to see how their relationships with GPs evolve as family offices increasingly look to exploit direct and co-investment opportunities as well as those in the secondary market."

In terms of accessing the asset class, the majority of family offices investing in private equity – 87% of those questioned - use primary funds. Fund of funds are also popular with more than half of those institutions questioned (53%) using such vehicles. Over one third (37%) are currently co-investing with funds while one in ten look for co-investment opportunities with other family offices.

The secondary market is increasingly popular for family offices keen to exploit attractive cash flow profiles, earlier liquidity opportunities and a shorter J-curve. Around two thirds of the institutions questioned are actively investing in secondary funds. A third (30%) currently purchase direct secondary positions and one in ten has sold positions in the secondary market.

Some see increased secondary activity as a consequence of regulatory change meaning banks and other financial institutions are being forced to offload assets, often at discounted prices. 30% of the family offices and foundations questioned expect that supply of assets to slow. The majority, however, 63%, agrees that the secondary market is now well established and deal volume will stay at the same level and stabilize in the short term, particularly at the small end of the market.

“We have also noticed that our deal flow at the smaller end of the secondaries market has been very stable, and in fact increasing, over the last quarters, which many considered to be slow months,” said Marco Wulff, Partner at montana capital partners. “Looking at our investors, which mainly consist of large, well-known and very sophisticated family offices, we have seen a trend towards investing in the secondary market, particularly if a specific niche with customized solutions is targeted,” added Christian Diller, Partner at montana capital partners.

In terms of expected returns, family offices are relatively confident, with the majority (57%) forecasting IRRs in excess of 15% from investment in primary funds. Of those the vast majority see returns between 15-20% as a realistic expectation. Just 3% of those questioned forecast annual returns below 10% in the short term.

The institutions questioned are also confident of seeing increased volumes of cash returned to investors in 2014. Over half (55%) believe fund managers will return more cash to investors in the next 12 months relative to 2013. Around a third (35%) believe levels will remain consistent.

Contacts:

montana capital partners:

info@mcp.eu

+41 41 511 7950

About montana capital partners:

montana capital partners (mcp) is an asset manager focused on attractive niches of the private equity secondary market. The team provides liquidity solutions for investors, both restructuring and investing, through its own fund product with an innovative structure and an established investment strategy as well as high quality investment & risk management services. The team is supported by recognised private equity professionals represented on the board of directors and advisory board.

mcp offers specialized investment funds in secondary niches with its unique Annual Secondary Program focused on the smaller end of the market. Montana Capital Partners has successfully raised its Annual Secondary Program and recently closed at the hard cap. The established investment strategy has proven to be successful and provides numerous benefits for the investors.

montana capital partners' goal is to assist investors in managing their portfolio in an efficient manner and to strengthen their internal position, hence providing new and attractive restructuring options for sellers. To support investors in restructuring their portfolio, mcp invests in single fund positions, small portfolios, fund of funds, tail-end portfolios, co-investments and structured transactions.



In addition, mcp provides innovative solutions in primary investment and risk management advisory. Through our Investment Management Services we assist investors in finding attractive primary investment opportunities as well as support them in implementing high-quality risk management systems.

For more information, please feel free to visit our webpage www.mcp.eu and follow us at [LinkedIn](#) or please feel free to contact us directly should you have any questions.