



CMS Funds Market Study 2021

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Speakers



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Agenda

- Composition of the study
- Market trends
- ESG
- Technology
- Q&A

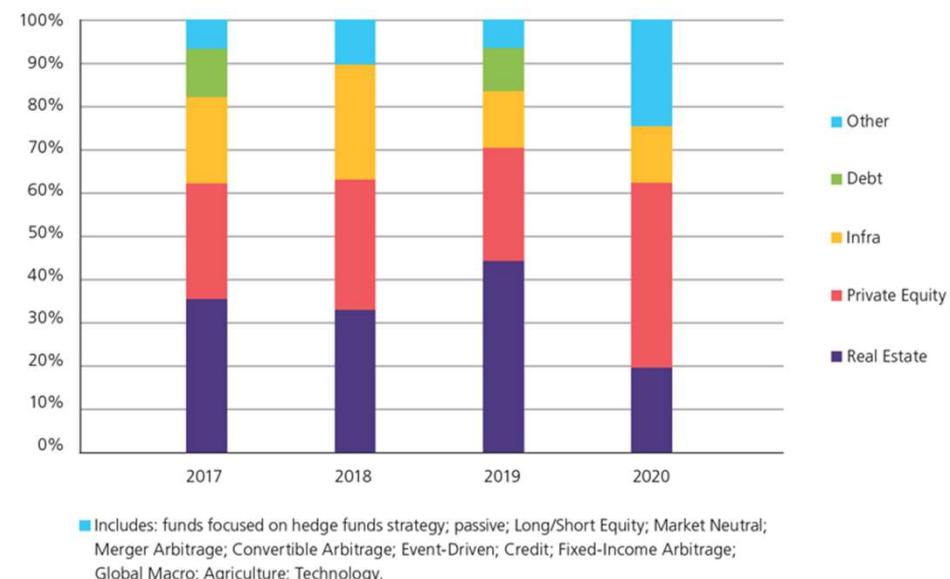


Composition of the study

About our Study & the funds reviewed

- Over 300 private funds between 2017-2020 (70% closed ended).
- Client interviews (Aberdeen Standard, PATRIZIA, Golding, Nuveen, UBS) and survey.
- 2/3 funds focused on **European** strategies.
- 1/3 funds focused on **real estate**.
- 1/3 funds focused on **private equity**.
- 1/3 funds focused on **infrastructure, debt** and other strategies.

Types of Sample Funds

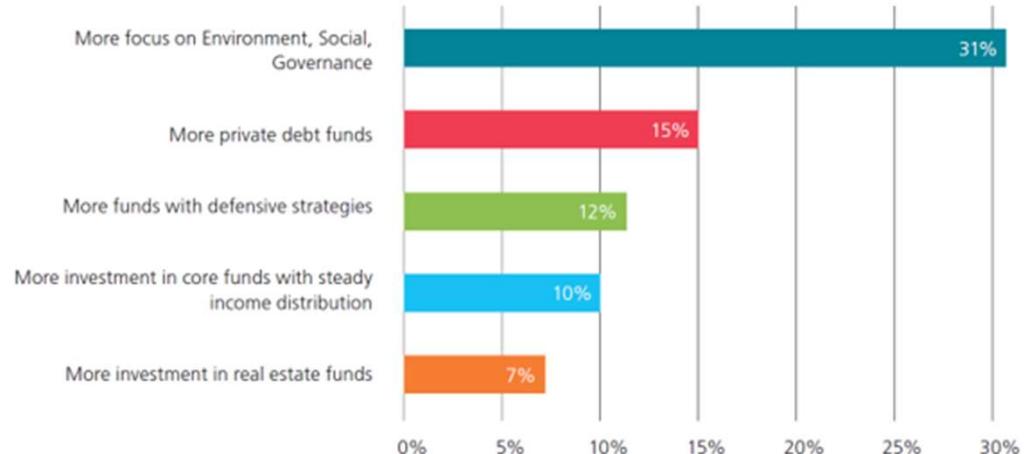


What has been happening?

- Overall **fund-raising volume reduced in 2020** compared to 2017-2019.
- Established managers remained **fully subscribed** despite the pandemic.
- In private equity a **strong secondaries market** continued to develop.
- Uncertainty made it necessary to **suspend daily dealing in some open-ended property funds**.
- **Luxembourg continues to be the most popular fund jurisdiction**, particularly in light of Brexit.
- **Fund terms** – have we seen much **change**?

Look to the future

- More focus on **income yield** – private debt and real estate.
- More focus on **Environmental, Social, Governance**.
- More focus on innovation and differentiation – **technology**



“There's been a massive increase in focus on ESG across the offer. There's much more focus on social impacts in the built environment”.

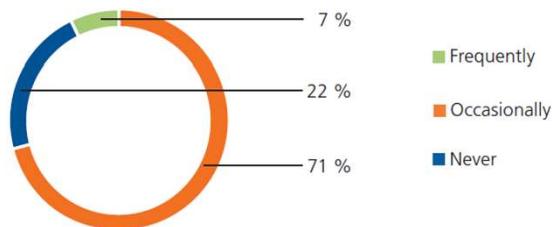
Anne Breen, Head of Investment Strategy (Real Estate) ASI

Market trends

The investor - manager relationship 1

- Higher pressure on fund terms.

The chart below shows the response to our survey question: Have you decided, or had a potential investor decide, not to invest in a Fund due to the proposed Fund terms and conditions?



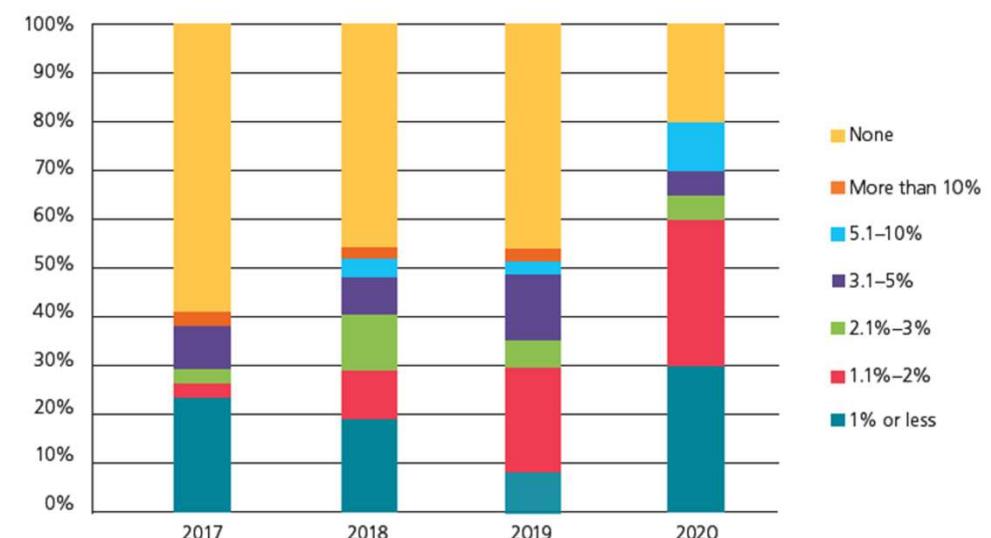
The investor - manager relationship 2

- Increased GP commitments.
- Increased communication.

“GPs have become very attuned to transparency requirements during Covid”.

Eric Byrne, Head of Multi-Managers, REPM

GP Commitment in closed-ended Sample Funds

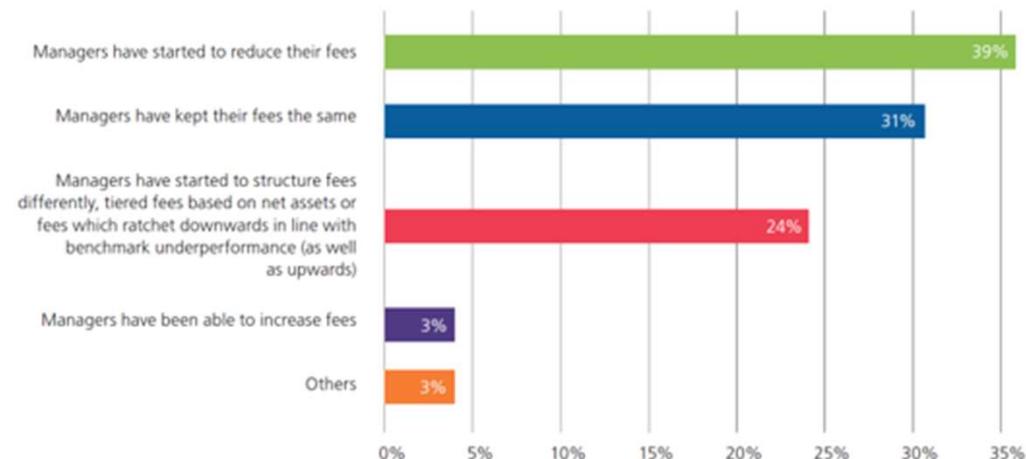


Fees and carried interest | 1

Management fees

- Managers in the upper quartile (in terms of performance) kept their **management fees steady**.
- Newer managers are increasingly relying on **fee reductions or other incentives** in order to raise capital.

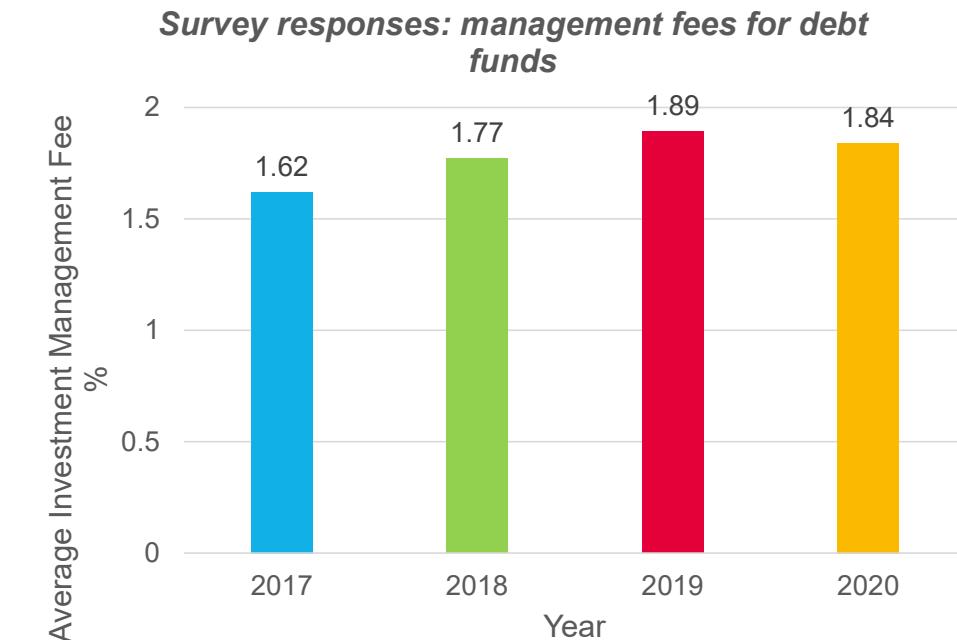
Survey Responses: Management Fees for closed-ended private funds



Fees and carried interest | 2

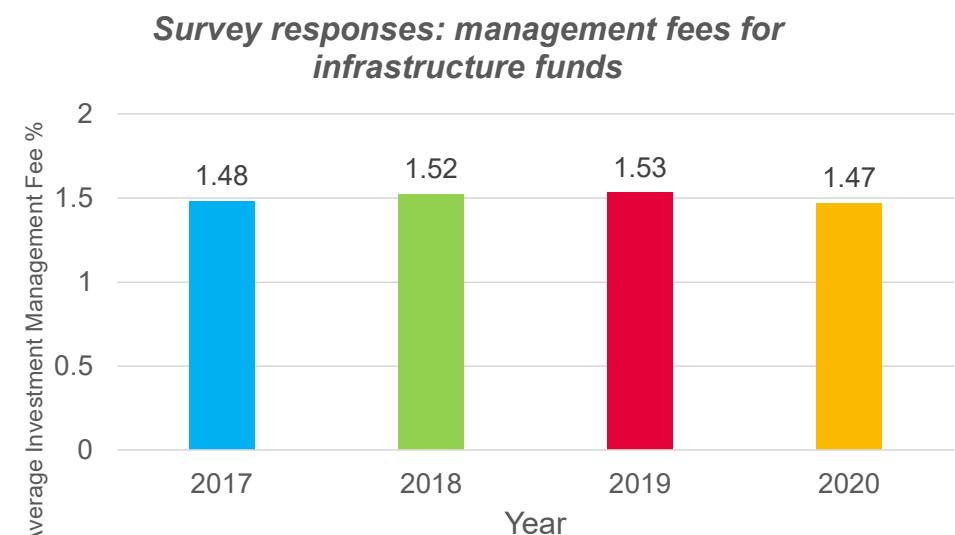
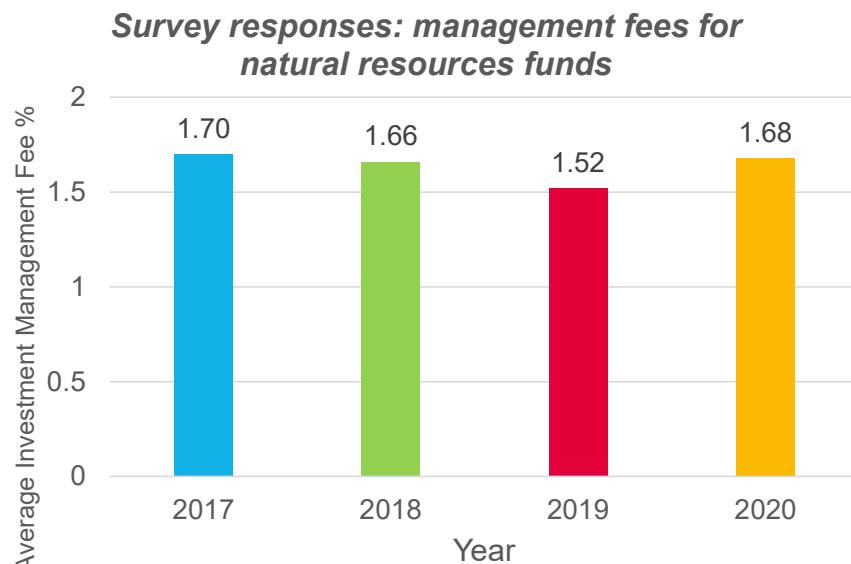
Management fees – niche funds

- Where funds are **oversubscribed**, or where a manager inhabits a **niche** or **under-served** market, fees have largely remained stable.
- Investors are **happy** to pay for **performance**.



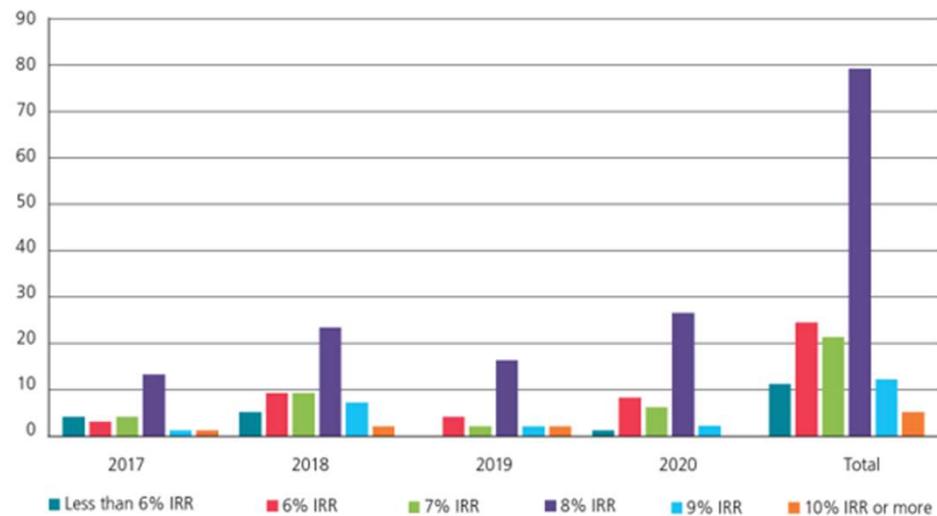
Fees and carried interest | 3

Management fees – niche funds



Fees and carried interest | 4

Sample Funds Promote: Hurdle

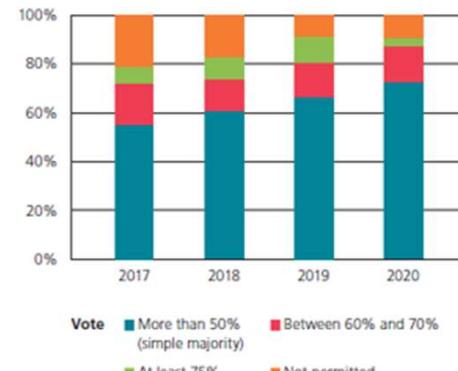


An 8% IRR promote hurdle has become even more commonplace.

Cause and no fault removal

- **GP Cause removal** has become increasingly common, with **>50%** of LP votes being the most common threshold.
- However, fewer managers permitted **no fault removal** in 2020 compared to 2017-2019.

Cause removal of GP / manager in Sample Funds

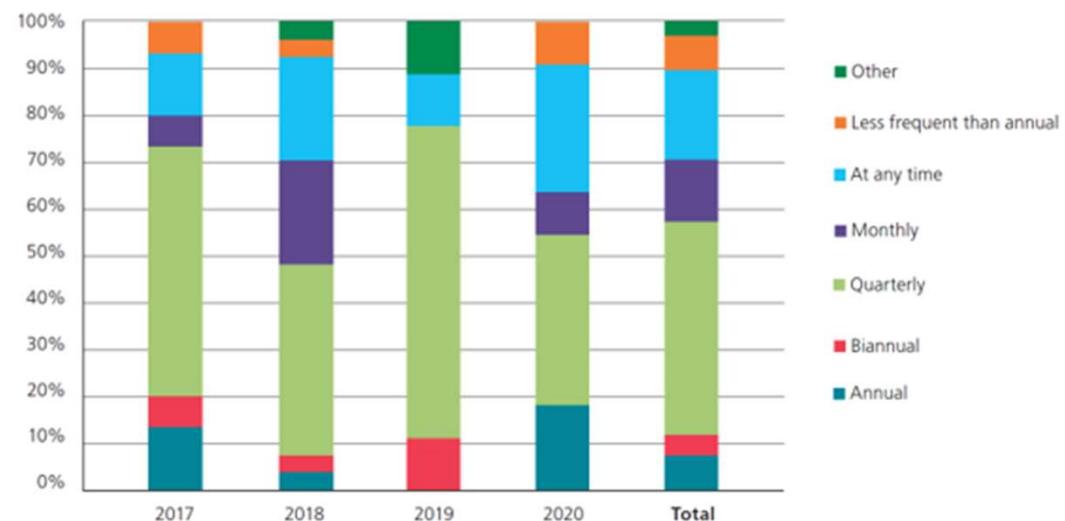


No-cause removal of GP / manager in Sample Funds



Liquidity

Redemption Frequency in Sample Funds



In open-ended funds, quarterly redemptions remain most common.

Changing strategies in real estate

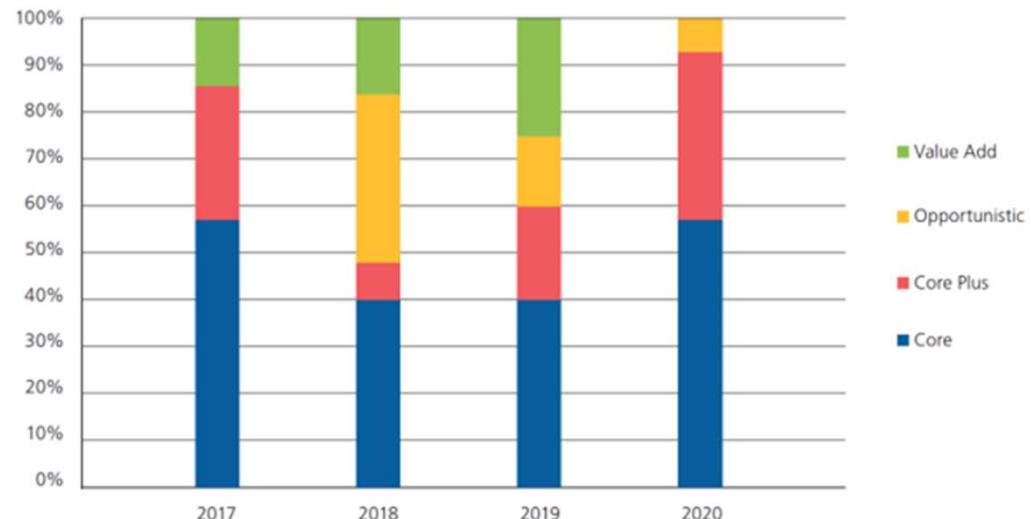
Safe havens in real estate:

1. Logistics.
2. Private rented sector.

“The volatility is so severe on the public markets side, the institutions are shifting allocations towards the private market”.

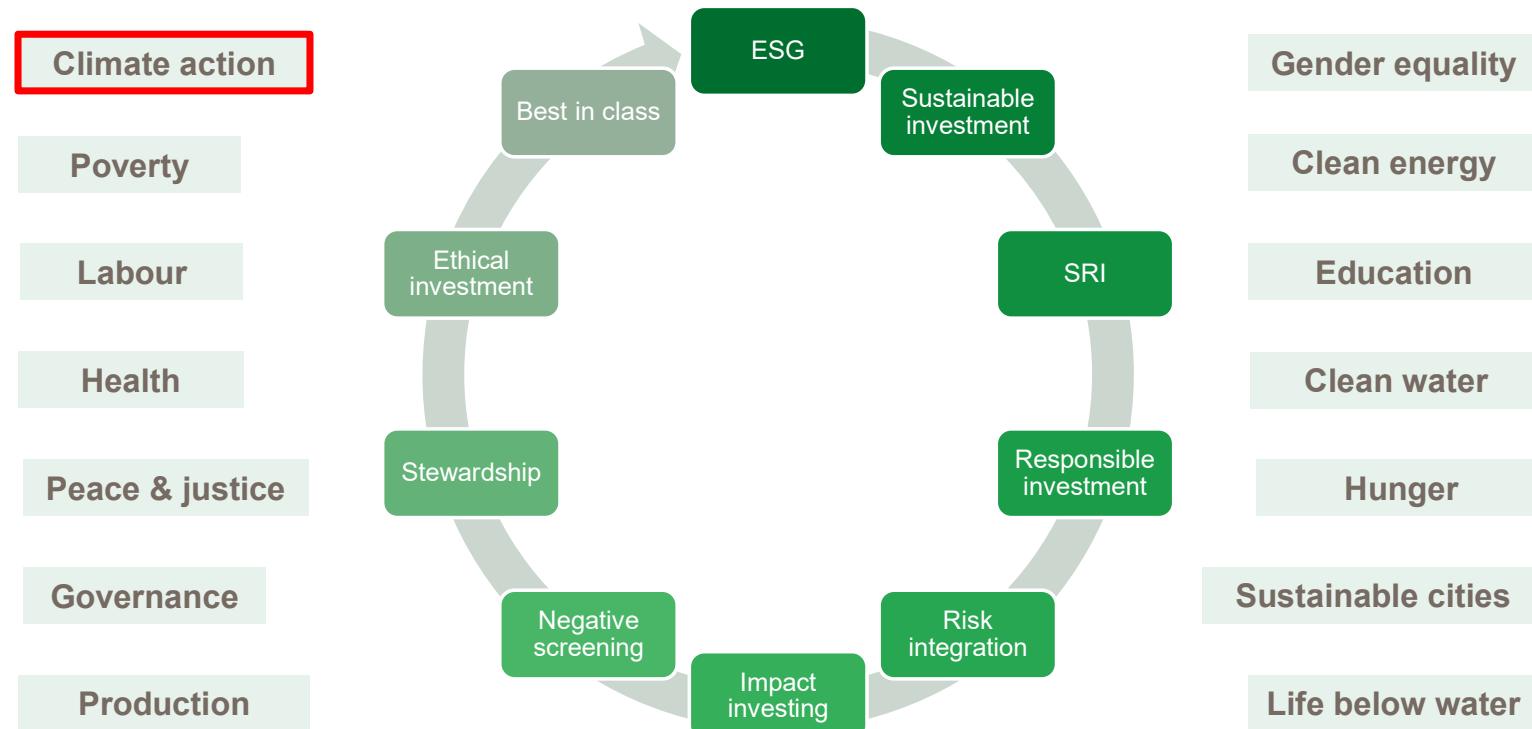
Matthias Richter, Managing Partner and CIO, Golding Capital

Real Estate Sample Funds: Strategies

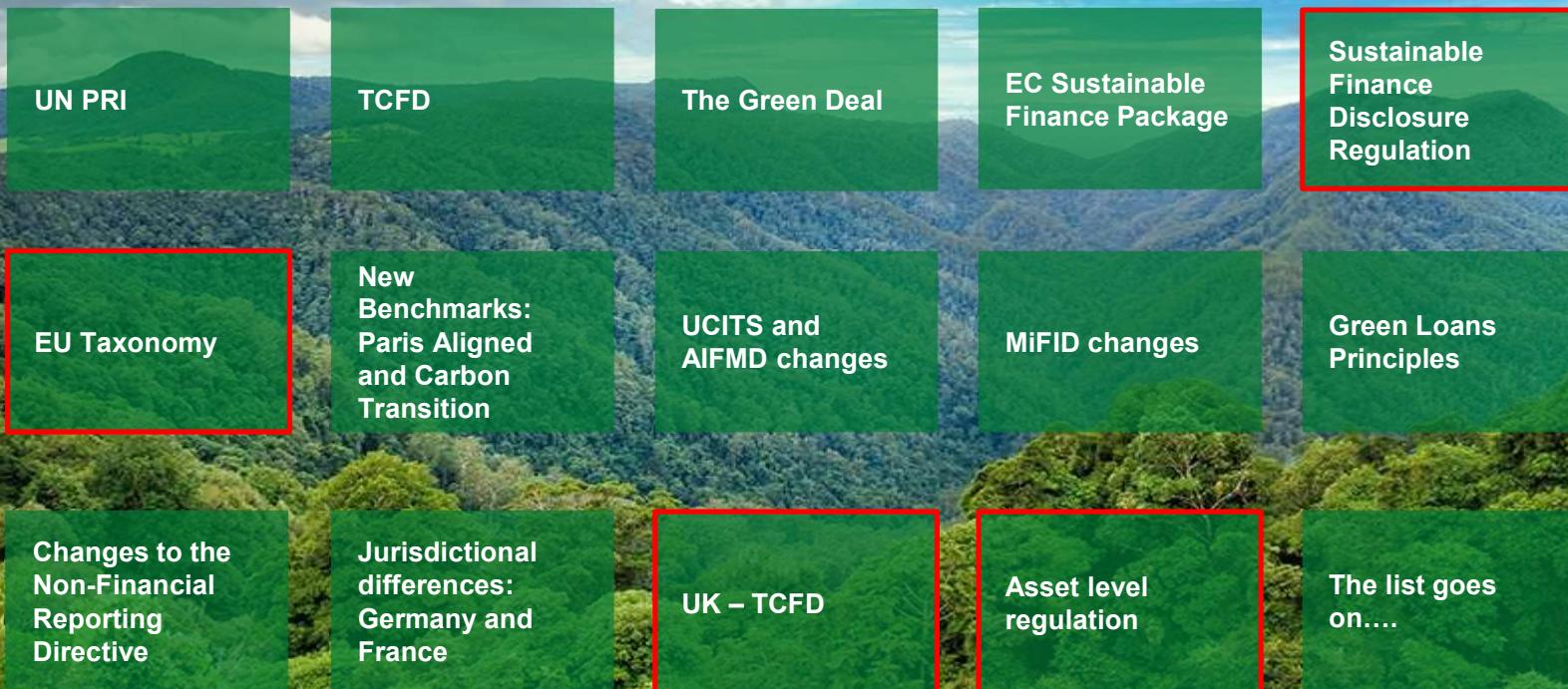


ESG

ESG...



Europe: regulation is taking over



SFDR: a complicated journey to Level 2... and now more delay

22 April 2020

Consultation on draft RTS
published

20 October 2020

EC confirms first delay to
Level 2

04 February 2021

Final report and draft Level 2
RTS published

10 March 2021

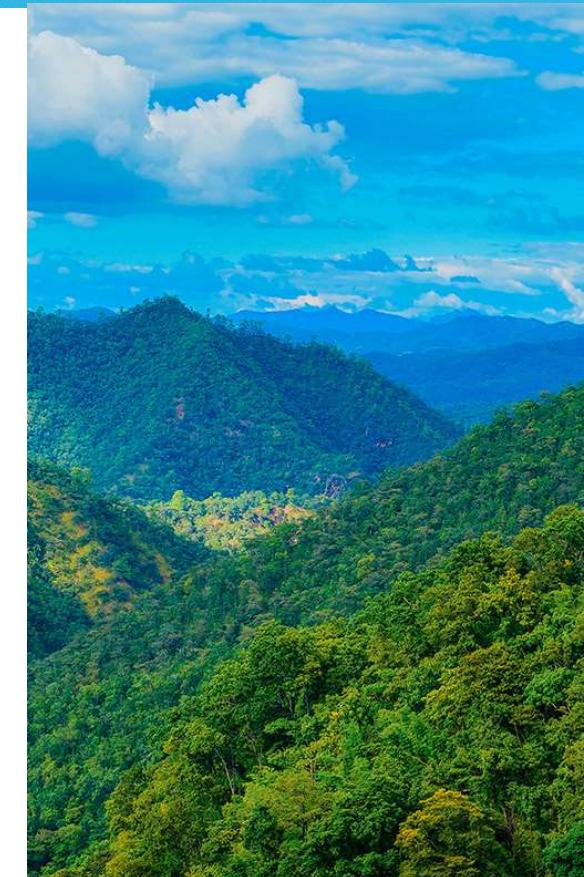
Level 1 in force

17 March 2021

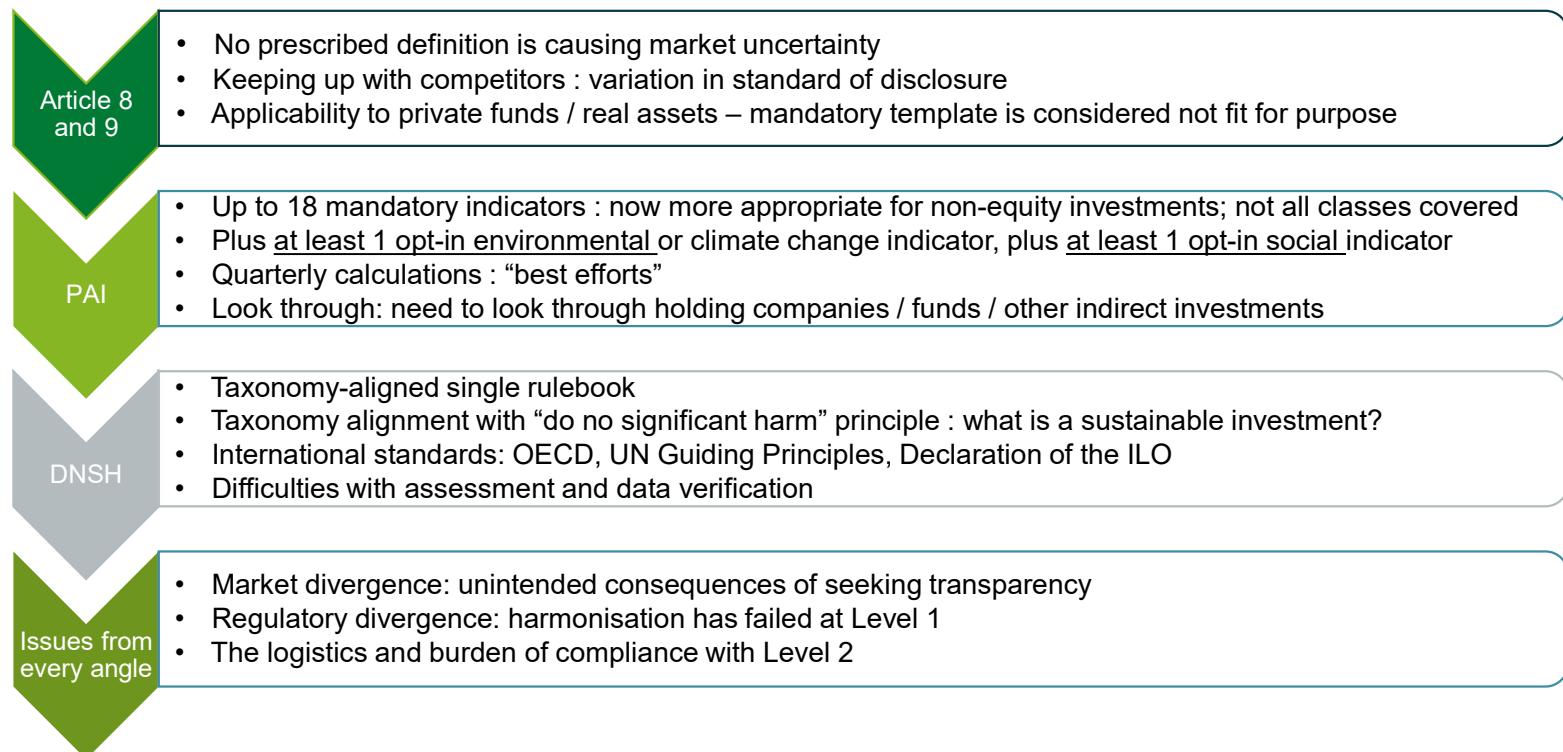
Consultation on Taxonomy
related SFDR amends
published

08 July 2021

EC confirms 6 month delay to
Level 2 implementation



Level 1 and draft Level 2: some of the current concerns



Looking beyond SFDR

July 2021

EC renewed sustainable
finance strategy

July 2021

EU Green Deal – “Fit for 55”
package on energy and
climate

January 2022 (delay for
SFDR)

Taxonomy – Climate
Delegated Act

October 2022

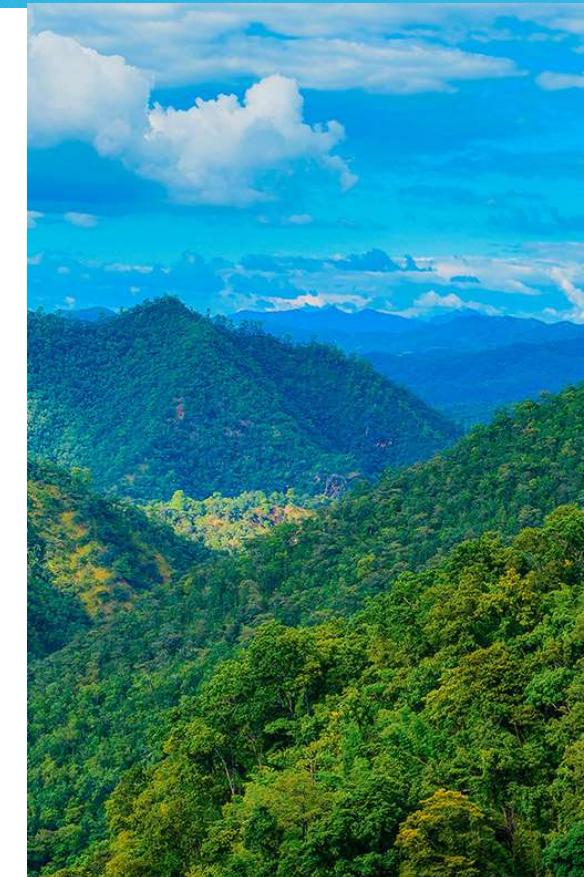
AIFMD, UCITS, MiFID
delegated acts apply

Mid 2022

Corporate Sustainability
Reporting Directive: first
standards to be finalised

Throughout

Sector specific legislation
affecting real assets, energy
etc



The UK – Taking its own path



- The UK government's green finance roadmap sets out an indicative path towards mandatory climate-related disclosures across the UK economy aligned with the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD).
- Different expectations to those of SFDR.

2021

- Premium listed companies
- Banks, building societies
- Large occupational pension schemes

2022

- Largest UK authorised asset managers, life insurers and pension providers
- Smaller occupational pension schemes
- Wider scope of listed companies

2023

- Other UK authorised asset managers, life insurers and pension providers

2024-25

- Other occupational pension scheme
- Refinements to other categories

Technology

Look to the future

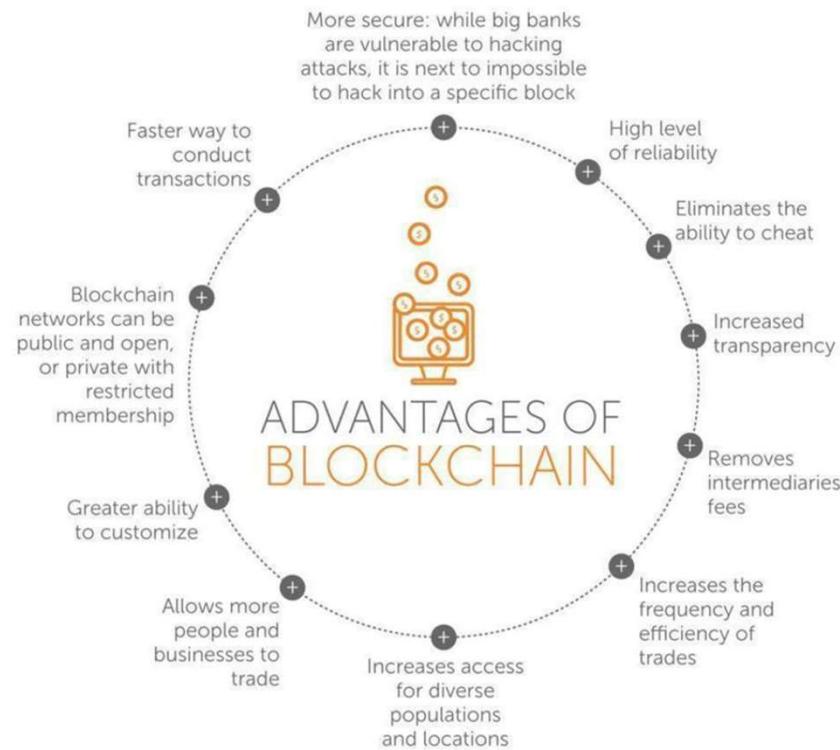
“Investors will also increasingly look to **technology** to determine **how** they invest and **monitor** their portfolios”.

“We can function without going into the office. We've established resilience to physical inconvenience”.

Edmund Craston, Head of Fund Management, PATRIZIA

- Our survey indicates a **growing** opportunity to innovate, differentiate and to create new products.
- **Tokenisation** of assets is a way to increase **how** and **what** investors can invest in and to increase the investor base.
- **Digitalisation** of operations and use of **computing** is also an accelerating trend, especially for **fund raising** and **onboarding**.
- Technology will be an opportunity to **drive down costs** or **increase performance** through cost savings or investment and asset management benefits.

AI & Technology –Blockchain/DLT

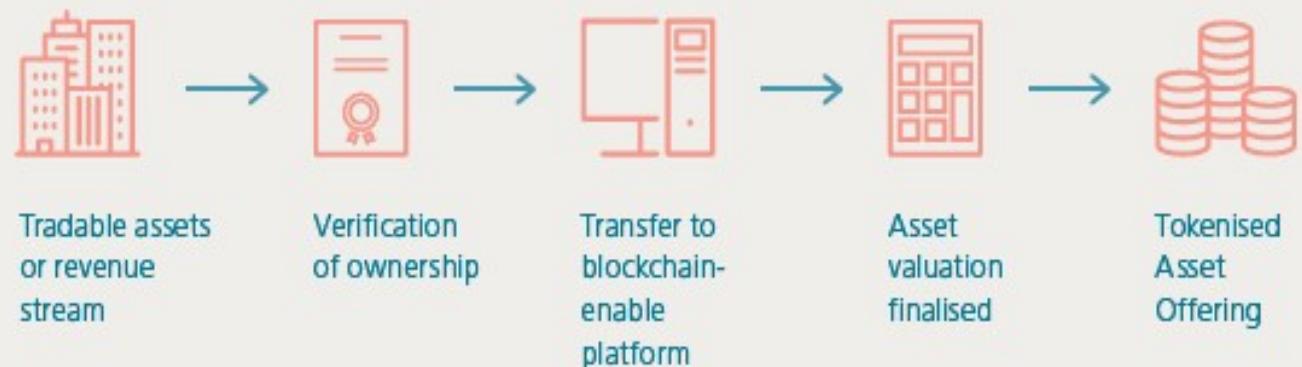


- Digital Currencies
- Tokens (Crypto)
- Platforms for trading
- Identity Services
- Fraud prevention
- Decentralised Record Storage
- e-Gov
- e-Voting
- Information (ESG)
- Process automation
- Payments -cross border

Tokenisation – the concept

Tokenisation is the process of issuing tokens on a blockchain that represents a tradeable asset or even a revenue stream.

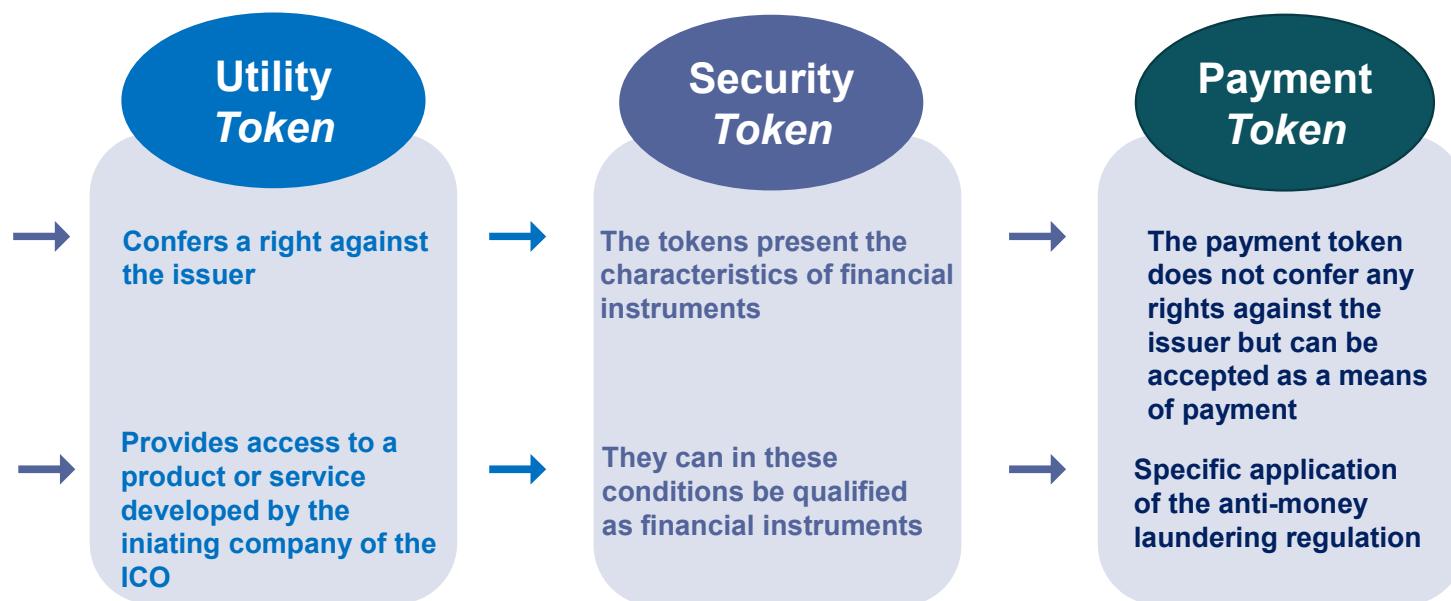
The token could be attached to a share in an asset such as a real estate asset, a company, a loan or specific revenues associated with those. Once issued, the tokens can then be traded freely in the secondary markets.



AI & Technology – What are tokens?



ESMA and EBA reports of 9 January 2019 on the supervision of crypto-assets in the E.U. establishing a classification of the tokens in three categories:



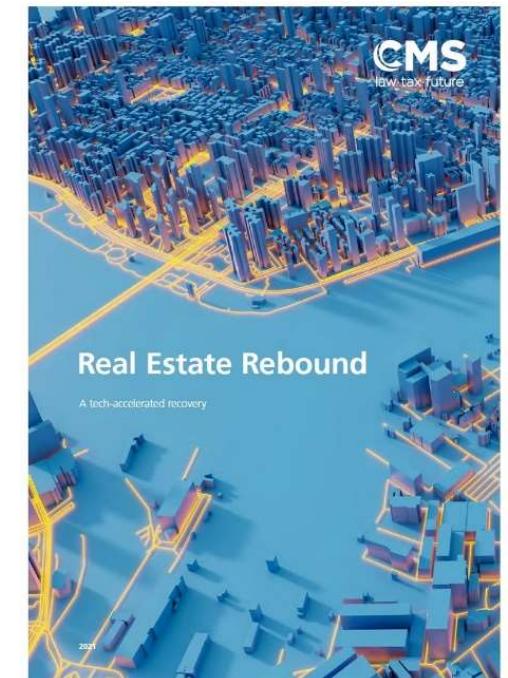
Don't overlook

-  Legal issues (native securities and representations of rights)
-  Regulatory (activities, platforms, MiFiD, AIFMD)
-  Sandboxes
-  Anti-Money Laundering
-  The importance of data
-  Prospectus and investment advertisement requirements



Real estate rebound

- How far has the real estate sector actually progressed when it comes to all things Artificial Intelligence, Big Data and the Internet of Things?
- How far has COVID-19 advanced the need for fully integrated technology that not only increases wellbeing and efficiency but also supports the ESG imperative?
- Our Real Estate Rebound report explores this topic in detail.



Q&A



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– Belgium	– Netherlands	– UK
– Bulgaria	– Poland	– Ukraine
– France	– Romania	– US (Regulatory support)
– Germany	– Singapore	
– Hungary	– Spain	
– Italy	– South Africa	

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