



**THE ULTRA-HIGH  
NET WORTH  
PRIVATE EQUITY  
INVESTING REPORT  
2023**



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NET WORTH  
**PRIVATE EQUITY**  
INVESTING REPORT  
2023





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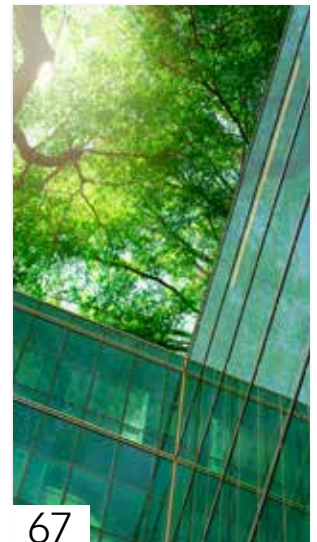
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# THE ULTRA-HIGH NET WORTH PRIVATE EQUITY INVESTING REPORT 2023

## CAMPDEN WEALTH FOREWORD

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**Dear reader,**

Since 1987, Campden Wealth has provided unrivalled proprietary intelligence directly from the world's wealthiest families to facilitate peer-to-peer learning.

Now, alongside our partner Titanbay, a leading investment platform helping investors gain access to top-tier private equity funds, we are pleased to present the inaugural Ultra-High Net Worth Private Equity Investing Report 2023. This report has no equivalent in the market and contains valuable insights from 120 Ultra-High Net Worth (UHNW) investors. It details investor motivations for turning to private equity, the challenges faced, and investment processes adopted. It also conducts a deep dive into UHNW private equity portfolios.

Private equity differs considerably from traditional asset classes, and we are delighted to have collected 'top tips' from experienced investors for the benefit of relative newcomers to the asset class. Tips that stand out include: define your liquidity needs and risk tolerance before deploying capital; set a strategy and follow it consistently, and, throughout the journey, build relationships. This is how quality deal flow is generated, due diligence power is increased, and risk of loss is mitigated.

Many thanks to the investors who took part. I hope you enjoy the read.

Best wishes,

**Dominic Samuelson**  
*Chief Executive Officer*  
CAMPDEN WEALTH





# THE ULTRA-HIGH NET WORTH PRIVATE EQUITY INVESTING REPORT 2023

## TITANBAY FOREWORD

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**Dear reader,**

It has been our great pleasure at Titanbay to work on this study with Campden Wealth. As Dominic states above, we believe that this report, and the research we have undertaken to bring it to you, is unrivalled in the marketplace.

We created the Titanbay platform with the express intention of providing a broader spectrum of investors with access to private market investments and the returns that they can generate. For much too long, private markets have been the preserve of large institutional investors, with little to no access for individual professional investors or organisations like the family offices that are the foundations of Campden's network.

As we work to enact change in the industry, it is incredibly important to know more about these investors' needs and wants. Understanding their views and changing perceptions of private markets, including in the context of building thoughtfully diversified portfolios, is crucial.

As a meticulously conducted, exceptionally thorough insight into UHNW investors' perceptions of private markets, I hope you find our report both engaging and valuable.

Best regards,

**Thomas Eskebaek**  
*Chief Executive Officer*  
TITANBAY

# Executive summary

Welcome to the inaugural Campden Wealth and Titanbay Ultra-High Net Worth Private Equity Investing Report 2023. This report summarises information provided by a total of 120 Ultra-High Net Worth (UHNW) investors. The quantitative data was collected between August and December 2022. In addition, a total of 10 interviews were conducted in February 2023. Participant investors are headquartered across 36 countries, with 81% being in Europe. They include single-family offices (SFOs) and individual investors (81%), as well as multi-family offices (MFOs, 19%). The average assets under management (AUM) for SFOs and individual investors is US\$725 million. On average, MFOs manage US\$256 million on behalf of each client family and serve 22 families.

## THE KEY TAKEAWAYS ARE:

### 1 UHNW INVESTORS WIDELY TURN TO PRIVATE EQUITY FOR RETURNS

The vast majority of UHNW investors are engaged in private equity (PE) investing (84% invested and 10% actively interested). The primary impetus is potentially enhanced long-term returns (67% of participants citing this as their #1 motivation).

See Section 2.

### 2 MAIN CHALLENGES ARE ILLIQUIDITY AND RISK OF CAPITAL LOSS

The challenges associated with PE investing are illiquidity and high risk of capital loss (with 36% and 24% of participants citing these as the #1 challenge, respectively). Other challenges include difficulty of evaluating opportunities, and current valuation levels.

See Section 2.

### 3 CURRENT AVERAGE PRIVATE EQUITY ALLOCATION: 20%

#### Typical private equity portfolio composition: 13 direct deals, 7 funds

Currently, the average UHNW investor allocates 20% of their overall portfolio to private equity, divided between direct investments (52% of the average private equity portfolio) and fund investments (48%).

On average, participants hold 13 direct and seven fund investments.

Average cheque sizes range between US\$1.8 million and US\$6.9 million per company and between US\$7.3 million and US\$9.1 million per fund. Investors also have a material 5% portfolio allocation to private debt.

See Section 3.

### 4 PRIVATE EQUITY ALLOCATIONS ARE EXPECTED TO GROW FURTHER

On average, investors plan to increase their private equity allocation by an additional three percentage points (pp) (to 23%) and tilt their private equity portfolios further towards direct investments (+4pp to 56%).

Over the next 12 months, the investors have outlined their intention to make eight new investments, with an average allocation structure of five direct and three fund investments.

Most will be favouring relatively smaller private equity funds (with 62% favouring funds with less than US\$250 million in AUM, and 42% favouring funds managing between US\$250 million and US\$500 million in assets).<sup>1</sup>

See Section 3.

<sup>1</sup> Participants can select multiple options.



## 5 ALMOST NINE IN TEN UHNW PRIVATE EQUITY INVESTORS ARE CURRENTLY ENGAGED WITH FUNDS

Eighty-four percent of participants with private equity allocations currently hold fund investments and an additional 5% are actively interested. Deal flow is generated primarily through networks of family offices (69%). The primary considerations in selecting fund managers are reputation and performance (with 30% of respondents citing these as their #1 criteria).

**See Section 5.**

## 6 OVER THREE QUARTERS OF UHNW PE INVESTORS ARE ENGAGED IN DIRECT DEALS

Sixty-four percent of participants with PE allocations currently hold direct deals and an additional 14% are actively interested. Participants build relationships with General Partners (GPs) and founders to give themselves the best chance of securing deals (75%). The primary consideration in deal selection is the quality of the management / founding team (28% of the #1 rankings).

**See Section 6.**

## 7 UHNW INVESTORS ARE BACKING DISRUPTIVE TECHNOLOGIES

UHNW investors are leaning towards growth opportunities. On average, they allocate 21% of their private equity portfolios to venture capital, 28% to growth equity, 26% to buyouts, 11% to special situations, and 14% to other strategies. The most popular sectors for investment include Information technology (with 70% of participants holding investments in this sector) and Healthcare (67%).

**See Section 3.**

## 8 AVERAGE PRIVATE EQUITY RETURNS: 24% NET IRR

In 2021, for survey participants, private equity portfolios generated an average 24% net internal rate of return (IRR). Direct deals outperformed fund investments (25% IRR vs. 20%) and direct funds outpaced fund of funds (21% vs. 17%). Between 77% and 92% of participants reported that their sub-asset class returns met or surpassed expectations. Buyouts performed particularly strongly (31% IRR), followed by growth equity and special situations (25%).

**See Section 4.**

## 9 SIGNIFICANT AND GROWING INTEREST IN 'RESPONSIBLE' PRIVATE EQUITY

One-third of survey participants hold 'responsible' private equity investments, and, on average, allocate 24% of their PE portfolios to such investments.

For the bulk of these investors, responsible investments are outperforming traditional ones (59% of participants). Interest is growing rapidly: an additional 26% of participants are exploring opportunities, and, within five years' time, the average allocation is expected to rise to 38%.

**See Section 8.**

## 10 PLATFORMS ARE NEW TO UHNW INVESTORS

Currently, only 14% of participants use digital platforms for accessing PE investments. For them, the main benefits include access to fund analysis data and tools (38%) and access to the best funds (31%).

The majority of the 86% who do not currently use digital platforms explained that they are unfamiliar with the digital platform concept and related offerings, but are keen to learn more.

**See Section 9.**

# Introduction



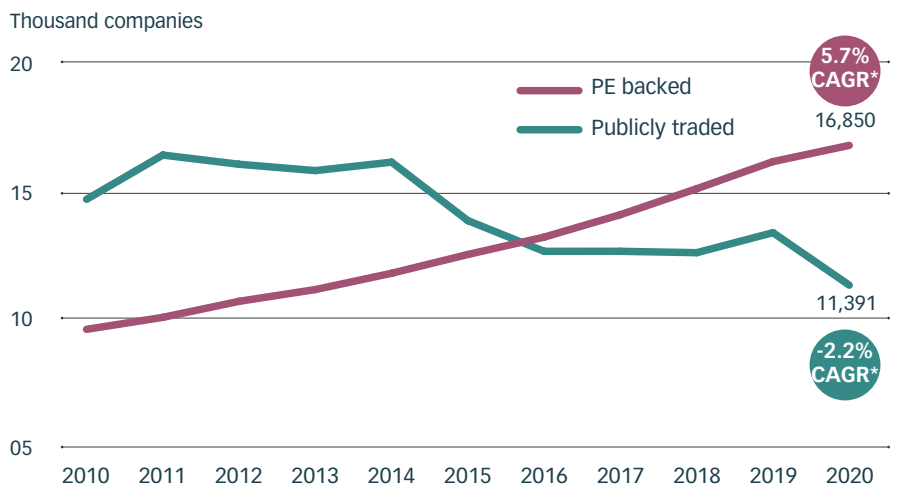
**The widest range of investment opportunities is now in private, as opposed to public, markets**

Over the decade to 2020, in North America and Europe, the number of public companies declined by 2.2% per annum (p.a). Meanwhile, the number of privately held companies increased by 5.7% p.a (Figure 1).

For companies, there are numerous potential benefits to remaining private for longer. These include being able to pivot strategic focus away from short-term initiatives to long-term value creation, implement operational or restructuring initiatives, and undertake ambitious financing structures.

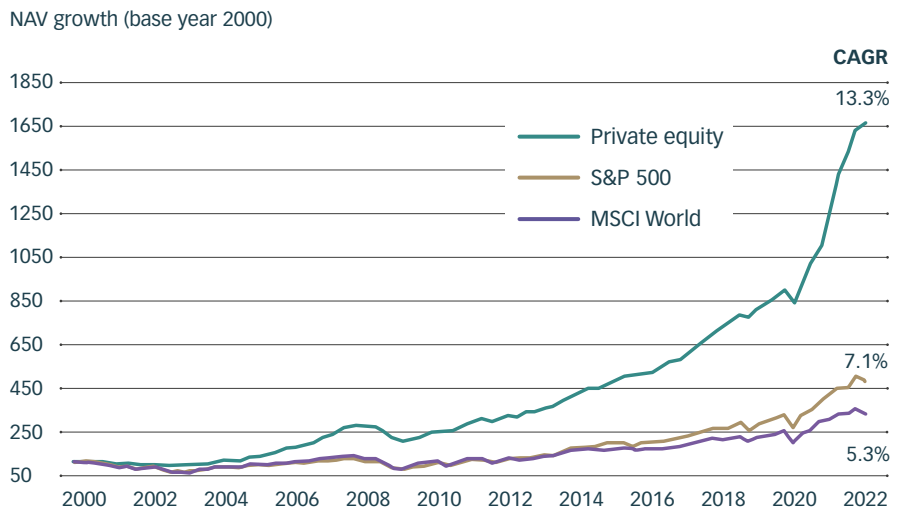
Closely related is the growth in the private equity market. Total AUM more than doubled in both US and European PE between 2012 and 2022 (from \$1 trillion to \$2.6 trillion and €377 billion to €874 billion, respectively) (Figures 4 and 5).

Figure 1:  
**Number of North American and European private equity-backed private companies vs. listed companies**



Source: Pantheon – The shrinking public market.  
Note: As of March 2021. \* Compound annual growth rate.

Figure 2:  
**Private equity vs. public market indices over the long term**



Source: Pitchbook.  
Notes: As of Q1 2022.





**Private equity and venture capital have consistently outperformed vs. public markets**

UHNW investors turn to private equity for a range of reasons. If properly designed and managed, a PE programme can enhance long-term returns for the overall portfolio and serve as a diversifier, reducing portfolio volatility (see Section 2).

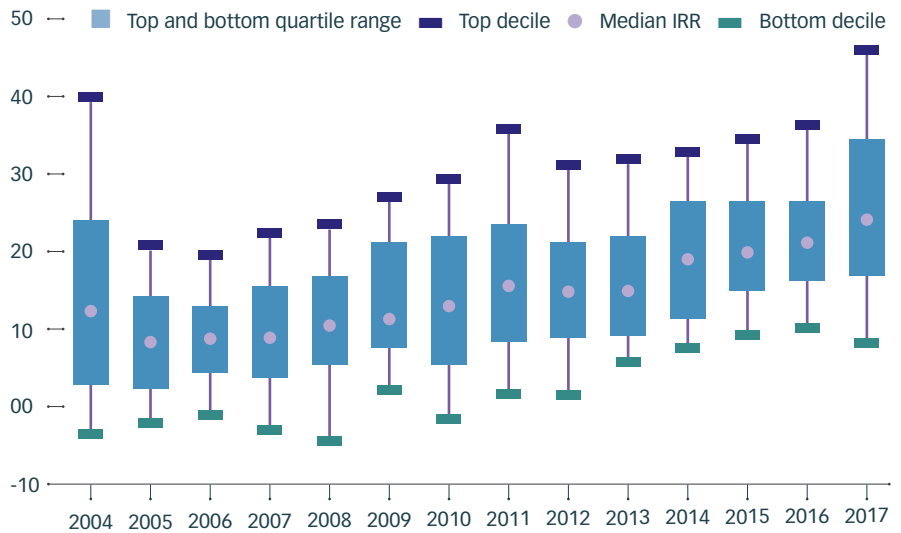
Over a sustained period of time, private equity and venture capital (VC) have outperformed relative to public equities (between 2000 and 2022, 13.3% per annum vs. 7.1% p.a for the S&P 500) (Figure 2). Moreover, PE returns tend to be more resilient during distressed periods: post-crisis funds have the potential to outperform, as evidenced by the strong performance of 2008 and 2009 vintages (Figure 3).

As relayed by interviewees, many UHNW investors have created their wealth by founding and operating businesses and are thus inclined to directly invest in companies. Through their private equity investments, they can gain a strategic business edge by obtaining access to emerging technologies / new industry developments (see Section 2).

For families undergoing a generational wealth transition, private equity investment is often driven by younger family members looking to provide early backing for companies tackling environmental or social challenges (see Section 2).

Figure 3

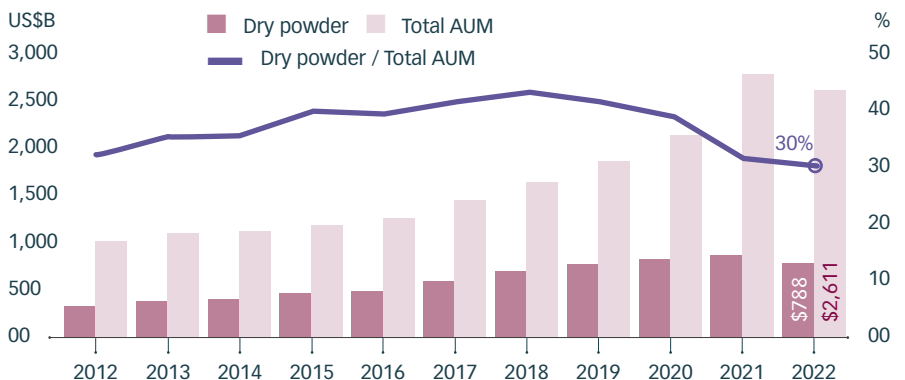
**Private equity funds IRR dispersion by vintage year**



Source: PitchBook, Global Fund Performance Report 2022. Note: As of March 31, 2022.

Figure 4

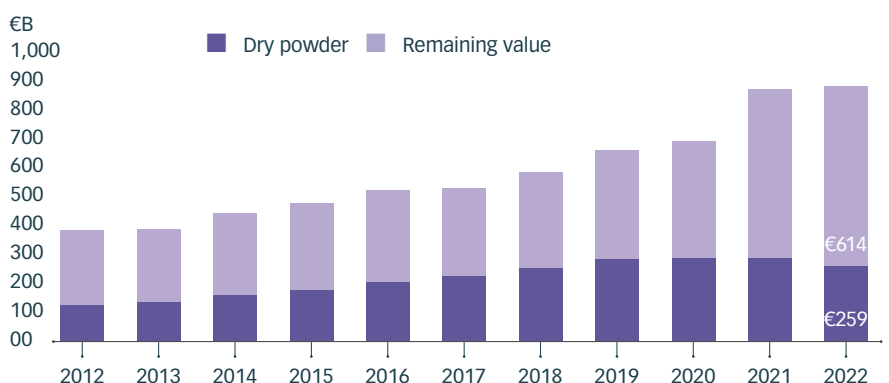
**US PE dry powder and AUM**



Source: PitchBook, US PE Breakdown 2022. Note: As of September 30, 2022.

Figure 5

**European PE dry powder and AUM**



Source: PitchBook, European Breakdown 2022. Note: As of December 31, 2022.

# INTRODUCTION

## UHNW tend to deploy capital through the cycle

In 2022, with rising interest rates, inflation, and geopolitical turmoil, PE deal activity slowed. In the US, year-on-year, deal count and value fell by 2.4% and 19.5%, respectively (Figure 6). As investors felt the ‘denominator effect’, fundraising also slowed. Capital raised fell by 5.5% to US\$343B and the number of funds raised fell by 45% to 405 (Figure 7). In Europe, despite the deteriorating macro environment, deal activity remained resilient. Deal count rose 13% and

deal value 1.4% year-on-year.<sup>1</sup> PE AUM continued to grow – reaching €874B. Meanwhile, fundraising more than halved, with €52.8 billion raised across 92 funds.

Participant UHNW investors stress that they are patient investors with long-term strategies. Many say they will deploy capital consistently through the cycle. In fact, they see potential opportunities to buy in at more attractive entry points. Many also back long-term tech trends and are cognisant that recessions are often launch pads for start-ups.

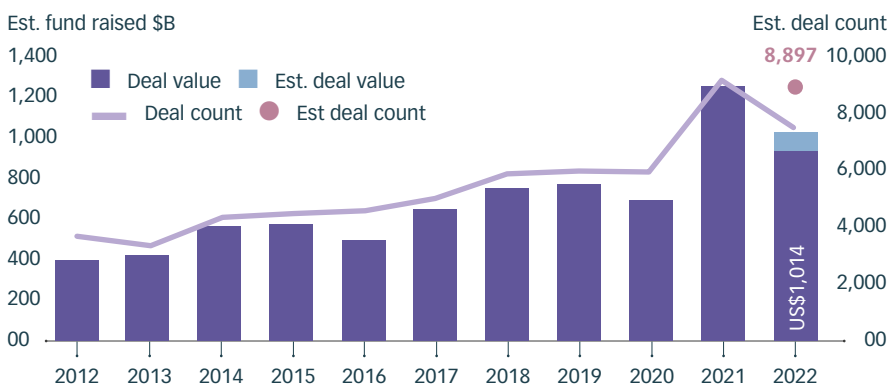
## Outline and methodology

This report contains numerous insights for investors – both those with experience in private equity and those just starting out – and for funds / companies looking to raise capital. It explores UHNW investors’ motivations for investing in private equity, their allocations across sub-asset classes (e.g., direct and fund investments), strategies (e.g., venture capital, growth equity, buyouts), geographies, and sectors. It also sheds light on their investment criteria, the challenges they face, and where they see opportunities in the future. Finally, it details ‘top tips’ from experienced investors for the benefit of relative newcomers to the asset class.

This study used a mixed methods approach to data collection. The quantitative component involved procuring data from UHNW investors with a net wealth of, at least, \$100 million. The data was collected through an extensive online questionnaire designed to explore a range of topics relevant to private equity investing. The aim was to collect data from investors around the world, with a particular focus on UHNW investors based in Europe. Quantitative data collection took place between August and December 2022 and in total, 120 UHNW investors submitted responses. In order to provide context and greater insight into the quantitative findings, in February 2023, in-depth interviews were also conducted with 10 investors.

Figure 6

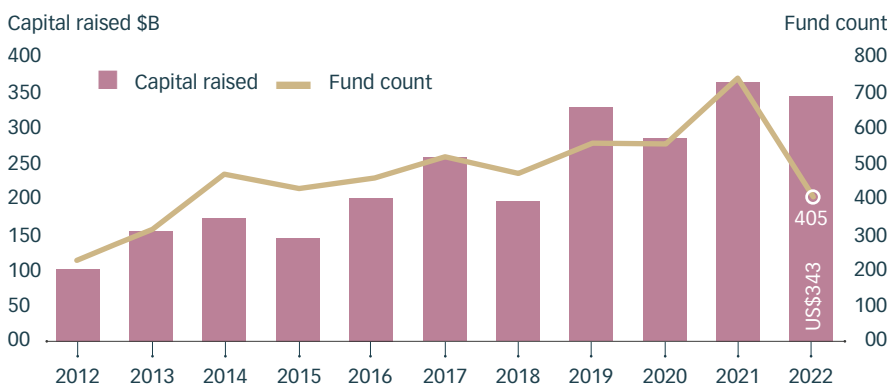
### US PE deal activity



Source: PitchBook, US PE Breakdown 2022. Note: As of December 31, 2022.

Figure 7

### US PE fundraising activity



Source: PitchBook, US PE Breakdown 2022. Note: As of December 31, 2022.

# SECTION 1 PARTICIPANT OVERVIEW

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# Participant overview

This chapter provides a profile of the UHNW investors who participated in the survey underpinning this report.

## Insights are from C-suite leadership, founders, and family members

In total, 120 UHNW investors participated in our survey. They were represented by a range of high-level officials and key stakeholders: 32% are C-suite executives, 26% are founders, and 24% are family members (Figure 8).

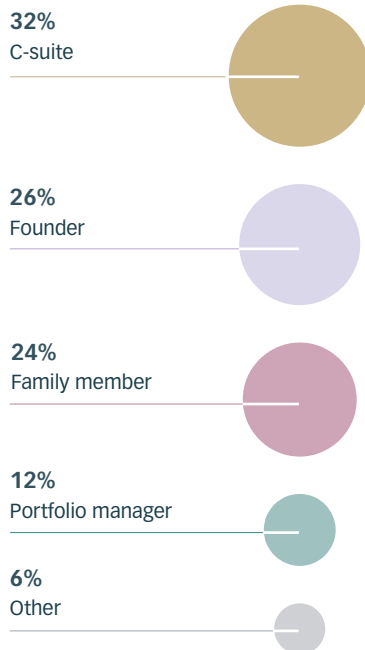
Seventy-one percent of participants represented a single-family office (SFO), which is either independent from the family business (43%), embedded within the family business (17%), or a virtual family office (11%). Eighteen percent represented a multi-family office (MFO), which is either commercial (11%) or private (7%). The remaining nine percent of participants are individual investors (Figure 9).

The investors are headquartered across 36 countries, with 81% being in Europe, 10% in North America, 4% in Asia-Pacific, and 5% in the rest of the world (encompassing South America, the Middle East, and Africa) (Figures 10 and 11).



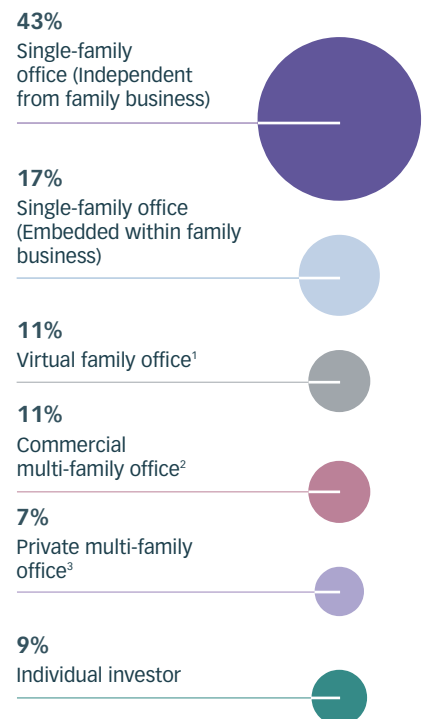
Getty Images: Washingtonplatz, Berlin, Germany

Figure 8  
Job titles of participants



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: The sum of the figures may exceed 100% because participants can select multiple options.

Figure 9  
Types of investors represented



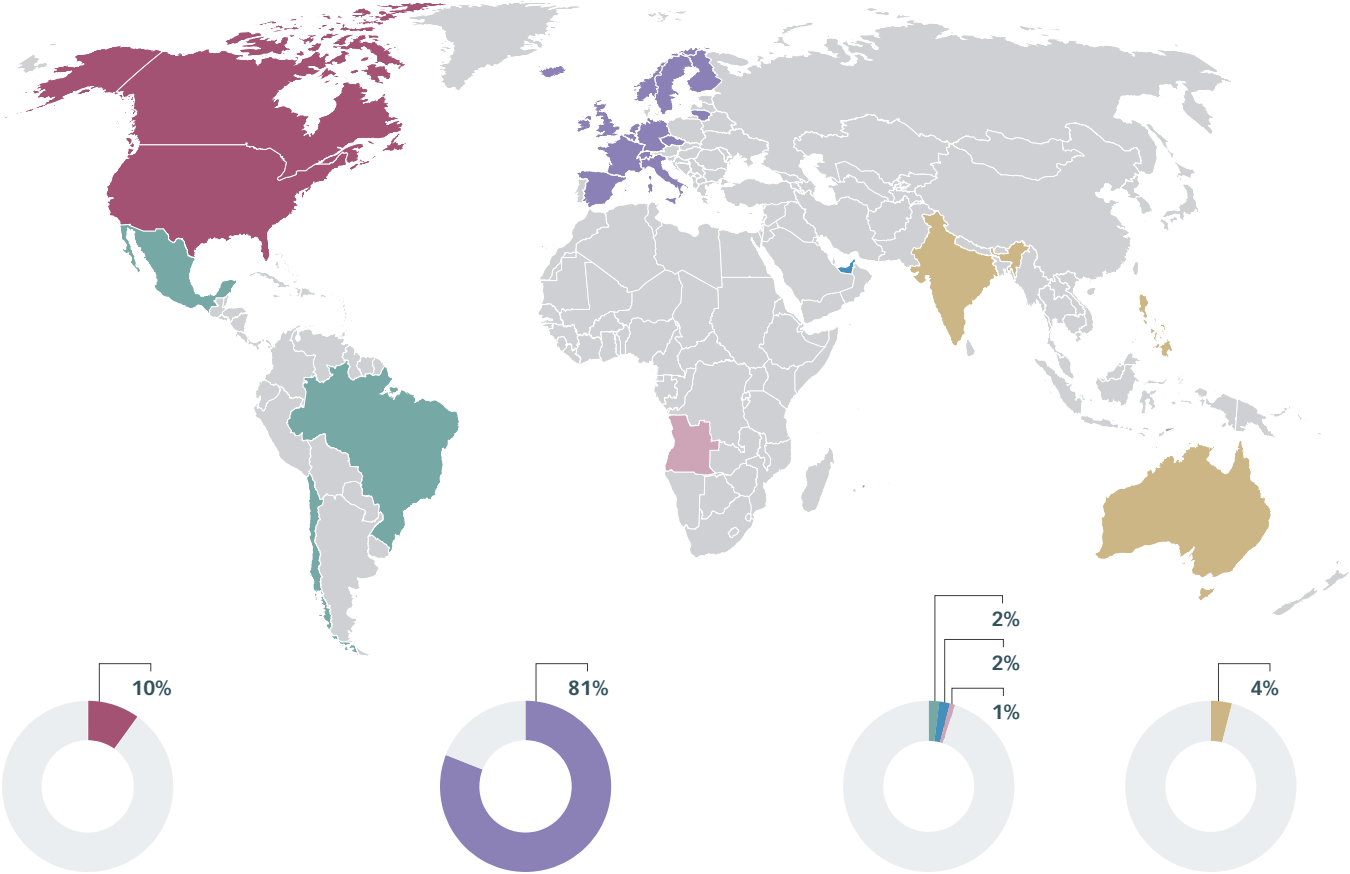
<sup>1</sup> A private office that is technology-driven and outsources the large majority of its work to service providers, thus only needing circa one or two internal staff. These staff can be either family members or outside professionals.

<sup>2</sup> Owned by commercial third parties (not the families), motivated by profit-making ventures.

<sup>3</sup> A founding family before it is widened out to multiple families. The offices are owned by families and operated for their benefit.

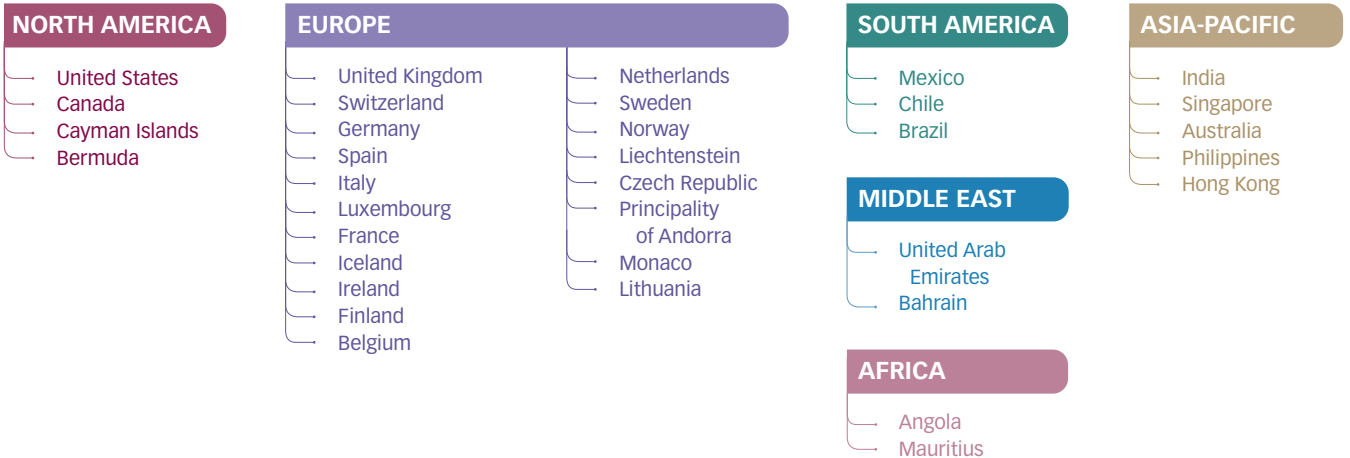
Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

Figure 10  
Investor headquarters by region



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Europe was emphasised in our data collection. Figures may not sum exactly to 100% due to rounding.

Figure 11  
Countries represented

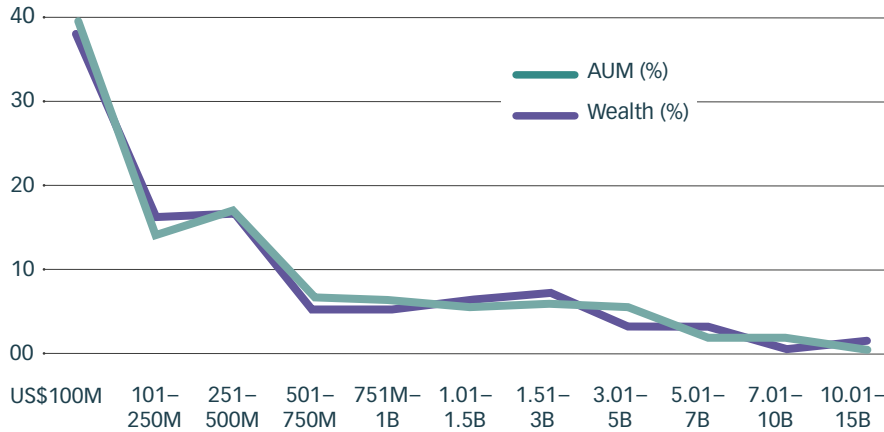


Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Countries are listed in descending order of representation.

# SECTION 1 PARTICIPANT OVERVIEW

Figure 12

## Investor assets under management and private wealth



	Average AUM	Average net wealth
<b>SFO</b>	<b>US\$725m</b>	<b>US\$821m</b>
	Average wealth managed / family	Average # families
<b>MFO</b>	<b>US\$256m</b>	<b>22</b>

Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
 Note: Averages based on band midpoints. Assets and wealth exclude operating business ownership. Not every participant provided answers to every question. Figures may not sum exactly to 100% due to rounding.

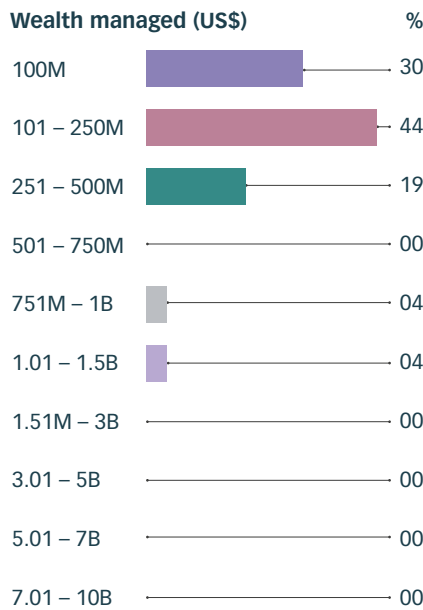
### Average AUMs: SFOs and individual investors US\$725m, MFOs US\$256m per family

Globally, the average assets under management for SFOs and individual investors surveyed for this report is US\$725 million, while the average wealth of these investors stands at US\$821m (i.e., 88% of wealth, excluding operating business ownership, is under management). However, 54% of the SFOs and individual investors manage between US\$100 million and US\$250 million, while 18% manage over US\$1 billion. The median AUM is US\$208 million (Figure 12).

On average, MFOs manage US\$256 million on behalf of each client family. However, 74% manage between US\$100 million and US\$250 million. The median is US\$169 million per family (Figure 13). On average, MFOs serve 22 families – but most (54%) serve up to 15 families, and the median is 12 (Figure 14). Thus, the representative MFO manages circa US\$2 billion in assets.

Figure 13

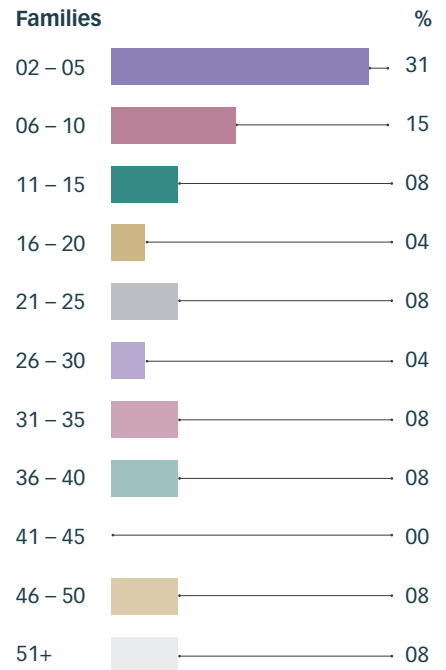
### Private wealth managed by MFOs for the average family



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
 Note: Figures may not sum exactly to 100% due to rounding.

Figure 14

### Number of families served by MFOs



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
 Note: Figures may not sum exactly to 100% due to rounding.



# SECTION 2 MOTIVATIONS AND CHALLENGES

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# Motivations and challenges

## SUMMARY

► For UHNW investors, the primary motivation to invest in private equity is potentially enhanced long-term portfolio returns (with 67% of participants citing this as their #1 motivation). Other important motivations include potentially reducing portfolio volatility through diversification, and obtaining exposure to emerging technologies / new industry developments.

► For families with operating businesses, access to innovative technologies via private equity investments can further strategic positioning. For families undergoing a generational wealth transition, private equity investment is often driven by younger family members looking to provide early backing for companies tackling environmental or social challenges.

► The main challenges associated with private equity are investment illiquidity and high risk of capital loss (with 36% and 24% citing these as the #1 challenge, respectively).

► Experienced investors recommend adopting a long-term private equity strategy, detailing desired exposures. They suggest focussing on learning, considering co-investing alongside trusted partners, and scaling investment with experience. For many, the crux of a successful private equity investment programme is picking the right fund managers.



Getty Images: La Defense, Paris, France

### **The primary motivation for private equity investing is the potential for enhanced long-term returns**

Over the last 20 years, ultra-high net worth investor interest in private assets has grown significantly.

Participants in our study were asked to rank the top three factors which motivated them to invest in private equity. The clear primary factor is potentially enhanced long-term portfolio returns, with 67% of participants citing this as their #1 motivation. Other important motivations include reducing portfolio volatility

through diversification (for 37% of participants, this was the #2 motivation), and obtaining exposure to emerging technologies / new industry developments (for 25%, the #3 motivation) (Figure 15).

Interviewees said that, historically, there was more interest in hedge funds, but this has shifted towards private equity. They explained that there are three key reasons: some hedge funds ‘falsely marketed’ liquidity; hedge fund strategies can be difficult to explain, and some hedge funds performed poorly.



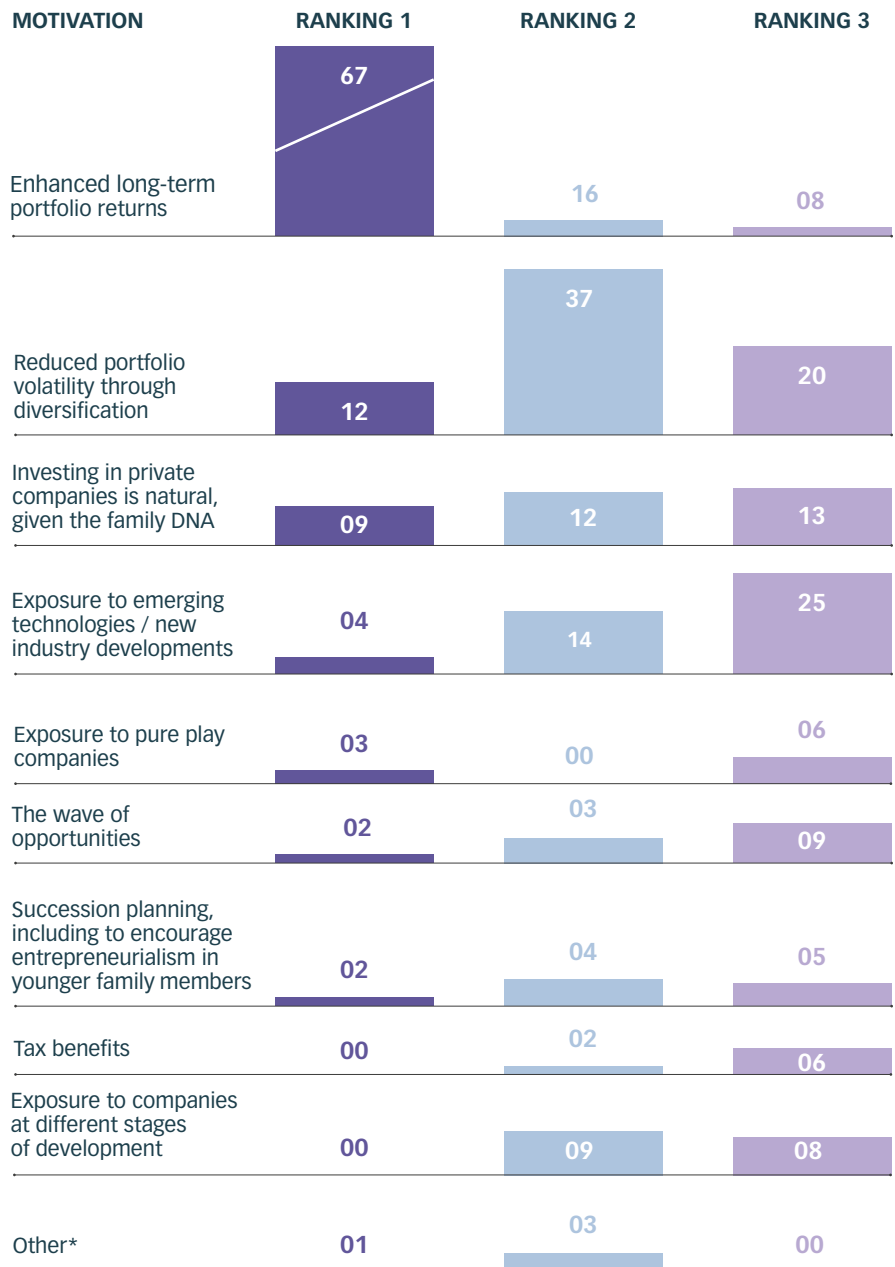


When the chips were down, something that was marketed as liquid turned out not to be. In addition, there are countless hedge-fund strategies and they can be a black box. It can be hard to explain why some particular arbitrage strategy is not performing. Poor performance took the polish off the asset class. Long-term, there has also been a lack of performance in quoted markets, but fund managers have still taken their fees. Meanwhile, PE does not misleadingly market liquidity, it is easier to present – investing in companies, in the real economy – and performance has been very strong.

Founder, Multi-family office,  
United Kingdom

Figure 15

Top 3 reasons for investing in private equity (%)



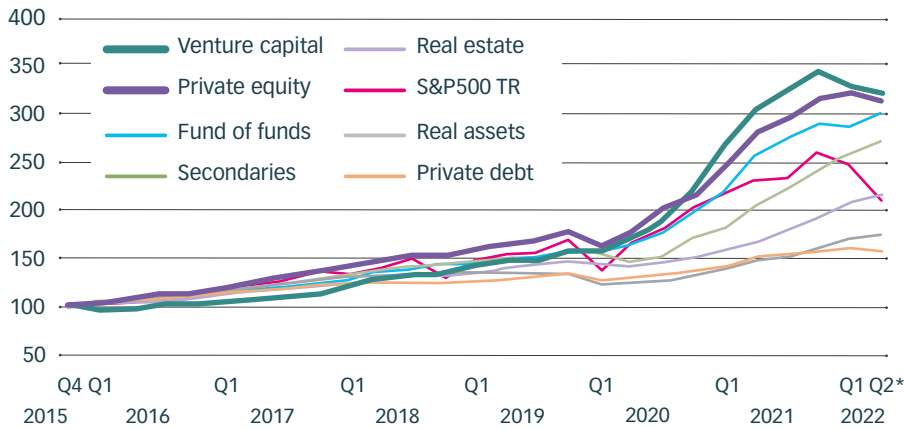
Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: This table shows the shares of the #1, #2, and #3 rankings captured by each motivation. The figures in each column may not sum exactly to 100% due to rounding. \* Other motivations specified by participants include investment control, rich relationships with best-in-class fund managers and teams, industry expertise, and impact investing.

Indeed, over a sustained period of time, PE and VC have outperformed relative to public equities (Figures 2 and 16). The gap in performance is even more marked when focussing on the performance of top-quartile and top-decile managers (Figure 17).





Figure 16  
**NAV growth across asset classes since 2015, globally**  
 (rebased to 100 at end of Q4 2015)

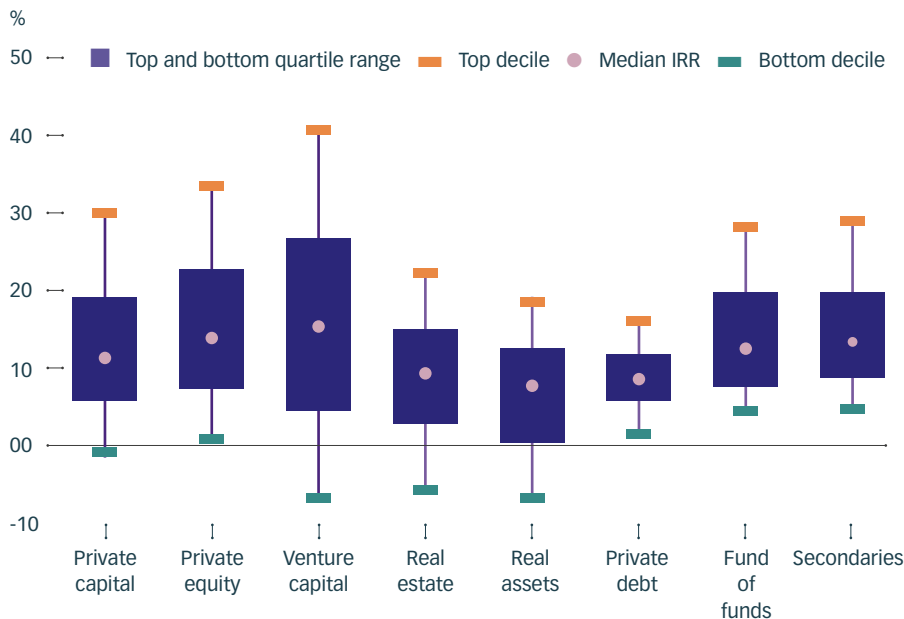


Source: PitchBook, Global Fund Performance Report 2022. Note: \*As of June 30, 2022. Q2 2022 data is preliminary.

**The main challenges associated with private equity investing are illiquidity, risk of capital loss, and difficulty in evaluating opportunities**

Though investors appreciate the growth potential in private equity, as well as the role the asset class can play in portfolio optimisation, the challenges associated with investment can be significant. Participants said the top challenges are investment illiquidity and high risk of capital loss (with 36% and 24% citing these as the #1 challenge they face, respectively) (Figure 18).

Figure 17  
**Fund performance dispersion by strategy (vintage years 2004-2017)**



Source: PitchBook, Global Fund Performance Report 2022. Note: As of March 31, 2022.

Interviewees said that the illiquidity of private equity markets – e.g., PE funds typically have a ten-year life and often extensions as well – can be a significant mental barrier to overcome. They explained that substantial amounts of capital can be called particularly in the first few years. Potential investors should therefore ensure that they are able and willing to commit capital for the likely duration of the investment and have a system in place for managing capital calls.



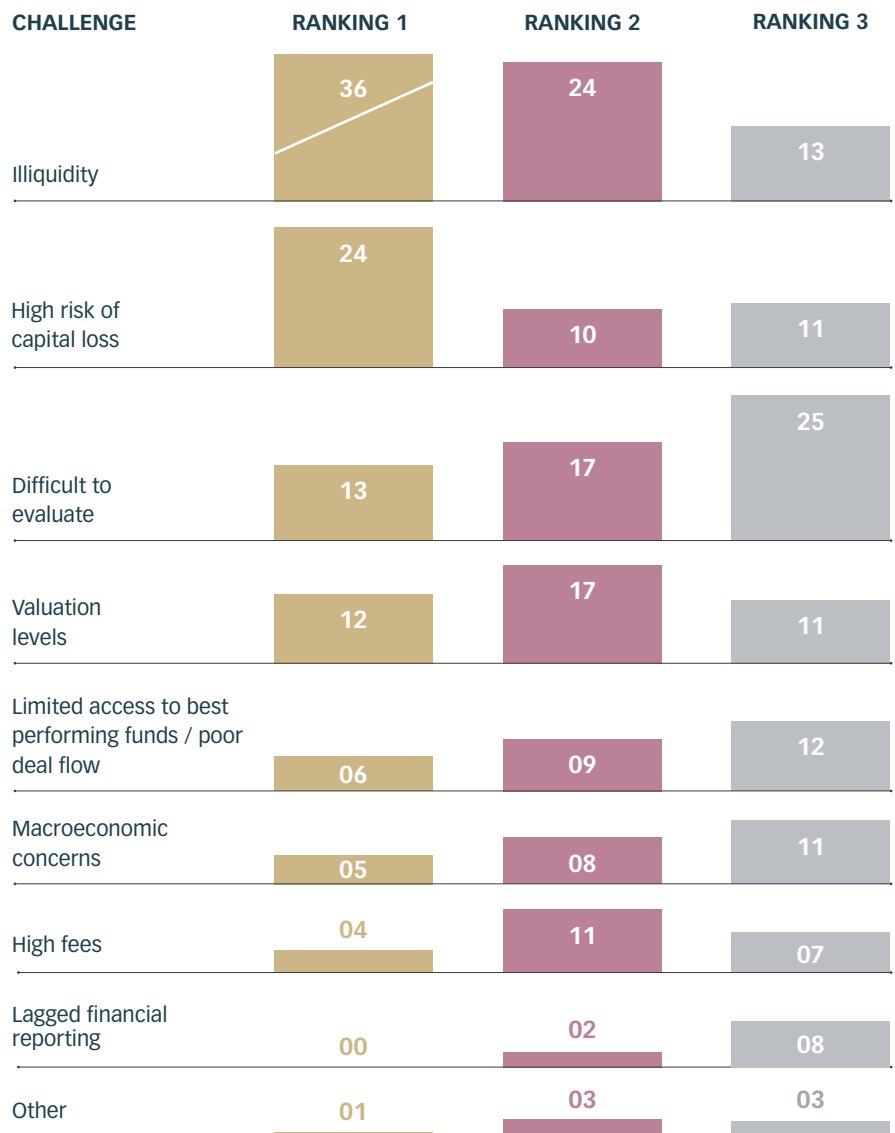
**You are giving them your money for potentially 12 years. If you think you have made a bad choice, you can't just sell private investments like you can public ones. To make such a significant long-term commitment is a real mental hurdle.**

*Portfolio manager,  
Single-family office,  
United Kingdom*

The return potential of private equity is fundamentally attributable to the illiquidity of investments. Returns can also reflect reliance on high amounts of debt funding and reflect high risk of capital loss.

Figure 18

**Top 3 challenges associated with private equity investing (%)**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: This table shows the shares of the #1, #2, and #3 rankings captured by each challenge. The figures in each column may not sum exactly to 100% due to rounding.

**The excess returns over public markets reflects that investor money is locked up for many years and that private equity investments can be highly levered, using much more debt than comparable public companies.**

**Early-stage venture can break even or return less than capital invested in a significant number of deals. It is in the balance of investments that funds make money and, if they pick the right deals, potentially make high returns.**

*Portfolio manager, Single-family office, United Kingdom*

Other significant challenges indicated by survey participants include the difficulty of evaluating opportunities (for 17% of participants, the #2 barrier) and current valuation levels (for another 17% of participants, the #2 barrier) (Figure 18).

**In some circumstances, managers take concentrated positions – for example, a fund that makes 20-30 portfolio investments – and that can be mentally harder to underwrite.**

*Portfolio manager,  
Multi-family office,  
United Kingdom*

**Looking at venture over the last 20 years, the change in the slope of valuations and the dollar amounts raised accelerated in 2016-17 and 2019-21. Companies do need more capital – things are more expensive, for example, headcount, office space – but they don't need 3x more capital than they did. We can go back to 2009-10 and guesstimate 25-50% more capital need. Pre-seed valuations would be \$5-6m, not \$12-15m like a few years ago.**

*CEO, Single-family office,  
United States*

## INVESTOR INTERVIEWS



### PE INVESTMENTS CAN FURTHER OPERATING COMPANY STRATEGIC POSITIONING AND INVESTOR ESG IMPACT

**S**everal interviewees explained that, in addition to enhanced long-term financial return, for families with operating businesses, strategic positioning is also often important:

**We have a global real estate operating company. As a family office, we tend to invest in technologies that enhance the long-run net operating income of our real estate holdings – for example, real estate-focused fintech, ways to market real estate, or green building materials.**

*CEO, Single-family office, United States*

They also attribute part of the drive to invest in PE to the growing role of a more technology-oriented younger generation, as well as increasing awareness of and interest in responsible investing:

**The younger generations are naturally warmer to innovation and therefore technology-focused private equity. They use the products themselves and have friends starting up companies.**

**Families want part of their wealth to be making a positive impact. Of course, they have to define what that means but they are unlikely to allocate to a quoted fund and say, this is impact. They invest directly or work closely with funds doing interesting things to benefit the environment or society.**

*Founder, Multi-family office, United Kingdom*

**Younger family members have an affinity for the impact their capital can bring forth. While they're not out to put principal at risk, they want a return they can feel good about. The ESG opportunities in the public markets often bubble up from alternatives. The younger generation gets excited about being early and supporting technologies tackling big environmental and social problems.**

*CEO, Single-family office, United States*



Interviewees warn that, while gaining access to *quality* opportunities can be challenging, the barriers to PE investing in general can actually be relatively low. Given the illiquidity, they thus stress the importance of taking a cautious approach:

**Some investors get wowed by CEO pitches. They jump into deals, without being in the right deal flow – and are the last to see the deal, after it has been rejected by the specialists. They get into companies that don't perform well and need more money.**

These experienced investors advise focussing on education and scaling investment with experience:

**Starting from a zero base, you can consider investing in funds. Focus on learning from managers. Start co-investing and gradually scale up investments. Build expertise in doing deals. You can start in sectors related to your operating business. But if it is the younger generation investing, do they genuinely have the expertise from the holding company? Over time, you can start building out sectorally.**

*Founder, Multi-family office,  
United Kingdom*

## INVESTOR INTERVIEWS



Getty Images: Oslo, Norway

### MITIGATING RISK THROUGH A LONG-TERM STRATEGY AND CO-INVESTING WITH TRUSTED PARTNERS

In order to mitigate risk, experienced UHNW investors recommend defining a long-term private equity strategic vision or programme, including desired exposures:

**I am yet to meet someone with a crystal ball. To lessen the risk of exogenous shocks, you need a long-term strategy with clear parameters. This includes a detailed plan of what types of investment you are going to hold and the dollars you will pour in by strategy, sector, geography, and individual company.**

Interviewees said that another key means by which to mitigate risk is co-investing with trusted partners:

**By co-investing, we get into great deals that we would otherwise not have access to. We are not looking to be the sole funder of a tech company in the alternatives space. We have learned that creating a cohort of co-investors – that we like and trust – makes for more profitable investing in the long run. It dilutes our risk and, by having more diverse thinking around the table, enhances our ability to act strategically. We have put in the hard work and, over time, developed trusted relationships. Now, we can take a US\$5m round for financing and break it up into 2-3 different investors.**

The key to effective co-investment is alignment of values and expectations between partners:

**With co-investment, the question is, are you good at picking partners? The co-investors need to understand our horizon and interest in the technology. Family offices do have a long time-horizon, but this often gets misinterpreted as no need for liquidity – not the same thing. Co-investors also need alignment on dry powder. A company may need additional capital, we may have to be one of the sources, and this may entail doing fewer deals.**

*CEO, Single-family office, United States*

Getty Images



## INVESTOR INTERVIEWS

### PICK THE RIGHT MANAGERS

**I**n interviews, UHNW investors explained that the challenges associated with private equity investing – e.g., the illiquidity, high risk of capital loss, and difficulty to evaluate deals – are closely related. For these interviewees, the key to a successful PE investment programme is proper diversification, manager due diligence and selection, and access to top managers.

**To build a private equity portfolio which enhances returns and reduces portfolio volatility, investors need to diversify across managers, sectors, regions, and vintages – avoiding herd mentality – and actively pursue the top managers for access. If you can get access to the best private equity managers, then there is opportunity to outperform what is otherwise leveraged equity risk.**

*Founder, Single-family office,  
United Kingdom*

Top managers have extensive networks, deep sector knowledge, and rigorous origination processes. They are skilled at identifying levers that drive corporate performance, as well as predicting cash flows and managing leverage. Good manager selection entails keeping track of any changes that can affect the quality of management – e.g., personnel changes or strategy drift. Central to picking the right managers is understanding the culture:

**You have to be able to underwrite the process, as well as the people. If you make commitments to funds I-V, people will change. Is the strategy really one of operational improvement of companies or are they just using a lot of leverage to get their returns? This will be part of the culture and likely outlast any changes in the investment team. So, you have got to do your analysis on prior returns. It is also important to check that they have an adequate succession plan in place.**

*Portfolio manager, Multi-family office,  
United Kingdom*

One of the key tasks for investors is to ensure that there is alignment of incentives:

**Carried interest may be on a deal-by-deal basis for members of the investment team or at the fund level for everyone. There are pros and cons for each approach. Pros of fund-level carry can include that the whole team thinks about the return of the fund and is potentially less incentivised to take a significant risk on their own deal. From an investor's perspective, your interest can be more aligned with fund-level carry because, as an investor, you get the return of the fund. Otherwise, for a member of the investment team, if your deal is the runaway deal and the rest of the fund's deals are hopeless, you've done well, but the investor has not.**

*Portfolio manager, Multi-family office,  
United Kingdom*



# SECTION 3 PRIVATE EQUITY PORTFOLIO

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# Private equity portfolio

## SUMMARY

► Amongst UHNW investors, the private equity asset class is now mainstream: 84% are currently invested and an additional 10% are actively interested. On average, they allocate 20% of their overall portfolios to private equity.

► The average PE portfolio is roughly balanced between direct investments (52%) and funds (48%). Direct investments include self-sourced deals (27%) and co-investments (15%), as well as secondaries and other investments (10%). Funds are split into direct funds (36%) and fund of funds (12%). Average cheque sizes range between US\$1.8m and \$6.9m per company and between US\$7.3m and \$9.1m per fund.

► Generally, UHNW investors are diversified across strategies, but they are leaning towards growth opportunities. On average, they allocate 21% to venture capital and 28% to growth equity. These investors deploy capital consistently: in each year between 2013 and 2023, between 51% and 81% of participants made investments. Geographically, however, UHNW investors tend to favour home markets.



Getty Images: The National Congress, Sao Paulo, Brazil

► On average, UHNW investors expect to increase their private equity allocation by an additional 3pp (to 23%). They plan to tilt their PE portfolios further towards direct investments (+4pp to 56%) and towards venture (+3pp) and growth (+2pp). Within the next 12 months, investors plan to make eight additional new investments: five direct and three fund investments. On the fund side, most will be favouring relatively smaller private equity funds (with 62% favouring funds with less than US\$250 million in AUM, and 42% favouring funds managing between US\$250 million and \$500 million in assets). (The sum of the figures may exceed 100% because participants can select multiple options).<sup>1</sup>

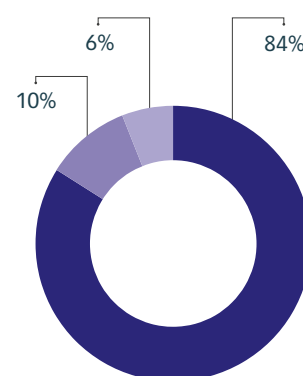
## For UHNW investors, the private equity asset class is now less alternative and more mainstream

Currently, the vast majority of UHNW investors allocate to private equity (84%). Furthermore, an additional 10% is actively interested in private equity investments (Figure 19).

Figure 19

### UHNW engagement with private equity

- I currently invest
- I do not currently invest but am actively interested
- I am not currently invested or actively interested



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

**The average UHNW investor currently allocates 20% to private equity**

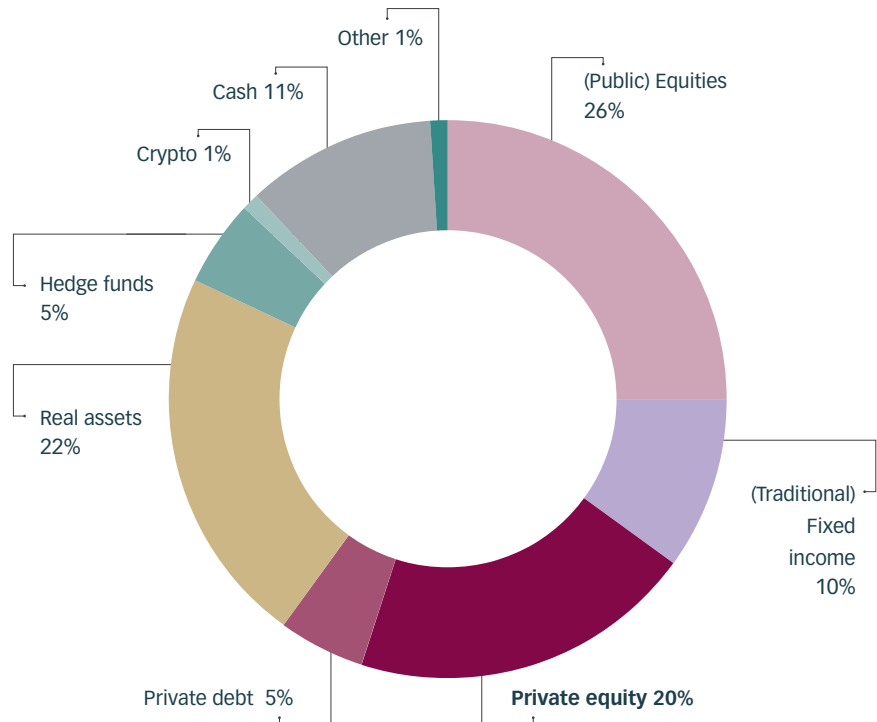
Portfolio asset allocation varies significantly from one UHNW investor to the next. Every portfolio has a different risk allocation and return target. Some investors specialise in private equity investments, some are newer to the asset class, and others have opted to remain out of the market completely.

With that said, currently, the average UHNW investor allocates 20% of their overall portfolio to private equity (including venture capital). Investors also have a material 5% allocation to private debt and 22% allocation to real assets, encompassing real estate, infrastructure, and natural resources. Meanwhile, 26% of the average portfolio is allocated to public equities, 11% is held in cash, and the balance (16%) is held in a range of other assets, including 1% in crypto (Figure 20).

Forty percent of participants have private equity allocations greater than 20%, with 20% of participants allocating more than 40% of their overall portfolios to private equity.

Based on numerous Campden Wealth reports, the average 20% allocation to private equity is indicative. For example, the Campden Wealth *Global Family Office Report 2021* found that, worldwide, the average allocation to private equity was 22% (in Europe, the allocation was 28%).<sup>2</sup> The analogous 2022 report found the global allocation to private equity to be 24% (+3% to private debt; in Europe, the allocation was 27% + 2% to private debt).<sup>3</sup>

Figure 20  
Overall portfolio asset allocation



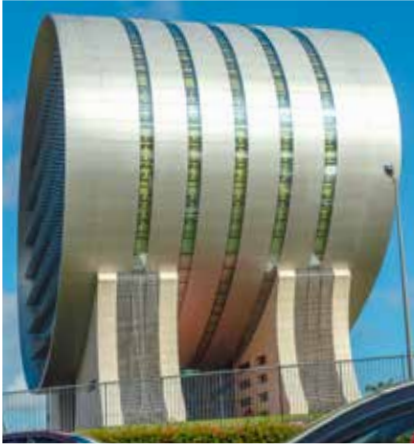
Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

Several interviewees expressed the opinion that family offices likely hold larger shares of their portfolios in private equity than institutional investors. Some highlighted that many family offices do not have a target private equity allocation as such. Furthermore, for some, their PE holdings are likely significantly undervalued on their balance sheets:

**Family offices tend to be skewed towards PE because most of their net worth typically derives from a business that somebody in the family ancestry started.**

**We had an investment in Q3 2021 carrying a value of US\$50m. We had invested \$20m in it. We sold it in November at \$160m – more than 3x the book value. If we had captured that, our allocation to PE would have been higher. But, generally, we don't mark our investments. We are not using our holdings for leverage, reporting to third parties, or paying compensation on asset values.**

*CEO, Single-family office, United States*

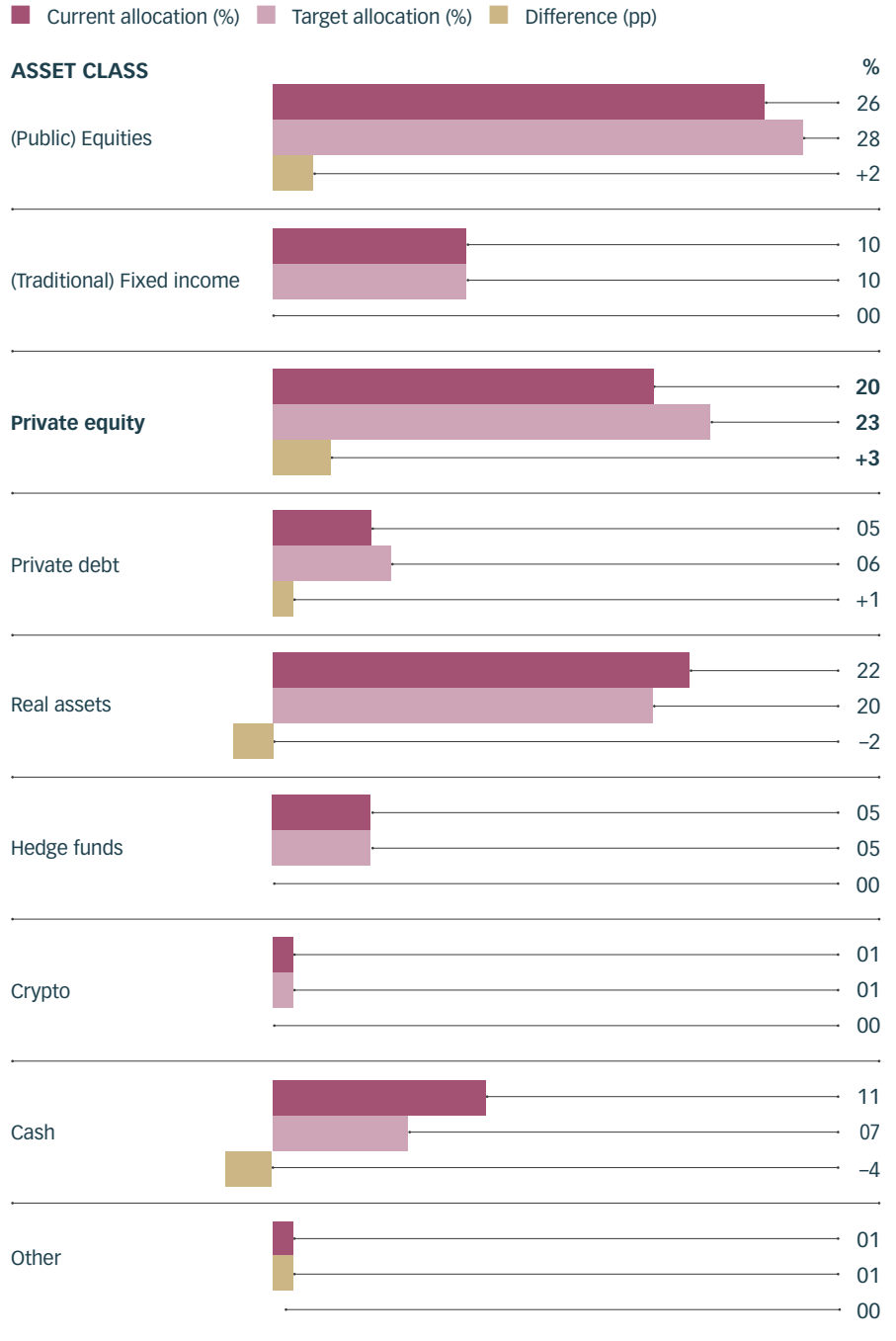


### The delta between current and target allocations is highest for private equity

On the whole, UHNW investor participants in the present study expect to see limited changes in their overall asset allocation. On average, they plan to increase their private equity share by an additional 3pp (to 23%) – the highest delta between current and target allocations – and plan to increase their private debt share by an additional 1pp (to 6%). In the current inflationary environment, investors plan on decreasing cash allocations by 4pp (to 7%) (Figure 21).

Figure 21

### Overall portfolio asset allocation: current, target and difference



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
 Note: Figures may not sum exactly to 100% due to rounding.



Many interviewees explained that, looking ahead, while their allocations were likely to stay stable, they have room to be strategic:

**Currently, we have a 35-40% PE allocation. It will likely stay that way and, if anything, might get closer to, say, 50%, if the environment and opportunities are right. As a family office, we can do things differently. We can be more flexible and aggressive. Sovereign wealth funds, pension plans, endowments etc., can be constrained in that they have to stay within their allocations. Let's say a terrible recession hit. These institutions may be forced to sell or do a secondary transaction. For us, it would not move the needle. If we wanted to go to 100% over the next year, we could. There are no true guidelines for us – we answer only to the family.**

*Portfolio manager,  
Single-family office,  
United States*

### **Private debt, one of the world's fastest-growing alternatives**

Over the past decade, the private debt market has grown 13.5% on average annually, with assets under management hitting US\$1.2 trillion at the end of 2021.<sup>4</sup>

Direct lending is the most popular private debt strategy, accounting for almost three quarters (73%) of the market's growth over the past decade. That growth has been supported by banks pulling back sharply from lending to middle-market companies due to regulatory capital constraints. Other private credit strategies include distressed debt (a riskier approach of lending to companies that are experiencing financial difficulties), mezzanine loans (a type of junior debt that has equity-like features), and special situations (debt that is cheaper to buy for a variety of idiosyncratic reasons).

Returns on private credit typically outperform public market debt. The one-year horizon internal rate of return (IRR) for private debt was 12.9%, as of Q1 2022. Private debt also tends to exhibit lower volatility than other private market strategies, with the 10-year IRR at 9.1%.<sup>5</sup>

The growing role of private debt in UHNW investor portfolios has been documented across Campden Wealth reports. In the *Global Family Office Report 2021*, 36% of survey participants worldwide said that they hold private debt investments (in Europe, 31%) and 31% said that they increased their private lending activity over the last 12 months (in Europe, 29%).<sup>6</sup> The analogous 2022 report found that, globally, 92% of respondents intended to maintain or increase their private debt allocations (31% increase, 61% maintain; in Europe, 24% increase, 70% maintain).<sup>7</sup> The Campden Wealth *Family Offices*

*Investing in Venture Capital Report 2022*, which focused on UHNW families with significant experience in VC, found that venture debt constituted 4% of the average global venture capital portfolio.<sup>8</sup>

In interviews, UHNW investors said that private debt provided a source of income and that, particularly during the current inflationary environment, private debt performance is expected to remain robust:

**Historically, we have been focused on buyout. But about a year ago, we brought in a new president and his push was to diversify more and add venture and growth equity, as well as private credit – asset classes which have all done well. On the private debt side, this was also a way for family members to get some income.**

*Portfolio manager, Single-family office, United States*

**In the current inflationary rising rate environment, certain private debt strategies are well positioned – for example, investing in shorter duration and floating rate loans.**

*Founder, Single-family office,  
United Kingdom*

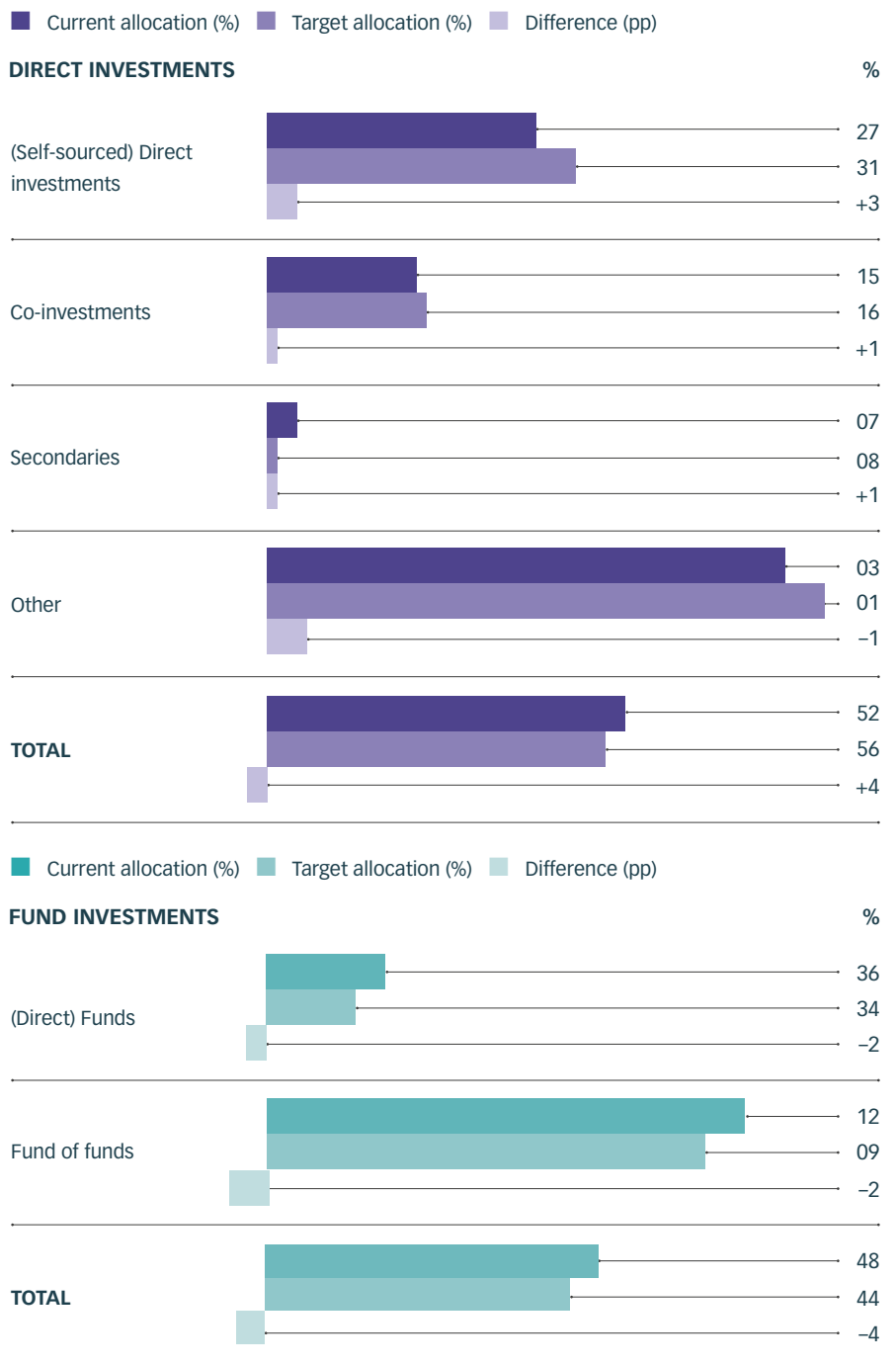


**Balance between direct and fund investments; preference for self-sourced over other direct deals and for direct funds over fund of funds**

The average UHNW investor’s private equity portfolio is comprised of both direct investments (52%) and fund investments (48%). The largest share of direct investments is in self-sourced direct deals (27%), followed by co-investments (15%). Secondaries (7%) and other investments (3%) make up the balance. UHNW investors are building bespoke scenarios – with the average allocation to private equity direct funds (i.e., funds that invest directly in private companies) being three times the allocation to fund of funds – 36% versus 12% (Figure 22).

Looking ahead, UHNW investors plan to tilt their portfolios further towards direct investments (+4pp), with the biggest increase in self-sourced deals (+3pp) and equal decreases in direct funds and fund of funds (-2pp) (Figure 22).

Figure 22  
**Private equity sub-portfolio asset allocation**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

Based on numerous Campden Wealth reports, a near even split between direct and fund investments and, perhaps, a marginal preference for direct over fund investments, particularly in Europe, is also indicative. For example, the Campden Wealth *Global Family Office Report 2021* found that, globally, the average private equity portfolio allocations to direct and fund investments were 53% and 47%, respectively (in Europe, average allocations were 59% and 41%, respectively).<sup>9</sup> The equivalent 2022 report found that, globally, the split was 49% directs and 51% funds (in Europe, 55% directs and 45% funds).<sup>10</sup>

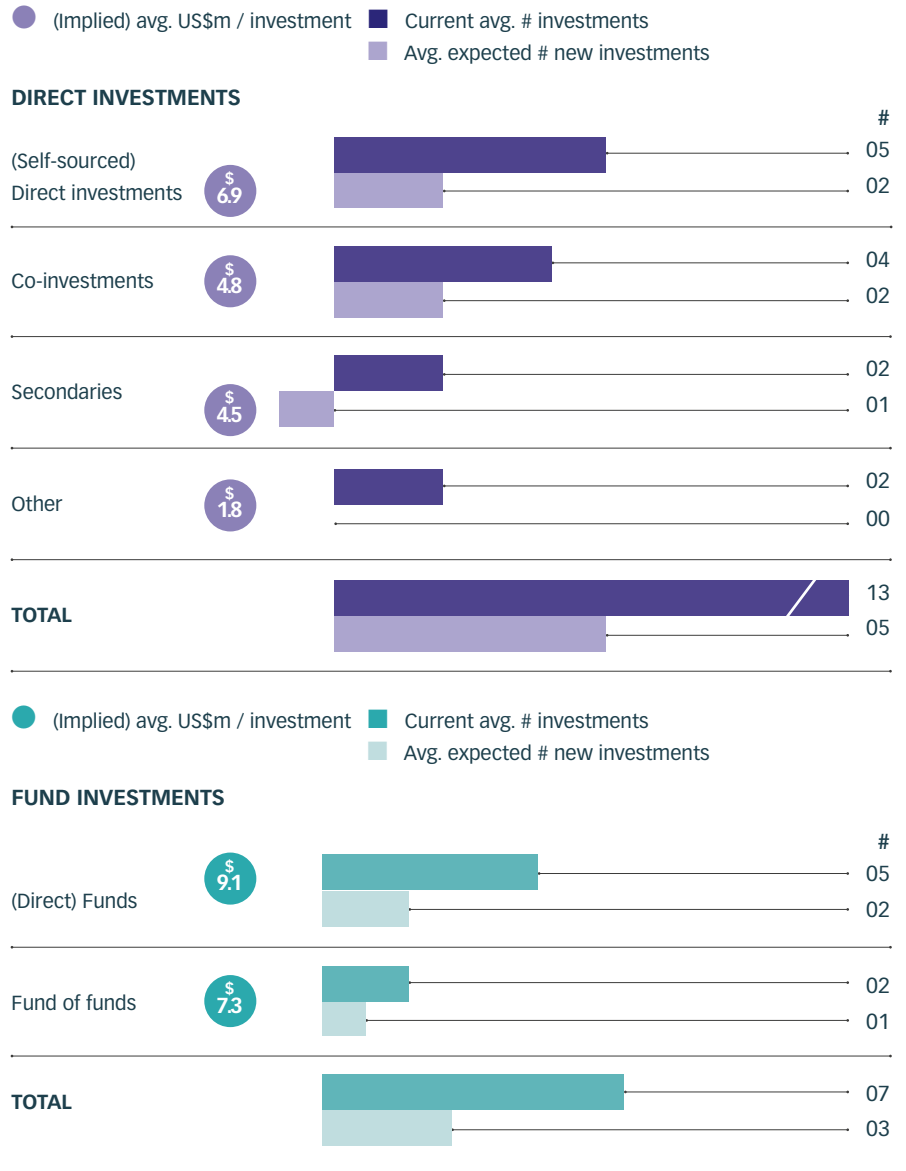
**The average private equity portfolio consists of 13 direct and seven fund investments**

The average UHNW private equity portfolio consists of 13 direct investments (including five self-sourced deals, four co-investments, and four secondaries / other deals) and seven fund investments (five direct funds plus two fund of funds) (Figure 23).

Within the next 12 months, participants expect to make eight additional new investments: five direct investments and three fund investments. Average cheque sizes range between US\$1.8m and \$6.9m for direct investments. UHNW investors make relatively larger investments in funds – with average cheque sizes ranging between US\$7.3m and \$9.1m (Figure 23).

Figure 23

**Number of investments held, expected, and deal sizes**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.

**In recent years, family offices have become much savvier about the private part of the market. Experience and good performance have bred confidence. Families can be active across various levels of fund and direct / co-investing, and now think in much more detail about asset allocation strategies – that is, geographical, by stage (venture, growth equity, buyouts, etc.), and by sector (agriculture, retail, software, etc.)**

*Founder, Multi-family office, United Kingdom*





### UHNW investors are leaning towards growth opportunities

On the whole, UHNW investors have private equity portfolios which are diversified across strategies. But they are leaning towards growth opportunities. Currently, on average, they allocate 21% to venture capital (e.g., seed, start-up, and other early-stage investments), 28%, the largest share, to growth equity (e.g., expansion, growth, mezzanine, and pre-IPO investments), 26% to buyouts (e.g., acquisition capital and leveraged buyouts), 11% to special situations (e.g., distressed / turnaround deals), and 14% to other strategies (Figure 24).

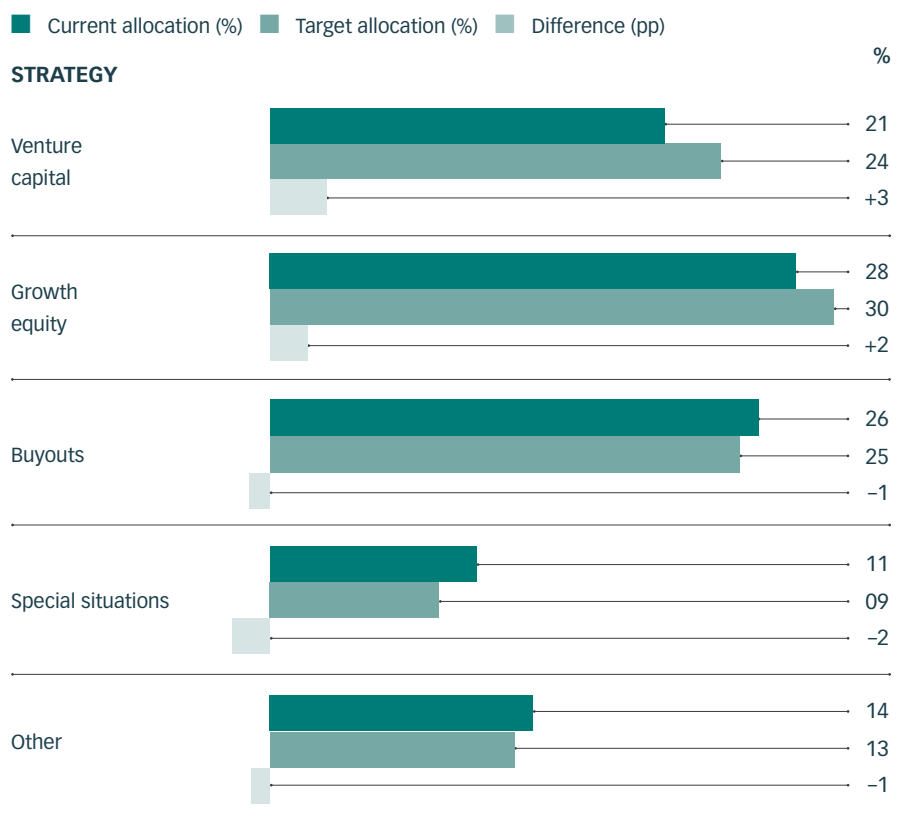
Participants are also currently marginally overweight the later-stage strategies relative to targets and expect to tilt further towards venture capital (+3pp to 24%) and growth equity (+2% to 30%) (Figure 24).

Several interviewees explained that their business backgrounds and long-term horizon led to venture investing:

**We have founded, operated, and grown several businesses. Now, we have a family office and are more in the asset management mindset. But we have an understanding of venture capital and growth equity, so investing in the earlier stages is more natural for us than investing in funds taking shares in big conglomerates. We have a long-term view. We can afford to get in early with start-ups, wait for 15 years, and then capture all the growth. We also like growth equity because companies, already generating revenues, are more de-risked and, of course, closer to exit.**

*Founder, Single-family office, North America*

Figure 24  
Current and target allocations across strategies



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

**Investors favour home markets, but do hold global investments as well**

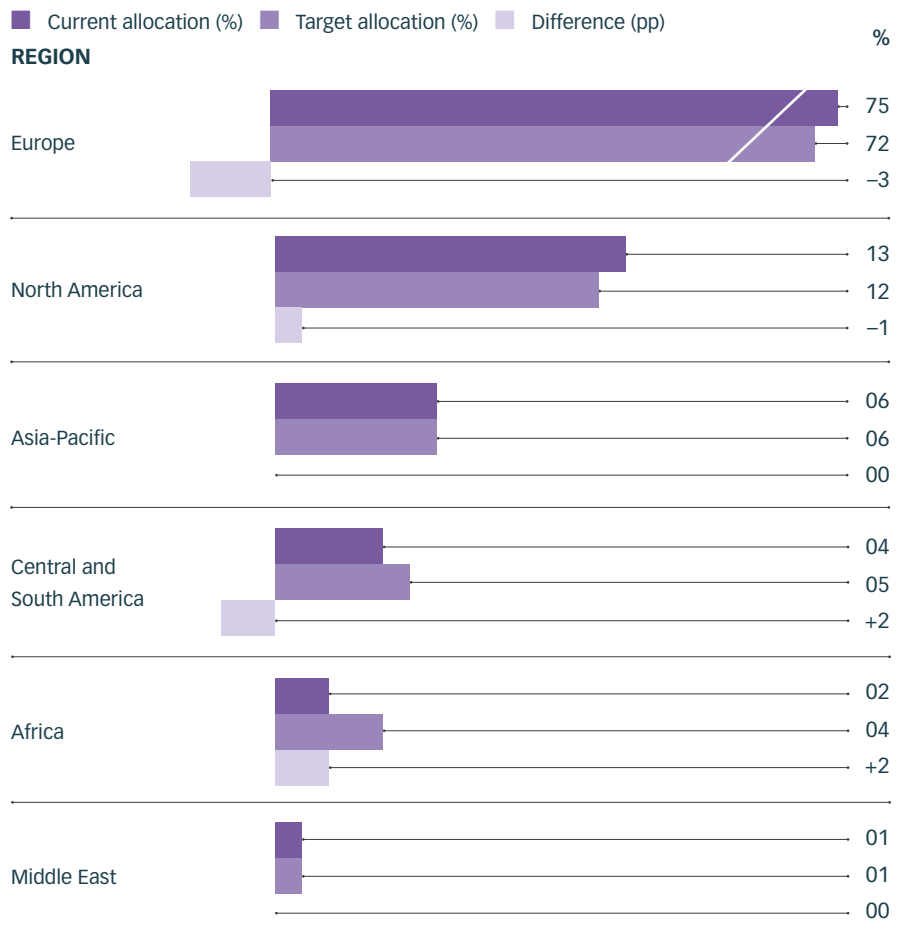
The geographic allocation of the average private equity portfolio closely tracks the segmentation of study participants by domicile. On average, 75% of investments are in Europe (vs. 81% of survey participants who are based in Europe), 13% of investments are in North America (vs. 10% of participants), 6% in Asia-Pacific (vs. 4% of participants), and 7% in the rest of the world (vs. 5% of participants). Thus, while, for example, European investors prefer making investments closer to home, they do hold some global investments as well. Furthermore, currently, the average portfolio is overweight Europe and North America, and participants expect to increase the rest-of-the-world share of their private equity holdings by 4pp to 10% (Figure 25).

Some of our interviewees have opted to focus on their home markets because they have direct or indirect experience of poor performance with international investments:

**Our portfolio is roughly 90% North America and 10% Western Europe. Going forward, we will likely keep it there. We understand how things work here in the United States. We once tried a direct deal in a hotel in Jamaica. It was a very poor investment for us, where we did not understand the politics.**

*Portfolio manager,  
Single-family office,  
United States*

Figure 25  
**Current and target geographic allocations**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Europe was emphasised in our data collection. Figures may not sum exactly to 100% due to rounding.

**Unless someone in the family is going to move over there, it can be very hard. You are taking a significant amount of risk, and need to ensure you are being compensated for that. If you are in South America, there are lots of great opportunities. But I have so many times heard, 'I have to get on a plane to Brazil because of a problem with our fund manager'. You need support on the ground.**

*CEO,  
Single-family office,  
United States*

Others, while also focused on their home market, point out that they are more amenable to international investments where they have a trusted local partner:

**The richest environment for exits is the US. If something is not based in the US but has a clear pathway, we may look at it. I am also keeping an eye on Africa as a potential market. But to make international investments, you need a trusted local partner. You have to build relationships to make it work, where there is equal or near-equal investment. As the old adage goes, 'if I lose, I just want to make sure you lose more than I do'.**

*CEO, Single-family office,  
United States*

Finally, some interviewees said that, while there are a number of significant barriers to international private equity investing, including needing significant physical presence abroad, they are actively striving to build geographically diversified portfolios:

**You need a lot of boots on the ground – you need to be out in the US to actively meet managers before they are fundraising. You also need to get your head around the different rules in different jurisdictions. For example, the laws around buyouts are different in the US to those in Europe. But we aim to be geographically diversified in our programme.**

*Portfolio manager,  
Multi-family office,  
United Kingdom*

Getty Images





**Investors are backing disruptive technologies**

This study finds that the most popular sectors for private equity investment include information technology (i.e., software, hardware – with 70% of participants holding investments in this sector) and healthcare (e.g., biotech & pharma, medtech, healthcare providers & services – 67%) (Figure 26).



**We invest heavily in healthcare and wellness. We have patient capital and, long-term, we are strongly bullish on technology and innovation, particularly on disruptive technologies in healthcare – for example, artificial intelligence in drug and vaccine development, and in diagnostics. This is just the tip of the iceberg – there are start-ups with strong propositions across the board.**

*Portfolio manager, Single-family office, North America*

Figure 26

**Sectors in which UHNW investors hold investments**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.

Note: The sum of the figures may exceed 100% because participants can select multiple options. \* Other sectors specified by participants include agriculture, forestry, agri-tech, climate tech, food, education, logistics, artificial intelligence / machine learning, impact investing, and sector agnosticism.

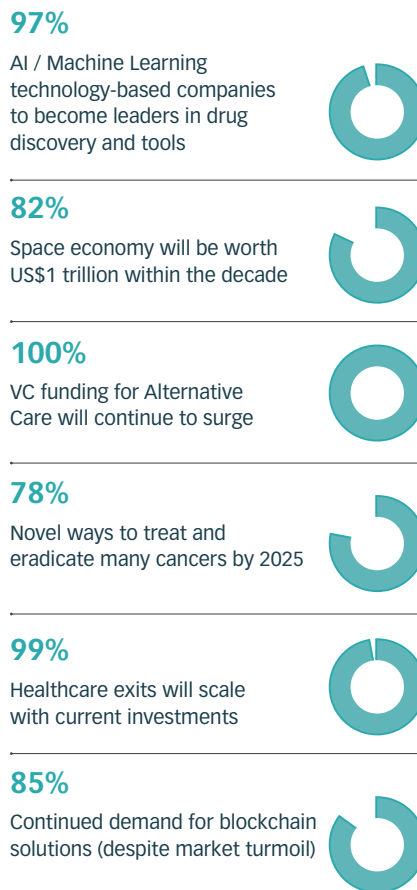


On the one hand, given the material and growing allocations to venture capital and growth equity (Figure 24) and that there has been significant new company formation in technology and healthcare in the last few years, it follows that portfolios will lean towards those sectors.

On the other hand, several Campden Wealth reports indicate that UHNW investors are backing long-term tech trends. For example, the Campden Wealth *Family Offices Investing in Venture Capital 2023* report found that, globally, family offices are backing Artificial Intelligence / Machine Learning (AI / ML) to transform the life sciences: 97% believe that AI / ML technology-based companies will emerge and become industry leaders in drug discovery and tools. The report also found that, globally, family offices are backing digital assets: 85% believe that, as 5G is rolled out and the digital transformation accelerates, demand for blockchain solutions will grow strongly. Eighty-four percent said that, as more regulation is adopted and institutional interest grows, Bitcoin, Ethereum, and other digital assets will continue to rise (Figure 27).<sup>11</sup>



Figure 27  
**Family office views on tech sectors**



Source: Campden Wealth / SVB, *Family Offices Investing in Venture Capital*, 2023.

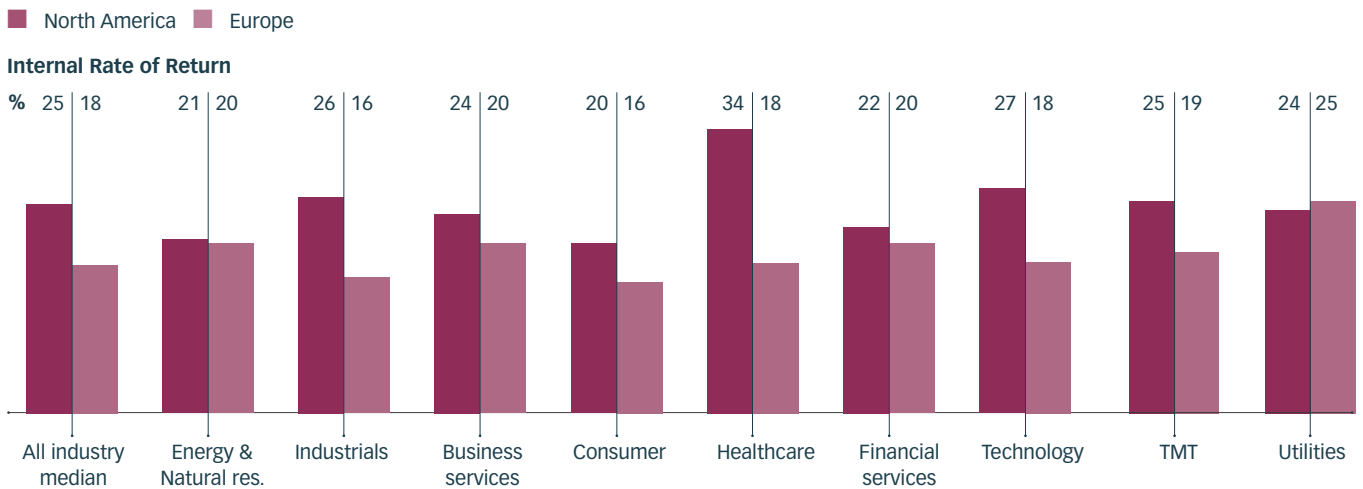
Based on DealEdge data, the median IRRs for Healthcare and Technology deals done in North America from 2010 to 2021 are 34% and 27%, respectively – the best returns across sectors (Figure 28).

The macroeconomic environment of high and persistent inflation and rising rates, along with the unwinding of certain pandemic-era trends, has pushed investors away from high-growth technology companies, sending tech stocks tumbling.<sup>12</sup> In the private markets, too, deal flow has slowed significantly. However, several participants agree that the repricing of tech stocks has taken some of the froth out of private market valuations, potentially creating new opportunities to buy in at more attractive entry points.

Software companies have also historically been faster to recover after periods of economic distress while also outperforming the rest of the market during those downturns. That is largely down to long-term trends. Few industries have bypassed the disruption caused by new technologies in recent years.

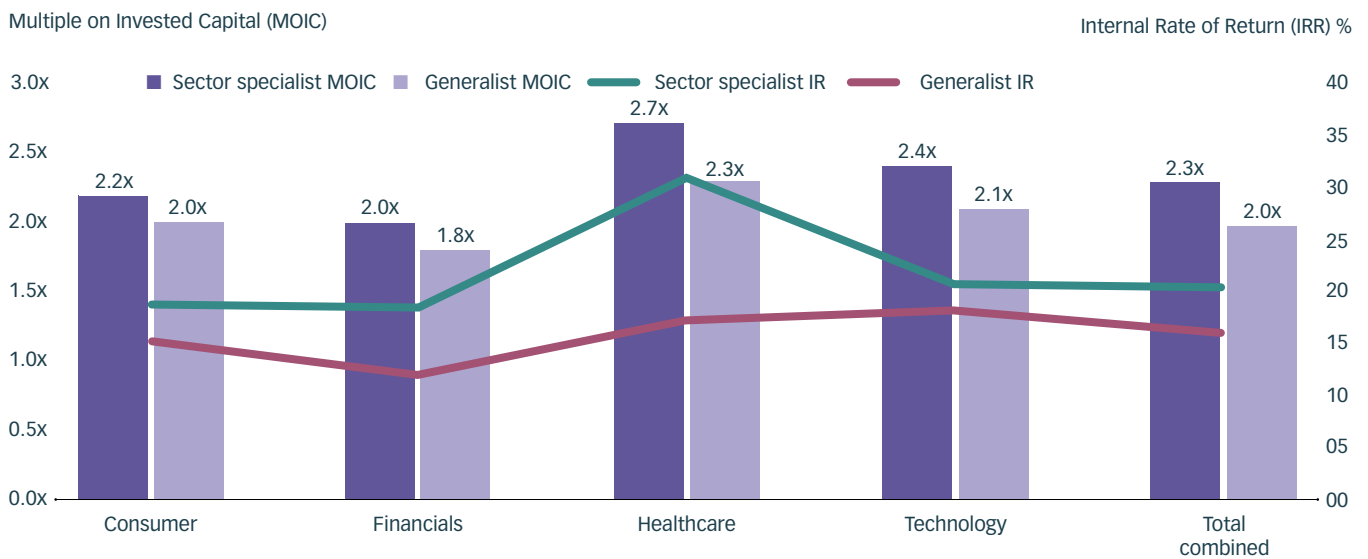
Global information technology spend has increased by more than a fifth over the past decade and is expected to exceed \$5 trillion by 2025. These trends are fuelling a surge in software and services companies, which are forecast to number more than 100,000 by 2025, representing a combined projected enterprise value of over \$65 trillion. With around 97% of those companies expected to be private, the market for new deals is unlikely to dry up any time soon.

Figure 28  
Median deal IRR by sector, US and Europe (year of entry 2010 – 2021)



Source: DealEdge, Healthcare Private Equity Report

Figure 29  
Sector specialists vs generalists (US Buyout & Growth Investment 2001 – 2014)



Source: Cambridge Associates. Note: Based on unrealised and realised US buyout and growth transactions from 2001 to 2014. All performance is gross of fees

Some interviewees said that, in accessing sectors, they target specialist rather than generalist managers. Indeed, sector specialists tend to outperform generalists (Figure 29).

**We will definitely be deploying meaningful capital over the next couple of years to Technology and Healthcare, sectors we expect to outperform, and keep adding managers. We prefer managers with sector expertise – one to two, maybe three sectors. A manager with 20 years focussing just on Healthcare has the advantage over one with only 10% of investment in the sector. But we will keep the portfolio broadly diversified. Overall, say the benchmark is 25% Technology – we might go to 30%.**

*Portfolio manager, Single-family office, United States*





## INVESTOR INTERVIEWS

### NOT GETTING TOO FANCY

**S**ome interviewees said that they have an approach to private equity which does not entail target allocations to different geographies or sectors but focuses on assessing opportunities on a case-by-case basis.

**My strategy is not to say, I need X% North America or Y% Technology. I do not mark my investments – because they are illiquid, marking takes time and money, and there is limited value in knowing your theoretical net worth today. But I know my liquid net worth very well. I have projected cashflows in and out this year. My strategy is, I need to deploy this capital this year into the best opportunities I can find, risk adjusted.**

**My advice to other investors is not to get too fancy, and be careful not to overcommit without knowing what you're getting into.**

On growing interest in technology, interviewees advise being cautious about simply following the herd:

**There are a lot of places where technology can expand. There are still a lot of fax machines in the world, and someone entering data manually from a piece of paper into Excel. But people tend to jump on bandwagons. They look for keywords, and as long as the keywords appear enough times in the deck, they invest. If you don't know about AI, it is really not easy to diligence a VC investing in AI. You can't just look at track records. Everyone is in the top quartile of something. I have a good track record in venture, but I am still not sure I am good at venture.**

One key element to private equity success is focus on relationship building:

**People should be hunting – for example, going out and meeting every AI fund – and focus on building networks. I was in AI in 2008. The reason I do AI is that one of my good friends is the head of AI at a Tech Giant. I send him funds and he doesn't like many of them – because they are not really AI or they do not really know what they are doing.**

*Founder, Single-family office, United States*

**Seasoned investors deploy capital consistently**

In each year between 2013 and 2023, between 51% and 81% of participants invested in private equity deals (Figure 30). UHNW investors mitigate the impact of vintage performance volatility by allocating across an average of 10 years. Twenty-five percent of participants have made investments in, at least, 17 different years (Figure 31).

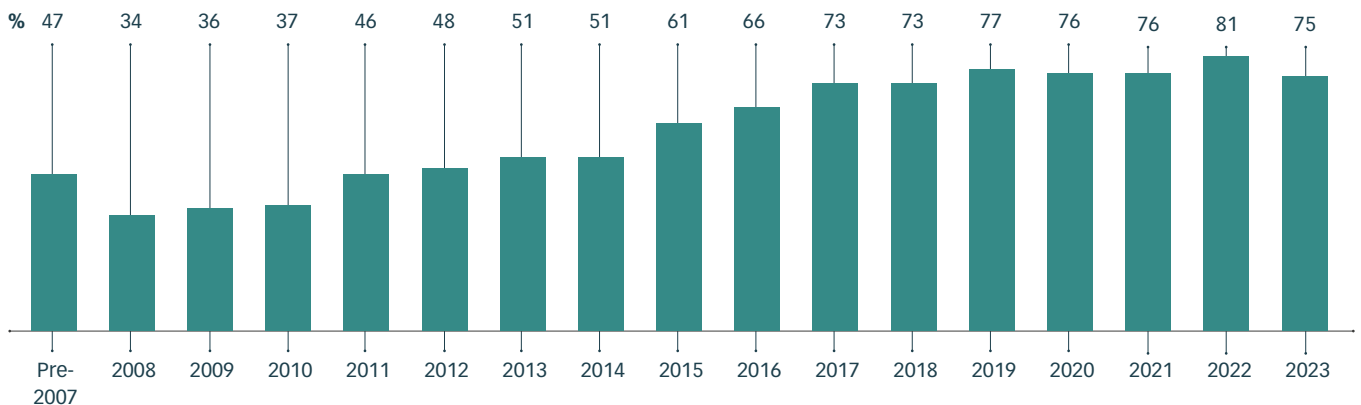
Study participants stressed the importance of investing consistently:

You can't time the market. We have an allocation plan and we're going to stick with it. There is a proclivity for shrinking back during recessionary periods or investing more when things seem hot. That is a great recipe for taking a lump on the head and then leaving the market or skipping years because you felt like you took lumps on the head. You have to have some consistency.

*CEO, Single-family office, United States*

Figure 30

**UHNW investors who made private equity investments in each year**

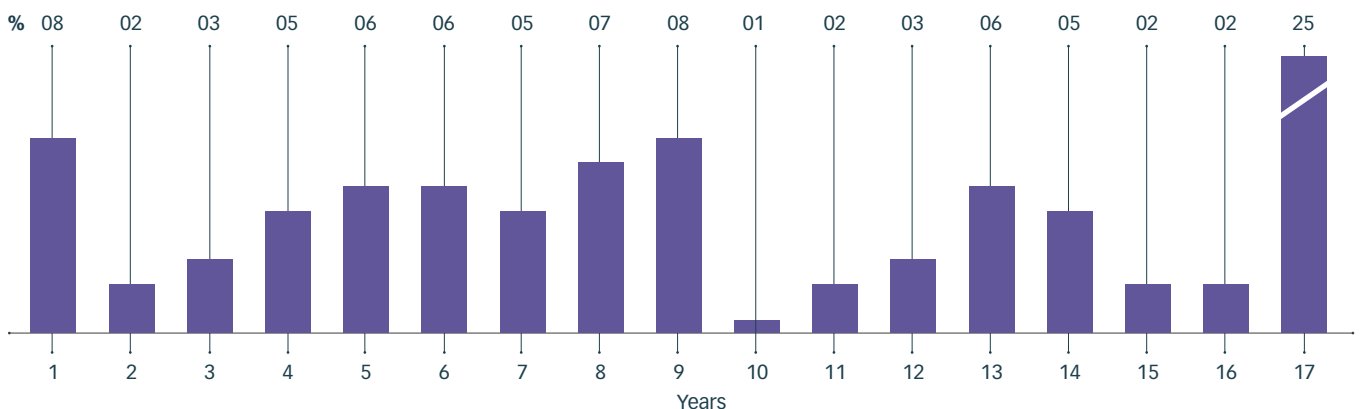


Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023. Note: The sum of the figures may exceed 100% because participants can select multiple options.

Figure 31

**UHNW investors who made private equity investments in multiple vintage years**

Average: 10 vintage years



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023. Note: Figures may not sum exactly to 100% due to rounding.

Getty Images: Berlin, Germany



For the past year, the public markets have been really beaten up, especially tech. On the private side, you're starting to see valuations drop. Obviously, no one should try to time the bottom of the market. But you should also remember that, if you can get in after a big sell-off has already occurred, you can do very well – look back at 2008-2009... We achieve our vintage year diversification also through the secondary route – buying LP or GP secondaries.

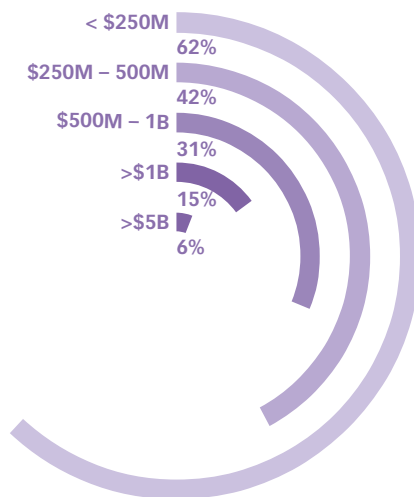
*Portfolio manager, Single-family office, United States*

### Investors are targeting smaller funds

Over the next 12 months, participants have indicated a preference for relatively smaller private equity funds, with 62% favouring funds with less than \$250 million in AUM, and 42% favouring funds managing between \$250 million and \$500 million in assets (Figure 32).

Figure 32

### Private equity fund sizes targeted in the next 12 months (US\$)



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.

Note: The sum of the figures may exceed 100% because participants can select multiple options.

Interviewees explained that smaller funds tend to outperform, and that they are wary of manager incentives to raise big funds:

**When I started, the AUM on our funds was US\$50m. Now, it is closer to \$125m. Smaller funds tend to perform better than bigger ones. If you have a \$1 billion fund, how many of your deals have to be big winners for you to return the \$1 billion and more? \$250m is the new normal – it doesn't feel like managers just raising capital for the fees over 10 years.**

*CEO, Single-family office, United States*


For many interviewees, the key questions include whether the size of the fund is appropriate for the size of the deals, and whether increases in manager fund sizes are sensible:

**If you need some large-cap buyout in the US, by nature you are going to have the bigger mega-funds. On the other hand, if you need some smaller to mid-cap in Europe, the fund can be smaller. There is less capital raised in Europe and deals are smaller. Fund size and deal size need to align.**

**If fund III was US\$500m, the manager should be able to raise fund IV at \$750m. However, if fund IV was suddenly \$1.5 billion, that would be a potential red flag. Are they going fishing for a level of company where they do not have the required level of expertise or networks?**

*Portfolio manager, Multi-family office, United Kingdom*





SECTION 4  
PRIVATE EQUITY  
PERFORMANCE

---



# Private equity performance

Getty Images: New York, USA



## SUMMARY

► In 2021, for survey participants, private equity portfolios generated an average 24% net internal rate of return (IRR).

► For participants, direct investments outperformed fund investments (25% net IRR vs. 20%) and direct funds outpaced fund of funds (21% vs. 17%). Buyouts performed particularly strongly (31% IRR), followed by growth equity investments and special situations (25%).

► Between 77% and 92% of participants reported that their sub-asset class returns either met or surpassed expectations.

## The average private equity portfolio returned 24% IRR

**F**or survey participants, private equity portfolios generated an average 24% net IRR in 2021 (Figure 33).

By sub-asset class, direct investments outperformed fund investments (25% net IRR vs. 20%), with co-investments and secondaries generating the top returns (28%), and direct funds outpaced fund of funds (21% vs. 17%). By strategy, buyouts performed particularly strongly (31% IRR), followed by growth equity investments and special situations (25%) (Figure 33).



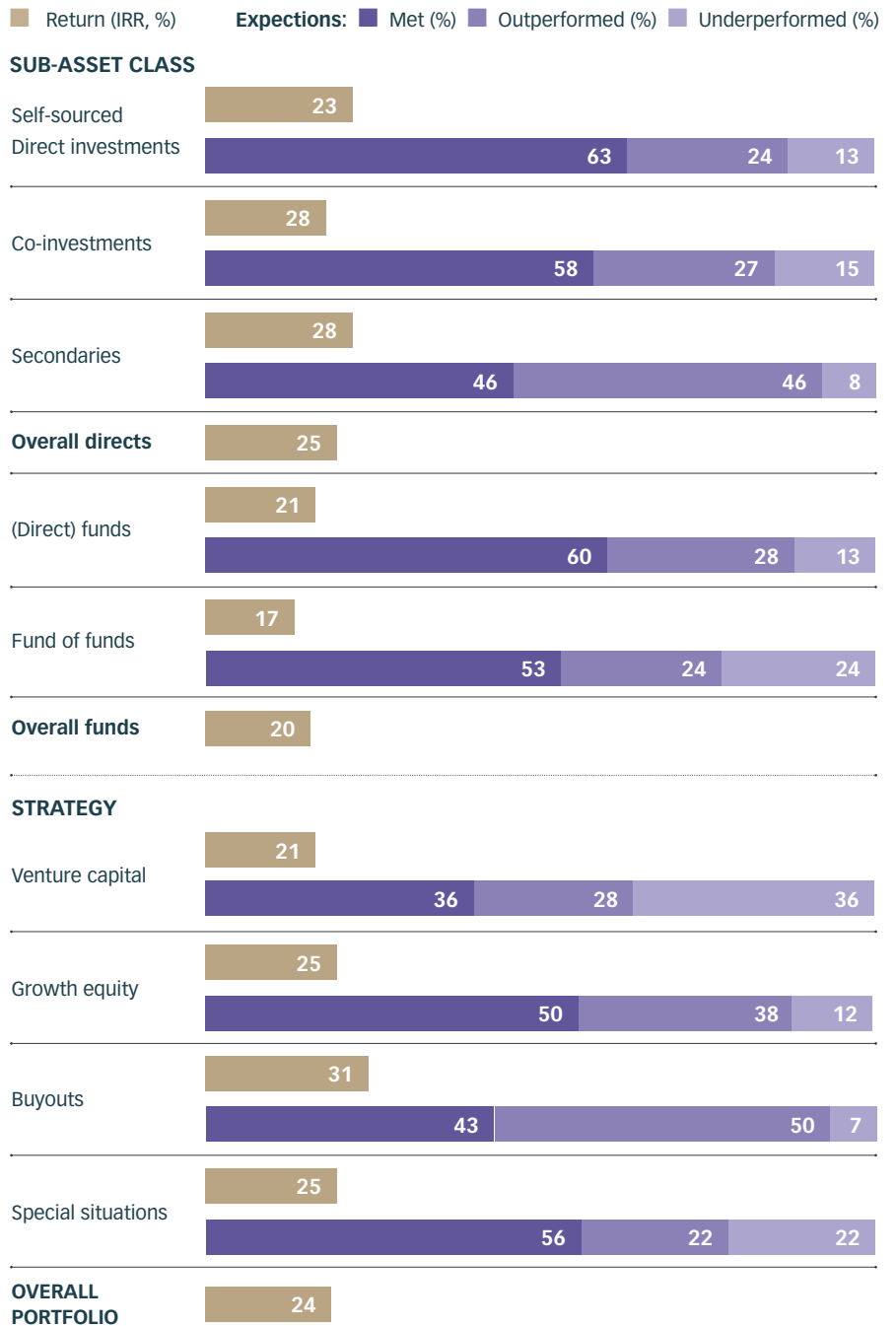
**Investors are particularly pleased with returns from secondaries, buyouts, and growth equity**

Between 77% and 92% of participants reported that their sub-asset class returns either met or surpassed expectations. Secondaries provided the most welcome returns (with 46% reporting that returns exceeded expectations). Meanwhile, 24% reported that their fund of fund investments underperformed (Figure 33).

Between 64% and 93% of participants reported that returns by strategy either met or surpassed expectations. Buyouts and growth equity provided the most welcome returns (with 50% and 38% reporting that returns exceeded expectations, respectively). Meanwhile, 36% reported that venture capital underperformed (Figure 33).

Figure 33

**Returns in 2021 (IRR) and satisfaction of expectations**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Private equity portfolio allocation weights are used to aggregate returns by sub-asset class / strategy to portfolio level. Figures may not sum exactly to 100% due to rounding.

## SECTION 4 PRIVATE EQUITY PERFORMANCE

Looking ahead, interviewees are wary that overall returns may come down:

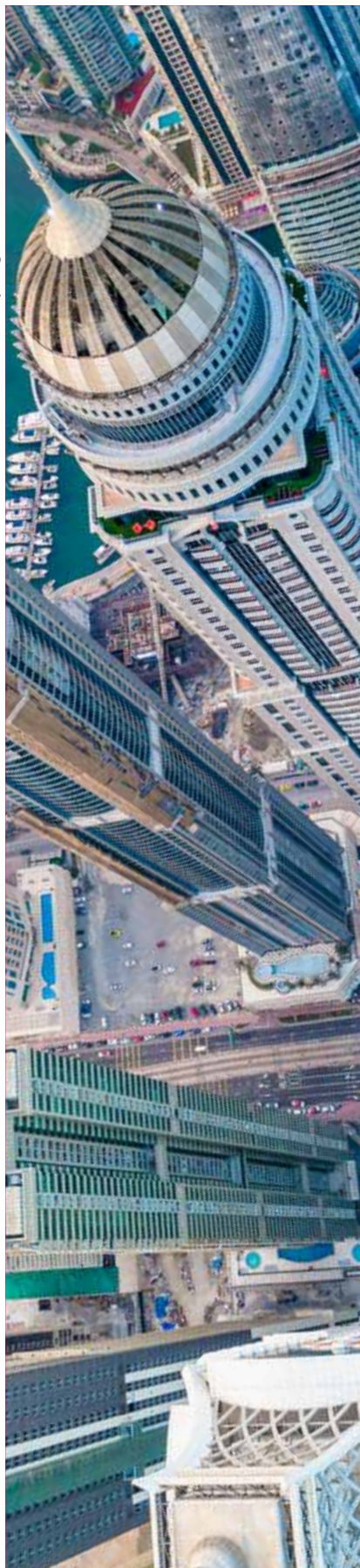
**In recent years, there has been substantial capital inflows into private equity. There has been large amounts of dry powder and valuations paid for companies have been very high. Therefore, recent vintage funds may not be the stand-out vintages of the last, say, 20 years.**

*Founder,  
Single-family office,  
United Kingdom*

**As more capital flows into private equity, and the cost of borrowing goes up, asset class returns as a whole may come down.**

*Portfolio manager,  
Multi-family office,  
United Kingdom*

Getty Images: Marina, Dubai, United Arab Emirates



But many are optimistic as well, including about potential opportunities on the horizon:

**Private equity firms are sitting on record levels of dry powder, so have the capital to continue investing.**

*Founder,  
Single-family office,  
United Kingdom*

**If there is a significant sell-off in public markets, there will be many fantastic opportunities, and some of the coming vintages could be very strong.**

*Portfolio manager,  
Multi-family office,  
United Kingdom*

Again, for many interviewees, the key is to have a plan and implement consistently:

**If you simply follow the herd, investing when returns look high, you'll likely find that the vintages you hold bought at the top of the market.**

*Portfolio manager,  
Multi-family office,  
United Kingdom*



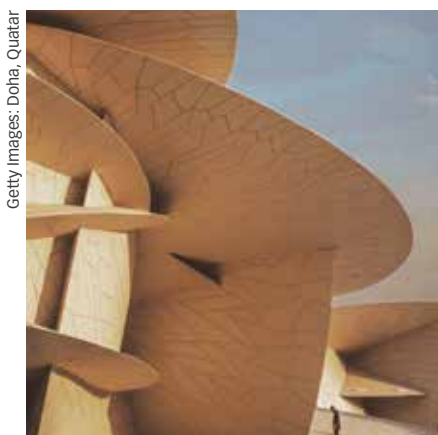


SECTION 5  
FUND  
INVESTMENTS

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# Fund investments



Getty Images: Doha, Qatar

## SUMMARY

▶ Eighty-four percent of participants with private equity allocations currently hold fund investments and an additional 5% are actively interested. For many, this is an efficient way to outsource deal flow and due diligence to specialist managers.

▶ Deal flow is generated primarily through networks of family offices (69%). The primary considerations in selecting fund managers are reputation and performance (with 30% of respondents citing these as their #1 criteria).

▶ The top reason for not re-investing in managers is poor performance (81%), and UHNW investors are comfortable allocating to first vintage funds (70%).

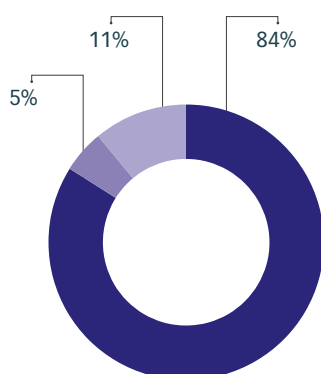
## Almost 90% of UHNW private equity investors are engaged with funds

The vast majority of participants with private equity holdings are engaged with direct fund or fund of fund investments (89%): 84% currently hold funds and an additional 5% are actively interested (Figure 34).

Figure 34

### Engagement with private equity funds / fund of funds

- I currently invest
- I do not currently invest but am actively interested
- I am not currently invested or actively interested



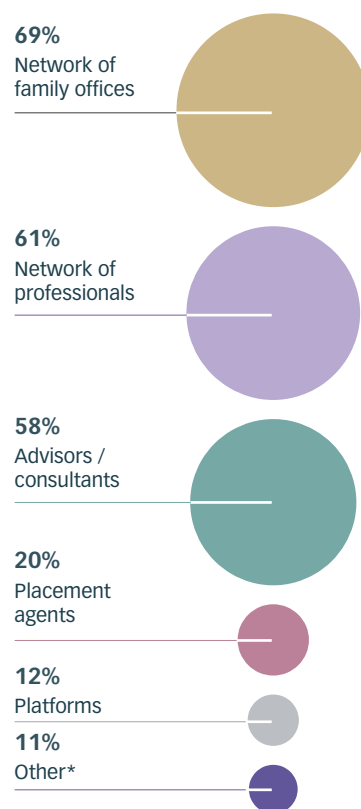
Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023. Note: Figures may not sum exactly to 100% due to rounding.

## Deal flow is generated through the network of family offices

For participants, the primary sources for potential investments are their network of family offices (69%), network of professionals (e.g., investment or private bankers, lawyers – 61%), and advisors or consultants (58%) (Figure 35).

Figure 35

### Source for private equity fund investment opportunities



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023. Note: The sum of the figures may exceed 100% because participants can select multiple options. \* Other sources specified by participants include proprietary network, personal network, active courting of entrepreneurial managers, proprietary research, current managers, private equity events, and dedicated team.



Getty Images: Milan, Italy

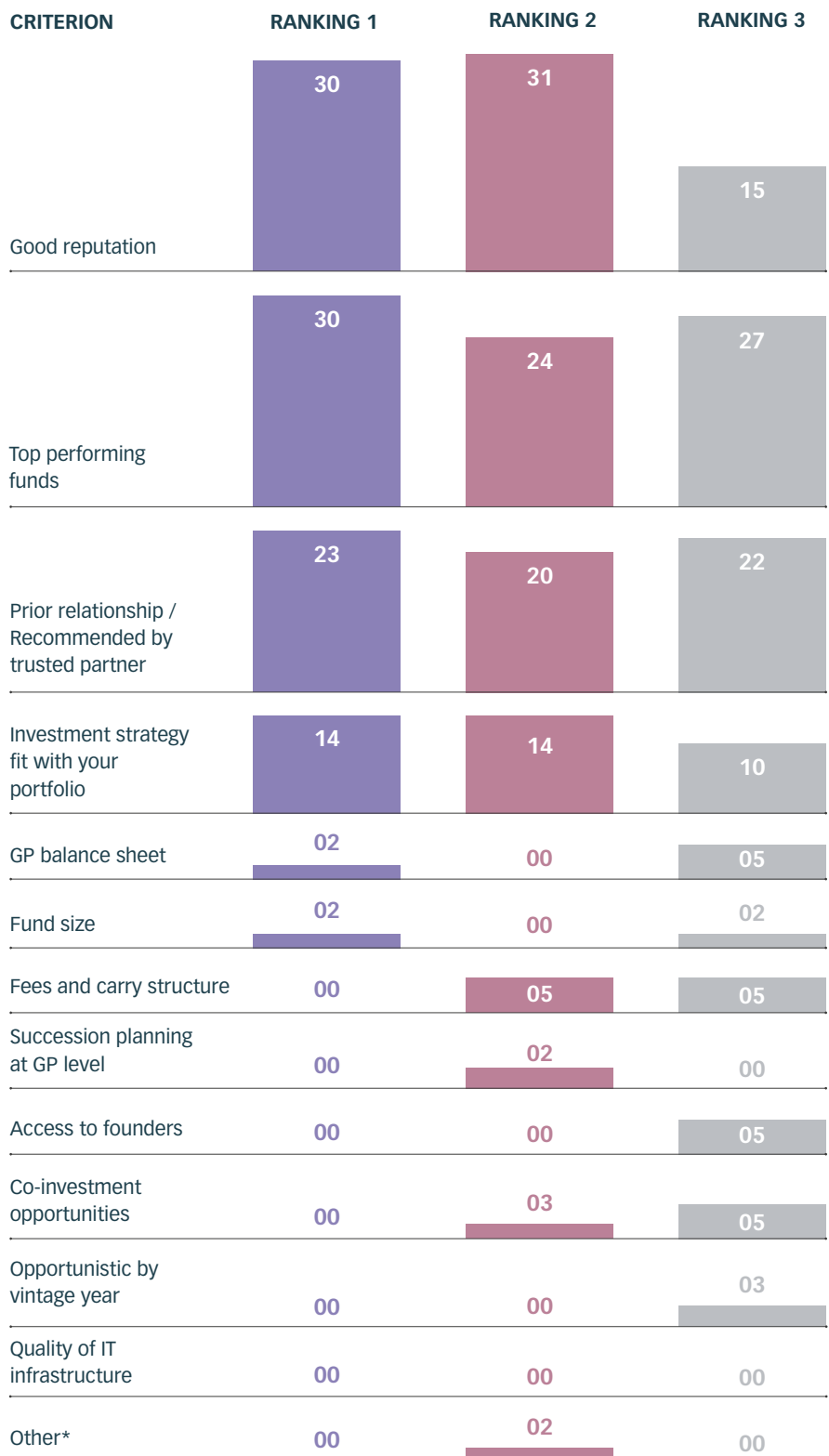
**Key investment criteria include the reputation and performance of fund managers**

Participants were asked to rank their top three criteria for selecting fund managers. The primary considerations are reputation and performance, with 30% of respondents citing these as their #1 criteria. Other important criteria include a prior relationship or recommendation from a trusted partner (23%) and investment strategy fit with the portfolio (14%) (Figure 36).

Continued on page 52 ▸

Figure 36

**Top 3 criteria in selecting fund managers**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.

Note: This table shows the shares of the #1, #2, and #3 rankings taken by each criterion. The figures in each column may not sum exactly to 100% due to rounding. \* Other criteria specified by participants include the ability to have meaningful conversations i.e., beyond the company line.



## INVESTOR INTERVIEWS

### FUND INVESTING: EFFICIENT WAY TO OUTSOURCE DEAL FLOW AND DUE DILIGENCE, BUT ALSO RESOURCE-INTENSIVE

Several interviewees noted that direct investing requires significant internal resources and experience:

**Direct investing encompasses generating deal flow, conducting due diligence on companies, and timing and closing deals. It requires extensive networks, substantial manpower and infrastructure, deep sector knowledge, and particular personal skillsets.**

*Founder, Single-family office, United Kingdom*

**We do direct deals as well as traditional funds – the split is 80 / 20 NAV. Back in the 1980s, one of the family members invested in a medical device company and made 40x in two years. That got everyone excited about direct deals and trying to find the next home run. But, after that, we had several goose eggs – investments that we had to write off. That’s why we prefer traditional funds.**

**But we’re always open to an attractive direct deal. We might invest in, say, a restaurant group. The company will have 150 different branches. So, it is not like betting on a single restaurant.**

*Portfolio manager, Single-family office, United States*

For these interviewees, potential investors should consider their edge before engaging in direct investing. Potential investors may have an edge if, for example, investing in sectors where they have significant wealth creation experience and extensive contacts.

Otherwise, it may be more efficient to outsource deal flow and due diligence to specialist managers. Fund investments can also lead to attractive co-investment opportunities:



**The private equity asset class is getting better and more savvy at what it does. My advice is, if you are going to go into competition with venture, growth equity or buyout managers, you have got to be clear on why you are doing to be doing a better job.**

*CEO, Multi-family office, United Kingdom*

**One of the benefits of building relationships with GPs and building a network in the private equity ecosystem is that you can thereby win co-investment opportunities.**

*Founder, Single-family office, United Kingdom*

But interviewees stress that fund investing – building relationships and conducting due diligence – is resource-intensive, too:

**You will need to identify a large number of managers, meet them in person – taking as many field trips, and conducting as much on-the-ground research, as possible – and conduct disciplined due diligence on the people and on the process.**

*CIO, Single-family office, North America*

**You can be reactive – when funds are raising, in a relatively short time frame, determine how many people you have to do the work, and decide if you want to do this fund. Or you can be proactive – try to build relationships with funds before they are in the market. They might be investing fund IV; you go out and build the relationship now, so that when fund V comes around, you already know them, you have already done some of the due diligence, and they may have reserved some for you. This all takes time and resources – boots on the ground.**

*Portfolio manager, Multi-family office, United Kingdom*

Advice from experienced interviewees to newer entrants to private equity includes taking as many manager meetings as possible, to be able to benchmark existing managers:

**Try to find quality managers that can perform across economic cycles and don't use a huge**

**amount of leverage to outperform. What is the team turnover, especially at mid-senior level? If there is one rainmaker, is he likely to retire any time soon? Diversify across strategies. Take as many manager meetings as possible. If you are considering re-upping on existing managers, you need to have your ear on the ground. Now may very well be the time to replace them.**

*Portfolio manager, Single-family office, United States*

These interviewees also underscore the importance of an adequate back-office set up:

**Managing capital calls can become intensive. If you have a well-diversified portfolio, you might be in the tens of capital calls per month. Then there are distributions as well. Clear and precise bookkeeping is key to understanding cashflows and investment pacing... The 'Know Your Customer' burden is also ever increasing. Each fund is asking for more, more frequently.**

According to some interviewees, often it will make sense to rely on investment consultants and platforms for access and diligence. On fund of funds, while most said that they did not want to incur the additional layer of fees, some highlighted that fund of funds can sometimes help you get access to top funds:

**We have some fund of funds, but these are all old – from 2010 or so. Now that we have built a full in-house investment team, we don't need to rely on fund of funds and pay the extra layer of fees.**

*Portfolio manager, Single-family office, United States*

**Last year, we started backing an additional fund of fund which uses a significant amount of data analytics. This fund of fund has found a way to productise an SPV where we can participate and get an allocation into a top 10 fund. For example, we can go through this fund of fund, invest US\$1m and get an allocation to a Spark Capital or a Sequoia that before would require \$50m.**

*CEO, Single-family office, United States*

▷ Continued from page 49

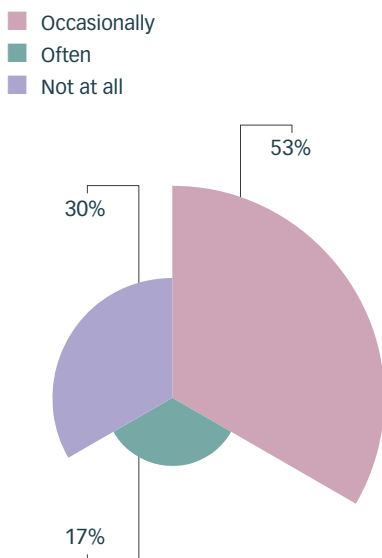
**The top reason for not re-investing in managers is poor performance**

There are a range of reasons for which investors choose not to re-invest in a manager they have already invested in. Eighty-one percent of participants said that poor performance is a key reason. Other deterrents include the availability of better alternatives (54%), staff departure (49%) and strategy drift (46%) (Figure 37).

**UHNW investors are comfortable allocating to first vintage funds**

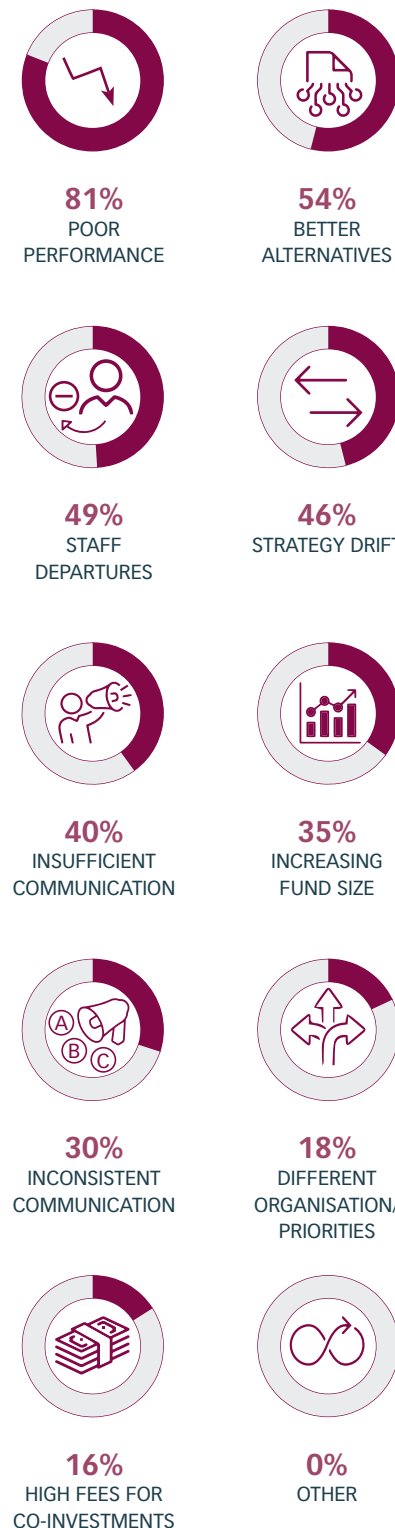
Seventy percent of participants say they would allocate to first vintage funds. For the bulk, they would do this occasionally (53%) and, for the rest, often (17%) (Figure 38).

Figure 38  
**Frequency of allocation to first vintage funds**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

Figure 37  
**Primary reasons for not re-investing in a manager**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: The sum of the figures may exceed 100% because participants can select multiple options.

Generally, interviewees stressed the importance of access to top fund managers. But some also advised thinking broadly about what ‘top’ means:

**Family offices can be bigger fish and have a more balanced and fruitful relationship with good people who have left big brand name companies.**

For them, what is important is being in ‘good’ funds where there is opportunity to learn:

**Let’s say you are a 0.1% LP in a top decile fund. You’re not going to learn anything – you’re just a number on the LP sheet.**

The interviewees advised that newer entrants to the asset class should focus on learning the trade: the process around making decisions, performing due diligence, what good deal flow and portfolio management look like, how to avoid funding businesses for too long, and how to identify and take action if a business is underperforming. Several added that, there may be sectoral education as well, but that is less crucial:

**People get carried away with the sectoral piece because they love talking about the next hot thing. What is more important is having a rigorous investment process.**

CEO, Multi-family office,  
United Kingdom



SECTION 6  
DIRECT  
INVESTMENTS

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# Direct investments



Getty Images: Sydney Tower, Sydney, Australia

## SUMMARY

- ▶ Sixty-four percent of participants with private equity allocations currently hold direct deals and an additional 14% are actively interested.
- ▶ For some participants, given their experience in founding and operating businesses, direct investing is a natural fit. Key advantages include being able to control deal selection and have more control post-investment, as well as owning the relationship with the founder and receiving more regular and in-depth information.
- ▶ Participants build relationships with General Partners (GPs) and founders to give themselves the best chance of securing deals (75%). The primary consideration in selecting deals is the quality of the management / founding team (28% of the #1 rankings).

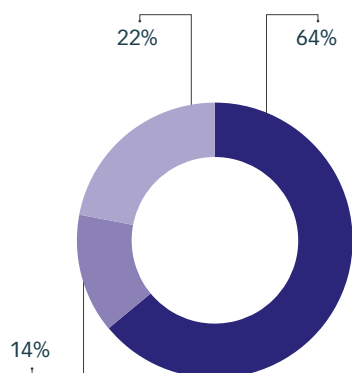
## Over three-quarters of UHNW private equity investors are engaged in direct deals

The vast majority of participants with private equity holdings are engaged with direct deal investments (78%): 64% currently hold direct deals and an additional 14% are actively interested (Figure 39).

Figure 39

### Engagement with private equity direct deals

- I currently invest
- I do not currently invest but am actively interested
- I am not currently invested or actively interested



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

Family office interviewees said that, given their experience in founding and operating businesses, direct investing is a natural fit – especially when direct investments are made in related sectors / there are synergies between the core operating business and the direct investments. The key advantages include being able to control deal selection, having more control post-investment, and having more control to exit. Interviewees said direct investing means owning the relationship with the founder and receiving more regular and in-depth information.

The Campden Wealth *Global Family Office Report 2021* found that, worldwide, the average allocations to active and passive direct investments were 29% and 24%, respectively (and, in Europe, 33% and 26%, respectively).<sup>13</sup> In 2022, worldwide, the split was 25% active and 24% passive (in Europe, 32% active and 23% passive).<sup>14</sup>

The Campden Wealth *Family Offices Investing in Venture Capital Report 2020* found that, post-investment, most families provide strategic guidance (72%), participate on the board (70%), and facilitate connections to other investors (70%). Family offices also provide financial guidance (48%), facilitate connections to new customers (47%), and provide operational guidance (41%), amongst other things (Figure 40).<sup>15</sup>

For several interviewees in the present study, control drives

enhanced returns, and direct investment means external management and performance fees, which can eat into returns, are avoided. Indeed, as discussed in Section 4, participants report that direct investments outperformed fund investments (25% vs. 20% IRR in 2021). Furthermore, the Campden Wealth *Global Family Office Report 2022* found that direct deals with active management roles outperformed direct deals with passive shareholder roles (e.g., in Europe, 32% vs. 23% in 2021).<sup>16</sup> Interviewees in the present study also say that there is an emotional component – control gives them comfort with the investment.

As wealth transitions to the next generation, according to interviewees, direct investing is likely to remain central to investment strategies. Indeed, several Campden Wealth reports have found that Next Gens are particularly entrepreneurial. For example, the *Family Offices Investing in Venture Capital Report 2020* found that, in their family offices, one of the most popular areas for Next Gens to be involved in was investing in start-ups (33%).<sup>17</sup>

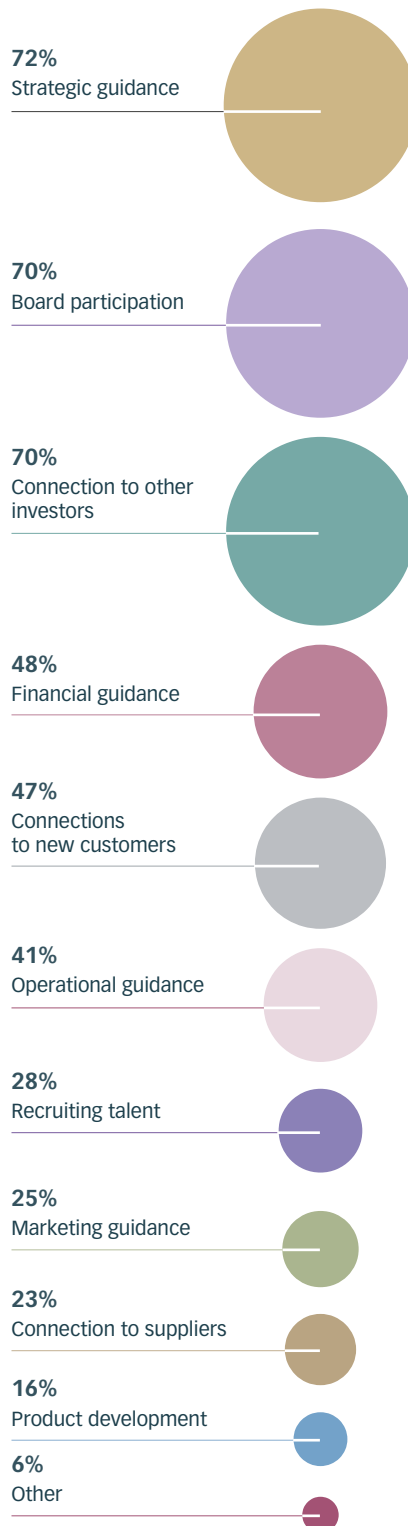
### UHNW investors build relationships with GPs and founders

Participants said they use a range of strategies to give themselves the best chance of securing direct deals. The key strategy is building relationships with GPs and founders (75%). Participants also keep abreast of activities in companies that fit their target category (54%) and try to get an edge by making deals with flexibility and speed (44%) and offering patient capital (42%) (Figure 41).

Continued on page 60 ▷

Figure 40

### Family office post-investment involvement in direct deals

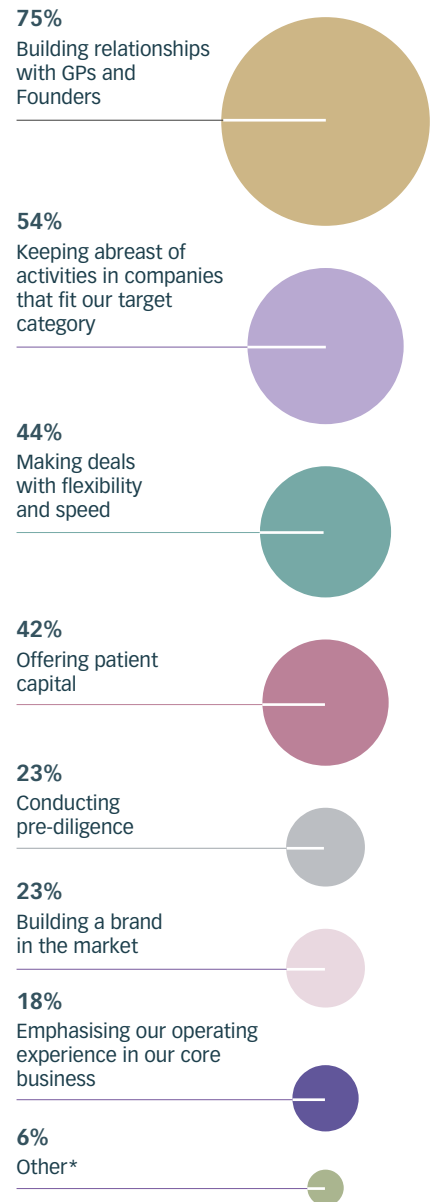


Source: Campden Wealth / SVB. Family Offices Investing in Venture Capital Report 2020.

Note: The sum of the figures may exceed 100% because participants can select multiple options.

Figure 41

### Strategies for securing direct deals

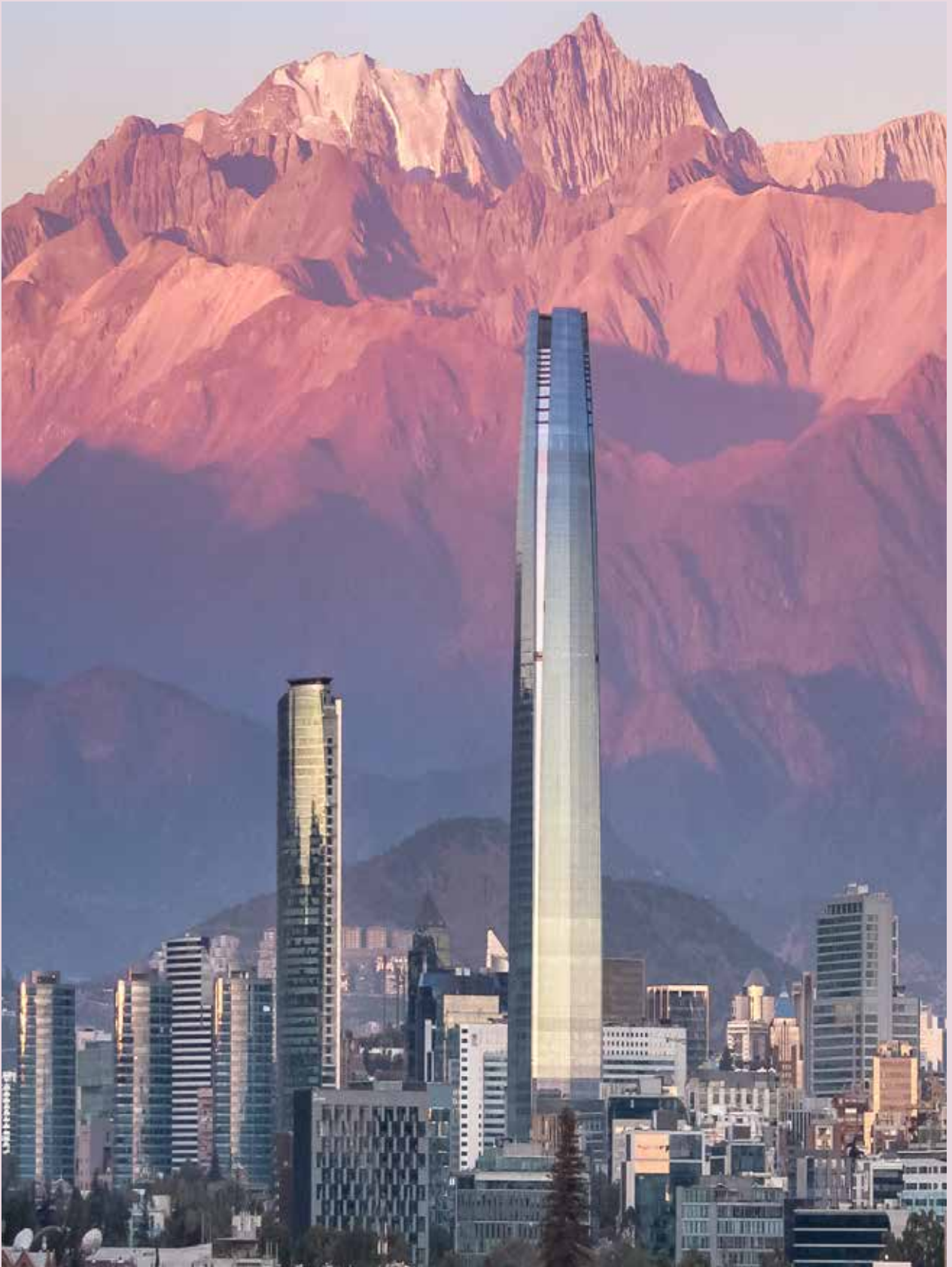


Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.

Note: The sum of the figures may exceed 100% because participants can select multiple options.

\*Other strategies specified by participants include having networks in target countries, focus and brand on impact investing, and establishing relationships with executives.

Getty Images: Santiago de Chile, Chile





## INVESTOR INTERVIEWS

### THINKING ABOUT RISK IN DIRECT INVESTING

In interviews, some UHNW investors said that they consider risk in terms of permanent loss of capital:

**I don't get hung up on interim movements in prices. Back in 2008, our biggest position in the public markets declined from US\$42 to \$8 within six months. Some might have said, we needed to diversify away from that position. But price is not always value. At the time, my point was, we should, in fact, be buying more of it at \$8. When prices recede on something that I thought was under-priced to begin with, I just like it that much better. Interim price changes are only a risk if you need to sell for some reason. If you're not overly leveraged such that those assets are used as collateral, it has highly limited importance.**

They explained that one of the key elements of risk management is quality deal flow:

**We source opportunities through our own network. In our region, we have been around for a long time. People know us well. They call and say, 'we'd like your kind of patient capital invested with us, or we'd like to sell our company to you'. We're not involved in investment-banking type transactions where we're seeing a book that 100 other people are looking at.**

These investors stressed the importance of taking the requisite time to ensure that you only invest in things you actually understand:

**We are not a deal shop. We are not running around and investing in a whole bunch of deals. We are not compelled like a private equity fund with a three-to-four-year investment timeframe to put the money to work. We take time to deeply understand a handful of things we might invest in, going in and getting very familiar with the people and the operations. If we do one transaction a year, that is a lot. After all, at the end of 10 years, we'll own 10 companies.**

The interviewees reiterated that the key criterion in deal selection is the quality of the management / founding team:

**We look for businesses that have been around for a long time, have good management teams, and that we believe will consequently continue to be around for a long time. If we find those opportunities, we can compound equity invested over long periods at good rates of return. There is so little friction. If you eliminate two-and-twenty, you probably have a leg up on people investing in that manner. We don't claim to be smarter or have special information. We don't have to be experts. We just need to be able to identify people who are capable, honest, hardworking, and have their own expertise.**

These UHNW investors may have more concentrated portfolios than other types of investors, but they do not necessarily view this as a source of risk:

**You might have a less risky portfolio if you hold only three companies rather than 30. It depends on if you have done your work, know the three companies well, and are engaged with the management teams. Meanwhile, if you simply invest in 30 companies, that kind of diversification does not necessarily insulate you from capital loss. If you're in the stock market in 2008 and you have 300 different names that you own, in theory, you are diversified. But, in a down market, everything can become correlated. When the market craters by 67%, your diversification doesn't do anything for you.**

**If you own nothing but gas stations, perhaps that is not adequate diversification. But if you own eight buildings, if they are in different markets – one is a hotel, one is an office building, etc., – maybe you are diversified. Your exposure is not to real estate specifically, but to those entities that use the real estate.**

*CEO, Single-family office, United States*



## INVESTOR INTERVIEWS

### **DIRECT INVESTING IS ABOUT NETWORKS AND INCENTIVES**

**S**ome family offices are confident in their view that, if private equity firms can profitably manage direct investments, they can do it, too:

**It always amuses me that the industry is surprised by how much we, as a family office, directly invest. Obviously, it is possible for them to do direct investments. They have payrolls. The infrastructure to maintain a lot of LP relationships is significant. It is not like they are losing money to manage my money. For the fee I pay, it must be profitable for them to run this operation.**

According to them, often, it does not take much more to invest directly than through a fund:

**In real estate, if you are doing a deal for a hotel, it is not much more work to directly invest in the hotel than to do a deal with a project sponsor for the hotel.**

For some of these family offices, there is a limit to the level of diligence specialist firms can perform on companies:

**I just did a small-scale buyout of a local service company. It does not matter how much time I spend researching the company. It does not matter how specialised the private equity firm is, or if I know a little or a lot less than the analyst. We all know less than the CEO.**

PE firm and wealth-holder interests may not align on exits:

**Private equity firms sell great businesses within 10 years because it is the end of the fund's life, and they want their carry.**

**My mindset is that I have an infinite duration. My job is to make sure that my family stays relatively**



**wealthy. Leaving a good investment gives me a chance to find a bad one – I don't want that risk.**

The key to profitable private equity investment is alignment of incentives:

**We were part of a US\$50 million deal. The CEO put in \$5 million, but that was literally all of his money. He left a job paying him \$400-700k a year to now make \$150k. He is taking a much larger bet than I am. My kid will go to college if the investment does not work – his will not have a house. Think about how sure he must be about what he is doing.**

**For me, in diligencing a private equity firm, they have to have a very significant amount of their own money committed. Otherwise, they are incentivised to take undue risk. Over a 10-year horizon, they are just going to take 20% of the fund in fees, whether they do well or not, and, if they hit the jackpot, keep 20% of the winnings.**

Some direct investing family offices said that they only need a light set up for monitoring direct investments:

**We are a real single-family office with a very long-term horizon. We think about investments going in – spending the right amount of time for the right amount of dollars. But once you make the decision, what is the point of thinking about it again? I don't see the benefit to active monitoring of illiquid positions. If I were to see a private investment not doing well, I only have limited options.**

How do these direct investing family offices differentiate themselves from rivals in order to access the best deals? For them, family offices can present a unique offering: they are a patient source of capital, they can act with speed and flexibility with investments, and they can add value through strategic oversight, operational skills, and industry / investor contacts:

**In venture, my pitch is, I am the easiest money you will never hear from again. I can make my decision and cut the cheque very quickly. I do not have a minimum holding requirement or a board seat requirement. I have no LPs to send**

**investment letters to, so I am not going to ask for a quarterly update. If they never want to communicate with me, that is fine. Of course, if they need help, they can always reach out as well. They can have my strategic input and access to all my contacts. This is how I consistently get into really good deals.**

How do these family offices source and select deals? They appreciate that specialised knowledge is key. However, for them, what matters is building mutually advantageous relationships and securing access to the very best knowledge in each field:

**Suppose you are an early-stage company in fusion power, and I give you US\$100k. There are multiple ways for me to win.**

**First, your company does well. Second, this company goes badly – this is venture after all – but, because I was an early investor in your first company, you give me a chance in your second, which goes well.**

**Third, an employee of yours starts a company in which you invest. You remember that I am easy money and do not bother you, so you introduce me to this employee.**

**Finally, I consider my cheque as a fee paid for a masterclass. You know more about fusion than I could ever possibly know. But now I have a reference point. If I see another fusion company, I can call you and ask for a quick debrief of what you think of them. I just bought your PhD and 20 years of work history in fusion – for a mere US\$100k.**

**Moreover, the experts in my network think of me as a deal source as well. If they like it, they can put their money in. Now, I have the full diligence of my experts, too, and the portfolio company wins as well. So, I don't have to be an expert. I just need to remember the experts I have already invested in. My network and diligencing power have grown over time.**

*Founder, Single-family office, United States*



## SECTION 6 DIRECT INVESTMENTS

Getty Images



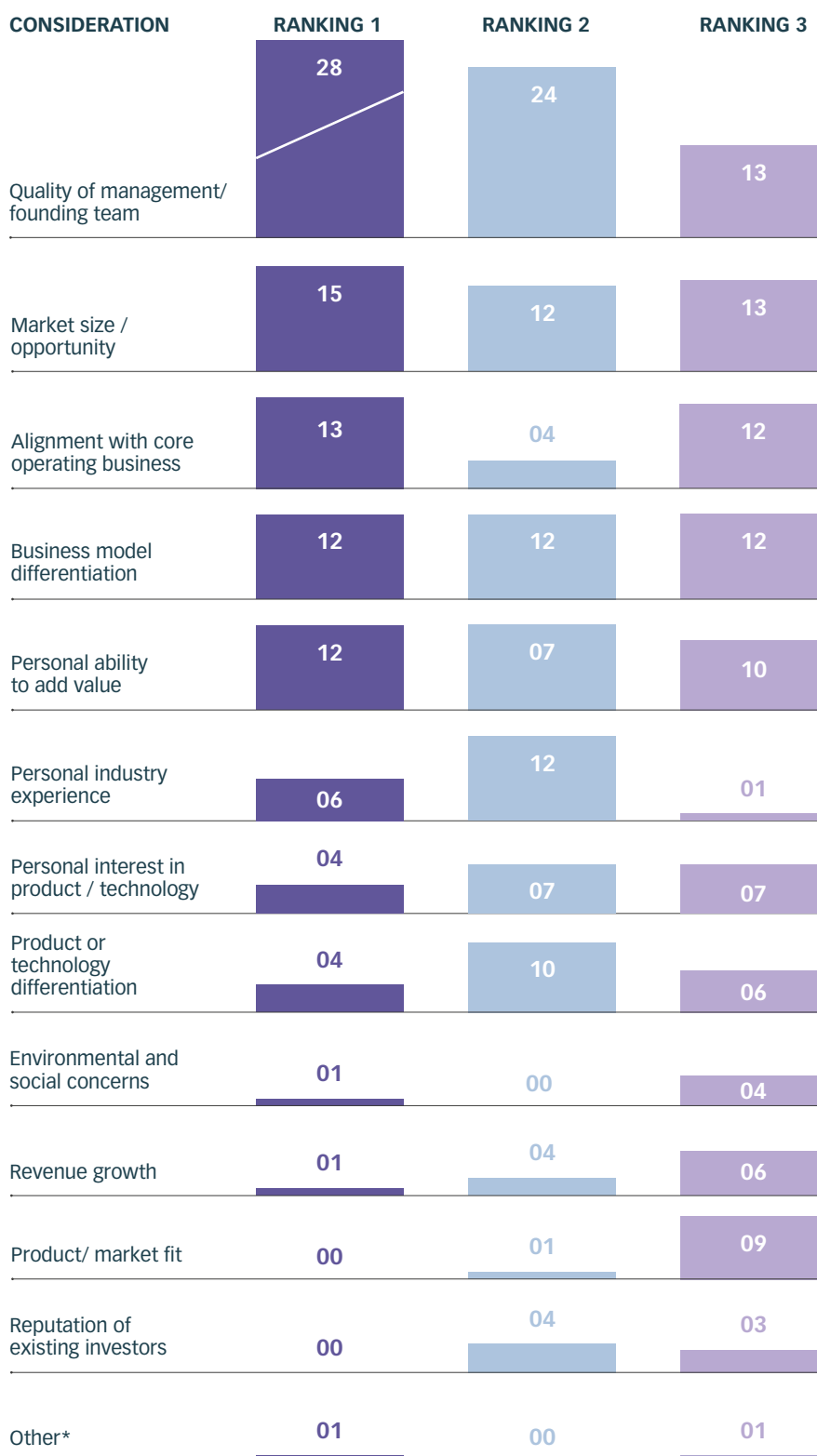
▷ Continued from page 55

### The key investment criterion is quality of management

Participants were asked to rank the top three criteria for selecting direct investments. The primary consideration is the quality of the management / founding team, which accounts for 28% of the #1 rankings. Other important considerations include market size / opportunity (15%) and alignment with the core operating business (13%) (Figure 55).

Figure 42

#### Top 3 considerations in selecting direct investments (%)



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.

Note: This table shows the shares of the #1, #2, and #3 rankings captured by each consideration. The figures in each column may not sum exactly to 100% due to rounding. \* Other considerations specified by participants include nature of security, and growth strategy and opportunity for multiple and margin expansion.

# SECTION 7

## CO-INVESTMENTS

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# Co-investments



Getty Images

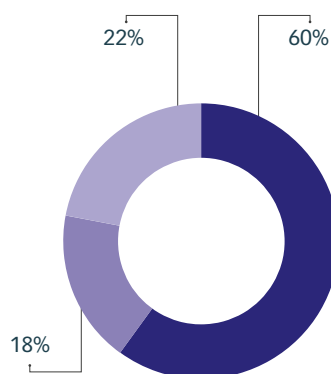
## Over three quarters of UHNW private equity investors are engaged with co-investments

Co-investing is a route to private equity which has been gaining popularity and which, for some UHNW investors, is a middle ground between fund and direct approaches.

Most study participants with private equity holdings are engaged in co-investing: 60% currently hold co-investment deals and an additional 18% are actively interested (Figure 43).

Figure 43  
Engagement with private equity co-investments

- I currently invest
- I do not currently invest but am actively interested
- I am not currently invested or actively interested



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

## SUMMARY

▶ Sixty percent of participants with private equity investments hold co-investment deals, and an additional 18% are actively interested in opportunities.

▶ UHNW investors look to co-invest in order to share risk (29%), benefit from complementary expertise (17%), and gain access to larger deals (15%). The primary source for potential investments is partnerships with other investors (72%) and the main criteria when choosing co-investment partners is a track record in value creation (33%).

▶ The main challenges include access to attractive opportunities (46%) and the time commitment required to assess investment opportunities (37%).

The nature of co-investment depends on the type of deal and the role of the investor in the project. Study participants are involved in two main types of co-investment deals. First, they invest in specific companies alongside private equity fund managers (i.e., not through the main fund, but through a separately structured vehicle governed by a separate set of agreements). Second, participants invest in companies alongside other UHNW investors. While co-investing with funds tends to entail a more passive role, direct investments undertaken with other investors can entail some leadership responsibilities. Typically, those roles are taken on by the larger investors with structures in place and ones with more experience in deal-making and operations.

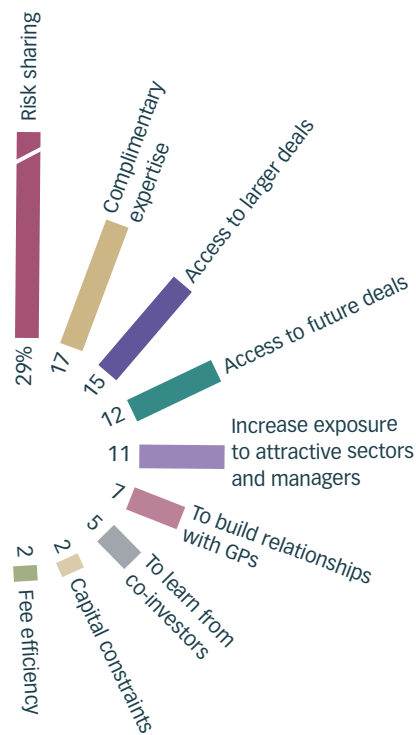
## Co-investment allows risk sharing

Participants in our study were asked to indicate the top motivation for co-investing. The most popular motivation is risk sharing (29%), followed by the ability to benefit from complementary expertise (17%) and gaining access to larger deals (15%) (Figure 44).



Figure 44

**Motivations for co-investing**



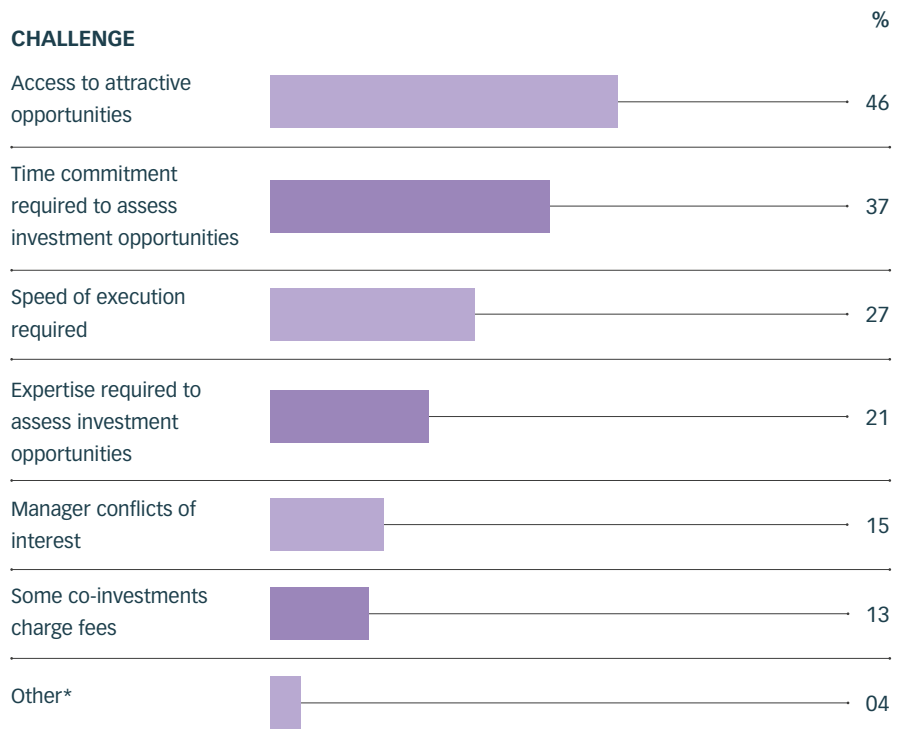
Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

**Co-investors say access and the required time commitment are the main challenges**

The main challenges to co-investing include access to attractive opportunities (46%), the time commitment required to assess investment opportunities (37%), and the speed of execution required. (Figure 45).

Figure 45

**Challenges to private equity co-investing**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: The sum of the figures may exceed 100% because participants can select multiple options. \* Other challenges specified by participants include deal quality and small deal sizes.

**Sometimes co-investment opportunities come in at random, and there is as little as two weeks to decide whether to participate. This is a very squeezed window to review the available information and assess the deal.**

*Portfolio manager, Single-family office, United Kingdom*



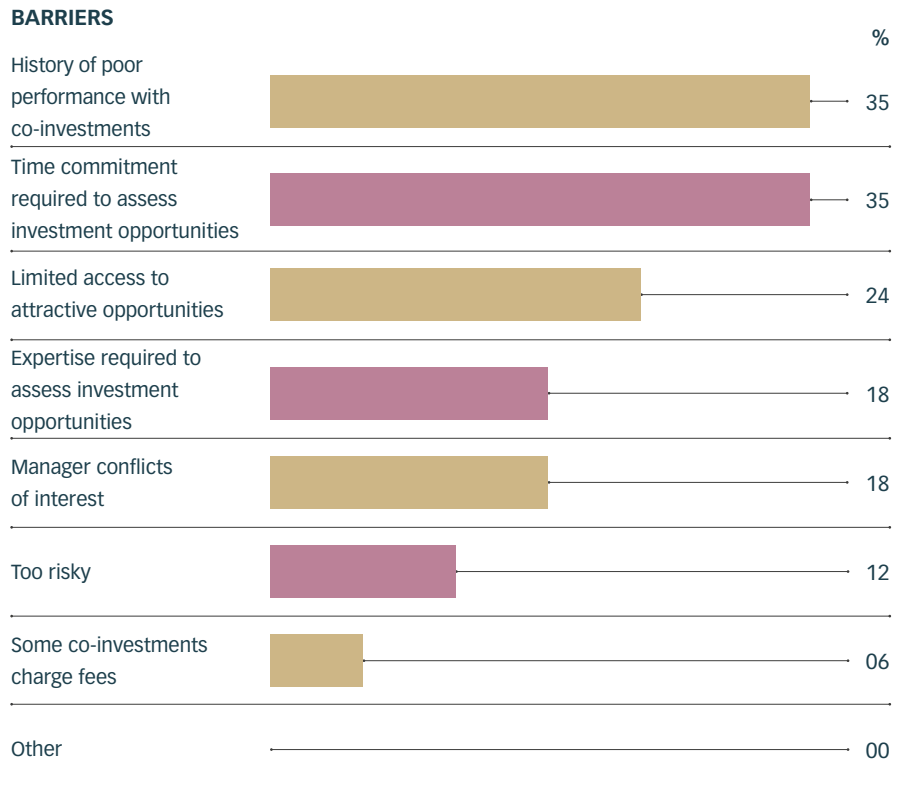
Getty Images: London, UK



**Some investors have been deterred from co-investment deals by experience of poor performance and the required time commitment**

For investors without any co-investment deals in their portfolios, the key reasons include a history of poor performance with such deals (35%) and the time commitment required to assess investment opportunities (also 35%) (Figure 46).

Figure 46  
**Top reasons for staying out of co-investment deals**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
 Note: Figures do not add up to 100% due to rounding

**By co-investing with other family offices, we have gained access to opportunities we would otherwise not even have known about, as well as higher-value deals, with the risk spread between the partners. There is a lot of flexibility. We tend to be fairly hands-off, but we can also decide together on the most efficient approach to the transaction – for example, if we should use debt and, if so, how much. We benefit from each other’s domain expertise and industry contacts and can also jointly decide when to exit.**

*CEO, Single-family office, North America*

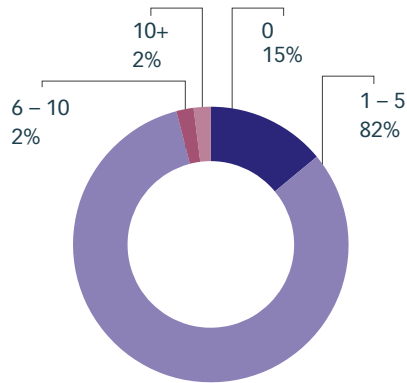
Getty Images



**Investors are looking for three co-investment opportunities per year**

On average, UHNW investors target three co-investment / Special Purpose Vehicle (SPV) opportunities per year (Figure 47).

Figure 47  
**Co-investment / Special Purpose Vehicle opportunities targeted per year**



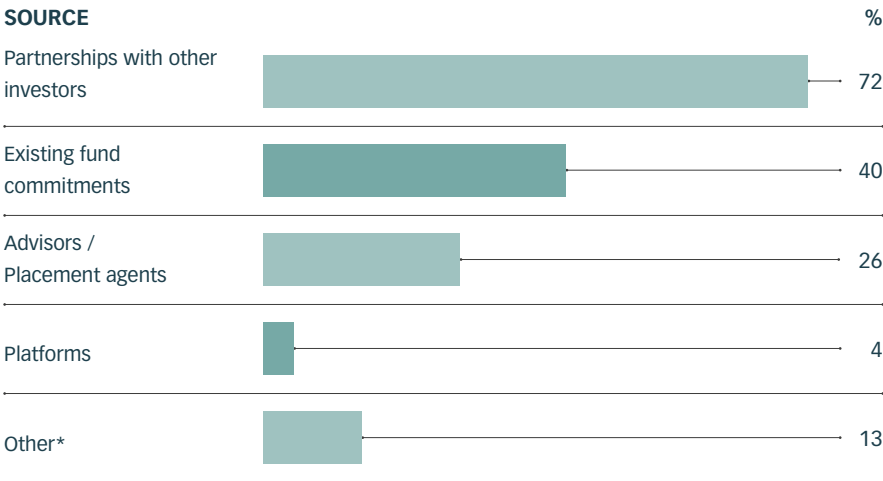
**Average: 3 co-investment opportunities**

Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures do not add up to 100% due to rounding

**Deal flow generation is through partnerships with other investors**

For participants, the primary source for potential investments is partnerships with other investors (72%). Investors also rely on existing fund commitments (40%) (Figure 48).

Figure 48  
**Generating co-investing deal flow**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: The sum of the figures may exceed 100% because participants can select multiple options.  
\* Other sources specified by participants include private networks and family office networks.



## SECTION 7 CO-INVESTMENTS

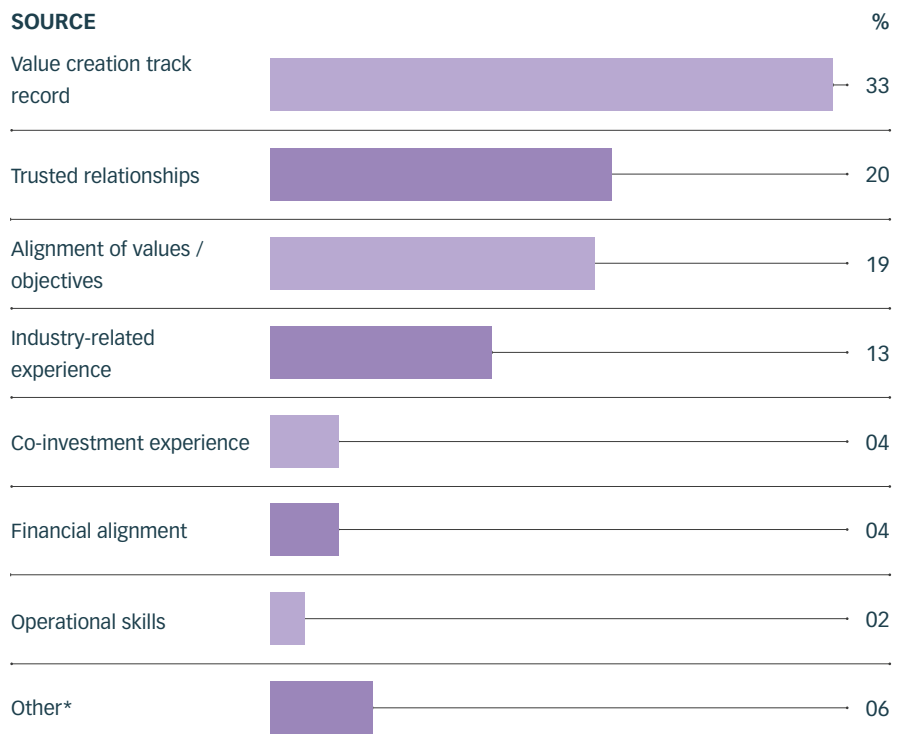
Getty Images: London, UK



### Co-investors are looking for a track record of value creation in partners

The top criterion when choosing co-investment partners is a track record in value creation (33%). Other enablers include a trusted relationship (20%) and alignment of values and objectives (19%) (Figure 49).

Figure 49  
Top criteria when choosing co-investment partners



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures do not add up to 100% due to rounding. \*Other criteria specified by participants include deal quality and terms.





SECTION 8  
RESPONSIBLE  
INVESTMENTS

---



# Responsible investments

## SUMMARY

- ▶ One-third of UHNW investors hold 'responsible' private equity investments, and, on average, allocate 24% of their PE portfolios to such investments. They are driven by wanting to align investments with family values (very / extremely important for 86% of applicable participants).
- ▶ The most popular area is climate change (with 70% of applicable participants selecting it as one of their areas of interest).
- ▶ The top challenges associated with responsible PE include the lack of standardised methodologies and inadequate proof of financial performance, with 21% and 20% of participants citing these as the #1 challenge, respectively.
- ▶ For the bulk of investors currently invested, responsible investments are now outperforming traditional ones (59% of applicable participants).
- ▶ Interest is growing rapidly: an additional 26% of participants are exploring opportunities, and, within five years' time, the average allocation is expected to rise to 38%.



Getty Images: Singapore

## Almost three-fifths of private equity investors are engaged with responsible investments

Responsible investing is an investment strategy and practice to incorporate environmental, social, and governance (ESG) factors in investment decisions and active ownership.

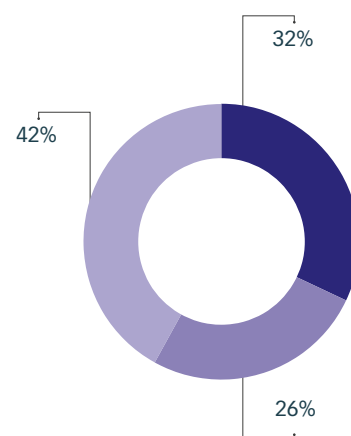
One-third of private equity investors currently hold responsible investments within the asset class (32%). However, investment is expected to rise considerably – with an additional 26% actively interested (Figure 50).

The Campden Wealth *Investing for Global Impact Report 2022* found that impact investors tend to focus investments on private markets and, in particular, seed, venture and growth capital – because, for a relatively small investment, investors can exert meaningful influence or control over company operations.<sup>18</sup>

Figure 50

## Engagement with responsible private equity investments

- I currently invest
- I do not currently invest but am actively interested
- I am not currently invested or actively interested



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures do not add up to 100% due to rounding





Getty Images: Vertical Forest, Milan, Italy

**Lack of standardised methodologies and inadequate proof of financial performance are the key challenges**

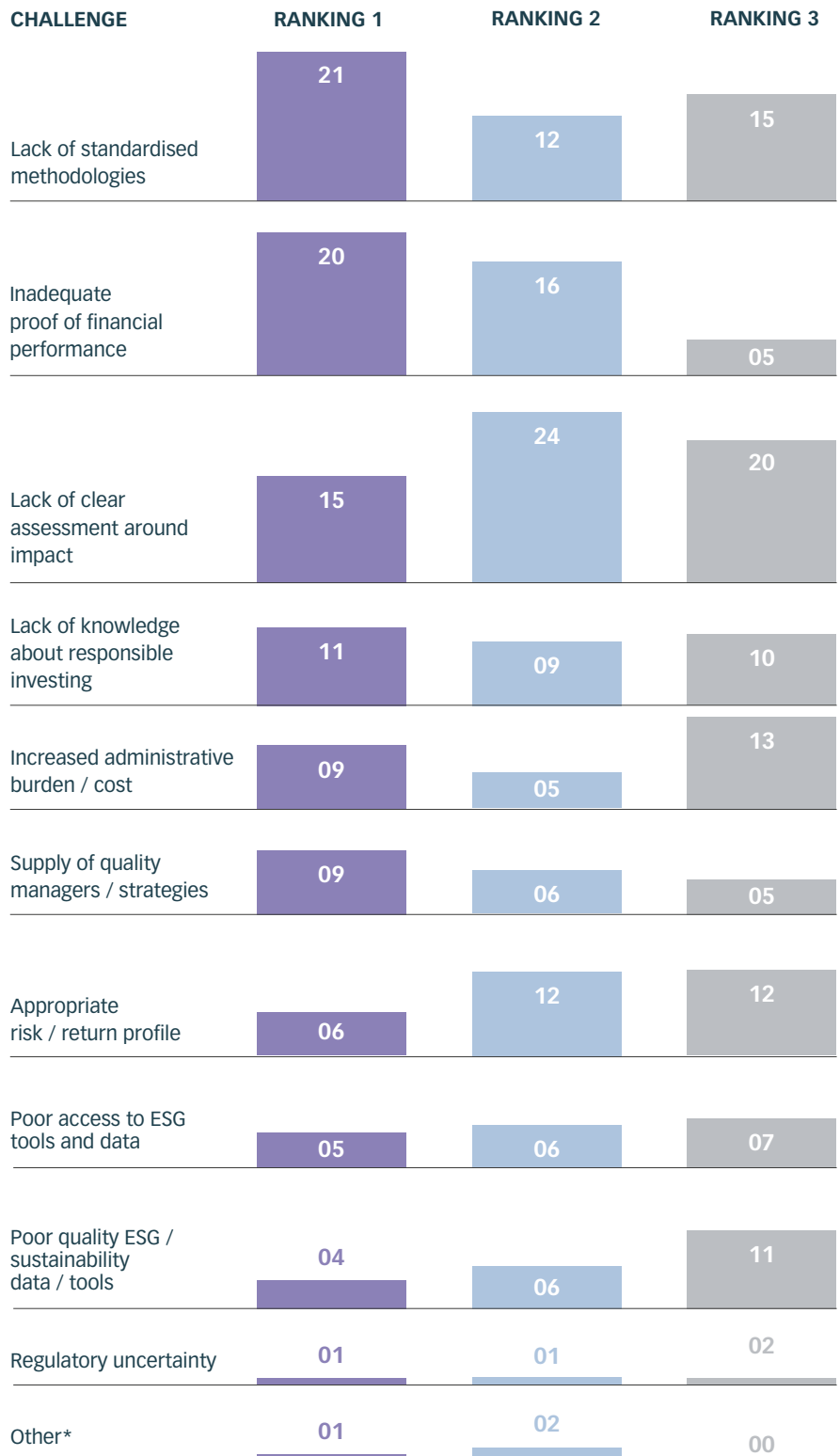
Participants in our study were asked to rank the top three challenges / reasons they do not engage with responsible private equity investing.

The top challenges include the lack of standardised methodologies and inadequate proof of financial performance, with 21% and 20% of participants citing these as the #1 challenge, respectively (Figure 51).

Continued on page 72 ▷

Figure 51

**Top 3 challenges to responsible private equity investing**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.

Note: This table shows the shares of the #1, #2, and #3 rankings captured by each challenge. The figures in each column may not sum exactly to 100% due to rounding.

\* Other themes specified by participants include lack of demand from clients, focus on core business.



## INVESTOR INTERVIEWS

### KEY CHALLENGES TO RESPONSIBLE INVESTING

**A**ccording to some interviewees, private equity managers have been slow to extend and effectively market responsible investment offerings:

**In the public markets, there is activist shareholding, but, in private equity, at least in principle, there is much more scope to implement responsible investment type controls – managers completely control the company. But in our experience, few managers have responsible investment offerings, apart perhaps from impact investing. It can be difficult to implement from an investor’s perspective – because you do not control what managers are going to do.**

*Founder, Single family office, United Kingdom*

**I have seen the occasional slide about this at conferences. I suppose it is on me to follow up, if I am interested. Each time I have met with a group that is more ‘responsible’, I can’t say that I have been jumping up and down with enthusiasm to commit.**

*Portfolio manager, Multi-family office, United Kingdom*

Interviewees not engaged in responsible investing reiterated that, ultimately, they are looking for returns. For doing good, they prefer the philanthropic route:

**This is not a high priority for us and does not influence our decision-making. If we were down to two venture managers, one very ESG and the other not but with a slightly better team or track record, we would lean towards the latter. We are trying to deliver returns. I think pension plans and endowments are probably more conscious about how their investments are dressed up.**

*Portfolio manager, Multi-family office, United Kingdom*





**There are some single-family offices who have ventured into this space, behaved more like charities than being financially driven, and lost money.**

*CEO, Multi-family office, United Kingdom*

**In my mind, my job is to make money. If we want to help prevent global warming, we can give some of our profits away. I do not want to mix the two.**

*Founder, Single-family office, United States*

In interviews, UHNW investors stressed that there is no agreement on the constitution of responsible investing. They suggested that engagement numbers are likely inflated because participants may merely be expressing that they apply a basic moral standard to investment decisions, which does not necessarily indicate anything about investment trends. Finally, they also indicated that the key barrier to responsible investing is the absence of standard, meaningful and persuasive methodologies:

**I am wary about how people are classifying their 'responsible' investments. I would hope that none of us are involved with 'irresponsible' investing. Certainly, I have a basic moral line that I am not willing to cross with my investments – e.g., things that could facilitate money laundering or things that could make America weaker. I don't invest in payday lending, although I am also open to the**

**idea that, in net terms, it is beneficial – i.e., better than no access to any kind of credit. Perhaps some people are saying applying any moral standard means they are involved in responsible investing.**

**I was brought a company that was paid for taking waste away, and then turned it into a saleable product. I was told, 'this is so ESG'. For me, it doesn't matter how you wrap it. Ultimately, it was just a good business model. There are a lot of bad business models in ESG as well.**

*Founder, Single-family office, United States*

**Fundamentally, I think capitalism is responsible. The migration from whale oil to fossil fuels was responsible at the time. Today, we know more, and capitalism will help us figure out an alternative. But you can't just flip a switch, green and clean will take time to become a complete solution. In the meantime, there is a big part of the world that is still heavily dependent on fossil fuels. Furthermore, we don't know yet what it means to mine cobalt, copper and lithium.**

**There is a place for doing the best job you can as an investor and operator to try to be as responsible as possible. But even if you are carbon-intensive, if you are helping people out of poverty, that can be responsible. There is a balance to be struck.**

*CEO, Single-family office, United States*





▷ Continued from page 69

### Investors are striving to align investments with family values

Applicable participants were asked to assess the importance of a range of factors in their decision to adopt responsible investment strategies. The primary motivation is alignment with personal / family values (very or extremely important for 86% of applicable participants). Other motivations include risk management (68%), growing awareness of ESG / Impact issues (58%), and enhanced returns (55%) (Figure 52).

### UHNW investors are employing a range of responsible investing approaches in their private equity portfolios

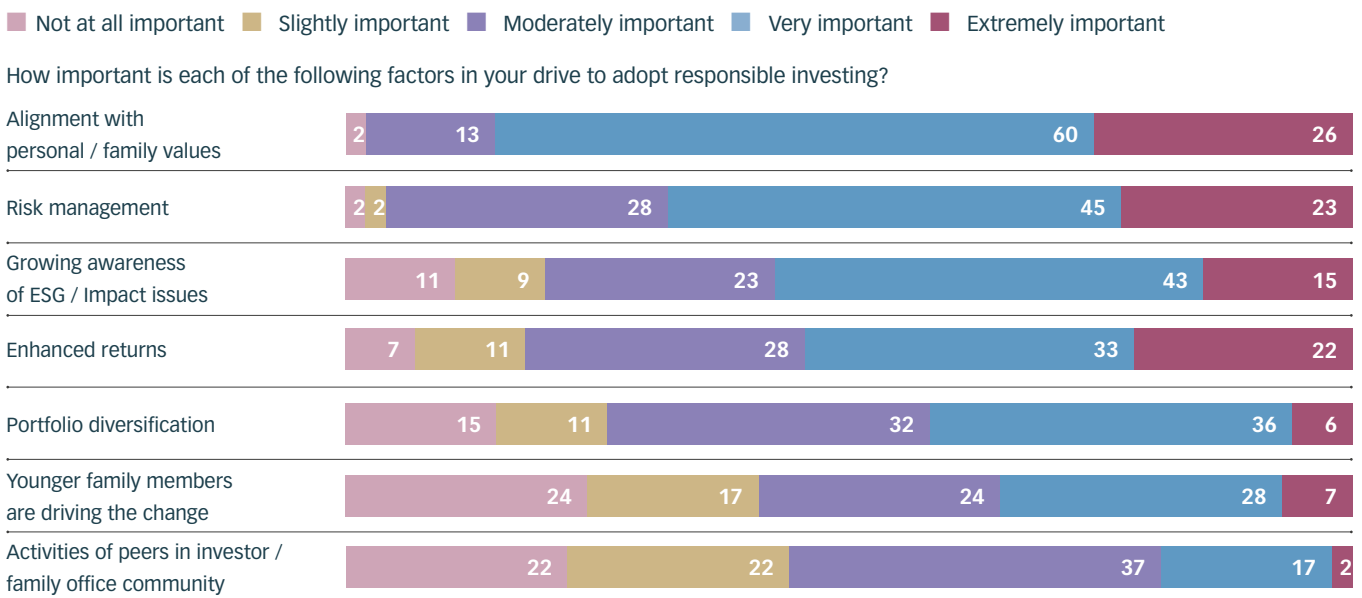
There are a number of different approaches to responsible investing.<sup>19</sup> These are typically a combination of two overarching approaches: i) considering ESG issues when building a portfolio, and ii) improving portfolio companies' ESG performance.

The former category includes: ESG integration – i.e., considering ESG criteria alongside financial analysis;

negative screening – i.e., excluding stocks or sectors based on their involvement in controversial products or services; thematic investing – i.e., focusing on specific ESG issues and investments in related solution, and impact investing – i.e., investing to deliver specific ESG impacts alongside financial return.

UHNW investors employ a combination of these approaches: ESG integration (62% of applicable participants), negative screening (61%), thematic investing (55%), and impact investing (60%). (Figure 53).

Figure 52  
**Motivations for adopting responsible investment strategies**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
 Note: Figures may not sum exactly to 100% due to rounding.



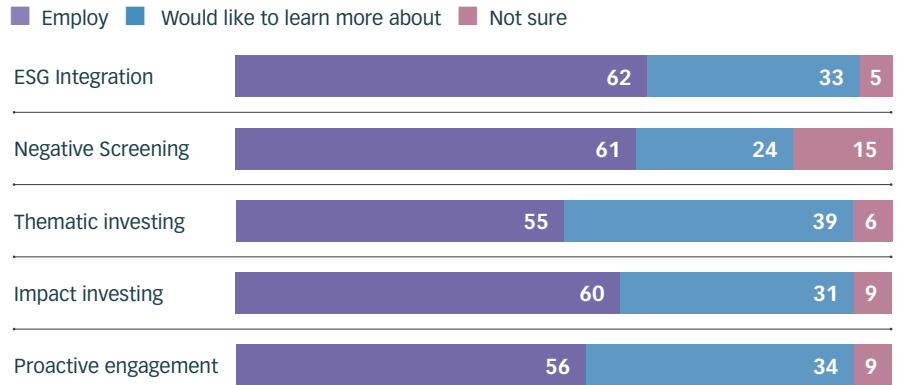
The latter category includes proactive engagement – i.e., working with a portfolio company and driving change. UHNW investors are also employing this strategy (56%) (Figure 53).

**Today, single-family offices think a great deal more about how to effectively do good in the world and leave a positive legacy – certainly, they put more intellectual horsepower into this than other institutional investors. There are single-family offices around the world that are leading the development of new ideas around what impact actually is and how to measure it.**

*CEO, Multi-family office,  
United Kingdom*

Figure 53

**Approaches to private equity responsible investing**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

**Climate change is the top area of interest**

Recent Intergovernmental Panel on Climate Change (IPCC) reports have been described as a “code red” for humanity and underscored the urgency of deep cuts in greenhouse gases to stabilise rising temperatures.<sup>20</sup>

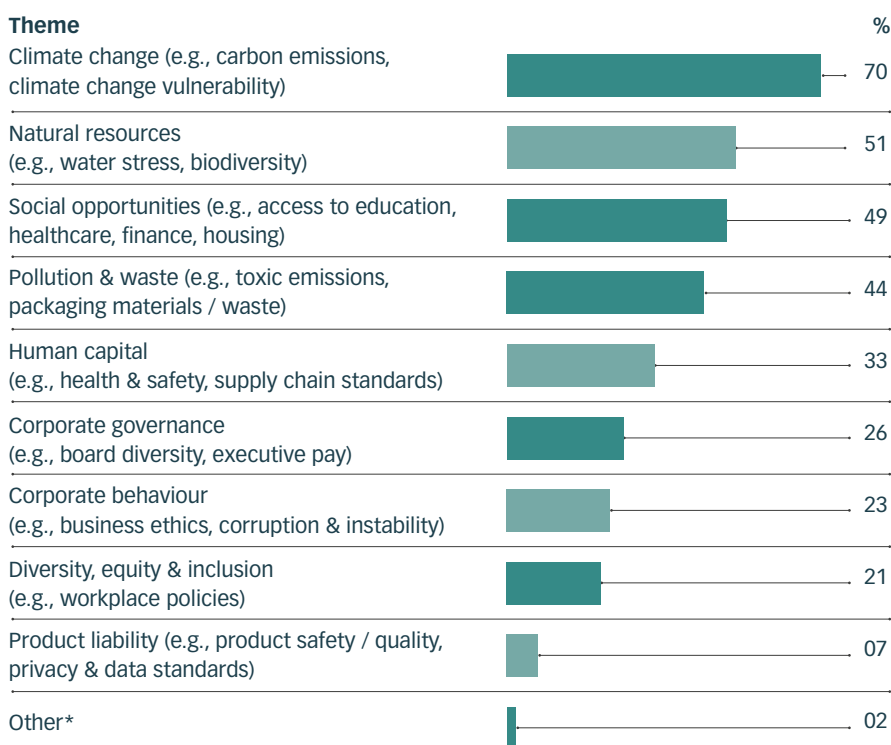
The Campden Wealth *Family Office Report 2021* found that 83% of European participants agreed that the wealth community needs to do more to combat climate change. The equivalent 2022 report found that climate change (e.g., carbon footprint management, wind and solar energy / renewable energy) was the most commonly targeted theme adopted by family offices engaged in sustainable investing, both globally (70%) and in Europe (67%).

The Campden Wealth *Investing for Global Impact Report 2022* found that 84% of impact investors believe that private capital will be essential to address climate change because governments are not doing enough.<sup>21</sup> Impact investors are optimistic that, with the right investments, it is still possible to limit the global average temperature rise to 1.5°C (43% of participants agree with this statement vs. 25% who disagree). Fifty-nine percent would like to align their investment portfolios with, at least, a 2°C scenario. Moreover, 61% say they would be willing to sacrifice some financial returns if their investments were to help prevent climate breakdown.

In the present study, amongst all the UHNW investors engaged with responsible private equity investments, the most popular area is, again, climate change (with 70% of applicable participants selecting it as one of their areas of interest) (Figure 54).

Figure 54:

**Responsible investment areas of interest**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.

Note: The sum of the figures may exceed 100% because participants can select multiple options. \* Other themes specified by participants include food security and food safety.

Getty Images





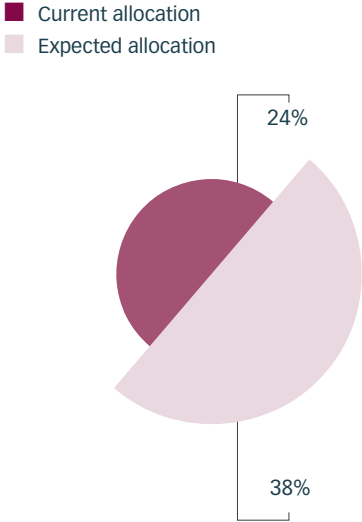


**Responsible investment allocations to reach 38% in five years**

On average, applicable UHNW investors now classify 24% of their private equity portfolios as responsible investments. But they are gearing up to deploy capital and expect that, within five years’ time, their responsible investment allocation will have increased by 14pp to reach 38% (Figure 55).

The Campden Wealth *Investing for Global Impact Report 2022* similarly found that investors already active in impact allocate, on average, 32% of their portfolios to impact investing (in 2021).<sup>22</sup> But impact investors are increasing commitments, with average allocations projected to rise to 50% within five years’ time.

Figure 55  
**Private equity portfolio responsible investment allocation, current and in five years’ time**



Source: The Campden Wealth / Titanbay Ultra-High Net Worth Private Equity Investing Report 2023

Getty Images



**For the bulk of investors, responsible private equity investments are outperforming traditional holdings**

For 59% of applicable participants, in the last 12 months, responsible private equity investments performed better financially than equivalent traditional investments (Figure 56). However, interviewees urge some caution with these statistics:

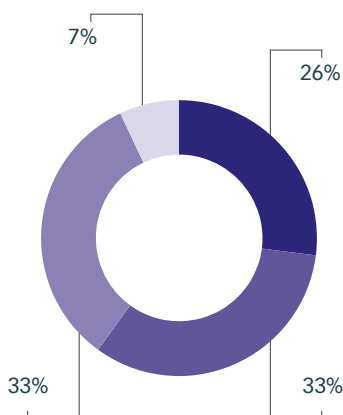
**Everyone is interpreting ‘responsible investments’ differently. If you have a diluted view, then you are comparing like with like anyway. If you take a stringent view, in my experience, it is really tough to outperform.**

*CEO, Multi-family office, United Kingdom*

Figure 56  
**Responsible private equity vs. traditional investment performance**

*In the last 12 months, my responsible private equity investments performed better financially than equivalent traditional investment*

- Strongly agree
- Agree
- Disagree
- Strongly disagree



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

**Most ESG was short oil and long technology. The question is, how did 2022 go?**

*Founder, Single-family office, United States*

Specifically on impact investing, the Campden Wealth *Investing for Global Impact Report 2022* similarly found that, for 80% of impact investing respondents, 2021 financial returns on impact investments met or exceeded expectations.<sup>23</sup> For those who adopt impact investing as their primary investment approach, this rises to 85%.

Looking ahead, five years from now, respondents also expect their impact investments to either outperform or generate financial returns at the same level as traditional investments (37% and 44%, respectively).





SECTION 9  
DIGITAL  
PLATFORMS

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# Digital platforms

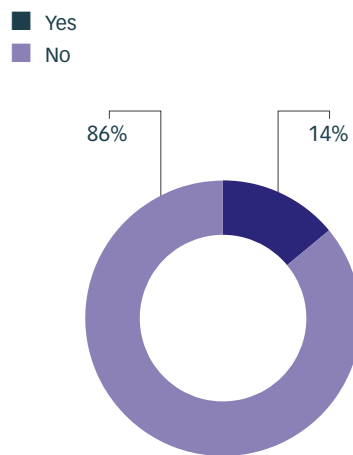
## The bulk of UHNW investors are unfamiliar with digital platforms

Survey participants were asked if they use digital platforms for accessing private equity investments – currently, only 14% do (Figure 57).

For them, the main benefits include access to fund analysis data and tools (38%) and access to the best funds (31%) (Figure 58).

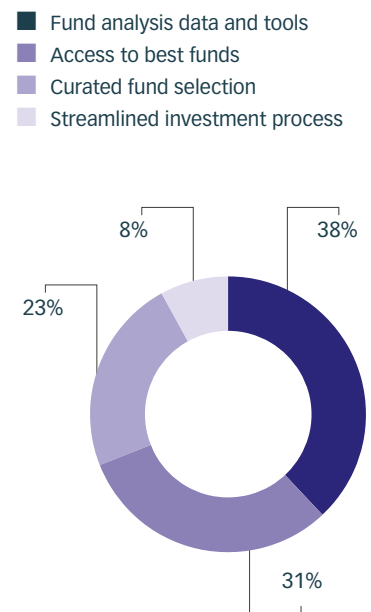
Some of the 86% who said that they do not currently use digital platforms said that they generate sufficient deal flow through internal resources – i.e., for the largest investors in our sample, full-fledged internal private equity teams – or through personal networks, networks of managers, or investment consultants. The bulk, however, explained that they are unfamiliar with digital platforms and their offerings and are keen to learn more.

Figure 57  
Use of digital platforms for accessing private equity investments



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

Figure 58  
Benefits of using digital platforms for accessing private equity investments



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.



Sophisticated investing in private markets relies on access, discipline and diversification. With Titanbay you can craft diversified and balanced private market portfolios that are aligned to your, or your clients, long-term financial objectives. Their digital platform aims to elevate the investing experience allowing you to focus on acquiring the right opportunity for your own, or your clients, investment goals. Key to this are the funds offered on the platform; each year, Titanbay accesses

some of the world's leading private market investment opportunities, across a range of sectors, strategies, and investment vintages. Each fund goes through a rigorous selection process, led by the Titanbay Investments Team, with additional oversight from the Titanbay Investment Advisory Board (IAB), and supplemented by research and ratings from Mercer. The outcome is a curated selection of top-tier funds from which you can build your portfolio.

# SECTION 10 INVESTMENT RISKS

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# Investment risks

## SUMMARY

- ▶ For participant UHNW investors, the biggest investment risks in the next two years are geopolitical / trade tensions (26%), risk of recession in core markets (24%), and risk of escalating inflation (12%).
- ▶ Participants tend towards pessimism about market conditions and their effect on private equity investments in the next 12 months (with 43% being either pessimistic or highly pessimistic).
- ▶ Interviewees almost uniformly stress that they are long-term investors, who do not place undue weight on short-term market noise, and have long-term strategies – entailing consistent deployment of capital – which they will continue to implement.



Getty Images

### **UHNW investors are wary of the impacts of geopolitics, recession, and inflation on their private equity portfolios**

**A**t the time of data collection (August – December 2022), the primary sources of private equity investment risk for UHNW investors were geopolitical / trade tensions (26%), risk of recession in core markets (24%), and risk of escalating inflation (12%) (Figure 59).

Participants tended towards pessimism about market conditions and their effect on private equity investments in the next 12 months (with 43% being either pessimistic or highly pessimistic) (Figure 60).

Some interviewees warned that, in the next few months, some family offices may find that they are overcommitted – that there is misalignment between likely distributions and capital calls – and advised that these investors start planning now:



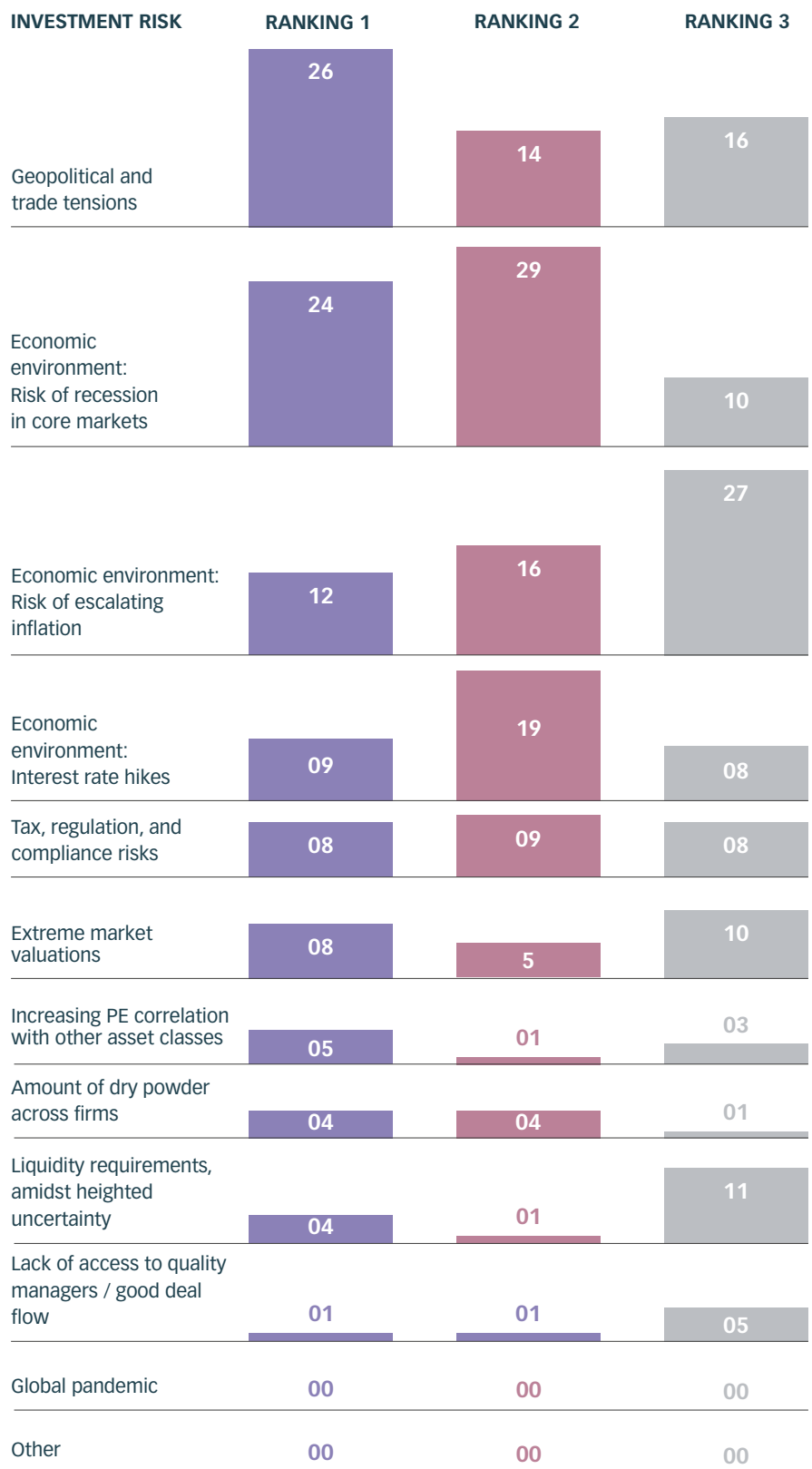


**Family offices sometimes use a circular model: for example, fund I will pay out because it is at end of life, and I will use this to pay into fund VI. They have made commitments based on historical liquidity, but, over the last 10 years, liquidity has been overstated. Therefore, some people are going to have capital calls, but may struggle to fund them.**

*Founder, Single-family office, United States*

Figure 59

**Source of biggest investment risk in the next two years**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: This table shows the shares of the #1, #2, and #3 rankings captured by each headwind. The figures in each column may not sum exactly to 100% due to rounding.

## SECTION 10 INVESTMENT RISKS



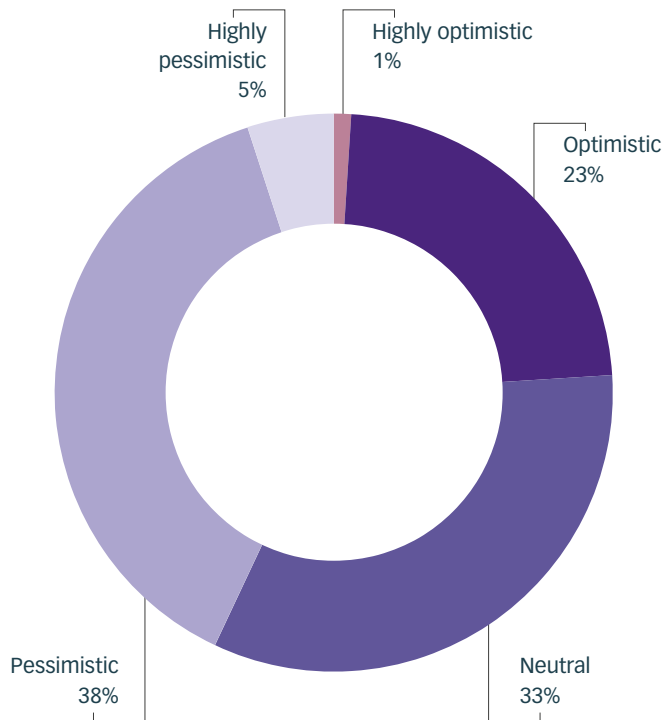
Getty Images: Munich, Germany

But, on the whole, interviewees reiterated that, for them, short-term market noise is unimportant:

**We are patient investors and we're optimistic about the long-term. At some point – three months, or six months, however long – we will be out of this environment. So, our investment philosophy does not change. We are going to keep deploying the same amount annually. We will keep trying to bring in quality managers. No doubt, some vintages will turn out better than others. But over the long run, if we keep picking quality managers, we are confident the bulk of the portfolio companies will perform.**

Figure 60

**Sentiment about market conditions and their effect on private equity investments in the next 12 months**



Source: Campden Wealth / Titanbay, The Ultra-High Net Worth Private Equity Investing Report 2023.  
Note: Figures may not sum exactly to 100% due to rounding.

Moreover, while cautious about quality, interviewees said they are ready to capitalise on opportunities:

**In a downturn economy, there are potentially some great opportunities because valuations are more rational. But as a family office, we don't want to be caught as a funder of last resort. We will continue looking for companies with quality managements and competitive advantages. They might need the same amount of capital as others but will get further with that investment.**

*CEO, Single-family office, United States*

**Back in 2009, there was an endowment that saw its allocation get whacked. They had to do a secondary sale. We came in and bought a large portion of their portfolio for 45 cents on the dollar. That has performed extremely well. So, again, we would get excited about quality options at discounts.**

*Portfolio manager, Single-family office, United States*



# SECTION 11 CONCLUSION: TOP TIPS



# Conclusion: Top tips from experienced PE investors

The UHNW investors surveyed as part of this study were asked to share the lessons they have learnt on their private equity journeys which they believe would be most helpful to investors just starting out in the asset class. The advice from the 120 participants was easily woven into a coherent whole.

Note that the following merely reflects participants' personal opinions and should not be construed as investment advice.

## 1 DEFINE LIQUIDITY NEEDS AND RISK TOLERANCE

Experienced investors stress that, before you start deploying capital, you should immerse yourself in private equity, allocating enough time and resources to understand and feel comfortable with the asset class.

Private equity differs considerably from traditional asset classes and also encompasses a wide spectrum of sub-investments. You should conduct thorough research – including talking to peers, meeting as many fund managers as possible, reading relevant newsletters, and following market developments closely. Learning from experts will come at a cost, which you will need to be willing to absorb.

You should realistically assess your liquidity requirements and risk tolerance. Private equity has a long-term investment horizon and holdings are highly illiquid. You may also incur substantial losses along the way. You should ask yourself, are you able and willing to commit capital for 10 to 15 years? Can you endure the losses? Ensure buy-in from your board and other stakeholders – e.g., family members.

## 2 REALISTICALLY ASSESS YOUR RESOURCE BASE

Direct private equity investing can be highly resource-intensive. It encompasses generating deal flow, conducting due diligence on companies, and timing and closing deals. It requires extensive networks and particular skillsets, and can require significant infrastructure. You should realistically assess your resource base. For many investors, it will be more prudent to outsource these jobs to experienced managers who are plugged in to the private equity ecosystem.

But fund investing is also resource-intensive. It encompasses regularly meeting large numbers of managers in person, conducting due diligence, building relationships, compiling performance databases, etc. Often, it will make more sense to rely on investment consultants and platforms for access and diligence.



Getty Images: La Défense, Paris, France

### 3 DEFINE A PROPER STRATEGY

Experienced investors recommend that you define your long-term private equity strategic vision or programme – encompassing clear goals, contingency plans, and milestones. They stress the importance of being realistic with any risk and return assumptions. Your private equity strategy and target allocation should be aligned with your overall portfolio strategy.

Discuss your private equity strategy in detail with your team, ensure that you are aligned, and follow the path consistently. Clearly define your desired exposures – e.g., across sub-asset classes and strategies. Plan for cash flows and the J-curve – i.e., the tendency for investors to experience negative returns in the early years of a fund's life – and remember that cash flows do not always happen at the planned pace. Experienced investors also suggest you remember to set funds aside for any follow-on investments.

### 4 START WITH RELATIVELY SMALL CHEQUE SIZES

According to experienced investors, it is easy to be tempted by the asset class's relatively high historical returns and suffer from the 'fear of missing out' (FOMO). But they advise: take your time, look at a large number of deals, wait for the right investment opportunities, and, to begin with, make minimum viable investments.

From these early deals you will learn a great deal about your investment preferences – e.g., the platforms you find helpful, deal terms to look out for, types of people you enjoy working with, and business models you understand. Moreover, small deals potentially mean more manageable mistakes.

### 5 DON'T PUT ALL YOUR EGGS IN ONE BASKET

Some experienced investors stress that diversification is central to a sound private equity strategy. They suggest that you can start your investment programme with fund of fund investments or a few direct funds, rather than direct deals. In the early stages of your portfolio build-out, you can consider tilting towards secondaries – for quicker access and potentially reduced risk (e.g., 'blind pool' risk). Over time, as you become more experienced, you can consider diversifying across managers, strategies, products (i.e., primary, secondary, and co-investments), sectors, and geographies. Some investors do also stress that overdiversification can erode returns. Others point out that a concentrated portfolio based on quality deal flow and due diligence can be less risky in terms of permanent loss of capital than a mechanically diversified one.

The piece of advice most commonly shared by participants in the study is that your private equity programme should entail consistent commitment over the years. Do not 'cherry pick' – i.e., pick seemingly strong years – and end up missing vintage years. Allocate across vintages, investing through the cycle. Participants also point out that you can commit to secondaries funds in order to get exposure to past vintages.



## 6 CONDUCT DISCIPLINED DUE DILIGENCE

You will need to identify a large number of managers, conduct disciplined due diligence, and put in place a rigorous manager selection process. Experienced investors explain that a major part of private equity investing is qualitative and focused on people – i.e., the sponsor and operator teams. It is about determining who you can trust.

Participants recommended meeting fund managers in person, conducting as much on-the-ground research as possible. You will need to evaluate manager experience, motivation, and integrity. This entails studying references (e.g., from LPs in the GPs prior funds), team biographies (including the experience of the team working together), evidence of post-investment value add and successful exits, and their performance against other funds in the same space.

Some participants say they look for ‘Goldilocks’ managers (neither too small nor too big) with a clear strategy and narrow lens. They advise looking for transparency and quality of disclosure – e.g., the current investment pipeline, when cash will be invested, the plan for improving business performance, the performance metrics which are reported (e.g., private market value [PMV] vs. assumption-oriented metrics), and exit strategies.



## 7 LOOK OUT FOR TERMS AND CONDITIONS

Experienced investors advise that you never sign contracts without personally reading everything, whether investing directly into companies, into funds, or through digital platforms. This includes studying terms and conditions closely. They suggest you study the fee structure and ensure that interests are aligned (e.g., high degrees of GP ownership).

Many participants say they negotiate terms, try to secure follow-on rights in underlying companies, and use side letters to formalise negotiated arrangements, including arbitration and side pocket clauses.



## 8 BUILD RELATIONSHIPS AND SYSTEMS

Over time, you can ramp up your allocation, but this should be matched by investment in your capabilities. It is vital to build a strong network of like-minded investors, GPs, and corporate executives. You can reach out to specialist advisers, use investment platforms, and attend investor meetings, events, and conferences.

For many experienced investors, the goal is to access well-established funds with strong performance track records in their space. They point out that you can consider using down-markets as an opportunity to enter the top-tier funds. Having said that, many also remind that good people leave big brand name companies and go at it on their own. Family offices can be bigger fish and have a more balanced and fruitful relationship with emerging managers. Get to know and try to cultivate long-term relationships with your counterparties. Remember, it is a two-way relationship – you should aim to become a valuable investor by, e.g., leveraging your own experience and relationships.





## 8 BUILD RELATIONSHIPS AND SYSTEMS *continued*

Experienced investors stress that you need to understand and be able to glean insights from a range of private equity investment performance metrics – e.g., internal rate of return (IRR), total value to paid in capital (TVPI), distributions to paid in capital (DPI), multiple of invested capital (MOIC), and public market equivalent (PME). You also need a system for benchmarking investment performance, and several participants said they use a range of Cambridge Associates private investment indexes. In addition to monitoring performance, you should monitor any investment manager strategy drift. You may also need to reinforce your back office to better track investments. Clear and precise bookkeeping is the key to understand cash flows and investment pacing.

Another piece of advice repeatedly fed back by participants is to have patience. Remember that the market is cyclical. Try to block out short-term noise. It can take, e.g., 10-15 years for a PE fund programme to become cash positive.



## 9 FOR DIRECT DEALS, BUILD YOUR NETWORK AND FOCUS ON SECTORS WHERE YOU HAVE EXPERTISE

To engage in direct investing, you will need to build a strong network. Many participants have a dedicated team. Your team should have deep sectoral expertise, generate proprietary deal flow, build strong conviction investment themes. Do not simply follow the herd. To attract qualified investment talent – e.g., from private equity, strategy consulting, or investment banking firms – you will need to offer competitive compensation. Your team should also include legal and tax experts.

Experienced investors reiterate that you should focus on business models you understand and ideas you are passionate about. Do not hesitate to walk away when you get a worrying sign. Specific tips include focussing on the structural advantages and longevity of the underlying business, ensuring the business has a high percentage of recurring revenue, being aware of the capital structure and where you sit, and taking active governance roles in any portfolio companies. Some participants said they focus on investing in technologies with the potential to transform global industries, and applications which further sustainability.



Getty Images: Singapore

## 10 ENSURE ALIGNMENT BETWEEN PARTNERS IN CO-INVESTMENTS

Co-investing is a middle ground between fund and direct approaches. To reduce risk, you can consider co-investing with other UHNW investors or partnering with an independent sponsor. But participants stress that co-investment has its own challenges. They advise looking for co-investors with pedigree – e.g., a track record demonstrating an ability to lead and deliver – and investing alongside people you know, feel comfortable with, and trust.

The key is to ensure alignment – e.g., in objectives (including return targets and investment horizons), expectations (including level of control and involvement), ability to add value (including through operational skills and industry relationships), and capacity for participating in subsequent funding.



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**F**ounded in 2019, Titanbay was established to help investors gain access to top-tier private market funds. We do this both directly and in partnership with leading private banks and wealth managers.

Private market investments can be excellent portfolio diversifiers for investors seeking alternative drivers of risk and return. But choosing the right managers, carrying out due diligence and gaining access to top-quartile funds are essential requirements for creating a suitable and effective portfolio.

At Titanbay we know meeting these needs is not a simple task. That's why our Investment Team uses deep knowledge of private markets, combined with extensive network and industry connections to secure access to some of the best opportunities in the asset class.

Our sophisticated yet intuitive technology solution is modular, providing flexibility and control for family offices, wealth managers and private banks on behalf of their clients, as well as for suitable individual investors.

Each year, we access some of the world's leading private market investment opportunities, across a range of sectors, strategies and investment vintages.

Those offered on our platform have undergone a rigorous selection process, led by the Titanbay Investment Team, with additional oversight from the Titanbay Investment Advisory Board (IAB). This is further supplemented by research and ratings through our relationship with Mercer, a leading global investment consultant.

The outcome is a curated selection of top-tier funds each year from which you can build a diversified private market portfolio.

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