

# **IPFOS**

## **Bestuurders Conferentie**

### **2017**



**Welkom**  
**Christiaan Tromp, CEO IPFOS**

**Zuidoostbeemster, 7 september 2017**



**Alleen voor professioneel gebruik**



# **IPFOS**

## **Bestuurders Conferentie**

### **2017**



**Inleiding door de dagvoorzitter:  
Fons Lute, Russell Investments**

**Zuidoostbeemster, 7 september 2017**



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# Private Markten

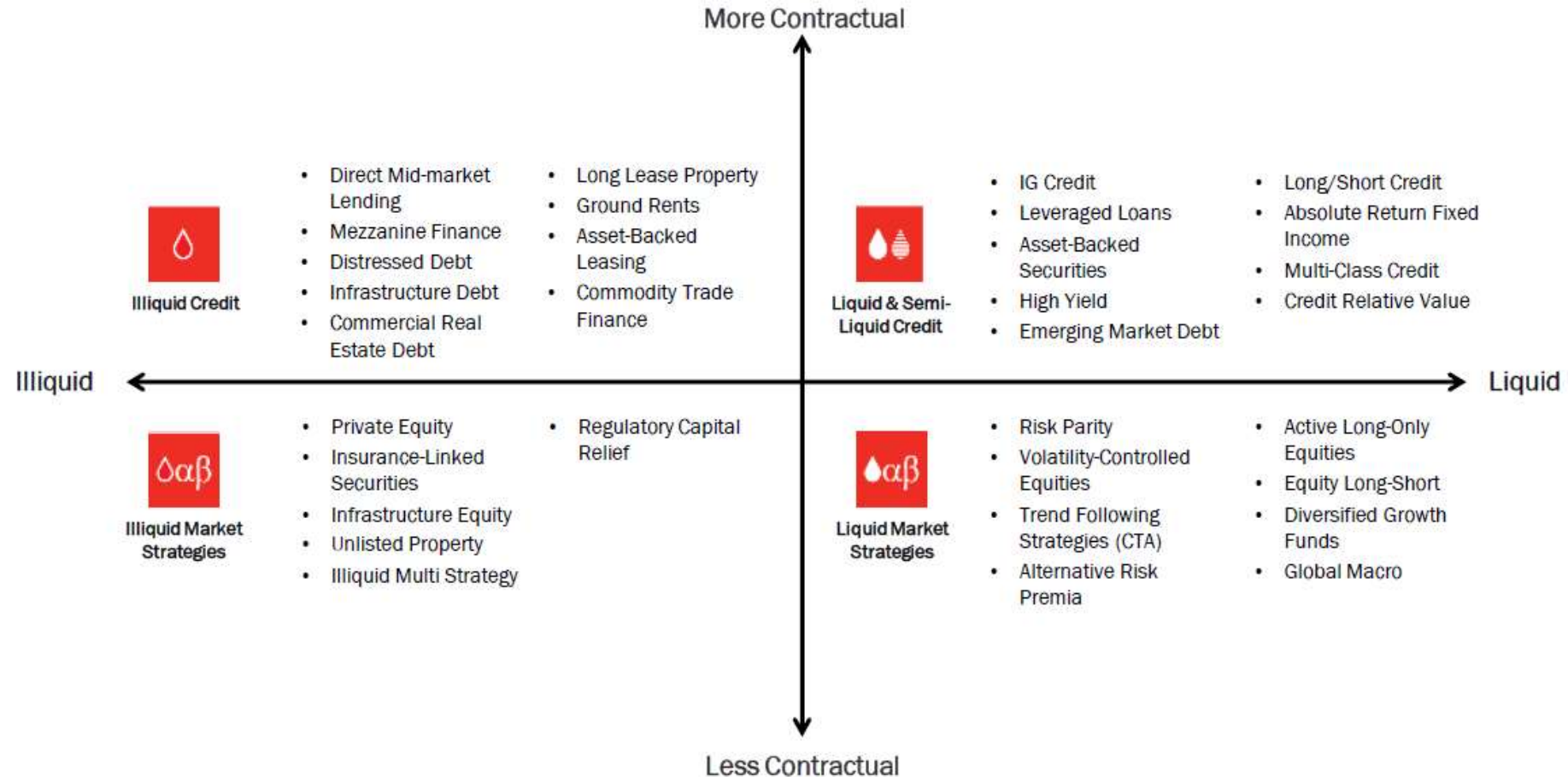
## Verkenning van het Speelveld

Fons Lute, Client Portfolio Manager

ZUIDOOSTBEEMSTER, 7 SEPTEMBER 2017

# Beleggen in Private en Publieke Markten - I

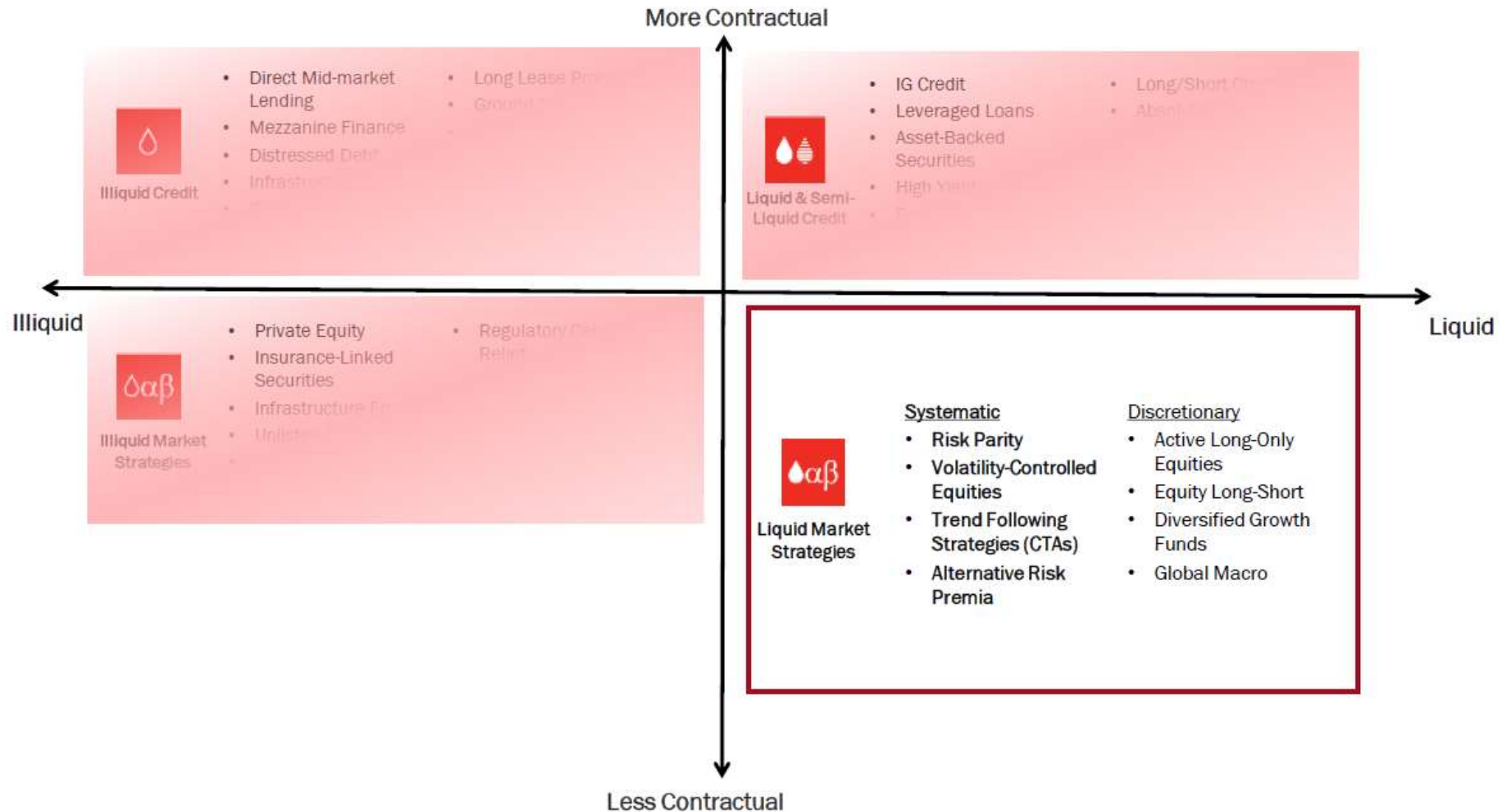
## Afwegingsproces van Liquiditeit en Zekerheid



*The dimensions for an asset class in this framework are liquidity and certainty of cashflows.*

# Beleggen in Private en Publieke Markten - II

Uitkomst verheldert het beeld





# DNB – Fee structure in beleggingsportefeuilles

## **Does it pay to pay performance fees? Empirical evidence from Dutch pension funds\***

Dirk Broeders<sup>a,b</sup>, Arco van Oord<sup>a</sup> and David Rijsbergen<sup>a</sup>

<sup>a</sup> *De Nederlandsche Bank, The Netherlands*

<sup>b</sup> *Maastricht University, The Netherlands*

13 July 2017

- › Onderzoek onder 218 pensioenfondsen – 2012 t/m 2015
- › Performance fees hebben geen grote invloed op het totaalrendement
  - › Geldt voor de meeste beleggingscategorieën
- › Specialisatie leidt tot lagere kosten per eenheid extra rendement
  - › Impliceert een positieve relatie tussen schaal en inkoopkracht
- › Schaal en specialisatie zijn belangrijker voor rendement dan fees

# Publiek versus Privaat: Level Playing Field

1. Aansluiting bij de verplichtingen
2. Complementariteit (van de risicopremie)
3. Transparantie / inzichtelijkheid
4. Kosten
5. Aansturing / Governance

# Agenda

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Welkom

Christiaan Tromp, TFS / IPFOS

Inleiding door de dagvoorzitter

Fons Lute, Russell Investments

Impact Investing through Private Markets

Vikram Raju, Morgan Stanley

Riskmanagement and ESG within Private Markets

Alex Scott, Pantheon

Het verhaal van De Slager

Daan van der Zon, Slagerij Van der Zon

Pauze

De in's & out's van Private Debt

Laurent Gueunier, BNP Baribas

Bevindingen DNB bij vermogensbeheer

Maarten Heikoop, DNB

De in's & out's van non-listed Real Estate

Daan van Aert, Kempen Capital Markets

Bijzonderheden bij het managementselectie  
proces binnen Private Markets

Peter Hobbs, bfinance

Wrap-up, Sluiting en Barbecue



**IPFOS**

**Bestuurders  
Conferentie**

**2017**



**Impact Investing through Private Markets**  
**Vikram Raju, Morgan Stanley**

**Zuidoostbeemster, 7 september 2017**



**Alleen voor professioneel gebruik**

# Impact Investing Through Private Markets

Alternative Investment Partners | September 2017



# Morgan Stanley

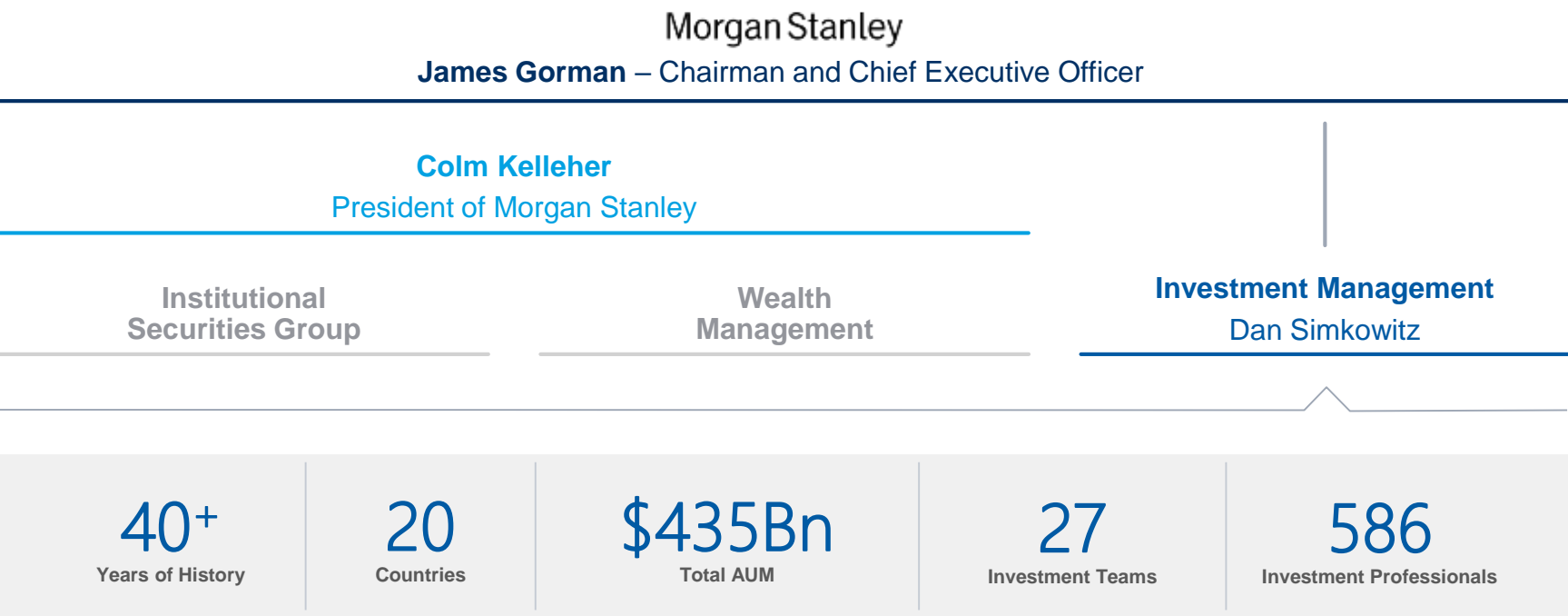
INVESTMENT MANAGEMENT

SECTION 1

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## Charting an Approach to Impact

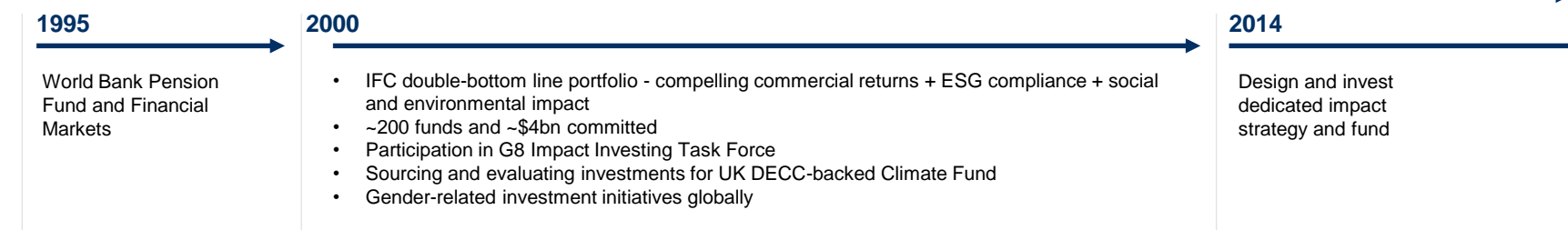
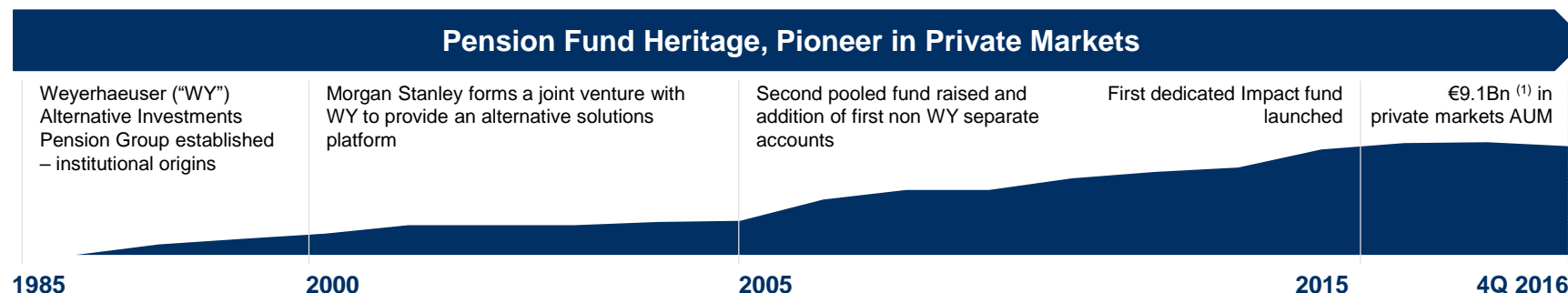
# Morgan Stanley Overview



AUM as of June 30, 2017.  
Fund of Fund assets represent assets under management and assets under supervision.  
Direct private investing assets represents the basis on which the firm earns management fees, not the market value of the assets owned.



# Pioneer in Private Markets and Impact Investing

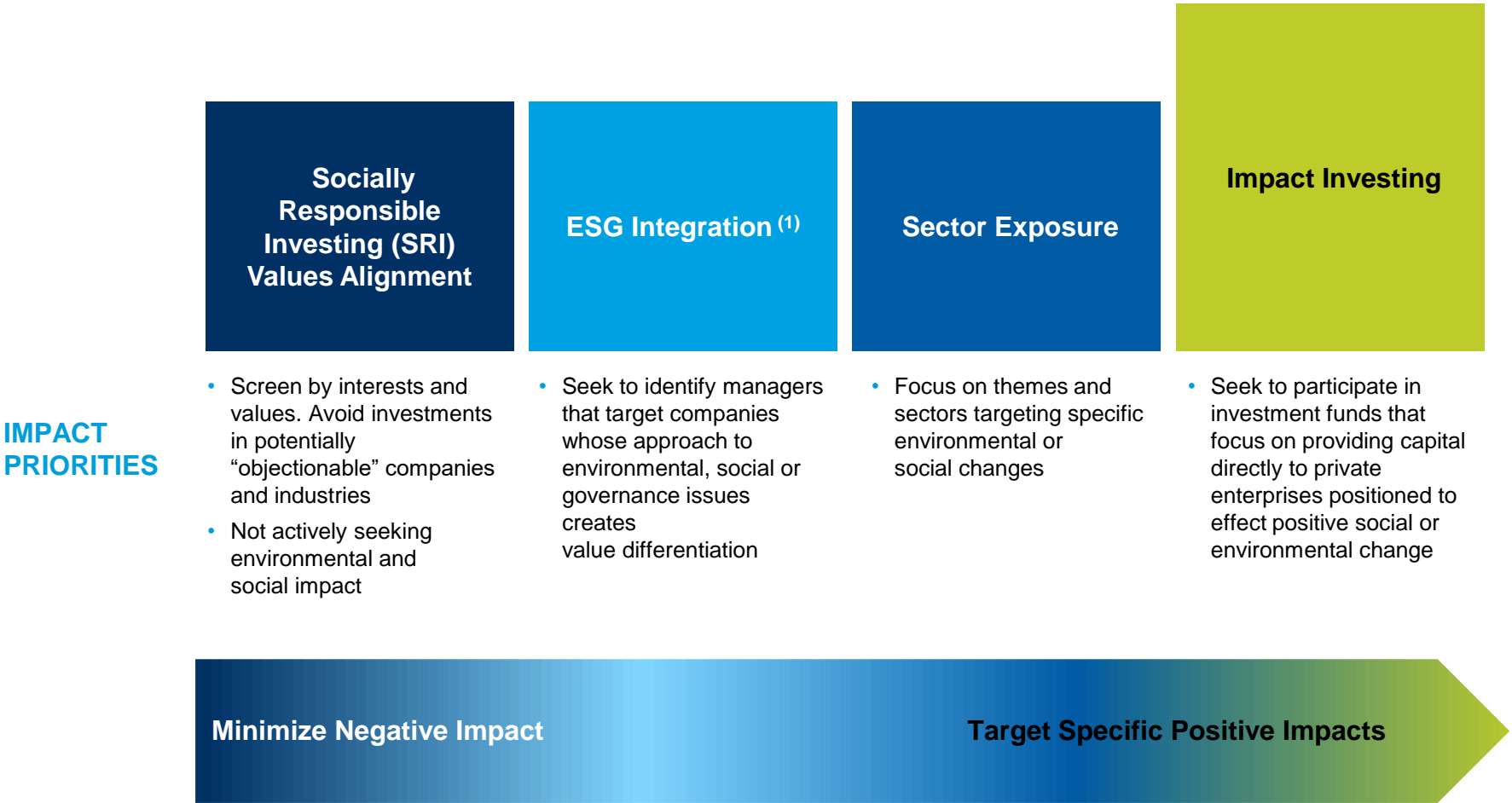


## Morgan Stanley Firmwide Impact and Sustainable Investing Initiatives

The statements above are the opinions and views of AIP as of the date hereof and not as of any future date, and will not be supplemented.

1. Source: AIP Private Markets. Data as of December 31, 2016. The value of private equity assets under management in separate accounts that are not solely dedicated to private equity managed by the team is defined as the carrying value of all private equity assets plus unfunded private equity commitments. Blue area in chart represents total private equity AUM managed by AIP.

# Impact Investing Goes a Step Further Than SRI & ESG

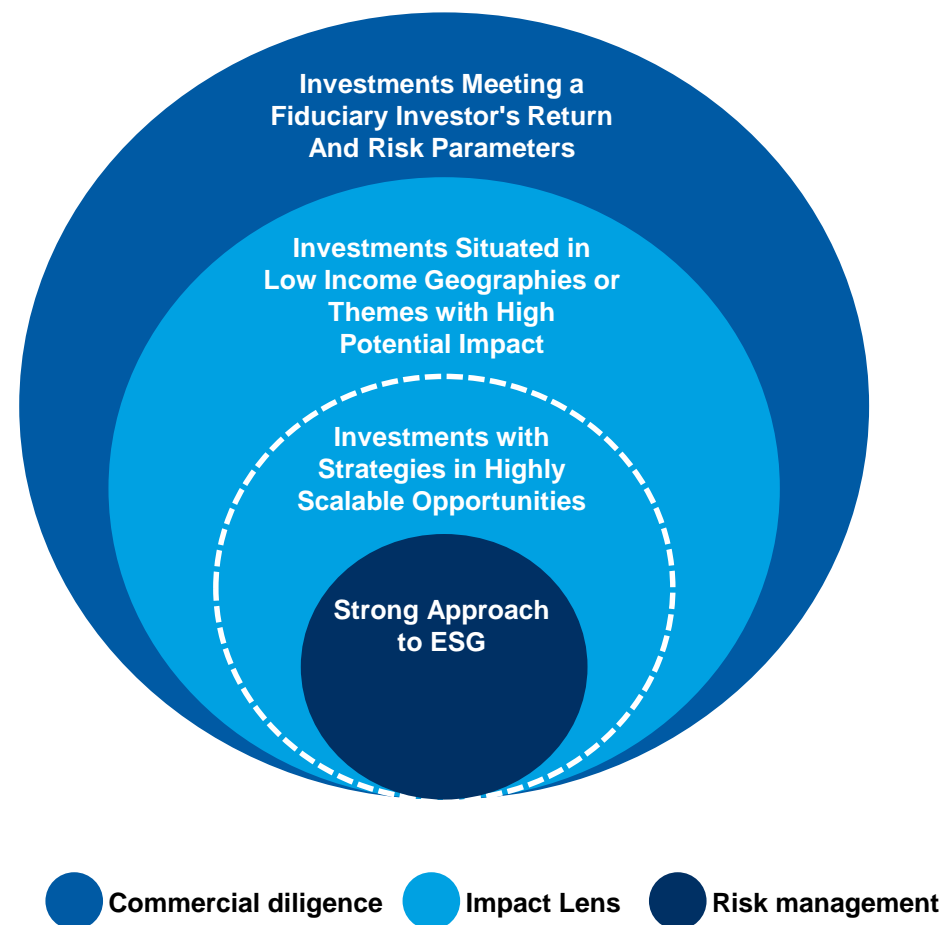


1. Environmental, social and governance (ESG) refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a company or business. Within these areas are a broad set of concerns increasingly included in the non-financial factors that figure in the valuation of equity, real-estate, corporations and fixed-income investments  
For illustrative purposes only and not exhaustive. The statements above reflect the views and opinions of AIP and the Institute for Sustainable Investing as of the date hereof and not as of any future date. All forecasts are speculative, subject to change at any time and may not come to pass due to economic and market conditions.

## Filter for Commercial Returns First

### Seeking institutional returns + substantial impact

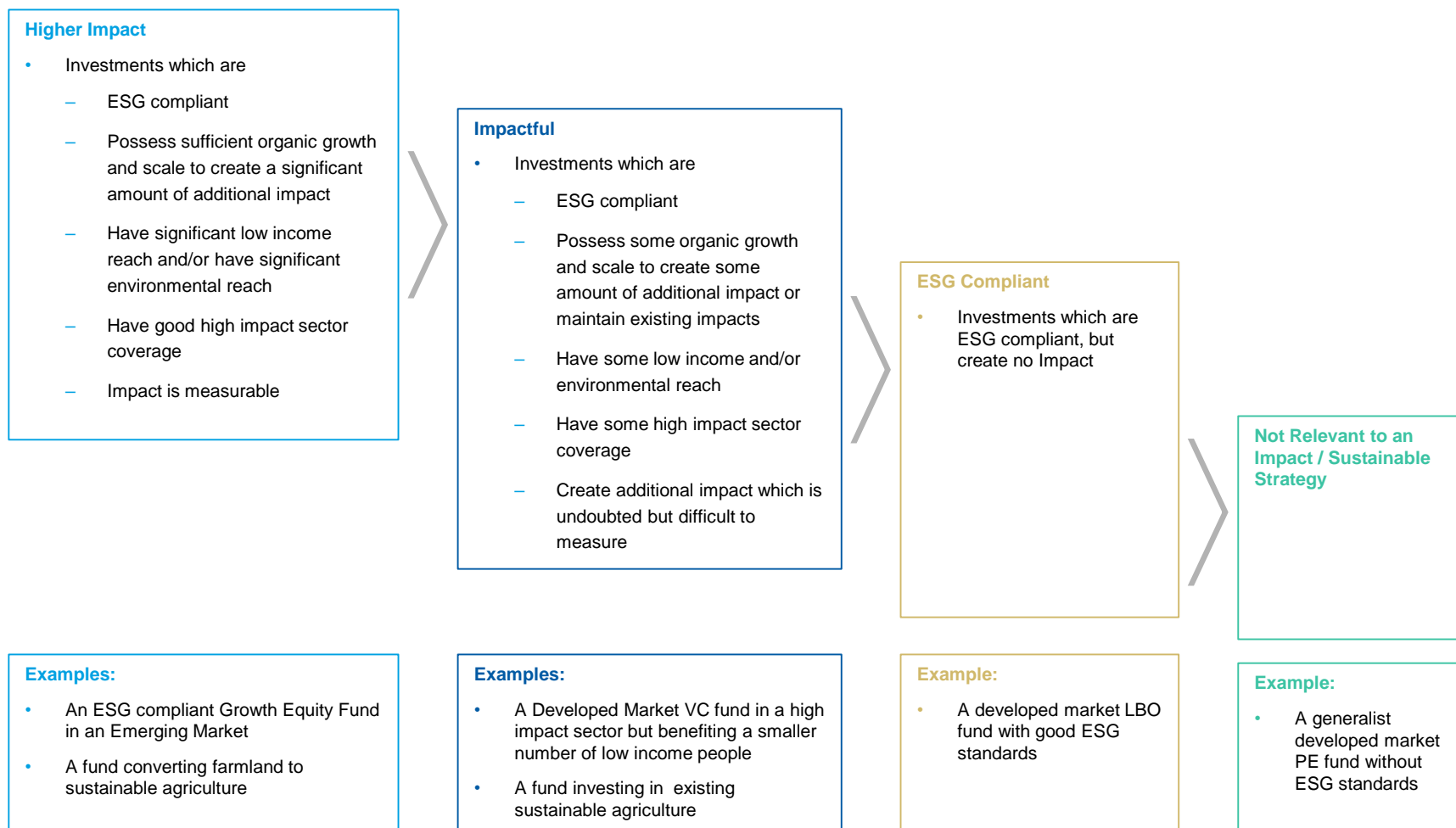
- Start with set of **commercially compelling** funds
- Use an **impact lens** to identify high potential impact opportunities within this group of funds
- Seek to manage the risk of negative outcomes through the **use of ESG standards**



**For illustrative purposes only.**

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# Risk / Return / Impact Trade-offs in Portfolio Construction Lead to Transparent and Enable Informed Decision Making

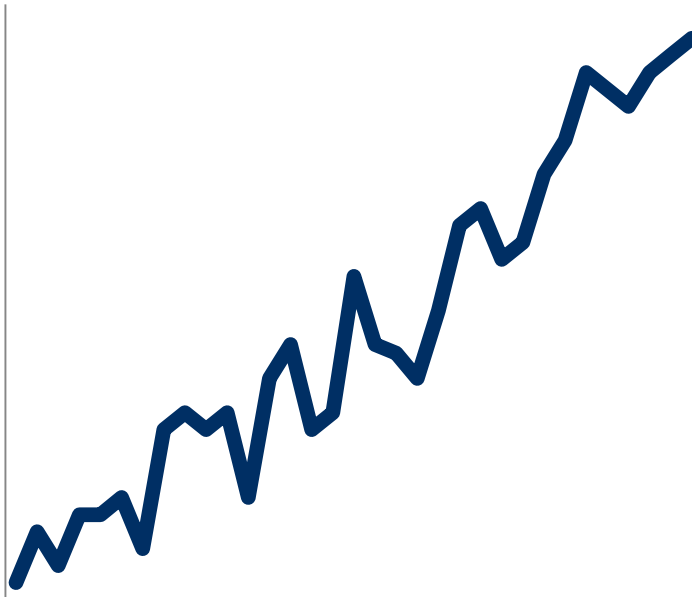


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## Seeking Commercial Returns Plus Substantial Impact

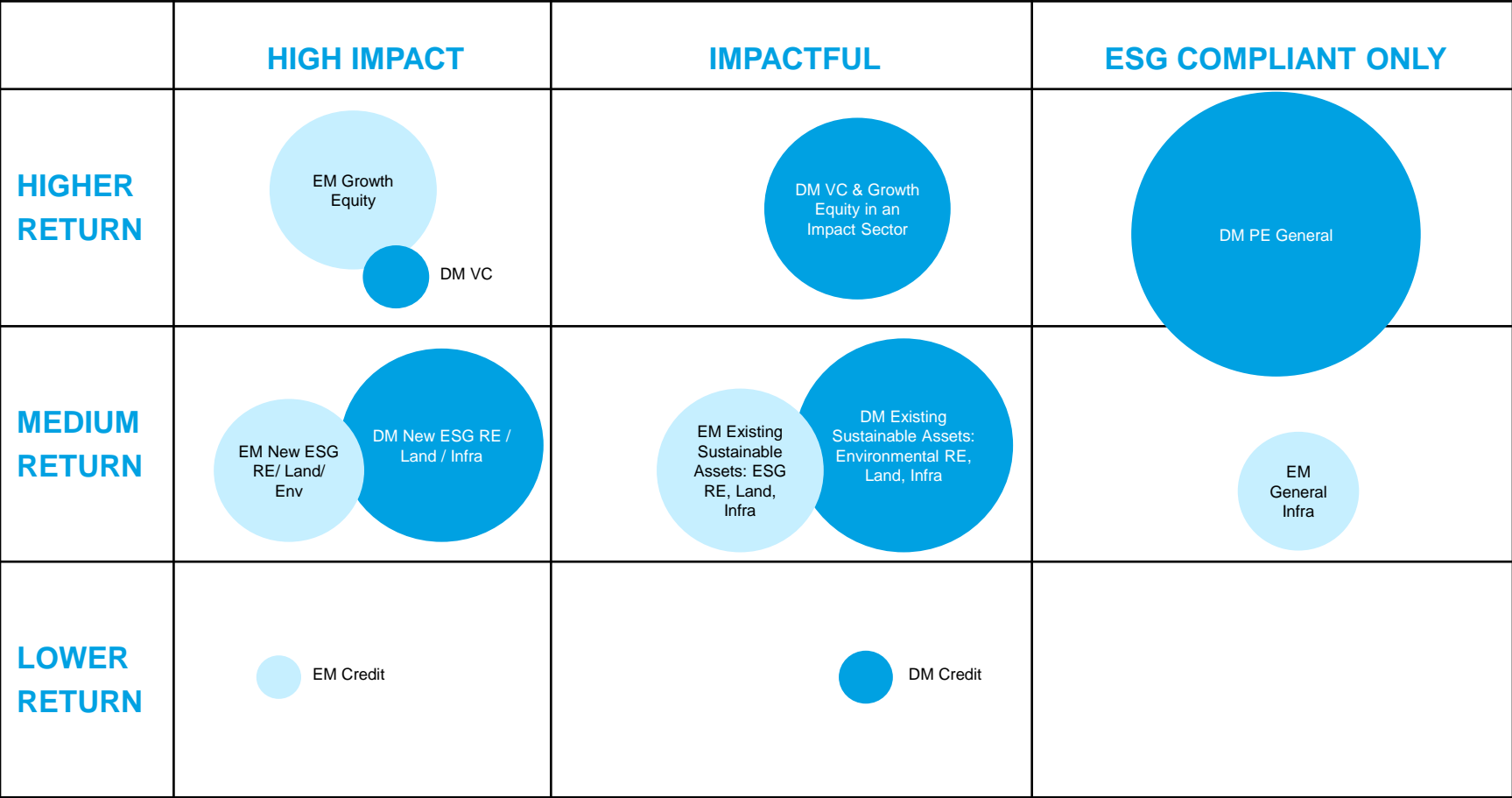
### Commercial Returns



### Impact



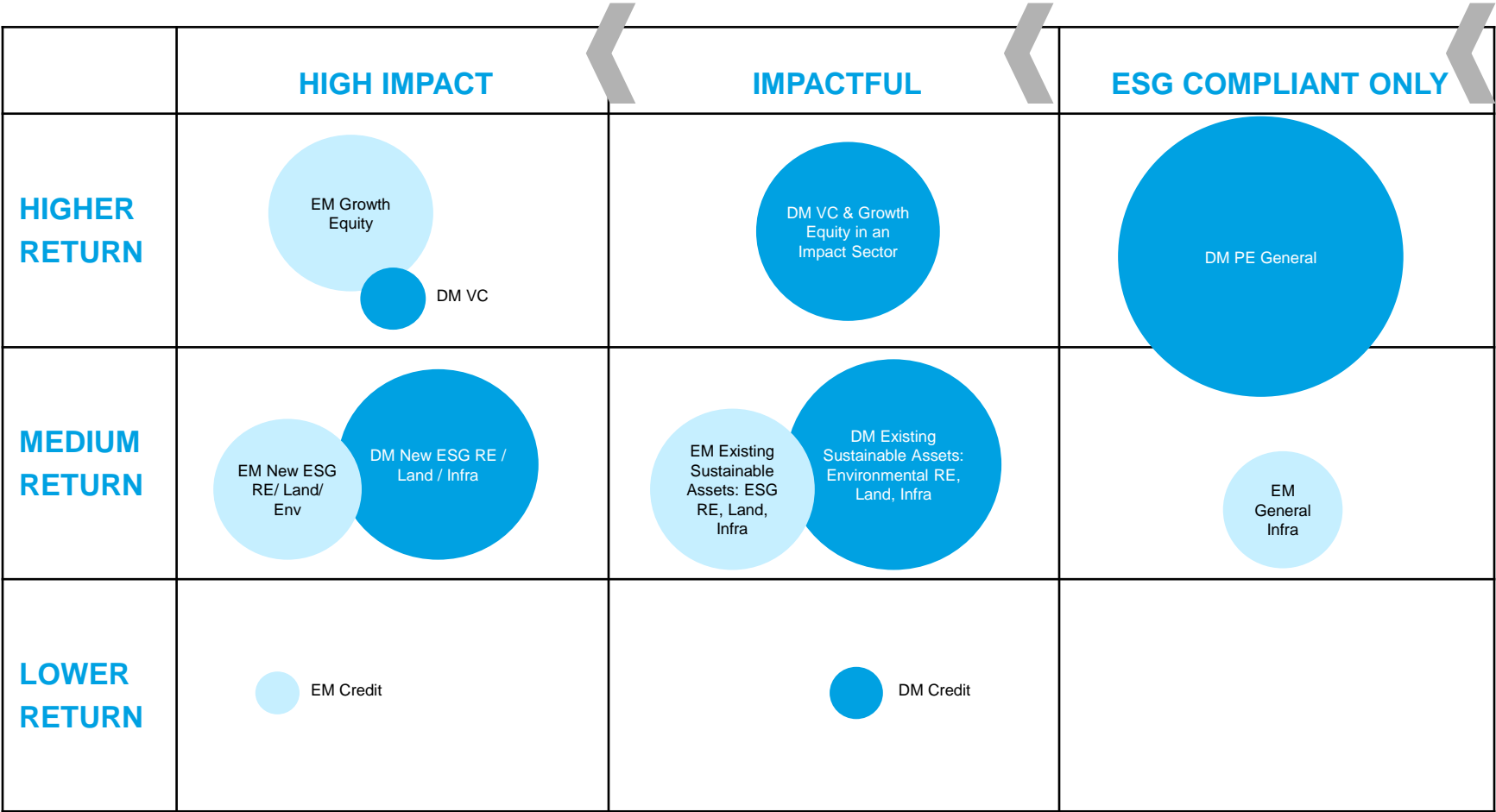
# Combining Impact Scoring, ESG Rating & Market Surveys: Illustrative Map of Commercial Impact Opportunities



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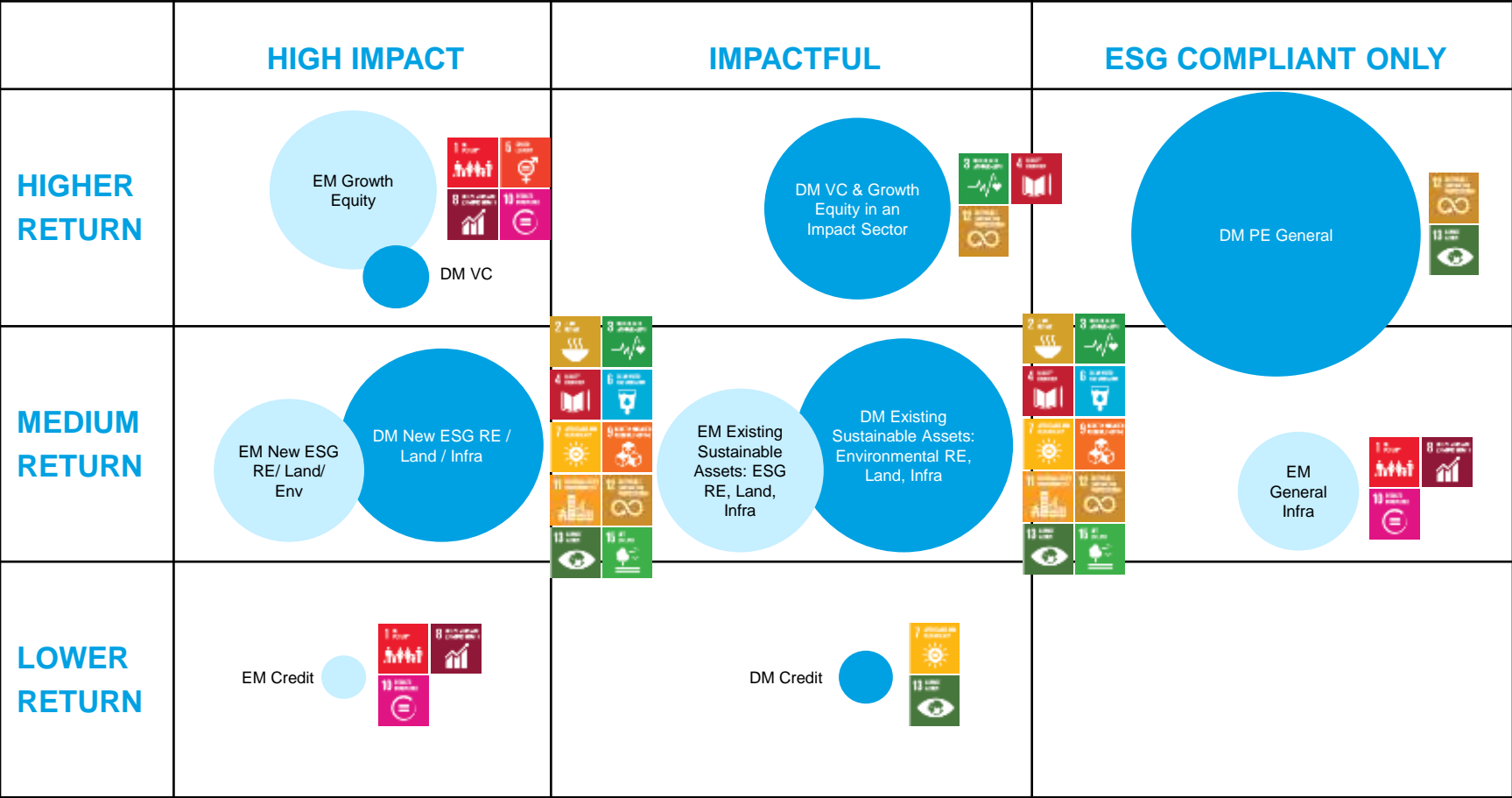
The statements above reflect our views and as of the date hereof and not as of any future date, and will not be updated or supplemented. All forecasts are speculative, subject to change at any time and may not come to pass due to economic and market conditions.

# Strategically Reposition to Increase Impact



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# Illustrative Map: Overlay of Sustainable Development Goal's on Commercial Impact Opportunities

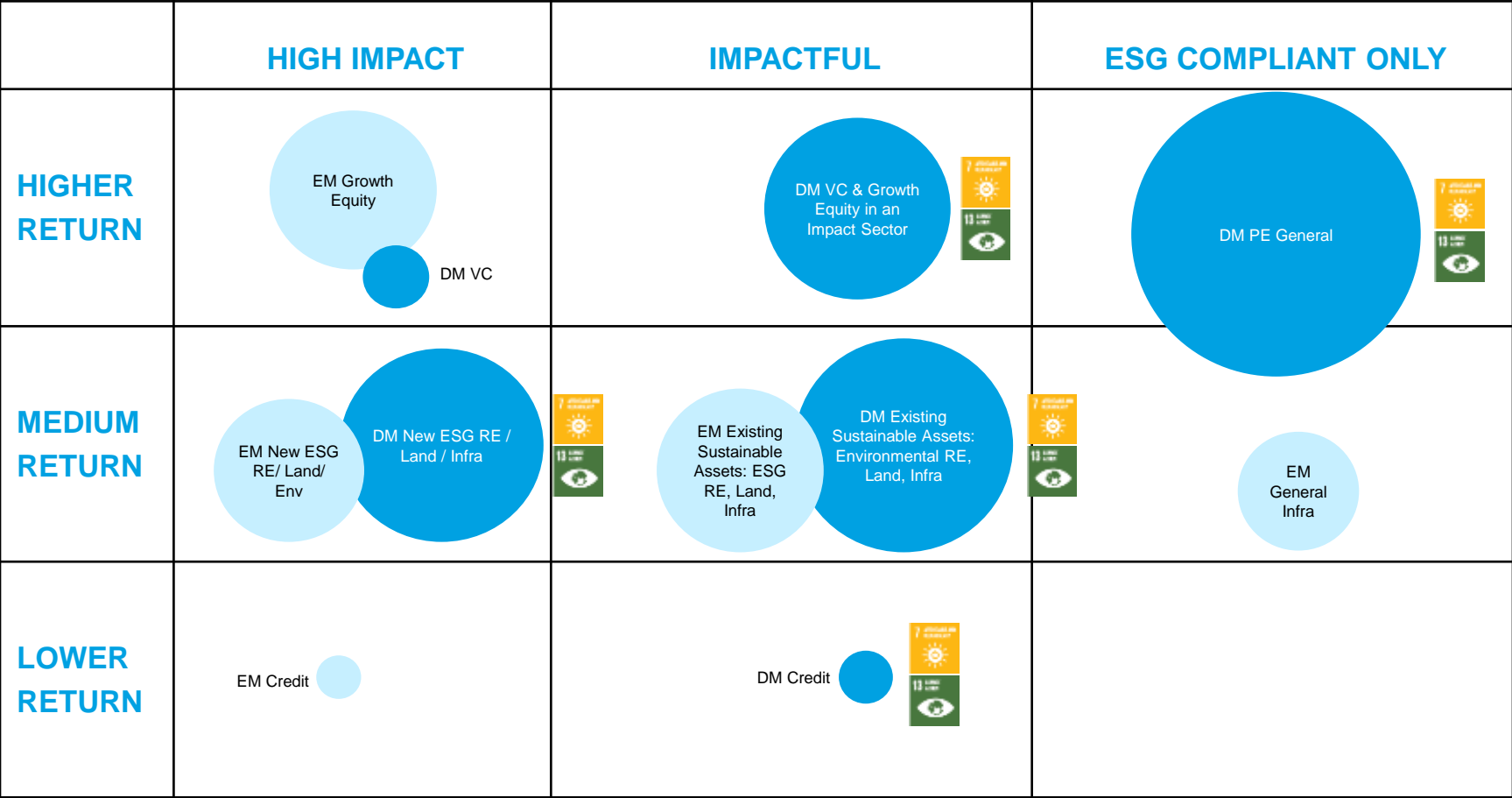


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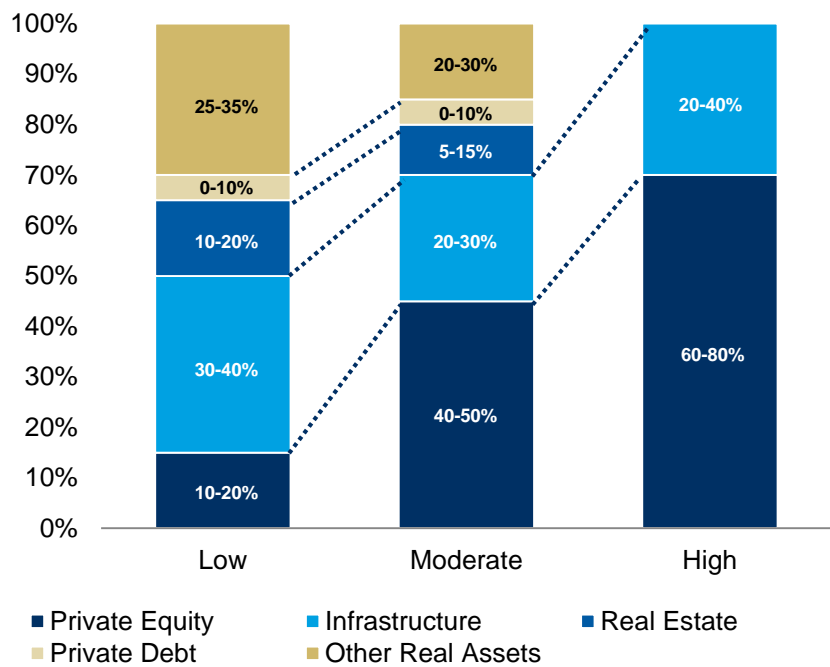
Strategically Position for Particular Sustainable Development Goal



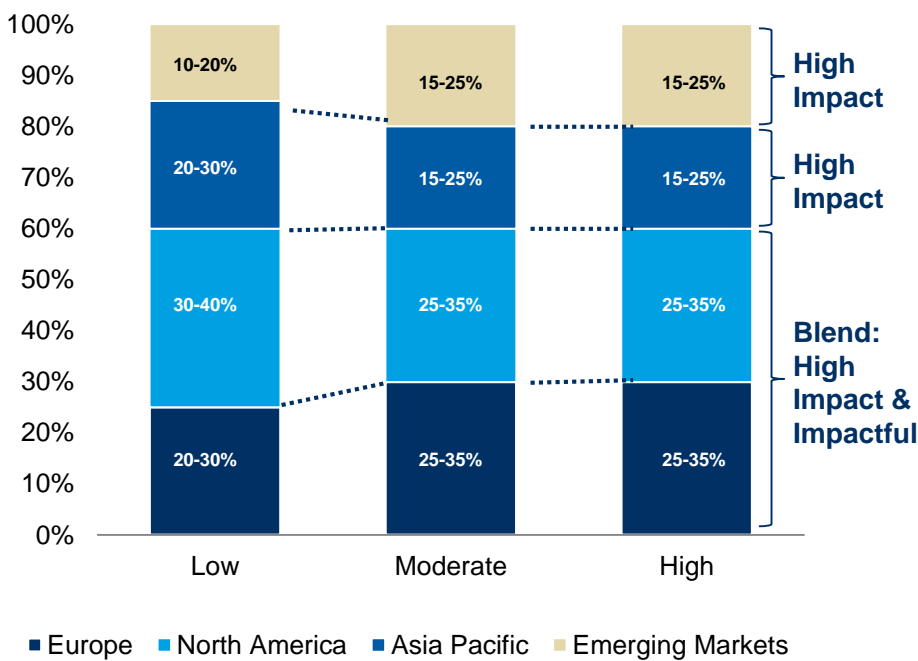
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# Illustrative Asset Allocation Blending High Impact and Impactful Investments (1), (2)

Illustrative Allocation by Asset Class in Different Target Return Scenarios (2)



Illustrative Allocation by Geography in Different Target Return Scenarios (2)



- To be modified based on investor’s goals in terms of risk, return, liquidity and impact
- The team designs flexible portfolio architectures to give us the potential to more opportunistically express our views

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2. Targets may not be realized and cannot be guaranteed. Targets may be changed at any time.

## Our Approach Produces a Portfolio of Impacts



### Andean Region / Mexico Financial Inclusion Fund

- Mexican company serves 521,369 people of whom 90% are female and 75% are rural
- 71% of the borrowers are described as marginalized: high level of illiteracy and dirt floor housing



### Developed Asia Real Estate Fund

- Manager has installed solar panels at all six completed warehouses located in Greater Tokyo and Osaka. Entered into market-rate leases with solar power operators based on a percentage of revenues
- Combined output of 4 megawatts is capable of powering 3000 – 4000 homes



### European Renewable Energy Fund

- Clean power generation; GHG emission reduction
- Biomass power plant construction using waste products such as straw and woodchip from local farmers
- Reutilization of heat from power plants to heat local community buildings (library, schools, etc.)



### North American Agriculture Fund

- First zero-waste blueberry packing and cold storage facility in the Pacific Northwest
- Precise application through drip irrigation significantly decreases over application and waste of scarce water
- Biodiversity, habitat quality and greenhouse gas emissions on farms tracked using metrics being developed by the Nature Conservancy and the Cool Farm Alliance



### Nigerian Small Business Fund

- Potential to create more than 2,000 jobs based on SME experience in Africa
- Fund's ESG commitments have resulted in workers being paid full benefits, with best-in-class health and safety protection which is atypical for much of the informal SME sector in Nigeria

**PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.** The statements above reflect the views and opinions of AIP as of the date hereof and not as of any future date. This case study is being provided for informational purposes only to illustrate the themes being discussed in the presentation. There is no guarantee that the investment mentioned will perform well in the future or that any future portfolio will contain similar investments.


# AIP’s Commitment to Impact Measurement and Reporting

## REPORTING

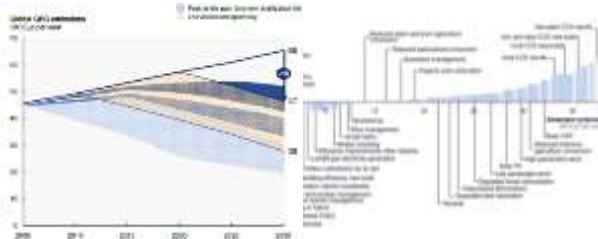
- Aggregation of data by theme, by region, by strategy – whichever is of most interest
- Transparency maintained between impact, sustainability and ESG

## ILLUSTRATIVE REPORTING TYPES


ANNUAL HIGHLIGHTS



PORTFOLIO CLIMATE IMPACT ANALYTICS



ANNUAL SHORT-FORM CASE STUDIES



## ILLUSTRATIVE REPORTING CATEGORIES

ENVIRONMENTAL	ESTIMATED NEW CARBON OFF-SET	REDUCTION IN WATER USAGE	REDUCTION IN CHEMICAL USAGE	REDUCTION IN ENERGY USE	ESTIMATED ON-GOING CARBON OFF-SET SUPPORTED	ACCESS TO ENERGY
Venture Capital	x	x	x	x		x
Growth Equity	x	x	x			x
Infrastructure	x	x		x	x	x
Real Assets		x	x			
Real Estate	x	x		x	x	
Private Credit	x				x	x

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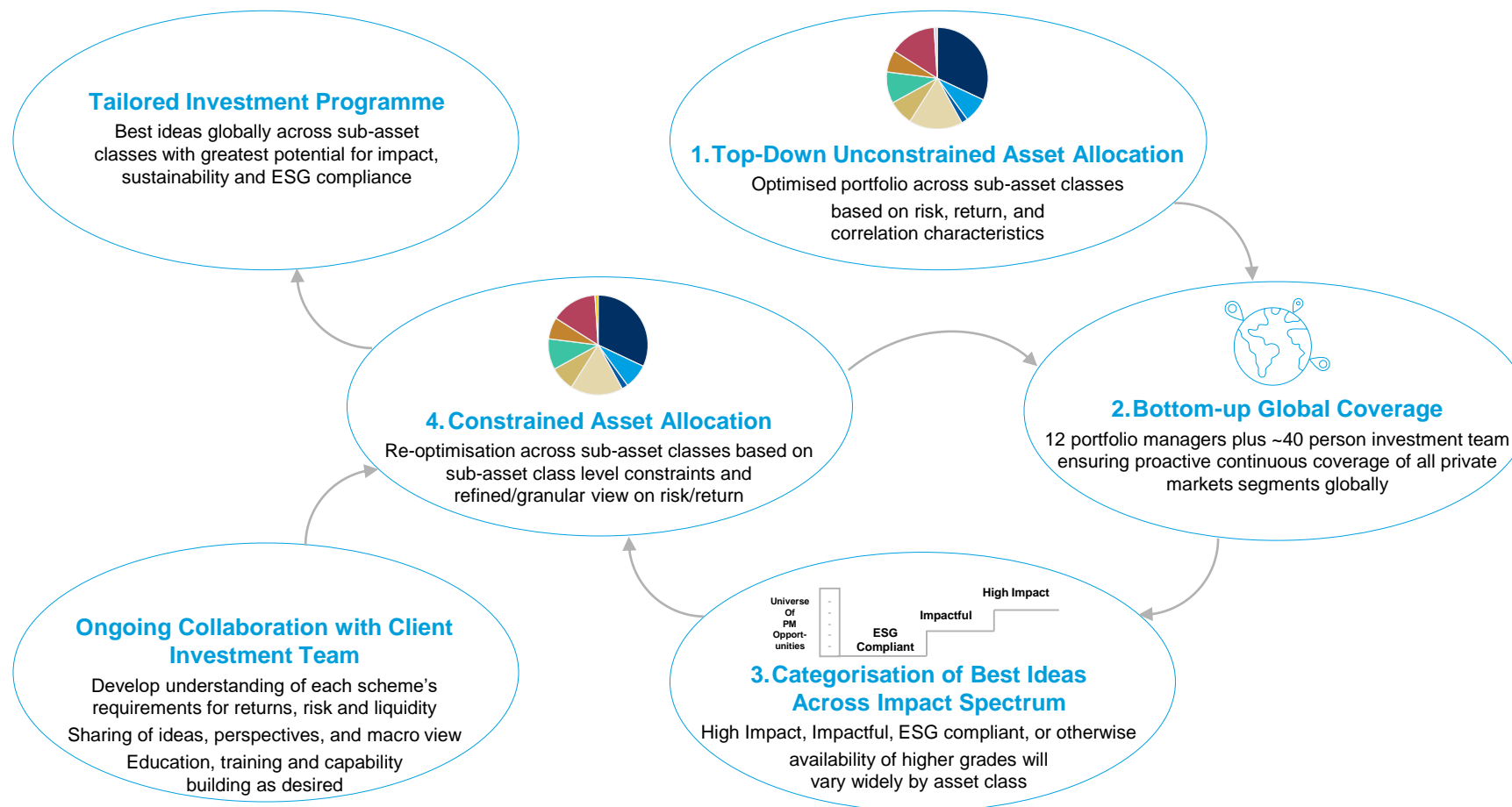


SECTION 2

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# **Considerations When Building Impact Portfolios With a Focus on Climate Investing**

# Collaborative, Iterative, and Exhaustive Approach to Seek to Develop the Optimal Portfolio



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## Climate Investing Strategies Seek to Address Four (Inter-related) Challenges...

### CLIMATE CHANGE



### RESOURCE SCARCITY



### POLLUTION



### BIO-DIVERSITY



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## ... Through Investments In Four Linked Solution Areas

### ① MOBILITY



- Electric vehicles
- Batteries
- Car Sharing
- Public transportation
- Waste to fuel
- Batteries

### ② POWER



- Renewable Energy
  - Generation
  - Product distribution
  - Value chain
- Batteries
- Energy Efficiency
- Building materials

### ③ SUSTAINABILITY



- Sustainable Agriculture
- Sustainable Forestry
- Water
- Renewable Chemistry

### ④ CIRCULAR ECONOMY



- Waste Management
- Recycling
- Packaging materials

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## Impact investing can have binary outcomes ...

### Successful Investment

#### Solar Farms Project



In 2009, an infrastructure fund invested \$37.9m into developing a three phase solar farms project in Canada. In 2013, the fund sold the project to a strategic investor after successfully developing the solar farms.

**52.3% Gross IRR<sup>(2)</sup>**

**2.3x Gross TVPI<sup>(2)</sup>**

### Failed Investment

#### Lithium Ion Batteries Project



In 2009, an energy venture fund invested \$8m in a U.S. manufacturer of advanced Lithium-Iron Phosphate batteries. With high cash burn and weak sales, the company filed for bankruptcy in 2012 and the entire investment was written off.

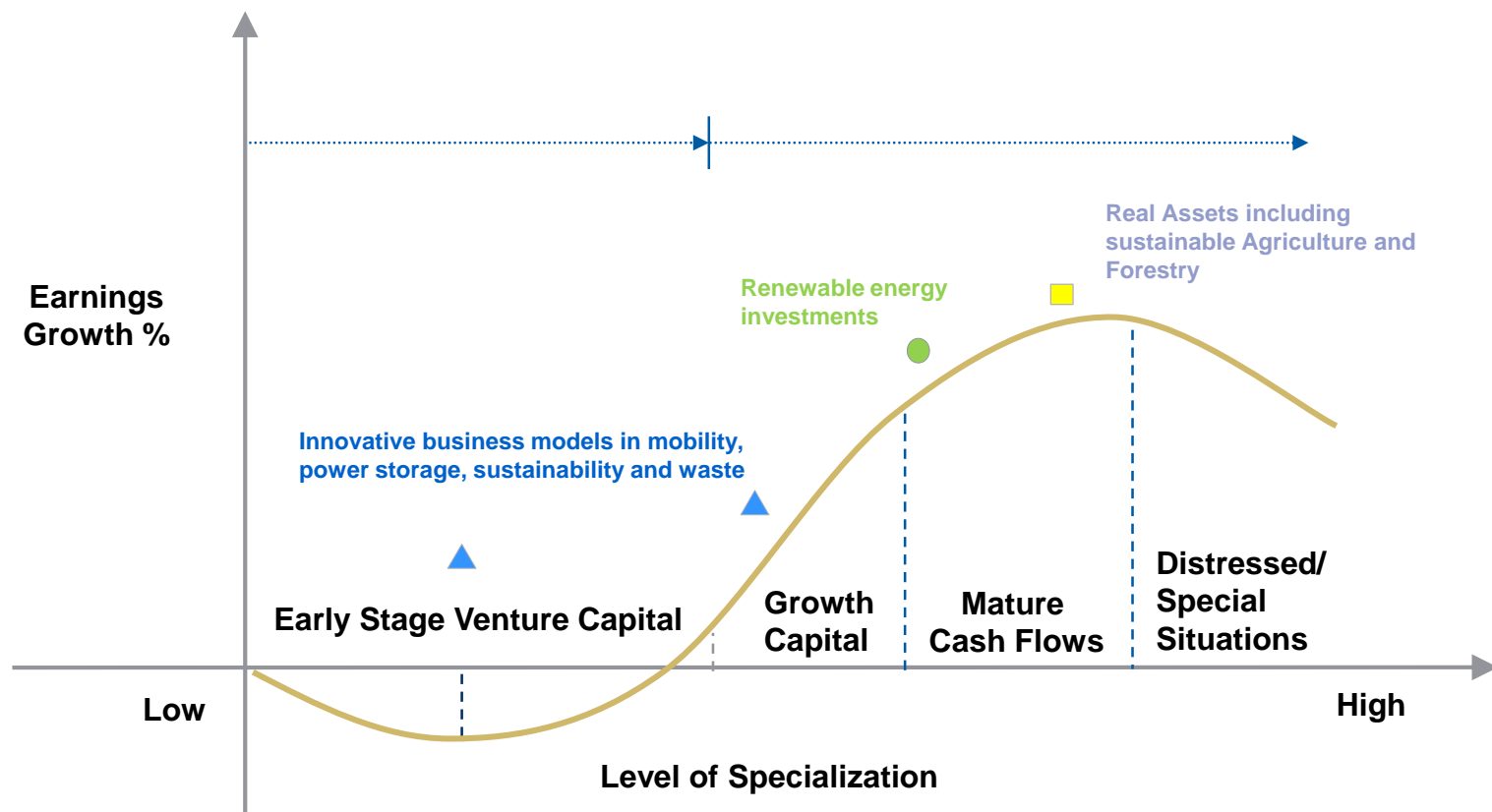
**0.0x Gross TVPI<sup>(2)</sup>**

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1. Summary based, in part, on information provided by the underlying manager.

2. Gross IRR (Internal Rate of Return) and Gross TVPI (Total Value to Paid-In) are before deducting all managers' fees, expenses and carried interest paid or accrued to date and taking into account cash balances drawn in advance of funding underlying investments.

## .. Which makes the Case For Diversification Across Stages

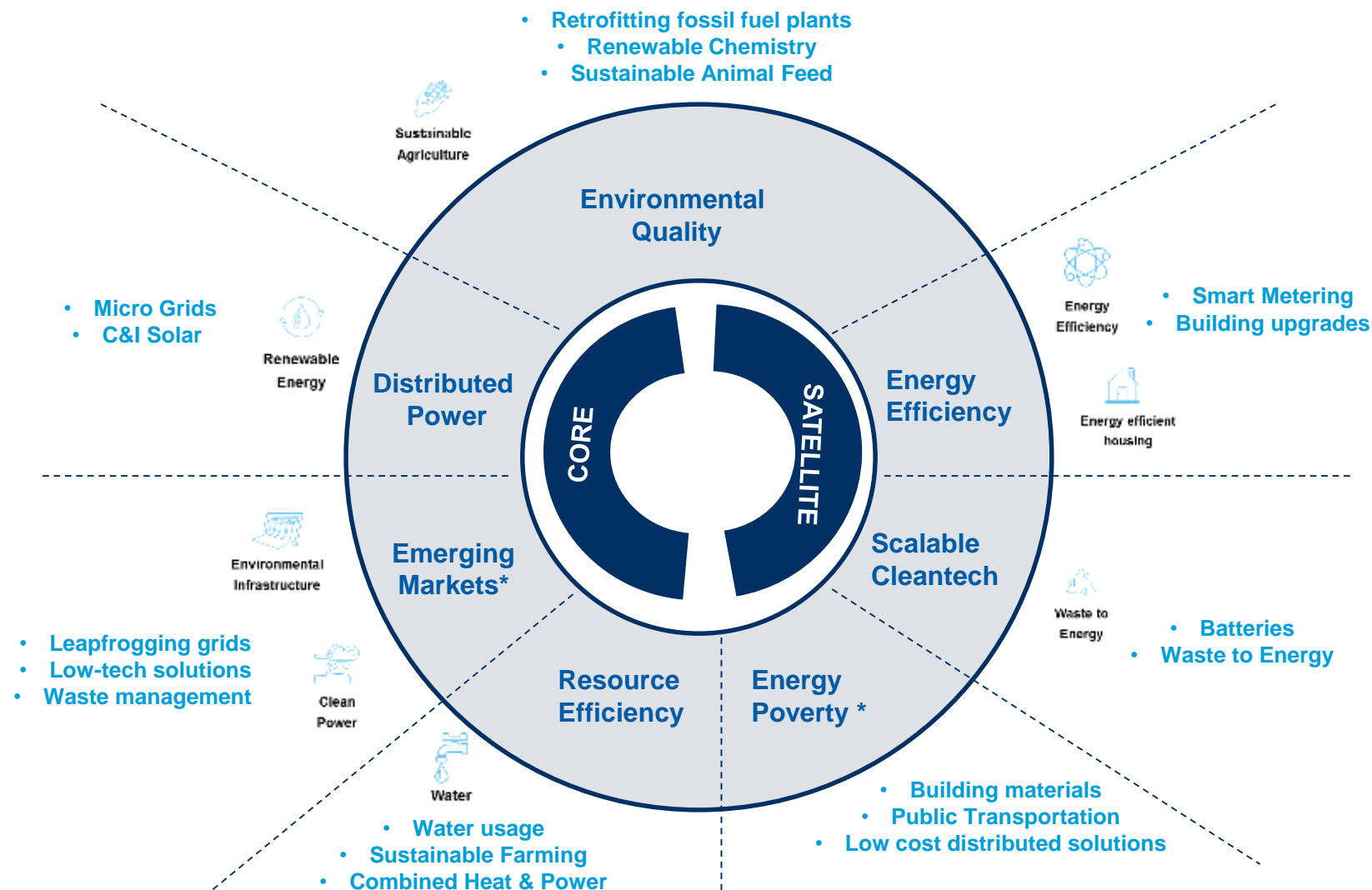


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## ... In A Variety Of Sub Sectors



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\* Indicates an area with a high degree of overlap with other categories

# Morgan Stanley

INVESTMENT MANAGEMENT

SECTION 3

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## Case Studies

# Case Study – European Renewable Energy



## FUND BACKGROUND

- Leading European specialist player in clean energy focused on wind farms, biomass power stations, solar parks and small-scale hydro power plants
- Specialist team working together since 2007 with significant collective experience in development, construction and operation of renewable energy generation projects.
- Targeting the construction and operating phases, avoiding development risk

Experience in development, construction and operation of energy assets

## INVESTEES COMPANY EXAMPLES

- Onshore Wind: 245 MW windfarm portfolio in Southern Italy and Sicily + smaller French assets
- Biomass: 40MW wood-fired plant in Durham, U.K. and 40MW woodchip plant in South-west Wales on (carbon neutral basis)
- Solar: 10-30 MW parks across Portugal using top tier modules and inverters

Range of alternative energy sources in different stages of development

## IMPACT EXAMPLE

- Clean power generation; GHG emission reduction
- Biomass power plant construction using waste products such as straw and woodchip from local farmers
- Reutilization of heat from power plants to heat local community buildings (library, schools, etc.)

Greenhouse gases and waste

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## Case Study – North American Renewable Energy Credit



### FUND BACKGROUND

- New Hampshire based team with extensive experience across technologies and asset classes
- Focus on sub \$100mm projects at the post clearance but pre construction stage
- Fund will target 50 – 60% solar, 10 – 15% energy efficiency, 10 – 15% storage, and 10 – 30% other technologies
- Investment structures include
  - Senior debt
  - Subordinated debt
  - Mezzanine capital
  - Equity Warrants
  - Preferred Equity

**Deep U.S. expertise in financing, developing and negotiating PPAs**

### INVESTEE COMPANY EXAMPLES

- Debt + Equity investment in developer of long term solar assets – utility grade mount up projects
- Debt + Warrants for later stage development and construction portfolio in North Carolina and Oregon
- Mezzanine investment in 16MW community solar program in Massachusetts

**Yield based investments with equity upside**

### IMPACT EXAMPLE

- Critical financing for small developers who are not able to access bank financing because of the complexity underlying these projects
- Strong GHG emission reduction impact in every single project
- Supporting 30 states in their goals to reach their RPS (Renewable Performance Standards) by 2025

**Greenhouse gases and financing for small developers**

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# Case Study – North American Mid-Market Infrastructure



### FUND BACKGROUND

- Led by team with extensive infrastructure experience at leading global players
- Niche focus on smaller ticket, unusual assets

Global experience applied to overlooked niche

### INVESTEES COMPANY EXAMPLES

- Construction of 15MW wind projects in the Okanagan region of British Columbia in collaboration with local First Nations communities
- Passenger terminal at Toronto City: only airport in Canada powered entirely by renewable energy: wind and low-impact hydro

Range of assets along the energy / transport spectrum

### IMPACT EXAMPLE

- Clean power generation; Reduced GHG emission
- Economic development of First Nations lands in collaboration with community

Reduced GHG emission and greater community engagement

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# Case Study – North American Agriculture



### FUND BACKGROUND

- Combination of deep farming operations and commodity financing skills
- Long careers focused on sustainable agriculture and improvement of land use
- Focus on sustainable practices in order to optimize operational effectiveness and ultimately boost long-term business productivity
- Ability to add value by focusing on premium (organic), packing and branding

Farm operations and commodity financing experience

### INVESTEE COMPANY EXAMPLES

- 1,200 acre farm in South Delta of California re-planted with a focus on nuts, blueberries and citrus
- 412 acre farm in Tulare county, California re-purposed to specialise in blueberries and citrus
- 155 acre farm in Oregon previously used for Christmas trees now growing organic blueberries with a packing capacity that will grow 3x from 2017 to 2018

Repurposing low yielding farms for blueberries, citrus and nuts

### IMPACT EXAMPLE

- First zero-waste blueberry packing and cold storage facility in the Pacific Northwest
- Precise application through drip irrigation significantly decreases over application and waste of scarce water
- Biodiversity, habitat quality and greenhouse gas emissions on farms tracked using metrics being developed by the Nature Conservancy and the Cool Farm Alliance

Sustainable production, water and waste

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## Case Study – Brazilian Agriculture



### FUND BACKGROUND

- Unusually qualified team with Sao Paulo based team with deep operational capabilities
- Adopts an intensely operational, platform-building approach to create industry leaders
- Supported by a group of experienced ag specialists who serve as industry experts and operating partners
- Strong ESG focus with robust pre and post investment ESG systems to ensure a high quality work environment for workers with well regulated environmental and social impacts

Deep Agri expertise with  
ESG skills

### INVESTEES COMPANY EXAMPLES

- Natural and antibiotic-free feed additive solutions for animals – derived from ethanol yeast and related organic minerals. Annual production capacity of over 10,000 tons strategically located next to ethanol mills
- Major distributor of agricultural inputs, with 12 stores and a commercial team of 95 agronomists. It has a best-in-class portfolio of agricultural inputs and offers a full array of services to farmers, including technical assistance in the field, just-in-time product logistics, input financing & grain barter solutions

Prebiotic animal feed to seeds  
distribution

### IMPACT EXAMPLE

- The impact of employment generation by Aqua is more pronounced given the likely incidence of such jobs in the vulnerable, less developed parts of Brazil
- As a sector focused fund, Aqua investees will also improve food security through better supply chains, improved agricultural yield and lower wastage (currently upto 50% of crop can be wasted for want of adequate logistics)
- The environmental benefits of Aqua's investee include better resource management (lower land and water use), potentially reduced GHG emissions and reduction of synthetic inputs into the food supply chain

Sustainable production, water use  
and livelihoods

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# Case Study – Asian Real Estate Fund



### FUND BACKGROUND

- Fund's primary target is to develop Class A warehouses in Tokyo and Osaka, but manager identified additional opportunity in solar panels given government's focus on renewable energy
- Value-add fund focused on developing logistics warehouses in Japan, where there is a fundamental supply-demand imbalance of modern logistics space
- Team also underwrote and closed multiple co-investments with the manager in China and Japan

Leading Real Estate specialist  
in Asia

### INVESTEE COMPANY EXAMPLES

- Fund's primary target is to develop Class A warehouses in Tokyo and Osaka, but manager identified additional opportunity in solar panels given government's focus on renewable energy
- Solar strategy creates new revenue streams from underutilized roof areas and incorporates sustainable practices without inconvenience to the community, owner or tenant
- Initial installation costs, as well as ongoing cap ex/maintenance costs, of the solar panels are the sole responsibility of the solar energy tenant / operator with no cost to the fund
- Solar energy purchase contracts are guaranteed for a 20-year period and implicitly backed by the government

Ideal combination of warehouse  
and solar

### IMPACT EXAMPLE

- Manager has installed solar panels at all six completed warehouses located in Greater Tokyo and Osaka. Entered into market-rate leases with solar power operators based on a percentage of revenues
- Combined output of 4 megawatts is capable of powering 3000 – 4000 homes
- Manager is ranked 2<sup>nd</sup> amongst global industrial developer peer group in 2016 GRESB survey

Reduced GHG emission

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# Case Study – Andean Region / Mexico Financial Inclusion Fund



## FUND BACKGROUND

- The Fund follows a niche investment strategy focused on private financial services companies with customers at the base of the income pyramid (BoP) in Colombia, Mexico and Peru
- The team consists of senior business professionals including former CEOs of banking and insurance companies in the region
- Team members are actively involved in portfolio companies including in operational roles

Highly skilled team with meaningful regional experience

## INVESTEES COMPANY EXAMPLES

- Mexican financial company offering solidarity and community loans to the base of the pyramid
- Affordable Housing mortgage provider in Colombia
- Factoring company in Colombia providing working Capital Finance for Small and Medium Enterprises
- Taxi finance company in Peru providing loans to convert vehicles from gasoline to LNG

Loans for the under-banked for working capital and asset purchases

## IMPACT EXAMPLE

- Mexican company serves 521,369 people of whom 90% are female and 75% are rural
- 71% of the borrowers are described as marginalized: high level of illiteracy and dirt floor housing
- Operates in 23 states including the poorest ones like Chiapas, Guerrero, Michoacán and Tabasco
- Generates 1% of female employment in 21 states
- In Tabasco, Tlaxcala, and Veracruz, generates loan capital equal to 8.5%, 2.9% and 2% of total public investment in social development, respectively
- Employs 1648 staff directly

Inclusive business, opportunities for women

**For illustrative purposes only. Past performance is not indicative of future results.** The above case study is provided solely to demonstrate the views, opinions and type of analysis used by Morgan Stanley AIP in implementing its investment strategy. There is no guarantee that the investment mentioned will perform well in the future. The statements above reflect the views and opinions of the Team as of the date hereof and not as of any future date, and will not be updated or supplemented.

# Case Study – Pan Africa Fund



### FUND BACKGROUND

- First institutional quality fund in Africa led by a woman GP
- Credible and experienced investor in the African private equity market with a demonstrated history of generating attractive returns
- High quality ESG framework

Leading Africa fund led by pioneering woman GP

### INVESTEE COMPANY EXAMPLES

- Specialist lender with operations in 10 African countries servicing over 300,000 customers who were previously outside the formal financial credit system. Core operations in Botswana, Namibia and Mozambique providing unsecured loans primarily to low income, salaried employees
- Pharmaceutical distributor and manufacturer in Algeria. Established market leader (2<sup>nd</sup> largest distributor) with 12% of the Algerian pharmaceutical import and distribution market which is the 2<sup>nd</sup> largest pharmaceutical market in Africa

True Pan African spread across North and South Africa

### IMPACT EXAMPLE

- Safe, organized employment opportunities in high impact locations in Africa from Algeria to Mozambique where there is limited scope for productive employment
- Increased access to finance to lower income populations in Southern and Eastern Africa
- Reduced cost of medicines (by boosting domestic production of generics) in Algeria
- Increased access to telecommunications across a swathe of smaller African countries from Niger to Burkina Faso

Employment, access to finance, telecoms and health & wellbeing

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Conferentie**

**2017**



**Impact Investing through Private Markets**  
**Vikram Raju, Morgan Stanley**

**Zuidoostbeemster, 7 september 2017**

**Hartelijke dank voor uw aandacht**

**Alleen voor professioneel gebruik**



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**2017**



**Riskmanagement and ESG within Private Markets**

**Alex Scott, Pantheon**

**Zuidoostbeemster, 7 september 2017**



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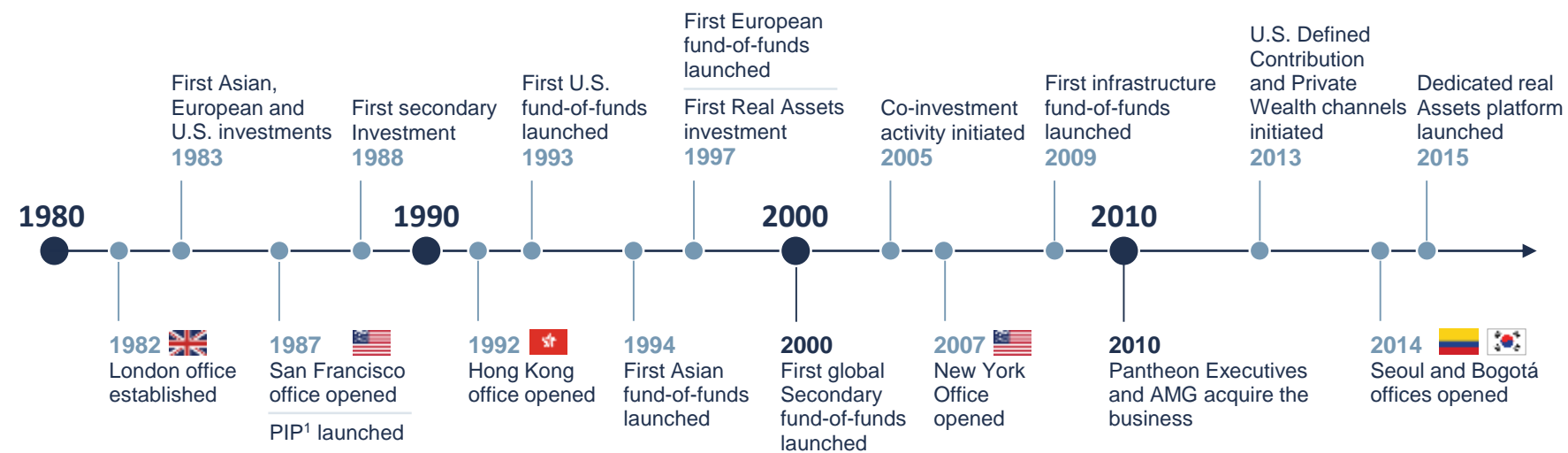


# Private Equity & Risk Management

7<sup>th</sup> September 2017

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# Investing in private assets for over 30 years



<b>71</b> Investment professionals <sup>2</sup>	Pantheon holds over <b>350</b> advisory board seats
<b>\$36.6bn</b> Funds under management <sup>3</sup>	Over <b>400</b> individual institutional clients globally
<b>9,000</b> GPs in Pantheon's database	<b>34</b> years of investment experience

<sup>1</sup>Pantheon International PLC  
<sup>2</sup>As of August 1, 2017  
<sup>3</sup>As of March 31, 2017. This figure includes assets subject to discretionary or non-discretionary management, advice or those limited to a reporting function.

# Risk Framework

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For educational purposes only.  
Source: BVCA - Risk in Private Equity New insights into the risk of a portfolio of private equity funds (2015)

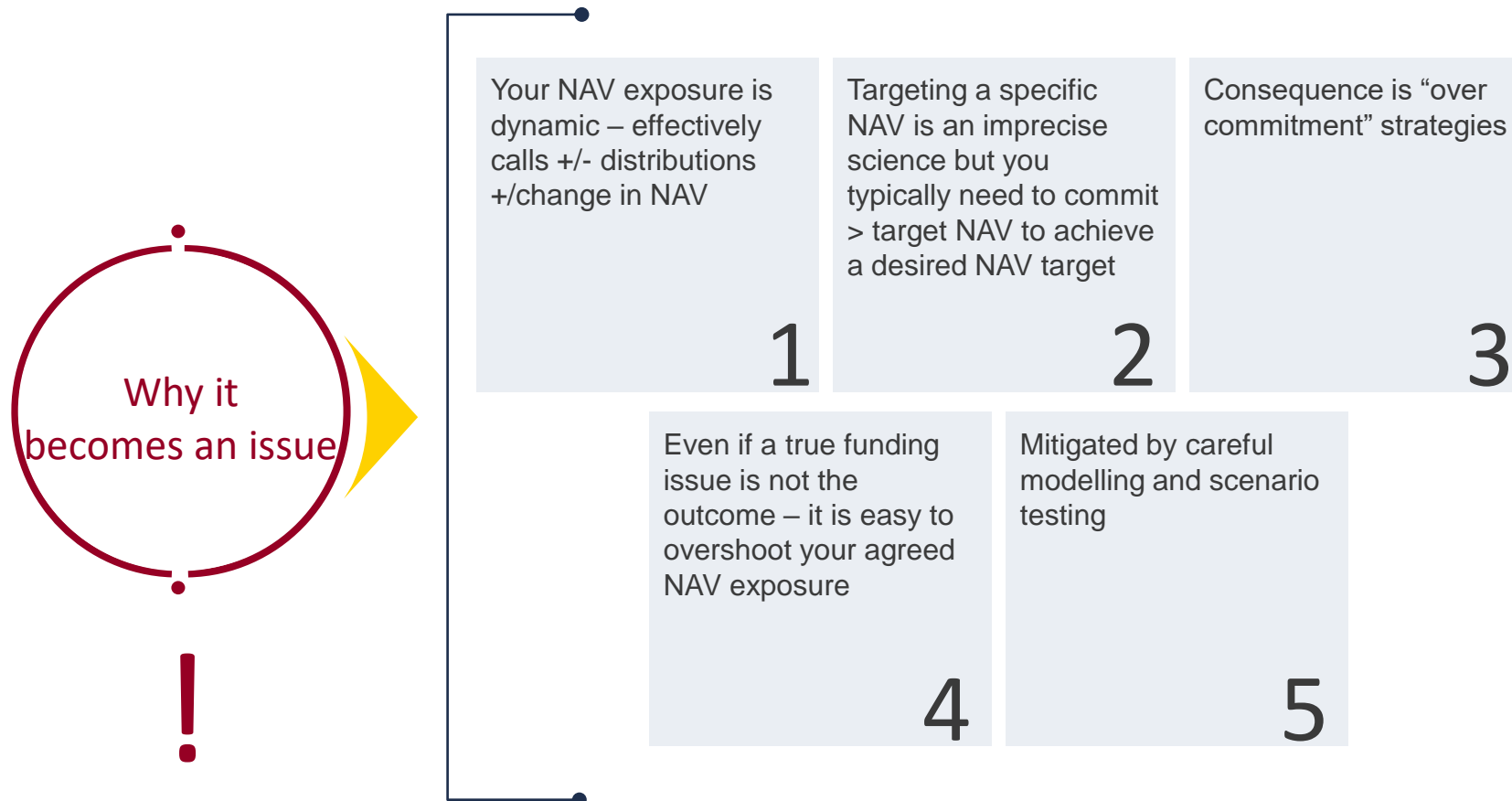
# Funding Risk

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For educational purposes only.  
Source: BVCA - Risk in Private Equity New insights into the risk of a portfolio of private equity funds (2015)

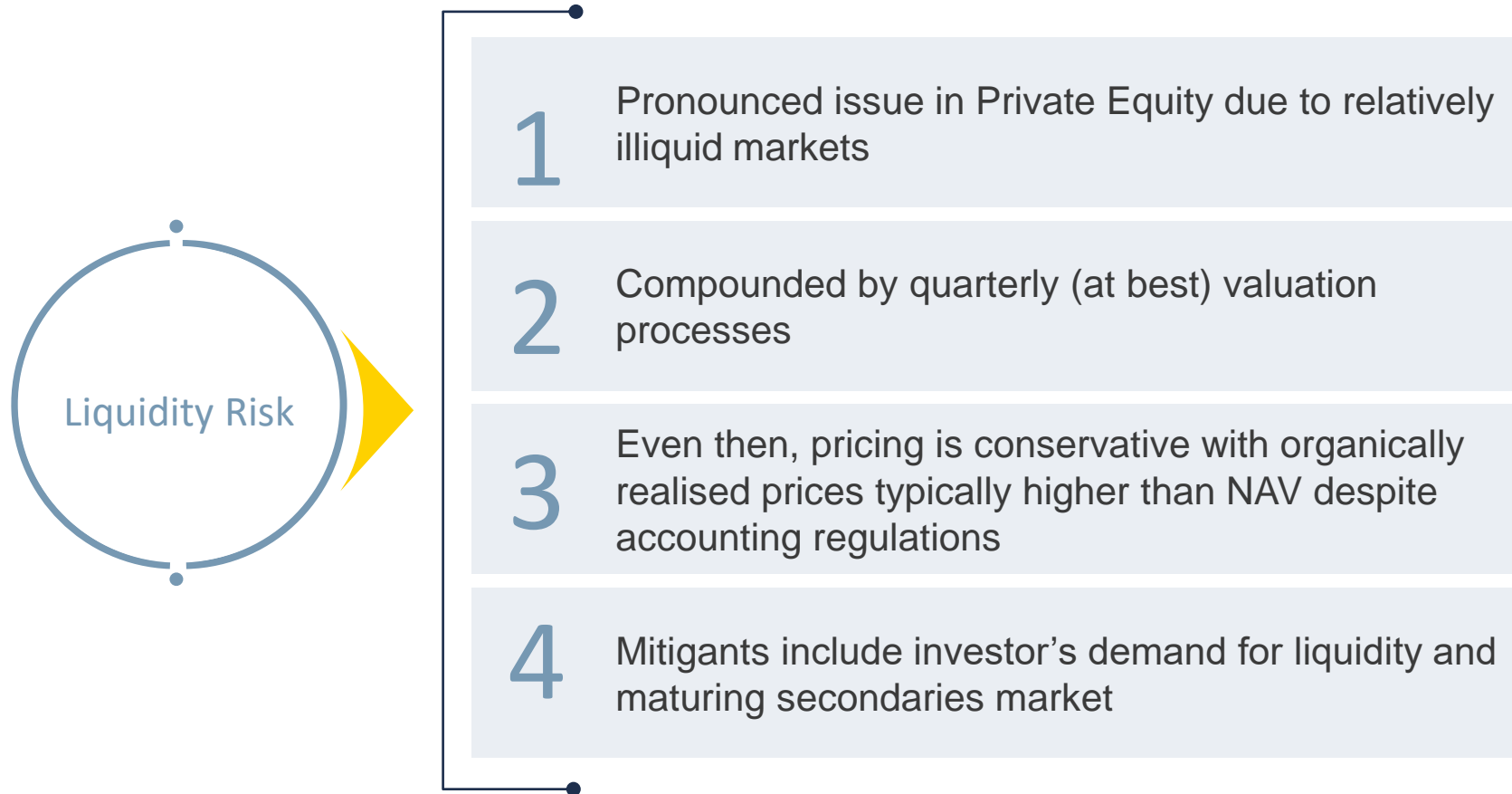
# Funding risk – why it becomes an issue



For educational purposes only.  
Source: BVCA - Risk in Private Equity New insights into the risk of a portfolio of private equity funds (2015)

# Liquidity Risk

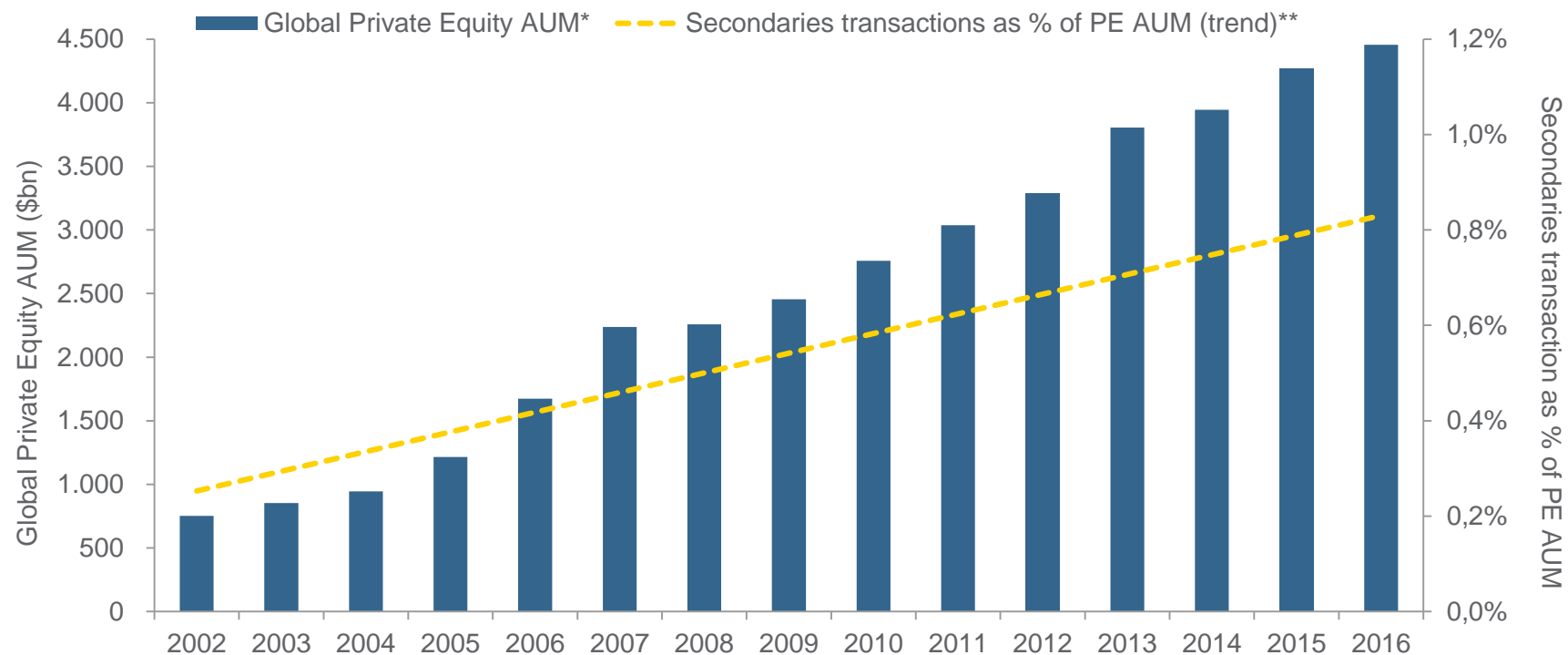
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For educational purposes only.  
Source: BVCA - Risk in Private Equity New insights into the risk of a portfolio of private equity funds (2015)



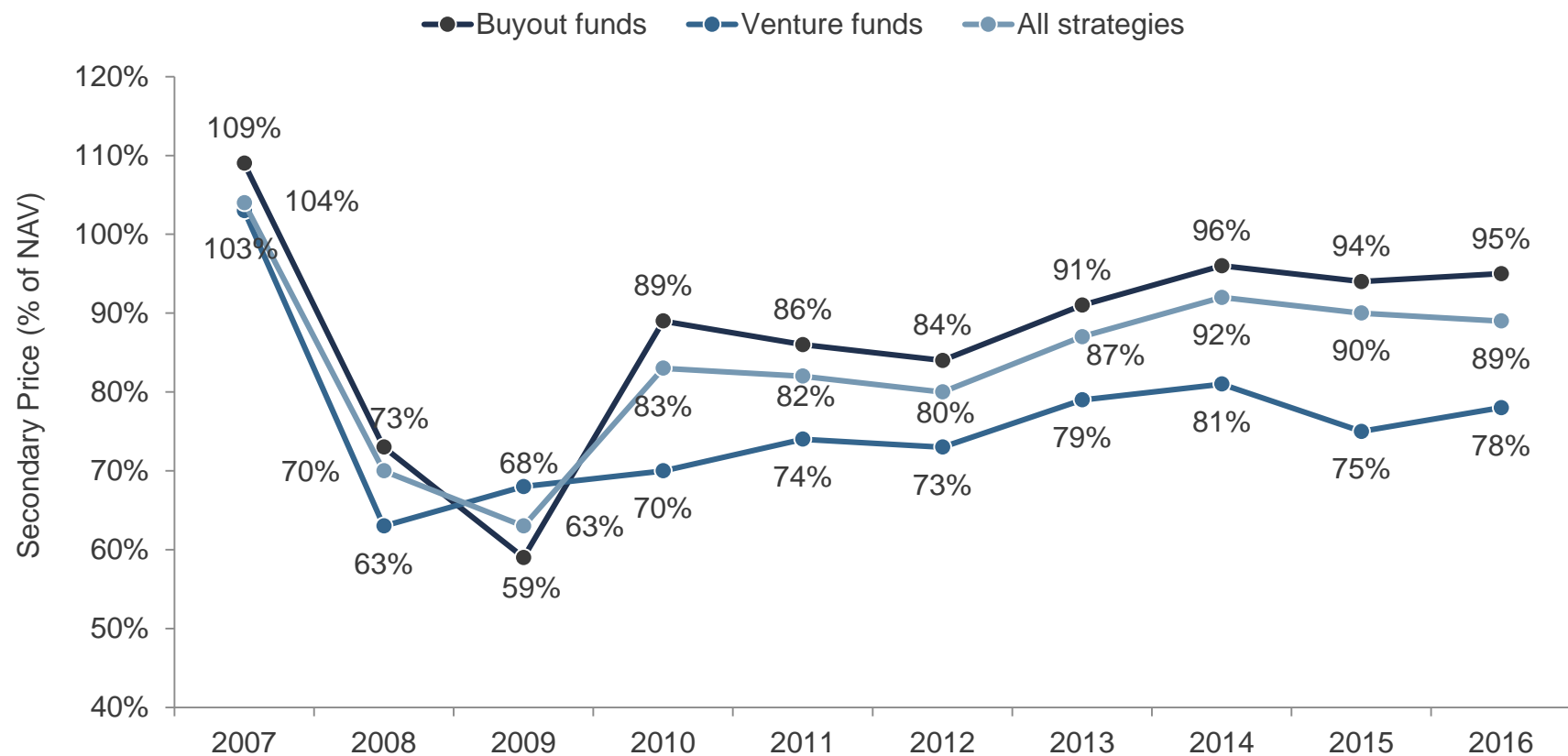
## Secondary market supply is growing



Sources: Preqin, 2016 data as at June 30, 2016. PE AUM defined as unrealised value plus uncalled capital held by private equity funds at the calendar year end; \*\*Greenhill Cogent – Secondary Market Trends and Outlook, January 2017. Secondary PE Market volume: - 2002: \$1.9bn, 2003: \$5.0bn, 2004: \$7.0bn, 2005: \$6.7bn, 2006: \$10.0bn, 2007: \$18.0bn, 2008: \$20.0bn, 2009: \$10.0bn, 2010: \$22.5bn, 2011: \$25.0bn, 2012: \$25.0bn, 2013: \$27.5bn, 2014: \$42.0bn, 2015: \$40.0bn, 2016: \$37.0bn.

For educational purposes only.

# Secondary pricing



Source: Greenhill Cogent – Secondary Market Trends and Outlook, January 2017. Data is for first round bids received, not deals completed.  
For educational purposes only.

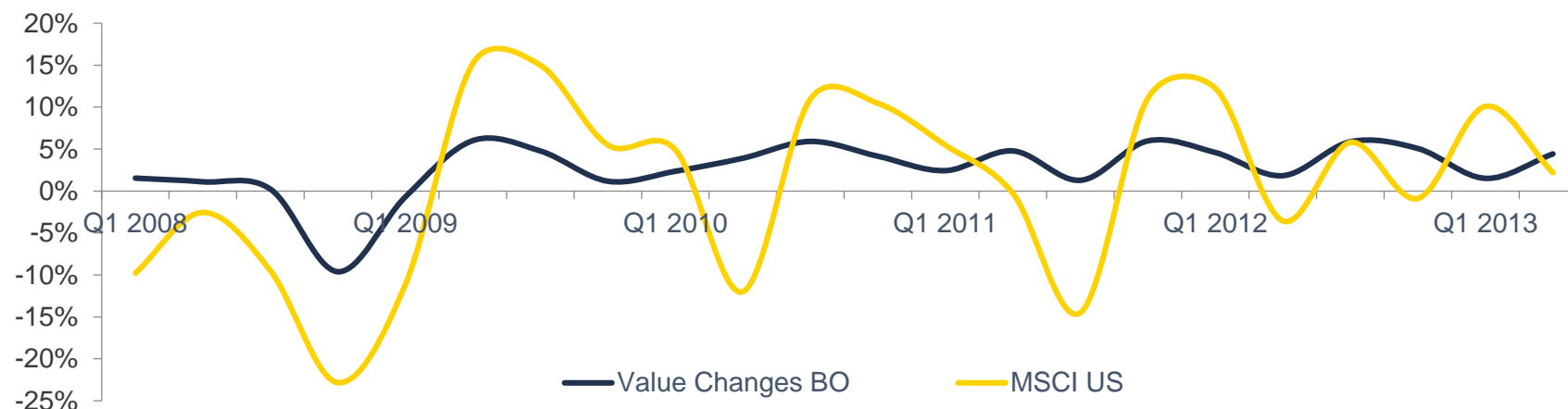
# Market Risk



- 1 In private equity, no market in the sense applied to listed equities
- 2 Quarterly NAV progression is a poor measure – underestimates risk
- 3 Although it's hard to measure we know it is there and is “equity like”
- 4 Most important mitigant to market risk is appropriate diversification by vintage, sector, stage and geography
- 5 Private Equity offers exposure to the Debt market (systematically) but also to VC and Energy for instance, depending on your exposures

# Historic relationship between US Buy-out Funds and US MSCI returns

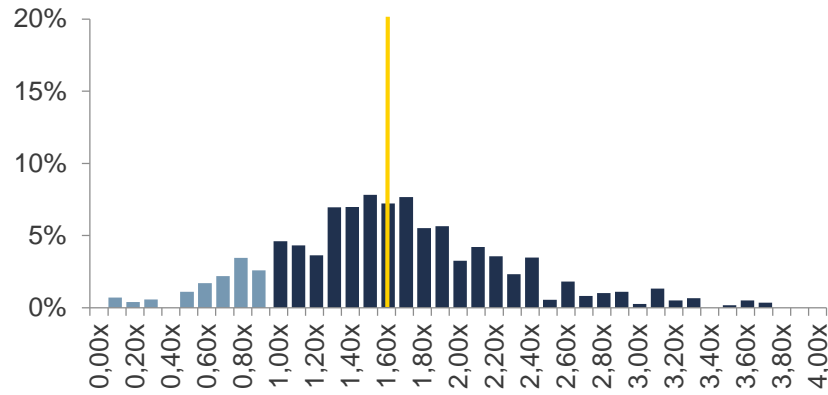
Value change US buy-outs and US MSCI returns



- ▶ We observe that valuation changes of US buyouts have historically been positively correlated with public equity market movements (approximately 70% correlation)
- ▶ A regression of value changes on MSCI returns reveals that for every 1 point change in the MSCI, US buyout valuations changed by approximately 0.23 points

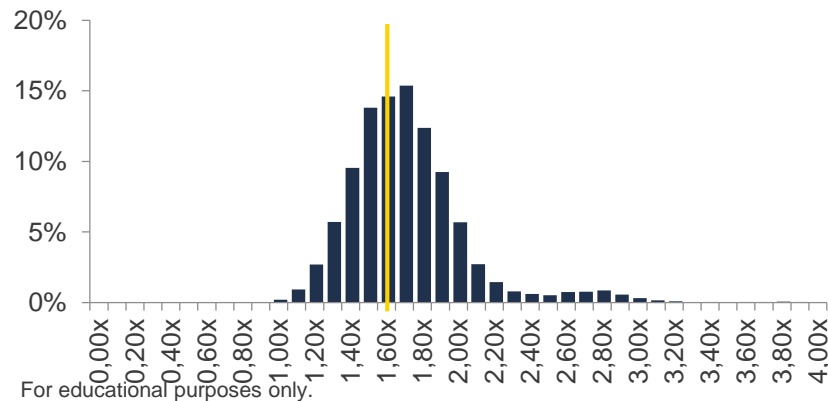
Not representative of any specific Pantheon Fund. Examples are for illustrative purposes only. Note that these results may differ if sectoral valuation changes are matched with sectoral MSCI returns. Potentially, the correlation between valuation changes and MSCI returns can increase. In the chart above the correlation between the two time-series amounts to approximately 70%. Valuation changes in the graph above strip out the effects of calls and distributions. For educational purposes only.

# Diversification – number of funds reduces risk



## One fund<sup>1</sup>

- ▶ Large diversification of returns
- ▶ Average TVPI of 1.66, Standard Deviation 1.02
- ▶ Probability of Capital Loss is 17.6% (after opportunity cost 21.9%)<sup>3</sup>
- ▶ Value at Risk (at 99%) is 82%<sup>3</sup>



For educational purposes only.

## Ten funds over three years<sup>1</sup>

- ▶ Significant reduction in risk profile
- ▶ Average TVPI of 1.66, Standard Deviation 0.3<sup>2</sup>
- ▶ Probability of Capital Loss is 0.3% (after opportunity cost 1.2%)<sup>3</sup>
- ▶ Value at Risk (at 99%) is 0%<sup>3</sup>

<sup>1</sup> Sample of 462 PE non-VC funds from vintages 1995-2005. Database: Preqin, Pantheon.

<sup>2</sup> Portfolios are randomly created while respecting the timeline. 11 000 simulations are run.

<sup>3</sup> Only relative comparisons and qualitative conclusions are relevant.

<sup>4</sup> Provided for illustration purposes only.

Past performance is not indicative of future results. For educational purposes only.

# Capital Risk

---



For educational purposes only.  
Source: BVCA - Risk in Private Equity New insights into the risk of a portfolio of private equity funds (2015)

# Operational due diligence

Equistone Partners Europe Limited

Operational Risk and ESG Assessment

Area	Rating	Comment
Corporate Governance	Green	No Adverse
Legal and Regulatory	Green	No Adverse
Investment Approval Process	Green	No Adverse
Environmental, Social and Governance (ESG)	Green	No Adverse
Valuation Process	Amber	Minor Valuation Gaps Identified
Risk Management	Green	No Adverse
Operational Processes	Green	Low Impact controls in place
Tax	Green	No Adverse
IT and Business Continuity	Green	No Adverse

**Methodology**  
(1) When determining the rating for each of these sections, each rule is determined the three levels of responses.  
(2) Each response is then given a rating to determine the level of risk (green) medium (amber) and high (red) risk profile. An overall rating individual ratings.

Rating	Governance	Regulatory
Green	Clear governance processes in place with clear lines of responsibility and independence appropriate to the size of organisation.	Firm complies with all applicable regulations.
Amber	Governance processes in place but areas of improvement required to comply with best practice.	Not all relevant regulations are covered.
Red	Insufficient governance processes and independence in place.	No applicable regulations in place.

**Operational Due-Diligence Report**  
Equistone Partners Europe Limited  
12 January 2015

## Sections include:

1. Corporate Governance
2. Legal, Regulatory and Compliance
3. Investment Approval Process
4. Valuation Process
5. Risk Management
6. Operational Processes and Controls
7. Tax
8. ESG
9. IT and Business Continuity



## Country FX risk

- ▶ Impact of adverse currency movements on investment performance, most importantly, on the foreign currency valuation of foreign direct investments held in these countries
- ▶ Numerous balance of payment / currency crises in recent history driven by unsustainable deficits. Mexico (81/94), South America in the 80s (Chile in 1982 / 84, Argentina in 1986 / 89), and Southeast Asia (97/98)
- ▶ Key Indicators including large current account (CA) deficit, very high inflation and reliance upon short term external flows of capital to finance the deficit

## Post investment FX risk

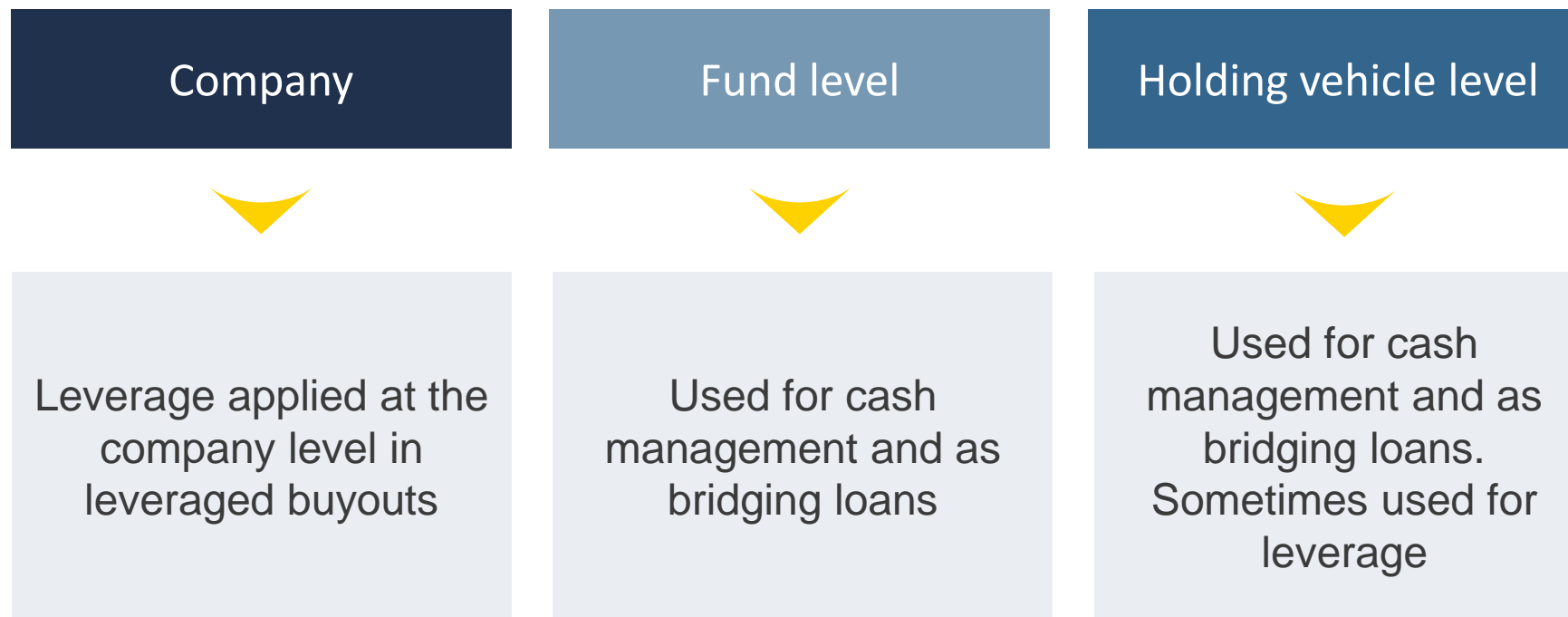
- ▶ FX Commitment Risk – mismatch in the fund currency and the currency denomination of the underlying fund commitment
- ▶ FX Asset Risk – both the fund currency and underlying currency and denomination of the underlying company investments

## Key issues

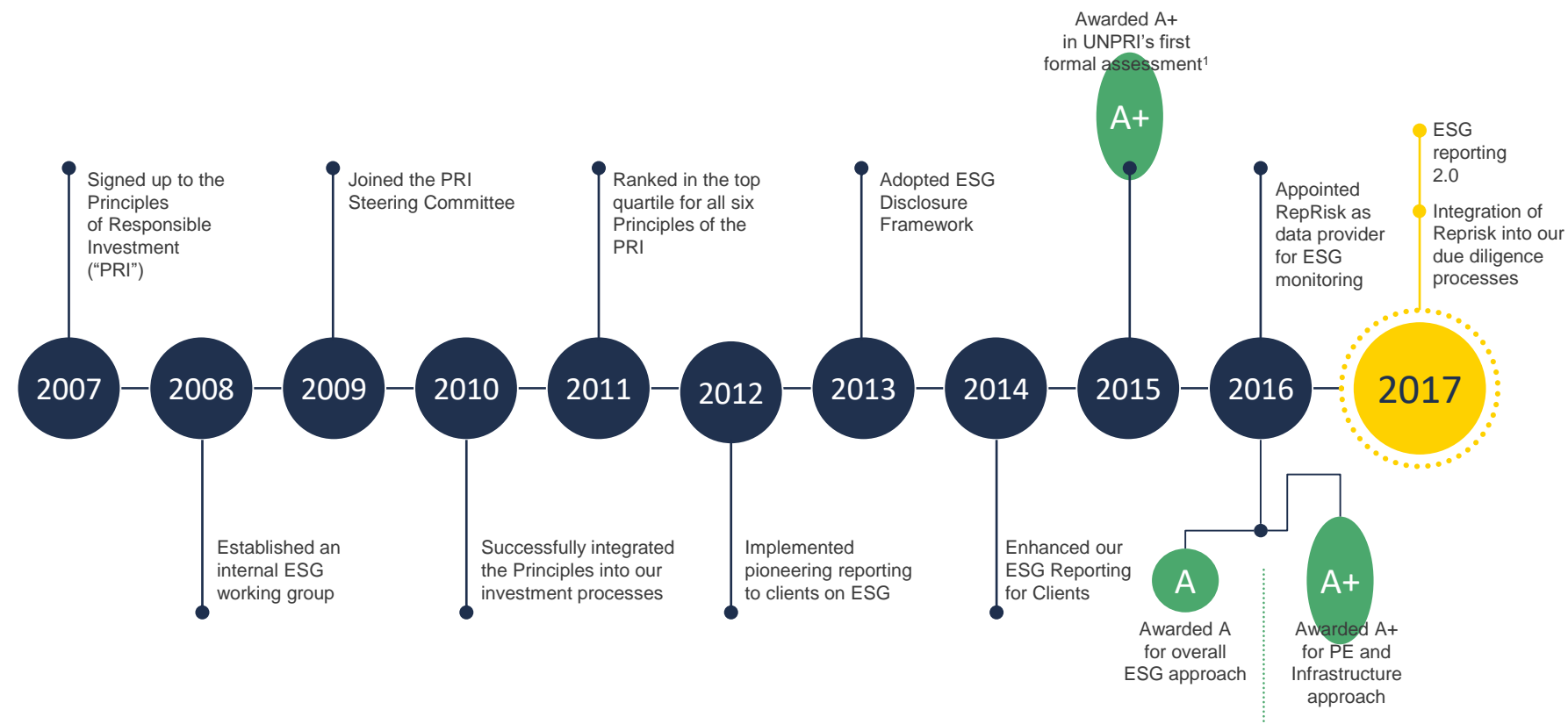
- ▶ PE is a long term asset class with a fund programme lasting up to 15 years, which makes long-term FX hedging costly and impractical
- ▶ There is not a strong case over the long term for hedging FX within a PE portfolio
- ▶ FX exposure for funds (assets and liabilities) and companies (revenue and costs) is difficult to quantify

## Use of debt

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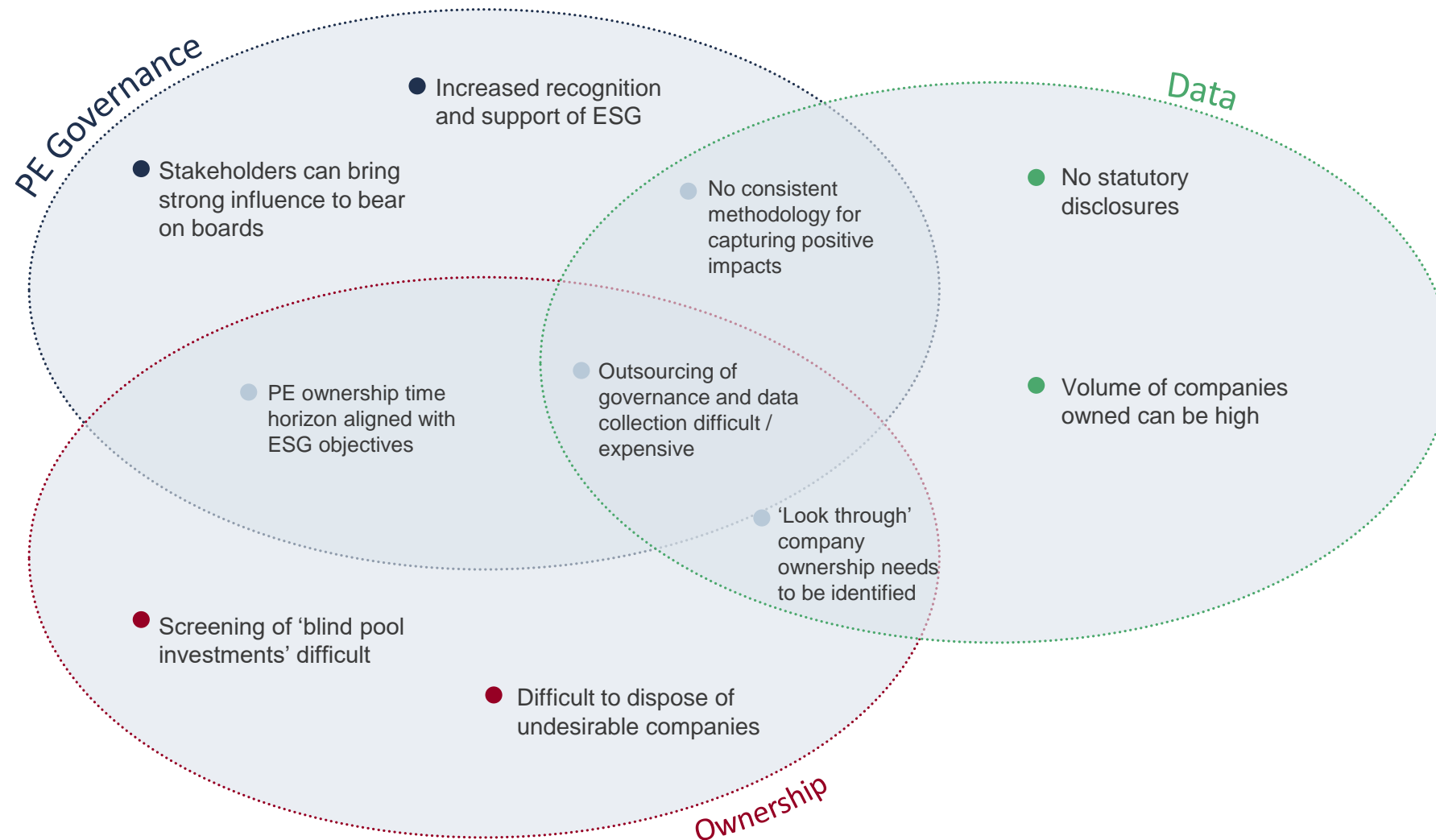


# History of Pantheon and ESG



As at 1<sup>st</sup> July, 2017.  
<sup>1</sup> Pantheon is a signatory of the UNPRI and has used these principles as a framework to develop its ESG policy across all its investment activities. As a signatory of the PRI, we are required to complete an annual assessment which seeks to facilitate learning and development, identify areas for further improvement and facilitate dialogue between asset owners and investment managers on responsible investment activities and capabilities.  
For educational purposes only.

# ESG considerations versus listed equities



Pantheon opinion. For educational purposes only.

# Integration of ESG into our business

---

Three main areas of focus:

1

## Due diligence

- ▶ All new Primary investments a screened and assigned an ESG rating (A, B, C)
- ▶ Primary track records assessed for ESG risk which feeds our qualitative due diligence
- ▶ Secondary portfolios and Co-investments screened for ESG issues

2

## Monitoring

- ▶ Proactive monitoring of our portfolio companies
- ▶ ESG issues that arise are logged along with a record of action taken
- ▶ Key part in our role of promoting ESG adherence in the PE industry

3

## Industry engagement

- ▶ Pantheon is represented on the UNPRI private equity advisory committee
- ▶ Engaged with local industry bodies to promote ESG
- ▶ Active in supporting minorities and equalities

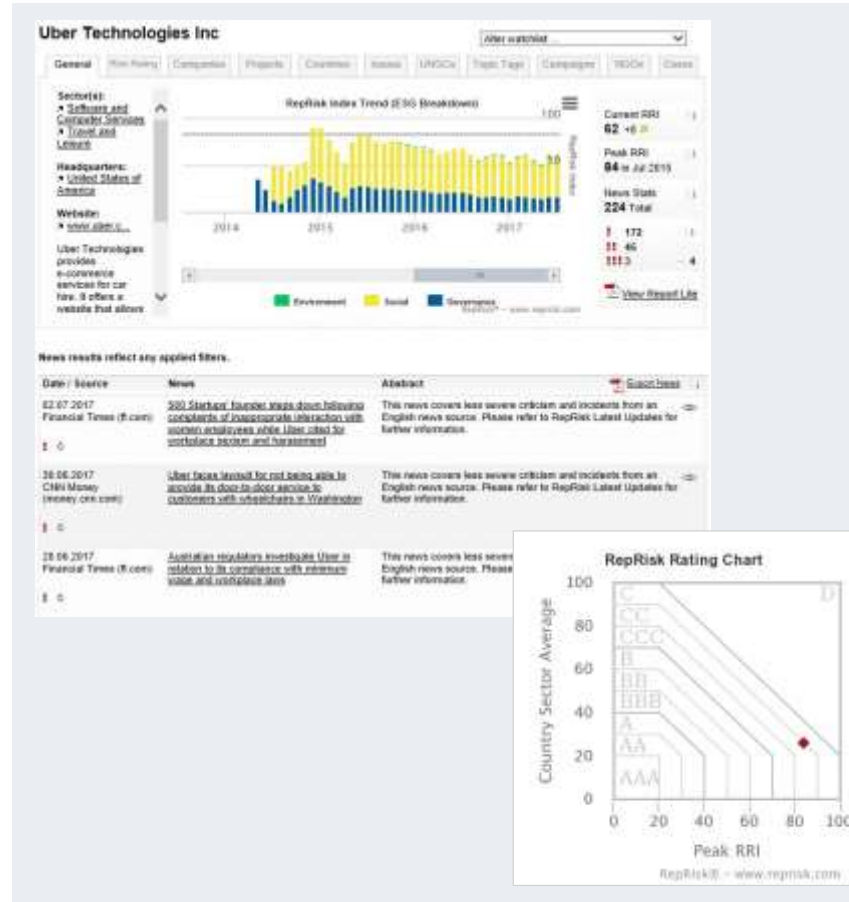
# Investment processes supported by RepRisk

Reprisk is a third party data provider which screens the media for ESG issues

Provides us with news flow on ESG in our portfolio companies

Uses proprietary algorithms to turn news into risk ratings

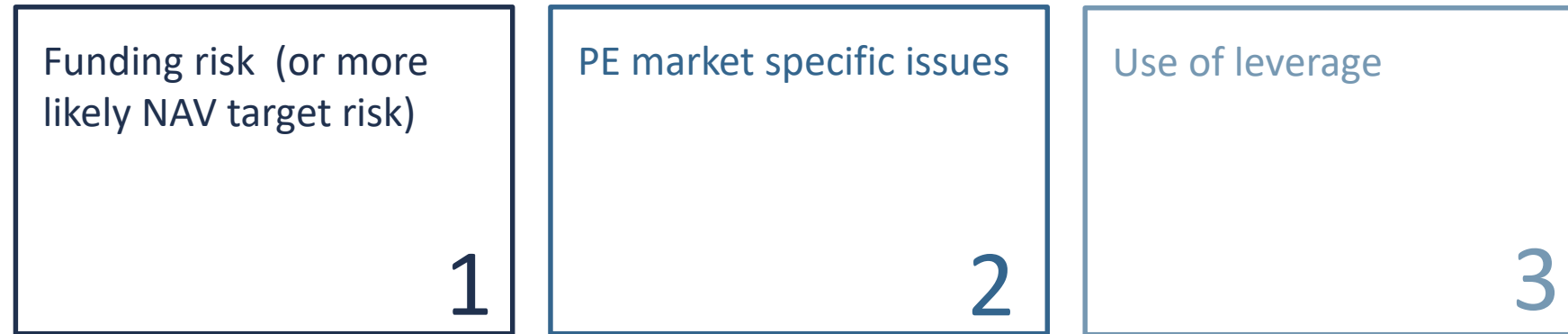
Supports our due diligence and monitoring processes



# Conclusion

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Versus other asset classes, main risk issues for private equity to understand are:





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**2017**



**Riskmanagement and ESG within Private Markets**  
**Alex Scott, Pantheon**

**Zuidoostbeemster, 7 september 2017**

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**2017**



**Het verhaal van De Slager  
Daan van der Zon, Slagerij Van der Zon**

**Zuidoostbeemster, 7 september 2017**



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## Slager kijkt naar overname

- \*Introductie Slagerij
  - Kosten inkoop
  - Indeling personeel
  - Waarde bedrijf

# Introductie Slagerij





# Kosten Inkoop



# Berekening inkoop/personeel

$$52 * € 400 = € 20.800,-$$

$$12 * € 2.250 = € 27.000,-$$

=====

$$\text{Totaal} \quad € 47.800,-$$

# Waarde Slagerij van der Zon



Omzet  $\pm$  € 500k

Snijden in kosten € 47.800 (9,65%)

➔ Meer winst ➔ hogere  
verkoopwaarde ➔ komende jaar  
minder service, maar belangrijker  
**mindere kwaliteit !!!!**



# slagerij van der Zon



VRAGEN ?



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**De in's & out's van Private Debt**  
**Laurent Gueunier, BNP Paribas Asset Management**

**Zuidoostbeemster, 7 september 2017**



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# PRIVATE DEBT

NETHERLANDS

For Professional investors - Marketing  
Communication

**LAURENT GUEUNIER**

07/09/2017



**BNP PARIBAS**  
**ASSET MANAGEMENT**

The asset manager for a changing world

# Consequences of the financial crisis



## INVESTMENT FOCUS

Shift of focus from marked-to-market towards cash-flow generation when assessing an investment



## ASSET ALLOCATION

More and more investors commit to relatively illiquid assets compared to bonds and equities



## ECONOMY FINANCING

Asset managers, funds and insurers lend to business without bank intermediation



## POLITICAL WILL

European authorities aim at reducing the economy's "addiction" to bank financing



# A favourable environment for Private Debt

## A shift in the business lending landscape



- Tighter regulation for banks ( Basel III & IV)
- Favorable Solvency II treatment for Private Debt
- European Long-Term Investment Fund (ELTIF) label

## Support from policy makers and opinions



- Juncker Plan
- Governments across Europe encourage direct lending
- €3.2bn SME loans initiative in Spain (2015), British Business Bank in the UK (2014), ...

## New private debt instruments

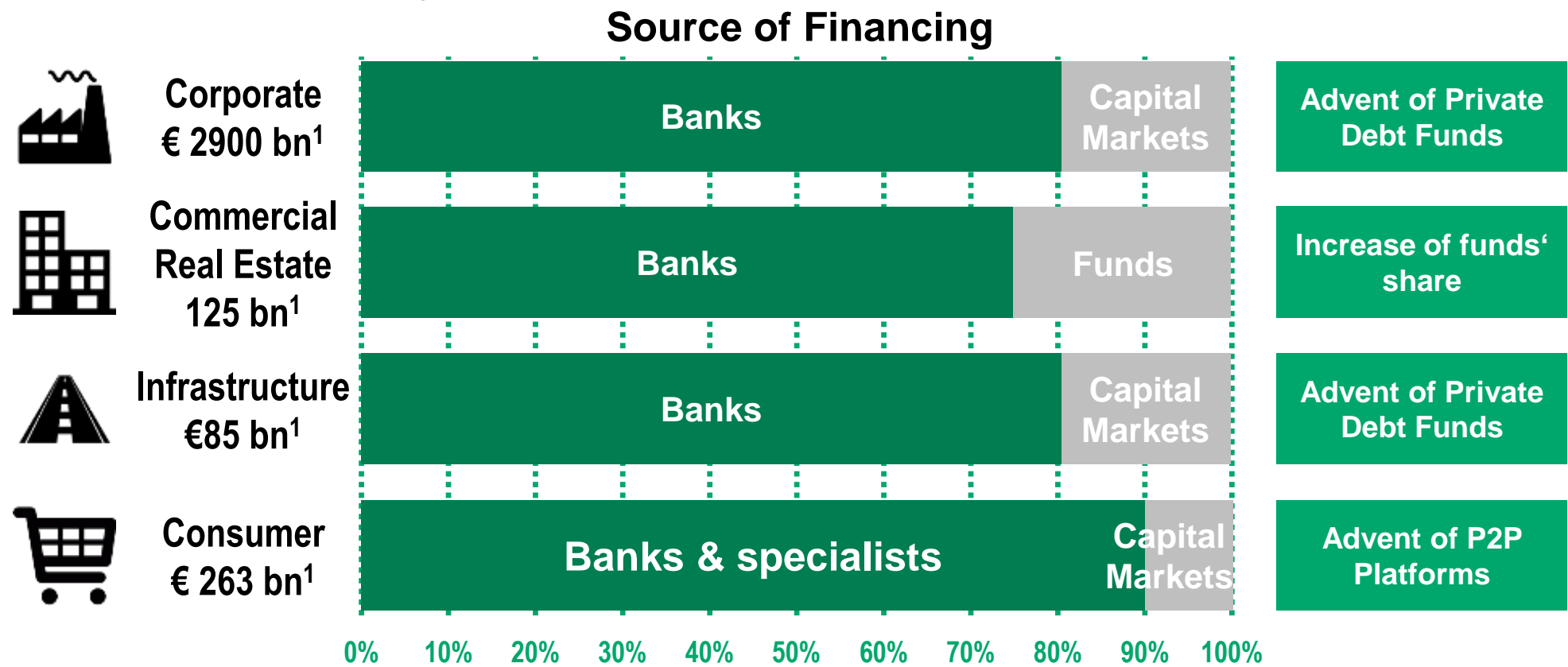


- M-Bonds and Corporate Schuldscheindarlehen in Germany
- Euro Private Placement in France
- Minibonds in Italy

Source: BNP Paribas AM, June 2017

# Public Debt vs Private Debt

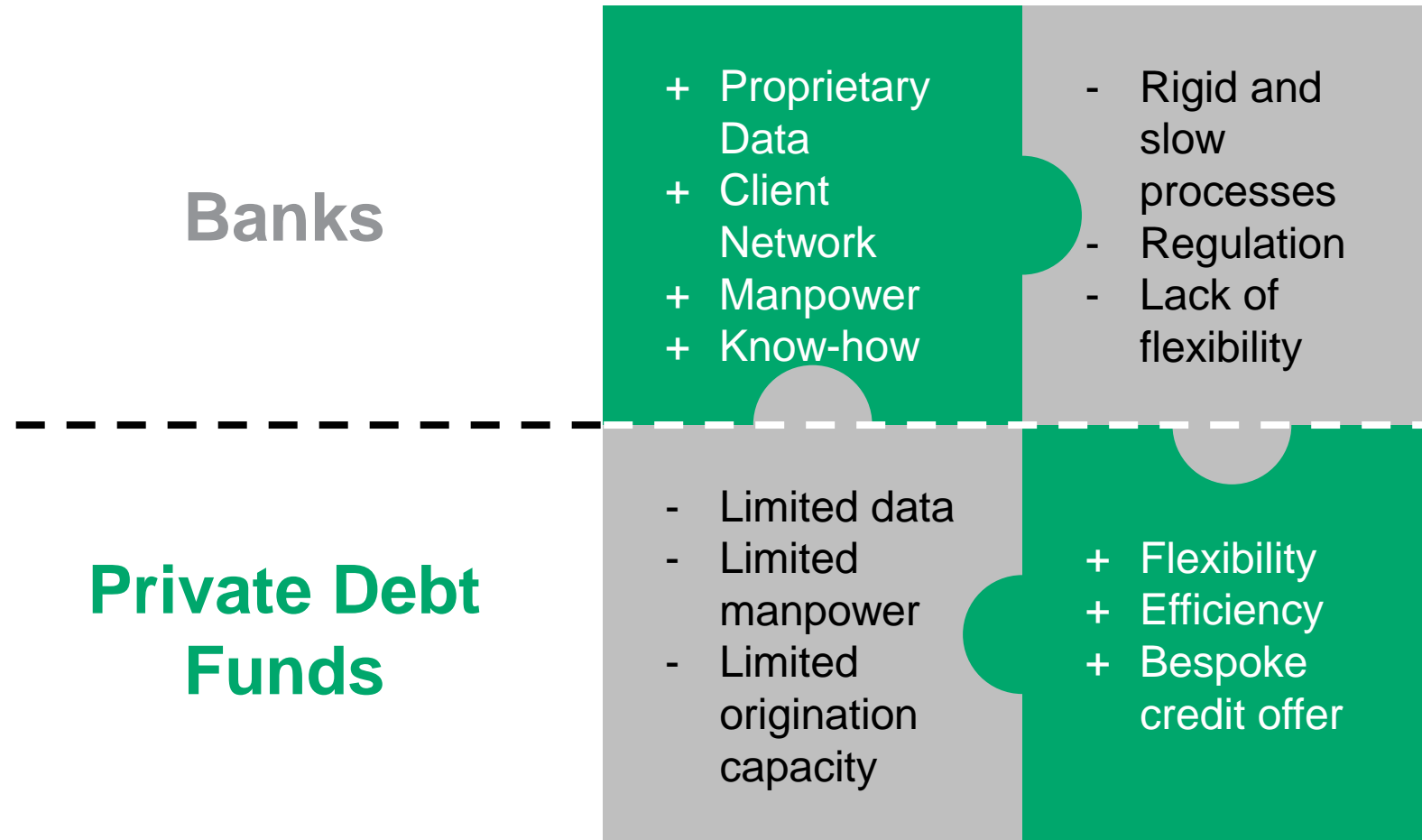
« Private » Debt : Financing historically provided by banks and held on their balance sheets



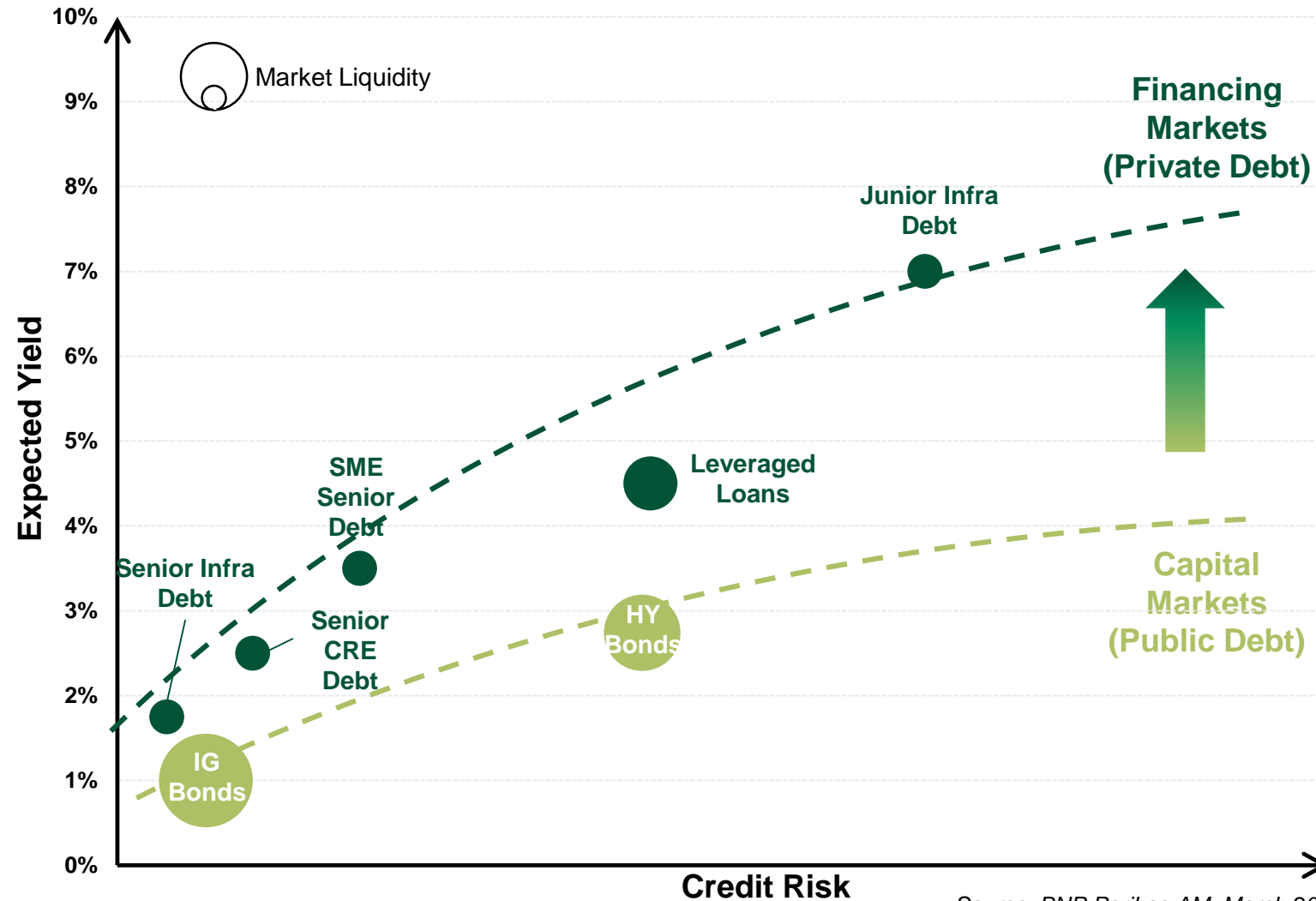
However, due to an increase in regulatory pressure, the lending capabilities of banks have diminished and will continue to do so

(1) 2016 figures for Europe (excl. UK) Source: CBRE Advisory, ECB Datawarehouse, Infranews, JP Morgan, BNPP AM

# Banks and Private Debt Funds are complementary in answering borrowers' needs



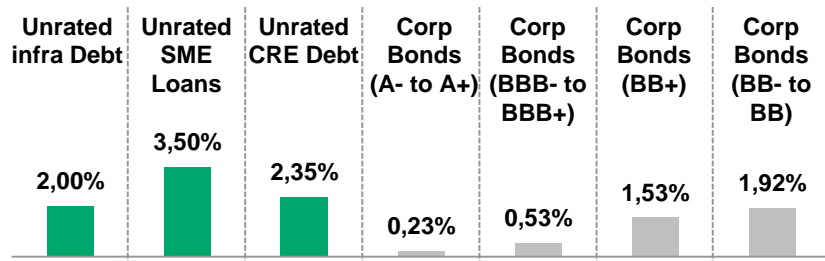
# A Positive Liquidity Premium vs Public bonds for Private Debt but not only



Source: BNP Paribas AM, March 2017, indicative figures

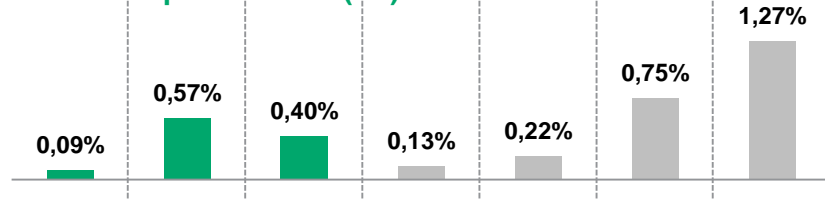
# An attractive risk/return profil

## Margin over Euribor



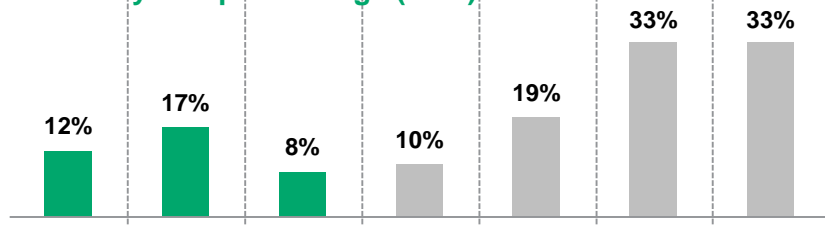
## Competitive margins

### Annual Expected Loss (EL)



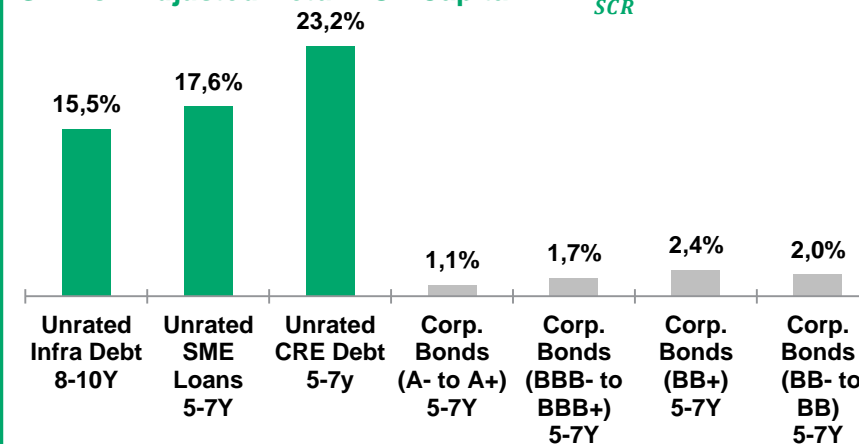
## Low ELs when compared to similar corporate bonds

### Solvency II Capital Charge (SCR)



## Favourable SCR treatment

## SII Risk-Adjusted Return On Capital : $\frac{(Margin - EL)}{SCR}$



## Attractive Return on SCR Capital

Sources: Bloomberg, BNPP AM, SG Research S&P LCD, Moody's, BNPP AM, June 2017

Rating based on second best ratings provided by S&P, Moody's and Fitch



# Private Debt benefits vs Public Debt

---

## Resilient risk-adjusted returns

- Stable & predictable cash-flows
- Favorable returns when compared to similar corp. bonds

## Downside protection

- First lien secured loans
- Strong contractual structure (covenants,...)
- Regular reports on borrowers' activity

## Bespoke instruments

- Bespoke documentation
- Low volatility

Source : BNP Paribas Asset Management (September 2017)

# Private Debt drawbacks vs Public Debt

Private Debt requires much more scrutiny than Public Debt



## Non-Standard borrowers

- Non-standardized information
- Private information
- Unrated debt
- Time-intensive credit analysis

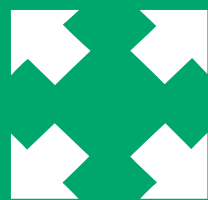
## Non-Standard market

- Less liquid market
- Scarcity of assets
- No research

Source : BNP Paribas Asset Management (September 2017)

# Private Debt : Investment approach

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## DEAL FLOW

Access to a high-quality pipeline of origination is a **differentiating factor**



## PROCESS

**Review** and **negotiation** of the transactions terms make a difference when analyzing investment opportunities

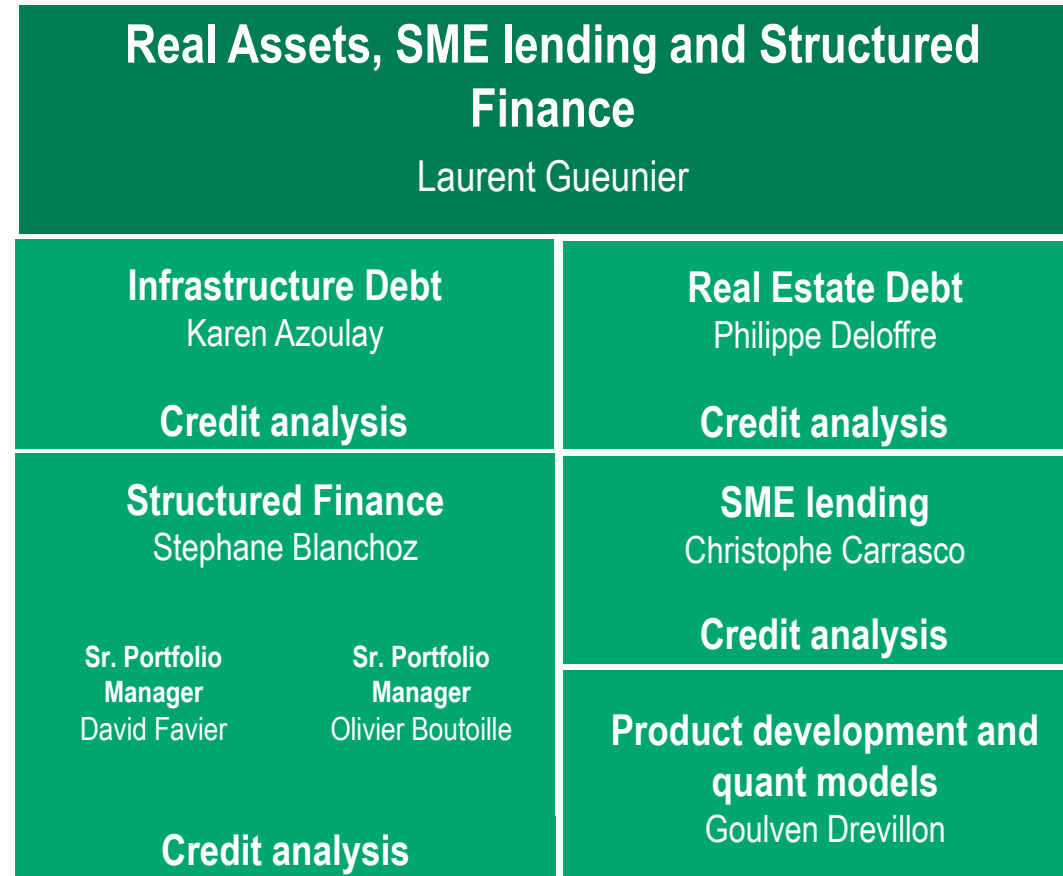


## MONITORING

Conducting close monitoring and providing **high standard reporting** (valuations, regulatory) is particularly critical in illiquid investments

# Real Assets, SME<sup>1</sup> Lending and Structured Finance team

A dedicated investment platform



(1) Small & Medium Enterprises

Source : BNP Paribas Asset Management (September 2017)

# Real Assets, SME Lending and Structured Finance team

Asset Sourcing : Benefitting from a privileged access to BNP Paribas Group origination



## Distinctive access to assets

- Open architecture with a trusted relationship with BNP Paribas Group
- Management of conflicts of interest: no exclusivity, BNPP AM can decline a deal at any stage before binding commitment



## Unique benefits

- Allow early stage involvement in the projects, strengthening deal control
- Gain transaction and greater insight with internal information and ease the transaction analysis
- Reduce the overlap by accessing dedicated pipeline



## BNP Paribas expertise

- Privileged access to a large client base in Europe
- A world class debt structuring and distribution platform

# Real Assets, SME Lending and Structured Finance team

## Range of solutions

Assets	Solutions	Range of returns
Structured Finance	Private Debt Income strategy	L + [7-10%]
	Specialty Finance strategies	[2-15%] (depending on asset class and leverage)
Private Debt	• SME Debt strategy	E + [3,5%] 5-7y
	• Real Estate Debt strategy	[L+2,35%] 5-7y
	• Infrastructure Debt strategy	[L+ 2%] 8-10y

Source: BNP Paribas AM, June 2017, indicative figures

This is for illustrative purposes only and should not be used as a basis for making any specific investment, business or commercial decisions

# Disclaimer

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Conferentie**

**2017**



**De in's & out's van Private Debt**  
**Laurent Gueunier, BNP Paribas Asset Management**

**Zuidoostbeemster, 7 september 2017**

**Hartelijke dank voor uw aandacht**

**Alleen voor professioneel gebruik**



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**Bevindingen DNB bij vermogensbeheer  
Maarten Heikoop, DNB**

**Zuidoostbeemster, 7 september 2017**



**Alleen voor professioneel gebruik**





# Verwacht niveau beleggingskennis bij complexe beleggingen Veranderingen in bevindingen en aandachtspunten

Bestuurders Conferentie 7 september 2017

DNB - Maarten Heikoop

DeNederlandscheBank

EUROSYSTEEM

# Korte introductie

Wie staat er voor u?



## **Maarten Heikoop MFP FFP CFP**

- Senior Toezichthouder Middelgrote pensioenfondsen
  - Portefeuille: Bedrijfstakpensioenfondsen
- Projecten DNB:
  - Verwacht niveau beleggingskennis pensioenfondsbestuurders (guidance december 2016)
  - Visie en strategie T2 pensioenfondsen
- Ervaring/achtergrond:
  - Vermogensmanager bij Rabobank Schretlen
  - Bestuur Rabo pensioenfonds (vice-voorzitter / lid Beleggings Adviescommissie)
  - Intern toezicht voortgezet onderwijsinstelling (lid Raad van Toezicht / voorzitter Auditcommissie)

# Inhoud

1. Verwacht niveau beleggingskennis bij complexe beleggingen
  2. Bevindingen in vermogensbeheer
  3. Veranderingen in bevindingen
  4. Misverstanden over DNB pensioentoezicht
- Bijlagen: Risicomanagement en DNB sectorbrieven/guidance

# 1. Verwacht niveau beleggingskennis bij complexe beleggingen



## Stelling:

Het is terecht dat DNB de assets Private Markets ziet als complexe beleggingen

# Private Markets zijn complex en vereisen meer deskundigheid in het bestuur

- De beleggingen zijn niet beursgenoteerd (non-listed)
  - Waardering van de assets is in het algemeen lastig (compliance vereisten)
  - Minder gereguleerde beleggingen vereisen meer inhoudelijke kennis en countervailing power van het pensioenfondsbestuur
- Private markets zijn over het algemeen moeilijker verhandelbaar (illiquide)
  - Het lange termijn karakter van de beleggingen beperkt de wendbaarheid van het pensioenfonds
  - De fase van een pensioenfonds (continuïteit versus gericht op fusie/overdracht) bepaalt de mate en omvang van dit type beleggingen

Misverstand in DNB pensioentoezicht:

# Pensioenfondsen mogen niet in illiquide categorieën beleggen

**Nee, de invulling van het strategische beleggingsbeleid is de verantwoordelijkheid van het pensioenfonds.**

- DNB ziet er op toe dat de invulling weloverwogen (in het belang van de deelnemers) tot stand komt
- Het wettelijk kader stelt geen kwantitatieve restricties aan (type) beleggingen, centraal staat het prudent person beginsel
- Bij de keuze voor illiquide beleggingen verwacht DNB dat het bestuur de mate van deskundigheid en beheersing afstemt op de complexiteit van deze illiquide beleggingen. Er moet een balans zijn tussen de complexiteit en de deskundigheid

# Verwachtingen DNB bij complexe beleggingen

**DNB verwacht dat het bestuur van een pensioenfonds bij de vaststelling van het beleggingsbeleid een afweging maakt tussen:**

- Rendement
  - Weegt het rendement op tegen de andere factoren?
- Risico
  - Zijn alle risico's scherp in beeld?
- Kosten
  - Is er inzicht in alle kosten en is duidelijk wie welke kosten betaald?
- Complexiteit
  - Begrijpen alle stakeholders wat de vermogensbeheerder doet en waarom?

# Waarom is er specifiek aandacht voor niveau beleggingskennis?



- Gebrek countervailing power van bestuurders
- Kernoorzaak:  
**Bestuurders van pensioenfondsen schieten tekort in beleggingskennis en deskundigheid op het gebied van vermogensbeheer**
- De meeste bevindingen in beleggingsonderzoeken komen voor in het 'Strategisch beleggingsbeleid' en 'Monitoring en evaluatie' in het beleggingsproces pensioenfonds
- Normenkader DNB geeft verduidelijking verwacht kennisniveau beleggingen

# Doel:

## Verbetering countervailing power bestuur



- Heldere koppeling en monitoring aan doelstellingen en risicoparameters
- Debat en durven 'challengen' van oplossingen expliciet onderdeel van cultuur
- Verbetering kennisniveau beleggingen in alle bestuurslagen
- DNB verwacht gerichte actie van pensioenfondsbestuur
- Samenwerking DNB en pensioenbesturen / Pensioenfederatie\*

**\*uitleg en verdieping bestaande Handreiking geschikt pensioenfondsbestuur  
(verwachte oplevering herziening Handreiking: september 2017)**



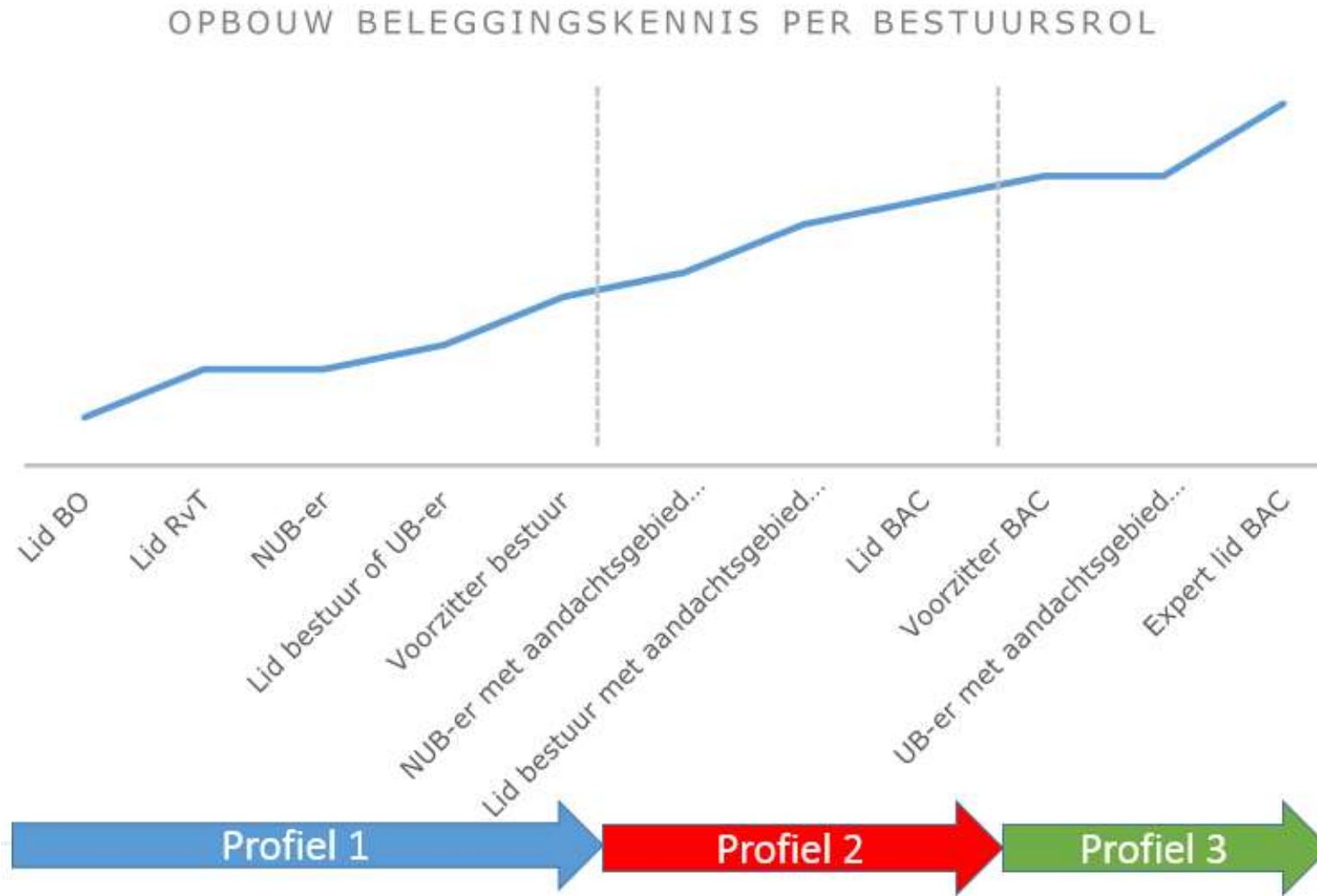




# Door: Verduidelijking normenkader Beleggingskennis

- Accent op vereist kennisniveau voor specifieke rollen in het bestuur
- Haakt aan bij het beleggingsproces binnen een pensioenfonds
- Logische opbouw:
  - **Algemeen bestuursprofiel** → basis
  - **Specifiek bestuursprofiel** → verdieping
  - **Expertprofiel** → relevante ervaring
- Communicatie aan alle stakeholders incl. opleidingsinstituten en Pensioenfederatie

# Rollen binnen het bestuur pensioenfonds



# Betere aansluiting inhoud curriculum op eisen DNB

Bestuursprofiel	Profiel 1 Algemeen	Profiel 2 Specifiek	Profiel 3 Expert
Benodigd kennisniveau			
C. Ervaring	n.v.t.	o/+	+/++
B. Verdieping	o/+	+	++
A.Basis	+	+/++	++

- A. Basis: Basiskennis beleggingen, governance, balansmanagement
- B. Verdieping: Specifieke beleggingskennis
- C. Ervaring: Aantoonbare beleggingservaring en vaardigheden

## 2. Bevindingen in vermogensbeheer

Terugkerende bevindingen uit DNB on-site beleggingsonderzoeken

# Overzicht vermogensbeheeronderzoeken

Sinds 2009 bij ruim 135 fondsen uitvragen, beleggingsonderzoeken en themagerichte onderzoeken uitgevoerd. Het belegd vermogen van de betrokken pensioenfondsen vertegenwoordigt 99% van het belegd vermogen pensioensector.

- **Uitvragen**

- Actief beleid
- Renteafdekking
- Private equity en hedge fondsen
- Commercieel vastgoed

- **Vermogensbeheeronderzoeken**

- Themagericht zoals innovatieve beleggingen en beleggingsmandaten
- Generiek, gericht op de gehele beleggingscyclus

# Terugkerende bevindingen vermogensbeheer

## Het beleggingsproces en de samenhang met bevindingen



in vier categorieën :

- Strategisch beleggingsbeleid
- Selectiebeleid
- Monitoring & evaluatie
- Governance



# Bevindingen vermogensbeheer per categorie

Categorie	Type bevinding	% fondsen
Strategisch beleggingsbeleid	Beleid t.a.v. ALM-studies, keuzes beleggingscategorieën, lange termijn visie en overschrijding bandbreedtes	92%
Selectiebeleid	Selectie- en implementatieprocedures voor onder meer beleggingen, uitvoerders en vermogensbeheerders	69%
Monitoring en Evaluatie	Rapportages, beleggingsmandaten en monitoring van het beleid Evaluatie van vermogensbeheerders en bestuur	87%
Governance	Functioneren van het bestuur en commissies, belangenverstrengeling	66%

**Aandachtspunt: meeste bevindingen in categorie  
'strategisch beleggingsbeleid' en 'monitoring en evaluatie'**

## 2. Veranderingen in bevindingen

# Veranderingen in bevindingen

## Bevindingen 2009-2012

- In de periode 2009 – 2012 waren de meeste bevindingen gericht op de link tussen het beleggingsbeleid en de daadwerkelijke beleggingen
- Centraal stond het niet voldoen aan de prudent person regel
- Veel voorkomende bevindingen:
  - Besturen zijn zich niet bewust van de ontoereikende beheersomgeving m.b.t. haar beleggingen
  - Bij de implementatie van het strategisch beleggingsbeleid ontstaan ongewilde/ongemerkte afwijkingen
  - Het actief beheer overschaduwde het strategisch beleggingsbeleid
  - Waarderingen van complexe beleggingen zijn niet adequaat en onafhankelijk
  - Uitbesteding is onvoldoende beheerst

# Veranderingen in bevindingen

## Samenvatting Prudent Person regel

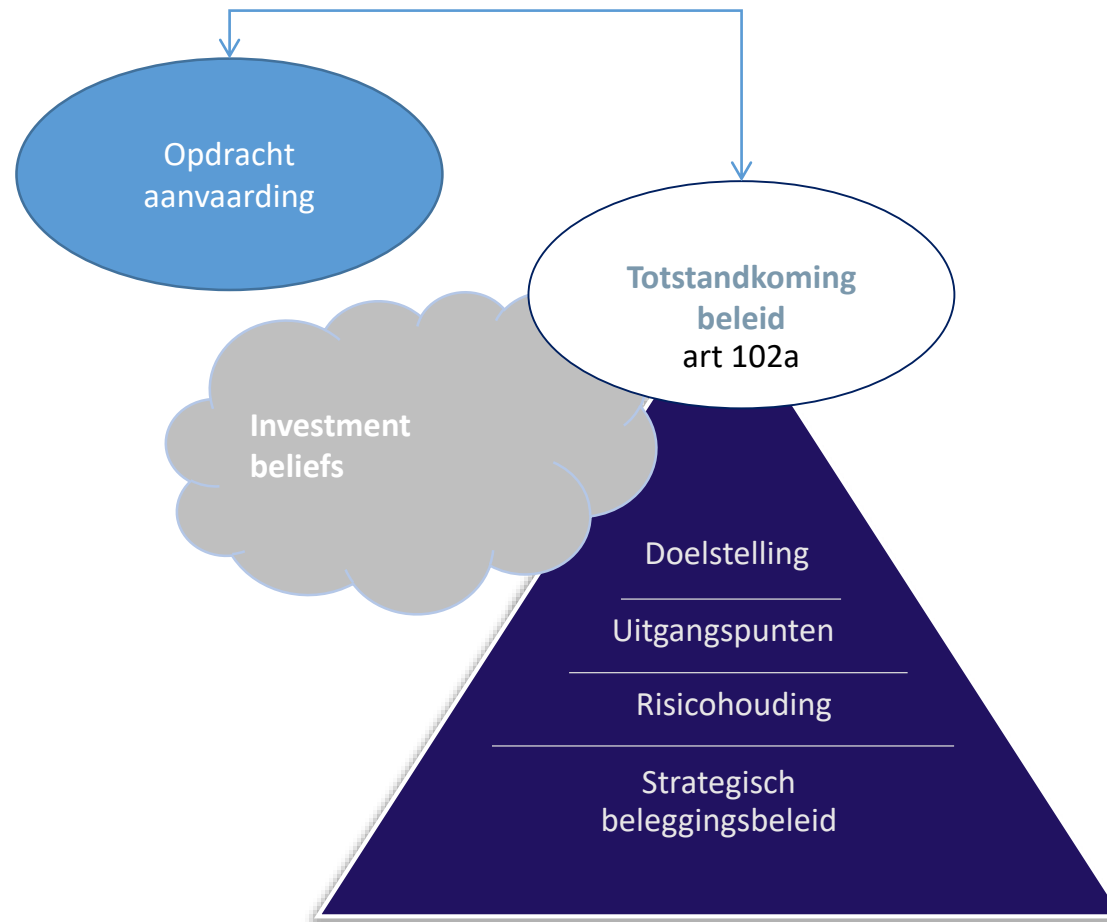
- Beleggen zijn in het belang van aanspraak- en pensioengerechtigden
- Veiligheid, kwaliteit, liquiditeit en rendement van de portefeuille als geheel zijn gewaarborgd
- Beleggen zijn in lijn met de aard en duur van toekomstige uitkeringen
- Derivaten zijn toegestaan voor doeltreffend portefeuillebeheer of verminderen risicoprofiel
- Spreiding van beleggingen
- Beperkt beleggen in bijdragende onderneming
- Hoofdzakelijk beleggen op gereguleerde markten
- Overige beleggingen beperken tot een prudent niveau
- Waardering op marktwaarde

# Veranderingen in bevindingen

## Het beleggingsbeleid niet in overeenstemming met de prudent person regel (voorbeeld 1)

- Beleggingsportefeuille bestond voor 51% uit illiquide beleggingen
- Er ontbrak een betrouwbare waarderingmethodiek
- Er was sprake van concentratierisico in de beleggingsportefeuille
- Er was sprake van substantiële en onvoldoende beheerste balansverlenging

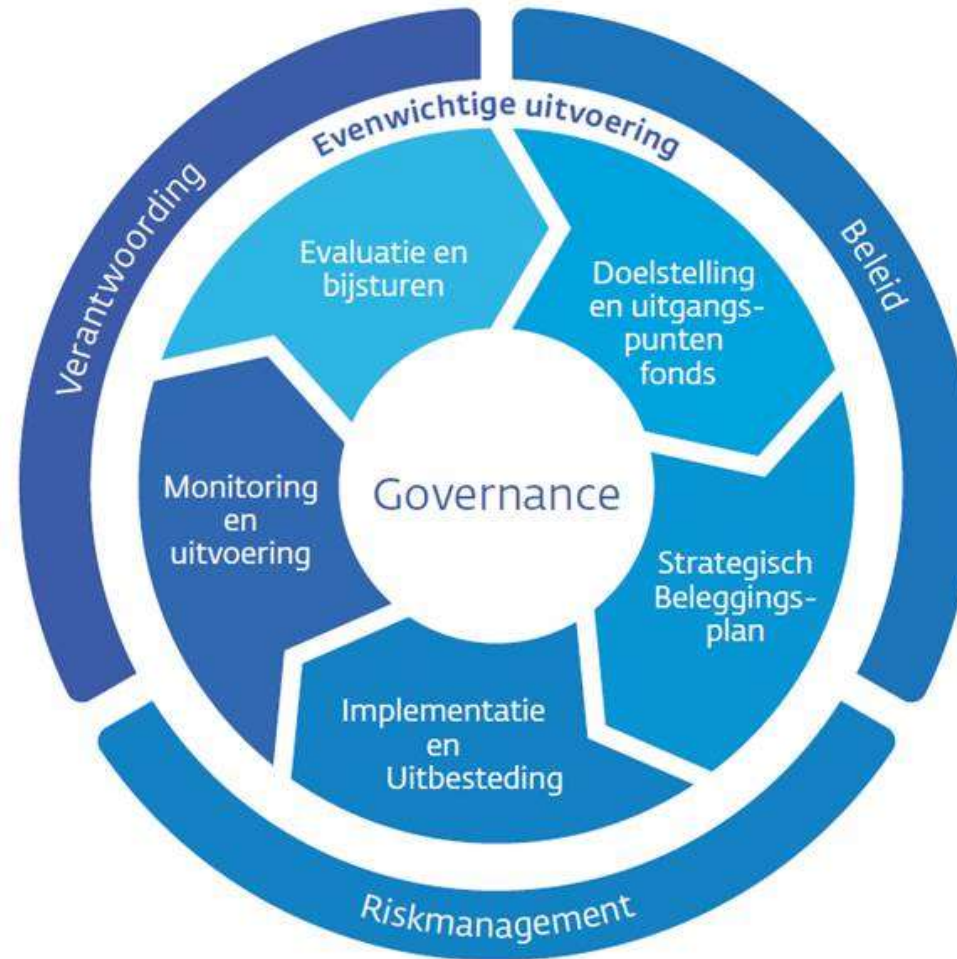
# Veranderingen in bevindingen



**Impact aanpassing FTK en.....  
sectorbrieven, beleidsregels en guidance**



# Veranderingen in bevindingen



**Uitbesteding raakt afzonderlijke onderdelen vermogensbeheerproces**

# Veranderingen in bevindingen

## Actuele focus voor bevindingen

- Beleggingsbeleid blijft prominent maar minder extreem
- Focus verschuift naar het niet voldoen aan andere wetsartikelen
  - Beheerste en integere bedrijfsvoering (artikel 18 -21 Besluit FTK)
  - Uitbesteding (artikel 34 Pw)
- Veel voorkomende bevindingen
  - Het bestuur geeft onvoldoende invulling aan X en Y
  - Het bestuur heeft onvoldoende countervailing power jegens X
  - Er is geen evaluatie van assetclasses, vermogensbeheerders of van het functioneren van bestuur en commissies
  - Het risicomanagementbeleid en -proces betreffende het vermogensbeheer is in onvoldoende mate uitgewerkt en vastgelegd
  - Het selectie- en uitbestedingsbeleid is onvoldoende uitgewerkt

# Veranderingen in bevindingen

## Beheerste en integere bedrijfsvoering (voorbeeld 2)

- Er is sprake van onvoldoende scheiding tussen het fiduciair beheer door X en vermogensbeheer van X
- Door het ontbreken van duidelijke verantwoordelijkheden is de beleggingsadviescommissie onvoldoende effectief in opzet en werking met betrekking tot het vermogensbeheer
- De kennis en deskundigheid van leden van het bestuur sluit onvoldoende aan op de complexiteit van de beleggingen
- Het bestuur en de beleggingsadviescommissie hebben onvoldoende countervailing power in de relatie met X

# Veranderingen in bevindingen

## Uitbesteding (voorbeeld 3)

- Pensioenfonds X heeft de verschillende processtappen vermogensbeheer niet onderscheiden en uitgewerkt waardoor ook niet duidelijk is wat op welke wijze wordt uitbesteed aan Y
- Er is geen sprake van heldere eisen en verwachtingen voor de uitvoering van de werkzaamheden door Y
- Evaluatie en de daarbij behorende compliance monitoring van de portefeuille vindt onvoldoende plaats

### 3. Misverstanden over DNB pensioentoezicht

# DNB als toezichthouder op pensioenfondsen

## Drie misverstanden over DNB pensioentoezicht:

1. Pensioenfondsen mogen niet in illiquide categorieën beleggen
2. Bestuur pensioenfondsen moet uit louter beleggingsexperts bestaan
3. Pensioenfondsen moeten hun vermogensbeheerkosten minimaliseren

# Pensioenfondsen mogen niet in illiquide categorieën beleggen

Nee, de invulling van het strategische beleggingsbeleid is de verantwoordelijkheid van het pensioenfonds.

- DNB verwacht wel dat er een concreet lange termijn strategisch beleggingsbeleid is dat omschrijft hoe in alle te voorziene omstandigheden wordt belegd.
- DNB verwacht dat bij de vaststelling van het beleggingsbeleid een pensioenfonds een afweging maakt tussen:
  - Rendement
  - Risico
  - Kosten
  - Complexiteit



# Bestuur pensioenfondsen moet uit louter beleggingsexperts bestaan

**Nee, het bestuur van een pensioenfonds moet collectief voldoende beleggingsexpertise bezitten.**

- Naast beleggingsexpertise moet een bestuur (collectief) ook over voldoende andere bestuursvaardigheden beschikken
- Zie ook guidance en eerdere uitlatingen DNB over verwacht niveau beleggingskennis pensioenfondsbestuurders

# Pensioenfondsen moeten hun vermogensbeheerkosten minimaliseren

**Kostenminimalisatie is geen doel op zich!**

**Niet van de toezichthouder en niet van de pensioenfondsen**

- DNB verwacht dat bij de vaststelling van het beleggingsbeleid een pensioenfonds een afweging maakt tussen
  - Rendement
  - Risico
  - Kosten
  - Complexiteit

# Uw vragen



# Bijlagen:

- **Integraal Risicomanagement**
- **Overzicht sectorbrieven en guidance**

# Risicomanagementbeleid

- In artikel 18 lid 1 Besluit Ftk staat vermeld dat elk fonds beleid dient vast te stellen ten aanzien van de beheersing van de lopende risico's
- Dit kan in de vorm van een risico-analyse:
  - Doelstelling
  - Welke risico's en definitie van de risico's
  - Criteria voor bepaling grootte risico's (hoe worden risico's gemeten)
  - Gewenste grootte risico's (risicotolerantie)
  - Verantwoordelijkheid voor beheersing risico's
  - Wat te doen bij overschrijding van risico's.

# Risicomanagementproces en organisatiestructuur

- **Beleid uitwerken in risicomanagementproces en organisatiestructuur:**
  - Risico-identificatie en -inschatting, bepalen en uitvoeren beheersmaatregelen, monitoren en evalueren
  - Rol, taken en verantwoordelijkheden bestuur, commissies, uitvoeringsorganisaties
- **Twee voorwaarden (artikel 18 lid 2 van het Besluit Ftk):**
  - Onafhankelijkheid: het risicomanagement is niet afhankelijk van de sponsor, fiduciair manager en de externe vermogensbeheerders
  - Adequaatheid: het niveau van het risicomanagement is afgestemd op de complexiteit van de beleggingsportefeuille

# Sectorbrieven / guidance

- “Uitbesteding door pensioenfondsen” van 1 juni 2014 (<http://www.toezicht.dnb.nl/binaries/50-230881.pdf>)
- Sectorbrief van 16 januari 2015: wijzigingen als gevolg van nieuwe wettelijke vereisten, met name ten aanzien van het Financieel Toetsingskader (<http://www.toezicht.dnb.nl/binaries/50-232604.pdf>)
- Sectorbrief van 16 januari 2013: op welke wijze pensioenfondsen het beleggingsbeleid nader kunnen uitwerken zodat sprake is van een voldoende specifieke opdrachtverlening bij uitbesteding van het vermogensbeheer (<http://www.toezicht.dnb.nl/binaries/50-227343.pdf>)
- Sectorbrief van 29 augustus 2013 inzake het renterisico (<http://www.toezicht.dnb.nl/binaries/50-228677.pdf>)
- Kader voor integraal risicomanagement (<http://www.toezicht.dnb.nl/3/50-223998.jsp>)
- Normenkader beleggingskennis (<http://www.toezicht.dnb.nl/binaries/50-235985.pdf>)



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**Bevindingen DNB bij vermogensbeheer  
Maarten Heikoop, DNB**

**Zuidoostbeemster, 7 september 2017**

**Hartelijke dank voor uw aandacht**

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**2017**



**De in's & out's van non-listed Real Estate  
Daan van Aert, Kempen Capital Management**

**Zuidoostbeemster, 7 september 2017**



**Alleen voor professioneel gebruik**

# Niet-genoteerd Vastgoed

## Een introductie

Kempen



ASSET MANAGEMENT, 7 SEPTEMBER 2017  
DAAN VAN AERT, HOOFD NIET-GENOTEERD  
VASTGOED

## Agenda

- **Wat: karakteristieken vastgoed**
- Waarom: redenen om in vastgoed te beleggen
- Proces: allocatie en implementatie
- Hoe: type structuren en technologie
- Samenvattend + overweging







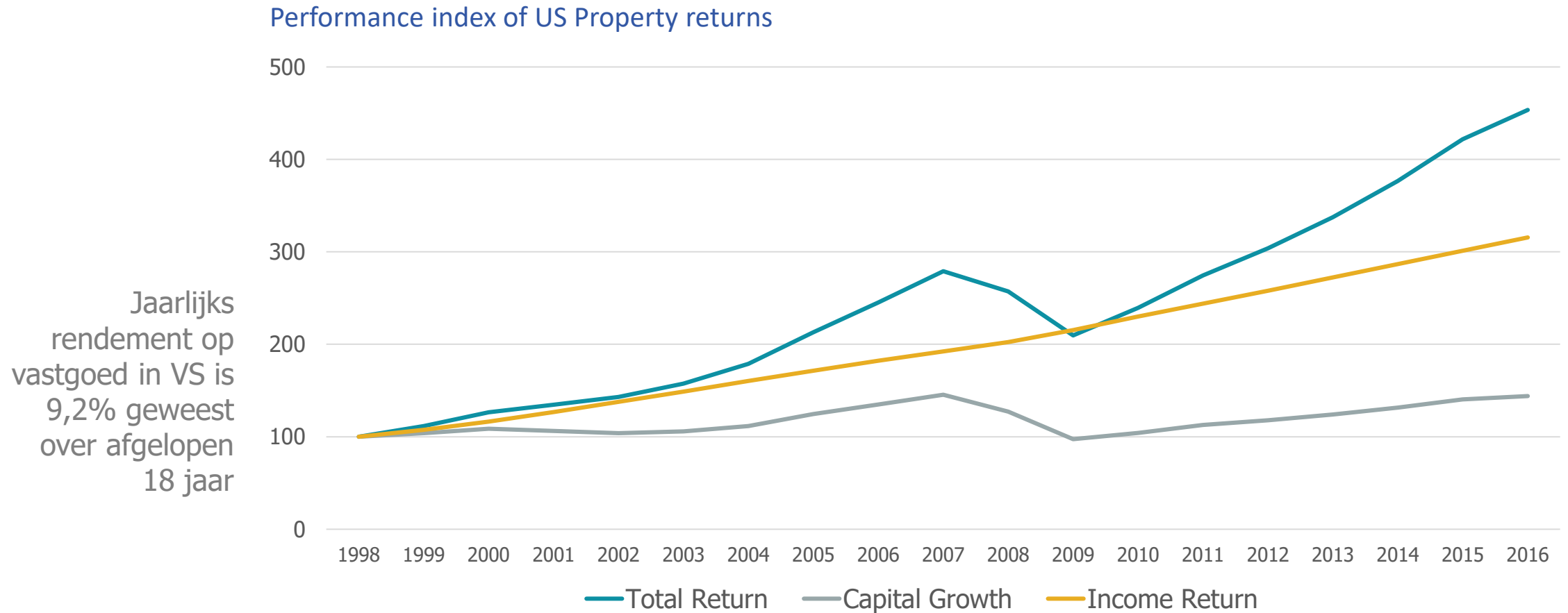


## Agenda

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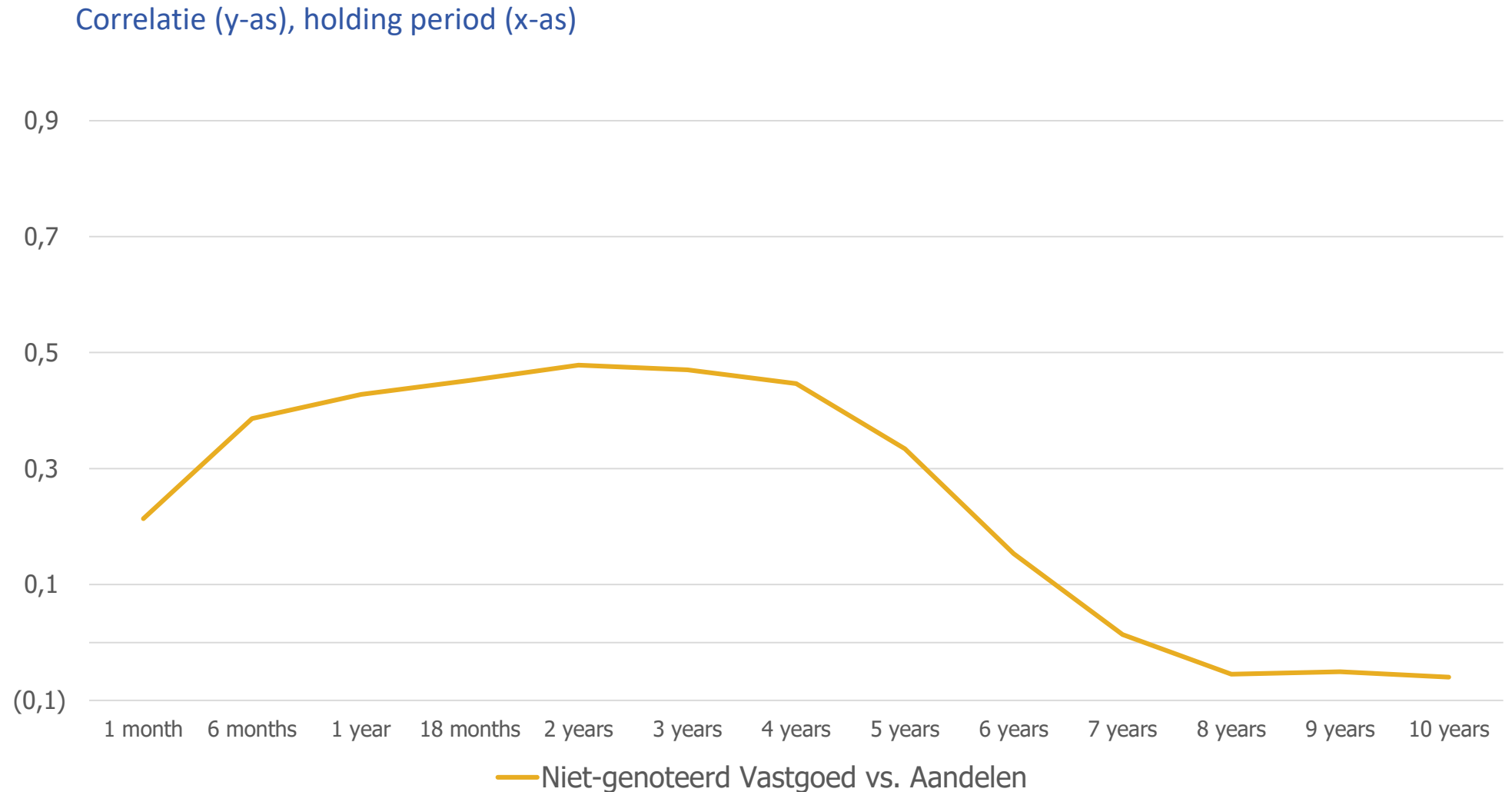


# Aantrekkelijk rendementen met dominant en stabiel groeiend inkomensrendement





# Diversificatie: lage correlatie van Vastgoed met Aandelen

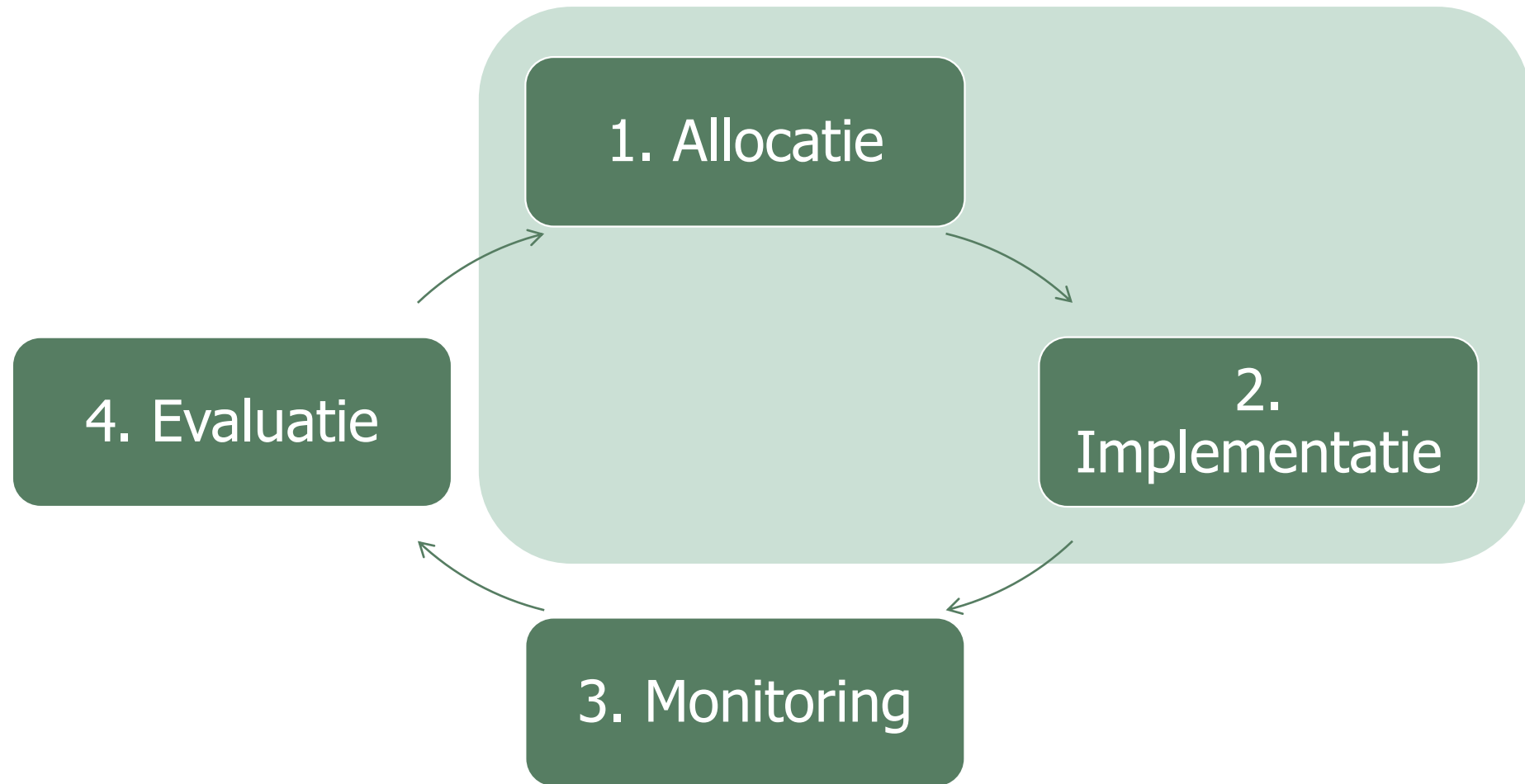


## Agenda

- Wat: karakteristieken vastgoed
- Waarom: redenen om in vastgoed te beleggen
- **Proces: allocatie en implementatie**
- Hoe: type structuren en technologie
- Samenvattend + overweging



## Proces: top-down allocatie en bottom-up implementatie



# 1. Allocatie: thematisch met lange termijn perspectief

Structureel



Woningen



Logistiek

Selectief

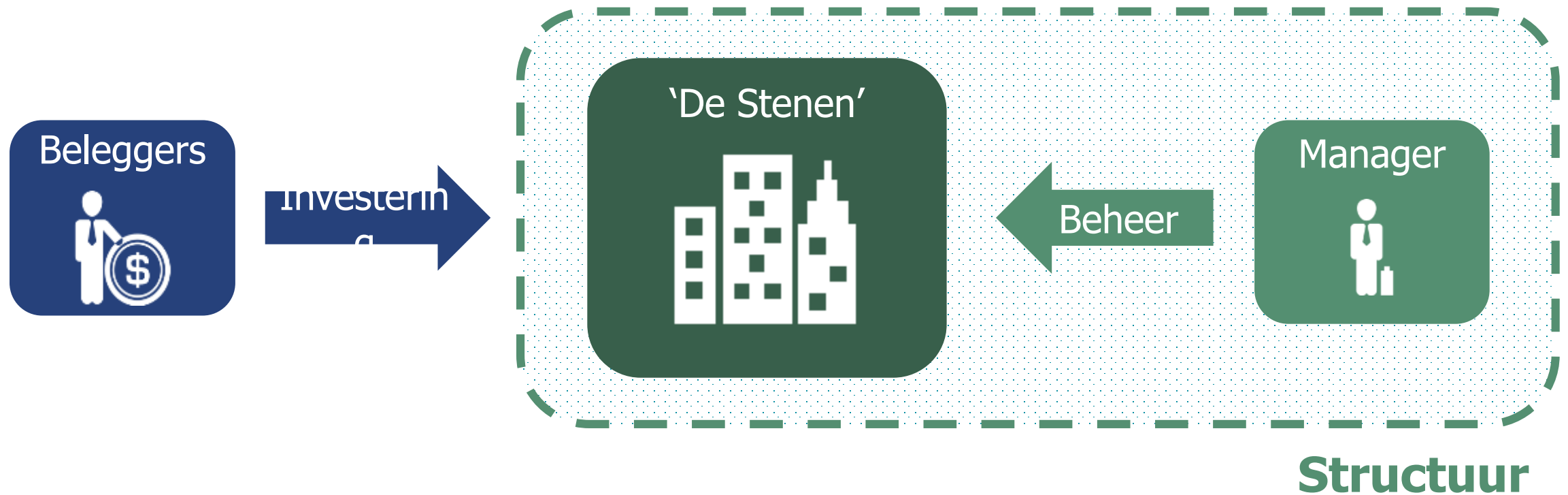


Winkel

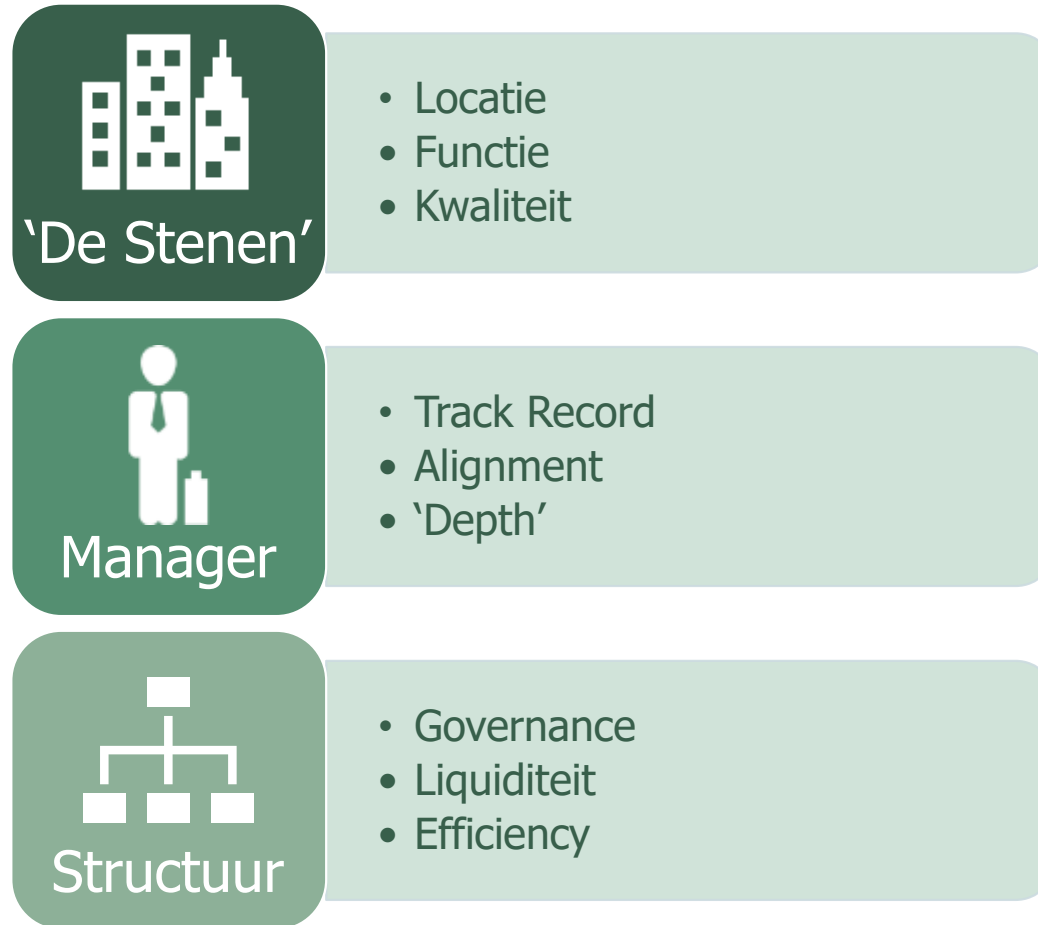


Kantoren

## 2. Implementatie: Bouwstenen om in Vastgoed te beleggen



## 2. Implementatie: Key elementen om te onderzoeken



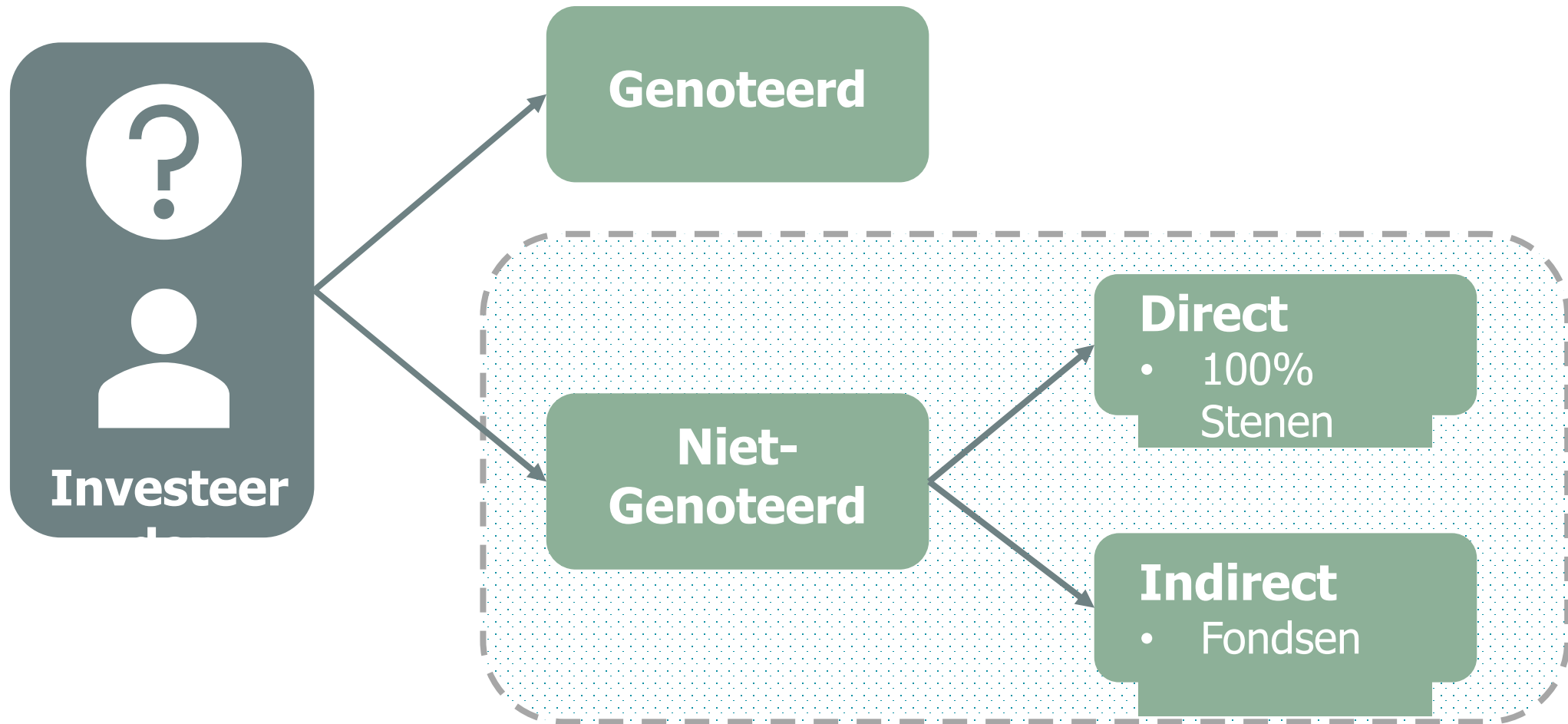




## Agenda

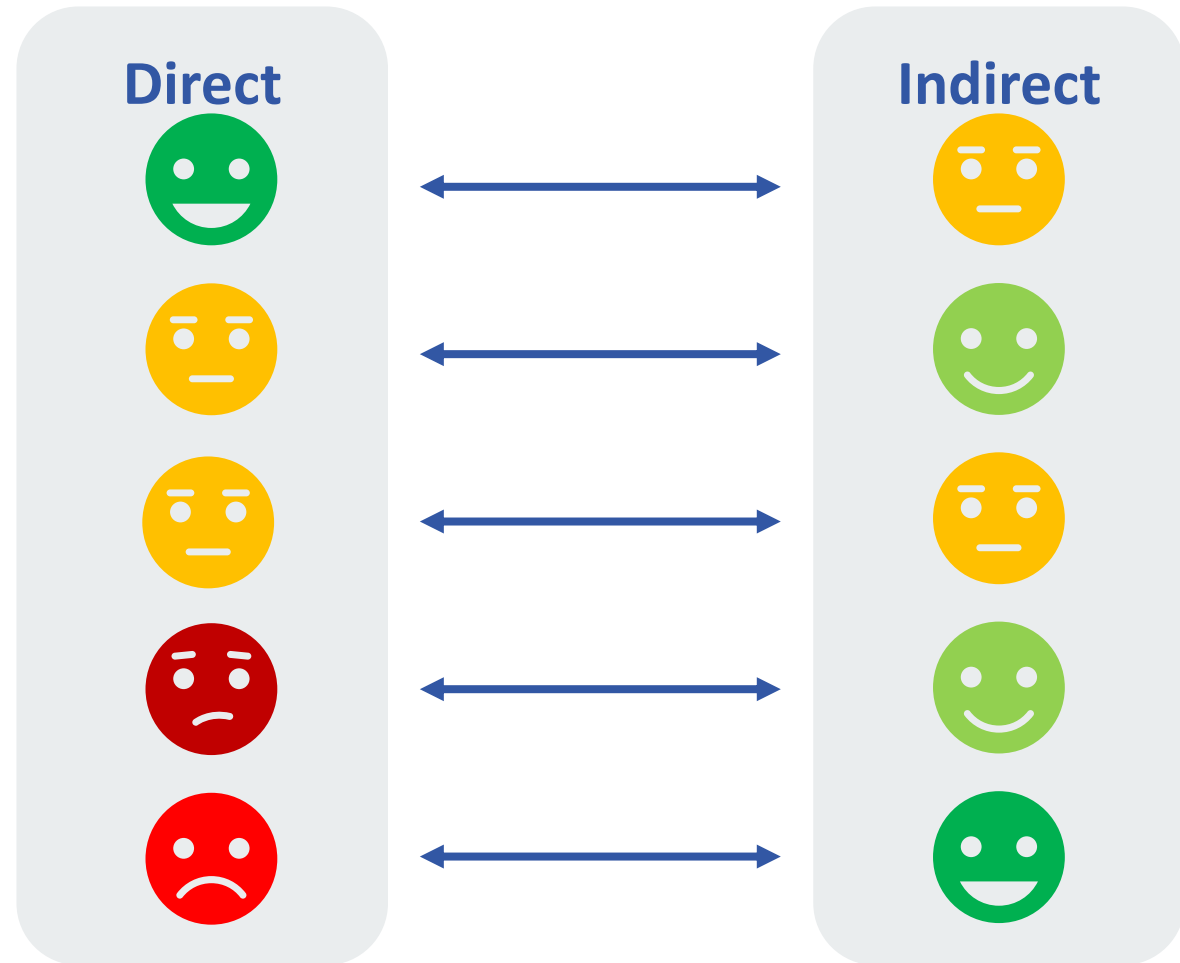
- Wat: karakteristieken vastgoed
- Waarom: redenen om in vastgoed te beleggen
- Proces: allocatie en implementatie
- **Hoe: type structuren en technologie**
- Samenvattend + overweging

## Type structuren: diverse mogelijkheden om te beleggen



# Niet-genoteerde structuren: afwegingen tussen direct en indirect

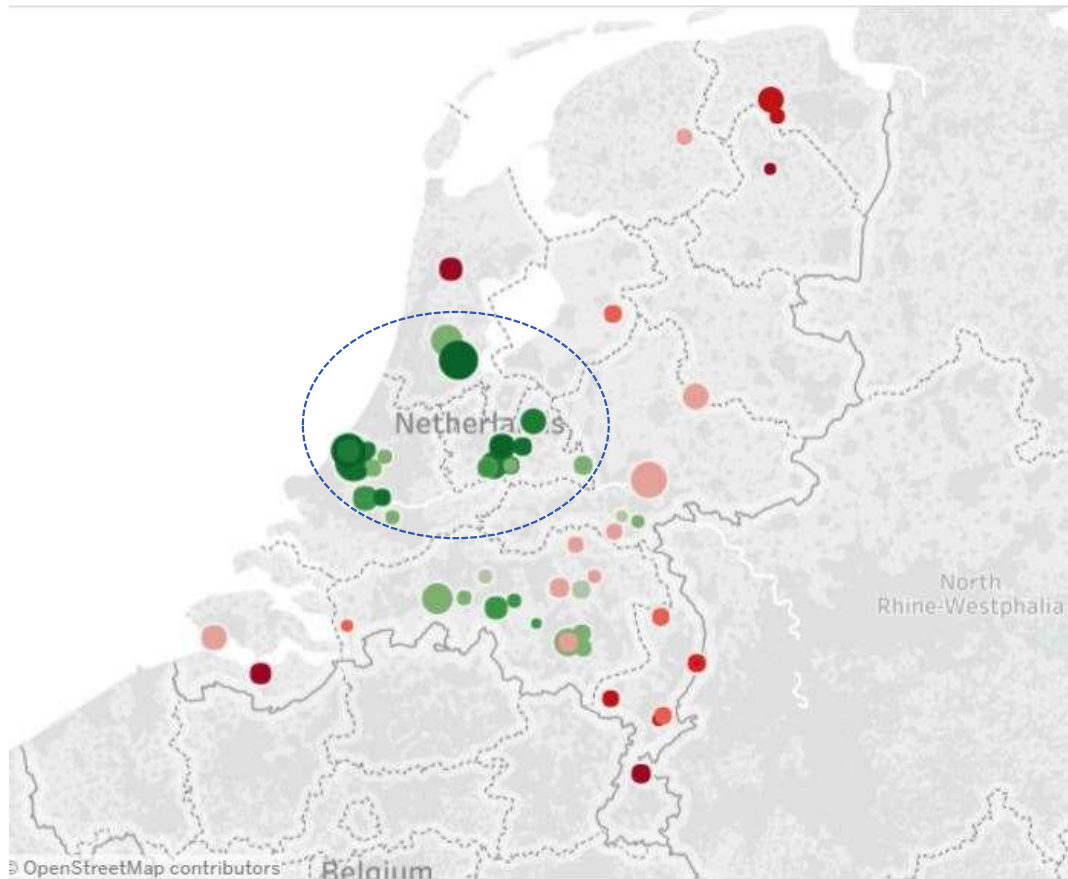
- 1. Governance: invloed**
- 2. Diversificatie**
- 3. Liquiditeit**
- 4. Kosten**
- 5. Bestuursaanricht**



# Technologie: betrouwbare data van vastgoedobjecten leidt tot scherpere portefeuille vergelijkingen



# Voorbeeld: Inzicht kwaliteit objecten Nederlands woningfonds



## General Fund Information

Gross asset value €1,214m  
Net asset value €1,162m

Total number of properties 131  
Total number of residential units 6,083  
Occupancy rate 96.2%

Gross yield 5.7%  
Net yield 4.3%  
Leverage 0.7%

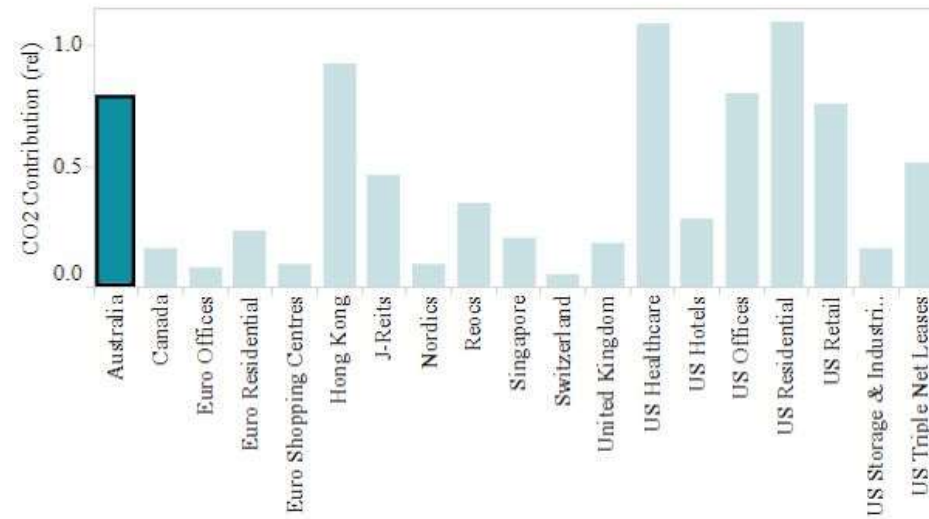
## Avg. Atlas Location Score [1/10]

Province	
Noord Holland	9.4
Utrecht	8.6
Zuid Holland	8.3
Gelderland	7.0
Noord Brabant	6.5
Overijssel	4.0
Flevoland	4.0
Zeeland	3.0
Limburg	2.7
Friesland	2.0
Groningen	2.0
Drenthe	1.0

Name	Province	Annual base rent in EUR	Date constructed	Year Renovated	Number of apartments	Number of commercial leases	Number of garages	Number of parking spaces	Number of single family houses	Atlas Location Score
Abersland	Gelderland	354,000	1988						32	5
Agnetapark	Zuid Holland	319,000	1963		48					10
Andreas Ensemble I	Noord Holland	983,000	2010		51			51		10
Andreas Ensemble II	Noord Holland	677,000	2011		31			32		10
Apollo	Utrecht	582,000	1975						50	7
Aquadriga I	Zuid Holland	653,000	1999		71					9

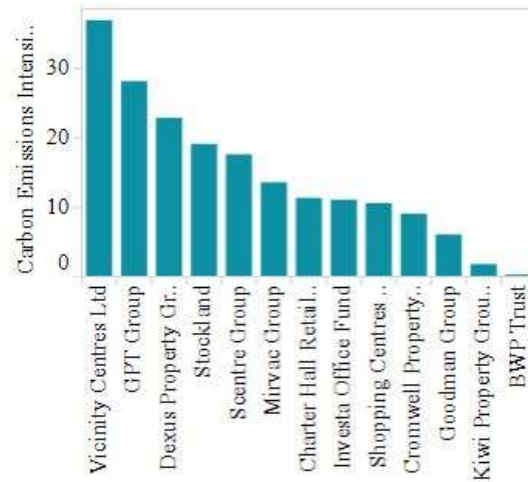
# Voorbeeld: CO2 emissies

Portfolio: K(Lux)GPF Exposure: Portfolio Exposure Company Names: (All)



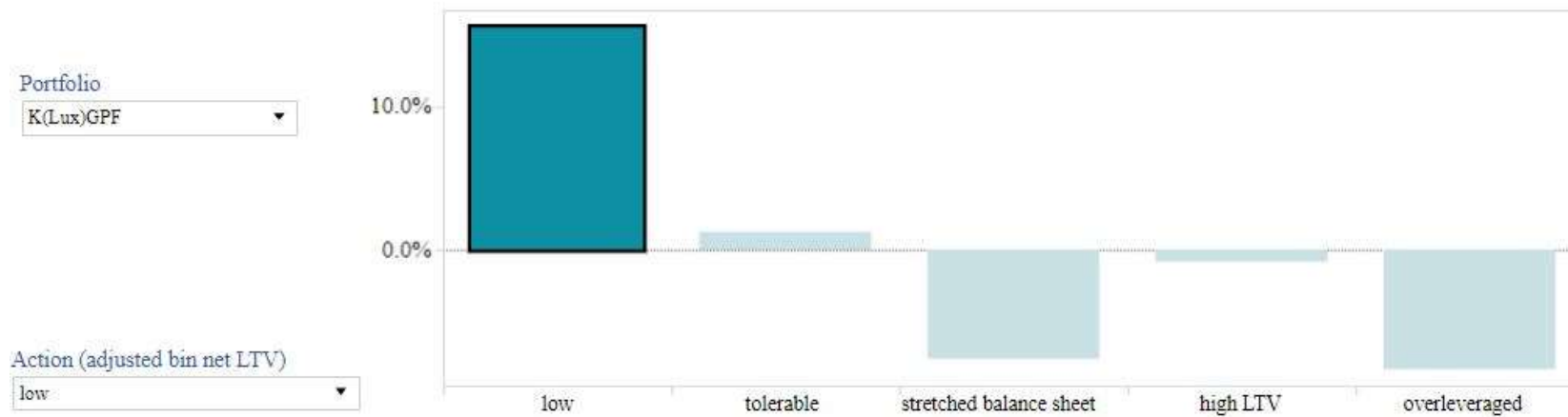
Portfolio CO2 Intensity: 8.3 CO2 Emissions / Rental Revenue  
 Benchmark CO2 Intensity: 10.1 CO2 Emissions / Rental Revenue

Company Names	PortfolioWght	BenchmarkWg..	Carbon Emissions Intensity	CO2 Contribution
BWP Trust	0.0%	0.1%	0.2	0.00
Charter Hall Retail REIT	0.0%	0.1%	11.2	-0.01
Cromwell Property Gro..	0.0%	0.1%	8.9	-0.01
Dexus Property Group	0.0%	0.5%	22.7	-0.12
Goodman Group	0.0%	0.8%	6.1	-0.05
GPT Group	0.0%	0.5%	28.0	-0.14
Investa Office Fund	0.0%	0.1%	11.0	-0.02
Kiwi Property Group Ltd	0.0%	0.1%	1.8	0.00
Mirvac Group	1.4%	0.5%	13.5	0.13
Scentre Group	3.4%	1.1%	17.4	0.39
Shopping Centres Austr..	0.0%	0.1%	10.6	-0.01
Stockland	0.0%	0.6%	18.9	-0.11
Vicinity Centres Ltd	0.0%	0.5%	36.6	-0.17





# Voorbeeld: Leverage



	LTV	net LTV	Portfolio	Benchmark	
Simon Property Group	30%	30%	6.3%	3.4%	
ProLogis	32%	32%	4.1%	2.3%	
Public Storage	14%	14%	0.8%	2.1%	
Avalonbay Communit..	23%	23%	2.0%	1.8%	
Equity Residential	26%	26%	3.1%	1.7%	
Cheung Kong Proper..	39%	23%	0.0%	1.7%	
Sun Hung Kai Props	24%	11%	4.2%	1.6%	
Mitsui Fudosan Co..	56%	31%	3.7%	1.4%	
Mitsubishi Estate Co...	56%	29%	0.8%	1.4%	
Boston Properties	29%	29%	3.7%	1.3%	
Link Real Estate Inve..	20%	13%	0.0%	1.3%	
Essex Property Trust	27%	27%	0.0%	1.2%	
Deutsche Wohnen	42%	34%	0.0%	1.0%	
Host Hotels & Resorts	27%	26%	3.2%	0.9%	
Mid-America Apartm..	31%	31%	3.3%	0.8%	
Goodman Group	37%	29%	0.0%	0.8%	
Wharf Holdings	30%	13%	1.6%	0.8%	
Alexandria Real Esta..	35%	35%	2.1%	0.7%	
Duke Realty Corp	22%	22%	0.0%	0.7%	

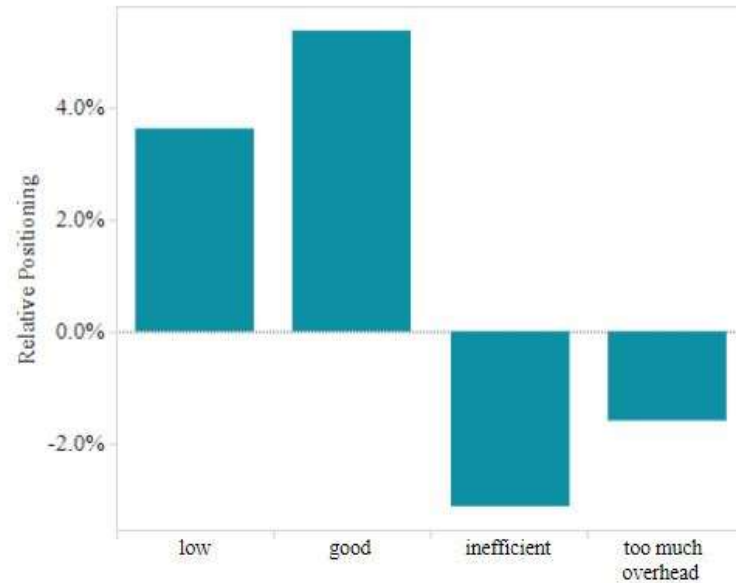
Leverage buckets:

Low: [0% - 35%]  
 Tolerable: [35% - 40%]  
 Stretched Balance Sheet: [40% - 45%]  
 High LTV: [45% - 50%]  
 Overleveraged: [50% - 100%]

	K(Lux)GPF
Portfolio wAvg LTV	35.7%
Benchmark wAvg L...	37.9%

# Voorbeeld: Overhead kosten

Portfolio  
K(Lux)GPF



Portfolio overhead cost ratio: 0.45%

Benchmark overhead cost ratio: 0.54%

bin O/A	Company Names	Overhead/GAV	Relative Weight
low	Simon Property Group	0.19%	2.91%
	Sun Hung Kai Props	0.19%	2.59%
	Gecina	0.40%	2.55%
	Mid-America Apartment Co..	0.31%	2.45%
	Regency Centers Corporati..	0.40%	2.45%
	Boston Properties	0.35%	2.45%
	Healthcare Trust of Americ..	0.38%	2.34%
	Scentre Group	0.24%	2.26%
	Mitsui Fudosan Co.	0.44%	2.22%
	Hysan Development	0.29%	2.10%
	Mapletree Commercial Trust	0.46%	1.88%
	First Capital Realty	0.39%	1.61%
	Ventas Inc	0.40%	1.55%
	Hufvudstaden AB	0.12%	1.46%
	Equity Residential	0.35%	1.43%
	Alexandria Real Estate Equ..	0.44%	1.37%
	Kenedix Office Investment ..	0.42%	1.17%
	ADO Properties	0.40%	0.95%
	Canadian Real Estate Inve..	0.32%	0.83%
	Wharf Holdings	0.44%	0.79%
	Activia Properties Inc.	0.40%	0.73%
	PSP Swiss Property	0.41%	0.71%
	DCT Industrial Trust	0.47%	0.66%
	Japan Hotel Reit Investmen..	0.40%	0.53%
	Avalonbay Communities	0.33%	0.18%

Date updated: 08/28/2017

## Agenda

- Wat: karakteristieken vastgoed
- Waarom: redenen om in vastgoed te beleggen
- Proces: allocatie en implementatie
- Hoe: type structuren en technologie
- **Samenvattend + overweging**





# Samenvattend + overweging

## **Vastgoed introductie:**

- Karakteristieken: locatie, functie, kwaliteit
- Redenen: stabiel inkomensrendement en diversificatie
- Proces: top-down allocatie en bottom-up implementatie
- Structuren (de 'Verpakking') kunt u ook gebruiken als kans en niet als beperking
- Big Data + technologie zijn een uitstekend hulpmiddel voor het bepalen van de kwaliteit van het vastgoed

## **Overweging:**

- Moet vastgoed derhalve niet meer integraal aangevlogen worden wanneer het bottom-up in kaart te brengen is (debat!)?

# Vragen? Zie ook onze white paper



Listed and non-listed  
real estate investment -  
why combine the two?

White paper



# Disclaimer

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Conferentie**

**2017**



**De in's & out's van non-listed Real Estate  
Daan van Aert, Kempen Capital Management**

**Zuidoostbeemster, 7 september 2017**

**Hartelijke dank voor uw aandacht**

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**2017**



**Bijzonderheden bij managerselectie proces binnen Private Markets**  
**Peter Hobbs, bfinance**

**Zuidoostbeemster, 7 september 2017**

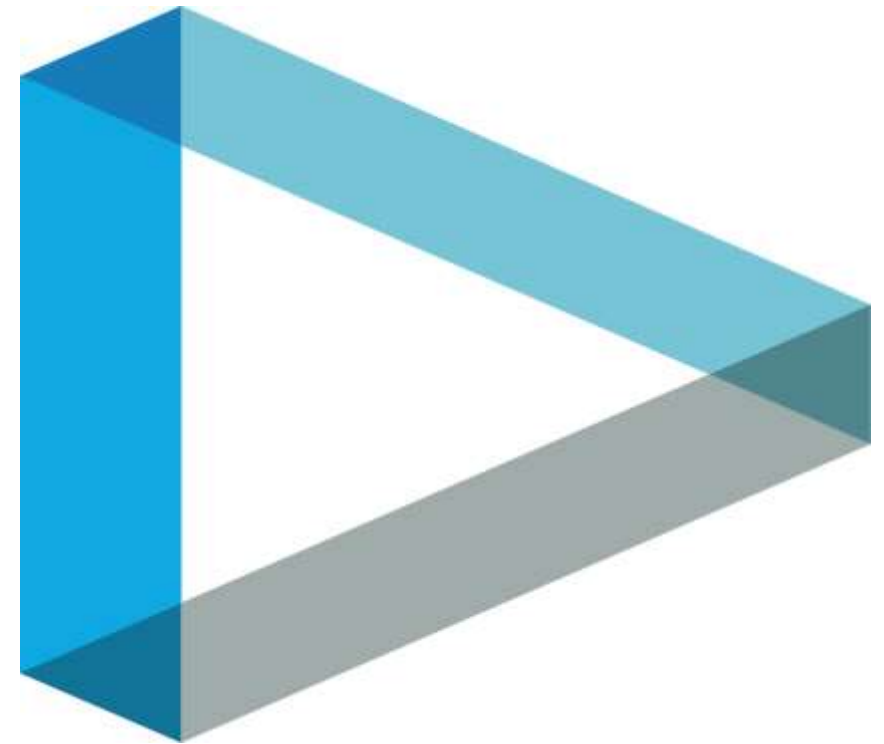


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## **Bijzonderheden bij het managerselectie proces binnen Private Markets, Peter Hobbs**

7 September 2017

# There is A Structural Shift to Alternative or 'Private' Asset Classes...



## INVESTOR ALLOCATIONS PLANNED FOR THE LONGER TERM



Source: Preqin

## Driven by Ability to Provide Diversification, Inflation Protection and/or Return



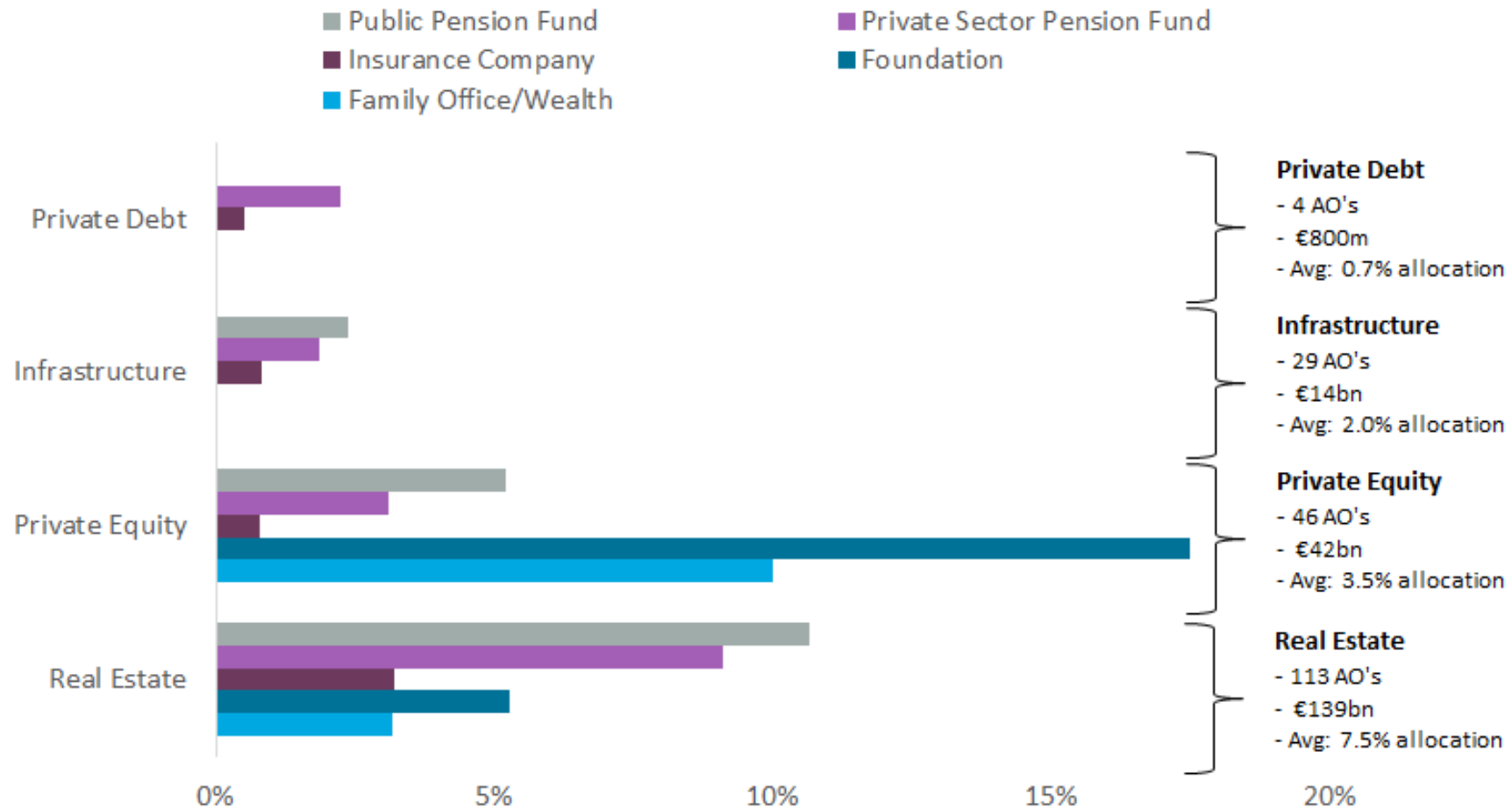
Proposition	Short term (annual)	Medium term (5 years)	Long term (cycle)
<b>1. Diversification</b>	Yes (regulatory)	Yes (true)	Possibly (depends on corr stab)
<b>2. Inflation protection</b>	No	Maybe (difficult to model)	Yes
<b>3. Return</b>	Possibly (pending pricing)	Possibly (pending pricing)	Illiquidity premium

*Source: Brunswick Real Estate, May 2017*

# Even if there are Marked Variations by Private Asset Class and by Type of Investor: The Case of the Netherlands



## ALLOCATIONS OF DUTCH INVESTORS TO KEY PRIVATE ASSET CLASSES



Note: Based on those investors with an identified allocation to the relevant asset class

Source: Preqin; bfinance



## Significant Opportunities, BUT, Private Asset Classes Tend to be...



**EXPENSIVE**

***“20% OF OUR INVESTMENTS ARE RESPONSIBLE  
FOR 80% OF OUR COSTS”***

**&**

***“RELATIVELY CHEAP BUT ABSOLUTELY  
EXPENSIVE”***

**ILLIQUID**

***“ILLIQUIDITY MAGNIFIES THE RISKS – UNLIKE  
PUBLIC MARKETS, YOU CAN’T GET OUT”***

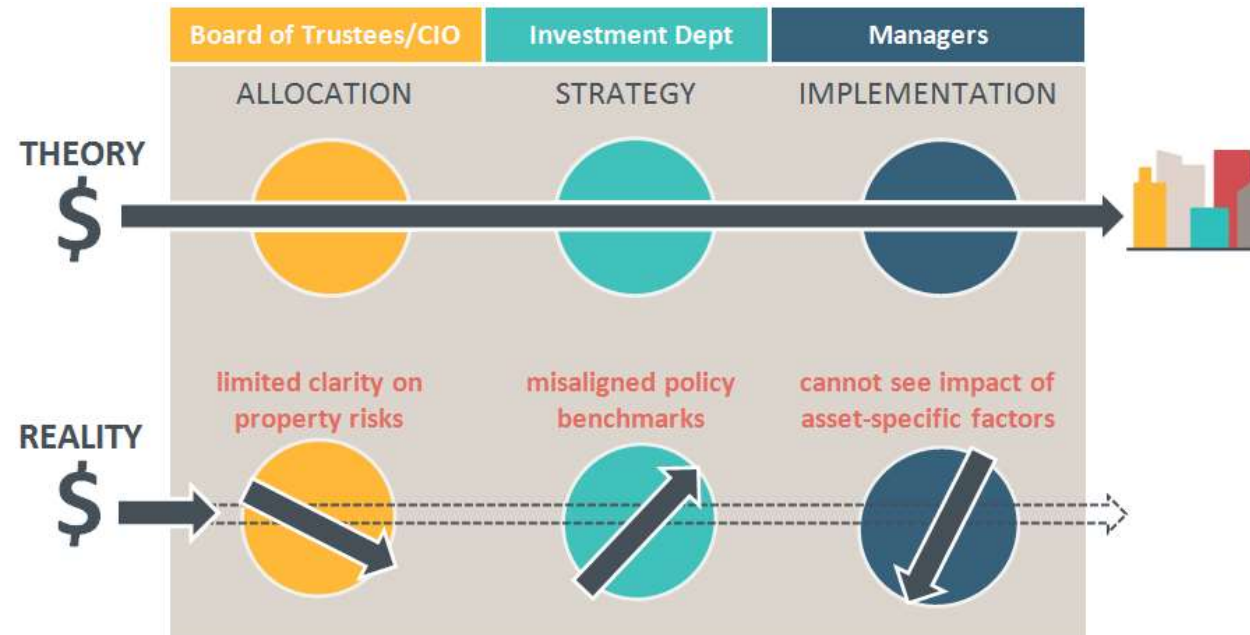
**OPAQUE**

***“CLUNKY AND POORLY UNDERSTOOD,  
PARTICULARLY AT THE BOARD LEVEL”***

# Fundamental Requirement for Good Investment is Strong Alignment Through the Process



## OBJECTIVES AND EXECUTION OPTIONS CAN CREATE A DISJOINTED INVESTMENT PROCESS

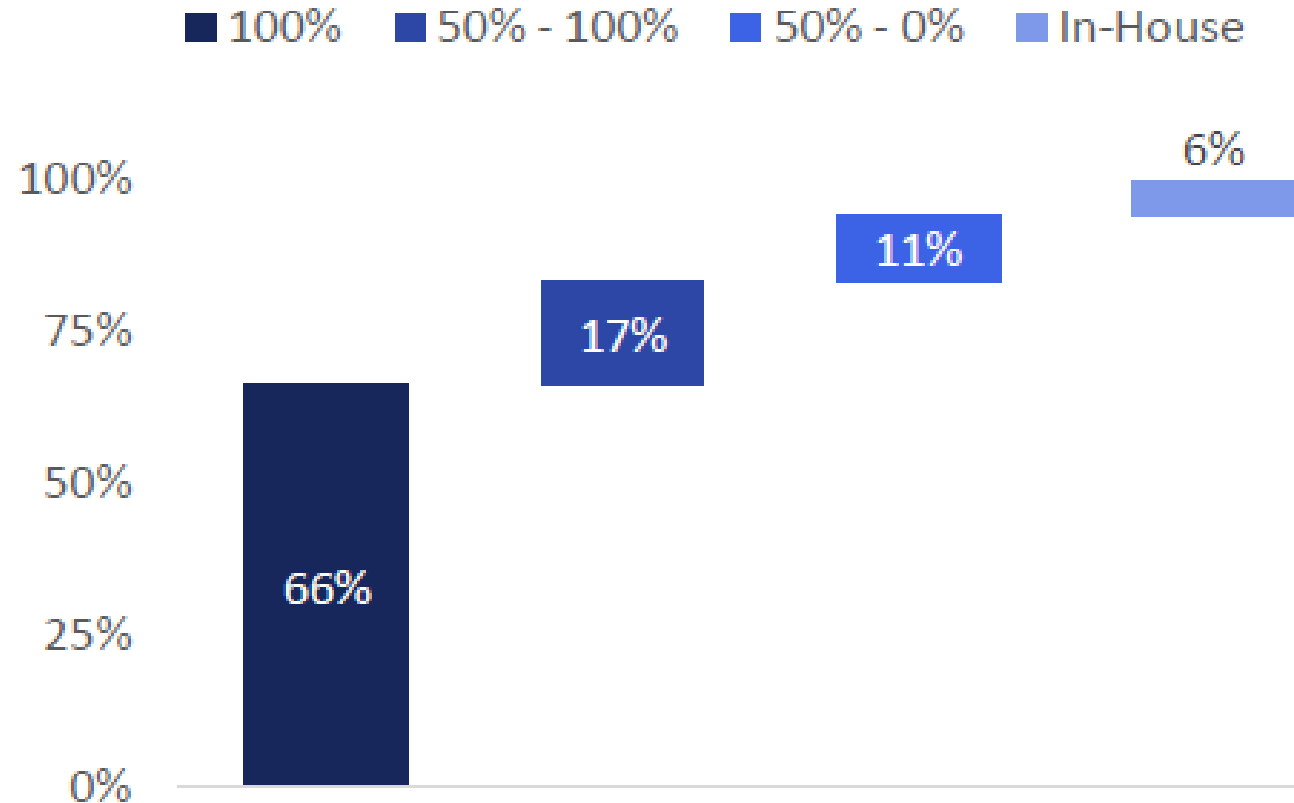


*“...lack of clarity over the role of real estate creates the potential for misalignment through the real estate investment process. Most fundamentally, this **misalignment can occur between the strategic role for real estate and the actual exposure of the real estate portfolio.**” MSCI Asset Owner Survey, 2014*

# Overwhelming Approach for Private Asset Classes is to Outsource Investment Management

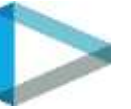


## % OF PORTFOLIO OUTSOURCED TO THIRD PARTY MANAGERS

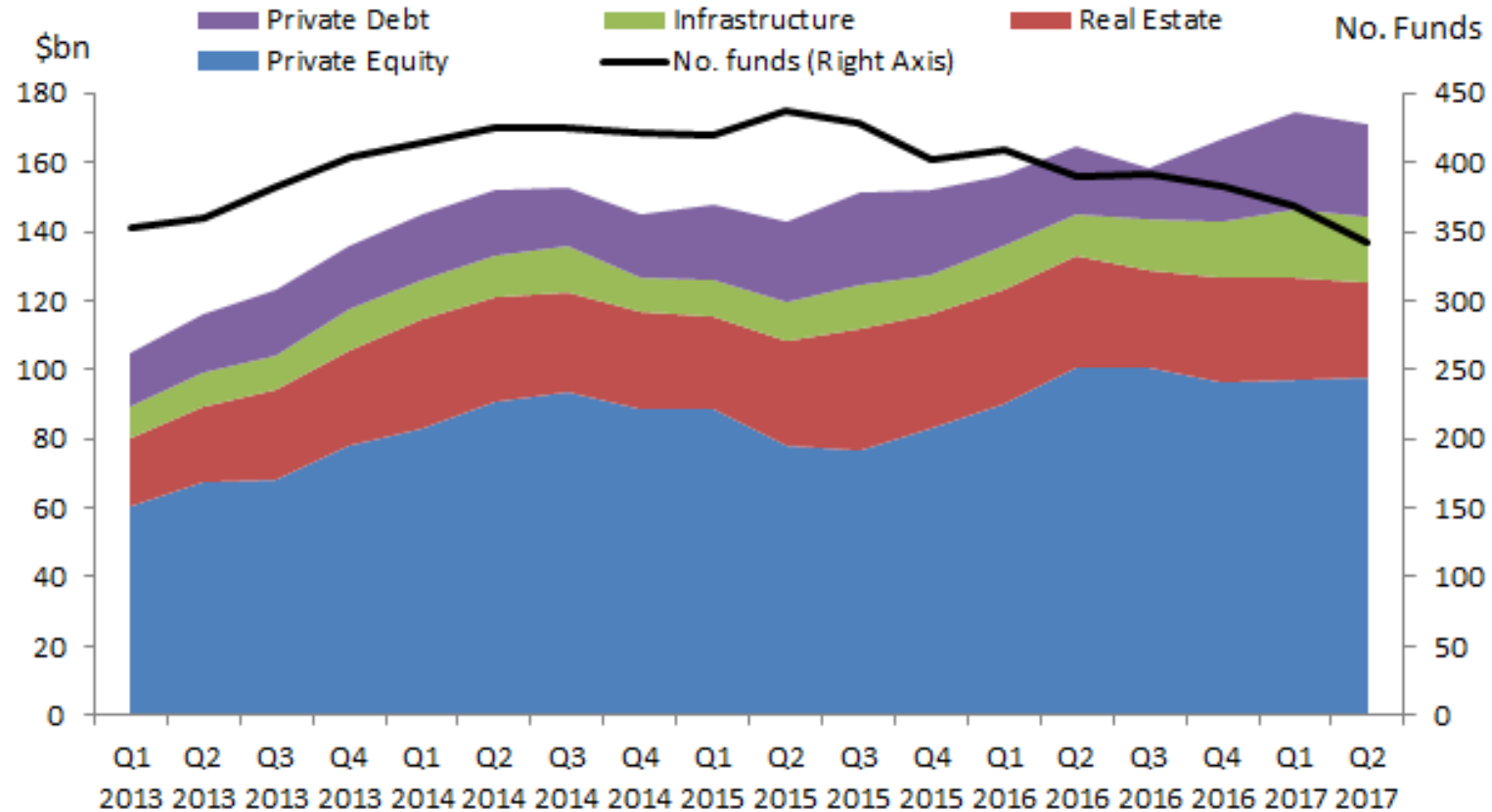


Note: Based on Real Estate Investment Management;  
Source: HodesWeill 2016

# With a Wide Range of Options for Investors



## QUARTERLY CAPITAL RAISED AND FUND CLOSED FOR PRIVATE ASSET CLASSES



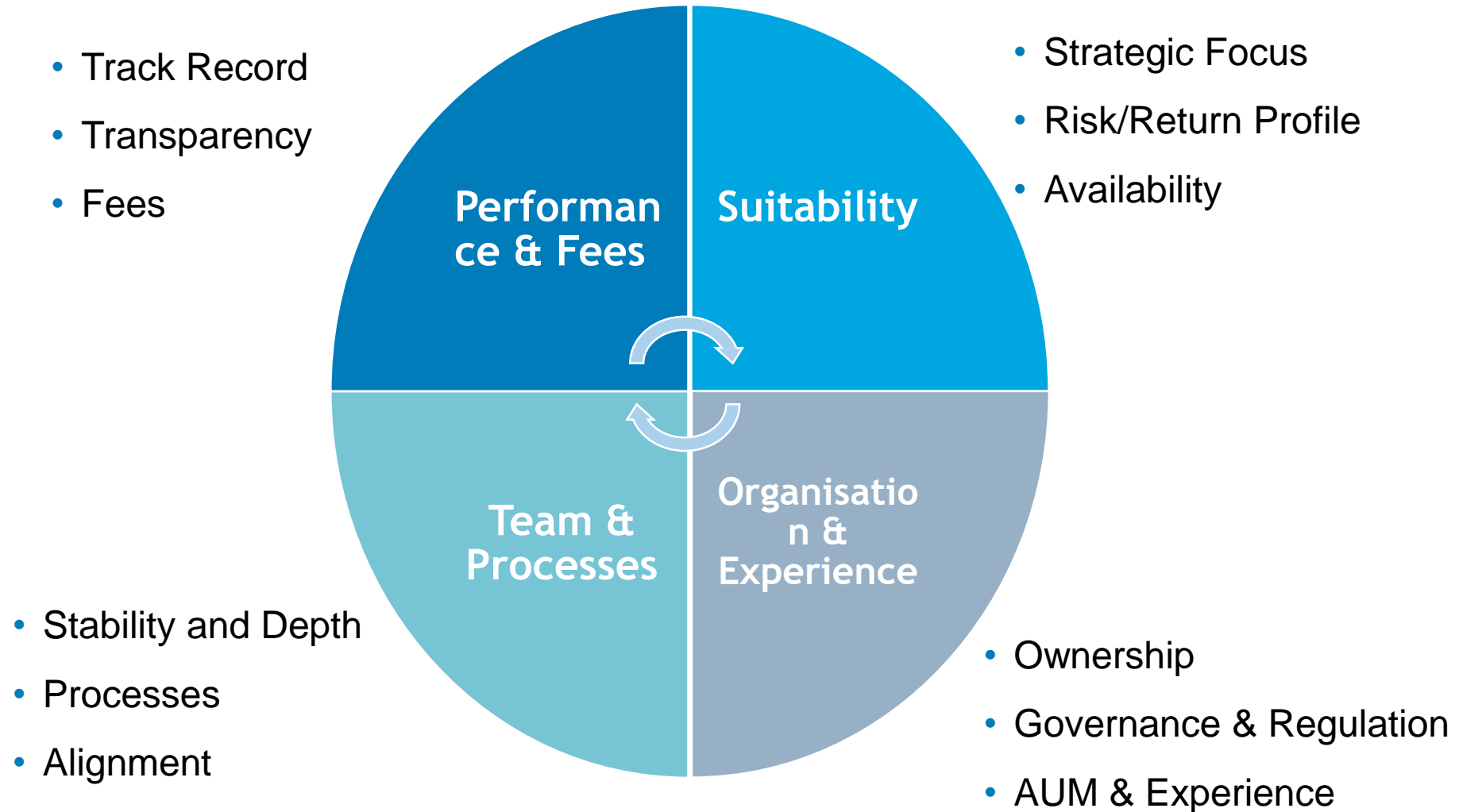
Note: Rolling quarterly capital raised and number of funds closed

Source: Preqin; bfinance

# Given the Emphasis on Outsourcing, a Critical Step Involves Effective Manager Selection

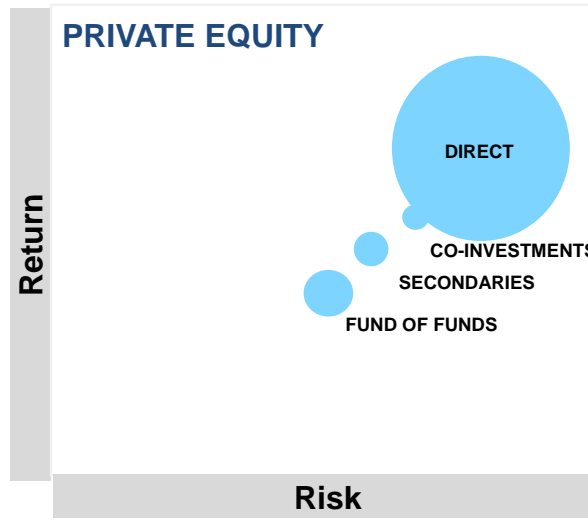
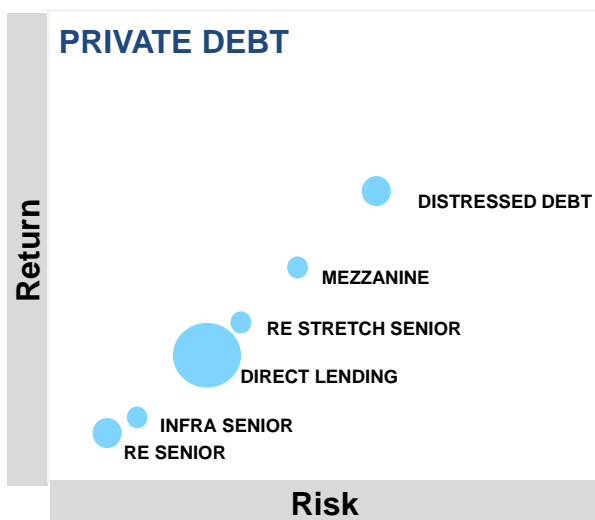
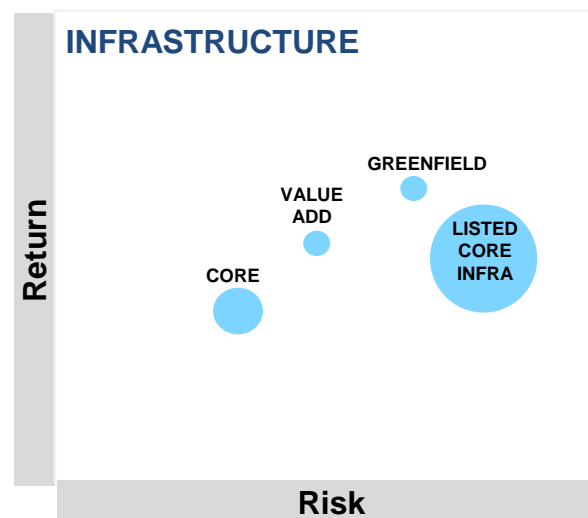
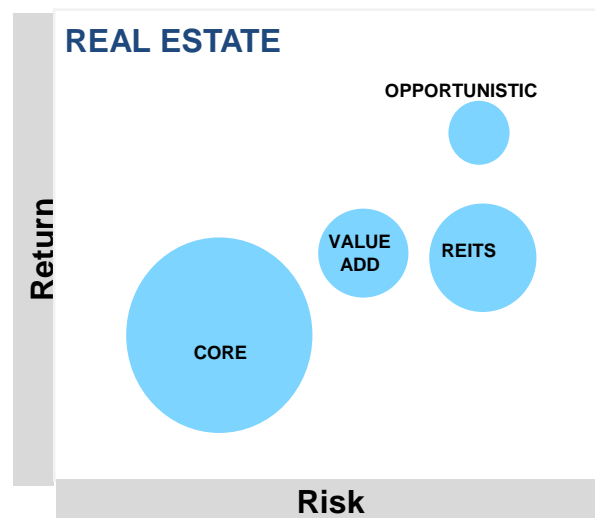


## KEY CONSIDERATIONS FOR MANAGER SELECTION: A SUMMARY





# SUITABILITY: A Spectrum of Opportunities Across Private Markets: Risk, Return and Size of Markets



## Notes and sources:

Based on estimates of investor capital in relevant segments:

- Real Estate: \$5.5tn
- Infrastructure: \$2.2tn
- Private Lending: \$1.3tn
- Private Equity: \$3.8tn

All 'private' allocations except Listed REITs and Infrastructure.

Private Equity and Private Debt based on capital raised by funds over ten years to 2016.

Sources include: bfinance; MSCI; Preqin; RARE

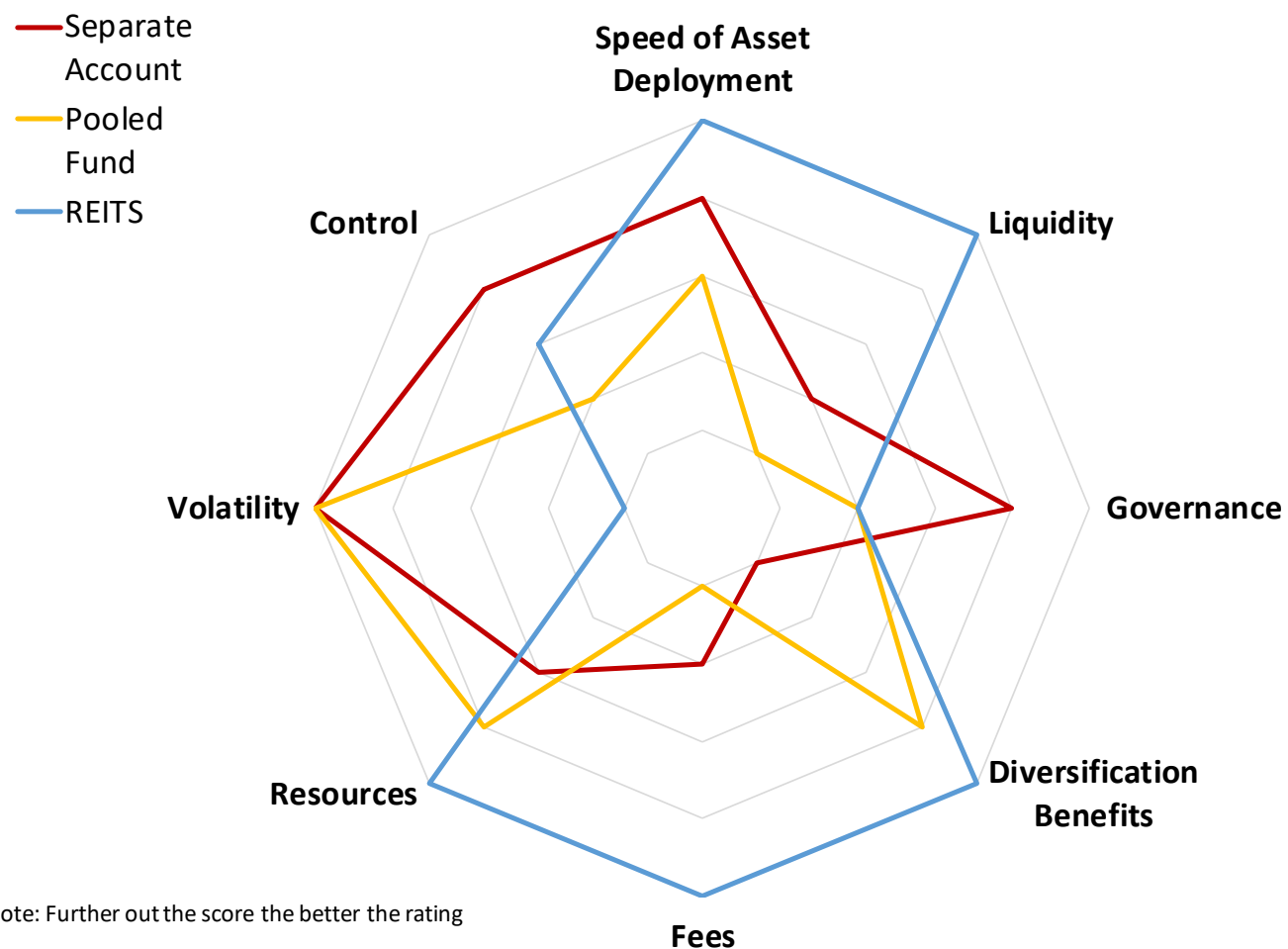




# SUITABILITY: Approach to 'Implementation' is a Critical Strategic Consideration



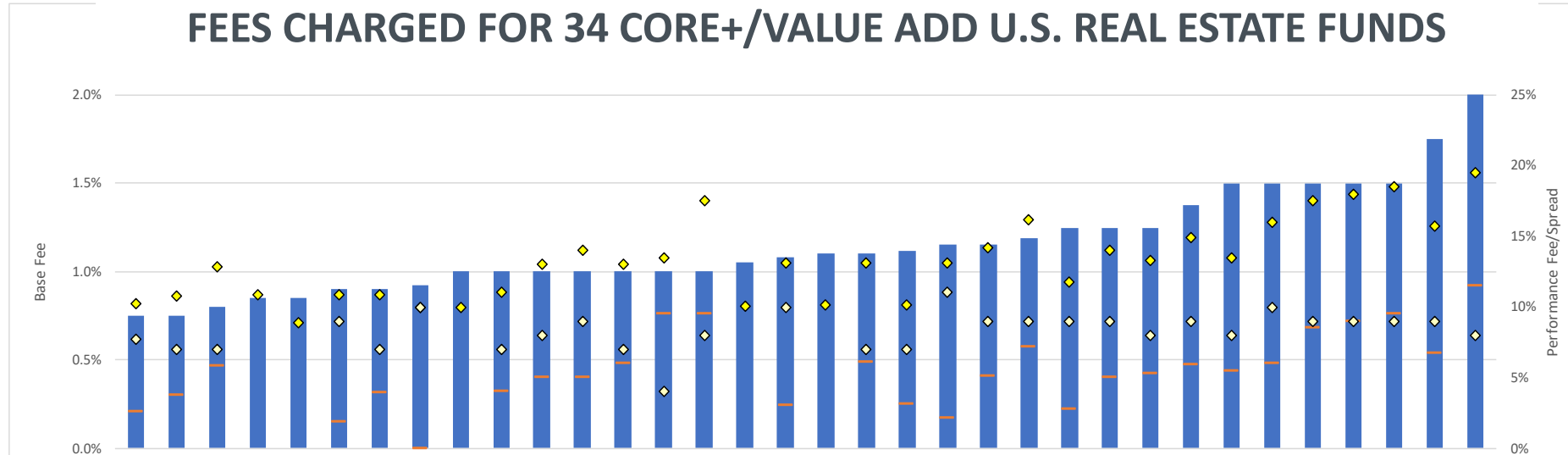
## COMPARISON OF ALTERNATIVE WAYS OF ACCESSING THE REAL ASSET CLASS



Source: bfinance



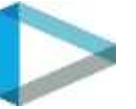
# PERFORMANCE & FEES: Understanding the True Cost of Exposure, Even for Similar Strategies



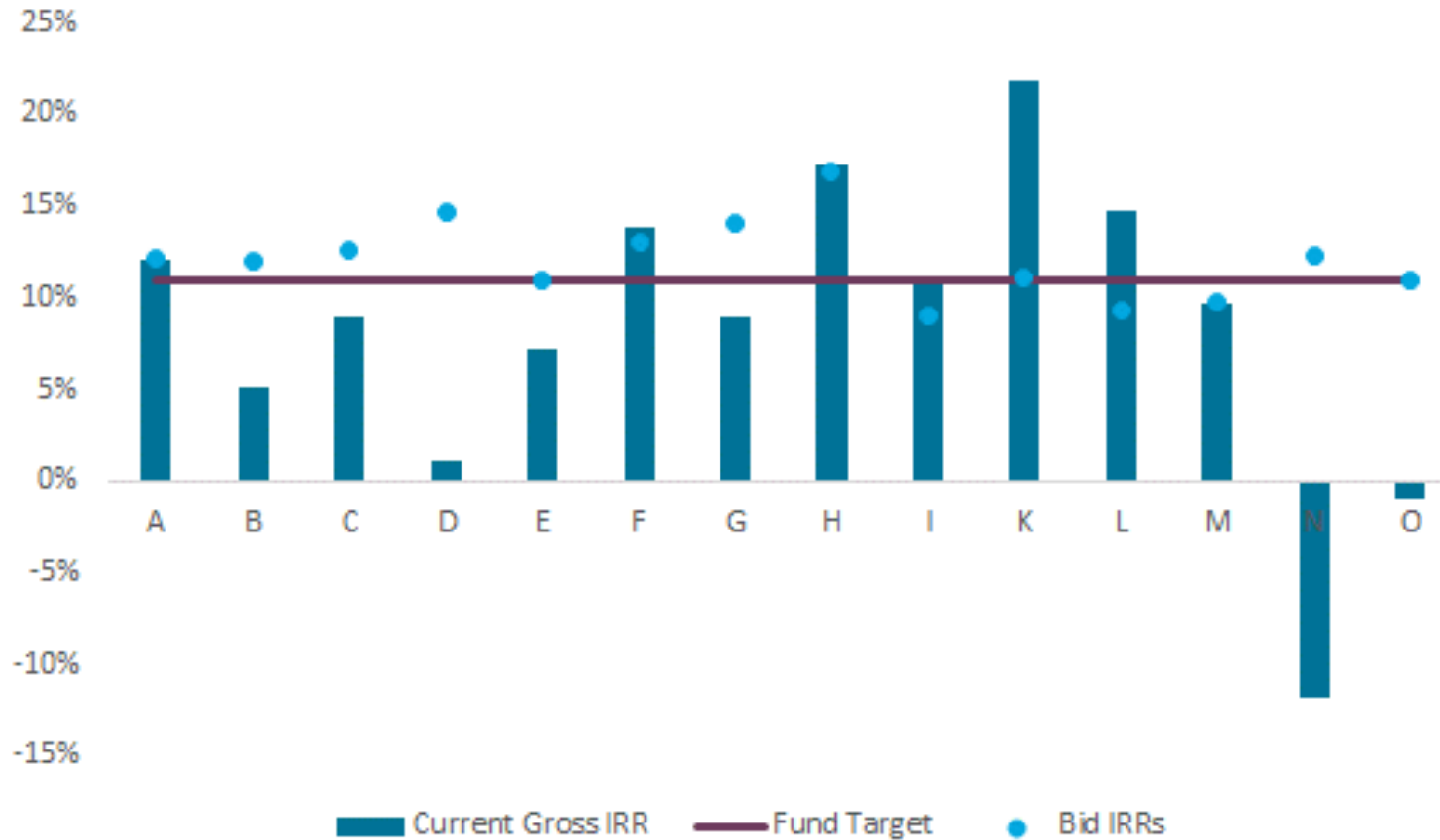
Note: Base fee is Annual Management Fee (other fees such as acquisition fees are generally not included). Perf Target is the Net IRR + Base Fee. Hurdle Rate is included where Performance Fee is charged. The Spread is the difference between the Perf Target and Hurdle Rate as an indication of the 'take' by the manager – the higher the spread the higher the take.



# PERFORMANCE & FEES: Drilling Into the Drivers of Risk and Return



COMPARING PROJECT BID IRR AND CURRENT IRR FOR A GLOBAL INFRASTRUCTURE FUND



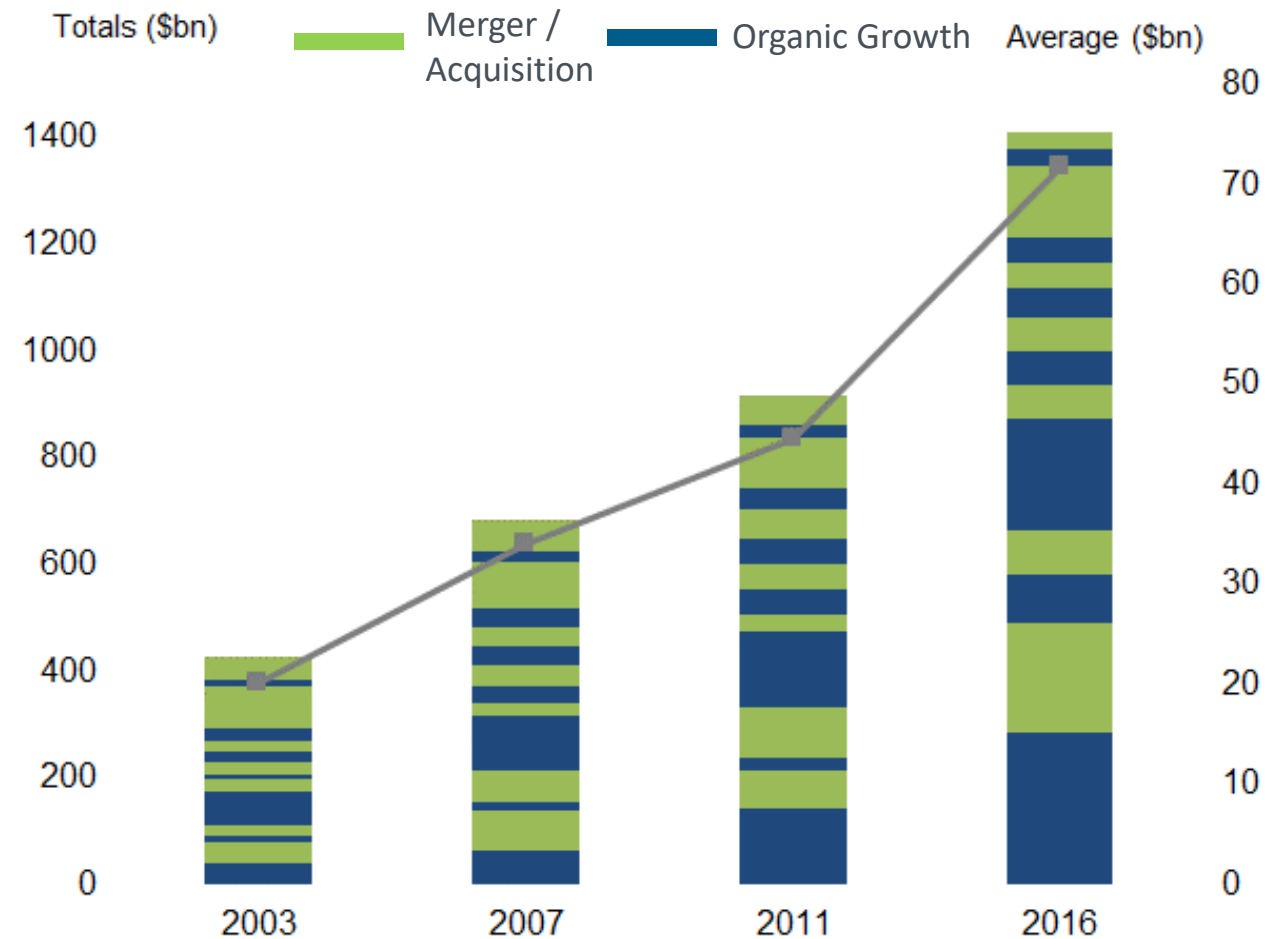
Note: Shows IRR's for a number of projects (A to O); Source: bfinance



# ORGANISATION: The Dynamic Nature of Organisations Mean Change is Inevitable



## AUM OF TOP 20 REAL ESTATE MANAGERS BY SIZE, 2003-16



Source: bfinance; Company Websites; Europroperty; INREV



# ORGANISATION: Understanding the Risks for Different Types of Manager

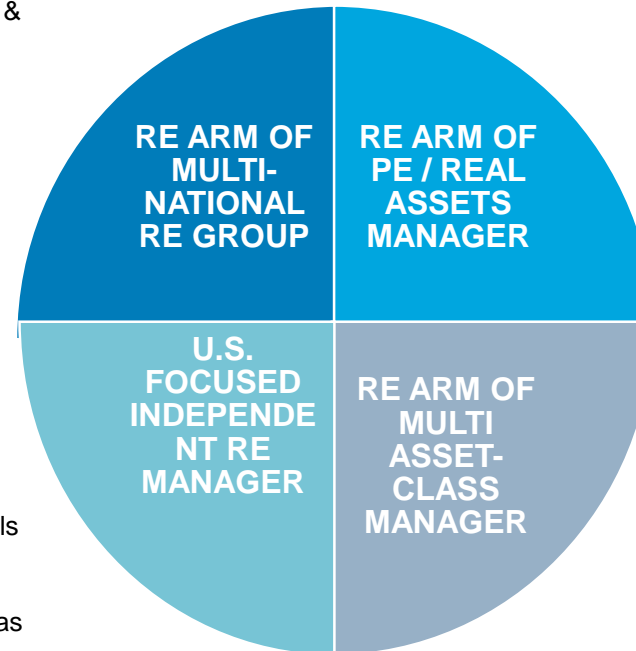


## ARM OF MULTINATIONAL Real Estate ORGANIZATION

- Dedicated focus on Real Estate often with a full range of products and good experience of working with international investors.
- Risks might include potential conflicts of allocation between products (esp SMAs & pooled funds) & Regions
- **Examples:** CBRE; LIM; Heitman; Hines; TA Realty

## REAL ESTATE ARM OF GLOBAL PE/REAL ASSETS MANAGER

- Deep focus on 'Real Assets' investing
- Risks might include:
  - ✓ Priority on more lucrative PE & Opportunistic RE strategies
  - ✓ Tendency to apply PE fee model to lower risk strategies
- **Examples:** Angelo Gordon; Blackstone; Brookfield; Carlyle; Greekoak; Harbert



## U.S. FOCUSED RE MANAGER OWNED BY PARTNERS

- Dedicated to U.S. Real Estate with deeply experienced and aligned investment professionals
- Risks might include:
  - ✓ Limited internal resources and governance
  - ✓ Often less experience of working with overseas investors
  - ✓ Heightened risk of corporate activity.
- **Examples:** ARA; Arel, Berkshire; Crow; Divco; Elmtree, Equus; Federal; Pradium; Stockbridge; Virtus

## REAL ESTATE ARM OF MULTI ASSET-CLASS MANAGER

- Potential to leverage resources & governance of broader platform.
- Risks might include:
  - ✓ Asset gathering philosophy
  - ✓ Insufficient resources & incentives for potentially low margin business lines
  - ✓ Potentially limited benefits from broader platform
- **Examples:** AEW; Bailard; Barings; Clarion; Invesco; JPM; PGIM; Principal; TH; UBS



# TEAM & PROCESSES: Understanding the Strong, Stable and High Performing Teams: Governance



## ESG PERFORMANCE ACROSS GRESB MONITORED FUNDS, AND SECTOR AVERAGES



Source: GRESB

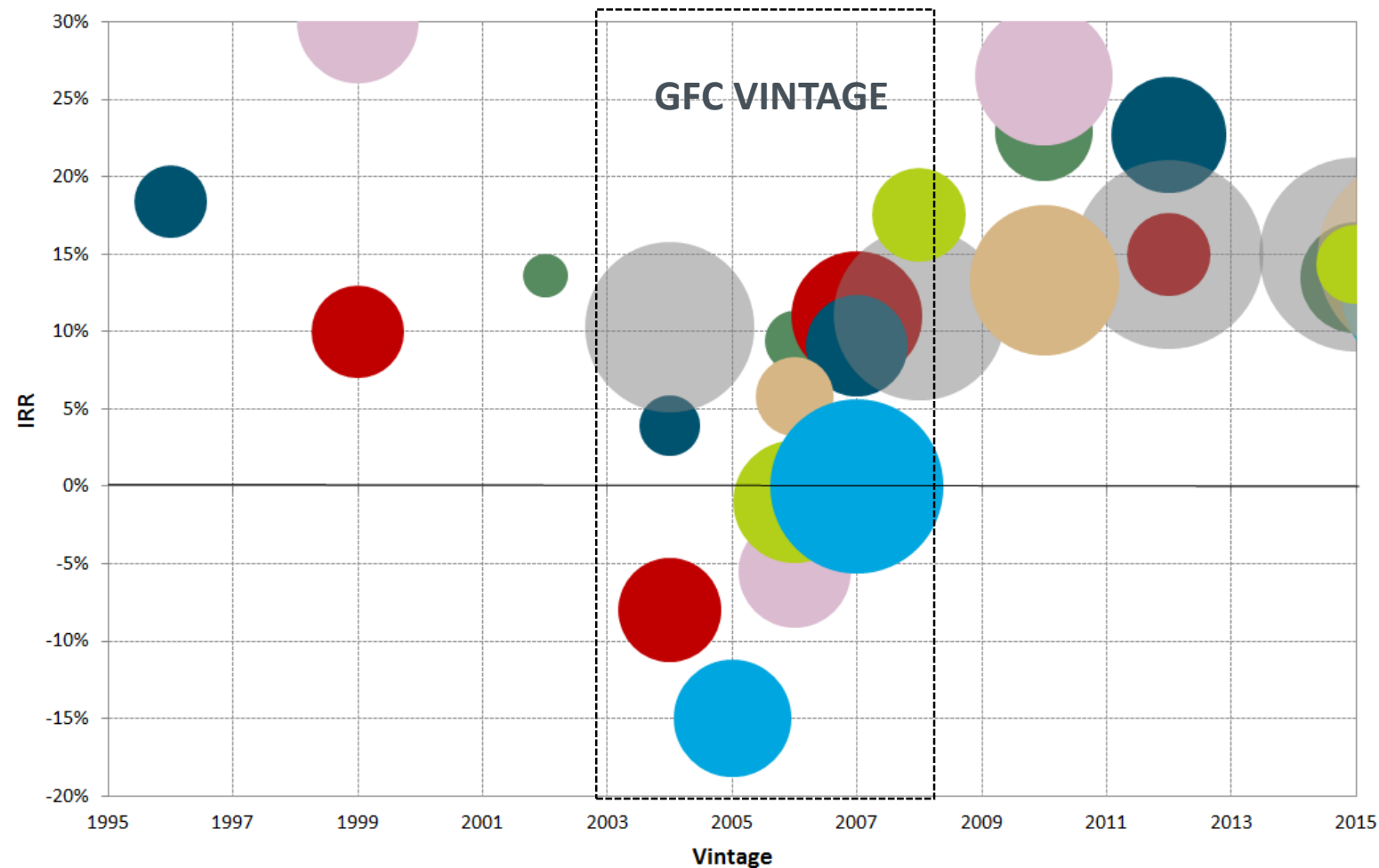




# TEAM: Ability to Deliver, and Explain, When the Going Gets Tough



## SELECT EUROPEAN REAL ESTATE VALUE ADD FUND IRR BY VINTAGE, 1995-2015



Note: Size of bubble indicated equity value of fund. Colour indicates funds from specific managers, except pale blue which are one-time funds  
Source: bfinance

# Challenges Need to be Understood and Overcome to Fulfil The Potential of the Private Asset Classes



EXPENSIVE

ILLIQUID

OPAQUE

***THOROUGH &  
SYSTEMATIC  
ANALYSIS ON  
MANY  
DIMENSIONS:***

***“A HUGE  
AMOUNT OF  
HOMEWORK!”***

**1. Allocation & strategy:**

- ✓ Role of asset class
- ✓ Implementation options
- ✓ Pricing and Prospects

**2. Suitability of offers**

- ✓ Comprehensive
- ✓ Aligned
- ✓ ESG compliance

**3. Confidence in ability to deliver**

- ✓ Corporate structure and change
- ✓ Track record & pipeline
- ✓ Team leadership, coherence etc

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**“Wrap-up”**

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# Digitale Goodiebag

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U ontvangt komende week een Digitale Goodiebag met:

- De presentaties van deze conferentie
- De nodige achtergrond informatie met betrekking tot Private Markets
- Enige White Papers
- Nadere informatie van Slagerij Van der Zon



# Onze hartelijke dank

---



Fons Lute



Maarten Heikoop



Vikram Raju



Daan van Aert



Alex Scott



Peter Hobbs



Daan vd Zon



Robert Lobo



Laurent Gueunier

# BBQ

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