

SPECIAL REPORT: SWITZERLAND COUNTRY REPORT

Private equity funds hold promise for institutional investors in Asia

Private equity (PE) funds hold much promise for Asia's institutional investors and high-net-worth individuals, whose appetite for overseas investing is often quelled by the adverse effects of market volatility. Swiss investment firm Private Equity Holding (PEH) is eyeing stronger partnerships with Asia's fund managers to translate this promise into consistent returns for the region's increasingly savvy investors.

"We believe that private and institutional investors should hold a portion of their wealth in PE because, if done right, it can offer significantly higher returns than investments in the public markets," says Peter Derendinger, partner and CEO of Alpha Associates, Switzerland's leading private equity manager, which has grown PEH from strength to strength since taking over the management in 2004.

PEH has demonstrated the superiority of PE investing through its performance. Since 2004, the company's net asset value has grown by more than 130 per cent and even remained stable during the global financial crisis. Additionally, with markets recovering following the 2008 crisis, the PEH share price has continued to significantly outperform the LPX50 and MSCI World Indices with progressively widening gaps since 2010.

"We offer an efficient way of getting exposure to PE especially for smaller investors," says Petra



Peter Derendinger, partner and CEO, Alpha Associates

Salesny, partner at Alpha Associates. "It's not that easy if you try to build this up yourself, as private equity funds typically require minimum investments of US\$5 million."

"The most important thing is to find great opportunities and great managers – selection is key," Derendinger says. "Over the long term, for those that are patient enough, the asset base grows more consistently and to a higher level than an investment in any other asset class."

For instance, fixed-income instruments such as government bonds offer minimal returns, while hedge funds tend to be too risky for an investor who is not watching the market 24/7.

With Asian institutional investors accounting for about a fifth of global institutional capital and their

acquisitions expanding almost fourfold between 2008 and 2012, they are a formidable force in global markets. Through PE investments, their value could grow tremendously.

"The potential going forward is huge," says Dr Hans Baumgartner, chairman of the board at PEH.

Listed on the SIX Swiss Exchange, PEH has been providing shareholders with increasing dividends owing to the success of its diversified investment strategy. Aside from mid-market buyouts, PEH gives investors access to venture capital funds and opportunities in secondary assets, distressed and special situations. On average, PEH invests up to US\$20 million in private equity funds and also makes direct co-investments into companies that have a strong global footprint, such as luxury car manufacturer Aston Martin.

PEH is keen on working with Asian private equity fund managers that have established processes and are transparent about their results. The ideal partner is a team that has been working together for a long time, with a proven capacity to manage funds that have delivered consistently good returns.

"The aim is to build a portfolio that is diversified and will age well," Derendinger says. "It's all about discipline, finding the right managers and putting together a portfolio that is diversified in itself and optimised enough to make you sleep well. Those who are patient will see the results in five, 10, 15 or 20 years."