



CASE STUDY: How can I consolidate multiple private equity programs into one standard program?

Client

Multiple group pension funds of a blue-chip European multinational company

Challenge

Devise a comprehensive, turnkey solution to help several international group pension plans consolidate their existing private equity portfolios, actively manage some assets, and build out a diverse, sustainable global private equity program over the long term.

Solution

HarbourVest developed a fund-of-one vehicle and structured it in a manner that enabled the pension plans – some of which were based in different jurisdictions – to participate together in a global private equity program across primary partnerships, secondary transactions, and direct co-investments. The solution addressed issues relating to the consolidation, monitoring, and active management of existing legacy portfolios, as well as associated reporting needs and requirements.

Client Commitment

\$700+ million over a three to four-year investment period

Strategy

Primary partnerships, secondary transactions, and direct co-investments

Geography

Global

Success Indicators

New strategy helped client consolidate, develop, enhance, and broaden its existing private markets strategy

BACKGROUND

Several pension plans within a blue-chip European multinational company had been investing in private equity since the early 1990s, but had taken different approaches to their portfolios. Implementation was generally executed through fund-of-funds investments or by utilizing external advisors, and allocation strategy was driven by the plans and set centrally. Additionally, the plans' internal advisory group was also in the process of being restructured and integrated, which meant fewer resources devoted to assisting the plans in managing their respective programs.

The client's goal was ambitious but straightforward: to team up with a private equity provider that could offer a comprehensive, global enhancement of its existing program across all strategies and geographies. Specifically, the client wanted to build a long-term partnership with a stable, similarly minded firm – one that could offer access to compelling opportunities and develop an optimal structure to cater to internal pension plan clients based in multiple jurisdictions.

The client also wanted to work with a partner that had extensive experience navigating and investing in the secondary market, and one that could "actively" manage its secondary portfolio by deciding when to sell assets to maximize returns and liquidate the portfolio.

Following a competitive selection process, HarbourVest was chosen to partner with the client based on its ability to provide access to high-quality opportunities, the longevity of its track record, depth of expertise, and its global reach and reputation. The client specifically highlighted a strong cultural fit, including the stability of our teams and our unique, independent ownership structure.

SOLUTION

In the end, HarbourVest essentially provided the client with a one-stop shop for its private equity program across the various pension plans – including portfolio construction that took into account legacy assets; investment management; portfolio and fund monitoring services (for new and existing programs); and active portfolio management.

HarbourVest is also performing monitoring and advisory services for the various group pension plan legacy programs, and has developed a turnkey, discretionary private equity program for the group's internal pension fund clients around the world. This required extensive structuring work that took into consideration the numerous client jurisdictions.

VALUE-ADDED SERVICES

Active Portfolio Management. HarbourVest helps the client “actively” manage its secondary portfolio, keeping an eye on the market and deciding when returns may be locked in by selling assets towards the end of their respective fund lives. Another active element which the client appreciated is HarbourVest’s broad involvement on advisory boards, as we sit on 80% of our GP funds’ boards.*

Portfolio Construction. HarbourVest’s ability to develop and apply rigorous investment risk capabilities to the client’s portfolios was a critical consideration.

- > Ability to access top-tier managers globally
- > Expertise in implementing across all stages and geographies
- > Ability to provide strong secondary and direct co-investment solutions as part of the overall program
- > Risk management approach and capabilities

Monitoring and Portfolio Management. HarbourVest was able to offer portfolio monitoring, reporting, and management services that allowed the client to transfer the responsibilities for these tasks to one provider, resulting in a more efficient reporting output.

Customized Portfolio Reporting. HarbourVest provides tailored quarterly and annual reports, regular pipeline updates, and allows the client to monitor the development of existing and new programs through its proprietary online tools.

*As of December 31, 2017

HarbourVest is an independent, global private markets investment specialist with more than 35 years of experience and more than \$50 billion in assets under management. The Firm’s powerful global platform offers clients investment opportunities through primary fund investments, secondary investments, and direct co-investments in commingled funds or separately managed accounts. HarbourVest has more than 400 employees, including more than 100 investment professionals across Asia, Europe, and the Americas. This global team has committed more than \$34 billion to newly-formed funds, completed over \$19 billion in secondary purchases, and invested over \$8 billion directly in operating companies. Partnering with HarbourVest, clients have access to customized solutions, longstanding relationships, actionable insights, and proven results.

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CUSTOMIZED SOLUTIONS

HarbourVest has worked closely with investors for more than three decades to selectively implement custom account solutions. We collaborate with our clients to understand their goals, build a road map to achieve these objectives, and construct private market portfolios designed to meet their risk-return requirements. HarbourVest strives for transparent communications and operational excellence, and provides comprehensive back-office infrastructure and strong institutional risk controls.

To learn more about Custom Solutions, please visit us online at <https://www.harbourvest.com/expertise/custom-investment-solutions>.

