

# BESPOKE SOLUTIONS: THE FUND AND THE FOUNDATION

Strategic partnership unlocks private equity opportunities

The term private equity investment covers a multitude of asset types, risk and reward profiles, and investment horizons – it is a world of opportunities. But making the most of private equity requires extensive resources combined with deep sector knowledge. For one major US investor, working closely with Partners Group opened up the full potential of private equity investing.

## Overview

Private equity investments have a growing attraction for large institutions, offering a combination of stability and the potential for dynamic and opportunistic investments. However, many institutions do not have the in-house investment team resources necessary to take a direct approach to private equity investing and are often restricted to investing in existing funds. The ability to make investments directly in businesses and assets, alongside investments in other funds, allows truly targeted investing and the potential for attractive returns. But for an in-house investment team to do this – analyze, select, and monitor direct investments – takes resources and even the most successful investment officer has only so much time.

This was the challenge facing one client who came to Partners Group for a solution. The investment team was lean and handling a multi-billion-dollar portfolio, acting on behalf of the pension plan and charitable foundation linked to the company sponsor.

With limited resources, taking a view across all potential opportunities, carrying out due diligence, managing capital calls, cash management and re-investment risk were proving to be a significant challenge. Combining two pools of capital – pension

plan and foundation – brought additional complexity to the allocation. The pension plan was regulated by the Employee Retirement Income Security Act of 1974 (ERISA), while the foundation had its own charitable status and so operated under a different framework designed for non-profit organizations.

With so many parameters, these affiliated investors could never quite reach or maintain their private equity investment targets and were in need of a solution.

## Strategic partnership is key

The key to a successful partnership is the relationship between client and solution provider. Partners Group always begins by developing a deep understanding of the client's needs, including its target rate of return, risk appetite, and long-term objectives.

Partners Group had known and worked with the client for several years. Based on this long-standing relationship, the client chose to commit to a deeper partnership structure, enhancing the existing structure with the capacity to take a more dynamic approach to private equity investing.

The solution centers on a limited partnership structured to meet the regulatory parameters for both organizations being overseen by the client. >



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> The pension fund and the foundation are the two limited partners and have pro rata access to each investment in the structure.

Investments are made through an opportunistic global private equity portfolio which has access to Partners Group’s entire platform. This design immediately delivers a far wider range of options and the ability to target investments more precisely, unlike allocations to another manager’s funds that may be bound to the manager’s current funds in market, a geographic region or to a particular type of asset.

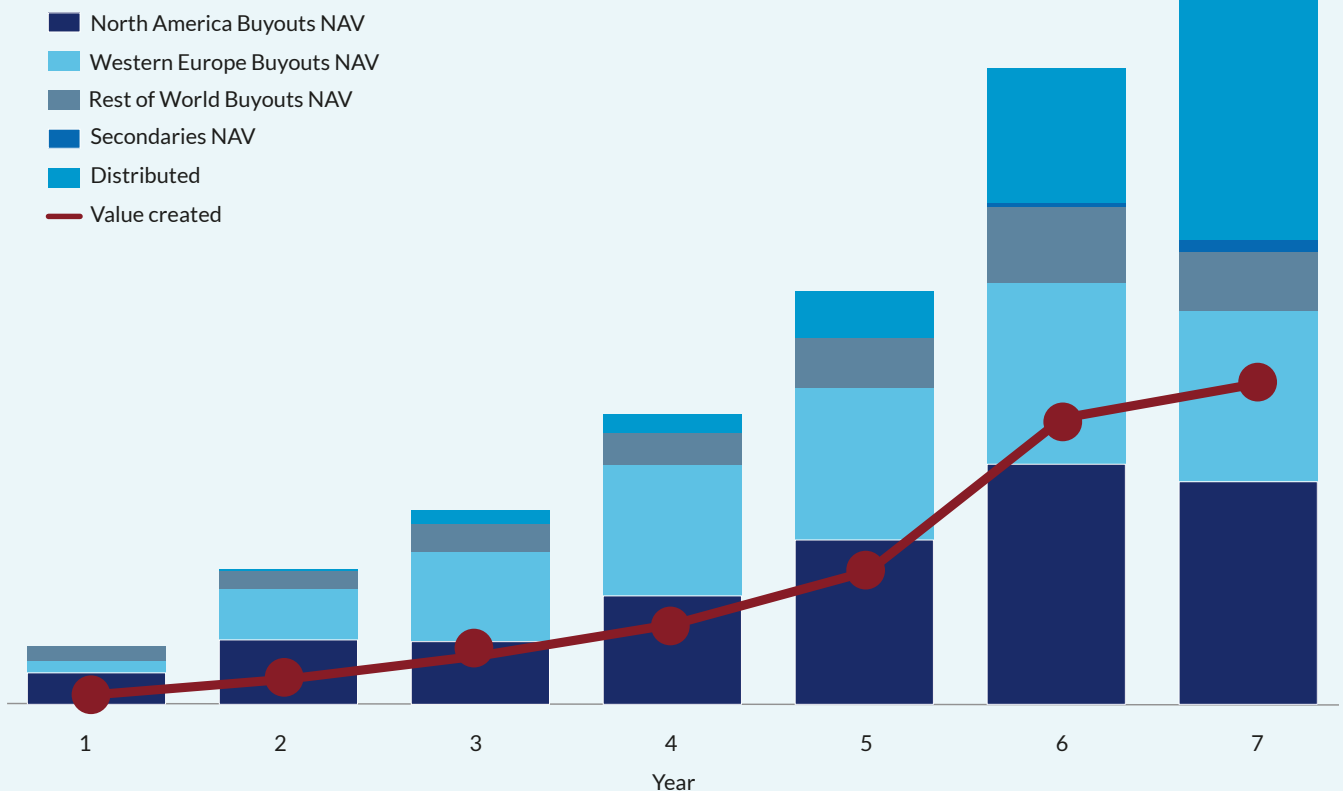
When an opportunity arises, in any asset type or location, the customized fund-of-one can act decisively and efficiently.

The mandate’s investments include a combination of private equity control investments to generate maximum returns and non-control investments

to deliver diversification. While the focus of the mandate is direct private equity investments, the solution gives the client the ability to invest opportunistically in other strategies and asset classes, including private equity secondaries and real estate and infrastructure private equity, adding a real asset dimension to the portfolio.

The client began with a multi hundred-million-dollar tranche to be invested over five years. After a highly successful start, the client committed to a second tranche. Recognizing the scalability of the solution, the client decided that along with the second tranche, it would work with Partners Group to restructure the mandate into an evergreen strategy targeting an investment level maintained by Partners Group through the portfolio’s investment distributions.

## Creating long-term value



Source Partners Group, January 2023. Diversification does not ensure a profit nor does it guarantee protection against a loss. Past performance is not indicative of future results. For illustrative purposes only.

## Delivering balance and flexibility

The vital feature of the bespoke solution is its flexibility. Initial allocations have been overweight in private equity control buyouts, because of the higher returns seen in that class over recent years,

but the direct management of the portfolio means this tactical approach can evolve toward a more opportunistic strategy. This, of course, works both ways: as economic or financial market conditions change the opportunistic allocation can be dialed up or down to reflect those conditions.





## Reaching private equity's full potential

It is one thing to recognize the valuable contribution that private equity can play in an investment strategy; it is quite another to execute that strategy in a way that takes full advantage of private equity's potential.

Many investors lack the resources in their own investment teams and expanding their in-house resources may not be the most effective solution. But without those resources and an active management of investments, it is all but impossible to build an opportunistic approach into a private equity strategy.

With the right specialized partner, a strategic relationship can be the key to a more dynamic and opportunistic investment strategy.

### Disclaimer

Past performance is not indicative of future results. For illustrative purposes only. There is no assurance that similar results will be achieved in the future. Diversification does not ensure a profit or protect against loss. Investments in funds are speculative and will involve significant risks. Certain significant risks of investing in private funds include, but are not limited to: lack of operating history; economic, political and legal risks; currency risk; leverage risk of borrowing by a fund; auditing and financial reporting; possible lack of diversification; control issues; financial market fluctuations; illiquid investments; mezzanine investments; real estate; hedging risk and adjustment of the relative value weights by the general partner.

### About Partners Group

Partners Group is a leading global private markets firm. Since 1996, the firm has invested USD 195 billion in private equity, private real estate, private debt, and private infrastructure on behalf of its clients globally. Partners Group seeks to generate strong returns through capitalizing on thematic growth trends and transforming attractive businesses and assets into market leaders. The firm is a committed, responsible investor and aims to create sustainable returns with lasting, positive impact for all its stakeholders. With USD 135 billion in assets under management as of 31 December 2022, Partners Group provides an innovative range of bespoke client solutions to institutional investors, sovereign wealth funds, family offices and private individuals globally. The firm employs more than 1,800 diverse professionals across 20 offices worldwide and has regional headquarters in Baar-Zug, Switzerland; Denver, USA; and Singapore. It has been listed on the SIX Swiss Exchange since 2006 (symbol: PGHN).

