



PE Fund Structures and Incentives

*Swedish House of Finance
Stockholm, 29th May 2019*

Signatory of:



Astarte Capital Partners Overview



Independent Specialist alternatives co-investment platform with a focus on the real assets space:

Astarte invests by forming partnerships with experienced asset operating teams bringing them institutional capital, practices and structures in order to help them establish themselves as category leaders in their sector.

Astarte – Background:

- /// **Strong track record on successfully building businesses and partnerships** with real asset operators across different asset classes and jurisdictions
- /// Combined **experience of 250+ years in building, managing and growing businesses across the spectrum of traditional and alternative asset management**. Astarte contributes unique insights to governance, operation, transparency and reporting requirements demanded by institutional investors
- /// **Multibillion (\$)** fund-raising track record across all asset classes
- /// Wide **expertise in alternative investments evaluation and execution for institutional investors** in both advisory and management roles

Professionals Across 5 Strategic Locations:



Our Philosophy



Ethos Astarte relies on **success-based compensation only** in order to achieve better alignment of interests.

Approach Active strategic partnerships that provide working capital investments and asset investments to seasoned asset operators in less explored areas of real assets.

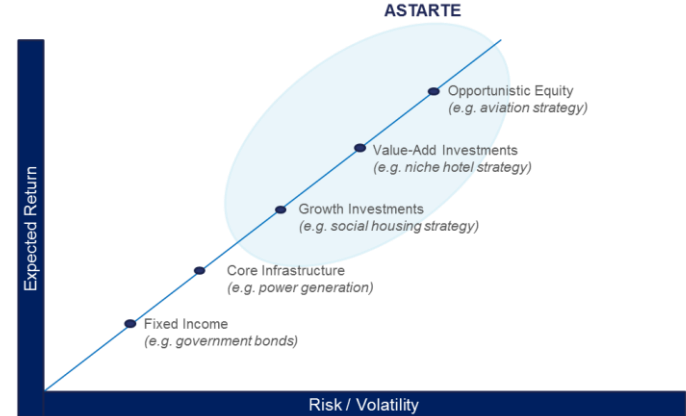
Astarte's investment strategy aims to generate returns from two areas:

- /// **Performance of the asset class**, which will generate yield and capital gains from a portfolio of real assets
- /// **Profit share and equity upside** from the growth of the partnership as a business, attracting also third party capital

Why

Private Capital Working Smarter:

- /// Deployment of capital alongside operational expertise
- /// No investor returns leakage from fees that are uncorrelated to performance and success
- /// High alignment of interests with investors



Note: There is no guarantee of trading performance and past or projected performance is not necessarily a guide for future results

Our Capabilities

Multi-disciplinary team skill-set



Astarte has an experienced and multi-disciplinary team that brings over 250 years of combined experience with global asset management, alternative investments and financial organisations

- /// The Astarte team combines seasoned asset management professionals who have enjoyed distinguished careers in both, operational and investment roles with established real asset businesses, asset managers, institutional investors and financial institutions
- /// Senior team members bring together a combined skill-set of:
 - Cross-asset class fund management and business development across strategies and jurisdictions
 - Senior executive roles in asset management, especially in establishment and growth phase of the business
 - Investment execution and corporate finance under highly regulated institutions

Three-dimensional investment approach



Astarte as an investment platform aims to source, invest in and scale niche investment strategies by structuring and growing institutional quality asset management businesses:

- /// **Invest:** in specialist areas of real assets that are less competitive and allow attractive risk/return profiles
- /// **Build:** asset portfolios and investment management operations that employ best-in-class sector/asset expertise and implement best practices in investment selection, governance and operations
- /// **Grow:** the capital deployed in asset classes where there is structural gap by scaling the investment management operations into established asset management businesses that can attract and serve institutional investors' capital

Senior Roles Held by Astarte Team Members

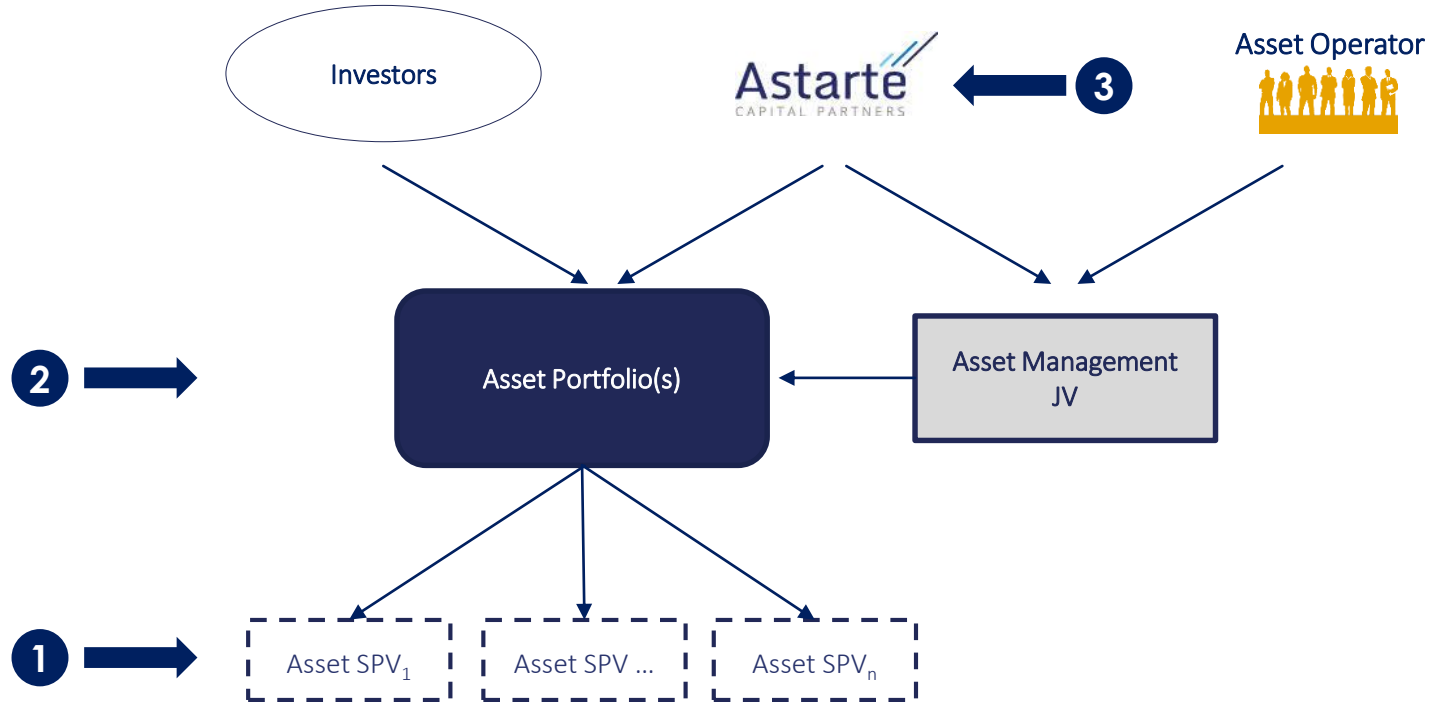


Areas of Opportunity



Single Investment Structure - Indicative

Astarte is an investment platform which has a discretionary and a co-investment side, offering all options to investors and creating operational synergies and a clear economic benefit



Astarte Focus: Where Can We Improve the PE Model?

/// Fees & Compensation Structures

/// Directs vs Funds

/// LP / GP Relationship

Fees & Compensation Structures

/// Why are we talking about fees & how should we be thinking about fees:

1. Total cost of investing
2. Incentive mechanism and alignment of interest
3. Capturing value creation or “leaving money on the table” for LPs

/// **Astarte** directly addresses (2) and (3) while focusing on minimising (1)

Directs vs Funds

/// Directs and co-investments retain investment discretion and allow exposure to specific deals/themes

- Deal flow?
- Human and capital resource intensity to execute and monitor?
- Scalability / ability to deploy entire portfolio vs concentration?

/// Fund allocations give up investment discretion but offer portfolio diversification and larger capacity allocations

- Blind pool?
- Distance from deal?
- Lack of transparency?

/// **Astarte approach:** Direct investments/co-investments go hand-in-hand with discretionary capital

LP / GP Relationship

Interaction:

- /// Traditionally GP commitments are perceived/used as passive capital allocations with interaction primarily around reporting cycles
- /// Astarte offers a framework that promotes **more strategic relationship** with LPs and triggers **more frequent and more transparent** interaction around investments

ESG & Responsible Investing: emphasis on Governance

- /// By **establishing active partnerships** it allows us to:
 - implement structures and operational framework of our standards within our portfolio investments
 - have access to asset level information at great detail
- /// Our **incentive for co-investments** ensures that we:
 - employ lean cost/fee structures for LPs
 - provide LPs with high level of information on investments but without risking the deal completion

Are LPs Supporting the Change?

- /// Change never comes from those who benefit from the status quo
- /// New entrants need backing from LPs to succeed
- /// When you find teams who think they way you want, allow yourselves to be convinced

If everyone waits for someone else to be first, change may never happen

Contact Information

info@astartecp.com
Tel: +44 (0) 203 696 8260
www.astartecp.com

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