

Private Equity Club



Performance Measurement

At the club meeting on May 17th we will focus on performance measurement. In this session we will update you on developments in performance standards (Global Investment Performance Standards “GIPS”) and get some investors perspectives on the ways they expect to assess GP performance. We will also discuss some challenges to the implementation of GIPS and analyse the impact of the standards within the broader context of the asset management industry.

David Gould (NAPF)

David Gould will introduce pension funds’ long-standing interest in measuring investment performance and why the National Association of Pension Funds has led UK development and adoption of GIPS. “If it isn’t measured, it isn’t managed”.

- Why measure performance?
- Performance standards
- Why GIPS?
- Who does it?

Rod Selkirk (Hermes)

Rod will address the theme that performance measurement is a function of assessing unrealised valuations. That is as much an art as a science and therefore PE performance measurement is itself an art which involves a lot of discretion on the part of a GP. Rod will illustrate how variable valuations can be, yet still be within BVCA and EVCA guidelines. He will also outline how as an LP they evaluate the groups in which they invest when they report to their Trustees and, in the case of fund of funds, to the LPs in that vehicle.

When they look at a new fund they dig much deeper than the IRR's of the group and their evaluation is as much about management and strategy as historic "apparent returns". As an investor the openness and integrity of the relationship they have with their GPs is as important as historic performance measurement.

Patrick Cook (3i)

Patrick will address “the last frontier” on private equity performance and also consider some valuation issues such as:

- The Fair Value Movement
- Accuracy, uncertainty and Schrodinger’s cat
- Transparency and complexity
- Rules to protect the dishonest
- The players; their motives and mindsets
 - priests, rocket scientists, spin doctors and the Tao
- Fingers and toes
 - the economists’ notion of second best approach

Patrick will also reflect on the GIPS development process in which he was involved on the relevant AIMR panel.

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Marie-Fleur Bonte (PwC)

It is full steam ahead for fair presentation and full disclosure of investment performance and the momentum is unstoppable. In the three years since the last survey on performance measurement by PricewaterhouseCoopers LLP, with extensive industry consultation, substantial progress has been made in setting performance standards including the adoption by the Investment Performance Council (IPC) of the Private Equity Provisions for the Global Investment Performance Standards (GIPS) on 1 December 2003.

To find out just what global investment organisations are thinking and doing, PricewaterhouseCoopers LLP surveyed 94 key personnel (usually heads of performance teams) from global asset management firms about their approach to key performance measurement issues and developments. As global multi-asset managers see the benefits of performance standards for traditional asset classes, they ask, "why not for alternative assets?". In her session, Marie-Fleur will discuss the particular challenges for this complex and illiquid asset class to benefit from standardisation of calculation and disclosure.



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David Gould

Having spent over 25 years in the Bank of England, culminating as a manager in the Bank's Finance and Resource Planning division, David joined the NAPF in 1995, initially to run the Voting Issues Service and to support the work of the Investment Council. He was appointed Director of Investment in 1999. David has been responsible for a number of NAPF submissions, including those on the FSA review of Bundled Brokerage and Soft Commission Arrangements, non-executive directors, the Combined Code and Director and auditor liability.

Current areas of activity are extending the Global Investment Performance Standards and preparing for 'Gold' GIPS (David is both Secretary to UKIPC and a member of the European Investment Performance Council), maintaining NAPF's Corporate Governance policy and in arranging future publications in the popular 'made simple' series.

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Rod Selkirk

Rod joined Hermes Private Equity in April 2002. Prior to that he had been a Managing Director for Bridgepoint Capital (previously NatWest Equity Partners prior to the buy-out from Natwest). Rod had been at Bridgepoint for 11 years where he headed up the UK Regional offices and latterly had responsibility for fund-raising. Prior to Bridgepoint he was with 3i for 9 years (in the UK from 1981 to 1986) and Boston USA (1986 to 1990). Rod obtained an MBA from London Business School in 1981 and a B. Pharm from Nottingham University in 1978.

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Patrick Cook

Patrick joined 3i plc in 1986 in its Thames Valley office. In 1988 he assumed responsibility for investment in the Oxford area, including 3i's technology investments. In 1990 he moved to Kent to help open a new office serving the South East of England before returning to London in 1992 to work on preparing 3i Group plc for flotation. During this time he also undertook preparatory work for the raising of 3i's first European fund. Following the successful listing of 3i Group on the London Stock Exchange in 1994 he returned to work as a Director in the London office, principally on larger management buy-outs and privatisations.

He joined the unquoted funds management team at the start of 1997 in response to the growth in 3i's activity in this area and works principally on new fund raisings and management of continental European fund performance.

Patrick is also a member of the EVCA Investor Relations Committee.

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Marie-Fleur Bonte

Marie-Fleur is a specialist private equity Manager in the Investment Management Practice at PricewaterhouseCoopers LLP.

She has significant experience in providing advice to private equity houses which has included performance reporting (IRR), valuations, review and advice on business control environments and design of investors reports. She has also worked with the committees at BVCA, AFIC and EVCA in matters including best practice reporting, valuation guidelines and performance measurement.

Marie-Fleur's clients include Permira, MidOcean, Change Capital, ECI, West Private Equity, L&G Ventures and Star.

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