



NATIXIS IM
INVESTOR DAY
THAILAND

Real Value in Private Assets



Together, we're experts
in equities, bonds, ESG,
thematics and alternatives.

**Experience
The Expert Collective**
> [IM.NATIXIS.COM](https://im.natixis.com)



Uncovering Small-and-Mid-Cap Private Equity Opportunities

Private equity has become a widely recognized asset class. Against the backdrop of recent market disruption, opportunities within the secondary markets have blossomed.

Eric Deram, Managing Partner of Flexstone Partners, shared valuable insights on secondary private equities during his presentation at the Natixis IM Investor Day 2023.

He delves into the realm of small-and-mid-cap markets and explores the emergence of general partner-led (GP-led) continuation vehicles, an innovative practice in the private equity arena. In a GP-led scenario, the GP allows secondary buyers to purchase fund interests from existing investors in a fund.

■ Attractiveness of the small-and-mid-cap market

Known for its illiquid and long-term nature resulting in a large dispersion in performance, private equity has historically rewarded skilled managers which have delivered performance consistently. Therefore, it is important to be selective and trying to time the market in private equity is usually not recommended.

Private equity's role as a catalyst of the real economy lies in the fact that small-and-medium-sized enterprises (SMEs) are the backbone of the real economy¹. Hence, private equity is the only way to invest in this largest segment of the economy. As such, the opportunity in the small-and-mid-cap sector is enormous.

In addition, value can be created in the underlying asset in the smaller end market by way of operational improvement, leverage, and market price increase.

The small-and-mid-cap market offers better absolute returns, enhanced diversification options, and more exit opportunities.

■ Flexstone's investment recommendations

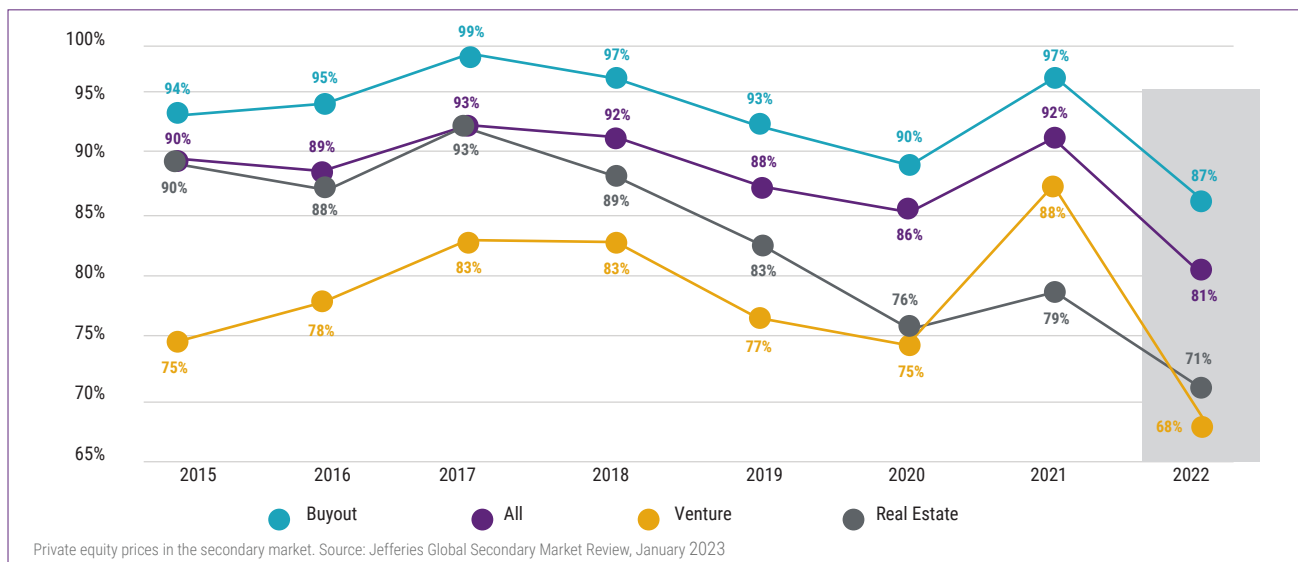
Private equity assets have experienced minimal valuation declines. Meanwhile, other asset classes have suffered more substantial setbacks. This has led to a denominator effect, wherein investors find themselves with an overallocated portfolio. The need to rebalance often drives investors to sell their private equity holdings in the secondary market, leading to price reductions.

In this context, the small-and-mid-cap secondary market has witnessed significant price discounts, further exacerbated by demand and supply imbalance in the smaller end of the market, making it an attractive prospect for secondary investors.

Furthermore, the emergence of GP-led secondaries adds a new dimension to private equity market.

This innovative method opens up access to liquidity to investors in a relative illiquid market. On top of that, it provides permanent capital to fund managers as they recycle the same assets repeatedly. Flexstone forecasts that GP-led transactions will grow significantly, to about US\$75 billion in 2023 which is 50% of the secondary market.

SECONDARY LP PORTFOLIO PRICING (% OF NAV)



1. Capital IQ, % of number of companies in Europe, May 2015.



■ Searching for opportunities far and wide

Flexstone recommends investing in private equity market consistently, specifically in secondaries with a good mix of GP-led secondaries in the small end of the market in today's environment.

Flexstone Partners' expertise in the small-and-mid-cap markets positions investors to take advantage of these opportunities and deliver value to their investors. The recent closure of their fourth core investment strategy at US\$790 million in April is a testimony to their expertise.

By understanding the concepts and dynamics of private equity, particularly in the secondaries market, investors can make informed decisions and tap into the potential for long-term growth and competitive returns that this asset class offers.

DISCLAIMER

The information herein is not intended to be either an offer, sale, or invitation for subscription or purchase of securities in Thailand or a solicitation to use Natixis IM's or its affiliate's services. Neither Natixis IM, any representatives, directors, employees of Natixis IM nor any other entities involved with Natixis IM make any representations or warranties, expressed or implied, with respect to the completeness or accuracy of any of the information contained in this document or any other information (whether communicated in written or oral form) transferred or made available to you.

This document is for information only and not an advertisement, investment recommendation, research or advice. It does not have regard to the specific investment objectives, financial situation or needs of any specific person. You should seek advice from a financial adviser. Past performance and any forecasts on the economy, stock or bond market, or economic trends are not indicative of the future performance. No representation or warranty is made that any indicative performance or return will be achieved in the future by any affiliates of Natixis IM. Neither Natixis IM nor any other member within group of Natixis IM is licensed to carry out asset/fund management activities in Thailand.

Natixis Investment Managers Singapore Limited (Company Registration No. 199801044D) is a business development unit of Natixis IM, the holding company of a diverse line-up of specialised investment management and distribution entities worldwide. The investment management subsidiaries of Natixis IM conduct any regulated activities only in and from the jurisdictions in which they are licensed or authorised. Their services and the products they manage are not available to all investors in all jurisdictions. It is the responsibility of each investment service provider to ensure that the offering or sale of fund shares or third-party investment services to its clients complies with the relevant national law.

This publication has not been reviewed by the Monetary Authority of Singapore.

INT990TH-0623