

PRIVATE CAPITAL AND PRIVATE EQUITY ARE COMING TOGETHER

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Dominic Wheatley, Chief Executive of Guernsey Finance, highlights new research on a specialist development for Guernsey.

Guernsey's funds sector is not alone in clearly seeing the merging of the private equity and private capital space. Private capital has become a normalised source of financing, while the investment management sector is seen increasingly as a gateway to a direct investment opportunity.

And a survey carried out by Guernsey Finance at this year's SuperReturn conference in Berlin showed that jurisdictional choice would be increasingly dominated by specialists whose substance can support the convergence, the rise of private capital, and the desire for bespoke structuring.

Guernsey is well-placed to service the growing trend for attracting and securing private capital investment, whether that money is drawn from family offices, high-net-worth individuals, private-client customers of banks, and other non-institutional money. Private wealth is estimated to exceed \$170trn worldwide in the next 18 months, against total institutional assets under management of \$100trn.

That growth has driven more investment into alternatives. In the past decade, since the global financial crisis, returns to private capital investors just have not been there. Liquidity has been generated by central bank policies and high-net-worth individuals have been the beneficiaries of that.

But liquidity is an obvious challenge for private capital looking at private equity or infrastructure long-life funds, and so there is a growing focus in the market on building structures to offer a degree of liquidity. Industry experts believe technology holds the key to unlocking this.

Private wealth is a very different market to dealing with institutional money. New structures and different distribution methods are coming into play as institutional clients are interested in democratising traditional institutional private fund illiquid products to secure greater access to the private capital community.

And with the increasingly sophisticated demands of clients, so the Guernsey funds industry has developed, with its renowned flexibility able to provide different solutions for different people in different circumstances.

It is yet another stage of Guernsey's 50-year funds journey, from primarily a retail fund domicile to an alternative assets specialist, using our key attributes of being nimble and responsive to the market. Guernsey certainly retains the flexibility to reflect sophisticated investor requirements.

The introduction of the Guernsey Private Investment Fund, which has proved popular both for new managers looking to launch a first fund, and existing promoters wanting to offer simple product to investors quickly. A PIF can be open- or closed-ended, is flexible in its formation, and is restricted to a maximum of 50 investors.

Our SuperReturn survey also showed that private capital and family offices are looking for bespoke structures to address specific commercial, legal, regulatory, taxation or operational concerns over their investment. The PIF is an ideal vehicle for private capital to invest in private equity.

At the Guernsey Funds Forum in London in May – an event which attracted more than 500 delegates – London lawyer David Williams, partner at Simmons & Simmons, described the Guernsey funds suite and environment as “coherent, stable, well-regulated, neatly-defined, flexible and responsive”.

Guernsey certainly offers distinctive solutions in the funds world – private capital, green funds, and bespoke, tailored product, in a world-leading business environment, for those looking for a different approach.

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