

[For Immediate Release]

**Demands for greater information pose most significant impact on global private equity industry:
Vistra Private Equity Research**

Hong Kong, 13 January 2020 – Private equity (PE) is facing a number of conflicting pressures nowadays with significant regulatory burden and political tension impacting fund managers' decision-making process. Seventy-one percent (71%) of PE professionals believe demand for greater information flows is the most significant way in which investor behaviour is being changed or influenced according to the latest research, titled 'Vistra Private Equity: Where Challenges Meet Opportunities', conducted by Vistra, a leading global fund administration, trust and corporate service provider.

Onno Bouwmeister, global sector head, private equity, at Vistra commented, "Despite the understandable concerns shown by the research – notably around data demands, technology shortcomings and cybersecurity – the private equity industry showed clear optimism in a number of areas. Not only was co-investment flagged as a key trend in the market, along with the increasing number of debt options and a trend towards larger fund sizes, 55% of respondents also felt that opportunities were being created more broadly. We believe that drivers such as ESG and the move to transparency will keep the sector moving forward."

Drawing on the insights of 150 senior executives across Asia, Europe and the Americas, this year's research investigates the current state of play of the PE industry from the perspective of Limited Partners (LPs), General Partners (GP) and legal intermediaries and identifies predominant industry trends.

Increasing demand for more information

The report revealed that the volume of information required appear to be growing and becoming more diverse. Almost half (46%) of the interviewees are seeing actual data downloads used to create their own reports and analysis from raw data, while 51% said that issues around transparency, eg the push to ESG, is creating demands for better-quality information. These demands for access to data for reporting are having an impact on the technological requirements within the business – recognised by 82% of respondents.

Moving towards ESG and SRI investing

The move towards environmental, social and governance (ESG) investing and socially responsible investing (SRI) seems to be gathering momentum. While 63% of respondents said it help drive new business and 62% believed it has a positive reputational impact on those in the PE industry, the most significant impact of the push to ESG/SRI is the added need for compliance (65%). In the coming years, this is expected to continue, with 82% of respondents believing that Millennials and Generation Z will provide a new level of socially engaged investors.

Evolving role of technology

The PE industry appears very open to the possibilities offered by technology – 85% of industry professionals agreed that technology could be a major enabler of change, and 81% said that new technology, such as blockchain, will have a massive impact on the industry. In light of the increased demands for data, utilising technology would be a natural step. The challenge arises, however, when it comes to data management and integration across outdated legacy systems, and the lack of standardised, industry-wide software. The cost of in-house investment (67%) versus outsourcing technology services (55%) seems to be a key decision facing the PE sector. And all of this sits under the cloud of cybersecurity, which was identified as the biggest threat facing the industry for at least the next five years.

Regulation, transparency and the move towards ILPA principles

Increasing regulation (63%) and increasing transparency (59%) were considered the top market trends in PE – after demand for greater information flows (71%) – that are changing or influencing investor behaviour. In particular, 63% believe that the level of regulation will become more difficult and complex in the next three years. The survey also shows that there are numerous forces in play when it comes to transparency. While the Institutional Limited Partners Association (ILPA) has published a set of principles around transparency, only 32% of respondents are fully compliant, with technology (62%) being cited as the key factor holding back GPs from achieving compliance, followed by experience/skill (62%) and cost to outsource (56%).

Outsourcing services is becoming a standard

According to the research, outsourcing is on a general upward curve, with an average of 72% of GPs currently outsourcing one or more functions to a third-party service provider, and 86% of those who aren't doing so are planning to within the next five years. This is largely driven by demands from LPs – 84% of LPs wanted their GP to outsource before they commit capital; 67% were keen to influence which provider GPs use. While the attitude to outsourcing is largely positive – with some of the main factors being seen as access to technology and talent, and the ability to meet regulatory requirements – some barriers are still clearly in place with cybersecurity (70%), lack of control (62%) and flexibility (58%) cited as the top concerns.

Divergent views on key markets across regions

When considering countries that are going to offer the most significant opportunities, the views of PE professionals slightly varied depending on where they are based. India (35%) was identified as most likely to be the next emerging market, ahead of China (25%) and Brazil (19%). However, from a regional perspective, Asia respondents had China in fourth place, behind India, Brazil and Mexico, while those from the Americas believed China tops the list. In addition, the US was seen by a majority (65%) as the most resurgent market and one that has become more domestic, as cited by 64% of respondents, indicating a tendency for US players to stay closer to home. This seems to run contrary to Asia respondents, who are looking outside of the region for opportunities.



For more information on the research findings, please refer to the full report at <https://www.vistra.com/insights/private-equity-where-challenges-meet-opportunities>.

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Research Methodology

The research was conducted based on responses collected from 150 senior executives from online and telephone interviews between August and September 2019. The interviewees were drawn from General Partners (GPs), Limited Partners (LPs) and legal intermediaries in the private equity sector across Asia, the Americas and Europe.

About Vistra

Ranked in the top three corporate service providers globally, Vistra is a versatile group of professionals, providing a uniquely broad range of services and solutions. Our capabilities span across company formations to trust, fiduciary, private client services, and fund administration. Vistra employs over 4,500 employees across 45 jurisdictions. For more information, please visit www.vistra.com.

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