



Private Equity

Your journey with PwC Luxembourg

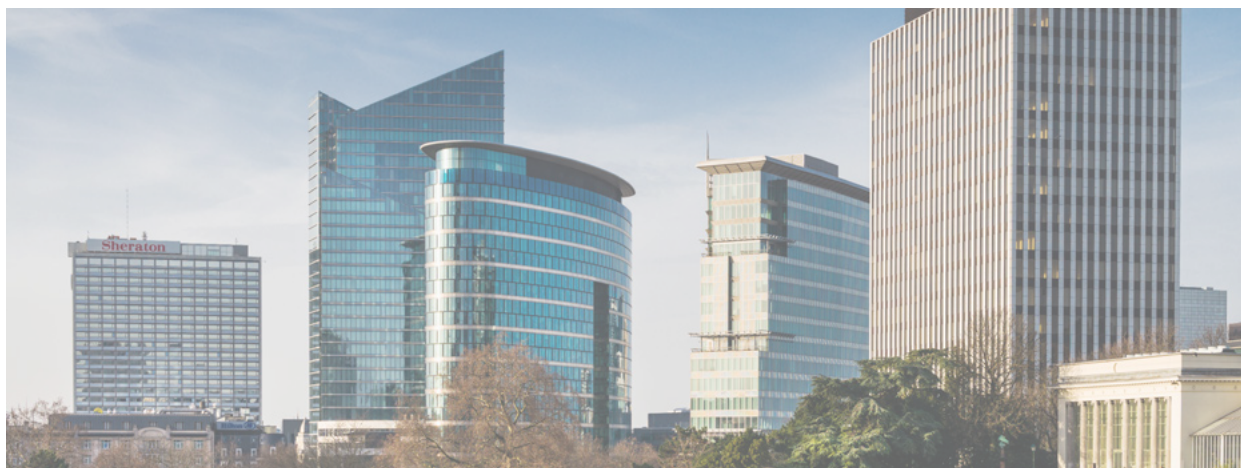
Welcome to the forefront of global equity, Private Equity.

In an ever-evolving landscape, Luxembourg stands as an essential hub, catalysing growth and innovation in the Private Equity sector. With its robust legal framework, favourable tax environment, and unparalleled expertise, Luxembourg has emerged as the destination of choice for fund managers seeking to thrive in a dynamic market. As the Private Equity industry continues its upward trajectory, driven by increasing investor demand for alternative investments, it becomes imperative for managers to navigate this landscape effectively.

Our brochure serves as your comprehensive guide, detailing a range of tailored services designed to optimise your operations, capitalise on emerging opportunities, and propel your success in the evolving Private Equity ecosystem. Explore the possibilities, unlock your potential, and embark on a journey of unparalleled growth with us.

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Luxembourg:

The location of choice for global private equity fund managers in Europe

#1

Second largest investment fund centre in the world and first in Europe with total AuM over EUR 5Tn (H1 2023).

#2

A stable, reputable, and forward-thinking jurisdiction (AAA credit rating by the 3 main rating agencies).

#3

Diversified offer of financial products and services (Large range of different structures available to set up alternative funds).

#4

Transparent, predictable, and neutral tax environment.

#5

Highly international, in terms of origin of financial institutions and fund initiators, clients, population and workforce.

#6

Strong expertise in operating cross-border alternative investment funds.

#7

“One-stop-shop” solution - fund, manager (AIFM), and investment platform all in one jurisdiction.

#8

Distribution to investors simplified with marketing passport and protection provided by AIFM law.

Current Private Equity market trends

Democratisation of Private Equity

On 15 February 2023, the long-awaited reform of the ELTIF regulation has been adopted by the European Parliament.

AI and automation

Artificial Intelligence (AI) isn't just a new tool. It's the new world. From automation to augmentation and beyond, AI is already starting to change everything.

Sustainability and climate change

Create value through your ESG transformation as a big and essential disruption.



Democratisation of Private Equity

Commercial challenges



Lack of “education” about the nuances of the available offerings.



Investments in Alts remain primarily illiquid or very little liquidity compared to UCITS.



Inefficient distribution; no cross-border marketing passport for retail investors.



Lack of access and willingness to market primarily to retail investors.



Significantly high amount of investments.



High costs for compliance and regulatory burden.

Large institutional investors have traditionally dominated the private equity (PE) fundraising market. However, in recent years, fund managers have started tapping into a relatively under-exploited retail investor market.

GPs are positioning themselves to attract individual investors as the segment continues to gain traction, with allocations by this investor group accounting for 15.4% of Alternative Asset under Management in 2022 compared to 9% in 2017.

Innovative solutions are propelling democratisation:



ELTIFs

- Enables a much broader exposure for individual investors.
- Schroders and Goldman Sachs have launched their first ELTIFs, as Union Investment and UBS explore the possibility of expanding their offering.



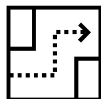
UCI Part II

- Offer a wider range of alternative investment funds to individual investors.
- May be marketed to retail investors.



Master-feeder structures

- One of the main features of the UCITS IV Directive.
- Used in investment platforms to target retail investors.
- Pools investments into feeder funds to invest directly into underlying target funds.



Business Development Companies

- Leveraged in the US to attract retail investors.
- Provide an alternative to venture capital firms.



Interval Funds

- Offers US retail investors with a broader portfolio allowance.
- Provide greater transparency and liquidity compared to private funds.

Meeting increasing retail demands for non-traditional assets

- The rise of retail investing has resulted in a growing need for transparency, liquidity, and smaller investment sizes, leading to a convergence between public and private markets.
- Democratisation could provide asset managers with the potential of increasing their investor base and strengthening their competitive edge.
- As fund managers search for new capital sources and retail investors demand higher returns, the democratisation of alternatives could be a mutually beneficial opportunity.

We can help you adapting to the retail world.

Artificial Intelligence and automation

PwC Luxembourg has conducted the third edition of a study to generate insights on the use of Data and AI technologies in Luxembourg. The last study was conducted in 2021 and highlighted how Luxembourg is increasingly data-driven, while facing a challenging talent and investment landscape. Things are progressing at astonishing speed. With the new EU regulations and the explosion of generative AI solutions on the market, the time is right to look at this topic again.

The conclusions of this study is as follows:

The year 2023 is already an exceptional time in the field of Data and AI. From the massive leaps in performance of generative AI models, to the impending European AI Act, it is a challenge for organisations in Luxembourg to stay on top.

Uncertainty regarding AI legislation is still high

Given the significance of the Financial Services sector in Luxembourg, it may be considered a surprise that there is a high level of uncertainty regarding the upcoming AI legislation in Europe. While there is general acknowledgement on the potential impact and additional needs towards compliance in this domain, organisations in Luxembourg still need to gain a level of maturity in this regard.

Growing maturity of the AI market and its applications

A noticeable trend is the growing maturity in the market of AI applications. Off-the-shelf software increasingly meets the demands of Luxembourg's organisations. Rather than creating their own AI solutions based on self-developed applications, more commodity data management, data analytics, and data visualisation tools are sitting atop a company's data, providing the relevant insights at a reduced cost for maintenance.

Strong differences between sectors

Our increased rate of responses has allowed us to look at more detail into the use of Data and AI of different sectors in Luxembourg. It is notable that not all financial services are the same, our respondents from the Funds Industry are reporting less maturity in topics around data governance and use of machine learning, compared to banking and insurance. The Public Sector is much more inclined to use internally developed PoCs, while less frequently using data visualisation and storytelling as techniques. The detailed responses are found in the full survey results.

It's still early days in the age of generative AI

The age of generative AI has just begun, with our surveyed companies being interested in the topic, but not yet ready to incorporate the technology deeply into their daily operations. This is not surprising, as there are numerous open topics around the trustworthiness and compliance of the applications, as well as discussions of lawmakers on their regulation in Europe. Despite the current hype, Luxembourg's organisations will need to investigate and experiment further. We are keenly interested in following up on this topic in a future edition of the survey.

We can help you implementing AI and automation.

Sustainable Value Creation Services for alternatives

Alternative asset managers face a rapidly evolving industry driven by investor trends and increased regulatory complexity. Many regulators around the world are imposing new standards in terms of due diligence, transparency and sustainability risks. In addition to increasing investor demand for ESG or sustainable-compliant products, alternative investment firms now realise the necessity to adapt for new opportunities and to be able to mitigate their risks and impact.

How can you exploit these trends and create value for your business and your investors? How can we work together towards making the business and the financial industry resilient to one of this century's most important challenges?

Sustainability is the topic on everyone's lips. Your investors are asking for green products while your compliance team is discussing new directives and regulations to prevent greenwashing. With ESG moving up the agenda, alternative investment managers have reassessed the importance and the value of ESG to their business.

Only a few months ago, leaders were asking about how to preserve value and comply with new regulations. Now more and more actors are looking to create value and sustainable externalities for stakeholders and for the greater society.

Our Sustainable Value Creation service offering addresses the many challenges business leaders in the alternative investment industry are facing.

A. How can you make your corporate and fund structure sustainable?

Our team of specialists assists you in designing and implementing tools to create a future-proof business model and manage the ESG risks and impacts related to your operations.

We identify **two main questions**:

1. How to consider and integrate the ESG risks & impact factors into your corporate approach?

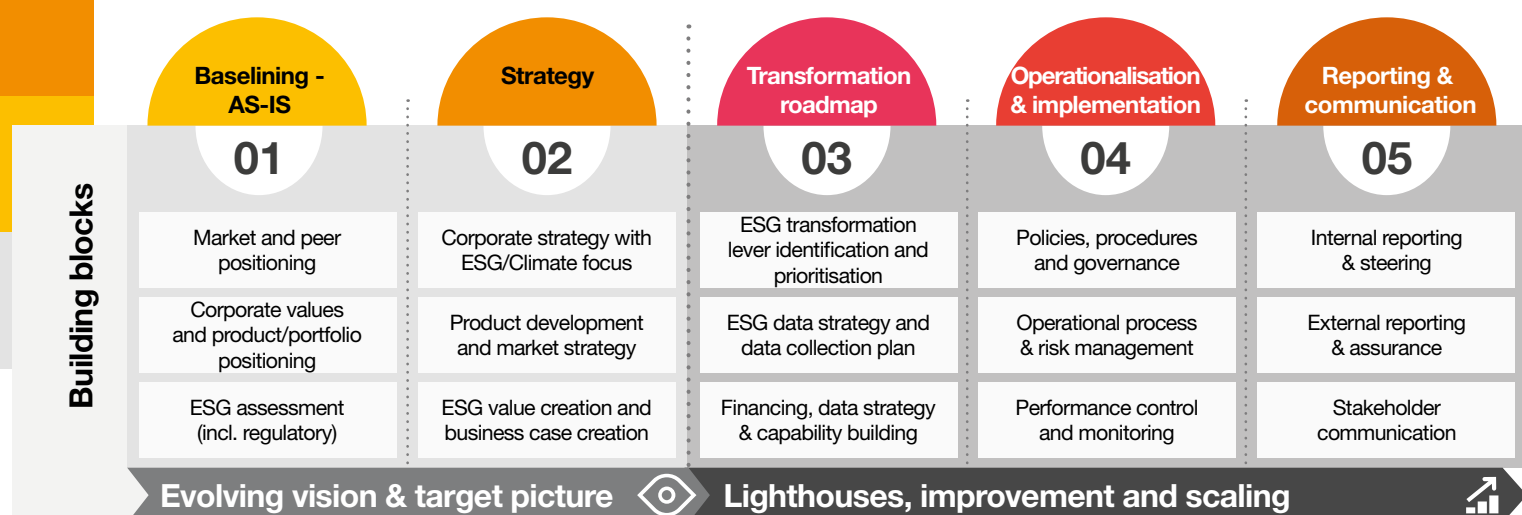
A robust ESG management system is key to considering the ESG risks of an entity level. At PwC, we have developed through our experience and market expertise a framework to tailor and implement an Environmental and Social Management Systems (ESMS). Our ESMS considers:

- ESG Policy and processes drafting;
- ESG Risks Assessment & Appetite;
- ESG Monitoring and reporting advice;
- ESG Governance structure;
- ESG Training and Coaching;
- ESG Research & Analysis.

Sustainable Value Creation Services for alternatives

2. How to capture the sustainable premium for your business?

Value creation and strategy are intrinsically related. Our Sustainable Value Creation approach helps you review your corporate market positioning and strategic initiatives aligned to market developments.



B. How to consider a target in the context of a transaction.

We have developed a tailor-made approach that takes into account the full investment cycle, from the investment strategy to the acquisition and the exit.

Our methodology is articulated in three steps:

- ESG investment strategy: definition of the ESG positioning;
- Due diligence: assessment of the ESG risk & impact & action plan for mitigation;
- Sustainable Value Creation plan and execution.

Assurance services

Audit services – what we promise



Audit services – How we can help?

- Audit services
- Limited review as of 30.06 or other date
- Carried interest waterfall
- Review of separate report
- Dividend distribution, contribution in kind
- ISAE report type I and II

Risk assurance services

We follow a **human-led, tech-powered** approach to solve your business challenges

Today's business environment is more complex than ever: More automated, more connected, and more virtual. With these advances come opportunities, but also risk.

Our Risk assurance services team works with companies across all three lines of defence:

Operational Management and Governance, Risk and Compliance and Internal Audit.

We can help:

- Validating the completeness and accuracy of board and management reporting or reporting through complex structures (including but not limited to fund manager and asset manager levels);
- Navigating the GDPR, AML/CTF, SOX and other regulations tailored to the private equity environment;
- Providing a fully outsourced internal audit function or co-source services to support ManCo and local regulations;
- Preparing controls procedures set-up over valuation, more specifically in determination of the collection and definition process of main inputs;
- Providing limited assurance reports over key inputs determination used in the valuation exercise performed by the Management/Valuation committee/ AIFM functions.

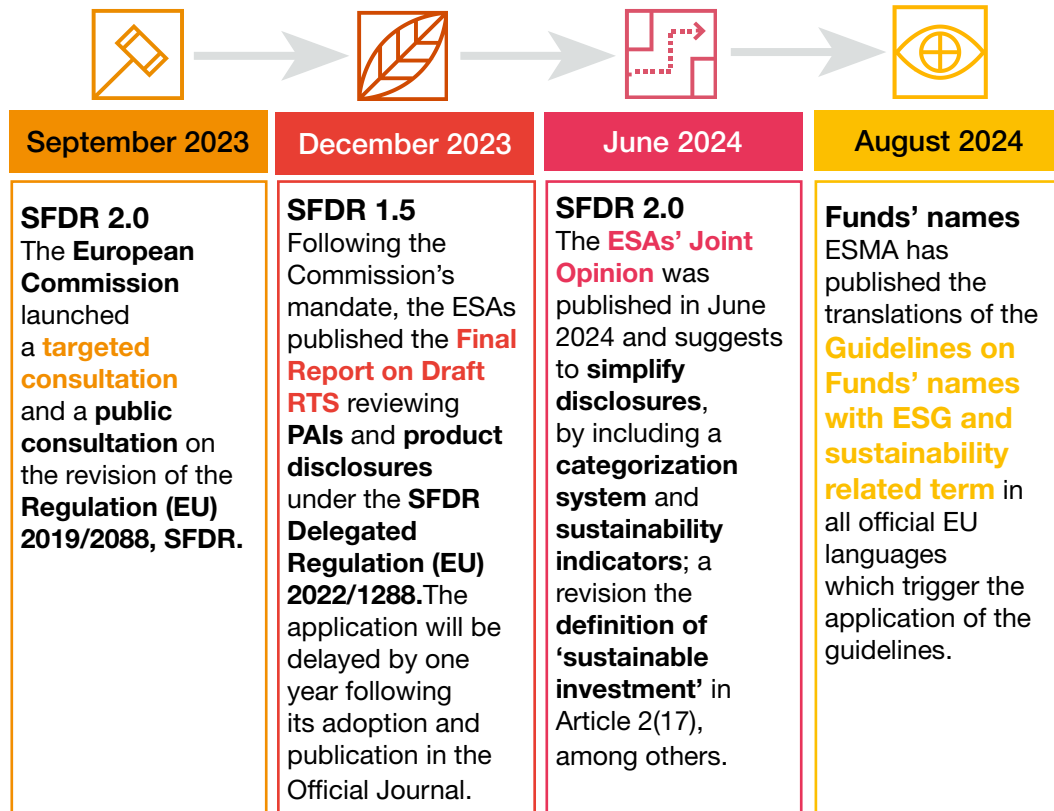


ESG

SFDR Assurance

What is it about?

SFDR - A constantly evolving regulatory environment



Increasing regulatory scrutiny

"68 out of 362 cases of breaches of investment policy limits/rules concern SFDR."

(CSSF Annual report 2023)

1. CSSF thematic review

Outlining the observations and expectations of the CSSF related to sustainability-related requirements.

2. ESMA & CSSF CSA questionnaire

Detailed questionnaire sent to asset managers focusing on greenwashing and sustainability risks.

3. CSSF data collection exercise

Collection of pre-contractual and periodic SFDR related information to ensure compliance with commitments.

ESG

SFDR Assurance

There is a current lack of trust from investors and other stakeholders on ESG disclosures because of a heightened risk of greenwashing. While we are observing an increasing demand for third party assurance, a lot of myths persist when it comes to assurance on SFDR annexes.

Myths

vs.

Facts

"Since SFDR is unaudited, it does not fall under the responsibility of those charged with governance."

Responsibility

SFDR annexes are an integral part of the annual report and falls under the responsibility of those charged with governance.

"The regulation is not clear and not stable. No assurance can be provided on SFDR annexes."

Regulation

Our SFDR assurance methodology is constantly updated with the latest regulation.

"There cannot be assurance on non financial information."

Non Financial

Assurance on non-financial information is possible under a different assurance standard: ISAE 3000.

"There is not enough reliable data available so that assurance can be provided."

Data Coverage

While data coverage will remain an industry challenge for several years, PwC has access to an asset universe of more than 100k companies thanks to our multi data vendor strategy.




"The SFDR annexes are reviewed by the auditor during the financial audit."

Financial Audit

Financial audit provides very limited comfort, see the breakdown below.

Increase your comfort

When not appointed to perform a separate SFDR assurance engagement, the procedures performed by the financial auditor are very limited and provide little comfort to management. The procedures performed for the SFDR assurance is substantially increasing this level of comfort.

Risks	PwC working program	Financial Audit		SFDR Assurance	
		Procedure performed	Comfort obtained	Procedure performed	Comfort obtained
 Methodology	Review of the compliance of the sustainability methodology with regulatory requirements	✗	None	✓	High
	Review of the calculation' methodology towards regulatory frameworks	✗		✓	
	Assessment of the methodology based on market practices and regulator's expectations.	✗		✓	
 Data	Reperform all ESG indicators calculation	✗	None	✓	High
	Independent verification of ESG indicators	✗		✓	
 SFDR Annex	Consistency verification SFDR Periodic Annex vs. Financial statements	✓	Low	✓	High
	Ensure that the right template is used (e.g. Annex IV for Article 8 funds)	✓		✓	
	Ensure that all questions from the annex are included and answered	✓		✓	
	Consistency verification SFDR Periodic Annex vs. Website vs. Pre contractual	✗		✓	
	Review of the compliance of the answers provided in the SFDR Periodic Annex with applicable regulatory framework	✗		✓	
	Assessment of the disclosure based on market practices and regulator's expectations.	✗		✓	
Comfort obtained in combination of all procedures listed above			Very low		High



Managed services

Our proposed service model

Our one-stop-shop solution for all your needs.

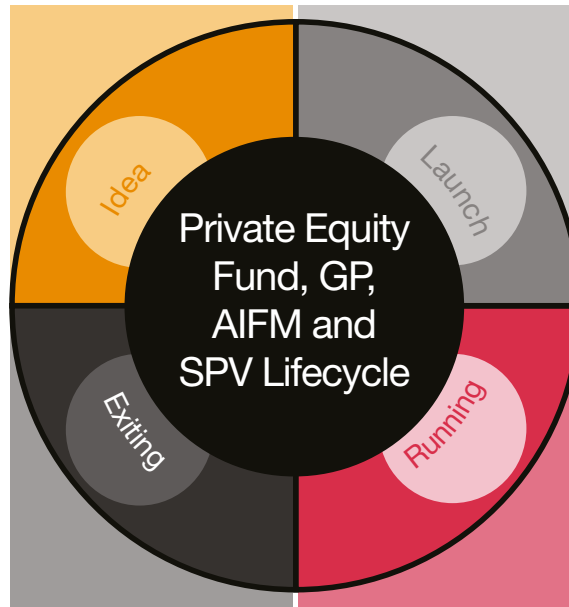
Our solution-driven teams at PwC will simplify and transform your daily business life through our wide range of services and co-sourcing solutions, leveraging on technology and efficient data management. Our range of services is probably the most extensive in the industry, supported by our teams of highly-skilled and trained professionals, combined with the use of the latest advancements in technology and process, allowing us to provide more effective and efficient outcomes.

Investment fund conceptualisation and establishment.

We coordinate for you the legal, operational and commercial set up incl. structuring, launch, registration of the fund, AIFM, etc. allowing to create the best road map and to kick off your business.

Liquidation, dissolution, operational wrap up, and making the circle 360°.

Investment exiting and liquidation.



Fund launch and investing stage.

Full support to ensure a smooth launch of the Fund, SPVs, relationships with the service providers, banks, etc. completed by tax reviews, operational infrastructure including the best-of-breed digital+data solutions, etc.

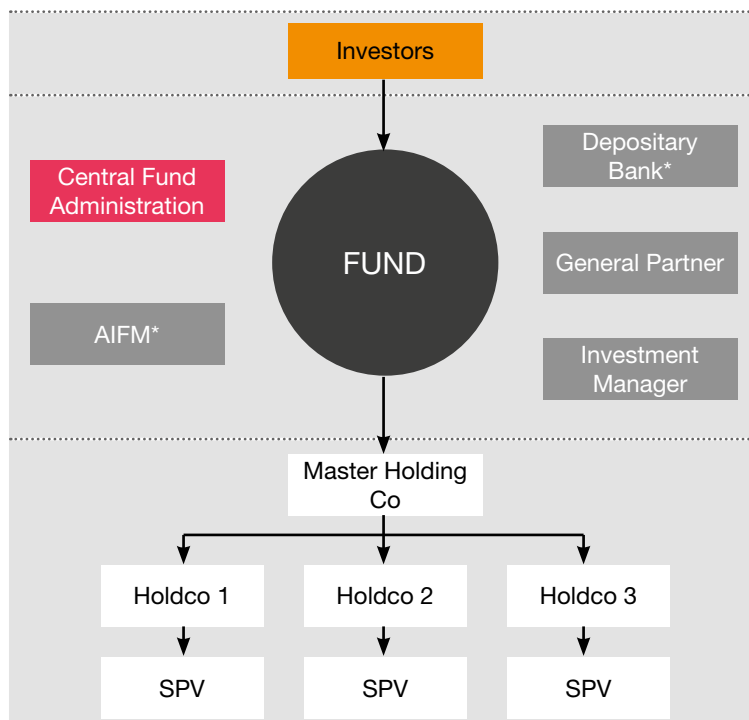
A complete set-up of services and solutions to guarantee a fast, flawless and continued reporting.

Day-to-day running.

We offer a wide range of services (50 +) to assist you

- ... at all **levels** of your structure
- ... in all **countries** you invest
- ... at **each step of the Fund/Company life cycle**, from incorporation to liquidation

Scope of services



Managed Services offering for Alternatives**

- | | |
|--|--|
| <ul style="list-style-type: none"> Investors & GPs reporting (tax, regulatory, financial) | <ul style="list-style-type: none"> Tax reclaim services |
| <ul style="list-style-type: none"> Fund Accounting NAV computation Consolidation of financial statements Statutory financial statements Management and performance fees calculation Periodic financial reporting Tax compliance, reporting and filing (VAT, FATCA, CRS, DAC6, etc.) Regulatory reporting and filings | <ul style="list-style-type: none"> Investors reporting Transfer Agency services AML&KYC on investors and on investment assets Fund set up & liquidation services Fund Corporate Secretarial Services Fund registration and distribution Tax reclaim services Internal audit Risk management and reporting |
| <ul style="list-style-type: none"> SPV accounting GAAP conversion Statutory financial statements Tax structuring Transfer Pricing Tax compliance, reporting and filings (corporate, VAT, FATCA, CRS, DAC6, etc.) Regulatory reporting and filings | <ul style="list-style-type: none"> Tax & financial due diligence Valuation of target investments ESG analysis' oversight Corporate set up & liquidation Corporate Secretarial Services Domiciliation Payment processing |

* Our services offering exclude acting as depository bank and AIFM

** The provision of our services is subject to the independence acceptance requirements of PwC

For Luxembourg based and also foreign entities (in close collaboration with PwC Network when required)

Tax consulting services

Our tax consulting practice for Private Equity Fund Managers is known for its high-quality fund set-up and transactions services that are customised to asset managers' and limited partners' commercial constraints and preferences.

We pair our tax expertise in the private equity industry with our tax expertise in the fund sector and, where required, we collaborate closely with our accounting, legal and regulatory colleagues, as well as our international network of teams to deliver seamless support throughout the lifecycle of your private equity funds, management company and portfolio companies.

We believe in a human-led approach, and we leverage on digital solutions where we see opportunities to increase efficiencies in our delivery process.

Our added value:

- We have experience and expertise in Private Equity;
- We have the right level of resources internally and we are supported by a global network of teams;
- We offer a one-stop-shop experience from set-up to unwinding of your fund products;
- We keep up with tax changes as well as best market practices;
- We are efficiency-driven and added-value oriented.

Lifecycle		Set-up	Investment Period	Exit
<p>Limited Partners</p> <p>Carry Holders</p> <p>Investment Manager → Fund</p> <p>Fund ↔ Regulator, Co-Investors, Service Providers</p>	<p>Investment Manager</p> <p>↓</p> <p>SPV SPV SPV</p> <p>↓ ↓ ↓</p> <p>Portfolio Company Portfolio Company Portfolio Company</p>	<ul style="list-style-type: none"> • Limited Partners tax due diligence • Tax sections of key documents, such as subscription agreements and side letters • Carry vehicles design and implementation • Cross-border tax coordination 	<ul style="list-style-type: none"> • Draw-downs modelling • Monitoring of cross-border post-closing events at investors' level, such as developments on local, EU and / or international laws • Cross-border tax coordination 	<ul style="list-style-type: none"> • Distributions modelling • Assistance with Limited partners and carry holders tax queries • Cross-border tax coordination
		<ul style="list-style-type: none"> • Fund and co-investment vehicles design and implementation • Tax sections of key documents, such as private placement memorandums, limited partnership agreement and investment management agreements • Service providers tax due diligence • Tax policy and governance design and implementation • Intra-group investment management fees benchmarking • Cross-border tax coordination 	<ul style="list-style-type: none"> • Funds flow and fund expenses modelling • Monitoring of cross-border post-closing events at Fund's level, such as developments on local, EU and / or international laws • Cross-border tax coordination 	<ul style="list-style-type: none"> • Continuation funds, secondary transactions or liquidation strategies design and implementation • Assistance with Co-investors tax queries • Distributions modelling • Cross-border tax coordination
		<ul style="list-style-type: none"> • Holding platform design and implementation • Tax sections of key documents, such as articles of association, service agreements and financing arrangements • Corporate governance and operations design • Intra-group service or financing arrangements benchmarking • Substance benchmarking • Cross-border tax coordination 	<ul style="list-style-type: none"> • Buyer tax due diligence • Acquisitions, refinancings, restructurings and management incentive schemes design and implementation • Tax sections of key documents, including asset purchase agreements, and tax indemnification clauses • Funds flow, treasury and deal costs modelling • Monitoring of cross-border post-closing events at investments' level, such as developments on local, EU and / or international laws • Cross-border tax coordination 	<ul style="list-style-type: none"> • Vendor tax due diligence • Exit strategies design and implementation • Distributions modelling • Tax insurance strategy design and implementation • Tax dispute resolution • Cross-border tax coordination

Transaction services

Deals services: Our one-stop-shop solution for your transactions.

Our Luxembourg Deals Team has developed extensive transaction experience in performing numerous cross-border transactions on single / portfolio of assets for international PE /RE players.

We notably performed Financial Due Diligence on the largest European market deal in 2022 for a value of €1.6bn (logistics portfolio of +120 assets).



Selected recent client credentials:

Ongoing

Advice

An Investment Manager

In the potential disposal of a UK renewable portfolio

Vendor due diligence

Ongoing

Advised

An Investment Manager

In the potential disposal of a pan European renewable portfolio

Vendor due diligence

June 2023

Advised

An Investment Manager

In the acquisition of two BESS projects in the UK

Financial due diligence

July 2022

Advised

A US REIT

In the acquisition of a pan European €1.6bn logistics portfolio (+120 assets)








Financial due diligence

Valuation services

- Deliver **high quality** and **efficient** valuation analysis/ review for our assurance teams and clients;
- **Advise and assist** local and international clients on key valuation matters and process reviews;
- **Benchmark** best practices to drive consistency and add value.

Our range of services cover a wide spectrum of financial instruments and assets, ranging from listed instruments, derivatives, and structured products, as well as all asset classes within the alternatives space, including private equity.

Our Alternatives Valuation Services

 Portfolio Valuation Services	 Fairness Opinion Services	 Financial modelling services	 Valuation assessments, assistance and reviews
Supporting clients in estimating the value of their investment portfolio for financial and investor reporting purposes, in line with broadly accepted standards, such as IPEV and IFRS, for Infrastructure, Private Equity, Private Debt, Venture Capital and Real Estate.	Providing fairness opinion to diverse stakeholders, including boards of directors and committees in relation with mergers, acquisitions, divestitures and other transactions.	Developing and reviewing bespoke models to support our clients in the decision making process as well as to mitigate their spreadsheet risk.	Advising non-assurance Clients on alternatives assets fair valuations, fair valuation models and assumptions with a client-centric, customized and layered approach.
 Assurance Engagements	 Risk Assurance	 Business valuation services	 Trainings
Assisting assurance engagement teams in reviewing alternatives assets fair valuations and fair valuation models, assumptions in the context of audits of financial statements, limited reviews, contribution/redemption in kind to local and international Clients.	Assisting assurance engagement teams in understanding controls environment and delivering assurance reports to assurance and non-assurance Clients, including review of procedures, processes, policies and controls with regards to alternatives assets valuation.	Advising non-assurance Clients on business valuations for strategic, tax, financial reporting, litigation purposes.	Delivering extensive trainings on valuation framework, including, valuation standards, procedures, models and assumptions across the entire alternatives space (private equity, private debt, real estate, infrastructure and venture capital).
 Purchase Price Allocations	 M&A Valuation assistance	 Valuation operating model and processes advisory	 Valuation insights, reporting and additional services
Providing assistance in purchase price allocations (PPA) analysis and models, including fair valuations, fair valuation models and assumptions of tangible and intangible assets and liabilities.	Advising non-assurance Clients on valuations for mergers, acquisitions and divestitures.	Advising non-assurance Clients on optimal operating model (among stakeholders taking part of the valuation process) as well as design and implementation of procedures, processes, policies and controls with regards to alternatives assets valuation, in compliance with valuation standards and market best practices.	Delivering clients market insights on alternative asset valuations at assets, portfolios and sector levels and assist in clearing regulatory reporting requirements. Supporting local AIFMs, LuxCos, Institutional investors in key management functions.



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Thank you

PwC Luxembourg (www.pwc.lu) is the largest professional services firm in Luxembourg with over 3,800 people employed from 90 different countries. PwC Luxembourg provides audit, tax and advisory services including management consulting, transaction, financing and regulatory advice. The firm provides advice to a wide variety of clients from local and middle market entrepreneurs to large multinational companies operating from Luxembourg and the Greater Region. The firm helps its clients create the value they are looking for by contributing to the smooth operation of the capital markets and providing advice through an industry-focused approach.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 149 countries with more than 370,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com and www.pwc.lu.



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