Specialist Fund Market

Comparison: private and public funds

	Private fund scenario	Specialist Fund Market scenario
Fund raising / investor base	Smaller group of repeat investors	Can secure the original investor base plus attract others (such as generalists)
	Fluid process – 1st, 2nd and 3rd closes	Published prospectus is valid for 12 months for follow-on funding needs
	Threshold limits apply for European institutional investors	EU Regulated Market status: unfettered access for institutional funds across Europe
Structuring issues	Can utilise tax efficient structures – such as LPs	Can deploy structures on the public market that are as tax efficient as private funds
	Cash drag reduced by drawing-down investor commitment	Flexible capital structures can be used to reduce cash drag – such as partly paid shares
	Regulatory restrictions in Europe restrict cross-border sales	Can 'passport' a prospectus into Europe to access to a wider investor base
	Bespoke negotiations with investors with regard to their participation	Typically, investors in each share class will be treated on equal terms
	Investors may demand an illiquidity premium	Availability of a secondary market reduces the need for an illiquidity premium
Investment strategy	Strategy (and fund itself) highly sensitive to liquidity demands	Secondary market allows longer term investment strategies to persist and mature
	Timescale for investing in opportunities is a key consideration	Being quoted has no impact on timescales for deal-making
Profile	Hard for a wider investor base to identify the proposition	Quoted on a public, peer group market – easier for investors to identify
	Track record is private	Ability to create a public track record – demonstrates a maturing business model
	Profile creation opportunities are limited	Opportunity to create a global profile through a quotation (trading screens / RNS)
Reporting & transparency	Fund reporting is flexible and to a limited number of investors	Level of required reporting is appropriate for the types of proposition concerned
	Discount (if present) will only be revealed at early redemption	Discount (if present) will be apparent, but can be managed (buybacks, IR work)
	Increasing market pressure for private funds to make disclosures	EU Regulated Market provides a benchmark for disclosures accepted by investors
Secondary market	Lengthy negotiations and paperwork to transfer rights and covenants	'T+3' settlement – quick and efficient
	Liquidity is self-managed (requires lock-ins, redemption pool, etc)	Liquidity through a secondary market: can commit more funds to the investment strategy
	Price formation is opaque	Transparent price formation – mark to market