

## Comparison: private and public funds

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