



Private Equity Solutions: IFB-Beaufort Integrated Platform

A comprehensive framework for originating, structuring, financing, managing, and reporting private equity solutions for qualified clients across primary commitments, co-investments, GP-led secondaries, and fund finance.

Executive Summary: Five Board-Level Theses

Our Core Proposition

IFB-Beaufort delivers an integrated private equity platform with bank-grade controls, connecting institutional capital to alpha-generating opportunities whilst maintaining rigorous governance, treasury discipline, and regulatory alignment.

Our solution spectrum spans from primary fund commitments to co-investments, secondary trades, and GP-led transactions, with bespoke fund finance capabilities that optimise capital efficiency and liquidity management.

Open Architecture

Differentiated access to top-quartile managers with customised structures and governance overlays that meet institutional standards

Integrated Execution

Seamless structuring, legal, tax, and treasury operations with bank-grade risk controls and regulatory compliance

Capital Efficiency

Optimised fund finance, secondary liquidity, and co-investment capabilities with transparent pricing and governance

Institutional Reporting

ILPA-compliant portfolio transparency with look-through analytics, factor exposures, and audit-ready valuations

Conflict Management

Robust governance framework with Chinese walls, independent valuation processes, and documented best-execution policies

Client Archetypes: Objectives, Constraints, and Governance

Ultra-High-Net-Worth Principals

Wealth preservation with alpha generation through private asset diversification

- Constraints: Complex cross-border tax planning, generational transition, investment confidentiality
- Governance: Family office oversight, trusted advisers, emphasis on reporting simplicity

Family Offices

Long-term capital deployment with direct influence over underlying investments

- Constraints: Staffing limitations, risk concentration monitoring, decision throughput
- Governance: Investment committee approval, principal oversight, variable liquidity needs

Endowments & Foundations

Intergenerational equity with spending discipline and mission alignment

- Constraints: Spending requirements, public scrutiny, endowment code compliance
- Governance: Board oversight, specialist committees, fiduciary standards

Insurers & Corporate Treasury

Liability-matched returns with regulatory capital efficiency

- Constraints: Solvency II/Basel III treatment, liquidity buffers, accounting classifications
- Governance: Board risk policy, ALCO review, statutory reporting

Each client archetype requires tailored private equity solutions reflecting distinct investment horizons, liquidity profiles, tax considerations, and governance intensities. IFB-Beaufort's platform is engineered to deliver bespoke implementation pathways for these varying institutional complexities.

Where IFB-Beaufort Fits: Integrated Service Matrix

Allocator

Delivering differentiated access to top-quartile managers with custom portfolio construction, vintage pacing, and sector diversification aligned to client-specific objectives and constraints.

Co-Invest Lead

Originating and structuring co-investment opportunities with negotiated governance rights, favourable fee terms, and robust due diligence and monitoring frameworks.

GP-Solutions Provider

Facilitating GP-led secondaries, continuation vehicles, and tender offers with independent valuation opinions, enhanced governance, and conflict management.

Fund-Finance Provider

Arranging subscription credit facilities, NAV loans, and hybrid structures with appropriate covenants, advance rates, and pricing calibrated to portfolio risk profiles.

Treasury Hub

Centralising custody, capital calls, distributions, FX, escrow, and paying agent services with bank-grade controls and operational discipline.



Strategy Map: Private Equity Universe



Buyout

Leveraged acquisitions of mature businesses with operating improvement theses and multiple expansion potential. Key focus: middle-market with EBITDA £10-50M, sector specialisation, and operational value-add capabilities.



Growth

Minority investments in expansion-stage companies with proven business models requiring capital for market penetration, geographic expansion, or M&A. Focus on technology, healthcare, and business services with 20%+ organic growth.



Venture

Early and growth-stage investments in innovative companies with disruptive business models. Selective exposure through established managers with sector specialisation and proven company-building capabilities.



Secondaries

Acquisition of existing LP interests in seasoned funds with visibility into underlying assets, reduced blind-pool risk, and potential J-curve mitigation. Targeted discount-to-NAV of 10-25% depending on portfolio quality.



GP-Led Transactions

Continuation vehicles, strip sales, and tender offers providing liquidity to existing LPs whilst extending hold periods for high-potential assets under enhanced alignment structures.



Private Credit Adjacencies

Direct lending, mezzanine, and special situations strategies that complement equity exposures and provide differentiated risk-return profiles and enhanced yield generation.

Structure Options: Decision Framework

Separately Managed Account (SMA)

Bespoke vehicle managed exclusively for a single client with customised guidelines, enhanced transparency, and control.

- Optimal for: £100M+ commitments requiring tailored sector exposure, ESG policy, or co-investment rights
- Governance complexity: High (client retains significant discretion)
- Cost profile: Premium (+10-20% vs commingled)

Fund-of-One

Dedicated pooled vehicle for a single client with standardised governance but client-specific investment parameters.

- Optimal for: £50-100M commitments seeking operational simplicity with modest customisation
- Governance complexity: Medium (delegated authority with guardrails)
- Cost profile: Mid-tier (+5-15% vs commingled)

Commingled Fund

Multi-investor vehicle with shared economics, standardised terms, and reduced governance burden.

- Optimal for: £10-50M commitments prioritising cost efficiency and implementation speed
- Governance complexity: Low (fully delegated within policy bounds)
- Cost profile: Base (standardised terms)

Jurisdiction Shortlist: Global Fund Domiciles

Selecting the optimal domicile requires balancing tax efficiency, investor familiarity, regulatory treatment, substance requirements, and reputational considerations. Our shortlist reflects jurisdictions with established legal frameworks, regulatory certainty, and market acceptance.



Luxembourg

SCSp and RAIF structures with EU marketing passport, flexible regulation, and tax transparency



Ireland

Investment Limited Partnership (ILP) with strong EU regulatory standing and common law familiarity



United Kingdom

LP structure with established legal precedent and strong governance reputation



United States

Delaware LP and LLC with unparalleled manager familiarity and legal certainty



Cayman Islands

Exempted LP with global acceptance and efficient feeder structures



ADGM / DIFC

Emerging hubs with common law basis and strategic MENA positioning



Singapore

Variable Capital Company (VCC) with increasing traction for APAC-focused strategies

Comparative Matrix: Jurisdiction Analysis

Criteria	Luxembourg	Ireland	UK	US (DE)	Cayman	ADGM/DIFC	Singapore
Vehicle type	SCSp, RAIF	ILP	LP	LP, LLC	ELP	LP, Fund	VCC, LP
EU marketing	Full passport	Full passport	Third country	Third country	Third country	Third country	Third country
Tax transparency	High	High	High	High	High	High	Medium
Substance req.	Medium	Medium	Medium	Low	Low	Medium	Medium
WHT treaties	Extensive	Extensive	Extensive	Extensive	Limited	Growing	Extensive
Setup timeline	4-8 weeks	6-10 weeks	4-6 weeks	2-4 weeks	2-3 weeks	6-8 weeks	6-8 weeks
Setup costs	£75-100K	£60-80K	£40-60K	£30-50K	£20-30K	£50-70K	£50-70K
Ongoing costs	£120-150K p.a.	£100-130K p.a.	£80-100K p.a.	£60-80K p.a.	£30-50K p.a.	£90-120K p.a.	£80-100K p.a.
Investor familiarity	High	Medium	Medium	High	High	Low	Medium
Reputational profile	Strong	Strong	Strong	Strong	Fair	Improving	Strong

Costs are indicative and include legal, tax, regulatory, and administrative expenses for a standard structure. Actual figures may vary based on complexity, size, and specific requirements.¹

¹ Based on IFB-Beaufort service provider panel pricing as of September 2023, updated quarterly.

Regulatory Perimeter: Cross-Border Framework

AIFMD & UK AIFM Regime

Regulates management and marketing of alternative investment funds to professional investors in the EU/UK.

- Full compliance required for EU-domiciled AIFs or non-EU AIFs marketed to EU investors
- Key requirements: authorised AIFM, depositary, risk management, regulatory reporting, and remuneration rules
- National private placement regimes (NPPRs) available for non-EU AIFs subject to cooperation agreements

SEC Investment Advisers Act

Governs investment advice to US clients and US marketing activities.

- Registration required for advisers with US\$100M+ AUM with US clients, subject to exemptions
- Foreign private adviser exemption available under strict conditions
- Form PF reporting for large private fund advisers

MiFID II Distribution

Impacts marketing, distribution, and product governance across EU jurisdictions.

- Target market assessment, product governance, and appropriateness testing
- Stricter rules for retail investors vs professional clients or eligible counterparties

SFDR & UK SDR

Sustainability disclosure regimes with implications for marketing and reporting.

- SFDR Articles 6, 8, and 9 classifications with entity and product-level disclosures
- UK SDR developing with similar but distinct approach

FATCA & CRS

Global tax information exchange frameworks requiring investor documentation and reporting.

- Entity classification, investor documentation, and annual reporting requirements
- Failure to comply may result in withholding penalties

IFB-Beaufort maintains comprehensive regulatory mapping that is updated quarterly to reflect evolving cross-border marketing permissions, substance requirements, and disclosure obligations.²

² Based on regulatory analysis by Simmons & Simmons LLP and Dechert LLP as of August 2023.

LPA Blueprint: Governance Architecture

Economics

- Management fee: 0.5-1.0% on committed capital for fund-of-funds; 1.5-2.0% for direct strategies
- Carried interest: 10% for fund-of-funds; 15-20% for direct strategies
- Hurdle rate: 6-8% preferred return with 100% catch-up
- Fee offsets: 80-100% of transaction, monitoring, and director fees
- Expense caps: 0.25-0.5% of committed capital annually

Governance

- Advisory Committee composition and powers
- Conflicts resolution procedures
- Amendment provisions and LP approval thresholds
- Co-investment allocation policy

Key-Person Provisions

- Named key persons with time commitments
- Triggering events: departure, disability, misconduct
- Remedy period: typically 6 months
- Consequences: suspension of investment period, removal rights, LP vote

GP Removal Provisions

- For cause: fraud, gross negligence, material breach
- No-fault: 75%+ LP vote with economic consequences:
 - Early termination fee: 1-2 years of management fees
 - Carried interest: vesting schedule or negotiated reduction

Term & Extensions

- Base term: 10-12 years
- Extensions: 1-2 years at GP discretion, additional years with LPAC approval

Waterfall Structures: European vs American Models

European Waterfall (Deal-by-Deal)

Carried interest calculated and distributed on a deal-by-deal basis after returning investment cost and preferred return for each realised investment.

- **Advantages:** Earlier distributions to GP, aligned incentives for exits
- **Disadvantages:** Cherry-picking risk, more complex clawback provisions
- **Typical clawback:** Escrow of 30-50% of carried interest for 2-3 years after distribution

Prevalence: Approximately 35% of buyout funds, 60% of venture funds globally³

American Waterfall (Whole-of-Fund)

Carried interest paid only after LPs receive return of all contributed capital plus preferred return across the entire fund.

- **Advantages:** Stronger LP protection, reduced clawback risk
- **Disadvantages:** Delayed GP economics, potential for misaligned exit timing
- **Typical provision:** GP catch-up of 100% after hurdle until reaching carried interest percentage

Prevalence: Approximately 65% of buyout funds, 40% of venture funds globally³

³ MJ Hudson Private Equity Fund Terms Research, 2023.

Waterfall Example (£100M Fund, 8% Hurdle, 20% Carry)	European Model	American Model
Timing of first carry distribution	After first profitable exit exceeds cost + hurdle	After all contributed capital + hurdle returned
Carry on £30M exit (£20M cost, 2-year hold)	£1.6M carry distributed	£0 (insufficient fund-level returns)

Side-Letter Governance: MFN and Beyond

Most Favoured Nation (MFN) Protocol

Mechanism granting investors rights to receive terms offered to other investors of equal or smaller commitment size.

- **Disclosure process:** Redacted side letters circulated within 30-90 days of final closing
- **Election period:** 10-30 days for investors to select applicable provisions
- **Standard exclusions:** Tax, regulatory, and legal accommodations specific to investor circumstances

Common Excuse Rights

- Regulatory: investments causing investor compliance issues
- Legal: sanctions, state actors, sovereign immunity concerns
- ESG: specific sector exclusions, controversial weapons, tobacco

IFB-Beaufort maintains a side letter database with precedent language categorised by investor type, commitment size, and jurisdiction to ensure consistent application and compliance with MFN obligations.⁴

⁴ Side letter provisions are subject to legal and compliance review to ensure enforceability and regulatory compliance in relevant jurisdictions.

Information Rights

- Enhanced reporting frequency and content
- ESG-specific reporting and incident notification
- Background checks on key executives
- Access to underlying portfolio company information

Capacity Rights

- Co-investment rights (pro-rata or preferential)
- Future fund commitments (first-close discounts)
- Seed investor discounts or fee breaks

Governance Enhancements

- LPAC membership and voting rights
- Early warning on key-person events
- Enhanced consent rights for fund term extensions

Treasury Architecture: Capital Movement Framework

Capital Call Process

- **Notice period:** 10-15 business days standard
- **Documentation:** Formal capital call notice with funding instructions, investment description, and pro-rata calculations
- **Controls:** Dual authorisation, reconciliation against commitment database, and allocation verification

Distribution Mechanics

- **Timing:** Within 10-15 business days of receipt from underlying investments
- **Documentation:** Distribution notices with source, tax characterisation, and waterfall calculations
- **Withholding:** Tax documentation verification and jurisdiction-specific withholding requirements

Signatory Controls

- Tiered authorisation matrix based on transaction value
- Segregation of duties between initiation and approval
- Regular signatory review and update process

Escrow & FX Management

- Escrow accounts for transaction proceeds pending distribution
- FX hedging policy with defined parameters:
 - Hedging ratio: typically 70-90% of expected cashflows
 - Tenor limits: generally ≤ 12 months for commitments
 - Counterparty diversification requirements

IFB's Treasury Operations team provides centralised custody, cash management, and FX services under a defined Service Level Agreement with 99.7% accuracy target and 4-hour resolution commitment for discrepancies.⁵

⁵ Treasury controls are subject to annual ISAE 3402/SOC 1 audit and quarterly internal control testing.

Subscription Credit Facilities: Optimising Capital Efficiency

Key Facility Parameters

- **Size:** Typically 15-25% of committed capital
- **Tenor:** 12-36 months, renewable
- **Pricing:** SONIA/SOFR + 150-250 bps based on investor quality
- **Commitment fee:** 25-50 bps on undrawn portion
- **Purpose:** Bridge financing for investments, expenses, and management fees

Structural Elements

- **Security:** Secured by uncalled capital commitments
- **Borrowing base:** 90% of Category A investors (rated institutions), 75% of Category B (unrated but creditworthy), 0% for Category C
- **Overcall provisions:** Rights to call additional capital from non-defaulting investors

Key Covenants

- **Concentration limits:** Maximum exposure to single investors (typically 20-25%)
- **Clean-down:** Zero balance for 5-10 consecutive business days annually
- **LTV ratio:** Outstanding facility $\leq$ X% of remaining uncalled commitments (typically 35-50%)
- **Investor transfers:** Lender consent for material transfers

Risk Controls

- Stress testing on investor default scenarios
- Monitoring of investor credit quality changes
- Regular reconciliation of uncalled capital
- Remediation plans for covenant breaches

IFB provides subscription facilities through its Specialised Lending unit with a streamlined approval process (10-15 business days) for qualifying funds. Beaufort ensures facility terms align with fund documentation and investor expectations through pre-emptive legal review.⁶

⁶ Based on IFB Specialised Lending terms as of September 2023. Subject to credit approval and documentation.

NAV and Hybrid Facilities: Later-Stage Financing Solutions

NAV Facilities

Loans secured by fund's equity interest in underlying portfolio companies, typically used in latter stages of fund life.

- **Advance rate:** 25-40% of NAV depending on portfolio diversity, concentration, and liquidity
- **Pricing:** SONIA/SOFR + 300-500 bps
- **Term:** 2-4 years with amortisation in later years
- **Security:** First-ranking security over fund's equity interests in portfolio companies

Hybrid Facilities

Combined facilities secured by both uncalled commitments and portfolio NAV, bridging early and mature fund stages.

- **Structure:** Initially secured by uncalled capital, converting to NAV-based as commitments are drawn
- **Advance rate:** Dynamic calculation based on remaining commitments and NAV
- **Pricing:** Blended rate that increases as facility transitions from subscription to NAV basis

Key Covenants

- **LTV ratio:** Typically 30-50% depending on portfolio composition
- **Diversity tests:** Minimum number of investments (typically 8-12) and maximum concentration (15-25%)
- **NAV decline triggers:** Mandatory prepayment if NAV falls by 15-25%
- **Distribution sweeps:** 50-100% of distributions applied to facility repayment

Eligibility Criteria

Not all funds qualify for NAV facilities. Key requirements include:

- Seasoned portfolio (typically 50%+ invested)
- Demonstrated value creation (unrealised gains)
- Diversification across companies and sectors
- No prohibitive transfer restrictions in underlying documents

IFB-Beaufort conducts quarterly NAV facility eligibility assessments for client portfolios, identifying optimal timing and structure for liquidity enhancement or distribution acceleration.⁷

⁷ Facility terms subject to market conditions and portfolio characteristics. Indicative terms as of September 2023.

Valuation Policy: IFRS 13 and ASC 820 Framework

Valuation Hierarchy

Both IFRS 13 and ASC 820 establish a three-level hierarchy for fair value measurements:

- **Level 1:** Quoted prices in active markets for identical assets (rare in private equity)
- **Level 2:** Observable inputs other than Level 1 prices (comparable public companies, recent transactions)
- **Level 3:** Unobservable inputs requiring significant judgment (discounted cash flow, EBITDA multiples)

Primary Valuation Methodologies

- **Market approach:** Comparable company multiples, precedent transactions
- **Income approach:** Discounted cash flow analysis
- **Asset approach:** Adjusted net asset value
- **Recent transaction price:** Valid for up to 12 months absent material changes

IFB-Beaufort applies consistent valuation methodologies across strategies with appropriate adjustments for stage, sector, and data availability. Valuation policies are reviewed annually and disclosed to investors with explicit reference to IPEV Guidelines, IFRS 13, and ASC 820 compliance.⁸

Governance Structure

- **Valuation Committee:** Independent oversight with quarterly meetings
- **First line:** Investment team prepares initial valuations with supporting documentation
- **Second line:** Risk function reviews methodology consistency and assumption reasonableness
- **Third line:** Internal audit periodic review of valuation processes
- **External validation:** Independent valuation specialists for material positions annually

Back-Testing Protocol

- Quarterly comparison of realised values vs prior valuations
- Analysis of variance exceeding $\pm 15\%$
- Annual reporting to Investment Committee and LPAC
- Methodology refinement based on observed patterns

⁸ International Private Equity and Venture Capital Valuation Guidelines, December 2022 edition.

Performance Framework: Beyond IRR

Core Metrics and Applications

- **IRR (Internal Rate of Return):** Time-weighted performance measure
 - Strength: Accounts for timing of cash flows
 - Limitation: Can be manipulated by early realisations and fund-level leverage
- **DPI (Distributions to Paid-In):** Actual cash returned relative to capital contributed
 - Strength: Concrete measure of realised performance
 - Limitation: Understates performance of younger funds
- **RVPI (Residual Value to Paid-In):** Unrealised value relative to capital contributed
 - Strength: Captures potential future returns
 - Limitation: Subject to valuation subjectivity
- **TVPI (Total Value to Paid-In):** Combined realised and unrealised value
 - Strength: Comprehensive measure of total performance
 - Limitation: Doesn't account for time value of money

Benchmarking Methodologies

Public Market Equivalent (PME): Compares private equity performance to public market indices

- **Standard PME:** Direct comparison using same cash flow timing
- **KS-PME (Kaplan-Schoar):** Adjusts for systematic risk differences
- **PME+:** Modified approach allowing for different total investment amounts

IFB-Beaufort provides quarterly performance reporting using all metrics above, with benchmark comparisons against relevant vintage, strategy, and geographic peer groups. Performance figures undergo independent verification before distribution to clients.⁹

⁹ Benchmark data sourced from Preqin, Cambridge Associates, and Burgiss with appropriate permissions.

Pacing and J-Curve Management

Commitment Pacing Strategy

Structured approach to deploying capital across vintages to achieve target exposure while managing the J-curve effect.

- **Standard deployment:** 3-4 year ramp-up to reach target allocation
- **Vintage diversification:** 20-30% of target committed annually
- **Strategy mix:** Early secondaries (15-25%) to mitigate J-curve

Cash Flow Modelling

- **Capital calls:** Typically 15-25% of commitments in Year 1, 25-35% in Year 2, 20-30% in Year 3, remainder in Years 4-5
- **Distributions:** Minimal in Years 1-3, accelerating in Years 4-7, with tail in Years 8-12

Year	Annual Commitment (£M)	Cumulative Commitment (£M)	Expected Calls (£M)	Expected Distributions (£M)	Net Cash Flow (£M)
1	25	25	5	0	-5
2	25	50	13	1	-12
3	25	75	20	3	-17
4	25	100	25	8	-17
5	0	100	17	15	-2

Illustrative model for a £100M commitment programme over 4 years. Actual patterns will vary by strategy, vintage, and market conditions.¹⁰

¹⁰ Based on historical average deployment and realisation rates for buyout and growth strategies, 2010-2020.

J-Curve Mitigation Techniques

- **Secondary investments:** Acquiring interests in seasoned funds (3-5 years old) with visibility into underlying assets
- **Co-investments:** Direct investments alongside GPs with reduced or no fees and carried interest
- **Credit strategies:** Including private debt components for current income
- **Subscription line facilities:** Short-term (6-12 months) to smooth capital calls

Liquidity Management

- Cash buffer sizing: Typically 3-6 months of expected capital calls
- Tiered liquidity structure: Operating cash, short-term instruments, and medium-term allocations
- Stress testing: Modeling accelerated calls and delayed distributions

Portfolio Construction: Diversification Framework



Vintage Diversification

Mitigates point-in-time entry risk and economic cycle exposure

- Target: 3-4 vintage years represented in mature portfolio
- Maximum single vintage exposure: 30-40% of portfolio
- Tactical adjustment based on market conditions and valuations



Manager Diversification

Reduces key-person risk and expands opportunity access

- Core managers (50-60%): Established relationships with proven track records
- Emerging managers (15-25%): Next-generation talent with differentiated strategies
- Maximum single manager exposure: 15-20% of portfolio



Strategy Diversification

Balances risk-return profiles across investment approaches

- Buyout (40-60%): Core exposure to established businesses with operational improvement potential
- Growth (15-30%): Expansion capital for scaling businesses
- Venture (5-15%): Higher risk-return profile with innovation exposure
- Special situations (10-20%): Counter-cyclical opportunities



Geographic Diversification

Captures varied market cycles and growth opportunities

- North America (40-60%): Deepest market with strongest manager universe
- Europe (25-40%): Value orientation with strong middle market
- Asia (10-20%): Growth exposure and emerging market premium
- Rest of World (0-10%): Opportunistic exposure to emerging markets



Sector Diversification

Balances exposure to economic drivers and innovation

- Technology (20-30%): Secular growth and disruption exposure
- Healthcare (15-25%): Defensive growth with demographic tailwinds
- Business Services (15-25%): Recurring revenue models
- Consumer (10-20%): Brand value and household formation
- Industrials (10-20%): Operational improvement potential

IFB-Beaufort's Portfolio Construction Framework is tailored to client-specific objectives, constraints, and existing exposures. Quarterly exposure analysis identifies concentration risks and diversification opportunities.¹¹

¹¹ Diversification ranges are indicative. Custom targets are established for each client based on risk appetite and investment objectives.

Co-Investment Playbook: Enhanced Economics

Sourcing Strategy

- **Negotiated rights:** Pre-emptive co-investment allocation secured through primary fund commitments
- **Strategic relationships:** Preferred partner status with select GPs based on value-add capabilities
- **Proactive outreach:** Direct engagement with GPs regarding specific sector or geographic interests

Economics

- **Fee structure:** Typically 0-1% management fee and 0-10% carried interest
- **Break-even analysis:** Co-investment IRR uplift of 3-5% on blended basis assuming 15-25% allocation to co-investments alongside primaries
- **Minimum return threshold:** 2.0x MOIC and 20% IRR before expenses

IFB-Beaufort employs a rigorous co-investment screening process with independent investment committee approval required for all transactions. Our co-investment portfolio targets 15-20 positions with maximum single investment exposure of 10-15% of co-investment allocation.¹²

¹² Co-investment performance is reported both standalone and on a blended basis with primary commitments to demonstrate economics enhancement.

Governance Rights

- **Standard rights:** Information rights, transfer restrictions, tag-along rights
- **Enhanced rights** (for larger investments):
 - Board observer or director seat
 - Veto rights on material corporate actions
 - Pre-emptive rights on future funding rounds

Exit Discipline

- **Alignment:** Co-terminus exit with lead sponsor in most cases
- **Liquidity options:** Secondary sale rights if lead sponsor extends hold period beyond agreed threshold
- **Documentation:** Clear governance around exit timing, process, and decision rights

GP-Led Secondaries: Continuation Vehicle Mechanics

Transaction Structure

GP-led secondaries involve the transfer of assets from an existing fund to a continuation vehicle, providing liquidity to selling LPs while extending the holding period for high-potential assets.

- **Asset selection:** Single asset or multi-asset portfolio with continued growth potential
- **LP options:** Sell position, roll into continuation vehicle, or split approach
- **New capital:** Secondary investors provide liquidity for selling LPs

Economic Reset

- **Valuation:** Typically 95-105% of most recent NAV
- **Carried interest:** Crystallisation of accrued carry in original fund
- **New economics:** Fresh management fee (1.5-2.0%) and carried interest (15-20%) with reset hurdle

Continuation vehicles present both opportunities and conflicts. IFB-Beaufort applies a systematic evaluation framework to assess transaction fairness, economic alignment, and governance protections. Our GP-led secondary activity has grown 35% annually since 2019, reflecting increasing market adoption.¹³

¹³ GP-led secondary transaction volume reached \$48 billion globally in 2022, representing approximately 35% of total secondary market volume. (Jefferies Global Secondary Market Review, January 2023)

Fairness Mechanisms

- **Independent valuation:** Third-party opinion on transaction pricing
- **LPAC approval:** Review of conflicts and terms by original fund's advisory committee
- **Status quo option:** Ability for LPs to roll existing economics into continuation vehicle

IFB-Beaufort's Role

- **As GP advisor:** Structure design, secondary investor selection, and process management
- **As LP advisor:** Valuation analysis, term negotiation, and sell/roll decision support
- **As capital provider:** Selective investments in continuation vehicles with compelling assets and enhanced governance

Secondary LP Trades: Pricing Dynamics

Market Overview

The secondary market for LP interests provides liquidity for existing positions, with pricing typically expressed as a percentage of Net Asset Value (NAV).

- **Market size:** \$100+ billion annual transaction volume¹⁴
- **Growth rate:** 15-20% CAGR over the past decade
- **Typical discounts:** 5-25% to reported NAV, varying by strategy, vintage, and quality

Price Drivers

- **Portfolio quality:** Underlying asset performance and growth potential
- **Manager reputation:** Track record and institutional standing
- **Vintage year:** Maturity profile and remaining fund life
- **Concentration:** Number of assets and single-position exposure

Process Mechanics

- **Preparation:** Portfolio analysis, transfer restriction review, and economic modelling
- **Marketing:** Blind teaser, NDAs, and information memorandum distribution
- **Execution:** Indicative bids, due diligence, binding offers, and purchase agreement negotiation
- **Settlement:** GP consent, transfer documentation, and closing (typically 4-8 weeks)

Restriction Management

- **GP consent:** Required for nearly all transfers (90%+ of funds)
- **ROFR:** Right of first refusal for existing LPs (25-30% of funds)
- **Transfer fees:** Typically £5,000-15,000 per transfer
- **Minimum hold periods:** First 1-2 years often restricted

Strategy	Typical Discount Range (% of NAV)	Key Price Sensitivity Factors
Buyout	5-15%	Vintage, portfolio concentration, public market comparables
Growth	10-20%	Revenue growth rates, path to profitability, fundraising environment
Venture	15-30%	Stage (early vs late), cash runway, recent financing rounds
Real Assets	5-20%	Asset type, leverage, income component, terminal value assumptions

¹⁴ Greenhill Global Secondary Market Review, 2023

Deal Diligence: Multi-Faceted Assessment Framework



IFB-Beaufort Approach

Our diligence process integrates multiple workstreams with a focus on risk identification and value creation opportunities. For primary fund commitments, we review GP diligence practices and selectively participate in co-investment diligence. For direct co-investments, we conduct parallel diligence with specialist advisors while leveraging lead sponsor work to avoid duplication.

Diligence findings are documented in a standardised investment memorandum with risk rating matrix and mitigation strategies. All transactions require formal Investment Committee approval with escalation to Board level for material exposures.¹⁵

¹⁵ Diligence depth is calibrated to investment size, complexity, and role (lead vs follower).

Operating Value Creation: Four-Lever Framework

Revenue Levers

- **Pricing optimisation:** Scientific pricing, discount management, value-based segmentation
- **Sales effectiveness:** Coverage model, incentive alignment, pipeline management
- **Customer expansion:** Cross-sell, upsell, retention improvement
- **New market entry:** Geographic expansion, adjacent segments, channel development

Margin Levers

- **Procurement excellence:** Strategic sourcing, supplier consolidation, specification optimisation
- **Manufacturing efficiency:** Lean processes, automation, footprint rationalisation
- **Overhead optimisation:** Spans and layers, shared services, zero-based budgeting
- **SKU rationalisation:** Complexity reduction, portfolio simplification

Cash Levers

- **Working capital optimisation:** Inventory management, receivables acceleration, payables management
- **CapEx efficiency:** ROI-based allocation, asset light models, maintenance optimisation
- **Tax strategy:** Structure optimisation, credits and incentives, transfer pricing
- **Real estate rationalisation:** Sale-leaseback, footprint consolidation

Digital and Data Levers

- **Analytics transformation:** Data strategy, predictive models, decision support
- **Digital customer experience:** Omnichannel engagement, self-service enablement
- **Process automation:** RPA, workflow digitalisation, AI/ML application
- **IT modernisation:** Cloud migration, technical debt reduction, cybersecurity enhancement

IFB-Beaufort evaluates GP value creation capabilities across these dimensions as part of our manager selection process. For co-investments, we assess the lead sponsor's value creation plan against our framework to identify gaps and enhancement opportunities.¹⁶

¹⁶ Our analysis indicates that top-quartile GPs systematically deploy 6+ value creation levers per portfolio company vs 2-3 for median performers.

Leverage and Covenant Risk: Monitoring Framework

Leverage Sizing Principles

- **Industry norms:** Sector-specific benchmarks reflecting business cyclicalities and asset intensity
- **Cash flow stability:** Debt service coverage ratio (DSCR) typically targeted at 1.5x+ under base case
- **Deleveraging path:** 2-3x turn reduction over 5-year hold period through EBITDA growth and cash sweep
- **Multiple expansion risk:** Exit multiple assumptions stress-tested for rising rate environments

Covenant Types

- **Financial covenants:** Net leverage, interest coverage, CapEx limitations, minimum EBITDA
- **Affirmative covenants:** Reporting requirements, property maintenance, insurance
- **Negative covenants:** Additional debt, asset sales, dividends, acquisitions
- **Incurrence covenants:** Tests applied only when specific actions taken

Covenant Monitoring

- **Headroom tracking:** Ongoing calculation of cushion to covenant breach
- **Early warning system:** Triggers at 30%, 20%, and 10% headroom
- **Scenario analysis:** Regular stress testing under revenue decline and margin compression cases
- **Quarterly covenant compliance certificates:** Review and verification process

Remediation Options

- **Covenant amendment:** Negotiated relaxation with fee payment (25-50 bps typical)
- **Equity cure:** Additional equity injection to restore compliance
- **Debt repurchase:** Opportunistic buy-back of debt trading below par
- **Refinancing:** Complete replacement of existing facilities when market conditions permit

IFB's Fund Finance team provides quarterly covenant compliance monitoring for portfolio companies under NAV facilities. For primary funds, Beaufort reviews GP covenant management practices and escalation procedures as part of ongoing monitoring.¹⁷

¹⁷ Covenant breach probability is assessed quarterly using a proprietary model incorporating sector-specific stress scenarios calibrated to historical default data.

Risk Limits: Multi-Dimensional Framework

Concentration Risk

Limits on exposure to single points of failure

- **Manager concentration:** Maximum 15-20% to single manager
- **Fund concentration:** Maximum 5-10% to single fund
- **Sector concentration:** Maximum 30-35% to single sector
- **Geography concentration:** Maximum 50-60% to single region

Leverage Risk

Controls on direct and look-through leverage

- **Fund-level leverage:** Maximum subscription facility of 25% of commitments
- **NAV facility LTV:** Maximum 30-40% of portfolio NAV
- **Look-through leverage:** Weighted average Net Debt/EBITDA target of 4.0-5.0x
- **Covenant headroom:** Minimum 15% buffer to nearest covenant

Liquidity Risk

Ensuring appropriate cashflow management

- **Uncalled commitment coverage:** 30-50% in liquid assets
- **Cash buffer:** 3-6 months of projected capital calls
- **Subscription facility usage:** Maximum 180-day average utilisation
- **Commitment pacing:** Maximum annual commitment of 25-30% of programme size

Key-Person Risk

Mitigating dependency on critical individuals

- **Team depth assessment:** Minimum 3 experienced professionals per strategy
- **Succession planning:** Documented plan for founder-led firms
- **Economics sharing:** Carried interest distribution beyond key principals
- **Key-person clauses:** Appropriate triggers and remedies in legal documentation

Risk limits are established in Investment Policy Statements customised for each client's objectives and constraints. Quarterly monitoring identifies limit breaches with documented escalation procedures and remediation timelines.¹⁸

¹⁸ Risk limits are reviewed annually and adjusted based on market conditions, portfolio maturity, and evolving client objectives.

Three-Lines Model: Risk and Control Framework

First Line: Investment Team

Primary responsibility for risk identification and management within approved parameters.

- **Key responsibilities:**
 - Deal sourcing and execution within mandate
 - Ongoing portfolio monitoring
 - Valuation preparation with supporting documentation
 - Initial ESG screening and monitoring
- **Key controls:**
 - Investment Committee approval process
 - Standardised due diligence templates
 - Documentation of investment rationale
 - Quarterly portfolio reviews

Second Line: Risk and Compliance

Independent oversight of first-line activities with policy-setting authority.

- **Key responsibilities:**
 - Risk policy development and limit setting
 - Valuation review and challenge
 - Investment guideline monitoring
 - Regulatory compliance oversight
- **Key controls:**
 - Quarterly risk reporting to Board
 - Independent valuation review
 - Pre- and post-trade compliance checks
 - Regulatory filings review

Third Line: Audit and Board Oversight

Independent assurance on effectiveness of risk management, control, and governance processes.

- **Key responsibilities:**
 - Periodic audits of investment processes
 - Validation of control effectiveness
 - Policy compliance verification
 - Identification of emerging risks
- **Key controls:**
 - Annual risk-based audit plan
 - Direct reporting line to Audit Committee
 - Tracking of remediation actions
 - External auditor coordination

IFB-Beaufort's three-lines model ensures appropriate segregation of duties with documented escalation procedures and clear accountability. Risk culture is reinforced through compensation structures that balance risk-adjusted returns with compliance excellence.¹⁹

¹⁹ Framework aligned with Institute of Internal Auditors Three Lines Model (updated July 2020).

Service-Provider Map: Ecosystem Architecture

Fund Administration

- **Primary providers:** Aztec, Vistra, Alter Domus, Gen II, SS&C
- **Services:** Fund accounting, investor reporting, tax, NAV calculation, capital calls and distributions
- **Selection criteria:** System capabilities, private equity specialisation, jurisdictional presence, ISAE 3402 controls
- **Monitoring:** Quarterly SLA review, annual due diligence refresh

External Counsel

- **Primary providers:** Kirkland & Ellis, Simpson Thacher, Proskauer, Dechert, Simmons & Simmons
- **Services:** Fund formation, transaction documentation, regulatory advice, tax structuring
- **Selection criteria:** Practice depth, jurisdictional coverage, precedent transactions, fee structure
- **Monitoring:** Matter-by-matter performance review, biennial panel review

Valuation Specialists

- **Primary providers:** Duff & Phelps, Alvarez & Marsal, Houlihan Lokey, BDO
- **Services:** Independent valuation opinions, fairness opinions for GP-led transactions, valuation policy development
- **Selection criteria:** Sector expertise, methodology robustness, independence, regulatory standing
- **Monitoring:** Assignment-specific quality assessment, periodic tender process

IFB-Beaufort maintains a pre-approved panel of service providers subject to rigorous initial due diligence and ongoing monitoring. Our procurement process ensures competitive pricing while maintaining quality standards through multi-year contracts with performance incentives.²⁰

²⁰ Service provider selection follows IFB Group Procurement Policy with enhanced due diligence for regulated services.

Audit and Tax

- **Primary providers:** PwC, KPMG, EY, Deloitte
- **Services:** Financial audit, tax compliance, regulatory reporting, valuation support
- **Selection criteria:** Private equity expertise, global reach, independence, partner rotation
- **Monitoring:** Annual performance assessment, audit committee oversight

Banking and Custody

- **Primary providers:** IFB, BNP Paribas, State Street, Northern Trust
- **Services:** Banking, custody, FX, subscription facilities, paying agent
- **Selection criteria:** Credit rating, system integration, global capabilities, fee transparency
- **Monitoring:** Quarterly service review, credit monitoring, ISAE 3402 review

Technology Stack: Integrated Architecture

Deal Pipeline & CRM

- **Core platform:** Dynamo/Salesforce
- **Key capabilities:**
 - Deal tracking and workflow management
 - GP relationship mapping
 - Investment committee materials
 - Document repository and version control

Portfolio Monitoring

- **Core platform:** eFront/iLevel
- **Key capabilities:**
 - KPI tracking and benchmarking
 - Valuation capture and history
 - ESG data collection
 - Covenant monitoring

Client Portal

- **Core platform:** Proprietary/InvestorPortal
- **Key capabilities:**
 - Secure document delivery
 - Interactive portfolio analytics
 - Capital call notifications and projections
 - Investment activity updates

Capital Accounting

- **Core platform:** FIS Investran/eFront
- **Key capabilities:**
 - Capital call and distribution processing
 - Waterfall calculations
 - Performance metrics (IRR, TVPI, etc.)
 - Tax lot accounting

Data Warehouse & Analytics

- **Core platform:** Snowflake/Tableau
- **Key capabilities:**
 - Golden source data repository
 - Custom reporting and dashboards
 - Risk analytics and scenario modelling
 - Look-through exposure analysis

IFB-Beaufort's technology strategy prioritises data integration and process automation with a "golden source" architecture. Our systems undergo annual penetration testing and maintain ISO 27001 certification for information security. We follow a continuous improvement cycle with quarterly enhancement releases based on user feedback.²¹

²¹ Technology roadmap aligned with IFB Group Digital Strategy 2022-2025 with dedicated private equity enhancement budget.

Reporting Pack: ILPA-Compliant Framework



Capital Account Statement

Detailed investor-level activity reflecting contributions, distributions, expenses, and NAV movements. ILPA-aligned format with transparent fee reporting and carried interest calculations.



Performance Metrics

Comprehensive performance reporting including IRR (gross and net), TVPI, DPI, RVPI, and PME analysis against relevant benchmarks. Vintage year and strategy peer group comparisons provided quarterly.



Portfolio Look-Through

Granular exposure analysis showing underlying investments with sector, geography, and strategy classifications. Concentration heat maps identify risk clusters across dimensions.



Fee Transparency

Detailed breakdown of management fees, fund expenses, and portfolio company fees including offsets. Historical and inception-to-date summaries provided annually with quarterly updates.



Cash Flow Projections

Forward-looking capital call and distribution estimates based on commitment pacing, historical patterns, and GP guidance. Scenario analysis with base, conservative, and optimistic cases.



ESG Dashboard

Sustainability metrics including carbon intensity, diversity statistics, and governance indicators. PAI indicators for SFDR reporting and SDG alignment assessment for relevant strategies.

IFB-Beaufort provides customised reporting based on client preferences while maintaining ILPA compliance as a baseline standard. Reports are delivered via secure client portal with interactive functionality for deeper analysis. Special reporting accommodations are available for regulatory filings, board presentations, and audit requirements.²²

²² Reporting follows ILPA Principles 3.0 (June 2019) with enhancements for SFDR and UK SDR requirements.

ESG and Stewardship Posture: Regulatory Alignment

SFDR Classification Framework

- **Article 6:** Baseline compliance with sustainability risk integration but no specific environmental or social objectives
- **Article 8:** Promoting environmental or social characteristics with good governance practices
- **Article 9:** Sustainable investment as core objective with measurable targets and impact reporting

Policy Menu

- **Responsible investment policy:** Core approach to ESG integration in investment process
- **Exclusion policy:** Negative screening criteria and implementation methodology
- **Climate policy:** Approach to climate risks, opportunities, and net-zero alignment
- **Stewardship code:** Engagement principles and voting guidelines

Principal Adverse Impact (PAI) Indicators

- **Environmental:** GHG emissions, biodiversity impact, waste management
- **Social:** Gender pay gap, board diversity, human rights violations
- **Governance:** Anti-corruption policies, whistleblower protection
- **Data collection:** Standardised templates aligned with regulatory requirements

Incident Reporting Framework

- **Materiality assessment:** Impact severity classification
- **Escalation protocol:** Notification timelines and responsibility matrix
- **Remediation tracking:** Action plans and monitoring process
- **Disclosure requirements:** Regulatory and investor communication standards

IFB-Beaufort offers clients the flexibility to select their preferred ESG posture while maintaining minimum standards aligned with regulatory requirements. Our approach combines policy implementation, data collection, and reporting with substantive engagement on material ESG issues. We conduct annual ESG reviews of all fund managers in our approved list with scoring that influences allocation decisions.²³

²³ ESG framework aligned with SFDR, UK SDR, PRI, TCFD, and relevant stewardship codes. Updated quarterly to reflect regulatory developments.

Sanctions, AML, and Adverse-Media Workflow

Initial Screening

- **Scope:** Managers, service providers, underlying portfolio companies, beneficial owners
- **Threshold:** 25% ownership or control threshold (10% for high-risk jurisdictions)
- **Frequency:** Pre-investment, quarterly for managers, annually for portfolio companies
- **Tools:** Dow Jones Risk & Compliance, WorldCheck, ComplyAdvantage

Enhanced Due Diligence

- **Triggers:** PEP status, high-risk jurisdictions, complex ownership structures
- **Process:** Additional documentation, source of wealth verification, independent research
- **Approval:** Senior Compliance Officer sign-off, potential MLRO escalation

Ongoing Monitoring

- **Sanctions:** Real-time screening against global sanctions lists with automated alerts
- **Adverse media:** AI-powered news monitoring with risk-based review frequency
- **Ownership changes:** Tracking of material ownership transfers and new beneficial owners

Incident Management

- **Escalation protocol:** Tiered response based on severity classification
- **Remediation options:** Engagement, enhanced monitoring, ownership dilution, divestment
- **Regulatory reporting:** SAR filing procedures and regulator engagement process

IFB-Beaufort's compliance framework incorporates applicable requirements from OFAC, OFSI, EU sanctions regimes, and national AML regulations. Our global approach ensures consistent application of the highest standards across jurisdictions while accounting for local regulatory nuances.²⁴

²⁴ Compliance procedures reviewed semi-annually by external counsel to ensure alignment with evolving global requirements.

Insurance: Risk Transfer Framework

Warranties & Indemnity (W&I)

Insurance covering breaches of representations and warranties in acquisition agreements.

- **Typical coverage:** 10-20% of enterprise value
- **Premium:** 1-3% of coverage amount
- **Retention:** 0.5-1.0% of enterprise value
- **Claims frequency:** Approximately 20% of policies

When used: Competitive auctions, clean exits, cross-border transactions

Tax Liability Insurance

Coverage for specific identified tax risks in transactions.

- **Typical coverage:** Specific tax exposure plus gross-up
- **Premium:** 2-5% of coverage amount
- **Claims frequency:** Low (5-10% of policies)

When used: Tax structuring with residual uncertainty, historical tax exposures

Directors & Officers (D&O)

Protection for fund and portfolio company directors against claims.

- **Coverage components:** Side A (directors), Side B (company reimbursement), Side C (entity)
- **Typical limits:** £5-20M for portfolio companies, £10-50M for funds
- **Critical exclusions:** Fraud, willful misconduct, prior known matters

When used: Standard for all funds and portfolio companies

Cyber Insurance

Coverage for data breaches, ransomware, and other cyber incidents.

- **Coverage elements:** First-party costs, third-party liability, regulatory defence
- **Risk factors:** Industry sector, data types, security controls
- **Market trends:** Increasing premiums, more exclusions, higher retention

When used: Technology companies, data-rich businesses, regulated entities

IFB-Beaufort works with specialist insurance brokers to design appropriate coverage for funds and portfolio companies. Our approach balances premium costs against risk transfer benefits with annual policy reviews and coverage adequacy assessments.²⁵

²⁵ Insurance placement coordinated through IFB Group Insurance function with specialist private equity brokers.

Cost-to-Value Analysis: Economic Framework

Fee Components

- **Management fees:** 1.5-2.0% on committed/invested capital
- **Fund expenses:** 0.15-0.25% annually (legal, admin, audit)
- **Transaction fees:** 0.5-1.0% of deal value (partially offset)
- **Carried interest:** 15-20% of profits after hurdle

Fee Mitigation Strategies

- **Co-investments:** Direct investments alongside GPs with reduced or no fees
- **Scale discounts:** Tiered fee schedules for larger commitments
- **Fee offsets:** Monitoring and transaction fee credits against management fees
- **Strategic relationships:** Customised terms for multi-fund commitments

Financing Costs

- **Subscription facilities:** SONIA/SOFR + 150-250 bps, 25-50 bps commitment fee
- **NAV facilities:** SONIA/SOFR + 300-500 bps, 50-100 bps arrangement fee

Gross-to-Net Analysis

Component	Impact on Returns
Gross IRR	20.0%
Management fees	-2.5%
Fund expenses	-0.3%
Carried interest	-2.2%
Financing costs	-0.5%
Net IRR	14.5%

IFB-Beaufort provides detailed fee transparency reporting in accordance with ILPA guidelines. Our value-for-money analysis quantifies the cost of each fee component against performance contribution to identify optimal economic structures. We negotiate fee terms on behalf of clients based on commitment size, relationship value, and market benchmarks.²⁶

²⁶ Analysis based on typical mid-market buyout fund economics. Actual impact varies by strategy, vintage, and specific terms.

Conflicts Management: Governance Framework

Allocation Policy

Systematic approach to distributing co-investment and secondary opportunities across eligible clients.

- **Eligibility criteria:** Investment policy alignment, liquidity availability, regulatory status
- **Allocation methodology:** Pro-rata based on primary commitments with minimum threshold
- **Documentation:** Written rationale for allocations with approval by independent committee
- **Monitoring:** Quarterly review of allocation patterns to ensure fairness

Cross-Trade Policy

Controls governing transactions between IFB-Beaufort managed vehicles.

- **Approval process:** Independent Investment Committee review with LPAC consultation
- **Valuation requirements:** Multiple independent valuations with documented methodology
- **Disclosure:** Transparent communication to all affected investors

Conflicts Committee

Independent body responsible for identifying, managing, and monitoring potential conflicts of interest.

- **Composition:** Chief Compliance Officer, Independent Directors, General Counsel
- **Meeting frequency:** Quarterly with ad-hoc sessions for time-sensitive matters
- **Documentation:** Formal minutes with rationale for decisions and dissenting views
- **Reporting:** Regular updates to Board Risk Committee and regulator when required

IFB-Beaufort maintains a conflicts register documenting actual and potential conflicts with mitigation strategies. Our conflicts framework is reviewed annually by external counsel to ensure regulatory compliance and evolving best practices.²⁷

²⁷ Conflicts policy aligned with FCA SYSC 10, SEC Advisers Act Rule 206(4)-7, and AIFMD Article 14.

Fee Offset Policy

Ensures appropriate crediting of fees generated from portfolio companies.

- **Covered fees:** Transaction, monitoring, directors, consulting, break-up
- **Offset mechanism:** 80-100% credit against management fees
- **Reporting:** Quarterly disclosure of fees received and offset application

Inducements Policy

Governs receipt of non-monetary benefits from third parties.

- **Permitted benefits:** Research, training, small hospitality within defined thresholds
- **Prohibited benefits:** Travel, accommodation, excessive entertainment
- **Register:** Documented log of all benefits received with value estimate
- **Review:** Quarterly compliance review of register

Ethical Guardrails: Reputational Framework

Controversial Sector Approach

Clear policy positions on sectors with potential reputational risks.

- **Tobacco:** No direct investments, 5% revenue threshold for indirect exposure
- **Defence/weapons:** Permitted within NATO/EU regulatory frameworks, prohibited for controversial weapons
- **Gambling:** Permitted with enhanced licensing and consumer protection verification
- **Adult entertainment:** Prohibited for direct investments, 5% revenue threshold for indirect

Social Impact Considerations

Approach to businesses with potential social consequences.

- **Affordable housing:** Enhanced due diligence on tenant practices and community impact
- **Healthcare pricing:** Assessment of pricing practices and patient access programmes
- **Financial inclusion:** Review of lending practices and consumer protection measures
- **Food and nutrition:** Evaluation of marketing practices and product formulation

Governance Standards

Minimum acceptable governance practices for investments.

- **Board composition:** Independence requirements and diversity expectations
- **Compensation practices:** Alignment with long-term value creation
- **Tax responsibility:** Prohibition of aggressive tax avoidance structures
- **Transparency:** Appropriate financial and non-financial disclosure

Reputational Risk Process

Framework for assessing and managing potential reputational impacts.

- **Risk assessment:** Mandatory screening against reputational risk factors
- **Escalation protocol:** Tiered approval based on risk severity
- **Media analysis:** Structured assessment of public perception
- **Stakeholder engagement:** Proactive communication strategy for sensitive investments

IFB-Beaufort applies these ethical guardrails to all investment activities while recognising client-specific requirements through customised exclusion policies. Our Reputation Committee meets monthly to review potential concerns and establish consistent application of principles across strategies and geographies.²⁸

²⁸ Ethical framework reviewed annually with input from external stakeholders and evolving industry standards.

Case Study A: Bespoke SMA with Buyout and Secondaries

Client Profile

- UK corporate pension scheme with £5 billion in assets
- Existing 5% allocation to private equity through fund-of-funds
- Objective to increase allocation to 10% with enhanced governance and fee efficiency
- Concerns about J-curve impact and vintage concentration

Solution Architecture

- **Structure:** Luxembourg SCSp with segregated accounts
- **Target allocation:** £200 million over 3 years
- **Strategy mix:**
 - 70% primary commitments to mid-market buyout funds
 - 20% secondaries of seasoned buyout interests
 - 10% co-investments alongside core managers

Implementation Approach

- **Governance:** Client Investment Committee approval for primary commitments, delegated authority for secondaries and co-investments within parameters
- **Fee structure:** 0.7% management fee on committed capital, 7.5% carried interest over 7% hurdle
- **J-curve mitigation:** Front-loaded deployment of secondary allocation (50% in Year 1)
- **Treasury management:** Subscription facility for capital call management with 180-day maximum usage

Outcomes and Lessons

- **Performance:** 19.5% gross IRR / 16.3% net IRR over 5 years (4.2% above benchmark)
- **Fee savings:** Approximately 120 bps per annum vs fund-of-funds structure
- **J-curve effect:** Positive returns from Year 2 vs typical Year 4-5 inflection point

Key success factors included disciplined vintage diversification, opportunistic secondary purchases during market dislocation (2020), and effective use of co-investments to enhance economics. Challenges included higher-than-expected administrative complexity and resource requirements for direct oversight of 25+ underlying investments.²⁹

²⁹ Performance data as of 31 December 2022. Past performance is not indicative of future results.

Case Study B: GP-Led Continuation Fund

Transaction Overview

- **Scenario:** European mid-market buyout fund approaching end of term with two high-performing assets remaining
- **Challenge:** Fund term expiring but two assets (healthcare technology and business services) had significant growth runway remaining
- **Sponsor:** Mid-tier GP with strong sector expertise but limited secondary market experience
- **Size:** €175 million continuation vehicle for two assets valued at €160 million

IFB-Beaufort's Role

- Lead structuring adviser to the GP
- Secondary capital provider (€30 million commitment)
- Arranging LP financing option for rolling investors

Outcomes and Lessons

- **Performance:** 2.4x MOIC on invested capital over 3 years (32% IRR) with one full exit and one partial realisation
- **Process improvements:**
 - Earlier LP engagement improved reception and rolling participation
 - More detailed operational value creation plan enhanced secondary investor confidence
 - Simplified structure reduced legal costs by approximately 15%

Key success factors included robust asset selection with clear growth catalysts, transparent LP communication throughout the process, and alignment of GP economics with achieving specified value creation milestones. The structure provided a superior outcome for all stakeholders compared to a forced liquidation scenario.³⁰

³⁰ Case study details modified to protect confidentiality while preserving key structural elements and learnings.

Transaction Mechanics

- **Valuation:** Independent fairness opinion confirming price at 1.05x latest NAV
- **LP options:**
 - Sell 100% at transaction price (selected by 65% of LPs)
 - Roll 100% into continuation vehicle (selected by 25% of LPs)
 - Sell/roll combination (selected by 10% of LPs)
- **Economic reset:** 1.5% management fee on invested capital, 15% carried interest over 8% hurdle (full reset)

Governance Enhancements

- Enhanced LPAC rights including annual continuation approval
- Defined 5-year exit window with liquidation mechanism
- Carry escrow of 50% until full realisation
- Detailed reporting on value creation initiatives

Case Study C: Co-Investment Alongside Lead GP

Transaction Overview

- **Target:** UK-based enterprise software provider serving the financial services sector
- **Lead sponsor:** Tier 1 technology-focused private equity firm
- **Deal size:** £225 million enterprise value (4.5x LTM revenue, 15x LTM EBITDA)
- **Structure:** 60% lead sponsor, 15% IFB-Beaufort (for clients), 25% management rollover

Investment Thesis

- Market-leading product with 95% recurring revenue and 120% net revenue retention
- Fragmented competitor landscape creating acquisition opportunities
- International expansion potential in North America and APAC
- Ability to leverage lead sponsor's technology expertise and operating partners

Value Creation Results

Metric	Entry (2019)	Current (2023)	Growth
Revenue	£50M	£95M	+90%
EBITDA	£15M	£32M	+113%
EBITDA margin	30%	34%	+400 bps
Enterprise value	£225M	£640M (estimated)	+184%

Value was created through three strategic acquisitions, expansion into two new geographic markets, and enhancement of the core product offering. The co-investment has delivered a 2.8x MOIC (unrealised) with substantial additional upside potential. Key learnings included the importance of aligned governance rights and the value of sector-specific due diligence in validating the technology roadmap.³¹

³¹ Performance as of 30 June 2023. Valuation based on recent minority investment.

Co-Investment Terms

- **Economics:** No management fee, no carried interest (direct economics)
- **Governance rights:**
 - Board observer seat
 - Information rights including monthly reporting
 - Consultation rights on material corporate actions
- **Exit provisions:**
 - Tag-along rights with lead sponsor
 - Pro-rata pre-emptive rights on future financings
 - 5-year sunset clause with joint exit process

Case Study D: NAV Facility for Liquidity Management

Client Situation

- US-based endowment with \$2 billion in assets
- 15% allocation to private equity across 25+ funds
- Challenge: Temporary liquidity need for new campus development without disrupting long-term private equity programme
- Reluctance to sell private equity positions at distressed valuations during market dislocation

Solution Design

- **Facility type:** NAV-based credit facility secured by diversified private equity portfolio
- **Size:** \$75 million (representing ~25% of NAV)
- **Term:** 3 years with 2-year extension option
- **Pricing:** SOFR + 375 bps, 75 bps arrangement fee
- **Security:** First-ranking security over interests in 12 selected funds

Outcomes and Learnings

The facility successfully provided bridge liquidity without forcing untimely secondary sales. Distributions from the portfolio repaid 60% of the facility within 18 months, significantly ahead of projections. The endowment ultimately repaid the facility in full after 30 months using a combination of portfolio distributions and new fundraising proceeds.

Key lessons included:

- Importance of selecting the right funds for the security package (mature, diverse, strong GPs)
- Value of conservative advance rates in maintaining covenant compliance during valuation volatility
- Benefits of distribution sweep mechanics in accelerating deleveraging
- Need for streamlined GP consent process to facilitate efficient execution

The facility achieved its objective of providing temporary liquidity while preserving the long-term private equity programme, avoiding approximately \$15-20 million in value erosion from forced secondary sales.³²

³² Estimated based on secondary market pricing during the relevant period (2020-2021).

Structural Elements

- **Eligible investments:** Buyout and growth funds >50% called, >3 years old
- **Advance rate:** 35% of NAV (conservative vs. market 40-50%)
- **Key covenants:**
 - LTV ratio maximum of 40% (5% headroom)
 - Minimum of 8 funds in security package
 - Maximum single fund concentration of 25%
 - Mandatory prepayment of 50% of distributions

Governance Controls

- Quarterly valuation verification
- Regular NAV certification process
- Distribution notices with direct payment mechanics
- Covenant compliance certification

Objections and Responses: Critical Challenges

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Fee Layering Concern

"Adding IFB-Beaufort creates another layer of fees on top of underlying manager fees, eroding returns."

Response: Our fee structure is designed for alignment with blended economics that are competitive with direct fund investments. Fee impact is mitigated through: 1) co-investments at zero/reduced fees (15-25% of portfolio), 2) negotiated discounts with GPs, 3) secondary investments at discount-to-NAV, and 4) tiered fee structure reducing rates as AUM increases.

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Capacity Limitations

"Top-performing managers are capacity constrained and unlikely to accept capital from a new relationship."

Response: IFB-Beaufort leverages relationships across our combined platform with access negotiated through: 1) strategic GP relationships established over 15+ years, 2) ability to commit significant capital across strategies, 3) value-add beyond capital through co-investment capabilities, secondaries expertise, and fund financing solutions, and 4) demonstrated operational excellence reducing GP burden.

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Track Record Portability

"The performance history might reflect individuals no longer with the firm or different market conditions."

Response: Our track record has verifiable continuity with: 1) consistent team stability with 85% retention of senior investment professionals over 5 years, 2) documented attribution analysis showing contribution by current team members, 3) consistent investment process applied across market cycles, and 4) performance segmentation by vintage, strategy, and market environment demonstrating sustainability.

“

Key-Person Dependency

"The proposition relies heavily on specific individuals whose departure would materially impact execution."

Response: We have institutionalised our approach through: 1) team-based investment process with no single decision-maker, 2) documented investment policies and procedures, 3) structured succession planning with identified next-generation leaders, 4) broad-based economic participation aligning key professionals, and 5) governance overlay from IFB Group providing institutional continuity.

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Scenario Analysis: Alternative Future States

Scenario	Baseline Case	Rates Shock	Funding Squeeze	Regulatory Tightening
Macro environment	Moderate growth, stable rates, normal liquidity	Persistent inflation, rates +200-300 bps above current levels	Credit contraction, limited debt availability, wider spreads	Increased regulatory scrutiny, expanded disclosure, higher compliance burden
Private equity impact	12-15% IRRs, 5-6 year hold periods, moderate multiples	Compressed multiples, higher cost of capital, extended hold periods	Reduced leverage, more equity-heavy deals, slower pace	Increased compliance costs, restricted marketing, enhanced scrutiny
Expected fund returns	Net IRR: 13-15%	Net IRR: 9-11%	Net IRR: 10-12%	Net IRR: 12-14%
Portfolio implications	Balanced strategy mix, normal pacing	Emphasis on operational value creation, reduced entry multiples	Focus on less levered strategies, increased secondaries	Increased compliance resources, enhanced reporting
Mitigation approach	Standard diversification	Focus on businesses with pricing power and low capital intensity	Enhanced liquidity management, opportunistic secondaries	Proactive regulatory engagement, enhanced governance
Probability	40-60%	25-35%	15-25%	20-30%

IFB-Beaufort maintains dynamic scenario modelling with quarterly updates reflecting evolving market conditions. Portfolio construction and vintage pacing are adjusted based on probability-weighted scenario analysis. Stress testing includes extreme scenarios beyond those presented above to ensure resilience under tail events.³³

³³ Probabilities represent 24-month forward view as of September 2023. Scenario definitions and probabilities reviewed quarterly.

Liquidity Planning: Cash Flow Management

Call Predictability Framework

- **Historical pattern analysis:** GP-specific deployment rates vs commitments
- **Vintage comparisons:** Pace of capital deployment by strategy and market environment
- **Pipeline visibility:** Direct GP engagement on near-term transaction activity
- **Call notice periods:** Typically 10-15 business days' formal notice

FX Management

- **Currency matching:** Aligning funding sources with commitment currencies where possible
- **Hedging strategy:**
 - 70-90% of expected calls within 12 months
 - 50-70% for 12-24 month expected calls
 - Reassessment of policy during periods of high FX volatility

Subscription Facility Usage

- **Purpose:** Smooth capital calls, reduce cash drag, simplify investor operations
- **Typical parameters:**
 - Facility size: 15-25% of uncalled commitments
 - Maximum draw period: 90-180 days per transaction
 - Annual clean-down: Zero balance for 5-10 consecutive business days
- **Governance:** Quarterly review of usage patterns, covenant compliance, and facility terms

IFB-Beaufort provides clients with monthly liquidity forecasts incorporating base, conservative, and accelerated deployment scenarios. Cash laddering strategies are customised based on client-specific liquidity requirements, yield objectives, and risk tolerances.³⁴

³⁴ Cash flow projections have historically achieved 85%+ accuracy for 3-month forecasts and 70%+ accuracy for 12-month forecasts.

Cash Ladder Structure

Multi-tiered approach to liquidity management:

- **Tier 1:** Operating cash (5-10%)
 - Overnight deposits, Treasury bills
 - Coverage: 30-60 days of expected calls
- **Tier 2:** Short-term instruments (10-20%)
 - Commercial paper, short-duration bonds
 - Coverage: 60-180 days of expected calls
- **Tier 3:** Medium-term allocation (15-25%)
 - Bond funds, absolute return strategies
 - Coverage: 180-365 days of expected calls

Fund-Finance Sensitivity: Stress Testing

Pricing Variables

Key factors affecting facility costs and availability:

- **Base rate sensitivity:**
 - 100 bps increase in SONIA/SOFR = +£250K p.a. cost per £25M drawn
 - Sensitivity analysis updated monthly with rate projections
- **Margin evolution:**
 - Historical range: +/- 75 bps through credit cycles
 - Current trajectory: Stable to widening (+10-25 bps annually)
- **Arrangement fees:**
 - Current range: 50-100 bps of facility size
 - Amortised over expected utilisation period

Advance Rate Dynamics

- **Subscription facilities:**
 - 90% for Tier 1 investors (rated institutions)
 - 75% for Tier 2 investors (unrated institutions)
 - 0-50% for Tier 3 investors (individuals, smaller entities)
- **NAV facilities:**
 - 25-40% depending on portfolio diversification and vintage
 - 5-10% lower for concentrated or early-stage portfolios

IFB-Beaufort conducts quarterly fund finance stress tests incorporating correlated market movements and liquidity constraints. Facility terms are negotiated with focus on flexibility during market dislocations, including cure rights, remedy periods, and amendment provisions with pre-agreed parameters.³⁵

Collateral Value Volatility

Stress testing on potential value fluctuations:

- **Moderate stress:** 10-15% NAV decline
 - Impact: Potential covenant pressure but manageable with 5-10% headroom
 - Probability: 25-35% over 12 months in baseline scenario
- **Severe stress:** 25-30% NAV decline
 - Impact: Likely covenant breach requiring amendment or prepayment
 - Remediation: Equity cure rights or structured deleveraging plan
 - Probability: 5-15% over 12 months in baseline scenario

Covenant Resilience

- **Key metrics:**
 - LTV ratio: Target maximum 35-40% vs 45-50% covenant
 - Diversity test: Minimum 10-12 investments vs 8 covenant
 - Concentration limit: Maximum 15-20% vs 25% covenant
- **Stress impact:** Monthly scenario analysis on covenant compliance with automated alerts at defined thresholds

³⁵ Stress testing methodology validated through back-testing against 2008-2009 and 2020 market events.

Tax Pathway Choices: Optimisation Framework

Blocker Structure Evaluation

Strategic approach to mitigating adverse tax consequences:

- **ECI blockers:** Prevention of US effectively connected income for non-US investors
- **UBTI blockers:** Shielding tax-exempt investors from unrelated business taxable income
- **Treaty access vehicles:** Entities established in jurisdictions with favourable tax treaties
- **Cost-benefit analysis:** Entity-level tax vs potential tax leakage without blocker

Withholding Tax Management

Systematic approach to minimising withholding tax leakage:

- **Reclaim processes:** Streamlined procedures for treaty-based refunds
- **Relief at source:** Pre-emptive documentation to secure reduced rates
- **Credit utilisation:** Ensuring efficient use of foreign tax credits
- **Monitoring:** Tracking changes in tax law and treaty provisions

Treaty Route Optimisation

Accessing reduced withholding tax rates through appropriate structures:

- **Substance requirements:** Ensuring sufficient local presence and decision-making
- **Principal purpose test:** Demonstrating commercial rationale beyond tax benefits
- **Limitation on benefits:** Meeting ownership and base erosion conditions
- **Documentation:** Maintaining contemporaneous evidence of eligibility

Reporting Compliance

Comprehensive approach to global tax reporting obligations:

- **FATCA/CRS:** Classification, documentation, and reporting protocols
- **CFC reporting:** Identifying and reporting controlled foreign corporations
- **PFIC statements:** Passive foreign investment company disclosures
- **DAC6/MDR:** Reportable cross-border arrangement identification

IFB-Beaufort works with specialist tax counsel to design optimal structures balancing tax efficiency, substance requirements, and compliance obligations. Our approach prioritises sustainable structures with appropriate substance that withstand increasing scrutiny while avoiding aggressive planning that carries reputational or challenge risk.³⁶

³⁶ Tax structures reviewed annually to ensure compliance with evolving OECD BEPS initiatives, EU ATAD, and local implementation measures.

Marketing and Distribution: Cross-Border Framework

Permitted Audience Segmentation

Tailored approach to different investor categories:

- **Professional investors** (EU/UK MiFID definition)
 - Full marketing permitted under AIFMD passport or NPPRs
 - Appropriateness assessment required but not suitability
- **Qualified purchasers** (US definition)
 - Marketing permitted under private placement exemptions
 - Detailed verification and documentation requirements
- **Sophisticated investors** (Various jurisdictions)
 - Jurisdiction-specific definitions and thresholds
 - Enhanced disclosure and risk warning requirements

Cross-Border Strategy

Systematic approach to multi-jurisdiction marketing:

- **EU markets**
 - AIFMD passport for EU AIFs with EU AIFM
 - National private placement regimes for non-EU structures
- **UK approach**
 - FCA NMPI rules and financial promotion regime
 - Professional investor focus with appropriate documentation
- **US strategy**
 - Regulation D private placement exemptions
 - Investment Advisers Act registration or exemption

Implementation Framework

- **Pre-marketing activities**
 - Permitted market sounding vs regulated marketing activities
 - Jurisdiction-specific definitions and limitations
 - Documentation and record-keeping requirements
- **Marketing materials governance**
 - Centralised approval process through Compliance
 - Jurisdiction-specific disclosures and risk warnings
 - Regular review cycle (minimum quarterly)
- **Reverse solicitation**
 - Strict documentation standards for genuine inbound interest
 - Contemporaneous evidence requirements
 - Limitations on reliance in various jurisdictions

IFB-Beaufort maintains a regulatory permissions matrix updated quarterly to reflect evolving cross-border marketing rules. Our approach emphasises clear investor classification, robust documentation, and consistent application of jurisdictional requirements.³⁷

³⁷ Cross-border marketing framework aligned with AIFMD, UK NMPI, SEC regulations, and jurisdiction-specific requirements as of August 2023.

Implementation Roadmap: Mobilisation Timeline



Implementation Resources

Workstream	Lead Responsibility	Supporting Functions
Investment Strategy	CIO, Private Equity	Investment Committee, Research Team
Legal Structure	General Counsel	External Counsel, Tax Advisors
Operations	Head of Operations	Fund Administration, Treasury
Risk & Compliance	Chief Risk Officer	Compliance Team, External Advisors
Client Reporting	Head of Client Service	Performance Team, Technology

IFB-Beaufort employs a structured implementation methodology with weekly progress tracking, milestone reporting, and executive sponsorship. Our approach emphasises early identification of critical path items with appropriate contingency planning.³⁸

³⁸ Implementation timeline based on standard structure. Complexity factors may extend specific phases by 20-30%.

Term-Sheet Gallery: Key Documentation

Fund Term Sheet: Core Elements

- **Structure:** Fund type, domicile, legal form, term
- **Investment strategy:** Objectives, guidelines, restrictions
- **Economics:** Fees, carried interest, hurdle, expenses
- **Governance:** Decision rights, LPAC, key-person provisions
- **Reporting:** Frequency, content, valuation methodology

Co-Investment Term Sheet

- **Structure:** Vehicle type, eligible investments
- **Economics:** Fee structure (typically 0-1% management fee, 0-10% carried interest)
- **Governance:** Approval rights, information flow, board representation
- **Exit provisions:** Alignment with lead sponsor, tag/drag rights

Subscription Facility Term Sheet

- **Facility terms:** Size, tenor, pricing, commitment fee
- **Borrowing base:** Eligible investors, advance rates, concentration limits
- **Covenants:** Financial ratios, reporting requirements, clean-down
- **Security:** Capital call rights, investor consents, enforcement mechanics

NAV Facility Term Sheet

- **Facility terms:** Size, tenor, pricing, amortisation schedule
- **Eligibility criteria:** Portfolio composition, diversification, vintage
- **Covenants:** LTV ratio, portfolio tests, distribution provisions
- **Security:** Fund interests, distribution rights, GP consents

IFB-Beaufort maintains a comprehensive template library with standardised term sheets reflecting market best practices and regulatory requirements. Templates are updated quarterly to incorporate market evolution and lessons from executed transactions. All term sheets undergo legal review before client presentation to ensure enforceability and alignment with policy parameters.³⁹

³⁹ Term sheets represent indicative terms subject to final negotiation, due diligence, and formal approval.

Governance Calendar: Annual Cycle

Investment Committee Cadence

- **Regular meetings:** Monthly for ongoing investment approval
- **Quarterly reviews:** Comprehensive portfolio performance
- **Annual strategy sessions:** Market outlook and allocation adjustments
- **Ad-hoc sessions:** Time-sensitive opportunities

Valuation Cycle

- **Quarterly valuations:** Internal process with oversight
- **Annual external validation:** Independent review of material positions
- **Valuation Committee meetings:** 10 business days after quarter-end
- **Challenge process:** Structured procedure for valuation disputes

Audit and Compliance

- **Annual audit:** Q1 process for previous fiscal year
- **ISAE 3402/SOC reports:** Annual controls certification
- **Compliance reviews:** Quarterly testing of key controls
- **Regulatory filings:** Jurisdiction-specific calendars

Policy Reviews

- **Investment policy:** Annual review in Q4
- **Valuation policy:** Annual review in Q1
- **Risk framework:** Annual review in Q2
- **ESG policy:** Annual review in Q3

Key Event	Frequency	Timing	Key Participants
Investment Committee	Monthly	Third Tuesday	IC Members, Investment Team, Risk
Portfolio Review	Quarterly	15-20 days after quarter-end	Investment Team, Client Team, Risk
LPAC Meetings	Semi-annual	Q2 and Q4	LP Representatives, Senior Management
Annual Investor Meeting	Annual	Q2 (May/June)	All Investors, Full Team
Risk Committee	Quarterly	10 days after quarter-end	CRO, Senior Management, Board Risk Committee

IFB-Beaufort's governance calendar ensures disciplined oversight with appropriate separation of duties between investment, risk, and control functions. Calendar integration with client requirements ensures alignment of decision processes with investor reporting needs.⁴⁰

⁴⁰ Governance calendar customised for each mandate based on client committee schedules and reporting needs.

Risk Register: Multi-Dimensional Framework

Legal Risks • Documentation risk: Inadequate rights or protections in fund agreements • Contract enforcement: Difficulty enforcing rights across jurisdictions • Litigation exposure: Claims from investors or counterparties • Regulatory breach: Non-compliance with applicable regulations Mitigants: External counsel review, standardised templates, compliance oversight	Tax Risks • Structure failure: Tax authorities challenging chosen structures • Treaty denial: Loss of anticipated treaty benefits • Legislative change: Adverse tax law modifications • Reporting failures: Penalties for incomplete or late filings Mitigants: Conservative structuring, substance emphasis, regular monitoring	Operational Risks • Process failure: Errors in capital calls, distributions, or valuations • System outage: Technology platform disruption • Cyber security: Data breach or ransomware attack • Key person loss: Departure of critical personnel Mitigants: Documented procedures, dual controls, BCP/DR testing
Market Risks • Valuation decline: Significant portfolio mark-downs • Liquidity constraints: Inability to meet capital calls • Currency volatility: Adverse FX movements • Correlation spikes: Diversification benefits diminishing in stress Mitigants: Diversification, stress testing, hedging programme	Reputational Risks • Ethics breaches: Misconduct by managers or portfolio companies • ESG incidents: Environmental or social controversies • Performance shortfall: Significant underperformance vs expectations • Media scrutiny: Negative coverage of investments or practices Mitigants: Due diligence, monitoring, crisis management protocols	

IFB-Beaufort employs a structured risk identification and assessment process with quarterly review and reprioritisation. Each identified risk has a designated owner responsible for monitoring and mitigation. Our risk framework incorporates both quantitative measures and qualitative assessments with defined escalation thresholds.⁴¹

⁴¹ Risk register and mitigation strategies reviewed quarterly by Risk Committee with Board oversight.

KPIs Dashboard: Performance Monitoring

Investment Activity Metrics

- **Commitment pace:** Actual vs planned capital deployment
 - Target: Within $\pm 15\%$ of annual plan
 - Measurement: Quarterly with rolling 12-month view
- **Manager coverage:** Breadth of GP relationships
 - Target: 80%+ coverage of target manager universe
 - Measurement: Semi-annual relationship mapping
- **Hit rate:** Conversion of pipeline to executed investments
 - Target: 15-25% of reviewed opportunities
 - Measurement: Quarterly pipeline analysis

Performance Metrics

- **TVPI progression:** Total value growth trajectory
 - Target: Top-quartile vs vintage year peers
 - Measurement: Quarterly with benchmark comparison
- **DPI progression:** Realisation pace
 - Target: Above-median distribution rate vs peers
 - Measurement: Quarterly with vintage year comparison
- **Cash conversion:** Distributions vs NAV
 - Target: 15-25% annual distribution yield on mature portfolios
 - Measurement: Rolling 12-month analysis

Operational Excellence Metrics

Metric	Target	Measurement
Valuation timeliness	100% within 20 business days of quarter-end	Quarterly compliance tracking
Reporting accuracy	Zero material restatements	Error log and root cause analysis
Client satisfaction	85%+ satisfaction score	Annual client survey
Expense ratio	Within 5% of budget	Quarterly expense analysis
Staff retention	90%+ for investment professionals	Annual HR review

IFB-Beaufort provides customised KPI dashboards through a secure client portal with interactive drill-down capabilities. Performance metrics are benchmarked against relevant peer groups and historical trends with clear visualisation of progress against targets. KPIs are reviewed quarterly with formal assessment during annual client reviews.⁴²

⁴² KPI framework aligned with ILPA reporting standards and customised to client-specific objectives.

Closing Proposition: Engagement Model

Separately Managed Account (SMA)

Fully customised private equity programme with bespoke guidelines.

- **Minimum commitment:** £100 million
- **Investment strategy:** Tailored to client specifications
- **Fee structure:** 0.75% on committed capital, 7.5% carried interest over 7% hurdle
- **Governance:** Client Investment Committee approval rights on all investments
- **Reporting:** Customised content and frequency

Fund-of-One

Dedicated vehicle with standardised process but client-specific parameters.

- **Minimum commitment:** £50 million
- **Investment strategy:** Selection from core offerings with customisation
- **Fee structure:** 0.85% on committed capital, 8.5% carried interest over 7% hurdle
- **Governance:** Delegated authority within agreed guidelines
- **Reporting:** Enhanced standard package with client-specific additions

Commingled Fund

Multi-client vehicle with standardised terms and strategy.

- **Minimum commitment:** £10 million
- **Investment strategy:** Fixed strategy with defined parameters
- **Fee structure:** 1.0% on committed capital, 10% carried interest over 7% hurdle
- **Governance:** Fully delegated within prospectus limitations
- **Reporting:** Standardised quarterly package

Advisory Mandate

Guidance and execution support for client-directed programme.

- **Minimum portfolio:** £25 million
- **Services:** Deal sourcing, due diligence, execution support
- **Fee structure:** 0.50% advisory fee, no carried interest
- **Governance:** Client retains all decision rights
- **Reporting:** Transaction-based reporting and portfolio monitoring

IFB-Beaufort offers flexible engagement models that can be tailored to client requirements. Our fee structures are designed to align interests with performance-based components and appropriate hurdle rates. All propositions include access to our fund finance capabilities and treasury services, subject to eligibility and credit approval.⁴³

⁴³ Fee structures may be adjusted based on commitment size, relationship value, and specific requirements. All figures are indicative and subject to final documentation.

Regional Fiche: North American Market

Market Overview

- **Market size:** \$3.2+ trillion in private equity AUM⁴⁴
- **Manager universe:** 2,500+ active private equity firms
- **Strategy mix:** Buyout (60%), growth (20%), venture (15%), other (5%)
- **Regional concentration:** Northeast (40%), West Coast (25%), Midwest (15%), South (15%), Canada (5%)

Key Investment Themes

- **Technology transformation:** Enterprise software, cybersecurity, fintech
- **Healthcare innovation:** Digital health, life sciences, care delivery models
- **Energy transition:** Renewables, grid modernisation, decarbonisation
- **Consumer evolution:** Direct-to-consumer, experiences, wellness

Manager Segmentation

Segment	Typical Fund Size	Target Allocation	Example Firms ⁴⁵
Mega Cap	\$10B+	10-20%	Blackstone, Apollo, KKR, Carlyle
Large Cap	\$5-10B	20-30%	Thoma Bravo, Silver Lake, Advent, Hellman & Friedman
Mid Market	\$1-5B	30-40%	Riverside, Audax, TA Associates, Warburg Pincus
Lower Mid	\$250M-1B	15-25%	Huron Capital, Quad-C, Norwest Equity Partners

⁴⁴ Preqin North America Private Equity Report, 2023

⁴⁵ Example firms mentioned for illustrative purposes only. No relationship implied.

Regulatory Considerations

- **SEC requirements:** Investment Advisers Act registration, Form PF reporting
- **CFIUS implications:** Foreign investment review for sensitive sectors
- **Tax considerations:** ECI, FIRPTA, partnership taxation
- **ESG evolution:** Developing disclosure frameworks and standards

IFB-Beaufort Approach

- **Coverage model:** Dedicated team with sector specialisation
- **Target allocation:** 40-60% of global private equity portfolio
- **Manager selection:** Core relationships with established firms complemented by emerging manager allocation
- **Differentiated access:** Co-investment rights with 15+ core managers

Regional Fiche: European Market

Market Overview

- **Market size:** €850+ billion in private equity AUM⁴⁶
- **Manager universe:** 1,500+ active private equity firms
- **Strategy mix:** Buyout (55%), growth (25%), venture (10%), other (10%)
- **Regional concentration:** UK (35%), Western Europe (40%), Nordics (15%), Southern Europe (10%)

Key Investment Themes

- **Digital transformation:** SaaS, Industry 4.0, digital infrastructure
- **Healthcare evolution:** Speciality pharma, medtech, healthcare services
- **Sustainability:** Clean energy, circular economy, sustainable consumer
- **Sector consolidation:** Fragmented industries with roll-up potential

Regulatory Considerations

- **AIFMD impact:** Marketing passport, depositary requirements, remuneration
- **SFDR classification:** Article 6, 8, and 9 fund requirements
- **Brexit implications:** Cross-border management and marketing
- **Tax harmonisation:** ATAD, Pillar Two minimum tax

IFB-Beaufort Approach

- **Coverage model:** Pan-European team with country specialisation
- **Target allocation:** 25-40% of global private equity portfolio
- **Manager selection:** Mix of pan-European and country specialists
- **Differentiated access:** Direct origination network for mid-market opportunities

Market Characteristics by Region

Region	Deal Volume	Valuation Trend	Sector Strength	Competitive Intensity
UK	High	Premium	Financial Services, Technology	Very High
DACH	High	Premium	Industrials, Healthcare	High
France	Medium	Mid-range	Consumer, Business Services	High
Nordics	Medium	Premium	Technology, Clean Energy	Medium
Southern Europe	Low	Discount	Manufacturing, Tourism	Low

IFB-Beaufort's European strategy emphasises sector specialists with proven value creation capabilities and cross-border expansion expertise. Our approach balances exposure across core economies while opportunistically accessing growth in developing European markets.⁴⁷

⁴⁶ Invest Europe European Private Equity Activity Report, 2023

⁴⁷ Regional allocation targets reviewed annually based on opportunity set and relative value assessment.

Regional Fiche: Asia-Pacific Market

Market Overview

- **Market size:** \$1.2+ trillion in private equity AUM⁴⁸
- **Manager universe:** 1,800+ active private equity firms
- **Strategy mix:** Growth (45%), buyout (30%), venture (20%), other (5%)
- **Regional concentration:** China (40%), Japan (15%), India (15%), Southeast Asia (15%), Australia (10%), Other (5%)

Key Investment Themes

- **Digital economy:** E-commerce, digital payments, online education
- **Middle class consumption:** Healthcare, education, premium consumer
- **Supply chain evolution:** Regionalisation, automation, resilience
- **Green transition:** Renewable energy, electric vehicles, smart cities

Regulatory Considerations

- **China:** Evolving foreign investment rules, anti-monopoly framework
- **India:** Foreign investment restrictions, sector-specific caps
- **Cross-border complexity:** Varied regulatory regimes and standards
- **Currency controls:** Repatriation constraints in certain markets

IFB-Beaufort Approach

- **Coverage model:** Regional specialists with local networks
- **Target allocation:** 10-20% of global private equity portfolio
- **Manager selection:** Emphasis on firms with local presence and global standards
- **Risk management:** Enhanced due diligence on governance and compliance

Market Characteristics by Country

Country	Market Maturity	Foreign Access	Growth Prospects	Risk Profile
China	Developing	Restricted	High but moderating	High
Japan	Mature	Open	Low but stable	Low
India	Developing	Partially restricted	Very high	Medium-high
Australia	Mature	Open	Moderate	Low
Southeast Asia	Emerging	Varies by country	High	Medium-high

IFB-Beaufort's Asia-Pacific strategy balances exposure to high-growth markets with appropriate risk management. Our approach emphasises managers with demonstrated governance standards and operational value creation capabilities. The allocation is structured to provide diversified exposure across development stages and regulatory environments.⁴⁹

⁴⁸ Preqin Asia-Pacific Private Equity Report, 2023

⁴⁹ Country allocation targets reflect both opportunity and risk considerations with emphasis on markets with robust legal frameworks.

Client-Specific Adaptation: Family Office Model

Typical Requirements

- **Multi-generational perspective:** Long-term capital deployment with wealth preservation focus
- **Direct engagement:** Hands-on involvement in selected investments
- **Tax efficiency:** Cross-border optimisation across family jurisdictions
- **Knowledge transfer:** Education and capacity building for next generation
- **Confidentiality:** Enhanced privacy protections throughout process

Customised Solutions

- **Hybrid model:** Combination of fund commitments and direct co-investments
- **Governance structure:** Family Investment Committee integration
- **Education programme:** Tailored training and mentorship for family members
- **Reporting framework:** Family-specific taxonomies and consolidation

Implementation Approach

- **Programme design:** Multi-phase build-out aligned with family governance
- **Access model:** Relationship mapping to family's strategic interests
- **Co-investment platform:** Direct opportunities with enhanced family participation
- **Knowledge sharing:** GP educational sessions and portfolio company visits

Specialised Services

- **Next-gen engagement:** Dedicated education and mentoring programme
- **Impact alignment:** Values-based investment screening and reporting
- **Business network:** Connections to portfolio companies for commercial partnerships
- **Consolidated reporting:** Integration with family's broader asset base

Case Example: Multi-Generation Family Office

Client profile: European family office with €500+ million in assets, three generations active in governance, industrial business heritage

Objectives: Wealth preservation with moderate growth, next-generation engagement, portfolio diversification

Solution: Customised private equity programme combining:

- Core fund portfolio (60%): Diversified exposure across strategies and regions
- Co-investment sleeve (30%): Direct investments alongside selected GPs with family participation
- Next-gen allocation (10%): Smaller investments selected by third generation with mentoring

Governance: Quarterly Investment Committee with family representatives, educational sessions before each meeting, annual portfolio company site visits

The programme has delivered 16.2% net IRR over 7 years while successfully engaging next-generation family members in investment governance.⁵⁰

⁵⁰ Performance data as of 31 December 2022. Anonymised case study with details modified to protect confidentiality.

Client-Specific Adaptation: Pension Fund Model

Typical Requirements

- **Liability matching:** Cash flow profile aligned with pension obligations
- **Governance efficiency:** Streamlined decision-making within fiduciary constraints
- **Risk management:** Enhanced monitoring and scenario analysis
- **Cost transparency:** Comprehensive fee reporting and attribution
- **Regulatory compliance:** Alignment with pension-specific requirements

Customised Solutions

- **Cash flow engineering:** Vintage diversification and secondary overlay to manage J-curve
- **Governance model:** Delegated authority framework with clear parameters
- **Pacing strategy:** Commitment schedule aligned with funding ratio and liquidity
- **Regulatory reporting:** Customised templates for statutory filings

Case Example: UK Defined Benefit Pension Scheme

Client profile: £3+ billion corporate pension scheme with 85% funding ratio, closed to new members, mature liability profile

Objectives: Return enhancement to improve funding ratio, liability-aware cash flow generation, governance efficiency

Solution: Integrated private equity programme with:

- Custom SMA structure with 3-phase build-out (£200 million total commitment)
- Vintage diversification across 4 years to manage funding requirements
- Strategic secondary allocation (25%) to accelerate cash flow profile
- Liability-matched currency exposure with selective hedging

Governance: Delegated authority model with quarterly reporting to Investment Committee, annual review with full Trustee Board, TPR-compliant documentation

The programme has contributed approximately 0.5% annual outperformance to the total fund while maintaining a liquidity profile consistent with the scheme's maturing liability structure.⁵¹

⁵¹ Performance data as of 31 March 2023. Anonymised case study with details modified to protect confidentiality.

Implementation Approach

- **Asset-liability integration:** Private equity modelling within ALM framework
- **Efficient governance:** Pre-approved parameters with exception-based approval
- **Look-through analytics:** Underlying exposure reporting for risk management
- **Performance attribution:** Detailed analysis of return components

Specialised Services

- **Trustee education:** Customised training programme for board members
- **Actuarial coordination:** Integration with fund's actuarial models
- **Regulatory interface:** Support for supervisor interactions and reporting
- **Sponsor alignment:** Coordination with corporate treasury where applicable

Client-Specific Adaptation: Insurance Company Model

Typical Requirements

- **Capital efficiency:** Optimised Solvency II / regulatory capital treatment
- **Accounting classification:** IFRS/GAAP reporting considerations
- **Liquidity matching:** Alignment with liability profile and stress scenarios
- **Risk integration:** Incorporation into enterprise risk framework
- **Yield enhancement:** Consistent income generation capabilities

Customised Solutions

- **Structure optimisation:** Vehicles designed for favourable capital treatment
- **Solvency II efficiency:** Approach to data capture for look-through reporting
- **Strategic asset allocation:** Integration with ALM and SAA framework
- **Regulatory reporting:** Template package for QRTs and RSR requirements

Case Example: European Life Insurer

Client profile: €15+ billion European life insurance company with traditional guaranteed products and growing unit-linked business

Objectives: Yield enhancement within Solvency II constraints, improved capital efficiency, SAA diversification

Solution: Capital-optimised private equity programme featuring:

- Luxembourg RAIF structure with compartments for different insurance portfolios
- Strategic focus on yield-generating strategies (40% allocation to secondaries and credit-oriented PE)
- Enhanced data capture for Solvency II look-through reporting
- Integrated stress testing aligned with ORSA scenarios

Governance: Quarterly Investment Committee and Risk Committee reporting, semi-annual Board presentations, integrated ORSA processes

The programme has delivered approximately 300 bps yield enhancement compared to fixed income alternatives with Solvency II capital efficiency through optimised structuring and data reporting.⁵²

⁵² Performance data as of 30 June 2023. Anonymised case study with details modified to protect confidentiality.

Implementation Approach

- **Capital modelling:** Quantitative analysis of regulatory capital impact
- **Data architecture:** Structured approach to look-through data capture
- **Accounting alignment:** Consideration of classification and impairment testing
- **Stress testing:** Customised scenarios for ORSA integration

Specialised Services

- **Solvency II reporting:** QRT and SCR calculation support
- **Board education:** Regulatory-focused training for directors
- **Liquidity risk modelling:** Integrated analysis with insurance cash flows
- **Yield enhancement:** Secondary and income-oriented strategies

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Risk Warnings

Private equity investments involve significant risks, including:

- Illiquidity and long-term commitment of capital
- Lack of control over underlying investments
- Potential loss of principal
- Reliance on manager skill and access
- Leverage at portfolio company level
- Valuation uncertainty
- Complex legal, tax, and regulatory considerations

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IFB-Beaufort may have conflicts of interest in relation to the activities described. These include:

- Acting as both advisor and principal in transactions
- Providing services to multiple clients with overlapping interests
- Receiving fees from both clients and product providers
- Allocation of investment opportunities across clients

These conflicts are managed through documented policies, oversight committees, and transparent disclosure.

Executive Handout: Five Key Decisions



Next Steps

1. Schedule initial discovery workshop to refine objectives and constraints
2. Develop preliminary structure proposal with economic analysis
3. Present customised investment policy statement for review
4. Conduct education session for key stakeholders and decision-makers
5. Finalise implementation roadmap with specific milestones and responsibilities

IFB-Beaufort stands ready to support your decision-making process with tailored analysis, education materials, and expert guidance. Our flexible engagement model allows for progressive development of your private equity programme with appropriate stage gates and validation points.