

Private Equity Funds / Hedge funds

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Private Equity funds / Hedge funds

Overview

- Important Features and differences
- Possible negative effects on companies, controlled by Private Equity Funds and Hedge Funds
- Austrian Case studies (Statistical Data)
- Claims on AIFM-Directive

Private equity funds (PE) / Hedge funds (HF): Common features

- Money comes from Institutional Investors (banks, insurance companies, pension funds, very rich individuals): Lock-up-periods: PE: up to 10 years, HF 2 years
- Registered mainly in an offshore financial center (zB Cayman Islands, Vergin Islands, but also Liechtenstein, Irland, Luxemburg)
- Funds are not regulated (AIFM-Directive is first step towards regulations)
- Financial investors consider investments in companies only as a temporary investment, both use leverage financing

Funds jointly managed 2 trillion Euros



Large Private Equity Companies

- The Charlyle Group
- Permira Advisers Limited
- Blackstone Group
- Kohlberg, Kravis, Roberts
- Texas Pacific Group

Large Hedge Funds

- Cerberus Capital Management
- Atticus
- Quantum Funds
- K Capital Partners
- Perry Capital



Private Equity funds / Hedge Funds: Differences

Criteria	Private Equity Funds (PE)	Hedge Funds (HF)
Investment strategy	Invest in assets and companies: majority shareholder	Invest or speculate in everything possible – high income in a very short term
Investment horizon	3 to 7 years	2 years or less
Impact on target company	Restructure and Resale	Minority shareholder but cooperate with other shareholders

The lines between PE and HF get more and more blurred



Hedge funds / Private equity funds

Possible negative Effects on companies controlled by HF and PEF (keyword: locust discussion)

- Asset stripping
- Leveraged buy-outs
- High return on equity: Hidden assets distributed as dividends
- Strong performance-based compensation
- Lack of social responsibility and sustainability



Austria: Statistical data related to listed companies

Since 1999: Austrian Takeover act

- 44 cases of vountary and madatory bids
- Only 3 out of 44 Companies have been taken over by Private equity funds
- 2000: Austria Micro Systems by Schroders
- 2002: AHT Austria Haustechnik AG by Quadriga Capital Private Equity Fund
- 2010: Constantia Packaging AG by Que Equity Partners

More interesting cases

- Böhler Uddeholm AG
- BAWAG



Claims on the AIFM-Directive

- Not only the fund manager , but also the fund itself has to be subjekt to the regulation
- No exception for Private equity funds should be allowed
- Leverage buy-outs has to be limited
- Steps against tax evasion
- Transparency also for the public
- AIFM located in third countries must also be covered



Thank you for your attention!

