

DIRECT INVESTMENT ADVISORY



STONEHAGE
FLEMING

NOW AND FOR FUTURE GENERATIONS

WHY DIRECT INVESTMENTS?

Our clients are seeking greater exposure to direct private investments.

USD 1.4bn+

invested in private equity
by Stonehage Fleming
since 2000

11%

of family office portfolios
globally are allocated
to direct investments

*Source: UBS/Campden Wealth
Global Family Office report 2019*

Private market investments are now an important part of our conversations with clients. Some clients undertake direct investments to retain autonomy and control over where and how their money is invested; this can be particularly relevant for investors focused on specific sectors or themes, such as impact investments. For others it is about putting their own business experience to good use, as well as leveraging and extending their professional networks. Some are simply looking to increase their investment returns in a low return environment, accepting this means reduced liquidity and requires patience and a longer-term investment horizon. Our clients are able to project their social and intellectual capital through direct investments and this can also be a good way to engage the next generation in the management of the family's wealth.

For all of these reasons clients are working with us to gain direct exposure to private investments as part of their overall wealth management strategy. Since 2002 Stonehage Fleming has invested USD380m in 22 direct investments, and USD1.4bn in the private equity asset class as a whole.

WHY STONEHAGE FLEMING?

► Heritage of investing in private enterprise

We have a long heritage of investing in private companies, dating back to 1873 and the launch of the first ever UK investment trust

► Carefully evaluated deal flow

We generate proprietary deal flow from reviewing several hundred opportunities each year and can help our clients build a portfolio of quality private company investments to suit their preferences and risk profile

► By your side from origination to exit

We provide support throughout the investment lifecycle, from the original transaction through to post investment monitoring and advice on exit

► Leverage our network, extend your reach

Our network of clients, entrepreneurs and business partners brings access to an extensive range of investment opportunities across a spectrum of industries, as well as invaluable specialist insight and experience

► Experienced team with a strong track record

We have invested USD380m in 22 transactions since 2002 and our team has a wide range of buy and sell-side experience across many sectors

► Aligned interests, our clients are our partners

We have a long-term outlook and our fees are fully aligned with our clients to ensure we share success



WORKING WITH YOU

As an international family office, we have multifaceted relationships with our clients. Any direct investment is considered in light of its fit with the wider wealth management strategy of the family, their values and long-term objectives.

Our Direct Investments team works with clients on their directly held private equity investments from initial introductions and structuring, through due diligence to completion of the investment, thereafter monitoring the investments through to exit.

FILTERING

- Must fit investment criteria
- Rigorous initial due diligence
- Management meetings

WIDE RANGE
OF OPPORTUNITIES
HUNDREDS RECEIVED
PER YEAR

QUALITY
CANDIDATES
10-15 SELECTED

--- OPPORTUNITIES
INTRODUCED ---
TO CLIENTS

INVESTMENTS
COMPLETED
2-5 TRANSACTIONS
PER YEAR

MONITORING

EXIT

DEAL FLOW

- Leveraging our network and institutional relationships to curate opportunities for our clients
- Proprietary access to many of our opportunities
- No auction processes

DEAL EXECUTION

- Due diligence and management of third party specialist due diligence providers
- Advice on structure and investment terms, including valuation, investor protections and investment vehicle
- Project management to completion

EXIT

- Liquidity options and exit
- Extension of buyer universe through our network

MONITORING

- Monitoring our clients' investment and representing their interests throughout the investment hold period
- Support to the investee companies, providing strategic advice and leveraging our network to unlock business opportunities

OUR APPROACH

We are focused on minority growth company investments and on co-investments in partnership with private capital institutions and family offices. We have experience across many sectors with an emphasis towards technology and technology-enabled businesses, consumer and financial services companies.

Growth company investments (GBP2-10m target investment size)

- ▶ Minority investments in revenue generating, high growth businesses with very large market potential.
- ▶ Business models with high barriers to entry, supported by strong intellectual property or technology.
- ▶ Profitable businesses or businesses with a clear path to profitability / strong unit economics.
- ▶ Protection of interests through investment structure and / or board representation and combined voting power.
- ▶ 3 - 6 year target investment horizon.
- ▶ Return target typically 25%+ IRR.

Co-investments (GBP10-50m target investment size)

- ▶ Investments across the capital structure. Often asset backed and relatively lower risk; can be longer-term investment horizons.
- ▶ Benefitting from and leveraging the expertise and rigorous due diligence of specialist private equity investors.
- ▶ Typically satisfying client appetite for higher-yielding investments, can be portfolio diversifiers.
- ▶ Interests protected via relationship with co-investor and combined voting power.
- ▶ 3 - 10 year target investment horizon.
- ▶ Return target typically 10-18% IRR.

CONTACT US

If you think we may be able to help you and your family, please contact us for a discussion.

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