

## **Private investors move back into private equity**

- **Cash no longer king as private investors increase their exposure to private equity**
- **Geared structures the order of the day as many move away from returns generated purely from capital gains**
- **New private investor network builds 100-strong client base in first three months of trading**

Private investors are increasing their exposure to private equity as they seek to catch the next investment cycle, according to Connection Capital, the private client investment business launched at the beginning of the year.

But rather than waiting to achieve the capital gains payable on exit, the majority of investors are now opting for a combination of ordinary shares and preference shares or loan notes in order to attract income during the period that the investment is held.

Connection Capital was launched in January 2010 by Claire Madden and Bernard Dale, the former Head of Client Services and Head of Private Equity respectively at Hotbed. In its first three months of trading, the network has grown to a membership of more than 100 investors with a combined net worth of over £1bn, many of whom are entrepreneurs or senior executives in private equity-backed businesses.

Formed to remove the barriers of time, effort and expertise that often prohibit individuals from investing directly in private companies, Connection Capital provides a fully managed service whereby clients invest as part of an organised syndicate. Madden and Dale are aiming to build the network to more than 200 clients in Connection Capital's first year.

The business has secured its first investment mandate and is now raising funds from its clients as part of a £6.8m investment in a profitable, asset-backed business in the hotel sector.

Claire Madden said: “Many private investors liquidated their portfolios in 2008 in order to minimise their exposure to volatility. But with interest rates remaining low and economic visibility gradually improving, many are now tiring of sitting in cash and low-risk investments that aren’t yielding any meaningful return.

“The level of interest that we have been able to generate in just three months reinforces our view that the timing is right to invest in private equity, as we emerge from the bottom of the economic cycle.

“In particular, structuring investments using preference shares or loan stock allows investors to receive all of the upside potential of common stock while also generating income as they wait for their investments to realise. Over recent months, this has become a crucial factor for many investors when planning their asset allocation strategies.”

**Notes to editors:**

Connection Capital aims to back ambitious management teams of established, profitable UK companies to help them realise their growth plans, providing equity investments of £1 million to £7 million in management buyout, growth capital and replacement capital transactions. Typically, investments will be held for three to five years.

Investments are available to clients in tranches of £25,000, with each tranche usually acquiring a combination of ordinary shares and either preference shares or loan notes, often with a coupon or yield attached. Clients may choose to invest using a variety of vehicles, including corporates, trusts and pension schemes.