

FAMILY WEALTHREPORT

Wealthy Families Increasing Exposure to Private Equity - RW Baird & Co

Charles Paikert, Editor in New York - Family Wealth Report

In the face of volatile markets and economic uncertainty, wealthy families are showing increased interest in private equity investments, according to Paul Carbone, director of the Private Equity Group for **Robert W Baird & Co.**

“Their wealth was created through the ownership of businesses,” Carbone recently told this publication. “They intuitively understand private equity. There’s a natural comfort level.”

In fact, the interest has been so keen that Baird is encountering more families who want to partner with the private equity group to pursue joint investments. “It’s a growing trend in today’s market,” Carbone said.

Baird Private Equity has raised and managed over \$2.7 billion in funds including US and UK buyout funds, a US venture capital fund and a China growth equity fund.

Partnering with wealthy families on private equity ventures involving either the family’s own company or a company in a related business has been beneficial for both parties, according to Carbone, who is also a managing partner and chairman of the investment committee for Baird Capital Partners and Baird Venture Partners.

“Baird brings deal flow, expertise in valuation, process and procedure, industry experience and relationships,” he said. “Families bring their business experience, customer relations and an understanding of the market. Together we’re able to create a competitive advantage and differentiation.”

The growth of interest in private equity is not confined to the US; European family offices are raising their exposure to private equity and will continue to do so, according to a recent report by LPEQ, a group of European listed private equity funds. A poll of 50 European family offices

showed that their weighted mean allocation to private equity was 14.6 per cent, compared to a typical allocation of 4.3 per cent for institutional investors last year. Some 57 per cent of respondents considered raising exposure to the asset class through this year.

Attractions

In addition to their familiarity with private ownership and skittishness about the volatile public markets, wealthy families are also attracted to private equity because of the increasing global opportunities, Carbone noted.

“They’re seeking growth in parts of the world where there actually is growth,” he said. Nonetheless, wealthy families aren’t investing in private equity without considerable due diligence, Carbone cautioned.

“It’s a balancing act for them,” he said. “They have to have continued sensitivity to wealth preservation, liquidity and risk assets,” Carbone added.

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