



MULTIPLICITY CONVERSATIONS

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PIRMIN STUTZER TALKS ABOUT CASTING A WIDE NET TO FIND OFF-MARKET NICHE SECONDARIES

Q: What is the scope of Multiplicity's investment strategy?

When sourcing deals, we cast a very wide net and look at secondary deals across the private market sectors, including real estate, private debt and many niche strategies like litigation, royalties, insurance-linked securities and others. What is key though is that we are only interested in funds or assets that should deliver cash flows in the next 2-4 years.

Q: Can you give us an example of a secondary deal that you did at Multiplicity?

In one transaction we acquired an Indian infrastructure fund that was in its second extension year and had some decent assets but also some pretty difficult ones. What attracted us was the fact that there aren't too many secondary players in infrastructure funds, and certainly not in those with exposure to emerging markets. There was also another issue that made it very unlikely to attract much interest from potential buyers: The fund was tainted with a huge scandal around the GP's parent company, a lot of bad press and fraud accusations. Eventually we came to the conclusion that the fund itself was ring-fenced from these issues, and we managed to acquire these LP interests at a very attractive valuation. While the pricing was at a very steep discount, we offered the seller an earn-out provision to participate in future distributions above a certain threshold.

Q: Besides doing secondaries with single institutional sellers, you are also providing liquidity through tender offers. Could you give an example here?

Let us look at the example of a multi-billion global real estate fund that was sold to thousands of private investors across Europe. The fund went into liquidation after the subprime crisis and is now its final phase of the wind-down. For a couple of years it only held cash blocked due to potential tax liabilities and further representations & warranties. We made a tender offer through our vast banking and custody network across Europe. While investors had already recovered the majority of the fund's pre-liquidation value, our offer allowed for an expedited exit and an early 'closure of the chapter'. While this was priced at a large discount to the expected recovery, several hundred LPs still accepted our bid because of the small size of these residuals.

Q: You are not only buying fund interests, but also help liquidating funds to dispose residual assets. Could you share some insights on this?

Sure. Yes, we also buy SPVs out of liquidating funds, e.g. in situations where certain holding entities are subject to legal claims or uncertain tax treatments. Such cases can hold up the wind-up of an investment fund for many years, and accepting a haircut on the projected recovery may well be the choice most LPs would take.

Here we could also look at a late-stage insolvency claim that we bought out of a private equity energy fund that was looking to expedite its wind-up. This was the very last asset left in the liquidation of multi-billion portfolio, valued at below EUR 1 million, so it was easy for the GP to accept a substantial haircut on the forecasted distributions.



Do you have any questions or feedback for us? Please contact Pirmin at ps@mpag.com, or call him on +41 44 500 4551.

Pirmin is a Partner of Multiplicity Partners and an Investment Manager of the LTO Funds. Pirmin has more than 20 years of experience in alternative investments, real assets and as a private investor. Before joining Multiplicity in 2016, he was Managing Partner of a real estate development boutique and held various roles at Man Group from 2001 to 2014. Pirmin holds master degrees from the Universities of Reading (UK), Neuchâtel and Fribourg. He is a CFA and CAIA Charterholder.

ABOUT MULTIPLICITY PARTNERS

Multiplicity Partners is an investment firm specialised in providing liquidity solutions to holders of private market funds and distressed assets. The firm also offers a range of advisory and governance services across alternative assets.

Multiplicity Partners has been an active participant in the secondary market for fund interests and distressed assets since 2010. The team has successfully completed more than a hundred transactions across a wide range of illiquid and complex financial assets. Each partner contributes more than 15 years of relevant experience, giving us the collective capabilities to effectively identify, analyse and execute attractive investment opportunities in hard-to-value assets. Multiplicity Partners was founded in 2010 and is based in Zurich, Switzerland.

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