

Growth of private equity, private debt and real estate funds fuel growth

Interview with Gavan McGuire & Antonio Frias

The private equity, private debt and real estate fund markets are growing strongly across the globe. Record amounts of assets are flowing into these asset classes as investors look to allocate to strategies which offer attractive returns in a global low interest rate environment.

Investors are able to avail of funds structured in a number of jurisdictions – in Europe and in North America or the Caribbean. Increasingly, though, European investors are showing a preference to invest in European structures. Funds continue to be established in the traditional jurisdictions of the Channel Islands and onshore UK, but increasingly funds are being set up in Ireland and, in particular, Luxembourg.

Gavan McGuire, partner and head of business development at Centaur Fund Services, comments “Managers are accepting that they need to be able to function in multiple domiciles in order to fully cater for their investors’ needs and to facilitate investments. Therefore, it is important for fund administrators to offer seamless multi-domicile solutions for their PE clients.”

Luxembourg offers an attractive and flexible proposition as a fund domicile with a variety of legal forms available and the option of establishing regulated or unregulated products, depending on investor choice.

Luxembourg is a key growth area for global fund service provider Centaur Fund Services. Centaur services a growing number of Luxembourg funds which have been established by European, UK and US based

managers. Centaur has a strong commitment to the Luxembourg market and recently Antonio Frias, Global Head of Operations for the firm relocated from Ireland to Luxembourg to be the CEO of Centaur’s operations there.

Commenting on his new role, Frias says: “Centaur has always put the client at the heart of the business and our services evolve to meet the needs of our clients and the market. At Centaur Luxembourg, we are perfectly positioned to offer clients the expertise, innovation and flexibility to evolve with their needs. I am looking forward to leading a strong, dynamic and ambitious team that will seize growth opportunities in Luxembourg and beyond.”

Centaur’s business is expanding strongly, and the firm now has nine offices based in seven strategic global locations. McGuire explains: “The increasing need for cross-domicile services has had a very positive impact on our business. It has allowed us to organically grow and develop our business in the major global fund domiciles. We see our growth and development in Luxembourg as key to this and it is the main reason for establishing a full-service office in the Grand Duchy.

“Clients are now operating in jurisdictions which are new to them and they need guidance in navigating the differing local requirements. Centaur has focused on providing not only core fund administration, SPV servicing and domiciliary services to clients, but also providing clients with solutions for management company, depositary and banking services.”

Centaur is investing



Gavan McGuire

Antonio Frias

heavily in its people, technology and processes and fund servicing is its core business. As private equity managers grow their operations across regions and continents while juggling growing regulatory burdens, their needs in terms of support and administration are changing and dramatically increasing. Experienced service providers such as Centaur allow managers to out-source their administration needs, knowing that the administrator operates in a robust control environment and with market leading technology and staff training. It is now also essential for administrators to obtain control environment testing (such as ISAE 3402 or SOC 1) and place a strong emphasis on risk and compliance. This makes the out-sourcing decision straightforward to fund managers and allows them to focus on their core investment skills.

Historically, private equity funds were often self-administered, with the general partner undertaking the administrative tasks for the fund itself. This picture is changing rapidly for a number of reasons:

- Limited partners are demanding more transparency in the reporting they need. Increasingly they are expressing a strong preference for the administrative functions to be performed by independent professional administrators;
- Regulators are starting to impose obligations for funds to appoint professional licensed service providers.
- The administration functions are becoming far more complex than they used to be. GPs who are performing the administration tasks themselves are struggling to keep up with and comply with a host of new regulations and reporting requirements which have been imposed in recent years.

McGuire elaborates: "Much of the outsourcing in private equity is being driven by investors who are demanding operational excellence from their managers. There is also market pressure for PE firms to deliver tighter accounting processes with greater transparency," notes McGuire. He believes that using a third party administrator also gives the private equity managers additional credibility.

McGuire speaks of the developments he expects to see in the market: "Increased competition for investors' capital, investment opportunities and administrative contracts are more likely to lead to losses in the event of

a market downturn. Maintaining performance while ensuring the highest quality of service and reporting will become increasingly challenging in the predicted environment for 2020."

He also observes the rise of a new form of fund – hybrid structures which display features of closed end private equity type funds, but also include listed, traded instruments: "Hybrid funds are on the rise, and administrators need to be able to service these products, using processes and technology which combine features of hedge funds and private equity funds. This trend has accelerated in the last 12 months as investors seek to deploy capital in strategies such as credit and loan origination which are well suited to closed end structures, but which display hedge fund features such as mark to market valuations and securities trading."

Rather than supplying a suite of individual products, Centaur acts as a single source, delivering overall administration solutions designed for each client, covering both hedge funds and private equity funds. As a result, the firm has attracted a number of credit and loan focused funds in the US and Europe driven by the increasing demand for administrators to deliver a hybrid solution that incorporates elements of both private equity and hedge funds.

Centaur's private equity service is nascent, having only launched three years ago. In this time, the firm has experienced significant growth. McGuire believes the sector is set to be a major driver of business growth for the firm in 2020 and beyond. ■

Gavan McGuire

Partner & Head of Business Development, Centaur FS



Gavan McGuire is a partner and the Head of Business Development at Centaur. He has over 20 years of industry experience and has worked in senior positions for Citi Hedge Fund Services and Bisys Hedge Fund Services. Gavan was previously a director of Hedge Funds Care UK, a charity focused on raising money and granting it to child welfare organisations. He has also participated in the AIMA communications committee.

Antonio Frias

Partner & CEO, Centaur Luxembourg



Antonio Frias is a partner and CEO of Centaur Luxembourg. Antonio is a qualified accountant who has worked with leading international financial services companies in North America and Europe since 2001. Prior to his appointment as CEO of Centaur Luxembourg, he was Head of Operations at Centaur Fund Services since 2012. Between 1998 and 2004, Antonio held a number of operational roles within financial and accountancy services companies in the UK, including JP Morgan Chase and Franklin Templeton Investments.