



Evaluating GP Resilience in a Challenging Global Environment

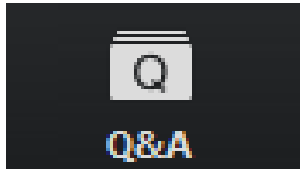
Featuring:

Jennifer Choi, CEO - ILPA

Claudine Fry, Partner, Head of Global Issues - Control Risks

Roberta Brzezinski, Partner, Head of Business Intelligence - Control Risks

Audience Participation



Online Q&A Box: at the bottom of your screen is a Q&A Box. Ask questions, comment on questions from others and **upvote** the questions you are most interested in hearing answered.

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EVENTS

- **ILPA Summit Europe** - April 28-30
- **Webcast: Jumpstart Your Understanding of the New ILPA Reporting Standards** - Feb. 4
 - Speakers: James Del Gaudio (PSERS), Madeline Hon (SEI), Steven Taylor (Albourne), Neal Prunier (ILPA)

ENGAGEMENT

- Just released! Updated **ILPA Reporting Template** & new **ILPA Performance Template**

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 - Private Equity for LP - Feb. 24
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ILPA Webcast: [Evaluating GP Resilience in a Challenging Global Environment](#)



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Today's Speakers



Claudine Fry

Partner & Head of Global
Issues
Control Risks

Roberta Brzezinski

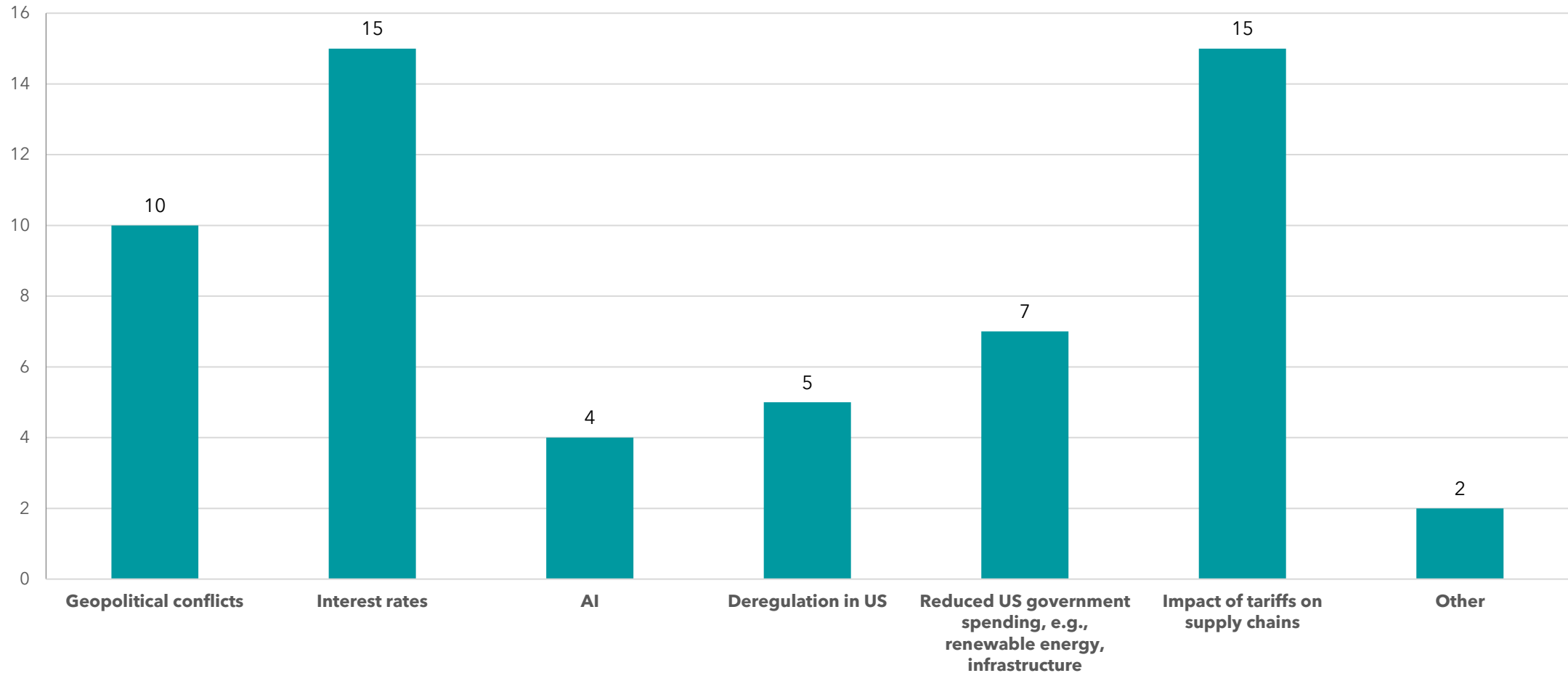
Partner & Head of Americas
Business Intelligence
Control Risks

Jen Choi

CEO
ILPA



Polling Question: Which macro issues do you think could have the greatest impact (positive or negative) on your portfolio in 2025?

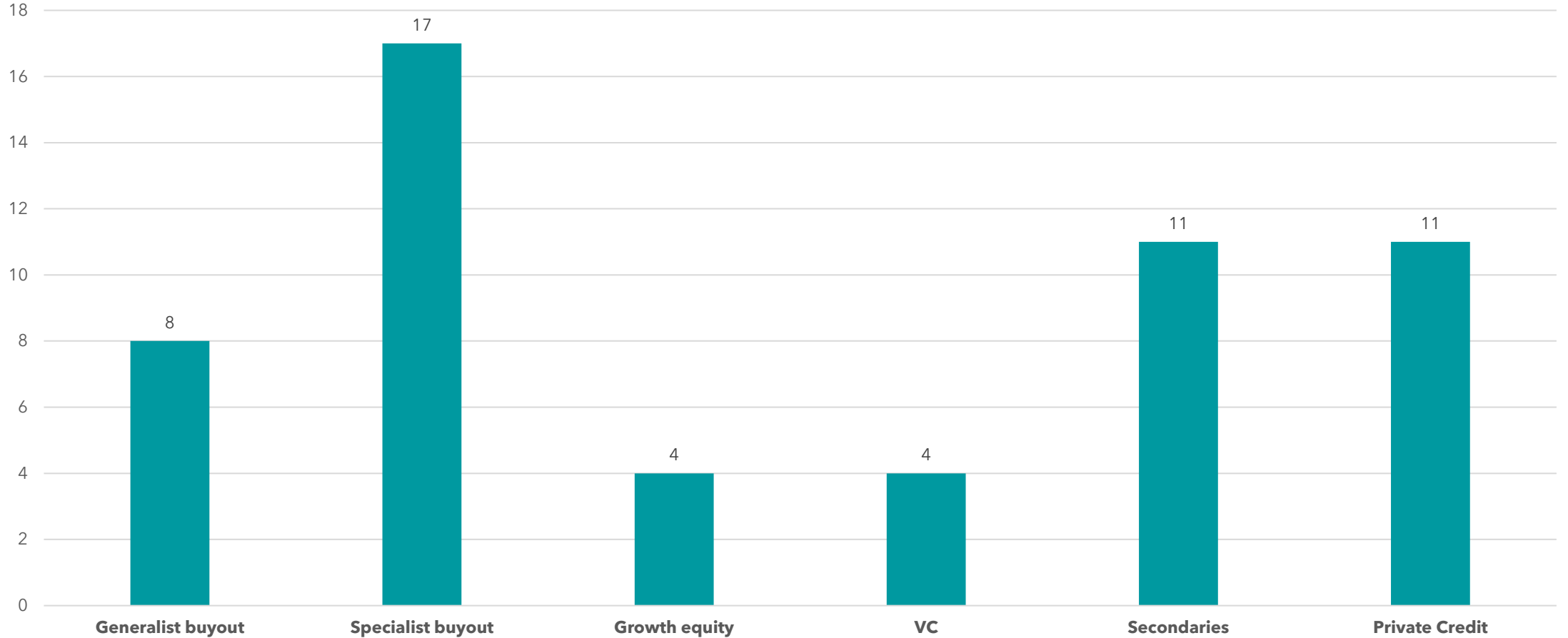


Geopolitical & macro context

Setting the scene: Global issues impacting LP portfolios in 2025



Polling Question: Given macro headwinds, which managers in your portfolio do you believe are best positioned to deliver strong returns in 2025?



Global issues impacting LP portfolios in 2025

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**RISK
MAP
25**



**UNCERTAIN STATES
OF AMERICA**



**RED LINE
GEOPOLITICS**



**GLOBAL TRADE
WAR**



**RISING POLITICAL
VIOLENCE**



**DIGITAL
CONCENTRATION RISK**



Implications for LPs



- Interconnectivity of these factors means that US-focused private-markets investors are exposed to both global and domestic political issues at the portfolio company level
- Most significantly:
 - Domestic regulatory volatility / regional variability will be a key theme
 - Global supply chain issues are expected to remain a major point of impact across investment strategies

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Examples



- **Biotech and pharma VC:**
Expected significant changes to the FDA and its policies will affect early-stage, pre-approval investments
- **Tech-enabled growth equity:**
China-related hardware or software components of portco products will need to be replaced due to likely new regulatory hurdles
- **Food processing / brand development growth equity and buyouts:**
Significant regulatory changes and potential taste/cultural changes will require a rethink across product rollout strategy and timing
- **Industrial / manufacturing buyouts:**
Tariff and other regulatory threats to the Mexican nearshoring industry may upend the OEM cycle
- **Infrastructure equity:**
Potential significant slowdowns and relocations of new renewable-energy deployments due to a likely rollback of the US IRA

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Assessing GP resiliency

Framework and examples

Assessing GPs in the current circumstances

Separately from the macro...

- Given the past 3 years' valuation weakness and slump in M&A, LPs cannot rely on DPI to assess private-markets GPs' likely future performance
- Recent academic research has cast additional doubt on the persistence thesis, particularly in the post-2000 buyout space and especially when GPs branch out into new asset classes*
- With a relative return vacuum coupled with the strong macro headwinds, **qualitative considerations take on key importance** when assessing managers' likelihood of future success

*"Has persistence persisted in private equity?," Harris, Jenkinson, Kaplan, Stucke, *Journal of Corporate Finance* 81 (2023)

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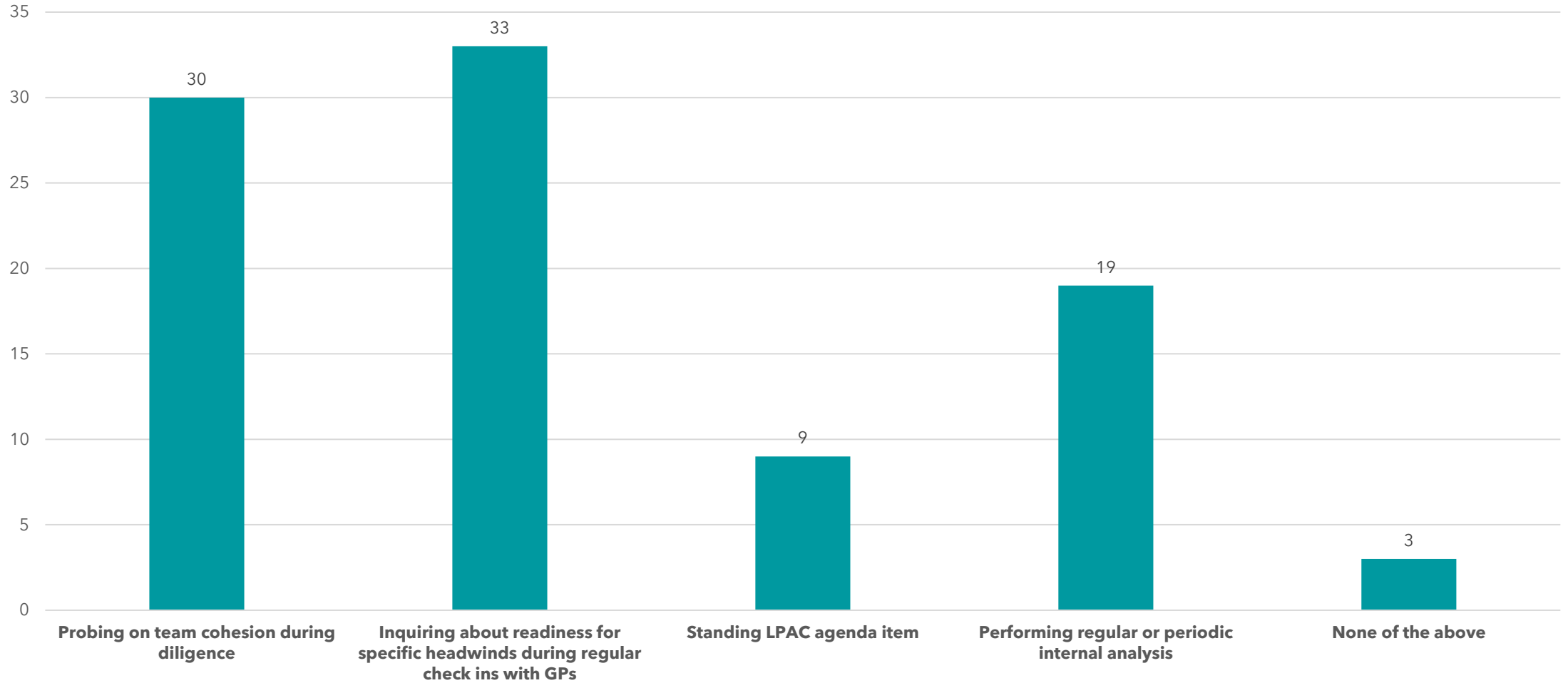
A new approach: Assessing GP resiliency

- GP resiliency may be demonstrated via several key factors:
 - **TEAM COHESION: Preserve** bench strength and evolve a positive culture
 - **SITUATIONAL AWARENESS: Adapt** to the newly-volatile political and regulatory environment as it affects portcos and investment verticals
 - **TRENDSPOTTING: Demonstrate** ability to develop new and/or adjacent investment ideas through relationships with potential investees, researchers and innovators
 - **FOCUS: Minimize distraction** from existing underperforming portfolio investments and maintain selling discipline while pursuing dealflow
 - **BRAND VALUE: Stand out** in the capital-seeking crowd with distinct brand, culture, success stories

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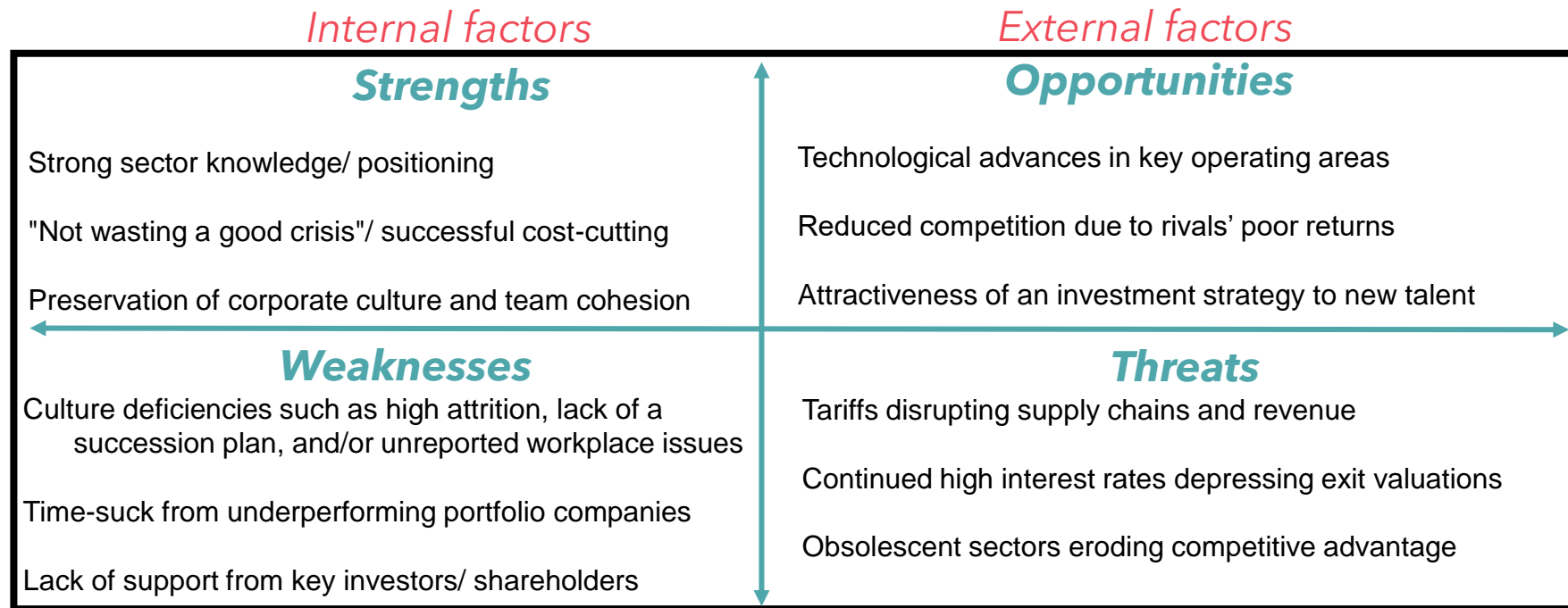
Polling Question: What are you doing today to assess GP resilience?



SWOT analysis offers a quantification framework



- Numeric values are assigned to endogenous (SW) and exogenous (OT) factors and then averaged to provide a two-dimensional point score
- Control Risks recommends including both GP-reported data (via a bespoke questionnaire) and externally-sourced data
- The approach may be used to review GPs, individual funds, or coinvestments

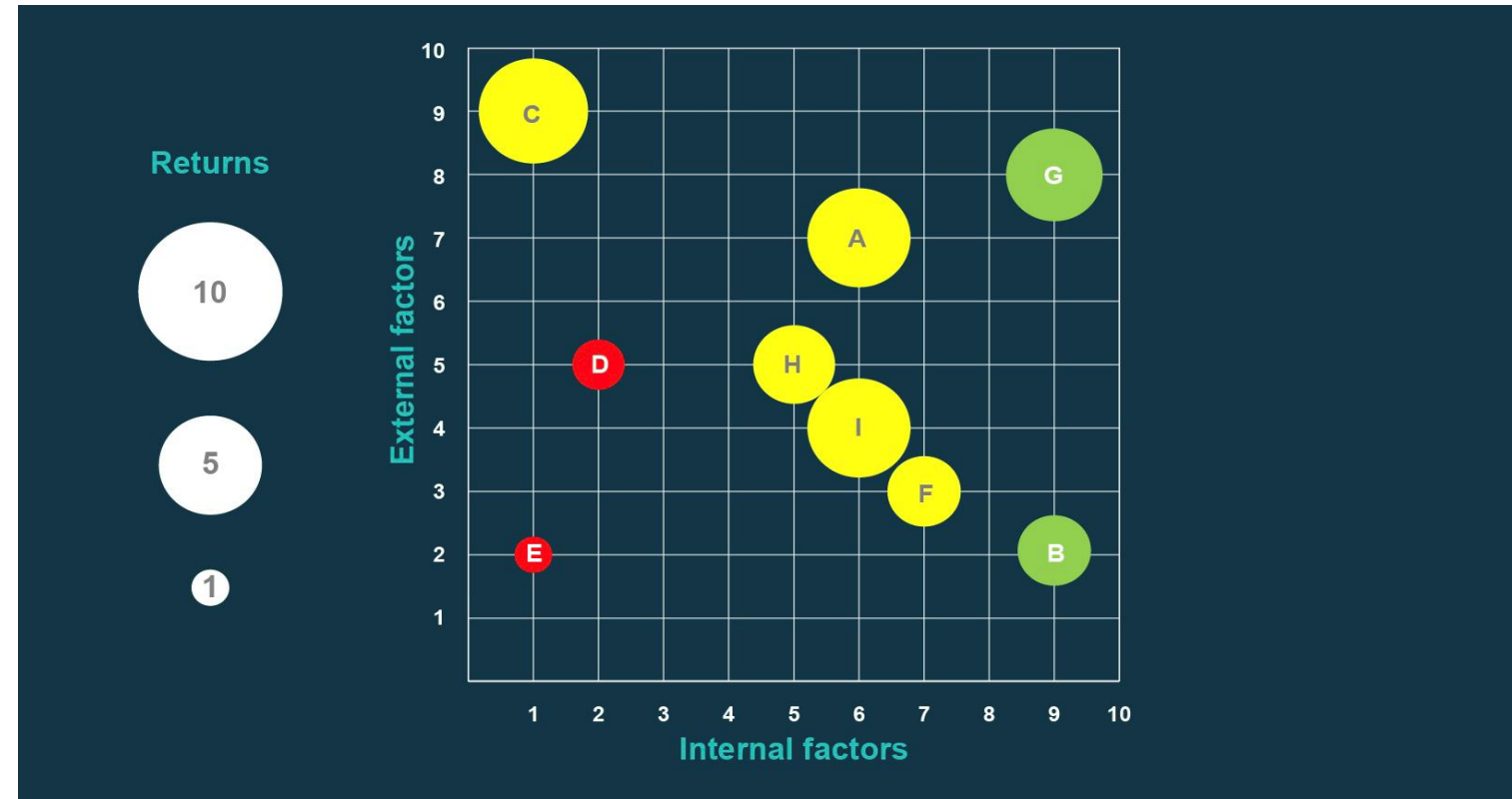


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The next step: Assessing relative resiliency

- For a group of GPs/ funds/ direct investments with similar strategies, 2-factor scores are presented in one graphic
- This example includes unrealized return as a 3rd dimension
- The same exercise can be conducted between strategies (sector vs generalist, buyouts vs growth equity, etc)
- The resulting visualizations offer clear metrics to aid decision-making



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Relevant case studies



- A review of a GP's approach to acquiring labor-intensive businesses in various US states, with attention to how impending regulatory volatility and regional fragmentation could affect hiring practices, compliance and profitability across the GP's portfolio (in process)
- A review of an LP's Asia-focused real-estate fund managers, focusing on how the GPs reacted to rapidly-changing regulatory and lending impacts on their new and existing portfolio assets in China. Inclusion of independent discreet source inquiries revealed a disconnect between self-reported GP resilience and external views in 2 of 9 cases
- A review of digital practices and hygiene across 100-plus holdings of a multistrategy GP, accompanied by implementation of mitigation strategies for the laggards

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Recommendations and Q&A



- Assess the relative and absolute resiliency of private-markets assets, including overall GP relationships, individual funds, coinvestments and/or direct investments.
- Compare within and between substrategies for a holistic view
- Perform a refresh of operational, cultural, and sector diligence on managers being considered for re-up, as well as on new managers
- Review assets (fund stakes and directs) being considered for divestment in order to avoid negative surprises

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The Control Risks logo is centered on the right side of the slide. It features the words 'Control Risks' in a bold, white, sans-serif font, enclosed within a white rectangular border. The logo is set against a dark blue background with a large, light blue circular graphic element behind it.

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