

*April 30th, 2020*

## **Banking on small and medium-sized industries: a virtuous commitment**

At the beginning of 2020, the private equity business remained buoyant. The figures unveiled by Preqin attest to this: investments and fundraising events show overall levels usual for a first quarter. But the next will detonate. Because of the spread of Covid-19 and the economic downturn, many have indeed set the pencil. And yet! Even if it is healthy to be cautious, private equity players have the opportunity - once again - to show that they know how to overcome crises. Because, by their very nature, their industry is resilient.

Of course, the current crisis will leave its mark, because of its unprecedented scale. But it cannot overshadow the essential virtue of the unlisted: in the long term, it generates positive returns and therefore creates economic value and jobs. Why is this?

Because the management teams do not simply select the best companies to invest in. They also have a mission to actively accompany. This is particularly true for small and medium-sized enterprises (SMEs), which are not subject to aggressive financing arrangements and difficult debt maturities. They must be able to count on the support of responsible and committed investors. This is doubly important, as they will have to consolidate their leadership position as they emerge from the crisis, but also move forward with external growth operations. At a time when there is a consensus on the need to relocate production in Europe, the industry will have to rely on innovative SMIs (industries), many of which have expertise and strong export positions.

But for this to happen, management companies must more than ever continue to raise funds.

With falling stock and bond prices, fund subscribers should see a mechanical and temporary increase in the weight of private equity in their asset allocation. If the current vintages are to offer them real opportunities, it seems urgent to relax their policy by increasing their commitments in order to support the real economy, and more specifically the SMIs, which certainly have the strongest capacity to rebound. The entire value chain will benefit from this. Favouring this asset class means supporting French SMEs, SMIs and ETIs, promoting employment and thus, ultimately, strengthening their "customers", while reconciling attractive return prospects.



Anthony Dubut, Chairman of InnovaFonds