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BUSINESS

How outsourcing is helping families scale up their direct investment activities



By [James Williams](#) 2nd February 2022

In many respects, Calista – established last April – continues the work Mekouar has been doing in private markets for over two decades, during which she has worked for a number of funds, headed up private equity for a family office and, more recently, held the position of CEO of the Luxembourg Private Equity & Venture Capital Association

(LPEA).

Calista's chairman is Serge de Ganay, former chairman of Quilvest Wealth Management, and descended from the late Argentine industrialist Otto Bemberg

Having seen a marked trend among single-family office investors wishing to ramp up their co-investing and direct investment activities, she recognized risk management was a central facet in determining how far they were willing to go down that path.

“For them, it’s about maintaining relationships and the optimal level of trust with the fund sponsor,” she says. “At the same time, if they feel they have a certain level of trust and an understanding of the underlying business, they are willing to take the ‘direct risk’.

“It’s a trade-off between resources and comfort with risk-taking because, in the end, for a family office, it’s not about whether to take the risk but how comfortable they feel taking it.”

At its heart, Calista aims to become Europe’s “go to” platform for families wishing to invest directly into companies without the burden of having to build their own internal due diligence and investment teams. Instead, they can avail of an outsourced deal team.

As Mekouar explains: “They externalize the sourcing and selection effort and still remain in control of their investment decisions. It’s important that families feel aligned with Calista so we co-invest alongside them and are only compensated by them. It is cheaper than hiring fully-fledged teams and the upside is well aligned between us. Transparency, alignment, trust...these are key criteria to success.”

Alignment is a well-used term in private markets when discussing the GP/LP relationship. This is especially pertinent when doing direct deals, requiring families to have unconditional faith in whom they partner with. Calista not only invests alongside families in some of the deals it works on, but it also monitors its members’ PE/VC portfolios to identify gaps and opportunities, as well as sit on Boards to optimize long-term value creation.

Having a quality team in place gives reassurance to families. Calista’s chairman is Serge de Ganay, former chairman of Quilvest Wealth Management, and descended from the late Argentine industrialist Otto Bemberg. Other members of the non-executive team include Prince Felix of Luxembourg; John Holloway, former director of European Investment Fund; Maha Daoudi, with over 25 years’ experience at

European Investment Fund, Maria Daoudi, with over 25 years' experience at institutions including commodity trader Trafigura; Lionel Catala, and Graham Keniston-Cooper, formerly of Cinven.

The platform has built up a database of over 200 deals since last April, of which 60% are direct and co-invests opportunities and the rest comprise individual fund investments. Each month, the Calista team presents ten new deal opportunities to its members. Overwhelmingly (85%) are proprietary deals emanating from Calista's network of sponsors and advisors. The remaining 15% of deals come from families themselves.

Around 34% of the deals it sources are based in Europe, giving smaller family offices a real chance to globally diversify their direct investment mandate.

Since last April, the platform has pushed ahead with four direct investments and one co-investment. Direct investments included Moonfare (FinTech), Socrates Health Solutions (MedTech), Digeiz (DeepTech), and Vever (Disruptive Luxury). The co-investment was in Emergex Vaccines, based in the UK.

Its current pipeline consists of 12 active deals and eight funds, with Mekouar confirming that they are conducting live due diligence on four opportunities.

One of the funds backed by Calista is The Gate, a €100 million family-backed mid-to-late-stage tech investment platform started by Atlanvest. The Gate targets direct secondaries using its network of close relationships with top US VCs, institutional LPs, and family offices.

"In terms of deal flow it's important to be selective and granular, beyond any sector consideration," says Mekouar. "Some themes resonating strongly with families include healthcare, luxury disrupters, food and deep tech; anything that is uncorrelated to the macrocycle and above all, where there is a strong sense of identification with the team behind the deal. This cuts across stages, from early-stage businesses to more mature businesses. We see more investors becoming more daring as they climb up the learning curve."

She emphasises the point that Calista's role is to show families where the risks can come from and how they can potentially protect the downside.

"We're not there to tell a family office they're going to make a 10x return. We are a form of reality check and professionalization of their selection process. We go deep into the due diligence we perform. In the beginning, families pay us an upfront fee, which gives them access to our deal flow and also shows us their deal flow, on which we will do a red flag exercise, which is very focused on the company, the management team, and the business model. Beyond that first level check, we get mandated to conduct in-depth review at their request, as a fund investor would do."

Families can decide to use Calista for due diligence only, for example, or retain its full

suite of outsourced services including asset allocation, direct and co-investment sourcing, fund selection, due diligence, portfolio monitoring, and deal structuring.

“Some of our families are not members of the sourcing club but mandate us specifically for due diligence. They use us to leverage the depth of our network and our ability to quickly get the gist of potential deals by reaching out to experts. It’s about speed, professionalism and focusing on the right aspects of due diligence to be proficient,” adds Mekouar.

In two of the five investments made thus far, the families felt that Mekouar and her team had so much impact on value creation “that they asked us to join the board, and

we will receive an incentive fee upon exit. That for me is a great token of recognition and the true long-term path to a sustainable track record for Calista.”

One emerging trend that Mekouar is observing involves more experienced families thinking of setting up their own investment vehicles with third-party capital. “That is quite fascinating to me. More and more larger families are saying, ‘Well, we’ve been doing this for a while off our own balance sheet, maybe things will develop faster if we set up as a professional business, investing our money with that of other like-minded families.’

“The branch of one New York-based family has asked us to help them set up an investment vehicle to invest in US mid-stage technology companies. We set the vehicle up with them in Luxembourg and we will be investing alongside them while helping them as an outsourced operations team. It is an emerging business trend we didn’t expect,” says Mekouar.

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