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# “Extreme ownership” is about alignment of interest

Private equity is an increasingly important element for family offices. **Rajaa Mekouar** at Calista talks about how family offices approach PE investments, the desired alignment of interests and how her firm advises on those deals.

Words SYLVAIN BARRETTE

Rajaa Mekouar, managing partner at Calista Direct Investors, commented that her firm is confronted with an “interesting dilemma” as Calista thinks of itself as a newcomer and a disruptor. “We’re not really a consulting firm, an investment bank, a fund, nor a family office. We are the best tool for families to professionalise their investment effort.”

“We are an advisor and co-investor [with families]... focusing on private equity and venture capital investments,” said Mekouar. She stated that families--also called clients-partners in its marketing material--make their investment decisions based on the due diligence performed by Calista.

Yet she stressed that Calista wants to maintain its independence. She firmly stated that Calista will not be paid on the investments made by the families where it has no conviction, i.e., firms in which she will not invest herself. She thinks that accepting remuneration for those cases would “misalign myself from them [i.e., the families].”

## Extreme ownership

“We are conviction driven, and conviction means alignment, and alignment means

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co-investing.” The alignment of interest is a core and recurrent theme at Calista and it is even an “obsession.” It also means that Calista’s professionals will “systematically” co-invest their own personal money with the families should they have a strong conviction on the success of the firm, or in other words, that benefits outweigh the risks.

“We are the opposite of passive [investors]... So, we behave and we think like owners, not like employees.” Mekouar claims openly that more than 40% of her personal assets are allocated to private investments. Questioned whether Calista puts its own capital at risk, she replied with a teaser: “No, not yet for Calista itself.”

## Attempting to shake up the fee structure of the industry

Mekouar observed that the fund industry grew faster than their teams. As a result, fees became a source of profit for general partners. She concluded that “they cared much less about the performance and then they lost a lot of families.”

Instead of marketing a “2% headline management fee,” Mekouar thinks that it would be advisable for funds to establish a

**RAJAA MEKOUAR**  
Managing partner  
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“cost-based budget.” In other words, she believes that funds should demand a fee that is just high enough to cover running costs because “it enhances alignment and transparency between the GP and the LPs.” This is how she does it when dealing with the families, according to Mekouar.

Calista has a business model based on retainers, which is an upfront fee paid before services have been performed. Then, “we share upsides with the families, if and when the value is created in the company... we are partners,” commented Mekouar. “This is the alignment again; I’m really obsessed with that.”

### Onboarding families

“You can’t cold call families. If you do, you will probably hit a wall.” She explained that it is a “very slow” process based on referrals whereby you build the relationship with families “until it naturally fits,” said Mekouar. “The good news is if you do your job diligently, transparently and in an aligned way, they never leave you.”

She stressed that Calista does not sell any products but rather “a network, a team and a methodology.” She does not value success based on the number of mandates, as consulting firms do, but rather on the depth of the relationship with few families with “which we do a lot.”

### “The starting point is always the [source of] capital, and not where you put it.”

The strategy of the firm centres around Calista’s clients: the families. “You have to be driven by investors and not by investments... as families are entrepreneurial and different from one another.” She also noted that families are not only sourcing capital, but also 15% to 20% of “high quality” fund and company proposals. She also observed that working with entrepreneurs is challenging as “every day they have a different idea.”

### Direct and co-investments

This is the core of Calista’s business as it accounts for two-thirds of the deal flow. There is no standard approach. “We met billionaires who wanted to do business angel tickets, and we met people with €50m [wishing to go] direct only because they love the idea of

backing entrepreneurs.” She thinks that Calista’s role is to create value but also to identify risks.

The investment preferences of the families will depend on “resources, time, familiarity [with the sector] and their appetite for risk diversification.” After having subscribed to a fund, Mekouar noted that families sometimes add co-investments to the mix should they want to increase their exposure to individual companies.

Calista also sources opportunities followed by extensive due diligence to support families in their direct and co-investments. “We are process-oriented, but we leave a lot of slack because the way you do things depends on the situation.”

Before investing in “directs,” Calista reviews the dashboard to be received by the management and/or helps the management to design key KPIs when represented on the board. She thinks it is a win-win as the process to design a growth strategy “professionalises their effort.” She suggested that Calista’s intention is constructive and aims to “elevate the company, not to overly control it.” Yet again, the goal is to “identify risks upfront.”

### Getting a seat at the board

“If they asked for one, it’s because [families] feel that they can contribute to create value for the firm... either they have expertise in the sector, or they have a network that [may] help the company... to manage risk and increase performance,” suggested Mekouar.

She does not think that the intention of her families would be to control the firm or to take advantage of it for the benefit of their own businesses. She believes that they know that it is a “time-consuming exercise and it is not for everybody.”

### Fund investments and alignment of interest

Investing in private asset funds is part of Calista’s strategy, but Mekouar has no plan to run funds. Families may worry about illiquidity, but she thinks that a greater concern relates to fees. She calculates that fees deduct “20%-30% of your return over the fund’s life. It’s crazy.”

Calista tends to stick with funds in highly specialised sectors such as space



52.2%

### Asset allocation to alternatives as a % of assets under management in 2023

Among all asset owners, family offices show the greatest interest in alternatives, which include PE, private credit, VC/growth, hedge funds, real estate, infrastructure and operating businesses, according to KKR, Willis Towers Watson CommonFund and Capgemini.



tech, but also funds backed by families and entrepreneurs as she sees strong alignment of interest. "If a family wants to invest in big funds like KKR or Carlyle, I say, go to moonfare.com."

As a case in point, they invested in a fund managed by AlleyCorp which was set up by a "established" entrepreneur. "The fund is \$230m. He put \$100m of his own money [in it]." Calista considers the relation with the latter as a partnership.

Elsewhere, she discussed a \$150m US healthcare fund set up by a family where the management team invested \$55m of their own money. "We love this because there is skin in the game."

Similarly, Mekouar invested in a secondary fund at Swiss-based Unigestion, which is backed by a family. She justified her investment by arguing that they like to speak with peers. "We do not like investing in a bank-sponsored fund."

Alignment of interest increases the likelihood of success, but may also fuel overconfidence. Understanding the context and the motivation of the stakeholders remain key.

Calista draws upon the experience of John Holloway, a 40-year industry veteran and former director at the European Investment Fund, who selected venture capital funds and is often referred to as the godfather of venture capital in Europe. Mekouar explained that Holloway probes the "solidity of the investment thesis for funds" being reviewed by Calista. Besides, he helps shape the story of family funds such as AlleyCorp fund.

When it comes to monitoring its portfolio of funds, she admitted that it is "hard to be active." During the due diligence process, Calista assesses whether the GP will be upfront with quality information and reporting. "The family investors don't mind the risk but hate to suddenly be faced with an issue that was not talked about earlier and be confronted with a *fait accompli*."

**Loans against NAV: to use in moderation**  
"Families don't like it too much." Yet she thinks that if done in "moderation" to finance acquisitions, for instance, it would be acceptable as a temporary measure. Otherwise, families see these operations as boosting return artificially through leverage.

Mekouar thinks that families prefer to wait for longer to achieve a certain multiple on their investment. "They want to get real value creation stories." Consequently, it comes as no surprise that they "tend to think more in multiple terms than in IRR."

### Retailisation of PE investments is a step too far

Mekouar spoke highly of Moonfare, a private market fund platform, as a tool to invest between €50k to €500k in funds as "they do the selection... [and] have access to top quartile fund performance" while doing "high level checks with a bit of due diligence." She invested in 2019 with a family "when the company had €80m in AUM." It now oversees €3bn.

However, she commented that her families are more institutional in terms of investment firepower. Moonfare aims to write bigger tickets. She is therefore working at building synergies with Moonfare by automating Calista's platform to give the former access to her families. In return, she expects her direct investments to find their way to the Moonfare platform. She thinks that both firms are complementary.

PE investments, argued Mekouar, are "not for mom and pop on the street." She is not convinced about the appropriateness to go "very low" on the minimum threshold. Moonfare recently launched an Eltif with a minimum investment of €10,000.

### The Calista club: families have more for their money by paying a fixed fee

As not all the families have a full-time team overseeing their investments, Calista set up a package outside a legal structure—it is not a common investment vehicle—aimed at mutualising the deal flow, research due diligence and events. "They feel they're amongst peers, there is a community spirit, and there's no one selling anything to them."

She stressed that families may invest in the same deals, yet they are "entrepreneurs... control freaks, they like independence [and feeling like] they're different."

## OUTSOURCED DEAL TEAM FOR FAMILY OFFICES

Rajaa Mekouar is a financial entrepreneur and PE investor with 25 years of expertise in private markets worldwide. She has held positions as an LP with family offices in the UK and throughout Europe, and as a GP in many midmarket-focused funds. Calista Direct Investors, an independent buy-side advice and co-investment platform chaired by Serge De Ganay, was founded by her and she serves as its CEO. The company's focus is on private markets and acts as an outsourced transaction team for single family offices. Mekouar serves on the boards of numerous businesses that the Calista families have invested in. She relocated in Luxembourg in 2016 and became citizen. In 2020, she was named an "Inspirational Woman in Finance" and served as the LPEA's leader from 2018 to 2020. There, she introduced the LPEA Insights conference series and the Women in PE platform, PE4W.