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EIF Private Equity Mid-Market Survey:

Fund managers' perception of EIF's value added

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Executive Summary*

This paper presents results of the February and March 2020 wave of the EIF Private Equity Mid-Market Survey, an **anonymised online survey** of private equity mid-market (PE MM) fund managers in Europe. The specific focus of the analysis lies in the perceptions of the PE MM fund managers about the value added of the EIF and its products and processes. The survey contains responses from **301 PE MM fund managers** from the 27 EU countries, as well as several additional countries, such as Norway, Switzerland, Turkey, and the UK. These include both those that were supported by the EIF, as well as those that were not supported. It should be taken into account that the survey took place before the COVID-19 pandemic and, therefore, the responses of the fund managers do not include their perception about the effects of the pandemic.

The study examines in detail the sentiments of the PE MM fund managers towards the EIF, and the EIF value added. In particular, this includes the **disaggregation of the EIF value added** into its impact on the investor base and the fundraising process, the fund structure, the market and the terms & conditions (T&Cs), as well as the PE mid-market. Additionally, it provides an overview of the EIF's overall value added, assessment of the EIF's products and processes, comparison of the EIF to other LPs, and an investigation of the possibilities of how the EIF could improve and increase its value added.

EIF's Disaggregated Value Added

The PE MM fund managers' perception of the **EIF value added to the investor base and the fundraising process** is, in general, very positive. This is especially true for the EIF's impact on **signalling the quality of the fund** to other LPs (i.e. providing a "quality stamp"), and **reaching a viable or the target fund size**. The support in reaching the target or viable fund size is particularly valued by the respondents from the CESEE region (with 100% of managers agreeing that the EIF has a high impact in this category), and the UK & Ireland (90% of managers agreeing). The survey results suggest that fund managers perceive market gaps even in highly developed PE markets, which the EIF interventions have been able to address. Additionally, respondents evaluate very positively the EIF's high due diligence standards, assistance with team structure, and sharing of market knowledge. On the other hand, the respondents from the Benelux countries are the most critical about the EIF's impact on the investor base and the fundraising process.

The **EIF's effect on the fund structure** is evaluated positively and consistently across all categories – no category is rated significantly higher than any other. However, fund managers from the CESEE region are, once again, the most positive about the EIF's value added in all categories. Similarly, teams that raised a fund for the first time (i.e. first-time teams) evaluate the EIF support

* *This paper benefited from the input of our EIF colleagues Cindy Daniel, Panagiotis Karagiannis, and Virginie Varga. We would also like to thank the researchers from the Trier University for their continuous support. All remaining errors are of the authors.*

significantly more positively compared to the more experienced teams. They particularly value the EIF's role in improving governance and fund procedures, and in implementing best market practice terms & conditions. This suggests that the **first-time teams require greater support from the EIF**, and at the same time, value it more. The most negative about the EIF impact on the fund structure are the respondents from the Nordics countries, especially regarding the EIF's role in implementing the best market practice terms & conditions.

The PE fund managers evaluate **the EIF's impact on the fund, the market in which they operate, and the terms & conditions** generally positively, with 60% of them agreeing that the **EIF contributes to their investment firm becoming sustainable through several fund generations**. This confirms that EIF's impact is crucial on a long-term basis, and the majority of PE MM fund managers value the help they get for future fundraisings. However, respondents find the EIF's effect less crucial for raising a fund that targets underserved geographical and industrial segments (only 40% of managers view the EIF's impact as vital in these areas). An exception to this are the respondents from the CESEE region, who are very optimistic about this category – around 80% of them agree that the EIF's help is crucial. Furthermore, responses based on investment industry are very consistent across industries; nevertheless, the most positive about the EIF's impact on raising a fund targeting an underserved industrial segment are the fund managers investing in consumer goods.

The PE MM fund managers' perception of the **EIF's value added to the PE market** is consistently very positive across all categories. The respondents highly value the **EIF's support in bringing first-time teams, particularly in the CESEE regions**, where around 90% of respondents are positive about this category. CESEE fund managers are additionally very positive about the EIF's help in **overcoming insufficient private sector involvement**. On the other hand, only a third of respondents feel that the EIF contributed to crowding in private investors. The Nordics region is the most critical about the EIF's impact on the market, especially in encouraging other LPs in the market to invest in PE MM funds.

EIF's Overall Value Added

The overall value added of the EIF is consistently very highly valued by the PE MM fund managers. The EIF is considered to have a **crucial role in boosting the PE MM funds**, especially in the CESEE region. In particular, the respondents agree that the EIF significantly helps for future fundraisings, and the EIF involvement increases both the number of investments in SMEs/mid-caps, as well as the amount raised. However, the managers in general feel that the EIF has a lower impact on improving the investment team composition and quality, and especially the EIF's contribution to the fund launching at all. This is nevertheless not the case for the CESEE region and the first-time teams, who consider the EIF's impact on improving team composition and quality, and the fund launching as key. The fact that less than half of the respondents stated that the EIF's involvement contributed to an improvement of the funds' investment team composition is in line with the EIF's approach to not actively interfere in this aspect, but rather to suggest improvements only where it is considered necessary, i.e., typically in the case of first-time teams and relatively underdeveloped markets. Overall, a minimum of 60% of respondents in each region consider the EIF's overall value added as high or even very high, with most positive responses from the CESEE, and least positive from UK & Ireland, and the Nordics. The vast majority of the fund managers **would work with the**

EIF again, and they would apply for the EIF funding again. The fund managers do however call for improved flexibility and simplification of the EIF's procedures, greater support for networking, and promotion of knowledge sharing.

EIF's Products and Procedures

The PE MM fund managers generally rate the EIF's procedures and products very positively across most categories, with around 80% agreeing about the high EIF impact. The respondents are particularly praising the **EIF's communication, high transparency, due diligence procedures** and that the **EIF's products are well structured and reflect current market needs**. An exception is the fund managers' criticism of the EIF's length of application proposal procedure and decision making, where both successful and rejected applicants suggest more streamlined and flexible procedures. In particular, the respondents from Benelux countries are critical about proposal length, as well as the transparency of products and procedures.

In comparison with other LPs, the EIF is rated as the **same or even better in most categories** covered (especially by CESEE), specifically communication, due diligence procedures, and straightforwardness of the application process. On the other hand, the fund managers (particularly in Benelux) suggest that improvements can be made, compared to other LPs, in the length of the application procedure, the flexibility of EIF's processes and its terms and conditions, and the decision-making process. Nevertheless, around 50% of respondents still consider the EIF's procedures in this area same or even better compared to other LPs (including the rejected applicants).

Further Comments

Understanding precisely what the contemporary PE market needs is a crucial factor for the EIF, especially in its objective to support a consistent and sustainable development of the PE mid-market ecosystem in the EU. As is clear from the results discussed above, the market **feedback of the PE MM fund managers is overall very positive**. Most managers compliment the fact that the EIF support represents a "quality stamp" for the fund, allows for reaching a viable and target size, and develops sustainably over generations. The majority of respondents highly value the EIF's high due diligence standards, communication, transparency, assistance with team structure, and sharing of market knowledge, particularly in the CESEE region. Furthermore, the EIF's products and procedures are consistently rated as same or better compared to other LPs. As seen from the results, the **EIF's support is the strongest in areas where it is the most needed** – i.e. supporting first-time teams, and the relatively less developed markets (in particular the CESEE region).

One of the frequently mentioned areas for improvement includes the **EIF's low flexibility and long decision-making process**. The EIF continuously examines the possibilities for enhancing and streamlining its processes when interacting with its stakeholders. Nevertheless, as the EIF is bound by EU policy objectives and resources, its processes need to be audit-proof. Moreover, as the EIF's support represents a widely accepted "quality stamp", it is crucial to implement thorough due diligence process, which can lengthen the decision-making process. As a second point, many respondents have not applied for the EIF funding due to **lack of knowledge about the EIF's**

activities. The EIF may work on improvements in this area by raising the general awareness of the PE MM managers, for example, by conducting more marketing campaigns.

The conclusions and insights gained from the analysis can allow for progressive enhancement and improvement of the EIF's processes, products, and the overall value added. As such, the PE MM Survey contributes to an accurate evaluation of both the past and the future economic impact of the EIF operations in the PE market.

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1 | Introduction

The term Private equity (PE) generally represents investment funds that make financial investments into companies that are not publicly traded in a stock exchange (Bernstein, 2018). Unlike Venture Capital (VC) firms or Business Angels (BAs), which typically provide finance for start-ups or young companies and rarely take majority control, PE firms usually focus on investing into established or mature companies and buy a majority share (Gompers, 1994). As such, the provided capital is crucial for companies, allowing them to optimise and restructure their operation, innovate and develop new products, as well as speed up their expansion (Bernstein, 2018).

The European Investment Fund (EIF) is a leading risk finance provider for small and medium sized enterprises (SMEs) and mid-caps in Europe. As part of the European Investment Bank (EIB) Group, the EIF designs, promotes and implements equity and debt financial instruments that share risks with partners, multiplying public resources and increasing the supply of finance in key market segments, such as PE mid-market (PE MM). The central mission of the EIF is to facilitate the access of SMEs and mid-caps to finance.

The Research & Market Analysis (RMA) division of the EIF supports EIF's strategic decision-making, product development and mandate management processes through applied research and market analyses. RMA works as internal advisor, participates in international fora and maintains liaison with many institutions in order to provide additional benefit to the European PE.

Similarly to the VC market, the PE market is of key importance to the European investment environment, allowing for greater innovation, job creation and overall growth of firms in the EU (Kraemer-Eis et al., 2020). This RMA paper is based on the results of the February and March 2020 wave of the EIF Private Equity Mid-Market Survey, an online survey of the private equity mid-market fund managers investing in Europe. This includes fund managers from the 27 EU countries, as well as several other countries (primarily Norway, Switzerland, Turkey, and the UK). This EIF survey provides responses from both the PE MM fund managers that were supported by the EIF, as well as those who were not supported. It should be noted that the survey took place before the COVID-19 pandemic and thus the fund managers' sentiments do not include the perceptions and effects of the pandemic. Such analysis of the market sentiment and the COVID-19 impact has been covered by the recent EIF paper of Kraemer-Eis et al. (2021).

The specific focus of this paper is to examine the sentiment of PE MM fund managers towards the EIF, in particular their perception of the value added that the EIF provides. This includes the impact of the EIF on the investor base, the fundraising process, the fund structure, the market and terms & conditions, as well as the EIF's overall value added. Furthermore, the work investigates the possibilities of how the EIF could increase its value added, and a detailed assessment of the EIF's products and procedures – both for the successful and unsuccessful applicants. As such, this paper complements the previous works of the EIF RMA, which investigated the value added perceptions of the VC fund managers (Kraemer-Eis et al., 2018), and the BAs (Kraemer-Eis et al., 2019).

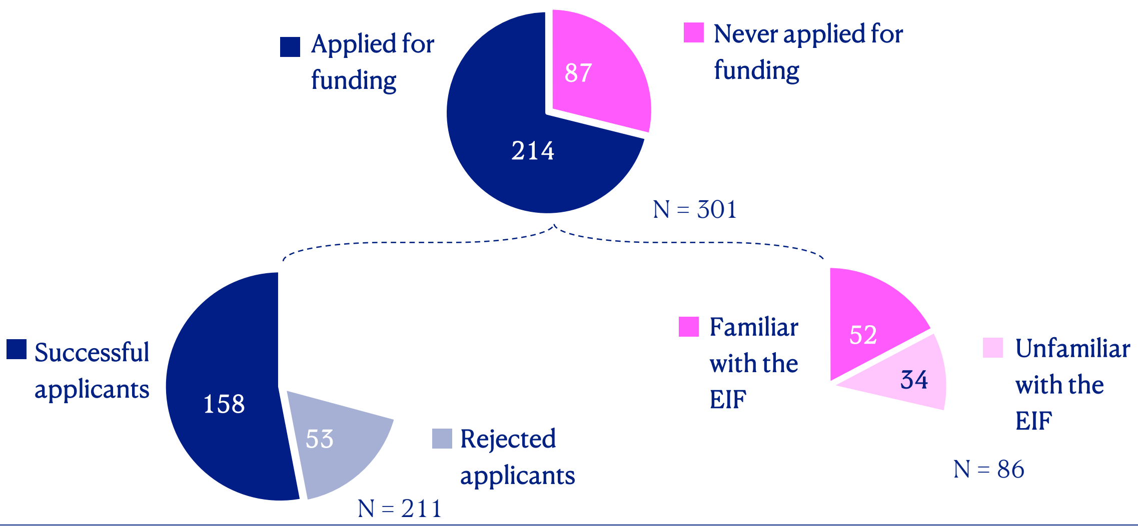
The remainder of the paper is organised as follows. Section 2 gives an overview of the survey data sample and various demographics of the respondents. Section 3 examines the fund managers' perception of the EIF's value added in various areas. These include investor base, fundraising process, fund structure, and the PE market. Section 4 discusses the fund managers' perception of the overall value added of the EIF. Section 5 provides an overview of the EIF products and procedures and compares them with other limited partners (LPs). The final Section 6 then provides conclusions.

2 | Survey Data

The results of this paper come from the EIF online survey of PE Mid-Market fund managers investing in Europe. The EIF Private Equity Mid-Market Survey complements the EIF Venture Capital Survey and the EIF Business Angels Survey. These two surveys target BAs and VC fund managers, respectively, who invest in Europe. (See Kraemer-Eis et al., 2021, for the latest results.) This combined survey of PE MM and VC currently represents the largest regular European survey among general partners (GPs). The PE MM part of the survey has been conducted between 13th February and 26th March 2020, and contains responses from 301 fund managers of 249 distinct PE firms. These firms are primarily headquartered in the EU27, with some coming from additional countries, such as Norway, Switzerland, Turkey, and the UK. The EIF survey targets both the firms that were supported by the EIF, as well as those that were not supported. The vast majority of the survey respondents hold the position of a CEO or Managing/General Partner, ensuring that the responses and perceptions received reflect the views of the decision makers. All three EIF surveys are performed on an anonymous basis.

The 301 respondents of the EIF PE MM Survey can be further disaggregated into several groups for the purposes of this paper, as seen in Figure 1 below. Out of the 301 respondents, 214 applied for the EIF funding, with 158 being successful and becoming EIF counterparts, and 53 being rejected. The remaining 87 respondents never applied for the EIF funding, with 52 being familiar with the EIF and 34 unfamiliar.

Figure 1: Overview of the respondents



Note: Several changes to the data output were made where respondents from the same firm provided different responses to the question of whether or not their firm had applied for the EIF funding. This explains the differences between the respondents who applied for funding (N=214) and the sum of successful and unsuccessful applications (N=211), and the difference between those who never applied for funding (N=87) and the sum of familiar and unfamiliar respondents (N=86). The effect of these small changes on the results of this paper was, nevertheless, negligible.

2.1 | Sample Descriptive Statistics

As seen from Figure 2, the vast majority of the respondents of the EIF PE MM Survey are male, at 88%, with only 32 respondents out of 301 being female. This gender disparity of the survey respondents is likely caused by the relatively low share of females in the decision making roles of the PE MM firms.

The distribution of the fund managers' age (Figure 3) follows a fairly symmetric normal distribution, with majority of the respondents being between 40 and 60 years of age. The share of rejected applicants appears to be consistent between the age groups, meaning neither age group is any more or less likely to receive the EIF funding. Furthermore, most respondents have extensive experience being PE MM fund managers (Figure 4), with over 75% having more than 10 years of experience, and almost 50% having 20 years or more.

Figure 2: Respondents' gender

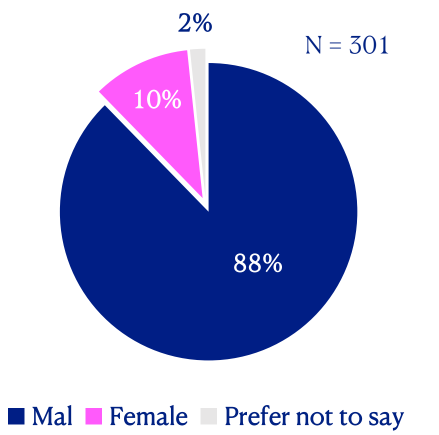
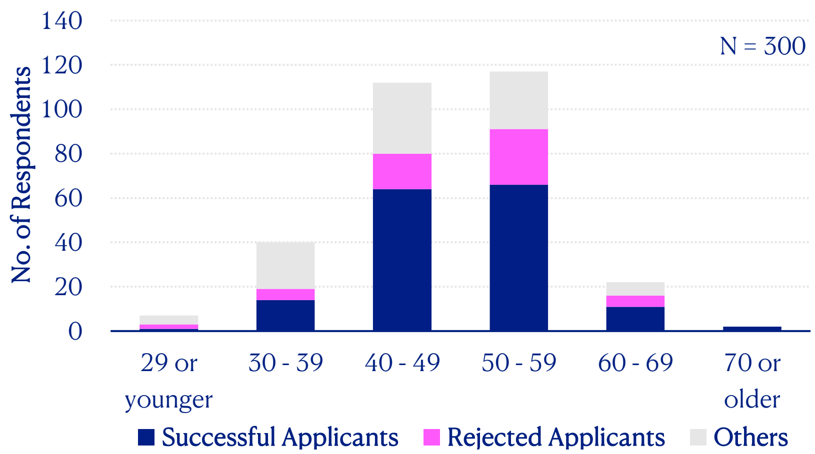
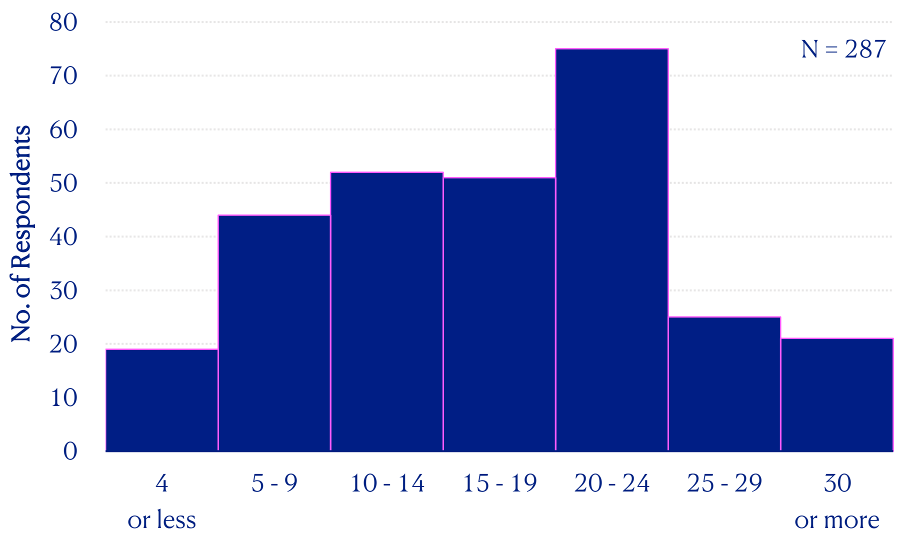


Figure 3: Respondents' age



__Note:__ 1 respondent in Figure 3 preferred not to disclose their age, thus the number of observations is 300 instead of 301.

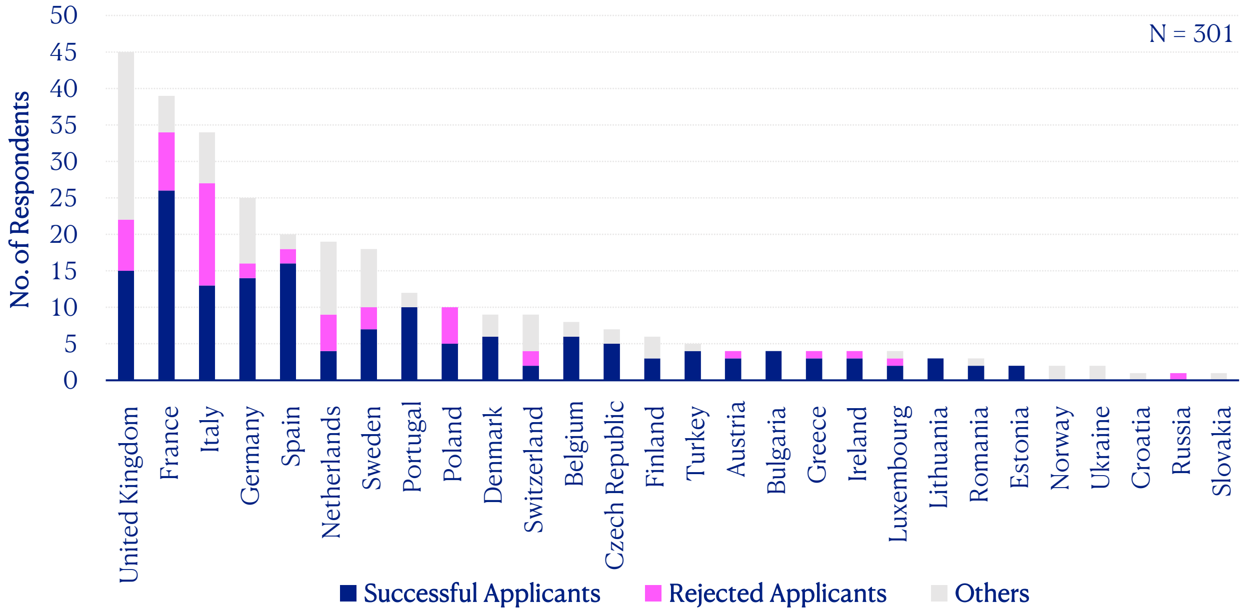
Figure 4: Respondents' years of experience as PE MM fund



__Note:__ 14 respondents preferred not to disclose their years of experience, thus the number of observations is 287 instead of 301.

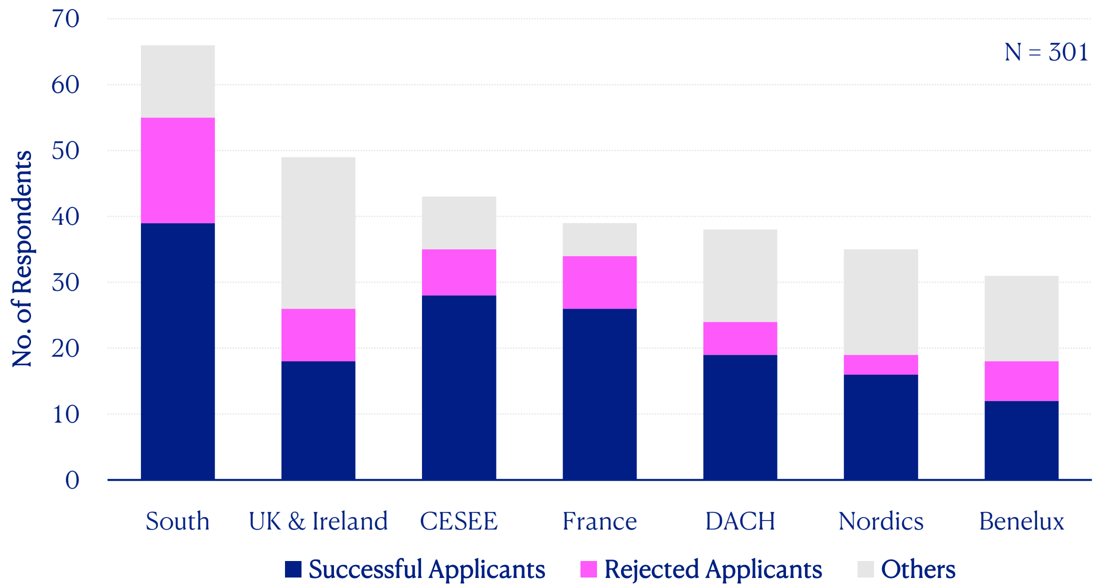
Analysis of the fund managers' headquarter countries in Figure 5 shows that almost half of the responses come from the UK, France, Italy, or Germany, with each country having at least 25 respondents. In more detail, the UK displays a large share of respondents who never applied for the EIF funding, while Italy has a significant share of rejected applicants compared to other countries. In terms of headquarter regions (Figure 6), the South region has the most respondents, followed by UK & Ireland, and the CESEE region. Despite being third in terms of respondent numbers, the CESEE region is the most heterogeneous country-wise – only Poland and Czech Republic have more than 5 responses to the survey.

Figure 5: Respondents by headquarter country



Note: *The Others category represents respondents who never applied for the EIF funding.*

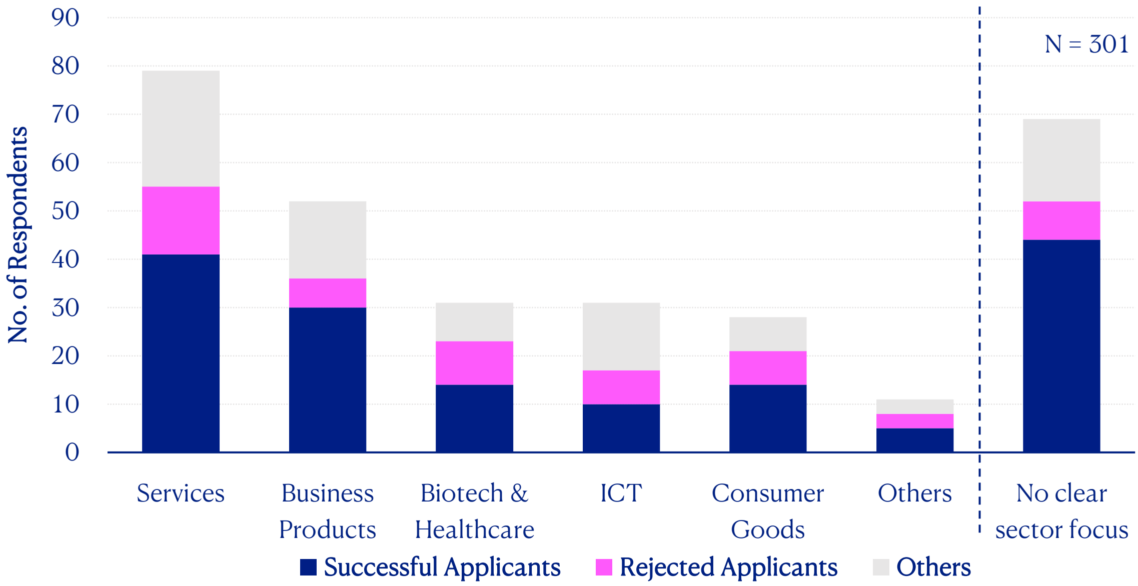
Figure 6: Respondents by headquarter region



Note: *The country grouping into regions is as follows: South (Italy, Spain, Portugal), CESEE (Bulgaria, Croatia, Czech Republic, Estonia, Greece, Lithuania, Poland, Romania, Russia, Slovakia, Turkey, Ukraine), DACH (Germany, Austria, Switzerland), Nordics (Denmark, Norway, Sweden, Finland), Benelux (Belgium, Netherlands, Luxembourg).*

The most frequently noted key industry of investment for the fund managers surveyed are services, followed by business products (Figure 7). The services industry consists predominantly of business services (80%), but also includes financial and insurance services (11%), and consumer services (9%). Interestingly, almost a quarter of the respondents stated that they do not have any clear sector focus, making it the second most frequently chosen industry category.

Figure 7: Respondents by key industry of investment



***Note:** The Services industry group consists of business, consumer, financial and insurance services. The Others industry group consists of energy and environment (8 respondents), as well as chemicals and materials (3 respondents).*

Almost all respondents report that their main investment stage focus is either buyout, or later stage/growth capital (Figure 8). Negligible amount of PE managers invests at the pre-seed/early stage or the rescue/turnaround stage. Neither the industry of investment nor the investment stage focus appear to have any significant effect on the probability of an applicant being successful – i.e. the share of rejected applicants is consistent across industries and investment stages.

The distribution of the PE firms' total assets under management in Figure 9 shows that most PE managers are managing less than 500 million Euro. Only around 10% of respondents have assets in excess of 1 billion Euro that are under their management. Additionally, respondents that never applied for the EIF funding are more concentrated in the lower tail of the assets distribution. This suggests that the lower are the assets of a PE MM fund manager, the more likely they are to not apply for the EIF funding.

Figure 8: Respondents by investment

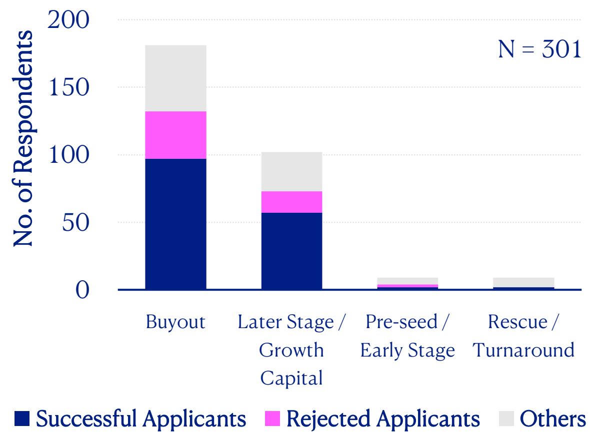
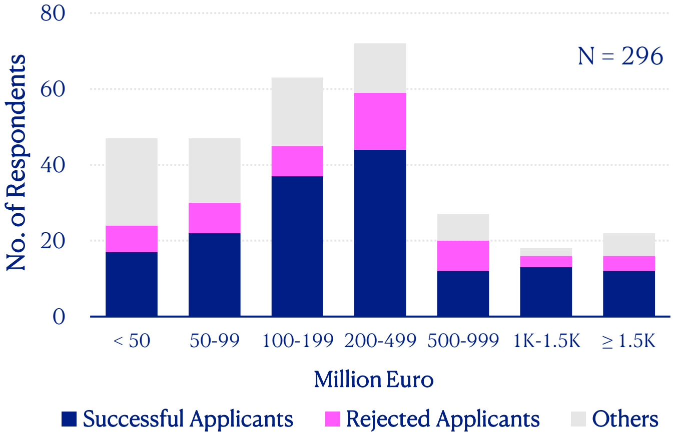


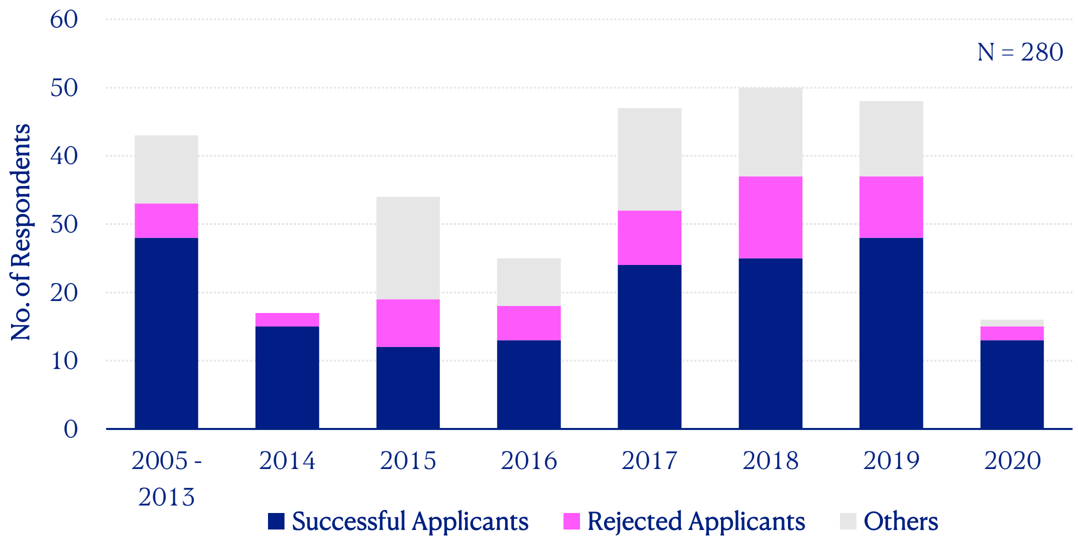
Figure 9: Assets under management



Note: *Respondents were allowed to select more than one investment stage and rank them by importance. Figure 8 shows the results based on those stages that respondents selected as their most important one. 5 respondents in Figure 9 preferred not to disclose their firm's total assets under management, thus the no. of observations is 296 instead of 301.*

The distribution of the vintage year of the respondents' most recent fund (Figure 10), shows that the majority (85%) of respondents' most recent funds had their vintage year between 2014 and 2020. Around 50% of the most recent funds then had their vintage year in the last four years, with the distribution being comparable between the EIF supported funds and the non-EIF supported funds.

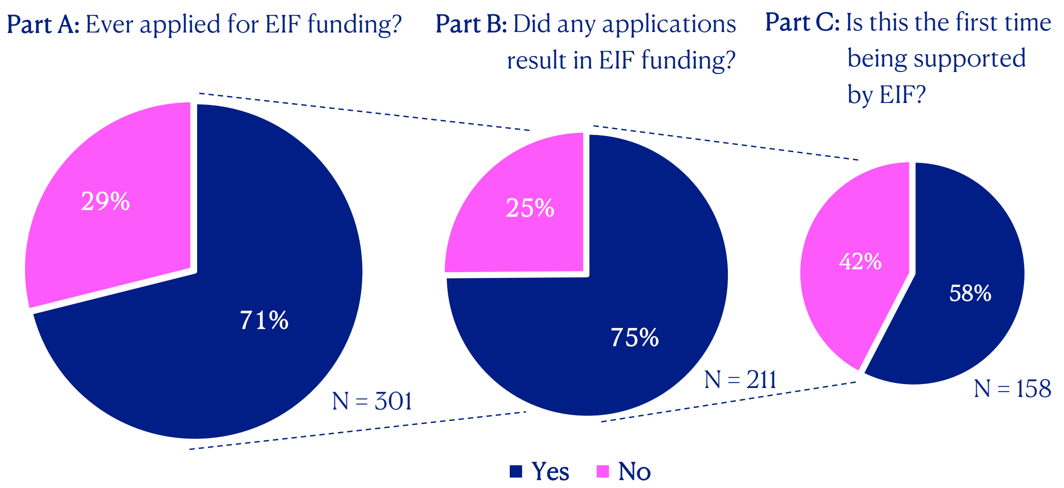
Figure 10: Vintage year of the respondents' most recent fund



Note: *21 respondents preferred not to disclose their most recent fund vintage year, thus the number of observations is 280 instead of 301.*

2.2 | First-time Teams

Figure 11: Disaggregation of respondents by the level of interaction with the EIF

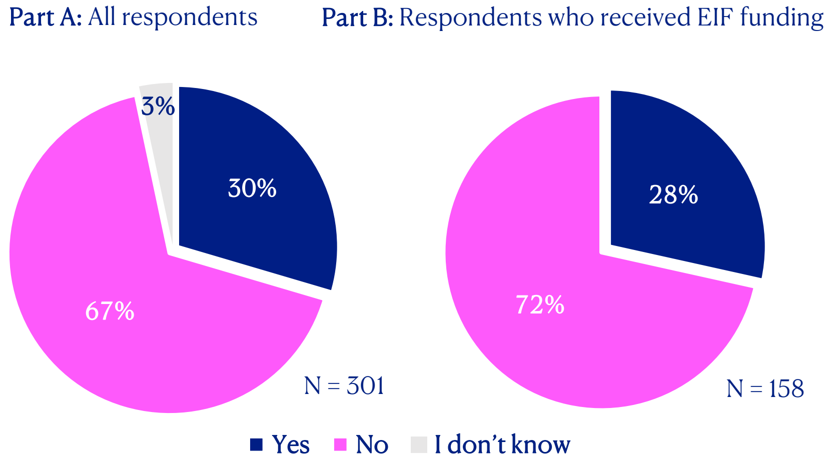


Note: As in Figure 1, several changes to the data output were made where respondents from the same firm provided different responses to the question of whether or not their firm had applied for the EIF funding.

Figure 11 shows a detailed disaggregation of the survey respondents into several groups, based on their interaction with the EIF. Part A represents all 301 responses of the PE survey, showing that 71% of all fund managers have applied for the EIF funding in the past. The typical reasons for never applying include lack of knowledge around the EIF activities, not meeting the EIF criteria, and no need for the EIF funding due to sufficient funding from other LPs. Out of the 71% applicants, 75% have been successful and got the EIF funding in the past, becoming EIF counterparts (Part B). And finally, out of these successful applicants, 58% have stated that it was the first time ever that they received EIF support (Part C).

In relation to Part C of Figure 11 showing the percentage of PE teams that were supported by the EIF for the first time, it is also interesting to examine the percentage of PE teams that raised a fund for the first time. Part A of Figure 12 shows that 30% of all teams were in fact raising a fund for the first time – i.e. having no previous direct experience in managing a fund. Part B asks the same question, but focuses on only those teams that were successful in receiving the EIF funding. Nevertheless, the percentage of first-time teams is almost the same for these successful applicants, at 28%. This suggests that the share of first-time teams among the successful respondents is comparable in relative size to the share among rejected respondents and those who never applied.

Figure 12: Percentage of teams raising a fund for the first time

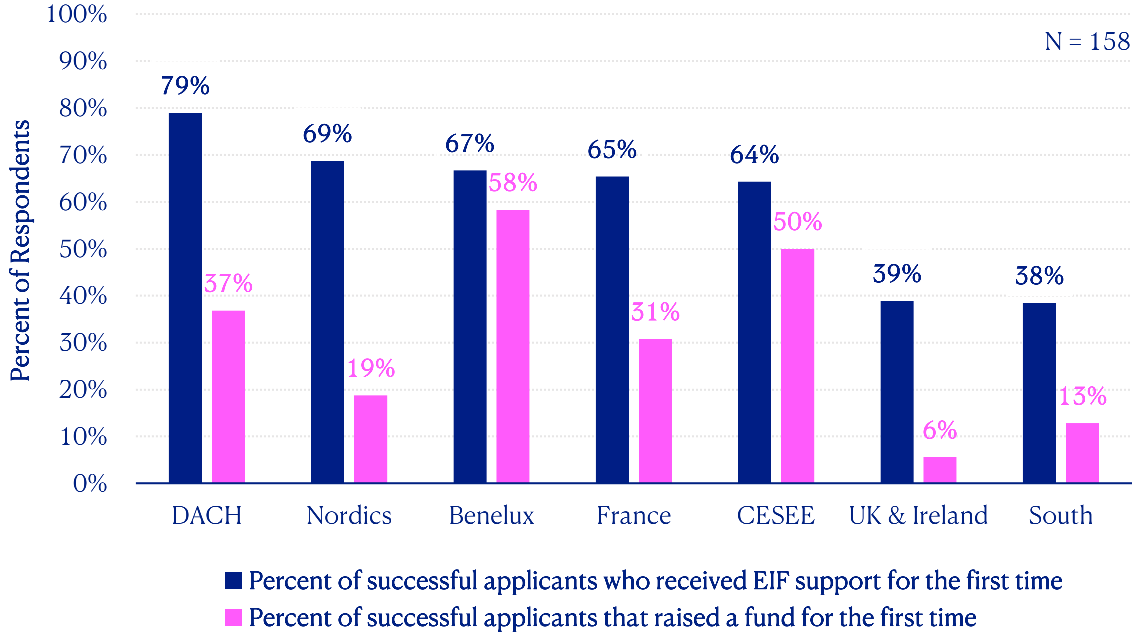


Note: *The same question has been asked twice in the survey. Part A: Was this (referring to the firm's most recent PE mid-market fund) the first time that your team raised a PE mid-market fund – asked all respondents (N = 301). Part B: Was this (referring to the firm's most recent PE mid-market fund supported by the EIF) the first time that your team raised a PE mid-market fund – asked only those respondents who have received the EIF funding, now or in the past (N = 158).*

While Figure 11 and Figure 12 show the overall percentages of teams that got the EIF support and that raised a fund for the first time, these vary significantly across both regions and industries. Figure 13 portrays that almost 80% of successful applicants in DACH were successful for the first time, compared to less than 40% in the UK & Ireland and the South. On a similar note, more than half of the successful applicants in Benelux applied with their first ever fund, compared to only 6% in UK & Ireland.

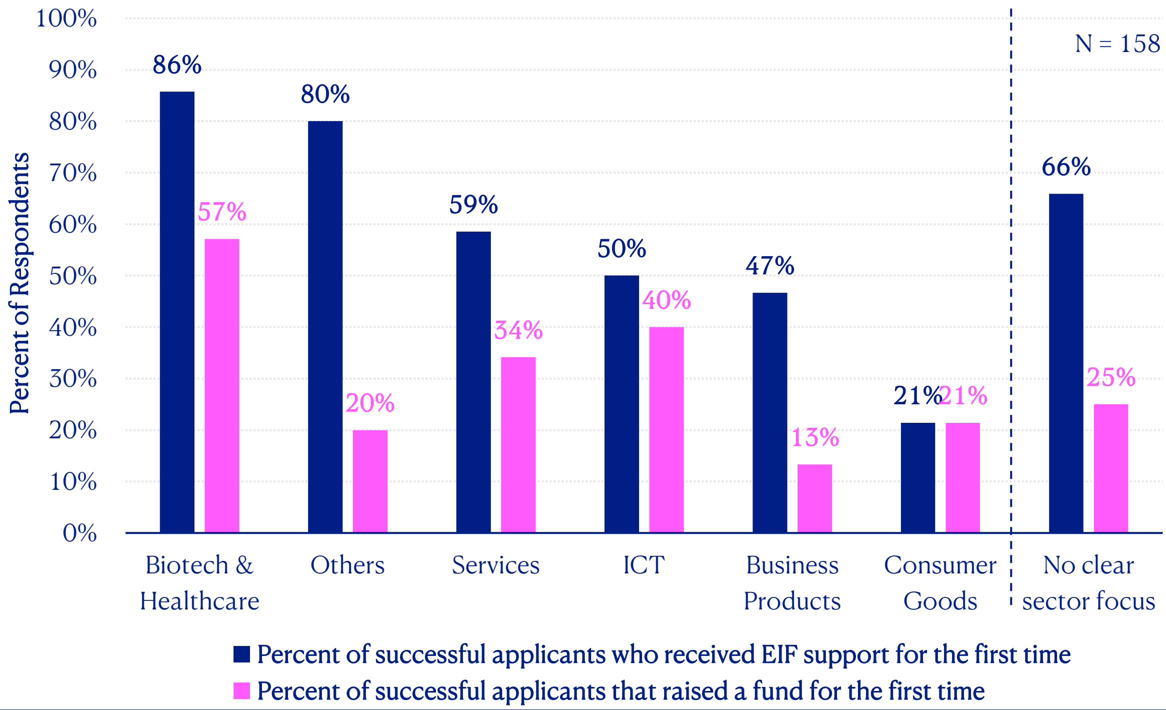
In terms of key industries of investment (Figure 14), almost all successful applicants in Biotech & Healthcare were successful for the first time ever – i.e., there were almost no teams that have received the EIF support in the past. Over half of the Biotech & Healthcare applicants have also applied with their first ever fund, possibly due to the ongoing EU policy support and trend of the specific vertical in the investment space. On the other hand, only around 1 in 5 successful applicants in Consumer Goods have received the EIF support or raised a fund for the first time. This suggests that, among respondents, applicants in Consumer Goods are considerably more experienced compared to applicants from other industries.

Figure 13: First-time teams by region



Note: *Only successful applicants are considered in Figure 13 (N = 158). I.e. this is a disaggregation of Figure 11 Part C and Figure 12 Part B by region.*

Figure 14: First-time teams by key industry of investment



Note: *Only successful applicants are considered in Figure 13 (N = 158). I.e. this is a disaggregation of Figure 11 Part C and Figure 12 Part B by key industry of investment. The Services industry group consists of business, consumer, financial and insurance services. The "Others" industry group consists of energy and environment, and chemicals and materials.*

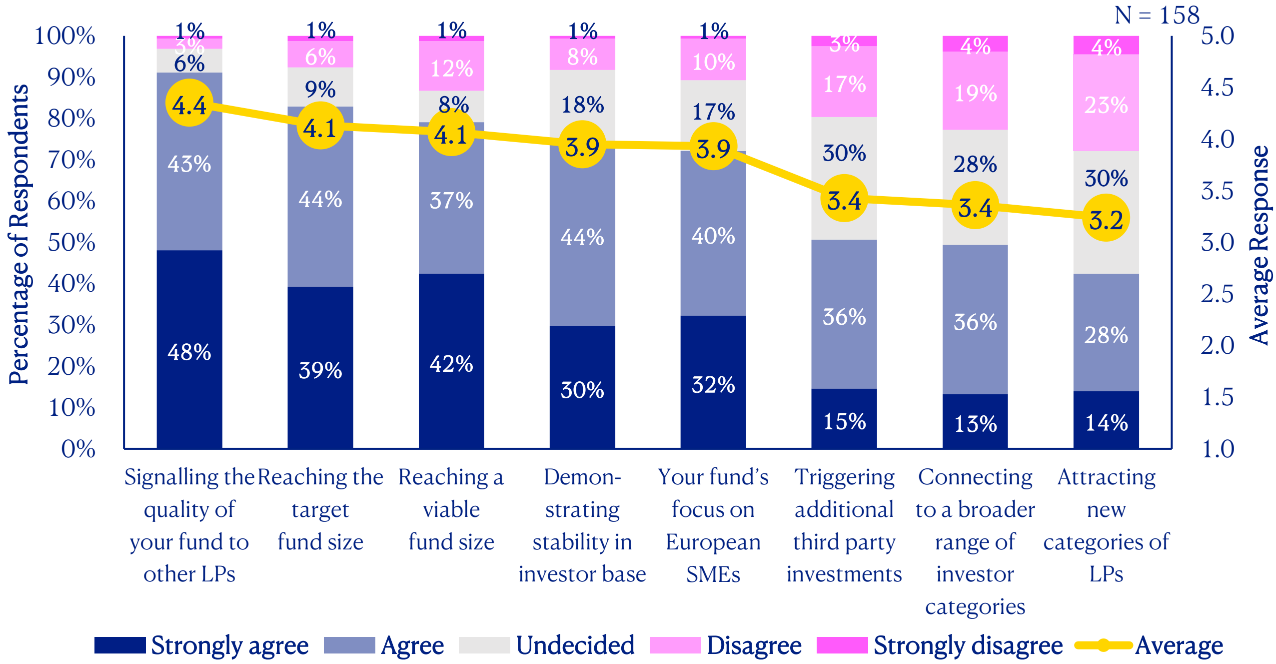
3 | EIF's Disaggregated Value Added

The main part of the PE MM online survey attempts to pinpoint the fund managers' perceptions and opinions of the EIF's value added in several categories. In particular, these categories, or areas, include the EIF's impact on the investor base and the fundraising process, the EIF's impact on the fund structure, the EIF's impact on the market and terms & conditions, as well as the EIF's impact on the market. As the interest lies in understanding the value added that the EIF provides, the analysis in this section is in most cases based solely on the EIF supported PE firms (i.e. N = 158), with some exceptions mainly in section 3.4. The fund managers indicate their agreement or disagreement with a number of statements on a scale of 1 to 5, where 1 represents a strong disagreement and 5 represents a strong agreement. Each category of the EIF's value added will now be examined in more detail.

3.1 | Investor Base & Fundraising Process

The first category measuring the EIF impact examines the value added of the EIF to the investor base and the fundraising process. The results in Figure 15 confirm that the PE MM fund managers significantly value the impact of the EIF to the fundraising process. More than 90% of respondents (mean value of 4.4) agree that EIF's investment in a fund sends a key signal of quality to other LPs. Additionally, around 80% of the respondents (mean 4.1) feel that the EIF provides a vital help in reaching the target or a viable fund size.

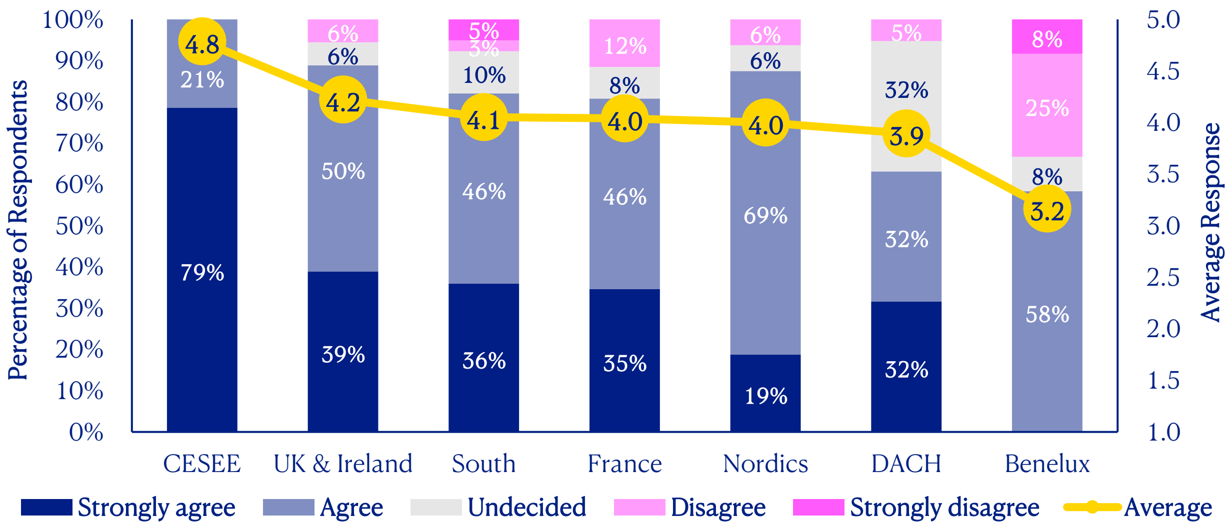
Figure 15: EIF's value added to the investor base and the fundraising process



Note: The figure shows the level of agreement by the PE MM fund managers with each statement. Furthermore, the average agreement with each statement is provided, where 1 signifies a strong disagreement, and 5 signifies a strong agreement.

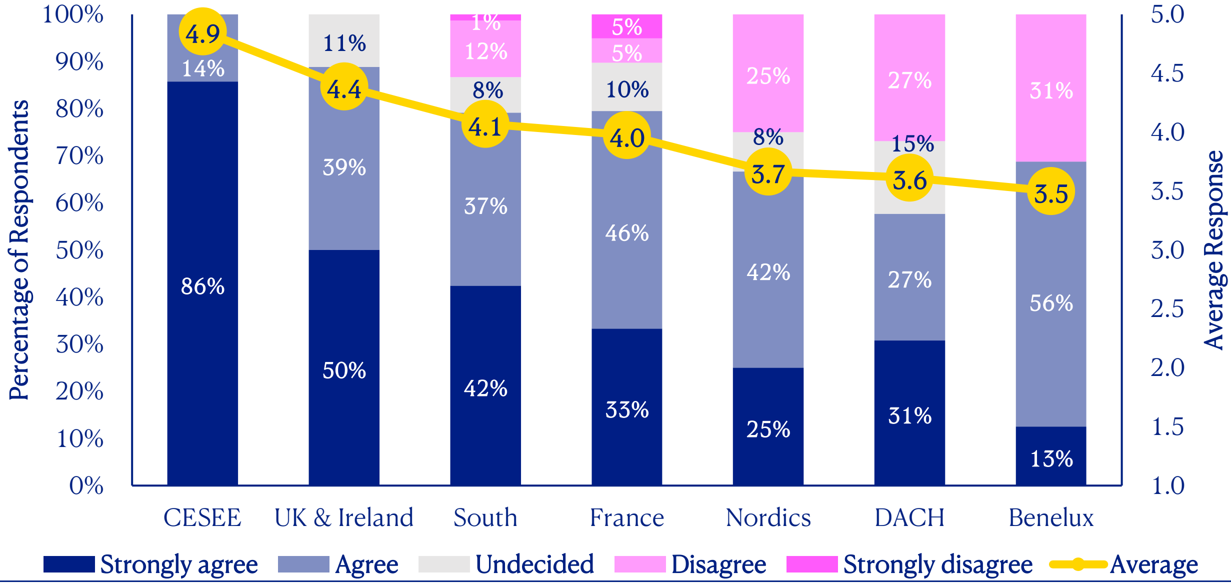
While the most optimistic statement in Figure 15 (signalling the quality of the fund) has similar responses across regions, the EIF's impact on reaching target fund size (Figure 16) and reaching viable fund size (Figure 17) shows major differences across the regions. While positive in all of the regions, PE MM fund managers from the CESEE in particular feel unilaterally that the EIF's contribution to reaching the target or a viable fund size is crucial, with mean response values of 4.8 and 4.9 respectively. The most pessimistic in this area are the PE MM fund managers from the Benelux region, with mean response values of 3.2 and 3.5 respectively. However, even in Benelux, almost 60% of respondents agree that the EIF is key in reaching the target fund size, and almost 70% agree that it is key in reaching a viable fund size.

Figure 16: EIF's partnership key for reaching the target fund size



Note: The figure shows the level of agreement by the PE MM fund managers with each statement. Furthermore, the average agreement with each statement is provided, where 1 signifies a strong disagreement, and 5 signifies a strong agreement.

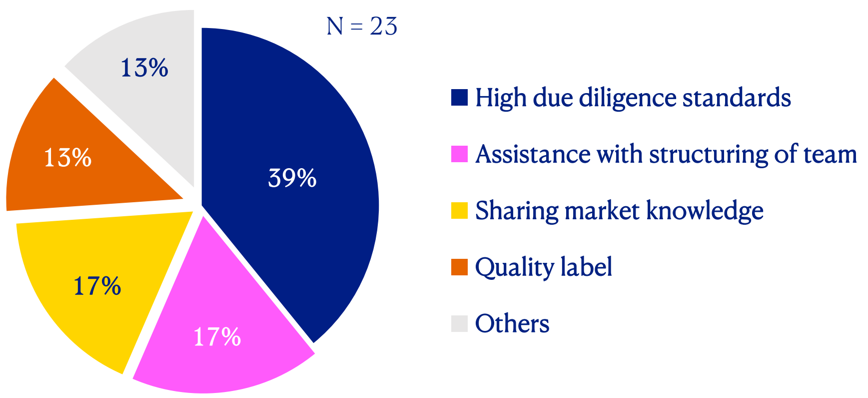
Figure 17: EIF’s partnership key for reaching a viable fund size



Note: The figure shows the level of agreement by the PE MM fund managers with each statement. Furthermore, the average agreement with each statement is provided, where 1 signifies a strong disagreement, and 5 signifies a strong agreement.

On the other hand, in Figure 15, PE MM fund managers seem to find less important the EIF’s impact on connecting to a broader range of investor categories, and attracting new categories of LPs that have previously not invested in European PE. Less than 50% of respondents feel that the EIF significantly helps in these two areas, and the responses are quite consistent between the different regions. Despite the small differences in responses across regions, respondents from the CESEE region appear to be, on average, the most optimistic about these two areas, while respondents from the Benelux and also the Nordic countries are the most pessimistic.

Figure 18: EIF’s value added to investor base & fundraising process – additional aspects



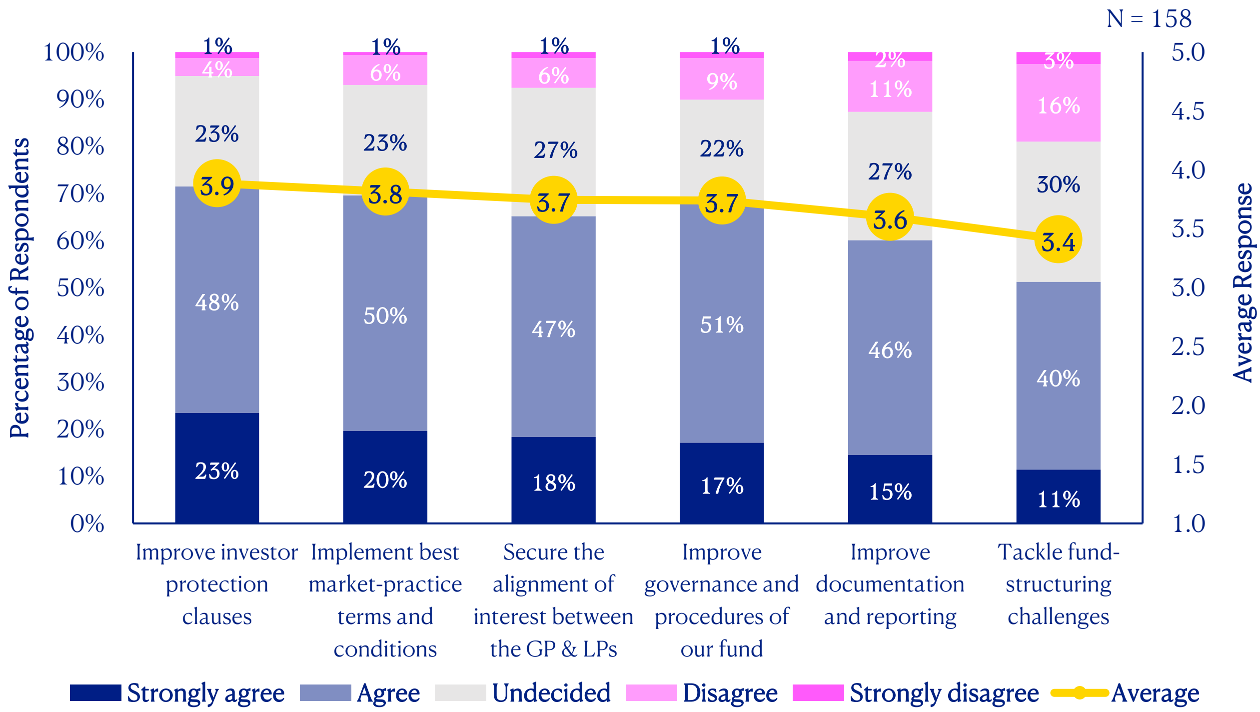
Note: Only 23 of the 158 successful applicants has answered the question with a free text response field about additional ways that the EIF adds value to the investor base and the fundraising process. Therefore, N = 23 in Figure 18.

In a follow-up question, the PE MM fund managers were asked about additional ways in which the EIF adds value to the investor base and the fundraising process (Figure 18). There were 158 PE managers who were shown the question, and 15% of those provided valid answers, resulting in 23 final responses. The most frequently mentioned area in which the EIF also adds value is the EIF’s reputation for high due diligence standards, which can significantly increase investors' confidence to invest in a fund - almost 40% of respondents suggested this particular area.

3.2 | Fund Structure

The second category measuring the EIF impact examines the value added of the EIF to the fund structure. The results in Figure 19 suggest that the PE MM fund managers, on average, agree that the EIF has a significant positive impact on the fund structure. More than two thirds of the respondents feel that the EIF's partnership improves investor protection clauses (mean value of 3.9), allows for the implementation of best market-practice terms & conditions (mean value of 3.8), and also secures the alignment of interest between the GP and the LPs (mean value of 3.7). The situation is similar with the managers' responses to all the other statements about the EIF value added in Figure 19. Even for the least optimistic statement (tackling fund structure challenges), more than half of the respondents agree that the EIF has a positive overall effect, with a mean response value of 3.4.

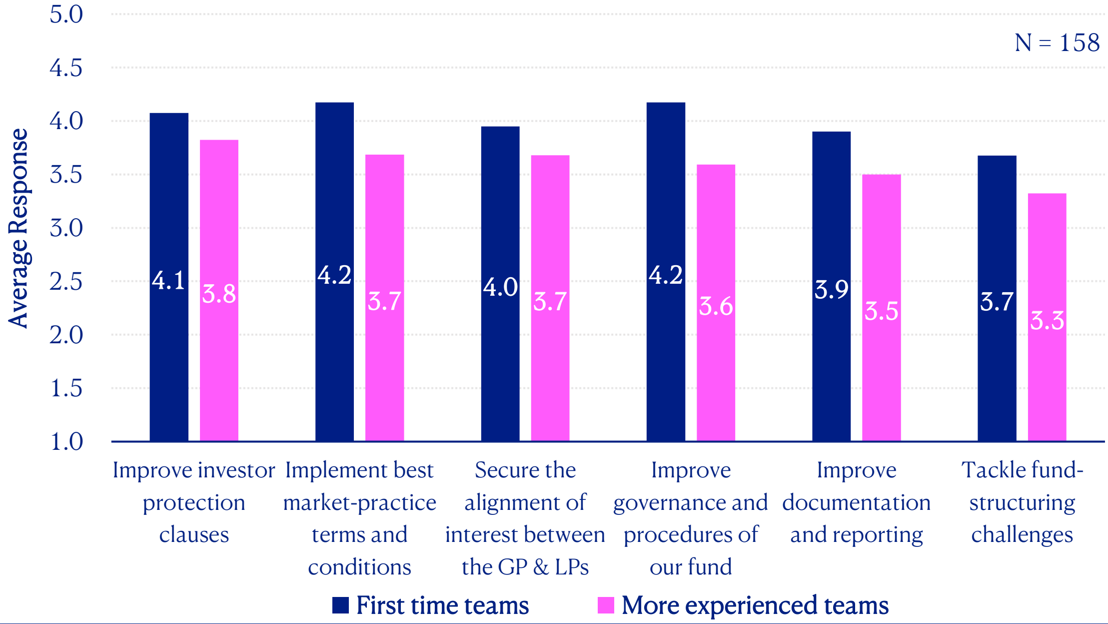
Figure 19: EIF's value added to the fund structure



Note: *The figure shows the level of agreement by the PE MM fund managers with each statement. Furthermore, the average agreement with each statement is provided, where 1 signifies a strong disagreement, and 5 signifies a strong agreement.*

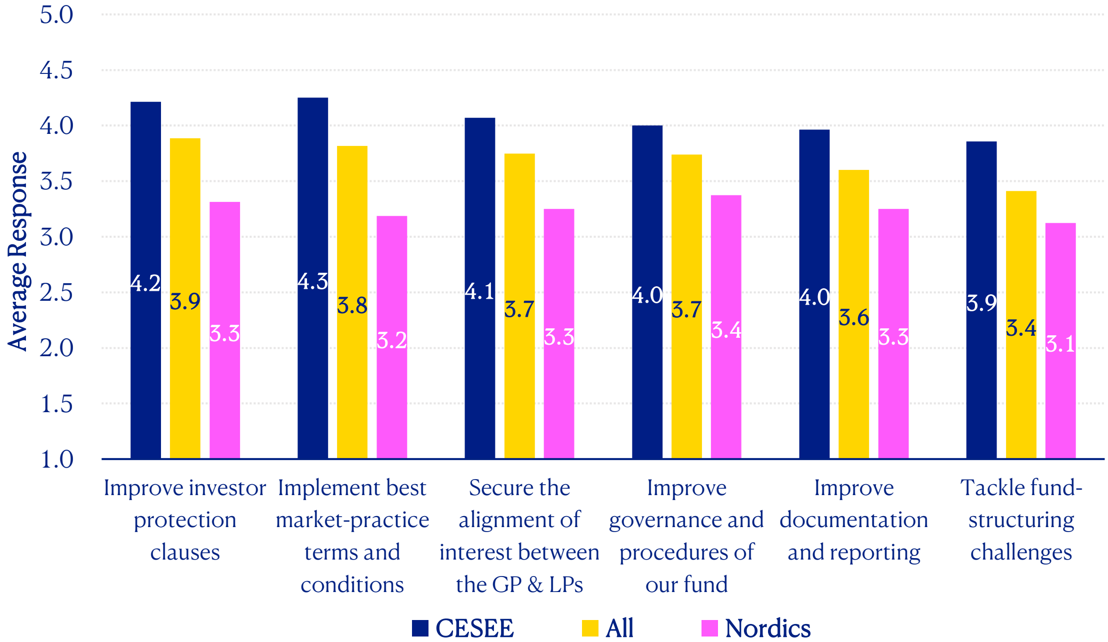
When the fund managers' responses are disaggregated into first-time teams and more experienced teams, the impact of the EIF's partnership is even more pronounced (Figure 20). The first-time teams consistently rate the support that they get from the EIF as more important, compared to the more experienced teams, regardless of the statement considered. This is especially the case when considering the EIF's impact on implementing the best market practice terms & conditions (mean value of 4.2 versus 3.7), and the EIF's impact on improving governance and procedures of the fund (4.2 versus 3.6). This suggests that the first-time teams are more likely to require support from the EIF, as well as value it more. As noted by Kraemer-Eis et al. (2018), the EIF does not actively influence the composition of the teams, but instead suggests improvements, particularly in the case of underdeveloped markets and first-time teams.

Figure 20: EIF's value added to the fund structure – first-time vs. experienced teams



Note: *The values show the average response of the fund managers, disaggregated into teams that raised their first fund, and the more experienced teams.*

Figure 21: EIF's value added to the fund structure by selected regions



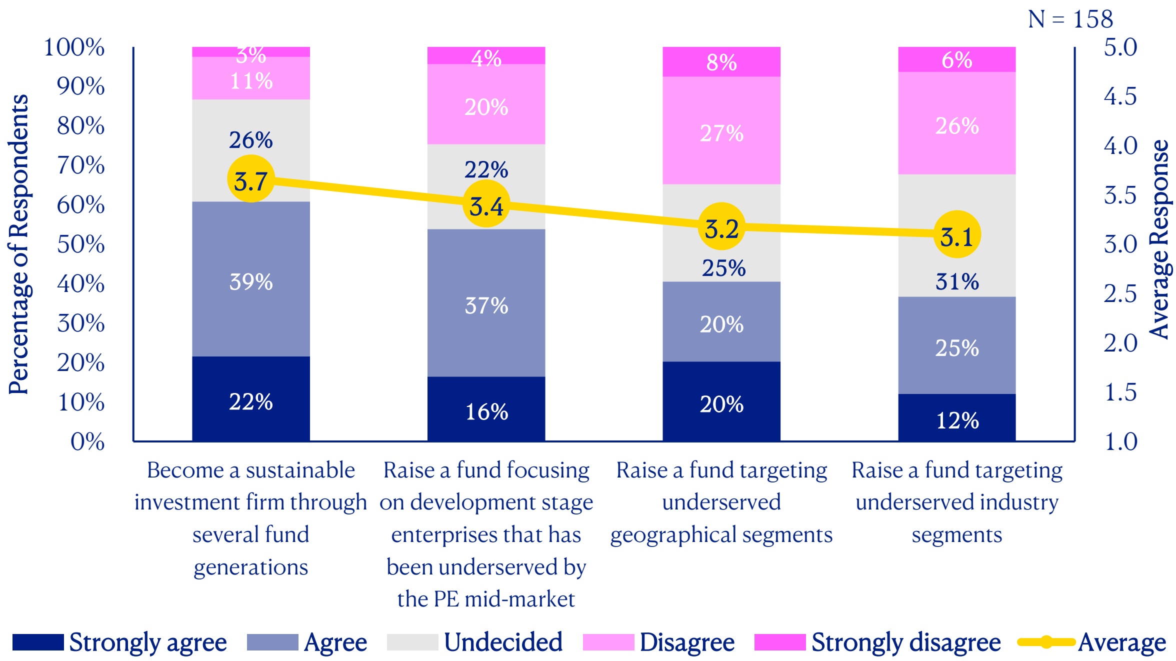
Note: *The region labelled as "All" represents the overall average for all of the regions combined – i.e. it is the average showed in Figure 19.*

In addition, Figure 21 above shows the responses of the PE MM fund managers disaggregated by selected regions. The respondents from the CESEE regions showed consistently more optimistic responses regarding the value added of the EIF, compared to all other regions. In particular, this is the case with the EIF's impact on implementing best market practices in terms & conditions, where CESEE respondents gave a mean rating of 4.3, versus the overall average of 3.8, and the Nordics rating of only 3.2. The results show that the CESEE fund managers especially value the impact of the EIF in this specific area. On the other end of the spectrum, the Nordics managers consider the impact of the EIF as less vital; nevertheless, the overall value added of the EIF is still positively (i.e. rating above 3.0) valued across all of the subcategories. These large differences among regions may be partly explained by the vastly different market dynamics and stages of development between the regions.

3.3 | Fund's Market Focus and T&Cs

The third category measuring the EIF impact examines the value added of the EIF to the fund's market focus and to the terms & conditions (T&Cs). Figure 22 below shows that the PE MM fund managers, on average, agree that the EIF's support is crucial in allowing a firm to become sustainable and in raising a fund overall. EIF's impact on becoming a sustainable investment firm through several fund generations in particular is rated as very important by almost two thirds of the respondents (mean value of 3.7). More than half of the fund managers also agree that the EIF helped them raise a fund that focuses on firms in development stages that have been under-served by the PE mid-market.

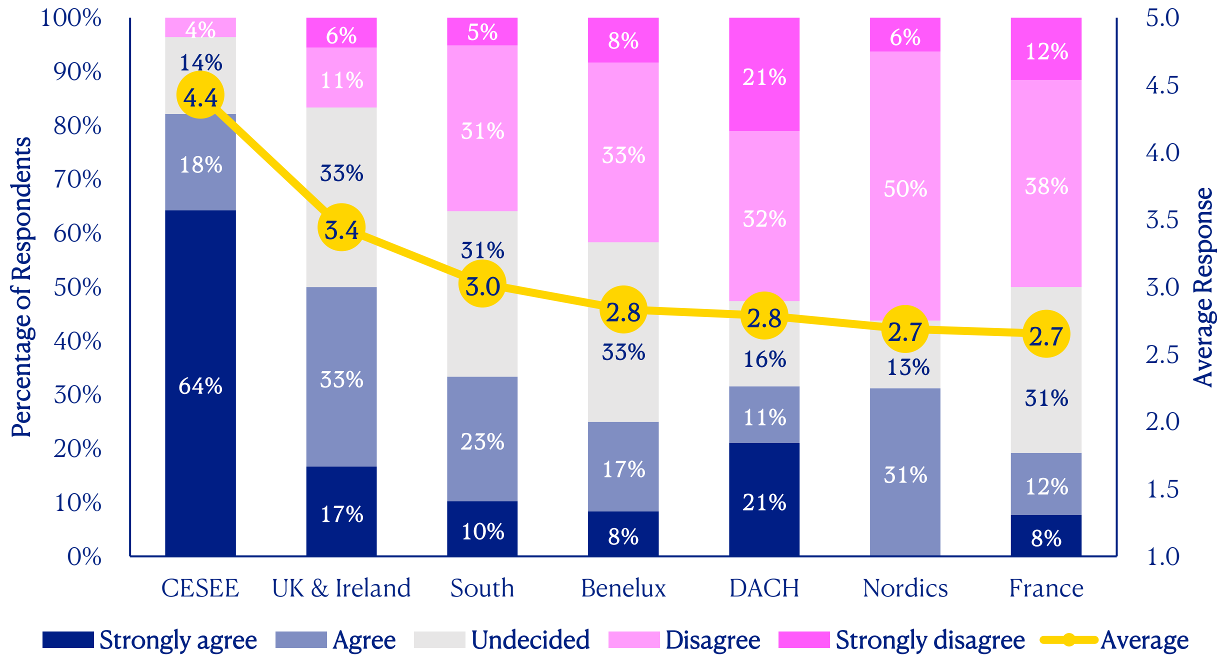
Figure 22: EIF's value added to the fund's market focus and T&Cs



__Note:__ The figure shows the level of agreement by the PE MM fund managers with each statement. Furthermore, the average agreement with each statement is provided, where 1 signifies a strong disagreement, and 5 signifies a strong agreement.

Turning to the EIF's impact on raising a fund that targets underserved geographical segments, the disaggregation of the responses by regions shows substantial variation in PE MM fund managers' perceptions (Figure 23). The mean value of 3.2 is primarily driven by the highly positive responses of the respondents from the CESEE region (mean value of 4.4), and the UK & Ireland (mean 3.4). In particular, more than 80% of CESEE respondents agree that the EIF's influence is key in raising a fund that targets underserved geographical segments. However, most regions on average disagree that the EIF has a significant impact in this area – only about 30% gave a positive response in most regions, with less than 20% in France. The results, in particular those for the UK & Ireland, suggest that fund managers perceive market gaps even in highly developed PE markets, which the EIF interventions have been able to address. The previous EIF surveys resulted in similar findings, not only for the PE mid-market, but also for the VC market and for business angel financing. In these surveys, market gaps and/or a high added value of the EIF's support was stated by survey respondents overall, including by large shares of respondents from geographies that are typically considered to have developed PE/VC markets (see Botsari et al. 2021; and Kraemer-Eis et al. 2018)[1].

Figure 23: EIF's partnership key for raising a fund in underserved geographical segments



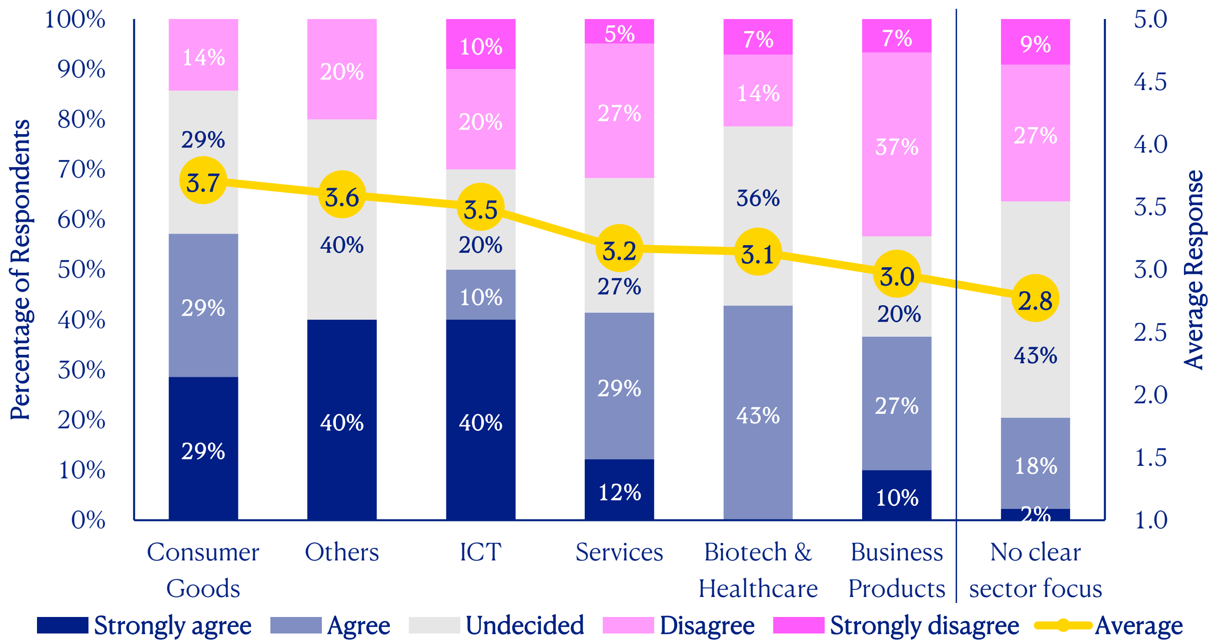
Note: *Agreement of the fund managers with each statement. The average for each statement is provided - 1 = strong disagreement, 5 = strong agreement.*

Considering industry focus, the responses of the PE MM fund managers across segments are more positive compared to the different geographical regions (Figure 24). Fund managers from all industry segments view the impact of the EIF as positive on average, when raising a fund targeting an underserved industry segment (exception are the managers that do not have a clear sector focus). EIF's contribution is most strongly valued by the fund managers investing primarily in

[1] *The potential effect of the UK Brexit referendum has been examined through a regression analysis, controlling for several aspects of the EIF's value added. However, the results suggest that there is no significant difference in the PE MM fund managers' perceptions of EIF's value added post-Brexit versus pre-Brexit.*

"consumer goods" (mean value of 3.7), "others" (defined as energy & environment, and chemicals & materials; mean of 3.6), and information and communication technology (ICT; mean of 3.5).

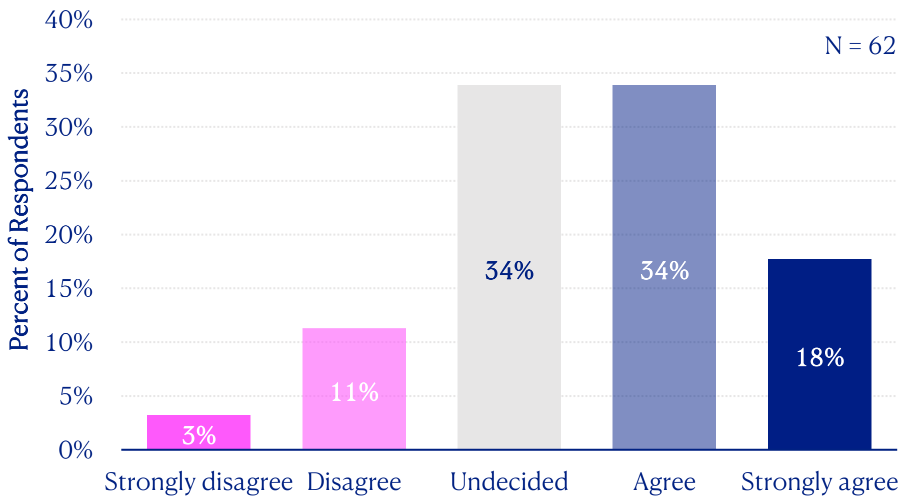
Figure 24: EIF's partnership key for raising a fund in underserved industry segments



Note: The Services industry group consists of business, consumer, financial and insurance services. The Others industry group consists of energy and environment, and chemicals and materials.

In addition, the majority of the survey respondents agree that having the EIF as a repeat investor has prevented them from changing the funds terms & conditions (Figure 25). However, a non-negligible 34% of the fund managers respond that they are undecided about this statement.

Figure 25: EIF as a repeat investor prevented me from changing the fund's T&Cs



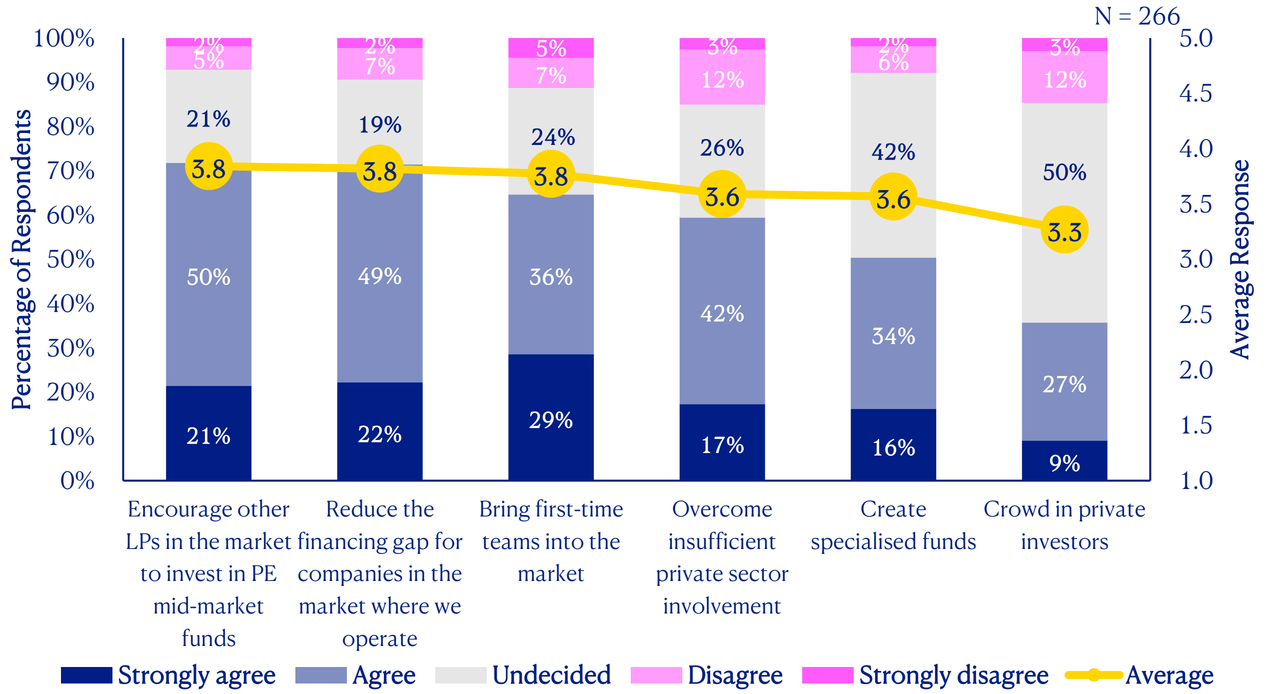
Note: Results only show respondents who responded "No" to the question of whether this was the first time that one of their PE mid-market funds was supported by the EIF – i.e. repeat investors. Therefore, N = 62.

3.4 | Overall PE Mid-Market

The final category measuring the EIF impact examines the value added of the EIF to the market that the investors operate in. In this case, the statements asked in the survey were directed to all the respondents familiar with the EIF – i.e. successful, rejected and "other" applicants, who were familiar with the EIF activities. Therefore, the number of respondents is no longer N = 158, but N = 266.

The PE MM fund managers agree that, on average, the EIF has a significant positive impact on the market that they operate in. As seen in Figure 26 below, around 70% of the respondents confirm that the EIF encourages other LPs in the market to invest in PE MM funds, reduces the financing gap for companies, and aids in bringing first-time teams into the market. On the other hand, while 36% of the respondents agree with the statement that EIF aids in crowding in private investors and 15% disagree, a comparatively large share of respondents (50%) are unsure about this aspect.

Figure 26: EIF's value added to the overall PE mid-market

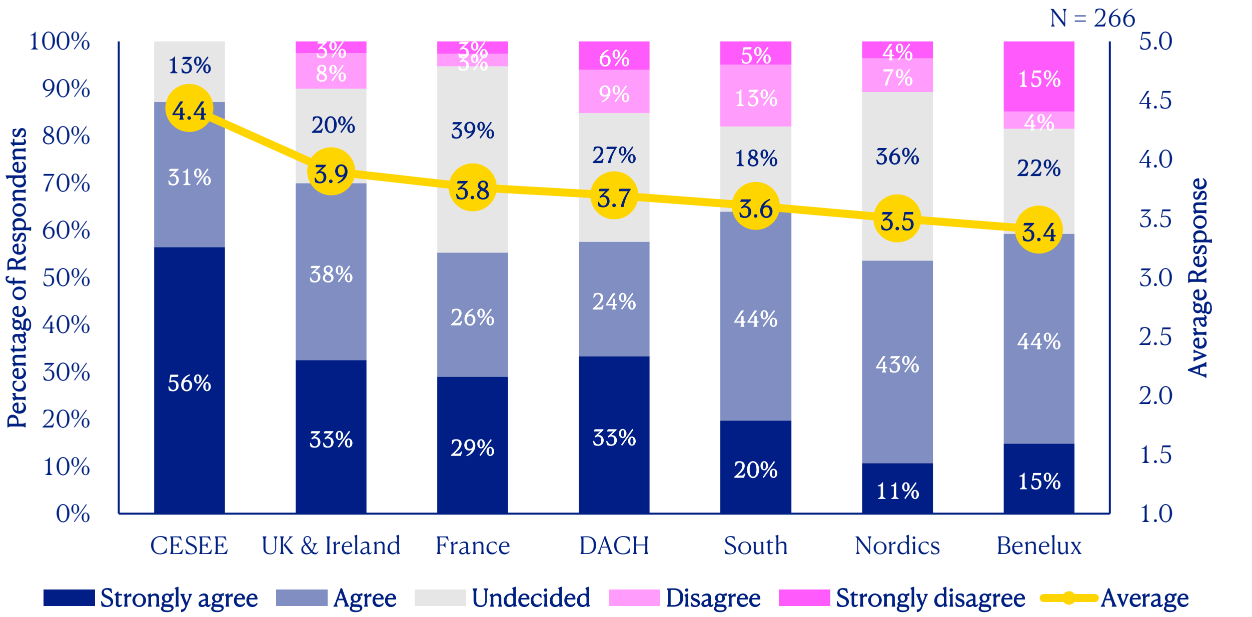


Note: The figure shows the level of agreement by the PE MM fund managers with each statement. Furthermore, the average agreement with each statement is provided, where 1 signifies a strong disagreement, and 5 signifies a strong agreement.

Bringing first-time teams into the market and supporting them is of particular importance, as many private investors are reluctant to invest due to the lack of a track record. The disaggregation by region in Figure 27 shows that the EIF's contribution is consistently rated high across the regions. However, the respondents from the CESEE region feel especially positive about the EIF's impact, with a mean of 4.4 for all respondents, and 4.6 for successful respondents (Figure 28).

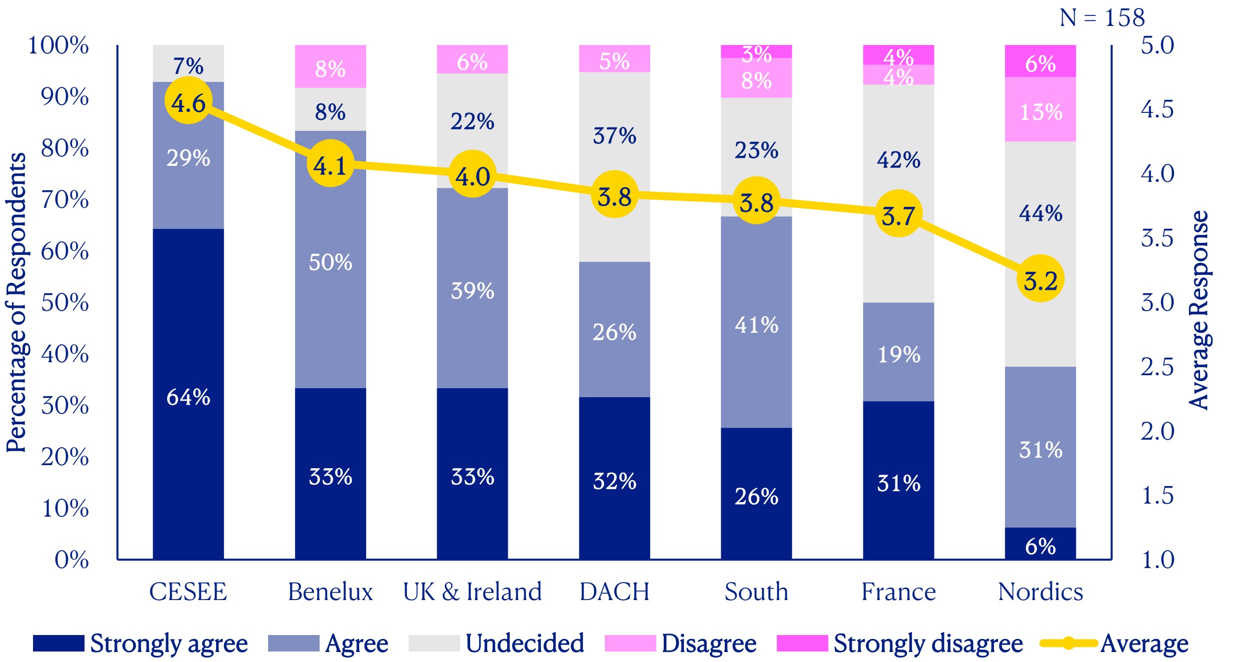
Successful applicants in general feel that the EIF's support of first-time teams is crucial, compared to the entire sample. This is in particular the case for the Benelux region, where successful respondents are significantly more positive about the impact of the EIF compared to the entire sample (mean value of 4.1 vs. 3.4). An exception is the Nordics region, where successful applicants are actually less optimistic about the EIF's impact on bringing in first-time teams (3.2 vs. 3.5).

Figure 27: EIF key for bringing first-time teams into the market (all respondents)



Note: The figure shows the level of agreement by the PE MM fund managers with each statement. Furthermore, the average agreement with each statement is provided, where 1 signifies a strong disagreement, and 5 signifies a strong agreement.

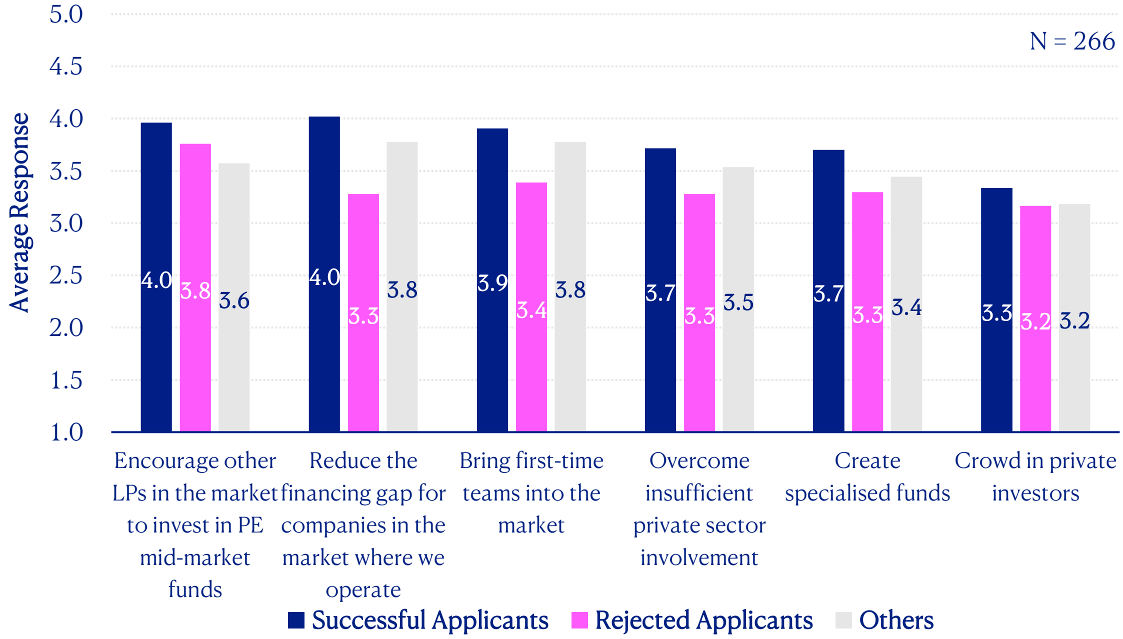
Figure 28: EIF key for bringing first-time teams into the market (successful respondents)



Note: The figure shows the level of agreement by the PE MM fund managers with each statement. Furthermore, the average agreement with each statement is provided, where 1 signifies a strong disagreement, and 5 signifies a strong agreement.

On the other hand, in Figure 26, PE MM fund managers are largely undecided on the question of whether the EIF activity crowds in private investors, with less than 40% agreeing and 15% disagreeing. This is also clear from Figure 29, where both successful and rejected applicants feel similarly about this particular area. This is an exceptional consistency, as in all other areas, the EIF counterparts systematically value the EIF's contribution more positively, especially in terms of bringing first-time teams into the market (mean value of 3.9 vs. 3.4), and reducing the financing gap for companies (4.0 vs. 3.3). However, the contribution of the EIF in this area is still perceived to be positive, on balance (shown by all respondents' average rating of 3.3 being above 3.0).

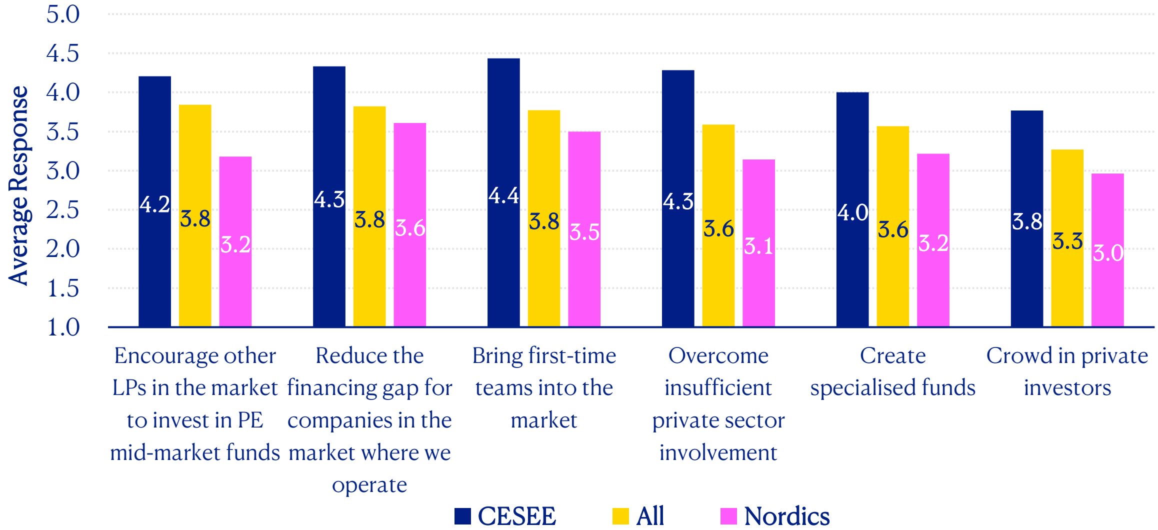
Figure 29: EIF's value added to the PE mid-market by respondents



Note: The "others" category includes respondents who have never applied for the EIF funding, but are familiar with the EIF activities.

A possible explanation of the lower evaluation of crowding in private investors may be that some of the respondents do not have sufficient information on the EIF's activities in their market – i.e. respondents may be unaware about any potential crowding in effect of the EIF activity. In practice, as part of its due diligence, the EIF pays close attention to fundraising dynamics and carefully selects the most promising funds with financing needs, without distorting the market.

Figure 30: EIF's value added to the PE mid-market by selected regions



Note: *The region labelled as "All" represents the overall average for all of the regions combined – i.e. it is the average showed in Figure 26.*

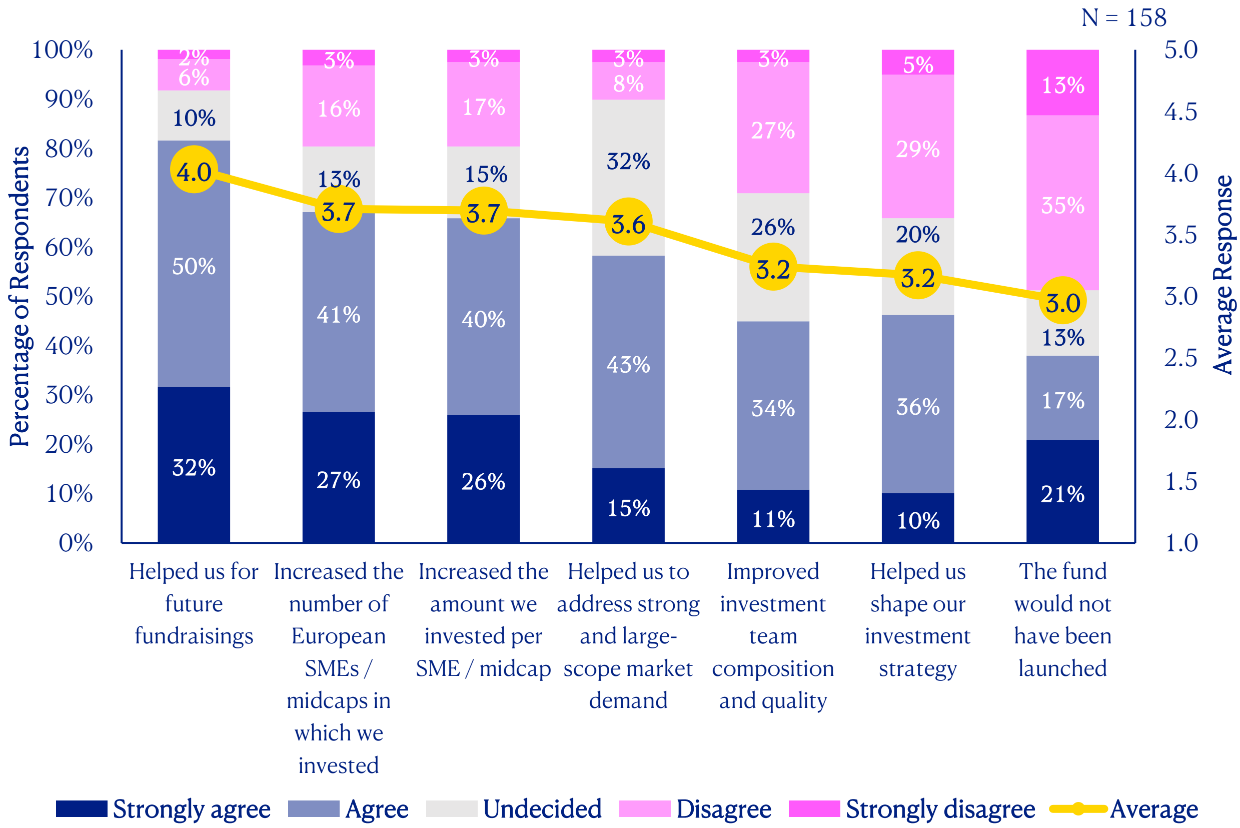
Detailed analysis of the PE MM fund managers' responses across regions shows that, once again, respondents from the CESEE region value the EIF's impact on the PE mid-market the most (Figure 30). The CESEE perception is particularly positive about the EIF's contribution to bringing first-time teams into the market (mean value of 4.4 vs. average of 3.8), and the EIF's support in overcoming insufficient private sector involvement (4.3 vs. 3.6). The least positive responses come from the fund managers in the Nordic region, especially regarding the EIF encouraging other LPs to invest in PE MM funds; nevertheless, even the Nordic fund managers rate the overall contribution of the EIF in this area as positive, on average.

4 | EIF's Overall Value Added

Apart from giving perceptions and ratings of the EIF's disaggregated value added, the PE MM fund managers were also asked to evaluate the overall EIF value added to their PE MM funds. As this is an evaluation of the overall EIF impact, only the EIF counterparts (i.e. successful applicants) were shown these survey questions, and therefore, the number of respondents is N = 158.

The fund managers' perception of the overall value added of the EIF partnership can be seen below in Figure 31, evaluated across a series of statements. The results overall portray well the crucial role of the EIF in boosting the PE mid-market funds. In particular, over 80% of respondents value the EIF's support for future fundraisings (mean value of 4.0). This correlates well to the findings in Figure 22, showing that respondents value the EIF's help in becoming a sustainable investment firm through several fund generations. Furthermore, approximately two thirds of the fund managers agree that the EIF's investment in their fund not only increased the number of European SMEs/mid-caps in which they invested, but also increased the total investment amount (mean values of 3.7).

Figure 31: EIF's overall value added to PE MM funds



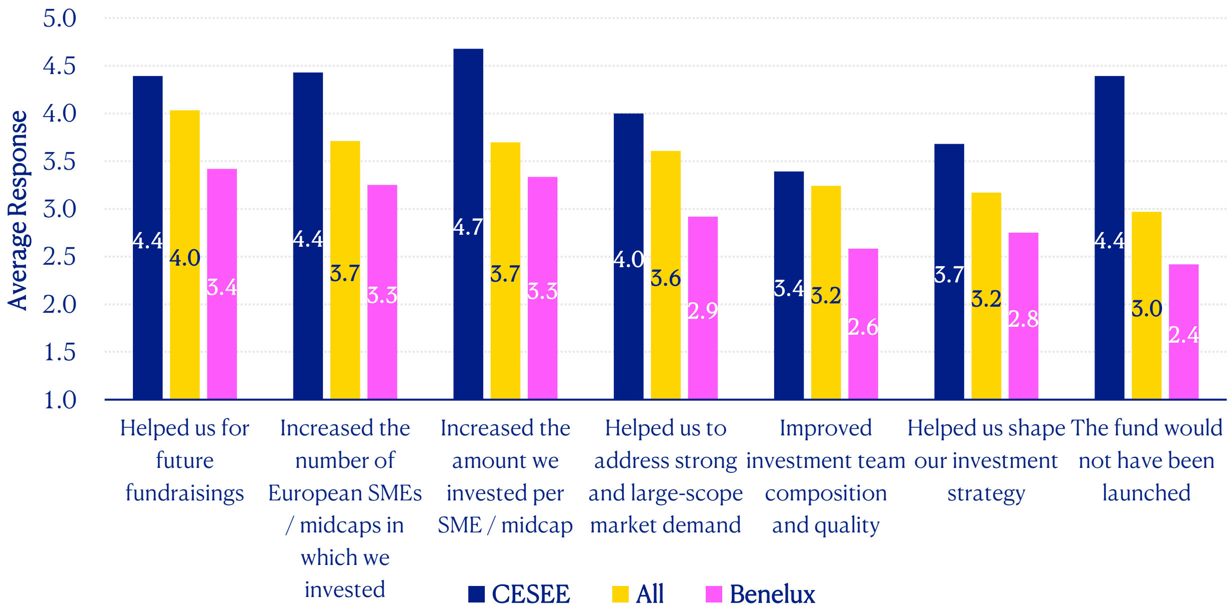
Note: The figure shows the level of agreement by the PE MM fund managers with each statement. Furthermore, the average agreement with each statement is provided, where 1 signifies a strong disagreement, and 5 signifies a strong agreement.

On the other hand, the fund managers report that the EIF can have stronger impact on improving the investment team composition and quality (mean 3.2), and helping them shape their investment strategies. Almost 50% of the PE MM fund managers disagree that their fund would not have been launched without the support of the EIF, however, the response mean value of 3.0 indicates overall a more neutral point of view of the respondents regarding this statement.

The disaggregation of the responses by regions shows significant variation among the PE MM fund managers' evaluations (Figure 32). The respondents from the CESEE region are overall very optimistic about the EIF's value added across all of the categories. Their ratings are especially high (compared to the average) for the EIF's impact on increasing both the number of European SMEs/mid-caps as well as the amount that is invested in them (means of 4.4 and 4.7 respectively, compared to the average of 3.7). The CESEE managers also feel very strongly that their fund would not have been launched without the help of the EIF (mean of 4.4 compared to the average of 3.0).

The respondents from the Benelux are on the other side of the spectrum, rating the EIF overall value added consistently lower than the average, and in several cases, negatively overall (below 3.0). The Benelux managers in particular feel that the EIF does not help them address strong and large-scope market demand (2.9 vs. average of 3.6), or improve their investment team composition and quality (2.6 vs. average of 3.2). Unlike the respondents from CESEE, Benelux respondents feel that the EIF did not have a significant effect on the likelihood of their fund being launched.

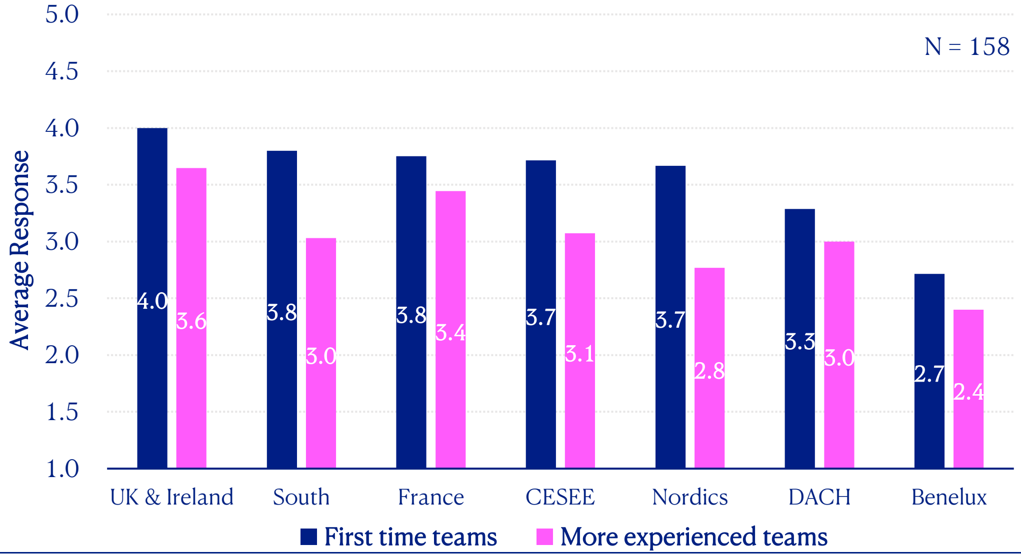
Figure 32: EIF's overall value added to the PE MM funds by selected regions



Note: *The region labelled as "All" represents the overall average for all of the regions combined – i.e. it is the average showed in Figure 31.*

Despite the fact that the EIF's impact on improving investment team composition and quality is on the lower end (mean of 3.2 for all teams), the support in this area should be primarily aimed at first-time teams (i.e. teams raising a fund for the first time). When disaggregating this category into first-time teams and more experienced teams (Figure 33), it is clear that first-time teams rate the EIF's value added much more positively compared to the experienced teams. This difference between first-time teams and experienced teams is especially strong for the Nordics (mean of 3.7 vs. 2.8), South (3.8 vs. 3.0), and CESEE (3.7 vs. 3.1). These results suggest that while the experienced teams do not find the EIF's support in this area necessary, it is of crucial importance for those teams that are raising a fund for the first time, and thus need the greatest support.

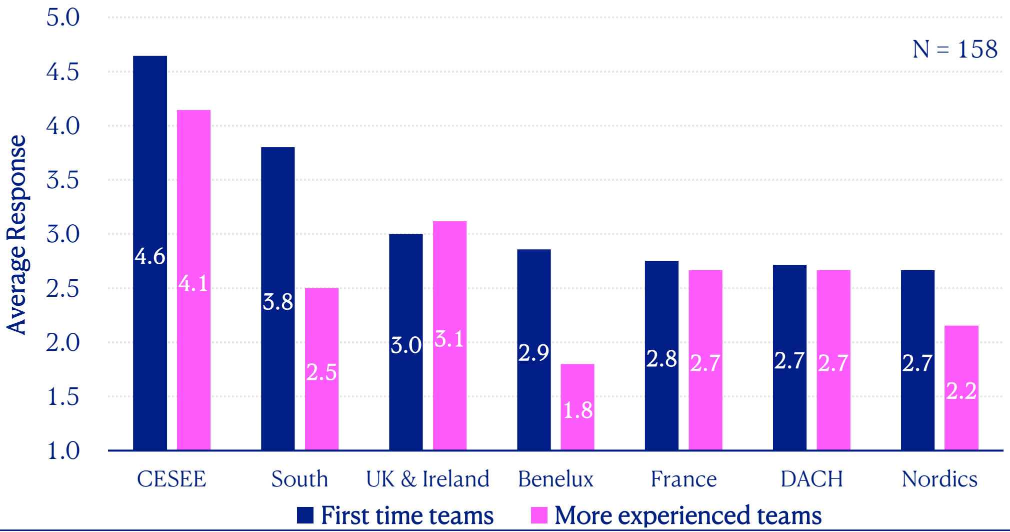
Figure 33: EIF support improved investment team composition and quality, by teams



Note: The values show the average response of the fund managers, disaggregated into teams that raised their first fund, and the more experienced team.

Large differences among regions can additionally be seen for the impact of the EIF on launching the fund at all (Figure 34). The PE MM fund managers in most regions report, on average, that their fund would have been launched, regardless of the support from the EIF. This statement is also generally quite consistent among both the first-time teams and the more experienced teams. However, in two regions, namely CESEE and South, the EIF's support in launching the fund has been considered invaluable, especially so by the first-time teams (mean values of 4.6 and 3.8 respectively). Particularly in the South region, the positive rating of the EIF impact comes from the first-time teams rather than the more experienced teams (mean value of 3.8 vs. 2.5). Similar large difference can be seen for the Benelux region (2.9 vs. 1.8), however, both team types in Benelux do not consider, on average, the EIF support as crucial for launching their fund.

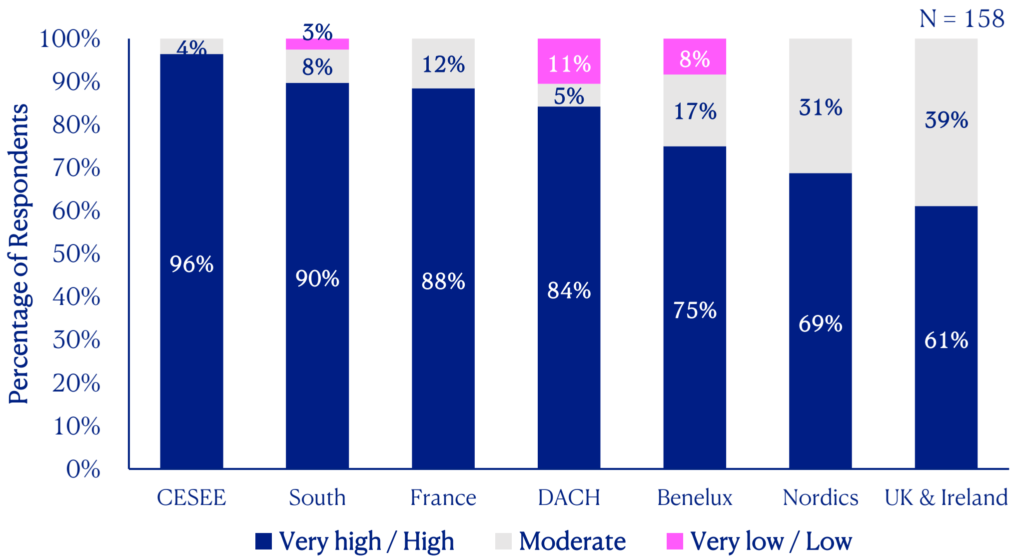
Figure 34: Without EIF support the fund would not have been launched, by teams



Note: The values show the average response of the fund managers, disaggregated into teams that raised their first fund, and the more experienced team.

Regardless of the lower EIF impact on the likelihood of a fund being launched at all, the PE MM fund managers across all regions consistently rate the overall EIF value added as high or very high, illustrating how crucial is the presence of the EIF to the PE mid-market (Figure 35). Consistently with previous finding, the respondents from the CESEE region rate the EIF value added the most positively, with 96% considering the EIF's impact as high or very high. In the majority of regions, more than 80% of managers highly value the impact of the EIF, and no region has a percentage lower than 60%. Even for the least optimistic regions of Nordics and UK & Ireland, no respondents consider the EIF overall value added as low or very low.

Figure 35: Assessment of EIF overall value added

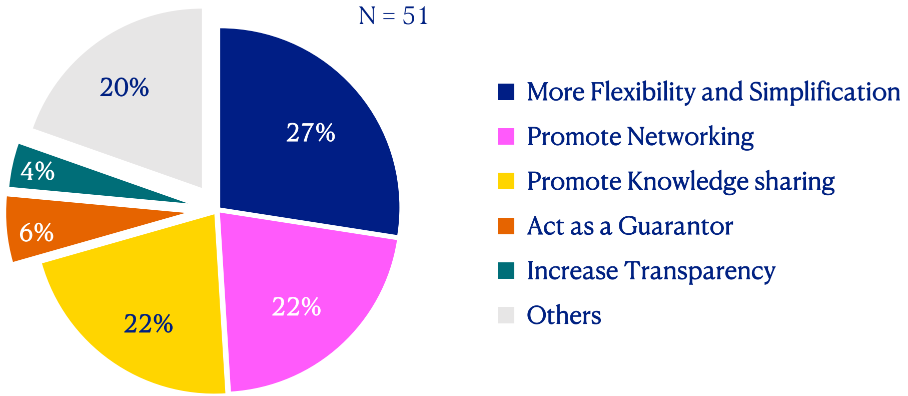


Note: If answers are scaled as 1 to 5, with "very high" rating being 5 and "very low" rating being 1, then the average rating by all 158 PE MM fund managers is 4.2 – i.e. between "high" and "very high".

In a follow-up question, the PE MM fund managers were asked to suggest additional possible ways in which the EIF can increase its value added and overall improve its practices. There were 158 PE managers who were shown this question, and 32% of those provided valid answers, resulting in 51 final responses.

The most frequently mentioned suggestion of the respondents was for the EIF to increase its flexibility and simplify its processes (Figure 36). This encompasses increased flexibility about funding terms, legal negotiations, and streamlining internal approval processes, resulting in a more dynamic decision-making process. Furthermore, almost a quarter of the respondents suggest that the EIF increasingly promotes networking and knowledge sharing. This includes increased support in putting GPs into contact with other LPs providing access to new markets, promoting relationships between the EIF-backed funds in the EU, generating and sharing industry-wide data, providing strategy advice, as well as mentoring of small enterprises and supporting first-time funds. Additionally suggestions include the EIF acting as a guarantor, and increasing the EIF overall transparency regarding the decision-making process and reasons for declining a funding application (with areas where GPs could improve). Despite these specific responses stated by some survey participants, it should be noted that the EIF scored very well among all respondents in the area of transparent communication of decisions, including among the group of rejected respondents (see Section 5).

Figure 36: Suggested improvements to the EIF overall value added



Note: 51 of the 158 successful applicants has answered the question on how the EIF can improve its overall value added. Therefore, N = 51 in Figure 36.

In line with the overall positively rated EIF value added discussed above, an overwhelming majority (96%) of the PE MM fund managers would choose to work with the EIF again in the future (Figure 37). Not a single respondent reported that they were discouraged by the EIF approach and would not work with the EIF again. Similarly, the vast majority of the respondents (82%) would apply for the EIF funding once again, or at least consider it (14%), even if they had enough capital from private investors. In practice however, the EIF often reduces its commitments to funds when there is sufficient interest from private investors, in order to avoid the crowding-out effect.

Figure 37: Working with the EIF again

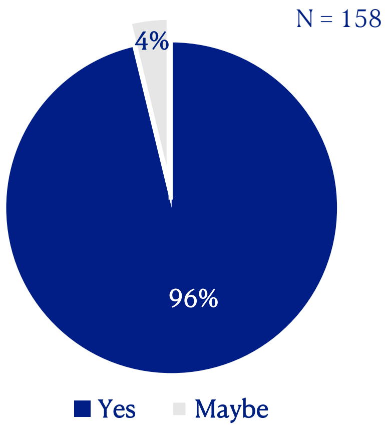
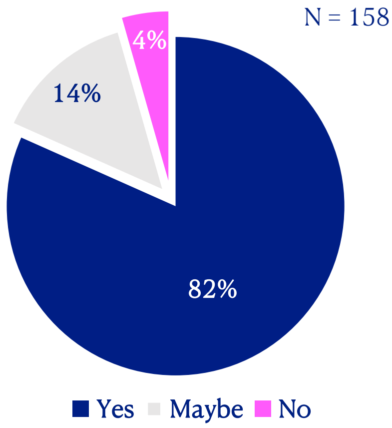


Figure 38: EIF application despite enough capital



Note: None of the respondents in Figure 37 chose the option "No". Therefore, only options "Yes" and "Maybe" are displayed.

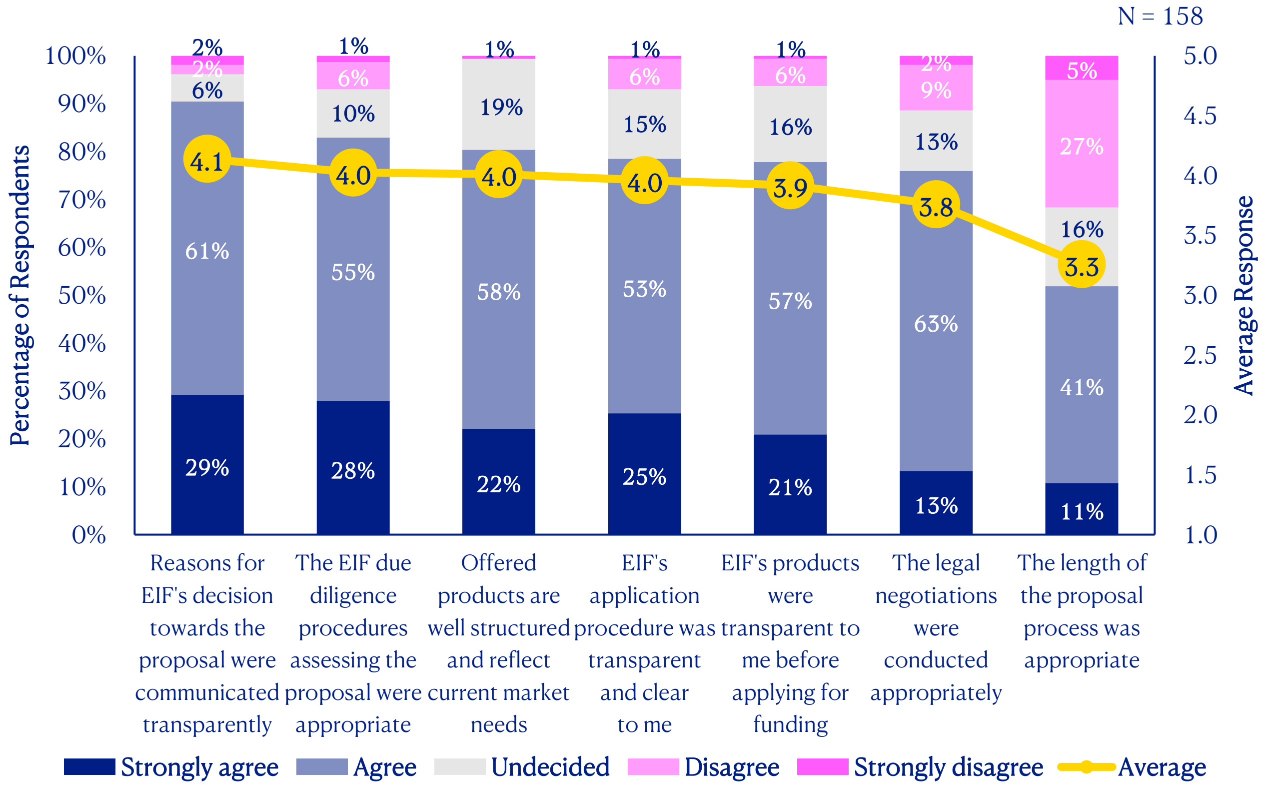
In a follow-up question, the PE MM fund managers were asked for the reasons why they would or would not apply for the EIF funding if they had sufficient capital from private investors (i.e. reasons for the answer given in Figure 38). 81 of the 158 respondents gave a valid response to this question. The primary reason for applying for the EIF funding again is the long-term relationship with the EIF, ensuring continuity and stability. Additionally, strong professionalism and reputation of the EIF, complementarity of the EIF with the rest of its LP base, along with the overall support that the EIF provides, were frequently praised by the fund managers. On the other hand, managers primarily criticised the EIF's restrictions on activities, including investor-friendly terms and limitation on investment strategies. Furthermore, several respondents considered the EIF not flexible enough and not transparent enough when taking voting decisions.

5 | EIF Products and Procedures

The last area that the PE MM fund managers rated in the online survey lies in evaluating the EIF's products and procedures, by both the successful applicants (N = 158), and the rejected applicants (N = 53). This includes assessments of the application process and procedures, transparency of the communication, quality of the offered products, as well as comparison of these to other LPs.

As seen below in Figure 39 for the successful applicants and Figure 40 for the rejected applicants, PE MM fund managers in general evaluate the EIF's products and procedures very positively, with almost all categories rated above 3.0 on average. The successful applicants in particular differ from rejected applicants by rating all categories of the EIF's impact more positively, higher by about 0.8 on average. Consistently throughout the statements, about 80% of successful applicants consider the EIF to communicate transparently, have appropriate and transparent application and assessment procedures, have well-structured and transparent products, and appropriately conducted legal negotiations.

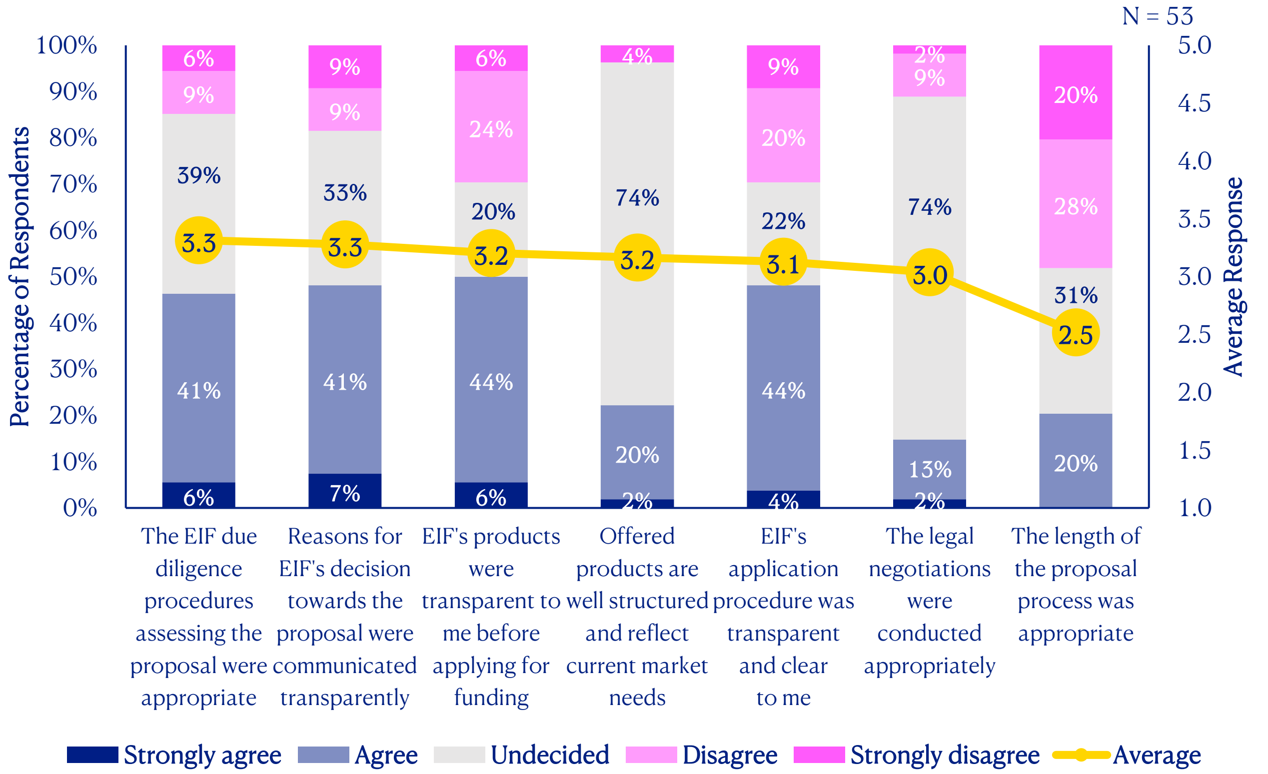
Figure 39: Evaluation of EIF's products and procedures (successful applicants)



Note: The figure shows the level of agreement by the PE MM fund managers with each statement. Furthermore, the average agreement with each statement is provided, where 1 signifies a strong disagreement, and 5 signifies a strong agreement.

This percentage is however considerably lower, at about 50% agreement, for the rejected applicants. In particular, the vast majority of the rejected applicants (74%) are undecided on whether the EIF's products are well structured and reflecting current market needs, and whether the legal negotiations were conducted appropriately. This is in sharp contrast with the successful applicants, where the "undecided" percentages are only at 19% and 13% respectively, and consistent with the other statement categories. As respondents were rejected at various stages of the process, it may be that they did not have sufficient information on these topics in order to evaluate them.

Figure 40: Evaluation of EIF's products and procedures (rejected applicants)

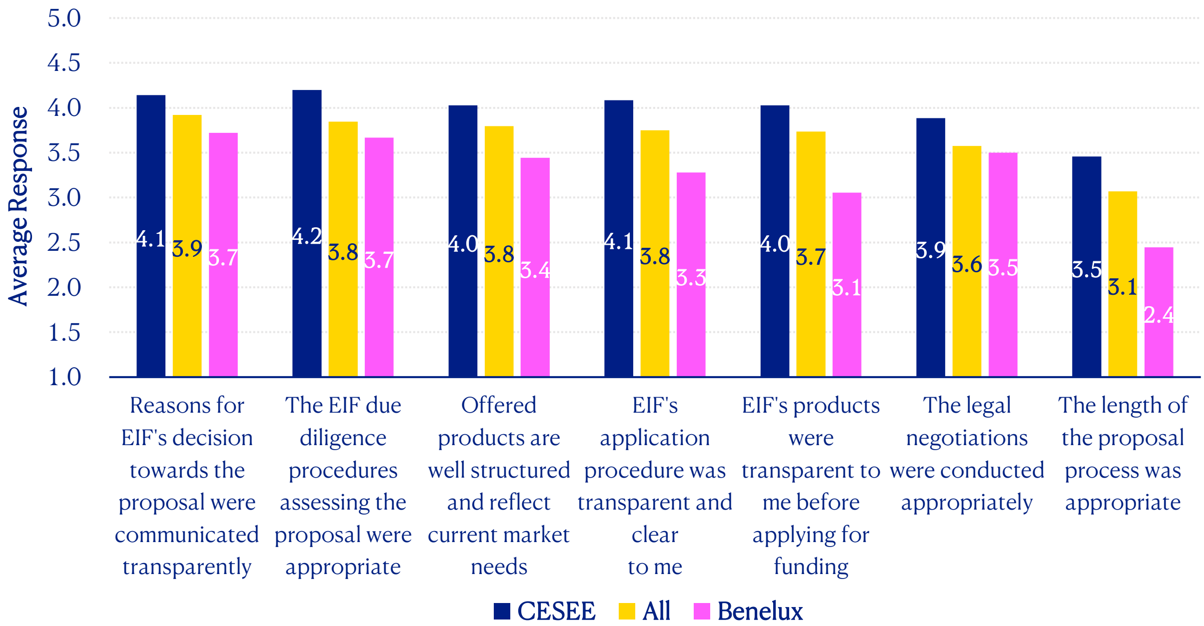


__Note:__ The figure shows the level of agreement by the PE MM fund managers with each statement. Furthermore, the average agreement with each statement is provided, where 1 signifies a strong disagreement, and 5 signifies a strong agreement.

Similarly as for the successful applicants, the most critically evaluated category by the PE MM fund managers is the EIF's length of the proposal process. This category is consistently rated considerably worse than any other category, suggesting that the extensive length of the proposal process is the main down point for the PE MM fund managers regarding the EIF's products and procedures.

Disaggregating the fund managers' responses by regions shows that the respondents from the CESEE region are, once again, the most positive about the impact of the EIF, while respondents from Benelux are the most critical (Figure 41). This is especially true in respect to the transparency of the EIF's application procedure (average rating of 4.1 for CESEE vs. 3.3 for Benelux) and products (4.0 vs. 3.1). Additionally, the CESEE managers consider the length of the proposal process to be quite appropriate (rating of 3.5), unlike the Benelux managers, who are relatively critical of it (rating of 2.4).

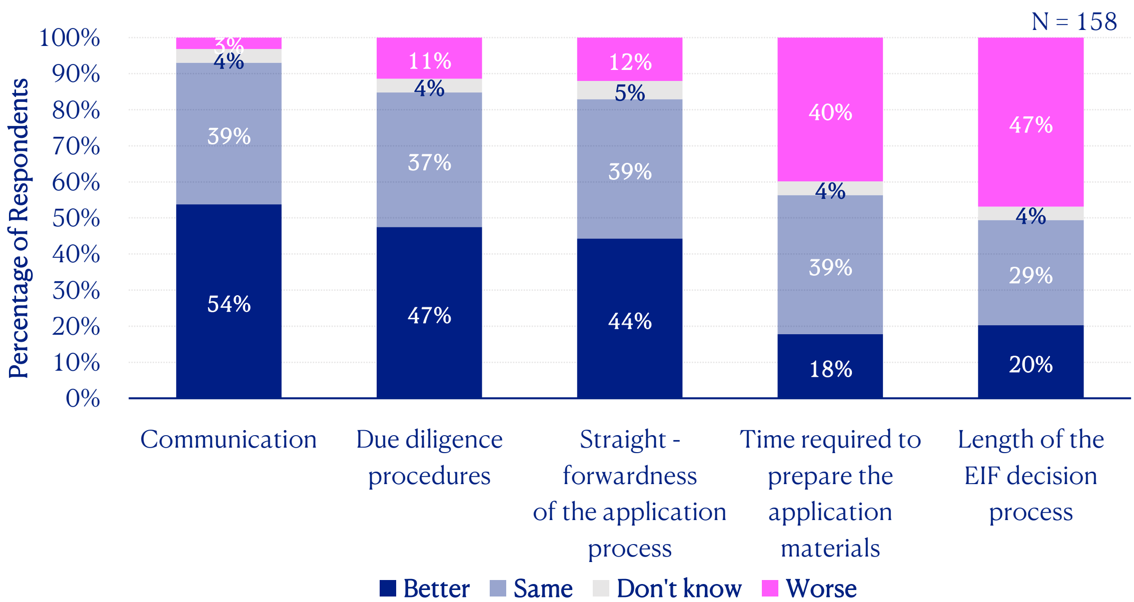
Figure 41: Evaluation of EIF's products and procedures by selected regions



***Note:** The region labelled as "All" represents the overall average for all regions combined – i.e. it is the average for both successful and rejected applicants.*

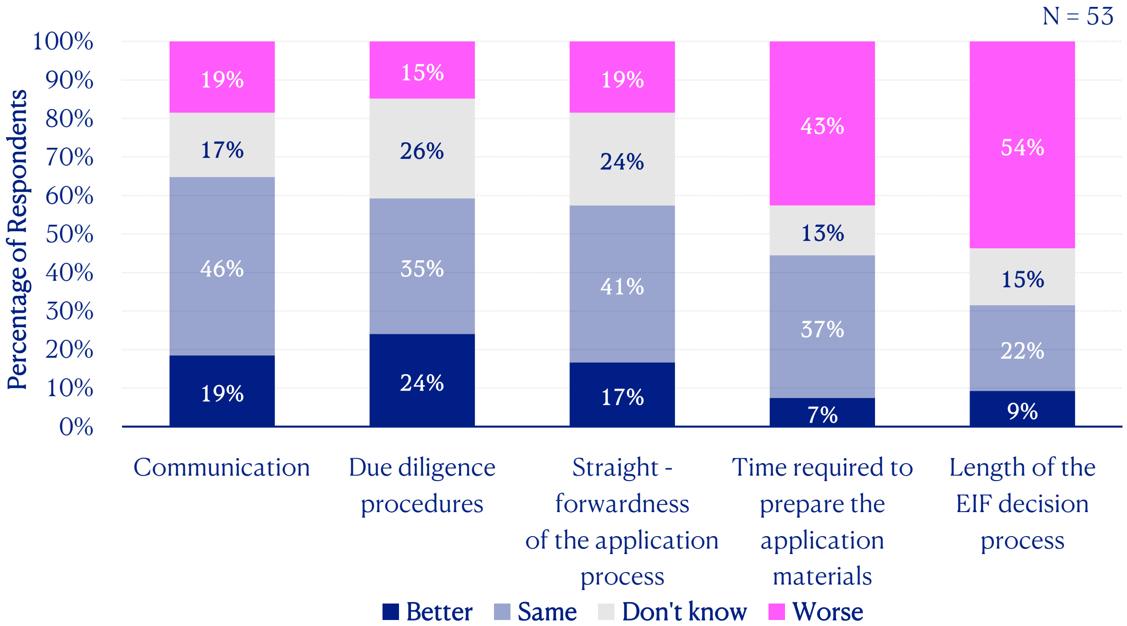
Comparing the EIF's procedures with other LPs, the overwhelming majority of the PE MM fund managers consider the EIF to be the same or better than other LPs, for both successful applicants (Figure 42) and rejected applicants (Figure 43). More than 90% of successful applicants consider the EIF's communication to be better or equal to the communication of other LPs. EIF's due diligence procedures and straightforwardness of the application process are also rated very well by the respondents, with 84% and 83% respectively finding them better or the same when compared to other LPs. While the rejected applicants have consistently worse ratings of the EIF's procedures compared to successful applicants, the majority still rate the EIF's communication, due diligence procedures and application process as better or the same compared to other LPs.

Figure 42: EIF's procedures compared to other LPs (successful applicants)



***Note:** Successful applicants appear to be the least optimistic about the time it takes to prepare materials for application, and the EIF making a decision.*

Figure 43: EIF's procedures compared to other LPs (rejected applicants)



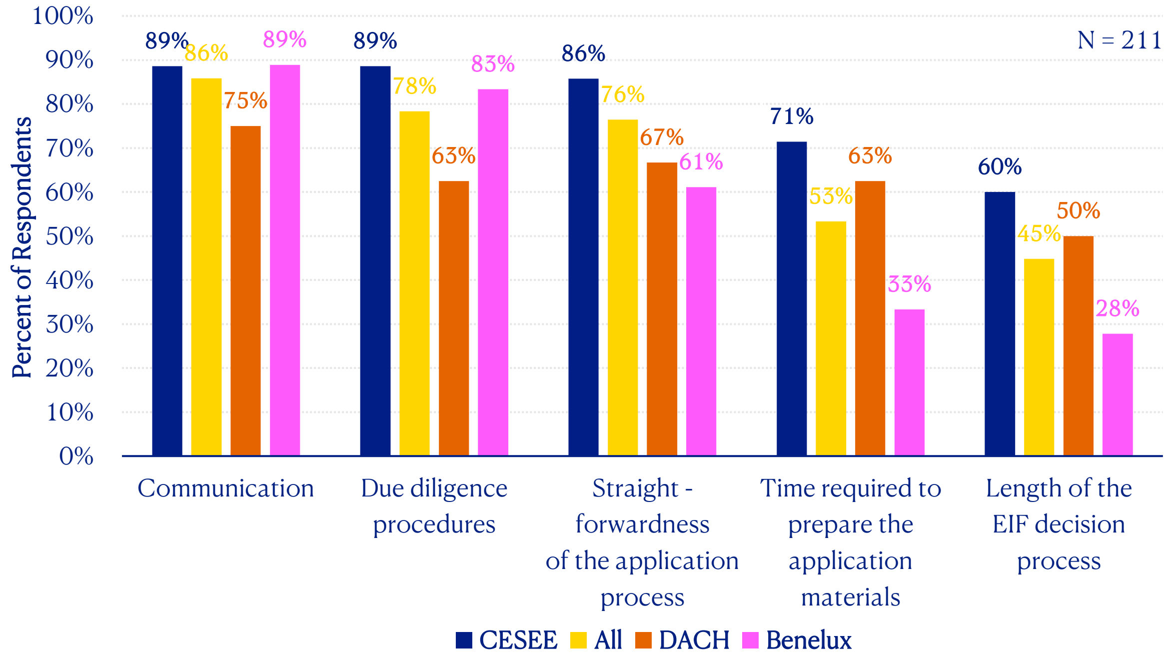
***Note:** Rejected applicants appear to be the least optimistic about the time it takes to prepare materials for application, and the EIF making a decision.*

When compared to other LPs, the PE MM fund managers were the most critical about the time required to prepare the application materials for the EIF, and the length of the EIF decision process. For the successful applicants almost half of the respondents found the length of the decision process worse compared to other LPs, while for the rejected applicants, this rises to 54%.

In a follow-up question, several respondents elaborated on the key problems with the EIF procedures. The vast majority see an issue in the legal negotiations area, with the process being too lengthy, having frequent delays and insufficient flexibility. Renegotiation of agreed upon terms and introduction of special legal limitations were also stated as problems by the fund managers. With this in mind, the EIF continuously examines the possibilities for improving and streamlining its processes when interacting with its stakeholders. Nevertheless, as the EIF is bound by EU policy objectives and EU mandated resources, its processes need to be audit-proof and able to withstand EU scrutiny. Consequently, as the EIF's support represents a widely accepted "quality stamp", it is crucial that thorough due diligence process is implemented, to attract other LPs.

Lastly, when disaggregating the evaluation of the EIF's procedures compared to other LPs by regions, it is clear that there are significant variations in responses. The percentage of respondents who rate the EIF's procedures positively (i.e. "better" or "same" compared to other LPs) varies significantly by regions, but is generally the highest in the CESEE region, and the lowest in the DACH and Benelux regions (Figure 44). In particular, respondents in the DACH are the most critical out of all regions of the EIF's due diligence procedures (63% vs. 78% average). However, in terms of the time required to prepare application materials and the length of the decision process, the Benelux respondents are significantly more critical compared to the average. Only 33% and 28% of Benelux respondents respectively consider the EIF's procedures in these categories as "better" or "same" compared to other LPs, which is in sharp contrast with the 71% and 60% of the CESEE. Overall however, the percentages for most statement categories are consistently high, well above the 50% level.

Figure 44: EIF's procedures being rated "Better" or "Same" compared to other LPs



Note: *This figure includes responses from both the successful and rejected applicants combined. Therefore, the number of respondents is N = 211.*

6 | Conclusion

The main goal of this paper was to provide contemporary insight into the perceptions of the European PE MM fund managers about the PE mid-market, as well as the value added that the EIF provides in numerous key areas. More specifically, this involved understanding the fund managers' assessment of the EIF's impact on the investor base and the fundraising process, the fund structure, the market and the terms & conditions, and the overall PE market. In addition, the analysis focused on identifying the fund managers' perceptions about the EIF's overall value added to the PE mid-market, and the EIF's products and procedures. Therefore, an online survey of the PE MM fund managers was conducted in February and March 2020 across many European countries (primarily EU27, Norway, Switzerland, Turkey and the UK). This survey - performed on an anonymous basis - provided responses of 301 PE MM fund managers, both those who had applied for an EIF funding and those who had not. The results of this research can allow for a better understanding of the needs of the PE MM funds, the areas in which the EIF is performing well, the areas in which the EIF's impact and its products and processes can be strengthened, as well as the PE MM market as a whole.

The findings of our paper suggest that the overall value added of the EIF in the PE MM fund market is considered to be very high. The EIF has a crucial role in boosting the PE MM funds, in particular in the CESEE region over all categories. Across all regions, a minimum of 60% respondents consider the overall assessment of the EIF to be very positive and they would work with and apply to the EIF once again. The fund managers highly value the EIF's help for future fundraisings, and they are confident that the EIF involvement increases both the number of SMEs/mid-caps, as well as the funding amount. The EIF's impact on the investor base and fundraising process is very positive in general, particularly the EIF's ability to signal the quality of a fund to other LPs (i.e. providing a quality stamp). The respondents also highly value the EIF's contribution to reaching both a viable and target fund size, especially in the CESEE and UK & Ireland. The EIF's value added to the fund structure is consistently rated positively across all categories. Teams that raised a fund for the first time in particular are more thankful about the EIF's contribution, suggesting first-time teams require more EIF support, as well as value it more. The respondents additionally consider that the EIF is key in its contribution to the investment firms becoming sustainable through several fund generations. The impact on the market is consistently perceived as very high, with good results for bringing in first-time teams. This is particularly well received by the CESEE fund managers, who also highly value the EIF's help in overcoming insufficient private sector involvement. Furthermore, the EIF procedures and processes are generally very highly rated across the board by both successful and rejected applicants. The respondents consider the EIF's products to be well structured and reflecting the current market needs, transparent, and the decision-making process is communicated clearly and transparently. In comparison with other LPs, the EIF's procedures are considered better or at least the same in most areas, with the respondents from the CESEE region being again the most optimistic in their responses.

However, despite the EIF overall value added being rated as high, there are areas where the EIF's contribution could be strengthened. Despite still positive average ratings, the EIF generally has a lower impact on improving team composition and quality and helping funds launch, especially in the Benelux countries. An exception to this are the CESEE countries, the South, and the first-time teams, which consider the EIF's support significant for the launching of a fund. Additionally, the Benelux respondents are the least positive about the EIF's impact on the investor base and the fundraising process, especially in reaching the target or a viable fund size. Apart from the Benelux region, the EIF's impact on the fund structure is considered weaker by the Nordics, particularly the contribution to best market practices and terms & conditions. In general, the respondents feel that the EIF does not significantly contribute to raising funds that target underserved geographical and industrial segments (despite still positive average ratings). However, the CESEE region is a major exception to this, where 80% of respondents feel that the EIF actually has a very strong impact in this area. In terms of the EIF's impact on the market, the fund managers consider the EIF's value added to crowding in private investors as limited, especially in the Nordics. Furthermore, despite still positive average results in each region, the Nordics managers perceive the EIF's impact on encouraging other LPs in the market to invest in PE MM funds as less positive than fund managers in other regions. The EIF's procedures and products are generally rated very highly, and the respondents only see room for improvement in the length of the application and decision-making process, and in the EIF's flexibility. Overall, the key improvements suggested by the PE MM fund managers lie in improving the EIF's flexibility, simplifying the application and decision-making process, promoting networking, and encouraging general knowledge sharing, as stated by several respondents.

Several of the improvement suggestions by the PE MM fund managers are in line with the earlier perceptions of VC respondents in Kraemer-Eis et al. (2018). This includes, for example, the call of the managers for an increase in networking, and promotion of knowledge sharing by the EIF. In order to encourage knowledge sharing, the EIF-NPI Equity Platform was launched in 2016, serving as a collaborative initiative promoting knowledge sharing and best practices between the EIF and National Promotional Institutions/Banks (NPIs/NPBs). Additionally, the EIF continues to disseminate its expertise and market intelligence by publishing the research papers of the EIF's Research and Market Analysis team. Furthermore, around 30% of the PE MM respondents have not applied for the EIF funding due to their lack of knowledge about the EIF's activities. The EIF can focus on raising the general awareness of the PE MM managers about the EIF, for example by conducting greater number of marketing campaigns.

A frequently mentioned area for improvement includes the EIF's low flexibility and long decision-making process. The EIF is continuously examining possibilities for enhancing and streamlining its processes when interacting with its stakeholders. Nevertheless, as the EIF is bound by EU policy objectives and EU mandated resources, its processes need to be audit-proof and able to withstand EU scrutiny. Furthermore, as the EIF's support represents a widely accepted "quality stamp", it is crucial to implement thorough due diligence process, in order to attract other LPs.

The conclusions and insights gained from the analysis of the EIF PE MM Survey can allow for progressive enhancement and improvement of the EIF's processes, products, and the overall value added. As such, the survey contributes to an accurate evaluation of both the past and the future economic impact of the EIF operations in the PE market. Consequently, understanding precisely what the contemporary PE market needs is a crucial factor for the EIF, especially in its objective to support a consistent and sustainable development of the PE mid-market ecosystem in the EU.

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Annexes

Annex 1: Nomenclature

- BA business angel
- Benelux countries of Belgium, Netherlands, and Luxembourg
- CEO chief executive officer
- CESEE countries of Central, Eastern, and South-Eastern Europe
- DACH countries of Germany, Austria, and Switzerland
- EIB European Investment Bank
- EIF European Investment Fund
- EU European Union
- EU27 the 27 EU member States
- GP general partner
- ICT information and communication technology
- LP limited partner
- Nordics countries of Denmark, Norway, Sweden, and Finland
- NPI National Promotional Institution
- PE private equity
- PE MM private equity mid-market
- RMA research and market analysis
- SME small and medium-sized enterprise
- South countries of Italy, Spain, and Portugal
- T&C terms and conditions
- UK United Kingdom
- VC venture capital

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