

Media Release

17 March 2025

Influence, but not control, is key to small cap success

Having an influence over the way a company is managed can deliver strong returns for investors, according to Francisco de Juan, managing partner and chief investment officer of the Alantra EQMC strategy.

He says this has been the secret to the success of many private equity ventures, but it is also an approach that investment managers can benefit from.

"This is why we seek to own around 20-to-25 per cent of a listed company so our investment is similar to private equity. We have influence in how a company is run, but without having control, which can lead to better investment outcomes in companies," said Mr De Juan.

"This influence can be an accelerator to shareholder growth, with merger and acquisitions activity also potentially adding shareholder value too."

He is looking forward to the opportunities in 2025, and says there is greater scope for merger and acquisition activity in small and mid-sized companies that target global markets which could boost valuations this year.

He also expects an improvement in the valuations of small to mid-sized companies.

"We are starting to see small-cap valuations in European equities rise, and we expect that these valuations could improve further if M&A activity picks up this year, especially if economic growth slows," he said.

Significantly however, Mr De Juan does not invest in banks.

"The banking sector is highly consolidated and there aren't many players in the small cap space to choose from. It is hard to assess banks on a cash flow basis, and as an investor, I want predictable cash flows and typically with banks, it is very difficult to assess the quality of their balance sheets as banks are not a traditional cash-flow investment," Mr De Juan said.

"Nor do we invest in gold mines, real estate developers, commodity or biotechnology companies or in any sector in which we can't easily predict cash flows."

Instead, the fund favours several categories of investment: companies investing heavily in capital automation, industrial/technology, aerospace companies and other less cyclical sectors.



Boeing's recent production problems, for example, have created opportunities for other companies involved in producing aeroplanes. "Today, people are flying a lot but due to Boeing's production problems and the recent strike, global plane production has dropped. Before Covid, there used to be 1,800 planes produced each year but now it is around 1,300. Yet plane traffic is above pre-Covid levels. So, there is an imbalance between supply and demand. This is an area where we believe the production of planes will improve as demand for planes is exceeding supply," he said.

Mr de Juan also likes companies in the healthcare, food and beverage, defence and technology sectors with resilient business models. He also likes media streaming and content creation and movie production companies, such as Netflix and Amazon.

"Our investments meet strict value metrics, present opportunities for value enhancement and have management teams typically open to improving shareholder returns in the medium to long-term," he said.

Alantra's EQMC strategy is award-winning in the European, listed small and mid-cap space. The fund has an active ownership strategy, focuses on companies with global reach and has achieved double digit net annualised returns since its inception in January 2010.

"These returns are comparable to those you can obtain in private equity, but we believe we can obtain it with less risk.

"Our investment strategy targets seek quality at acceptable prices. We invest in public companies of up to €2bn market capitalisation with a global scope. This offers our investors access to an ample marketplace, with excellent underlying analysis and intelligence," he said.

The fund has outperformed indexes by 170% to 220%+ as well as most hedge funds, with controlled risks while typically holding a small net cash position with no leverage. Its portfolio of 12 to 15 companies is managed by an investment team which is held to strict value metrics for the investments it makes.

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About GSFM

GSFM was established in 2007 as a subsidiary of the Grant Samuel Group. In 2016 Canadian wealth manager CI Financial Corp, which oversees more than C\$529.4 bn in funds under management (at 31 December 2024), acquired a majority stake in the business, previously held by Grant Samuel.

GSFM delivers comprehensive responsible entity services, operational support, commercialisation assistance, and expert distribution and marketing for funds managed by leading local and international investment managers, serving both Australian and New Zealand institutional investors as well as Australian retail investors. It has partnered with nine specialist investment managers, who collectively manage more than A\$1.078 trillion.

- Epoch Investment Partners: Based in the financial heart of New York, Epoch Investment Partners specializes in global equity investing focused on free cash flow as the primary driver of returns.
- Payden & Rygel: This independent investment management firm, headquartered in Los Angeles, is renowned for its fixed-income expertise and a commitment to delivering client-focused investment strategies for over three decades.
- Munro Partners: An independent global equity manager from Melbourne, Munro Partners is recognised for its forward-thinking approach, actively investing in innovative and growth-oriented businesses worldwide.
- Man Group: A London-based leader in alternative investments, Man Group brings together cutting-edge technology and deep market insights to deliver diverse strategies across global markets.
- Tanarra Credit Partners: Specialising in private credit instruments, Australian-based Tanarra Credit Partners is dedicated to creating tailored credit solutions, offering unique investment opportunities in niche credit markets.
- Access Capital Partners: This European independent private asset manager is focused on private equity, private debt, and infrastructure, providing investors with access to diversified private markets.
- Eastspring Investments: As a global asset manager based in Singapore, Eastspring brings deep insights and a disciplined approach to investments across Asia, catering to a wide array of asset classes.
- Alantra: With a strong presence in Europe, Alantra specializes in small and mid-cap investments, leveraging local knowledge to drive growth in niche markets.
- Australian Entertainment Partners (AEP): Creators of the AEP Screen Fund, this investment vehicle is dedicated to supporting Australian film and television projects, backing local talent and boosting the creative industry.

GSFM currently manages approx. \$10.61 billion funds under management (at 28 February 2025). For more information about GSFM please visit: www.gsfm.com.au

About Alantra

Alantra is an independent global mid-market financial services firm providing investment banking, asset management, and private capital services to companies, families, and investors operating in the mid-market segment. The Group has over 600 professionals across Europe, the US, Latin America, and Asia.

In Alternative Asset Management, Alantra offers its clients unique access to a wide range of investment strategies in five highly specialized asset management classes (active funds, private equity, private debt, energy, and venture capital). As of 30 September 2024, assets under management from consolidated and strategic businesses stood at more than €16.8bn.

For more information about Alantra please visit the website: www.alantra.com