

Letter to the Editor of the Financial Times in response to the following letters available on [www.FT.com](http://www.FT.com):

**Am I alone in struggling to make sense of private equity's appeal?**

By Michael Gordon

Published: January 30 2007

**Private Equity model is a tried and tested success**

By Peter Linthwaite

Published: January 31 2007

**Investors believe private equity firms do a better job of managing companies than public markets.**

By Nigel Williams

Published: February 1 2007



The Editor  
The Financial Times  
Number One Southwark Bridge  
London  
SE1 9HL

1 February 2007

Sir,

The debate over recent days in your pages between Michael Gordon, Peter Linthwaite and Nigel Williams is an important one for all owners of public equity.

Ironically, many of the arguments of both sides are correct. Pension fund trustees do generally judge private equity over longer timeframes than their public equity managers, and should reflect upon this disparity; private equity does often align owners' and managers' interests more effectively; private ownership can deliver more focussed planning and swifter decision-making; and, pension funds do pay more to have the same companies in private equity funds than in public markets.

But both sides in the argument fail to recognise the crucial issue in the debate. Since almost all market participants would agree that there is a place for both public and private equity in a vibrant economy, particularly in the latter's case in providing capital for start-up and early stage growth businesses, the issue of paramount importance is how share owning institutions such as pension funds and their fund managers should respond to the growth of private equity.

It is currently too easy for private equity firms to buy quoted companies cheaply and create the scenario of 'higher fees for managing the same assets' that Mr Gordon highlights. Whilst numerous hedge funds have spotted this and now take advantage of their nimbleness to squeeze eleventh hour profits for themselves out of deals, many mainstream investors have not yet changed their behaviour to reflect the new importance of private ownership.

Public equity fund managers and their clients need to think more as owners of businesses and less as short-term holders. Being an 'owner' requires a longer term perspective and an attitude of stewardship rather than passive shareholding. Being effective owners would also require fund managers to develop or harness different skills.

Robin Hindle Fisher  
Managing Director

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