

FUND FINANCE FRIDAY

Engage 2020

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Private equity will be a high-profile 2020 election topic. The U.S. Chamber of Commerce joined the fray this week, releasing an [economic study](#) of Senator Elizabeth Warren's Stop Wall Street Looting Act (the one that removes the limited liability construct). The Chamber's study concludes that, if enacted, the legislation would result in significant job losses, reduced tax revenues, and diluted investment returns at pension funds and other institutional investors. Next Tuesday, the House Financial Services Committee, under the leadership of Maxine Waters, is set to hold a hearing under the heading, "America for Sale? An Examination of the Practices of Private Funds."

Over the past years, we've confronted recurring misunderstandings and mischaracterizations of fund finance in the press. On the whole, fund lending groups nonetheless have been able to keep a low profile given the private nature of the product and its clean credit track record.

We believe we're entering a new and more challenging political environment – one that may call for a more proactive approach to educating and engaging the media, policymakers and industry organizations on the fundamentals of our product, its utility to funds, and the risk, return and diversification profile it adds to the balance sheet.

Private fund returns largely accrue to individuals as pension holders, insureds, foundation grant recipients, endowment scholarship recipients, teachers or other government employees. Removing private investment options may crowd investors and their ultimate beneficiaries into public equity and fixed income products at a time of record-high valuations, low yields, decelerating fundamentals and rising volatility – the intended beneficiaries of private equity-related legislation may well lose more than they stand to gain.

We believe the 2020 fund finance business plan should give heed to the changing times and include more energy and attention (and maybe dollars) to a deliberate outreach effort – ours will.