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Fund Finance Friday

Recommended Reading

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- In *Buyouts*' April 30 article, “Private equity and the dry powder fallacy,” author Chris Witkowsky addresses the misperception, furthered by politicians and the media, that the private equity industry can and should bail itself out by using its “$2 trillion of unspent capital.” Witkowsky notes that current U.S. federal policy bars most private equity-backed companies from accessing U.S. government funds meant to preserve jobs, but that many private equity funds – especially older funds that have drawn all their capital – are limited in their abilities to further protect and re-invest into existing portfolio companies that need help. In turn, investments in retail, hospitality, and other sectors will continue to struggle, and more workers in those sectors will lose their jobs. The article is accessible **here**.
- In *Bloomberg*’s article this week titled “How Long-Feared ‘Monetary Finance’ Becomes Mainstream,” journalist Ben Holland discusses the various forms of money-printing central banks are engaged in to pay for government fiscal policy stimulus to combat COVID-19 and its economic destruction. Where are the limits of Modern Monetary Theory? Available **here**.
- In *Dark Genius of Wall Street: The Misunderstood Life of Jay Gould, King of the Robber Barons*, author Edward J. Renehan Jr. makes the case that there is far more to Jay Gould than simply his enduring reputation as Wall Street’s most-hated villain. Rather, Renehan suggests Gould was instead simply the most astute player of a game that at the time had very different rules than today and that he developed his negative reputation simply by outmaneuvering competitor after competitor by laying bear traps, cornering markets, manipulating the judiciary and aggressively pursuing hostile corporate activism. Reading the degree of deception and unapologetic conflicts of interest of the age, it is no wonder why the Securities and Exchange Commission came onto the scene in the 1930s. The book is available on barnesandnoble.com **here**.
- In its April 2020 House View, Prequin discusses key developments across alternative asset classes in Q1 2020 and looks at what is coming next. Commitments are expected to slow in 2020 due to the challenges posed by social distancing and portfolio revaluation, but LPs are not slowing down – they are looking beyond the short term and continue to trend towards higher allocations in alternatives. While GPs and LPs are expecting reduced returns on existing investments, they are not reducing targeted returns for new investments. On the private equity front, large funds from established managers are still securing considerable commitments, and capital raised was up in Q1 2020 compared to Q1 2019. Managers held off on completing deals in Q1 in anticipation that asset prices would fall. In the current situation, falling valuations may actually lead to 2018 and 2019 vintages outperforming prior expectations for buyout returns. Declining valuations, investors looking for opportunities across sectors, and nearly $1.5T in dry powder to put to work has the private equity industry well positioned to adapt to changes and generate returns. Read the article **here** for more on developments in private equity, opportunities in distressed debt, and snapshots of other alternative classes.