

# Private Equity Investing: Past, Present & Future

A Panel Discussion Featuring  
Carsten Boers, Emily Evans & Nina Scherago

Moderated by David Salem

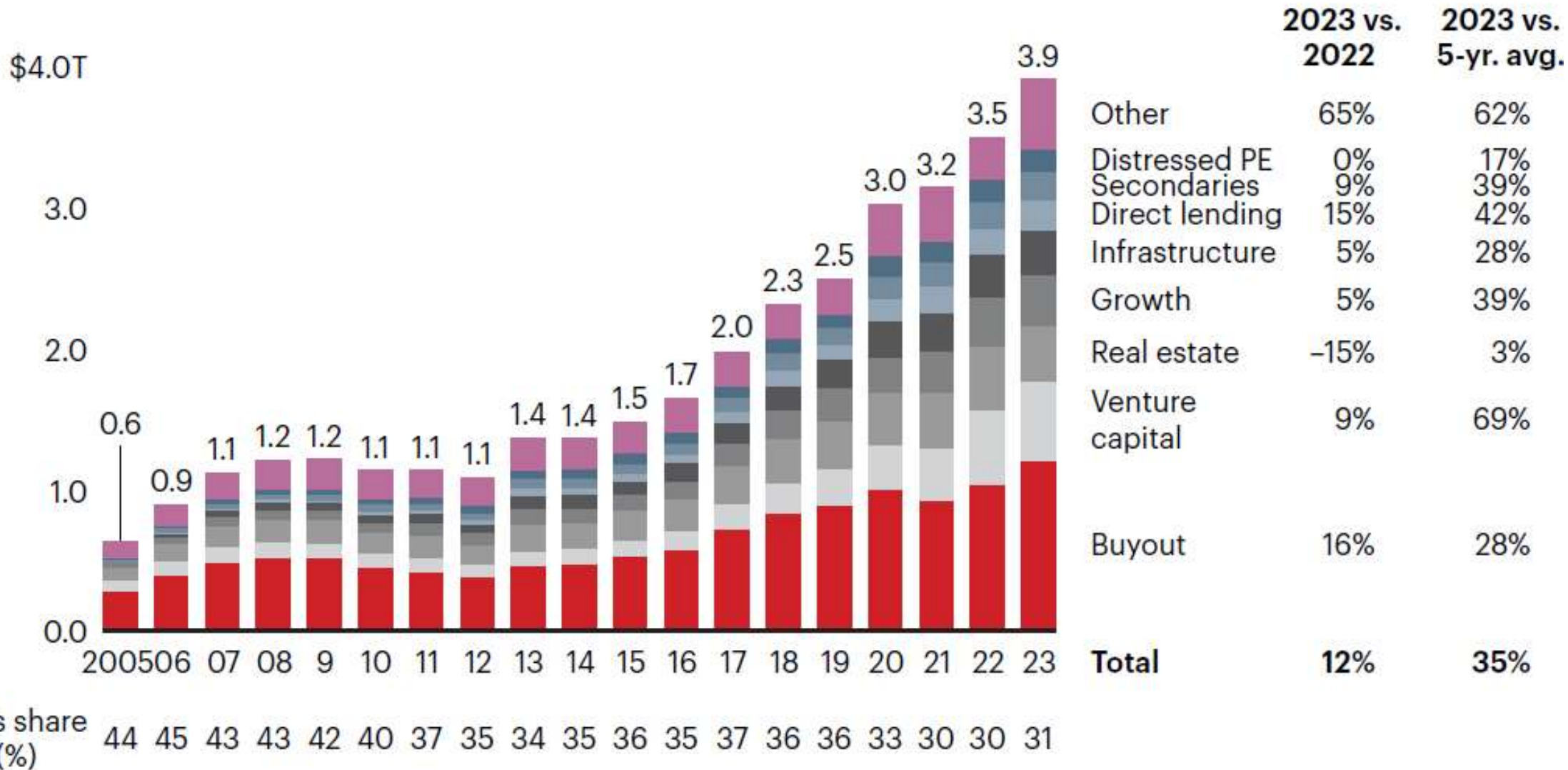
HEDGEYE **LIVE** 2024

2 May 2024

# Leading questions for today's panel

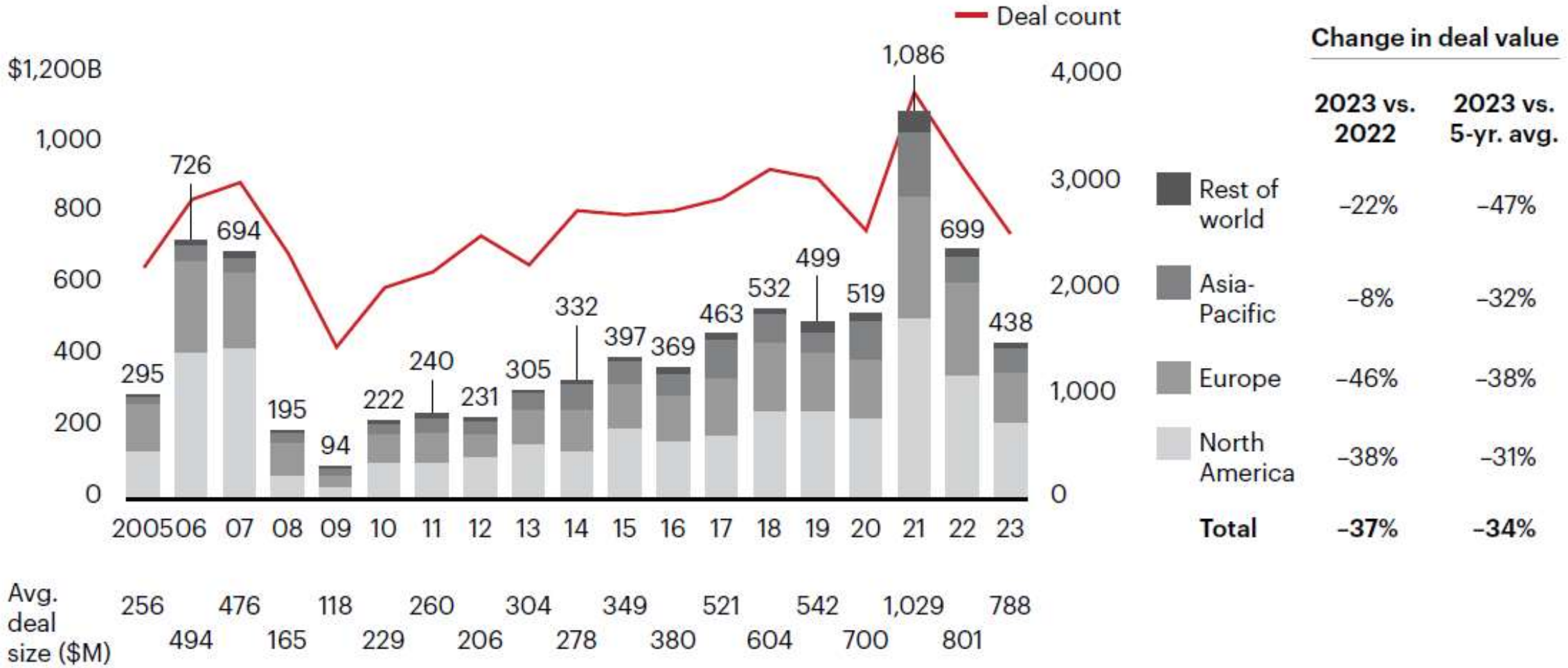
- [ 1 ]** For Nina: Which aspects of PE investing (buyouts & VC) have changed the most, and least, over the course of your career?
  
- [ 2 ]** For Carsten: What is your firm doing, and choosing to not do, to compete successfully in today's hypercompetitive VC arena?
  
- [ 3 ]** For Emily: Why is healthcare-focused private investing uniquely troubled and what hope is there that VC-backed companies will bend the healthcare cost curve downward?

### Global private capital dry powder, by fund type



Notes: Buyout category includes buyout, balanced, coinvestment, and coinvestment multimanager funds; other category includes fund-of-funds, mezzanine, and hybrid; discrepancies in bar heights displaying the same value are due to rounding differences

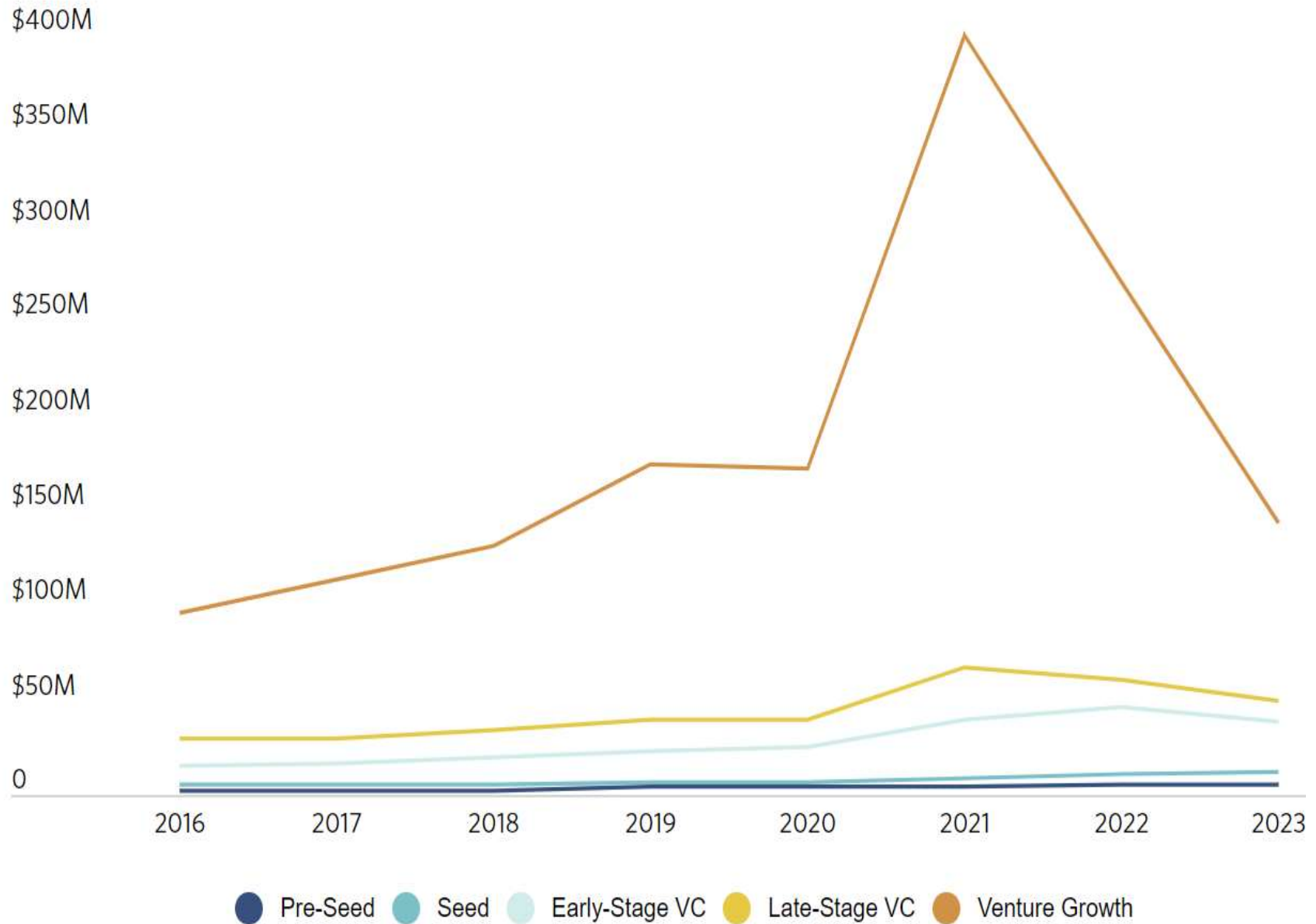
### Global buyout deal value, by region



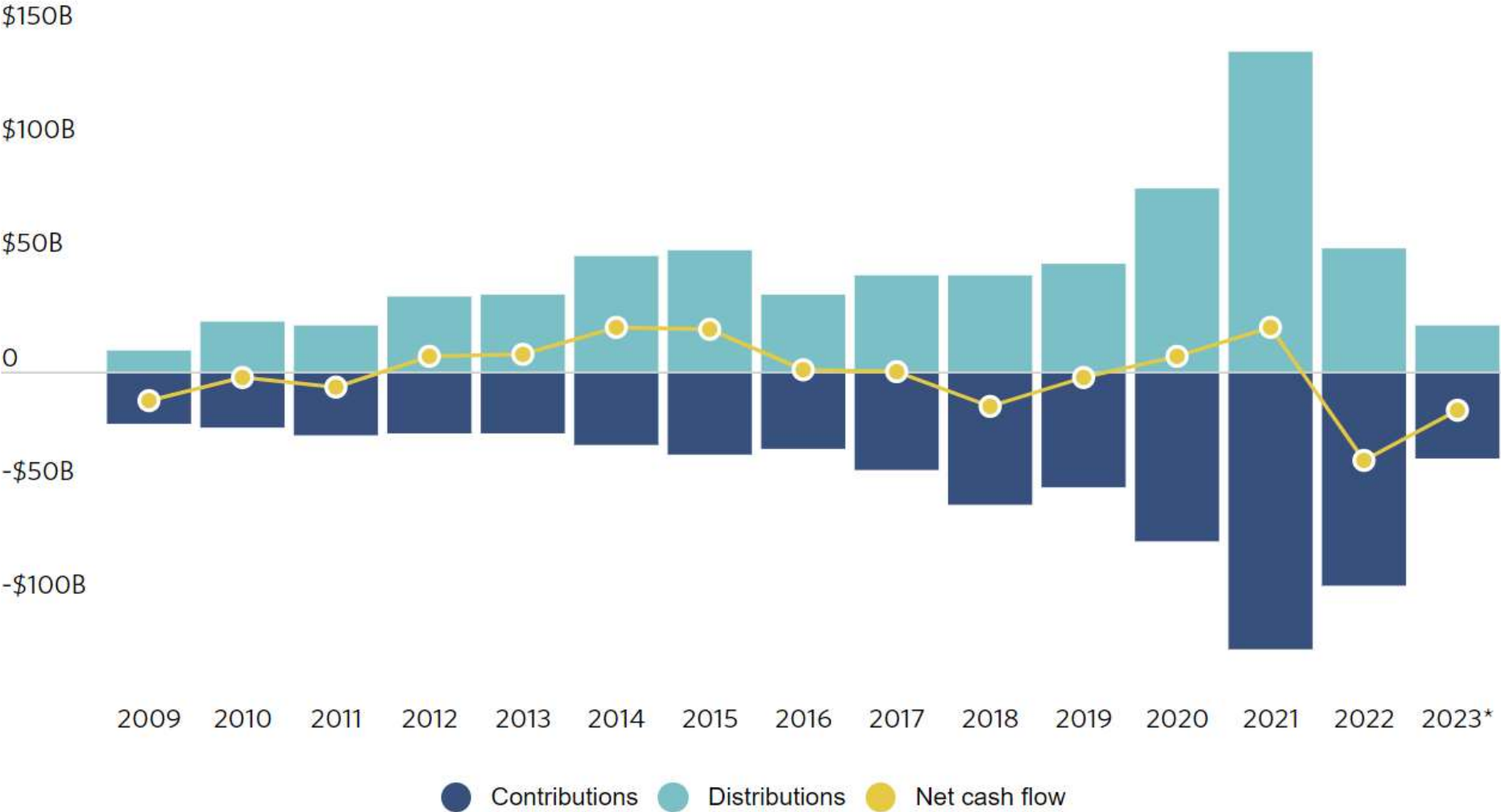
Notes: Excludes add-ons; excludes loan-to-own transactions and acquisitions of bankrupt assets; based on announcement date; includes announced deals that are completed or pending, with data subject to change; geography based on target's location; average deal size calculated using deals with disclosed value only

Source: Dealogic

# US VC median valuations decline, led by dive in venture growth stage



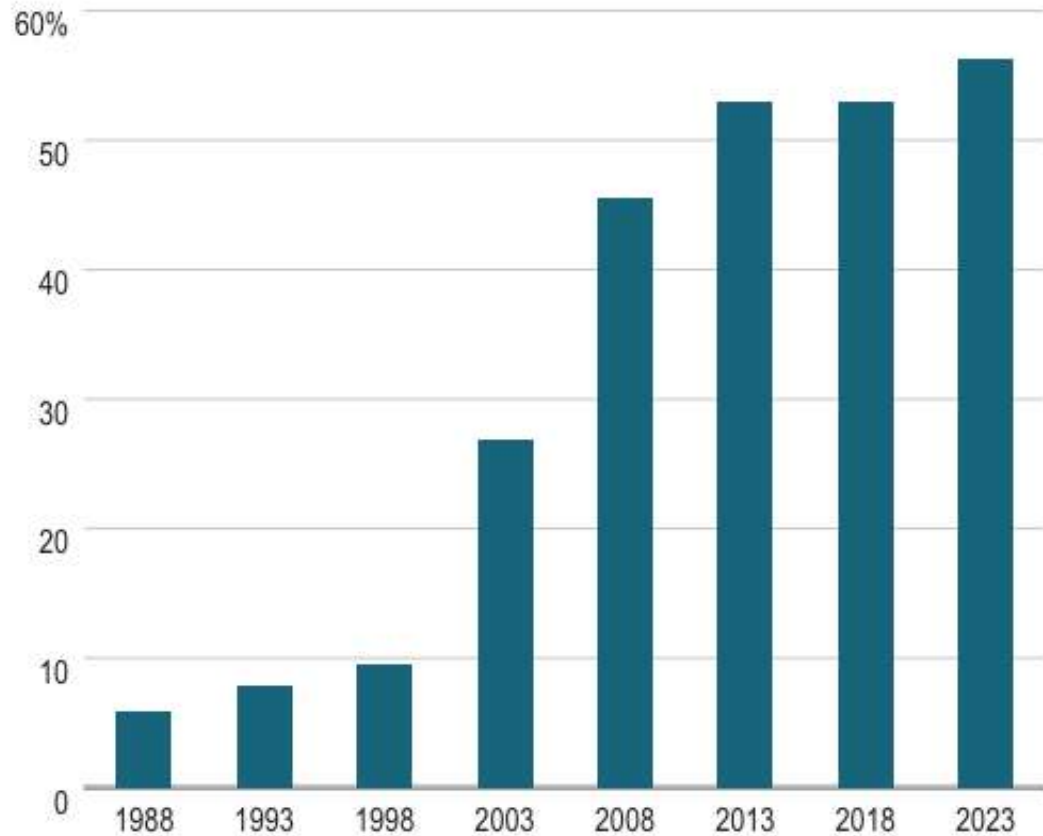
# US VC cash flows remain negative as fund contributions exceed distributions



Source: Q4 2023 PitchBook-NVCA Venture Monitor

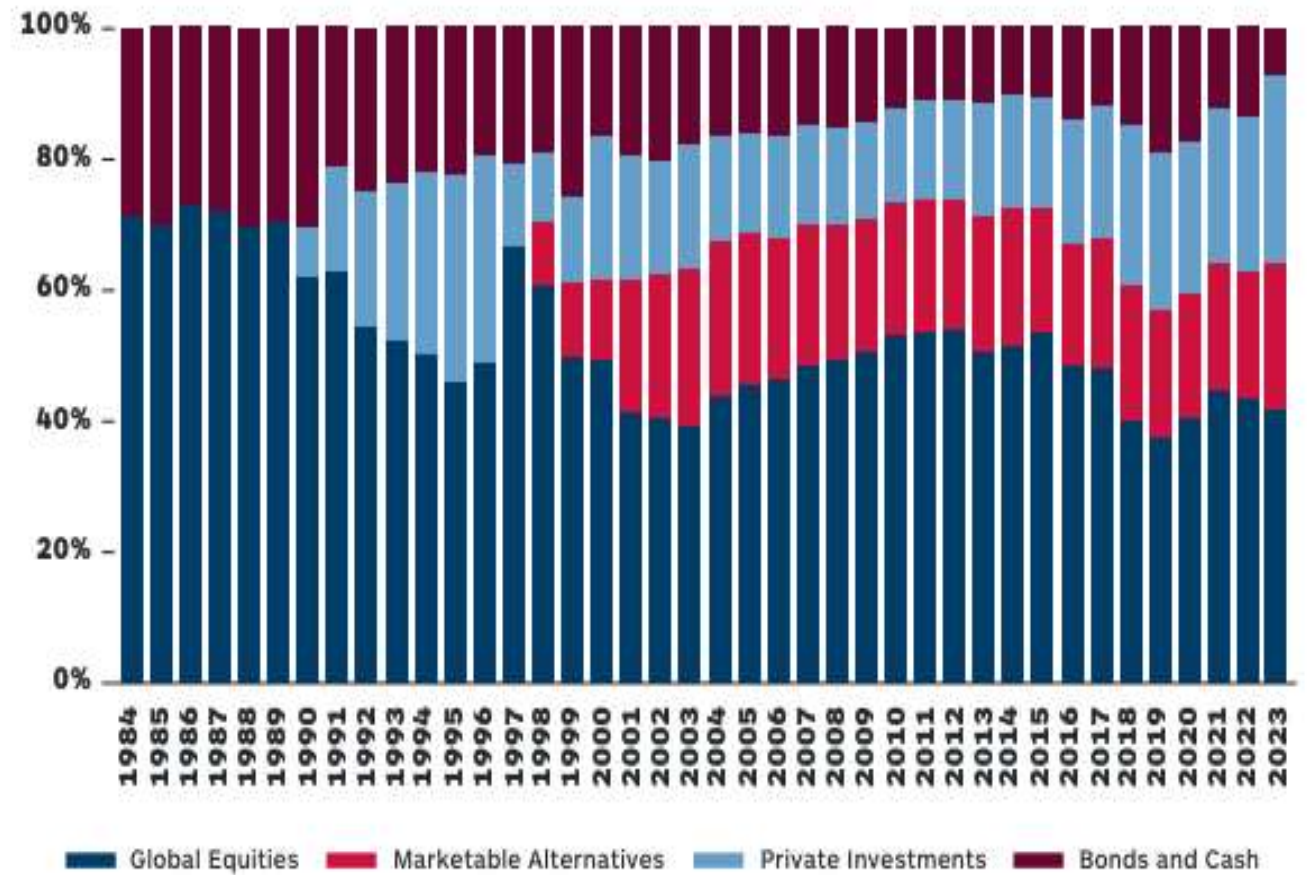
\*As of Dec. 31, 2023

### Endowment Allocations to “Alternatives”



Measured at five-year intervals spanning fiscal years 1988 – 2023, institutions’ allocations to alternative investment strategies have risen dramatically, especially during the period from FY98 to FY13.

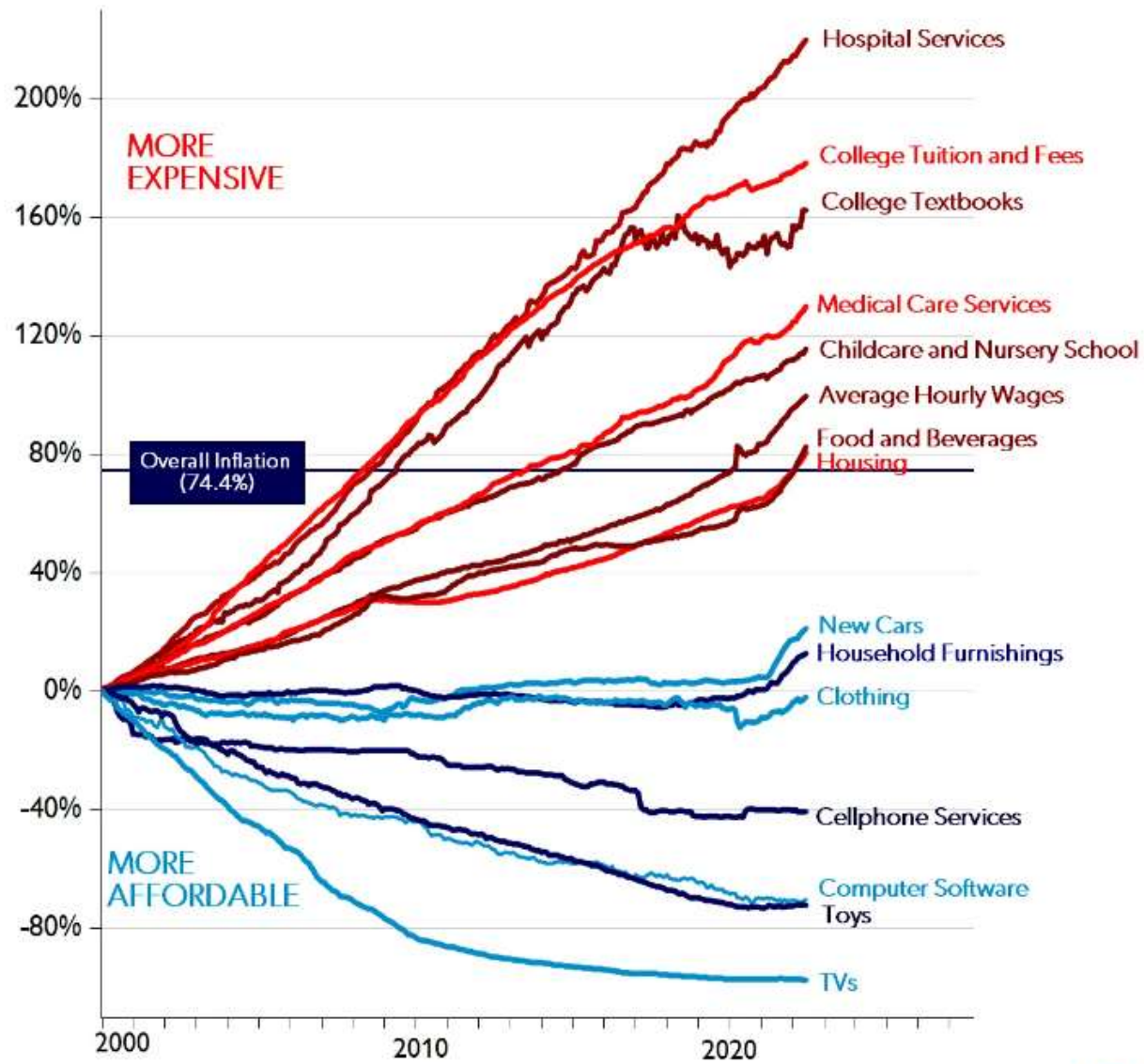
### Representative Asset Mix 1984 – 2023 \*



\* Mount Holyoke College, Hadley, MA.

## Price Changes: January 2000 to June 2022

Selected US Consumer Goods and Services, Wages



Source: Bureau of Labor Statistics

Carpe Diem **AEI**

## Worrisome Divergences

“The lines in blue are sectors where technological innovation is allowed to push down prices while increasing quality. The lines in red are sectors where technological innovation is not permitted to push down prices.

Why? The sectors in red are heavily regulated and controlled and bottlenecked by the government and by those industries themselves. Those industries are monopolies, oligopolies, and cartels, with extensive formal government regulation as well as regulatory capture, price fixing, Soviet style price setting, occupational licensing, and every other barrier to improvement and change you can possibly imagine.

[T]he sectors in blue are less regulated. Technology whips through them, pushing down prices and raising quality ...

[T]hink about what happens over time. The prices of regulated, non-technological products rise; the prices of less regulated, technologically-powered products fall. Which eats the economy? The regulated sectors continuously grow as a percentage of GDP; the less regulated sectors shrink. At the limit, 99% of the economy will be the regulated, non-technological sectors.”



## Whither the American Dream?

“The three elements of the economy that are central to the American Dream are healthcare, education and housing. When you think about what it means to have the American Dream it means the ability to buy and own a home; it means the ability to send your kids to great schools, to get a great education, to have a great life; and then it means great healthcare to take care of yourself and your family.

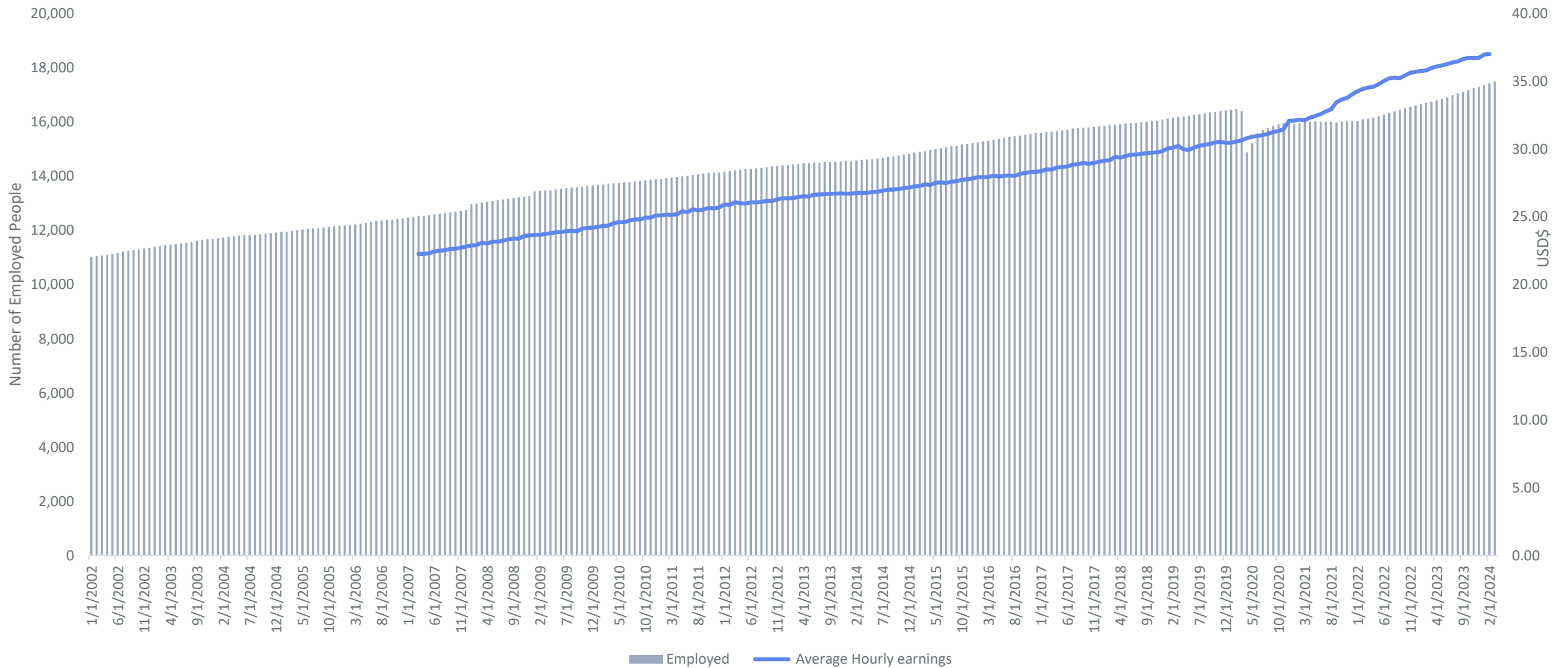
The prices of those three things are skyrocketing. Straight to the moon. Those are the sectors that are the most controlled by the government: there are the most subsidies from the government, the most restrictions on supply ... the most interference with field[ing] technology and start-ups. The result is we have an entire generation of kids who are quite rationally looking forward and saying, ‘I’m never going to be able to achieve the American Dream. I’m never going to be able to own a home. I’m never going to be able to get a good education or send my kids to good schools. I’m never going to be able to get good healthcare. I’m not going to be able to live the lives that my parents or grandparents lived. I’m not going to be able to form a family and provide for my kids.’

That’s the underlying theme to what’s gone wrong—socially, politically, psychologically. That’s what led to this intense level of pessimism; to Zero Sum politics ...”

-- Marc Andreessen, *Politics & The Future of Tech*, a16z Podcast, 5 April 2024.

# An Inflection | Health Care Wages v Employed

Workers were not difficult to find or expensive until Jan. 2021; Now the Paradigm Must Shift



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INDUSTRIALS MATERIALS



HEALTH CARE



MACRO POLICY



RETAIL



RESTAURANTS CANNABIS



COMMUNICATIONS, SOFTWARE



FINANCIALS HOUSING



CAPITAL ALLOCATION



REITS



CONSUMER STAPLES



TELECOM & MEDIA POLICY



MACRO CRYPTO HOUSING



GLOBAL TECHNOLOGY, SOFTWARE



DEMOGRAPHY



HEALTH POLICY



ENERGY

## DIFFERENTIATED PROCESS

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The marriage of proven research expertise with a quantitative/factor overlay to manage risk.

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Opportunistic idea generation and real-time research calls only = no maintenance research.

### BUY-SIDE PERSPECTIVE

Think and run business like the buy-side because we've been there.

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### EMPHASIS ON DURATION

Calls across near-term (TRADE), intermediate-term (TREND), and longer-term (TAIL) durations.

### DETAILED REPORTS

Thematic industry pieces and company specific deepdive Black Books incorporating macro analysis.

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