Investment Stewardship Guidance

# Chart of the Week

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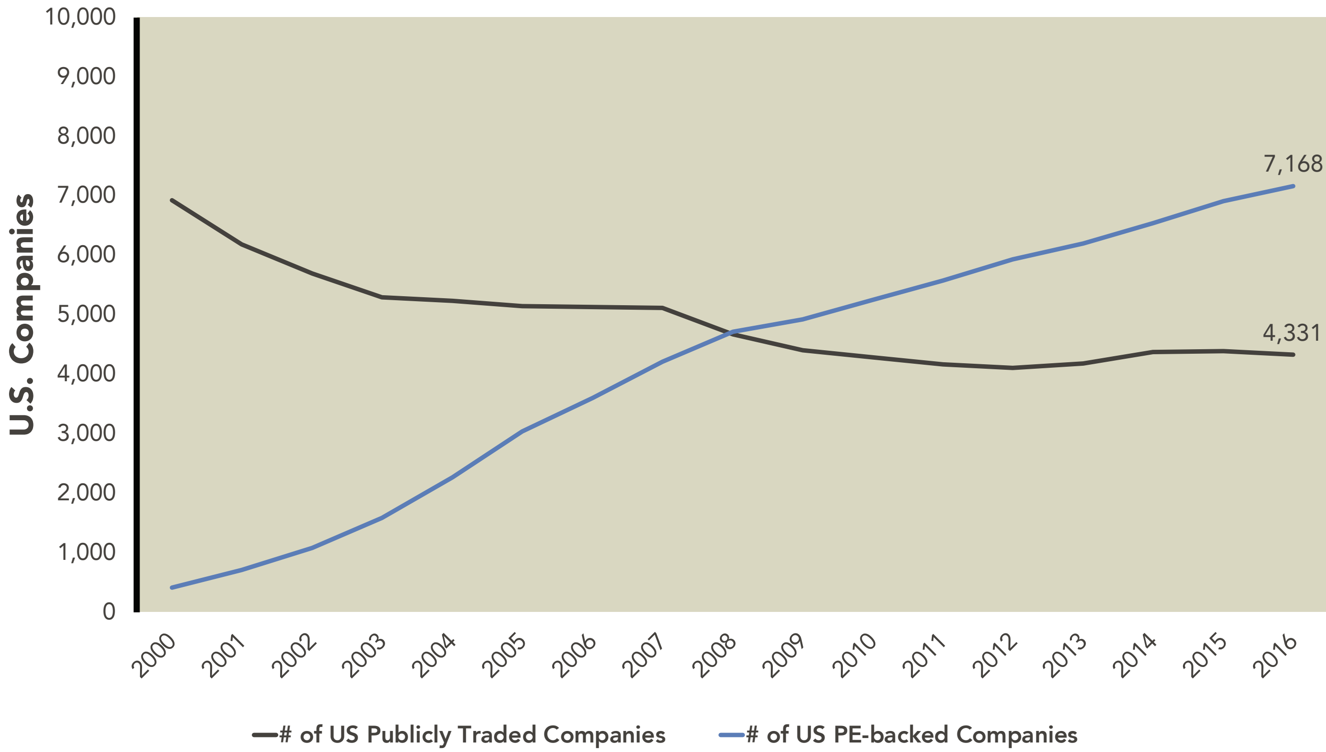
## INCREASED APPETITE FOR PRIVATE EQUITY

DERECK SCHMIDT, CFA, CAIA, SENIOR RESEARCH ANALYST, PRIVATE EQUITY




Source: Worldbank; Pitchbook

Over the past two decades there has been a steady decline in the number of companies listed on U.S. stock exchanges. In 1996, during the dot-com peak there were more than 8,000 public companies, but this has declined to just over 4,300 as increased regulation and consolidation has more than offset the number of IPOs and corporate spinouts. Over 2,000 companies were delisted between 1997-2003 as the maturity, composition, and fundamentals of these businesses were not able to attract institutional capital and thus failed to meet the listing standards of U.S. exchanges.

Meanwhile, the perception of the private equity industry continues to evolve as more capital and managers gravitate towards the space. There are over 7 million businesses in the U.S. and the number of private equity-backed companies has steadily increased to now over 7,100 companies. Investors continue to be attracted to the return potential, alignment, and innovation within the private markets. With nearly $1 trillion of dry powder in the private equity industry and near record fundraising we are almost certain to see the number of private equity-backed companies increase over the next decade.

Furthermore, it will not be surprising to see investors shift more of their allocations into private equity. Private markets offer a larger and growing opportunity set, and further upside than the fully valued equity markets. With both the number of managers and investment options increasing, we are likely to see a widening range of returns produced by the industry which will make manager selection even more critical for investors.