

2023 Chicago Private Equity Research Symposium

The Gleacher Center, Room 206, 450 Cityfront Plaza Drive, Chicago, IL 60611

September 14, 2023

11:45 – 12:15 Lunch Available

12:15 – 1:15 Research Presentations

Diseconomies of Scale in Alternatives: What do we know?

Some alternative asset classes exhibit evidence of lower returns as fund size grows suggesting diseconomies of scale. However, certain strategies such as venture capital do not appear to experience such declines in performance. This analysis summarizes historical studies and provides updates based on the most recent data.

Greg Brown, *UNC Kenan-Flagler Business School*

A Survey of Private Debt Funds

We survey U.S. and European investors with private debt assets under management (AuM) of over \$300 billion. We ask the general partners (GPs) how they source, select, and evaluate deals, how they think of private debt relative to bank and syndicated loan financing, how they monitor their investments, how they interact with private equity (PE) sponsors and how they view the future of the market. The respondents provide primarily cash flow-based loans and believe that they finance companies and leverage levels that banks would not fund. They use and negotiate for both financial and incurrence covenants to monitor their investments. The presence of PE sponsors helps them lend more and craft more effective covenants. Overall, the private debt market is different from, but shares characteristics with, the bank loan and syndicated loan markets.

Steven N. Kaplan, *University of Chicago Booth School of Business*

1:15 – 2:00 Panel Discussion

Show me the Money? Managing Private Portfolios in an Era of Depressed Exit Activity

Distributions from private portfolios in 2022-2023 have been unusually low. For example, cash flows from buyout funds as a percent of prior year-end valuations were only about 6% annualized in 2023Q1, and 10% for all of 2022 – much lower than the 20-25% seen each year over the past decade. This session examines the effects of reduced cash flows on private portfolio management and the pros and cons of alternatives to traditional exit such as continuation funds, minority sales, NAV loans, and fund securitization.

Moderator:

Peter Witte, *Global Private Equity Lead Analyst, EY*

Panelists:

Adam Freda, *Managing Director, Private Equity Group, 50 South Capital*

Clinton Miller, *Principal, Secondary Investments, Adams Street Partners*

Joanna Rupp, *Managing Director of Private Equity, University of Chicago Office of Investments*

2:00 – 2:30 Networking Break

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