

Private Equity As An Asset Class

During the past few decades, private equity (PE) has attracted considerable attention from investors, practitioners, and academicians. In fact, a substantial literature on PE has emerged. PE offers benefits for institutional and private wealth management clients including diversification and enhancement of risk-adjusted returns. However, the lack of transparency, regulatory restrictions, and liquidity concerns that exist for some PE options limit their attractiveness for some investors. *Private Equity: Opportunities and Risks* offers a synthesis of the theoretical and empirical literature on PE in both emerging and developed markets. The book examines PE and provides important insights about topics such as major types of PE (venture capital, leveraged, buyouts, mezzanine capital, and distressed debt investments), how PE works, performance and measurement, uses and structure, and trends. Readers can gain an in-depth understanding about PE from academics and practitioners from around the world. *Private Equity: Opportunities and Risks* provides a fresh look at the intriguing yet complex subject of PE. A group of renowned experts take readers through the core topics and issues of PE, and also examine the latest trends and cutting-edge developments in the field. Additionally, discussion of research on PE permeates the book. The coverage extends from discussing basic concepts and their application to increasingly complex and real-world situations. Thus, this volume spans the gamut from theoretical to practical, while offering a useful balance of detailed and user-friendly coverage. This fresh and intriguing examination of PE is essential reading for anyone hoping to gain a better understanding of PE, from seasoned professionals to those aspiring to enter the demanding world of finance.

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Kay Müller provides insight into the monitoring activities of private equity fund investors and explores their information requirements. He analyzes the reporting of private equity fund managers, reveals information gaps and provides guidance on how to improve investor relations.

Today's only advanced comprehensive guide to private equity accounting, investor reporting, valuations and performance measurement provides a complete update to reflect the latest standards and best practices, as well as the author's unique experience teaching hundreds of fund professionals. In *Private Equity Accounting, Investor Reporting and Beyond* Mariya Stefanova brings together comprehensive advanced accounting guidance and advice for all private equity practitioners and fund accountants worldwide: information once available only by learning from peers. Replete with up-to-date, user-friendly examples from all main jurisdictions, this guide explains the precise workings and lifecycles of private equity funds; reviews commercial terms; evaluates structures and tax treatments; shows how to read Limited Partnership Agreements; presents best-practice details and processes, and identifies costly pitfalls to avoid.

Unfairly reviled, and much misunderstood, private equity differs from all other asset classes in various important respects, not least the way in which its fund mechanisms operate, and the way in which its returns are recorded and analysed. Sadly, high level asset allocation decisions are frequently made on the basis of prejudice and misinformation, rather than a proper appreciation of the facts. Guy Fraser-Sampson draws upon more than twenty years of experience of the private equity industry to provide a practical guide to mastering the intricacies of this highly specialist asset class. Aimed equally at investors, professionals and business school students, it starts with such fundamental questions as 'what is private equity?' and progresses to detailed

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consideration of different types of private equity activity such as venture capital and buyout. Rapid and significant changes in the environment during the recent financial crisis have prompted the need for a new edition. Separate chapters have been added on growth and development capital, as well as secondary investing. Newly emergent issues are considered, such as lengthening holding periods and the possible threat of declining returns. Particular problems, such as the need to distinguish between private equity and hedge funds, are addressed. The glossary has also been expanded. In short, readers will find that this new edition takes their understanding of the asset class to new heights. Key points include: A glossary of private equity terms
Venture capital
Buyout
Growth capital
Development capital
Secondary investing
Understanding private equity returns
Analysing funds and returns
How to plan a fund investment programme
Detailed discussion of industry performance figures
Private equity-backed companies are ubiquitous and economically significant. Consequently, the corporate governance of these companies matters to all of us, and – not surprisingly – is coming under increasing scrutiny. Simon Witney, a practicing private equity lawyer, positions private equity portfolio companies within existing academic theory and examines the laws that apply to them in the UK. He analyses the actual governance frameworks that are put in place and identifies problems created by the legal rules – as well as the market's solutions to them. This book not only explains why these governance mechanisms are established, but also what they are expected to achieve. Witney suggests that private equity owners have both the incentives and the capability to focus on responsible investment practices. Good governance, he argues, is a critical success factor for the private equity industry.

A step-by-step guide to develop a flexible comprehensive

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operational due diligence program for private equity and real estate funds Addressing the unique aspects and challenges associated with performing operational due diligence review of both private equity and real estate asset classes, this essential guide provides readers with the tools to develop a flexible comprehensive operational due diligence program for private equity and real estate. It includes techniques for analyzing fund legal documents and financial statements, as well as methods for evaluating operational risks concerning valuation methodologies, pricing documentation and illiquidity concerns. Covers topics including fund legal documents and financial statement analysis techniques Includes case studies in operational fraud Companion website includes sample checklists, templates, spreadsheets, and links to laws and regulations referenced in the book Equips investors with the tools to evaluate liquidity, valuation, and documentation Also by Jason Scharfman: Hedge Fund Operational Due Diligence: Understanding the Risks Filled with case studies, this book is required reading for private equity and real estate investors, as well as fund managers and service providers, for performing due diligence on the noninvestment risks associated with private equity and real estate funds. This second edition of Introduction to Private Equity is more than an update, it reflects the dramatic changes which have affected an industry which is evolving rapidly, internationalizing and maturing fast. What is recognized as a critical yet grounded guide to the private equity industry blends academic rigour with practical experience. It provides a clear, synthetic and critical perspective of the industry from a professional who has worked at many levels within the industry; including insurance, funds of funds, funds and portfolio companies. The book approaches the private equity sector top-down, to provide a sense of its evolution and how the current situation has been built. It then details the

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interrelations between investors, funds, fund managers and entrepreneurs. At this point, the perspective shifts to bottom-up, how a private business is valued, how transactions are processed and the due diligence issues to consider before moving ahead. Introduction to Private Equity, Second Edition covers the private equity industry as a whole, putting its recent developments (such as secondary markets, crowdfunding, venture capital in emerging markets) into perspective. The book covers its organization, governance and function, then details the various segments within the industry, including Leveraged Buy-Outs, Venture Capital, Mezzanine Financing, Growth Capital, Distressed Debt, Turn-Around Capital, Funds of Funds and beyond. Finally, it offers a framework to anticipate and understand its future developments. This book provides a balanced perspective on the corporate governance challenges affecting the industry and draws perspectives on the evolution of the sector, following a major crisis.

Alternative Investments: A Primer for Investment

Professionals provides an overview of alternative investments for institutional asset allocators and other overseers of portfolios containing both traditional and alternative assets. It is designed for those with substantial experience regarding traditional investments in stocks and bonds but limited familiarity regarding alternative assets, alternative strategies, and alternative portfolio management. The primer categorizes alternative assets into four groups: hedge funds, real assets, private equity, and structured products/derivatives. Real assets include vacant land, farmland, timber, infrastructure, intellectual property, commodities, and private real estate. For each group, the primer provides essential information about the characteristics, challenges, and purposes of these institutional-quality alternative assets in the context of a well-diversified institutional portfolio. Other topics addressed by

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this primer include tail risk, due diligence of the investment process and operations, measurement and management of risks and returns, setting return expectations, and portfolio construction. The primer concludes with a chapter on the case for investing in alternatives.

Projektarbeit aus dem Jahr 2007 im Fachbereich BWL - Bank, Borse, Versicherung, Note: "-", Duale Hochschule Baden-Wurtemberg, Ravensburg, fruher: Berufsakademie Ravensburg, 22 Quellen im Literaturverzeichnis, Sprache: Deutsch, Abstract: Ziel dieser Arbeit ist es, einen potenziellen Investor über die Asset Klasse Private Equity zu informieren, ohne dabei auf die Bedeutung der Asset Klasse aus volkswirtschaftlicher Sicht einzugehen. Im Zentrum der Betrachtung steht die Integration von Private Equity in die Asset Allocation. Das heisst, es wird aus der Sicht eines Investors analysiert, ob die Investition in Private Equity sinnvoller Bestandteil seines Portfolios ist. Um diesem Anspruch gerecht zu werden, wird in Kapitel 2 die Asset Klasse Privat Equity und der Ablauf einer Beteiligungsfinanzierung beschrieben, indem zunächst der hier verwendete Private Equity-Begriff definiert und abgegrenzt wird. Bevor in Kapitel 5 untersucht wird, ob eine Private Equity-Beteiligung die Struktur eines Portfolios verbessern kann, werden in Kapitel 3 die wesentlichen Modelle vorgestellt, welche die Grundlage für das Portfoliomanagement darstellen und anhand derer sich die Qualität der Portfoliostruktur bewerten lässt. Ausserdem wird die Performanceanalyse allgemein, sowie die Problematik dieser Analyse, speziell bei Private Equity-Beteiligungen, in Kapitel 4 beschriebe

Dan Schwartz has done a masterful job of synthesizing the thoughts of some of the best minds in the private equity business along with his own to create a superb discussion of the industry, past, present, and most importantly where it is

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going. This is a must read for anyone in the private equity world and for those considering the field. Leonard Harlan Dan Schwartz was a first-hand witness to the birth of private equity in Asia and has chronicled its explosive growth over the past two decades. In *The Future of Finance* he uses an insider's perspective to full effect, pulling together the views of many practitioners to illuminate both the roots of the 2008 global crisis and private equity's potential role in rebuilding our financial system. Schwartz' fast-paced, conversational style makes for a welcome contrast to dry economic analysis—well worth reading for both business leaders and students of finance. Dan Carroll Managing Partner, TPG Dan Schwartz's *The Future of Finance* offers an insightful and compelling window into the world of private equity and venture capital. Schwartz has leveraged his more than 20 years of industry experience to produce a well researched and nuanced work that will prove invaluable to anyone interested in these fields. Joe Bae Managing Partner, Kohlberg Kravis Roberts & Co. Asia For anyone concerned about the future economic impact of global innovation, job creation, and finance, Dan Schwartz's comprehensive new treatise is a must read. Replete with in-depth perspectives of dozens of the most senior global venture capital and private equity leaders and numerous case study examples, this gem artfully explains the dramatic changes happening in these vital industries and how government leaders, policy makers, entrepreneurs and investors must adapt for continuing success in the second decade of the 21st century. Dixon R. Doll Cofounder and General Partner, DCM Chairman, U.S. National Venture Capital Assoc. (2008-09) From cottage industry to multi-billion asset class, Asian private equity has transformed the region's financial and corporate landscape in two short decades. Dan Schwartz was present at the beginning of this

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fascinating era as iconic spokesman and entrepreneurial founder of AVCJ. His contribution as chief convener to the industry helped shape an asset class. The Future of Finance is forward looking while drawing upon the rich past of an industry's development amid volatile cycles, financial crises, pandemics, capital excess, capital drought and Darwinian struggles. Many of the prime movers, who paved the way to the future, have shared privileged views with Dan over the years and now on these insightful pages. Philip Bilden Managing Director, HarbourVest Partners (Asia) Dan Schwartz's extensive and experienced network has enabled him to tap the key issues and insights of today's leading private equity and venture capital practitioners around the world. This enlivens Dan's stroll through Europe, North America and Asia as he examines the development of these private capital markets...and these insights shape the prism through which he views a future for private equity in the coming decades. Bill Ferris Executive Chairman, Champ Private Equity Dan Schwartz is the person best placed to write about the history of the private equity industry in Asia—he was there right from the beginning. In nearly two decades, he has been a keen observer of the industry's developments and market trends. He was the cheerleader when the industry was down and he has been a friend to most of the leading practitioners, a position that provides him with unique insights into the actual workings of the industry as described in the book. The "New Corporate Theory" introduced in the last section of the book is an interesting thesis. If it comes to fruition, it will transform the shareholder-driven corporate governance model as we know it today. Tang Kok Yew Chairman and Managing Partner, Affinity Equity Partners (HK) It would be hard to find a better guide to the private equity world. Dan Schwartz has been central to providing thought leadership in the Asian private equity

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markets and a leading commentator worldwide for over 20 years, he also has had impeccable timing as an entrepreneur.

Jeremy Collier CEO and CIO, Collier Capital

How can private equity investors exploit investment opportunities in foreign markets? Peter Cornelius uses a proprietary database to investigate and describe private equity markets worldwide, revealing their levels of integration, their risks, and the ways that investors can mitigate those risks. In three major sections that concentrate on the risk and return profile of private equity, the growth dynamics of discrete markets and geographies, and opportunities for private equity investments, he offers hard-to-find analyses that fill knowledge gaps about foreign markets. Observing that despite the progressive dismantling of barriers investors are still home-biased, he demonstrates that a methodical approach to understanding foreign private equity markets can take advantage of the macroeconomic and structural factors that drive supply and demand dynamics in individual markets. Foreword by Josh Lerner Teaches readers how to investigate and analyze foreign private equity markets Forecasts private equity investment opportunities via macroeconomic and structural factors in individual markets Draws on data from a proprietary database covering 250 buyout and VC funds and 7,000 portfolio companies.

In recent times, venture capital and private equity funds have become household names, but so far little has been written for the investors in such funds, the so-called limited partners. There is far more to the management of a portfolio of venture capital and private equity funds than usually perceived. Beyond the J Curve describes an innovative toolset for such limited partners to design and manage portfolios tailored to the dynamics of this market place, going far beyond the typical and often-simplistic recipe to 'go for top quartile funds'. Beyond the J Curve provides the answers to key questions,

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including: Why 'top-quartile' promises should be taken with a huge pinch of salt and what it takes to select superior fund managers? What do limited partners need to consider when designing and managing portfolios? How one can determine the funds' economic value to help addressing the questions of 'fair value' under IAS 39 and 'risk' under Basel II or Solvency II? Why is monitoring important, and how does a limited partner manage his portfolio? How the portfolio's returns can be improved through proper liquidity management and what to consider when over-committing? And, why uncertainty rather than risk is an issue and how a limited partner can address and benefit from the fast changing private equity environment? Beyond the J Curve takes the practitioner's view and offers private equity and venture capital professionals a comprehensive guide making high return targets more realistic and sustainable. This book is a must have for all parties involved in this market, as well as academic and students.

This Handbook provides a comprehensive picture of the issues surrounding the structure, governance, and performance of private equity.

Developed for preparers of financial statements, independent auditors, and valuation specialists, this guide provides nonauthoritative guidance and illustrations regarding the accounting for and valuation of portfolio company investments held by investment companies within the scope of FASB ASC 946, Financial Services —Investment Companies, (including private equity funds, venture capital funds, hedge funds, and business development companies). It features 16 case studies that can be used to reason through real situations faced by investment fund managers, valuation specialists and auditors, this guide addresses many accounting and valuation issues that have emerged over time to assist investment companies in addressing the challenges

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in estimating fair value of these investments, such as: Unit of account Transaction costs Calibration The impact of control and marketability Backtesting

“Private equity is more economically significant than ever, as institutions hunt for high returns in a risky world. Private Equity 4.0 examines the role, workings and contribution of this important industry in a straightforward yet revealing manner.” Dr. Josh Lerner Jacob H. Schiff Professor of Investment Banking Chair, Entrepreneurial Management Unit Harvard Business School A multi-perspective look at private equity's inner workings Private Equity 4.0 provides an insider perspective on the private equity industry, and analyzes the fundamental evolution of the private equity asset class over the past 30 years, from alternative to mainstream. The book provides insightful interviews of key industry figures, and case studies of some of the success stories in the industry. It also answers key questions related to strategy, fund manager selection, incentive mechanisms, performance comparison, red flags in prospectuses, and more. Private Equity 4.0 offers guidance for the many stakeholders that could benefit from a more complete understanding of this special area of finance. Understand the industry's dominant business models Discover how value is created and performance measured Perform a deep dive into the ecosystem of professionals that make the industry hum, including the different incentive systems that support the industry's players Elaborate a clear set of guidelines to invest in the industry and deliver better performance Written by a team of authors that combine academic and industry expertise to produce a well-rounded perspective, this book details the inner workings of private equity and gives readers the background they need to feel confident about committing to this asset class. Coverage includes a historical perspective on the business models of the three major waves of private equity leading to today's 4.0

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model, a detailed analysis of the industry today, as well as reflections on the future of private equity and prospective futures. It also provides readers with the analytical and financial tools to analyze a fund's performance, with clear explanations of the mechanisms, organizations, and individuals that make the system work. The authors demystify private equity by providing a balanced, but critical, review of its contributions and shortcomings and moving beyond the simplistic journalistic descriptions. Its ecosystem is complex and not recognizing that complexity leads to inappropriate judgments. Because of its assumed opacity and some historical deviant (and generally transient) practices, it has often been accused of evil intents, making it an ideal scapegoat in times of economic crisis, prodding leading politicians and regulators to intervene and demand changes in practices. Unfortunately, such actors were often responding to public calls for action rather than a thorough understanding of the factors at play in this complex interdependent system, doing often more harm than good in the process and depriving economies of one of their most dynamic and creative forces. Self-regulation has clearly shown its limits, but righteous political interventions even more so. Private equity investment can be a valuable addition to many portfolios, but investors need a clear understanding of the forces at work before committing to this asset class. With detailed explanations and expert insights, Private Equity 4.0 is a comprehensive guide to the industry ways and means that enables the reader to capture its richness and sustainability.

The definitive guide to private equity for investors and finance professionals Mastering Private Equity was written with a professional audience in mind and provides a valuable and unique reference for investors, finance professionals, students and business owners looking to engage with private

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equity firms or invest in private equity funds. From deal sourcing to exit, LBOs to responsible investing, operational value creation to risk management, the book systematically distills the essence of private equity into core concepts and explains in detail the dynamics of venture capital, growth equity and buyout transactions. With a foreword by Henry Kravis, Co-Chairman and Co-CEO of KKR, and special guest comments by senior PE professionals. This book combines insights from leading academics and practitioners and was carefully structured to offer: A clear and concise reference for the industry expert A step-by-step guide for students and casual observers of the industry A theoretical companion to the INSEAD case book Private Equity in Action: Case Studies from Developed and Emerging Markets Features guest comments by senior PE professionals from the firms listed below: Abraaj • Adams Street Partners • Apax Partners • Baring PE Asia • Bridgepoint • The Carlyle Group • Coller Capital • Debevoise & Plimpton LLP • FMO • Foundry Group • Freshfields Bruckhaus Deringer • General Atlantic • ILPA • Intermediate Capital Group • KKR Capstone • LPEQ • Maxeda • Navis Capital • Northleaf Capital • Oaktree Capital • Partners Group • Permira • Terra Firma

Seminar paper from the year 2013 in the subject Business economics - Investment and Finance, grade: 1,7, University of applied sciences, Cologne, course: International Investment & Controlling, language: English, abstract: Private Equity plays an increasingly important role in the financing of a wide range of businesses. Over the past 20 years, private equity has been on of the fastest growing markets for corporate finance. One of the reasons the private equity industry exist is that, in many cases,

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companies have needs for capital which, for various reasons, cannot be met from the public markets. Investors that provide capital to private equity funds invest in an asset class that entails relatively high-risk and high illiquidity in what remains a largely unregulated market. Planning how to exit an investment is just as important as preparing to make one because a merger adds value only if synergy, better management, or other changes make the two firms worth more together than apart. The target companies are supported with accountants, lawyers, investment bankers and other specialists. Especially Start-up companies are often characterised by negative cash flows and demand high investments. PE gives the chance to reduce the financial gap between self-financing and stock exchange listing and can also help to improve the equity ratio. Another advantage of PE for target companies is the increase of equity and an improved balance sheet structure. Regarding to that, the negotiating position is strengthened towards creditors, the credit rating is improved and the financial room for investments increases. The main disadvantage of PE for target companies is the weakened influence of the initial shareholders. Especially different strategically views between those two groups might be difficult to solve. Due to the fact of the high risk, from the investors' perspective, PE is a very interesting form of investment. Especially under diversification aspects

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the investment in PE funds make sense, because the investors offer investment opportunities that can not be replicated in the financial market and on top of that have a low correlation with other asset class. The firms standard practice of buying businesses and then, after steering them through a transition of rapid performance improvement and selling them is at the core of private equity's success.

Private equity firms have long been at the center of public debates on the impact of the financial sector on Main Street companies. Are these firms financial innovators that save failing businesses or financial predators that bankrupt otherwise healthy companies and destroy jobs? The first comprehensive examination of this topic, *Private Equity at Work* provides a detailed yet accessible guide to this controversial business model.

Economist Eileen Appelbaum and Professor Rosemary Batt carefully evaluate the evidence—including original case studies and interviews, legal documents, bankruptcy proceedings, media coverage, and existing academic scholarship—to demonstrate the effects of private equity on American businesses and workers. They document that while private equity firms have had positive effects on the operations and growth of small and mid-sized companies and in turning around failing companies, the interventions of private equity more often than not lead to significant

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negative consequences for many businesses and workers. Prior research on private equity has focused almost exclusively on the financial performance of private equity funds and the returns to their investors. *Private Equity at Work* provides a new roadmap to the largely hidden internal operations of these firms, showing how their business strategies disproportionately benefit the partners in private equity firms at the expense of other stakeholders and taxpayers. In the 1980s, leveraged buyouts by private equity firms saw high returns and were widely considered the solution to corporate wastefulness and mismanagement. And since 2000, nearly 11,500 companies—representing almost 8 million employees—have been purchased by private equity firms. As their role in the economy has increased, they have come under fire from labor unions and community advocates who argue that the proliferation of leveraged buyouts destroys jobs, causes wages to stagnate, saddles otherwise healthy companies with debt, and leads to subsidies from taxpayers. Appelbaum and Batt show that private equity firms' financial strategies are designed to extract maximum value from the companies they buy and sell, often to the detriment of those companies and their employees and suppliers. Their risky decisions include buying companies and extracting dividends by loading them with high levels of debt and selling assets. These

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actions often lead to financial distress and a disproportionate focus on cost-cutting, outsourcing, and wage and benefit losses for workers, especially if they are unionized. Because the law views private equity firms as investors rather than employers, private equity owners are not held accountable for their actions in ways that public corporations are. And their actions are not transparent because private equity owned companies are not regulated by the Securities and Exchange Commission. Thus, any debts or costs of bankruptcy incurred fall on businesses owned by private equity and their workers, not the private equity firms that govern them. For employees this often means loss of jobs, health and pension benefits, and retirement income. Appelbaum and Batt conclude with a set of policy recommendations intended to curb the negative effects of private equity while preserving its constructive role in the economy. These include policies to improve transparency and accountability, as well as changes that would reduce the excessive use of financial engineering strategies by firms. A groundbreaking analysis of a hotly contested business model, *Private Equity at Work* provides an unprecedented analysis of the little-understood inner workings of private equity and of the effects of leveraged buyouts on American companies and workers. This important new work will be a valuable resource for scholars, policymakers, and the

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informed public alike.

Private Equity as an Asset Class John Wiley & Sons
This book describes LP allocation strategies to funds, fund structures, investment strategies, performance measurement and governance at the fund and portfolio level

Introduction to Private Equity is a critical yet grounded guide to the private equity industry. Far more than just another introductory guide, the book blends academic rigour with practical experience to provide a critical perspective of the industry from a professional who has worked at many levels within the industry, including insurance, funds of funds, funds and portfolio companies. The book looks at private equity from the point of view of the individual or the business. How is a private business valued? How is the acquisition transaction processed? What are the due diligence issues that should be considered before moving ahead? A valuable insight to a rather opaque market. Introduction to Private Equity covers the private equity industry as a whole, highlighting its historical development in order to put its recent development into perspective. The book covers its organization, governance and function, then details the various segments within the industry, including LBO, Venture Capital, Mezzanine Financing, Growth Capital and beyond. Finally, it offers a framework to anticipate and understand its future developments. It provides a balanced

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perspective on the current corporate governance challenges which are affecting the industry and draws perspective to understand the evolution of the sector, following one of its major crises.

Seminar paper from the year 2007 in the subject Business economics - Business Management, Corporate Governance, grade: 2,0, University of Munster (International Management), course: Seminar International Finance, language: English, abstract: The paper deals with Private Equity Investments in Emerging Markets. This asset class is associated with attractive opportunities and appropriate risk-adjusted returns. The Private Equity industry in Emerging Markets showed strong growth over the last few years - after a period of disappointment and unmet expectations. Private Equity is a primary source of equity for small and medium sized companies. It is associated with higher default risk but offers the opportunity to receive higher returns. One special characteristic is the provision of 'smart money', the integration of investment banking and management consultancy. The environment of Emerging Markets is challenging. The term refers to capital markets in developing countries with outstanding growth opportunities. 35 countries from Latin America, Central and Eastern Europe, Asia, Middle East and Africa belong to the group of Emerging Markets. These markets are characterised by weak legal

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institutions, political and economic risk, dysfunctional capital markets and a low standard of corporate governance. The combination of the high risk asset class Private Equity with the high risk environment of Emerging Markets results in high risk investments. But the superior return opportunities attract more and more investors. After a period of disappointment and setbacks - due to an inappropriate approach - at the beginning of the 21st century this asset class took off. Fundraising figures from 2003 to 2006 are increasing strongly and the investors expect the growth to continue. The macroeconomic environment, the legal framework and the quality of capital markets are the main determinants for Emerging Markets Private Equity. The introduction of good corporate governance is essential f

A comprehensive look at the private equity arena
With private equity differing from other asset classes, it requires a whole new approach for those trained in more traditional investments such as stocks and bonds. But with the right guidance, you can gain a firm understanding of everything private equity has to offer. This reliable resource provides a comprehensive view of private equity by describing the current state of research and best practices in this arena. Issues addressed include the structure of private equity funds and fundraising, the financial and real returns of private equity, and the structure of private equity investments with investees, to name

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a few. Discusses the role of private equity in today's financial environment Provides international perspectives on private equity Details the regulation of private equity markets Filled with in-depth insights and expert advice, this book will provide you with a better understanding of private equity structures and put you in a better position to measure and analyze their performance.

An authoritative guide to understanding the world of private equity (PE) investing, governance structures, and operational assessments of PE portfolio companies An essential text for any business/finance professional's library, *Private Equity: History, Governance, and Operations, Second Edition* begins by presenting historical information regarding the asset class. This information includes historical fundraising and investment levels, returns, correlation of returns to public market indices, and harvest trends. The text subsequently analyzes PE fund and portfolio company governance structures. It also presents ways to improve existing governance structures of these entities. A specific focus on portfolio company operations, including due diligence assessments, concludes the text. Seamlessly blends historical information with practical guidance based on risk management and fundamental accounting techniques Assists the book's professional audience in maximizing returns of their PE investments Highly

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conducive to advanced, graduate-level classroom use Purchase of the text includes access to a website of teaching materials for instructional use Learn more about PE history, governance, and operations with the authoritative guidance found in *Private Equity: History, Governance, and Operations, Second Edition*.

Since the formalization of asset allocation in 1952 with the publication of *Portfolio Selection* by Harry Markowitz, there have been great strides made to enhance the application of this groundbreaking theory. However, progress has been uneven. It has been punctuated with instances of misleading research, which has contributed to the stubborn persistence of certain fallacies about asset allocation. *A Practitioner's Guide to Asset Allocation* fills a void in the literature by offering a hands-on resource that describes the many important innovations that address key challenges to asset allocation and dispels common fallacies about asset allocation. The authors cover the fundamentals of asset allocation, including a discussion of the attributes that qualify a group of securities as an asset class and a detailed description of the conventional application of mean-variance analysis to asset allocation.. The authors review a number of common fallacies about asset allocation and dispel these misconceptions with logic or hard evidence. The fallacies debunked include such notions as: asset allocation determines more than 90% of investment performance; time diversifies risk; optimization is hypersensitive to estimation error; factors

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provide greater diversification than assets and are more effective at reducing noise; and that equally weighted portfolios perform more reliably out of sample than optimized portfolios. A Practitioner's Guide to Asset Allocation also explores the innovations that address key challenges to asset allocation and presents an alternative optimization procedure to address the idea that some investors have complex preferences and returns may not be elliptically distributed. Among the challenges highlighted, the authors explain how to overcome inefficiencies that result from constraints by expanding the optimization objective function to incorporate absolute and relative goals simultaneously. The text also explores the challenge of currency risk, describes how to use shadow assets and liabilities to unify liquidity with expected return and risk, and shows how to evaluate alternative asset mixes by assessing exposure to loss throughout the investment horizon based on regime-dependent risk. This practical text contains an illustrative example of asset allocation which is used to demonstrate the impact of the innovations described throughout the book. In addition, the book includes supplemental material that summarizes the key takeaways and includes information on relevant statistical and theoretical concepts, as well as a comprehensive glossary of terms.

Fully revised and updated to reflect changes in the private equity sector Building on and refining the content of previous editions, Introduction to Private Equity, Debt and Real Assets, Third Edition adopts the same logical, systematic, factual and long-term perspective on private

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markets (private equity, private debt and private real assets) combining academic rigour with extensive practical experience. The content has been fully revised to reflect developments and innovations in private markets, exploring new strategies, changes in structuring and the drive of new regulations. New sections have been added, covering fund raising and fund analysis, portfolio construction and risk measurement, as well as liquidity and start-up analysis. In addition, private debt and private real assets are given greater focus, with two new chapters analysing the current state of these evolving sectors.

- Reflects the dramatic changes that have affected the private market industry, which is evolving rapidly, internationalizing and maturing fast
- Provides a clear, synthetic and critical perspective of the industry from a professional who has worked at many levels within the industry
- Approaches the private markets sector top-down, to provide a sense of its evolution and how the current situation has been built
- Details the interrelations between investors, funds, fund managers and entrepreneurs

This book provides a balanced perspective on the corporate governance challenges affecting the industry and draws perspectives on the evolution of the sector.

Inside Private Equity explores the complexities of this asset class and introduces new methodologies that connect investment returns with wealth creation. By providing straightforward examples, it demystifies traditional measures like the IRR and challenges many of the common assumptions about this asset class.

Readers take away a set of practical measures that

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empower them to better manage their portfolios. Master's Thesis from the year 2005 in the subject Business economics - Investment and Finance, grade: 1.0, Otto Beisheim School of Management Vallendar, course: Doppeldiplomprogramm WHU Koblenz / EM Lyon, 60 entries in the bibliography, language: English, abstract: Private equity is currently replacing hedge funds as the most observed asset class. And while mutual funds experience a decline of assets under management, buyout funds break all records as far as fund raising is concerned. The attractiveness of buyout funds among investors is often attributed to superior returns and to an allegedly lower correlation with other asset classes. However, buyout fund returns also show superior volatility. In addition to that risk factor, investors must face liquidity and transparency risk. It is common agreement that investors are compensated for the elevated risk through a return premium. This and the cited lower correlation prompt more and more investors to add private equity into their portfolios. The widespread opinion of superior private equity performance is backed by several studies. But the analysis of these studies reveal that a number of them employ methodologies which are disapproved of by experts on theoretical private equity performance measurement. Furthermore, some have a one-sided notion of financial performance. Benchmarking, risk and correlation data which are crucial for an overall performance assessment often lack. The analysis of a series of technically appropriate, objective studies shows that private equity has historically outperformed public equity with regard to

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returns, in Europe more than in the United States (US). What remains unsolved is to which extent this return premium rewards the inherent, additional risk of private equity investments. And what is more certain: the prevalent view on correlation seems to be wrong. Empirical evidence and qualitative analysis speak for high correlation between private equity and the major asset classes. The most important driver for individual fund performance appears to be the quality of fund management. Thereby, specialized teams outperform others. Moreover, specialized funds provide investors better opportunity to diversify their private equity portfolio. Fundraising and investment conditions for private equity funds in France and Germany are favorable, but the accomplishment of superior performance will become harder in the future. The rules of the private equity business are changing as operating leverage has replaced financial leverage as the essential value driver.

The comprehensive guide to private market asset allocation *Asset Allocation and Private Markets* provides institutional investors, such as pension funds, insurance groups and family offices, with a single-volume authoritative resource on including private markets in strategic asset allocation. Written by four academic and practitioner specialists, this book provides the background knowledge investors need, coupled with practical advice from experts in the field. The discussion focuses on private equity, private debt and private real assets, and their correlation with other asset classes to establish optimized investment portfolios. Armed with the

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grounded and critical perspectives provided in this book, investors can tailor their portfolio and effectively allocate assets to traditional and private markets in their best interest. In-depth discussion of return, risks, liquidity and other factors of asset allocation takes a more practical turn with guidance on allocation construction and capital deployment, the “endowment model,” and hedging — or lack thereof. Unique in the depth and breadth of information on this increasingly attractive asset class, this book is an invaluable resource for investors seeking new strategies. Discover alternative solutions to traditional asset allocation strategies Consider attractive returns of private markets Delve into private equity, private debt and private real assets Gain expert perspectives on correlation, risk, liquidity, and portfolio construction Private markets represent a substantial proportion of global wealth. Amidst disappointing returns from stocks and bonds, investors are increasingly looking to revitalise traditional asset allocation strategies by weighting private market structures more heavily in their portfolios. Pension fund and other long-term asset managers need deeper information than is typically provided in tangential reference in broader asset allocation literature; *Asset Allocation and Private Markets* fills the gap, with comprehensive information and practical guidance.

Investment funds are the driving force behind much global private economic development, and yet the world of investment funds can be complex and confusing. *Funds: Private Equity, Hedge and All Core Structures* is a practical introductory guide to the legal and commercial

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context in which funds are raised and invest their money, with examinations of the tax and regulatory background, and an analysis of the key themes and trends that the funds industry face following the financial crisis. The book looks at asset classes, investor return models, the commercial and legal pressures driving different structures and key global jurisdictions for both fund establishment and making investments. It also contains a comprehensive analysis of fund managers, from remuneration, best practice through to regulation. The book is written for readers from all backgrounds, from students or newcomers to the industry to experienced investors looking to branch out into alternative asset classes, or existing asset managers and their advisers wanting to know more about the structures elsewhere within the industry.

"The best guide to private equity funds. Insight and explanations for both fund sponsors and investors. The gold standard." --Andrew Zalas, General Partner and CFO: RRE Ventures Best Practices for Organizing and Managing a Fund With nearly \$7 trillion invested in more than 20,000 funds, investor interest in the private equity industry has returned, despite the economic turmoil of recent years. Still, guidance about the organization and administration of these funds is tough to find. This 1,400+ page resource, will equip corporate lawyers, investment professionals, and tax practitioners and with best practices to manage these funds effectively. Private Equity Funds: Business Structure and Operations covers a wide range of important issues, such as: the key economic differences between various types of funds;

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structuring the private equity fund to meet economic expectations and investment goals; securing maximum tax benefits for the sponsor of the fund; duties of the fund's General Partner and Investment Advisor; the major regulatory issues affecting the private equity fund; and much more. *Private Equity Funds: Business Structure and Operations* reflects the aftermath of the financial crisis of 2007 to 2009. The authors also focus on cyber risk and the compliance obligations of investment advisers.

Building on the success of the author's previous book *Beyond the J Curve: Managing a Portfolio of Venture Capital and Private Equity Funds*, this work covers new and additional material and offers advanced guidance on the practical questions faced by institutions when setting up and managing a successful private equity investment programme. Written from the practitioner's viewpoint, the book offers private equity and venture capital professionals an advanced guide that will make high return targets more realistic and sustainable. Factors that can sometimes cause institutions to shy away from venture capital are the industry's opaque track record, unclear valuations and risks, perceived lack of transparency as well as the significant entry barriers to overcome before tangible results show. These issues are all addressed in details with practical solutions to the problems. Among other topics *J-Curve Exposure* includes discussions of: Experiences with the adoption of the International Private Equity and Venture Capital Valuation Guidelines to address fair value under IFRS. Approaches for splitting and prioritizing distributions from

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private equity funds. Techniques for track record analysis and other tools to help limited partners in their due diligence. Approaches to dealing with uncertainty, the relevance of real options, and co-investments and side funds as advanced portfolio management techniques. Questions related to limited partner decision making fallacies and how to manage portfolios of VC funds. Securitization backed by portfolios of investments in private equity funds. Real life case studies illustrate the issues relevant for the practitioner.

Diplomarbeit aus dem Jahr 2002 im Fachbereich BWL - Investition und Finanzierung, Note: 1,0, Universität Leipzig (Finanzanalyse), Sprache: Deutsch, Abstract: Wie kaum ein anderer Bereich befindet sich die Finanzdienstleistungsbranche weltweit in einem Prozess der Neuorientierung. Im Zuge dieser Umgestaltung wurden alternative Anlagen wie Private Equity, Venture Capital und Hedge Funds für risikofreudige, aber gleichzeitig auch performancebewusste Anleger immer attraktiver. Seit ihren Ursprüngen in kleinen Investment Pools in den 60er und 70er Jahren entwickelten sich Private Equity (PE) und Venture Capital (VC) Finanzierungen zu einer Mainstream Asset-Klasse und werden ein immer bedeutenderer Teil vor allem von institutionellen und in zunehmendem Maße auch von privaten Portfolios. Private Equity ist sowohl begrifflich als auch inhaltlich eine Erweiterung von Venture Capital. Während Venture Capital die Finanzierung von Frühphasenunternehmen beinhaltet, integriert Private Equity zusätzlich Elemente aus benachbarten Finanzierungsarten wie Mezzanine Capital, Buyout Capital oder Restructuring Capital. Im Gegensatz zum Public Equity sind PE und VC Finanzierungen zeitlich limitierte Beteiligungen an nicht börsennotierten Unternehmen. Da für nicht an einer Börse

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gestaltete Unternehmensanteile kein Sekundärmarkt existiert, sind die Beteiligungsanteile relativ illiquid und damit langfristig. Für PE und VC Beteiligungen existieren keinerlei Marktpreise und nur vereinzelt Vergleichsmöglichkeiten anhand ähnlicher Transaktionen. Konzepte zur Performancemessung aus anderen Anlagekategorien, wie beispielsweise Aktien, sind deshalb nicht oder nur eingeschränkt anwendbar. Diese Konzepte haben sich seit den grundlegenden Arbeiten von Markowitz, Jensen und Sharp in den 60er Jahren zu einem Standard der kapitalmarkttheoretischen Messung der Aktien-Performance entwickelt. Die Performance ist die Abweichung der Rendite einer Kapitalanlage von einem zugrunde gelegten Benchmark. Für eine Beurteilung des erzielten Erfolges sollte neben der Rendite das dabei eingegangene Risiko, als eine zweite Dimension, Berücksichtigung finden. Erschwert wird ein risikoadjustierter Vergleich des Erfolges durch die Vielzahl unterschiedlichster Methoden zur Rendite- und Risikoquantifizierung. Werden die Probleme der traditionellen Performancemessung von Aktienportfolios um die Kapitalmarkteigenschaften von Private Equity und Venture Capital ergänzt, entsteht eine starke Intransparenz des gesamten Marktes für Beteiligungsfinanzierung. [...]

Bachelor Thesis from the year 2008 in the subject Business economics - Investment and Finance, grade: 1,0, University of Frankfurt (Main), language: English, abstract: Private equity is an asset class with one notorious problem: illiquidity. First, investments are made without an exit option prior the determined maturity and second it is nearly impossible to purchase an interest of an existing private equityfund. For the last few years these issues have been changing due to the development and the emergence of a secondary market in the field of private equity (PE) which opens new investment opportunities and "provides investors with liquidity in an

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extremely illiquid asset class.” The main market indicators are growth and maturity. Especially in the financial sector of secondary markets the development of these indicators should be named. The PE secondary market is in a very early state and far from institutionalized markets like stock exchanges. Heavy market imperfections are a problematic characteristic in this context. Buyers and sellers have to meet privately and negotiate an agreement. Holding an asset for such a long period like in PE can be very unnatural and difficult in a fast moving world in which the need for liquidity and changing regulations, economic situations or other issues emerge very quickly. In consequence, an efficient secondary market seems to be important and necessary to face these problems and give investors the ability to participate and unload assets when circumstances force them to do so. The PE secondary market is a relatively new phenomenon and is characterized by steady movement, change and development. Experts from market leading secondary funds and advisory services attest the PE secondary market an essential progress. The PE secondary market transforms from a market for unloading poor performing assets, to an instrument for providing chances in the way of an active portfolio management tool. This Bachelor Thesis, titled “Secondary Markets of Private Equity Investments – An Analysis” has the main target to give a prevailing and critical overview of this subject.

This book deals with risk capital provided for established firms outside the stock market, private equity, which has grown rapidly over the last three decades, yet is largely poorly understood. Although it has often been criticized in the public mind as being short termist and having adverse consequences for employment, in reality this is far from the case. Here, John Gilligan and Mike Wright dispel some of the biggest myths and misconceptions about private equity. The

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book provides a unique and authoritative source from a leading practitioner and academic for practitioners, policymakers, and researchers that explains in detail what private equity involves and reviews systematic evidence of what the impact of private equity has been. Written in a highly accessible style, the book takes the reader through what private equity means, the different actors involved, and issues concerning sourcing, checking out, valuing, and structuring deals. The various themes from the systematic academic evidence are highlighted in numerous summary vignettes placed alongside the text that discuss the practical aspects. The main part of the work concludes with an up-to-date discussion by the authors, informed commentators on the key issues in the lively debate about private equity. The book further contains summary tables of the academic research carried out over the past three decades across the private equity landscape including: the returns to investors, economic performance, impact on R&D and employees, and the longevity and life-cycle of private equity backed deals. Bringing a unique joint practitioner and academic perspective to the topic, this is the only available text on private equity truly international in focus. Examples are drawn from Europe the Middle East, Africa and America with major case studies from a wide range of business sectors, from the prestigious collection of the London Business School's Coller Institute of Private Equity. Much more than a simple case book, however, International Private Equity provides a valuable overview of the private equity industry and uses the studies to exemplify all stages of the deal process, and to illustrate such key topics as investing in emerging markets; each chapter guides the reader with an authoritative narrative on the topic treated. Covering all the main aspects of the private equity model, the book includes treatment of fund raising, fund structuring, fund performance measurement, private equity valuation, due

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diligence, modeling of leveraged buyout transactions, and harvesting of private equity investments.

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