



Harvard Lecture: Can Private Beat Public?

January 2025

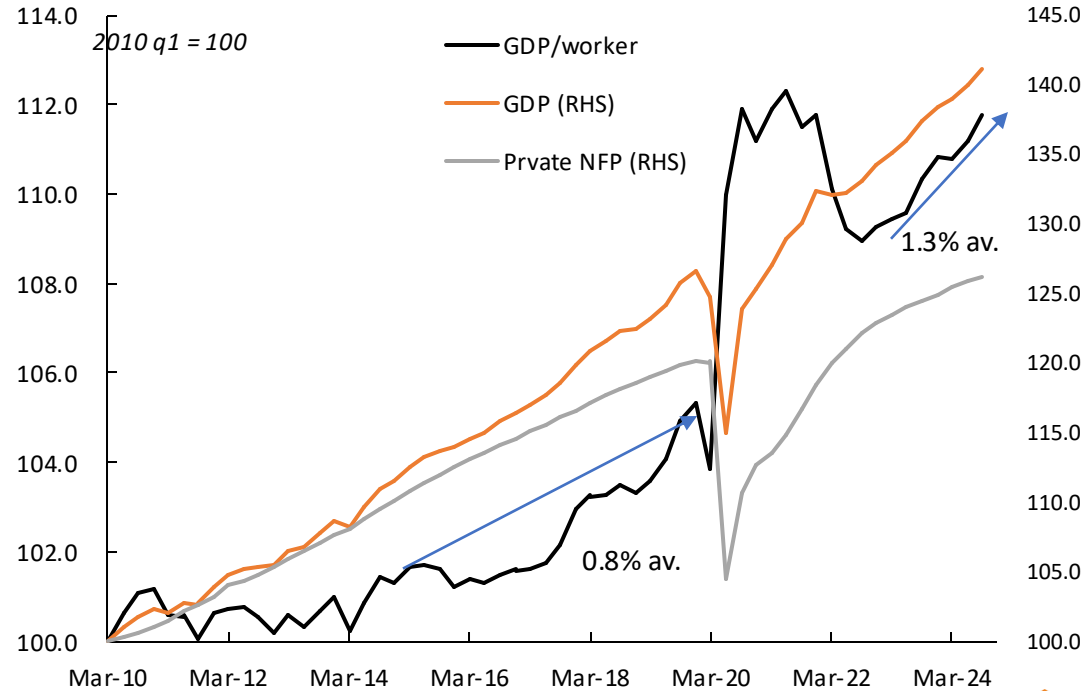
Bilal Hafeez, CEO and Head Of Research, Macro Hive

bilal@macrohive.com



Strong US Growth for 2025

Productivity Growth to remain high

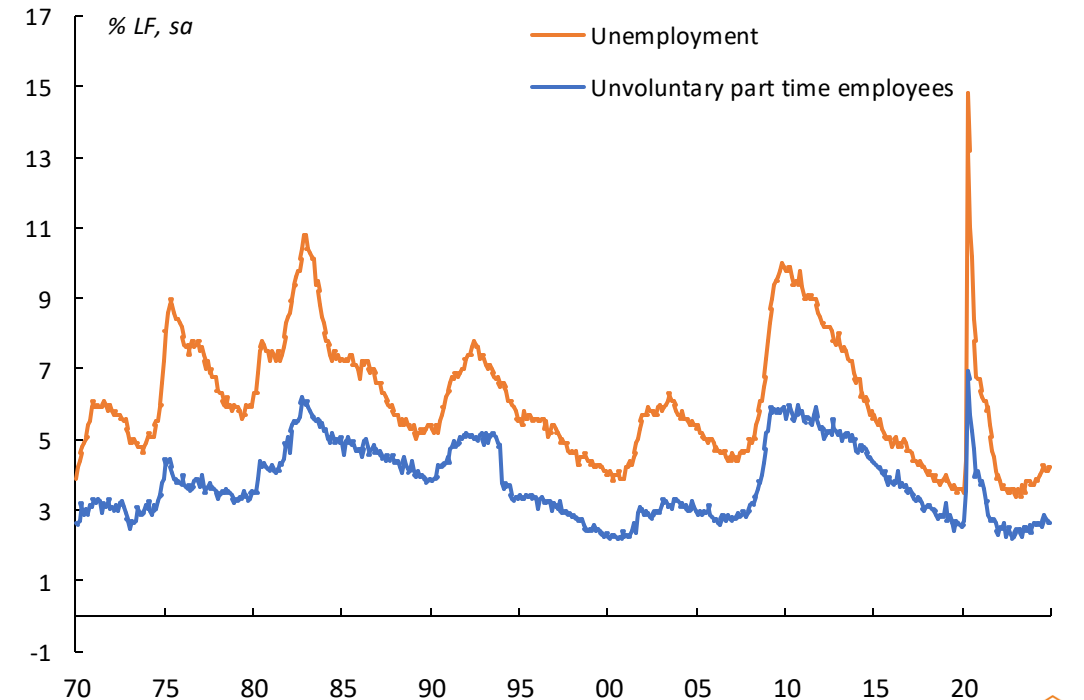


Source: Macrobond, Macro Hive



Source: SF Fed, Macro Hive

Labor Market Remains Tight

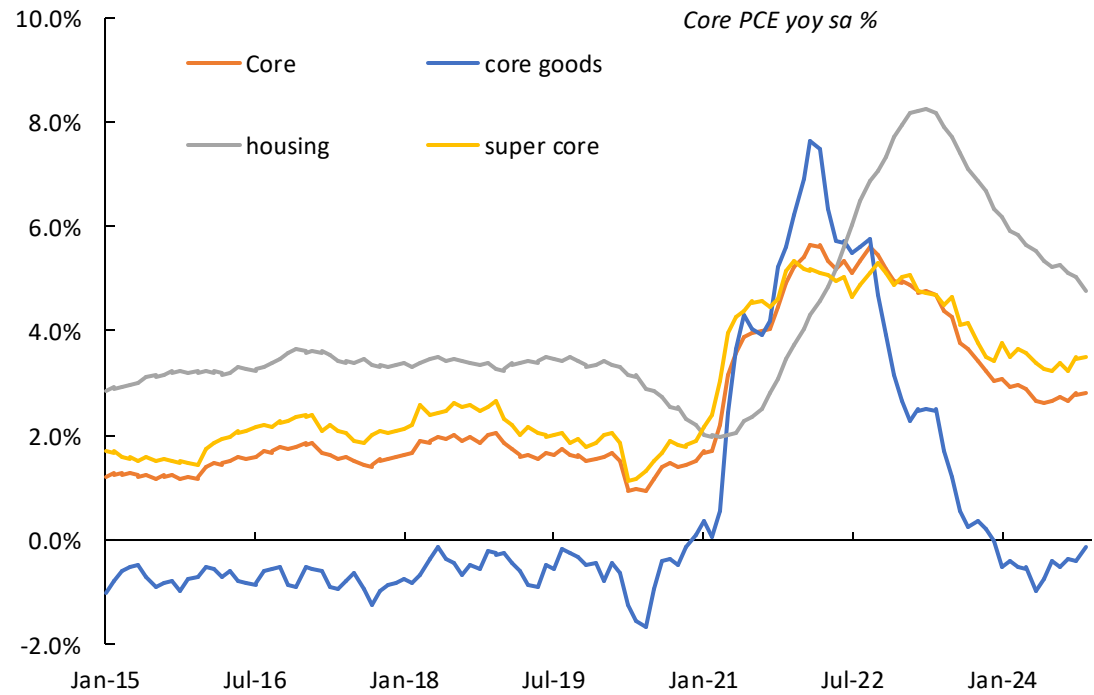


Source: Macrobond, Macro Hive



Inflation Not Defeated

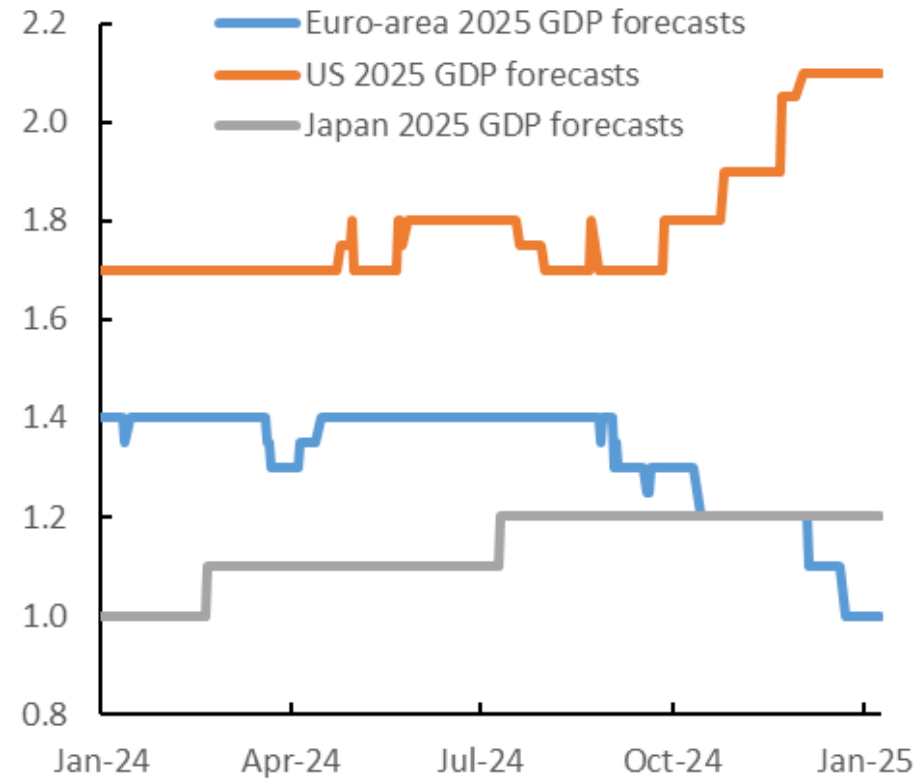
Inflation regime could have changed



Source: Macrobond, Macro Hive



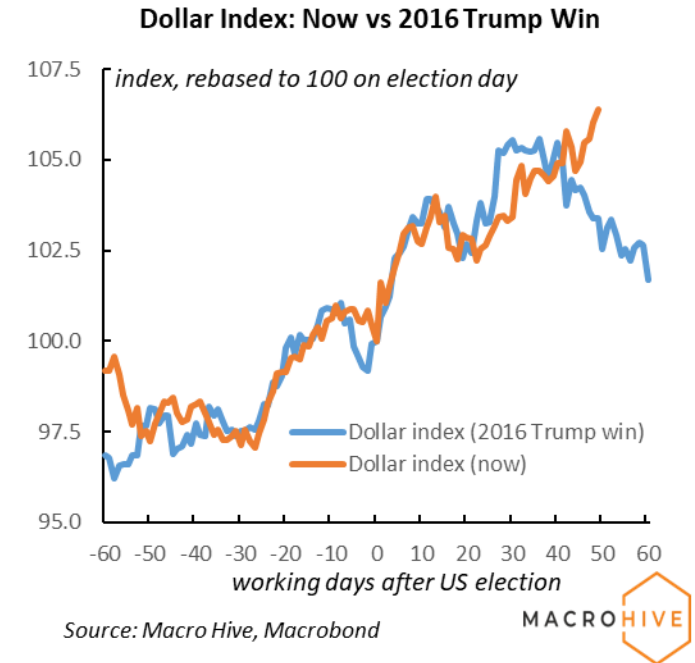
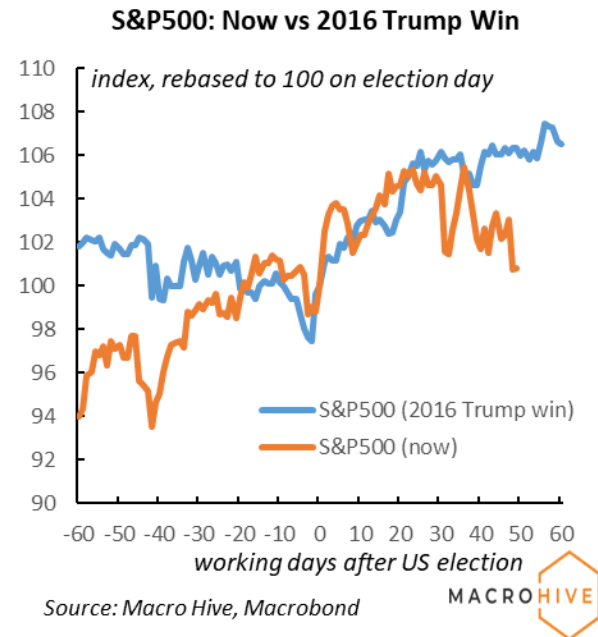
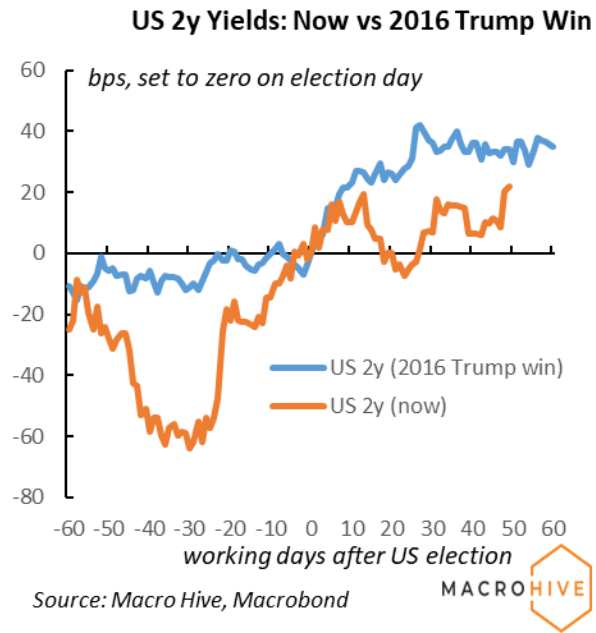
But Everyone Pricing Stronger US Growth



Source: Macro Hive, Macrobond

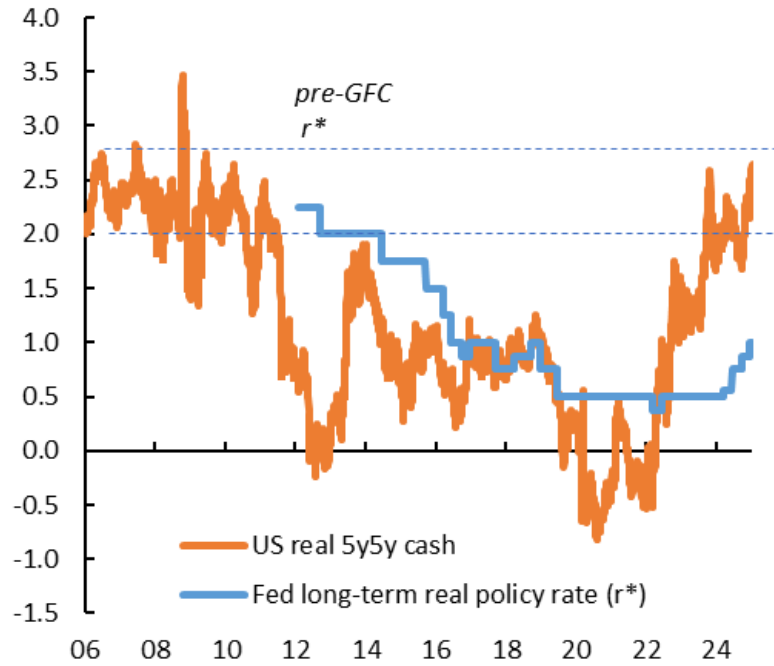


Trump 2.0 Impact vs Trump 1.0



US Rates: Market Pricing Higher r^*

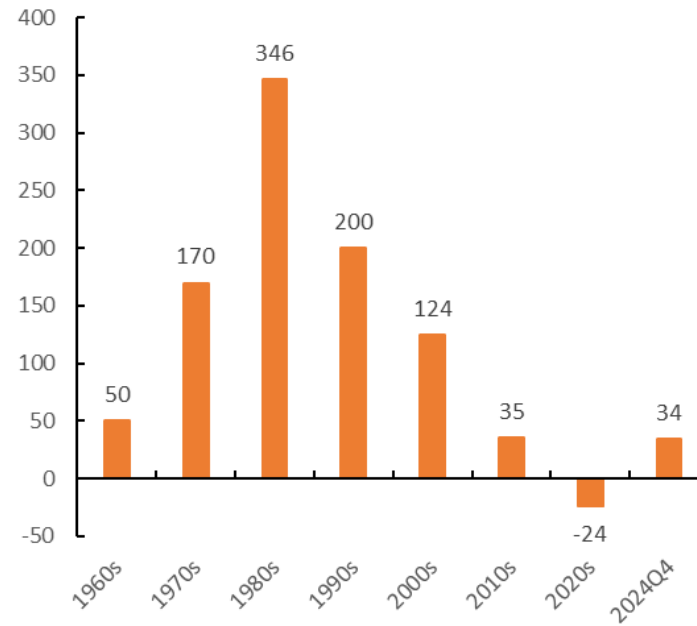
Fed vs Market r^*



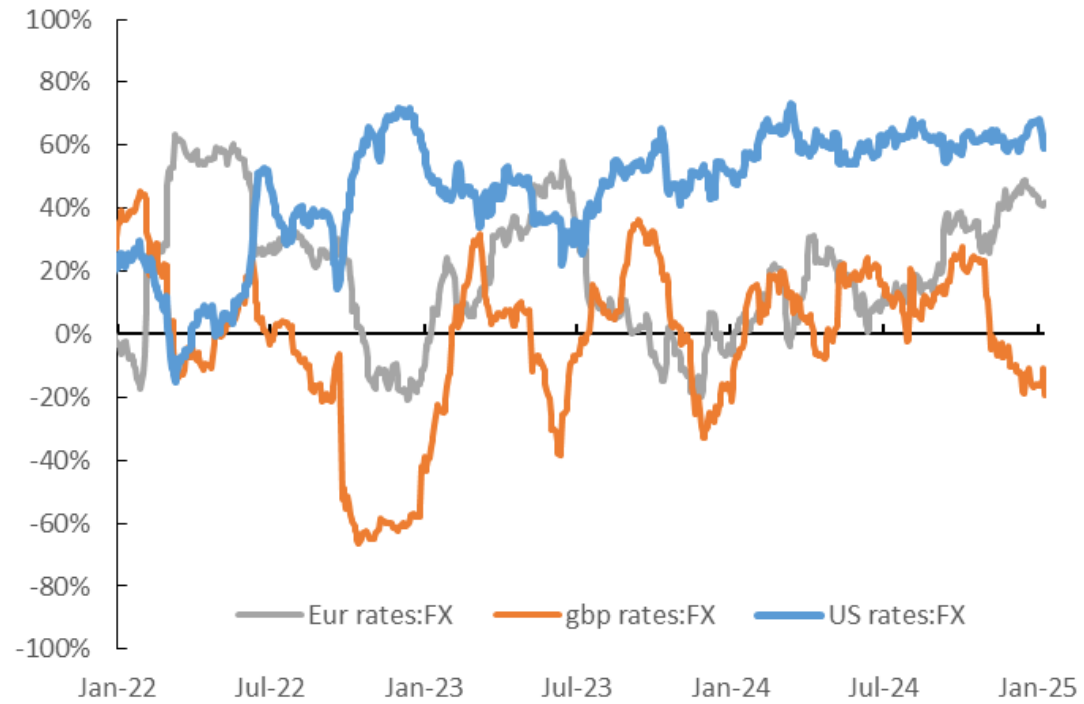
Source: Macro Hive, Macrobond



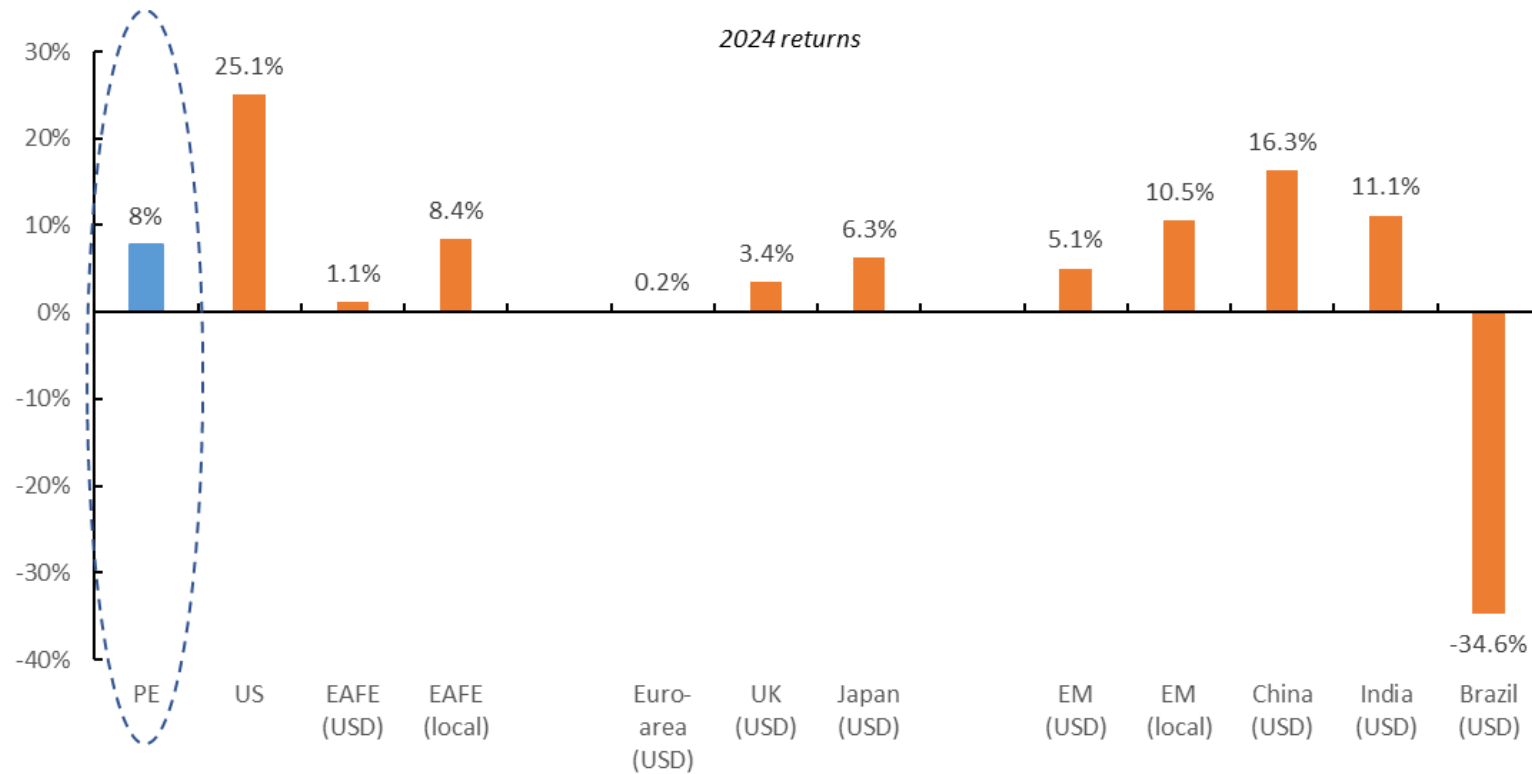
US 10y Term Premia



Doom Loop of Higher Rates/Weaker FX for UK



Equity vs PE Returns in 2024

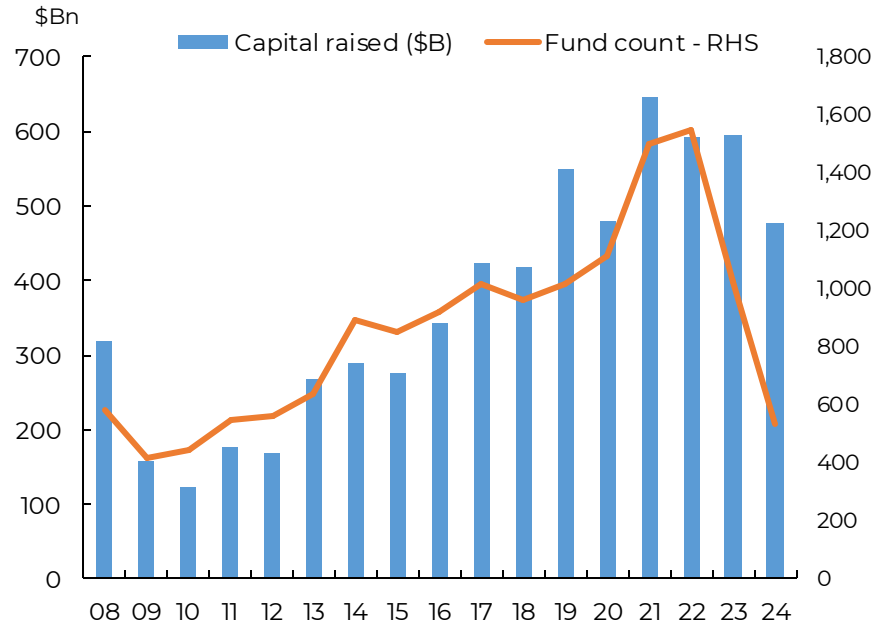


Source: Macro Hive, Bloomberg

PE Review

PE Fundraising Still Impacted by Higher Rates

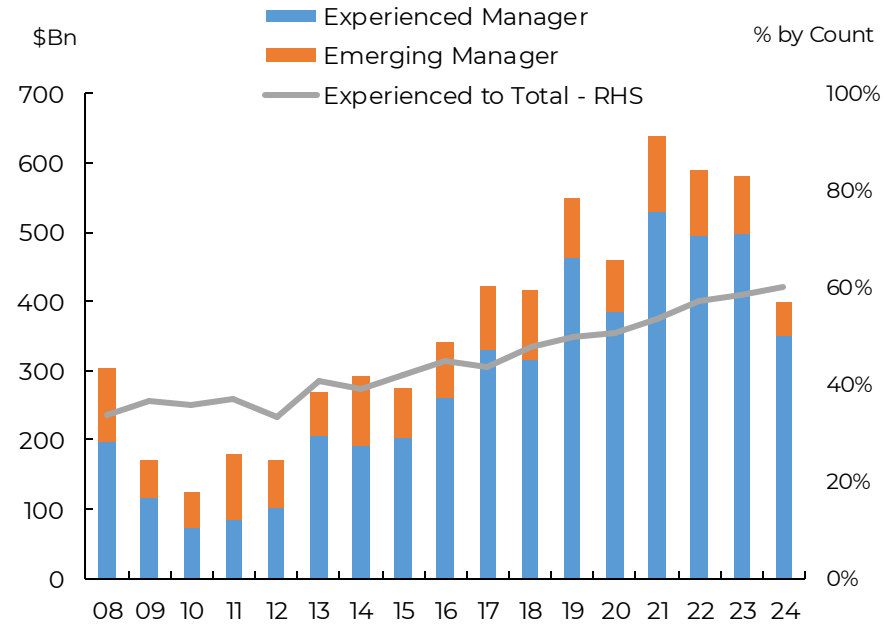
New Capital Raised By PE Firms Has Stalled



Source: Macro Hive, Pitchbook



New 60% of New Funds Raised in 2024 Went to Experienced Managers

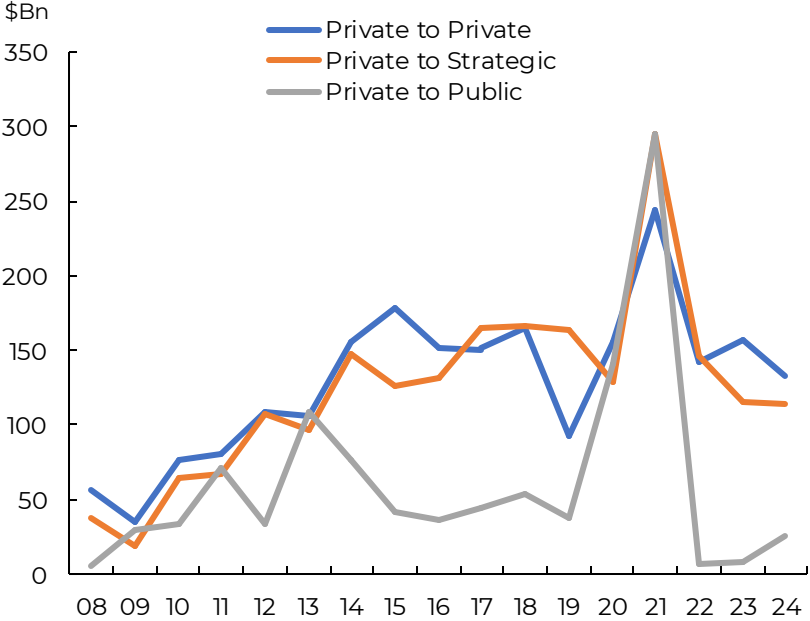


Source: Macro Hive, Pitchbook



As Public Markets Remain Shut to PE Exits

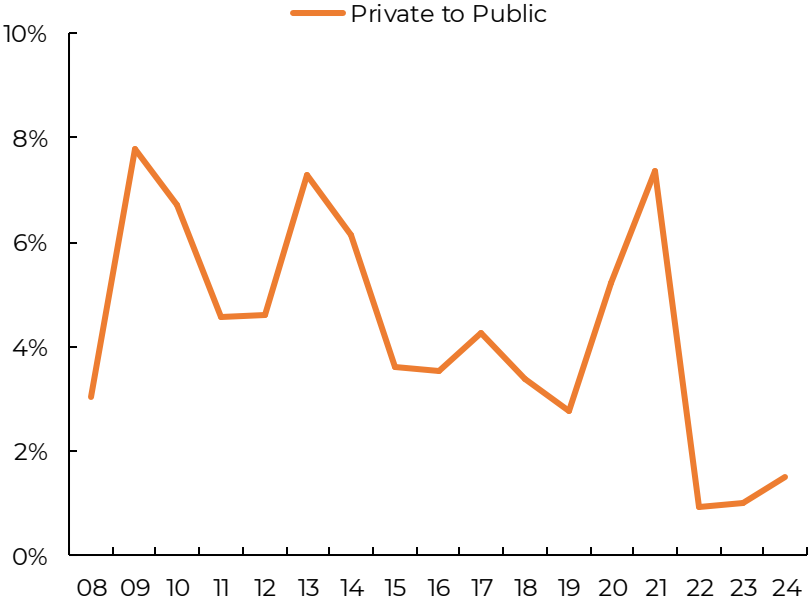
Public Markets Remain Closed to PE



Source: Macro Hive, Pitchbook



PE Still Unable to IPO Port Co's Despite Equity Rally

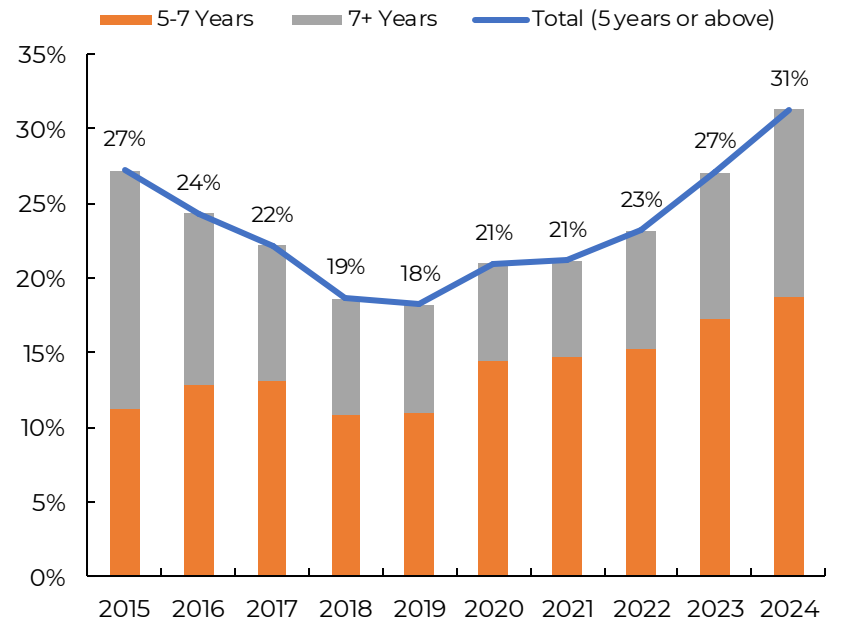


Source: Macro Hive, Pitchbook



Longer Holding Times Have Caused Fund Distributions to Fall

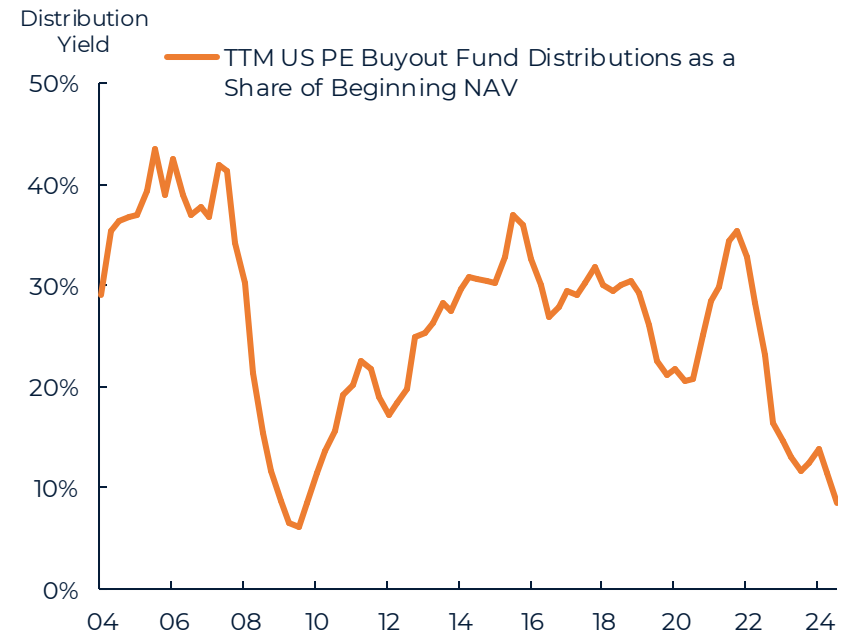
Exit Times Have Increased As Exits Become Harder



Source: Macro Hive, Pitchbook



Fund Distribution Yields Back At 09 Lows

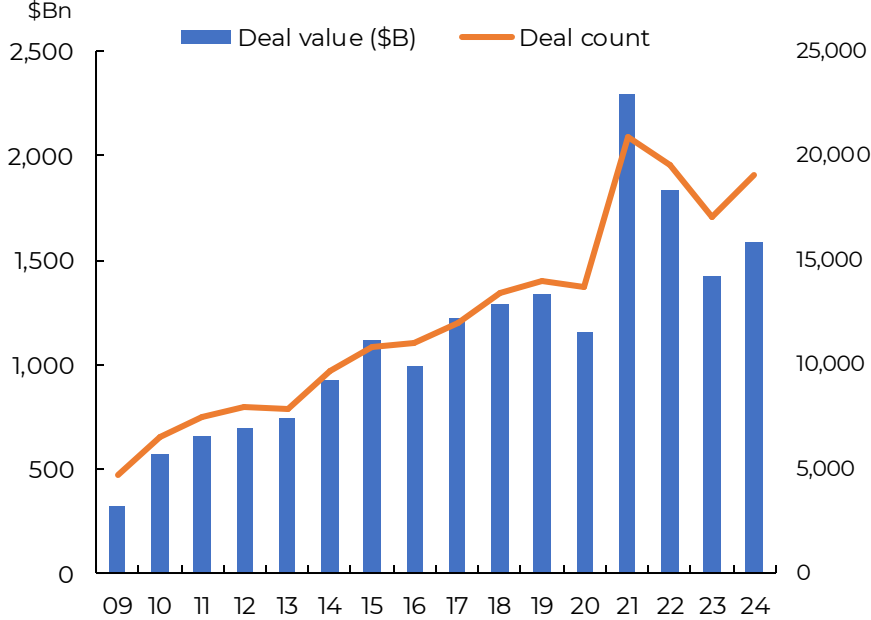


Source: Macro Hive, Pitchbook



Deal Making Has Picked Up By Volume by Could Lead to a Glut Down the Line

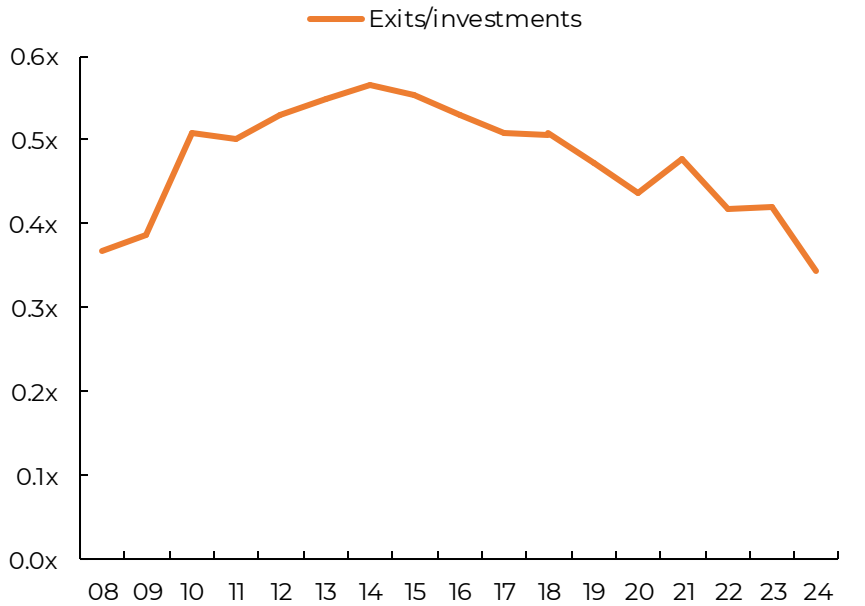
Deal Making Has Picked Up However



Source: Macro Hive, Pitchbook



Leading to A Build Up in Inventory As Exits Shrink Relative to New Investments

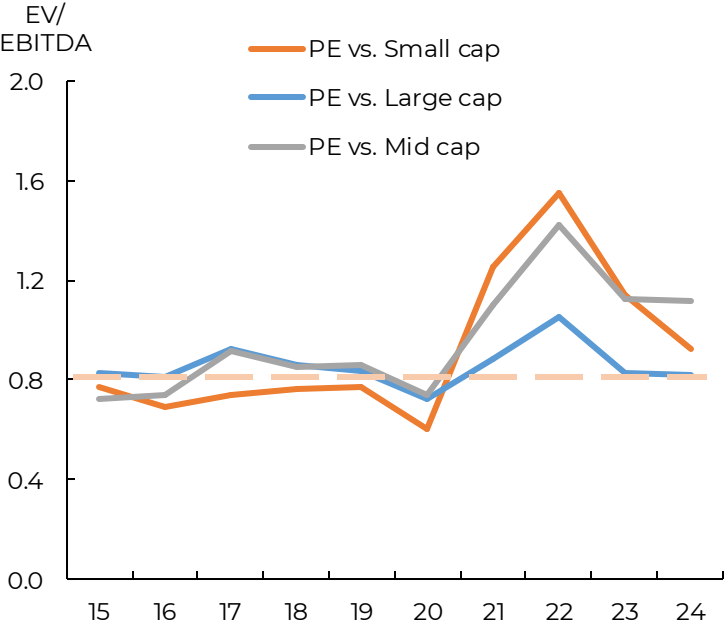


Source: Macro Hive, Pitchbook



What Happened to the 'Illiquidity Discount'?

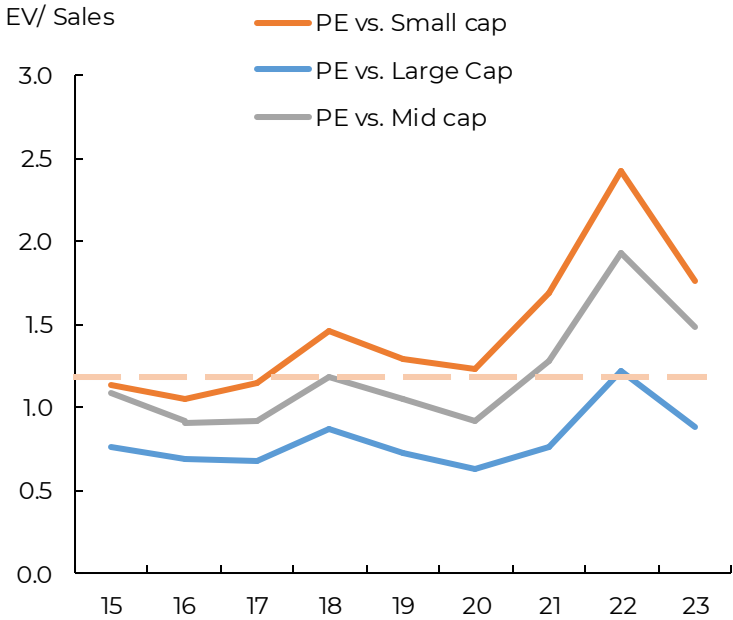
PE Historically Traded At a Discount to Listed Mid cap on EV/ EBITDA



Source: Macro Hive, Pitchbook



And Just Above Parity with Mid cap on EV/ Sales

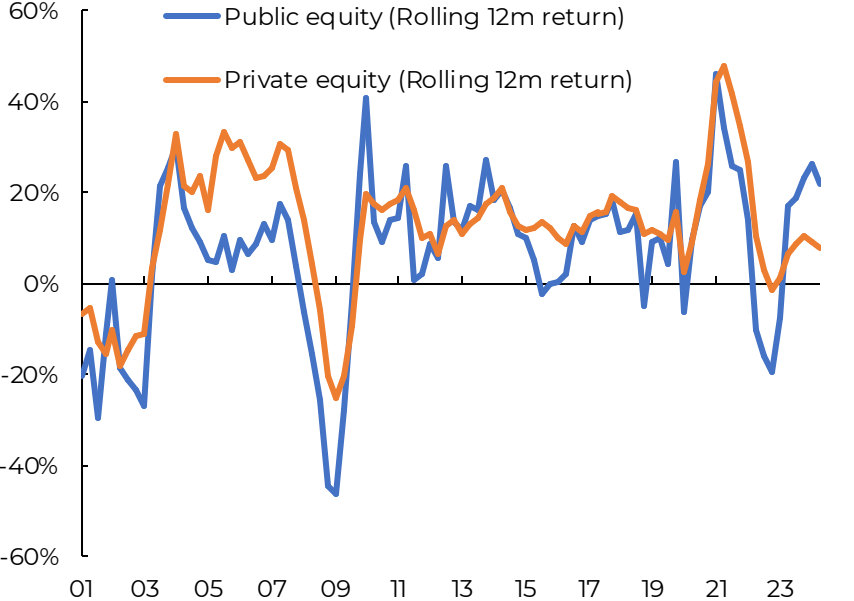


Source: Macro Hive, Pitchbook

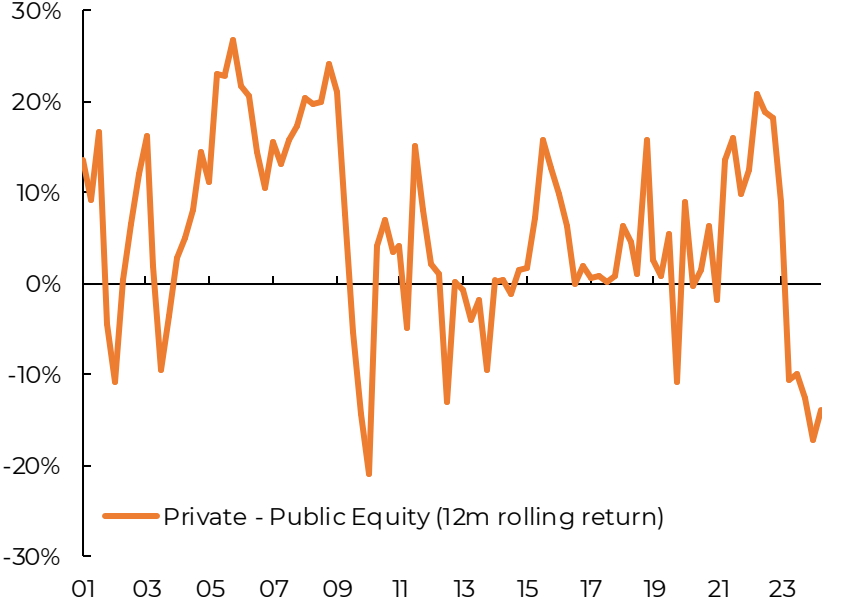


Private Equity Now Underperforming Public!

PE Has Underperformed Public Equity Since 2022 As Public Markets Bounce Back



Source: Macro Hive, Pitchbook



Source: Macro Hive, Pitchbook



Funding Costs Remain Materially Higher than Pre-Covid

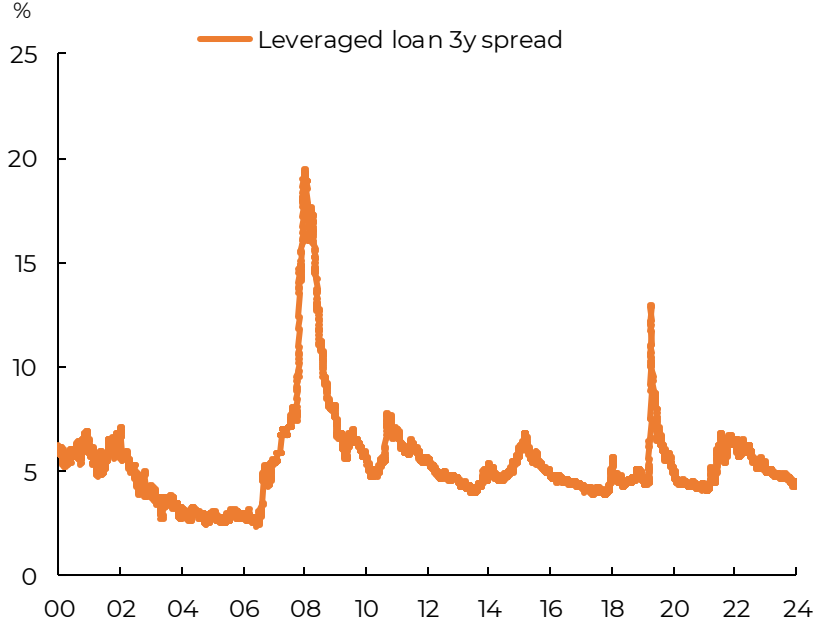
Leveraged Loan Rates Remain Elevated



Source: Macro Hive



Even As Spreads Have Narrowed Recently

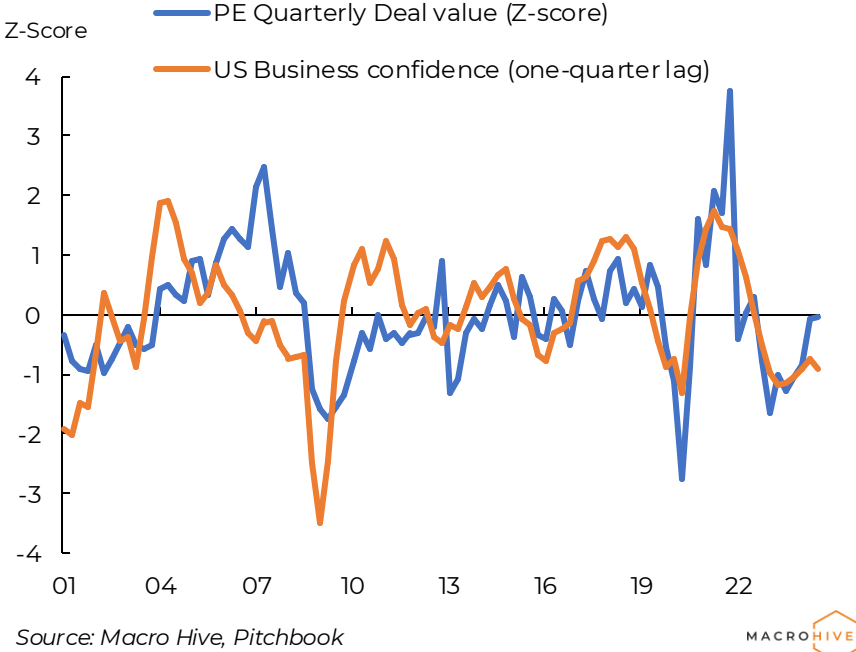


Source: Macro Hive, Pitchbook

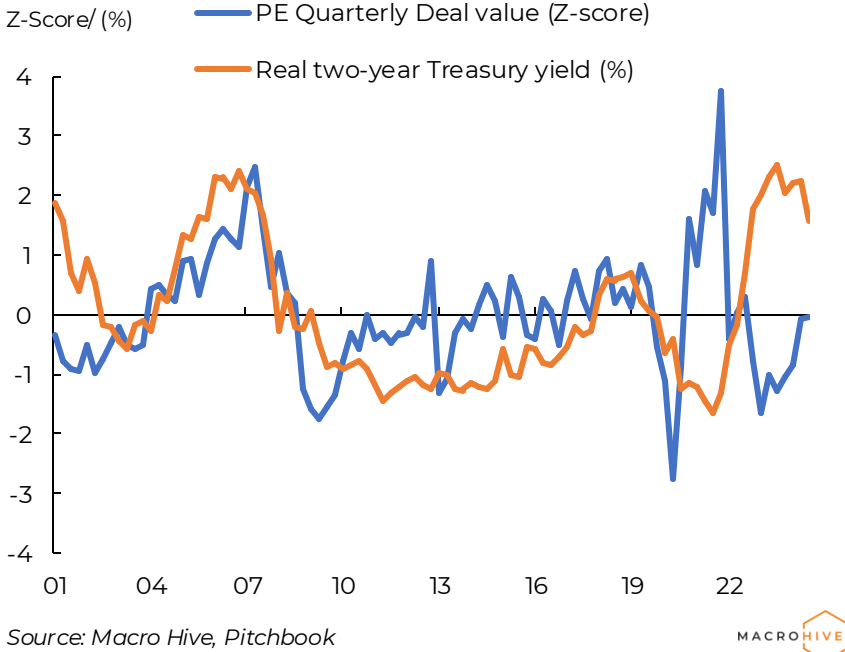


How Do Macro Factors Impact Deal Activity?

PE Deal Activity Expected to Pick Up in 2025 With Business Confidence (Careful for Tariffs)



What if Real Rates Stay Higher for Longer?



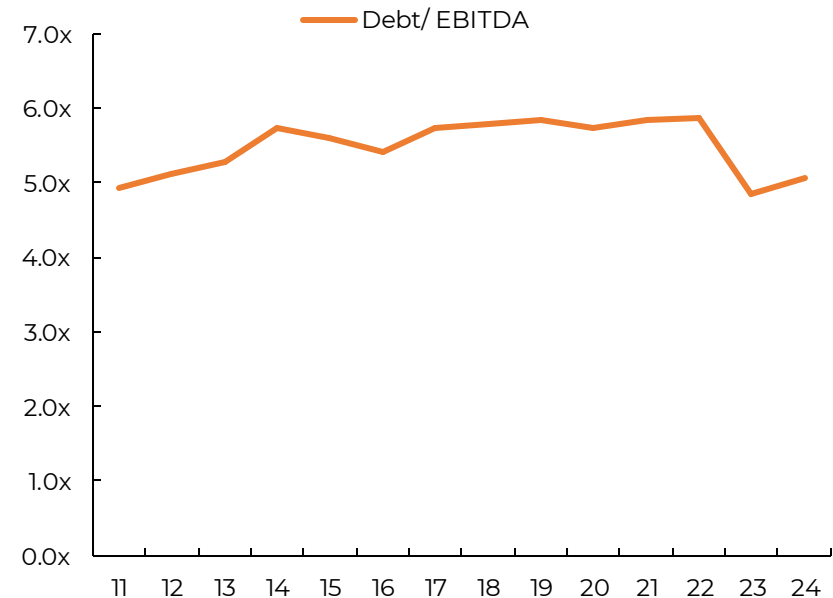
PE Management Has Adapted Well to Higher Rates So Far

Management Added Value By Immunising PortCo's Against Higher Interest Rates

"We took the opportunity to refinance some debt packages at lower spreads, strengthen capital structures to sustain growth and platform building plans for our companies, although this happened largely during the first part of the year." – Partners Group Private Equity Limited, November 2024

"A large part of the debt in the underlying portfolio companies is fixed and not floating. And many of the managers have also put in place things like interest rate swaps. So the company is well prepared." - Pantheon International, March 2023

While New BSL-Funded Deals Are Less Leveraged Versus Pre-Covid

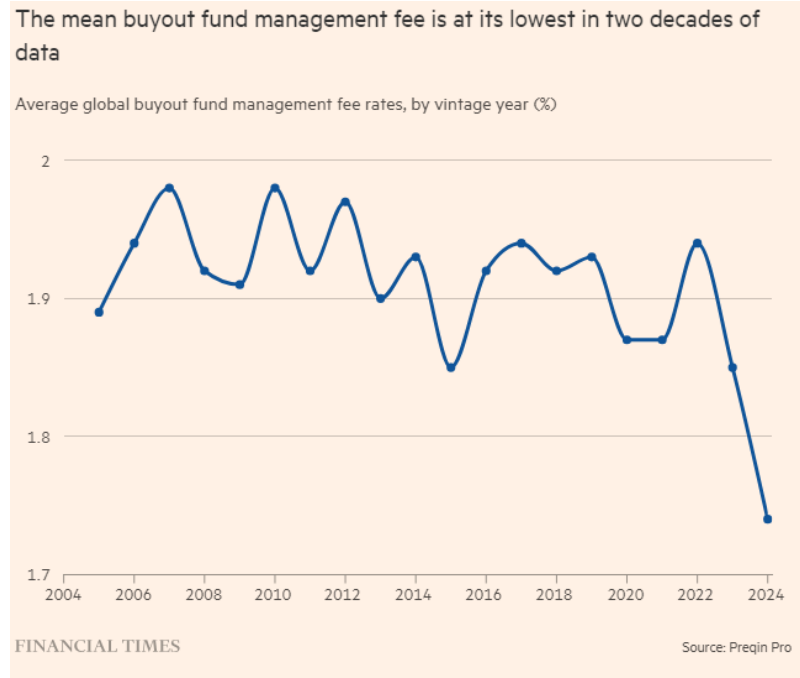


Source: Macro Hive, Pitchbook



Expect Fee Compression and Further Scrutiny on Valuations Ahead

Buyout Fund Fees Have Declined – Expect this to Continue



Expect to see Increased Scrutiny on PE Valuations

GPs are more aggressive when valuing underperforming assets – Clipway report

Companies with lower earnings growth tend to have higher valuation multiples than their better-performing counterparts, according to a report published by Clipway.

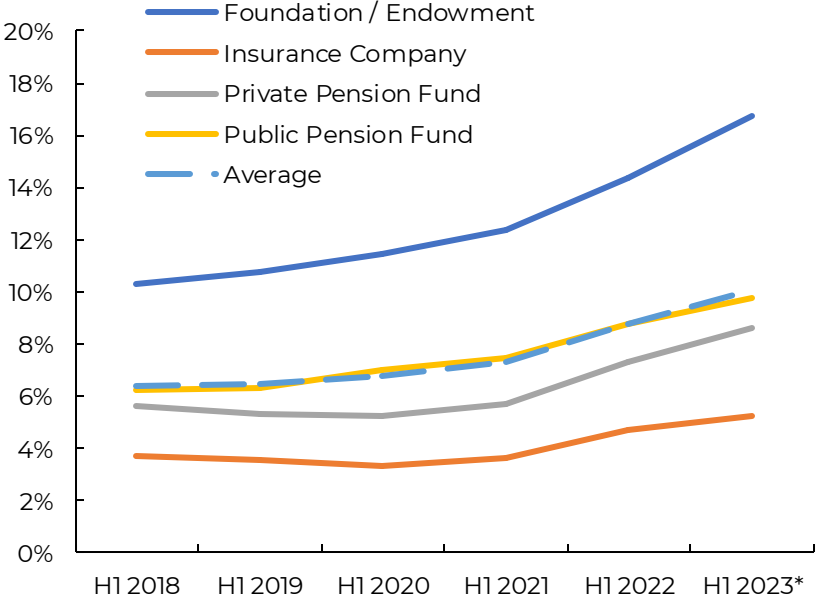
Hannah Zhang - 10 July 2024

Private Credit Valuations Worry World's Financial Watchdogs

- SEC, ECB and IMF regulators spoke at Bloomberg panel Tuesday
- Agencies concerned about systemic risk, redemption issues

PE Allocations Have Risen Sharply

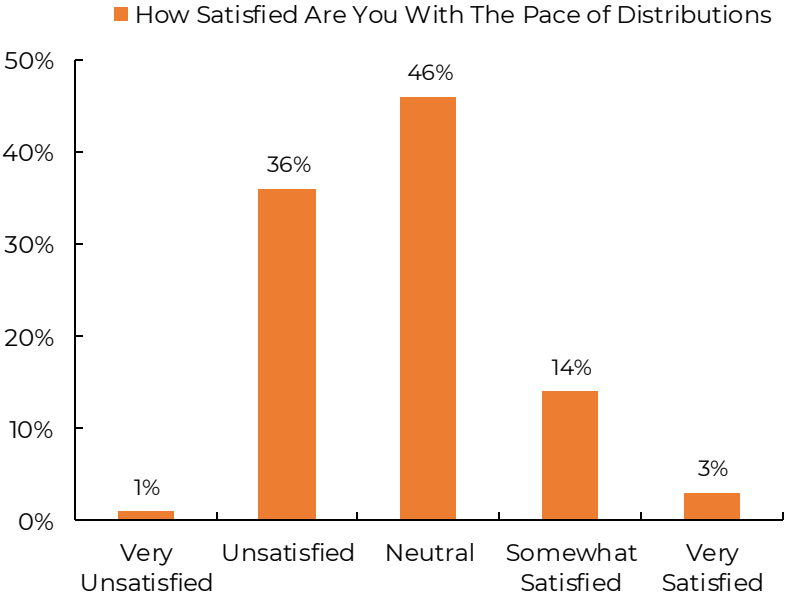
PE Allocations Have Risen Over Time



Source: Macro Hive, PEI



37% of LPs Dissatisfied With Pace of Distributions

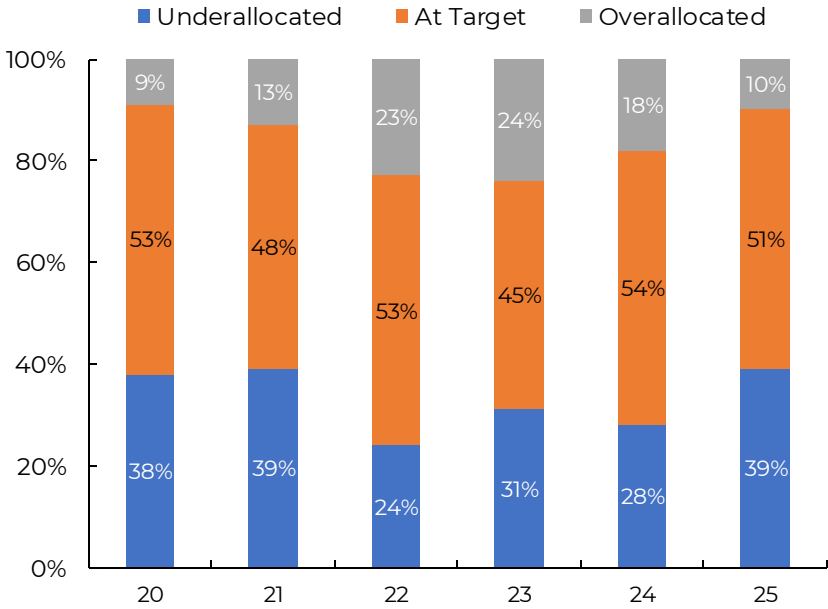


Source: Macro Hive, ILPA, Bain Capital



Lack of Opportunities Preventing Further Investment

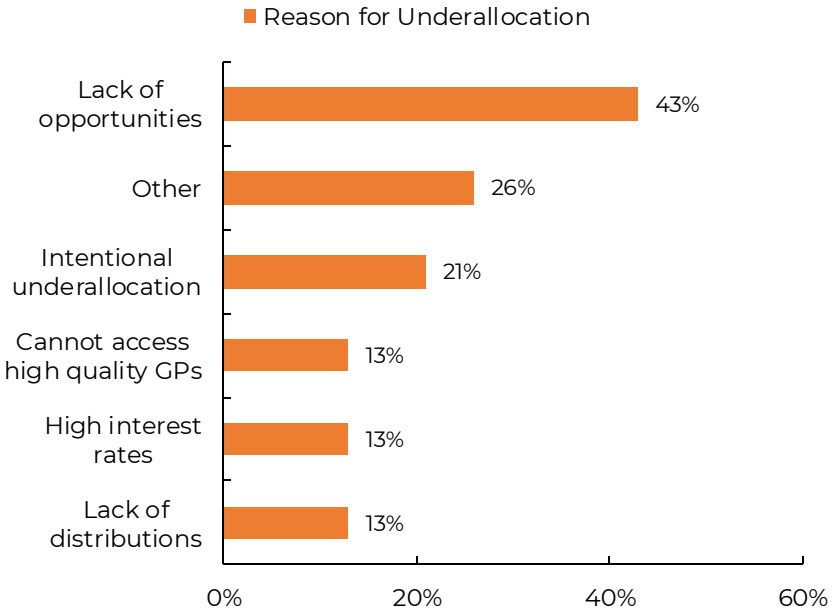
LPs See Room to Increase PE Allocations Driven by SWFs and Public Pension Funds



Source: Macro Hive, PEI



However, a Lack of Opportunities Preventing Most from Doing So

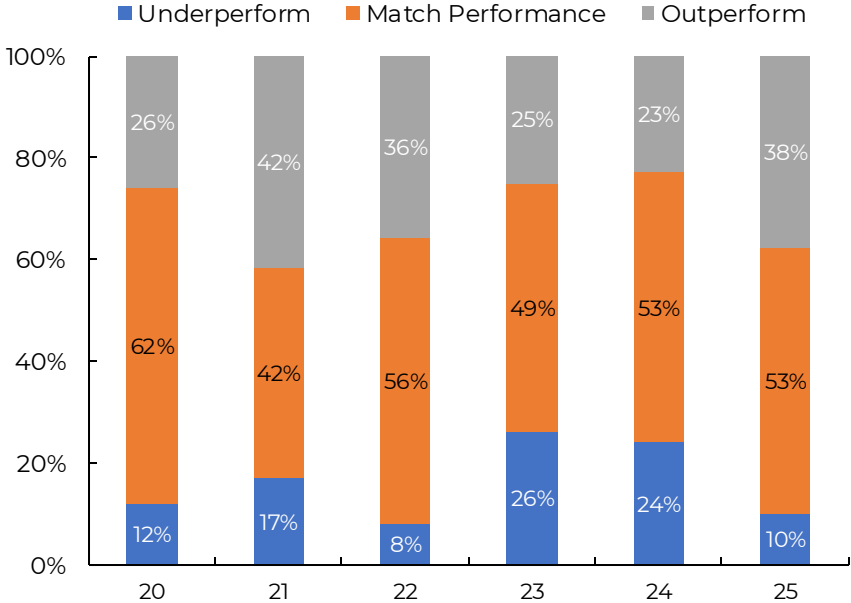


Source: Macro Hive, Pitchbook



LPs Still Optimistic About Future Performance But Future Return Expectations Still Too High

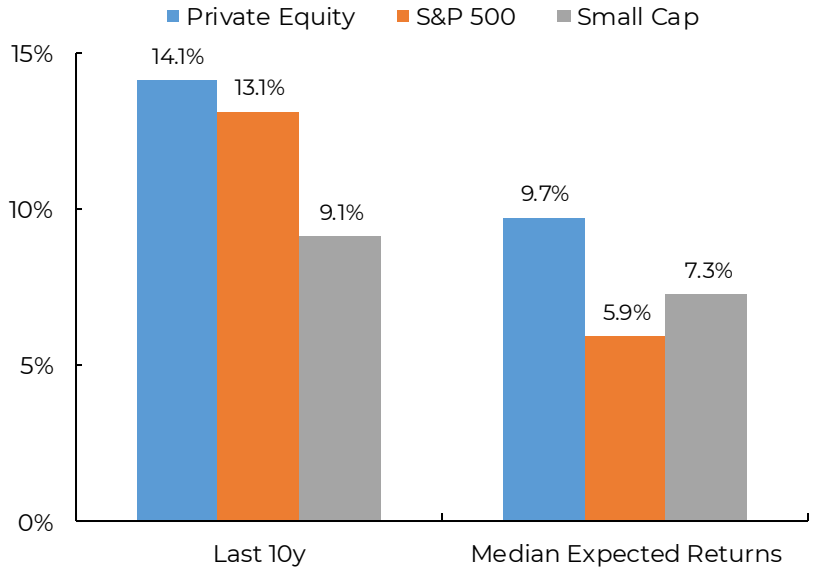
More LPs Expect Their PE Allocations to Outperform



Source: Macro Hive, PEI



Street Expected Return Assumptions for PE Still Too High



Source: Macro Hive, Prequin, Pitchbook



Take a listen to our podcast show...

Apple Podcasts Preview



44 min

PLAY ▶

David Rubenstein on How to Invest Like Superstar Investors

[Macro Hive Conversations With Bilal Hafeez](#)

Investing

[Listen on Apple Podcasts ↗](#)



David Rubenstein is Co-Founder and Co-Chairman of the Carlyle Group – one of the largest private equity firms in the world. Prior to forming Carlyle in 1987, David practiced law in Washington, D.C. with Shaw, Pittman, Potts & Trowbridge LLP (now Pillsbury Winthrop Shaw Pittman LLP). From 1977 to 1981, Mr. Rubenstein was Deputy Assistant to the US President for Domestic Policy. Among other philanthropic endeavours, David is Chairman of the Boards of the Council on Foreign Relations, the Economic Club of Washington, and the University of Chicago. David also serves as a Fellow of the Harvard Corporation and as Chairman of the Harvard Global Advisory Council and the Madison Council of the Library of Congress. David is a magna cum laude graduate of Duke University, where he was elected Phi Beta Kappa. Following Duke, David graduated from the University of Chicago Law School, where he was an editor of the Law Review. This week's podcast covers how private equity has evolved, common patterns of star investors, why social class matters for investors, and much more.

[Episode Website ↗](#)

[More Episodes](#)

Macro Hive 2020



Visit [Macrohive.com](https://macrohive.com)

The commentary contained in the presentation does not constitute an offer or a solicitation, or a recommendation to implement or liquidate an investment or to carry out any other transaction. It should not be used as a basis for any investment decision or other decision. Any investment decision should be based on appropriate professional advice specific to your needs