MILL CREEK

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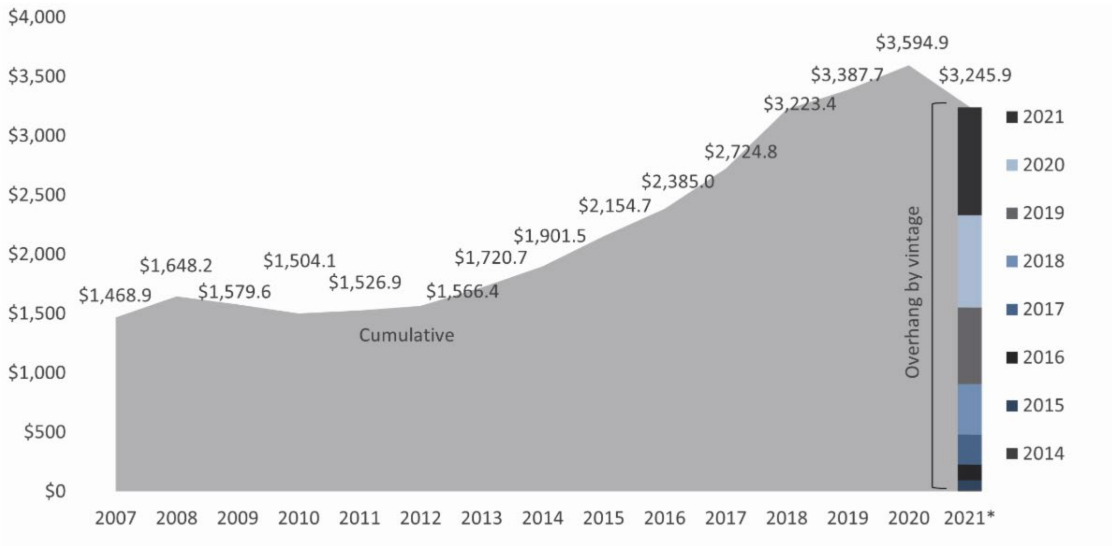
WEEKLY UPDATE
June 21, 2022

MARKET COMMENTARY

Fig. 1: Private capital dry powder ($B)



Source: Pitchbook, Mill Creek. Data is as of 12/31/21

Over several years of all-time highs in all things related to private equity, the question looming over large market segments is when the downdraft in public markets will truly impact private equity valuations. While most investors see the dramatic markdowns in the late-stage growth equity markets, most US middle-market PE segments remain robust from a deal flow and transaction volume standpoint. This is because the sheer amount of capital in the private equity system has kept most phone lines and data rooms open.

Some key questions to consider as we march towards the end of Q2:

1. How much of the public market turmoil will be reflected in Q2 valuations?
2. How well-positioned are the various venture capital and growth equity managers to support unprofitable companies that have already achieved unicorn status?
3. What will be the dynamic between buyout sponsors eager to deploy freshly raised capital in a more attractive environment versus the vast ecosystem of private credit pools making commitments in a rate environment?

The fact that several private equity investors we surveyed are asking themselves the same questions this week without coming up with answers gives us good reason to revisit these topics in a few weeks as market conditions clarify. We know that difficult times also turn into good vintage years for new commitments to the asset class.

QUICK LINKS

MC

- A Powell Surprise
- What's Ahead for Credit Spreads
- June Update: Cracks in the Foundation
- Global Small-Cap Stocks Present Attractive Opportunity for Investors

This week's contributor: *Andrew Murray*