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8 Reasons Private Equity Deserves Advisors' Attention: Hamilton Lane

By **Ginger Szala**

A dollar of investment in publicly traded stocks in 2018 is worth on average $1.53 today, while a dollar invested in private equity at that time is worth $2.36, according to asset management group Hamilton Lane.

In a recent presentation, the group laid out its pitch for financial advisors to take a look at making client investments in private equity.

High investment minimums and distribution restrictions can keep private equity markets out of reach to retail investors. But public access looks to be broadening.

In 2020, the Labor Department **gave a green light** to private equity investments in 401(k) plans within diversified investment options like target date funds.

In September 2021, the Securities and Exchange Commission's Asset Management Advisory Committee **recommended** expanding retail investor access to private investments.

The committee's **report** showed that private equity, private debt and private real estate investments often outperformed public investments and added diversification to a portfolio.

Meanwhile, private equity funds are eyeing up the high-net-worth retail investor market — a pool of money far larger than pension funds, as Hamilton Lane notes.

Here are eight reasons why private equity, and private markets, deserve advisors' attention, as presented by Hamilton Lane's Drew Schardt, head of global investment strategy, and Steve Brennan, managing director and member of the investment committee, in a recent webinar.

1. Since 2018, private equity has outperformed public equities, generating an extra 83 cents of return per dollar invested.

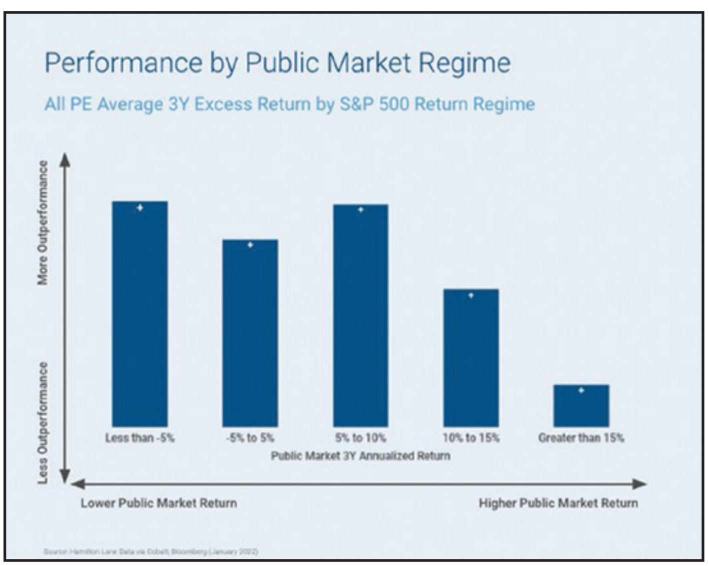
"Consistency of our performance drives interest in our asset class," Drew Schardt noted.

2. Risk/return tradeoff is paramount when building portfolios with private equity strategies.

There also has been strong performance in private real estate and private credit, which are "historically lower risk strategies," Steve Brennan said.

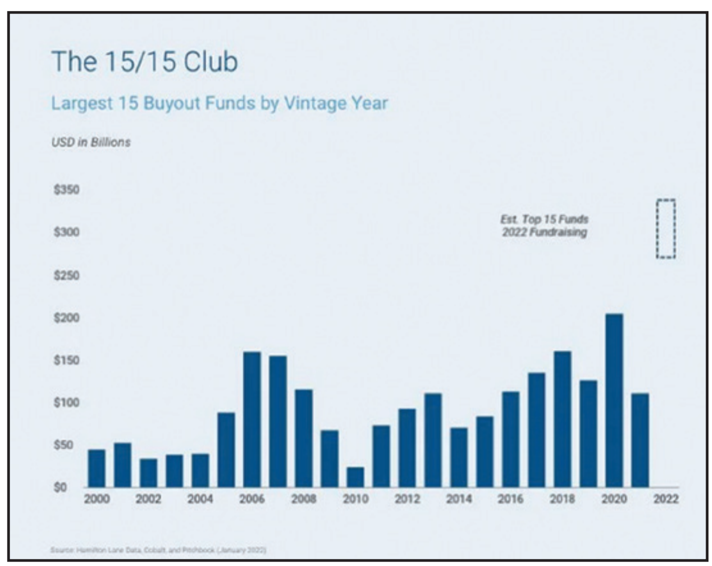
3. Private equity generates more excess returns when public market returns are low or average.

Also, "the opportunity cost of going to private ... looks less attractive on a relative basis when the public markets are really strong," Schardt says.



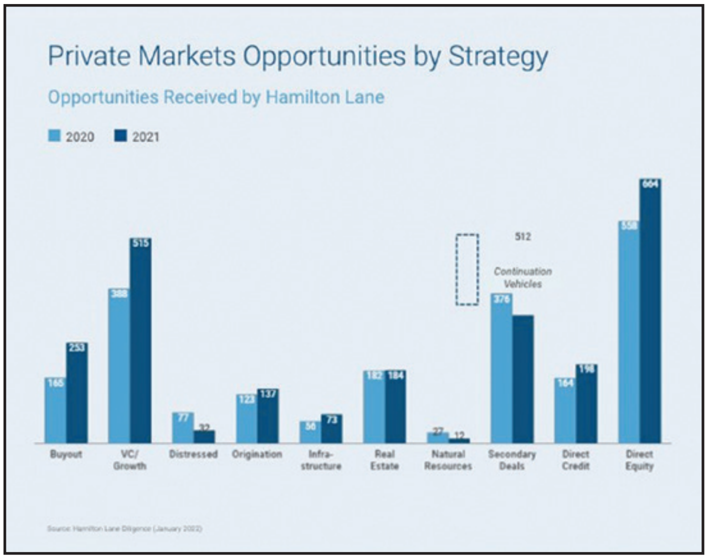
4. Expect to see 15 buyout managers raising $15 billion or more each this year, for a total of more than $300 billion.

This would represent more than a 50% increase over any other amount the largest 15 buyout funds had raised in a particular year, Brennan said.



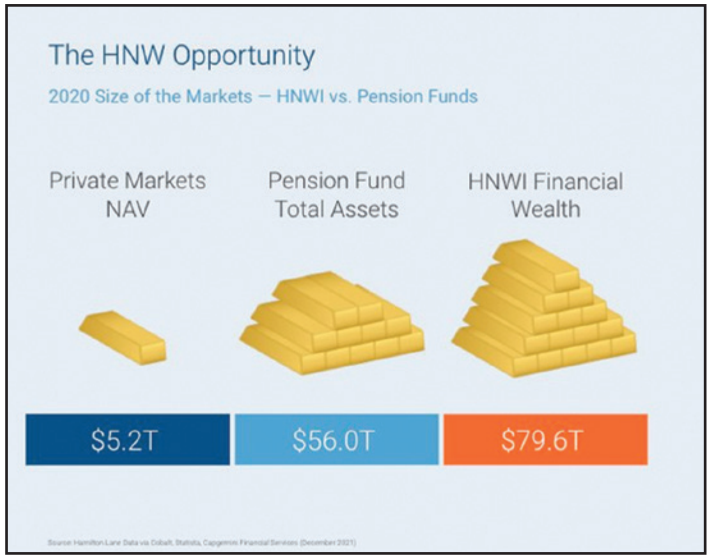
5. Private equity fundraising is 'red hot.'

Brennan also notes that there has been a spike in venture capital and secondary deals. Direct equity, however, did best.



6. High-net-worth investors' assets invested in private equity have grown to $2 trillion.

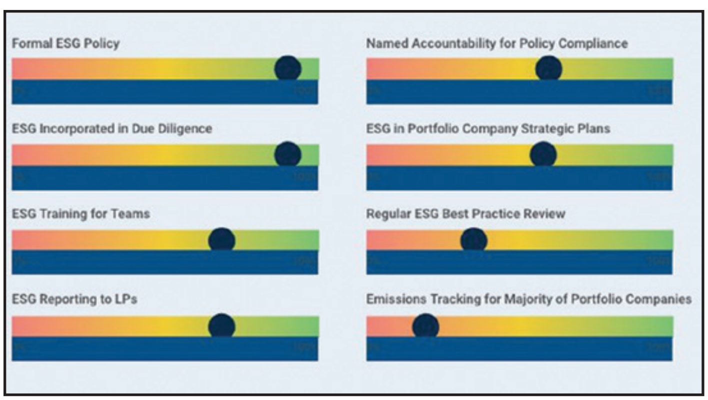
The HNW investment market is far larger than the pension markets. Hamilton notes that a 1% increase in HNW investor allocation to private markets could increase total assets by 10%.



7. Environmental, social and governance interest has grown dramatically in less than two years.

Hamilton Lane research found that the number of requests for proposals (RFPs) containing questions on ESG has doubled, while the number of ESG questions has more than tripled.

"All I can say is it's about time," Schardt said. "They aren't only asking, but now want accountability, strategic plans and practice review."



8. Private equity buyouts remain expensive.

"No one will be surprised to hear that things continue to be very expensive in the private equity world," Brennan said, including purchase price and multiples that remain at record highs.