10 Outrageous Private Equity Predictions for 2019

By Antoine Drean, private equity entrepreneur since 1992

These are against-the-odds predictions to say the least. Like Robert A. Heinlein's definition of science fiction, they represent "realistic speculation about possible future events"- to be enjoyed with tongue firmly in cheek.

OP1 - T. Rowe Price buys Hamilton Lane
As a bulwark against the ever-rising tide of low-margin index fund investment in all markets except private equity, publicly quoted asset manager T. Rowe Price ($1 trillion in assets under management) acquires private equity fund manager and advisor Hamilton Lane ($394 billion in assets under management and $58 billion held in discretionary accounts). Hamilton Lane chief executive Mario Giannini is named executive chairman of T. Rowe Price's new Private Equity Division, with responsibility for expanding the firm's institutional client base and developing PE products for the retail market.

OP2 - Vista Equity Partners Raises $1 Billion Over the Internet in a Month
Founded by iconoclastic chairman and chief executive Robert F. Smith, private equity technology specialist Vista Equity Partners ($46 billion raised since its launch in 2000) eschews placement agents and a traditional road show to raise $1 billion for an early-stage venture capital fund through a proprietary online process. By the end of the year rivals Silver Lake and Thoma Bravo follow suit.

OP3 - Secondary Volume Hits $120 Billion
Investors flock to private equity secondaries, attracted by low-risk and rapid distributions at the end of one of the longest economic expansions in history. After two consecutive annual records, the buying and selling of funds on the secondary market rises some 80 percent to an all-time high of $120 billion in 2019. This is the year when better than par becomes the new discount, with the typical fund selling in excess of net asset value.

OP4 - GP-Led Secondaries Rise Nearly Four-Fold to $60 Billion
Led by the restructuring of two long-in-the-tooth funds, each with unrealized assets valued at approximately $10 billion, the value of GP-led secondaries accounts for an unprecedented half of overall secondary volume – some $60 billion - up from a fourth in 2018.

OP5 - Carl Icahn Replaces the Management of Half a Dozen PE Funds
Octogenarian billionaire Carl Icahn becomes the first activist investor to target privately held partnerships. After purchasing stakes at steep discounts in the secondary market in six funds run by groups that haven't raised a new vehicle in at least five years, Icahn wins no-fault divorce votes at all of them, with Icahn Enterprises appointed as general partner for the funds. Paul Singer of Elliott Management and Barry Rosenstein of Jana Partners launch similar campaigns. A new term is coined for private market activists: "zombie killers."

OP6 - Apollo Raises $15 Billion for its First Activist Fund for Public Equities
By the end of the year, private equity distressed investing giant Apollo Global Management ($270 billion in assets under management) raises $15 billion for its inaugural activist fund targeting minority stakes in troubled public companies. Leon Black, chief executive and co-founder of publicly-quoted Apollo, explains to investors in an earnings call that the Apollo

Activist Fund will push for change in situations where it's not practical for the firm's private equity vehicles to buy control of companies. KKR announces a similar vehicle.

OP7 - Ardian and Pantheon Merge
Seccondary market powerhouse Ardian ($82 billion in advisory and discretionary accounts) and primary funds-of-funds leader Pantheon ($42 billion in advisory and discretionary accounts) merge. By the end of the year, the move prompts Ardian's principal rival in the secondary fund market, Lexington Partners ($38 billion in assets under management), to sell itself to Goldman Sachs. This latter move effectively inters Volker Rule restrictions on bank ownership of private equity funds. In parallel, a number of hedge funds combat falling revenues and shrinking asset bases by acquiring private equity fund groups.

OP8 - Blackstone and Hillhouse Announce the $50 Billion Sino-U.S. Fund
In September, U.S.-based Blackstone ($450 billion in advisory and discretionary accounts) and China-based Hillhouse Capital (more than $50 billion in advisory and discretionary accounts) announce their joint-management of the Sino-U.S. Fund, aiming to raise $50 billion. The move follows the June signing of The U.S.-China Agreement, which American President Donald Trump calls "not only the best trade deal ever, but the greatest deal since the ten commandments." The Sino-U.S. Fund aims to take majority and minority stakes in a vast range of companies in China and the U.S., helping them expand in both markets. U.S. Trade Representative Robert Lighthizer and Chinese Vice Premier Liu He, the principal architects of the USCA, resign from their government posts to run the new fund.

OP9 - Coller Capital Buys UK Investments from Other PE Houses
On Monday, April 1, the first working day after the U.K. crashes out of the European Union, leading secondaries firm Coller Capital announces the Believe in Britain Fund, a £5 billion investment vehicle already armed with £4 billion in commitments from three major European family offices. Coller simultaneously announces $6 billion in leveraged "strip" deals, pre-arranged with five mega-funds. The funds are offloading between 15 percent and 35 percent of their British-based portfolio companies to BIB to limit their own investors' exposure to British investments. Some journalists think it's an April Fools prank and don't run the story.

OP10 – New York City Pension Funds Appoints the Yale Investment Office
Spurred by the American Council for Capital Formation's 2018 report concluding that the $190 billion New York City Pension Funds' underfunding crisis is the result of "politically motivated investment decisions and poor management," the latter's trustees strike a landmark outsourcing deal with the Yale Investment Office. Under the direction of chief investment officer David Swensen, the originator of the highly successful, alternatives-heavy "Endowment Model" of investing, Yale will invest 12 percent of New York City's assets in the broad private equity class. The trustees announce they will gradually strike similar outsourcing deals with other LP-led investment organizations.