



# Private Markets Update | Summer 2024

Summer, 2024

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## SUMMARY

The Private Markets Update highlights key developments emerging from private markets across Europe, the UK and the United States, exploring the cross-border issues that matter to investors and sponsors in alternative assets.

In this edition, we examine developments in the markets over the first half of 2024, and highlight some of the key issues facing investors as we move into the second half of the year.

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## PRIVATE MARKETS FOREWORD: THE START OF A LOT MORE

This year began with a lot of expectation. There was an expectation (and hope) that interest rate reductions would be forthcoming (along with other macro softening), that some of the challenges underpinning reduced merger and acquisition (M&A) volumes would fall away, that financing markets would become more accessible, and that political uncertainty would wane and a period of stability would underscore a strong return to growth.

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## MARKET ANALYSIS

We examined the most recent data and pooled our shared experiences to bring you the “10 Trends to Track” list: our pick of the most pertinent themes in the current market and an attempt to underscore the backdrop in which investors are operating. While many dealmakers had a positive start to 2024, this year remains characterized by uncertainty, caution and a tight mergers and acquisitions (M&A) market.

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## BENEFITS OF SPECIALIZATION FOR HEALTHCARE PRIVATE EQUITY FUNDS

In recent years, private fund managers have faced significant headwinds in connection with capital formation and fundraising efforts, including in the private equity space. New firms in particular face barriers to entry in an extremely competitive market at a time when investors have limited capital to deploy and are focused on the rate of distributions from their current fund investments.

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## CROSS-BORDER REGULATION OF PRIVATE CREDIT

It's no secret that direct lending markets are growing at a remarkable pace. As investment managers look to provide their investors with stable risk-adjusted returns, the flight of capital to private credit has taken the asset class to upwards of \$2 trillion in value. Additionally, the product offering has evolved into the most sophisticated general lending product seen in the leveraged finance markets.

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## OBSTACLES TO MERGERS IN THE EU

Mergers and acquisitions (M&A) likely to impact the European Union's internal market have recently come under increased scrutiny.

Most companies are familiar with the merger control check that must be carried out: Is the transaction notifiable under the EU Merger Regulation (EUMR) or under one or more of its member-state-level equivalents? It used to be that if no merger filing obligations were triggered, the parties could quickly move on to closing the transaction. Sadly, that is no longer the case.

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## FINANCING CHALLENGES FOR HEALTH AND LIFE SCIENCES INVESTORS

The broader macro and geopolitical landscape has created a particularly challenging financing environment for health and life sciences investors in 2023. Uncertainty and the higher cost of capital has driven lender reticence, resulting in a flight to quality borrowers and top-tier assets. As a result, high-quality assets continue to transact at values largely unchanged from a year ago, but for others it's difficult to convince lenders to engage.



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## THE EU AI ACT: ENFORCEMENT INSIGHTS AND GUIDANCE FOR BUSINESSES

The EU Artificial Intelligence Act (AI Act) introduces a groundbreaking framework for regulating artificial intelligence (AI) across Europe, categorizing AI systems into four risk levels: prohibited AI, high-risk AI, limited risk AI and minimal risk AI. Each category demands specific compliance measures, impacting various sectors such as healthcare, finance and consumer technologies.

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## CROSS-BORDER RESTRUCTURING AND THE YEAR AHEAD

For the last few years, the guesswork surrounding the cross-border restructuring landscape has been no different from that surrounding the deal market or even the macroeconomic landscape. Peppered with a global pandemic, regional conflict and resulting uncertainty, few (if any) have been able to gaze with meaningful accuracy into their crystal ball. Most have moved to either provide more hedged predictions or identify wider trends.

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## PREPARING FOR THE FCA'S ANTI-GREENWASHING RULE

The UK Financial Conduct Authority's (FCA) anti-greenwashing rule officially went into effect on May 31, 2024, covering all communications by FCA-authorized firms relating to products and services that reference environmental and/or social characteristics.

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