# THE PULSE OF PRIVATE EQUITY

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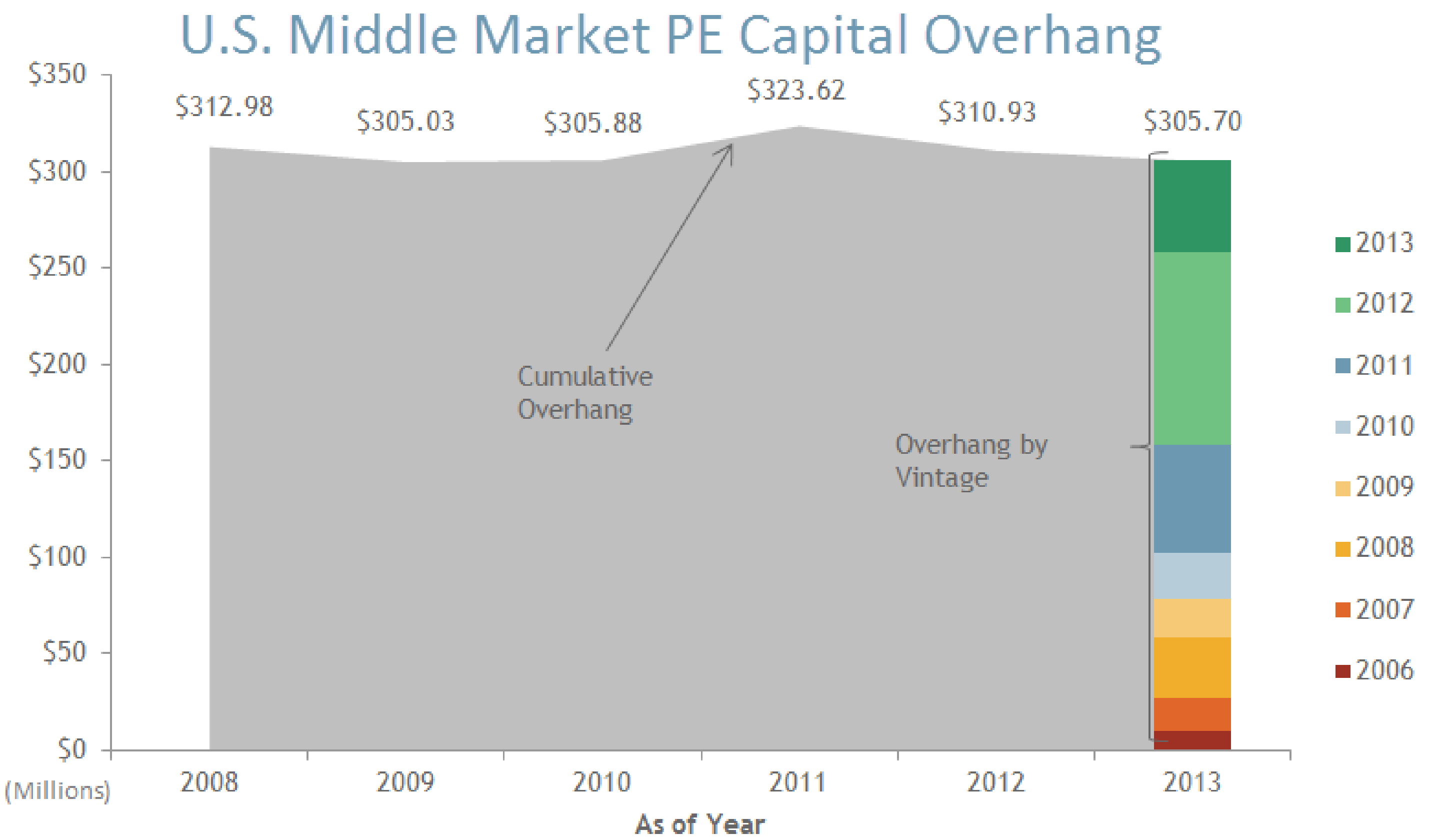


Last week we discussed the increase in valuations seen over the last 12 to 18 months in the middle-middle market, one of the drivers that we cited was the increase in competition and amount of capital chasing these deals. Today's PitchBook chart shows that U.S. PE funds targeting middle-market deals currently have $305 billion of dry powder, certainly a large amount of capital available for investment. This equates to enough capital to support about three years of PE activity when you factor in leverage. It might seem like a lot but we feel that this is actually close to the optimal amount of overhang based on the recent levels of deal activity and does not represent a vast supply of money sloshing around.

Breaking down the numbers a bit more, one area where there is some hot money is in those funds that are nearing the end of their investment period. According to PitchBook, there is about $78.5 billion sitting in these funds un-invested. We expect these funds to be some of the most active this year as they don't have the luxury of being picky or waiting to see if valuations will moderate like the more recent vintages do. Overall though the industry has done an impressive job of handling the mature overhang that existed a couple of years ago and raising a fresh round of capital to support the next few years of deal making.