

**Testimony before the
U.S. House Financial Services Committee**

“America for Sale? An Examination of the Practices of Private Funds”

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Good morning, Chairwoman Waters, Ranking Member McHenry and other distinguished members of the House Financial Services Committee. Thank you for the opportunity to testify today.

My name is Drew Maloney. I lead the American Investment Council. We are proud to represent private equity firms, of all sizes. Our industry creates jobs, powers the economy and strengthens the retirements of millions of Americans.

Our industry provides businesses with the capital and expertise to grow. The term “private equity” is very broad, so before I go any further, I wanted to take a minute to talk about the three main forms of private equity: Venture capital, growth capital and buyouts. Each describe investments at a different phase of the business lifecycle.

- **Venture capital** represents those early investments in startups that need capital to exist. For example, private equity made early investments in Uber, Spotify and Peloton, long before those companies became household names.
- **Growth capital** is when private equity invests to expand an existing company. Growth capital represents the largest part of the investment chain. A great example is Tate’s cookies, founded in New York by Kathleen King when she was 21. She partnered with private equity to grow the business, and now Tate’s cookies are in grocery stores across America.
- Finally, **buyouts** are private equity investments in well-established companies that may be distressed or underperforming. Private equity helped Hilton Hotels almost double in size during its 11-year investment in the company. Hilton was recently recognized as the best company to work for in the U.S.

The ultimate objective of each of these investments is to build a better business. Private equity provides patient, long-term capital that allows management to think beyond quarterly earnings and short-term fluctuations in the stock price. Private equity also provides more than just capital. Firms bring operational expertise to each investment and often work closely with the management of each company to define strategy and map out long-term growth objectives.

The biggest investors in our industry are pension funds and university endowments. Successful private equity investments strengthen the retirements of

public- and private-sector workers, including teachers, firefighters and police officers.

In total, the private equity sector in the U.S. [employed 8.8 million people](#) and paid \$600 billion in wages and other benefits in 2018. That total included more than 1.1 million jobs in California. Roughly a third of those private equity jobs were in either manufacturing, construction, transportation or warehousing.

Private equity invested [\\$685 billion](#) in more than 4,700 businesses across the U.S. in 2018. Most of those deals involved small- or mid-sized companies. Businesses of every size, in every congressional district, depend on private equity capital and expertise to grow.

In 2014, private equity invested in Inland Coatings, a small industrial coating manufacturer in Adel, Iowa. The investment helped the company grow to an industry leader and provide healthcare and retirement benefits to its employees.

[Ninety-one percent](#) of public pension funds have invested some portion of their capital in private equity, and in 2018, we generated the strongest return of any asset class over the last 10 years.

The Los Angeles County Employees' Retirement Association had one of the highest average annual returns in the country. Earlier this year, the Chief Investment Officer of CALPERS, the country's largest pension fund, said, "We need private equity, we need more of it, and we need it now."

These strong returns have become increasingly critical for pension funds at a time when many do not have enough money to meet their existing obligations. Private equity is proud to help close that shortfall.

Thank you again for giving me the privilege of appearing before the committee. I am grateful for the opportunity and look forward to answering your questions.