Investing Post Pandemic

Malcolm Baker, Victoria Ivashina
2021 Virtual Reunions Presentations
HBS Faculty

Malcolm Baker

Victoria Ivashina
Panel

Kate Bingham ‘91
SV Health Investors

Melissa Ma ‘96
Asia Alternatives

Jean-Marc Chapus ‘86
Crescent Capital
From Pandemic to Endemic?

Covid-19 Vaccinations Boost the Global Economy, but May Not Cure It Alone

The Delta variant is slowing economic growth even as governments push more people to get shots.

New reported cases

- **Cases**: 459,656 (last 90 days) -17% 232,775,876
- **Deaths**: 8,002 (last 90 days) -11% 4,765,272

Investing Post Pandemic

HARVARD BUSINESS SCHOOL
Poll 1: How long will Covid weigh on economic growth?

The global economy contracted by 4.3% in 2020. Prior to the pandemic, the World Bank forecast 2.1% growth for 2020-29.

a. Output will return to trendline in less than 12 months
b. In 12-36 months
c. In 36-60 months
d. More than 60 months
The S&P 500

MARKETS | U.S. MARKETS
S&P 500, Nasdaq Set Records Again
Oil climbed, extending a rally that began last week ahead of Hurricane Ida

Investing Post Pandemic
HARVARD BUSINESS SCHOOL
Poll 2: The S&P 500 is:

The S&P 500 is currently around 4,400. All time high is 4,530

a. Too high (overvalued)
b. About right
c. Too low (undervalued)
MARKETS | CREDIT MARKETS

U.S. 10-Year Treasury Yield Tops 1.5%

Expectations for higher interest rates and an improving economy have investors pushing yields higher.
Poll 3: The 10-Year Treasury Bond will:

10-Year Treasury Bonds Yield 1.5%. In November 2018, 10-Year yielded 3.2%

a. Stay below 2%
b. Rise to between 2 and 4%
c. Rise to between 4 and 6%
d. Rise over 6%
Inflation

ECONOMY | U.S. ECONOMY

Inflation Eased in August, Though Prices Stayed High

Consumer-price index rose 5.3% from a year before as supplies and labor continued to drive up prices.
Poll 4: Over the next five years, inflation will average:

The CPI rose 5.3% year-over-year in August. In 2019, inflation in the US was 1.8% per year

a. Less than 2%
b. Between 2 and 4%
c. Between 4 and 6%
d. Over 6%
Credit Spreads

Search for Yield Leads Bond Buyers to Unrated Debt

Junk-bond managers have rarely encountered less appealing terms. Many are responding by venturing into new areas.

FRED - ICE BoA US Corporate Index Option-Adjusted Spread

Shaded areas indicate U.S. recessions.
Source: Ice Data Indices, LLC
fred.stlouisfed.org
Poll 5: Corporate yields are:

Investment grade credit spreads are below 0.9%. Near an all-time low
High yield index spreads are at 4.2%. At an all-time low

a. Too low (corporate bonds on average are overvalued)
b. About right
c. Too high (corporate bonds on average are undervalued)
Private v Public Equity

Are the recent annualized 1%-5% excess returns over publics enough given the illiquidity of private equity? Rather than the lack of liquidity, most investors will judge for themselves with respect to their consistency and magnitude.

Food Fight: 2021 Private Equity Update

Texas Teachers OKs More Megasized Checks For Apollo, KKR

North Carolina Pension Adds Lagging Private-Equity Bets
Private Equity in 2021

**MARKETS**

**KKR Earnings Surge as Firm Rakes In Record Cash From Investors**
Value of flagship private-equity portfolio gained 13% during the quarter, topping gains in the S&P 500

**MARKETS**

**University Endowments Mint Billions in Golden Era of Venture Capital**
Some schools, including Washington University in St. Louis and Duke University, gained more than 50%

**FUND NEWS**

**Baring Asia Lands Commitment for New Fund Targeting $8.5 Billion**
If it hits its goal, Baring Asia’s newest fund would be the firm’s largest to date, people familiar with the matter said
A Last Word: Predictions

Where do we go from here?
Thank you