

Headlines for May

As private equity groups are becoming more selective, transactions have slowed down in the lower middle market. The current competitive pricing environment has reduced deal flow, and the private equity investment-to-exit multiple hit a decade low of 1.9x in 2015.

With homebuyer demand rising, 2016 has started off as a strong year for real estate. In April, home sales were up 3.2% from 2015. Also, renting is becoming a more viable option; in the first quarter of 2016, effective rent growth has increased by 4.1%, consequently leading to an overall increase in rent prices as well.

Americans are now viewing home improvements as a way of capitalizing on rising property values. This DIY craze can be attributed to existing home prices selling at a 30% discount to that of newly built homes. The trend has subsequently led to increased shopping at stores like Home Depot and Lowe's, with earnings and same-store sales growing steadily.

Things to Watch For in 2016 Going Forward

After a slowdown early in the year, inflation of consumer prices and production growth have led to a recent upturn in the U.S. consumer and retail sector. Consumer prices are experiencing their largest increase in over 3 years and could justify the Federal Reserve's plan to raise interest rates in June of this year.

Investment Banking Terminology:

Real Estate Investment Trust (REIT) – a type of security that invests in real estate through property and mortgages. REITs are required by law to maintain dividend payout ratios of at least 90%, making them a favorite for income-seeking investors.

Market Snapshot as of May 24, 2016

As of May 24 th	May 24 th	YTD% Δ	LTM % Δ
S&P 500	\$2,075.00	3.3%	(1.4)%
Gold	\$1,229.20	14.3%	3.6%
Oil	\$48.62	32.3%	(16.2)%
10 Yr. T-Note	1.85%	(39) bps	(28) bps

Bank of America Accused of Mistreatment

A structured credit managing director at Bank of America has filed a lawsuit against the bank. In the lawsuit, 42 year-old Megan Messina alleges that Bank of America executives knowingly administered false data to Anchorage Capital Group and forged Pimco trading records. She explains how her trading colleagues front-ran clients on bond trades, rigged auctions on securities deals, mismarked portfolios to manage trading revenues and profits and used clients as a front to make unauthorized proprietary trading bets. Messina brought these issues to light over a pay dispute when her boss admitted that she outperformed her colleague, but she received a bonus of \$1.5mm compared to his \$5.5mm.

M&A Focus

On May 18th, 2016, GoDaddy Inc. (GDDY) has disclosed that it will acquire FreedomVoice for \$42mm in cash and \$5mm in future payments which will result in a \$47mm deal. GoDaddy is pursuing this deal in hopes of diversifying its portfolio, and because certain characteristics of FreedomVoice will be the catalysts to further GoDaddy's commitment in aiding to the success of small businesses. This merger will also allow individuals that struggle with their budget to have affordable telephone solutions.

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