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The U.S. labor force needs hope that it can achieve a better standard of living. While more advanced education is required for the middle and lower levels of the U.S. labor force, it is continuously deterred by the rising cost of tuition, driven by higher administrative salaries and infrastructure upgrades—mainly technology for lower cost and improved online delivery. As U.S. growth continues, the skilled labor market will tighten and wages will rise, pulling more away from their education. Likewise, growing demands to support aging parents and sharply rising health care costs will tug at would-be-student education desires.

In addition, U.S. competitiveness is incessantly ring-fenced by increasing government regulation and higher taxes to support ineffective politicians who believe they can outmanage market forces. The early Dodd–Frank financial reforms contributed to the Great Recession in 2007 and the post-recession Dodd–Frank regulation has helped to raise the cost of credit for consumers. Increased federal spending to rebuild worn out infrastructure, resolving the rising student debt level to meet the increasing cost of education, and controlling the rising costs of health care would help provide some new hope to the U.S. labor force. Likewise, if Congress moves to reduce regulations and taxes, it would free the economy to respond to market forces.

Venture capital (VC) and private equity (PE) have demonstrated their ability to read market forces and expand productivity through innovations and reinvigorating inefficient public companies and aging industries on a global scale. Their value proposition is: Venture capital and private equity lead to innovation, which causes productivity increases resulting in economic growth, which gives the labor force hope! The significance of this impact has expanded dramatically as the number of PE companies has risen from 24 in 1980 to 6,628 in 2015, according to Preqin, with more than half of these companies located in the United States. Including "dry powder," private equity assets under management are almost $4.5 trillion (see the article in this issue by Carolyn Mathis).

Furthermore, the less regulated PE buyout funds' returns significantly outperformed stock market averages of publicly held companies. This suggests venture capital and private equity managers do a better job of enhancing productivity and profitability in the companies they manage and are more innovative in reading market forces correctly. Many public companies are now copying private equity's example by establishing internal PE-like investment entities to facilitate their own internal innovations. Corporate PE entities also acquire successful VC companies that have demonstrated they have viably launched and commercialized new products that complement or replace traditional public company products. The evidence that PE companies can do a better job at reading market forces than most public companies could well result in greater government regulation of this activity. This would be yet another step in the process of curtailing those investors who take the extra risk to support the innovation needed for productivity increases and continued economic growth.

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In this issue of *The Journal of Private Equity*, we have an increase in the number of very good, short articles focused on various sectors of the VC and PE markets. We start with a series of articles on changing strategies occurring in various levels of market activity.

John Bisack in "Business Intelligence: *Finding Nuggets in the Noise*" addresses the use of large-database mining to find better opportunities and innovations for investment. Portfolio companies readily acknowledge that data is a critical commodity in today's intensively competitive business climate. The common theme is "the more data we own, the more intelligent, 'fact-based' decisions we can make." The implication is that portfolio investments are on the right track to identifying the "nuggets in the noise" that will unlock increased EBITDA and exit value. However, the facts tell a different story. The emergence of business intelligence as a tool and a process can help identify EBITDA growth nuggets right now. And, despite what you may have heard, a smartly designed business intelligence application does not have to be costly or operationally disruptive.

In "Traits of Successful Entrepreneurs," Arunachal Khosla and Puneet Gupta inventory the skill set of outstanding entrepreneurs as a way to find the companies that will outperform the norm. Deciphering the traits of successful entrepreneurs is crucial so that these skills can be understood, developed, and promoted for the success of organizations irrespective of their size. Knowing and understanding these traits keep an organization young and flexible as well as responsive to the dynamics of the business environment. This article is an attempt to list and elaborate the most essential traits of successful entrepreneurs, which are predictive of entrepreneurial and organizational success.

The article by Carolyn Mathis, "Three Trends in Middle Market Private Equity," examines how private equity firms have risen to the challenge of competing in today's complex deal environment where they are required to do more with less. Establishing industry specializations, leveraging operating partners, and engaging outsourced consultants have emerged as three trends in response to this competitive and challenging environment. Private equity firms are expected to continue to employ creative solutions as they work to source and close investments and build value within their portfolios.

As an example of the changing mid-market environment, John Mathis in "e-Trends Take Off in Mortgage Services" explores how looming political tailwinds, consumer preference shifts, and such disruptive technologies as blockchain, will continue to transform the mortgage landscape in 2017 and beyond. Expect to see more innovation and consolidation as mortgage service companies place their bets for the coming "lift off" in e-mortgage services.

The next three articles address the legal and administrative aspect of dealing with commercializing innovations and growing global competition. Joseph Bell in "A Random Walk through Silicon Valley: *Non-Compete Agreements*" explores the case of California's Silicon Valley innovation engine. Over time, companies in general have become very protective of their technologies. They are concerned that their intellectual property, especially trade secrets, customer lists, goodwill, and so on, could be compromised when employees depart to competitors or set up "competing shops" themselves. This fear has led to the proliferation of company/employee non-compete agreements. An exception to these protective agreements is the state of California, which to spur technological development and economic growth, does not enforce non-compete agreements. A random walk through Silicon Valley can attest to the competitive environment that exists possibly, in part, to unenforced non-compete agreements. This article examines the current state of play of non-compete agreements.

"Private Company Boards" by Stuart Gelfond, Robert Schwenkel, and Hayley Cohen examines the responsibilities of a board of directors of a private company. These responsibilities include, but are not limited to 1) selection and oversight of the company's management,

2) setting strategy and monitoring the company's financial performance and forward-looking business planning, 3) setting executive compensation and adopting benefits programs, 4) preparing the company for a future IPO or sale, and 5) identifying, ameliorating, and monitoring the risks associated with the company's business activities. To fulfill these responsibilities, the current trend is for private companies to implement a more formalized governance structure for the board of directors, in many cases similar to those implemented by public companies.

Because disruptive competition is increasingly global, Ellisa Habbart, Michael Swoyer, and Alexei Bonamin examine the legal question "Is a Delaware LLC the Answer to Address Risks of Personal Liability in Private Equity Investments in Brazil?" Under Delaware law, the liability of a Delaware limited liability company (LLC) is limited to the assets of the LLC—investors in an LLC are only liable for their investment in the LLC. By and large, international PE investors use Delaware LLCs to invest in Brazil through Brazilian PE investment funds. Brazilian courts have "pierced the corporate veil" of corporate entities in the past and imposed personal liability upon the shareholders of those entities. However, the decision of a Brazilian court to pierce the veil of a Delaware LLC would be of little consequence if a Delaware court would not enforce the judgment against the LLC and its members.

Going overseas to expand and open new markets for a company's products and services presents new risks, and one such important risk is foreign exchange volatility. The impact of this risk is explored by Andrea Minardi, Ricardo Kanitz, Rafael Bassani, and Pedro Schittkowski in their article "Currency Impact in Brazilian PE/VC Deals' Performance." Brazil is an emerging market that has attracted a lot of PE investment in the last 20 years, and its exchange rate has fluctuated significantly during this period. This article investigates the currency impact on Brazilian PE/VC deals' performance during this period. The main findings are that in the long-run, currency risk is irrelevant, but it is substantial at the deal level and, depending on the vintage, also at the fund level. Funds raised in the beginning of a devaluation cycle have their performances significantly deteriorated by currency movements, and the opposite is true for funds raised in the beginning of a currency appreciation cycle. Despite diversification across deals, depending on the vintage, some funds may not be able to diversify across cycles, and foreign exchange risk may affect funds' performance and fees and distort general partners' track records.

In the next two articles, the VC and PE value proposition is examined in terms of the extent of its impact on domestic and global markets. The results suggest that regulation would affect not only the private equity general and limited partners but also potentially a country's economic growth and job creation. Manu Sharma, Puneet Gupta, Rouhi Gopal, and Purnima, in their article "U.S. Private Equity Growth Triggered by Global Economies' GDPs" explore the relationship between a U.S. private equity index and the GDP growth rates of eight major world economies—the United States, the United Kingdom, Switzerland, Japan, Germany, France, Canada, and Australia. Two methods of analysis are used to establish the robustness of the relationship between the U.S. private equity index and the GDP growth rates of major economies.

Next, Kunjana Malik and Raj Dhankar analyze "The Relationship among Private Equity, Inflation, and Economic Growth" to examine the interrelationships among private equity, financial stability, and the economic growth of India for the 1996–2014 period. They explain that after proving cointegration, a bidirectional relationship has been found between private equity and economic growth. Also, short-run causality has been found between private equity and economic growth and economic growth and inflation. The models were tested to confirm that private equity has a positive influence on macroeconomic factors.

The impact of private equity activity in India is further analyzed by Amit Shrivastava and Amit Garg in "Private Equity in India and Indian Promoters' Perspective: *A Primer*." This article assesses the requirements for private equity and the diverse types of private equity, private equity transactions, and private equity instruments. It also explores what performance measurement private equity companies look for, what private equity investors really do, and why a company would most likely be unable to take on more debt. In addition, the authors comment on the Indian promoters' way of working and their viewpoint towards private equity.

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