

## Economic markets are ripe for investments

Since the first Europeans came to the New World 400-plus years ago, Americans have had a characteristic that sets them apart from most other populations, except maybe the Australians.

They made a choice, while their neighbors dithered, to walk away from everything they had — family, home, their trade — to come to America.

It was a decision often driven by a need to flee poverty, war, religious persecution, or maybe trouble with the local constable.

Many begged and borrowed every shilling they could to make the long and dangerous voyage to a land with endless cheap land and minimal government involvement that kindled countless stories about opportunity.

So, what do you call that? They were risk takers. It is that spirit of resourcefulness, self-reliance, and a willingness to take a calculated gamble that lives on in the American gene pool today.

Now, while others are massaging their worry beads, it's a unique quality that would reward anyone who recognizes another remarkable new-world opportunity — the amount of cash available in today's capital markets.

### Unheard of rates

For starters, we're looking at interest rates that are so low, it's virtually free money. The Columbia Business Review describes the cost of capital right now as the lowest in the history of the world, making it the perfect time to act. There is a vaccine solution to a pandemic that transformed the economic markets within sight, providing some clarity for those would-be investors needing a little more back bone.

At the same time, there are no indications that the federal government will tighten its money policies until at least 2024. In fact, the economy is defying the economists, with only far-off signs of inflation that might



CHRISTOPHER  
**HELMRATH**  
Commentary

prompt rate increases in the future.

Meanwhile, private equity markets, venture capitalists, family offices, hedge funds, and banks are sitting on a historic load of cash, eager to make investments and acquisitions but struggling to find enough attractive targets. The prodigious level of overhang — the amount of money committed to private market investment entities that has not been spent — is at an astounding \$3 trillion right now and growing.

Of course, if you need money for an investment, you probably shouldn't count on just the banks. The attraction of using bank money is you don't have to give up ownership of the acquisition, but banks have to conform to a regulatory structure that the Feds are hesitant to loosen because they think they would splurge and get in trouble, like they have so many times before.

In any case, there's so much cash available for potential investments seeking a financial return that some of it is being spent foolishly through things like short selling — instead of betting on the success of a plan, the bet is placed on the failure of an entity.

Many middle-market businesses, several of which used the free federal COVID-19 assistance money (PPP loans) to pay down their existing debt, are still risk-averse right now, and continuing to deleverage instead of investing for growth.

### Chasing returns

But the investment markets are not scared — they're ready to bet on the future. One indication of this is the rise of Special Purpose Acquisition Companies, or SPACS, in which entrepreneurs enlist capital in a new publicly traded company formed for the sole purpose of an acquisition but are not allowed to have any business already identified until after they have raised their money.

The logic of SPAC investors is that with bond rates in the 1% range, and the stock market rife with risk but still booming — the theory being any return is better than nothing—they need a place to put their money, watch the investment appreciate, get a return, and then get out.

On the darker side of the struggle to get a return, we are seeing more things that would have been historically classified as Ponzi schemes; the rise of virtual currencies and nonfungible tokens, as an answer to "where can I get a return?"

But the time is not just right for making investments and acquisitions, it's also a good time for businesses to court possible institutional investors. In the search for good deals, valuations are up for businesses that want to sell.

So, let's see, where's our checklist to convince the meek to get moving?

The opportunity is there — check. All you need is a good idea. And the economy is very open right now to new ideas.

Money is virtually free — check.

And there's no problem with access to capital. You just have to know how to enact a plan to realize your objectives. (That's where firms like mine come in).

So, what are we waiting for?

**Christopher Helmrath is the managing director of SC&H Capital, the investment banking and advisory practice of SC&H headquartered in Sparks.**