



# VICTORY PARTNERS

## MIDDLE MARKET INSIGHT

## What Business Owners Need To Know

### 75 BPS HIKE

FED'S POLICY RATE  
NOW IN THE RANGE OF  
1.50% to 1.75%

### Federal Reserve Takes Swing at Inflation with a 75 BPS Increase

- The Federal Reserve took its most aggressive step yet to try to tame rapid and persistent inflation, raising interest rates by three-quarters of a percentage point on Wednesday and signaling it is prepared to inflict economic pain to get prices under control.
- “What Powell and the rest of the F.O.M.C. are saying is that restoring price stability is the primary focus — if they risk a mild recession, or a bumpy soft landing, that would still be successful. The focus is still greatly on inflation right now.” – Chief US Economist at Oxford Economics
- While the economic path ahead may be a rocky one, the Fed's policymakers contend that things would be worse in the long run if they did not act. As prices surge, worker pay is not keeping up, indicating that families are falling behind as they try to afford gas, food and rent, even in a strong labor market.

### 3.4%

OFFICIALS EXPECT  
INTEREST RATES TO HIT  
3.4% BY THE END OF  
2022 AND 3.8% BY THE  
END OF 2023

### Russia's Oil Output Rose Last Month, Despite Sanctions

- Russian output is down 850,000 barrels a day — about 7.5 percent — since before the invasion of Ukraine, but the country's industry has managed to pump faster than many analysts expected.
- These increases as well as higher prices are helping to offset a modest fall of half a million barrels a day of Russian oil and oil product exports to the European Union from prewar levels, to 3.4 million barrels a day in May. The United States has also slashed Russian imports.
- Global oil prices are already high — with Brent crude futures at about \$120 a barrel, almost double the price a year ago — and diesel and other refined product prices are even higher, as matters could worsen. If sanctions on Russia tighten, “global oil supply may struggle to keep pace with demand” in 2023, the agency warned.

### 850K

BARRELS A DAY IS  
HOW MUCH RUSSIAN  
OUTPUT HAS  
DECREASED SINCE THE  
INVASION OF UKRAINE

### \$120

A BARREL - BRENT CRUDE  
FUTURES ALMOST DOUBLE  
THE PRICE A YEAR AGO

### How Having A Solid ESG Policy Benefits PE Firms

- According to BDO's Private Capital Pulse Spring 2022 Survey, 99% of US middle-market PE firms have already raised an ESG (Environment, Social, Governance) or “impact” fund, 95% are evaluating targets' ESG potential during the due diligence process, and 50% plan to deploy the majority of new capital by launching impact funds or investing in companies with ESG-focused themes.
- “Last Spring, 94 percent of private equity fund managers said their limited partners (LPs) were clamoring for them” to integrate ESG investment criteria into their investment plans. ESG is seen as a “value creation strategy” and can be shown as a “deep part” of a firm's purpose – BDO reported
- Fund managers also believe having a solid ESG policy could help them attract and retain talent, particularly given today's labor environment. And having an ESG edge could also help private equity firms win deals in what has become an incredibly competitive M&A environment, BDO reported.

### 99%

PUSHING STARTUPS TO  
CONSIDER EARLY EXITS

### ~38%

OF FUND MANAGERS  
IMPLEMENTING ESG "IN  
ORDER TO DO THEIR PART"

Sources: [www.bloomberg.com](http://www.bloomberg.com) | [www.nytimes.com](http://www.nytimes.com) | [www.themiddlemarket.com](http://www.themiddlemarket.com)