ROTHSTEIN | CAPITAL MANAGEMENT

ROTHSTEIN PERSPECTIVES

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Capital Is Not Scarce. Execution Is.

Why institutional capital demands more than access to investment opportunities.



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EXECUTIVE SUMMARY / INVESTMENT THESIS

Capital is a necessary input, not an outcome.

A research note on private-market capital, investability and execution.

A large pool of capital is not the same as deployable capital for a specific transaction.

An investable proposition must satisfy price discipline, defensible cash flows, sponsor credibility, documentary integrity and the relevant capital provider's decision process. Neither capital availability nor an introduction can substitute for underwriting.

Our central argument is conditional: some sectors and jurisdictions are genuinely capital-constrained. Where capital exists, execution determines whether a particular opportunity can meet its mandate, risk and timing requirements.

THE INVESTMENT CONCLUSION

Screen first. Structure second. Introduce third.

Successful allocation is an outcome of underwriting discipline, not an indicator of how many counterparties received a teaser.

$616bn

GLOBAL CLOSED-END PE FUNDRAISING

2025, −17% year over year [01]

11.8×

MEDIAN PE ENTRY MULTIPLE

2025 vs. 11.3× in 2024 [01]

+9%

EURO-AREA CREDIT STANDARDS

Net bank response Q3 2026, not a loan-growth rate [03]

01 / MARKET EVIDENCE

The market sends conflicting signals.

Capital supply, fundraising and transaction pricing are not interchangeable metrics.

EXHIBIT 01 / DIFFERENT MARKET INDICATORS

Fundraising fell as pricing strengthened

–17%

2025 CLOSED-END PE FUNDRAISING

Global, year over year [01]

11.8×

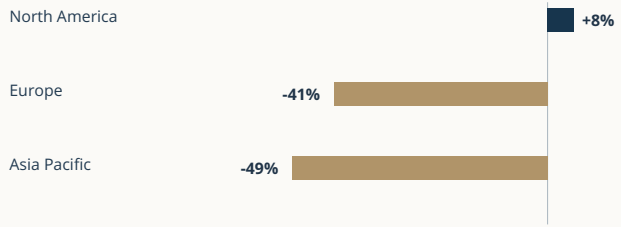
MEDIAN PURCHASE MULTIPLE

2025 vs. 11.3× in 2024 [01]

The decline in traditional fundraising does not prove a lack of committed capital everywhere; likewise, higher pricing does not prove that every seller can access that capital. These indicators describe different parts of the market.

EXHIBIT 02 / REGIONAL CLOSED-END PE FUNDRAISING

2025 annual growth, by region (%)



Source: McKinsey, Global Private Markets Report 2026 [01]. Percentage changes, not $ amounts. Relative geographic dynamics differ.

> ## Market depth is not equivalent to mandate-specific liquidity.
>
> RCM interpretation: capital deployment requires compatibility with a fund's actual authority, limits and underwriting criteria.

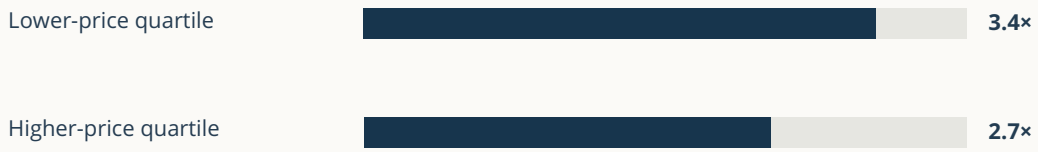
02 / INVESTMENT QUALITY

Price is a risk variable, not a negotiating trophy.

Historic return evidence supports scrutiny of entry economics.

EXHIBIT 03 / PURCHASE-PRICE DISCIPLINE

Selected 2018–2023 buyout vintages: MOIC by entry-price quartile



Source: McKinsey, September 2026 [02]. Observed association; neither an experimentally isolated price effect nor guaranteed future performance.

Price can absorb the entire margin for error.

The lowest purchase-price multiple quartile registered 3.4× MOIC versus 2.7× for the highest-priced quartile in McKinsey's selected historical sample. This is evidence consistent with valuation discipline, not proof that entry price alone caused the difference.

Asset selection, market conditions, leverage, operating performance and valuation marks may explain part of the spread.

01

Price

Defend the entry valuation with scenario-sensitive operating assumptions.

02

Proof

Reconcile cash flows and provide reproducible diligence evidence.

03

Downside

Underwrite whether obligations remain serviceable if earnings contract.

03 / THE INVESTABILITY STANDARD

Six gates. No silent exceptions.

The discipline should be visible before an investment committee is asked to allocate capital.

THE RCM SIX-GATE TEST

01 **Valuation**
Is the price supported by comparable risk and forecast cash flow?

02 **Financial resilience**
Do cash flows survive quantified stress rather than only the base case?

03 **Evidence integrity**
Are financial, legal and commercial records internally reconcilable?

04 **Sponsor credibility**
Is authority, capital commitment and relevant track record evidenced?

05 **Instrument design**
Do priority, governance and maturity fit the economic risk?

06 **Execution path**
Are conditions, approvals, timing and settlement deliverables mapped?

> An opportunity failing one gate is not automatically uninvestable — but every material exception needs an explicit remedy, sponsor and decision record.

RCM proposed screening framework; not a statistical model or regulated credit rating.

04 / DISTINCTIVE RCM FRAMEWORK

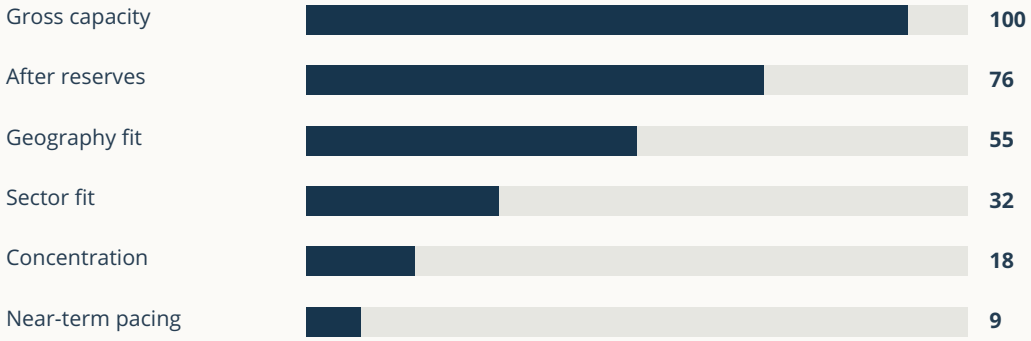
Not all available capital is available to the deal.

The Mandate–Capacity Gap is an RCM analytical lens, not a proprietary empirical discovery.

The under-noticed variable is the difference between capital on paper and capital actually eligible for a transaction.

EXHIBIT 04 / SYNTHETIC MANDATE-CAPACITY WATERFALL

Illustrative fund capacity, $m; sequential constraints



Synthetic illustration only. Values are chosen to show how constraints compound; they do not describe an RCM capital partner or any actual fund.

The Mandate–Capacity Gap

A fund may announce substantial commitments yet possess far less investment capacity for one asset because of geography, concentration, minimum-ticket requirements, portfolio allocation, liquidity reserves or investment-committee calendars.

The bottleneck is not necessarily the amount of money held. It is the residual capacity that is *permitted, economically aligned and executable* during the specific deal window.

Decision implication: qualify actual mandate fit and timing before underwriting a funding route as credible.

05 / STRUCTURING & STRESS

The capital stack must survive the downside.

A worked scenario makes the risk allocation problem visible, without pretending to forecast returns.

EXHIBIT 05 / ILLUSTRATIVE EBITDA STRESS

SCENARIO	EBITDA	EV / EBITDA	VALUE AT 10×
Base case	$8.0m	12.5× at $100m purchase	$80m
20% earnings reduction	$6.4m	15.63× at unchanged $100m	$64m

Fully hypothetical. Purchase EV = $100m; 10× multiple is a separate illustrative valuation stress, not a market forecast. A 20% EBITDA fall increases the purchase-price/EBITDA ratio from 12.5× to 15.625×.

> Structure cannot replace cash generation.

Structure can transfer risk, not erase it.

Debt, preferred equity and subordinated capital can shift priority and control rights. None independently repairs weak earnings, missing asset rights or unsustainable leverage.

Terms should explicitly state covenants, repayment source, enforceability, governance and downside recourse. Model financing and operating stress together: a reduction in earnings may simultaneously impair coverage and valuation.

The second-order risk is correlation between a weak asset and a less forgiving financing structure.

06 / TRANSACTION EXECUTION

A pipeline is not a funded transaction.

The process must reduce uncertainty at each stage.

EXHIBIT 06 / THE EXECUTION EVIDENCE CHAIN

From a qualified opportunity to cleared settlement

01	02	03	04	05
SCREEN	**MATCH**	**APPROVE**	**FUND**	**CLOSE**
Economics Documentation	Mandate Decision authority	IC mandate Binding conditions	KYC / capital Closing mechanics	Settlement Post-close duties

Access reduces distance. It does not approve investment.

Decision-maker access can accelerate communication and limit information loss. It does not demonstrate source of funds, committee approval, cleared compliance requirements or enforceable funding terms.

Track the conditions that can stop the money.

The useful question is not “who is interested?” but “which approvals remain outstanding, who owns them, and what evidence confirms their satisfaction?” Every material unknown should have a responsible party and an expiry date.

07 / COUNTERARGUMENTS

We do not confuse a thesis with a universal law.

Institutional credibility comes from explaining where the argument can fail.

Where the thesis does *not* apply.

Capital can be genuinely scarce: smaller mandates, certain jurisdictions, regulatory exposures and macro shocks can narrow funding supply. Execution cannot manufacture an absent market.

Likewise, correct execution cannot rescue an acquisition at a fundamentally unsustainable price. A weak transaction may become better documented without becoming investable.

Private equity and bank lending statistics describe different populations. They should not be combined into a single estimate of “available private capital.”

DISCIPLINE / FALSIFICATION TEST

What would disprove our thesis in a specific deal?

1. Fully underwritten economics and legal rights, but no eligible allocator exists.

2. Strong sponsor and evidence, but market funding costs destroy required returns.

3. Successful underwriting, but approvals cannot occur within a viable timetable.

These are plausible counterexamples, not observed failure frequencies.

08 / INVESTMENT COMMITTEE

A checklist built for decisions, not presentations.

Six practical tests for allocators, sponsors and independent advisors.

01 **Verify the investment mandate**
Currency, geography, minimum and maximum ticket, concentration headroom.

02 **Reconcile the data room**
Financial quality, title/rights, capital structure and material contingencies.

03 **Run the downside**
Coverage, exit liquidity, covenant headroom and delayed funding cases.

04 **Map the decision process**
Committee authority, deadlines, remaining consent and veto rights.

05 **Secure contractual clarity**
Identify binding obligations, conditions, remedies and funding mechanics.

06 **Document the decline decision**
Record why pricing or risk remains unacceptable when no credible remedy exists.

> Institutional capital requires institutional execution — including the right to say no.

09 / AUTHOR'S PERSPECTIVE

The underwriting standard is the advantage.

Research interpretation and author's sign-off.

CLOSING VIEW

Investability is a narrower category than opportunity.

Quality, valuation, a structure that survives downside scenarios and accountable decision-making are necessary components of a credible transaction route.

The public evidence supports selectivity and price discipline. It does not establish that execution alone explains all deal failures. The Mandate–Capacity Gap and synthetic scenarios are proposed analytical tools, not measured RCM outcomes.

NICOLA V. FERRAUTO

"Access creates opportunity. Discipline makes it investable."

Nicola V. Ferrauto

Chief Executive Officer
Rothstein Capital Management

RESEARCH NOTES / SOURCES

Evidence, definitions and limits.

Our inference cannot be more precise than the evidence supporting it.

[01] McKinsey & Company

Global Private Markets Report 2026: Private Equity
Closed-end fundraising, buyout valuations and regional breakdown.

www.mckinsey.com / ORIGINAL REFERENCE

[02] McKinsey & Company

Private equity confirms a timeless principle: Purchase price matters
Buyout vintages 2018–2023 and purchase-price multiple quartiles.

www.mckinsey.com / ORIGINAL REFERENCE

[03] European Central Bank

The euro area bank lending survey — Q3 2026
Net tightening of corporate lending standards; Q3 2026.

www.ecb.europa.eu / ORIGINAL REFERENCE

[04] Financial Stability Board

Report on Vulnerabilities in Private Credit
Opacity, leverage, liquidity and interconnectedness risks.

www.fsb.org / ORIGINAL REFERENCE

Editorial methodology

Evidence references the original provider, unit and period. The regional fundraising changes are separate geographic rates; the MOIC quartiles are an historical association, not causal proof. The mandate waterfall and EBITDA stress are solely illustrative. Research cutoff: 2 November 2026. No proprietary RCM deal outcomes, investment returns or client access are asserted.

Important information

Independent commercial commentary, not an investment recommendation, valuation opinion, legal or tax advice, financing commitment or solicitation. Third-party statistics have not been independently audited by RCM. RCM scenarios are hypothetical; they are not performance records or client transactions. The precise rights, approval processes and contractual remedies depend on the jurisdiction, documents and counterparties.