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Private equity investment is an investment in certain companies that are seen to have good potential growth for the future. Investors who put money into such companies do so with the intention of ensuring that the company increases in value and they then exit their investment in about five years time, making a profit in the process. This is done by putting in managers with specialised knowledge who can increase the growth and value of the company in a way that would not be possible otherwise.

This form of investment can happen in the early stages of a companyâ€™s development and in such a case it is often referred to as venture capital or seed capital. In later stages of development where money is needed for expansion or further development or in the case of a company that needs to be rescued from financial distress, the investment is simply referred to as private equity.

Once this investment has been accomplished, the managers work closely with the company to ensure wise decisions are made and good outcomes are the result. Operational performance is markedly improved and much of the benefit goes back to Australian retirees, since it is often domestic superannuation funds that are involved in such investments. And of course, the main advantage is that the company is helped to become stronger and to expand into something that would otherwise have been impossible, so the economy of the country is strengthened.

Originally the finance for private equity came from high net worth individuals; now there are companies that specialise in this kind of investment. These companies may be known as angel investors, venture capital firms or private equity firms. However, anyone who is interested in diversifying their investment portfolio can choose to invest in operating companies that have not been listed on the stock exchange.

There are various types of investments such as leveraged buy-outs, growth capital, distressed investments, mezzanine capital or venture capital. Distressed investments are generally referred to as special situation funds. This is a broad category that may be sectioned as follows: a loan to own strategy where the investor hopes to own a controlling share in the company, or a turnaround strategy where the investor wants to rescue a distressed company, turn it around to become more valuable and so the investment become more valuable and can be sold at a profit.

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Helms Man - About Author:
For the past 5 years I have been writing informative and quality articles on topics such as primary keyword, a Private equity investment, a private equity firms, a special situation funds and many more.

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