

**Calanog/Krohmer/Lauterbach:
The Bright and Dark Side of Staging: Investment
Performance and the Varying Motivations of Private Equity Firms**

**Lin/Driessen/Phalippou:
Performance and the Varying Motivations of Private Equity Firms
Estimating the
Risk Exposure of Private Equity Funds: A New Methodology**

**Tykvova/Schertler:
Cross-Border Private Equity Deals and
Local Networks: Evidence from a Worldwide Country Dataset**

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Calanog/Krohmer/Lauterbach:

**The Bright and Dark Side of Staging:
Investment**

**Performance and the Varying Motivations
of Private Equity Firms**

Research question

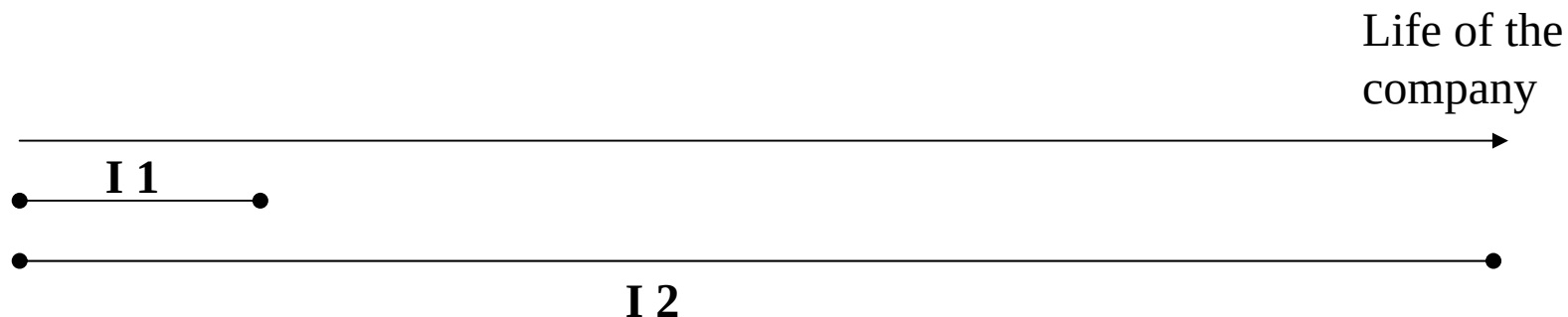
- ❑ What is the impact of staging on investment performance?
- ❑ Does the impact of staging differ between investment phases?
- ❑ Main hypotheses:
 - Staging in the initial investment phase has a positive impact on the investment return.
 - Staging in the pre-exit phase has a negative impact on investment return.

Results

- The main hypotheses are confirmed.
- Explanations:
 - During the initial investment phase, staging is used to monitor and to mitigate agency problems.
 - Staging increases in critical situations in the pre-exit phase → termination dilemma: window dressing, self-justification prospect, short-termism

Comments (1)

- Important research question with interesting results.
- Innovative data set.
- Definition of the different investment phases:
 - Three phases of equal length.
 - Example:



Comments (2)

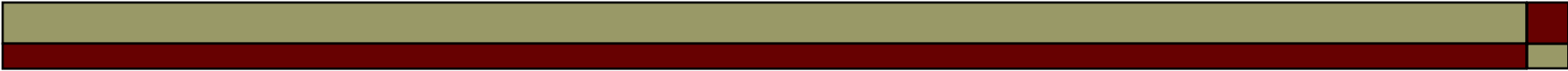
- I am not sure about the definition of staging:
 - Staging = ex ante decision not to provide all the capital which is necessary at once up-front.
 - Staging = ex post necessity of further capital?
 - I think that there is no differentiation between these two definitions in the paper.
 - If this is the case, then we do not analyze two sides of the same phenomenon but two different phenomena!
- 1. Impact of the ex ante staging decision on performance
- 2. Behavior in critical situations: should we abandon the project or try to rescue it?

Comments (3)

- Omitted variable bias: are there factors which determine the decision for staging and the IRR?
- Risk-return-relationship:
 - Risk is high in early rounds → higher IRR
 - Risk is lower in later rounds → lower IRR
- If this were true, there is no bright and dark side of staging.

Lin/Driessen/Phalippou:

**Estimating the
Risk Exposure of Private Equity Funds: A
New Methodology**



Research question

- How can the performance and risk exposure of non-traded assets be assessed?
- Here: especially PE funds
 - Venture Capital Funds
 - Buyout Funds

Important characteristics of the proposed methodology

- Use of actual cash-flow data
- No assumption about the distribution of the factor return and idiosyncratic shocks necessary
- Necessary identification assumption:
 - Expected value of the compounded distribution =
Expected value of the compounded investments
- Possibility of modeling the final market value of quasi-liquidated funds

Results

- ❑ CAPM Betas: 2.18 (VC) vs. 0.09 (BO)
- ❑ VC = small growth stocks
- ❑ BO = large value stocks
- ❑ NAVs reported at the end of a typical fund's life are highly upward biased.
- ❑ Duration has only a weak negative impact on performance for BO.
- ❑ Experience and fund size have a positive impact but this vanishes when controlling for risk exposure.

Comments (1)

- Interesting methodology.
- Flexibility is an important value-added.
- Advantage of cash-flow basis instead of net asset values
- Funds-of-funds classification
 - Family funds as robustness?
- What does it mean that for BO there is a beta of 0.09?

Comments (2)

- Risk exposure at the industry level:
 - Specific characteristics of the industry
 - Are the estimated parameters they meaningful for investors?
- Why don't you include further fund characteristics in GMM approach?
 - Industries
 - Investment focus
 - Distance
 - ...

Schertler/Tykvova:

**Cross-Border Private Equity Deals and
Local Networks: Evidence from a
Worldwide Country Dataset**

Research question

- How does the structure of the PE industry in the deal and the foreign country affect cross-border deals?
- Two competing hypotheses:
 1. Competition hypothesis: Strategic local networks in order to fend off competition from foreign investors.
 2. Cooperation hypothesis: Strong local networks as a signal that investors have experience in syndicating deals and are aware of the advantages of syndication

Results

- The number of cross-border deals increases in the local networking among PE investors in both countries (SC and DC).
- The probability of realizing more domestically syndicated cross-border deals than pure cross-border deals increases with the local syndication ratio in the deal country.
- The probability of realizing more pure cross-border deals than domestically syndicated cross-border deals increases with the local syndication ratio in the foreign country.

Comments (1)

- Important research question and interesting results.
- Innovative data set.
- I would to like to know more about the data set:
 - Selection criteria? Representativeness? Etc.
- Alternative definition of foreign/domestic investors:
 - It is not the same to be 3i or a foreign investor who as invested just once in Germany!
 - Only investors with a subsidiary in the country or a minimum period of experience?

Comments (2)

- Aggregation of the observations over the whole period
 - The initial situation may not be the same in 2000 and in 2004.
 - Individual data and lagged data for the maturity etc. for all individual periods as robustness check?
- Syndication
 - What happens if the foreign investor syndicates with another foreign investor with experience? Is this a substitute for syndicating with a local investor? → Subgroup internationally syndicated cross-border deals as equivalent to domestically syndicated cross-border deals?

Comments (3)

- Omitted variable bias?
 - Are there factors which jointly determine the networking intensity and the occurrence of cross-border deals?
 - Examples: high innovation activity in one country, etc.