

DISSERTATION PROPOSAL

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“The Composition of Limited Partners in Private Equity Funds”

Thursday, December 3, 2020

10:00am EST

Zoom: <https://us02web.zoom.us/j/81816728062?pwd=MUdSVmdIRFpUay9peWxmK3RqajlKUT09>

In the first chapter, I investigate whether the composition of LPs in private equity funds affects fund performance. For the same amount of committed capital, private equity fund performance varies with the number and heterogeneity of LPs with respect to type and geography. Funds with a large number of LPs perform better than funds with a small number of LPs even if LPs commit the same amount of capital to both funds. Funds with greater heterogeneity of LP types perform better. While both compositional features exhibit strong positive effects on fund performance that persist across buyout and venture capital funds, the effects are economically larger for venture capital funds. Greater geographic heterogeneity of LPs improves performance for buyout funds but not for venture capital funds. Several mechanisms for the results are examined: GP deal selection, LP value-added, and diversification.

In the second chapter, I propose to investigate whether the persistence in the composition of LPs in private equity funds drives the documented persistence in performance at the LP-level and at the GP-level. The performance persistence puzzle refers to certain GPs and LPs that tend to consistently outperform their peers. Most explanations put forth by the literature for GP performance persistence relate to GP skills, inconsistent with evidence that GPs are not compensated with higher fees for their skill. At the GP-level, I will investigate whether performance persistence is driven by the persistence in the composition of LPs across funds sponsored by the GP rather than GP skill. At the LP-level, I aim to examine whether performance persistence is driven by the persistence in the composition of LPs across funds selected by the LP rather than LP skill in picking good GPs.