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1st ANNUAL PRIVATE MARKETS RESEARCH CONFERENCE

LAUSANNE, 30 JUNE 2017 | ECOLE HOTELIERE DE LAUSANNE (EHL)

Conference venue

Ecole hôtelière de Lausanne
Tschumi – Building N
Route de Cojonnex 18 / 1000 Lausanne 25 / Switzerland

Organizing committee

Serge Darolles (Université Paris-Dauphine), Cyril Demaria (Wellershoff & Partners), Emmanuel Jurczenko (Ecole hôtelière de Lausanne)

Scientific committee

Gregory Brown (University of North Carolina), Serge Darolles (Université Paris-Dauphine), François Degeorge (Swiss Finance Institute and Università della Svizzera italiana), Zsuzsanna Fluck (Michigan State University), José-Miguel Gaspar (ESSEC), Martin Hoesli (University of Geneva), Tim Jenkinson (University of Oxford, Saïd Business School), Emmanuel Jurczenko (Ecole hôtelière de Lausanne), Benoit Leleux (IMD), Ludovic Phalippou (Saïd Business School, University of Oxford), and David Robinson (Duke University, Fuqua School of Business and NBER).

Partners



Welcome

Welcome to the 1st Annual Private Markets Research Conference, which presents the latest research papers shaping the future of private markets industry. We hope this event will become a reference in the field of private equity and real estate investment research. The conference benefits from the financial support of the Research Initiative ARDIAN/ Private Equity and Venture Capital, under the aegis of the Europlace Institute of Finance, HES-SO University of Applied Sciences & Arts Western Switzerland and Unigestion.

Organizing Committee



SERGE DAROLLES

Université Paris-Dauphine

Serge Darolles is Professor of Finance at Université Paris-Dauphine where he teaches Financial Econometrics since 2012. Prior to joining Dauphine, he worked for Lyxor between 2000 and 2012, where he developed mathematical models for various investment strategies. He also held consultant roles at Caisse des Dépôts & Consignations, Banque Paribas and the French Atomic Energy Agency. Mr. Darolles specializes in financial econometrics and has written numerous articles which have been published in academic journals. He holds a Ph.D. in Applied Mathematic from the University of Toulouse and a postgraduate degree from ENSAE, Paris.



CYRIL DEMARIA

Wellershoff & Partners

Cyril Demaria specializes in private equity and combines practical and entrepreneurial experience, academic knowledge and lecturing experience. He is Head of Private Markets at Wellershoff & Partners, where he focuses on top-down buy-side research and advisory. Previously, he was Executive Director in charge of private markets research at the Chief Investment Office of UBS Wealth Management. Throughout his career, he held various positions as founder and managing partner of a venture capital fund, CIO of Tiaré Investment Management, an associate and portfolio manager in a fund of funds and an insurance group. He started as an analyst in a venture capital fund in the US and Europe. Cyril holds a BA in Political Sciences from the Institut d'Etudes Politiques of Lyon, a Master's in Geopolitics, a Master's in European Business Law, a Master's from HEC (Paris) and a PhD from the University of St Gallen. He is lectures at EADA, ESCP-Europe, HEC Paris and EDHEC. He is the authors of six books of which five are on private equity.



EMMANUEL JURCZENKO

Ecole hôtelière de Lausanne

Emmanuel Jurczenko is Associate Dean and Professor of Finance at Ecole hôtelière de Lausanne. Emmanuel's research focuses on portfolio and risk management with particular interest in risk budgeting, factor investing, public and private equity real estate investments. Prior to joining Ecole hôtelière de Lausanne, he worked for ABN-AMRO between 2000 and 2006 as head of quantitative analysts, where he was in charge of quantitative fund selection. Mr. Jurczenko has written numerous articles which have been published in academic and practitioner journals. He holds a Ph.D. in Economics from the University of Paris 1 Panthéon Sorbonne.

FRIDAY, 30 JUNE 2017 | 1 DAY CONFERENCE

Program

8.15-8.45

Registration

8.45-9.00

Welcome Address

Michel Rochat, Chief Executive Officer (EHL Group)
Steffen Raub, Dean (Ecole hôtelière de Lausanne)
Emmanuel Jurczenko, Associate Dean (Ecole hôtelière de Lausanne)
Serge Darolles, Professor Finance (Université Paris-Dauphine)

9.00-10.30

Session 1

Chair: F. Degeorge (Swiss Finance Institute and Università della Svizzera italiana)

“Winning a Deal in Private Equity: Do Educational Networks Matter”

F. Fuchs (University of St. Gallen)
R. Füss (University of St. Gallen)
T. Jenkinson (Saïd Business School, University of Oxford)
S. Morkoetter (University of St. Gallen)

Speaker: R. Füss (University of St Gallen)

Discussant: P. Ostberg (University of Zurich)

Earlier research finds that a shared educational background can help to establish business connections and facilitate information flows. But how valuable are these social ties for senior managers of private market funds and for their deal sourcing? Our data set comprises the biographical and educational background on more than 4,500 partners from around 2,000 buyout funds and on around 4,500 CEOs working for a company at the time a fund acquired it. We show that funds with a broader exposure to academic institutions generate higher performance. In addition, educational ties are frequent (15% of investigated deals) and increase the odds to win the deal (by 79%). In particular, rare ties are valuable and educational ties seem to mitigate a potential home bias.

“Private Equity’s Unintended Dark Side: On the Economic Consequences of Excessive Delistings”

A. Ljungqvist (New York University, NBER, CEPR, and Research Institute of Economics)

L. Persson (Research Institute of Industrial Economics and CEPR)

J. Tag (Research Institute of Industrial Economics)

Speaker: J. Tag (Research Institute of Industrial Economics)

Discussant: M. Habib (University of Zurich)

Over the past two decades, the U.S. stock market has been shrinking as the public firm model has begun to fall out of favor. We develop a political economy model of delistings to study the wider economic consequences of this trend. We show that the private and social incentives to delist firms from the stock market need not be aligned. Delistings can inadvertently impose an externality on the economy by reducing citizen investors’ exposure to corporate profits and thereby undermining popular support for business-friendly policies. By facilitating companies’ departures from the stock market, private equity firms can trigger a chain of events that may lead to long-term reductions in aggregate investment, productivity, and employment.

10.30-11.00

Coffee Break

11.00-12.30

Session 2

Chair: L. Phalippou (Saïd Business School, University of Oxford)

“The Impact of Public Pension Funds and Other Limited Partners on the Governance of Venture Capital Funds”

V. Atanasov (College of William and Mary)

T. Hall (Christopher Newport University)

V. Ivanov (the U.S. Securities and Exchange Commission)

K. Litvak (Northwestern University)

Speaker: T. Hall (Christopher Newport University)

Discussant: R. Fahlenbrach (EPFL)

We examine whether the reinvestment choices of public pension fund managers affect the governance and performance of private equity and venture capital funds. We start with a hand-collected dataset of litigation against venture capitalists (VCs) that provides significant shocks to the reputation of VCs. We combine that information with detailed data on limited partner investments in VCs provided by LP Source, and test whether public pension funds respond differently to these litigation-based shocks compared to other types of limited partners. Our triple-difference framework reveals that VCs who were defendants in lawsuits suffer a significant subsequent decline in investment by university endowments, but experience an increase in the investment share of public pension funds. The additional pension fund investment compensates for most of the shortfall in post-lawsuit fundraising caused by the exodus of other investors. Pension funds are about three times more likely to re-invest in post-lawsuit funds offered by litigated VCs. Our results indicate that the investment choices of public pension fund managers reduce the effectiveness of monitoring efforts by other limited partners in venture capital funds.

“Persistent Blessings of Luck: Capital and Deal Flows in Venture Investment”

L.W. Cong (University of Chicago Booth School of Business)

Y. Xiao (The Chinese University of Hong Kong - CUHK Business School)

Speaker: Y. Xiao (The Chinese University of Hong Kong CUHK Business School)

Discussant: P. Valta (University of Bern)

Performance persistence in the private equity industry, especially in venture funds, is often interpreted as evidence of differential abilities among managers. We present a dynamic model of delegated investments that produces performance persistence and predictability without skill heterogeneity. Risk-tolerant capital and innovative projects exhibit strong complementarity, and endogenously flow to recently successful funds due to incentivization of managerial effort with continuation value and assortative matching. Initial luck therefore has an enduring impact on fund performance and managerial compensation, and investors benefit from working with multiple funds with tiered contracts that affect dynamic moral hazard. We also demonstrate how endogenous fund heterogeneity and deal flows amplify small skill differentials. Consistent with empirical findings, our model predicts that venture funds that persistently outperform encourage greater innovation and attract better entrepreneurial projects using seemingly less favorable contract terms. The model further predicts “incumbent bias” in manager hiring and compensation improvement for recently successful managers.

12.30-14.00

Lunch break

14.00-16.15

Session 3

Chair: E. Jurczenko (Ecole hôtelière de Lausanne)

“Liquidity Provision on the Secondary Market for Private Equity Stakes”

R. Albuquerque (Boston College Carroll School of Management, CEPR, and ECGI)

J. Cassel (Saïd School of Business, University of Oxford, and Oxford-Man Institute)

L. Phalippou (Saïd School of Business, University of Oxford)

E. Schroth (Cass Business School, City University London and CEPR)

Speaker: L. Phalippou (Saïd Business School, University of Oxford)

Discussant: A. Bris (IMD)

This paper studies liquidity provision in the secondary market for private equity fund stakes, a new and fast growing market. Using a proprietary dataset of bids, we estimate a Poisson model of bid arrivals to describe the demand for different types of investors for different types of funds. We find that only the demand by funds-of-funds is consistent with the response to liquidity shocks in other financial markets: Funds-of-funds increase the frequency of their bidding and submit lower bids, thereby requiring higher returns, in response to liquidity shocks. This evidence suggests that funds-of-funds step into the secondary market as liquidity providers, but the liquidity premium they require is modest.

“Learning through Crowdfunding”

G. Chemla (Imperial College Business School)

K. Tinn (Imperial College Business School)

Speaker: G. Chemla (Imperial College Business School)

Discussant: P. Masset (Ecole hôtelière de Lausanne)

We develop a model where reward-based crowdfunding enables firms to obtain a reliable proof of concept early in their production cycle. The information gathered from a subsample of backers through a fixed length pre-selling campaign enables firms to update their beliefs about the preferences of all future consumers. This creates a valuable real option as firms invest only if updated demand is high. Further, such updating mitigates moral hazard: the higher the funds raised, the lower the firms’ incentives to divert them. Our results are consistent with stylized facts and provide new testable implications.

“Do Discount Rates Predict Returns? Evidence from Private Commercial Real Estate”

L. Peng (Smeal College of Business, Pennsylvania State University)

Speaker: L. Peng (Smeal College of Business, Pennsylvania State University)

Discussant: T. Dimopoulos (University of Lausanne)

This paper analyzes whether investors’ discount rates predict ex post returns and Jensen’s alpha in the private commercial real estate market. Tracking 4,430 properties in the U.S. that were worth 127 billion dollars at acquisition over the 1997 to 2014 period, I find that individual properties’ acquisition cap rates, which measure discount rates, have significant predicting power for ex post returns and Jensen’s alpha. The power is robust across property types and metro areas, is stronger in the short term, and persists when I control for sample selection, latent factors, heterogeneous factor loadings, and the pricing of some non-systematic risk.

16.15-16.45

Coffee Break

16.45-18.00

Panel Session

Moderator: B. Leleux, Professor of Finance (IMD)

Panelists:

O. Dauman, Head of Private Equity (CFM Indosuez Wealth)

B. Engelen, Managing Director (Greenhill)

C. de Dardel, Head of Private Equity (Unigestion)

C. Demaria, Head of Private Markets (Wellershoff & Partners)

F. Maccarone, Head Private Assets

18.00-19.00

Cocktail

Speakers



Gilles Chemla

Imperial College Business School

Gilles Chemla is a Professor of Finance at Imperial College Business School, a research director at the National Centre for Scientific Research, Dauphine Research in Management, a research fellow at the Centre for Economic Policy Research, and director of the firms, markets, and environment research programme at CEPREMAP (a French equivalent to CEPR). Gilles is a graduate engineer from the Ecole Nationale des Ponts et Chaussées and holds a degree in mathematics from the University of Paris–Diderot and a PhD in economics at the London School of Economics. Prior to his PhD, he has worked as an analyst at BNP Paribas. He has since regularly been an independent consultant and has worked as an Assistant Professor of Finance at the Sauder School of Business at the University of British Columbia. He has published in top finance, economic, and management journals and has visited multiple institutions including Harvard University, Stanford Graduate School of Business, Princeton University, and Columbia Business School. He is a member of the American Finance Association, American Economic Association, Western Finance Association, and European Finance Association.



Roland Füss

University of St. Gallen

Roland Füss is Full Professor of Real Estate Finance at the University of St.Gallen and Member of the Board of the Swiss Institute for Banking and Finance s/bf-HSG and of the School of Finance. He is also a Research Associate at the Centre for European Economic Research (ZEW), Mannheim, Germany. Prof. Füss is a member of the editorial board of several academic journals. His main research topics are in the field of asset pricing, portfolio optimization, private equity, real estate finance, and risk management. Prof. Füss has authored numerous articles in economics, finance, and real estate journals such as Journal of Financial and Quantitative Analysis, Review of Finance, Journal of Money, Credit and Banking, Journal of Banking and Finance, Public Choice, and Real Estate Economics.



Ludovic Phalippou

Saïd Business School, University of Oxford

Ludovic has been named as one of “*The 40 Most Outstanding Business School Profs Under 40 In The World*” and listed in 2016 as one of the 20 most influential individuals in private equity in Europe. Ludovic has strong links with senior practitioners in the industry, routinely speaks at practitioner conferences, appears in the media internationally (including *The Economist*, *Financial Times*, *New York Times*), and published his research in the very best academic journals in *Financial Economics*. His research has been presented in nearly 100 university seminars around the world, at all major academic conferences, downloaded over 50,000 times on *ssrn.com* (he is ranked among the top 100 business author worldwide), and cited 2,000 times (according to *Google scholar*). He worked with a number of large institutional investors on their private equity investment decisions and benchmarking systems. Ludovic teaches ‘Asset Management’ and ‘Private Equity’ and received several best-teacher awards. He graduated from *Toulouse School of Economics*, *University of Southern California*, and *INSEAD* (PhD). Ludovic enjoys great wines, and racing road bikes (not at the same time).



Thomas Hall

Christopher Newport University

Ph D in Economic Policy (*University of Southern California*), MA in International Economics (*The Johns Hopkins University*), BA in Political Science (*The Johns Hopkins University*). Dr. Hall has 30 years of experience in the private sector, public sector, and the educational sector, both in the US and abroad. He has won numerous grants, published many papers in top journals (*International finance*, *nonprofit evaluation* and *economic impact studies*, *venture capital* and *private equity*, *capital structure*, *emerging markets*, *high-tech firm financing*), has made dozens of academic and practitioner presentations (*Corporate finance*, *banking institutions*, *business analytics*), and also has an active consulting practice.



Liang Peng

Smeal College of Business, Pennsylvania State University

Liang Peng is an Associate Professor of Risk Management and the King Fellow of Risk Management in the Smeal College of Business of the Pennsylvania State University. Liang received his PhD in Economics from Yale in 2002. His research interests include the risk and returns of commercial real estate, real estate price index estimation, and the housing market. Liang has published in leading economics and real estate journals including *Review of Economics and Statistics*, *Real Estate Economics*, *Journal of Real Estate Finance and Economics*, and *Journal of Financial Markets*. Liang serves in the editorial boards of *Real Estate Economics* and *Journal of Real Estate Finance and Economics* and the advisory board of Real Estate Research Institute.



Joacim Tag

Institute of Industrial Economics

Joacim Tåg is Program Director and Research Fellow at the Research Institute of Industrial Economics (IFN). He heads the Globalization and Corporate Restructuring research program at IFN, holds a B.Sc., M.Sc. and a Ph.D. in Economics from Hanken School of Economics, and has been an ALSA-Fulbright Visiting Scholar at New York University. A central theme of his research is the economics of corporate ownership. He thus studies topics like the decision to become a business owner, private equity investments, listing and delisting decisions, and M&As. His research has appeared in, among others, the *Journal of Labor Economics*, *European Economic Review*, and the *International Journal of Industrial Organization*. It has also been featured in major newspapers such as *The Economist*, *Dagens Nyheter*, *Svenska Dagbladet*, and *Helsingin Sanomat*.



Yizhou (Eric) Xiao

The Chinese University of Hong Kong

Yizhou (Eric) Xiao joined the CUHK Business School in 2016 as an Assistant Professor of Finance. His primary research interest focuses on the role of asymmetric information on trading, asset pricing and entrepreneurial finance. He received his Ph.D. in Finance from Stanford University Graduate School of Business.

Panel Session

Moderator



Benoît Leleux
IMD Business School

Dr Benoît Leleux is the Stephan Schmidheiny Professor of Entrepreneurship and Finance at IMD in Lausanne (Switzerland) since 1999, where he has been director of the MBA program and director of Research and Development. He was previously Visiting Professor of Entrepreneurship at INSEAD (France) and Associate (Tenured) Professor and Zubillaga Chair in Finance and Entrepreneurship at Babson College (MA, USA). He obtained his Ph.D. at INSEAD, specializing in Corporate and Venture Finance. He is recognized as a leading specialist in entrepreneurship, venture capital, private equity and corporate venturing, in particular in emerging markets. Since 2008, he directs the IMD Global Family Business Award (GFBA), the most respected family business award for large, global family businesses. He published a number of books, including “Investing Private Capital in Emerging and Frontier Market SMEs” (IFC, 2009) and “Nurturing Science-Based Startups: An International Case Perspective” (Springer Verlag, 2008). His latest book “Private Equity 4.0: Reinventing Value Creation” was published by Wiley in April 2015. Dr Leleux earned a M.Sc. in Agricultural Engineering and a M.Ed. in Natural Sciences from the Catholic University of Louvain (Belgium) and an MBA from Virginia Tech (USA). His teaching cases have earned 19 European case writing awards and he has been running executive education programs and consulting assignments for more than 50 leading global corporations, family firms and investment funds. He is also involved with a number of private equity and venture capital funds as well as numerous startup companies in various capacities.

Panelists



Christophe de Dardel
Unigestion

Christophe de Dardel, Managing Director, is Head of Private Equity, a member of the Private Equity Investment Committee and a member of Unigestion’s Executive Committee. He was most recently Head of Portfolio Management within the Private Equity team. He joined Unigestion in 2001. Christophe previously spent more than ten years on several continents with Société Générale de Surveillance, a global inspection and testing group. He then established and ran the Swisscom Venture Fund, a corporate fund aimed at financing entrepreneurial initiatives of Swisscom collaborators. Christophe holds a Degree in Engineering from the Swiss Federal Institute of Technology in Zurich.



Olivier Dauman
CFM Indosuez Wealth Management

Olivier Dauman joined CFM Indosuez Wealth Management in 2011 as Head of Private Equity. He advises private clients and family offices on their Private Market allocation, including Private Equity, Private Debt, Private Equity Real Estate and Infrastructure assets. Before joining CFM Indosuez Wealth Management, he spent 5 years at Paris-based placement agent Global Private Equity. He raised capital for several Infrastructure and Private Equity funds and was in charge of Canadian and European investors. Olivier Dauman holds a BA (Hons) from Sheffield Hallam University and an Msc. in Finance from Bordeaux Business School (Kedge).



Cyril Demaria

Wellershoff & Partners

Cyril Demaria specializes in private equity and combines practical and entrepreneurial experience, academic knowledge and lecturing experience. He is Head of Private Markets at Wellershoff & Partners, where he focuses on top-down buy-side research and advisory. Previously, he was Executive Director in charge of private markets research at the Chief Investment Office of UBS Wealth Management. Throughout his career, he held various positions as founder and managing partner of a venture capital fund, CIO of Tiaré Investment Management, an associate and portfolio manager in a fund of funds and an insurance group. He started as an analyst in a venture capital fund in the US and Europe. Cyril holds a BA in Political Sciences from the Institut d'Etudes Politiques of Lyon, a Master's in Geopolitics, a Master's in European Business Law, a Master's from HEC (Paris) and a PhD from the University of St Gallen. He is lectures at EADA, ESCP-Europe, HEC Paris and EDHEC. He is the authors of six books of which five are on private equity.



Bernhard K. Engeli

Greenhill Secondary Advisory

Bernhard K. Engeli is a Managing Director in Greenhill Secondary Advisory's London office and advises institutional investors and fund managers on private equity secondary market transactions in the UK, Continental Europe and the Middle East. Prior to Cogent Partners' acquisition by Greenhill, he was a Partner and member of the firm's Executive Committee. Prior to joining Cogent Partners, Mr Engeli was an Associate Principal at McKinsey & Company where he served financial services companies and private equity firms on a broad range of strategy and corporate finance topics. He was also a leader of McKinsey's European Banking & Securities practice. Mr Engeli started his career at Goldman Sachs in London covering the pan-European Business Services sector as an equity analyst. Mr Engeli holds a Master's Degree in Economics from the University of St. Gallen, Switzerland, and a Master's Degree in International Management from the Community of European Management Schools (CEMS).

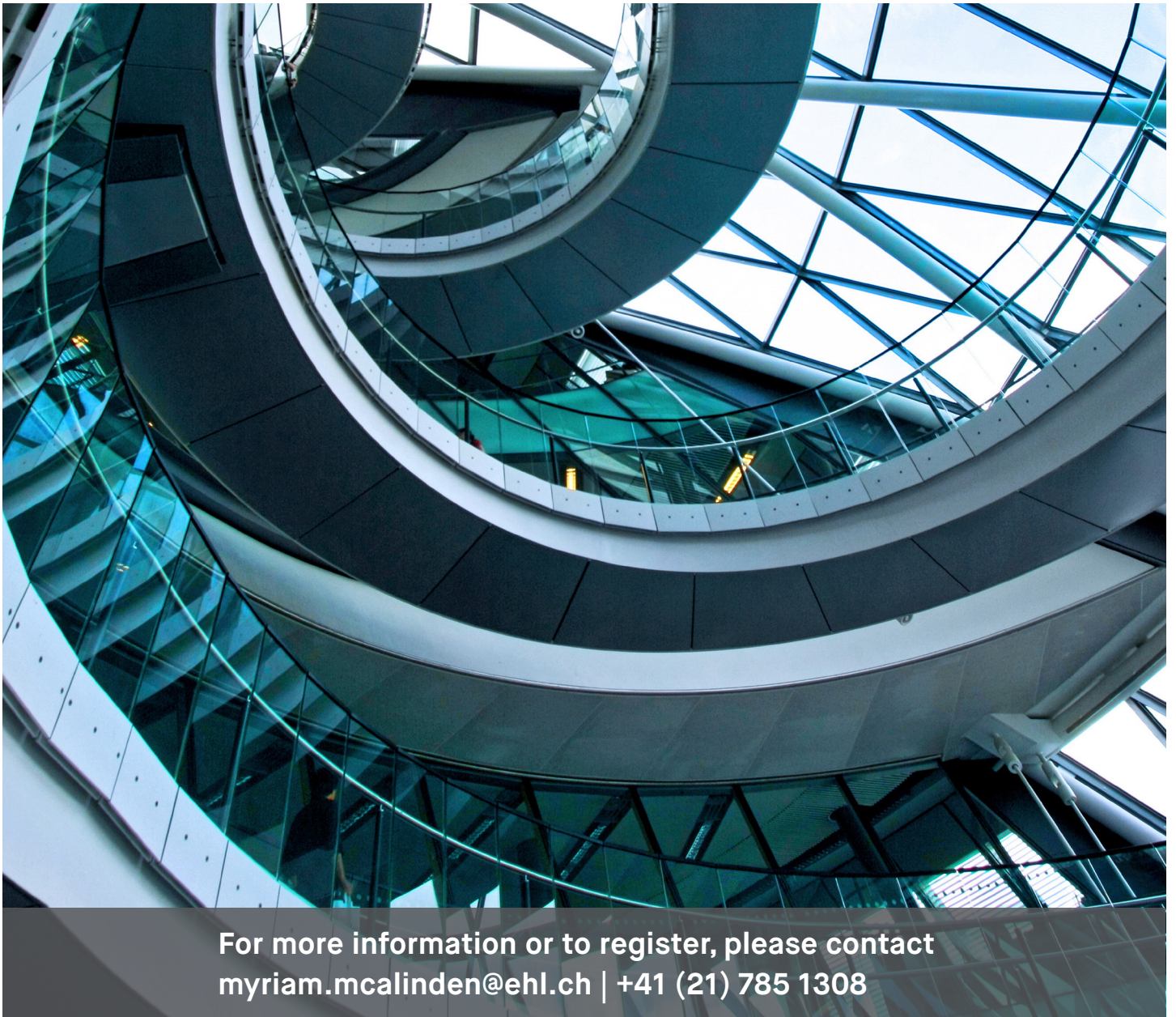


Fulvio Maccarone

Private Investments

Fulvio Maccarone currently is the responsible for Private Investments at a family office in Lausanne, focussing on Private Equity investments as well as long term listed participations. In his previous career, Fulvio started working at UBS as a corporate finance analyst in the early 90's in Zurich. He then moved back to Geneva to work as a financial analyst at UBP and then took the opportunity to work as a fund manager for Pictet where he stayed until 2004. He then had the opportunity to join Bluecrest Capital Management Ltd in London as an equity portfolio manager and a partner, where he was also involved with direct investments. In 2009, he returned to Switzerland to become the CIO for the Bank of China (Suisse) SA until 2012 when he joined his current employer. He currently sits on the board of a few Swiss companies and serves as an observer on many other international companies in which his clients are currently invested. Fulvio holds a Master's degree of HEC Lausanne and is a CFA charter holder. He speaks fluent French, English, Italian, Spanish and German.

Notes



For more information or to register, please contact
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About EHL

Rooted in the Swiss sense of hospitality, Ecole hôtelière de Lausanne (EHL) has, since 1893, been a pioneer in education that has inspired the world of hospitality.

While steeped in traditions, we are a young, dynamic institution with ultra-modern facilities and home to more than 2,700 talented and ambitious students from 114 countries.

With more than 200 employers recruiting on campus every semester and an on-site business incubator, we are proud to offer worldwide career opportunities and entrepreneurial support to our students and graduates.

Our active learning approach has allowed us to develop a unique international community of 25,000 alumni who share the same values, sense of professionalism and entrepreneurial spirit.



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