

Dear CEFS newsletter subscriber,
you will find two short descriptions of CEFS projects and a selection of CEFS news in this issue of our newsletter.
For complementary information, please visit our website at <http://www.cefs.de>.

First Round of Deloitte's Maetova Award for outstanding Private Equity deals starts with great success

For the first time the audit and consulting company Deloitte, the Institute for Business Management of the University of Karlsruhe and the CEFS awarded outstanding partnerships between Private Equity and portfolio firms. Thereby especially profitable private equity deals were selected, which illustrate that private equity can lead to a successful strategic realignment and sustainable growth. On November 4th 2008 a festive award ceremony took place at the HVB Forum in Munich which was moderated by Roland Tichy, chief editor of the "Wirtschaftswoche". The head and leader of the parliamentary group of the German liberal party (FDP) Dr. Guido Westerwelle was the Key-Note Speaker of this event.

Nameable personalities of the economy, science and media - Christian Eigen (CFO Medion AG), Gisbert Rühl (CFO Klöckner & Co. AG), Prof. Dr. Hagen Lindstädt (IBU, TH Karlsruhe), Prof. Dr. Christoph Kaserer (CEFS) and Roland Tichy (chief editor of the Handelsblatt) – formed the final jury of the award.

The price consists of three different categories: Family background, corporate background and transaction background. The Private Equity firm 3i with its investment Norma Group, an automotive supplier specialised in connection methods, could stand up to the other firms in the first category. With support of 3i, the family firm Norma Group became a global market player.

Winner of the category corporate background is the acquisition of Nordwind Capital at Schwäbische Hüttenwerke which led to continuous growth in profitability and number of employees. Schwäbische Hüttenwerke is an automotive supplier for oil pumps. The winner of the transaction background is the Hannover Finanz Group with aleo solar AG, a producer of photovoltaic solar power plants. Thereby the investors solved a decision problem which was a milestone for the following success story of this firm.

Please note that the application period for the Maetova-Award 2009 will start shortly.

For further information on the award, please visit www.maetova-award.de



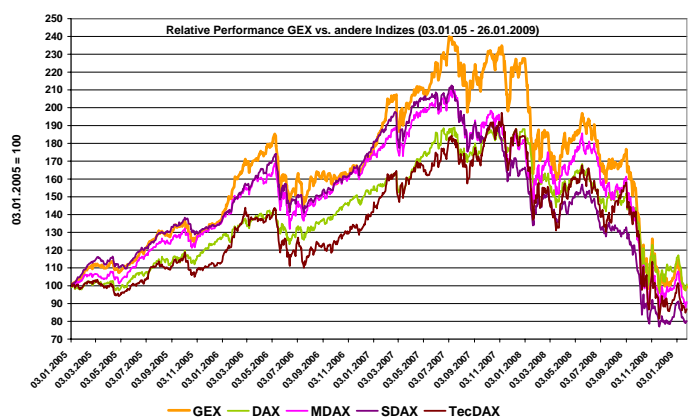
Left to right: Prof. Dr. Christoph Kaserer (CEFS), Prof. Dr. Hagen Lindstädt (IBU, TH Karlsruhe), Gisbert Rühl (CFO Klöckner & Co. AG), Anke Henrich (Editor Wirtschaftswoche), Dr. Guido Westerwelle (FDP), Christian Eigen (CFO Medion AG), Karsten Hollasch (Deloitte)

GEX-News

Since its inception on 03.01.2005 the GEX quoted nearly unchanged with a cumulative performance of -0.68%. This represents an excess return over the MDAX, SDAX and TecDAX of 8.46%, 19.11% and 12.46%, respectively. Only the DAX has performed better than the GEX exhibiting a cumulative performance of 0.82% during this time.

Currently there are 92 entities listed in the GEX. Since July 2008 17 entities left the index of which 10 exceeded the 10 year post IPO criterium. During the same timeframe there were 5 new entries incorporating just one IPO.

The GEX was introduced in January 2005 as a joint project of Deutsche Börse Group and CEFS. For further information please follow the links about current [market information](#) and the [release of the index](#).



All index data as of 26.01.2009

News

IPO Sentiment Indicator

The quarterly conducted IPO Sentiment Indicator shows for the fourth quarter only a small advancement compared to the third quarter. The primary market is still marked by the financial crisis. Yet, the indicator is slightly above the third quarter which is a strong sign for a strengthened IPO activity. Still, a recovery of issuing activities is not to be expected until the end of the year.

[more information](#)

Delegation of Centre for Entrepreneurship & Family Enterprise (CEFE) of University of Alberta School of Business at TUM in May 2009

We are proud to announce that a delegation of the Centre for Entrepreneurship & Family Enterprise (CEFE) of University of Alberta School of Business will be at TUM on May 11th and May 12th, 2009. Participants include the international renowned researchers Prof. Peter Jaskiewicz and Prof. Lloyd Steier as well as 30 MBA and undergraduate students. Their field trip focuses on family business and entrepreneurship in Europe. The 2009 tour will include Germany, Austria, and France and stops in Frankfurt, Munich, Salzburg and Strasbourg. In Munich, joint lectures will be held with students from TUM Business School by Prof. Ann-Kristin Achleitner, Prof. Peter Jaskiewicz and Dr. Eva Nathusius. In addition, the group will jointly visit prominent German family businesses.

[more information](#)

Süd-Chemie Prize for Oliver Trinchera

We are happy to announce that new CEFS member and TUM Alumni Oliver Trinchera was awarded the Süd-Chemie Prize for his outstanding Diploma Thesis titled "The Impact of Ownership Structures on Research and Development Expenditures — An Empirical Analysis of the German Equity Market". The award is a key element in Süd-Chemie's endeavor to foster young researchers. Two young and promising researchers from TU München received the award.

[more information](#)

SWM Dissertation Prize for Kay Müller and Axel Buchner

Both former CEFS members Kay Müller and Axel Buchner received the Stadtwerke München Förderpreis for their outstanding dissertations. The price was awarded for the first time at the Technische Universität München and honored four scientific theses with an amount of € 1.000 each.

[more information](#)

Conferences

Dr. Eva Nathusius speaks at the annual Interdisciplinary European Conference on Entrepreneurship Research (IECER) in Lisbon

The working paper "Impact of private equity on employment: A systematic review of the evidence" by Prof. Dr. Ann-Kristin Achleitner and Dr. Eva Nathusius was accepted for presentation at the IECER at the Technical University of Lisbon, Portugal, from March 04 to March 06, 2009. Dr. Eva Nathusius is going to present the paper at the conference which this year is focused on the theme „Human Capital and Entrepreneurship“. She will receive financial support from the TUM Business School fund for the advancements of women in academic careers to participate in the conferences.

[more information](#)

CEFS paper accepted for three high level conferences

The paper 'Family firms, agency costs and risk aversion — an empirical evidence from diversification and hedging decisions' has been accepted at three well renown conferences, the Annual Meeting of the Midwest Finance Association in Chicago, the European Financial Management Symposium on Corporate Governance and Control in Cambridge and the 12th Conference of the Swiss Society for Financial Market Research in Geneva. CEFS members Markus Ampenberger and Thomas Schmid will be presenting the paper.

[more information](#)



Conferences

CEFS paper accepted the Annual Congress of the European Accounting Association

The paper 'Impact of Managerial Ownership, Monitoring and Accounting Standard Choice on Accrual Mispricing' has been accepted for the above conference in May 2009 in Tampere, Finland. The tough review process with almost 800 papers turned in selected the topic as one of its discussion papers. CEFS doctoral candidate and paper author Mr. Gegenfurtner will have the chance to present the paper and get valuable insight from a large expert community.

[more information](#)

CEFS abstract accepted at 2009 Babson College Entrepreneurship Research Conference (BCERC)

It is our pleasure to announce that a joint working paper by Prof. Dr. Dr. Ann-Kristin Achleitner, Marko Bender, Prof. Dr. Christoph Kaserer and Dr. Eva Natusius on spatial proximity in venture capital finance was accepted for presentation at the 2009 Babson College Entrepreneurship Research Conference (BCERC) on June 4-6, 2009 in Wellesley, USA. Founded by Babson College in 1981, BCERC is considered by many to be the premier entrepreneurship research conference in the world. The 2009 BCERC, received 596 abstracts for 200 available invitations.

[more information](#)

Paper of Prof. Achleitner, André Betzer and Jasmin Gider accepted at Spring Meeting of Young Economists in Istanbul

The paper 'Investment Rationales of Hedge Funds and Private Equity Funds in the German Stock Market' was accepted for the Spring Meeting of Young Economists in April 2009 in Istanbul. The meeting is intended to give non-tenured young economists a chance to meet, present and discuss their work.

The paper is available at SSRN: http://papers.ssrn.com/sol3/papers.cmf?abstract_id=1292896.

Publications

Achleitner / Bassen / Roder: 'An Integrative Framework for Reporting in Social Entrepreneurship'

The paper by Prof. Dr. Dr. Ann-Kristin Achleitner (TU München), Prof. Dr. Alexander Bassen (Universität Hamburg) and Barbara Roder (TU München) develops an integrative framework for reporting in social entrepreneurship by drawing on an integrated management model in order to sort, structure and systemize indicators for assessing social ventures.

In order to implement and scale their ideas to solve social problems, social entrepreneurs need financial as well as non-financial support from external investors. At the same time, there is no common reporting standard instructing social entrepreneurs how to measure and report their performance, risks and organizational capacity in order to better attract these necessary resources. One of the major consequences of this situation is a very high cost of capital for investors in this field and thus an extremely inefficient capital allocation. Based on this model, a reporting standard for social entrepreneurs is being developed at the moment in cooperation with Ashoka - Innovators for the Public and the Schwab Foundation for Social Entrepreneurship. This research cooperation is generously sponsored by the Heinz Nixdorf Stiftung.

The paper was listed on SSRN's Top Ten download list for SE: Social Enterprise (among others) and is available at <http://papers.ssrn.com/abstract=1325700>.

Achleitner / Betzer / Hinterramskogler: 'Private Equity Investors as Corporate Governance Mechanism in Continental Europe'

On the current background of large fund overhangs of private equity investors (PE) and relatively low stock market valuations of continental European firms, the paper examines the investment rationales of PEs in these companies. The results suggest that the investment strategy is predominantly driven by the potential to generate value through improvement of corporate governance of the firm and the potential to increase the deal success probability of costly taking privates through private negotiations with large company blockholders.

The study will be presented at Cambridge University in the course of the European Financial Management Symposium on Corporate Governance and Control.

The paper is available at SSRN http://papers.ssrn.com/sol3/papers.cmf?abstract_id=1319836.

Publications

Achleitner / Müller: 'Private Equity Entities and Conglomerates: What are the Differences?'

The paper by Prof. Dr. Dr. Ann-Kristin Achleitner and Dr. Kay Müller compares the characteristics of conglomerates and private equity entities. This is done by examining the differences among their business models. They analyze the relations of the two entity types to their investors on the one hand and to their investments on the other hand.

The paper is available at SSRN http://papers.ssrn.com/sol3/papers.cmf?abstract_id=1140699.

Schmid / Ampenberger / Kaserer / Achleitner: 'Family firms, agency costs and risk aversion — an empirical evidence from diversification and hedging decisions'

We analyse differences between family firms and their non-family counterparts in three distinct ways to smooth the firm's cashflow: business segment diversification, geographical diversification and the application of currency hedging instruments. This analysis is based on a unique dataset of 339 publicly listed companies in the German Prime Standard from 2002 to 2006. First, our analysis aims to find differences between family firms and non-family firms. The striking finding of our analysis is that family firms are less diversified in business segments which are not related to each other. In contrast, there are no differences in terms of overall or related business segment diversification. We do not find convincing evidence for any differences in terms of geographical diversification. Hence, internationalisation seems to be a prerequisite to be competitive in a global economy independent from any ownership aspects. Finally, our analysis provides strong evidence that family firms are less likely to use currency hedging instruments.

In a second step we investigate the effects of the two separate dimensions of a family firm – family ownership and family management – which have conflictive effects on firm behaviour. Family management, i.e. the involvement of the founding family into firm management, reduces agency costs and thus leads to lower levels of business segment diversification and less currency hedging. In contrast, family ownership leads to higher risk aversion and consequently to more business segment diversification. Overall, the family management aspect is more likely to dominate the family ownership aspect.

The paper is available at SSRN http://papers.ssrn.com/sol3/papers.cmf?abstract_id=1314823.

Gegenfurtner / Ampenberger / Kaserer: 'The Impact of Managerial Ownership, Monitoring and Accounting Standard Choice on Accrual Mispricing'

The paper analyses to what extent the accrual anomaly is related to the choice of the accounting system as well as firm-level heterogeneity in corporate governance mechanisms. Using a unique dataset of listed German firms over the period 1995 to 2005 it first corroborates former results indicating that the accrual anomaly is also present in Germany. However, this anomaly seems to be driven mainly by firms with managerial ownership. In a second step, it is tested how different corporate governance mechanisms affect the anomaly. For the German experiment on voluntary adoption of IFRS our results confirm previous findings that the anomaly is less likely to be present under a conservative accounting system. While creditor monitoring is able to reduce the accrual anomaly, shareholder monitoring is not. Apart from offering evidence related to the cross-sectional difference in the degree of accrual mispricing, our results give also some insights related to the cross-country variation of this phenomenon.

The paper is available at SSRN http://papers.ssrn.com/sol3/papers.cmf?abstract_id=1335288.

Stange / Kaserer: 'The Impact of Order Size on Stock Liquidity - A Representative Study'

The larger the size of a position a trader wants to liquidate, the higher is the position's liquidity cost. To make this price impact effect transparent, we introduce a new liquidity measure, weighted spread, which makes use of data from the limit order book. We distill stylized facts on the precise magnitude and the dynamics of this liquidity price impact. In addition, we provide guidance on how to compare liquidity between different stocks and on the liquidity-day-of-the-week-effect.

Stange / Kaserer: 'Why and How to Integrate Liquidity Risk into a VaR-Framework'

Market liquidity risk, the risk of not being able to trade assets as previously thought, is one of the major problems in modern risk management. We demonstrate how the liquidity measure 'weighted spread' is useful in this context and provide details on how it should be used to precisely measure liquidity risk.

The papers are available at SSRN <http://ssrn.com/author=793594>.

Publications

Dickgiesser / Kaserer: Market Efficiency Reloaded: Why Insider Trades Do Not Reveal Exploitable Information'

Insider trading studies on the German market have emphasized that outside investors may earn excess returns by mimicking the transactions of corporate directors. Such a result would constitute a serious violation of the efficient market hypothesis. The results presented in this paper, though, show that this anomaly is mainly caused by a subset of stocks with high arbitrage risk as measured by their idiosyncratic volatility. The paper has been accepted for the German Economic Review.

The paper is available at SSRN http://papers.ssrn.com/sol3/papers.cmf?abstract_id=1099460.

Achleitner / Schraml / Tappeiner: 'Minderheitsbeteiligungen in Familienunternehmen'

The article on minority stakes in family firms was published in the Financial Yearbook Germany 2009 (edited by T. Anderer). Minority stakes of private equity investors have only recently drawn the interest of both investors and family firms. Due to the low control rights they had been avoided by investors, but the competitive market grew the need for new investment instruments. Prominent examples are CVC's investment into Evonik or One Equity Partner's in Süd-Chemie.

New CEFS Members



We welcome **Wolfgang Spiess-Knafl** (left) as new scientific assistant at the CEFS. Wolfgang holds a diploma in business engineering from the Vienna University of Technology. Prior to joining CEFS, he worked for 1.5 years for Morgan Stanley where he was involved in a wide range of capital market transactions in the German M&A-Team. We are very happy that Wolfgang came to join our team.

Christian Graf (right) studied business administration at the University of Passau and at the California State University. Prior to joining the team, Christian worked for 3 years at The Boston Consulting Group and completed various projects for Financial Institutions and Private Equity Companies. Christian's research will focus on current topics of the Private Equity Industry.



We also welcome **Tobias Kauf** (left) as new scientific assistant. Prior to joining the CEFS team, Tobias worked 2 years for Bain & Company where he consulted a wide range of clients in diverse industries. Currently, he is granted a Leave of Absence for his doctoral studies at CEFS. Tobias holds a diploma in business administration from TU München where he specialized in finance, entrepreneurship and computer sciences. We are very happy to have him on board.

Florian Weber (right) joined us in December 2008. He holds a scholarship of the TUM International Graduate School of Science and Engineering. From October 2004 to March 2008 Florian Weber studied Technologie- und Managementorientierte Betriebswirtschaftslehre at the TU München.



We welcome **Eva Kasper** as new CEFS scientific assistant. Eva studied economics at the Ludwig-Maximilians-Universität München. During her studies Eva gained practical experience at an internship with BMW in South Africa where she worked for the logistic department. After an internship with UNIDO in the foreign direct and technology investment branch she joined the administration department of TUM Business School. Since October 2008 she is participant of the science career program of TUM. Eva's line of research will focus on the CEFS Infrastructure Finance Initiative (CEFS-IFI). We are very happy that Eva joined our team.