Center for Entrepreneurial and Financial Studies

Technische Universität München

CEFS Newsletter Quarter 1/2014 **08.04.2014**

Dear $$academic title$$ $$first name$$ $$last name$$,

in this issue of our newsletter you will find news, information on a selection of current CEFS projects, publications, conference contributions, CEFS member news as well as a variety of announcements. For additional information, please visit our website at http://www.cefs.de or contact us at contact@cefs.de.

Content

NEWS:

Paper accepted for Presentation at the 2014 SFS Finance Cavalcade, Washington

The paper “Production Characteristics, Financial Flexibility, and Capital Structure Decisions” by Thomas Schmid will be presented at the 2014 Society for Financial Studies Finance Cavalcade (Georgetown University, Washington, USA, May 18-21, 2014).

Paper accepted for Presentation at European Financial Management Association Annual Meeting 2014, Rome

The paper "The Limited Partnership Model in Private Equity: Deal Returns over a Fund’s Life" by Reiner Braun and Maximilian Schmidt will be presented at the European Financial Management Association (EFMA) 2014 Conference (University of Rome Tor Vergata, Rome, Italy, June 25-28, 2014).

The conference has a high reputation in the scientific community and focuses on financial decision making in all areas of finance as it relates to European corporations, financial institutions and capital markets. CEFS is proud to contribute to EFMA.

Using a unique sample of more than 10,000 private equity transactions the results indicate that the limited partnership model as a form of financial intermediation has an impact on decisions about single PE investments. The authors find a robust drop in investment returns once a new limited partnership is established, e.g. fund managers have raised a new fund. This pattern has increasingly emerged since the late-1990s. The authors conclude that the current governance form of limited partnership model is of questionable benefit in a matured PE industry. The paper can be found here.

Prof. Achleitner speaks at TUM series "Faszination Forschung" ("fascinating research") on family firms

"Faszination Forschung" addresses TUM contributors to give them an understanding of outstanding research projects at TUM. Prof. Achleitner will give a close insight into the family firm research conducted at CEFS. A special focus of her talk lies on listed family firms and the question of differences in company policies compared to listed non-family firms. She addresses questions of performance measurement as well as capital structure, diversification, dividend payouts and R&D behavior.

New study on capital markets and economic growth presented on March 20, 2014, London

The study "Capital Markets and Economic Growth – Long-Term Trends and Policy Challenges" by Christoph Kaserer and Marc Steffen Rapp was presented in London on March 20, 2014.

In their study commissioned by the Alternative Investment Management Association (AIMA), the authors show that capital markets are significant drivers of economic growth and increasing their size could compensate for the post-financial crisis decline in bank lending.

The press release can be found here. Further information will be given on a press conference in Frankurt on April 9, 2014.

PUBLICATIONS:

Paper accepted for publication in Small Business Economics

The paper "Industry relatedness in trade sales and venture capital investment returns" by Ann-Kristin Achleitner, Reiner Braun, Eva Lutz and Uwe Reiner was accepted for publication in the "Small Business Economics" journal.

The authors investigate relationships between the industry relatedness of venture capital-backed companies and their strategic acquirer in trade sales and the achieved investment returns of venture capitalists. The paper shows that venture capitalists achieve higher returns with lateral rather than synergetic trade sales, and that the difference is greater for deals involving early stage companies characterized by strong information asymmetries. In addition, horizontal trade sales yield higher returns than vertical trade sales; however, in boom phases of the venture capital market, this effect reverses. Finally, the study reveals that experienced venture capitalists are able to overcome disadvantageous situations in trade sales, resulting in comparable returns across all trade sale categories.

Paper accepted for publication in Journal of Applied Corporate Finance

The paper "The evolution of private equity fund terms beyond 2 and 20" by Ingo Stoff and Reiner Braun was accepted for publication in the "Journal of Applied Corporate Finance".

In their paper, the authors analyze whether the evolution of fund terms in the private equity industry has been sufficient to keep interests between (institutional) investors and private equity fund sponsors aligned. The study reveals for a period between 1989 and 2012 that fund terms have been surprisingly stable over time. Instead, the major driver of more investor-friendly fund terms has been growing fund sizes. Obviously, private equity fund sponsors have accepted moderately lower management fee percentages with the aim of maximizing fund sizes and thus absolute fixed management fees. This research helps to realign the interests between investors and private equity fund sponsors by providing guidance towards new – more success-based – fund terms.

Paper published in the International Review of Finance: Special Issue

The paper "Is Japan Different? Evidence on Momentum and Market Dynamics" by Matthias Hanauer was published in a special issue on Japanese financial markets in the International Review of Finance in March 2014.

In his paper, Matthias Hanauer documents - based on recent evidence for the US indicating that momentum profits are conditional on market dynamics - that the following finding holds for the Japanese market as well: momentum returns are significantly higher when the market stays in the same condition than when it transitions to the other state. This evidence is consistent with the behavioral model of Daniel et al. (Journal of Finance 53(6), 1839–1885.). Furthermore, market transitions occurred more frequently in Japan compared to the US. These results explain why average momentum returns have historically been low in Japan, a fact generally referred to as an empirical failure of momentum. Overall, the findings indicate that different market dynamics, and not different momentum, cause the overall low momentum returns in Japan.

The paper can be found here.

FUTURE EVENTS:

CPEA – Certified Private Equity Analyst: Modules of the first year successfully completed

The first year of the "Certified Private Equity Analyst", the certificate program organized by the Executive Education Center of the TUM School of Management in cooperation with the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (BVK), has been successfully completed. The participants completed the fifth and last module with the final examination.

The 18 members of the first year, beneath 3 women and 15 men, passed a multifaceted program. All relevant aspects of private equity and venture capital business have been examined – from the deal-flow up to the successful exit strategies.

On May 23, 2014 the final ceremony with the award of the certificates will take place: The participants of the year 2013/2014 will be the first "Certified Private Equity Analysts".

By creating the CPEA, TUM School of Management sets new standards in the private equity training and creates a uniform quality framework for advanced training for the heterogeneous group of investment managers. The program is dedicated to managers of funds in private equity firms, buy-out companies and other financial service firms searching for a recognized qualification.

The program is structured in five modules comprising of three days each. The year 2014/2015 starts in October 2014. For all further information please click here or see the flyer.

For further details about registration and schedule please contact:
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