



Research Seminar Series

Thursday, May 14th, 2009
Time: 16:00 - 18:00, Room 013

Seminar Title

"Risk and *Expected* Returns of Private Equity Investments: Evidence Based on Market Prices"

Roman Kraeussl
Associate Professor of Finance
VU University Amsterdam, NL

Summary

We estimate the risk and expected returns of private equity investments based on the market prices of exchange traded funds of funds that invest in unlisted private equity funds. Our results indicate that the market expects unlisted private equity funds to earn abnormal returns of about one to two percent. We also find that the market expects listed private equity funds to earn zero to marginally negative abnormal returns net of fees. Both listed and unlisted private equity funds have market betas close to one and positive factor loadings on the Fama-French SMB factor. Private equity fund returns are positively correlated with GDP growth and negatively correlated with the credit spread. Finally, we find that market returns of exchange traded funds of funds and listed private equity funds predict changes in self-reported book values of unlisted private equity funds.

Roman Kräussl obtained a first class honors Masters in Economics with a specialization in Financial Econometrics at the University of Bielefeld in 1998. He completed his Ph.D. with honors (*magna cum laude*) at Johann Wolfgang Goethe-University, Frankfurt/Main, Germany, in 2002. As the Head of Quantitative Research at Cognitrend GmbH, he was closely involved with the financial industry. Currently, he is Associate Professor of Finance at VU University Amsterdam, affiliated with the Center for Private Equity and Hedge Funds at Goizueta Business School, Emory University, Atlanta, and research fellow with the Center for Financial Studies, Frankfurt/Main.