

Foreword

Driven by the convergence of international financial public markets, investors around the globe are searching for alternative asset classes which provide diversification of their portfolios while earning attractive returns. Private equity, denominating equity investments in privately held companies, promises to fulfill both criteria. Over the last three decades, the global private equity industry has experienced an enormous growth. Private equity has become an important ingredient in the portfolios of institutional investors, such as banks, insurance companies and pension funds.

Despite its increasing importance, relatively few are known about the characteristics and specialities of private equity. Therefore, practitioners are turning to researchers for systematic information in order to take sound investment decisions.

In his dissertation, Ulrich Lossen contributes to this need of information. Lossen applies advanced econometric methods to a unique data set which he assembled specifically for the purpose of this thesis. His analysis focuses on the choice of portfolio strategies by private equity firms and the impact of this choice on funds' performance. His research proceeds in three steps. First, Lossen models the trade-off between diversification and specialization in private equity funds theoretically. Secondly, he analyzes the influence of external factors on the choice of private equity firms to diversify their portfolios across different dimensions, such as financing stages, industries, and geographic regions. Finally, he examines the impact of such diversification on private equity funds' performance.

This book is the product of more than three years of intensive research which earned the author a doctoral degree at the Ludwig-Maximilian-University of Munich. Ulrich Lossen's studies of private equity funds are a remarkable contribution to the field. I am sure that these results will find the attention of practitioners and researchers alike.

Prof. Dietmar Harhoff, Ph. D.