

CHARACTERISATION OF THE REPUTATION OF PRIVATE EQUITY MANAGERS: EVIDENCE IN SPAIN

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Abstract

The aim of this work is to analyse the agency relationship between investors and private equity players in order to identify the factors which determine the latter's reputation. Since there are no individual references about returns, reputation is supposedly linked to their capacity for obtaining new funds in countries such as Spain. In the work two groups of variables are identified which might affect reputation; some to the private equity managers activity and some related to external aspects. The analysis focuses on the activity of practically the whole of the private equity investors who were operating in Spain during the period 1991-2001. The results obtained provide evidence of the previous size of the funds under management and the location of the main office in the State capital, as exogenous references of the highest importance, and of the volume of investments recorded in the past, as an indicator of the ability to attract higher sums of capital. Moreover, given the wide variety of private equity firms, the analysis is completed for different, and more homogenous subgroups, with a larger number of significant variables for the subgroups facing greater agency problems.

Key words : Private equity, fundraising; signalling, agency theory.

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