Katholische Universität Eichstätt-Ingolstadt
Wirtschaftswissenschaftliche Fakultät Ingolstadt
Lehrstuhl für ABWL, Finanzierung und Banken

Three Essays on Financial Intermediation

Roberto Liebscher

Abstracts der Werke der kumulativen Dissertation
gemäß § 17 Abs. 1 Rahmenpromotionsordnung
der Katholischen Universität Eichstätt-Ingolstadt

Erstgutachter: Univ.-Prof. Dr. Thomas Mählmann
Zweitgutachter: Univ.-Prof. Dr. Reinald Koch

Datum der mündlichen Prüfung: 27. Juli 2017

Are Professional Investment Managers Skilled? Evidence from Syndicated Loan Portfolios

Roberto Liebscher Thomas Mählmann

First Draft: March 27, 2014
This Version: September 20, 2015

Abstract

Theory predicts that individual investor's incentives to uncover new information about asset values are low if asset prices are efficient. This, in turn, implies that heterogeneity in investment manager skill, if present, should be most clearly visible among managers that focus on asset classes with less informationally efficient prices. We investigate this argument using a large sample of syndicated bank loan portfolios managed by collateralized loan obligation (CLO) managers. Using a CLO's equity tranche cash-on-cash (CoC) return to measure performance, we find strong persistence that is robust to an extensive set of risk controls. While investors seem to derive their expectation about management quality from a manager's realized performance and allocate more capital to "skilled" managers, top performers cope to stay ahead net-of-fees. This questions the rationality of managers and the efficiency of the syndicated loan market.

JEL-Classification: G21, G23, G24

Keywords: Collateralized Loan Obligations, Credit Trading, Manager Quality, Performance Measurement, Securitization

Catholic University of Eichstätt-Ingolstadt. Address: Auf der Schanz 49, 85049 Ingolstadt, Germany. Mail: roberto.liebscher@ku.de and thomas.maehlmann@ku.de. We are indebted to Taylor Nadauld for several important comments that substantially improved the paper. We further thank Department Editor Wei Jiang as well as one Associate Editor. We are grateful to Michael Brehm, Markus Helmle, Florian Kube, Fabian Lodes, Anna Lyashenko, Raphael Ruess for excellent research assistance and Steven Henny for providing us with useful insights into the CLO market and the data. This paper also benefited from valuable comments of Monika Gehde-Trapp (DGF discussant), Tugkan Tuzun (AFFI discussant), Hans-Martin Henke, Imbart Schep as well as seminar participants at the 11th HypoVereinsbank PhD Seminar 2013, the University of Düsseldorf 2014, the 12th AFFI Paris International Finance Meeting 2014 and the joint conference of the 21st Annual Meeting of the German Finance Association (DGF) and the 13th Symposium on Finance, Banking, and Insurance at the Karlsruhe Institute of Technology.

Private Equity Debt Investors

Roberto Liebscher Thomas Mählmann

First Draft: March 29, 2017
This Version: April 17, 2017

Abstract

We provide an economic rationale for the expansion of private equity (PE) groups into the business of private debt investing. We argue and show empirically that combining PE with private debt provides dual benefits for the parent entity. On the one hand, in the primary loan market, the parent uses its debt management division as a source of cheap funding for the PE funds' portfolio companies which boosts the funds' equity returns. On the other hand, there is information spillover from the PE to the debt division, enabling the debt manager to profitably trade on this information in the secondary loan market. Our results suggest that PE firms with affiliated debt management arms benefit from competitive advantages relative to their single-market peers.

Keywords: Syndicated loans, private equity, private information, information diffusion, conflicts of interest.

JEL Classification: G11, G14, G23

Catholic University Eichstätt-Ingolstadt, Auf der Schanz 49, 85049 Ingolstadt, Germany. E-mail addresses: thomas.maehlmann@ku.de and roberto.liebscher@ku.de. Andreas Kessler was an invaluable help during this project. We further thank Valentin Stockerl for his excellent assistance in converting information from trustee reports. We are grateful for helpful comments and suggestions from Dimitriy Masterov, Robert Picard and Jeffrey Wooldridge.

Socially Responsible Equity Funds and the Dow Jones Sustainability Index

Roberto Liebscher

This Version: April 30, 2017

Abstract

I use variation created through changes in the index composition of the Dow Jones Sustainability Index (DJSI) to measure social preferences of U.S. domestic equity mutual funds. I find that while socially labeled funds (SRI funds) show a higher *level* of investments in DJSI stocks their response to *changes* in the index composition is not different from conventional funds. Moreover, out-of-sample predictions of reactions to index changes are weak for social responsibility ratings and the SRI label as predictors. The results either challenge the value of SRI labels and social responsibility ratings or the relevance of the DJSI for socially driven investment decisions.

Keywords: Socially-responsible mutual funds, cost of capital

JEL Classification: G11, G23

Catholic University Eichstätt-Ingolstadt, Auf der Schanz 49, 85049 Ingolstadt, Germany. E-mail address: roberto.liebscher@ku.de. For valuable comments and suggestions I thank Hans-Martin Henke, Simon Gloßner and Thomas Mählmann. I further thank John Nofsinger for providing me with a list of socially-responsible classified mutual funds and RobecoSAM for sending me historical index compositions of the Dow Jones Sustainability Index.