



December 21, 2016

To the Friends of the PCRI:

I'm pleased to take this opportunity to recap a very productive year for the Private Capital Research Institute ("PCRI") in support of its mission to: 1) build a comprehensive database of private capital information; 2) sponsor independent academic research; and, 3) arrange thought leadership forums that bring together academics, policy makers, regulators, investors and industry practitioners to examine private capital's role in the economy.

Private Capital Information Platform Build Out

One of the most significant milestones of the year was the successful launch of version 2.4 of the PCRI database. The enhancements over prior versions include several new commercial data sources and new GP data sponsors, updated data from existing commercial data sources, additional PCRI researched data, new private capital deal-level information, better matching between investments and exits, and improved industry classifications.

- *New commercial data vendors:* We now include information from StartUp Nation, a company that focuses on collecting data on Israeli private equity transactions and funds and Venture Intelligence, a leading source of information on private company financials, transactions (private equity, venture capital and M&A) and their valuations in India.
- *New GP data contributors:* To date, PCRI's outreach to global general partners has resulted in approximately 50 agreements signed or pending. In addition, the PCRI is in conversations with more than 50 other GPs about supplying fund and portfolio company data.
- *New academic research:* In Fall 2016, the PCRI posted a Call for Proposals and has added six additional PCRI academic researchers. In total, we have approximately a dozen active academic researchers conducting studies utilizing the PCRI database. We continue to recruit data users and we expect at least another 10 academics to be actively using the database next year. Our data users include professors, as well as doctoral students, from such leading academic institutions as Caltech, New York University, Ohio State University, University of Chicago, MIT, and Harvard Business School.

Staffing

We are particularly pleased with our ability to attract and retain outstanding talent. In June 2016, Yiqui Zhou (“Jo”) joined the PCRI staff as a Research Associate. Jo holds a Masters of Arts in Public Policy from Boston University and BS degree in Financial Economics with a minor in Philosophy from Southern Method University. PCRI now has a total of two full-time research associates.

The PCRI continues to recruit part-time undergraduates to help research and manage the database. Today there are six part-time interns.

Strategic Partnerships

Our strategic alliance with State Street Bank continues to be fruitful. Beginning in 2016, the PCRI and State Street jointly published quarterly newsletters about trends in the private capital industry. We have attached our most recent article for your review. Past articles are available on the PCRI website: www.privatecapitalresearchinstitute.org

We continue to work with State Street on areas of collaboration, including potentially to receive unanonymized data that could be incorporated in to our database. As of March 2016, State Street’s private equity database includes more than 2,500 funds, representing more than \$2.4 trillion of investments. Currently, we are working on a joint academic research paper utilizing State Street data, which will be led by PCRI Director Josh Lerner and MIT Professor Antoinette Schoar.

Events

During the year, the PCRI presented at numerous industry and academic conferences, as well as sponsoring thought leadership forums.

- In January, the PCRI presented at the American Economics Association Annual Meeting. Josh Lerner joined John Abowd (Cornell University), Hal Varian (Google), Ron Jarmin (US Census Bureau), and William Bostic (US Census Bureau) to discuss policy issues associated with private data access and innovative ways to make protected data available to researchers. The discussion was informed by an article (“Making Private Data Accessible in an Opaque Industry: The Experience of the Private Capital Research Institute”) which Josh Lerner and Leslie Jeng co-authored and is included in the annual *American Economic Review Papers and Proceedings* issue.

- In February, the Private Capital Research Institute (PCRI) sponsored a roundtable discussion which included a group of 30 executives from private equity firms, the media and academics. Sabrina Howell, Assistant Professor of Finance at New York University's Leonard N. Stern School of Business offered perspectives on research she has conducted on government's role in boosting entrepreneurship and venture capital. Josh Lerner, who is also the Jacob H. Schiff Professor of Investment Banking and Unit Head of Entrepreneurial Management at Harvard Business School, presented preliminary findings of a study on the economics and performance of private equity partnerships.
- In May, the PCRI partnered with the Institutional Limited Partners Association (ILPA) to bring together a group of industry thought leaders—comprised of prominent limited partners, general partners and academics—at Harvard Business School to explore and discuss innovative fund structures and related alignment and transparency issues. The workshop is part of an ongoing series of seminars organized by the PCRI to encourage substantive debate among industry participants.
- In October, the PCRI organized a workshop in New York City at which Professors Andrea Prat from the Columbia Business School and Josh Lerner from the Harvard Business School presented highlights from recent research papers. Professor Prat discussed his approach to examining CEO characteristics as an explanation for the superior performance of firms (co-authored with Oriana Bandiera of the London School of Economics, Stephen Hansen of Oxford University, and Raffaella Sadun of Harvard University). Professor Lerner described his research on the impact of private equity investments on industry performance (co-authored with Shai Bernstein of Stanford Business School, Morten Sørensen of Copenhagen Business School, Per Strömberg of the Institute for Financial Research and the Stockholm School of Economics). Highlights from the program are attached.

Going Forward

2016 was an eventful year for the PCRI across many dimensions. The entire PCRI team has continued to make enormous strides in promoting better understanding of private capital and bringing together critical industry constituencies at forums designed to foster constructive discussion and debate.

Looking ahead, watch for upcoming events. We look forward to continuing our momentum in 2017.

Sincerely,



Joseph L. Rice, III
Chairman