UF WARRINGTON COLLEGE of BUSINESS

Eugene F. Brigham
Finance, Insurance & Real Estate

February 9, 2023

Dear Professors Nick Bloom, Yael Hochberg, Josh Lerner, David Robinson, Antoinette Schoar, and Scott Stern,

My name is Blake Jackson. **I applied to the Bootcamp last year and received a rollover to this year.** I am a third-year finance PhD student interested in corporate finance, with an emphasis on private capital markets. I am applying to the NBER Entrepreneurship Bootcamp to complement and strengthen my research agenda as I enter the dissertation phase of my PhD. My advisor, Professor Andy Naranjo (andy.naranjo@warrington.ufl.edu), will submit a recommendation letter on my behalf.

Since applying last year, I completed two working papers related to private markets. My first paper, “Selling Private Equity Fees," is a joint project with former Bootcamp TA Minmo Gahng. We benefited significantly from David Robinson’s guidance and encouragement. We were also fortunate to recently win a best paper award at the UNC Private Equity Research Consortium for this paper, where we also received excellent comments and feedback. My second paper, “Catering and Return Manipulation in Private Equity," was recently featured in the *Financial Times* and *The Economist*. I am presenting this paper at the UNC Institute for Private Capital later this spring.

I am very enthusiastic to grow my knowledge in entrepreneurial finance and hope to contribute to your program’s success as a participant. Please do not hesitate to reach out if you have any questions. Thank you for considering my application.

Best,
Blake Jackson

Email: blake.jackson@warrington.ufl.edu
Phone: 941 - 350 - 4710

Blake Jackson

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Phone : 941 - 350 - 4710

Education

- Ph.D. in Finance, University of Florida, 2020 –
- BSBA in Finance, *summa cum laude*, University of Florida, 2020

Research Interests

Corporate finance, private markets, private equity, alternative assets

Working Papers

1. **Catering and Return Manipulation in Private Equity**, with David Ling and Andy Naranjo.

- *Abstract*: We provide evidence that private equity (PE) fund managers manipulate returns to cater to their investors. Using a large dataset of PE real estate funds, we show PE fund managers overstate returns if they oversee a larger share of their investors' assets, and doing so has a more significant impact on investors' reported returns. Additional results are inconsistent with models in which investors punish or are deceived by manipulations. In contrast, our results highlight an underlying tension in PE performance: the "phony happiness" some PE investors receive from overstated and smoothed interim returns due to agency frictions within their organizations.
- *Featured in*: *The Economist · Financial Times · Institutional Investor · Oaktree Insights (Howard Marks) · PitchBook · Global Corporate Venturing · New Zealand Business Review*

2. **Selling Private Equity Fees**, with Minmo Gahng.

- *Abstract*: We examine private equity (PE) firms' minority stake sales and the impact of these sales on agency frictions with fund investors. PE firms that have sold minority stakes – primarily to other PE firms – oversee 27% of PE Assets Under Management in 2020. PE firms with strong fundraising and investment records tend to sell stakes. Sellers subsequently experience substantial increases in capital raised (39%) and income (50%). We find no evidence of deteriorating fund performance. Sellers invest more capital in their funds, increase employment, and make investor-friendly distributions. Our results suggest that the reduced "skin-in-the-game" from stake sales does not exacerbate agency frictions between sellers and their fund investors.
- *Awarded*: 14th Annual Private Equity Research Symposium Best Paper Award

Honors and Awards

- Best Paper Award for "Selling Private Equity Fees," PERC, 2022
- *summa cum laude*, University of Florida, 2020

Presentations (* by coauthor, includes scheduled)

2023 Institute for Private Capital Spring Symposium, AREUA Virtual Seminar Series, Pacific Rim Real Estate Society Meetings in Australia* (Part of Keynote), AFA Ph.D. Student Poster Session

2022 14th Annual Private Equity Research Symposium* **(Best Paper Award)**, University of Florida (Warrington)

Teaching

As the sole instructor:

- Equity and Capital Markets, University of Florida
  - Undergrad: Fall 2022 (***rating: 5.0/5.0***)

As a teaching assistant:

- International Finance, for Professor Andy Naranjo, University of Florida
  - MBA: Spring 2023, Fall 2022, Spring 2022, Fall 2021, Spring 2021, Fall 2020
  - DBA: Spring 2022

Professional Experience

- Supply Chain. PepsiCo
  - Summer Intern: 2019 (*White Plains, NY; Corporate HQ*)
  - Summer Intern: 2018 (*Columbia, MD*)

References

Andy Naranjo (Chair)
Susan Cameron Professor & Dept. Chair
Eugene Brigham Dept. of Finance
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David Ling
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Updated on: February 9, 2023

List of Current and Completed Ph.D. Courses at the University of Florida

1. Asset Pricing Theory
2. Machine Learning in Empirical Asset Pricing
3. Corporate Finance Theory
4. Empirical Corporate Finance
5. Microeconomic Theory
6. Econometrics
7. Game Theory
8. Mutual Funds Research Seminar
9. Empirical Asset Pricing Research Seminar
10. Empirical Corporate Finance Research Seminar
11. Second Year Research Seminar
12. Empirical Corporate Identification (Murillo Campello; visiting from Cornell)

My area of research is in corporate finance, with an emphasis on private capital markets. In this statement, I summarize my current research, several of the questions that it prompts, and how I believe the entrepreneurship Bootcamp will positively impact me as a researcher.

My first paper, “Selling Private Equity Fees," is joint with former Bootcamp TA Minmo Gahng. In the paper, we study the burgeoning use of external firm-level financing among private equity firms; deals where private equity (PE) general partners raise capital for the firm itself through minority stake sales, termed “General Partner (GP) stakes.” We use these deals to think of PE firms as more than the sum of their funds and to study fundamental economic tensions related to agency frictions, investment, and even “quiet life" considerations in (what we argue to be) a novel laboratory. While at first, the reduced insider claim suggests these deals would harm investors in the PE funds, we provide evidence that this is not the case on average, due largely to the reinvestment of sale proceeds into fund operations. We benefited considerably from early support and encouragement from David Robinson. We were fortunate to recently win a best paper award at the 14th Annual Private Equity Research Symposium for this paper, where we also received excellent comments and feedback. Additionally, I view our findings as inspiring several further questions that arise naturally when considering PE firms as more than just the sum of their funds. Specifically, our view sets the stage for questions related to an “arms race" among PE firms and the industrial organization of private capital intermediaries.

In my most recent paper, “Catering and Return Manipulation in Private Equity," we (David Ling, Andy Naranjo, and I) examine return manipulation among private fund managers, i.e., actions by fund managers that inflate headline return levels and trends. We provide empirical support for an alternative view of PE fund manager window dressing based on the idea that some PE fund managers manipulate interim returns to cater to their investors. Using a large dataset of PE real estate funds, we offer a simple explanation for this catering phenomenon: some PE investors face agency frictions within their organizations that make manipulated interim returns attractive. Our “demand-side” perspective is novel and has gained considerable academic,

professional, and media attention, including recent features in the *Financial Times* and *The Economist*. I see this paper as both challenging a conventional characterization of return manipulation and also as prompting fundamental questions related to the micro-foundations of why there exists such demand for manipulated returns. We offer an agency-based explanation for this phenomenon. Building on these results, I am currently examining the "insulation" feature of private markets and how it relates to market elasticities. I contend that startups, and thus entrepreneurial financing, are fantastic laboratories for pushing on these topics and the related real effects.

As I enter the dissertation phase of my PhD, I hope to participate in the Bootcamp with the goal of improving myself as a researcher and thus my ability to address important and interesting economic questions. At least three aspects of the Bootcamp stand out. First, the content covered in the Bootcamp will complement and strengthen my research portfolio. Engaging deeply with entrepreneurial decisions is of first-order importance to making progress on my research agenda. Second, the professors in the Bootcamp will become valuable mentors. Third, my peers in the Bootcamp will become friends, colleagues, and co-authors. Research is not done in a vacuum. I have benefited considerably from many academic peers and mentors and hope to engage with and learn from others interested in entrepreneurial finance.

I am excited by the Bootcamp and hope to contribute to your program's success as a participant. Thank you for considering my application.

UF WARRINGTON COLLEGE of BUSINESS

ANDY NARANJO, PH.D.
Susan Cameron Professor of Finance
Chairman, Eugene F. Brigham Finance, Insurance & Real Estate Department
Director, International Business Center

February 12, 2023

NBER Entrepreneurship Boot Camp
Via email: maranjian@nber.org

Dear Admissions Committee:

This letter of recommendation is on behalf of **Blake Jackson** who is applying to the 2023 NBER Entrepreneurship Boot Camp. **Blake applied to the Boot Camp last year and received a rollover to this year.** Since last year, Blake has made extraordinary research gains and continues to be the top student in his cohort and among the very best in our PhD program in the last decade. Without any reservations, I give my **highest recommendation** to Blake Jackson for being a participant in the Entrepreneurship Boot Camp. As our sole applicant, Blake also has the full support of our faculty and PhD program. I am certain that Blake Jackson would be an excellent fit and participant in the NBER's Entrepreneurship Boot Camp.

As a relevant benchmark, I would place Blake as being at least as strong as Minmo Gahng from our PhD program who recently participated in the NBER Entrepreneurship Boot camp, went on to become a TA for it the following year, and is doing excellent in the job market this year. My ranking is based on my extensive interactions with Minmo as my RA and TA, serving on his dissertation along with Jay Ritter, and numerous research discussions. Blake's abilities, performance, creativity, work ethic, and personal and professional demeanor are at least as strong as Minmo's. Like Minmo, we have high expectations for Blake Jackson to be among our very top graduates. As such, I believe he would benefit immensely from participating in the NBER Entrepreneurship Boot Camp, and that the other participants would also benefit from his presence. Blake is a critical, deep thinker who asks incisive and perceptive questions. He is always fully engaged in academic settings and in our office research discussions. In our several research projects focusing on private equity, he is an active coauthor who initiates ideas, implements them, and we discuss them. On point for the focus of this boot camp, Blake has had an active and deep research interest in entrepreneurial finance, corporate finance, private equity, and private firms for several years beginning during his undergraduate studies.

Beyond Blake's intellectual talents and skills, his hard work ethic makes him competitive with the best anywhere. He is a clear and critical thinker who possess excellent analytical, quantitative, writing, communication, and programming skills. He is also fully receptive to

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guidance, and is a curious, reliable, well-rounded, confident, and positive individual who gets along with everyone he encounters.

In terms of some additional background, I have known Blake since spring 2019 when he contacted me as our Undergraduate Honors Thesis Coordinator about his desire to do an honors thesis. To get the ball rolling, I sent him my typical response asking him if he had any working ideas or areas of interest. He replied that he had three working ideas, and he included his resume per my request for additional thesis qualification purposes. I opened his resume and quickly saw that he is a stellar student with first-rate horsepower, and his SAT and GMAT scores were also both nearly perfect. Unsurprisingly, he was admitted to the University of Chicago as an undergrad, but came to UF instead for financial reasons. I then opened his document containing his thesis working ideas. It was clear that he had done some serious thinking as all three ideas could be second year PhD student paper ideas. Both his first and third idea were interesting, but difficult from a data acquisition or time frame for the thesis. The second idea related to private firm valuations was both interesting and doable – though it would be a heavy lift. I relayed this to Blake, and his response was that he'd then run with the second idea, and do ideas one and three in the background. We further discussed the approach for his thesis idea, and it was as if I was working with a seasoned PhD student who ran with it. His completed undergrad thesis was at the level of a 2nd year PhD student paper.

Moving fast forward to today, Blake has a couple of complete working papers and several works in progress. In particular, Blake has a paper with Minmo on the selling of GP stakes, where they also benefited considerably from early support and encouragement from David Robinson. This paper recently won a best paper award at the 14th Annual Private Equity Research Symposium at UNC. Blake, David Ling, and I also have a working paper on catering and return manipulation in private equity that has received much academic and media attention. I can tell you firsthand that Blake was a major driving force in both papers -- from idea, to execution, to completion. Beyond these papers, he has several works-in-progress, including some progress towards his dissertation/job market paper. **Blake is a quickly developing, first-rate researcher with much upside. I believe Blake is at the stage to gain much from participating in the boot camp as it would help to further develop, shape, and grow his research agenda – including his dissertation.**

Without reservation, I give my **highest recommendation** to Blake Jackson for being a participant in the 2023 NBER Entrepreneurship Boot Camp. I am certain he will be one of the top participants in your program and will also have a significantly positive impact on his cohort and the boot camp. If you have any questions, please do not hesitate to contact me.

Sincerely,



Andy Naranjo, Ph.D.
Susan Cameron Professor of Finance
Chairman, Eugene F. Brigham Finance, Insurance & Real Estate Department