

Professor Yishay Yafeh: Abstract

Using transcripts of investment committee meetings, we identify key factors in Israeli pension funds' decisions to invest as limited partners in private equity and other private funds.

We find that the time allocated to fund evaluation and the topics discussed are determined by the informational challenges that pension funds face. Using cash-flow data, we find that the return on investment in foreign funds is lower than the estimates in the extant literature and also lower than the return on investment in local funds, reflecting limited access to top US funds and the use of soft information in selecting local funds.