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EXAMINATION OF INSTITUTIONAL INVESTMENT IN THE UNITED STATES OF AMERICA FROM 1999 TO 2018

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Submission Metadata

Metadata Field	Value
Thesis Status	Final copy for review and publication
Thesis Format	Monograph
Title	Examination of Institutional Investment in the United States of America from 1999 to 2018
Convocation	
Program Title (PhD Candidates Only)	EXAMINATION OF INSTITUTIONAL INVESTMENT IN THE USA FROM 1999 TO 2018
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Location of Thesis Examination	Remote via Zoom
Date of Public Lecture	11-3-2020 1:00 PM
Location of Public Lecture	Remote via Zoom
Degree	Doctor of Philosophy
Program	Geography
Collaborative Specialization	- empty -
Supervisor	Dr. Milford B. Green
Affiliation	- empty -
2nd Supervisor	- empty -
Affiliation	- empty -
ADVISOR2_ROLE	- empty -
3rd Supervisor	- empty -
Affiliation	- empty -
ADVISOR3_ROLE	- empty -
Delay of Publication	False
EMBARGO_DATE	- empty -
Reason for Embargo	- empty -
Language	English
Keywords	United States, Institutional Investment, Finance, Financial Geography, New York, Space-Time Analysis, Gravity Model of Trade, LDA, Latent Dirichlet Allocation
Subject Categories	Behavioral Economics Business Administration, Management, and Operations Business Intelligence Human Geography Other Business Other Geography Regional Economics Spatial Science

Metadata Field	Value
Abstract	<p>This thesis examines the evolution of spatial preference of institutional investors located in the United States of America for the time period of 1999 to 2018 using a mix of exploratory data analysis techniques and more sophisticated space-time and machine learning techniques such as ESRI Space-Time cube and Latent Dirichlet Allocation topic modeling. This thesis concludes that despite having the appearance of a footloose industry due to almost negligible fixed costs, institutional investors are attracted to highly dynamic urban centres and on the 20 year time horizon, appear surprisingly sticky in their location preference. This is consistent with the belief from previous literature that institutional investors choose their urban locations due to the ubiquity of high quality information and access to advanced professional services commensurate to the investor's role as a command and control node in the broader economy. A close examination of the data concludes that while New York State may be in relative decline nationally, it is still the fastest growing location in absolute terms and remains firmly at the top of the US investor urban hierarchy. Lastly, the machine learning classification of investment strategies shows that California-based investors have unexpectedly poor performance across a broad range of identified strategies, however this can be explained by California's venture capital culture, hinting that local knowledge and culture can influence investment strategy decisions.</p>
Summary for Lay Audience	<p>This thesis examines the evolution of spatial preference of institutional investors located in the United States of America for the time period of 1999 to 2018 using a mix of exploratory data analysis techniques and more sophisticated space-time and machine learning techniques such as ESRI Space-Time cube and Latent Dirichlet Allocation (LDA) topic modeling. This thesis concludes that institutional investors show a high preference for urban locations, and that despite having an apparent lack of fixed investments tying investors to a particular local, institutional investors are attracted to highly dynamic urban centres and on the 20 year time horizon, these location choices do not seem to change. This is consistent with the existing literature suggesting that institutional investors choose their location due to ease of access to high quality information as well as advanced professional services (such as but not limited to boutique lawyers and accounting firms) that would be needed for investors to properly allocate their capital in the economy. A close examination of the data shows that while New York State may be in relative decline nationally, it is still the fastest growing location in both absolute number of investors and money under management, and thus remains at the centre of the US financial system. Furthermore, the LDA analysis indicates that across a multitude of strategies, investors in the State of California show surprisingly low growth in terms of money under management. However this weakness can be explained by California's high level of venture capital investment (investing in startups rather than established companies listed on the stock market), hinting again that local knowledge plays an important role in investment strategy decisions.</p>
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