

Machine Learning Private Equity Returns

Cover Letter

Dear Professor Huang,

We have submitted our original research article to your journal, presenting a novel machine-learning-based methodology for decomposing private equity fund returns. Our approach involves utilizing ensemble learning and componentwise L2 boosting to estimate both the public and idiosyncratic return components of private equity fund returns. In comparison to the traditional Net Asset Value (NAV) returns commonly used in private equity, our findings indicate that our new returns demonstrate more favorable autocorrelation properties while yielding similar return expectations. Consequently, our innovative method could significantly contribute to addressing the longstanding question of accurately measuring private equity returns. We would be delighted if you could consider our research article for publication and are prepared to respond to any inquiries from referees.

Best regards,

Christian Tausch