

NICOLA GIOMMETTI

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EDUCATION

Ph.D. in Finance, Copenhagen Business School, 2022 (expected)

Thesis: "Essays on Private Equity"

Advisor: Morten Sorensen

M.Sc. in Finance, University of Texas at Austin, 2016

M.Sc. in Economics and Finance, Copenhagen Business School, 2013

B.Sc. in Business Economics, Università degli Studi di Siena, 2011

REFERENCES

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FIELDS OF INTEREST

Private equity, illiquidity assets, portfolio allocation, asset pricing and valuation

WORKING PAPERS

"Risk Adjustment of Private Equity Cash Flows" (Job market paper)

with Rasmus Jørgensen

Presented at Copenhagen Business School and Nordic Finance Network PhD Workshop.

Existing stochastic discount factor methods for the valuation of private equity funds result in unrealistic time discounting. We propose and evaluate a modified method. Valuation has a risk-neutral component plus a risk adjustment, and we fix the risk-neutral component by constraining the subjective term structure of interest rates with market data. We show that (i) our approach allows for economically meaningful measurement and comparison of risk across models, (ii) existing methods estimate implausible performance when time discounting is particularly degenerate, and (iii) our approach results in lower variation of performance across funds.

“Optimal Allocation to Private Equity” (R&R at The Review of Financial Studies)

with Morten Sorensen

Presented at Copenhagen Business School, Glion Institute Annual Private Equity Conference, LBS Private Equity Symposium, Southern California Private Equity Conference, and 13th annual Private Equity Research Symposium.

We study the portfolio problem of an investor (LP) that invests in stocks, bonds, and private equity (PE) funds. The LP repeatedly commits capital to PE funds. This capital is only gradually contributed and eventually distributed back to the LP, requiring the LP to hold a liquidity buffer for its uncalled commitments. Despite being riskier, PE investments are not monotonically declining in risk aversion. Instead, there are two qualitatively different investment strategies with intuitive heuristics. We introduce a secondary market for PE partnership interests to study optimal trading in this market and implications for the LP's optimal investments.

“Private Equity with Leverage Aversion”*Presented at Copenhagen Business School.*

I study optimal portfolio allocation with private equity (PE) and several liquid assets. PE requires capital commitment which is gradually contributed and eventually distributed back to the investor. Optimal portfolio allocation is well approximated by static mean-variance optimization with self-imposed margin requirements. Due to capital commitment, the investor assigns greater margin requirement to PE than liquid assets, and the risky portfolio of a constrained investor can optimally underweight PE relative to the tangency portfolio, even when PE has positive alpha and moderately high beta with respect to liquid assets.

TEACHING EXPERIENCE

Lecturer

Behavioral Finance, Copenhagen Business School, 2020

Teaching Assistant

Investments, Copenhagen Business School, Prof Claus Munk, 2016

Investments, University of Texas at Austin, Prof Samuel Kruger, 2015

Valuation and Financial Modeling, University of Texas at Austin, Prof John Butler, 2014-2015

Valuation, University of Texas at Austin, Prof Cesare Fracassi, 2013

Industrial Organization, Copenhagen Business School, Prof Thomas Rønde, 2013

SOFTWARE EXPERIENCE

R, Stata, Matlab, OxMetrics, LaTeX

SPOKEN LANGUAGES

Italian (native), English (fluent), French (intermediate)