The Impact of Patient Capital

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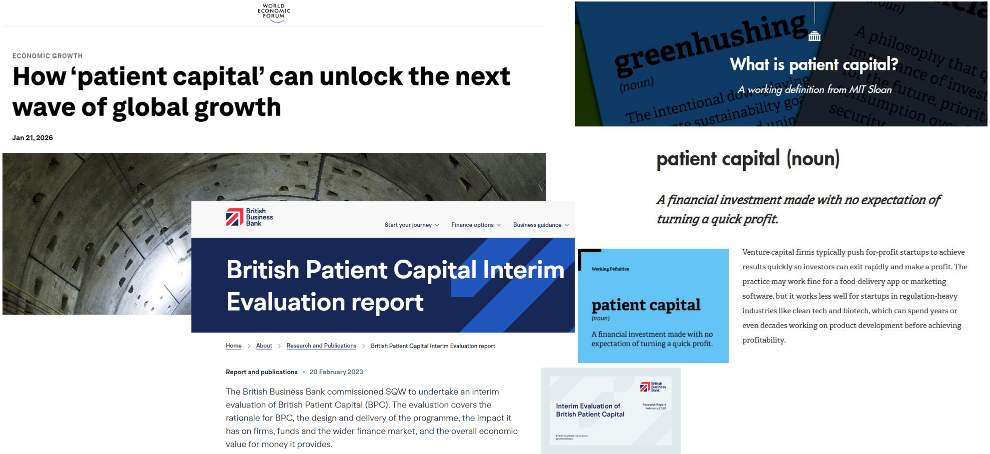
Motivation

- **Patient private capital** is critical for innovation—biotech, clean energy, AI hardware
  - Long development cycles & high uncertainty



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- Yet recent **retailization** efforts in US risk eroding patience in capital
- Or will it?...depends on where patience comes from
  - Public market: strong evidence that LT **investors** $\downarrow$ myopia (Bushee 98, Aghion et al. 13)
  - Most private capital flows through **delegated intermediaries** (e.g., VC funds)
  - Investors ("LPs"): heterogeneous, largely passive investors
  - Fund managers ("GPs"): close-end, fixed-duration funds; interim performance pressure

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- **This paper examines patience transmission in VC**
  - Patient LPs → VC fund strategies? → Portco outcomes?
  - What shapes the strength of transmission?

Challenges

- **Identification**: Need a setting with a sharp, exogenous shift in LP horizon/composition
  - U.S. VC market has been dominated by long-term investors from early on
- **Data**: Limited systematic data on LPs of VC funds in most countries
  - LP-GP relationships, commitment amount, ownership changes at the fund level
- **Mechanism**: How do GPs perceive and respond to different LP investor base?
  - Require evidence on beliefs and intents

Our paper

- **Studies China's VC market**, second-largest in the world
  - Unique **dual-currency system**: GPs either raise RMB/USD from domestic/international LPs
  - Different investor base but similar investment opportunities
  - **A 2014 deregulation** changed the investor base in the RMB market
- **Assembled a unique dataset** covering the full spectrum of VC and LP activities
  - Granular data on LP commitment amount and exits for RMB funds
- **Randomized survey experiment** with Chinese GPs
  - How LP composition shapes fund investment strategies $\rightarrow$ Mechanisms

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- **Randomized survey experiment** with Chinese GPs
  - How LP composition shapes fund investment strategies → Mechanisms
- Main finding: Long-term investors shape intermediation in VC
  - Longer holding periods and earlier-stage investments
  - Improved portfolio company outcomes in terms of exits and innovation

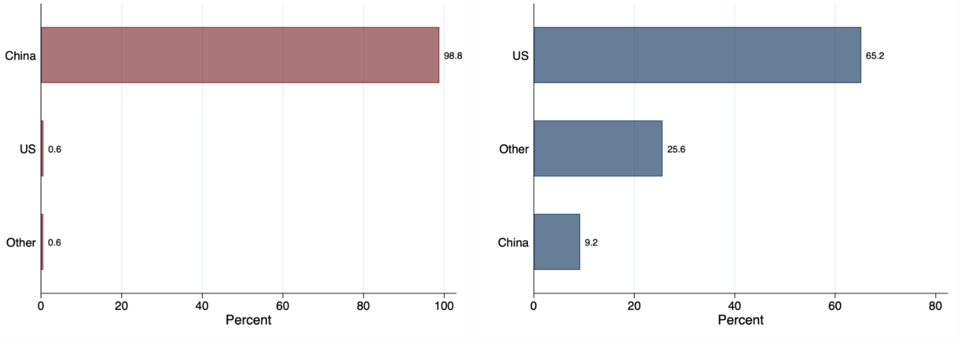
Contributions

- **Investor horizon and corporate myopia (public markets)**
  - Stein (1989); Bushee (1998); Derrien et al. (2013); Aghion et al. (2013)
  - We study delegated intermediation, not direct investment
- **LP-GP relationships & capital supply shocks**
  - Lerner & Schoar (2004); Gompers (1996); Chung et al. (2012); Hochberg and Rauh (2013); Barrot (2017); Kandel et al. (2011); Howell et al. (2025); Chen and Ewens (2025); Bhardwaj et al. (2025); Li (2025)
  - We show LP composition/horizon reshapes fund strategy and portco outcomes
    $\Rightarrow$ "Color of money" matters
- **China's VC market**
  - Chen (2023); Colonnelli et al. (2024); Lerner et al. (2023, 2024); Fei (2018)
  - Long-term investor entry contributed to the growth of the Chinese VC market

Setting

China's VC market

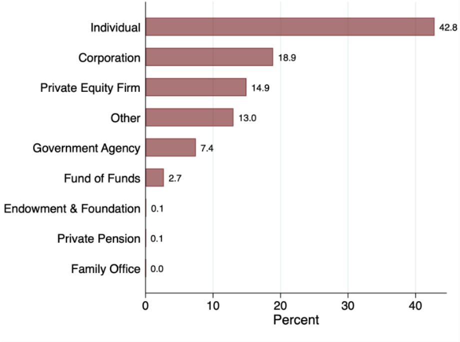
- World's second-largest VC ecosystem by mid-2010s (38% of global VC $ in 2019)
- **Sharp RMB/USD segmentation:** forex controls prevent LP-pool mixing
  - RMB funds: primarily domestic LPs
  - USD funds: international LPs (QDII tightly regulated)



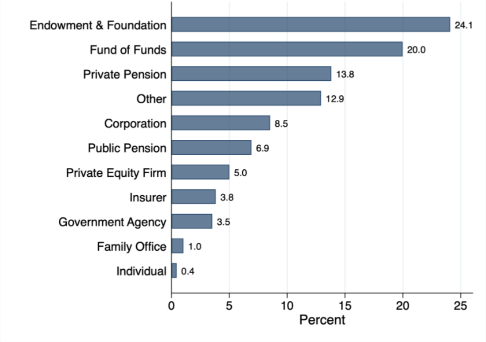
(a) LP Country - RMB funds (b) LP Country - USD Funds

China's VC market

- World's second-largest VC ecosystem by mid-2010s (38% of global VC \$ in 2019)
- **Sharp RMB/USD segmentation:** forex controls prevent LP-pool mixing
  - Pre-2014 RMB-fund LP base: Short-term investors dominate
  - USD-fund LP base: Long-term institutional investors dominate (similar to US funds)



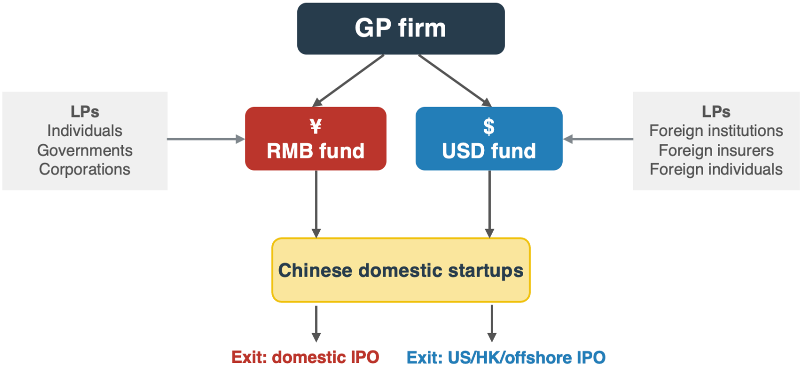
(c) LP Type - RMB funds



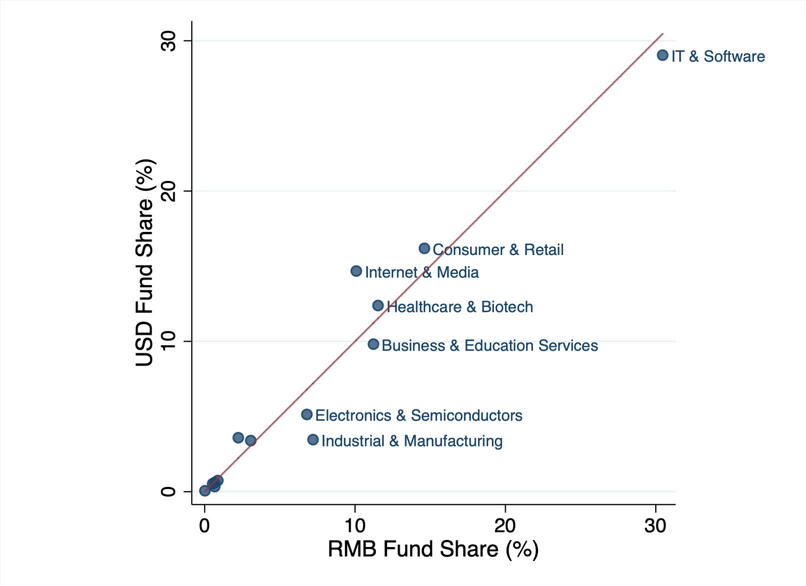
(d) LP Type - USD Funds

Dual-currency VC structure

- Same GP firm can raise both RMB and USD funds as separate vehicles
- Both fund types invest in Chinese domestic startups —similar opportunity set

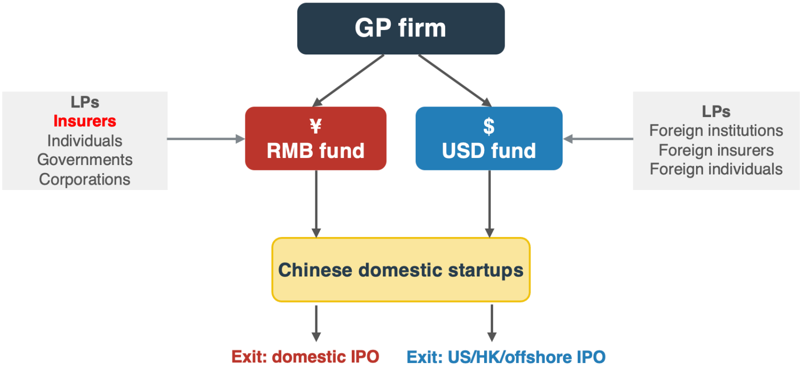


Industry Composition of RMB vs USD Funds



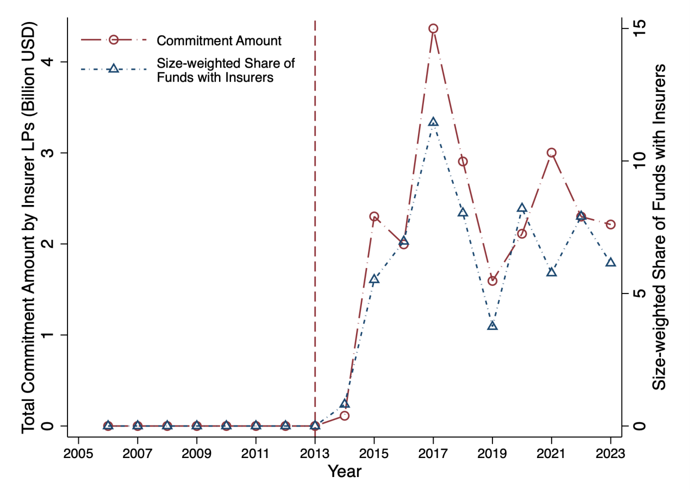
The 2014 deregulation

- China Insurance Regulatory Commission:"Notice on Insurance Funds Investing in VC Funds"
  - Permitted Chinese insurers to invest in RMB VC funds for the first time
  - Insurance sector reform, not industrial policy details



Entry of Insurer LPs

- An immediate and substantial entry of insurers into the RMB market
  - The number of funds with insurer LP was near zero before 2014
  - Consistent with previous policy restriction



Empirical Design

Empirical specification

- **Data and Sample:**
  - Consolidated PitchBook, Preqin, Zero2IPO and Chinese business registry data (TianYanCha)
  - VC funds raised by Chinese GPs between 2005-2019
- **Baseline DID:**

$$y_{igt} = \beta \cdot \mathrm{RMB}_i + \delta \cdot (\mathrm{RMB}_i \times \mathrm{Post2014}_t) + \underbrace{\lambda_n + \theta_t + \gamma_g}_{\text{fund\#, year, GP FEs}} + \varepsilon_{it}$$

  - Post2014: fund's **final close year** post 2014
  - Fund-number FE λ_n: absorbs differences among first, second, third funds...
  - **GP FE** γ_g: absorbs GP skill, style, LP/portco networks
  - Standard errors clustered by GP
- **Robustness:** GP×Post2014 and GP×RMB FE to account for time-varying or currency-specific GP skills

Validation: Insurers are Patient Investors

Validation 1: Insurers are long-term investors

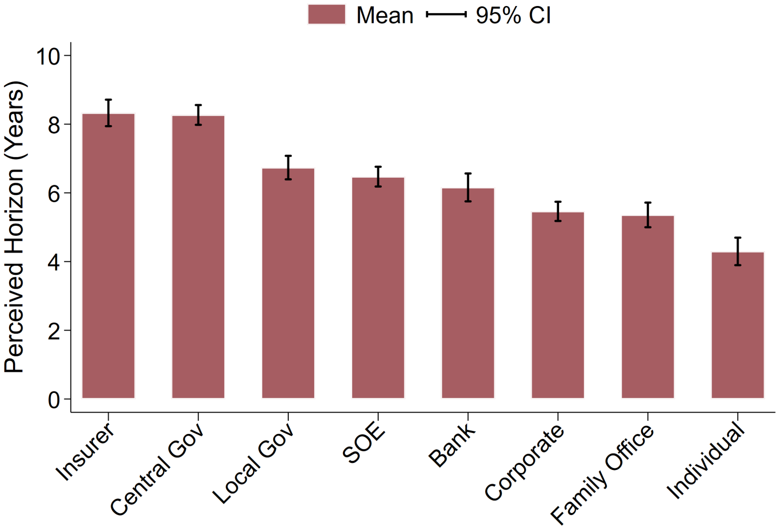
Insurers less likely to sell fund stakes at the secondary market before fund expiration

	LP Secondary Sale			
	(1)	(2)	(3)	(4)
Insurer	-0.131***	-0.139***	-0.152***	-0.124***
	[0.026]	[0.036]	[0.038]	[0.034]
Individual	0.030***	0.053***	0.068***	0.034***
	[0.009]	[0.008]	[0.008]	[0.007]
Government	-0.027*	-0.007	0.003	0.026*
	[0.015]	[0.016]	[0.015]	[0.013]
Corporate	0.059***	0.059***	0.061***	0.034***
	[0.008]	[0.008]	[0.007]	[0.006]
Ln(Commitment Amount)				0.004**
				[0.002]
Fund Number FE	✓	✓	✓	✓
Commitment Year FE	✓	✓	✓	✓
GP FE		✓		
Fund FE			✓	✓
Observations	50,436	50,363	50,295	41,655
Adjusted R^2	0.039	0.170	0.231	0.327
$\bar{y}$	0.242	0.241	0.241	0.128

- LP-fund-level regression
- Compare LPs **of the same fund**
- Horizon: insurer>gov>corp>indiv

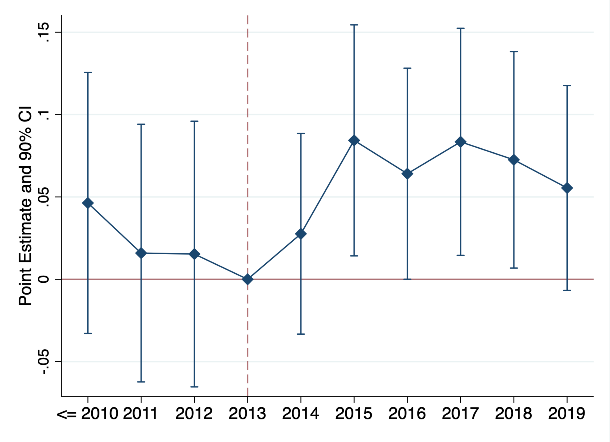
Validation 2: Insurers are **perceived by GPs** to be long-term investors

Based on our survey of 116 Chinese GPs



Effect on LP Composition

Insurer entry into RMB funds



- RMB funds ↑ 17pp probability of having insurer LP post-2014
- Insurer commitment share ↑ 3pp (sizable given 6% among US VC funds)

Insurer Entry Regression

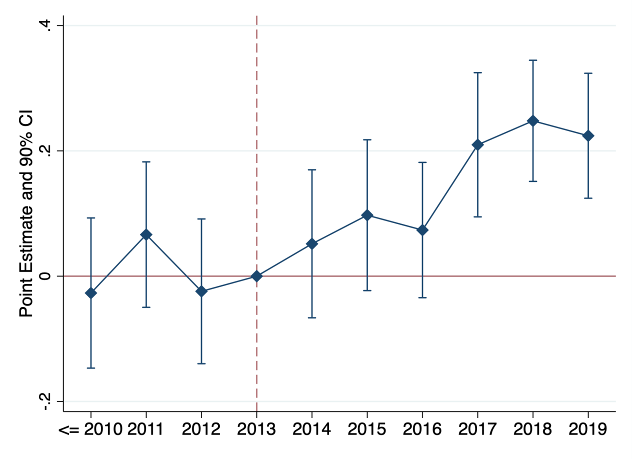
LP composition: Who gets crowded out?

	Weighted Individual Share		Weighted Government Share		Weighted Corporate Share	
	(1)	(2)	(3)	(4)	(5)	(6)
RMB Fund × Post 2014	-0.099***	-0.095***	-0.016	-0.044	-0.018	-0.046
	[0.029]	[0.031]	[0.034]	[0.041]	[0.050]	[0.055]
RMB Fund	0.241***	0.147***	0.058**	0.068**	0.106**	0.112*
	[0.030]	[0.030]	[0.024]	[0.034]	[0.049]	[0.064]
Fund Number FE	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓
Observations	7,334	4,755	7,334	4,755	7,334	4,755
Adjusted R^2	0.045	0.353	0.009	0.190	0.013	0.188
Pre-2014 RMB Mean	0.257	0.247	0.120	0.117	0.245	0.248
Pre-2014 USD Mean	0.004	0.005	0.064	0.066	0.123	0.108

- Insurers **primarily crowd out individual LPs** ↓ 9.5pp —the shortest-horizon investors
- Government and corporate LP shares ↓ meaningfully but statistically insignificant

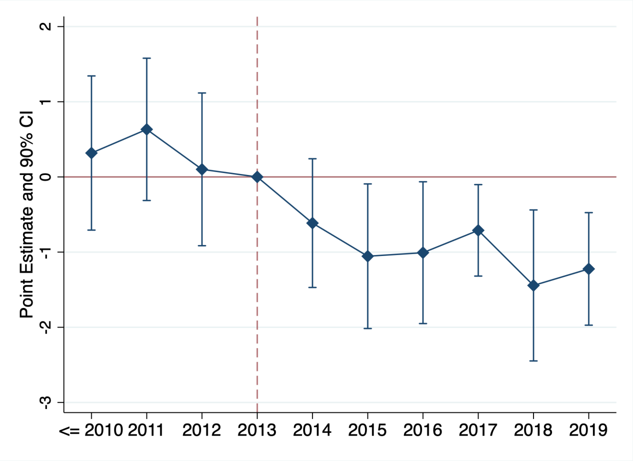
Effect on Fund Investment Strategies

Fund strategy: Longer holding periods



- **Prob of late exits** (>5yrs) ↑ 13.9pp; Holding period ↑ 0.71 years (14%) Holding Period Regression

Fund strategy: Earlier-stage investment



- RMB funds shift investments to **younger startups** (↓ 1.2 years)
- Early-stage (angel/seed/A) deal share ↑ 10.5pp → more patient & risk-tolerant

Stage Regressions

Does Patience Translate to Better Real Outcomes?

Portfolio company outcomes

Real outcomes may not improve if horizon was already optimal

Portfolio company outcomes

Real outcomes may not improve if horizon was already optimal

	IPO & M&A		Patents	
	(1)	(2)	(3)	(4)
RMB Fund × Post 2014	0.085**	0.078**	0.081**	0.089**
	[0.034]	[0.035]	[0.035]	[0.044]
RMB Fund	-0.208***	-0.183***	0.048**	-0.091***
	[0.031]	[0.033]	[0.020]	[0.033]
Fund Number FE	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓
GP FE		✓		✓
Observations	7,064	4,759	7,175	4,803
Adjusted R^2	0.129	0.229	0.037	0.257
Pre-2014 RMB Mean	0.130	0.149	0.088	0.087

- IPO/M&A exit rate ↑ 8pp
- Patenting: ↑ 9pp likelihood of in top quintile → patient capital enables deeper innovation

Alternative explanations & additional results

- Alternative Explanations
    - Capital supply effect Capital Supply
    - Institutionalization of LPs Institutionalization
    - Endogenous currency choice Currency Choice
- Heterogeneity
    - GP bargaining power Bargaining Power
    - Secondary market liquidity (preliminary)

Robustness Checks

- Robustness Checks
  - Control differential LP market conditions LP Mkt Conditions
  - GP $\times$ Post2014 FE and GP $\times$ Currency FE Tigher FE
  - Restrict to dual currency GPs Dual Currency
  - Exclude post-2014 GPs Prior 2014
  - Exclude RMB SPVs No SPVs

Survey Experiment

Survey experiment - summary

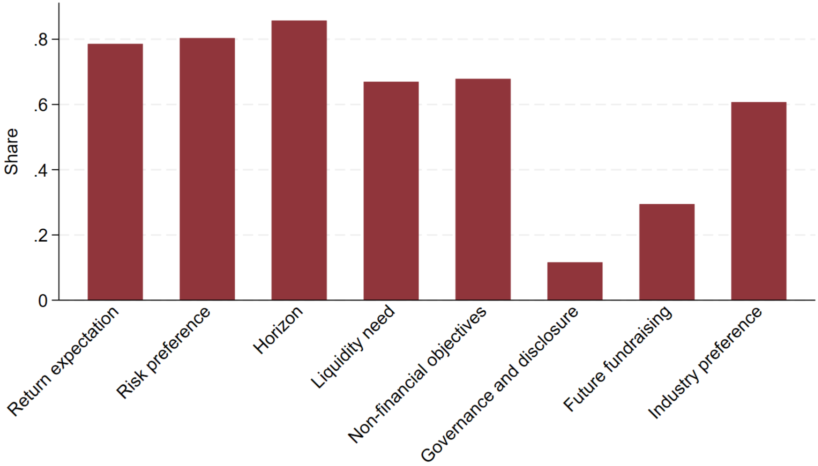
- Survey design Detail
  - Collaborated with LP Institute (LP 投顾): a leading LP consulting firm in China
  - Sample: 225 invitations to Chinese GPs; 116 completed responses (53% response rate)
  - Respondents: senior executives and IR managers who routinely interact with LPs
- Part I: RCT with randomized LP base
- Part II: Mechanism questions

Survey results: LP horizon ⇒ fund life

	Fund Life		
	(1)	(2)	(3)
Weighted Average LP Horizon	0.356***	0.308***	0.224*
	(0.134)	(0.119)	(0.131)
Respondent FE	✓	✓	✓
Industry FE		✓	✓
Stage FE		✓	✓
Scenario FE			✓
Observations	406	406	406
Adjusted R^2	0.559	0.629	0.628
Outcome mean	8.980	8.980	8.980
Outcome sd	2.413	2.413	2.413

- 1 year ↑ in LP horizon ⇒ +0.22 years in chosen fund life Insurer Share Results Project Life Results

Mechanisms: “Which factors influenced your fund strategy?”



- Most frequently cited factors are LPs’ investment horizon and patience (85.7%), risk preferences (80.4%), and return expectations (78.6%) Other Responses

Conclusions

Patient capital impacts firm outcomes by reshaping intermediation in private market

- The 2014 Chinese insurer deregulation provides a clean quasi-experiment
  - Within-GP DID in a market previously dominated by short-term investors
  - Patient LPs $\rightarrow$ patient fund strategies $\rightarrow$ better portco outcomes
- Mechanism:
  - GPs explicitly tailor fund duration/investment horizon to LP patience
  - GP's bargaining power vis-à-vis LPs affects the strength of transmission

Policy implication

- Enabling entry of patient investors is key to building a successful VC ecosystem
- Findings inform similar reforms in India, Brazil, and South Korea

Appendix

The 2014 reform: Regulatory details

- **Full name:** "Notice of the CIRC on Matters Concerning Insurance Funds Investing in VC Funds" (December 2014)
- **Cap:** Insurers may allocate up to **2% of total assets** to VC funds
- **Scale:** At peak, ¥30 billion committed; 13% of VC funds (by volume) had $\geq$1 insurer LP
- **2018 dip:** New Asset Management Regulations raised minimum insurer asset size for VC participation
- **No comparable pension reform:** 2015 policy for pensions excluded VC; only 2 pension LPs found in sample

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Summary statistics: Insurer LPs

	Equally Weighted		Weighted by Fund Size		
	Mean	SD	Mean	SD	N
Panel A: Full Sample					
Has Insurer	0.02	0.12	0.07	0.26	7,334
Insurer Share	0.01	0.06	0.03	0.15	7,334
Insurer Share_w	0.01	0.08	0.04	0.17	7,334
Panel B: GPs with both RMB and USD Funds					
Has Insurer	0.05	0.21	0.10	0.30	1,026
Insurer Share	0.01	0.09	0.02	0.10	1,026
Insurer Share_w	0.02	0.12	0.03	0.13	1,026
Panel C: GPs ever with Insurer LPs					
Has Insurer	0.19	0.39	0.41	0.49	612
Insurer Share	0.07	0.20	0.17	0.31	612
Insurer Share_w	0.10	0.27	0.21	0.35	612

- US VC funds: insurer share is about 6%
- In our sample, conditional an having insurer LPs, average insurer commitment share is 54%.

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Summary statistics

	Full Sample			
	Mean	Median	SD	N
LP Composition				
Has Insurer	0.02	0.00	0.12	7,334
Insurer Share	0.01	0.00	0.06	7,334
Weighted Insurer Share	0.01	0.00	0.08	7,334
Weighted Individual Share	0.15	0.00	0.29	7,334
Weighted Government Share	0.11	0.00	0.24	7,334
Weighted Corporate Share_w	0.26	0.11	0.32	7,334
Fund Investments and Exits				
Late Exits	0.28	0.25	0.24	7,033
Holding Period (Years)	4.09	3.93	1.34	6,814
Secondary Exit	0.25	0.18	0.26	7,064
Company Age (Years)	5.61	4.88	3.47	6,936
Early Stage	0.51	0.50	0.31	7,025
IPO & M&A	0.08	0.00	0.17	7,064
Patents	0.20	0.00	0.40	7,175

LP Composition-Insurer LPs

Regression results: Insurer entry into RMB funds

	Has Insurer		Insurer Share		Weighted Insurer Share	
	(1)	(2)	(3)	(4)	(5)	(6)
RMB Fund × Post 2014	0.163***	0.174***	0.027***	0.029***	0.029***	0.034***
	[0.048]	[0.061]	[0.008]	[0.010]	[0.010]	[0.013]
RMB Fund	-0.155***	-0.088	-0.025***	-0.013	-0.029***	-0.016
	[0.043]	[0.059]	[0.007]	[0.010]	[0.009]	[0.012]
Fund Number FE	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓
Observations	7,334	4,755	7,334	4,755	7,334	4,755
Adjusted R^2	0.027	0.157	0.013	0.184	0.014	0.193
Pre-2014 RMB Mean	0.000	0.000	0.000	0.000	0.000	0.000
Pre-2014 USD Mean	0.173	0.152	0.025	0.022	0.027	0.024

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Regression results: Longer holding periods

	Late Exits		Holding Period		Secondary Exit	
	(1)	(2)	(3)	(4)	(5)	(6)
RMB Fund × Post 2014	0.136***	0.139***	0.653***	0.709***	-0.115***	-0.102***
	[0.032]	[0.033]	[0.209]	[0.222]	[0.022]	[0.024]
RMB Fund	-0.081***	-0.080***	-0.480***	-0.474**	0.261***	0.194***
	[0.029]	[0.030]	[0.183]	[0.191]	[0.021]	[0.023]
Fund Number FE	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓
Observations	7,033	4,738	6,814	4,585	7,064	4,759
Adjusted R^2	0.149	0.261	0.209	0.310	0.062	0.196
Pre-2014 RMB Mean	0.392	0.405	5.049	5.073	0.360	0.339

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Fund strategy: Earlier-stage investment

	Company Age		Early Stage	
	(1)	(2)	(3)	(4)
RMB Fund × Post 2014	-1.027**	-1.248***	0.095**	0.105***
	[0.433]	[0.370]	[0.038]	[0.038]
RMB Fund	2.616***	1.046***	-0.073**	-0.045
	[0.406]	[0.345]	[0.035]	[0.036]
Fund Number FE	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓
GP FE		✓		✓
Observations	6,936	4,649	7,025	4,731
Adjusted R^2	0.038	0.458	0.029	0.326
Pre-2014 RMB Mean	6.808	6.769	0.522	0.538

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Alternative explanation 1: Capital supply effect

Deregulation $\Rightarrow \uparrow$ capital supply $\Rightarrow$ Invest in riskier or long-term projects

1. **Pre-launched funds**: funds launched before 2014 but closed after results
   - Target size already set, acting as a soft cap (subscription ratio clusters at 1) sub ratio
   - Insurer entry reshuffles LP base, but not fund size
2. **Fund size test:** No differential change in RMB vs. USD fund size post-2014 fund size
3. **Controlling fund size:** Controlling fund size doesn't affect results control size

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Alternative explanation 2: Institutionalization of LPs

More institutional investors $\Rightarrow \uparrow$ more resources to GPs (e.g. network, advice), $\downarrow$ coordination friction among LPs

- Controlling for institutional LP share & the no. of LPs does not change results institutional lp shr
- Effect is LP horizon, not LP's value-add or governance

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Alternative explanation 3: Endogenous currency choice

Post 2014, more GPs launch RMB funds $\Rightarrow$ these GPs also happen to be more patient

- Selection on patience is part of our mechanism: patient GPs enter to cater to patient investors
- Nevertheless, we estimate **"intent-to-treat" using predicted currency**: results
  - Replace actual currency with GP's pre-2014 RMB fund share
  - Restrict to GPs entered before 2014

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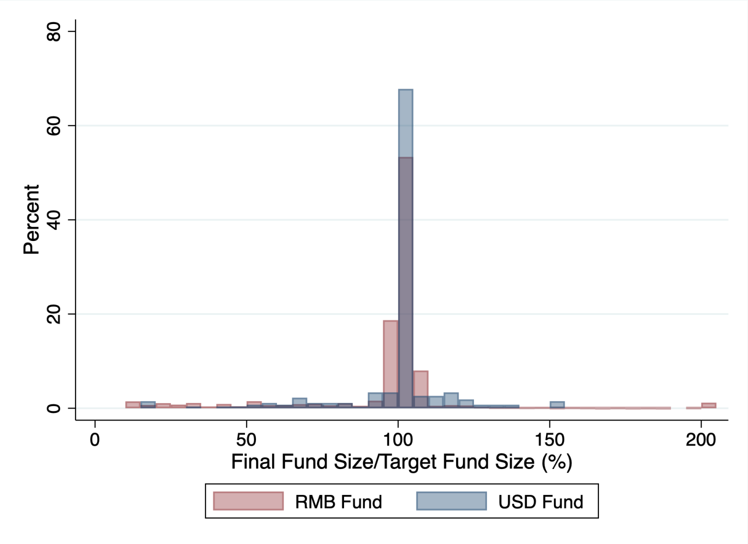
Subscription ratio



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High GP bargaining power dampens transmission

Proxies for high bargaining power vis-à-vis LPs: GP's track record (past exit ratio) and size

	Holding Period		Company Age		Holding Period		Company Age	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RMB Fund × Post 2014	1.183***	1.040***	-1.274**	-2.241***	1.004***	1.050***	-1.615***	-1.911***
	[0.310]	[0.338]	[0.571]	[0.583]	[0.241]	[0.263]	[0.416]	[0.405]
RMB Fund × Post 2014 × Large GP	-1.038***	-0.729*	0.745	1.703**				
	[0.363]	[0.391]	[0.779]	[0.755]				
RMB Fund × Post 2014 × Exit Ratio					-0.333***	-0.211**	0.747***	0.823***
					[0.100]	[0.093]	[0.278]	[0.219]
RMB Fund	-0.995***	-1.015***	3.324***	1.683***	-0.714***	-0.789***	3.224***	1.387***
	[0.268]	[0.273]	[0.416]	[0.418]	[0.215]	[0.227]	[0.353]	[0.369]
Control Variables	✓	✓	✓	✓	✓	✓	✓	✓
Fund Number FE	✓	✓	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓		✓
Observations	6,814	4,585	6,936	4,649	6,793	4,570	6,915	4,633
Adjusted R^2	0.214	0.313	0.039	0.458	0.212	0.314	0.040	0.460

- Not due to a weaker first-stage effect for top GPs: they attracted slightly more insurers

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Pre-launch subsample: Insurer entry

	Weighted Insurer Share		Weighted Individual Share		Weighted Government Share		Weighted Corporate Share	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RMB Fund × Post 2014	0.024**	0.027*	-0.008	-0.069	-0.018	-0.041	-0.059	0.028
	[0.010]	[0.015]	[0.043]	[0.043]	[0.041]	[0.058]	[0.058]	[0.063]
RMB Fund	-0.026***	-0.017*	0.230***	0.143***	0.073***	0.089**	0.109*	0.151**
	[0.008]	[0.010]	[0.031]	[0.036]	[0.026]	[0.038]	[0.057]	[0.069]
Fund Number FE	✓	✓	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓		✓
Observations	1,361	790	1,361	790	1,361	790	1,361	790
Adjusted R^2	0.086	0.092	0.110	0.456	0.015	0.153	0.040	0.228
Pre-2014 RMB Mean	0.000	0.000	0.262	0.261	0.120	0.109	0.244	0.232
Pre-2014 USD Mean	0.023	0.021	0.004	0.005	0.064	0.067	0.123	0.109

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Pre-launch subsample: Fund strategy

	Late Exits		Holding Period		Secondary Exit		Company Age		Early Stage	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
RMB Fund × Post 2014	0.174***	0.139***	1.107***	1.115***	-0.065**	-0.098**	-1.180**	-1.715***	0.188***	0.134**
	[0.040]	[0.051]	[0.243]	[0.325]	[0.032]	[0.046]	[0.515]	[0.448]	[0.046]	[0.054]
RMB Fund	-0.090***	-0.046	-0.485**	-0.470	0.269***	0.181***	2.988***	1.156***	-0.097***	-0.039
	[0.031]	[0.046]	[0.210]	[0.291]	[0.022]	[0.035]	[0.406]	[0.321]	[0.036]	[0.039]
Fund Number FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓		✓		✓
Observations	1,350	849	1,333	838	1,354	853	1,255	769	1,350	851
Adjusted R^2	0.117	0.224	0.136	0.224	0.179	0.257	0.151	0.557	0.029	0.295
Pre-2014 RMB Mean	0.393	0.414	5.084	5.152	0.361	0.336	6.833	6.844	0.523	0.542

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Pre-launch subsample: Portfolio outcome

	IPO & M&A		Patents	
	(1)	(2)	(3)	(4)
RMB Fund × Post 2014	0.085**	0.102*	-0.000	-0.091
	[0.040]	[0.055]	[0.047]	[0.066]
RMB Fund	-0.205***	-0.196***	0.057***	-0.009
	[0.034]	[0.048]	[0.019]	[0.031]
Fund Number FE	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓
GP FE		✓		✓
Observations	1,354	853	1,341	839
Adjusted R^2	0.178	0.245	0.007	0.169
Pre-2014 RMB Mean	0.131	0.161	0.085	0.075

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Fund size test

	Ln(Fund Size)		Ln(Target Size)		Number of Companies	
	(1)	(2)	(3)	(4)	(5)	(6)
RMB Fund × Post 2014	0.140	-0.032	-0.109	-0.028	0.875	-6.847
	[0.140]	[0.173]	[0.167]	[0.255]	[2.467]	[4.227]
RMB Fund	-1.268***	-0.957***	-1.222***	-0.709***	-3.280	6.305**
	[0.100]	[0.167]	[0.119]	[0.257]	[2.159]	[2.784]
Fund Number FE	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓
Observations	2,079	1,322	947	519	1,364	855
Adjusted R^2	0.343	0.561	0.395	0.555	0.075	0.284
Pre-2014 RMB Mean	54.731	57.269	61.083	60.588	9.518	10.597

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Size control

	Weighted Insurer Share		Weighted Individual Share		Holding Period		Company Age		IPO & M&A	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
RMB Fund × Post 2014	0.032***	0.038***	-0.106***	-0.089***	0.717***	0.738***	-1.044**	-1.217***	0.090**	0.082**
	[0.010]	[0.013]	[0.035]	[0.034]	[0.222]	[0.225]	[0.467]	[0.372]	[0.036]	[0.036]
RMB Fund	-0.021**	-0.014	0.130***	0.106***	-0.615***	-0.645***	2.841***	1.213***	-0.196***	-0.183***
	[0.010]	[0.012]	[0.034]	[0.032]	[0.196]	[0.189]	[0.457]	[0.362]	[0.034]	[0.035]
Ln(Fund Size)	0.005***	0.005***	-0.075***	-0.038***	-0.092***	-0.164***	0.136**	0.214***	0.013***	0.001
	[0.001]	[0.001]	[0.005]	[0.007]	[0.021]	[0.036]	[0.065]	[0.069]	[0.003]	[0.005]
Subscription Ratio	0.001	0.002	0.121***	0.076**	0.159	0.153	-0.322	-0.458	-0.006	0.005
	[0.001]	[0.003]	[0.021]	[0.031]	[0.097]	[0.166]	[0.308]	[0.424]	[0.011]	[0.024]
Fund Number FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓		✓		✓
Observations	4,685	3,551	4,685	3,551	4,311	3,428	4,297	3,419	4,414	3,522
Adjusted R^2	0.044	0.215	0.116	0.358	0.234	0.310	0.060	0.452	0.177	0.244

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Institutional LP share control

	Holding Period		Company Age		IPO & M&A	
	(1)	(2)	(3)	(4)	(5)	(6)
RMB Fund × Post 2014	0.369*	0.549**	-0.903**	-0.932**	0.073**	0.069*
	[0.192]	[0.244]	[0.380]	[0.420]	[0.036]	[0.038]
RMB Fund	-0.232	-0.280	2.612***	0.960**	-0.191***	-0.182***
	[0.165]	[0.228]	[0.362]	[0.413]	[0.031]	[0.038]
Weighted Institutional LP Share	0.021	0.014	-0.082	-0.503*	0.014*	0.004
	[0.069]	[0.119]	[0.203]	[0.259]	[0.008]	[0.016]
Number of LPs	0.018***	0.015***	-0.005	-0.003	0.000	-0.001***
	[0.002]	[0.003]	[0.007]	[0.006]	[0.000]	[0.000]
Fund Number FE	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓
Observations	5,861	3,740	5,960	3,791	6,038	3,858
Adjusted R^2	0.223	0.332	0.036	0.462	0.134	0.261

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Currency choice

	Weighted Insurer Share		Weighted Individual Share		Holding Period		Company Age		IPO & M&A	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
RMB Fund Share_pre × Post 2014	0.004	0.013	-0.110***	-0.167***	0.551***	0.849***	0.183	-1.049**	0.121***	0.115***
	[0.015]	[0.018]	[0.033]	[0.044]	[0.187]	[0.216]	[0.483]	[0.500]	[0.037]	[0.038]
RMB Fund Share_pre	-0.031***	-0.027**	0.222***	0.114***	-0.530***	-0.244	2.767***	1.164***	-0.198***	-0.194***
	[0.009]	[0.011]	[0.029]	[0.042]	[0.188]	[0.299]	[0.409]	[0.373]	[0.032]	[0.044]
Fund Number FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓		✓		✓
Observations	2,809	2,413	2,809	2,413	2,742	2,420	2,698	2,384	2,789	2,467
Adjusted R^2	0.050	0.098	0.102	0.307	0.201	0.301	0.090	0.390	0.172	0.274

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LP market conditions

	Weighted Insurer Share		Weighted Individual Share		Holding Period		Company Age		IPO & M&A	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
RMB Fund × Post 2014	0.023**	0.027*	-0.124***	-0.109***	0.642***	0.759***	-0.857*	-0.939**	0.086**	0.097**
	[0.010]	[0.014]	[0.029]	[0.034]	[0.222]	[0.263]	[0.475]	[0.417]	[0.040]	[0.040]
RMB Fund	0.064	0.098	0.614***	0.396	-1.136	-2.959	-0.342	-10.100*	0.437	-0.053
	[0.081]	[0.161]	[0.206]	[0.468]	[3.987]	[4.611]	[5.823]	[5.317]	[0.629]	[0.641]
Stock Market Return	-0.011	-0.011	0.003	0.047	-0.020	0.070	-0.008	1.483***	-0.027	-0.041
	[0.012]	[0.012]	[0.035]	[0.037]	[0.290]	[0.278]	[0.640]	[0.510]	[0.047]	[0.046]
3-Month Treasury Rate	-0.004	-0.006	0.016**	0.014	-0.034	0.090	0.095	0.396**	-0.042*	-0.026
	[0.003]	[0.005]	[0.008]	[0.014]	[0.117]	[0.147]	[0.200]	[0.177]	[0.022]	[0.021]
Exchange Rate	-0.014	-0.016	-0.069**	-0.049	0.136	0.391	0.453	1.761**	-0.096	-0.015
	[0.013]	[0.026]	[0.033]	[0.075]	[0.651]	[0.743]	[0.904]	[0.837]	[0.101]	[0.104]
Ln(IPO Volume)	0.008	0.010	0.039**	0.035*	-0.068	-0.030	-0.195	0.036	-0.020	-0.042*
	[0.007]	[0.009]	[0.016]	[0.019]	[0.169]	[0.160]	[0.302]	[0.181]	[0.024]	[0.025]
Fund Number FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓		✓		✓
Observations	7,120	4,586	7,120	4,586	6,624	4,421	6,745	4,486	6,872	4,594
Adjusted R^2	0.017	0.195	0.046	0.362	0.212	0.313	0.038	0.457	0.134	0.238

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Tighter fixed effects

	Weighted Insurer Share		Weighted Individual Share		Holding Period		Company Age		IPO & M&A	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
RMB Fund × Post 2014	0.035**	0.046***	-0.122***	-0.064	0.792***	0.321	-0.688*	-1.089***	0.063	0.104*
	[0.016]	[0.017]	[0.030]	[0.052]	[0.279]	[0.471]	[0.412]	[0.334]	[0.039]	[0.055]
Fund Number FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GP × Currency FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GP × Post 2014 FE		✓		✓		✓		✓		✓
Observations	4,717	4,468	4,717	4,468	4,526	4,301	4,592	4,369	4,696	4,471
Adjusted R^2	0.224	-0.160	0.351	0.051	0.313	-0.012	0.454	0.220	0.236	-0.105

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Restrict to dual-currency GPs

	Weighted Insurer Share		Weighted Individual Share		Holding Period		Company Age		IPO & M&A	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
RMB Fund × Post 2014	0.077***	0.070**	-0.068*	-0.053*	0.799***	0.842***	-1.002*	-0.741	0.093**	0.097**
	[0.026]	[0.035]	[0.038]	[0.031]	[0.275]	[0.273]	[0.558]	[0.479]	[0.038]	[0.037]
RMB Fund	-0.061**	-0.038	0.139***	0.120***	-0.480**	-0.542**	1.977***	0.649	-0.181***	-0.203***
	[0.024]	[0.031]	[0.040]	[0.029]	[0.242]	[0.242]	[0.471]	[0.441]	[0.033]	[0.035]
Fund Number FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓		✓		✓
Observations	1,026	1,001	1,026	1,001	1,073	1,055	1,050	1,033	1,100	1,083
Adjusted R^2	0.007	0.173	0.076	0.245	0.285	0.314	0.076	0.475	0.285	0.323

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Exclude Chinese GPs established after 2014

	Weighted Insurer Share		Weighted Individual Share		Holding Period		Company Age		IPO & M&A	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
RMB Fund $\times$ Post 2014	0.063***	0.075**	-0.128***	-0.128***	0.586**	0.741***	-1.251***	-1.521***	0.076*	0.066*
	[0.024]	[0.033]	[0.026]	[0.028]	[0.260]	[0.263]	[0.455]	[0.316]	[0.040]	[0.039]
RMB Fund	-0.063***	-0.035	0.275***	0.166***	-0.579***	-0.631***	2.579***	1.276***	-0.198***	-0.163***
	[0.022]	[0.028]	[0.027]	[0.030]	[0.202]	[0.201]	[0.416]	[0.286]	[0.033]	[0.036]
Fund Number FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓		✓		✓
Observations	3,517	2,840	3,517	2,840	3,412	2,808	3,400	2,795	3,493	2,883
Adjusted R^2	0.015	0.167	0.079	0.351	0.201	0.298	0.063	0.426	0.150	0.269

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Exclude SPVs

	Weighted Insurer Share		Weighted Individual Share		Holding Period		Company Age		IPO & M&A	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
RMB Fund × Post 2014	0.029***	0.034***	-0.100***	-0.097***	0.552***	0.587***	-0.994**	-1.161***	0.097***	0.090**
	[0.010]	[0.013]	[0.029]	[0.031]	[0.203]	[0.221]	[0.449]	[0.382]	[0.035]	[0.036]
RMB Fund	-0.029***	-0.015	0.242***	0.149***	-0.372**	-0.269	2.610***	0.938***	-0.222***	-0.213***
	[0.009]	[0.012]	[0.030]	[0.030]	[0.178]	[0.196]	[0.424]	[0.361]	[0.032]	[0.035]
Fund Number FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Final Closing Year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GP FE		✓		✓		✓		✓		✓
Observations	7,309	4,734	7,309	4,734	6,653	4,422	6,773	4,482	6,897	4,587
Adjusted R^2	0.014	0.193	0.045	0.353	0.210	0.316	0.038	0.461	0.128	0.233

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Survey experiment design

Collaborate with LP Institute (LP 投顾): a leading LP consulting firm in China

- **Sample:** 225 invitations to Chinese GPs; 116 completed responses (52% response rate)
  - Senior executives and IR managers who routinely interact with LPs Survey Respondent Characteristics

- **Part I: RCT:** 4 hypothetical LP compositions for a new RMB fund of ¥100–500M
  - **Randomized:** (1) capital share committed by each LP type, (2) order of LP types
  - GP chooses: fund duration, expected project holding period, stage/sector focus

- **Part II: Mechanism questions:**
  - Which LP characteristics (horizon, risk, return, liquidity) drive fund strategy?
  - Perceived investor horizon by LP type

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Survey scenario: One example

Part II: Investment Strategy Based on LP Composition

In this section, you will see multiple hypothetical LP composition scenarios that simulate the type of capital sources you might anticipate before launching a new fund. These LP mixes are fictional but based on realistic patterns observed in the market. Assume that the fund size is between **RMB 100-500 million**:

Please follow these assumptions when responding:

1. Assume you are preparing to raise a new blind-pool VC fund. The Limited Partnership Agreement (LPA) has not yet been signed, but you have already received clear signals that the following LP composition is likely.
2. Based on the typical characteristics of these LPs (e.g., investment horizon, risk appetite, governance involvement, return expectations), design an investment strategy and fund structure that best matches their profile.
3. Assume you have full autonomy in strategy design, free from external constraints such as market conditions, project pipeline, or internal team structure.

Scenario I

Assume your fund is backed by the following LP composition:

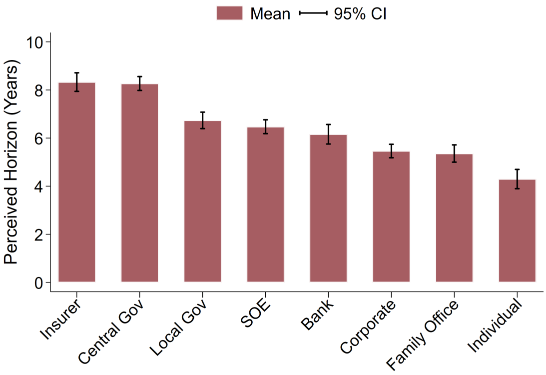
• 35% A local government guidance fund from a prefecture-level city classified as a second-tier city, with a well-diversified industrial base and consistently sound fiscal performance over the years

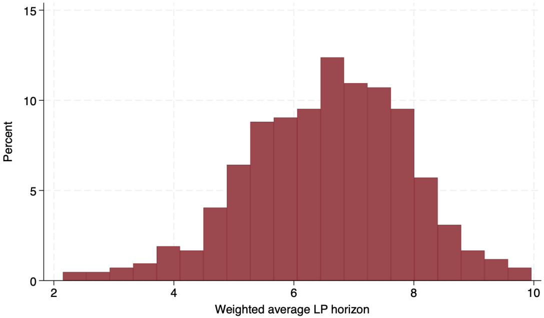
• 31% A large nationwide life insurance company managing pension and annuity accounts, with a stable source of capital

• 17% A publicly listed company with diversified business operations, primarily focused on real estate sector, currently maintaining healthy cash flow

• 17% A high-net-worth individual who previously founded a manufacturing company, successfully exited, and has since been actively involved in equity investments with extensive investment experience

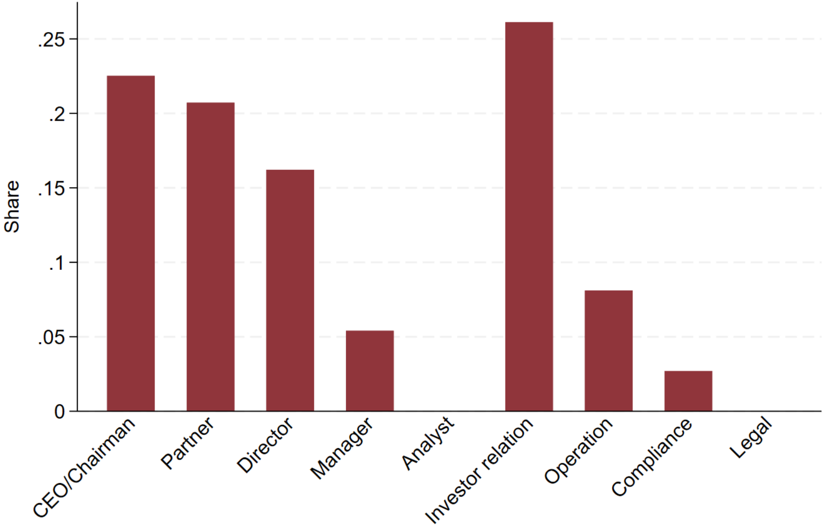
Compute weighted average LP horizon using GP's subjective beliefs



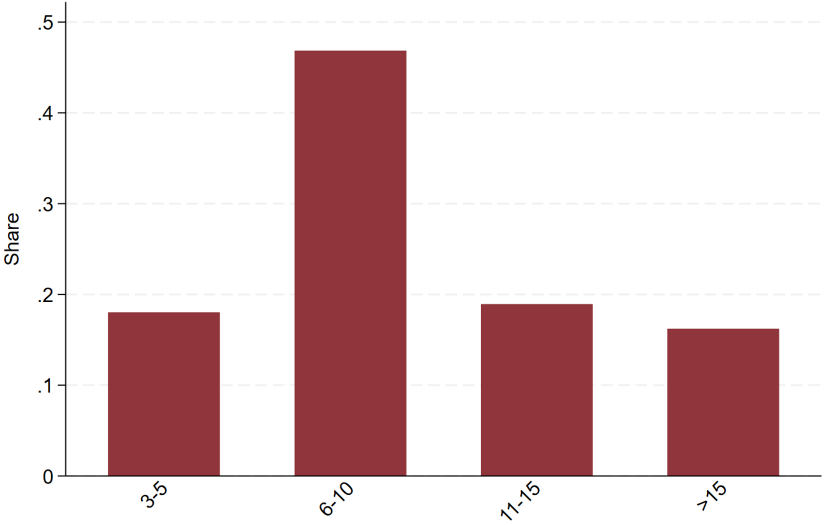


- For each LP scenario, $\bar{h}_i = \sum_k s_{ik} \cdot \tau_k$ (inner product of randomized LP shares and perceived horizons of LP types by GP_i

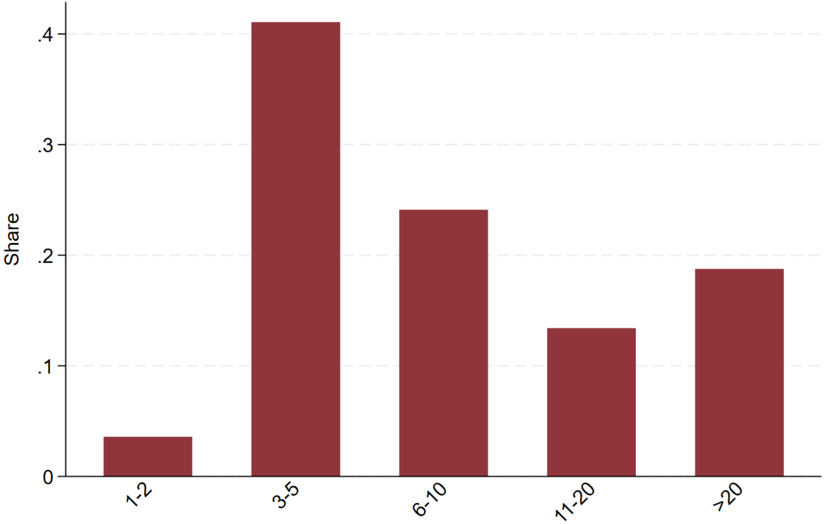
Survey respondents: Background



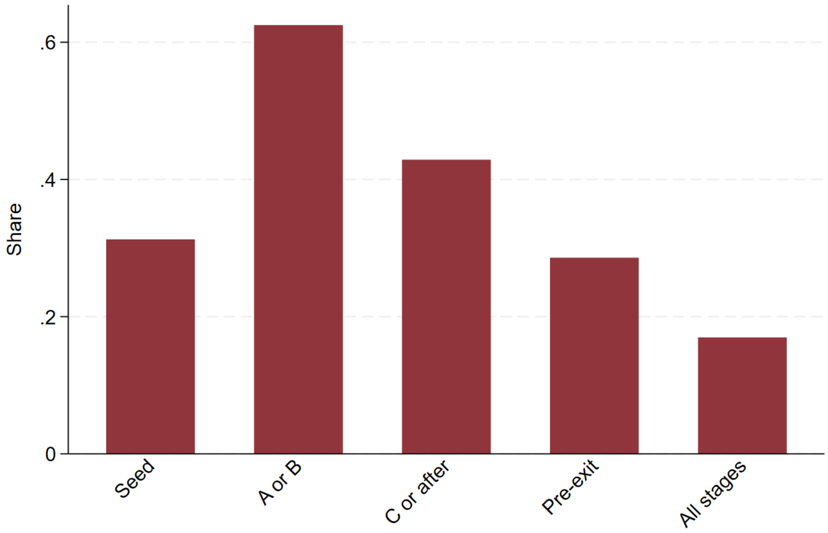
Survey respondents: Background



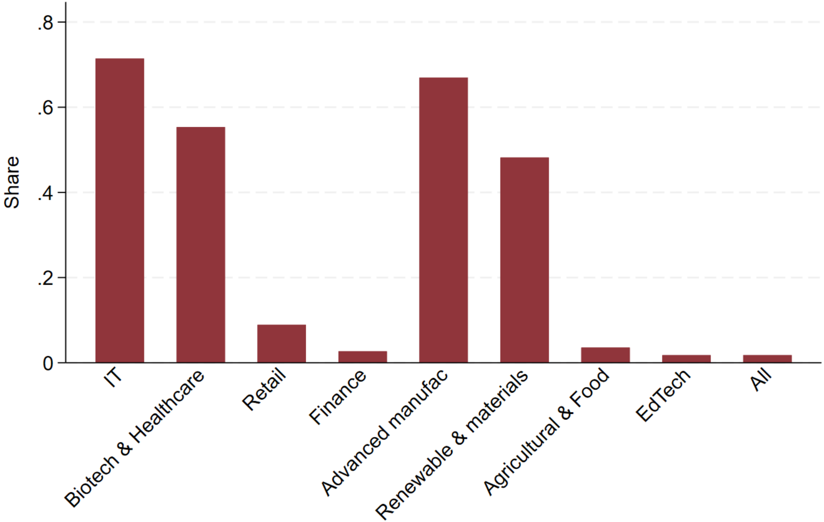
Survey respondents: Background



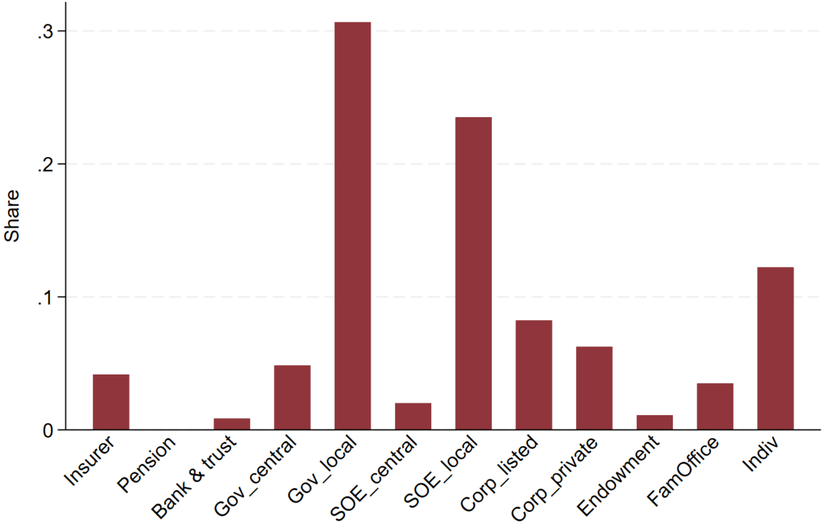
Survey respondents: Background



Survey respondents: Background



Survey respondents: Background



Survey: Insurer share ⇒ fund life

	Fund Life					
	(1)	(2)	(3)	(4)	(5)	(6)
Insurer LP Share	0.597	1.476**	1.260*			
	(0.767)	(0.672)	(0.688)			
Gov LP Share	0.791	1.282***	0.541			
	(0.480)	(0.473)	(0.712)			
Insurer LP Share≥40%				0.649**	0.764***	0.720***
				(0.275)	(0.237)	(0.233)
Gov LP Share≥40%				0.430**	0.529***	0.348
				(0.176)	(0.177)	(0.237)
Respondent FE	✓	✓	✓	✓	✓	✓
Industry FE		✓	✓		✓	✓
Stage FE		✓	✓		✓	✓
Scenario FE			✓			✓
Observations	443	443	443	443	443	443
Adjusted R^2	0.548	0.633	0.632	0.559	0.641	0.639

- From a low-insurer-share to one above 40%⇒ +0.7 years in fund duration

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Survey: LP horizon ⇒ project holding period

	Project Life		
	(1)	(2)	(3)
Weighted Average LP Horizon	0.146**	0.117*	0.091
	(0.072)	(0.063)	(0.083)
Respondent FE	✓	✓	✓
Industry FE		✓	✓
Stage FE		✓	✓
Scenario FE			✓
Observations	406	406	406
Adjusted R^2	0.589	0.671	0.668

- 1-year ↑ in weighted LP horizon ⇒ +0.09 years in chosen project holding period
- Results mirror fund-life regressions —consistent catering mechanism

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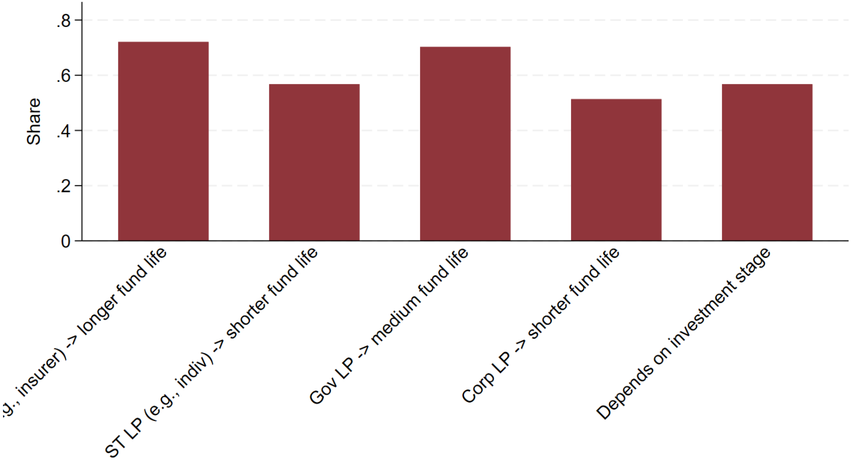
Other Mechanism Responses



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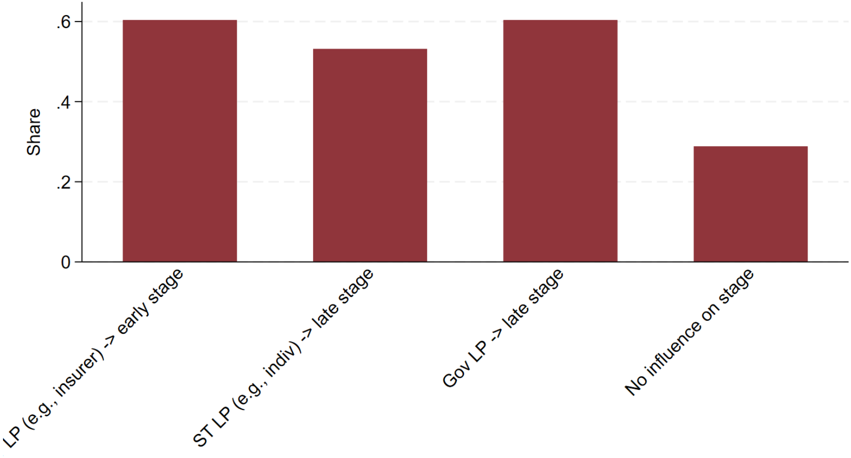
Other Mechanism Responses



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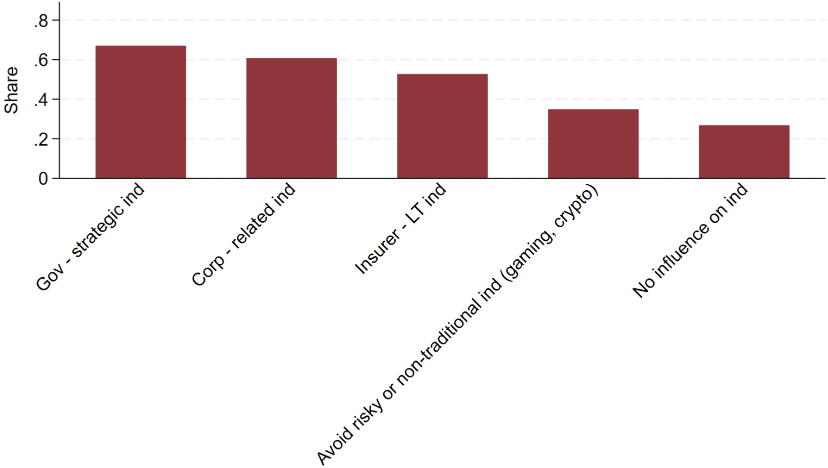
Other Mechanism Responses



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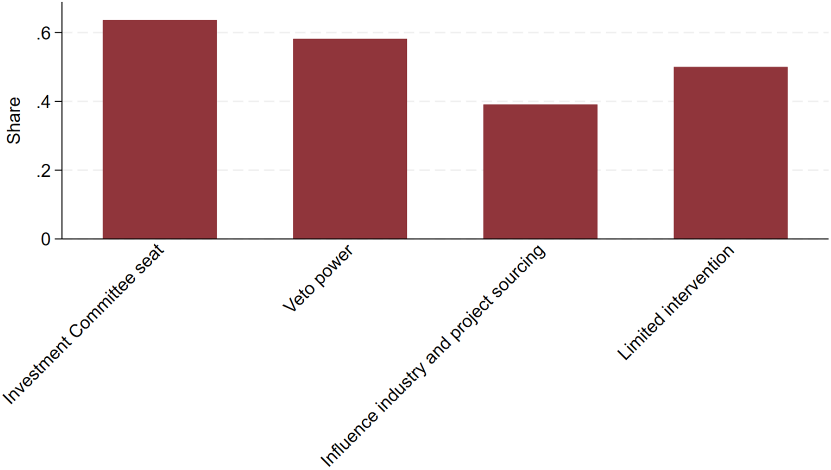
Other Mechanism Responses



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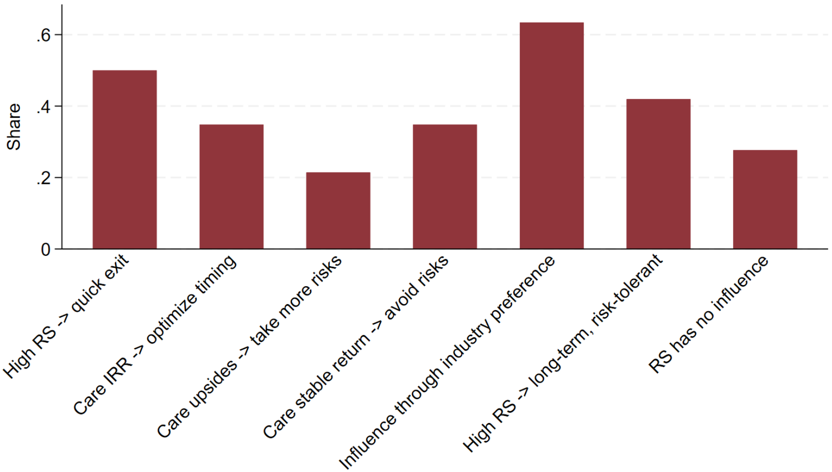
Other Mechanism Responses



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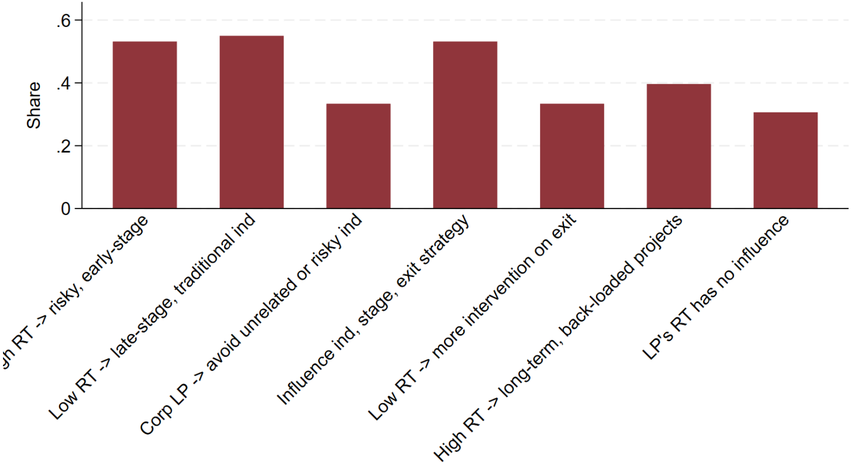
Other Mechanism Responses



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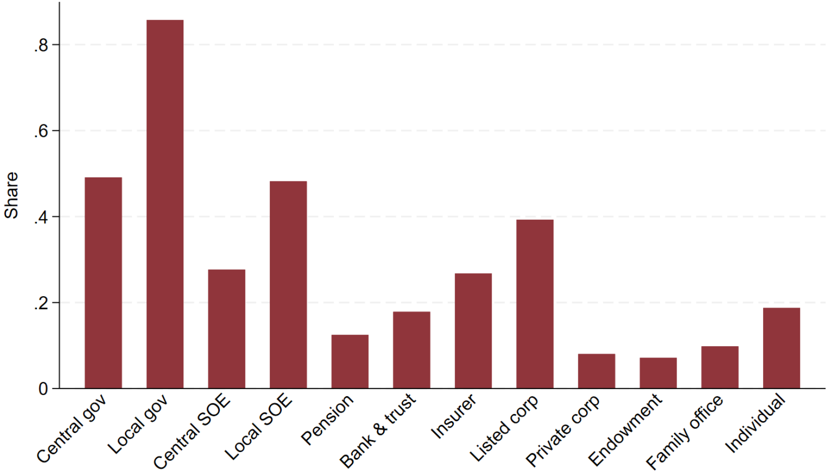
Other Mechanism Responses



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