INVESTING WITH THE GOVERNMENT: A FIELD EXPERIMENT IN CHINA

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Abstract. We study the demand for government participation in China's venture capital and private equity market. We conduct a large-scale, non-deceptive field experiment in collaboration with the leading industry service provider, through which we survey both capital investors and the firms managing the invested capital by deploying it to high-growth entrepreneurs. Each respondent evaluates synthetic profiles of potential investment partners, whose characteristics we randomize, under the incentive that they will be introduced to real partners matching their preferences. Our main result is that the average firm dislikes investors with government ties. We show that such dislike is not present with government-owned firms, and this dislike is highest with best-performing firms. Additional results and surveys suggest political interference in decision-making is the leading mechanism why government capital is unattractive to private firms. We feed administrative micro-data and our experimental surveys into a simple model of two-sided search to discuss the equilibrium effects of government participation. Overall, our findings point to the limits of a model of "state capitalism" that strongly relies on the complementarity between private firms and government capital to drive high-growth entrepreneurship and innovation.

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1. Introduction

Government participation in the economy via direct or indirect ownership of private sector firms is ubiquitous around the world (La Porta, Lopez-de Silanes, and Shleifer, 1999; Bortolotti and Faccio, 2009; Aminadav and Papaioannou, 2020). China is perhaps the most striking example of this phenomenon, with the government representing the leading investor in and minority owner of private firms (Allen, Cai, Gu, Qian, Zhao, and Zhu, 2021). These patterns characterize a model of "state capitalism," fundamentally grounded on the complementarity between high-growth private firms and government capital (Bai, Hsieh, Song, and Wang, 2020b). There is a heated political and academic debate around how this model affects China's growth and role in the global economy.

Our paper starts from the premise that the government is a rather special investor and that, to appreciate the implications of government participation in the market economy, it is crucial to understand both the supply of and demand for government capital. Yet, due to the fundamental difficulty of measuring the private sector demand for government capital, the latter remains a neglected aspect of the debate.

We tackle these issues directly by combining a field experiment with new administrative and survey data to ask whether—all else equal—firms prefer to receive capital from the government vis-à-vis private investors. Our context is that of venture capital and private equity (VCPE) in China, representing the second-largest market for innovative and high-growth firms in the world (after the U.S.) and a multi-trillion dollar market where the government plays a central role in the allocation of capital. Specifically, we focus on the matching between capital *investors*, i.e., the Limited Partners (LPs), and profit-seeking *firms*, i.e., the fund managers or General Partners (GPs), that manage the invested capital by deploying it to high-growth entrepreneurs.[1]

In the first part of the paper, we characterize the role of government in China's VCPE market by matching data on VCPE investments over the 2015–2019 period with administrative business registration records, through which we can observe the ownership structure of all firms (GPs) and investors (LPs) in the data. We establish four main descriptive facts. First, the government—represented by central, provincial, and local government agencies as well as state-owned enterprises (SOEs)—is the leading investor, with the government as a majority owner of about half of LPs, and government LPs significantly larger investors than private LPs. Second, the government is also a minority owner of a significant share (about a third) of GPs. Third, government-owned GPs perform worse than private GPs. Fourth, there is a pattern of assortative matching, with government LPs investing disproportionally more in government-owned GPs.

In the second and central part of this paper, we aim to estimate the demand for government capital. To do so, we conducted a field experiment in 2019 in collaboration with the leading VCPE industry service provider in China, Zero2IPO. Our collaboration led to a new experimental survey of 688 leading GPs in the market (which together account for nearly $1 trillion), launched as part of a new service by Zero2IPO that aims to experimentally measure GP preferences so as to help GPs connect to investors. We obtained a response rate of 43%.

[1]In the paper, for brevity, we will primarily use the standard VCPE terminology of LPs and GPs, even though we will at times also refer to them as "investors" and "firms," respectively.

The experiment is inspired by the literature in labor economics and discrimination on correspondence audit studies (Bertrand and Mullainathan, 2004), and more specifically by its recent refinement without deception by Kessler, Low, and Sullivan (2019). As part of the experiment, GPs are asked to rate 20 profiles of hypothetical LPs along two dimensions: (i) how interested they would be in establishing an investment relationship with the LP; and (ii) the likelihood that the LP would be interested in entering an investment relationship with them. There are real incentives to report truthfully because within this context, Zero2IPO promises to use the ratings of each GP to introduce them to existing LPs that match their preferred characteristics.

An attractive feature of this setting is that we have full control over the creation of the LP profiles, which allows us to estimate GP preferences for several randomized characteristics of LPs, while holding other characteristics fixed. We create the profiles together with the Zero2IPO research team by decomposing real profiles into the "components" that profiles typically consist of, following the distribution of profiles on the Zero2IPO platform. For example, almost all profiles list the headquarters of a given LP, or the amount of capital they are looking to invest. Importantly, many profiles also list the relationship of the LP to the government, perhaps because they are SOEs or because they received endorsement by, say, a provincial government. We randomize components to generate the synthetic profiles we use to elicit preferences, make a few changes to the text to ensure language accuracy and realism of the profiles, and pick a random set for each GP to rate.

Our main finding is that, on average, GPs dislike LPs with government ties. We also find that GPs prefer deep-pocketed investors, those headquartered in Beijing, and those that are not focused on specific industries and stages of investment. Several other investor characteristics do not seem to matter. All results are robust to the inclusion of respondent fixed effects. The average effects we uncover indicate that the negatives of receiving capital that is tied to the government outweigh the positive value GPs may obtain from establishing a link to a government-related politically connected investor.

We then move to the analysis of mechanisms behind our main findings. The leading explanation we explore is that government capital is unattractive to firms because of interference in decision-making that is due to political, rather than profit-maximizing, incentives.[2] A key prediction of such a channel is that the effects should vary depending on both the type of government entity that is providing the capital and the sector of focus of the GP. Consistent with this, we find a null and, if anything, positive preference when focusing on local governments which, by means of regulatory approvals and tax benefits, are especially important for the growth of early stage firms (Bai et al., 2020b). We show that GPs display the largest dislike for central government agencies. Importantly, we also find a larger dislike among GPs focused on the "new" tech industries, relative to those operating in state-dominated industries, highlighting an important trade-off between the costs and benefits of having government investors.

Furthermore, if the presence of political interference in decision-making is seen as unattractive, this should be especially so for nongovernment-owned GPs that operate according to market principles. In our regression of GP interest on LP characteristics, we find that the negative coefficient on

[2]In the paper, we also discuss an alternative explanation whereby GPs might have an information disadvantage when evaluating government LPs. We provide several empirical tests inconsistent with such a mechanism.

the indicator for the LP having government ties can be fully accounted for by nongovernment-owned, private GPs. Instead, we find that government ties of the LP do not matter for the preferences of government-owned GPs. Importantly, the dislike for government capital is especially pronounced for the best-performing private GPs.

We provide additional, largely qualitative evidence to further unpack a channel of political interference using results from a new round of surveys we conducted jointly with Zero2IPO. Designed to obfuscate their specific purpose, these additional surveys ask respondents to evaluate a list of pros and cons of establishing a relationship with an investor linked to the government. By and large, GPs lament the presence of political interference in the investment decision-making process by LPs with government ties, consistent with our experimental evidence. To a lesser extent, GPs also consider the presence of increased policy uncertainty and the lack of professionalization of teams working for LPs tied to the government to be unattractive features of government LPs.

We expand on our analysis of the role of government participation in China's VCPE market by conducting a contemporaneous analogous experimental survey to also estimate preferences of the other side of the market, namely investors or LPs. Then, motivated by the significant heterogeneity in preferences for government partners from both firms and investors, we feed the elicited preferences into a simple two-sided search and matching model of VCPE and study counterfactual implications of government participation.

Our study is related to a well-established body of work on the role of government participation in the economy (Shleifer, 1998; Megginson and Netter, 2001). Several studies emphasize the many inefficiencies that arise when the government participates in economic activity and financial markets (La Porta and Lopez-de Silanes, 1999; La Porta, Lopez-de Silanes, and Shleifer, 2002; Sapienza, 2004; Dinç, 2005; Bai, Lu, and Tao, 2006), with a related and large literature on the benefits of political connections (Fisman, 2001; Khwaja and Mian, 2005; Faccio, 2006) and the costs of corruption (Shleifer and Vishny, 1993; Fisman and Golden, 2017; Colonnelli and Prem, 2022).[3] Our approach differs from the existing literature which, by predominantly studying the *effects* of government intervention, leads to findings that typically reflect the combination of the state's active involvement in the economy with the selection of firms willing to do business with the state in the first place. Our key insight and contribution is the estimation of demand for government participation, by means of a novel field experiment, which puts the spotlight on the pros (e.g., political connections) and cons (e.g., political interference in decision-making) as seen directly from the perspective of the private sector. Our results show that—within the context of leading VCPE firms—the cons outweigh the pros, with government investors especially unattractive to the best-performing private firms. Overall, while we do not speak directly to the broader goals of the state and their overall efficiency implications, our findings point to important limits of a model of "state capitalism" that relies on the complementarity between private firms and government capital to drive high-growth entrepreneurship and innovation.

[3]Relatively little is known in the context of high-growth firms, with exceptions including Lerner (2000, 2009); Howell (2017); Fang, Lerner, Wu, and Zhang (2018); Babina, He, Howell, Perlman, and Staudt (2020); Bai, Bernstein, Dev, and Lerner (2021). Recent work has also looked at the direct provision of venture capital funding through specific government vehicles in China and around the world (Brander, Du, and Hellmann, 2015; Cumming, Grilli, and Murtinu, 2017; Fei, 2018).

A related contribution of our work is to provide a comprehensive account of the VCPE market in China. In particular, despite its size and importance for both innovation and growth, extremely little is known about preferences of firms and investors and what the key features of this market are (Huang, Tian, Amstad, Sun, and Xiong, 2020; Cong, Lee, Qu, Shen et al., 2020). This is in stark contrast with the growing body of evidence regarding the Chinese government's impact on other sectors of the economy.[4] Bai et al. (2020b) and Allen et al. (2021) describe the ownership structure of private firms in China, uncovering an increasingly blurry distinction between state-owned and privately owned firms and emphasizing the important implications of disentangling the reasons behind this new form of state-firm relationships. Our paper provides a novel finding to inform this debate—that government capital is unattractive to high-performing private firms—which has implications for understanding the nature of China's economic growth. Given the tight link between government participation and development, our paper also naturally relates to earlier work on financial development and growth more broadly (King and Levine, 1993; Rajan and Zingales, 1998; Levine, 1999; Wurgler, 2000; Levine, 2002).

Finally, we directly contribute to the literature on venture capital and private equity (see Da Rin, Hellmann, and Puri, 2013 for a review). Bernstein, Lerner, and Schoar (2013) and Andonov, Hochberg, and Rauh (2018) discuss the role of political investors in the contexts of sovereign wealth funds and U.S. public pension funds, respectively. Survey evidence on high-level decision makers in VCPE include Gompers, Kaplan, and Mukharlyamov (2016), Da Rin and Phalippou (2017), and Gompers, Gornall, Kaplan, and Strebulaev (2020). Few experiments have been conducted in this area, and they largely focus on early stage investments in the U.S. (Bernstein, Korteweg, and Laws, 2017; Gornall and Strebulaev, 2020; Zhang, 2020). To our knowledge, ours is the first field experiment that identifies preferences of both GPs and LPs. We do so in a novel match-making setting, with robust incentives and a high response rate, and by targeting a large sample of high-profile managers of leading entities in the market. In particular, we contribute to the understanding of both the search and matching process in the VCPE market—with a specific focus on GP-LP matches (Lerner, Mao, Schoar, and Zhang, 2022) rather than those between GPs and the target investments (Sørensen, 2007; Ewens, Gorbenko, and Korteweg, 2022)—and of VCPE in emerging markets, more broadly (Lerner and Schoar, 2005; Kaplan, Martel, and Strömberg, 2007; Lerner, Schoar, Sokolinski, and Wilson, 2018).

The paper is organized as follows. Section 2 provides institutional details. Section 3 describes the main data sources and establishes key facts about the market. Section 4 illustrates the experimental design. Section 5 reports the main results. Section 6 focuses on the mechanisms and equilibrium impact of government participation. Section 7 concludes.

2. Institutional Context

We study the venture capital and private equity (VCPE) market, which refers to capital investments in firms that are not publicly listed or traded. While venture capital—which specifically refers to the funding of high-growth, high-risk companies, typically innovative entrepreneurial

[4]See, among others, Young (2000); Song, Storesletten, and Zilibotti (2012); Hsieh and Song (2015); Xiong (2018); Liu (2019); Beraja, Yang, and Yuchtman (2020); Brunnermeier, Sockin, and Xiong (2020); Jia, Lan, and i Miquel (2021). Amstad, Sun, and Xiong (2020) gives a review of the literature.

startups—is seen as largely distinct from private equity more broadly in the U.S. and most other developed economies, such distinctions are quite blurry in China (Huang et al., 2020). We therefore refer to the general "VCPE" market and investors therein, noting that the market is characterized primarily by early stage and growth equity investors. The VCPE market in China is second in size only to the U.S.

The main players in the VCPE market are the capital providers, which are typically referred to as Limited Partners (LPs), and the firms that manage the invested capital, namely the General Partners (GPs), that subsequently deploy the capital by acquiring ownership, or equity, in other typically high-growth firms. Such investments generate returns to the investors once the firms' shares are sold, either publicly through an IPO or privately to other investors or firms. GPs also capture a share of the profits, in addition to their asset management fee. Specifically, one or more LPs generally invest capital into a "fund," which is the pool of capital raised by a given GP. LPs can invest into more than one fund, and a GP can raise multiple funds over time. This structure, typical of the U.S. market, is known as "limited partnership," and it has also become the dominant structure in China with the Partnership Enterprise Law of 2007. In this context, LPs are considered "passive" investors, to the extent that their limited liability comes at the cost of not interfering with the investment allocation decisions of the GP. In practice, however, examples abound about how LPs can exert a certain degree of influence over how the capital is ultimately allocated.[5]

A distinctive feature of VCPE in China is the predominant role played by the government in the allocation of capital. Central government agencies, local governments, and State-Owned Enterprises (SOEs) supervise or own (partially or wholly) a large share of LPs actively operating in the market, thus playing a primary role in driving high-growth entrepreneurship and private sector development. For instance, LPs may be SOEs funded by the Provincial People's Government. Similarly, local governments may formally approve the establishment of an LP and guide its capital allocation process. The role of government as an LP is at times made operational by the existence of so-called "government guided funds," namely mixed private-public funds created and partially contributed to by government entities (usually local governments), to which nongovernment LPs are expected to contribute. In our paper, for brevity, we consider LPs as having government ties if the government is involved in any role in providing capital to any fund managed by a given GP.

We focus on the matching between GPs and LPs. Within this setting, learning to deal with government-related entities is often considered a "required course" for VCPE fund managers.[6] Many argue that having the government as an investment partner introduces inefficiencies in the investment process and can distort the allocation of capital away from their most profitable uses. There are several reasons for why this is the case, as illustrated through large qualitative evidence gathered in the recent reviews by Malkin (2021) and Luong, Arnold, and Murphy (2021). First, the government is seen as a more "active" investor compared to other (commonly passive) LPs as, after the capital is disbursed, it often introduces restrictions on the specific types of investment

[5]While the two-sided nature of the market is the most common in the U.S., China, and around the world, there are a myriad of other nuanced variations of the VCPE model, such as GPs and LPs playing both the role of investor and fund manager at the same time. For brevity, we abstract away from these details in the paper. For a comprehensive description of the VCPE model, see Lerner, Leamon, and Hardymon (2012).

[6]See The Chinese state is pumping funds into private equity (The Economist, June 2021).

the GPs can undertake, for example by trying to favor specific firms, locations, or sectors. Due to political incentives, government LPs might also want to prioritize projects that are less risky or that can generate returns within a short time frame. These are all potentially severe forms of interference for GPs, who tend to look for risky projects with high upsides that often require a long investment horizon and a high degree of flexibility in decision-making. Moreover, such distortions are emphasized by the fact that relying on the government as an investor can lead to extra exposure to policy uncertainty, for example because changing government objectives may lead to unexpected interference in investment decisions. Another source of inefficiency argued by opponents of government participation in the market is the presence of bureaucrats or political actors, rather than investment professionals, in investment and managerial committees.

There are, on the other hand, several reasons why—from the perspective of fund managers and entrepreneurs alike—having the government as an investor may confer a number of advantages. Typically, such benefits range from faster regulatory approvals and tax reductions to better access to information and other favors occurring thanks to political connections, especially in state-dominated sectors such as construction, mining, or manufacturing. In particular, local government's support is often seen as necessary to "open doors" for target firms to grow. For these same reasons, having the government as an investor might be seen as a positive signal by other investors who are looking for GPs to manage their capital, and having government-connected individuals in the investment team may prove valuable.[7]

3. Venture Capital and Private Equity in China: Data and Facts

In this section, we describe the main sources of administrative data we use throughout the paper. First, we describe the administrative data from Zero2IPO on General Partners (GPs), Limited Partners (LPs), and Venture Capital (VC) and Private Equity (PE) investments (Section 3.1). We then illustrate the data on the ownership structure of GPs and LPs and related measures of government connections (Section 3.2). Finally, in Section 3.3, we discuss basic summary statistics of our sample and establish a few descriptive facts.

3.1. **Administrative Data on Venture Capital and Private Equity.**

Our primary source of administrative data is the full database created and maintained by our research partner Zero2IPO, which collects data on VCPE firms and their investments in a number of ways. First, they continuously aggregate multiple sources of data, from administrative registries such as those of the Asset Management Association of China (AMAC) and the National Enterprise Credit Information Publicity System (NECIPS), and those of stock exchanges and regional equity markets, as well as from several industry associations and competing data platforms, and including information announcements from government agencies and news press releases in VCPE-focused publications.

These data cover GPs and LPs actively operating in the market, but the lack of formal reporting requirements makes them imperfect with respect to coverage of deals and their performance, a

[7]From a social perspective, which remains beyond the scope of our paper, the main argument is about externalities, as the government may allow for capital to flow to projects that would otherwise remain underfunded (see Lerner (2000) for a discussion). In China, this is reflected in a push by the government for capital flows to strategic sectors and locations that private LPs are not targeting.

typical issue in markets for private capital around the world. To alleviate this issue, Zero2IPO collects its own data through a range of quarterly and annual online surveys, which are regularly validated through in-person meetings and follow-ups with respondents via phone and at leading conferences, workshops, and similar events throughout the year. Finally, Zero2IPO has a dedicated research team to cross-check and standardize the information, not only across data sources but also by verifying the information reported by multiple parties (e.g., GP and LPs in a given deal). Overall, despite some limitations that are standard given the context, the data collection and validation process of Zero2IPO is largely similar to that of leading and widely trusted data providers in the U.S. VCPE space.

Because of the nature of the data collection, the database provides accurate information about the identity of GPs, LPs, and the funds they are associated with, together with registry information such as company name, founding date, headquarters location, and registered capital. We match GPs and LPs using the fund-level data, which indicates the GP managing the fund and the LPs that committed capital to the fund. For each of the entities in the data, the Zero2IPO data platform also provides a text-based profile description of the entity. We design the synthetic profiles used for the experimental surveys to mimic these real-world textual profile descriptions, a point we return to in detail in Section 4. Finally, for a subset of the sample we have access to data at the deal level, which includes information on the target company, deal's size and date, and round of fundraising, among others.

3.1.1. *Measuring Performance.* A common issue with VCPE data is that observing performance measures is difficult, because the data often remain confidential and because there are several weaknesses associated with various measurement approaches, not least due to the dependence on data from unrealized private investments (see Phalippou (2008), Cole, Melecky, Mölders, and Reed (2020), and Jeffers, Lyu, and Posenau (2021) for discussions of these issues).

Similar to most standard U.S.-focused datasets, our data also lack the universe (and respective timing) of cash-flows between GPs, LPs, and funds. However, our collaboration with Zero2IPO allows us to construct a measure of returns, which they label "comprehensive return" (henceforth, CR). The CR is a weighted average of various measures Zero2IPO collects, such as funds raised, investments, and exits, among others. Because the magnitude of this measure is not directly interpretable, in our analysis we use each GP's corresponding quantile of CR as a performance measure between 0 and 1. While also subject to many of the common reporting concerns, the CR is relevant to the extent that it is used by Zero2IPO to compile its yearly rankings of GPs in China. Whenever we split GPs in terms of high versus low quality in the paper, we do so by cutting the sample at the median of CR (within the analysis sample), and considering a GP as high quality if it has above-median CR or if it was ever ranked as a top GP by Zero2IPO. Finally, despite the fact that they are sensitive to the timing of cash flows, whenever using performance data, we report robustness results that use the simpler measure of internal rates of return (IRRs), which are reported by the GPs directly to Zero2IPO for a subset of the data.

3.2. **Measuring Government Ownership.** We measure whether GPs and LPs are partially or wholly owned by the government using business registration data from NECIPS, as in Bai et al.

(2020b). We access the database through a dedicated API provided by the commercial company Tianyancha. The database contains the ownership structure of each legal business entity in China. That is, for each entity, we can observe its shareholders, and the shareholders of each shareholder, until we reach the ultimate owners and their respective shares in the given entity.

To define government ownership, we search for ultimate owners that are either state-owned enterprises (SOEs) or (central, provincial, or local) government agencies. We obtain the most comprehensive list of SOEs from the State-owned Assets Supervision and Administration Commission (SASAC), which we match to the business registration data. To identify government agencies, we proceed in two steps. First, we create a list of agencies from the State Council and from each provincial government's website, respectively. Second, starting from these lists, we extract the primary keywords in their names that are indicative of a government agency, such as "department," "administration," "bureau," and "government," and search for these keywords in the business registry data. We do a similar search for the list of city names in the data, as many local governments are city administrations. We then manually go over the results from the searches to screen out false positives, and to categorize government agencies into central, provincial, and city (hereafter, local) level agencies, for a total of 124 central, 220 provincial, and 1,110 local government agencies in the business registration data. We complement these data with data collected by Zero2IPO itself through their regular surveys regarding the ownership and government relation of LPs and funds.

Our main analyses consider GPs and LPs as government-owned if they have a positive share of government ownership: that is, if any of their ultimate owners are a government entity, we consider a GP or LP as government-owned.[8]

3.3. **Sample Selection and Descriptive Analysis.** The main starting administrative data sample we rely on throughout the paper consists of all GPs that are labeled as "active" by our partner and data provider, Zero2IPO, as of December 2019. This includes all GPs that have made at least an investment in the 5-year period 2015–2019, and that Zero2IPO flagged as GPs for which confidence regarding data quality is high. The data do not include individual investors, and so the focus is only formal business entities, which account for the bulk of VCPE capital in the market. We have a total 6,308 active GPs, which include all respondents to our survey—discussed in detail in Section 4. We then define as "active" all LPs that have ever invested in a fund managed by an active GP. We have a total of 7,974 active LPs, which also include all respondents to our survey. We were able to collect ownership information for the near-universe of these GPs and LPs.[9] Within this sample of active entities, Zero2IPO sent our main surveys to a total of 1,600 GPs and 790 LPs, respectively. We obtained a total of 1,000 responses, 688 from GPs and 312 from LPs, for an average response rate of nearly 43%.[10]

[8]We report robustness to another commonly used definition to capture corporate control, according to which we define as government-owned only those entities where the government owns at least 20% of the shares (Aminadav and Papaioannou, 2020). For brevity, we add to the Appendix only the tables corresponding to the main analysis tables. These robustness tables are Appendix Tables A40, A41, A42, and A43.

[9]The only exception are the GPs that are registered as foreign entities. We classify these GPs as privately (i.e., nongovernment) owned. Because our respondents are not foreign, we remove foreign-owned GPs and LPs from the descriptive statistics reported below.

[10]Of these, we drop from the main analysis 11 GPs and 2 LPs that did not fully complete the surveys.

Our sampling procedure gives rise to three stages of selection: (i) one due to the initial restriction to active entities in the Zero2IPO database; (ii) one due to Zero2IPO only reaching out to a subset of the active entities for our surveys; and (iii) one due to the fact that only a fraction of the entities who receive the survey actually respond. In the tables discussed in this section, as well as in Appendix Figures A1 and A2, we report a comparison of the basic characteristics of our respondents to the other GPs and LPs in our main dataset of active entities. Similarly to the VCPE studies of Gompers et al. (2016) and Gompers et al. (2020), our sample selection leads to a final sample of respondents that is more representative of large and better-performing entities in the VCPE ecosystem in China.[11]

We present a few main facts to characterize the VCPE market in China, focusing the discussion on all active GPs and LPs over the period 2015–2019.[12]

Fact 1: The government is the leading VCPE investor. Table 1 reports summary statistics on our main data sample, showing the characteristics of LPs (Panel A) split by government-owned and nongovernment-owned entities. The first fact we point to in the data is the dominant role of government investors in the market. First, about half of the entire set of investors consists of government-owned LPs, as shown in the first row of the LP panel. Second, there is a large difference in size between government-owned investors and other investors, with the former investing significantly larger amounts of capital (about six times more than a nongovernment-owned LP) and investing in more VCPE funds on average.

We characterize the role of government investors in several additional ways. Table 2 reports a more detailed breakdown of government ownership shares across different layers of the government. The government is typically a *majority* owner of the LPs: in Panel A of Table 2, we find that conditional on having at least one government shareholder, the median LP ownership share by the government is 82.62%. The additional statistics by government layer indicate the distribution of ownership conditional on the LP having at least a positive ownership share by that government type (central, provincial, or local), pointing to the pervasive presence of local governments in the market.[13]

We further report the distribution of LP types in Appendix Table A5, using the internal classification of Zero2IPO and weighting by the total investment amount of each LP type over 2015–2019. Not only are the majority of entities dedicated VCPE institutions, but there is also a range of players typical of other leading international VCPE markets. Importantly, while the government does have wholly owned entities such as government bureaus and guided funds, which do not have a counterpart among private investors, we find a large overlap across other entity types.

[11]In Appendix Table A1, we provide a comparison of the active entities in our baseline sample with the sample of all other (inactive) entities in the Zero2IPO database with at least an investment made in the period 2015–2019, the latter being considerably smaller entities under the several reported metrics. In Appendix Table A2, we also report a comparison of the respondent entities to the entities that Zero2IPO sent the survey to but that did not respond (non-respondents). Respondents are positively selected (larger, better performing) relatively to the non-respondents.

[12]The facts established in this section apply similarly to the sample of respondents only. In addition to the output discussed below for facts 1 and 2, we report also Appendix Tables A3 and A4 to show that facts 3 and 4 hold in the sample of respondents only as well.

[13]In Appendix Table A6 we show what share of LPs is owned by central, provincial, or local government agencies.

Finally, Figure 1 displays the distribution of headquarters location, investment region, and investment industries among active LPs, while illustrating the differences between government-owned and all other entities. Relative to private investors, government investors are more focused on traditional industries (e.g., manufacturing) and less developed regions (e.g., inland China). However, we still observe a large degree of overlap across regions and industries.

Fact 2: The government is a minority owner of a significant share of VCPE fund managers. Moving the focus to the GP-side of the market, we establish that a striking 38% of these fund managers also have a positive share of government ownership, as shown in Panel B of Table 1.

Akin to the LP analysis, we find that government-owned GPs are also larger, as they have higher assets under management (AUM). As reported in Table 2, however, the government is typically a *minority* owner of the GPs, with the median government-owned GP having a 41.97% government ownership share. Figure 1 and Appendix Tables A5 and A6 report additional summary statistics analogous to the previous analysis of LPs.

Fact 3: Government-owned fund managers perform worse than their private counterparts. We find that government-owned GPs have a lower performance compared to privately owned GPs. While this is already apparent in the raw summary statistics of Table 1, which show a much lower internal rate of returns (IRR), we can also analyze it more precisely when controlling for other characteristics. In Table 3, we observe that government-owned GPs have lower comprehensive returns (CR, introduced in Section 3.1.1) as well as lower internal rates of return (IRR), even after controlling for size (AUM) and location (headquarters fixed effects). While these performance measures are imperfect, these patterns are nevertheless suggestive that government-owned entities tend to underperform in terms of generating financial returns on investments. These findings are consistent with other work on government funding in China, as reviewed by Cong et al. (2020).

Fact 4: There is assortative matching, as the government invests disproportionally more in government-owned fund managers. Among the actual GP-LP matches, there is sorting along the dimension of government ownership: government-owned GPs are significantly more likely to receive capital from government-owned LPs, and conversely, government-owned LPs are significantly more likely to invest in government-owned GPs.

These patterns are illustrated in Table 4, where we report the likelihood ratio index for each pair of LP and GP types. The likelihood ratio index for each GP of type i and LP of type j, with $i, j \in \{\text{government, nongovernment}\}$ is defined as

$$s(i,j) = \frac{Pr(\text{GP of type i matches with LP of type j})}{Pr(\text{a random GP has type i}) \times Pr(\text{a random LP has type j})}.$$

The measure $s(i,j)$ benchmarks the empirically observed frequency of matches relative to the frequency that would have occurred by chance. If GPs and LPs form matches at random—without sorting by type—then the likelihood ratio should be equal to one in a large sample. A likelihood ratio $s(i,j)$ above one indicates that matches between type-i GPs and type-j LPs occur more likely than could be attributable to chance, suggesting a preference to match on both sides relative to potential partners of other types. Conversely, $s(i,j) < 1$ indicates that type-i GPs and type-j LPs may have a dislike to be matched with each other.

4. Experimental Design

The previous section establishes a few important facts regarding the matching between GPs and LPs. Yet, the equilibrium nature of the observational data makes it difficult to tease out the demand and supply of government capital. In this section, we describe our main experimental survey design, which aims to estimate fund managers' demand for different sources of capital, and specifically for capital coming from investors with government ties.

Estimating preferences for government capital versus capital from private sources is empirically challenging for several reasons. First, it is difficult to separate capital coming from government investors from other confounding factors, such as the fact that they tend to have deep pockets, as we established earlier. That is, that the investor has government ties is correlated with a host of other traits of the investor. Second, government investors may be more or less inclined to provide capital to a given GP, relative to other investors. As a result, GPs may have differential expectations about whether the government investor would provide capital to them in the first place. Third, any match between GPs and investors in observational data would reflect both preferences as well as the endogenous matching process during which the GP observes several other characteristics of the investor that are unobserved by the econometrician. Therefore, the objective of our experiment is to create an environment where we can randomize whether an investor is connected to the government while holding fixed other characteristics, and where we can isolate GPs' preferences for investors independent of the likelihood of a match.

Our research design is further explained in what follows. We introduce the surveys we conducted with Zero2IPO in Section 4.1. We then focus on the experimental setting used to estimate GPs' preferences for LPs.[14] In Section 4.2, we illustrate how we create the pool of realistic, synthetic profiles of investors, including details on the specific features we include in the profiles. In Section 4.3, we describe the questions we ask respondents to rate potential partners, which will be used as dependent variables in our analysis. In Section 4.4, we discuss some limitations of our experimental approach and how we alleviate concerns regarding realism and quality of the evaluation data.

4.1. The China Equity Investment Survey.

The core of our paper are new experimental surveys of a large number of GPs and LPs we conducted in collaboration with Zero2IPO, widely considered the leading integrated service and data provider in the China VCPE market since its founding in 2001. We conducted these surveys in the last quarter of 2019.

We designed a new survey instrument, which we labeled the "Chinese Equity Investment Survey," to be filled in by high-level managers or partners of the targeted organizations. As part of the survey, we first show an introductory page describing the goals of the survey and the incentives to participate, while also providing survey instructions to the participants. Then, respondents are asked to rate 20 synthetic profiles of potential investment partners along several dimensions. The incentive for GPs (LPs) is to be matched with real LPs (GPs) by Zero2IPO—a partner that respondents trust and that can make credible promises—based on their evaluation of the synthetic profiles. Such a design is inspired by the work of Kessler et al. (2019) to measure preferences

[14]The analogous setting to estimate LPs' preferences for GPs is briefly discussed later in this paper, in Section 5.3.

for individual characteristics without deception in hiring decisions.[15] To this end, our survey is marketed as a joint collaboration between Zero2IPO and Tsinghua University PBC School of Finance, with the objective of using machine learning techniques to improve the matching between GPs and LPs.

The process of recruiting respondents is managed directly by Zero2IPO, which regularly conducts surveys of GPs and LPs in the VCPE market in China. Zero2IPO has also recently started to play the important role of facilitating the matching between GPs and LPs, by means of face-to-face events and introductions made among various industry players. We report the full recruitment script sent to respondents, translated to English, in Figure A3. As discussed in Section 3.3, we obtained a total of 688 responses from GPs and 312 responses from LPs, for an average response rate of nearly 43%. The response rate and sample size are high for this setting.[16]

4.2. **Creating Partner Profiles.** We estimate GPs' preferences for LPs by asking each of them to evaluate 20 unique, synthetic profiles. These profiles are brief textual descriptions of LPs summarizing their key features. We create the synthetic LP profiles in direct collaboration with the Zero2IPO research team, using a combination of automated programming and manual checks.

The first step of the process consists of a structured analysis of all text-based descriptions of LPs on the Zero2IPO platform. In particular, we aim to first identify general text organization patterns that we can use to create realistic profiles, for example by studying how long the profile description typically is, how it is organized in terms of paragraphs, and the order in which certain pieces of information appear. Second, we identify the pieces of information, i.e., "components," that a profile typically consists of (e.g., size, location, relation to the government, etc.), and their approximate probability distribution. Third, we create a few pieces of text that are often used to characterize each component, which we generate by manually reading several hundred profiles for each component identified in the previous step. In this way we are able to ensure that survey respondents observe realistic variation in the profiles they are evaluating, which would not be possible if all the information was mechanically presented using the same exact sentence or words in each profile.

Table A7 reports the variables we create from the text of the synthetic LP profiles (column 1), together with a brief explanation of what each variable captures. We expand on the description of all profile components from which the analysis variables are generated in Table A8, where we report all possible ways through which a given component may appear in the text of the synthetic profile. Column 1 of Table A8 also reports in parentheses the unconditional probability that a given component is randomly drawn to be included in a profile. For a given component, each piece of text has equal probability of being drawn, conditional on the component appearing in the synthetic profile. For a given component, certain pieces of text (displayed in bold) indicate when the dummy

[15] See Low (2021) and Colonnelli, Neto, and Teso (2022b) for other applications of this design, and Harrison and List (2004) for a broader discussion of "framed field experiments."

[16] For example, the response rates for other survey-based studies of investors are 13.8% for Da Rin and Phalippou (2017), 10.3% for Bernstein, Lerner, and Mezzanotti (2019), 6.5% for Gornall and Strebulaev (2020), 11.6% for Denes, Howell, Mezzanotti, Wang, and Xu (2020), 0.5% for Zhang (2020), and 2.5-4% for Giglio, Maggiori, Stroebel, and Utkus (2021). The highest response rates in the literature are those by Gompers et al. (2016) (47%) and Gompers et al. (2020) (21%). Relatedly, in the seminal survey work on the practices of Chief Financial Officers, Graham and Harvey (2001) obtain a response rate of 8.9%.

variable in our regression takes value 1, while the others indicate when the variable takes value 0, as reported in the second column of Table A8 that refers to the specific numbered text boxes.[17]

To illustrate, consider our main LP characteristic of interest, namely "Government Ties," drawn to appear in a synthetic profile with 80% probability. Conditional on appearing, the LP displays the related text-based information in 11 possible different ways (as per column "Options" in Table A8). Of these 11 pieces of text, 7 of them (i.e., those in bold) would capture an LP that has government ties (i.e., $GovernmentTies = 1$), while 4 of them would indicate the LP is not linked to the government (i.e., $GovernmentTies = 0$) using analogous pieces of text. For example, a synthetic profile would suggest the LP has government ties when it reads: "It is an investment organization established by a state-owned firm funded by the provincial government, [...]." Meanwhile, a LP synthetic profile that does not have government ties reads: "This company aims to give full play to the role of the market in allocating resources and expand private capital investments in innovation and entrepreneurship, [...]."

The second step of the process consists of randomly generating synthetic profiles of LPs by mixing and matching the profile components according to the respective probabilities of appearance. Staying somewhat close to the real probability distribution is important so that respondents evaluate profiles they deem realistic. Relatedly, notice that the creation of the final synthetic profiles involves a certain degree of manual adjustments. In particular, the probabilities of appearance of each component and the specific pieces of text used to characterize a given component are ultimately decided by Zero2IPO. There are two reasons for this. First, text-based profiles are not available for all LPs. Second, only Zero2IPO (and not the researchers) was aware of the specific pool of GPs that would receive the survey invitation. As a result, the Zero2IPO team was able to ensure that the synthetic profiles would look realistic and be a good fit with respect to the specific sample in our study, an issue of crucial importance as also highlighted by Kessler et al. (2019) in the context of employers screening CVs they deem relevant to them.[18]

The process of actually generating the synthetic profiles is then straightforward. Following the probability distribution in place, a program would randomly generate all possible profiles by putting together the randomly selected pieces of text for each component that is drawn to appear in a given profile. Second, we randomly draw from this pool the total number of profiles needed to generate the surveys that would be sent out to the potential respondents. Because our survey was sent to 1,600 GPs, a total of 32,000 profiles were created. Finally, the research team at Zero2IPO and a large team of research assistants from the University of Chicago and Tsinghua University manually went over each and every profile to make small manual changes needed to ensure perfect readability of each profile.[19] An example of a synthetic LP profile (with government ties) shown to GPs is the following:

[17]Respondents only see text in Chinese, but we report a translated version in English as well.

[18]For similar reasons, in their seminal study on labor market discrimination, Bertrand and Mullainathan (2004) avoid constructing CVs that would make the candidates overqualified or that would include unusual combinations of components that might make respondents suspicious.

[19]Notice that the order in which components are shown is typically fixed to best reflect the profiles in Zero2IPO. With reference to the components described in Table A8, the order of appearance is: Registered Capital, Founding Year, Location of HQ, Government Ties, Investment Philosophy, Industry, Stage Focus, Fund Size and Management, Corporate Governance.

The investment institution has a total registered capital of RMB 1 billion, was established at the beginning of 2007, and is located in Guangdong to promote stronger domestic enterprises in the Greater Bay area. It is an investment organization established by a state-owned firm funded by the provincial government. It mainly focuses on investment, financing, and asset management. The investments target late stage projects which can facilitate the IPO of innovative companies. The total size of the funds it provided capital to reached 700 Million yuan, with 15 RMB funds in total. The capital went to 20 startups, 8 of which are now listed companies.

4.3. **Rating Profiles of Investment Partners.** We measure GPs' interest in LPs by asking the GPs to rate 20 synthetic LP profiles. We use a 10-point Likert scale to measure the rating, which allows us to observe GPs' preferences towards characteristics of inframarginal LP profiles. The respondents are instructed that the responses to both questions would be used to generate their LP matches. Our main dependent variable is captured by the following question:

1 *"Are you interested in establishing an investment relationship with this investment partner?"*

We measure the response on a scale of 1 to 10, where 1="Not interested" and 10="Extremely interested." We indicate the answers to these questions as *Partner Rating*, and they represent our main dependent variable to capture how interested a GP is in a given LP profile. We also specify: "Assume that the investment partner is already interested in establishing an investment relationship with your organization—therefore please only consider your views on the quality of the investment partner." Importantly, the additional emphasis on assuming that the LP is interested allows us to separate the GPs' interest from their beliefs about the likelihood that the LP would want to provide capital to them.[20]

We then ask an additional question whose primary purpose is to further encourage GPs to focus only on their interest in establishing an investment partnership with the given LP when answering the main question. On its own, this additional question allows us to also explore GPs' beliefs about the likelihood that an LP would want to provide investment capital to the GP if given the chance. The question asks the following:

2 *"How likely do you think it is that this investment partner would want to enter an investment relationship with your organization?"*

We measure the response on a scale of 1 to 10, where 1="Not likely" and 10="Extremely likely". We also specify: "Assume that you have already expressed interest in the investment partner—therefore please only consider whether you think the partner is interested in establishing an investment relationship with your organization." We indicate the answers to these questions as *Expected Interest*, and we report results for this measure in the Appendix.

[20]We also measure whether the GP is interested in meeting an LP with the given synthetic profile with a simple additional question: *"Would you like to be introduced to this investment partner?"* The binary answer to this question is akin to what the resume audit literature typically captures in hiring settings (Bertrand and Mullainathan, 2004), but a concern is that it conflates GP interest in an LP with the GP's expectation that the LP would be interested in establishing an investment relationship if they had the chance (Kessler et al., 2019). We report results for this measure in the Appendix.

4.4. **Discussion: Realism and Quality of Evaluation Data.** A limitation of the experimental design is that our Likert scale measure is not a common step in the investment matching process. Additionally, the incentive structure is similar but not identical to that in the investment process, and therefore we cannot be sure that respondents evaluate our synthetic profiles of investment partners with the same rigor or using the same criteria as they would real ones. It might also be the case that the incentives are stronger for some respondents more than others, which could result in differential attention paid to filling out the surveys, for instance by those who have less interest in being matched to a specific investment partner.

A few aspects of our study help alleviate these concerns. First, Zero2IPO conducted follow-up phone calls with the GPs after the survey links were sent, further explaining the project's goal and reiterating the main participation incentive of introductions to potential capital providers. Zero2IPO also explained the details of the synthetic rating part of the survey, ensuring respondents understood both the incentive and the rating questions. This level of engagement alleviates the earlier concerns that are more common in online surveys without any direct interaction between the senders and the receivers of the surveys. The high response rate combined with the fact that the main incentive to participate in the survey consists of being introduced to potential capital providers gives us confidence that GPs value this incentive, as participating in a 45-minutes survey is costly for VCPE fund managers.

Second, we emphasize that, in a context like that of GP-LP matching, the type of introductions promised by Zero2IPO as incentives are indeed valuable, as there is no central marketplace and survey evidence suggests that introductions by trusted third-parties are a common tool to establish investment partnerships (Hochberg, Ljungqvist, and Lu, 2007; Gompers et al., 2020). After our surveys were sent out, Zero2IPO reached out to our respondents to ask "How important do you think this matching process is to help your organization gain exposure to new investment partners?" On a scale of 1-10, GPs' mean (median) response was 7.05 (7), while LPs' mean (median) response was 7.36 (7). Later in Section 5.2 we show that our main results are similar when we account for the possibly differential strength of the incentive across different respondents.

Last but not least, Zero2IPO placed special emphasis on making sure only high-level employees of the organization directly responded to the survey. We show in Appendix Figure A4 the positions in the firm of the respondents that Zero2IPO targeted for our survey. Among GPs, we see that the most common type belongs to the "Partner" category (including Founding, Senior, and Junior Partner). The second most common position is that of "Manager/Executive" in the firm, which includes primarily positions such as Chief Investment Officers and Head of Venture Capital, among others, while a smaller share of respondents are listed as belonging to the firm's "Directors" (typically Managing or Regional Director). A small subset of our surveys target someone in the "Other" category, which mainly consists of more junior positions, such as Investment Associates and Analysts. Moreover, as shown in Appendix Table A9, the targeted respondents have significant experience in the firm: the targeted GP individual respondents have an average (median) of 9.56 (9) years working at the firm.

5. Estimating Preferences for Investment Partners

This section describes our baseline experimental results. We begin with Section 5.1 by outlining the econometric specifications used to analyze our survey experiment. In Section 5.2, we report the main results on the GPs' preferences for LP characteristics, and specifically for LPs with government ties. In Section 5.3, we briefly analyze the results of our experimental surveys of LPs' preferences for GPs.

5.1. **Estimating Equations.**

We estimate specifications of the following form:

$$y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{M} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}, \tag{5.1}$$

where i indicates the GP who is responding to the survey, and j indicates the synthetic LP profile that is evaluated. y is one of our main dependent variables described in Section 4.3, such as *Partner Rating*. The main parameter of interest is β, which measures the average effect of rating an LP that is connected to the government. The parameters γ_m capture all other characteristics that we randomized in the synthetic LP profiles, as discussed in Section 4.2. We report results both with and without α_i, which are the GP fixed effects that account for different average ratings across respondents.

The set of other characteristics included in the regression is discussed next together with the analysis of the results, while Table A7 summarizes the main variables that we create from the synthetic profiles. All regressors are indicator variables equal to 1 or 0, depending on the piece of text included in the synthetic profile, as indicated in Table A7 and Table A8.[21]

5.2. **GPs' Preferences for LPs.**

We report our main experimental results in Table 5. In particular, we show regression results where the dependent variable is *Partner Rating*, which measures the GP interest in LP profiles on a scale of 1–10. The coefficients in the top row show that, on average, GPs dislike LPs with *Government Ties*. The coefficient is -0.114 on the Likert scale, which indicates that the average respondent GP is willing to give up nearly $70 million in potential investment from the given LP.[22] The negative coefficient on *Government Ties* is significant both in our specification without (column 1) and with (column 2) GP fixed effects. This is a key result we return to in the next section to discuss mechanisms in detail.

Other LP characteristics are also valued positively. GPs are attracted to deep-pocketed LPs, as indicated by the positive coefficients on *Large Investor*—which captures LPs that have allocated at least 1 billion yuan to VCPE—and *High Registered Capital*—which captures LPs with at least 1 billion yuan in registered capital. These results are intuitive as, all else equal, GPs are unsurprisingly attracted to LPs that could generate larger influxes of capital to their funds. We also find that GPs have a preference for LPs with *Headquarter In Beijing*. On the other hand, we observe a dislike for LPs depicted to have a focus on specific industries (*Industry Information*) or stages of investments (*Stage Focus*). These latter findings are consistent with the average GP in the VCPE

[21] If the profile component we use to construct our variables of interest does not appear in the profile, the variable takes value 0.

[22] To compute the dollar values of the Likert coefficient we rely on the variable *Large Investor*, whose coefficient is 0.147, which has a more quantitative interpretation.

market in China having a wide spectrum with regards to its investment focus. More broadly, the findings on preferences with respect to these standard characteristics of the LPs seem to be largely uncontroversial, which is reassuring to the extent that we can interpret them as a signal that GPs are indeed evaluating the synthetic profiles according to their true preferences.

We also find that several other components of the LP profiles do not seem to affect GP preferences. We do not observe a statistically significant differential preference for *Young LPs* established after 2010, for LPs with *Headquarter in Foreign Country*, or for profiles displaying information about the *Investment Philosophy* or the *Corporate Governance* practices of the LP.

As described earlier, our surveys also include a separate question that captures the likelihood that the (synthetic) LP would want to provide investment capital to the GP if given the chance. While this is included primarily to ensure that our measure of partner rating is not confounded with concerns that the LP would be interested in the GP in the first place, it is also of interest on its own. We explore what influences GPs' expected likelihood that a given LP would provide capital to them in Appendix Table A10. We find that GPs report LPs with government ties to be less likely to provide them investment capital, albeit the coefficient becomes statistically marginally insignificant when GP fixed effects are included.

Robustness. As our main specifications are ordinary least squares (OLS) regressions, we are implicitly making a linearity assumption regarding the 10-point Likert scale ratings. In Appendix Table A11, we show that our results are robust to relaxing this assumption by running ordered probit regressions, which only require that GPs, on average, value a higher rating more highly than a lower rating. Appendix Table A12 reports the analysis using as dependent variable the 0–1 indicator for *Cooperation Interest*, namely the answer to the question "Would you like to be introduced to this investment partner?" as discussed in Section 4.3. Appendix Table A13 reports the main analysis clustering the standard errors at the respondent level.

As discussed in Section 4.4, our incentives may be weaker for respondents who have less interest in being matched to a specific investment partner or for those who pay less attention to our main matching incentive. We test the robustness of our findings to such concerns in Appendix Table A14. In this analysis, we report our baseline results for different samples of the data. In particular, we report the results for different groups of targeted respondents based on their job positions. We do not find our main results to be driven by lower-ranked respondents in Other positions (who may have less direct interest in the matching process and therefore pay less attention to the rating exercise), and that instead the dislike for government investors is strongest among the Manager/Executive category and still present (albeit with a coefficient that is marginally statistically insignificant) among the highest levels of Partners. We also find that the average dislike for government LPs is present regardless of whether the synthetic profile being rated was ranked below-median according to the Expected Interest measure (i.e., the response to our second question on how likely the respondent thinks that the given potential partner would be interested in matching with them). Finally, we also find that the results are also robust when considering the sample split based on the responses to the direct questions Zero2IPO asked our respondents in 2019 to measure how

important they think our matching process is to help the respondents' organization gain exposure to new investment partners.[23]

5.3. **LPs' Preferences for GPs.** We conduct a contemporaneous experimental survey of LPs to study LP preferences for GP characteristics. This additional survey allows us to study both sides of the market, a unique feature of our experimental setting which we return to when discussing the equilibrium impact of government participation in Section 6.4. The survey, recruitment, and incentive structure are analogous to the survey of GPs. The profile components are slightly different to reflect the different type of market participants. We exclude foreign LPs and we were able to reach a total of 312 LPs. We report the details of the variables used in the analysis and the randomized components of synthetic GP profiles in Appendix Tables A16 and A17, respectively.

The analysis follows the same structure as the previous analysis of GP preferences. The results are presented in Table 6. Some of the key findings are that LPs prefer high-performing, foreign, recently established GPs that have a specialized focus in specific industries. What stands out, however, is that the strongest determinant of LP interest in a GP is whether that GP already has entities with government ties among its investors. We also find that LPs value positively GPs whose team members have direct experience in the government, while industry experience does not matter.[24] These findings suggest that, relative to nongovernment investors, government LPs may provide more value-added to the other LPs involved in the partnership; at the same time, government LPs may also have stronger bargaining power, thereby retaining a larger share of the surplus and leaving lower surplus to the GPs, consistent with the GPs' dislike for government capital we documented earlier.

Unlike the GP-level analysis, we find little heterogeneity depending on the ownership structure of the LP itself, as illustrated in Appendix Table A21, even though private LPs have a slightly stronger preference for high-performing GPs.

6. Why Do Firms Dislike Investors with Government Ties? Mechanisms and Implications

In this section we explore the mechanisms behind the main results established in the previous section (Table 5), namely that, on average, GPs shy away from LPs with government ties.

Our main focus is on isolating the fundamental trade-off between the costs and benefits of government connections in the context of China's venture capital market. Through these lenses, a leading economic explanation for our findings is one of political interference by government investors. Such a channel—consistent with many anecdotes in which investors linked to the government might interfere with firm operations due to political rather than profit-maximizing motives, as discussed in Section 2—implies that, in our context, typical political connections considerations which would make the government attractive are not strong enough to outweigh the cons of dealing with government LPs. In this section, we report a set of heterogeneity results that are consistent

[23]Importantly, we also find that the key heterogeneity findings depending on the ownership structure of GPs—discussed in detail in Section 6.2—are largely unaffected by these sample splits, as shown in Appendix Table A15.

[24]Appendix Table A18 shows the analysis with *Expected Interest* as dependent variable. Appendix Table A19 shows robustness to an ordered probit specification, while Appendix Table A20 reports the analysis clustering the standard errors at the respondent level.

with this channel. We also provide largely qualitative evidence aimed at unpacking the black box of political interference by government investors, highlighting the role of interference in the investment decision-making process of the GPs.

There are a few alternative explanations that might account for the average dislike by firms for matching with investors with government ties. Many such alternative explanations are ruled out by our experimental design. For instance, real government-related LPs are different along many dimensions compared to private LPs, such as size and preference for certain regions and industries. Without controlling for these differences, our estimates might be suggestive of both a dislike for, say, government interference in investment decisions, or a general dislike for other characteristics of the investor that are correlated with the investor having government ties. For instance, a dislike for government investors might simply be driven by a general dislike for certain industries or regions that are not considered attractive investment opportunities. Since both industry and regions of focus are randomized across LP profiles, these concerns are largely muted in our setting. Moreover, notice that our findings are unlikely to be explained by a differential expectation that government LPs would actually invest in the GP. Indeed as discussed in Section 4, the instructions of the experiment make clear that the respondent should assume that the LP would provide funding to them if they expressed interest. A remaining potential alternative explanation is one according to which GPs have an information disadvantage in assessing government investors, which leads them to rate the latter profiles lower than those of private investors they can more reliably evaluate.[25] In this section we therefore discuss the plausibility of such an explanation and provide a few results that seem inconsistent with this channel.

We proceed as follows. First, we show heterogeneities across government layers and sectors (6.1). Second, we study how the effects vary depending on whether the GP is private or government-owned (6.2). Third, we discuss the findings from additional qualitative surveys that allow us to both confirm the central importance of a channel of political interference in investment decisions, and to assess additional, more nuanced mechanisms that would be difficult to identify with the experimental or administrative data alone (6.3). Finally, we build a simple model of two-sided search to discuss the distributional implications of government participation (6.4).

6.1. **Heterogeneity Across Layers of Governments and Sectors.** A key prediction of a channel in which political interference by government investors dominates the benefits of being connected to the government is that, in the context of China, the effects should vary depending on both the specific type of government entity that is providing the capital and the sector of focus of the GP.

Local government connections, by means of regulatory approvals and tax benefits, are especially important for the growth of early stage firms typically targeted by VCPE investors, and we would expect that these pros might compensate for the costs of political interference (Bai, Hsieh, and Song, 2020a). In Table 7, we explore whether the dislike for government investors is less pronounced for

[25]Such an information channel would be consistent, for example, with a literature on social connections and investing (Cohen, Frazzini, and Malloy, 2008, 2010; Shue, 2013) and social proximity to capital (Kuchler, Li, Peng, Stroebel, and Zhou, 2022).

certain types of government entities.[26] When estimating a specification analogous to equation 5.1, but where the main regressor is split into different indicators for each level of government, we find that the dislike is strongest for investors related to the *central* government, and it is also present when focusing only on *provincial* government ties. On the other hand, we do not find evidence of a dislike for government investors linked to *local* governments, and if anything we uncover a positive (but statistically insignificant) coefficient.

Another important margin of heterogeneity for which having a government investor might be particularly important is the focus of a GP's investments. Indeed, if government connections were important to "open doors," they should be particularly so in state-dominated sectors, as also discussed in Bai et al. (2020b). We therefore explore whether GPs focused on specific sectors might have a stronger preference for investors with government ties relative to other GPs. To do so, we first categorize GPs into their specific sector of focus, by picking the sector in which at least 50% of their 2015–2019 investments were made.[27] We subsequently estimate a nonparametric causal forest model to measure heterogeneous treatment effects following the methodology of Wager and Athey (2018) and Athey and Wager (2019). We report the Conditional Average Treatment Effects (CATE) for the various sectors in Figure 2. Despite the noise in the estimation, we observe a pattern suggestive of a lower dislike for sectors where the government plays a more dominant role, such as Construction and Real Estate, Manufacturing, Mining, and Finance and Insurance, relative to sectors with a smaller government role such as Cleantech and Health, among others.

Importantly, such heterogenous effects are unlikely to be explained by informational frictions. In particular, local governments are many and tend to be notoriously opaque in their operations as LPs (Luong et al., 2021). This would imply GPs should believe, if anything, that they have an information disadvantage in evaluating them as investors relative to, say, well-known central government agencies, contrary to what we observe.[28]

6.2. **Government-Owned versus Private GPs.** We now test another important prediction of a mechanism of political interference by studying the heterogeneity of our main results depending on whether the respondent GP is government-owned or not. If the dislike for government-related investors is due to the distortions the government introduces after providing investment capital, we should see stronger (i.e., more negative) effects for GPs that have no existing link to the government and that operate according to market principles. On the other hand, we expect the incentives of government-owned GPs to be more aligned with those of government investors, which should result in a more favorable view of government LPs as investment partners. These views are vastly

[26] To do so, instead of using just a single dummy variable, we assign specific pieces of text related to *Government Ties* in Table A8 to create a dummy for Central (option 5), Provincial (options 6-9), or Local (options 10-11) ties to to the government.

[27] As a result, for this specific test, we drop sector-agnostic GPs to which we cannot assign a specific sector of focus, and are left with a sample of 236 respondent GPs. We use the coarsest categorization of sectors in the Zero2IPO administrative data, which was also used in the creation of Figure 1. Some sectors do not enter our analysis if the sample of respondent GPs listing that sector as their primary investment area is too small.

[28] Moreover, the heterogeneity across sectors are estimated controlling not just for all regressors listed in Table A7, but also for whether the GP is government-owned or not, whether it is focused on the same region and/or same industry as the synthetic LP profile, and whether the respondent GP had ever received capital from the government in the past. These controls, as we discuss in more details in the next subsection, help rule out a channel of informational frictions explaining these heterogeneous effects.

confirmed by anecdotal evidence from both government and private sources, as summarized by Luong et al. (2021) among others.

We report the analysis for the sample of government-owned GPs versus private GPs in Table 8, where we focus on our main dependent variable, *Partner Rating*. We find that the negative coefficient on the indicator for the LP having government ties can be fully accounted for by private GPs. In comparison, we find that government ties of the LP do not matter for the preferences of government-owned GPs. Interestingly, we find that no other component of the LP profiles displays a meaningful difference depending on whether the GP is owned by the government or not.[29]

We further conduct a heterogeneity analysis where, in addition to studying how the effects vary depending on the ownership structure of the GPs, we also augment the analysis using data on whether GPs are high- or low-performing firms. To do so, we rely on data on GP performance introduced in Section 3.1.1. Using these data, we categorize respondents into High Quality or Low Quality, depending on whether they have above or below median comprehensive returns (CR) in the sample. We then report, in Table A23, the results for a specification analogous to equation 5.1, where we interact all possible splits by government ownership and performance of the GP with our main regressor of interest, *Government Ties*. All estimates of these heterogeneities are therefore relative to the preference of private low-performing GPs for nongovernment LPs. Interestingly, we find that the strongest dislike for government LPs is driven by high-performing private GPs.

Overall, the evidence seems consistent with a view of the government according to which—all else equal—government investors introduce distortions in the investment process which are particularly unattractive to high-performing private firms. However, while these patterns are striking, they may in principle be consistent with an information channel as well. Indeed, private GPs might face a relative information disadvantage in evaluating government-owned LPs. We provide below a number of additional results that suggest that informational frictions are unlikely to be important drivers of the heterogeneous effects we document.

6.2.1. *Controlling for Industry-Region Match.* First, a caveat of the above analysis is that while all components of the LP profiles are randomized and all GPs are incentivized in an identical way, it is plausible that government-owned GPs are more likely to focus on regions or industries that are a better match with the focus of government-related LPs. In this case, we would expect that government-owned GPs are better able to evaluate government LPs. To account for this, we report in Appendix Table A24 a version of Table 8 where we also control for whether the GP has a region and/or industry of focus that matches that of the given synthetic LP profile under evaluation.[30] We find that our main results remain strong, thus indicating that independently of whether the LP's investment focus aligns with that of the GP, the GP prefers to receive funding from LPs that do not have government ties.

6.2.2. *Controlling for Differential Exposure to Government Investors.* A further possible explanation that would be consistent with an information channel is that government-owned versus

[29]In Appendix Table A22, we further report the differential dislike of government-owned versus private GPs for investors with ties to central, provincial, or local levels of the government.

[30]Appendix Table A25 reports instead a version of our main table which includes these additional controls.

privately owned GPs have prior differential exposure to government LPs, consistent with the assortative matching patterns we documented earlier in this paper. In this case, the differential effects we observe might be driven by differential information regarding the costs and benefits of having the government as an investor. We therefore report our analysis also controlling for whether the respondent GP ever had a government LP as an investor in the last three years. As shown in Appendix Table A26, we find that our results are mostly unchanged. Similarly, as reported in Appendix Table A27, we find that GPs with prior experience working with a government LP do not have significantly different preferences compared to other GPs.[31]

6.2.3. *Controlling for Government Experience of Individual Respondents.* As an additional, direct approach to capture differential information levels regarding government entities, we can also test if our findings depend on whether the individual person responding to the survey had prior experience working for government entities. Importantly, this is independent of whether the VCPE firm the respondent works for is government-owned or not. To do so, we construct an indicator variable for whether the individual respondent worked for either a government bureau, an SOE, or a government-owned VCPE entity *before* their current (i.e., at the time of the survey) job.[32] We show in Appendix Table A35 that both respondents with prior government work experience and those without report a dislike for government LPs, with the difference between the estimates indistinguishable from zero.[33]

6.3. **Surveying GPs on Pros and Cons of Investors with Government Ties.** Our analysis so far points to an explanation according to which the government introduces frictions in the investment process of GPs, therefore making government capital unattractive. We conducted a new round of surveys of our respondents to provide additional, more granular evidence on the economic channels at play. These surveys, which are not experimental but rather qualitative in nature, were conducted in the last quarter of 2021 and have two primary goals. First, the direct survey evidence provides corroborating evidence as to whether political interference in decision making is a relevant mechanism. Second, the surveys allow us to highlight additional mechanisms that administrative or experimental data cannot speak to directly.

These new surveys were pitched as a research study to understand the advantages and disadvantages introduced by government participation as an LP. The surveys were not incentivized, except for the promise of a general summary of the results. We were able to reach a total of 361 GPs, which are a subset of the respondents to our main 2019 survey.[34]

[31] In Appendix Tables A28, A29, and A30 (or Appendix Tables A31, A32, and A33), we show that the results remain basically unchanged if we also control (or test the heterogeneity) for whether the respondent GP ever had a central, provincial, or local government LP as an investor in the last three years, respectively.

[32] Notice that while government-owned GPs are more likely to have individuals with prior government work experience answer the survey, there is significant variation. This can be seen in Appendix Table A34, where we find, for example, that nearly one-third of respondents belonging to private GPs have past government work experience.

[33] We also find that our main heterogeneous results across government ownership are not affected when we control in the regressions for whether the individual respondent has government experience (Appendix Table A36).

[34] We analyze the attrition between the original survey and the new qualitative survey in Appendix Table A37. We observe a limited extent of selection bias, with those who responded to both surveys having made more investments on average.

We take several steps to ensure that responses reflect the accurate, unbiased beliefs of the respondents regarding the role of government in the capital allocation process. First, all responses were promised to be used only for research purposes and anonymized, and all questions were framed by detaching the respondent from the questions. That is, following the literature on measuring sensitive issues such as corruption (Sequeira, 2012; Colonnelli, Lagaras, Ponticelli, Prem, and Tsoutsoura, 2022a), we ask respondents to state not what *they* think, but rather what they think are the main advantages and disadvantages of having government-related entities as LPs *from the perspective of typical GPs in the market*. Second, even though our interest is to primarily identify the reasons why the government might not be an attractive LP to GPs, we attempt to alleviate the issue that respondents might be wary of speaking negatively about the government. To do so, we do not use explicitly negative language in the introductory messages, and we ask respondents to first state the "advantages" that government LPs can bring. Only afterwards we ask for what "improvements" might make the government a better investment partner. The survey defines government-related LPs government entities or SOEs, and those sponsoring a government-guided fund. We report the full recruitment script (translated to English) in Figure A5.

Our survey frames the pros and cons of government investors based on the anecdotal evidence discussed in Section 2 alongside several discussions with Zero2IPO's expert team. A few key findings emerge from our new survey, as illustrated in Figure 3. First, as shown in Panel A, we find that GPs rank post-investment interference in the investment process as the main negative of receiving capital from government LPs. To a lesser extent, GPs also list the presence of increased policy uncertainty and the lack of professionalization of teams working for LPs tied to the government as unattractive features of government LPs. On the other hand, the GPs are less concerned about differential requirements in terms of project risk or investment horizon with government LPs. Second, as shown in Panel B, when analyzing what are considered the main advantages of receiving government capital, we observe that GPs find the ability to obtain more favorable local government support to be the most attractive feature of having government-related entities as investors. The survey evidence seems consistent with our experimental results, including the various heterogeneities discussed earlier.[35]

While the evidence remains purely descriptive, we can provide a more direct, suggestive link with the experimental results by studying how the responses to the qualitative surveys correlate with the experimental preferences we elicit. To do so, we first estimate one baseline regression 5.1 for each respondent GP, which is possible because each GP evaluates 20 synthetic profiles of investment partners. Albeit with a larger degree of noise in the estimation, this allows us to rank GPs by their median dislike for government LPs (using the coefficient on *Government Ties*). We

[35]One might prefer an assessment of the potential channels at play that does not rely on an explicit list of options provided by the researcher. To this end, we accessed the responses to an open-ended question Zero2IPO asked GPs in a 2019 survey, in which they sought suggestions for improving the matching with government investors. We have 127 valid responses from GPs that belong to our main set of respondents. Following Colonnelli, Gormsen, and McQuade (Forthcoming), we ask two independent research assistants to classify the open-ended textual responses into any of the mechanisms we ask about in our qualitative surveys, or in a Other category if none of the options apply. We find that using the coding of either research assistant, nearly 75% of the responses—the largest share among all options—directly mention political interference in the investment decision-making process as a main issue GPs face (Appendix Table A38).

can then report the median dislike for government LPs of all GPs (using our 2019 experimental surveys) together with their stated preferences for specific mechanisms (using our 2021 qualitative surveys). As we show in Appendix Table A39, we find that the dislike for government LPs is the highest precisely for the group of GPs that pick *Investment Interference* as the main disadvantage.

6.4. **Equilibrium Impact of Government Participation.** Our experimental surveys reveal substantial heterogeneity in preferences for government participation from both the firm and investor sides of China's VCPE market. Given the nature of the VC investments—GPs do not offer a standardized investment product—the VC market is best characterized not by a competitive market but by a frictional, search and matching environment between GPs and LPs. The allocation of government capital is co-determined by both the ability of government LPs to find GPs and the preferences and demand for capital on the GP side. To better understand the equilibrium and distributional consequences of government participation, in Appendix Section A.2 we build a simple model of GP-LP matching. We parametrize the model using both our experimental surveys and the administrative data, and we conduct counterfactual exercises that change the nature and extent of government participation. We highlight two economic intuitions through these exercises.

First, in the data, government LPs invest disproportionately more into government GPs, especially worse-performing ones. One common narrative is that government investors misallocate funds by favoring underperforming politically connected firms. However, in light of our experimental results, a nuanced view is that to the extent that high-performing, privately owned GPs have a dislike for government capital, the sorting pattern might suggest, at least in part, government LPs' inability to attract the best firms rather than poor decision-making due to corruption, favoritism, or incompetence (Murphy, Shleifer, and Vishny, 1993; Shleifer, 1998; Lerner, 2009; Colonnelli, Prem, and Teso, 2020).

Second, our experimental results show that, while private GPs dislike government LPs, the average LP actually prefers to invest in GPs that already have government LPs as investors. Through the lens of the model, the market participants' preferences for potential partners reflect not only the joint value of the partnership—which depends on both the GP's ability to manage funds and select successful startups and the LP's potential value-added, such as cutting through red tape and bureaucratic hurdles when the LP is government-owned—but also how that joint value is shared between the GP and the LP. Government LPs may be able to capture an outsized share of value vis-a-vis non-government GPs; hence, even though government LPs' investments may provide high value-added (attractive from the perspective of future LP investors), they may still be less preferable by nongovernment GPs.

Together, these counterfactuals point to the importance of understanding both the supply and demand for government capital in the two-sided VCPE market and highlight the value of our experimental surveys for understanding the equilibrium impact of government participation.

7. Conclusion

In China, as well as in many other, typically developing economies around the world, the government plays a key role as an investor in and owner of private sector firms. In light of this fact—which we establish using rich administrative data within the context of the second-largest

market for investment in high-growth firms and entrepreneurs, namely that of venture capital and private equity (VCPE) in China—understanding what model of state-firm relationships is at play is crucial to our understanding of the growth path of these economies. We highlight the limits faced by a model of "state capitalism" that relies on the complementarity between government capital and high-growth private firms in a context in which—due to political interference in decision-making—the former might be unattractive to the latter, independent of the goals of the state.

Our main contribution to the literature consists of the design of a non-deceptive field experiment to estimate the demand for government participation. In collaboration with the leading industry organization, we conduct 1,000 experimental surveys of both sides of the market: the capital investors and the private firms that manage the invested capital by deploying it to high-growth entrepreneurs. The experimental design, which is inspired by studies of discrimination in the labor market, allows us to overcome typical empirical difficulties, which in our context are that we observe only equilibrium matching outcomes and that government investors differ from other investors along a multitude of dimensions. We document that the average firm dislikes investors with government ties, that such dislike is not present for government-owned firms, it is highest for the best-performing firms, and that it is lowest towards local governments and for firms operating in state-dominated industries. Consistent with the experimental evidence, we also conduct new qualitative surveys which directly point to political interference in decision-making as a leading mechanism why government capital is unattractive to private firms. We conclude the paper by quantifying the distributional implications of government participation using an equilibrium model of matching between government and nongovernment firms and investors.

Our study has several implications. On the one hand, by providing direct evidence of the private sector perspective of the advantages and, in particular, the disadvantages of government investors, we help advance the recent debate aimed at understanding the nature of China's model of economic growth grounded on the dominance of state economic actors (Bai et al., 2020b). On the other hand, our paper makes the simple point that the demand for government capital differs across different types of firms. As a result, understanding the demand side is important to fully capture the efficiency implications of government participation, as independent of the societal goals of the state, the state might not be able to attract the best firms to pursue such goals. We believe this is an aspect of the debate that has been largely neglected but that is crucial for both theory and policy, as analyzing potential misallocation consequences of government participation requires understanding the demand for what the government offers. Such an implication is natural in the context of government as an investor, like the one we study, and in several contexts—such as that of public procurement or foreign direct investments—where there might be differential (potentially negative) selection of firms willing to engage with the state in the first place.

Our paper also naturally has limitations that future research should build on. First, our experiment only focuses on a specific market largely characterized by sophisticated investors, and on a context, that of China, that is certainly unique. For example, government connections may have been more critical at different stages of firm development. Indeed, our focus on the top VCPE firms naturally biases our average findings, as these firms are likely to be less in need of a "helping hand" from the government. There are reasons to believe several of the pros and cons that typically

accompany government investments are prevalent in the broader debate about how governments around the world should foster entrepreneurship and innovation, and whether governments are well-equipped to do so in the first place (Bai et al., 2021), but establishing external validity to other contexts should be an important next step. Second, in the interest of realism, our design favors simplicity to the detriment of a perfect quantification of magnitudes. Third, our study does not directly speak to the broader efficiency goals of the government. For example, the state might engage in political interference to channel resources to regions and industries where the social value of investments, such as poverty reduction, might be higher. These are first order issues that should be studied in future work, and for which we hope our study can have important lessons for.

8. Data Availability

Code and information about the proprietary data used in this article can be found in Colonnelli, Li, and Liu (2023) in the Harvard Dataverse, https://doi.org/10.7910/DVN/JVC1XQ.

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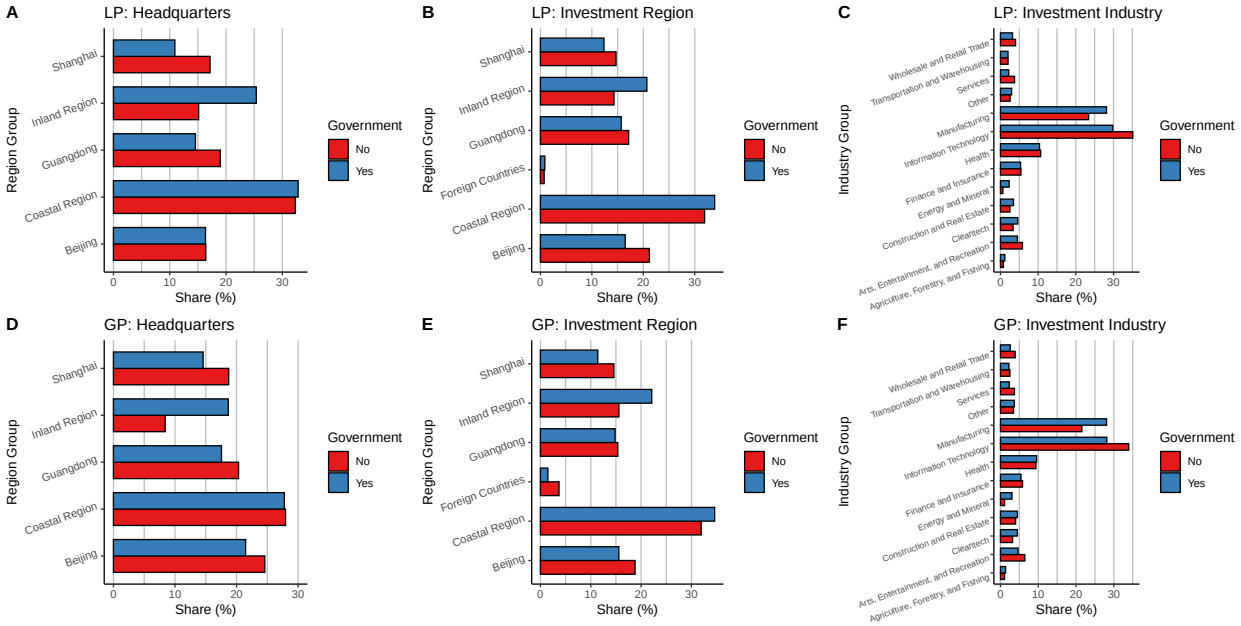

FIGURE 1. Distribution of Headquarters Location, Investment Region, and Investment Industry

Notes: This figure reports the distribution of headquarters location, investment region, and investment industry for the sample of active LPs and GPs, split by government-owned versus nongovernment-owned entities. We have 3,969 government-owned active LPs and 4,005 nongovernment-owned active LPs. We have 1,812 government-owned active GPs and 4,496 nongovernment-owned active GPs. We exclude foreign entities from this analysis. Panels A and D show the distribution of headquarters for LPs and GPs, respectively. Panels B and E show the proportion of investment in each region group for LPs and GPs, respectively. In the *Region Group* of Panels A, D, B and E, we map all regions into 6 categories for visualization, *Beijing*, *Shanghai*, *Guangdong*, *Inland Region*, *Coastal Region* and *Foreign Countries*, in which *Coastal Region* indicates that the area belongs to a province adjacent to the sea, while *Inland Region* is the opposite. Panels C and F show the proportion of investment in each industry group for LPs and GPs, respectively.

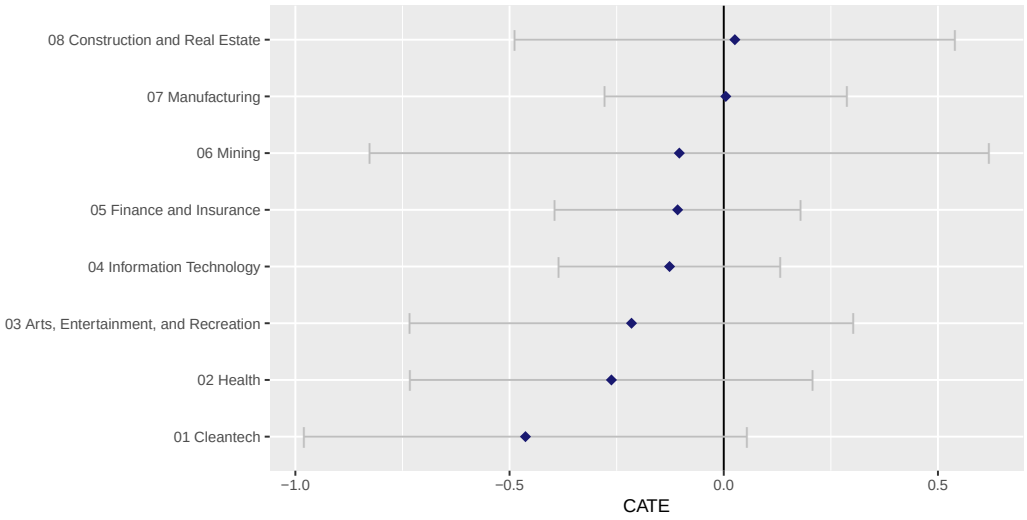

FIGURE 2. GP Dislike for LPs with Government Ties: Heterogeneity by Investment Sector

Notes: This figure shows the heterogeneity of GP preferences for government investors depending on the GP's industry focus, using the causal forest machine learning model by Athey and Wager (2019). 95% confidence intervals are reported. We define the "industry focus" of a GP as the industry that accounts for more than half of the GP's total investment deals. Five industries (*Agriculture, Forestry, and Fishing*, *Other*, *Services*, *Transportation and Warehousing*, and *Wholesale and Retail Trade*) were dropped due to small sample size. The conditional average treatment effects are estimated on a sample of 236 GP respondents.

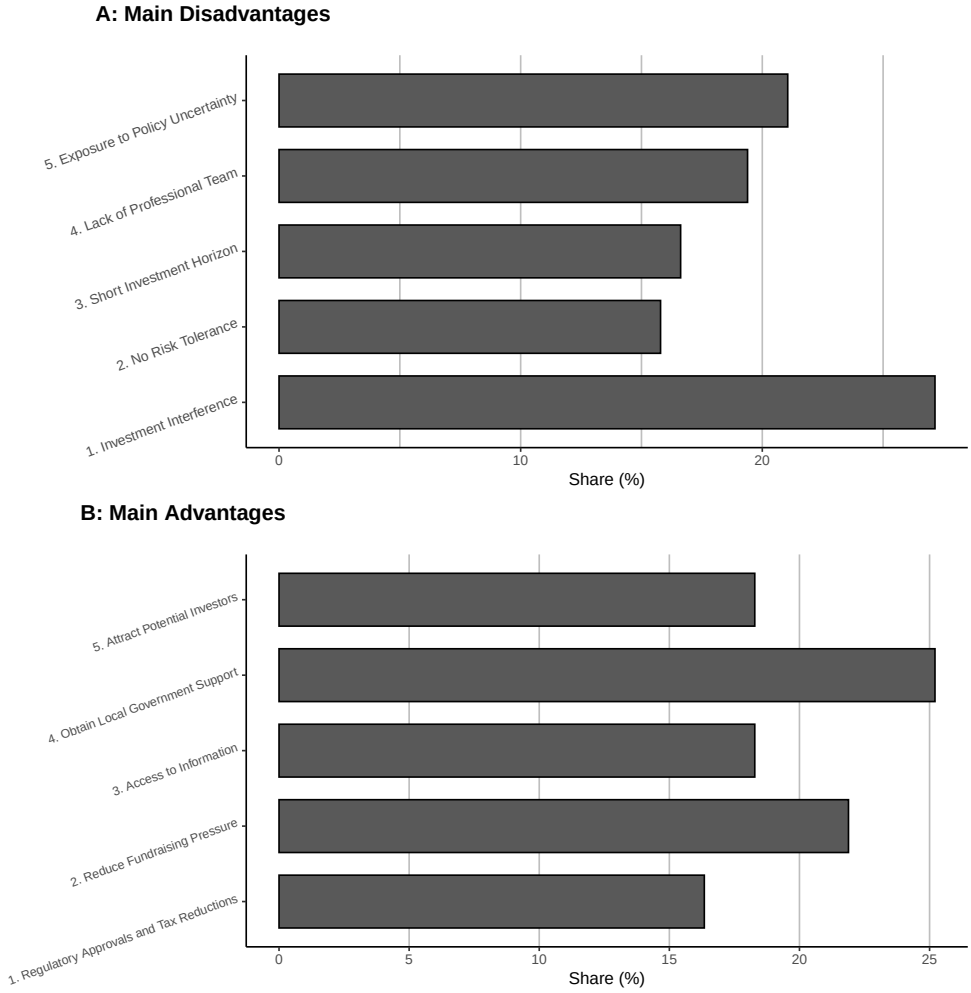

FIGURE 3. Survey on Pros and Cons of Government Investors

Notes: This figure shows the distribution of responses from the 2021 survey, and specifically the shares of each option marked as the most important reason by the respondent. Panel A shows the main advantages of government LPs. Panel B shows the main disadvantages of government LPs. The sample consists of 361 GPs.

TABLE 1. Summary Statistics

	Active			Respondents		
	All	Gov	NonGov	All	Gov	NonGov
Panel A: LPs						
Share Government-Owned (%)	50.11	100.00	0.00	77.52	100.00	0.00
Capital Invested ($ millions)	50.36	98.95	16.18	399.59	471.71	207.33
Funds Invested	1.98	2.53	1.43	9.24	10.18	4.45
Firm Age	8.29	9.77	6.83	9.11	8.53	11.13
Panel B: GPs						
Share Government-Owned (%)	38.63	100.00	0.00	32.05	100.00	0.00
AUM ($ millions)	741.30	993.02	607.21	1001.76	1491.48	691.78
IRR (% median)	27.64	23.48	31.16	32.34	25.78	36.57
Funds	2.54	2.77	2.38	3.32	4.22	2.81
Investments	13.42	11.72	14.47	48.40	44.36	50.35
Exits	5.91	6.82	5.37	9.36	11.86	8.06
Firm Age	6.95	8.18	6.17	7.13	7.54	6.94

Notes: This table reports summary statistics for both LPs and GPs, using Zero2IPO administrative data for the period 2015–19. We have 7,974 active LPs of which 312 LPs are respondents, and 6,308 active GPs of which 688 GPs are respondents. We exclude foreign entities from this analysis. The Panel A includes variables for LPs. The Panel B includes variables for GPs. *Share Government-Owned (%)* is the share of entities that have at least one ultimate owner that is a□liated either with a government agency or a state-owned enterprise, *Capital Invested ($ millions)* is the amount of capital the LP invested in funds (in Million USD), *Funds Invested* is the number of funds the LP invested in, *AUM ($ millions)* is the assets under management (in Million USD), *IRR (% median)* is the median internal rate of return, *Funds* is the number of funds managed by the GP, *Investments* is the number of investments made by the GP, *Exits* is the number of exit events for the GP investments. *Firm Age* is the age of the firm as of 2019. *Capital Invested ($ millions)*, *AUM ($ millions)* and *IRR (% median)* are winsorized at the top 95%.

TABLE 2. Government Ownership of Investors and Fund Managers

	Active								Respondents							
	Min	p10	p25	Median	Mean	p75	p90	Max	Min	p10	p25	Median	Mean	p75	p90	Max
Panel A: LPs																
Total Gov Share	0.00	0.00	0.00	0.00	28.86	70.00	100.00	100.00	0.00	0.00	0.00	55.06	53.79	100.00	100.00	100.00
Gov Share (within Gov Entities)	0.00	0.28	6.84	70.68	57.98	100.00	100.00	100.00	0.00	8.23	41.97	99.05	70.51	100.00	100.00	100.00
Central Gov Share	0.00	0.02	0.44	2.81	17.24	17.47	68.25	100.00	0.00	0.14	1.74	9.60	23.55	39.31	70.89	100.00
Provincial Gov Share	0.00	0.02	0.26	4.95	28.02	45.74	100.00	100.00	0.00	0.09	3.33	22.04	42.98	100.00	100.00	100.00
Local Gov Share	0.00	0.18	1.52	45.00	50.79	100.00	100.00	100.00	0.00	0.29	3.03	50.83	53.01	100.00	100.00	100.00
Panel B: GPs																
Total Gov Share	0.00	0.00	0.00	0.00	12.48	0.13	59.60	100.00	0.00	0.00	0.00	0.00	10.99	1.04	45.75	100.00
Gov Share (within Gov Entities)	0.00	0.00	3.02	35.00	43.43	95.20	100.00	100.00	0.00	0.00	2.48	23.58	34.99	58.26	100.00	100.00
Central Gov Share	0.00	0.06	0.60	3.22	19.45	29.73	69.19	100.00	0.00	0.04	0.35	2.00	14.92	17.88	45.76	100.00
Provincial Gov Share	0.00	0.05	0.27	5.99	24.99	35.13	100.00	100.00	0.00	0.02	0.14	2.17	20.65	31.02	90.00	100.00
Local Gov Share	0.00	0.10	0.98	8.15	31.66	53.08	100.00	100.00	0.00	0.09	0.95	4.67	20.68	33.70	69.91	100.00

Notes: This table reports the summary statistics of government ownership for both LPs and GPs. We have 3,969 active government-owned LPs (out of 7,974 active LPs) of which 238 government-owned LPs are respondents (out of 312 LP respondents), and 1,812 active government-owned GPs (out of 6,308 active GPs) of which 216 government-owned GPs are respondents (out of 688 GP respondents). We exclude foreign entities from this analysis. For this analysis, we omit government-owned entities whose government ownership was identified but for which the precise government ownership share value was missing. *Total Gov Share* is computed using all entities, with nongovernment-owned entities having 0 government ownership share. *Gov Share (within Gov Entities)* is computed using only the government-owned entities; *Central Gov Share* is computed using only the sample of entities with at least some central government ownership; *Provincial Gov Share* is computed using only the sample of entities with at least some provincial government ownership; *Local Gov Share* is computed using only the sample of entities with at least some local government ownership. Government-owned entities are those with at least one ultimate government owner, as described in the paper.

TABLE 3. Government-Owned GPs Perform Worse

	(1) CR	(2) CR	(3) CR	(4) CR	(5) IRR	(6) IRR	(7) IRR	(8) IRR
Gov GPs	-0.012	-0.006	-0.014	-0.008	-12.871	-10.529	-17.211	-15.112
	(-3.74)	(-2.21)	(-3.25)	(-2.22)	(-3.13)	(-2.51)	(-3.52)	(-3.00)
AUM			0.000	-0.000			-0.001	-0.002
			(1.84)	(-0.13)			(-1.09)	(-1.60)
Observations	1104	1104	683	683	984	984	631	631
HQ FEs	No	Yes	No	Yes	No	Yes	No	Yes

Notes: This table illustrates the association between GPs' government ownership status and GP performance. The specification is $y_j = \alpha_i + \beta \times GovGPs_j + \gamma \times AUM_j + \epsilon_{ij}$. The sample includes all active GPs with non-missing data for CR (columns 1-4) and IRR (columns 5-8). *GovGPs* is a dummy indicating whether a GP is government-owned. CR is comprehensive return, which is standardized to 0-1. IRR is winsorized at the 95% percentile. *AUM* is the total asset under management in USD millions, and is winsorized at the 95% percentile. Columns 1 and 5 show the basic models. Columns 2 and 6 show the results with headquarters FEs. Columns 3 and 7 show the results with *AUM* as controls. Columns 4 and 8 show the results with both headquarters FEs and AUM controls. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE 4. Assortative Matching Between Government-Owned GPs and LPs

	Gov LP	Non-Gov LP	ColRatio
Gov GP	1.608	0.633	2.540
	(33.54 %)	(13.46 %)	(0.000)
Non-Gov GP	0.828	1.001	0.827
	(23.75 %)	(29.25 %)	(0.000)
RowRatio	1.941	0.632	
	(0.000)	(0.000)	
Assortative Index		1.254	
Homogeneity Test(p-value)		0.000	

Notes: This table presents the distribution of matching links in the administrative data between different GPs and LPs, grouped by government ownership. The likelihood ratio index is calculated as $s(p^{GP}, p^{LP}) = \frac{Pr(G^{GP}=p^{GP}, G^{LP}=p^{LP})}{Pr(G^{GP}=p^{GP})Pr(G^{LP}=p^{LP})}$. We define $Pr(G^{GP} = p)$ as the ratio of type p GP among all GPs with at least one link, e.g., if p is government owned, then the probability is the ratio of government owned GPs among GPs with at least one link. $Pr(G^{GP} = G^{LP} = p)$ is defined as the ratio of links where GP and LP both belong to group p among all links in the sample. The number in the parentheses is the fraction of links among all links formed between GP and LP with ownership information. Assortative index is calculated as the weighted average of the diagonal elements. ColRatio is calculated as column 1 divided by column 2 in the same row. RowRatio is calculated as row 1 divided by row 2 in the same column. The numbers in the parentheses under the ColRatios and RowRatios are the p-values of the binomial test within the corresponding rows and columns respectively, under the null hypothesis of random matching. The p-value of the homogeneity test is a Chi-square test. Government GP and government LP are defined as entities that have at least one ultimate government owner, as described in the paper.

TABLE 5. GP Preferences for LPs

	Partner Rating	
	(1)	(2)
Government Ties	-0.114	-0.079
	(-2.92)	(-2.14)
Large Investor	0.147	0.167
	(4.21)	(5.03)
High Registered Capital	0.196	0.185
	(5.52)	(5.53)
Industry Information	-0.231	-0.178
	(-6.68)	(-5.39)
Young LP	-0.004	-0.010
	(-0.11)	(-0.29)
Headquarter In Foreign Country	0.034	-0.022
	(0.55)	(-0.35)
Headquarter In Beijing	0.208	0.175
	(4.04)	(3.51)
Corporate Governance	0.013	0.055
	(0.37)	(1.67)
Investment Philosophy	0.014	0.039
	(0.40)	(1.14)
Stage Focus	-0.085	-0.086
	(-2.44)	(-2.57)
Observations	13375	13375
Unique GPs	679	679
GP FEs	No	Yes
Model	OLS	OLS
DV Mean	6.448	6.448
DV SD	2.016	2.016

Notes: This table shows GP preferences for LP synthetic characteristics. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Appendix Table A7. Partner Rating is on a scale of 1-10. Column 1 shows the baseline OLS. Column 2 shows the regression adding GP respondents fixed effects. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE 6. LP Preferences for GPs

	Partner Rating	
	(1)	(2)
Government Investors	0.652	0.692
	(7.27)	(7.60)
Team Government Experience	0.196	0.191
	(2.40)	(2.31)
Team Industry Experience	0.050	0.041
	(0.61)	(0.49)
High AUM	0.025	0.056
	(0.35)	(0.76)
High IRR	0.153	0.159
	(2.46)	(2.50)
Exits	0.151	0.160
	(2.27)	(2.35)
Ranked GP	-0.271	-0.252
	(-1.22)	(-1.12)
Industry Information	0.631	0.637
	(10.85)	(10.69)
Young GP	0.172	0.137
	(2.60)	(2.02)
Headquarter In Foreign Country	0.490	0.466
	(3.87)	(3.62)
Headquarter In Beijing	0.069	0.065
	(0.87)	(0.81)
VC	0.019	-0.010
	(0.23)	(-0.12)
Market Approach	0.111	0.106
	(1.55)	(1.45)
Investment Philosophy	-0.029	-0.042
	(-0.50)	(-0.71)
Investment Stage	0.076	0.072
	(1.06)	(1.00)
Investment Horizon	-0.101	-0.094
	(-1.65)	(-1.50)
Serial Fund Manager	0.042	0.007
	(0.47)	(0.08)
Observations	6220	6220
Unique LPs	311	311
LP FEs	No	Yes
Model	OLS	OLS
DV Mean	4.284	4.284
DV SD	2.326	2.326

Notes: This table shows LP preferences for GP synthetic characteristics. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentInvestors_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. The sample includes all LP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentInvestors* is a dummy indicating whether the GP profile indicates the GP already had government investors. Details of the remaining characteristics are illustrated in Appendix Table A16. Partner Rating is on a scale of 1-10. Column 1 shows the basic models. Column 2 shows regressions adding LP respondents fixed effects. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE 7. GP Preferences for LPs: Heterogeneity across Government Levels

	Partner Rating	
	(1)	(2)
GovTies-Central	-0.327	-0.328
	(-3.02)	(-3.35)
GovTies-Provincial	-0.112	-0.068
	(-2.63)	(-1.70)
GovTies-Local	0.105	0.117
	(1.15)	(1.29)
Large Investor	0.147	0.167
	(4.21)	(5.02)
High Registered Capital	0.198	0.187
	(5.58)	(5.57)
Industry Information	-0.230	-0.177
	(-6.65)	(-5.37)
Young LP	-0.003	-0.008
	(-0.07)	(-0.24)
Headquarter In Foreign Country	0.040	-0.014
	(0.65)	(-0.23)
Headquarter In Beijing	0.236	0.207
	(4.42)	(4.01)
Corporate Governance	0.013	0.055
	(0.37)	(1.67)
Investment Philosophy	0.015	0.040
	(0.43)	(1.18)
Stage Focus	-0.086	-0.086
	(-2.45)	(-2.58)
Observations	13375	13375
Unique GPs	679	679
GP FEs	No	Yes
Model	OLS	OLS
DV Mean	6.448	6.448
DV SD	2.016	2.016

Notes: This table shows GP preferences for LP synthetic characteristics where LPs' government ties are divided into three levels, Central, Provincial and Local. The specification is $y_{ij} = \alpha_i + \beta_1 \times GovTies\text{-}Central_j + \beta_2 \times GovTies\text{-}Provincial_j + \beta_3 \times GovTies\text{-}Local_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovTies-Central*, *GovTies-Provincial* and *GovTies-Local* are dummy variables indicating whether the LP profile displays a link to the central, provincial and local government. Details of the remaining characteristics are illustrated in Appendix Table A7. Partner Rating is on a scale of 1-10. Column 1 shows the baseline OLS. Column 2 shows the regressions adding GP respondents fixed effects. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE 8. GP Preferences for LPs: Heterogeneity by Government-Owned GPs

	(1) Gov	(2) Non-Gov	(1)=(2) P-Value	(3) Gov	(4) Non-Gov	(3)=(4) P-Value
Government Ties	0.016	-0.173	0.026	0.008	-0.119	0.104
	(0.22)	(-3.68)		(0.13)	(-2.70)	
Large Investor	0.186	0.131	0.470	0.186	0.157	0.682
	(2.95)	(3.11)		(3.08)	(3.94)	
High Registered Capital	0.210	0.189	0.782	0.163	0.194	0.664
	(3.28)	(4.44)		(2.66)	(4.85)	
Industry Information	-0.255	-0.222	0.658	-0.172	-0.181	0.893
	(-4.09)	(-5.33)		(-2.84)	(-4.59)	
Young LP	0.010	-0.012	0.774	-0.007	-0.013	0.931
	(0.16)	(-0.28)		(-0.11)	(-0.33)	
Headquarter In Foreign Country	0.027	0.039	0.926	-0.091	0.011	0.431
	(0.24)	(0.52)		(-0.81)	(0.15)	
Headquarter In Beijing	0.281	0.175	0.349	0.226	0.151	0.486
	(2.98)	(2.84)		(2.46)	(2.54)	
Corporate Governance	0.047	-0.003	0.503	0.123	0.024	0.160
	(0.75)	(-0.08)		(2.05)	(0.62)	
Investment Philosophy	0.008	0.020	0.882	0.050	0.036	0.852
	(0.13)	(0.45)		(0.80)	(0.88)	
Stage Focus	-0.083	-0.084	0.985	-0.115	-0.071	0.531
	(-1.31)	(-1.99)		(-1.90)	(-1.78)	
Observations	4221	9154		4221	9154	
Unique GPs	214	465		214	465	
GP FEs	No	No	SUR	Yes	Yes	SUR
Model	OLS	OLS		OLS	OLS	
DV Mean	6.452	6.445		6.452	6.445	
DV SD	2.038	2.006		2.038	2.006	

Notes: This table compares government GP and nongovernment GP preferences for LP synthetic characteristics. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. We run separate regressions for government GPs and nongovernment GPs. Gov-GPs are defined as GPs with government owners. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Appendix Table A7. Partner Rating is on a scale of 1-10. Columns 1 and 2 show the basic models for government GPs and nongovernment GPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

APPENDIX

Appendix A.1. Additional Figures and Tables

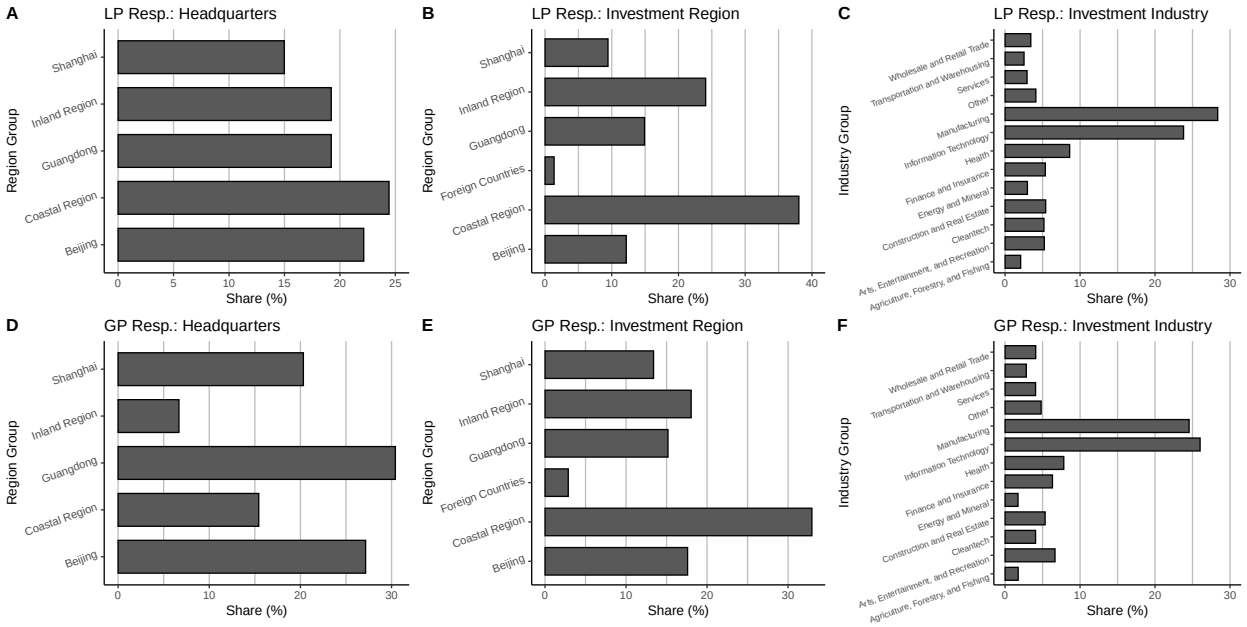

Figure A1. Distribution of Headquarters Location, Investment Region, and Investment Industry (Respondents Only)

Notes: This figure reports the distribution of headquarters location, investment region, and investment industry for the sample of respondent LPs and GPs. We have 312 LP respondents and 688 GP respondents. We exclude foreign entities from this analysis. Panels A and D show the distribution of headquarters for LPs and GPs, respectively. Panels B and E show the proportion of investment in each region group for LPs and GPs, respectively. In the *Region Group* of Panels A, D, B and E, we map all regions into 6 categories for visualization, *Beijing*, *Shanghai*, *Guangdong*, *Inland Region*, *Coastal Region* and *Foreign Countries*, in which *Coastal Region* indicates that the area belongs to a province adjacent to the sea, while *Inland Region* is the opposite. Panels C and F show the proportion of investment in each industry group for LPs and GPs, respectively.

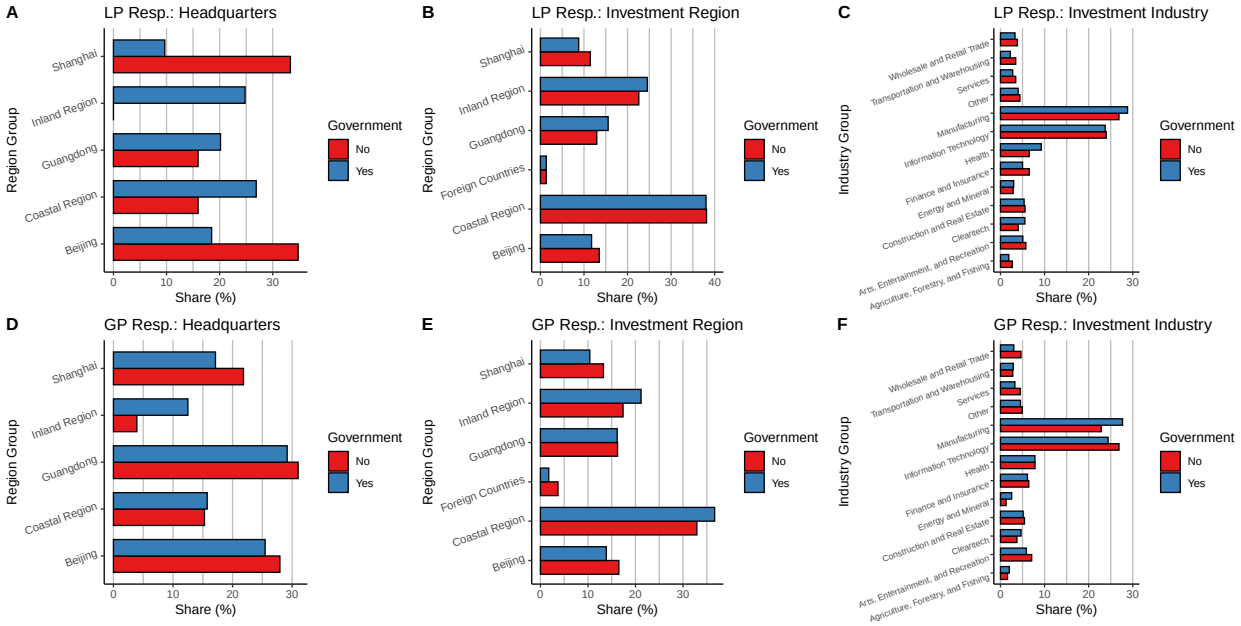

FIGURE A2. Distribution of Headquarters Location, Investment Region, and Investment Industry (Respondents Only; by Government Ownership)

Notes: This figure reports the distribution of headquarters location, investment region, and investment industry for the sample of respondent LPs and GPs, split by government-owned versus nongovernment-owned entities. We have 238 government-owned LP respondents and 74 nongovernment-owned LP respondents. We have 216 government-owned GP respondents and 472 nongovernment-owned GP respondents. We exclude foreign entities from this analysis. Panels A and D show the distribution of headquarters for LPs and GPs, respectively. Panels B and E show the proportion of investment in each region group for LPs and GPs, respectively. In the *Region Group* of Panels A, D, B and E, we map all regions into 6 categories for visualization, *Beijing*, *Shanghai*, *Guangdong*, *Inland Region*, *Coastal Region* and *Foreign Countries*, in which *Coastal Region* indicates that the area belongs to a province adjacent to the sea, while *Inland Region* is the opposite. Panels C and F show the proportion of investment in each industry group for LPs and GPs, respectively. Government-owned entities are defined as entities with government owners.

2019 Chinese Equity Investment Survey

Zero2IPO and Tsinghua University PBC School of Finance are studying how to improve the resource allocation in China's private equity investment market more effectively, establish an efficient and reliable market-based investment system, and better promote technological innovation. The purpose of the survey is to use machine learning technology to introduce general partners (GP) and limited partners (LP), and to help GP and LP form a more effective match by identifying important characteristics of different institutions. We sincerely hope that we could receive strong support and assistance from your organization. Please take the time to fill out the survey questionnaire accurately.

We hope you could evaluate the profiles of hypothetical investment partners. Your choices will be used to provide you with recommendations of and make introductions with actual partners you may be interested in that closely match your preferences. In the survey questionnaire, you will see descriptions of 20 hypothetical partners. Please evaluate each profile based on the following questions:

0）Would you like to meet this investment partner?

1）Are you interested in establishing an investment relationship with this investment partner? (On a scale of 1-10, 1="Not interested"; 10="Extremely interested")

2) How likely do you think it is that this investment partner would want to enter an investment relationship with your organization? (On a scale of 1-10, 1="Not likely"; 10="Extremely likely")

Question 1) seeks to measure your interest in this partner. Assume that the investment partner is already interested in establishing an investment relationship with your organization—therefore please only consider your views on the quality of the investment partner.

Question 2) seeks to measure the likelihood that this partner wants to establish a business relationship with your organization. Assume that you have already expressed interest in the investment partner—therefore please only consider whether you think the partner is interested in establishing an investment relationship with your organization.

* All the data you fill in will be kept strictly confidential, and we will also send you anonymous summary research and related policy reports.

In order to thank your institution for participating, we will provide you with:

1）An introduction between the (real) general partner (GP) and the (real) limited partner (LP) to form more effective matches;
2）An early research report from this survey.

Zero2IPO 清科研究中心 Zero2IPO Research

TSINGHUA PBCSF 清华五道口

FIGURE A3. 2019 Experimental Survey: Recruitment Email

Notes: This figure shows the recruitment email sent to respondents by Zero2IPO for the 2019 survey. Respondents would read this page before they start the survey and Zero2IPO would guide them with phone calls and in case they have any questions during the whole process.

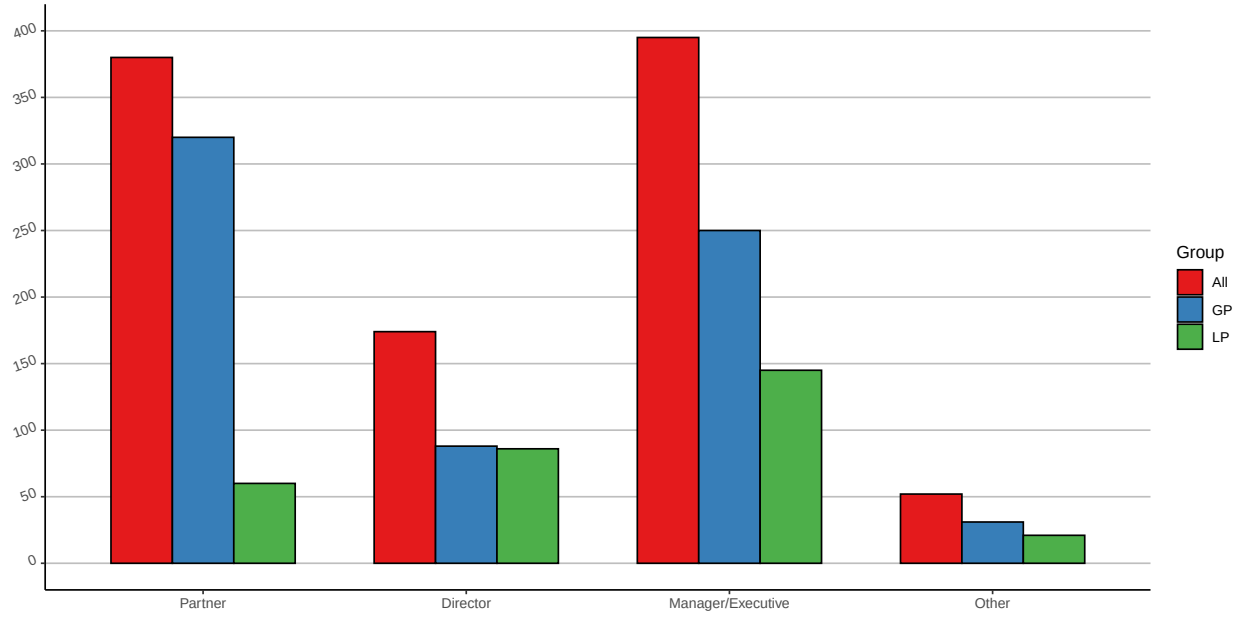

FIGURE A4. Job Positions of Targeted Respondents

Notes: This figure reports the distribution of the primary job position of the targeted individual respondents within their respective GPs and LPs, using the Zero2IPO classification. We have a total of 1,000 individual respondents, of which 312 from LP respondents and 688 from GP respondents. The group of All represents the overall distribution of all respondents. The job positions (discussed in more detail in the paper) are grouped into four types: *Partner*, *Director*, *Manager/Executive*, and *Other*.

清科研究中心 Zero2IPO Research

TSINGHUA PBCSF 清华五道口

2021 China Equity Investment Market Research Survey

About this survey

Zero2IPO Research Center and PBC School of Finance of Tsinghua University are jointly studying how to more effectively improve the allocation of resources in China's venture capital (VC) and private equity (PE) market, so as to establish an efficient and reliable market-based investment system that can promote technological innovation. Your institution has previously strongly supported and participated in the "2019 China Equity Investment Survey". After rigorous machine-lerning analysis, we have helped GPs and LPs form effective matches with each other.

A sizable share of investment in the Chinese VC and PE market comes from the government or from enterprises with state-owned equity, which have the purpose of supporting entrepreneurship and technological innovation, especially among young and small to medium sized firms. We would like you to respond to the questions below, based on the general perceptions from the perspective of typical GPs in the market, about **government-related LPs (such as government agencies or state-owned firms, or government entities investing in guided funds)** and evaluate (1) the advantages of receiving funding from government-related LPs, and (2) how to improve the efficiency in the investment of government-related funding.

* After completion, we will summarize the research, and write policy reports and proposals that can inform relevant regulatory authorities to improve the system. All the information you fill in will be kept strictly confidential, and we will also send you anonymous summaries of the research and related policy reports. We sincerely hope that we can continue to receive strong support and assistance from your organization. Please take the time to fill out the survey questionnaire and send it back within the next two weeks.

	1: The advantages of government-related LPs (10=extremely important, 1=not important at all)	*Please mark the most important advantage among the 5 options below.*
1	To speed up regulatory approvals and obtain tax reductions	Please choose: a value between 1-10
2	To obtain larger shares of returns from the government, receive timely funding when facing shortages of private funds in the market, reduce the pressure of fundraising, and obtain follow-up funds more easily	Please choose: a value between 1-10
3	To obtain faster access to reliable information/relevant future policies/industry resources	Please choose: a value between 1-10
4	Government LPs can obtain support from the local government and bring local investment opportunities	Please choose: a value between 1-10
5	To help attract potential investors and follow-up investment from private capital	Please choose: a value between 1-10
	Other, please specify:	Please provide comments or suggestions:

	2: What can be improved by government-related LPs (10=extremely important, 1=not important at all)	*Please mark the most important one among the 5 options below.*
1	Need less post-investment restrictions on usage of funds in specific regions and industry and on the ratio of investment from private LPs	Please choose: a value between 1-10
2	Need more tolerance of investment risks, and more focus on profit maximization with high-return/high-quality/competitive projects	Please choose: a value between 1-10
3	Need to extend the investment horizon and the requirements on when to exit	Please choose: a value between 1-10
4	Need a more professional team and a more professional approach to make investment decisions so that value can be added post-investment	Please choose: a value between 1-10
5	Need to reduce exposure to policy uncertainty and have more clear investment objectives	Please choose: a value between 1-10
	Other, please specify:	Please provide comments or suggestions:

FIGURE A5. 2021 Qualitative Survey

Notes: This figure shows the recruitment email sent to respondents by Zero2IPO for the 2021 survey. Respondents would read this page before they start the surveys and Zero2IPO would guide them with phone calls and in case they have any questions during the whole process.

TABLE A1. Comparing Active and Inactive Entities in the Zero2IPO Database

	Active	Inactive
	All	All
Panel A: LPs		
Share Government-Owned (%)	50.11	NA
Capital Invested ($ millions)	50.36	20.57
Funds Invested	1.98	1.39
Firm Age	8.29	10.52
Panel B: GPs		
Share Government-Owned (%)	38.63	NA
AUM ($ millions)	741.30	76.31
IRR (% median)	27.64	21.68
Funds	2.54	2.05
Investments	13.42	2.86
Exits	5.91	0.42
Firm Age	6.95	7.82

Notes: This table reports summary statistics for both LPs and GPs, using Zero2IPO administrative data for the period 2015-19. We have 7,974 active LPs and 6,308 active GPs. We have 16,766 inactive GPs and 6,346 inactive LPs. Inactive entites are defined as entities who have at least one investment activity recorded between 2015 and 2019 but that are not defined as "active" by Zero2IPO. We exclude foreign entities from the analysis. The Panel A includes variables for LPs. The Panel B includes variables for GPs. *Share Government-Owned (%)* is the share of entities that have at least one ultimate owner that is a□liated either with a government agency or a state-owned enterprise, *Capital Invested ($ millions)* is the amount of capital the LP invested in funds (in Million USD), *Funds Invested* is the number of funds the LP invested in, *AUM ($ millions)* is the assets under management (in Million USD), *IRR (% median)* is the median internal rate of return, *Funds* is the number of funds managed by the GP, *Investments* is the number of investments made by the GP, *Exits* is the number of exit events for the GP investments. *Firm Age* is the age of the firm as of 2019. *Capital Invested ($ millions)*, *AUM ($ millions)* and *IRR (% median)* are winsorized at the top 95%. *Share Government-Owned (%)* is omitted from the inactive sample due to data limitations.

TABLE A2. Comparing Respondents and Non-Respondents

	Respondents			Non-Respondents		
	All	Gov	NonGov	All	Gov	NonGov
Panel A: LPs						
Share Government-Owned (%)	77.52	100.00	0.00	74.40	100.00	0.00
Capital Invested ($ millions)	399.59	471.71	207.33	183.82	231.18	51.64
Funds Invested	9.24	10.18	4.45	4.24	4.80	2.53
Firm Age	9.11	8.53	11.13	8.11	8.29	7.60
Panel B: GPs						
Share Government-Owned (%)	32.05	100.00	0.00	34.86	100.00	0.00
AUM ($ millions)	1001.76	1491.48	691.78	595.97	618.98	592.73
IRR (% median)	32.34	25.78	36.57	25.76	18.67	30.12
Funds	3.32	4.22	2.81	2.64	2.93	2.45
Investments	48.40	44.36	50.35	13.26	12.42	13.70
Exits	9.36	11.86	8.06	4.34	5.08	3.96
Firm Age	7.13	7.54	6.94	6.37	6.75	6.17

Notes: This table reports summary statistics for both LPs and GPs, using Zero2IPO administrative data for the period 2015–19. We have 312 respondent LPs and 688 respondent GPs. We have 478 non-respondent LPs and 912 non-respondent GPs. We exclude foreign entities from this analysis. The Panel A includes variables for LPs. The Panel B includes variables for GPs. *Share Government-Owned (%)* is the share of entities that have at least one ultimate owner that is a□liated either with a government agency or a state-owned enterprise, *Capital Invested ($ millions)* is the amount of capital the LP invested in funds (in Million USD), *Funds Invested* is the number of funds the LP invested in, *AUM ($ millions)* is the assets under management (in Million USD), *IRR (% median)* is the median internal rate of return, *Funds* is the number of funds managed by the GP, *Investments* is the number of investments made by the GP, *Exits* is the number of exit events for the GP investments. *Firm Age* is the age of the firm as of 2019. *Capital Invested ($ millions)*, *AUM ($ millions)* and *IRR (% median)* are winsorized at the top 95%.

TABLE A3. Government-Owned GPs Perform Worse (Respondents Only)

	(1) CR	(2) CR	(3) CR	(4) CR	(5) IRR	(6) IRR	(7) IRR	(8) IRR
Gov GPs	-0.015	-0.014	-0.017	-0.017	-17.456	-15.238	-23.958	-20.504
	(-2.89)	(-2.79)	(-2.94)	(-2.82)	(-2.62)	(-2.22)	(-3.15)	(-2.66)
AUM			-0.000	-0.000			-0.002	-0.003
			(-1.70)	(-1.78)			(-1.52)	(-2.18)
Observations	410	410	336	336	388	388	319	319
HQ FEs	No	Yes	No	Yes	No	Yes	No	Yes

Notes: This table illustrates the association between GPs' government ownership status and GP performance, within the sample of respondents. The specification is $y_j = \alpha_i + \beta \times GovGPs_j + \gamma \times AUM_j + \varepsilon_{ij}$. The sample includes all active GPs with non-missing data for CR (columns 1-4) and IRR (columns 5-8). *GovGPs* is a dummy indicating whether a GP is government owned. CR is comprehensive return, which is standardized to 0-1. IRR is winsorized at the 95% percentile. *AUM* is the total asset under management in USD millions, and is winsorized at the 95% percentile. Columns 1 and 5 show the basic models. Columns 2 and 6 show the results with headquarters FEs. Columns 3 and 7 show the results with *AUM* as controls. Columns 4 and 8 show the results with both headquarters FEs and AUM controls. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A4. Assortative Matching Between Government-Owned GPs and LPs (Respondents Only)

	Gov LP	Non-Gov LP	ColRatio
Gov GP	1.724	0.915	1.884
	(31.25 %)	(16.39 %)	(0.000)
Non-Gov GP	0.706	0.932	0.757
	(22.73 %)	(29.64 %)	(0.000)
RowRatio	2.442	0.982	
	(0.000)	(0.764)	
Assortative Index		1.220	
Homogeneity Test(p-value)		0.000	

Notes: This table presents the distribution of links between different GPs and LPs grouped by government ownership, illustrating assortative matching patterns, within the sample of respondents. The likelihood ratio index is calculated as $s(p^{GP}, p^{LP}) = \frac{Pr(G^{GP}=p^{GP}, G^{LP}=p^{LP})}{Pr(G^{GP}=p^{GP})Pr(G^{LP}=p^{LP})}$. We define $Pr(G^{GP} = p)$ as the ratio of type p GP among all GPs with at least one link, e.g., if p is government owned, then the probability is the ratio of government owned GPs among GPs with at least one link. $Pr(G^{GP} = G^{LP} = p)$ is defined as the ratio of links where GP and LP both belong to group p among all links in the sample. The number in the parentheses is the fraction of links among all links formed between GP and LP with ownership information. Assortative index is calculated as the weighted average of the diagonal elements. ColRatio is calculated as column 1 divided by column 2 in the same row. RowRatio is calculated as row 1 divided by row 2 in the same column. The numbers in the parentheses under the ColRatios and RowRatios are the p-values of the binomial test within the corresponding rows and columns respectively, under the null hypothesis of random matching. The p-value of the homogeneity test is a Chi-square test. Government GPs and government LPs are defined as entities that have at least one ultimate government owner, as described in the paper.

TABLE A5. LP Type Distribution

	Active			Respondent		
	All	Gov	NonGov	All	Gov	NonGov
LP Types (in %)						
Assets Management Company	4.63	5.18	3.41	1.83	1.94	1.65
Bank and Insurance Company	2.14	2.88	0.49	0.88	1.45	0.00
Corporate	14.77	11.35	22.41	0.02	0.02	0.02
FOFs	3.31	4.38	0.93	0.82	0.92	0.66
Government Bureau and Guided Fund	10.91	15.80	0.00	8.26	13.59	0.00
Investment Company	3.90	2.68	6.63	0.15	0.23	0.03
Listed Company	8.05	7.57	9.13	8.82	5.74	13.57
Others	1.32	1.36	1.24	0.03	0.04	0.00
Sovereign Fund	0.56	0.81	0.00	0.00	0.00	0.00
Trust	0.70	0.94	0.16	0.00	0.00	0.00
VC/PE	49.70	47.06	55.59	79.20	76.06	84.06

Notes: This table reports the distribution of type for LPs, using Zero2IPO administrative data for the period 2015–19. We have 7,974 active LPs of which 312 LPs are respondents. The distribution is weighted according to the total investment amount of each type of LP during 2015–2019. The classification standard comes from Zero2IPO's administrative data, where *VC/PE* refers to venture capital and private equity firms that specialize in early stage and growth equity investments, and the *Others* includes Family O□ce, University Fund and other unclassified entities. Government-owned entities are those with at least one ultimate government owner, as described in the paper.

TABLE A6. Summary Statistics by Government Level

	Active			Respondent		
	All	Gov	NonGov	All	Gov	NonGov
Panel A: LPs						
Share Government-Owned (%)	50.11	100.00	0.00	77.52	100.00	0.00
Share Central-Owned (%)	24.23	49.95	0.00	32.55	42.36	0.00
Share Provincial-Owned (%)	23.52	48.47	0.00	45.30	58.95	0.00
Share Local-Owned (%)	37.51	77.31	0.00	55.03	71.62	0.00
Panel B: GPs						
Share Government-Owned (%)	38.63	100.00	0.00	32.05	100.00	0.00
Share Central-Owned (%)	21.70	59.95	0.00	19.42	64.80	0.00
Share Provincial-Owned (%)	20.86	57.62	0.00	20.03	66.84	0.00
Share Local-Owned (%)	25.31	69.93	0.00	21.87	72.96	0.00

Notes: This table summarizes di□erent government ownership types for both LPs and GPs. We have 7,974 active LPs of which 312 LPs are respondents, and 6,308 active GPs of which 688 GPs are respondents. We exclude foreign entities from this analysis. *Share Government-Owned* indicates the proportion of government-owned entities. *Share Central-Owned* indicates the proportion of entities owned by central government agencies. *Share Provincial-Owned* indicates the proportion of entities owned by provincial government agencies. *Share Local-Owned* indicates the proportion of entities owned by local government agencies.

TABLE A7. Variables in Synthetic LP Profiles

Variables	**Description**
Government Ties	A dummy indicating whether the LP has ties to the government.
Large Investor	A dummy indicating whether the LP has size above 1 billion yuan.
High Registered Capital	A dummy indicating whether the registered capital of the LP is > 1 billion yuan.
Industry Information	A dummy indicating whether the LP profile displays industry information.
Young LP	A dummy indicating whether the LP is a young LP (founded after 2010).
Headquarter in Foreign Country	A dummy indicating whether the LP is headquartered in a foreign country.
Headquarter in Beijing	A dummy indicating whether the LP is located in Beijing.
Corporate Governance	A dummy indicating whether the LP profile displays description of corporate governance.
Investment Philosophy	A dummy indicating whether the LP profile displays description of investment philosophy.
Stage Focus	A dummy indicating whether the LP profile displays the targeted stage of investments.

Notes: This table illustrates the coding of regressors based on original profile components. The first column shows the main regressors. The second column gives a brief description of the variables. See Table A8 for details on all profile components.

TABLE A8. Description of LP Profiles Randomized Components

Variable	Categorical Value	Options			
Government Ties (0.8)	*Government Ties:* 1 if with government ties [5-11].	1 This company aims to give full play to the role of the market in allocating resources and expand private capital investments in innovation and entrepreneurship, so as to promote the development of emerging industries. 公ø依XD, : Ð(°代¡e 8 {>会DÑ•D具 e义Œ促Û>会ÑU„†ß。	2 With the help of the private capital market and modern management practices, this organization channels capital to sectors of strategic importance and beneficial to social development. 公ø依XD, : Ð(°代¡e 8 {>会DÑ•D具 e义Œ促Û>会ÑU„†ß。	3 This organization is one of the earliest market-oriented financing platforms in China. The management team is committed to increasing investors' asset value, using modern management methods to protect investors' rights. 公ø/ é„以 :为ü „•D•Dsð之一 ¡ Ð(°代¡ ¹ ö ¤•D C› ô›于为•D D,保值ž值。	4 This organization channels capital to independent innovative enterprises nationwide. It aims to better promote technological innovation through its professional business model and its efficient and reliable market-oriented investment system. :„b 全ý ë主 °企业 v为其Ð供DÑ/ Ç专业„Ï%! Ø Hï`„ : •D体û ð}θ¨¨Ñ€ °。
		5 It is a platform for the central government to hold shares of large enterprises and supervise SOEs, thus supporting the restructuring of SOEs and the adjustment of industrial structure. 中.?œ Ç ¡'‹企业eô¥Ñcý 企业 为ý 企业„96Œ产业ó„ t-úsð。	6 This organization is established by the CCP provincial committee and the provincial government. It accelerates economic transformation mainly through supporting the development of venture capitals and attracting social capital into venture capitals. Ï Ô、 ?œy准 ¾Ë„•D:„ 主•/ Îí•D企业„ÑUü>会DÑÛ入Îi•DtßëI‹。	7 It is an investment organization established by a state-owned firm funded by the provincial government. It mainly focuses on investment, financing, and asset management. Ï 人 ?œD©„ý ìD公øy准 ¾Ë„•D:„ 主•从事•D •DŒD产¡ 。	8 It is funded by the provincial government. It aims to attract social capital investment into enterprises. –θ ?œ"?DÑ„/ í„/8>会D,•Dθ企业。
		9 The provincial government established this organization and guides its capital operation, equity investment and asset management. 1 ?œy准 Ë¾Ë üD,Ð作、¡C•DŒD产¡ 。	10 Its establishment and operation is approved by the local government. Its main businesses include the investment, operation, and management of state-owned assets. ÏSθ?œy准 主%业¡ ìý D产„•D Î%Œ¡ 。	11 Funded and managed by the local government, it operates in a market-oriented manner. 1Sθ?œ出DŒÐ作 v以 :„ ¹ ÛLÐ作。	
Fund Size and Management (0.8)	*Large Investor:* 1 if fund size >1 billion [7-12].	1 The amount under management is 200 Million yuan allocated to a total of 12 funds, with investments in more than 12 startups, including 5 of them that are listed in domestic and foreign capital markets. ¡ úÑ•Dyî2亿 元 å úÑ12/ ò•D12¶ 业公ø 其中5¶(ý内 D, :上 。	2 It established 20 RMB funds with a total size of 600 Million yuan. ¡ 20 /人 úÑ ;DÑ¡ Ä!¾06亿元。	3 The total size of the funds it provided capital to reached 700 Million yuan, with 15 RMB funds in total. The capital went to 20 startups, 8 of which are now listed companies. ¡ ;Ä!¾07亿元 ¾Ë15/•DúÑ ò•D¥Ñ20¶ 业公ø Ç¡C•Dsð Ÿù²了8¶上 公ø。	4 A total of 21 funds were set up, which led to about 650 Million yuan of social funds. ¾ËÎi•DúÑ21/ &¨>会DÑ¦6.5亿元。
		5 It established more than 25 funds, with a total committed capital of over 750 Million yuan and more than 20 accumulated investment projects. òÄ与¾Ë25 /úÑ ;¡ DÑ… Ç7.5亿元 /¡•Dyî…Ç20个。	6 As of end of 2018, it managed a capital of 800 Million yuan, with 23 completed investment projects, and 9 listed companies that have been fostered by the investment platform. *ó2018t ò¡ 8亿元DÑ Œ •Dyî23个 Ç•Dsð ù²了9¶上 公ø。	7 The assets under management are over 1.5 Billion yuan, with investments in 25 projects, and a total amount invested of 900 million yuan. ¡ D产…Ç15亿元 Œ •Dyî25个 ;•D为9亿元。	8 As of December 2018, it established 8 direct investment platforms, and had committed capital of 2.5 Billion yuan, with investments in over 25 enterprises. *ó2018t12 共 8个ô¥•Dsð、¡ DÑ¾025亿元 /¡•D企业…Ç25¶。
		9 By the end of March 2018, it invested in 15 funds, for a total of 2.5 Billion yuan, and overall available assets of 4.5 billion yuan. *ó2018t3 • ò•D15/úÑ ;Ä!¾25亿 ;D产为45亿元。	10 As of June 2018, it contributed to 22 funds for a total size of 6 Billion yuan. *ó2018t6 公ø共¾Ë22/úÑ ;DÑÄ!¾060亿元。	11 By the end of 2018, the company invested in 30 funds, including industrial investment funds and platform investment funds. *ó2018t• 公ø¡ 了Ñ30/úÑ îi产业•DúÑŒsð•DúÑ。	12 The target scale of the fund to invest in is 15 Billion RMB, and in the past it invested in 30 funds, and 45 innovative small and medium-sized enterprises, effectively playing the exemplary role of guiding the funds to promote innovation and entrepreneurship. úÑî Ä!为150亿人 共¾Ë了30¶ 业•DúÑ ò•D45¶ °‹中 企业 HÑ%了¨¯ °业„: 作(。
Registered Capital (1)	*High Registered Capital:* 1 if >1 Billion [5-9].	1 The institution has a registered capital of 100 million yuan, 公ø„è册D,为1亿元人	2 The financing platform has initial total assets of 500 million RMB, •Dsð„wËD,为5亿人	3 The investment institution has a total registered capital of RMB 1 billion, •D公ø„è册D,/10亿元人	4 The registered capital of the government-guided fund reaches RMB 1 billion, üúÑ„è册D,/10亿元人
		5 The guided fund has a registered capital of 3 billion yuan, üúÑD,„è册为30亿元人	6 The investment institution has a registered capital of 3 billion yuan, •D:„„è册D,为30亿元人	7 The investment institution has a registered capital of RMB 5 billion, Îi•D„è册D,为50亿元人	8 The guided fund has a registered capital of RMB 5 billion, ?œ üúÑ„è册D,为50亿元人
		9 The government guided fund, which provides strong support to advanced industries, has a registered capital of RMB 8 billion, 一¶为促Ô先Ô产业ÑU ¾Ë„?œüúÑ è册D,为80亿元人			

Table A8 (cont.): Description of LP Profiles Randomized Components

Variable	Categorical Value	Options			
Industry (0.5)	*Industry:* 1 if show industry information [1-21].	1 It focuses on the Internet industry and provides financing service for enterprises in the industry. Í¹• 互TQL业 v为企业Ð供Ñ• ¡。	2 In the past, the institution has successfully funded several investments in Social Network and Media. ò•Dyî Z Æ(>交QÛŒ′体L业。	3 The institution targets investments in information technology and related sectors such as Blockchain, Big Data, Artificial Intelligence, Robot, or Human Face Recognition. Í¹• :Wþ、'pn、人åzý、:h人 人8Æ+I信o€/ø关„ØÑ€†ß。	4 The firm seeks to invest in Bio and Healthcare industries and actively seeks equity investments or strategic buyouts. ô›于•D íŒ;—保健†ß vî•ûB¡C•DŒ e'6-。
		5 The primary industries of past investments include high-tech, high growth companies in clean technology, healthcare, and advanced manufacturing sectors. 优先•D†ß为 €/、;—保健、先Û6 业。	6 The investment scope includes advanced manufacturing, modern agriculture, and the maritime economy. Í¹•D†ß î先Û6 业 °代农业Œw ÎN。	7 The main direction of the company's investments is infrastructure investment and the development of electric power, gas, water production and supply, railway transportation and other industries. 主••D¹ /ú@¾½•DŒ5›、)6 、4 产Œ供”、ÁîÐ“Œ其他L业。	8 Over the past years, the investment focus has been on new opportunities in the wealth management industry. —ôî以e :„专è"Î¡ L业„°ÑU¯ƒŒ:G。
		9 Core businesses include venture capital broadly, and sectors related to fund management, assets management, project assessment, and financial advisory in finance. 公ø8Ã业¡ îÎî•D、úÑ¡、D产¡ 、yîÃ估ŒÑ•L业"¡¨âI ¡。	10 The institution prefers investments in fast-moving consumer products (Food and Beverages) and the broader services industry. :„主••D于ë ^9Á ßÁŒ饮™ Œ ¡业。	11 The investments currently focus on education and training. 公øîM„•DÍ¹/Y²Œù-。	12 The focus is on strategic emerging industries such as biotech, internet, new energy, new materials, new generation of information technology, cultural creativity, energy conservation, and environmental protection. 专è于 î、互TQ、°ý•、°P™、°一代信o€/、‡ 、,ý¯保I e'°兴产业。
		13 The institution focuses on investments in Aerospace related industries, as well as industries such as life and health, ocean, military industry, robots, wearable, and intelligent equipment. ô›于ù*z*)ø关L业„•Dõ• '健·、w 军事â业、:h人、ï•4¾ ŒzÿÍ¾ IL业。	14 The institution seeks opportunities in information technology, energy conservation and environmental protection, new energy, new materials, biotechnology, high-end equipment manufacturing and other national strategic emerging industries. (信o€/、,ý¯保、°ý•、°P™、 i€/、ØîÃ 6 Iý¶e'°兴产业•D。	15 The incubation and investment in the transformation of scientific and technological achievements includes information technology, life sciences and Biological Medicine. •DÑ€ œl „u îo信€/、 }ÑfŒ í;f。	16 The institution is equipped with specialized investment teams that produced successful exits in various industries, such as agriculture, chemical engineering, energy, pharmaceutics, healthcare, and information technology. :„â 专业„â (农业、 fâ、ý•、6o、;—保健、信o€/IL业 'Î Ŷ H例。
		17 The fund pays important attention to intelligence-sensitive services, advanced manufacturing, environment protection, and energy saving industries. Í¹• 先Û6 业、¯保Œ,ý产业。	18 The investment areas are very extensive, and include software and hardware companies, production companies and technology service companies, including home and business mobile communications. •D†ß^8•Û ìo件Œl件公ø、 产公øŒ€/ ¡公ø µÛ¶-Œ企业û¯ 信。	19 It regularly invests in satellite applications, information technology, new materials and new energy, aerospace special technologies, automation and special vehicles and other fields. —ô以e•D于*z*)、k ”(、信o€/、°P™Œ°ý•、*z*)yŠ€/”(、}fö è件Œyífî I†ß。	20 To promote local high-tech industry, the institution focuses on new materials, new equipment, new energy, new communication technologies, marine tech, energy conservation and environmental protection, and life and health. Í¹• °P™、°¾ 、°ý•、°一代 信€/、w ØÑ€、,ý¯保、 }健·I†ß 促ÛSØØ°€/产业ÑU
		21 The portfolio covers a broad spectrum of industries: financial services, telecommunications, media technology, energy resources, and life sciences. •DyîŠÊ•Û„L业 Ñ• ¡、5信、′体€/、ý•Œ }Ñf。			
Founding Year (0.8)	*Young LP:* 1 if founded after 2010 [5-9].	1 founded in June 2000, 2000t Ë	2 formally established in 2002, 2002t Ë	3 had more than 15 years of experience in assets management, â …Ç15t„DÑ¡ ÎŒ	4 established at the beginning of 2007, 2007t Ë
		5 founded in December 2010, **2010t12 Ë**	6 established in 2011, **2011t Ë**	7 founded in 2012, **2012t Ë**	8 established in 2015, **2015t Ë**
		9 was recently established in 2016, **2016t° Ë**			

Table A8 (cont.): Description of LP Profiles Randomized Components

Variable	Categorical Value	Options			
Location of HQ (1)	*Headquarter in Foreign Country:* 1 if headquarter in Foreign Country [13,14]. *Headquarter in Beijing:* 1 if headquarter in Beijing [15,16].	1 located in Jiangsu Province. 位于_Ĭ 。	2 set up in the Guizhou Province. ¾É于5Þ 。	3 headquartered in Shanghai. ;è位于上w 。	4 mainly invests in Shanghai and Yangtze River Delta. •D主•†Ô上wŒ•三Ò0：。
		5 located in Guangdong to promote the development of the Greater Bay area. 位于•东 ð›于¨¨'~：ÑU。	6 investment headquartered in Guangzhou. •D;è¾(•Þ。	7 located in the Shenzhen-Hong Kong Business Cooperation Zone. 0¹位于ñ/业¡ 作：。	8 set up 10 business centers in 8 cities including Beijing, Shanghai, Guangzhou, Shenzhen and Chongqing. (京 上w •Þ ñ3 Í† I8个Î +¾É了10个业¡中Ã。
		9 has 15 branches in 10 regions across the whole China. (中ý内010个0：¾ 15¶ /：„。	10 which invests all provinces and cities across the country. •DyĭtÔ全ý 。	11 established in Fujian Province as one of the most important investment platforms. /•ú Í•„•DsðZ之一。	12 an influential investment institution in Shandong Province. /ĭMq东 具 qÍ›„•D：„。
		13 headquartered in the Silicon Valley. ;è位于E7。	14 based in Singapore and concentrated on Asia and growth markets. 位于° a 主•关è亚2Œ°兴：。	15 located in Beijing. 位于 京。	16 headquartered in Beijing, it has o□ces in Europe and North America. ;è位于 京 ('2Œ Ž¾ /：„。
Investment Philosophy (0.63)	*Investment Philosophy:* 1 if investment philosophy is included [1-10].	1 Its investment philosophy is to promote new industrialization through science and technological development. It also takes advantage of the amplifying e□ect of financial leverage and enforces professional management. •D ð/依`Ñf€/„ÑUŒØ°€/„ Ñ ¨¨°‹å业 Ñ%`F>'H″ ž½专业 ¡ 。	2 To attract to the local area high-quality venture capital firms, projects, technologies, and talents, it focuses on cultivating strategic and emerging industries. •D专è于ù² eŒ°兴产业 以8 Ø(Ĭ„Ĭi•D、yĭ、€/Œ人M0S0。	3 It aims to enhance independent innovation ability through attracting venture capital investment into SMEs, especially science and technology SMEs, and taking advantage of the amplifying e□ect of financial leverage. 为了Ñ%DÑ„`F>'H″ 8Ĭi•D公ø ù中 企业„•D y+/Ñ€‹企业 以ÐØê主 °ý›。	4 It aims to enrich the structure of financial products through technological and management innovation, thus enlarging the space for economic development and social reform. Ĭ%—è/ 不-¨Û€/Œ¡ ° 丰ĬÑ•产ÁÓ„ 为ĬNÑUŒ>会9iÐ供ô• „zð。
		5 It aims to promote the development of the venture capital market, thus accelerating the improvements of financing environment and economic structure. ÑUĭ /促ÛĬi•D¯ƒ„ÑU ¨Û•D¯ƒŒĬNÓ„ t。	6 Accelerating the improvement of industrial structure through the integration of high-quality social resources is its investment objective. •DZ “Æ 优(>会D• 促Û产业优 ”„—è。	7 Its long-term goal is to promote the development of high-tech industries in China through providing value-added services related to venture capital investment, thus nurturing strategic industries and promoting the economic transformation. •Ĭ/ÇÐ供ĬĭiD¤关„ž值 ¡ 促Û中ý¤ÑЄ产业„ÑU ù² e'产业 ž°ĬNl‹„Ĭ 。	8 It aims to attract social capital to follow its investment, including prestigious venture capital institutions from both within and outside the local province. ūúÑ8 >会D,„ ô ì内 „一AĭiD公ø。
		9 It implements a management system that separates management decision-making from the government; Its operation principles are “government guidance, market operation, amplification through leverage, and risk prevention”. :„žL¡ 决V与?œ »„¡体6 g“?œ ü :Ð作 `F>'ŒĬi2 ”„Ÿ Ð作。	10 As a long-term investor, it has the investment philosophy of achieving the targeted return rate while keeping the risks low. 作为• •D •D ð/(ž°Þ¥ĭ ö§6Ĭi。		

Table A8 (cont.): Description of LP Profiles Randomized Components

Variable	Categorical Value	Options			
Corporate Governance (0.5)	*Corporate Governance:* 1 if corporate governance [1-7].	1 The organization adopts a rigorous auditing and compliance system on par with international standards to better serve the interests of investors. 公ø 入严<„¡¡Œ Ä体û 以ô }θ ¡于•D人„)Ê。	2 This firm implements strict risk management with modern corporate governance practices; it closely follows the core values of "integrity, professionalization, standardization, and innovation". 公øZ "Ú信 专业 Ä °"„ 8Ā价值Ā 依`°代 „公ø» 严<„ž¼Ît§6Œ¡ 。	3 With a professional team and an open cultural atmosphere, this firm o□ers comprehensive and professional financial services to the clients, and is committed to becoming the most reliable, the most sustainable, and the most advanced firm in the industry. 依`专业„Xåâ >„‡ ô 为•D Ð供全bŒ专业„Ñ• ¡ ô›于 为L业" ī` ī í„Œ †先„公ø"。	4 With the goal of accelerating industrial advancement and social development, this firm has the following codes of conduct: professionalization, innovation, rigor, and e□ciency. 公øZ 专业、 °、严(、ØH„准 以促Û产业Ûe Œ>会ÑuÑ%ī •作(。
		5 Bringing long-term returns at an acceptable level of risk is its long-standing investment philosophy. •以e„•D õ/(ī¥×„Îi 4s下&e• Þ¥。	6 To help start-ups establish a leading position in their industries, this firm established a standard and rigorous investment and risk management system, introduced advanced management philosophy and professional methods, and built an experienced and high-quality investment team. úÊĀ 、严(„•D¡ 体ûŒÎi §6体û 入先Û¡ õŒ专业¡ Kµ ù²了一/ÎŒ丰Ì、Ø („•Dâ nÊ 业‹企业„†先θ位。	7 This firm operates, invests, manages, and withdraws in a market-oriented way. 以 :ü „¹ Ð作、•D、¡ Œ ¤Þ。	
Stage Focus (0.5)	*Stage Focus:* 1 if show stage focus [1-3]	1 The purpose is to channel capital to angel projects to help finance early stage enterprises. Æ中•D企业„é)使yî vÑ% ùD,„¬¯作(。	2 It frequently provides financing for investments in the growth and expansion stage, but it also invests selectively in early and late stage projects. 一õ以e为企业„i 6µÐ供•D õ•Dé ŒZ „yī。	3 The investments target late stage projects which can facilitate the IPO of innovative companies. •D@Íî于 6µ 以.© °企业 ž°上 ī 。	

TABLE A9. Years of Experience in the Firm of Targeted Respondents

	N	Mean	SD	p10	p25	Median	p75	p90
Panel A: All								
All	513	9.87	5.99	4	6	9	12	18
Partner	175	11.59	6.54	5	7	10	15	20
Director	80	9.44	6.09	3	5	8	12	19
Manager/Executive	216	9.20	5.56	4	5	8	11	17
Other	42	6.93	3.06	3	5	6.5	9	11
Panel B: GPs								
All	344	9.58	5.40	4	6	9	11.5	16
Partner	142	10.96	6.29	5	7	9	14	20
Director	33	9.61	5.28	4	6	9	11	14
Manager/Executive	143	8.88	4.39	4	6	8	11	13
Other	26	5.92	2.02	3	5	6	7	9
Panel C: LPs								
All	169	10.45	7.04	3	5	9	14	20
Partner	33	14.33	7.00	6	9	15	19	21
Director	47	9.32	6.66	2	4	8	13	20
Manager/Executive	73	9.84	7.32	2	5	8	12	21
Other	16	8.56	3.76	3	6	9	11.5	14

Notes: This table reports summary statistics of year of experience in the respondent firm, for both GP and LP respondents. We have a total of 1,000 individual respondents, of which 688 are GP respondents and 312 are LP respondents. We categorize positions into four types: Partner, Director, Manager/Executive, and Other. *Partner* indicates a certain kind of partner. *Director* indicates members of the board of directors. *Manager/Executive* indicates a senior executive or department head/manager of an entity. *Other* indicates positions other than those mentioned above. We report the group-level mean, standard deviation, 10% percentile, 25% percentile, median, 75% percentile and 90% percentile. N indicates the number of non-missing values for each group.

TABLE A10. GP Preferences for LPs: Expected Interest

	Expected Interest	
	(1)	(2)
Government Ties	-0.077	-0.051
	(-2.00)	(-1.39)
Large Investor	0.133	0.140
	(3.84)	(4.22)
High Registered Capital	0.227	0.224
	(6.45)	(6.64)
Industry Information	-0.240	-0.181
	(-6.99)	(-5.52)
Young LP	0.014	0.032
	(0.41)	(0.95)
Headquarter In Foreign Country	0.044	-0.017
	(0.71)	(-0.27)
Headquarter In Beijing	0.270	0.244
	(5.32)	(4.95)
Corporate Governance	0.003	0.050
	(0.09)	(1.52)
Investment Philosophy	0.006	0.046
	(0.16)	(1.35)
Stage Focus	-0.105	-0.091
	(-3.02)	(-2.74)
Observations	13363	13363
Unique GPs	679	679
GP FEs	No	Yes
Model	OLS	OLS
DV Mean	6.425	6.425
DV SD	1.999	1.999

Notes: This table shows how GP response to "Expected Interest" from potential LPs vary with LP profile characteristics. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \epsilon_{ij}$. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. Expected Interest is on a scale of 1-10. Column 1 shows the baseline OLS. Column 2 shows the regression adding GP respondents fixed effects. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A11. GP Preferences for LPs (Ordered Probit)

	Partner Rating	
	(1)	(2)
Government Ties	-0.055	-0.041
	(-2.79)	(-2.03)
Large Investor	0.069	0.088
	(3.88)	(4.78)
High Registered Capital	0.099	0.106
	(5.52)	(5.75)
Industry Information	-0.102	-0.085
	(-5.76)	(-4.67)
Young LP	0.000	-0.006
	(0.01)	(-0.34)
Headquarter In Foreign Country	0.013	-0.021
	(0.40)	(-0.63)
Headquarter In Beijing	0.100	0.094
	(3.72)	(3.35)
Corporate Governance	0.009	0.032
	(0.50)	(1.77)
Investment Philosophy	0.008	0.018
	(0.43)	(0.97)
Stage Focus	-0.038	-0.045
	(-2.15)	(-2.42)
Observations	13375	13375
Unique GPs	679	679
GP FEs	No	Yes
Model	OLS	OLS
DV Mean	6.448	6.448
DV SD	2.016	2.016

Notes: This table shows GP preferences for LP synthetic characteristics with an ordered probit model. Ordered probit cutpoints (column 1): -1.87, -1.57, -1.36, -1.18, -0.47, -0.03, 0.41, 0.96, 2.33. Ordered probit cutpoints (column 2): -2.60, -2.25, -1.99, -1.79, -0.97, -0.49, -0.02, 0.58, 2.17. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. Partner Rating is on a scale of 1-10. Column 1 shows the basic models. Column 2 shows regressions adding GP respondents fixed effects. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A12. GP Preferences for LPs: Cooperation Interest

	Cooperation Interest	
	(1)	(2)
Government Ties	-0.021	-0.014
	(-3.05)	(-2.23)
Large Investor	0.036	0.039
	(5.88)	(7.22)
High Registered Capital	0.047	0.047
	(7.51)	(8.34)
Industry Information	-0.055	-0.042
	(-9.13)	(-7.79)
Young LP	-0.002	0.001
	(-0.38)	(0.22)
Headquarter In Foreign Country	0.009	0.006
	(0.78)	(0.53)
Headquarter In Beijing	0.046	0.043
	(5.46)	(5.56)
Corporate Governance	0.002	0.011
	(0.25)	(2.11)
Investment Philosophy	-0.007	0.003
	(-1.16)	(0.54)
Stage Focus	-0.032	-0.030
	(-5.19)	(-5.40)
Observations	13499	13499
Unique GPs	679	679
GP FEs	No	Yes
Model	OLS	OLS
DV Mean	0.852	0.852
DV SD	0.355	0.355

Notes: This table shows GP preferences for LP synthetic characteristics, using the dummy Cooperation Interest as dependent variable. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. Column 1 shows the basic models. Column 2 shows regressions adding GP respondents fixed effects. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A13. GP Preferences for LPs: Clustering SEs at Respondent Level

	Partner Rating	
	(1)	(2)
Government Ties	-0.114	-0.079
	(-2.79)	(-1.99)
Large Investor	0.147	0.167
	(4.28)	(4.91)
High Registered Capital	0.196	0.185
	(5.50)	(5.23)
Industry Information	-0.231	-0.178
	(-6.54)	(-5.09)
Young LP	-0.004	-0.010
	(-0.12)	(-0.28)
Headquarter In Foreign Country	0.034	-0.022
	(0.52)	(-0.32)
Headquarter In Beijing	0.208	0.175
	(3.89)	(3.27)
Corporate Governance	0.013	0.055
	(0.37)	(1.64)
Investment Philosophy	0.014	0.039
	(0.39)	(1.14)
Stage Focus	-0.085	-0.086
	(-2.31)	(-2.37)
Observations	13375	13375
Unique GPs	679	679
GP FEs	No	Yes
Model	OLS	OLS
DV Mean	6.448	6.448
DV SD	2.016	2.016

Notes: This table shows GP preferences for LP synthetic characteristics. Standard errors are clustered at the respondent level. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. Partner Rating is on a scale of 1-10. Column 1 shows the basic models. Column 2 shows regressions adding GP respondents fixed effects. Standard Errors are clustered at the respondent level. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A14. GP Preferences for LPs: Robustness Sample Splits

	Job Position				Expected Interest		Perceived Importance	
	(1) Partner	(2) Director	(3) Manager	(4) Other	(5) High	(6) Low	(7) High	(8) Low
Government Ties	-0.090	-0.007	-0.180	-0.146	-0.066	-0.131	-0.111	-0.118
	(-1.53)	(-0.07)	(-2.86)	(-0.70)	(-1.68)	(-2.08)	(-1.85)	(-2.29)
Large Investor	0.131	0.173	0.168	0.062	0.008	0.235	0.207	0.099
	(2.49)	(1.92)	(2.95)	(0.33)	(0.23)	(4.11)	(3.87)	(2.14)
High Registered Capital	0.174	-0.010	0.293	0.271	0.030	0.271	0.176	0.214
	(3.26)	(-0.11)	(5.10)	(1.43)	(0.84)	(4.75)	(3.25)	(4.56)
Industry Information	-0.209	-0.112	-0.263	-0.579	-0.019	-0.360	-0.261	-0.207
	(-4.00)	(-1.25)	(-4.66)	(-3.19)	(-0.54)	(-6.41)	(-4.94)	(-4.51)
Young LP	-0.026	0.014	0.072	-0.470	0.007	-0.028	-0.003	-0.007
	(-0.49)	(0.15)	(1.26)	(-2.53)	(0.20)	(-0.50)	(-0.06)	(-0.15)
Headquarter In Foreign Country	0.035	-0.184	0.057	0.514	-0.071	0.132	0.121	-0.035
	(0.39)	(-1.05)	(0.56)	(1.83)	(-1.08)	(1.36)	(1.29)	(-0.43)
Headquarter In Beijing	0.237	0.281	0.102	0.455	0.001	0.316	0.161	0.241
	(2.99)	(2.29)	(1.21)	(1.59)	(0.03)	(3.55)	(2.03)	(3.56)
Corporate Governance	0.011	0.006	0.026	-0.085	0.033	-0.014	0.001	0.024
	(0.21)	(0.06)	(0.47)	(-0.47)	(0.95)	(-0.24)	(0.02)	(0.51)
Investment Philosophy	0.050	0.102	-0.040	-0.117	0.051	-0.055	0.001	0.023
	(0.91)	(1.10)	(-0.69)	(-0.62)	(1.38)	(-0.95)	(0.01)	(0.49)
Stage Focus	-0.095	-0.005	-0.088	-0.151	0.016	-0.170	-0.031	-0.126
	(-1.80)	(-0.06)	(-1.55)	(-0.81)	(0.46)	(-2.99)	(-0.58)	(-2.72)
Observations	6119	1769	4917	570	6856	6519	5783	7592
Unique GPs	311	89	249	30	672	676	293	386
GP FEs	No	No	No	No	No	No	No	No
Model	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
DV Mean	6.411	6.575	6.478	6.182	7.072	5.791	6.414	6.473
DV SD	2.051	1.885	1.992	2.202	1.458	2.294	2.024	2.010

Notes: This table reports the main results on GP preferences for LP characteristics for different sample splits, namely for different respondents' job positions, for high versus low expected interest in a given synthetic profile, and for high versus low stated perceived importance of our matching exercise. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. Partner Rating is on a scale of 1-10. Column 1-4 show regressions for different groups of GPs depending on the respondents' job position. Columns 5 and 6 show regressions for different groups of observations, namely those with an above-median versus below-median rating of Expected Interest (i.e., our second dimension over which GPs rate each synthetic profile). Columns 7 and 8 show regressions for different groups of GPs depending on whether their stated perceived importance of our matching exercise is above-median or below-median. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A15. GP Preferences for LPs: Heterogeneity across Robustness Sample Splits and Government Ownership

	Job Position								Expected Interest				Perceived Importance			
	Partner		Director		Manager		Other		High		Low		High		Low	
	(1) Gov	(2) Non-Gov	(3) Gov	(4) Non-Gov	(5) Gov	(6) Non-Gov	(7) Gov	(8) Non-Gov	(9) Gov	(10) Non-Gov	(11) Gov	(12) Non-Gov	(13) Gov	(14) Non-Gov	(15) Gov	(16) Non-Gov
Government Ties	0.238	-0.158	0.016	0.010	-0.093	-0.255	0.422	-0.295	0.061	-0.123	-0.009	-0.184	0.001	-0.161	0.031	-0.185
	(1.65)	(-2.44)	(0.10)	(0.08)	(-0.96)	(-3.06)	(1.34)	(-1.12)	(0.88)	(-2.58)	(-0.08)	(-2.44)	(0.01)	(-2.22)	(0.33)	(-2.99)
Large Investor	0.175	0.127	0.252	0.096	0.171	0.162	0.198	0.078	0.004	0.010	0.298	0.212	0.284	0.166	0.101	0.099
	(1.37)	(2.21)	(1.70)	(0.87)	(1.96)	(2.14)	(0.74)	(0.32)	(0.06)	(0.22)	(2.84)	(3.09)	(3.00)	(2.55)	(1.19)	(1.78)
High Registered Capital	0.350	0.145	-0.158	0.092	0.336	0.257	-0.563	0.649	0.014	0.035	0.281	0.272	0.308	0.110	0.129	0.252
	(2.64)	(2.48)	(-1.05)	(0.82)	(3.81)	(3.38)	(-2.06)	(2.72)	(0.21)	(0.81)	(2.71)	(3.98)	(3.19)	(1.69)	(1.50)	(4.48)
Industry Information	-0.084	-0.236	-0.135	-0.060	-0.311	-0.223	-0.917	-0.329	-0.046	-0.010	-0.401	-0.345	-0.312	-0.241	-0.204	-0.210
	(-0.65)	(-4.12)	(-0.92)	(-0.54)	(-3.64)	(-2.98)	(-3.00)	(-1.45)	(-0.73)	(-0.22)	(-3.91)	(-5.12)	(-3.32)	(-3.76)	(-2.44)	(-3.82)
Young LP	-0.111	-0.009	-0.179	0.150	0.138	0.014	-0.144	-0.699	-0.005	0.011	-0.062	-0.013	0.008	-0.012	0.012	-0.016
	(-0.86)	(-0.16)	(-1.22)	(1.34)	(1.61)	(0.18)	(-0.52)	(-2.95)	(-0.08)	(0.25)	(-0.60)	(-0.19)	(0.08)	(-0.18)	(0.14)	(-0.28)
Headquarter In Foreign Country	0.096	0.020	-0.403	-0.010	0.106	0.023	0.431	0.572	-0.068	-0.071	0.069	0.162	0.244	0.066	-0.149	0.017
	(0.45)	(0.20)	(-1.42)	(-0.04)	(0.70)	(0.16)	(0.96)	(1.57)	(-0.57)	(-0.89)	(0.39)	(1.37)	(1.48)	(0.57)	(-1.01)	(0.17)
Headquarter In Beijing	0.226	0.231	0.343	0.252	0.312	-0.067	-0.415	0.842	0.087	-0.038	0.408	0.274	0.314	0.087	0.243	0.238
	(1.13)	(2.68)	(1.65)	(1.71)	(2.44)	(-0.60)	(-0.89)	(2.49)	(0.89)	(-0.60)	(2.54)	(2.55)	(2.16)	(0.92)	(1.96)	(2.93)
Corporate Governance	0.016	0.014	0.155	-0.087	-0.011	0.054	0.655	-0.387	0.080	0.013	0.012	-0.023	0.104	-0.051	0.003	0.036
	(0.13)	(0.24)	(1.06)	(-0.78)	(-0.13)	(0.71)	(2.32)	(-1.71)	(1.27)	(0.31)	(0.12)	(-0.34)	(1.10)	(-0.79)	(0.03)	(0.65)
Investment Philosophy	-0.081	0.079	0.169	0.064	-0.014	-0.057	0.331	-0.161	0.090	0.036	-0.108	-0.029	0.061	-0.026	-0.042	0.052
	(-0.61)	(1.31)	(1.09)	(0.57)	(-0.16)	(-0.73)	(1.13)	(-0.69)	(1.37)	(0.81)	(-1.03)	(-0.41)	(0.63)	(-0.39)	(-0.49)	(0.91)
Stage Focus	0.080	-0.126	-0.194	0.121	-0.126	-0.047	0.132	-0.278	-0.010	0.027	-0.077	-0.207	-0.016	-0.033	-0.132	-0.121
	(0.62)	(-2.18)	(-1.30)	(1.09)	(-1.47)	(-0.62)	(0.45)	(-1.20)	(-0.15)	(0.64)	(-0.74)	(-3.04)	(-0.16)	(-0.51)	(-1.57)	(-2.17)
Observations	1011	5108	760	1009	2270	2647	180	390	2183	4673	2038	4481	1901	3882	2320	5272
Unique GPs	52	259	38	51	115	134	9	21	212	460	213	463	96	197	118	268
GP FEs	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Model	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
DV Mean	6.408	6.412	6.470	6.654	6.449	6.502	6.667	5.959	7.071	7.072	5.789	5.792	6.417	6.412	6.481	6.470
DV SD	2.044	2.052	2.029	1.766	2.053	1.938	1.849	2.315	1.465	1.455	2.336	2.275	2.061	2.005	2.020	2.006

Notes: This table compares government GP and nongovernment GP preferences for LP synthetic characteristics for different sample splits, namely for different respondents' job positions, for high versus low expected interest in a given synthetic profile, and for high versus low stated perceived importance of our matching exercise. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. We run separate regressions for government GPs and nongovernment GPs and for each sample split. Gov-GPs are defined as GPs with government owners. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question within each specific group. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. Partner Rating is on a scale of 1-10. Column 1-8 show regressions for different groups of GPs depending on the respondents' job position. Columns 9-12 show regressions for different groups of observations, namely those with an above-median versus below-median rating of Expected Interest (i.e., our second dimension over which GPs rate each synthetic profile). Columns 13-16 show regressions for different groups of GPs depending on whether their stated perceived importance of our matching exercise is above-median or below-median. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A16. Variables in Synthetic GP Profiles

Variables	Description
Government Investors	A dummy indicating whether the GP has government investors.
Team Government Experience	A dummy indicating whether the GP's team has experience in government.
Team Industry Experience	A dummy indicating whether the GP's team has experience in industry.
High AUM	A dummy indicating whether the GP has high AUM ($>$ 500 million yuan).
High IRR	A dummy indicating whether the GP obtained past high IRR ($\geq$ 30%).
Exits	A dummy indicating whether the GP had past successful exits.
Ranked GP	A dummy indicating whether the profile is a top GP (a GP that has ever been ranked in top lists).
Industry Information	A dummy indicating whether the GP profile shows industry information.
Young GP	A dummy indicating whether the GP is a young GP (founded after 2010).
Headquarter in Foreign Country	A dummy indicating whether the GP is headquartered in a foreign country.
Headquarter in Beijing	A dummy indicating whether the GP is located in Beijing.
VC	A dummy indicating whether the GP is a VC (and not a PE).
Market Approach	A dummy indicating whether the GP profile displays description of market approach.
Investment Philosophy	A dummy indicating whether the GP profile displays description of investment philosophy.
Investment Stage	A dummy indicating whether the GP profile displays the targeted stage of investments.
Investment Horizon	A dummy indicating whether the GP profile displays the typical investment horizon.
Serial Fund Manager	A dummy indicating whether the GP has managed funds in the past.

Notes: This table illustrates the coding of regressors based on original profile components. The first column shows the main regressors. The second column gives a brief description of the variables. See Appendix Table A17 for details on all profile components.

TABLE A17. Description of GP Profiles Randomized Components

Variable	Categorical Value	Options			
Government Investors (0.25)	*Government Investors:* 1 if government-related [2,3].	1 The investors include insurance, banking, and other financial institutions.	2 The investors include national as well as local provincial and municipal governments.	3 The firm has been actively involved in industries with local government support.	
Team Government Experience (0.25)	*Team Government Experience:* 1 if team members have government-related experience [1-6].	1 Team members have worked in the local government and as leaders in the entrepreneurship development of the local government for many years,	2 The team members have profound legal working experience with IPOs, and are very familiar with the policies and regulations of the China Securities Regulatory Commission (CSRC), and with its regulation and risk management policies,	3 The partners worked in government departments for many years, and gained extensive experience in capital management, corporate mergers and acquisitions, and IPOs,	4 The team consists of both government officials and industry experts, who are skilled in project selection,
		5 The partners have over 10 years of working experience in state-owned companies, state-owned banks, and SASAC (State-owned Asset Supervision and Administration Commission),	6 The team has deep connections with the government thanks to the leading role played in equity investments in major successful projects,		
Team Industry Experience (0.25)	*Team Industry Experience:* 1 if team members have industry-related experience [1-7].	1 The team lead previous investments in numerous projects and has achieved remarkable success, and has accumulated experience in assessing, structuring and managing investments in China's unique environment,	2 The individual partners obtained more than 10 patents on leading technologies,	3 The team has extensive experience in asset management and investment banking,	4 The partners have rich practical experiences in and deep understandings of China's capital market; they also have sharp insights and good judgment about the macroeconomic situation, industrial policies, and project investment.
		5 During the past 9 years, the team led the investment in 8 companies, and 3 of them went public on the NASDAQ,	6 The co-founder previously worked at McKinsey & Co., Inc. and Goldman Sachs & Co., and had participated in several major investments,	7 The team won the prize of China's Top Ten Venture Capitalist and of best investors in the field of new technology,	
AUM (0.8)	*High AUM:* **1 if >500 Million [4-8].**	1 The firm managed 200 Million yuan of capital	2 The firm's total assets under management are close to 450 Million yuan	3 The firm has 500 Million yuan of capital to manage	4 The firm managed over 800 Million yuan
		5 The corporation managed 1 Billion yuan	6 The company managed projects for a total amount of 2.5 Billion yuan	7 The firm has assets under management that amount to over 5 Billion yuan	8 The firm has raised more than 10 billion yuan for its previous funds
IRR (0.8)	*High IRR:* 1 if IRR ≥30% [5-8].	1 achieved an average IRR of 10%.	2 reached a comprehensive IRR of 15%.	3 led to an average IRR of 20%.	4 achieved a comprehensive IRR of 25%.
		5 lead to great performance with an IRR of 30%.	6 and the investment portfolios reached an IRR of 35%.	7 achieved an IRR of 60% that largely surpassed that of its competitors.	8 reached the best performance in the venture capital industry with IRR higher than 100%.

Table A17 (cont.): Description of GP Profiles Randomized Components

Variable	Categorical Value	Options			
Investments and Exits (0.8)	*Exits:* 1 if show successful exits [3-8].	1 The firm supported 8 start-ups, • D了8¶ 公ø	2 It made 20 investments in the past five years, Ç»5t Û L了…20 • D	3 It invested in over 15 projects across China, and had 8 successful exits through trade sales and M&A activity, (中ý θ • D了15个yî Ÿ 出了8¶企业	4 It invested in 18 companies across various regions in China, three of which have since gone public, (中ý不 θ：• D了18¶公ø 3个• Dyîò上
		5 It made 12 investments in the past five years, 3 of which have gone public in both domestic and international stock exchanges, (Ç»5t中 共• D12¶企业 其中3¶ò(ý内 ýEÁ8交@上	6 By the end of 2018, the firm has made investments in 25 portfolio companies and has had 6 of them listed and 5 of them with successful exits through acquisitions, *ó2018t• ò• D25¶公ø 其中6¶上 5¶ Çv-Ÿ 出	7 It invested in over 50 projects, which lead to 15 listed companies, (中ý θ• D了50 个yî ù²了15¶上 公ø	8 Over the past years, the firm has invested in more than 100 technology companies worldwide, with more than 20 of them going public or getting listed on the National Equities Exchange and Quotations (NEEQ), (Ç»„几tÌ :„(全 òi内• D了100 ¶Ñ€公ø ò 20 个• Dyî上 (°三• L,
Ranked GP (0.025)	*Ranked GP:* 1 if GP is top ranked [1-4].	1 The company was ranked among the Top 20 VC Firms of the Year in 2018. «Ã为2018t中ý 业• D：„M20：。	2 The firm won the Top 50 VC Firms of the Year 2018. b—2018t中ý 业• D：„M50：„c誉。	3 It was recognized among the Top 20 PE Firms of the Year in each of the past five years. !«Ã为t¦Áß¡C• D：„20：。	4 The private equity firm was ranked as the Top 50 PE Firms of the Year 2018. 为2018t 佳50¶Áß• D：„。
Industry (0.5)	*Industry:* 1 if show industry information [1-16].	1 It focuses on the Internet industry and provides financing service for enterprises in the industry. Íı• 互TQL业 v为企业Ð供Ñ• ¡。	2 In the past, the company has successfully completed several investments in Social Network and Media. ò• DyîZÆ(>交QÛŒ′体L业。	3 The firm targets investments in information technology and related sectors such as Blockchain, Big Data, Artificial Intelligence, Robot, or Human Face Recognition. Íı• :Wþ、'pn、人åzý、:h人 人8Æ+I信o€/ø关„ØÑ€†ß。	4 The firm seeks to invest in Bio and Healthcare industries and actively seeks equity investments or strategic buyouts. ô›于• D iŒ;—保健†ß vî• ûB¡C• DŒ e'6-。
		5 The primary industries of past investments include high-tech, high growth companies in clean technology, healthcare, and advanced manufacturing sectors. 优先• D†ß为 €/、;—保健、先Û6 业。	6 The investment scope includes advanced manufacturing, modern agriculture, and the maritime economy. Íı• D†ß îŸ先Û6 业 °代农业Œw ÏN。	7 The investments currently comprise primarily online education and training. 公øîM„• DÍı/互TQY²Œù-。	8 The investment focus is on strategic emerging industries such as biotech, internet, new energy, new materials, new generation of information technology, cultural creativity, energy conservation, and environmental protection. 专è于 i、互TQ、°ý•、°P™、°一代信o€/、‡、,ý¯保I e'°兴产业。
		9 The firm focuses on investments in Aerospace related industries, as well as industries such as life and health, ocean, military industry, robots, wearable, and intelligent equipment. ô›于ù*z*)ø关L业„• D ö• '健·、w 军事å业、:h人、î•4¾ Œzý¾ IL业。	10 The partners seek opportunities in information technology, energy conservation and environmental protection, new energy, new materials, biotechnology, high-end equipment manufacturing and other national strategic emerging industries. (信o€/、,ý¯保、°ý•、°P™、 i€/、ØîÃ 6 Iý¶ e'°兴产业•D。	11 The incubation and investment in the transformation of scientific and technological achievements includes information technology, life sciences and Biological Medicine. •DÑ€ œl „u îi信o€/、 }ÑfŒ i;f。	12 The investment team pays important attention to intelligence-sensitive services, advanced manufacturing, environment protection, and energy saving industries. Íı• 先Û6 业、¯保Œ,ý产业。
		13 The investment areas are very extensive, and include software and hardware companies, production companies and technology service companies, including home and business mobile communications. •D†ß^8•Û îo件Œl件公ø、 产公øŒ€/ ¡公ø µÖ¶-Œ企业ü¨ 信。	14 It regularly invests in satellite applications, information technology, new materials and new energy, aerospace special technologies, automation and special vehicles and other fields. 一ô以e•D于*z*)、k ″(、信o€/、°P™Œ°ý•、*z*)yŠ€/″(、}föè件Œyífî†Iî†ß。	15 To promote local high-tech industry, the institution focuses on new materials, new equipment, new energy, new communication technologies, marine tech, energy conservation and environmental protection, and life and health. Íı• °P™、°¾ 、°ý•、°一代 信€/、w øÑ€、,ý¯保、 }健·Iî†ß促ÛS0Ø°€/产业ÑU。	16 The portfolio covers a broad spectrum of industries: financial services, telecommunications, media technology, energy resources, and life sciences. •DyîŠÊ•Û„L业 Ñ•¡、5倍、′体€/、ý•Œ }Ñf。

Table A17 (cont.): Description of GP Profiles Randomized Components

Variable	Categorical Value	Options			
VC Founding Year (0.5)	*VC:* 1 if VC [1-11]. *Young GP:* 1 if founded after 2010 [5-11].	1 The venture capital corporation has 20 years of industry experience. 业•D：„å Ñ20t„L业Ï Œ	2 The venture capital firm was founded in 2007, Ïi•D：„ Ê于2007t	3 The venture capital firm was founded in 2008, Ïi•D：„2008t Ê	4 The venture capital corporation has 10 years of industry experience, 业•D：„å 10t„L业Ï Œ
		5 The venture capital company was established at the beginning of 2010, **业•D：„ Ê于2010t**	6 The venture capital firm was established in 2011, **一¶ Ê于2011t„Ïi•D：„**	7 The venture capital corporation was founded in 2012, **Ïi•D：„2012t Ê**	8 The venture capital firm was founded in 2013, **一¶2013t è册 Ê„Ïi•D：„**
		9 The growth equity focused firm was founded in 2014 and is specialized in strategic industries, **Ê于2014t 专è于 e产业„Ïi•D：„**	10 The venture capital investor focuses on the Chinese market and was established in 2015, **一¶专è于中ý ：„Ïi•D：„ Ê于2015t**	11 The venture capital firm was established in 2016, **2016t Ê„Ïi•D：„**	
PE Founding Year (0.5)	*PE:* 1 if PE [1-11]. *Young GP:* 1 if founded after 2010 [3-11].	1 The private equity firm was founded in 2008, Áß¡C•D：„ Ê于2008t	2 The private equity has 10 years of industry experience, Áß¡C•D：„å 10t„L业Ï Œ	3 The private equity company was established at the beginning of 2010, **Áß¡C•D：„ Ê于2010t**	4 The private equity firm was established in 2011, **一¶ Ê于2011t„Áß¡C•D：„**
		5 The private equity firm was founded in 2012, **Áß¡C•D：„2012t Ê**	6 The private equity firm was founded in 2013, **一¶2013t è册 Ê„Áß¡C•D：„**	7 The private equity investor focuses on the Chinese market and was established in 2014, **一¶专è于中ý ：„Áß¡C•D：„ Ê于2014t**	8 The private equity firm was established in 2014, **2014t Ê„Áß¡C•D：„**
		9 The private equity corporation was founded in 2015 and is specialized in emerging industries, **Ê于2015t 专è于°兴产业„Áß¡C•D：„**	10 The private equity firm was established in 2015, **2015t Ê„Áß¡C•D：„**	11 The private equity firm was established in 2016, **一¶ Ê于2016t„Áß¡C•D：„**	
Location of HQ (0.8)	*Headquarter in Foreign Country:* 1 if headquarter in Foreign Country [11]. *Headquarter in Beijing:* 1 if headquarter in Beijing [12-14].	1 located in the Zhejiang Province, 位于Y_	2 which invests all over the country, •DyîtÖ全ý	3 has 15 branches across China, (中ý内0¾ 15个ž公¤	4 headquartered in Shanghai, ;è位于上w
		5 located in Shanghai, 位于上w	6 mainly invests in Shanghai and Yangtze River Delta, •D主•tÖ上wŒ•三Ô0：	7 located in Guangdong to promote the development of the Greater Bay area, 位于•东 ô›于¨¨'~：Ñ U	8 with the investment headquarter located in in Guangzhou, •D;è¾(•Þ
		9 located in Shenzhen, 位于ñ3	10 set up 10 branches in Beijing, Shanghai, Guangzhou, Shenzhen, and several other cities, (京 上w ñ3IÎ ¾ Ê10个ž事	11 based in the U.S. and concentrated on Asia and growth markets, **(Žý¾Ê 专è于亚2Œ°兴：**	12 located in the Beijing province, **位于 京**
		13 located in Beijing, **位于 京**	14 headquartered in Beijing, **;è位于 京**		

Table A17 (cont.): Description of GP Profiles Randomized Components

Variable	Categorical Value	Options			
Market Approach (0.8)	*Market Approach:* 1 if market approach [1-6].	1 This company aims to give full play to the role of the market in allocating resources and expand private capital investments in innovation and entrepreneurship, so as to promote the development of emerging industries. 公ø îˇ /充 Ñ% :D•Mn Œî'>会D,•D ° 业„作(以促Û°兴产业ÑU。	2 With the help of the private capital market and modern management practices, this organization channels capital to sectors of strategic importance and beneficial to social development. 公ø依XD, : Ð(°代¡ e 8 {>会DÑ•D具 e 义Œ促Û>会ÑU„†ß。	3 This organization is one of the earliest market-oriented financing platforms in China. The management team is committed to increasing investors' asset value, using modern management methods to protect investors' rights. 公ø/ é„以 :为ü „•D •Dsð之一 ¡ Ð(°代¡ ¹ ô¤•D C› ô›于为 •D D,保值ž值。	4 This organization channels capital to independent innovative enterprises nationwide. It aims to better promote technological innovation through its professional business model and its e□cient and reliable market-oriented investment system. :„b 全ý ê主 °企业 v 为其Ð供DÑ/ Ç专业„Ît %! ØHî`„ : •D体 û ô}θ¨¨Ñ€ °。
		5 It is one of the earliest market-oriented investment firms in China, 中ý é Ê„以 :为ü „•D公ø之一	6 Independent decision-making, professionalism, and teamwork define the culture of this organization, 以îÊ决V、专业¾^Œâ ¾^为ÀÇ‡		
Investment Philosophy (0.5)	*Investment Philosophy:* 1 if investment philosophy is included [1-7].	1 It aims to enhance independent innovation ability through increasing investment into innovative startups, especially science and technology startups. 不- 'ù °企业„•D y+/Ñ€‹企业 以ÐØê主 °ý›。	2 It aims to enrich the structure of financial products through technological and management innovation, thus enlarging the space for economic development and social reform. Ît%–è/ 不-¨Û€/Œ¡ ° 丰ÎÑ•产ÁÓ„ 促ÛÎ NÑU。	3 Accelerating the improvement of industrial structure through the integration of high-quality social resources is its investment objective. •DZ “Æ 优(>会D• 促Û产业ÑU”„–è。	4 Its long-term goal is to promote the development of high-tech industries in China through providing value-added services related to venture capital investment, thus nurturing strategic industries and promoting the economic transformation. • î / ÇÐ供Îî•Dø关„ž值 ¡ 促Û中ýØÑ€产业„ÑU。
		5 It helps entrepreneurs become leaders in their industries through working closely with the entrepreneurs on aspects including corporate strategy and business development. Ç与 作伙伴'Æ 作 ì企业 e、业¡ÑUI .©他们为L业†ü 。	6 It supports growing enterprises with various services, with a focus on improving corporate investment strategies and decision-making processes. @<于ÐG企业•Dý›Œ决Vý› Ð(Í ¡Kμ为 •‹企业Ð供全¹位„ž值 ¡。	7 It is dedicated to helping outstanding entrepreneurs build successful companies, with the mission of helping founders and management teams to scale the great companies of tomorrow. ô›于.©优À„企业¶úÊ Ÿ„公ø v.© Ê人Œ¡ âS 伟'公ø。	

Table A17 (cont.): Description of GP Profiles Randomized Components

Variable	Categorical Value	Options			
VC Stage (0.4)	*Investment Stage:* 1 if show stage focus [1-5].	1 which primarily focuses on early-stage venture capital investments. 专è于Î P 6 µ Œ é 6 µ Î i • D y î	2 which provides young entrepreneurs with seed and early-stage capital. Æ中为 业 Ð供Î P 6 µ Œ é 6 µ D Ñ 。	3 which provides entrepreneurs with early and growth stage financing. • D主 • Æ中 (é Œ • 6 µ 。	4 which is a leading China venture capital firm with substantial experience in early and growth stage financing. /中ý † 先 „ Î • 公 ø (M Œ • 6 µ • D ² b ï / 了丰 Ì „ Î Œ 。
		5 which targets expansion-stage investments. / 中ý † 先 „ Î • 公 ø (M Œ • 6 µ • D ² b ï / 了丰 Ì „ Î Œ 。			
PE Stage (0.4)	*Investment Stage:* 1 if show stage focus [1-5].	1 which targets expansion-stage investments. 主 ü ï 6 µ „ Î ï • D 。	2 which focuses on late-stage investments. 主 • 6 µ „ • D 。	3 which mainly invests in middle to late stage companies. Z & 中 6 µ • D 。	4 by targeting investment in the early, expansion, and late stage. • D é 、 • Ø „ 不 6 µ 。
		5 which invests in all stages of the life cycle from early stage to pre-IPO. • D 从 é Ø 上 M 公 ø } h „ @ 6 µ 。			
Investment Horizon (0.4)	*Investment Horizon:* 1 if show concrete investment horizon [1-5].	1 with an average investment horizon of 3 years, s G • D P 为 3 t	2 mainly focused on long-term investment, Ô ƒ 关 è • 6 Ê	3 had an average investment horizon of 4 years, s G • D t P / 4 t	4 with an investment horizon of 5 to 7 years, • D P 为 5-7 t
		5 with a strategic of long-term investment and value creation, e / • • D 价值			
Funds Managed (0.8)	*Serial Fund Manager:* 1 if show number of funds managed [1-8].	1 and established ten RMB funds. ¾ Ê 10 ê 人 ú Ñ 。	2 and had successfully raised 12 RMB funds. Ÿ ¾ Ê 了 12 / 人 ú Ñ 。	3 and created more than 15 RMB funds. â 15 ¶ 人 ú Ñ 。	4 and set up more than 16 investment funds. ¾ Ê 了 16 ê • D ú Ñ 。
		5 with more than 20 venture capital funds raised. â 20 个 Î ï • D ú Ñ 。	6 and raised more than 25 funds with capital from institutional investors. ¡ ú Ñ 25 余 ê 主 • e ê : „ • D 。	7 with a total number of 45 sub-funds. v 且 P ú Ñ ; p ¾ 0 45 个 。	8 and became one of the largest investment institutions with more than 60 funds raised and managed. ò 为 ý 内 ƒ ' „ • D : „ 之一 × 下 â 60 ê ú Ñ 。

TABLE A18. LP Preferences for GPs: Expected Interest

	Expected Interest	
	(1)	(2)
Government Investors	0.656	0.675
	(7.29)	(7.42)
Team Government Experience	0.094	0.089
	(1.14)	(1.05)
Team Industry Experience	0.104	0.110
	(1.26)	(1.30)
High AUM	0.125	0.151
	(1.70)	(2.00)
High IRR	0.162	0.186
	(2.55)	(2.87)
Exits	0.058	0.047
	(0.86)	(0.68)
Ranked GP	-0.276	-0.314
	(-1.25)	(-1.40)
Industry Information	0.595	0.604
	(10.13)	(10.01)
Young GP	0.171	0.152
	(2.57)	(2.21)
Headquarter In Foreign Country	0.211	0.172
	(1.53)	(1.22)
Headquarter In Beijing	-0.004	-0.002
	(-0.06)	(-0.02)
VC	-0.076	-0.123
	(-0.87)	(-1.38)
Market Approach	0.073	0.087
	(1.02)	(1.17)
Investment Philosophy	0.033	0.031
	(0.56)	(0.52)
Investment Stage	0.003	0.004
	(0.04)	(0.06)
Investment Horizon	-0.064	-0.048
	(-1.02)	(-0.75)
Serial Fund Manager	-0.124	-0.157
	(-1.37)	(-1.70)
Observations	6220	6220
Unique LPs	311	311
LP FEs	No	Yes
Model	OLS	OLS
DV Mean	4.265	4.265
DV SD	2.343	2.343

Notes: This table shows LP preferences for GP synthetic characteristics measured by Expected Interest. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentInvestors_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. The sample includes all LP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentInvestors* is a dummy indicating whether the GP profile indicates the GP already had government investors. Details of the remaining characteristics are illustrated in Appendix Table A16. Expected Interest is on a scale of 1-10. Column 1 shows the basic models. Column 2 shows regressions adding LP respondents fixed effects. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A19. LP Preferences for GPs (Ordered Probit)

	Partner Rating	
	(1)	(2)
Government Investors	0.270	0.302
	(6.78)	(7.36)
Team Government Experience	0.083	0.082
	(2.25)	(2.18)
Team Industry Experience	0.024	0.020
	(0.65)	(0.52)
High AUM	0.001	0.015
	(0.04)	(0.46)
High IRR	0.065	0.071
	(2.33)	(2.46)
Exits	0.068	0.074
	(2.27)	(2.40)
Ranked GP	-0.108	-0.102
	(-1.05)	(-0.97)
Industry Information	0.264	0.278
	(10.06)	(10.20)
Young GP	0.072	0.057
	(2.42)	(1.85)
Headquarter In Foreign Country	0.221	0.217
	(4.03)	(3.82)
Headquarter In Beijing	0.032	0.032
	(0.92)	(0.89)
VC	0.013	-0.001
	(0.34)	(-0.04)
Market Approach	0.049	0.048
	(1.52)	(1.46)
Investment Philosophy	-0.020	-0.028
	(-0.75)	(-1.05)
Investment Stage	0.034	0.035
	(1.07)	(1.06)
Investment Horizon	-0.049	-0.050
	(-1.80)	(-1.75)
Serial Fund Manager	0.027	0.012
	(0.67)	(0.29)
Observations	6220	6220
Unique LPs	311	311
LP FEs	No	Yes
Model	Ordered Probit	Ordered Probit
DV Mean	4.284	4.284
DV SD	2.326	2.326

Notes: This table shows LP preferences for GP synthetic characteristics using an ordered probit model. Ordered probit cutpoints (column 1): -0.75, -0.24, 0.17, 0.52, 1.07, 1.29, 1.57, 1.96; (column 2): -0.94, -0.42, 0.01, 0.38, 0.95, 1.17, 1.46, 1.86. The sample includes all LP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentInvestors* is a dummy indicating whether the GP profile indicates the GP already had government investors. Details of the remaining characteristics are illustrated in Appendix Table A16. Partner Rating is on a 1-10 scale. Column 1 shows the basic models. Column 2 shows regressions adding LP respondents fixed effects. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A20. LP Preferences for GPs: Clustering SEs at Respondent Level

	Partner Rating	
	(1)	(2)
Government Investors	0.652	0.692
	(7.13)	(7.16)
Team Government Experience	0.196	0.191
	(2.47)	(2.27)
Team Industry Experience	0.050	0.041
	(0.65)	(0.50)
High AUM	0.025	0.056
	(0.34)	(0.74)
High IRR	0.153	0.159
	(2.58)	(2.56)
Exits	0.151	0.160
	(2.40)	(2.44)
Top GP	-0.271	-0.252
	(-1.16)	(-1.03)
Industry Information	0.631	0.637
	(10.75)	(10.41)
Young GP	0.172	0.137
	(2.60)	(1.98)
Headquarter In Foreign Country	0.490	0.466
	(4.09)	(3.65)
Headquarter In Beijing	0.069	0.065
	(0.90)	(0.81)
VC	0.019	-0.010
	(0.22)	(-0.11)
Market Approach	0.111	0.106
	(1.56)	(1.44)
Investment Philosophy	-0.029	-0.042
	(-0.51)	(-0.70)
Investment Stage	0.076	0.072
	(1.10)	(0.99)
Investment Horizon	-0.101	-0.094
	(-1.71)	(-1.47)
Serial Fund Manager	0.042	0.007
	(0.48)	(0.08)
Observations	6220	6220
Unique LPs	311	311
LP FEs	No	Yes
Model	OLS	OLS
DV Mean	4.284	4.284
DV SD	2.326	2.326

Notes: This table shows LP preferences for GP synthetic characteristics. Standard errors are clustered at the respondent level. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentInvestors_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. The sample includes all LP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentInvestors* is a dummy indicating whether the GP profile indicates the GP already had government investors. Details of the remaining characteristics are illustrated in Appendix Table A16. Partner Rating is on a 1-10 scale. Column 1 shows the basic models. Column 2 shows regressions adding LP respondents fixed effects. Standard Errors are clustered at the respondent level. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A21. LP Preferences for GPs: Heterogeneity by Government-Owned LPs

	(1) Gov	(2) Non-Gov	(1)=(2) P-Value	(3) Gov	(4) Non-Gov	(3)=(4) P-Value
Government Investors	0.714	0.431	0.178	0.762	0.447	0.134
	(6.96)	(2.34)		(7.33)	(2.36)	
Team Government Experience	0.146	0.342	0.292	0.120	0.397	0.137
	(1.54)	(2.11)		(1.26)	(2.38)	
Team Industry Experience	0.036	0.096	0.759	0.035	0.069	0.862
	(0.38)	(0.56)		(0.37)	(0.40)	
High AUM	0.038	-0.025	0.709	0.086	-0.046	0.433
	(0.46)	(-0.17)		(1.03)	(-0.30)	
High IRR	0.097	0.341	0.094	0.101	0.352	0.082
	(1.36)	(2.67)		(1.38)	(2.72)	
Exits	0.188	0.025	0.303	0.195	0.041	0.330
	(2.49)	(0.18)		(2.51)	(0.29)	
Ranked GP	-0.322	-0.193	0.792	-0.304	-0.200	0.834
	(-1.23)	(-0.46)		(-1.18)	(-0.46)	
Industry Information	0.642	0.597	0.738	0.643	0.632	0.938
	(9.61)	(5.04)		(9.44)	(5.11)	
Young GP	0.157	0.220	0.683	0.116	0.208	0.549
	(2.07)	(1.65)		(1.49)	(1.51)	
Headquarter In Foreign Country	0.508	0.449	0.839	0.456	0.503	0.872
	(3.42)	(1.82)		(3.06)	(1.94)	
Headquarter In Beijing	0.031	0.198	0.372	0.032	0.178	0.432
	(0.35)	(1.20)		(0.35)	(1.06)	
VC	0.008	0.059	0.798	-0.041	0.088	0.510
	(0.08)	(0.34)		(-0.41)	(0.50)	
Market Approach	0.142	-0.005	0.381	0.136	-0.006	0.395
	(1.72)	(-0.03)		(1.61)	(-0.04)	
Investment Philosophy	-0.013	-0.067	0.689	-0.015	-0.120	0.434
	(-0.19)	(-0.57)		(-0.22)	(-1.00)	
Investment Stage	0.059	0.142	0.617	0.056	0.123	0.692
	(0.72)	(0.97)		(0.68)	(0.80)	
Investment Horizon	-0.078	-0.164	0.542	-0.059	-0.202	0.309
	(-1.10)	(-1.34)		(-0.82)	(-1.61)	
Serial Fund Manager	0.056	-0.018	0.720	0.021	-0.059	0.696
	(0.54)	(-0.10)		(0.20)	(-0.32)	
Observations	4760	1460		4760	1460	
Unique LPs	238	73		238	73	
LP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
DV Mean	4.284	4.284		4.284	4.284	
DV SD	2.326	2.326		2.326	2.326	

Notes: This table compares government LP and nongovernment LP preferences for LP synthetic characteristics. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. We run separate regressions for government LPs and nongovernment LPs. Gov-LPs are defined as LPs with government owners. The sample includes all LP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentInvestors* is a dummy indicating whether the GP profile indicates the GP already had government investors. Details of the remaining characteristics are illustrated in Appendix Table A16. Partner Rating is on a scale of 1-10. Columns 1 and 2 show the basic models for government LPs and nongovernment LPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with LP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model.*t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A22. GP Preferences for LPs: Heterogeneity by Government-Owned GPs and across Government Levels

	(1) Gov	(2) Non-Gov	(1)=(2) P-Value	(3) Gov	(4) Non-Gov	(3)=(4) P-Value
GovTies-Central	-0.348	-0.311	0.870	-0.388	-0.292	0.637
	(-1.89)	(-2.32)		(-2.27)	(-2.45)	
GovTies-Provincial	0.047	-0.184	0.012	0.045	-0.120	0.052
	(0.61)	(-3.59)		(0.62)	(-2.52)	
GovTies-Local	0.221	0.052	0.413	0.201	0.077	0.531
	(1.24)	(0.49)		(1.15)	(0.73)	
Large Investor	0.186	0.131	0.474	0.187	0.157	0.673
	(2.95)	(3.12)		(3.10)	(3.94)	
High Registered Capital	0.212	0.191	0.788	0.164	0.195	0.656
	(3.29)	(4.49)		(2.67)	(4.88)	
Industry Information	-0.254	-0.222	0.673	-0.171	-0.181	0.880
	(-4.07)	(-5.33)		(-2.83)	(-4.59)	
Young LP	0.010	-0.010	0.796	-0.007	-0.011	0.957
	(0.16)	(-0.23)		(-0.11)	(-0.27)	
Headquarter In Foreign Country	0.037	0.043	0.964	-0.081	0.017	0.451
	(0.33)	(0.57)		(-0.72)	(0.23)	
Headquarter In Beijing	0.329	0.193	0.242	0.278	0.173	0.342
	(3.37)	(3.03)		(2.92)	(2.82)	
Corporate Governance	0.046	-0.002	0.521	0.123	0.025	0.165
	(0.73)	(-0.06)		(2.04)	(0.64)	
Investment Philosophy	0.008	0.021	0.871	0.051	0.038	0.858
	(0.13)	(0.48)		(0.82)	(0.92)	
Stage Focus	-0.081	-0.085	0.960	-0.115	-0.072	0.544
	(-1.28)	(-2.01)		(-1.89)	(-1.80)	
Observations	4221	9154		4221	9154	
Unique GPs	214	465		214	465	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
DV Mean	6.452	6.445		6.452	6.445	
DV SD	2.038	2.006		2.038	2.006	

Notes: This table compares government GP and nongovernment GP preferences for LP synthetic characteristics where LPs' government ties are divided into 3 levels, Central, Provincial and Local. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \epsilon_{ij}$. We run separate regressions for government GPs and nongovernment GPs. Gov-GPs are defined as GPs with government owners. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovTies-Central*, *GovTies-Provincial* and *GovTies-Local* are dummy variables indicating whether the LP profile displays a link to the central, provincial and local government. Details of the remaining characteristics are illustrated in Table A7. Partner Rating is on a scale of 1-10. Columns 1 and 2 show the basic models for government GPs and nongovernment GPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model.*t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A23. GP Preferences for LPs: Heterogeneity by Respondent Type

	(1) Partner Rating
Large Investor	0.149 (4.25)
High Registered Capital	0.196 (5.52)
Industry Information	-0.232 (-6.71)
Young LP	-0.005 (-0.13)
Headquarter In Foreign Country	0.034 (0.55)
Headquarter In Beijing	0.208 (4.03)
Corporate Governance	0.013 (0.36)
Investment Philosophy	0.016 (0.45)
Stage Focus	-0.085 (-2.42)
Gov GP=0 × High Quality GP=0 × Government Ties=1	-0.150 (-2.62)
Gov GP=0 × High Quality GP=1 × Government Ties=0	-0.031 (-0.58)
Gov GP=0 × High Quality GP=1 × Government Ties=1	-0.233 (-3.39)
Gov GP=1 × High Quality GP=0 × Government Ties=0	-0.089 (-1.46)
Gov GP=1 × High Quality GP=0 × Government Ties=1	-0.128 (-1.50)
Gov GP=1 × High Quality GP=1 × Government Ties=0	-0.041 (-0.65)
Gov GP=1 × High Quality GP=1 × Government Ties=1	0.011 (0.13)
Observations	13375
Unique GPs	679
GP FEs	No
Model	OLS
DV Mean	6.448
DV SD	2.016

Notes: This table shows GP preferences for LP synthetic characteristics, adding joint respondents' government ownership and quality grouping. The specification is $y_{ij} = \alpha_i + \sum_{k=1}^{7} \beta_k GovGP_i \times HighQualityGP_i \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$, where i is the GP respondent, and j indicates the synthetic LP profile. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. Partner Rating is on a scale of 1-10. *GovGP* indicates whether the GP respondent is government owned, defined as GP with ultimate government owners. *HighQualityGP* indicates whether the GP respondent is a high quality GP, defined as GP with above-median comprehensive return or that has ever been top-ranked by Zero2IPO. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A24. GP Preferences for LPs: Heterogeneity by Government-Owned GPs, Controlling for Same Industry and Region)

	(1) Gov	(2) Non-Gov	(1)=(2) P-Value	(3) Gov	(4) Non-Gov	(3)=(4) P-Value
Government Ties	0.028	-0.173	0.018	0.020	-0.112	0.093
	(0.40)	(-3.66)		(0.30)	(-2.54)	
Large Investor	0.188	0.131	0.458	0.190	0.157	0.640
	(2.98)	(3.12)		(3.15)	(3.94)	
High Registered Capital	0.209	0.188	0.787	0.161	0.195	0.634
	(3.26)	(4.43)		(2.63)	(4.87)	
Industry Information	-0.344	-0.290	0.584	-0.304	-0.248	0.555
	(-4.16)	(-5.54)		(-3.74)	(-4.93)	
Young LP	0.012	-0.012	0.744	-0.006	-0.013	0.919
	(0.20)	(-0.29)		(-0.10)	(-0.33)	
Headquarter In Foreign Country	0.079	0.039	0.777	-0.050	0.033	0.549
	(0.67)	(0.49)		(-0.41)	(0.42)	
Headquarter In Beijing	0.262	0.176	0.448	0.211	0.146	0.547
	(2.75)	(2.83)		(2.27)	(2.44)	
Corporate Governance	0.051	-0.001	0.492	0.129	0.026	0.145
	(0.81)	(-0.02)		(2.14)	(0.66)	
Investment Philosophy	0.009	0.021	0.873	0.049	0.039	0.880
	(0.13)	(0.49)		(0.80)	(0.94)	
Stage Focus	-0.081	-0.085	0.964	-0.114	-0.071	0.549
	(-1.29)	(-2.01)		(-1.87)	(-1.79)	
Same Investment Region	0.092	0.003	0.275	0.070	0.038	0.715
	(1.35)	(0.06)		(0.94)	(0.81)	
Same Investment Industry	0.155	0.131	0.827	0.229	0.129	0.355
	(1.69)	(2.15)		(2.46)	(2.14)	
Observations	4221	9154		4221	9154	
Unique GPs	214	465		214	465	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
DV Mean	6.452	6.445		6.452	6.445	
DV SD	2.038	2.006		2.038	2.006	

Notes: This table compares government GP and nongovernment GP preferences for LP synthetic characteristics, controlling for whether the respondent is focused on the same investment industry and same investment region displayed in the synthetic partner profile. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \sum_{k=1}^{2} \rho_k \times RobustnessCheckTerm_{jk} + \varepsilon_{ij}$. We run separate regressions for government GPs and nongovernment GPs. Gov-GPs are defined as GPs with government owners. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. *Same Investment Region* and *Same Investment Industry* indicate whether the synthetic LP has same investment region or investment industry of the GP respondent, respectively. Province-level matching is used when constructing the *Same Region*. 4-digit level industrial classification (or the finest available classification) is used when constructing the *Same Industry*. Partner Rating is on a scale of 1-10. Columns 1 and 2 show the basic models for government GPs and nongovernment GPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model.*t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A25. GP Preferences for LPs, Controlling for Same Industry and Region

	Partner Rating	
	(1)	(2)
Government Ties	-0.109	-0.070
	(-2.79)	(-1.89)
Large Investor	0.148	0.168
	(4.24)	(5.06)
High Registered Capital	0.195	0.185
	(5.51)	(5.53)
Industry Information	-0.305	-0.264
	(-6.91)	(-6.17)
Young LP	-0.004	-0.010
	(-0.12)	(-0.29)
Headquarter In Foreign Country	0.051	0.007
	(0.79)	(0.10)
Headquarter In Beijing	0.203	0.167
	(3.91)	(3.32)
Corporate Governance	0.016	0.058
	(0.45)	(1.75)
Investment Philosophy	0.015	0.041
	(0.42)	(1.20)
Stage Focus	-0.086	-0.086
	(-2.45)	(-2.57)
Same Investment Region	0.033	0.050
	(0.87)	(1.25)
Same Investment Industry	0.138	0.160
	(2.73)	(3.15)
Observations	13375	13375
Unique GPs	679	679
GP FEs	No	Yes
Model	OLS	OLS
DV Mean	6.448	6.448
DV SD	2.016	2.016

Notes: This table shows GP preferences for LP synthetic characteristics, controlling for whether the respondent is focused on the same investment industry and same investment region displayed in the synthetic partner profile. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \sum_{k=1}^{2} \rho_k \times RobustnessCheckTerm_{jk} + \varepsilon_{ij}$. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. *Same Investment Region* and *Same Investment Industry* indicate whether the synthetic LP has same investment region or investment industry of the GP respondent, respectively. Province-level matching is used when constructing the *Same Region*. 4-digit level industrial classification (or the finest available classification) is used when constructing the *Same Industry*. Partner Rating is on a scale of 1-10. Column 1 shows the basic models. Column 2 shows regressions adding GP respondents fixed effects. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A26. GP Preferences for LPs: Heterogeneity by Government-Owned GPs, Controlling for Having Government Investors

	(1) Gov	(2) Non-Gov	(1)=(2) P-Value	(3) Gov	(4) Non-Gov	(3)=(4) P-Value
Government Ties	0.017	-0.172	0.026	0.008	-0.119	0.104
	(0.24)	(-3.65)		(0.13)	(-2.70)	
Large Investor	0.187	0.131	0.460	0.186	0.157	0.682
	(2.96)	(3.11)		(3.08)	(3.94)	
High Registered Capital	0.211	0.189	0.773	0.163	0.194	0.664
	(3.29)	(4.45)		(2.66)	(4.85)	
Industry Information	-0.255	-0.222	0.655	-0.172	-0.181	0.893
	(-4.10)	(-5.33)		(-2.84)	(-4.59)	
Young LP	0.011	-0.009	0.788	-0.007	-0.013	0.931
	(0.18)	(-0.22)		(-0.11)	(-0.33)	
Headquarter In Foreign Country	0.029	0.039	0.938	-0.091	0.011	0.431
	(0.26)	(0.52)		(-0.81)	(0.15)	
Headquarter In Beijing	0.282	0.175	0.338	0.226	0.151	0.486
	(3.00)	(2.84)		(2.46)	(2.54)	
Corporate Governance	0.047	-0.003	0.505	0.123	0.024	0.160
	(0.76)	(-0.07)		(2.05)	(0.62)	
Investment Philosophy	0.009	0.019	0.891	0.050	0.036	0.852
	(0.14)	(0.45)		(0.80)	(0.88)	
Stage Focus	-0.081	-0.081	0.997	-0.115	-0.071	0.531
	(-1.29)	(-1.93)		(-1.90)	(-1.78)	
Observations	4221	9154		4221	9154	
Unique GPs	214	465		214	465	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
Control for Gov Investor	Yes	Yes		Yes	Yes	
DV Mean	6.452	6.445		6.452	6.445	
DV SD	2.038	2.006		2.038	2.006	

Notes: This table compares government GP and nongovernment GP preferences for LP synthetic characteristics, controlling for whether the respondent has had a government investor over the past 3 years. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \rho \times HadGov\text{-}LP_j + \varepsilon_{ij}$. We run separate regressions for government GPs and nongovernment GPs. Gov-GPs are defined as GPs with government owners. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. The dummy *HadGov-LP* indicates whether the GP has received funding from government-owned LPs. Partner Rating and is on a scale of 1-10. Columns 1 and 2 show the basic models for government GPs and nongovernment GPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A27. GP Preferences for LPs: Heterogeneity by Gov-LP-linked GPs

	(1) W/Gov Inv	(2) W/out Gov Inv	(1)=(2) P-Value	(3) W/Gov Inv	(4) W/out Gov Inv	(3)=(4) P-Value
Government Ties	-0.139	-0.099	0.646	-0.092	-0.072	0.802
	(-1.89)	(-2.16)		(-1.35)	(-1.67)	
Large Investor	0.214	0.117	0.213	0.235	0.135	0.161
	(3.24)	(2.85)		(3.80)	(3.44)	
High Registered Capital	0.186	0.201	0.850	0.172	0.191	0.786
	(2.79)	(4.83)		(2.76)	(4.81)	
Industry Information	-0.256	-0.220	0.640	-0.178	-0.178	0.993
	(-3.91)	(-5.41)		(-2.87)	(-4.56)	
Young LP	-0.070	0.028	0.203	-0.037	0.002	0.587
	(-1.07)	(0.69)		(-0.59)	(0.06)	
Headquarter In Foreign Country	0.051	0.031	0.884	-0.039	-0.013	0.848
	(0.46)	(0.42)		(-0.34)	(-0.18)	
Headquarter In Beijing	0.152	0.236	0.468	0.098	0.211	0.297
	(1.53)	(3.95)		(1.02)	(3.64)	
Corporate Governance	-0.057	0.046	0.182	0.008	0.077	0.328
	(-0.87)	(1.12)		(0.13)	(1.96)	
Investment Philosophy	0.030	0.008	0.782	0.033	0.042	0.892
	(0.44)	(0.19)		(0.51)	(1.04)	
Stage Focus	-0.115	-0.070	0.563	-0.120	-0.071	0.482
	(-1.74)	(-1.69)		(-1.95)	(-1.79)	
Observations	4160	9215		4160	9215	
Unique GPs	212	467		212	467	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
DV Mean	6.326	6.502		6.326	6.502	
DV SD	2.120	1.965		2.120	1.965	

Notes: This table shows GP preferences for LP synthetic characteristics, distinguishing between GPs that have had a government investor in the past 3 years and those that have not. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. We run separate regressions for GPs that had a government investor in the past 3 years and other GPs. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. Partner Rating is on a scale of 1-10. Columns 1 and 2 show the basic models for government-LP-linked GPs and nongovernment-LP-linked GPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A28. GP Preferences for LPs: Heterogeneity by Government-Owned GPs, Controlling for Having Central Government Investors

	(1) Gov	(2) Non-Gov	(1)=(2) P-Value	(3) Gov	(4) Non-Gov	(3)=(4) P-Value
Government Ties	-0.010	-0.277	0.054	0.003	-0.195	0.116
	(-0.09)	(-3.31)		(0.03)	(-2.56)	
Large Investor	0.235	0.106	0.294	0.235	0.154	0.477
	(2.40)	(1.41)		(2.51)	(2.23)	
High Registered Capital	0.146	0.163	0.893	0.113	0.180	0.562
	(1.47)	(2.15)		(1.20)	(2.61)	
Industry Information	-0.303	-0.291	0.917	-0.193	-0.200	0.941
	(-3.11)	(-3.93)		(-2.04)	(-2.90)	
Young LP	-0.054	-0.066	0.920	-0.070	-0.039	0.787
	(-0.55)	(-0.88)		(-0.75)	(-0.57)	
Headquarter In Foreign Country	0.050	0.082	0.880	-0.100	0.012	0.584
	(0.29)	(0.65)		(-0.58)	(0.10)	
Headquarter In Beijing	0.219	0.083	0.454	0.147	0.122	0.882
	(1.52)	(0.74)		(1.04)	(1.13)	
Corporate Governance	0.080	-0.066	0.233	0.157	-0.024	0.108
	(0.82)	(-0.89)		(1.69)	(-0.35)	
Investment Philosophy	0.030	-0.010	0.757	0.060	-0.002	0.594
	(0.29)	(-0.13)		(0.63)	(-0.02)	
Stage Focus	0.000	-0.139	0.260	-0.048	-0.177	0.258
	(0.00)	(-1.86)		(-0.51)	(-2.57)	
Observations	1830	3379		1830	3379	
Unique GPs	93	172		93	172	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
Control for Central Gov-LP	Yes	Yes		Yes	Yes	
DV Mean	6.452	6.445		6.452	6.445	
DV SD	2.038	2.006		2.038	2.006	

Notes: This table compares government GP and nongovernment GP preferences for LP synthetic characteristics, controlling for whether the respondent has had a central government investor over the past 3 years. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \rho \times HadGov\text{-}LP_j + \varepsilon_{ij}$. We run separate regressions for government GPs and nongovernment GPs. Gov-GPs are defined as GPs with government owners. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. The dummy *HadGov-LP* indicates whether the GP has received funding from government-owned LPs. Partner Rating and is on a scale of 1-10. Columns 1 and 2 show the basic models for government GPs and nongovernment GPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A29. GP Preferences for LPs: Heterogeneity by Government-Owned GPs, Controlling for Having Provincial Government Investors

	(1) Gov	(2) Non-Gov	(1)=(2) P-Value	(3) Gov	(4) Non-Gov	(3)=(4) P-Value
Government Ties	-0.008	-0.278	0.051	0.003	-0.195	0.116
	(-0.08)	(-3.33)		(0.03)	(-2.56)	
Large Investor	0.235	0.106	0.296	0.235	0.154	0.477
	(2.39)	(1.41)		(2.51)	(2.23)	
High Registered Capital	0.146	0.164	0.888	0.113	0.180	0.562
	(1.47)	(2.16)		(1.20)	(2.61)	
Industry Information	-0.304	-0.291	0.915	-0.193	-0.200	0.941
	(-3.11)	(-3.94)		(-2.04)	(-2.90)	
Young LP	-0.055	-0.068	0.917	-0.070	-0.039	0.787
	(-0.56)	(-0.90)		(-0.75)	(-0.57)	
Headquarter In Foreign Country	0.046	0.084	0.859	-0.100	0.012	0.584
	(0.27)	(0.67)		(-0.58)	(0.10)	
Headquarter In Beijing	0.215	0.083	0.468	0.147	0.122	0.882
	(1.49)	(0.73)		(1.04)	(1.13)	
Corporate Governance	0.082	-0.067	0.223	0.157	-0.024	0.108
	(0.84)	(-0.90)		(1.69)	(-0.35)	
Investment Philosophy	0.029	-0.012	0.745	0.060	-0.002	0.594
	(0.29)	(-0.15)		(0.63)	(-0.02)	
Stage Focus	0.000	-0.139	0.257	-0.048	-0.177	0.258
	(0.00)	(-1.87)		(-0.51)	(-2.57)	
Observations	1830	3379		1830	3379	
Unique GPs	93	172		93	172	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
Control for Provincial Gov-LP	Yes	Yes		Yes	Yes	
DV Mean	6.452	6.445		6.452	6.445	
DV SD	2.038	2.006		2.038	2.006	

Notes: This table compares government GP and nongovernment GP preferences for LP synthetic characteristics, controlling for whether the respondent has had a provincial government investor over the past 3 years. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \rho \times HadGov\text{-}LP_j + \varepsilon_{ij}$. We run separate regressions for government GPs and nongovernment GPs. Gov-GPs are defined as GPs with government owners. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. The dummy *HadGov-LP* indicates whether the GP has received funding from government-owned LPs. Partner Rating and is on a scale of 1-10. Columns 1 and 2 show the basic models for government GPs and nongovernment GPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model.*t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A30. GP Preferences for LPs: Heterogeneity by Government-Owned GPs, Controlling for Having Local Government Investors

	(1) Gov	(2) Non-Gov	(1)=(2) P-Value	(3) Gov	(4) Non-Gov	(3)=(4) P-Value
Government Ties	-0.010	-0.276	0.053	0.003	-0.195	0.116
	(-0.09)	(-3.30)		(0.03)	(-2.56)	
Large Investor	0.235	0.106	0.297	0.235	0.154	0.477
	(2.40)	(1.42)		(2.51)	(2.23)	
High Registered Capital	0.148	0.163	0.902	0.113	0.180	0.562
	(1.49)	(2.15)		(1.20)	(2.61)	
Industry Information	-0.306	-0.290	0.900	-0.193	-0.200	0.941
	(-3.13)	(-3.93)		(-2.04)	(-2.90)	
Young LP	-0.051	-0.066	0.905	-0.070	-0.039	0.787
	(-0.53)	(-0.88)		(-0.75)	(-0.57)	
Headquarter In Foreign Country	0.051	0.083	0.880	-0.100	0.012	0.584
	(0.30)	(0.66)		(-0.58)	(0.10)	
Headquarter In Beijing	0.222	0.083	0.447	0.147	0.122	0.882
	(1.54)	(0.74)		(1.04)	(1.13)	
Corporate Governance	0.081	-0.066	0.228	0.157	-0.024	0.108
	(0.83)	(-0.89)		(1.69)	(-0.35)	
Investment Philosophy	0.029	-0.009	0.766	0.060	-0.002	0.594
	(0.29)	(-0.12)		(0.63)	(-0.02)	
Stage Focus	-0.001	-0.139	0.264	-0.048	-0.177	0.258
	(-0.01)	(-1.86)		(-0.51)	(-2.57)	
Observations	1830	3379		1830	3379	
Unique GPs	93	172		93	172	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
Control for Local Gov-LP	Yes	Yes		Yes	Yes	
DV Mean	6.452	6.445		6.452	6.445	
DV SD	2.038	2.006		2.038	2.006	

Notes: This table compares government GP and nongovernment GP preferences for LP synthetic characteristics, controlling for whether the respondent has had a local government investor over the past 3 years. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \rho \times HadGov\text{-}LP_j + \varepsilon_{ij}$. We run separate regressions for government GPs and nongovernment GPs. Gov-GPs are defined as GPs with government owners. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. The dummy *HadGov-LP* indicates whether the GP has received funding from government-owned LPs. Partner Rating and is on a scale of 1-10. Columns 1 and 2 show the basic models for government GPs and nongovernment GPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A31. GP Preferences for LPs: Heterogeneity by Central Gov-LP-linked GPs

	(1) W/C_Gov	(2) W/out C_Gov	(1)=(2) P-Value	(3) W/C_Gov	(4) W/out C_Gov	(3)=(4) P-Value
Government Ties	-0.348	-0.122	0.132	-0.239	-0.088	0.267
	(-2.69)	(-1.57)		(-1.99)	(-1.24)	
Large Investor	0.164	0.147	0.905	0.172	0.191	0.882
	(1.40)	(2.12)		(1.57)	(2.95)	
High Registered Capital	0.246	0.125	0.372	0.194	0.142	0.670
	(2.12)	(1.77)		(1.78)	(2.19)	
Industry Information	-0.189	-0.333	0.276	-0.112	-0.229	0.339
	(-1.66)	(-4.83)		(-1.05)	(-3.52)	
Young LP	-0.034	-0.066	0.811	0.064	-0.088	0.216
	(-0.30)	(-0.95)		(0.59)	(-1.35)	
Headquarter In Foreign Country	0.117	0.055	0.791	-0.005	-0.043	0.867
	(0.57)	(0.47)		(-0.03)	(-0.38)	
Headquarter In Beijing	0.324	0.050	0.155	0.338	0.043	0.107
	(2.00)	(0.48)		(2.13)	(0.43)	
Corporate Governance	-0.115	0.027	0.284	0.014	0.049	0.777
	(-1.01)	(0.39)		(0.13)	(0.76)	
Investment Philosophy	-0.097	0.044	0.300	-0.013	0.032	0.718
	(-0.84)	(0.61)		(-0.12)	(0.48)	
Stage Focus	-0.154	-0.066	0.511	-0.095	-0.146	0.682
	(-1.35)	(-0.95)		(-0.88)	(-2.27)	
Observations	1403	3806		1403	3806	
Unique GPs	71	194		71	194	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
DV Mean	6.334	6.315		6.334	6.315	
DV SD	2.140	2.142		2.140	2.142	

Notes: This table shows GP preferences for LP synthetic characteristics, distinguishing between GPs that have had a central government investor over the past 3 years and those that have not. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. We run separate regressions for GPs that have had a central government investor over the past 3 years and those that have not.The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. The dummy *HadGov-LP* indicates whether the GP has received funding from government-owned LPs. Partner Rating and is on a scale of 1-10. Columns 1 and 2 show the basic models for government GPs and nongovernment GPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model.*t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A32. GP Preferences for LPs: Heterogeneity by Provincial Gov-LP-linked GPs

	(1) W/P_Gov	(2) W/out P_Gov	(1)=(2) P-Value	(3) W/P_Gov	(4) W/out P_Gov	(3)=(4) P-Value
Government Ties	-0.103	-0.206	0.545	-0.169	-0.123	0.751
	(-0.67)	(-2.81)		(-1.24)	(-1.79)	
Large Investor	0.322	0.112	0.171	0.352	0.148	0.132
	(2.31)	(1.69)		(2.81)	(2.39)	
High Registered Capital	0.287	0.127	0.297	0.303	0.121	0.176
	(2.07)	(1.89)		(2.45)	(1.94)	
Industry Information	-0.360	-0.283	0.609	-0.378	-0.159	0.102
	(-2.64)	(-4.33)		(-3.06)	(-2.55)	
Young LP	-0.154	-0.033	0.431	-0.131	-0.021	0.420
	(-1.10)	(-0.50)		(-1.04)	(-0.34)	
Headquarter In Foreign Country	0.303	0.019	0.277	0.053	-0.047	0.688
	(1.28)	(0.17)		(0.23)	(-0.43)	
Headquarter In Beijing	0.460	0.052	0.076	0.383	0.070	0.147
	(2.19)	(0.53)		(1.91)	(0.74)	
Corporate Governance	-0.156	0.018	0.247	-0.133	0.074	0.119
	(-1.14)	(0.28)		(-1.09)	(1.21)	
Investment Philosophy	-0.094	0.028	0.427	-0.047	0.038	0.536
	(-0.68)	(0.42)		(-0.37)	(0.60)	
Stage Focus	-0.129	-0.083	0.760	-0.208	-0.115	0.489
	(-0.94)	(-1.26)		(-1.68)	(-1.85)	
Observations	977	4232		977	4232	
Unique GPs	50	215		50	215	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
DV Mean	6.254	6.336		6.254	6.336	
DV SD	2.150	2.139		2.150	2.139	

Notes: This table shows GP preferences for LP synthetic characteristics, distinguishing between GPs that have had a provincial government investor over the past 3 years and those that have not. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. We run separate regressions for GPs that have had a provincial government investor over the past 3 years and those that have not.The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. The dummy *HadGov-LP* indicates whether the GP has received funding from government-owned LPs. Partner Rating and is on a scale of 1-10. Columns 1 and 2 show the basic models for government GPs and nongovernment GPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model.*t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A33. GP Preferences for LPs: Heterogeneity by Local Gov-LP-linked GPs

	(1) W/L_Gov	(2) W/out L_Gov	(1)=(2) P-Value	(3) W/L_Gov	(4) W/out L_Gov	(3)=(4) P-Value
Government Ties	-0.138	-0.220	0.537	-0.093	-0.153	0.618
	(-1.49)	(-2.29)		(-1.08)	(-1.75)	
Large Investor	0.170	0.124	0.701	0.224	0.134	0.403
	(2.07)	(1.43)		(2.92)	(1.66)	
High Registered Capital	0.182	0.146	0.768	0.221	0.105	0.285
	(2.17)	(1.67)		(2.85)	(1.30)	
Industry Information	-0.230	-0.379	0.206	-0.145	-0.264	0.273
	(-2.81)	(-4.44)		(-1.87)	(-3.29)	
Young LP	-0.067	-0.048	0.878	-0.046	-0.036	0.932
	(-0.81)	(-0.56)		(-0.59)	(-0.46)	
Headquarter In Foreign Country	-0.047	0.205	0.212	-0.111	0.056	0.389
	(-0.34)	(1.37)		(-0.79)	(0.40)	
Headquarter In Beijing	-0.063	0.344	0.021	-0.113	0.391	0.002
	(-0.51)	(2.72)		(-0.95)	(3.18)	
Corporate Governance	0.016	-0.050	0.578	0.034	0.032	0.989
	(0.19)	(-0.58)		(0.44)	(0.41)	
Investment Philosophy	0.084	-0.079	0.183	0.018	0.024	0.957
	(0.98)	(-0.90)		(0.23)	(0.30)	
Stage Focus	-0.092	-0.083	0.941	-0.103	-0.162	0.587
	(-1.11)	(-0.97)		(-1.34)	(-2.02)	
Observations	2665	2544		2665	2544	
Unique GPs	136	129		136	129	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
DV Mean	6.333	6.307		6.333	6.307	
DV SD	2.117	2.167		2.117	2.167	

Notes: This table shows GP preferences for LP synthetic characteristics, distinguishing between GPs that have had a local government investor over the past 3 years and those that have not. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. We run separate regressions for GPs that have had a local government investor over the past 3 years and those that have not.The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. The dummy *HadGov-LP* indicates whether the GP has received funding from government-owned LPs. Partner Rating and is on a scale of 1-10. Columns 1 and 2 show the basic models for government GPs and nongovernment GPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model.*t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A34. Government Experience of Individual Respondents

	Gov Owned	NonGov Owned	Total
Gov Tied	107	139	246
NonGov Tied	109	333	442
Total	216	472	688

Notes: This table presents the relationship of government ties and government ownership for GP respondents. We have 688 GP respondents. Gov-GPs are defined as GPs that have at least one ultimate government owner, as described in the paper. Government Tied GPs are defined as GPs that its identified individual respondent worked for either a government bureau, an SOE, or a government-owned VCPE entity before their current (i.e., at the time of the survey) job.

TABLE A35. GP Preferences for LPs: Heterogeneity by Individual Respondents with Government Experience

	(1) GovTied	(2) Non-GovTied	(1)=(2) P-Value	(3) GovTied	(4) Non-GovTied	(3)=(4) P-Value
Government Ties	-0.130	-0.106	0.771	-0.076	-0.080	0.961
	(-1.99)	(-2.19)		(-1.22)	(-1.77)	
Large Investor	0.188	0.125	0.390	0.202	0.147	0.420
	(3.19)	(2.87)		(3.60)	(3.56)	
High Registered Capital	0.204	0.190	0.848	0.201	0.176	0.718
	(3.44)	(4.30)		(3.52)	(4.23)	
Industry Information	-0.244	-0.223	0.773	-0.207	-0.162	0.508
	(-4.18)	(-5.18)		(-3.68)	(-3.96)	
Young LP	-0.013	0.001	0.842	0.011	-0.021	0.634
	(-0.22)	(0.03)		(0.20)	(-0.51)	
Headquarter In Foreign Country	-0.035	0.068	0.421	-0.073	0.005	0.535
	(-0.34)	(0.88)		(-0.71)	(0.06)	
Headquarter In Beijing	0.208	0.208	0.996	0.186	0.169	0.873
	(2.43)	(3.21)		(2.21)	(2.72)	
Corporate Governance	0.038	-0.001	0.590	0.059	0.054	0.947
	(0.65)	(-0.02)		(1.05)	(1.31)	
Investment Philosophy	-0.020	0.034	0.469	-0.002	0.063	0.352
	(-0.33)	(0.76)		(-0.04)	(1.47)	
Stage Focus	-0.132	-0.061	0.339	-0.131	-0.062	0.315
	(-2.23)	(-1.41)		(-2.32)	(-1.50)	
Observations	4735	8640		4735	8640	
Unique GPs	242	437		242	437	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
DV Mean	6.454	6.444		6.454	6.444	
DV SD	2.016	2.016		2.016	2.016	

Notes: This table compares the GP preferences for LP characteristics, distinguishing between GP individual respondents that have prior government experience and those that have not. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. Partner Rating is on a scale of 1-10. Column 1 and 2 show the basic models for respondents with and without gov-ties respectively. Column 3 shows the difference in coefficients columns 1 and 2 using SUR model.Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A36. GP Preferences for LPs: Heterogeneity by Government-Owned GPs, Controlling for Individual Respondents having Government Experience

	(1) Gov	(2) Non-Gov	(1)=(2) P-Value	(3) Gov	(4) Non-Gov	(3)=(4) P-Value
Government Ties	0.014	-0.171	0.028	0.008	-0.119	0.104
	(0.20)	(-3.64)		(0.13)	(-2.70)	
Large Investor	0.186	0.131	0.467	0.186	0.157	0.682
	(2.96)	(3.12)		(3.08)	(3.94)	
High Registered Capital	0.210	0.187	0.774	0.163	0.194	0.664
	(3.27)	(4.41)		(2.66)	(4.85)	
Industry Information	-0.257	-0.223	0.648	-0.172	-0.181	0.893
	(-4.13)	(-5.35)		(-2.84)	(-4.59)	
Young LP	0.008	-0.012	0.786	-0.007	-0.013	0.931
	(0.13)	(-0.29)		(-0.11)	(-0.33)	
Headquarter In Foreign Country	0.027	0.040	0.922	-0.091	0.011	0.431
	(0.24)	(0.53)		(-0.81)	(0.15)	
Headquarter In Beijing	0.279	0.177	0.365	0.226	0.151	0.486
	(2.96)	(2.87)		(2.46)	(2.54)	
Corporate Governance	0.048	-0.002	0.508	0.123	0.024	0.160
	(0.77)	(-0.04)		(2.05)	(0.62)	
Investment Philosophy	0.011	0.019	0.913	0.050	0.036	0.852
	(0.17)	(0.44)		(0.80)	(0.88)	
Stage Focus	-0.081	-0.084	0.973	-0.115	-0.071	0.531
	(-1.29)	(-1.99)		(-1.90)	(-1.78)	
Observations	4221	9154		4221	9154	
Unique GPs	214	465		214	465	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
Control for Gov Tie	Yes	Yes		Yes	Yes	
DV Mean	6.452	6.445		6.452	6.445	
DV SD	2.038	2.006		2.038	2.006	

Notes: This table compares government GP and nongovernment GP preferences for LP characteristics after controlling for whether the individual respondent has prior government experience (as discussed in this paper). The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \varepsilon_{ij}$. We run separate regressions for government GPs and nongovernment GPs. Gov-GPs are defined as GPs with government owners.*GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. Partner Rating is on a scale of 1-10. Column 1 and 2 show the basic models for government GPs and nongovernment GPs, respectively. Column 3 shows the difference in coefficients columns 1 and 2 using SUR model.Columns 4 and 5 show regressions with GP respondent fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A37. 2021 Qualitative Survey: Selection of Respondents

	New Survey Respondents (N=361)	All Respondents (N=688)	P-value
Share Government-Owned (%)	32.20	32.05	0.960
AUM ($ millions)	1252.61	1001.76	0.065*
IRR (% median)	37.43	32.34	0.342
Funds	3.54	3.32	0.457
Investments	62.06	48.40	0.027**
Exits	11.05	9.36	0.159

Notes: This table summarizes the selection of GP respondents in 2021 qualitative survey, using Zero2IPO administrative data for the period 2015–19. We have 361 survey respondents, out of 688 2019 survey respondents. The column of *P-value* reports the p-values of the t-tests for each variable. *Share Government-Owned (%)* is the share of entities that are government-owned, *AUM ($ millions)* is the assets under management (in Million USD), *IRR (% median)* is the median internal rate of return, *Funds* is the number of funds managed by the GP, *Investments* is the number of investments made by the GP, *Exits* is the number of exit events for the GP investments. *AUM ($ millions)* and *IRR (% median)* are winsorized at the top 95%. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A38. Text Analysis of Open-Ended Questions Regarding Government Investors

Mechanism	Research Assistant 1	Research Assistant 2
Investment Interference	74.80%	73.23%
No Risk Tolerance	1.57%	1.57%
Short Investment Horizon	2.36%	3.94%
Lack of Professional Team	7.88%	6.30%
Exposure to Policy Uncertainty	2.36%	2.36%
Other	11.03%	12.60%
Total	100%	100%

Notes: This table reports the analysis of the text contained in the responses by GPs to an open-ended question Zero2IPO asked in a 2019 survey regarding potential suggestions to make government LPs more attractive. We ask two research assistants to independently assign each response to one of the Cons we listed in our 2021 survey or to a Other category. The table reports the percentage of answers belonging to each group, focusing on 127 valid responses.

TABLE A39. Experimental Dislike for Government LPs and Stated Mechanisms

Mechanisms	All	Gov GP	Non-gov GP
Adv 1. Regulatory Approvals and Tax Reductions	0.17	0.20	0.16
Adv 2. Reduce Fundraising Pressure	0.07	0.75	-0.08
Adv 3. Access to Information	0.28	0.66	0.19
Adv 4. Obtain Local Government Support	-0.17	0.00	-0.23
Adv 5. Attract Potential Investors	0.14	0.78	0.00
Disadv 1. Investment Interference	-0.20	0.06	-0.24
Disadv 2. No Risk Tolerance	0.14	0.37	0.00
Disadv 3. Short Investment Horizon	-0.17	-0.20	-0.13
Disadv 4. Lack of Professional Team	0.04	0.71	-0.18
Disadv 5. Exposure to Policy Uncertainty	0.00	0.15	-0.13

Notes: This table reports the median of the coe□cients on *GovernmentTies* obtained in our experimental surveys of GPs, grouping GPs based on the stated primary Advantages and Disadvantages of government investors (as reported in the 2021 qualitative surveys). A coe□cient on *GovernmentTies* for each GP is obtained by running the baseline specification once for each of the 361 GPs who also responded to our 2021 surveys. Column 2 reports the median coe□cients for all respondent GPs; Column 3 reports the median coe□cients for government GPs; Column 4 reports the median coe□cients for nongovernment GPs.

TABLE A40. Summary Statistics (Government-owned if Ownership ≥ 20%)

	Active			Respondent		
	All	Gov	NonGov	All	Gov	NonGov
Panel A: LPs						
Share Government-Owned (%)	35.10	100.00	0.00	66.12	100.00	0.00
Capital Invested ($ millions)	50.36	123.64	22.05	399.59	516.44	215.25
Funds Invested	1.98	2.77	1.55	9.24	10.76	5.14
Panel B: GPs						
Share Government-Owned (%)	22.92	100.00	0.00	16.47	100.00	0.00
AUM ($ millions)	741.30	1014.01	645.04	1001.76	1729.76	844.13
IRR (% median)	27.64	19.52	30.55	32.34	24.27	36.49
Funds	2.54	2.86	2.42	3.32	4.28	3.09
Investments	13.42	10.41	14.27	48.40	36.14	50.81
Exits	5.91	5.47	6.04	9.36	10.07	9.21

Notes: This table reports summary statistics for both LPs and GPs where government-owned entities are defined as entities with a government ownership greater than 20%, using Zero2IPO administrative data for the period 2015–19. We have 7,974 active LPs of which 312 LPs are respondents, and 6,308 active GPs of which 688 GPs are respondents. We exclude foreign entities from this analysis. The Panel A includes variables for LPs. The Panel B includes variables for GPs. *Share Government-Owned (%)* is the share of entities that are government-owned, *Capital Invested* is the amount of capital the LP invested in funds (in Million USD), *Funds Invested* is the number of funds the LP invested in, *AUM ($ millions)* are the assets under management (in Million USD), *IRR (% median)* is the median internal rate of return, *Funds* is the number of funds managed by the GP, *Investments* is the number of investments made by the GP, *Exits* is the number of exit events for the GP investments. *Capital Invested ($ millions)*, *AUM ($ millions)* and *IRR (% median)* are winsorized at the top 95%.

TABLE A41. Government-Owned GPs Perform Worse (Government-owned if Ownership ≥ 20%)

	(1) CR	(2) CR	(3) CR	(4) CR	(5) IRR	(6) IRR	(7) IRR	(8) IRR
Gov GPs	-0.009	-0.004	-0.009	-0.003	-15.411	-12.387	-19.366	-15.794
	(-2.99)	(-1.46)	(-2.12)	(-0.76)	(-3.37)	(-2.66)	(-3.85)	(-3.03)
AUM			0.000	-0.000			-0.001	-0.002
			(1.83)	(-0.22)			(-1.06)	(-1.62)
Observations	1104	1104	683	683	984	984	631	631
HQ FEs	No	Yes	No	Yes	No	Yes	No	Yes

Notes: This table illustrates the association between GPs' government ownership status and GP performance where government-owned entities are defined as entities with a government ownership greater than 20%. The specification is $y_j = \alpha_i + \beta \times GovGPs_j + \gamma \times AUM_j + \epsilon_{ij}$.The sample includes all active GPs with non-missing data for CR (columns 1-4) and IRR (columns 5-8). *GovGPs* is a dummy indicating whether a GP is government owned. CR is comprehensive return, which is standardized to 0-1. IRR is winsorized at the 95% percentile. *AUM* is the total asset under management in USD millions, and is winsorized at the 95% percentile. Columns 1 and 5 show the basic models. Columns 2 and 6 show the results with headquarters FEs. Columns 3 and 7 show the results with *AUM* as controls. Columns 4 and 8 show the results with both headquarters FEs and AUM controls. *t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

TABLE A42. Assortative Matching Between Government-Owned GPs and LPs (Government-owned if Ownership ≥ 20%)

	Gov LP	Non-Gov LP	ColRatio
Gov GP	2.128	0.575	3.699
	(20.25 %)	(10.20 %)	(0.000)
Non-Gov GP	0.897	0.988	0.908
	(22.80 %)	(46.75 %)	(0.000)
RowRatio	2.372	0.583	
	(0.000)	(0.000)	
Assortative Index		1.178	
Homogeneity Test(p-value)		0.000	

Notes: This table presents the distribution of links between different GPs and LPs grouped by government ownership where government-owned entities are defined as entities with a government ownership greater than 20%, illustrating assortative matching patterns. The likelihood ratio index is calculated as $s(p^{GP}, p^{LP}) = \frac{Pr(G^{GP}=p^{GP}, G^{LP}=p^{LP})}{Pr(G^{GP}=p^{GP})Pr(G^{LP}=p^{LP})}$. We define $Pr(G^{GP} = p)$ as the ratio of type p GP among all GPs with at least one link, e.g., if p is government owned, then the probability is the ratio of government owned GPs among GPs with at least one link. $Pr(G^{GP} = G^{LP} = p)$ is defined as the ratio of links where GP and LP both belong to group p among all links in the sample. The number in the parentheses is the fraction of links among all links formed between GP and LP with ownership information. Assortative index is calculated as the weighted average of the diagonal elements. ColRatio is calculated as column 1 divided by column 2 in the same row. RowRatio is calculated as row 1 divided by row 2 in the same column. The numbers in the parentheses under the ColRatios and RowRatios are the p-values of the binomial test within the corresponding rows and columns respectively, under the null hypothesis of random matching. The p-value of the homogeneity test is a Chi-square test.

TABLE A43. GP Preferences for LPs: Heterogeneity by Government-Owned GPs (Government-owned if Ownership ≥ 20%)

	(1) Gov	(2) Non-Gov	(1)=(2) P-Value	(3) Gov	(4) Non-Gov	(3)=(4) P-Value
Government Ties	0.031	-0.140	0.113	0.039	-0.100	0.171
	(0.31)	(-3.29)		(0.40)	(-2.51)	
Large Investor	0.227	0.131	0.314	0.188	0.162	0.778
	(2.59)	(3.43)		(2.21)	(4.48)	
High Registered Capital	0.173	0.199	0.790	0.149	0.190	0.653
	(1.96)	(5.14)		(1.73)	(5.23)	
Industry Information	-0.344	-0.211	0.157	-0.271	-0.162	0.231
	(-3.97)	(-5.58)		(-3.17)	(-4.52)	
Young LP	-0.049	0.006	0.563	-0.082	0.006	0.328
	(-0.56)	(0.15)		(-0.97)	(0.16)	
Headquarter In Foreign Country	0.313	-0.020	0.037	0.259	-0.079	0.032
	(2.16)	(-0.29)		(1.76)	(-1.16)	
Headquarter In Beijing	0.368	0.178	0.171	0.344	0.141	0.124
	(2.90)	(3.16)		(2.76)	(2.59)	
Corporate Governance	0.030	0.009	0.829	0.093	0.048	0.615
	(0.34)	(0.24)		(1.10)	(1.34)	
Investment Philosophy	0.127	-0.007	0.167	0.134	0.021	0.221
	(1.43)	(-0.18)		(1.54)	(0.57)	
Stage Focus	-0.052	-0.090	0.690	-0.111	-0.080	0.730
	(-0.60)	(-2.36)		(-1.28)	(-2.22)	
Observations	2206	11169		2206	11169	
Unique GPs	111	568		111	568	
GP FEs	No	No		Yes	Yes	
Model	OLS	OLS	SUR	OLS	OLS	SUR
DV Mean	6.434	6.450		6.434	6.450	
DV SD	2.050	2.009		2.050	2.009	

Notes: This table compares government GP and nongovernment GP preferences for LP synthetic characteristics, where government-owned entities are defined as entities with a government ownership share of greater than 20%. The specification is $y_{ij} = \alpha_i + \beta \times GovernmentTies_j + \sum_{m=1}^{N} \gamma_m \times Characteristic_{jm} + \epsilon_{ij}$. We run separate regressions for government GPs and nongovernment GPs. The sample includes all GP respondents participating in the experiments who gave at least one valid answer to each question. *GovernmentTies* is a dummy indicating whether the LP profile displays a link to the government. Details of the remaining characteristics are illustrated in Table A7. Partner Rating is on a scale of 1-10. Columns 1 and 2 show the basic models for government GPs and nongovernment GPs respectively. Column 3 shows the difference in coefficients in columns 1 and 2 using SUR model. Columns 4 and 5 show regressions with GP respondents fixed effects. Column 6 shows the difference in coefficients in columns 4 and 5 using SUR model.*t* statistics are presented in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Appendix A.2. A simple model of GP-LP matching

Setup. We model the formation of GP-LP partnerships as a two-sided search and matching process in continuous time. There are discrete I types of GPs and J types of LPs each searching for one potential partner.[36] If GP of type i and LP of type j form a partnership, then the GP obtains value $x_{ij} +$ and the LP obtains value $y_{ij} + \delta$, where x_{ij} and y_{ij} are type-specific values from the partnership, and , δ are match-specific idiosyncratic values drawn independently from the standard Gumbel distribution. Meetings arise randomly following a Poisson process. A meeting involves a type-i GP and type-j LP with probability m_{ij}. $\{\sum_j m_{ij}\}_i$ is the marginal distribution of GP types and $\{\sum_i m_{ij}\}_j$ the marginal distribution of LP types. Both parties decide whether to form a partnership—the LP decides whether to invest in the GP and the GP decides whether to accept the investment. If either prefers not to match, both parties go back to search. Let u_i and v_j denote the value functions of unmatched GPs and LPs, respectively, characterized by:

$$ru_i = \rho^G \sum_{j=1}^{J} \frac{m_{ij} q_{ij}}{\sum_j m_{ij}} \mathbb{E}\left[\max\left({}_0, x_{ij} - u_i + \right)\right], \quad rv_j = \rho^L \sum_{i=1}^{I} \frac{m_{ij} p_{ij}}{\sum_i m_{ij}} \mathbb{E}\left[\max\left(\delta_0, y_{ij} - v_j + \delta\right)\right] \tag{A1}$$

where ρ^G and ρ^L are the Poisson rates at which a GP and an LP meet a potential partner, respectively.[37] To interpret the HJB equations, consider the flow value ru_i of an unmatched type-i GP with discount rate r. At rate ρ^G, the GP meets an LP with type drawn from the conditional distribution $\frac{m_{ij}}{\sum_j m_{ij}}$. Both parties evaluate each other and decide whether to match. The GP's continuation value is $x_{ij} +$ from matching and $u_i + {}_0$ from continuing to search, where ${}_0$ is the idiosyncratic change in continuation value upon rejecting the potential partner.[38] A partnership is formed only if both parties prefer the match over continuing to search. A type-j LP prefers the match with probability $q_{ij} = \mathbb{E}\left[v_j + \delta_0 \geq y_{ij} + \delta\right]$, in which case the GP's expected change in value is thus $\mathbb{E}\left[\max\left({}_0, x_{ij} - u_i + \right)\right]$. Otherwise, the rejected GP has an expected value change of zero. The standard Gumbel distribution of the idiosyncratic values ('s and δ's) imply

$$p_{ij} = \frac{e^{u_i}}{e^{u_i} + e^{x_{ij}}}, \qquad q_{ij} = \frac{e^{v_j}}{e^{v_j} + e^{y_{ij}}}, \tag{A2}$$

We take as model primitives the type-specific values from partnerships (x_{ij} and y_{ij}), the matching rate relative to the discount rate ($\{\rho^G/r, \rho^L/r\}$), and the type distribution from which meetings are drawn ($\{m_{ij}\}$).[39] Given these primitives, the probabilities of preferring to match (p_{ij} and q_{ij}) follow (A2), and the equilibrium value of unmatched entities (u_i and v_j) are the endogenous fixed point solutions to the HJB equations (A1). We later consider counterfactual changes to the model primitives as we conduct policy experiments.

Parameterization. We leverage both our experimental surveys and the administrative data to parameterize the model. Motivated by our reduced-form evidence, we categorize GPs into I=4

[36] While the matching between GPs and LPs can be many-to-many, we assume that each GP has a discrete number of investment slots to be funded, that each LP has the capacity to invest in multiple slots, and that the matching between GPs and LPs at the investment slot-to-capacity level is one-to-one.

[37] We allow ρ^G and ρ^L to differ, reflecting differences in market thickness on both sides.

[38] The idiosyncratic change in value could reflect the information that the GP gathers from the meeting about its own investment prospects or about the market more broadly.

[39] We study a stationary equilibrium where a constant stream of new entities enter the search market to replace those that are matched, such that the total distribution of participant types are time-invariant.

types, according to their government ownership $\{$gov, non-gov$\}$ and quality $\{$high, low$\}$, with quality types defined by having comprehensive returns above and below the median. We categorize LPs into J=2 types according to government ownership. We exploit the two main questions in our experimental survey. We interpret the average GP and LP response for question [1] (*"Are you interested in establishing an investment relationship with this investment partner?"*) as the value of matches (x_{ij} and y_{ij}) between the respective types.[40] For question [2] (*"How likely do you think it is that this investment partner would want to enter an investment relationship with your organization?"*), we interpret the average GP response across each type-pairs as $\alpha + \beta \ln \frac{q_{ij}}{1-q_{ij}}$, where the logit transformation maps the survey response into probabilities given parameters α and β, and that the LP responses are symmetrically informative of p_{ij}. We calibrate parameters α, β, ρ^G/r and ρ^G/r. α and β translate survey responses to cooperation interests $\{p_{ij}, q_{ij}\}$, which map into the value of unmatched entities $\{u_i, v_j\}$ through equations (A2) and, along with the observed distribution of matches from the administrative data, also pin down the type distribution of meetings m_{ij}.[41] The value of unmatched entities $\{u_i, v_j\}$ must satisfy the HJB equations (A1). We thus have $I + J = 6$ equations and four parameters, which are chosen to minimize the sum of squared errors in the equations.

Counterfactuals. Our first set of counterfactuals consider the equilibrium effect of channeling government capital towards nongovernment or well-performing GPs, reported in Panel A of Table A44. Column (1) reports the scenario where government GPs and government LPs are 20% less likely to meet (i.e., 20% of their meetings are replaced by drawing a new pair). The table shows that government-owned GPs and LPs experience surplus declines and nongovernment-owned entities experience minor gains. In terms of magnitudes, government-owned GPs experience a decline in surplus of -0.18 Likert points. Extrapolating the coefficients in Table 5, this is equivalent to reducing the capital allocated by their investors by over $10 million. Despite the losses in surplus, government LPs do invest in marginally better-performing GPs with slightly higher IRR. In column (2) of Table A44, Panel A, we consider a similar experiment where we channel government LPs to invest in GPs with above-median returns (specifically, government LPs and low-quality GPs are 20% less likely to meet). The policy raises the IRR of GPs receiving investment from government LPs (by 1.86 percentage points). The increase in the average IRR of all funded GPs is lower (0.89 percentage points), as low-quality GPs substitute towards investments from nongovernment LPs. Despite the increase in average returns, the equilibrium value of GPs again decreases on average. Overall, through the lens of these results in Panel A, the empirical regularity that government LPs tend to invest in low-performing government GPs does not necessarily reflect capital misallocation; instead, it might be at least in part driven by the preferences of the top-performing GPs for private capital, which makes it challenging for government investors to match with the best firms in the first place. Our second set of counterfactuals evaluate the effects of alternative value divisions. Column (1) of Table A44, Panel B shows the equilibrium impact of nongovernment GPs obtaining the same value x_{ij} as government GPs when matched with government LPs, while holding $x_{ij} + y_{ij}$ constant. In equilibrium, the surplus of nongovernment GPs increases, as they obtain more value when matched

[40] We partial out observable characteristics besides government connection and quality from the responses.
[41] The observed distribution of type-pairs that form matches must be proportional to $m_{ij}p_{ij}q_{ij}$.

with government LPs. Perhaps surprisingly, the surplus of government GPs also increases. This is an equilibrium effect: as nongovernment GPs capture more value *vis-à-vis* government LP investors, they become less likely to form matches with government LPs, which in turn become less selective in equilibrium and accept more potential matches, thereby raising the surplus of all GPs. Column (2) of Table A44, Panel B considers the related counterfactual where government LPs obtain the same value y_{ij} as nongovernment LPs when matched with nongovernment GPs (again holding $x_{ij} + y_{ij}$ constant). The direct effect of this counterfactual is to leave more value to the GPs, thereby raising their surplus. In equilibrium, GPs become more selective, leading to a reduction in the surplus of all LPs, including nongovernment ones whose match value y_{ij} is not directly affected.

TABLE A44. Counterfactuals

Panel A: Channeling government capital to private or well-performing GPs

	gov LP and gov GP are 20% less likely to meet (1)	gov LP and low quality GP 20% less likely to meet (2)
Impact on GP's surplus (Likert scale)		
Gov GP with high quality	-0.18	0.13
Gov GP with low quality	-0.18	-0.19
Non-gov GP with high quality	0.12	0.11
Non-gov GP with low quality	0.12	-0.087
Impact on LP's surplus (Likert scale)		
Gov LP	-0.090	-0.078
Non-gov LP	0.10	0.098
Changes in the IRR of GPs that LPs invest in (percentage points)		
Gov LP	-0.046	1.86
Non-gov LP	-0.072	-0.30
Average	-0.024	0.89

Panel B: Counterfacutal divisions of value

	non-gov GPs obtain the same value (x_{ij}) as gov GPs (1)	gov LPs obtain the same value (y_{ij}) as non-gov LPs (2)
Impact on GP's surplus (Likert scale)		
Gov, High Quality	0.0032	0.024
Gov, Low Quality	0.0047	0.035
Non-gov, High Quality	0.060	0.26
Non-gov, Low Quality	0.0078	0.15
Impact on LP's surplus (Likert scale)		
Gov	-0.024	-0.19
Non-gov	-0.0044	-0.027

Notes: This table reports counterfactuals based on the model. Panel A considers scenarios that government LPs are less likely to meet with government GPs (column 1) or worse-performing GPs (column 2). Panel B considers counterfacutal divisions of value, such as when nongovernment GPs obtain the same value as government GPs when matched with nongovernment LPs (column 1) and when government LPs obtain the same value as nongovernment LPs when matched with nongovernment GPs (column 2). Surplus changes are reported in Likert scale, consistent with our experimental design.