A Private Matter: Monetary Policy and the Rise of Private Capital in Australia

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STATEMENT OF ORIGINALITY

I hereby declare that this submission is my own work and to the best of my knowledge it contains no material previously published or written by another person. Nor does it contain any material that has been accepted for the award of any other degree or diploma at the University of Sydney or at any other educational institution, except where due acknowledgment is made in this thesis.

Any contributions made to the research by others with whom I have had the benefit of working at the University of Sydney are explicitly acknowledged.

I also declare that the intellectual content of this study is the product of my own work and research, except to the extent that assistance from others in the project's conception and design is acknowledged.

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Abstract

As private equity expands in scale and systemic importance, it has drawn growing public and regulatory scrutiny. Yet its relationship with monetary policy remains empirically untested. This thesis provides the first causal evidence on how monetary policy shocks affect Australian private equity activity, encompassing fundraising, investment, and exit outcomes. Using a local projection framework and a newly constructed quarterly dataset covering 2005–2024, I trace the dynamic responses of these outcomes to high-frequency domestic and international monetary policy shocks. The results show that domestic tightening consistently dampens private equity activity, with the largest effects observed in leveraged buyouts, consistent with transmission through valuation and credit channels. Comparison with U.S. shocks further underscores Australia's exposure to global liquidity cycles. Together, these findings demonstrate that monetary policy plays an integral role in shaping capital allocation within an increasingly private financial system. The consequences for Australia's financial stability, business dynamism, and long term productivity form the central motivation of this research.

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Contents

1 Introduction

Global capital markets are undergoing a structural reconfiguration, with traditional public equity and debt instruments increasingly supplanted by private alternatives. In Australia, this shift is evident in the stagnation of ASX listings since 2008, contrasted with a 160 per cent rise in private capital assets under management to A$148.6 billion by 2024 (ASIC, 2025). Post pandemic IPOs have fallen to their lowest levels since the global financial crisis, with ASX listings declining by 145 between 2022 and 2024 (ASIC, 2025)[1]. Yet after more than a decade of rapid expansion, fundraising and deal activity have slowed markedly since 2023, with dry powder[2] reaching record highs even as new commitments plateaued (Preqin, 2025). While deregulation helped spur the growth of private capital in the United States (de Fontenay, 2017), in Australia the evolution has been characterised more by a shift of firms and capital away from public markets. Firms are increasingly opting to raise funds privately or be taken private rather than launching on public exchanges (ASIC, 2025; Reserve Bank of Australia, 2024b). The divergence between the contraction of public markets and the maturation, albeit recent slowdown, of private equity highlights the need to examine how monetary policy interacts with these segments of the financial system.

To summarise my aim, this paper provides the first causal evidence on how *monetary policy influences Australian private equity activity*, specifically, fundraising, investment, and exit dynamics. Leveraging a newly constructed quarterly dataset and a local projection framework, I estimate the dynamic responses of these outcomes to both domestic and international monetary shocks. In doing so, the analysis captures how policy tightening or easing transmits through private capital markets, a channel that has become increasingly central to business financing and investment cycles.

Monetary policy is a powerful instrument that can produce far reaching and sometimes unintended consequences (Mishkin, 1995). When a central bank adjusts its policy stance, it activates a network of transmission channels that influence both aggregate demand and supply. For instance, a reduction in policy rates lowers borrowing costs, stimulating household consumption and business investment. While the aggregate effects of monetary policy on output, inflation, and employment are well understood (Mishkin, 1995), research on its connection to private markets is scarce.

Four mechanisms are of particular interest. The valuation or asset-price channel links policy rates to firm enterprise values, altering deal feasibility and expected returns (Neuberger Berman, 2024). The credit channel affects the cost and availability of leverage, shaping the financing structures of buyouts (Axelson et al., 2013; Kaplan & Strömberg, 2009). The risk-taking channel, often described as a "search for yield", drives

[1] While not explored directly in this thesis, private credit, a relatively recent innovation, has expanded by 240%—the fastest growth of any asset class (ASIC, 2025)

[2] Dry powder refers to committed but unallocated capital held by private capital funds, representing available liquidity that has not yet been deployed into investments.

institutional investors to rebalance between liquid and illiquid assets in response to changing interest-rate environments (Aramonte & Avalos, 2021; Bekaert et al., 2011; Borio & Zhu, 2012). Finally, an expectations and strategic-interaction channel, though difficult to test empirically, may operate through investors' anticipations of policy cycles and the actions of other market participants. These channels frequently overlap, amplifying cyclical dynamics in financial markets — particularly after the GFC, when global monetary easing and reduced bank lending created favourable conditions for private equity's expansion.

Our motivation extends from two interrelated forces. The first is productivity. Credit creation directed toward productive business investment, as distinct from credit for asset purchases or consumption, can expand the economy's capacity without generating significant inflationary pressures (Werner, 2011). Yet in Australia, productivity growth has slowed markedly: average annual labour productivity growth in the 2010s was around 1.2% compared with 2.1% in the 1990s and early 2000s (Reserve Bank of Australia, 2023). Firm level dynamism has also weakened: entry and exit rates of employing businesses have declined and industry concentration has increased (Australian Treasury, 2023). Private equity is often presented as a corrective to this stagnation, using funds and credit to restructure underperforming firms and improve operational efficiency. However, much of its activity involves highly leveraged buyouts and roll-ups that may reallocate, rather than expand, productive capacity (Kärnä & Myers, 2024). Reflecting these concerns, competition authorities have raised questions about consolidation. The Australian Competition and Consumer Commission (ACCC) and the Federal Government have explicitly identified serial acquisitions, bolt-ons, and roll-up strategies by funds as emerging "competition hotspots" (Gilbert + Tobin, 2024). While not measuring innovation outcomes directly, this study takes a necessary first step. Before evaluating the contribution of private equity to productivity and growth, we must first understand how cyclical shifts in the cost and availability of credit shape fundraising, deal activity, and exits.

Secondly, our motivation lies in concern for financial stability. If accommodative monetary conditions fuel unproductive credit creation, then rising private activity may not reflect real economic expansion but rather an asset cycle driven by abundant credit. The rapid growth of private capital globally has raised concerns about systemic risk reminiscent of past financial bubbles. The growing exposure of superannuation to private equity is at the forefront of the Australian concern. Excess liquidity, regulatory arbitrage, and speculative optimism have been identified as precursors to such episodes (Richards & Robinson, 2003). Historical parallels include the 1980s leveraged-buyout boom and the global financial crisis, both triggered by excessive leverage combined with financial innovation. Rising fund valuations (Reserve Bank of Australia, 2024a), regulatory warnings about opaque valuation practices, and conflicts of interest in private-asset pricing (ASIC, 2025) may signal the beginnings of a new cycle.

An additional emerging risk channel is the proliferation of continuation funds,[3] which potentially obscure liquidity based risks (Kastiel & Nili, 2024). While these developments highlight potential vulnerabilities, they also underscore the growing macroeconomic importance of private equity as an intermediary in capital allocation. Thus, this thesis seeks to establish the magnitude and mechanisms through which monetary shocks shape the flow of capital into Australia's evolving investment ecosystem.

Empirically, the analysis substantiates that monetary policy influences private equity through valuation, financing, and timing channels. A 25 bp domestic tightening reduces number of fundraisings by approximately 10%, amount raised by 40%, number of investments by 12%, and number of exits by 9%, with the largest and most delayed responses being among leveraged buyouts. The responses are moderate in size, and consistently indicate lagged but substantial adjustments in all phases of deal activity. The response to U.S. monetary shocks are qualitatively similar, yet magnitudes are considerably larger and more persistent, albeit imprecisely estimated. These results provide evidence of valuation and global liquidity channels (Axelson et al., 2013; Bruno & Shin, 2015; Rey, 2015), indicating that global conditions, in addition to domestic credit, spill over to shape Australian private market cycles.

This thesis proceeds as follows: Chapter 2 reviews the literature; Chapter 3 outlines the methodology; Chapter 4 presents empirical results; and Chapter 5 concludes with a summary and further research directions.

1.1 Overview of Private Equity

The private equity (PE) ecosystem is characterised by three core features: limited liquidity transformation, a predominantly institutional investor base with a focus on long term returns, and comparatively light regulatory oversight relative to public markets (Aramonte & Avalos, 2021). These attributes allow PE to generate superior risk adjusted returns by compensating for illiquidity and term through higher yields, yet they also create distinct sensitivities to monetary conditions, relative to more traditional investments. Understanding these characteristics is therefore essential before examining the channels through which monetary policy influences private activity.

PE entails medium to long term investments by specialised firms in target companies, with value creation achieved through active management, operational improvements, and strategic repositioning. As an intermediary asset class, PE channels capital from limited partners through fund structures, returning proceeds to investors upon successful exits. Compensation is performance linked, typically to internal rate of return (IRR) or multiple of money (MoM) targets, with carried interest rewarding outperformance.

[3] Continuation funds allow private equity firms to extend holding periods by transferring assets into new vehicles capitalised by existing or related investors, often obscuring valuation and liquidity risk.

Venture capital (VC) represents a distinct subset of PE, focused on early stage, high growth firms. It plays a critical role in financing innovation, as illustrated by Australian success stories such as Atlassian and Canva. VC investments progress through sequential stages from seed to expansion, each associated with increasing valuation and monitoring intensity. In contrast, mainstream PE targets later stage, cash flow positive firms, where value creation derives from operational restructuring or financial engineering. Both segments have delivered superior long term returns relative to public benchmarks, averaging 16.5 per cent annually compared with the ASX's 8 per cent (Australian Investment Council and EY, 2024).

A more recent development is the expansion of continuation funds, which illustrate emerging liquidity and valuation frictions within private markets. Traditionally, general partners return capital to limited partners following asset realisation, enabling investors to rebalance and recommit across vintages. Continuation vehicles disrupt this cycle by transferring mature assets into new funds managed by the same GP, giving LPs the choice to roll over or redeem. Although presented as tools to preserve value in quality assets during illiquid periods, their proliferation since the mid 2010s reflects slowing exit markets and increasing pressure on distributions (Kastiel & Nili, 2024). These structures can create the appearance of liquidity without realised cash-flows, extending fund lives and embedding GP determined valuations. In tighter monetary environments, such mechanisms may defer recognition of losses and heighten procyclicality. Australian legal and industry reviews similarly caution that continuation funds blur the boundary between primary and secondary markets, raising governance and conflict of interest risks for superannuation trustees (Allens, 2023; Ashurst, 2023).

Regulatory assessments echo these concerns. ASIC (2025) has highlighted inconsistent valuation and audit practices within superannuation funds' private asset holdings, noting that opacity in pricing undermines both comparability and financial stability. PE may therefore appear stable through periods of market stress, yet such opacity can amplify vulnerabilities when monetary conditions tighten.

Valuation Methods PE's illiquid structure increases sensitivity to longer term policy and credit cycles. In contrast to listed markets, where prices adjust continuously under transparent trading conditions, PE valuations are infrequent and depend heavily on model choice. This subjectivity allows value creation through operational improvements and strategic repositioning (Kaplan & Strömberg, 2009; Phalippou, 2020), yet also invites concern about delayed loss recognition and valuation smoothing across cycles.

Within standard discounted cash flow (DCF) analysis, interest rates influence valuation through the weighted average cost of capital (WACC), which determines the discount rate applied to expected free cash flows (FCF). Lower rates reduce the cost of debt, decreasing WACC and increasing the present value of projected FCF (Neuberger Berman, 2024). The result is a mechanical uplift in enterprise values and

an expansion of cash flows via lower interest expenses. Rising rates, conversely, raise financing costs and compress FCF, particularly for leveraged firms, indicating there is some cyclicality within PE valuations and subsequent deal activity.

Leveraged buyouts (LBOs) exemplify PE's sensitivity to credit conditions. Because acquisitions are predominantly debt financed, lower interest rates permit greater leverage and boost returns through financial engineering and the tax deductibility of interest (Axelson et al., 2013; Kaplan & Strömberg, 2009). This dynamic was most evident after the Global Financial Crisis, when abundant liquidity and minimal borrowing costs underpinned record LBO volumes (Melkoniemi, 2025). The mechanism reverses under tightening cycles: rising rates increase debt servicing costs, extend holding periods, and heighten default risk. In Australia, the 2006 Myer buyout illustrates this structure: a consortium acquired the retailer for about A$1.4 billion, funded by roughly A$950 million in debt, and realised substantial gains upon relisting (Forbes, 2009). Because leverage magnifies both upside and downside, LBO activity remains acutely responsive to shifts in monetary policy through its impact on borrowing costs and debt availability (Axelson et al., 2013) [4].

VC valuation differs fundamentally from DCF or LBO approaches, as early stage firms typically generate negative cash flows. Instead, valuation relies on comparable multiples or option pricing models, where interest rates affect terminal values indirectly through the cost of equity (Maciel & Jucá, 2023). Low rate environments have historically encouraged higher valuations and speculative funding rounds, exemplified by so called "unicorn" firms such as Atlassian, while rate increases constrain exit markets and compress multiples (P. A. Gompers & Lerner, 2001). Given these valuation asymmetries, I seek to independently examine the behavior of VC as distinct within the broader PE ecosystem.

2 Literature Review

This thesis contributes to two strands of literature. First, it adds to work documenting the transmission channels of monetary policy. Second, it bridges the gap between monetary transmission and PE investment, a topic that has been rarely studied in the both an Australian and global context. The paper does so through a local projections framework, using high-frequency monetary policy shocks, contributing to the growing literature on causal identification in macroeconomics.

Transmission Mechanisms of Monetary Policy A foundational question in macroeconomics concerns how monetary policy affects real economic outcomes. Seminal work by Bernanke and Blinder (1988) high-

[4] Interest payments on corporate debt are generally tax-deductible, reducing a firm's taxable income and thereby lowering the effective cost of borrowing. This creates a tax shield that enhances the attractiveness of debt financing in leveraged transactions, amplifying both returns and sensitivity to interest rate changes.

lighted the role of the *credit channel*, arguing that monetary policy affects not only the cost of borrowing but also the *availability* of credit. A contractionary monetary stance, by reducing bank reserves or raising the cost of wholesale funding, can limit credit supply, especially for firms that are reliant on external financing. This argument was refined through the *balance sheet channel* (Gertler & Karadi, 2014), which links interest rates to borrowers' net worth and collateral values. When net worth falls, external financing from banks becomes more costly, reinforcing the impact of monetary tightening. The *financial accelerator* channel formalises this amplification mechanism. It emphasises the feedback loop between borrower balance sheets and the cost of external finance (Gertler & Kiyotaki, 2010). A decline in collateral values or net worth increases the external finance premium, tightening credit constraints and amplifying the real effects of monetary shocks.

The *asset price channel* complements these mechanisms by linking interest rates to the valuation of future income streams. As noted by Borio and Zhu (2012), lower interest rates elevate asset prices by reducing discount factors, easing financing constraints and increasing investors' willingness to lend or invest. For leveraged asset classes, this process reduces the cost of capital and inflates the present value of expected cash flows, supporting higher acquisition prices and greater capital deployment when borrowing conditions are favourable (Axelson et al., 2013). The sensitivity of PE valuations to this mechanism is amplified by their long investment horizons and delayed cash flows (Kashyap & Stein, 2023). Moreover, Kashyap and Stein (2023) emphasise that the asset price channel operates not only through a firms fundamentals but also by altering investors' portfolio preferences and tolerance for risk.

Recent research emphasises that the post GFC era of persistently low interest rates created a structural, rather than cyclical, monetary environment. Central banks have warned that prolonged accommodation can distort asset pricing and incentivise excessive risk taking (Powell, 2017). This underpins the *risk-taking channel* of monetary policy, whereby low risk-free returns and compressed credit spreads induce investors to search for yield by shifting into illiquid or leveraged assets. For large asset owners with fixed nominal return targets, behavioural rigidities such as money illusion further amplify this response (Aramonte et al., 2021). Accommodative monetary conditions can become embedded in portfolio and valuation behaviour, reinforcing the sensitivity of risk-taking and as an extension, investment into private equity, to interest rate regimes.

Monetary Policy and Private Equity The second contribution of this thesis lies in directly connecting monetary policy to PE behaviour. While existing studies emphasise transmission through banking or public credit markets, relatively little is known about how policy cycles influence private capital allocation.

Connecting to our channels of interest, empirical evidence by Axelson et al. (2013) shows that the volume

and structure of leveraged buyouts are closely linked to credit market conditions, with leverage ratios and deal volumes responding primarily to debt supply rather than firm level fundamentals. Similarly, through a conceptual review Kaplan and Strömberg (2009) find that debt usage in buyouts reflects financing availability more than anticipated operational improvements at the target. Jandrić and Geršl (2024) estimate fixed effects panel regressions for 23 European countries from 2007 to 2022, modelling fundraising, investment, and divestment activity as the log of constant-euro volumes from Invest Europe. They find that variables such as bank credit, inflation, and trade openness significantly explain variation in private market activity, whereas short-term interest rates do not.

At the portfolio level, monetary tightening raises refinancing costs and erodes collateral values, constraining the balance sheets of highly leveraged firms (Gertler & Karadi, 2014). Yet structural features of the asset class can moderate these effects. The accumulation of uncalled capital, or *dry powder* allows fund managers to delay deployment until financial conditions improve (Lambert et al., 2024). The rise of continuation funds provides a new mechanism for managing liquidity and valuation risk. By transferring mature assets into successor vehicles, general partners can extend holding periods, artificially satisfy limited partners and postpone exits, effectively smoothing capital flows through monetary cycles (Kastiel & Nili, 2024). While such tools mitigate short term funding pressures, they may also obscure the full extent of valuation adjustments during contractionary phases.

This optionality highlights a distinctive behavioural dimension of PE investment. Real options theory suggests that when capital commitments are largely irreversible, uncertainty increases the value of waiting (Bernanke, 1983; Bloom et al., 2007; Dixit & Pindyck, 1994). Uncertainty surrounding the future path of interest rates and exit conditions can therefore dampen activity not through immediate funding constraints, but through managers' expectations of future valuations and credit costs. Empirical evidence supports this dynamic: P. Gompers et al. (2008), Sorensen and Jagannathan (2015), and Gupta and Van Nieuwerburgh (2021) find that fund managers actively time fundraising, investment, and exit decisions in response to perceived uncertainty and shifts in sentiment rather than contemporaneous policy shocks.

Despite these conceptual linkages, direct empirical evidence on how monetary policy transmits to PE activity is almost absent. Estimating the causal effects of policy is complicated by the endogenous nature of interest rate decisions: central banks adjust policy in response to macroeconomic conditions, obscuring identification (Swanson & Wu, 2022). Compounded by the scarcity of granular private market data, to the best of our knowledge this paper represents the **first** causal study of monetary transmission to PE in Australia and one of few internationally.

In the United States, Abreu et al. (2025) use a local projection with high-frequency identified shocks to show that contractionary monetary policy reduces both the number and total volume of VC deals, with the

strongest declines among early stage firms. Beyhaghi et al. (2024) examine firm-level investment responses and find that private firms cut investment and debt significantly following surprise rate hikes, whereas public firms maintain investment by issuing equity. These studies indicate that higher rates tighten funding for riskier and less liquid ventures, but they stop short of analysing general PE activity. Ljungqvist and Richardson (2019) complement this literature by analysing how financing conditions shape PE outcomes using a large cross-country dataset of buyout and venture deals. They regress deal level activity, leverage, and performance on measures of credit spreads and market interest rates, controlling for fund and vintage effects. Their results, albeit descriptive and structural rather than causal, show that buyout volumes, leverage ratios, and purchase price multiples rise sharply when credit is cheap, while subsequent returns weaken.

Australian evidence remains even more limited. Majeed and Hambur (2024) employ LP's to trace the effects of monetary policy on innovation and productivity, while Nolan et al. (2023) estimate firm-level investment responses across industries using high-frequency identified shocks. Their methodological approach motivates the identification strategy adopted here. By combining exogenous monetary shocks with new data on PE activity, this thesis contributes to the emerging empirical literature on the real effects of monetary policy in settings where balance sheet dynamics, leverage, and credit constraints play a central role.

3 Data and Summary Statistics

To assess how monetary policy affects private markets, I construct a quarterly dataset spanning 2005Q1–2024Q4 across three key phases of activity: fundraising, investments, and exits. The underlying data is sourced from Refinitiv's Private Equity Datastream, which provides transaction level information on PE and VC activity globally, with the ability to isolate Australia. All variables are aggregated to the quarterly level, harmonised across categories, and cleaned to ensure consistency in fund and deal identification.[5]

3.1 Private Equity Data

Fundraising Fundraising variables are aggregated at the fund level and capture quarterly capital commitments to new or follow-on funds. Key variables include the number of funds raised, total capital committed (A$ million), and categorical indicators for fund type (e.g., buyout, venture, or generalist).

Between 2005 and 2024, a total of 285 Australian based fundraisings were recorded, corresponding to average quarterly activity of 3.5 funds and total commitments of roughly A$1.9 billion. This highlights the relatively small size of the Australian market. The median quarterly raise is A$746.6 million, while dispersion

[5]Further description of the data is provided in the Appendix.

is substantial (SD A$2.7 billion), underscoring the lumpy nature of commitments. Quarterly totals range drastically from A$5.4 million to A$13.6 billion.

Investments Investment variables are derived from deal-level records aggregated to the quarter by completion date. Core variables include the number of deals, investment purpose (e.g., early stage, expansion, buyout), sector (based on Thomson Reuters Business Classification), and investor geography.[6]

Investment activity averages 50.4 deals per quarter, with a median of 45 and a range from 23 to 106 deals. The largest fund types in the sample are *Generalist Private Equity* (1,676), *Venture Capital* (1,549), and *Buyout* (649). *Early-stage* and *Expansion* investments together comprise roughly 40% of total activity (22% and 19%, respectively), while *LBOs* (11%) and *Acquisitions* (8%) account for smaller shares. *Domestic investors* represent 64% of transactions, with the *United States* contributing 18.5% and other regions 17%. Sectorally, investment is concentrated in *Technology* (33.7%), followed by *Industrials* (16.5%) and *Healthcare* (15.

Exits Exit activity is measured as the number of completed exits, classified by sector and exit type (e.g., IPO, merger, secondary sale, write-off, or other). I also include aggregate quarterly IPO proceeds to capture the pricing dimension of realised exits.

The largest origin countries of exiting funds are *Australia* (370) and the *United States* (57), with other geographies materially smaller. *Mergers* account for the majority of realised exits (57.4%), followed by *secondary sales* (18.8%) and *IPOs* (14.3%). Write-offs and buybacks collectively represent about 9%. IPO proceeds are highly skewed, averaging A$179.2 million per quarter (median A$12 million; SD A$425.5 million), with a maximum of A$2.5 billion. Sectorally, exits are concentrated in *Technology* (22.6%), *Industrials* (16.9%), and *Consumer Cyclicals* (16.6%) [7].

Limitations The Refinitiv dataset has several limitations. For investments, incomplete reporting of deal, equity, and debt amounts prevents value analysis, so this study focuses on counts, sectors, fund origins, and stages rather than deal sizes. Exit data face similar gaps: many private transactions, particularly secondary sales and mergers, lack disclosed valuations, while IPOs are more consistently reported. Consequently, aggregate exit values understate total market activity and can be biased toward publicly disclosed transactions, such as the 2024 *AirTrunk* acquisition valued at A$24 billion.

Australia's relatively small PE market also constrains the precision of quarterly estimates, as thin samples and heterogeneous deal sizes complicate the separation of cyclical from idiosyncratic fluctuations. Finally, the

[6] Because multiple investors may participate in a single transaction, investor counts can exceed deal counts.
[7] For a detailed breakdown of Investment and Exit outcomes, refer to Figure 8.

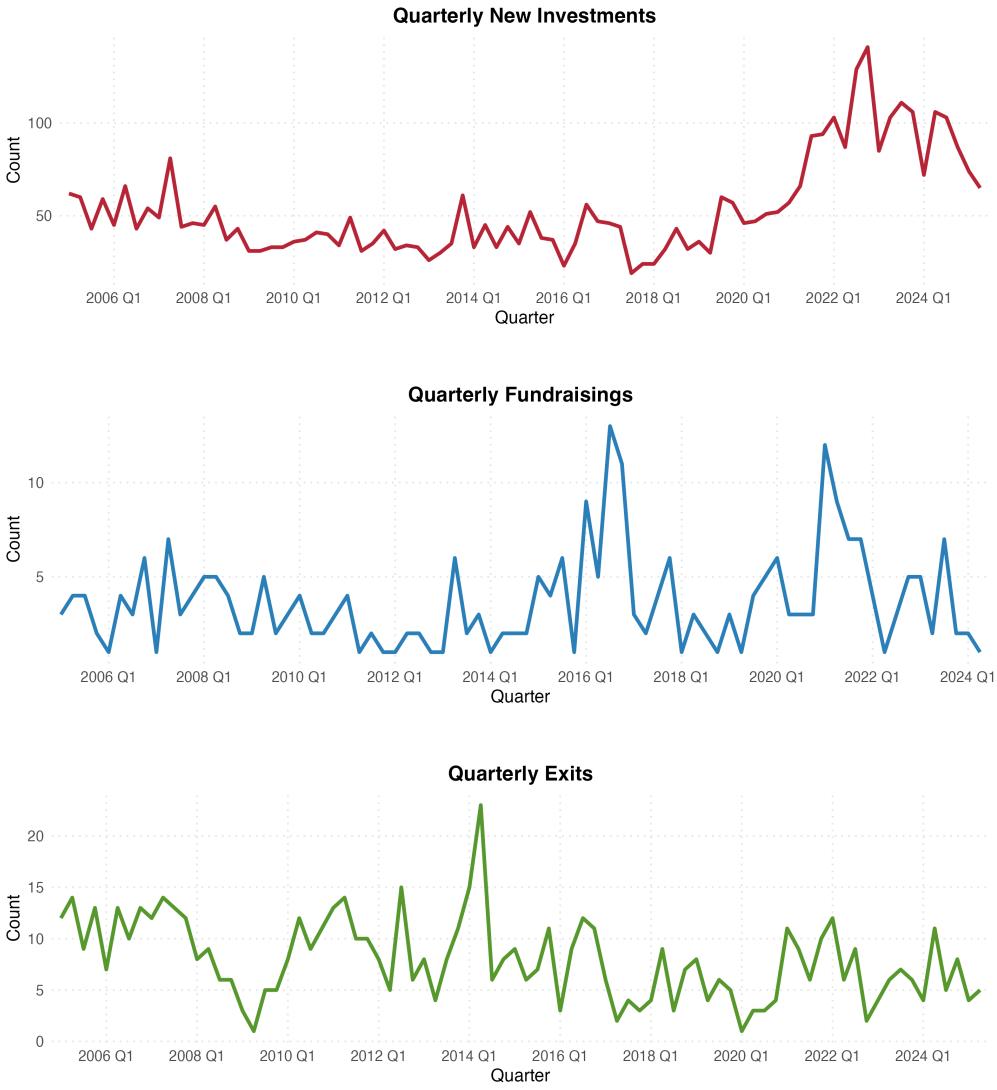
absence of consistent fund level returns data precludes direct analysis of performance or valuation sensitivity to monetary policy shocks, identified as a direction for future research.[8]

[8] Alternative data sources such as Preqin could enhance coverage of fund characteristics, performance metrics, and investor composition. APRA's superannuation statistics provide only aggregated exposures to private assets, limiting the ability to track institutional participation in PE fundraising.

Figure 1: Summary statistics for headline Private Equity outcomes (2005Q1–2024Q4)

	Level of series				
Outcome	Mean	Median	Std. dev.	Min	Max
Fundraising: # Funds	3.5	3.0	2.5	1.0	12.0
Fundraising: Total Raised (AUD m)	1,892	746.6	2,716	5.4	13,651
Investments: # Deals	50.4	45.0	22.4	23.0	106.0
Exits: # Deals	8.2	8.0	4.6	1.0	23.0
Exits: IPO Value (AUD m)	179.2	12.0	425.5	0.0	2,498

Quarterly Private Equity Activity by Headline Type (2005Q1–2024Q4)



3.2 Monetary Policy Shocks

This study identifies the impact of monetary policy (MP) on private equity (PE) activity using a narrative, high-frequency approach that isolates unexpected policy changes from systematic responses to macroeconomic conditions. Because interest rates respond endogenously to both realised and anticipated developments, direct regressions on the cash rate confound policy reactions with genuine shocks. The narrative identification strategy, first developed by Romer and Romer (2004) and adapted to Australia by Bishop and Tulip (2017) and Beckers (2020), removes the predictable and anticipatory components of policy rate changes. Specifically, Beckers (2020) estimates a forward-looking Taylor-type rule incorporating the Reserve Bank of Australia's internal forecasts for output, inflation, and unemployment, together with market-based expectations and credit spreads:

$$\Delta i_t = \hat{\alpha} + \hat{\rho} i_{t-1} + \mathbf{F}_{t+h|t}\hat{\boldsymbol{\beta}} + \mathbf{CS}_t\hat{\boldsymbol{\gamma}} + \hat{m}_t, \tag{1}$$

where Δi_t denotes the change in the policy rate at meeting t, i_{t-1} is the lagged rate, $\mathbf{F}_{t+h|t}$ represents the RBA's h-quarter-ahead forecasts, $\mathbf{CS}_t$ captures contemporaneous credit and money market spreads, and $\hat{m}_t$ is the resulting policy shock, interpreted as the unexpected, exogenous component of monetary policy decisions after controlling for information available at the time.

The updated series employed here utilises an unreleased, extended version of the Beckers (2020) shocks,[9] which extends through to 2025.[10] The updated shocks re-estimate the augmented policy rule as a single regression, without the cumulative-sum transformation originally applied before VAR estimation. This modification removes serial correlation introduced by the earlier specification while maintaining consistency with the underlying identification logic.[11]

This approach complements broader high-frequency identification strategies. For instance, Inoue and Rossi (2021) measure shocks as changes in government bond yields around announcement windows, while the Bolhuis et al. (2024) construct daily surprises in short- and long-term swap rates for 29 OECD economies.[12] These studies capture both conventional and unconventional policy actions, including forward guidance and quantitative easing. In contrast, the Beckers (2020) narrative style isolates the RBA's intended policy stance conditional on its internal forecasts. The shocks thus provide a clean measure of conventional policy surprises

[9] I am grateful to Jonathan Hambur, James Bishop, and Shan Jayawardhana at the RBA for providing me with the unreleased shock series.

[10] Because shocks after 2022Q2 are observable only semi-annually, reflecting fewer discrete RBA rate decisions, the baseline local projection analysis is restricted to 2005Q1–2022Q2 to avoid zero-shock periods biasing estimates.

[11] For robustness, alternative identification schemes using Hambur and Haque (2023)'s updated path and action shocks, as well as the earlier published Beckers (2020) series, are reported in B.

[12] We reached out to the IMF for access to the Australian high-frequency shocks but were unable to obtain them for an additional robustness check.

that is well suited to quarterly local projection analysis.

To capture global monetary influences, the analysis also estimates the local projection against U.S. MP shocks developed by Bauer and Swanson (2022), following the implementation in Abreu et al. (2025). These shocks are identified from high-frequency movements in interest rate futures within a 30-minute window surrounding Federal Open Market Committee (FOMC) announcements, thereby isolating the unanticipated component of U.S. policy decisions. Bauer and Swanson (2022) construct two related measures. The first, denoted *MPS*, is the leading principal component of changes in short-rate futures, scaled to match the response of the Eurodollar contract and capturing the common policy surprise across maturities. The second, *MPS_orth*, removes the portion of *MPS* explained by six macro-financial news variables, including surprises in inflation, employment, and risk sentiment. This yields an orthogonal measure of policy tightening or easing, similar in spirit to the shocks obtained in Beckers (2020).[13]

Australian Monetary Policy Shocks Table 1 reports summary statistics for the updated Beckers (2020) MP shocks, which incorporate the Reserve Bank of Australia's internal forecasts and market indicators to isolate the unanticipated component of policy rate decisions. The raw quarterly shocks exhibit a near zero mean (−0.04 ppts) with moderate dispersion (SD 0.28 ppts), implying that most policy moves were broadly anticipated but occasionally deviated from expectations. The distribution is moderately skewed toward easing surprises, with 51 contractionary and 25 expansionary shocks identified over the 2005Q1–2022Q2 sample. Magnitudes are generally small, typically within ±1.5 ppts. These shocks serve as the principal domestic measure of unanticipated policy changes in the analysis that follows.

U.S. Monetary Policy Shocks As shown in Table 1, both U.S. series display very low average magnitudes (means 0.00–0.004 ppts) and limited volatility (SD 0.03–0.05 ppts). In the raw data, 65 contractionary and 88 expansionary shocks are identified, indicating a modest asymmetry toward tightening announcements.[14]

[13] Both series are aggregated to quarterly and annual frequency by averaging announcement-level surprises.
[14] The *MPS_orth* series is used as the main U.S. shock in the results that follow.

Table 1: Summary statistics for Australian and U.S. monetary policy shock series

	Raw shocks	Quarterly aggregate	Annual aggregate
Panel A: Australia (New Beckers series)			
Median (ppts)	-	-0.063	-0.051
Mean (ppts)	-	-0.039	-0.029
Standard deviation (ppts)	-	0.276	0.154
Min (ppts)	-	-1.502	-0.353
Max (ppts)	-	1.035	0.290
Number of shocks	-	76	21
Panel B: United States (Bauer and Swanson (2022))			
Median (ppts)	0.000	0.005	0.005
Mean (ppts)	0.002	0.002	0.002
Standard deviation (ppts)	0.050	0.029	0.015
Min (ppts)	-0.419	-0.135	-0.032
Max (ppts)	0.138	0.056	0.031
Number of shocks	228	76	19
Panel C: United States (Bauer and Swanson (2022) orthogonalised)			
Median (ppts)	0.000	0.002	0.006
Mean (ppts)	0.004	0.004	0.004
Standard deviation (ppts)	0.047	0.025	0.009
Min (ppts)	-0.378	-0.116	-0.014
Max (ppts)	0.187	0.073	0.020
Number of shocks	228	76	19

Note: Raw data is unavailable for the updated Beckers series, which were provided in quarterised form by the author.

4 Empirical Methodology

4.1 Local Projection

Following Jordà (2005), I implement a local projection framework to estimate the dynamic effects of MP shocks on PE activity: defined by fundraising, investments, and exits. Local projections are constructed as sequences of horizon specific linear regressions that directly estimate impulse response functions (IRFs). Their flexibility makes them well suited to this context, as they impose fewer assumptions about the data-generating process than traditional vector autoregressions (VARs). This is particularly valuable given the complex and potentially heterogeneous dynamics of PE markets. Recent theoretical work by Plagborg-Møller and Wolf (2021) shows that, under general conditions, local projections and VARs converge to the same population impulse responses. In finite samples, local projections are often preferred for their robustness to model misspecification and their ability to accommodate non-linearities and panel structures.

Aggregate Specification At the aggregate level, the local projection is estimated at quarterly frequency as:

$$y_{t+k} = \alpha_k + \beta_k X_{t-1} + \gamma_k i_t + \epsilon_{t+k},$$

where y_{t+k} denotes the outcome of interest k periods ahead,[15] i_t is the MP shock, X_{t-1} is a vector of lagged controls, and γ_k traces the impulse response at horizon k.

Panel Specification To exploit cross-sectional variation, I also estimate a panel version of the local projection by pooling information across disaggregated units such as fund types, sectors, investment purposes, and exit categories. This approach improves estimation precision by introducing fixed effects.[16]

$$y_{i,t+k} = \alpha_i + \beta_k' X_{i,t-1} + \gamma_k i_t + \varepsilon_{i,t+k}, \tag{2}$$

where $y_{i,t+k}$ denotes the outcome for unit i k periods ahead, i_t is the MP shock, and $X_{i,t-1}$ is a vector of lagged controls. The unit fixed effects α_i absorb all time-invariant heterogeneity across categories, so identification relies on within-unit temporal variation in exposure to policy shocks.

Panel local projections combine the flexibility of the Jordà (2005) approach with the cross-sectional efficiency of fixed effects estimation, producing more precise impulse responses for disaggregated outcomes while remaining robust to lag misspecification (Jordà, 2005; Teulings & Zubanov, 2014).

As a robustness check, I re-estimate the local projection model using an instrumental variable (IV) specification following Jordà (2005) and Stock and Watson (2018). This approach serves to validate that the estimated responses are not biased by potential endogeneity between the policy rate and broader macroeconomic conditions. The instrument isolates the exogenous component of policy changes attributable to high-frequency monetary surprises. For the updated Australian MP shocks of Beckers (2020), the first stage relationship between the high-frequency surprise and the quarterly change in the cash rate is strong ($r = 0.41$), yielding an F-statistic of approximately 20— well above the Staiger and Stock (1997) threshold for weak instruments. Because the instrument is highly relevant, the IV impulse responses are qualitatively similar to those obtained under OLS (i.e. the reduced form). The IV–LP is implemented horizon by horizon as:

[15] In relation to the main activity measures: fundraising, investments, or exits.
[16] As the number of panel units is small, standard errors are not clustered.

$$\text{(First stage)} \quad i_t = \pi_k + \lambda_k z_t + \psi_k' X_{t-1} + u_{t,k}, \tag{3}$$

$$\text{(Second stage)} \quad y_{t+k} = \alpha_k + \beta_k' X_{t-1} + \gamma_k \widehat{i}_t + \varepsilon_{t+k}, \tag{4}$$

where i_t denotes the quarterly change in the policy rate, z_t is the high-frequency monetary shock used as an instrument, $\widehat{i}_t$ is the fitted value from the first stage, and X_{t-1} contains lagged outcomes, macro controls, and deterministic components. All variables are expressed in basis points, so that γ_k measures the response of y_{t+k} to an exogenous 1 bp change in the cash rate. When y_t is in (log + 1), γ_k is interpreted as a semi elasticity (percent change per 1 bp). This two-stage local projection scales the responses in terms of the policy rate rather than the raw surprise, allowing γ_k to trace the dynamic effect of a policyminduced change in the cash rate.

Trend specification Three trend modes are considered to account for slow-moving components in private capital activity. A linear time trend absorbs gradual drift in the data (Ramey, 2016), while a quadratic trend captures potential non-linearities in the long run evolution of the industry, such as structural growth or gradual market maturation. In addition, quarterly demeaning is applied to control for seasonal patterns, following Cloyne et al. (2023). The inclusion of a quadratic term provides a flexible detrending of series that exhibit curvature over time. For instance, when fundraising expands rapidly in early periods before stabilising. Across specifications, all three trend modes yield broadly similar directional results.[17]

Controls The lagged control vector $X_{i,t-1}$ includes standard macroeconomic indicators: real GDP, inflation, and unemployment, together with an excess bond premium (EBP) constructed as the spread between BBB-rated ten-year corporate bonds and Australian Government Securities, following Gilchrist and Zakrajšek (2012) [18]. The trade-weighted index (TWI) is also included to capture exchange rate and competitiveness effects within Australia's monetary transmission mechanism (Brischetto & Voss, 2005).[19]

[17] Quarterly demeaning is reported in our results as it removes recurring seasonal means within each quarter, which is particularly important for financial series that often follow institutional or reporting-year cycles.

[18] I construct the excess bond premium using RBA data.

[19] Control variables are sourced from Oxford Economics and the Reserve Bank of Australia.

5 Results

This section presents the results from the empirical strategy. Impulse responses in the main text are derived from the updated Australian high-frequency surprises of Beckers (2020) [20]. For consistency, all IRFs use a $\log(1+x)$ transformation with seasonal trends, which stabilises variance, accommodates zeros in the data, and isolates cyclical movements.

All impulse responses are scaled to a one basis-point (**bp**) MP surprise. While figures report responses per bp, economic significance is more intuitively interpreted for a conventional 25 bp policy move.

To gauge the magnitude of each response, the estimated $\log(1+x)$ IRFs are benchmarked against the standard deviation of the corresponding $\log(1+x)$ series and against the standard deviation of its HP-filtered cyclical component [21]. This anchors each impulse response in the observed volatility of the outcome, expressing magnitudes as multiples of typical overall and cyclical fluctuations in the same transformed scale used for estimation. Specifically,

$$\text{Relative effect}_h^{25\text{ bp}} = \frac{25 \times \widehat{\beta}_h}{\sigma(\text{trend or cyclical volatility}_y)},$$

5.1 Fundraising

To study fundraising responses (number of funds and total capital raised), I estimate panel local projections with fund type fixed effects, which absorb time invariant heterogeneity across Buyout, Other Private Equity, Venture Capital & Other categories. The impulse responses of Figure 2 are scaled to a one bp MP surprise. The overall volatility of the $\log(1+x)$ fund-count series is 0.52, while its cyclical volatility is 0.46. For total capital raised, the corresponding volatility is AU 1.60 and 1.36 million, respectively.

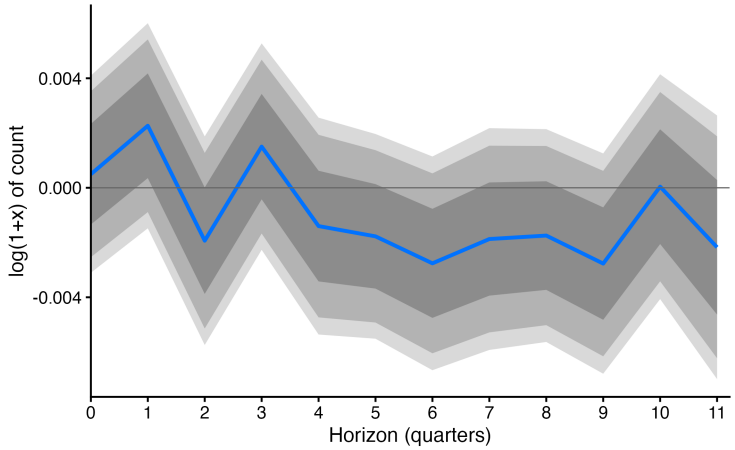
The number of funds raised shows a gradual decline following a contractionary shock, reaching a trough around nine quarters, while total capital commitments exhibit a larger and more persistent medium run fall peaking around eight quarters. After scaling to a 25 bp tightening, the estimated responses become economically meaningful. The *count* of new funds declines by about -0.11 in $\log(1+x)$ terms (roughly 10%), with the trough occurring after around eleven quarters. By contrast, *total capital raised* falls by about -0.53 (log points, or roughly 40%) at a shorter horizon of six quarters [22] Both outcomes suggest that monetary tightening exerts a delayed but material drag on fundraising activity: the number of funds adjusts only gradually, while the volume of capital committed reacts more sharply and earlier, reflecting

[20] The analysis is truncated at 2022Q2 to exclude subsequent zero shock quarters.

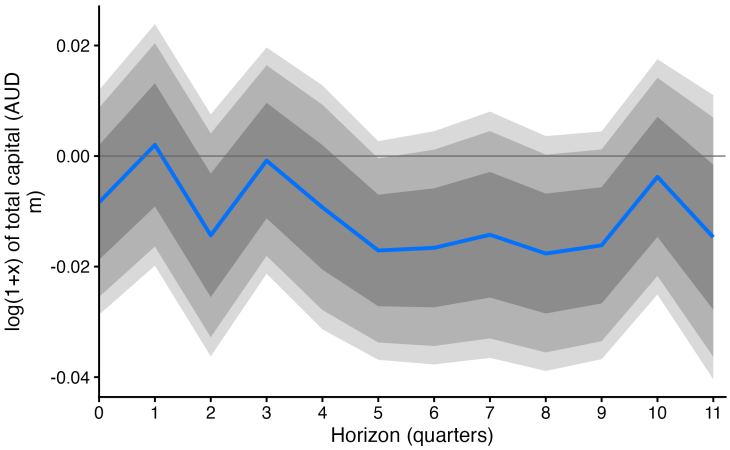
[21] The Hodrick–Prescott (HP) filter decomposes a time series into a smooth long-term trend and a short-term cyclical component by penalising fluctuations in the trend's growth rate. The resulting cyclical series isolates variation associated with business cycle dynamics, allowing responses to be scaled relative to typical cyclical volatility.

[22] The apparent magnitude partly reflects the inclusion of outlier observations, which were retained to preserve the underlying variability and cyclicality of fundraising activity.

valuation effects and investor risk aversion. Although 68 per cent confidence intervals exclude zero near the trough, higher levels (90–95 per cent) often span it, implying that the effects are economically large but statistically imprecise. My results contrast with Jandrić and Geršl (2024), who find limited sensitivity of European private-market fundraising to policy rates; in the Australian case, contractionary shocks appear capable of compressing both the number of funds and more prominently, the capital raised over the medium horizon, rather than merely shifting their timing.



(a) Number of funds raising



(b) Total capital raised (AUD m)

Figure 2: Panel IRFs of Australian fundraising activity to updated Beckers (2020) high-frequency monetary policy shocks, 2005Q1–2022Q2

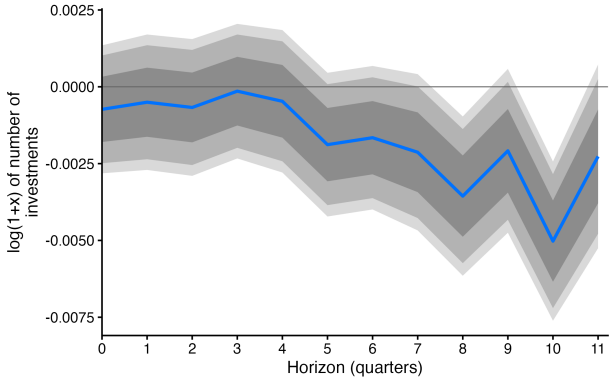
5.2 Investments

Aggregate Investments I estimate the response of the *number of investments* to MP shocks using panel local projection models with fixed effects by sector, purpose, country, and fund type. Across all specifications, investment activity declines following a contractionary shock, but the adjustment is gradual rather than immediate, reaching a trough at roughly ten quarters. This delayed response suggests that investment commitments in private markets react with a lag to changes in financing conditions, consistent with the time required for deal sourcing, due diligence, and capital reallocation.[23] Peak effects range from -0.094 to -0.143 in $\log(1+x)$ terms (roughly 9–13% declines), equivalent to about 22–33% of overall volatility ($\sigma_y = 0.43$) or up to 60% of the cyclical component ($\sigma_c = 0.24$). While 68% confidence intervals exclude zero near the trough, higher bands (90–95%) remain wide, indicating moderate statistical precision.

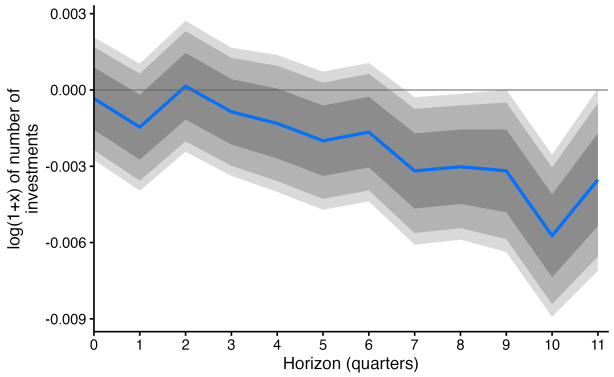
The similarity of responses across panels in Figure 3 points to a common financing channel rather than purely sectoral or geographic heterogeneity. The largest magnitudes arise in the purpose sub-panel, consistent with heightened sensitivity among debt-intensive transactions such as leveraged buyouts. As funding costs rise and credit conditions tighten, hurdle rates increase and valuations compress, slowing the initiation of new deals. The persistence of the decline suggests that monetary tightening impedes deal formation through financing and valuation effects rather than merely causing an immediate withdrawal of activity.

Conversely, an expansionary shock would stimulate investment through the same channels. Lower rates reduce the cost of leverage, ease credit conditions, and inflate valuations, encouraging earlier deal execution and greater risk-taking. This dynamic is consistent with the pronounced surge in investment activity during the 2020-2022 COVID period (see Figure 1), when record low policy rates and abundant liquidity coincided with a sharp expansion in private market deal flow.

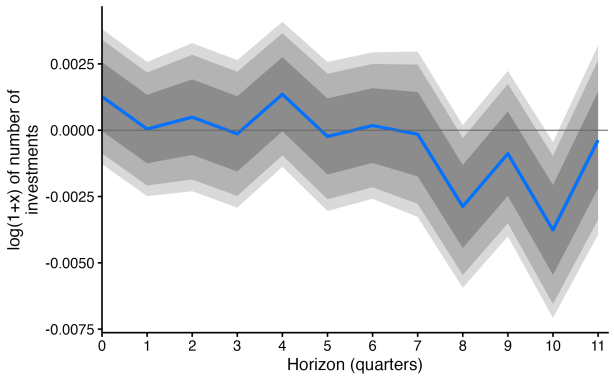
[23] Long-difference estimates in Figure 10 support this sustained contraction.



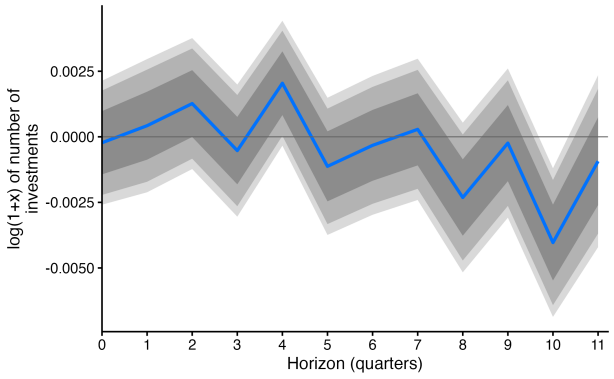
(a) Sector panel — response of *total* investments



(b) Purpose panel — response of *total* investments



(c) Country panel — response of *total* investments



(d) Fund-type panel — response of *total* investments

Figure 3: Panel IRFs of Australian total investments (count) to updated Beckers (2020) high-frequency monetary policy shocks

The following investment results build on the aggregate panel estimates by exploring the response of specific deal types, origins, and sectors. These specifications exploit the richer size of the investment dataset to run independent IV local projections within each category [24]. The broader sample improves reliability relative to exits and fundraising, where smaller counts generate noisier estimates. By focusing on distinct sources of heterogeneity, these IRFs reveal how MP affects the composition and timing of private capital flows rather than their aggregate volume [25], were selected to reflect the main channels motivating this thesis: domestic business dynamism and financial stability. Each represents a conceptually distinct aspect of PE's role in the monetary transmission mechanism.

Investments by Purpose (LBO) Echoing the panel results, the dedicated local projection for leveraged buyouts (LBOs) in Figure 4 confirms that buyout activity is highly sensitive to MP. Because these transactions rely heavily on debt financing, higher policy rates and wider credit spreads directly erode deal feasibility and expected returns. The LBO series exhibits total volatility of 0.57 and cyclical volatility of 0.52, indicating that most variation occurs at business cycle frequencies rather than from idiosyncratic noise. Following a 25 bp contraction in the interest rate, the number of LBO investments declines by about -0.151 log points (14%) after nine quarters. The implied elasticity—around $0.010\,\sigma_y$ or $0.012\,\sigma_c$ per bp shock—suggests that a 25 bp tightening reduces buyout volumes by roughly one quarter to one third of a standard deviation in investment activity.

The persistence of this decline closely aligns with Ljungqvist and Richardson (2019), who show that buyout volumes, leverage ratios, and purchase-price multiples contract sharply when spreads widen, reflecting the central role of debt availability. The evidence here provides causal rather than descriptive confirmation of that same credit channel, compounded by a valuation channel (Kaplan & Strömberg, 2009) operating through MP shocks.

Conversely, expansionary policy would be expected to amplify buyout activity through lower funding costs and improved valuation conditions. In low rate environments, cheaper leverage and abundant liquidity encourage larger, more frequent LBOs, consistent with the rapid expansion of PE observed globally during the era of ultra-accommodative policy.

Investments by Origin (Australia) The inclusion of origin fixed effects in Figure 3 controls for systematic differences between domestic and cross border investment behaviour, ensuring that estimated responses reflect monetary transmission rather than compositional shifts in capital sources. When dissected, focusing

[24] The IV and OLS local projections yield nearly identical results, due to the strength of the F-statistic and positive correlation between shock and policy rate.

[25] The four outcomes of interest are —*LBO*, *Australian origin*, *Technology*, and *Venture Capital*.

on Australian investors in Figure 4 thus provides a clearer view of how local capital formation responds to domestic monetary conditions.

Following a 25 bp tightening, the number of Australian led investments edges down by roughly -0.10 log points (9.8%) after ten quarters. Relative to the series' total volatility ($\sigma_y = 0.55$) and cyclical component ($\sigma_c = 0.30$), this corresponds to movements of about $0.18\,\sigma_y$ and $0.34\,\sigma_c$, indicating a mild but discernible contraction in domestic deal activity. Compared with the sharper adjustment observed for buyouts, the response among Australian investors unfolds more gradually and stabilises near zero toward the end of the horizon, suggesting that local funds adjust to tighter policy primarily through valuation and pacing of transactions rather than abrupt withdrawal. This pattern also points to partial insulation from global capital flows: while foreign investors may recalibrate exposures more rapidly, domestic funds appear to smooth adjustment by reallocating commitments within Australia.

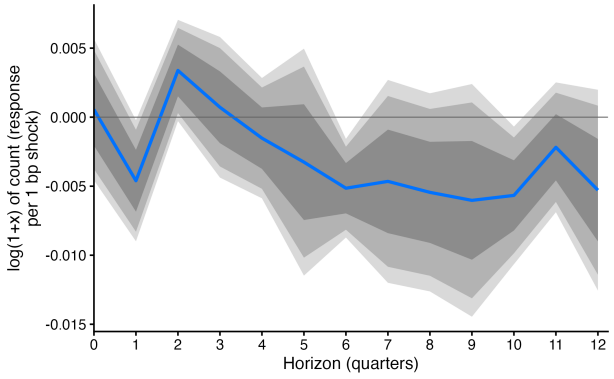
Investments by Sector (Technology) Given the pronounced cyclicality of technology valuations and the sector's central role in productivity growth and business dynamism, technology investments provide a natural test of monetary sensitivity. Following a 25 bp tightening, technology investment dips by around -0.064 log points (6.2%) at the ten quarter horizon. Relative to the overall volatility of the series ($\sigma_y = 0.73$) and its cyclical component ($\sigma_c = 0.31$), this corresponds to roughly $0.09\,\sigma_y$ or $0.21\,\sigma_c$. The response in Figure 4 is statistically indistinct from zero beyond the short run, suggesting that Australian technology investment is relatively insensitive to MP shocks. This muted reaction likely reflects structural features of the sector: Australia's technology industry is smaller, less venture driven, and more concentrated in mature software and services firms than in high growth, innovation intensive segments seen in the U.S. Consequently, policy tightening appears to influence valuations and timing of funding rounds rather than the volume of innovative activity itself, consistent with Tan (2011).

Investments by Fund Type (Venture Capital) Among fund types, venture capital (VC) is of particular interest because its financing model and investment horizon differ sharply from those of buyout funds. Following a 25 bp tightening, the number of venture investments declines by approximately -0.080 log points (7.7%) after eleven quarters. The implied elasticity is around $0.005\,\sigma_y$ or $0.009\,\sigma_c$ per basis point shock, suggesting that a 25 bp tightening reduces venture deal volume by roughly one quarter to one third of a typical cyclical fluctuation [26]. While more moderate than the LBO response in Figure 4, this likely reflects the structure of venture financing, which depends more on equity commitments and firm-specific fundamentals than on leverage. Because early stage firms often have negative cash flows, their valuations

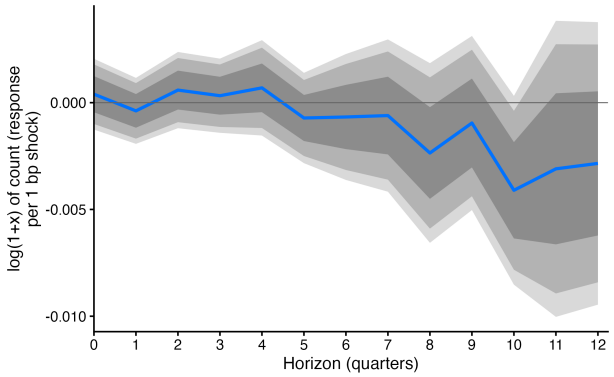
[26] Relative to the total volatility of VC investment activity ($\sigma_y = 0.67$) and its cyclical component ($\sigma_c = 0.35$).

hinge on expected future growth rather than conventional valuation metrics. Monetary tightening has a muted impact on pricing, long term discount rates and the availability of equity.

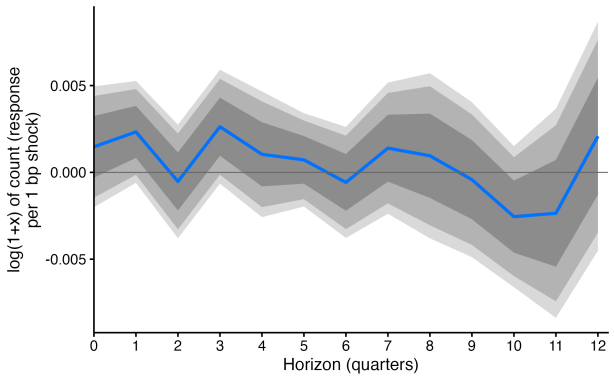
Across all specifications, investment responses to monetary tightening are moderate in magnitude and concentrated over the medium term rather than on impact. The disaggregated analysis reveals clear heterogeneity in sensitivity: the LBO analysis shows pronounced and persistent contractions, consistent with their dependence on debt financing and sensitivity to credit conditions. In contrast, VC, technology and domestically funded investments exhibit milder lived responses, reflecting greater reliance on equity financing and valuation flexibility. These patterns indicate that monetary transmission to private investment operates predominantly through financing and valuation channels, with the strength of adjustment governed by leverage exposure and the cyclicality of discount rates. Together with the panel responses, the results point to a gradual but durable tightening in private investment activity following contractionary shocks.



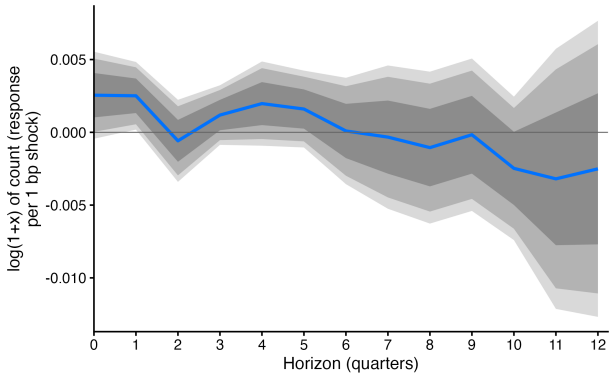
(a) LBO investments



(b) Australian investments



(c) Technology investments



(d) Venture capital investments

Figure 4: IRFs of selected Australian investment categories to updated Beckers (2020) high-frequency monetary policy shocks, 2005Q1-2022Q2

Comparison with Australian Non-Mining Investment To gauge the broader relevance of these results, it is useful to compare PE investment responses with those observed in the wider Australian economy. Non-mining firms provide a natural benchmark, as they account for the bulk of business investment and are similarly sensitive to financing costs but operate with more conventional access to credit. Nolan et al. (2023) analyse how Australian non-mining firms adjust investment following MP shocks using firm-level Business Activity Statement data within the ABS BLADE. Estimating quarterly local projections of firm investment on the exogenous Beckers (2020) shocks, they distinguish between the *extensive margin* (whether firms invest at all) and the *intensive margin* (how much they invest). Scaled to a 25 bp policy tightening for comparability, they find the probability of investment falls by roughly 1.25% at its trough, while conditional investment spending declines by around 2.5%.

A direct comparison with Nolan et al. (2023) is complicated by differences in both measurement and mechanism. Whereas their firm level study observes investment amounts, the present dataset records the count of completed transactions, with no information available on deal size or capital deployed. The sector panel best captures the timing and frequency of investment *events* rather than changes in expenditure volumes. Scaled to a 25 bp contractionary shock, our sector level response shows declines between -0.094 to -0.143 in $\log(1+x)$ terms: equivalent to roughly 9–13%. These effects are roughly two to three times larger than those estimated by Nolan et al. (2023) for non-mining firms.

This contrast suggests that MP transmits more strongly through debt dependent and valuation sensitive private capital markets, where leverage and asset pricing amplify tightening effects. The structure of PE funds, characterised by committed capital, drawn gradually over multi-year horizons, limits immediate liquidity constraints but leaves deal feasibility highly exposed to changes in financing costs and discount rates. As a result, monetary shocks alter the timing and pricing of transactions rather than the total availability of capital. Compared with the expenditure based adjustment observed among non-private firms, PE investment in Australia responds primarily through valuation, credit and intertemporal channels, producing delayed yet economically meaningful contractions in deal activity.

Comparison with U.S. Venture Capital Evidence A more direct comparison can be drawn with Abreu et al. (2025), who examine the response of U.S. venture capital (VC) activity to MP shocks using quarterly local projections identified with high-frequency Bauer and Swanson (2022) shocks: the same empirical approach employed here. Their study isolates VC within the broader PE ecosystem, making it particularly relevant for benchmarking Australia's experience. In firm level U.S. data, a 100 bp contraction reduces VC deal counts and total investment volumes by roughly 12–14% at the trough, with effects concentrated in early-stage financing and dissipating within six quarters. Scaled to a 25 bp tightening, this implies

declines of about 3–3.5%.

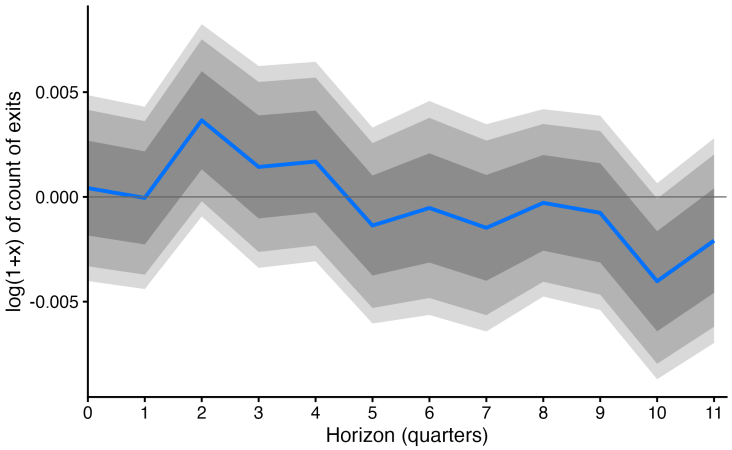
Our response from Australian venture activity yields a broadly similar transmission pattern with larger medium run contractions. In our dataset, venture deal counts decline by about 8% after eleven quarters, compared with a 3–3.5% reduction in the U.S. sample. The stronger Australian response likely reflects differences in market depth and composition: Abreu et al. (2025) estimate effects using firm level data that capture both deal counts and investment amounts within a deep and innovation intensive venture ecosystem, whereas the Australian series aggregates completed transactions across a smaller, less venture driven market. Despite these distinctions, both studies point to common mechanisms. Both studies highlight the importance of the valuation channel, where tightening raises discount rates, lowering valuations and discouraging investment in sectors with distant cash flows and high growth expectations.

5.3 Exits

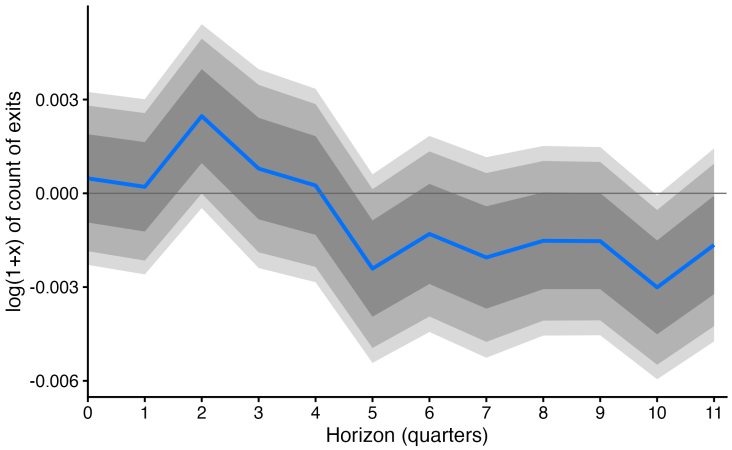
Aggregate Exits I estimate panel local projections for exits with fixed effects along three categorical dimensions: country, sector, and exit type.[27] Across country, sector, and exit type panels in Figure 5, the impulse responses exhibit a common pattern: a brief, statistically indistinct uptick immediately after a contractionary MP shock, followed by a sustained contraction. Following a 25 bp contractionary shock, the number of exits falls by approximately -0.094 in $\log(1+x)$ terms (around 9% at the trough). When scaled by the underlying volatility of exit activity, this corresponds to roughly 19% of a typical quarterly fluctuation ($\sigma_y = 0.49$) and about 22% of a standard cyclical swing ($\sigma_c = 0.42$). While 68% confidence bands lie marginally below zero through the mid-horizon, wider intervals span it, indicating that the contraction is economically meaningful but estimated with moderate precision.

These dynamics suggest an inter-temporal margin of adjustment. The initial uptick is consistent with managers accelerating realisations in anticipation of tighter financing, while the subsequent and more persistent decline indicates a prolonged slowdown in exit activity under weaker valuations and reduced buyer demand. In real options terms, monetary shocks alter the relative value of waiting versus exercising (Bernanke, 1983; Dixit & Pindyck, 1994). Financing and valuation channels therefore interact in opposite directions: higher discount rates and tighter collateral constraints depress acquisition appetite (Gertler & Karadi, 2014), while liquidity pressures can temporarily bring exits forward. The sustained negative phase of the response implies that the contractionary forces dominate in the medium-term.

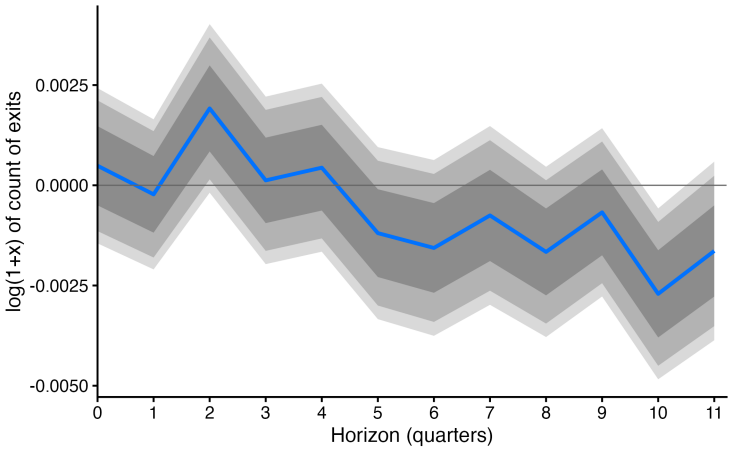
[27] Because counts thin quickly once I cross-classify by sector or geography, horizon-by-horizon IV estimates for individual cells (for example, "Healthcare exits to a shock") become too noisy to be informative. I therefore report the three fixed effect panels rather than a full set of disaggregated IRFs.



(a) Country panel — response of *total* exits



(b) Sector panel — response of *total* exits



(c) Exit-type panel — response of *total* exits

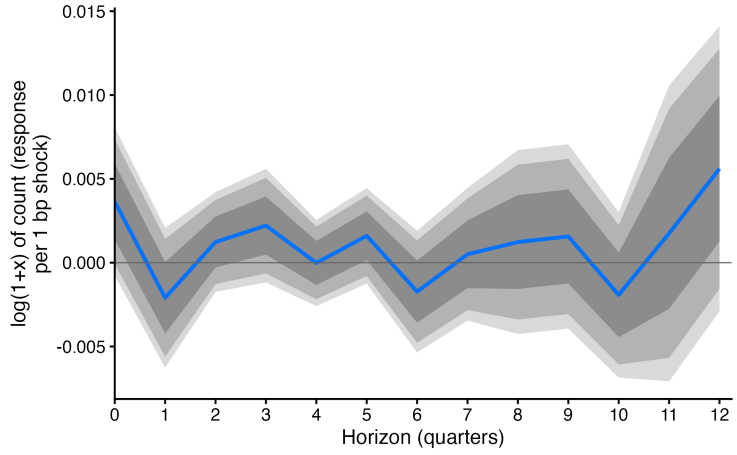
Figure 5: Panel IRFs of Australian total exits (count) to updated Beckers (2020) high-frequency monetary policy shocks, 2005Q1–2022Q2

Exits by Channel (IPO) IPOs warrant separate examination because they depend most directly on public market valuations and investor risk appetite. Recent declines in Australian listings have renewed interest in how MP interacts with the viability of public exits. In addition, IPO values are publicly observable, providing a clearer measure of realised pricing than unobservable fund-level returns.

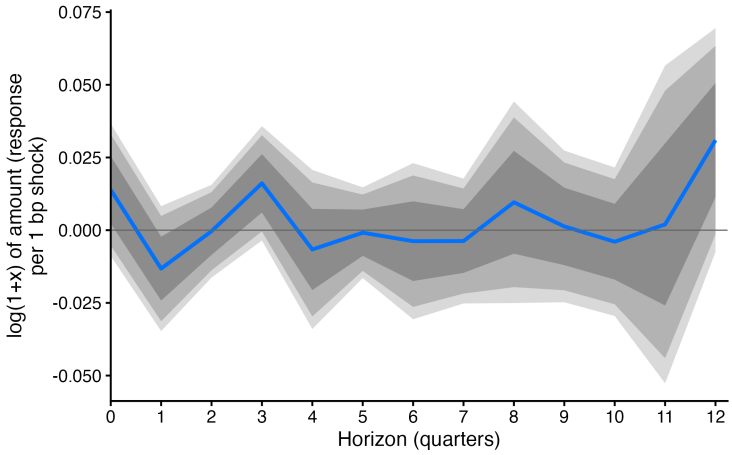
The responses in Figure 6 show that monetary tightening exerts only a mild and short-lived effect on the number of IPOs, but a more visible, albeit temporary, impact on their valuation. IPO counts exhibit total volatility of 0.62 and a cyclical component of 0.50, while IPO values are far more dispersed, with corresponding volatility of 2.91 and 2.60 million AUD. The high cyclical share reflects the episodic nature of Australian listings, which cluster during periods of strong equity-market sentiment.

Following a 25 bp contractionary shock, IPO *counts* decline modestly by about -0.23 in $\log(1+x)$ terms (around 2%), equivalent to roughly 4–5% of a standard cyclical fluctuation. Confidence intervals encompass zero at all horizons, indicating that the effect is statistically weak. IPO *values*, by contrast, display a sharper trough of roughly -0.86 in $\log(1+x)$ terms (8.2%), or around 9–10% of cyclical volatility, before rebounding toward baseline over the following year.

These dynamics suggest that MP influences the pricing dimension of public exits more than their frequency. Higher policy rates and tighter financial conditions temporarily compress equity valuations by raising discount rates and widening risk premia, consistent with the valuation channel of transmission. However, IPO pipelines and investor commitments are determined well in advance, limiting short run sensitivity in listing counts. The subsequent rebound in valuations indicates that sentiment and market conditions, rather than direct funding costs, dominate IPO timing in Australia's relatively thin equity market. This interpretation accords with Özyeşil and Aktürk (2024), who find that IPO volumes in advanced economies are driven primarily by stock market conditions, while policy rates exert only an indirect influence through risk appetite and valuation metrics.



(a) IPO exits — count



(b) IPO exits — value (AUD m)

Figure 6: IRFs of Australian *IPO* exits (count and value) to updated Beckers (2020) high-frequency monetary policy shocks, 2005Q1–2022Q2

5.4 Comparison with U.S Shocks

This section extends the baseline analysis by comparing how Australian private equity responds to both domestic and foreign MP shocks. The motivation for incorporating the U.S. shock series is twofold. First, U.S. MP exerts a pervasive influence on global financial conditions, shaping liquidity, valuation, and risk premia across asset classes. Second, Australia's open capital markets and reliance on offshore funding make the industry sensitive to shifts in global rates and investor sentiment [28] Estimating impulse responses to U.S. Bauer and Swanson (2022) shocks therefore helps disentangle externally transmitted financial conditions from domestically driven credit and valuation effects.

Figure 7 compares the effects of Australian and U.S. MP shocks across the same domestic panel data for

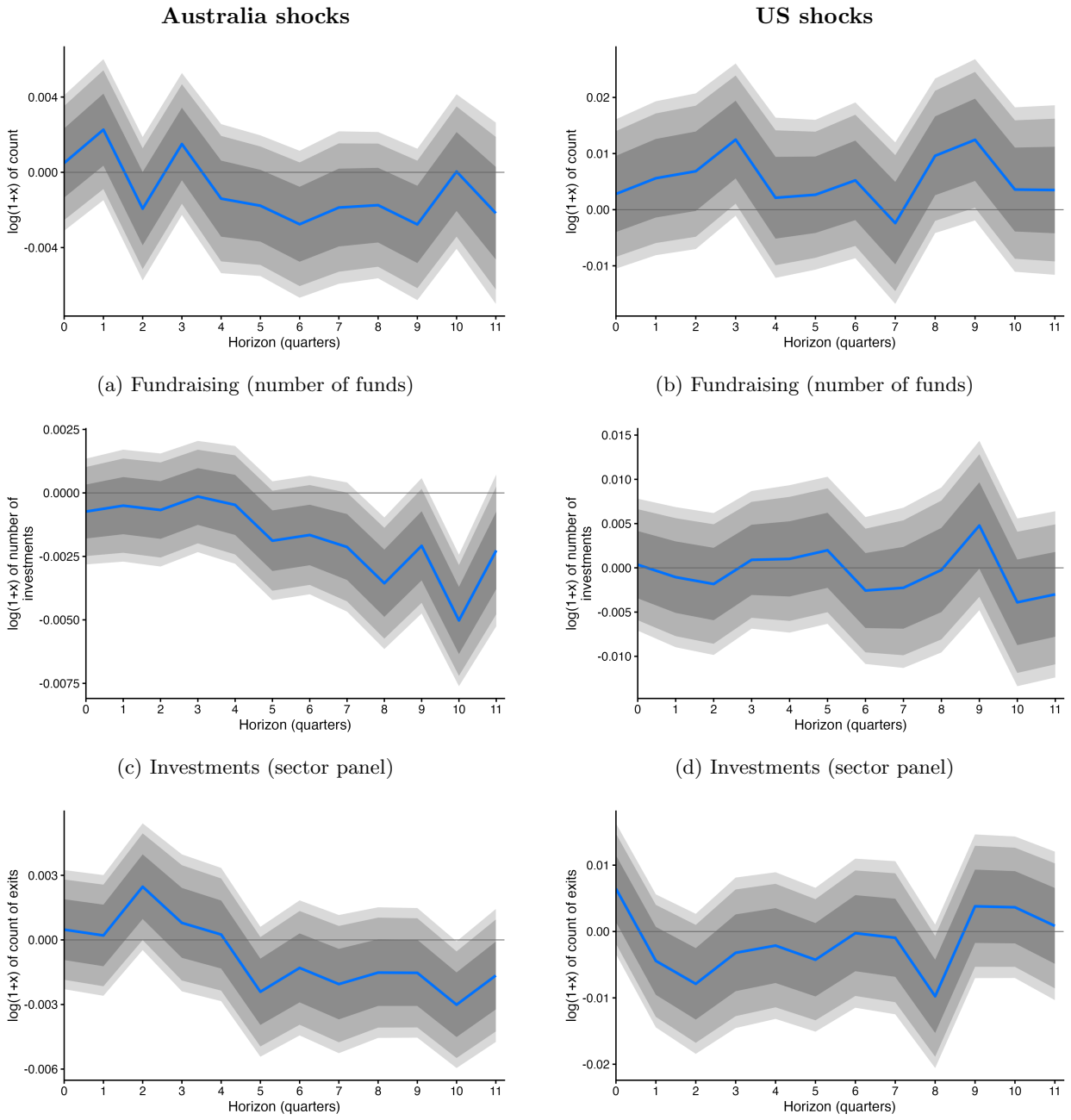
[28]Following comments from my proposal highlighting the importance of exploring global capital flows, I include this comparison to account for the influence of externally transmitted financial conditions.

fundraising, investment, and exits counts. The magnitudes under U.S. shocks are considerably larger and more persistent, albeit with noisy and often insignificant estimates. A 25 bp *Australian* tightening reduces fundraising by roughly 10%, investment by 12%, and exits by 9%. In contrast, a 25 bp *U.S.* tightening yields different dynamics. Number of fundraising rises strongly, peaking at roughly 37% within the first year before gradually normalising. Investment responses are mixed and oscillatory, with a modest near term reaction, a temporary peak of about 13% around nine quarters, and a subsequent trough of approximately 9%. Exit activity declines more uniformly, reaching a minimum of around 9% before reverting toward baseline.

The asymmetry in responses reflects distinct global transmission channels. U.S. monetary tightening reshapes global portfolio allocations and valuation conditions rather than directly constraining domestic credit. The sharp rise in Australian fundraising counts may reflect a reallocation of capital toward markets offering relatively higher risk premia and currency-adjusted returns, as global investors re-balance in response to higher U.S. yields (Avdjiev et al., 2019; Lane & Milesi-Ferretti, 2017). In contrast, the mixed investment response suggests offsetting forces between valuation effects and funding conditions. Early in the tightening cycle, stronger global growth expectations or momentum in committed capital may sustain deal activity, but as global liquidity contracts, higher discount rates and tighter financing terms weigh on transaction feasibility (Bruno & Shin, 2015; Lian & Ma, 2021; Rey, 2015).

Exit activity exhibits the clearest contraction. This may be consistent with reduced sponsor-to-sponsor sales and compressed valuations in global buyout markets (Cohn et al., 2021). When U.S. rates rise, leveraged buyers abroad face higher debt costs, limiting acquisition demand and slowing realisations for Australian funds. Overall, the results indicate that global financial conditions spills over to Australian PE primarily through valuation, liquidity, and cross border reallocation channels.

Recent RBA evidence reinforces this interpretation. Majeed and Hambur (2024) show that global financial conditions can spill over to influence Australian innovation and risk taking, with tighter U.S. monetary settings reducing both the probability and intensity of new R & D projects. Their firm-level estimates point to a valuation and expectations channel, where higher discount rates lower the net present value of illiquid, higher risk investments, rather than acting as a pure liquidity constraint. This mechanism closely parallels the transmission patterns identified in our PE results: U.S. shocks operate through global liquidity and valuation pressures, while Australian shocks primarily affect domestic financing and discount rate conditions.



(a) Fundraising (number of funds)

(b) Fundraising (number of funds)

(c) Investments (sector panel)

(d) Investments (sector panel)

(e) Exits (sector panel)

(f) Exits (sector panel)

Figure 7: Panel IRFs of Australian private equity activity: first column uses Australian shocks (updated Beckers (2020)), second column uses U.S. shocks (Bauer & Swanson, 2022), 2005Q1-2022Q2. Rows correspond to fundraising, investments, and exits

6 Conclusion and Suggested Extensions

6.1 Conclusion

This thesis provides the first systematic evidence on how monetary policy transmits to Australia's private equity sector by combining panel data and high-frequency RBA shocks with a local projection method. The results show that monetary tightening produces moderate but persistent contractions in private equity activity, likely operating primarily through valuation and timing effects rather than outright liquidity withdrawal. A 25 bp domestic tightening reduces counts of fundraising by approximately 10%, investments by 12%, and exits by 9%, with the largest and most delayed responses being among leveraged buyouts. In contrast, venture and technology investments, and IPOs, exhibit muted reactions, reflecting their equity based financing and long horizon valuation structures. These patterns indicate that monetary policy affects private equity primarily through financing costs, discount rates, and global valuation conditions. Periods of ultra-accommodative monetary expansion appear to have fueled pronounced investment cycles, particularly in transactions reliant on debt financing.

The U.S. monetary shocks generate different dynamics: fundraising rises sharply, by nearly 40% at its peak, while investment and exit activity exhibit imprecise and oscillatory mid-horizon contractions of around 9% . These results are consistent with an interpretation that U.S. policy changes transmit to Australia not through domestic liquidity, but via global financial conditions. Higher dollar funding costs and tighter risk premia reprice valuations worldwide, depress sponsor-to-sponsor exits, and redirect capital flows as investors re-balance portfolios toward markets offering relatively higher yields. We can ascertain that private equity's sensitivity to monetary policy depends both on domestic credit supply and on the industry's integration into global liquidity and valuation cycles.

6.2 Suggested Extensions

As superannuation and institutional investors channel an increasing share of their portfolios into private markets, understanding how these opaque assets transmit monetary shocks is essential for both productivity and financial stability. Building on this thesis, several extensions would further clarify these linkages.

First, future work should aim to exploit more granular data on superannuation fund exposures and private credit flows to examine how non-bank and illiquid capital channels amplify or offset monetary policy transmission. This would speak directly to the financial stability motivation, where leverage, valuation practices, and liquidity mismatches in private assets may propagate rather than absorb shocks (ASIC, 2025; Fillat et al., 2025).

Second, linking private equity and venture capital returns to firm-level productivity or innovation outcomes would help assess whether funds are supporting genuine efficiency gains or merely facilitating financial revaluation. Such evidence would bridge the gap between cyclical credit conditions and productivity growth, extending this thesis's contribution to understanding Australia's long run economic dynamism.

A Appendix 1: Data and Summary Statistics

This appendix provides a breakdown of the variables and sources used in the analysis, including definitions, transformations, and supplementary summary tables.

A.1 Summary Statistics - Private Equity Data

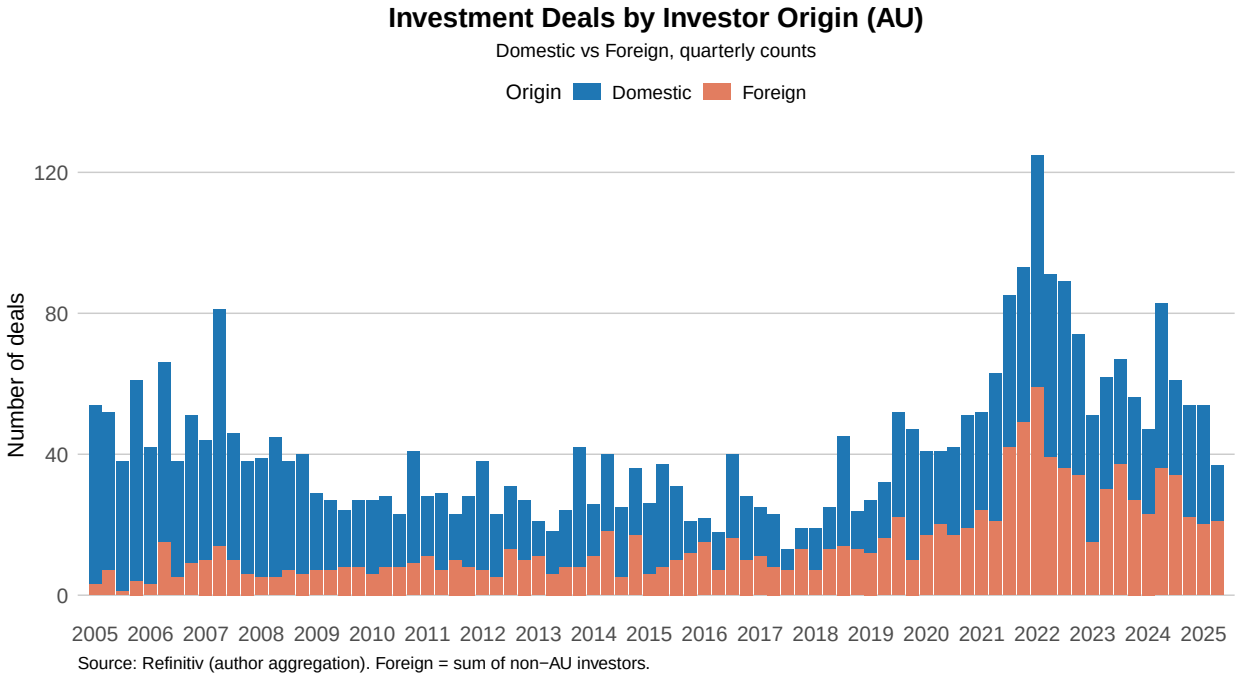
Table 2: Breakdown of Private Capital Activity (2005Q1–2024Q4)

Category	**Count**	**Share (%)**
Exit Type		
Merger	370	57.4
Secondary sale	121	18.8
IPO	92	14.3
Write-off	37	5.7
Buyback / RTO	25	3.9
Fund Type (Fundraising)		
Venture capital	143	50.2
Buyout	75	26.3
Generalist PE	52	18.3
Other / Mezzanine	15	5.3
Investment Purpose / Stage		
Early stage	944	22.4
Expansion	804	19.1
LBO	441	10.5
Later stage	398	9.4
Acquisition	326	7.7
Seed / Bridge / PIPE	548	12.7
Secondary / Turnaround / Other	243	5.8
Investment Country		
Australia	4,814	64.4
United States	1,383	18.5
Other	1,284	17.2
Investment Sector		

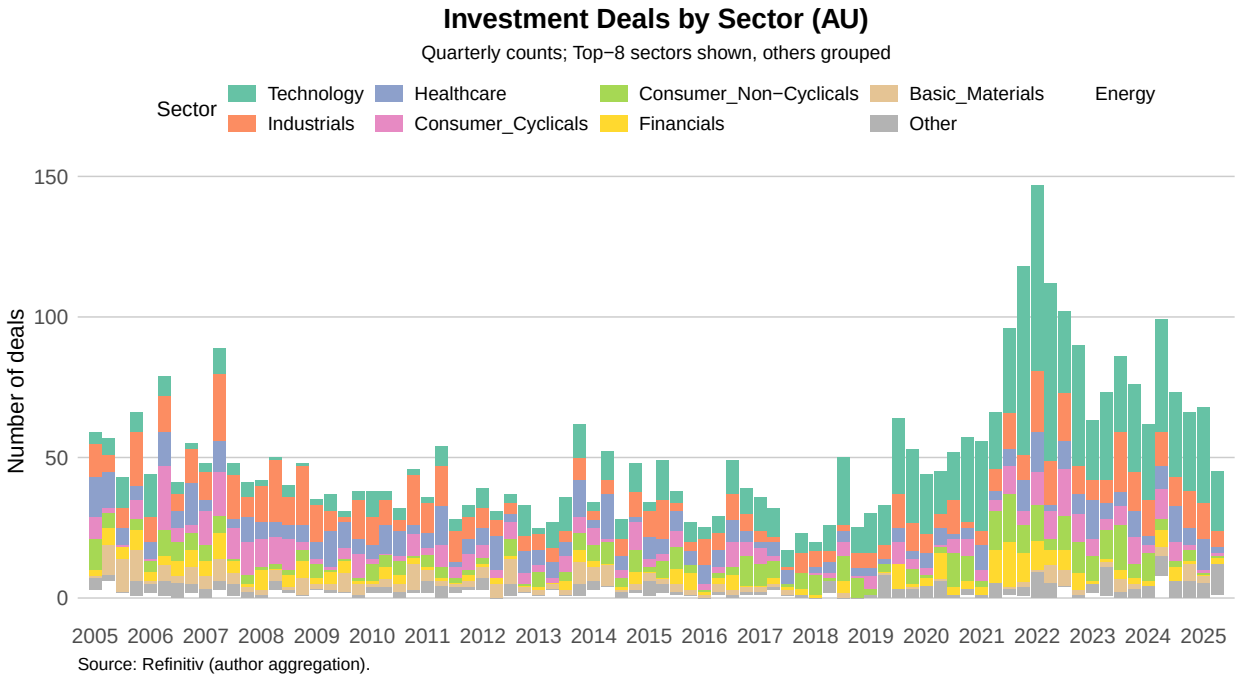
(continued)

Category	**Count**	**Share (%)**
Technology	1,422	33.7
Industrials	694	16.5
Healthcare	631	15.0
Consumer cyclicals	402	9.5
Consumer non-cyclicals	364	8.6
Basic materials / Financials	416	9.9
Energy / Real estate / Utilities /	248	5.9
Other		
Exit Sector		
Technology	146	22.6
Industrials	109	16.9
Consumer cyclicals	107	16.6
Healthcare	100	15.5
Other	124	18.4
Exit Origin		
Australia	446	74.2
United States	81	13.5
Other	74	12.3

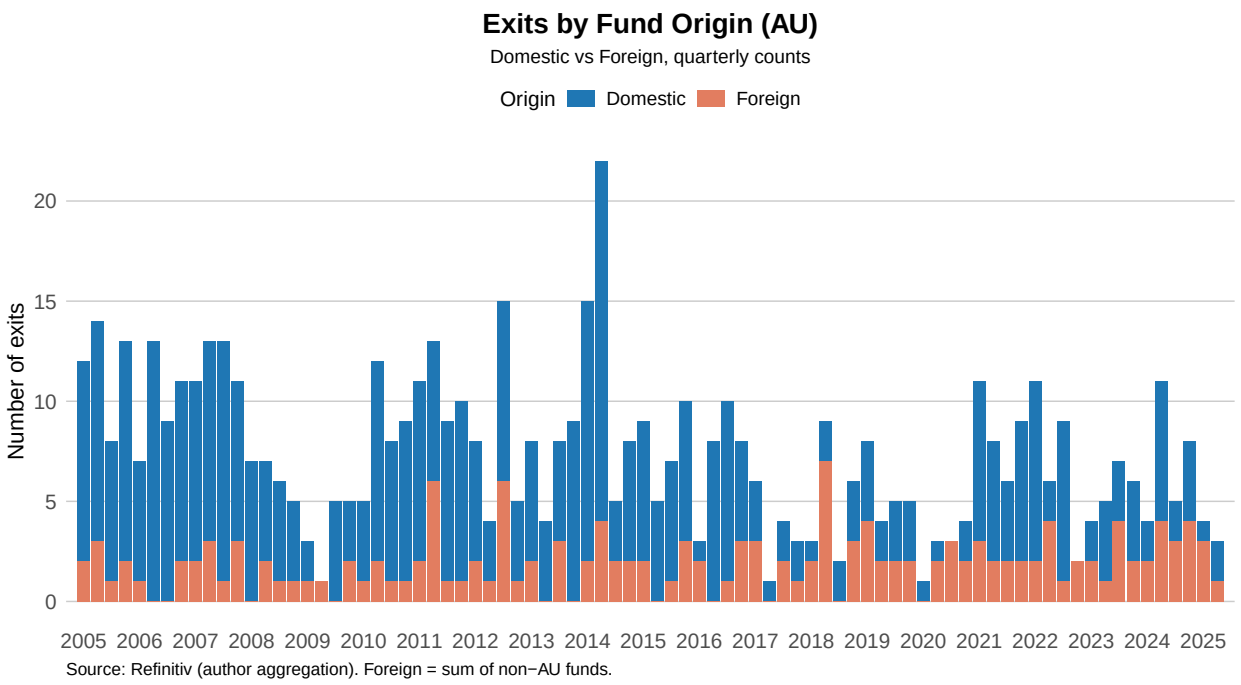
Figure 8: Breakdown of Australian Investment and Exit Activity by Origin and Sector



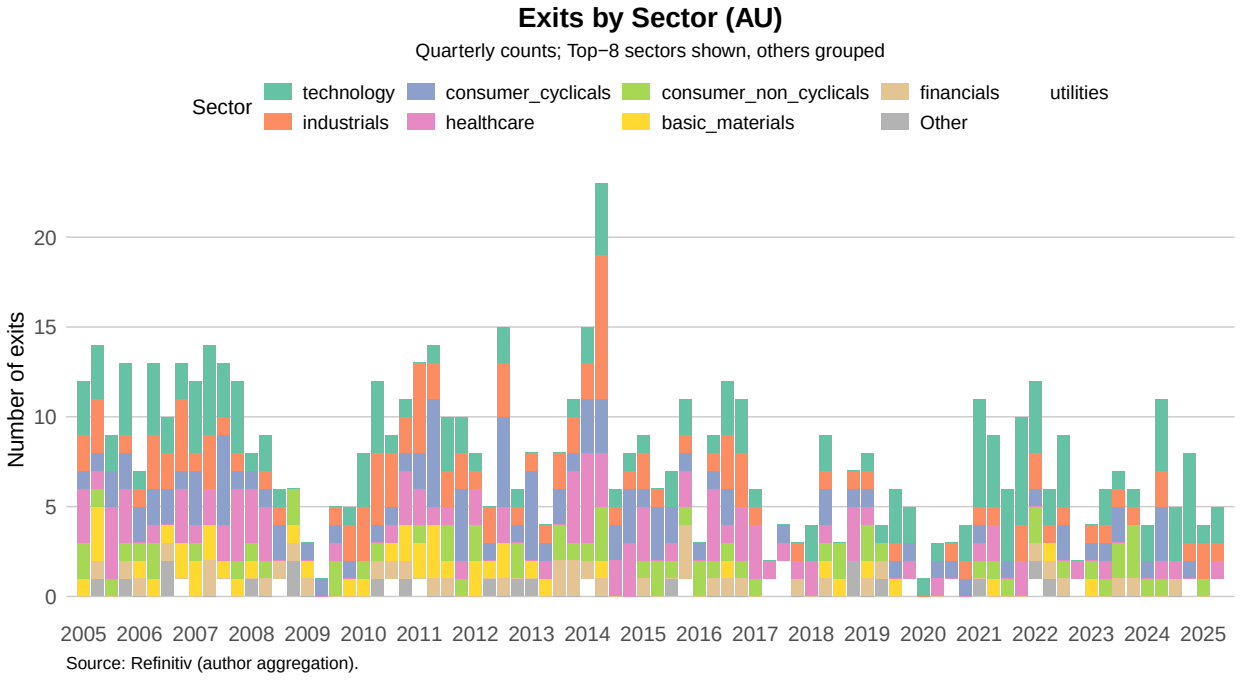
(a) Number of investment deals by investor origin (domestic vs foreign)



(b) Number of investment deals by firm sector



(c) Number of exits by investor origin (domestic vs foreign)



(d) Number of exits by firm sector

A.2 Summary Statistics — Controls

Table 3: Sources and Construction of Control Variables

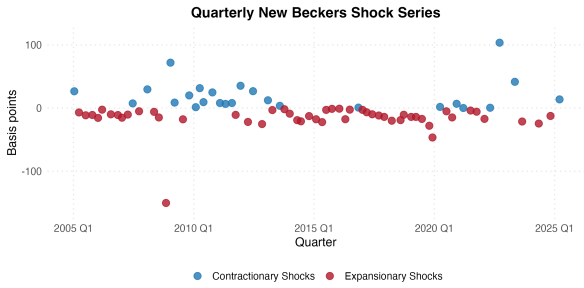
Variable	*Description and Construction*	*Source*
Panel A. Australia		
Real GDP	Chain-volume measure of gross domestic product, quarterly, seasonally adjusted.	Oxford Economics
CPI (Inflation)	Consumer price index, quarterly, seasonally adjusted.	Oxford Economics
Employment	Total employment, quarterly, seasonally adjusted.	Oxford Economics
Excess Bond Premium (EBP)	Spread between BBB-rated 10-year corporate bond yields and 10-year Australian Government Securities, following Gilchrist and Zakrajšek (2012).	RBA Statistical Tables (F3, F2)
Trade-Weighted Index (TWI)	Nominal trade-weighted index of the Australian dollar, quarterly average, used to capture competitiveness and exchange rate effects in the transmission mechanism (Brischetto & Voss, 2005).	RBA Statistical Table F15

A.3 Summary Statistics — Alternative Monetary Policy Shocks

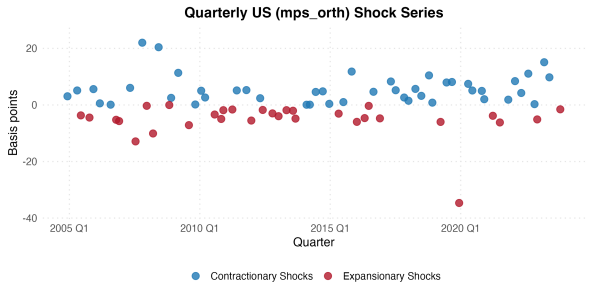
Table 4: Summary Statistics of Additional Monetary Policy Shock Series

Shock Type	*Aggregate*	*Median (ppts)*	*Mean (ppts)*	*SD (ppts)*	*Min (ppts)*	*Max (ppts)*	*N*
RBA — Action	Raw shocks	-0.0182	-0.0244	0.9627	-4.3085	7.8976	255
RBA — Action	Quarterly aggregate	-0.0048	-0.0340	0.6048	-2.8468	3.6313	95
RBA — Action	Annual aggregate	-0.0018	-0.0125	0.3288	-0.7808	1.0267	25
RBA — Path	Raw shocks	-0.1477	0.0301	1.2034	-4.8601	6.0306	255
RBA — Path	Quarterly aggregate	-0.0831	0.0294	0.8147	-2.7321	2.5845	95
RBA — Path	Annual aggregate	-0.0841	0.0321	0.4528	-0.5811	1.4342	25
Old Beckers — Original (BT)	Raw shocks	0.0290	-0.0027	0.1906	-0.6519	0.3682	56
Old Beckers — Original (BT)	Quarterly aggregate	0.0290	-0.0027	0.1906	-0.6519	0.3682	56
Old Beckers — Original (BT)	Annual aggregate	0.0172	-0.0027	0.0946	-0.1531	0.2155	14
Old Beckers — Augmented (BT–CS)	Raw shocks	0.0037	-0.0093	0.1468	-0.3310	0.3503	56
Old Beckers — Augmented (BT–CS)	Quarterly aggregate	0.0037	-0.0093	0.1468	-0.3310	0.3503	56
Old Beckers — Augmented (BT–CS)	Annual aggregate	-0.0055	-0.0093	0.0685	-0.1113	0.1118	14

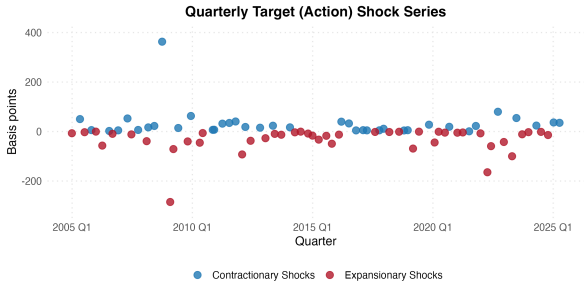
Figure 9: Monetary Policy Shock Series for Australia and the United States



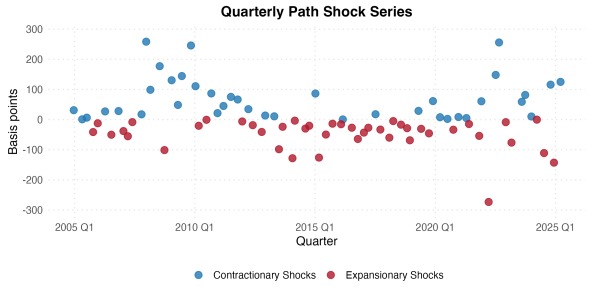
(a) Australia — Updated Beckers (2020) shocks



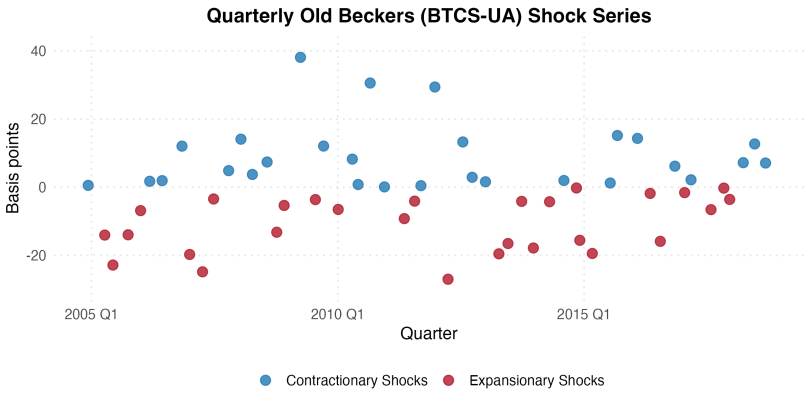
(b) United States — Bauer and Swanson (2022) shocks



(c) Australia — RBA "Action" shocks



(d) Australia — RBA "Path" shocks



(e) Australia — Original Beckers (2020) shocks

B Appendix 2: Robustness Checks

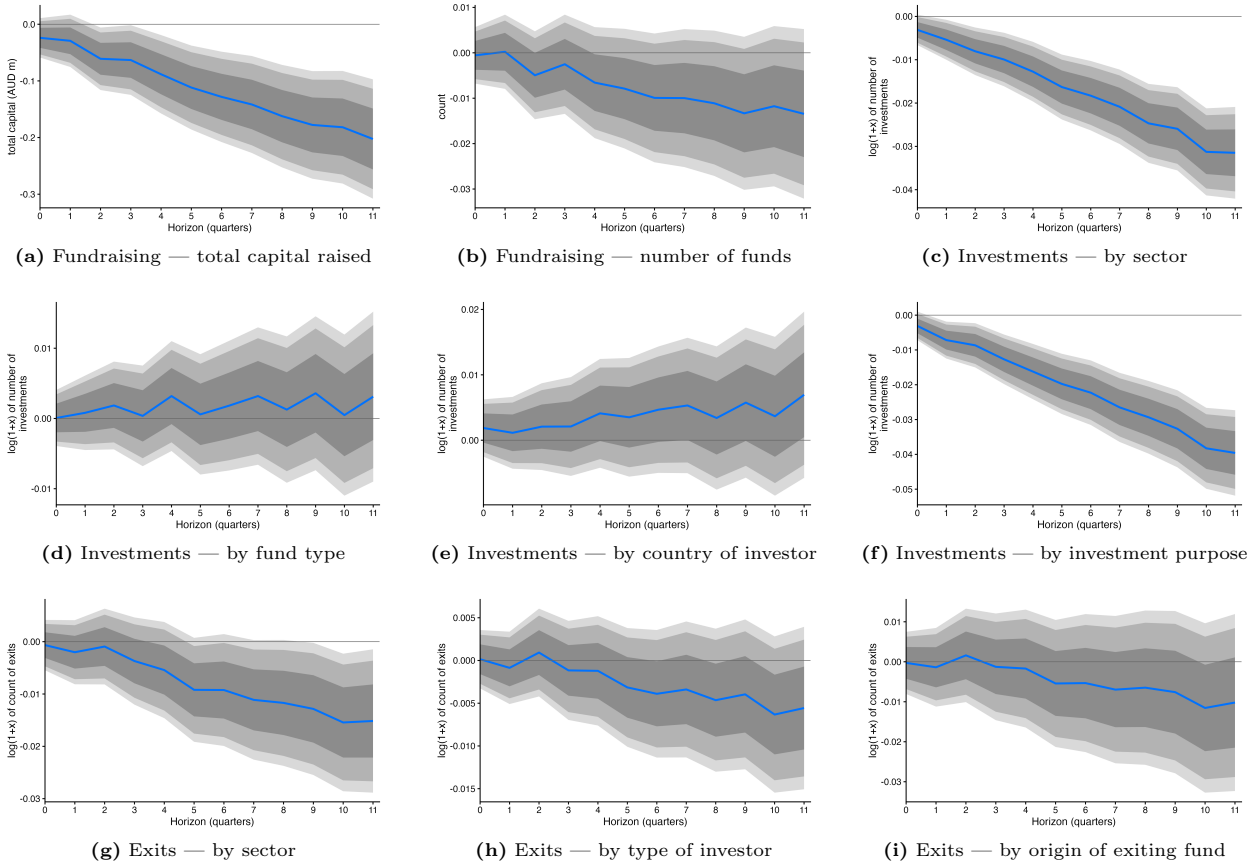
B.1 Long Differences

Following Piger and Stockwell (2024), the baseline local projections are re-estimated in *long differences* to assess whether persistence in the quarterly data biases the estimated impulse responses. When both the MP surprise i_t and the outcome variable $y_{i,t}$ exhibit strong serial correlation, standard local projections estimated in levels can understate uncertainty and exaggerate short-run dynamics. The long-differenced transformation mitigates this issue by replacing the level change at each horizon with the cumulative difference between the pre-shock quarter $(t-1)$ and the horizon $(t+h)$:

$$\underbrace{y_{i,t+h} - y_{i,t-1}}_{\text{cumulative change over } h} = \beta_h i_t + \gamma_h' X_{i,t} + \phi_h' L y_{i,t-1} + \alpha_i + \delta_h' T_t + \varepsilon_{i,t+h}.$$

This transformation does not alter the identification strategy or the set of regressors; it retains the same high-frequency monetary policy shocks and control variables but redefines the dependent variable to capture the cumulative change over the entire horizon. Conceptually, the long-difference specification asks whether the total change in private capital activity between the pre-shock quarter and h periods ahead varies systematically with the size of the policy surprise. If the baseline local projections in levels were spuriously capturing common trends or slow-moving business-cycle co-movements, these effects should dissipate once long differences are applied.

Figure 10 presents the resulting impulse responses under the long-differenced specification. The responses closely mirror the baseline results but display smoother trajectories and reduced short-run volatility. Fundraising outcomes, both total capital and fund count, decline monotonically following contractionary shocks, indicating a sustained slowdown in new fund formation. Investment activity exhibits a similar cumulative contraction across sector and investment-purpose panels, while exit responses remain persistently negative but gradual. The stability of the signs and magnitudes across specifications confirms that the estimated responses are not artifacts of serial correlation or trend co-movement, but reflect genuine contractionary effects in response to positive policy shocks.



(a) Fundraising — total capital raised

(b) Fundraising — number of funds

(c) Investments — by sector

(d) Investments — by fund type

(e) Investments — by country of investor

(f) Investments — by investment purpose

(g) Exits — by sector

(h) Exits — by type of investor

(i) Exits — by origin of exiting fund

Figure 10: Panel IRFs of Australian Private Equity activity to updated Beckers (2020) high-frequency monetary policy shocks under the long-differenced transformation, 2005Q1-2022Q2

B.2 Alternative Shocks

The RBA has provided additional 2025 high-frequency shock series that decomposes monetary policy surprises into *action* and *path* components, reflecting distinct informational channels around policy announcements. Action shocks capture the immediate, unanticipated change in the target cash rate, representing the conventional "policy rate" surprise akin to the Beckers (2020) construction. Path shocks, by contrast, measure revisions to the expected future trajectory of policy derived from interest rate futures, reflecting the role of forward guidance and communication effects.

This identification approach compares yields on various financial assets immediately before and after each monetary policy decision. Under the assumption that no other economic news is released within this narrow window—and that financial markets efficiently anticipate the RBA's reaction function—changes in these asset prices can be interpreted as monetary policy shocks. However, the RBA notes that the approach of Hambur and Haque (2023) can generate some counterintuitive results, including a mild "price puzzle," possibly due to imperfect expectations formation.

Over the 2005Q1–2024Q4 sample, as shown in Table 4, the quarterly *action* shocks average close to zero, with a standard deviation of around 0.60 percentage points and a symmetric distribution ranging between roughly –4 and +8 basis points. There are 99 contractionary and 122 expansionary shocks, suggesting a slightly greater frequency of easing surprises over the sample. The *path* shocks display somewhat greater volatility (standard deviation of about 0.81 percentage points) and a wider range (–2.7 to +2.6 percentage points), with 96 contractionary and 126 expansionary shocks. This asymmetry implies that forward guidance surprises have tended to skew toward looser policy expectations, consistent with the RBA's gradualist communication approach and the extended period of low interest rates following 2013.

For the path and action shock series, the IV specification performs poorly: the correlation between the shock and the policy rate change is negative, and the IV estimates invert the expected impulse responses. Because the path shock captures revisions to expected future policy rather than the contemporaneous policy action, this weakens its correlation with the cash rate and leads to instability in IV estimation. Given these diagnostics, the reduced form OLS panel specification provides a more internally consistent benchmark.

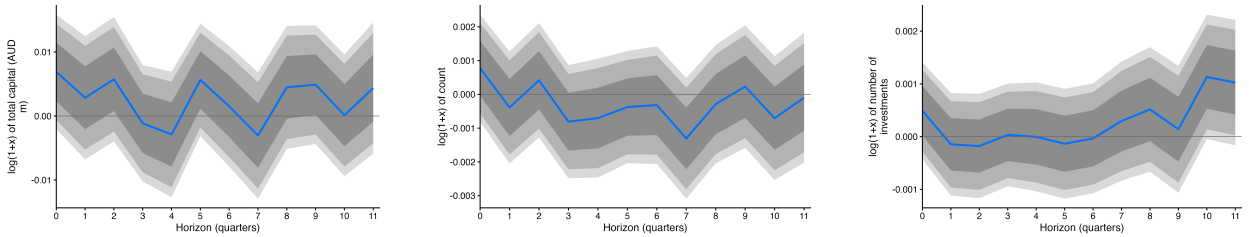
Action The RBA's *action* series produces qualitatively similar but noticeably milder dynamics than the updated Beckers (2020) shocks. As shown in Figure 11, fundraising outcomes display small, short-lived declines in total capital raised and fund counts within the first few quarters, followed by a quick return to baseline. Investment responses differ more sharply: across sectors, fund types, and investor origins, the impulse responses exhibit a gradual upward drift after an initial pause, consistent with a temporary rebound in activity once immediate financing uncertainty subsides. Exit activity remains largely unchanged, showing

only a modest mid-horizon rise that dissipates by the end of the sample.

These dynamics are consistent with the design of the *action* shocks, which isolate the unanticipated component of the RBA's immediate policy decision, excluding communication or forward-guidance effects (Cloyne et al., 2023; Hambur & Haque, 2023). Because they reflect short-horizon surprises rather than sustained changes in the expected policy path, their transmission operates mainly through transient liquidity and sentiment channels rather than long-term discount-rate adjustments. In this context, the mild uptick in investment likely reflects re-timing or catch-up effects as investors interpret one-off rate moves as tactical rather than structural. This interpretation aligns with evidence from Jarociński and Karadi (2020) and Gertler and Karadi (2015), who find that high-frequency "action" shocks primarily shift short-term funding conditions without meaningfully altering medium-run credit supply or valuation trends.

Path In contrast to the contractionary dynamics observed under the action and updated Beckers (2020) shocks, the Australian *path* shocks yield small but consistently positive responses across nearly all outcomes. Fundraising rises modestly within two to four quarters, while investment activity increases gradually across sectors, fund types, and investor origins, suggesting that expectations of a more accommodative future policy stance stimulate capital deployment. Exit activity also trends upward over the medium horizon, consistent with improved liquidity and valuation conditions.

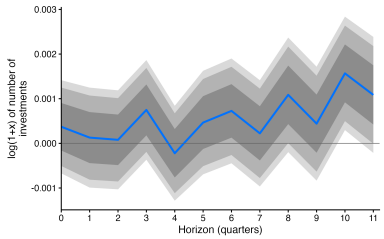
These dynamics align with the interpretation of path shocks as revisions to the expected future policy rate rather than contemporaneous changes to the cash rate (Hambur & Haque, 2023). Because they operate through forward-guidance and valuation channels, such shocks effectively ease perceived financial conditions without altering short-term borrowing costs. In private markets, where investment decisions hinge on long-horizon discounting and expectations of exit conditions, this easing translates into earlier fundraising and deal execution. The positive medium-run effects observed here therefore contrast with the transitory adjustments to *action* shocks and the contractionary responses to Beckers (2020)-type surprises, underscoring that policy expectations can influence private capital flows primarily through sentiment and valuation rather than credit supply.



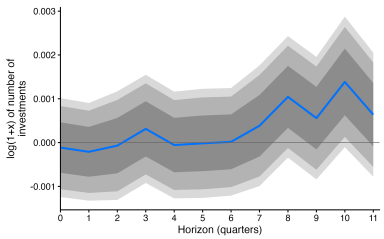
(a) Fundraising — total capital raised

(b) Fundraising — number of funds

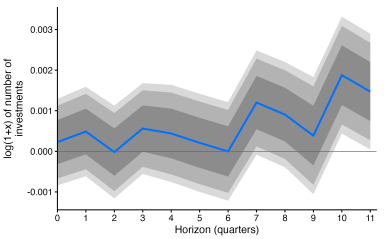
(c) Investments — by sector



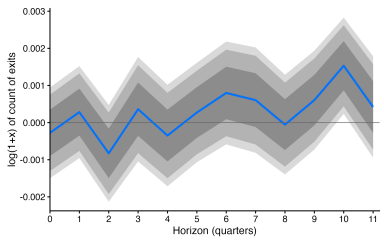
(d) Investments — by fund type



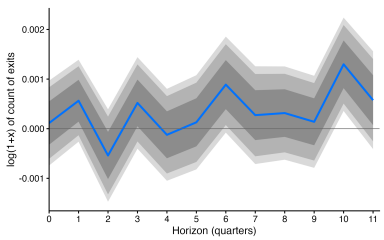
(e) Investments — by country of investor



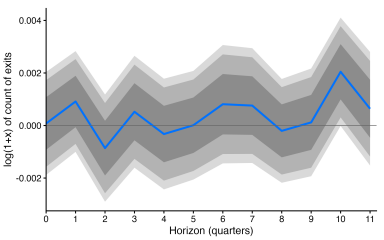
(f) Investments — by investment purpose



(g) Exits — by sector

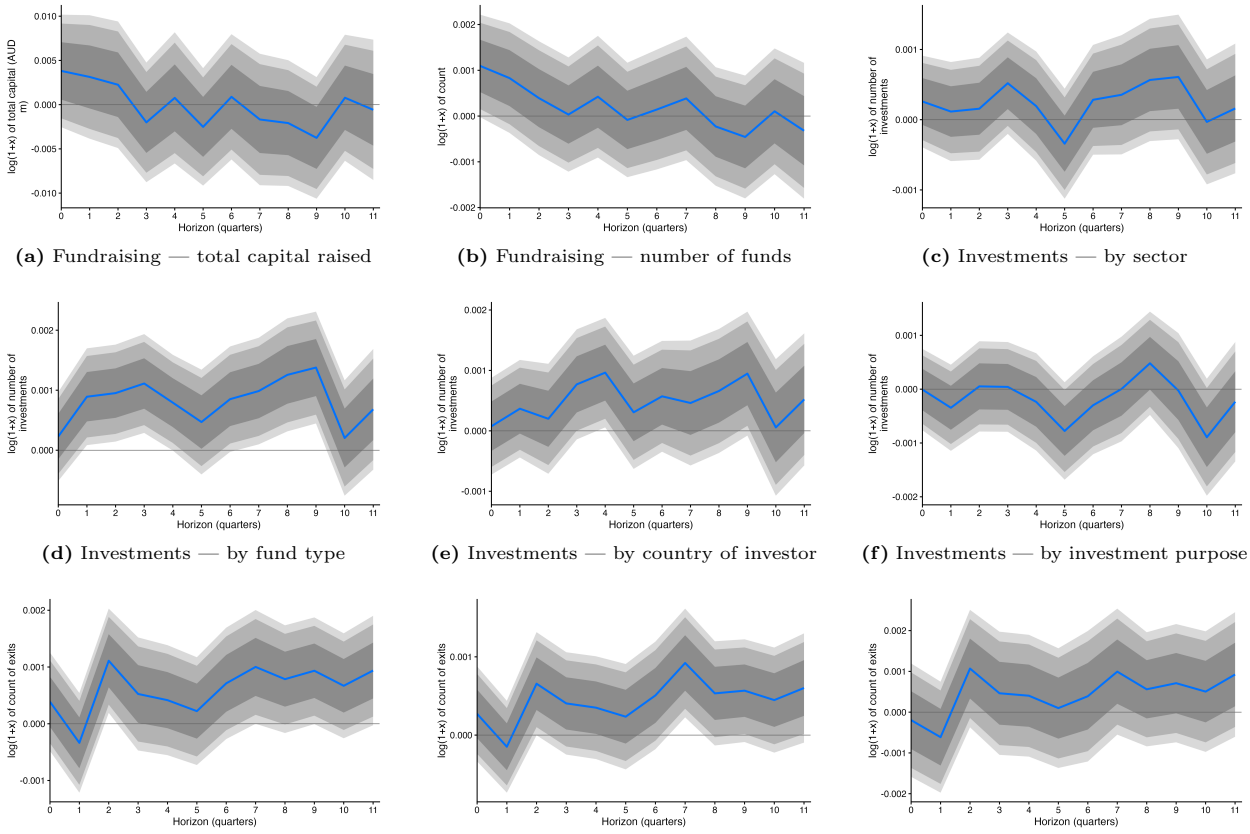


(h) Exits — by type of investor



(i) Exits — by origin of exiting fund

Figure 11: Panel IRFs of Australian private equity activity to **action** high-frequency monetary policy shocks, 2005Q1-2022Q2



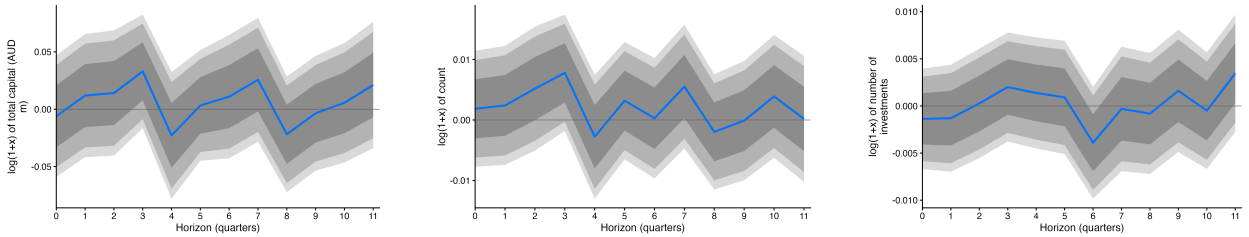
(a) Fundraising — total capital raised **(b)** Fundraising — number of funds **(c)** Investments — by sector

(d) Investments — by fund type **(e)** Investments — by country of investor **(f)** Investments — by investment purpose

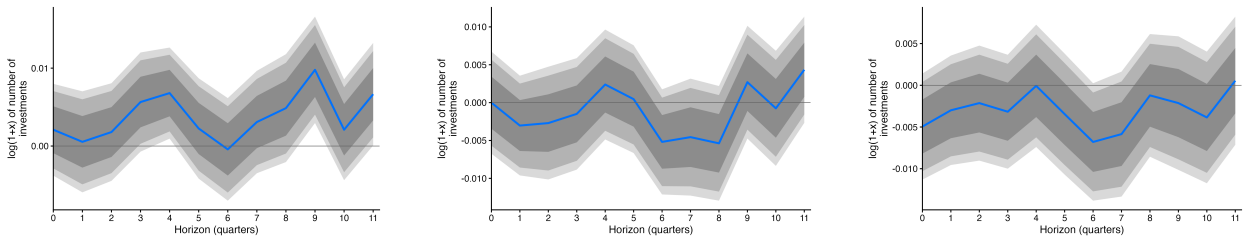
(g) Exits — by sector **(h)** Exits — by type of investor **(i)** Exits — by origin of exiting fund

Figure 12: Panel IRFs of Australian private equity activity to **path** high-frequency monetary policy shocks, 2005Q1-2022Q2

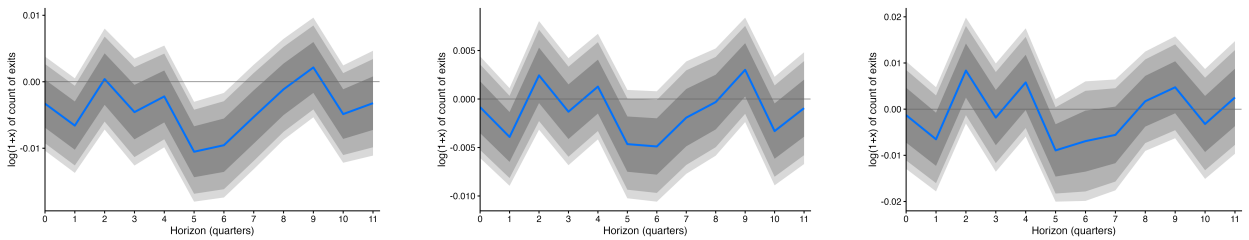
Beckers (2020) Series The original Beckers (2020) monetary policy shock is widely used in the literature as the benchmark Australian identification, constructed from high-frequency movements in interest rate futures within a narrow window surrounding each policy announcement. As shown in Table 4 and Figure 13, the quarterly series exhibits a near zero mean and standard deviation of roughly 0.15 percentage points, indicating relatively modest but persistent surprises across the sample. The distribution is symmetric, with 29 contractionary and 26 expansionary shocks of similar magnitude (ranging from about –0.33 to +0.35 percentage points). Relative to the original construction in Figure 13, the new Beckers (2020) series produces impulse responses that are smoother and less volatile across all outcomes. The original series generates sharper early quarter swings, particularly in fundraising and exits, while the updated version displays more gradual, symmetric adjustments that converge toward zero within three to four quarters. These refinements reflect methodological updates in the RBA's 2025 release, which isolates purely domestic policy actions and filters out market noise, yielding more stable and internally consistent estimates of policy surprises. However, the two series are not directly comparable, as the original Beckers sample ends in 2018Q4, excluding the low rate and pandemic periods during which monetary transmission may have differed materially - the time frame of specific interest to this thesis.



(a) Fundraising — total capital raised **(b)** Fundraising — number of funds **(c)** Investments — by sector



(d) Investments — by fund type **(e)** Investments — by country of investor **(f)** Investments — by investment purpose



(g) Exits — by sector **(h)** Exits — by type of investor **(i)** Exits — by origin of exiting fund

Figure 13: Panel IRFs of Australian private equity activity to Beckers (2020) high-frequency monetary policy shocks, 2005Q1-2022Q2

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