Research Statement

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I am a financial economist in the area of corporate finance, and my research is focused on the financial intermediation between households and institutional investors. Using an evidence-based approach, my research agenda looks to understand the impact that informational and financial frictions have on decisions and outcomes. I answer this question empirically by accessing novel datasets and applying empirical methods from microeconomics to produce convincing and well-identified answers. Further, my work is complemented by theoretical models to provide insights into what may be plausibly driving my results. The ultimate goal of my research is to better understand our economy, identify the important factors that are affecting it, and to guide public policy.

My research is inspired by my education, work experience, and ongoing discussions with both academics and practitioners. Prior to joining Columbia University, I worked at BlackRock in their fund-of-hedge-funds group. There, I would actively meet fund managers to learn about the intricacies of their strategies and inefficiencies in various corners of the market. This experience gave me a front row seat to highly esoteric and often shrouded strategies. As such, I've recast many of my observations to develop an extensive research agenda. An example can be seen in my job market paper, **Liquidity and Longevity, Bequest Adjustments Through the Life Settlement Market**, which was inspired by a meeting with an investor in the life settlement market. A second example can be seen from my co-authored paper with Arpit Gupta on **Skin or Skim? Inside Investment and Hedge Fund Performance**, where capacity constraints play an important role in patterns of hedge fund returns. A third example comes from my previous educational background. I was originally trained as an electrical engineer, and as such, bring much of the field's techniques and methods into my research. My working paper **The Impossibility of Communication Between Investors**, applies this experience by developing an entropy-based model of communication between investors.

Given my research agenda, the current state of research, and newly available data, I am excited at the prospect of expanding our understanding of institutional investors, households, their interactions, and the importance of frictions in their outcomes. Below is a detailed account of my current research, works in progress, and future research agenda.

Job Market Paper

In my job market paper, **Liquidity and Longevity, Bequest Adjustments Through the Life Settlement Market**, I study the financial decisions of individuals nearing their end of life and examine if wealth can enable longevity. Many developed countries are facing an unprecedented challenge in funding their rapidly aging population. This can be seen by the large out-of-pocket expense faced by individuals in the United States during their final years of their life, Marshall, McGarry, Skinner (2011). While previous papers have emphasized that inadequate resources can affect life outcomes, the question remains if, and how, an individual's wealth near their end of life can enable longevity?

This paper presents a quasi-experimental evaluation of bequest adjustments of individuals nearing their end-of-life. I use transaction-level data from the secondary market for life insurance policies, also known as the life settlement market. Using the financial stability rating of the insurance companies as an instrument for the desirability of policies in the secondary market, my paper shows that the financial liquidity of one's bequest allocation has a statistically significant and economically large effect on life longevity. Investigating the possible mechanisms by which wealth relates to longevity, this paper documents that gains accrue to individuals with

fragile health, those with severe disease diagnoses, and limited access to healthcare. I test alternative stories to show that the results are not driven by the regional supply of primary healthcare, social-economic backgrounds, biases in life expectancy estimates, or spurious correlations.

The importance of this research is threefold. First, the accessibility of wealth is important for longevity, especially for those approaching their end of life. Second, although the results are drawn from a specific dataset and market, the paper provides fresh evidence for policymakers to consider, especially when facing the unprecedented challenge of an aging population. Third, the paper provides further evidence of how shocks in the financial sector can have important and unintended spillover effects into the real economy.

Institutional Investors and Frictions

Hedge Fund, Capacity Constraints

In the paper **Skin or Skim? Inside Investment and Hedge Fund Performance**, co-authored with Arpit Gupta of NYU Stern School of Business, we study the patterns of inside investment and persistence of hedge fund returns. Delegated asset managers are typically compensated through fees that they charge to outside investors. However, their allocation rights to profitable, but limited, internal investment opportunities can also be thought of as an important form of compensation. There is $3 trillion in assets under management for hedge funds, of which $400 billion is attributed to the investments from insiders or related parties. This large allocation and the discretion of whether and how much to invest in a family of hedge funds suggests that there it is an important channel to consider when studying compensation, returns, and persistence.

This paper examines the decision of insiders to allocate private capital to funds under their control, and the impact of skin in the game on returns received by outsiders. We use a comprehensive and survivor-bias-free dataset of U.S. hedge funds to document the role that inside investment plays in managerial compensation and fund performance. We empirically show that funds with greater investment by insiders outperform funds with less skin in the game on a factor-adjusted basis. Further, we find that insider funds, as defined in the paper, exhibit greater return persistence and feature lower fund flow-performance sensitivities. While this information is reasonably available, it appears that these funds are not fully available, with the main intuition developed in a model that captures the intuition of our empirical investigation.

The applicability and impact of this research is evident from the media interest it has garnered. Examples include Bloomberg View, Institutional Investors, ValueWalk, Reuters, and the academic blog Harvard Law School Forum.

Private Equity and Venture Capital, Capacity Constraints

In a work in progress, **Inside Ownership and Returns in Private Equity,** with Arpit Gupta and Sabrina Howell, both of NYU Stern School of Business, we plan to use our novel, comprehensive, and survivorship-bias-free dataset of U.S. private equity funds to contribute to the literature on the relationship between performance and ownership in private equity. Despite a rich literature on returns to limited partners (LPs), there is relatively little examination of general partners (GPs) ownership of private equity firms and funds.[1]

There is substantial anecdotal evidence that LPs do take insider ownership into account, yet limited academic research has shed light on patterns of this, persistence in returns, or types of LPs that this is most important to. Given our large sample, we can examine the relationship of GP ownership of private equity firms and funds and

[1] A notable exception is Robinson & Sensoy (2013), who do not find a relationship between GP ownership and returns. These results, however, were based on a single institutional investor.

test for patterns that may be attributed to this. In an effort to pin down a mechanism, we will further explore characteristics such as firm age, fund vintage year, prior fund attributes, location, and so forth. Finally, given the richness of our data, we are able to estimate the net-of-fee performance attributed to each type of investor. We plan on comparing the net-of-fees performance to inside investors, who tend to be high-net-worth individuals, against outside investors, which tend to be public pension funds.

Communicating Information, Lack of Commitment

In a working paper, **The Impossibility of Communication Between Investors,** I explore the choice that investors face when resolving the trade-off to be either a principal or an agent. Both institutional investors and retail investors face the same decision problem: either invest for themselves or delegate their portfolio problem to an outside investor. Typically, asset managers will communicate their knowledge about asset prices to these potential investors to attract capital. However, such communication by asset managers comes with the risk of revealing the particulars of their valuable information to potential investors, without the explicit commitment of delegation rights of capital. This risk may lead to a breakdown in trade and sub-optimal information aggregation in financial markets. I use this level of realism to explore this *invest-delegate* tradeoff through developing an entropy-based model of information choice, where investors can communicate their 'informativeness' rather than the particulars of their information when solving their portfolio decision problem. Linking information to trade, this paper endogenizes the decision to be a principal or an agent in a highly generalized setting to shed light on if, and how, communication can help investors resolve this tradeoff.

Households and Frictions

Lifecycle Model, Uncertainty in Longevity

A work in progress, **Human Capital Considerations for Optimal Lifecycle Consumption**, co-authored with Byeong-Je An of Nanyang Business School, we model the optimal wealth-consumption-heathcare tradeoff for individuals nearing their end of life, to shed light on the importance that uncertainty of life longevity has on household choices. Our paper is motivated by the fact that while we don't know when we will die, the estimated precision of our date of death increases with age. As a result, current health condition and has important implications for individuals' consumption-wealth-healthcare tradeoffs.

We formalize this intuition in extending standard models of investment and consumption, to consider the possibility of individuals spending on dominate goods and healthcare to help extend their longevity. Healthcare expenditures do not enter our agent's utility directly, but instead, allow them to live longer and are captured by the intra-utility to healthcare consumption. Our model makes sharp predictions to the tradeoff between marginal utility to consumption, the benefit to increasing an additional unit of good, to the intra-utility to consumption, the value of living an additional period. Our model looks to match stylized facts with data: individuals from higher socio-economic backgrounds live longer on average, and that healthcare expenditure is increasing as one approaches their end of life. Further, we show that bequest allocations serves as precautionary saving mechanism against running out of money late in ones life, and is increasing in the uncertainty of one's longevity.