



UNSW
AUSTRALIA

The 30th Australasian Finance and Banking Conference

30th Australasian Finance and Banking Conference

PHD FORUM PROGRAM

Tuesday 12 December 2017

Shangri-La Hotel, Sydney

PhD Forum Schedule
Shangri-La, Level 3 Cambridge Room

Welcoming Remarks by Fariborz Moshirian, UNSW

Session 1

Chair: Le Zhang, UNSW

9:30am	<p>Capital Gains Tax, Investments and CEO Incentives Seok Min Moon, Princeton University</p> <p><i>Discussant: Le Zhang, University of New South Wales</i></p>
10:05am	<p>A Harming Hand: The Predatory Implications of Government Backed Student Loans Andrew Schwartz, University of California, Berkeley</p> <p><i>Discussant: Robert Hansen, Tulane University</i></p>
<p>MORNING TEA Ballroom Lobby 10:40am 11:10am</p>	

Session 2

Chair:

Capital Gains Tax, Investments, and CEO Incentives

Seok Min Moon, Princeton University

This paper exploits a unique institutional setting in Korea to estimate the effects of capital gains taxes on corporate investments. In Korea, investors face starkly

A Harming Hand: The Predatory Implications of

Andrew Schwartz, University of California, Berkeley

Using the Department of Education's College Scorecard, I provide evidence that over 30% of undergraduates should expect to realize a negative financial return on their investment in higher education. To explain these findings, I construct a model of

Leverage and Coverage Ratios

Alexandr Belyakov, University of Pennsylvania

distress will affect its leverage choice at time-zero. A firm is very conservative in its leverage policy ex-ante if it knows that costs of external financing will grow with leverage. Such a model can resolve the underleverage and distress puzzles in cases

initial leverage is much higher in a model in which external financing costs are constant, even if they are as high as 30 cents per dollar raised. To resolve the puzzles in the latter model, bankruptcy costs should exceed 50%.

Noise from Other Industries: Overgeneralization and Analyst Belief

Rex Wang Renjie, Erasmus University Rotterdam

This paper studies the heterogeneous beliefs of financial analysts by exploiting a specific feature of their information environment, namely the diversity of industries they cover. I document that the performances of other unrelated industries play an important role in shaping analysts' expectations about the state of the world and thereby influence their earnings forecasts. Analysts issue significantly more pessimistic forecasts when they observe salient negative performances of unrelated industries. Those downward biased forecasts are less accurate and undershoot the actual earnings, suggesting that analysts do not acquire superior information from those negative shocks, but rather overgeneralize negative performances of unrelated industries and become overpessimistic about coverage firms' future prospects. Moreover, when there is greater dispersion in the shocks analysts overgeneralize, the difference of opinions about the stock becomes significantly larger and its volatility increases significantly, suggesting that this behavioral bias has real economic effects on firms' information environments.

Mutual Fund Benchmarking and Corporate Governance

Yijun Zhou, INSEAD

Mutual funds are classified into different investment styles and some companies held by many peer funds of the same style are benchmarked by that style of mutual funds. This paper empirically examines the implication of mutual fund benchmarking on corporate governance in companies. First, companies benchmarked by mutual funds are found to receive more attention from investors and have better corporate governance. Then I show that mutual funds are more reluctant to sell their shares on the proxy record date and value their voting rights more in benchmarked companies. Finally, I provide direct evidence of active monitoring by mutual funds in benchmarked companies by examining their actual voting behavior and exploit exogenous fund flows as instruments to identify the causal effect of mutual fund benchmarking. Overall, my findings suggest that mutual fund benchmarking contributes to governance in benchmarked companies.

