

## RMI Research Workshop Series

	Session 1	Session 2
<b>Speaker:</b>	<a href="#">Prof Paul Hsu Po-Hsuan</a> University of Connecticut	<a href="#">Prof Melvyn Teo</a> Singapore Management University
<b>Title:</b>	Innovate to Survive: The Effect of Technology Competition on Corporate Bankruptcy	How Liquid are Liquid Hedge Funds?
<b>Date / Time:</b>	5th June 2009, 3.00pm – 4.10pm	5th June 2009, 4.30pm – 5.40pm
<b>Venue:</b>	<a href="#">BIZ 1 #01-10a Conference Room E (Next to LT19)</a>	
<b>Chair-person:</b>	Prof Xia Yingcun, National University of Singapore	

*Light refreshments will be served during the break (4.10pm – 4.30pm)*

### Session 1: Abstract

This paper establishes a strong relation between technology competition and corporate bankruptcy. Using a new dataset of firm-level patent applications and issues we show that (i) the competitiveness in technology-intensive industries predicts future bankruptcies better than the typical measures such as Z-score and credit rating; (ii) technology-driven bankruptcies are less related to the business cycle and industry success; and (iii) bankruptcies are significantly more costly if driven by patent competition.

### About the speaker

Po-Hsuan (Paul) Hsu received his PhD degree in finance from Columbia University in 2007. He also holds MBA degree in technology management from National Chiao-Tung University and BBA degree in international business from National Taiwan University. He has published research articles in Journal of Financial Economics, Journal of Financial Econometrics, and several other academic journals. He does research in asset pricing and financial econometrics, and is especially interested in the dynamics between technological innovations and asset/firm value, and large-scale multiple hypotheses testing.

### Session 2: Abstract

We document a negative and convex relationship between hedge fund size and future risk-adjusted returns. Small hedge funds outperform large hedge funds by 3.94 percent per year after adjusting for risk. This over performance is not driven by fund age, leverage, serial correlation, or self-selection biases. The capacity constraints are particularly severe in times of low market-wide liquidity, such as during the Russian Ruble default of 1998 and the Lehman Brothers collapse of 2008. They are also strongest for funds managed by multiple principals who trade small, illiquid securities, suggesting that the observed diseconomies can be traced to liquidity and hierarchy costs (Stein, 2002). Both fund managers and investors appear cognizant of the capacity constraints they face. Fund managers who grapple with greater diseconomies of scale set lower management fees and higher performance fees. While investors direct disproportionately more capital to smaller funds, they do not do so quickly enough to fully eliminate the size effect.

### About the speaker

Melvyn Teo is Associate Professor of Finance at the Singapore Management University. Melvyn's research interests span hedge funds, institutional investors, and capital markets. His articles on these topics have appeared in top finance journals such as the Journal of Financial Economics and the Review of Financial Studies, and have garnered best paper awards from the European Finance Association, Inquire UK, AIMA, and INSEAD. Melvyn has also taught and consulted for various banks, sovereign wealth funds, and investment management firms. Melvyn holds a Ph.D. in Economics from Harvard University.