

## PROMOTION RECOMMENDATION

The University of Michigan  
Stephen M. Ross School of Business

Lu Zheng, Assistant Professor of Finance, Stephen M. Ross School of Business, is recommended for promotion to Associate Professor of Finance, with tenure, Stephen M. Ross School of Business.

### Academic Degrees:

1999	PhD	Yale University
1993	BA	Agnes Scott College, Atlanta, Georgia

### Professional Record:

1999-Present	Assistant Professor of Finance, Stephen M. Ross School of Business at the University of Michigan
1998-1999	Lecturer, Stephen M. Ross School of Business at the University of Michigan

### Summary of Evaluation:

Teaching: Professor Zheng has taught the core finance course, both to BBA students and evening MBA students. Her teacher ratings have been steady in the past few years and her teaching meets the school's standard of "Very Good." She has been a member of the dissertation committee for seven students, four of whom are in business disciplines other than Finance. She has collaborated with four finance graduate students and coauthored papers with several students. These collaborations led to three presentations at the American Finance Association annual meetings; presentations at the Western Finance Association annual meetings, publications in *The Journal of Finance*, *The Review of Financial Studies* and *Finance Research Letters*; and a revise and resubmit at *The Journal of Empirical Finance*.

Scholarship: Professor Zheng's research examines the investment strategies and performance of mutual funds as well as the trading behavior of individual and institutional investors. Over the past several decades, financial markets have become increasingly institutionalized. With trillions of dollars under management, mutual funds are now one of the major investment and savings vehicles for U.S. investors. She investigates the impact of mutual fund behavior on asset prices and investor welfare. She also studies the trading behavior of individual and institutional investors by analyzing their cash flows into the financial markets. Her work in these two areas has pushed the frontiers of the literature in several important dimensions. Her papers were among the first to study fund selection ability of mutual fund investors, the impact of organizational structure on fund investment behavior, and the possible interaction between behavioral biases of investors and strategies of mutual funds. In addition, the empirical findings from this research have demonstrated significant practical relevance. As a result, her studies have generated substantial interests from both academics and practitioners. Her research impact is evidenced by the total of 289 citations in academic papers as well as frequent coverage in the leading business press. She has four publications in top finance journals (three in *Journal of Finance* and one in the *Review of Financial Studies*), one in the *Journal of Business*, also considered a top journal, and two publications in other journals. More important, in a short time, she has established herself as a leading scholar in the analysis of mutual funds. The external reviewers, which include some highly-respected scholars in the profession, are also of the opinion that Lu has made significant contributions to the mutual fund literature.

Service: Professor Zheng's service to the finance profession includes reviewing manuscripts, grant proposals and conference submissions. She has peer-reviewed approximately 50 manuscripts for various journals, including *American Economic Review*, *China Journal of Finance*, *European Financial Management*, *Financial Management*, *Finance Research Letters*, *Journal of Banking and Finance*. She

has reviewed grant proposals for The National Science Foundation and Research Grants Council of Hong Kong.

She has organized the brown bag series in finance, participated actively in the faculty recruiting process, participated in the review of undergraduate and MBA curricula, helped with the setup of Web pages describing school curricula, and evaluated Ph.D. candidates, etc. She served on a five-member program committee that put together a program for the 10th Mitsui Life Symposium on Global Financial Markets.

Significant and Recent Publications:

Starks L T, Yong L, Zheng L. Tax-loss selling and the January effect: Evidence from municipal bond closed-end funds. *Journal of Finance*, In press.

Kacperczyk M, Sialm C, Zheng L. On the industry concentration of actively managed equity mutual funds. *Journal of Finance* Vol. 60 No.4, 1983-2011, 2005.

Barber B, Odean T, Zheng L. Out of Sight, Out of Mind: the Effects of Expenses on Mutual Fund Flows. *The Journal of Business* Vol. 78 No.6, 2005,

Nanda V, Wang ZJ, Zheng L. Family values and the star phenomenon: Strategies of mutual fund families. *Review of Financial Studies*, Vol. 17 No.3, 667-698, 2004.

Zheng L. Is money smart? A study of mutual fund investors' fund selection ability. *Journal of Finance*, Vol. LN, No.3, 901-933, 1999.

External Reviewers:

Reviewer (A): "All of Professor Zheng's work is marked by attention to detail in the empirical research it presents and a very clear and convincing style of writing. She writes well and can convey the essence of her work within an impressively small compass that magnifies the impact of her contribution. Based on the record and impact of her research, I believe the Professor Zheng satisfies the necessary conditions for promotion at my institution."

Reviewer (B): "I think that Lu has had considerable impact in the area of delegated portfolio management. She is among a handful of researchers whose work explores the complex array of agency relationships between investors, fund managers, and fund families. Lu has a stream of work looking at investor behavior. For example, her job market paper suggests that investors' chasing of past fund performance might actually be a reasonable strategy, at least in the short run. In terms of gauging Lu's relative merits, I think her general research area, productivity and impact are in the same ballpark as David Musto, recently tenured at Wharton. Thus, my overall assessment is that Lu is a slam dunk for tenure at Michigan."

Reviewer (C): "Professor Zheng has produced an exciting body of research on institutional investment, especially as it relates to managerial ability and performance. She is active in the profession and shows promise in producing a steady stream of competent research going forward. I cannot speak about her teaching, but I assume this is adequate based on her ability to articulate ideas, both verbally and in writing. Everyone assumes bias in promotion letters because most end up saying that the candidate is better than average. That is not possible if every reviewer writes a fair letter, which this is intended to be. With this clarification in mind, you can understand why the ranking above is consistent with a sincere statement that Lu Zheng deserves a promotion to Associate Professor at Michigan. You do not want to lose someone this productive, energetic, and enthusiastic."

Reviewer (D): "Let me say that my overall impression of Lu is very positive. She has a strong publication record, with six papers published and another four papers under revision in the roughly seven

years since receiving her PhD. Lu's work has focused mainly on the economics of the mutual fund industry. In short, I think that Lu is one of the best [of her cohort] empiricists working in the area of mutual funds. And her papers, particularly the three that I will describe below, are of enough significance to merit promotion to tenure at the level of an associate professor."

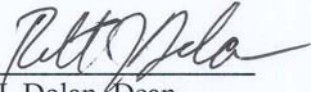
Reviewer (E): "Zheng is a solid empirical researcher who does original and competent work. She is energetic, productive, and works on interesting and important topics. In terms of her rank in the profession, I would say that she is respected and widely cited. She is clearly one of the world's leading experts on mutual funds. On the most objective measure there, citations, she is a star. She seems driven and sincere. So I think there is a pretty clear case that she deserves promotion at Michigan."

Reviewer (F): "She has made important contributions to the analysis of how taxes affect financial market equilibrium and to our understanding of the role that mutual funds play in investment management. Her research record includes several outstanding papers, and she has been productive and wide-ranging in her work. I enthusiastically support her promotion to the rank of tenured associate professor."

Reviewer (G): "What I like most about Lu's research style is that she uses careful and thoughtful empirical work to deliver down-to-earth, common-sensical results about interesting questions. One walks away from her papers believing that the effect that she has identified is really there in the data, and that it makes sense for it to be here, because it feels like a plausible first-order effect. Overall, then, Lu's accomplishments on the research dimension makes her a good candidate for internal promotion to tenure in a top finance group."

Summary of Recommendation:

Outside reviewers speak of Professor Zheng's work with great respect; she is viewed within the School in the same way. Even at this stage of her career, she is a good teacher, citizen, and scholar. Everything she does is of the highest quality, and she has laid the foundation for an outstanding career as an educator and a scholar. I am pleased to recommend, with the enthusiastic support of the Executive Committee, that Lu Zheng be promoted to associate professor of finance, with tenure, in the Stephen M. Ross School of Business.

  
Robert J. Dolan, Dean  
Stephen M. Ross School of Business

May 2006