

PROMOTION RECOMMENDATION
The University of Michigan
Stephen M. Ross School of Business

Approved by the Regents
May 14, 2009

Lu Zhang, associate professor of finance, with tenure, Stephen M. Ross School of Business, is recommended for promotion to professor of finance, with tenure, Stephen M. Ross School of Business.

Academic Degrees:

PhD	2002	The Wharton School, University of Pennsylvania Finance
MA	2000	The Wharton School, University of Pennsylvania Finance
MA	1997	Washington University in Saint Louis, Economics Economics
MS	1996	The Graduate School of the People's Bank of China Finance
BA	1993	Jiangxi University of Finance and Economics Economics

Professional Record:

2006-Present	University of Michigan, Stephen M. Ross School of Business Associate Professor of Finance, with tenure
2005-Present	National Bureau of Economic Research, Asset Pricing Group Faculty Research Fellow
2002-2006	University of Rochester, William E. Simon Graduate School of Business Administration, Assistant Professor of Finance

Summary of Evaluation:

Teaching: Professor Zhang teaches at the undergraduate and graduate level. For his BBA course he focuses on the basic ideas of options, futures and other derivatives. For his MBA course, he has adopted a more applied approach utilizing case studies. His PhD course develops student critical thinking, technical and communication skills. In his initial two years here, he has been active in working with and mentoring doctoral students, including co-authoring papers, and serving on two dissertation committees. His course evaluation scores are very good with an average score of 4.26 on a 5-point scale.

Research: Professor Zhang is an outstanding researcher who does impactful research. His research focuses on asset pricing, although his recent work is at the intersection of asset pricing and corporate finance. He addresses important and challenging questions in finance. With only six years since his PhD, his productivity has been superb. Overall he has 13 publications, nine of which are in the top finance journals, *Journal of Finance*, *Journal of Finance Economics*, *Review of Financial Studies* and *Journal of Political Economy*. One of his papers won the prestigious Smith-Breeden award for the best paper published in the *Journal of Finance* in 2005. Also in 2005 he won the Richard L. Rosenthal Award for Innovation in Investment Management/Corporate Finance. Two of his papers have broken new ground in the area of asset pricing. He incorporates a careful matching of theory and empirical work and is considered one of the top researchers in finance today.

Recent and Significant Publications:

Li, X.N., Livdan, D., Zhang, L. Anomalies. Forthcoming *Review of Financial Studies*, 2009.

Livdan, D., Sapriza, H., Zhang, L. Financially Constrained Stock Returns. Forthcoming *Journal of Finance*, 2009.

Liu, L.X., Zhang, L. Momentum Profits, Factor Pricing, and Macroeconomic Risk. *Review of Financial Studies*, 21(6), 2008.

Lyandres, E., Sun, L., Zhang, L. The New Issues Puzzle: Testing the Investment-Based Explanation. *Review of Financial Studies*, 21(6), 2008.

Campello, M., Chen, L., Zhang, L. Expected Returns, Yield Spreads, and Asset Pricing Tests. *Review of Financial Studies*, 21(3), 2008.

Zhang, L. The Value Premium. *The Journal of Finance*, Vol. IX, No. 1, February 2005.

Service: Professor Zhang is a conscientious and enthusiastic partner in the finance area's activities. He mentors PhD students, chairs a task force to revise the investment curriculum and heads the communications committee. He has been a member of the Ross Business School Community Values Committee as well as the University Faculty Investment Task Force. He is a member of the American Finance Association, Western Finance Association, American Economic Association and the Financial Intermediation Research Society. He is an ad hoc referee for the *American Economic Review*, *Economic Inquiry*, *Economica*, *Econometrica*, *Financial Management* and *Finance Research Letters* and has recently been named an associate editor of *Financial Management*.

External Reviewers:

Reviewer (A): "In a remarkably short time, Lu has established a reputation as one of the top researchers in asset pricing, on both the theoretical and empirical fronts. I strongly recommend his promotion to the rank of Professor at the University of Michigan."

Reviewer (B): "As you know I wrote a recommendation letter less than two years ago when you were considering appointing Lu to a position with unlimited tenure. I was enthusiastic then and I remain so. Looking at Lu's vitae, it is clear that he has been very productive since my last letter. More importantly, his working paper pipeline has also grown substantially, a clear indication of his continued productivity. I recommend that you promote Lu to Professor."

Reviewer (C): "He sometimes describes his work as a production-based explanation of cross-sectional patterns in asset pricing, but his models often have exogenous pricing kernels so they explain cross-sectional variation in firms' sensitivities to risk factors rather than the economic origins of factor-risk prices. Since you appointed him as associate professor with tenure, Lu has continued to be productive and I support his promotion."

Reviewer (D): "As I mention above, I believe that Lu's productivity over the last six years, and particularly in the last two years, puts him among a very small group of finance scholars. I don't believe there is anyone in his 2002 cohort who has been similarly productive. I believe that Lu has a reputation of being a very smart, very ambitious young researcher. He works on challenging problems and, from what I have seen of him, asks that others do the same."

Reviewer (E): "In short, in terms of number of publications, impact of his best papers, cumulative impact of a program of research, and general research visibility, Lu Zhang looks like a Professor to me. On all these dimensions, he compares favorably to people who have recently been promoted to Professor in finance at leading business schools..."

Reviewer (F): "Lu is at the top of his cohort. I have written several tenure letters this fall for people in his cohort, and I took the opportunity to review the CV's of the top ten people from his year. He clearly stands out as the best in terms of the number of major publications. He is well known and is invited to present his research at major conferences and universities throughout the world."

Reviewer (G): "Lu's papers when taken together make an impressive contribution to the asset pricing literature in finance. Lu is a valuable colleague in the field. In terms of quality of research (originality, choice of topic, carefulness, and impact) Lu would be among the best in this group... I have no hesitation in recommending promotion to the full rank."


Reviewer (H): "Professor Zhang has published nine papers, mostly in top journals, and he has four others accepted and waiting to appear. In terms of quantity, this would merit promotion to professor at some schools, would be marginal at others. He has focused primarily on asset pricing, which is one of the central and most important areas of financial economics, so he certainly deserves high accolades for choosing this competitive and difficult area."

Reviewer (I): "There is no question that Lu is among the very best in his cohort. In fact, he has published seven papers (including forthcoming) in top finance journals since his tenure in 2006. I can't think of anyone who has this kind of record. His pipeline remains strong, including several papers under review at top places. Viewing these altogether, the promotion is well-deserved. It certainly would be in Michigan's interest to keep him happy there. I very strongly support this promotion."

Summary of Recommendation:

The outside reviewers' comments and the placement of his work in the top journals in the finance field are a testament to the strength of Professor Zhang as a leader in his field. His research is exceptional and widely cited. He adds considerable value to the finance area as well as the Ross School of Business and the University of Michigan.

We believe Professor Zhang's case for promotion is easily made by the quality of his research, his teaching and service to the Ross community and the field of finance. Therefore, the Executive Committee and I strongly recommend Lu Zhang's promotion to professor of finance, with tenure.



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

May 2009