Fangyuan Yu

Curriculum Vitae, Nov 2020

Contact Information

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Education

2021 Ph.D. in Finance. University of Minnesota (expected)
      Dissertation title: *Asset Sales under Asymmetric Information*
      Advisors: Andrew Winton and Martin Szydlowski

2015 M.S. in Finance. Peking University (CCER)

2012 B.A. in Financial Engineering. Wuhan University

Research Interests

Corporate Finance; Venture Capital; Information Economics

Job Market Paper

"*Dynamic Adverse Selection and Asset Sales*" (Job Market Paper)

I build a dynamic adverse selection model in the OTC market to explain the effect of the strategic trading delays of sellers on asset prices and asset liquidity when the investors are heterogeneously sophisticated about the asset quality. In the model, the privately informed sellers are continuously searching and trading with investors who are either sophisticated or unsophisticated about the asset quality. The unsophisticated investors learn and form their beliefs about asset quality through how long the asset has been traded on the market. When the market belief is high, low type sellers can time the market by strategically forgoing trading opportunity with sophisticated investors in order to target the unsophisticated investors. Cream-skimming effect emerges endogenously, where low-type sellers do not trade with sophisticated buyers . The cream-skimming effect together with the signaling effect can reconcile the empirical puzzle of time to sale in financial market. The predictable implications for the IPO market and the real estate market are discussed in the paper.

Working Papers

"*Secret Scouting*" (joint with Xuelin Li) (**Best Student Paper Award, MFA 2020**)

VCs prefer secrecy when searching for targets. As a result, only the investments in viable startups are disclosed, but the failed ones are discarded silently. We extend the standard preemption game to explain the efficiency loss and the individual rationale of doing so. We show that secrecy creates pessimism. Compared to the fully disclosing case, VCs will stop hunting for startups too early in an initially promising industry. This could happen even if no technology failures are observed in realization. However, hiding failures becomes a dominant strategy when the return of the VC industry is right-skewed. VCs use secret scouting to make the competitors believe that the industry is a dead end and reduce the preemption threats.

"*Disclosure and Crowdfunding*" (in progress)

Crowdfunding involves sequential interaction and observational learning among investors. I build on the classical rational herding model with multiple actions to discuss the interaction among investors and how does the issuer affect this interaction by disclosing different precision information. In the model, each investor arrives sequentially, observing private signals and decide whether to contribute to the project how much to contribute. The issuer chooses the precision of the signal to maximize the probability of financing. Depending on the precision of signals, there are up to three herding regions. In particular, when the signal precision is very low, there are three herding regions, in the low herding region, all the investors are not willing to contribute, while in the intermediate herding region, all the investors are contributing the minimum amount; for the high herding region, all the investors are contributing the maximum amount regardless of their private signals. The financing probability is not monotone in transparency. When the public belief is very high, the issuer is willing to disclose less informative signals so that all the investors are willing to contribute the maximum amount. When the public belief is in the middle, and the minimum contribution from the investors are not sufficient to initiate the project, then the issuer prefers high transparency to eliminate the intermediate herding, which could improve the financing probability.

"*Information Disclosure and VC competition*" (joint with Martin Szydlowski and Xuelin Li) (in progress)

Honors and Awards

Best Ph.D. Paper Award, Midwest Finance Association (Aug,2020)

Doctoral Student Travel Grant, American Finance Association (Jan,2020)

Doctoral Student Travel Grant, Southwestern Finance Association (Mar,2020)

Ph.D. Travel Fellowship, University of Minnesota (Mar,2020)

Ph.D. Program Summer Research Fellowship, University of Minnesota (2016—2019)

Graduate Research Fellowship, University of Minnesota (2015-2019)

Guanghua Scholarship, Peking University (Nov,2013)

Conference Presentations

2020 FMA Ph.D. Consortium Session

2020 Midwest Finance Association Annual Meeting

2020 Midwest Finance Association Ph.D. Consortium

2020 Southwestern Finance Association Annual Meeting

Other Academic Experience

2019 Finance Theory Group Summer School, University of Pennsylvania

2017 Finance Theory Group Summer School, Washington University in St. Louis

Teaching Experience

Instructor

2017-2018 Principles of Finance (FINA 3001), Primary Instructor (5.01/6)

Teaching Assistant

2020 Portfolio Management and Performance Evaluation for Erik Loualiche

2019 Fundamentals of Finance III for Tracy Wang

2018 International Finance for Juliana Salomao

2017 Principles of Corporate Finance for Richard Thakor

2016 Security Analysis Capstone for Frederico Belo

2015 Options & Derivatives I for Hengjie Ai

Languages and Skills

English (fluent),Chinese (native)
Matlab, Mathematica, Stata, Python

References

Andrew Winton (Chair)
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