

Paulo Martins Manoel

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ACADEMIC APPOINTMENTS

Univ. of Kentucky, Gatton College of Business & Economics
Assistant Professor of Finance, 2019-present

EDUCATION

University of California, Berkeley
Ph.D in Finance, 2013-2019

University of São Paulo
MS in Economics, 2010-2012
B.S. in Mathematics, 2006-2009

RESEARCH INTERESTS

Corporate Finance, Entrepreneurship, Portfolio Management, Public Pension Funds

POSITIONS

JP Morgan Chase
Risk Analyst, 2011-2012

Nefin
Brazilian Center for Research in Financial Economics of the University of São Paulo
Researcher, 2012-2013

WORKING PAPERS

Outrage by Compensation: Implications for Public Pension Performance (with Adair Morse and Alexander Dyck)

Accepted for publication: *Review of Financial Studies*

Public pension boards fear stakeholder outrage if they were to compensate internal investment managers with market-level salaries. We derive implications theoretically in an agency-portfolio choice model motivated by inequality-aversion. In a global sample, relaxing the effect of outrage on contracting leads to an average annual incremental value-add of \$49 million generated through 11 bps in higher excess returns from risky assets, at the cost of \$302,429 in additional compensation. Governance reforms that address outrage by reducing political appointees or requiring independent skills-based boards can increase the annual value-add. These findings are orthogonal to costly political distortions from underfunding and pay-to-play schemes.

The Real Effects of Politicians' Compensation (with Igor Cunha)

We study how politicians' compensation affects the real economy. Specifically, we investigate the effect of legislators' wages on business activity in Brazil. We identify our results using a constitutional amendment that established salary caps for legislators in a given municipality based on arbitrary population cutoffs. Higher politician wages are associated with increases in firm and job creation and firms' average startup investments. Better paid legislators bring more resources to the municipality and increase expenditure on items that increase local economic productivity. Our

evidence highlights the potential adverse effects on the private sector of lowering politicians' salaries.

Crime Rates, Law Enforcement, and Business Activity

Can regions with prevalent violent and property crimes promote business by reducing crime rates through law enforcement? Using exogenous state-level police strikes in Brazil, I show that a short-term decrease in the police force leads to an increase in crime rates and a reduction in business activity. Taken together with the finding of the crime literature that lower business activity leads to more crimes, this implies a feedback loop between crime and business, suggesting the existence of multiple Pareto-ranked equilibria. I use the introduction of a law enforcement program called the Pacifying Police Units in the Rio de Janeiro city to provide evidence that a substantial (yet temporary) police shock can create a persistent reduction in crime and a persistent increase in entrepreneurship, consistent with a shift away from the undesirable high-crime low-business equilibrium.

Mutual Fund Portfolios: The Case of the Missing Value Funds (with Martin Lettau and Sydney Ludvigson)

This paper provides a comprehensive analysis of portfolios of active mutual funds and ETFs through the lens of risk (anomaly) factors. We show that these funds do not systematically tilt their portfolios towards profitable factors, such as high book-to-market (BM) ratios, high momentum, small size, high profitability, and low investment growth. Strikingly, there are almost no high-BM funds in our sample while there are many low-BM "growth" funds. Portfolios of "growth" funds are concentrated in low BM-stocks but "value" funds hold stocks across the entire BM spectrum. In fact, most "value" funds hold a higher proportion of their portfolios in low-BM ("growth") stocks than in high-BM ("value") stocks. The bias towards "growth" is present in other characteristics, is stable across the sample, and is not explained by liquidity differences in "value" vs. "growth" stocks. The distributions of mutual fund momentum, profitability, and investment growth are concentrated around the market averages with little variation across funds. The characteristics distributions of ETFs and hedge funds do not differ significantly from those of mutual funds. We show that most "value"/"growth" indices that are tracked by index mutual funds and ETFs are based on combinations of price multiples and fundamental growth rates. As a result, "value"/"growth" index funds and ETFs do not resemble "value"/"growth" growth portfolios that are typically studied in academic research. Since portfolio sorts based on fundamental growth rates have negligible return premia, there is no "value" premium for index funds and ETFs. We conclude that the characteristics of mutual fund portfolios raise a number of questions about why funds do not exploit well-known return premia and how their portfolio choices affect asset prices in equilibrium.

CONFERENCE PRESENTATIONS (* indicates presentations by co-author)

The Real Effects of Politicians' Compensation

Luso-Brazilian Finance Network (Lubrafin) Annual Meeting, June 2021 (Scheduled)

Midwest Finance Association (MFA) Annual Meeting, March 2021 (Scheduled)

American Finance Association (AFA) Annual Meeting, January 2021

European Finance Association (EFA) Meeting, August 2020

Outrage by Compensation: Implications for Public Pension Performance

*Red Rock Finance Conference, September 2019

Financial Intermediation Research Society (FIRS) Annual Meeting, June 2019

*NBER Law & Economics Program Meeting, February 2019

* American Finance Association (AFA) Annual Meeting, January 2018

Crime Rates, Law Enforcement, and Business Activity

Joint Berkeley-Stanford Finance Seminar, October 2016 and 2018
Mutual Fund Portfolios: The Case of the Missing Value Funds
*NBER Asset Pricing Program Meeting, November 2019

AWARD AND GRANTS

The Carl Cheit Outstanding Teaching Assistant Award, 2017
Minder Cheng Research Fellowship, 2015-2017
Honors Diploma to the Academic Merit, University of São Paulo, 2009

TEACHING AND TEACHING ASSISTANTSHIP

Fall of 2019 and 2020: Capital Investment and Financing Decisions (FIN 405)
Spring of 2015, 2016 and 2017: Empirical Methods in Finance (Prof. Martin Lettau)
Summer of 2016 and 2018: Fixed Income Markets (Prof. Richard Stanton)
Fall of 2017 and 2018: Microeconomic Analysis for Business (Prof. Bodoh-Creed)

PROFESSIONAL SERVICES

2021 EFA Annual Meeting Program Committee
2021 FMA Annual Meeting Program Committee
Editorial Board, Estudos Econômicos: 2019 – 2020