JAEJIN LEE

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EDUCATION

University of Illinois at Urbana-Champaign — Champaign, IL
Ph.D. in Finance — 2019 - Present
M.S. in Statistics — 2019

Korea University — Seoul, Korea
B.S. in Business Administration — 2017

WORKING PAPERS

Political Connections and Public Pension Fund Investments: Evidence from Private Equity

This paper examines the influence of private equity firm (GP) campaign contributions on public pension funds' investment decisions in private equity (PE) funds. Employing a regression discontinuity design comparing GPs donating to winning versus losing candidates in close U.S. state elections, I find that post-election pensions' tendency to invest are about 8-23 times higher in GPs donating to winners assigned as or appointing their board member. Effects are pronounced for candidates running elections again and weakest in states with high public corruption oversight. Connection-based PE funds underperform non-connected, partly attributed to abnormal management fees and higher tendency to be undersubscribed.

- Presented at University of Illinois at Urbana-Champaign, 7th Advances in VC & PE Research Online Workshop, SFS Cavalcade North America 2024, FMA 2024 (scheduled)

Distrust Spillover from Financial Advisors to Bank Branches

Exploiting detailed administrative data on financial advisors and the geographic dispersion of bank branches, I find that, after advisory misconduct is exposed in a county, their affiliated bank branches in that county show abnormal decreases in deposits and small business loan originations. These effects are stronger when banks are geographically closer to affiliated advisors, face serious misconduct, have more uninsured deposits, are affiliated with advisors serving fewer retail clients, or are in socially-networked counties. I establish causality through the quasi-natural experiment of the mutual fund late-trading scandal. The results indicate that there are unexplored inter-industry distrust spillovers across financial intermediaries.

- Presented at University of Illinois at Urbana-Champaign, FMA 2022, AFA 2023 (Poster), 3rd Boca Corporate Finance and Governance Conference, Southwestern Finance Association 2023

Hurting Fund Returns: Business Ties Constraints and Portfolio Misallocation

This paper provides evidence for a causal relationship between business ties with portfolio firms through pension-related relationships and the investment decisions of asset management firms. I employ the timing of the fraud revelations involving asset management firms to identify a significant exogenous collapse in reputation and trust. Following the exposure of fraudulent activities, these asset management firms tend to increase their allocations to 401(k) client stocks within their equity portfolios. This strategic shift aims to mitigate the risk of termination by pension plan sponsors, prompted by the collapse of trust caused by the fraud. I find that client stocks subsequently underperform non-client stocks and show indifference toward net-selling stocks within the same portfolio, suggesting that asset management firms prioritize maintaining pension business relationships over optimizing fund returns.

- Presented at University of Illinois at Urbana-Champaign, World Finance Banking Symposium 2022, New Zealand Finance Meeting 2022, Southwestern Finance Association 2023, FMA 2023

Work in Progress

The Social Learning of Financial Misconduct

Teaching Experience

University of Illinois at Urbana-Champaign
FIN 221 (Corporate Finance) Fall 2021, Spring 2022

Honors, Awards, and Fellowships

PhD Student Grant for SFS Cavalcade North America 2024	2024
Shinhan Bank and KAFA Scholarship	2023
Dr. Bong-Soo Lee Memorial Scholarship	2023
AFA Travel Grant	2023
Robert Ferber Award	2022
Ritchie-Jennings Memorial Scholarship	2022
UIUC Doctoral Fellowship	2019 - Present

Professional Experience

National Cancer Bigdata Center, Korea
Research Assistant, Summer 2017

Data Analytic Skills

Programming Languages Python, Stata, R, SAS, Matlab