Konstantin Milbradt

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Sex: Male
Citizenship: German (F-1)

EDUCATION: Princeton University, Ph.D. Economics, (expected June 2009)
Oxford University, B.A. in Economics and Management, *First Class Honours*, 2003

GENERAL EXAMINATION: May 2005 (Finance, International Economics)

MAJOR FIELDS OF INTEREST: Financial Economics, Asset Pricing, Dynamic Contract Theory

JOB MARKET PAPER: **"Trading and Valuing Toxic Assets"**

Abstract: Fair value accounting forces institutions to revalue their inventory whenever a new transaction price is observed. An institution facing a balance sheet constraint can have incentives to suspend trading in opaque over-the-counter markets to obstruct further price discovery. This way the asset's book valuation can be kept artificially high, thereby relaxing the institution's balance sheet constraint. But, the institution loses direct control of its asset holdings, leading to possible excessive risk exposure. An institution optimally balances this tradeoff when choosing the point beyond which it suspends trading. Outside investors, who do not know at what price the asset would trade, reduce their valuation the longer the asset has not traded. Their expected discount from book value is convex in time since last trade and robust to parameter misspecifications.

PRINCIPAL THESIS ADVISOR: Professor Markus Brunnermeier

HONORS AND FELLOWSHIPS:

Princeton University, Department of Economics Fellowship, 2003-2007
Princeton University, International Economics Section Fellowship, 2003-2007
Princeton University, Graduate School Summer Research Scholarship, 2004-2007
Waugh Scholarship for Academic Excellence, Exeter College, 2001-2003
ThyssenKrupp Scholarship for Academic Excellence, 2000-2003

TEACHING EXPERIENCE:

Undergraduate: *Financial Investments* (Burton Malkiel), Fall 2005, 2006, 2007
Master in Finance: *Corporate Finance* (Amil Dasgupta), Spring 2008
Ph.D.: *Financial Economics* (Wei Xiong), Fall 2007

RESEARCH EXPERIENCE:

Research Assistant for Prof. Markus Brunnermeier, 2005-2008
Visiting Researcher, SFB 649 (Prof. Harald Uhlig), Department of Economics, Humboldt University of Berlin, Summer 2006

PROFESSIONAL EXPERIENCE:

International Monetary Fund, Internship Research Division, Summer 2005
European Central Bank, Internship Monetary Policy Strategy Division, Summer 2003
Military Service, Germany (1999-2000)

WORKING PAPER:

"Fund flows and risk taking"
Hedge funds face performance related withdrawals to their assets under management. As hedge fund managers' compensation is closely linked to the assets under management, they optimally take outflows into account in their investment decisions. I solve a continuous time investment model where fund flows are connected to the relative distance of the current assets under management to their high-water marks – also known as the current drawdown – to show that: (i) managers become more conservative the closer they are to the high-water mark; (ii) the possibility of stronger future outflows makes the manager more conservative close to the high-water mark; (iii) this conservatism is reversed as current outflows become larger - the stronger current outflows, the more risk the manager will take on even though the risk-return tradeoff stays constant; (iv) waiving fees can be optimal for the manager when far below the benchmark.

WORK IN PROGRESS:

"Moral hazard and learning in a continuous time model"
I investigate the link between learning and moral hazard in a dynamic contracting model. Learning in this context gives rise to asymmetric information that makes the contract more complex, as it can unhinge the usual one-shot deviation approach.

REFEREE: Journal of Financial Intermediation, Management Science

LANGUAGES: German (native), English (fluent)

REFERENCES:

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EARLIEST DATE FOR STARTING A JOB: Summer 2009