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Gender/fund management

Men may be from Mars and women from Venus, but when it comes to fund management ability they are on the same planet. So conclude Alexandra Niessen and Stefan Ruenzi from the University of Cologne who have studied 3,547 single manager equity mutual funds from 1994 to 2003.

Research suggests that women are more risk-averse than men in their personal financial decisions, for example in their asset allocation for US 401 (k) retirement schemes. The Cologne study does find that, for fund managers, stylistic differences exist. Men churn portfolios more, and stick to benchmarks less. But total risk levels are similar between men and women. In terms of performance, both "raw" and adjusted for risk, there is also no meaningful difference.

Despite this, women run just a 10th of single manager funds (which are about half of total mutual funds). Along with any prejudice in fund manager firms, this may reflect, for better or worse, customer preference. The study finds women's funds are smaller than men's and attract about half the level of growth from customer inflows, making them less profitable. Female managers are most likely to be employed by high-profile groups, which are thought to bear greater risk of lawsuits.

The study's other important conclusion is a familiar one: mutual funds, after fees, deliver negative "alpha", or return less than they should for the risk they take. That is another indictment of the industry. Perhaps under-represented women should not be too upset.

Alexandra Niessen and Stefan Ruenzi: "Sex Matters: Gender and Mutual Funds", CFR-Working Paper 2006-01 (http://www.cfr-cologne.de/downloads/workingpaper/cfr-06-01.pdf)