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## **fund**strategy

### Research exposes sex bias towards managers

Men and women take different approaches to managing money, according to a study of the American mutual funds industry by academics at the University of Cologne.

But despite women taking less risk, following more consistent investment styles and being less prone to overconfidence, there is no evidence that these differences are reflected in fund performance. Furthermore, funds managed by women on average attract 18% less new money than comparable funds run by men, meaning fund groups - which earn their income on fees taken as a proportion of funds under management - have little incentive to employ women.

Alexandra Niessen and Stefan Ruenzi published their report last month. Its findings are based on a study of single-managed equity mutual funds in America from 1994 to 2003. During this time, the proportion of female fund managers was steady at about 10% of the total.

The report showed only moderately less risk was taken by women, with the difference most notable in idiosyncratic risk. This, say the authors, hints at women adopting fewer active bets in their portfolios than men.

Male managers also showed a higher level of trading activity, leading to greater costs, which the report attributes to men's tendency towards overconfidence.

The authors conclude: "Albeit female and male fund managers differ in terms of their investment behaviour, they do not differ systematically in their performance. These results suggest that the market for mutual fund managers is efficient. It is not possible to generate abnormal returns by following an investment strategy in mutual funds based on a manager characteristic as easily observable as the manager's gender."

However, investor prejudices regarding the abilities of men and women in managing money do lead to much lower inflows for female-managed funds, and consequently less fee income for the fund groups. The report suggests the greater representation of women in larger organisations is linked to these organisations' fear of being sued for discrimination.

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