

Sex Matters: Gender and Mutual Funds

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Abstract

To shed some light on the sophisticated relationship between women, men and money, we investigate gender differences among US mutual fund managers. Based on findings from the existing literature on gender differences, we hypothesize that female fund managers take less risk and follow less extreme investment styles that are more consistent over time. Furthermore, we expect female fund managers to be less overconfident and therefore to trade less. Our empirical results support all of these hypotheses. We then turn to the consequences that arise for investors and fund companies, but find no evidence that behavioral differences between female and male fund managers are reflected in fund performance. The more surprising appears our finding, that female managed funds have significantly lower inflows. As fund families earn their fee income on their assets under management, we search for compensating incentives for fund families to employ female fund managers despite their low fund flows. We find that firms with a high probability of being sued for discrimination, i.e. large and well-established firms, are most likely to employ women. Furthermore, female fund managers are more likely to be employed in less conservative states of the U.S. We conclude with implications of our findings for investors and fund management companies.

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