

Superstar Fund Managers: Talent Revelation or Just Glamor?

Jerry T. Parwada*
j.parwada@unsw.edu.au
School of Banking and Finance
University of New South Wales

Eric K. M. Tan
e.tan@business.uq.edu.au
UQ Business School
The University of Queensland

Abstract

Do public fund manager accolades reveal fundamental information about portfolio managers' performance? This paper examines the effect of mutual fund managers' superstar status on their money flows, performance, compensation, and risk-taking behavior. We show results consistent with Berk and van Binsbergen's (2015, 2017) rational expectations equilibrium argument that skill exists among superstar fund managers and the attendant inflow of investor capital subsequently arbitrages away such outperformance. Investors respond positively to award-winning fund managers in line with their positive risk-adjusted performance. Award-winning managers extract higher compensation but do not take on increased risks or trade more actively as attention-induced incentives would predict.

Keywords: Fund manager awards, Fund flows, Performance, Compensation, Risk taking

JEL Classifications: G23; G28

* Corresponding author: Jerry Parwada. Address: School of Banking and Finance, University of New South Wales, UNSW Sydney, NSW 2052, Australia. Email: j.parwada@unsw.edu.au. Tel: +612 93857936. Fax: +612 93856347. Eric Tan acknowledges financial support from the Accounting and Finance Association of Australia and New Zealand (AFAANZ) Developing Researcher Grant 2015. The authors thank Anders Anderson, Stephen Brown, Toby Daglish, Bart Frijns, Michael Keefe, Paul Healy, Stefan Ruenzi, Alireza Tourani-Rad, Russ Wermers, Steven Xiao, and participants at 2017 Asian Finance Association Conference, 2017 Financial Management Association Asian Conference, 2017 Financial Markets and Corporate Governance Conference, 2016 Australasian Finance and Banking Conference, Victoria University of Wellington, the 2016 AFAANZ Conference, Auckland University of Technology, and the 20th New Zealand Finance Colloquium for helpful comments. We are responsible for any errors in this paper.

1. Introduction

The identification of skill among active professional money managers is a topic of perennial interest among investors, fund companies, regulators and financial economists. Numerous fund information intermediaries, including fund rating agencies and media outlets are in business because of the market's thirst for clues on superior fund managers. Researchers have focused on investors' reaction to such information. Del Guercio and Tkac (2008) focus on changes in Morningstar star ratings, showing significant positive (negative) flows to rating upgrades (downgrades). Kaniel and Parham (2017) find that the inclusion of mutual funds in the prominent *Wall Street Journal* Category Kings ranking list leads to a 31% increase in subsequent quarterly capital flows and has significant spillover effects on flows to other funds of the same fund complex. In both Del Guercio and Tkac (2008) and Kaniel and Parham (2017), the reported investor reactions are explained by the increased investor attention given to the funds, a notion we label as *glamor*, and not the underlying performance of the funds themselves. In this paper, we investigate whether fund manager awards by a prominent information vendor reveal fundamental information about portfolio managers' performance.

The revealed preference framework introduced by Berk and van Binsbergen (2015, 2017) to assess portfolio management skill offers us a new lens through which to view superstar mutual fund managers. The authors argue that large cross-sectional differences in fund manager skill persist. Investors recognize this skill and reward it by investing more capital with better funds. In the competition among investors that ensues for this equivalent of positive net present value projects (i.e. skilled fund managers), profit opportunities are eventually arbitrated away (Berk and van Binsbergen, 2017).

To apply this perspective to identifying whether superstar status is correlated with performance, in this paper, we target the Fund Manager of the Year (FMOY) award. Recognized as one of the most important in the industry, the accolade has been announced by Morningstar in

early January every year since 1988.¹ The FMOY award is intended to recognize fund managers with a proven track record of success in achieving a praiseworthy performance against their peers while also acting as exemplary stewards of investor capital. Well-known recipients of the award include Peter Lynch from Fidelity's Magellan Fund and Bill Gross, co-founder of what was to become the world's largest bond-fund, PIMCO, and long-running portfolio manager of its PIMCO Total Return Fund. The award attracts considerable public attention through several media sources, including Bloomberg, *Business Week*, CNBC, *Forbes*, Reuters, and the *Wall Street Journal*.² The accolade also features prominently in the winning fund managers' biographies and in fund company marketing materials. This setting provides us with an opportunity to examine fund managers' status after being publicly branded superstars, focusing on performance in the presence of potential for increased fund flows and media prominence as in the previous studies.

The innovation of this study lies in that we are able to isolate the real effects of winning the FMOY award on fund outcomes (i.e. money flows, performance, compensation, and risk-taking behaviors). To achieve this, we compare these outcomes in funds run by award winners to those of non-awardees. Constructing such a counterfactual often difficult. However, we managed to hand collect the full list of finalists of FMOY award (see section 2 for more details). By so doing, we avoid reliance on matched control sample methods (e.g. propensity score matching) which are prone to potential concerns that the remaining heterogeneity across winners and their matches, which is not correlated with the observable funds and manager characteristics on which the matching is based, biases empirical estimation.³ Our approach ensures that the findings of this study are driven by the changes in fund managers' status (i.e. the *superstar effect*) and not the coverage of FMOY award (i.e. the *visibility effect*).

¹ Morningstar is arguably the most influential gatekeeper of information in the global asset management industry (Del Guercio and Tkac (2008)).

² The star status conferred on fund managers by the FMOY award is illustrated by headlines such as "The Jennifer Lawrence of investing? How Morningstar's mutual fund awards are like the Oscars," *MarketWatch*, January 23, 2014. See also "Morningstar's fund managers of the year," CNBC, January 27, 2016; "Finding rising stars amid rising rates," *Barron's*, 24 June 2013.

³ For example, Malmendier and Tate (2009) use propensity score matching to identify a credible counterfactual for the winning CEOs.

There are four main sections in this paper. First, we examine the effect of award-induced changes in status on investors by measuring funds' subsequent money flows. The asymmetric relation between mutual fund flows and past performance has been widely documented in the previous literature. Funds with superior recent performance enjoy disproportionately large new money inflows, while funds with poor performance suffer disproportionately smaller outflows. Given the publicity that a superstar fund manager receives, this paper explores the hypothesis that such a manager will enjoy greater fund inflows following the FMOY award. This prediction is standard in the literature, at least since Sirri and Tufano (1998), who argue that lower search or participation costs are an important determinant of fund flows. The counterfactual to this hypothesis is that, for investors, the FMOY award captures past performance achievements that have already been factored into previous decision making, and, therefore, the award should have a neutral effect on flows.

Second, we focus on the effects of the FMOY award on funds' subsequent performance. From the Berk and van Binsbergen (2015, 2017) perspective, if the FMOY award correctly identifies superior performers, we should observe some persistence in the awardees' performance before attention-induced fund flows diminish such returns.

Third, we turn to whether winning an FMOY award has any effect on fund managers' compensation. We conjecture that fund managers that win the FMOY award are associated with higher compensation for two reasons. First, mutual fund families may boost compensation to offset heightened agency problems after fund managers become superstars. Second, award-winning managers are able to use their increased power to extract higher compensation. The counterfactual to this is that, as well documented, the mutual fund industry is reluctant to acknowledge the contribution of individual fund managers, and aims to neutralize the dominance of star fund managers through strategies such as replacing sole- with team-managed funds (Massa, Reuter, and Zitzewitz, 2010). These internal pressures may therefore work against finding increased compensation for superstar fund managers.

Fourth, we examine the managerial risk-taking behavior of award-winning fund managers. In the corporate finance literature, the evidence shows that overconfident CEOs are associated with greater volatility and invest more in innovation (see Galasso and Simcoe (2011) and Hirshleifer, Low, and Teoh (2012)). In the mutual fund industry setting, Puetz and Ruenzi (2011) find evidence that overconfident mutual fund managers tend to trade more (as proxied by turnover ratios) after good past performance. Given prior evidence that being overconfident or gaining superstar status is associated with higher risk-taking behavior, we conjecture that fund managers who win the FMOY award are more likely to increase their managerial risk-taking activities due to overconfidence. Our alternative hypothesis is that award-winning managers are risk adverse and therefore reduce risk-taking activities in their efforts to lock in their relative advantage. This is synonymous to the findings of Shemesh (2017), who shows that award-winning CEOs decrease their idiosyncratic volatility through a reduction in spending in research and development and increased investment in physical assets to maintain their relative position. Another plausible alternative explanation is that fund managers simply exert less effort after winning the FMOY award, which results in no risk-taking behaviors.

In summary, our main results are as follows. First, we find that award-winning managers are associated with positive money flows up to six months following the FMOY award. This finding is robust to using an abnormal fund flow measure that follows the methodology of Del Guercio and Tkac (2008). Second, we do not find any evidence that award-winning managers are able to generate positive risk-adjusted returns following the announcement of the FMOY award when compared to finalist managers. Third, we report that award-winning managers extract higher compensation following receipt of the FMOY award. The results are in line with the findings of Malmendier and Tate (2009), who find CEOs to extract more compensation after receiving public accolades. Finally, we do not find evidence that award-winning managers take on more risks and trade actively due to overconfidence induced by the FMOY award. Our overall findings are consistent with rational expectations equilibrium (see Berk and Green, 2004; Berk and van

Binsbergen, 2015, 2017), suggesting that investors are competing with one another to invest their capital on highly-skilled fund managers. However, in equilibrium, as fund size increases and because investment ideas are finite, it diminishes the outperformance of superstar fund managers.

We contribute to the literature in several ways. First, the collective evidence in the prior literature suggests that investors often respond to funds that attract their attention by way of past performance, fund family size, and marketing and distribution efforts. However, there is little evidence that investors actually benefit from being influenced by such attention-grabbing information. For example, while Jain and Wu (2000) find that advertised funds attract significantly more money inflows, they do not find evidence of superior performance during the post-advertisement period. Barber, Odean, and Zheng (2005) find that investors are more sensitive to salient, in-your-face fees such as front-end loads, but less so to operating expenses, even though such expenses impact negatively on fund performance. It is therefore particularly important to examine the ex post value consequences of investing with a superstar fund manager. It is often suggested in the corporate finance literature that increased status is associated with perks and entrenchment (Jensen and Meckling (1976), Jensen (1986)). This paper sheds light on fund manager stardom as a phenomenon that potentially exacerbates agency problems between fund managers and investors.

Second, this paper contributes to our understanding of the ability of fund managers. While various studies have demonstrated that mutual fund managers are unable to beat standard performance benchmarks on a risk-adjusted basis, after taking into account expenses (e.g., Carhart (1997)), there is some support for managers' characteristics that are seemingly associated with superior performance. For example, Chevalier and Ellison (1999) and Gottesman and Morey (2006) find a positive relation between manager education and mutual fund performance. However, there remains a lack of clarity about the effects of increased fund manager status on subsequent fund performance. In other words, are investors better off when investing with superstar fund managers? The early study by Desai and Jain (1995) is closest to ours in attempting

to answer this question. Desai and Jain examine the performance of prominent money managers on the basis of their stock recommendations at Barron's Annual Roundtable. While our paper shares the same characteristics as Desai and Jain's in terms of its reliance on an independently picked set of superstar fund managers, there are several salient differences in our approach. Our paper follows the performance of fund managers who are specifically selected by a third party for their measured ability, instead of general prestige as is the case in Barron's Annual Roundtable (see Section 2 for more details). As well, we base our analysis on variables from funds that our sample of star fund managers actually manage for a living, as opposed to the hypothetical buy recommendations that are the focus of Desai and Jain's study. Finally, we analyze fund flows, compensation, and risk-taking activities in addition to performance, allowing our study to extract richer conclusions.

Third, this paper enhances our understanding on the effect of media coverage on investors and mutual funds. Solomon, Soltes, and Sosyura (2014) find evidence that the media coverage of fund holdings has a significant effect on investors' capital allocation decisions. In particular, fund holdings with high past returns attract positive money flows, but only if the holdings of stocks experienced wide major newspaper coverage in the previous quarter. In addition, Fang, Peress, and Zheng (2014) document that, in aggregate, mutual funds tend to purchase stocks that receive heavy media coverage and such findings are robust even after controlling for size, liquidity, and stock characteristics that have been found to influence funds' trades. The collective findings by Solomon, Soltes, and Sosyura (2014) and Fang, Peress, and Zheng (2014) suggest that investors and mutual funds are subject to limited attention. Recently, Kaniel and Parham (2017) find that the inclusion of mutual funds in the prominent *Wall Street Journal* Category Kings ranking list leads to a 31% increase in subsequent quarterly capital flows and significant spillover effect to other funds of the same fund complex. While our paper is similar to that of Kaniel and Parham (2017) in terms of examining the effect of increased publicity on mutual funds, we focus on individual fund managers who gained public prominence based on (short- and long-term) performance and

non-performance metrics rather than relying on a ranking list that is determined solely by one-year total returns.⁴ We extend the literature beyond Del Guercio and Tkac's (2008) analysis of the fund flow effects of Morningstar star ratings by examining post-award performance, compensation, and risk taking.

Finally, the FMOY award conjures up issues related to the superstar system that continues to be of considerable interest to the literature. On the theoretical side, Rosen (1981) explains the phenomenon of superstars as the concentration of a few individuals that dominate the activities in which they engage, resulting in a highly skewed distribution of income, market share, and public attention. While economists often argue that the rents accruing to these so-called superstars are a natural product of scarcity, a theoretical paper by Tervio (2009) shows that such high wages are driven by a talent revelation process on the job rather than by an underlying scarcity of talents. In the corporate world, Malmendier and Tate (2009) find that award-winning chief executive officers (CEOs) underperform and extract more compensation following such public recognition. Shemesh (2017) finds that award-winning CEOs decrease their firms' idiosyncratic volatility, reduce spending on research and development, and increase investment in physical assets in apparent efforts to lock in their relative advantage. Furthermore, Ammann, Horsch, and Oesch (2016) show that the existence of superstar CEOs provides strong incentives for competing CEOs to perform better. We shed further light on the superstar phenomenon in a mutual fund context in which the relevant executives' impact on investors, performance, compensation, and risk taking are observable more closely.

The rest of this paper is organized as follows. Section 2 provides an institutional background for our sample of FMOY awardees and describes our data and sample construction.

⁴ Through a manual check, we also find that there is little intersection between the funds published in *The Wall Street Journal* Category Kings ranking list and the FMOY award winners announced at the beginning of each year. There are very few exceptions. In 2001, Bill Nygren was announced as the FMOY winner for managing Oakmark Select I and this fund was ranked second in the mid-cap growth category. In 2006, Mason Hawkins and Staley Cates were announced as the FMOY award winners for managing the Longleaf Partners Fund and Longleaf Partners Small. However, the Longleaf Partners Fund was ranked sixth in the mid-cap core category and Longleaf Partners Small was not published in any of the top 10 ranking lists. Finally, in 2009, Bruce Berkowitz was announced as the FMOY winner for managing the Fairholme Fund and this fund was ranked first in the multi-cap core category.

Section 3 presents the methods used to test our hypotheses. Section 4 reports our empirical findings. Section 5 presents our robustness tests and Section 6 concludes the paper.

2. Institutional details and data

2.1. FMOY award sample

Morningstar's FMOY awards began in 1987, when the company selected an exemplary fund manager as fund manager of the year. In contrast to Morningstar's quantitatively driven star rating methodology, the FMOY award is principally founded on qualitative and quantitative information contained in Morningstar's fund medalist rating, which is used to distinguish funds that Morningstar's analysts believe have bright future prospects (i.e., it is a forward-looking measure). Beginning in September or October of every award year, Morningstar's fund analysts consider potential candidates for the award. The analysts shortlist fund managers for the award and asset class experts then vet these nominations. The final decision is made following a final meeting of the fund analysts in January of the following year.

Although the award is ultimately decided by a vote, Morningstar publicizes the main guidelines for a fund manager to become a contender for the award. First, fund and fund group nominees are selected based on quantitative methodologies that emphasize outperformance over one-, three-, and five-year periods, so-called Morningstar medalists in the Bronze, Silver, and Gold categories, respectively.⁵ This initial selection criterion narrows down potential winner funds to just over 10% of mutual funds that are available to investors. Further, the fund manager must have a track record of delivering good returns, together with a stellar year. Morningstar's fund analysts also question the investment decisions made by the fund manager to assess the manager's strategies

⁵ Morningstar's research methodology in determining fund medalists in the Bronze, Silver, and Gold categories is based on five pillars: (1) process, the assessment of funds' competitive advantage in executing the process well and consistently over time; (2) performance, the assessment of funds' risk-adjusted returns over relevant periods; (3) people, the assessment of managerial talent, tenure, and resources within the funds; (4) parents, the assessment of the firm's priorities in stewardship or salesmanship; and (5) price, the evaluation of fees charged in comparison to similar funds sold through similar channels.

and to separate luck-driven performance outcomes from skillful investing. In addition, the fund manager must display “exemplary stewardship of investor’s capital”, highlighting the need for the fund manager to be dedicated in fulfilling her or his fiduciary responsibility to the fund’s investors.

Since 1995, Morningstar has split the FMOY award into three categories: domestic stock, fixed income, and international stock. In 2012, Morningstar introduced two additional awards, in the allocation and alternatives categories. To facilitate comparison with the prior literature, we construct our initial dataset by hand-collecting a list of winners and finalists for the FMOY award in the domestic equities category from 2001 to 2012.⁶ This is to ensure that we are able to compare the winners and finalists directly in our empirical analysis.

2.2. Fund sample construction

We merge the FMOY award data with information from the Morningstar Direct database on fund size, age, fund fees, returns, investment objectives, and turnover ratios. We supplement information on fund manager characteristics such as age, tenure, and experience with searches of U.S. Securities and Exchange Commission filings, mutual fund websites, and portals of executive biographies, such as ZoomInfo.

To facilitate comparison with the prior literature on performance and money flows, this study focuses on U.S. domestic equity funds. Following Chen et al. (2004), we exclude index, fixed income, international, and specialized sector funds from our sample.⁷ Next, we apply two criteria to eliminate two known potential biases associated with the mutual fund database. First, to address incubation bias, we exclude funds that existed prior to the reported fund starting date (Evans (2010)) and exclude observations whose fund names are missing from the Morningstar database.

⁶ Information on FMOY award winners and finalists are obtained through Morningstar’s news archive (<https://newsroom.morningstar.com/newsroom/news-archive/default.aspx>), which has been made available since 2001, and supplemented by funds’ websites.

⁷ We perform such filtering using the Morningstar category classifications from the following link: http://corporate.morningstar.com/us/documents/MethodologyDocuments/MethodologyPapers/MorningstarCategory_Classifications.pdf.

Second, we exclude funds with assets under management (AUM) of less than \$15 million, since only successful funds enter the database (Elton, Gruber, and Blake (2001)). Such filters lead to a sample consisting of 3,482 domestic equity funds managed by 6,289 fund managers in 641 fund families, covering 807,006 manager–fund–month observations from 2001 to 2013. However, given the main focus of this paper is to compare FMOY winners relative to the finalists, we restrict our sample to pre- and post-36 month’s window surrounding the announcement of all FMOY winners and finalists.

2.3. Descriptive statistics

In Panel A of Table 1, we present a list of FMOY award winners under the category of domestic stock from 2001 to 2012. Although the list of FMOY award winners ends in 2012, our empirical design incorporates an additional year in which we examine the effect of winning the FMOY award on subsequent money flows, performance, compensation, and risk-taking activities. While the FMOY award is typically awarded to individual fund managers managing specific funds, there are several occurrences of the award being given to multiple managers managing multiple funds. For example, in 2003, we classified Howard Schow, Joel Fried, and Theo Kolokotronis as winners individually for both the Vanguard Primecap and Vanguard Capital Opportunity funds. In Panel B, we supplement our award winners’ data with FMOY award finalists (i.e., fund managers who were nominated by Morningstar but did not win the award). Overall, we have a complete list of 32 FMOY award winners and 107 FMOY award finalists in our sample.

< Insert Table 1 here >

Next, we report the descriptive characteristics of winner and finalist fund managers. In Table 2, we perform a difference-in-means test to determine whether there are significant differences between award-winning and finalist managers. We compare the means of both groups across all mutual fund characteristics and performance measures. The winning managers generally manage smaller and younger funds when compared to finalist managers. The average size of a

winner fund is \$167 million and this is in contrast to an average size of \$408 million for finalist funds. The winner funds are associated with lower expense ratios and turnover ratios than their finalist counterparts but the differences are not statistically significant. Award-winning managers are found managing funds with lower numbers of managers.

< Insert Table 2 here >

In Table 3, we construct a correlation matrix for our key control variables (i.e., $\text{Log}(\text{Fund Size})$, $\text{Log}(\text{Fund Age})$, $\text{Log}(\text{Family Size})$, Expense Ratio , Turnover Ratio , Volatility , $\text{Style-Adjusted Flow}$, $\text{Style-Adjusted Return}$, Team Size , $\text{Log}(\text{Manager Age})$, $\text{Log}(\text{Manager Tenure})$, $\text{Log}(\text{Manager Experience})$), and $\text{Log}(\text{Media Coverage})$ based on the full sample period (i.e., 2001 to 2013) and calculate the condition index of the matrix as 4.77. Such a low reading of the condition index shows there is no multicollinearity issue.

< Insert Table 3 here >

2.4. Preliminary analysis of fund flow and fund return surrounding the FMOY award

To examine the money flows and fund returns surrounding the announcement of the FMOY award, we plot these metrics for both winners and finalists following the presentation of the FMOY award at time $t = 0$, as presented in Figure 1. Chart A shows that the differences in cumulative style-adjusted flow for both winner and finalists are minimal prior to the announcement of the FMOY award. However, such differences increase significantly following the announcement of the FMOY award due to positive fund flows directed to winning managers. Chart B shows that the differences in cumulative style-adjusted returns between winners and finalists prior to the announcement of the FMOY award are minimal, consistent with the notion that both the award-winning and finalist managers have a good track of historical performance. In closer inspection, such differences increase in the first two months and revert back to zero in around the sixth month following the announcement of the FMOY award. This suggests that award-winning managers are associated with positive fund performance in the first two months

following the announcement of FMOY award and such outperformance diminishes thereafter. We subject our preliminary findings to more rigorous multivariate tests by controlling for fund and manager characteristics in the following sections.

< Insert Figure 1 here >

3. Methods

3.1. Fund flow measures

To address the issue of how investors react to superstar fund managers, we follow Sirri and Tufano (1998) in calculating mutual fund flows as the percentage net growth in fund assets beyond reinvested dividends. We assume that all distributions made to investors are subsequently reinvested with the fund. This measure of fund flow represents the net demand for a mutual fund, where a positive flow indicates that, on average, investors are entering the fund, while a negative flow indicates that investors are withdrawing funds:

$$Fund\ Flow_{i,t:t+k} = \frac{TNA_{i,t:t+k} - TNA_{i,t}(1+R_{i,t:t+k})}{TNA_{i,t}}. \quad (1)$$

To examine the effect of winning the FMOY award on subsequent fund flows, we estimate the following regression model:

$$\begin{aligned} & Style-Adjusted\ Flow_{i,t:t+k} \\ &= \alpha_{i,t} + \beta_1 Winner_{i,t} + \beta_2 \log(Fund\ Size)_{i,t} + \beta_3 \log(Fund\ Age)_{i,t} \\ &+ \beta_4 \log(Family\ Size)_{i,t} + \beta_5 Expense\ Ratio_{i,t} + \beta_6 Turnover\ Ratio_{i,t} \\ &+ \beta_7 Distribution\ Fee_{i,t} + \beta_8 Volatility_{i,t} + \beta_9 Low_{i,t} + \beta_{10} Mid_{i,t} \\ &+ \beta_{11} High_{i,t} + \beta_{12} Team\ Size_{i,t} + \beta_{13} \log(Manager\ Age)_{i,t} \\ &+ \beta_{14} \log(Manager\ Tenure)_{i,t} + \beta_{15} \log(Manager\ Experience)_{i,t} \\ &+ \beta_{16} \log(Media\ Coverage)_{i,t} + \varepsilon_{i,t}, \end{aligned} \quad (2)$$

where *Style-Adjusted Flow*_{*i,t:t+k*} represents the percentage of the flow of money entering or exiting fund *i* over three-, six-, nine-, and 12-month future horizons adjusted for the average money

flows of all funds pursuing similar investment objectives; *Winner* is a binary indicator equal to one if the manager wins the FMOY award and zero otherwise; $\text{Log}(\text{Fund Size})$ is the natural logarithm of the fund's total net assets in millions of dollars; $\text{Log}(\text{Fund Age})$ is the natural logarithm of the fund's age in years, where age is calculated as the difference between the data date and the date the fund first appeared in the Morningstar Direct database; $\text{Log}(\text{Family Size})$ is the natural logarithm of the combined total net assets of all funds managed by a fund family in millions of dollars; *Expense Ratio* is the percentage of fund assets charged by the fund on an annual basis to compensate for operating costs and includes the management fee and 12b-1 fees; *Turnover Ratio* measures the percentage of fund assets that are renewed and is calculated as the minimum of sales and purchases divided by the average yearly fund size; *Distribution Fee* is the cost paid by the fund for marketing and distribution; and *Volatility* is measured by the standard deviation of a fund's net returns over the past 12 months. Since the flow–performance relation is non-linear for mutual funds, we follow Sirri and Tufano (1998) by introducing fractional performance ranks based on style-adjusted return. The term $\text{Low}_{i,t}$ is defined as $\min(\text{Rank}_t, 0.2)$, $\text{Mid}_{i,t}$ is defined as $\min(\text{Rank}_t - \text{Low}_t, 0.6)$, and $\text{High}_{i,t}$ is defined as $\min(\text{Rank}_t - \text{Mid}_t - \text{Low}_t, 0.2)$; *Team Size* is the number of managers managing the fund; $\text{Log}(\text{Manager Age})$ is the natural logarithm of the average fund manager's age in a fund; $\text{Log}(\text{Manager Tenure})$ is the natural logarithm of the average fund manager's tenure in a fund; $\text{Log}(\text{Manager Experience})$ is the natural logarithm of the average fund manager's experience in the asset management industry; and $\text{Log}(\text{Media Coverage})$ is the natural logarithm of the number of news articles in major U.S. news and business publications.⁸

⁸ One may argue that our findings could be driven by the coverage of award-winning and finalist managers surrounding the announcement of FMOY award. To rule this out, we perform extensive Factiva searches to obtain the number of times an award-winning manager or finalist was mentioned in articles published in major U.S. news and business publications following Reuter and Zitzewitz (2006).

3.2. Performance measures

Next, our methods turn to superstar fund managers' ability to maintain their performance after winning the FMOY award. We construct fund's risk-adjusted return (*Fund Alpha*) using the Carhart's (1997) four-factor regression model as presented in equation (3) below.⁹

$$r_{Fd} - R_f = \alpha + \beta_1(R_m - R_f) + \beta_2SMB + \beta_3HML + \beta_4UMD + \varepsilon_{Fd}, \quad (3)$$

where r_{Fd} is a fund's monthly return; R_f is the risk-free return rate; R_m is the return of the S&P 500 market; *SMB* is "Small Minus Big", which accounts for the spread in returns between small and large-sized funds based on total net assets under management; *HML* is "High Minus Low", which accounts for the spread in returns between value and growth funds; and *UMD* represents the momentum factor loadings.

To examine the effect of winning the FMOY award on a fund's subsequent performance, we run the following regression model:

$$\begin{aligned} Fund\ Alpha_{i,t:t+k} &= \alpha_{i,t} + \beta_1 Winner_{i,t} + \beta_2 Log(Fund\ Size)_{i,t} + \beta_3 Log(Fund\ Age)_{i,t} \\ &+ \beta_4 Log(Family\ Size)_{i,t} + \beta_5 Expense\ Ratio_{i,t} + \beta_6 Turnover\ Ratio_{i,t} \\ &+ \beta_7 Volatility_{i,t} + \beta_8 Style-Adjusted\ Flow_{i,t} + \beta_9 Fund\ Alpha_{i,t} \\ &+ \beta_{10} Team\ Size_{i,t} + \beta_{11} Log(Manager\ Age)_{i,t} \\ &+ \beta_{12} Log(Manager\ Tenure)_{i,t} + \beta_{13} Log(Manager\ Experience)_{i,t} \\ &+ \beta_{14} Log(Media\ Coverage)_{i,t} + \varepsilon_{i,t}, \end{aligned} \quad (4)$$

where *Fund Alpha* is the compounded monthly fund's alpha calculated based on Carhart's four-factor regression model. All other explanatory variables are as explained above.

⁹The results are qualitatively similar when using the fund's net returns, style-adjusted returns, and risk-adjusted returns computed using one-factor and three-factor regression models. For brevity, we only tabulate the regression results using Carhart's (1997) four-factor regression model throughout our paper.

3.3. Compensation measures

Do superstar fund managers extract more rents (i.e. compensation) following receiving the FMOY award? To examine such research question, we examine the relation between winning the FMOY award and the level of fund managers' compensation following the announcement of the award, as presented in equation (5) below.

$$\begin{aligned} \text{Log(Compensation)}_{i,t:t+k} &= \alpha_{i,t} + \beta_1 \text{Winner}_{i,t} + \beta_2 \text{Log(Fund Size)}_{i,t} + \beta_3 \text{Log(Fund Age)}_{i,t} \\ &+ \beta_4 \text{Log(Family Size)}_{i,t} + \beta_5 \text{Expense Ratio}_{i,t} + \beta_6 \text{Turnover Ratio}_{i,t} \\ &+ \beta_7 \text{Volatility}_{i,t} + \beta_8 \text{Style- Adjusted Flow}_{i,t} + \beta_9 \text{Fund Alpha}_{i,t} \\ &+ \beta_{10} \text{Team Size}_{i,t} + \beta_{11} \text{Log(Manager Age)}_{i,t} \\ &+ \beta_{12} \text{Log(Manager Tenure)}_{i,t} + \beta_{13} \text{Log(Manager Experience)}_{i,t} \\ &+ \beta_{14} \text{Log(Media Coverage)}_{i,t} + \varepsilon_{i,t}, \end{aligned} \tag{5}$$

where $\text{Compensation}_{i,t}$ is calculated by multiplying the total assets under management and expense ratio in the subsequent three-, six-, nine, and 12-month period following the announcement of the FMOY award. Following prior literature, we argue that fund managers generally receive a fixed percentage of assets under management as compensation as we do not directly observe the internal contract between mutual fund families and fund manager (Chevalier and Ellisaon, 1997; Kempf, Ruenzi, and Thiele, 2009; Kacperczyk and Schnabl, 2013). All other explanatory variables are as explained above.

3.4. Risk-taking measures

Do superstar fund managers undertake more or fewer risk-taking activities? To examine such research question, we follow the technique of Bar, Kempf and Ruenzi (2011) to create a total risk variable, which is measured as the standard deviation of a fund's return in the 12 months following the announcement of the FMOY award as a proxy for managerial risk-taking behaviors.

We then decompose total risk into systematic and unsystematic risk. Following Chevalier and Ellison (1999), we measure systematic risk as a fund's beta ($\beta_{i,M,t}$) from the market model. The unsystematic risk is measured as the standard deviation of fund residuals from the market model.¹⁰ We calculate these risk proxies by regressing the fund's excess return on the market excess return, using the previous 36-month estimation window:

$$r_{Fd} - R_f = \alpha + \beta_1(R_m - R_f) + \varepsilon_{Fd}, \quad (6)$$

We also consider portfolio turnover ratio, which measures the percentage of fund assets that are renewed as another proxy for risk-taking activities following Puetz and Ruenzi (2011). This allows us to examine whether winning the award increases (reduces) trading turnover due to overconfidence (managerial slack). We then regress future fund risk proxies on the set of control variables, as follows:

Risk Proxies _{$i,t:t+k$}

$$\begin{aligned} &= \alpha_{i,t} + \beta_1 \text{Winner}_{i,t} + \beta_2 \text{Log}(\text{Fund Size})_{i,t} + \beta_3 \text{Log}(\text{Fund Age})_{i,t} \\ &+ \beta_4 \text{Log}(\text{Family Size})_{i,t} + \beta_5 \text{Expense Ratio}_{i,t} + \beta_6 \text{Turnover Ratio}_{i,t} \\ &+ \beta_7 \text{Volatility}_{i,t} + \beta_8 \text{Style- Adjusted Flow}_{i,t} + \beta_9 \text{Fund Alpha}_{i,t} \\ &+ \beta_{10} \text{Team Size}_{i,t} + \beta_{11} \text{Log}(\text{Manager Age})_{i,t} \\ &+ \beta_{12} \text{Log}(\text{Manager Tenure})_{i,t} + \beta_{13} \text{Log}(\text{Manager Experience})_{i,t} \\ &+ \beta_{14} \text{Log}(\text{Media Coverage})_{i,t} + \varepsilon_{i,t}, \end{aligned} \quad (7)$$

where *Risk Proxies* include total risk, systematic risk, unsystematic risk, and turnover ratio, as described above. All other explanatory variables are as explained above.

¹⁰ The results are qualitatively similar when using three-factor and four-factor model instead of one-factor model.

4. Empirical results

4.1. Effect of winning the FMOY award on money flows

In this section, we provide the OLS regression results on the effect of winning the FMOY award on money flows in the subsequent three-, six-, nine-, and 12-month periods. The key explanatory variable is *Winner*, which is a binary indicator equal to one if the manager wins the FMOY award and zero otherwise. In Table 4, we find winning the FMOY award to be associated with positive money flows of 8.6% in the subsequent six-month periods, in comparison to finalist managers. In terms of economic magnitude, if we were to consider the average winner fund, which has \$167 million in AUM at the time of the FMOY award announcement, this effect would correspond to around \$14 million worth of fund inflows in the subsequent six-month periods. The findings are consistent with our conjecture that the publicity superstar fund managers enjoy from receiving the FMOY award helps to lower the search and participation costs of investors (Sirri and Tufano (1998)). The results are robust to controlling for past performance, and marketing and distribution efforts to rule out the alternative explanation that the positive money flow effect observed is due to superior past performance and mutual fund advertisement rather than winning the FMOY award.

The findings of our control variables shown in Table 4 are consistent with those documented in previous studies. First, we find fund flows are positively related to the size of the fund family due to lower search cost (Sirri and Tufano (1998)). Second, consistent with Chevalier and Ellison (1997), we find the level of flows to be lower for older funds. Third, the regression coefficient of *Distribution Fee* is positive and statistically significant at the 5% level, which suggests that investors are responding positively to funds with high marketing and distribution efforts.

< Insert Table 4 here >

4.2. Effect of winning the FMOY award on abnormal flows

As an additional test, we employ an event study methodology to construct our abnormal fund flow measure. The main objective is to remove the influence of all performance and non-performance characteristics from raw fund flow and isolate the incremental flow due to the announcement of the FMOY award (Del Guercio and Tkac (2008)). To compute expected flow, we estimate a time-series benchmark regression for each individual fund i :

$$F_t^i = \gamma^i + \beta_1^i SF_t^i + \beta_2^i RET_{t-1}^i + \beta_3^i \Delta\alpha_{t-1}^i + \beta_4^i (\Delta\alpha_{t-1}^i)^2 + \beta_5^i F_{t-1}^i + \epsilon_t^i, \quad (8)$$

where F_t^i is the net dollar flow to fund i in month t , SF_t^i is the aggregate net flow to all funds in the same style category as fund i in month t , RET_{t-1}^i is fund i 's monthly return at $t-1$, $\Delta\alpha_{t-1}^i$ is the change in fund i 's Carhart four-factor alpha from month $t-2$ to $t-1$, and F_{t-1}^i is the net flow to fund i in month $t-1$.

The abnormal flow to fund i at time t equals the actual flow at time t minus the expected flow due to its aggregate style flow, lagged return, lagged change in alpha, the square of the lagged change in alpha, and lagged flow, minus the average abnormal flow to fund ($\hat{\gamma}^i$) as shown in equation (9) below.

$$AF_t^i = F_t^i - \hat{\gamma}^i - \hat{\beta}_1^i SF_t^i - \hat{\beta}_2^i RET_{t-1}^i - \hat{\beta}_3^i \Delta\alpha_{t-1}^i - \hat{\beta}_4^i (\Delta\alpha_{t-1}^i)^2 - \hat{\beta}_5^i F_{t-1}^i - \epsilon_t^i. \quad (9)$$

Next, we calculate the standardized abnormal flow (SAF) by dividing abnormal flow (AF) by the estimated forecast variance (RMSE) of the abnormal flow to weigh more heavily on funds with more precisely measured abnormal flows (or funds with lower forecast variance). Consistent with our main results, in Table 5, we find award-winning managers to be associated with a cumulative standardized abnormal flow (CUM_SAF) of 2.98% in the 12 months following the announcement of the FMOY award, at the 1% level of statistical significance. As for finalist managers, we do only observe positive CUM_SAF of 0.41% in the announcement month.

< Insert Table 5 here >

4.3. Effect of winning the FMOY award on fund performance

We now consider the effect of winning the FMOY award on future fund performance. In Table 6, we report the OLS regression results on the effect of our key explanatory variable, *Winner*, on future fund alpha across three-, six-, nine-, and 12-month periods following the announcement of the FMOY award, controlling for fund and manager characteristics. Across our regression models (1) to (4), we do not find award-winning managers to generate positive risk-adjusted return in the subsequent three-, six-, nine-, and 12-month periods, in comparison with finalist managers. These findings are consistent with the rational expectations equilibrium framework (see Berk and Green, 2004; Berk and van Binsbergen, 2015, 2017) whereby investors are competing with one another for attractive investment opportunities (in our context, superstar fund managers). As the size of the fund increases and because the manager's investment ideas are finite, the new money flows are not able to be put to productive use which subsequently leads to zero net alpha in equilibrium. This finding is also consistent with Pollet and Wilson (2008) who find mutual funds to respond to new money by increasing ownership shares rather than number of investments in their portfolio. This provides support to our findings that fund managers have no ability to generate additional investment ideas when existing opportunities are fully exploited.

The findings on the control variables are summarized as follows. First, we find $\text{Log}(\text{Fund Age})$ to be positive and statistically significant at the 1% level across the regression models. This suggests that older funds perform better than younger funds with findings being consistent with those reported by Fang, Kempf, and Trapp (2014). Second, consistent with Chevalier and Ellison (1999), we find the turnover ratio to be significant and positively related to funds' risk-adjusted returns. Third, we find money inflows to be detrimental to future fund performance.

< Insert Table 6 here >

Thus far, we have documented that award-winning managers are able to attract positive money flows but they are not able to generate positive risk-adjusted returns following the announcement of FMOY award. Berk and van Binsbergen (2015) argue that utilizing either gross

or net alpha do not accurately measure managerial skills. As further test, we construct value added measure (i.e. the product of assets under management and gross alpha) as proposed by Berk and van Binsbergen (2015) to examine whether award-winning managers are more skillful when compared to finalist managers.

In Figure 2, we plot the cumulative value added for both winners and finalists twelve months before and after the announcement of FMOY award. We find that the differences in cumulative value added for both winners and finalists are minimal prior to the announcement of FMOY award. This is consistent with the notion that both winning and finalist managers have a good track of past performance. Following the announcement of FMOY award, we find finalist manager to be generating higher cumulative value added than winning manager. However, such differences are not statistically significant when we carry out a difference-in-means test. We also re-run Table 6 using value added measure as dependent variable and find similar results. Overall, our findings suggest that the managerial skills between winners and finalists are indistinguishable from one another.

< Insert Figure 2 here >

4.4. Effect of winning the FMOY award on managerial compensation

So far, we have concentrated on the effect of winning the FMOY award on subsequent money flows and fund performance. Next, we examine whether award-winning managers extract more compensation following the announcement of the FMOY award, either to signal managerial ability or to simply extract rents from investors. As we do not directly observe the internal contract between mutual fund families and fund manager (i.e. fund managers' compensation data), we relied on the fund size and fund fees to determine the compensation of fund managers following prior

literature.¹¹ We argue that the compensation of fund managers is positively correlated with the total assets under management and the fund fees charged on investors.

In Panel A of Table 7, we find award-winning managers to be associated with higher compensation in the subsequent three-, six-, and 12-month periods following receiving the FMOY award with results being statistically significant. Interestingly, the magnitude of the regression coefficient for *Winner* variable is positive and increase monotonically over the time horizons. Given the concurrent increase in compensation and limited evidence on the improvement in fund performance as shown in previous sections, our findings suggest that award-winning managers are able to use their increased power to extract more rents from mutual fund families through increased compensation.

One may argue that our empirical results are driven by money inflows directed to award-winning managers. To eliminate such concern, we take a further step by examining the determinants of fund fees for award-winning managers relative to finalist managers. In Panel B of Table 7, in model (1), we do not find any evidence of award-winning managers charging higher expense ratios relative to finalist managers. Next, following Barber, Odean, and Zheng (2005), we disaggregated expense ratios into: (1) marketing and distribution efforts (i.e. 12b-1 fee) and (2) operating/management efforts (i.e. non-12b-1 fee).¹² In models (2) and (3), we find award-winning managers to be associated with higher non-12b-1 fee in the subsequent year following the announcement of FMOY award. This suggests that award-winning managers are able to extract higher compensation following receiving the FMOY award which is in line with the findings of Malmendier and Tate (2009) in the corporate finance literature.

< Insert Table 7 here >

¹¹ See Chevalier and Ellison (1997), Kempf, Ruenzi, and Thiele (2009), Kacperczyk and Schnabl, 2013), among others. In this study, following prior literature, we argue that fund managers receive a fixed percentage of assets under management as compensation.

¹² Non-12b-1 fee is calculated by subtracting the 12b-1 fee from the expense ratio.

4.5. Effect of winning the FMOY award on risk-taking activities

Next, we examine whether award-winning managers increase or decrease risk-taking activities following receiving the FMOY award. As we have hypothesized, award-winning managers will have tendency to increase their managerial risk-taking activities due to overconfidence relative to their non-winner counterparts in line with Puetz and Ruenzi (2011). In the counterfactual, if the FMOY award signals skill, then there should not be any increase in risk taking among winners. To model the risk-taking behaviors of award-winning managers, we create a total risk variable, which is defined as the standard deviation of a fund's returns in the 12 months following the announcement of the FMOY award. We also include systematic and unsystematic risk variables (i.e. constructed using the market model), and turnover ratio as the dependent variable in our regression models.

In models (1) to (4) of Table 8, we find no evidence that award-winning managers engage in higher risk-taking activities (as proxied by total risk, systematic risk, unsystematic risk, and turnover ratio) in the subsequent 12 months. This is in contrast to our conjecture that award-winning managers are more likely to take on more risks due to overconfidence following receipt of the FMOY award. Our findings provide some suggestive evidence that fund managers exert less effort after winning the FMOY award. The overall results are robust to controlling for fund and manager characteristics, with standard errors being two-way clustered by fund and time level, and the inclusion of style, time, and fund fixed effects in our regression models.

< Insert Table 8 here >

5. Further tests

In the following sections, we carry out further robustness tests on award-winning managers to examine: 1) whether there is any spillover effect from winning to non-winning funds in the same family; 2) whether our findings are being driven by the fund management structure (i.e. sole-

versus team-managed funds); and 3) whether our findings are robust to alternative empirical specifications.

5.1. Spillover effect to non-winning funds in the family

Are there any spillover effects of the FMOY award to non-winning funds in the same family? Nanda, Wang, and Zheng (2004) document that a star performer results in greater cash flow to the fund and to other funds in the same family. Therefore, in the spirit of these authors, we conjecture that award-winning managers result in a positive spillover of money flows to other funds in the same family. We include all domestic equity funds (inclusive of winners and finalists) in our sample. We then rerun Table 4 by incorporating a new variable, *Winner Family*, which is a binary indicator that equals one if the fund belongs to the family hosting the winning fund at time t and zero otherwise.

In Table 9, consistent with our earlier findings in Table IV, we find that award winners are associated with positive money flows up to three-month periods, in comparison to finalists. Interestingly, we do not find any evidence of positive spillovers of money flows from the winning funds to other funds in the same family. This suggests that money flows are directed to winning funds due to lower search cost associated with FMOY award and such effect is not observable to non-winning funds within the same fund family.

< Insert Table 9 here >

5.2. Sole versus team managed funds

Do our findings differ when focusing on sole- versus team-managed funds? This is an interesting research question on itself given that the FMOY award is conferred on individuals and yet there is a growing prevalence of team-managed funds (Patel and Sarkissian, 2017). We conjecture that the FMOY award effect is stronger for sole-managed funds since superstar stories are easier to tell for individuals. Moreover, it is reasonable to expect the media to have preference

to cover personalized stories (i.e. on individual fund managers) more than accounts of teams of fund managers. We partition our sample into individually managed versus team-managed funds and re-run our main empirical analysis (i.e., Tables 4, 6, 7, and 8). Consistent with our conjecture, we find that our money flows and performance results are largely driven by sole-managed funds, which suggests the FMOY award effect is more salient for individual superstar. We also find our result on the extraction of higher compensation by award-winning managers is driven by sole-managed funds. Finally, we find some support for the overconfidence hypothesis on the sole-managed fund subsample whereby individual superstar is associated with higher risk-taking activities (i.e. systematic, unsystematic, and turnover ratios).¹³

5.3. Alternative empirical design

As a robustness test, we carry out difference-in-difference (DID) regressions by comparing the winners and finalists before and after the announcement of FMOY award. The intuition is that both winners and finalists are comparable prior to the announcement of FMOY award as they were both nominated by Morningstar based on performance and non-performance metrics as described in section 2.1. The objective of the DID regression analysis is to examine how shocks in the status of fund managers when winning the FMOY awards (treatment funds) affect the fund outcomes relative to finalists who did not win the award (control funds). We re-run our empirical analysis by focusing on our main variable of interest, which is the interaction term between *Winner* and *Post*.¹⁴ Our DID regression results are largely consistent with the main results reported in this paper.

In addition, we also perform OLS regression analysis on the full sample of U.S. domestic equity funds by including dummy variables for winners and finalists with the other funds serving

¹³ The results are unreported for the sake of brevity but are available upon request.

¹⁴ *Winner* is a binary indicator equals to one if the manager wins the FMOY award and *Post* is a binary indicator equals to one for time period following the announcement of FMOY award.

as an omitted category.¹⁵ We include interacted fixed effects between investment style and time period in addition to fund fixed effects to allow meaningful comparison between funds during our sample period. Using such empirical strategy, we find the main results reported in this paper to be largely driven by the *Winner* as opposed to *Finalist* variable. The overall results are not tabulated here for the sake of brevity but are available from the authors upon request.

6. Conclusion

This paper examines the effect of a shock on fund manager status due to conferring of the FMOY award and its subsequent effect on a fund's money flows, performance, compensation, and risk-taking activities. We identify a sample of fund managers who won the Morningstar FMOY award in the domestic stock category and the accompanying fund managers who were nominated as finalists from 2001 to 2012. Through the lens of Berk and van Binsbergen (2015 and 2017), we test whether the award identifies superior performers or represents mere glamor synonymous to the previously published media publicity effect.

We find award-winning managers to be associated with positive money flows up to six months following receipt of the FMOY award. We however do not find any evidence that award-winning managers are able to generate positive performance (using various performance metrics) following the announcement of the FMOY award when compared with finalist managers. We find some evidence that award-winning managers are able to use their increased power to extract higher compensation. Finally, we do not find any evidence that award-winning managers are taking on more risk and increase trading turnover due to overconfidence following receipt of the FMOY award. Our overall findings are consistent with the rational expectations equilibrium framework of Berk and Green (2004), and Berk and van Binsbergen (2015 and 2017) that managerial skill exists and investors recognize this by investing their capital with award winners. In equilibrium,

¹⁵ *Finalist* is a binary indicator equals to one if the manager is nominated but did not win the FMOY award.

given investment ideas are limited, the additional money flows are not placed to productive use which subsequently diminishes the outperformance of superstar fund managers.

In conclusion, we identify questions to be explored in future as the sample of award winners and finalists grows over time. The questions concern the persistence of the performance of managers successfully identified as being skilled via the award. 1) What is the effect of the FMOY award for first-time winners versus repeat winners? 2) Does winning the FMOY award result in promotion to larger funds? 3) Do we find similar effects for other fund types such as fixed income and international funds? 4) Do fund families allocate more underpriced initial public offering deals to award winning managers (Gaspar, Massa, and Matos, 2006). (6) Do fund families allocate award-winning managers to manage less-efficient high yield funds so that fund managers can exploit inefficiencies and generate higher performance (Fang, Kempf, and Trapp, 2014).

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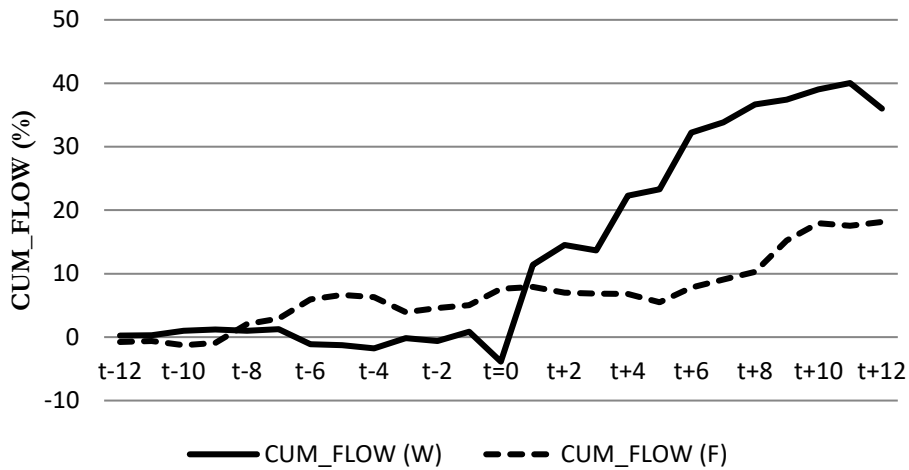
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Figure 1

Money flows and fund performance for winners versus finalists.

This figure shows the trend of cumulative money flows (CUM_FLOW)(Chart A) and cumulative fund return (CUM_RET)(Chart B) for award-winning managers versus finalist managers in our sample during the 12 months before and after the announcement of the FMOY award. The variable *Style-Adjusted Flow* is the measure of asset inflow and outflow adjusted for the average money flows for all funds pursuing similar investment objectives, and *Style-Adjusted Return* is the fund's monthly return net of operating expenses adjusted for the average monthly net return for all funds pursuing similar investment objectives. The abbreviations *W* and *F* represent winners and finalists, respectively.

A. Style-Adjusted Flow



C. Style-Adjusted Return

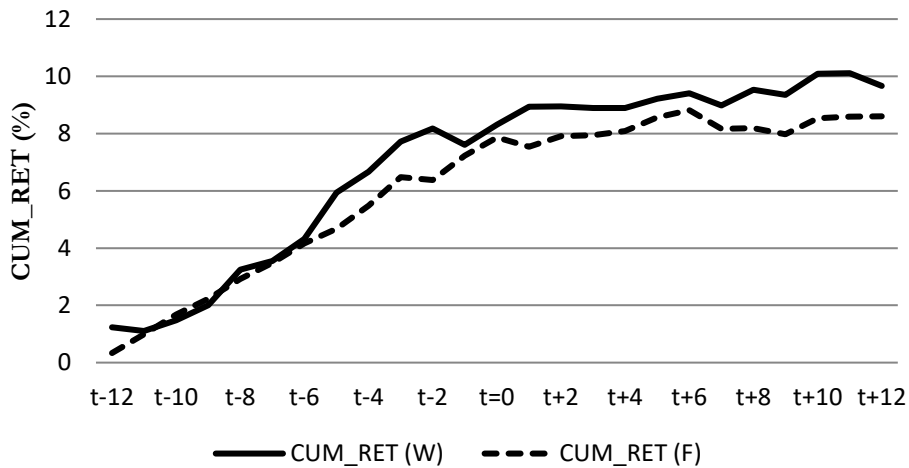


Figure 2

Value added measure for winners versus finalists.

This figure shows the trend of cumulative value added constructed following Berk and van Binsbergen (2015) for award-winning managers versus finalist managers in our sample during the 12 months before and after the announcement of the FMOY award. The abbreviations *W* and *F* represent winners and finalists, respectively.

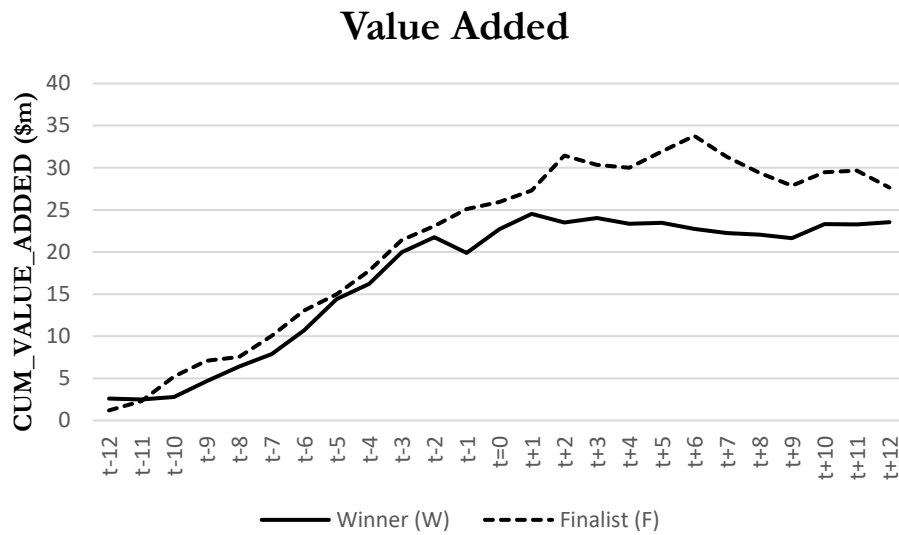


Table 1

FMOY award winners and finalists.

Panel A provides information on the award-winning managers in the domestic stock category and the associated funds they worked for every year from 2001 to 2012. The announcement of the FMOY award is made in January every year. Panel B provides information on the fund managers who were nominated as finalists but did not win an award in the domestic stock category from 2001 to 2012.

Panel A: Winner of Domestic Stock Award		
<u>Year</u>	<u>Manager Name</u>	<u>Fund Name</u>
2001	Bill Nygren	Oakmark Select I
2002	Joel Tillinghast	Fidelity Low Priced Stock
2003	Howard Schow, Joel Fried, Theo Kolokotronis	Vanguard Primecap, Vanguard Capital Opportunity
2004	Brian Berghuis	T. Rowe Price Mid-Cap Growth
2005	Christopher Davis, Ken Charles Feinberg	Selected American Shares
2006	Mason Hawkins, Staley Cates	Longleaf Partners Fund, Longleaf Partners Small Cap
2007	Will Danoff	Fidelity Contrafund, Fidelity Advisor New Insights
2008	Charlie Dreifus	Royce Special Equity
2009	Bruce Berkowitz	Fairholme Fund
2010	Bob Goldfarb, David Poppe	Sequoia Fund
2011	George Sertl, James Kieffer, Scott Satterwhite	Artisan Mid Cap Value, Artisan Small Cap Value, Artisan Value
2012	Bill Frels, Mark Henneman	Mairs & Power Growth Inv

Panel B: Finalists of the Domestic Stock Award		
<u>Year</u>	<u>Manager Name</u>	<u>Fund Name</u>
2001	Bob Rodriguez	FPA Capital
2001	Joel Tillinghast	Fidelity Low Priced Stock
2001	Richard Freeman	Smith Barney Aggressive Growth
2001	Sam Stewart, Jr.	Wasatch Core Growth
2002	Mason Hawkins, Staley Cates	Longleaf Partners Small Cap
2003	John Montgomery	Bridgeway Funds
2004	A. Horton Shapiro, Bryan C. Cameron, Charles Pohl, David Hoeft, Gregory R. Serrurier, Harry Hagey, John Gunn, Katherine Drake, Kenneth Olivier, Wendell Birkhofer	Dodge and Cox Stock
2004	Christopher Davis, Ken Charles Feinberg	Selected American Shares
2004	Marty Whitman	Third Avenue Value
2004	Will Danoff	Fidelity Contrafund
2005	Bruce Berkowitz	Fairholme Fund
2005	Rob Lyon	ICAP Select Equity
2005	Sig Segalas	Harbor Capital Appreciation
2005	A. Horton Shapiro, Bryan C. Cameron, Charles Pohl, David Hoeft, Diana S. Strandberg, Gregory R. Serrurier, Harry Hagey, John Gunn, Kenneth Olivier, Wendell Birkhofer	Dodge and Cox Stock
2006	Bruce Berkowitz, Larry Pitkowsky	Fairholme Fund
2006	Will Danoff	Fidelity Contrafund

2006	Arup Datta	N/I Numeric Investors Small Cap Value
2006	David Lee	T. Rowe Price Real Estate
2006	Ed Owens	Vanguard Health Care
2007	Brady L. Enright, Dina N. Perry, James E. Drasdo, Martin Romo, Michael T. Kerr, Ronald B. Morrow	American Funds Fundamental Investors
2007	Bill D'Alonzo	Brandywine
2007	David Williams	Excelsior Value & Restructuring
2007	Steve Wymer	Fidelity Growth Company
2007	Scott Schoelzel	Janus Twenty
2007	Robert Hagstrom	Legg Mason Growth
2008	Nicholas Kaiser	Amana Trust Growth, Amana Trust Income
2008	Scott Brayman	Champlain Small Company
2008	Bruce Berkowitz	Fairholme Fund
2008	Bob Perkins, Tom Perkins	Janus Mid Cap Value, Janus Small Cap Value
2008	Robert F. Zagunis, Robert Millen	Jensen Fund
2008	Harry Cohen, Scott Glasser	Legg Mason Partners Appreciation
2008	Clyde MacGregor, Ed Studzinski	Oakmark Equity & Income
2008	John Osterweis	Osterweis Fund
2008	Robert Goldfarb, David Poppe	Sequoia Fund
2008	Nicholas Kaiser	Sextant Growth
2008	Christopher Browne, John Spears, William Browne	Tweedy Browne Value
2009	Bill Nygren	Oakmark Select I, Oakmark I
2009	Dennis Delafield, Vincent Sellicchia	Delafield Fund
2009	Mason Hawkins, Staley Cates	Longleaf Partners Fund
2009	Jeff Cardon	Wasatch Small Cap Growth
2010	Ben Fischer, Paul Magnuson	Allianz NFJ Small Cap Value
2010	Andy Stephens, James Hamel	Artisan Mid Cap
2010	Bruce Berkowitz, Charles Fernandez	Fairholme Fund
2010	Richard Aster, Jr., William Tao	Meridian Growth
2011	Andy Ramer, Pat English	FMI Common Stock, FMI Large Cap
2011	Bill Nygren	Oakmark Select I, Oakmark I
2011	Bob Goldfarb, David Poppe	Sequoia Fund
2011	Don Yacktman, Stephen Yacktman	Yacktman, Yacktman Focused
2012	Claudia P. Huntington, Gordon Crawford, Harold H. La, Mark E. Denning, Timothy D. Armour	American Funds New Economy A
2012	Michael Keller, Timothy Hartch	BBH Core Select N
2012	Steve Wymer	Fidelity Growth Company
2012	Bill Nygren	Oakmark Select I, Oakmark I

Table 2

Characteristics of winner and finalist funds.

This table displays summary statistics for manager–fund–month observations of U.S. domestic equity mutual funds. This table reports the average fund and manager characteristics for award-winning managers relative to finalist managers. The variable *Fund Size* is the AUM of the fund in millions of dollars; *Fund Age* is the age of the fund in years, calculated as the difference between the data date and the date the fund first appeared in the Morningstar Direct database; *Family Size* is the combined AUM of all funds within a particular mutual fund family in millions of dollars; *Expense Ratio* is the percentage of fund assets charged by the fund on an annual basis to compensate for operating costs and includes management and 12b-1 fees; *Distribution Fee* is the cost paid by the fund for marketing and distribution and is presented as a percentage of fund assets; *Turnover Ratio* measures the percentage of fund assets that are renewed and is calculated as the minimum of sales and purchases divided by the average yearly fund size; *Volatility* is measured by the standard deviation of a fund's net returns over the past 12 months; *Style-Adjusted Flow* is the measure of fund's money flows minus the average money flows of all funds pursuing similar investment objectives; *Style-Adjusted Return* is a fund's monthly return minus average returns of all funds pursuing similar investment objectives; *Fund Alpha* is the conditional fund alpha using the Carhart four-factor model; *Team Size* is the number of managers managing a fund; *Manager Age* is the average fund manager's age in a fund; *Manager Tenure* is the average fund manager's tenure in a fund; *Manager Experience* is the average fund manager's experience in the asset management industry; and *Media Coverage* is the number of news articles in major U.S. news and business publications. The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Winner versus Finalist				
<u>Variables</u>	<u>Winner</u>	<u>Finalist</u>	<u>Difference</u>	
Fund Size (\$million)	167.300	407.666	-240.365	**
Fund Age (years)	14.488	19.691	-5.203	***
Family Size (\$million)	16,497.93	12,725.29	3,772.640	
Expense Ratio (%)	0.923	0.989	-0.066	
Distribution Fee (%)	0.131	0.159	-0.028	
Turnover Ratio (%)	30.775	41.995	-11.220	
Volatility (%)	0.040	0.040	0.000	
Style-Adjusted Flow (%)	-0.030	0.026	-0.056	**
Style-Adjusted Return (%)	0.671	0.641	0.030	
Fund Alpha (%)	0.002	-0.003	0.005	
Team Size	2.929	3.933	-1.005	*
Manager Age	48.583	48.943	-0.360	
Manager Tenure	10.039	11.344	-1.305	
Manager Experience	14.682	13.656	1.026	
Media Coverage	0.607	0.378	0.229	

Table 3

Correlation matrix.

This table displays the correlation between continuous independent variables: $\text{Log}(\text{Fund Size})$ is the natural logarithm of the fund's AUM in millions of dollars; $\text{Log}(\text{Fund Age})$ is the natural logarithm of the fund's age in years, where age is calculated as the difference between the data date and the date that the fund first appeared in the Morningstar Direct database; $\text{Log}(\text{Family Size})$ is the natural logarithm of the combined AUM of all funds managed by a fund family in millions of dollars; Expense Ratio is the percentage of fund assets charged by the fund on an annual basis to compensate for operating costs and includes management and 12b-1 fees; Turnover Ratio measures the percentage of fund assets that are renewed and is calculated as the minimum of sales and purchases divided by the average yearly fund size; Volatility is measured by the standard deviation of a fund's net returns over the past 12 months; $\text{Style-Adjusted Flow}$ is the measure of fund's money flows minus the average money flows of all funds pursuing similar investment objectives; $\text{Style-Adjusted Return}$ is a fund's monthly return minus average returns of all funds pursuing similar investment objectives; Team Size is the number of managers managing a fund; $\text{Log}(\text{Manager Age})$ is the natural logarithm of the average fund manager's age in a fund; $\text{Log}(\text{Manager Tenure})$ is the natural logarithm of the average fund manager's tenure in a fund; $\text{Log}(\text{Manager Experience})$ is the natural logarithm of the average fund manager's experience in the asset management industry; and $\text{Log}(\text{Media Coverage})$ is the natural logarithm of the number of news articles in major U.S. news and business publications.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(1) Log(Fund Size)	1.000												
(2) Log(Fund Age)	-0.003	1.000											
(3) Log(Family Size)	0.519	0.027	1.000										
(4) Expense Ratio	0.265	-0.343	0.055	1.000									
(5) Turnover Ratio	0.063	-0.235	0.098	0.248	1.000								
(6) Volatility	-0.018	-0.148	0.134	0.192	0.148	1.000							
(7) Style-Adjusted Flow	0.081	-0.066	0.007	-0.017	-0.050	0.070	1.000						
(8) Style-Adjusted Return	0.008	-0.019	0.008	-0.040	-0.013	-0.009	-0.003	1.000					
(9) Team Size	-0.029	0.324	-0.106	-0.533	-0.211	-0.138	-0.034	0.006	1.000				
(10) Log(Manager Age)	0.011	0.026	-0.145	0.161	-0.017	-0.075	-0.005	-0.011	-0.198	1.000			
(11) Log(Manager Tenure)	-0.060	0.429	0.006	-0.060	-0.062	-0.051	-0.021	-0.004	-0.077	0.468	1.000		
(12) Log(Manager Experience)	-0.005	0.134	0.147	-0.064	-0.030	-0.020	-0.009	0.008	-0.082	0.525	0.808	1.000	
(13) Log(Media Coverage)	-0.038	-0.092	-0.085	0.225	0.142	0.098	-0.021	-0.014	-0.247	0.152	0.098	0.057	1.000

Table 4

Effect of fund manager status on fund flows.

This table provides the OLS regression results of the effect of winning the FMOY award on a fund's future money flows. The dependent variable is *Style-Adjusted Flow*, which measures the percentage growth of a fund that is due to new investments (adjusted for the average flows of all funds pursuing similar investment objectives) over the $t + k1$ to $t + k2$ period. The independent variables include the following: *Winner* is a binary indicator equal to one if the manager wins the FMOY award; $\text{Log}(\text{Fund Size})$ is the natural logarithm of the fund's AUM in millions of dollars; $\text{Log}(\text{Fund Age})$ is the natural logarithm of the fund's age in years; $\text{Log}(\text{Family Size})$ is the natural logarithm of the combined AUM of all funds managed by a fund family in millions of dollars; *Expense Ratio* is the percentage of fund assets charged by the fund on an annual basis to compensate for operating costs and includes management and 12b-1 fees; *Turnover Ratio* measures the percentage of fund assets that are renewed and is calculated as the minimum of sales and purchases divided by the average yearly fund size; *Distribution Fee* is the cost paid by the fund for marketing and distribution and is presented as a percentage of fund assets; *Volatility* is measured by the standard deviation of a fund's net returns over the past 12 months; $\text{Low}_{i,t}$ represents the performance rank in the lowest quintile and is measured as $\min(\text{Rank}_t, 0.2)$; $\text{Mid}_{i,t}$ represents the performance rank in quintiles 2 to 4 and is measured as $\min(\text{Rank}_t - \text{Low}_t, 0.6)$; $\text{High}_{i,t}$ represents the performance rank in the highest quintile and is measured as $\min(\text{Rank}_t - \text{Mid}_t - \text{Low}_t, 0.2)$; *Team Size* is the number of managers managing a fund; $\text{Log}(\text{Manager Age})$ is the natural logarithm of the average fund manager's age in a fund; $\text{Log}(\text{Manager Tenure})$ is the natural logarithm of the average fund manager's tenure in a fund; $\text{Log}(\text{Manager Experience})$ is the natural logarithm of the average fund manager's experience in the asset management industry; and $\text{Log}(\text{Media Coverage})$ is the natural logarithm of the number of news articles in major U.S. news and business publications. Style, time, and fund, fixed effects are included in each regression. The standard errors are two-way clustered by fund and time and reported in parentheses. The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Style-Adjusted Flow (t+k1 to t+k2)	3 months	6 months	9 months	12 months
Variables	(1)	(2)	(3)	(4)
Winner	0.062** (0.027)	0.086** (0.042)	-0.015 (0.092)	0.077 (0.054)
Log(Fund Size)	-0.066 (0.041)	-0.062 (0.072)	-0.037 (0.096)	-0.044 (0.099)
Log(Fund Age)	-0.339*** (0.108)	-0.450** (0.210)	-0.391 (0.275)	-0.540* (0.303)
Log(Family Size)	0.144*** (0.048)	0.186** (0.082)	0.161 (0.108)	0.163 (0.113)
Expense Ratio	-0.279 (0.211)	-0.018 (0.319)	0.220 (0.400)	0.920* (0.456)
Turnover Ratio	0.066 (0.079)	0.104 (0.130)	0.123 (0.198)	0.140 (0.258)
Distribution Fee	0.608** (0.240)	0.563 (0.340)	0.330 (0.428)	-0.475 (0.508)
Volatility	0.766 (1.227)	-0.593 (2.149)	2.584 (3.400)	6.881 (4.659)
Low	0.090 (0.110)	0.055 (0.194)	0.201 (0.183)	0.258 (0.212)
Mid	-0.005 (0.027)	0.054 (0.047)	0.031 (0.063)	0.005 (0.070)
High	0.155 (0.116)	-0.107 (0.146)	-0.037 (0.187)	0.199 (0.194)

Team Size	-0.027 (0.030)	-0.031 (0.049)	0.045 (0.061)	0.099 (0.078)
Log(Manager Age)	0.005 (0.004)	0.007 (0.007)	0.013 (0.009)	0.015 (0.010)
Log(Manager Tenure)	0.002 (0.008)	0.000 (0.013)	-0.005 (0.016)	-0.005 (0.020)
Log(Manager Experience)	-0.000 (0.009)	0.005 (0.015)	0.002 (0.021)	0.009 (0.024)
Log(Media Coverage)	-0.003* (0.002)	-0.003 (0.003)	-0.003 (0.003)	-0.004 (0.005)
Intercept	-0.765* (0.449)	-1.674** (0.694)	-2.428*** (0.848)	-2.916*** (1.064)
Observations	2,404	2,339	2,273	2,207
Adjusted R ²	0.670	0.723	0.747	0.743
Style*Time Fixed Effects	Yes	Yes	Yes	Yes
Fund Fixed Effects	Yes	Yes	Yes	Yes

Table 5

Abnormal fund flows

This table reports our abnormal flows measure following the methodology of Del Guercio and Tkac (2008). To develop a model of expected flow, we include the aggregate net flow to all funds in the same investment category, fund monthly returns, changes in a fund's Carhart four-factor alpha, and net dollar flow. The abnormal flow is equal to the actual flow minus the expected flow derived from the above-mentioned model. We focus on the standardized abnormal flow (SAF) measure, which is calculated by dividing abnormal flow by the estimated forecast variance of the abnormal flow. Here, CUM_SAF is the cumulative SAF from event time 0 to time t . The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	Winner			Finalist		
	CUM_SAF	T-Stat		CUM_SAF	T-Stat	
t=0	0.642	1.707	*	0.414	2.726	***
t+1	2.258	3.984	***	0.102	0.543	
t+2	2.183	3.451	***	-0.095	-0.436	
t+3	2.105	3.319	***	0.011	0.056	
t+4	2.500	3.868	***	-0.089	-0.456	
t+5	2.490	3.798	***	-0.207	-0.987	
t+6	2.823	3.744	***	-0.121	-0.505	
t+7	2.961	4.023	***	-0.074	-0.277	
t+8	3.092	4.194	***	-0.047	-0.169	
t+9	3.173	4.287	***	0.136	0.425	
t+10	3.211	4.266	***	0.156	0.426	
t+11	3.299	4.314	***	0.118	0.315	
t+12	2.978	3.944	***	0.096	0.261	

Table 6

Effect of fund manager status on fund performance.

This table provides the OLS regression results of the effect of winning the FMOY award on a fund's future risk-adjusted performance. The dependent variable is *Fund Alpha*, which is the Carhart's four-factor alpha compounded monthly over the $t + k1$ to $t + k2$ period. The independent variables include the following: *Winner* is a binary indicator equal to one if the manager wins the FMOY award; *Log(Fund Size)* is the natural logarithm of the fund's AUM in millions of dollars; *Log(Fund Age)* is the natural logarithm of the fund's age in years; *Log(Family Size)* is the natural logarithm of the combined AUM of all funds managed by a fund family in millions of dollars; *Expense Ratio* is the percentage of fund assets charged by the fund on an annual basis to compensate for operating costs and includes management and 12b-1 fees; *Turnover Ratio* measures the percentage of fund assets that are renewed and is calculated as the minimum of sales and purchases divided by the average yearly fund size; *Volatility* is measured by the standard deviation of a fund's net returns over the past 12 months; *Style-Adjusted Flow* is the measure of fund's money flows minus the average money flows of all funds pursuing similar investment objectives; *Team Size* is the number of managers managing a fund; *Log(Manager Age)* is the natural logarithm of the average fund manager's age in a fund; *Log(Manager Tenure)* is the natural logarithm of the average fund manager's tenure in a fund; *Log(Manager Experience)* is the natural logarithm of the average fund manager's experience in the asset management industry; and *Log(Media Coverage)* is the natural logarithm of the number of news articles in major U.S. news and business publications. Style, time, and fund, fixed effects are included in each regression. The standard errors are two-way clustered by fund and time and reported in parentheses. The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Fund Alpha (t+k1 to t+k2)	3 months	6 months	9 months	12 months
Variables	(1)	(2)	(3)	(4)
Winner	-1.044 (1.485)	-2.321 (1.691)	-3.634 (2.297)	-0.451 (2.879)
Log(Fund Size)	0.134 (0.155)	0.317 (0.253)	0.310 (0.347)	0.256 (0.435)
Log(Fund Age)	5.199*** (0.997)	8.931*** (1.875)	11.586*** (2.709)	13.626*** (3.680)
Log(Family Size)	0.073 (0.241)	-0.009 (0.427)	-0.021 (0.531)	-0.107 (0.604)
Expense Ratio	-1.479 (1.037)	-1.791 (1.954)	-2.284 (2.743)	-3.825 (3.416)
Turnover Ratio	2.076* (1.218)	5.481** (2.530)	7.467** (3.560)	8.233* (4.501)
Volatility	-0.104 (0.217)	-0.008 (0.379)	0.211 (0.505)	0.267 (0.599)
Style-Adjusted Flow	-2.257** (1.014)	-2.129* (1.188)	-1.570 (1.516)	-3.599** (1.751)
Fund Alpha	-0.049 (0.067)	-0.139 (0.089)	-0.055 (0.075)	-0.159 (0.106)
Team Size	-0.233 (0.235)	-0.238 (0.435)	-0.160 (0.561)	0.070 (0.652)
Log(Manager Age)	-0.062 (0.104)	-0.135 (0.220)	-0.320 (0.333)	-0.571 (0.441)
Log(Manager Tenure)	-0.118 (0.101)	-0.214 (0.183)	-0.210 (0.249)	-0.178 (0.314)

Log(Manager Experience)	0.096 (0.092)	0.130 (0.185)	0.125 (0.268)	0.152 (0.348)
Log(Media Coverage)	0.025* (0.014)	0.073** (0.029)	0.125*** (0.039)	0.181*** (0.045)
Intercept	-16.603** (6.455)	-30.006*** (11.075)	-38.228** (14.312)	-40.478** (18.160)
Observations	4,779	4,661	4,547	4,420
Adjusted R ²	0.441	0.515	0.571	0.611
Style*Time Fixed Effects	Yes	Yes	Yes	Yes
Fund Fixed Effects	Yes	Yes	Yes	Yes

Table 7

Effect of fund managers' status on their own compensation

This table provides the OLS regression results of the effect of winning the FMOY award on the future level of fund managers' compensation (Panel A) and fund fees (Panel B). The dependent variable is $\text{Log}(\text{Compensation})$ which is the natural logarithm of fund managers' compensation calculated based on the multiplicative product of total net assets under management and expense ratios over the $t + k1$ to $t + k2$ period; Expense Ratio is the percentage of fund assets charged by the fund on an annual basis to compensate for operating costs and includes management and 12b-1 fees; $12B-1 \text{ Fee}$ is the cost paid by the fund for marketing and distribution; Non-12B-1 Fee is calculated by subtracting the 12b-1 fee from the expense ratio. The independent variables include the following: Winner is a binary indicator equals to one if the manager wins the FMOY award; $\text{Log}(\text{Fund Size})$ is the natural logarithm of the fund's AUM in millions of dollars; $\text{Log}(\text{Fund Age})$ is the natural logarithm of the fund's age in years; $\text{Log}(\text{Family Size})$ is the natural logarithm of the combined AUM of all funds managed by a fund family in millions of dollars; Turnover Ratio measures the percentage of fund assets that are renewed and is calculated as the minimum of sales and purchases divided by the average yearly fund size; Volatility is measured by the standard deviation of a fund's net returns over the past 12 months; $\text{Style-Adjusted Flow}$ is the measure of fund's money flows minus the average money flows of all funds pursuing similar investment objectives; Fund Alpha is fund's risk adjusted return using the Carhart's four-factor model; Team Size is the number of managers managing the funds; $\text{Log}(\text{Manager Age})$ is the natural logarithm of the average fund manager's age in a fund; $\text{Log}(\text{Manager Tenure})$ is the natural logarithm of the average fund manager's tenure in a fund; $\text{Log}(\text{Manager Experience})$ is the natural logarithm of the average fund manager's experience in the asset management industry; and $\text{Log}(\text{Media Coverage})$ is the natural logarithm of the number of news articles in major U.S. news and business publications. Style, time, and fund, fixed effects are included in each regression. The standard errors are two-way clustered by fund and time and reported in parentheses. The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A: Compensation (t+k1 to t+k2)	3 months	6 months	9 months	12 months
Variables	(1)	(2)	(3)	(4)
Winner	0.265*	0.339*	0.229	0.343**
	(0.146)	(0.183)	(0.273)	(0.152)
Observations	4,773	4,608	4,441	4,269
Adjusted R ²	0.914	0.890	0.872	0.858
Control Variables	Yes	Yes	Yes	Yes
Style*Time Fixed Effects	Yes	Yes	Yes	Yes
Fund Fixed Effects	Yes	Yes	Yes	Yes

Panel B: Fund Fees (t+12)	Expense Ratio	12B-1 Fee	Non-12B-1 Fee
Variables	(1)	(2)	(3)
Winner	-0.016	-0.012	0.037**
	(0.023)	(0.026)	(0.014)
Observations	4,269	2,077	2,077
Adjusted R ²	0.938	0.953	0.964
Control Variables	Yes	Yes	Yes
Style*Time Fixed Effects	Yes	Yes	Yes
Fund Fixed Effects	Yes	Yes	Yes

Table 8

Effect of fund manager status on risk-taking activities.

This table provides the OLS regression results of the effect of winning the FMOY award on a fund's future risk-taking activities. The dependent variables are as follows: *Total Risk* is measured as the standard deviation of fund returns in the 12 months following the announcement of the FMOY award, *Systematic Risk* is defined as the fund's beta ($\beta_{i,M,t}$) from the market model, *Unsystematic Risk* is measured as the standard deviation of fund residuals from the market model, and *Turnover Ratio* is measured as the percentage of fund assets that are renewed (i.e. trading turnover). The independent variables include the following: *Winner* is a binary indicator equal to one if the manager wins the FMOY award; $\text{Log}(\text{Fund Size})$ is the natural logarithm of the fund's AUM in millions of dollars; $\text{Log}(\text{Fund Age})$ is the natural logarithm of the fund's age in years; $\text{Log}(\text{Family Size})$ is the natural logarithm of the combined AUM of all funds managed by a fund family in millions of dollars; *Expense Ratio* is the percentage of fund assets charged by the fund on an annual basis to compensate for operating costs and includes management and 12b-1 fees; *Turnover Ratio* measures the percentage of fund assets that are renewed and is calculated as the minimum of sales and purchases divided by the average yearly fund size; *Volatility* is measured by the standard deviation of a fund's net returns over the past 12 months; *Style-Adjusted Flow* is the measure of fund's money flows minus the average money flows of all funds pursuing similar investment objectives; *Fund Alpha* is fund's risk adjusted return using the Carhart's four-factor model; *Team Size* is the number of managers managing a fund; $\text{Log}(\text{Manager Age})$ is the natural logarithm of the average fund manager's age in a fund; $\text{Log}(\text{Manager Tenure})$ is the natural logarithm of the average fund manager's tenure in a fund; $\text{Log}(\text{Manager Experience})$ is the natural logarithm of the average fund manager's experience in the asset management industry; and $\text{Log}(\text{Media Coverage})$ is the natural logarithm of the number of news articles in major U.S. news and business publications. Style, time, and fund, fixed effects are included in each regression. The standard errors are two-way clustered by fund and time and reported in parentheses. The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Risk Taking (t+k1 to t+k2)	Total Risk	Systematic Risk	Unsystematic Risk	Turnover Ratio
Variables	(1)	(2)	(3)	(4)
Winner	-0.552 (0.377)	-0.028 (0.083)	-0.009 (0.140)	0.014 (0.010)
Log(Fund Size)	-0.046 (0.070)	-0.008 (0.008)	-0.028 (0.026)	0.007 (0.005)
Log(Fund Age)	-0.424 (0.264)	-0.120* (0.065)	-0.482*** (0.159)	0.006 (0.039)
Log(Family Size)	0.092 (0.095)	0.001 (0.012)	-0.078* (0.044)	-0.019** (0.008)
Expense Ratio	-0.035 (0.427)	0.114 (0.082)	0.307 (0.238)	-0.063** (0.026)
Turnover Ratio	0.032 (0.420)	-0.017 (0.064)	0.029 (0.213)	0.402*** (0.043)
Volatility	0.041 (0.098)	0.085*** (0.011)	0.223*** (0.053)	0.001 (0.005)
Style-Adjusted Flow	-0.125 (0.216)	0.006 (0.019)	0.055 (0.083)	-0.026* (0.015)
Fund Alpha	-0.018 (0.015)	0.001 (0.002)	-0.011 (0.007)	0.000 (0.001)
Team Size	0.051 (0.148)	0.011 (0.011)	-0.039 (0.041)	0.008 (0.009)
Log(Manager Age)	-0.044	-0.022	-0.018	0.004

	(0.055)	(0.015)	(0.017)	(0.005)
Log(Manager Tenure)	-0.053	-0.020	0.022	-0.004
	(0.043)	(0.013)	(0.018)	(0.005)
Log(Manager Experience)	-0.018	0.022	0.002	0.006
	(0.036)	(0.014)	(0.015)	(0.004)
Log(Media Coverage)	0.020**	0.001**	0.003	-0.003***
	(0.008)	(0.001)	(0.004)	(0.001)
Intercept	4.263**	1.005***	4.232***	0.490**
	(2.040)	(0.329)	(0.948)	(0.198)
Observations	4,860	4,433	4,433	4,835
Adjusted R ²	0.881	0.901	0.915	0.981
Style*Time Fixed Effects	Yes	Yes	Yes	Yes
Fund Fixed Effects	Yes	Yes	Yes	Yes

Table 9

Effect of fund manager status on fund flows.

This table provides the OLS regression results of the effect of winning the FMOY award on a fund's future money flows. The dependent variable is *Style-Adjusted Flow*, which measures the percentage growth of a fund that is due to new investments (adjusted for the average flows of all funds pursuing similar investment objectives) over the $t + k1$ to $t + k2$ period. The independent variables include the following: *Winner* is a binary indicator equal to one if the manager wins the FMOY award; *Winner Family* is a binary indicator equal to one if the fund belongs to the family hosting the winning fund; *Log(Fund Size)* is the natural logarithm of the fund's AUM in millions of dollars; *Log(Fund Age)* is the natural logarithm of the fund's age in years; *Log(Family Size)* is the natural logarithm of the combined AUM of all funds managed by a fund family in millions of dollars; *Expense Ratio* is the percentage of fund assets charged by the fund on an annual basis to compensate for operating costs and includes management and 12b-1 fees; *Turnover Ratio* measures the percentage of fund assets that are renewed and is calculated as the minimum of sales and purchases divided by the average yearly fund size; *Distribution Fee* is the cost paid by the fund for marketing and distribution and is presented as a percentage of fund assets; *Volatility* is measured by the standard deviation of a fund's net returns over the past 12 months; *Low_{i,t}* represents the performance rank in the lowest quintile and is measured as $\min(\text{Rank}_t, 0.2)$; *Mid_{i,t}* represents the performance rank in quintiles 2 to 4 and is measured as $\min(\text{Rank}_t - \text{Low}_t, 0.6)$; *High_{i,t}* represents the performance rank in the highest quintile and is measured as $\min(\text{Rank}_t - \text{Mid}_t - \text{Low}_t, 0.2)$; *Team Size* is the number of managers managing a fund; *Log(Manager Age)* is the natural logarithm of the average fund manager's age in a fund; *Log(Manager Tenure)* is the natural logarithm of the average fund manager's tenure in a fund; *Log(Manager Experience)* is the natural logarithm of the average fund manager's experience in the asset management industry; and *Log(Media Coverage)* is the natural logarithm of the number of news articles in major U.S. news and business publications. Style, time, and fund, fixed effects are included in each regression. The standard errors are two-way clustered by fund and time and reported in parentheses. The superscripts *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Style-Adjusted Flow (t+k1 to t+k2)	3 months	6 months	9 months	12 months
Variables	(1)	(2)	(3)	(4)
Winner	0.038*	0.080	0.083	0.132
	(0.022)	(0.057)	(0.076)	(0.098)
Winner Family	-0.018	-0.023	0.044	0.065
	(0.012)	(0.031)	(0.052)	(0.067)
Log(Fund Size)	-0.063***	-0.116***	-0.168***	-0.220***
	(0.004)	(0.007)	(0.010)	(0.013)
Log(Fund Age)	-0.062***	-0.108***	-0.139***	-0.162***
	(0.008)	(0.015)	(0.021)	(0.026)
Log(Family Size)	0.012**	0.018*	0.020	0.018
	(0.006)	(0.010)	(0.015)	(0.019)
Expense Ratio	-0.028**	-0.039*	-0.043	-0.050
	(0.013)	(0.023)	(0.034)	(0.042)
Turnover Ratio	-0.001	-0.001	-0.000	0.004
	(0.004)	(0.007)	(0.011)	(0.014)
Distribution Fee	0.000	-0.043	-0.095**	-0.149***
	(0.019)	(0.033)	(0.045)	(0.057)
Volatility	-0.558***	-0.859**	-1.035*	-1.050
	(0.206)	(0.386)	(0.560)	(0.704)
Low	0.047***	0.086***	0.122***	0.156***
	(0.015)	(0.025)	(0.032)	(0.038)

Mid	0.006 (0.004)	0.017*** (0.006)	0.030*** (0.007)	0.038*** (0.008)
High	0.098*** (0.018)	0.163*** (0.028)	0.223*** (0.036)	0.270*** (0.042)
Team Size	0.001* (0.001)	0.002 (0.001)	0.003 (0.002)	0.004 (0.003)
Log(Manager Age)	-0.005 (0.004)	-0.009 (0.007)	-0.010 (0.010)	-0.011 (0.013)
Log(Manager Tenure)	0.004*** (0.001)	0.006*** (0.002)	0.008*** (0.003)	0.009** (0.004)
Log(Manager Experience)	0.001 (0.001)	0.002 (0.002)	0.003 (0.003)	0.004 (0.004)
Log(Media Coverage)	0.001** (0.000)	0.002** (0.001)	0.004*** (0.001)	0.005*** (0.002)
Intercept	1.092*** (0.129)	2.068*** (0.240)	3.081*** (0.347)	4.142*** (0.447)
Observations	304,149	285,719	267,627	250,147
Adjusted R ²	0.202	0.300	0.372	0.429
Style*Time Fixed Effects	Yes	Yes	Yes	Yes
Fund Fixed Effects	Yes	Yes	Yes	Yes