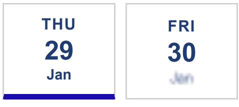
Conference Agenda



Daily Overview

Date: Thursday, 29/Jan/2026

Time	Event
8:30am - 9:00am	**Welcome Coffee and Registration**
9:00am - 10:30am	**Session 1: Fund Scale** Session Chair: **Serge Darolles**, Université Paris Dauphine - PSL

Value Creation in the Hedge Fund Industry

David Ardia[1], Laurent Barras[2]
[1]HEC Montréal, Canada; [2]University of Luxembourg, Luxembourg
Discussant: **Cristian Tiu** (University at Buffalo)

We develop an approach to jointly study four dimensions of hedge fund value creation—its drivers, split, dynamics, and optimality. This approach captures the large fund heterogeneity and controls for hedge fund complexities. We find that most funds add value via their unique skills but face strong scalability constraints—a feature that prevents them from systematically dominating mutual funds. Hedge fund investors slowly improve their fund capital allocation over time, which suggests an impactful but noisy learning process. Despite these efforts, they extract a modest fraction of the total value. These findings fit reasonably well with an equilibrium model featuring funds with heterogeneous skill and scalability and investors with limited bargaining power.

Ardia-Value Creation in the Hedge Fund Industry-136BarrasLaurentArdia.pdf

Learning about Managerial Skill and Fund Scale from Mutual Fund Analysts

Felix Wilke
Nova School of Business and Economics, Portugal
Discussant: **Konark Saxena** (ESCP)

I study analyst reports for worldwide equity mutual funds to examine two key features of active management models: investor learning and decreasing returns to scale. Flows respond to report tone over and above analyst ratings, especially for direct-sold and young funds, indicating that some investors use qualitative research when allocating capital. Report tone also predicts future abnormal returns. Using dictionary and machine learning methods, I show that analysts emphasize fund size and capacity when assets deviate from model-implied optimal levels, providing signals about under- or overcapitalization and thus positive-NPV opportunities. A composite of tone and capacity language strongly predicts returns.

Wilke-Learning about Managerial Skill and Fund Scale from Mutual Fund Analysts-121WilkeFelixWilke.pdf

Time	Event
10:30am - 11:00am	**Coffee Break**
11:00am - 12:30pm	**Session 2: Sustainable Investing** Session Chair: **Gaëlle LE FOL**, Université Paris Dauphine - PSL

The Economics of Greenwashing Funds

Sean Cao[1], Yong Chen[2], Han Xiao[3], Alan Zhang[4]
[1]University of Maryland; [2]Texas A&M University; [3]CUHK, Shenzhen; [4]Iowa State University
Discussant: **Hélène Mathurin** (NEOMA Business School)

This paper examines the benefits and costs of greenwashing in mutual funds. We identify greenwashing funds by analyzing their ESG-related disclosures using large language models (LLMs) alongside green investments. Greenwashing funds charge higher fees while attracting greater flows, with investors exhibiting tolerance for poor performance. However, they face higher regulatory and reputational costs. ESG-related comment letters issued by the SEC trigger outflows from greenwashing funds, spilling over to non-greenwashing funds within the same family. SEC's scrutiny reduces future green disclosures, but its effectiveness weakens when SEC faces human capital constraints. Finally, institutional and retail investors respond differently to greenwashing behavior.

Cao-The Economics of Greenwashing Funds-120ChenYongChen.pdf

Do investors care about sustainable investment targets? An assessment using the Sustainable Finance Disclosure Regulation

Christian Mücke[1], Nikolai Badenhoop[2]

[1]ESCP Business School, Spain; [2]Leibniz Institute for Financial Research SAFE, Germany
Discussant: **Daniel Schmidt** (HEC Paris)

This paper analyzes the impact of disclosures of sustainable investment targets under the EU Sustainable Finance Disclosure Regulation (SFDR) on mutual fund flows. Using a staggered difference-in-differences setup and focusing on retail-oriented index funds, we find that sustainable investment targets have a temporarily positive impact on fund flows in comparison to funds without sustainable investment targets. Furthermore, we find a negative linear relationship between sustainable investment targets and fund flows. While lower targets attract higher fund inflows, higher targets result in significantly lower or even no inflows. Our results suggest that up to a target level of 20% in sustainable investments, index funds can attract more inflows. This suggests a trade-off between sustainability commitments and performance considerations.

Mücke-Do investors care about sustainable investment targets_ An assessment using the-169MückeChristianMücke.pdf

12:30pm - 2:00pm

Lunch Break & Poster Session I

Flow-Induced Demand Pressure from Option-Trading ETFs

Zhaoyi Wang
London Business School, United Kingdom

The assets under management of option-trading exchange-traded funds (ETFs) have grown more than 120-fold since 2018. This paper examines how flow-induced demand pressure and exogenous rollover trade demand pressure from option-trading ETFs affect the implied volatility surface. I show that demand pressure from these ETFs significantly affects implied volatility surface, with the magnitude of the effect varying with option characteristics—particularly moneyness and days to expiration—due to differences in option vega. In addition, liquidity frictions also explain the magnitude of impact. These findings suggest that flow-induced demand pressure plays an important role in shaping both the term structure and moneyness curve of implied volatility.

Market Quality of Informed Trades

Wan Soo Choi[1], Juha Joenväärä[2], Dominik Rösch[1], Cristian Tiu[1]
[1]University at Buffalo; [2]Aalto University

We investigate prices around timestamped informed trades using approximately 500,000 13D transactions from activist investors matched to TAQ trades. Activists are more price sensitive than non-activists, and are more likely to attempt to hide their trading by strategically choosing when and how to trade. Activists have lower execution quality, higher price impact, and lower realized spreads, suggesting that activists, on average, fail to hide among the uninformed. Activists with less information (as measured by lower returns) are better at hiding (that is, they have better execution quality). These results are reversed for hedge funds: hedge funds with better execution quality generate higher returns.

Risk and Return in Asset Demand Systems

Ozan E. Akbas[1], Ao Wang[2]
[1]Warwick Business School, University of Warwick, United Kingdom; [2]Department of Economics, University of Warwick, United Kingdom

We develop a characteristic-based asset demand model in which cross-asset risk-return trade-offs vary with asset characteristics. The model relaxes the uniform substitution structure of the multinomial logit (MNL), accommodates large price elasticities, and enables recovery of investor-specific primitives, including alphas and factor loadings, from structural demand estimates. Applied to U.S. institutional equity holdings from 2000 to 2022, the model reveals meaningful deviations from MNL substitution patterns, particularly along the market equity dimension. The estimated average own-price elasticity is 77 percent higher than under the MNL, driven largely by investors whose portfolios imply cross-asset complementarity. Nonetheless, both elasticity estimates are substantially lower than those implied by CAPM calibrations. The model also uncovers heterogeneity in investor alphas: hedge funds earn near-zero alphas, while brokers earn up to five basis points annually.

Monitoring via Securities Lending

Newsha Zahabi
ESCP Business School, France

This paper studies how securities lending affects mutual funds' monitoring of portfolio firms. Contrary to the view that lending weakens governance by separating voting rights from ownership, I show that securities lending can enhance monitoring by revealing information embedded in short-selling demand. Using mutual fund voting data, I show that funds engaged in securities lending exhibit higher voting performance ("vote alpha") around shareholder meetings, aligned with ex-post value-enhancing proposals. Lending funds vote more frequently and are less likely to support management in firms whose shares they lend, particularly on contentious agenda items, where management and the proxy advisor disagree, and on contested proposals, where outcomes are uncertain and votes may be pivotal. These effects are significantly stronger for funds that employ affiliated lending agents, consistent with an information transmission channel rather than selection. Overall, the evidence indicates that securities lending can

strengthen mutual funds' role in corporate governance.

Understanding the Drivers of European Capital Flows to the United States

Anouck Faverjon[1,2], **Marie Lambert**[2]

[1]HEC Liège, Université de Liège / Université Paris Dauphine-PSL, Belgium; [2]HEC Liège, Université de Liège

In this paper, we investigate the drivers of a recent shift in asset allocation away from Europe and toward the United States as documented in the factbook of the European Fund and Asset Management Association. We show that this shift is concentrated among funds that receive an ESG rating—specifically, Morningstar's Globe Rating. This pattern highlights the potential role of ESG information in shaping cross-regional capital flows. Our hypothesis is that the supply of high ESG rated funds with an EU investment focus might be limited due to coverage issue of European issuers by ESG rating agencies and/or due to the financial materiality of the ratings (vs double materiality proned in Europe). This interpretation is consistent with our results showing that, after the introduction of SFDR 1.0, funds' geographical allocations become even more sensitive to ESG issuer coverage, especially in Europe.

2:00pm - 3:30pm

Session 3: Artificial Intelligence

Session Chair: **Christophe Perignon**, HEC Paris

Will AI Replace or Enhance Human Intelligence in Asset Management?

George Aragon[3], **Hugh Kim**[1], **Vikram Nanda**[2]

[1]Wilfrid Laurier University, Canada; [2]University of Texas at Dallas, USA; [3]Arizona State University

Discussant: **Fabrice Riva** (Université Paris Dauphine - PSL)

Using LinkedIn profile data, we measure AI adoption by mutual fund advisers and show that high-AI funds outperform low-AI funds. This outperformance is concentrated among discretionary funds and among funds managed by more experienced managers, consistent with AI complementing human judgment rather than replacing it. Higher AI adoption is associated with stronger time-varying managerial skill---improved stock picking in normal times and superior market timing during periods of elevated risk. The stock-picking ability of high-AI funds further improves with access to large, unstructured data, such as satellite imagery. Finally, we show that local AI labor supply predicts cross-sectional variation in AI adoption, and our results are robust to an instrumental-variable strategy based on geographic variation in AI skill availability.

Aragon-Will AI Replace or Enhance Human Intelligence in Asset Management_-166KimHughKim.pdf

The Growth and Performance of Artificial Intelligence in Asset Management

Shuang Chen[1], **Clemens Sialm**[2], **David Xu**[3]

[1]University of Melbourne; [2]University of Texas at Austin; [3]Southern Methodist University

Discussant: **Charles-Albert Lehalle** (CMAP, Ecole Polytechnique)

This paper examines AI adoption in asset management and its investment implications. We document that AI-driven investing is concentrated among hedge funds, particularly those employing macro strategies. AI funds exhibit greater alpha comovement and are launched by investment advisers facing stronger performance incentives. These funds significantly outperformed non-AI hedge funds on a risk-adjusted basis, but their outperformance declined over time and disappeared after 2018, consistent with decreasing returns to scale. Nevertheless, AI funds continued to outperform sibling funds managed by the same advisers. Our findings highlight both the alpha-generating potential and the limitations of AI as a source of investment performance.

Chen-The Growth and Performance of Artificial Intelligence-170ChenShuangChen.pdf

3:30pm - 4:00pm **Coffee Break**

4:00pm - 5:30pm

Session 4: Active Trading

Session Chair: **Marie BRIERE**, Amundi, ILB

Can US Equity Funds Time ESG Score Updates?

Anouck Faverjon[1], **Serge Darolles**[2], **Marie Lambert**[3]

[1]HEC Liège, Université de Liège / Université Paris Dauphine-PSL, Belgium; [2]Université Paris Dauphine-

PSL; [3]HEC Liège, Université de Liège
Discussant: **Adam Reed** (UNC)

This paper derives the implications of a time gap between the publication of the disaggregated ESG information and the final ESG scores. We use early ESG raw data to reconstruct the scores of MSCI and build a portfolio long in the stocks which ESG score will be upgraded and short in the stocks which ESG score will be downgraded We show that because ESG information is material for financial performance, asset managers can trade on this disaggregated ESG information, before it is known to every player on the market and gain from it. Consistent with the idea that ESG scores incorporates fundamentals which are predictive of performance, we find that timing the announcement of ESG scores yields a significant 0.22 % monthly alpha. Additionally, we identify a subsample corresponding to 13.8 % of the active equity funds which use this strategy and confirm that these funds have a tendency to trade stocks prior to changes in ESG scores.

Faverjon-Can US Equity Funds Time ESG Score Updates_-144LambertMarieFaverjon.pdf

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Economics of Trading: Why Industrial Firms, Pension Funds, and Mutual Funds do Not Trade More Actively?

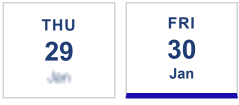
Antti Belt[2], Antti Kaskela[2], Matti Suominen[1]
[1]Aalto University School of Business, Finland; [2]Boston Consulting Group
Discussant: **Elias Ohneberg** (ESCP Business School)

In this paper, we examine barriers of entry to conduct trading. Our survey-based evidence shows that industrial firms see large profitable trading opportunities in the product markets as well as in their own shares. Yet, according to the same survey, those opportunities are rarely exploited. Similarly non-bank financial institutions, apart from the hedge funds, see trading opportunities that they choose not to utilize. What prevents most non-financial firms and non-bank financial firms from entering the lucrative markets of trading, where hedge funds and merchant traders operate. We examine this topic both from an agency theoretical perspective as well as based on the evidence from an executive survey.

Belt-Economics of Trading-165SuominenMattiSuominen.pdf

5:30pm - 6:30pm	**Keynote Talk: Christian Lundblad, Richard "Dick" Levin Distinguished Professor of Finance** **Getting the Data Right: Institutional-Quality Hedge Funds and What We Learn from Consultants**

Conference Agenda



Daily Overview

Date: Friday, 30/Jan/2026

8:30am - 9:00am	**Welcome Coffee**
9:00am - 10:30am	**Session 5: Horizon** Session Chair: **Carole Gresse**, Université Paris Dauphine-PSL

Babies, Quitters, and Experienced Returns: The Behavioral Benefit of Target Date Funds

Nick Bollen, Eric VanEpps

Vanderbilt University, United States of America

Discussant: **Paul Karehnke** (ESCP Business School, Paris)

Existing research argues that many target date funds feature excessive fees and suboptimal allocation choices, and that investors could achieve superior outcomes by self-directing their retirement accounts. This paper provides evidence that a first-order benefit of target date funds is their impact on investor behavior. Participants in a laboratory experiment are less likely to eliminate equity allocations following a stock market crash when they are invested in a target date fund. In a carefully calibrated simulation exercise, this behavioral benefit of target date funds provides significant increases in welfare even with economically meaningful fees and distorted glide paths.

Contract Evaluation Horizon and Fund Performance

Jung Hoon Lee[1], Jayoung Nam[3], Veronika Pool[2], Feng Zhanag[3]

[1]Office of Financial Research (OFR), US Treasury, United States of America; [2]Vanderbilt University; [3]Southern Methodist University

Discussant: **Vincent Tena** (Université Paris Dauphine-PSL)

Mutual funds face the risk of withdrawals if they perform poorly in the short term, which encourages manager myopia. We show that fund families can insulate managers from this funding pressure via compensation tied to long-term fund performance. Managers with long-horizon contracts are more likely to undertake long-term investments and outperform their constrained peers. Since long-horizon pay does not shut off the funding pressure but simply insulates the manager from it, not all families can offer these contracts. Long-horizon contracts are more prevalent in families that cater to patient investors and have more resources to buffer liquidity shocks.

10:30am - 11:00am	**Coffee Break**
11:00am - 12:30pm	**Session 6: Gender** Session Chair: **Tamara Nefedova**, ESCP Business School

Race, Gender, and Careers in Asset Management: Evidence from U.S. Administrative Data

John Bai[1], Linlin Ma[2], Kevin Mullally[3], Aisulu Munkina[4], Yuehua Tang[4]

[1]Northeastern University; [2]Peking University HSBC Business School; [3]University of Central Florida; [4]University of Florida

Discussant: **Edith Ginglinger** (Université Paris Dauphine-PSL)

Using confidential administrative data from the U.S. Census Bureau, we examine

whether race and gender affect compensation and career outcomes in the U.S. asset management industry. We document substantial compensation gaps: female portfolio managers earn 27% less than male peers, and minority managers earn 20% less than White peers. Female and minority managers also face significantly higher rates of forced turnover, and female managers are less likely to be rehired following job separations. These gaps can not be explained by differences in qualifications: minority managers are more likely to attend elite schools and hold advanced degrees. Nor do they reflect differences in performance: we find no systematic disparities in investment performance or in the ability to attract investor flows. Importantly, we show that greater diversity among asset management firm owners helps mitigate these disparities. Together, these findings challenge the notion that meritocratic industries are immune to discrimination and raise concerns about taste-based discrimination and potential talent misallocation in an industry central to capital markets.

Bai-Race, Gender, and Careers in Asset Management-127MullallyKevinMunkina.pdf

Have diversity effects failed in the asset management? Evidence from the Hedge Fund Industry

Juha Joenväärä[1], Greg Brown[2], Christian Lundblad[2], Mikko Kauppila[1]

[1]Aalto University, Finland; [2]University of North Carolina, Chapel Hill

Discussant: **Catherine Casamatta** (Toulouse School of Economics)

This paper constructs the first comprehensive database of U.S. diverse-owned hedge fund managers by leveraging image recognition technology alongside extensive manual verification. Our analysis reveals that, as of the end of 2022, only 1.1% of U.S. hedge fund industry assets are managed by firms owned by women or historically under-represented racial/ethnic minorities. These firms appear to encounter significant barriers to raising capital, expanding their asset base, and winning mandates from large asset owners, challenges that persist after social movements such as Black Lives Matter and the MeToo campaign. At the employee level, hedge funds show under-representation of Blacks and Hispanics, and women in senior and investment roles relative to both the U.S. labor force and the financial services industry. Promotion rates for these groups also lag behind those of their White, male counterparts. Women are more often hired into non-investment positions like investor relations and compliance than into investment positions, but minority-owned firms tend to employ more minority professionals. Despite external pressures on, and stated internal efforts by, the asset management industry to increase diversity of ownership and investment teams, our findings suggest that there has been no material change.

Joenväärä-Have diversity effects failed in the asset management_ Evidence-153KauppilaMikkoJoenväärä.pdf

12:30pm - 2:00pm	**Lunch Break & Poster Session 2**
2:00pm - 4:15pm	**Session 7: Performance**

Session 7: Performance

Session Chair: **Jerome TEILETCHE**, World Bank Treasury

Tilting at Windmills: Biased Benchmarks and the Risk-Taking Response of Mutual Funds

Richard Evans[1], Hugh Kim[2], Thomas Maurer[3]

[1]University of Virginia, USA; [2]Wilfrid Laurier University, Canada; [3]University of Hong Kong, China

Discussant: **Christian Gourieroux** (University of Toronto, Toulouse School of Economics)

We study how changes in third-party relative performance evaluation (RPE) shapes mutual-fund managers' incentives. Exploiting Morningstar's 2002 shift from a single U.S. equity peer group to size–style categories and its 2016 introduction of ESG Globe ratings, we show that incomplete benchmarking disadvantaged certain funds and induced risk-taking. Pre-2002, growth funds received lower star ratings and held higher-beta, more volatile portfolios—especially when the value spread was large. Similarly, before the globe rating introduction, ESG funds held higher risk stocks with lower ESG ratings. These higher risk holding effects disappear after both the 2002 and 2016 Morningstar reclassification events.

Evans-Tilting at Windmills-168MaurerThomasKim.pdf

Partisan Hedge Funds

Zilin Chen[1], Dashan Huang[2], Lin Sun[3], Melvyn Teo[2]

[1]Southwestern University of Finance and Economics; [2]Singapore Management University; [3]Fudan University

Discussant: **Juha Joenväärä** (Aalto University)

Does political partisanship shape the investment performance of professional fund managers? We find that hedge funds that hold stocks that are strongly aligned with the incumbent president's economic policies underperform funds that hold stocks that are poorly aligned with the incumbent president's economic policies by 4.44% per year after adjusting for risk. In line with a partisanship bias story, our findings are driven by managers who are politically aligned with the incumbent president and stronger when (a) fund managers are highly partisan, (b) sentiment diverges between Democrats and Republicans, and (c) conflicts occur between the President and US Congress. Following exogenous shocks that heighten partisan bias such as mass shootings and political protests, politically aligned funds increase their exposures to politically aligned stocks, leading to greater underperformance. Our results extend to mutual funds and suggest that political partisanship can be detrimental for investment management.

Chen-Partisan Hedge Funds-129TeoMelvynCHEN.pdf

Credit Supply and Hedge Fund Performance: Evidence from Prime Broker Surveys

Lubomir Petrasek, Phillip Monin, Dan Li

Federal Reserve Board of Governors, United States of America

Discussant: **René Garcia** (Université de Montréal)

Using dealer surveys and hedge fund regulatory filings, we study how prime brokers' credit supply affects hedge fund performance. Hedge funds with more access to credit borrow more and generate higher returns and alphas. This effect is stronger for funds relying on fewer prime brokers and those using borrowing rather than derivatives for leverage. Credit supply is particularly impactful during market stress and when arbitrage opportunities are abundant. Prime brokers allocate credit based on hedge funds' profit

potential. Our findings support models of leverage constraints where less constrained investors hold higher-alpha portfolios, and explain the outperformance of large funds with diverse credit sources.

Petrasek-Credit Supply and Hedge Fund Performance-150PetrasekLubomirPetrasek.pdf