

Discipline: Finance

1. Language

- English

2. Title

- Mutual Fund and Hedge Fund Research

3. Lecturer

- Prof. Dr. Stefan Ruenzi (University of Mannheim)
- Prof. Dr. Florian Weigert (University of Neuchâtel)

4. Date and Location

- Four full days: 2. bis 5. Juni 2025
- Location: University of Mannheim

5. Course Description

5.1 Abstract and Learning Objectives

This is a doctoral level course introducing students to current theoretical and empirical research on delegated portfolio management, in particular on mutual funds and hedge funds. It covers classic questions like the role of mutual funds/hedge funds in equilibrium, how mutual funds and hedge funds perform, what matters to investors, how managers behave and respond to incentives, and what policies fund families follow. It also covers important and recent industry trends like the active vs. passive investing debate and ESG investing with funds.

5.2 Content

Part 1: Mutual funds (Days 1 and 2, taught by Stefan Ruenzi)

- Introduction: Importance of and reasons for delegated portfolio management
- Mutual fund performance
 - Performance measures (internal and external)
 - Empirical evidence on performance and performance persistence
 - Empirical determinants of performance
 - Performance prediction
- Investor behavior
 - Classic studies on the performance-flow relationship
 - Reaction to fund and manager characteristics
 - Revealed preferences approach
- Manager behavior
 - Incentives of mutual fund managers due to investor behavior and compensation contracts
 - Risk taking behavior of fund managers
 - Window dressing
 - Behavioral biases of mutual fund managers
 - Team- vs. individual managers
 - Career paths of fund managers
- Family strategies and recent trends

- Product and pricing strategies
- Cross-fund subsidization
- Marketing
- Hiring, firing, and promotions of fund managers
- Passive investing
- ESG investing

Part 2: Hedge funds (Days 3 and 4, taught by Florian Weigert)

- Introduction: Hedge funds
 - Return-generating process
 - Manager compensation
 - Fund liquidity
 - Tools applied by hedge funds: Leverage, short-selling, and derivatives
 - Hedge fund strategies
- Risk and returns of hedge funds
 - Hedge fund databases and biases
 - Empirical hedge fund performance
 - Hedge fund asset pricing models
 - SEC portfolio filings
- Hedge fund characteristics and performance
 - Compensation
 - Fund distinctiveness
 - Fund size and investor flows
 - Manager characteristics
- Hedge fund risk-taking and risk management
 - Incentive contracts and risk taking
 - Operational risk, fraud, and agency problems
 - Liquidity risk
 - Tail risk
 - Risk management
- Role of hedge funds in the financial system
 - Propagation of systemic risk
 - Impact on asset prices
 - Suppliers of liquidity
 - Hedge fund activism

5.3 Schedule

The course will be taught on four subsequent days. Each day, there will be four classes following the subsequent time structure:

- 09:00 – 10:30: Lecture
- 10:30 – 11:00: Break
- 11:00 – 12:30: Lecture
- 12:30 – 14:00: Break
- 14:00 – 15:30: Lecture
- 15:30 – 16:00: Break
- 16:00 – 17:30: Lecture

5.4 Course format

In each class, the instructor will provide an introduction and overview of the topic. Students will then present assigned papers, including a critical discussion of the contribution and possibly ideas for extension. After the final class day, students will write up an own research idea on a course-related topic.

6. Preparation and Literature

6.1 Prerequisites

Students should be enrolled in a doctoral program at a university. They should have profound knowledge in finance courses, such as asset pricing, investments, and econometrics. Students should be interested in academic studies related to mutual funds and hedge funds and willing to perform own empirical work on these topics.

6.2 Essential Reading Material

Part 1: Mutual funds (Days 1 and 2, taught by Stefan Ruenzi)

Essential reading material will be distributed in the kick-off session. Exemplary studies include:

- *Berk & van Binsbergen (2017): Mutual Funds in Equilibrium, Annual Review of Financial Economics, Vol 9, p. 147-167.*
- *Niessen-Ruenzi and Ruenzi (2019): Sex Matters – Gender Bias in the Mutual Fund Industry, Management Science, Vol. 65(7), 3001-3025.*
- *Roussanov, Ruan and Wei (2021): Marketing Mutual Funds, Review of Financial Studies 34(6), 3045-3094*

Part 2: Hedge funds (Days 3 and 4, taught by Florian Weigert)

Essential reading material will be distributed in the kick-off session. Exemplary studies include:

- *Yang, Havranek, Irsova & Noval (2023): Is research on hedge fund performance published selectively? A quantitative survey, forthcoming in the Journal of Economic Surveys*
- *Agarwal, Daniel & Naik (2009): Role of managerial incentives and discretion in hedge fund performance, Journal of Finance 64, 2221-2256*
- *Agarwal, Ruenzi & Weigert (2024): Unobserved performance of hedge funds, forthcoming in the Journal of Finance*

6.3 Additional Reading Material

Additional reading material will be distributed in the kick-off meeting and in the respective course sessions.

6.4 To prepare

Before the course start, students need to read the essential reading material. In addition, they need to prepare a 30-minutes presentation an academic paper (which will be assigned in the kick-off meeting).

7. Administration

7.1 Max. number of participants

20 participants

7.2 Assignments

Active course participation is mandatory.

Students need to present the content of an assigned academic paper during the course (30-minutes presentation), including a critical discussion of the contribution and possibly ideas for extension. Active course participation and the in-class presentation counts towards 50% of their course grade.

7.3 Exam

After the final class day, students will write up an own research idea on a course-related topic. The research idea must be handed -in in written form and should not exceed 10 pages (font size 12pt., double-spaced). The research proposal should include an introduction, a rigorous literature review, a data section (where the student describes how to obtain data), a plan of empirical tests, and a conclusion. The research idea counts towards 50% of students' course grade.

7.4 Credits

The course corresponds to a scope of 6 LP/ECTS

8. Working Hours

| Working Hours | Stunden |
|--|----------------|
| <i>Reading of essential reading material</i> | 30 h |
| <i>Preparation of in-class presentation</i> | 30 h |
| <i>Active participation during lectures</i> | 24 h |
| <i>Review of lecture content</i> | 16 h |
| <i>Write-up of research proposal</i> | 80 h |
| SUMME | 180 h |