

Introduction

Actively managed mutual funds strive to deliver higher returns than the market portfolio (e.g., S&P 500 index), but also have the same number of risks as the market portfolio. Whether they hold up to their promises has important implications for investor welfare, as mutual funds manage trillions of dollars of investor assets. Despite a large literature on active fund performance, there is still an active debate on this question. The purpose of this study is to examine this question using clean and up-to-date data collected from Morningstar and CRSP. While there are extensive studies that have assessed the performance of active equity funds, there is relatively little research on other categories. This study will further ask whether the nature of fund outperformance (if any) varies across different categories---allocation, equity, and fixed income.

Methods

This research requires substantial data cleaning to construct a "clean" dataset of actively managed Mutual funds. First, the fund snapshot information were imported from Morningstar. The funds were then placed into three different types based on their Morningstar category (which classifies funds based on what kind of assets they hold): equity, allocation, and fixed income. The data was then imported as Excel spreadsheets, which were read into Stata, a statistical software system, to be cleaned into a new universe of mutual funds.

Morningstar

Excel

Stata

Figure 1: Flow chart showcasing the methods that the data sets went through while being researched. The different software systems allowed researchers to gather mutual fund information and "clean" the data.

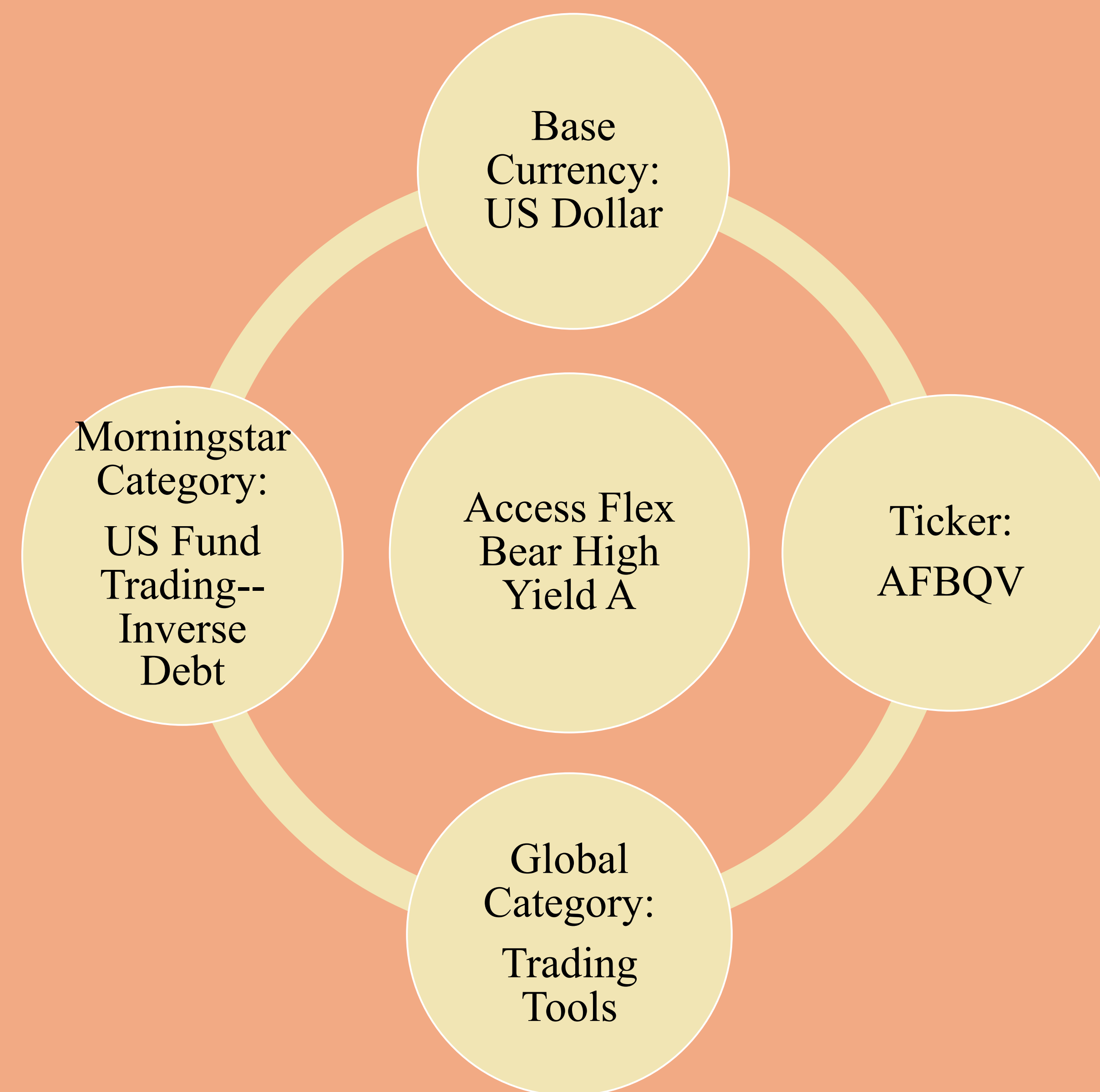


Figure 2: Example of a mutual fund and its respective categories. These descriptive groups allow for mutual funds to be placed within relative information groups used for future research.

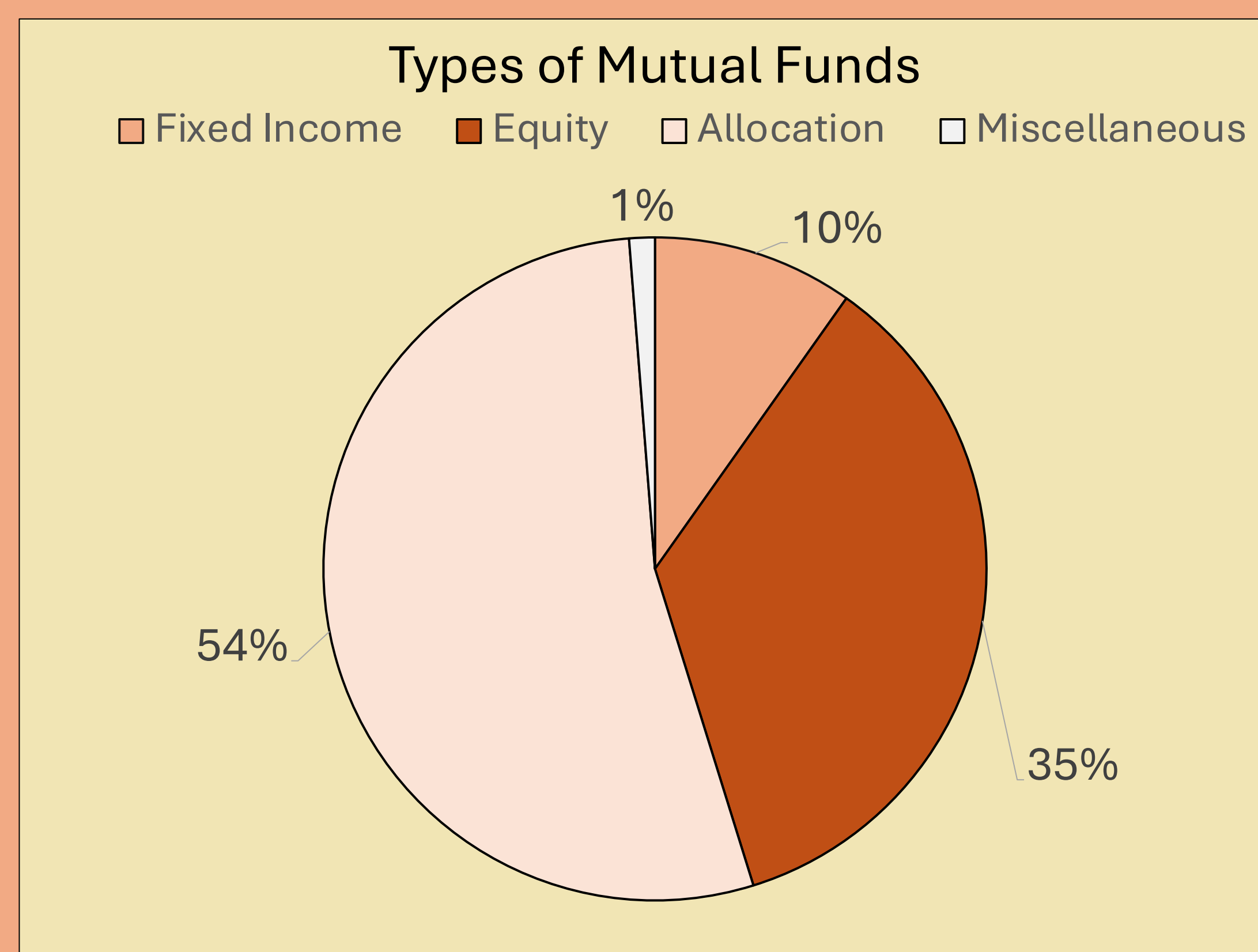


Figure 3: Pie chart illustrating the different categories mutual funds fall under, including their percentages. This information allows for mutual funds to be categorized depending on investor preferences.

Results

- While there are multiple steps to be taken to procure historical panel data of actively managed mutual funds, researchers do have some summary statistics based on the preliminary snapshot data.
- Researchers were able to find how many mutual funds were placed in each category:
 - Allocation: 11475 (54%)
 - Equity: 7586 (35%)
 - Fixed Income: 2100 (10%)
 - Miscellaneous: 268 (1%)
- Each fund was also placed into its 60+ descriptive groups, each allowing for further analysis of their organizational traits.
 - Ex. Base Currency, Ticker, ISIN, Global Broad Category Group, etc.
- This data can now be used as the foundation for the future study regarding mutual fund performance

Future Research

- Analyze the relationship between fund size and fund performance controlling for various fund characteristics (e.g., fund category).

References

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