Download This Paper (Delivery.cfm/SSRN_ID1979112_code526704.pdf?abstractid=1929205&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID1979112_code526704.pdf?abstractid=1929205&mirid=1&type=2)

Add Paper to My Library

Share:

Flows: The 'Invisible Hands' on Hedge Fund Management

Midwest Finance Association 2012 Annual Meetings Paper

49 Pages
Posted: 19 Sep 2011
Last revised: 4 Jan 2012

Shuang Feng (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=526704)
Edinboro University of Pennsylvania

Mila Getmansky Sherman (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=102356)
University of Massachusetts at Amherst - Eugene M. Isenberg School of Management - Department of Finance

Nikunj Kapadia (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=241271)
University of Massachusetts Amherst - Department of Finance

Date Written: September 16, 2011

Abstract

Hedge funds feature special compensation structure compared to traditional investments. Previous studies mainly focus on the provisions and incentive structure of hedge fund contract, such as 2/2'8 hurdle rates, and high-water mark. We develop an algorithm to empirically estimate the monthly fees, fund flows and gross asset values of individual hedge funds.

We find that management fee is a major component in the dollar amount of hedge fund total fees, and fund flow is more important in determining the change in fund size compared to net returns, especially when fund is shrinking in size. We also find that best paid hedge funds concentrate in the largest hedge fund quintile. Large funds tend to perform better, earn more, and rely less on management fee for their managers' compensation. Further, we find that fund flow is an important determinant of hedge fund managerial incentives. Together with the "visible" hands of hedge fund management, i.e. the provisions of hedge fund incentive contracts, the "invisible" hands – fund flows enable investors to effectively impact hedge fund managerial compensation and incentives.

Keywords: Hedge Fund, Fund Flow, Fee Structure, Managerial Incentives, Gross Return

JEL Classification: G20

Suggested Citation >

Show Contact Information >

Download This Paper (Delivery.cfm/SSRN_ID1979112_code526704.pdf?abstractid=1929205&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID1979112_code526704.pdf?abstractid=1929205&mirid=1&type=2)

0 References

Fetch References

0 Citations

Fetch Citations

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our Cookie Policy (https://www.elsevier.com/legal/cookienotice)

Do you have negative results from your research you'd like to share?

Submit Negative Results (https://www.ssrn.com/index.cfm/en/Negative-Results/)

Cookie Settings

Accept all cookies

Paper statistics

DOWNLOADS	300
ABSTRACT VIEWS	2,111
RANK	184,714

6 Citations

24 References

PlumX Metrics



(https://plu.mx/ssrn/a/?ssrn_id=1929205)

Related eJournals

Mutual Funds, Hedge Funds & Investment Industry eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1504392)

Follow

Organizations & Markets: Policies & Processes eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=2543961)

Follow

View more >

Recommended Papers

Offshore Hedge Funds: Survival and Performance 1989-1995 (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=225691&rec=1&srcabs=1929205&pos=1)
By Stephen J. Brown (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2321), William N. Goetzmann (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2309), ...

Offshore Hedge Funds: Survival and Performance 1989-1995 (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1297122&rec=1&srcabs=1929205&pos=2)
By Stephen J. Brown (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2321), William N. Goetzmann (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2309), ...

Characteristics of Risk and Return in Risk Arbitrage (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=268144&rec=1&srcabs=1929205&pos=3)
By Mark L. Mitchell (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=22879) and Todd C. Pulvino (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=561)

View more >

Feedback

Submit a Paper > (https://hq.ssrn.com/submissions/CreateNewAbstract.cfm)

SSRN Quick Links

SSRN Rankings

About SSRN

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our Cookie Policy (https://www.elsevier.com/legal/cookienotice)

(https://www.facebook.com/SSRNcommunity/)

(https://twitter.com/SSRN)

Cookie Settings

Accept all cookies

(http://www.elsevier.com/)

Copyright (https://www.ssrn.com/index.cfm/en/dmca-notice-policy/) Terms and Conditions (https://www.ssrn.com/index.cfm/en/terms-of-use/)
Privacy Policy (https://www.elsevier.com/legal/privacy-policy)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit Cookie Settings.

(http://www.relx.com/)

(https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our Cookie Policy (https://www.elsevier.com/legal/cookienotice)

Cookie Settings

Accept all cookies