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Ron Kaniel and **Stathis Tompaidis*** (Stathis.Tompaidis@mcombs.utexas.edu), IROM Dpt., McCombs School of Business, University of Texas at Austin, Austin, TX 78712, and **Ti Zhou**. *Putting Your Money Where Your Mouth Is: The Effect of Commitment and Competition on Mutual Fund Allocations*.

We present a model where mutual fund managers have the ability to generate excess returns and study how forcing them to commit part of their personal wealth to the fund they manage affects fund allocations. Through numerical experiments, we find that for managers with constant ability, forcing them to commit their wealth to the fund leads to lower fund expected returns and lower idiosyncratic volatility, while disallowing them from investing to assets held by their fund in their personal accounts leads to higher expected fund returns and idiosyncratic volatility. In the case of managers with mean-reverting ability, we find that the results are mixed, due to intertemporal hedging demands by the managers. We also find competition between managers leads to higher expected fund returns and idiosyncratic volatilities. (Received September 04, 2007)