Sensation Seeking and Hedge Funds

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汇报人：卫飞扬
山西财经大学金融工程

STEPHEN BROWN

Professor Stephen Brown is in the Department of Banking and Finance in the Monash Business School.

Stephen joined the Monash Business School on 1 January 2016. Appointed on a 0.4 basis, he will spend four months each year at the Monash Business School while New York University Stern School of Business.

high quality journals, including Econometrica, inancial Economics, the Journal of Financial and Financial Studies, and the Journal of Business. torial boards, Stephen was a founding editor of d has just stepped down as Managing Editor of l and Quantitative Analysis (A*).

Journal Articles:

Upside potential of hedge funds as a predictor of future performance

Bali, T. G., Brown, S. J. & Caglayan, M. O., Jan 2019, In : Journal of Banking and Finance. 98, p. 212-229 18 p.

Sensation seeking and hedge funds

Brown, S., Lu, Y., Ray, S. & Teo, M., Dec 2018, In : Journal of Finance. 73, 6, p. 2871-2914 44 p.

Starting on the wrong foot: Seasonality in mutual fund performance

Brown, S. J., Sotes-Paladino, J., Wang, JG. & Yao, Y., 1 Sep 2017, In : Journal of Banking and Finance. 82, p. 133-150 18 p.

Why hedge funds?

Brown, S. J., 1 Nov 2016, In : Financial Analysts Journal. 72, 6, p. 5-7 3 p.

YAN LU

Dr. Lu is an Assistant Professor of Finance in the College of Business at the University of Central Florida.

.D. degree from the University of Florida and te degree from Tong ji University. She also and Master of Science in Real Estate degree om the University of Florida.

interests : alternative investments, behavioral finance.

Journal Articles:

- Under One Roof: An Analysis of Simultaneously Managed Hedge Funds and Fund of Funds, (with Vikas Agarwal and Sugata Ray) Management Science, 2016， 62(3),722-740
- Limited Attention, Marital Events and Hedge Funds,(with Sugata Ray and Melvyn Teo), Journal of Financial Economics, 2016, 122(3), 607-624

How Do Personal Assets Affect Professional Asset Management? Evidence from Hedge Fund Managers' Real Estate Transactions, (with David Ling and Sugata Ray), Real Estate Economics, forthcoming

- Sensation Seeking, Sports Cars, and Hedge Funds (With Stephen Brown, Sugata Ray and Melvyn Teo), Journal of Finance

SUGATA RAY

School : Culverhouse College of Business , University of Alabama
Department: Economics, Finance, Legal Studies
Title: Assistant Professor
Focus and Current Research : Asset Management Market , Microstructure

Journal Articles:
"Limited Attention, Marital Events, and Hedge Funds." (With Y. Lu and M. Teo.) Journal of Financial Economics. December 2016.
"Under One Roof: A Study of Simultaneously Managed Hedge Funds and Funds of Hedge Funds." (With V. Agarwal and Y. Lu.) Management Science. March 2016.
"Sensation Seeking and Hedge Funds." (With S. Brown, Y. Lu, and M. Teo.) Journal of Finance.

MELVYN TEO

School : Singapore Management University
Full-time Faculty, Lee Kong Chian School of Business
Lee Kong Chian Professor of Finance Deputy Dean

Journal Articles:

"Hedge Fund Franchises," by William FUNG, David HSIEH, Narayan NAIK, and Melvyn TEO, Management Science, forthcoming.

"Public Hedge Funds," by Lin SUN and Melvyn TEO, 2019, 131, Journal of Financial Economics, 44–60.

"Limited Attention, Marital Events, and Hedge Funds," by Yan LU, Sugata RAY, and Melvyn TEO, 2016, 122, Journal of Financial Economics, 607–624.

"The Liquidity Risk of Liquid Hedge Funds," by Melvyn TEO, 2011, 100, Journal of Financial Economics, 24–44.

"Hedge Funds, Managerial Skill, and Macroeconomic Variables," by Doron AVRAMOV, Robert KOSOWSKI, Narayan NAIK, and Melvyn TEO, 2011, 99, Journal of Financial Economics, 672–692.

"Geography of Hedge Funds", by Melvyn TEO, 2009, 22, Review of Financial Studies, 3531–3561.

Education:

nomics, Harvard University

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thematics (cum laude), Cornell University

Research Interests:

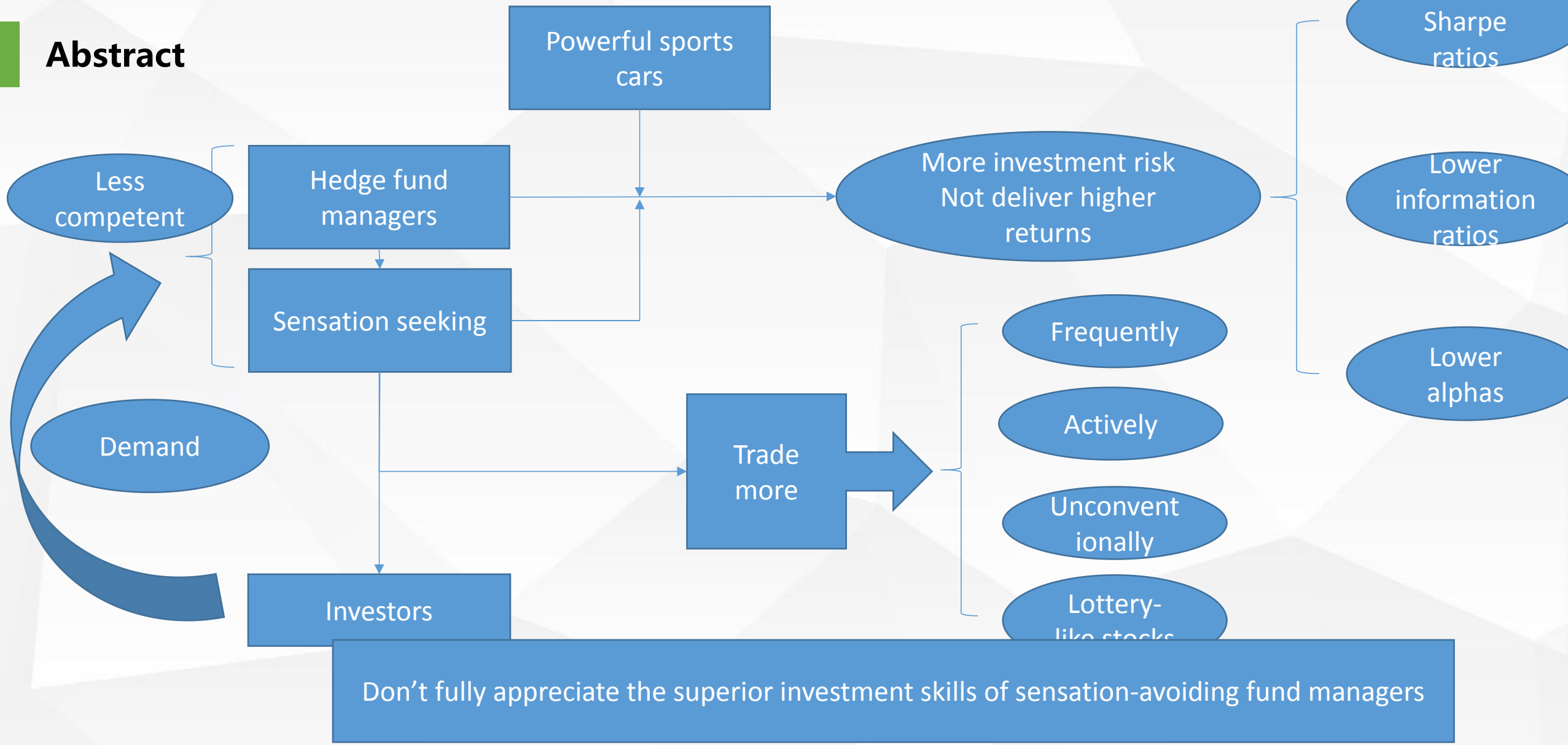
npirical Asset Pricing

- Hedge Funds

stitutional Investors

Behavioral Finance

Abstract


Powerful sports cars
Less competent
Hedge fund managers
Sensation seeking
More investment risk
Not deliver higher returns
Lower Sharpe ratios
Lower information ratios
Lower alphas
Demand
Trade more
Frequently
Actively
Unconvent ionally
Lottery-
Investors
Don’t fully appreciate the superior investment skills of sensation-avoiding fund managers

Abstract

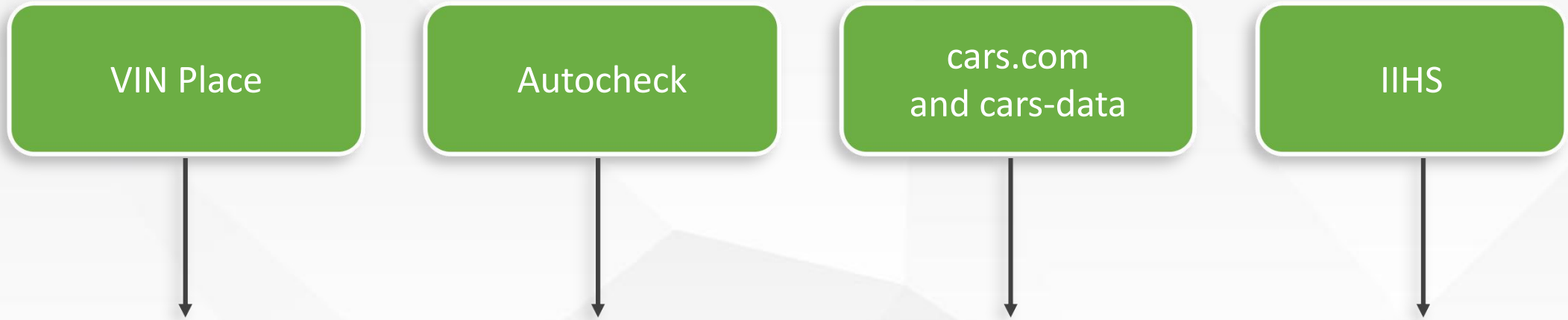
“The emerging manager who goes out and buys a fancy sports car right off the bat is someone you probably want to avoid.”

-Business Insider , February 2016

目录 content

01 Data and Methodology

Vehicle data sources



New vehicle purchase records from 2006 to 2012.Including make, model , year ,and vehicle identification number(VIN).

Car details such as trim levels and body style.

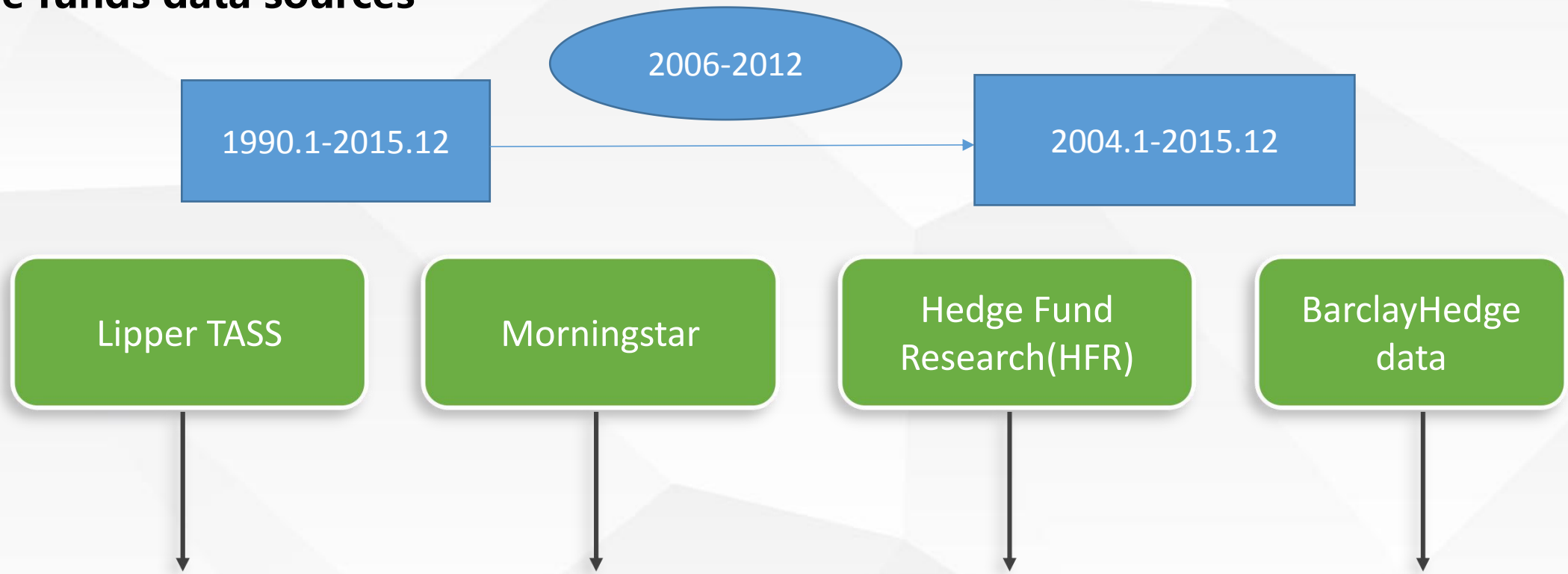
Car details such as horsepower , maximum torque , passenger volume, and price.

Car's Insurance Institute for Highway Safety(IIHS) average safety rating .

Summary Statistics

Vehicle Attribute	Number of Observations (1)	Mean (2)	Median (3)	Standard Deviation (4)	Minimum (5)	Maximum (6)
Sports car (indicator variable)	1,774	0.09	0.00	0.29	0.00	1.00
Maximum horsepower (bhp)	1,759	266.21	264.50	82.27	70.00	620.00
Maximum torque (pound-feet)	1,756	267.32	254.00	85.68	68.00	663.00
Minivan (indicator variable)	1,774	0.06	0.00	0.23	0.00	1.00
Passenger volume (cubic feet)	1,386	113.36	102.00	28.08	45.00	211.00
IIHS average safety rating	1,171	3.44	3.50	0.58	1.50	4.00
Price (US$)	1,761	39,621.47	33,300.00	25,650.53	9,990.00	386,500.00

Hedge funds data sources



Using monthly net-of-fee returns and assets under management(AUM) data for live and dead hedge funds to evaluate the impact of sensation seeking on hedge funds.

Four broad investment styles

Agarwal , Daniel , and Naik (2009)

Security Selection	Multiprocess	Directional Trader	Relative Value
Taking long and short positions in undervalued and overvalued securities, respectively.	Taking advantage of significant events,	Beting on the direction of market prices of currencies, commodities, equities, and bonds in the futures and cash markets.	Taking positions on spread relations between prices of financial assets and seek to minimize market exposure.

Seven-factor model

Fund and Hsieh(2004)

Risk of hedge funds

(1) The excess return on the Standard and Poor's 500 index

(2) A small minus big factor constructed as the difference between the Russell 2000 and S&P 500 stock indexes

(3) The yield spread of the U.S. 10-year Treasury bond over the three-month Treasury bill

(4) The change in the credit spread of Moody's BAA bonds over the 10-year Treasury bond

(5) The excess returns on portfolios of lookback straddle options on currencies

(6) The excess returns on portfolios of lookback straddle options on commodities

(7) The excess returns on portfolios of lookback straddle options on bonds

For diversified hedge fund portfolios, the seven ABS style factors explain up to 90% of monthly return variations.

02

Empirical Results

Financial Risk and Performance

Grouping hedge funds by the prosensation automobile attributes to explore the impact of sensation seeking on fund risk-taking behavior.

A sports car or nonsports car

A high or low horsepower car

A high or low torque car

Financial Risk and Performance

Panel A: Prosensation Vehicle Attribute

	Sports Car (1)	Nonsports Car (2)	Spread (3)	High Horsepower (4)	Low Horsepower (5)	Spread (6)	High Torque (7)	Low Torque (8)	Spread (9)
Number of funds	163	1,611		981	793		901	873	
Return (%)	0.50	0.50	0.00	0.50	0.51	−0.01	0.51	0.49	0.02
Alpha (%)	0.20	0.20	0.00	0.19	0.20	−0.01	0.20	0.19	0.01
Flow (%)	0.54	0.50	0.04	0.39	0.64	−0.25	0.43	0.57	−0.14
Total risk (%)	3.65	3.13	0.52**	3.32	2.99	0.33**	3.35	2.99	0.36**
Idiosyncratic risk (%)	2.39	2.04	0.35**	2.16	1.99	0.17**	2.19	1.96	0.23**
Management fee (%)	1.38	1.42							
Performance fee (%)	16.64	17.08							
High-water mark (dummy)	0.79	0.84							
Fraction of funds with lock-ups	0.44	0.51							
Lock-up period (days)	275.03	244.85							
Redemption period (days)	88.22	84.25							
Leveraged (dummy)	0.68	0.64	0.04	0.63	0.67	−0.04*	0.63	0.67	−0.04
Fund age (years)	7.91	8.02	−0.11	7.89	7.88	0.01	7.94	7.89	0.05
Assets under management (US$m)	515.24	818.37	−303.13	388.1	1,289.13	−900.98**	360.48	1,235.01	−874.53*

Hedge fund managers who purchase performance cars take on more risk than do other hedge fund managers.

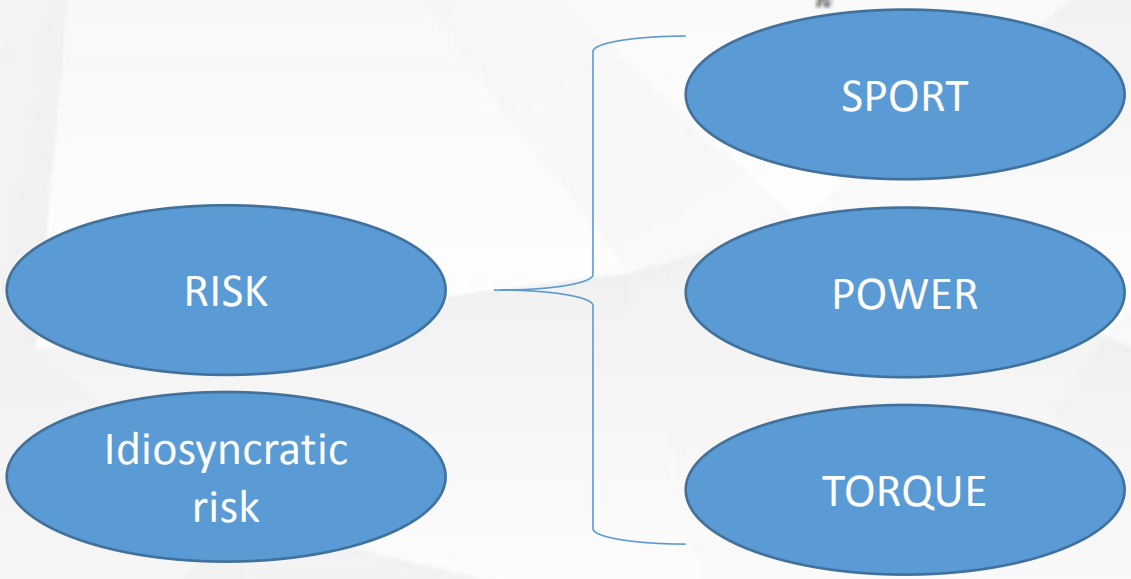
Fund size may explain why we find that performance car owners take on more risk

Panel B: Antisensatio

	Minivan (1)	Nonminivan (2)	Spread (3)	High Passenger Volume (4)	Low Passenger Volume (5)	Spread (6)	High Safety Rating (7)	Low Safety Rating (8)	Spread (9)
Number of funds	101	1,673		1,105	669		676	495	
Return (%)	0.56	0.50	0.06	0.51	0.48	0.03	0.46	0.51	−0.05
Alpha (%)	0.37	0.17	0.20**	0.19	0.17	0.02	0.16	0.24	−0.08
Flow (%)	0.98	0.47	0.51	0.41	0.65	−0.24	0.45	0.75	−0.30
Total risk (%)	2.78	3.15	−0.37	2.87	3.33	−0.46**	2.81	3.09	−0.28**
Idiosyncratic risk (%)	1.8	2.07	−0.27	1.88	2.20	−0.32**	1.88	2.09	−0.21**
Management fee (%)	1.55	1.41	0.14*	1.44	1.38	0.06	1.42	1.42	0.00
Performance fee (%)	17.2	17.03	0.17	17.11	16.93	0.18	17.02	17.70	−0.68
High-water mark (dummy)	0.86	0.84	0.02	0.85	0.82	0.03	0.85	0.84	0.01
Fraction of funds with lock-ups	0.42	0.51	−0.09	0.48	0.53	−0.05	0.49	0.52	−0.02
Lock-up period (days)	232.02	248.05	−16.03	248.15	246.01	2.14	229.10	256.31	−27.21
Redemption period (days)	61.29	86.03	−24.74**	84.90	84.16	0.74	83.26	81.97	1.29
Leveraged (dummy)	0.67	0.65	0.02	0.65	0.64	0.01	0.64	0.66	−0.02
Fund age (years)	6.95	8.11	−1.16**	8.14	7.60	0.54	8.13	7.91	0.22
Assets under management (US$m)	1,945.31	720.97	1,224.34	643.44	1,029.58	−386.14	502.82	1,564.75	−1,061.93

Financial Risk and Performance

$$RISK_{im+23,m} = \alpha + \beta_1 PROSENSATION_{im-1} + \beta_2 RETURN_{m-1,m-24}$$
$$+ \beta_3 MGTFEE_i + \beta_4 PERFFEE_i + \beta_5 LOCKUP_i + \beta_6 LEVERAGE_i$$
$$+ \beta_7 AGE_{im-1} + \beta_8 REDEMPTION_i + \beta_9 log(FUNDSIZE_{im-1})$$
$$+ \sum_k \beta_{10}^k STRATEGYDUM_i^k + \sum_l \beta_{11}^l YEARDUM_m^l + \epsilon_{im},$$



Financial Risk and Performance

Independent Variable	Dependent Variable: RISK (1)	(2)	(3)	(4)	(5)	(6)	IDIORISK (7)	(8)	(9)	(10)	(11)	(12)
SPORT	0.663** (2.81)						0.348* (2.38)					
POWER		0.450** (5.66)						0.269** (4.88)				
TORQUE			0.382** (4.77)						0.233** (4.16)			
MINIVAN				−0.551** (−2.75)						−0.490** (−3.19)		
					−1.067** (−4.75)						−0.696** (−4.42)	
						−0.394** (−2.73)						−0.230* (−2.47)
$RETURN_{m-1,m-24}$	0.071 (1.04)	0.077 (1.14)	0.076 (1.15)	0.070 (0.95)	0.076 (0.97)	0.077 (0.88)						
$ALPHA_{m-1,m-24}$							−0.011 (−0.22)	−0.008 (−0.15)	−0.007 (−0.13)	−0.005 (−0.09)	−0.011 (−0.18)	0.005 (0.08)
MGTFEE	0.328 (1.76)	0.332 (1.77)	0.315 (1.72)	0.330 (1.49)	0.341 (1.43)	0.332 (1.55)	0.338* (2.56)	0.340* (2.55)	0.330* (2.52)	0.355* (2.25)	0.360* (2.15)	0.391* (2.54)
PERFFEE	−0.003 (−0.17)	−0.008 (−0.47)	−0.006 (−0.36)	−0.010 (−0.50)	−0.000 (−0.01)	−0.000 (−0.01)	0.011 (0.78)	0.007 (0.54)	0.009 (0.62)	0.007 (0.46)	0.013 (0.70)	0.010 (0.54)
LOCKUP	0.222 (1.24)	0.271 (1.53)	0.247 (1.40)	0.327 (1.74)	0.369 (1.86)	0.371 (1.74)	0.173 (1.49)	0.201 (1.73)	0.189 (1.63)	0.250* (2.00)	0.291* (2.17)	0.306* (2.11)
LEVERAGE	0.215 (1.10)	0.269 (1.42)	0.227 (1.20)	0.350 (1.68)	0.306	0.391	0.333**	0.365**	0.341**	0.440**	0.427**	0.509**
AGE	0.016 (0.85)	0.018 (0.99)	0.019 (1.01)	0.025 (1.18)								
REDEMPTION	0.015 (0.37)	0.009 (0.22)	0.006 (0.14)	−0.006 (−0.13)		(0.55)						
log(FUNDSIZE)	−0.108 (−1.96)	−0.130* (−2.34)	−0.131* (−2.40)	−0.165** (−2.72)	−0.145*	−0.155*	−0.113**	−0.126**	−0.128**	−0.155**	−0.159**	−0.158**
Strategy Fixed Effects	Yes	Yes	Yes	Yes								
Year Fixed Effects	Yes	Yes	Yes	Yes								
R^2	0.213	0.230	0.227	0.238	0.261	0.244	0.214	0.228	0.226	0.242	0.261	0.252
N	2,457	2,437	2,428	2,457	1,955	1,627	2,457	2,437	2,428	2,457	1,955	1,627

Hedge fund managers who purchase performance cars take on more risk than do other fund managers.

Funds that charge higher management fees and use greater leverage tend to take on greater idiosyncratic risk.

Smaller funds take on more risk.

Financial Risk and Performance

Panel A: Prosensation Vehicle Attribute

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Number of funds	163	1,611		981	793		901	873	
Return (%)	0.50	0.50	0.00	0.50	0.51	−0.01	0.51	0.49	0.02
Alpha (%)	0.20	0.20	0.00	0.19	0.20	−0.01	0.20	0.19	0.01
Flow (%)	0.54	0.50	0.04	0.39	0.64	−0.25	0.43	0.57	−0.14
Total risk (%)	3.65	3.13	0.52**	3.32	2.99	0.33**	3.35	2.99	0.36**
Idiosyncratic risk (%)	2.39	2.04	0.35**	2.16	1.99	0.17**	2.19	1.96	0.23**
Management fee (%)	1.38	1.42	−0.04	1.41	1.43	−0.02	1.40	1.43	−0.03
Performance fee (%)	16.64	17.08	−0.44	17.10	16.97	0.13	17.11	16.98	0.13
High-water mark (dummy)	0.79	0.84	−0.05	0.84	0.84	0.00	0.84	0.84	0.00
Fraction of funds with lock-ups	0.44	0.51	−0.06	0.49	0.52	−0.03	0.49	0.51	−0.02
Lock-up period (days)	275.03	244.85	30.18	244.13	250.95	−6.82	247.21	247.38	−0.17
Redemption period (days)	88.22	84.25	3.97	86.61	82.15	4.46	86.50	82.67	3.83
Leveraged (dummy)	0.68	0.64	0.04	0.63	0.67	−0.04*	0.63	0.67	−0.04
Fund age (years)	7.91	8.02	−0.11	7.89	7.88	0.01	7.94	7.89	0.05
Assets under management (US$m)	515.24	818.37	−303.13	388.15	1,289.13	−900.98**	360.48	1,235.01	−874.53*

Panel B: Antisensation Vehicle Attribute

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Flow (%)	0.98	0.47	0.51	0.41	0.65	−0.24	0.45	0.75	−0.30
Total risk (%)	2.78	3.15	−0.37	2.87	3.33	−0.46**	2.81	3.09	−0.28**
Idiosyncratic risk (%)	1.8	2.07	−0.27	1.88	2.20	−0.32**	1.88	2.09	−0.21**
Management fee (%)	1.55	1.41							
Performance fee (%)	17.2	17.03							
High-water mark (dummy)	0.86	0.84							
Fraction of funds with lock-ups	0.42	0.51							
Lock-up period (days)	232.02	248.05							
Redemption period (days)	61.29	86.03							
Leveraged (dummy)	0.67	0.65							
Fund age (years)	6.95	8.11	−1.16**	8.14	7.60	0.54	8.13	7.91	0.22
Assets under management (US$m)	1,945.31	720.97	1,224.34	643.44	1,029.58	−386.14	502.82	1,564.75	−1,061.93

Managers who acquire practical but unexciting cars take on lower investment risk.

Financial Risk and Performance

ANTISENSATION

$$RISK_{im+23,m} = \alpha + \beta_1 PROSENSATION_{im-1} + \beta_2 RETURN_{m-1,m-24}$$
$$+ \beta_3 MGTFEE_i + \beta_4 PERFFEE_i + \beta_5 LOCKUP_i + \beta_6 LEVERAGE_i$$
$$+ \beta_7 AGE_{im-1} + \beta_8 REDEMPTION_i + \beta_9 log(FUNDSIZE_{im-1})$$
$$+ \sum_k \beta_{10}^k STRATEGYDUM_i^k + \sum_l \beta_{11}^l YEARDUM_m^l + \epsilon_{im},$$

RISK

Idiosyncratic risk

MINIVAN

SPACE

SAFETY

Financial Risk And Performance

Independent Variable	Dependent Variable: RISK (1)	(2)	(3)	(4)	(5)	(6)	IDIORISK (7)	(8)	(9)	(10)	(11)	(12)
SPORT	0.663** (2.81)						0.348* (2.38)					
POWER		0.450** (5.66)						0.269** (4.88)				
TORQUE			0.382** (4.77)						0.233** (4.16)			
MINIVAN				−0.551** (−2.75)						−0.490** (−3.19)		
SPACE					−1.067** (−4.75)						−0.696** (−4.42)	
SAFETY						−0.394** (−2.73)						−0.230* (−2.47)
$RETURN_{m-1,m-24}$	0.071 (1.04)	0.077 (1.14)	0.076 (1.15)									
$ALPHA_{m-1,m-24}$										005 09)	−0.011 (−0.18)	0.005 (0.08)
MGTFEE	0.328 (1.76)	0.332 (1.77)	0.315 (1.72)	(1.49)	(1.43)	(1.55)	(2.56)	(2.55)	(2.52)	355* (2.25)	0.360* (2.15)	0.391* (2.54)
PERFFEE	−0.003 (−0.17)	−0.008 (−0.47)	−0.006 (−0.36)	−0.010 (−0.50)	−0.000 (−0.01)	−0.000 (−0.01)	0.011 (0.78)	0.007 (0.54)	0.009 (0.62)	0.007 (0.46)	0.013 (0.70)	0.010 (0.54)
LOCKUP	0.222 (1.24)	0.271 (1.53)	0.247 (1.40)	0.327 (1.74)	0.369 (1.86)	0.371 (1.74)	0.173 (1.49)	0.201 (1.73)	0.189 (1.63)	0.250* (2.00)	0.291* (2.17)	0.306* (2.11)
LEVERAGE	0.215 (1.10)	0.269 (1.42)	0.227 (1.20)	0.350 (1.68)	0.306 (1.40)	0.391 (1.66)	0.333** (2.62)	0.365** (2.95)	0.341** (2.75)	0.440** (3.22)	0.427** (2.96)	0.509** (3.23)
AGE	0.016 (0.85)	0.018 (0.99)	0.019 (1.01)	0.025 (1.18)	0.039 (1.72)	0.028 (1.25)	0.001 (0.09)	0.003 (0.21)	0.003 (0.22)	0.008 (0.55)	0.021 (1.28)	0.011 (0.75)
REDEMPTION	0.015 (0.37)	0.009 (0.22)	0.006 (0.14)	−0.006 (−0.13)	−0.017 (−0.35)	0.027 (0.55)	−0.014 (−0.73)	−0.018 (−0.92)	−0.020 (−1.00)	−0.029 (−1.25)	−0.031 (−1.16)	−0.005 (−0.17)
log(FUNDSIZE)	−0.108 (−1.96)	−0.130* (−2.34)	−0.131* (−2.40)	−0.165** (−2.72)	−0.145* (−2.33)	−0.155* (−2.35)	−0.113** (−2.77)	−0.126** (−3.05)	−0.128** (−3.10)	−0.155** (−3.41)	−0.159** (−3.36)	−0.158** (−3.27)
Strategy Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.213	0.230	0.227	0.238	0.261	0.244	0.214	0.228	0.226	0.242	0.261	0.252
N	2,457	2,437	2,428	2,457	1,955	1,627	2,457	2,437	2,428	2,457	1,955	1,627

Managers who acquire practical but unexciting cars take on lower investment risk.

Financial Risk and Performance

The incremental risk-taking by performance car buyers does not translate into higher returns.

Hedge fund managers who purchase performance cars take on more risk than do other hedge fund managers.

Fund size may explain why we find that performance car owners take on more risk

Whether the heightened risk of performance car buyers results in lower Sharpe and information ratios?

Panel A: Prosensation Vehicle Attribute

	Sports Car (1)	Nonsports Car (2)	Spread (3)	High Horsepower (4)	Low Horsepower (5)	Spread (6)	High Torque (7)	Low Torque (8)	Spread (9)
		1,611		981	793		901	873	
		[illegible]	0.00	0.50	0.51	−0.01	0.51	0.49	0.02
			0.00	0.19	0.20	−0.01	0.20	0.19	0.01
			0.04	0.39	0.64	−0.25	0.43	0.57	−0.14
		3.13	0.52**	3.32	2.99	0.33**	3.35	2.99	0.36**
		2.04							
Management fee (%)	1.38	1.42							
Performance [illegible]	16.64	17.08							
High-water [illegible] ummy)	0.79	0.84							
Fraction of f [illegible] th lock-ups	0.44	0.51							
Lock-up per [illegible] s)	275.03	244.85							
Redemption [illegible] days)	88.22	84.25	3.97	86.61	82.15	4.46	86.50	82.67	3.83
Leveraged (	0.68	0.64	0.04	0.63	0.67	−0.04*	0.63	0.67	−0.04
Fund age (ye	7.91	8.02	−0.11	7.89	7.88	0.01	7.94	7.89	0.05
Assets under [illegible] ement (US$m)	515.24	818.37	−303.13	388.1[illegible]	1,289.13	−900.98**	360.48	1,235.01	−874.53*

Panel B: Antisensatio[illegible]

		Nonmi- [illegible] an	Spread (3)	High Passenger Volume (4)	Low Passenger Volume (5)	Spread (6)	High Safety Rating (7)	Low Safety Rating (8)	Spread (9)
				1,105	669		676	495	
		0.50	0.06	0.51	0.48	0.03	0.46	0.51	−0.05
		0.17	0.20**	0.19	0.17	0.02	0.16	0.24	−0.08
Flow (%)	0.98	0.47	0.51	0.41	0.65	−0.24	0.45	0.75	−0.30
Total risk (%)	2.78	3.15	−0.37	2.87	3.33	−0.46**	2.81	3.09	−0.28**
Idiosyncratic risk (%)	1.8	2.07	−0.27	1.88	2.20	−0.32**	1.88	2.09	−0.21**
Management fee (%)	1.55	1.41	0.14*	1.44	1.38	0.06	1.42	1.42	0.00
Performance fee (%)	17.2	17.03	0.17	17.11	16.93	0.18	17.02	17.70	−0.68
High-water mark (dummy)	0.86	0.84	0.02	0.85	0.82	0.03	0.85	0.84	0.01
Fraction of funds with lock-ups	0.42	0.51	−0.09	0.48	0.53	−0.05	0.49	0.52	−0.02
Lock-up period (days)	232.02	248.05	−16.03	248.15	246.01	2.14	229.10	256.31	−27.21
Redemption period (days)	61.29	86.03	−24.74**	84.90	84.16	0.74	83.26	81.97	1.29
Leveraged (dummy)	0.67	0.65	0.02	0.65	0.64	0.01	0.64	0.66	−0.02
Fund age (years)	6.95	8.11	−1.16**	8.14	7.60	0.54	8.13	7.91	0.22
Assets under management (US$m)	1,945.31	720.97	1,224.34	643.44	1,029.58	−386.14	502.82	1,564.75	−1,061.93

Financial Risk and Performance

$$SHARPE = \frac{Average\ fund\ excess\ return}{The\ standard\ deviation\ of\ fund\ return}$$

$$INFORMATION = \frac{Fund\ information\ ratio(Average\ monthly\ abnormal\ return)}{The\ standard\ deviation\ of\ fund\ residuals}$$

Monthly fund alpha : the monthly fund abnormal return

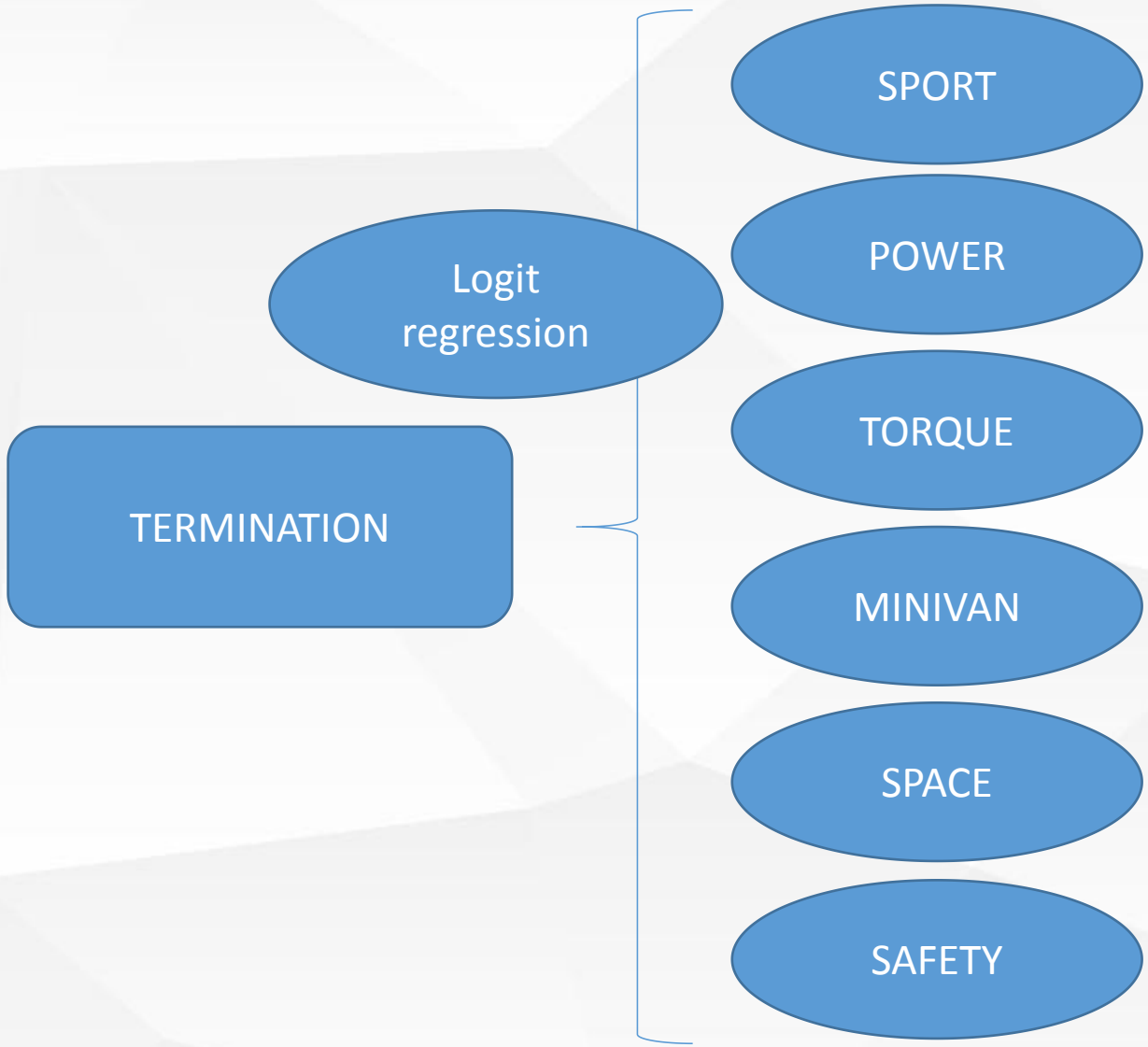
Financial Risk and Performance

Managers who purchase vehicles with prosensation attributes deliver lower Sharpe , information ratios , and lower alpha.

SPORT (1)	POWER (2)	TORQUE (3)	MINIVAN (4)	SPACE (5)	SAFETY (6)
Panel A: Multivariate OLS Regressions on SHARPE					
−0.110**	−0.047**	−0.045**	0.156**	0.187**	0.070**
(−3.72)	(−2.69)	(−2.84)	(3.29)	(5.63)	(4.90)
Panel B: Multivariate OLS Regressions on INFORMATION					
−0.096**	−0.063**	−0.056**	0.115	0.155**	0.041*
(−2.69)	(−2.76)	(−2.71)	(1.47)	(3.38)	(2.09)
Panel C: Multivariate OLS Regressions on ALPHA					
−0.243**	−0.093**	−0.078**	0.268**	0.192**	−0.017
(−3.15)	(−3.82)	(−3.57)	(3.19)	(2.72)	(−0.47)

Operational Risk

$$TERMINATION = \begin{cases} 1, a\ fund\ stops\ reporting\ returns\ for\ that\ month \\ 0, otherwise \end{cases}$$

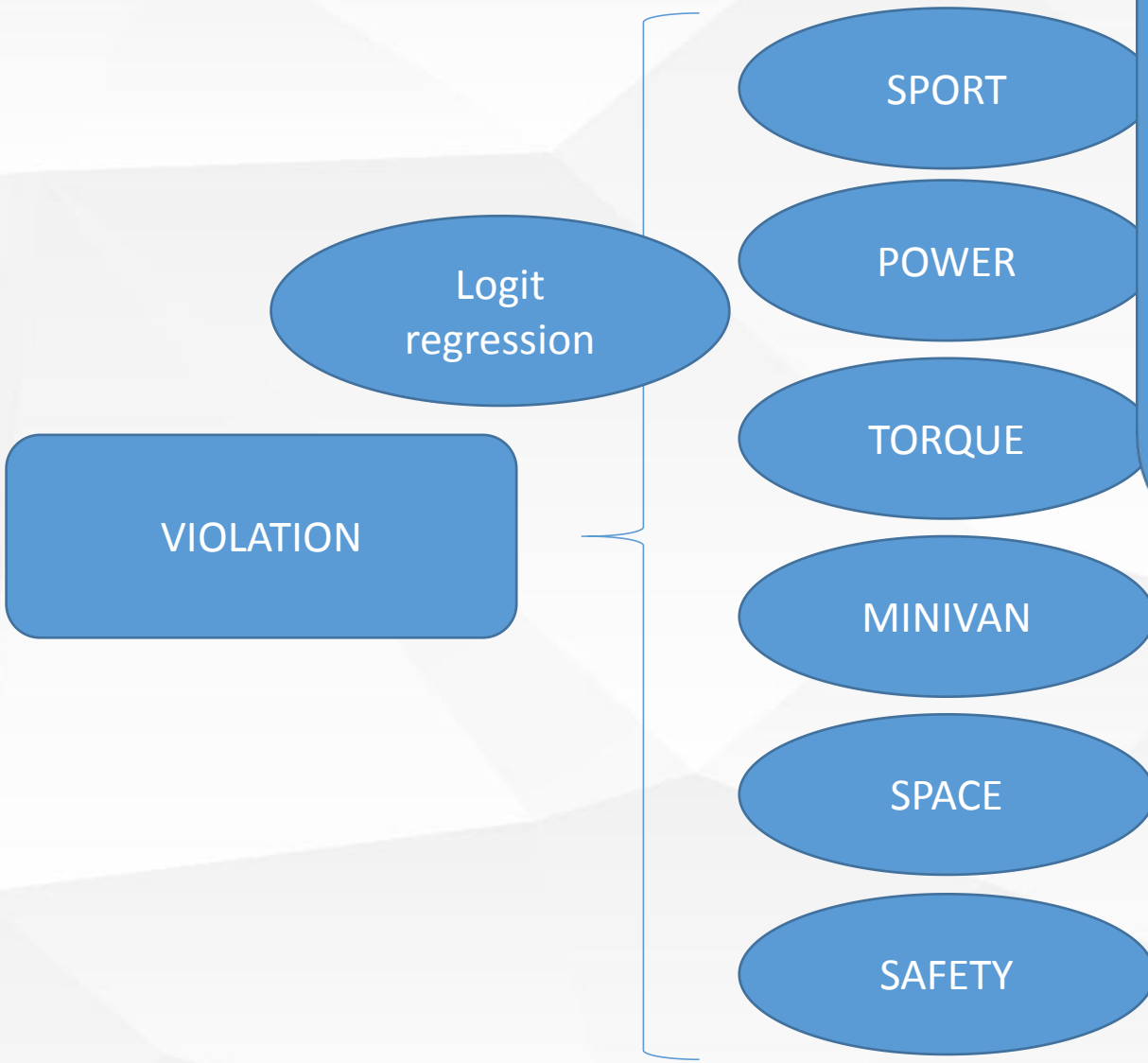


Operational Risk

Performance car buyers are more likely to terminate their funds.
Fund managers who own practical but unexciting cars are less likely to terminate their funds.

Independent Variable					
SPORT	POWER	TORQUE	MINIVAN	SPACE	SAFETY
(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Multivariate Logit Regressions on TERMINATION					
0.789**	0.398**	0.335**	−1.641**	−0.733**	−0.694**
(3.16)	(5.19)	(4.81)	(−3.10)	(−3.73)	(−4.61)
[0.004]	[0.002]	[0.001]	[−0.004]	[−0.003]	[−0.013]

Operational Risk



$$VIOLATION = \begin{cases} 1, After\ a\ fund\ manager\ reports\ on\ her\ Form\ ADV\ in\ the\ 24-month\ period\ psotvehicle\ purchase\ that\ she\ has\ been\ associated\ with\ an\ ITEM\ 11\ Form\ ADV\ disclodure \\ 0, otherwise \end{cases}$$

Operational Risk

Hedge fund managers who purchase performance cars are also more likely to report on their Form ADVs that they have been associated with past regulatory , civil , and criminal violations.

Independent Variable					
SPORT (1)	POWER (2)	TORQUE (3)	MINIVAN (4)	SPACE (5)	SAFETY (6)
Panel C: Multivariate Logit Regressions on VIOLATION					
0.831**	0.651**	0.497**	−1.459**	−0.325	0.051
			(−2.91)	(−0.77)	(0.25)
			[−0.186]	[−0.056]	[0.009]
Panel D: Multivariate OLS Regressions on OMEGA					
0.083*	0.058**	0.042**	−0.253**	−0.172**	−0.075*
(2.06)	(5.22)	(4.14)	(−2.97)	(−2.83)	(−2.05)

Brown et al.(2009)一个源自于基金的业绩、波动、年龄、规模、费用结构和其他特征的一个操作风险指标

Sensation seekers exhibit greater operational risk.

Trading Behavior

TURNOVER
Annualized turnover of a hedge fund manager's stock portfolio,

NRSQUARED
One minus the R2 from the regression of fund excess returns

LOTTERY
The maximum daily stock return over the past month (or MAX）

NONSPRATIO
The ratio of the number of non-S&P 500 index stocks bought in a quarter to the total number of new positions in the quarter,

DISTINCTIVENESS
One minus the sample correlation of a fund's return with the average return of all funds belonging to the same investment style

ACTIVESHARE
Active Share or the fraction of fund portfolio holdings that differ from the S&P 500

EXCESSIVETRADING
The difference between the return that quarter of the portfolio of stocks held by the fund at the end of the prior year and the return that same quarter of the actual portfolio of stocks held by the fund.

Trading Behavior

Owners of cars with prosensation qualities trade more often, purchase more nonindex stocks, increase their Active Share vis- ` a-vis the S&P 500, exhibit lower R2s relative to the Fung and Hsieh (2004) seven-factor model. and engage in more distinctive strategies.

	Sport (1)	Nonsport (2)	Spread (3)	High Horse-power (4)	Low Horse-power (5)	Spread (6)	High Torque (7)	Low Torque (8)	Spread (9)
TURNOVER	0.232	0.171	0.061*	0.242	0.173	0.069*	0.233	0.180	0.053
NONSPRATIO	0.716	0.672	0.044*	0.741	0.662	0.079**	0.724	0.678	0.046**
ACTIVESHARE	0.588	0.538	0.050**	0.596	0.540	0.056**	0.589	0.545	0.044**
NRSQUARED	0.682	0.617	0.065**	0.650	0.597	0.053**	0.637	0.607	0.030**
DISTINCTIVENESS	0.715	0.703	0.012	0.726	0.683	0.043**	0.716	0.692	0.024*
EXCESSIVETRADING	0.069	0.044	0.025*	0.059	0.035	0.024**	0.048	0.046	0.002
LOTTERY	0.073	0.049	0.024**	0.082	0.052	0.030**	0.078	0.055	0.023**

Sensation seekers are more likely to trade excessively and are drawn to lottery-like stocks.

	Minivan (1)	Nonminivan (2)	Spread (3)	ger Volume (4)	ger Volume (5)	Spread (6)	High Safety Rating (7)	Low Safety Rating (8)	Spread (9)
TURNOVER	0.085	0.212	−0.127**	0.151	0.191	−0.040*	0.177	0.175	0.002
NONSPRATIO	0.612	0.705	−0.093**	0.643	0.705	−0.062**	0.679	0.682	−0.003
ACTIVESHARE	0.421	0.551	−0.130**	0.460	0.568	−0.108**	0.506	0.537	−0.031**
NRSQUARED	0.586	0.653	−0.067**	0.625	0.676	−0.051*	0.649	0.659	−0.010
DISTINCTIVENESS	0.685	0.723	−0.038*	0.722	0.727	−0.005	0.715	0.735	−0.020*
EXCESSIVETRADING	0.045	0.066	−0.022	0.053	0.077	−0.024**	0.061	0.072	−0.011
LOTTERY	0.036	0.068	−0.032**	0.045	0.068	−0.023**	0.052	0.062	−0.010**

03

Hedge Fund Investors and Sensation Seeking

Demand for Sensation-Seeking Hedge Funds

FoFs managed by performance car owners tend to take on more risk and idiosyncratic risk in their hedge fund portfolios than do other FoFs.

Some hedge fund investors are themselves susceptible to sensation seeking.

FoFs managed by owners of practical but unexciting cars tend to take on less risk and idiosyncratic risk than do other FoFs.

Independent Variable												(12)
SPORT	1.937*						1.162					
	(2.22)						(1.95)					
POWER		0.761**						0.440**				
		(4.31)						(3.55)				
TORQUE			0.648**						0.359*			
			(3.23)						(2.53)			
MINIVAN				−1.380**						−0.815*		
				(−2.87)						(−2.14)		
					−1.637*						−1.261*	
					(−2.23)						(−2.14)	
						−1.075**						−0.774*
						(−2.84)						(−2.05)
$RETURN_{m-1,m-24}$	0.049	0.08										
	(0.28)	(0.57)										
$ALPHA_{m-1,m-24}$												
MGTFEE	0.267	0.116	0.022	0.170	0.408	0.299	0.225	0.138	0.097	0.166	0.380	0.355
	(0.84)	(0.40)	(0.07)	(0.33)	(0.72)	(0.52)	(0.85)	(0.55)	(0.36)	(0.37)	(0.93)	(0.67)
PERFFEE	−0.045	−0.061	−0.054	−0.090*	−0.030	−0.058	−0.028	−0.037	−0.033	−0.058	−0.002	−0.028
	(−1.32)	(−1.92)	(−1.50)	(−2.04)	(−0.73)	(−1.63)	(−1.26)	(−1.72)	(−1.35)	(−1.73)	(−0.07)	(−0.90)
LOCKUP	−0.921*	−0.330	−0.517	−0.793	−0.785	−0.684	−0.664**	−0.315	−0.433*	−0.655	−0.821	−0.774
	(−2.55)	(−1.19)	(−1.88)	(−1.71)	(−1.47)	(−1.20)	(−2.75)	(−1.53)	(−2.18)	(−1.63)	(−1.70)	(−1.46)
LEVERAGE	0.018	0.165	0.141	0.311	0.297	0.461	0.204	0.284	0.264	0.556	0.584	0.678
	(0.05)	(0.57)	(0.45)	(0.63)	(0.50)	(0.78)	(0.87)	(1.30)	(1.13)	(1.31)	(1.25)	(1.32)
AGE	−0.020	−0.037	−0.040	−0.015	0.041	0.040	−0.005	−0.014	−0.016	0.006	0.046	0.043
	(−0.66)	(−1.43)	(−1.45)	(−0.38)	(0.94)	(1.04)	(−0.25)	(−0.77)	(−0.79)	(0.20)	(1.35)	(1.19)
REDEMPTION	−0.058	−0.064	−0.058	−0.101	−0.066	−0.050	−0.044	−0.049*	−0.046	−0.077	−0.059	−0.065
	(−1.47)	(−1.83)	(−1.43)	(−1.71)	(−1.16)	(−0.98)	(−1.82)	(−2.19)	(−1.78)	(−2.01)	(−1.79)	(−1.55)
log(FUNDSIZE)	−0.115	−0.117*	−0.127*	−0.218*	−0.121	−0.247*	−0.090*	−0.090*	−0.096*	−0.160*	−0.089	−0.164
	(−1.99)	(−2.17)	(−2.29)	(−2.65)	(−1.08)	(−2.44)	(−2.49)	(−2.44)	(−2.44)	(−2.60)	(−1.41)	(−2.01)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.335	0.385	0.349	0.323	0.373	0.470	0.280	0.306	0.275	0.259	0.320	0.367
N	198	192	192	198	192	192	198	192	192	198	192	192

Demand for Sensation-Seeking Hedge Funds

Hedge Fund Portfolio	Fund of Hedge Funds (FoF) Portfolio					
	Sensation-Seeking Portfolio (SS) (1)	Sensation-Neutral Portfolio (SN) (2)	Sensation-Avoiding Portfolio (SA) (3)	Spread 1 (SS-SA) (4)	Spread 2 (SS-SN) (5)	Spread 3 (SA-SN) (6)
Panel A: Without Controlling for Co-variation with the Fung and Hsieh (2004) Factors						
Sensation-seeking portfolio (SS)	0.412** (2.64)	0.014 (0.19)	−0.270* (−2.54)	0.681** (5.47)	0.397** (3.30)	−0.284** (−2.92)
Sensation-neutral portfolio (SN)						
Sensation-avoiding portfolio (SA)	−0.334	−0.146	0.010	−0.344	−0.188	0.156
R^2						
N	105	105	105	105	105	105

Sensation seeking drives investor preference for sensation-seeking hedge funds

sensation avoidance does not fuel investor demand for sensation-avoiding hedge funds.

Fund Flow-Performance Relationship

Flows to sensation-seeking hedge funds are indeed more sensitive to performance than are flows to sensation-avoiding hedge funds.

	Dependent Variable = FLOW								
	Sensation-Seeking	Sensation-Avoiding	Sensation-Neutral	Sensation-Seeking	Sensation-Avoiding	Sensation-Neutral	Sensation-Seeking HFs	Sensation-Avoiding HFs	Sensation-Neutral HFs
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
RANK	7.703**	1.214	3.423**						
	(3.81)	(0.57)	(6.41)						
RANK_CAPM				3.733*	−0.343	0.761*			
				(2.54)	(−0.24)	(2.02)			
RANK_FH							3.724*	−0.897	1.691**
							(2.59)	(−0.69)	(3.39)
RISK	14.305	−8.505	−8.712	18.936	−21.215	0.464	20.703	−19.503	0.808
	(1.08)	(−0.30)	(−1.28)	(0.89)	(−0.59)	(0.06)	(1.05)	(−0.57)	(0.12)
MGTFEE	0.170	1.134	−0.271*	−0.512	0.349	−0.247	−0.283	0.375	−0.198
	(0.22)	(1.19)	(−2.36)	(−0.42)	(0.32)	(−1.28)	(−0.24)	(0.35)	(−1.06)
PERFFEE	−0.079	−0.131	−0.026	−0.146	−0.076	−0.038	−0.117	−0.069	−0.057*
	(−1.56)	(−1.02)	(−1.17)	(−1.92)	(−0.55)	(−1.69)	(−1.76)	(−0.51)	(−2.42)
LOCKUP	0.409	0.278	0.320	0.282	0.006	0.302	0.252	−0.015	0.325
	(0.82)	(0.64)	(1.70)	(0.46)	(0.01)	(1.41)	(0.42)	(−0.03)	(1.50)
LEVERAGE	0.220	0.631	−0.135	0.060	1.603	−0.174	0.097	1.569	−0.217
	(0.34)	(0.60)	(−0.73)	(0.07)	(1.61)	(−0.85)	(0.12)	(1.61)	(−1.10)
AGE	−0.169**	−0.057	−0.095**	−0.152*	−0.027	−0.082**	−0.151*	−0.034	−0.093**
	(−3.15)	(−0.69)	(−5.61)	(−2.32)	(−0.33)	(−4.05)	(−2.32)	(−0.41)	(−4.86)
REDEMPTION	−0.102	−0.115	0.011	−0.339	0.048	0.053	−0.209	0.057	0.054
	(−0.46)	(−0.26)	(0.26)	(−1.29)	(0.11)	(1.21)	(−0.91)	(0.14)	(1.24)
log(FUNDSIZE)	−0.108	−0.987**	−0.319**	0.286	−0.874**	−0.181**	0.367	−0.870**	−0.240**
	(−0.36)	(−3.21)	(−4.66)	(0.90)	(−2.93)	(−2.68)	(1.16)	(−2.93)	(−3.35)
Strategy Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.271	0.371	0.130	0.164	0.275	0.067	0.156	0.278	0.091
N	199	110	1,753	199	110	1,753	199	110	1,753

Alignment with Investors

Dependent Variable = RISK						Dependent Variable = IDIORISK					
SPORT (1)	POWER (2)	TORQUE (3)	MI								ETY 12)
Panel A: Manager Does Not Coinvest Personal Capital											
1.492*	0.453*	0.436*	−0.796	−1.240**	−0.601*	0.846*	0.266*	0.257*	−0.736*	−0.694*	−0.311
(2.59)	(2.48)	(2.43)	(−1.63)	(−2.80)	(−2.15)	(2.56)	(2.25)	(2.14)	(−2.49)	(−2.39)	(−1.72)
Panel B: Manager Coinvests Personal Capital											
−0.339	−0.001	−0.082	−0.737	−1.962**	−0.536	0.051	−0.034	−0.076	−0.959**	−1.596**	−0.241
					)	(0.21)	(−0.23)	(−0.67)	(−2.84)	(−4.29)	(−1.10)
					h Low Manager Total Deltas						
1.597**	1.049**	0.827**	0.738	−0.370	−0						
(3.57)	(3.67)	(3.30)	(1.87)	(−0.89)	(−0						
Panel D: Funds with High Manager Total Deltas											
−0.038	0.019	0.026	−0.735*	−1.362**	−0.880**	0.018	0.005	0.016	−0.558**	−1.099**	−0.575**
(−0.12)	(0.27)	(0.37)	(−2.59)	(−4.45)	(−4.49)	(0.11)	(0.11)	(0.32)	(−2.64)	(−5.88)	(−4.59)

Sharp differences in sensation-seeking activity between funds sorted on manager personal capital.

Fund managers are less likely to indulge in sensation seeking when their incentives are more aligned with those of their investors.

Striking differences in sensation-seeking activity between funds sorted on manager total delta.

Investor Perceptions

Sensation-avoiding managers are indeed more capable than sensation-seeking managers.

Independent Variable					
SPORT	POWER	TORQUE	MINIVAN	SPACE	SAFETY
(1)	(2)	(3)	(4)	(5)	(6)
Panel C: Multivariate OLS Regressions on ALPHA					
−0.243**	−0.093**	−0.078**	0.268**	0.192**	−0.017
(−3.15)	(−3.82)	(−3.57)	(3.19)	(2.72)	(−0.47)

Investor Perceptions

Investors correctly perceive sensation seeking managers to be less competent.

	Sports Car								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Alpha (%)	0.20	0.20	0.00	0.19	0.20	−0.01	0.20	0.19	0.01

Panel B: Antisensation Vehicle Attribute

	Minivan	Nonminivan	Spread	High Passenger Volume	Low Passenger Volume	Spread	High Safety Rating	Low Safety Rating	Spread
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Alpha (%)	0.37	0.17	0.20**	0.19	0.17	0.02	0.16	0.24	−0.08

Investors do not fully appreciate the superior investment skills of sensation-avoiding managers.

04 Alternative Explanations and Robustness Tests

Reverse causality

The act of buying or driving a performance car, rather than telegraphing a manager's innate preference for sensation seeking, actually begins to increase her tolerance for risk.

Dependent Variable = RISK			Dependent Variable = IDIORISK								
SPORT	POWER	TORQ							TY		
(1)	(2)	(3)									
Panel E: Dependent Variable = Risk Measured over the Two-Year Period Prior to Car Purchase											
0.452*	0.228**	0.194**	−0.750**	−0.478**	−0.183	0.435**	0.180**	0.148**	−0.718**	−0.478**	−0.163
(2.39)	(3.49)	(2.92)	(−5.05)	(−2.92)	(−1.65)	(2.74)	(3.27)	(2.63)	(−4.45)	(−3.03)	(−1.56)

Consistent with the view that sensation seeking is a durable personality trait, our sensation-seeking proxies based on vehicle attributes also explain past fund risk.

Gender

Barber and Odean (2001) show that female investors take on less risk than their male counterparts

(https://genderize.io/) to determine gender using a manager's first name.

Gender does not drive our results.

Dependent Variable = RISK						Dependent Variable = IDIORISK					
SPORT	POWER	TORQ									SAFETY
(1)	(2)	(3)									(12)
Panel F: Controlling for Gender											
0.688**	0.352**	0.321**	−0.643**	−1.190**	−0.486**	0.393**	0.212**	0.192**	−0.573**	−0.767**	−0.257**
(3.38)	(5.02)	(4.84)	(−3.42)	(−5.30)	(−3.28)	(3.17)	(4.33)	(4.01)	(−4.42)	(−4.96)	(−2.78)

Social status or wealth

Piff et al. (2012), upper-class individuals, driven in part by greed, exhibit greater unethical tendencies. Greed among high-status drivers may motivate them to take on more investment risk

Inferences remain unchanged

Control for vehicle price

Cull data on fund manager home prices

Dependent Variable = RISK						Dependent Variable = IDIORISK					
SPORT (1)	POWER (2)	TORQUE (3)	MINIVAN (4)	SPACE (5)	SAFETY (6)	SPORT (7)					TY
Panel G: Controlling for Vehicle Price											
1.017**	0.376**	0.333**	−0.642**	−1.188**	−0.487**	0.603**	0.226**	0.199**	−0.573**	−0.766**	−0.257**
(4.61)	(5.20)	(4.93)	(−3.41)	(−5.29)	(−3.28)	(4.49)	(4.52)	(4.10)	(−4.41)	(−4.95)	(−2.78)
Panel H: Controlling for the Purchase Price of the Manager's House											
1.758*	0.477**	0.346*	−1.516*	−1.117*	−1.813**	0.932*	0.279*	0.206*	−1.123	−0.879*	−0.852*
(2.30)	(2.69)	(2.39)	(−2.09)	(−2.08)	(−4.07)	(2.20)	(2.33)	(2.10)	(−1.73)	(−2.45)	(−2.37)

Biological age

Manager biological age may also drive our results.

To account for manager biological age, we cull data on fund manager date of birth from Peoplewise (www.peoplewise.com)

Dependent Variable = RISK						Dependent Variable = IDIORISK					
SPORT	POWER	TORQUE	MINIVAN	SPACE	SAFETY	SPORT	POWER	TORQUE	MINIVAN	SPACE	SAFETY
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel J: Controlling for Manager Biological Age											
0.754**	0.310**	0.289**	−0.329	−1.058**	−0.400**	0.440**	0.189**	0.181**	−0.354*	−0.674**	−0.216*
(3.62)	(4.15)	(3.86)	(−1.67)	(−4.56)	(−2.90)	(3.39)	(3.61)	(3.33)	(−2.54)	(−4.26)	(−2.49)

Our inferences remain unchanged with this adjustment.

Other risk-seeking motives

Performance car purchases may be driven by risk-seeking motives that are unrelated to sensation seeking.

we control for past fund risk or idiosyncratic risk estimated over the last 24 months and reestimate our baseline regressions

Dependent Variable = RISK						Dependent Variable = IDIORISK					
SPORT	POWER	TORQUE	MINIVAN	SPACE	SAFETY	SPORT					ETY
(1)	(2)	(3)	(4)	(5)	(6)	(7)					2)
Panel I: Controlling for Past Risk Seeking											
0.624**	0.425**	0.352**	−0.532**	−0.858**	−0.258**	0.298**	0.263**	0.224**	−0.383**	−0.519**	−0.132*
(4.13)	(8.60)	(7.75)	(−5.05)	(−7.00)	(−3.24)	(2.97)	(7.18)	(6.56)	(−3.89)	(−5.24)	(−2.28)

Inferences remain unchanged

Skewness or excessively trade

Performance vehicle purchases could proxy for either skewness preference or a propensity to trade excessively.

We control for past fund return skewness estimated over the last 24 months as well as EXCESSIVETRADING estimated over the last eight quarters and reestimate our baseline risk regressions.

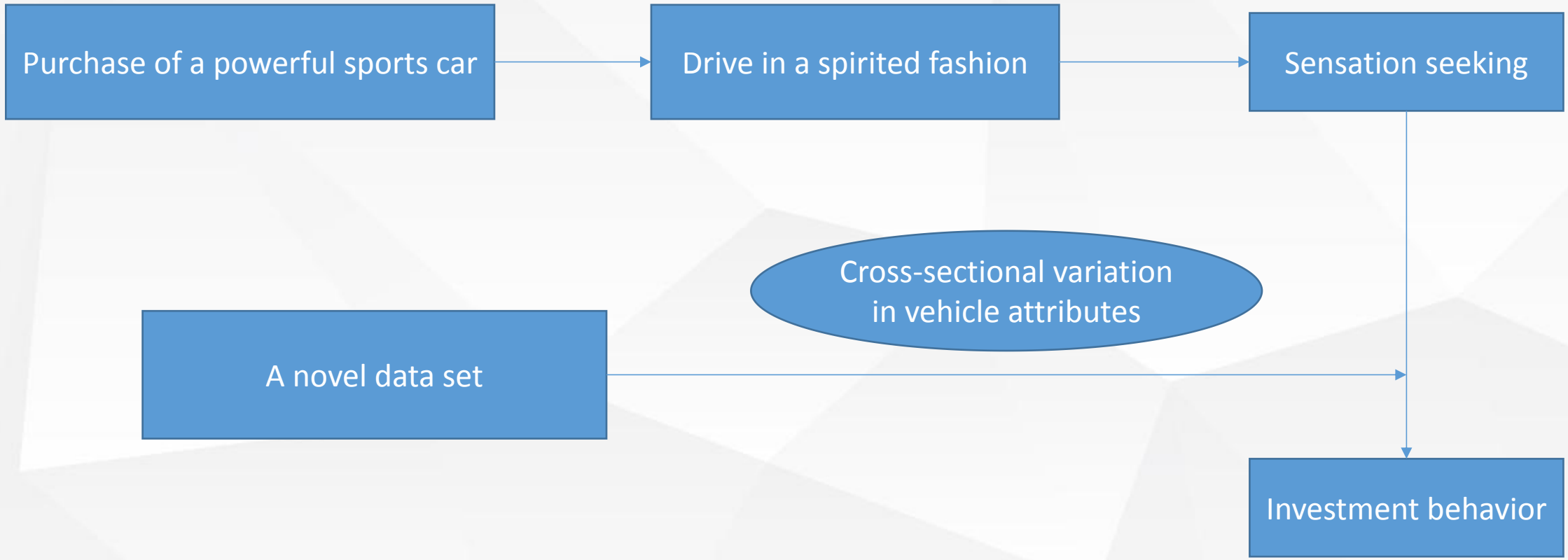
Dependent Variable = RISK											
SPORT	POWER	TORQUE	MINIVAN	SPACE	SAFETY						
(1)	(2)	(3)	(4)	(5)	(6)						
Panel M: Controlling for Past Skewness and Excessive Trading											
0.801*	0.334**	0.240*	−0.560	−1.290**	−0.817**	0.496**	0.170*	0.116	−0.605**	−0.940**	−0.480**
(2.12)	(2.90)	(2.25)	(−1.76)	(−3.26)	(−2.93)	(2.89)	(2.57)	(1.83)	(−2.61)	(−4.08)	(−2.88)

Neither past skewness preference nor past excessive trading drives our findings.

05

Conclusion

Foundation


Purchase of a powerful sports car
Drive in a spirited fashion
Sensation seeking
Cross-sectional variation in vehicle attributes
A novel data set
Investment behavior

Conclution1

(1)Taking on more investment riskwithout being compensated with higher returns.

(2)Terminating their funds, disclose violations on their Form ADVs,and exhibit greater operational risk.

(3)Trading more frequently, actively, and unconventionally , they also gravitate toward lottery-like stocks.,

(4)Trading hurts the performance of sensation seekers more

Validate the advice given by some hedge fund allocators to avoid managers who drive fancy sports cars.

Conclution2

(1)Some investors are themselves susceptible to sensation seeking

(2)Sensation-seeking investors fuel the demand for sensation seeking managers

While investors understand that sensation-seeking managers are less competent, they do not fully appreciate the superior investment skills of sensation-avoiding managers.

感谢老师
请老师多多指正