

Getting What You Paid For: Using Mutual Fund Governance to Predict the Activeness of Mutual Funds

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Abstract : This paper examines the relationship between mutual fund governance and the activeness of equity mutual funds. Using a fund's corporate culture as a proxy for its governance and controlling for other variables, we find that funds with the better governance are significantly more active than other funds. Further, we find the probability of finding a highly active fund increases significantly as the governance of the fund improves. We also find some evidence that the probability of finding a closet index fund increases as the governance of the fund declines. These results demonstrate that mutual fund governance should be considered carefully when making mutual fund investment decisions.

Keywords : active, share, mutual funds, economics

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