Title: **ASSET MANAGERS: INSTITUTIONAL PERFORMANCE AND SMART BETAs**

Speaker: **JOSEPH J. GERAKOS**
University of Southern California, NBER

Importance: Why this matters:

Assets delegated to institutional managers comprise 29% of worldwide investable assets, and the managers collected $162 billion in fees. It is important to understand what value, if any is being added.

Investigation: "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

Using a database provided by a large global asset consultant, Gerakos evaluated the performance of managers of institutional assets, both gross and net of fees. They calculated performance using: asset class benchmarks, strategy benchmarks, CAPM regressions, and style regressions.

The managers outperformed asset class benchmarks. The alpha from CAPM regressions were positive for all asset classes (gross and net), but only global fixed income was statistically significant net. The regression alpha of US fixed income became insignificant when run against appropriate strategy benchmarks. The style analysis produced negative equity alphas and insignificant fixed income alphas.

Innovation: Are there new techniques of interest in the data or approach to the problem?

The authors used a consultant's performance database. The consultant imposes a level of quality control, and information in the data allowed them to control for backfilling and survivorship. Also, using the consultant's database allowed them to calculate their performance metrics gross and net of fees.

Insights: 1-2-3, what are the three most important things the speaker offered?

1. On average, the managers outperformed asset class benchmarks, but it was due to style loadings. The equity managers had significantly negative alphas, and the fixed income managers had insignificant alphas after adjusting for style exposures. Since the style exposures were estimated in sample, they cannot determine if they were strategic or tactical.

2. If assets delegated to institutional managers outperformed their asset class benchmarks by 131 basis points per annum, everyone else's returns are 53 basis points lower (29% x 131bps = 71% x 53bps), all gross of fees.

Audience rating: 3.82