Eponymous Hedge Funds

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This Draft: April 18, 2021

Abstract

Using a relatively common phenomenon of eponymy in the hedge fund industry where funds are named after their founder-managers, we examine if eponymy is associated with skilled managers signaling their ability. Our results suggest that eponymous fund managers are neither necessarily skilled nor outperform their non-eponymous peers. In contrast, eponymous funds take higher risk which lead them to have lower Sharpe ratios and information ratios, hence worse risk-adjusted performance. Moreover, we do not find any evidence of an increase in reputational costs and benefits associated with eponymy. Fund investors neither reward nor punish eponymous managers for good and bad performance, respectively, relative to their non-eponymous peers. Overall, these results fail to support a signaling-based explanation of eponymy and highlight the need for exploring other mechanisms behind the eponymy decision of hedge fund managers.

Keywords: Eponymy; hedge funds; performance; risk taking; signaling; skill.

JEL classification: G23, G40.

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*We thank Sugata Ray, Stefan Ruenzi, Pablo Ruiz-Verdú, and Florian Weigert for their insightful and constructive comments. We also benefited from discussions with seminar participants at NEOMA Business School, Virtual Asset Management Seminar Series, the University of Hawaii, and University Carlos III of Madrid.

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1 Introduction

Firms' naming decision and its consequences have been studied in various settings in the corporate finance literature.[1] One of the implications of firm's naming strategy is its utility as a signal to outsiders in the presence of information asymmetries about the quality of the firm. A typical example in corporate finance where information asymmetry plays a crucial role is the creation of new business ventures. New businesses are likely to have difficulty in attracting investment if there is no proper mechanism to transmit information about the entrepreneur's ability and the quality of the business they create (Shapiro, 1983; Amit, Glosten, and Muller, 1990; Shane and Cable, 2002). In a recent paper, Belenzon, Chatterji, and Daley (2017) build a formal model of signaling and show that eponymy acts as a strategic choice for the entrepreneur that can help alleviate informational asymmetries between the entrepreneur and other parties. The key assumption in their model is that greater levels of signaling activity (such as eponymy) create a stronger association between the firm and the entrepreneur herself, and therefore, increases the reputational benefits or costs of having the market hold a favorable or unfavorable impression of her ability or her firm's quality. As a result, their model predicts that high-ability entrepreneurs are more likely to opt for eponymy than low-ability ones, and consequently, eponymous firms are expected to perform better. Motivated by this theoretical literature, we use the hedge fund setting to examine if skilled fund managers signal their ability through eponymy.

We believe hedge funds offer an ideal setting to test if eponymy is associated with signaling of managerial skill. First, hedge fund business is strongly entrepreneurial.[2] Second, actions of and outcomes for agents (hedge fund managers) are readily observable and measurable in terms

[1] For example, Kreps (1990) builds a model in which there are short-lived suppliers and buyers of a service, and reputation becomes a key variable for the trade to happen. In equilibrium, suppliers create a firm where trust and reputation is built on the firm's name. Tadelis (1999, 2002) build on Kreps' idea and develops a model where firm's only asset is its name. He studies the equilibrium conditions, which cause firm names to be valuable, tradable assets.

[2] Grossman (2005) quotes in the Wall Street Journal that "Hedge funds are typically managed by an entrepreneur... Hedge fund returns are the outcome of an entrepreneurial activity."

of funds' performance, portfolio holdings, and risk-taking behavior. This, in turn, allows us to study the relation between eponymy and skill. In addition, in contrast to the corporate finance setting, we can observe fund investors' responses (i.e., investor flows) to the performance of eponymous hedge funds that enables us to formally test the signaling hypothesis. Specifically, we can examine the costs and benefits associated with hedge fund managers signaling their ability by choosing to be eponymous. In the case of firms, potential costs associated with eponymy are much harder to observe since CEO/entrepreneur replacement is relatively infrequent if firms do not perform well. In contrast, in the case of hedge funds, if eponymous managers do not perform well, costs may be more easily and frequently observable and measurable in terms of investor outflows. Finally, informational asymmetries are arguably much greater in hedge funds compared to corporations. Unlike corporations that are subject to more regulatory scrutiny, hedge fund industry is largely unregulated and relatively opaque due to limited disclosure. This makes it challenging for fund investors to obtain necessary information to make their investment decisions, therefore providing fund managers incentives to signal their ability via eponymy.

Eponymy is relatively common among hedge funds. For example, according to our primary eponymy criterion, five of the top 20 largest funds in terms of assets under management as of the first half of 2019 are eponymous funds that are named after their founders.[3] Using a comprehensive set of four hedge fund databases covering a total of 15,165 funds and based on four different eponymy criteria, we identify 827 to 1,312 eponymous funds corresponding to 5.45% to 8.65% of all the funds with manager information in our sample.[4] We identify eponymous funds as: i) funds which use the first, middle, or last name of the founder, or a combination of the names in case of multiple founders (*Eponymy1*), ii) applying criterion i)

[3]These are Elliott Management (no. 7) founded by Paul Elliott Singer, Davidson Kempner Capital Management (no. 10) founded by Marvin Davidson and Thomas Kempner, D. E. Shaw Group (no.13) founded by David. E. Shaw, Marshall Wace (no. 15) founded by Paul Marshall and Ian Wace, and Winton Capital Management (no. 18) founded by David Winton Harding. See https://www.pionline.com/special-report-hedge-funds/largest-managers-hedge-funds for a list of largest hedge funds.

[4]We exclude eponymous funds that have been founded a long time back as their founders are not alive anymore (e.g., Man Group, Lazard Asset Management, Julius Baer, and JP Morgan). Therefore, we believe there is little role for signaling in case of these older eponymous funds that precede our sample period.

not only to fund names, but also to fund's parent company names (*Eponymy2*), iii) applying criterion i) including initials of founder names in fund names (*Eponymy3*), and iv) applying criterion iii) not only to fund names, but also to fund's parent company names (*Eponymy4*). For brevity, we report our findings using the most comprehensive definition of eponymy variable, *Eponymy4*, yielding 1,312 eponymous funds (8.65% of all funds in our sample).[5] Using *Eponymy4* as our main eponymy variable, our results are summarized as follows.

Over the 1994–2018 sample period, our univariate analysis reveals mixed evidence regarding superior performance of eponymous hedge funds. While eponymous funds on average generate higher returns, Fung and Hsieh (2004) 7-factor alphas, and manipulation-proof performance measure (MPPM) of Goetzmann et al. (2007) than non-eponymous hedge funds, they also take greater idiosyncratic risk and total risk, which result in lower Sharpe ratios and information ratios.[6] However, these results turn out to be *not* robust to the use of a host of fund-specific characteristics and controlling for potential selection bias associated with hedge fund managers choosing to be eponymous.[7] In sharp contrast to the univariate analysis, our multivariate analyses fail to provide any evidence on the outperformance of eponymous funds, regardless of the performance measure we use. Moreover, we continue to observe significantly lower Sharpe ratio and information ratio for eponymous funds which suggests that they have worse risk-adjusted performance than non-eponymous funds. The difference in these ratios is also economically large, i.e., eponymous funds exhibit 11.26% and 16.17% lower Sharpe ratio and information ratio, respectively, compared to their sample averages. We conduct a battery of robustness checks to show that these results are not sensitive to the choice of estimation procedure, potential biases related to funds' self-reporting to and delisting from commercial databases, return smoothing bias, omission of risk factors in estimation of

[5]Our results are not sensitive to different definitions of eponymy. Results using *Eponymy1* through *Eponymy3* are qualitatively similar and available upon request from the authors.

[6]As Goetzmann et al. (2007) show, fund managers may employ complex instruments or strategies in order to manipulate performance measures and report better performance. Therefore, for robustness, we also use manipulation-proof performance measure (MPPM) of Goetzmann et al. (2007).

[7]All the results reported in the paper control for potential backfilling bias. In particular, we follow Agarwal, Green, and Ren (2018) and exclude returns between each fund's inception date and the date of its addition to different hedge fund databases.

risk-adjusted performance, use of gross-of-fee performance measures, and heterogeneity in managerial ownership between eponymous and non-eponymous funds.

To further probe into the skill-eponymy relation, we also examine the long-term performance of eponymous hedge funds over two-, three-, and five-year investment horizons, and again fail to find evidence in favor of outperformance by eponymous funds. This further casts doubt on eponymous fund managers being more skilled. Since eponymy is a choice made by fund managers, we also model this decision and use an entropy balance matching approach (Hainmueller, 2012; Hainmueller and Xu, 2013) to match eponymous funds with non-eponymous funds on all observable characteristics at the time of a fund's inception. The results from such a matched-sample analysis further corroborates that eponymous funds fail to outperform and have worse Sharpe ratio and information ratio than their non-eponymous peers over our sample period.

In addition to analyzing future fund performance, we also use various skill measures for hedge funds proposed in the prior literature. Using the R^2 measure of Titman and Tiu (2011), the strategy distinctiveness index (SDI) of Sun, Wang, and Zheng (2012), and the unobserved performance (UP) measure of Agarwal, Ruenzi, and Weigert (2019), there is again no evidence of superior skill for eponymous hedge fund managers. On the contrary, eponymous funds exhibit higher R^2, lower SDI, and lower UP compared to non-eponymous funds, all of which suggest that if anything they are likely to be less skilled.

We conduct several additional tests to explore the signaling-based explanation behind the eponymy phenomenon in hedge funds. First, contrary to one of the main predictions of the theoretical model of Belenzon, Chatterji, and Daley (2017), we find that managers with rarer names are not less likely to choose eponymy for their funds. In addition, eponymous funds run by managers with rarer names do not either perform better than their eponymous peers with common manager names or non-eponymous peers. Second, we focus on a subset of multiple funds run by managers of eponymous funds, and show that non-eponymous funds run by managers of eponymous funds perform worse compared to other non-eponymous funds.

If eponymous managers were skilled, we should have expected their non-eponymous funds to also outperform other non-eponymous funds, which is not the case. Overall, these results underscore that eponymy is not associated with greater managerial ability in the hedge fund industry.

The key assumption in Belenzon, Chatterji and Daley (2017) is that eponymy creates a stronger association between the firm and the entrepreneur herself, and therefore, increases the reputational benefits or costs of having the market hold a favorable or unfavorable impression of her ability or her firm's quality. We formally test this assumption by looking at investors' reaction to eponymous funds' performance. If their assumption holds, one should observe stronger inflows to eponymous funds after good performance and more importantly stronger outflows after poor performance to discourage low-ability fund managers from mimicking high-ability managers. Our difference-in-differences analysis of flow-performance sensitivity does not support the signaling and reputational cost explanation for eponymy. Specifically, we find that eponymous funds do not experience greater outflows after poor performance.

We next investigate how eponymous funds can survive in a competitive hedge fund industry despite their unfavorable risk-return characteristics and lack of skill. In particular, we test whether eponymous hedge funds appeal to certain clientele. That is, some investors may prefer eponymous hedge funds due to homophily (Lazarsfeld and Merton, 1954), i.e., eponymous investors may prefer to invest in eponymous hedge funds. To this end, we examine an important category of hedge fund clientele, namely funds of hedge funds (FoFs) who invest exclusively in hedge funds and can themselves be eponymous. We find evidence that is consistent with the homophily phenomenon. That is, we find that eponymous FoFs are more likely to invest in eponymous hedge funds due to similarity in their traits or preferences, which can potentially explain why eponymous funds can continue to exist in the industry.

Finally, we use a host of manager and fund characteristics to explore the determinants of eponymy decision in the hedge fund industry. Prior studies document superior performance of fund managers who studied at higher average SAT (scholastic aptitude test) undergraduate

institutions (Chevalier and Ellison, 1999; Li, Zhang, and Zhao, 2011) and better performance of products from institutional asset management firms that employ PhDs in key roles (Chaudhuri et al., 2020). Motivated by these studies, we collect data on managerial attributes such as Ivy League education and a PhD degree but do not find any evidence that managers with such attributes are more likely to choose eponymy. This evidence again brings into question whether eponymous hedge fund managers have more innate ability that can help them deliver superior performance.

As discussed previously, our work contributes to the literature on eponymy and entrepreneurial quality. We explore if eponymy can act as a tool for hedge fund founder-managers to signal their ability and confidence in the fund's quality to their investors, and if so, what are the potential implications of eponymy in the hedge fund industry for fund performance and risk-taking behavior. In this regard, our paper also extends the rich literature that examines how fund characteristics can explain fund performance and risk-taking behavior.[8] In contrast, literature on how naming a fund can influence managers' and investors' behavior is relatively sparse. Green and Jame (2013) document that mutual funds with fluent names attract higher flows.[9] Joenvaara and Tiu (2018) show that hedge fund investors chase funds with names that convey power but such funds disappoint investors by delivering subpar performance. The focus of our paper is different as we examine whether fund managers use their own names to signal their skill, and if there are costs and benefits associated with such signaling. Our paper also complements several mutual fund studies, which document that fund investors respond favorably to funds whose managers strategically choose fund names to match with popular fund styles (Cooper, Gulen, and Rau, 2005) and unfavorably to funds with foreign-sounding manager names, consistent with investors exhibiting social biases (Kumar, Niessen-Ruenzi,

[8]See for example Ackermann, McEnally, and Ravenscraft (1999), Liang (1999), Brown, Goetzmann, and Park (2001), Naik, Ramadorai, and Stromqvist (2007), Aragon (2007), Jones (2007), Agarwal, Daniel, and Naik (2009), Aggarwal and Jorion (2010), Titman and Tiu (2011), Getmansky (2012), Sun, Wang, and Zheng (2012), Schaub and Schmid (2013), Aiken, Clifford, and Ellis (2015), Gao, Haight, and Yin (2020) for studies documenting evidence on cross-sectional relation between fund performance and different fund characteristics.

[9]Green and Jame (2013) also show that companies with fluent names have higher investor recognition and higher valuations. Cooper, Dimitrov, and Rau (2001) show that companies that change their name to a dotcom name earn significant abnormal returns, suggesting investors' preference for companies associated with internet during the dotcom bubble.

and Spalt, 2015).

Our paper has important implications for hedge fund investors who need to commit substantial capital (due to minimum investment requirements) with limited liquidity (due to lockup periods) and significant search costs (due to limited information disclosure by fund managers). In such a situation, fund investors may rely on qualitative information and infer managerial ability from it. Our findings show that eponymy may not be useful for manager selection and therefore investors may be better served by diversifying their risk through investments across hedge fund managers and investment strategies.

Our paper proceeds as follows. Section 2 describes the data and the construction of our eponymy variables. Section 3 compares the performance and risk-taking behavior of eponymous funds with that of non-eponymous funds to investigate the eponymy-skill relation. Section 4 conducts additional tests regarding signaling of managerial skill through eponymy and examines the reputational costs and benefits associated with such signaling. Section 5 analyzes how eponymous funds can continue to exist despite little evidence of managerial skill. Section 6 investigates potential determinants of eponymy decision. Section 7 concludes.

2 Data sources and variable construction

Our analysis is based on 15,165 funds with manager/founder names during the period from January 1994 to December 2018. Hedge fund data come from four main hedge fund data vendors, Eureka, HFR, Morningstar, and Lipper TASS.[10] We obtain Fung and Hsieh (2004) factors from David Hsieh's data library.[11]

[10]Hedge fund characteristics used in our analyses are described in detail in the Appendix.
[11]Source: https://faculty.fuqua.duke.edu/∼dah7/HFRFData.htm

2.1 Construction of eponymy variables

Our data contains information on hedge fund's name, hedge fund's parent company's name, and hedge fund manager's name. We construct our eponymy variables as follows:

$$Eponymy1 = \begin{cases} 1, & \text{if the fund name matches the first, middle, or last name of the founder,} \\ & \text{or a combination of those names for funds with multiple founders} \\ 0, & \text{otherwise} \end{cases}$$

$$Eponymy2 = \begin{cases} 1, & \text{if the fund/company name matches the first, middle, or last name of the} \\ & \text{founder, or a combination of those names for funds with multiple founders} \\ 0, & \text{otherwise} \end{cases}$$

$$Eponymy3 = \begin{cases} 1, & \text{Eponymy1 + if the fund name matches the initials of the founder's name,} \\ & \text{or a combination of the initials for funds with multiple founders} \\ 0, & \text{otherwise} \end{cases}$$

$$Eponymy4 = \begin{cases} 1, & \text{Eponymy2 + if the fund name matches the initials of the founder's name,} \\ & \text{or a combination of the initials for funds with multiple founders} \\ 0, & \text{otherwise} \end{cases}$$

One thing to note is that we have a number of funds that fit our eponymous funds category that have been named after their founders in the eighteenth, nineteenth, and twentieth century. Typical examples are JonesLangLaSalle founded in 1783 by James Jones, Kleinwort Benson founded in 1786 by Robert Benson, JP Morgan founded in 1799 by John Pierpont Morgan, Lazard Asset Management founded in 1848 by Simon Lazard, and Julius Baer Corporation founded in 1890 by Julius Baer. We exclude such eponymous hedge funds from our analysis as i) they were not initially intended to be created as hedge funds, and ii) their founders have long passed away and they are now run by professionals. Therefore, we believe that

they are not appropriate subjects for testing the hypothesis that eponymy signals managerial ability. Hence, we focus only on hedge funds whose founders are alive and actively involved in managing their funds.

Using the above criteria, we end up with 827 funds that fit in to *Eponymy1* criterion, 1,085 funds that fit in to *Eponymy2* criterion, 892 funds that fit in to *Eponymy3* criterion, and 1,312 funds that fit in to *Eponymy4* criterion. These correspond to 5.45% (*Eponymy1*), 7.15% (*Eponymy2*), 5.88% (*Eponymy3*), and 8.65% (*Eponymy4*) of all the funds with manager information in the database, implying that eponymy is not an uncommon practice in the hedge fund industry. As mentioned earlier, we use the most comprehensive definition of eponymy (*Eponymy4*) for our analysis. Our results, however, are not sensitive to this choice.

In order to examine the evolution of eponymy in more detail in the hedge fund industry, we plot the time-trend of eponymous hedge funds in our sample. In particular, we examine the number of eponymous hedge funds, the fraction of eponymous funds among all funds, the fraction of newly launched eponymous hedge funds among all new hedge funds, and the fraction of assets managed by eponymous hedge funds among all the funds in our sample, and present the results in Panels A, B, C, and D of Figure 1, respectively. All the plots point toward a lower incidence of eponymy over time (except for the number of eponymous funds in Panel A), and a greater incidence of eponymy in the US relative to outside the US.

3 Eponymy and managerial skill

In this section, we study the eponymy-performance relation with the objective of determining if skilled managers signal their ability by choosing to offer eponymous funds. We start our analyses by comparing the key fund characteristics over the full sample and for sub-samples of eponymous and non-eponymous hedge funds, respectively. Next, we conduct multivariate analyses to test the relation between eponymy and (i) fund performance, and (ii) risk-taking behavior after controlling for a host of fund characteristics and accounting for potential selection bias associated with managers' eponymy choice. Finally, we test the

relation between eponymy and managerial skill by using several skill measures proposed in prior hedge fund studies.

3.1 Univariate analysis

We begin our analyses for the sample period from 1994 to 2018 by comparing eponymous and non-eponymous funds in terms of their performance (raw return, alpha, MPPM, Sharpe ratio, and information ratio), risk (idiosyncratic risk and total risk), and fund characteristics (assets under management, management fee, incentive fee, minimum investment requirement, leverage, lockup period, redemption period, notice period, high watermark, hurdle rate, age, and US domicile indicator).[12]

Table 1 suggests that although eponymous funds perform better than non-eponymous funds in terms of raw returns, alphas, and MPPM, they also take higher risk (total and idiosyncratic) and exhibit lower Sharpe ratios and information ratios. To give an example, although eponymous funds earn on average significantly higher monthly returns (0.50% vs. 0.39%) and alphas (0.24% vs. 0.18%) than non-eponymous funds , they also exhibit higher total risk (3.87% vs. 3.11%) and lower Sharpe ratios (0.19% vs. 0.24%), respectively.

Eponymous funds are also smaller (both at inception and throughout their existence), charge higher incentive fees, have longer lockup, redemption, and notice periods, are more likely to use leverage, and are less likely to have a hurdle rate. Furthermore, eponymous funds charge higher incentive fees (16.82% vs. 14.81%), and impose longer periods for lockup (125.75 days vs. 82.68 days), redemption (104.81 days vs. 62.55 days), and notice (37.90 days vs. 35.56 days). Moreover, eponymous hedge funds have significantly lower minimum investment requirements, use more leverage, are more (less) likely to have high watermark provisions (hurdle rate), are older, and are more likely to be domiciled in the US than non-eponymous funds.

[12]The definitions of the variables used in our analysis are provided in Table A of the Appendix.

3.2 Multivariate analysis

To control for other fund characteristics that can simultaneously affect a fund's performance and risk-taking behavior, we next conduct multivariate analysis by estimating the following panel regression:

$$X_{it} = \alpha_0 + \alpha_1 Eponymy_i + Z'_{it}\beta + \epsilon_{it}, \tag{1}$$

where X_{it} is either one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) or the two risk measures (idiosyncratic risk and total risk) for fund i in month t, $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, Z_{it} is a vector of fund-specific controls including fund's assets under management, (in billions USD), management fee (in %), incentive fee (in %), minimum investment amount (in millions USD), an indicator variable for the use of leverage, lockup period (in days), redemption period (in days), notice period (in days), high watermark indicator variable that takes on value of 1 if fund has a high watermark policy and 0 otherwise, and hurdle rate indicator variable that takes on value of 1 if fund has a hurdle rate and 0 otherwise, fund's age (in months), US domicile indicator variable that takes on value 1 if the fund is domiciled in the US and 0 otherwise, and ϵ_{it} is the i.i.d. error term. All the standard errors in our analyses are clustered both on fund and time. In all the panel regressions throughout our analyses, we use style×year fixed effects, where we use funds' investment styles reported in the commercial databases. Including these fixed effects allows us to control for unobservable time-varying style-specific factors that simultaneously affect fund performance and other dependent variables in this study.

Table 2 shows that the performance of eponymous funds is statistically indistinguishable from that of their non-eponymous peers in terms of raw returns, alphas, and MPPM once we control for fund characteristics and time-varying style fixed effects. Consistent with the univariate analysis, Table 2 shows that eponymous funds tend to have 0.03% lower Sharpe

ratio (t-statistic = –3.10), and 0.03% lower information ratio (t-statistic = –2.52) than non-eponymous funds. The difference in these ratios is also economically large, i.e., eponymous funds exhibit 11.26% and 16.17% lower Sharpe ratio and information ratio, respectively, compared to their sample averages reported in Table 1. Overall, this evidence suggests that unlike eponymous firms, eponymy in hedge funds does not seem to signal fund's quality and fund manager's superior skill. Finally, consistent with the univariate analyses, the last two columns of Table 2 show that eponymous funds exhibit greater idiosyncratic risk and total risk that are also economically significant, i.e., eponymous funds exhibit 5.36% and 6.98% higher idiosyncratic risk and total risk, respectively, compared to their sample averages reported in Table 1.

3.3 Potential selection bias associated with eponymy

Eponymy is a choice made by the fund manager, and therefore there is a potential selection bias associated with our results in the previous section. Although it is challenging to completely control for unobservable heterogeneity between eponymous and non-eponymous funds, we address the selection bias by conducting an entropy balance matching (EBM) analysis (Hainmueller, 2012; Hainmueller and Xu, 2013).[13] Entropy balancing (EB) has the advantage of achieving high covariate balance without significant sample attrition by augmenting the list of matching variables. Hence, EBM approach ensures that treatment and control funds exhibit similar fund characteristics at the time of inception. Specifically, we control for the differences in all observable fund characteristics reported in Table 2 as well as the style category that the fund belongs to in constructing the matched samples.[14] Table A.1 of the Internet Appendix presents the covariate balance across the treatment (eponymous funds) and control (non-eponymous funds) groups after re-weighting based on the entropy balancing procedure. The table shows that the means of treatment and control funds are virtually identical across all variables. Overall, the results confirm that entropy

[13]The details of entropy balance matching procedure are provided in Section A.1 of the Internet Appendix.
[14]All the results presented from this section onward are based on entropy-balance matched samples.

balance matching achieves almost perfect matching between the treatment and control groups based on observable fund characteristics.

We then repeat the analysis in Section 3.2 by using the sub-sample of EB-matched funds. Columns 2, 3, and 4 of Table 3 confirm our previous finding that eponymous funds fail to deliver higher raw returns, alphas, and MPPM than non-eponymous funds, after controlling for a host of fund characteristics and time-varying style fixed effects. Furthermore, Columns 5 and 6 confirm our previous finding that eponymous funds deliver significantly lower Sharpe ratios and information ratios than their non-eponymous peers. The difference in these ratios continues to be economically large – Sharpe ratio and information ratio being lower by 10.82% and 14.37%, respectively, compared to their sample averages reported in Table 1. Similar to Table 2, the last two columns of Table 3 show that eponymous funds exhibit greater idiosyncratic risk and total risk - the two risk measures being higher by 4.93% and 5.76%, respectively, compared to their sample averages.

3.4 Robustness checks

In this subsection, we conduct a battery of robustness tests of our multivariate analysis to further investigate the validity of our empirical results.

3.4.1 Fama and MacBeth (1973) regressions

To check for the robustness of our results, we estimate Eq. (1) using Fama and MacBeth (1973) (FM) regressions instead of panel regressions. First, we estimate cross-sectional regressions for each month. Then, we report the time-series averages of the coefficient estimates and use the time series standard errors of the average slopes to test the significance of the coefficients of interest, i.e, the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) and the two risk measures (idiosyncratic risk and total risk). The FM regressions control for correlation in residuals across different funds within the same month. Furthermore, to adjust for serial correlation, we compute Newey and West

(1987) standard errors with both three-month and twenty-four-month lags. The results of FM regressions reported in Panels A and B of Table 4 confirm our previous finding that eponymous funds fail to outperform non-eponymous funds in terms of raw returns, alphas, and MPPM. Instead, they generate significantly lower Sharpe ratio and information ratio. Hence, our results are robust to alternative estimation procedure.

3.4.2 Delisting bias

We also account for the censoring in reported returns for funds delisted from commercial databases. Funds that terminated their operations due to poor performance could have stopped reporting returns prematurely, which could bias their performance upward, also known as the delisting bias (Agarwal, Fos, and Jiang, 2013; Aiken, Clifford, and Ellis, 2013). To address this concern, we assign a return of –1.61% for the month after the fund is delisted from the database (see Agarwal, Ruenzi and Weigert, 2017). As shown in Panel C of Table 4, even after correcting for the delisting bias, we find that eponymous funds deliver significantly lower Sharpe ratio and information ratio and take significantly higher risk. Furthermore, their manipulation-proof performance measure (MPPM) is also significantly lower than their non-eponymous counterparts. Our results remain qualitatively similar even when we consider more extreme termination returns of -10%, -20% and -30%, and obtain qualitatively similar results.

3.4.3 Smoothing bias

Serial correlation in fund returns could arise from hedge funds' investments in infrequently traded securities, the use of smoothed broker dealer quotes, or even deliberate performance-smoothing behavior (Bollen and Pool, 2008). This could inflate some of the test statistics that we use to make inferences as well as underestimate a fund's volatility. To allay such potential concerns, we unsmooth fund returns following Getmansky, Lo, and Makarov (2004) and repeat the multivariate analysis in Eq. (1). As shown in Panel D of Table 4, our inferences

remain unchanged when we adjust for potential smoothing bias in our analysis.

3.4.4 Omitted risk factors

The difference in five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) and two risk measures (idiosyncratic risk and total risk) that we document between eponymous and non-eponymous funds could also be driven by the heterogeneity in funds' exposures to certain risk factors. Relative to non-eponymous funds, eponymous funds could be loading differently on some omitted risk factors that could also explain the differences in their performances and risk-taking behavior. To address this possibility, we augment the Fung and Hsieh (2004) (FH) seven-factor model either with the out-of-the-money S&P 500 call and put option-based factors from the Agarwal and Naik (2004) model (Panel E) or with the Pástor and Stambaugh (2003) liquidity factor (Panel F), and recompute the five performance and two risk measures taking into account potential differences in funds' exposures to these additional risk factors. Even after adjusting for funds' exposures to these risk factors, our main inferences remain unchanged, i.e., eponymous funds take greater idiosyncratic risk and deliver lower Sharpe ratio and information ratio.

3.4.5 Pre-fee performance

Hedge fund returns are reported net of fees in commercial databases. If eponymous funds indeed have skilled managers, it is possible that such funds charge higher fees than non-eponymous funds (consistent with the univariate comparison in Table 1), which can explain the underperformance of eponymous funds. To test this conjecture, we follow the methodology as outlined in Appendix A of Agarwal, Daniel, and Naik (2009) and infer pre-fee fund returns. Panel G of Table 4 show that our results remain robust even when pre-fee performance measures are used in our analyses.

3.4.6 Managerial ownership

Another possibility is that our results are driven by fund managers' ownership in their own funds. If eponymous fund managers are skilled, they may invest more in their funds compared to non-eponymous fund managers, which can explain the differences in the performance and risk measures between the two types of funds. To account for such a possibility, we use two measures to capture managers' ownership in their funds. The first ownership measure is based on the methodology as outlined in Agarwal, Daniel and Naik (2009), and the second ownership measure uses hedge funds' Form ADV filings with the Securities and Exchange Commission (SEC) (see Section IA.3.2 of the Internet Appendix of Agarwal, Green, and Ren (2017) for more details).[15] Panels H and I of Table 4 report the results of panel regressions as outlined in Eq. (1) after controlling for the two managerial ownership measures, respectively. Panel H confirms our main inferences. On the other hand, different from our previous findings, Panel I of Table 4 suggests that eponymous funds do not take higher idiosyncratic or total risk and they perform significantly worse in terms of all five performance measures when managerial ownership is controlled for in multivariate regressions. However note that, the sample size is much smaller in these regressions, as we lose a significant amount of data due to Form ADV being available only since 2012.

3.4.7 Selection bias

Another possibility is that selection bias could influence our results if successful eponymous hedge funds and their managers choose not to report to commercial databases. We conduct two additional tests to investigate this possibility. First, we repeat our analysis using returns of hedge funds imputed from their 13F holdings, which are mandatory for fund companies with more than $100 million in 13F assets that includes exchange-listed stocks. This is in

[15] We test for differences in managerial ownership between eponymous and non-eponymous funds, and do not find a significant difference in the ownership levels between the two types of funds. Using methodology as outlined in Agarwal, Daniel, and Naik (2009), we find that eponymous (non-eponymous) fund managers have 8.62% (6.59%) ownership in their funds with a difference of 2.02% (t-statistic = 1.39). Using Form ADV filings, we find that eponymous (non-eponymous) fund managers have 32.33% (27.70%) ownership in their funds with a difference of 4.63% (t-statistic = 1.02).

contrast to voluntary reporting of returns to commercial databases. Since these holdings are at the hedge fund company level, we construct returns for each company using its stock holdings reported in the Thomson Financial 13F holdings data, and reestimate our baseline multivariate regressions. Panel J of Table 4 suggests that there is no statistically significant difference in the performance or risk-taking behavior of eponymous and non-eponymous funds. Although the sample size is reduced significantly due to the threshold for 13F filings to the SEC, our main inference remains unchanged, i.e., eponymous funds fail to outperform non-eponymous funds regardless of the performance measure used.

Second, we investigate if eponymous funds are stars (or mega) funds that do not report to commercial databases, and therefore we may be underestimating their performance in our sample. For this purpose, we identify star funds using the Rich List 25 (RL25) which is published annually by *Institutional Investor*. RL25 ranks annually the top 25 highest compensated hedge fund managers and their management companies. Comparing the proportion of eponymous and non-eponymous funds in the RL25 list with our sample would shed light on whether top performing star eponymous funds are underrepresented in our sample. To that end, for each year from 2002 to 2016, we calculate the percentages of eponymous and non-eponymous funds in the RL25 list, as well as those that are common to both RL25 and our sample. Panel K of Table 4 shows that our sample covers 61% (64%) of eponymous (non-eponymous) funds in the RL25 list. In other words, 39% (36%) of eponymous (non-eponymous) funds do not appear in RL25 and the 3% difference is statistically insignificant (t-statistic = –0.87).[16] That is, there is no significant difference in the propensity for a fund to be eponymous in our sample compared to the list of large and well-known funds.[17]

Together, our analyses based on 13F holdings data and the list of star or mega hedge

[16]Note that the Rich List 25 consisted of 30 managers in 2002 and 13 managers in 2005. Furthermore, the list was not published in 2008.

[17]We also use another list of largest 100 hedge funds, HF100, also published by *Institutional Investor*. Unlike RL25, this list does not include manager names. Therefore, using the eponymous funds identified in our sample, we compare the fraction of eponymous funds that are in common with the HF100 list, and eponymous funds that are excluded from the list. We find that both these fractions are very comparable (9.54% and 8.62%, respectively), which again suggests that our sample is unlikely to underestimate the proportion of eponymous funds. We thank George Aragon for sharing the Rich 25 and Hedge Fund 100 lists with us.

funds show that our baseline results are unlikely to be materially influenced by potential selection bias.

3.5 Eponymy and long-term performance

Our results so far show that eponymy does not seem to predict better future fund performance in the short term. In this section, we test whether eponymy predicts better long-term performance if eponymy is indeed related to managerial skill. By calculating funds' long-term performance over two-, three-, and five-year non-overlapping periods, we estimate the following multivariate regression:

$$X_{it} = \alpha_0 + \alpha_1 Eponymy_i + Z'_{it}\beta + \epsilon_{it}, \tag{2}$$

where X_{it} is one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) for fund i in month t,[18] $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, Z_{it} is a vector of fund-specific controls as defined earlier in Eq. (1), and ϵ_{it} is the i.i.d. error term.[19]

Table 5 reports the results of tests for the relation between eponymy and long-term fund performance. Controlling for a large set of fund-specific factors, we document that eponymy is not associated with superior long-term performance over any investment horizon considered. Panels A, B, and C of Table 5 suggest that, if anything, eponymous funds deliver worse risk-adjusted performance in terms of Sharpe ratios and information ratios over two-, three-, and five-year investment horizons, respectively. Thus, neither in the short-run nor in the long-run, we observe a positive relation between eponymy and fund performance.

[18]Long-term raw return is the fund's average raw return over two-, three-, or five-year non-overlapping periods. Long-term alpha, MPPM, Sharpe ratio, and information ratio are estimated over two-, three-, or five-year non-overlapping periods. To mitigate potential survivorship bias, we require a minimum of 18, 24, and 36 months while estimating the performance over two, three, and five years, respectively.

[19]The control variables are the same variables as presented in Tables 2 and 3. For the sake of brevity, we do not report the estimated slope coefficients of control variables from Table 5 onward.

3.6 Is eponymy associated with managerial skill?

We complement our analysis in the previous section by considering three different measures of managerial skill that have been shown to predict longer-term performance in the prior hedge fund literature, i.e., the R^2 measure of Titman and Tiu (2011), the strategy distinctiveness index (SDI) of Sun, Wang, and Zheng (2012), and the unobserved performance (UP) measure of Agarwal, Ruenzi, and Weigert (2019).[20] In particular, we estimate the following multivariate regression:

$$Skill_{it} = \gamma_0 + \gamma_1 Eponymy_i + Z'_{it}\beta + \epsilon_{it}, \tag{3}$$

where $Skill_{it}$ is one of the three managerial skill measures for fund i's month t (R^2, SDI, or UP). Other variables are as defined earlier in Eq. (1).

Table 6 reports the results of our tests for the relation between eponymy and managerial skill. Controlling for a large set of fund-specific factors, we document that eponymy is associated with significantly higher R^2, significantly lower SDI, and a lower although insignificant UP. Given the average values of 0.53, 0.31, and 0.16 for R^2, SDI, and UP, respectively, in our sample, the coefficients translate to 2.85% higher R^2, 4.55% lower SDI, and 10.56% lower UP for eponymous funds. Since lower R^2, higher SDI, and higher UP have been shown to predict better future performance, and therefore greater managerial skill, these findings show that eponymous managers are less likely to exhibit skill. Together with the lack of evidence in favor of outperformance of eponymous funds, these findings show that managerial skill is unlikely to drive the eponymy phenomenon in the hedge fund industry.

4 Additional tests of signaling hypothesis

In this section, we conduct several additional tests regarding the signaling hypothesis associated with eponymy. First, we test whether having a rare manager name is associated with superior fund performance due to stronger association between the manager and the

[20] The details about the construction of managerial skill measures are provided in Table A of the Appendix.

fund as predicted by the theoretical model of Belenzon, Chatterji, and Daley (2017). Next, we focus on the subset of fund managers who simultaneously run eponymous and non-eponymous funds and investigate if the non-eponymous funds they run perform better than other non-eponymous funds in the sample. Finally, we examine the reputational costs and benefits associated with eponymy.

4.1 Is the signaling effect stronger for eponymous funds with rarer manager names?

One of the main predictions of Belenzon, Chatterji, and Daley (2017) model is that the link between eponymy and firm performance should be stronger for entrepreneurs with rarer names. Because an entrepreneur with a rarer name is much more identifiable, a rarer name should in turn increase the reputational benefits or costs of signaling. In line with their prediction, the authors find that entrepreneurs with rarer names are less likely to choose eponymy and the performance gap between eponymous and non-eponymous firms decreases with owner name-commonality, i.e., the more common the entrepreneur's name, the lower the effect of eponymy on firm performance. In this section, we test whether i) hedge fund managers with rarer names are less likely to opt for eponymy, and ii) whether hedge fund managers' name rarity has an impact on the performance differential between eponymous and non-eponymous funds.

We start our analyses by testing whether hedge fund managers with rarer names are more or less likely to choose eponymy. To identify managers with rare names, we count different last names of managers in our sample and sort these last names from highest frequency to lowest and allocate each fund to a name-rarity quartile based on this sorting. Next, we estimate the following multivariate regression:

$$Eponymy_{i,t} = \alpha_0 + \alpha_1 NameRarity_i + Z'_{i,t}\beta + \epsilon_{i,t}, \tag{4}$$

where $Eponymy_{i,t}$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, $NameRarity_{i,t}$ is either an indicator variable that takes a value of 1 if manager-name belongs to the highest quartile of manager name rarity rank and 0 otherwise, or three indicator variables that takes on value 1 if the manager name belongs to the fourth (highest), third, or second quartile of manager name rarity rank (first quartile being the excluded category), $Z_{i,t}$ is a vector of fund-specific controls and style×year fixed effects, and ϵ_{it} is the i.i.d. error term.

Columns 1 and 2 in Panel A of Table 7 suggest that fund managers with rare names are not less likely to engage in eponymy as none of the coefficients are significantly different from zero. Furthermore, the result from the F-test for specification (2) reported in Panel C of Table 7 show that the coefficients on quartiles of name rarity are jointly equal to zero (F-statistic =0.48, p-value = 0.69), which further rejects the hypothesis that hedge fund managers with rarer names are less likely to opt for eponymy.

Next, we investigate whether eponymous funds run by managers with rarer names perform better than either eponymous funds with common manager names or non-eponymous funds:

$$\begin{aligned} X_{i,t} = \alpha_0 + \alpha_1 Eponymy_{i,t} + \alpha_2 NameRarity_{i,t} \\ + \alpha_3 Eponymy_{i,t} \times NameRarity_{i,t} + Z'_{i,t}\beta + \epsilon_{i,t}, \end{aligned} \tag{5}$$

$Z_{i,t}$ is a vector of fund-specific controls and style×year fixed effects, and ϵ_{it} is the i.i.d. error term. Other variables are as defined before in Eq. (4).

In particular, we are interested in the signs of α_3 and $\alpha_1 + \alpha_3$. According to the predictions of Belenzon, Chatterji, and Daley (2017) model, one would expect both $\alpha_3 > 0$, i.e., eponymous funds with rarer names performing better than eponymous funds with common names, and $\alpha_1 + \alpha_3 > 0$, i.e., eponymous funds with rarer names performing better than non-eponymous funds. Looking at the estimated coefficients of name rarity in specifications (4), (7), (10), (13), and (16) in Panel B of Table 7, we find that the interaction term between eponymy and name rarity is insignificant in all the specifications. This suggests that eponymous funds

with rarer manager names do not perform significantly different than eponymous funds with more common manager names. Dividing name rarity into quartiles further corroborates these findings. That is, none of the interaction terms between eponymy and and name-rarity quartiles in specifications (5), (8), (11), (14), and (17) are significant. Moreover, Panel C reports insignificant F-statistics showing that the coefficients on the interaction terms are all jointly indistinguishable from zero.

Finally, we test whether eponymous funds with rarer names perform better than non-eponymous funds. To do that, we test whether the sum of estimated coefficients of the eponymy term and the interaction terms in specifications (4), (7), (10), (13), and (16) are jointly different from zero. The insignificant F-statistics in the second row of Panel C suggest that eponymous funds with rarer manager names do not perform better than non-eponymous funds. Overall, these findings corroborate little support for eponymy being a signal of managerial ability. That is, neither rarity of manager names is associated with a lower likelihood of eponymy nor do eponymous funds with rarer manager names perform better than their eponymous peers with common manager names or their non-eponymous peers.

4.2 Additional evidence from managers simultaneously running eponymous and non-eponymous funds

If eponymy is associated with managerial skill, then a manager who simultaneously runs both eponymous and non-eponymous funds should have their non-eponymous funds outperform other non-eponymous funds. To test this prediction, we first identify non-eponymous funds run by managers of eponymous funds and then compare the performance of these funds with other non-eponymous funds in our sample. Specifically, we estimate the following multivariate regressions for the sub-sample of non-eponymous hedge funds:

$$X_{it} = \alpha_0 + \alpha_1 Non\text{-}eponymous Fund Dummy_{it} + Z'_{it}\beta + \epsilon_{it}, \tag{6}$$

where X_{it} is one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) of fund i in month t, $Non\text{-}eponymousFundDummy_{i,t}$ is an indicator variable that takes on a value of 1 if fund i is a non-eponymous fund run by eponymous managers and 0 otherwise, and $Z_{i,t}$ is a vector of fund-specific controls and style×year fixed effects, and ϵ_{it} is the i.i.d. error term.

Table 8 presents the results of regressions of Eq. (6). Our main coefficient of interest is the coefficient of the non-eponymous fund dummy variable which is negative for all performance measures, and significant for Sharpe ratio and information ratio. Therefore, the results suggest that non-eponymous funds run by managers of eponymous funds perform either on par or worse compared to other non-eponymous funds. Hence, we reject the hypothesis that eponymy is associated with signaling of managerial skill and better fund performance.

4.3 Reputational costs and benefits of eponymy

The key assumption in Belenzon, Chatterji, and Daley (2017) is that eponymy creates a stronger association between the firm and the entrepreneur herself, and therefore, increases the reputational benefits or costs of having the market hold a favorable or unfavorable impression of her ability or her firm's quality. However, they do not test this assumption directly. We believe that the hedge fund industry offers a much better setting to test this key assumption of their model, which is at the heart of eponymy being used to signal managerial ability. We do so by examining investors' reaction to eponymous funds' performance. In particular, if eponymy creates a stronger association between the manager and her fund and this in turn, increases both the reputational benefits and costs, then a testable implication of this key assumption would be that eponymous hedge funds should receive more flows after good performance (due to an improvement in reputation) and significantly stronger outflows after

bad performance (due to reputational loss). In particular, we test the following model:

$$Flow_{i,t+1} = \alpha_0 + \alpha_1 Eponymy_i + \alpha_2 Perfpos_{i,t} + \alpha_3 Perfpos_{i,t} \times Eponymy_i + \alpha_4 Perfneg_{i,t} + \alpha_5 Perfneg_{i,t} \times Eponymy_i + Z'_{i,t}\beta + \epsilon_{i,t}, \quad (7)$$

where $Flow_{i,t+1}$ is the annual investor flow for fund i in year $t+1$, $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, $Perfpos_{i,t}$ is equal to the positive values of one of the five performance measures (raw return, alpha, MPPM Sharpe ratio, and information ratio) in year t and zero otherwise, $Perfneg_{i,t}$ is equal to the negative values of one of the five performance measures in year t and zero otherwise, and $Z_{i,t}$ is a vector of fund-specific controls and style×year fixed effects, and ϵ_{it} is the i.i.d. error term.

The above model allows for non-linearity in the flow-performance relation as investors might have asymmetric responses to good and bad fund performance. In particular, we are interested in the estimated coefficients of the interaction terms, i.e., α_3 and α_4 in Eq. (7). Table 9 reports the results of the flow-performance tests. Regardless of the performance measure used, this table shows that the interaction terms between eponymy and performance are statistically insignificant and negative in all the specifications. Therefore, these findings further corroborate little support for the hypothesis that managers use eponymy to signal their ability because there is no evidence that eponymy either increases the reputational benefits (i.e., more capital inflows after good performance) or increases the reputational costs (i.e., more capital outflows after bad performance).

To further control for any heterogeneity between eponymous and non-eponymous funds, we repeat the analysis this time focusing on eponymous and non-eponymous funds that are run by the same manager or same management company. If the same manager (or management company) runs eponymous and non-eponymous funds, we expect to see greater flow-performance sensitivity (after both good and bad performance) in their eponymous funds if investors associate the fund by the manager's (or management company's) name.

Table A.2 of the Internet Appendix presents the results of this analysis. Similar to Table 8, the interaction terms between eponymy and performance are statistically insignificant in all the specifications confirming our previous finding that a stronger association with the fund and the managers' name cannot explain the reputational benefits and costs associated with eponymy as suggested by Belenzon, Chatterji, and Daley (2017).

Finally, we investigate the overall fund flows to eponymous funds and test whether it is significantly different from those of non-eponymous funds. If eponymous funds are managed by more skilled managers, we should expect these funds to receive higher flows. In particular, we estimate the following multivariate regression:

$$\begin{aligned} Flow_{i,t+1} = \alpha_0 + \alpha_1 Eponymy_i + \alpha_2 Performance_{i,t} + \alpha_3 Flow_{i,t} \\ + \alpha_4 AUM_{i,t} + \alpha_5 Age_{i,t} + Z'_{i,t}\beta + \epsilon_{i,t}, \end{aligned} \tag{8}$$

where $Flow_{i,t+1}$ is the annual investor flow for fund i in year $t+1$, $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, $Performance_{i,t}$ is is one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) of fund i in year t, $AUM_{i,t}$ is the total assets under management of fund i in year t, $Age_{i,t}$ is the age of fund i in year t, $Z_{i,t}$ is a vector of other fund-specific controls and style×year fixed effects, and ϵ_{it} is the i.i.d. error term.

The insignificant coefficient on the eponymy term in Table 10 confirms that neither eponymous funds receive more flows because investors believe that their managers are more skilled nor do they lose flows because there might be certain investors who prefer to invest in such funds due to their own preferences.

Similar to flow-performance analysis, we also investigate the overall fund flows to eponymous and non-eponymous funds that are run by same managers or same fund family and find essentially similar results. The insignificant coefficients on the eponymy term in both Panel A and Panel B of Table A.3 of the Internet Appendix suggest that eponymous funds run by the same manager or management company do not receive more flows as investors

neither seem to associate these funds with the manager's (or the management company's) name nor believe that their managers are more skilled.

5 How can eponymous funds continue to exist despite their lack of skill?

The evidence thus far is not consistent with eponymy being used by hedge fund managers to signal their ability. First, eponymous funds are more likely to be unskilled and tend to take greater risk than their non-eponymous peers. Second, our fund flow-performance analysis fails to provide evidence for the signaling of managerial ability, and reputational costs and benefits associated with signaling. In particular, we find that eponymous funds do not experience greater outflows (inflows) after bad (good) performance. In a rational framework, investors should penalize funds with lower performance by withdrawing their capital, especially after being disappointed by lack of superior performance signaled through eponymy. One potential explanation could be that certain investors prefer eponymous hedge funds due to homophily, i.e., eponymous hedge funds could be appealing to investors who are themselves eponymous.[21] Although there is no granular large-scale information available on hedge fund investors, we take advantage of the commercial data on funds of funds (FoFs) that invest exclusively in hedge funds. We then test whether eponymous FoFs are more likely to invest in eponymous hedge funds because of the similarity in their traits and preferences.

In order to test this hypothesis, we first identify eponymous FoFs and then investigate whether they exhibit return and risk characteristics, which are similar to those of eponymous

[21] Another potential explanation is that eponymous (non-eponymous) funds change their names to and become non-eponymous (eponymous) after bad (good) performance due to reputational concerns (to signal skill and create a stronger association with the manager and her fund). In order to investigate this possibility, we look at different snapshots of commercial databases to identify changes in fund names, and find 715 instances. Of the 715 funds that changed their names, only 5 were eponymous who switched to non-eponymy and only 2 of the remaining 710 non-eponymous funds changed to eponymy while others remained non-eponymous. This relatively small sample of only 7 switchers suggests that this alternative explanation is unlikely to influence our analysis.

hedge funds, i.e.:

$$X_{it} = \alpha_0 + \alpha_1 Eponymy_i + Z'_{it}\beta + \epsilon_{it}, \tag{9}$$

where X_{it} is either one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) or the two risk measures (idiosyncratic risk and total risk) of FoF i's month t, $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, Z_{it} is a vector of fund-specific controls and style×year fixed effects, and ϵ_{it} is the i.i.d. error term.

Table 11 reports the estimates from the regressions as specified in Eq. (9). The results suggest that eponymous FoFs indeed exhibit very similar return and risk characteristics as those of eponymous hedge funds. Table 11 shows that eponymous FoFs fail to deliver higher returns, alphas, and MPPM than their non-eponymous peers. Moreover, eponymous FoFs take on significantly higher idiosyncratic risk and total risk and exhibit significantly lower Sharpe ratios and information ratios, a finding similar to eponymous hedge funds documented in Table 2. These results appear to be consistent with homophily as eponymous FoFs exhibit similar characteristics or traits as those of eponymous hedge funds.

Next, to investigate whether eponymous FoFs are more likely to invest in eponymous hedge funds, we regress excess returns of FoF portfolios (eponymous and non-eponymous) on excess returns of hedge fund portfolios (eponymous and non-eponymous):

$$r_{it}^{FoF} = \alpha_0 + \beta_{HF} r_{it}^{HF} + \epsilon_{it}, \tag{10}$$

$$r_{it}^{FoF} = \alpha_0 + \beta_{HF} r_{it}^{HF} + Z'_t\beta + \epsilon_{it}, \tag{11}$$

where r_{it}^{FoF} is the monthly average return of the eponymous or non-eponymous FoF portfolios in excess of one-month T-Bill rate, r_{it}^{HF} is the monthly return of eponymous or non-eponymous hedge fund portfolios in excess of one-month T-Bill rate, Z_t is a 7×1 vector of Fung and Hsieh (2004) factors, and ϵ_{it} is the i.i.d. error term. If there exists similarity in the traits of fund managers and their investors, i.e., homophily, one would expect eponymous (non-eponymous)

FoFs to load more on eponymous (non-eponymous) hedge funds. This empirical approach is similar to the one used in the study of sensation-seeking hedge funds by Brown et al. (2018).

Panels A and B of Table 12 report the results of regressions as specified in Eq. (10) (without controlling for Fung and Hsieh (2004) factors) and Eq. (11) (controlling for Fung and Hsieh (2004) factors), respectively. The results indicate that eponymous FoFs indeed load significantly more on eponymous hedge funds compared to non-eponymous hedge funds. For example, Panel A of Table 12 suggests that the loading of eponymous FoFs on eponymous hedge funds is significantly higher (0.083 with t-statistic = 2.08) compared to non-eponymous hedge funds (–0.057 with t-statistic = –1.69) without accounting for other risk exposures of hedge funds.

The results remain robust when we control for funds' exposures to factors in the Fung and Hsieh (2004) model. Panel B shows that even after controlling for risk exposures, the loading of eponymous FoFs on eponymous hedge funds remains significantly higher (0.169 with t-statistic = 2.37) compared to non-eponymous hedge funds (–0.115 with t-statistic = –1.99). Overall, these findings support the conjecture that homophily can perhaps explain the demand for eponymous hedge funds. Due to their similarities, eponymous FoFs tend to invest more in eponymous hedge funds which can help latter survive in a competitive hedge fund industry despite their unfavorable risk and return characteristics.

6 Determinants of eponymy

Our analyses thus far provides weak evidence on the outperformance of eponymous hedge funds and offer an alternative explanation why these funds might continue to exist in a competitive industry. In this section, we offer further insights on potential determinants of eponymy decision because it is important to identify potential factors that might affect this important naming decision.

We start our analysis by first identifying observable manager characteristics at the time of fund's creation. We use two data sources for managerial characteristics – Marquis Who's

Who database and LinkedIn. Searching for managers with profiles in these two databases helps us identify four relevant manager characteristics that have been shown to influence fund performance and risk-taking behavior (e.g., Chevalier and Ellison, 1999; Li, Zhang, and Zhao, 2011; Niessen-Ruenzi and Ruenzi, 2019; Chaudhuri et al., 2020). These are age (manager's age at fund's inception), gender, and two education-related variables (whether the manager holds a PhD and whether the manager graduated from an Ivy League school). Using these manager characteristics together with observable fund characteristics at a fund's inception, we estimate the following multivariate regression:

$$Eponymy_i = \alpha_0 + ManagerCharacteristics_i'\beta + FundCharacteristics_i'\lambda + \epsilon_{it}, \qquad (12)$$

where $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, $ManagerCharacteristics_i$ is a vector of manager characteristics at the time of fund's inception (manager's age, gender dummy which is an indicator variable that takes on a value of 1 if fund manager is male and 0 otherwise, *PhD dummy* is an indicator variable that takes on a value of 1 if fund manager holds a PhD degree and 0 otherwise, and *Ivy League dummy* is an indicator variable that takes on a value of 1 if fund manager graduated from an Ivy League school and 0 otherwise), $FundCharacteristics_i$ is a vector of fund-specific controls at a fund's inception (fund's asset under management, management fee, incentive fee, minimum investment amount, leverage dummy, lockup, redemption, and notice period, high watermark indicator variable that takes on a value of 1 if fund has a high watermark policy and 0 otherwise, hurdle rate indicator variable that takes on a value of 1 if fund has a hurdle rate and 0 otherwise, and US domicile indicator variable that takes on a value of 1 if the fund is domiciled in the US and 0 otherwise) and style×year fixed effects, and ϵ_{it} is the i.i.d. error term.

Table 13 presents the results of three different specifications of Eq. (12); first including only manager characteristics, second considering only fund characteristics, and the third including both manager and fund characteristics. Specifications 1 and 3 suggest that observable manager

characteristics do not play an important role in determining the eponymy decision. Based on the evidence in prior studies, the fact that neither a manager going to an Ivy League school nor the manager earning a PhD degree is associated with eponymy, indicates that eponymy is unlikely to capture manager's innate ability. However, specifications 2 and 3 suggest that certain fund characteristics, such as size, minimum investment requirement, hurdle rate, and US domicile are associated with the eponymy decision. Specifically, smaller funds, funds with lower minimum investment requirements and hurdle rate, and funds domiciled in the US are more likely to be eponymous.

7 Conclusion

In this paper, we study a relatively common practice of eponymy in the hedge fund industry where funds are named after their founder-managers. Motivated by the existing theory in corporate finance predicting a positive relation between eponymy and managerial skill, we examine whether there is any evidence in favor of hedge fund managers signaling their skill by choosing eponymy. Identifying eponymous hedge funds as fund managers who give their first, middle, last names or initials (or a combination of these names or initials the fund has multiple founders), we document several findings that are inconsistent with signaling-based explanation of eponymy.

First, there is little evidence of superior performance of eponymous funds. Instead, eponymous funds exhibit lower Sharpe ratios and information ratios because of higher idiosyncratic and total risk, implying worse risk-adjusted performance both in the short-run and long-run. Second, using a variety of skill measures proposed in the hedge fund literature, we do not find evidence of eponymous fund managers being skilled. Third, despite these undesirable characteristics, we find that eponymous hedge funds are not penalized (nor rewarded) by investors in terms of fund outflows (inflows) after their bad (good) performance. This result further questions the validity of signaling hypothesis as there should be both reputational costs and benefits associated with the eponymy signal. Fourth, we offer an explanation

consistent with homophily behind the continued existence of eponymous hedge funds despite little evidence of their superior performance and greater risk-taking behavior. We find that eponymous FoFs which possess similar risk-return characteristics as eponymous hedge funds, and are more likely to invest in eponymous hedge funds. Finally, we do not find a significant relation between ability-related managerial characteristics and the eponymy decision. Overall, our findings highlight the need for alternative theoretical models and empirically supported explanations for eponymy. For example, greater risk-taking behavior with worse risk-adjusted performance could be consistent with eponymous fund managers being more overconfident, narcissistic, or sensation-seeking. Exploring such explanations could be an interesting avenue for future research.

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Table A.
Variable Construction

The table details the construction of our eponymy-based measures as well as other measures and fund characteristics used in our analyses.

Name	Description
	Panel A: Eponymy Measures
*Eponymy*1	Indicator variable that takes on a value of 1 if the fund name matches the first, middle, or last name of the founder (or a combination of those names for funds with multiple founders), and 0 otherwise.
*Eponymy*2	Indicator variable that takes on a value of 1 if the fund/company name matches the first, middle, or last name of the founder (or a combination of those names for funds with multiple founders), and 0 otherwise.
*Eponymy*3	Indicator variable that takes on a value of 1 if the fund name matches the first, middle, or last name of the founder (or a combination of those names for funds with multiple founders), or if the fund name matches the initials of the founder's name (or a combination of the initials for funds with multiple founders), and 0 otherwise.
*Eponymy*4	Indicator variable that takes on a value of 1 if the fund/company name matches the first, middle, or last name of the founder (or a combination of those names for funds with multiple founders), or if the fund/company name matches the initials of the founder's name (or a combination of the initials for funds with multiple founders), and otherwise.
	Panel B: Hedge Fund Characteristics
Alpha	The intercept term obtained from estimating 24-month rolling window time-series regressions of fund's excess monthly returns using the Fung and Hsieh (2004) 7-factor model. We require at least 18 months of observations to estimate a fund's alpha.
Assets under management	Fund's monthly assets under management ($).
Age	Fund's age since its inception (month).
Management fee	Fixed fee as a percentage of fund's assets under management (%).
Incentive fee	Fixed percentage fee of the fund's net annual profits above a pre-specified hurdle rate (%).
Minimum investment	Minimum initial investment amount that the fund requires from its investors (million $).
Leverage	Indicator variable that takes on a value 1 if the fund uses leverage, and 0 otherwise.
Lockup period	Minimum number of days that the investor has to wait before she can withdraw her investment from the fund (days).
Redemption period	Redemption frequency (days)
Notice period	Minimum number of days an investor needs to notify the fund before she can redeem the invested amount from the fund (days).
High watermark	Indicator variable that takes on a value 1 if the fund has high watermark provision, and 0 otherwise.
Hurdle rate	Indicator variable that takes on a value 1 if the fund has a hurdle rate, and 0 otherwise.
US domicile	Indicator variable that takes on a value 1 if the fund is domiciled in the US, and 0 otherwise.

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Table A. Variable definitions (cont.)

Panel B: Hedge Fund Characteristics (cont.)	
Sharpe ratio	The average fund excess return divided by the fund's total volatility estimated over the past 24 months.
Information ratio	The average monthly abnormal return of the fund divided by the fund's idiosyncratic volatility estimated over the past 24 months.
MPPM	Manipulation-proof performance measure, which is estimated as $\frac{1}{(1-\rho)\Delta t} ln \frac{1}{T} \sum_{t=1}^{T} [\frac{(1+r_t)}{(1+r_{ft})}]^{1-\rho}$, where T is the total number of monthly return observations over the performance evaluation period (i.e., two, three, or five years), Δt is the length of time between observations (i.e., 1/12 for our monthly return sample), r_t is the fund's reported return in month t, r_{ft} is the risk-free rate in month t, and ρ is the relative risk-aversion coefficient that makes holding the benchmark portfolio optimal for uninformed managers (Goetzman et al. (2007). We estimate MPPM with $\rho = 5$) as in Joenvaara and Tiu (2018).
Idiosyncratic volatility	The standard deviation of the monthly residuals estimated from the 24-month rolling window regressions of fund's monthly returns on Fung and Hsieh (2004) seven-factor model.
Total volatility	The standard deviation of a fund's monthly returns estimated using 24-month rolling windows.
Name-rarity dummy	Indicator variable that takes on a value of 1 if manager-name belongs to the highest quartile of manager name-rarity rank and 0 otherwise, or four indicator variables that takes on value 1 if the manager name belongs to the fourth (highest), third, second, or first (lowest) quartile of manager name-rarity rank, and 0 otherwise.
Non-eponymous fund dummy	Indicator variable that takes on a value of 1 if a non-eponymous fund is run by an eponymous manager, and 0 otherwise.
Flow	The ratio of change in assets under management from year t-1 to year t to assets under management from year t-1 ; i.e., $\frac{AUM_t - AUM_{t-1} * (1+Ret_t)}{AUM_{t-1}}$.
Panel C: Managerial Skill Measures	
R^2	R^2 of the model estimated from regressing a fund's excess returns on Fung and Hsieh (2004) seven factors using 24-month rolling windows (Titman and Tiu, 2011).
SDI	Strategy distinctiveness index defined as one minus the correlation between a fund's return and the average return of the style group estimated based on the past 24 months (Sun, Wang, and Zheng, 2012).
UP	Unobserved performance computed as the difference between a fund's performance and equity portfolio performance (Agarwal, Ruenzi, and Weigert, 2019).
Panel D: Managerial Characteristics	
Age	Manager's age at the time of a fund's inception (years).
Gender dummy	Indicator variable that takes on a value of 1 if a fund manager is a male, and 0 otherwise.
PhD dummy	Indicator variable that takes on a value of 1 if a fund manager holds a PhD degree, and 0 otherwise.
Ivy League dummy	Indicator variable that takes on a value of 1 if a fund manager has graduated from an Ivy League school, and 0 otherwise.

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Table A. Variable definitions (cont.)

Panel E: Other Hedge Fund Characteristics used in Robustness Tests	
Pre-fee returns	Funds' returns before fees estimated following the algorithm outlined in Appendix A of Agarwal, Daniel, and Naik (2009).
Managerial ownership 1	The market value of the manager's investment in the fund expressed as a fraction of the fund's total assets under management, where the market value of the manager's investment in the fund is estimated following the algorithm outlined in Appendix A of Agarwal, Daniel, and Naik (2009).
Managerial ownership 2	Sum of managerial ownership data submitted by fund manager to the SEC using Form ADV filings.
Management company return	Hedge fund company returns inferred from management company stock holdings reported in the Thomson Financial 13F holdings data. We use a management company i' s equity positions in month t to compute the buy-and-hold equity portfolio return over months $t+1$ to $t+3$.

Table 1.
Summary Statistics

The table presents the number of fund-month observations (Column 2), average fund characteristics for the full sample (Column 3), for eponymous funds (Column 4), for non-eponymous funds (Column 5) as well as the difference in average fund characteristics between eponymous and non-eponymous funds (Column 6) and the associated t-statistics for the difference (Column 7). The t-statistics in brackets are based on fund and time clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively. The sample period is from January 1994 to December 2018.

	N	Full sample	Eponymous	Non-eponymous	Difference	t-statistic
No. of funds		15,165	1,312	13,853		
% of funds		100.00%	8.65%	91.35%		
Return (%)	882,781	0.401	0.498	0.389	0.109**	[2.30]
Alpha (%)	738,236	0.188	0.239	0.182	0.057**	[2.09]
MPPM (%)	738,236	0.749	1.641	0.639	1.002**	[2.36]
Sharpe ratio	738,236	0.231	0.191	0.235	−0.044***	[−4.40]
Information ratio	738,236	0.167	0.145	0.169	−0.024**	[−2.10]
Idiosyncratic volatility (%)	738,236	2.069	2.423	2.026	0.397***	[6.57]
Total volatility (%)	738,236	3.194	3.865	3.111	0.754***	[8.37]
AUM (millions)	882,781	243.292	165.987	252.615	−86.628***	[−4.79]
Management fee (%)	882,781	1.429	1.373	1.437	−0.064**	[−2.43]
Incentive fee (%)	882,781	15.026	16.823	14.809	2.014***	[7.71]
Min. investment (millions)	882,781	1.685	1.245	1.738	−0.493**	[−2.36]
Leverage	882,781	0.509	0.548	0.504	0.044**	[2.27]
Lockup (days)	882,781	87.311	125.746	82.675	43.071***	[5.48]
Redemption (days)	882,781	67.099	104.813	62.552	42.261***	[8.43]
Notice period (days)	882,781	35.893	37.897	35.561	2.246*	[1.81]
High watermark	882,781	0.774	0.819	0.768	0.051***	[3.67]
Hurdle rate	882,781	0.234	0.202	0.237	−0.035**	[−2.33]
Age (months)	882,781	93.886	111.345	91.781	19.564***	[6.94]
US domicile	882,781	0.481	0.738	0.449	0.289***	[15.42]

Table 2.
Eponymy versus Performance and Risk

The table reports the results of multivariate regressions of five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) and two risk measures (idiosyncratic risk and total risk) on eponymy and a battery of fund characteristics. The t-statistics in brackets are based on fund and time clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

	Performance Measure					Risk Measure	
	Raw return	Alpha	MPPM	Sharpe ratio	Information ratio	Idiosyncratic risk	Total risk
Eponymy	−0.001	0.005	−0.002	−0.026***	−0.027**	0.111**	0.223***
	[−0.04]	[0.23]	[−0.70]	[−3.10]	[−2.52]	[2.18]	[2.97]
AUM	−0.002	0.061***	0.015***	0.026***	0.032***	−0.155***	−0.227***
	[−0.27]	[10.88]	[12.26]	[10.21]	[13.46]	[−19.13]	[−18.97]
Mgmt. fee	0.002	0.021	−0.005	−0.009	0.005	0.239***	0.282***
	[0.15]	[1.17]	[−1.04]	[−0.91]	[0.74]	[5.16]	[4.56]
Inc. fee	−0.002	0.006***	0.001	0.001	0.005***	0.011***	0.006
	[−0.91]	[4.01]	[0.13]	[0.78]	[4.91]	[3.67]	[1.24]
Min. inv.	0.007	0.046	0.009	−0.017	−0.005	−0.147*	−0.249*
	[0.18]	[0.83]	[1.30]	[−1.62]	[0.31]	[−1.76]	[−1.68]
Leverage	−0.003	0.022	0.001	−0.012	−0.001	0.032	0.006
	[−0.16]	[1.30]	[0.78]	[−1.18]	[−0.12]	[1.08]	[0.14]
Lockup	0.001	0.001	−0.001***	−0.001	0.001	0.001***	0.001***
	[1.60]	[0.81]	[−3.46]	[−0.41]	[0.43]	[6.83]	[7.48]
Redemption	0.001	−0.001	0.001	−0.001	0.001	−0.001*	−0.001
	[0.33]	[−0.68]	[1.12]	[−1.22]	[−0.29]	[−1.86]	[−0.67]
Notice	0.001*	0.001**	0.001**	0.001***	0.002***	0.001	−0.001
	[1.75]	[2.10]	[2.49]	[6.00]	[7.96]	[1.15]	[−0.98]
HWM	0.051***	0.028	0.001	−0.017	−0.004	0.099**	0.127**
	[3.07]	[1.56]	[0.42]	[−1.17]	[−0.30]	[2.56]	[2.24]
Hurdle	0.042**	0.026	0.005**	0.083***	0.086***	−0.142***	−0.155***
	[2.11]	[1.56]	[2.31]	[5.05]	[6.53]	[−3.99]	[−2.91]
Age	−0.001	−0.001***	−0.001***	−0.001***	−0.001***	0.001*	0.002***
	[−1.46]	[−6.44]	[−7.37]	[−4.98]	[−6.79]	[1.75]	[5.65]
US domicile	0.041	0.063*	0.011**	0.018	0.031***	−0.165***	−0.025
	[1.20]	[1.81]	[4.74]	[1.49]	[2.97]	[−4.80]	[−0.50]
Constant	0.248	−1.027***	−0.259***	−0.249***	−0.534***	0.424***	0.643***
	[1.11]	[−10.18]	[−10.69]	[−4.17]	[−10.79]	[16.14]	[17.03]
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	882,781	738,236	738,236	738,236	738,236	738,236	738,236
Adj. R^2	4.23%	9.14%	10.47%	11.06%	12.08%	27.72%	30.21%

Table 3.
Eponymous versus Non-eponymous Funds: Performance and Risk Analysis Using Matched Samples

The table reports the results of multivariate regressions of five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) and two risk measures (idiosyncratic risk and total risk) on eponymy and a battery of fund characteristics using entropy balance matching (EBM). The *t*-statistics in brackets are based on fund and time clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

	Performance Measure					Risk Measure	
	Raw return	Alpha	MPPM	Sharpe ratio	Information ratio	Idiosyncratic risk	Total risk
Eponymy	−0.016	−0.007	−0.003	−0.025***	−0.024**	0.102**	0.184**
	[−0.68]	[−0.33]	[−0.84]	[−3.05]	[−2.38]	[2.00]	[2.42]
AUM	−0.005	0.072***	0.019***	0.035***	0.042***	−0.189***	−0.276***
	[−0.68]	[9.46]	[7.68]	[12.03]	[14.57]	[−10.54]	[−11.13]
Mgmt. fee	−0.003	0.009	−0.005	−0.017**	−0.007	0.224***	0.233***
	[−0.12]	[0.37]	[−1.57]	[−2.56]	[−0.80]	[4.03]	[2.89]
Inc. fee	−0.004	0.005**	−0.001	0.003**	0.007***	0.021***	0.012
	[−1.51]	[2.13]	[−1.45]	[2.21]	[4.23]	[3.98]	[1.57]
Min. inv.	0.051	0.028	0.016	−0.018	0.014	−0.367	−0.627
	[0.83]	[0.47]	[1.14]	[−1.03]	[0.52]	[−1.57]	[−1.62]
Leverage	0.017	0.029	−0.002	0.008	0.008	0.083	0.142*
	[0.74]	[1.21]	[−0.73]	[0.82]	[0.69]	[1.45]	[1.65]
Lockup	0.001	0.001	−0.001**	−0.001	−0.001	0.001***	0.001***
	[1.15]	[0.19]	[−2.29]	[−1.14]	[−1.03]	[4.57]	[4.93]
Redemption	0.001	−0.001	0.003	−0.001	−0.001	−0.001	−0.001
	[0.61]	[−0.90]	[0.21]	[−0.97]	[−0.29]	[−1.44]	[−0.57]
Notice	0.001	0.001	0.001	0.001***	0.001***	−0.001	−0.002
	[1.39]	[1.16]	[0.89]	[3.37]	[3.66]	[−0.03]	[−1.19]
HWM	0.021	0.025	0.001	−0.033**	−0.012	0.053	0.028
	[0.84]	[0.64]	[0.02]	[−1.96]	[−0.64]	[0.68]	[0.26]
Hurdle	−0.004	0.025	−0.003	0.031**	0.027**	−0.055	−0.016
	[−0.17]	[0.94]	[−0.64]	[2.41]	[2.04]	[−0.81]	[−0.16]
Age	−0.001	−0.001***	−0.001***	−0.001***	−0.001***	−0.001	0.001*
	[−0.39]	[−5.59]	[−6.21]	[−8.17]	[−7.96]	[−0.37]	[1.71]
US domicile	0.035	0.069	0.015***	0.043***	0.048***	−0.239***	−0.073
	[0.75]	[1.60]	[3.88]	[3.68]	[3.39]	[−3.57]	[−0.77]
Constant	0.475	−1.087***	−0.329***	−0.409***	−0.664***	0.499***	0.769***
	[1.60]	[−7.54]	[−15.08]	[−7.01]	[−11.73]	[15.74]	[16.91]
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	882,781	737,826	737,826	737,826	737,826	737,826	737,826
Adj. R^2	3.59%	9.11%	11.43%	15.80%	12.90%	28.15%	30.63%

Table 4.
Robustness Checks

This table reports robustness tests on the results of baseline multivariate panel regressions presented in Table 3. Panels A and B report the results of Fama and MacBeth (1973) regressions using Newey-West standard errors adjusted for 3 and 24 months, respectively. Panel C adjusts for delisting bias by assuming that a fund delivers a –1.61% return for the month after it liquidates. Panel D reports results after unsmoothing returns using the Getmansky, Lo, and Makarov (2004) methodology. Panels E and F report results after using the five performance measures and two risk measures adjusted for Fung and Hsieh (2004) model augmented with the Agarwal and Naik (2004) out-of-the money call and put option factors and with the Pástor and Stambaugh (2003) liquidity factor, respectively. Panel G reports results using gross-of-fee performance measures. Panels H and I report the results after controlling for managerial ownership using Agarwal, Daniel, and Naik (2009) methodology and Form ADV filings, respectively. Panel J reports results using fund management company returns computed from Thomson Financial data on 13F stock holdings. Panel K reports the number of eponymous and non-eponymous funds in the Rich List 25 (RL25) only and funds that appear both in RL25 and in our database as well as the proportion of the latter to the former. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

	Performance Measure					Risk Measure	
	Raw return	Alpha	MPPM	Sharpe ratio	Information ratio	Idiosyncratic risk	Total risk
Panel A: Fama and MacBeth (1973) regressions with 3 lags							
Eponymy	−0.011	−0.016	−0.014	−0.024***	−0.021***	0.071***	0.124***
	[−1.09]	[−1.39]	[−1.24]	[−6.98]	[−4.06]	[5.05]	[4.80]
N	882,781	738,236	738,236	738,236	738,236	738,236	738,236
Panel B: Fama and MacBeth (1973) regressions with 24 lags							
Eponymy	−0.011	−0.016	−0.014	−0.024***	−0.021**	0.071***	0.124**
	[−0.79]	[−0.71]	[−0.61]	[−3.75]	[−1.96]	[2.66]	[2.33]
N	882,781	738,236	738,236	738,236	738,236	738,236	738,236
Panel C: Adjusting for delisting bias							
Eponymy	−0.013	−0.003	−0.018*	−0.024***	−0.035**	0.099**	0.202***
	[−0.57]	[−0.15]	[−1.81]	[−2.79]	[−3.20]	[1.97]	[2.89]
N	897,437	752,892	752,892	752,892	752,892	752,892	752,892
Panel D: Adjusting for smoothing bias							
Eponymy	−0.011	0.013	−0.003	−0.021***	−0.025**	0.106**	0.212**
	[−0.92]	[0.65]	[−0.78]	[−2.83]	[−2.67]	[2.05]	[2.44]
N	882,781	738,236	738,236	738,236	738,236	738,236	738,236

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Table 4.
Robustness Checks (cont.)

	Performance Measure					Risk Measure	
	Raw return	Alpha	MPPM	Sharpe ratio	Information ratio	Idiosyncratic risk	Total risk
Panel E: Fung and Hsieh (2004) model augmented with Agarwal and Naik (2004) out-of-the money call and put option factors							
Eponymy	−0.016	−0.008	−0.003	−0.025***	−0.035**	0.102**	0.184**
	[−0.68]	[−0.29]	[−0.84]	[−3.05]	[−2.46]	[2.02]	[2.42]
N	882,781	738,236	738,236	738,236	738,236	738,236	738,236
Panel F: Fung and Hsieh (2004) model augmented with Pástor and Stambaugh (2003) liquidity factor							
Eponymy	−0.016	−0.005	−0.003	−0.025***	−0.027**	0.094**	0.184**
	[−0.68]	[−0.21]	[−0.84]	[−3.05]	[−2.12]	[1.97]	[2.42]
N	882,781	738,236	738,236	738,236	738,236	738,236	738,236
Panel G: Pre-performance returns							
Eponymy	−0.011	0.011	−0.004	−0.029***	−0.031***	0.119**	0.229**
	[−0.40]	[0.41]	[−1.11]	[−3.06]	[−2.74]	[2.09]	[2.49]
N	762,828	629,955	629,955	629,955	629,955	629,955	629,955
Panel H: Controlling for managerial ownership following Agarwal, Daniel, and Naik (2009)							
Eponymy	−0.017	−0.001	−0.002	−0.031***	−0.024**	0.115**	0.174**
	[−1.08]	[−0.04]	[−0.53]	[−3.91]	[−2.21]	[2.12]	[2.18]
N	762,828	629,955	629,955	629,955	629,955	629,955	629,955
Panel I: Controlling for managerial ownership using Form ADV filings							
Eponymy	−0.022***	−0.016**	−0.018*	−0.054*	−0.082**	−0.084	−0.103
	[−2.76]	[−2.57]	[−1.66]	[−1.93]	[−2.08]	[−0.47]	[−0.34]
N	60,986	52,628	52,628	52,628	52,628	52,628	52,628
Panel J: Management company returns inferred from 13F stock holdings							
Eponymy	0.004	0.001	0.003	−0.051	−0.045	0.167	0.327
	[0.54]	[0.79]	[0.33]	[−1.05]	[−1.13]	[0.75]	[1.16]
N	63,333	48,777	48,777	48,777	48,777	48,777	48,777

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Table 4.
Robustness Checks (cont.)

Panel K: Proportion of eponymous funds in Rich List 25 and eponymous funds common to Rich List 25 and our sample

	No. of eponymous funds			No. of non-eponymous funds		
Year	RL25	RL25 and our sample	Percent	RL25	RL25 and our sample	Percent
2002	8	6	75%	22	13	59%
2003	6	3	50%	19	11	58%
2004	8	6	75%	17	12	71%
2005	4	2	50%	9	6	67%
2006	7	4	57%	18	9	50%
2007	7	5	71%	18	13	72%
2009	8	6	75%	17	11	65%
2010	9	5	56%	16	11	69%
2011	8	4	50%	17	12	71%
2012	6	3	75%	19	12	63%
2013	7	4	57%	18	13	72%
2014	5	3	75%	20	11	55%
2015	2	1	50%	23	14	61%
2016	5	4	80%	20	13	65%
		Average	61%		Average	64%
		Difference	-0.03%			
		t–stat	-0.87			

Table 5.
Long-Term Performance of Eponymous Funds

The table reports the results of multivariate regressions of funds' long-term performance on eponymy and a host of fund characteristics, i.e.,:

$$X_{it} = \alpha_0 + \alpha_1 Eponymy_i + Z'_{it}\beta + \epsilon_{it},$$

where X_{it} is one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) for fund i in month t estimated over two-, three-, or five-year non-overlapping periods, $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, and $Z_{i,t}$ is a vector of fund-specific controls (lagged fund flow, lagged size, lagged age, management fee, incentive fee, minimum investment, leverage dummy, lockup period, redemption period, notice period, high watermark dummy, hurdle rate dummy, and US domicile dummy) and style×year fixed effects, and ϵ_{it} is the i.i.d. error term. The t-statistics in brackets are based on fund- and time-clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

	Performance Measure				
	Raw return	Alpha	MPPM	Sharpe ratio	Information ratio
Panel A: 2-year performance					
Eponymy	0.001	0.001	−0.007	−0.026***	−0.028**
	[0.75]	[0.43]	[−0.88]	[−3.19]	[−2.09]
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes
N	37,823	37,823	37,823	37,823	37,823
Adj. R^2	5.35%	7.44%	18.73%	9.12%	10.84%
Panel B: 3-year performance					
Eponymy	−0.001	−0.001	−0.012**	−0.021**	−0.024**
	[−0.89]	[−1.02]	[−2.31]	[−2.40]	[−2.10]
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes
N	24,447	24,447	24,447	24,447	24,447
Adj. R^2	5.04%	7.15%	12.28%	16.07%	9.50%
Panel C: 5-year performance					
Eponymy	−0.001	−0.001	−0.005	−0.024***	−0.031***
	[−0.28]	[−1.28]	[−0.67]	[−3.62]	[−3.38]
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes
N	14,202	14,202	14,202	14,202	14,202
Adj. R^2	4.89%	8.24%	9.35%	10.40%	13.38%

Table 6.
Eponymy and Managerial Skill

The table reports the results of multivariate regressions of managerial skill on eponymy and a host of fund characteristics, i.e.,:

$$Skill_{it} = \alpha_0 + \alpha_1 Eponymy_i + Z'_{it}\beta + \epsilon_{it},$$

where $Skill_{it}$ is one of the three managerial skill measures (R^2 measure of Titman and Tiu (2011), strategy distinctiveness index (SDI) of Sun, Wang, and Zheng (2012), or unobserved performance (UP) measure of Agarwal, Ruenzi, and Weigert (2019)), $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, Z_{it} is a vector of fund-specific controls (fund's size, age, management fee, incentive fee, minimum investment, leverage dummy, lockup period, redemption period, notice period, high watermark dummy, hurdle rate dummy, and US domicile dummy) and style×year fixed effects, and ϵ_{it} is the i.i.d. error term. The t-statistics in brackets are based on fund- and time-clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

	Managerial Skill Measure		
	R^2	SDI	UP
Eponymy	0.015^{***}	-0.014^{**}	-0.017
	[2.92]	[−2.54]	[−0.65]
Controls	Yes	Yes	Yes
Style×year fixed effects	Yes	Yes	Yes
N	737,826	357,406	55,632
Adj. R^2	18.01%	24.88%	1.63%

Table 7.
Performance of Eponymous Funds: Managers with Rare vs. Common Names

The table reports the results of multivariate regressions of the probability of being an eponymous fund on manager-name rarity (Panel A) and the results of multivariate regressions of fund performance on the interaction of eponymy and manager name rarity (Panel B), i.e.,:

$$Eponymy_{i,t} = \alpha_0 + \alpha_1 NameRarity_i + Z'_{i,t}\beta + \epsilon_{i,t},$$
$$X_{i,t} = \alpha_0 + \alpha_1 Eponymy_{i,t} + \alpha_2 NameRarity_{i,t} + \alpha_3 Eponymy_{i,t} \times NameRarity_{i,t} + Z'_{i,t}\beta + \epsilon_{i,t},$$

where $Eponymy_{i,t}$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, $X_{i,t}$ is one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) of fund i in month t, $NameRarity_{i,t}$ is either an indicator variable that takes on a value of 1 if manager-name belongs to the highest quartile of manager-name rarity rank and 0 otherwise (columns 1, 3, 4, 6, 7, 9, 10, 12, 13, 15, and 16) or an indicator variable that takes on a value 1 if the manager name belongs to the fourth, third, and second quartile of manager name rarity and 0 otherwise (columns, 2, 5, 8, 11, 14, and 17), $Z_{i,t}$ is a vector of fund-specific controls (fund's size, age, management fee, incentive fee, minimum investment, leverage dummy, lockup period, redemption period, notice period, high watermark dummy, hurdle rate dummy, and US domicile dummy) and style×year fixed effects, and ϵ_{it} is the i.i.d. error term. Panel C reports the results of F-tests on whether $\alpha_2 = 0$ or $\alpha_3 = 0$ (first row), and the results of F-tests on whether $\alpha_1 + \alpha_3 = 0$ (second row). The t-statistics in brackets are based on fund- and time-clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

	Panel A		**Panel B**								
	Eponymy		Raw return			Alpha			MPPM		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Eponymy				−0.021	−0.003		−0.022	−0.004		−0.022	−0.004
				[−0.78]	[−0.07]		[−1.03]	[−0.10]		[−0.56]	[−0.59]
Name rarity	−0.038		0.003	−0.013		0.042	0.003		0.019	0.009	
	[−1.24]		[0.11]	[−0.52]		[1.24]	[0.11]		[1.23]	[1.25]	
Eponymy×name rarity				0.029			0.073			0.018	
				[0.37]			[1.09]			[1.09]	
4th quartile of name rarity		−0.047			−0.017			0.022			0.009
		[−1.40]			[−0.54]			[0.64]			[1.09]
Eponymy×4th quartile of					0.009			0.055			0.008
name rarity					[0.12]			[0.81]			[0.47]
3rd quartile of name rarity		−0.016			−0.018			0.014			0.011
		[−0.99]			[−0.61]			[0.54]			[1.51]
Eponymy×3rd quartile of					0.003			0.006			−0.021
name rarity					[0.05]			[0.12]			[−1.44]
2nd quartile of name rarity		−0.009			0.006			0.038			0.009
		[−0.83]			[0.16]			[1.58]			[1.23]
Eponymy×2nd quartile of					−0.055			−0.053			−0.008
name rarity					[−1.08]			[−1.09]			[−0.55]
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	629,752	629,752	629,752	629,752	629,752	533,962	533,962	533,962	533,962	533,962	533,962
Adj. R^2	4.29%	4.60%	3.58%	3.58%	3.58%	9.39%	9.41%	9.42%	20.21%	10.21%	10.25%

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Table 7.
Performance of Eponymous Funds: Managers with Rare vs. Common Names (cont.)

	Panel B (cont.)					
	Sharpe ratio			Information ratio		
	(12)	(13)	(14)	(15)	(16)	(17)
Eponymy		-0.035^{***}	-0.022^{***}		-0.041^{**}	-0.026^{**}
		[−3.13]	[−2.76]		[−2.58]	[−2.35]
Name rarity	0.014	0.003		0.022	0.254	
	[1.32]	[0.38]		[1.46]	[0.19]	
Eponymy×name rarity		0.017			0.015	
		[0.99]			[1.27]	
4th quartile of name rarity			−0.001			−0.004
			[−0.09]			[−0.24]
Eponymy×4th quartile of			0.029			0.031
name rarity			[1.50]			[1.44]
3rd quartile of name rarity			−0.011			−0.019
			[−1.28]			[−1.50]
Eponymy×3rd quartile of			0.024			0.032
name rarity			[1.45]			[1.30]
2nd quartile of name rarity			−0.003			−0.002
			[−0.38]			[−0.18]
Eponymy×2nd quartile of			0.017			0.018
name rarity			[1.01]			[0.76]
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
N	533,962	533,962	533,962	533,962	533,962	533,962
Adj. R^2	8.94%	16.66%	16.69%	14.71%	14.54%	14.56%

Panel C: F-tests on coefficients

Coefficients on name rarity quartiles are jointly equal to zero ($\alpha_2 = 0$) or coefficients on interaction terms are jointly equal to zero ($\alpha_3 = 0$)

Specification	(2)	(5)	(8)	(11)	(14)	(17)
F-statistic	0.48	0.81	1.03	1.16	0.99	1.16
p-value	(0.69)	(0.49)	(0.38)	(0.32)	(0.39)	0.33)

The sum of the coefficient on eponymy and the interaction terms is equal to zero ($\alpha_1 + \alpha_3 = 0$)

Specification	(4)	(7)	(10)	(13)	(16)
$\alpha_1 + \alpha_3$	0.008	0.051	0.015	−0.005	−0.011
F-statistic	0.08	0.77	1.10	0.10	0.45
p-value	(0.78)	(0.38)	(0.29)	(0.75)	(0.51)

Table 8.
Performance of Non-eponymous Funds Run by Eponymous Managers

The table reports the results of the following multivariate regressions estimated for the sub-sample of non-eponymous hedge funds:

$$X_{it} = \alpha_0 + \alpha_1 Non\text{-}eponymousFundDummy_{it} + Z'_{it}\beta + \epsilon_{it},$$

where X_{it} is one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) of fund i in month t, $Non\text{-}eponymousFundDummy_{i,t}$ is an indicator variable that takes on a value of 1 if fund i is a non-eponymous fund run by eponymous managers and 0 otherwise, and $Z_{i,t}$ is a vector of fund-specific controls (fund's size, age, management fee, incentive fee, minimum investment, leverage dummy, lockup period, redemption period, notice period, high watermark dummy, hurdle rate dummy, fund's age, and US domicile dummy) and style×year fixed effects, and ϵ_{it} is the i.i.d. error term. The t-statistics in brackets are based on fund- and time-clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

	Performance Measure				
	Raw return	Alpha	MPPM	Sharpe ratio	Information ratio
Non-eponymous fund dummy	0.033	−0.007	−0.007	−0.028**	−0.037**
	[0.62]	[−0.20]	[−1.32]	[−2.48]	[−2.20]
Controls	Yes	Yes	Yes	Yes	Yes
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes
N	787,737	656,100	656,100	656,100	656,100
Adj. R^2	4.41%	14.69%	14.86%	18.83%	15.86%

Table 9.
Flow-Performance Sensitivity: Eponymous versus Non-eponymous Funds

The table reports the results of multivariate regressions of funds' annual investor flows on eponymy and five performance measures, as well as eponymy-performance interaction terms, and a host of fund characteristics, i.e.,:

$$Flow_{i,t+1} = \alpha_0 + \alpha_1 Eponymy_i + \alpha_2 Perfpos_{i,t} + \alpha_3 Perfpos_{i,t} \times Eponymy_i + \alpha_4 Perfneg_{i,t} + \alpha_5 Perfneg_{i,t} \times Eponymy_i + Z'_{i,t}\beta + \epsilon_{i,t},$$

where $Flow_{i,t+1}$ is the annual investor flow for fund i in year $t+1$, $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, $Perfpos_{i,t}$ is equal to the positive values of one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) in year t, $Perfneg_{i,t}$ is equal to the negative values of one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) in year t, and $Z_{i,t}$ is a vector of fund-specific controls (lagged fund flow, lagged size, lagged age, management fee, incentive fee, minimum investment, leverage dummy, lockup period, redemption period, notice period, high watermark dummy, hurdle rate dummy, and US domicile dummy) and style×year fixed effects, and ϵ_{it} is the i.i.d. error term. The t-statistics in brackets are based on fund- and time-clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

	Performance Measure				
	Raw return	Alpha	MPPM	Sharpe ratio	Information ratio
Eponymy	0.008	0.009	0.007	0.001	−0.007
	[1.16]	[1.52]	[0.59]	[0.08]	[−0.09]
Perfpos	0.558***	0.463***	0.832***	0.357***	0.211***
	[8.04]	[6.66]	[6.09]	[9.16]	[7.60]
Perfpos*Eponymy	−0.066	−0.118	−0.116	−0.003	0.011
	[−1.24]	[−1.21]	[−1.59]	[−0.11]	[0.62]
Perfneg	0.489***	0.413***	0.231***	0.347***	0.154***
	[5.02]	[4.23]	[4.08]	[6.03]	[5.27]
Perfneg*Eponymy	0.041	0.247	0.054	−0.026	−0.029
	[0.87]	[1.34]	[1.07]	[−0.38]	[−0.95]
Controls	Yes	Yes	Yes	Yes	Yes
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes
N	37,556	37,556	37,556	37,556	37,556
Adj. R^2	10.79%	8.33%	8.76%	9.39%	8.23%

Table 10.
Fund Flows: Eponymous versus Non-eponymous Funds

The table reports the results of multivariate regressions of funds' annual investor flows on eponymy and a host of fund characteristics, i.e.,:

$$Flow_{i,t+1} = \alpha_0 + \alpha_1 Eponymy_i + \alpha_2 Performance_{i,t} + \alpha_3 Flow_{i,t} + \alpha_4 AUM_{i,t} + \alpha_5 Age_{i,t} + Z'_{i,t}\beta + \epsilon_{i,t},$$

where $Flow_{i,t+1}$ is the annual investor flow for fund i in year $t+1$, $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, $Performance_{i,t}$ is one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) of fund i in year t, $AUM_{i,t}$ is the total assets under management of fund i in year t, $Age_{i,t}$ is the age of fund i in year t,and $Z_{i,t}$ is a vector of fund-specific controls (management fee, incentive fee, minimum investment, leverage dummy, lockup period, redemption period, notice period, high watermark dummy, hurdle rate dummy, and US domicile dummy) and style×year fixed effects, and ϵ_{it} is the i.i.d. error term. The t-statistics in brackets are based on fund- and time-clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

	$Flow_{i,t+1}$	$Flow_{i,t+1}$	$Flow_{i,t+1}$	$Flow_{i,t+1}$	$Flow_{i,t+1}$
Eponymy	−0.001	−0.002	−0.001	0.001	−0.001
	[−0.12]	[−0.31]	[−0.02]	[0.02]	[−0.20]
$Return_{i,t}$	0.518***				
	[10.72]				
$Alpha_{i,t}$		0.461***			
		[7.32]			
$MPPM_{i,t}$			0.417***		
			[11.28]		
$SharpeRatio_{i,t}$				0.329***	
				[8.50]	
$InformationRatio_{i,t}$					0.177***
					[9.32]
$Flow_{i,t}$	0.135***	0.128***	0.138***	0.108***	0.121***
	[6.15]	[5.58]	[6.28]	[4.34]	[5.04]
$AUM_{i,t}$	−0.026***	−0.025***	−0.029***	−0.031***	−0.028***
	[−8.01]	[−9.28]	[−8.35]	[−8.84]	[90.9]
$Age_{i,t}$	−0.011**	−0.011**	−0.001*	−0.008	−0.009*
	[−2.32]	[−2.11]	[−2.10]	[−1.46]	[−1.76]
Controls	Yes	Yes	Yes	Yes	Yes
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes
N	37,556	37,556	37,556	37,556	37,556
Adj. R^2	10.70%	8.26%	10.34%	10.64%	9.75%

Table 11.
Eponymous Funds of Hedge Funds: Performance and Risk

The table reports the results of multivariate regressions of five performance-based measures and two risk-based measures on eponymy and a host of fund characteristics for fund of funds (FoF), i.e.,:

$$X_{it} = \alpha_0 + \alpha_1 Eponymy_i + Z'_{it}\beta + \epsilon_{it},$$

where X_{it} is one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) or the two risk measures (idiosyncratic risk and total risk) of FoF i in month t, $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, Z_{it} is a vector of fund-specific controls (fund's size, age, management fee, incentive fee, minimum investment, leverage dummy, lockup, redemption, and notice periods, high watermark dummy, hurdle rate dummy, fund's age, and US domicile dummy) style×year fixed effects, and ϵ_{it} is the i.i.d. error term. The t-statistics in brackets are based on fund and time clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

	Performance Measure					Risk Measure	
	Raw return	Alpha	MPPM	Sharpe ratio	Information ratio	Idiosyncratic risk	Total risk
Eponymy	−0.026	−0.041	−0.005	−0.023**	−0.047***	0.145**	0.258**
	[−0.75]	[−1.61]	[−1.52]	[−2.07]	[−2.68]	[2.06]	[2.34]
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	219,066	187,266	187,266	187,266	187,266	187,266	187,266
Adj. R^2	12.16%	16.75%	29.19%	29.58%	21.88%	26.01%	22.95%

Table 12.
Do Eponymous FoFs Prefer Investing in Eponymous Hedge Funds?

The table reports the results of univariate and multivariate regressions of eponymous and non-eponymous fund of funds (FoF) returns on epoynmous and non-eponymous hedge fund (HF) returns without (controlling for) Fung and Hsieh (2004) seven factors in Panel A (Panel B), i.e.,:

$$r_{i,t}^{FoF} = \alpha_0 + \beta_{HF} r_{i,t}^{HF} + \epsilon_{i,t},$$
$$r_{i,t}^{FoF} = \alpha_0 + \beta_{HF} r_{i,t}^{HF} + Z_t'\beta + \epsilon_{i,t},$$

where $r_{i,t}^{FoF}$ is the monthly average return of the eponymous or non-eponymous FoFs in excess of one-month T-Bill rate, $r_{i,t}^{HF}$ is the monthly return of eponymous or no-eponymous hedge funds in excess of one-month T-Bill rate, Z_t is a 7×1 vector of Fung and Hsieh (2004) factors, and $\epsilon_{i,t}$ is the i.i.d. error term. The t-statistics in brackets are based on fund- and time-clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

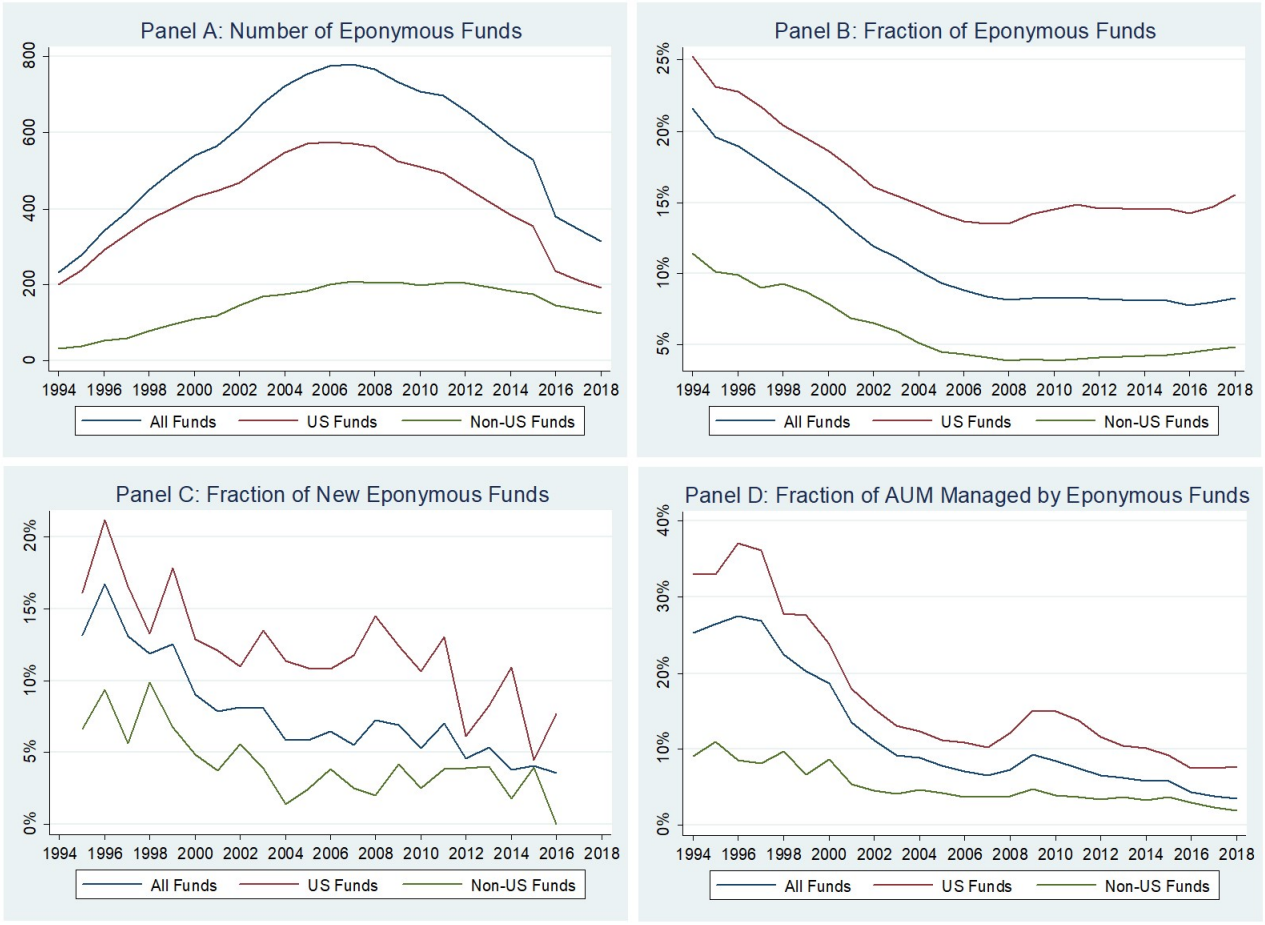
Panel A: Without controlling for Fung and Hsieh (2004) factors			
	Eponymous FoFs	Non-eponymous FoFs	Difference
Eponymyous HFs	0.979^{***}	0.759^{***}	0.220^{***}
	[20.87]	[19.73]	[4.95]
Non-eponymous HFs	0.896^{***}	0.816^{***}	0.080
	[26.35]	[30.50]	[1.50]
Difference	0.083^{**}	-0.057^{*}	
	[2.08]	[−1.69]	
Panel B: Controlling for Fung and Hsieh (2004) factors			
	Eponymous FoFs	Non-eponymous FoFs	Difference
Eponymyous HFs	1.181^{***}	0.914^{***}	0.267^{***}
	[16.90]	[18.74]	[4.13]
Non-eponymous HFs	1.012^{***}	1.029^{***}	−0.017
	[21.08]	[25.08]	[−0.27]
Difference	0.169^{**}	-0.115^{**}	
	[2.37]	[−1.99]	

Table 13.
Determinants of Eponymy

The table reports the results of multivariate regressions of eponymy and a host of manager and fund characteristics. Manager characteristics at the time of a fund's inception are manager's age, gender dummy, PhD dummy, and Ivy League dummy. Fund characteristics, also at a fund's inception, are fund's assets under management, management fee, incentive fee, minimum investment amount, leverage dummy, lockup period, redemption period, notice period, high watermark dummy, hurdle rate dummy, and US domicile dummy.The t-statistics in brackets are based on fund- and time-clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)
Manager characteristics:			
Age	0.001		0.001
	[1.59]		[1.47]
Gender dummy	0.012		0.011
	[0.54]		[0.48]
PhD dummy	0.017		0.011
	[0.97]		[0.67]
Ivy League dummy	0.034		0.034
	[1.20]		[1.38]
Fund characteristics:			
AUM at inception		-0.009^{**}	-0.011^{***}
		[−2.67]	[−3.76]
Management fee		−0.013	−0.015
		[−1.26]	[−1.45]
Incentive fee		−0.001	−0.001
		[−0.15]	[−0.03]
Min. investment		-0.011^{***}	-0.007^{***}
		[−3.79]	[−2.73]
Leverage		0.002^{*}	0.002
		[1.65]	[1.57]
Lockup period		0.002	0.002
		[0.86]	[0.58]
Redemption		0.001^{*}	0.001
		[1.68]	[1.50]
Notice period		0.001	0.001
		[0.67]	[0.82]
High watermark		0.014	0.018
		[0.71]	[0.92]
Hurdle rate		-0.029^{**}	-0.027^{**}
		[−2.55]	[−2.47]
US domicile		0.048^{***}	0.043^{***}
		[3.40]	[3.18]
Intercept		0.258^{***}	0.215^{***}
		[3.85]	[3.38]
Style×year fixed effects	Yes	Yes	Yes
N	3,696	3,696	3,696
Adj. R^2	1.83%	2.82%	2.89%

Figure 1.
Eponymous Hedge Funds Over Time
The figure shows the time trend of eponymous hedge funds during our sample period from January 1994 to December 2018. In particular, each month the figure shows the number of eponymous hedge funds (Panel A), the fraction of eponymous funds among all funds (Panel B), the fraction of newly created eponymous hedge funds among all newly created hedge funds (Panel C), and the fraction of assets managed by eponymous hedge funds to overall assets managed by all the funds in our sample (Panel D).



Internet Appendix for

"Eponymous Hedge Funds"

This Internet Appendix presents the results from supplementary tests not reported in the paper. In Section A.1, we document the covariate balance results across the treatment (eponymous funds) and control (non-eponymous funds) groups after re-weighting based on entropy balancing procedure (Table A.1). In Section A.2, we report the results of additional analyses regarding the reputational benefits and costs associated with eponymy. In particular, we investigate i) the flow-performance sensitivity of eponymous and non-eponymous funds that are run by same managers or same fund family (Table A.2), and ii) the overall fund flows to eponymous and non-eponymous funds that are run by same managers or same fund family (Table A.3).

A.1 Entropy balance matching

In this section, we explain the details of the entropy balance matching (EBM) procedure as outlined in Section 3.3 and document the results from the EBM analysis. Note that eponymy is a choice made by the fund manager, and therefore there is a potential selection bias associated with our results presented in Section 3.2. Although it is challenging to control for unobservable heterogeneity between eponymous and non-eponymous funds, we address the selection bias by conducting an entropy balance matching (EBM) analysis (Hainmueller, 2012; Hainmueller and Xu, 2013).

Entropy balancing is essentially a re-weighting technique that represents a generalization of propensity score matching to achieve significantly improved covariate balance across treatment and control samples. Under the conventional propensity score matching approach, each control unit is assigned a weight of either zero or one (i.e., the unit is either retained or discarded). Instead of using this restrictive weighting scheme, entropy balancing assigns a continuous set of weights to control units to create a set of control counterfactuals that closely resemble treatment units. Moreover, this approach prevents the loss of information and a drop in the sample size because most observations get assigned appropriate non-zero weights instead of being discarded.

Entropy balancing (EB) has the advantage of achieving high covariate balance without

significant sample attrition by augmenting the list of matching variables. Hence, EBM approach ensures that treatment and control funds exhibit similar fund characteristics at the time of inception. Specifically, we control for the differences in all observable fund characteristics reported in Table 2 in the paper as well as the style category that the fund belongs to in constructing the matched samples.

TABLE A.1 ABOUT HERE

Table A.1 presents the covariate balance across the treatment (eponymous funds) and control (non-eponymous funds) groups after re-weighting based on entropy balancing procedure. The table shows that the means of treatment and control funds are virtually identical across all variables. Overall, the results confirm that entropy balance matching achieves almost perfect matching between the treatment and control groups based on observable fund characteristics.

A.2 Further analyses of reputational costs and benefits associated with eponymy

In Section 4.3, we provided a direct test for one of the key assumptions in Belenzon, Chatterji, and Daley (2017) model regarding the reputational benefits and costs associated with eponymy. In particular, we investigated i) whether eponymous hedge funds receive more flows after good performance (due to an improvement in reputation) and significantly stronger outflows after bad performance (due to reputational loss), and ii) whether eponymous funds receive higher overall fund flows than non-eponymous funds.

To further control for any heterogeneity between the eponymous and non-eponymous funds, in this section, we repeat these analyses for eponymous and non-eponymous funds run by the same manager or same management company. If the same manager (or management company) runs eponymous and non-eponymous funds, we should see higher flows and greater flow-performance sensitivity (for both good and bad performance) in their eponymous funds if investors identify the fund by the manager's (or management company's) name. In particular, we test the following model:

$$\begin{aligned} Flow_{i,t+1} = \alpha_0 + \alpha_1 Eponymy_i + \alpha_2 Perfpos_{i,t} + \alpha_3 Perfpos_{i,t} \times Eponymy_i \\ + \alpha_4 Perfneg_{i,t} + \alpha_5 Perfneg_{i,t} \times Eponymy_i + Z'_{i,t}\beta + \epsilon_{i,t}, \end{aligned} \quad (13)$$

where $Flow_{i,t+1}$ is the annual investor flow for fund i in year $t+1$, $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, $Perfpos_{i,t}$ is equal to the positive values of one of the five performance measures (raw return, alpha, MPPM Sharpe ratio, and information ratio) in year t and zero otherwise, $Perfneg_{i,t}$ is equal to the negative values of one of the five performance measures in year t and zero otherwise, and $Z_{i,t}$ is a vector of fund-specific controls and style×year fixed effects, and ϵ_{it} is the i.i.d. error term.

TABLE A.2 ABOUT HERE

Table A.2 reports the results of the flow-performance tests. Regardless of the performance measure used and regardless of whether the fund is run by the same manager (Panel A) or the same management company (Panel B), the table shows that the interaction terms between eponymy and performance are statistically insignificant in all the specifications. Therefore, these findings offer little support for the hypothesis that managers use eponymy to signal their ability because there is no evidence that eponymy either increases the reputational benefits (i.e., more capital inflows after good performance) or increases the reputational costs (i.e., more capital outflows after bad performance).

Finally, we investigate the overall fund flows to eponymous vs. non-eponymous funds run by the same manager or management company to test whether eponymous funds receive significantly higher flows than non-eponymous funds. In particular, we estimate the following multivariate regression:

$$Flow_{i,t+1} = \alpha_0 + \alpha_1 Eponymy_i + \alpha_2 Ret_{i,t} + \alpha_3 Flow_{i,t} + \alpha_4 AUM_{i,t} + \alpha_5 Age_{i,t} + Z'_{i,t}\beta + \epsilon_{i,t}, \quad (14)$$

where $Flow_{i,t+1}$ is the annual investor flow for fund i in year $t+1$, $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, $Ret_{i,t}$ is the return of fund i in year t, $AUM_{i,t}$ is the total assets under management of fund i in year t, $Age_{i,t}$ is the age of fund i in year t, $Z_{i,t}$ is a vector of other fund-specific controls and style×year fixed effects, and ϵ_{it} is the i.i.d. error term.

TABLE A.3 ABOUT HERE

The insignificant coefficient on the eponymy term in both Panel A and Panel B of Table A.3 confirms that eponymous funds run by the same manager or management company do

not receive more flows because investors do not seem to associate the fund with the manager's (or the management company's) name and thus believe that their managers are more skilled.

References

Hainmueller, J., 2012. "Entropy balancing for causal effects: A multivariate reweighting method to produce balanced samples in observational studies, " *Political Analysis* 20, 25–46.

Hainmueller, J., and Xu, Y., 2013 "ebalance: A Stata package for entropy balancing, " *Journal of Statistical Software* 54, 1–18.

Table A.1.
Treatment versus Control Groups with Entropy Balance Matching

The table reports the average values of fund characteristics of a matched sample of treatment (eponymous) and control (non-eponymous) funds under entropy balancing. The matched sample of treatment and control funds is created using entropy balance matching approach following Hainmueller (2012) and Hainmueller and Xu (2013). The fund characteristics used in matching procedure are funds' asset under management (AUM), inception year, management fee, incentive fee, minimum investment amount, leverage dummy, lockup period, lockup dummy, redemption period, notice period, high watermark dummy, hurdle rate dummy, US domicile dummy, and the style category that the fund belongs to. The definitions of fund characteristics are provided in the Appendix.

	Treatment (Eponymous)	Control (Non-eponymous)
AUM (millions)	53.31	53.31
Inception year	2001	2001
Management fee (%)	1.37	1.37
Incentive fee (%)	17.01	17.01
Min. investment (millions)	1.14	1.14
Leverage dummy	0.55	0.55
Lockup period (days)	127.62	127.62
Redemption period (days)	93.34	93.34
Notice period (days)	37.63	37.63
High watermark dummy	0.82	0.82
Hurdle rate dummy	0.18	0.18
US domicile dummy	0.74	0.74

Table A.2.
Flow-Performance Sensitivity: Eponymous versus Non-eponymous Funds run by Same Managers or Same Fund Family

The table reports the results of multivariate regressions of funds' annual investor flows on eponymy and five performance measures, as well as eponymy-performance interaction terms, and a host of fund characteristics, i.e.,:

$$Flow_{i,t+1} = \alpha_0 + \alpha_1 Eponymy_i + \alpha_2 Perfpos_{i,t} + \alpha_3 Perfpos_{i,t} \times Eponymy_i + \alpha_4 Perfneg_{i,t} + \alpha_5 Perfneg_{i,t} \times Eponymy_i + Z'_{i,t}\beta + \epsilon_{i,t},$$

where $Flow_{i,t+1}$ is the annual investor flow for fund i in year $t+1$, $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, $Perfpos_{i,t}$ is equal to the positive values of one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) in year t, $Perfneg_{i,t}$ is equal to the negative values of one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) in year t, and $Z_{i,t}$ is a vector of fund-specific controls (lagged fund flow, lagged size, lagged age, management fee, incentive fee, minimum investment, leverage ratio, lockup period, redemption period, notice period, high watermark dummy, hurdle rate dummy, and US domicile dummy) and style×year fixed effects, and ϵ_{it} is the i.i.d. error term. The t-statistics in brackets are based on fund- and time-clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

Panel A: Eponymous and non-eponymous funds run by the same manager

	Performance Measure				
	Raw return	Alpha	MPPM	Sharpe ratio	Information ratio
Eponymy	0.046	0.009	0.039	0.107	0.014
	[0.60]	[0.13]	[0.53]	[1.39]	[0.19]
Perfpos	0.679***	0.478	0.653***	0.425***	0.159**
	[3.61]	[1.63]	[3.10]	[2.97]	[2.01]
Perfpos*Eponymy	−0.018	−0.106	0.105	−0.143	0.072
	[−0.10]	[−63]	[0.45]	[0.89]	[0.84]
Perfneg	0.069	0.206	0.172	0.107	0.074
	[0.37]	[0.75]	[1.46]	[0.64]	[0.62]
Perfneg*Eponymy	0.137	−0.078	0.017	0.151	−0.052
	[0.64]	[−1.10]	[0.17]	[1.01]	[−0.39]
Controls	Yes	Yes	Yes	Yes	Yes
Manager fixed effects	Yes	Yes	Yes	Yes	Yes
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes
N	1,701	1,701	1,701	1,701	1,701
Adj. R^2	20.18%	18.24%	18.99%	19.04%	18.90%

(continued on next page)

Table A.2. Flow-Performance Sensitivity: Eponymous versus Non-eponymous Funds run by Same Managers or Same Fund Family (cont.)

Panel B: Eponymous and non-eponymous funds run by the same fund family

	Performance Measure				
	Raw return	Alpha	MPPM	Sharpe ratio	Information ratio
Eponymy	0.023	0.001	0.031	0.077	0.035
	[0.62]	[0.03]	[0.86]	[1.56]	[0.88]
Perfpos	0.552***	0.455	0.671***	0.521***	0.333***
	[3.71]	[1.56]	[4.13]	[4.03]	[3.68]
Perfpos*Eponymy	−0.052	0.306	−0.173	−0.224*	−0.076
	[−0.38]	[0.89]	[−0.98]	[−1.75]	[−0.91]
Perfneg	0.431***	0.432	0.363***	0.385	0.179***
	[3.54]	[1.31]	[3.95]	[1.62]	[3.09]
Perfneg*Eponymy	−0.075	−0.337	−0.052	0.038	−0.103
	[−0.44]	[−0.64]	[−0.57]	[0.17]	[−1.11]
Controls	Yes	Yes	Yes	Yes	Yes
Fund family fixed effects	Yes	Yes	Yes	Yes	Yes
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes
N	3,728	3,728	3,728	3,728	3,728
Adj. R^2	19.01%	18.83%	18.84%	19.04%	19.12%

Table A.3.
Fund Flows: Eponymous versus Non-eponymous Funds run by Same Managers or Same Fund Family

The table reports the results of multivariate regressions of funds' annual investor flows on eponymy and a host of fund characteristics, i.e.,:

$$Flow_{i,t+1} = \alpha_0 + \alpha_1 Eponymy_i + \alpha_2 Performance_{i,t} + \alpha_3 Flow_{i,t} + \alpha_4 AUM_{i,t} + \alpha_5 Age_{i,t} + Z'_{i,t}\beta + \epsilon_{i,t},$$

where $Flow_{i,t+1}$ is the annual investor flow for fund i in year $t+1$, $Eponymy_i$ is an indicator variable that takes on a value of 1 if fund i is identified as eponymous and 0 otherwise, $Performance_{i,t}$ is one of the five performance measures (raw return, alpha, MPPM, Sharpe ratio, and information ratio) of fund i in year t, $AUM_{i,t}$ is the total assets under management of fund i in year t, $Age_{i,t}$ is the age of fund i in year t,and $Z_{i,t}$ is a vector of fund-specific controls (management fee, incentive fee, minimum investment, leverage ratio, lockup period, redemption period, notice period, high watermark dummy, hurdle rate dummy, and US domicile dummy) and style×year fixed effects, and ϵ_{it} is the i.i.d. error term. The t-statistics in brackets are based on fund- and time-clustered standard errors. *, **, and *** represent significance level at 10%, 5%, and 1%, respectively.

Panel A: Eponymous and non-eponymous funds run by the same manager

	$Flow_{i,t+1}$	$Flow_{i,t+1}$	$Flow_{i,t+1}$	$Flow_{i,t+1}$	$Flow_{i,t+1}$
Eponymy	0.046	0.048	0.053	0.057	0.052
	[0.73]	[0.77]	[0.82]	[0.87]	[0.77]
$Return_{i,t}$	0.478***				
	[4.40]				
$Alpha_{i,t}$		0.201			
		[0.10]			
$MPPM_{i,t}$			0.357***		
			[3.28]		
$SharpeRatio_{i,t}$				0.299***	
				[4.27]	
$InformationRatio_{i,t}$					0.171***
					[3.40]
$Flow_{i,t}$	0.153***	0.161***	0.153***	0.141***	0.144***
	[3.06]	[2.99]	[3.01]	[2.66]	[2.74]
$AUM_{i,t}$	−0.121***	−0.116***	−0.119***	−0.131***	−0.124***
	[−5.09]	[−4.93]	[−4.97]	[−5.19]	[−5.12]
$Age_{i,t}$	−0.001	−0.001	−0.001	−0.001	−0.001
	[−0.11]	[−0.21]	[−0.03]	[−0.06]	[−0.03]
Controls	Yes	Yes	Yes	Yes	Yes
Manager fixed effects	Yes	Yes	Yes	Yes	Yes
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes
N	1,701	1,701	1,701	1,701	1,701
Adj. R^2	8.31%	18.31%	19.75%	19.96%	19.61%

(continued on next page)

Table A.3. Fund Flows: Eponymous versus Non-eponymous Funds run by Same Managers or Same Fund Family (cont.)

Panel B: Eponymous and non-eponymous funds run by the same fund family					
	$Flow_{i,t+1}$	$Flow_{i,t+1}$	$Flow_{i,t+1}$	$Flow_{i,t+1}$	$Flow_{i,t+1}$
Eponymy	0.022	0.028	0.021	0.024	0.027
	[0.69]	[0.85]	[0.65]	[0.71]	[0.83]
$Return_{i,t}$	0.542^{***}				
	[7.04]				
$Alpha_{i,t}$		0.511^{***}			
		[5.32]			
$MPPM_{i,t}$			0.377^{***}		
			[8.53]		
$SharpeRatio_{i,t}$				0.307^{***}	
				[7.15]	
$InformationRatio_{i,t}$					0.158^{***}
					[5.29]
$Flow_{i,t}$	0.096^{**}	0.128^{***}	0.138^{***}	0.121^{***}	0.129^{***}
	[2.39]	[3.05]	[3.44]	[2.92]	[3.10]
$AUM_{i,t}$	-0.105^{***}	-0.031^{***}	-0.034^{***}	-0.037^{***}	-0.033^{***}
	[−9.11]	[−5.18]	[−5.48]	[−5.83]	[5.29]
$Age_{i,t}$	−0.001	−0.001	-0.001^{*}	−0.001	-0.001^{*}
	[−1.23]	[−1.56]	[−1.67]	[−1.60]	[−1.70]
Controls	Yes	Yes	Yes	Yes	Yes
Fund family fixed effects	Yes	Yes	Yes	Yes	Yes
Style×year fixed effects	Yes	Yes	Yes	Yes	Yes
N	3,728	3,728	3,728	3,728	3,728
Adj. R^2	19.34%	11.62%	12.51%	12.80%	12.11%