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COSTS OF POLITICAL POLARIZATION: EVIDENCE FROM MUTUAL FUND MANAGERS DURING COVID-19

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To my loving family – Mark, Liz, Tory, Rafael, Rutherford, Reginald, and Sherlock – thank you for supporting me through this arduous journey. I wouldn't have made it without all of you. It takes a village to raise a doctor.

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ABSTRACT

Political orientation is more consequential for the asset management industry than previously believed. During the Covid-19 crisis, partisan mutual fund teams – whether Democratic or Republican – have lower fund returns and lower fund flows, compared to non-partisan teams. Higher non-partisan returns come from aggressive risk-taking during the stock market crash and diverse pre-existing portfolio positions. Non-partisans appear to individually add value to their team through greater cognitive and ideological flexibility. Higher non-partisan flows result from partisan investor clienteles. Institutional investors use negative screens to rule out fund managers with misaligned political values. As a result, politically misaligned funds – with Republican managers and Democratic-leaning clienteles – experience abnormal outflows. Non-partisan funds receive more net flows overall by mitigating this political misalignment effect.

CHAPTER 1

INTRODUCTION

Democrats and Republicans increasingly disagree on important topics like civil liberties, government policies, and morality (Bertrand and Kamenica (2018)). At the same time, important decision-making groups, like corporate executive teams and private equity firms, have become very politically homogeneous (Bermiss and McDonald (2018); Fos et al. (2021)). Such political – and thus ideological – homogeneity appears alarming. Does political polarization lead to biases that hurt performance?

Almost always. Strong partisanship results in consequential political biases for retail investors, homeowners, physicians, judges, credit analysts, bankers, corporate executives, and regulators.[1] For example, credit analysts abnormally downgrade firms when the opposite political party is in power (Kempf and Tsoutsoura (2021)). The singular exception to the negative relation between strong partisanship and performance is institutional investors. Institutional investors appear unique in being financially sophisticated, strongly monetarily incentivized, and frequently evaluated against a benchmark. Prior work suggests that, for these reasons, while fund managers' personal preferences may lead to differences in exposures, they do not lead to differences in performance.[2]

I revisit this seemingly settled question – does strong political partisanship hurt team performance in the asset management industry? This question warrants further scrutiny for two primary reasons. First, US political divisions have widened dramatically over the

1. Important partisan performance effects are documented for retail investors in Bonaparte et al. (2017), Cookson et al. (2020), Meeuwis et al. (2020), and Sheng et al. (2021); for homeowners in Bernstein et al. (2020); for physicians in Hersh and Goldenberg (2016); for judges in Chen (2019); for credit analysts in Kempf and Tsoutsoura (2021); for bankers in Dagostino et al. (2020); for corporate executives in Hutton et al. (2014), Di Giuli and Kostovetsky (2014), and Bizjak et al. (2021); and for regulators in Engelberg et al. (2021).

2. For example, Hong and Kostovetsky (2012) and Brown et al. (2018) show how political and risk-related preferences affect exposures but not performance. More generally, behavioral biases are known to shrink with investor sophistication (eg: Grinblatt and Keloharju (2001), Feng and Seasholes (2005), and Dhar and Zhu (2006)).

last decade or so.[3] It's possible that political biases have crept into the asset management industry in unexpected ways. Second, the stakes are large, as more than $20 trillion of assets are actively managed in the US alone.[4] If institutional investors have political biases, the risks to investor wealth and financial well-being are enormous.

I use Covid-19 as a shock to political disagreement. As shown in Figure 7.1, differences in initial concern for Covid-19 were sharp across political partisanship but essentially zero across any other demographic factor.[5] In addition, Covid-19 was the most important issue for active managers (and Americans) to address during this time period. If political partisanship matters at all for the asset management industry, then after the start of Covid, systematic performance differences would appear. I focus my analysis on active equity mutual fund teams and consider two measures of performance: fund returns, which are based on fund manager teamwork, and fund flows, which are based on diverse client perceptions of the fund team.

I use federal political contributions to identify fund managers' political leaning. I sort managers into three categories based on their contributions: Democratic managers give primarily to Democratic candidates, Republican managers give primarily to Republican candidaates, and non-partisan managers give exclusively to politically neutral committees, which favor neither Democratic nor Republican candidates. I rely on political contributions for two primary reasons. First, contributions are truly a "consumption good," as this is not

3. For example, the partisan divide across political values has more than doubled between 2004 and 2017 according to the Pew Research Center.

4. Active US mutual funds and ETFs had $15.5 trillion of assets at the end of 2021 according to Morningstar. US private capital totaled $3.8 trillion in mid 2021 according to McKinsey. Hedge funds had total net assets of $5.0 trillion at the end of Q3 2021 according to the Fed. Note that almost all hedge fund net assets are domiciled in the US or the Cayman Islands according to the SEC.

5. Note that well-educated people also strongly disagree across party lines. The gap in initial concern between Republicans and Democrats with post-graduate degrees is 51 percentage points, slightly larger than the unconditional 49 percentage point gap between Republicans and Democrats. A growing literature provides additional evidence that Democrats and Republicans perceive Covid-19 risks very differently. For example, more Republican areas engage in less social distancing (Allcott et al. (2020)) and mask wearing (Milosh et al. (2020)) during Covid-19. Republicans are also more optimistic about stocks during the pandemic (Cookson et al. (2020)).

a market for information or influence.[6] Second, contributions allow me to measure both partisan leaning and partisanship strength, facilitating a much richer classification system than the uni-dimensional Republican/Democrat sorts from voter registration data.

My key finding is the following: after the onset of Covid-19, partisan fund teams – whether Democratic or Republican – have lower fund returns and lower net fund flows than non-partisan teams. The magnitudes of these effects are large. While Covid is a single event, the mechanisms underlying these effects suggest political polarization will continue to be costly in the future.

During the Covid-19 stock market crash, partisan teams underperform their style-specific non-partisan peers by 1.10%, and this performance wedge persists through the stock market's complete recovery over the next 6 months. Non-partisan outperformance is of a large magnitude, similar in size to the outperformance of sustainable funds over non-sustainable funds. Republicans also slightly underperform Democrats during the stock market crash, although this underperformance disappears with the stock market rebound. These performance relations are robust across a variety of benchmark-adjusted and risk-adjusted performance measures. This rank ordering – non-partisans outperform Democrats who outperform Republicans – is puzzling. Why do politically neutral teams have superior performance instead of middling performance?

I use holdings data to explore the sources of these performance differences. I find that partisans and non-partisans behave differently during Q1 2020. Non-partisans deviate more from their benchmarks, actively purchasing more stock on net and also actively tilting their portfolios towards riskier stocks (eg: higher market betas, higher trailing volatilities, etc.). This active risk-taking accounts for 34% of non-partisan Q1 2020 outperformance. Pre-existing portfolio positions are also important, particularly tilts towards firms with stronger financial health and firms with less carbon risk. In contrast to the split of non-partisan out-

6. I summarize the robust literature on this issue in the Online Appendix. I also use state-level party voter registration to validate the accuracy of my imputed partisan leanings.

performance across active and passive factors, Republican underperformance of Democrats is entirely passive, stemming from larger pre-existing value and value-related tilts.

These sources of non-partisan outperformance are consistent with non-partisans being more cognitively and ideologically flexible. Non-partisans' active outperformance is consistent with greater cognitive flexibility, which involves better processing and reacting to new information. Non-partisans' systematic and aggressive risk-taking during the stock market crash reveals their correct early identification of the stock market's overreaction (Gormsen and Koijen (2020)). This corroborates recent work in experimental psychology, which finds that politically neutral individuals have weaker priors than partisans (who are more dogmatic), enabling them to better respond to new information in lab settings.

Non-partisans' passive outperformance is consistent with greater ideological flexibility. Republican and Democratic tilts line up with conventional notions of political preferences – Republicans are more risk tolerant and Democrats value sustainability more. Non-partisans, however, avoid such ideological constraints in their portfolio choice, mixing between traditional Republican and Democratic overweights. That non-partisans appear less constrained in their ex-ante portfolio choice makes their passive outperformance less surprising.

Digging deeper into the mechanism, I show that non-partisan outperformance disappears with manager fixed effects. This means that non-partisan managers add value to the team by making good individual contributions. This is where cognitive and ideological flexibility can play a role, enabling non-partisans to individually recommend better responses as well as unconditional portfolio tilts that cut across party lines. In addition, this reveals systematic talent sorting by partisanship, in which partisan funds (Democratic or Republican) employ managers with smaller performance fixed effects. This corroborates the growing literature on political sorting (eg: Evans et al. (2021)), in which Republican (Democratic) funds may choose to hire another Republican (Democrat) instead of hiring the best manager.

These partisan performance differences are robust to a variety of alternative specifications

and definitions, changing both the measurement of performance and the measurement of partisanship. In addition, these results are robust to controlling for fund team demographics and demographic diversity, focusing on gender, ethnicity, age, education, geographic ruralness, wealth/income, and experience. Non-partisan outperformance is also robust to sample splits and bootstrap resampling of funds and persists for the Berk and Van Binsbergen (2015) measure of value-added skill.

Turning to fund flows, do investors care about politically polarized teams when selecting an active mutual fund? Partisan-based performance differences are a novel discovery, so it's not clear that political partisanship matters to investors. Prior literature (Dagostino et al. (2020); Kempf and Tsoutsoura (2021)) suggests that, since investors choose their manager, they will avoid misaligning manager and investor partisanship if it matters.

I first show that investors prefer non-partisan funds, which receive more net flows than either Democratic or Republican funds. For the 6 months following Covid's start, non-partisan funds receive incremental net flows of 2.08% ($t = 2.53$) of net assets. This is larger than the effect of a fund being explicitly sustainable (+1.04%) and almost as large as the effect of an extra Morningstar star (+3.64%). I argue this is because non-partisan funds can uniquely appeal to both Democratic and Republican investor clienteles.

I then establish that investor clienteles act like partisans by showing that politically misaligned funds have abnormal net outflows. Since Democrats value sustainability more than Republicans, I identify funds with explicit sustainability designations (eg: "socially conscious," "low carbon") as having Democratic-leaning clienteles. Republican-managed sustainable funds are thus politically misaligned. These politically misaligned funds experience average incremental net outflows of 1.90% ($t = -2.74$) of net assets over the 10-week crisis period, which grows to 4.16% ($t = -3.85$) over 6 months. This is larger than the effect of a fund being explicitly sustainable or having an extra Morningstar star.

The effect of political misalignment on flows appears driven by a lack of new investment,

not unusual selling from existing investors. Sustainable funds managed by non-partisans or Democrats receive large inflows after the start of Covid-19, but not sustainable funds managed by Republicans. In addition, investor indifference between Democratic and non-partisan managers emphasizes that this is an issue of misalignment (ie: negative screens), not alignment (ie: positive screens).

I present evidence consistent with institutional investors mediating this effect, using negative screens to eliminate from consideration managers with incompatible political values. I begin by showing that this political misalignment effect is driven by funds with mainly institutional investors, not retail investors. This is an important sanity check, as institutional investors are better equipped to perform fund manager research. The effect of political misalignment on flows is three times larger in the institutional investor subsample (15.3% of net assets over 26 weeks) than in the full sample, and the effect size is almost three times as large as a fund being either explicitly sustainable or having an extra Morningstar star.

I test the negative screening mechanism in three ways. First, I show that the effect of political misalignment on flows is larger for fund teams that are more strongly Republican. This emphasizes that the effect is related to partisanship strength. Second, I show that funds with Democratic-leaning clienteles express a distaste (more net outflows) for funds with greater exposures to "sin" stocks (weapons, tobacco) and risky stocks (small value). This emphasizes that investor clienteles can be highly partisan. Third, I show that funds with Democrats (but not Republicans) tend to be incrementally more sustainable, even after controlling for the sustainability labels that are known to be compensated with more net flows. This suggests Republican managers have a weaker commitment to sustainability, which is a type of political value that institutional investors can screen on.

As a further sanity check, I manually investigate several Republican-managed sustainable funds with more net outflows. These managers have strongly Republican public images, giving tens of thousands of dollars to Republican candidates or self-identifying as Republi-

can/conservative on Twitter. Some funds with "low carbon," "socially conscious," or "sustainable investment" labels are rated by Morningstar as being "average" or "below average" in terms of overall sustainability, validating anecdotal complaints of one-dimensional sustainability strategies.

Last, I show that funds with non-partisan managers receive more net flows overall largely because they mitigate the political misalignment effect. Besides reducing the salience of misaligned political identities, funds with more non-partisan managers are also more sustainable and have smaller risk tilts than Republican-only funds. In other words, non-partisans moderate the political values of the fund, which in turn moderates the effect of values misalignment on flows.

The flow effects – more net flows for non-partisans and less net flows for politically misaligned funds – are both a post-Covid phenomenon. Anecdotally, institutional investment consultants say that their [likely Democratic] clients interpreted Covid-19 as a humanitarian crisis, and responded by investing more in sustainable funds that take ESG seriously. Political disagreement about the risks of Covid explains why Democratic investors allocate more to sustainable funds, and disagreement concerning political values explains why these flows discriminate against Republican managers.

These flow effects are robust to a variety of alternative specifications, which include alternative definitions for non-partisan fund management, Republican fund management, and Democratic-leaning clienteles. Notably, all of the flow results are conditional on several types of contemporaneous and past performance. I further emphasize that this is not a story about the flow-performance relation by showing that politically-misaligned funds – which have large abnormal net outflows – do not have differentiated performance.

The rest of the paper is organized as follows. In Chapter 2, I situate the paper's contribution in the related literature. In Chapter 3, I describe the data. In Chapter 4, I document the partisan performance differences, investigate the mechanism, and describe important

robustness tests. In Chapter 5, I document abnormal net inflows to non-partisan funds and abnormal net outflows from politically-misaligned funds, investigate the mechanism, and describe important robustness tests. Chapter 6 concludes. Additional empirical results and database construction details are located in the Online Appendix, which is available on the author's website.

CHAPTER 2

RELATED LITERATURE

My paper's first contribution is showing that political partisanship has important effects on performance in the asset management industry. A sizable literature finds that, while fund manager partisanship may lead to slight portfolio tilts, it does not affect performance. For example, Hong and Kostovetsky (2012) find Democratic managers overweight socially responsible stocks relative to Republican managers, but there is no effect on performance. Shu et al. (2012), DeVault and Sias (2017), Brown et al. (2018), and Wintoki and Xi (2020) reach similar conclusions, suggesting this is a result of fund managers' financial sophistication, monetary incentives, and frequent feedback. My results suggest that fund managers are not immune to consequential partisan biases, and that fund manager partisanship is more important – for both return performance and fund flows – than previously believed.

My paper's second contribution is showing that political polarization entails costs. I find that partisan decision-making groups, whether Democratic or Republican, have worse performance. That strongly partisan ideologies bias decision-making is not novel however. For example, Hutton et al. (2014) show that Republican managers have more conservative corporate policies, Di Giuli and Kostovetsky (2014) show that Democratic-leaning firms spend more on corporate social responsibility, and Lee et al. (2014) show that companies with politically-aligned CEOs and independent directors experience increased internal agency conflicts and lower resulting profitability and firm valuations. My paper is differentiated by using a new setting to identify new mechanisms through which strong partisanship entails costs, namely cognitive inflexibility and client distaste for misaligned political values. Given the highly professional and competitive nature of the mutual fund industry, these challenges associated with strong partisanship are likely to generalize to the broader corporate setting.

My paper's third contribution is showing that fund manager partisanship is an important determinant of fund flows. I show that non-partisan funds have more net inflows and

politically-misaligned funds – with Republican managers and Democratic-leaning investor clienteles – have more net outflows. Following the Covid-19 outbreak, the effect of political misalignment on flows is of an order of magnitude similar to well-known factors like explicit sustainability labels (Hartzmark and Sussman (2019); Ceccarelli et al. (2021); Pástor and Vorsatz (2020)) and Morningstar star ratings (Del Guercio and Tkac (2008); Ben-David et al. (2019)). To the best of my knowledge, this is the first paper to link partisanship to mutual fund flows.

A closely related paper is Evans et al. (2021). They find that politically diverse mutual fund teams outperform homogeneous teams, except when political polarization is high, in which case intra-team conflict appears to eliminate the performance benefits. Their performance mechanism is based on improved decision-making from more diverse perspectives and increased monitoring by heterogeneous team members. My paper is differentiated in three primary ways. First, I focus on non-partisanship instead of political diversity. My performance mechanism concerns the individual contributions of non-partisan managers, which is very different from their study of how frictions between team members' conflicting views can alter the decision-making process. Second, I focus on the 2020 Covid-19 crisis while their paper studies the 1992 to 2016 time period. Following a shock to political disagreement, I find that non-partisans outperform relative to partisans, while Evans et al. (2021) find undifferentiated performance between politically diverse and partisan teams. These results are not inconsistent, although the nature of the Covid shock may make different traits (like cognitive flexibility) more relevant than during normal times. Last, my paper looks at both performance and flows, while Evans et al. (2021) focus exclusively on performance.

CHAPTER 3

DATA

I construct a database with US mutual fund returns and stock holdings; fund manager political contributions, self-registered party affiliations, and demographics; and county-level Covid-19 cases. I collect mutual fund information (including full manager names) from Morningstar Direct, stock holdings from CRSP, and firm financial ratios from Compustat. Fund manager political contributions are hand-matched from the Federal Election Commission (FEC) database, self-registered party affiliations are from state-level voter registration data, and demographics information is primarily sourced from fund manager biographies on Morningstar.com. County-level date-stamped Covid-cases are provided by The New York Times, and several ancillary databases provide additional information.

3.1 Mutual Fund Data

I collect daily data from Morningstar Direct covering the period from January 1, 2015 to February 28, 2021. I collect my initial sample of funds in May 2020 and consider only funds collected at this point in time, which alleviates issues of incubation bias (Evans (2010)). I clean my data closely following Pástor and Vorsatz (2020), making only slight modifications.[1] While my full sample includes 6,911 actively-managed funds with $13.90 trillion in net assets, I restrict consideration to the subsample of funds for which I'm able to identify political contributions for at least one fund manager. This sample covers 2,424 funds with $6.54 trillion of net assets, of which 1,022 ($3.54 trillion of net assets) are equity funds. My analysis primarily focuses on these 1,022 actively-managed equity funds.

1. For example, I use "stale" data (as much as 3 months old) for fund characteristics that are used as ancillary controls, including variables like TNA, turnover ratio, net expense ratio, and the share of net assets invested in various industries. As these variables generally do not change dramatically over short intervals, the benefit of greater non-missingness exceeds the cost of slight mismeasurement.

Table 8.1 summarizes key characteristics of funds in my sample. Panel A shows that these funds are generally large, expensive, experienced, and active traders. Panel B shows that a moderate proportion of funds (37%) have earned explicit sustainability labels from Morningstar. These labels are primarily the "low carbon" (26%), "socially conscious" (14%), and 5 sustainability globe (7%) distinctions, but also include funds that prioritize sustainable investment (4%) or employ exclusions related to moral/ethical concerns (4%).

In the Appendix, I show that my equity fund subsample differs from the full actively-managed equity fund sample (3,461 funds with $7.32 trillion of net assets) in only two important dimensions: (1) my subsample's funds have more managers; and (2) my subsample's funds have more net assets. The first effect likely drives the second. It is not surprising that my subsample's funds have more managers because this makes matching at least one manager to FEC political contributions more likely. My subsample and the full sample are very similar for other important values like turnover, fund age, and star rating.

I adjust for fund style in two ways. First, following Gormley and Matsa (2014), I control for unobserved heterogeneity ("common errors") using style fixed effects. I use the fairly granular Morningstar Category to identify fund styles, which is almost identical to using Morningstar-designated FTSE/Russell benchmarks to categorize funds and has better fund coverage.[2] In robustness tests and several illustrative figures, I demean using the benchmark return, although this is the exception rather than the norm. Second, industry controls, the fund's percent of TNA invested in each of 11 industries (eg: technology, healthcare, energy), are used to account for fund positioning within the coarser style classifications.

2. The 1,022 equity funds are sorted into 54 Morningstar Categories. These include the 3x3 size and value tilts (eg: small value, large growth), as well as a variety of sectors (eg: technology, health, financials, natural resources) and international or global variations (eg: foreign large blend, global large-cap value equity, China region, Japan stock).

3.2 Stock Holdings Data

I collect mutual fund portfolio weights from the CRSP Mutual Fund database, merging in stock-level returns and characteristics on *permno*. I also use *permno* to merge in Compustat-based firm-level financial ratios from the WRDS Financial Ratios Suite. To merge the CRSP holdings data (aggregated to the fund level) with the Morningstar funds data, I follow Ma and Tang (2019) in first merging on fund tickers and fund CUSIPs whenever available and then matching the rest of the sample manually using fund names.[3]

3.3 FEC Contributions Data

I use federal political contributions to measure political partisanship for two key reasons. First, contributions give a nuanced perspective of political leaning, with small or large dollar values being contributed to candidates across one or multiple political parties. Second, US federal political contributions are centralized and data accessibility is unrestricted.

Like Hong and Kostovetsky (2012), I collect fund managers' political contributions from the Federal Election Commission (FEC) database, which provides a complete record of all federal contributions since 1979. The database separately records each contribution, providing the contributing individual's name, mailing address, employer, and occupation as well as the contribution date, amount, and recipient. The recipient is generally a committee but can also be an individual candidate or a committee contribution earmarked for a candidate.

Two goals guide my search for fund managers in the FEC contributions database. First,

3. Mechanically, I first match fund share-classes on CUSIP and ticker, then on CUSIP, then on ticker, and last on fund name. I validate all share-class matches by comparing net assets and monthly returns in Morningstar and CRSP. A more common approach to merging in holdings data is to use Thomson Financial CDA/Spectrum holdings and the MFLINKS file based on Wermers (2000), as in Wermers et al. (2012), Doshi et al. (2015), and Pool et al. (2015), among others. Notably, the MFLINKS file connects directly to the $crsp\_fundno$ share-class identifier in the CRSP mutual funds database and Doshi et al. (2015) provide SAS code to clean the fund holdings data. I instead use CRSP holdings data because, as pointed out by Lettau et al. (2018), CRSP provides the most comprehensive data about holdings since 2002 (with Thomson being important for pre-2002 holdings).

the fund management team's location must be well-identified so that Covid-19 saliency can be measured and controlled for. Second, if I successfully collect political contributions for a team, I must collect all contributions made by managers on that team. To accomplish these goals, I search for fund managers living in the vicinity of the fund firm's headquarters.[4] Assuming that fund team members live near each other during pre-Covid times, this strategy enables me to sample for complete team contribution records.

I successfully identify 5,133 unique contributions from 777 managers working across 2,424 funds. The contributions total $10.8 million with a manager-level median (mean) of $2,400 ($13,900). Political candidates have official party affiliations, but political committees do not. I classify a committee as Democratic (Republican) if more than 2/3 of the committee's contributions go to Democratic (Republican) candidates, and otherwise classify the committee as "Other."[5] Total contributions to Republican, Democratic, and Other candidates/committees are $5.0 million, $2.6 million, and $3.2 million, respectively. Summary statistics for the contributions and additional details about the matching algorithm are in the Appendix.

In Figure 7.2, I graphically summarize these managers' political partisanship. To differentiate amongst partisan beliefs of varying strengths, I categorize fund managers into one of seven bins based on their total dollar contributions and the share of contributions going to a single party. A "strong Republican" contributes at least $3,000 and at least 75% goes to Republicans. A "moderate Republican" contributes less than $3,000 and at least 75% goes to Republicans. A "weak Republican" contributes less than 75% to Republicans but more to Republicans than Democrats. Democrats are categorized analogously and non-partisans

4. I manually review possible matches for individuals living within 300 miles of the fund firm's headquarters. This search radius is intentionally wide to ensure that I don't miss any managers with unusual commutes or local second residences.

5. Since contributions earmarked for a candidate have an official party affiliation, I only classify non-earmarked committee contributions this way.

are the remainder.[6] I use $3,000 as the threshold to differentiate partisanship strength because the individual contribution limit to a candidate committee was $2,800 per election for the 2019-2020 election cycle. In total, I have 275 Democrats, 281 Republicans, and 221 non-partisans, representing a fairly equal split of my identified manager sample. Relatively few partisan managers have "strong" leanings, with 23% of Democrats classified as strong Democrats and 29% of Republicans classified as strong Republicans.

To study partisanship at the fund level, I rely on the granular classifications of partisanship strength. As shown in Figure 7.2, I place these fund managers on a [-3, 3] scale, where strong, moderate, and weak Democrats have scores of -3, -2, and -1, and strong, moderate, and weak Republicans have scores of 3, 2, and 1. The fund-level sum of these partisan scores is the fund's "net Republican leaning," my baseline partisan tilt variable. To reduce the effect of extreme observations (ie: unusually large teams), I winsorize this variable at the 1% and 99% levels.

To study the role of partisanship, I define the fund's "non-partisan share" as the share of identified managers that are non-partisan. This is closely related to the polarization measure of Fos et al. (2021), defined as the squared share of Democratic managers plus the squared share of Republican managers. I use a linear instead of quadratic form.

Panel C of Table 8.1 summarizes the distribution of fund managers across funds. Most funds have 2-5 managers, of which 1-2 make political contributions. Fund-level contributions tilt strongly to one of Republican, Democratic, or other candidates/committees. Few funds are non-partisan and funds tilt more strongly towards Republicans than Democrats, especially at the extremes – while 36 funds have at least three "strong" or "moderate" Republican managers, only three funds have at least three "strong" or "moderate" Democratic managers.

6. The vast majority of non-partisan managers (213 or 96%) contribute entirely to non-partisan committees and the remainder (8 or 4%) contribute exactly equal amounts to both Democrats and Republicans.

3.4 Demographics

I collect demographic data for the 3,240 fund managers in my sample. These managers include the 777 with matched political contributions and the 2,463 non-contributing managers on teams with them. I focus on gender, ethnicity, education, age, geography, wealth, and style experience. My primary source for demographic information is the fund manager's self-reported biography available on Morningstar.com.[7] From the manager's self-reported biography, I collect education (undergraduate and graduate degrees, as well as certifications like the CFA), information to estimate age (college graduation year if available or degrees and industry experience if not), and the manager's self-identified gender from gendered pronouns. 2,268 (70%) of the managers in my sample have Morningstar.com biographies.

I supplement this self-reported information with other sources. First, I infer the gender of non-identified managers from their first name using the publicly available API genderize.io. Second, I infer the ethnicity of managers from their full name using the NamePrism API of Ye et al. (2017). These gender and ethnicity sources follow Kempf and Tsoutsoura (2021). Third, I sum the personal investment stakes of each manager across his managed funds (using the range mid-point from Morningstar Direct) to use as a wealth measure. 49.3% of managers invest their own money in funds they manage, totaling $1.04 billion. Fourth, I use the National Center for Health Statistics urban-rural classification system to classify how rural each manager's surrounding city is. The score is from 1-6, with 6 being the most rural. I use the fund firm's county for this classification, as the identified mailing addresses are sometimes misleading. Last, given the variable's importance in Evans et al. (2021), I also compute each manager's style experience (ie: years managing a fund of the same Morningstar Category style) for all funds he manages using funds' manager history in Morningstar Direct.

7. This is separate from the Morningstar Direct database and must be scraped. My python scraping algorithm leverages the unique URL (which varies only by the fund's ticker) to open the appropriate fund's management team page. Accessing each manager's pop-up window requires searching the page for hidden buttons with the full manager's name (exactly as appears in Morningstar Direct).

Figure 7.3 summarizes the fund manager demographics visually. The managers are fairly homogeneous, being predominantly male (90.2%), white (88.0%), living in an urban area (98.5%), and having post-graduate education or a CFA (82.0%). Even in terms of age, 71.1% of managers are 35 or older.[8] The only dimension along which these managers are diverse is partisanship, with approximately equal splits between Democrats (35.4%), non-partisans (28.4%), and Republicans (36.2%). In the Appendix, I show that funds continue to be quite homogeneous after aggregating these manager demographics to the fund level – diversity continues to be the exception rather than the norm.

To use these demographic and demographic diversity variables as controls, I summarize the demographic level using the fund average (or log fund average) for continuous variables and the proportion for binary variables. To summarize the demographic diversity, I use the standard deviation of the fund values (or log values) for continuous variables and the Blau index for binary variables.[9]

3.5 Voter Registration Data

To validate the accuracy of my measure of partisanship, I collect voter registration data from 9 states (NY, MA, NJ, TX, OH, TN, CT, CO, and NC). Voter registration data generally contains self-registered party affiliation, and when it does not, I fill in with the party of the last candidate that the person voted for.

I match my sample of fund managers to the voter registration data using name, age, and location (zip code). I unambiguously match 227 of the 777 managers, with the gap in matching predominantly due to my limited coverage of states.[10]

8. In the figure, this appears as 59.2% of managers being Gen X or older. The difference is that Millennials are as old as 40. Throughout, I compute ages as of February 2020.

9. The Blau index is computed as: $1 - \sum_{i=1}^{K} f_i^2$, where f_i is the fraction of team members in the i-th category and K is the total number of categories. I rescale to 100 to help with interpretation, simply by multiplying the Blau index by 100.

10. Voter registration data must be requested state-by-state, and some states (like California) only have

In the Appendix, I show that political contributions correctly identify managers' self-registered partisan affiliation the vast majority of the time (83% for Democrats, 75% for Republicans). This alleviates concerns that political contributions may not actually represent partisan beliefs. An additional concern is that political contributions, even if they reflect partisanship, could also represent attempts to curry favor or network with well-informed politicians. In the Appendix, I also discuss the related literature on the relation between political contributions and attempts to curry political favor or information. This literature concludes that political contributions are almost exclusively a "consumption good" and that lobbying, not contributions, is the relevant market for political influence.

3.6 "Co-manager Networks" and Clustering Standard Errors

Mutual funds closely track fund-specific benchmarks and deviate based on fund managers' idiosyncratic decisions. As such, I am concerned that residuals will be correlated across any funds with at least one fund manager in common. For example, Jason is a fund manager at JPMorgan. While he individually managers one fund, he also co-manages another fund with Andrew, Jonathan, and Wonseok. If Jason shares similar views or recommendations in the decision-making process for the two funds, then it is likely the residuals will be correlated.

I define the "co-manager network" as the smallest set of managers that includes all co-manager relationships. In the above example, Jason, Andrew, Jonathan, and Wonseok will all be in the same co-manager network. I consider the co-manager network to be the key source of correlated yet unobservable beliefs, resulting from conversations about how the fund should allocate money and respond to the onset of Covid-19.

I use this notion of "co-manager networks" for clustering standard errors, allowing for residual correlation within a co-manager network but not between co-manager networks. My

records available at the individual counties. Many states will not provide the data to academic researchers (eg: Virginia), and pricing is heterogeneous, ranging from free (eg: Florida) to as much as $12,500 (Wisconsin).

full manager-matched sample contains 265 unique co-manager networks across 318 unique firms.[11] The median co-manager network covers 2 funds (25th and 75th percentiles of 1 and 3 funds).[12] It is precisely this large number of co-manager networks that gives me power for my analysis.

In asset pricing, it is common to cluster standard errors by time, usually when considering stock returns. Fund returns – which randomly evolve around the benchmark return – have a quite distinct underlying data generating process, as articulated at the start of this section. I conjecture, and verify in the Appendix, that there is no residual correlation within time clusters after accounting for time (week) and benchmark fixed effects. This is true for both fund returns and fund flows. However, there is nontrivial residual correlation within co-manager network clusters, particularly for fund flows. Intuitively, since managers within each of these styles (ie: fund benchmarks) deviate from their benchmarks only modestly and fairly idiosyncratically, the style and time fixed effects successfully remove the common components within style and within time. Given these results, it's correct to cluster my standard errors by co-manager network, and incorrect to cluster by time. As argued by Abadie et al. (2017), one should not cluster because it makes a difference, but rather, because there is actually within-cluster correlation.

While it's incorrect, in robustness tests, I show that my results are qualitatively unchanged when clustering by time (ie: week). This stretches my data precisely because there are few time clusters (between 5 and 26 depending on the specification). Clustering at a higher level when there's not actually residual correlation picks up noise. The magnitudes of my t-statistics change only slightly because, even though there's more noise, there's not actually any residual correlation within the time clusters. In addition, as cluster-robust

11. In robustness tests, I show that the results are qualitatively unchanged when clustering the standard errors by firm instead of by co-manager network.

12. Only 9 networks cover more than 10 funds, although the largest and second largest cover 1352 and 52 funds, respectively.

standard errors are known to be downward biased with a small number of clusters, I also cluster by time using the cluster wild bootstrap of Cameron et al. (2008), which works well in settings with as few as five clusters when the clusters themselves are large (Canay et al. (2021)). This is a good description of my setting when clustering by time, and the results using the cluster wild bootstrap continue to be qualitatively identical. I do not consider estimating my standard errors using the Fama and MacBeth (1973) procedure because there is a fixed fund effect in both the independent variables and residuals, making clustering by time appropriate and Fama-MacBeth unsuitable, as explained by Petersen (2009).

Last, if it were appropriate to cluster by time, one would want to see plots of the weekly coefficients for my key return and flow results. Concretely, these are: (1) higher non-partisan returns by week; (2) higher non-partisan flows by week; and (3) lower flows for politically misaligned funds by week. I provide these results in the Online Appendix with clustering by time.[13] Despite this alternative clustering, the results are qualitatively unchanged and the coefficients continue to be statistically significant.

3.7 Other Data

Covid-19 case data is available from The New York Times.[14] After cleaning the data to address several nonstandard classifications, I merge the county-level Covid-19 cases and census county-level populations with the mutual fund data, relying on the county associated with each fund's zip code to facilitate the merge. At the fund-level, the number of March 10, 2020 Covid-19 cases per 1 million people is extremely skewed, with a median (mean) of 7.96 (4.44) but a maximum of 110.59. Log transformations don't address this influential observation, so I use k-means clustering with k = 2 to construct a "high Covid case" flag

13. If it were instead correct to cluster by co-manager network, as I argue, standard errors on weekly coefficients would be large. One would instead be interested in the time-averaged coefficient and associated standard error, which is what I focus on in the main paper.

14. The database is publicly available on GitHub.

with a minimum value of 19.28, covering 164 funds. My results are almost identical using Covid-19 cases for alternative dates between February 19 and March 23, 2020.

I also collect county- and state-level Republican vote share data from the MIT Elections database. I use this data to show that fund manager partisanship is distinct from the partisanship of the county/state in which he lives. In addition, given that investor clienteles have a local bias, I assume that the state of the fund's headquarters has the same partisan leaning as the fund's investor clientele.[15] This second measure of investor partisanship primarily appears in robustness tests.

15. Hong and Kostovetsky (2012) provide an early example of this method, assuming that the state of the fund's headquarters has the same partisan leaning as the fund's investor clientele. Sialm et al. (2020) provide more recent evidence on investor biases toward local funds.

CHAPTER 4

FUND PERFORMANCE AND PARTISANSHIP

Figure 7.4 provides a preliminary look at the relation between cumulative benchmark-adjusted performance and fund manager partisanship during the Covid-19 crisis. I normalize the fund-specific benchmark and each fund's net asset value to 100 as of February 19, 2020. Then, for each day t after February 19, the price indices for each fund and benchmark are computed by compounding the daily returns:[1]

$$F_t = 100(1 + r_1^F)(1 + r_2^F)\dots(1 + r_t^F) \tag{4.1}$$

$$B_t = 100(1 + r_1^B)(1 + r_2^B)\dots(1 + r_t^B) \tag{4.2}$$

where F_t is the fund price index, B_t is the price index for the passive benchmark, r_t^F is the fund's net return on day t, and r_t^B is the benchmark return. Cumulative benchmark-adjusted performance is then computed as the log-difference $\log(F_t) - \log(B_t)$. Figure 7.4 plots the average cumulative benchmark-adjusted performance for non-partisan funds against Democratic funds in Panel A and non-partisan funds against Republican funds in Panel B. Funds are classified into these mutually exclusive groups based on whether the majority of managers with identified contributions are non-partisan, Democratic, or Republican. There are 220 non-partisan funds with \$741.2 billion of TNA, 356 Republican funds with \$890.4 billion of TNA, and 349 Democratic funds with \$767.6 billion of TNA. The 97 funds (\$1136.5 billion of TNA) without a clear partisan or non-partisan majority are omitted. The figure

1. F_t in equation (4.1) can only be computed if all daily returns are non-missing. As written, a fund would be dropped on the first day it has a missing return. Instead of dropping funds, I replace missing returns by the average return across all funds with the same benchmark on the same day, preserving the average level of benchmark-adjusted performance. A missing return is only replaced if the fund has a non-missing return before April 30, which ensures the fund is still active. This "patch" is only applied to Figure 7.4 and its longer-term counterpart Figure 7.5. The figures look identical if missing returns are instead filled with the return of the fund's benchmark.

also plots 90% confidence intervals with standard errors clustered by the co-manager network.

Figure 7.4 shows a striking result. Non-partisan teams outperformed both Democratic and Republican teams during the first 10 weeks of the Covid-19 crisis. During the 5-week crash period, non-partisan teams outperformed their passive benchmarks by 1.91 percentage points, while Democrats and Republicans only outperformed by 0.36 and 0.40 percentage points, respectively. That is, non-partisan teams outperformed Democratic (Republican) teams by 1.55 (1.51) percentage points. Even through the full 10-week crisis period, while non-partisan team outperformance falls to 0.20 percentage points, it remains far above Democratic (Republican) team underperformance of 1.02 (1.05) percentage points. That is, the performance gap between non-partisan teams and Democratic (Republican) teams remains at 1.22 (1.25) percentage points. Interestingly, the partisan performance gap is larger on March 23 than on April 30. This means that, while partisan-based performance differences persist through the entire February 19 to April 30, 2020 crisis period, the entire performance gap emerges within the first five weeks during the crash period.

Figure 7.5 extends the time horizon of this graphical analysis from 2.5 months to 1 year, ending February 28, 2021. Confidence intervals are not reported as they become very noisy – mechanically – when looking at cumulative returns. Even extending the time horizon of the analysis, the conclusion remains much the same – non-partisan teams outperformed the Democratic (Republican) teams by 1.80 (2.22) percentage points over this 12 month period. The initial performance gap, which opened up during the Covid-19 stock market crash, does not disappear.

4.1 Regression Analysis

Figures 7.4 and 7.5 suggest that non-partisanship improves fund performance during the onset of Covid-19. I study this further through the lens of regression analysis to see whether this result survives the inclusion of many controls.

Table 8.2 analyzes the role of non-partisanship in explaining weekly fund returns during the 5-week crash period. The right-hand-side variables include the non-partisan share of matched managers, the net Republican leaning, an indicator for teams in high Covid-19 case counties, the Morningstar star rating, an indicator for funds with 4 or 5 sustainability globes, and the precrisis period CAPM market beta, which serves as a measure of fund managers' risk attitude. Fund and industry controls are described below. All regressions include Morningstar Category style fixed effects, which serve to benchmark-adjust the returns as recommended by Gormley and Matsa (2014). As a result, all interpretations pertain to funds within the same investment style.

Table 8.2 confirms the relevance of non-partisanship for performance. In column 1, the slope on the non-partisan share is 0.19 ($t = 2.66$), indicating that non-partisan teams outperform partisan teams (within style) by 0.19% per week (or about 0.95% over 5 weeks). Even after including many controls and using style-by-week fixed effects, the coefficient in column 9 remains large and positive at 0.22 ($t = 4.40$).

A second interesting result is that more Republican teams appear to slightly underperform more Democratic teams. The interpretation of the -0.01 coefficient in column 9 is that adding a strong Republican to the fund team instead of a strong Democrat is associated with worse performance within style of 0.06% per week (or about 0.30% over 5 weeks).

Notably, the large, positive, and statistically significant coefficients on the high sustainability indicator (0.29, $t = 4.58$) and Morningstar star rating (0.19, $t = 7.75$) are consistent with the findings of Pástor and Vorsatz (2020). That sustainable funds and stocks outperformed during the onset of Covid-19 has been widely documented (Albuquerque et al. (2020)). However, an outstanding puzzle is why risk-adjusted past performance, measured by the Morningstar star rating, predicted dramatic Covid-19 outperformance. I provide a deeper discussion – and tentative explanation – in Section 4.5, leveraging insights from the holdings data.

Fund and industry controls do not attenuate non-partisan teams' outperformance. Fund controls include the fund's log age (in days), log total net assets (TNA), turnover ratio, net expense ratio, net cash (as a percent of TNA), an indicator for funds with a single manager, and dummies for the number of fund managers on the team with identified political contributions. It is important to control for whether a fund is single- or team-managed because team-managed funds are known to outperform single-managed funds without taking on more risk (Patel and Sarkissian (2017)). In addition, like in Fos et al. (2021), it is important to include dummies for the number of matched managers so that interpretations can be made in terms of changing the political composition of the team (holding team size fixed). In my setting, this control is particularly important because many funds have only one matched manager but several funds have four or more.[2] Industry controls are the fund's December 2019 net investment positions (as a percent of TNA) in each of 11 industries including energy, financial services, healthcare, and technology.

Are these performance differences robust? In Table 8.3, I test whether these performance differences persist across six measures of risk-adjusted performance. In columns 1-6, the dependent variable is risk-adjusted performance with respect to six different models: the Morningstar-designated FTSE/Russell benchmark, the fund-designated prospectus benchmark, the CAPM, the Fama-French 4-factor model, the Fama-French 6-factor model, and the q^5 factor model of Hou et al. (2021).[3] I estimate these alphas in-sample with daily returns, not out of sample, because factor loadings change dramatically at the stock level from before Covid to during Covid (Dor et al. (2021)) – as such, in-sample risk adjustment provides a more interpretable alpha.

2. Notably, the median fund in my sample has only one matched manager, while the 25th percentile firm in Fos et al. (2021) has two matched executives. This makes the number of matched manager dummies even more important in my setting.

3. The 4-factor model includes the market, size, and book-to-market equity factors of Fama and French (1993) as well as the Carhart (1997) momentum factor. The 6-factor model augments the 4-factor model with the investment and profitability factors of Fama and French (2015). Last, the q^5 factor model of Hou et al. (2021) includes market, size, investment, expected growth, and return-on-equity factors.

The outperformance of non-partisan teams is robust across all six alternative measures of risk-adjusted performance. Non-partisans have higher weekly alpha of between 0.12% ($t = 2.34$) and 0.35% ($t = 5.26$), or 0.60% to 1.75% over 5 weeks. Interestingly, the underperformance of Republicans relative to Democrats, while of modest magnitude, is also fairly robust, with t-statistics ranging from -1.06 to -2.10. Last, the coefficient on the Morningstar star rating is large and statistically significant in all specifications. 5-star funds outperform 1-star funds by between 0.48% ($t = 5.10$) and 1.48% ($t = 12.13$) per week, or 2.40% to 7.40% over 5 weeks.

4.2 Sources of Performance Differences: Active or Passive?

As partisan-based portfolio tilts have been previously documented (Hong and Kostovetsky (2012); DeVault and Sias (2017); Wintoki and Xi (2020)), it is important to test whether the performance differences are the result of active trading or differences in pre-existing exposures. To do this, and to better understand the sources of the partisan performance differences, I turn to changes in funds' stock holdings from Q4 2019 to Q1 2020.

Following the Morningstar-CRSP merge, I consider the same sample of active equity mutual funds and restrict consideration to funds with at least 80% of net assets identified as stocks in CRSP for both Q4 2019 and Q1 2020. This high threshold for inclusion minimizes measurement error as I try to decompose gross returns into active and passive returns.

In Table 8.4, I investigate the roles of active trading and pre-existing positions for portfolio performance. The Q1 2020 buy and hold return in column 1, computed based on reported Q4 2019 holdings, is compared to the fund's gross return in column 2. The active return in column 3 is computed as the difference between the gross return and the buy and hold return. Columns 4 and 5 consider the total value (as a percent of assets) of stocks purchased and sold between Q4 2019 and Q1 2020; these values are based on Q4 2019 prices and so are net of price effects. Column 6 is net stock purchases (as a percent of assets), computed

as purchases net of sales, while column 7 is total trading (as a percent of assets), computed as the sum of purchase and sale values. Columns 8-10 show the buy and hold return, gross return, and active return for H1 2020 instead of Q1 2020, extending the time horizon through the majority of the stock market's recovery.[4]

Columns 1-3 of Table 8.4 show that 66.3% of non-partisan teams' 1.72% gross return outperformance is from the buy and hold return (ie: pre-existing positions), while 33.7% is from active trading during Q1 2020. Turning to Republican underperformance relative to Democrats, this is instead primarily due to pre-existing positions (87.5%), with a modest share related to active trading (12.5%).

Columns 4-7 of Table 8.4 examine systematic differences in buying and selling behavior. Strikingly, non-partisans purchase 1.96% more net equity during Q1 2020, which is quite large given that these funds all track benchmarks that are fully invested in stock. These larger net purchases are the result of undifferentiated buying, but less selling – non-partisans sell 2.11% less equity. Given extreme stock market volatility, non-partisans' 1.96% incremental net equity purchases could have increased overall gross returns by as much as 0.30 (0.76) percentage points through March 31 (June 30), based on potential investment in the S&P 500. Non-partisans do not purchase more equity because of larger initial cash positions – they actually have smaller cash positions than partisans coming into the Covid crisis.[5] In addition, non-partisans do not appear unable to act – they have roughly the same total Q1 2020 trading as partisans.[6] Last, in the Appendix, I show that greater non-partisan net fund

4. The S&P 500 peaked on February 19, 2020 at 3386.15, reaching a trough of 2237.40 on March 23, 2020. On March 31, 2020, the S&P 500 closed at 2584.59 (76% of peak) and on June 30, 2020, the S&P 500 closed at 3100.29 (92% of peak).

5. In January 2020, net cash holdings for funds that are a majority non-partisan (partisan) have a mean of 2.545% (2.549%) and a median of 1.630% (1.965%).

6. While the coefficient on the non-partisan share in column 7 is negative (-2.88%, $t = -1.72$), this is small relative to the mean (median) fund, that buys and sells a total of 27.7% (24.6%) of the value of its portfolio during Q1 2020. Note that this corresponds to a Q1 2020 turnover ratio of roughly 13% (ie: not summing both purchases and sales), which is roughly in line with what would be expected based on the mean (median) annual turnover ratios of 54.6% (43.0%).

flows during Q1 2020 contribute only slightly to larger non-partisan active net purchases – in other words, this is not a story about fund flows. Greater non-partisan net equity purchases appear deliberate rather than mechanical.

Columns 8-10 of Table 8.4 consider the decomposition of H1 2020 gross returns into passive and active returns. Note that the buy and hold return here uses Q4 2019 holdings. Much of non-partisans' outperformance continues to be driven by active trading (25.8%), although almost the entirety of Republican relative underperformance (93.9%) is due to pre-existing positions.

These results emphasize that, following the Covid-19 political disagreement shock, non-partisan fund teams actively changed their portfolios in ways that helped them outperform relative to partisans. Systematic differences in pre-existing portfolio tilts also appear important, suggesting an additional way in which partisanship matters. To better understand why non-partisans and partisans experienced such differential active and passive returns, I perform a performance attribution analysis in the next section.

4.3 Performance Attribution Analysis

The preceding section finds that non-partisan outperformance is split between active and passive components, being 66% passive (34% active) during Q1 2020 and 74% passive (26% active) through H1 2020. In contrast, Republican underperformance relative to Democrats is almost entirely passive, being 88% passive during Q1 2020 and 94% passive through H1 2020. I examine systematic differences in pre-existing portfolio positions and in active trading during Q1 2020 to further decompose the sources of active and passive outperformance. I start with pre-existing positions, as these can be helpful for understanding the motivations behind differences in active trading.

Pre-existing Positions and Passive Performance Differences

Table 8.5 explores partisan differences in pre-existing financial ratio and sectoral tilts. Based on Panel A, non-partisans tilt more towards firms with higher valuations and greater financial soundness, solvency, and profitability, as well as towards firms in the computer software sector.[7] Relative to Democrats, Republicans tilt more towards firms with lower valuations and worse financial soundness, and away from firms in the computer software sector.

Turning to Panel B, we see that three factors are important for Q1 2020 passive performance differences. First, relative valuations (book-to-market and price-to-cash flow ratios) reflect value risk, with tilts toward higher valuations improving non-partisan performance and tilts toward lower valuations hurting Republican performance. Second, leverage (long term debt-to-book equity) is the only consequential dimension of financial soundness, with non-partisan tilts towards firms with less leverage improving performance and Republican tilts towards firms with more leverage hurting performance. Last, the computer software sector performed extraordinarily well at the onset of Covid, and more non-partisan exposure improved performance while less Republican exposure hurt performance.

In the Appendix, I include all important covariates in a single regression to disentangle the partial effects of these tilts on Q1 2020 buy and hold performance. I estimate the partial effect on performance as the abnormal tilt multiplied by the partial effect of the tilt on performance. As shown in Table 8.6, the entirety of buy and hold performance differences can be explained with pre-existing tilts on three variables: book-to-market equity, debt-to-book equity, and computer software. These variables approximately equally contribute to the passive performance differences for both non-partisans relative to partisans and Republicans relative to Democrats. Interpreting these tilts, it appears that non-partisans take less value and leverage risk than partisans, while within partisans, Republicans take more value and

7. The computer software sector tilts are not necessarily FAANGM stocks. FAANGM stocks are Facebook, Amazon, Apple, Netflix, Google, and Microsoft, which were all big winners during the Covid-19 crisis.

leverage risk than Democrats. It's less obvious why partisans and non-partisans would have different preferences over the computer software sector, yet non-partisans overweight it relative to partisans, and Republicans underweight it relative to Democrats.

Table 8.7 considers related and additional pre-existing holdings tilts and tests whether they help explain risk-adjusted performance differences. Panel A shows that non-partisans have smaller initial deviations from their FTSE/Russell benchmarks, have meaningfully less carbon risk even though their portfolios are not more sustainable overall, invest more in large growth stocks and less in small value stocks, tilt away from both size and value risk, and tilt towards firms in the technology industry.[8] Relative to Democrats, Republicans have more carbon risk and are less sustainable overall, tilt towards firms with worse financial health and lower valuations, and overweight small value stocks.

In Panel B, we see that a rich assortment of these pre-existing tilts help explain crisis-period risk-adjusted performance relative to the FTSE/Russell benchmark. Recall that the crisis period is the first 10 weeks of Covid, encompassing the 33.9% stock market drop and the 31.4% stock market rebound. I focus on the Morningstar-designated FTSE/Russell benchmarks to avoid issues from funds strategically choosing their prospectus benchmarks (Sensoy (2009)). Non-partisan performance is most substantially boosted through tilts towards firms with less value risk (better financial health, higher price-earnings ratio, lower HML beta), tilts towards firms with lower carbon risk, and tilts toward firms in the technology industry. In contrast, Republican performance is most substantially lowered from greater exposure to various forms of value risk (worse financial health, lower price-earnings ratio, higher HML beta). In Panel C, focusing on the 6 months that encompass the stock market's complete crash and recovery, we see that the story remains very similar.

In the Appendix, I include all important covariates in a single regression to disentangle

8. Note that I use betas estimated for the crisis period, not the precrisis period. This is because the loadings on the individual stocks change so dramatically going from the precrisis period to the crisis period – as also documented by Dor et al. (2021) – that using the crisis period loadings is more reliable when paired with the fact that funds are only able to turnover about 13% of their portfolios during Q1 2020.

the partial effects on risk-adjusted performance. I estimate the partial effect on performance as the abnormal tilt multiplied by the partial effect of the tilt on performance. As shown in Table 8.8, value-related tilts play an outsized role in explaining performance, accounting for 54.3% of non-partisan explained performance differences and 85.3% of Republican explained performance differences during the 10-week crisis period. This increases to 77.5% for non-partisans and 97.2% for Republicans during the 26-week extended crisis period. For non-partisans, two additional factors play an important role in performance. First, lower carbon risk accounts for 12.1% (21.1%) of explained 10-week (26-week) performance. Second, greater exposure to the technology industry accounts for 14.4% (12.7%) of explained 10-week (26-week) performance.

Active Trading and Active Performance Differences

Table 8.9 explores partisan differences in Q1 2020 active portfolio tilts, computed as the value-weighted difference between purchases and sales. Note that these statistics ignore any net changes in equity ownership. Based on Panel A, non-partisans aggressively buy technology and FAANGM stocks, and tilt their portfolios towards stocks with higher market betas, higher historical volatility, and higher value-at-risk. In essence, non-partisans appear to actively increase their market risk and exposure to large technology firms. In contrast, systematic differences between Republicans and Democrats are fairly muted. Most notably, Republicans actively tilt towards companies with lower leverage ratios, lower dividend payout ratios, and higher price-to-cash flow valuations. One interpretation is that, after being hit hard by value-related tilts during the stock market crash, Republicans shied away from further risk-taking. This is surprising given the findings in Cookson et al. (2020) that Republicans were more optimistic about stocks during Covid, although the stakes were much higher for these Republican fund managers, especially given their initial underperformance.

In Panel B, I examine the relation between these Q1 2020 active portfolio tilts and H1

2020 active returns, computed as the difference between actual gross returns and H1 2020 buy and hold returns (based on Q4 2019 holdings). We see that the only active portfolio tilts that affected H1 2020 active returns are non-partisans' risk-taking and technology-overweight tilts. In contrast, the active portfolio tilts of Republicans relative to Democrats do not affect active returns.

In the Appendix, I include all important covariates in a single regression to disentangle the partial effects on active returns. I estimate the partial effect on performance as the abnormal tilt multiplied by the partial effect of the tilt on performance. Interestingly, most of the partisan tilts are redundant for explaining performance, collapsing to only two distinct active tilts: net purchases of FAANGM stocks and tilts toward stocks with higher market betas. As shown in Table 8.10, these help explain much of non-partisans' H1 2020 active return, although essentially none of active Republican underperformance. I conjecture that much of the remaining active return is related to differences in net equity purchases during Q1 2020. Assuming the purchases are invested in the S&P 500, non-partisans' 1.96% greater net purchases could contribute between -0.165% and 0.756% to overall gross returns depending on the purchase timing. Similarly, Republicans' 0.21% greater net sales could contribute between -0.081% and 0.018% to overall gross returns. These ranges easily include the total H1 2020 active return differences, 0.32% for non-partisans and -0.03% for Republicans.

4.4 Synthesis and Mechanism

Table 8.11 summarizes the sources of active and passive return differences for non-partisans relative to partisans and Republicans relative to Democrats. Non-partisan outperformance is 66% passive (34% active) through Q1 2020 and 74% passive (26% active) through H1 2020. Passive benchmark-adjusted outperformance is driven by tilts away from value risk and towards technology stocks. Passive risk-adjusted outperformance is predominantly driven by tilts away from value risk, although tilts away from carbon risk and towards technology

stocks also play important roles. The active portion of partisan outperformance through H1 2020 is predominantly driven by larger net equity purchases and active tilts towards greater market risk and FAANGM stocks.

Turning to partisans, Republican underperformance of Democrats is driven almost entirely by pre-existing tilts towards value risk, with a slight additional contribution from greater net equity sales during Q1 2020. Other types of active trading, consistent with Republicans reducing value risk during the stock market crash, do not affect performance.

I argue that non-partisan outperformance is consistent with non-partisans being more cognitively and ideologically flexible. Cognitive flexibility relates to their active outperformance and ideological flexibility relates to their passive outperformance.

Cognitive flexibility is best defined as being able to adapt to novel or changing environments and to switch between modes of thinking (Cools and Robbins (2004)). In the experimental psychology literature, Zmigrod et al. (2020) show that stronger partisans, both Democrats and Republicans, are worse at processing and responding to new stimuli compared to political moderates.[9] In my study, non-partisans appear more cognitively flexible as they respond quickly and decisively to the Covid-19 stock market crash to take advantage of an apparent stock market overreaction (Gormsen and Koijen (2020)). In the Appendix, I show that non-partisans deviate more from their benchmarks during the 10-week crisis period relative to partisans, reinforcing that their systematic risk-taking was both active and deliberate.

Ideological flexibility, in my setting, is the absence of ideological preferences that constrain portfolio choice. For example, Republicans are known to be more risk tolerant than

9. Their study focuses on three distinct test. First, Remote Associates Tests in which participants are presented with three cue words (eg: cottage, swiss, and cake) and need to come up with the compound word solution that connects these words (eg: cheese). Second, the Wisconsin Card Sorting Test in which participants are presented with four key cards and a deck of response cards varying in three dimensions (color, shape, and number of geometric figures). They are asked to identify the correct classification rule (matching by color, shape, or number) based on feedback after each trial and match a fifth card to one of the four presented cards. Last, the Alternative Uses Test in which participants are asked to generate as many possible uses as they can for two common household items (eg: brick and newspaper) for two minutes.

Democrats (Pástor and Veronesi (2020)) and Democrats are known to have a stronger preference for sustainability than Republicans (Hong and Kostovetsky (2012)). I find strong evidence that these preferences lead to consequential differences in pre-existing positions. Even within investment style, Republicans take greater risk (value-related as well as small value), while Democrats have more sustainable portfolios. In the Appendix, I show these preferences also lead to substantial unconditional sorting – small, value, and small value funds are more likely to have a Republican majority fund team than a Democratic majority one, and more sustainable and explicitly sustainable funds are more likely to have a Democratic majority fund team than a Republican majority one.[10] Non-partisan teams appear unique in avoiding such systematic ideological preferences, and they even mix and match across party lines. For example, non-partisans have lower carbon risk exposures (like Democrats) but not more sustainable portfolios overall (like Democrats). In addition, as I show in the Appendix, non-partisans also invest more in China (like Republicans) but do not tilt towards small-value stocks (like Republicans). That non-partisans appear less constrained in their portfolio choice has undeniable ex-ante passive performance benefits.[11]

Under this proposed mechanism, non-partisan managers add value to the team by making good, politically unbiased, individual contributions. This is where cognitive and ideological flexibility play a role, enabling non-partisans to individually recommend better responses as well as unconditional portfolio tilts that cut across party lines. To test this story, in the Appendix, I augment Table 8.2 – which shows that non-partisan teams have higher returns – with manager fixed effects. I find that, after controlling for the managers on the fund team, non-partisan funds do not outperform. Not only does this affirm the individual role

10. There are more Democratic majority teams than Republican majority teams for 4 and 5 sustainability globe funds, funds that employ product exclusions, funds that are socially conscious, funds that are low carbon, and funds that prioritize sustainable investment.

11. A constrained choice can be no better than an unconstrained choice. For example, Geczy et al. (2021) make the point that a socially responsible investing (SRI) constraint reduces performance relative to an unconstrained portfolio.

of non-partisan managers in improving team performance, but it also highlights systematic talent sorting by partisanship. That is, non-partisan funds seem to have better talent (ie: larger manager fixed effects over this time period) than partisan funds. One explanation is that political similarity plays an important role in matching employees with employers (eg: Bermiss and McDonald (2018); Evans et al. (2021)). For example, Republican (Democratic) teams may place more value on hiring another Republican (Democrat) than on hiring the best manager. Politically-neutral teams, which have no such political preference, can instead focus on hiring the best managers.

4.5 Robustness and Additional Findings

I perform a variety of robustness tests to affirm the strength and existence of my performance results, to validate the mechanism, and to understand related issues.

My main results are robust to a variety of methodological modifications. My baseline performance results use all active equity funds. In the Appendix, I show the results from Table 8.2 are qualitatively unchanged if the sample is further restricted to funds with at least $10 million in TNA. While many (eg: Elton et al. (2001)) exclude small funds to address low-quality or short historical data, which is not a concern in my study, it is helpful to see that my results also generalize. My results are also similar when further restricting to funds that are at least two years old, as suggested by Evans (2010), to address incubation bias. This bias arises when young funds with strong track records survive while other young funds with poor track records are shut down. As I identify my sample in May 2020, shortly after the period of interest, there is no delay that would allow the bias to creep in.

My performance results are also not driven by extreme observations. In the Appendix, I show that non-partisans have higher average benchmark-adjusted returns when randomly splitting the non-partisan, Republican, and Democratic majority funds into three random subgroups. Simulated bootstrap distributions of average benchmark-adjusted returns also

clearly show that non-partisans outperform Democrats who outperform Republicans. The separation is even larger when comparing partisans (Democrats and Republicans) and non-partisans. Similarly, when bootstrap resampling funds and plotting the t-statistics from Table 8.2, non-partisan outperformance continues to be strongly statistically significant. In addition, when replacing the dependent variable in Table 8.2 with the Berk and Van Binsbergen (2015) value-added skill measure, I find strong evidence of larger value-added skill by non-partisans relative to partisans.

Turning to my main covariates of interest, I show that my results are qualitatively unchanged for six alternative measures of the fund team's non-partisanship. These alternative measures are: an indicator for the matched fund managers being a majority ($> 50\%$) non-partisan; an indicator for more of the matched fund managers being non-partisan than Democratic or Republican; the share of matched managers that are "strong" Republicans or Democrats (ie: strong partisans); the share of matched managers that are Republicans or Democrats (ie: partisans); the fund-level share of political contribution dollars going to non-partisans; and the partisan polarization measure of Fos et al. (2021). Note that Fos et al. (2021) define their measure of partisan polarization as $\omega_R^2 + \omega_D^2$, where ω_R^2 (ω_D^2) is the Republican (Democratic) share of matched managers. My baseline measure is the non-partisan share of matched managers, which is a closely related linear specification, and the qualitative conclusions are identical.

I also consider five alternative versions of the team partisan leaning variable: truncating the net Republican leaning variable at +6 and -6 to reduce the effect of extreme values; the number of "strong" and "moderate" Republican or Democratic managers on the fund team; a truncated version of the number of "strong" and "moderate" Republican or Democratic managers on the fund team, truncating the Republican count at 5 and the Democratic count at 2; the net Republican share of managers, calculated as the number of Republican managers minus the number of Democratic managers, divided by the total number of matched

managers; and the net Republican contribution share, calculated as the dollar value of Republican contributions minus the dollar value of Democratic contributions, divided by the total dollar value of contributions. These alternative measures are not consistently statistically significant, but the direction of the effect (more Republican teams underperforming more Democratic teams) is persistent in all variations.

These results are also robust to the inclusion of additional sustainability controls, to using FTSE/Russell benchmark-demeaned returns instead of benchmark-adjusting using style fixed effects, to not winsorizing weekly returns at the 1% and 99% levels, and to clustering the standard errors by firm instead of the co-manager network. In addition, relative Republican underperformance is not explained by clientele preferences, measured as the 2016 Republican vote share of the fund headquarters county or state. While my baseline measure of the high Covid county flag is based on cases as of March 10 of 2020, the results are almost identical using cases as of February 19, March 2, March 17, or March 23.

The outperformance of non-partisan teams also extends through the 10-week crisis period, although the relative underperformance of Republican teams largely disappears. Neither non-partisan teams nor Republican teams have differentiated performance in the precrisis period (October 1, 2019 - January 31, 2020), which emphasizes that performance during Covid is neither a continuation nor a reversal of a recent trend. Using longer-term weekly returns for 6 months before and after the February 19, 2020 stock market peak, the outperformance of non-partisan teams appears confined to the 5-week crash period, with undifferentiated performance both before and after.

In Section 3.6, I explain that clustering standard errors by time is not appropriate for my setting. This is because there is no residual correlation within time cluster, but there is residual correlation within co-manager network cluster. Nevertheless, in the Appendix, I show that my main performance results in Tables 8.2 and 8.3 are largely unaffected when clustering standard errors by time (week). This is true for the weekly returns and alphas both over

the 5-week crash period and over the 10-week crisis period. That is, non-partisans' outperformance relative to partisans remains statistically significant when clustering by time. The results are also similar using the cluster wild bootstrap of Cameron et al. (2008), which works well in settings with as few as five clusters when the clusters themselves are large (Canay et al. (2021)). In the Appendix, I also plot weekly coefficients estimated for non-partisan outperformance with standard errors clustered by time – these figures are approximate weekly counterparts to the cumulative returns in Figures 7.4 and 7.5.

An important threat to interpreting these results in relation to partisanship is the omission of demographic variables that are highly correlated with partisanship. Prior work has found important performance effects from diversity of gender (Kim and Starks (2016)), educational background and age (Bernile et al. (2018)), and experience (Evans et al. (2021)). I address these potential demographic and demographic diversity omitted variables by explicitly controlling for them. I consider both demographics in terms of level effects and diversity effects, focusing on gender, ethnicity, age, education, geographic ruralness, wealth/income, and experience. The magnitude and statistical significance of my non-partisan and partisan leaning variables are largely unaffected by these controls, which makes sense when viewing disagreement about Covid-19 as a purely partisan phenomenon. Other forms of demographics and demographic diversity are largely irrelevant for performance, with the one exception being that teams with more non-white managers had better performance.

The risk-adjusted performance results in Table 8.3 are also robust to alternative specifications. In the Appendix, I show that the conclusions are qualitatively similar when considering performance over the 10-week crisis period instead of just the 5-week crash period, when using style and week fixed effects instead of style-by-week fixed effects, and when clustering the standard errors by firm. Focusing on the October 1, 2019 - January 31, 2020 precrisis period, there is no evidence of risk-adjusted outperformance or underperformance for either non-partisans or Republicans.

Turning to the holdings-based results in Tables 8.4 and 8.5, recall that I restrict consideration to funds for which I can identify at least 80% of net assets as stocks in CRSP. In the Appendix, I show that the results are qualitatively unchanged if the identification threshold is lowered to 50% of net assets.

One potential omission, following from Wintoki and Xi (2020) and Sheng et al. (2021), is that Republican (Democratic) managers may overweight firms in Republican (Democratic) counties, which performed better (worse) during the onset of Covid. While I confirm that overweights to firms headquartered in Democratic (Republican) states/counties positively (negatively) contribute to Q1 2020 returns, I do not find any evidence that the partisans in my sample have abnormal initial weightings towards or away from politically similar firms. Relatedly, I find no evidence of pre-existing over- or under-weights to firms that are better prepared for work-from-home, based on both the Dingel and Neiman (2020) and Koren and Pető (2020) measures.

An important concern is that my active trading results in Table 8.4 may simply be driven by fund flows. For example, later in the paper, I show that non-partisans receive more net fund flows during Q1 2020, so perhaps this explains why they sell less equity on net. In the Appendix, I show that Q1 2020 net fund flows are an important determinant for active purchases and sales, with more net flows being associated with more purchases and fewer sales. However, the effect of net fund flows on active trading only slightly attenuates the relation between non-partisanship and active net stock purchases, and flows are inconsequential for the return point estimates.[12]

A tangential finding is that the crash-period outperformance of funds with more Morningstar stars is driven by pre-existing positions, resolving a puzzle documented in Pástor

12. These regressions also control for Morningstar stars and sustainability globes, which are important related variables shaping incentives and performance. The non-partisan share coefficient on Q1 2020 active net purchases attenuates from 2.38% ($t = 4.02$) to between 1.58 ($t = 1.98$) and 1.71 ($t = 2.02$), depending on the specification. The non-partisan coefficients for the buy and hold return, gross return, and active return are essentially unaffected, remaining strongly statistically significant.

and Vorsatz (2020). In the Appendix, I augment Table 8.4 to include the Morningstar star rating and decompose return outperformance into active and passive components. In terms of benchmark-adjusted gross returns, 5 star funds outperform 1 star funds by 7.76% during Q1 2020 and 12.04% during H1 2020. However, 80.4% of Q1 2020 outperformance is passive, increasing to 85.4% for H1 2020. Based on the pre-existing tilts associated with different star ratings in Table 8.5, the Q1 2020 passive outperformance of funds with more stars can be attributed to lower book-to-market equity ratios (54.8%), lower long-term debt-to-book equity ratios (10.0%), more computer software stocks (22.2%), and a residual (13.1%).

More generally, funds with more stars tend to take less risk. As shown in Table 8.7, funds with more stars overweight sustainable stocks, large growth stocks, and firms with better financial health and underweight small value stocks, firms with larger HML loadings, and firms with more carbon risk. This suggests that monetary incentives from the Morningstar star rating may systematically affect funds' risk-taking. Since funds with more stars receive substantially more net flows (Del Guercio and Tkac (2008); Ben-David et al. (2019)), and since funds get more stars when they have better risk-adjusted performance over a 10-year time horizon, it appears fee-maximizing for higher rated funds to be more conservative (to avoid losing stars in the future) and lower rated funds to be more aggressive (to earn more stars and thereby flows and mitigate the risk of fund closure). Particularly in light of aggregate net outflows from active management, it seems reasonable to interpret the strong risk tilts of 1-star funds as "gambling for resurrection."

CHAPTER 5

FUND FLOWS AND PARTISANSHIP

Does political partisanship matter for choosing an active fund manager? Since prior work finds fund manager partisanship doesn't affect performance, partisanship may be a second-order concern, especially relative to more salient fund features like star ratings (Del Guercio and Tkac (2008); Ben-David et al. (2019)) and sustainability globes (Hartzmark and Sussman (2019)). Nevertheless, most settings find that agents dislike misaligned partisanship (Dagostino et al. (2020); Kempf and Tsoutsoura (2021)). Since investors can choose their manager, we would expect them to avoid misaligning manager and investor partisanship if it matters. That Covid-19 served as a shock to political disagreement and partisan awareness provides a natural laboratory for studying whether manager partisanship matters to investors.

5.1 The Role on Non-Partisanship

If partisanship matters because investors avoid politically misaligned fund managers, then one simple prediction is that funds with non-partisan managers will receive more net flows. Figure 7.6 tests this hypothesis visually, plotting incremental cumulative net flows by fund manager partisanship. Like with performance, I sort funds into three mutually exclusive groups – funds with a majority of matched managers that are non-partisan, Democratic, and Republican. These flows are incremental in the sense that I net out the effects from fund style, the Morningstar star rating and sustainability globes, typical fund-level controls, and cumulative precrisis-period performance and net flows.

Figure 7.6 shows a striking result – non-partisan funds receive more net flows both during the first 10 weeks of the Covid-19 crisis and over the first year after the onset of Covid. From February 19 to April 30, 2020, non-partisan funds receive 1.44% (1.02%) more net flows than

Democrats (Republicans), and from February 19, 2020 to February 28, 2021, non-partisan funds receive 2.69% (2.66%) more net flows than Democrats (Republicans). These sharp differences suggest that fund manager partisanship was indeed important to investors during the highly polarized Covid-19 crisis.

Throughout, my main measure for assessing fund flows is the cumulative net fund flow percentage. Daily net fund flows in dollars are computed in standard fashion, following (for example) Barber et al. (2016) as:

$$FD_{it} = TNA_{it} - (1 + R_{it})TNA_{i,t-1} \tag{5.1}$$

where TNA_{it} is the total net assets of fund i on date t and R_{it} is the net return of fund i on date t. To convert the dollar value of net flows into a cumulative percentage, I accumulate the values of FD_{it} across the time period of interest and divide by the TNA of fund i on the day before the period of interest begins. For longer-term cumulative flows (ie: more than one week), I address missingness by carrying forward the last non-missing cumulative sum of daily net fund flows in dollars. For weekly flows, I require that no more than one day in the week has a missing fund flow. In addition, as smaller funds may mechanically have much larger flow percentage magnitudes, I restrict consideration to funds with at least $10 million of TNA as of January 31, 2020.

Table 8.12 performs a formal regression analysis to see whether this non-partisanship effect on flows survives the inclusion of many controls. The incremental effect of non-partisanship on flows, at 0.14% ($t = 2.64$) per week in column 1, remains of a similar magnitude even after including many controls, at 0.13% ($t = 3.15$) in column 10. In adding controls, I focus on those the literature finds to strongly predict or explain fund flows. These include past and contemporaneous performance, past flows, the Morningstar star rating, and an indicator for funds that are explicitly sustainable. The interpretation is that non-partisan funds receive an additional 1.30% in net flows, within fund style, over just 10 weeks. As

the average active equity fund experienced a 1.25% cumulative net outflow during this time period (Pástor and Vorsatz (2020)), this effect is quite large in magnitude.

That non-partisan funds receive more net flows than Democratic funds or Republican funds suggests that investor clienteles may use partisanship – or a correlate – to avoid political misalignment.

5.2 The Role of Political Misalignment

Do funds with politically-misaligned managers and clienteles experience abnormal net outflows? I test this focusing on Republican managers and Democratic-leaning clienteles. As fund clienteles are both geographically and politically diffuse, I exploit differences in partisan investment preferences to identify funds with a larger share of Democratic investment. In particular, Democrats are known to prefer more sustainable investments.[1] As many believe sustainable investments earn lower financial returns,[2] I assume that funds with an explicit sustainability focus have more Democratic clienteles. This results from both attracting more Democrats (with an explicit preference for sustainability) and repelling more Republicans (who are less willing to sacrifice financial returns for sustainability). Thus, sustainable funds with a Republican manager are politically misaligned.

I label a fund as having an explicit sustainability focus and a more Democratic clientele if the fund satisfies one or more of the following: (1) has 5 Morningstar sustainability globes; (2) employs exclusion criteria in its investment process; (3) is designated as being "socially conscious"; (4) is designated as being "low carbon"; or (5) is designated as prioritizing sustainable investment. These are all indicators provided by Morningstar and at least

1. See Hong and Kostovetsky (2012), Di Giuli and Kostovetsky (2014), Lee et al. (2014), and Hoepner and Schopohl (2015).

2. Pástor et al. (2021) argue sustainable investments should earn lower financial returns in equilibrium, while Bauer et al. (2021) find many investors think sustainable investments earn lower financial returns. Geczy et al. (2021) argue this is true ex-ante because additional constraints shrink the investment opportunity set. Baker et al. (2018), Barber et al. (2021), and Zerbib (2019) provide empirical evidence that sustainable investments earn lower financial returns.

several are known to influence mutual fund flows, suggesting these labels are both salient and important to investors.[3]

Figure 7.7 provides a preliminary look at the role of political misalignment on flows, plotting the average cumulative flow advantage of sustainable funds over non-sustainable funds for two categories: funds with a Republican manager and funds without a Republican manager. Since non-sustainable funds have diffuse clienteles, this forms a baseline for comparing the effects of explicit sustainability on flows when: (A) there is political misalignment (with a Republican manager); and (B) there is no political misalignment (without a Republican manager).[4] Sustainable funds receive more net flows than non-sustainable funds (all else equal) even during the Covid-19 crisis period (Pástor and Vorsatz (2020)), so we expect the sustainable fund flow advantage to be positive regardless of fund manager partisanship. However, focusing on the first 10 weeks of the Covid-19 crisis in Panel A, we see that the sustainable fund flow advantage is positive only for funds without Republican managers – it is indistinguishable from zero for funds with Republican managers. Focusing on the two year February 2019 - February 2021 period, we see that this pattern is even more pronounced – after the onset of Covid-19, the sustainable fund flow advantage is very large for funds without Republican managers and is non-existent for funds with Republican managers. It seems that politically misaligned funds receive less net flows after the start of Covid-19.

Table 8.13 summarizes these graphical results for both cumulative average fund flows and aggregate fund flows. Over the 10-week crisis period, sustainable funds receive 0.87% more flows, on average, than non-sustainable funds when the fund has no Republican managers, although this turns into a 1.65% disadvantage for funds with Republican managers. This

3. Hartzmark and Sussman (2019) find that Morningstar sustainability globes are an important driver of fund flows. Ceccarelli et al. (2021) provide evidence on the "low carbon" designation and Pástor and Vorsatz (2020) provide evidence on the "employs exclusions" flag.

4. Recall that I assume sustainable funds have a Democratic-leaning investor clientele, so sustainable funds with a Republican manager are politically misaligned and sustainable funds without a Republican manager are not politically misaligned.

partisan gap in the sustainable fund flow advantage – 2.52% during the 10-week crisis period – increases to 10.21% for the 1-year February 20, 2020 to February 28, 2021 time period. The gap is of a similar magnitude when considering aggregate fund flows, at 10.19%. As there are 138 Republican-managed sustainable funds with $200 billion in net assets, a back-of-the-envelope calculation suggests these politically misaligned funds are penalized $20.4 billion in forgone fund flows over just one year because of manager partisanship.

An important observation that emerges from Figure 7.7 and Table 8.13 is that the effect of political misalignment on flows appears driven by a lack of new investment, not selling by current investors. In other words, it appears that Democratic investors reallocated money towards sustainable funds after the onset of Covid-19, while avoiding Republican-managed sustainable funds, which don't benefit from the increase in sustainability-oriented investment.

Table 8.14 performs a formal regression analysis to see whether this political misalignment effect on flows survives the inclusion of many controls. To isolate the effect of political misalignment, I focus on funds with only Republican managers ("strong" or "moderate") and no Democratic managers. As shown in column 1, the effect of interest is the interaction between a fund having only Republican managers and being sustainable, which is measured after controlling for the level effects of having only Republican managers and being sustainable. The incremental effect of political misalignment on weekly flows, at -0.23% ($t = -2.28$), remains of a similar magnitude even after including many controls, at -0.19% ($t = -2.73$) in column 10. The interpretation is that political misalignment is associated with an additional 1.90% of cumulative net outflows, within fund style, over just 10 weeks. The incremental effect of political alignment is large, even bigger than average active equity fund outflows of 1.25% during the same time period.

Consistent with prior studies, funds with more Morningstar stars and explicit sustainability labels receive more net flows over this time period. Notably, both the effect of political misalignment and the effect of non-partisanship are of similar magnitudes to these well-

known flow determinants. While 5 star funds receive 6.80% more net flows than 1 star funds and sustainable funds receive 1.20% more net flows than non-sustainable funds, politically misaligned funds receive 1.90% less net flows than funds that are not politically misaligned and funds with entirely non-partisan managers receive 1.10% more flows than funds with entirely partisan managers. All of these interpretations are within fund style.

5.3 Understanding the Mechanism

There are two parts to the mechanism underlying the political misalignment effect on flows. First, who is differentiating between Republican and non-Republican managers of sustainable funds? I show that institutional investors, either directly or through their consultants, are responsible for this differentiation, and that the effect is non-existent for retail investors. Second, what exactly are they using to differentiate between these managers – is it actually partisanship or something related to partisanship? I provide evidence that the fund managers' political values – particularly concerning ESG and risk – are responsible for the differentiated flows. The Democratic-leaning clienteles of sustainable funds screen out strongly Republican managers with a weaker commitment to sustainability and riskier investment portfolios. Consistent with misaligned political values driving this effect, teams with more non-partisans receive more net flows overall precisely because adding a non-partisan to the fund team – instead of a partisan – mitigates the effect of political misalignment on flows.

The equity funds in my sample are both actively managed and expensive, with a median net expense ratio of 0.90%. While it is possible that large retail investors will research these expensive funds and their managers before investing, it is more likely that large institutional investors will do such due diligence. Institutional investors, such as pension funds, foundations, endowments, and investment advisors, also have the scale to perform more detailed manager research or hire investment consultants to do it for them. If the political misalignment effect is truly related to manager characteristics, then it would be natural to

see this pattern show up more strongly for funds with primarily institutional investors instead of funds with primarily retail investors. I use Morningstar's "Institutional" indicator variable to classify funds into these categories.[5] Funds with more than two-thirds of net assets in institutional-designated share classes are labeled "institutional" funds and funds with less than one-third of net assets in institutional-designated share classes are labeled "retail" funds.

Table 8.15 repeats the flow analysis from Table 8.14, except focusing on two subsamples of funds: institutional funds and retail funds. Comparing columns 4 and 8, the effect of political misalignment on flows is much larger for institutional funds (-0.59%, $t = -5.32$) than for retail funds (-0.08%, $t = -0.62$). Notably, the institutional fund estimate is three times as large as the pooled estimate, emphasizing that political misalignment's effect on flows is both very strong and entirely mediated by institutional investors.

Anecdotally, several institutional investment consultants said they do not explicitly consider partisanship when conducting fund manager research, but they do try to understand whether the fund manager's ESG strategy and commitment aligns with their client's ESG values. For example, one investment consultant ruled out environmentally- and socially-focused funds by a well-known Republican fund family not because the fund managers were Republican, but rather, because the funds' ESG strategies seemed one-dimensional and a senior manager, in discussing ESG, sounded skeptical that ESG actually had value. Since Democrats prefer sustainable funds, it's likely that this consultant's clients were also Democrats, who through his advice, ruled out the Republican fund managers. This example generalizes quite well in my data and is a useful concrete illustration of the political

5. Morningstar's "Institutional" indicator variable is defined as "an indication that the share class is primarily aimed at institutional investors as defined by the provider of the fund." Importantly, Morningstar share classes distinguish between "Institutional" shares (not to be confused with a "Yes" for the "Institutional" indicator variable) and "Retirement" shares. The vast majority of the share classes with a "Yes" for the Institutional indicator variable are Institutional shares. Some of the Retirement share classes are also indicated as being institutional investor-oriented, although most are not. In particular, this means that the "Institutional" funds I am considering are primarily aimed at institutional money and not retail money that is flowing into retirement share classes.

misalignment mechanism.

I conjecture that the effect of political misalignment on flows is driven by institutional investors using negative screens to rule out fund managers with misaligned political values, for example concerning ESG and risk. I test this mechanism in four primary ways. First, I show that more strongly Republican funds have larger net outflows from political misalignment, meaning this effect is in fact about the strength of political beliefs and values. Second, I show that Democratic investor clienteles dislike portfolio tilts towards "sin" stocks and risky stocks, verifying that investor clienteles do behave like partisans. Third, I show that strongly Republican managers have a weaker commitment to sustainability and riskier investment preferences in terms of observable portfolio tilts, which is one medium through which investors can screen on political values. Last, I show that the majority of greater non-partisan flows come from mitigating the effect of political misalignment, further validating that this is a story about politics.

Partisanship Strength and Outflows from Political Misalignment

I conjecture that values misalignment between managers and clienteles is responsible for the political misalignment effect on flows. A first test of this hypothesis is that stronger misaligned political values are associated with more net outflows. Table 8.16 tests this hypothesis, making only slight modifications to Table 8.14. Specifically, the Republican manager measure of interest is changed to a modified version of the net Republican leaning variable, which is set to zero for values less than zero and truncated at +6 (the equivalent of two "strong" Republicans on the team). This forms a measure of the strength of the fund team's Republican partisanship and prevents extreme values from driving the results.

Column 1 of Table 8.14 shows that the strength of Republican partisanship is important for the size of the effect of political misalignment on flows. The coefficient on the misalignment variable is large at -0.10 ($t = -4.36$), and remains of a similar magnitude even after

including many controls, at -0.08 ($t = -3.37$) in column 10. The interpretation is that adding a "strong" Republican to the fund team is associated with incremental net outflows of 0.24% per week for politically misaligned funds, or 2.40% over 10 weeks.

That the effect of political misalignment on flows is larger for funds with stronger Republican partisanship is consistent with misaligned political values driving this effect.

Partisan Preferences of Investor Clienteles

A second test of political values misalignment affecting flows is checking whether investment flows are sensitive to partisan preferences for observable characteristics. While ESG values are one dimension along which Republicans and Democrats are likely to disagree, risk-taking preferences are a second dimension, with Republicans known to be more risk tolerant than Democrats (Pástor and Veronesi (2020)). I start by examining whether holdings tilts toward risky stocks (small value) and so-called "sin" stocks (eg: weapons manufacturers, tobacco producers) are associated with abnormal net outflows for funds with Democratic-leaning clienteles. In order to test this story, I use an alternative method for identifying funds with a Democratic-leaning investor clientele. I follow Hong and Kostovetsky (2012) in generalizing investors' local bias at the stock level to the fund level.[6] This has been more recently substantiated by Sialm et al. (2020), who show that funds of hedge funds overweight their investments in local hedge funds. As such, I assume funds headquartered in Democratic states have Democratic-leaning investor clienteles. I identify Democratic states using k-means clustering ($k = 2$) on the state-level 2016 Republican vote share.

Panel A of Table 8.17 tests whether funds with Democratic-leaning investor clienteles have abnormal net outflows when they invest more in "sin" stocks and risky stocks. For "sin" stocks, I use the Morningstar product involvement measures, which are computed at

6. Coval and Moskowitz (1999) establish that managers have a strong preference for locally headquartered firms to avoid asymmetric information. Van Nieuwerburgh and Veldkamp (2009) and Dziuda and Mondria (2012) document similar mechanisms to explain investors' bias toward domestic stocks.

the firm-level as the share of revenues involved in nuclear energy, palm oil, small arms, thermal coal, and tobacco. For interpretability, the fund-level variable is the excess product involvement relative to the average fund in the same investment style (ie: Morningstar Category). For risky stocks, I consider the share of net assets invested in stocks identified as small value by Morningstar. As would be expected of Democratic-leaning investor clienteles, greater tilts toward these "sin" activities and risky stocks are associated with less net flows. Interpreting the coefficient in column 7, holding stocks with a 1% higher exposure to these "sin" activities is associated with 0.30% less net flows over 10 weeks. The magnitudes of these effects, generally on the order of 0.20% ($t = -3.02$) to 0.90% ($t = -2.83$) over 10 weeks, are much smaller than the political misalignment effect. This makes sense both because the investor clientele is measured with noise and because these product involvement tilts, while accurate, are challenging to observe without using Morningstar's measures.

Is the political misalignment effect simply about the observable holdings tilts of fund managers? Panel B of Table 8.17 runs a horse race between the "sin" and risk tilts and the partisanship strength of the fund management team, measured as the positive and negative versions of the net Republican leaning variables.[7] Adding the interaction between the Democratic-leaning clientele and the Republican strength measure meaningfully attenuates the effect of the "sin" and risk tilts on flows. In addition, the effect magnitude is much larger – a fund with a Democratic-leaning clientele and two "strong" Republican managers has 3.6-4.8% less net flows over 10 weeks – and the t-statistics range from -2.99 to -3.36. It follows that, while holdings tilts toward "sin" and risky stocks are indeed an important mechanism for intermediating the political misalignment effect on flows, this seems to be more of a symptom than a cause. Instead, the strength of the management team's Republican partisanship seems to be the primary contributor, with the greater holdings tilts toward "sin" and risky stocks a related contributing factor.

7. The net Republican leaning variable is truncated at +6 and -6 and values less than (more than) zero are set to zero for the positive (negative) version.

Notably, the coefficient on the interaction between the Democratic-leaning clientele and the Democratic partisanship strength is not statistically significant. This emphasizes that the effect of politics is about misalignment, not alignment. In particular, this means negative screening, not attraction to managers with identical partisanship, is driving the effect.

Fund Managers' Divergent Partisan Preferences

To explicitly test that strongly partisan managers have divergent preferences over sustainability and risk, Table 8.18 examines how portfolio tilts toward sustainability and risk differ by partisanship. Important measures of sustainability include Morningstar sustainability globes, the carbon risk and intensity rankings within peer group, and several "sin" stock portfolio tilts. I also include small value stocks (as a percent of net assets) to validate differences in risk preferences. In Panel A, I show that, relative to "strong" Republicans, "strong" Democrats tilt toward higher sustainability scores, lower carbon risk and intensity, less involvement in "sin" stock activities, and less small value risk. This suggests that strongly Democratic managers have an incremental commitment to sustainability, which strongly Republican managers lack. Panel B shows that these conclusions are broadly similar after including fixed effects for the five dimensions of explicit sustainability, which are known to be compensated with greater net fund flows. This means that strongly Democratic managers continue to show a strong preference for sustainability, even when it is uncompensated, although the same is not true for Republican managers. That is, strongly Republican managers have a weaker commitment to sustainability.

These results emphasize that negative screening on Republican-managed sustainable funds can occur even without explicitly learning the partisanship of the fund manager. This is important because, anecdotally, institutional investment consultants say they don't keep track of partisanship during their fund manager research.

In addition, Table 8.18 shows that non-partisan teams tilt towards greater sustainabil-

ity, often falling in the middle of the sustainability tilts of strong Democrats and strong Republicans. As such, non-partisans' political values may truly fall in the middle between Democrats and Republicans.

Non-Partisans Mitigate Political Misalignment

An important prediction of non-partisans' moderated ESG and risk values is that teams with more non-partisans experience smaller consequences of political misalignment. Table 8.19 tests this hypothesis, finding that non-partisan teams attenuate the effect of political misalignment on flows relative to sustainable funds managed only by Republicans. Interpreting the coefficients in column 10, a sustainable fund with Republican managers experiences 1.70% more net outflows over 10 weeks, but this effect decreases by 41% to 1.00% if the team is half Republican and half non-partisan instead of being entirely Republican.

While the coefficient on the interaction between the non-partisan share and the sustainable fund indicator is only marginally statistically significant, with t-stats ranging from 1.41 to 2.06, in the Appendix, I show the effect is more reliably positive when using an indicator for the team being majority non-partisan, with t-stats ranging from 1.99 to 2.90.

Notably, Table 8.14 finds that non-partisan funds receive more net flows overall. In Table 8.19, we see that this effect is primarily from attenuating the political misalignment effect on flows. That is, the level effect of non-partisanship shrinks to only 0.05% per week, while the effect of mitigating political misalignment is twice as large at 0.10% per week.

5.4 Further Robustness

I perform a variety of robustness tests to affirm the strength and existence of my flow results, to validate the mechanism, and to understand related issues.

My main results are robust to a variety of methodological modifications. The positive effect of non-partisanship on flows is qualitatively unchanged for three alternative measures

of partisanship: an indicator for the matched fund managers being a majority ($> 50\%$) non-partisan; an indicator for more of the matched fund managers being non-partisan than Democratic or Republican; and the share of matched managers that are partisans (Republicans or Democrats). In addition, the positive effect of non-partisanship on flows is of a similar strength for the 6 months following the onset of Covid (through August 19, 2020) as for the first 10 weeks of Covid (through May 1, 2020).

The negative effect of political misalignment on flows is qualitatively unchanged for two alternative definitions of a Republican-managed team – having at least a strong or moderate Republican on the team (with no restrictions on other team members) and having a fund with a net Republican leaning score of at least +3 (chosen through k-means clustering with $k = 3$). The results are also qualitatively unchanged when using the Democratic state indicator to identify the Democratic-leaning clientele instead of the sustainable fund indicator. I perform these same modifications – considering 3 definitions of Republican fund management and 2 definitions of a Democratic-leaning clientele – to the comparison of institutional flows and retail flows and find that institutional flows drive the political misalignment effect across all of these specifications. Both the political misalignment effect on flows and the primary role of institutional funds in driving the political misalignment effect are of a similar strength for the 6 months following the onset of Covid (through August 19, 2020) as for the first 10 weeks of Covid (through May 1, 2020).

In the Appendix, I augment the two main flow result tables – Tables 8.12 and 8.14 – with manager fixed effects. This slightly strengthens the effects of non-partisanship and political misalignment on flows. In particular, this means the flow results are about the political orientation of the overall fund team and not about the individual managers, further validating that the flow effects are about political misalignment between the fund managers and the investor clientele.

In Section 3.6, I explain that clustering standard errors by time is not appropriate for

my setting. This is because there is no residual correlation within time cluster, but there is residual correlation within co-manager network cluster. Nevertheless, in the Appendix, I show that my main flow results in Tables 8.12 and 8.14 are largely unaffected when clustering standard errors by time (week). That is, my results that non-partisans receive more flows and politically-misaligned funds receive less flows remain statistically significant when clustering by time. The results are also similar using the cluster wild bootstrap of Cameron et al. (2008), which works well in settings with as few as five clusters when the clusters themselves are large (Canay et al. (2021)). In the Appendix, I also plot weekly coefficients that show more flows for non-partisan funds and less flows for politically-misaligned funds, with standard errors clustered by time – these figures are approximate weekly counterparts to the cumulative flows in Figures 7.6 and 7.7.

My flow effects are not the result of a flow-performance relation. I use contemporaneous, recent, and past performance controls in all of the weekly flow regressions, which should address this. In the Appendix, I confirm that adding both linear and quadratic terms for contemporaneous and week-lagged performance does not affect the main flow results. In addition, I show that politically misaligned funds do not have differentiated performance relative to funds that are not politically misaligned, further emphasizing that the partisan flow results are not related to performance.

I consider three alternative versions of Table 8.16 to emphasize that the effect of political misalignment on flows is larger for stronger fund manager political values. These alternative versions modify the Republican partisanship strength: the number of Republican managers on the team (truncated at 5), including "weak" Republicans in the Republican manager indicator, and including "weak" Republicans but not "strong" Republicans in the Republican manager indicator. The latter two specifications substantially weaken the effect of political misalignment on flows, suggesting that "strong" Republicans contribute most to the effect.

I also show that the political misalignment result is one-sided – there is no evidence that

Democratic-managed funds with Republican-leaning investor clienteles experience abnormal net outflows after the start of Covid. I identify the Republican-leaning investor clientele in two ways. First, I use the 2016 state vote share of the fund headquarters, much like the secondary measure of the Democratic-leaning investor clientele. Second, I exploit Republican preferences to label energy funds, small value funds, and low or below average sustainability funds as having Republican-leaning investor clienteles. The one-sided political misalignment result is consistent with an investment shock to only Democratic investors. Anecdotally, Democratic investors interpreted Covid-19 as a severe humanitarian crisis, and they responded by increasing sustainable investment. This increase in sustainable investment, paired with negative political screens, explains why the political misalignment result is only one-sided.

I provide additional evidence that the flow results are driven by political misalignment and not alignment. Graphically, I expand Figure 7.7 to compare the sustainable fund flow advantage for funds with only Republican, only Democratic, and only non-partisan managers. While the sustainable fund flow advantage is positive and approximately undifferentiated for funds with only Democratic or only non-partisan managers, the sustainable fund flow advantage is negative or indistinguishable from zero for funds with only Republican managers. In regressions, I show that the strength of Republican partisanship matters for outflows from Democratic-leaning clienteles, but the strength of Democratic partisanship is unrelated to net flows for these Democratic-leaning clienteles – in other words, there is no alignment effect, only a misalignment effect.

It is not possible to run a placebo test with index funds – which are truly passive and so prevent manager partisanship from affecting portfolio characteristics – because 52 of the 59 index funds in my sample (comprising $1.651 trillion out of $1.652 trillion of net assets) are managed exclusively by non-partisans. The relative lack of partisan managers for index funds suggests fund managers are aware that political leaning can affect clientele interest.

These and related summary statistics for index fund manager partisanship are featured in the Appendix.

Turning to the sustainability-oriented clientele, I show that the political misalignment effect persists if the sustainable fund indicator is replaced with either the "socially conscious," "low carbon," or "5 globes" indicators. This means that both environmental and social sustainability are important separate considerations for these clienteles. Notably, my baseline measure for a sustainable fund requires that at least one of five labels pertains to the fund, which could lead the sustainability-oriented clientele to be measured with noise. I show that the abnormal outflows are larger when restricting the sustainable fund definition to funds that have at least two of the five labels.

Is the relevance of non-partisanship and political misalignment for fund flows a new or pre-existing phenomenon? To answer this question, I perform an event study for the 6 months before and after the onset of Covid-19. I find no evidence of incremental net inflows for non-partisan funds or incremental net outflows for politically misaligned funds prior to the onset of Covid. Instead, the entirety of both effects emerges after the onset of Covid-19, consistent with Covid serving as a shock to both political disagreement and partisan awareness.

Consistent with the effect of political misalignment on flows concerning new investment and not existing investment, I show that there is no evidence of fire sales affecting returns for politically misaligned funds during the crisis period.[8] Instead, as can be seen more clearly in Figure 7.7, it appears that Republican-managed sustainable funds simply receive no boost to net flows from their sustainability labels.

As the timing of Covid-induced interest in sustainability coincided with police brutality protests surrounding George Floyd's May 25th death, I also test whether these events served

8. This is unsurprising, as Pástor and Vorsatz (2020) find that Covid-period outflows actually aren't too unusual for stock mutual funds. Instead, large outflows and fire sales were confined to bond mutual funds, as shown in Falato et al. (2021).

as a catalyst for the effect of political misalignment on flows. Considering both four- and eight-week windows before and after these protests began, I find no evidence that these protests drive my effect. This is unsurprising as the effect of political misalignment on flows is already large during the 10-week crisis period ending on April 30th.

Last, I show that alternative measures of partisanship can be used to show that non-partisans receive more net flows largely by mitigating the political misalignment effect. I consider two additional measures: an indicator for the matched fund managers being a majority ($> 50\%$) non-partisan and the partisan share of matched managers (either Republican or Democratic).

CHAPTER 6

CONCLUSIONS

I study the relation between political polarization and performance at the start of Covid-19, when political disagreement exogenously increases. While prior work suggests that politics is largely irrelevant for the asset management industry, this is not what I find. Instead, I find that strong political partisanship is associated with large costs – both lower fund returns and lower net fund flows – following the onset of Covid-19.

In terms of return performance, non-partisan teams outperform during the 5-week stock market crash and their outperformance does not reverse even a year later. Their outperformance stems from both active trading and pre-existing positions. Higher active returns come from increased risk-taking during the Q1 2020 market crash, with non-partisans purchasing more equity on net and actively tilting their portfolios towards riskier stocks. Higher passive returns come from pre-existing tilts away from value and carbon risk and towards technology firms. Non-partisans' active outperformance is consistent with greater cognitive flexibility and their passive outperformance is consistent with greater ideological flexibility. Non-partisan managers appear to individually add value to their team, and sorting of lower quality managers into politically-similar partisan teams suggests that preferences for political similarity are important for hiring decisions in addition to preferences for merit.

In terms of flow performance, non-partisans also receive more net flows than partisans. I argue this is because investor clienteles are partisan and only non-partisans can appeal to both Democrats and Republicans. I document that politically misaligned funds – with Republican managers and Democratic-leaning clienteles – experience large abnormal net outflows during the Covid-19 crisis. This political misalignment effect is mediated by institutional investors and reflects negative screening on managers with misaligned political values, for example concerning ESG and risk. Teams with more non-partisans, with moderated ESG and risk positioning, are able to meaningfully mitigate these abnormal net outflows

arising from political misalignment.

My findings emphasize that political partisanship is more consequential for the asset management industry than previously believed. Prior work finds that fund manager partisanship affects portfolio allocations (Hong and Kostovetsky (2012); DeVault and Sias (2017)), but these effects are modest and have not previously mattered for fund performance. Part of this may be the focus on differences between Democrats and Republicans, which I find are much less consequential than differences between partisans and non-partisans. The literature also seems to assume that irrelevance for performance equates to irrelevance for flows, as this is the first study of fund manager partisanship and flows. Against this backdrop, it is surprising to find such strong effects of partisanship on both performance and flows. Future work may want to build on these findings and more generally re-examine the role of political beliefs and values in asset management.

More generally, my finding that political polarization entails large costs implies that increasingly polarized US organizations may be cause for concern. My evidence suggests that partisan teams are less cognitively and ideologically flexible and appeal to a smaller pool of clients. Since employees and employers endogenously sort on political partisanship (Bermiss and McDonald (2018); Evans et al. (2021)), it seems unlikely that the trend towards greater corporate political polarization will reverse. Better understanding several new mechanisms through which political polarization creates costs may prove helpful for navigating the landscape of increased corporate political polarization.

Last, I provide evidence of novel principal-agent conflicts in the active asset management industry, which manages more than $20 trillion in the US alone. Political misalignment is a source of principal-agent conflicts because a politically-misaligned fund manager will express undesirable ESG and risk preferences, now and in the future, in the portfolio construction process. Partisan fund managers also behave differently across party lines in terms of proxy voting (Bolton et al. (2021)) and active trading around important political events

(Cassidy and Vorsatz (2021)), which have important repercussions for both corporate governance and return performance. While sophisticated (institutional) investors avoid such principal-agent conflicts, unsophisticated (retail) investors do not. As information on fund managers' political values is challenging to acquire, retail investors are likely unaware that such principal-agent conflicts exist.

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CHAPTER 7

FIGURES

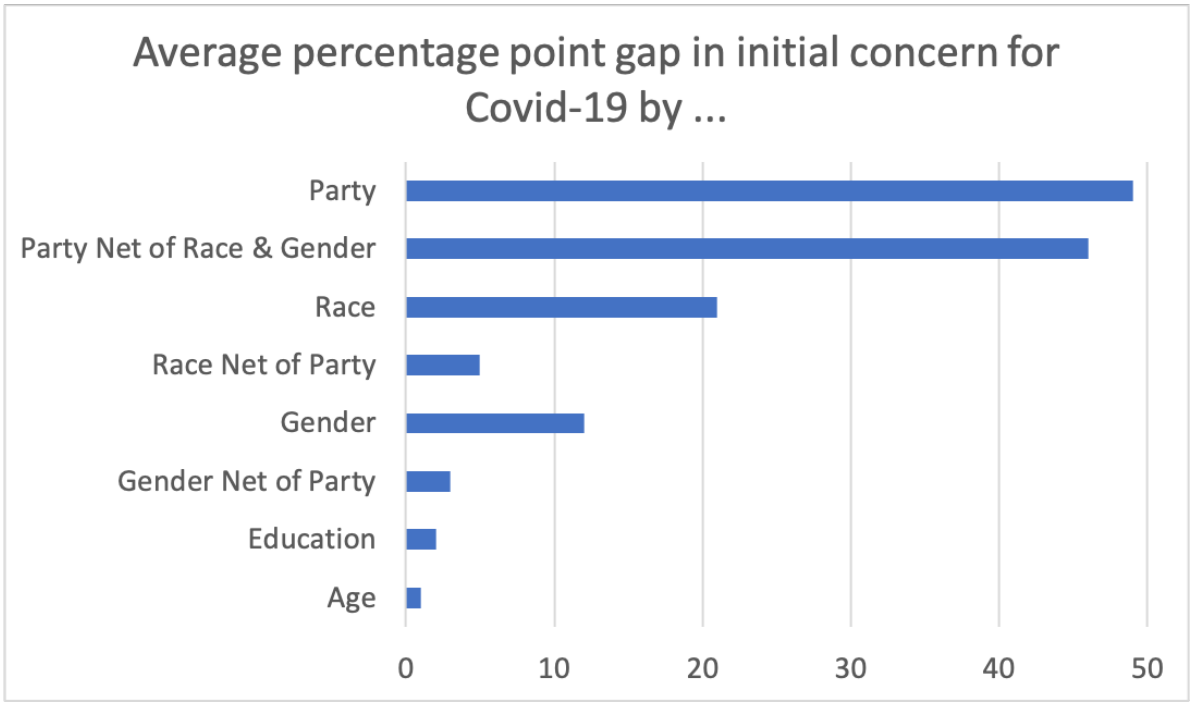


Figure 7.1: March 9, 2020 Differences in Concern about Covid-19

This figure shows March 9, 2020 differences in concern for Covid-19 by political party (Democrats vs. Republicans), race (white vs. non-white), gender (male vs. female), education (college vs. no college), and age (18-34 vs. 65+). The results are from a large CIVIQS survey of registered voters. The question for respondents is: "How concerned are you about a coronavirus outbreak in your local area?" The figure shows the absolute difference (in percentage points) across univariate categorical sorts for individuals indicating they are "concerned." This includes responses of "extremely concerned" and "moderately concerned," but not responses of "a little concerned," "not concerned at all," and "unsure." In computing initial concern for the non-white category, the values for black, hispanic, and other are averaged. To compute the disagreement net of partisanship, I use bivariate sorts on partisanship to compute the difference from demographic changes holding partisanship constant. For example, for gender net of partisanship, I first compute the differences between Democratic men and Democratic women and between Republican men and Republican women. The absolute difference is then the gender disagreement net of partisanship.

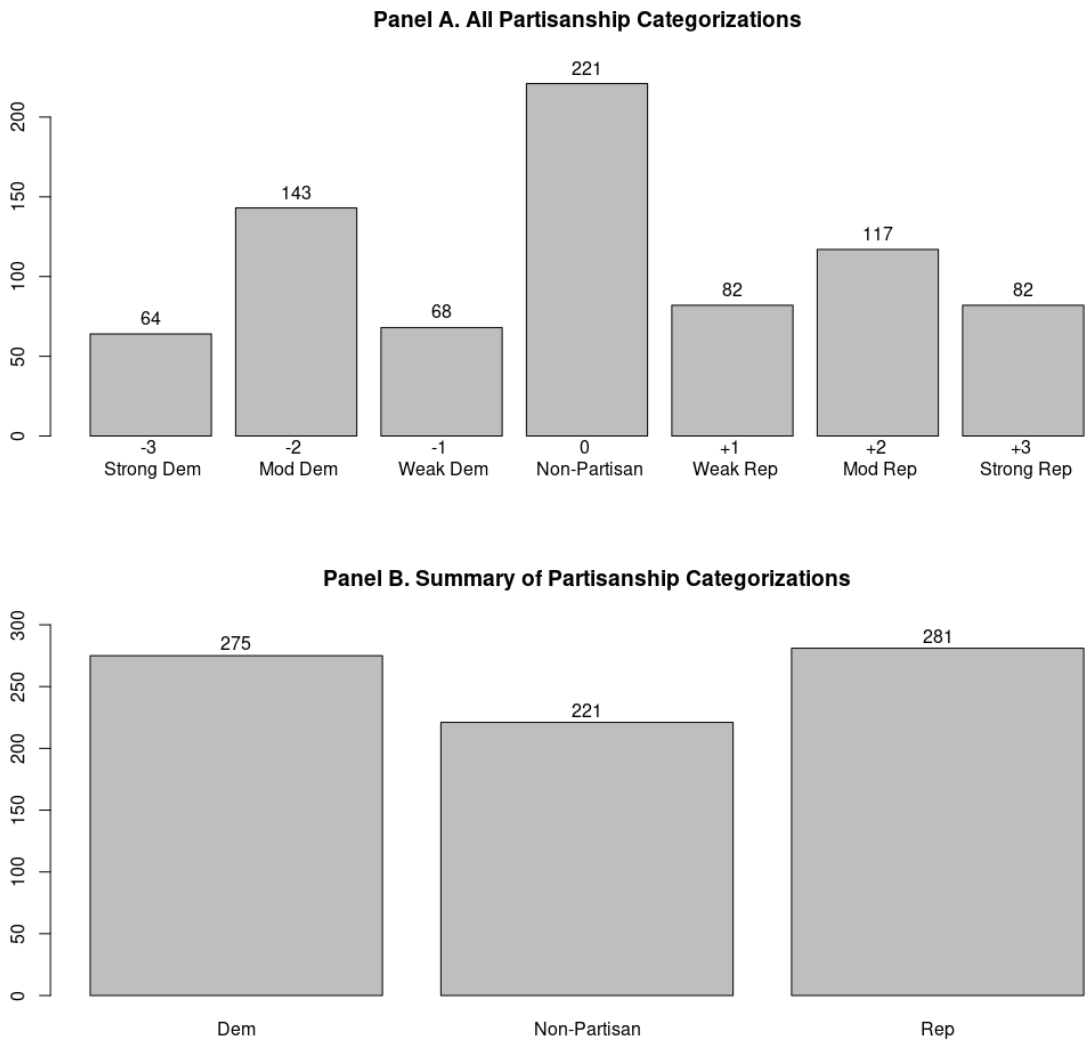


Figure 7.2: Fund Manager Partisanship Tabulations

This figure summarizes the partisanship leanings of the 777 fund managers with identifiable federal political contributions. Panel A presents tabulations according to the granular partisan classifications. A strong Republican contributes at least $3,000 and at least 75% goes to Republicans. A moderate Republican contributes less than $3,000 and at least 75% goes to Republicans. A weak Republican contributes less than 75% to Republicans but more to Republicans than Democrats. Democrats are categorized analogously. Non-partisans are the remainder. The vast majority of non-partisans (213 or 96%) contribute entirely to non-partisan committees and the remainder (8 or 4%) contribute exactly equal amounts to both Democrats and Republicans. Panel B presents tabulations at the party level, summing together the granular categorizations for Democrats and Republicans.

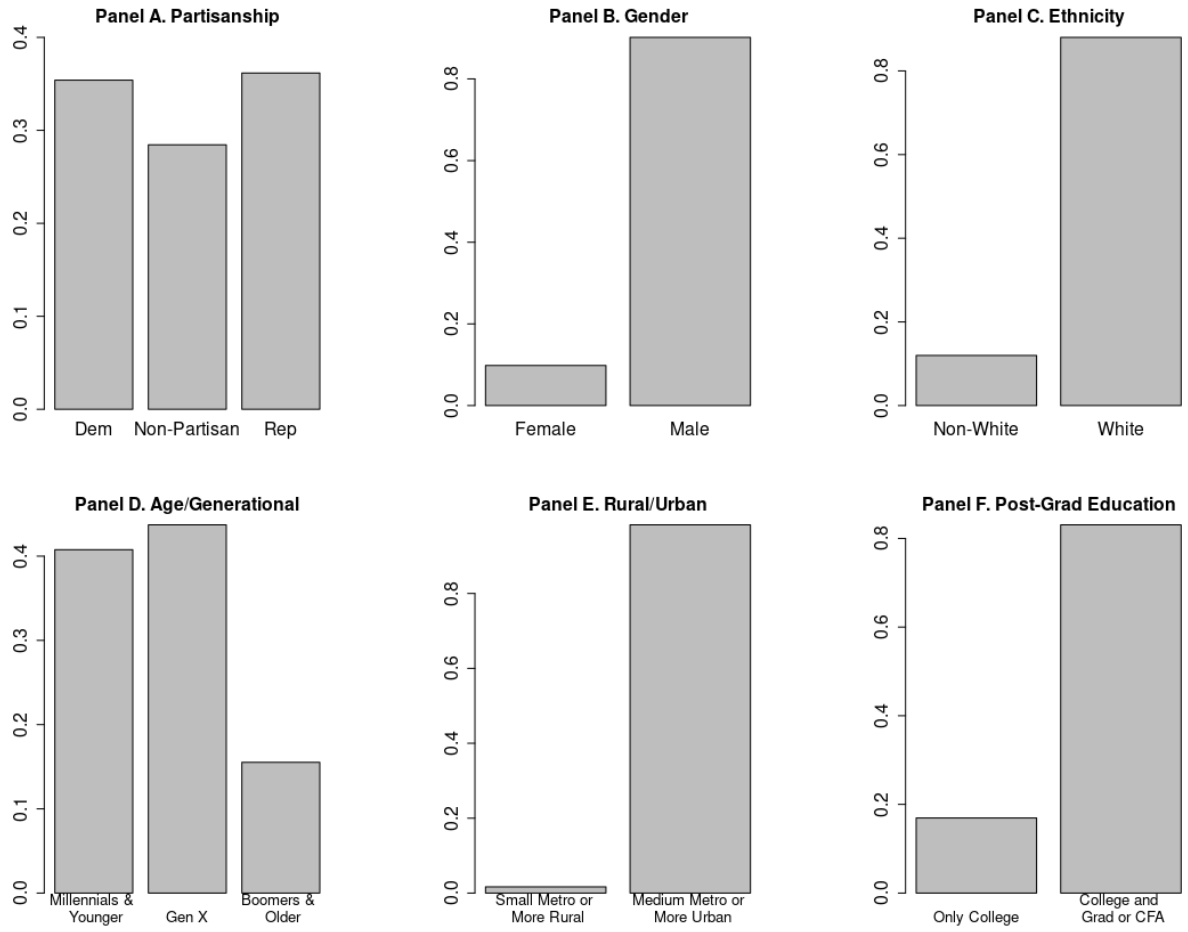


Figure 7.3: Fund Manager Demographics

This figure summarizes six types of fund manager demographics in terms of the proportion of fund managers with the given label. Panel A splits partisanship into Democrats, non-partisans, and Republicans. Panel B splits gender into female and male. Panel C splits ethnicity into non-white and white. Panel D splits age into Millennials and younger (born during or after 1981), Gen X (born 1965-1980), and Boomers and older (born during or before 1964). Panel E splits manager location into small metro areas or more rural and medium metro areas or more urban. Panel F splits manager education into only college or college and a graduate degree or CFA.

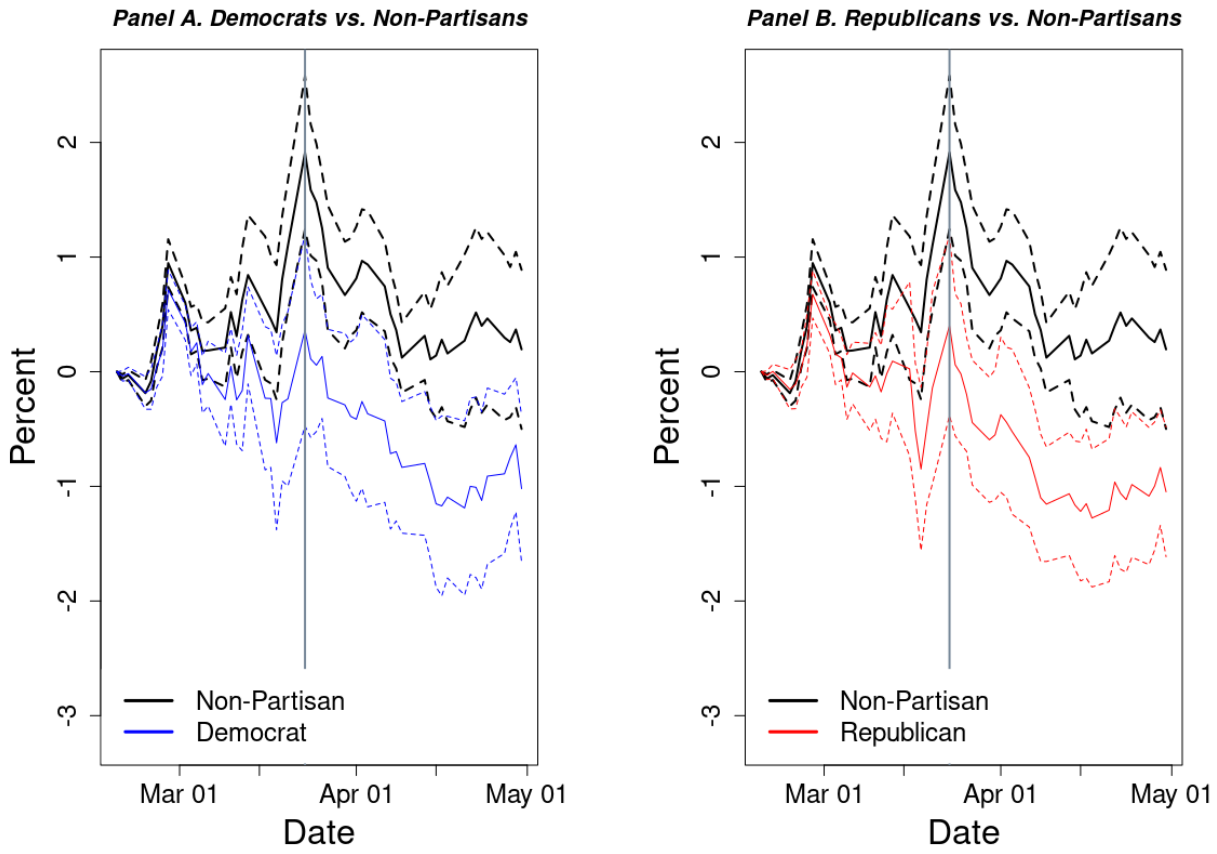


Figure 7.4: Crisis-Period Cumulative Benchmark-Adjusted Performance and Partisanship

This figure plots average cumulative benchmark-adjusted performance from February 20 to April 30, 2020 for funds based on mutually-exclusive partisanship sorts. Panel A compares the average cumulative performance of non-partisan funds against Democratic funds and Panel B compares the average cumulative performance of non-partisan funds against Republican funds. Funds are classified into these mutually exclusive groups based on whether the majority of managers with identified contributions are non-partisan, Democratic, or Republican. The sample is restricted to active equity mutual funds and performance is measured relative to the FTSE/Russell benchmark. To reduce the effect of extreme values on the average, cumulative performance is winsorized at the 2.5% and 97.5% levels. Dashed lines indicate 90% confidence intervals and standard errors are clustered by the co-manager network. The grey vertical lines denote the March 23, 2020 stock market trough. Performance on March 23, 2020 (April 30, 2020) is 1.91% (0.20%) for non-partisans, 0.36% (-1.02%) for Democrats, and 0.40% (-1.05%) for Republicans.

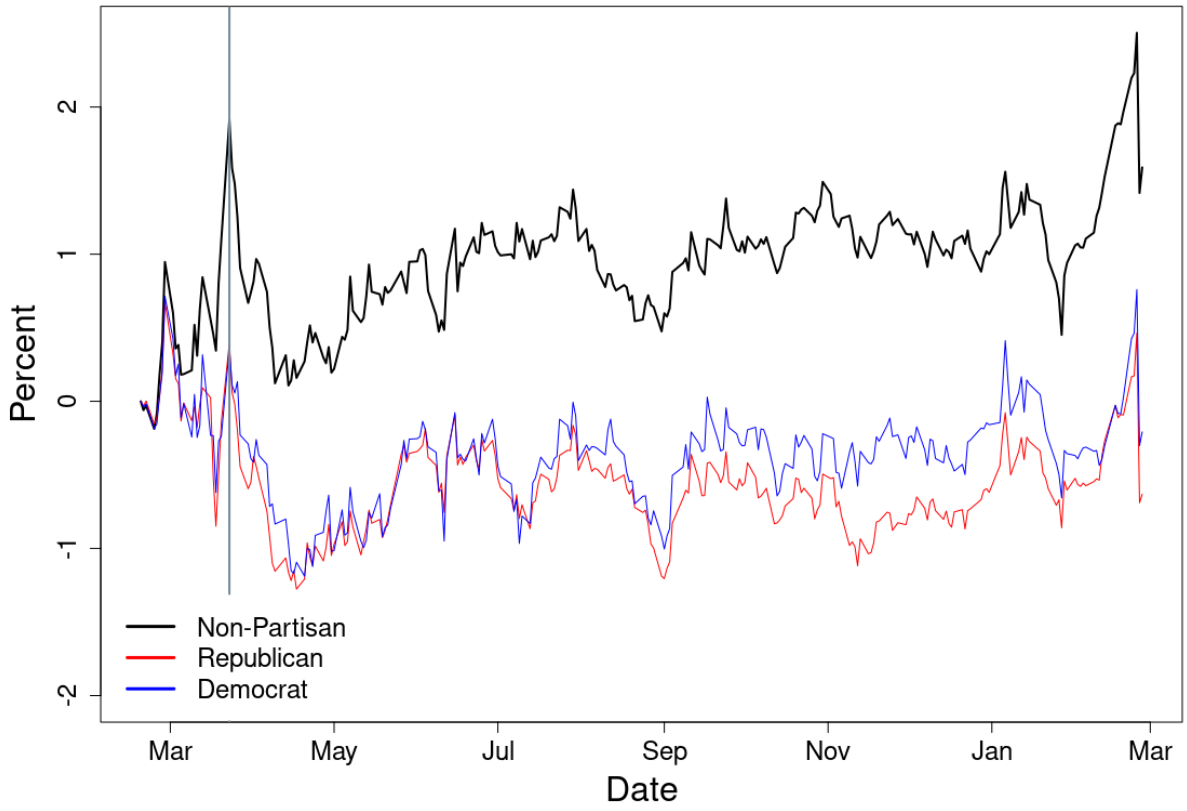


Figure 7.5: Longer-Term Cumulative Benchmark-Adjusted Performance and Partisanship

This figure plots average cumulative benchmark-adjusted performance from February 20, 2020 to February 28, 2021 for funds based on mutually-exclusive partisanship sorts: non-partisan funds, Democratic funds, and Republican funds. The figure's construction is identical to Figure 7.4 with two exceptions. First, the time horizon is extended. Second, confidence intervals are omitted because they become mechanically noisy when looking at long-term cumulative returns. The grey vertical line denotes the March 23, 2020 stock market trough. Performance on February 28, 2021 is 1.59% for non-partisans, -0.21% for Democrats, and -0.63% for Republicans.

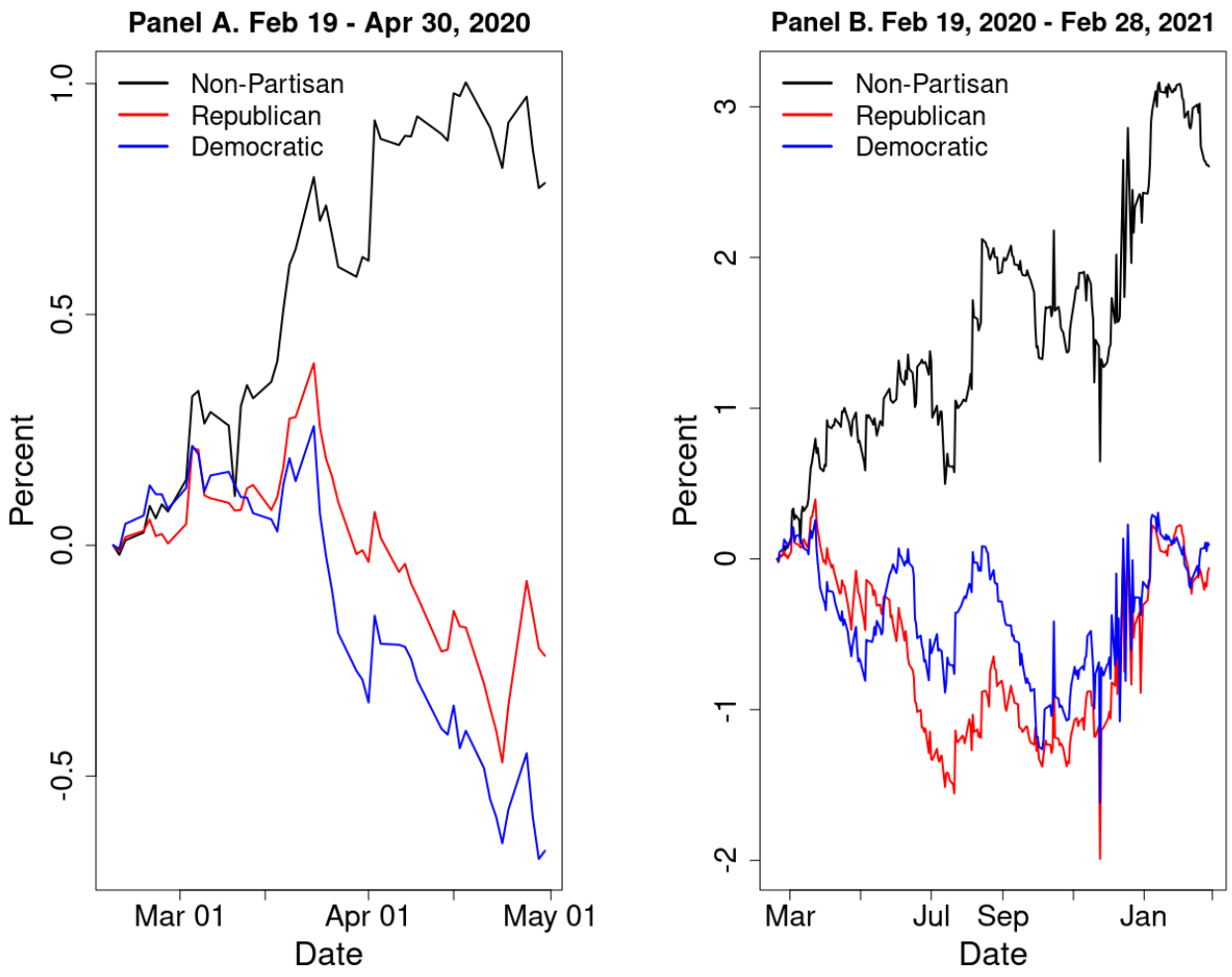


Figure 7.6: Incremental Cumulative Net Flows by Manager Partisanship

This figure shows incremental differences in average cumulative net fund flows by fund manager partisanship. Panel A focuses on the 10-week crisis period of February 19 to April 30, 2020 and Panel B focuses on the 1-year post-crisis period of February 19, 2020 to February 28, 2021. The three partisanship sorts are for funds with predominantly non-partisan, Republican, or Democratic managers. Funds with less than 50.01% of managers in a single category are omitted. To compute the incremental differences in average cumulative net fund flows, for each date, I regress cumulative net flows since February 19, 2020 on an intercept, indicators for the 3 partisan categorizations, style fixed effects, the Morningstar star rating and sustainability globes, fund-level controls, cumulative precrisis benchmark-adjusted performance, and cumulative precrisis net fund flows. The cumulative performance and fund flows are winsorized at the 5% and 95% levels. The fund-level controls are the log of the fund's age, the log of net assets, the net expense ratio, the turnover ratio, the net share of assets in cash, an indicator for single-managed funds, and indicators for the number of managers with identified contributions on the fund team. The sample is restricted to active equity funds with at least $10 million of TNA and the cumulative net fund flow percentage is winsorized at the 5% and 95% levels. To prevent unusual discontinuities if a fund is missing data or closes, the last non-missing cumulative net flow percentage is carried forward until the next available flow can be calculated. There are 199 ($741.2 B TNA) non-partisan funds, 295 ($890.4 B) Republican funds, and 315 ($767.5 B) Democratic funds. Through April 30, 2020, incremental cumulative flows are 0.78% for non-partisans, -0.24% for Republicans, and for -0.66% for Democrats. Through Feb 28, 2021, incremental cumulative flows are 2.60% for non-partisans, -0.06% for Republicans, and 0.09% for Democrats.

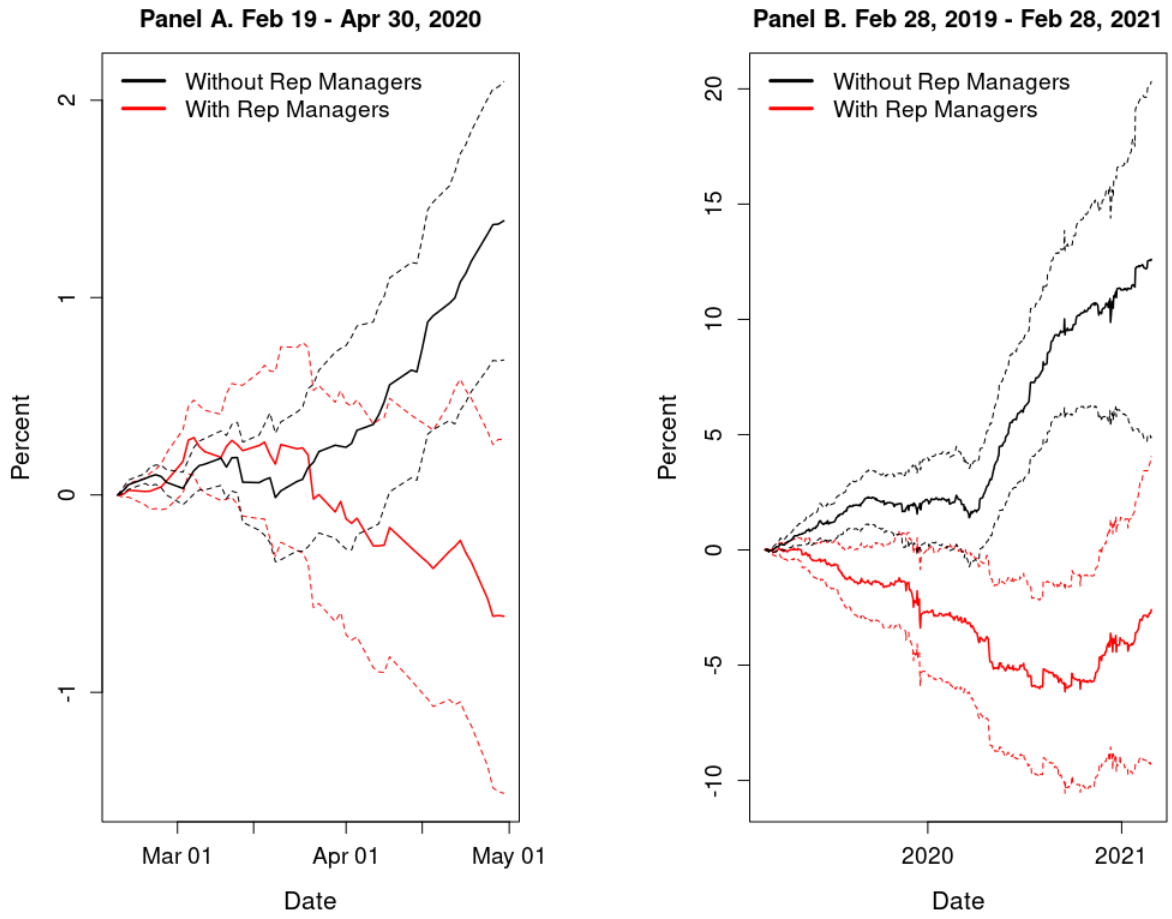


Figure 7.7: Sustainable Fund Flow Advantage by Manager Partisanship

This figure plots the average cumulative flow advantage of sustainable funds over non-sustainable funds for two categories of fund manager partisanship: teams with a Republican manager and teams without a Republican manager. Panel A focuses on the February 20 to April 30, 2020 crisis period while Panel B extends the time horizon to the February 28, 2019 to February 28, 2021 period. The flow advantage of sustainable funds is defined as the difference in average cumulative fund flows between sustainable funds and non-sustainable funds, where funds are pooled based on the fund manager partisanship. A fund is considered "sustainable" if it has 4 or 5 sustainability globes, it employs exclusions, it is labeled as "socially conscious," it is designated as "low carbon," or it targets firms that engage in sustainable investment, all of which correspond to salient labels in Morningstar. A team is labeled as having a Republican manager if at least one manager on the team is a "strong" or "moderate" Republican, based on political contributions. Cross-sectional averages are across the cumulative net flow percentages, which are calculated as cumulative net flows as a percent of the starting date's TNA. The sample is restricted to active equity funds with at least $10 million of TNA and the cumulative net fund flow percentage is winsorized at the 5% and 95% levels. To prevent unusual discontinuities if a fund is missing data or closes, the last non-missing cumulative net flow percentage is carried forward until the next available flow can be calculated. The dashed lines represent 90% confidence intervals, with standard errors clustered by the co-manager network.

CHAPTER 8
TABLES

Table 8.1: Fund-Level Summary Statistics

This table reports fund-level summary statistics for the active US equity mutual fund sample. Panel A summarizes fund characteristics, Panel B summarizes fund clientele characteristics, and Panel C summarizes information on each fund's management team. Fund characteristics (as of January 2020) include: total net assets, fund age, the net expense ratio, net cash as a percent of TNA, Morningstar star rating, Morningstar sustainability globes, the CAPM beta estimated over the trailing 4 months, and the number of Covid-19 cases per million people in the fund headquarters county. The sustainable fund indicator takes a value of one if the fund satisfies one or more of the following: (1) has 5 Morningstar sustainability globes; (2) employs exclusion criteria in its investment process; (3) is "socially conscious"; (4) is "low carbon"; or (5) is prioritizes sustainable investment. The narrowly sustainable fund indicator requires at least two of these labels. Institutional share is the share of TNA in share classes that target institutional investors, per Morningstar's "Institutional" indicator. Last, the 2016 Republican vote share is measured at the state level for the fund's headquarters. Panel C summarizes the number of managers on each fund team, the number of managers that contribute, the total dollar value of the fund team's contributions, and the shares of team-level contributions going to Republican, Democratic, or other candidates/committees. The non-partisan share is the share of identified managers that are non-partisan. Last, the net Republican leaning variable is the fund-level sum of manager political scores on a [-3,3] scale where "strong" Democrats have a score of -3 and "strong" Republicans have a score of 3.

	Mean	5%	25%	50%	75%	95%	Observations
				Panel A. Fund Characteristics			
TNA ($B)	3.8	0.0	0.1	0.5	1.9	12.3	934
Age (Years)	18.3	1.9	8.1	16.3	24.8	38.6	947
Net Expense Ratio (%)	0.9	0.2	0.7	0.9	1.2	1.5	928
Turnover Ratio (%)	62.1	7.0	24.4	44.0	74.0	163.2	938
Net Cash (% TNA)	2.6	-0.1	0.8	2.0	3.9	11.0	940
Star Rating	2.8	1.0	2.0	3.0	4.0	5.0	863
Sustainability Globes	2.9	1.0	2.0	3.0	4.0	5.0	893
CAPM Beta (Precrisis, %)	90.6	50.3	81.3	94.6	103.1	119.2	934
Mar 10, 2020 Covid Cases (Per M)	5.19	0.0	0.3	3.0	8.9	13.3	912
				Panel B. Fund Clientele Characteristics			
$\mathbb{I}$(Sustainable Fund) (%)	37.1	-	-	-	-	-	1022
$\mathbb{I}$(Narrowly Sustainable Fund) (%)	12.1	-	-	-	-	-	1022
$\mathbb{I}$(Sustainable Investment) (%)	3.9	-	-	-	-	-	1022
$\mathbb{I}$(Employs Exclusions) (%)	3.8	-	-	-	-	-	1022
$\mathbb{I}$(Socially Conscious) (%)	14.4	-	-	-	-	-	1022
$\mathbb{I}$(Low Carbon) (%)	26.2	-	-	-	-	-	1022
$\mathbb{I}$(5 Globes) (%)	7.2	-	-	-	-	-	1022
Institutional Share (%)	35.5	0.0	0.0	17.2	73.9	100.0	854
2016 Rep Vote Share (%)	39.4	31.6	32.3	33.9	47.5	52.2	912
				Panel C. Fund Manager Characteristics			
Managers (#)	4.4	1.0	2.0	3.0	5.0	14.0	1022
Contributing Managers (#)	1.6	1.0	1.0	1.0	2.0	4.0	1022
Total Contributions ($000's)	61.2	0.1	1.1	4.3	19.6	442.3	1022
Rep Contrib Share (%)	37.0	0.0	0.0	5.5	86.8	100.0	1022
Dem Contrib Share (%)	32.2	0.0	0.0	0.5	73.6	100.0	1022
Other Contrib Share (%)	30.8	0.0	0.0	6.3	67.8	100.0	1022
Non-Partisan Share (%)	23.7	0.0	0.0	0.0	50.0	100.0	1022
Net Republican Leaning	0.5	-3.0	-2.0	0.0	2.0	5.0	1022

Table 8.2: Crash-Period Returns and Partisanship

This table reports slope coefficients estimated from regressions of fund performance on fund characteristics and controls. Weekly returns, in percentage points, for the Covid-19 crash-period extend from February 17, 2020 (Monday) through March 20, 2020 (Friday), with weeks being treated as Monday through Friday. Important covariates include the non-partisan share, net Republican leaning, indicator for the fund being headquartered in a high Covid county, precrisis CAPM market beta, Morningstar star rating, and an indicator for the fund having 4 or 5 Morningstar sustainability globes. Style fixed effects use the Morningstar Category variable. Fund-level controls include the log of the fund's age in days, the log of the fund's January 31, 2020 TNA, turnover ratio as of January 2020, net expense ratio as of January 2020, net cash position (as a percent of TNA) as of January 2020, an indicator for the fund being single-managed, and indicators for the number of fund managers with identified contributions. Industry controls are the fund's December 2019 net position as a percent of TNA in each of basic materials, communication services, consumer cyclical, consumer defensive, energy, financial services, healthcare, industrials, real estate, technology, and utilities. The sample includes only active equity funds. To reduce the effect of extreme values, raw returns are winsorized at the 1% and 99% levels. Standard errors are clustered by the co-manager network. t-statistics are in brackets.

	Weekly Raw Returns (%)								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Non-Partisan Share	0.19		0.18	0.19	0.18	0.18	0.22	0.18	0.22
	[2.66]		[2.49]	[3.31]	[3.45]	[3.57]	[4.48]	[3.51]	[4.40]
Net Republican Leaning		−0.02	−0.02	−0.02	−0.02	−0.02	−0.01	−0.02	−0.01
		[−1.76]	[−1.55]	[−2.64]	[−2.03]	[−1.41]	[−1.23]	[−1.38]	[−1.21]
$\mathbb{I}$(High COVID County)				0.06	−0.02	−0.001	−0.05	−0.001	−0.05
				[0.63]	[−0.23]	[−0.01]	[−0.77]	[−0.01]	[−0.76]
β_{pre}^{Mkt} (%)				−0.03	−0.03	−0.03	−0.03	−0.03	−0.03
				[−8.53]	[−9.19]	[−7.95]	[−7.61]	[−7.80]	[−7.47]
Star Rating					0.32	0.32	0.19	0.32	0.19
					[10.99]	[11.47]	[7.89]	[11.26]	[7.75]
$\mathbb{I}$(4 or 5 Sustainability Globes)					0.35	0.35	0.29	0.35	0.29
					[5.87]	[6.14]	[4.67]	[6.03]	[4.58]
Style FE	X	X	X	X	X	X	X		
Week FE	X	X	X	X	X	X	X		
Style x Week FE								X	X
Fund-Level Controls						X	X	X	X
Industry Controls							X		X
Observations	4,683	4,683	4,683	4,670	4,110	4,070	4,070	4,070	4,070
Adjusted R^2	0.87	0.87	0.87	0.88	0.89	0.89	0.89	0.94	0.94

Table 8.3: Crash-Period Risk-Adjusted Performance

This table reports slope coefficients estimated from regressions of risk-adjusted fund performance on fund characteristics and controls. Risk-adjusted performance is assessed against factor models: the FTSE/Russell benchmark as a single factor, the prospectus benchmark as a single factor, the CAPM, the Fama-French 4-factor model, the Fama-French 6-factor model, and the q-factor model of Hou et al. (2021). To construct weekly alphas for the crash-period, I first estimate the factor model loadings of each fund using daily returns for the February 20 to March 23, 2020 time period. The daily alphas are computed as the actual returns minus the fitted returns (setting the intercept to zero). I average the daily alphas across each Monday through Friday week and retain observations for weeks with at least 4 non-missing daily alphas. I multiply the average daily alphas each week by five to give the interpretation of weekly average risk-adjusted performance, which is reported in percentage points. Style fixed effects use the Morningstar Category variable. Fund-level controls include the log of the fund's age in days, the log of the fund's January 31, 2020 TNA, turnover ratio as of January 2020, net expense ratio as of January 2020, net cash position (as a percent of TNA) as of January 2020, an indicator for the fund being single-managed, and indicators for the number of fund managers with identified contributions. The sample includes only active equity funds. To reduce the effect of extreme values, alphas are winsorized at the 1% and 99% levels. Standard errors are clustered by the co-manager network. t-statistics are in brackets.

	$\alpha^{FTSE}(\%)$	$\alpha^{Prosp}(\%)$	$\alpha^{CAPM}(\%)$	$\alpha^{FF4}(\%)$	$\alpha^{FF6}(\%)$	$\alpha^{Q5}(\%)$
	(1)	(2)	(3)	(4)	(5)	(6)
Non-Partisan Share	0.24	0.35	0.25	0.16	0.12	0.14
	[3.57]	[5.26]	[3.75]	[2.82]	[2.34]	[2.27]
Net Republican Leaning	−0.04	−0.04	−0.04	−0.03	−0.02	−0.01
	[−2.10]	[−2.01]	[−2.00]	[−1.74]	[−1.75]	[−1.06]
$\mathbb{I}$(High COVID County)	0.13	−0.05	0.10	0.14	0.13	0.19
	[0.99]	[−0.51]	[0.90]	[1.61]	[1.33]	[3.58]
Star Rating	0.34	0.31	0.37	0.18	0.14	0.12
	[11.54]	[9.71]	[12.13]	[7.03]	[4.87]	[5.10]
$\mathbb{I}$(4 or 5 Sustainability Globes)	0.16	0.12	0.27	−0.01	0.05	−0.05
	[2.24]	[1.46]	[3.85]	[−0.15]	[0.75]	[−0.76]
Style x Week FE	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X
Observations	3,130	3,190	3,266	3,266	3,266	3,266
Adjusted R^2	0.63	0.56	0.68	0.62	0.67	0.59

Table 8.4: Active Portfolio Changes and Performance

This table reports slope coefficients estimated from regressions of stock holdings-based variables on fund characteristics and controls. The sample includes all equity funds with non-missing Q4 2019 and Q1 2020 stock holdings and at least 80% of net assets identified as stocks in CRSP. The dependent variables are: (1) the buy and hold passive return for Q1 2020; (2) the fund's actual gross return for Q1 2020; (3) the active return, computed as the difference between the gross return and the buy and hold return; (4) the share of net assets purchased during Q1 2020; (5) the share of net assets sold during Q1 2020; (6) the net share of assets purchased during Q1 2020; (7) the total absolute value, as a percent of net assets, of purchases and sales; (8) the buy and hold return for H1 2020 based on Q4 2019 holdings; (9) the fund's actual gross return for H1 2020; and (10) the active return for H1 2020. Returns are reported in percentage points. Style fixed effects use the Morningstar Category variable. Fund-level controls are identical to those in Table 8.2. To reduce the effect of extreme values, the dependent variables are winsorized at the 1% and 99% levels. Standard errors are clustered by the co-manager network. *t*-statistics are in brackets.

	Q1 2020							H1 2020		
	Buy and Hold Return	Gross Return	Active Return	Buy (%)	Sell (%)	Net Buy (%)	Total Trading (%)	Buy and Hold Return	Gross Return	Active Return
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Non-Partisan Share	1.14	1.72	0.58	−0.05	−2.11	1.96	−2.88	0.92	1.24	0.32
	[2.93]	[3.85]	[4.37]	[−0.06]	[−2.46]	[3.55]	[−1.72]	[0.97]	[1.09]	[1.20]
Net Republican Leaning	−0.28	−0.32	−0.04	−0.29	−0.11	−0.21	−0.33	−0.46	−0.49	−0.03
	[−2.48]	[−2.49]	[−0.75]	[−2.05]	[−0.61]	[−0.89]	[−1.30]	[−2.03]	[−1.87]	[−0.51]
Style FE	X	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X	X
Observations	393	393	393	393	393	393	393	393	393	393
Adjusted R^2	0.71	0.72	0.36	0.29	0.30	0.08	0.40	0.71	0.69	0.31

Table 8.5: Holdings Tilts and Q1 2020 Passive Returns

This table reports the relation between holdings tilts and both partisanship and Q1 2020 buy and hold returns. Panel A focuses on the relation between Q4 2019 measures of holdings tilts and partisanship while Panel B focuses on the relation between these holdings tilts and passive performance. Performance is measured as the Q1 2020 buy and hold return, in percentage points, based on Q4 2019 holdings. The key variables of interest are the following: the book-to-market ratio, the price-to-cash flow multiple, the long term debt-to-book equity ratio, the operating cash flow-to-current liabilities ratio, the cash-to-total debt ratio, the after-tax interest coverage multiple, the after-tax return on equity, the share of holdings in the computer software sector, and the share of FAANGM (Facebook, Amazon, Apple, Netflix, Google, and Microsoft) stocks. The ratios and multiples are formed as the value-weighted average over non-missing stock holdings. Exact variable definitions are provided by the WRDS Industry Financial Ratio Manual, and the computer software sector is defined according to the Fama and French (1997) 49 industries. Basic controls, which are suppressed, are the indicator for 4 or 5 sustainability globes, the high Covid case flag, and the precrisis CAPM market beta. The sample includes all equity funds with non-missing Q4 2019 and Q1 2020 stock holdings and at least 80% of net assets identified as stocks in CRSP. Other details are identical to those in Table 8.4. Standard errors are clustered by the co-manager network. t-statistics are in brackets.

	Valuation		Financial Soundness			Solvency	Profitability	Sectors	
Controls	Book-to-Market (%)	Price-to-Cash Flow	LT Debt-to-Book Equity (%)	Op CF-to-Curr Liab (%)	Cash-to-Total Debt (%)	After-Tax Interest Coverage	After-Tax Return on Equity (%)	Computer Software (%)	FAANGM (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
					Panel A. Q4 2019 Controls				
Non-Partisan Share	−2.55	0.83	−22.32	4.31	2.67	29.36	2.96	2.27	0.72
	[−4.08]	[0.98]	[−2.81]	[2.19]	[3.50]	[3.89]	[1.91]	[2.70]	[1.12]
Net Republican Leaning	0.61	−0.66	5.02	−0.47	−0.28	1.46	−0.05	−0.51	−0.07
	[2.98]	[−3.41]	[1.93]	[−1.05]	[−1.09]	[0.67]	[−0.12]	[−1.91]	[−0.33]
Star Rating	−3.14	2.25	−7.09	1.93	1.19	5.94	0.36	2.06	1.01
	[−6.69]	[6.18]	[−2.65]	[1.69]	[2.17]	[1.74]	[0.42]	[3.38]	[1.71]
Basic Controls	X	X	X	X	X	X	X	X	X
Style FE	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X
Observations	371	371	371	371	371	371	371	371	371
Adjusted R^2	0.81	0.50	0.22	0.51	0.50	0.31	0.20	0.72	0.68
					Panel B. Q1 2020 Buy and Hold Return				
Non-Partisan Share	1.05	1.54	1.32	1.88	1.77	1.73	1.83	1.21	1.69
	[2.42]	[3.98]	[3.62]	[3.98]	[3.70]	[4.30]	[4.38]	[3.40]	[4.11]
Net Republican Leaning	−0.12	−0.08	−0.19	−0.31	−0.30	−0.31	−0.31	−0.17	−0.29
	[−1.28]	[−0.69]	[−1.84]	[−2.40]	[−2.31]	[−2.53]	[−2.43]	[−1.66]	[−2.56]
Star Rating	0.83	1.02	1.62	1.80	1.76	1.76	1.78	1.23	1.60
	[3.32]	[4.63]	[8.46]	[7.57]	[7.55]	[8.92]	[8.70]	[7.63]	[9.14]
Control	−0.30	0.34	−0.02	−0.01	0.02	0.003	−0.004	0.27	0.17
	[−9.42]	[5.16]	[−3.35]	[−0.51]	[0.36]	[0.93]	[−0.27]	[8.25]	[5.01]
Basic Controls	X	X	X	X	X	X	X	X	X
Style FE	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X
Observations	371	371	371	371	371	371	371	371	371
Adjusted R^2	0.87	0.85	0.80	0.79	0.79	0.79	0.79	0.83	0.81

Table 8.6: Performance Attribution: Pre-existing Positions

This table reports the partial effects of pre-existing positions on performance. I estimate the partial effect on performance as the abnormal tilt on the partisan covariate multiplied by the partial effect of the tilt on performance. Performance is measured as the Q1 2020 buy and hold return, reported in percentage points.

	Effect on Q1 2020 Buy and Hold Returns	
	Non-Partisan	Republican
Book-to-Market Equity	0.335%	-0.095%
Debt-to-Book Equity	0.428%	-0.109%
Computer Software	0.328%	-0.086%
Total Effect	1.091%	-0.290%
Share of Buy and Hold	95.7%	103.6%

Table 8.7: Holdings Tilts and Risk-Adjusted Returns

This table reports the relation between holdings tilts and both partisanship and risk-adjusted returns. Panel A focuses on the relation between January 2020 holdings tilts and partisanship while Panels B and C focus on the relation between holdings tilts and risk-adjusted returns. Panel B uses weekly alphas for the crisis period (February 20 to April 30, 2020) and Panel C uses weekly alphas for the extended crisis period (February 20 to August 19, 2020). Performance is risk-adjusted against the FTSE/Russell benchmark. The variables of interest are: the precrisis (October 1, 2019 to January 31, 2020) FTSE/Russell benchmark R^2, the carbon risk rank within style (higher is less sustainable), the number of Morningstar sustainability globes (higher is more sustainable), the financial health GPA, the price-to-book ratio, the price-to-earnings ratio, large growth stocks (as % of TNA), small value stocks (as % of TNA), the crisis-period loadings on SMB and HML in the Fama-French 4-factor model, and the crisis-period loading on the Business Equipment industry portfolio as a fifth factor in the Fama-French 4-factor model. The indicator for 4 or 5 sustainability controls is suppressed, although it is omitted from the regressions with sustainability globes as the variable of interest. The sample includes only active equity funds. To reduce the effect of extreme values, alphas and controls of interest are winsorized at the 1% and 99% levels. Standard errors are clustered by the co-manager network. *t*-statistics are in brackets.

Control	Precrisis FTSE R^2	Carbon Risk Rank (%)	Sustainability Globes	Financial Health GPA	Price-to-Book Ratio	Price-to-Earnings Ratio	Large Growth (%)	Small Value (%)	$\beta^{FF4}_{SMB,crisis}$	$\beta^{FF4}_{HML,crisis}$	$\beta^{FF4}_{BusEq,crisis}$
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Panel A. Jan 2020 Controls											
Non-Partisan Share	0.02	−6.89	−0.02	0.03	0.08	0.38	1.54	−0.48	−0.02	−0.02	0.05
	[2.76]	[−3.69]	[−0.24]	[1.37]	[0.85]	[0.78]	[2.06]	[−1.69]	[−1.36]	[−1.81]	[2.73]
Net Republican Leaning	−0.0003	0.70	−0.04	−0.01	−0.03	−0.17	0.04	0.13	0.003	0.002	−0.002
	[−0.19]	[1.65]	[−2.38]	[−2.10]	[−2.02]	[−1.96]	[0.21]	[3.34]	[1.05]	[0.86]	[−0.49]
Star Rating	0.003	−9.72	0.22	0.10	0.48	1.96	3.93	−0.70	−0.01	−0.04	0.01
	[0.61]	[−14.17]	[6.35]	[6.82]	[12.54]	[15.63]	[10.06]	[−6.03]	[−1.98]	[−7.92]	[1.10]
Style FE	X	X	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X	X	X
Observations	780	611	814	755	755	743	755	755	814	814	814
Adjusted R^2	0.55	0.36	0.12	0.66	0.72	0.74	0.77	0.78	0.78	0.74	0.54
Panel B. Weekly Crisis-Period α^{FTSE}_{Bench} (%)											
Non-Partisan Share	0.10	0.04	0.10	0.11	0.11	0.10	0.10	0.12	0.11	0.08	0.09
	[3.20]	[1.79]	[3.34]	[3.50]	[4.60]	[4.00]	[3.90]	[3.77]	[3.37]	[3.52]	[3.07]
Net Republican Leaning	−0.01	−0.005	−0.01	−0.01	−0.01	−0.002	−0.01	−0.01	−0.01	−0.01	−0.01
	[−1.91]	[−0.61]	[−1.81]	[−1.35]	[−1.13]	[−0.57]	[−2.03]	[−1.37]	[−1.82]	[−1.68]	[−1.84]
Star Rating	0.15	0.11	0.15	0.11	0.05	0.05	0.10	0.14	0.16	0.10	0.15
	[11.31]	[8.90]	[11.43]	[5.03]	[3.78]	[3.84]	[7.01]	[10.63]	[10.38]	[8.56]	[13.44]
Control	0.47	−0.01	0.04	0.43	0.21	0.05	0.01	−0.02	−0.06	−1.29	0.43
	[1.33]	[−9.47]	[2.29]	[4.57]	[10.48]	[11.71]	[9.69]	[−4.23]	[−0.26]	[−11.52]	[5.81]
Style x Week FE	X	X	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X	X	X
Observations	7,818	5,888	7,818	7,238	7,238	7,118	7,238	7,238	7,818	7,818	7,818
Adjusted R^2	0.44	0.49	0.44	0.45	0.45	0.47	0.45	0.45	0.44	0.45	0.44
Panel C. Weekly Extended Crisis-Period α^{FTSE}_{Bench} (%)											
Non-Partisan Share	0.07	0.01	0.06	0.06	0.04	0.04	0.04	0.06	0.07	0.04	0.04
	[1.83]	[0.22]	[1.66]	[1.46]	[2.04]	[1.99]	[1.29]	[1.55]	[2.03]	[1.41]	[1.12]
Net Republican Leaning	−0.01	−0.002	−0.01	−0.004	0.002	0.005	−0.005	−0.004	−0.01	−0.004	−0.01
	[−1.24]	[−0.40]	[−1.22]	[−0.71]	[0.64]	[1.39]	[−1.01]	[−0.69]	[−1.43]	[−0.83]	[−1.08]
Star Rating	0.11	0.07	0.11	0.10	0.01	0.02	0.07	0.10	0.12	0.06	0.10
	[7.96]	[5.17]	[7.55]	[4.45]	[0.99]	[1.56]	[4.23]	[7.63]	[8.54]	[6.28]	[8.33]
Control	−0.31	−0.004	0.01	0.11	0.20	0.04	0.01	−0.01	0.46	−1.23	0.46
	[−0.90]	[−11.73]	[0.80]	[1.07]	[6.87]	[12.90]	[9.57]	[−2.91]	[2.13]	[−8.95]	[5.59]
Style x Week FE	X	X	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X	X	X
Observations	20,155	15,200	20,155	18,659	18,659	18,347	18,659	18,659	20,155	20,155	20,155
Adjusted R^2	0.36	0.40	0.36	0.37	0.38	0.40	0.37	0.37	0.36	0.37	0.36

Table 8.8: Performance Attribution: Additional Pre-existing Positions

This table reports the partial effects of pre-existing positions on performance. I estimate the partial effect on performance as the abnormal tilt on the partisan covariate multiplied by the partial effect of the tilt on performance. Performance is measured as the risk-adjusted alpha relative to the FTSE/Russell benchmark, reported in percentage points. Panel A considers the 10-week crisis period while Panel B considers the 26-week extended-crisis period.

	Non-Partisan	Republican
	Panel A. Effect on 10-Week Crisis-Period Alpha	
Precrisis Benchmark R^2	0.096%	-0.001%
Financial Health GPA	0.075%	-0.025%
P/E Ratio	0.091%	-0.041%
BusEq Beta	0.083%	-0.003%
Carbon Risk	0.069%	-0.007%
SMB Beta	0.014%	-0.002%
HML Beta	0.144%	-0.014%
Total Effect	0.572%	-0.094%
Share of Total Alpha	52.0%	104.6%
	Panel B. Effect on 26-Week Extended Crisis-Period Alpha	
Precrisis Benchmark R^2	0.025%	0.000%
Financial Health GPA	0.058%	-0.019%
P/E Ratio	0.227%	-0.102%
BusEq Beta	0.108%	-0.004%
Carbon Risk	0.179%	-0.018%
SMB Beta	-0.122%	0.018%
HML Beta	0.373%	-0.037%
Total Effect	0.849%	-0.163%
Share of Total Alpha	56.3%	125.3%

Table 8.9: Active Portfolio Changes and H1 2020 Active Returns

This table reports the relation between active Q1 2020 portfolio changes and both partisanship and H1 2020 active returns. Panel A focuses on the relation between Q1 2020 portfolio changes and partisanship while Panel B focuses on the relation between these holdings changes and active performance. Active performance, reported in percentage points, is measured as the difference between the fund's H1 2020 gross return and the fund's H1 2020 buy and hold return based on Q4 2019 holdings. The key variables of interest are active changes to the following: the share of business equipment stock, the share of FAANGM (Facebook, Amazon, Apple, Netflix, Google, and Microsoft) stock, the Fama-French 4-factor model market beta over the trailing 24 months, the stock volatility over the trailing 24 months, the 95% value at risk over the trailing 24 months, the log of the stock's market cap, the debt-to-assets ratio, the dividend payout ratio, and the price-to-cash flow multiple. These values are formed as the value-weighted average over non-missing stock holdings, where all quantities of interest are estimated at the stock level. In estimating values over the trailing 24 months, I use daily returns. Basic controls, which are suppressed, are the indicator for 4 or 5 sustainability globes, the high Covid case flag, and the precrisis CAPM market beta. The sample includes all equity funds with non-missing Q4 2019 and Q1 2020 stock holdings and at least 50% of net assets identified as stocks in CRSP. Other details are identical to those in Table 8.4. Standard errors are clustered by the co-manager network. t-statistics are in brackets.

	Δ BusEq (%)	Δ FAANGM (%)	$\Delta\beta^{FF4}_{Mkt,24M}$ (%)	$\Delta\sigma_{24M}$ (%)	Δ VaR_{24M} (%)	Δ log(Mkt Cap)	Δ Debt/Assets (%)	Δ DPR (%)	Δ P/CF
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
					Panel A. Q1 2020 Portfolio Changes (%)				
Non-Partisan Share	0.71	0.34	2.05	0.80	0.07	0.39	1.26	16.83	3.08
	[2.49]	[3.60]	[2.78]	[3.46]	[3.23]	[2.27]	[1.03]	[1.66]	[2.09]
Net Republican Leaning	0.05	0.01	−0.05	−0.01	−0.001	−0.10	−0.87	−1.97	0.70
	[0.76]	[0.53]	[−0.22]	[−0.19]	[−0.14]	[−2.28]	[−3.14]	[−2.12]	[2.24]
Star Rating	0.47	0.06	2.25	0.65	0.06	0.01	1.07	2.63	−2.07
	[2.99]	[1.08]	[5.56]	[5.21]	[5.27]	[0.12]	[1.75]	[0.53]	[−2.46]
Basic Controls	X	X	X	X	X	X	X	X	X
Style FE	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X
Observations	497	497	497	497	497	497	497	497	497
Adjusted R^2	0.05	0.01	0.12	0.12	0.13	0.04	0.05	0.02	0.05
					Panel B. H1 2020 Active Return (%)				
Non-Partisan Share	−0.05	−0.06	−0.003	−0.06	−0.06	0.13	0.14	0.11	0.18
	[−0.16]	[−0.20]	[−0.01]	[−0.20]	[−0.19]	[0.44]	[0.46]	[0.36]	[0.58]
Net Republican Leaning	0.02	0.02	0.03	0.03	0.03	0.03	0.02	0.03	0.04
	[0.23]	[0.30]	[0.44]	[0.43]	[0.42]	[0.37]	[0.30]	[0.41]	[0.52]
Star Rating	0.65	0.74	0.62	0.62	0.61	0.77	0.78	0.77	0.74
	[4.04]	[4.47]	[3.45]	[3.48]	[3.45]	[4.81]	[4.88]	[4.79]	[4.47]
Control	0.25	0.56	0.07	0.24	2.54	−0.01	−0.01	0.001	−0.02
	[1.75]	[2.64]	[1.64]	[1.69]	[1.72]	[−0.11]	[−0.48]	[0.88]	[−1.14]
Basic Controls	X	X	X	X	X	X	X	X	X
Style FE	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X
Observations	497	497	497	497	497	497	497	497	497
Adjusted R^2	0.28	0.27	0.27	0.28	0.28	0.25	0.25	0.25	0.25

Table 8.10: Performance Attribution: Active Trading

This table reports the partial effects of active Q1 2020 trading on performance. I estimate the partial effect on performance as the Q1 2020 value-weighted tilt on the partisan covariate multiplied by the partial effect of the tilt on H1 2020 active returns. Active returns are computed as the gross return minus the buy and hold return, reported in percentage points. The effect range of net purchases on returns is estimated assuming that the net purchases are invested in the S&P 500.

	Effect on H1 2020 Active Returns	
	Non-Partisan	Republican
Δ FAANGM	0.146%	0.004%
$\Delta\beta^{FF4}_{Mkt,24M}$	0.103%	-0.003%
Total Effect	0.249%	0.002%
Share of Active Return	77.7%	-6.0%
Effect Range for Net Purchases	-0.165% - 0.756%	-0.081% - 0.018%

Table 8.11: Performance Decomposition

This table summarizes the decomposition of partisan performance differences into active and passive components. The four quadrants decompose the passive component of Q1 2020 gross returns, the passive component of crisis period alphas, the active component of H1 2020 gross returns, and the passive component of extended crisis period alphas. Indentations are used to indicate the division of the total value into its component parts. Note that the passive component of risk-adjusted performance is simply the portion of alpha that is explained in regressions with many pre-existing position controls. Alphas are computed against the FTSE/Russell benchmark and accumulated for the crisis period (February 19 to April 30, 2020) and extended crisis period (February 19 to August 19, 2020) by multiplying weekly alphas by 10 and 26, respectively. These decompositions are based on Table 8.5 for pre-existing holdings tilts and their effect on Q1 2020 passive returns, Table 8.7 for additional pre-existing holdings tilts and their effect on crisis-period and extended crisis-period alphas, and Table 8.9 for Q1 2020 active changes and their effect on H1 2020 active returns. The partial effects of holdings changes are estimated as the non-partisan or net Republican tilt on the variable multiplied by the partial effect of that variable on performance. The partial effects of the tilts and active changes on performance are estimated including all tilts of interest together in the Appendix. The Appendix also includes the estimates of non-partisan and net Republican alphas in the presence of only style-by-time fixed effects and fund-level controls. Q1 and H1 2020 gross, active, and passive returns are estimated in Table 8.4. "Value-related" tilts for the alphas include the financial health grade, price-to-earnings ratio, and HML beta controls. The contribution of net purchases to active H1 2020 returns is based on assuming these funds increase or decrease their net equity by buying the S&P 500 at some arbitrary point in time during Q1 2020.

	Q1 2020 Returns			Crisis Period Alphas	
	Non-Partisan	Net Republican		Non-Partisan	Net Republican
Gross Return	1.72%	-0.32%	Alpha	1.10%	-0.09%
Passive	1.14%	-0.28%	Passive	0.52%	-0.11%
Value	29.4%	34.0%	Value-Related	54.3%	85.3%
Leverage	37.6%	39.0%	Carbon Risk	12.1%	7.4%
Tech	28.7%	30.6%	Tech	14.4%	3.5%
Residual	4.3%	-3.6%	Residual	19.2%	3.8%
	H1 2020 Returns			Extended Crisis Period Alphas	
	Non-Partisan	Net Republican		Non-Partisan	Net Republican
Gross Return	1.24%	-0.49%	Alpha	1.51%	-0.13%
Passive	0.92%	-0.46%	Passive	1.12%	-0.23%
Active	0.32%	-0.03%	Value-Related	77.5%	97.2%
Market Risk	32.0%	8.3%	Carbon Risk	21.1%	11.2%
FAANGM	45.7%	-14.3%	Tech	12.7%	2.7%
Net Purchases	-52%-236%	-59%-270%	Residual	-11.3%	-11.0%

Table 8.12: Fund Flows and Non-Partisanship

This table reports slope coefficients estimated from regressions of weekly crisis-period net fund flows on fund characteristics and controls. The weekly net flow is expressed as a percent of prior week-end TNA. The key covariate of interest is the share of matched managers that are non-partisan. Funds are considered explicitly sustainable if the fund has 5 Morningstar sustainability globes, the employs exclusions flag, the socially conscious designation, the low carbon designation, or the sustainable investment label. Other important controls include the contemporaneous and lagged weekly benchmark-adjusted performance relative to the FTSE/Russell benchmark, lagged net flows, the lagged Morningstar star rating, and the precrisis CAPM market beta. Style fixed effects use the Morningstar Category variable. Fund-level controls are identical to those in Table 8.2 except they are week-lagged. Demographic and demographic diversity controls are the level and variation of gender, ethnicity, age, education, geographic ruralness, wealth/income, and experience. The sample includes active equity funds with at least $10 million of TNA as of January 31, 2020. The time period is February 17 (Monday) to May 1 (Friday), 2020. Weeks are treated as Monday through Friday. Standard errors are clustered by the co-manager network. t-statistics are in brackets.

	Weekly Flows$_t$ (%)									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Non-Partisan Share	0.14	0.15	0.10	0.11	0.13	0.13	0.13	0.13	0.13	0.13
	[2.64]	[2.56]	[2.16]	[3.13]	[3.08]	[3.21]	[3.25]	[3.02]	[3.14]	[3.15]
$\mathbb{I}$(Sustainable Fund)		0.10	0.07	0.06	0.05	0.07	0.08	0.05	0.07	0.08
		[1.44]	[1.12]	[1.95]	[1.73]	[2.16]	[2.41]	[1.69]	[2.11]	[2.37]
Δ_t^{Bench} (%)		0.01	0.01	0.01	0.01	0.01	0.01	0.0002	0.003	0.01
		[1.22]	[1.58]	[0.90]	[0.90]	[1.11]	[1.23]	[0.02]	[0.25]	[0.76]
Δ_{t-1}^{Bench} (%)		0.01	0.01	−0.01	−0.01	−0.01	−0.01	−0.01	−0.01	−0.02
		[1.16]	[1.00]	[−0.92]	[−0.92]	[−0.69]	[−0.62]	[−0.84]	[−0.70]	[−1.08]
Weekly Flow$_{t-1}$ (%)			0.31	0.28	0.27	0.26	0.25	0.27	0.27	0.26
			[8.37]	[23.70]	[20.48]	[20.66]	[20.41]	[21.83]	[22.19]	[22.78]
β_{pre}^{Mkt} (%)			0.001	0.001	0.003	0.003	0.003	0.003	0.003	0.003
			[0.41]	[1.29]	[2.06]	[1.25]	[1.73]	[2.01]	[1.20]	[1.67]
Star Rating$_{t-1}$				0.16	0.15	0.16	0.16	0.15	0.16	0.17
				[7.62]	[7.30]	[6.42]	[8.12]	[7.35]	[6.57]	[8.25]
Style FE	X	X	X	X	X	X	X			
Week FE	X	X	X	X	X	X	X			
Style x Week FE								X	X	X
Fund-Level Controls					X	X	X	X	X	X
Industry Controls						X	X		X	X
Demographics							X			X
Demographic Diversity							X			X
Observations	8,351	7,775	7,706	7,253	7,209	7,209	6,443	7,209	7,209	6,443
Adjusted R^2	0.02	0.02	0.11	0.12	0.12	0.13	0.13	0.14	0.14	0.16

Table 8.13: Fund Flows and Bivariate Sorts on Manager and Clientele Partisanship

This table reports summary statistics for cumulative fund flows overall and across bivariate sorts on manager and clientele partisanship. The sample includes active equity funds with at least $10 million of TNA as of January 31, 2020. Panel A estimates average cumulative flows, with flows winsorized at the 5% and 95% levels. Standard errors, clustered by co-manager network, are reported in parentheses. Panel B calculates aggregate cumulative flows as a percentage of initial net assets. Panel C reports summary statistics on the sample size, namely the number of funds in each classification and their initial TNA as of February 19, 2020. Column 1 considers all funds. The bivariate sorts are based on Republican partisanship and explicit sustainability. A fund is considered to have a Republican manager if at least one manager is a "strong" or "moderate" Republican; note that "weak" Republicans are excluded here. A fund is considered to be explicitly sustainable if the fund has 5 Morningstar sustainability globes, the employs exclusions flag, the socially conscious designation, the low carbon designation, or the sustainable investment label. Column 2 considers funds that are explicitly sustainable and do not have Republican managers. Column 3 considers funds that are not explicitly sustainable and do not have Republican managers. Column 4 considers funds that are explicitly sustainable and do have Republican managers. Column 5 considers funds that are not explicitly sustainable and do have Republican managers. The crisis period is from February 20 to April 30, 2020, and the extended crisis period is from February 20, 2020 to February 28, 2021.

	All Funds	Sustainable Funds (No Rep Managers)	Non-Sustainable Funds (No Rep Managers)	Sustainable Funds (Rep Managers)	Non-Sustainable Funds (Rep Managers)
	(1)	(2)	(3)	(4)	(5)
			Panel A. Average Net Fund Flows (%)		
Crisis	-1.39	-0.87	-1.74	-2.41	-0.76
	(0.28)	(0.52)	(0.41)	(0.37)	(0.39)
Extended Crisis	-6.34	0.65	-12.25	-5.74	-8.43
	(0.90)	(1.93)	(1.33)	(1.79)	(1.82)
			Panel B. Aggregate Net Fund Flows (%)		
Crisis	-1.81	-0.70	-3.57	-1.17	1.57
Extended Crisis	-5.95	-1.37	-10.13	-7.52	-6.09
			Panel C. Sample Size		
Number of Funds	939	319	292	138	190
Starting TNA ($B)	2807	1186	1218	200	204

Table 8.14: Crisis-Period Weekly Fund Flows and Misaligned Manager-Investor Partisanship

This table reports slope coefficients estimated from regressions of weekly crisis-period net fund flows on fund characteristics and controls. The weekly net flow is expressed as a percent of prior week-end TNA. A team is considered to have only Republican managers if there is at least one "strong" or "moderate" Republican and no "strong" or "moderate" Democrats. Funds are considered explicitly sustainable if the fund has 5 Morningstar sustainability globes, the employs exclusions flag, the socially conscious designation, the low carbon designation, or the sustainable investment label. Important controls include the contemporaneous and lagged weekly benchmark-adjusted performance relative to the FTSE/Russell benchmark, lagged net flows, the lagged Morningstar star rating, and the precrisis CAPM market beta. Style fixed effects use the Morningstar Category variable. Fund-level controls are identical to those in Table 8.2 except they are week-lagged. Demographic and demographic diversity controls are the level and variation of gender, ethnicity, age, education, geographic ruralness, wealth/income, and experience. The sample includes active equity funds with at least $10 million of TNA as of January 31, 2020. The time period is February 17 (Monday) to May 1 (Friday), 2020. Weeks are treated as Monday through Friday. Standard errors are clustered by the co-manager network. t-statistics are in brackets.

	Weekly Flows$_t$ (%)									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
$\mathbb{I}$(Only Rep Managers)	0.08	0.15	0.12	0.15	0.09	0.07	0.01	0.08	0.07	0.01
	[1.17]	[1.70]	[1.75]	[3.73]	[1.78]	[1.55]	[0.29]	[1.73]	[1.48]	[0.26]
$\mathbb{I}$(Sustainable Fund)	0.18	0.17	0.12	0.13	0.11	0.12	0.12	0.11	0.12	0.12
	[2.59]	[2.28]	[1.85]	[4.83]	[3.94]	[4.27]	[2.80]	[3.85]	[4.15]	[2.74]
$\mathbb{I}$(Only Rep Managers and Sustainable Fund)	−0.23	−0.23	−0.16	−0.24	−0.21	−0.22	−0.19	−0.20	−0.22	−0.19
	[−2.28]	[−2.36]	[−2.30]	[−3.73]	[−2.98]	[−3.30]	[−2.84]	[−2.90]	[−3.19]	[−2.73]
Non-Partisan Share		0.17	0.12	0.13	0.14	0.13	0.11	0.13	0.13	0.11
		[2.22]	[1.94]	[3.46]	[3.21]	[3.11]	[2.72]	[3.14]	[3.04]	[2.62]
Δ_t^{Bench} (%)		0.01	0.01	0.01	0.01	0.01	0.01	−0.0001	0.003	0.01
		[1.19]	[1.56]	[0.87]	[0.87]	[1.12]	[1.24]	[−0.01]	[0.26]	[0.77]
Δ_{t-1}^{Bench} (%)		0.01	0.01	−0.01	−0.01	−0.01	−0.01	−0.01	−0.01	−0.02
		[1.15]	[0.99]	[−0.95]	[−0.95]	[−0.67]	[−0.61]	[−0.87]	[−0.69]	[−1.08]
Weekly Flow$_{t-1}$ (%)			0.31	0.27	0.26	0.26	0.25	0.27	0.27	0.26
			[8.20]	[23.95]	[20.75]	[20.92]	[20.32]	[22.22]	[22.58]	[22.77]
β_{pre}^{Mkt} (%)			0.001	0.001	0.003	0.003	0.004	0.003	0.003	0.003
			[0.45]	[1.35]	[2.03]	[1.25]	[1.82]	[1.98]	[1.20]	[1.75]
Star Rating$_{t-1}$				0.15	0.15	0.16	0.17	0.15	0.16	0.17
				[7.29]	[6.83]	[6.21]	[8.25]	[6.89]	[6.36]	[8.41]
Style FE	X	X	X	X	X	X	X			
Week FE	X	X	X	X	X	X	X			
Style x Week FE								X	X	X
Fund-Level Controls					X	X	X	X	X	X
Industry Controls						X	X		X	X
Demographics							X			X
Demographic Diversity							X			X
Observations	8,351	7,775	7,706	7,253	7,209	7,209	6,443	7,209	7,209	6,443
Adjusted R^2	0.02	0.02	0.11	0.12	0.12	0.13	0.13	0.14	0.14	0.16

Table 8.15: Crisis-Period Flows and Political Misalignment: Institutional and Retail Funds

This table reports slope coefficients estimated from regressions of weekly crisis-period net fund flows on fund characteristics and controls for 2 subsamples of funds: institutional funds and retail funds. The weekly net flow is expressed as a percent of prior week-end TNA. This table is identical to Table 8.14 with two important exceptions. First, the first four columns consider only the institutional fund subsample while the latter four columns consider only the retail fund subsample. Second, to conserve space, only the regressions most saturated with controls are included from Table 8.14, namely columns (6) and (7) for style and week fixed effects and columns (9) and (10) for style-by-week fixed effects. These specifications begin with fund-level and industry controls and then add demographic and demographic diversity controls. Institutional funds are defined as having at least 66% of net assets in institutional investor-oriented share classes, while retail funds have no more than 33% of net assets in these share classes. Morningstar's "Institutional" indicator, defined at the share-class level, provides an indication of whether "the share class is primarily aimed at institutional investors as defined by the provider of the fund."

	Institutional Funds				Retail Funds			
	Weekly Crisis-Period Net Flows (%)							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$\mathbb{I}$(Only Rep Managers)	0.18	0.26	0.18	0.25	−0.02	−0.12	−0.02	−0.11
	[1.90]	[1.88]	[1.82]	[1.72]	[−0.28]	[−1.60]	[−0.27]	[−1.51]
$\mathbb{I}$(Sustainable Fund)	0.15	0.31	0.15	0.30	0.19	0.15	0.18	0.14
	[1.07]	[1.89]	[1.07]	[1.82]	[3.02]	[2.78]	[2.82]	[2.59]
$\mathbb{I}$(Only Rep Managers and Sustainable Fund)	−0.52	−0.61	−0.51	−0.59	−0.20	−0.08	−0.19	−0.08
	[−3.32]	[−5.61]	[−3.15]	[−5.32]	[−1.52]	[−0.67]	[−1.40]	[−0.62]
Non-Partisan Share	0.11	0.18	0.10	0.17	−0.02	0.03	−0.02	0.03
	[0.65]	[1.35]	[0.58]	[1.25]	[−0.57]	[0.54]	[−0.62]	[0.41]
Δ_t^{Bench} (%)	0.03	0.02	0.04	0.03	0.003	0.004	−0.01	0.003
	[2.47]	[1.71]	[2.65]	[2.11]	[0.34]	[0.48]	[−0.58]	[0.23]
Δ_{t-1}^{Bench} (%)	−0.03	−0.03	−0.05	−0.05	0.01	0.01	0.01	−0.002
	[−1.89]	[−1.95]	[−2.45]	[−2.72]	[1.37]	[0.89]	[0.55]	[−0.16]
Weekly Flow$_{t-1}$ (%)	0.19	0.16	0.22	0.18	0.18	0.17	0.21	0.21
	[4.95]	[6.73]	[5.82]	[8.89]	[5.25]	[4.75]	[7.52]	[7.73]
β_{pre}^{Mkt} (%)	−0.002	−0.005	−0.002	−0.01	−0.004	−0.003	−0.004	−0.002
	[−0.34]	[−0.84]	[−0.33]	[−0.85]	[−1.16]	[−0.69]	[−1.07]	[−0.56]
Star Rating$_{t-1}$	0.31	0.37	0.30	0.36	0.09	0.10	0.09	0.10
	[3.79]	[7.99]	[4.02]	[8.49]	[2.90]	[3.49]	[3.02]	[3.61]
Style FE	X	X			X	X		
Week FE	X	X			X	X		
Style x Week FE			X	X			X	X
Fund-Level Controls	X	X	X	X	X	X	X	X
Industry Controls	X	X	X	X	X	X	X	X
Demographics		X		X		X		X
Demographic Diversity		X		X		X		X
Observations	1,741	1,611	1,741	1,611	3,122	2,700	3,122	2,700
Adjusted R^2	0.09	0.09	0.10	0.09	0.14	0.16	0.20	0.24

Table 8.16: Partisanship Strength and Political Misalignment for Crisis-Period Weekly Flows

This table reports slope coefficients estimated from regressions of weekly crisis-period net fund flows on fund characteristics and controls. This table is identical to Table 8.14 with one key difference: the measure of Republican partisanship is a continuous variable measuring the strength of Republican partisanship. Specifically, this is a modified version of the net Republican leaning variable in which values less than zero are set to zero so that all of the variation comes from stronger Republican partisanship. In addition, the variable is truncated at +6, the equivalent of two "strong" Republican managers on the team, to ensure that extreme values (ie: several large teams) do not drive the results.

	Weekly Crisis-Period Net Flows (%)									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Net Republican Leaning^{Pos}	0.03	0.04	0.03	0.04	0.03	0.03	0.02	0.03	0.03	0.02
	[1.83]	[2.34]	[2.20]	[5.73]	[2.25]	[1.80]	[1.03]	[2.20]	[1.75]	[1.01]
$\mathbb{I}$(Sustainable Fund)	0.22	0.21	0.14	0.15	0.13	0.15	0.16	0.13	0.15	0.16
	[3.06]	[2.77]	[2.21]	[5.38]	[4.60]	[4.79]	[3.14]	[4.52]	[4.67]	[3.09]
Net Republican Leaning^{Pos} * $\mathbb{I}$(Sustainable Fund)	−0.10	−0.10	−0.07	−0.09	−0.09	−0.09	−0.08	−0.09	−0.09	−0.08
	[−4.36]	[−3.97]	[−3.76]	[−4.19]	[−3.92]	[−3.84]	[−3.46]	[−3.84]	[−3.75]	[−3.37]
Non-Partisan Share		0.15	0.10	0.12	0.13	0.12	0.11	0.13	0.12	0.11
		[2.06]	[1.76]	[3.22]	[2.93]	[2.77]	[2.50]	[2.87]	[2.71]	[2.42]
Δ_t^{Bench} (%)		0.01	0.01	0.01	0.01	0.01	0.01	−0.0002	0.002	0.01
		[1.20]	[1.58]	[0.88]	[0.86]	[1.10]	[1.21]	[−0.02]	[0.24]	[0.74]
Δ_{t-1}^{Bench} (%)		0.01	0.01	−0.01	−0.01	−0.01	−0.01	−0.01	−0.01	−0.02
		[1.17]	[1.01]	[−0.96]	[−0.97]	[−0.69]	[−0.64]	[−0.88]	[−0.71]	[−1.10]
Weekly Flow$_{t-1}$ (%)			0.31	0.27	0.26	0.26	0.24	0.27	0.27	0.26
			[8.24]	[23.93]	[21.00]	[21.21]	[20.81]	[22.63]	[23.07]	[23.63]
β_{pre}^{Mkt} (%)			0.001	0.002	0.003	0.003	0.004	0.003	0.003	0.003
			[0.48]	[1.52]	[2.16]	[1.32]	[1.86]	[2.11]	[1.27]	[1.79]
Star Rating$_{t-1}$				0.16	0.15	0.16	0.17	0.15	0.16	0.17
				[7.26]	[6.86]	[6.29]	[8.54]	[6.91]	[6.44]	[8.70]
Style FE	X	X	X	X	X	X	X			
Week FE	X	X	X	X	X	X	X			
Style x Week FE								X	X	X
Fund-Level Controls					X	X	X	X	X	X
Industry Controls						X	X		X	X
Demographics							X			X
Demographic Diversity							X			X
Observations	8,351	7,775	7,706	7,253	7,209	7,209	6,443	7,209	7,209	6,443
Adjusted R^2	0.02	0.02	0.11	0.12	0.13	0.13	0.13	0.14	0.14	0.16

Table 8.17: Misaligned Partisanship vs. Holdings Tilts for Crisis-Period Weekly Flows

This table reports slope coefficients estimated from regressions of weekly crisis-period net fund flows on fund characteristics and controls. The key controls of interest are the indicator for the fund being headquartered in a Democratic state, holdings-based measures of "sin" stock and risk tilts, and the positive and negative versions of the net Republican leaning variable. Panel A examines the incremental effect on flows of holdings tilts for funds headquartered in a Democratic state. Panel B examines this same effect after adding in controls for fund manager partisanship. K-means clustering (with $k = 2$) is used to identify states with a lower Republican vote share in the 2016 election as being Democratic. "Sin" stock holdings tilts are measured as the share of revenue (at the firm level) derived from products involved in each "sin" category, minus the average value for funds in the same Morningstar category (ie: peer group). These categories include nuclear energy, palm oil, small arms, thermal coal, tobacco, and the sum of these. The risk tilt is the share of net assets invested in stocks in Morningstar's "small value" style classification. The net Republican leaning variable is adjusted by truncating at +6 and -6 and setting values less than (greater than) zero to zero for the positive (negative) version. Basic controls, suppressed to conserve space, are the non-partisan share of matched managers, sustainable fund indicator, contemporaneous and week-lagged benchmark-adjusted performance, week-lagged weekly flows, precrisis market beta, and star rating. Additional controls and details are identical to those in Table 8.14. Standard errors are clustered by the co-manager network. t-statistics are in brackets.

	Weekly Crisis-Period Net Fund Flows (%)							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Panel A. Without Manager Partisanship							
𝕀(Dem State)	0.01	0.01	0.01	0.01	−0.01	0.01	−0.01	0.06
	[0.21]	[0.22]	[0.12]	[0.18]	[−0.22]	[0.20]	[−0.19]	[1.19]
Holdings Tilt		0.04	0.11	0.07	0.05	0.12	0.04	−0.01
		[1.69]	[1.14]	[1.33]	[3.52]	[4.31]	[5.78]	[−2.35]
𝕀(Dem State) * Holdings Tilt		−0.03	−0.18	−0.09	−0.04	−0.09	−0.03	−0.02
		[−2.38]	[−1.45]	[−1.55]	[−3.72]	[−2.83]	[−4.42]	[−3.02]
Holdings Tilt		Nuclear	Palm Oil	Small Arms	Therm Coal	Tobacco	Sum	Small Value
Style x Week FE	X	X	X	X	X	X	X	X
Basic Controls	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X
Industry Controls	X	X	X	X	X	X	X	X
Demographic/Diversity Controls	X	X	X	X	X	X	X	X
Observations	5,578	5,578	5,578	5,578	5,578	5,578	5,578	5,138
Adjusted R^2	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.16
	Panel B. With Manager Partisanship							
𝕀(Dem State)	0.09	0.10	0.09	0.09	0.07	0.09	0.08	0.10
	[1.76]	[2.08]	[1.78]	[1.82]	[1.61]	[1.93]	[1.86]	[1.46]
Net Republican Leaning (Neg)	−0.004	−0.005	−0.004	−0.005	−0.01	−0.02	−0.02	0.01
	[−0.11]	[−0.13]	[−0.10]	[−0.12]	[−0.30]	[−0.56]	[−0.50]	[0.34]
Net Republican Leaning (Pos)	0.05	0.05	0.05	0.05	0.04	0.05	0.04	0.02
	[1.48]	[1.46]	[1.46]	[1.40]	[1.16]	[1.66]	[1.27]	[0.71]
𝕀(Dem State) * Net Republican Leaning (Neg)	−0.01	−0.004	−0.01	−0.01	0.003	−0.001	0.01	−0.02
	[−0.28]	[−0.13]	[−0.26]	[−0.22]	[0.09]	[−0.03]	[0.28]	[−0.60]
𝕀(Dem State) * Net Republican Leaning (Pos)	−0.08	−0.08	−0.08	−0.08	−0.07	−0.08	−0.08	−0.06
	[−3.09]	[−3.16]	[−3.04]	[−3.03]	[−3.09]	[−2.99]	[−3.31]	[−3.36]
Holdings Tilt		0.04	−0.01	0.06	0.05	0.12	0.04	−0.01
		[1.83]	[−0.12]	[1.19]	[2.87]	[4.31]	[5.42]	[−2.68]
𝕀(Dem State) * Holdings Tilt		−0.03	−0.05	−0.09	−0.04	−0.08	−0.03	−0.01
		[−2.01]	[−0.43]	[−1.51]	[−3.05]	[−2.76]	[−3.78]	[−2.59]
Holdings Tilt		Nuclear	Palm Oil	Small Arms	Therm Coal	Tobacco	Sum	Small Value
Style x Week FE	X	X	X	X	X	X	X	X
Basic Controls	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X
Industry Controls	X	X	X	X	X	X	X	X
Demographic/Diversity Controls	X	X	X	X	X	X	X	X
Observations	5,578	5,578	5,578	5,578	5,578	5,578	5,578	5,138
Adjusted R^2	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.16

Table 8.18: Sustainability Tilts by Partisan Ideology

This table reports slope coefficients estimated from regressions of December 2019 sustainability measures on fund characteristics and controls. The sustainability variables are Morningstar sustainability globes, carbon risk, carbon intensity, holdings-based tilts toward animal testing, gambling, nuclear energy, thermal coal, and tobacco, and the share of net assets invested in small value stocks. The sustainability globes are on a 1-5 scale with more globes meaning more sustainable. Carbon risk and intensity are measured as the percentile rank within peer group, with a higher ranking meaning less sustainable. "Sin" stock holdings tilts are measured as the share of revenue (at the firm level) derived from products involved in each "sin" category; following Gormley and Matsa (2014), these are not demeaned since they are used as the dependent variable and the regressions include style fixed effects. The key controls of interest are the indicators for a team having a manager that is either a "strong" Republican or a "strong" Democrat. Other controls include the non-partisan share of matched managers, star rating, Morningstar Category style fixed effects, and typical fund-level controls (as in Table 8.2) that are measured as of December 2019. Panel A excludes sustainability label fixed effects while Panel B includes them – these are indicators for the distinct sustainability categories: 5 Morningstar sustainability globes, the employs exclusions flag, the socially conscious designation, the low carbon designation, and the sustainable investment label. Standard errors are clustered by the co-manager network. t-statistics are in brackets.

	Sustainability Globes	Carbon Risk (%)	Carbon Intensity (%)	Animal Testing (%)	Gambling (%)	Nuclear (%)	Thermal Coal (%)	Tobacco (%)	Small Value (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
					Panel A. Political Tilts				
𝕀(Team with Strong Republican)	0.02	2.31	0.17	−1.39	−0.17	−0.37	−0.16	−0.31	0.99
	[0.13]	[0.71]	[0.05]	[−1.39]	[−2.10]	[−2.08]	[−0.45]	[−1.69]	[2.71]
𝕀(Team with Strong Democrat)	0.57	−5.36	−10.50	−1.25	−0.30	−0.77	−0.99	−0.36	−0.49
	[3.30]	[−1.23]	[−2.09]	[−2.04]	[−3.78]	[−3.96]	[−3.07]	[−2.27]	[−1.87]
Non-Partisan Share	0.08	−4.19	−6.16	−1.48	−0.22	−0.18	−0.47	−0.11	−0.16
	[1.37]	[−2.01]	[−2.66]	[−2.75]	[−2.79]	[−1.39]	[−1.77]	[−1.70]	[−0.45]
Star Rating	0.23	−10.63	−7.11	0.98	−0.10	−0.04	−0.39	−0.09	−0.66
	[5.69]	[−10.68]	[−6.15]	[3.50]	[−1.54]	[−0.62]	[−5.94]	[−2.18]	[−4.82]
Style FE	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X
Sust Label FE									
Observations	809	610	618	845	845	845	845	845	768
Adjusted R^2	0.13	0.13	0.16	0.67	0.10	0.71	0.65	0.27	0.76
					Panel B. Uncompensated Political Tilts				
𝕀(Team with Strong Republican)	0.01	2.40	0.88	−1.11	−0.17	−0.33	−0.11	−0.33	0.93
	[0.06]	[0.67]	[0.26]	[−1.07]	[−2.12]	[−1.83]	[−0.31]	[−1.87]	[2.62]
𝕀(Team with Strong Democrat)	0.25	3.00	−5.62	−1.11	−0.27	−0.56	−0.66	−0.28	−0.35
	[2.59]	[1.12]	[−1.36]	[−1.81]	[−3.40]	[−3.25]	[−2.60]	[−1.48]	[−1.48]
Non-Partisan Share	0.08	−3.50	−5.63	−1.48	−0.22	−0.20	−0.50	−0.13	−0.14
	[1.40]	[−1.91]	[−2.93]	[−3.03]	[−2.67]	[−1.57]	[−2.04]	[−2.06]	[−0.39]
Star Rating	0.16	−8.01	−5.14	1.07	−0.10	0.03	−0.27	−0.08	−0.63
	[4.25]	[−7.26]	[−4.14]	[4.67]	[−1.36]	[0.33]	[−3.57]	[−1.90]	[−4.57]
Style FE	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X
Sust Label FE	X	X	X	X	X	X	X	X	X
Observations	809	610	618	845	845	845	845	845	768
Adjusted R^2	0.45	0.36	0.25	0.68	0.10	0.72	0.67	0.28	0.76

Table 8.19: Crisis-Period Weekly Flows: Misaligned Partisanship and Non-Partisanship

This table reports slope coefficients estimated from regressions of weekly crisis-period net fund flows on fund characteristics and controls. This table is identical to Table 8.14 with one important difference: the non-partisan share is interacted with the sustainable fund indicator. This interaction effect is included in addition to the original non-partisan share variable.

	Weekly Flows$_t$ (%)									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
$\mathbb{I}$(Rep Managers)	0.07	0.11	0.09	0.10	0.06	0.05	−0.01	0.06	0.05	−0.01
	[0.94]	[1.05]	[1.08]	[2.79]	[1.23]	[1.01]	[−0.10]	[1.17]	[0.94]	[−0.13]
$\mathbb{I}$(Sustainable Fund)	0.19	0.13	0.08	0.09	0.07	0.08	0.10	0.07	0.08	0.10
	[2.29]	[1.03]	[0.85]	[2.35]	[1.71]	[1.74]	[1.64]	[1.66]	[1.67]	[1.60]
$\mathbb{I}$(Rep Managers and Sustainable Fund)	−0.25	−0.20	−0.14	−0.19	−0.16	−0.17	−0.18	−0.16	−0.17	−0.17
	[−2.75]	[−1.65]	[−1.54]	[−3.11]	[−2.52]	[−2.62]	[−2.66]	[−2.44]	[−2.52]	[−2.57]
Non-Partisan Share		0.09	0.06	0.07	0.08	0.06	0.06	0.08	0.06	0.05
		[0.73]	[0.62]	[1.84]	[1.84]	[1.44]	[1.19]	[1.76]	[1.37]	[1.13]
$\mathbb{I}$(Sustainable Fund) * Non-Partisan Share		0.17	0.12	0.12	0.12	0.15	0.10	0.12	0.15	0.10
		[1.41]	[1.46]	[1.84]	[1.92]	[2.06]	[1.43]	[1.95]	[2.08]	[1.43]
Δ_t^{Bench} (%)		0.01	0.01	0.01	0.01	0.01	0.01	−0.0002	0.003	0.01
		[1.19]	[1.57]	[0.86]	[0.86]	[1.11]	[1.23]	[−0.02]	[0.25]	[0.76]
Δ_{t-1}^{Bench} (%)		0.01	0.01	−0.01	−0.01	−0.01	−0.01	−0.01	−0.01	−0.02
		[1.16]	[1.01]	[−0.96]	[−0.96]	[−0.67]	[−0.62]	[−0.87]	[−0.70]	[−1.09]
Weekly Flow$_{t-1}$ (%)			0.31	0.27	0.26	0.26	0.24	0.27	0.27	0.26
			[8.20]	[23.82]	[20.43]	[20.45]	[20.00]	[21.73]	[21.89]	[22.27]
β_{pre}^{Mkt} (%)			0.001	0.002	0.003	0.003	0.004	0.003	0.003	0.003
			[0.48]	[1.44]	[2.08]	[1.22]	[1.82]	[2.04]	[1.17]	[1.74]
Star Rating$_{t-1}$				0.16	0.15	0.16	0.17	0.15	0.16	0.17
				[7.07]	[6.77]	[6.03]	[7.94]	[6.82]	[6.17]	[8.10]
Style FE	X	X	X	X	X	X	X			
Week FE	X	X	X	X	X	X	X			
Style x Week FE								X	X	X
Fund-Level Controls					X	X	X	X	X	X
Industry Controls						X	X		X	X
Demographics							X			X
Demographic Diversity							X			X
Observations	8,351	7,775	7,706	7,253	7,209	7,209	6,443	7,209	7,209	6,443
Adjusted R^2	0.02	0.02	0.11	0.12	0.12	0.13	0.13	0.14	0.14	0.16

APPENDIX A

ADDITIONAL DATABASE CONSTRUCTION DETAILS

Several aspects of my database construction are nonstandard or are not discussed in the paper. I focus on those here, namely: (1) collecting fund managers' political contributions from the FEC database; (2) collecting data from Morningstar.com fund manager biographies; (3) the relation between the full equity fund sample and the subsample with matched political contributions; and (4) choosing between fund-specific benchmarks in Morningstar Direct.

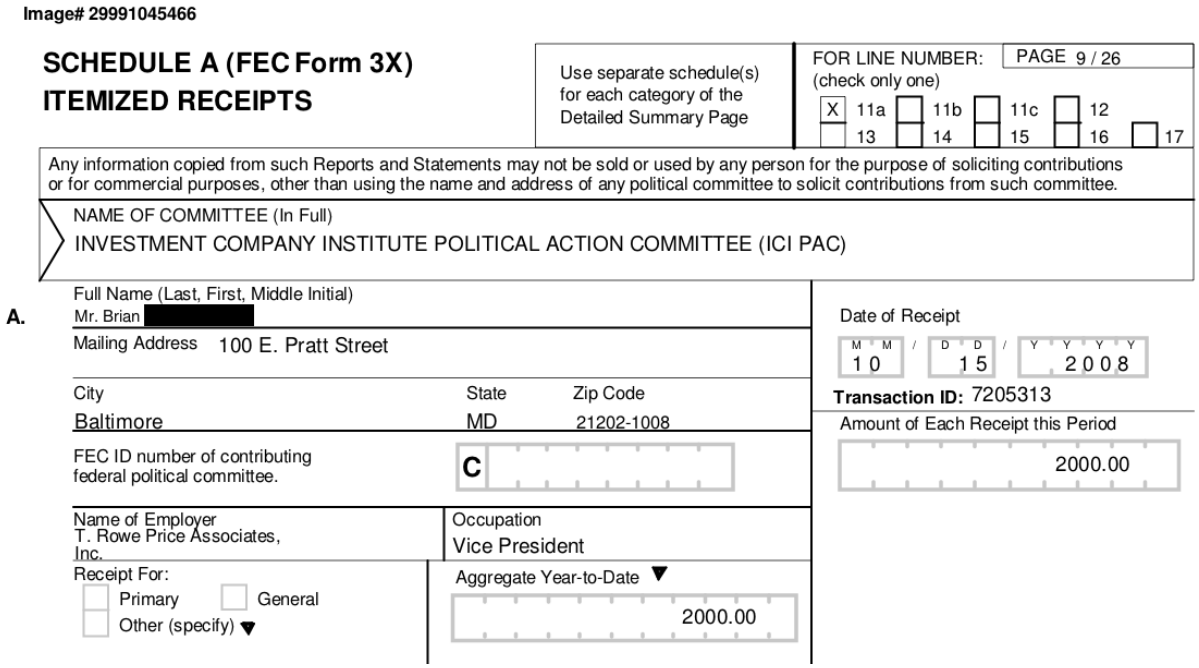
A.1 FEC Contributions Data

I deviate from Hong and Kostovetsky (2012) in performing a quasi-manual search instead of a manual search for fund managers, leveraging the FEC API to expand the umbrella of possible matches. Like them, I use the first name (and common nicknames) and last name of the manager to search for contributions in the FEC database, using non-matching middle initials to eliminate potential matches. Instead of considering matched names for people living anywhere in the US, I only consider a match as being possible if the person lives within 300 miles (as the crow flies) of that manager's fund-firm headquarters. I focus only on teams within 300 miles of the fund firm's headquarters for 2 main reasons: (1) matching on approximate city is helpful to ensure that I've identified the correct person (out of all people in the United States that have ever made a political contribution); and (2) the fund-firm headquarter's county can then be used as the location for merging in Covid-19 case data. An implicit assumption is that fund teams live near each other - this seems reasonable in pre-Covid times as face-to-face meetings were very common as a normal part of work.

I collect all potential matches for which the contributing individual's name and approximate location match the manager of interest. In the FEC database, each such potential match is an individual political contribution associated with a date, dollar amount, name,

address, occupation, and employer. I consider these to be "proposed" matches, which I then manually validate. Viewing all of these contributions together is helpful for detecting inconsistencies or mistakes in filling out the contribution form. For example, one fund CEO listed his occupation as "self-employed," which could easily be missed if screening on occupation. Similarly, many individuals use multiple mailing addresses.

The following example illustrates the richness of this data and some of the complications that arise in using it. As shown below, Brian is a Vice President at T Rowe Price, which is one of many possible titles for a fund manager. However, Brian does not live at the listed mailing address of 100 E. Pratt Street. That is actually the address for T Rowe Price's fund headquarters. However, from his other contributions, I can infer that his actual address is in Ruxton, Maryland, which is 7.43 miles (as the crow flies) from T Rowe Price's address.[1] By comparing the data entries, I can infer that this is in fact the same Brian and that both contributions belong to him.



Image# 29991045466

SCHEDULE A (FEC Form 3X)
ITEMIZED RECEIPTS

Use separate schedule(s) for each category of the Detailed Summary Page

FOR LINE NUMBER: PAGE 9 / 26
(check only one)
X 11a ☐ 11b ☐ 11c ☐ 12
☐ 13 ☐ 14 ☐ 15 ☐ 16 ☐ 17

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)
INVESTMENT COMPANY INSTITUTE POLITICAL ACTION COMMITTEE (ICI PAC)

A.
Full Name (Last, First, Middle Initial)
Mr. Brian [redacted]
Mailing Address 100 E. Pratt Street
City: Baltimore
State: MD
Zip Code: 21202-1008

Date of Receipt: M M 10 / D D 15 / Y Y Y Y 2008
Transaction ID: 7205313
Amount of Each Receipt this Period: 2000.00

FEC ID number of contributing federal political committee: C

Name of Employer: T. Rowe Price Associates, Inc.
Occupation: Vice President

Receipt For:
☐ Primary ☐ General
☐ Other (specify)

Aggregate Year-to-Date: 2000.00

To establish a match between a contribution and a fund manager in Morningstar, I

1. I have omitted his exact home address for privacy reasons.

require correct identification in terms of: (1) the name (first and last, as well as middle initial if provided in both databases); (2) the employer, which can be the current company that employs the manager, a past company that employed the manager, or a company that has acquired (or been acquired by) one of these companies; (3) the approximate city (within 300 miles of the fund-firm's headquarters); and (4) the occupation, in the sense that it must be plausible for the specific manager.[2] After validating the proposed matches, I determine the partisanship of each individual contribution and then aggregate the contributions up to the fund manager level.

This procedure enables me to match 777 managers out of 8,602 (9.0%). This is a better match rate than for studies of stock price analysts, which tend to be around 5-6% (eg: 5.7% for Jiang, Kumar, and Law 2016; 5.3% for Jannati et al. 2020). However, it is far less than the 28.6% (600/2100) of Hong and Kostovetsky (2012) for single manager mutual funds. I attribute these differences to three central reasons:

1. Initial Location Screening: I discard a large proportion of the fund manager sample by focusing only on managers that live within 300 miles of the fund firm headquarters. For example, while Morgan Stanley's headquarters is in New York, they have offices around the country, including in California. This contributes quite meaningfully to my lower match rate. However, since I sample complete fund teams and control for Covid county-level salience in my regressions, it should not bias my results.

2. Stricter Match Criterion: I have a higher bar for a match than Hong and Kostovetsky (2012). They require the name and only one of (metro area, employer, occupation) if there are less than 10 unique addresses in the FEC database for a given name. In contrast, I require that all of these values are matched. This reduces my sample size but guards against false positives.

2. For example, "lawyer", "assistant", or "unemployed" are not plausible while "analyst" and "fund manager" are.

3. Teams vs. Individuals: In my sample, there are 78 funds with at least 15 "managers" and one fund has 35 "managers" on the team. It seems possible that, for some funds, Morningstar conflates analysts with more traditional managers. As analysts are generally younger and less wealthy, they are also less likely to make political contributions. Thus, by focusing on teams instead of single-managed funds, I am likely to have a lower match rate even if using the same methodology as Hong and Kostovetsky (2012).

In sum, I have a smaller sample (proportionally, not absolutely) than Hong and Kostovetsky (2012) because I focus on fund teams (not individually-managed funds) and have a higher quality threshold for accepting a potential match.

The below table summarizes my manager-level contributions by partisanship. The average contribution is much larger than the median contribution because there is a long right tail. In addition, many managers contribute to at least two categories, although this is often "Democrat" and "Other" as opposed to "Republican" and "Democrat".

Table A.1: Manager-Level Contributions by Partisanship

	Mean	25%	50%	75%	95%	Number of Managers	Total Value ($M)
Republican	6,485	0	0	1,500	18,300	322	5.04
Democrat	3,283	0	0	1,000	15,420	339	2.55
Other	4,129	0	250	2,600	21,200	412	3.21

A.2 Morningstar.com Manager Biography Data

Morningstar.com, separate from the Morningstar Direct database, houses self-reported fund manager biographies. The biographies are located under the "People" tab for each fund share-class's unique page. One example of this is the page for Nationwide Small Company Growth A (Ticker NWSAX): https:www.morningstar.com/funds/xnas/NWSAX/people. Note that the only component of the URL that varies by fund share class is the ticker portion, here "NWSAX." On the fund's "People" tab, the "Manager Timeline" section of the page includes clickable fund manager names. Clicking on these names launches a pop-up with the manager biographical information, which I collect.

My scraping algorithm iterates through the tickers (ie: fund share classes) associated with each fund manager in my sample and checks whether a "People" tab exists for that share class. Not all funds have information about the management team, but the majority do. A complication is that links to the manager biographical pop-ups are not included in the web page's HTML code. This is because the button links are hidden. These hidden buttons can be found by searching the page for the full fund manager name exactly as appears in Morningstar Direct (eg: a period following middle initials).

The following is an anonymized example of the manager biography page. Important information I collect is boxed in red. This includes the educational degrees received (BA and MBA), the year of college graduation (1991), years of industry experience (21), the gendered pronoun (he), and any additional certifications (CFA).

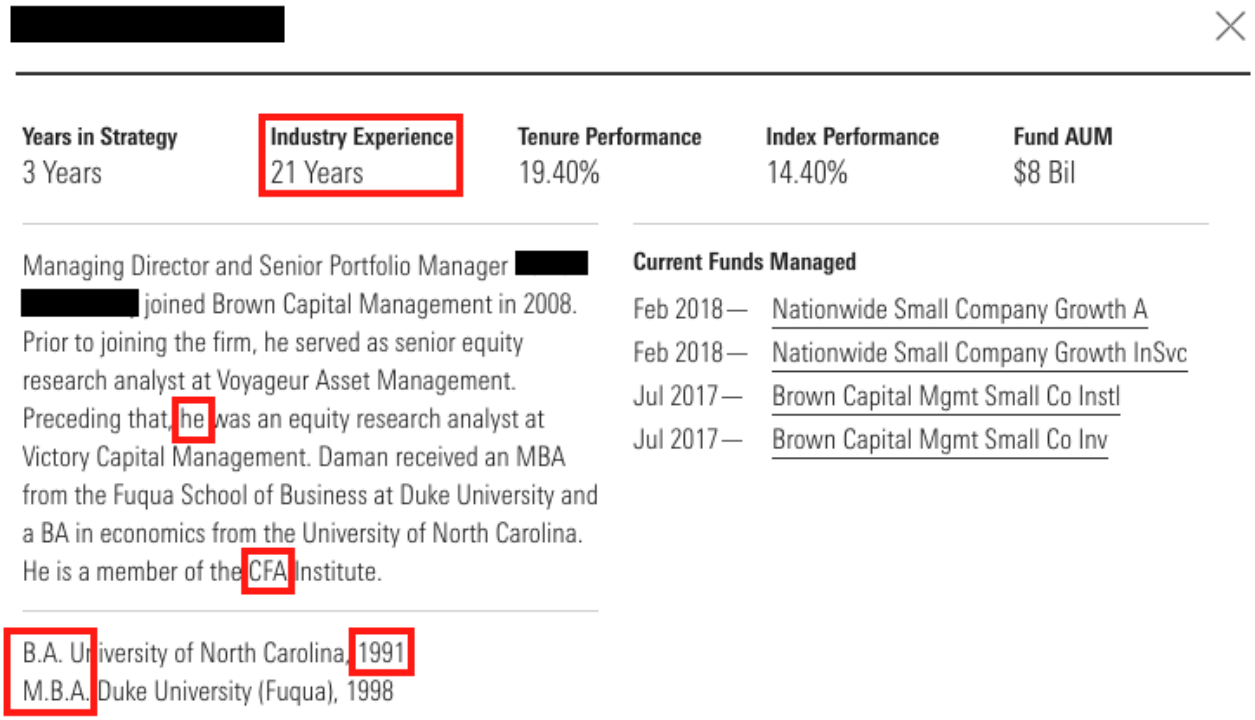


Figure A.1: Manager Biographical Information Example

A.3 Comparison of Subsample to Full Sample

While the full equity fund sample contains 4,292 funds, my analysis principally focuses on the 1,022 equity funds with matched political contributions. I compare these fund samples by regressing variables of interest on an indicator for the fund being in the subset and controls, namely the fund-level controls (log age, turnover, net expense ratio, net cash, and log TNA), Morningstar Institutional Category dummies (a finer categorization than the Morningstar Categories), and the pre-period CAPM beta if the variable of interest is annualized performance. Note that, in testing for differences between samples for the fund-level controls, the control of interest is omitted from the covariates. Standard errors are clustered by the co-manager network. The below table reports the variable of interest, the coefficient on the subsample indicator, and the t-statistic.

Two clear differences are apparent: (1) the subsample contains funds with more managers;

and (2) the subsample contains larger funds (in terms of TNA). It seems plausible the first effect drives the second. It is not surprising that my subsample's funds have more managers because this makes matching at least one manager to FEC political contributions more likely. My subsample and the full sample are very similar for other important values including turnover, fund age, and star rating. This similarity suggests my results generalize to the broader universe of funds.

Table A.2: Comparison of Full-Sample to Sub-Sample

Variable of Interest	Difference	t-statistic
Crash-Period Performance (Benchmark, %)	-4.41	-1.68
Crisis-Period Performance (Benchmark, %)	-1.97	-1.87
Precrisis-Period Performance (Benchmark, %)	-0.62	-1.76
Number of Managers (Log)	1.49	45.98
Net Assets (Log)	0.23	3.46
Net Expense Ratio (%)	-0.03	-2.05
Turnover (%)	-2.02	-0.92
Fund Age (Log)	-115.58	-0.61
Net Cash (%)	0.02	0.13
Star Rating	-0.06	-1.36
Sustainability Globes	-0.02	-0.44

A.4 Fund Benchmarks in Morningstar

Morningstar provides three types of fund benchmarks: FTSE/Russell benchmarks, S&P/Dow Jones benchmarks, and prospectus benchmarks. To avoid issues of funds strategically choosing their prospectus benchmarks (eg: Sensoy 2009), I rely on the Morningstar-designated benchmarks whenever possible. As argued in Pastor and Vorsatz (2020), the FTSE/Russell benchmarks are better suited to equity funds than the S&P/Dow Jones benchmarks. Conversely, the FTSE/Russell benchmarks are largely missing for the non-equity funds, suggesting that the S&P/Dow Jones benchmarks are most appropriate. For example, for the 681 bond funds, 681 (100%) are missing FTSE/Russell benchmarks while only 257 (37.7%) are missing S&P/Dow Jones benchmarks.

APPENDIX B

ADDITIONAL INFORMATION ON SAMPLE

This section provides five pieces of additional information on my sample: (1) the distribution of fund manager demographics; (2) the distribution of demographic diversity at the fund-level; (3) the comparison of partisanship from political contributions data and from voter registration data; (4) tabulated manager partisanship for index funds; and (5) univariate sorts of fund style, sustainability, and characteristics by manager partisanship.

B.1 Manager Demographics

My paper provides a graphical illustration of fund manager demographics in Figure 3. Here, I provide numerical summary statistics that provide a more nuanced understanding of the demographic distribution. The general takeaways remain the same – this sample of managers is largely white, male, older, well-educated, fairly wealthy, and living in urban areas, with diversity only across their political contributions.

Table B.1: Summary Statistics on Manager Demographics

	Mean	25%	50%	75%	95%	Observations
	Panel A. Main Demographic Variables					
Political Contribution (%)	24.0					3240
Female (%)	9.8					3228
Non-White (%)	12.0					3240
Rural Score	1.3	1.0	1.0	1.2	3.0	3240
Age	42.5	32.0	43.0	51.0	62.0	2139
Graduate Degree (%)	67.0					1829
Ownership Stake ($000's)	342.3	0.0	0.0	250.0	2000.0	3028
	Panel B. Additional Demographic Variables					
College Degree (%)	100.0					1829
MBA (%)	49.7					1829
PhD (%)	4.9					1829
CFA (%)	39.6					2316
Total Contributions ($000's)	13.9	0.7	2.4	8.2	50.4	777
Share Rep (%)	30.6	0.0	0.0	78.7	100.0	777
Share Dem (%)	31.7	0.0	0.0	82.2	100.0	777
Share Other (%)	37.7	0.0	8.3	100.0	100.0	777

B.2 Diversity at the Fund Level

I aggregate fund manager demographics to the fund level to see whether the relative lack of diversity persists. The below figure provides a boxplot for the fund-level proportion of managers with a given demographic label. The demographic labels are Republican, Democratic, non-partisan, female, non-white, rural location, young (Millennials and younger), and post-graduate education (either a post-graduate degree or CFA).We see that the relative lack of diversity persists, with fund diversity pertaining only to political partisanship. The below table provides numerical summary statistics on the fund's demographic distribution. Variables that are not commonly used in the paper are indicators for whether a team is majority Republican, Democratic, or non-partisan, defined as the fund team having more than 50% of matched managers belonging to the given political affiliation.

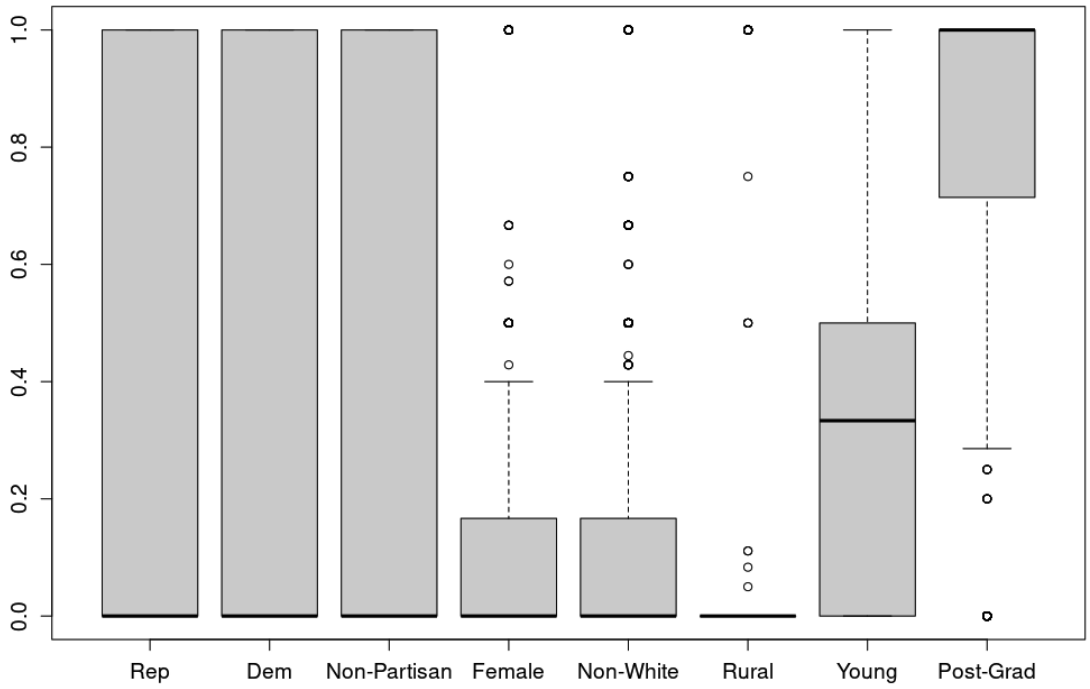


Figure B.1: Demographic Diversity at the Fund Level

Table B.2: Summary Statistics for Demographic Diversity at the Fund Level

	Mean	25%	50%	75%	95%	Observations
Panel A. Demographics						
Total Contributions ($000's)	37.4	1.0	2.9	13.6	131.8	2424
𝕀(Majority Republican) (%)	33.2					2424
𝕀(Majority Democratic) (%)	27.8					2424
Avg. Rural Score	1.3	1.0	1.0	1.4	2.0	2148
Female (%)	9.8	0.0	0.0	16.7	50.0	2148
Non-White (%)	11.3	0.0	0.0	16.7	50.0	2148
Avg. Age	44.7	39.2	44.2	50.3	59.0	2020
Graduate Degree (%)	67.2	50.0	75.0	100.0	100.0	1956
Avg. Ownership Stake ($000's)	725.7	104.1	400.0	1000.0	2584.2	2108
Avg. Style Experience	10.1	6.1	9.2	13.4	20.6	2148
Panel B. Demographic Diversity						
Non-Partisan Share (%)	31.8	0.0	0.0	100.0	100.0	2424
𝕀(Majority Non-Partisan) (%)	28.2					2424
Rural Score SD	0.1	0.0	0.0	0.0	0.6	2148
Female (Blau Index)	11.1	0.0	0.0	26.0	50.0	2148
Non-White (Blau Index)	12.0	0.0	0.0	27.8	50.0	2148
Age SD	8.5	2.3	8.2	13.2	19.7	2020
Graduate Degree (Blau Index)	19.1	0.0	0.0	44.4	50.0	1956
Ownership Stake SD ($000's)	631.0	25.0	278.3	893.4	2207.4	2108
Style Experience SD	5.3	1.8	4.9	8.1	12.6	2148

B.3 Political Contributions vs. Voter Registration Party Affiliation

I collect voter registration from 9 states: New York, Massachusetts, New Jersey, Texas, Ohio, Tennessee, Connecticut, Colorado, and North Carolina. These are states for which I have many managers with identified political contributions, subject to the constraint that the data is accessible and not prohibitively expensive. Using name, age, and location (zip code), I match 227 of the 777 managers with political contributions data to voter registration data. When states do not have registered party affiliation, I fill in with the party that the person last voted for.

I compare the managers' total political contributions to their self-reported party affiliation in the voter registration data. For Democrats and Republicans, I say that the contributions correctly (incorrectly) identify the manager's self-reported partisanship if the registered

party is the same (not the same) as the party receiving the majority of political contributions. Notably, 24 registered Republicans and 12 registered Democrats with only "other" contributions are omitted from consideration as the registered party affiliation is neither correct nor incorrect. Since people do not need to choose a partisanship when registering to vote, I also check whether unregistered voters in my sample are actually non-partisan. I say that unregistered voters are non-partisan if the share they contribute to both Democrats and Republicans is less than 75%. Last, I differentiate managers as "big" contributors if their total contributions are at least $1,000.

As shown below, political contributions correctly identify self-reported partisanship in voter registration data 83% of the time for Democrats and 75% of the time for Republicans. These match rates are quite similar for the "big" contributors as well. However, only about half (54%) of unregistered voters are not strongly partisan. This is notable because it suggests that using political contributions may be more accurate than using voter registration data, at least for identifying people that have strong partisan affinities.

Table B.3: Comparing Voter Registration Data and Political Contributions

	Correct	Incorrect	% Correct
	Panel A. Partisans		
All Democrats	38	8	83
Big Democrats	24	8	75
All Republicans	50	17	75
Big Republicans	38	13	75
	Panel B. Unregistered Voters		
All Unregistered	32	27	54
Big Unregistered	26	19	58

Overall, these results suggest that political contributions accurately identify fund manager partisanship.

B.4 Manager Partisanship for Index Funds

I consider manager partisanship of index funds because index funds form a natural baseline for testing the political misalignment effect on flows. After all, since the index fund is passive, it's unlikely there's much scope for the manager's partisan preferences to affect the portfolio. Accordingly, a nice placebo test would be to show that political misalignment has no effect on flows for index funds.

It is not possible to run this placebo test since there are almost no partisan managers of index funds. As shown below, in the full sample of mutual funds (stock, bond, and other) with identified manager political contributions, there are 94 index funds with $2.45 trillion of net assets. However, 84 of the funds (89%) comprising $2.44 trillion of net assets (99.8%) are managed by teams of entirely non-partisan managers. Turning to the equity fund subsample, the situation is even more dire as 52 of 59 funds (88%) and $1.651 trillion of $1.652 trillion of net assets (99.9%) are managed by teams of entirely non-partisan managers. There are simply not enough index funds managed by partisan managers to run a meaningful test of whether the effect of political misalignment on flows weakens for index funds.

Table B.4: Partisanship of Index Fund Managers

	Number of Funds	TNA of Funds ($B)
	Panel A. All Funds	
All	94	2445.0
≥ 1 Rep Manager	4	3.4
≥ 1 Dem Manager	6	0.7
Only Non-Partisans	84	2440.9
	Panel B. Only Equity Funds	
All	59	1652.4
≥ 1 Rep Manager	2	0.6
≥ 1 Dem Manager	5	0.6
Only Non-Partisans	52	1651.2

B.5 Univariate Sorts by Partisanship (Style, Sustainability, Fund Characteristics)

Strong partisan preferences, which exist on a within-style basis, may also appear more generally. I provide univariate sorts of fund style, sustainability, and characteristics by manager partisanship precisely to check for this.

First, I focus on investment styles – delineated by Morningstar Category – and report the percentage of funds managed by majority Democratic teams, majority Republican teams, majority non-partisan teams, and remaining teams. Notably, riskier styles (eg: small, value, and small value) tend to have a larger share of funds that are managed by majority Republican teams.

Table B.5: Fund Styles by Partisanship

	Democrat (%)	Republican (%)	Non-Partisan (%)	Other (%)	Total (#)
Small Growth	39	32	20	9	56
Mid-Cap Growth	63	20	12	4	49
Large Growth	27	29	34	9	128
Small Value	33	53	13	0	30
Mid-Cap Value	39	34	24	3	38
Large Value	24	36	24	16	107
Small Blend	26	39	26	9	46
Mid-Cap Blend	48	35	17	0	23
Large Blend	29	45	18	9	112
Foreign Small/Mid Growth	38	50	12	0	8
Foreign Large Growth	32	29	11	29	28
Foreign Small/Mid Value	67	0	33	0	3
Foreign Large Value	39	35	17	9	23
Foreign Small/Mid Blend	29	29	43	0	7
Foreign Large Blend	37	33	23	8	52
World Small/Mid Stock	20	40	20	20	10
World Large Stock	32	39	16	12	80
World Allocation	28	44	16	12	43
Diversified Emerging Mkts	42	22	20	16	50
Europe Stock	33	0	67	0	3
Japan Stock	100	0	0	0	1
Pacific/Asia ex-Japan Stk	0	0	100	0	3
China Region	0	100	0	0	2
India Equity	0	0	100	0	1
Diversified Pacific/Asia	0	0	100	0	1
Miscellaneous Region	100	0	0	0	2
Commodities Broad Basket	31	8	54	8	13
Equity Energy	43	43	14	0	7
Energy Limited Partnership	42	53	0	5	19
Natural Resources	50	50	0	0	6
Infrastructure	33	33	0	33	3
Industrials	50	0	50	0	2
Financial	62	12	25	0	8
Consumer Defensive	50	0	50	0	2
Health	33	50	8	8	12
Technology	69	19	6	6	16
Utilities	33	50	17	0	6
Consumer Cyclical	100	0	0	0	1
Preferred Stock	0	100	0	0	2
Allocation–85%+ Equity	11	44	33	11	18

Second, I focus on sustainability designations, delineated by Morningstar sustainability globes as well as labels for the fund employing product/investment exclusions, being socially conscious, being low carbon, and prioritizing sustainable investment. Notably, majority Democratic funds tend to manage more sustainable funds while majority Republican funds tend to manage less sustainable funds.

Table B.6: Sustainability by Partisanship

	Democrat (%)	Republican (%)	Non-Partisan (%)	Other (%)	Total (#)
Average Globes (#)	3.1	2.8	2.9	2.9	893
5 Globes	51.4	21.6	17.6	9.5	74
4 Globes	40.8	33.3	16.7	9.2	174
3 Globes	32.4	32.2	24.5	10.9	339
2 Globes	33.9	35.2	21.6	9.3	236
1 Globe	27.1	44.3	18.6	10.0	70
Product Exclusions	53.8	25.6	15.4	5.1	39
Socially Conscious	38.1	21.8	34.0	6.1	147
Low Carbon	40.7	27.6	21.6	10.1	268
Sustainable Investment	60.0	30.0	10.0	0.0	40

Last, I focus on fund characteristics and portfolio industry concentrations, reporting means in Panel A and medians in Panel B. These characteristics and portfolio concentrations are generally fairly similar across partisanship, with two notable exceptions being larger Democratic tilts toward technology and larger Republican tilts toward energy.

Table B.7: Fund Characteristics by Partisanship

	Democrat	Republican	Non-Partisan	Other
		Panel A. Means		
Turnover Ratio (%)	58.8	68.9	49.0	55.7
Net Expense Ratio (%)	0.97	0.98	0.87	0.82
Star Rating	2.8	2.8	3.0	2.8
Net Cash (%)	2.8	3.0	3.1	2.6
Net Equity (%)	94.1	94.2	91.8	93.9
Basic Materials (%)	3.6	3.9	2.7	3.2
Communications (%)	6.8	6.5	8.3	7.9
Consumer Cyclical (%)	10.2	10.0	10.9	9.5
Consumer Discretionary (%)	5.8	5.7	6.9	7.0
Healthcare (%)	12.7	13.1	12.6	13.7
Industrials (%)	12.2	11.6	11.8	10.6
Real Estate (%)	3.1	3.7	3.0	2.9
Technology (%)	17.6	14.8	15.8	15.9
Energy (%)	4.2	6.1	4.3	4.8
Financials (%)	15.6	16.1	16.5	16.1
Utilities (%)	3.1	2.6	2.2	2.7
		Panel B. Medians		
Turnover Ratio (%)	43.0	44.0	43.0	48.0
Net Expense Ratio (%)	0.98	0.98	0.92	0.77
Star Rating	3.0	3.0	3.0	3.0
Net Cash (%)	2.1	1.9	1.6	2.7
Net Equity (%)	97.6	97.8	97.8	97.0
Basic Materials (%)	2.8	3.0	2.1	2.8
Communications (%)	5.9	5.8	7.2	7.6
Consumer Cyclical (%)	10.1	9.8	10.8	9.8
Consumer Discretionary (%)	5.1	5.0	6.4	6.9
Healthcare (%)	12.0	11.5	12.5	13.4
Industrials (%)	11.0	11.0	10.0	10.2
Real Estate (%)	2.1	2.2	2.3	2.1
Technology (%)	14.8	13.5	15.0	15.4
Energy (%)	2.5	3.6	3.1	4.2
Financials (%)	14.5	15.6	15.8	16.1
Utilities (%)	1.2	1.3	0.4	2.2

APPENDIX C

DISCUSSION OF POLITICAL CONTRIBUTIONS AND INFLUENCE

A common concern with using political contributions to measure partisanship is that they reflect external goals unrelated to an individual's actual partisanship. For example, one headline from 2015 read: "Most of Donald Trump's Political Money Went to Democrats - Until 5 Years Ago."[1] I address this concern by showing that political partisanship inferred from political contributions is very similar to registered party affiliation from voter registration data in Section B.4. While Hutton, Jiang, and Kumar (2014) reach a similar conclusion validating the accuracy of political contributions for corporate CEOs, it is reassuring to see that the conclusions are also true for fund managers, who may benefit more from small political favors (like information) and receive far less public coverage.

An additional concern is that political contributions, even if they reflect partisanship, could also represent attempts to curry favor or network with well-informed politicians. However, many studies suggest this is unlikely. First, the average and marginal dollars in campaign contributions are from very small donors contributing about $100, implying campaign finance is not a market for influence (Ansolabehere, De Figueiredo, and Snyder 2003). Second, corporate money in lobbying is 10 times as large as corporate money in PACs (Groseclose, Milyo, and Primo 2000), reflecting that profitable political connections come from lobbying (Gao and Huang 2016). Third, active PACs are individually and in aggregate far from hitting regulatory limits, further suggesting PACs are of limited use for information or influence.[2] Last, a key study documenting the relevance of political contributions for

1. While a popular example, this is actually misleading, as Donald Trump's contributions tilted only slightly towards Democrats between 1989 and 2009, shifting decisively to Republicans subsequently. NPR provides an illuminating figure of these contributions over time.

2. Groseclose, Milyo, and Primo (2000) find that, for the 2000 election cycle, only 4% of all House and Senate contributions were near the $10,000 limit, and in aggregate, corporate PACs had regulatory space to contribute 40 times more.

firm stock returns featured a sample of large firms contributing a median (mean) amount of $192,000 ($780,000) over 25 years (Cooper, Gulen, and Ovtchinnikov 2010); systematic contributions on this scale are not something fund managers can replicate. As a result, much of the literature concludes that political contributions are a "consumption good" reflecting the contributor's partisanship (Ansolabehere, De Figueiredo, and Snyder 2003).

APPENDIX D

ASSESSING WITHIN-CLUSTER RESIDUAL CORRELATION

In asset pricing, it is common to cluster standard errors by time because of residual correlation within time clusters. In this section, I show that there is no residual correlation within time clusters, and more importantly, that there is in fact residual correlation within co-manager network clusters, both for weekly fund returns and for weekly fund flows.

I estimate the within-cluster correlation of regression residuals across several simple models for several relevant clusters. First, using weekly returns as the dependent variable, I consider the following sets of covariates: (1) week (time) fixed effects; (2) Morningstar Category (style) fixed effects; (3) time and style fixed effects; and (4) time-by-style fixed effects. The four levels of clustering I consider are: (1) week (time); (2) co-manager network; (3) Morningstar Category; and (4) Morningstar Institutional Category, which is more granular than the Morningstar Category classification. I estimate the within-cluster residual correlations following, for example, Abadie et al. (2017) in three steps. First, calculate the sample variance of the residuals without demeaning by cluster, denoted $\widehat{\sigma}^2$. Second, calculate the sample variance of the residuals demeaning by cluster, denoted $\widetilde{\sigma}^2$. Last, estimate the within-cluster correlation as $\widehat{\rho} = \frac{\widehat{\sigma}^2 - \widetilde{\sigma}^2}{\widehat{\sigma}^2}$. Recall that the sample variance corrects for degrees of freedom.[1]

The below tables report the estimated within-cluster correlation, where the model is listed on the y-axis and the cluster is listed on the x-axis. For both the crash and crisis periods, once time and style or time-by-style fixed effects have been added, there is no longer any within-time residual correlation, however for the crash period, there is still within-co-manager network residual correlation.

1. The original sample variance $\widehat{\sigma}^2$ has $N - k - 1$ in the denominator, where the original covariate matrix is $N \times (k+1)$. The second-step sample variance $\widetilde{\sigma}^2$ has $N - M - k - 1$ in the denominator, where M is the number of clusters.

Table D.1: Residual Correlation Within Cluster: Weekly Returns

	Time	Co-manager Network	Morningstar Category	Morningstar Institutional Category
			Crash Period	
Time FE	-0.02	0.11	0.25	0.25
Style FE	0.86	-0.03	-0.01	-0.01
Time and Style FEs	-0.02	0.03	-0.01	0.00
Time-by-Style FEs	-0.02	0.09	-0.01	0.02
			Crisis Period	
Time FE	-0.01	0.00	0.03	0.03
Style FE	0.91	-0.02	-0.00	-0.01
Time and Style FEs	-0.01	-0.01	-0.00	-0.00
Time-by-Style FEs	-0.01	0.01	-0.00	0.00

Turning to the weekly net fund flows, I estimate the within-cluster residual correlations analogously. Again, after including time and style or time-by-style fixed effects, there is no within-time residual correlation. However, for both the crash and crisis periods, there is moderate within-co-manager network residual correlation.

Table D.2: Residual Correlation Within Cluster: Weekly Flows

	Time	Co-manager Network	Morningstar Category	Morningstar Institutional Category
			Crash Period	
Time FE	-0.02	0.10	0.02	0.03
Style FE	-0.02	0.08	-0.01	-0.01
Time and Style FEs	-0.02	0.08	-0.01	-0.01
Time-by-Style FEs	-0.02	0.08	-0.01	-0.01
			Crisis Period	
Time FE	-0.01	0.08	0.01	0.02
Style FE	-0.01	0.07	-0.00	0.01
Time and Style FEs	-0.01	0.07	-0.00	0.01
Time-by-Style FEs	-0.01	0.07	-0.00	0.01

APPENDIX E

ADDITIONAL PERFORMANCE RESULTS

This subsection features new information on performance mentioned in the paper that is not also presented in the paper. This includes the following:

- Figures E.1 and E.2 show average cumulative raw returns for the time periods of interest, in contrast to the benchmark-adjusted returns presented in the main paper. The conclusions appear qualitatively unchanged – non-partisans outperform Democrats who in turn outperform Republicans.

- Figures E.3 - E.6 graphically demonstrate the robustness and stability of non-partisan return outperformance. Figure E.3 considers randomized splits of majority Republican, Democratic, and non-partisan teams to show that the performance rank ordering also holds for random subgroups of funds. Figure E.4 plots the simulated bootstrap distributions of average fund returns for partisans and non-partisans, further showing that non-partisan outperformance is not sensitive to the inclusion or exclusion of certain funds. Figure E.5 takes this a step further, plotting the distribution of t-statistics for the main covariate of interest when bootstrap resampling the funds in the data sample – the statistical significance of my key performance result is similarly insensitive to the specific sample of funds. Last, Figure E.6 plots the empirical distribution of benchmark-adjusted returns for partisans and non-partisans to reinforce that non-partisan outperformance is quite strong across the distribution of funds.

- Figure E.7 plots weekly coefficients for non-partisan return outperformance. Standard errors are clustered by time (week), as would be desired if one was interested in the statistical significance of weekly return outperformance instead of overall return outperformance.

- Table E.1 shows that the partisan performance differences in the crash period persist to the crisis period.

- Table E.2 shows that politically misaligned funds (ie: Republican-managed sustainable funds) do not have abnormal crash-period performance.

- Table E.3 shows that the outperformance of non-partisan teams is entirely confined to the crash-period, and that their performance is not unusual either before the start of Covid or during the stock market rebound.

- Table E.4 shows that an equally-weighted zero investment portfolio that is long non-partisan funds and short partisan funds earned abnormal positive returns over the 5-week crash period.

- Table E.5 shows that non-partisans have larger Berk and Van Binsbergen (2015) value-added skill than partisans during the 10-week crisis period.

- Table E.6 shows that non-partisan funds deviate from their benchmarks more during the Covid-19 crisis, compared to partisan funds.

- Table E.7 considers an assortment of additional portfolio tilts, most notably showing that non-partisans overweight Chinese stocks and firms with more revenue from emerging market countries.

- Table E.8 shows the individual industry tilts of nonpartisan and partisan teams.

- Table E.9 adds important pre-existing portfolio tilts to the Q1 2020 buy and hold return regressions. Including all of these portfolio tilts together facilitates the passive (buy and hold returns) performance attribution analysis.

- Tables E.10 and E.11 add important pre-existing portfolio tilts to weekly alpha regressions. Including all of these portfolio tilts together facilitates the passive (risk-adjusted

returns) performance attribution analysis.

- Table E.12 includes all important active portfolio tilts as covariates in a single regression on H1 2020 active returns to facilitate the active (H1 2020 active returns) performance attribution analysis.

- Table E.13 reproduces and modifies the main performance regression (Table 2) to show that non-partisan return outperformance disappears with manager fixed effects.

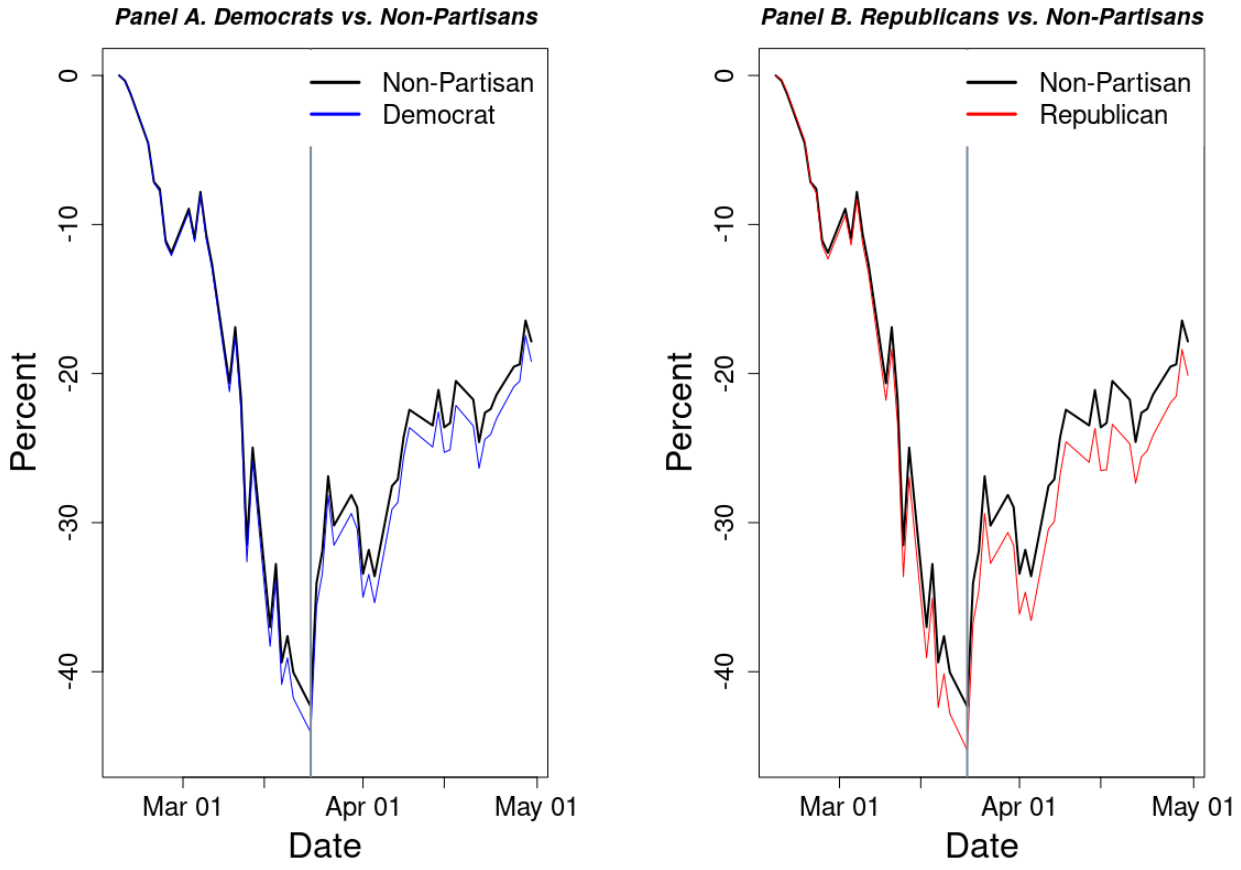


Figure E.1: Average Cumulative Raw Returns by Manager Partisanship

This figure adjusts Figure 4 in the main paper to show average cumulative raw returns for the February 20 to April 30, 2020 time period for funds based on mutually-exclusive partisanship sorts. This is in contrast to the benchmark-adjusted returns used in the main paper.

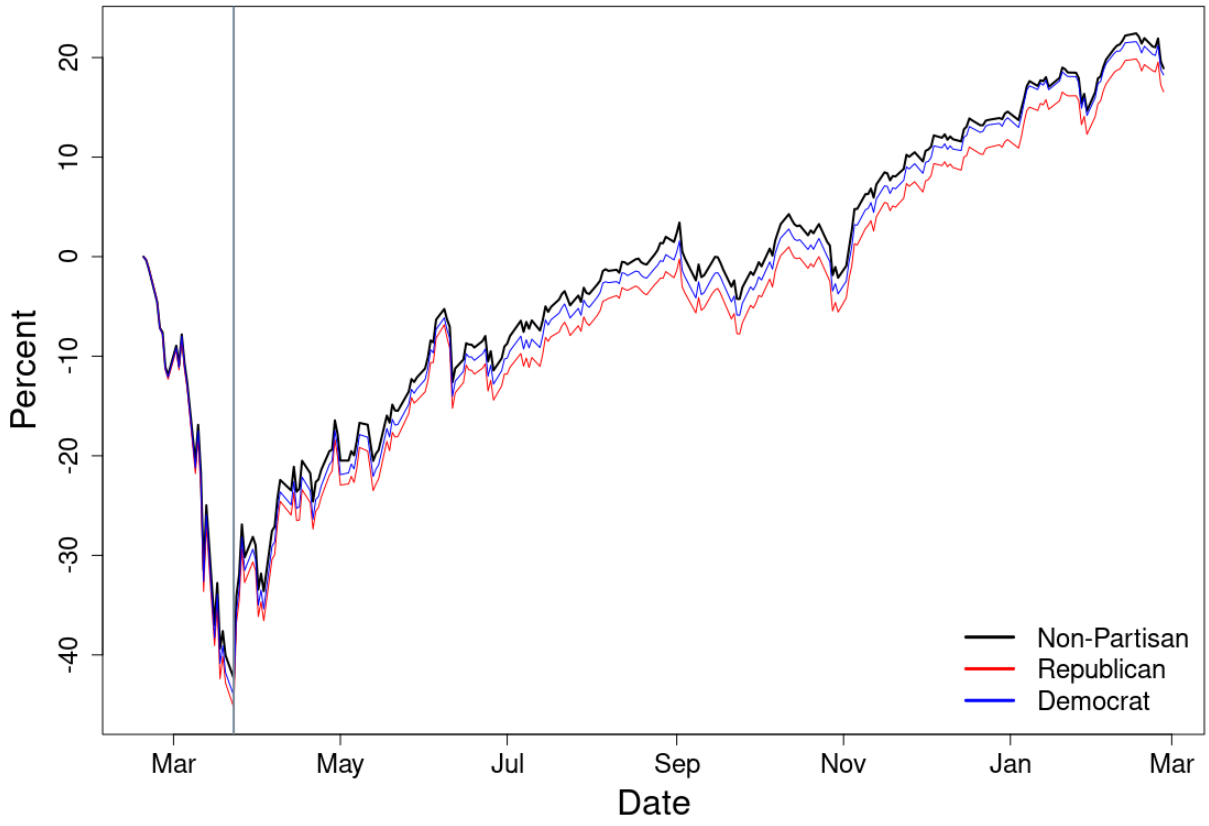


Figure E.2: Longer-Term Average Cumulative Raw Returns by Manager Partisanship

This figure adjusts Figure 5 in the main paper to show average cumulative raw returns for the February 20, 2020 to February 28, 2021 time period for funds based on mutually-exclusive partisanship sorts. This is in contrast to the benchmark-adjusted returns used in the main paper.

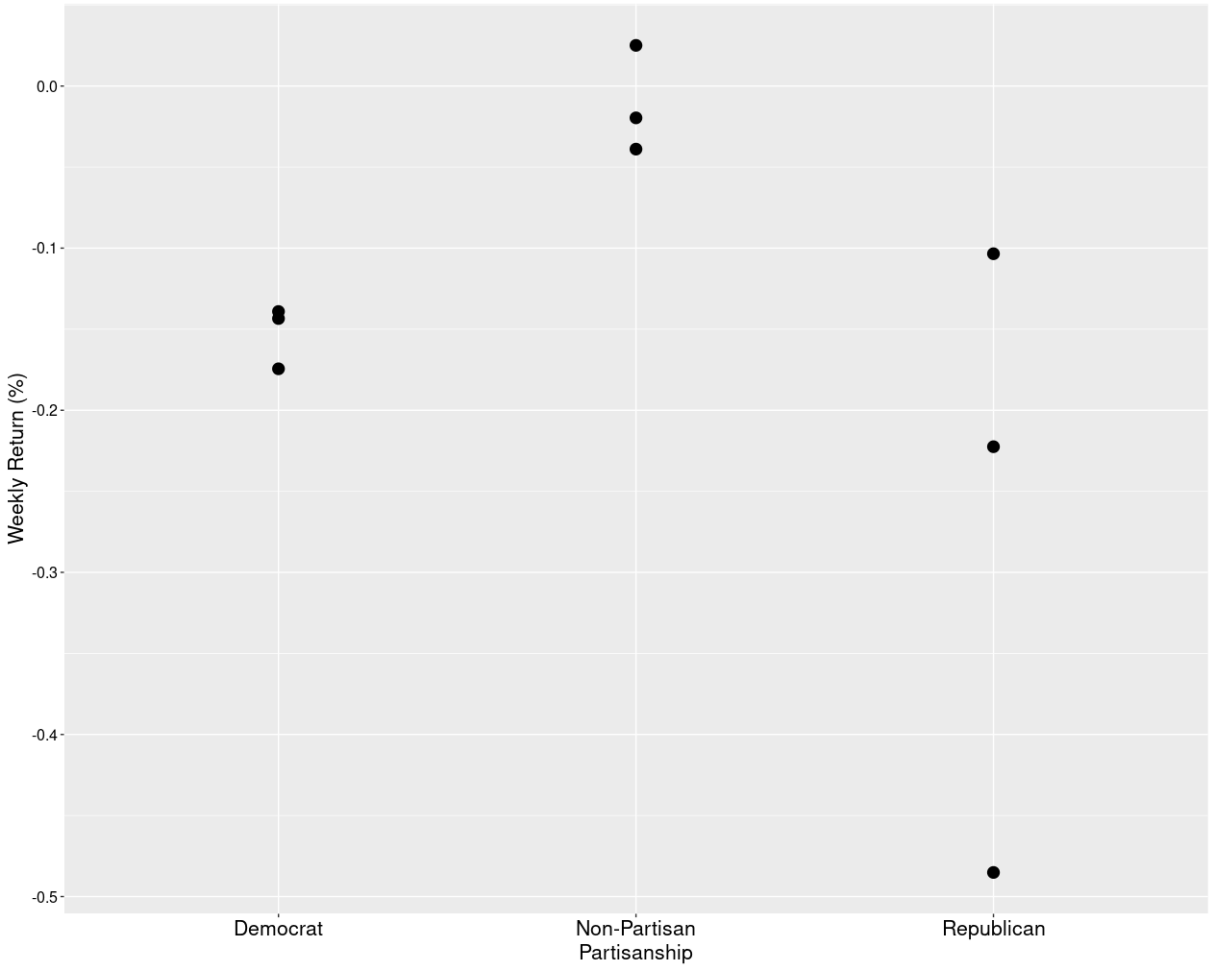


Figure E.3: Average Weekly Returns in Randomized Subgroups by Partisanship

The figure plots average weekly benchmark-adjusted returns (in percentage points) for random splits of 3 categories of funds: majority Democratic manager funds, majority non-partisan manager funds, and majority Republican manager funds. Each type of partisan fund (eg: majority Republican manager funds) is randomly divided into 3 equal subgroups and the weekly average return during the crash period (February 19 to March 23, 2020) is plotted for each subgroup.

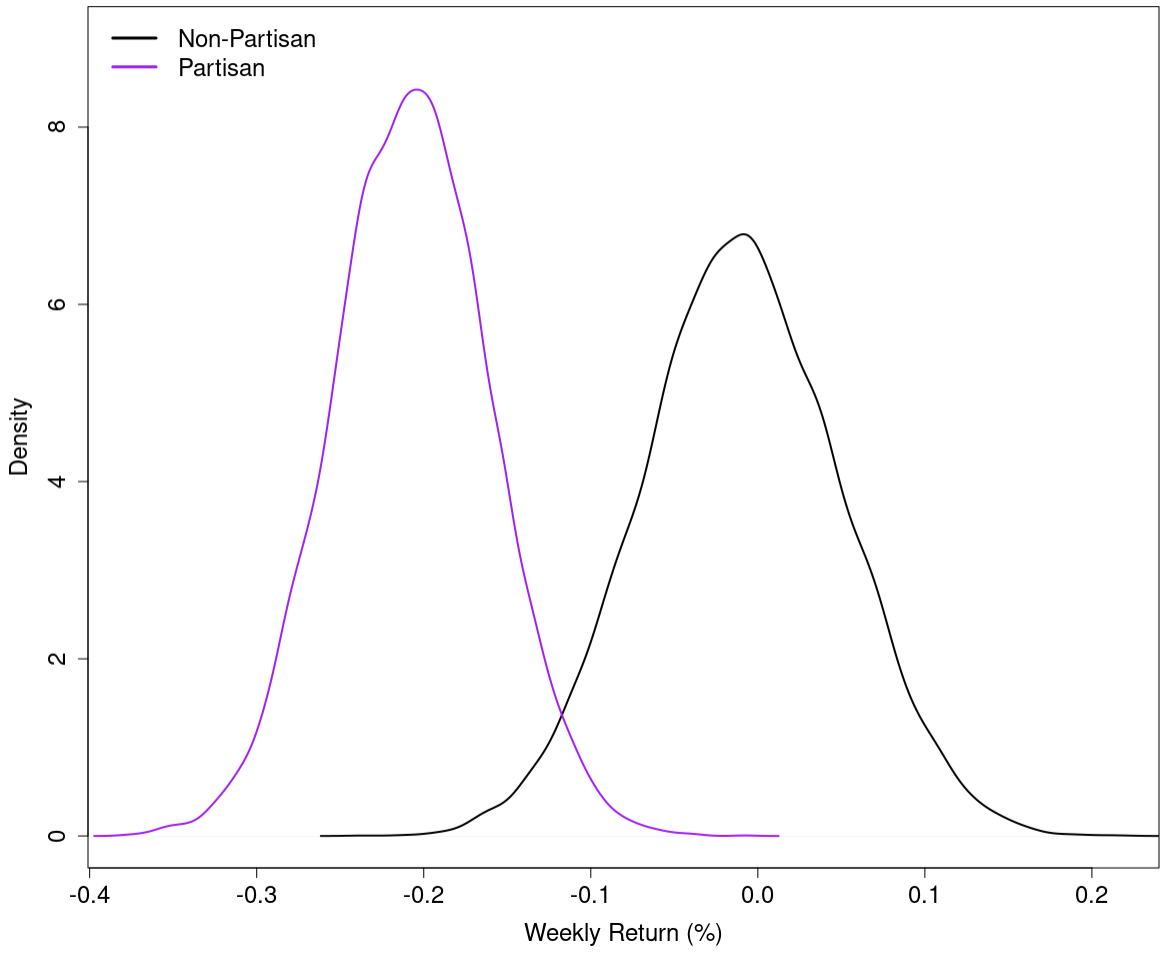


Figure E.4: Simulated Bootstrap Distribution of Average Fund Returns by Partisanship (2 Groups)

The figure plots the simulated distribution of average weekly benchmark-adjusted returns (in percentage points) for bootstrapped funds in each of 2 categories: majority non-partisan manager funds, and majority partisan manager funds. For example, the fund identifiers for the 207 non-partisan majority funds are randomly re-sampled (with replacement) to construct a new set of 207 non-partisan majority funds, from which the average crash period weekly benchmark-adjusted return is computed. 10,000 bootstrap samples are drawn for each of the 2 categories of funds. The crash period is February 19 to March 23, 2020.

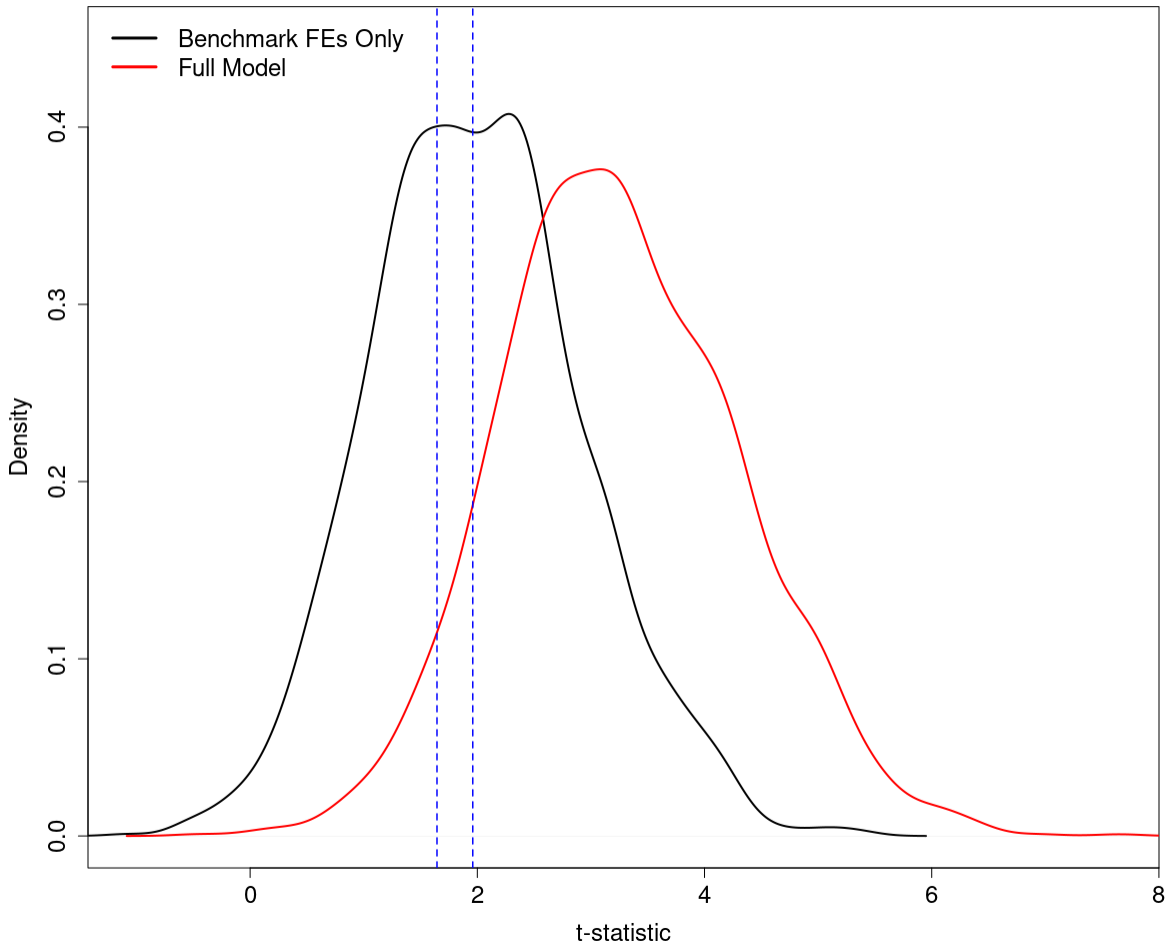


Figure E.5: Simulated Bootstrap Distribution of Regression t-Statistics

The figure plots the simulated distribution of t-statistics on the non-partisan share coefficient for two variations of my baseline performance results: columns 1 and 7 of Table 2. This is the regression of raw crash-period weekly returns on the non-partisan share of matched managers along with benchmark and week fixed effects (column 1) as well as the net Republican leaning, high Covid county indicator, pre-crisis market beta, star rating, indicator for 4 or 5 sustainability globes, fund characteristic controls, and industry controls. Two categories of fund identifiers are bootstrap resampled from their respective groupings: majority non-partisan manager funds and majority partisan manager funds. For example, the fund identifiers for the 207 non-partisan majority funds are randomly re-sampled (with replacement) to construct a new set of 207 non-partisan majority funds, which are then included in the data sample. 2,000 bootstrap samples are drawn for each of the 2 categories of funds, resulting in 2,000 total versions of my fund sample. The blue dashed vertical lines denote the 5% significance level ($t = 1.96$) and the 10% significance level ($t = 1.645$).

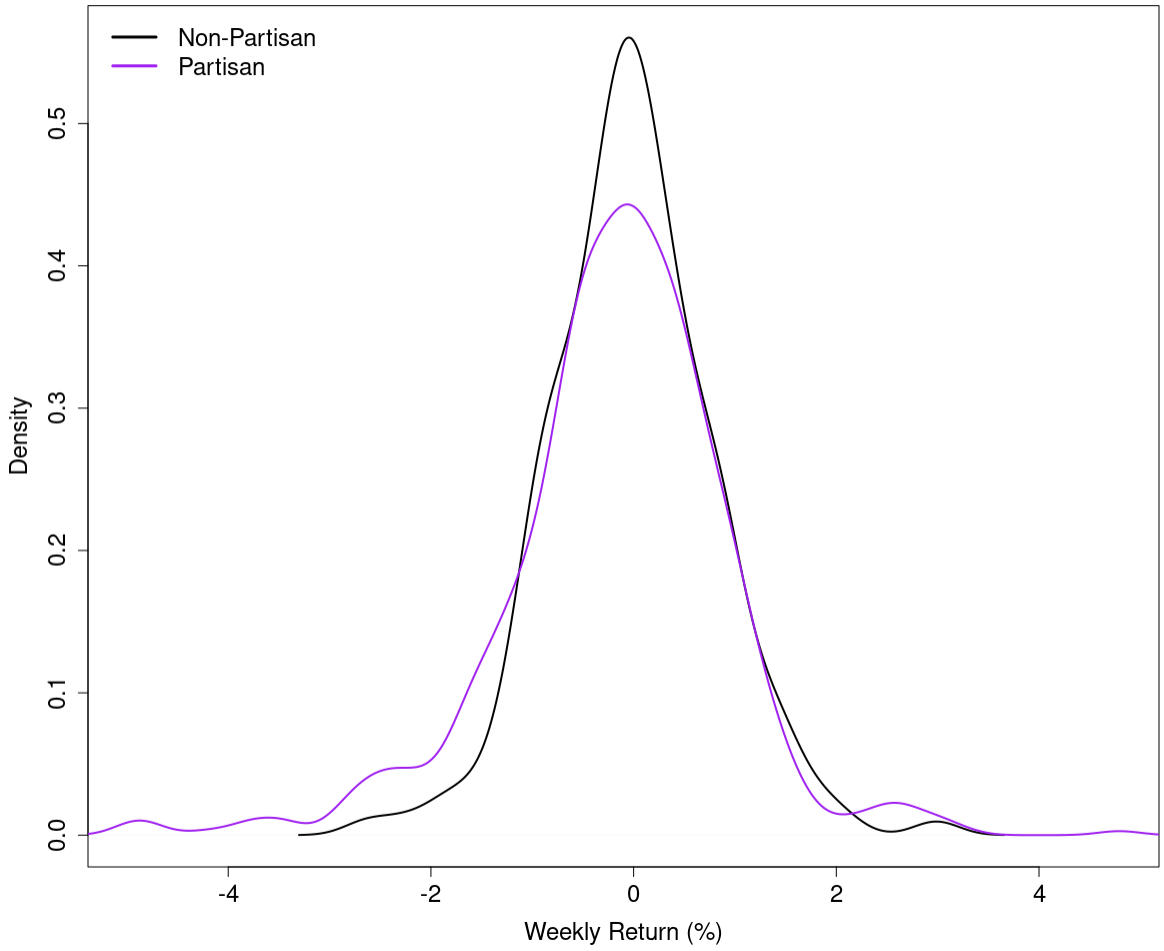


Figure E.6: Empirical Distribution of Benchmark-Adjusted Returns by Partisanship (2 Groups)

The figure plots the empirical distribution of crash-period benchmark-adjusted returns for 2 categories of funds: majority non-partisan manager funds and majority partisan manager funds.

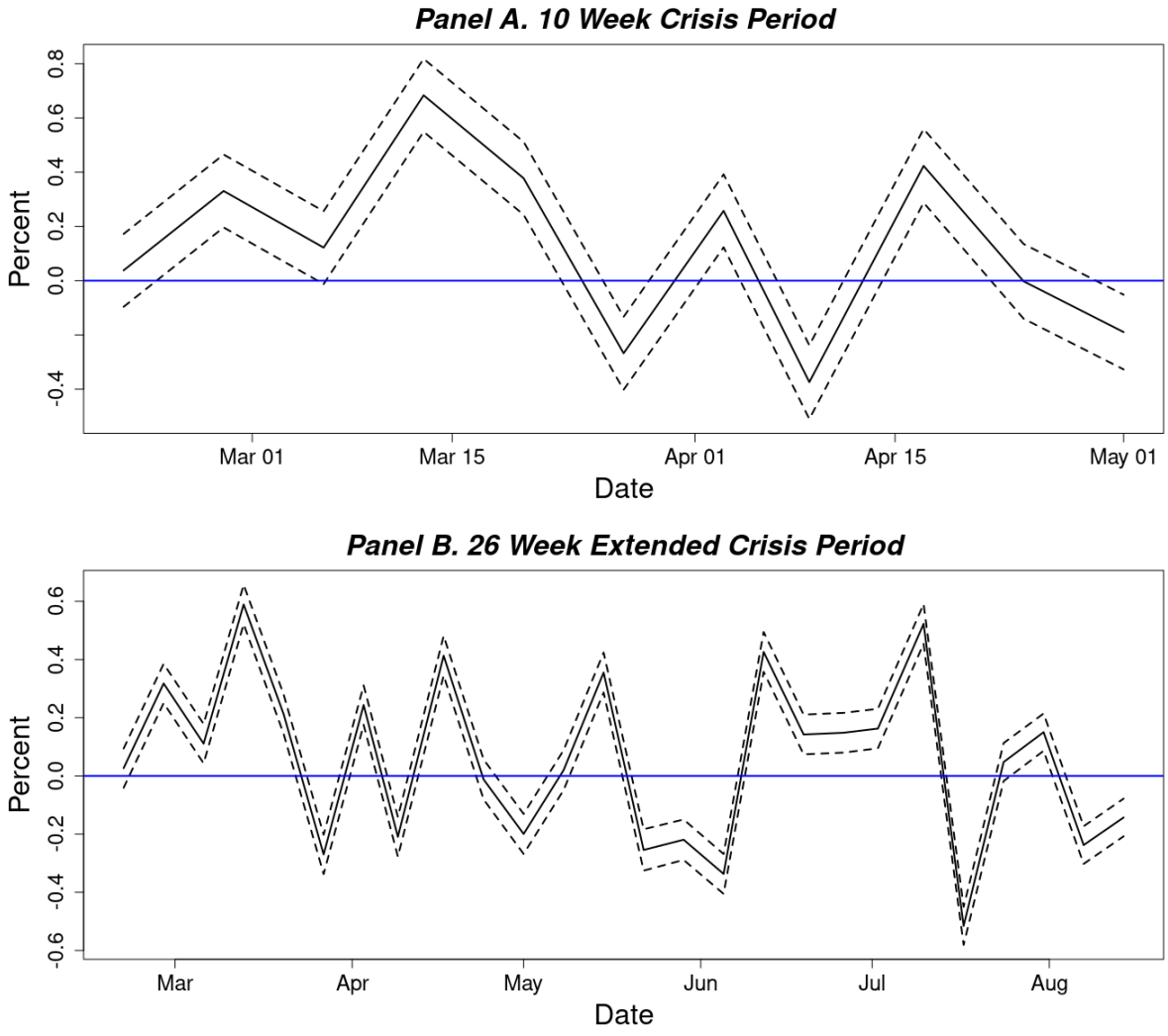


Figure E.7: Non-Partisan Majority Benchmark-Adjusted Return Outperformance

The figure plots average weekly benchmark-adjusted returns (in percentage points) for non-partisan majority manager funds (relative to partisan majority manager funds). Panel A presents the results for the 10-week crisis period (February 19 - April 30, 2020) and Panel B presents the results for the 26-week extended crisis period (February 19 - August 18, 2020). The coefficients are estimated after controlling for the fund characteristics common to most performance regressions, namely the high Covid county indicator, precrisis CAPM market beta, Morningstar star rating, an indicator for 4 or 5 sustainability globe funds, log fund age, log net assets, net expense ratio, turnover ratio, net cash, an indicator for single-managed funds, and dummies for the number of matched managers on the fund team. The regressions use raw weekly returns (winsorized at the 1% and 99% levels) and include both benchmark and week fixed effects. Standard errors are clustered by time (week) and 95% confidence intervals are plotted in dashed lines.

Table E.1: Crisis-Period Performance

This table extends the time horizon of Table 2 in the main paper from the crash period (February 20 to March 23, 2020) to the crisis period (February 20 to April 30, 2020). Note that, using full weeks, the start date is Monday, February 17 and the end date is Friday, May 1.

	Weekly Raw Returns (%)								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Non-Partisan Share	0.12		0.11	0.12	0.10	0.10	0.12	0.10	0.12
	[2.81]		[2.68]	[2.87]	[2.74]	[3.39]	[3.51]	[3.34]	[3.46]
Net Republican Leaning		−0.01	−0.01	−0.01	−0.01	−0.01	−0.002	−0.01	−0.002
		[−2.23]	[−2.05]	[−2.74]	[−2.23]	[−1.01]	[−0.41]	[−0.99]	[−0.40]
𝕀(High COVID County)				0.001	−0.04	−0.03	−0.05	−0.03	−0.05
				[0.03]	[−0.83]	[−0.65]	[−1.78]	[−0.63]	[−1.75]
β_{pre}^{Mkt} (%)				−0.01	−0.005	−0.005	−0.01	−0.005	−0.01
				[−3.09]	[−2.37]	[−2.22]	[−5.20]	[−2.18]	[−5.08]
Star Rating					0.16	0.17	0.10	0.17	0.10
					[11.07]	[13.23]	[7.39]	[12.95]	[7.24]
𝕀(4 or 5 Sustainability Globes)					0.11	0.10	0.06	0.10	0.06
					[4.48]	[4.44]	[2.48]	[4.34]	[2.44]
Style FE	X	X	X	X	X	X	X		
Week FE	X	X	X	X	X	X	X		
Style x Week FE								X	X
Fund-Level Controls						X	X	X	X
Industry Controls							X		X
Demographic and Diversity Controls									
Observations	10,307	10,307	10,307	10,272	9,040	8,952	8,952	8,952	8,952
Adjusted R^2	0.91	0.91	0.91	0.91	0.92	0.92	0.92	0.97	0.97

Table E.2: Crash-Period Performance of Politically Misaligned Funds

This table adjusts Table 2 in the main paper to consider the performance of politically misaligned funds, that is, funds with only Republican managers that are explicitly sustainable (ie: have Democratic-leaning clienteles).

	Weekly Raw Returns (%)								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\mathbb{I}$(Only Rep Managers)	−0.09		−0.09	−0.13	−0.07	−0.02	−0.08	−0.02	−0.08
	[−1.03]		[−0.63]	[−0.85]	[−0.53]	[−0.15]	[−0.72]	[−0.14]	[−0.71]
$\mathbb{I}$(Dem Clientele)	0.39		0.39	0.42	0.26	0.27	0.12	0.27	0.12
	[5.33]		[3.90]	[3.96]	[2.72]	[2.68]	[1.67]	[2.63]	[1.64]
$\mathbb{I}$(Only Rep Managers and Dem Clientele)		0.15	0.004	0.06	−0.12	−0.19	−0.06	−0.19	−0.06
		[1.16]	[0.02]	[0.23]	[−0.56]	[−0.82]	[−0.37]	[−0.80]	[−0.37]
$\mathbb{I}$(High COVID County)				0.04	−0.03	−0.01	−0.05	−0.01	−0.05
				[0.47]	[−0.30]	[−0.12]	[−0.82]	[−0.12]	[−0.80]
β_{pre}^{Mkt} (%)				−0.03	−0.03	−0.03	−0.03	−0.03	−0.03
				[−8.96]	[−9.23]	[−8.17]	[−7.36]	[−8.02]	[−7.22]
Star Rating					0.31	0.31	0.20	0.31	0.20
					[11.13]	[11.42]	[7.92]	[11.21]	[7.77]
$\mathbb{I}$(4 or 5 Sustainability Globes)					0.28	0.28	0.26	0.28	0.26
					[4.18]	[4.30]	[4.22]	[4.22]	[4.14]
Style FE	X	X	X	X	X	X	X		
Week FE	X	X	X	X	X	X	X		
Style x Week FE								X	X
Fund-Level Controls						X	X	X	X
Industry Controls							X		X
Demographic and Diversity Controls									
Observations	4,683	4,683	4,683	4,670	4,110	4,070	4,070	4,070	4,070
Adjusted R^2	0.87	0.87	0.87	0.88	0.89	0.89	0.89	0.94	0.94

Table E.3: Longer-Term Performance: 6 Months Pre- and Post-Covid

This table extends Table 2 in the main paper to consider whether performance during the Covid-19 crash period is abnormal relative to the rest of the Monday, August 19, 2019 through Friday August 14, 2020 time period. Also, the partisan, sustainability, star rating, and pre-period market beta variables are interacted with crash-period and post-crash-period time dummies. The crash period in weekly returns is Monday, February 17 through Friday, March 20, 2020 and the post-crash period is Monday, March 23 through Friday, August 14, 2020. The pre-Covid period is the omitted indicator variable. The pre-period market beta is measured using the May 1 - July 31, 2019 time period.

	Weekly Raw Returns (%)								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Non-Partisan Share	0.001		0.002	−0.005	−0.002	−0.0002	0.02	0.0004	0.01
	[0.06]		[0.12]	[−0.45]	[−0.22]	[−0.02]	[1.25]	[0.03]	[0.49]
Non-Partisan Share * 𝕀(Crash)	0.46		0.43	0.40	0.40	0.40	0.32	0.21	0.18
	[3.18]		[2.98]	[2.67]	[2.75]	[2.72]	[2.22]	[3.67]	[2.99]
Non-Partisan Share * 𝕀(Post-Crash)	−0.04		−0.05	−0.04	−0.04	−0.04	−0.06	−0.004	−0.003
	[−1.01]		[−1.11]	[−0.82]	[−0.95]	[−1.06]	[−1.32]	[−0.09]	[−0.09]
Net Republican Leaning		0.001	0.001	0.001	0.002	0.003	0.004	−0.0003	0.002
		[1.02]	[1.07]	[0.96]	[1.43]	[1.28]	[2.09]	[−0.15]	[0.72]
Net Republican Leaning * 𝕀(Crash)		−0.04	−0.04	−0.05	−0.05	−0.05	−0.04	−0.01	−0.01
		[−2.72]	[−2.64]	[−3.67]	[−3.56]	[−3.46]	[−3.20]	[−1.61]	[−1.58]
Net Republican Leaning * 𝕀(Post-Crash)		−0.004	−0.004	0.001	0.001	0.001	0.001	0.0005	0.0001
		[−0.99]	[−1.15]	[0.30]	[0.32]	[0.31]	[0.40]	[0.16]	[0.04]
Star Rating$_{t-1}$					0.01	0.01	0.0004	0.01	−0.003
					[1.54]	[2.65]	[0.06]	[3.22]	[−0.49]
Star Rating$_{t-1}$ * 𝕀(Crash)					0.34	0.34	0.33	0.37	0.37
					[7.02]	[7.09]	[7.09]	[10.65]	[10.58]
Star Rating$_{t-1}$ * 𝕀(Post-Crash)					0.001	−0.002	−0.01	−0.01	−0.02
					[0.09]	[−0.12]	[−0.68]	[−0.69]	[−1.16]
𝕀(4 or 5 Sustainability Globes)$_{t-1}$					0.03	0.03	0.01	0.02	−0.01
					[1.97]	[1.73]	[0.50]	[1.86]	[−0.39]
𝕀(4 or 5 Sustainability Globes)$_{t-1}$ * 𝕀(Crash)					0.53	0.54	0.54	0.33	0.32
					[4.41]	[4.38]	[4.26]	[5.35]	[5.17]
𝕀(4 or 5 Sustainability Globes)$_{t-1}$ * 𝕀(Post-Crash)					−0.09	−0.08	−0.08	−0.07	−0.06
					[−2.97]	[−2.88]	[−2.57]	[−2.46]	[−2.27]
β_{pre}^{Mkt} (%)				0.24	0.27	0.26	−0.01	0.38	0.08
				[5.08]	[5.88]	[5.63]	[−0.15]	[8.92]	[1.04]
β_{pre}^{Mkt} (%) * 𝕀(Crash)				−2.27	−2.50	−2.51	−2.33	−2.61	−2.60
				[−8.06]	[−9.48]	[−9.65]	[−9.00]	[−7.93]	[−7.90]
β_{pre}^{Mkt} (%) * 𝕀(Post-Crash)				1.20	1.22	1.22	1.22	0.97	1.01
				[15.52]	[15.46]	[16.11]	[15.88]	[5.88]	[6.45]
Style FE	X	X	X	X	X	X	X		
Week FE	X	X	X	X	X	X	X		
Style x Week FE								X	X
Fund-Level Controls						X	X	X	X
Industry Controls							X		X
Observations	48,327	48,327	48,327	47,684	44,355	43,785	42,955	43,785	42,955
Adjusted R^2	0.86	0.86	0.86	0.87	0.87	0.87	0.87	0.95	0.95

Table E.4: Zero Investment Portfolio Returns: Long Non-Partisans, Short Partisans

This table summarizes the results from forming zero investment portfolios that are long non-partisan funds and short partisan funds. Within the long and short ends, the fund returns are equally weighted. Three distinct post-February 19 of 2020 horizons are considered: 5 weeks (crash period), 11 weeks (crisis period), and 26 weeks (extended crisis period). Two versions of partisan funds are considered: in the first 3 columns, majority partisan funds, and in the last 3 columns, funds that are either majority Republican or majority Democratic.

	Non-Partisan vs. Partisan			Non-Partisan vs. Rep & Dem		
Weekly Return (%)	0.17	0.09	0.03	0.20	0.10	0.04
Weekly SD (%)	0.18	0.18	0.16	0.19	0.20	0.18
Weeks (#)	5.00	11.00	26.00	5.00	11.00	26.00
t-statistic	2.07	1.63	1.05	2.28	1.66	1.13

Table E.5: Quasi-log Value Added Relative to FTSE/Russell Benchmark (Crisis)

This table reports regressions of weekly quasi-log value-added on the partisanship variables and controls. This table is identical to Table 2 in the main paper with two small changes. First, the dependent variable is quasi-log value-added relative to the FTSE/Russell benchmark. Second, the time period is the crisis period, the 10 weeks from February 19 to April 30, 2020. Value-added is computed following Berk and van Binsbergen (2015) as $V_{it} = q_{i,t-1}(R^g_{it} - R^B_{it})$, where $q_{i,t-1}$ is fund i's TNA at time $t-1$, R^g_{it} is the fund's gross return at time t, and R^B_{it} is the fund's benchmark return. Here, I use the Morningstar-designated FTSE/Russell benchmark as the fund's benchmark. I quasi-log transform the value-added measure V_{it} as follows: if $V_{it} > 1$, use $log(V_{it})$; if $V_{it} < -1$, use $(-1) * log(|V_{it}|)$; else use 0.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Weekly Quasi-log FTSE/Russell Value-Added								
Non-Partisan Share	0.73		0.66	0.69	0.61	0.74	0.75	0.74	0.75
	[3.40]		[3.26]	[3.54]	[2.80]	[3.20]	[3.41]	[3.13]	[3.34]
Net Republican Leaning		−0.12	−0.11	−0.13	−0.11	−0.07	−0.05	−0.07	−0.05
		[−3.34]	[−3.24]	[−4.11]	[−3.57]	[−0.91]	[−0.75]	[−0.89]	[−0.74]
𝕀(High COVID County)				−0.23	−0.44	−0.31	−0.36	−0.31	−0.36
				[−1.10]	[−2.17]	[−1.52]	[−2.09]	[−1.49]	[−2.04]
β^{Mkt}_{pre} (%)				−0.05	−0.05	−0.04	−0.06	−0.04	−0.06
				[−4.54]	[−4.50]	[−3.99]	[−4.93]	[−3.91]	[−4.83]
Star Rating					0.92	1.05	0.72	1.05	0.72
					[7.68]	[9.72]	[7.75]	[9.52]	[7.59]
𝕀(4 or 5 Sustainability Globes)					0.75	0.59	0.42	0.59	0.42
					[3.01]	[2.34]	[1.86]	[2.29]	[1.82]
Style FE	X	X	X	X	X	X	X		
Week FE	X	X	X	X	X	X	X		
Style x Week FE								X	X
Fund-Level Controls						X	X	X	X
Industry Controls							X		X
Observations	10,329	10,329	10,329	10,274	9,042	8,954	8,954	8,954	8,954
Adjusted R^2	0.04	0.04	0.04	0.04	0.05	0.05	0.06	0.23	0.23

Table E.6: Deviations from Benchmarks

This table extends Table 6 in the main paper to consider how deviations from benchmarks change from before to during the Covid-19 crisis. I consider three possible benchmarks: the Morningstar-designated FTSE/Russell benchmark, the fund-designated prospectus benchmark, and the CRSP value-weighted US stock market. I estimate regressions of net fund returns on benchmarks, computing the R^2 for the precrisis period (October 1, 2019 to January 31, 2020) and the crisis period (February 19 to April 30, 2020), as well as the change in R^2 from the precrisis period to the crisis period.

	Δ FTSE R^2 (%)	Precrisis FTSE R^2 (%)	Crisis FTSE R^2 (%)	Δ Prosp R^2 (%)	Precrisis Prosp R^2 (%)	Crisis Prosp R^2 (%)	Δ CAPM R^2 (%)	Precrisis CAPM R^2 (%)	Crisis CAPM R^2 (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Non-Partisan Share	−1.53	1.87	0.34	−1.88	2.65	0.78	0.02	0.33	0.42
	[−2.59]	[2.76]	[1.40]	[−3.17]	[3.83]	[2.69]	[0.03]	[0.42]	[1.58]
Net Republican Leaning	−0.09	−0.03	−0.13	−0.13	0.17	0.02	−0.02	−0.03	−0.03
	[−0.61]	[−0.19]	[−1.92]	[−0.99]	[0.91]	[0.28]	[−0.16]	[−0.18]	[−0.29]
Star Rating	−0.18	0.29	0.05	0.02	0.36	0.31	0.19	0.25	0.43
	[−0.54]	[0.61]	[0.31]	[0.06]	[0.86]	[1.28]	[0.66]	[0.57]	[1.93]
𝕀(4 or 5 Sustainability Globes)	0.38	−0.77	−0.27	0.03	−0.27	−0.17	−0.29	0.95	0.65
	[0.65]	[−0.96]	[−0.85]	[0.06]	[−0.37]	[−0.45]	[−0.46]	[1.33]	[1.94]
Style FE	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X
Observations	780	780	780	795	795	795	814	814	814
Adjusted R^2	0.32	0.55	0.85	0.25	0.43	0.68	0.58	0.69	0.65

Table E.7: Assorted Additional Portfolio Tilts

This table extends Table 6 in the main paper to consider additional tilts of interest: net equity (overall, US, non-US) as a percent of net assets, net debt (overall, US, non-US), the net share of Chinese equities, the share of firm revenue derived from the US, the share of firm revenue derived from emerging markets (defined as emerging Asia, emerging Europe, Latin America, and Africa), and the share of net assets invested in industries that MSCI categorizes as defensive (Consumer Defensive, Energy, Healthcare, and Utilities) and cyclical (Consumer Cyclical, Financial Services, Real Estate, Industrials, Technology, Basic Materials, and Communication Services). Note that these industry classifications are essentially high beta industries (cyclical) and low beta industries (defensive).

	Equity (%)	US Equity (%)	Non-US Equity (%)	Bond (%)	US Bond (%)	Non-US Bond (%)	China Equity (%)	US Revenue Share (%)	Emerging Market Revenue Share (%)	MSCI Defensive Industries (%)	MSCI Cyclical Industries (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Non-Partisan Share	0.44	−0.62	1.05	0.25	0.11	0.13	1.27	−1.09	1.67	0.18	0.78
	[2.18]	[−0.62]	[1.12]	[1.40]	[0.92]	[1.45]	[5.79]	[−1.21]	[5.02]	[0.14]	[0.53]
Net Republican Leaning	0.01	−0.16	0.18	−0.07	−0.03	−0.04	0.12	−0.05	0.05	0.12	−0.04
	[0.36]	[−1.06]	[1.21]	[−1.95]	[−1.34]	[−2.43]	[3.36]	[−0.45]	[0.60]	[1.32]	[−0.42]
Star Rating	−0.22	0.88	−1.10	0.44	0.18	0.26	0.11	−0.10	0.35	0.35	−0.41
	[−1.98]	[2.17]	[−2.82]	[2.42]	[2.48]	[1.98]	[0.99]	[−0.26]	[1.28]	[1.36]	[−1.38]
$\mathbb{I}$(4 or 5 Sustainability Globes)	0.73	1.11	−0.38	−0.77	−0.35	−0.42	0.02	−0.52	0.36	−3.35	3.58
	[2.45]	[1.67]	[−0.56]	[−2.86]	[−2.48]	[−2.67]	[0.06]	[−0.97]	[1.17]	[−2.73]	[3.58]
Style FE	X	X	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X	X	X
Observations	755	755	755	755	755	755	755	755	750	755	755
Adjusted R^2	0.70	0.94	0.94	0.43	0.52	0.18	0.80	0.90	0.90	0.72	0.74

Table E.8: Industry Tilts

This table extends Table 6 in the main paper to consider individual industry tilts.

	Basic Materials (%)	Consumer Cyclical (%)	Consumer Defensive (%)	Communi-cations (%)	Healthcare (%)	Industrials (%)	Real Estate (%)	Technology (%)	Energy (%)	Financial Services (%)	Utilities (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Non-Partisan Share	−0.13	0.60	0.37	0.61	−0.17	0.10	0.09	−0.33	0.24	−0.15	−0.26
	[−0.38]	[1.00]	[0.70]	[1.63]	[−0.23]	[0.14]	[0.27]	[−0.67]	[0.55]	[−0.26]	[−1.35]
Net Republican Leaning	0.02	0.12	0.07	−0.12	−0.01	0.09	−0.04	−0.21	0.08	0.09	−0.01
	[0.45]	[1.90]	[0.90]	[−1.48]	[−0.10]	[0.74]	[−0.72]	[−1.30]	[1.56]	[0.88]	[−0.30]
Star Rating	−0.33	−0.05	0.16	0.14	0.98	−0.68	−0.07	1.56	−0.84	−0.97	0.05
	[−2.56]	[−0.33]	[1.05]	[0.71]	[4.19]	[−3.13]	[−0.45]	[4.16]	[−7.99]	[−4.11]	[0.72]
$\mathbb{I}$(4 or 5 Sustainability Globes)	−0.13	0.85	0.05	0.16	−0.74	−0.09	0.55	2.75	−1.80	−0.49	−0.86
	[−0.39]	[2.62]	[0.10]	[0.45]	[−1.53]	[−0.25]	[1.66]	[4.66]	[−5.75]	[−0.78]	[−4.41]
Style FE	X	X	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X	X	X
Observations	755	755	755	755	755	755	755	755	755	755	755
Adjusted R^2	0.59	0.42	0.40	0.44	0.83	0.47	0.24	0.74	0.85	0.61	0.62

Table E.9: Determinants of Q1 2020 Buy and Hold Returns

This table adjusts Table 4 in the main paper to assess the determinants of Q1 2020 buy and hold returns. The key adjustment is including portfolio tilts that were shown to systematically differ by partisanship in Table 5 in the main paper.

	Q1 2020 Buy and Hold Return			
	(1)	(2)	(3)	(4)
Non-Partisan Share	1.732	1.049	0.458	0.249
	[3.787]	[2.422]	[1.439]	[0.896]
Net Republican Leaning	−0.327	−0.124	0.009	0.055
	[−2.510]	[−1.281]	[0.114]	[0.738]
Star Rating	1.750	0.834	0.630	0.420
	[8.604]	[3.322]	[3.139]	[2.872]
$\mathbb{I}$(4 or 5 Sustainability Globes)	1.729	0.683	0.430	0.437
	[3.667]	[1.927]	[1.032]	[1.334]
$\mathbb{I}$(High COVID County)	−0.198	0.314	0.371	−0.026
	[−0.387]	[0.776]	[0.996]	[−0.082]
β_{pre}^{CAPM} (%)	−0.073	−0.045	−0.028	−0.054
	[−2.924]	[−2.205]	[−1.506]	[−2.695]
Book-to-Market (%)		−0.300	−0.307	−0.272
		[−9.415]	[−10.480]	[−10.291]
LT Debt-to-Book Equity (%)			−0.026	−0.022
			[−5.416]	[−4.497]
Computer Software (%)				0.168
				[7.577]
Style FE	X	X	X	X
Fund-Level Controls	X	X	X	X
Observations	383	371	371	371
Adjusted R^2	0.794	0.869	0.883	0.897

Table E.10: Determinants of Crisis-Period Alphas

This table adjusts Table 3 in the main paper to assess the determinants of crisis-period alphas. First, the time period is changed to the crisis period (February 19 to April 30, 2020) instead of the crash period (February 19 to March 23, 2020). Second, Panel B augments Panel A by including portfolio tilts that were shown to systematically differ by partisanship in Table 6 in the main paper.

	α^{FTSE}_{Bench} (%)	α^{Prosp}_{Bench} (%)	α^{CAPM} (%)	α^{FF3} (%)	α^{FF4} (%)	α^{FF6} (%)	α^{Q5} (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
				Panel A. Alphas Without Controls			
Non-Partisan Share	0.110	0.113	0.110	0.062	0.052	0.081	0.063
	[3.772]	[3.573]	[3.738]	[1.407]	[0.983]	[1.378]	[1.717]
Net Republican Leaning	−0.009	−0.003	−0.009	−0.005	−0.003	−0.003	−0.006
	[−1.289]	[−0.482]	[−1.219]	[−1.714]	[−0.765]	[−1.040]	[−1.445]
Star Rating	0.148	0.110	0.165	0.080	0.114	0.106	0.067
	[11.436]	[7.395]	[13.515]	[5.912]	[7.407]	[5.794]	[4.122]
$\mathbb{I}$(4 or 5 Sustainability Globes)	0.084	0.035	0.093	0.114	0.131	0.158	0.091
	[2.663]	[1.238]	[3.820]	[4.359]	[4.759]	[4.552]	[3.790]
Style x Week FE	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X
Observations	7,818	7,968	8,158	8,158	8,158	8,158	8,158
Adjusted R^2	0.445	0.398	0.709	0.006	0.008	0.008	0.004
				Panel B. Alphas With Controls			
Non-Partisan Share	0.058	0.077	0.057	0.048	0.050	0.056	0.047
	[3.245]	[3.221]	[3.389]	[2.523]	[2.134]	[2.536]	[2.089]
Net Republican Leaning	0.002	0.005	0.002	−0.002	0.001	0.002	−0.0002
	[0.499]	[1.143]	[0.456]	[−0.629]	[0.251]	[0.341]	[−0.038]
Star Rating	0.019	−0.004	0.023	0.007	0.022	0.018	0.011
	[1.575]	[−0.303]	[1.885]	[0.524]	[1.782]	[1.445]	[0.834]
$\mathbb{I}$(4 or 5 Sustainability Globes)	0.025	−0.024	0.015	0.049	0.040	0.067	0.051
	[1.206]	[−0.753]	[0.664]	[2.160]	[1.688]	[2.436]	[1.815]
Benchmark $R^2_{precrisis}$	0.480	0.444	0.677	0.503	0.575	0.598	0.146
	[3.142]	[2.221]	[3.249]	[2.758]	[3.882]	[4.531]	[0.973]
Financial Health GPA	0.251	0.221	0.305	0.205	0.293	0.223	−0.042
	[4.108]	[3.153]	[4.938]	[4.303]	[6.408]	[4.726]	[−0.632]
P/E Ratio	0.024	0.024	0.024	0.017	0.020	0.018	0.018
	[5.403]	[4.391]	[6.265]	[4.805]	[5.137]	[4.292]	[4.007]
$\beta^{FF4}_{BusEq,crisis}$	0.165	0.180	0.094	0.164	−0.078	0.166	0.313
	[2.556]	[2.598]	[1.651]	[2.870]	[−1.342]	[2.850]	[4.833]
Carbon Risk Rank (%)	−0.001	−0.001	−0.001	−0.001	−0.001	−0.001	−0.001
	[−2.895]	[−0.837]	[−3.313]	[−1.925]	[−2.855]	[−2.276]	[−1.244]
$\beta^{FF4}_{SMB,crisis}$	−0.070	−0.223	−0.308				
	[−0.371]	[−1.028]	[−1.638]				
$\beta^{FF4}_{HML,crisis}$	−0.719	−0.448	−0.976				
	[−4.828]	[−3.109]	[−8.053]				
Style x Week FE	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X
Observations	7,118	7,258	7,118	7,118	7,118	7,118	7,118
Adjusted R^2	0.476	0.421	0.739	0.617	0.623	0.653	0.582

Table E.11: Determinants of 6 Month Post-Crisis Alphas

This table adjusts Table 3 in the main paper to assess the determinants of alphas for the 6 months following the start of Covid-19. First, the time period is changed to the extended crisis period (February 19 to August 19, 2020) instead of the crash period (February 19 to March 23, 2020). Second, Panel B augments Panel A by including portfolio tilts that were shown to systematically differ by partisanship in Table 6 in the main paper.

	α^{FTSE}_{Bench} (%)	α^{Prosp}_{Bench} (%)	α^{CAPM} (%)	α^{FF3} (%)	α^{FF4} (%)	α^{FF6} (%)	α^{Q5} (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
				Panel A. Alphas Without Controls			
Non-Partisan Share	0.058	0.053	0.064	0.063	0.065	0.065	0.065
	[1.917]	[1.665]	[2.021]	[3.120]	[3.234]	[2.985]	[2.370]
Net Republican Leaning	−0.005	0.001	−0.003	−0.005	−0.005	−0.006	−0.007
	[−0.994]	[0.112]	[−0.472]	[−1.259]	[−1.282]	[−1.449]	[−1.225]
Star Rating	0.103	0.070	0.112	0.042	0.058	0.069	0.071
	[8.430]	[6.189]	[10.035]	[4.380]	[6.003]	[6.228]	[5.249]
$\mathbb{I}$(4 or 5 Sustainability Globes)	0.045	0.011	0.053	0.081	0.091	0.085	0.096
	[1.714]	[0.503]	[2.378]	[5.626]	[6.118]	[5.694]	[5.122]
Style FE	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X
Observations	20,155	20,545	21,039	21,039	21,039	21,039	21,039
Adjusted R^2	0.065	0.065	0.247	0.002	0.004	0.005	0.006
				Panel B. Alphas With Controls			
Non-Partisan Share	0.015	0.027	0.018	0.008	0.014	0.011	0.004
	[0.803]	[1.119]	[0.908]	[0.459]	[0.820]	[0.652]	[0.242]
Net Republican Leaning	0.004	0.008	0.005	0.002	0.003	0.003	0.004
	[1.595]	[2.294]	[2.042]	[0.551]	[1.135]	[1.128]	[1.509]
Star Rating	0.009	−0.007	0.012	−0.003	0.002	0.005	−0.0002
	[0.903]	[−0.583]	[1.195]	[−0.306]	[0.184]	[0.482]	[−0.018]
$\mathbb{I}$(4 or 5 Sustainability Globes)	0.009	−0.019	0.010	0.008	−0.002	−0.013	−0.026
	[0.638]	[−0.905]	[0.756]	[0.572]	[−0.131]	[−0.946]	[−1.619]
Benchmark $R^2_{precrisis}$	0.049	0.086	0.101	0.071	0.112	0.054	−0.063
	[0.400]	[0.628]	[0.846]	[0.666]	[1.002]	[0.474]	[−0.541]
Financial Health GPA	0.074	0.092	0.109	0.007	0.052	0.024	0.010
	[1.907]	[1.832]	[3.160]	[0.193]	[1.536]	[0.715]	[0.231]
P/E Ratio	0.023	0.019	0.022	0.014	0.016	0.019	0.024
	[9.357]	[5.661]	[8.448]	[5.316]	[5.596]	[6.836]	[8.130]
$\beta^{FF4}_{BusEq,crisis}$	0.083	0.123	0.040	0.155	0.051	0.087	0.230
	[1.541]	[2.073]	[0.734]	[3.365]	[1.021]	[1.749]	[4.557]
Carbon Risk Rank (%)	−0.001	−0.0003	−0.001	−0.001	−0.001	−0.001	−0.001
	[−2.404]	[−0.520]	[−3.354]	[−2.211]	[−3.414]	[−3.064]	[−3.636]
$\beta^{FF4}_{SMB,crisis}$	0.234	0.133	0.188				
	[2.433]	[1.100]	[1.906]				
$\beta^{FF4}_{HML,crisis}$	−0.718	−0.420	−0.887				
	[−7.988]	[−4.149]	[−10.018]				
Style FE	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X
Observations	18,347	18,711	18,347	18,347	18,347	18,347	18,347
Adjusted R^2	0.082	0.072	0.255	0.162	0.161	0.193	0.174

Table E.12: Determinants of H1 2020 Active Returns

This table adjusts Table 7 in the main paper by including all active portfolio tilts that are non-redundant for explaining H1 2020 active returns.

	H1 2020 Active Return (%)
	(1)
Non-Partisan Share	−0.12
	[−0.40]
Net Republican Leaning	0.03
	[0.36]
Star Rating	0.63
	[3.40]
$\mathbb{I}$(4 or 5 Sustainability Globes)	0.48
	[1.80]
$\mathbb{I}$(High COVID County)	−0.33
	[−0.68]
β_{pre}^{CAPM} (%)	0.07
	[1.84]
Δ FAANGM (%)	0.43
	[2.94]
$\Delta\beta_{Mkt,24M}^{FF4}$ (%)	0.05
	[1.39]
Style FE	X
Fund-Level Controls	X
Observations	497
Adjusted R^2	0.28

Table E.13: Manager Fixed Effects for Weekly Benchmark-Adjusted Returns

This table reproduces and modifies columns 1, 5, 6, and 7 of Table 2 to show the relation between non-partisanship and weekly benchmark-adjusted returns both without and with manager fixed effects. Non-partisanship is measured as the non-partisan share of matched managers on the fund team. An additional slight modification is to exclude the partisan leaning variable (Net Republican Leaning) so as to better focus on the relation between non-partisanship and average returns.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Weekly Raw Returns (%)							
Non-Partisan Share	0.19	−4.62	0.19	−2.82	0.17	−2.93	0.22	−1.62
	[2.66]	[−4.61]	[3.66]	[−3.36]	[3.53]	[−7.63]	[4.45]	[−2.48]
𝕀(High COVID County)			0.005	−0.17	0.02	−0.13	−0.04	0.02
			[0.05]	[−5.17]	[0.25]	[−2.25]	[−0.61]	[0.24]
β_{pre}^{Mkt} (%)			−0.03	−0.01	−0.03	−0.01	−0.03	−0.01
			[−8.98]	[−1.22]	[−7.83]	[−1.41]	[−7.50]	[−2.22]
Star Rating			0.32	0.21	0.32	0.22	0.19	0.17
			[10.97]	[3.24]	[11.24]	[3.55]	[7.90]	[4.66]
𝕀(4 or 5 Sustainability Globes)			0.36	0.15	0.35	0.12	0.30	0.25
			[5.84]	[1.03]	[6.07]	[0.82]	[4.67]	[3.08]
Style FE	X	X	X	X	X	X	X	X
Week FE	X	X	X	X	X	X	X	X
Manager FE		X		X		X		X
Fund-Level Controls					X	X	X	X
Industry Controls							X	X
Observations	4,683	4,683	4,110	4,110	4,070	4,070	4,070	4,070
Adjusted R^2	0.87	0.88	0.89	0.89	0.89	0.88	0.89	0.89

APPENDIX F

ADDITIONAL FLOW RESULTS

This subsection features new information on flows mentioned in the paper that is not also presented in the paper. This includes the following:

- Figures F.1 and F.2 show that the sustainable fund flow advantage disappears for funds with majority Republican managers but is largely similar for funds with majority Democratic managers and funds with majority non-partisan managers.

- Figure F.3 plots weekly coefficients for non-partisan flow outperformance. Standard errors are clustered by time (week), as would be desired if one was interested in the statistical significance of weekly flow outperformance instead of overall flow outperformance.

- Figure F.4 plots weekly coefficients for politically-misaligned funds' flow underperformance. Standard errors are clustered by time (week), as would be desired if one was interested in the statistical significance of weekly flow underperformance instead of overall flow underperformance.

- Table F.1 shows that the political misalignment effect on flows is at most weak when flipping political misalignment to focus on Democratic managers and a Republican-leaning clientele.

- Table F.2 shows that the political misalignment effect is not driven by politically aligned funds attracting more flows.

- Table F.3 shows that both environmental and social sustainability issues are important for the effect of political misalignment on flows.

- Table F.4 - F.6 show that the main flow results – non-partisans have more net flows, politically misaligned funds have less net flows, and institutional funds drive the political misalignment effect – are strong for 6 months following the onset of Covid-19.

- Table F.7 shows that the effect of political misalignment on flows is much larger following the onset of Covid-19.

- Table F.8 shows that there is at best weak evidence of fire sales for politically misaligned funds.

- Tables F.9 and F.10 reproduce and modify the main flow regressions (Tables 9 and 11) to show that the flow outperformance of non-partisan funds and the flow underperformance of politically-misaligned funds do not disappear with manager fixed effects.

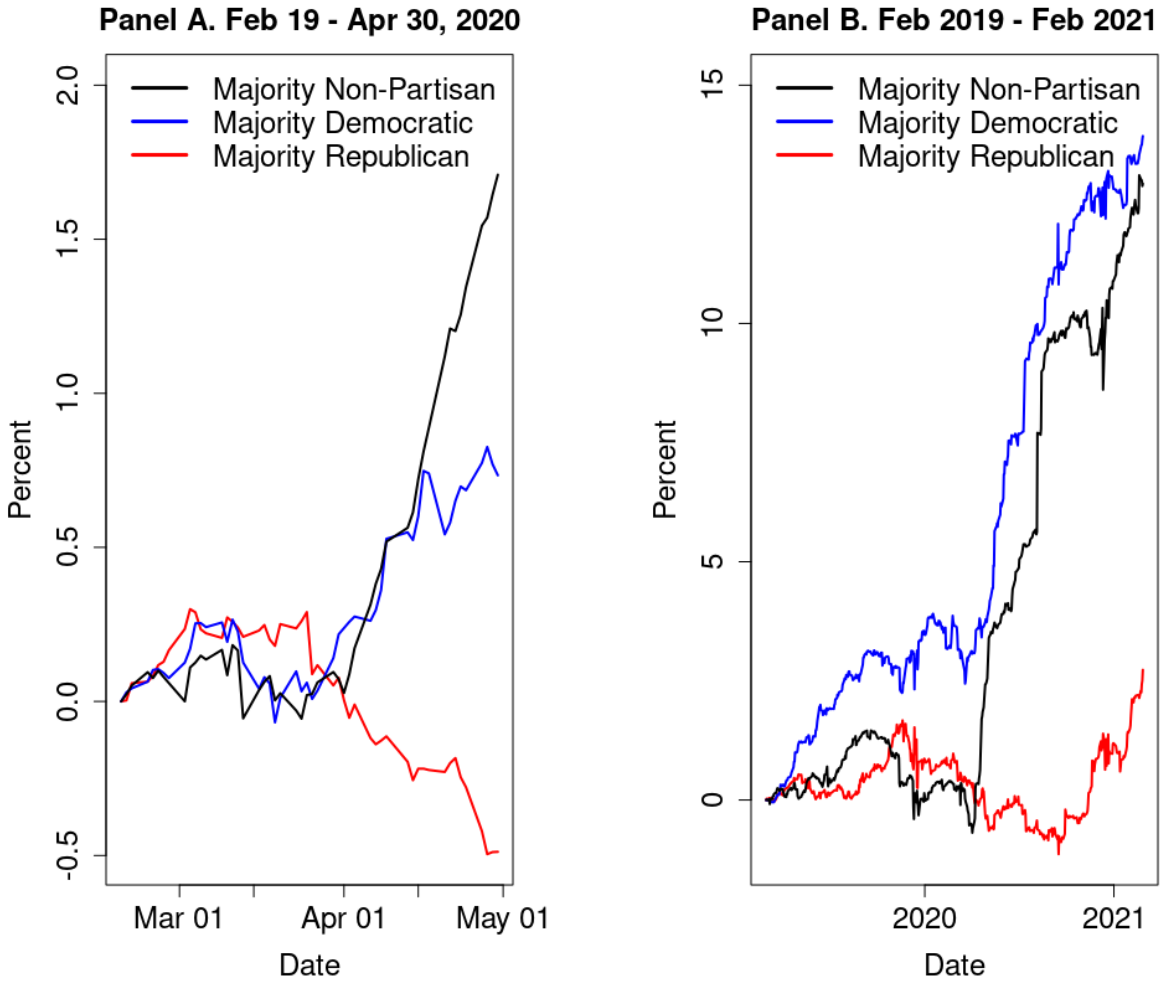


Figure F.1: Sustainability Flow Advantage by Manager Partisanship

This figure adjusts Figure 6 in the main paper to show how the sustainable fund flow advantage varies for three types of mutually exclusive partisanship: majority Democratic managers, majority Republican managers, and majority non-partisan managers. For ease of interpretation and comparison, confidence intervals are omitted.

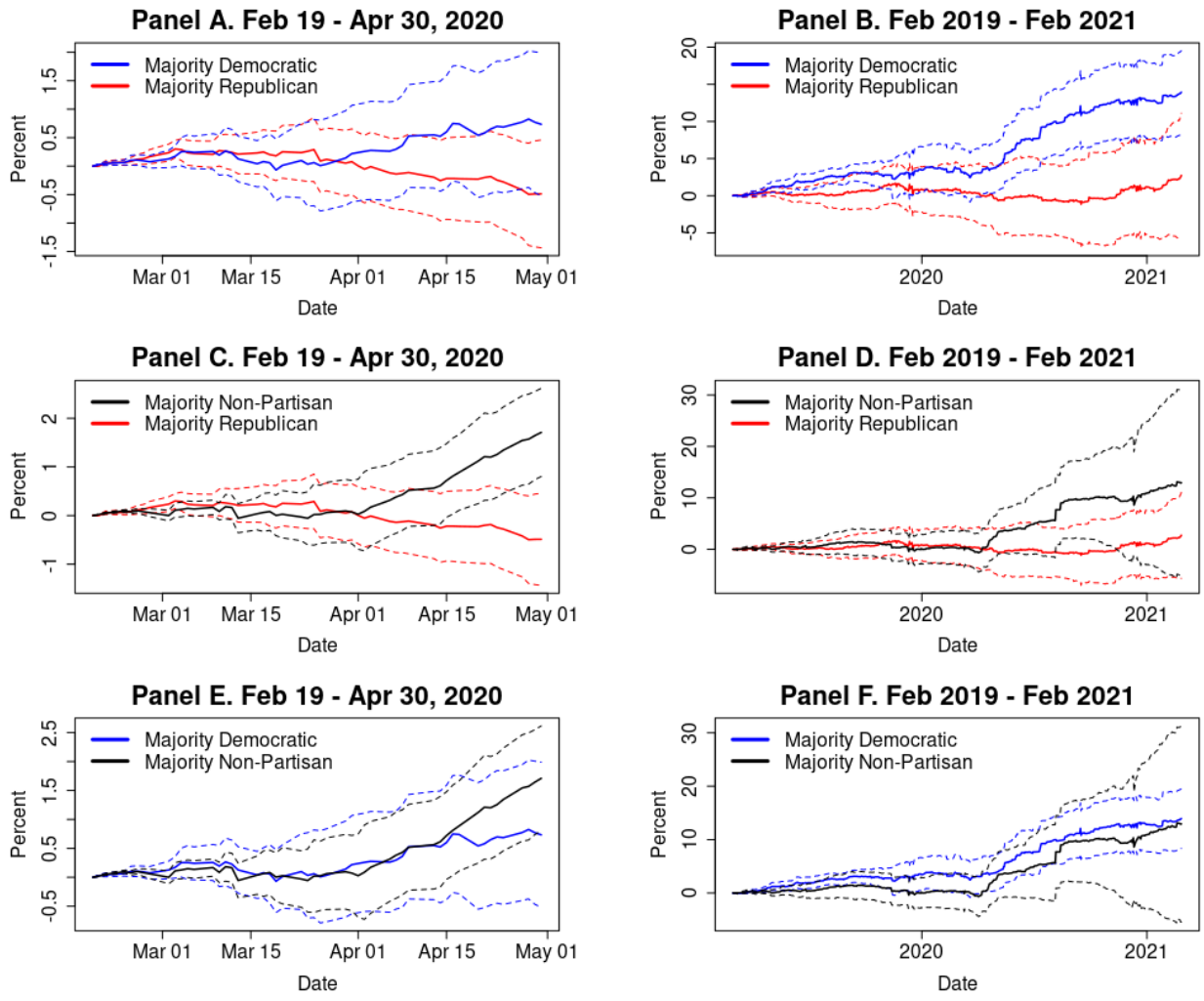


Figure F.2: Sustainability Flow Advantage by Manager Partisanship, With Confidence Intervals

This figure adjusts Figure F.1 by including 90% confidence intervals. For clarity, only two manager types are compared in each panel.

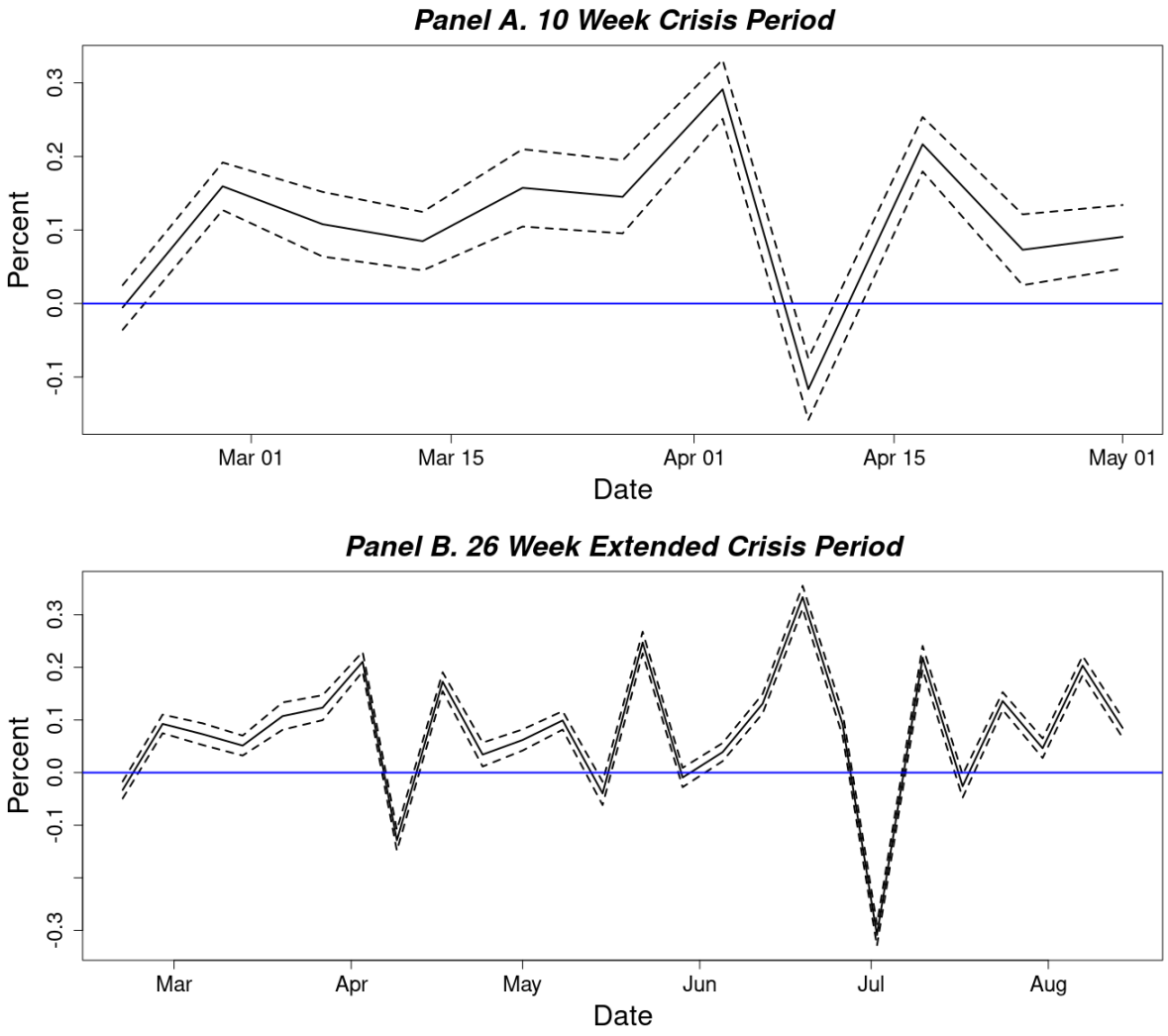


Figure F.3: Non-Partisan Majority Fund Flow Outperformance

The figure plots average weekly fund flows (in percentage points) for non-partisan majority manager funds (relative to partisan majority manager funds). Panel A presents the results for the 10-week crisis period (February 19 - April 30, 2020) and Panel B presents the results for the 26-week extended crisis period (February 19 - August 18, 2020). The coefficients are estimated after controlling for the fund characteristics common to most flow regressions, namely contemporaneous and week-lagged benchmark-adjusted returns, week-lagged flows, precrisis CAPM market beta, Morningstar star rating, an indicator for explicitly sustainable funds, log fund age, log net assets, net expense ratio, turnover ratio, net cash, an indicator for single-managed funds, and dummies for the number of matched managers on the fund team. The regressions use weekly fund flows (winsorized at the 1% and 99% levels) and include both benchmark and week fixed effects. Standard errors are clustered by time (week) and 95% confidence intervals are plotted in dashed lines.

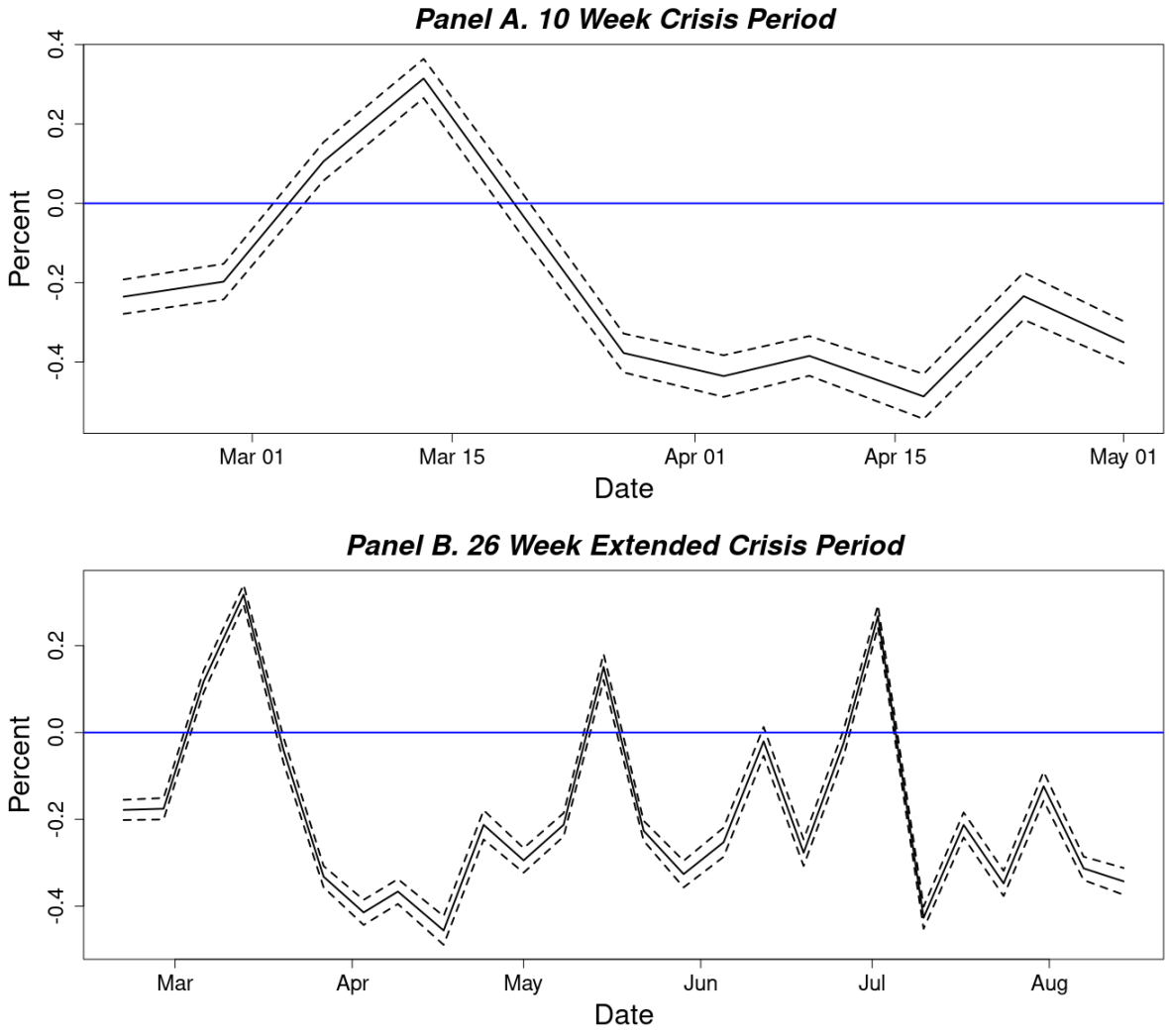


Figure F.4: Politically Misaligned Fund Flow Underperformance

The figure plots average weekly fund flows (in percentage points) for politically misaligned funds (relative to funds that are not politically misaligned). Panel A presents the results for the 10-week crisis period (February 19 - April 30, 2020) and Panel B presents the results for the 26-week extended crisis period (February 19 - August 18, 2020). Political misalignment is measured as the incremental effect of a fund only having Republican managers and being explicitly sustainable, after controlling for the level effects of a fund only having Republican managers and a fund being explicitly sustainable. All three coefficients are estimated as being time-varying. In addition, these coefficients are estimated after controlling for the fund characteristics common to most flow regressions, namely contemporaneous and week-lagged benchmark-adjusted returns, week-lagged flows, precrisis CAPM market beta, Morningstar star rating, an indicator for explicitly sustainable funds, log fund age, log net assets, net expense ratio, turnover ratio, net cash, an indicator for single-managed funds, and dummies for the number of matched managers on the fund team. The regressions use weekly fund flows (winsorized at the 1% and 99% levels) and include both benchmark and week fixed effects. Standard errors are clustered by time (week) and 95% confidence intervals are plotted in dashed lines.

Table F.1: Flipping Political Misalignment in Weekly Flows

This table builds on Table 11 in the main paper to consider the opposite type of misaligned manager-investor partisanship – that is, Democratic managers paired with a Republican-leaning clientele. The Democratic manager indicator is equal to one for teams with at least one "strong" or "moderate" Democrat and no "strong" or "moderate" Republican. The Republican state indicator is formed with k-means clustering ($k = 2$) on the fund headquarter's state-level 2016 vote share.

	Weekly Crisis-Period Net Flows (%)									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
$\mathbb{I}$(Only Dem Managers)	0.18	0.19	0.13	0.04	0.02	0.03	0.07	0.02	0.03	0.07
	[1.27]	[1.21]	[1.23]	[0.77]	[0.41]	[0.56]	[1.33]	[0.38]	[0.52]	[1.27]
$\mathbb{I}$(Rep State)	0.08	0.09	0.07	0.08	0.04	0.03	0.01	0.04	0.03	0.01
	[1.32]	[1.34]	[1.36]	[1.84]	[0.81]	[0.75]	[0.25]	[0.80]	[0.74]	[0.24]
$\mathbb{I}$(Only Dem Managers and Rep State)	−0.35	−0.31	−0.25	−0.14	−0.07	−0.06	−0.10	−0.07	−0.06	−0.09
	[−2.23]	[−1.93]	[−2.21]	[−1.91]	[−0.88]	[−0.79]	[−1.20]	[−0.88]	[−0.78]	[−1.15]
Non-Partisan Share		0.18	0.12	0.11	0.14	0.15	0.17	0.13	0.15	0.17
		[3.57]	[3.10]	[2.54]	[2.99]	[3.17]	[3.73]	[2.91]	[3.09]	[3.65]
$\mathbb{I}$(Sustainable Fund)		0.13	0.08	0.10	0.08	0.10	0.11	0.08	0.09	0.11
		[1.13]	[0.89]	[2.14]	[1.86]	[2.05]	[3.27]	[1.74]	[1.94]	[3.19]
Δ_t^{Bench} (%)		0.01	0.01	0.01	0.01	0.01	0.01	0.001	0.003	0.01
		[1.07]	[1.55]	[0.99]	[0.96]	[1.15]	[1.39]	[0.08]	[0.27]	[0.92]
Δ_{t-1}^{Bench} (%)		0.01	0.01	−0.01	−0.01	−0.01	−0.01	−0.01	−0.01	−0.02
		[0.72]	[0.61]	[−0.94]	[−0.98]	[−0.79]	[−0.68]	[−0.82]	[−0.72]	[−1.13]
Weekly Flow$_{t-1}$ (%)			0.31	0.27	0.27	0.26	0.24	0.28	0.28	0.27
			[7.74]	[20.36]	[17.93]	[17.90]	[17.30]	[18.84]	[18.73]	[18.94]
β_{pre}^{Mkt} (%)			0.002	0.002	0.004	0.004	0.005	0.004	0.004	0.005
			[0.98]	[1.81]	[2.15]	[1.44]	[1.77]	[2.14]	[1.40]	[1.72]
Star Rating$_{t-1}$				0.16	0.15	0.16	0.17	0.15	0.16	0.17
				[7.60]	[7.68]	[6.66]	[8.31]	[7.70]	[6.79]	[8.44]
Style FE	X	X	X	X	X	X	X			
Week FE	X	X	X	X	X	X	X			
Style x Week FE								X	X	X
Fund-Level Controls					X	X	X	X	X	X
Industry Controls						X	X		X	X
Demographics							X			X
Demographic Diversity							X			X
Observations	7,356	6,802	6,741	6,357	6,313	6,313	5,578	6,313	6,313	5,578
Adjusted R^2	0.02	0.02	0.12	0.12	0.13	0.13	0.14	0.16	0.16	0.18

Table F.2: Flows and No Effect From Political Alignment

This table builds on Table 13 in the main paper to consider whether the political misalignment effect on flows is from politically aligned funds attracting more flows or politically misaligned funds receiving less flows. Here, the Democratic-leaning clientele is measured with the sustainable fund indicator and the fund's partisanship strength is measured as the number of Democratic managers (truncated at 2) and the number of Republican managers (truncated at 5).

	Weekly Crisis-Period Net Flows (%)									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
# Rep Managers	0.12	0.15	0.11	0.11	0.13	0.12	0.08	0.12	0.11	0.07
	[5.40]	[6.65]	[7.40]	[7.94]	[3.90]	[3.66]	[2.23]	[3.77]	[3.53]	[2.12]
# Dem Managers	−0.03	0.04	0.004	−0.02	0.01	0.02	−0.003	0.01	0.02	−0.004
	[−0.31]	[0.48]	[0.08]	[−0.22]	[0.19]	[0.37]	[−0.05]	[0.14]	[0.31]	[−0.07]
$\mathbb{I}$(Dem State)	0.16	0.15	0.11	0.07	0.08	0.07	0.09	0.07	0.07	0.09
	[2.34]	[2.18]	[2.27]	[1.58]	[1.50]	[1.49]	[1.74]	[1.50]	[1.48]	[1.73]
# Rep Managers * $\mathbb{I}$(Dem State)	−0.28	−0.26	−0.20	−0.18	−0.16	−0.16	−0.15	−0.16	−0.16	−0.15
	[−9.24]	[−7.84]	[−9.40]	[−7.65]	[−5.40]	[−5.91]	[−8.85]	[−5.43]	[−5.92]	[−8.61]
# Dem Managers * $\mathbb{I}$(Dem State)	0.08	0.04	0.05	0.01	0.0002	−0.002	0.01	0.0002	−0.002	0.01
	[0.61]	[0.34]	[0.55]	[0.21]	[0.004]	[−0.02]	[0.11]	[0.002]	[−0.02]	[0.08]
Non-Partisan Share		0.20	0.13	0.13	0.16	0.17	0.16	0.16	0.17	0.15
		[3.38]	[2.60]	[2.53]	[3.10]	[3.36]	[2.68]	[2.98]	[3.24]	[2.58]
$\mathbb{I}$(Sustainable Fund)		0.13	0.08	0.09	0.07	0.09	0.11	0.07	0.08	0.10
		[1.15]	[0.86]	[2.06]	[1.64]	[1.78]	[3.08]	[1.54]	[1.68]	[3.00]
Δ_t^{Bench} (%)		0.01	0.01	0.01	0.01	0.01	0.01	0.0003	0.002	0.01
		[0.94]	[1.47]	[0.95]	[0.91]	[1.10]	[1.34]	[0.02]	[0.22]	[0.85]
Δ_{t-1}^{Bench} (%)		0.01	0.005	−0.01	−0.01	−0.01	−0.01	−0.01	−0.01	−0.02
		[0.55]	[0.52]	[−0.97]	[−1.02]	[−0.84]	[−0.72]	[−0.85]	[−0.76]	[−1.15]
Weekly Flow$_{t-1}$ (%)			0.31	0.27	0.26	0.26	0.24	0.28	0.27	0.26
			[7.42]	[20.18]	[18.13]	[17.98]	[16.98]	[19.16]	[18.88]	[18.47]
β_{pre}^{Mkt} (%)			0.003	0.003	0.004	0.004	0.01	0.004	0.004	0.005
			[1.64]	[2.53]	[2.41]	[1.59]	[1.84]	[2.40]	[1.55]	[1.79]
Star Rating$_{t-1}$				0.15	0.15	0.16	0.17	0.15	0.16	0.17
				[7.86]	[7.80]	[6.65]	[8.43]	[7.82]	[6.79]	[8.55]
Style FE	X	X	X	X	X	X	X			
Week FE	X	X	X	X	X	X	X			
Style x Week FE								X	X	X
Fund-Level Controls					X	X	X	X	X	X
Industry Controls						X	X		X	X
Demographics							X			X
Demographic Diversity							X			X
Observations	7,356	6,802	6,741	6,357	6,313	6,313	5,578	6,313	6,313	5,578
Adjusted R^2	0.03	0.03	0.12	0.13	0.13	0.13	0.14	0.16	0.16	0.18

Table F.3: Flows and Individual Sustainability Issues

This table builds on Table 10 in the main paper to consider which sustainability issues are important for the political misalignment effect on flows. Each column corresponds to a different variable being used for the sustainability indicator: (1) the baseline indicator (at least one of "sustainable investment," "employs exclusions," "socially conscious," "low carbon," or 5 sustainability globes); (2) only funds with the "sustainable investment" label; (3) only funds with the "employs exclusions" label; (4) only funds with the "socially conscious" label; (5) only funds with the "low carbon" label; (6) only funds with 5 sustainability globes; (7) only funds with 4 sustainability globes; (8) expanding the baseline measure to also count funds with 4 sustainability globes; and (9) modifying the baseline measure to require two categories, not just one. Here, I use style-by-week fixed effects.

	Weekly Net Fund Flows (%)								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\mathbb{I}$(Only Rep Managers)	0.09	−0.0000	0.01	0.02	0.05	0.02	0.02	0.10	0.04
	[1.89]	[−0.0000]	[0.20]	[0.49]	[1.22]	[0.57]	[0.36]	[2.18]	[1.02]
$\mathbb{I}$(Sustainable)	0.14	0.11	0.18	0.11	0.07	0.29	−0.11	0.04	0.23
	[3.25]	[1.51]	[2.70]	[2.15]	[1.10]	[2.92]	[−2.00]	[1.55]	[2.95]
$\mathbb{I}$(Only Rep Managers) * $\mathbb{I}$(Sustainable)	−0.24	−0.06	−0.12	−0.15	−0.23	−0.44	−0.12	−0.23	−0.36
	[−3.56]	[−0.46]	[−1.07]	[−2.84]	[−3.00]	[−3.21]	[−1.32]	[−3.57]	[−3.48]
Non-Partisan Share	0.12	0.13	0.14	0.12	0.13	0.14	0.11	0.12	0.14
	[2.99]	[3.53]	[3.75]	[3.04]	[3.11]	[3.52]	[2.80]	[3.09]	[3.45]
Δ_t^{Bench} (%)	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
	[0.69]	[0.73]	[0.74]	[0.71]	[0.74]	[0.74]	[0.78]	[0.75]	[0.73]
Δ_{t-1}^{Bench} (%)	−0.02	−0.02	−0.02	−0.02	−0.02	−0.02	−0.02	−0.02	−0.02
	[−1.12]	[−1.09]	[−1.08]	[−1.13]	[−1.07]	[−1.08]	[−1.07]	[−1.08]	[−1.10]
Weekly Flow$_{t-1}$ (%)	0.26	0.27	0.27	0.27	0.26	0.26	0.26	0.26	0.26
	[23.48]	[23.20]	[23.37]	[23.91]	[22.45]	[21.39]	[23.08]	[22.09]	[21.50]
β_{pre}^{Mkt} (%)	0.003	0.003	0.003	0.003	0.004	0.004	0.003	0.003	0.003
	[1.75]	[1.59]	[1.63]	[1.49]	[1.80]	[1.79]	[1.56]	[1.71]	[1.56]
Star Rating$_{t-1}$	0.17	0.16	0.17	0.17	0.16	0.17	0.17	0.17	0.17
	[8.47]	[8.55]	[9.13]	[8.76]	[8.30]	[8.73]	[9.39]	[8.45]	[8.57]
Sustainability Label	General	Investment	Exclusions	Social	Low Carbon	5 Globes	4 Globes	Broader	Narrower
Style x Week FE	X	X	X	X	X	X	X	X	X
Fund-Level Controls	X	X	X	X	X	X	X	X	X
Industry Controls	X	X	X	X	X	X	X	X	X
Demographic Controls	X	X	X	X	X	X	X	X	X
Diversity Controls	X	X	X	X	X	X	X	X	X
Observations	6,443	6,443	6,443	6,443	6,443	6,443	6,443	6,443	6,443
Adjusted R^2	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15

Table F.4: Extended Crisis Period for Non-Partisan Effect on Flows

This table extends Table 9 in the main paper to consider the 6 month extended crisis period (February 20 to August 19, 2020) instead of just the 10 week crisis period (February 20 to April 30, 2020).

	Weekly Flows (%)									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Non-Partisan Share	0.11	0.11	0.07	0.08	0.09	0.10	0.08	0.09	0.10	0.08
	[2.75]	[2.70]	[2.53]	[3.12]	[2.86]	[2.92]	[2.51]	[2.82]	[2.93]	[2.53]
$\mathbb{I}$(Sustainable Fund)		0.11	0.08	0.04	0.04	0.04	0.04	0.04	0.04	0.04
		[2.62]	[2.37]	[1.84]	[1.90]	[1.87]	[1.32]	[1.77]	[1.73]	[1.23]
Δ_t^{Bench} (%)		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
		[1.41]	[1.39]	[1.89]	[1.99]	[2.14]	[1.77]	[1.35]	[1.39]	[1.53]
Δ_{t-1}^{Bench} (%)		0.01	0.01	0.001	0.001	0.001	−0.002	−0.001	−0.001	−0.01
		[1.43]	[1.38]	[0.12]	[0.09]	[0.16]	[−0.30]	[−0.12]	[−0.08]	[−0.64]
Weekly Flow$_{t-1}$ (%)			0.30	0.28	0.27	0.27	0.26	0.27	0.27	0.27
			[14.62]	[25.32]	[23.95]	[23.92]	[26.97]	[23.31]	[23.30]	[23.95]
β_{pre}^{Mkt} (%)			−0.001	0.001	0.002	0.001	0.002	0.002	0.001	0.002
			[−0.48]	[0.66]	[1.61]	[0.88]	[1.47]	[1.62]	[0.83]	[1.40]
Star Rating$_{t-1}$				0.14	0.14	0.14	0.14	0.14	0.14	0.14
				[14.49]	[13.93]	[10.76]	[11.16]	[13.82]	[10.70]	[11.09]
Style FE	X	X	X	X	X	X	X			
Week FE	X	X	X	X	X	X	X			
Style x Week FE								X	X	X
Fund-Level Controls					X	X	X	X	X	X
Industry Controls						X	X		X	X
Demographics							X			X
Demographic Diversity							X			X
Observations	19,462	18,107	17,905	16,864	16,766	16,766	15,095	16,766	16,766	15,095
Adjusted R^2	0.02	0.02	0.11	0.13	0.13	0.13	0.14	0.15	0.15	0.16

Table F.5: Extended Crisis Period for Political Misalignment Effect on Flows

This table extends Table 11 in the main paper to consider the 6 month extended crisis period (February 20 to August 19, 2020) instead of just the 10 week crisis period (February 20 to April 30, 2020).

	Weekly Flows (%)									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
$\mathbb{I}$(Only Rep Managers)	0.06	0.10	0.07	0.08	0.04	0.02	−0.01	0.04	0.02	−0.004
	[1.39]	[1.93]	[1.98]	[3.15]	[1.21]	[0.87]	[−0.18]	[1.17]	[0.84]	[−0.13]
$\mathbb{I}$(Sustainable Fund)	0.17	0.17	0.12	0.10	0.08	0.08	0.08	0.08	0.08	0.07
	[3.88]	[3.66]	[3.39]	[4.32]	[3.71]	[3.66]	[2.26]	[3.61]	[3.57]	[2.22]
$\mathbb{I}$(Only Rep Managers and Sustainable Fund)	−0.19	−0.19	−0.13	−0.21	−0.18	−0.18	−0.16	−0.18	−0.18	−0.16
	[−2.27]	[−2.38]	[−2.37]	[−4.60]	[−4.11]	[−4.43]	[−3.88]	[−4.01]	[−4.34]	[−3.85]
Non-Partisan Share		0.12	0.08	0.08	0.08	0.08	0.06	0.08	0.08	0.06
		[2.40]	[2.27]	[2.86]	[2.48]	[2.40]	[1.73]	[2.43]	[2.38]	[1.73]
Δ_t^{Bench} (%)		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
		[1.43]	[1.41]	[1.90]	[1.98]	[2.17]	[1.81]	[1.33]	[1.41]	[1.56]
Δ_{t-1}^{Bench} (%)		0.01	0.01	0.001	0.001	0.001	−0.002	−0.001	−0.001	−0.01
		[1.46]	[1.40]	[0.10]	[0.08]	[0.19]	[−0.27]	[−0.13]	[−0.06]	[−0.62]
Weekly Flow$_{t-1}$ (%)			0.30	0.27	0.27	0.27	0.26	0.27	0.27	0.26
			[14.53]	[25.28]	[23.86]	[23.77]	[26.87]	[23.29]	[23.21]	[23.96]
β_{pre}^{Mkt} (%)			−0.001	0.001	0.002	0.001	0.002	0.002	0.001	0.002
			[−0.46]	[0.69]	[1.64]	[0.88]	[1.59]	[1.65]	[0.82]	[1.51]
Star Rating$_{t-1}$				0.14	0.14	0.14	0.14	0.14	0.15	0.14
				[14.36]	[13.79]	[10.77]	[11.81]	[13.71]	[10.74]	[11.77]
Style FE	X	X	X	X	X	X	X			
Week FE	X	X	X	X	X	X	X			
Style x Week FE								X	X	X
Fund-Level Controls					X	X	X	X	X	X
Industry Controls						X	X		X	X
Demographics							X			X
Demographic Diversity							X			X
Observations	19,462	18,107	17,905	16,864	16,766	16,766	15,095	16,766	16,766	15,095
Adjusted R^2	0.02	0.02	0.11	0.13	0.13	0.13	0.14	0.15	0.15	0.16

Table F.6: Extended Crisis Period for Institutional and Retail Flow Comparison

This table extends Table 12 in the main paper to consider the 6 month extended crisis period (February 20 to August 19, 2020) instead of just the 10 week crisis period (February 20 to April 30, 2020).

	Institutional Funds				Retail Funds			
	Weekly Crisis-Period Net Flows (%)							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$\mathbb{I}$(Only Rep Managers)	0.16	0.20	0.16	0.20	−0.05	−0.07	−0.05	−0.07
	[3.20]	[2.56]	[3.04]	[2.49]	[−0.94]	[−1.35]	[−0.92]	[−1.39]
$\mathbb{I}$(Sustainable Fund)	0.12	0.24	0.12	0.24	0.09	0.07	0.09	0.07
	[1.17]	[2.53]	[1.16]	[2.41]	[3.44]	[2.55]	[3.22]	[2.36]
$\mathbb{I}$(Only Rep Managers and Sustainable Fund)	−0.52	−0.59	−0.52	−0.59	−0.06	−0.05	−0.06	−0.05
	[−6.54]	[−8.63]	[−6.41]	[−8.30]	[−0.68]	[−0.69]	[−0.58]	[−0.58]
Non-Partisan Share	0.18	0.23	0.17	0.23	−0.06	−0.04	−0.06	−0.05
	[1.37]	[2.84]	[1.28]	[2.82]	[−1.85]	[−1.23]	[−1.74]	[−1.29]
Δ_t^{Bench} (%)	0.02	0.01	0.03	0.02	0.005	0.004	−0.003	0.003
	[2.39]	[1.48]	[3.04]	[2.09]	[0.80]	[0.67]	[−0.27]	[0.26]
Δ_{t-1}^{Bench} (%)	−0.01	−0.01	−0.01	−0.03	0.002	−0.01	−0.001	−0.01
	[−0.63]	[−1.16]	[−1.14]	[−1.88]	[0.32]	[−0.62]	[−0.15]	[−1.02]
Weekly Flow$_{t-1}$ (%)	0.20	0.17	0.21	0.18	0.23	0.23	0.24	0.24
	[7.13]	[16.39]	[7.57]	[15.46]	[7.49]	[12.70]	[10.19]	[12.73]
β_{pre}^{Mkt} (%)	−0.002	−0.001	−0.002	−0.001	−0.01	−0.01	−0.01	−0.01
	[−0.44]	[−0.32]	[−0.40]	[−0.24]	[−2.90]	[−3.28]	[−2.78]	[−3.14]
Star Rating$_{t-1}$	0.21	0.24	0.22	0.24	0.10	0.09	0.10	0.10
	[3.94]	[7.80]	[4.19]	[8.28]	[6.12]	[6.29]	[5.49]	[6.28]
Style FE	X	X			X	X		
Week FE	X	X			X	X		
Style x Week FE			X	X			X	X
Fund-Level Controls	X	X	X	X	X	X	X	X
Industry Controls	X	X	X	X	X	X	X	X
Demographics		X		X		X		X
Demographic Diversity		X		X		X		X
Observations	4,082	3,798	4,082	3,798	7,203	6,307	7,203	6,307
Adjusted R^2	0.10	0.09	0.10	0.09	0.13	0.15	0.18	0.21

Table F.7: Political Misalignment, Flows, and Covid Event Study

This table adjusts Table 11 in the main paper to consider whether the effect of political misalignment on flows is a pre- or post-Covid phenomenon. This version considers 6-months pre- and post-Covid spanning the August 19, 2019 to August 20, 2020 time period. The post-Covid indicator is for the time period beginning February 20, 2020.

	Weekly Crisis-Period Net Flows (%)									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
$\mathbb{I}$(Only Rep Managers)	0.01	0.03	0.04	0.03	−0.0003	−0.01	−0.03	−0.003	−0.01	−0.03
	[0.26]	[0.96]	[1.42]	[1.21]	[−0.01]	[−0.29]	[−1.21]	[−0.08]	[−0.28]	[−0.94]
$\mathbb{I}$(Sustainable Fund)	0.10	0.10	0.06	0.04	0.02	0.03	0.02	0.04	0.04	0.04
	[3.84]	[3.87]	[2.48]	[1.49]	[0.74]	[0.99]	[1.00]	[1.29]	[1.55]	[1.37]
$\mathbb{I}$(Only Rep Managers and Sustainable Fund)	−0.05	−0.05	−0.003	−0.04	−0.002	−0.01	0.004	−0.004	−0.01	−0.0002
	[−0.88]	[−1.04]	[−0.07]	[−0.76]	[−0.04]	[−0.11]	[0.08]	[−0.09]	[−0.19]	[−0.005]
$\mathbb{I}$(Only Rep Managers) * $\mathbb{I}$(Post-Covid)	0.04	0.06	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.08
	[1.16]	[1.21]	[2.78]	[2.36]	[2.35]	[2.27]	[2.14]	[2.02]	[1.99]	[1.63]
$\mathbb{I}$(Sustainable Fund) * $\mathbb{I}$(Post-Covid)	0.09	0.08	0.10	0.10	0.10	0.09	0.09	0.05	0.06	0.05
	[2.04]	[1.80]	[2.95]	[2.55]	[2.48]	[2.52]	[2.70]	[1.37]	[1.43]	[1.38]
$\mathbb{I}$(Only Rep Managers and Sustainable Fund) * $\mathbb{I}$(Post-Covid)	−0.14	−0.13	−0.15	−0.16	−0.16	−0.17	−0.16	−0.16	−0.16	−0.15
	[−1.74]	[−1.67]	[−1.88]	[−2.22]	[−2.21]	[−2.24]	[−2.28]	[−2.44]	[−2.45]	[−2.38]
Non-Partisan Share		0.03	0.02	0.01	0.03	0.02	0.0005	0.03	0.01	−0.004
		[0.60]	[1.02]	[0.52]	[1.17]	[0.84]	[0.02]	[0.79]	[0.48]	[−0.12]
Non-Partisan Share * $\mathbb{I}$(Post-Covid)		0.08	0.12	0.12	0.13	0.13	0.13	0.14	0.15	0.14
		[2.09]	[3.57]	[3.86]	[4.02]	[4.34]	[4.01]	[3.80]	[4.17]	[3.71]
Δ_t^{Bench} (%)		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
		[1.50]	[1.54]	[2.70]	[2.71]	[2.72]	[2.21]	[1.72]	[1.67]	[1.93]
Δ_{t-1}^{Bench} (%)		0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.003
		[1.83]	[1.71]	[1.31]	[1.39]	[1.44]	[0.84]	[0.82]	[0.85]	[0.29]
Weekly Flow$_{pre}$ (%)			0.40	0.37	0.37	0.38	0.38	0.37	0.38	0.38
			[18.14]	[21.24]	[17.62]	[16.78]	[14.01]	[17.59]	[16.64]	[14.02]
β_{pre}^{Mkt} (%)			−0.001	−0.001	−0.0005	−0.001	−0.0004	−0.0004	−0.001	−0.0004
			[−1.45]	[−1.15]	[−0.41]	[−0.73]	[−0.31]	[−0.36]	[−0.65]	[−0.28]
Star Rating$_{t-1}$				0.09	0.10	0.10	0.11	0.10	0.10	0.11
				[7.64]	[7.82]	[6.46]	[8.34]	[8.01]	[6.65]	[8.96]
Style FE	X	X	X	X	X	X	X			
Week FE	X	X	X	X	X	X	X			
Style x Week FE								X	X	X
Fund-Level Controls					X	X	X	X	X	X
Industry Controls						X	X		X	X
Demographic Controls							X			X
Diversity Controls							X			X
Observations	38,917	36,208	33,704	31,723	31,530	31,510	28,147	31,530	31,510	28,147
Adjusted R^2	0.02	0.02	0.07	0.08	0.08	0.08	0.09	0.09	0.09	0.10

Table F.8: Potential Fire Sales for Politically Misaligned Funds

This table adjusts Table 2 in the main paper to consider whether politically misaligned funds experience fire sales and worse return performance over the crisis period (February 20 to April 30, 2020). Note that, here, the flows are week-lagged.

	Weekly Raw Returns (%)								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
𝕀(Only Rep Managers)	−0.03	−0.01	−0.01	−0.02	−0.02	0.01	−0.03	0.004	−0.04
	[−1.00]	[−0.25]	[−0.25]	[−0.42]	[−0.48]	[0.22]	[−0.74]	[0.08]	[−1.02]
𝕀(Sustainable Fund)	0.20	0.19	0.19	0.21	0.14	0.14	0.05	0.13	0.04
	[5.46]	[4.11]	[4.11]	[4.26]	[3.30]	[3.53]	[1.74]	[3.15]	[1.40]
𝕀(Only Rep Managers and Sustainable Fund)		0.01	0.01	0.01	−0.02	−0.05	0.04	−0.05	0.05
		[0.07]	[0.07]	[0.07]	[−0.25]	[−0.54]	[0.62]	[−0.45]	[0.73]
Weekly Flow$_{t-1}$ (%)		2.32	2.32	2.39	1.44	1.52	1.61	−1.99	−1.92
		[0.83]	[0.83]	[0.83]	[0.39]	[0.41]	[0.45]	[−1.94]	[−2.00]
𝕀(Only Rep Managers and Sustainable Fund) * Weekly Flow$_{t-1}$ (%)		−0.30	−0.30	−0.77	−0.28	−0.21	1.41	1.94	3.64
		[−0.06]	[−0.06]	[−0.15]	[−0.05]	[−0.04]	[0.28]	[0.38]	[0.84]
𝕀(High COVID County)				−0.08	−0.09	−0.08	−0.06	−0.06	−0.05
				[−1.21]	[−1.35]	[−1.42]	[−1.70]	[−1.23]	[−1.42]
β_{pre}^{Mkt} (%)				−0.01	−0.004	−0.004	−0.01	−0.004	−0.01
				[−3.03]	[−1.77]	[−1.90]	[−4.92]	[−1.75]	[−4.76]
Star Rating					0.16	0.16	0.09	0.17	0.10
					[9.93]	[10.63]	[7.64]	[11.83]	[8.45]
𝕀(4 or 5 Sustainability Globes)					0.09	0.08	0.06	0.08	0.06
					[2.82]	[2.99]	[2.54]	[2.66]	[2.31]
Style FE	X	X	X	X	X	X	X		
Week FE	X	X	X	X	X	X	X		
Style x Week FE								X	X
Fund-Level Controls						X	X	X	X
Industry Controls							X		X
Observations	10,307	8,769	8,769	8,737	7,724	7,680	7,680	7,680	7,680
Adjusted R^2	0.91	0.91	0.91	0.91	0.92	0.92	0.92	0.97	0.97

Table F.9: Manager Fixed Effects for Weekly Flows: Non-Partisanship

This table reproduces and modifies columns 1, 4, 5, and 6 of Table 9 to show the relation between non-partisanship and weekly flows both without and with manager fixed effects. An additional modification is to estimate this regression over the 26-week extended crisis period (February 19 to August 18, 2020) so as to better estimate the manager fixed effects.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Weekly Flows$_t$ (%)							
Non-Partisan Share	0.11	2.02	0.08	2.95	0.09	2.73	0.10	3.57
	[2.75]	[5.07]	[3.12]	[6.28]	[2.86]	[13.48]	[2.92]	[3.90]
$\mathbb{I}$(Sustainable Fund)			0.04	−0.06	0.04	−0.06	0.04	−0.03
			[1.84]	[−1.75]	[1.90]	[−1.56]	[1.87]	[−0.62]
Δ_t^{Bench} (%)			0.01	0.01	0.01	0.01	0.01	0.01
			[1.89]	[1.36]	[1.99]	[1.33]	[2.14]	[1.37]
Δ_{t-1}^{Bench} (%)			0.001	−0.002	0.001	−0.002	0.001	−0.002
			[0.12]	[−0.32]	[0.09]	[−0.35]	[0.16]	[−0.32]
Weekly Flow$_{t-1}$ (%)			0.28	0.14	0.27	0.14	0.27	0.14
			[25.32]	[13.35]	[23.95]	[13.16]	[23.92]	[12.56]
β_{pre}^{Mkt} (%)			0.001	0.01	0.002	0.01	0.001	0.01
			[0.66]	[2.25]	[1.61]	[2.49]	[0.88]	[2.81]
Star Rating$_{t-1}$			0.14	0.12	0.14	0.11	0.14	0.10
			[14.49]	[7.20]	[13.93]	[5.88]	[10.76]	[5.28]
MS Category FE	X	X	X	X	X	X	X	X
Week FE	X	X	X	X	X	X	X	X
Manager FE		X		X		X		X
Fund-Level Controls					X	X	X	X
Industry Controls							X	X
Observations	19,462	19,462	16,864	16,864	16,766	16,766	16,766	16,766
Adjusted R^2	0.02	0.17	0.13	0.20	0.13	0.20	0.13	0.20

Table F.10: Manager Fixed Effects for Weekly Flows: Political Misalignment

This table reproduces and modifies columns 1, 4, 5, and 6 of Table 11 to show the relation between political misalignment and weekly flows both without and with manager fixed effects. An additional modification is to estimate this regression over the 26-week extended crisis period (February 19 to August 18, 2020) so as to better estimate the manager fixed effects.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Weekly Flows$_t$ (%)							
$\mathbb{I}$(Only Rep Managers)	0.06	−1.05	0.08	−0.66	0.04	−0.12	0.02	−0.56
	[1.39]	[−13.84]	[3.15]	[−5.03]	[1.21]	[−0.74]	[0.87]	[−2.96]
$\mathbb{I}$(Sustainable Fund)	0.17	0.02	0.10	0.005	0.08	0.01	0.08	0.06
	[3.88]	[0.33]	[4.32]	[0.11]	[3.71]	[0.14]	[3.66]	[1.87]
$\mathbb{I}$(Only Rep Managers & Sustainable Fund)	−0.19	−0.20	−0.21	−0.33	−0.18	−0.33	−0.18	−0.43
	[−2.27]	[−2.07]	[−4.60]	[−3.19]	[−4.11]	[−2.78]	[−4.43]	[−4.72]
Non-Partisan Share			0.08	2.66	0.08	2.56	0.08	3.17
			[2.86]	[3.48]	[2.48]	[11.19]	[2.40]	[3.94]
Δ_t^{Bench} (%)			0.01	0.01	0.01	0.01	0.01	0.01
			[1.90]	[1.34]	[1.98]	[1.32]	[2.17]	[1.39]
Δ_{t-1}^{Bench} (%)			0.001	−0.002	0.001	−0.002	0.001	−0.002
			[0.10]	[−0.34]	[0.08]	[−0.36]	[0.19]	[−0.31]
Weekly Flow$_{t-1}$ (%)			0.27	0.14	0.27	0.14	0.27	0.14
			[25.28]	[13.21]	[23.86]	[13.07]	[23.77]	[12.52]
β_{pre}^{Mkt} (%)			0.001	0.01	0.002	0.01	0.001	0.01
			[0.69]	[2.39]	[1.64]	[2.70]	[0.88]	[3.82]
Star Rating$_{t-1}$			0.14	0.12	0.14	0.11	0.14	0.11
			[14.36]	[7.83]	[13.79]	[5.75]	[10.77]	[6.06]
MS Category FE	X	X	X	X	X	X	X	X
Week FE	X	X	X	X	X	X	X	X
Manager FE		X		X		X		X
Fund-Level Controls					X	X	X	X
Industry Controls							X	X
Observations	19,462	19,462	16,864	16,864	16,766	16,766	16,766	16,766
Adjusted R^2	0.02	0.17	0.13	0.20	0.13	0.20	0.13	0.20