Chair of Corporate Governance
Seminar HWS2021 – Current Topics in Finance

Prof. Dr. Alexandra Niessen-Ruenzi, Mengqiao Du, and Chia-Yi Yen

Organization

- All necessary information (including topic descriptions) can be found on our website

  https://niessen.bwl.uni-mannheim.de

- Contact details for general questions: Chia-Yi Yen, cyen[at]mail.uni-mannheim.de

- Advisor:

  – Mengqiao Du: mengqiao.du[at]uni-mannheim.de

  – Chia-Yi Yen: cyen[at]mail.uni-mannheim.de

What are the prerequisites?

- You are a master student.

- You have successfully completed at least one finance course.

- Some knowledge of statistics and econometrics is useful and participants should be motivated to undertake empirical work.

- You are available in the time period from beginning of June to end of August.

Time-line

Please refer to the timeline information on the respective website:

https://www.bwl.uni-mannheim.de/en/finance/teaching/master/seminar-thesis/#c91102

- Submission of Online Applications

- Topics Allocation Announcement

- Starting Date

- Registration/Withdrawal Period

- Literature Review Paper Submission (6 Weeks)

- Empirical Paper Submission (8 Weeks)

Please pay attention to the deadlines!

FIN 604 Stata in Finance

- New course on how to write an empirical paper using Stata and the databases offered at the University of Mannheim.

- Not a mandatory prerequisite for writing a seminar paper or master thesis but highly recommended - in particular for empirical seminar theses and almost all of the master theses in the finance area.

- 2 ECTS

- Detailed information on the tutorial is available on the website of the Chair of Prof. Theissen:

  https://www.bwl.uni-mannheim.de/en/finance/teaching/master/seminar-thesis/#c125629

How to apply?

- Submit your priority list online between May 31 and June 14, 2021

- You can combine topics from different chairs. For example,

    - First preference: "3rd Topic, Chair of Prof. Niessen-Ruenzi";

    - Second preference: "10th Topic, Chair of Prof. Ruenzi";

    - Third preference: "4th Topic, Chair of Prof. Theissen"

- Please only choose topics you are really willing to work on

- The allocation of topics is based on the average grade of your finance exams and your priority list from the seminar application form.

    - Priority will be given to students with a high semester count.

How do we grade?

- The seminar paper will be supervised by Prof. Niessen-Ruenzi and an assigned advisor.

- Grading:

  – 2/3 seminar paper

  – 1/3 presentation of the seminar paper

- Own (empirical) contribution will be rewarded.

- Plagiarism: No excuse policy

How should your paper look like?

- 12 pages ($\pm$10%) (excluding appendix)

- Language: English

- Detailed formal requirements: See the guidelines provided on our website:

  https://www.bwl.uni-mannheim.de/en/niessen-ruenzi/teaching/course-page/englisch-fin731/#c162791

General remarks on the topics

- For each "broader" topic, there exists a literature review as well as an empirical topic:

  - **Odd** topic number (e.g. NR**3**) indicates literature review

  - **Even** topic number (e.g. NR**4**) indicates empirical topic

- Pay attention when filing your priority list!

- At most one student will be permitted for each topic version.

- For literature reviews, submission of the seminar paper within 6 weeks is required.

- For empirical topics, submission of the seminar paper within 8 weeks is required.

- Preliminary date for the seminar presentations: 09.09.2021 and 10.09.2021

- Raw data for the empirical topics will be either provided or gained from the databases available at the university, but processing and supplementing the data is necessary.

UNIVERSITÄT MANNHEIM
Fakultät für Betriebswirtschaftslehre

NR1/NR2: On evaluation methods of mutual fund performance

Advisor: Chia-Yi Yen

Motivation:
- How to evaluate mutual fund performance? E.g. Carhart (1997)'s alpha
- Problem: commonalities in fund returns.
    - E.g. funds which target the same benchmark index will generate correlated residuals
- Solution:
    - Hunter et al. (2014): Carhart (1997) factor models with Active Peer Benchmarks (APB), which accounts for unknown commonalities
    - Babalos et al. (2015): efficiency scores for each mutual fund based on stochastic frontier analysis
    - Premachandra et al. (2012): two-stage DEA model and identify which stage is the source of inefficiency.

Literature review (NR1)
- Goal: the methods of mutual fund performance evaluation
    - (1) the general development of performance evaluation methods over the past four decades,
    - (2) the strength and weakness of each performance evaluation method,
    - (3) a special focus on alternative evaluation methods, e.g. DEA and other unconventional approaches.

Empirical topic (NR2)
- Goal: the importance of benchmarking in evaluating mutual fund performance.
    - replicate the main empirical findings of Hunter et al. (2014)
    - further examine whether the choice of the benchmark will change the result.
    - The empirical work requires the use of databases on mutual funds. Data are accessible at the University of Mannheim, Antti Petajisto's website (http://www.petajisto.net/research.html)

NR3/NR4: Tax distortion and corporate decision making

Advisor: Chia-Yi Yen

Motivation:
- Taxes distort decision making. Different types of taxes affect individuals and corporations in different ways.
- Income taxes:
    - Ljungqvist et al. (2017) : firm reduces corporate risk-taking w.r.t. an increase in **corporate** income taxes
        - Due to limited ability to tax loss-offset: the government shares the firm's benefit in good times but not the loss in bad times.
    - Armstrong et al. (2019): CEOs increases corporate risk-taking w.r.t. an increase in **personal** income taxes
        - because taxes facilitate risk-sharing with the government
- Capital gains taxes:
    - Yost (2018) suggests a lock-in effect: CEOs reduces corporate risk-taking w.r.t. incease in capital gains taxes
        - To avoid capital gains, CEOs with higher ownership are discouraged to sell appreciated shares
        - CEOs are therefore locked in the company and have an incentive to reduce corporate risk-taking.

Literature review (NR3)
- Goal: the impact of different types of taxes in corporate decision making
    - such as capital gains/income taxes or personal/corporate taxes
    - (1) the impact of different types of taxes predicted by economic theories,
    - (2) whether empirical evidence supports those theoretical views, and
    - (3) a particular focus on risk-taking decisions.

Empirical topic (NR4)
- Goal: how managers' personal taxes influence their corporate risk-taking decisions.
    - replicate the main empirical findings of Armstrong et al. (2019)
    - and further check their robustness.
    - The empirical work requires the use of databases, including Compustat/CRSP, EDGAR, Execucomp, Thomson Reuters, and several government and non-profit datasets.

Advisor: Mengqiao Du

Motivation:

- Media coverage is a primary method through which investors receive information regarding mutual fund returns and other aspects of the manager and fund.
- Barber and Odean (2008) posit that news is a primary mechanism for catching investors' attention and provide evidence that investors buy stocks that catch their attention.
- Sirri and Tufano (1998) find circumstantial evidence that garnering a larger share of current media citations is related to faster current growth of mutual funds.
- Kaniel and Starks (2007) find that stance of media coverage affects net investor flows into the fund in ways consistent with investor attention and learning.

Literature review (NR1)

The goal of this seminar thesis is to provide a comprehensive review of the literature that covers the impact of media coverage on financial markets including stocks and mutual funds etc. Furthermore, related literature focusing on methodologies of analyzing textual information from media coverage should also be summarized. The discussion should include but is not limited to how media coverage influences investor attention and what media data previous literature uses.

Empirical topic (NR2)

The goal of this seminar thesis is to examine how media coverage on mutual funds influences fund flows. The student should download the news data and replicate the main findings in Kaniel and Starks (2007) with updated data. The empirical work requires the use of databases on mutual funds. All data are accessible at the University of Mannheim. Empirical work for this topic requires the use of statistical software (e.g. Stata) and natural language processing functions of Python, manipulation of data, and the application of econometric methods. Some experience in this area is helpful.

Advisor: Mengqiao Du

Motivation:
- Niessen-Ruenzi and Ruenzi (2019) find that female mutual fund managers receive fewer flows compared to their male counterparts, which may be one of the reasons why women are underrepresented in this industry.
- The media are instrumental in the process of gaining public consent. Media texts never simply mirror or reflect "reality", but instead construct hegemonic definitions of what should be accepted as "reality " (Carter and Steiner (2004)).
- Media coverage may emphasize the outperformance of male-managed funds rather than female-managed funds, enlarging the gender gap in the mutual fund industry.

Literature review (NR1)

The goal of this seminar thesis is to provide a comprehensive review of the literature that covers gender differences in media coverage. Furthermore, related literature focusing on gender differences in financial markets should also be summarized. The discussion should include but is not limited to how media coverage influences gender identity and the impact of gender identity on labor market choices.

Empirical topic (NR2)

The goal of this seminar thesis is to examine how media coverage on mutual funds differs for male and female fund managers. The student should download news coverage data and examine the determinants of media coverage with a focus on fund manager gender. The empirical work requires the use of databases on mutual funds. All data are accessible at the University of Mannheim. Empirical work for this topic requires the use of statistical software (e.g. Stata) and natural language processing functions of Python, manipulation of data, and the application of econometric methods. Some experience in this area is helpful.

Final Remarks

- Visit our website and find a detailed description of every topic

  https://www.bwl.uni-mannheim.de/en/niessen-ruenzi/teaching/course-page/englisch-fin731/

- Pay attention to the deadlines (submission of priority list).

- Apply only for topics you really want to work on.

- In case of questions, do not hesitate to contact us.

  – Mengqiao Du: mengqiao.du[at]uni-mannheim.de

  – Chia-Yi Yen: cyen[at]mail.uni-mannheim.de