



KATEDRA HOSPODÁRSKEJ POLITIKY



CENTRUM PRE EKONÓMIU A FINANČIE



NÁRODNÁ BANKA SLOVENSKA  
EUROSISTÉM



## BRATISLAVA ECONOMIC SEMINAR

April 27 2015

### **Ľuboš Pástor**

Charles P. McQuaid Professor of Finance, The University of Chicago  
Booth School of Business

### ***Scale and Skill in Active Management***

#### **Abstract**

We empirically analyze the nature of returns to scale in active mutual fund management. We find strong evidence of decreasing returns at the industry level: As the size of the active mutual fund industry increases, a fund's ability to outperform passive benchmarks declines. At the fund level, all methods considered indicate decreasing returns, though estimates that avoid econometric biases are insignificant. We also find that the active management industry has become more skilled over time. This upward trend in skill coincides with industry growth, which precludes the skill improvement from boosting fund performance. Finally, we find that performance deteriorates over a typical fund's lifetime. This result can also be explained by industry-level decreasing returns to scale.

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2318788](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2318788)

**Venue:** FMFI UK, Mlynská dolina, Room C, Bratislava

**Date:** April 27 2015

**Program:** 16:00 Ľuboš Pástor: ***Scale and Skill in Active Management***