Summary of "Do Fund Managers Misestimate Climatic Disaster Risk? *(The Review of Financial Studies，2020）*"

时间：2024 年 10 月 9 日 阅读：赵吕宇佳

1. What are the research questions?

- The paper examines whether fund managers overreact to large climatic disasters, and if this leads to misestimation of disaster-related risks in their investment portfolios.

2. Why are the research questions interesting?

- It investigates the behavioral biases of fund managers in the context of climate-related disasters.

3. What is the paper's contribution?

- **Salience Bias in Financial Decision-Making**

  -- **Prior**: *Tversky and Kahneman (1973)* and *Bordalo et al. (2012)* demonstrated how salience bias leads investors to overestimate the probability of vivid, rare events.

  -- **Extension**: This paper applies salience bias specifically to fund managers' responses to climatic disasters.

- **Local Bias in Fund Manager Decisions**

  -- **Prior**: *Coval and Moskowitz (2001)* and *Bernile et al. (2017)* found that fund managers have local information advantages.

  -- **Extension**: The study refines this by distinguishing between local information advantages and salience bias.

- **Climatic Disasters' Impact on Stock Prices**

  -- Prior: *Dessaint and Matray (2017)* and *Ramirez and Altay (2011)* showed that disasters can lead to market disruptions.

  -- Extension: This research highlights a specific price reversal effect in underweighted stocks after climatic disasters.

- **Behavioral Finance and Climate Risk**

  -- Prior: Giglio et al. (2015) and Bansal et al. (2016) discussed how markets slowly incorporate long-term climate risks into asset pricing.

  -- Extension: The paper extends this by focusing on short-term behavioral biases (salience) in reaction to climate disasters.

4. What hypotheses are tested in the paper?

- H1: Mutual fund managers located close to disaster-affected areas underweight stocks from the disaster zone more than those farther away.
- H2A (Information Hypothesis): If fund managers underweight disaster zone stocks because of superior information, those stocks should underperform post-disaster.
- H2B (Salience Hypothesis): If fund managers underweight stocks due to salience bias, the underweighted stocks should not underperform post-disaster.

a) Do these hypotheses follow from and answer the research questions?

- Yes, these hypotheses directly answer the central research question about whether fund managers overreact

to disaster risks.

b) Do these hypotheses follow from theory?

- The hypotheses are based on behavioral finance. The salience hypothesis comes from psychology, where vivid events like disasters are overestimated due to emotional impact. The information hypothesis follows traditional asset pricing, where managers with better information make rational decisions.

5. Sample: comment on the appropriateness of the sample selection procedures.

- The study uses a large sample of mutual fund portfolios, focusing on the U.S. equity mutual funds and firms located in counties directly affected by major climatic disasters.

6. Dependent and independent variables: comment on the appropriateness of variable definition and measurement.

- **Dependent variable:** the portfolio weight of disaster-zone stocks in the mutual fund portfolios.
- **Independent variables:** proximity to the disaster zone and time (pre- and post-disaster periods).

7. Regression/prediction model specification: comment on the appropriateness of the regression/prediction model specification.

- The paper uses a difference-in-differences (DiD) approach, comparing the behavior of managers located near disaster zones with those farther away.

8. What difficulties arise in drawing inferences from the empirical work?

- One challenge is distinguishing between salience bias and actual information advantages. Although the study carefully addresses this through its research design and tests for both hypotheses, it remains difficult to fully separate these effects in certain cases.

9. Describe at least one publishable and feasible extension of this research.

- A possible extension of this research could explore the long-term impact of repeated exposure to climatic disasters on fund manager behavior. For instance, does a fund manager who experiences multiple disasters become less prone to salience bias over time?