

Capstone Project #1 - Predicting Mutual Fund Flows

What is the problem you want to solve?

I want to try and predict fund flows (ie. new money being invested into a mutual fund) over the subsequent month or quarter. I want to predict this as (1) total new dollars going in/out of a fund, (2) percent fund flows, (3) a categorical predictor if the fund will receive greater fund flows than it did over the prior quarter, and (4) excess fund flows above what a similar mutual fund would get.

Who is your client and why do they care about this problem?

My client would be any mutual fund family (ie. Vanguard, Janus, Invesco, etc...). They would have an interest in this problem because it would help them to better target their resources to funds that are going to generate the greatest profits for the fund family.

What data are you using and how will you acquire it?

I will utilize data from the Center for Research in Security Prices (CRSP) for stock level data, the Center for Research in Security Prices Mutual Fund Database (CRSP MF) for mutual fund characteristics, and Morningstar (MS) for mutual fund manager characteristics. I will access the CRSP databases through the Wharton Research Data Services (WRDS) interface and Morningstar directly through the Morningstar database.

How will you solve this problem?

I will utilize regression analysis to determine which fund, manager, objective, fund family, and overall market characteristics explain future fund flows.

What are your deliverables?

I will provide my code, a written paper, figures, and tables.