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Abstract

The recent surge in the use of team-managed funds in the mutual fund industry suggests that the benefits of team management might outweigh its costs. However, extant empirical evidence is not consistent with the view that team managed funds generate superior returns relative to individual managed funds. We argue that the benefits of team management are likely to be manifested in the presence of strong board monitoring because the potential free-rider problems within team-managed funds are alleviated. Our findings, that smaller boards and boards with a higher proportion of independent directors are positively associated with performance in team but not individual-managed funds, are consistent with this view. Our results suggest that in team-managed fund structures, where the potential free-riding problems exist, the presence of strong board monitoring improves fund performance.

Keywords: Mutual funds; board structure; organizational structure; management teams

JEL Classification: G20, G32, G34, L23, M11

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