

Call for Papers – 7th SUERF/UniCredit Foundation Research Prize

Passive versus Active Asset Portfolio Management: Trends, Drivers, Risks

Deadline for Submissions 15 October 2019

Motivation

The question whether active portfolio management can systematically improve a portfolio's return has been debated for a long time. The rise of low-cost ETFs, FinTech and AI has been reinforcing pressures on active portfolio managers to prove value for money of their service. At the same time, the financial crisis and the rise of populist policies have highlighted the importance and the potential benefits for portfolio performance from anticipating low-probability high-impact events. Furthermore, computer trading and AI-assisted portfolio analysis and investment strategies are making fast progress, reducing the cost of "active" management strategies in the future. From a financial stability perspective, the widespread use of passive management strategies or similar forms of portfolio investment algorithms may generate synchronous behaviour, reinforce price fluctuations and pose risks to financial stability. The large scale of ETF markets may also make potential instability from this sector systemically important.

Content of submissions

Against this background, this call for papers invites original research – theoretical or empirical, academic or policy-oriented – on aspects relevant for the current debate on active versus passive portfolio management. Some examples for fields of research are:

Performance, management styles and techniques

- How do actively versus passively managed portfolios perform? Theory versus empirics? Are active portfolio managers systematically able to earn their higher fees and beyond?
- How do ETFs perform relative to active management and pure index-based passive management?
- Are active portfolios more or less stable during large price swings?
- Which types of passive management styles are currently prevalent, what are latest tendencies, what are investors' preferences?
- Which types of active management styles have been on the rise over recent years? How have they performed relative to each other and to passive portfolio strategies?
- What role do sustainability/ESG factors play? What is the effect of ESG-orientation on portfolios, in the short and long run?
- Role of mathematical models in passive and active fund management
- Which impact does technology have on the relative roles of active and passive business models?
- How to incorporate political risk better into portfolio analysis and management strategies?

Factors driving asset management approaches

- What effects from ultra-low interest rates and QE for portfolio management strategies?
- What role does risk management play in driving asset management strategies? What approaches and techniques are/should be used in risk management? What role for scenario analysis?
- How does AI change asset management strategies? Theoretical and empirical findings? Examples of practical applications? Forecasts for the next 5-10 years?
- What role for economic psychology, behavioural and neuro-finance? Theory, empirical findings, practitioner's views?
- Differences between the US, the UK and continental Europe? What drives differences?

Fees, profitability, productivity, business models

- How is the fee structure evolving: a) for wealth management contracts, b) for hedge funds, c) for actively managed mutual funds, d) for passively managed mutual funds, e) for ETFs: entrance, management, performance, exit etc.?
- How does the quest for productivity affect asset management strategies? New models to manage costs and expenses: different layers of customer service, models of wealth management contracts
- What are the pros and cons of discretionary and advisory management mandates compared to a factory approach to asset management?
- Is there a culture change going on in asset management? How does it favour certain strategies over others?
- Do bigger or smaller (niche) asset management firms offer better returns in the medium to long term?
- The future of hedge funds

Financial stability issues and broader impact on the economy

- Financial stability risks from the ETF and mutual fund sectors? Theoretical and empirical findings? Is there a difference between fully replicating versus synthetic (derivative based) ETFs?
- Where does the policy debate on this stand currently? Does a dominance of passive versus active management have implications for systemic risk? If so, what implications?
- Does the trend towards passive management and ETFs have an impact on corporate governance and control, and thus on corporate efficiency and productivity growth in the long run?
- Do consumers understand the difference between active v. passive management styles? Do they understand fee structures? Can they assess the cost/benefit of active management services versus passive/factory-type offers/ETFs?

This list is non-exhaustive, other contributions fitting into the overall topic of the call for papers are welcome.

Formal Requirements and Procedure for Submissions

The SUERF/UniCredit Foundation Research Prize is open to authors and co-authors who are **citizens or residents/students in the EEA, Switzerland, and other countries in which UniCredit is present** (in addition to EEA countries, the latter also include Bosnia and Herzegovina, Russia, Serbia and Turkey) and **born after 30 September 1979**. Prizes of **EUR 2,500** gross will be awarded to up to **two outstanding papers** on topics related to the call for papers. The winning authors agree to present their papers at a SUERF/UniCredit Foundation Conference to be held in Milano in February 2020. Winning authors agree to provide a non-technical 3-10 page summary of their research findings for publication as a SUERF Policy Note.

Applications should be submitted through the online submission form on the UniCredit Foundation website at www.unicreditfoundation.org in PDF format by **15 October 2019**, in **English**. Applications should be accompanied by a brief **curriculum vitae** including the candidate's date of birth and a copy of current identity documents that confirm the author's/authors' date of birth(s) and eligibility. The prize is open to **papers that have been finalised within the last 12 months** prior to the deadline for submissions. Full terms and conditions of entry can be downloaded from the SUERF and UniCredit Foundation websites.