Are hedge fund managers' charitable donations strategic?

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Abstract

We study whether hedge fund managers' charitable donations are strategically made to further their business interests. We find that donations are driven by poor fund net flows and performance. Post-donation, donors' poorly performing funds experience significantly lower outflows compared to matched non-donating peers. These results are stronger for donations that are more likely to be strategic – single one-off donations, donations to focal charities popular among the hedge fund community, and donations to charities that hold fundraising events catering to the hedge fund community. Taken together, these findings are consistent with strategic motivations driving at least some hedge fund donations.

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We study whether hedge fund managers' charitable donations are strategically made to further their business interests. We find that donations are driven by poor fund net flows and performance. Post-donation, donors' poorly performing funds experience significantly lower outflows compared to matched non-donating peers. These results are stronger for donations that are more likely to be strategic – single one-off donations, donations to focal charities popular among the hedge fund community, and donations to charities that hold fundraising events catering to the hedge fund community. Taken together, these findings are consistent with strategic motivations driving at least some hedge fund donations.

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JEL Classification: D64, G23, G41

Are hedge fund managers' charitable donations strategic?

Charitable donations by hedge fund managers seem to defy the typical perception of these managers being self-serving and only interested in making money for themselves.[1] While there is a large body of research on some of the drivers of *individuals'* charitable giving (e.g., Karlan and List, 2007), relatively less attention has been paid to the question of whether *business professionals* strategically donate their *personal* wealth to further their business interests. We address this question by examining the motives behind hedge fund managers' charitable donations and the effects these donations have on the net flows and performance of the funds they manage.

We believe that there are several reasons the hedge fund industry offers a nice setting to study potentially strategic charitable donations. First, hedge fund managers can use donations to generate goodwill among current and potential investors, and gain their trust. Gennaioli, Shleifer, and Vishny (2015) provide a nice model where investors delegate money management to professionals based on trust. The hedge fund industry is often characterized as lightly regulated and highly opaque where investors face significant information asymmetry and operational risks (Brown et al., 2008). Consequently, building trust in fund managers can help reduce investors' perception of the riskiness of their investments (Gennaioli, Shleifer, and Vishny, 2015). This is particularly important during periods of poor fund performance which may lead investors to lose trust in their managers' ability. Second, as hedge funds are restricted from advertising, charities' fundraising events can help fund managers network with, and possibly garner investments from, high net

[1] For example, a recent Bloomberg article quotes Erik Townsend, a hedge fund manager at Fourth Turning Capital Management, describing hedge fund managers as '"the most self-serving people on the planet,"' while discussing "the stereotype of the hedge fund manager who puts making money first." (see "Why Struggling Hedge Fund Managers Give to Charity," *Bloomberg Markets,* Dec 19, 2017).

worth individuals frequenting such events. In addition to capital raising, fund managers may use the goodwill and connections generated by the donations to obtain valuable information that they can use to improve their funds' performance.

Motivated by this background, we examine if hedge fund managers donate strategically to increase net flows and to improve the performance of their funds, and thereby meet their objective function to maximize the assets under management. Prior literature indicates hedge fund investors exhibit return-chasing behavior (e.g., Fung et al., 2008; Getmansky et al., 2010; and Jorion and Schwarz, 2015). We believe that managers of poorly performing funds with dwindling flows have stronger strategic incentives to donate. Subsequent to poor fund performance, such managers are more likely to explore avenues to retain investors' capital. We argue that one such avenue can be for the managers of these poorly performing funds to make charitable donations.

To further investigate the strategic motives behind fund managers' donations, we also identify and examine two subsamples of donations that are more likely to be strategic compared to other donations. One of the strategic aspects of donating relates to "when" managers donate, i.e., the timing of donation. Therefore, our first proxy of strategic donations is nonrecurring, one-off donation where the fund managers donate when they need to raise more capital and/or to improve performance. Such donations are in contrast to recurring donations, which occur periodically and routinely over many years.[2] Our second proxy of strategic donations is whether the donation is made to a "focal" charity. We argue that donations made to focal charities, defined as charities with many other hedge fund manager donors, are more likely to be strategic compared to donations made to

[2] This approach is similar to the one used by Cohen, Malloy, and Pomorski (2012) for identifying informative insider trades by focusing on the non-routine trades by insiders.

charities with fewer other hedge fund donors. The underlying premise is that fundraising events organized by such charities are likely to attract high net worth individuals, who are one of the main investors in hedge funds. In addition to gaining visibility and trust among potential investors, these donations may allow access to and potentially gather information from fellow donors.

Finally, as an additional and arguably more direct test of whether such fundraising events are a potential channel of asset gathering for hedge fund managers, we examine if donations to charities that hold fundraising events catering to the hedge fund community allow donors' funds to have higher net flows.

Our study uses a large sample of 6,642 charitable donations by 667 hedge fund managers between January 1994 and June 2016. We obtain information regarding managers' personal charitable donations from NOZA, the world's largest searchable database of such donations. We merge this data with fund characteristics and performance from the widely used Lipper TASS commercial hedge fund database using manager names and additional information including the city and state of hedge funds. In our empirical investigation, we focus on larger donations by hedge fund managers as they are more likely to be associated with strategic intent and materially influence fund investors. The average donation is about $325,000 for these large donations, which represents a significant proportion (about 40% on average) of a hedge fund's annual total income from management fees.

Modelling the determinants of donations, we find funds' poor performance and low net flows are two major motivations for fund managers' charitable donations. The probability for the managers of poorly performing funds to make a donation is almost

double that for the managers of relatively well-performing funds. In addition, the donation probability for the managers in funds with the lowest net flows is about 50% greater compared to the managers of other funds with higher flows. These findings are striking as prior studies on personal charitable giving suggest financial stability is a strong determinant of giving. Additionally, tax benefits from charitable deductions, another motivation for giving, are also likely to be more valuable after periods of good performance.[3] The fact that hedge fund managers are more likely to give when their funds are doing badly is suggestive of strategic intent behind their gifts.

Furthermore, several fund characteristics significantly related to the likelihood of fund managers donating are also consistent with managers' incentives to increase net flows and fund performance. Both management and incentive fees are positively related to the probability of donation. If donations can help bring in more capital or improve fund performance, managers of funds with higher fees can earn greater compensation from making donations. The use of high-water marks is also positively related to donations, consistent with the possibility that poorly performing managers may want to attract new investors to their funds from whom they have a better chance of earning the incentive fee (since new flows will enter with a fresh high-water mark). Managers of funds with shorter lockup periods are more likely to donate. This is also intuitive as everything else equal, managers of poorly performing funds with shorter lockups have incentives to donate as these funds face greater threat of capital withdrawal subsequent to poor performance. Finally, funds that are closed to new investment are less likely to donate. This is again

[3] The two most common drivers for giving by high net worth individuals, as identified by *The 2012 Bank of America Study of High Net Worth Philanthropy*, are (1) "Being Moved at How a Gift Can Make a Difference" (74% of respondents) and (2) "Feeling Financially Secure" (71% of respondents). Tax benefits were also a common driver of donations (32% of respondents).

consistent with capital raising being one of the primary drivers for donations. Clearly, a fund that is closed for new investment has less desire to attract capital.

If there are strategic intentions behind these donations, we should expect the poorly performing funds with low flows to benefit from donations through improved fund performance and lower outflows. We next examine the effects of donations to test this prediction. For our analysis, we use a matched sample and a difference-in-differences (DiD) approach to explicitly control for potential mean reversion in net flows and performance. We observe that charitable donations are followed by about 9% greater annualized net flows compared to similar (i.e., matched) non-donating peers. More specifically, while matched peers experience outflows of 10% a year, donating funds mitigate much of these outflows and only experience 1% net outflows annually. The lower net outflows result in better survival chances for the donating hedge funds, as donating funds experience significantly lower mortality compared to their matched peers. The performance of the donating funds, however, is no different from that of matched non-donating peers. Therefore, it appears that strategic donations by poorly performing funds help mitigate outflows as intended, but do not seem to help managers to acquire performance-enhancing information.

Donations appear to be economically beneficial for hedge fund managers. Back-of-the-envelope calculations reveal that the median larger donation of $17,500 helps reduce the outflows by about 9% for a poorly performing median fund with about $34 million in assets. This in turn is associated with an increase in management fee earnings of a manager by $45,900 [9% × $34 million × 1.5% (median management fee)]. These figures suggest that these donations are a "good deal," and that is without even factoring in incentive fees,

or fees in subsequent years. However, we find that the benefits of donations are confined to large donations made by smaller funds, and therefore may not be scalable and profitable for all funds. Moreover, when we further split the donations greater than or equal to $7,500 into smaller and larger donations, we find that larger donations drive our findings. This evidence suggests that fund managers cannot rely on token donations to reap the benefits.

To further corroborate the strategic intent behind donations, we examine the determinants and effects separately for subsamples of donations that are more likely to be strategic. Although it is challenging to identify donations that are ex ante strategic, we use two proxies: nonrecurring donations vs. recurring donations, and donations made to focal charities vs. other donations. Despite these proxies being not perfect, our findings from the analyses of both determinants and effects of these subsamples uniformly support the strategic motivation of donations that we classify *a priori* as strategic.

Examining determinants of donations, we find that nonrecurring, one-off donations are significantly more likely to be made by managers of funds with poor performance and lower net flows, compared to recurring donations. In terms of the effects of donations, nonrecurring donations are associated with significantly higher net flows into donating hedge funds compared to recurring donations, which do not have a significant effect on net flows. We obtain similar findings for donations made to focal charities compared to donations made to other charities. Once again, we do not find any evidence that strategic donations made to focal charities allow managers to improve performance.[4]

[4] Yet another possibility of strategic donation behavior can be fund managers donating to endowments and foundations that in turn invest in donors' funds. Using a relatively smaller sample of hedge fund investments made by endowments and foundations from Preqin, we do not find evidence of such strategic behavior.

Finally, we explore two potential channels through which donations lead to higher net flows: donations helping managers gain trust of investors, and donations helping managers network with potential investors. We posit that fundraising events organized by charities, targeted towards hedge fund managers and investors, are likely to facilitate both these channels. Using a subsample of donations to charities that hold fundraising events catering to the hedge fund community, we find that there is a more pronounced effect of donations on flows for this subsample and such donations *further* mitigate annual outflows by 7.7%.

Together, we interpret these results as support for our hypothesis that hedge fund managers make charitable donations for strategic reasons. Specifically, managers of funds that are going through a period of poor performance and low net flows donate to mitigate outflows. We acknowledge that due to unavailability of information such as attendee lists for the charities' fundraising events, hedge fund investments made by the attendees, our evidence is mostly indirect. However, the battery of cross-sectional tests for both the motives and consequences of hedge fund managers' donations do suggest that at least some of these donations may be strategic.

1. Related literature and our contribution

Our paper contributes to multiple strands of literature. First, it builds on the prior work on the determinants of personal charitable donations by individuals (see, for example, Karlan and List 2007; Della Vigna, List, and Malmendier, 2012). We contribute to this literature by showing how personal donations by professionals affect the enterprises that they run. Specifically, we study both the economic motivations and effects of personal donations on businesses of the donating hedge fund managers. We document the presence

of strategic intent behind hedge fund mangers' charitable donations and uncover new evidence on the effectiveness of these charitable donations in furthering professional business interests.

Second, we contribute to another strand of literature that focuses on corporate charitable contributions and provides contrasting views. One view from this literature is that such contributions are a manifestation of agency problems that allow the managers to personally benefit at the expense of the shareholders. For example, corporate donations can weaken firms' governance (Galaskiewicz, 1985; Galaskiewicz, 1997; Cespa and Cestone, 2007; Masulis and Reza, 2015), and distort the firms' investments (Masulis and Reza, 2017). A contrasting view is that charitable contributions can potentially improve firm value as it can be a form of advertising to enhance public reputation and create goodwill (Navarro, 1988). Our paper contributes to this literature by offering a novel perspective in a different setting where managers use *personal* donations to increase the capital flows into their funds, especially when they are performing poorly. Our findings show that even personal charitable contributions may not be purely altruistic.

Third, our paper contributes to the literature on capital formation in hedge funds. Fung, Hsieh, Naik, and Teo (2015) find that hedge fund firms open new funds to attract more capital by leveraging the performance of their flagship funds that may be closed to new investors. Lu, Mitra, Musto, and Ray (2015) document that mutual fund firms that also manage hedge funds may use their flexibility to advertise to increase flows into hedge funds. Jorion and Schwarz (2015) suggest that hedge funds report to multiple commercial databases to minimize search costs for the investors and increase flows. Mullally (2016)

shows that managers can attract more capital by selling equity stake to outsiders. Our paper uncovers a new channel by which hedge fund managers can improve net flows.

2. Data

This study is based upon a sample of personal charitable donation records of hedge fund managers in the Lipper TASS database. We search for all donations made by these fund managers using NOZA, which is the world's largest searchable database of charitable donations. Our sample period is from January 1994 through June 2016.

2.1 Data collection and description

We hand-collect data on these fund managers' annual charitable donation records from NOZA by doing a name search. In cases where name searches on NOZA result in multiple matches, we refine the matching using two criteria: spousal cross-reference and address matching. Many charitable donations are under the names of both the husband and wife. We use online public records indicating spouse names to help refine matches. Additionally, both Lipper TASS and NOZA have city and state information for the fund and donating fund manager, which we use to help refine and ensure accuracy of our matches. This process results in 6,642 charitable donation records of 667 hedge fund managers.

NOZA compiles donation data from annual reports of non-profit organizations. While NOZA does not provide the specific dollar amount of donations, it provides upper and lower bounds of donation amount, corresponding to ranges presented in the annual report of the non-profit organization receiving the donation. Therefore, we compute estimated donation amount as the average of the lower and upper bounds. Oftentimes, donors will donate to meet the hurdle for a particular donation level. Thus, in unreported

robustness tests, we also use the lower bound as our estimate of donation amount. Our findings are qualitatively similar with this alternative measure of donation amount.

We merge the donation data with the hedge fund performance and characteristics data from the Lipper TASS database. The resulting dataset has 1,126 funds managed by the 667 managers in our sample. Our baseline dataset only includes managers who have a match in the NOZA donations dataset. We therefore exclude funds with no manager names as well as funds with very common names (and hence unreliable matches to NOZA). In robustness tests, we also include funds with no matches to NOZA donations data. Our results are robust to the use of alternative sample.

2.2 Summary Statistics

Panel A of Table 1 reports the summary statistics for hedge funds in our sample. Hedge fund characteristics are broadly consistent with those documented in other studies, which suggests that the sample of funds whose managers donate is representative of a typical fund. For example, the average management fee and incentive fee of donating funds is 1.4% and 17.8% respectively, which compares favorably with the averages of these two fees (1.5% and 18.3%) reported in Agarwal, Arisoy, and Naik (2017). Panel B of Table 1 reports the summary statistics of the donation amount. Larger donations are more likely to be associated with strategic intent and materially influence fund investors. Therefore, we choose the 75th percentile of donation amount, or a $7,500 donation, to denote larger donations, and conduct all the subsequent analyses in the paper for these donations.[5] For these larger donations [*Amount(>=$7,500)*], the average donation is $325,913. These larger charitable donations represent a significant proportion of the hedge fund's annual

[5] In robustness test, we consider even larger donations using cutoffs of $10,000 and $25,000. Our results (not tabulated) are broadly consistent using these alternate cutoffs.

total income from management fees (about 40% on average). Later, we conduct our analysis by further splitting the donations greater than or equal to $7,500 into smaller and larger donations to show that larger donations drive our findings, which suggests that fund managers cannot rely on token donations to reap the benefits.

Panel C of Table 1 presents information on the two types of donations that are, *a priori*, likely to be strategic. These are the nonrecurring donations (45.3% of donations in the effective sample) and donations made to focal charities (43.3% of donations in the effective sample), which are defined as charities that have five or more donors (the median number of donors in our sample is five). These two *ex-ante* proxies of strategic donations are positively correlated, but not perfectly (correlation coefficient = 0.117). Additionally, the correlations for both these variables with the variable we use to identify the channel for the effects of donations, *Event,* is also small.

3. Determinants of charitable donations

To test whether managers' charitable donations are likely to be strategic, we first examine the determinants of donations in our sample. We examine the fund characteristics that are associated with the fund managers' decision to donate by estimating the following logistic regression:

$$\begin{aligned} Donate_{i,t} = {} & \beta_0 + \beta_1 Performance_{i,t-1,t-12} + \beta_2 Flow_{i,t-1,t-12} + \\ & + \beta_3 Management\ Fee_i + \beta_4 Incentive\ Fee_i + \beta_5 High-water\ mark_i \\ & + \beta_6 Lockup\ Period_i + \beta_7 Closed\ to\ Invest_i + \beta_8 Controls + \varepsilon_{it} \end{aligned} \quad (1)$$

Where explanatory variables include prior year's fund performance, $Performance_{i,t-1,t-12}$, (raw returns, style-adjusted returns, and Fung and Hsieh (2004) seven-factor alphas, and Sharpe ratios), prior year's net flows, $Flow_{i,t-1,t-12}$, and time-invariant fund-level characteristics of note such as management and incentive fees, high-water mark provision,

lockup period, and whether the fund has closed to new investment.[6] We also include various fund-level control variables including prior year's fund risk (total risk and idiosyncratic risk), prior year's fund size, and fund age.

The dependent variable is an indicator variable, $Donate_{i,t}$, which takes a value of one if the manager of fund *i* makes a larger charitable donation (>=$7,500) during the 12-month period starting month *t*, and zero otherwise. NOZA provides donation dates as a 12-month period, depending on the release date of a charity's annual report. Most charities report on a calendar year basis or on a July to June basis. To match donations to Lipper-TASS monthly data on funds' performance and assets, we assume the donation period is the entire 12-month interval. Note that for a donating 12-month period, only the first month in the period is set to one, and the remaining months are replaced as missing. This avoids repeated observations for the same donation. We estimate the determinants of donations using data prior to the donation period, and effects of the donation after the donation period. For instance, if the donation period is recorded as July 2002 –June 2003, we estimate the determinants of donations using data prior to July 2002, and donation effects using data after June 2003. Our results are not sensitive to this choice as we obtain similar findings when we use either the midpoint, beginning, or end of the 12-month range as the donation period instead of the entire range.

[6] Style-adjusted returns are calculated by subtracting average monthly returns across all the funds within the same style from monthly raw returns. This peer-based approach of adjusting for the risks does not require estimation as in the case of alphas. Also, it automatically accounts for the nonlinearity in hedge fund returns and is an intuitive performance measure since investors typically compare returns of a fund to those of style indices. Brown and Goetzmann (2003) show that styles can explain a significant proportion of cross-sectional variation in hedge fund returns.

Panel A of Table 2 presents the results. We find that trailing poor fund performance, across all risk-adjusted performance measures except Sharpe ratio, as well as lower fund net flows, are significantly associated with fund managers making larger charitable donations. This is striking, as most people give when they feel financially secure, while fund managers seem to give when their funds have done badly and are receiving lower net flows. We interpret this initial result as suggestive evidence that fund managers may be donating strategically, when their funds are not doing well.

In addition to poor performance and net flows, several hedge fund characteristics predict charitable donations (see "Fund Characteristics of Note" in Table 2). We find that managers of funds with higher management and incentive fees are more likely to donate. Since a manager's incentive is to maximize his or her compensation, this finding is also consistent with the strategic motive behind managerial donations as any increased flows or performance from donations will yield higher fees for the manager. Moreover, the high-water mark feature in the managerial compensation contract is positively associated with donations. Since presence of the high-water mark feature reduces the probability of poorly performing managers earning their fees from existing investors, this result indicates that funds with a high-water mark should have greater incentives to attract capital from new investors to enhance the chances of managers earning fees on the new capital. Similarly, restrictions on capital withdrawal in the form of lockups point towards managerial incentives to stimulate flows through donations. Funds with shorter lockup periods are more likely to donate as these funds face greater threat of capital withdrawal subsequent to poor performance. Finally, funds that are closed to new investment are less likely to donate as such funds clearly have less desire to attract capital.

Next, we consider nonlinearities in the relation between donation and performance or net flows, and replace continuous performance and flow variables with indicator variables representing quartiles of fund performance and flows.

$$\begin{aligned} Donate_{i,t} = {} & \beta_0 + \beta_1 Performance_{i,t-1,t-12} Quartile1 + \beta_2 Performance_{i,t-1,t-12} Quartile2 \\ & + \beta_3 Performance_{i,t-1,t-12} Quartile4 + \beta_4 Flow_{i,t-1,t-12} Quartile1 \\ & + \beta_5 Flow_{i,t-1,t-12} Quartile2 + \beta_6 Flow_{i,t-1,t-12} Quartile4 + \beta_7 Management\ Fee_i \\ & + \beta_8 Incentive\ Fee_i + \beta_9 High-Water\ mark_i + \beta_{10} Lockup\ Period_i \\ & + \beta_{11} Closed\ to\ Invest_i + \beta_{12} Controls + \varepsilon_{it} \end{aligned} \quad (2)$$

$Performance_{i,t-1,t-12} Quartile1$ is an indicator variable that takes a value of one if the prior year's fund performance is in the lowest quartile, and zero otherwise. $Performance_{i,t-1,t-12} Quartile2$ and $Performance_{i,t-1,t-12} Quartile4$ are indicator variables that take a value of one if the prior year's fund performance is in the second and topmost quartile, respectively, and zero otherwise. $Flow_{i,t-1,t-12} Quartile1$, $Flow_{i,t-1,t-12} Quartile2$, and $Flow_{i,t-1,t-12} Quartile4$ are defined analogously. Indicator variables for the third quartiles of performance and flow are omitted. Other variables are as defined earlier for regression in equation (1).

In Panel B of Table 2, we observe that only the coefficients on $Performance_{i,t-1,t-12} Quartile1$ and $Flow_{i,t-1,t-12} Quartile1$ are positive and significant. Moreover, Chi-square tests at the bottom of the Panel B show that only the coefficients for the lowest performance and flow quartiles are statistically different from those for the other quartiles. The coefficients on the second and fourth quartiles of performance and net flows are not significantly different from zero, nor are they different from each other. Additionally, the R-squares in these regressions are about 50% higher than those in the linear specification in equation (1). Together, these pieces of evidence suggest substantial

nonlinearity in the impact of past performance and net flows on the propensity to donate. Specifically, managers of funds in the bottom quartile of performance and net flows are much more likely to donate. Since there are no significant differences in the propensities to donate across the top three quartiles of flow and performance, we pool them together to analyze the determinants of donations using the following specification:

$$\begin{aligned} Donate_{i,t} = {} & \beta_0 + \beta_1 Performance_{i,t-1,t-12} Quartile1 + \beta_2 Flow_{i,t-1,t-12} Quartile1 \\ & + \beta_3 Management\ Fee_i + \beta_4 Incentive\ Fee_i + \beta_5 High - Water\ mark_i \\ & + \beta_6 Lockup\ Period_i + \beta_7 Closed\ to\ Invest_i + \beta_8 Controls + \varepsilon_{it} \end{aligned} \quad (3)$$

Panel C of Table 2 reports the results from the estimation of the model above, which will be our main specification for all the subsequent analyses. Once again, we observe that managers of funds in the bottom quartiles of performance and flows are significantly more likely to make large donations compared to other funds. These findings are also economically meaningful. Annually, the probability of managers in poorly performing funds to make a large donation is approximately double that for the managers of relatively well performing funds (6.8% to 10.5% for worst performers compared to 3.9% to 4.7% for the rest). In addition, the annualized donation probability for managers in funds with the lowest net flows is about 50% greater than the managers of other funds with higher flows (7.1% to 7.7% for funds with lowest flows compared to 4.4% to 4.5% for the rest). Funds with poor performance and low net flows are precisely the ones that need to stimulate future flows and improve performance. Therefore, these findings on the drivers of charitable donations are suggestive of strategic intent behind these donations.

We conduct two tests for the robustness of findings in Table 2. First, until now, we estimate regression in equation (3) using the sample of funds whose managers donate during our sample period. For robustness, we repeat our analysis of determinants of

donations for the entire sample of funds, regardless of whether they make donations. In untabulated results, we continue to find positively significant coefficients on the bottom quartiles of funds' past performance and flows. Second, we include additional controls for the fund performance and flows during the donation year. Our results remain unchanged using this alternative specification. Together, this evidence indicates that poor fund performance and lower net flows into funds are robust predictors of donations by their fund managers.

The central question in this paper is whether hedge fund managers' charitable donations are strategic. If this were the case, we should observe that such donations should be associated with improved net flows and/or better performance. In the next section, we test this prediction by examining the effects of donations on both fund flows and performance.

4. Effects of charitable donations

In this section, we empirically examine the effects of charitable donations on hedge funds. To mitigate potential concerns regarding mean reversion, we use a matched-sample approach. For each fund whose manager makes a charitable donation at a given time, we find a matched fund in the sample whose manager does not make a donation at the same time. In our analyses of the effects of donations, we select the matched fund using the smallest absolute difference of the variable for which we measure the effects of the donations. For example, when examining the effects of donations on net flows, we match donating funds to non-donating funds with the closest trailing 12-month flows.[7] We

[7] In unreported robustness tests, we repeat this analysis using propensity scores generated from the determinants analysis (estimates from Panel C of Table 2). Our results are robust to using propensity score matching.

compare changes in fund performance and flows one year before and one year after the donation to determine the effect of the charitable donations.

We present the results of univariate analysis in Panel A of Table 3, which reports average net flows and performance before and after the donation period for donating and matched non-donating funds. Additionally, Panel A provides the difference-in-differences (DiD) for flows and the four performance measures. For example, donating and matched non-donating funds have 0.65% and 0.69% average monthly flows for one year prior to the donation period, respectively. However, for the one-year period after the donation, donating funds only have average monthly net outflows of 0.10%, while matched non-donating funds have net outflows of 0.81%. The DiD is 0.75% ((–0.10 – 0.65) – (–0.81 – 0.69) = 0.75) and significant at the 1% level. It is interesting to note that the flows for both donating and matched non-donating funds are lower, and in fact negative, after the donation period. The fact that the flows are less negative for donating funds suggests that managers of these funds donate to mitigate outflows subsequent to their poor performance. Donations, however, do not significantly affect the performance of donating funds compared to their matched peers (none of the DiD for the four performance measures is significantly different from zero in Panel A of Table 3).

Since both fund performance and net flows are likely to be also affected by different fund characteristics, we next extend the univariate analysis to a multivariate framework where we explicitly control for such characteristics. For our analysis, we include data on up to eight quarters for each donating and matched non-donating fund, which includes the one-year period both before and after the donation. Note that we do not require both the donating and matched non-donating funds to have returns and assets data either for the full

one-year period before or after the donation. This mitigates any concerns regarding potential survivorship bias.

We estimate the following DiD specification using fund-quarter observations:

$$y_{i,t} = \beta_0 + \beta_1 Donate_i + \beta_2 After_{i,t} + \beta_3 Donate_i \times After_{i,t} + \beta_4 Controls + \varepsilon_{i,t} \qquad (4)$$

where dependent variable, $y_{i,t}$, is either the average monthly performance, $Performance_{i,q}$, or net flows, $Flow_{i,q}$, for each fund *i* over four quarters before or after the donation period. $Donate_i$ takes a value of one for donating funds, and zero for matched non-donating peers. $After_{i,t}$ takes a value of one for quarters during one year after the donation period, and zero otherwise. $Donate_i \times After_{i,t}$ is the interaction term, and is the key independent variable of interest that captures the DiD in performance or flows before and after the donation between donating and matched non-donating funds. Control variables include the fund-level characteristics used earlier in regressions in equations (1) to (3).

We present the results of this multivariate analysis in Panel B of Table 3. Again, we observe that the only significant effect of the donations is that donating funds experience significantly higher net flows after the donation, compared to matched non-donating peers. Since donating funds have poor performance and we match them with non-donating funds, it is not surprising to observe that the coefficient on the indicator variable, *After*, is negative and highly significant (coeff. = −1.51; *t*-stat = −5.11), indicating that there are outflows from matched donating and non-donating funds after the donations. More importantly, donations help mitigate outflows by 0.75% (coefficient on *Donate* x *After*). This implies an annualized figure of 9% less outflows, which is an economically large

number.[8] While we do find that donations mitigate outflows, we do not find any evidence that donations help improve fund performance suggesting that strategic use of charitable donations appears to target fundraising rather than information sharing.

Collectively, the results from the analyses of the effects of donations on fund flows provide further evidence that hedge fund managers donate for strategic purposes. In addition to poorly performing funds being more likely to donate, we find that these donations are effective in mitigating outflows and retaining existing assets, raising net flows of donating funds significantly compared to matched non-donating peers.

5. Further insights on strategic behavior from subsample analysis

5.1 Proxies of strategic charitable donations

Having found some evidence from the overall sample that supports strategic intent behind donations, we conduct subsample analysis to further investigate this intent. For this purpose, we analyze two subsamples of donations that are more likely to be strategic, *a priori*. First, nonrecurring one-off donations, which can be "timed," (i.e., made when managers need more capital) are more likely to be strategic than recurring donations, which occur routinely over many years. We define nonrecurring donations as those made to a charity to which the manager has not donated before. Recurring donations are the second and subsequent donations made to a charity. We exclude the first donation of a recurring series from our analysis as from investors' point of view, they would not know whether this donation is of the "recurring" type when it is first made. Our results are robust to including these donations as either recurring or nonrecurring donations. Second, donations

[8] As in the case of the analysis of determinants of donations, for robustness, we include the fund performance and flows during the donation year to analyze the effects of donations. In untabulated results, our finding of a decrease in outflows after the donations continues to hold with similar statistical and economic significance (coefficient on *Donate* x *After* = 0.72 significant at the 5% level).

made to charities to which many other managers donate (termed as focal charities) are more likely to be strategic than their counterparts. The underlying premise is that such focal charities are more likely to attract hedge fund investors, thereby providing opportunities to the fund managers to network and market their funds with a view towards obtaining and retaining capital. We classify charities with five or more hedge fund donors (median for our sample) as focal charities.[9]

For each of these two proxies of strategic giving (nonrecurring donations and donations to focal charities), we estimate the determinants and effects separately, and compare them. Specifically, we compare the determinants and effects of nonrecurring donations to those of recurring donations. We also compare the determinants and effects of donations to focal charities to the determinants and effects of donations to non-focal charities.

Panel A of Table 4 presents the determinants of nonrecurring and recurring donations separately, while Panel B compares the differences in the coefficients of the regressors across the two types of donations. The results are striking. We find that all the previously identified fund traits associated with strategic intent behind donations are significant only for the subsample of nonrecurring donations. For example, both poor performance and low net flows are significant drivers of nonrecurring charitable donations, but *not* of recurring donations. Similarly, all the fund characteristics of note associated with strategic intent behind donations are much more significant predictors of nonrecurring donations than of recurring donations. For example, managers of funds that are closed to new investment are significantly less likely to make a nonrecurring donation, but being

[9] Some examples of focal charities include the Metropolitan Museum of Art, the William J. Clinton Foundation, and a number of higher educational institutions, such as Columbia University, MIT, and NYU.

closed to new investment has no significant effect on the likelihood of managers to make recurring donations. Moreover, we conduct a formal test to compare the differences in the coefficients across the two subsamples. Panel B shows that the coefficients for past performance, flows, and fund characteristics that proxy for strategic intent are significantly different for nonrecurring donations compared to recurring donations.

Table 5 presents the effects of nonrecurring and recurring donations separately. Panel A presents univariate effects of donations separately for the two types of donations. We observe a decrease in outflows after the donations is concentrated in the sample of nonrecurring donations while there is no significant impact on net flows for recurring donations (1.03% significant at the 1% level versus an insignificant –0.51, respectively). Panel B of Table 5 confirms this is the case even when we control for fund characteristics in a multivariate framework. The coefficient on *Donate*×*After* is positive (coeff. = 1.06) and significant (*t*-stat = 1.99) for nonrecurring donations but insignificant for recurring donations (coeff. = –0.50; *t*-stat = –1.42). Moreover, the difference in this coefficient between the two types of donations is positive and highly significant (coeff. = 1.56; see Panel C). This shows that poorly performing funds whose managers make nonrecurring donations are the only ones who benefit from lower outflows because of these donations. Together, these findings confirm that strategic intent is evidenced in nonrecurring donations but not recurring donations.

Panel A of Table 6 reports the results of an analogous analysis of the determinants of the second classification of donations based on strategic intent, namely donations to focal charities and donations to non-focal charities. Panel B compares the differences in the coefficients of the regressors across the two types of donations. Again, we find that all

the fund traits associated with strategic intent behind donations are only significant in the subsample of donations to focal charities. Moreover, the coefficients on the key independent variables explaining the donations to focal and non-focal charities are significantly different from each other.

Table 7 presents the effects of donations, separated by whether they are made to a focal charity or not. Again, we find that only donations to focal charities are associated with a significant increase in future net flows (significant DiD of 0.89% for donations to focal charities versus insignificant DiD of –0.14 for donations to non-focal charities; see Panel A). Multivariate analysis in Panel B further confirms that benefits of decrease in outflows accrue only to poorly performing managers that donate to focal charities. The estimated slope coefficient on *Donate*×*After* is positive and significant (coeff. = 1.37; *t*-stat = 2.82) for donations to focal charities but is negative and insignificant (coeff. = –0.15; *t*-stat = –0.42) for donations to non-focal charities. Further, the difference in this coefficient across the two groups is positive (diff. = 1.52; see Panel C) and highly significant. These results further corroborate that donations to focal charities are more likely to be strategic as they mitigate outflows subsequent to donations.

Overall, our findings in this section further reinforce that donations by hedge fund managers have strategic motives behind them. Managers appear to time their one-off donations after lower net flows and target charities popular with hedge fund managers and investors to achieve the intended goal of mitigating outflows from their poorly performing funds.

5.2 Potential channels for benefits of donations

While our results are suggestive of strategic intent behind some of these donations, we have so far largely speculated on the potential channels through which donations increase flows. We believe that there can be at least two channels. First, these donations can facilitate managers to gain trust of investors. Second, they can help the fund managers to network with potential investors. Fundraising events organized by charities, targeted towards hedge fund managers and investors, are likely to facilitate both of these channels.

Our NOZA dataset identifies donations earmarked to specific fundraising events. Typically, these donations fall short of the dollar threshold to enter our sample of relatively larger donations. Therefore, we do not use them in our baseline analysis. In this section, we use these donations to identify charities that hold fundraising events targeted towards the hedge fund community. We term all donations to such charities as "event" donations and compare their determinants and effects with their counterparts, termed nonevent donations.[10] We expect to find stronger strategic motivations for event donations, as well a stronger relation between future flows and event donations. These findings would be consistent with a proximate channel through which hedge fund managers can benefit in terms of increased flows subsequent to such donations.

To examine the determinants of event and nonevent donations, we re-estimate regression in equation (3) for these two subsamples separately. Panel A of Table 8 shows that strategic motivations behind donations by funds with poor past performance and lower flows applies only to the event donations, and not the nonevent donations. For example, we observe significantly positive coefficients for funds in the bottommost quartile of

[10] Note that we only use the smaller donations earmarked for fundraising events to identify charities that hold events catering to the hedge fund community. We still only use large donations in the determinants and effects analysis, as in the rest of the paper.

returns (e.g., coeff. = 4.78; *t*-stat = 2.70 in column (1)) and in terms of flows (e.g., coeff. = 4.95; *t*-stat = 2.80 in column (1) for returns) for the event donations. Further, Panel B of Table 8 confirms that the differences in the determinants across event and nonevent donations are statistically significant at the 5% level or better.

Next, we investigate the effects of event and nonevent donations. Panel C of Table 8 reports the results from estimating the following regression:

$$\begin{aligned} Flow_{i,t} = {} & \beta_0 + \beta_1 Donate_i + \beta_2 After_{i,t} + \beta_3 Donate_i \times After_{i,t} \\ & + \beta_4 Event_i + \beta_5 Donate_i \times Event_i + \beta_6 After_{i,t} \times Event_i \\ & + \beta_7 Donate_i \times After_{i,t} \times Event_i + \beta_8 Controls + \varepsilon_{i,t} \end{aligned} \quad (5)$$

This specification is similar to the one in equation (4) except for the inclusion of the main variable of interest, $Donate_i \times After_{i,t} \times Event_i$ where $Event_i$, is an indicator variable which denotes whether an event donation was made by a donating fund *i* (or its matched non-donating counterpart). Other variables are as defined earlier in equation (4). We find the coefficient on the triple interaction term in equation (5) to be positive (coeff. = 0.64) and significant at the 10% level. The coefficient on $Donate_i \times After_{i,t-1}$ is also positive and significant (coeff. = 0.76; *t*-stat = 2.11), which suggests that there is an incremental effect of event donations on flows. These event donations result in 0.64% more monthly flows, in addition to 0.76% higher monthly flows subsequent to any donation. Together, these two positive effects of donations largely mitigate the significant base level of outflows that occur after the donation period for both donating and matched non-donating funds (coeff. = –1.54, *t*-stat = –5.23). This finding highlights one channel through which poorly performing managers can retain capital in their funds using their donations: fundraising events held by charities that cater to the hedge fund community.

5.3 Implications of donations for fund mortality

Given that poorly performing funds appear to donate strategically to mitigate potential outflows, one intuitive effect would be that such donating funds experience less mortality due to investor withdrawals after the poor performance, compared to matched, non-donating peers. We examine if that is that case by analyzing the mortality risk of our matched sample of funds. We analyze mortality risk using a logit model as well as a Cox proportional hazard model. In both these models, we use a panel dataset of our matched sample of funds used in our baseline analysis of the effects of donations (see Table 3). The dependent variable is a 0 while the fund is alive and takes a value of 1 in the terminal month. The results of the analyses are presented in Table 9. As expected, the funds making charitable donations experience significantly lower mortality than their matched non-donating peers.

5.4 Economics and scalability of donations

The median larger donation of $17,500 helps reduce the outflows by about 9% for a poorly performing median donating fund with about $34 million in assets. This in turn is associated with an increase in management fee earnings of the donating manager by $45,900 [9% × $34 million × 1.5% (median management fee)]. Additionally, the donation will also realize additional incentives, as well as higher fees in subsequent years due to both the higher assets under management, as well as the lower mortality risk noted above. Thus, the economics of donations *appear* very favorable. We examine if these economics scale by separately analyzing the effects of donations on net flows for larger and smaller funds, and for larger and smaller donations (among donations greater than $7,500).

To do this, we first split the sample of donating funds in our sample into funds making larger donations and funds making smaller donations. We do this split based on

the median donation among donations greater than $7,500. We also split the sample of donating funds into larger and smaller funds based on the median assets under management. We thus have four subsamples of donating funds (large funds, making large donations; large funds, making small donations; small funds, making large donations; and small funds, making small donations). Using each donating fund in each of these subsamples, we generate a slightly modified matched sample, matching each donating fund to a non-donating fund based on fund size, in addition to past performance and past net flows. With these four subsamples of donating and matched non-donating funds, we analyze the effects of the donation on flows using multivariate analysis similar to the one used to generate results in Table 3, Panel B. We present the results in Table 10. For brevity, we only present the coefficient on *Donate*×*After*, which captures the effect of donations on net flows. The mitigating effect of donations on net outflows is statistically significant only for smaller funds that make larger donations. Additionally, the magnitude of this coefficient is directionally higher than the other four coefficients, suggesting these donations have a larger positive effect on flows. Together, these results suggest that while economics of such donations initially appear attractive, they do not scale well, and are most effective for smaller funds, making larger donations.

6. Alternative explanations

We consider several alternative explanations for our findings. First, several studies have documented that funds lower their fees in response to poor performance (see Schwarz, 2007; Agarwal and Ray, 2012; and Deuskar et al., 2013). Perhaps our results are due to funds lowering their fees after poor performance, and the resulting increase in flows we observe is the outcome of reduced fees rather than the effect of the donations. Using

historical annual snapshots of the TASS database from January 2011 to December 2016, we identify about 7% of funds in our sample that have changed fees. Panel A of Table 11 presents the estimates of the determinants regression in equation (3) after excluding the funds with fee changes. We continue to observe significantly positive coefficients for the bottommost quartiles of past fund performance (e.g., coeff. = 1.00; *t*-stat = 4.94 in column (1) for returns) and flows (e.g., coeff. = 0.48; *t*-stat = 2.70 in column (1) for returns). These findings are similar to those reported earlier in Panel C of Table 2 for the full sample of funds. We also examine the effects of donations by re-estimating the regression in equation (4) for the sample of funds after excluding the funds with fee changes. From Panel B of Table 11, we observe a positive and significant coefficient on the interaction of *Donate* and *After* for flows (coeff. = 0.83; *t*-stat = 2.26), which indicates that donating funds receive higher net flows after the donations compared to the matched sample of non-donating funds. Together, this evidence shows that fee changes do not seem to drive our findings.

Another possibility is that donations could simply be symptomatic of other distractions or value-destroying actions of a fund manager, rather than the result of strategic actions by the fund manager. This may be possible, but it would be difficult to reconcile with the increase in flows following the donations, as investors would likely stay clear of fund managers who are distracted or otherwise destroying value. Additionally, this explanation would be hard to reconcile with the fact that the link between poor past performance and donations is strongest for situations associated with our proxies of strategic intent behind donations (i.e., one-off nonrecurring donations and donations to focal charities).

7. Conclusion

Our paper is the first study of strategic intent behind personal charitable donations. We document several findings that support the strategic motivation for donations by hedge fund managers. First, we observe that poorly performing managers are more likely to donate. Second, several fund characteristics significantly related to the likelihood of fund managers' donations are also consistent with managers' incentives to increase net flows. For example, funds that are closed to new investment are less likely to donate. Consistent with strategic motives behind donations, we observe a significant decrease in outflows, and associated decline in the mortality for poorly performing donating funds. Moreover, all our findings are stronger within two subsamples of donations that we identify as more likely to be strategic: one-off nonrecurring donations and donations to focal charities that are popular among the hedge fund community. In addition, we observe more pronounced benefits of lower outflows when donations are made to charities that earmark donations for fundraising events that are more likely to be attended by potential hedge fund investors. Together, based on these findings we conclude that at least some hedge fund managers' charitable donations are likely to be strategic.

Ideally, to provide more convincing evidence in support of the strategic motive behind donations, we would need information on the donor lists for charities, attendee lists for the charities' fundraising events, along with hedge fund investments made by the attendees. However, current data limitations preclude such analysis and we leave further proof to future research.

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Table 1: Summary statistics

This table reports the summary statistics of 6,642 charitable donations from 667 hedge fund managers. Panel A reports the means and standard deviations of fund-level variables. High-water mark is an indicator variable which takes one if the hedge fund uses a high-water mark and zero otherwise. Lockup period is in days, conditional on non-zero records. This table also reports the fraction of funds with lockups. Time-varying fund-level variables include monthly fund raw returns, style-adjusted returns, seven factor alphas, Sharpe ratios, net flows, and assets under management. Panel B reports the summary statistics of donation amount if the amount value is not recorded as "not specified." *Amount* is the unconditional statistics of all charitable donations. *Amount(>=$7,500)* is the summary statistics if donation amount is equal or greater than $7,500, which is the 75 percentile of all unconditional donations. Panel C displays the percentage of the two proxies of strategic donations and correlation coefficients of dummy variables indicating these donations. *Nonrecurring* takes a value of one if the donation is a one-time donation and zero otherwise. *Focal* takes a value of one if the donation goes to focal charities (charities with five or more donors, five being the median), and zero otherwise. *Event* takes a value of one if the donation is an event donation, and zero otherwise.

Panel A: Summary statistics of fund-level variables (N = 1126 funds)

	Mean	Std. Dev.
Time-invariant fund characteristics		
Management Fee (%)	1.40	0.61
Incentive Fee (%)	17.77	5.82
High-water mark	0.72	0.45
Proportion with lockups	0.39	–
Mean lockups (days)	12.50	5.70
Time-varying fund variables		
Raw return (%)	0.69	1.23
Style-adjusted return (%)	–0.20	1.18
Alpha (%)	0.48	0.95
Sharpe Ratio	0.58	3.14
Flow (%)	2.12	4.89
Fund Size ($ millions)	111.11	250.91

Panel B: Summary statistics of donation amount (in $)

Variable	N	Mean	Std. Dev.	25P	75P
Amount	4,852	81,856	767,538	500	7,500
Amount (>=$7,500)	1,196	325,913	1,520,634	17,500	75,000

Panel C: Summary statistics of strategic donation proxies

	Nonrecurring (45.3%)	Focal (43.3%)	Event (14.5%)
Nonrecurring	1		
Focal	0.117	1	
Event	0.012	0.016	1

Table 2: Determinants of charitable donations

This table presents the results of panel regressions analyzing the determinants of charitable donations by hedge fund managers. The dependent variable is $donate_{i,t}$, which takes a value of one if the portfolio manager of fund *i* makes a large charitable donation (>=$7,500) in month *t*, and zero otherwise. Explanatory variables include the prior year's fund raw return, style-adjusted return, seven-factor alpha, Sharpe ratio, net flows, fund characteristics of note, and fund-level controls (prior year's age, size, and risk (total risk for returns and idiosyncratic risk for style-adjusted returns and alpha measures)). Panel A presents the results when past performance and flows are continuous. Panel B presents results when past performance and flows are in quartiles, followed by the results of a Chi-square test comparing the coefficients. Quartile 1, 2, 3, and 4 indicates the performance or flows are in lowest quartile, second lowest quartile, second highest quartile and highest quartile, respectively. Quartile 3 is omitted to avoid multicollinearity. Panel C presents the results when past performance or flows are in lowest quartile (quartile 1). Fund-level control variables are defined in Panel A of Table 1. Standard errors are clustered both at the fund and time level. Superscripts *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A: Continuous past performance and flows

	Return	Style Adj. Return	Alpha	Sharpe
Performance $_{t-1,,t-12}$	–24.92***	–25.67***	–26.41***	–0.05
	(–4.99)	(–6.24)	(–2.81)	(–0.89)
Flow $_{t-1,,t-12}$	–6.99***	–7.67***	–9.79***	–7.80***
	(–3.62)	(–3.79)	(–3.42)	(–3.87)
<u>Fund Characteristics of Note</u>				
Management Fee	1.18***	1.17***	1.10***	1.18***
	(4.21)	(4.32)	(3.84)	(4.01)
Incentive Fee	0.15***	0.14***	0.14***	0.14***
	(2.94)	(2.78)	(2.69)	(2.99)
High–water Mark	2.24***	2.28***	1.99**	2.32**
	(2.58)	(2.63)	(2.51)	(2.44)
Lockup Period	–0.07**	–0.07**	–0.06*	–0.07**
	(–2.26)	(–2.18)	(–1.88)	(–2.20)
Closed to Investment	–1.60*	–1.60*	–1.40*	–1.61*
	(–1.86)	(–1.91)	(–1.69)	(–1.80)
Fund–level controls	Yes	Yes	Yes	Yes
Cluster at Fund and Month	Yes	Yes	Yes	Yes
R–squared	0.21	0.21	0.19	0.20
N	79187	79187	57333	79161

Panel B: Quartile indicator variables for past performance and flows

	Return	Style Adj. Return	Alpha	Sharpe
Performance $_{t-1,t-12}$_Quartile1	0.90***	0.65***	0.40**	0.87***
	(3.89)	(2.76)	(2.04)	(4.00)
Performance $_{t-1,t-12}$_Quartile2	–0.09	0.01	0.01	0.01
	(–0.60)	(0.11)	(0.06)	(0.03)
Performance $_{t-1,t-12}$_Quartile4	0.20	–0.01	–0.23	–0.20
	(0.77)	(–0.05)	(–0.77)	(–0.74)
Flow $_{t-1,t-12}$_Quartile1	0.71***	0.75***	0.75***	0.70***
	(2.87)	(3.06)	(2.70)	(2.80)
Flow $_{t-1,t-12}$_Quartile2	0.02	0.04	–0.04	0.01
	(0.07)	(0.20)	(–0.13)	(0.05)
Flow $_{t-1,t-12}$_Quartile4	–0.31	–0.31	0.88	–0.29
	(–0.72)	(–0.73)	(1.39)	(–0.69)
<u>Fund Characteristics of Note</u>				
Management Fee	1.45***	1.44***	1.46***	1.44***
	(5.81)	(5.87)	(4.91)	(5.88)
Incentive Fee	0.20***	0.20***	0.20***	0.20***
	(5.38)	(5.36)	(4.84)	(5.47)
High–water Mark	2.08**	2.16**	1.95**	2.08**
	(2.49)	(2.53)	(2.31)	(2.54)
Lockup Period	–0.10***	–0.10***	–0.09***	–0.10***
	(–3.08)	(–3.06)	(–2.59)	(–3.08)
Closed to Investment	–0.51	–0.47	–0.36	–0.53
	(–1.16)	(–1.09)	(–0.74)	(–1.23)
Fund–level controls	Yes	Yes	Yes	Yes
Cluster at Fund and Month	Yes	Yes	Yes	Yes
R–squared	0.31	0.30	0.30	0.31
N	79187	79187	57333	79161

Chi–square test of coefficient comparisons

	P–value			
	Return	Style Adj. Return	Alpha	Sharpe
Performance $_{t-1, t-12}$_Quartile1= Performance $_{t-1, t-12}$_Quartile2	0.000	0.003	0.023	0.000
Performance $_{t-1, t-12}$_Quartile1= Performance $_{t-1, t-12}$_Quartile4	0.000	0.007	0.033	0.000
Performance $_{t-1, t-12}$_Quartile2= Performance $_{t-1, t-12}$_Quartile4	0.373	0.989	0.792	0.709
Flow $_{t-1, t-12}$_Quartile1= Flow $_{t-1, t-12}$_Quartile2	0.017	0.010	0.021	0.020
Flow $_{t-1, t-12}$_Quartile1= Flow $_{t-1, t-12}$_Quartile4	0.015	0.008	0.010	0.018
Flow $_{t-1, t-12}$_Quartile2= Flow $_{t-1, t-12}$_Quartile4	0.765	0.747	0.376	0.786

Panel C: Indicator variable for the lowest quartile (quartile 1) of past performance and flows

	Return	Style Adj. Return	Alpha	Sharpe
Performance $_{t-1, t-12}$_Quartile1	0.99***	0.77***	0.38**	0.99***
	(4.88)	(3.93)	(2.14)	(5.13)
Flow $_{t-1, t-12}$_Quartile1	0.47***	0.53***	0.50***	0.48***
	(2.64)	(2.90)	(2.65)	(2.64)
Fund Characteristics of Note				
Management Fee	1.40***	1.39***	1.28***	1.39***
	(4.15)	(4.13)	(3.84)	(4.24)
Incentive Fee	0.18***	0.17***	0.17***	0.18***
	(3.73)	(3.57)	(3.35)	(3.79)
High–water Mark	2.94**	3.03**	2.52**	2.93**
	(2.48)	(2.49)	(2.41)	(2.56)
Lockup Period	–0.08**	–0.08**	–0.07**	–0.08**
	(–2.52)	(–2.48)	(–2.13)	(–2.51)
Closed to Investment	–2.15**	–2.06**	–1.79*	–2.15**
	(–1.97)	(–1.98)	(–1.76)	(–2.00)
Other Fund Characteristics	Yes	Yes	Yes	Yes
Cluster at Fund and Month	Yes	Yes	Yes	Yes
R–squared	0.26	0.25	0.23	0.26
N	79187	79187	57333	79161

Table 3: Effects of charitable donations using matched-sample analysis

This table reports the results of effects of donations on net flows and fund performance using a matched-sample approach. Each fund in the treatment group is matched with a fund in the control group by minimizing the absolute difference of performance and flows one year before donation. Reported variables are net flows and performance (raw return, style-adjusted return, Fung and Hsieh (2004) seven-factor alpha, and Sharpe ratio) one year before and one year after the donation. All variables are expressed in percentages and are monthly averages each fund-quarter (with the exception of Sharpe ratio, which is annualized). Panel A reports the univariate results which show difference-in-differences (DiD) before and after donations for donating funds and non-donating funds. Panel B reports the multivariate results. *Donate* takes a value of one if the fund donates in the year and quarter, and zero otherwise. *After* takes a value of one if the flow or performance happens after donations, and zero otherwise. Fund-level control variables are defined in Panel A of Table 1. Standard errors are clustered both at the fund and time level. The *t*-statistics are reported in parentheses below the slope coefficients. Superscripts *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A: Univariate results

	Flow		Return		Style–adj. Return		Alpha		Sharpe	
	Before	After	Before	After	Before	After	Before	After	Before	After
Donating	0.65	–0.10	0.66	0.59	–0.11	–0.21	0.45	0.33	0.39	0.25
Non–donating	0.69	–0.81	0.65	0.49	–0.10	–0.05	0.42	0.41	0.39	0.31
DID	0.75***		0.09		–0.15		–0.11		–0.06	

Panel B: Multivariate results

	Flow	Return	Style–adj. Return	Alpha	Sharpe
Donate	0.03	0.02	–0.02	0.04	0.01
	(0.12)	(0.21)	(–0.18)	(0.69)	(0.36)
After	–1.51***	–0.06	0.05	–0.01	–0.09*
	(–5.11)	(–0.50)	(0.44)	(–0.11)	(–1.69)
Donate×After	0.75**	–0.09	–0.14	–0.10	–0.06
	(2.07)	(–0.79)	(–1.23)	(–1.40)	(–0.97)
Fund Characteristics	Yes	Yes	Yes	Yes	Yes
Cluster at Fund and Year	Yes	Yes	Yes	Yes	Yes
R–squared	0.038	0.004	0.008	0.011	0.040
N	4098	4792	4806	4262	1248

Table 4: Determinants of charitable donations: Recurring versus nonrecurring donations

This table reports the results from the determinants analysis for recurring versus nonrecurring donations. Recurring donations are donations made by a fund manager to a charity to which the manager has donated before while nonrecurring donations are one-off donations. Panel A presents logistic regressions where the dependent variable is $donate_{i,t}$, which takes a value of one if the manager of fund *i* makes a large charitable donation (>=$7,500) in month *t*, and zero otherwise. Results for nonrecurring donations are in the first four columns and recurring donations are in the last four columns. *Performance* $_{t-1,\,t-12}$*_Quartile1* and *Flow* $_{t-1,\,t-12}$*_Quartile1* takes a value of one if the fund performance (raw return, style-adjusted return, Fung and Hsieh (2004) seven-factor alpha, and Sharpe ratio) are in the lowest quartile, and zero otherwise. The *t*-statistics are reported in parentheses below the slope coefficients. Fund-level control variables are defined in Panel A of Table 1. This table only reports results of fund characteristics of note. Panel B presents differences of the key independent variables explaining recurring and nonrecurring donations. Standard errors are clustered both at the fund and time level. Superscripts *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A: Determinants analysis: Recurring and nonrecurring donations

	Nonrecurring				Recurring			
	Return	Style-adj. Return	Alpha	Sharpe	Return	Style-adj. Return	Alpha	Sharpe
Performance $_{t-1,\,t-12}$_Quartile1	1.24***	1.01***	0.43**	1.20***	0.10	–0.09	0.10	0.18
	(5.91)	(5.12)	(2.35)	(6.40)	(0.52)	(–0.35)	(0.48)	(0.92)
Flow $_{t-1,\,t-12}$_Quartile1	0.62**	0.67***	0.63**	0.64**	0.02	0.03	0.07	0.01
	(2.50)	(2.73)	(2.51)	(2.56)	(0.09)	(0.17)	(0.35)	(0.05)
Fund Characteristics of Note								
Management Fee	2.25***	2.25***	1.97***	2.20***	0.39**	0.42**	0.42**	0.39**
	(4.57)	(4.60)	(4.30)	(4.71)	(2.24)	(2.38)	(2.12)	(2.23)
Incentive Fee	0.25***	0.24***	0.24***	0.25***	–0.03	–0.02	–0.02	–0.03
	(5.92)	(5.78)	(5.41)	(6.09)	(–0.73)	(–0.64)	(–0.51)	(–0.73)
High–water Mark	6.28***	6.46***	5.04**	6.10***	0.17	0.12	0.14	0.17
	(2.88)	(2.96)	(2.53)	(2.95)	(0.39)	(0.28)	(0.35)	(0.39)
Lockup Period	–0.11***	–0.11***	–0.11***	–0.11***	0.01	0.01	0.01	0.01
	(–3.20)	(–3.12)	(–2.96)	(–3.23)	(0.35)	(0.36)	(0.21)	(0.34)
Closed to Investment	–4.21***	–4.05***	–3.50***	–4.15***	–0.47	–0.45	–0.34	–0.47
	(–3.01)	(–3.01)	(–2.65)	(–3.06)	(–0.98)	(–0.96)	(–0.71)	(–0.97)
Other Fund Characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster at Fund and Month	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R–squared	0.41	0.40	0.35	0.40	0.07	0.07	0.06	0.07
N	78349	78349	56592	78323	77864	77864	56196	77838

Panel B: Differences in the coefficients on key independent variables: Recurring versus nonrecurring donations

	Return	Style–adj. Return	Alpha	Sharpe
Performance $_{t-1,\,t-12}$_Quartile1	1.14***	1.10***	0.33	1.02***
Flow $_{t-1,\,t-12}$_Quartile1	0.60*	0.64**	0.56*	0.63**
Management Fee	1.86***	1.83***	1.55***	1.81***
Incentive Fee	0.28***	0.26***	0.26***	0.28***
High–water Mark	6.11***	6.34***	4.90***	5.93***
Lockup Period	–0.12***	–0.12***	–0.12**	–0.12***
Closed to Invest	–3.74***	–3.60**	–3.16**	–3.68**

Table 5: Effects of charitable donations: Recurring versus nonrecurring donations

This table reports the effects for recurring and nonrecurring donations. Recurring donations are donations made by a fund manager to a charity to which the manager has donated before while nonrecurring donations are one-off donations. Reported variables are net flows and performance (raw return, style-adjusted return, Fung and Hsieh (2004) seven-factor alpha, and Sharpe ratio) one year before and one year after the donation. All variables are expressed in percentages and are monthly averages each fund-quarter (with the exception of Sharpe ratio, which is annualized). Each fund in the treatment group is matched with a fund in the control group by minimizing the absolute difference of performance and flows one year before donation. Panel A reports the univariate results which show difference-in-differences (DiD) before and after donations for donating funds and non-donating funds. Panel B reports the multivariate results, while Panel C reports coefficient differences of the key independent variable *Donate*×*After*. *Donate* takes a value of one if the fund donates in the year and quarter, and zero otherwise. *After* takes a value of one if the flow or performance happens after donations, and zero otherwise. *Donate*×*After* is the interaction term. Fund-level control variables are defined in Panel A of Table 1. Standard errors are clustered both at the fund and time level. The *t*-statistics are reported in parentheses below the slope coefficients. Superscripts *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A: Univariate effect analysis: Recurring versus nonrecurring donations

	Nonrecurring										Recurring									
	Flow		Return		Style-adj. Return		Alpha		Sharpe		Flow		Return		Style-adj. Return		Alpha		Sharpe	
	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After
Donating	0.67	–0.13	0.48	0.46	–0.14	–0.24	0.39	0.27	0.40	0.19	0.81	–0.34	0.73	0.53	–0.17	–0.18	0.52	0.51	0.36	0.26
Non Donating	0.73	–1.10	0.56	0.58	–0.11	–0.11	0.43	0.31	0.39	0.28	0.82	0.18	0.66	0.54	–0.10	–0.07	0.45	0.55	0.36	0.30
DiD	1.03***		–0.04		–0.10		0.00		–0.10		–0.51		–0.08		–0.04		–0.11		–0.04	

Panel B: Multivariate effect analysis: Recurring versus nonrecurring donations

	Nonrecurring					Recurring				
	Flow	Return	Style–adj. Return	Alpha	Sharpe	Flow	Return	Style–adj. Return	Alpha	Sharpe
Donate	–0.01	0.05	–0.07	0.04	0.00	0.22	0.02	–0.00	0.02	0.04
	(–0.02)	(0.36)	(–0.53)	(0.41)	(0.01)	(0.74)	(0.21)	(–0.04)	(0.27)	(0.72)
After	–1.86***	–0.13	–0.00	0.11	–0.12*	–0.68*	0.02	0.03	–0.12	–0.06
	(–4.63)	(–0.72)	(–0.01)	(1.32)	(–1.69)	(–1.77)	(0.12)	(0.24)	(–1.49)	(–0.85)
Donate×After	1.06**	–0.02	–0.07	–0.06	–0.09	–0.50	–0.15	–0.12	–0.04	–0.07
	(1.99)	(–0.10)	(–0.39)	(–0.70)	(–0.76)	(–1.42)	(–0.90)	(–0.82)	(–0.42)	(–1.16)
Fund Characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster at Fund and Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R–squared	0.051	0.002	0.010	0.007	0.050	0.039	0.012	0.015	0.028	0.036
N	2186	2601	2605	2356	676	2364	2720	2727	2382	718

Panel C: Differences of Donate×After

Flow	Return	Style–adj. Return	Alpha	Sharpe
1.56***	0.13	0.05	–0.02	0.32

Table 6: Determinants of charitable donations: Focal versus non-focal donations

This table reports the results from analyzing the determinants of focal and non-focal donations. Focal charities are those with five or more hedge fund donors (median for our sample). Panel A presents the estimates from logistic regressions where dependent variable is $donate_{i,t}$, which takes a value of 1 if the manager of fund *i* makes a large charitable donation (>=$7,500) in month *t*, and 0 otherwise. Results for focal donations are in first four columns and those for non-focal donations are in last four columns. *Performance* $_{t-1,\,t-12}$*_Quartile1* and *Flow* $_{t-1,\,t-12}$*_Quartile1* takes a value of 1 if the fund performance (raw return, style-adjusted return, Fung and Hsieh (2004) seven-factor alpha, and Sharpe ratio) are in the lowest quartile, and 0 otherwise. The *t*-statistics are reported in parentheses below the slope coefficients. Fund-level control variables are defined in Panel A of Table 1. This table only reports results of fund characteristics of note. Panel B presents differences of key independent variables explaining focal and non-focal donations. Standard errors are clustered both at the fund and time level. Superscripts *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A: Determinants analysis: Focal versus non-focal donations

	Focal				Non–focal			
	Return	Style–adj. Return	Alpha	Sharpe	Return	Style–adj. Return	Alpha	Sharpe
Performance $_{t-1,\,t-12}$_Quartile1	1.46***	1.24***	1.72***	1.33***	–0.10	–0.36*	0.05	–0.09
	(6.80)	(6.39)	(2.69)	(5.23)	(–0.61)	(–1.85)	(0.27)	(–0.50)
Flow $_{t-1,\,t-12}$_Quartile1	0.59***	0.62***	0.67**	0.61***	0.04	0.05	0.03	0.04
	(2.81)	(2.91)	(2.08)	(2.99)	(0.20)	(0.27)	(0.16)	(0.19)
Fund Characteristics of Note								
Management Fee	1.58***	1.54***	3.23***	1.56***	0.34*	0.34*	0.06	0.34*
	(4.57)	(4.46)	(4.76)	(4.61)	(1.72)	(1.75)	(0.14)	(1.73)
Incentive Fee	0.30***	0.29***	0.32***	0.30***	–0.02	–0.02	0.01	–0.02
	(6.33)	(6.17)	(4.41)	(6.41)	(–0.71)	(–0.55)	(0.45)	(–0.71)
High–water Mark	2.32*	2.39*	–0.48	2.35*	–0.07	–0.11	–0.23	–0.07
	(1.88)	(1.91)	(–1.23)	(1.92)	(–0.19)	(–0.29)	(–0.53)	(–0.19)
Lockup Period	–0.20**	–0.19**	–0.11***	–0.20**	–0.01	–0.01	–0.02	–0.01
	(–2.54)	(–2.51)	(–2.94)	(–2.51)	(–0.28)	(–0.31)	(–0.40)	(–0.28)
Closed to Investment	–3.91***	–3.63***	–1.81***	–3.91***	–0.37	–0.35	–0.14	–0.36
	(–3.54)	(–3.46)	(–3.01)	(–3.59)	(–0.88)	(–0.84)	(–0.30)	(–0.87)
Other Fund Characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster at Fund and Month	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R–squared	0.42	0.41	0.46	0.41	0.05	0.05	0.03	0.05
N	77714	77714	51305	77688	78507	78507	51864	78481

Panel B: Differences in the coefficients on key independent variables: Focal versus non–focal donations

	Return	Style–adj. Return	Alpha	Sharpe
Performance $_{t-1,\,t-12}$_Quartile1	1.56***	1.60***	1.67***	1.42***
Flow $_{t-1,\,t-12}$_Quartile1	0.55*	0.57**	0.64*	0.57*
Management Fee	1.24***	1.20***	3.17***	1.22***
Incentive Fee	0.32***	0.31***	0.31***	0.32***
High–water Mark	2.39*	2.50*	–0.25	2.42*
Lockup Period	–0.19**	–0.18**	–0.09*	-0.19**
Closed to Invest	–3.54***	–3.28***	–1.67**	-3.55***

Table 7: Effects of charitable donations: Focal versus non-focal donations

This table reports the results from analyzing the effects of focal and non-focal donations. Focal charities are those with five or more hedge fund donors (median for our sample). Reported variables are net flows and performance (raw return, style-adjusted return, Fung and Hsieh (2004) seven-factor alpha, and Sharpe ratio) one year before and one year after the donation. All variables are expressed in percentages and are monthly averages each fund-quarter (with the exception of Sharpe ratio, which is annualized). Each fund in the treatment group is matched with a fund in the control group by minimizing the absolute difference of performance and flows one year before donation. Panel A reports the univariate results which show difference-in-differences (DiD) before and after donations for donating funds and non-donating funds. Panel B reports the multivariate results, while Panel C reports coefficient differences of the key independent variable *Donate*×*After*. *Donate* takes a value of one if the fund donates in the year and quarter, and zero otherwise. *After* takes a value of one if the flow or performance happens after donations, and zero otherwise. *Donate*×*After* is the interaction term. Fund-level control variables are defined in Panel A of Table 1. Standard errors are clustered both at the fund and time level. The *t*-statistics are reported in parentheses below the slope coefficients. Superscripts *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A: Univariate effect analysis: Focal versus non-focal donations

	Focal										Non–focal									
	Flow		Return		Style–adj. Return		Alpha		Sharpe		Flow		Return		Style–adj. Return		Alpha		Sharpe	
	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After
Donating	0.30	0.03	0.40	0.71	–0.07	–0.27	0.34	0.57	0.61	0.82	0.77	–0.25	0.68	0.52	–0.08	–0.17	0.41	0.38	0.41	0.29
Non Donating	0.31	–0.85	0.51	0.78	–0.08	–0.21	0.21	0.49	0.59	0.79	0.97	0.09	0.65	0.63	–0.03	0.02	0.43	0.44	0.41	0.33
DiD	0.89***		0.04		–0.07		–0.05		0.01		–0.14		–0.14		–0.14		–0.04		–0.04	

Panel B: Multivariate Effect Analysis Sorted by Focal and Non–focal Donations

	Focal					Non–focal				
	Flow	Return	Style–adj. Return	Alpha	Sharpe	Flow	Return	Style–adj. Return	Alpha	Sharpe
Donate	0.16	–0.07	–0.02	0.01	0.01	–0.13	0.05	–0.06	–0.05	0.02
	(0.37)	(–0.49)	(–0.14)	(0.09)	(0.08)	(–0.49)	(0.45)	(–0.60)	(–0.61)	(0.52)
After	–1.15***	–0.27**	–0.14	–0.27***	–0.13	–0.90***	–0.02	0.05	0.02	–0.08
	(–3.17)	(–2.31)	(–1.11)	(–4.02)	(–1.62)	(–2.73)	(–0.15)	(0.39)	(0.22)	(–1.39)
Donate × After	1.37***	–0.06	–0.08	0.05	–0.13	–0.15	–0.12	–0.13	0.02	–0.04
	(2.82)	(–0.42)	(–0.47)	(0.59)	(–1.31)	(–0.42)	(–0.67)	(–1.05)	(0.28)	(–0.52)
Fund Characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster at Fund and Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R–squared	0.025	0.010	0.009	0.040	0.044	0.048	0.005	0.009	0.014	0.048
N	1946	2274	2283	2030	586	2527	2999	3012	2511	792

Panel C: Differences of Donate×After

Flow	Return	Style–adj. Return	Alpha	Sharpe
1.52***	0.06	0.05	0.03	–0.09

Table 8: Determinants and effects of charitable donations: Charities with and without events catering to the hedge fund community

This table reports the results from the analyses of determinants and effects of donations split based on whether the donation is made to a charity that held a fundraising event with at least one hedge fund donor making an earmarked donation towards the event (termed event and nonevent donations). Panel A presents the results from logistic regressions where the dependent variable is $donate_{i,t}$, which takes a value of one if the portfolio manager of fund *i* makes a large charitable donation (>=$7,500) in month *t*, and zero otherwise. We consider event donations in first four columns and nonevent donations in last four columns. $Performance_{t-1,\ t-12}\_Quartile1$ and $Flow_{t-1,\ t-12}\_Quartile1$ are as defined in Table 2. The *t*-statistics are reported in parentheses below the slope coefficients. Fund-level control variables are defined in Panel A of Table 1. Panel B reports the differences in the coefficients across the event and nonevent samples. Panel C reports the multivariate results analyzing the effect of the donations on fund flows. *Donate* takes a value of one for donating funds and zero for matched, non-donating funds. *After* takes a value of one for the four quarters after the donation period donations, and zero otherwise. *Event* takes a value of one if the donation is an event donation, and zero otherwise. *Donate*×*After*, *Donate*×*Event, Event*×*After and Event*×*Donate*×*After* are interaction terms. The *t*-statistics are reported in parentheses below the slope coefficients. Standard errors are clustered both at the fund and time level. Superscripts *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A: Determinants analysis: Event and nonevent donations

	Event				Nonevent			
	Return	Style-adj. Return	Alpha	Sharpe	Return	Style-adj. Return	Alpha	Sharpe
Performance $_{t-1,\ t-12}$_Quartile1	4.78***	3.49***	0.95***	3.55***	–0.00	–0.15	0.02	0.05
	(2.70)	(3.26)	(2.78)	(2.84)	(–0.01)	(–0.77)	(0.13)	(0.34)
Flow $_{t-1,\ t-12}$_Quartile1	4.95***	4.06***	2.78***	4.49***	–0.09	–0.08	–0.09	–0.09
	(2.80)	(3.14)	(3.55)	(2.88)	(–0.50)	(–0.46)	(–0.52)	(–0.53)
Fund Characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster at Fund and Month	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.41	0.40	0.35	0.40	0.07	0.07	0.06	0.07
N	78349	78349	56592	78323	78864	78864	56196	78864

Panel B: Differences in the coefficients on key independent variables: Event and nonevent donations

	Return	Style-adj. Return	Alpha	Sharpe
Performance $_{t-1,\ t-12}$_Quartile1	4.78***	3.64***	0.93**	3.50***
Flow $_{t-1,\ t-12}$ _Quartile1	5.04***	4.14***	2.87***	4.58***

Panel C: Multivariate analysis of the effect of donations

	Flow
Donate	0.02
	(0.07)
After	–1.54***
	(–5.23)
Donate×After	0.76**
	(2.11)
Event	0.41
	(1.52)
Event×Donate	0.08
	(0.28)
Event×After	0.21
	(0.72)
Event×Donate×After	0.64*
	(1.76)
Fund Characteristics	Yes
Cluster at Fund and Year	Yes
R-squared	0.039
N	4138

Table 9: Charitable donations and fund mortality

This table reports coefficient estimates from multivariate logit and Cox proportional hazard regressions for hedge fund termination. The sample is the matched sample of funds used in the analysis in Table 3. The dependent variable is *Termination*, which takes a value of one after a hedge fund stops reporting to commercial databases and states that it has liquidated, and takes a value of zero otherwise. The independent variables include *Donate*, which takes a value of one if the fund is a donating fund, and zero if it is a matched, non-donating peer. The other independent variables include fund characteristics such as management fee, performance fee, high water mark, lock-up period, an indicator variable for whether the fund is closed to new investment, fund age in years, and log of fund size. Standard errors are clustered both at the fund and time level. The *t*-statistics are reported in parentheses below the slope coefficients. Superscripts *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Logit	Cox
Donate	–0.555**	0.729*
	(–3.81)	(–1.87)
Management Fee	–0.035	1.128
	(–0.54)	(–0.85)
Incentive Fee	0.023*	0.997
	(–2.12)	(–0.18)
High Water Mark	–0.053	0.86
	(–0.31)	(–0.59)
Lock Up Period	–0.013	1.012
	(–1.55)	(–0.98)
Closed to Investment	0.06	0.624
	(–0.24)	(–1.15)
Other Fund Controls	Yes	Yes
Cluster at Fund and Month	Yes	Yes
R-squared	0.134	0.205
N	23863	23863

Table 10: Effects of charitable donations: Donation size and fund size

This table reports the results of the multivariate analysis of the effects of donations above $7,500 by smaller and larger funds (split by the median assets under management of funds in our sample) and further split into larger (>$22,500) and smaller donations (<=22,500) using the median donation cutoff for donations above $7,500. Only the coefficient on the effect of the donation on flows is presented (i.e., the *Donate×After* coefficient in column 1 of Table 3, Panel B). All other controls are as in Table 3, Panel B but are suppressed. Reported variables are average monthly fund net flows (in %) one year before and one year after the donation. Each fund in the treatment group is matched with a fund in the control group by minimizing the absolute difference of performance, flows, and assets under management one year before donation. Each of the four coefficients is from a separate regression, and reflects the effect of donations on net flows for a subsample of observations: Larger donations by larger funds, larger donations by smaller funds, smaller donations by larger funds, and smaller donations by smaller funds). Standard errors are clustered both at the fund and time level. The *t*-statistics are reported in parentheses below the slope coefficients. Superscripts *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Presented coefficient: Response of net flows to *Donate×After*	Larger Fund (AUM>median)	Smaller Fund (AUM<=median)
Larger Donation (>$22,500)	0.64	1.57**
	(0.75)	(2.17)
Smaller Donation ($7,500 < Donation < $22,500)	0.67	0.46
	(1.17)	(0.71)

Table 11: Determinants and effects of charitable donations excluding funds with fee changes

This table presents the results of panel regressions analyzing the determinants (in Panel A) and effects (in Panel B) of charitable donations by hedge fund managers after excluding funds that changed their fees between January 2011 and December 2016. Dependent variable is $donate_{i,t}$, which takes a value of one if the portfolio manager of fund *i* makes a large charitable donation (>=$7,500) in month *t*, and zero otherwise. Explanatory variables include prior year's fund raw return, style-adjusted return, seven-factor alpha, Sharpe ratio, net flows, fund characteristics of note, and fund-level controls (prior year's age, size, and risk (total risk for returns, and idiosyncratic risk for style-adjusted returns and alpha measures)). The table presents results when past performance and flows are in lowest quartiles (quartile 1). Fund-level control variables are defined in Panel A of Table 1. Standard errors are clustered both at the fund and time level. Superscripts *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A: Determinants of donations

	Return	Style Adj. Return	Alpha	Sharpe
Performance $_{t-1, t-12}$_Quartile1	1.00***	0.77***	0.37**	1.01***
	(4.94)	(3.88)	(2.11)	(5.36)
Flow $_{t-1, t-12}$_Quartile1	0.48***	0.54***	0.51***	0.49***
	(2.70)	(2.95)	(2.71)	(2.69)
Fund Characteristics of Note				
Management Fee	1.39***	1.38***	1.27***	1.37***
	(4.11)	(4.10)	(3.79)	(4.20)
Incentive Fee	0.18***	0.17***	0.17***	0.18***
	(3.65)	(3.48)	(3.27)	(3.72)
High-water Mark	2.95**	3.02**	2.53**	2.92**
	(2.49)	(2.51)	(2.43)	(2.58)
Lockup Period	–0.08***	–0.08**	–0.07**	–0.08**
	(–2.58)	(–2.52)	(–2.17)	(–2.56)
Closed to Invest	–2.15**	–2.06**	–1.79*	–2.16**
	(–1.99)	(–2.00)	(–1.78)	(–2.01)
Other Fund Characteristics	Yes	Yes	Yes	Yes
Cluster at Fund and Month	Yes	Yes	Yes	Yes
R-squared	0.26	0.25	0.23	0.26
N	77631	77631	56011	77631

Panel B: Effects of donations

	Flow	Return	Style–adj. Return	Alpha	Sharpe
Donate	–0.02	0.01	–0.01	0.04	0.01
	(–0.06)	(0.16)	(–0.14)	(0.66)	(0.28)
After	–1.60***	–0.05	0.05	–0.00	–0.08
	(–5.26)	(–0.45)	(0.47)	(–0.01)	(–1.57)
Donate×After	0.83**	–0.10	–0.15	–0.10	–0.07
	(2.26)	(–0.79)	(–1.23)	(–1.40)	(–1.05)
Fund Characteristics	Yes	Yes	Yes	Yes	Yes
Cluster at Fund and Year	Yes	Yes	Yes	Yes	Yes
R–squared	0.039	0.004	0.008	0.011	0.041
N	4011	4723	4750	4202	1226