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Heroes and Victims: Fund Manager Sense-making, Self-legitimation and Storytelling

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Abstract

Abundant research evidence demonstrates that past investment performance is not a robust indicator of future investment returns, and that it is very difficult for fund managers to outperform on any consistent basis. To be able to do their job, asset managers need to maintain belief in themselves and in their investment processes, even though, in practice, it is not possible for them to meet the unrealistic expectations placed on them. In this paper, we show fund managers do this by constructing satisfying narratives and, in particular, stories. We use two sets of fund manager narratives in our study. *First*, we analyse the transcripts of depth interviews with 50 equity fund managers in some of the world's largest investment houses. *Second*, we explore 50 fund manager commentaries on last year performance provided as a standard part of mutual fund annual reports to investors. In both cases, we show how storytelling is used by money managers as an integral part of their largely unconscious identity construction process, and to justify their added value to themselves as well as to their clients and employers. In this way, our two sets of narratives, one verbal and informal, the other written and formal, provide novel and complementary insights into how fund managers make sense of what they do.

Keywords: Fund manager interviews, Investment performance, Story types, Narratology, Professional investors

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