Yes, Virginia, there are Superstar Money Managers*

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First Draft: October 1, 2019
This version: July 4, 2021

Abstract

Berk and Green (2004) argue that, in equilibrium, mutual fund performance is not informative about the skill of the fund managers. Hence, instead of studying mutual fund performance, we study stock recommendations of prominent money managers made at the prestigious *Barron's* Roundtable. The 3,472 buy recommendations, from 1968 to 2019 (52 years), on average, earn economically meaningful and statistically significant 4.1% excess returns over the 30 trading days immediately following the Roundtable meetings. To study the skill level across decades, we divide the 52-year-long time-series into four equal 13-year-long periods and find that excess returns are similar for each of the four periods and are statistically significant. Overall, we conclude that money managers are skillful, and that skill has not diminished over the decades.

*We thank Reena Aggarwal, Joe Arden, Michael Carniol, Louis Chan, Sris Chatterjee, Hemang Desai, Joel Diamond, Ken French, Vladimir Gatchev, Aloke Ghosh, Leo Hsu, Srininvasan Krishnamurthy, Ananth Madhavan, Max Miller, Dan Palmon, Stephen Perrenod, Christo Pirinsky, Krishna Ramaswamy, Srini Sankaraguruswamy, Luke Taylor, Sheri Tice, Jules van Binsbergen, Russ Wermers, and Joanna Wu for their helpful comments and suggestions.

Yes, Virginia, there are Superstar Money Managers

For almost a century now, academics and practitioners alike have been searching for evidence of skillful money managers in the stock market.[1] Most extant research results are generally not consistent with the hypothesis that money managers have skill in picking stocks. In a seminal paper, Berk and Green (2004) point to a fundamental reason for not finding evidence of skill even if money managers were to be skillful. Their main argument is that investors increase their investments with skillful managers until the observed net fund alpha becomes zero. As a result, fund performance is not informative about the skill of money managers.

Based on the work of Berk and Green (2004), Berk and Binsbergen (2015) develop a new measure of skill, value added, where value added is given by the fund's gross excess return over its benchmark multiplied by assets under management. Using this innovative approach, they make at least three significant conclusions. First, money managers are skillful as the average mutual fund has added $3.2 million of value per year. Second, they state that the strongest evidence they provide for the existence of investment skill is that there is persistence in value added. Third, there is no evidence that investors benefit from this skill as the net alpha across all funds is not significantly different from zero.

We use an entirely different approach to overcome the Berk and Green (2004) critique. The most important part of our methodology is that we focus on the performance of stock recommendations made by money managers and not on the performance of mutual funds. The main advantage of our approach is that we focus exactly on where the skill is, i.e., the investment skill, if any, potentially resides with individual money managers and not with mutual funds. Consistent

[1] Cowles (1933) is the earliest known study published in an academic journal. Some of the prominent studies since then include Jensen (1968), Carhart (1997), Kosowski, Timmarmann, Wermers and White (2006) and Fama and French (2010). For a review covering more than 200 studies, see Shukla and Trczinka (1992). For a critical review of the recent literature, see Berk and Binsbergen (2017) and Berk, Binsbergen and Miller (2020).

with Berk and Binsbergen (2015), we provide reliable evidence that money managers have skill in picking stocks.

Beyond the Berk and Green (2004) critique, there are other weaknesses in using mutual fund returns for assessing money managers' skill in picking stocks. For example, a large-cap mutual fund cannot become a small-cap mutual fund in short order even if a skillful money manager would have preferred to do so. Similarly, mutual funds often restrict allocations to specific industries and are run by committees. Such constraints limit the extent to which mutual fund performance can reflect the skill of individual money managers. Furthermore, successful money managers frequently change careers, change mutual funds they manage or take on other responsibilities. For example, even Peter Lynch, a highly successful money manager at Fidelity Inc., moved on to become a Vice President at the company after running the Magellan fund from 1977 to 1990, a period of only 13 years. Many prior studies also suffer from selection bias and lack of long histories of individual fund returns. Carhart, Carpenter, Lynch, and Musto (2002) and Fama and French (2010) discuss these issues in detail.[2] As we explain below, our methodology does not suffer from these shortcomings.

The sample of money manager recommendations comes from the prestigious *Barron's* Annual Roundtable from 1968-2019 for which *Barron's* invites about 10 money managers each year. Outsiders are not allowed in these meetings. *Barron's* refers to the invited money managers as 'Wall Street Superstars' as they are generally acknowledged to be among the best in the business. Peter Lynch mentions in his book *Beating the Street* (1993) that much attention is devoted to the Roundtable. Since the money managers in our sample are identified ex-ante as skillful, the power of

[2] For example, Chan and Lakonishok (1993) argue that even if a money manager outperforms a benchmark by 2 percent per year and if the tracking error is 5 percent per year, which is below the median for active managers based on the SEI universe of equity manages, then we would need twenty-five year of data before we could reject the null hypothesis that the performance of the money manages is no better than the benchmark.

the statistical tests should be high. Our sample consists of 3,472 stock buy recommendations which seems large enough to generalize results. Furthermore, our sample is free from survivorship bias as we collect all recommendations from all participants over the entire 52-year life of *Barron's* Roundtable.

Our first conclusion is that money managers are skillful. The sample of 3,472 buy recommendations, on average, earns economically meaningful and statistically significant 4.1% excess returns over 30 trading days immediately following the meetings. This is well above a possible 1% in transaction costs (Novy-Marx and Velikov, 2016, Figure 1). In the period beyond the initial 30-day period, there is no reversal in excess returns and hence the initial reaction cannot be attributed to a mechanical reaction to the recommendations. While our approach is quite different, we confirm the Berk and Binsbergen's (2015) important finding that money managers are skillful in picking stocks.

Our second conclusion is that money managers' skill has not diminished over the last five decades. This is important because evidence on the existence of skill is stronger when performance is similar across time (Berk and Binsbergen, 2015, p.2). Otherwise, the skill in any one period may be attributed to luck. We divide the 52-year-long time series of data into four equal 13-year-long periods. The excess returns in each period are similar, and are statistically significant despite technological, financial, and regulatory changes over time (Bogle 2005; Bogle 2016).

The two conclusions mentioned above comprise our primary contribution. Beyond these, using 28 years of new data, we replicate the Desai and Jain (1995) study to report what *Barron's* readers may be able to earn by following the published recommendations. *Barron's* readers know of the recommendations only when they are published in *Barron's,* one to four weeks after the meetings are held. We find that, before transaction costs, *Barron's* readers earn excess returns of

only about 1.11% over one year following publication, assuming they act immediately after *Barron's* publishes the money managers' recommendations. Allowing for 1% in transactions costs, the outsiders do not earn excess returns from investing in the recommended stocks. This conclusion confirms the Desai and Jain (1995) finding for 1969-1991.

Our conclusions add significantly to recent research that also documents the existence of skill. For example, Kosowski, Timmerman, Wermers and White (2006) use a bootstrap statistical technique and find that a sizable minority of managers have skill. Berk and Binsbergen (2015) and Pastor, Stambaugh and Taylor (2015) use mutual fund data, adjust appropriately for fund size and fund industry size, respectively, and conclude that mutual fund managers have skill.[3]

One probable reason that prior researchers have not focused on money managers' recommendations is that data on money managers' specific recommendations are not easily available. Given the advantages of focusing on money manager recommendations, we encourage researchers to develop additional data sources on money managers to better understand the extent and nature of managers' investment skill.

In Section I, we present background and data. Section II presents the main result of our study that money managers have skill. Section III divides the sample into four 13-year periods to show that the skill has persisted over decades. Section IV replicates and confirms the important Desai and Jain (1995) finding that *Barron's* readers do not benefit from the recommendations. Section V presents results for individual money managers, and Section VI concludes.

I. Background and Data

A. Recommendations of Superstar Money Managers

[3] Additional evidence consistent with the existence of skill among mutual fund managers is provided by Grinblatt and Titman (1989, 1993), Wermers (2000), Chen, Jegadeesh and Wermers (2000), Kacperczyk, Sialm, and Zheng (2008), Cremers and Petajisto (2009), Jiang, Verbeek, and Wang (2014), and Guercio and Reuter (2014).

Each year since 1968, *Barron's* invites about 10 prominent money managers to *Barron's* Annual Roundtable to recommend common stocks and other investments, the focus being on common stocks. We read all Roundtable related issues of *Barron's* for the years from 1992 to 2019.[4] This process results in 1,871 common stock buy recommendations. In addition, Professor Hemang Desai kindly provided us with his data from the earlier period of 1968-1991 from which we obtained 1,601 buy recommendations.[5] The full sample of 3,472 buy recommendations spread over 52 years seems to be a large sample for reliable conclusions. Since our sample includes all recommendations from all participants, there is no survivorship bias in the sample.

Table 1 presents the complete list of all 80 participants over 52 years who made at least one buy recommendation. The average number of participants in a year is 8.5 with a standard deviation of 1.5. The largest number of 628 recommendations were made by Peter Lynch during 1986-1995, followed by 551 recommendations by Mario Gabelli during 1980-2019. Out of the 80 money managers in the sample, 17 made at least 50 buy recommendations each. For these 17 money managers, we also present their individual performance record.

B. Meeting Date and the Length of the Performance Evaluation Period

The *Barron's* Roundtable is held in late December or early January. The average number of trading days between the meeting date and the publication date of the recommended stocks is 11.0 or about two weeks, the standard deviation is 4.4, the minimum is 3 and the maximum is 23.

[4] We also searched for the word 'Roundtable' in all other issues for these years to find other relevant information. In some cases, minor narrative corrections were published in subsequent issues but there were no changes to initial recommendations. We use all recommendations of stocks that trade on the NYSE, the AMEX, or the NASDAQ including ADRs (American Depository Receipts of foreign stocks). We do not analyze recommendations for commodities, currencies, bonds, selling stock short because such recommendations are infrequent.

[5] Desai and Jain (1995) had reported 1,599 observations, a difference of only two observations.

During the Roundtable meetings, participants also learn of and discuss the recommendations of other participants. They have the opportunity to trade on other managers' recommendations.[6] Participants are also aware that all recommendations will be published in *Barron's* in a few weeks and hence they have strong incentives to trade on them as soon as possible, i.e., before the information is widely disseminated. Hence, if participants have skill, we expect the recommended stocks to earn positive excess returns soon after the meetings with no price reversal afterwards.

We define the day of the *Barron's* Roundtable meeting as Day 0. Given that recommendations are not published immediately and take as long as 23 trading days for publication, we consider two periods given by trading day +1 to +15 and day +1 to +30 as the most relevant periods to evaluate whether managers have skill in picking stocks. In addition, we examine two other periods given by day +1 to +60 and day +1 to +250 (approximately one year) to test whether the reaction in the initial period of 30 days is reversed. If the excess returns during the initial period are simply because of additional buying pressure from the money managers, we expect a reversal in stock prices following the initial period. On the other hand, if the money managers have skill, the stock prices should not reverse.

C. Benchmarks for Evaluation

We evaluate the returns earned by the recommended stocks using several statistical methods. For a comparison with an index, we use returns on the S&P 500 index with dividends because the S&P 500 index is the most popular index in the money management industry and is frequently mentioned by participants in the *Barron's* Roundtable. We obtain daily S&P 500 index

[6] Roundtable meetings are held on Mondays with only two exceptions: the meeting in 1973 was held on a Tuesday, while the meeting in 1979 was held on a Wednesday.

returns data from FactSet.[7] The S&P 500 index is also very close to a practical alternative investment set. Vanguard's website reports that the S&P 500 index returns are generally within 0.05% per annum of the corresponding Vanguard index fund returns.

We also report portfolio alphas by using a popular regression framework with up to five factors beyond the market factor (Fama and French, 2015). However, for our conclusions, we rely more on the S&P 500 index as the benchmark because of it being a reliable alternative investment set. Investors cannot easily invest in the Fama-French common factor portfolios and these factors were not known during the first-half of our period of study. For the same reasons, Berk and Binsbergen (2015) use a combination of various Vanguard index funds as one of the benchmarks in their study.[8]

The initial set of factors introduced by Fama and French (1993) are the market factor (excess return on the market portfolio (Mkt) relative to the risk free rate (RF)), the SMB factor (the return on a portfolio of small stocks minus the return on a portfolio of large stocks), and the HML factor (the return on a portfolio of value stocks minus the return on a portfolio of growth stocks). Based on the work of Carhart (1997), it is common to augment the model by a momentum factor, MOM (the return on a portfolio of past winners minus the return on a portfolio of past losers). Subsequently, Fama and French (2015) introduce two additional common factors, RMW (based on operating profitability) and CMA (based on investments). Data on all Fama-French common

[7] For the period prior to January 1988, FactSet does not include dividends in its daily S&P 500 index returns series. Hence we adjust the daily S&P 500 returns for the period prior to January 1988 by using the monthly dividends data provided by the Global Financial Database. Specifically, we pro-rate the monthly dividend data to obtain daily dividends. This gives us a complete dataset of daily S&P 500 returns with dividends going back to 1968. Using the actual data from January 1988 onward, we verify that this approach generates returns that closely approximate the official daily total returns series.

[8] We replicate our results using the CRSP (Center for Research in Security Prices, University of Chicago) value-weighted index instead of the S&P 500 index as a benchmark and find the results to be almost identical to the reported results.

factors, along with detailed description of the factors are available on Professor Ken French's website.[9]

D. Firm-level Returns and Other Financial Data

We obtain firm-level daily returns adjusted for dividends, and market value from CRSP (the Center for Research in Security Prices, University of Chicago). Market value (MV, in million dollars) is price per share times the number of shares outstanding, closest and immediately prior to the meeting date. Firm specific accounting information is obtained from COMPUSTAT for the latest fiscal year prior to the meeting date. Book-to-market (BM) is book value of total common equity divided by market value of common equity. Operating profit margin (OP) is gross profit minus interest expense and selling, general, and administrative expenses, divided by beginning of the year book value of common equity. Investment (INV) is the growth rate in total assets over the prior year. We also compute past stock returns (PASTRET) and daily market beta with respect to the value-weighted CRSP index (BETA). PASTRET and BETA are measured over the 12 months prior to the meeting date.

II. Main Results

A. Firm Characteristics of Recommendations

Table 2 reports the average (median) market value of the firms in the sample to be $8,825 million ($1,009 million). We also report deciles for each characteristic. MV deciles are computed using NYSE firms only (Fama and French, 1993); all other deciles are computed using data for all available observations in the population of firms on CRSP. The average (median) MV decile is 6.6 (7), indicating that the Roundtable participants recommend relatively larger companies. The average (median) book-to-market (BM) decile of 5.3 (5) indicates that there is no preference

[9] https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html

towards value or growth stocks. The average (median) operating profits decile is 6.7 (7), the average (median) past return decile is 6.3 (6) and the average (median) beta decile is 6.9 (7). Since all these characteristic deciles are between 5 and 7, they do not seem to deviate substantially from the expected median of 5 for a random sample.

B. Excess Returns on Recommendations

Table 3 reports the average excess returns (EXRET) for four different return windows. EXRET is defined as the compounded firm return minus the corresponding compounded S&P 500 index return. The first two windows are the most important windows for our analysis (day+1 to +15, and day +1 to +30). We note that most of the price adjustment for recommended stocks is during the first period from day +1 to +15. During this period, recommended stocks earn average excess returns of 3.6%, which are economically meaningful. The excess return during the second window of day +1 to +30 is 4.1%, or an increase of only 0.5% over the first window. In the ensuing tables, we focus on the day +1 to +30 window to fully capture the performance of the recommended stocks.

In Table 3, the first t-statistic associated with the excess returns of 4.1% (row 3), reported as t-stat$_{IND}$, is computed under the assumption that each recommendation is statistically independent. The t-stat$_{IND}$ is 18.18 for the window +1 to +30 (row 4). This t-statistic is statistically significant at any reasonable level of significance.

Since recommendations made at the same meeting are likely not independent, we compute two additional t-statistics that adjust for cross-sectional dependence. Note that returns on recommendations made at the same meeting are measured over the same window, and may be driven by common factors. One common approach for adjusting for cross-sectional dependence is to estimate clustered standard errors (Rogers, 1993; Williams, 2000; Wooldridge, 2007; Petersen,

2009). We follow this approach and compute the t-statistic given by t-stat$_{CLUSTER}$, where stock recommendations are clustered by meeting date. For the window +1 to +30, t-stat$_{CLUSTER}$ is 8.45 (row 5). This t-statistic is also statistically significant at any reasonable level of significance.

We also compute a t-statistic based on the Fama-MacBeth (1973) approach which in our case is conservative and removes all correlations across recommendations made at the same meeting. Specifically, we use one annual meeting as one observation, compute an average return for all the recommendations at that meeting, and thus reduce 3,472 recommendations into just 52 observations. Since it is extremely unlikely that one year apart excess returns would have any dependence, this approach yields highly reliable inferences.[10] The t-statistic thus computed from 52 observations is reported as t-stat$_{FM}$. For the window +1 to +30, t-stat$_{FM}$ is 8.68 (row 6), which is also statistically significant at any reasonable level of significance.

The last two columns (day +1 to +60 and day +1 to +250) show that there are no price reversals following the initial price adjustments during the first 30 days. We find EXRET of 4.1% (day +1 to +60) and 4.3% (day +1 to +250) in row 3, which are almost the same as the EXRET at the end of the first 30 days (4.1%). This confirms that money managers do indeed provide new information to the market about the recommended stocks. Figure 1 presents our main findings pictorially and shows that the price adjustment occurs rapidly in the initial period of about 30 days and then there is essentially no further adjustment.

The most likely reason that we have been able to find this evidence is that these money managers are initially picked by editors of *Barron's* who are knowledgeable of the money management industry. This should increase the power of the statistical tests. When there are only a small number of money managers who have skill, it would be very difficult to find them without

[10] The average of these 52 observations (4.0%) is very close to the average EXRET (4.1%) for the full sample of 3,472 observations.

knowing where to look first. As mentioned earlier, mutual fund performance is affected by rules and restrictions on the types of investments and the minimum allocations across industries and stocks. Hence, many so-called actively managed funds actually end up as closet index funds (Cremer, et al., 2016) and it is difficult to know where to look first. Overall, there is strong evidence in support of money managers having skill in picking stocks.

C. Fama-French Common Factor Models

In Table 4, we report results based on several versions of the following model developed by Fama and French (1993, 2015, 2016).[11]

$$RETP_t - RF_t = \alpha + \beta_{MKT} \text{ x } (Mkt_t - RF_t) + \beta_{SMB} \text{ x } SMB_t + \beta_{HML} \text{ x } HML_t + \beta_{MOM} \text{ x } MOM_t + \\ + \beta_{RMW} \text{ x } RMW_t + \beta_{CMA} \text{ x } CMA_t + \varepsilon_t \quad (1)$$

The subscript *t* in Equation (1) represents day *t* in one of four windows given by (day +1, +15), (day +1 to +30), (day +1 to +60), or (day +1 to +250).[12] RETP is the equally weighted return on the portfolio of recommendations on day *t.* The portfolio is rebalanced each meeting date, and stocks are held over the period indicated in the table (i.e., for 15, 30, 60, or 250 days). If participants have skill beyond selecting firm characteristics that are associated with higher returns, the alpha should be positive and statistically significant.

In Table 4, Model 1, only the market factor is used as an explanatory variable. The resulting alpha from this model should be close to EXRET reported in Table 3 where we compute excess returns relative to the market. In Table 3, beta is implicitly assumed to be 1.0 but here in Table 4, beta is determined by the regression model. The average beta of the sample for the 30-day window

[11] We sidestep the controversy whether the Fama-French common factors capture risk or mispricing. For our research objectives in this paper, the empirical association of returns to firm-specific characteristics is a sufficient condition for us to analyze the alpha after controlling for the Fama-French common factors.

[12] For example, for the period [+1 to +30], there are 30 days for each of the 52 years of the sample, resulting in total number of observations of 30 x 52 = 1,560 in the regression.

(+1 to +30) is 1.027 which is only marginally different from 1.0. The adjusted R-square for Model 1 is 75%, which reflects the common finding that in such regressions, the market factor captures most of the variation in individual stock returns. For the period +1 to +30, the average daily excess return or alpha is 0.121% per day, or 3.63% (0.121 x 30) over the 30-day period. This is only slightly lower than the 4.1% EXRET in Table 3

Model 2 through Model 4 in Table 4 report the values of alpha when we introduce additional Fama-French common factors beyond the market factor. Model (2) corresponds to the original three factor Fama-French (1993) model that includes the size and value factors beyond the market factor. Model 3 augments the model for the momentum factor developed by Carhart (1997). Model 4 further includes the profitability and investment factors developed by Fama and French (2015, 2016). When all the five common factors beyond the market factor are included in Model 4, the alpha decreases to 0.093, or 2.79% (0.093 x 30) for the 30-day window. Therefore, 0.84% of the excess returns (3.63% - 2.79%) may be attributable to participants selecting stocks with favorable return characteristics. It is important to note that the Fama-French return factors and their underlying characteristics were not known during the first half of our sample period. The factor portfolios are also not investible. Nevertheless, even after excluding the impact of the return factors, we continue to find large significantly positive excess returns of around 3%.

III. Has Skill Among Money Managers Declined?

Our first goal was to investigate whether skillful money managers exist or not, and we have answered that in the affirmative. Our second goal is to find out if the skill among money managers has remained the same or has declined over the decades because of technical, financial and regulatory developments related to the financial markets (Bogle 2005; Bogle 2016). This is important because any evidence on the existence of investment skill is stronger when performance

is similar across time (Berk and Binsbergen, 2015, p.2). Else, the skill in any one period may be attributed to luck.

We divide the 52-year-long time series of our data into four equal periods of 13 years each and report the results for the 30-day window in Table 5. The excess returns for the four periods (row 4) are between 3.6% and 5.1%, with the associated t-stat$_{IND}$ between 6.39 and 14.45 (row 5). When we cluster the standard errors by the meeting date, the resultant t-stat$_{CLUSTER}$ are still between 3.59 and 5.27 (all statistically significant at better than 1% level of significance). The results are similar when we use the Fama-MacBeth method, with t-stat$_{FM}$ between 3.30 and 5.40 (row 7). Thus, our results are reliable. In Table 6 and Figure 2, we report year by year excess returns for all 52 years in the sample and find that only 5 of the 52 annual excess returns are negative. Clearly, the overall results are not due to the influence of a few unusual years.

These results are also consistent with the Berk and Binsbergen (2015) finding that investment skill among money managers has not declined across the years. Overall, we conclude that over the decades, money managers' skills in picking stock has remained the same despite vast changes in the investment environment. Consequently, our main conclusion that money managers are skillful is strengthened.

IV. Returns to *Barron's* Readers

Can *Barron's* readers also benefit from the recommendations made at the *Barron's* Roundtable? Desai and Jain (1995) focus on this question by using the sample of recommendations from 1968 to 1991 (24 years). They find that for the one-year post-publication period, the recommendations earn excess returns close to zero percent and conclude that, "an individual investing according to the Roundtable recommendations published in *Barron's* would not benefit from the advice."

During the 26 years since Desai and Jain (1995), neither a replication nor a new similar study has emerged probably because of lack of data. Clearly, new studies are needed on this important result. Table 7 presents excess return results for periods after the publication day (PD) of the recommendations. The average excess returns for the first 15 trading days after publication, PD+1 to PD+15, are 1.1% and excess returns from PD+1 to PD+250 are 1.3% (row 3). These excess returns are small from the perspective of outside investors who also incur transaction costs to implement this strategy, and hence appear economically insignificant. Assuming transaction costs of 1% (Novy-Marx and Velikov, 2016), the excess returns after transaction costs are close to zero. In terms to statistical tests, the results are insignificant beyond the first thirty days following publication.

Overall, we confirm the Desai and Jain (1995) finding with our full sample and conclude that *Barron's* readers, on average, do not earn excess returns from investing in the recommendations published in *Barron's* Roundtable. Thus, Desai and Jain (1995)'s finding has withstood the test of time.

V. Results for Individual Money Managers

In Table 8, we present results for 17 of the participants who recommend at least 50 stocks each. We only report the returns for the first 30 days because much of the effect is impounded in stocks by that time. We find that for the first 30 days after the meeting day, 15 out of the 17 participants outperform the S&P 500 with their recommendations, i.e. excess returns are positive. Thus, the overall average excess returns of 4.1% reported in Table 3 are not dominated by the large excess returns earned by a few participants. For 14 participants, the excess returns are statistically significant based on the t-$stat_{IND}$ statistic.[13]

[13] In this case, we do not use the other two t-statistics because we do not have a large time-series of data for most individual money managers.

Among all participants, Art Samburg, the founder of Pequot Capital Management, has the most impressive performance, beating the S&P 500 by 9.6% in the 30 days following the meeting date. Meryl Witmer, general partner of Eagle Capital Partners and Berkshire Hathaway director, comes in second place with 7.2% excess returns. Walter Mintz, who co-founded one of the country's first hedge funds, Cumberland Associates, in 1970, comes in third with 6.3% excess returns.

V. Conclusions

We argue that focusing on individual money managers' recommendations rather than on mutual fund performance is a more powerful research design in order to discover investment skill. As Berk and Green (2004) point out, mutual fund returns do not reflect investment skill because investors increase their investments to skillful managers until these managers no longer earn superior returns. It is then not surprising that most studies do not find evidence of skill when they study mutual fund performance. Furthermore, money managers' skill, if any, should reside with money managers and not with mutual funds. There are severe restrictions on asset allocations within funds, and a committee approach is often used to manage mutual funds. The so-called actively managed funds may even be closet index funds (Cremers, et al., 2016).

By focusing on individual money managers' recommendations, we present three findings in this paper. First, we present strong evidence of stock-picking skill among prominent money managers who are selected by *Barron's*. For a sample of 3,472 stock buy recommendations over 52 years, we find that the recommended stocks earn highly statistically significant excess returns of 4.1%.

The second main finding from our research is that skill among the top money managers has not diminished over the last five decades despite technical, financial and regulatory changes in the

money management industry (Bogle 2005; Bogle 2016). We divide the full sample of 52 years into four equal 13-year periods and examine the corresponding excess returns. The excess returns in the four periods are between 3.3% and 5.1%, all highly statistically significant. Out of 52 years, the money managers do not beat the benchmark only in five years.

Third, consistent with Desai and Jain (1995)'s results based on 24 years of data (1968-1991), we find that in 28 years' of new data (1992-2019), *Barron's* readers are not able to benefit from investing in the recommendations made at the *Barron's* Roundtable. It appears that by the time the recommendations are published, all of the excess returns are already impounded in the stock prices, potentially because Roundtable participants are able to trade on the information prior to publication.

We encourage researchers to develop additional data on individual money managers' recommendations to better understand the nature of stock picking skills. This is because skills likely reside with money managers rather than with mutual funds or mutual fund companies. We also hope to undertake similar studies for other asset classes such as fixed-income securities and foreign currencies.

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Table 1: Participants in Barron's Annual Roundtable

Participant	Years	#Buy Rec.	Guru	Years	#Buy Rec.
WILLIAM BAKER	1973	3	CHARLES MAXWELL	1974-1983	72
JAMES BALOG	1971	5	WALTER MINTZ	1968-1986	94
RON BARON	1988-1992	52	JOHN NEFF	1971-2007	167
ROBERT BENNETT	1973	5	HARRIS NELSON	1973	2
BARTON BIGGS	1969-2003	84	ROY NEUBERGER	1971	3
HAROLD BIGLER	1969	1	MARC PERKINS	1991-1998	84
JANE BRETT	1971	2	RICHARD PERKINS	1970	2
I. W. BURNHAM	1970	13	MIKE PRICE	1986-1997	139
FRED CARR	1972	0	TIM PRINCE	1986	5
DONALD CECIL	1972	5	JIM ROGERS	1983-1998	104
DERWOOD CHASE	1973	3	CLAUDE ROSENBERG	1970	3
HAROLD CHEFITZ	1968-1974	6	JOSEPH ROSENBERG	1970-1971	19
MIKE DANKO	1969	2	RALPH ROTNEM	1970	5
NED DAVIS	1978	8	OSCAR SCHAFER	1987-2019	166
RAYMOND DEVOE	1972	15	ROBERT SCHWARTZ	1973	2
JAMES DINES	1979	5	MORTON SILVERMAN	1970	5
JOHN DRYFOOS	1968-1972	7	GEORGE SOROS	1975-1981	19
NORMAN FIELDS	1972	3	BROCK STOKES	1973	9
FRED FRAENKEL	1982-1985	19	ROBERT STOVALL	1969	2
ELIOT FRIED	1972	3	IRVING WAXMAN	1970	8
MARIO GABELLI	1980-2019	551	PALMER WEBER	1968	4
SETH GLICKENHAUS	1979	7	ROBERT WILSON	1969-1982	37
LEO GOLDNER	1970	2	GEORGE YEAGER	1970	4
EDWARD GOODMAN	1973-1987	13	FELIX ZULAUF	1987-2007	87
EDSON GOULD	1976	10	ABBY COHEN	2000-2019	104
JOE GRANVILLE	1982-1983	0	ART SAMBURG	1994-2008	85
WALTER GUTMAN	1968	1	BRIAN ROGERS	2012-2017	36
GILBERT HAAS	1968	2	CARLENE ZIEGLER	1995-1998	42
ELLEN HARRIS	1978-1985	32	DAVID HERRO	2015	2
WILLIAM HELMAN	1971	9	FRED HICKEY	2005-2014	33
RICHARD HOKIN	1971	7	GEORGE NOBLE	1994-1995	6
FRANKIE JOE	1985	0	HENRY ELLENBOGEN	2018-2019	11
RAMSEY JOSLIN	1970-1978	17	MARK FABER	2002-2014	46
MANOWN JR. KISOR	1972	8	MERYL BUCHANAN	1999-2001	16
DONA D. KOHLER	1973	8	MERYL WITMER	2002-2019	54
IRV KOMANOFF	1969-1984	48	PAUL WICK	2018	5
RICHARD LAFFERTY	1969-1974	5	SCOTT BLACK	1998-2019	141
RICHARD LARSON	1969	3	WILLIAM PRIEST	2016-2019	16
PETER LYNCH	1986-1995	628	TODD AHLSEN	2019	5
ARCHIE MACALLASTER	1981-2011	234	RUPAL BHANSALI	2019	2

Table 2: Sample characteristics

Variable	Average	Median	Mean Decile	Median Decile	# Obs
MV (in mil$)	8,825	1,009	6.6	7	3,472
BM	0.657	0.567	5.3	5	3,044
OP	0.469	0.321	6.7	7	2,945
INV	0.242	0.089	5.7	6	3,042
PASTRET	0.205	0.133	6.3	6	3,357
BETA	1.003	0.964	6.9	7	3,390

This table reports sample characteristics of buy recommendations for US common stocks made by participants at the Barron's Annual Roundtable during the period from 1968 to 2019. MV is market value of equity measured on the day prior to the Barron's Annual Roundtable meeting date. BM is book equity to market equity for the latest fiscal year ending prior to the meeting date. OP is defined as annual revenues minus cost of goods sold, interest expense, and selling, general, and administrative expenses divided by beginning book equity. INV is defined as the growth in total assets over the latest fiscal year. PASTRET is defined as compounded return over the calendar year prior to the meeting date. BETA is defined as the beta from the market model, estimated from daily stock returns during the year prior to the meeting date. MV deciles are computed using NYSE firms only; all other deciles are computed using data for all available observations in the population of firms on CRSP.

Table 3: Performance of buy recommendations following Barron's Roundtable meeting date

Row	Source	+1 to +15	+1 to +30	+1 to +60	+1 to +250
(1)	Barron's	0.048	0.066	0.084	0.170
(2)	SP500	0.012	0.026	0.043	0.127
(3)	EXRET	0.036	0.041	0.041	0.043
(4)	t-stat_{IND}	20.36	18.18	12.88	6.07
(5)	$\text{t-stat}_{CLUSTER}$	8.71	8.45	5.88	2.22
(6)	FM EXRET	0.032	0.040	0.039	0.054
	t-stat_{FM}	8.90	8.68	5.35	3.14
(7)	% Positive	0.64	0.62	0.58	0.51

This table reports the performance of 3,472 buy recommendations made by participants at Barron's Annual Roundtable. Return periods are relative to Barron's Roundtable meeting date (day 0). Returns include dividends. S&P 500 returns are from Factset, and are adjusted for dividend distributions. Row (1) reports average compounded returns of stock recommended at the Barron's Roundtable over the respective period. Row (2) reports average compounded return on the S&P 500 index corresponding to the periods in row (1). Row (3) reports average excess compounded returns (EXRET), measured as the difference between row (1) and row (3). Row (4) reports t-stat_{IND}, the t-Statistic for EXRET in Row (3) assuming independence across recommendations. Row (5) reports $\text{t-stat}_{CLUSTER}$, the t-statistic for EXRET in row (3) based on standard errors clustered by meeting date. Row (6) reports Fama-MacBeth excess returns (FM EXRET) and the corresponding Fama-MacBeth t-statistic, t-stat_{FM}, with recommendations grouped by meeting date. Row (7) reports the percentage of all recommendations with positive excess returns over the respective period.

Table 4: Factor model analysis for buy recommendations following meeting date

Model	Variable	+1 to +15	+1 to +30	+1 to +60	+1 to +250
1	Alpha (bps /day)	0.194***	0.121***	0.060***	0.019***
	Mkt-RF	1.034***	1.027***	1.021***	1.033***
	Adj. R-square	0.736	0.750	0.784	0.823
2	Alpha (bps /day)	0.165***	0.092***	0.041***	0.015***
	Mkt-RF	1.064***	1.065***	1.054***	1.069***
	SMB	0.304***	0.308***	0.275***	0.319***
	HML	0.154***	0.186***	0.201***	0.146***
	Adj. R-square	0.764	0.778	0.811	0.850
3	Alpha (bps /day)	0.164***	0.094***	0.044***	0.018***
	Mkt-RF	1.047***	1.053***	1.038***	1.058***
	SMB	0.295***	0.305***	0.281***	0.319***
	HML	0.120***	0.163***	0.173***	0.114***
	MOM	-0.073***	-0.058***	-0.068***	-0.071***
	Adj. R-square	0.765	0.780	0.813	0.851
4	Alpha (bps /day)	0.166***	0.093***	0.041***	0.016***
	Mkt-RF	1.059***	1.061***	1.053***	1.070***
	SMB	0.357***	0.336***	0.322***	0.346***
	HML	0.145***	0.174***	0.181***	0.117***
	MOM	-0.091***	-0.064***	-0.071***	-0.076***
	RMW	0.236***	0.117***	0.147***	0.116***
	CMA	-0.048	-0.020	-0.006	0.003
	Adj. R-square	0.770	0.781	0.815	0.852
# Daily observations		780	1,560	3,120	12,965

This table reports estimated coefficients from Fama-French time-series regressions for Barron's Annual Roundtable buy recommendations. The dependent variable in each model is the daily average return on the portfolio of buy recommendations minus the corresponding risk -ree rate of return. Model 1 includes only the market factor (Mkt-RF). Model 2 includes the market factor (Mkt-RF), size factor (SMB), and value factor (HML). Model 3 further includes the momentum factor (MOM). Model 4 includes all factors from Model 3, the profitability factor (RMW) and the investment factor (CMA). Portfolios are rebalanced each meeting date, returns are equally weighted across stocks, and portfolios are held over each respective period relative to the meeting date (day 0). *** indicates statistical significance at better than 1% level. Factor data are from Professor Ken French's website, http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html.

Table 5: Performance [+1 to +30] of buy recommendations following Barron's Roundtable meeting date, by period

Row	Period	1968 - 1980	1981 - 1993	1994 - 2006	2007 - 2019
(1)	Nobs	508	1,313	1,114	537
(2)	Sample	0.080	0.087	0.047	0.043
(3)	S&P 500	0.044	0.036	0.014	0.005
(4)	EXRET	0.036	0.051	0.033	0.037
(5)	$\text{t-stat}_{\text{IND}}$	6.39	14.45	7.5	7.44
(6)	$\text{t-stat}_{\text{CLUSTER}}$	3.59	5.27	4.32	4.53
(7)	FM EXRET $\text{t-stat}_{\text{FM}}$	0.036 3.30	0.051 5.40	0.036 4.24	0.038 4.51
(8)	% Pos.	0.57	0.65	0.58	0.65

This table reports the performance of 3,472 buy recommendations made by participants at Barron's Annual Roundtable during four separate time periods of 13 years each. Row (2) reports the average compounded returns of individual recommendations during the period +1 to +30 relative to the Barron's Annual Roundtable meeting date (day 0). Returns include dividends. S&P 500 returns are from Factset, and are adjusted for dividend distributions. Row (3) reports the average compounded return on the S&P 500 index during the period +1 to +30. Row (4) reports Excess returns (EXRET), measured as the difference between row (2) and row (3). Row (5) reports $\text{t-stat}_{\text{IND}}$, the t-statistic for EXRET assuming independence across recommendations. Row (6) reports $\text{t-stat}_{\text{CLUSTER}}$, the t-statistic for EXRET based on standard errors clustered by meeting date. Row (7) reports Fama-MacBeth excess returns (FM EXRET) and the corresponding Fama-MacBeth t-statistic, $\text{t-stat}_{\text{FM}}$, with recommendations grouped by meeting date. Row (8) reports the percentage of all recommendations with positive excess returns within each period.

Table 6: Performance of buy recommendations [+1 to +30] following Barron's Roundtable meeting date, by year of publication

Year	nobs	Sample	S&P 500	EXRET	t-Stat$_A$	% Pos.
1968	13	0.047	-0.017	0.064	2.33	0.69
1969	16	0.019	-0.046	0.064	2.43	0.69
1970	62	0.024	-0.005	0.029	2.20	0.53
1971	46	0.115	0.047	0.068	3.91	0.72
1972	46	0.063	0.052	0.011	0.99	0.50
1973	34	-0.048	-0.020	-0.028	-2.07	0.38
1974	32	-0.024	0.024	-0.048	-2.93	0.28
1975	47	0.220	0.169	0.051	1.54	0.55
1976	42	0.210	0.124	0.087	4.97	0.79
1977	41	0.025	-0.006	0.031	1.79	0.56
1978	40	-0.005	-0.024	0.019	1.44	0.53
1979	41	0.138	0.076	0.062	3.99	0.71
1980	48	0.144	0.086	0.058	2.57	0.58
1981	39	0.001	-0.048	0.049	2.57	0.62
1982	39	-0.005	-0.049	0.044	2.07	0.67
1983	40	0.114	0.055	0.059	3.13	0.70
1984	44	-0.001	0.008	-0.009	-0.67	0.48
1985	40	0.150	0.085	0.065	4.41	0.75
1986	121	0.093	0.026	0.068	6.79	0.69
1987	244	0.098	0.059	0.039	5.08	0.64
1988	182	0.113	0.069	0.045	5.35	0.68
1989	144	0.049	0.022	0.027	4.08	0.59
1990	122	-0.014	-0.015	0.001	0.14	0.49
1991	78	0.238	0.167	0.071	3.66	0.72
1992	108	0.117	-0.005	0.122	6.97	0.80
1993	112	0.099	0.013	0.086	6.42	0.72
1994	106	0.032	-0.005	0.036	3.20	0.63
1995	170	0.079	0.051	0.028	3.54	0.62
1996	133	0.071	0.038	0.033	2.60	0.55
1997	104	0.078	0.094	-0.017	-1.61	0.42
1998	85	0.166	0.113	0.053	2.37	0.52
1999	61	0.015	-0.007	0.022	0.86	0.56
2000	66	-0.024	-0.065	0.041	1.56	0.45
2001	65	0.081	-0.030	0.111	5.52	0.75
2002	67	-0.054	-0.056	0.002	0.11	0.60
2003	87	-0.072	-0.088	0.016	1.48	0.55
2004	53	0.051	0.017	0.034	2.03	0.68
2005	56	0.056	0.003	0.054	3.99	0.79
2006	61	0.054	0.004	0.050	3.09	0.56
2007	50	0.087	0.034	0.053	3.34	0.68
2008	41	0.048	-0.037	0.085	5.41	0.80

Year	nobs	Sample	S&P 500	EXRET	t-Stat$_{IND}$	% Pos.
2009	54	-0.103	-0.147	0.044	1.89	0.69
2010	42	-0.030	-0.034	0.004	0.26	0.48
2011	57	0.051	0.032	0.019	1.40	0.58
2012	42	0.113	0.063	0.050	3.46	0.71
2013	40	0.019	0.034	-0.015	-0.88	0.53
2014	37	0.102	0.017	0.085	5.28	0.86
2015	28	0.094	0.045	0.049	3.21	0.82
2016	38	0.007	0.006	0.001	0.04	0.47
2017	34	0.097	0.044	0.053	2.88	0.68
2018	40	0.012	-0.015	0.027	1.59	0.60
2019	34	0.135	0.095	0.040	1.70	0.56

This table reports the performance of 3,472 buy recommendations made by participants at Barron's Annual Roundtable, by the year of publication. Sample returns are the average compounded returns of individual recommendations during the period +1 to +30 relative to the Barron's Annual Roundtable meeting date (day 0). Returns include dividends. S&P 500 returns are from Factset, and are adjusted for dividend distributions. S&P returns are the average compounded return on the S&P 500 index during the period +1 to +30. Excess returns (EXRET) measure the difference between Sample returns and S&P 500 returns. t-stat$_{IND}$ is the t-statistic for EXRET assuming independence across recommendations. % Pos. reports the percentage of all recommendations with positive excess returns for each publication year.

Table 7: Performance of buy recommendations following Barron's Annual Roundtable publication date

Row	Source	PD+1 to PD+15	PD+1 to PD+30	PD+1 to PD+60	PD+1 to PD+250
(1)	Barron's	0.025	0.035	0.048	0.140
(2)	SP500	0.014	0.022	0.038	0.127
(3)	EXRET	0.011	0.013	0.010	0.013
(4)	$\text{t-Stat}_{\text{IND}}$	7.70	6.47	3.44	1.88
(5)	$\text{t-Stat}_{\text{CLUSTER}}$	4.06	3.96	1.89	0.74
(6)	FM EXRET $\text{t-Stat}_{\text{FM}}$	0.013 4.13	0.014 3.24	0.008 1.30	0.024 1.56
(7)	% Positive	0.54	0.53	0.51	0.47

This table reports the performance of 3,472 buy recommendations made by participants at Barron's Annual Roundtable. Return periods are relative to Barron's Roundtable publication date (day PD). Returns include dividends. S&P 500 returns are from Factset, and are adjusted for dividend distributions. Row (1) reports average compounded returns of stock recommended at the Barron's Roundtable over the respective period. Row (2) reports average compounded return on the S&P 500 index corresponding to the periods in row (1). Row (3) reports average excess compounded returns (EXRET), measured as the difference between row (1) and row (2). Row (4) reports $\text{t-stat}_{\text{IND}}$, the t-statistic for EXRET in row (3) assuming independence across recommendations. Row (5) reports $\text{t-stat}_{\text{CLUSTER}}$, the t-statistic for EXRET in row (3) based on standard errors clustered by meeting date. Row (6) reports Fama-MacBeth excess returns (FM EXRET) and the corresponding Fama-MacBeth t-statistic, $\text{t-stat}_{\text{FM}}$, with recommendations grouped by meeting date. Row (7) reports the percentage of all recommendations with positive excess returns over the respective period.

Table 8: Performance of buy recommendations [+1 to +30] of the most active participants

Participant	nobs	Sample	S&P 500	EXRET	t-Stat$_{IND}$	% Pos.
Peter Lynch	628	0.090	0.042	0.047	9.18	0.64
Mario Gabelli	551	0.062	0.023	0.039	7.80	0.64
Archie MacAllaster	234	0.050	0.015	0.036	4.75	0.65
John Neff	167	0.058	0.026	0.033	3.91	0.60
Oscar Schaffer	166	0.073	0.018	0.055	4.59	0.71
Scott Black	141	0.045	0.003	0.042	3.68	0.61
Michael Price	139	0.079	0.040	0.039	3.23	0.60
Jim Rogers	104	0.090	0.042	0.048	2.94	0.55
Abby Cohen	104	-0.015	-0.009	-0.006	-0.48	0.46
Walter Mintz	94	0.115	0.051	0.063	4.30	0.66
Felix Zulauf	87	0.032	0.025	0.007	0.67	0.48
Art Samburg	85	0.092	-0.003	0.096	3.67	0.68
Barton Biggs	84	0.021	-0.025	0.046	4.35	0.64
Marc Perkins	84	0.112	0.056	0.057	3.21	0.64
Charles Maxwell	72	0.041	0.057	-0.016	-1.13	0.33
Meryl Witmer	54	0.072	0.000	0.072	3.92	0.78
Ron Baron	52	0.089	0.037	0.052	3.26	0.71

This table reports the performance of buy recommendations made by participants at Barron's Annual Roundtable with at least 50 buy recommendations. Sample returns are the average compounded returns of individual recommendations during the period +1 to +30 relative to the Barron's Annual Roundtable meeting date (day 0). Returns include dividends. S&P 500 returns are from Factset, and are adjusted for dividend distributions. S&P returns are the average compounded return on the S&P 500 index during the period +1 to +30. Excess returns (EXRET) measure the difference between Sample returns and S&P 500 returns. t-stat$_{IND}$ is the t-statistic for EXRET assuming independence across recommendations. % Pos. reports the percentage of all recommendations with positive excess returns for each publication year.

Figure 1: Buy and hold stock returns for buy recommendations following Barron's Annual Roundtable meeting date

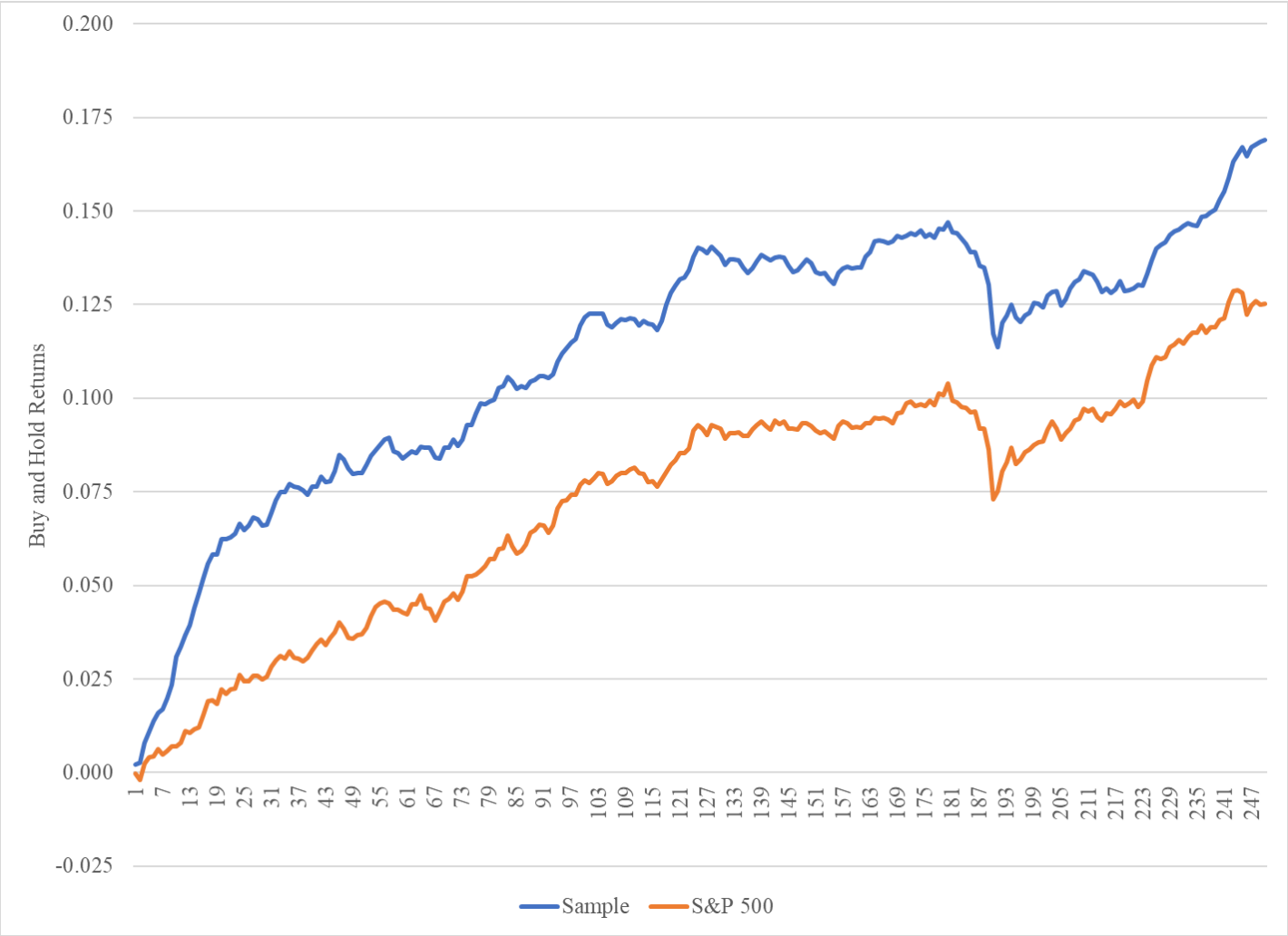

Figure 2: Performance [+1 to +30] of buy recommendations following Barron's Annual Roundtable meeting date, by year of publication