How Mutual Fund Managers and Investors Respond to U.S.–China Geopolitical Risk

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ABSTRACT

I examine how mutual fund managers and investors respond to U.S.–China geopolitical risk, using a novel U.S.-China Geopolitical Risk Index (UC-GRI) based on White House press briefings and a flow- and price-adjusted Fund Manager Active Reallocation (FMAR) measure. When U.S.–China bilateral geopolitical risk rises, U.S. managers reduce allocations to Chinese equities, reallocate from Asia high- to low-risk regions, and shift domestic holdings toward firms with lower exposure to China. U.S. fund investors show strong home preference and retreat from sensitive regions. Institutional investors respond more selectively than retail investors. Chinese managers pull back from local markets but maintain U.S. exposure. Chinese fund investors exhibit limited adjustments. These responses are more pronounced after 2018. The results highlight the heterogeneity in geopolitical risk perception across countries and investor types.

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I. INTRODUCTION

Geopolitical risk has become a growing concern for investors in recent years. A survey by PGIM (2022) of 400 institutional investors, representing approximately $9 trillion in assets under management, finds that 56% rank geopolitical risk as their primary concern. Asset management firms have increasingly incorporated geopolitical considerations into their investment processes with BlackRock developing specialized dashboards to systematically track global geopolitical developments. Academic research has also expanded in this area. Caldara and Iacoviello (2022) introduced a news-based Geopolitical Risk (GPR) index, which has been widely adopted in studies analyzing the economic effects of geopolitical events. Despite this growing focus, limited research directly investigates how geopolitical risk influences investor behavior within the mutual fund sector. This paper addresses this gap by examining how mutual fund managers and mutual fund investors in the U.S. and China allocate investments across stocks headquartered in different countries in response to U.S.-China geopolitical risk.

I start by constructing a bilateral measure of U.S.-China geopolitical risk, the U.S.-China Geopolitical Risk Index (UC-GRI), using textual analysis of White House press briefing records. Existing geopolitical risk indices, such as the Geopolitical Risk Index (GPR) developed by Caldara and Iacoviello (2022), provide a broad, multilateral perspective but do not specifically capture the dynamics of U.S.-China relations. To address this limitation, I analyze official White House press briefings from 2009 to 2023, which contain statements from senior officials and responses to questions posed by journalists. I identify discussion segments related to Taiwan and the South China Sea, two primary areas of U.S.-China geopolitical tension, and construct UC-GRI by measuring their prevalence relative to total briefing content each quarter. This index provides a time-series measure of U.S.-China geopolitical risk as perceived through White House press

briefing. Correlation analysis confirms that UC-GRI provides unique information beyond existing geopolitical risk indices and macroeconomic factors.

I then introduce a flow- and priced-adjusted measure to isolate mutual fund managers' active portfolio decisions from other effects. Changes in the dollar value of a fund's holdings of a stock set can be due to three factors: decisions made by the manager to increase or decrease exposure to the stock, proportional adjustments resulting from fund investor-triggered fund inflows or outflows, or fluctuations in the stock's price. I define the Fund Manager Active Reallocation (FMAR) as the change in investment value minus the portion attributable to investor flows and market price movements, with all terms scaled by the fund's total net assets. This measure isolates the price and flow effects and enables a precise analysis of how fund managers respond to U.S-China geopolitical risk. To construct this measure, I rely on mutual fund holding data from FactSet and fund flow data from Morningstar Direct for U.S. mutual funds and Wind for Chinese QDII funds.

Using the bilateral geopolitical risk measure, FMAR and fund flow data, I examine how mutual fund managers and investors respond to U.S.-China geopolitical risk. The main results are as follows.

Mutual fund managers and investors perceive and respond to U.S.–China geopolitical risk differently before and after 2018. The sensitivity to the geopolitical risk becomes significantly stronger after 2018, consistent with a shift in how the risk is perceived. This turning point coincides with a structural rise in both the level and volatility of the UC-GRI index, as well as the onset of the U.S.–China trade war under the Trump administration at the beginning of 2018.

U.S. mutual fund managers reduce allocations to Chinese stocks in response to rising U.S.–China geopolitical risk after 2018. However, prior to 2018, they show no meaningful reaction to

geopolitical risk in their Chinese stock allocations. After 2018, U.S. managers also exhibit a clear pattern of reallocating capital away from high-risk regions directly involved in the South China Sea disputes toward lower-risk regions in Asia not directly involved in the conflict. Within the U.S. equity market, they pull back from domestic stocks with high China exposure and reallocate toward those with no China-related business or risk disclosures. Meanwhile, they do not significantly adjust their cash holdings in response to rising geopolitical risk.

While mutual fund managers directly adjust equity holdings, mutual fund investors reallocate capital by buying or redeeming shares of mutual funds. I measure their behavior using fund flows. I find that these flows are sensitive to the interaction between geopolitical risk and the regional equity exposures of the funds they hold. In this way, investors indirectly adjust their geographic allocation by shifting capital across funds with different portfolio compositions.

U.S. mutual fund investors also exhibit a marked shift in behavior after 2018, increasingly allocating capital toward mutual funds with higher exposure to U.S. domestic equities when U.S.–China geopolitical risk rises. This contrasts with the pre-2018 period, during which no such home safe-haven response is observed. Unlike mutual fund managers, U.S. investors do not distinguish between mutual funds that hold U.S. stocks with high and low exposure to China. Flows increase into both types of funds, suggesting a lack of sophistication in parsing firm-level geopolitical risk. Additionally, investors reduce allocations to mutual funds heavily exposed to Hong Kong and Taiwan equities after 2018.

Among different groups of U.S. mutual fund investors, institutional investors behave more like professional fund managers. They exhibit more selective responses to geopolitical risk by reducing allocations to mutual funds with high exposure to Chinese equities and showing some ability to distinguish between U.S. stocks with high versus low China exposure. In contrast, retail

investors display stronger home preference but less precision in identifying firm-level geopolitical sensitivities.

For the Chinese side, mutual fund managers and investors show a more muted and asymmetric response to U.S.–China geopolitical risk. After 2018, Chinese mutual fund managers surprisingly reduce allocations to domestic Chinese and Hong Kong equities when the bilateral geopolitical risk rises, but do not significantly adjust their exposure to their counterpart U.S. stocks or increase allocations to safer foreign regions. Chinese mutual fund investors exhibit more limited responsiveness. Their flow behavior shows no statistically significant or consistent pattern across regions, and there is only weak evidence of reduced enthusiasm for U.S. equities. One potential explanation of this weak response is the QDII quota system, which limits how much capital fund managers can raise for overseas investments. This constraint, along with the lack of alternative foreign investment channels for domestic investors, may influence both managers' and investors' decisions in the face of rising geopolitical risk.

These findings suggest that U.S.–China geopolitical risk has had a significant impact on fund manager and investor behavior since 2018, coinciding with a visible shift in the U.S.–China relationship marked by escalating tensions, the formal onset of the trade war under the Trump administration, and growing public and policy consensus around the idea of strategic competition. They also challenge the view that mutual fund investors are naïve, simplistic decision-making heuristics such as chasing past performance. The evidence in this paper suggests otherwise. Investors incorporate geopolitical risk into their allocation decisions and adjust their capital flows not only in response to broad macroeconomic developments but also based on the specific regional exposures of the funds they hold.

These findings also emphasize the heterogeneity in how different market participants perceive and respond to the same geopolitical risk. The paper documents clear differences between U.S. and Chinese mutual fund investors, between mutual fund managers and investors, and across investor types such as retail and institutional. These groups exhibit distinct responses to U.S.–China geopolitical risks, reflecting varying levels of risk awareness and investment sophistication. Notably, professional fund managers demonstrate greater ability to process on firm-level geopolitical risk, by selectively reallocating away from U.S. stocks with high exposure to China, highlighting the value-added role of informed and skilled intermediaries in navigating complex geopolitical environments.

This paper is related to the literature on geopolitical risk. Research in this area originates from studies on political uncertainty (Pastor and Veronesi, 2013; Baker, Bloom and Davis, 2016) and rare disaster risk (Berkman, Jacobsen and Lee, 2011). Caldara and Iacoviello (2022) develop the widely used Geopolitical Risk (GPR) index and provide empirical evidence of its impact on stock market pressure. The effects of geopolitical risk have also been extensively analyzed across corporate investment (Julio and Yook, 2012; Wang, Wu and Xu, 2024), commodities (Liu, Ma, Tang et al., 2019; Ivanovski and Hailemariam, 2024), bonds (Sheehan, 2023), and exchange rates (Iyke, Phan and Narayan, 2022). Despite this broad focus, limited research examines how geopolitical risk influences fund manager and investor behavior. Recent studies, such as Crosignani, Han and Macchiavelli (2024), analyze the impact of geopolitical risk on mutual funds by examining active funds' exposure to government export control firms. Liu, Chen and Zhu (2024) explore how geopolitical risk shapes fund managers' risk-taking behavior. Unlike these two studies, this paper provides a broader perspective on the mutual fund industry under geopolitical risk by introducing a novel bilateral measure (UC-GRI) to capture U.S.-China tensions, analyzing mutual

fund managers' geographic portfolio adjustments, and examining mutual fund investors' reactions to geopolitical risk both in the US and China.

A second relevant strand is the literature on mutual fund manager behavior, particularly in the areas of holding decomposition and flight-to-safety strategies. Wermers (2000) and van Binsbergen et al. (2024) develop frameworks to decompose mutual fund performance and value added, distinguishing between stock-picking skill and other investment factors. Dahlquist, Martinez and Söderlind (2017) develop performance-based decomposition to study investors behavior. Additionally, Baele et al. (2020) and Kekre and Lenel (2024) document the flight-to-safety phenomenon, where fund managers shift capital toward safer assets during periods of heightened uncertainty. This paper extends these strands of research by introducing a flow- and price- adjusted Fund Manager Active Reallocation (FMAR) measure that isolates the active portfolio adjustments of fund managers in response to geopolitical risk.

The analysis also contributes to the literature on fund investor behavior. Previous studies show that mutual fund investors frequently use simple decision-making rules, such as following past returns. (Chevalier and Ellison, 1997; Sirri and Tufano, 1998; Ben-David et al., 2022) or making allocation decisions based on standard asset pricing models like CAPM without incorporating broader risk factors (Lusardi and Mitchelli, 2007; Barber, Huang and Odean, 2016). The findings in this paper indicate a different conclusion. Moreover, studies on fund investor heterogeneity (Greenwood and Shleifer, 2014; Koijen and Yogo, 2019) highlight that different investor groups interpret and react to market risks differently. Different investors exhibit varying levels of sophistication (Harrison and Kreps, 1978; Boehmer and Kelley, 2009; Barber and Odean, 2008; Kumar and Lee, 2006; Nofsinger and Sias 1999; Gompers and Metrick 2001). I document

clear heterogeneity in how investors perceive and react to geopolitical risk across countries, between different types of investors, and between mutual fund managers and fund investors.

More broadly, this paper also contributes to the behavioral economics literature, particularly in the area of heterogeneous risk perception (Thaler 2016). Prior work shows that personal macroeconomic history shapes expectations (Malmendier and Nagel 2011, 2016), professional experience affects portfolio decisions (Greenwood and Nagel 2009), and cultural or institutional background influences economic attitudes (Alesina and Fuchs-Schündeln 2007; Guiso, Sapienza, and Zingales 2008). This paper complements these studies by examining how investors with different institutional roles and national contexts respond to a common geopolitical shock. The documented divergence in how U.S. and Chinese fund managers and fund investors respond to U.S.–China geopolitical risk highlights the role of national-level differences in forming risk perception. Differences between fund managers and mutual fund investors suggest variation in risk perception across investor types. Evidence from this study extends the behavioral literature by providing novel evidence from the domain of international geopolitical risk, a setting where belief heterogeneity has been underexplored.

The rest of the paper is organized as follows. Section 2 discusses background and motivation, data construction and summary statistics. Section 3 presents the methodology to build the key measure, FMAR. Section 4 shows the empirical analysis of U.S. mutual fund managers. Section 5 examines the empirical analysis of U.S. mutual fund investors. Section 6 analyzes the Chinese mutual fund managers and fund investors. Section 7 concludes.

II. BACKGROUND, MOTIVATION AND DATA

2.1 Background and Motivation

Geopolitical risk has become a salient factor in global investment decisions. From the strategic rivalry between the United States and China to ongoing conflicts in the Middle East, the Russia–Ukraine war, and tensions on the Korean Peninsula, investors face a range of geopolitical risks that can impact financial markets. These risks are increasingly expected to affect global capital flows, investor sentiment, and portfolio allocations. Among these risks, the strategic competition between the United States and China stands out as one of the most consequential. As the world's two largest economies, deeply interconnected through trade, finance, and supply chains, any escalation in their relationship carries broad implications for international markets. This paper focuses on this bilateral risk and asks: how do mutual fund managers and investors respond when geopolitical tensions arise between these two economic superpowers?

Since the U.S.–China Relations Act in 2000 granted Beijing permanent normal trade relations and China joined the World Trade Organization in 2001, the United States and China have maintained a rapidly expanding trade relationship. Between 2001 and 2017, bilateral trade increased across manufacturing, technology, consumer goods and cross-border investment. This period saw deeper supply chain integration, linking the two economies and broadening opportunities for corporate and financial engagement on both sides.

A major turning point came in August 2017, when U.S. President Donald Trump directed the Office of the United States Trade Representative to investigate China's economic practices. This move culminated in 2018, when the United States imposed tariffs on roughly $250 billion in Chinese imports, prompting swift retaliation from China and igniting what became known as the U.S.–China trade war. Policy discussions soon shifted to the broader concept of "strategic competition," signaled by Vice President Mike Pence's October 2018 speech at the Hudson Institute. By early 2019, a majority of Americans viewed China as a rival, marking a clear shift in

public perception. It is reasonable to suspect that the idea of U.S.-China competition became a widely recognized reality, and geopolitical risk between the two countries began to be seriously factored into investment decisions during the period around 2017 and 2018.

This turning point in U.S.–China relations likely altered how investors assess and respond to bilateral geopolitical developments. As geopolitical tensions became more salient after 2018, it is also important to consider whether different types of market participants perceived and reacted to these risks in distinct ways. Responses to U.S.–China geopolitical risk may vary systematically across both investor type and national context. Fund managers, who typically possess greater expertise, may respond more selectively than mutual fund investors. At the same time, structural and institutional differences between the United States and China, including capital flow regulations, legal frameworks, cultural norms, and positions in the global supply chain, can influence how investors from each country interpret and react to the same geopolitical shock. Together, these dimensions of heterogeneity motivate a more granular examination of how geopolitical risk affects capital allocation across agents with different levels of sophistication and across institutional environments.

2.2 The Bilateral U.S.-China Geopolitical Risk Measure (UC-GRI)

Geopolitical risk is defined as the uncertainty arising from wars, terrorist actions, and inter-state tensions that disrupt peaceful international relations (Davis, 2016; Caldara and Iacoviello, 2022). Caldara and Iacoviello (2022) developed a news-based measure, the Geopolitical Risk Index (GPR), to capture global levels of geopolitical risk. This measure has been widely employed in academic studies investigating geopolitical risk. However, GPR is fundamentally multilateral, reflecting a general perspective on geopolitical risk. To examine the responses of U.S. and Chinese

investors to geopolitical tensions, a bilateral measure focusing specifically on U.S.-China relations is needed.

To address this limitation, I use textual analysis to develop a bilateral U.S.–China geopolitical risk measure (UC-GRI) based on U.S. press briefing records from 2009 to 2023. These briefing records follow a structured question-and-answer format. They provide strong sources for textual analysis to build UC-GRI for two main reasons: relevance and real-time responsiveness. The records reflect the official stance of the U.S. government, as they feature responses from senior officials such as the President or the Press Secretary. When questions about China are raised, the answers convey the U.S. position on specific bilateral issues. Press briefings are held frequently and attended by leading journalists, ensuring that the discussions are tied to ongoing issues. These two features make the press briefings especially well-suited for constructing an index of U.S.–China geopolitical risk.

One may naturally ask whether a comparable press briefing source exists on the Chinese side. However, this data source presents two key limitations. First, the historical archive is incomplete—official transcripts typically only extend back five years, making it infeasible to construct a long-term index starting in 2009. Second, and more importantly, these transcripts are not exact records of the full discussion at the conferences. While journalists are generally free to raise a range of questions, the final published content is a curated version of the exchange, shaped by the Ministry's communication priorities (Mochtak and Turcsanyi 2021). This curated action, while retaining relevance features, highly limits the level of real-time responsiveness due to the lack of the exact journalist question raised, which is the key feature to build the index.

Another concern is whether relying solely on U.S. press briefings, without a Chinese counterpart, to construct the UC-GRI might drive some of the paper’s findings. However, it is

important to emphasize that the use of U.S. press briefings is not based on the assumption that mutual fund managers or investors directly watch these briefings or respond to them in real time. Instead, the validity of the measure rests on the two features discussed earlier: relevance and real-time responsiveness. The goal of using U.S. press briefings is to construct an objective, timely, and bilateral signal of U.S.–China geopolitical tensions that closely tracks the salience of events in public discourse. That is saying, issues raised in U.S. press briefings, reflecting the government's official position and media attention, are likely to appear across a wide range of other sources, including news coverage, social media, and television. Fund managers or investors on both sides who follow geopolitical developments can easily access this information through today's fast-paced and interconnected media environment. Also, it is highly unlikely that major bilateral geopolitical developments would appear in Chinese press briefings but be entirely absent from U.S. ones. Therefore, relying solely on U.S. press briefings to construct the UC-GRI does not by itself introduce asymmetry into the analysis or explain the asymmetric results observed later in the paper.

The data used to construct the UC-GRI is drawn from official U.S. government archives. The records for the period 2009–2017 are sourced from President Barack Obama's White House archives, while the records from 2017–2023 are obtained from the U.S. Department of State archives. The structure of these press briefings typically involves questions posed by journalists and responses provided by White House or State Department spokespeople in an interactive format.

To construct the bilateral U.S.-China Geopolitical Risk Index (henceforth UC-GRI), I first organize the historical records into corresponding question-and-response pairs. Using an automated keyword search, I first identify pairs containing the terms "Taiwan" and "South China Sea." These two topics were chosen because discussions involving Taiwan and the South China

Sea most directly reflect active geopolitical confrontations between the U.S. and China. Additionally, these two topics are also used in the construction of BlackRock news-based U.S.-China Strategic Competition Index. To account for variations in the volume of U.S. press briefing content over time, I calculated UC-GRI as the total string length of the identified question-and-response pairs divided by the total string length of all press briefings within the same reporting quarter. This measure represents the proportion of U.S. press briefing content focused on direct U.S.-China confrontations, serving as a proxy for how investors in both countries perceive bilateral geopolitical risk.

A visual inspection of the UC-GRI (Figure 1) shows noticeable spikes corresponding to periods of heightened U.S.-China tensions. These include incidents such as conflicts in the South China Sea, arms sales, the onset of the U.S.-China trade war, the imposition of U.S. sanctions, and the U.S. Secretary of State's visit to Taiwan. I also observe a clear increase in both the index's level and volatility during the period around 2018 as shown in Table 1a, suggesting a potential structural shift. Further discussion of this shift appears in Section 4 and 5.

In Table 1b, I present the correlation coefficients between UC-GRI, and the quarterly average geopolitical risk indexes (GPR, GPRA, GPRT) developed by Davis (2016) and Caldara and Iacoviello (2022). The UC-GRI exhibits low correlation with GPR (0.026), GPRT (GPR Threat, 0.185), GPRA (GPR Act, -0.218), and GPRC-US (geopolitical news limited to the U.S., 0.102). Similarly, its correlation with macroeconomic variables such as the risk-free rate (0.373), S&P 500 returns (0.039), and MSCI China returns (-0.026) is also negligible. UC-GRI shows a moderate correlation with GPRC-CHN (geopolitical news limited to China, 0.491). Overall, these results suggest that while there is some informational overlap between UC-GRI and GPR, UC-GRI retains unique information.

2.3 Mutual Fund Sample and Other Data Sources

For the U.S. equity mutual fund sample, I focus on U.S. active equity mutual funds that, at any point between 2009 and 2023, held at least one stock headquartered in China based on historical holding data. Mutual funds typically have specific investment objectives that constrain their investment scope. For example, some domestic funds are restricted from investing in foreign stocks. By focusing on funds that have held at least one stock headquartered in China, I ensure that these funds face no restrictions on investing in Chinese equities, aligning with the objectives of this research.

The holding information is sourced from the FactSet Ownership Holding, which provides data on the mutual fund's launch country and the headquarters location of its holding securities. The dataset includes two-digit ISO country codes for both the mutual fund's issue country (ISO_COUNTRY) and the headquarters of the holding securities (SEC_ISO_COUNTRY). These codes are used to identify the target sample of U.S. mutual funds with exposure to Chinese equities. U.S. fund flows, sales, redemptions, cash ratios, and fund type categories are obtained from Morningstar Direct. Active mutual funds are classified using the "Management Approach - Active" field in Morningstar Direct, selecting funds marked as "Yes." I employ fuzzy matching based on fund names to merge the FactSet and Morningstar datasets, followed by a manual review to ensure the completeness and accuracy of the sample.

For the Chinese equity mutual fund sample, I focus on Chinese Equity Qualified Domestic Institutional Investor (QDII) mutual funds. Introduced in 2006, QDII funds are authorized vehicles that allow domestic investors to access foreign securities markets, including equities, bonds, and other financial instruments, under a regulatory framework designed for economies where capital accounts remain partially closed and currency is not fully convertible. Institutions must obtain

investment quotas approved by the State Administration of Foreign Exchange (SAFE) before deploying capital abroad, and these quotas are relatively scarce and strictly regulated. These quotas refer to the maximum subscription amount that fund managers can raise from domestic investors. Rather than being fixed at inception, they can be adjusted over time, as fund companies may apply for additional quota subject to SAFE's approval. Notably, the quota is not tied to fund performance, and managers are not required to sell holdings even if the portfolio value exceeds the approved amount. The approved quotas are updated monthly and have grown from $25 billion in 2008 to over $160 billion by 2024, according to CEIC's economic database. Despite individual residents being allowed to convert up to $50,000 USD annually under current foreign exchange rules, these funds cannot be legally used for direct investment in overseas stocks, mutual funds, or property. Hence, QDII mutual funds remain the primary legal and convenient channel through which Chinese retail investors can access international capital markets. In general, because the total size of QDII funds is directly limited by SAFE quota approvals, the supply of foreign investment opportunities for Chinese mutual fund investors is capped. When geopolitical risk rises, this quota-constrained environment may influence investor decisions. Data on holdings, fund flows, sales, redemptions, cash ratios, and fund type categories for the China QDII fund sample are sourced from Wind.

Table 2 provides summary statistics for the U.S. active mutual fund sample (Panel A) and the Chinese QDII mutual fund sample (Panel B). The U.S. sample includes 2,802 funds, distributed across international equity (1,119), U.S. equity (906), and other categories (777), with both retail and institutional share classes represented. The average fund age is approximately 10 years, and the average assets under management (AUM) exceed $1 billion. In terms of regional exposure, U.S. funds primarily allocate to domestic stocks, with an average exposure of 66.6%. Notably,

average exposures to China (6.4%), Hong Kong (3.9%), Taiwan (4.4%), the Asia High Risk Region (7.1%), and the Asia Low Risk Region (2.7%) show that a meaningful fraction of U.S. funds invest in Asia, providing a basis for studying their responses to geopolitical risk in the region.

The Chinese QDII sample consists of 230 funds, with a majority classified as allocation funds (151) and the remainder as equity funds (79). These funds are younger and smaller on average than their U.S. counterparts, with a mean age of 5.5 years and average AUM of approximately $555 million. In contrast to U.S. funds, QDII funds display more diversified regional exposure. While U.S. stocks still represent the largest average holding (35.6%), Chinese stocks account for 27.1%, and Hong Kong exposure is also non-negligible (6.3%). Overall, the summary statistics confirm that both U.S. and Chinese mutual fund samples contain sufficient cross-regional exposure to allow for a detailed analysis of active reallocation in response to geopolitical risk.

The historical 10-K content files for U.S. stocks, covering the period from 2009 to 2023, are sourced from the SEC EDGAR Filing API. I extract all historical 10-K filings and classify U.S. stocks that mention "China" in the Business Item 1 section as being exposed to U.S.-China geopolitical risk. The risk-free rate is obtained from the Kenneth R. French Data Library. Data for both S&P 500 and MSCI returns are sourced from Compustat.

III. METHODOLOGY

Since 2004, the U.S. Securities and Exchange Commission (SEC) has required mutual funds to disclose their portfolio holdings quarterly. This mandate provides timely information about fund investments and creates an opportunity to study mutual fund managers' decisions, offering insights into their behavior. However, measuring fund managers' active response from holding information is not straightforward. Changes in a stock's total dollar value between two quarterly reports may

result from fund investor-triggered flows or stock price fluctuation, rather than purely active reallocation by the manager. In this section, I develop a new measure Fund Manager Active Reallocation (FMAR) which captures the purely active component of fund managers' portfolio adjustments and helps analyze how they respond to U.S.-China geopolitical tensions through changes in their positions in a specific set of target stocks.

Changes in a fund's holdings of a stock set, measured by the change of the total dollar value between two quarterly reports, can be due to three factors: decisions made by the manager to increase or decrease exposure to the stock, proportional adjustments resulting from fund investor-triggered fund inflows or outflows, or fluctuations in the stock's price. For example, in the Fidelity Emerging Asia Fund, the holding value of Bank of China decreased from $15 million in 2018 Q1 to $11 million in 2018 Q2. This change may result from the manager selling Bank of China shares to reduce his or her exposure to this company, proportional selling of the stock due to fund outflows, or a price drop in the shares of Bank of China during the period.

I formally introduce the conceptual framework of the FMAR measure as follows. Consider a target stock set *S* for fund *i*. Fund Manager Active Reallocation ($FMAR_{i,S,t-1,t}$) between *t*−1 and *t* is defined as the total change in the investment value of stock set s between *t*−1 and *t*, minus the proportional adjustment resulting from investor flows between *t*−1 and *t* and the change due to market price movements between *t*−1 and *t*, where each term is scaled by fund *i*'s total net assets at *t*−1.

$$Fund\ Manager\ Active\ Reallocation = \frac{Total\ Change\ in\ Investment\ Value - Proportional\ \ Adjustment\ due\ to\ Investor\ Flow - \ Price\ Movement}{Total\ Net\ Asset} \quad (1)$$

The formal construction of the measure begins with defining the target stock set and establishing the necessary notation. The target stock set *S* refers to a group of stocks within a fund

that share a common characteristic relevant to the research objective. In this paper, I study the impact of U.S.-China geopolitical risk on the mutual fund industry. Therefore, the target stock set includes all Chinese stocks (headquartered in China) held by U.S. mutual funds, all U.S. stocks (headquartered in U.S.) held by Chinese mutual funds, and other relevant subsets.

Let fund *i* hold *m* distinct stocks in target stock set *S* at time *t*-1 and *n* distinct stocks in target stock set *S* at time *t*. Let *k* denote the total number of unique stocks held across both periods, that is, the union of the holdings at *t*-1 and *t*. Let P_t^F denote a $1 \times k$ vector representing the prices of the *k* target stocks in set *S* at time *t*, and Q_t^F denote a $k \times 1$ vector representing the number of split-adjusted shares the k target stocks in set *S* held by fund *i* at time t. Let $\text{Flow}_{\text{i,t}-1,\text{t}}$ denote the aggregate net dollar fund flow of fund *i* between *t*-1 and *t*, and $\text{TV}_{\text{t}-1}$ denote the total net asset of the fund *i* at *t*-1. These components form the basis for measuring the change in investment value, adjusting for investor flows, price effects, and fund manager active reallocation.

The total change in the investment value of stock set *S* for fund *i* from *t*-1 to *t* is determined by the difference in the market value of the holdings at the two time points. This change reflects the combined effect of fund manager active reallocation, proportional readjustment resulting from investor driven fund flows and the stock price movements. Using the previously introduced notation, the total investment value at time *t* is given by product $P_t^F Q_t^F$, and the investment value at *t*-1 is given by $P_{t-1}^F Q_{t-1}^F$. The total change in investment value is therefore calculated as:

$$\textit{Total Change in Investment Value} \;=\; P_t^F Q_t^F - P_{t-1}^F Q_{t-1}^F \qquad (2)$$

The second term of the FMAR measure—the proportional adjustment due to investor flows—is less straightforward to construct. Both fund holding data and fund flow data are reported at low frequency: holdings are disclosed quarterly, and flows are aggregated monthly. This limitation prevents us from observing the exact timing of investor flows and portfolio adjustments

within the quarter, making it difficult to separate changes in holdings into components driven by flows. To address this issue, I make two assumptions. First, the aggregate net flow between periods *t*-1 and *t* is entirely induced at *t*, and the flow is invested or sold proportionally based on the portfolio weights at time *t*. Second, the manager readjusts the portfolio at *t*. Under these assumptions, the proportional adjustments resulting from fund investor-triggered fund flow is given by:

$$Proportional\ Adjustment\ due\ to\ Investor\ Flow \quad = \quad Flow_{t-1,t}\frac{P_t^F Q_t^F}{TV_t} \tag{3}$$

The third component of the FMAR measure is the change in investment value due to market price movements. Consistent with the earlier assumption that the fund manager adjusts the portfolio at the end of the period, I construct this term as the target stock set changes purely as a result of movement in stock prices, holding the quantity of shares constant at *t*-1. The price movement term is therefore given by:

$$Price\ Movement \quad = \quad Q_{t-1}^F(P_t^F - P_{t-1}^F) \tag{4}$$

Combining Equations (2) to (4), I formally construct the empirical implementation of FMAR of fund *i* and stock set *S* as:

$$FMAR_{i,S,t-1,t} = \frac{P_t^F Q_t^F - P_{t-1}^F Q_{t-1}^F}{TV_{t-1}} - \frac{Flow_{t-1,t}\frac{P_t^F Q_t^F}{TV_t}}{TV_{t-1}} - \frac{Q_{t-1}^F(P_t^F - P_{t-1}^F)}{TV_{t-1}} \tag{5}$$

Table 3 presents FMAR for U.S. and Chinese mutual funds across different regional stock sets, defined by the headquarters location of the underlying stocks. To mitigate the influence of outliers and potential data errors, all FMAR values are winsorized at the ± 5% level. The target stock set regions analyzed in this paper include the U.S., China, Taiwan, Hong Kong, the Asia High Risk Region, and the Asia Low Risk Region. The Asia High Risk Region includes stocks headquartered in Japan, Malaysia, the Philippines, Indonesia, and Vietnam—countries directly

involved in South China Sea disputes. The Asia Asia Low Risk Region includes Singapore, South Korea, India, Thailand, Saudi Arabia, and the United Arab Emirates, which are not directly involved in South China Sea disputes. Hong Kong is listed separately from China because, unlike mainland China exchanges, it operates under a different financial regulatory system and allows free flows of international capital. Taiwan is also listed separately, as it has long been a central issue in U.S.-China geopolitical relations.

By construction, FMAR isolates the discretionary portfolio adjustments made by fund managers, net of investor flows and price movements. However, one remaining concern is whether such reallocation is practically meaningful, given that mutual funds often operate under investment mandates that constrain geographic exposure. If such mandates were binding in practice, FMAR would exhibit limited variation and offer little value for identifying fund managers' responses to time-varying risks. Table 3 helps address this concern by documenting substantial cross-sectional variation in FMAR across regions and fund origin. The standard deviation of FMAR to U.S. stocks among U.S. funds is 0.0714, and to Chinese stocks is 0.0116; for Chinese QDII funds, the standard deviation is 0.0799 for U.S. stocks and 0.0695 for Chinese stocks. Other target regions, including Hong Kong, Taiwan, and broader high-risk or low-risk categories, also display considerable variation in FMAR across time. This degree of dispersion indicates that managers in both countries actively reallocate across regions over time. These patterns confirm that FMAR captures managerial discretion and provides a foundation for examining its relationship with geopolitical risk in the empirical analysis that follows.

IV. EMPIRICAL ANALYSIS: U.S. MUTUAL FUND MANAGER

Following the panel regression approach in the investment literature (Gulen and Ion 2015; Wang, Wu, and Xu 2024), I estimate the following baseline specification to examine how U.S. mutual fund managers respond to U.S.-China geopolitical risk.

$$FMAR_{i,S,t-1,t} = \alpha_i + \beta_1 UCGRI_{t-1,t} + \Lambda_1 M^k_{t-1,t} + \Lambda_2 Z_{i,t-1,t} + \varepsilon_{t-1,t} \quad (6)$$

The key explanatory variable is the average monthly UC-GRI within the reporting quarter. *M* captures macroeconomic control variables that influence fund managers' adjustment decisions. I include three variables to address potential confounding factors. First, I control for the risk-free rate as a proxy for overall market risk preference. Second, I include GPR, a news-based global geopolitical risk index from Caldara and Iacoviello (2020), which captures worldwide level geopolitical pressures. Since U.S.-China relations are a crucial component of the global geopolitical environment, controlling for GPR helps isolate fund managers' behavior specifically related to U.S.-China geopolitical risk. The first two macro control variables are calculated as quarterly averages derived from their original monthly measures. Third, given that literature shows investors and mutual fund managers exhibit return-chasing and herding behavior (Grinblatt, Titman, and Wermers 1995; Wermers 1999; Scharfstein and Stein 1990), I control for the U.S.-China return gap, defined as the S&P 500 return minus the MSCI China return. *Z* consists of fund-level control variables, specifically fund size and past returns. I use two well-discussed fund-level control variables that have a significant effect on managers' behavior: size (Berk and Green 2004; Chen et al. 2004; Pollet and Wilson 2008) and past performance (Chevalier and Ellison 1997). Size is measured as the fund's net asset value, while past performance is captured by the fund's return in the previous quarter. The coefficient on UC-GRI measures the extent to which fund managers adjust their holdings in response to U.S.-China geopolitical risk.

4.1 Effect of Geopolitical Risk on U.S. Fund Manager Active Reallocation to Chinese Stocks

I begin the empirical analysis by examining how U.S. mutual fund managers actively reallocate their exposure to Chinese stocks in response to U.S.-China geopolitical risk. Table 4 reports regression estimates of Equation (6), where the dependent variable is FMAR measuring U.S. mutual fund manager's active reallocation to Chinese stock.

I estimate the specification separately across the pre-2018 period (specifications 1–2), the post-2018 period (specifications 3–4), and the full sample from 2009 to 2023 (specifications 5–6). Specifications 1, 3, and 5 are estimated without control, while specifications 2, 4, and 6 include fund fixed effects, macroeconomic variables, and fund-level controls.

In the post-2018 sample, UC-GRI enters with a negative and statistically significant coefficient in both specifications. In specification (3), which excludes any control variables, the coefficient is –0.0253 ($p < 0.01$), indicating that heightened geopolitical risk lead managers to reduce their active exposure to Chinese stocks. In specification (4), the coefficient becomes even stronger (–0.0397, $p < 0.01$) after including fund fixed effects, macroeconomic variables, and fund-level controls. The estimate implies that a 10% increase in UC-GRI leads to a 39.7 basis point reduction in U.S. fund managers' reallocation to Chinese stocks, equivalent to approximately 23% of the standard deviation (0.016) of this reallocation measure.

Notably, GPR, the global geopolitical risk index, also has a negative and statistically significant coefficient (–0.0012, $p < 0.01$) in specification (4), suggesting that broader geopolitical risk also contribute to manager behavior toward Chinese stocks. However, the UC-GRI coefficient remains statistically significant and becomes more negative after controlling for GPR, indicating that U.S. fund managers can distinguish between general geopolitical risk and U.S.-China-specific risk.

In contrast, the coefficients in the pre-2018 sample (specification (2)) are smaller in magnitude (–0.0171) and statistically insignificant, indicating no meaningful response during that period. Taken together, the results in table 4 highlight a behavioral shift in U.S. fund managers' active reallocation patterns toward U.S.-China geopolitical risk after 2018.

To formally assess whether U.S. mutual fund managers' responsiveness to geopolitical risk shifted around specific years, I estimate a set of regressions that interact UC-GRI with year-specific post-period indicators. Each specification takes the following form:

$$FMAR_{i,China,t-1,t} = \alpha_i + \beta_1 UCGRI_{t-1,t} + \beta_2 AfterYear_y + \beta_3 UCGRI_{t-1,t} \times AfterYear_y + \varepsilon_{t-1,t} \quad (7)$$

$AfterYear_y$ is an indicator variable equal to one if period t falls after year y, and zero otherwise. Each specification in Table 5 corresponds to a different choice of y (2016 through 2020). The coefficients β_3 enable a year-by-year test for the onset of geopolitical risk sensitivity.

The results show that the interaction coefficient becomes statistically significant beginning in specification (3), where UC-GRI interacted with the post-2018 indicator has a coefficient of –0.0303 ($p < 0.05$). The magnitude remains statistically significant in specification (4) (–0.0457, $p < 0.01$ for post-2019) and specification (5) (–0.0322, $p < 0.01$ for post-2020). In contrast, the interaction terms in specification (1) (–0.0206) and specification (2) (–0.0203) are smaller in magnitude and statistically insignificant. The pattern provides strong evidence that U.S. fund managers' sensitivity to U.S.-China geopolitical risk emerged only after 2018, reinforcing the identification of 2018 as a structural breakpoint in their active reallocation behavior.

4.2 Effect of Geopolitical Risk on Fund Manager Cash Holdings

To further examine how fund managers respond to U.S.-China geopolitical risk, I focus the remaining analysis on the post-2018 period, a structural breakpoint established in earlier sections. Since Table 4 and Table 5 show that geopolitical sensitivity among U.S. fund managers emerges

only after 2018, the subsequent, more detailed analysis of fund managers' active reallocation behavior is restricted to the period from 2018 to 2023.

I begin with a straightforward but critical component of portfolio adjustment: cash holdings. Holding cash is the most direct way for equity fund managers to avoid most risk exposure, as it allows them to step back from volatile markets without reallocating among risky assets. Therefore, before investigating more nuanced reallocation decisions, it is necessary to assess whether geopolitical risk triggers a retreat into cash.

One concern is that mutual funds typically operate under mandates that set upper and lower limits on cash ratios. However, as shown in Table 3 (Panels A.2 and B.2), managers still exhibit a meaningful variation in cash management. The standard deviation of the change in cash ratio is 0.0170 for U.S. funds and 0.0625 for Chinese QDII funds, which magnitudes comparable to the active reallocation standard deviations reported in Panels A.1 and B.1. This suggests that managers retain some discretion in adjusting cash positions, and that these adjustments are not purely mandate driven.

Table 6 presents regression estimates of Equation (6), where the dependent variable is the change in a fund's cash ratio between $t-1$ and t. Specifications (1) to (3) use the U.S. mutual fund sample, while specifications (4) to (6) use the Chinese QDII mutual fund sample. Specifications (3) and (6) include the full set of controls, including fund fixed effects, macroeconomic variables, and fund-level characteristics, while the remaining specifications are estimated without full controls. For U.S. funds, UC-GRI has a negative and statistically significant coefficient in specification (1) (–0.0950, $p < 0.05$). However, this result disappears in specification (3) (–0.0345, $p = 0.29$) once controls are included, indicating that the initial effect is likely confounded by macroeconomic or fund-level conditions. Similarly, for Chinese QDII funds, UC-GRI has a

positive significant coefficient in specification (4) (0.8613, $p < 0.01$) and this effect also becomes statistically insignificant in specification (6) (0.5710, $p = 0.25$) after including the full set of controls.

Taken together, associations between cash holding change and UC-GRI disappear after accounting for more comprehensive controls. This indicates that holding cash is not a primary mechanism through which fund managers, either in the U.S. or China, adjust their portfolios in response to U.S.-China geopolitical risk. Instead, managers appear to rely on more targeted reallocation strategies, which I investigate in the sections that follow.

4.3 Effect of Geopolitical Risk on U.S. Fund Manager Active Reallocation Across Regions

I then examine how U.S. mutual fund managers reallocate their portfolios across different geographic regions in response to U.S.–China geopolitical risk. As in earlier sections, I restrict the sample to the post-2018 period, since results from Tables 4 and 5 indicate that geopolitical sensitivity among U.S. fund managers emerged only after 2018.

Table 7 presents regression estimates where the dependent variable is FMAR to six regional stock sets: U.S., China, Hong Kong, Taiwan, the Asia High Risk Region, and the Asia Low Risk Region. Each specification includes fund fixed effects and the full set of controls, including macroeconomic conditions and fund-level characteristics (Equation (6)). These results provide a more detailed view of how U.S. fund managers rebalance exposure across global regions in response to geopolitical risk.

UC-GRI is negatively and statistically significantly associated with both Chinese and Hong Kong stocks (–0.0397, $p < 0.01$, specification (2); –0.0084, $p < 0.10$, specification (3)), confirming that U.S. fund managers reduce their active allocation not only to Chinese equities but also to Hong Kong equities when U.S.–China geopolitical risk increases. On the other hand, the coefficient on

Taiwan is small and statistically insignificant (–0.0014, specification (4)), suggesting that Taiwanese regional exposure does not systematically respond to changes in geopolitical tensions over this period.

U.S. fund managers also exhibit meaningful reallocation from High Risk to Asia Low Risk Regions. The coefficient on UC-GRI is negative and statistically significant for the Asia High Risk Region (–0.0093, $p < 0.10$, specification (5)) and positive and statistically significant for the Asia Low Risk Region (0.0150, $p < 0.01$, specification (6)), suggesting a directional move of capital from more geopolitically sensitive markets to more stable ones. This behavior aligns with the broader concept of the flight-to-safety phenomenon, where investors move capital away from high-risk regions during periods of uncertainty (Baele, Bekaert, Inghelbrecht et al., 2020; Kekre and Lenel, 2024).

It may seem intuitive for U.S. fund managers to treat the U.S. market as a relatively safer destination and increase domestic allocations when geopolitical risk rises. However, the coefficient on UC-GRI for U.S. stocks is slightly positive (0.0099, specification (1)) and statistically insignificant, indicating no meaningful increase in exposure. This suggests that U.S. fund managers do not simply reallocate toward their home market in response to heightened geopolitical risk.

Overall, the results in Table 8 suggest that U.S. mutual fund managers actively reallocate away from China, Hong Kong, and other geopolitically sensitive regions when U.S.–China geopolitical risk rises. However, they do not move capital indiscriminately back into domestic stocks. Instead, the lack of a significant response in aggregate U.S. allocations points to more selective reallocation behavior—an issue I return to in later sections.

4.4 Effect of Geopolitical Risk on Fund Manager Active Reallocation to U.S. Stocks with Varying China Exposure

In Section 4.3, I show that U.S. mutual fund managers do not significantly increase allocations to U.S. equities when U.S.–China geopolitical risk rises. This non-response stands in contrast to their sharp pullback from Chinese and Hong Kong equities and raises a natural question: are fund managers treating all U.S. stocks alike, or are they selectively reallocating based on the firm's China exposure?

To investigate this, I examine U.S. stock reallocation separately for U.S.-headquartered stocks with high versus low exposure to China. The classification is based on a textual analysis of 10-K filings, which include two key sections: Business Item 1 (describing a company's operations) and Risk Factor Item 1A (discussing company's risks). I define a U.S. stock as "high-exposure(US(risk))" if either section mentions the keywords "China" or "Chinese" in either Item 1 or Item 1A section in 10K , and "low-exposure((US(norisk))" otherwise. This allows me to classify the domestic U.S. stock universe into two mutually exclusive target stock sets: those with explicit China-related business or risk language (high-exposure) and those without such language (low-exposure).

Table 8 reports the regression estimates of Equation (6), where the dependent variable is Fund Manager Active Reallocation to the above three disaggregated stock sets. Column (1) replicates the earlier finding that the aggregate reallocation to all U.S. stocks is statistically insignificant (coefficient = 0.0099), which initially suggests no clear geopolitical response in domestic equity positions. However, the next two columns reveal a starkly different picture.

In column (2), the coefficient on UC-GRI for U.S. stocks with high China exposure is strongly negative and highly significant (–0.3331, $p < 0.01$), implying that a 10% increase in

geopolitical risk reduces active reallocation to these stocks by 3.33%. On the other hand, column (3) shows a positive and significant response to U.S. stocks with no China exposure (0.2736, $p < 0.01$), showing that a 10% increase in geopolitical risk increase active reallocation to these stocks by 2.74% basis points. Taken together, these results suggest that U.S. fund managers are not simply indifferent toward the domestic market. They are actively reallocating within it, pulling back from geopolitically sensitive firms and reallocating toward safer domestic alternatives. This sorting behavior explains the not significant aggregate effect reported earlier in Section 4.3.

These results highlight the sophistication of U.S. fund managers in parsing geopolitical risk. Rather than reacting indiscriminately to rising tensions, they differentiate between U.S. firms based on their China linkages and shift allocations accordingly. This reallocation pattern underscores the value-added role of active portfolio management in geopolitical contexts.

V. EMPIRICAL ANALYSIS: U.S. MUTUAL FUND INVESTOR

In this section, I shift focus to U.S. mutual fund investors and examine how they respond to U.S.–China geopolitical risk. I estimate the following baseline regression:

$$Flow\%_{i,t-1,t} = \alpha_i + \beta_1 UCGRI_{t-1,t} + \beta_2 SecPct_{S,t-1} + \beta_3 SecPct_{S,t-1} * UCGRI_{t-1,t} + Controls + \varepsilon_{t-1,t} \quad (8)$$

The dependent variable is Percentage Fund Flow, defined as the net fund flow from period $t-1$ to t divided by fund's total net assets at $t-1$. $SecPct_{S,t-1}$ represents the percentage of total net assets invested in the target security set S at t-1. The key interaction term, $SecPct_{S,t-1} * UCGRI_{t-1,t}$, captures the cross-effect of target security set percentage and U.S. China geopolitical risk. All remaining macroeconomic and fund-level controls mirror those used in Section 4.

This regression tests whether the explanatory variables can predict fund flow between t-1 and t. Fund flow reflects investor purchase and redemption decisions, capturing the subjective

response of fund investors in the same way that mutual fund managers reallocate their portfolios. This framework allows for an analysis of how investors react to U.S.-China geopolitical risk.

The key coefficient of interest is the interaction term, β_3. This term captures whether investors respond more strongly to geopolitical risk when their fund is more heavily exposed to a particular region. A significant and directional coefficient on this interaction would indicate that investors are not only attentive to geopolitical developments, but also to the regional exposure of the funds they hold.

5.1 Effect of Geopolitical Risk and Portfolio Exposure on U.S. Fund Investor Flows Across Regions

Table 9 reports the regression results for U.S. mutual fund investors, split into two periods: Panel A covers 2018 to 2023, and Panel B covers 2009 to 2018. Each specification corresponds to a different regional target stock set: U.S., China, Hong Kong, Taiwan, Asia High Risk Region, and Asia Low Risk Region (Equation (8)). The dependent variable is fund flow percentage, and all specifications include fund fixed effects and the full set of controls.

A comparison of Panels A and B reveals a clear shift in investor behavior around 2018. For U.S. equities, the coefficient on the interaction term is significantly positive after 2018 (0.2381, $p < 0.01$, specification (1)), indicating that investors increase flows into funds with greater domestic exposure when geopolitical risk rises. In contrast, the same interaction term is insignificant before 2018 (–0.0157, specification (7)), suggesting that U.S. equities only began to function as a perceived safe haven in more recent years.

The evidence from Taiwan is even more striking. The coefficient on UC-GRI interacted with Taiwan exposure flips from significantly positive before 2018 (6.7692, $p < 0.01$, specification (10), Panel B) to significantly negative afterward (–1.5526, $p < 0.05$, specification (4), Panel A).

This reversal highlights a dramatic shift in investor perception: Taiwan was once viewed as a favorable exposure during rising geopolitical risk but is now treated as a geopolitical risk center in investor flows.

For Chinese stock, the pattern also shows a meaningful shift. Before 2018, the interaction term is significantly positive (1.8858, $p < 0.05$, specification (8), Panel B), indicating that investors increased allocations to China even during periods of heightened geopolitical risk. This suggests that prior to 2018, Chinese equities were perceived as attractive growth opportunities rather than risk-sensitive assets. After 2018, however, the coefficient becomes negative and statistically insignificant (–0.2945, specification (2), Panel A), suggesting that geopolitical risk has since eroded investor confidence in China exposure. This muted response also aligns with the broader risk shift interpretation.

For Hong Kong based stock, the most notable response appears in the post-2018 sample. The interaction term becomes sharply negative and statistically significant (–3.9071, $p < 0.01$, specification (3), Panel A), pointing to aggressive investor outflows from funds with high Hong Kong exposure in periods of rising geopolitical risk. No such effect is observed prior to 2018. This sharp shift may reflect investor concerns over Hong Kong's increased vulnerability in the context of U.S.–China relations.

Lastly, while mutual fund managers reallocate equities from Asia High Risk Regions to Asia Low Risk Regions during this period (Section 4.3), U.S. fund investors do not exhibit the same shift. They do not appear to distinguish between high and Asia Low Risk Regions (0.3147, not significant, specification (5); –1.5272, $p < 0.01$, specification (6)), highlighting a divergence in how geopolitical risk is perceived upon by investors compared to fund managers.

5.2 Effect of Geopolitical Risk and Portfolio Exposure on Fund Investor Flows to Funds invested in U.S. Stocks with Varying China Exposure

This section parallels the analysis in Section 4.4 but shifts the focus from fund managers to mutual fund investors. Here, I assess whether investors reallocate capital across mutual funds based on the exposure of their U.S. stock holdings to China in response to U.S.–China geopolitical risk.

Table 10 presents regression estimates from Equation (8), using fund flow data from U.S. mutual fund investors between 2018 and 2023. The U.S. stock universe is divided into two groups based on their China exposure, following the same classification used in Section 4.6. Stocks are considered "high exposure" (US (Risk)) if their 10-K filings mention “China” or “Chinese” in either the Business Item 1 or Risk Factor Item 1A sections. Stocks without such mentions are categorized as "low exposure" (US (noRisk)). Specifications (1) to (3) report results for U.S. investors, while specifications (4) to (6) report results for Chinese investors.

The results highlight a clear contrast in investor sophistication relative to fund managers. For U.S. mutual fund investors, the coefficient on the UC-GRI interaction is positive and statistically significant in both the high-exposure (0.2170, $p < 0.10$, specification (2)) and low-exposure group (0.3012, $p < 0.01$, specification (3)). Surprisingly, the positive flow response is even stronger for low-exposure stocks. This contrasts sharply with the manager-side results in Table 8, where U.S. fund managers actively pulled back from high-exposure stocks and reallocated into low-exposure ones. This suggests that while investors react to geopolitical risk, they do not clearly differentiate between mutual funds with high versus low U.S. stock exposure to China, at least not based on information disclosed in 10-K filings, nor to the same extent as fund managers.

5.3 Effect of Geopolitical Risk and Portfolio Exposure on U.S. Fund Flows by Investor Type

In this section, I investigate whether different types of mutual fund investors respond differently to U.S.–China geopolitical risk.

Table 11 presents regression estimates from Equation (8), using U.S. fund flow data from 2018 to 2023. Funds are categorized based on Morningstar Share Class Type. Share classes labeled as "Inst" and "Institution" are classified as institutional investors class, while all other share classes are treated as retail investors class. The table reports separate regression results for three types of target stock sets: the full U.S. stock set (specifications 1 and 2), the full Chinese stock sets (specifications 3 and 4), and U.S. stocks with high China exposure (specifications 5 and 6).

The results indicate that both retail and institutional investors exhibit strong flight to home preference under rising geopolitical risks, but to varying degrees. For U.S. stocks, the UC-GRI interaction coefficient is significantly positive for both investor types (0.3362, $p < 0.01$, specification (1); 0.1485, $p < 0.10$, specification (2)). The stronger effect among retail investors suggests a more pronounced perception of the U.S. domestic market as a geopolitical safe haven.

Institutional investors appear more attentive to geopolitical risk in China-related exposures. In specification (4), the interaction between UC-GRI and exposure to Chinese stock percentage is significant (–0.6455, $p < 0.10$). In contrast, retail investors show no significant response (0.0556, not significant, specification (3)).

This divergence becomes clearer in specifications (5) and (6), which focus on U.S. stocks with high China exposure (US (Risk)). While retail investors again exhibit a significant positive response (0.3383, $p < 0.05$, specification (5)), institutional investors show a smaller and statistically insignificant effect (0.2511, not significant, specification (6)). This pattern suggests that U.S. institutional investors, like U.S. fund managers, are more sophisticated than U.S. retail investors in distinguishing firm level geopolitical exposure.

Overall, these results show that investor sophistication varies by investor type. Retail investors display stronger domestic preference, consistent with heuristic-driven responses to geopolitical risk. Institutional investors, by contrast, exhibit more selective reallocations that resemble the behavior of professional portfolio managers. This divergence supports the notion of heterogeneous risk perception across investor groups, a core theme in the behavioral economics literature (Thaler 2016). Differences in experience, information access, and institutional role help shape how each group interprets and responds to the same geopolitical shock. These findings reinforce the importance of behavioral heterogeneity in understanding capital flows under geopolitical uncertainty.

VI. EMPIRICAL ANALYSIS: CHINESE MUTUAL FUND MANAGERS AND INVESTORS

I now turn to the other side of the U.S.–China geopolitical risk: Chinese mutual fund managers and investors after 2018. As discussed in the sample section, QDII fund managers have discretion to allocate capital internationally. However, the amount they can raise from domestic investors is constrained by investment quotas approved by the State Administration of Foreign Exchange (SAFE). These quotas set a ceiling on subscriptions. Foreign investment channels for Chinese retail investors are also limited outside the QDII system. As a result, investor responses are shaped not only by risk perceptions but also by the quota-constrained environment in which these funds operate.

I also focus on the post-2018 period, since results in earlier sections suggest that geopolitical risk only became a meaningful driver of fund manager behavior after 2018. This approach enables a more relevant comparison of fund manager responses between the U.S. and China during a period of heightened tensions.

6.1 Effect of Geopolitical Risk on Chinese Fund Manager Active Reallocation Across Regions

Table 12 presents the regression results for Chinese QDII fund managers' active reallocation to six regional stock sets: U.S., China, Hong Kong, Taiwan, the Asia High Risk Region, and the Asia Low Risk Region (Equation (6)). Each specification includes fund fixed effects and a full set of controls for macroeconomic variables and fund characteristics.

The results reveal a striking asymmetry in how Chinese fund managers respond to U.S.–China geopolitical risk. While U.S. fund managers reduce exposure to Chinese and Hong Kong stocks (see Table 8), Chinese fund managers do not exhibit a significant retreat from U.S. stocks. In fact, the coefficient on UC-GRI in specification (1) is positive (0.2892) though not statistically significant, suggesting no meaningful reduction in U.S. allocations when geopolitical risk rises.

In contrast, Chinese managers show a clear negative response to UC-GRI for both Chinese and Hong Kong stocks. The coefficient on UC-GRI is large and negative for China (–1.0196, $p < 0.01$, specification (2)) and for Hong Kong (–0.2283, $p < 0.01$, specification (3)), indicating strong risk-driven reallocation out of these markets. The estimated –1.0196 coefficient implies that a one-unit increase in UC-GRI leads to a 101.96 basis point reduction in active reallocation to Chinese equities. These magnitudes are economically substantial and highlight a cautious stance toward their home region when geopolitical tensions rise.

Also, Chinese fund managers do not appear to reallocate across the High Risk and Asia Low Risk Regions in a systematic way. The coefficients on the Asia High Risk Region (0.1500, specification (5)) and the Asia Low Risk Region (0.0056, specification (6)) are both statistically insignificant, suggesting that Chinese managers do not meaningfully distinguish between high and Asia Low Risk Regional alternatives when reallocating capital under geopolitical stress. Besides, the absence of any significant positive coefficients across the table indicates that, after pulling back

from China and Hong Kong, Chinese fund managers do not reallocate capital in a systematic direction—at least not within the set of regional destinations analyzed in this paper.

Taken together with the U.S. findings in Section 4.3, these results highlight a pronounced asymmetry in how U.S. and Chinese fund managers perceive and respond to US-China geopolitical risk. U.S. mutual fund managers clearly reduce their allocation to Chinese and Hong Kong equities. In contrast, Chinese mutual fund managers do not reduce exposure to U.S. stocks but significantly reduce their allocations to Chinese and Hong Kong equities—their home region. Moreover, while U.S. fund managers appear to reallocate capital toward relatively safer regions, Chinese managers do not exhibit a comparable shift into low-risk alternatives.

This divergence highlights fundamental differences in how geopolitical risk is perceived and acted upon across the two fund management systems. Behavioral research suggests that institutional context, culture, and past experiences can shape investor perceptions of risk (Thaler 2016). The contrast between U.S. and Chinese managers' reallocations implies that national background influences how geopolitical threats are interpreted and translated into portfolio decisions. These findings underscore the relevance of belief heterogeneity when analyzing cross-country differences in fund manager behavior under geopolitical stress.

6.2 Effect of Geopolitical Risk and Portfolio Exposure on Chinese Fund Investor Flows Across Regions

Table 13 reports regression estimates from Equation (8) using the Chinese QDII mutual fund sample. Each specification corresponds to a different regional stock set: U.S., China, Hong Kong, Taiwan, Asia High Risk Region, and Asia Low Risk Region. As before, the key coefficient of interest is the interaction between UC-GRI and the fund's regional exposure, which captures whether investor flows respond more strongly to geopolitical risk when the fund is more exposed

to a particular region. All regressions include fund fixed effects and the full set of macroeconomic and fund-level controls.

However, results are mostly statistically insignificant or lack of meaningful directional patterns. These findings suggest that Chinese mutual fund investors, unlike the other investor groups analyzed in this paper, do not respond to geopolitical risk in a systematic way. One possible explanation is the limited access Chinese investors have to foreign assets. The QDII quota system imposes a cap on how much capital fund managers can raise for overseas investment, and foreign investment channels outside QDII remain scarce for domestic investors. As a result, exposure to international markets may already be constrained relative to investors' desired portfolio allocation. When geopolitical risk rises, investors may still value the diversification benefit of foreign holdings or lack viable alternatives, making them less likely to adjust their positions. This structural limitation may shape investor behavior and weaken the sensitivity of flow responses to changes in geopolitical risk. A second possible explanation is that Chinese investors may perceive U.S.–China geopolitical risk differently from their U.S. counterparts. If Chinese investors view certain geopolitical tensions as temporary, exaggerated, or politically expected, they may be less likely to adjust their investment decisions in response to rising UC-GRI values.

VII. CONCLUSION

This paper examines how U.S. and Chinese mutual fund managers and investors respond to U.S.–China geopolitical risk. To conduct this analysis, I construct a bilateral geopolitical risk measure (UC-GRI) and develop a flow- and price-adjusted measure of Fund Manager Active Reallocation (FMAR) to isolate managerial portfolio decisions from investor-driven flows and market price movements.

The results show that after 2018, when U.S-China geopolitical risk arises, U.S. mutual fund managers actively reduce allocations to Chinese equities, reallocate away from high-risk regions to low-risk regions, and shift domestic portfolios toward stocks with less China exposure. In contrast, Chinese managers pull back from Chinese and Hong Kong equities but do not reduce exposure to U.S. stocks. U.S. investors also exhibit a post-2018 shift toward domestic assets and away from geopolitically sensitive regions, while Chinese investors show limited systematic reallocation. Institutional investors respond more selectively than retail investors.

These findings highlight three key insights. First, the year 2018 marks a structural shift in how geopolitical risk influences global capital allocation, coinciding with a sharp rise in both the level and volatility of the UC-GRI index. Second, contrary to the common view that mutual fund investors are naïve, the evidence shows that they incorporate geopolitical risk into their portfolio choices in meaningful and region-specific ways. Third, the paper documents substantial heterogeneity in geopolitical risk responses across countries, investor types, and between managers and investors. Professional fund managers exhibit greater ability to act on firm-level risk, reflecting their informational advantage and investment expertise.

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Figure 1: US-China Geopolitical Risk Index (UC-GRI), 2009–2023

This figure plots the US-China Geopolitical Risk Index (UC-GRI) from 2009 to 2023, constructed using the proportion of U.S. government press briefing content focused on Taiwan and the South China Sea. Key geopolitical events are annotated, including the onset of the US-China trade war, U.S. arms sales to Taiwan, and sanctions on Chinese officials. The index shows a clear increase in both level and volatility after 2017, consistent with a structural shift in geopolitical tensions.

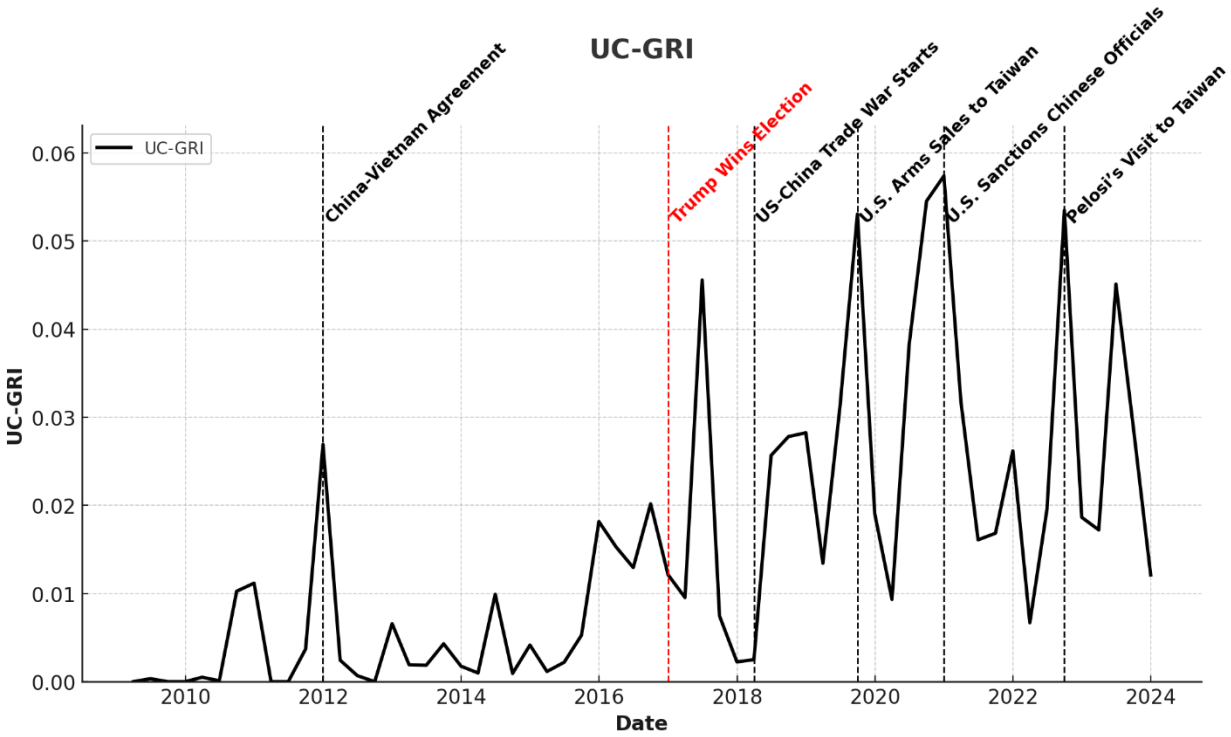

Table 1: U.S.-China Geopolitical Risk Index (UC-GRI) – Descriptive Statistics and Correlations

Panel A summarizes the US-China Geopolitical Risk Index (UC-GRI) over two periods, 2009–2017 and 2018–2023. Panel B presents the correlation matrix between UC-GRI, existing geopolitical risk indices, and financial market variables. The Geopolitical Risk (GPR) Index is a news-based global geopolitical risk measure developed by Caldara and Iacoviello (2020). Risk Free Rate refers to the 1-month US Treasury Bill rate from the ICE BofA US 1-Month Treasury Bill Index. SP500 denotes the S&P 500 index, and MSCI China represents the Chinese equity market index.

Panel A. UC-GRI Summary Statistics

	Mean	Std
2009-2018	0.0067	0.0094
2017-2023	0.0272	0.0159

Panel B. Correlation Matrix

	UC-GRI	GPR	RF	SP500	MSCI China
UC-GRI	1.0000				
GPR	0.0262	1.0000			
Risk Free Rate	0.3731	0.3225	1.0000		
SP500	0.0390	-0.2512	-0.0105	1.0000	
MSCI China	-0.0256	-0.1928	-0.0394	0.4620	1.0000

Table 2: US Active Mutual Funds and China QDII Funds – Summary Statistics

This table presents summary statistics for the US active mutual fund sample (Panel A) and the Chinese active QDII fund sample (Panel B). US fund categories and share classes are from Morningstar, and Chinese QDII fund categories are from Wind. Fund stock regional exposures are calculated as the total value of fund stock holdings in each region divided by the fund's total stock value, based on company headquarters information from FactSet. "Asia High Risk Region" includes stocks headquartered in Japan, Malaysia, the Philippines, Indonesia, and Vietnam. "Asia Low Risk Region" includes stocks headquartered in Singapore, South Korea, India, Thailand, Saudi Arabia, and the United Arab Emirates.

Panel A: US Mutual Fund

Number of Funds	2802			
Share Class	Retail		Institutional	
	4904		3306	
	Mean	Std	Min	Max
Fund Age (Year)	10.2338	4.6025	1.0000	15.0000
AUM (Million)	1059.7355	4282.8445	0.0001	105756.7077

Fund Stock Regional Exposure

	Mean	Std
US	0.6658	0.3556
China	0.0644	0.1159
Hong Kong	0.0394	0.0543
Taiwan	0.0435	0.0519
Asia High Risk Region	0.0713	0.0816
Asia Low Risk Region	0.0270	0.0347

Panel B: Chinese QDII Mutual Fund

Number of Funds	230			
	Mean	Std	Min	Max
Fund Age (Year)	5.5221	4.4654	1.0000	17.0000
AUM (Million)	555.1621	1548.2717	0.1906	16721.9123

Fund Stock Regional Exposure

	Mean	Std
US	0.3561	0.3813
China	0.2709	0.3030
Hong Kong	0.0634	0.1047
Taiwan	0.0151	0.0494
Asia High Risk Region	0.0092	0.0389
Asia Low Risk Region	0.0175	0.0584

Table 3: Fund Manager Active Reallocation by Region – Descriptive Statistics

This table reports statistics for Fund Manager Active Reallocation across different regions for U.S. mutual funds (Panel A.1) and Chinese QDII mutual funds (Panel B.1). Fund Manager Active Reallocation (FMAR) between $t-1$ and t for fund i in target stock set S is defined as the total change in the investment value of stock set s between $t-1$ and t, minus the proportional adjustment resulting from investor flows between $t-1$ and t and the change due to market price movements between $t-1$ and t, where each term is scaled by fund i's total net assets at $t-1$ (see Equation (5)). All Fund Manager Active Reallocation values are winsorized at the ± 5% level to mitigate the influence of outliers and potential data errors. "Asia High Risk Region" includes stocks headquartered in Japan, Malaysia, the Philippines, Indonesia, and Vietnam. "Asia Low Risk Region" includes stocks headquartered in Singapore, South Korea, India, Thailand, Saudi Arabia, and the United Arab Emirates. Panel A.2 and Panel B.2 reports the statistics for Change of Cash Ratio between t-1 and t for U.S and Chinese mutual funds, with all values winsorized at the ± 5% level.

Panel A.1: U.S. Mutual Funds: Active Reallocation by Region

	Mean	Median	Std	Min	Max
US	0.0495	0.0223	0.0714	-0.0250	0.2525
China	0.0052	0.0006	0.0116	-0.0087	0.0399
Hong Kong	0.0027	0.0004	0.0070	-0.0075	0.0228
Taiwan	0.0026	0.0002	0.0076	-0.0085	0.0247
Asia High Risk Region	0.0043	0.0003	0.0108	-0.0104	0.0485
Asia Low Risk Region	0.0024	0.0002	0.0064	-0.0078	0.0270

Panel A.2: U.S. Mutual Funds: Change of Cash Ratio

	Mean	Median	Std	Min	Max
Change of Cash Ratio	-0.0002	0.0000	0.0170	-0.0398	0.0392

Panel B.1: Chinese QDII Funds: Active Reallocation by Region

	Mean	Median	Std	Min	Max
US	0.0093	0.0000	0.0799	-0.1887	0.2216
China	0.0183	0.0039	0.0695	-0.1521	0.1949
Hong Kong	0.0048	0.0011	0.0198	-0.0430	0.0560
Taiwan	0.0016	0.0000	0.0057	-0.0073	0.0193
Asia High Risk Region	-0.0045	0.0000	0.0584	-0.7993	0.0485
Asia Low Risk Region	0.0004	0.0000	0.0023	-0.0039	0.0144

Panel B.2: Chinese QDII Funds: Change of Cash Ratio

	Mean	Median	Std	Min	Max
Change of Cash Ratio	-0.0047	-0.0011	0.0625	-0.1461	0.1224

Table 4: Effect of Geopolitical Risk on Fund Manager Active Reallocation to Chinese Stocks (U.S. Mutual Funds)

This table shows the results of regressing U.S. Fund Manager Active Reallocation to the Chinese stock region on geopolitical risk measures, macroeconomic variables and fund characteristics (Equation (6)). The dependent variable is Fund Manager Active Reallocation to Chinese stocks between *t*-1 and *t*, defined as the total change in the investment value of the Chinese stock set minus the changes due to investor flows and market price movements between *t*-1 and *t*, where each term is scaled by fund's total net assets at *t*-1 (see Equation (5)). UC-GRI is the U.S.-China geopolitical risk index at *t*. GPR denotes the global geopolitical risk index at *t* from Caldara and Iacoviello (2022). US-China Return Gap is defined as the return of the S&P 500 Index minus the return of the MSCI China Index between *t*-1 and *t*. Risk-Free Rate is the U.S. 1-month Treasury bill rate at time *t*. Net Asset refers to the fund's total net assets at time *t*-1. Fund Return is the fund's past quarter return between *t*-1 and *t*. Specifications (1) and (2) use observations from 200901 to 201712, specifications (3) and (4) use observations from 201801 to 202312, and specifications (5) and (6) use observations from 200901 to 202312. Specifications (2), (4), and (6) include the full set of controls as defined in Equation (2). Specifications (1), (3), and (5) are estimated without additional controls. Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	Before 2018		After 2018		2009-2023	
	(1)	(2)	(3)	(4)	(5)	(6)
UC-GRI	0.0050	-0.0171	-0.0253***	-0.0397***	0.0074	-0.0129**
	(0.0098)	(0.0109)	(0.0080)	(0.0081)	(0.0048)	(0.0063)
GPR		0.0038***		-0.0012***		0.0003
		(0.0007)		(0.0004)		(0.0003)
US China Return Gap		-0.0010		0.0017*		0.0011
		(0.0011)		(0.0009)		(0.0007)
Risk Free Rate		-3.4627***		-0.4111***		-0.3167***
		(0.6176)		(0.0992)		(0.0864)
Net Asset		-0.0000		-0.0000		0.0000
		(0.0000)		(0.0000)		(0.0000)
Fund Return		0.0064***		0.0039***		0.0045***
		(0.0013)		(0.0012)		(0.0009)
Constant	0.0051***	0.0020***	0.0067***	0.0088***	0.0054***	0.0056***
	(0.0001)	(0.0007)	(0.0003)	(0.0005)	(0.0001)	(0.0003)
Observations	12,217	11,744	9,375	9,347	21,592	21,091
R-squared	0.000	0.009	0.001	0.008	0.000	0.003
Fund Fixed	No	Yes	No	Yes	No	Yes

Table 5: U.S. Fund Manager Risk Behavior Shift

This table shows the results of regressing U.S. Fund Manager Active Reallocation to the Chinese stock region on geopolitical risk measures, year shift dummy variables, and their interactions (Equation (7)). The dependent variable is Fund Manager Active Reallocation to Chinese stocks between time *t*-1 and *t*, defined as the total change in the investment value of the Chinese stock set minus the changes due to investor flows and market price movements between time *t*-1 and *t*, where each term is scaled by fund's total net assets at *t*-1 (see Equation (1)). UC-GRI is the U.S.-China geopolitical risk index at time *t*. AfterYear is a year shift dummy variable that equals one for periods after a given year (2016, 2017, 2018, 2019, or 2020) and zero otherwise. The interaction term UC-GRI × AfterYear captures the differential sensitivity of fund manager active reallocation to US-China geopolitical risk after each corresponding year. Each specification tests for a shift beginning in a different year from 2014 to 2018. Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)
UC-GRI*After2016	-0.0206				
	(0.0184)				
UC-GRI*After2017		-0.0203			
		(0.0162)			
UC-GRI*After2018			-0.0303**		
			(0.0126)		
UC-GRI*After2019				-0.0457***	
				(0.0120)	
UC-GRI*After2020					-0.0322***
					(0.0116)
UC-GRI	0.0143	0.0079	0.0050	0.0138	0.0030
	(0.0172)	(0.0146)	(0.0098)	(0.0085)	(0.0066)
After2016	0.0008***				
	(0.0002)				
After2017		0.0011***			
		(0.0003)			
After2018			0.0016***		
			(0.0003)		
After2019				0.0019***	
				(0.0003)	
After2020					0.0020***
					(0.0003)
Constant	0.0052***	0.0051***	0.0051***	0.0051***	0.0052***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
Observations	21,592	21,592	21,592	21,592	21,592
R-squared	0.001	0.001	0.002	0.002	0.002

Table 6: Effect of Geopolitical Risk on Fund Manager Cash Holdings (U.S. Mutual Funds and Chinese QDII Funds, 2018-2023)

This table shows the results of regressing the change in fund cash holdings on geopolitical risk measures, macroeconomic variables, and fund characteristics (Equation (6)). The sample consists of U.S. mutual funds and Chinese QDII mutual funds over the period 2018 to 2023. The dependent variable is the change in Cash Ratio between *t*-1 and *t*. UC-GRI is the U.S.-China geopolitical risk index at *t*. GPR denotes the global geopolitical risk index at *t* from Caldara and Iacoviello (2022). US-China Return Gap is defined as the return of the S&P 500 Index minus the return of the MSCI China Index between *t*-1 and *t*. Risk-Free Rate is the U.S. 1-month Treasury bill rate at *t*. Net Asset refers to the fund's total net assets at *t*-1. Fund Return is the fund's past quarter return between *t*-1 and *t*. Specifications (1) to (3) use the U.S. mutual fund sample, and specifications (4) to (6) use the Chinese QDII mutual fund sample. Specifications (3) and (6) include the full set of controls as defined in Equation (6), while specifications (1), (2), (4), and (5) are estimated without additional controls. Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	U.S. Mutual Funds			Chinese QDII Funds		
	(1)	(2)	(3)	(4)	(5)	(6)
UC-GRI	-0.0950**		-0.0345	0.8613***		0.5710
	(0.0454)		(0.0419)	(0.2769)		(0.4011)
GPR		0.0048***	0.0011		-0.0410***	-0.0587***
		(0.0014)	(0.0014)		(0.0119)	(0.0165)
US China Return Gap			-0.0418***			-0.1519***
			(0.0128)			(0.0284)
Risk Free Rate			-0.0154***			-0.0181
			(0.0044)			(0.0402)
Fund Return			-0.2118			4.8896
			(0.3784)			(3.3899)
Net Asset			0.0000			0.0000
			(0.0000)			(0.0000)
Constant	0.0025*	-0.0054**	0.0008	-0.0356***	0.0329**	0.0284
	(0.0015)	(0.0022)	(0.0020)	(0.0084)	(0.0129)	(0.0219)
Observations	5,583	5,583	5,574	950	950	950
R-squared	0.001	0.001	0.006	0.009	0.012	0.043
Fund Fixed	No	No	Yes	No	No	Yes

Table 7: Effect of Geopolitical Risk on Fund Manager Active Reallocation by Region (U.S. Mutual Funds, 2018–2023)

This table shows the results of regressing US Fund Manager Active Reallocation to different regional stock sets on geopolitical risk measures, macroeconomic variables, and fund characteristics (Equation (6)). The sample consists of U.S. mutual funds from 2018 to 2023. The dependent variable is Fund Manager Active Reallocation to different target regional stock sets, including U.S., China, Hong Kong, Taiwan, Asia High Risk Region, and Asia Low Risk Region. Fund Manager Active Reallocation is defined as the total change in the investment value of the target stock set minus the changes due to investor flows and market price movements between time *t*-1 and *t*, where each term is scaled by fund's total net assets at *t*-1 (see Equation (5)). "Asia High Risk Region" includes stocks headquartered in Japan, Malaysia, the Philippines, Indonesia, and Vietnam. "Asia Low Risk Region" includes stocks headquartered in Singapore, South Korea, India, Thailand, Saudi Arabia, and the United Arab Emirates. UC-GRI is the U.S.-China geopolitical risk index at *t*. GPR denotes the global geopolitical risk index at *t* from Caldara and Iacoviello (2022). US-China Return Gap is defined as the return of the S&P 500 Index minus the return of the MSCI China Index between *t* -1and *t*. Risk-Free Rate is the U.S. 1-month Treasury bill rate at *t*. Net Asset refers to the fund's total net assets at *t*-1. Fund Return is the fund's past quarter return between *t*-1 and *t*. All specifications include fund fixed effects, and the full set of controls as defined in Equation (6). Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	US	China	HK	Taiwan	High Risk	Low Risk
	(1)	(2)	(3)	(4)	(5)	(6)
UC-GRI	0.0099	-0.0397***	-0.0084*	-0.0014	-0.0093*	0.0150***
	(0.0232)	(0.0081)	(0.0045)	(0.0056)	(0.0050)	(0.0029)
GPR	-0.0055***	-0.0012***	-0.0008***	-0.0001	0.0000	-0.0001
	(0.0011)	(0.0004)	(0.0002)	(0.0003)	(0.0002)	(0.0001)
US China Return Gap	-0.0113***	0.0017*	0.0004	-0.0003	0.0027***	0.0003
	(0.0027)	(0.0009)	(0.0005)	(0.0006)	(0.0007)	(0.0003)
Risk Free Rate	-0.9475***	-0.4111***	-0.1416***	0.3728***	0.1491*	0.0868**
	(0.3060)	(0.0992)	(0.0507)	(0.0786)	(0.0806)	(0.0392)
Net Asset	-0.0000	-0.0000	-0.0000	0.0000	-0.0000**	0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Fund Return	0.0118**	0.0039***	0.0005	0.0031***	0.0046***	0.0021***
	(0.0049)	(0.0012)	(0.0007)	(0.0010)	(0.0009)	(0.0004)
Constant	0.0467***	0.0088***	0.0033***	0.0015***	0.0039***	0.0019***
	(0.0015)	(0.0005)	(0.0003)	(0.0004)	(0.0003)	(0.0002)
Observations	16,048	9,347	7,467	6,034	13,411	20,754
R-squared	0.008	0.008	0.004	0.009	0.004	0.004
Fund Fixed	Yes	Yes	Yes	Yes	Yes	Yes

Table 8: Effect of Geopolitical Risk on Fund Manager Active Reallocation to U.S. Stocks with Varying China Exposure (2018–2023)

This table shows the results of regressing Fund Manager Active Reallocation to U.S. stocks with high exposure to China on geopolitical risk measures, macroeconomic variables, and fund characteristics (Equation (6)). The sample consists of U.S. mutual funds over the period 2018 to 2023. The dependent variable is Fund Manager Active Reallocation, defined as the total change in the investment value of the target stock set minus the changes due to investor flows and market price movements between *t*-1 and *t*, where each term is scaled by fund's total net assets at *t*-1 (see Equation (5)). The target high exposure to China stock set is constructed based on 10-K annual filings, identifying U.S. stocks where companies mention "China" or "Chinese" in either the B1 section or the Risk Factors section. Specifications (2) focus on U.S. stocks mentioning China or Chinese in either the Risk Factors or B1 sections (US (Risk)). Specifications (3) focus on U.S. stocks not mentioning China or Chinese in either the Risk Factors or B1 sections (US (noRisk)). UC-GRI is the U.S.-China geopolitical risk index at *t*. GPR denotes the global geopolitical risk index at *t* from Caldara and Iacoviello (2022). US-China Return Gap is defined as the return of the S&P 500 Index minus the return of the MSCI China Index between *t*-1 and *t*. Risk-Free Rate is the U.S. 1-month Treasury bill rate at *t*. Net Asset refers to the fund's total net assets at *t*-1. Fund Return is the fund's past quarter return between *t*-1 and *t*. All specifications include fund fixed effects, and the full set of controls as defined in Equation (2). Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	US	US (Risk)	US (noRisk)
	(1)	(2)	(3)
UC-GRI	0.0099	-0.3331***	0.2736***
	(0.0232)	(0.0194)	(0.0197)
GPR	-0.0055***	-0.0071***	0.0012
	(0.0011)	(0.0010)	(0.0010)
US China Return Gap	-0.0113***	-0.0477***	0.0252***
	(0.0027)	(0.0027)	(0.0026)
Risk Free Rate	-0.9475***	-0.7073***	-0.7220***
	(0.3060)	(0.2672)	(0.2495)
Net Asset	-0.0000	-0.0000	-0.0000
	(0.0000)	(0.0000)	(0.0000)
Fund Return	0.0118**	-0.0353***	0.0427***
	(0.0049)	(0.0050)	(0.0031)
Constant	0.0467***	0.0474***	0.0090***
	(0.0015)	(0.0014)	(0.0013)
Observations	16,048	14,921	18,679
R-squared	0.008	0.046	0.031
Fund Fixed	Yes	Yes	Yes

Table 9: Effect of Geopolitical Risk and Portfolio Exposure on U.S. Fund Investor Flows

This table shows the results of regressing investor fund flow percentage on geopolitical risk measures, portfolio exposure to specific regional stock sets, and their interactions (Equation (8)). The sample consists of U.S. mutual fund over the period 2009 to 2023. The dependent variable is Percentage Fund Flow, defined as the net fund flow from period *t−1* to *t* divided by total net assets at *t−1*. Portfolio exposure to a region is measured as the percentage of the fund's total net assets invested in stocks headquartered in that region. The main variable of interest is the interaction between UC-GRI (the U.S.-China geopolitical risk index) and the percentage of the fund's portfolio allocated to each target stock set. Panel A presents results for the period 2018 to 2023 (specifications 1 to 6), and Panel B presents results for the period 2009 to 2018 (specifications 7 to 12). Each specification corresponds to a different regional target stock set: U.S., China, Hong Kong, Taiwan, Asia High Risk Region, and Asia Low Risk Region. All regressions include fund fixed effects and the full set of controls as defined in Equation (7). UC-GRI is the U.S.-China geopolitical risk index at *t*. GPR denotes the global geopolitical risk index at *t* from Caldara and Iacoviello (2022). US-China Return Gap is defined as the return of the S&P 500 Index minus the return of the MSCI China Index between *t*-1 and *t*. Risk-Free Rate is the U.S. 1-month Treasury bill rate at *t*. Net Asset refers to the fund's total net assets at *t*-1. Fund Return is the fund's past quarter return between *t*-1 and *t*. Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A: After 2018

	US	China	HK	Taiwan	High Risk	Low Risk
	(1)	(2)	(3)	(4)	(5)	(6)
UC-GRI* Target Stock %	0.2381***	-0.2945	-3.9071***	-1.5526**	0.3147	-1.5272***
	(0.063)	(0.321)	(1.269)	(0.677)	(0.404)	(0.485)
UC-GRI	-0.3561***	-0.2797***	-0.2283***	-0.2586***	-0.4250***	-0.3089***
	(0.045)	(0.042)	(0.053)	(0.047)	(0.049)	(0.037)
Target Stock %	-0.0228*	0.1790***	0.6366***	0.0681	-0.0490*	0.2020***
	(0.012)	(0.049)	(0.129)	(0.091)	(0.029)	(0.037)
GPR	-0.0229***	-0.0109***	-0.0062*	-0.0142***	-0.0219***	-0.0131***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.002)
GPR*Target Stock %	0.0162***	-0.0686***	-0.3705***	-0.0779**	0.0305	-0.1584***
	(0.005)	(0.018)	(0.088)	(0.039)	(0.024)	(0.031)
US China Return Gap	0.0258***	0.0365***	0.0373***	0.0378***	0.0428***	0.0424***
	(0.002)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Fund Return	0.0167***	0.0082	0.0007	0.0014	-0.0016	-0.0015
	(0.004)	(0.005)	(0.005)	(0.006)	(0.005)	(0.006)
Net Asset	0.0000	0.0000	0.0000**	0.0000***	0.0000***	0.0000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Constant	0.0210***	0.0026	-0.0032	0.0160***	0.0267***	0.0123***
	(0.008)	(0.005)	(0.005)	(0.005)	(0.004)	(0.003)
Observations	62,734	34,047	28,539	24,472	50,122	80,048
R-squared	0.007	0.011	0.012	0.011	0.012	0.013
Fund Fixed	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Before 2018

	US	China	HK	Taiwan	High Risk	Low Risk
	(7)	(8)	(9)	(10)	(11)	(12)
UC-GRI* Target Stock %	-0.0157	1.8858**	-2.0843	6.7692***	-0.4339	3.9374***
	(0.140)	(0.928)	(2.052)	(2.453)	(0.690)	(1.331)

UC-GRI	-0.7022***	-0.6911***	-0.6382***	-0.7760***	-0.6117***	-0.7111***
	(0.102)	(0.081)	(0.103)	(0.133)	(0.109)	(0.086)
Target Stock %	-0.0522***	-0.0489	0.3145*	0.0222	-0.1396**	0.1369
	(0.020)	(0.085)	(0.182)	(0.244)	(0.069)	(0.110)
GPR	-0.0058	-0.0043	0.0045	-0.0081	-0.0194**	-0.0002
	(0.010)	(0.007)	(0.009)	(0.011)	(0.008)	(0.008)
GPR*Target Stock %	0.0061	0.0760	-0.3015	-0.1459	0.1403**	-0.2056*
	(0.014)	(0.075)	(0.189)	(0.191)	(0.069)	(0.109)
US China Return Gap	0.0306***	0.0357***	0.0406***	0.0417***	0.0412***	0.0400***
	(0.005)	(0.007)	(0.007)	(0.009)	(0.008)	(0.007)
Fund Return	0.0774***	0.0824***	0.0989***	0.1036***	0.1096***	0.1064***
	(0.006)	(0.008)	(0.010)	(0.012)	(0.011)	(0.011)
Net Asset	-0.0000***	-0.0000***	-0.0000***	-0.0000***	-0.0000***	-0.0000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Constant	0.0453***	0.0158**	0.0102	0.0275**	0.0356***	0.0177**
	(0.014)	(0.007)	(0.009)	(0.012)	(0.008)	(0.007)
Observations	56,088	29,837	27,229	17,535	48,883	61,615
R-squared	0.017	0.017	0.022	0.021	0.026	0.023
Fund Fixed	Yes	Yes	Yes	Yes	Yes	Yes

Table 10: Effect of Geopolitical Risk and Portfolio Exposure on Fund Investor Flows to U.S. Stocks with High Exposure to China (2018–2023)

This table shows the results of regressing fund flow percentage on geopolitical risk measures, portfolio exposure to high-China-exposure U.S. stock sets, and their interactions (Equation (8)). The sample consists of U.S. mutual fund investors over the period 2018 to 2023. The dependent variable is Percentage Fund Flow, defined as the net fund flow from period $t-1$ to t divided by total net assets at $t-1$. Portfolio exposure to a region is measured as the percentage of the fund's total net assets invested in stocks headquartered in that region. The main variable of interest is the interaction between UC-GRI (the U.S.-China geopolitical risk index) and the percentage of the fund's portfolio allocated to each target stock set. Specifications (2) focus on U.S. stocks mentioning China or Chinese in either the Risk Factors or B1 sections (US (Risk)). Specifications (3) focus on U.S. stocks not mentioning China or Chinese in either the Risk Factors or B1 sections (US (noRisk)). All specifications include fund fixed effects and the full set of controls as defined in Equation (7), including GPR (Caldara and Iacoviello, 2022), its interaction with target stock percentage, the US-China Return Gap, Fund Return, and Net Asset. UC-GRI is the U.S.-China geopolitical risk index at *t*. GPR denotes the global geopolitical risk index at *t* from Caldara and Iacoviello (2022). US-China Return Gap is defined as the return of the S&P 500 Index minus the return of the MSCI China Index between *t*-1 and *t*. Risk-Free Rate is the U.S. 1-month Treasury bill rate at *t*. Net Asset refers to the fund's total net assets at *t*-1. Fund Return is the fund's past quarter return between *t*-1 and *t*. Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	US Mutual Funds		
	US	US (Risk)	US (noRisk)
	(1)	(2)	(3)
UC-GRI* Target Stock %	0.2532***	0.2170*	0.3012***
	(0.0661)	(0.1155)	(0.1019)
UC-GRI	-0.3851***	-0.2438***	-0.3121***
	(0.0477)	(0.0503)	(0.0401)
Target Stock %	-0.0260**	-0.0529***	0.0007
	(0.0110)	(0.0112)	(0.0108)
GPR	-0.0210***	-0.0136***	-0.0142***
	(0.0032)	(0.0032)	(0.0025)
GPR*Target Stock %	0.0154***	0.0166***	0.0112
	(0.0045)	(0.0062)	(0.0071)
US China Return Gap	0.0174***	0.0184***	0.0186***
	(0.0024)	(0.0025)	(0.0024)
Fund Return	0.0234***	0.0253***	0.0242***
	(0.0041)	(0.0045)	(0.0042)
Net Asset	0.0000	0.0000	0.0000
	(0.0000)	(0.0000)	(0.0000)
Constant	0.0233***	0.0192***	0.0059
	(0.0071)	(0.0047)	(0.0039)
Observations	71,866	58,533	71,866
R-squared	0.006	0.005	0.006
Fund Fixed	Yes	Yes	Yes

Table 11: Effect of Geopolitical Risk and Portfolio Exposure on U.S. Fund Flows by Investor Type (2018–2023)

This table shows the results of regressing fund flow percentage on geopolitical risk measures, portfolio exposure to target stock sets, and their interactions, separately for retail and institutional U.S. fund investors (Equation (8)). The sample consists of U.S. mutual fund investors over the period 2018 to 2023. The dependent variable is Percentage Fund Flow, defined as the net fund flow from period $t-1$ to t divided by total net assets at $t-1$. Portfolio exposure to a region is measured as the percentage of the fund's total net assets invested in stocks headquartered in that region. The main variable of interest is the interaction between UC-GRI (the U.S.-China geopolitical risk index) and the percentage of the fund's portfolio allocated to each target stock set. Specifications (1) – (2) report results for the full U.S. stock set, (3) – (4) for China stocks, and (5) – (6) for U.S. stocks with high China exposure (US (Risk)). All regressions are estimated separately for retail and institutional investor flows. Each specification includes fund fixed effects, and the full set of controls as defined in Equation (7), including GPR its interaction with stock percentage, the US-China Return Gap, Fund Return, and Net Asset. UC-GRI is the U.S.-China geopolitical risk index at *t*. GPR denotes the global geopolitical risk index at *t* from Caldara and Iacoviello (2022). US-China Return Gap is defined as the return of the S&P 500 Index minus the return of the MSCI China Index between *t*-1 and *t*. Risk-Free Rate is the U.S. 1-month Treasury bill rate at *t*. Net Asset refers to the fund's total net assets at *t*-1. Fund Return is the fund's past quarter return between *t*-1 and *t*. Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	US		China		US(Risk)	
	(1)	(2)	(3)	(4)	(5)	(6)
	Retail	Institutional	Retail	Institutional	Retail	Institutional
UC-GRI* Target Stock %	0.3362***	0.1485*	0.0556	-0.6455*	0.3383**	0.2511
	(0.074)	(0.086)	(0.458)	(0.350)	(0.147)	(0.153)
UC-GRI	-0.4603***	-0.2663***	-0.3601***	-0.2054***	-0.2969***	-0.2263***
	(0.055)	(0.059)	(0.053)	(0.056)	(0.059)	(0.066)
Target Stock %	-0.0199	-0.0217	0.1952***	0.1663***	-0.0501***	-0.0798***
	(0.014)	(0.014)	(0.060)	(0.056)	(0.013)	(0.015)
GPR	-0.0241***	-0.0221***	-0.0090***	-0.0129***	-0.0140***	-0.0164***
	(0.004)	(0.004)	(0.003)	(0.003)	(0.004)	(0.004)
GPR*Target Stock %	0.0199***	0.0119**	-0.0977***	-0.0438*	0.0185***	0.0196**
	(0.005)	(0.006)	(0.025)	(0.025)	(0.007)	(0.008)
US China Return Gap	0.0238***	0.0278***	0.0403***	0.0321***	0.0200***	0.0263***
	(0.003)	(0.003)	(0.005)	(0.005)	(0.003)	(0.004)
Fund Return	0.0222***	0.0111**	0.0159**	0.0003	0.0253***	0.0205***
	(0.005)	(0.005)	(0.007)	(0.006)	(0.005)	(0.006)
Net Asset	0.0000**	-0.0000	0.0000	-0.0000	0.0000***	-0.0000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Constant	0.0088	0.0320***	-0.0063	0.0121**	0.0073	0.0396***
	(0.009)	(0.009)	(0.006)	(0.006)	(0.005)	(0.006)
Observations	31,873	30,861	17,097	16,950	26,286	25,082
R-squared	0.009	0.006	0.018	0.009	0.007	0.008
Fund Fixed	Yes	Yes	Yes	Yes	Yes	Yes

Table 12: Effect of Geopolitical Risk on Fund Manager Active Reallocation by Region (Chinese QDII Mutual Funds, 2018–2023)

This table shows the results of regressing Chinese Fund Manager Active Reallocation to different regional stock sets on geopolitical risk measures, macroeconomic variables, and fund characteristics (Equation (6)). The sample consists of Chinese QDII Mutual Funds from 2018 to 2023. The dependent variable is Fund Manager Active Reallocation to different target stock sets, including U.S., China, Hong Kong, Taiwan, Asia High Risk Region, and Asia Low Risk Region. Fund Manager Active Reallocation is defined as the total change in the investment value of the target stock set minus the changes due to investor flows and market price movements between time *t*-1 and *t*, where each term is scaled by fund's total net assets at *t*-1 (see Equation (5)). "Asia High Risk Region" includes stocks headquartered in Japan, Malaysia, the Philippines, Indonesia, and Vietnam. "Asia Low Risk Region" includes stocks headquartered in Singapore, South Korea, India, Thailand, Saudi Arabia, and the United Arab Emirates. UC-GRI is the U.S.-China geopolitical risk index at *t*. GPR denotes the global geopolitical risk index at *t* from Caldara and Iacoviello (2022). US-China Return Gap is defined as the return of the S&P 500 Index minus the return of the MSCI China Index between *t*-1 and *t*. Risk-Free Rate is the U.S. 1-month Treasury bill rate at *t*. Net Asset refers to the fund's total net assets at *t*-1. Fund Return is the fund's past quarter return between *t*-1 and *t*. All specifications include fund fixed effects, and the full set of controls as defined in Equation (6). Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	US	China	HK	Taiwan	High Risk	Low Risk
	(1)	(2)	(3)	(4)	(5)	(6)
UC-GRI	0.2892	-1.0196***	-0.2283***	0.0031	0.1500	0.0056
	(0.2181)	(0.3393)	(0.0772)	(0.0298)	(0.1161)	(0.0080)
GPR	-0.0212***	-0.0230**	-0.0039	-0.0006	-0.0041	0.0000
	(0.0072)	(0.0099)	(0.0024)	(0.0010)	(0.0051)	(0.0003)
US China Return Gap	-0.0116	-0.0628***	-0.0067	-0.0010	0.0065	-0.0008*
	(0.0218)	(0.0197)	(0.0043)	(0.0015)	(0.0049)	(0.0004)
Risk Free Rate	1.0036	-7.2278***	-2.0262***	0.0004	6.5378*	0.0264
	(1.7412)	(1.4101)	(0.4381)	(0.1570)	(3.6092)	(0.0411)
Net Asset	0.0000*	0.0000*	0.0000	0.0000	0.0000	0.0000*
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Fund Return	-0.0218	0.0255	0.0046	0.0016	-0.0492	0.0010***
	(0.0151)	(0.0218)	(0.0039)	(0.0016)	(0.0381)	(0.0004)
Constant	0.0238**	0.0989***	0.0195***	0.0015	-0.0360**	-0.0001
	(0.0115)	(0.0186)	(0.0041)	(0.0018)	(0.0174)	(0.0005)
Observations	950	1,012	965	769	626	1,399
R-squared	0.026	0.049	0.053	0.012	0.036	0.023
Fund Fixed	Yes	Yes	Yes	Yes	Yes	Yes

Table 13: Effect of Geopolitical Risk and Portfolio Exposure on Chinese QDII Fund Investor Flows (Chinese QDII Mutual Funds, 2018–2023)

This table shows the results of regressing investor fund flow percentage on geopolitical risk measures, portfolio exposure to specific regional stock sets, and their interactions (Equation (8)). The sample consists of Chinese QDII. mutual fund investors over the period 2018to 2023. The dependent variable is Percentage Fund Flow, defined as the net fund flow from period $t-1$ to t divided by total net assets at $t-1$. Portfolio exposure to a region is measured as the percentage of the fund's total net assets invested in stocks headquartered in that region. The main variable of interest is the interaction between UC-GRI (the U.S.-China geopolitical risk index) and the percentage of the fund's portfolio allocated to each target stock set. Each specification corresponds to a different regional target stock set: U.S., China, Hong Kong, Taiwan, Asia High Risk Region, and Asia Low Risk Region. All regressions include fund fixed effects and the full set of controls as defined in Equation (7). UC-GRI is the U.S.-China geopolitical risk index at *t*. GPR denotes the global geopolitical risk index at *t* from Caldara and Iacoviello (2022). US-China Return Gap is defined as the return of the S&P 500 Index minus the return of the MSCI China Index between *t*-1 and *t*. Risk-Free Rate is the U.S. 1-month Treasury bill rate at *t*. Net Asset refers to the fund's total net assets at *t*-1. Fund Return is the fund's past quarter return between *t*-1 and *t*. Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

	US	China	HK	Taiwan	High Risk	Low Risk
	(1)	(2)	(3)	(4)	(5)	(6)
UC-GRI* Target Stock %	-1.5908	1.6315	-1.6682	2.3704	0.4956	-7.7481***
	(1.2052)	(1.6255)	(4.3781)	(4.8437)	(4.9481)	(2.4826)
UC-GRI	1.2452*	0.0382	1.0158	0.8813	0.9396	0.9707
	(0.7303)	(1.0618)	(0.7003)	(0.6610)	(0.6282)	(0.6238)
Target Stock %	0.0834	-0.0355	-0.1133	-0.2966	-0.2469	0.4452**
	(0.0820)	(0.1057)	(0.2580)	(0.4164)	(0.2743)	(0.1709)
GPR	0.0577***	0.0449	0.0370*	0.0445**	0.0480***	0.0491***
	(0.0213)	(0.0333)	(0.0209)	(0.0182)	(0.0176)	(0.0176)
GPR*Target Stock %	-0.0439	0.0005	0.1442	0.1428	0.1696	-0.2119**
	(0.0420)	(0.0591)	(0.1370)	(0.2280)	(0.1692)	(0.0939)
US China Return Gap	0.0601**	0.0601**	0.0564**	0.0592**	0.0595**	0.0597**
	(0.0235)	(0.0236)	(0.0228)	(0.0240)	(0.0238)	(0.0237)
Fund Return	0.0600**	0.0502**	0.0588**	0.0580**	0.0581**	0.0577**
	(0.0261)	(0.0252)	(0.0267)	(0.0264)	(0.0261)	(0.0261)
Net Asset	-0.0000***	-0.0000***	-0.0000***	-0.0000***	-0.0000***	-0.0000***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Constant	-0.0899**	-0.0496	-0.0623	-0.0654*	-0.0724**	-0.0746**
	(0.0428)	(0.0597)	(0.0381)	(0.0368)	(0.0348)	(0.0346)
Observations	849	849	849	849	4,245	5,094
R-squared	0.040	0.041	0.041	0.038	0.037	0.038
Fund Fixed	Yes	Yes	Yes	Yes	Yes	Yes