

Winning Teams or Winning Pay? The Impact of Team Allocation on Fund Manager Compensation and Careers*

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Abstract

We examine how team allocation shapes mutual fund managers' compensation as well as their future productivity and careers. Assignment to a high-quality team lowers immediate compensation but accelerates career development-sharpening investment skill, boosting media visibility, deepening industry and style specialization, and raising future revenue. Team quality also raises promotion odds and explains the steep, tenure-based earnings profile common in asset management. Team allocation therefore acts as a career-steering mechanism embedded in fund-family compensation contracts.

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JEL Codes: G11, G23, J24, J31, J33.

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I Introduction

Incentive provision is a central theme in asset-management research. While investor demand and fund flows shape fund-family incentives ([Berk and Green, 2004](#); [Sirri and Tufano, 1998](#)), the supply-side channel-managerial compensation-has only recently come into focus. Because portfolio managers make day-to-day investment decisions, the effectiveness of demand-side incentives, and the career signals they send, ultimately depends on how compensation is structured.

Recent work pinpoints key determinants of manager pay. [Ma, Tang and Gomez \(2019\)](#) and [Bai, Ma, Mullally and Tang \(2023\)](#) document performance-based bonuses, while [Ibert, Kaniel, Van Nieuwerburgh and Vestman \(2017\)](#) and [Cen, Wei Dou, Kogan and Wu \(2023\)](#) show that fund size and revenues also feed into compensation. Yet a large share of pay variation-and the associated career rewards-remains unexplained, inviting a closer look inside the fund family. As [Ibert et al. \(2017\)](#) note, compensation differences driven by fund-family pay policies persist even after accounting for individual performance, underscoring that intra-family dynamics may matter as much as external fund flows.

We examine one salient intra-family channel: the way managers are allocated across investment teams. Roughly 70% of funds are co-managed, making teamwork a defining feature of the industry ([Patel and Sarkissian, 2017](#)). Labor-economics research shows that teaming with high-quality peers can raise individual productivity and shape careers through knowledge spillovers, learning opportunities, and social incentives such as peer pressure.¹ We bring this insight to asset management, asking whether team placement shapes not only productivity but also compensation and long-run career paths.

¹For example, prior work shows that working with high-quality teams improves productivity through knowledge spillovers ([Mas and Moretti, 2009](#)), learning ([Hamilton, Nickerson and Owan, 2003](#)), or social incentives and peer pressure ([Bandiera, Barankay and Rasul, 2005, 2009, 2010](#)). Theoretical studies emphasize peer pressure ([Kandel and Lazear, 1992](#)) and moral hazard in teams ([Hölmstrom, 1979](#)).

We address these questions with a novel panel of Israeli mutual-fund managers' tax records matched to detailed team assignments. Tracking how team placement shapes compensation-and the incentives that guide career-building behavior - opens a window onto the supply-side forces in an industry built on collaboration. Although we focus on asset management and portfolio managers, our setting speaks broadly to any occupation where teamwork propels career advancement.²

We start by measuring how team allocation affects both compensation and productivity-proxied by total fee revenue-of mutual-fund managers.³ A baseline model with standard pay drivers plus firm-year and manager-firm fixed effects explains 74% of the variation in compensation and 79% in revenue. Adding team-by-year fixed effects raises explanatory power by another 16% for compensation and 15% for revenue, underscoring the importance of team placement.

We explain the strong association between team placement, compensation, and career growth with a stylized model in which firms optimally assign managers to teams and set wages. In the model, *team quality*—the aggregate human capital of a manager's teammates—enters intertemporal utility, so forward-looking managers willingly trade lower current pay for faster human-capital accumulation and higher future earnings when they join superior teams. A forward-looking manager may accept lower current pay to join a high-quality team that accelerates skill accumulation, boosts future productivity, and ultimately lifts career earnings. The model thus predicts a negative contemporaneous link between team quality and pay, but a positive link with subsequent productivity growth

²Some previously studied examples of such occupations include academic research (Azoulay et al. (2010)), sales (Chan et al. (2014)), steel mills (Boning et al. (2007)), sports (Ichniowski and Preston (2014)), and garment production (Hamilton et al. (2003)).

³Our approach follows Ibert et al. (2017). In mutual funds, fee revenue is a natural productivity metric because it captures the market value of the asset-management service a manager produces, consistent with standard revenue-per-employee measures (Foster, Haltiwanger and Syverson (2008); Hsieh and Klenow (2009); Syverson (2011)).

and compensation. Contracts differ across manager-firm pairs, reflecting heterogeneity in how much managers value team quality and how much team capital firms allocate.

To test these predictions, we focus on two forms of team capital that shape a manager's long-term productivity-and thus both compensation and long-run career momentum. First is investment skill: teaming with highly skilled colleagues fosters on-the-job learning and amplifies fund flows, a core driver of profitability (Sirri and Tufano (1998)). Second is media visibility: in a market where investors face information gaps and search frictions, team-level visibility boosts individual recognition, draws capital, and lifts future revenues.⁴ Working alongside more visible teammates can elevate a manager's own profile, channel greater investor attention, and translate into higher revenue-and, eventually, higher pay. We define manager skill using Berk and Van Binsbergen (2015)'s "value added" approach and measure visibility by counting the number of newspaper articles in Israel's leading business outlets.⁵

Our evidence is consistent with the model's predictions. Managers on higher-quality teams tend to earn less today, and the magnitudes are economically meaningful. A one-standard-deviation increase in teammates' average skill is associated with a 4.03% lower current salary, and a comparable rise in teammates' media visibility correlates with a 3.09% pay reduction. By contrast, the same increase in a manager's own skill relates to a 6.06% pay premium, while higher personal visibility is linked to a 1% gain. Team capital and individual capital therefore have similar magnitudes but opposite signs, suggesting that short-run pay concessions may align with steeper long-run earnings. These associations hold after controlling for a rich set of manager, team, and firm characteristics and

⁴For example, Berk, Van Binsbergen and Liu (2017) and Kaniel and Orlov (2021) highlight uncertainty about manager skill; Hortaçsu and Syverson (2004) and Roussanov, Ruan and Wei (2021) underscore search frictions; and Solomon, Soltes and Sosyura (2014), Gallaher, Kaniel and Starks (2015), and Kaniel and Parham (2016) document how media coverage attracts flows.

⁵Unlike prior studies on fund-level marketing, we focus on the visibility of individual managers rather than of their firms or funds.

are robust to alternative measures of skill and team quality.

To address potential selection in team assignments, we use a difference-in-differences (DiD) design contrasting *switchers*—managers who change teams within a firm-year—with *stayers*. After accounting for an extensive set of confounders, we find no pre-trends in pay or skill, supporting parallel trends. The DiD estimates show that only moves from high-quality to low-quality teams materially affect compensation: switching from high-skill to low-skill teammates lifts pay by 12% and moving from high-visibility to low-visibility teammates raises pay by 14%. These jumps appear immediately after the move, suggesting firms offset the loss of team capital, whereas moves in the opposite direction are muted—consistent with wage stickiness that hinders downward adjustment. As we cannot fully rule out the influence of unobserved time-varying factors, we view our DiD evidence as supportive rather than conclusive. To further assess potential bias, we apply the statistical test from [Cinelli and Hazlett \(2020\)](#), which provides an upper bound on the impact of unobserved confounders.

Why do managers value team quality? Our framework posits that team capital accelerates human-capital formation and, in turn, future productivity. Empirically, managers paired with higher-skill teammates experience faster gains in their own investment skill, while those working with more visible teammates see their personal media visibility rise. These effects appear immediately after joining a high-quality team in our DiD tests and persist over time; managers from high-skill teams also outperform when later running “solo” funds, confirming genuine skill acquisition.

We next link team quality to specialization—industry and style concentration that signal expertise ([Kacperczyk et al., 2005](#)). DiD estimates show that moving to a high-skill team containing at least one specialist markedly increases both forms of concentration, whereas moves to low-skill teams leave specialization unchanged. Finally, collaboration

with superior teams translates into tangible career gains: higher future revenue and faster compensation growth, consistent with team-driven human-capital accumulation fueling long-run earning power.

In our final test, we study whether a manager's first co-managed assignment shapes future outcomes. Younger and less experienced managers disproportionately land on high-quality first teams, and that single match delivers lasting gains: compensation growth accelerates and promotion odds rise, even after controlling for all later team moves. Subsequent reallocations matter far less—the second team has modest, short-lived effects, and the third none at all. The first team thus leaves a unique, durable imprint on a manager's pay and career trajectory.

Taken together, our evidence offers a fresh explanation for the well-documented increasing pay–experience profile in finance ([Philippon and Reshef, 2012](#); [Ellul et al., 2022](#)). High-quality teams act as incubators of human capital: junior managers learn investment techniques and ride visibility spillovers that attract flows, thereby raising their future revenue base. These long-horizon benefits encourage early-career managers to accept lower initial pay, much as workers in other human-capital-intensive professions accept apprenticeship wages. As experience accumulates, managers progressively internalize the know-how and networks once provided by the team, so the incremental value of team capital—and the pay discount it justifies—shrinks. This dynamic naturally steepens the earnings curve with tenure: compensation growth accelerates as managers harvest returns on their early human-capital investment. Consistent with this mechanism, we estimate that the effects of team quality on compensation are two to three times stronger for less experienced junior managers compared to their more senior colleagues.

Recent research underscores that teamwork boosts fund performance by increasing diversity ([Evans et al. \(2021\)](#)), curbing uninformed trading ([Fedyk et al. \(2020\)](#)), limiting re-

turn inflation ([Patel and Sarkissian \(2021\)](#)), and dampening behavioral biases such as extrapolation ([Barahona et al. \(2022\)](#)) and opinion extremity ([Bär, Kempf and Ruenzi \(2011\)](#)). We contribute a complementary angle: the benefits of teaming are not free. Managers on higher-quality teams accept lower contemporaneous pay, revealing that team capital is partly priced through compensation trade-offs. This insight dovetails with labor-economics evidence that peer interactions lift productivity ([Kandel and Lazear \(1992\)](#); [Bandiera et al. \(2005, 2009, 2010\)](#); [Mas and Moretti \(2009\)](#)) yet rarely considers how those gains feed into individual earnings. By tracking actual wages, we show that within-firm team composition shapes long-run pay and human-capital accumulation, spotlighting the firm as a platform that matches heterogeneous talent and helps monetize complementarities.⁶

Overall, our study enriches the literatures on fund-family incentives and finance careers in three ways. First, we establish that a manager’s compensation depends not only on their own skills but also on the human capital embedded in their team, unveiling a new team-based incentive channel. Second, this interdependence has clear career consequences: managers who trade lower immediate pay for stronger teammates progress faster and ultimately earn more. Third, we show that within-firm team assignments actively sculpt career trajectories, linking short-run pay policies to long-run talent outcomes. Taken together, these findings clarify how fund families leverage team composition to align incentives and advance managerial careers in an industry where co-management is increasingly pivotal.

⁶Relatedly, [Han and Miller \(2015\)](#) study employment networks in real-estate brokerage and infer compensation structurally, but they do not observe actual pay.

II Institutional Background and Dataset

In this section, we describe the construction of the dataset. We also discuss the summary statistics and the definitions of the key variables.

II.A The Israeli Mutual Fund Market

As of 2016, our sample from the Israeli mutual market includes 1,446 funds that managed approximately 250 billion Shekels. The market consists of different types of funds starting from pure equity funds and ending with government bond funds. Many funds are hybrid and invest into a number of different asset classes simultaneously. As a group, Israeli mutual funds allocate roughly 25% of assets to equities, 30% to corporate bonds and another 25% to government bonds. Appendix Table B1 shows the distribution of funds across asset classes.

II.B Dataset Construction

We construct our dataset from five data sources. We start with public disclosures of mutual fund companies (Part B of Fund Prospectus) to identify individual mutual fund portfolio managers. Since 2010, mutual fund companies in Israel have to disclose the identity of their portfolio managers through public reports submitted to the Israel Securities Authority and the Tel-Aviv Stock Exchange on an annual basis.⁷ We hand-collect the information on portfolio managers including age, job tenure, the list of funds they manage every year as well as the date when they started to manage a particular fund.⁸ This data

⁷This information is publicly available both on <http://maya.tase.co.il> and on <https://www.magna.isa.gov.il>.

⁸The firms are not obliged to disclose the names of fund managers but they have to disclose their license numbers. All portfolio managers in Israel have to pass the Israel Securities Authority qualification exam to obtain a license to be able to work as portfolio managers. In cases when we had only a license number, we used it to find the individual manager's name on the Israel Securities Authority website.

allows us to track almost the entire population of mutual fund portfolio managers in Israel from 2010 to 2016.⁹ As we observe the dates when managers became responsible for particular funds, we extend the dataset back to 2006 for a subset of managers and funds. For example, if we know that the manager started managing the fund in February 2006, we include this fund in their portfolio since the given date.

Next we match this data using unique fund identifiers with a database on monthly characteristics of funds purchased from Praedicta - a large private Israeli data vendor.¹⁰ This survivorship bias-free database covers the entire universe of Israeli mutual funds; it includes detailed fund characteristics such as fees, assets under management, returns, fund style and asset allocation across broadly defined sets of securities. The overall matched sample covers 89% of the Israeli mutual fund industry's assets under management between 2010 and 2016 and 49% of this industry between 2006 and 2009 (see Figure B1 in the Appendix). We exclude index funds and money market funds from our sample.

We construct portfolios of funds for each manager on an annual basis to fit the compensation data which is reported annually. Fund managers can be listed as managers of multiple funds, and funds can have multiple managers. If the fund is managed by N managers, we follow [Chevalier and Ellison \(1999b\)](#), [Ibert et al. \(2017\)](#), and [Berk et al. \(2017\)](#), attributing $1/N$ assets to every manager assuming that all the managers listed contribute equally to the management of the fund. We construct annualized manager portfolio's characteristics such as fees and fund age as an AUM-weighted sum of characteristics of individual funds. In our robustness checks, we also assume that senior managers play a larger role in managing funds, with assets allocated based on a manager's experience rather than equally among all managers.

⁹Very small mutual fund companies are not subject to this disclosure, so the data set does not cover the whole population of fund managers.

¹⁰This data set has been previously used in [Shaton \(2017\)](#) and [Sokolinski \(2023\)](#).

Table 1 summarizes the sample. Panel A (manager-year) shows an average age of 39 and 6.1 years of mutual-fund experience; Israeli equities account for 42% of portfolio assets, 12% of managers hold senior roles (e.g., CEO or chief strategist), and each oversees 4.4 funds on average. Panel B (fund-year) reports mean AUM of 112 million shekels, fund age of 8 years, and a fee of 0.82%. Panel C (firm-year) indicates that the typical firm employs 3 managers and runs 28 funds, but most manager-year observations come from the largest quartile of firms, which average 12 managers.

II.C Variable Construction

Compensation. Using Form 106—the Israeli equivalent of a U.S. W-2—we link each manager’s annual pay to their portfolio records, producing 302 managers and 1,786 manager-years after excluding cases with fewer than nine months of employment. Panel A of Table 1 shows that mean compensation is 438,000 shekels (\approx \$125,000), placing the average manager in the top 2% of Israel’s income distribution. Pay is highly dispersed: the 10th percentile earns 100,000 shekels and the 90th 690,000 shekels, consistent with evidence that finance compensation is both high and skewed (Célérier and Vallée, 2019).

Revenue. We define the manager’s fee revenue as:

$$Revenue_{mt} = \sum_{i \in \Omega_{mt}} \left(\frac{AUM_{it}}{N_{it}} \times f_{it} \right), \quad (1)$$

where Ω_{mt} is the set of all the funds managed by manager m in year t , AUM_{it} are assets under management in fund i , f_{it} is a fund i ’s fee (expense ratio), and N_{it} is the number of managers who manage fund i . We attribute equal $(1/N_{it})$ fraction of revenue to each manager m as in Chevalier and Ellison (1999b), Berk et al. (2017) and Ibert et al. (2017). Panel A of Table 1 shows that the average manager generates 4.68 million shekels in fee

revenue. There is substantial dispersion in manager revenue since the 10th percentile equals 0.11 million shekels, and the 90th percentile equals nearly 12 million shekels.

II.D Manager Human Capital and Team Quality

Our sample contains 360 distinct teams across all years. Panel A of Table 1 shows that 75% of manager-years involve teamwork—a share similar to the U.S. estimates in [Patel and Sarkissian \(2017\)](#). Excluding herself, the average manager belongs to 1.55 teams and works with 0.7 teammates. Figure 1 illustrates the rising trend: from 2006 to 2016, the fraction of managers on teams climbed from under 60% to roughly 80%, while the share of co-managed funds grew from below 40% to about 60%. This expansion underscores the growing role of peer effects in mutual-fund management.

We next construct our measures of manager human capital and team quality. We distinguish between two dimensions of human capital: investment skill and media visibility.

Investment Skill. We follow [Berk and Van Binsbergen \(2015\)](#) and construct a measure of manager skill based on the value that the manager extracts from capital markets. Since the manager’s risk-adjusted performance (“alpha”) represents return to investors and depends on fund size, the fund i ’s value added over year t is defined as:

$$V_{it} = AUM_{i,t-1}\alpha_{it}, \quad (2)$$

where $AUM_{i,t-1}$ are assets under management in fund i at the end of year $t - 1$ and the fund’s annual alpha is calculated as the difference between the fund’s annual return R_{it} and its benchmark return R_{it}^B :

$$\alpha_{it} = R_{it} - R_{it}^B. \quad (3)$$

We estimate the benchmark return R_{it}^B using a procedure similar to the one from [Berk and Van Binsbergen \(2015\)](#) (see Appendix A for details). Panel B of Table 1 shows that the average fund's risk-adjusted performance (α) equals -1.5%, and it is statistically non-distinguishable from zero. This result is consistent with [Fama and French \(2010\)](#) who show that the average U.S. mutual fund does not outperform. We later show that our results are robust to different ways of estimating risk-adjusted performance.

We define manager m 's value added as a total value added of all the funds under their management. If fund i is managed by N_{it} managers in year t , we attribute equal $(1/N_{it})$ fraction of value added to each manager. Then manager m 's value added is defined:

$$V_{mt} = \sum_{i \in \Omega_{mt}} \frac{V_{it}}{N_{it}}, \quad (4)$$

where Ω_{mt} is the set of all the funds managed by manager m in year t . We next define manager m 's skill as an expected value added given manager history up to year t :

$$Skill_{mt} = \sum_{w=1}^{T_{mt}} \frac{V_{mw}}{T_{mt}}, \quad (5)$$

where T_{mt} is the number of years manager m appears in the data prior to year t .¹¹

We define $1_{Team_{mt}}$ as an indicator variable that equals one if at least one of the funds in the manager's portfolio is co-managed. If manager i works on team in year t , we measure the manager team's skill by calculating the average skill of her co-workers given by:

$$Team\ Skill_{mt} = \frac{1}{N-1} \sum_{n \neq m} Skill_{nt}, \quad (6)$$

¹¹[Ma, Tang and Gomez \(2019\)](#) show that the average performance evaluation period is three years, based on the data from the U.S. compensation contracts. While we follow [Berk and Van Binsbergen \(2015\)](#) and take into account the entire history of the manager prior to year t , the average T_{mt} equals 3.5 years which is close to the estimate from [Ma, Tang and Gomez \(2019\)](#).

where N is a number of team members, and $Skill_{nt}$ is a skill of manager n in year t . If a manager works on multiple teams, we calculate $Team Skill_{mt}$ across all the co-workers in all the teams.

Panel A of Table 1 reports the distribution of investment skill. Mean skill is 3.55 million shekels per manager and 4.85 million shekels per team, but dispersion is wide: the median manager and median team show negative skill, echoing the U.S. evidence in Berk and Van Binsbergen (2015) that many funds destroy value. Yet managers of larger funds tend to post positive skill, so—because they command most capital—the average manager still adds value overall.

Media Visibility. We measure a manager’s personal visibility, $Visibility_{mt}$, as the yearly count of media mentions in Israel’s principal financial outlets, following Solomon, Soltes and Sosyura (2014) and Kaniel and Parham (2016). For each year from 2006 to 2016, we search the manager’s name across The Marker, Globes, Calcalist, and Bizportal, manually verifying that each hit refers to the portfolio manager.¹²

Panel A of Table 1 shows that the average manager appears in 7.87 media articles per year, yet nearly 25% receive no coverage at all. Because marketing can matter almost as much as performance and fees for fund size (Roussanov, Ruan and Wei, 2021), this dispersion underscores visibility as a critical dimension of managerial human capital.

In line with the definition of the team’s investment skill, we measure the team’s media visibility as:

$$Team Visibility_{mt} = \frac{1}{N-1} \sum_{n \neq m} Visibility_{nt}, \quad (7)$$

where N is a number of team members, and $Visibility_{nt}$ is a visibility of manager n in

¹²These four outlets dominate Israeli financial journalism over the sample period. Articles typically discuss performance, market views, security recommendations, or career moves.

year t . If a manager works on multiple teams, we calculate $Team\ Visibility_{mt}$ across all the co-workers in all the teams.

III Does Team Allocation Matter for Compensation and Revenue?

We first test whether team placement explains variation in pay and revenue beyond known drivers using

$$y_{mft} = \lambda_t + \gamma X_{mft} + \epsilon_{mft}, \quad (8)$$

where y_{mft} is manager m 's compensation or revenue in firm f and year t , and λ_t are year effects. The control vector X_{mft} includes skill, visibility, portfolio revenue, age, industry tenure, number of funds, equity share,¹³ and an indicator for executive duties (e.g., head of the investment committee or chief investment strategist). These covariates follow [Ibert et al. \(2017\)](#) and [Ma et al. \(2019\)](#).

We gauge how different forces shape compensation and productivity by adding fixed effects to the baseline model and observing the jump in explanatory power (R^2); results appear in Figure 2. Observable manager and portfolio characteristics alone account for 25% of pay and 38% of revenue. Introducing firm fixed effects—capturing corporate culture, shared research, and distribution networks—raises R^2 to 47% and 53%, respectively. Firm-by-year effects push these shares to 52% and 62%, reflecting time-varying firm resources.

Next, we layer on manager fixed effects to absorb unchanging personal traits and manager-by-firm effects to capture match quality. Combined, these factors propel R^2 to

¹³Because adviser fees are fixed within asset classes in Israel ([Sokolinski, 2023](#)), the equity share absorbs distribution-related variation.

74% for compensation and 79% for revenue, underscoring that who the manager is—and where they work—matters greatly. Yet a sizeable residual remains.

The final step adds team-by-year fixed effects, isolating variation among managers working side-by-side in the same period. R^2 jumps to 90% for pay and 94% for revenue, an extra 16 pps (percentage points) and 15 pps, respectively. Thus, even after controlling for firm environment and individual attributes, team allocation explains a large slice of both compensation and performance.¹⁴

While the aggregate test cannot pinpoint *which* team attributes drive these gains, labor-economics studies emphasize peer skill and overall team quality (Hamilton et al., 2003; Mas and Moretti, 2009). Guided by those insights, the next section sets out a framework and testable predictions on how specific facets of team quality affect pay, productivity, and career progression.

IV Conceptual Framework and Testable Hypotheses

Forward-looking managers weigh not only today’s salary but also the continuation value of landing on a high-quality team—an investment in their future careers. Appendix C formalizes this idea in a stylized employment model that underpins our empirical tests.

The model rests on two industry facts. First, teaming with strong peers builds human capital. Knowledge spillovers, peer pressure, and social preferences raise individual performance (Hamilton, Nickerson and Owan, 2003; Mas and Moretti, 2009; Bandiera, Barankay and Rasul, 2005, 2009, 2010). In funds, the key dimensions are investment skill and media visibility: managers can learn from skilled colleagues and gain exposure by working alongside highly visible ones—the *human-capital channel*. Second, richer human

¹⁴Since we use team-by-year fixed effects to gauge the marginal contribution of team allocation, we exclude 21 single-fund solo managers and 15 multi-fund solo managers from these tests.

capital boosts productivity and, ultimately, pay. Skilled managers attract larger future revenues (Berk and Van Binsbergen, 2015), while media coverage draws inflows that expand fee income (Solomon et al., 2014; Kaniel and Parham, 2016). Our framework therefore links team quality to long-run compensation through its impact on skill, visibility, and revenue.

In equilibrium, forward-looking managers accept lower current pay to join higher-quality teams because the resulting human-capital gains raise future productivity and earnings. From the model in Appendix C, we derive the following testable hypotheses.

Hypothesis 1 (Team Quality and Compensation). *A manager's contemporaneous compensation decreases with team quality.*

This hypothesis reflects the core trade-off in our model: managers accept a near-term pay discount in exchange for longer-term gains from skill development and visibility spillovers.

Hypothesis 2 (Team Quality and Human Capital Channel).

a. A manager's future investment skill increases with the team's current investment skill.

b. A manager's future media visibility rises with the team's current media visibility.

This hypothesis directly tests the human capital channel, examining whether managers build skills and visibility by working with more capable or prominent teammates.

Hypothesis 3 (Team Quality, Revenue Growth and Compensation Growth). *A manager's future compensation growth and revenue growth increase with current team quality.*

This hypothesis links team quality to long-term outcomes: better team affiliations, despite their cost in contemporaneous pay, lead to stronger future performance and compensation growth.

The model also permits heterogeneity: managers differ in how much they gain from

team-based learning, so contracts feature manager–firm–specific trade-offs. Those expecting larger benefits from top teams accept steeper initial pay cuts. Section VII tests this by contrasting junior and senior managers, extending evidence on career-cycle pay dynamics in Ellul et al. (2022).

V Effects of Team Quality on Compensation

V.A Methodology

We estimate

$$y_{mft} = \lambda_m + \lambda_{ft} + \beta_1 Team Skill_{mft} + \beta_2 Team Visibility_{mft} + \gamma X_{mft} + \lambda Y_{mft} + \epsilon_{mft}, \quad (9)$$

where y_{mft} is the log of manager m 's annual compensation at firm f in year t .¹⁵

The main challenge is that more able managers may sort into better teams, confounding the link between team quality and pay. We mitigate this concern in several layers. First, manager fixed effects λ_m absorb all time-invariant ability and reputation differences. Second, the rich vector X_{mft} controls for time-varying determinants of pay—skill, visibility, portfolio revenue, age, tenure, fund count, equity share, and any executive duties. Third, firm-by-year effects λ_{ft} net out contemporaneous firm-level shocks such as changes in compensation policy, advertising, or research support. Finally, Y_{mft} adds team size and averaged teammate characteristics so that β_1 and β_2 are not merely proxying for other team traits. Standard errors are double-clustered by manager and year.

The residual threat is sorting on *time-varying* unobservables, represented by ϵ_{mft} . To address this, Section V.C turns to difference-in-differences event studies around managers

¹⁵Because skill and visibility can take non-positive values, we retain them in levels and adopt a log-level specification.

who switch teams within the same firm, offering an additional check on our estimates.

V.B Does Team Quality Decrease the Short-term Compensation of Portfolio Managers?

Table 2 reports our main results from testing Hypothesis 1. Column (1) shows that the manager's own investment skill and the investment skill of their teammates have opposing effects on their current pay. An increase of one standard deviation in the manager's own skill (21.62 million shekels) leads to an increase of 6.05% ($21.62 \times 0.0028 \times 100\%$) in the manager's compensation, while an increase of one standard deviation in the team's skill (28.81 million shekels) reduces the compensation by 6.34% ($28.81 \times (-0.0022) \times 100\%$).¹⁶

Column (2) shows that the manager's media visibility and the team's media visibility also generate opposing effects on compensation. The estimated coefficients as well as their economic magnitudes are smaller than the effects of investment skill. An increase of one standard deviation in the manager's visibility (11.42 media mentions) increases their compensation by 1.14% ($11.42 \times 0.0010 \times 100\%$), while an increase of one standard deviation in the team's visibility (22.08 media mentions) reduces the compensation by 3.75% ($22.08 \times (-0.0017) \times 100\%$). In column (3), we simultaneously control for investment skill and media visibility. The results show that the effects of different measures of team quality are not subsumed by each other, indicating that they represent different dimensions of the manager's human capital.

Adding manager controls in column (4) leaves the main coefficients largely intact. Consistent with Ibert et al. (2017), fee revenue, age, experience, and executive duties all

¹⁶Since we use log-level specifications with respect to skill and visibility measures, the estimated coefficient (β) implies that a one unit increase in skill or visibility is associated with a $100 \times \beta\%$ increase in compensation.

boost pay. Column (5) further adjusts for team characteristics: managers on smaller, older teams earn more, yet the opposing impacts of team skill and visibility remain economically and statistically strong.

In column (6), we add firm-by-year fixed effects which slightly reduces the effects of both team investment skill and media visibility. Adding manager fixed effects in column (7) does not significantly affect the estimates. In this most restrictive version of our regression specifications, we find that the increase of one standard deviation in the team skill reduces compensation by 4.03% ($28.81 \times (-0.0014) \times 100\%$), and a similar increase in the team's visibility reduces compensation by 3.09% ($22.08 \times (-0.0011) \times 100\%$).

Column (8) replaces the [Berk and Van Binsbergen \(2015\)](#) skill metric with the manager's risk-adjusted return, α . A one-standard-deviation increase in team α (6.29 pp) is linked to a 3.71% drop in pay ($6.29\% \times (-0.59)$). Because the [Berk and Van Binsbergen \(2015\)](#) metric adjusts for decreasing returns to scale, finding similar results with α confirms that our conclusions do not depend on any specific scale assumption.¹⁷ Appendix Section [B.A](#) presents additional robustness checks—including richer manager and team controls (experience, education, within-team variance, lagged skill/visibility, and compensation histories), experience-weighted team contributions, a large-firm subsample, an alternative style-adjusted skill measure, and alternative clustering—all of which leave our main results unchanged.

One concern is that team quality could be highly collinear with individual characteristics, inflating standard errors. We test this in the column-(7) specification by computing variance-inflation factors (VIFs). The VIFs for *Skill*, *Team Skill*, *Visibility*, and *Team Visibility* are 1.34, 1.78, 2.34, and 1.09, respectively—well below conventional danger thresholds.

¹⁷ Appendix Table [B2](#) demonstrates that our results are robust across different potential performance evaluation periods, specifically using 3-year and 5-year estimates of both fund alpha and the [Berk and Van Binsbergen \(2015\)](#) skill measure.

Multicollinearity is limited because teammates often run other funds solo or in different groups and may join the team at different times. Appendix Table B3 confirms only moderate correlations (0.299–0.456) between individual and team measures, consistent with the low VIFs.

V.C Event Studies Based On Team Switching

V.C.1 Methodology

Our final identification concern is that unobserved, time-varying traits could drive both team moves and pay. We address this with a difference-in-differences (DiD) event study that tracks managers who switch teams within the same firm, limiting the sample to larger firms (at least four managers and two teams) to ensure sufficient transitions. Teams are sorted into terciles by skill (and separately by visibility), with moves classified as low-to-high or high-to-low. This yields 201 within-firm switches: 71 up- and 35 down-moves in skill, and 67 up- and 26 down-moves in visibility.

For each switch, we compare the “switcher” to all same-firm colleagues who do not change teams that year (“stayers”). Because a manager can be a switcher in one event and a stayer in another, the cohorts are event-specific; 89% of events involve a single switcher. We follow both groups from three years before the move ($i = -3, -2, -1$) through the transition year ($i = 0$) and two years after ($i = 1, 2$). This window lets us verify parallel pre-trends and observe post-move dynamics.

Although team reassignment is not random—skill growth, career ambitions, or firm policies may influence both switching and pay—the within-firm, switcher-versus-stayer framework, combined with pre-trend tests, helps mitigate bias from such time-varying unobservables. We estimate two distinct regression specifications:

$$y_{mfte} = \lambda_m + \lambda_{ft} + \lambda_e + \sum_{i=-3, i \neq -1}^2 \left(\beta_i \times \mathbb{1}_{me}^{L \rightarrow H} \times \mathbb{1}_i \right) + \gamma X_{mt} + \lambda Y_{mt} + \epsilon_{mfte}. \quad (10)$$

$$y_{mfte} = \lambda_m + \lambda_{ft} + \lambda_e + \sum_{i=-3, i \neq -1}^2 \left(\beta_i \times \mathbb{1}_{me}^{H \rightarrow L} \times \mathbb{1}_i \right) + \gamma X_{mt} + \lambda Y_{mt} + \epsilon_{mfte}, \quad (11)$$

Equations (10) and (11) are estimated separately for “low-to-high” ($L \rightarrow H$) and “high-to-low” ($H \rightarrow L$) moves. The treatment indicators $\mathbb{1}_{me}^{L \rightarrow H}$ and $\mathbb{1}_{me}^{H \rightarrow L}$ equal one when manager m is the switcher in event e , zero for stayers. Interaction terms with year dummies $\mathbb{1}_i$ ($i = -3, -2, 0, 1, 2$) yield the coefficients of interest, β_i , which measure the switcher–stayer gap in year i relative to the omitted pre-transition year $i = -1$. A detailed vector of controls, used in Equation (9), completes the specification.

Our DiD design seeks to isolate changes in compensation specifically connected with transitioning between teams. However, this approach depends on the assumption that any unobserved factors remain uncorrelated with an individual’s team-switching status, conditional on our controls. We do not claim that the DiD design definitively establishes causality; rather, we view it as a tool to help reduce, though not fully eliminate, selection concerns.

An essential element of the DiD methodology is the parallel trends assumption: absent a team switch, switchers and stayers would follow comparable trajectories in compensation. To assess this, we plot and examine time-series patterns of compensation for both groups in the years before switching occurs. If the trends appear similar, it supports the parallel trends assumption. Any divergence would signal the possibility of time-varying confounders. We present these results in the next subsection and interpret them cau-

tiously in light of the usual caveats about non-experimental data.

V.C.2 DiD Results

Figure 3 presents DiD test results for team skill transitions. The capped spikes show the 95% confidence intervals. Panel (a) examines low- to high-skill transitions. Before the transition, compensation trends for those switching teams and those staying are similar, supporting the parallel trend assumption. However, post-transition, there is no notable impact on compensation.

Panel (b) investigates high- to low-skill transitions. Here too, the compensation trends prior to the transition show no significant differences between the groups, indicating adherence to the parallel trend assumption. However, post-transition, a notable change occurs: the compensation of those who switch to lower-skill teams increases significantly. These managers experience an immediate 12% increase in compensation, with a further incremental rise of about 3% the following year, ultimately stabilizing at a 13% increase in the second year after the transition.

Team moves matter mainly when managers exit high-skill groups: pay rises, likely because firms replace lost team capital with higher wages. No effect appears for low-to-high moves, consistent with wage stickiness that blocks pay cuts. This asymmetry complements Table 2. The DiD tracks within-manager shifts over the career, whereas the cross-section captures between-manager sorting—e.g., juniors choosing stronger teams—so the two designs offer complementary views of how team quality shapes compensation and career paths.

The 13% increase in compensation for managers transitioning to low-skill teams quantitatively aligns with findings from our initial analysis in Table 2. The difference in team skill levels, classified into high and low (upper and lower terciles), is approximately 71.75

million shekels or 2.5 standard deviations. According to estimates in Table 2, this magnitude of skill discrepancy corresponds to a 15% decrease in compensation, closely matching the DiD estimate. This comparison reinforces the internal consistency and robustness of our methodologies.

Figure 4 depicts outcomes of similar analyses, but using team visibility as a measure of quality. In panel (a), transitions from low-to-high visibility teams show no impact on compensation, with no significant trends observed prior to the transition. Panel (b), examining high-to-low visibility transitions, again reveals a compensation versus team quality trade-off. Here, switchers see an immediate moderate increase in compensation of around 14%, within a confidence interval of [-26%; -4%].

Just as we did with the effects of team investment skill, we can compare these findings to the baseline results presented in Table 2. The average difference in visibility between high- and low-visibility teams is about 1.8 standard deviations. Using data from Table 2, we calculate the economic effect size of our initial model to be approximately -7%. This finding aligns closely with the DiD estimate's confidence interval, further affirming the consistency and reliability of our results across different methodologies.

The DiD tests reinforce our baseline results and uncover a clear asymmetry: compensation mainly adjusts when managers move from high- to low-quality teams. A complementary first-difference analysis that benchmarks each switcher against their own prior pay, rather than against stayers, reaches the same conclusion (Appendix Table B10) and yields similar magnitudes, further validating the pattern. Although these event-study estimates exhibit no discernible pre-trends, the design cannot fully eliminate time-varying confounders that might influence both switching decisions and pay. Accordingly, we interpret the evidence as supportive rather than conclusive, while emphasizing that team transitions coincide with meaningful shifts in individual managers' compensation trajec-

tories. Appendix Section B.B reports further robustness checks, including DiD tests that control for managers' career stage and sensitivity analyses for potential omitted-variable bias following Cinelli and Hazlett (2020).

VI Examining the Mechanisms Behind the Effects of Team Quality

VI.A Does Team Affiliation Improve Manager Investment Skill and Visibility?

We turn to Hypothesis 2, which posits that managers sacrifice current pay because strong teams accelerate their own skill and visibility. Re-estimating Equation (9) with the three-year growth in those traits as the dependent variable, Table 3 confirms the prediction. A one-standard-deviation rise in team skill raises the manager's skill growth by 11.52 pps (28.81×0.004 ; column (3)); a comparable rise in team visibility boosts the manager's visibility growth by 4.41 pps (22.08×0.002 ; column (6)). Personal and team skill also feed into visibility gains, suggesting spillovers across human-capital dimensions.

We probe Hypothesis 2 further with a DiD event-study, replacing the dependent variable in Equations (10)–(11) by three-year growth in skill or visibility. Figures 5 and 6 mirror the asymmetric pattern seen for pay. In Figure 5, panel (a) shows that a low-to-high team-skill move raises the manager's own skill growth by about 9 pps in the first year, edging up to 11 pps by the third year, with no pre-trend. Panel (b) finds no effect when skill moves high-to-low. In Figure 6, panel (a) reveals that a low-to-high visibility move boosts personal visibility by 11 pps in the first year, peaks at 14 pps in the second year, and holds at 11 pps in the third year; panel (b) shows no change for high-to-low

moves.

Taken with the pay results (Figures 3–4), a clear trade-off emerges: managers who climb to higher-quality teams gain skill and visibility but forego immediate pay increases, whereas those who step down enjoy higher current compensation yet forfeit human-capital growth—exactly the pattern predicted by our framework.

VI.B Does Team Affiliation Improve Manager Specialization?

We next examine whether team affiliation improves manager specialization. To capture industry specialization, we use a standard measure of industry concentration from the mutual fund literature, popularized by Kacperczyk et al. (2005). This measure is commonly used to assess the extent of private information managers acquire within certain industries, leading to more focused investment strategies and reflecting enhanced expertise in those areas. We define the industry concentration measure for manager i in year t as:

$$\text{ICI}_{i,t} = \sum_{j=1}^J (w_{m,j,t} - \bar{w}_{j,t})^2. \quad (12)$$

where $w_{m,j,t}$ is the fraction of the manager’s assets under management (AUM) invested in industry j , and $\bar{w}_{j,t}$ is the average fraction of AUM invested in industry j across all managers. We use the standard list of 20 industries in Israeli mutual fund filings, as shown in Appendix Table B15.

Our second measure captures concentration within specific investment styles and asset classes rather than industries. While some mutual fund managers specialize within particular asset classes, others may oversee funds across multiple asset classes. For example, a manager might handle both equity and balanced funds. We define the style

concentration measure for manager i in year t as:

$$SC_{i,t} = \sum_{s=1}^S (w_{m,s,t} - \bar{w}_{s,t})^2. \quad (13)$$

where $w_{m,s,t}$ is the manager's fraction of AUM invested in style s , and $\bar{w}_{s,t}$ is the average fraction of AUM invested in style s across all managers. We use a standard list of 11 asset classes as "styles," detailed in Appendix Table B1.¹⁸

We test whether moving to a high-skill team that includes at least one highly specialized member sharpens a manager's own focus. Using the DiD framework for team-skill transitions, we split events by whether the destination team contains a specialist (top 30% of the specialization distribution in the transition year). The outcome is the manager's standardized specialization index, measured one year after the move, so coefficients can be read as standard-deviation changes. Separate regressions for specialist and non-specialist destinations reveal how peer expertise shapes individual specialization.

Table 4 shows sharper focus only when managers join a high-skill team *with* a specialist: industry specialization rises by 0.232 standard deviations (Panel A) and style by 0.189 standard deviations (Panel B). High-skill teams lacking a specialist add just 0.092 standard deviations to style and leave industry unchanged, while moves to low-skill teams do nothing. Exposure to a high-skill specialist therefore looks pivotal for deepening ex-

¹⁸There are several differences between the two concentration measures. The industry concentration measure is typically applied to equity funds in the literature, capturing a granular specialization of equity fund managers within industries. The style concentration measure, however, is less granular, as it captures specialization in broader asset classes rather than within specific types of securities within an asset class. This asset class specialization is an important aspect of the Israeli mutual fund industry, which is relatively small and where managers may be required to oversee investments across multiple asset classes. Consequently, style concentration represents a higher level of specialization compared to industry concentration. Similar to the interpretation of industry concentration from Kacperczyk et al. (2005), increased style concentration may reflect enhanced expertise in specific styles, indicating better private information on the manager's part. To maintain consistency with these interpretations, our analysis below examines the effects of industry concentration only within the sample of managers overseeing equity funds and the effects of style concentration across all managers.

pertise—an edge that can speed promotions and widen future fund-leadership roles.

To ensure that a higher concentration index reflects genuine specialization—rather than a shift into unrelated industries or styles—we construct a distance metric $D_{i,t}$ that gauges how closely a manager’s portfolio weights match those of a specialist teammate, defined as a peer in the top 30% of the specialization distribution:

$$D_{i,t} = \sum_{k=1}^K (w_{i,k,t} - w_{\text{spec},k,t})^2.$$

A lower $D_{i,t}$ signals that the manager is reallocating toward the specialist’s industries or asset classes, consistent with learning. Appendix Table [B13](#) shows that $D_{i,t}$ declines after managers move to high-skill teams but is unchanged when they join low-skill teams. These patterns suggest that team affiliation encourages learning in the very domains where the specialist excels, reinforcing the link between team composition and skill development. This result parallels [Cici et al. \(2018\)](#), [Bai et al. \(2022\)](#), and [Bai et al. \(2024\)](#), who find that specialization can be shaped by a manager’s background, and extends that literature by demonstrating how team composition also influences managers’ specialized allocations.

VI.C Does Team Affiliation Improve Future Compensation and Revenue?

We turn to Hypothesis 3: does team quality lift future fee revenue and, in turn, compensation? Our framework predicts that managers accept lower current pay only if better teams accelerate lifetime earnings. Prior work shows that higher skill and visibility boost revenue ([Berk and Van Binsbergen, 2015](#); [Solomon et al., 2014](#); [Kaniel and Parham, 2016](#)) and that revenue feeds directly into pay ([Ibert et al., 2017](#)). Given Section [VI.A](#)’s evidence

that strong teams speed skill and visibility growth, we expect corresponding gains in revenue and compensation growth.

Using Equation (9), we link team quality to three-year compensation growth. Columns (1)–(3) of Table 5 show that a one-standard-deviation rise in team skill (visibility) lifts the growth rate by roughly 14.4 pps (15.1 pps). Columns (4)–(6) report a parallel pattern for revenue growth, and column (7) confirms that next-year revenue already responds, implying that the productivity gains from strong teams surface quickly.

These findings bridge supply-side and demand-side forces: firms decide team assignments and set pay, while investors reward the investment skill and visibility that drive revenue. Team quality matters for compensation precisely because it develops the very attributes investors value; without that demand, team placement would not shift the labor-market equilibrium for portfolio managers. Empirically, high-quality teams are linked not only to higher near-term revenue but also to faster long-run pay growth, making team affiliation a springboard for upward career mobility in asset management. Appendix Section B.C provides supplemental evidence from managers who run both solo- and team-managed funds, showing that higher team skill predicts stronger future skill growth and revenue in their solo portfolios, thereby confirming that the observed effects are not driven by mechanical “free-riding” on team returns.

VII Implications for Team Allocation for Career Outcomes

VII.A The Role of First Team Allocation

We next explore how the first team assignment shapes careers. A manager’s initial team is the first occasion on which she co-manages a fund—typically at industry entry, though sometimes later. We begin by asking who lands on a high-quality debut team. Defin-

ing high quality as above-median team skill or visibility (H-type), we estimate a linear probability model where the dependent variable equals one if the manager’s first team is H-type. Explanatory variables include age, prior visibility, and tenure in asset management and mutual funds; team controls match those in Table 2. We omit investment skill because most entrants lack a performance record before their first assignment.

Table 6 indicates that younger, less-experienced mutual-fund managers are more likely to debut on high-quality teams. Firms thus appear to pair junior managers with skilled, visible colleagues from the outset. Mutual-fund experience, not general asset-management tenure, drives this pattern, highlighting that first assignments target fund-specific skill building.

We relate first-team quality to five-year career outcomes—pay growth and two promotion proxies. “Role promotion” flags a move into senior titles (e.g., head of investment committee, CIO, CEO), capturing within-firm advancement revealed privately to the fund family. “Fund promotion” records a more than 50% jump in the number of funds a manager runs—about two extra mandates for the average manager—signaling skill-based internal recognition. We repeat the exercise for second and third assignments, re-starting the five-year clock at each switch. All models control for the variables in Table 2 plus the team-assignment covariates from Table 6.

Table 7 confirms that debuting on a high-skill team pays off: compensation grows 14 pps faster, the chance of a senior title (“role promotion”) rises 7 pps, and the odds of managing more funds jump 12 pps. These advantages fade but remain significant after later reassignments; second-team skill still nudges pay and role promotion, whereas third-team skill is ineffectual.

Table 8 shows a parallel—though slightly weaker—pattern for team visibility. First-team visibility lifts five-year pay growth by 16 pps and fund-promotion odds by 13 pps,

with no clear effect on role promotion. Visibility on the second team continues to aid pay and fund promotion, but by the third assignment its influence disappears.

In sum, first-team quality is pivotal. High initial team skill or visibility boosts five-year pay growth and fund-promotion odds, and modestly raises the chance of a senior title. These advantages persist—though they fade—after later reassignments. Second-team effects are weaker and confined to pay and, for skill, role promotion; the third team’s quality has no discernible influence on compensation or career progression.

VII.B Do the Effects of Team Quality Contribute to High Returns-to-Experience?

Compensation in finance rises faster with tenure than in almost any other field. [Philippon and Reshef \(2012\)](#) document a sector-wide “experience premium,” while [Ellul, Pagano and Scognamiglio \(2022\)](#) show that the slope is steepest in asset management, where pay accelerates sharply after just a few years on the job. Conventional explanations emphasize scarce skills, tournament incentives, and performance pay, yet these factors alone leave some of the sector’s exceptional growth unexplained.

We contribute a fresh angle: team quality magnifies returns to experience. High-skill, high-visibility teams serve as incubators of human capital, speeding the accumulation of both technical expertise and professional exposure. Junior managers who accept lower initial pay to join such teams effectively invest in a high-yield asset: the future wage gains that flow from faster skill and visibility growth. As they advance, the required discount dwindles, so their pay curve bends upward more sharply. This mechanism helps account for the especially pronounced compensation trajectories observed in team-oriented finance roles.

To test the idea formally, we let the effect of team quality vary with seniority. Defining

“junior” managers as those with fewer than four years of mutual-fund experience (the sample median) and “senior” managers as those with more, we interact standardized team skill and visibility with seniority indicators in our baseline regressions. Experience itself remains in the control set, but we drop the main seniority dummies to avoid multicollinearity. If our hypothesis is correct, the team-quality coefficients should be far larger (in absolute value) for juniors, indicating that early-career managers bear a steeper upfront pay discount that later translates into above-average earnings growth.

Table 9 shows that team quality discounts are concentrated among junior managers. In column (1), a one-standard-deviation rise in team skill trims junior pay by 5.74%—more than triple the 1.72% cut for seniors—implying that juniors give up a substantial share of current income to embed themselves in stronger teams. Column (2) yields a similar, though smaller, gap for visibility: a one-standard-deviation boost in team visibility lowers junior compensation by 3.09%, versus 1.32% for seniors. Column (3) confirms both channels remain significant when entered jointly, and columns (4)–(6) show that the patterns survive manager fixed effects and the full suite of controls. These sizable, age-dependent discounts suggest that early-career managers invest heavily in team capital, which later translates into the accelerated pay growth documented in Figure 3 and Table 5, helping account for the steep returns to experience observed in asset management.

VIII Conclusions

Our evidence reframes compensation as a strategic lever for developing talent, not merely rewarding past performance. Fund families appear to price “team capital” into pay, asking junior managers to invest upfront by accepting lower salaries in exchange for faster skill formation and heightened visibility. This practice aligns individual incentives with

the firm's need to cultivate future star performers, suggesting that asset managers manage career trajectories as deliberately as they manage portfolios.

These findings broaden the lens on performance evaluation. Traditional metrics focus on individual track records, yet our results indicate that a manager's formative team environment is a powerful predictor of both subsequent productivity and compensation. Investors, recruiters, and boards may therefore gain forecasting power by tracking a manager's team history—much as baseball analysts follow minor-league systems to project major-league success. Incorporating team-quality adjustments into manager rankings could sharpen capital allocation across funds and talent alike.

Finally, the study contributes to labor economics by quantifying how peer spillovers translate into lifetime earnings. The steep experience premium in finance, long viewed as a puzzle, becomes more comprehensible once team dynamics are considered: high-quality teams serve as accelerators that steepen the wage–experience curve. Similar mechanisms may operate in other knowledge industries—consulting, tech, academia—where collaborative work dominates. Policies and contracts that recognize and harness these spillovers could boost both firm performance and worker welfare.

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Figures and Tables

Figure 1: Prevalence of Teamwork in the Israeli Mutual Fund Industry

This figure presents the times series of the fraction of managers with teams and the fraction of funds which are co-managed. The fund is defined as co-managed if it is managed by more than one manager.

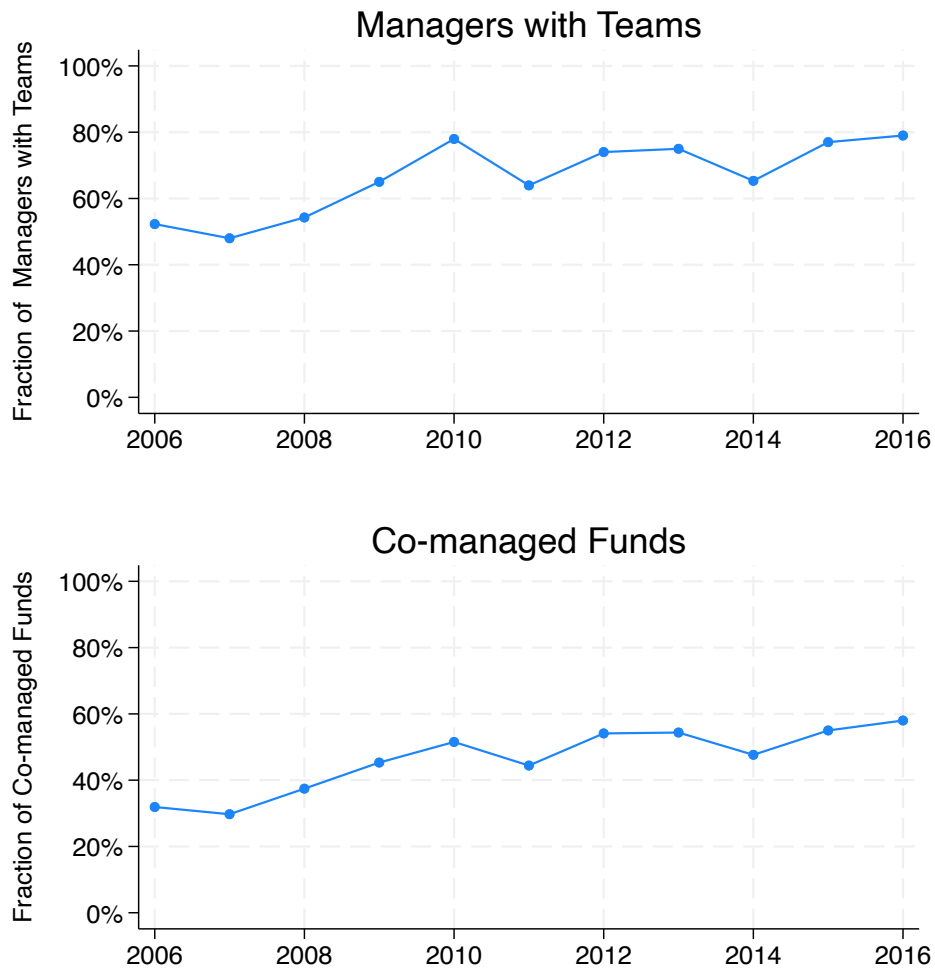


Figure 2: Variation in Compensation and Revenues

This figure displays the R-squared values from regressions of portfolio manager compensation and revenues on manager characteristics and various fixed effects. The first bar of each graph reports the R-squared from the baseline model which includes a range of time-varying characteristics of managers and their portfolio, along with time fixed effects. We include the following characteristics: manager's skill and visibility, portfolio revenues, manager's age and industry experience, number of funds under management, share of equity funds in the manager's portfolio, and an indicator variable for having additional responsibilities outside of portfolio management. These characteristics are detailed and explained in Table 1. The additional bars represent R-squared values from models that include extra fixed effects. This progression of models with increasing complexity helps in understanding how different variables and fixed effects contribute to explaining the variation in portfolio managers' compensation and revenues.

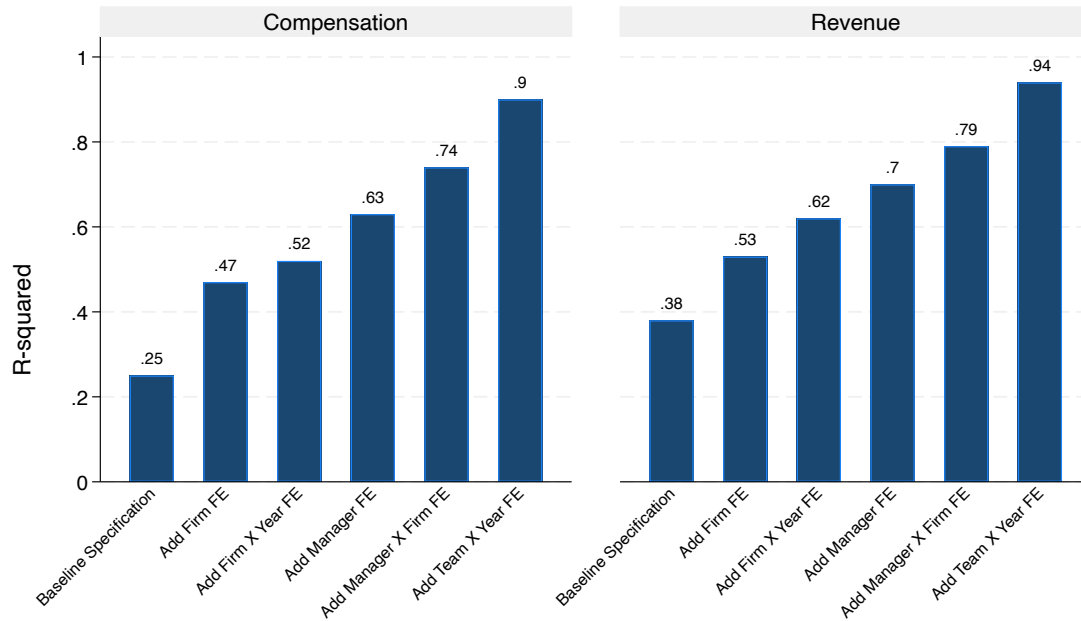


Figure 3: Effects of Team Investment Skill on Compensation: Event Study from Transitions Across Teams

This figure assesses the effect of the transition across teams on compensation of portfolio managers by estimating the two following specifications separately for the transitions from low-skill teams to high-skill teams and vice versa:

$$\text{Log}(\text{Compensation}_{mfte}) = \lambda_m + \lambda_{ft} + \lambda_e + \sum_{i=-3, i \neq -1}^2 \left(\beta_i \times \mathbb{1}_{me}^{L \rightarrow H} \times \mathbb{1}_i \right) + \gamma X_{mt} + \lambda Y_{mt} + \epsilon_{mfte},$$

$$\text{Log}(\text{Compensation}_{mfte}) = \lambda_m + \lambda_{ft} + \lambda_e + \sum_{i=-3, i \neq -1}^2 \left(\beta_i \times \mathbb{1}_{me}^{H \rightarrow L} \times \mathbb{1}_i \right) + \gamma X_{mt} + \lambda Y_{mt} + \epsilon_{mfte}.$$

The details are in Section V.C. The figure shows the estimated coefficients $\beta_i^{L \rightarrow H}$ at the top graph and $\beta_i^{H \rightarrow L}$ at the bottom graph. These estimates are interpreted as the average difference in compensation between the managers who switch teams and the managers who stay on the same team within the same firm, relative to the reference period. Brackets are 95% confidence intervals with standard errors double-clustered by manager and year. The shaded region corresponds to the period after the transition. Time 0 is the transition year. Time -1 is the one year before the transition event which we use as the reference period.

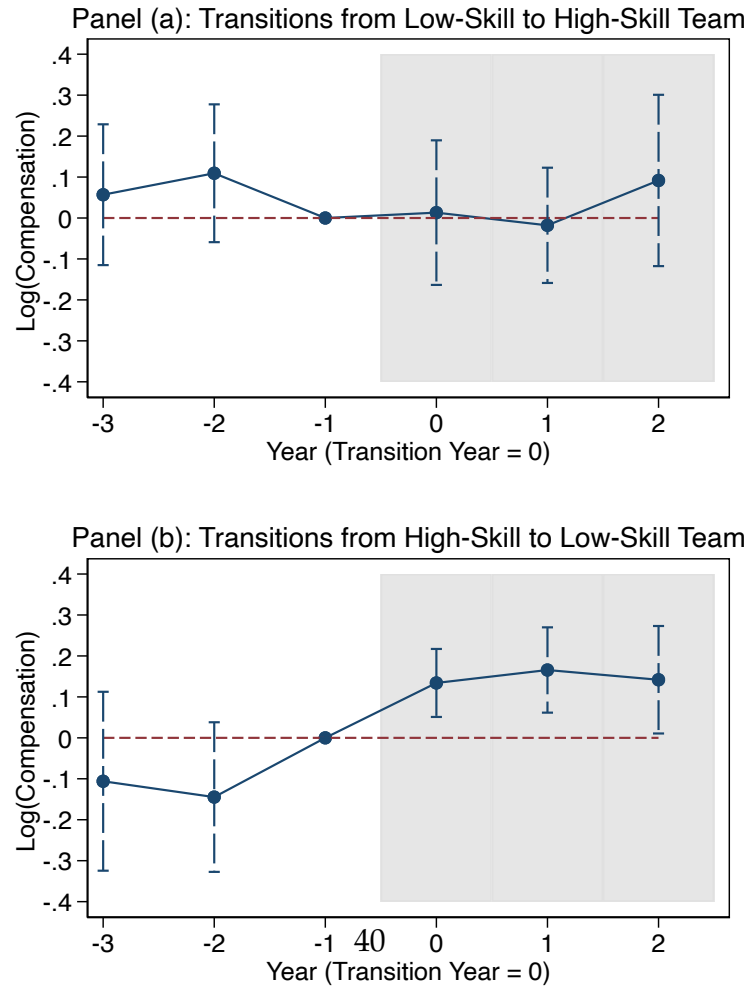


Figure 4: Effects of Team Media Visibility on Compensation: Event Study from Transitions Across Teams

This figure assesses the effect of the transition across teams on compensation of portfolio managers by estimating the two following specifications separately for the transitions from low-visibility teams to high-visibility teams and vice versa:

$$\text{Log}(\text{Compensation}_{mfte}) = \lambda_m + \lambda_{ft} + \lambda_e + \sum_{i=-3, i \neq -1}^2 \left(\beta_i \times \mathbb{1}_{me}^{L \rightarrow H} \times \mathbb{1}_i \right) + \gamma X_{mt} + \lambda Y_{mt} + \epsilon_{mfte},$$

$$\text{Log}(\text{Compensation}_{mfte}) = \lambda_m + \lambda_{ft} + \lambda_e + \sum_{i=-3, i \neq -1}^2 \left(\beta_i \times \mathbb{1}_{me}^{H \rightarrow L} \times \mathbb{1}_i \right) + \gamma X_{mt} + \lambda Y_{mt} + \epsilon_{mfte}.$$

The details are in Section V.C. The figure shows the estimated coefficients $\beta_i^{L \rightarrow H}$ at the top graph and $\beta_i^{H \rightarrow L}$ at the bottom graph. These estimates are interpreted as the average difference in compensation between the managers who switch teams and the managers who stay on the same team within the same firm, relative to the reference period. Brackets are 95% confidence intervals with standard errors double-clustered by manager and year. The shaded region corresponds to the period after the transition. Time 0 is the transition year. Time -1 is the one year before the transition event which we use as the reference period.

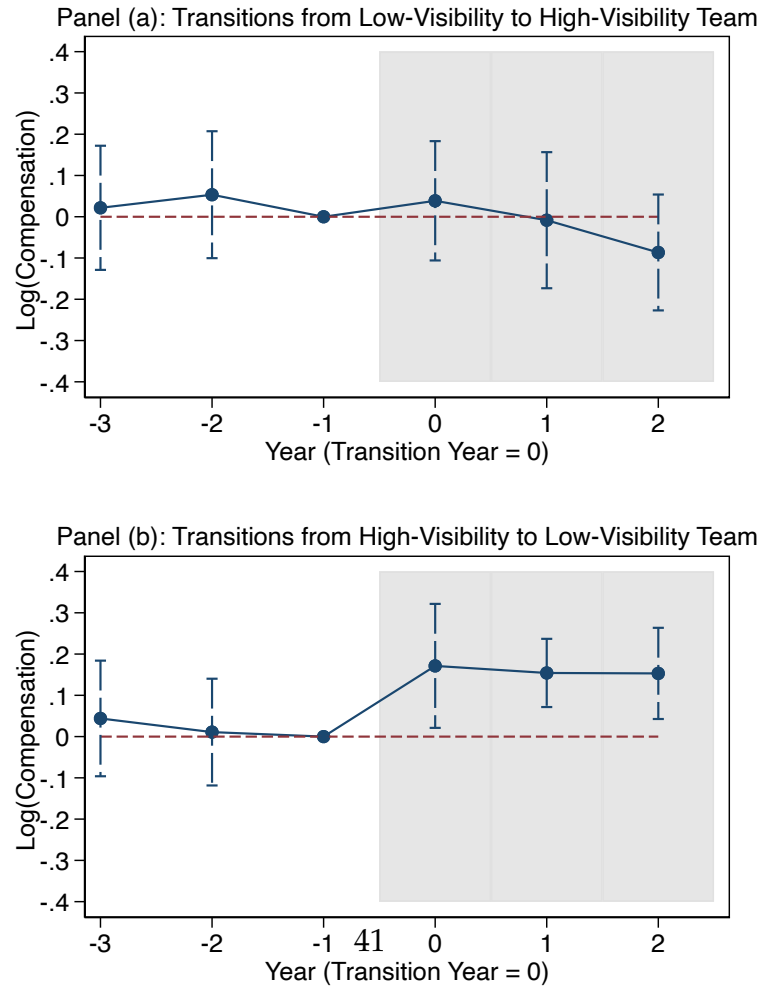


Figure 5: Effects of Team Investment Skill on Manager Skill Growth: Event Study from Transitions Across Teams

This figure assesses the effect of the transition across teams on skill growth rate of portfolio managers by estimating the two following specifications separately for the transitions from low-skill teams to high-skill teams and vice versa:

$$\frac{\Delta Skill_{mfe,t \rightarrow t+3}}{Skill_{mfe,t}} = \lambda_m + \lambda_{ft} + \lambda_e + \sum_{i=-3, i \neq -1}^2 \left(\beta_i \times \mathbb{1}_{me}^{L \rightarrow H} \times \mathbb{1}_i \right) + \gamma X_{mt} + \lambda Y_{mt} + \epsilon_{mfte},$$

$$\frac{\Delta Skill_{mfe,t \rightarrow t+3}}{Skill_{mfe,t}} = \lambda_m + \lambda_{ft} + \lambda_e + \sum_{i=-3, i \neq -1}^2 \left(\beta_i \times \mathbb{1}_{me}^{H \rightarrow L} \times \mathbb{1}_i \right) + \gamma X_{mt} + \lambda Y_{mt} + \epsilon_{mfte}.$$

The details are in Section V.C. The figure shows the estimated coefficients $\beta_i^{L \rightarrow H}$ at the top graph and $\beta_i^{H \rightarrow L}$ at the bottom graph. These estimates are interpreted as the average difference in investment skill growth between the managers who switch teams and the managers who stay on the same team within the same firm, relative to the reference period. Brackets are 95% confidence intervals with standard errors double-clustered by manager and year. The shaded region corresponds to the period after the transition. Time 0 is the transition year. Time -1 is the one year before the transition event which we use as the reference period.

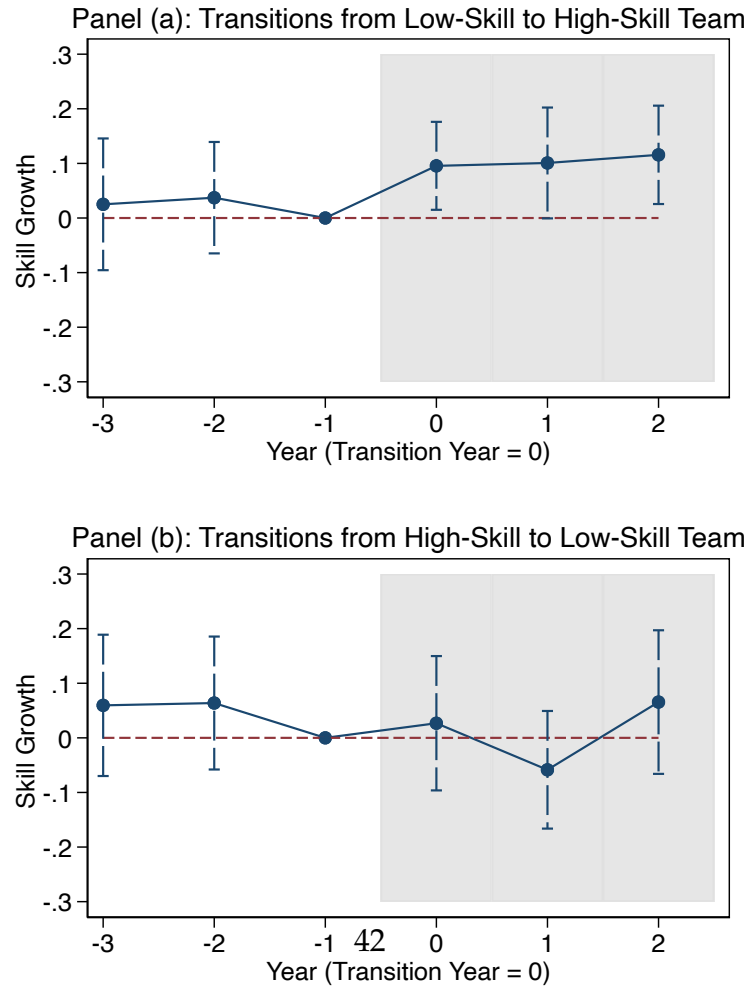


Figure 6: Effects of Team Media Visibility on Manager Visibility Growth: Event Study from Transitions Across Teams

This figure assesses the effect of the transition across teams on visibility growth rate of portfolio managers by estimating the two following specifications separately for the transitions from low-visibility teams to high-visibility teams and vice versa:

$$\frac{\Delta \text{Visibility}_{mfe,t \rightarrow t+3}}{\text{Visibility}_{mfe,t}} = \lambda_m + \lambda_{ft} + \lambda_e + \sum_{i=-3, i \neq -1}^2 \left(\beta_i \times \mathbb{1}_{me}^{L \rightarrow H} \times \mathbb{1}_i \right) + \gamma X_{mt} + \lambda Y_{mt} + \epsilon_{mfe,t},$$

$$\frac{\Delta \text{Visibility}_{mfe,t \rightarrow t+3}}{\text{Visibility}_{mfe,t}} = \lambda_m + \lambda_{ft} + \lambda_e + \sum_{i=-3, i \neq -1}^2 \left(\beta_i \times \mathbb{1}_{me}^{H \rightarrow L} \times \mathbb{1}_i \right) + \gamma X_{mt} + \lambda Y_{mt} + \epsilon_{mfe,t}.$$

The details are in Section V.C. The figure shows the estimated coefficients $\beta_i^{L \rightarrow H}$ at the top graph and $\beta_i^{H \rightarrow L}$ at the bottom graph. These estimates are interpreted as the average difference in visibility growth between the managers who switch teams and the managers who stay on the same team within the same firm, relative to the reference period. Brackets are 95% confidence intervals with standard errors double-clustered by manager and year. The shaded region corresponds to the period after the transition. Time 0 is the transition year. Time -1 is the one year before the transition event which we use as the reference period.

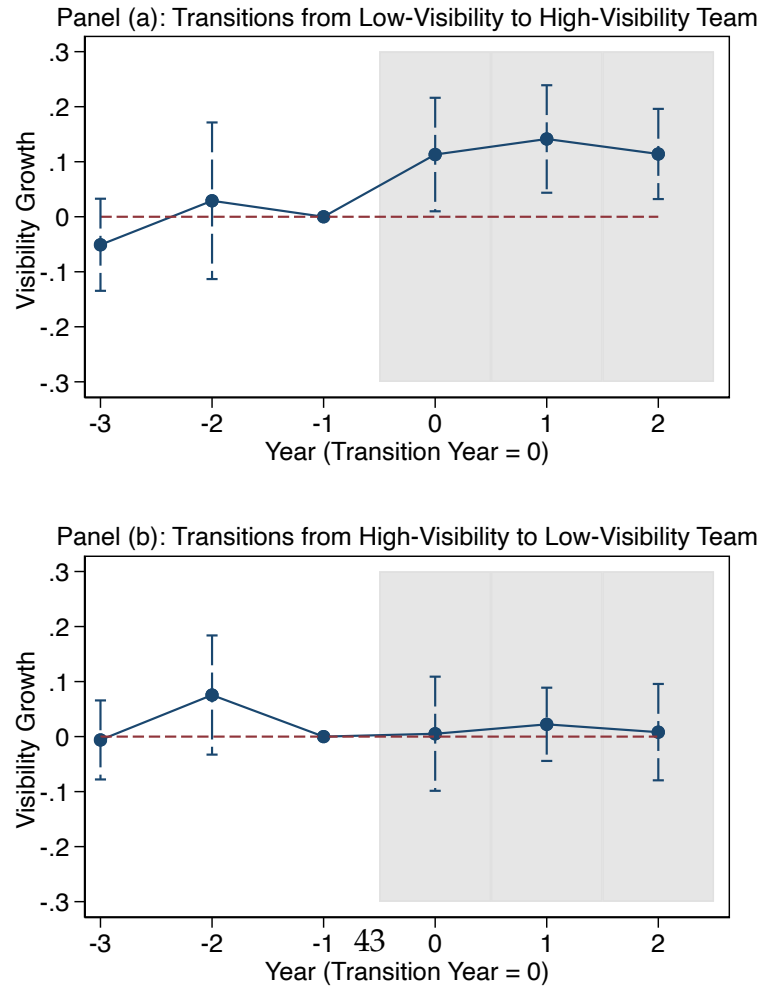


Table 1: Summary Statistics

This table presents the summary statistics of our sample. Panel A presents the information at the manager-year level. *Compensation* is the manager's compensation in shekels. *Skill* is the Berk and Van Binsbergen (2015)'s measure of the manager's investment skill. *Visibility* is the number of newspaper articles about the manager in the four major business outlets in Israel. *Manager Age* is the manager's age in years. *Industry Experience* is the number of years that the manager has been working in the mutual fund industry. *Equity Share* is the fraction of equity funds in the manager's portfolio. $1_{\text{Additional Role}}$ indicator equals one if the manager has an extra role in the company (such as CEO or head of the investment committee). *Revenue* is the manager's fee revenue. *AUM* is the assets under management. *Fee* is the percentage fee. *Number of Funds* is the number of funds in the manager's portfolio. 1_{Team} indicator equals one if the manager is working with the team. *Number of Teams* is the number of teams that the manager is working with. *Team Skill* is the average skill of the manager's team members. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel. *Team Industry Experience* is the average numbers of years that the manager's team members have been working in the mutual fund industry. *Team Equity Share* is the average fraction of equity funds on the portfolios of the manager's team members. *Team Size* is the number of managers on the team, being equal to zero for independent managers. *Number of Teams* is the number of teams that the manager is working with.

Panel A: Manager-year Level	N	Mean	SD	10%	25%	50%	75%	90%
Manager Characteristics								
<i>Compensation</i> (MM, Shekels)	1,786	0.438	0.52	0.10	0.18	0.29	0.44	0.69
<i>Skill</i> (MM, Shekels)	1,786	3.35	21.62	-22.58	-7.83	-0.89	1.34	11.61
<i>Visibility</i> (number of articles)	1,786	7.87	11.42	0	0	5	12	19
<i>Manager Age</i> (years)	1,786	39.60	8.37	31	34	38	44	51
<i>Industry Experience</i> (years)	1,786	6.18	6.31	1	2	4	8	14
<i>Equity Share</i> (fraction)	1,786	0.42	0.58	0	0	0.25	0.84	1
$1_{\text{Additional Role}}$ (indicator)	1,786	0.12	0.33	0	0	0	0	1
Portfolio Characteristics								
<i>Revenue</i> (MM, Shekels)	1,786	4.68	6.63	0.11	0.55	2.19	6.35	11.70
<i>AUM</i> (MM, Shekels)	1,786	743.96	1143.06	66.09	314.72	313.07	960.82	2007.65
<i>Fee</i> (%)	1,786	0.92	0.68	0.31	0.53	0.88	1.25	1.92
<i>Number of Funds</i>	1,786	4.4	5.8	1	3	7	11	15
Team Characteristics								
1_{Team} (indicator)	1,786	0.75	0.43	0	0	1	1	1
<i>Team Skill</i> (MM, Shekels)	1,786	4.85	28.81	-45.42	-19.84	-0.47	11.78	33.58
<i>Team Visibility</i> (number of articles)	1,786	13.39	22.08	0	1.07	7.07	25.34	46.33
<i>Team Industry Experience</i> (years)	1,786	3.17	5.44	0.97	1.56	2.98	4.26	8.22
<i>Team Equity Share</i> (fraction)	1,786	0.52	0.68	0	0	0.31	0.73	1
<i>Team Size</i>	1,786	0.70	0.94	0	0	0.29	1	2
<i>Number of Teams</i>	1,786	1.55	1.96	0	0	1	1	2

Table 1 - Continued

This table presents the descriptive statistics of our sample. Panel B presents the information at the fund-year level. Panel C presents the information at the firm-year level. *AUM* is the assets under management. *Fee* is the percentage fee. α is the estimate of the manager's performance from the multi-benchmark model for fund returns (see Section II.D for details). *Fund Age* is the number of years since the fund's inception. *Number of Managers* is the number of portfolio managers that the firm employs. *Number of Funds* is the number of funds that the firm operates.

Panel B: Fund-year Level	N	Mean	SD	10%	25%	50%	75%	90%
<i>AUM</i> (MM, Shekels)	15,227	111.87	187.98	3.93	12.51	41.35	120.30	296.2
<i>Fee</i> (%)	15,227	0.82	0.79	0.11	0.27	0.71	1.39	2.08
α (%)	15,227	-1.52	5.23	-7.94	-3.23	-0.78	0.73	3.65
<i>Fund Age</i> (years)	15,227	8.08	7.76	1	2.58	5.75	10.75	19.33
Panel C: Firm-year Level	N	Mean	SD	10%	25%	50%	75%	90%
<i>AUM</i> (MM, Shekels)	521	2252.22	4250.18	16.70	64.85	371.05	2356.40	7613.40
<i>Number of Managers</i>	521	3.02	3.22	1	1	2	4	8
<i>Number of Funds</i>	521	27.86	40.51	2	4	10	32	76

Table 2: Effects of Team Quality on Compensation

This table presents the results from regressing manager compensation on team and manager characteristics. *Compensation* is the manager's compensation in shekels. *Skill* is the Berk and Van Binsbergen (2015)'s measure of the manager's investment skill in columns (1)-(7), and it is the manager's α from the Five-Benchmark Model (see Section II.D) in column (8). *Visibility* is the number of newspaper articles about the manager in the four major business outlets in Israel. 1_{Team} indicator equals one if the manager is working with the team. *Team Skill* is the average skill of the manager's team members. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel. The remaining variables are defined in Table 1. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$Log(Compensation_{m,t})$							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Skill</i> =	BvB	BvB	BvB	BvB	BvB	BvB	BvB	Alpha
$1_{Team_{m,t}}$	0.046 (0.094)	0.049 (0.118)	0.047 (0.127)	0.039 (0.094)	0.035 (0.088)	0.045 (0.077)	0.072 (0.097)	0.075 (0.070)
<i>Skill</i> _{m,t}	0.0028*** (0.0009)		0.0025** (0.0009)	0.0028*** (0.0009)	0.0027** (0.00105)	0.0021** (0.0010)	0.0024*** (0.0008)	0.44** (0.17)
<i>Team Skill</i> _{m,t}	-0.0022** (0.0011)		-0.0018** (0.0007)	-0.0017** (0.0007)	-0.0017** (0.0007)	-0.0013** (0.0005)	-0.0014** (0.0005)	-0.59** (0.24)
<i>Visibility</i> _{m,t}		0.0010** (0.0003)	0.0010** (0.0003)	0.0012*** (0.0003)	0.0012*** (0.0003)	0.0012*** (0.0003)	0.0012*** (0.0003)	0.0010*** (0.0003)
<i>Team Visibility</i> _{m,t}		-0.0017*** (0.0005)	-0.0017*** (0.0005)	-0.0013*** (0.0003)	-0.0012*** (0.0003)	-0.0011*** (0.0003)	-0.0011*** (0.0003)	-0.0011*** (0.0004)
Manager Characteristics								
$Log(Revenue_{m,t})$				0.096*** (0.017)	0.079*** (0.020)	0.082*** (0.020)	0.071** (0.034)	0.075** (0.032)
$Log(Manager\ Age_{m,t})$				0.658** (0.266)	0.603** (0.247)	0.784*** (0.216)	0.799** (0.219)	0.702** (0.257)
$Log(Industry\ Experience_{m,t})$				0.336*** (0.067)	0.359*** (0.066)	0.310*** (0.074)	0.286** (0.092)	0.217** (0.104)
$1_{Additional\ Role_{m,t}}$				0.389*** (0.076)	0.374*** (0.076)	0.340*** (0.082)	0.315*** (0.079)	0.321*** (0.094)
$Log(Number\ of\ Funds_{m,t})$				0.052 (0.047)	0.078 (0.053)	0.074 (0.043)	0.054 (0.081)	0.051 (0.093)
<i>Equity Share</i> _{m,t}				0.051 (0.079)	0.058 (0.077)	0.034 (0.087)	0.054 (0.058)	0.040 (0.054)
Team Characteristics								
$Log(Team\ Industry\ Experience_{m,t})$					0.028 (0.014)	0.014 (0.015)	0.014 (0.018)	0.013 (0.017)
$Log(Team\ Size_{m,t})$					-0.382* (0.179)	-0.385 (0.255)	-0.430 (0.299)	-0.398 (0.375)
$Log(Team\ Age_{m,t})$					0.057* (0.030)	0.039 (0.044)	0.048 (0.045)	0.041 (0.051)
<i>Team Equity Share</i> _{m,t}					0.262 (0.156)	0.315* (0.152)	0.244 (0.190)	0.291 (0.192)
Observations	1,749	1,749	1,749	1,710	1,710	1,510	1,476	1,476
R-squared	0.342	0.341	0.346	0.553	0.559	0.611	0.873	0.782
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Firm \times Year FE	No	No	No	No	No	Yes	Yes	Yes
Manager FE	No	No	No	No	No	No	Yes	Yes

Table 3: Effects of Team Quality on Manager Skill Growth and Visibility Growth

This table presents the results from regressing the manager's 3-year skill growth rate and 3-year visibility growth rate on team and manager characteristics. *Compensation* is the manager's compensation in shekels. *Skill* is the Berk and Van Binsbergen (2015)'s measure of the manager's investment skill. *Visibility* is the number of newspaper articles about the manager in the four major business outlets in Israel. 1_{Team} indicator equals one if the manager is working with the team. *Team Skill* is the average skill of the manager's team members. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$\frac{\Delta Skill_{m,t \rightarrow t+3}}{Skill_{m,t}}$			$\frac{\Delta Visibility_{m,t \rightarrow t+3}}{Visibility_{m,t}}$		
	(1)	(2)	(3)	(4)	(5)	(6)
$1_{Team_{m,t}}$	0.021 (0.088)	0.026 (0.095)	0.022 (0.088)	0.287 (0.213)	0.290 (0.205)	0.205 (0.288)
$Skill_{m,t}$	0.0018*** (0.0004)		0.0018*** (0.0004)	0.0006** (0.002)		0.0006* (0.003)
$Team\ Skill_{m,t}$	0.004** (0.002)		0.004* (0.002)	0.005** (0.002)		0.005* (0.002)
$Visibility_{m,t}$		0.0022 (0.0061)	0.0021 (0.0073)		0.0010 (0.0031)	0.0012 (0.0039)
$Team\ Visibility_{m,t}$		0.0011 (0.0012)	0.0011 (0.0018)		0.002** (0.001)	0.002** (0.001)
Observations	1,040	1,040	1,040	1,035	1,035	1,035
R-squared	0.772	0.787	0.789	0.531	0.527	0.555
Manager characteristics	Yes	Yes	Yes	Yes	Yes	Yes
Team characteristics	Yes	Yes	Yes	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 4: Effects of Team Transitions on Manager Specialization

This table presents the results of estimating the effects of team switching on manager specialization. Panel A reports results for industry specialization, while Panel B focuses on style specialization. The specialization measures, $ICI_{i,t}$ and $SF_{i,t}$, are defined in Section VI.B, and the estimation methodology is detailed in Section V.C. For each specialization type, the table provides separate results for switches into teams with and without a specialist member. A specialist member is defined as a team member whose specialization level is in the top 30% of the specialization distribution for the same year. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

Panel A: Industry Specialization				
$y =$	$ICI_{i,t}$			
	With Specialist Member		Without Specialist Member	
	(1)	(2)	(3)	(4)
$\mathbb{1}_{me}^{L \rightarrow H} \times \mathbb{1}_0$	0.232** (0.101)		0.182 (0.125)	
$\mathbb{1}_{me}^{H \rightarrow L} \times \mathbb{1}_0$		0.044 (0.054)		0.102 (0.090)
Observations	885	675	787	692
R-squared	0.610	0.701	0.615	0.590

Panel B: Style Specialization				
$y =$	$SF_{i,t}$			
	With Specialist Member		Without Specialist Member	
	(1)	(2)	(3)	(4)
$\mathbb{1}_{me}^{L \rightarrow H} \times \mathbb{1}_0$	0.189** (0.087)		0.092** (0.041)	
$\mathbb{1}_{me}^{H \rightarrow L} \times \mathbb{1}_0$		0.101 (0.093)		0.065 (0.048)
Observations	1,021	943	967	806
R-squared	0.593	0.638	0.629	0.694
Manager characteristics	Yes	Yes	Yes	Yes
Team characteristics	Yes	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes	Yes

Table 5: Effects of Team Quality on Compensation Growth and Revenue Growth

This table presents the results from regressing the manager's 3-year compensation growth rate, 3-year revenue growth rate and the next year's revenues on team and manager characteristics. *Compensation* is the manager's compensation in shekels. *Skill* is the Berk and Van Binsbergen (2015)'s measure of the manager's investment skill. *Visibility* is the number of newspaper articles about the manager in the four major business outlets in Israel. 1_{Team} indicator equals one if the manager is working with the team. *Team Skill* is the average skill of the manager's team members. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$\Delta \text{Log}(\text{Compensation})_{m,t \rightarrow t+3}$			$\Delta \text{Log}(\text{Revenue})_{m,t \rightarrow t+3}$			$\text{Log}(\text{Revenue})_{m,t+1}$
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
$1_{Team_{m,t}}$	0.096 (0.142)	0.153 (0.180)	0.197 (0.178)	-0.112 (0.151)	-0.084 (0.206)	-0.114 (0.199)	0.085** (0.040)
$Skill_{m,t}$	0.0012** (0.0005)		0.002* (0.001)	0.008** (0.003)		0.008** (0.003)	0.0041*** (0.0015)
$Team\ Skill_{m,t}$	0.013** (0.001)		0.005** (0.002)	0.002** (0.0001)		0.002** (0.001)	0.0024** (0.0011)
$Visibility_{m,t}$		0.003* (0.001)	0.004 (0.003)		0.004* (0.002)	0.005** (0.002)	0.0020** (0.008)
$Team\ Visibility_{m,t}$		0.008* (0.004)	0.007** (0.003)		0.003** (0.001)	0.003* (0.001)	0.0022** (0.0011)
Observations	1,043	1,043	1,043	1,011	1,011	1,011	1,472
R-squared	0.513	0.511	0.516	0.676	0.664	0.676	0.901
Manager characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Team characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 6: Determinants of First-Team Quality

This table presents regression results where the indicator variables for the quality of the first team are regressed on manager and team characteristics. For investment skill (visibility) as the quality measure, the indicator equals one if the team's investment skill (visibility) is classified as High, meaning above the median. The specifications in columns (2) and (4) include the full set team characteristics from Table 2. All the variables are defined in Table 1. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$\mathbb{1}_{\text{First Team Quality} = H}$			
	Team Skill		Team Visibility	
	(1)	(2)	(3)	(4)
$\text{Log}(\text{ManagerAge}_{m,t})$	-0.472*** (0.101)	-0.531*** (0.130)	-0.401*** (0.134)	-0.589*** (0.149)
$\text{Visibility}_{m,t}$	0.012 (0.091)	0.018 (0.172)	0.027 (0.105)	0.024 (0.080)
$\text{Log}(\text{IndustryExperience}_{m,t})$	-0.221** (0.111)	-0.292*** (0.103)	-0.179** (0.073)	-0.151*** (0.054)
$\text{Log}(\text{AssetManagementIndustryExperience}_{m,t})$	-0.121 (0.091)	-0.222 (0.175)	-0.223 (0.183)	-0.301 (0.193)
Observations	1,451	1,451	1,451	1,451
R-squared	0.542	0.582	0.559	0.573
Team Characteristics	No	Yes	No	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

Table 7: Effects of First Team Investment Skill on Compensation Growth and Promotions

This table presents regression results where the manager's 5-year compensation growth and the probability of receiving a promotion within the next 5 years are regressed on the investment skill level of the first, second, and third team. *Compensation* is the manager's compensation in shekels. $\mathbb{1}_{RolePromotion_{m,t \rightarrow t+5}}$ equals one if the manager assumes an additional role, such as head of the investment committee, chief investment strategist, chief investment officer, or CEO. $\mathbb{1}_{FundPromotion_{m,t \rightarrow t+5}}$ equals one if there is a 50% increase in the number of portfolio funds. The explanatory variables are indicators equal to one if the investment skill of the first, second, or third team is classified as High, meaning above the median. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$\Delta \text{Log}(\text{Compensation})_{m,t \rightarrow t+5}$			$\mathbb{1}_{RolePromotion_{m,t \rightarrow t+5}}$			$\mathbb{1}_{FundPromotion_{m,t \rightarrow t+5}}$		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\mathbb{1}_{\text{First Team Investment Skill} = H}$	0.145*** (0.041)	0.070*** (0.025)	0.051*** (0.015)	0.072** (0.031)	0.042** (0.020)	0.041** (0.019)	0.123** (0.051)	0.057** (0.021)	0.032** (0.014)
$\mathbb{1}_{\text{Second Team Investment Skill} = H}$		0.018** (0.008)	0.012 (0.016)		0.031** (0.013)	0.035 (0.027)		0.025 (0.021)	0.024 (0.015)
$\mathbb{1}_{\text{Third Team Investment Skill} = H}$			0.033 (0.031)			0.041 (0.052)			0.042 (0.037)
Observations	1,451	1,214	1,009	1,451	1,214	1,009	1,451	1,214	1,009
R-squared	0.351	0.272	0.215	0.342	0.245	0.209	0.302	0.256	0.217
Manager Characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Team Characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 8: Effects of First Team Visibility on Compensation Growth and Promotions

This table presents regression results where the manager's 5-year compensation growth and the probability of receiving a promotion within the next 5 years are regressed on the visibility level of the first, second, and third team. *Compensation* is the manager's compensation in shekels. $\mathbb{1}_{RolePromotion_{m,t \rightarrow t+5}}$ equals one if the manager assumes an additional role, such as head of the investment committee, chief investment strategist, chief investment officer, or CEO. $\mathbb{1}_{FundPromotion_{m,t \rightarrow t+5}}$ equals one if there is a 50% increase in the number of portfolio funds. The explanatory variables are indicators equal to one if the visibility of the first, second, or third team is classified as High, meaning above the median. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$\Delta \text{Log}(\text{Compensation})_{m,t \rightarrow t+5}$			$\mathbb{1}_{RolePromotion_{m,t \rightarrow t+5}}$			$\mathbb{1}_{FundPromotion_{m,t \rightarrow t+5}}$		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\mathbb{1}_{\text{First Team Visibility} = H}$	0.161*** (0.042)	0.063** (0.030)	0.068** (0.026)	0.028 (0.036)	0.021 (0.025)	0.025 (0.027)	0.137*** (0.054)	0.054** (0.024)	0.033 (0.018)
$\mathbb{1}_{\text{Second Team Visibility} = H}$		0.052*** (0.010)	0.047*** (0.015)		0.018 (0.015)	0.020 (0.024)		0.041** (0.020)	0.038* (0.020)
$\mathbb{1}_{\text{Third Team Visibility} = H}$			0.034 (0.029)			0.048 (0.058)			0.039 (0.039)
Observations	1,451	1,214	1,009	1,451	1,214	1,009	1,451	1,214	1,009
R-squared	0.359	0.266	0.228	0.331	0.238	0.210	0.298	0.257	0.206
Manager Characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Team Characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 9: Effects of Team Quality on Compensation for Senior and Junior Managers

This table presents the results from regressing manager compensation on team and manager characteristics and their interaction with the indicators for the manager's seniority. *Compensation* is the manager's compensation in shekels. *Skill* is the Berk and Van Binsbergen (2015)'s measure of the manager's investment skill. *Visibility* is the number of newspaper articles about the manager in the four major business outlets in Israel. 1_{Team} indicator equals one if the manager is working with the team. *Team Skill* is the average skill of the manager's team members. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel. Both *Team Skill* and *Team Visibility* are standardized such that their mean equals zero and their standard deviation equals one. 1_{Junior} indicator equals one if the manager's industry experience is below the median. 1_{Senior} indicator equals one if the manager's industry experience is above the median. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$\text{Log}(\text{Compensation}_{m,t})$					
	(1)	(2)	(3)	(4)	(5)	(6)
$1_{Team_{m,t}}$	0.051 (0.088)	0.055 (0.047)	0.045 (0.098)	0.033 (0.067)	0.037 (0.051)	0.020 (0.058)
$Skill_{m,t}$	0.0021** (0.0008)	0.0022** (0.0010)	0.0019** (0.0009)	0.0019** (0.0008)	0.0019** (0.0009)	0.0020** (0.0009)
$Visibility_{m,t}$	0.0010** (0.0004)	0.0011** (0.0004)	0.0010** (0.0005)	0.0010** (0.0004)	0.0010** (0.0005)	0.0009* (0.0005)
$1_{Junior_{m,t}} \times Team\ Skill_{m,t}$	-0.0574*** (0.0081)		-0.0516*** (0.0075)	-0.0545*** (0.0095)		-0.0488*** (0.0092)
$1_{Senior_{m,t}} \times Team\ Skill_{m,t}$	-0.0172** (0.0075)		-0.0230** (0.0104)	-0.0145** (0.0066)		-0.0201* (0.0107)
$1_{Junior_{m,t}} \times Team\ Visibility_{m,t}$		-0.0309*** (0.0087)	-0.0242*** (0.0091)		-0.0252*** (0.0093)	-0.0220*** (0.0082)
$1_{Senior_{m,t}} \times Team\ Visibility_{m,t}$		-0.0132** (0.0063)	-0.0132** (0.0062)		-0.0110* (0.0060)	-0.0110* (0.0061)
Observations	1,476	1,476	1,476	1,476	1,476	1,476
R-squared	0.515	0.572	0.577	0.861	0.878	0.880
Manager characteristics	Yes	Yes	Yes	Yes	Yes	Yes
Team characteristics	Yes	Yes	Yes	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Manager FE	No	No	No	Yes	Yes	Yes

Online Appendix to "Winning Teams or Winning Pay? The Impact of Team Allocation on Fund Manager Compensation and Careers"

A Benchmarking Fund Performance

A.A Five-benchmark Model

In our main tests, we use a five-benchmark model to evaluate the fund performance, deriving the fund's alpha and its passive benchmark return. This model was developed for the Israeli Ministry of Finance to compare long-term investment instruments such as pension funds and provident funds. The model uses five benchmarks as proxies for risk factors: two equity market indices, Tel Aviv 100 Index and the MSCI World Index, as well as the three bond indices: inflation-indexed corporate bonds, inflation-indexed government bonds and non-indexed government bonds ([Hamdani, Kandel, Mugerma and Yafeh \(2017\)](#)). We apply the same model for estimating the performance of mutual funds because their holdings are very similar to the holdings of the provident funds ([Shaton \(2017\)](#)).

In the main analysis, we estimate fund betas using fund-level monthly data in the following specification:

$$R_{ik} - R_k^{RF} = \alpha_i + \sum_{f=1}^F \beta_{if} (R_{fk} - R_k^{RF}) + \epsilon_{ik}, \quad (\text{A1})$$

where $R_{ik} - R_k^{RF}$ is an excess return of fund i in month k above the risk free rate R_k^{RF} and $R_{fk} - R_k^{RF}$ is an excess return of factor f in month k . The risk-free rate R_k^{RF} is defined as monthly return on Israeli short-term (one-year maturity) government bonds.

We follow [Berk and Van Binsbergen \(2015\)](#) and generate the fund's benchmark return multiplying the estimated fund betas by the annual excess returns on the indices in year

t :

$$R_{it}^B = \sum_{f=1}^F \hat{\beta}_{if} (R_{ft} - R_t^{RF}). \quad (\text{A2})$$

Intuitively, benchmark return represents a return on the portfolio of passive assets that is the “closest” to the fund’s asset holdings. This is the return that investors can achieve on their own purely relying on passive benchmarks that represent the alternative investment opportunity set.

A.B Style-Adjusted Performance

In our robustness tests, we compute the fund’s relative performance by comparing fund return to the average return of its peers within the same style. In this case, the fund’s peer benchmark is the average return of all the funds in a particular style and equals to

$$R_{st}^{PB} = \frac{1}{K} \sum_{k=1}^K R_{skt}, \quad (\text{A3})$$

where K is a total number of funds in style s in year t , and R_{skt} equals to a raw return for fund k in style s over year t .

The Israel Securities Authority categorizes funds into 11 baseline categories according to asset classes they invest in, as shown in Appendix Table B1. We use these categories as styles for the our calculations of style-adjusted performance. Similarly, the fund i ’s performance relative to its peers equals to $\alpha_{it}^{PB} = R_{it} - R_{st}^{PB}$.

B Additional Empirical Tests and Results

B.A Robustness of Main Results

Table B4 shows the results from various robustness checks, using augmentations of Equation 9 with its most restrictive version, reported in column (7) of Table 2. For brevity, we only report the coefficients on the main measures of team quality. Appendix Tables B5 - B9 have details.

In Panel A, we add more control variables. We first seek to more accurately capture various aspects of seniority by adding different measures of manager experience such as the average experience with portfolio funds and the overall asset management industry experience. We consider these factors both at the individual manager level and at the team level. After accounting for these varied types of experience, our results remain unchanged.

Following the evidence on the importance of the manager's education for skill and performance (Chevalier and Ellison (1999a)), we also include additional variables to control for the effects of education at the manager-level and team-level. We add an indicator variable which equals one if the manager has an advanced degree (e.g. MBA) as well as the average of such indicator variables across the manager's team members. We find that the estimated effects of team quality are robust to controlling for education of the manager and their teammates.

We next ask whether our estimates of team quality can be confounded by variation in characteristics of individual managers within teams. For example, high average investment skill within the team can be driven by a large variation in skill within the same team. As a result, the managers may be willing to accept lower compensation for working with the team with a highly diverse set of skills rather than higher average skill. To account for this possibility, we control for skill and visibility variance with the team and find that our results remain quantitatively similar.

Team allocations may be influenced by a manager's prior investment skill and visibility. This can create spurious correlations between compensation and current skill and visibility if these traits persist over time. To address this, we control for skill and visibility histories from $t - 2$ to $t - 1$. Panel A shows that these histories does not confound the effects of team quality.¹⁹ Additionally, controlling for compensation history yields similar effects of team skill and visibility, suggesting that compensation trends also do not affect our main results.

Panel B details results from several modifications to our empirical approach. The first modification addresses the varying contributions of team members in fund management. While our main tests assume equal contribution by all portfolio managers, as per previous studies, the reality might differ. Senior managers, often more skilled and visible, may have a greater role in portfolio decisions and thus receive higher compensation. Consequently, managers working alongside more skilled and visible colleagues might receive lower pay due to their lesser contribution to the fund management process, a factor not fully captured by equal attribution to the fund's value added.

To account for this, we redefine our main variables, assuming team members contribute to fund management in proportion to their relative industry experience. For instance, in a two-member team with one manager having one year of experience and the other having two years, we attribute 1/3 of the fund's value added to the first manager and 2/3 to the second. This seniority-based approach is similarly applied when we redefine variables that involve attributing assets to individual managers, such as revenue. The results in Panel B affirm that our main conclusions are consistent under this revised assumption.

Our second modification concentrates on large firms with multiple managers and teams. Given that the average Israeli firm typically has 3 managers, there's a concern about sufficient variation in team assignments within firms for identifying team alloca-

¹⁹In Appendix Table B7, we analyze the effects of manager history using year-by-year skill estimates to avoid overlapping years and reduce high correlations between skill measures from prior years.

tion effects. We address this by narrowing our sample to larger firms with at least four managers and two teams. The findings from this subsample, shown in Panel B of Table B4, are in line with our main results.

Lastly, we compute the baseline skill measure from Equation 2 using distinct style-adjusted benchmarks for each fund in a manager's portfolio, instead of using the same five benchmarks for all funds (details in Appendix A.B). This approach responds to the debate on the most relevant measures of fund risk-adjusted performance for investors (Berk and Van Binsbergen (2016) and Barber et al. (2016)). Our findings remain consistent using this alternative skill measure. Panel C also confirms the robustness of our results to various standard error clustering methods.

B.B Robustness of DiD Results

B.B.1 Robustness to Manager Development Stage

Unobserved time-varying factors at the manager level may potentially introduce bias into our results. For example, a sharp transition in a manager's development stage, from "junior" to "leading," coinciding with team transitions, could explain the pronounced changes in compensation and other variables observed in Figures 3 and 4. Our current specification addresses this issue imperfectly. While we include observable proxies for development stage, such as manager age and three types of experience (experience in asset management, the mutual fund industry, and specific fund management), these variables change smoothly over time and may not fully capture sharp transitions in development stage.

To address this concern more rigorously, we employ two approaches. First, we develop two new proxies for significant, sharp changes in a manager's development stage and re-estimate the effects of team transitions on compensation using these proxies. Second, we apply the novel methodology from Cinelli and Hazlett (2020) to provide an upper bound on the potential bias from omitted variables, such as unobserved, time-varying

manager-specific factors.

We start with the proxies for sharp changes in development stage. The first proxy, "role promotion," is constructed using an indicator variable that equals one if the manager holds an additional role, such as head of the investment committee, chief investment strategist, chief investment officer, or CEO. It reflects within-company promotions that likely signal manager potential observed privately by the fund family. The second proxy is based on the number of funds a manager oversees, reflecting asset management skill-specific internal promotions based on private information held by the fund family. To capture sharp differences, we define "fund promotion" as an event of 50% increase in the number of portfolio funds, which, for the average manager, translates to overseeing two additional mutual funds.

We first examine the pairwise correlations between the newly constructed promotion variables and our previously used "high-to-low" and "low-to-high" team transition indicators. The aim is to investigate how internal promotions are related to different types of team transitions. Panel A of Appendix Table B11 reveals that both types of promotions have only weak correlations with "low-to-high" transitions for both measures of team quality. In contrast, promotions exhibit stronger correlations, ranging from 0.31 to 0.42, with transitions from "high-to-low" teams.

We next estimate our main DiD specifications while controlling for both promotion variables, with the results presented in Panel B of Appendix Table B11. For brevity, we focus solely on the estimated effects of transitions for the first year ($i = 0$). Although both role and fund promotions are associated with an 8%-11% increase in compensation, including these variables in the regression model either does not significantly alter the effect of team transitions (in the case of low-to-high transitions) or slightly reduces the effect, as seen with high-to-low transitions.

The results for high-to-low transitions indicate that the transition effect weakens when managers are simultaneously required to take on additional responsibilities and receive corresponding compensation. However, the magnitude of this decline is modest and does

not fully offset the transition effect. For instance, compared to the results in Figure 3 on the impact of transitions based on investment skill, the effect decreases from nearly 12% to 9.7%. Similarly, in Figure 4, the effect of transitions based on visibility drops from 14% to 11%. Thus, we conclude that while the coincidence of promotions with team transitions has an impact, it does not negate the effect of the transitions themselves. The results from the low-to-high transitions indicate that these transitions do not impact compensation, even when accounting for the manager being compensated for additional responsibilities.

B.B.2 Robustness to Unobserved Confounders

We next estimate potential bias from omitted variables using the methods of Cinelli and Hazlett (2020). This approach calculates the maximum bias from an unobserved confounder as influential as all our control variables combined in explaining compensation and team transition. Bias estimates rely on two partial R^2 statistics: one for compensation and another for team transition. Assuming a worst-case scenario, the test calculates the maximum bias such a highly influential confounder could introduce. Small estimated bias under this assumption suggests our results are robust to unobserved confounders.

We calculate the maximum potential bias using the formulas from Cinelli and Hazlett (2020) for all of our main DiD specifications, as shown in Figures 3 and 4. For brevity, we focus our discussion on the effects of "high-to-low" transitions, which are both economically and statistically significant in Figures 3 and 4, but we also report the results for "low-to-high" transitions for completeness. Overall, we find that the bias estimates are modest: 4.1% for transitions based on team skill and 3.7% for transitions based on team visibility. Intuitively, after accounting for fixed effects, the control variables - including manager and team characteristics - explain only a modest portion of the residual variation in both compensation and team transitions, leading to small bias estimates.

To evaluate the relative impact of this bias on our estimates, Appendix Table B12 provides bounds equal to the estimated effects of team transitions plus and minus the bias. Across all specifications, the lower bound on the transition effect remains positive and

economically meaningful: 8.3% for team skill and 10.6% for team visibility. This indicates that the potential bias is unlikely to significantly attenuate the main effects.

In the last column of Appendix Table B12, we present results from the most restrictive tests, showing 95% confidence intervals where the standard errors account for the uncertainty from both the transition effect estimates and the bias. The lower bound of these intervals represents an extreme scenario where both the true effect and the bias are two standard errors below their means. Even under this scenario, the transition effect remains positive, albeit more modest. Based on these combined tests, we conclude that the potential bias from a strong unobserved confounder cannot entirely eliminate the effects of team transitions.

B.C Additional Evidence from Solo-managed Funds

The impact of team quality on a manager's future skill development and compensation growth can be interpreted differently. Fund returns, which partly determine a manager's skill, are affected by the entire team's contributions. Because we use the same fund returns to measure both individual manager and team skills, being part of a higher-skill team could artificially inflate a manager's observed future skill. Consequently, the positive correlation between team quality and compensation growth might not necessarily signify an actual enhancement of the manager's own abilities. Instead, it could be a case of the manager "free-riding" on their teammates' skills.

To address this issue, we re-evaluate the influence of team allocation on skill growth using a subset of managers who manage both solo and team funds. In this analysis, team skill is calculated solely from team-managed funds, while individual manager skill is derived only from their solo-managed funds. This method allows us to determine if a manager demonstrates enhanced fund management capabilities on their own after being assigned to a more skilled team. An improvement in skill related to solo-managed funds is unlikely to result from the mechanical effects mentioned earlier.

The findings, as shown in columns (1)-(3) of Table B14, reveal that a higher team skill positively influences the growth of a manager's skill, as determined by their performance in managing solo funds. Moreover, columns (4)-(6) indicate an increase in revenue from solo-managed funds, suggesting that team allocation not only enhances managerial skills but also boosts the individual, manager-specific productivity. The magnitude of these effects aligns with the estimates from Table 3, reinforcing the robustness of our results against the alternative interpretation of mechanical "skill improvement".

Figure B1: Sample Coverage

This figure presents the assets under management (AUM) of the entire Israeli mutual fund industry and the aggregated AUM of our sample.

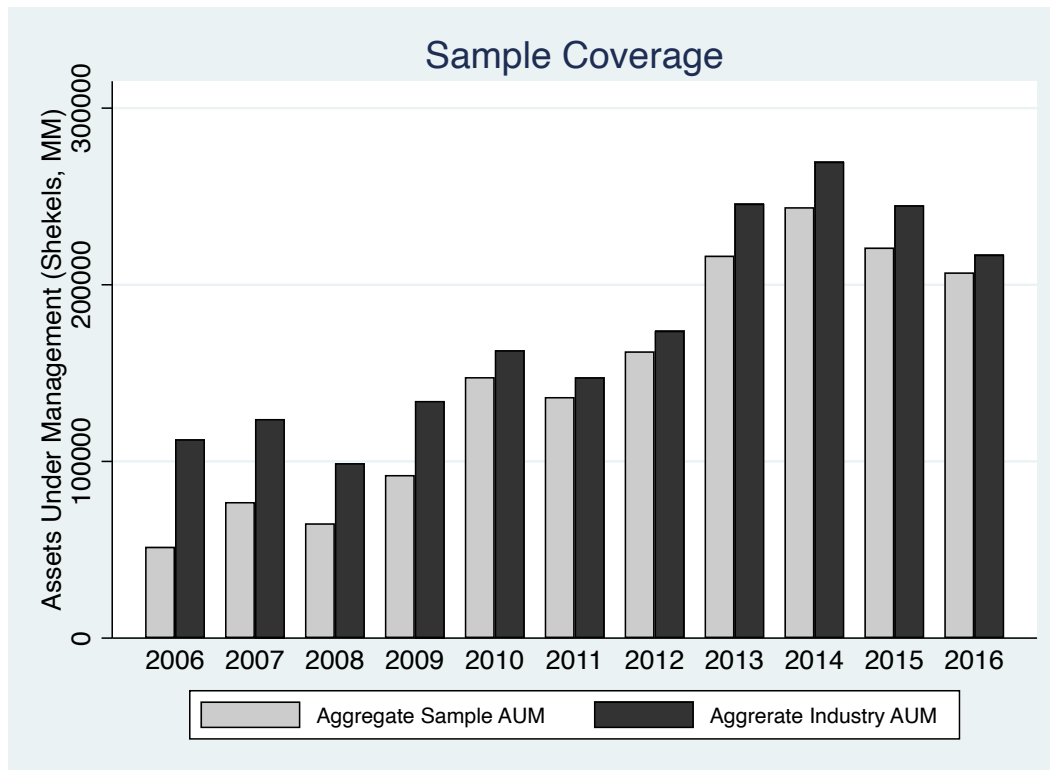


Table B1: Sample Composition

This table presents the distribution of the sample mutual funds across asset classes as of December 2016. The Israeli Securities Authority provides the basic classification of funds into 11 asset classes presented below.

Primary Asset Class	Number of Funds	Percentage by Count
Israeli Fixed Income - Broad Market	294	21%
Israeli Fixed Income - Sheqels	272	18%
Israeli Fixed Income - Corporate and Convertibles	206	15%
Israeli Fixed Income - Government	191	12%
Israeli Equity	159	11%
Global Equity	136	10%
Global Fixed Income	74	5%
Flexible	35	3%
Fund of Israeli Funds	34	2%
Leverage & Strategic	27	2%
Israeli Fixed Income - Foreign Currency	18	1%
Total	1446	

Table B2: Robustness to Different Time Horizons

This table presents the robustness checks for the results from Table 2. All the estimates are obtained from the regressing manager compensation on team and manager characteristics with the same baseline set of control variables and fixed effects as in columns (7) and (8) of Table 2. In these tests, we use alternative skill estimates: alpha calculated over 3-year and 5-year periods, and the Berk and Van Binsbergen (2015) skill measure averaged over the same durations. All other variables are defined in the caption of Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$\text{Log}(\text{Compensation}_{m,t})$			
	3 Years		5 Years	
	BVB	Alpha	BVB	Alpha
$1_{\text{Team}_{m,t}}$	0.048 (0.097)	0.079 (0.074)	0.031 (0.090)	0.069 (0.099)
$\text{Skill}_{m,t}$	0.0025*** (0.0008)	0.410** (0.161)	0.0024** (0.0010)	0.311*** (0.081)
$\text{Team Skill}_{m,t}$	-0.0020** (0.0010)	-0.563** (0.232)	-0.0018** (0.0008)	-0.357** (0.162)
$\text{Visibility}_{m,t}$	0.0013*** (0.0004)	0.0011*** (0.0003)	0.0011*** (0.0004)	0.0010*** (0.0003)
$\text{Team Visibility}_{m,t}$	-0.0018*** (0.0006)	-0.0012** (0.0005)	-0.0013*** (0.0004)	-0.0010*** (0.0004)
Observations	1,389	1,276	1,265	1,119
R-squared	0.338	0.768	0.553	0.861
Manager Characteristics	Yes	Yes	Yes	Yes
Team Characteristics	Yes	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes	Yes

Table B3: Correlation between Manager and Team Characteristics

This table reports the pairwise correlations between manager skill, team skill, manager visibility, and team visibility. *Skill* is the Berk and Van Binsbergen (2015)'s measure of the manager's investment skill. *Visibility* is the number of newspaper articles about the manager in the four major business outlets in Israel. 1_{Team} indicator equals one if the manager is working with the team. *Team Skill* is the average skill of the manager's team members. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel.

Pairwise Correlations				
	$Skill_{m,t}$	$Team\ Skill_{m,t}$	$Visibility_{m,t}$	$Team\ Visibility_{m,t}$
$Skill_{m,t}$	1.000	0.456	0.321	0.299
$Team\ Skill_{m,t}$	0.456	1.000	0.432	0.379
$Visibility_{m,t}$	0.321	0.432	1.000	0.415
$Team\ Visibility_{m,t}$	0.299	0.379	0.415	1.000

Table B4: Robustness Checks

This table presents the robustness checks for the results from Table 2. All the estimates are obtained from the regressing manager compensation on team and manager characteristics with the same baseline set of control variables and fixed effects as in column (7) of Table 2. Only the coefficients on *Team Skill* and *Team Visibility* are reported. The detailed results are in Appendix Tables B5 - B9. *Compensation* is the manager's compensation in shekels. 1_{Team} indicator equals one if the manager is working with the team. *Team Skill* is the average skill of the manager's team members. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel. Panel A reports the results from specifications with additional control variables. Panel B shows the results with modifications to measurement and sampling approaches. Panel C reports the results with alternative clustering of standard errors. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	(1)	(2)	(3)
	$Log(Compensation_{m,t})$		Full Results in Appendix
Coefficient on	$Team Skill_{m,t}$	$Team Visibility_{m,t}$	
Panel A: Add Extra Control Variables			
Manager and Team Fund Experience	-0.0013** (0.0006)	-0.0013*** (0.0004)	Table B5
Manager and Team Asset Management Industry Experience	-0.0013** (0.0006)	-0.0010*** (0.0003)	Table B5
Manager and Team Education	-0.0015** (0.0006)	-0.0011** (0.0005)	Table B5
Variance of Skill within Team	-0.0014** (0.0005)	-0.0011*** (0.0003)	Table B6
Variance of Visibility within Team	-0.0012** (0.0004)	-0.0010*** (0.0003)	Table B6
Skill History from $t - 2$ to $t - 1$	-0.0016*** (0.0005)	-0.0013*** (0.0004)	Table B7
Visibility History from $t - 2$ to $t - 1$	-0.0013** (0.0006)	-0.0011* (0.0005)	Table B7
Compensation History from $t - 2$ to $t - 1$	-0.0012** (0.0005)	-0.0012** (0.0004)	Table B8
Panel B: Modifications			
Seniority-Based Contribution to Fund Management	-0.0011** (0.0004)	-0.0009** (0.0004)	Table B9
Subsample of Large Firms	-0.0018** (0.0008)	-0.0013** (0.0005)	Table B9
BvB Skill Measure With Style-Adjusted Returns	-0.0014** (0.0005)	-0.0011*** (0.0005)	Table B9
Panel C: Alternative Clustering			
Manager	-0.0014** (0.0004)	-0.0011** (0.0005)	
Firm and Year	-0.0014** (0.0004)	-0.0011** (0.0005)	
Firm	-0.0014** (0.0006)	-0.0011** (0.0005)	

Table B5: Additional Controls: Experience and Education

This table presents the results from regressing compensation on team and manager characteristics. *Compensation* is the manager's compensation in shekels. *Skill* is the Berk and Van Binsbergen (2015)'s measure of the manager's investment skill. *Visibility* is the number of newspaper articles about the manager in the four major business outlets in Israel. 1_{Team} indicator equals one if the manager is working with the team. *Team Skill* is the average skill of the manager's team members. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel. *Fund Experience* is the average number of years the manager has been managing their portfolio funds. *Team Fund Experience* is the average number of years the manager's team member have been managing their portfolio funds. *AM Industry Experience* is the number of years that the manager has been working in the asset management industry. *Team AM Industry Experience* is the average number of years that the manager's team members have been working in the asset management industry. *Advanced Degree* indicator equals one if the manager holds an advanced degree (for example, MBA or Masters of Arts). *Team Advanced Degree* is the fraction of the manager's team members who hold an advanced degree. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$\text{Log}(\text{Compensation}_{m,t})$		
	(1)	(2)	(3)
$1_{Team_{m,t}}$	0.070 (0.090)	0.061 (0.051)	0.089 (0.077)
$Skill_{m,t}$	0.0024*** (0.0008)	0.0022*** (0.0008)	0.0021** (0.0008)
$Team\ Skill_{m,t}$	-0.0013** (0.0006)	-0.0013** (0.0006)	-0.0015** (0.0006)
$Visibility_{m,t}$	0.0011*** (0.0003)	0.0010*** (0.0004)	0.0012*** (0.0003)
$Team\ Visibility_{m,t}$	-0.0013*** (0.0004)	-0.0010*** (0.0003)	-0.0011** (0.0005)
$\text{Log}(\text{FundExperience}_{m,t})$	0.012** (0.005)		
$\text{Log}(\text{TeamFundExperience}_{m,t})$	0.016 (0.015)		
$\text{Log}(\text{AM Industry Experience}_{m,t})$		0.034 (0.082)	
$\text{Log}(\text{Team AM Industry Experience}_{m,t})$		0.022 (0.021)	
$\text{Advanced Degree}_{m,t}$			0.054 (0.058)
$\text{Team Advanced Degree}_{m,t}$			0.674 (0.902)
Observations	1,476	1,476	1,476
R-squared	0.875	0.875	0.876
Manager characteristics	Yes	Yes	Yes
Team characteristics	68	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes
Manager FE	Yes	Yes	No

Table B6: Additional Controls: Skill and Visibility Variance within Teams

This table presents the results from regressing compensation on team and manager characteristics. *Compensation* is the manager's compensation in shekels. *Skill* is the Berk and Van Binsbergen (2015)'s measure of the manager's investment skill. *Visibility* is the number of newspaper articles about the manager in the four major business outlets in Israel. 1_{Team} indicator equals one if the manager is working with the team. *Team Skill* is the average skill of the manager's team members. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel. *Team Skill Variance* is the variance of the skill across the manager's team members. *Team Visibility Variance* is the variance of the visibility across the manager's team members. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$\text{Log}(\text{Compensation}_{m,t})$		
	(1)	(2)	(3)
$1_{Team_{m,t}}$	0.072 (0.078)	0.070 (0.076)	0.070 (0.075)
$Skill_{m,t}$	0.0024*** (0.0008)	0.0021*** (0.0009)	0.0021** (0.0009)
$Team\ Skill_{m,t}$	-0.0014*** (0.0005)	-0.0012** (0.0004)	-0.0012** (0.0004)
$Visibility_{m,t}$	0.0010*** (0.0003)	0.0010*** (0.0005)	0.0011*** (0.0004)
$Team\ Visibility_{m,t}$	-0.0011*** (0.0003)	-0.0010*** (0.0003)	-0.0010** (0.0004)
$Team\ Skill\ Variance_{m,t}$	0.054 (0.059)		0.041 (0.055)
$Team\ Visibility\ Variance_{m,t}$		0.012 (0.087)	0.010 (0.071)
Observations	1,476	1,476	1,476
R-squared	0.875	0.875	0.875
Manager characteristics	Yes	Yes	Yes
Team characteristics	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes

Table B7: Additional Controls: Skill and Visibility History

This table presents the results from regressing compensation on team and manager characteristics. *Compensation* is the manager's compensation in shekels. *Skill* is the Berk and Van Binsbergen (2015)'s measure of the manager's investment skill, calculated on a year-by-year basis to avoid overlapping years. *Visibility* is the number of newspaper articles about the manager in the four major business outlets in Israel. 1_{Team} indicator equals one if the manager is working with the team. *Team Skill* is the average skill of the manager's team members. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$\text{Log}(\text{Compensation}_{m,t})$		
	(1)	(2)	(3)
$1_{Team_{m,t}}$	0.073 (0.072)	0.068 (0.074)	0.081 (0.084)
$Skill_{m,\hat{t}}$	0.0019** (0.0009)	0.0021** (0.0008)	0.0020** (0.0008)
$Skill_{m,\hat{t}-1}$	0.0011** (0.0005)		0.0017* (0.0008)
$Skill_{m,\hat{t}-2}$	0.0004 (0.0009)		0.0005 (0.0010)
$Team\ Skill_{m,t}$	-0.0016*** (0.0005)	-0.0013** (0.0006)	-0.0011** (0.0005)
$Visibility_{m,t}$	0.0011*** (0.0004)	0.0010*** (0.0005)	0.0012*** (0.0004)
$Visibility_{m,t-1}$		0.0008* (0.0004)	0.0006* (0.0003)
$Visibility_{m,t-2}$		0.0004 (0.0005)	0.0003 (0.0004)
$Team\ Visibility_{m,t}$	-0.0013*** (0.0004)	-0.0011** (0.0005)	-0.0012** (0.0005)
Observations	1,476	1,476	1,476
R-squared	0.874	0.879	0.876
Manager characteristics	Yes	Yes	Yes
Team characteristics	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes

Table B8: Additional Controls: Compensation History

This table presents the results from regressing compensation on team and manager characteristics. *Compensation* is the manager's compensation in shekels. *Skill* is the Berk and Van Binsbergen (2015)'s measure of the manager's investment skill. *Visibility* is the number of newspaper articles about the manager in the four major business outlets in Israel. 1_{Team} indicator equals one if the manager is working with the team. *Team Skill* is the average skill of the manager's team members. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$\text{Log}(\text{Compensation}_{m,t})$		
	(1)	(2)	(3)
$1_{Team_{m,t}}$	0.072 (0.069)	0.073 (0.073)	0.082 (0.093)
$Skill_{m,t}$	0.0020** (0.0008)	0.0020** (0.0009)	0.0019** (0.0009)
$Team\ Skill_{m,t}$	-0.0015*** (0.0004)	-0.0014** (0.0006)	-0.0012** (0.0005)
$Visibility_{m,t}$	0.0010*** (0.0003)	0.0010*** (0.0005)	0.0011*** (0.0004)
$Team\ Visibility_{m,t}$	-0.0012*** (0.0004)	-0.0013** (0.0005)	-0.0012*** (0.0004)
$\text{Log}(\text{Compensation}_{m,t-1})$	0.615*** (0.203)		0.568** (0.230)
$\text{Log}(\text{Compensation}_{m,t-2})$		0.306** (0.142)	0.281* (0.154)
Observations	1,476	1,476	1,476
R-squared	0.877	0.877	0.877
Manager characteristics	Yes	Yes	Yes
Team characteristics	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes

Table B9: Alternative Measures of Skill, Team Member Contribution and Alternative Samples

This table presents the results from regressing compensation on team and manager characteristics with various modifications. *Compensation* is the manager's compensation in shekels. *Visibility* is the number of newspaper articles about the manager in the four major business outlets in Israel. 1_{Team} indicator equals one if the manager is working with the team. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel. In column (1), we attribute fund value-added, assets and revenues to individual managers based on the manager's mutual fund industry experience, instead of applying equal weights. In column (2), the manager's *Skill* is defined as the Berk and Van Binsbergen (2015)'s measure but using the style-adjusted α^{PB} (see Section A.B). The *Team Skill* is redefined appropriately. In column (3), we restrict the sample to include only the larger firms with at least four managers and two teams. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$Log(Compensation_{m,t})$		
	(1)	(2)	(3)
$1_{Team_{m,t}}$	0.069 (0.070)	0.078 (0.070)	0.071 (0.065)
$Skill_{m,t}$	0.0017** (0.0007)	0.0019** (0.0008)	0.0021** (0.0010)
$Team\ Skill_{m,t}$	-0.0011** (0.0004)	-0.0014** (0.0005)	-0.0018** (0.0008)
$Visibility_{m,t}$	0.0010*** (0.0003)	0.0010** (0.0005)	0.0009** (0.0004)
$Team\ Visibility_{m,t}$	-0.0009** (0.0004)	-0.0011** (0.0005)	-0.0013** (0.0005)
Modification:	Seniority-Based Contribution to Fund Management	Measuring Skill Using Styled-Adjusted Returns	Subsample of Large Firms
Observations	1,476	1,476	1,031
R-squared	0.801	0.878	0.707
Manager characteristics	Yes	Yes	Yes
Team characteristics	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes

Table B10: Transitions Across Teams Within Firms: First-Difference Tests

This table presents the results from regressing one-year changes in manager compensation on team characteristics for the sample of managers who switched teams within firms. The changes are calculated as the differences in the outcome variables between the last year in the old team and the first year in the new team. *Compensation* is the manager's compensation in shekels. $1_{Team Skill}^{L \rightarrow H}$ indicator equals one if the manager switched to the high-skill team from the low-skill team, and $1_{Team Skill}^{H \rightarrow L}$ indicates a transition in the opposite direction. $1_{Team Visibility}^{L \rightarrow H}$ indicator equals one if the manager switched to the high-visibility team from the low-visibility team, and $1_{Team Visibility}^{H \rightarrow L}$ indicates a transition in the opposite direction. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

	(1)	(2)	(3)
	$y = \Delta \text{Log}(\text{Compensation})_{t,t+1}$		
$1_{Team Skill}^{L \rightarrow H}$	-0.21 (0.14)		-0.19 (0.15)
$1_{Team Skill}^{H \rightarrow L}$	0.23*** (0.07)		0.19** (0.08)
$1_{Team Visibility}^{L \rightarrow H}$		-0.11 (0.09)	-0.13 (0.10)
$1_{Team Visibility}^{H \rightarrow L}$		0.12** (0.06)	0.11** (0.05)
Observations	201	201	201
R-squared	0.42	0.43	0.45
Manager Characteristics	Yes	Yes	Yes
Team Characteristics	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes

Table B11: Robustness to Promotions Around Team Transitions

This table presents the results of two tests examining the relationship between manager promotions and team switching. Panel A reports the correlations between promotion events and team switching events. Panel B presents the results of estimating the effects of team switching on manager compensation while controlling for promotions. The methodology and definitions of team switching events are detailed in Section V.C. $\mathbb{1}_{RolePromotion_{m,t \rightarrow t+5}}$ equals one if the manager assumes an additional role, such as head of the investment committee, chief investment strategist, chief investment officer, or CEO. $\mathbb{1}_{FundPromotion_{m,t \rightarrow t+5}}$ equals one if there is a 50% increase in the number of portfolio funds. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

Panel A: Correlations				
	Team Skill		Team Visibility	
	$\mathbb{1}_{me}^{L \rightarrow H}$	$\mathbb{1}_{me}^{H \rightarrow L}$	$\mathbb{1}_{me}^{L \rightarrow H}$	$\mathbb{1}_{me}^{H \rightarrow L}$
$\mathbb{1}_{RolePromotion_{m,t}}$	0.112	0.375	0.045	0.342
$\mathbb{1}_{FundPromotion_{m,t}}$	0.135	0.310	0.078	0.418

Panel B: Effects of Team Quality and Promotions				
$y =$	$Log(Compensation_{m,t})$			
	Team Skill		Team Visibility	
	(1)	(2)	(3)	(4)
$\mathbb{1}_{me}^{L \rightarrow H} \times \mathbb{1}_0$	0.013 (0.121)		0.009 (0.068)	
$\mathbb{1}_{me}^{H \rightarrow L} \times \mathbb{1}_0$		0.097** (0.041)		0.113*** (0.033)
$\mathbb{1}_{RolePromotion_{m,t}}$	0.112** (0.045)	0.105* (0.053)	0.097** (0.039)	0.085** (0.037)
$\mathbb{1}_{FundPromotion_{m,t}}$	0.118** (0.048)	0.110** (0.044)	0.102* (0.055)	0.095* (0.048)
Observations	1,040	1,040	1,040	1,040
R-squared	0.770	0.785	0.791	0.798
Manager characteristics	Yes	Yes	Yes	Yes
Team characteristics	Yes	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes	Yes

Table B12: Robustness to Unobserved Confounders

This table presents the results from [Cinelli and Hazlett \(2020\)](#)'s tests applied to all main DiD specifications shown in Figures 3 and 4. The Bias represents the maximum potential bias calculated using [Cinelli and Hazlett \(2020\)](#)'s approach, as described in Section B.B.2. The Estimate Bounds are the estimated effects of team transitions plus and minus the bias. The 95% confidence intervals are computed using standard errors that account for uncertainty from both the transition effect estimates and the bias.

Dependent Variable	Estimate	Bias	Estimate Bounds	95% CI
Team Skill				
$\mathbb{1}_{me}^{L \rightarrow H} \times \mathbb{1}_0$	0.014	0.010	[0.004; 0.024]	[-0.005; 0.033]
$\mathbb{1}_{me}^{H \rightarrow L} \times \mathbb{1}_0$	0.124	0.041	[0.083; 0.165]	[0.045; 0.203]
Team Visibility				
$\mathbb{1}_{me}^{L \rightarrow H} \times \mathbb{1}_0$	0.008	0.009	[-0.001; 0.017]	[-0.005; 0.021]
$\mathbb{1}_{me}^{H \rightarrow L} \times \mathbb{1}_0$	0.143	0.037	[0.106; 0.180]	[0.056; 0.230]

Table B13: Effects of Team Transitions on the Direction of Specialization

This table presents the results from estimating the effects of team switching on the direction of specialization. The measure of $D_{i,t}$, defined in Section VI.B, captures the distance in industry or style weights between the new manager and the specialist team member. A specialist member is defined as a team member whose specialization level is in the top 30% of the specialization distribution for the same year. The estimation methodology is detailed in Section V.C. The table provides separate results for each specialization type: industry specialization and style specialization. All specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors are double-clustered by manager and year and are reported in parentheses.

$y =$	$D_{i,t}$			
	<i>Industry Specialization</i>		<i>Style Specialization</i>	
	(1)	(2)	(3)	(4)
$\mathbb{1}_{me}^{L \rightarrow H} \times \mathbb{1}_0$	-0.121** (0.054)		-0.164* (0.101)	
$\mathbb{1}_{me}^{H \rightarrow L} \times \mathbb{1}_0$		-0.082 (0.077)		0.075 (0.059)
Observations	885	675	1,021	943
R-squared	0.403	0.532	0.491	0.425
Manager characteristics	Yes	Yes	Yes	Yes
Team characteristics	Yes	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes	Yes

Table B14: Effects of Team Quality on Manager Skill and Revenue: Solo-Managed Funds

This table presents the results from regressing the manager's 3-year skill growth rate and 3-year revenue growth rate on team and manager characteristics. The sample includes only the managers who have both team-managed and solo-managed funds in their portfolios. The manager's skill and revenues are computed following the approach described in Section II.C, but using only the solo-managed funds for each manager. *Compensation* is the manager's compensation in shekels. *Skill* is the Berk and Van Binsbergen (2015)'s measure of the manager's investment skill. *Visibility* is the number of newspaper articles about the manager in the four major business outlets in Israel. 1_{Team} indicator equals one if the manager is working with the team. *Team Skill* is the average skill of the manager's team members. *Team Visibility* is the average number of articles about the manager's team members in the four major business outlet in Israel. All the specifications include the full set of manager and team characteristics from Table 2. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Standard errors double-clustered by manager and year are in parentheses.

$y =$	$\frac{\Delta Skill_{m,t \rightarrow t+3}}{Skill_{m,t}}$			$\Delta \text{Log}(Revenue)_{m,t \rightarrow t+3}$		
	(1)	(2)	(3)	(4)	(5)	(6)
$1_{Team_{m,t}}$	0.019 (0.102)	0.021 (0.137)	0.027 (0.130)	-0.092 (0.128)	-0.082 (0.185)	-0.094 (0.135)
$Skill_{m,t}$	0.0013*** (0.0005)		0.0012** (0.0005)	0.0007** (0.0003)		0.0007** (0.0003)
$Team\ Skill_{m,t}$	0.004** (0.002)		0.005** (0.002)	0.003** (0.001)		0.003** (0.001)
$Visibility_{m,t}$		0.0025 (0.0073)	0.0028 (0.0045)		0.0013** (0.0006)	0.0011* (0.0006)
$Team\ Visibility_{m,t}$		0.0010 (0.0011)	0.0010 (0.0017)		0.002** (0.001)	0.002** (0.001)
Observations	871	871	871	871	871	871
R-squared	0.701	0.713	0.742	0.667	0.671	0.699
Manager characteristics	Yes	Yes	Yes	Yes	Yes	Yes
Team characteristics	Yes	Yes	Yes	Yes	Yes	Yes
Firm \times Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Manager FE	Yes	Yes	Yes	Yes	Yes	Yes

Table B15: Industry Classifications

This table provides the list of industry classifications used to calculate the industry specialization measure described in Section VI.B.

<i>Industry</i>
Banks and Holding Companies
Mortgage and Financial Institutions
Insurance Companies and Agencies
Retail Trade
General Services
Tourism and Hotels
Computers
Financial Services
Real Estate and Development
Agriculture
Food and Tobacco
Textiles
Metal
Electricity and Electronics
Building Materials
Chemicals
Wood and its Products
Miscellaneous Industries
Investments and Holding
Oil and Gas Exploration

C Model

In this section, we present a straightforward framework to illustrate the compensation equilibrium in the presence of team externalities.

Labor Market Setup. Our model, adapted from [Han and Miller \(2015\)](#)’s dynamic employment network interactions, simplifies their detailed setting. We present this model heuristically due to our empirical focus, omitting complexities such as endogenizing entry and exit and compensation form choices.

The core concept lies in the value added by each portfolio manager, depending on their qualities and team integration. Positive team externalities boost a manager’s human capital, enhancing future revenue. The revenue is split between the manager (as salary) and the firm (as profits). Firms set compensation and hire managers.

Consider a manager denoted as i working within a team indexed as j at time t within a specific firm. The manager’s individual traits are represented by the vector x_{it} , while the collective attributes of the team are encapsulated in the vector y_{jt} . Both the manager’s and the team’s characteristics undergo dynamic updates over time or when the manager transitions between teams. The evolution of the manager’s traits follows a deterministic law of motion: $x_{i,t+1} \equiv g(x_{it}, y_{jt})$.

The manager’s generated revenue at time t is denoted as $m_{it}(x_{it})$. Notably, revenue exhibits a positive correlation with x_{it} , symbolized by $\frac{\partial m_{it}}{\partial x_{it}} > 0$. This relationship underscores the intuitive principle that managers with superior attributes, such as heightened investment skills or visibility, are more productive and yield higher revenue.²⁰

The manager’s overall benefits from working with team j at time t within a specific firm can be construed as their lifetime compensation. This compensation encompasses

²⁰As highlighted in Section [IV](#), existing literature consistently demonstrates positive correlations between revenue and manager investment skill and visibility. Since our focus revolves around the supply side dynamics between fund firms and their employed managers, we consider the demand side relationship $\frac{\partial m_{it}}{\partial x_{it}} > 0$ as a given constant. Introducing the complexities associated with investor behavior and demand-side frictions would undeniably enhance the model’s realism. However, incorporating these factors would significantly augment the model’s analytical intricacy without fundamentally altering the core implications regarding managerial compensation.

the current salary, denoted as $b_j(m_{it})$, and the manager's anticipated future earnings by remaining with team j for at least one additional period, represented as $f_j(m_{i,t+1})$.

Specifically, the current salary is calculated as $b_j(m_{it}) = \alpha_t + \beta_{ijt}m_{it}(x_{it})$, where α_t captures a firm-wide bonus and $\beta_{ijt}m_{it}(x_{it})$ signifies a bonus component contingent on the manager's revenue.²¹

Similarly, the future compensation, denoted as $f_j(m_{i,t+1})$, is expressed as $f_j(m_{i,t+1}) = \alpha_{t+1} + \beta_{ij,t+1}m_{it}(x_{i,t+1})$. In achieving equilibrium, the firm selects an optimal split ratio, β_{ijt} , ensuring that the manager is indifferent between continuing with the current firm and receiving an alternative payoff u_{it} net of switching costs ϵ_{it} . Following [Han and Miller \(2015\)](#), the alternative payoff u_{it} can fall into one of two scenarios.

In the event the manager receives an alternative job offer from another firm, both firms strive to match the net value of the manager added to the firm's team. This competitive bidding process results in $u_{it} = b_k(m_{it}) + f_k(m_{i,t+1}|y_k)$ net of switching costs, where k denotes the team within the alternative firm under consideration. However, if the manager lacks another viable alternative, their outside option becomes leaving the profession. In this case, u_{it} denotes payoff from quitting. Consequently, the equilibrium compensation for managers, represented as (α, β) , is determined by the equation:

$$b_j(m_{it}) + f_j(m_{i,t+1}) \equiv \alpha_t + \beta_{ijt}m_{it}(x_{it}) + \alpha_{t+1} + \beta_{ij,t+1}m_{i,t+1}(x_{i,t+1}) = u_{it} - \epsilon_{it}. \quad (B1)$$

Team Quality Effects. We empirically measure the manager's individual human capital x_{it} by their investment skill and media visibility, whereas team quality y_{jt} is captured by the average investment skill and visibility of team j . The impact of team quality through the human capital channel is outlined as follows:

Assumption 1 (Human Capital Channel). $\frac{\partial x_{i,t+1}}{\partial y_{jt}} > 0$

²¹In the mutual fund industry, [Ma et al. \(2019\)](#) report that 79% of funds incorporate bonus components into their compensation contracts. Furthermore, [Ibert et al. \(2017\)](#) emphasize revenue as a fundamental driver of portfolio managers' compensation.

Assumption 1 posits that an increase in y_{jt} enhances the growth of agent i 's human capital. Within the context of the mutual fund industry, this assumption captures two vital aspects. Firstly, substantial learning can transpire on the job, especially given the growing importance of teamwork, as evidenced by [Patel and Sarkissian \(2017\)](#). Therefore, a manager can significantly augment their investment skill by collaborating with highly proficient teams, benefiting from knowledge spillover and accumulated experience.²² Secondly, the media visibility of team members can amplify the individual manager's prominence among investors. The evidence presented in Table 3 corroborates both aspects of this assumption. The following proposition summarizes the equilibrium effects of team quality.

Proposition 1 (Equilibrium Effects of Team Quality) *Under Assumption 1, the impact of enhanced team quality y_{jt} on the equilibrium outcomes can be summarized as follows:*

- a. Reduction in Current Compensation (b_{ijt}):* Managers strategically accept lower immediate earnings in anticipation of augmented future earnings due to enhanced skills and visibility within high-quality teams.
- b. Increase in Compensation Growth ($\frac{b_{ij,t+1}}{b_{ijt}}$):* Manager's future compensation increases as they enhance their skills and visibility within superior teams. Compensation growth intensifies due to both elevated future compensation and reduced immediate earnings.
- c. Higher Revenue Growth ($\frac{m_{i,t+1}}{m_{it}}$):* Managers with enhanced investment skills and visibility are more productive and generate higher revenue.

Proof. Following Assumption 1, higher y_{jt} leads to increased $x_{i,t+1}$. Consequently, $m_{i,t+1}$ rises due to the positive relationship represented by $\frac{\partial m_{it}}{\partial x_{it}} > 0$. Additionally, higher revenues boost $b_{ij,t+1}$, as compensation is directly linked to revenue. Notably, the right-hand side of Equation (B1) remains constant regardless of y_{jt} . Thus, in equilibrium, current compensation b_{ijt} must decline. Compensation growth experiences an upswing due

²²In our framework, teamwork directly enhances investment performance by improving the individual managers' investment skill. It's noteworthy that teamwork can also bolster investment performance through diverse perspectives ([Evans, Prado, Rizzo and Zambrana \(2021\)](#)) or by curbing excessive trading ([Fedyk, Patel and Sarkissian \(2020\)](#)).

to the amplified future earnings and reduced immediate compensation. Similarly, revenue growth increases owing to the anticipated rise in future revenues.

Proposition 1 establishes a crucial equilibrium connection between a manager's compensation and team quality. It illuminates that a manager willingly sacrifices their current salary to secure placement in a higher quality team. Such a strategic choice is driven by the understanding that such an allocation substantially amplifies the manager's future productivity and lifetime earnings. The proposition underscores the pivotal role played by team quality in shaping dynamics of human capital, productivity and compensation. In the absence of team externalities ($\frac{\partial x_{i,t+1}}{\partial y_{ijt}} = 0$), the compensation, revenue and human capital of manager i remain unaffected by team allocation.

Assumption 1 and Proposition 1 collectively yield empirically testable predictions. These predictions form the basis of our empirical analysis, as elaborated in Section IV. They serve as guiding principles, offering a structured framework to explore and validate the intricate relationships between team quality, manager compensation and productivity.