



BEHAVIORAL FINANCE

Sell-Side Analysts and Gender: A Comparison of Performance, Behavior, and Career Outcomes

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Sell-side analysts are prominent figures in the investment arena. Investors make enormous efforts to identify those analysts with better earnings forecasts and investment recommendations, and are willing to pay considerable sums for access to star analyst research.

Using a large sample of investment recommendations from January 1994 through December 2005, we examine whether female sell-side analysts perform and behave differently from their male counterparts. We also examine whether the career outcomes of female analysts differ from those of male analysts, after controlling for analyst performance and behavior.

Specifically, we compare male and female analysts in terms of their (i) performance, as measured by the excess return (alpha) of investment recommendations, (ii) risk-taking, measured as the portfolio residual risk implied by investment recommendations, (iii) bias, measured as the percentage of sell recommendations, and (iv) career outcomes, measured as the probability of moving among brokerage firms of different sizes and by the probability of being an *Institutional Investor* or *Wall Street Journal* star.

As compared to male analysts, we find that the investment recommendations of female analysts produce similar abnormal returns but with less idiosyncratic risks. Taken together, our results imply that the recommendations of female analysts may generate slightly higher information ratios, a finding consistent with prior research on individual investors.

Further, we detect no evidence of discrimination against female analysts regarding their career outcomes. In fact, female analysts seem to have a better chance of being recognized as star analysts in both *Institutional Investor* magazine and the *Wall Street Journal* rankings, influential components of analysts' compensation.

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