

Who Do You Vote For? Same-Race Voting Preferences in Director Elections

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May 2025

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The authors benefit from comments provided by Binay Adhikari, Stephen Dimmock, Laura Field, Jiekun Huang, Michelle Lowry, Daniel Metzger, David Reeb, Ji Hyun Jenny Tak, Andréanne Tremblay, and conference and seminar participants at the 2024 American Finance Association Conference, 2023 Financial Management Association Conference, 2023 European Finance Association Conference, 2023 Eastern Finance Association Conference, 2022 Australasian Finance & Banking Conference, 2022 Miami Behavioral Finance Conference, National University of Singapore, Southern Methodist University, and University of Queensland. Johan Sulaeman acknowledges research support from Sustainable and Green Finance Institute (WBS A-0006413-0000). Any remaining errors are our own.

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Abstract

This paper highlights racial and ethnic preferences in corporate director elections. We discover that mutual fund managers are more likely to vote for director nominees who share their racial or ethnic identity, using a comprehensive dataset of mutual fund voting records. Funds managed by all-white teams exhibit the strongest same-race preference, particularly those in fund families with scarce minority representation. In contrast, minority fund managers exhibit such preference only when voting on candidates nominated to boards with little or no existing minority director representation. These disparate voting patterns have detrimental implications for the career outcomes of minority director candidates. We investigate various potential mechanisms --- including statistical discrimination, value maximization, conflicts of interest, social networks, and taste-based biases --- and find that the evidence aligns most closely with a taste-based explanation for same-race preferential voting.

Keywords: shareholder voting, racial preference, racial discrimination, mutual fund, director election

JEL Classifications: G23, G41

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Who Do You Vote For?

Same-Race Voting Preferences in Director Elections ^{*}

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This version: May 2025

Abstract

This paper highlights racial and ethnic preferences in corporate director elections. We discover that mutual fund managers are more likely to vote for director nominees who share their racial or ethnic identity, using a comprehensive dataset of mutual fund voting records. Funds managed by all-white teams exhibit the strongest same-race preference, particularly those in fund families with scarce minority representation. In contrast, minority fund managers exhibit such preference only when voting on candidates nominated to boards with little or no existing minority director representation. These disparate voting patterns have detrimental implications for the career outcomes of minority director candidates. We investigate various potential mechanisms — including statistical discrimination, value maximization, conflicts of interest, social networks, and taste-based biases — and find that the evidence aligns most closely with a taste-based explanation for same-race preferential voting.

JEL Classification: G23, G34, G41, J71

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1 Introduction

Racial minorities are underrepresented in corporate boardrooms relative to their proportion in the US population, with only 22.2 percent of board seats in Fortune 500 companies occupied

^{*}The authors benefit from comments provided by Binay Adhikari, Stephen Dimmock, Laura Field, Jiekun Huang, Michelle Lowry, Daniel Metzger, David Reeb, Ji Hyun Jenny Tak, Andréanne Tremblay, and conference and seminar participants at the 2024 American Finance Association Conference, 2023 Financial Management Association Conference, 2023 European Finance Association Conference, 2023 Eastern Finance Association Conference, 2022 Australasian Finance & Banking Conference, 2022 Miami Behavioral Finance Conference, National University of Singapore, Southern Methodist University, and University of Queensland. Johan Sulaeman acknowledges research support from Sustainable and Green Finance Institute (WBS A-0006413-00-00). Any remaining errors are our own.

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by minority directors in 2022.¹ This underrepresentation likely stems from multiple sources, including racial hostility, prejudices, and unfair treatments in educational opportunities (Arrow, 1973), as well as potential biases in the director nomination process (Field et al., 2020; Bogan et al., 2021). In recent years, efforts to address this imbalance have led to the widespread adoption of diversity, equity, and inclusion (DEI) initiatives aimed at improving boardroom representation. However, these initiatives have recently encountered increasing resistance, with some critics questioning their alignment with shareholder value. Despite this growing pushback, little is known about shareholders’ perceptions of directors from different racial and ethnic backgrounds. In this study, we explore whether shareholders’ racial preferences could influence their voting decisions on elections of director candidates nominated by boards, and if so, how these preferences might, in turn, affect the election outcomes and career trajectories of director candidates.

The selection of board members is crucial for effective corporate governance.² Indeed, proposals pertaining to elections of corporate directors account for nearly three-quarters of proposals deliberated during shareholder meetings in the US. However, assessing the quality of director nominees and their fit with the nominating firm is complicated by pervasive informational asymmetries in director labor markets. The ex-ante identification of a director nominee’s suitability – i.e., before the nominee is elected to sit on a firm’s board – is often hindered by limited information about the new nominee. This problem is, at best, partially mitigated for ex-post evaluation of incumbent board members upon re-nomination. Corporate boards generally make communal decisions, reducing the relevance of information that can be deduced from each individual nominee’s directorship record (Erel et al., 2021).³ The issue is particularly acute in contentious director elections where ISS, the leading proxy advisor, recommends that shareholders withhold their support for a specific director

¹Racial minorities are defined as individuals identifying as Asian, Black or African American, Hispanic, Native American or Alaska Native, and Native Hawaii or Pacific Islander. For more information on the racial/ethnic composition of boardrooms, refer to the *Missing Pieces Report: A board diversity census of women and underrepresented racial and ethnic groups on Fortune 500 boards, 7th edition*.

²An extensive literature has documented the relationship between firm value and board characteristics. These characteristics are, for instance, board size (Yermack, 1996), board busyness (Field et al., 2013), board diversity (Ahern and Dittmar, 2012; Carter et al., 2003), board expertise (Dass et al., 2014; Field et al., 2016), board co-option (Coles et al., 2014), board representation of non-controlling owners (Becker et al., 2013), and job security of directors on the board (Hsu et al., 2024).

³Individual director-proposal level voting data are publicly available in very few markets, e.g., China (Jiang et al., 2016; Cai et al., 2023) and Korea (Kim et al., 2023). The variation in directors’ voting decisions in board meetings is minimal, with the average dissension rates of less than 1% in both countries, reflecting the collaborative nature of a large majority of board decisions.

candidate nominated by the existing board and the corporate management. The divergence in voting recommendations in this context reflects a higher uncertainty regarding the director’s suitability for the company.

Given the challenges in evaluating directors’ quality and suitability, a salient characteristic like race or ethnicity –readily observable from nominees’ names and portraits in proxy statements– could become as a relevant factor in shareholder voting decisions. Despite the salience of race and ethnicity, identifying the specific role that they play in director elections is not straightforward. Race and ethnicity may serve as signals for nominees’ quality, potentially leading to statistical discrimination (Arrow, 1973; Phelps, 1972). They may also be relevant in director elections if voters have subjective preferences towards certain race/ethnicity (Becker, 1957).

Ultimately, the presence and dynamics of racial preferences in the context of director elections are empirical questions. In this study, we focus on patterns of *same-race* preferential voting, which could shed light on voters’ favoritism towards individuals of shared race/ethnicity. We begin our analysis by examining whether mutual fund managers, as registered shareholders, are more likely to vote for director nominees who share their own racial or ethnic identity. Next, we examine various potential explanations for the observed same-race voting patterns and assess how these voting patterns vary across funds in different environments. Lastly, we investigate the consequences of these voting patterns for individual director candidates.

The setting of mutual fund proxy voting offers a unique advantage to examine potential racial preferences of shareholders. Since July 2003, US mutual funds have been required to disclose their proxy votes on proposals of their portfolio firms via SEC Form N-PX. The detailed mutual fund voting data are captured in the ISS Voting Analytics database based on these SEC filings at the fund-proposal level, i.e., *fund-firm-nominee-election* level in the context of director election proposals. The granularity of the data allows us to identify mutual funds’ voting towards individual director nominees by implementing a high dimensional set of fixed effects to control for a variety of confounding factors, including proposal (i.e., firm-nominee-election) fixed effects that capture not only a nominee’s quality but also his/her fit with the nominating firm at each specific election’s point in time.

Using the mutual fund voting data, we find robust evidence of same-race preferential voting patterns among fund managers. In the baseline regression specification controlling for time-varying unobserved heterogeneity on funds, nominees, and firms as well as the specific

matches between nominees and firms, we find a substantial increase in the odds of a fund manager’s voting for a director nominee if they share the same racial or ethnic identity in contentious elections where ISS recommends rejecting the nominee. The economic magnitude of this same-race preferential voting is sizable, with the probability of voting for the same-race director nominee 6 percentage points higher relative to the unconditional probability of casting a supporting vote (i.e., marginal effect at the mean) for any contentious director nominees.

These patterns are robust across different sub-periods, in elections where nominees end up receiving low overall shareholder support (an ex-post measure of uncertainty regarding the nominees’ suitability for the company), as well as in consensus elections where ISS and management recommendations are aligned. Moreover, we observe that the same-race voting patterns are more pronounced in older funds, funds with lower management fees, those managed by a sole manager, and funds managed by predominantly white managers. Focusing on funds managed only by white managers in fund families with minimal (or no) representation of minority managers, the economic magnitude of same-race voting preference is twice as large – an 11.2 percentage points higher likelihood of same-race support – as the corresponding preference for the average fund above. In contrast, funds dominated by minority managers exhibit same-race preference only when voting on candidates nominated to boards with no or low existing minority director representation.

There are several potential, non-mutually exclusive channels that could explain the same-race voting pattern that we document, including statistical discrimination, value maximization, conflicts of interest, social networks, and taste-based biases. While the cross-sectional tests we discuss in the previous paragraph provide initial evidence on some of these channels, we perform additional empirical tests to examine the viability of each alternative channel.

First, the same-race voting pattern may be consistent with statistical discrimination (Arrow, 1973; Phelps, 1972). The straightforward version of statistical discrimination stems from statistical differences in the *average* quality of a particular group relative to another group (i.e., quality-based statistical discrimination). Given imperfect information about nominees’ quality, shareholders may simply employ the aggregate statistics of the group to which an individual nominee belongs, and infer that nominees of certain race/ethnicity are less/more qualified than others. We control for each nominee’s quality and potential fit with the nominating firm using firm-nominee-election fixed effects in our baseline analysis, which

mitigates the relevance of such statistical discrimination channel even if shareholders have accurate beliefs regarding the (average) differences of nominee quality across race/ethnic groups.⁴

A more subtle version of statistical discrimination is related to the imprecise estimation of a director nominee’s quality and potential fit with the nominating firm. Shareholders may view nominees with whom they do not share racial/ethnic identities to have a higher noise around their quality signals, relative to nominees that share their race/ethnicity, and therefore may be more reluctant to vote for the former. This *noise-based* statistical discrimination (Phelps, 1972) may result in preferential opinion on nominees who share the race/ethnicity of the shareholders. Uncertainty in measuring nominees’ quality is particularly acute in our setting because of the pervasive information asymmetry in the labor market for directors.

We observe a more pronounced same-race voting pattern in elections involving new candidates who are nominated for the first time in our sample, consistent with a noise-based statistical discrimination channel. However, a closer look at the dynamic of same-race voting over the tenures of directors provides a much weaker support for the noise-based channel. An important feature of this channel is that the statistical discrimination should abate over time as the signal-to-noise ratio improves with more signals being observed and accumulated about a particular individual.⁵ We therefore explore the dynamic of same-race voting patterns by segregating the group of re-nominated candidates into their first, second, third, and subsequent re-nominations, either by the same firm or by other firms in our sample. The noise-based channel would be reflected in the strength of same-race preferences declining with subsequent re-nominations. Instead, we find that same-race voting patterns regarding candidates on their first, second, and third re-nominations are not distinguishable from the corresponding patterns regarding new candidates. This persistence indicates that same-race preferences are not meaningfully mitigated by prolonged exposures to different-race board members. We therefore conclude that noise-based statistical discrimination does not provide

⁴Bohren et al. (2025) highlights the possibility of *inaccurate* statistical discrimination. If shareholders have inaccurate beliefs regarding the average quality of a particular group, and particularly when they have less favorable beliefs regarding other racial/ethnic groups, we would observe the same-race preferential voting patterns that we document. Note that an inaccurate statistical discrimination, i.e., believing that there is variation across groups when in fact there is none, would still amount to a discrimination. We explore this potential channel further when we examine the noise-based statistical discrimination.

⁵This is highlighted in the study by Fryer et al. (2013) who find that racial discrimination in workers’ wages reduces with tenure as their true ability is revealed as time goes by.

a satisfactory explanation for the same-race voting pattern.⁶

Second, we explore the channel of shareholder value maximization. Same-race nominees may be preferred by mutual fund managers who vote in the interest of their fund shareholders and perceive that nominees who share their racial/ethnic identity as having higher quality or offering a more aligned approach to maximize shareholder values. Our empirical analysis provides evidence that is difficult to reconcile with this shareholder value maximization hypothesis. We observe that same-race preferences are more prevalent in elections involving nominees who failed to garner much support during their current as well as previous nominations, indicating those with either a lower quality or worse potential fit with the nominating firm.

Third, recent studies find that fund managers exhibit pro-management voting behavior if their fund family has a pension management relation with the company (Cvijanović et al., 2016; Duan et al., 2021; Davis and Kim, 2007) or if their shared educational network with the firm’s management allows them to have valuable information that enables them to make better voting decisions (Butler and Gurun, 2012). Such conflicts of interest may lead fund managers to support the company’s management and in particular director nominees proposed by the company’s existing board notwithstanding negative recommendations from ISS. In this context, same-race preferential voting patterns may be correlated with the pro-management voting behavior of the connected fund managers due to conflicts of interest. We examine this self-interest channel by employing a very stringent regression specification, whereby we control for fund (or fund family) $\times$ firm $\times$ year-quarter fixed effects. This specification allows us to compare all nominees proposed by the same firm during the same election cycle that the fund (or fund family) votes for, with the remaining source of variation being whether a particular nominee shares the fund manager’s race/ethnicity. We continue to observe same-race voting even after we eliminate any variation in fund-firm (or fund family-firm) matching, implying that the self-economic-interest channel does not provide a complete explanation of the observed voting patterns.

⁶Note that the disconcerting patterns of (very) slowly dissipating same-race patterns are also inconsistent with the inaccurate statistical discrimination channel proposed in Bohren et al. (2025). Similar to noise-based statistical discrimination, non-taste-based inaccurate beliefs regarding cross-race quality differentials should dissipate with additional information regarding candidate quality. While participants in the experimental settings in Bohren et al. (2025) display such reductions over a short period of time, there is no reduction over a much longer period of time in our observational setting, highlighting the crucial gap between our setting and experimental settings.

Lastly, fund managers may simply favor nominees with whom they have a closer personal relationship, either due to potential informational advantage in assessing such nominees, or even in the absence of any economic incentives. More generally, social networks between fund managers and board nominees may influence fund managers’ voting behavior. We control for this channel in our baseline regression by including the educational networks between fund managers and director nominees that they vote on. Additionally, we continue to observe very similar same-race voting patterns when we focus on fund managers who are located away from the firm’s headquarter state, division, or region, indicating that social-network is not the dominant channel underlying the same-race voting patterns.

Taken together, our findings indicate that statistical discrimination, economic interest, and social network channels at best partially explain the observed same-race voting patterns and that such voting patterns do not align with shareholder value maximization explanation. In particular, we identify some initial evidence consistent with a noise-based statistical discrimination channel, but we observe a very slow Bayesian updating process – i.e., very strong priors that change very slowly over time – regarding race-related quality signals.

Given the paucity of evidence for other alternative channels, we ultimately explore the taste-based channel. To examine this remaining plausible channel, we investigate whether the patterns of same-race voting are correlated with extant measures of potential racial bias in the community: homogeneity in the racial composition of the state where the fund is located (Fisman et al., 2008), the state-level implicit racial bias scores (Xu et al., 2017), and the Racial Animus Index of that state’s population (Stephens-Davidowitz, 2014). Indeed, we find that patterns of same-race voting are positively correlated with these measures, consistent with the voting preferences reflecting taste-based biases in the broader community. Combining these results with the heterogeneity tests, we therefore conclude that the taste-based channel is likely to be the dominant channel driving the patterns of same-race preferences we document in the mutual fund voting data.

Having documented the prevalence of same-race preferences in shareholder voting and explored the potential channels, the last part of the paper examines the potential consequences of such preferences for (1) the mutual funds themselves and (2) individual director candidates. On the first point, we do not find much evidence: funds with stronger same-race preferences do not seem to differ in terms of financial performance – i.e., abnormal fund returns – from other funds. In contrast, we observe several important effects for director candidates indicating

that same-race preferences of shareholders seem to have a direct and lasting impact on the election and career prospects of individual director candidates. First, focusing on individual election outcomes, we find that the overall support received by a nominee increases in the fraction of mutual fund voters sharing the nominee’s race/ethnicity as well as the strength of their same-race preferences. Second, the increase in such race-induced support for the candidate in turn translates into a higher likelihood of being re-nominated to the board of the same firm and boards of other firms, as the voting support garnered in prior elections can influence future (re)nominations by the board.⁷ Given that the vast majority of shareholders are white and white shareholders tend to exhibit stronger preferences towards white nominees, shareholders’ same-race voting preferences mainly benefit white director candidates rather than racial minority candidates. In other words, minority candidates, compared to similar white counterparts, face a competitive disadvantage as they are less likely to be favored by majority (white) shareholders.

Our study makes two primary contributions. First, it contributes to the voluminous literature on shareholder voting. With the widespread availability of mutual fund voting data, a large strand of this literature focuses on factors that influence voting behaviors of mutual funds, including potential conflicts of interest from economic perspective (Davis and Kim, 2007; Butler and Gurun, 2012; Calluzzo and Kedia, 2019), proxy advisory services (Alexander et al., 2010; Malenko and Shen, 2016; Ertimur et al., 2013), ideology (Bolton et al., 2020), and peer voting behaviors (Matvos and Ostrovsky, 2010). The current study highlights the potential prevalence of racial preferences in such voting decisions. Previous studies conclude that mutual fund votes exhibit a high correlation within the same fund family, possibly because voting is often performed at the family or investment advisor level. Nevertheless, some studies document instances of voting disagreements across funds within the same fund family (Butler and Gurun, 2012; Calluzzo and Kedia, 2019). The findings in this paper suggest that the race and racial preferences of individual fund managers may be one of the relevant factors contributing to the voting disagreements within fund families.

The study also contributes to the broad literature on racial discrimination. Racial favoritism and discrimination have been identified in both laboratory and non-experimental

⁷This evidence aligns with Aggarwal et al. (2019) who find that directors receiving low support from shareholders are more likely to depart boards. In the SEC’s words, “a substantial number of withhold (dissent) votes can sometimes influence future decisions by the board of directors concerning director nominees”.

settings.⁸ We document that same-race preferences are also prevalent in corporate settings, particularly in the process of shareholder voting on director nominees. Moreover, we conduct a comprehensive series of tests to explore the underlying mechanisms behind this voting pattern. Our findings provide a timely contribution to the current, important debate regarding racial diversity in corporate boardrooms. Recent studies by Field et al. (2020) and Bogan et al. (2021) highlight that corporate board members may be biased against minority candidates in the nomination process. We find that, even in the absence of the racial bias of board members, minority candidates could still be disadvantaged in the election process due to the lack of support from racially-biased majority shareholders. This insight adds to discussions about the societal impacts of corporations on various stakeholders (e.g., minority employees and customers).

Our paper is related to a recent study by Gow et al. (2023) who examine shareholders’ aggregate voting support for directors of various genders and races at the election level. They conclude that there is no evidence of overt discrimination based on the election outcomes at the candidate level. However, we advocate using voting decisions (at the voter level) rather than election outcomes to examine potential discrimination, since election outcomes could be influenced by both “selection” (i.e., minority candidates face a higher quality threshold to enter the director market) and “treatment” effect (i.e., regardless of their quality, minority candidates receive less support from racially-biased majority shareholders).⁹ Using the disaggregated fund level data allows us to shed light on substantial same-race voting preferences of fund managers. With our identification coming from exploiting the differences across funds in the racial matching between the fund managers and a given director nominee, our results are less exposed to omitted variable biases, e.g., selection bias due to potential differences in nominee quality across races/ethnicities. In addition, our paper emphasizes the importance of exploring potential racial preferences in contentious director elections opposed by ISS. We also document the consequences of same-race voting preferences on election outcomes of corporate director candidates.

The remainder of the paper proceeds as follows: Section 2 discusses the research setting and reviews relevant literature. Section 3 describes the data and summary statistics. Section

⁸(See, e.g., Bertrand and Mullainathan, 2004; Jacquemet and Yannelis, 2012; Fisman et al., 2008; Parsons et al., 2011; Zhang, 2017; Agarwal et al., 2019; Stoll et al., 2004; Dougal et al., 2019; Field et al., 2020; Ambrose et al., 2021; D’Acunto et al., 2022).

⁹With the selection effect, one cannot simply conclude that there is no discrimination against minorities, even if minority director candidates receive higher approval rates than white counterparts.

4 documents the pattern of same-race voting preferences in director elections. Section 5 presents heterogeneity tests, followed by an comprehensive analysis on potential explanatory channels in Section 6. Section 7 discusses the implications of same-race preferences for both individual candidates and fund outcomes. We conclude afterwards.

2 Research Setting

2.1 Racial Discrimination

According to a long line of studies regarding racial preference, racial discrimination is based on either statistics or taste (Becker, 1957; Arrow, 1973; Phelps, 1972). Statistical discrimination refers to situations when economic agents have imperfect information about individuals and have to rely on group-specific information when acquiring individual-specific information is costly. Statistical discrimination can be further separated into mean/quality-based and variance/noise-based statistical discrimination. The former is driven by a prior belief that minority individuals are likely to be less qualified than majority individuals for underlying reasons that could include racial hostility, prejudices, and unfair treatments in education (Arrow, 1973), whereas the latter stems from the relative difficulty to reliably measure the quality of individuals of a certain race (Phelps, 1972; Aigner and Cain, 1977). A recent paper by Bohren et al. (2025) argues that statistical discrimination can be driven by either *accurate* beliefs regarding cross-group differences or *inaccurate* beliefs, whereby agents possess incorrect (but not taste-based) beliefs on the average quality/productivity of a particular group. Unlike taste-based discrimination, it is possible to mitigate inaccurate beliefs with the provision of more (accurate) information regarding individual or group quality.

While statistical discrimination may be driven by economic rationales, taste-based discrimination is not driven by a rational motive and likely stems from inherent biases. According to Becker (1957), taste-based discrimination means an agent favors one group over another. A stream of research in social psychology documented that people may adopt a more favorable opinion about members of their own racial or ethnic group than those outside of their group (Rabbie and Horwitz, 1969; Tajfel and Turner, 1979). This in-group bias or favoritism could be the underlying driver of taste-based discrimination. Indeed, Greenwald and Pettigrew (2014) argue that most discrimination is not caused by hostility but favoritism.

While racial in-group favoritism has been observed in many non-experimental settings, our study provides the first evidence that same-race preferences exist in the context of shareholder voting, an important corporate event through which shareholders influence corporate policies and activities. This study also explores various potential channels that could give rise to same-race preferences.

2.2 Institutional Shareholder Voting

Shareholder voting is one of the corporate governance mechanisms implemented to mitigate conflicts of interest arising from the separation of ownership and control. Institutional investors play an important role in shareholder voting since institutions may possess more information and power than atomic investors to influence corporate policies. Prior studies have documented the value of engagement and monitoring by institutional investors (Aghion et al., 2013; Appel et al., 2016; Brav et al., 2008; McCahery et al., 2016; Gantchev and Giannetti, 2021; Li et al., 2006).

However, as institutional investors, mutual funds are delegated investment vehicles managed by fund managers who may have their own agency problem (Bebchuk et al., 2017). Recent studies have found that conflicts of interest may hinder effective voting by mutual funds (e.g., business ties (Cvijanović et al., 2016; Duan et al., 2021; Davis and Kim, 2007); educational networks (Butler and Gurun, 2012); board connection (Calluzzo and Kedia, 2019)). These studies focus exclusively on how conflicts of interest result in deviations from shareholder value maximization.

A growing number of studies find that mutual fund managers exhibit certain preferences when making investment decisions.¹⁰ Yet there is limited research about how preferences of mutual fund managers affect their voting decisions. Recent studies have begun to explore this area. Bolton et al. (2020) estimate institutional investor preferences from proxy voting records and find that some investors are more supportive of firms with more social- and environment-friendly orientations. Bubb and Catan (2022) apply unsupervised machine

¹⁰For example, several studies suggest that mutual fund managers prefer to invest in local firms (Coval and Moskowitz, 1999, 2001; Pool et al., 2015). Cohen et al. (2008) find fund managers tend to overweight firms that they are connected to through education networks. Likewise, fund managers are more likely to hold stocks managed by executives and directors with whom they share a similar political partisan affiliation (Wintoki and Xi, 2022). Shu et al. (2012) document that local religious beliefs affect mutual fund risk-taking behaviors. Relatedly, Han et al. (2021) find that, compared to minority-dominant mutual fund managers, funds managed by white-dominant teams allocate lower portfolio weight to the firms led by minority CEOs.

learning approach on mutual funds’ voting behaviors in order to capture their corporate governance preferences. Meirowitz et al. (2024) demonstrate that corporate voting functions effectively when shareholders pursue one social objective but becomes unstable with multiple objectives. More recent research examines how personal characteristics and past experiences influence voting behaviors on environmental and social proposals (Di Giuli et al., 2023, 2024; Gustafson et al., 2023). Our study contributes to this nascent literature by documenting racial preferences of mutual fund managers. Specifically, we focus on the racial/ethnic match between fund managers and director nominees of their portfolio firms, and the potential effects of shareholders’ racial preferences on the election and career outcomes of director candidates.

3 Data and Summary Statistics

3.1 Election and Voting Data

We obtain the US mutual fund voting records from the ISS Voting Analytics database. The sample period spans from 2005 to 2018. The US Securities and Exchange Commission (SEC) mandated the reporting of all votes cast by US-registered management companies on corporate ballots for both the US and non-US firms they hold via Form N-PX since July 2003. The data include proposals on all agenda items (classified by *ISSAgendaItemID*) sponsored by either corporate managers or shareholders. For each proposal, we observe the proposal description (e.g., the name of the candidate nominated for election), the proposal outcome (e.g., “Fail” or “Pass”), the voting decision made by individual fund (i.e., “For”, “Against”, “Withhold”, “Abstain” and “Do Not Vote”), the management recommendation, and the ISS recommendation.

In this study, we focus on the proposals related to director elections (*ISSAgendaItemID* = *M0201*) and proposed in public firms listed in the NYSE, Nasdaq, or Amex exchange markets.¹¹ For these elections, management always recommend shareholders voting for the nominated director nominees. However, ISS may recommend shareholders vote for, vote against, or withhold their votes. Therefore, director elections can be classified as either

¹¹The elections could be contested or uncontested under plurality or majority voting system. Unfortunately, the ISS data do not distinguish them. The lack of information on the types of elections does not hinder the analysis of same-race voting preferences of fund managers.

contentious (i.e., ISS opposes the management and the nominee) or consensus (i.e., both ISS and the management support the nominee).¹²

In most of our analyses, we focus on contentious elections for two main reasons. Firstly, given the limited capacity and tight time constraints faced by fund managers, they may allocate more attention to contentious elections (Iliev et al., 2021; Blonien et al., 2025). As a result, fund managers’ subjective racial preferences likely play a more critical role for such elections. Secondly, extant research suggests that racial preferences are more frequently observed towards individuals with negative features (Butler et al., 2023). As ISS opposition may serve as an (ex-ante) indicator of low-quality nominees, we conjecture that same-race preferences, if exist, are more likely to be observed towards contentious nominees who likely have lower quality.¹³ Except for ISS opposition, we also use support rate as ex-post measures of nominee quality, i.e., those that are observed after the election is concluded.

3.2 Mutual Fund Data

Mutual fund characteristics and portfolio holding are sourced from the Center for Research in Security Prices (CRSP) Survival Bias Free Mutual Fund database. From CSRP, we obtain fund names, management companies code, management company address, investment objectives, first offer date, portfolio manager names, net-of-fee returns, total net assets (TNAs), expense ratio, turnover ratio, and portfolio holdings. For funds with multiple share classes, we calculate the weighted average monthly fund returns by the weights of share class TNAs, and aggregate the share class TNAs to the fund level. We follow Huang et al. (2011) to define actively managed equity mutual funds.

We match mutual funds between the ISS Voting Analytics database and the CRSP Mutual Funds database, following a linking note on Peter Iliev’s website. We detail the matching procedure in Internet Appendix Section IA-B. Our final sample includes 6,096 mutual funds associated with 572 fund families. We observe that CRSP in some cases (especially when funds are managed by a team) does not provide the full names of the portfolio managers. We remedy this issue by using the manager names provided by the Morningstar Direct database.

¹²In our sample of all elections of directors, the unconditional probability that ISS opposes white and non-white director nominees is 10.80% and 9.85%, respectively. Thus, we do not observe that ISS discriminates minority nominees.

¹³Aggarwal et al. (2019) report that ISS-opposed directors are more likely to leave their firms, which highlights the importance of shareholder support in contentious elections.

3.3 Race Identification

We perform a series of procedures to identify race and ethnicity of director nominees and fund managers. Firstly, we obtain the race and ethnicity of individual directors of S&P 1,500 companies from the ISS Director US database.¹⁴ Secondly, for the remaining directors whose race and ethnicity can not be determined through the database, we utilize a R function, *predictrace*, developed by Jacob Kaplan, to predict the most common race of each individual based on their surname.¹⁵ This algorithm draws on the US Census data and the Social Security Administration data to classify individuals into four race/ethnicity categories: (non-Hispanic) white, Black, Asian, and Hispanic.¹⁶ We apply the same algorithm to identifying the race/ethnicity of fund managers. Thirdly, to improve the accuracy of the algorithm, we manually verify the race and ethnicity of all individuals who are predicted to be minorities (i.e., Asian, Black, and Hispanic), by searching race/ethnicity information over LinkedIn profiles, Bloomberg personal profiles, company websites, Twitter, Facebook, and other relevant sources. For individuals predicted to be white, we conduct manual search of their race and ethnicity if the algorithm indicates that the probability of being white is less than 70%, or that the probability of being a minority is greater than 30%.¹⁷

After applying the race identification procedures described above, we obtain a sample of 237,037 unique elections, consisting of 25,414 contentious and 211,623 consensus elections, for 51,898 directors whose race and ethnicity can be reliably identified. On the fund side, our sample includes 17,902 fund managers from 6,095 funds. For funds managed by multiple

¹⁴ISS employs a hierarchical approach to identify a director’s race and ethnicity. They first rely on survey response from companies and public explicit disclosures. If such information is not available, they search the director’s biography on company websites and documents where they serve as a director or employee. If the above sources are not transparent, ISS uses the director’s photo in relevant filings (e.g., DEF 14A and 10-K Form) to determine their race and ethnicity. For the purpose of this study, we grouped individuals into four racial/ethnic categories: Asian (including Asian, Indian, and Middle Eastern), Black (including African American and Black/African American), Hispanic (including Hispanic and Latin American), and non-Hispanic white (including Caucasian).

¹⁵The *predictrace* function belongs to *wru* package which implements the methods proposed in Imai and Khanna (2016). The algorithm used in our study provides the probability of each race for a given surname. We identify an individual’s race by selecting the most likely race predicted by the algorithm.

¹⁶The fifth racial group is American Indian that does not appear in our sample.

¹⁷Although we do not manually verify the racial identity of every individual predicted to be white, we are less concerned with potential errors in which the algorithm may misclassify a minority as white due to its high accuracy in predicting white individuals. To validate the accuracy of the algorithm, we use the directors covered by the ISS Director US data as a validation sample. We find that the unconditional probability of the algorithm correctly identifying white individuals is approximately 96.5%. The error is attenuated further as we manually check the predicted-white individuals with low probability of being white or high probability of being minorities.

managers, we used the major race of the fund managers as the racial type for the fund. For funds dominated by two or more race, we assigned them multiple race types.¹⁸

3.4 Other Data Sources

Historical firm headquarter state is obtained from 10-K filing or alternatively from Compustat when 10-K filing is not available. Firm-level ESG ratings are sourced from MSCI ESG (formerly referred as KLD) database.¹⁹ Director information, including employment history and educational background, is provided by BoardEx. Besides, we manually match 1,895 fund managers from CRSP with their LinkedIn profiles, based on name and employment history. The US Racial and Ethnic Diversity Index is provided by the US Census Bureau. We also obtain state demographics from the American Community Survey data and state economic conditions from the US Bureau of Economic Analysis. We collect implicit racial bias scores of the Implicit Association Test (IAT) from Project Implicit (Xu et al., 2017). Lastly, we follow Stephens-Davidowitz (2014) to construct the state-level Racial Animus Index.

3.5 Summary Statistics

The sampling process yields 1,291,939 fund-election level observations in the sample of contentious elections of directors. As summarised in Table 1, white are the dominating race in the composition of both nominees and funds. White nominees account for 92.52% of the total number of nominees. Similarly, 85.12% of funds are strictly dominated by white fund managers. In the non-white sample, Asian nominees and Asian funds account for 3.78% and 4.78%, respectively, followed by Hispanic and Black nominees (2.28% and 1.43%) and funds (0.47% and 0.21%), respectively. About 9.42% of funds are weakly dominated by two or more race/ethnicity (e.g., funds with one white and one Asian manager).

[Insert Table 1 Here]

¹⁸For example, a fund with one white manager and one Asian manager is treated as both white and Asian fund. The main results presented below remain qualitatively and quantitatively similar if we drop these funds that have no strictly dominant race.

¹⁹MSCI ESG database provides firm-level ESG rating score in seven dimensions: community, diversity, employee relations, environment, product, human rights, and corporate governance. To construct firm-level MSCI ESG ratings, we exclude the dimension of human rights because of lack of sufficient ratings and aggregate the strengths and weaknesses of all the dimensions.

Table 1 also reports the summary statistics of the key variables used in our main analysis. With respect to racial matching, there are 1,150,988 (89.1%) votes where the fund managers and the director nominees share the same race/ethnicity. On average, 80.8% of fund managers in a fund share the same race/ethnicity with the nominees they vote on. In terms of fund voting decision, there are 664,319 (51.4%) votes where the fund managers support the nominees in contentious elections.

In Figure 1, we present the average support rates for director nominees by racial and ethnic groups over time. While the aggregate support rate across all contentious elections is about 82.1%, we observe certain heterogeneity in voting support among different racial and ethnic groups. Throughout the sample period, Hispanic and Asian nominees have seen relatively stable voting support, averaging 85.5% and 83.8% respectively, which are higher than the average rates for White (81.8%) and Black (78.1%) nominees. Specifically, Black nominees have historically received the least support, although there is an upward trend from 70% to approximately 80% in the earlier years of our data. Between 2012 and 2017, the support for Black nominees reaches around 82.0%, followed by a slight decline to 78.7% in 2018. However, these average support rates alone do not suggest the existence or absence of racial discrimination or preferences among shareholders, as both “selection” and “treatment” effects may confound the patterns. We therefore turn to a regression approach to systematically investigate potential racial preferences among shareholders in director elections.

[Insert Figure 1 Here]

4 Same-Race Voting in Director Elections

4.1 Baseline Results

In this section, we examine same-race voting preferences by testing whether mutual fund managers are more likely to vote for director nominees of shared racial or ethnic identity. Using a logit model, we regress *VoteFor*, an indicator variable set to one if a fund votes for a director nominee in an election proposal, and zero if the fund votes against the director nominee or withholds its vote, on *SameRace*, an indicator variable set to one if the fund manager and the director nominee share the same racial or ethnic identity, and zero otherwise.

The regression is specified as follows:

$$VoteFor_{f,i,c,t} = \alpha + \beta \times SameRace_{f,c,t} + \lambda_{f,t} + \delta_{i,c,t} + \epsilon_{f,i,c,t}, \quad (1)$$

where f , i , c , and t denote mutual fund, firm, director nominee, and year-quarter, respectively. The regression includes both fund $\times$ year-quarter ($\lambda_{f,t}$) and election proposal ($\delta_{i,c,t}$) fixed effects. The fund $\times$ year-quarter fixed effects absorb time-varying unobserved fund heterogeneity such as fund size, fund performance, fund flows, fund expenses, and propensity to follow the ISS recommendation. The proposal fixed effects remove confounding variations such as nominee characteristics (e.g., nominee quality and race/ethnicity), firm characteristics (e.g., past performance and governance practice), and specific matches between nominees and firms (e.g., a firm's preferences regarding certain nominee characteristics). Importantly, the proposal fixed effects directly control for racial preferences caused by (accurate) quality-based statistical discrimination since we compare fund managers' voting preferences towards the same director nominee of a particular race. To be specific, we identify the same-race voting preference by exploiting the differences across funds in the racial matching between the fund and the nominee for a given election proposal, after controlling for time-varying unobserved fund heterogeneity. The identification strategy we employ is similar to the methodology used in Parsons et al. (2011) and Dimmock et al. (2018).

We estimate Equation 1 using a logit model and, for ease interpretation, report the exponentiated coefficients (i.e., odds ratios) and corresponding standard errors clustered at the fund $\times$ year-quarter level.²⁰ In our context, an odds ratio represents the multiplicative change in the ratio $P(VoteFor)/(1 - P(VoteFor))$ relative to the base level caused by changing *SameRace* from zero to one. An odds ratio greater (less) than one indicates that racial matching increases (decreases) the likelihood of voting for the nominee.

Table 2 presents the results. In Column 1, we find that mutual fund managers are significantly more likely to vote for director nominees who share their racial or ethnic identity in contentious elections where ISS recommends voting against the nominees. The odds ratio of 1.276 on *SameRace* is statistically significant at the 1% level and economically meaningful, representing a 6-percentage-point increase in the probability of voting for the nominee relative

²⁰We obtain quantitatively and qualitatively similar results using OLS or Probit regressions to estimate Equation 1.

to the unconditional mean of 51.4%.²¹

[Insert Table 2 Here]

In Column 2, we replace *SameRace* with *SameRacePct*, a continuous variable measuring the percentage of the fund’s managers who share the nominee’s race or ethnicity. We find a similar result that the odds of voting for the nominee increases by a factor of 1.433 for a 100% increase in the proportion of managers who share the nominee’s race in the fund. This is equivalent to a 8.7-percentage-point increase at the mean probability of supporting the nominee.²²

Our analyses above focus on contentious elections where the recommendations of ISS and management differ, i.e., when ISS opposes but management supports the nominees for director elections. For robustness, we also estimate Equation 1 across various election samples. These additional analyses, presented in Appendix A, consistently demonstrate the presence of same-race voting preferences across different election samples and time periods, albeit with varying magnitudes.²³ We further conduct a placebo test by randomly assigning race/ethnicity to funds and directors while preserving the overall distributional properties of the contentious election sample. This random assignment is iterated 1000 times. For each randomly generated sample, we perform the baseline regression in Equation 1 and extract the exponentiated coefficients (i.e., odds ratios) on *SameRace*. Figure IA-C.1 in the Internet Appendix plots the distribution of these bootstrapped coefficients. The odds ratio of 1.276 reported in Column 1 of Table 2 is well above the 99th percentile of the bootstrapped distribution, suggesting that the observed result is highly unlikely to arise by chance.

²¹The detailed calculation is as follows: The unconditional probability of voting for a nominee by mutual funds is 51.4%, which corresponds to baseline odds of 1.057 ($=0.514/(1-0.514)$). An odds ratio of 1.276 raises the baseline odds of supporting director nominees to 1.349 ($=1.276 \times 1.057$), which corresponds to a new probability of 57.4%, or a 6.0 percentage point increase from the unconditional mean.

²²In an untabulated test, the results remain quantitatively and qualitatively similar after controlling for *SameGender*, an indicator variable set to one if the representative gender of the fund matches the nominee’s gender. The results are also robust to excluding Hispanic nominees who may not be easily differentiated from white nominees merely by their appearance.

²³In Appendix A, we first replicate the analysis on both the full sample of all elections and the subset of consensus elections. We continue to observe same-race voting patterns in both samples. As expected, the marginal effect in the full sample remains significant but is smaller at about 1 percentage point. Second, we examine the sub-samples where nominees end up receiving 80% (90%) or less overall support, likely indicating lower quality candidates. We find that fund managers are 3.4 (2.5) percentage points more likely to vote for nominees of the same race who end up receiving 80% (90%) or lower support from shareholders. Finally, in an unreported table, we show that such pattern persists both before and after 2010, with a significantly less pronounced effect observed in the latter period of the sample.

4.2 Fund or Fund Family Effect

In this section, we examine the anatomy of the documented same-race voting pattern at the fund and the fund family levels. First, we investigate whether same-race preferential voting is driven by heterogeneity in funds' general perception of different races/ethnicities rather than specific matches/mis-matches of the race/ethnicity of fund managers and director nominees. To suppress this heterogeneity, we include a set of fixed effects of fund $\times$ nominee pair in the regression of *VoteFor* on *SameRace*, along with year-quarter fixed effects. With each nominee's race/ethnicity fixed, the identification of same-race preferences in this specification flows through time-series changes in the fund's racial/ethnic match with the nominee due to changes in the fund's representative race/ethnicity over time. Thus, this analysis relies on approximately 13.8% of mutual funds that ever changed their major racial/ethnic identity during our sample period. Column 1 in Table 3 reports the results. We find that the same-race effect remains statistically significant in this regression specification. The marginal effect of racial matching in this specification is more pronounced at 9.4 percent than that presented in Column 1 of Table 2, indicating that the fund managers' own race/ethnicity is an important factor driving the same-race voting preference, beyond any fund-nominee match effects.²⁴

[Insert Table 3 Here]

Second, motivated by studies documenting that fund families influence funds' voting decisions (Iliev and Lowry, 2015), we investigate the potential impact of aggregated racial preference at the fund-family level. In our baseline regression, we conduct our analysis at the fund level because fund managers may have certain discretion in how their funds vote. Nevertheless, funds within a family tend to vote unanimously. In our contentious election sample, we observe that there is a disagreement between a fund and the other funds in its fund family in about 6.9% of the elections. The propensity of such disagreements increases with fund managers' racial diversity in the fund family. Specifically, the conditional probability of disagreement is 12.9% for fund families that consist of fund managers with

²⁴We conduct a similar analysis by aggregating funds' votes and their managers' racial identity to the investment advisor level, motivated by Bubb and Catan (2022) suggesting that voting decisions are often made by investment advisors. We identify fund advisors using the CRSP Mutual Fund database. However, we do not find evidence that advisors are more favorable for nominees with whom their affiliated fund managers share larger racial similarity. This finding reinforces our argument that the same-race voting preference only manifests at the *fund manager* level.

two or more racial/ethnic groups. To capture this potential heterogeneity, we aggregate the racial composition of fund managers to the fund family level and calculate the percentage of fund managers in the family who share the same race with the director nominees (*FamilySameRacePct*). We examine whether this variable is related to the percentage of the funds in the family who vote for the nominees (*FamilyVoteForPct*) in a OLS regression with the family $\times$ election as the unit of observations. Column 2 of Table 3 reports that the racial/ethnic matching at the fund-family level is not statistically significantly correlated with the family’s support of the nominee. Given the absence of same-race effect at the fund-family level, our baseline findings are unlikely driven by the aggregate racial preference at the fund-family level.

5 Heterogeneity Tests

5.1 Racial Composition of Funds and Fund Families

In this section, we turn to explore whether the pattern of same-race preferential voting varies across funds and fund families with different levels of racial and ethnic representation. Table 4 presents our findings. In Column 1, we regress *VoteFor* on interactions between *SameRace* and both *White Dominated Fund* and *Non White Dominated Fund*. Here, *White Dominated Fund* is a dummy variable indicating funds that are strictly dominated by white manager(s), while *Non White Dominated Fund* indicates funds weakly dominated by minority manager(s). We find that, compared to the non-white-dominated funds, white-dominated funds are more likely to exhibit same-race voting preferences, with an odds ratio of 1.258 at the 1% level of significance. The difference in same-race voting preferences between white-dominated and non-white-dominated funds is statistically significant as the p-value of the Wald test for the coefficient difference is 0.066.²⁵

[Insert Table 4 Here]

Next, we examine whether managerial racial composition within fund families could

²⁵In Appendix Table C.1, we further decompose non-white-dominated funds into Asian, Black, Hispanic-dominated, and other funds. In the sample of contentious elections, we find that the same-race voting preferences are primarily concentrated among white and Asian-dominated funds. Such heterogeneity in same-race preferences across racial and ethnic groups is broadly consistent with the findings of Ambrose et al. (2021).

influence the white-dominated funds’ preferential voting towards white nominees. We interact *SameRace* $\times$ *White Dominated Fund* with *Fund Family with Low Minority Rep* and *Fund Family with High Minority Rep*, fund family dummy variables set to one if the proportion of racial minority managers in the fund family is below or above the median of the sample for each year-month, respectively. As reported in Column 2, our findings indicate that the same-race preference of white-dominated funds intensifies in fund families with a low minority representation, suggesting that greater racial diversity within the fund family may mitigate white-dominated funds’ preferential voting towards white nominees.

In Columns 3 and 4 of Table 4, we categorize funds into those managed *exclusively* by white manager(s) and those with at least one minority manager. We predict that the all-white funds would exhibit a stronger preference for white nominees compared to those with minority manager(s). Conforming this prediction, our results reveal that all-white funds are more likely to support white nominees, compared to funds not exclusively managed by whites. Similarly, the preferences for white nominees in all-white funds are significantly more pronounced among those from fund families with lower representation of minority managers. Specifically, given the mean support probability of 51.4%, the odds ratio of 1.583 for all-white funds in fund families with below-the-median representation of minority managers is equivalent to an 11.2 percentage points increase in the probability of voting for same-race (i.e., white) nominees.²⁶

5.2 (Existing) Racial Diversity of Corporate Boards

We next examine how existing board diversity at nominating firms affects same-race voting preferences. We split our sample based on the level of board diversity measured at the end of the year *preceding* the election. In Table 5, we find that white-dominated funds consistently exhibit strong same-race voting preferences regardless of the existing board’s racial composition. Specifically, white-dominated funds are more likely to support same-race nominees in both firms with no or low minority representation (0-2 minority director) and those with high minority representation (more than 2 minority directors), with both effects significant at the 1% level.

[Insert Table 5 Here]

²⁶The detailed calculation is as follows: An odds ratio of 1.583 raises the odds of mean support probability to 1.673 ($=1.583 \times (0.514 / (1 - 0.514))$), which implies a new probability of 62.6% ($=1.673 / (1 + 1.673)$), or an 11.2-percentage-point increase from the mean (of 51.4%).

In contrast, the same-race voting patterns of funds managed by minority managers appear to be influenced by the representation of minorities on the board. These funds significantly prefer same-race nominees in firms with no or low minority representation (0-2 minority incumbent directors), but this preference becomes weaker (with an odds ratio of 1.127) and statistically insignificant in firms with relatively high (i.e., more than 2) minority incumbent directors. This suggests that minority fund managers’ preference for minority nominees manifests primarily when the existing board lacks minority representation.²⁷

6 Potential Channels

In this section, we explore the potential channels that could explain the observed same-race voting pattern, including variance/noise-based statistical discrimination, shareholder value maximization, conflicts of interest, social networks, and taste-based bias.

6.1 Statistical Discrimination

According to Arrow (1973) and Phelps (1972), statistical discrimination refers to the behavior that leads to unequal treatments based on race or gender when economic agents have imperfect information about individuals they interact with and when acquiring individual-specific information is costly. There are two basic types of statistical discrimination, namely mean/quality- and variance/noise-based statistical discrimination. While we assert that quality-based statistical discrimination has been largely controlled for in Equation 1, noise-based statistical discrimination, or inaccurate statistical discrimination as proposed in Bohren et al. (2025), could still potentially explain the observed voting pattern.

In our setting, fund managers may be more likely to vote for same-race nominees because the managers (believe that they) possess more credible information about the nominees

²⁷In Appendix Table B.1, we find that several non-race-related fund characteristics are also significantly associated with the intensity of same-race voting preferences. First, funds managed by a single manager are more inclined to favor nominees who share the manager’s race or ethnicity, suggesting that same-race preferences might be mitigated in a team management structure in mutual funds. Second, funds with higher expense ratios are associated with lower same-race preferences, possibly because more information acquisition that results in higher fund expenses attenuate racial biases. Third, older funds tend to display more same-race preferences. Lastly, funds that have a higher propensity to support for a nominee or that are less likely to follow ISS recommendations are more likely to exhibit the same-race preference, suggesting that same-race preferences are more likely to be found among actively voting funds (Iliev and Lowry, 2015; Malenko and Shen, 2016).

of shared race or because they have inaccurate beliefs on the average nominee quality of different races. The identification strategy used in Table 2 does not rule out such alternative explanation. Instead, we perform several additional tests to examine whether the race-based patterns are mitigated when fund managers have more credible information regarding the nominee. We would observe this mitigation if the observed patterns are driven by noise-based (or inaccurate) statistical discrimination of fund managers.

To test the prediction, we measure the information availability and credibility of a director candidate using several proxies that reflect information availability regarding the nominee. The first proxy is the candidate’s re-nomination, *Renomination*, which is set to one if the candidate is being re-nominated in any firms (including the original firm) and zero otherwise. The inverse of *Renomination* is *NewNominee* which is an indicator variable set to one if the candidate is newly nominated in any firms.²⁸ Each time a candidate is re-nominated, there would be more available and credible information about the candidate such as his or her performance in the past directorships, which would in turn reduce fund managers’ uncertainty about the candidate’s quality. We regress *VoteFor* on the interaction terms of *SameRace* $\times$ *NewNominee* and *SameRace* $\times$ *Renomination*. If the observed same-race preference is driven by variance/noise-based statistical discrimination, we predict that the coefficient on *SameRace* $\times$ *Renomination* should be lower than that of *SameRace* $\times$ *NewNominee*. Column 1 in Table 6 reports the results. We find that the coefficient on *SameRace* $\times$ *Renomination* is significantly lower than that on *SameRace* $\times$ *NewNominee*, consistent with the noise-based discrimination. However, the noise-based statistical discrimination channel does not fully explain the pattern of same-race preferences since the odds ratio on the interaction of *SameRace* and *Renomination* remains statistically significant and greater than one (with an odds ratio of 1.173) in Column 1 of Table 6.

[Insert Table 6 Here]

Next, we turn our attention to the speed with which same-race preferences decay over time as more information becomes available regarding the nominee, in terms of both quality as well as fit with the firm. The additional information should reduce the noise regarding candidate quality, weakening the noise-based statistical discrimination channel. The additional

²⁸We construct *Renomination* and *NewNominee* based on the ISS election sample. We augment the measurement of these variables using BoardEx data to mitigate the concern that some new nominees identified in the ISS sample may be incumbent directors before 2005, the starting year of the ISS sample.

information should also reduce the inaccuracies of voters' beliefs regarding candidate quality, mitigating the inaccurate statistical discrimination channel posited in Bohren et al. (2025). To do this, we replace *Renomination* with a series of dummy variables that indicate the 1st, 2nd, 3rd, and 4th and more re-nominations. We find that the same-race preference persists up to the third reelections of a candidate in Column 2 of Table 6. The estimation in this table lumps together each candidate's 4th re-nominations onward for conciseness, but Figure IA-E.1 in the Internet Appendix plots the estimates when we decompose *Renomination* into a sequence of re-nominations up to the 10th. The figure shows that same-race preferences seem to dissipate after the candidate's 4th re-nomination, provided that the candidate is re-nominated at least that many times. Given the average re-nomination interval of 1.8 years in our sample, the dynamic model highlighted in Figure IA-E.1 indicates that same-race preferences persist for more than seven years after an individual candidate is initially nominated for directorship.

The second proxy for information availability regarding the nominee is the level of fund ownership on the firm, *FundOwnership*, which is a dummy variable set to one if the fund's ownership stake in the firm is above the median within a firm-year. The ownership stake captures the economic benefit that the fund would obtain from supporting the right director nominees and therefore the fund's incentive to gather more information regarding each nominee.²⁹

The third proxy is the length of the fund's shareholding of the firm, *HoldingLength*, which is defined as a dummy variable set to one if the fund's shareholding (in number of consecutive years) is above the median within each firm-year. The longer the fund holds the firm, the lower the marginal cost of obtaining information on the firm and nominees would be for the fund. We posit that information asymmetry is likely to be reduced for funds with greater ownership stakes on the firm as well as for the funds who have a longer investment relationship with the firm.

The last information proxy is a fund-nominee-specific measure: *HoldNomineeFirm* equals to one if the fund invests in any (other) firms for whom the nominee serves as a board member in the year prior to the election, and zero otherwise. We posit that funds are likely to possess more information about the nominee through their holdings on other firms in

²⁹We opt to use ownership stake instead of portfolio weight. The weight of a firm in the fund portfolio is highly related to the firm's size, which could be unrelated to the fund's ability to gain access to the information in the firm. In an untabulated analysis, we find that same-race preferences are not related to the portfolio weight of the firm.

which the nominee is already a director.

Both noise-based statistical discrimination and inaccurate statistical discrimination channels predict that the interaction terms of $SameRace \times FundOwnership$, $SameRace \times HoldingLength$, and $SameRace \times HoldNomineeFirm$ should decrease the likelihood of funds' support for same-race nominees. The results in Columns 3, 4, and 5 in Table 6 indicate the opposite. We observe that the coefficients on these interaction terms are all significantly greater than one (i.e., increase the likelihood of supporting same-race nominees), which is inconsistent with noise-based or inaccurate statistical discrimination driving same-race voting preferences in corporate director elections. Instead, the positive associations suggest that fund managers' familiarity with firms and/or nominees intensifies same-race voting preferences. Overall, the evidence on the noise-based statistical discrimination is at best inconclusive.

6.2 Shareholder Value Maximization

Literature on the governance role of institutional investors suggests that institutional investors create value by either direct intervention through engagement with management and shareholder voting or passive governance by the threat of exit (McCahery et al., 2016; Edmans, 2009). Studies examining how institutional investors' voting influence corporate policy and governance also document that institutional investors improve firm value, consistent with the theory of shareholder value maximization (Appel et al., 2016). The documented excess support for same-race nominees is possibly because fund managers who act in the best interest of beneficial shareholders are more likely to vote for the good-quality director nominees. This explanation cannot be justified if one believes that the elections against by ISS, which are the focus of this paper, destroy shareholder value. To further investigate the potential channel of shareholder value maximization, we measure the quality of a director nominee and then test whether fund managers are still more likely to vote for a same-race nominee even if the nominee has low quality.

We use election outcome and support rate of the nominee to approximate the candidate quality (Erel et al., 2021). The validity of these measures rests on the assumption that shareholders, in aggregate, are value-maximizers and information asymmetry is resolved at the market level. The first quality measure is *FailedElection*, an ex-post variable set to one if ISS data indicate that the current election fails to gain the majority vote (i.e., support rate is less than 50%), and zero otherwise. Thus, this variable indicates a low quality nominee.

The second quality measure is *LowSupport*, indicating whether a nominee’s support rate in their previous election falls below the median support rate of contentious elections in that year. As this measure requires information about previous elections, we also add the interaction between *SameRace* and *NewNominee* to capture the effects for new nominees (i.e., those without previous election records).

If shareholder value maximization explains the same-race voting pattern, fund managers should be less likely to support low-quality director nominees, even if they share the same race/ethnicity. To test this hypothesis, we include the interaction terms of *SameRace* $\times$ *FailedElection* and *SameRace* $\times$ *LowSupport*. The value maximization hypothesis predicts that the coefficients of these interactions would be less than one (i.e., decrease the likelihood of supporting the same-race nominees).

[Insert Table 7 Here]

Table 7 reports the results. In contrast to the value maximization hypothesis, we find that fund managers are significantly more likely to vote for same-race nominees when the elections eventually fail in Column 1 and when the nominees receive a lower-than-median support rate in their previous election cycle in Column 2. While the estimated coefficients of the interactions cut against the predictions of the shareholder value maximization hypothesis, it is more striking that the same-race preference is significantly stronger for nominees receiving lower support from shareholders. One plausible explanation is that, according to the social identity theory (Tajfel and Turner, 1986), fund managers may be motivated to seek or maintain a positive identity, intensifying their racial in-group favoritism towards low-quality nominees. This pattern aligns with Gompers et al. (2016)’s findings on the costs of homophily.

6.3 Conflicts of Interest and Social Network

Recent studies on mutual fund voting suggest that conflicts of interest from economic perspective or personal relationship from social network may influence fund managers’ voting behavior (Cvijanović et al., 2016; Duan et al., 2021; Butler and Gurun, 2012; Calluzzo and Kedia, 2019; Davis and Kim, 2007). The observed same-race voting preference could be driven by conflicts of interest or social networks arising from the fund-firm, the family-firm, or the fund-nominee level, which are not controlled for in Equation 1.

First, conflicts of interest may arise from the relations between mutual funds and firms. For instance, mutual funds that hold substantial stakes on a company may be more likely to support for the boards and the directors they nominate. To control for such fund-firm relations, we implement the fund $\times$ firm $\times$ year-quarter and proposal fixed effects in the logit regression of *VoteFor* on *SameRace*. Column 1 in Panel A, Table 8 presents the results. We find that the coefficient on *SameRace* remains significantly greater than one (with an odds ratio of 1.367), suggesting that the same-race voting pattern cannot be fully explained by the potential time-varying fund-firm relations.

[Insert Table 8 Here]

Second, the self economic interest may also arise from the relations between fund families and firms. A notable example is that when mutual fund family is the investment manager of the company’s pension plan, funds under the family may be more likely to exhibit pro-management voting behavior (Davis and Kim, 2007; Cvijanović et al., 2016). We control for such family-firm relations by saturating our baseline regression with family $\times$ firm $\times$ year-quarter fixed effects in addition to the set of fixed effects used in the Equation 1. Column 2 in Panel A, Table 8 shows that, although the magnitude decreases to an odds ratio of 1.225, the same-race voting pattern remain statistically significant at the 1% level after controlling potential time-varying family-firm relations.

Lastly, same-race preferences may also confound with favoritism or information advantage arising from the social networks between fund managers and director nominees. Eliminating this confounding variation by implementing rigorous fixed effects does not seem plausible. Instead, we adopt two approaches to control for the potential confounding effect of social networks. Firstly, we use educational ties to proxy for social networks between fund managers and nominees. To construct these networks, we obtain director education data from BoardEx database and collect fund manager education information from LinkedIn profiles. In the contentious election sample, we are able to trace the university or college of 711 fund managers affiliated with 1,895 funds and of 7,951 directors associated with 22,534 elections. *SchoolTie* is set to one if any fund managers in the fund and the nominee attend the same school, and

zero otherwise.³⁰ We control school ties in our baseline regression in Equation 1. Column 1 of Panel B in Table 8 reports results for the 396,653 observations where we have information on fund managers' educational backgrounds. We find that the odds ratio of *SchoolTie* is significant at 1.26, suggesting that fund managers are more likely to vote for the nominee sharing the same educational network. More importantly, the same-race effect remains significant at 1.337, equivalent to a 7.2 percentage point increase from the mean support probability, after controlling for school ties.

Secondly, we use the geographic proximity of the fund and the nominee to proxy for potential fund-nominee relationships. If the funds and the nominees are located in different states, divisions, or regions, they are less likely to be socially connected. We do not directly observe the location of the nominees, so we use the firm location instead, motivated by the study by Knyazeva et al. (2013) that highlights the importance of local director markets. To suppress the social network channel, we focus on three sub-samples where the funds are located away from the firm's headquarter state, division, or region.³¹ From Columns 2 to 4 in Panel B of Table 8, we find that the baseline results presented in Table 2 remain similar after conditioning on different-state and different-division sub-samples. The odds ratio of *SameRace* remains significant at 1.246 (1.204 or 1.247) when we focus on the funds that are located outside the firm's headquarter state (division or region). The findings imply that, while social networks between funds and nominees could play a role in same-race preferences, they are unlikely to constitute the dominant explanation for the observed voting pattern.

³⁰Following Cohen et al. (2008) and Butler and Gurun (2012), we treat different campuses under a university system as separate universities. In our sample, votes cast by educationally connected managers account for approximately 2.3% of observations, which is slightly higher than 0.4% in Butler and Gurun (2012) who study the effect of educational connectedness between fund managers and senior officers/directors on mutual funds' voting on shareholders' compensation proposals.

³¹Since 1950, the United States Census Bureau defines four statistical regions with nine divisions: the Northeast region comprised of the New England division (including CT, MA, ME, NH, RI, and VT states) and the Middle Atlantic division (NJ, NY, and PA); the Midwest region comprised of the East North Central division (IL, IN, MI, and OH) and the West North Central division (IA, KS, MN, MO, ND, NE, and SD); the South region comprised of the South Atlantic division (DC, DE, FL, GA, MD, NC, SC, VA, and WV), the East South Central division (AL, KY, MS, and TN), and the West South Central division (AR, LA, OK, and TX); and the West region comprised of the Mountain division (AZ, CO, ID, MT, NM, NV, UT, and WY) and the Pacific division (AK, CA, HI, OR, and WA).

6.4 Social Environment and Taste-Based Bias

Social environment may influence a person’s preferences, traits, and behaviors (Pan et al., 2020; Fisman et al., 2008; McLean et al., 2023). We turn to investigate whether the racial composition in the fund state is associated with same-race voting preferences of mutual fund managers. We hypothesize that fund managers located in the state with a less racial and ethnic diversity are more likely to exhibit same-race voting preferences. This hypothesis is supported by the findings of several psychological studies which demonstrate that the increase in ethnic composition of minority reduces inter-group ethnic prejudice because a more diverse racial environment fosters positive contact across races (Wagner et al., 2006; Stein et al., 2000).

To test this hypothesis, we first include the interaction of *SameRace* and *StateRacialHomogeneity*, an indicator variable that equals to one if the fund is located in the state where the Racial and Ethnic Diversity Index is below the US median in 2010.³² Column 1 in Table 9 reports the regression results. We find that funds that are located in the racially homogeneous states are 3.9 percentage point more likely to support same-race nominees at the mean support probability, after controlling for the interactions between *SameRace* and other state demographics and economic condition variables.³³ This evidence suggests that race-related social environment is related to racial preferences, consistent with homophily-based racial discrimination founded in experiment (Jacquemet and Yannelis, 2012).

[Insert Table 9 Here]

The fund state’s racial composition could affect both statistical- and taste-based discrimination of local fund managers. To test whether the fund managers’ voting preference is directly related to the taste-based discrimination or racial bias, we employ two state-level measures of racial bias. The first measure is implicit racial bias, which can unconsciously influences

³²Figure IA-D.1 in the Internet Appendix shows the Racial and Ethnic Diversity Index across states in the US according to the 2010 US census data. The indicator variable *StateRacialHomogeneity* equals to one for the 549,487 fund-election observations and zero for the remaining 742,452 observations, indicating that our sample is not dominated by the funds located in states with either high or low racial diversity.

³³The Diversity Index does not convey the information about the composition of a specific race. Thus, an alternative prediction of racial bias is that fund managers will be more likely to vote for same-race nominees when the fund managers are domiciled in a state where the nominee’s race makes up a larger proportion of the state’s population. In an untabulated test, we find that funds are 3.7 percentage point (significant at the 1% level) more likely to support same-race nominees when the population make-up of the nominees’ race in the fund state is above the US median.

a person’s behavior and judgment towards individuals or groups based on their race. To measure this bias, we obtain a sample of publicly available implicit racial bias scores of the Implicit Association Test (IAT) conducted by Project Implicit (Xu et al., 2017).³⁴ A higher race IAT score indicates a greater *implicit* racial bias of an individual. We average the individual scores in each state over our sample period. After that, we construct an indicator variable, *StateImplicitBias*, which equals one if the fund is located in the state where the state-level implicit racial bias score is above the US country median. We regress *VoteFor* on *SameRace* and the interaction of *SameRace* and *StateImplicitBias*. As reported in Column 2 of Table 9, we find that the odds of supporting same-race nominees increases by a factor of 1.311 (with marginal effect of 6.7% at the mean) when fund managers are domiciled in the state with the higher-than-median implicit racial bias scores.

We also employ another measure, *StateRacialAnimus*, that reflects *explicit* racial bias at the state level. Specifically, *StateRacialAnimus* is set to one if the fund is located in the state where the Racial Animus Index, constructed by Stephens-Davidowitz (2014), is above the country median during our sample period, and zero otherwise. According to Stephens-Davidowitz (2014), the Racial Animus Index is based on the search volume of racial epithets, e.g., “nigger(s)”, in Google Trends. The Index has been discovered to be a more accurate predictor of bias compared to survey measures, and has been utilized to analyze taste-based racial bias in other contexts (Stephens-Davidowitz, 2014; Butler et al., 2023). A higher state-level Racial Animus Index indicates more frequent search of racial epithets in the state. As reported in Column 3 of Table 9, the odds ratio on the interaction between *SameRace* and *StateRacialAnimus* is statistical at 1.197, implying that fund managers are more likely to exhibit same-race voting preferences if they are located in the state with a higher Racial Animus Index.³⁵ The above findings suggest that the same-race voting preference is consistent with the explanation of taste-based bias.

Overall, the results in this section indicate that the same-race voting pattern that we observed is not consistent with shareholder value maximization explanation. Moreover, channels such as statistical discrimination, self economic interest, and social network cannot fully explain the same-race voting preference. We find some support for the noise-based or

³⁴The IAT test can be accessed on Project Implicit website. A clean Project Implicit dataset is available here.

³⁵The distributions of implicit and explicit racial bias measures are not completely overlapped across states. Only 20 states are classified as having higher-than-median or lower-than-median levels of implicit and explicit racial bias at the same time.

inaccurate statistical discrimination channel, but the slow dissipation of same-race voting preferences even for candidates who are re-nominated suggests that very strong priors stemming from taste-based bias continue to play an important role in the prevalence of same-race preferences. Indeed, we provide additional evidence in favor of the taste-based explanation by documenting that same-race preferences are associated with both implicit and explicit racial bias, as well as racial homogeneity within the community.

7 Implications

7.1 Candidate Outcomes

Does the racial bias of mutual fund managers affect the outcomes of director election? We answer this question by testing whether the actual support rate of a director nominee is related to the racial composition and the same-race voting preference of the mutual fund voters participating in the election. Specifically, using OLS regressions, we regress the nominee’s support rate in a contentious election, *SupportRate*, on two explanatory variables: (1) the proportion of the fund voters who share the nominee’s race in the election (*SameRaceVoter*) and (2) the voters’ average racial preferences towards the nominee’s race (*AverageAbnormalSupport*), measured as the ownership-weighted average fund abnormal support of other nominees who share the focal nominee’s race in the election year t .³⁶ To facilitate interpretation, both independent variables are standardized with a zero mean and a unit standard deviation.

³⁶To construct *AverageAbnormalSupport*, we first compute *AbnormalSupport* at the fund-year level, which measures each fund’s annual abnormal support towards nominees of certain race/ethnicity, using the following equation.

$$AbnormalSupport_{f,y,r} = \frac{\sum_{t \in y, c \in r} VoteFor_{f,i,c,t}}{N_{f,y,r}} - \frac{\sum_{t \in y} VoteFor_{f,i,c,t}}{N_{f,y}}, \quad (2)$$

where f , i , t , y , r and c denote fund, firm, election year-quarter, election year, nominee’s race/ethnicity, and director nominee, respectively. *VoteFor* is a dummy variable set to one if fund f votes for nominee c in firm i ’s election in year-quarter t , and zero otherwise. $N_{f,y}$ indicates the total number of votes of fund f in contentious elections in year y . For example, a fund’s abnormal support towards same-race nominees in a particular year is computed as the fund’s total number of support of same-race nominees during that year over the total number of votes cast for same-race nominees in that year, benchmarked against its own unconditional propensity to support any nominee in the same year. Lastly, we measure the election-level *AverageAbnormalSupport* by aggregating *AbnormalSupport* _{f,y,r} across all fund voters for a given election using the fund f ’s ownership on firm i as the weight. Section IA-F in the Internet Appendix provides descriptive statistics of this measure.

In Panel A of Table 10, we observe both *SameRaceVoter* and *AverageAbnormalSupport* are statistically significantly related to the nominee’s support rate. A one-standard-deviation increase in the proportion of the same-race fund voters (i.e., 26.02%) is associated with a 0.85-percentage-point increase in the overall support rate of the nominee. For example, if the proportion of Black fund voters in a firm increases by 26.02%, the support rates for Black candidates nominated by that firm will, on average, increase by 0.85 percentage points. Moreover, we find that the average strength of the funds’ preference for the nominee’s race is also positively associated with the nominee’s support rate. A one-standard-deviation increase in funds’ average abnormal support towards the nominee’s race is associated with a 0.30-percentage-point increase in the nominee’s support rate. Consistent with voting-level results presented above, these findings suggest that the overall voting support received by a nominee can be explained by both racial composition and same-race preferences of fund voters.

[Insert Table 10 Here]

Why should director candidates care about their support rate even if they are almost certain to pass the elections in uncontested plurality voting settings?³⁷ Existing studies suggest that shareholders’ support in uncontested director elections have real effect on directors. Aggarwal et al. (2019) find that directors with low voting support are more likely to depart boards and to move to less prominent roles on boards if they stay. Therefore, the voting support of a candidate in the current election may affect boards’ future decision to re-nominate the candidate as well as his or her future opportunities in the director market. We perform a preliminary analysis in Section IA-G in the Internet Appendix to verify earlier findings in the literature that support rate is associated with the probability of re-nomination. Indeed, we document that a one-standard-deviation increase in support rate (14.3%) is associated with a 2.82% increase in the probability of being re-nominated in same firm and 1.34% increase in the any firms in the next year after the current election. The effect is sizable since the unconditional probability that a contentious candidate is re-nominated in

³⁷Most director elections covered by ISS Voting Analytics are uncontested (Cai et al., 2009; Brav et al., 2024; Becker and Subramanian, 2013).

the subsequent year is 61.6% in any firms and 51.8% in the same firm.³⁸

Given voting support is important for director re-nomination, we are interested in the consequence of the racial composition and same-race voting preferences on re-nomination outcomes through their effects on voting support. To explore this mediation effect, we use the estimated regression reported in Panel A of Table 10 to isolate the support rate predicted by the racial composition and same-race voting preferences, *PredictedSupportRate*, from the residual support rate explained by factors other than the two variables, *ResidualSupportRate*. Panel B reports the coefficient estimates from regressing the re-nomination dummy on the predicted race-induced support rate and the residual support rate using the OLS regressions.

We observe in Panel B that the support rate predicted by the racial composition and same-race voting preference is significantly positively associated with the probability of future re-nominations in any sample firms (Column 1) or the same firm (Column 2). In terms of economic magnitude, a one-percentage-point increase in the support rate, as predicted by fund voters' racial composition and same-race voting preferences, is associated with a 4.3% (3.1%) increase in the likelihood of re-nominations at any (same) firms, which is equivalent to 6.97% (5.98%) related to the mean probability of re-nominations. These race-induced support rates are substantially greater than that of the residual support rate.

Combining the results from Panels A and B, we conclude that a one-standard-deviation increase in the proportion of voters sharing the nominee's race results in a 3.65% (2.64%) higher likelihood of re-nomination at any (same) firms. Similarly, a one-standard-deviation increase in the strength of same-race voting preferences results in a 1.29% (0.91%) higher likelihood of re-nomination at any (same) firms.³⁹ The findings indicate that racial composition and same-race preferences have significant impacts on candidates' career outcomes.

As the vast majority of shareholders are white, same-race voting preferences of shareholders may exert a more favorable aggregate effect for white candidates compared to minority candidates. In Appendix Table C.2, we replicate the above analysis separately for white

³⁸As documented in Section IA-G in the Internet Appendix, we find that this pattern remains both qualitatively and quantitatively similar when we measure re-nominations within the next two or three years after the current election. The frequency of re-elections of directors depends on the company's bylaws. While some directors are elected every year in unitary boards, others in staggered boards are elected every two or three years (Fos et al., 2018).

³⁹For instance, the 3.65% increase is calculated by multiplying the 4.3% estimated coefficient on *PredictedSupportRate* from Panel B of Table 10 by 0.85, the estimated coefficient on *SameRaceVoter* from Panel A. To better understand the magnitude of the effect, let's consider a Black candidate. If the proportion of white fund voters increases by 26.02%, equivalent to a one-SD increase in *SameRaceVoter*, the likelihood of this candidate being re-nominated as a director in the following year increases by 3.65%.

and minority candidates. Indeed, we find that the positive impact of same-race shareholders and their same-race voting preferences on candidate outcomes mainly benefits white director candidates. A one-percentage-point increase in the estimated race-induced support rate is associated with 7.4% (5.9%) higher likelihood of re-nominations in any (same) firms.

7.2 Fund Outcomes

In our last analysis, we investigate whether racial bias is associated with mutual funds’ performance. We measure a fund’s racial bias by the fund abnormal support of same-race nominees, *AbnormalSupport*, which is defined in Equation 2 in Section 7.1.⁴⁰ The fund abnormal support measure reflects the fund’s propensity to support same-race nominees in a year benchmarked against its own propensity to support any nominee in that year. Using actively managed equity mutual funds in our sample, we regressed the monthly fund net-of-fee raw returns on the fund abnormal support in the prior year, along with a set of standard fund controls. We incorporate year-month fixed effects to control for time trend and cluster standard errors at the year-month level to address the cross-correlation of fund returns. As reported in Columns 1 and 3 of Table D.1, we find that there is no significant relation between a fund’s same-race preferences and future fund returns. Columns 2 and 4 show that the insignificant relationship persists when we use a dummy variable indicating that a fund’s abnormal support is above zero in the preceding year.

8 Conclusion

This paper studies racial preferences among shareholders in corporate director elections. Using granular mutual fund voting data from 2005 to 2018, we find that fund managers are more likely to support director nominees who share their racial or ethnic identity. This same-race preferential voting is particularly prevalent among white fund managers, especially in fund families without minority representation or with only minimal representation. Among minority fund managers, same-race preferences are observed only when they vote on minority directors nominated to boards with no or low minority representation. These heterogeneity

⁴⁰In this analysis, the subscript r in $AbnormalSupport_{f,y,r}$ refers to the nominees who share the same race/ethnicity with the fund manager f , rather than the specific race/ethnicity of the nominees as used in Section 7.1. Section IA-F in the Internet Appendix provides a more detailed explanation and summary statistics on this variable.

tests suggest that racially diverse professional and social environments may attenuate these voting preferences.

Our analysis demonstrates that same-race voting patterns neither align with shareholder value maximization motives nor can be fully explained by statistical discrimination, conflicts of interest, or social networks. Although we control for educational networks and geographic proximity in our robustness tests, an important caveat regarding these relatively coarse proxies for social networks is that we could not definitively rule out the possibility that our results may be related to unobserved social relationships between fund managers and director nominees. However, it is worth noting that the aforementioned channels provide at best partial explanations for the observed same-race voting patterns.

The evidence strongly indicates that taste-based biases play a relevant role in explaining shareholders' preferential support for director nominees of the same race or ethnicity. Our additional analyses further reveal that shareholders' same-race voting behaviors – regardless of their underlying drivers – could have important consequences for the election and career outcomes of director candidates. These findings provide new insights into how racial preferences influence shareholder voting decisions and contribute to ongoing policy discussions about effective approaches to promoting board diversity.

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Figures and Tables

Figure 1: Average Support Rate Across Race and Ethnicity

The figure plots the average support rates of director nominees across race and ethnicity over time. The mean support rates are computed based on contentious elections from 2006 to 2018. The figure excludes observations in 2005 due to limited number of contentious elections of minority (i.e., less than 10 per race/ethnicity). Green, black, red, and blue line denotes Asian, Black, Hispanic, and white nominees, respectively.

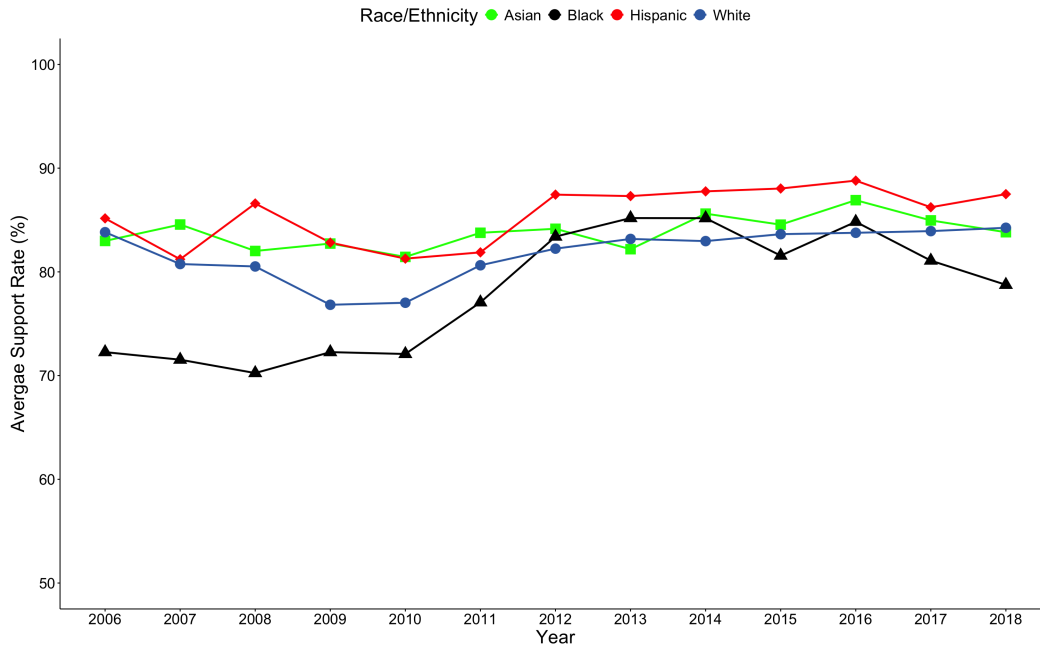


Table 1: Summary Statistics

Panel A in this table summarises racial composition across director nominees and funds in the contentious election sample. The 1,291,939 observations in contentious elections sample are decomposed into white, Asian, Black, Hispanic, and two/more race sub-samples. The table reports the number of votes, number of unique nominees, and the corresponding percentage of the total nominees across nominee/fund race. Panel B reports the summary statistics of the key variables in the empirical analysis. *VoteFor* is the key dependent variable set to one if a fund votes for a director nominee, and zero if the fund votes against the nominee or withholds its vote. *SameRace* is the key independent variable set to one if the fund and the nominee share the same racial or ethnic identity, and zero otherwise. *SameRacePct* is an alternative measure of *SameRace*, measuring the proportion of the managers who share the nominee’s race/ethnicity in the fund.

Panel A: Racial/Ethnic Composition

	Nominee Composition			Fund Composition		
	Number of Votes	Number of Unique Nominees	% of Total Nominees	Number of Votes	Number of Unique Funds	% of Total Funds
White:	1,180,152	23,514	92.52	1,148,081	5,627	85.12
Asian:	48,981	959	3.78	33,003	316	4.78
Black:	27,958	362	1.43	1,731	14	0.21
Hispanic:	34,848	579	2.28	793	31	0.47
Two/More Race:	-	-	-	108,331	623	9.42

Panel B: Key Variables

	N	Mean	S.D.	1st%	10th%	25th%	50th%	75th%	90th%	99th%
<i>VoteFor</i>	1,291,939	0.51	0.50	0	0	0	1	1	1	1
<i>SameRace</i>	1,291,939	0.89	0.31	0	0	1	1	1	1	1
<i>SameRacePct</i>	1,291,939	0.81	0.31	0	0.33	0.67	1	1	1	1

Table 2: Same-Race Voting in Director Elections

The table presents the results of estimating the logit model for the relation between the probability that a mutual fund manager votes for a director nominee and whether the fund manager and the nominee share the same racial or ethnic identity in contentious director elections. In both regressions, the dependent variable is a dummy variable, *VoteFor*, that equals one if a fund votes for a director nominee, and zero if the fund votes against the nominee or withholds its vote. In Column 1, the independent variable is *SameRace*, a dummy variable equal to one if the fund and the nominee share the same racial or ethnic identity, and zero otherwise. In Column 2, the independent variable is a continuous variable, *SameRacePct*, that measures the percentage of the managers who share the nominee's race or ethnicity in the fund. The regressions incorporate the fund×year-quarter and proposal fixed effects. Standard errors are clustered at the fund×year-quarter level. The table reports exponentiated coefficients (i.e., odds ratios) with standard errors in parentheses. The mean value of the dependent variable and marginal effects at the mean are also reported. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

	<i>VoteFor</i>	
	(1)	(2)
<i>SameRace</i>	1.276*** (0.044)	
<i>SameRacePct</i>		1.433*** (0.050)
Fund×Year-Quarter FE	Yes	Yes
Proposal FE	Yes	Yes
Mean(Dep Var)	0.514	0.514
Marginal Effect at Mean	0.060***	0.087***
Observations	1,291,939	1,291,939
Adjusted R^2	0.391	0.391

Table 3: Fund or Fund Family Effect

The table presents the results of the effect of fund and fund family on the same-race preference documented in Table 2. In Column 1, we employ the logit model to evaluate the fund effect using changes in fund race over time. The dependent and independent variable is *VoteFor* and *SameRace* respectively, as defined in Table 2 and Internet Appendix IA-A. The regression incorporates the fund $\times$ nominee and year-quarter fixed effects. The odds ratios are reported with standard errors clustered at the fund $\times$ year-quarter level. In Column 2, we explore the fund family effect using OLS regression. The voting regression in Column 2 is based on the sample aggregated to the family $\times$ election level. The dependent variable is *FamilyVoteForPct* which is computed as the fraction of funds that support the director nominees in the family for the election. The independent variable is *FamilySameRacePct*, defined as the fraction of fund managers, within the fund family, who share the same race/ethnicity with the nominee. The regression incorporates the family $\times$ year-quarter and proposal fixed effects. Standard errors are clustered at the family $\times$ year-quarter level in Column 2. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

Observation Level	Fund-Proposal <i>VoteFor</i> (1)	Fund Family-Proposal <i>FamilyVoteForPct</i> (2)
<i>SameRace</i>	1.455*** (0.190)	
<i>FamilySameRacePct</i>		0.010 (0.015)
Fund $\times$ Nominee FE	Yes	No
Year-Quarter FE	Yes	No
Family $\times$ Year-Quarter FE	No	Yes
Proposal FE	No	Yes
Model	Logit	OLS
Marginal Effect at Mean	0.094***	-
Observations	1,291,939	479,030
Adjusted R^2	0.349	0.545

Table 4: Heterogeneity in Racial Composition of Funds and Fund Families

The table presents the results of same-race voting preferences across funds and fund families with different levels of racial and ethnic representation. All regressions are estimated using logit models. Across all columns, the dependent variable is *VoteFor* and the main independent variable is *SameRace*. In Column 1, *SameRace* is interacted with *White Dominated Fund*, a dummy variable set to one if the fund is strictly dominated by white fund manager(s), and *Non White Dominated Fund*, a dummy variable takes a value of one if the fund is not strictly dominated by white manager(s). In Column 2, *SameRace* $\times$ *White Dominated Fund* is further interacted with *Fund Family with Low Minority Rep* and *Fund Family with High Minority Rep*, a fund family indicator set to one if the proportion of racial minority managers in the fund family is below or above the median of the sample for each year-month, respectively. In Column 3, *SameRace* is interacted with *All White Fund*, a dummy variable set to one if the fund is only managed by white manager(s), and *Non All White Fund*, a dummy variable takes a value of one if the management team of the fund consists of at least one minority manager. In Column 4, *SameRace* $\times$ *All White Fund* is further interacted with *Fund Family with Low Minority Rep* and *Fund Family with High Minority Rep* as defined above. All regressions incorporate the fund $\times$ year-quarter and proposal fixed effects. Standard errors are clustered at the fund $\times$ year-quarter level. The table reports odds ratios with standard errors in parentheses. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

	<i>VoteFor</i>			
	(1)	(2)	(3)	(4)
(a) <i>SameRace</i> $\times$ <i>White Dominated Fund</i>	1.258*** (0.047)			
(b) <i>SameRace</i> $\times$ <i>Non White Dominated Fund</i>	1.188*** (0.054)	1.174*** (0.057)		
(c) <i>SameRace</i> $\times$ <i>White Dominated Fund</i> $\times$ <i>Fund Family with Low Minority Rep</i>		1.413*** (0.060)		
(d) <i>SameRace</i> $\times$ <i>White Dominated Fund</i> $\times$ <i>Fund Family with High Minority Rep</i>		1.220*** (0.053)		
(e) <i>SameRace</i> $\times$ <i>All White Fund</i>			1.448*** (0.053)	
(f) <i>SameRace</i> $\times$ <i>Non All White Fund</i>			1.112*** (0.041)	1.111*** (0.042)
(g) <i>SameRace</i> $\times$ <i>All White Fund</i> $\times$ <i>Fund Family with Low Minority Rep</i>				1.583*** (0.063)
(h) <i>SameRace</i> $\times$ <i>All White Fund</i> $\times$ <i>Fund Family with High Minority Rep</i>				1.283*** (0.055)
Fund $\times$ Year-Quarter FE	Yes	Yes	Yes	Yes
Proposal FE	Yes	Yes	Yes	Yes
Test of Differences	(a)-(b)=0	(c)-(d)=0	(e)-(f)=0	(g)-(h)=0
Wald Test Statistic	3.371	19.679	73.747	35.94
P-Value	0.066*	0.000	0.000	0.000***
Observations	1,291,939	1,240,098	1,291,939	1,240,098
Adjusted R^2	0.391	0.389	0.391	0.389

Table 5: Same-Race Voting Preferences and Board Diversity

This table examines how same-race voting preferences vary with the existing level of board diversity at nominating firms. Both regressions are estimated using logit models. In both regressions, the dependent variable is *VoteFor* and the independent variable is *SameRace*, as defined in Internet Appendix IA-A. The election sample is split based on board diversity: Column 1 includes firms with no or low minority representation on their existing board of directors (2 or less minority director) while Column 2 includes firms with high existing minority representation (more than 2 minority directors), measured at the end of the year preceding the election. In both columns, *SameRace* is interacted with *White Dominated Fund*, a dummy variable set to one if the fund is strictly dominated by white fund manager(s), and *Non White Dominated Fund*, a dummy variable takes a value of one if the fund is not strictly dominated by white manager(s). The regressions incorporate the fund $\times$ year-quarter and proposal fixed effects. Standard errors are clustered at the fund $\times$ year-quarter level. The table reports odds ratios with standard errors in parentheses. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

Sample	<i>VoteFor</i>	
	Boards with No/Low Existing Minority Representation (0-2 Minority Directors) (1)	Boards with High Existing Minority Representation (2+ Minority Directors) (2)
<i>SameRace</i> $\times$ <i>White Dominated Fund</i>	1.244*** (0.074)	1.335*** (0.068)
<i>SameRace</i> $\times$ <i>Non White Dominated Fund</i>	1.223** (0.085)	1.127 (0.072)
Fund $\times$ Year-Quarter FE	Yes	Yes
Proposal FE	Yes	Yes
Wald Test Statistic	0.062	5.738
P-Value	0.804	0.016**
Observations	656,526	635,413
Adjusted R^2	0.405	0.345

Table 6: Variance/Noise-Based Statistical Discrimination

This table reports the estimated results of logit regressions on variance/noise-based statistical discrimination. Across all columns, the dependent variable is *VoteFor*, as defined in Internet Appendix IA-A. *SameRace* equals one if the fund and the nominee share the same racial/ethnic identity and zero otherwise. *NewNominee* equals one if the candidate is newly nominated in any firms and zero otherwise, and *Renomination* equals one if the candidate is re-nominated in any firms and zero otherwise. *1st (2nd, 3rd, or 4th⁺) Renomination* is an indicator variable set to one if the candidate is re-nominated in the first, second, third, and fourth or more times in any firms, respectively. *FundOwnership* is a dummy variable set to one if the number of firm shares held by a fund over the number of outstanding shares (%) is above the median within a firm-year. *HoldingLength* is a dummy variable set to one if the number of consecutive years of fund shareholding on a firm is above the median within a firm-year. *HoldNomineeFirm* is a dummy variable set to one if the fund holds any firms where the nominee serves as a board member. *FundOwnership*, *HoldingLength*, and *HoldNomineeFirm* are measured at the last portfolio holding observed in the year before the election proposal. The regressions incorporate the fund×year-quarter and proposal fixed effects. Standard errors are clustered at the fund×year-quarter level. The table reports odds ratios with standard errors in parentheses. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

	<i>VoteFor</i>				
	(1)	(2)	(3)	(4)	(5)
<i>SameRace</i> × <i>NewNominee</i>	1.408*** (0.069)	1.405*** (0.069)			
<i>SameRace</i> × <i>Renomination</i>	1.173*** (0.050)				
<i>SameRace</i> × <i>1stRenomination</i>		1.335*** (0.069)			
<i>SameRace</i> × <i>2ndRenomination</i>		1.145** (0.078)			
<i>SameRace</i> × <i>3rdRenomination</i>		1.508*** (0.119)			
<i>SameRace</i> × <i>4th⁺ Renomination</i>		0.921 (0.921)			
<i>SameRace</i>			1.165*** (0.057)	1.155*** (0.060)	1.273*** (0.057)
<i>FundOwnership</i>			0.989 (0.046)		
<i>SameRace</i> × <i>FundOwnership</i>			1.091** (0.042)		
<i>HoldingLength</i>				0.918* (0.042)	
<i>SameRace</i> × <i>HoldingLength</i>				1.087* (0.0048)	
<i>HoldNomineeFirm</i>					0.986 (0.043)
<i>SameRace</i> × <i>HoldNomineeFirm</i>					1.108** (0.050)
Fund×Year-Quarter FE	Yes	Yes	Yes	Yes	Yes
Proposal FE	Yes	Yes	Yes	Yes	Yes
Observations	1,291,939	1,291,939	864,699	864,699	904,163
Adjusted <i>R</i> ²	0.391	0.391	0.382	0.382	0.370

Table 7: Shareholder Value Maximization

This table reports the estimated results of logit regressions on shareholder value maximization. In both columns, the dependent variable is *VoteFor* as defined in Internet Appendix IA-A. In Column 1, the key independent variable is the interaction between *SameRace* and *FailedElection*, where *FailedElection* equals one if the current election fails or the support rate of the nominee is less than 50%. In Column 2, the key independent variable is the interaction between *SameRace* and *LowSupport_{t-1}*, where *LowSupport_{t-1}* equals one if the actual support rate in the most recent election is below the median support rate of contentious elections in that year. *NewNominee_t* indicates candidates who are nominated as board directors for the first time. The regressions incorporate the fund×year-quarter and proposal (nominee×firm×year-quarter) fixed effects. Standard errors are clustered at the fund×year-quarter level. The odds ratios are reported with standard errors in parenthesis. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

	<i>VoteFor</i>	
	(1)	(2)
<i>SameRace</i>	1.258*** (0.044)	1.025 (0.064)
<i>SameRace</i> × <i>FailedElection_t</i>	1.421** (0.214)	
<i>SameRace</i> × <i>LowSupport_{t-1}</i>		1.340*** (0.105)
<i>SameRace</i> × <i>NewNominee_t</i>		1.365*** (0.108)
Fund×Year-Quarter FE	Yes	Yes
Proposal FE	Yes	Yes
Observations	1,291,939	1,291,939
Adjusted <i>R</i> ²	0.391	0.392

Table 8: Conflicts of Interest and Social Network

This table reports the estimated results of logit regressions on conflicts of interest and social network. In both panels, the dependent variable is *VoteFor* and the key independent variable is *SameRace*, which are defined in Internet Appendix IA-A. In Panel A, the regression incorporates the fund×firm×year-quarter and proposal fixed effects in Column 1 and fund-family×year-quarter, proposal, and fund×year-quarter fixed effects in Column 2. In Panel B, the regression in Column 1 is conditional on a sub-sample of funds with available education connection data. *SchoolTie* is a dummy variable set to one if any fund managers inside the fund share the same college or university with the nominee. From Columns 2 to 4, the regression is conditional on three sub-samples where the voting funds are located away from the firm's headquarter state, division, or region. The regression includes the fund×year-quarter fixed effects and proposal (nominee×firm×year-quarter) fixed effects. In both panels, standard errors are clustered at the fund×year-quarter level. The table reports odds ratios with standard errors in parentheses. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Conflicts of Interest				
	<i>VoteFor</i>			
	(1)		(2)	
<i>SameRace</i>	1.367*** (0.164)		1.225** (0.126)	
Proposal FE	Yes		Yes	
Fund-Firm-Year-Quarter FE	Yes		No	
FundFamily-Firm-Year-Quarter FE	No		Yes	
Fund-Year-Quarter FE	No		Yes	
Observations	1,291,939		1,291,939	
Adjusted R^2	0.250		0.452	

Panel B: Social Networks				
	<i>VoteFor</i>			
Sample	All	Different State	Different Division	Different Region
	(1)	(2)	(3)	(4)
<i>SameRace</i>	1.337*** (0.077)	1.246*** (0.048)	1.204*** (0.048)	1.247*** (0.059)
<i>SchoolTie</i>	1.260*** (0.07)			
Fund×Year-Quarter FE	Yes	Yes	Yes	Yes
Proposal FE	Yes	Yes	Yes	Yes
Observations	396,653	1,030,146	955,543	834,269
Adjusted R^2	0.394	0.380	0.385	0.390

Table 9: Race-Related Social Environment

This table reports the effect of race-related social environment on fund same-race preferences. All regressions are estimated using logit models. From Columns 1 to 3, the dependent variable is *VoteFor*. In Column 1, the key independent variable is the interaction between *SameRace* and *StateRacialHomogeneity* where *StateRacialHomogeneity* equals one if the fund is located in the state where the Racial and Ethnic Diversity Index is below the country median in 2010. In Column 2, the key independent variable is the interaction between *SameRace* and *StateImplicitBias*, where *StateImplicitBias* equals one if the state-level implicit racial bias score is above the country median during our sample period. In Column 3, the key independent variable is the interaction between *SameRace* and *StateRacialAnimus*, where *StateRacialAnimus* is set to one if the fund is located in the state where the Racial Animus Index is above the country median. All regressions include a series of interactions between *SameRace* and standard state-level demographics (estimated by the 2010 American Community Survey data) and economic conditions (from the US Bureau of Economic Analysis) in the fund state. All demographics and economic condition variables are measured in 2010 and standardized with a zero mean and a unit standard deviation. The regressions incorporate the fund×year-quarter and proposal fixed effects. Standard errors are clustered at the fund×year-quarter level. The table reports odds ratios with standard errors in parentheses. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

	<i>VoteFor</i>		
	(1)	(2)	(3)
<i>SameRace</i> (<i>a</i>)	1.161 (0.116)	0.994 (0.026)	1.21** (0.104)
(<i>a</i>) × <i>StateRacialHomogeneity</i>	1.170*** (0.075)		
(<i>a</i>) × <i>StateImplicitBias</i>		1.311*** (0.090)	
(<i>a</i>) × <i>StateRacialAnimus</i>			1.197*** (0.065)
(<i>a</i>) × <i>StatePopulation</i>	1.698* (0.512)	2.481*** (0.793)	1.761* (0.525)
(<i>a</i>) × <i>StateFemale</i>	0.878** (0.058)	0.870 (0.058)	0.904 (0.060)
(<i>a</i>) × <i>StateAge</i>	1.034 (0.049)	0.999 (0.046)	1.071* (0.043)
(<i>a</i>) × <i>StateCollegeDegree</i>	0.562** (0.156)	0.406*** (0.119)	0.566** (0.154)
(<i>a</i>) × <i>StateHouseholdIncome</i>	1.014 (0.034)	1.032 (0.036)	1.096** (0.046)
(<i>a</i>) × <i>StateGDP</i>	1.079 (0.131)	0.996 (0.117)	0.957 (0.113)
(<i>a</i>) × <i>StateGDPGrowth</i>	0.976 (0.026)	0.994 (0.026)	0.992 (0.026)
Fund×Year-Quarter FE	Yes	Yes	Yes
Proposal FE	Yes	Yes	Yes
Observations	1,291,939	1,291,939	1,291,939
Adjusted R^2	0.391	0.391	0.391

Table 10: Candidate Outcomes

This table reports the results of the analyses of candidate outcomes after a candidate is nominated in a contentious board election. In Panel A, the dependent variable is the support rate of the candidate in the contentious election (*SupportRate*). The independent variables are (1) the proportion of fund voters who share the candidate's race/ethnicity in the focal election (*SameRaceVoters*), and (2) the average same-race bias of fund voters measured by the ownership-weighted average fund abnormal support of other candidates who share the focal candidate's race in the current year (*AverageAbnormalSupport*). *SameRaceVoters* and *AverageAbnormalSupport* are standardized with a zero mean and a unit standard deviation to facilitate interpretation of the magnitudes. In Panel B, the dependent variable in Column 1 is a re-nomination indicator that equals one if the candidate is re-nominated by *any* firms in the sample in the year following the focal election and zero otherwise, while the dependent variable in Column 2 is a re-nomination indicator that equals one if the candidate is re-nominated by the *same* firm in the year following the focal election and zero otherwise. The independent variables in both columns are (1) *PredictedSupportRate*, the race-related support rate predicted by *SameRaceVoters* and *AverageAbnormalSupport* in the estimated regression in Panel A, and (2) *ResidualSupportRate* which is the residual support influenced by factors other than two race-related predictors and is equal to $SupportRate - PredictedSupportRate$. All regressions incorporate the year and director candidate fixed effects. Standard errors are clustered at the candidate level. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Voters' Racial Characteristics and Candidate's Support Rate		
	$SupportRate_t$	
	(1)	
$SameRaceVoters_t$	0.849** (0.004)	
$AverageAbnormalSupport_t$	0.299** (0.001)	
Year FE	Yes	
Candidate FE	Yes	
Observations	16,955	
Adjusted R^2	0.667	
Panel B: Candidate's Past Support and Likelihood of Future Re-nomination		
	$Renomination_{t+1}$ (Any Firms)	$Renomination_{t+1}$ (Same Firm)
	(1)	(2)
$PredictedSupportRate_t$	4.258*** (1.388)	3.086** (1.375)
$ResidualSupportRate_t$	0.084 (0.052)	0.192*** (0.066)
Year FE	Yes	Yes
Candidate FE	Yes	Yes
Mean(Dep Var)	61.64%	51.84%
Observations	16,955	16,955
Adjusted R^2	0.582	0.462

Appendix

A Robustness Test

Table A.1: Robustness Test: Contentious and Consensus Elections

The table presents the results of the robustness tests on fund managers' same-race voting preferences. The regressions are estimated using logit models. In both regressions, the dependent and independent variable is *VoteFor* and *SameRace* respectively, as defined in Table 2 and Internet Appendix IA-A. The regression is based on the sample of contentious elections (where ISS and corporate management disagree) in Column 1, the sample of consensus elections (where both ISS and corporate management recommend supporting the nominee) in Column 2, and the sample of all elections (both contentious and consensus) in Column 3. All regressions incorporate the fund×year-quarter and proposal fixed effects. Standard errors are clustered at the fund×year-quarter level. The table reports odds ratios with standard errors in parentheses. The mean value of the dependent variable and marginal effects at the mean are also reported. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

Sample	<i>VoteFor</i>		
	Contentious Elections (1)	Consensus Elections (2)	All Elections (3)
<i>SameRace</i>	1.276*** (0.044)	1.137*** (0.049)	1.137*** (0.046)
Fund×Year-Quarter FE	Yes	Yes	Yes
Proposal FE	Yes	Yes	Yes
Mean(Dep Var)	0.514	0.973	0.945
Marginal Effect at Mean	0.059***	0.008***	0.010***
Observations	1,291,939	19,909,071	21,201,010
Adjusted R^2	0.391	0.437	0.493

Table A.2: Robustness Test: Sub-sample Analysis

The table presents the results of the sub-sample analysis on fund managers' same-race voting preferences. All regressions are estimated using logit models. In all regressions, the dependent and independent variable is *VoteFor* and *SameRace* respectively, as defined in Table 2 and Internet Appendix IA-A. The regression is based on the sample of all (both contentious and consensus) elections that receive less than or equal to 80% (90%) in Column 1 of Panel A (Panel B). In Column 2 of Panel A (Panel B), the regression is based on the sample of all elections with more than 80% (90%). All regressions incorporate the fund $\times$ year-quarter and proposal fixed effects. Standard errors are clustered at the fund $\times$ year-quarter level. The table reports odds ratios with standard errors in parentheses. The mean value of the dependent variable and marginal effects at the mean are also reported. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A: 80% Cutoff		
	<i>VoteFor</i>	
Sample	Elections with Support $\leq$ 80%	Elections with Support $>$ 80%
	(1)	(2)
<i>SameRace</i>	1.149*** (0.053)	1.241*** (0.048)
Fund $\times$ Year-Quarter FE	Yes	Yes
Proposal FE	Yes	Yes
Mean(Dep Var)	0.561	0.961
Marginal Effect at Mean	0.035***	0.013***
Observations	847,966	20,171,263
Adjusted R^2	0.378	0.477

Panel B: 90% Cutoff		
	<i>VoteFor</i>	
Sample	Elections with Support $\leq$ 90%	Elections with Support $>$ 90%
	(1)	(2)
<i>SameRace</i>	1.131*** (0.030)	1.312*** (0.073)
Fund $\times$ Year-Quarter FE	Yes	Yes
Proposal FE	Yes	Yes
Mean(Dep Var)	0.699	0.972
Marginal Effect at Mean	0.028***	0.014***
Observations	2,102,562	18,916,667
Adjusted R^2	0.340	0.490

B Fund Heterogeneity

Table B.1: Fund Heterogeneity

The table reports the results of heterogeneity tests on fund characteristics. All regressions are estimated using logit models. The dependent variable and independent variable is *VoteFor* and *SameRace* respectively, as defined in Internet Appendix IA-A. *SameRace* is interacted with following fund characteristics variables: (1) *SingleManager* is a dummy variable that equals one if a fund is managed by single portfolio manager and zero otherwise. (2) *FundTNAs* are the log of the total net assets managed by a fund at the most recent year end before the proposal. (3) *FundExpense* is the fund expense ratio (%). (4) *FundAge* is the fund age (year). (5) *FundESG* is portfolio-weighted average MSCI ESG ratings of the portfolio firms. (6) *ActiveFund* is an indicator of actively managed equity funds defined by Huang et al. (2011). (7) *PropensityVoteFor* is the fund's propensity to vote for a director candidate. All interacting variables are standardized with zero mean and a unit standard deviation and measured in the most recent year preceding the election. The regressions incorporate the fund×year-quarter and proposal fixed effects. Standard errors are clustered at the fund×year-quarter level. The table reports odds ratios with standard errors in parentheses. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

	<i>VoteFor</i>							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>SameRace</i> (<i>a</i>)	1.242*** (0.046)	1.194*** (0.047)	1.233*** (0.048)	1.242*** (0.047)	1.293*** (0.046)	1.299*** (0.055)	1.242*** (0.045)	1.219*** (0.061)
(<i>a</i>) × <i>SingleManager</i>	1.070** (0.032)							1.055* (0.033)
(<i>a</i>) × <i>FundTNA</i>		1.069*** (0.015)						1.029 (0.019)
(<i>a</i>) × <i>FundExpense</i>			0.956** (0.022)					0.947* (0.027)
(<i>a</i>) × <i>FundAge</i>				1.073*** (0.015)				1.054*** (0.018)
(<i>a</i>) × <i>FundESG</i>					0.980 (0.012)			0.982 (0.013)
(<i>a</i>) × <i>ActiveFund</i>						1.025 (0.033)		1.066 (0.043)
(<i>a</i>) × <i>PropensityVoteFor</i>							1.084** (0.034)	1.062* (0.036)
Fund×Year-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Proposal FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,291,939	1,171,055	1,168,783	1,171,055	1,291,939	1,291,939	1,291,939	1,168,783
Adjusted <i>R</i> ²	0.391	0.393	0.394	0.393	0.391	0.391	0.391	0.394

C Race Heterogeneity

Table C.1: Same-Race Voting Across Race and Ethnicity

The table presents the results of estimating the logit model for the relation between the probability that a mutual fund manager votes for a director nominee and whether the fund manager and the nominee share the same racial or ethnic identity. The regression results are conditional on the sample of all (both consensus and contentious) director elections in Column 1, consensus elections in Column 2, and contentious elections in Column 3. In all regressions, the dependent variable is a dummy variable, *VoteFor*, that equals one if a fund votes for a director nominee, and zero if the fund votes against the nominee or withholds its vote. The independent variable is *SameRace*, a dummy variable equal to one if the fund and the nominee share the same racial or ethnic identity, and zero otherwise. *SameRace* is interacted with four fund race dummies. *White Dominated Fund* is a dummy variable set to one if the fund is strictly dominated by white fund managers, and zero otherwise. *Asian Dominated Fund*, *Black Dominated Fund*, and *Hispanic Dominated Fund* is a dummy variable takes a value of one if the fund is weakly dominated by Asian, Black or Hispanic fund managers. *MultiMinority Fund* indicates funds dominated by managers of different minorities. All regressions incorporate the fund $\times$ year-quarter and proposal fixed effects. Standard errors are clustered at the fund $\times$ year-quarter level. The table reports odds ratios with standard errors in parentheses. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

Sample	All Elections	<i>VoteFor</i>	
		Consensus Elections	Contentious Elections
	(1)	(2)	(3)
<i>SameRace</i> $\times$ <i>White Dominated Fund</i>	1.197*** (0.042)	1.120** (0.053)	1.337*** (0.054)
<i>SameRace</i> $\times$ <i>Asian Dominated Fund</i>	1.253*** (0.053)	1.208*** (0.064)	1.215*** (0.062)
<i>SameRace</i> $\times$ <i>Black Dominated Fund</i>	1.393** (0.183)	1.296 (0.279)	1.781** (0.496)
<i>SameRace</i> $\times$ <i>Hispanic Dominated Fund</i>	1.074 (0.187)	1.021 (0.208)	1.228 (0.595)
<i>SameRace</i> $\times$ <i>MultiMinority Fund</i>	1.168 (0.225)	0.967 (0.199)	0.834 (0.108)
Fund $\times$ Year-Quarter FE	Yes	Yes	Yes
Proposal FE	Yes	Yes	Yes
Observations	21,201,010	19,909,071	1,291,939
Adjusted R^2	0.506	0.437	0.391

Table C.2: Candidate Outcomes Across Race and Ethnicity

This table reports the results of the analyses of candidate outcomes after a white (minority) candidate is nominated in a contentious board election. The dependent variable in Columns 1 and 3 is a re-nomination dummy set to one if the candidate is renominated by *any* firms in the sample in the year $(t + 1)$ following the focal election and zero otherwise, while the dependent variable in Columns 2 and 4 is a re-nomination dummy set to one if the candidate is renominated by the *same* firm in the year following the focal election and zero otherwise. The independent variables are (1) *PredictedSupportRate*, the race-related support rate predicted by *SameRaceVoter* and *AverageAbnormalSupport* in the estimated regression in Panel A of Table 10, and (2) *ResidualSupportRate* which is the residual support influenced by factors other than the two race-related predictors and is equal to $SupportRate - PredictedSupportRate$. All regressions incorporate the year and director candidate fixed effects. Standard errors are clustered at the candidate level. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

Sample	White Candidates		Minority Candidates	
	<i>Renomination</i> _{<i>t</i>+1}		<i>Renomination</i> _{<i>t</i>+1}	
	(Any Firm)	(Same Firm)	(Any Firm)	(Same Firm)
	(1)	(2)	(3)	(4)
<i>PredictedSupportRate</i> _{<i>t</i>}	7.406*** (1.843)	5.871*** (1.988)	-0.477 (1.765)	-1.648 (1.747)
<i>ResidualSupportRate</i> _{<i>t</i>}	0.078 (0.052)	0.224*** (0.068)	0.139 (0.256)	-0.371 (0.317)
Year FE	Yes	Yes	Yes	Yes
Candidate FE	Yes	Yes	Yes	Yes
Mean(Dep Var)	61.72%	51.83%	60.68%	52.00%
Observations	15,630	15,630	1,325	1,325
Adjusted <i>R</i> ²	0.590	0.467	0.505	0.429

D Fund Outcomes

Table D.1: Same-Race Voting Preferences and Fund Performance

This table reports the results of fund outcomes. All the regressions are based on the sample of actively managed equity mutual funds defined by Huang et al. (2011). The dependent variable is the monthly net-of-fee fund return in Columns 1 and 2, and fund alpha in Columns 3 and 4. Fund alpha is estimated in the three-year rolling regressions based on the Carhart's 4-factor model. The key independent variable is $AbnormalSupport_{t-1}$ which is the fund's propensity to support same-race nominees benchmarked against the fund's propensity to support any candidate in year $t - 1$ in Columns 1 and 3, and $AbnormalSupportDummy_{t-1}$ which is a dummy variable set to one if the fund abnormal support is above zero and zero if the fund abnormal support is below zero in year $t - 1$ in Columns 2 and 4. In all the regressions, unreported control variables include the log of fund TNAs in month $m - 1$, fund expense ratio in year $t - 1$, fund turnover ratio in year $t - 1$, fund flows in month $m - 1$, fund age in year $t - 1$, monthly fund net-of-fee returns in month $m - 1$. The regressions incorporate the year-month fixed effects. Standard errors are clustered at the year-month level. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

	<i>FundReturn</i>		<i>FundAlpha</i>	
	(1)	(2)	(3)	(4)
$AbnormalSupport_{t-1}$	-0.018 (0.016)		-0.023 (0.020)	
$AbnormalSupportDummy_{t-1}$		-0.096 (0.127)		-0.110 (0.128)
Year-Month FE	Yes	Yes	Yes	Yes
Observations	124,260	124,260	94,518	94,518
Adjusted R^2	0.018	0.018	0.018	0.001

Internet Appendix

IA-A Variable Definition

1. **VoteFor:** An indicator variable that equals one if a fund votes for a director nominee, and zero if the fund votes against the nominee or withholds its vote.
2. **SameRace:** An indicator variable that equals one if the fund and the nominee share the same racial or ethnic identity, and zero otherwise.
3. **SameRacePct (%)**: The fraction of fund managers who share the same race or ethnicity with the director nominee within the fund.
4. **Re-nomination:** An indicator variable set to one if the nominee is an incumbent director who is re-nominated in the firm and zero otherwise.
5. **NewNominee:** An indicator variable set to one if the nominee for election is newly nominated in any firms and zero otherwise.
6. **FundOwnership (%)**: A dummy variable set to one if the number of firm shares held by a fund over the number of outstanding shares is above the median within a firm-year.
7. **HoldingLength:** A dummy variable set to one if the number of consecutive years of a fund's shareholding on a firm is above the median within a firm-year.
8. **HoldNomineeFirm:** A dummy variable takes value of one if the fund invests in any firms where the nominee serves as a board member.
9. **FailedElection:** A dummy variable that equals one if the election fails or its support rate is less than 50%.
10. **LowSupport:** A dummy variable equals one if the support rate of the prior-year election is below the median support rate in the sample of contentious elections in that year, and zero otherwise.
11. **SchoolTie:** A dummy variable set to one if any fund managers in a fund share the same college or university with the nominee, and zero otherwise.
12. **FundReturn (%)**: The net-of-fee monthly returns are obtained from CRSP. When a portfolio has multiple share classes, we aggregate share class returns to the weighted average fund returns by the weight of the share class TNAs in previous month.
13. **SingleManager:** A dummy variable equals one if a fund is managed by single portfolio manager.

14. **FundTNAs:** We obtain the total net assets at the share class level from the CRSP Mutual Fund database. For each fund in each month, we sum up the share class TNAs to the fund level and then take the logarithm of the fund TNAs.
15. **FundAge (Years):** The number of years that a fund survives, measured by the difference between the current year and the first offer year.
16. **FundFlows (%):** Fund flows are computed as: $Flow_{f,m} = (TNA_{f,m} - TNA_{f,m-1}(1 + R_{f,m})) / (TNA_{f,m-1})$, where $TNA_{f,m}$ and $TNA_{f,m-1}$ are the total net assets for fund f in month m and $m - 1$ respectively; and $R_{f,m}$ is the cumulative fund return at month m .
17. **FundExpense (%):** The expense ratio is on annual basis and directly sourced from CRSP.
18. **PropensityVoteFor (%):** The fund's propensity to vote for a director candidate.
19. **FundESG:** The portfolio-weighted average MSCI ESG ratings of the portfolio firms.
20. **ActiveFund:** A dummy variable indicating the actively managed equity funds defined by Huang et al. (2011).
21. **StateRacialHomogeneity:** A dummy variable set to one if the management company of a fund is located in the state where the Racial and Ethnic Diversity Index is below the country median in 2010.
22. **StateImplicitBias:** A dummy variable equals one if the state-level implicit racial bias score is above the US median during our sample period, and zero otherwise.
23. **StateRacialAnimus:** A dummy variable which equals one if the management company of a fund is located in the state where the Racial Animus Index is above the country median during our sample period.
24. **AbnormalSupport (%):** The fund's propensity to support nominees of a certain race/ethnicity in a year, benchmarked against the fund's own propensity to support a general nominee in that year.
25. **SameRaceVoters:** The proportion of fund voters who share the candidate's race in the election. This variable is standardized with a zero mean and a unit standard deviation.
26. **AverageAbnormalSupport:** A election-level variable measuring the ownership-weighted average fund abnormal support of other nominees who share the focal nominee's race/ethnicity in the election year. This variable is standardized with a zero mean and a unit standard deviation.
27. **PredictedSupportRate:** The predicted support rate of a director nominee estimated from the regression in Column 1 of Panel A, Table 10, using only the information on *SameRaceVoter* and *AverageAbnormalSupport*.

28. **ResidualSupportRate:** The residual support rate of a director nominee that subtracts the predicted support rate from the actual support rate of an election.
29. **FamilyVoteForPct (%)**: The proportion of funds in a fund family voting for a director nominee.
30. **FamilySameRacePct (%)**: The fraction of funds who share the same race or ethnicity with the director nominee within the fund family.
31. **White Dominated Fund:** A dummy variable set to one if the fund is strictly dominated by white fund managers, and zero otherwise.
32. **Non-White Dominated Fund:** A dummy variable takes a value of one if the fund is not strictly dominated by white managers, and zero otherwise.
33. **Fund Family with Low Minority Rep:** A fund family indicator set to one if the proportion of racial minority managers in the fund family is below the median of the sample for each year-month.
34. **Fund Family with High Minority Rep:** A fund family indicator set to one if the proportion of racial minority managers in the fund family is above the median of the sample for each year-month.

IA-B Linking ISS with CRSP Mutual Funds

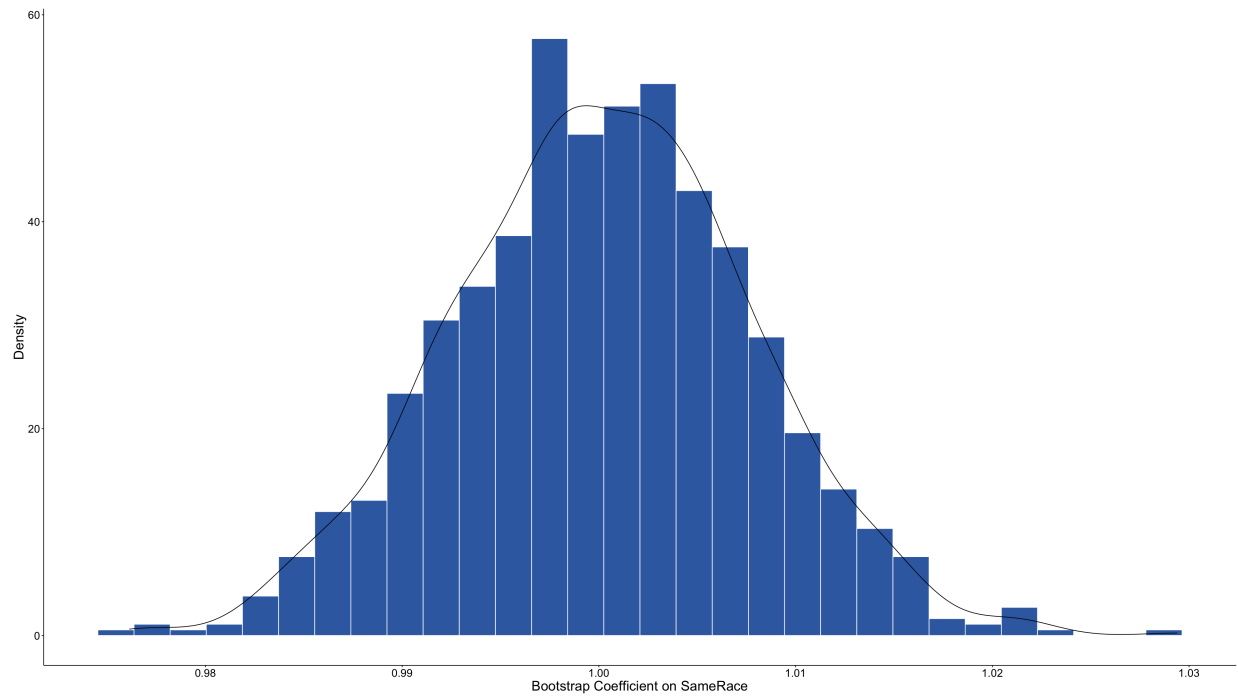
We perform the following procedure to link ISS mutual funds (*FundID*) with CRSP mutual funds (*CRSP_PORTNO*). As described in Peter Iliev’s note, each proxy voting record in the ISS data can be linked to the original SEC Form N-PX using the reference identifier (*NPXFileID*) from 2005. From the SEC’s N-PX file, we obtain a list of fund class tickers (*TICKER*) associated with the registered management investment company on the filing date. Because the CRSP Mutual Fund Summary data provide a direct linkage between the fund class tickers (*TICKER*) and the fund portfolio identifiers (*CRSP_PORTNO*), we are able to map *FundID* from ISS to *CRSP_PORTNO* from CRSP by *TICKER* in each quarter.

We observe that, in most cases (88% in our exercise), a *FundID* in a quarter is matched with multiple *CRSP_PORTNO*s, because a N-PX file typically refers to multiple funds under the same investment management company. For each *FundID*, we identify the most probable corresponding *CRSP_PORTNO* via matching the fund name between the two databases, using both Jaro-Winkler and Levenshtein Distance name-matching algorithms. We retain the pairs of *FundID-CRSP_PORTNO* with the minimum name distance according to the two algorithms and further require the distance to be less than 0.3 for Jaro-Winkler and 10 for Levenshtein Distance. In about 72% of the *FundID-CRSP_PORTNO* pairs, Jaro-Winkler or Levenshtein Distance reports a perfect match between the ISS and the CRSP fund names. For the remaining 28% of the cases where fund names are not exactly matched, we manually verify the accuracy of the mappings. As our name-matching methodology tightens the links between *FundID* and *CRSP_PORTNO* within an investment management company in a quarter, it performs better than a general, unconditional matching using a universe of fund names from the two databases.

IA-C Placebo Test

Figure IA-C.1: Placebo Test: Random Assignment of Nominees' and Funds' Race/Ethnicity

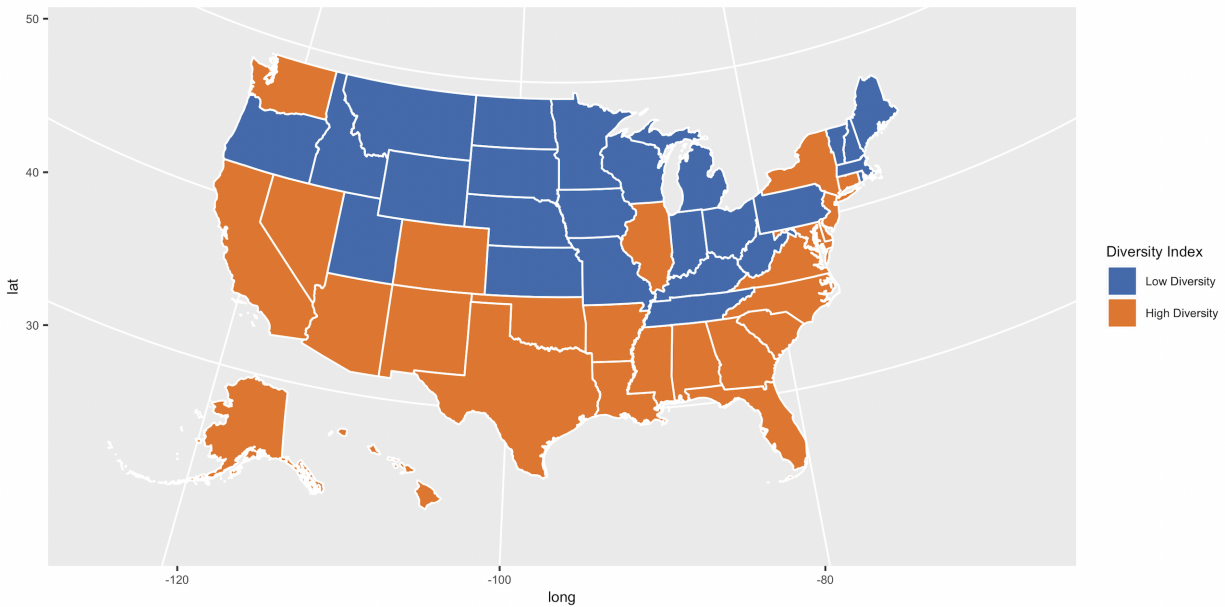
This figure presents the results of the placebo test for random assignment of race/ethnicity to director nominees and funds in the contentious election sample. We iterate this random assignment for 1000 times and conduct the baseline analysis for each randomly generated sample. The kernel density estimation of the bootstrapped coefficients is displayed. The 99th percentile of the distribution is 1.017%.



IA-D Diversity Index

Figure IA-D.1: US Racial and Ethnic Diversity Index

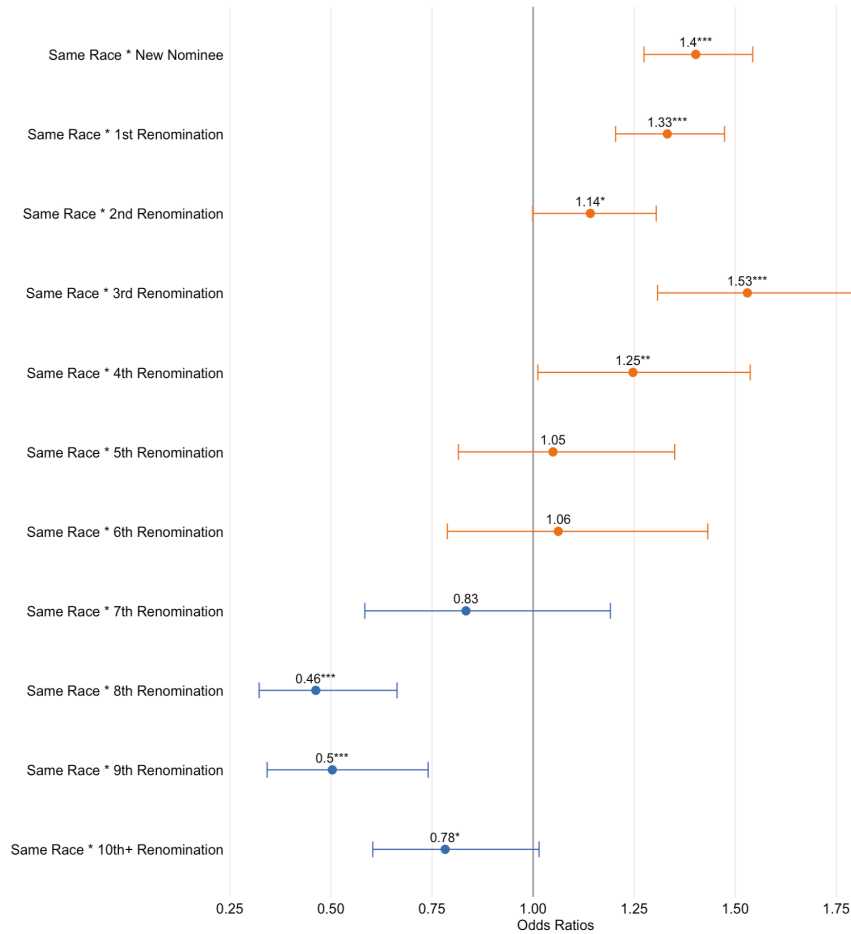
Diversity Index (DI) measures the probability that two people chosen at random will be from different race and ethnicity groups. According to the US Census Bureau, the DI is a Simpson's measure ($= 1 - \text{the sum of the squared population of each race/ethnicity over the total population in each US state}$). The DI is bounded between 0 and 1. A 0-value indicates that everyone in the population has the same racial and ethnic characteristics. A value equal to 1 indicates that everyone in a state has different racial and ethnic characteristics. The figure shows the DI for each state based on 2010 census data. In 2010, the mean (median) state-level DI is 42.4% (41.6%) and the DI at the country level is 54.9%.



IA-E Noise-Based Statistical Discrimination

Figure IA-E.1: Estimates Plot

This figure plots the estimated coefficients from the logit regression of *VoteFor* on the interactions between *SameRace* and *NewNominee*, *1stRenomination*, *2ndRenomination*, *3rdRenomination*, *4thRenomination*, ... and *10th⁺Renomination*. Renomination is a dummy variable set to one if the candidate is renominated by any firms in the sample, regardless of whether the renomination is contentious or consensus. The regression incorporates fund×year-quarter and proposal fixed effects. Standard errors are clustered at the fund-year-quarter level. Orange color indicates the estimates are above zero, while blue color indicates the estimates are below zero. Both the exponentiated coefficients (i.e., odds ratios) and the 90% confidence intervals are presented. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.



IA-F Fund Abnormal Support

In this Appendix, we conduct a univariate analysis of the difference in fund managers' support towards the same- and different-race nominees in elections of directors. In our sample, the unit of observation is at the fund-election (or more precisely fund $\times$ firm $\times$ nominee $\times$ year-quarter) level. In Equation 2, we calculate a fund's annual support rate of the same-/different-race nominees, $AbnormalSupport_{f,y,r}$, by aggregating the fund-election observations to the fund $\times$ year $\times$ same-/different-race level. Taking into account a large heterogeneity on funds' propensity to support director nominees, we benchmark this variable against the fund's unconditional average support rate of any nominee in the same year.⁴¹

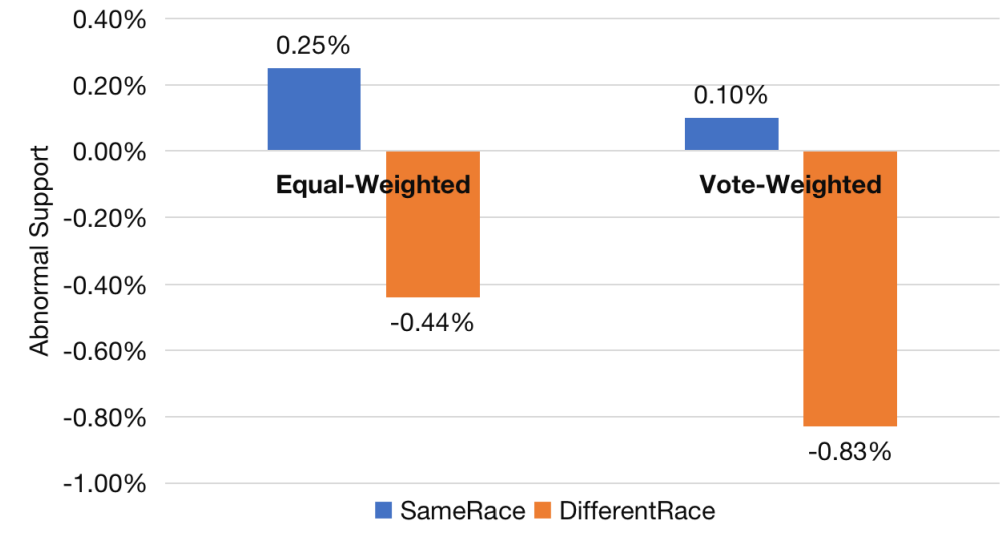
To obtain a better understanding of the average fund abnormal support toward nominees of the same or different race, we further consolidate $AbnormalSupport_{f,y,r}$ across the whole panel using either equal-weighted or vote-weighted scheme.⁴² Figure IA-F.1 presents the summary statistics of the univariate analysis using the sample of contentious elections. We find that fund managers are by 0.25% more likely to support same-race contentious nominees, compared to their own unconditional propensity to support any contentious nominees. In contrast, they are 0.44% less likely to support different-race contentious nominees. The difference between same- and different-race abnormal support rates is statistically significant at 0.69% with a t-stat of 4.22. We find a similar pattern using number of votes cast by funds to weigh $AbnormalSupport_{f,y,r}$. While this univariate analysis supports the existence of same-race voting preferences, other unobserved heterogeneity – such as differences in nominee characteristics – may affect fund voting behavior. Thus, we rely on a stringent regression approach to address potential confounding factors in Section 4.

⁴¹Matvos and Ostrovsky (2010), who also study voting in corporate director elections, find that some funds are consistently more management-friendly than others.

⁴²The vote-weighted abnormal support rate is computed as follows: $\frac{\sum_{f,y} N_{f,y,r} \times AbnormalSupport_{f,y,r}}{N_r}$.

Figure IA-F.1: Fund Abnormal Support of Same-/Different-Race Nominees

The figure below presents the summary statistics on average fund abnormal support of the same-/different-race director nominees. The calculation of the abnormal support is described in Section 7 and Internet Appendix IA-F. The abnormal support rates are computed based on the 1,291,939 observations in contentious elections sample. Blue bar indicates abnormal support rate of same-race nominees and orange bar indicates the abnormal support rate of different-race nominees.



IA-G Shareholder Support and Candidate Renomination

Table IA-G.1: Shareholder Support and Candidate Renomination

This table reports the results of OLS regressions of candidate re-nomination indicators on the candidate's voting support in the past contentious elections. In Panel A, the dependent variable is the re-nomination dummy that equals one if the candidate is re-nominated by the *same* firm in the year following the focal election in Column 1, within two years in Column 2, and within three years in Column 3. In Panel B, the dependent variable is a re-nomination dummy that equals one if the candidate is re-nominated by the *any* firm in the year following the focal election in Column 1, within two years in Column 2, and within three years in Column 3. In both panels, the independent variable is the support rate, bounded between 0 and 1, of the candidate in the focal contentious election. All regressions incorporate the year and director candidate fixed effects. Standard errors are clustered at the candidate level. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Re-nomination in the Same Firm			
Dep Var	$Renomination_{t+1}$	$Renomination_{t+2}$	$Renomination_{t+3}$
	(1)	(2)	(3)
$SupportRate_t$	0.197*** (0.064)	0.216*** (0.063)	0.265*** (0.062)
Year FE	Yes	Yes	Yes
Candidate FE	Yes	Yes	Yes
Mean(Dep Var)	51.84%	54.42%	65.86%
SD($SupportRate_t$)	14.3%	14.3%	14.3%
Observations	16,955	16,955	16,955
Adjusted R^2	0.462	0.487	0.407

Panel B: Re-nomination in Any Firms			
Dep Var	$Renomination_{t+1}$	$Renomination_{t+2}$	$Renomination_{t+3}$
	(1)	(2)	(3)
$SupportRate_t$	0.094* (0.051)	0.118*** (0.045)	0.170*** (0.045)
Year FE	Yes	Yes	Yes
Candidate FE	Yes	Yes	Yes
Mean(Dep Var)	61.64%	65.79%	75.18%
SD($SupportRate_t$)	14.3%	14.3%	14.3%
Observations	16,955	16,955	16,955
Adjusted R^2	0.581	0.624	0.542

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