

The best hedge fund managers are not psychopaths or narcissists, according to new study

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When it comes to financial investments, hedge fund managers higher in "dark triad" personality traits - psychopathy, narcissism, and

Machiavellianism - perform more poorly than their peers, according to new personality psychology research. The difference is a little less than 1% annually compared to their peers, but with large investments over several years that slight underperformance can add up. The results appear in the journal *Personality and Social Psychology Bulletin*, published by the Society for Personality and Social Psychology.

While the average person doesn't invest in hedge funds, "We should re-think our assumptions that might favor ruthlessness or callousness in an [investment](#) manager," says Leanne ten Brinke, lead author and a social psychologist at the University of Denver. "Not only do these personality traits not improve performance, our data suggest that they many hinder it."

Researchers from the University of Denver and the University of California, Berkeley, measured personality traits of 101 hedge fund managers, then compared the [personality types](#) with their investments and financial returns from 2005 - 2015. They compared not only the annualized returns, but also risk measures.

The researchers found managers with psychopathic traits made less profitable investments than peers, by just under 1% per year, but this can add up over the course of years on large investments. Managers with narcissistic traits took more investment risks to earn the same amount of money as less narcissistic peers.

Some may be surprised that most [hedge fund managers](#) rank pretty low on the Dark Triad traits. However, the results did show correlations between [personality](#) traits, investment success, and risk management.

These findings build on their earlier work, studying behavioral evidence of Dark Triad traits in U.S. Senators, and finding that "those who displayed behaviors associated with psychopathy were actually less likely

to gain co-sponsors on their bills," says ten Brinke. That study also showed those who displayed behaviors associated with courage, humanity, and justice, "were the most effective political leaders."

The results add to a growing body of literature suggesting that Dark Triad [personality traits](#) are not desirable in leaders in a variety of contexts, summarizes ten Brinke.

"When choosing our leaders in organizations and in politics," write the authors, "we should keep in mind that [psychopathic traits](#)—like ruthlessness and callousness—don't produce the successful outcomes that we might expect them to."

More information: Leanne ten Brinke, Aimee Kish, and Dacher Keltner, "Hedge Fund Managers With Psychopathic Tendencies Make for Worse Investors." *Personality and Social Psychology Bulletin*, online before print October 19, 2017. [DOI: 10.1177/0146167217733080](https://doi.org/10.1177/0146167217733080)

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