Incentive problems of managers:
- Benchmark-based evaluation
  - Excessive risk taking
  - Herding
- Brand name effects
  (spillovers of redemption within fund family)

Run risk:
- First-mover advantage
  - Liquidity mismatch
  - Managers sell liquid asset first
  - Some fund share pricing rules impose cost of liquidity risk unfairly to second movers

Macro-financial consequences:
- Price externalities
  - Fire sales, contagion, volatility

Figure 3.4. Nonleveraged Open-End Funds and Systemic Risk

Information gap between managers and investors:
- Benchmark-based evaluation
- Excessive risk taking
- Herding

Source: IMF staff.