Ricardo Barahona

Contact Details

Email: barahona@ese.eur.nl
Address: Banco de España,
C. de Alcalá, 48
28014 Madrid

Current position

Banco de España, *Madrid (Spain)*	2021 – current
Research Economist	

Past positions

Erasmus University Rotterdam, *Rotterdam (The Netherlands)*	2019 – 2021
Postdoctoral researcher in finance	

Education

Tilburg University, *Tilburg (The Netherlands)*	
Ph.D. Finance	2021
Research Master in Finance	2015
Nova School of Business and Economics, *Lisbon (Portugal)*	
M.Sc. Finance	2012
B.Sc. Economics	2010
Maastricht University, *Maastricht (The Netherlands)*, Exchange	2009

Published Papers

Can Unpredictable Risk Exposure Be Priced? (with **Joost Driessen** and **Rik Frehen**)
Journal of Financial Economics, 139(2), 522-544, 2021.
Abstract: We study the link between beta predictability and the price of risk. An investor who desires exposure to a certain risk factor needs to predict what next period's beta will be. We use a simple model to show that an ambiguity averse agent's demand is lower when betas are hard to predict, leading to a reduction in risk premiums. We test the implications for downside betas and VIX betas. We find that they have economically and statistically small prices of risk once we account for the fact that an investor cannot observe ex-post realized betas when determining asset demand.

Working papers

Why can't investors pick the right index fund?
Abstract: Investors leave large amounts of money on the table when investing in index funds, a popular investment product that accounts for 40% of U.S. equity funds. I show that even though high fees strongly predict poor performance, investors have little sensitivity to fees. This can be explained by fund intermediation in the retail sector and the legal standard of care that intermediaries have towards their clients. Net inflows to high-fee funds are higher when brokers and financial advisors receive sales commissions from the investment management company. When funds are sold through intermediaries held to higher standard of care, such as those sold to employer sponsored defined contribution pension plans, this is no longer the case. Together, this evidence suggests imposing fiduciary duties on fund intermediaries improves investor welfare.

Runner-up for best paper award at the FMA 2020 conference.

Do Teams Alleviate or Exacerbate Cognitive Biases? Evidence from Extrapolation in Mutual Funds (with **Stefano Cassella** and **Kristy Jansen**)
Abstract: Cognitive biases are pervasive, and are known to negatively impact individuals' investment behavior and financial outcomes. However, it is an open question whether cognitive biases are attenuated or amplified when teams, rather than individuals, manage investment decisions. To address this question, we use the mutual fund industry as a laboratory. We focus on how return extrapolation, a cognitive bias that has received considerable attention in recent

literature, influences the trading behavior of a team-managed fund compared to the behavior of the individual team members when they manage a fund alone. Using an IV methodology, we show that teams heavily attenuate the influence of return extrapolation on funds' trading and investment performance. Our results shed new light on the role of teams for bias correction, and highlight a potential benefit of team-based asset management.

Presentations

NBER Behavioral Finance*, EFMA, FMA*, Lubrafin 2021, World Finance Conference	2021
Western Economic Association International, Financial Management Association, World Finance Conference, Erasmus University Brownbag Seminar	2020
European Finance Association, Lubrafin 2019, Tilburg University Brownbag Seminar	2019
Tilburg University Brownbag Seminar, 17th Colloquium on Financial Markets Asset Management, Frontiers of Factor Investing	2018
Tilburg University Brownbag Seminar	2017
Tilburg University Brownbag Seminar	2016

*Presentation by co-author

Teaching

Erasmus University, *Rotterdam (The Netherlands)*	
Lecturer – Advanced Behavioral Finance	2021
Lecturer – Interest Rates and Stock Markets	2020
B.Sc. and M.Sc. Thesis Supervision	2020, 2021
Tilburg University, *Tilburg (The Netherlands)*	
B.Sc. Thesis Supervision	2016, 2019
Teaching Assistant	
B.Sc. Courses: Finance for Pre-masters, Finance 1, Finance 2, Risk Management, Corporate Finance and Capital Markets	2015-2019
M.Sc. Courses: Financial Analysis and Investor Behaviour, Applied Corporate Finance, Empirical Methods in Finance	2015-2019
Nova School of Business and Economics, *Lisbon (Portugal)*	
Teaching Assistant	
M.Sc. Courses: Investments, Applied Corporate Finance	2013-2014

Other Professional Experience

Capgemini Consulting	2013
Goldman Sachs	2011-2012
Millennium bcp, Summer Internship	Summer 2011
Edp – Energias de Portugal, Summer Internship	Summer 2010

Scholarships and Awards

AFA Travel Grant	2017
Koopmans Scholarship	2014-2015

Other Skills

Software: Matlab, Stata, Python, Latex
Languages: Portuguese (native), English (fluent), Spanish (advanced), French (intermediate)