

Protectionism and Home Bias

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Abstract: This paper examines whether protectionism decreases home bias among U.S. investors. Using the April 2, 2025, “Liberation Day” tariffs as a setting, I document outflows from U.S. mutual funds relative to international funds. U.S. investors reallocate assets across international markets in a manner not explained by the tariff rates. Flows shift toward funds with exposure to countries with stronger rule of law. Retail investors become more responsive to funds with greater IFRS exposure and become less averse to country risk premia while institutions do not. Moreover, retail investor flows suggest that U.S. stocks may become less effective as a hedge against non-tradable labor income risk. Overall, protectionist policy may reduce investment in domestic assets, producing the opposite investment effect from that intended.

Keywords: Retail Investors, Home Bias, Protectionism, IFRS, Tariffs

JEL classification: G11, G51, H31

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“(You) don’t need to own international stock. The reality is that we do better than the rest of the world. You don’t need currency risk, but if you want, don’t go over 20% international.”

- John Bogle, Founder of The Vanguard Group (2017)

1 Introduction

This paper examines whether protectionist trade policies attenuate home bias in portfolio allocation. I define protectionism as policies that favor domestic production over foreign production (i.e., through tariffs, quotas, subsidies, and other government regulations).¹ I define home bias as the tendency for investors to form portfolios overweighted in domestic assets such that the portfolios deviate from that which would be formed using a global-market benchmark.² Home bias is salient to modern financial markets because it exposes investors to concentrations of country-specific risk, an unresolved puzzle in the finance literature.³ Prior research finds that U.S. investors hold a disproportionately large share of U.S. assets, relying on robust American legal, financial, and regulatory institutions as well as familiarity with local firms as justification.⁴ While home bias can lower the cost of capital for U.S. firms when American investors commit more of their portfolios to U.S. stocks, it could also raise the cost of capital for U.S. firms if other countries’ investors also increase their home bias in response to protectionist trade policies.

Protectionism is a particularly important topic because it affects the global flow of trade and enterprise, and debates about trade protectionism have increased in the last decade (Clausing and Obstfeld, 2026; Döbeling et al., 2025). The degree to which domestic industry should be protected from foreign competition in countries with lower costs of labor, fewer costly regulations, and privileged access to resources is one of the oldest debates in economics (Amiti et al., 2019; Gorman, 1959; Irwin, 1998; Ricardo, 1815; Smith, 1776). The key unresolved

¹ Definition from the Corporate Finance Institute (“Protectionism,” 2019).

² Crucially, the paper treats home bias as a portfolio-allocation outcome without taking a stance on its optimality. Cooper and Kaplanis (1994), Cooper et al. (2018), French and Poterba (1991).

³ Chan et al. (2009), Cooper and Kaplanis (1994), Karolyi (2016), Kho et al. (2006), Lewis (1998), Tesar and Werner (1992).

⁴ Carpio et al. (2021), Chew et al. (2023), McQueen and Stenkrona (2012), Schumacher (2018), UBS (2024).

question for this study is whether (and to what magnitude) protectionism increases or decreases home bias. Since 2017, the United States Government has adopted increasingly broad tariff policies with the stated intention of shielding U.S. firms from foreign competition and increasing domestic production and employment. Because of the questions surrounding the efficacy of tariffs, I examine how protectionist policies could have consequences for U.S. firms through investors reallocating capital to other jurisdictions.

While prior research has shown the effect of tariff policies on stock prices, whether protectionism attenuates home bias is substantially more ambiguous (Kaczmarek et al., 2025; Selmi et al., 2020; Yilmazkuday, 2025). If market segmentation from protectionism increases trading costs, imposes capital controls, or introduces information frictions, one would predict greater home bias. However, if protectionism raises relative domestic risk premia, degrades domestic profit prospects, or erodes institutional confidence, one would predict an attenuation of home bias. While the real effects of tariffs take time to develop, the stock market provides a mechanism that can, in the short run, inform us of U.S. investors' expectations about the outcome of tariffs.

Because tariffs are effectively a tax on imports, changes in tariff policy represent a form of tax policy affecting the cost structure and competitive environment faced by firms engaged in international trade (Froymovich et al., 2023; Gaertner et al., 2019; Kohlhase and Wielhouwer, 2023). By examining how investors reallocate capital in response to sweeping tariff changes, this paper provides evidence of an investment effect of protectionism. The portfolio response to this tax-policy shock depends on the mechanisms underlying retail investor home bias.

Retail investor home bias is explained by several factors, including taxes and regulatory barriers impeding foreign investment, information asymmetries from accounting and

governance, and hedging non-tradable labor risk (Ardalan, 2019; Baxter et al., 1998; Obstfeld and Rogoff, 2000; Stockman and Dellas, 1989). Although barriers to foreign investment, like foreign withholding taxes, typically discourage international diversification, protectionist policies may instead push investors abroad if tariffs are expected to depress domestic firm earnings and raise uncertainty, making valuation adjustment of portfolio holdings key to examining home bias.

Information asymmetry is a possible explanation for home bias because U.S. investors are more familiar with domestic firms' prospects, reporting standards, and regulatory conditions (Ahearne et al., 2004; Ardalan, 2019; Bradshaw et al., 2004; Dahlquist et al., 2003; Daske et al., 2008; Hamberg et al., 2013; Kho et al., 2006). When U.S. investors reallocate internationally, they face heterogeneity in both accounting standards and institutional quality (De George et al., 2016; Leuz et al., 2009). Accounting standards like the International Financial Reporting Standards (IFRS) can reduce information processing costs by making accounting more comparable across countries. Institutional quality of a country's legal system and investor protections can also serve a fundamental role in reducing information asymmetry by reducing U.S. investors' uncertainty about enforcement and firm-level outcomes (Ardalan, 2019; Leuz et al., 2009).

Finally, investors may hedge non-tradable labor income risk by overweighting domestic assets when their labor income is less sensitive to firm performance than capital income, allowing them to benefit from increases in the capital share of income. However, prior research shows that home bias can increase investors' overall risk even if they hedge the risk of a lower labor share of domestic income (Baxter et al., 1998). Protectionist policies may therefore weaken the hedging motive if investors expect domestic firm earnings to decline without corresponding

wage gains, bringing about reduced home bias. This paper’s primary focus is retail investors, whose international allocation decisions may be especially sensitive to accounting familiarity, institutional quality, and labor income considerations. Institutional fund flows provide a useful comparison that helps distinguish mechanisms specific to household investors from broader responses to the protectionism shock.

To identify the effect of protectionism on home bias, I use the “Liberation Day” tariff package announced by the President of the United States on April 2, 2025. The policy represented one of the most sweeping tariff interventions in recent U.S. history. The “Liberation Day” tariff package represents a shock to protectionism because it created a surprise, unprecedented increase in trade barriers on imports to the United States. Moreover, Liberation Day was not anticipated or priced in by markets beforehand because stock prices increased following the U.S. President’s re-election, and the U.S. stock markets dropped by over 10% upon the Liberation Day announcement.⁵ As Card (2022) notes, research designs centered on large shocks can help “cut through the statistical noise” that may obscure effects in more incremental settings, making the tariff announcement a useful setting for identifying changes in investor allocation.

To measure home bias, I use mutual fund flows in both retail and institutional funds around the tariff announcement. Mutual funds are an optimal setting to determine the effect of protectionism on portfolio allocations for several reasons. First, mutual funds represent one of the primary vehicles through which investors form their portfolios, holding \$22 trillion in assets as of October 2025.⁶ Second, mutual funds often have clearly defined investment mandates with geographic focus (e.g., U.S.-only funds versus international or global funds), allowing me to

⁵ The S&P 500 dropped 10.73% in the three trading days following Liberation Day (Schafer and Canal, 2025).

⁶ \$22 trillion represents roughly 18% of total household financial assets in the U.S. (Henry, 2025).

observe shifts in investment between foreign and domestic assets. Third, flows into and out of mutual funds represent the net purchase and redemption decisions of the underlying investors with adjustments for underlying asset valuation, providing a measure of rebalancing rather than price movements (a weakness of examining daily ETF movements).⁷ Finally, mutual funds are widely held by both retail and institutional investors (typically in different funds), facilitating heterogeneous responses across investor types that are observable to the researcher. These differences in share classes allow me to examine retail investor reallocations directly and to use institutional investors as a point of comparison because institutional investors have greater information-processing resources and less exposure to non-tradable labor income risk.

I analyze 25,668 U.S.-domiciled open-end mutual funds from 2023 through 2025 using a difference-in-differences design with fund and month fixed effects. Some funds contain exclusively U.S. assets, while others contain international assets. Moreover, U.S.-domiciled mutual funds are overwhelmingly held by U.S.-based investors, with a majority being held by households.⁸ The design includes fund fixed effects to control for time-invariant fund variation and month fixed effects to control for time-series market variation.

To examine the channels underlying these allocation responses, I use cross-sectional variation in investor clientele, asset class, and fund geography. I use the Lipper fund classification data (included in CRSP) on fund type, asset base (e.g., stocks vs bonds), and the country when the fund is country-specific. Finally, I use the CRSP fund holdings data to construct fund-specific, time-varying, weighted average measures of country risk, governance quality, and IFRS adoption for each equity mutual fund (Damodaran, 2024; IFRS.org, 2026;

⁷ Prior studies have used capital flows with valuation adjustments as a measure of home bias, including Bekaert and Harvey (2000), Cooper and Kaplanis (1994), and Tesar and Werner (1992).

⁸ According to the Federal Reserve, 93% of U.S.-domiciled mutual fund shares are held by U.S. investors as of Q3 of 2025 (The Federal Reserve, 2026).

WorldBank.org, 2025). To distinguish between these channels, I first examine whether international reallocations favor developed markets relative to emerging markets. I then assess whether these reallocations are better explained by accounting familiarity, measured by fund-level IFRS adoption, or by institutional quality, measured using fund-level rule of law.

The data show a \$15.31 billion differential monthly outflow of assets from mutual funds containing exclusively U.S. assets relative to international funds following the Liberation Day announcements. Both retail and institutional investors demonstrate a net flow (in both percentage and dollar terms) of assets from U.S.-only funds to international-only funds. The effect is larger for retail funds in dollar terms than for institutional funds (net ~\$828,000 vs ~\$698,000 U.S. outflow relative to international) even though institutional funds tend to be substantially larger than retail funds. This difference in magnitude is amplified when looking at equity investment funds instead of both equity and bond funds.

I next examine the mechanisms underlying the asset allocation shifts around the Liberation Day shock to U.S. protectionism. Because retail investors are the primary focus of the study, the mechanism tests show their destination choices, with institutional investors serving as a comparison group. Evidence suggests that retail assets reallocated selectively across foreign markets while reducing allocations to broad emerging-market funds following the shock. I then test the relation between fund flows and governance and accounting familiarity (IFRS) to assess whether the information asymmetry channel influences protectionism-driven reductions in home bias. The findings show that retail fund flows become more positively associated with both governance and IFRS exposure, while institutional fund flows primarily become more positively associated with rule of law.

I then examine whether the relation between rule of law and fund flows reflects investors avoiding country-specific equity risk and find that retail investors become less averse to country risk after the protectionism shock. In contrast, institutional investors' sensitivity to country risk remains unchanged. Finally, I test whether the asset reallocation reflects changes in investors' desire to hedge non-diversifiable labor income risk, and I find evidence suggestive of this channel when examining U.S. retail investors' capital flows relative to institutional investors.

Although the stated objective of the "Liberation Day" tariff package was to strengthen the domestic economy by protecting U.S. industries and improving the nation's trade position, the results show that investors moved in the opposite direction. Rather than increasing their allocation to domestic assets, U.S. investors reallocated capital toward international markets with stronger legal institutions. In contrast, retail investors became more responsive to markets with more familiar accounting. In this sense, the reduction in home bias appears to be an unintended consequence of tariff policy because heightened policy uncertainty and perceived domestic risk prompt investors to diversify away from U.S. assets.

This paper contributes to several strands of literature. First, this paper answers the call of Dyreng et al. (2025) and contributes to the tax accounting literature on the real effects of tariffs (Froymovich et al., 2023; Gaertner et al., 2019; Kohlhase and Wielhouwer, 2023). Second, this paper contributes to the accounting literature by showing that the relation between IFRS adoption and retail investors' international allocation decisions following a domestic policy shock is consistent with an accounting familiarity channel to home bias, while the corresponding relation is insignificant for institutional investors (Covrig et al., 2007; DeFond et al., 2011). Third, it contributes to the literature on investor home bias by providing the first evidence that trade policy shocks are related to changes in investor home bias. Finally, the paper contributes to

the literature on political events and financial markets, following prior research showing that policy uncertainty can affect asset prices and capital flows (Akinci et al., 2022; Zhou et al., 2025).

2 Background

2.1 Tariffs and Protectionism

Tariffs are duties imposed by governments on imported goods and services. Tariffs are typically intended to protect domestic sectors from foreign competition by increasing the cost of foreign goods and shifting demand toward domestic producers. Historically, tariffs served as an important source of U.S. federal revenue until the income tax was introduced in the early twentieth century (Crucini, 1994; Irwin, 2000). Moreover, tariffs have historically served to protect domestic producers by restricting import competition, protect industries that serve the national interest (such as defense concerns), and as a tool to reach reciprocity in trade agreements (Irwin, 2019; Williamson, 2003). In recent years, however, tariffs have resurged as a prominent policy tool, with revived use beginning in the late 2010s and expanding substantially in 2025 with the Liberation Day Tariffs (Clausing and Obstfeld, 2026).

The April 2, 2025, “Liberation Day” tariff package represents one of the most sudden large trade policy interventions in U.S. history. Implemented using the International Emergency Economic Powers Act (IEEPA), Executive Order 14257 imposed tariffs ranging from a 10 percent baseline to “reciprocal” tariffs reaching 50 percent based on “bilateral trade imbalances” (see Appendix A). The magnitude of these tariffs is large relative to prior U.S. tariff actions, which have typically been targeted at specific industries or products, such as steel, aluminum, or select technology goods. In contrast, the broad-based nature of the Liberation Day tariffs affects a wide cross-section of firms simultaneously, generating a general shock to the relative

attractiveness of domestic versus foreign assets. The broad nature of the Liberation Day tariffs makes the setting especially well-suited for examining investor home bias because prior sector-specific tariffs primarily induce reallocation across industries. In contrast, a sweeping tariff policy is more likely to generate reallocation across countries.

Tariffs might affect firm outcomes via multiple channels (Metzler, 1949; Nunn and Trefler, 2010). Tariffs may benefit domestic firms by shielding them from foreign competition and therefore increasing their market share (and therefore revenue). However, tariffs could also harm firms by raising prices for firm inputs, disrupting global supply chains, and inviting retaliatory tariffs from foreign governments. Tariffs might also increase the total costs for domestic firms despite being designed to protect them because modern supply chains are highly globalized (Grossman et al., 2024). Because tariffs can affect firms in various ways, the efficacy of tariffs remains a longstanding debate in the trade economics literature (Amiti et al., 2019; Clausing and Obstfeld, 2026; Gorman, 1959; Irwin, 1998).

Financial markets can provide a prospective assessment of the effects of tariffs because asset prices reflect expectations about future cash flow and risk (Cochrane, 2005). Because markets represent investor expectations, trade policy changes are quickly incorporated into asset prices. Prior research shows that tariff announcements affect stock prices, volatility, and firm-level investment decisions, indicating that tariffs lead markets to update their beliefs about firm prospects (Canto et al., 1986; Gaies, 2025; Yilmazkuday, 2025). However, less is known about how tariffs influence investor capital distribution between domestic and foreign assets.

To motivate retail interest in international diversification through ex-U.S. stock funds surrounding Liberation Day, I scraped Google Trends data for a list of the top international stock funds published by Morningstar (Brovet, 2025) as well as the international funds listed on the

website of the top three retail investment brokers (Charles Schwab, Fidelity, and Vanguard). After checking Google Trends to ensure data availability for search interests, I scraped the search interests for a narrowed set of funds between 2024 and 2025. Figure 1 shows that search interest rises gradually in early 2025, spikes sharply around the tariff announcement, and remains elevated relative to the 2024 baseline for much of the post-announcement period. This pattern is indicative of increased retail attention to investment products with international diversification after the tariff shock. The sharp increase in searches for ex-U.S. investment products around Liberation Day provides complementary evidence to the fund flows analysis, showing that investors began actively considering international exposure as mutual fund flows shifted away from U.S. assets.

2.2 Mutual Funds and Investor Home Bias

Trade protectionism's effect on investor capital allocation is closely related to the well-documented phenomenon of investor home bias. Investors systematically overweight domestic assets relative to global value weights (French and Poterba, 1991). Prior literature explains this behavior with factors including regulatory barriers to foreign investment, information asymmetries between domestic and foreign firms, and hedging motives related to non-tradable labor income (Ardalan, 2019). These frictions make domestic assets relatively more attractive, even when diversification would reduce portfolio risk.

Tariffs may affect the mechanisms of home bias in ways that either strengthen or weaken home bias. Investors could view trade protectionism as part of a larger trend toward reduced globalization because tariffs raise the cost of cross-border trade. If investors view tariffs as a signal of increasing barriers to international capital flows, they could strengthen home bias in their portfolios to avoid expected increases in frictions in foreign investments. On the other hand,

tariffs may reduce the attractiveness of domestic assets by introducing policy uncertainty, shaking confidence in institutional quality, or decreasing the expected profits and increasing the expected risks of domestic firms. Therefore, investors could respond to tariffs by reallocating investments toward foreign markets where stronger institutions and more familiar accounting standards reduce information frictions.

An alternative explanation for the effect of protectionism on U.S. investor home bias is that tariffs alter the relative risk and return characteristics of domestic and foreign assets. If U.S. investors respond primarily to these changes, capital should reallocate toward markets offering more favorable risk-adjusted opportunities. In this case, observed flows reflect risk-return-based rebalancing based on expected returns rather than changes in information frictions or institutional confidence. To evaluate this mechanism, I examine whether international reallocations are associated with differences in expected returns, as proxied by country-level equity risk premia (see Appendix B), relative to measures of institutional quality.

A final explanation for changes in home bias is that investors use domestic assets to hedge non-diversifiable labor income risk. The labor share has fallen relative to capital income in the U.S. (Autor et al., 2020, 2017). Therefore, holding domestic equities can provide a partial hedge against their labor income share falling further, particularly for most retail investors whose human capital represents a large share of total wealth (Baxter et al., 1998; Gomes et al., 2021; Gómez et al., 2016). If protectionist policies reduce expected domestic firm profitability without corresponding increases in wages, retail investors may have less motive to use domestic equities to hedge labor income. Institutional investors should be less responsive to this channel because they do not have labor income. To assess this mechanism, I compare reallocations across retail

and institutional mutual funds, where differential responses provide evidence on the role of labor income hedging in changing home bias.

Importantly, changes in portfolio allocation provide a direct measure of investor responses to these competing forces. While stock prices capture changes in expected firm-level outcomes, capital flows reflect active rebalancing decisions across asset classes and geographies. If investors were reassessing the value of domestic firms, this would be reflected in price adjustments that mechanically alter portfolio weights without requiring any trading. In contrast, mutual fund flows capture net purchases and redemptions, isolating investor-driven reallocations after accounting for underlying asset returns. As a result, flows out of U.S.-focused funds and into international funds are suggestive of an erosion of home bias beyond what would occur through valuation effects alone.

3 Empirical approach and results

3.1 Regression model, sample, and descriptive statistics

I examine how home bias shifts in response to the Liberation Day tariffs using a difference-in-differences design and the following OLS regression:

$$Fund\ Flow_{i,t} = \beta_0 + \beta_1 Tariff_i \times Post_t + X_t + Y_t + \varepsilon_{i,t} \quad (1),$$

where i indexes funds and t indexes months. I measure *Fund Flow* using both the percentage of fund flow, *% Flow*, and the dollar value of fund flow, *\$ Flow*. Appendix B defines all variables, and Table 1 presents descriptive statistics. *Tariff* is a tariff treatment indicator variable equal to one for funds containing only U.S. assets. *Post* is an indicator variable equal to one for months following the announcement of the Liberation Day tariffs. Figure 2 shows aggregate *\$ Flow* into domestic and international funds around the event date, with a cumulative \$148 billion in net outflows from U.S. funds when comparing U.S. and international fund flows.

The empirical specification includes fund fixed effects (X_i) and month fixed effects (Y_t) to control for time-invariant fund characteristics and common shocks to financial markets, respectively. Fund fixed effects absorb persistent differences in fund size, investment style, and investor clientele. Month fixed effects capture aggregate market conditions, including changes in risk sentiment and macroeconomic factors. Standard errors are clustered at the fund level to account for serial correlation in fund flows over time.

To build a fund-month panel, I use data from the CRSP Monthly Mutual Fund Database, which provides information on fund returns, total net assets, and fund characteristics for both retail and institutional share classes. The CRSP database contains U.S.-domiciled open-end mutual funds over the 2023–2025 period and classifies funds based on their primary geographic investment mandate.⁹ Fund holdings are categorized as U.S.-focused or international based on CRSP and Lipper classifications, allowing me to construct the *Tariff* treatment indicator. Moreover, the CRSP holdings data on mutual funds allowed for the construction of fund-level weighted average tariff rates, IFRS use, country equity risk, and rule of law variables. I compute monthly fund flows using standard methodology to adjust for investment returns and thereby isolate net investor inflows and outflows (Rakowski and Wang, 2009; Sirri and Tufano, 1998). I examine both dollar flows ($\$ Flow$) and percentage flows ($\% Flow$, flows scaled by lagged assets). Short-term mutual fund flows mostly consist of the behavior of individual households (ICI, 2008; Rakowski and Wang, 2009). The final sample consists of 25,668 U.S.-domiciled open-end mutual funds and 718,354 fund-month observations, including 317,226 retail observations and 401,128 institutional observations.

An advantage of using U.S.-domiciled mutual funds in the CRSP database is that U.S. investors hold 93% of shares in U.S.-domiciled funds (The Federal Reserve, 2026). Foreign

⁹ I exclude REITs and exchange-traded funds from the CRSP sample.

investors generally find it more practical to use specific funds domiciled in and structured for their respective jurisdictions. Because of foreign regulatory requirements, U.S.-domiciled funds generally cannot be legally marketed to retail investors outside the United States (LegalClarity, 2025). As a result, foreign investors use options domiciled in Luxembourg or Ireland. Moreover, U.S.-domiciled funds are subject to withholding taxes, as high as 30%, and complex tax reporting obligations for non-U.S. investors. Therefore, the fund flows derived from the CRSP database are ideal for this research setting because they predominantly represent the activity of U.S. investors.

3.2 *Trade protectionism shocks and home bias*

Table 2 presents estimates of equation (1) for the sample of funds and separately for retail and institutional funds. Figure 3 presents an event study plot of relative mutual fund flows between U.S. and international funds around the April 2025 tariff announcement. Table 3 examines heterogeneity across asset classes and investor types.

Figure 3 shows a clear shift in relative fund flows following the tariff announcement. Prior to Liberation Day, flows between U.S. and international funds are relatively stable and above zero, with no clear evidence of a pre-trend aside from a shift toward zero in October 2024. Beginning in April 2025, however, flows shift sharply toward international funds, with U.S.-focused funds experiencing sustained relative outflows over the subsequent four months. The persistence of this pattern suggests that the response reflects a reallocation of capital rather than a short-lived reaction to the announcement.

Consistent with the visual evidence, Table 2 shows a significant decline in flows to U.S.-focused funds relative to international funds following the tariff announcement. The estimates for % *Flow* in columns (1) to (3) indicate a reduction of approximately 0.30 to 0.47 percentage

points of assets per month, which is an economically and statistically significant flow of capital out of U.S. funds. In dollar terms ($\$ Flow$), this corresponds to net outflows of roughly \$698,000 to \$828,000 per month from each U.S.-focused fund relative to international funds, or \$15.31 billion aggregated across the sample.¹⁰ Collectively, these results present a broad-based reallocation of capital away from U.S. assets following the Liberation Day protectionism shock.

Table 3 shows that capital reallocation occurs across both equity and income funds but is more pronounced for income (bond) funds. The estimates in columns (1) and (2) indicate larger outflows from U.S.-focused bond funds relative to equity funds, suggesting that the reaction is not limited to a reappraisal of equity risk but demonstrates a broader jurisdiction-based shift in portfolio allocation throughout asset classes. However, this pattern is not the same across both retail (columns (3) and (4)) and institutional investors (columns (5) and (6)) because institutions appear to be more aggressive in shifting out of U.S. bond funds relative to equity. In contrast, retail investors exhibit about the same outflow per fund in dollar terms in both income and equity funds, with a stronger equity outflow than among institutional share classes. The stronger relative response among institutional bond funds is consistent with institutional investors reallocating toward foreign fixed-income markets, potentially reflecting concerns about domestic macroeconomic conditions or policy risk.¹¹ By contrast, retail investors' response is more consistent with a more extensive reassessment of domestic equity exposure.

Together, Figure 1 and the retail fund-flow estimates offer complementary evidence of increased household interest in international diversification: investors search more frequently for ex-U.S. products around the announcement and subsequently direct relatively less capital toward

¹⁰ 25,668 total funds. 20,854 U.S. $\times$ -0.734 (\$734,000) pooled coefficient implies \$15.31 billion in aggregate outflow per month following Liberation Day. Moreover, the results of Table 2 are robust to using different pre- and post-treatment windows (only 2024-2025 and six months on each side of the event window).

¹¹ The results of Table 3 are robust to using different pre- and post-treatment windows (only 2024-2025 and six months on each side of the event window).

U.S.-focused funds. The overall evidence indicates that the tariff announcement leads to a significant and persistent reallocation of capital away from U.S.-focused funds. The absence of pre-trends, the same sign across investor types, and the presence of effects across both equities and bonds all support the interpretation that the observed flows reflect a systematic decline in U.S. retail investor home bias following the protectionism shock.

3.3 *Fund flows into developed and emerging markets*

Figure 3 and Table 2 demonstrate that U.S. investors attenuate their portfolio home bias after Liberation Day by pulling money from U.S. funds. However, examining where this capital flows within international markets provides additional insight into the mechanisms driving this reallocation. Table 4 decomposes international flows by destination, distinguishing between developed and emerging markets, by estimating the following equation:

$$\% Flow_{i,t} = \beta_0 + \beta_1 US_i \times Post_t + \beta_2 Developed_i \times Post_t + \beta_3 Emerging_i \times Post_t + X_i + Y_t + \varepsilon_{i,t} \quad (2),$$

Results show that retail investors appear to reallocate capital from U.S. funds toward those investing in developed markets. Columns (1) and (2) show that retail investors shift out of U.S. equity (-0.252 , $p < 0.05$) and bond funds (-0.417 , $p < 0.05$) and into developed market equities (0.482 , $p < 0.01$) and bonds (0.606 , statistically insignificant), with no statistically significant increase in flows to emerging markets. The relatively large inflow into developed equities, combined with muted responses for emerging markets, is consistent with retail investors selecting countries with stronger governance and sound economic environments when reallocating internationally.

In contrast to retail investors, institutional investors exhibit a different pattern which reflects both geographic and asset class reallocation. Columns (3) and (4) show that institutions move out of U.S. equity (-0.302 , $p < 0.01$) and emerging market equity (-0.366 , $p < 0.05$), while

reallocating toward developed market bond funds (2.115, $p < 0.05$). The absence of a corresponding increase in developed equity flows (0.077, statistically insignificant) suggests that institutional investors respond to the protectionism shock by shifting into safer fixed-income assets in developed markets rather than increasing equity exposure. This behavior is consistent with institutions prioritizing credit quality and macroeconomic stability in response to tariff-induced uncertainty.

Panel B further examines flows across broad and specialized geographic equity funds. Retail investors reduce allocations to U.S. funds (-0.472 , $p < 0.01$), broad emerging-market funds (-0.422 , $p < 0.05$), and Japan-focused funds (-0.580 , $p < 0.10$), while increasing flows to Europe (1.281, $p < 0.10$), China (1.126, $p < 0.01$), and Latin America (0.996, $p < 0.10$). Institutional investors similarly reduce allocations to U.S. funds (-0.333 , $p < 0.01$) and broad emerging-market funds (-0.396 , $p < 0.01$), while increasing flows to Latin American (1.530, $p < 0.01$) and Pacific funds (1.464, $p < 0.05$). Investors appear to distinguish between regional markets in post-Liberation Day fund flows, suggesting that the decline in home bias represents a selective reallocation to foreign assets and not an indiscriminate flight from U.S. assets.

Taken together, these results show that the decline in home bias reflects a selective reallocation across foreign markets rather than a uniform shift into international assets. Panel A provides evidence that retail investors favor developed-market equities and that institutional investors favor developed-market bonds, trends consistent with concerns about institutional quality and macroeconomic stability. Panel B shows, however, that investors also increase allocations to selected regional funds, including China, Latin America, and Pacific markets, while reducing flows to broad emerging-market funds. While it is possible that the investors pulling funds from in-sample assets moved them to out-of-sample assets like ETFs, there is no

systematic reason to believe that, in the aggregate, this sort of between-fund-type reallocation would materially impact the results. Overall, the evidence implies that investors respond to the protectionism shock by reassessing the relative attractiveness of specific foreign destinations rather than simply shifting capital abroad indiscriminately.¹²

3.4 Fund-level tariff exposure and protectionism-driven fund flows

I next examine whether investors' reallocation across foreign funds is related to the tariffs imposed on the countries in which those funds invest. If investors respond directly to country-specific tariff exposure, then funds with greater portfolio exposure to countries subject to higher U.S. tariff rates should experience relatively larger outflows following the Liberation Day announcement. To test this possibility, I estimate the following equation:

$$\% Flow_{i,t} = \beta_0 + \beta_1 Fund\ Tariff_{i,t} \times Post_t + \beta_2 Fund\ Tariff_{i,t} + X_i + Y_t + \varepsilon_{i,t} \quad (3),$$

$Fund\ Tariff_{i,t}$ is the weighted average tariff rate of the countries represented in each fund's portfolio holdings, with country weights based on the fund's geographic exposure. $Post$ is an indicator equal to one for months following the April 2, 2025 tariff announcement. The sample is restricted to non-U.S. equity funds because the specification examines whether investors reallocate capital across foreign destinations according to their exposure to the announced tariff rates.

Table 5 reports the results. The coefficient on $Fund\ Tariff_{i,t} \times Post_t$ is negative in all three specifications, indicating that funds exposed to countries subject to higher tariff rates experience relatively lower flows after the announcement. However, the estimates are not statistically significant in the full sample or in either investor subgroup. The estimated coefficient is -1.017

¹² The results of Table 4 are largely robust to using different pre- and post-treatment windows (only 2024-2025 and six months on each side of the event window). However, in Panel B for the six-month pre- and post-treatment specifications, the only coefficients that retain statistical significance are $US_i \times Post_t$ and $Latin\ America_i \times Post_t$ in columns (1) and (2) while in Column (2) $India_i \times Post_t$ gains statistical significance.

for all non-U.S. equity funds, -0.604 for retail funds, and -1.338 for institutional funds. Although the point estimates are directionally consistent with investors avoiding more heavily tariffed countries, the lack of statistical significance indicates that the response contains too much noise for tariff rates to be a reliable predictor of reallocation.

The coefficient on $Fund\ Tariff_{i,t}$ is also negative across specifications, suggesting that funds with greater exposure to higher-tariff countries tend to receive lower flows more generally. This association is statistically significant only in the pooled sample and only at the 10 percent level, with a coefficient of -1.519 . The corresponding estimates for retail and institutional funds are similar in magnitude but statistically insignificant. Accordingly, the weak pooled-sample relation does not appear to be concentrated among either investor type. It should not be interpreted as strong evidence that tariff exposure systematically determines foreign fund flows.

Collectively, the Table 5 results provide little evidence that the decline in home bias reflects investors reallocating foreign investments according to the specific tariff rates applied to destination countries.¹³ Investors shift capital away from U.S. funds and toward international funds following the announcement, but they do not appear to favor foreign funds with lower tariff exposure systematically. This pattern suggests that the reallocation appears better characterized as a broad movement toward international diversification than as a precise response to the cross-country structure of the announced tariffs.

3.5 *Information asymmetry and tariff-driven fund flows*

To further understand why capital reallocates unevenly across foreign markets following the tariff shock, I examine whether information-related frictions explain these flows. Two channels are particularly relevant: information asymmetry arising from differences in financial

¹³ The results of Table 5 are robust to using different pre- and post-treatment windows (only 2024-2025 and six months on each side of the event window).

reporting standards and differences in institutional quality. I proxy for accounting-related information asymmetry using fund-level IFRS adoption and for institutional quality using a fund-level weighted average World Bank measure of rule of law, and estimate the following equation:

$$\% Flow_{i,t} = \beta_0 + \beta_1 IFRS_{i,t} \times Post_t + \beta_2 IFRS_{i,t} + \beta_3 Governance_{i,t} \times Post_t + \beta_4 Governance_{i,t} + X_i + Y_t + \varepsilon_{i,t} \quad (4),$$

Starting with the full sample, the results show that flows become more positively associated with both IFRS exposure and institutional quality following the tariff announcement. Column (1) shows a positive and statistically significant coefficient on $IFRS_{i,t} \times Post_t$ of 0.322 ($p < 0.05$) and a positive coefficient on $Governance_{i,t} \times Post_t$ of 0.023 ($p < 0.01$). These estimates indicate that, after Liberation Day, the relation between fund flows and both IFRS exposure and rule of law becomes more positive. The negative coefficient on the $IFRS_{i,t}$ main effect (-0.372 , $p < 0.10$) further suggests that the announcement largely offsets the less favorable pre-period association between IFRS exposure and fund flows.

The results for retail investors provide evidence that both information channels influence fund reallocation. Column (2) reports a positive coefficient of 0.711 on $IFRS_{i,t} \times Post_t$ ($p < 0.01$), substantially larger than the pooled estimate, along with a positive coefficient of 0.025 on $Governance_{i,t} \times Post_t$ ($p < 0.01$). The positive $IFRS_{i,t} \times Post_t$ coefficient is similar in magnitude to the negative $IFRS_{i,t}$ main effect, while the positive $Governance_{i,t} \times Post_t$ coefficient indicates that retail flows become more strongly associated with rule of law. The negative $IFRS_{i,t}$ main effect (-0.755 , $p < 0.05$) indicates that this response represents a substantial change from the pre-announcement relation. Rather than responding only to institutional reliability, retail fund flows become more sensitive to accounting comparability when uncertainty about domestic policy increases.

In contrast, institutional investors appear to respond primarily to institutional quality. Column (3) shows that the coefficient on $IFRS_{i,t} \times Post_t$ is small and statistically insignificant

(0.079), while the coefficient on $Governance_{i,t} \times Post_t$ continues to be positive and significant (0.021, $p < 0.01$). This pattern suggests that institutional investors do not significantly alter their allocations based on IFRS exposure following the announcement. Still, they do direct relatively more capital toward countries with stronger rule of law. One interpretation is that institutions already possess the expertise and resources needed to evaluate firms in different reporting regimes, making formal accounting comparability less important to their response to the shock.

Taken together, the interaction estimates indicate that the relation between fund flows and IFRS exposure becomes more positive following the tariff announcement, particularly among retail investors. However, the post-period IFRS slopes reported at the bottom of Table 6 are close to zero and statistically insignificant in the pooled, retail, and institutional samples. Thus, the shock largely eliminates the negative pre-period relation between IFRS exposure and retail fund flows but does not generate a positive post-period association. Economically, a one-standard-deviation increase in fund-level IFRS exposure is associated with only a 0.015 percentage-point decrease in post-period monthly retail fund flow, or approximately 1.5 basis points of lagged fund assets, and the association is statistically insignificant. In contrast, the post-period governance slopes are positive and statistically significant across all three samples, indicating that funds with greater exposure to countries with stronger rule of law receive higher flows after the announcement. For retail investors, a one-standard-deviation increase in fund-level governance is associated with a 0.342 percentage-point increase in post-period monthly fund flow, or approximately 34 basis points of lagged fund assets.¹⁴ These results suggest that

¹⁴ The one-standard-deviation effects are calculated by multiplying the standard deviation for retail ex-U.S. funds reported in Table 1 by the corresponding retail post-period slope reported in Table 6. For IFRS exposure, $0.35 \times -0.044 = -0.015$ percentage points. For governance, $7.59 \times 0.045 = 0.342$ percentage points. Because %Flow is expressed as a percentage of lagged fund assets, these values correspond to approximately -1.5 and 34.2 basis points, respectively. Calculations use the rounded values reported in the tables and may differ slightly from calculations using unrounded estimates.

accounting familiarity becomes more relevant to retail allocation decisions following the shock, while institutional quality remains positively associated with international flows for both investor types.

3.6 Expected returns and governance effects on fund flows

To distinguish between a risk-return explanation and an institutional-quality explanation of the observed reallocation, I next examine whether country risk premia or governance considerations are associated with fund flows. I proxy for risk-return considerations using fund-level country risk premia ($CountryRisk_{i,t}$) and include rule of law as a competing channel, estimating the following equation:

$$\%Flow_{i,t} = \beta_0 + \beta_1 CountryRisk_{i,t} \times Post_t + \beta_2 CountryRisk_{i,t} + \beta_3 Governance_{i,t} \times Post_t + \beta_4 Governance_{i,t} + X_i + Y_t + \varepsilon_{i,t} \quad (5),$$

Starting with the full sample, Column (1) shows a negative association between $CountryRisk_{i,t}$ and flows before the tariff announcement (-0.076 , $p < 0.10$). The positive coefficient on $CountryRisk_{i,t} \times Post_t$, however, indicates that this relation becomes more positive following the announcement (0.118 , $p < 0.10$). The resulting post-period $CountryRisk_{i,t}$ slope is small and statistically insignificant (0.042), indicating that the shock offsets the negative pre-period relation but does not produce an affirmative preference for funds exposed to higher-risk countries. In contrast, the coefficient on $Governance_{i,t} \times Post_t$ is both positive and statistically significant (0.035 , $p < 0.01$). The post-period Governance slope is also positive and significant (0.044 , $p < 0.01$), indicating that stronger rule of law is positively associated with fund flows following the tariff announcement.

The results for retail investors show a similar but more pronounced change in sensitivity to country risk. Column (2) reports a negative pre-period association between $CountryRisk_{i,t}$ and

retail fund flows (-0.155 , $p < 0.01$) and a positive coefficient on $Country\ Risk_{i,t} \times Post_t$ (0.194 , $p < 0.05$). These estimates indicate that the tariff announcement largely eliminates retail investors' previously negative response to country risk. However, the post-period $Country\ Risk_{i,t}$ slope is statistically insignificant (0.039), providing no evidence that retail investors affirmatively favor funds with higher country risk premia after the shock. A one-standard-deviation increase in fund-level Country Risk is associated with a 0.039 percentage-point increase in post-period monthly retail fund flow, or approximately 3.9 basis points of lagged fund assets, although the association is statistically insignificant.¹⁵ By contrast, both $Governance_{i,t} \times Post_t$ (0.046 , $p < 0.01$) and the post-period Governance slope (0.047 , $p < 0.01$) are positive and significant. Thus, retail flows remain positively associated with institutional quality after the announcement, while their prior aversion to country risk largely disappears.

Institutional investors exhibit no significant change in their sensitivity to country risk. Column (3) shows that neither the $Country\ Risk_{i,t}$ main effect nor $Country\ Risk_{i,t} \times Post_t$ is statistically significant, and the post-period $Country\ Risk_{i,t}$ slope is also insignificant. In contrast, the $Governance_{i,t} \times Post_t$ coefficient (0.027 , $p < 0.01$) and the post-period Governance slope are both positive and statistically significant (0.041 , $p < 0.01$). Institutional fund flows therefore remain positively associated with stronger rule of law following the announcement, with no corresponding evidence of a country-risk-based response.

Collectively, the interaction estimates indicate that the relation between fund flows and country risk becomes more positive following the tariff announcement, particularly among retail investors. However, the post-period $Country\ Risk_{i,t}$ slopes reported at the bottom of Table 7 are

¹⁵ The one-standard-deviation Country Risk effect is calculated by multiplying the standard deviation for retail ex-U.S. funds reported in Table 1 by the retail post-period Country Risk slope reported in Table 7: $0.99 \times 0.039 = 0.039$ percentage points, or approximately 3.9 basis points of lagged fund assets. The calculation uses rounded values reported in the tables and may differ slightly from calculations using unrounded estimates.

small and statistically insignificant in all three samples. Thus, the tariff shock largely eliminates the previously negative relation between country risk premia and retail fund flows but does not produce a positive post-period association. In contrast, the post-period Governance slopes are positive and statistically significant across the pooled, retail, and institutional samples. These results suggest that institutional quality remains positively associated with international fund allocation following the shock. At the same time, retail investors become less averse to country risk without clearly favoring higher-risk markets.

3.7 *Protectionism and domestic stocks for hedging non-tradable labor risk*

Finally, I examine whether the decline in home bias reflects changes in the role of retail investors using domestic equities as a hedge for non-tradable labor income risk. If a shock to protectionism leads retail investors to reevaluate the use of U.S. equities as a hedge against non-tradable labor income risk, then the reduction in equity home bias could be stronger among retail share classes than institutional share classes. I estimate the following equation:

$$\% Flow_{i,t} = \beta_0 + \beta_1 Post_t \times Retail_i \times US_i + \beta_2 Post_t \times Retail_i + \beta_3 Post_t \times US_i + X_i + Y_t + \varepsilon_{i,t} \quad (6),$$

In contrast to previous equations, *Post* in equation (6) is an indicator equal to one for the months following Liberation Day because this specification is intended to capture investors' near-term reappraisal of the hedging value of domestic equities, while limiting the influence of subsequent macroeconomic, policy, or market developments that may affect fund flows over longer horizons.

Table 8 reports the results of estimating equation (6). The outcomes provide limited but suggestive evidence consistent with the non-tradable labor risk channel for home bias. The coefficient on the triple interaction, $Post_t \times Retail_i \times US_i$, is negative and statistically significant across specifications (−0.265 and −0.267, $p < 0.01$), indicating that retail investors reduce their

exposure to U.S. equity funds more relative to institutional share classes following the tariff announcement. This differential outflow suggests that retail investors, who are most exposed to labor income risk, disproportionately shift away from domestic equities.

However, the pattern of coefficients suggests that this channel is not the primary driver of the observed reallocation. The positive and significant coefficient on $Post_t \times Retail_i$ (0.374 and 0.374, $p < 0.01$) indicates that retail investors increase overall equity allocations following the tariff shock. In contrast, the negative coefficient on $Post_t \times US_i$ (-0.214 to -0.180 , $p < 0.01$) shows a general shift away from U.S. equities across investors. Together, these results imply that while retail investors disproportionately reduce exposure to U.S. equities, this behavior occurs alongside a more extensive reallocation toward non-U.S. assets rather than a pure response to changes in hedging demand.

Taken together, the Table 8 evidence is suggestive of retail investors adjusting portfolios in a manner consistent with diminished reliance on U.S. equities as a hedge to an extent greater than that of institutional investors.¹⁶ However, the retail–institutional comparison may also capture other differences between investor types. Therefore, the results should be interpreted as supporting rather than establishing the labor-income channel. This mechanism also appears secondary to the accounting-familiarity and institutional-quality mechanisms documented in the preceding sections.

4 Conclusion

The real effects of tariffs take time to materialize, but financial markets provide an immediate assessment of their expected consequences. In this setting, the evidence shows that U.S. investors (particularly retail investors) respond to a large protectionism shock through

¹⁶ The results of Table 8 are robust to using different pre- and post-treatment windows (only 2024-2025 and six months on each side of the event window).

reallocating away from domestic assets and toward international markets, consequently reducing home bias. This reallocation is selective across foreign markets, consistent with investors valuing the strength of institutions when allocating capital abroad. Retail flows become more positively associated with both rule of law and IFRS exposure following the shock. In contrast, institutional flows become more positively associated with rule of law but not IFRS exposure. Retail investors also become less averse to country risk, although the post-announcement results do not indicate an affirmative preference for higher-risk markets. There is also some evidence that protectionism weakens the role of domestic equities as a hedge for non-tradable labor income risk among retail investors. Overall, the results suggest that protectionist policy can generate immediate and unintended capital reallocation away from domestic assets, even before its real economic effects are realized.

These results also have fiscal policy implications in a period of persistent federal deficits. Tariffs have been viewed as one of the only politically viable ways to raise revenue without directly raising income tax rates for American taxpayers. However, the observed reallocation from U.S. mutual funds to international mutual funds suggests that protectionist trade policy, like tariffs, can also generate market responses in addition to revenue. Whether these market and investment responses outweigh the benefits of the possible tariff revenue remains a question for future research.

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Results –

Figure 1: Google Search Interest Around Liberation Day

This figure plots daily Google search interest for selected ex-U.S. mutual funds and ETFs from July 2024 through December 2025. The measure is the average stitched Google Trends scaled index across the selected search terms, where each ticker-level series is constructed from overlapping daily Google Trends windows and rescaled to form a continuous daily index. The gray line shows the daily average and the navy line shows a 7-day moving average. The red dashed vertical line marks April 2, 2025, the announcement date of the Liberation Day tariffs.

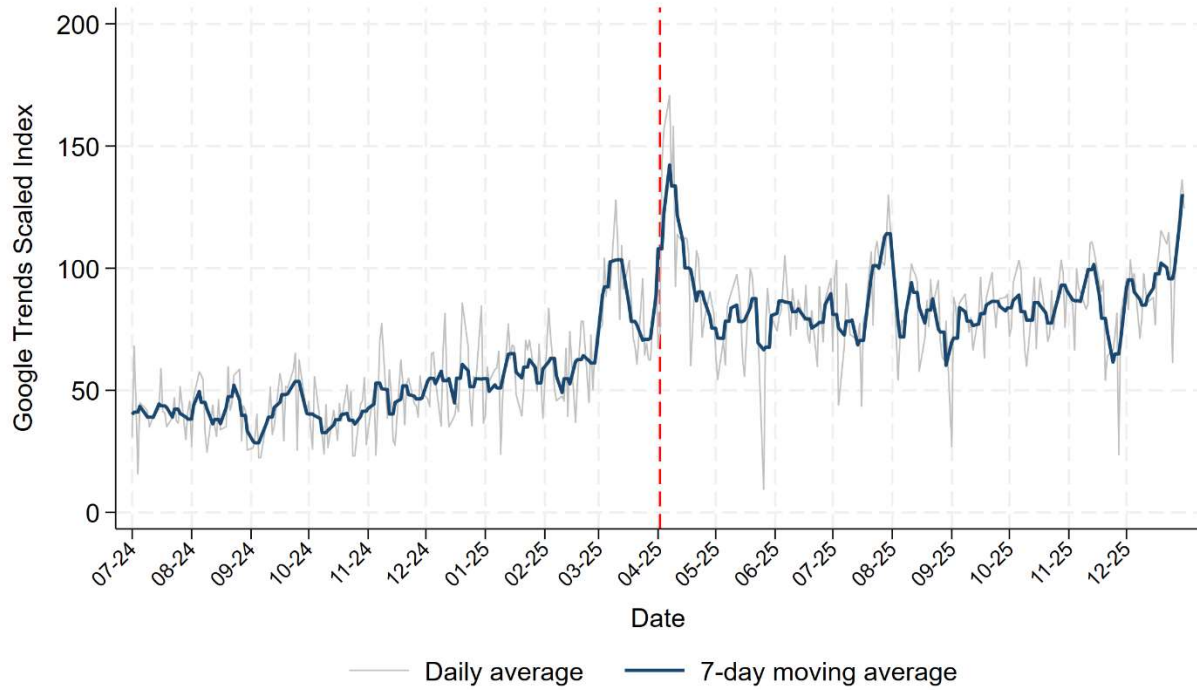


Figure 2: Aggregate Fund Flows

This figure plots aggregate monthly net fund flows (\$ Flow) for U.S.-focused and international mutual funds in 2025. Fund flows are summed across funds by month and reported in billions of U.S. dollars. The vertical red dashed line denotes April 2025, the month of the “Liberation Day” tariff announcement.

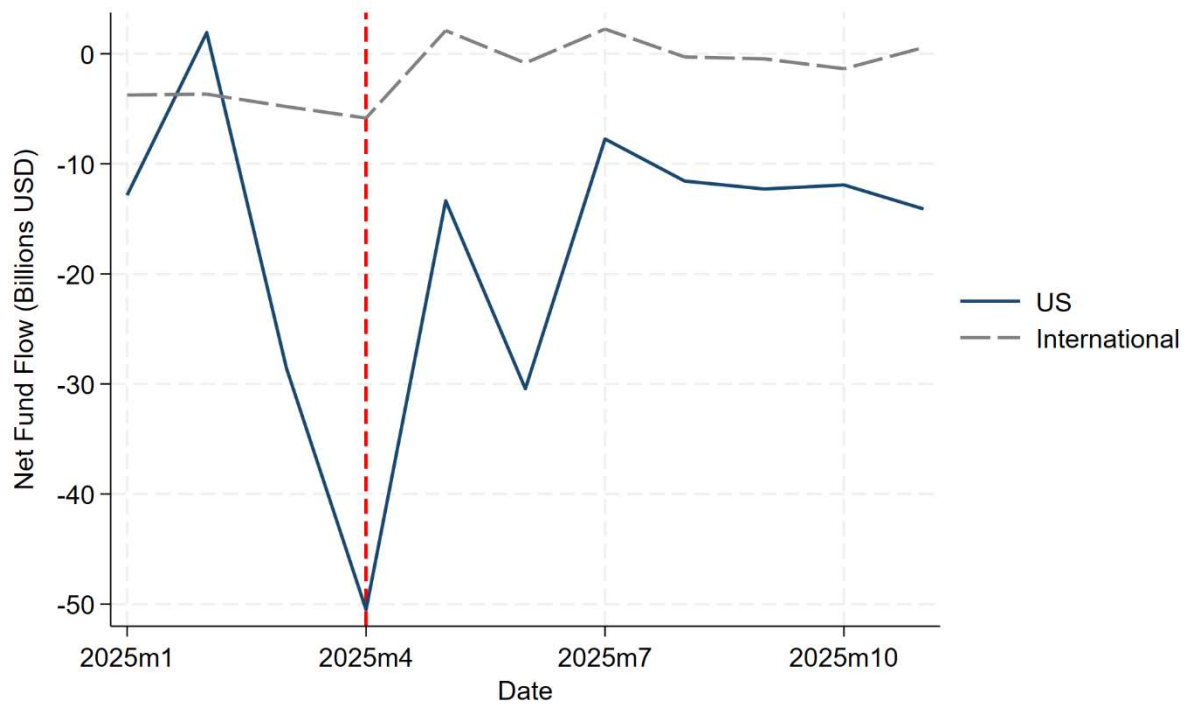


Figure 3: Event Study Around Liberation Day

This figure plots event-time coefficients from an event study regression of monthly mutual fund flows on interactions between an indicator for U.S.-focused funds and event-month indicators relative to April 2025. The regression includes fund fixed effects and month fixed effects, with standard errors clustered at the fund level. Coefficients are reported relative to March 2025, the omitted pre-treatment month. Error bars denote 95% confidence intervals. The vertical dashed line marks April 2025, the month of the “Liberation Day” tariff announcement.

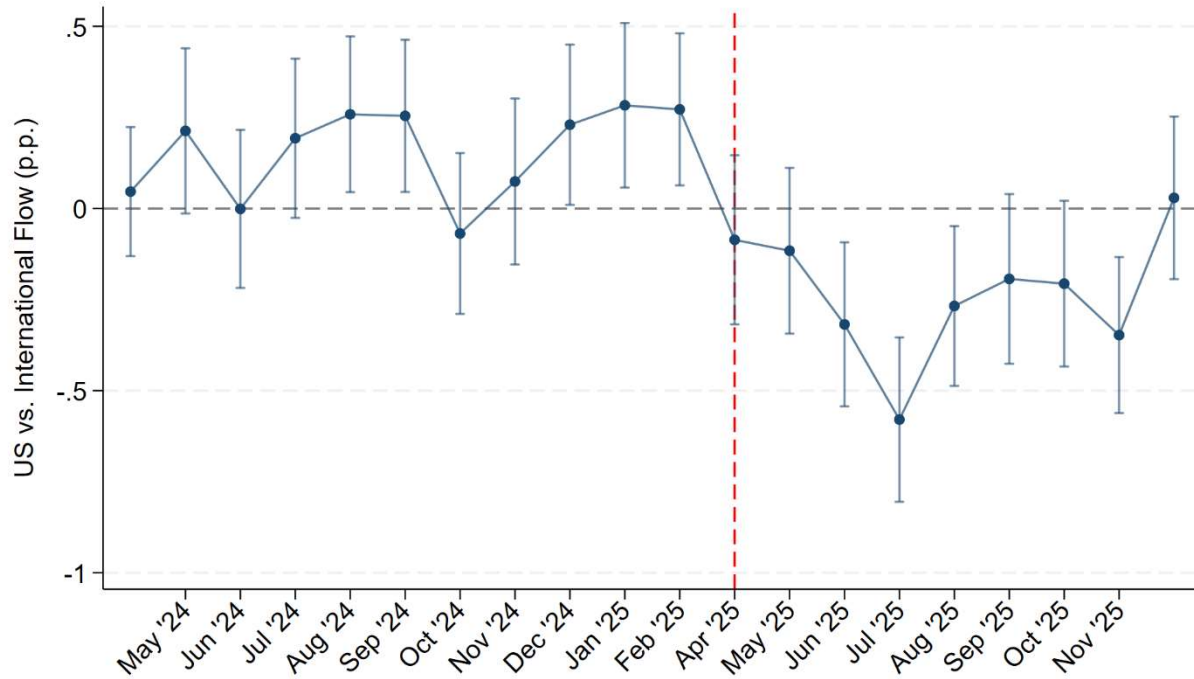


Table 1: Descriptive Statistics

This table presents summary statistics for the mutual fund sample used in the analysis. The data are drawn from the CRSP Monthly Mutual Fund Database and include both retail and institutional share classes. The table reports the number of observations (N), mean, standard deviation (SD), and the 25th, 50th (median), and 75th percentiles for key fund characteristics. *Country Risk* is a measure of equity risk premium calculated by Aswath Damodaran. *IFRS* is a measure of IFRS adoption by region. *Governance* is a measure of the strength of the rule of law from the World Bank. *Net Assets* represents the total net assets of the fund (MTNA) measured in millions of U.S. dollars. *Monthly Return* is the monthly fund return (MRET). *NAV/Share* denotes the net asset value per share (MNAV). Fund flows are constructed following the standard CRSP methodology. Dollar fund flow (*\$Flow*) is defined as the change in total net assets adjusted for investment returns:

$$\$Flow_{i,t} = MTNA_{i,t} - MTNA_{i,t-1}(1 + MRET_{i,t})$$

Percent fund flow (*%Flow*) scales this value by lagged assets:

$$\%Flow_{i,t} = \frac{\$Flow_{i,t}}{MTNA_{i,t-1}} \times 100$$

Both dollar flows and percent flows are truncated at the 1st and 99th percentiles to mitigate the influence of outliers. Summary statistics are reported separately for retail and institutional funds. All variables are defined in Appendix B.

Panel A: Full Fund Sample

Retail Shares	N	Mean	SD	p25	p50	p75
<i>MTNA_{i,t}</i>	317,226	627.9	4,605.2	4.6	33.5	219.6
<i>MRET_{i,t}</i>	317,226	0.008	0.035	-0.010	0.006	0.025
<i>MNAV_{i,t}</i>	317,226	21.847	45.453	9.520	12.830	22.620
<i>\$ Flow_{i,t}</i>	317,226	-2.064	17.782	-1.482	-0.154	0.007
<i>% Flow_{i,t}</i>	317,226	-0.605	4.927	-1.992	-0.793	0.211
Institutional Shares	N	Mean	SD	p25	p50	p75
<i>MTNA_{i,t}</i>	401,128	732.8	3,025.3	9.7	73.4	393.1
<i>MRET_{i,t}</i>	401,128	0.009	0.033	-0.009	0.007	0.026
<i>MNAV_{i,t}</i>	401,128	20.486	29.545	9.610	12.960	21.810
<i>\$ Flow_{i,t}</i>	401,128	-0.695	25.328	-1.492	0.029	0.256
<i>% Flow_{i,t}</i>	401,128	-0.104	5.154	-1.624	-0.374	0.859

Panel B: Sub-Samples

Retail ex-US funds	N	Mean	SD	p25	p50	p75
<i>MTNA_{i,t}</i>	48,472	435.8	2,418.8	2.5	17.7	133.4
<i>MRET_{i,t}</i>	48,472	0.01	0.04	-0.02	0.01	0.04
<i>MNAV_{i,t}</i>	48,472	21.71	17.17	11.72	16.23	25.27
<i>\$ Flow_{i,t}</i>	48,472	-1.87	14.99	-0.88	-0.09	0.01
<i>% Flow_{i,t}</i>	48,472	-0.68	4.89	-2.22	-0.84	0.28
<i>Fund Tariff_{i,t}</i>	48,472	0.18	0.05	0.14	0.18	0.21
<i>IFRS_{i,t}</i>	48,472	0.53	0.35	0.16	0.56	0.87
<i>Country Risk_{i,t}</i>	48,472	0.71	0.99	0.11	0.46	1.02
<i>Governance_{i,t}</i>	48,472	72.75	7.59	71.41	74.18	76.84

Inst. Ex-US Funds	N	Mean	SD	p25	p50	p75
<i>MTNA_{i,t}</i>	66,220	760.3	3139.4	7.2	68.9	384.8
<i>MRET_{i,t}</i>	66,220	0.011	0.038	-0.018	0.015	0.037
<i>MNAV_{i,t}</i>	66,220	23.08	20.14	11.87	16.12	25.32
<i>\$ Flow_{i,t}</i>	66,220	-1.45	23.71	-1.61	-0.042	0.098
<i>% Flow_{i,t}</i>	66,220	-0.28	5.10	-1.75	-0.43	0.68
<i>Fund Tariff_{i,t}</i>	66,220	0.18	0.05	0.14	0.18	0.21
<i>IFRS_{i,t}</i>	66,220	0.56	0.34	0.18	0.62	0.89
<i>Country Risk_{i,t}</i>	66,220	0.75	0.98	0.14	0.54	1.07
<i>Governance_{i,t}</i>	66,220	72.52	8.12	70.81	74.19	77.02

All Equity Funds	N	Mean	SD	p25	p50	p75
<i>Net Assets</i>	597,400	658.9	3,670.7	7.6	58.0	322.3
<i>Monthly Return</i>	597,400	0.011	0.039	-0.016	0.012	0.034
<i>NAV/Share</i>	597,400	25.79	41.67	11.79	16.61	27.31
<i>\$ Flow</i>	597,400	-2.57	19.43	-1.92	-0.14	0.037
<i>% Flow</i>	597,400	-0.43	4.77	-1.73	-0.67	0.38

Table 2: Tariff Announcements and Mutual Fund Flows

This table reports estimates of the effect of the April 2, 2025, “Liberation Day” tariff announcement on mutual fund flows. The dependent variable is monthly fund flow as a percentage of lagged fund assets (*%Flow*) or monthly fund flow in millions of USD (*\$Flow*). The key independent variable, $Tariff \times Post$, is the interaction between an indicator for funds investing exclusively in U.S. assets (*Tariff*) and an indicator for months following the tariff announcement (*Post*). The coefficient, therefore, measures the differential change in flows to U.S.-focused funds relative to international funds after the tariff announcement in a difference-in-differences framework. Columns (1) and (4) report results for the full sample of funds. Columns (2) and (5) report results for retail funds. Columns (3) and (6) report results for institutional funds. All specifications include fund fixed effects and month fixed effects to control for time-invariant fund characteristics and common time shocks. Standard errors are clustered at the fund level and reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Dep Var:	(1) All Funds <i>% Flow</i>	(2) Retail <i>% Flow</i>	(3) Inst. <i>% Flow</i>	(4) All Funds <i>\$ Flow</i>	(5) Retail <i>\$ Flow</i>	(6) Inst. <i>\$ Flow</i>
$Tariff_i \times Post_t$	-0.367*** (0.044)	-0.467*** (0.063)	-0.304*** (0.061)	-0.734*** (0.205)	-0.828*** (0.204)	-0.698** (0.322)
Observations	718,293	317,202	401,091	718,293	317,202	401,091
R-squared	0.151	0.161	0.141	0.313	0.443	0.262
Fund FE	Yes	Yes	Yes	Yes	Yes	Yes
Month FE	Yes	Yes	Yes	Yes	Yes	Yes
SEs clustered by	Fund	Fund	Fund	Fund	Fund	Fund
Adj. R-squared	0.124	0.134	0.114	0.292	0.425	0.239

Table 3: Equity vs. Income (Bond) Funds

This table examines whether the response of mutual fund flows to the April 2, 2025, “Liberation Day” tariff announcement differs across asset classes. The table reports difference-in-differences estimates separately for equity funds and income (bond) funds. Panel A reports results using monthly fund flow as a percentage of lagged assets (*%Flow*) as the dependent variable. Panel B reports results using dollar fund flows (*\$Flow*). The key independent variable, $Tariff_i \times Post_t$, is the interaction between an indicator for funds investing exclusively in U.S. assets (*Tariff*) and an indicator for months following the tariff announcement (*Post*). The coefficient, therefore, measures the differential change in flows to U.S.-focused funds relative to international funds after the tariff announcement. Columns (1) and (2) report results for all funds, separating equity and income funds. Columns (3) and (4) report results for retail funds only, while Columns (5) and (6) report results for institutional funds. All regressions include fund fixed effects and month fixed effects. Standard errors are clustered at the fund level and reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Panel A: % Fund Flow

	(1)	(2)	(3)	(4)	(5)	(6)
	<u>All Funds</u>		<u>Retail</u>		<u>Institutional</u>	
Dep Var: % <i>Flow</i>	Equity	Income	Equity	Income	Equity	Income
$Tariff_i \times Post_t$	-0.369*** (0.048)	-0.686*** (0.122)	-0.480*** (0.071)	-0.670*** (0.149)	-0.296*** (0.065)	-0.707*** (0.180)
Observations	500,613	217,680	216,106	101,096	284,507	116,584
R-squared	0.157	0.141	0.162	0.161	0.151	0.122
Fund FE	Yes	Yes	Yes	Yes	Yes	Yes
Month FE	Yes	Yes	Yes	Yes	Yes	Yes
SEs clustered by	Fund	Fund	Fund	Fund	Fund	Fund
Adj. R-squared	0.130	0.114	0.135	0.135	0.124	0.0927

Panel B: \$ Fund Flow

	(1)	(2)	(3)	(4)	(5)	(6)
	<u>All Funds</u>		<u>Retail</u>		<u>Institutional</u>	
Dep Var: \$ <i>Flow</i>	Equity	Income	Equity	Income	Equity	Income
$Tariff_i \times Post_t$	-0.769*** (0.227)	-2.208*** (0.456)	-1.071*** (0.219)	-1.041** (0.505)	-0.574 (0.358)	-3.080*** (0.695)
Observations	500,613	217,680	216,106	101,096	284,507	116,584
R-squared	0.389	0.211	0.572	0.256	0.314	0.194
Fund FE	Yes	Yes	Yes	Yes	Yes	Yes
Month FE	Yes	Yes	Yes	Yes	Yes	Yes
SEs clustered by	Fund	Fund	Fund	Fund	Fund	Fund
Adj. R-squared	0.370	0.186	0.558	0.232	0.292	0.168

Table 4: Mutual Fund Flows by Market Geography

This table reports estimates of the effect of the April 2, 2025, “Liberation Day” tariff announcement on mutual fund flows by fund geography. The dependent variable is monthly fund flow as a percentage of lagged fund assets (*%Flow*). In Panel A, the key independent variables are interactions between fund market exposures, U.S., Developed (ex-U.S.), and Emerging markets, and an indicator for months following the tariff announcement (*Post*). Columns (1)–(2) separately report retail funds, with columns (3) and (4) reporting institutional share classes. In Panel B, the key independent variables are interactions between geographic fund exposures and an indicator for months following the tariff announcement (*Post*). Column (1) reports retail equity funds, with column (2) reporting institutional equity fund classes. All specifications include fund fixed effects and month fixed effects. Controls are included for lagged fund assets and returns. Standard errors are clustered at the fund level and reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Panel A: Market Development

Dep Var: <i>% Flow</i>	(1) Retail Equity	(2) Retail Income	(3) Inst. Equity	(4) Inst. Income
$US_i \times Post_t$	-0.252** (0.107)	-0.417** (0.191)	-0.302*** (0.096)	-0.237 (0.224)
$Developed_i \times Post_t$	0.482*** (0.139)	0.606 (0.441)	0.077 (0.129)	2.115** (0.948)
$Emerging_i \times Post_t$	-0.201 (0.181)	0.367 (0.303)	-0.366** (0.157)	0.476 (0.315)
Observations	215,862	101,015	284,101	116,399
R-squared	0.163	0.162	0.152	0.123
Fund FE	Yes	Yes	Yes	Yes
Month FE	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes
SEs clustered by	Fund	Fund	Fund	Fund
Adj. R-squared	0.137	0.136	0.125	0.0937

Panel B: Geographic Regions

	(1) Retail Equity	(2) Institutional Equity
Dep Var: % Flow		
$US_i \times Post_t$	-0.472*** (0.078)	-0.333*** (0.073)
$Europe_i \times Post_t$	1.281* (0.674)	-0.049 (0.555)
$China_i \times Post_t$	1.126*** (0.427)	0.284 (0.466)
$Japan_i \times Post_t$	-0.580* (0.313)	-0.520 (0.477)
$India_i \times Post_t$	-0.789 (1.012)	0.841 (1.336)
$Latin\ America_i \times Post_t$	0.996* (0.538)	1.530*** (0.366)
$Pacific_i \times Post_t$	0.197 (0.411)	1.464** (0.641)
$Emerging_i \times Post_t$	-0.422** (0.165)	-0.396*** (0.144)
Observations	215,862	284,101
R-squared	0.163	0.152
Fund FE	Yes	Yes
Month FE	Yes	Yes
Controls	Yes	Yes
SEs clustered by	Fund	Fund
Adj. R-squared	0.137	0.125

Table 5: Mutual Fund Flows and Fund-Level Tariff Rates

This table reports estimates of the effects of fund-level tariff rates on mutual fund flows around the April 2, 2025, “Liberation Day” tariff announcement. The dependent variable is monthly fund flow as a percentage of lagged fund assets (*%Flow*). The key independent variables are interactions between the weighted average tariff rate of the countries of holdings in the funds (*Fund Tariff*) and an indicator for months following the tariff announcement (*Post*). Column (1) reports results for all Non-US Equity funds. Column (2) restricts the sample to retail investors. Column (3) restricts the sample to institutional investors. All specifications include fund fixed effects and month fixed effects. Controls are included for lagged fund assets and returns. Standard errors are clustered at the fund level and reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Dep Var: % <i>Flow</i>	(1) Non-U.S. Equity	(2) Retail	(3) Institutional
$Fund\ Tariff_{i,t} \times Post_t$	-1.017 (0.865)	-0.604 (1.267)	-1.338 (1.178)
$Fund\ Tariff_{i,t}$	-1.519* (0.877)	-1.382 (1.229)	-1.611 (1.229)
Observations	114,580	48,429	66,151
R-squared	0.142	0.146	0.139
Fund FE	Yes	Yes	Yes
Month FE	Yes	Yes	Yes
Controls	Yes	Yes	Yes
SEs clustered by	Fund	Fund	Fund
Adj. R-squared	0.115	0.119	0.111

Table 6: Mutual Fund Flows and Information Asymmetry

This table reports estimates of the effects of information asymmetry on mutual fund flows around the April 2, 2025, “Liberation Day” tariff announcement. The dependent variable is monthly fund flow as a percentage of lagged fund assets ($\%Flow$). The key independent variables are interactions between information asymmetry components, weighted average of IFRS adoption by fund ($IFRS$), a weighted average World Bank measure for rule of law for fund-level holdings ($Governance$), and an indicator for months following the tariff announcement ($Post$). Column (1) reports results for all Non-US Equity funds. Column (2) restricts the sample to retail investors. Column (3) restricts the sample to institutional investors. All specifications include fund fixed effects and month fixed effects. Controls are included for lagged fund assets and returns. Post-period $IFRS_{i,t}$ slope reports the linear combination of the coefficients on $IFRS_{i,t}$ and $IFRS_{i,t} \times Post$. Post-period $Governance_{i,t}$ slope reports the linear combination for $Governance_{i,t}$. Standard errors are clustered at the fund level and reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Dep Var: $\% Flow$	(1) Non-U.S. Equity	(2) Retail	(3) Institutional
$IFRS_{i,t} \times Post_t$	0.322** (0.134)	0.711*** (0.207)	0.079 (0.176)
$IFRS_{i,t}$	-0.372* (0.210)	-0.755** (0.295)	-0.103 (0.290)
$Governance_{i,t} \times Post_t$	0.023*** (0.006)	0.025*** (0.009)	0.021*** (0.008)
$Governance_{i,t}$	0.018** (0.009)	0.020* (0.011)	0.017 (0.012)
Post-period $IFRS_{i,t}$ slope	-0.050 (0.232)	-0.044 (0.329)	-0.024 (0.320)
Post-period $Governance_{i,t}$ slope	0.041*** (0.009)	0.045*** (0.012)	0.038*** (0.013)
Observations	114,580	48,429	66,151
R-squared	0.143	0.147	0.139
Fund FE	Yes	Yes	Yes
Month FE	Yes	Yes	Yes
Controls	Yes	Yes	Yes
SEs clustered by	Fund	Fund	Fund
Adj. R-squared	0.115	0.120	0.111

Table 7: Mutual Fund Flows and Risk Components

This table reports estimates of the effects of risk components on mutual fund flows around the April 2, 2025, “Liberation Day” tariff announcement. The dependent variable is monthly fund flow as a percentage of lagged fund assets ($\%Flow$). The key independent variables are interactions between risk components, weighted average country risk premium at the fund level (*Country Risk*), a weighted average World Bank measure for rule of law by fund (*Governance*), and an indicator for months following the tariff announcement (*Post*). Column (1) reports results for all Non-US Equity funds. Column (2) restricts the sample to retail investors. Column (3) restricts the sample to institutional investors. All specifications include fund fixed effects and month fixed effects. Controls are included for lagged fund assets and returns. Standard errors are clustered at the fund level and reported in parentheses. Post-period *Country Risk*_{*i,t*} slope reports the linear combination of the coefficients on *Country Risk*_{*i,t*} and *Country Risk*_{*i,t*} $\times$ *Post*. Post-period *Governance*_{*i,t*} slope reports the linear combination for *Governance*_{*i,t*}. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Dep Var: $\% Flow$	(1) Non-U.S. Equity	(2) Retail	(3) Institutional
<i>Country Risk</i> _{<i>i,t</i>} $\times$ <i>Post</i> _{<i>t</i>}	0.118* (0.063)	0.194** (0.091)	0.072 (0.083)
<i>Country Risk</i> _{<i>i,t</i>}	-0.076* (0.040)	-0.155*** (0.056)	-0.019 (0.055)
<i>Governance</i> _{<i>i,t</i>} $\times$ <i>Post</i> _{<i>t</i>}	0.035*** (0.007)	0.046*** (0.011)	0.027*** (0.010)
<i>Governance</i> _{<i>i,t</i>}	0.009 (0.008)	0.001 (0.010)	0.014 (0.012)
Post-period <i>Country Risk</i> _{<i>i,t</i>} slope	0.042 (0.063)	0.039 (0.090)	0.053 (0.091)
Post-period <i>Governance</i> _{<i>i,t</i>} slope	0.044*** (0.009)	0.047*** (0.013)	0.041*** (0.013)
Observations	114,580	48,429	66,151
R-squared	0.143	0.147	0.139
Fund FE	Yes	Yes	Yes
Month FE	Yes	Yes	Yes
Controls	Yes	Yes	Yes
SEs clustered by	Fund	Fund	Fund
Adj. R-squared	0.115	0.120	0.111

Table 8: Mutual Fund Flows and Non-Tradable Risk

This table reports estimates of the effects of non-tradable risk on equity mutual fund flows around the April 2, 2025, “Liberation Day” tariff announcement. The dependent variable is monthly fund flow as a percentage of lagged fund assets ($\%Flow$). The key independent variables are interactions between an indicator for U.S. funds (US), an indicator for retail funds ($Retail$), and an indicator for the months following the tariff announcement ($Post$). All specifications include fund fixed effects and month fixed effects. Controls are included for lagged fund assets and returns in column (2). Standard errors are clustered at the fund level and reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Dep Var: $\%Flow$	(1)	(2)
$Post_t \times Retail_i \times US_i$	-0.265*** (0.090)	-0.267*** (0.090)
$Post_t \times Retail_i$	0.374*** (0.081)	0.374*** (0.081)
$Post_t \times US_i$	-0.214*** (0.055)	-0.180*** (0.055)
Observations	597,366	596,627
R-squared	0.154	0.155
Fund FE	Yes	Yes
Month FE	Yes	Yes
Controls	No	Yes
SEs clustered by	Fund	Fund
Adj. R-squared	0.127	0.129

Appendix A - Liberation Day Tariffs

Source: Federal Register for Executive Order 14257

Country	Tariffs Charged to the U.S.A.	U.S.A. Discounted Reciprocal Tariffs
Cambodia	97%	49%
Lesotho	99%	50%
Saint Pierre and Miquelon	99%	50%
Laos	95%	48%
Madagascar	93%	47%
Vietnam	90%	46%
Sri Lanka	88%	44%
Myanmar (Burma)	88%	44%
Syria	81%	41%
Mauritius	80%	40%
Iraq	78%	39%
Guyana	76%	38%
Bangladesh	74%	37%
Serbia	74%	37%
Botswana	74%	37%
Liechtenstein	73%	37%
Thailand	72%	36%

Country	Tariffs Charged to the U.S.A.	U.S.A. Discounted Reciprocal Tariffs
Bosnia and Herzegovina	70%	35%
China	67%	34%
North Macedonia	65%	33%
Indonesia	64%	32%
Taiwan	64%	32%
Angola	63%	32%
Switzerland	61%	31%
South Africa	60%	30%
Moldova	61%	31%
Algeria	59%	30%
Nauru	59%	30%
Pakistan	58%	29%
Norfolk Island	58%	29%
India	52%	26%
South Korea	50%	25%
Japan	46%	24%
Malaysia	47%	24%
Brunei	47%	24%

Country	Tariffs Charged to the U.S.A.	U.S.A. Discounted Reciprocal Tariffs
Afghanistan	49%	10%
Tunisia	55%	28%
Kazakhstan	54%	27%
European Union	39%	20%
Falkland Islands	82%	41%
Zimbabwe	35%	18%
Malawi	34%	17%
Philippines	34%	17%
Israel	33%	17%
Zambia	33%	17%
Fiji	63%	32%
Côte d'Ivoire	41%	21%
Namibia	42%	21%
Vanuatu	44%	22%
Nicaragua	36%	18%
Norway	30%	15%
Mozambique	31%	16%
Democratic Republic of the Congo	22%	11%

Country	Tariffs Charged to the U.S.A.	U.S.A. Discounted Reciprocal Tariffs
Cameroon	22%	11%
Equatorial Guinea	25%	13%
Chad	26%	13%
Nigeria	27%	14%
Venezuela	29%	15%
Jordan	40%	20%
Papua New Guinea	15%	10%
Saint Helena	15%	10%
Costa Rica	17%	10%
Ghana	17%	10%
New Zealand	20%	10%
Bolivia	20%	10%
Uganda	20%	10%
Ecuador	12%	10%
Trinidad and Tobago	12%	10%
Reunion	73%	37%
Libya	61%	31%
All Other Countries (10% / 10%)	10%	10%

Appendix B: Variable Definitions and Data Sources

Variable	Definition	Data Source
$MTNA_{i,t}$	The total net assets of the fund (CRSP: <i>mtna</i>) measured in millions of U.S. dollars.	CRSP Monthly Mutual Fund Database
$MRET_{i,t}$	The monthly fund return (CRSP: <i>mret</i>).	CRSP Monthly Mutual Fund Database
$MNAV_{i,t}$	The net asset value per share (CRSP: <i>mnav</i>).	CRSP Monthly Mutual Fund Database
$\$Flow_{i,t}$	$\$Flow_{i,t} = MTNA_{i,t} - MTNA_{i,t-1}(1 + MRET_{i,t})$ Values are truncated at the 1st and 99th percentiles to mitigate the influence of outliers.	CRSP Monthly Mutual Fund Database
$\%Flow_{i,t}$	$\%Flow_{i,t} = \frac{\$Flow_{i,t}}{MTNA_{i,t-1}} \times 100$ Values are truncated at the 1st and 99th percentiles to mitigate the influence of outliers. Scaling puts the variable in percentage points.	CRSP Monthly Mutual Fund Database
<i>Number of Shares_{i,t,s}</i>	The number of shares of a given CUSIP in a CRSP Portno mutual fund portfolio (CRSP: <i>nbr shares</i>).	CRSP Monthly Mutual Fund Database
<i>Value of Shares_{i,t,s}</i>	The market value of shares of a given CUSIP in a CRSP Portno mutual fund portfolio (CRSP: <i>market val</i>).	CRSP Monthly Mutual Fund Database
<i>Country Risk_{i,t}</i>	Fund holding-weighted equity risk premium is the holding-weighted HQ country risk premium as calculated by Aswath Damodaran. British territories use Britain's country risk premium. Monaco uses France's country risk premium. Kosovo uses the weighted average for Eastern Europe. Funds without holdings level data are backfilled with country risk premium corresponding to the region of the fund's geographic mandate.	Aswath Damodaran Country Risk Database & CRSP Monthly Mutual Fund Database
<i>IFRS_{i,t}</i>	The fund holding-weighted adoption of IFRS by the HQ countries of the holdings in the fund. Funds without holdings-level data are backfilled with IFRS adoption corresponding to the region of the fund's geographic mandate.	IFRS.org & CRSP Monthly Mutual Fund Database
<i>Governance_{i,t}</i>	A fund holding-weighted measure of the strength of the rule of law from the World Bank. World Bank variable is country-year specific, weighted by holdings from CRSP at the fund month level. International funds without holdings data are assigned the cross-country average score of the World Bank Rule of Law indicator.	World Bank Worldwide Governance Indicators & CRSP Monthly Mutual Fund Database
<i>Tariff Rate_{i,t}</i>	The IEEPA tariff rate assigned to a given country by the U.S. President on Liberation Day.	Federal Register for Executive Order 14257
<i>Fund Tariff_{i,t}</i>	The fund's weighted average of the IEEPA tariff rate assigned to a given country by the U.S. President on Liberation Day, based on the home country of the underlying fund portfolio. Fallback values are the simple average of the Liberation Day reciprocal tariff rates assigned to countries within the fund's classified region: Global (26%), Europe (20%), China (34%), India (26%), Japan (24%), Latin America (13.9%, excluding Mexico which received 0%), and Pacific (20.4%, with Australia at 10%). Any remaining unclassified international fund receives the global average of 26%.	CRSP Monthly Mutual Fund Database and the Federal Register for Executive Order 14257
<i>Search Index_{i,w}</i>	The average stitched Google Trends scaled index across the selected search terms, where each ticker-level series is constructed from overlapping daily Google Trends windows and rescaled to form a continuous daily index.	Google Trends