

Managerial Incentives in Concurrently Managed Mutual Funds

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Abstract

This study examines the influence of managerial incentives, in the form of managerial ownership and management fees, on mutual fund performance when unobservable managerial ability is being controlled for through a data set of concurrently managed mutual funds. Using this hand-collected data set, which targets mutual funds whose managers transit from managing one fund to multiple funds (i.e., concurrent management), we find that managerial ownership serves as a timely and effective managerial incentive in that it leads to better fund performance when compared across funds under concurrent management. We further document evidence of ownership-motivated cross-fund subsidization over funds under concurrent management. Notwithstanding such evidence, we do not find investors to utilize the managerial ownership information for their investment in mutual funds under concurrent management structure.

Keywords: Mutual Fund; Managerial Ownership; Management Fee; Concurrent Management