Özet / Abstract:

The Turkish private pension fund system has a unique institutional structure where bank holding companies can set up both pension and asset management companies as subsidiaries. Often than not, these pension companies delegate their operational mandates to the asset management company under the same bank holding company. This structure exposes the retail investor to a double agency problem and raises questions about conflicts of interest and fiduciary duty. Using data on the full universe of Turkish pension funds we find that on average ‘captive’ funds – those funds founded and managed under the same bank holding company – perform worse on a risk-adjusted basis than their counterparts who have more of an arm's length relationship between the founder and the manager. We provide further evidence that the relative underperformance is not driven by the overperformance of independent founders and managers, as the bank-affiliated founders and managers do just as well, if not better, when they are not ‘captive’. We provide a rationale for the prevalence of this institutional structure by showing that these funds attract more flows and charge lower fees.