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中文摘要： 本文探討台灣投信公司是否有為了追求公司本身利益最大化而犧牲投資人利益而採取某種公司偏袒策略。研究樣本為 2001 年 1 月至 2013 年 6 月的開放式股票型和平衡型基金的月資料、持股資料以及 IPO 股票資料。實證研究結果並未發現投信公司有基金間反向交易和優先配置 IPO 股票的情況，但我們發現本國投信公司和外資投信公司旗下的高價值(高績效)和低價值(低績效)基金之間的績效差異存在顯著的不同，亦即平均而言，外資投信公司旗下高價值和低價值基金的績效差異顯著低於本國投信公司約 0.8%。換句話說，外資投信公司旗下基金的績效表現較為平均(變異程度較低)。

中文關鍵詞： 共同基金、基金公司、偏袒策略、補貼策略、公司策略

英文摘要： Using monthly data and stock-holding data of Taiwan open-end domestic equity funds and balanced funds from Jan. 2001 to June 2013, this study aims to explore whether a favoritism strategy exists among mutual fund companies that drives them to maximize the company's interest at the expense of fiduciary duties to stakeholders (fund investors). Although the empirical results do not support the hypotheses of opposite trade and preferential IPO allocation, we find that there is a significant difference between the performances of high-value and low-value funds within the same companies when the funds are classified by their past performances. In addition, the average difference between high-value and low-value net-of-style returns is significantly bigger in domestic fund companies than in foreign fund companies, with a gap of approximately 0.8%. In other words, foreign fund companies seem to have less variation in their fund performances.

英文關鍵詞： mutual fund, fund family, favoritism strategy, cross-subsidy strategy, corporate-level strategy

A Study on Favoritism Strategy of Taiwan Fund Companies

中文摘要

本文探討台灣投信公司是否有為了追求公司本身利益最大化而犧牲投資人利益而採取某種公司偏袒策略。研究樣本為 2001 年 1 月至 2013 年 6 月的開放式股票型和平衡型基金的月資料、持股資料以及 IPO 股票資料。實證研究結果並未發現投信公司有基金間反向交易和優先配置 IPO 股票的情況，但我們發現本國投信公司和外資投信公司旗下的高價值(高績效)和低價值(低績效)基金之間的績效差異存在顯著的不同，亦即平均而言，外資投信公司旗下高價值和低價值基金的績效差異顯著低於本國投信公司約 0.8%。換句話說，外資投信公司旗下基金的績效表現較為平均(變異程度較低)。

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Abstract

Using monthly data and stock-holding data of Taiwan open-end domestic equity funds and balanced funds from Jan. 2001 to June 2013, this study aims to explore whether a favoritism strategy exists among mutual fund companies that drives them to maximize the company's interest at the expense of fiduciary duties to stakeholders (fund investors). Although the empirical results do not support the hypotheses of opposite trade and preferential IPO allocation, we find that there is a significant difference between the performances of high-value and low-value funds within the same companies when the funds are classified by their past performances. In addition, the average difference between high-value and low-value net-of-style returns is significantly bigger in domestic fund companies than in foreign fund companies, with a gap of approximately 0.8%. In other words, foreign fund companies seem to have less variation in their fund performances.

Keywords: mutual fund, fund family, favoritism strategy, cross-subsidy strategy, corporate-level strategy

JEL Classification: G21; G23

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1. Introduction

Since the accounting scandal of Enron in 2001 and the unprecedented shocks to the U.S. fund industry in 2003, both corporate and fund governance have drawn considerable attention in the asset management industry. The questions of whether fund investors are treated equally and whether a conflict of interest exists between fund shareholders and fund companies motivate us to investigate corporate-level strategies in fund companies.

Previous foreign academic literature regarding the financial strategies of mutual fund companies has been mainly focused on issues such as fund managers' herding behavior and window dressing, while many recent studies have suggested that fund companies play an important role in the economics of mutual fund investments (Massa, 1998; Khorana and Servaes, 1999; Nanda et al., 2004; Guedj and Papastaikoudi, 2004; Gaspar, Massa, and Matos, 2006; Evans, 2010). For many investors who either are too busy or are unfamiliar with financial management, fund companies have become the value provider of professional asset management services. However, fund companies may distort a manager's decisions or motives. One reason might be because managers are employed by fund companies and not fund beneficiaries, which may cause a conflict of interest. Another reason is that fund companies' profits come from fees or a certain percentage of the assets under management. Therefore, aside from the possibility of fund managers taking certain actions based on self-interest, fund companies may also want to maximize their total management assets by implementing corporate-level strategies to direct the activities of individual funds under management. Lowenstein (2008, pp.2) argues that there is a profound conflict of interest built into the fund industry's structure because management companies are independently owned and separate from the actual funds. Managers profit by maximizing the funds under management because their fees are based on assets, not performance. Therefore, in addition to the expectation that fund managers might be engaged in some behavior to benefit themselves, it is also possible that fund companies coordinate actions across funds under their control to actively pursue certain strategies that maximize their assets.

There are three main reasons why fund companies may implement corporate-level strategies. The first is that a fund company's profits come from a certain percentage (managers' rates) of the assets under management minus expenses and therefore the size of the fund is directly related to the amount of revenue the company receives. The second reason is that funds with better past performances attract more cash inflow from investors. Previous research has found that mutual fund investors respond asymmetrically to past fund performance—i.e., funds with a higher ranking attract more new cash inflow than funds ranked lower (Ippolito, 1992; Gruber, 1996; Chevalier and Ellison, 1997; Sirri and Tufano, 1998). Third, Massa (2003) points out that investors seem to choose a fund company first then select from available individual funds later. Therefore, creating a "star fund" will have a positive spillover effect on the cash inflow of the company's other funds.

Huang (2010, pp.76), a former fund manager, states that a fund manager's goal is the "relative performance" rather than the "absolute performance" of a fund. "The better the performance of a fund relative to its peer funds, the more management fees the fund is likely to obtain. The first priority for a fund manager is to preserve his or her job and salary, the second is to increase the fund company's profits by maximizing fund assets, and the third is to raise the fund performance to benefit fund investors." Dr. Wen-Yu Wang, a professor at National Taiwan University, argues that in addition to the high level of competition from offshore funds, the main reason for the recent slow growth of the Taiwan fund market is the lack of trust between fund investors and fund management companies (Wang, 2006).

Therefore, we conjecture that fund companies may have the following corporate-level strategies. First, asset management companies may set different expense rates on their funds so that individual funds will have different levels of contribution to the company. If new capital flows into high-expense-rate funds, then the overall profitability of the fund company will go up. Second, fund companies may allow their funds to cross-subsidize to create superior performance of a particular

fund and thereby increase the company's overall revenue by attracting more investor cash inflow and expanding the management asset scale. Third, as in the recent "Ablerex" case, fund companies may conduct reverse-trading transactions and thus compromise the interest of certain investors' funds.

As of the end of November 2012, the size of the Labor Insurance Fund for Taiwan's four major funds was about NT\$530 billion, while the size of the Labor Pension Fund was about NT\$1.44 trillion, the Public Service Pension Fund about NT\$490 billion, and the National Taiwan Post Office savings about NT\$100 billion. The total scale of these four major funds now amounts to roughly NT\$2.6 trillion. Although only a small portion is commissioned to external investment companies, the amount still totals several billion New Taiwan dollars, making it very easy for rogue traders to artificially inflate the prices of small-cap shares and then dump them to gain profits. Because the proportion is low, this type of action may go unnoticed, but when accumulated, losses could be quite significant. In 2012, the Labor Insurance Fund, the Labor Pension Fund, and the Public Service Pension Fund incurred aggregate losses totaling close to NT\$90 billion, indicating that commissioned investment companies should be subject to more stringent supervision. In managing funds on behalf of the public, investment managers should view steady returns as their goal. The investment and management of the Labor Insurance Fund and the Public Service Pension Fund concern the security and retirement protection of civilian workers as well as civil servants. In the management and utilization of these three major funds—whether directly invested in mutual fund beneficiary certificates or managed by commissioned domestic or international asset management companies—self-discipline and appropriate regulations are not only beneficial to the development of the asset management industry but also help to achieve a win-win-win situation for labor insurance and retirement plan participants, the financial services industry, and the nation's financial condition.

Fund investors are an important interested party of fund companies, but if they do not fulfill prudent administrative responsibilities and instead put corporate profits or the best interests of fund managers as their first priority—i.e., treat all investors unfairly—then the so-called professional investing under the trust structure becomes useless, and the investing members of the public who have placed their trust in professionals become the victims.

Based on the above background, this study aims to determine if fund companies implement corporate-level strategies to pursue their own best interests as their primary goal and thereby treat investors unfairly. The following two questions are examined:

- (1) Is there a difference in *corporate-level favoritism strategies* between foreign and domestic fund companies? Since domestic foreign-capital fund companies and local fund companies bid to manage the four major funds and because investment portfolios of the various retirement plans mainly consist of pre-approved domestic and offshore mutual funds, this research will explore if a difference exists in *favoritism strategies* between foreign and domestic fund companies.
- (2) Do fund companies execute opposite trading among their member funds to maximize firm value at the expense of fund investors? Is there any difference in strategic opposite trade between domestic and foreign fund companies?
- (3) Do fund companies execute favoritism strategies on some specific funds and thereby allocate more IPOs (Initial Public Offering) to these funds?

The recent fund scandals in the U.S. have provided a warning for us. Is it possible that Taiwan will engage in the same kind of misconduct? This is theoretically possible because our fund business model is similar in many ways to the U.S. model. For instance, fund management companies charge fees based on assets under management, so a fund's performance does not necessarily affect the manager's compensation. Therefore, we should conduct self-examination based on the recent U.S. fund-industry problems. Mutual fund management and the value of the asset management industry are built on customer trust, and because many investors invest in mutual funds as a financial planning tool for their retirement, it is imperative that investors are protected and that industry practitioners are held to the highest ethical standards.

Combining theory and practice, this research conducts an empirical study of the domestic asset management industry to address deficiencies in the current academic literature. The remainder of this research is arranged as follows. Section 2 reviews the literature. Section 3 describes the sampling data, and Section 4 builds up the examining models and the methodology for testing the company-level favoritism strategy and opposite trading. Section 5 analyzes the empirical results, and Section 6 concludes.

2. Literature Review

The scope of the academic literature with respect to this study can be divided into three parts: studies of the relationship between fund performance and fund flow, the fund spillover effect, and fund corporate-level strategy.

2.1 Studies of the relationship between fund performance and fund flow

Previous research has found that mutual fund investors respond asymmetrically to past fund performance (Ippolito, 1992; Gruber, 1996; Chevalier and Ellison, 1997; Sirri and Tufano; 1998) in which a convex relationship exists between inflows and past performance. These studies have found that past performance is the decisive factor in investor funding flow and that investors flock to a recent high-performing fund but do not flee from past losers. Alternatively, Sirri and Tufano (1998) suggest that a marketing strategy of a fund complex that spotlights past performance may explain why investors disproportionately buy winners.

This asymmetric relationship implies that the market rewards high-performing funds but does not discipline poor performers to the same degree. Chevalier and Ellison (1997) use a semi-parametric model to estimate the shape of a flow-performance relationship for a sample of growth and growth/income funds over the 1982–92 period. The authors find that the flow-performance relationship generally has a convex shape and that the estimated expected flows for older funds are clearly less sensitive than for younger funds.

Scholars have examined why some investors stay with funds that consistently perform poorly. Goetzmann and Peles (1997) have presented evidence from questionnaire responses of mutual-fund investors about recollections of past performance. They find that both cognitive dissonance and a strong endowment effect can explain why fund investors chase good past-performing funds but stay with funds that consistently perform poorly. Del Guercio and Tkac (2002) compare the relations between asset flow and performance in the retail mutual fund and fiduciary pension fund segments of the money-management industry and find a significant positive relation between mutual fund manager flow and Jensen's alpha. However, mutual fund manager flow also has a strong relation with unadjusted raw-return performance compared with pension fund investors. Their results were consistent with previous research that showed that mutual fund flow performance is highly convex, implying that mutual fund investors disproportionately flock to recent winners but do not withdraw assets from recent losers.

Kempf and Ruenzi (2008) have indicated that fund inflows depend not only on the relative position of a fund in its market segment but also on its position within the company. In addition, when a fund reaches a company's top position it leads to large inflows with the effect being much stronger in large families than in small families. Inflows significantly increase if a fund moves into a top position within its company from one year to the next.

Although related studies on non-U.S. markets have been relatively few, empirical findings have been broadly similar to U.S. results. Benson et al. (2008) find some evidence in Australian open-end equity funds that the top-performing funds within a family receive greater flows. Rajeeva and Vijay (2007) also found that Canadian investors neither chase winners nor hang on to losing funds.

Although investors do allocate funds based on past performance, the allocations do not disproportionately favor star funds and poor performers experience significant withdrawals.

Shu et al. (2002) investigated the behavior of Taiwan mutual fund investors in terms of fund performance and flows. They found that investors tend to purchase past good performers but do not redeem funds with prior bad performances, which is consistent with the asymmetric performance-flow relation in the previous literature. In addition, small-amount investors of large funds tend to chase past winners and redeem shares once fund performance improves.

2.2 *Studies of the fund-spillover effect*

Nanda et al. (2004) have found that fund flows are affected not only by individual fund performance but also by the performance of other funds in the same family. The amount of cash inflow created by a stellar fund is far from what we had expected, while the inferior funds do not create the cash outflow of other funds within the same family. Khorana and Servaes (2005) also had consistent findings that showed a positive relationship between a stellar fund and a fund company's market share. Zhao (2004) reports evidence that fund-closing decisions are more likely to be motivated by spillover effects—by closing a star fund, the family signals its superior performance and also brings investors' attention and investments to other funds in the family.

Some studies find evidence that fund companies use marketing strategies to gain new cash inflows. Jain and Wu (2000) find that the funds advertised in *Barron's* and *Money* magazines apparently bring in a huge amount of cash inflow compared with other funds even if these funds do not show superior performance. Sirri and Tufano (1998) found evidence that funds with high marketing fees attract more cash inflow than those with low marketing fees and Barber et al. (2005) find that the size of a fund's marketing fee is positively related to subsequent cash inflows, especially when the fee is too small for investors to readily become aware of it.

Gallaher et al. (2006) show that fund families with higher levels of advertisement fees obtain more cash inflows. Khorana and Servaes (2005) found a positive relationship between the amount of advertisement fees and a fund company's market share for smaller-sized fund companies. Huij and Verbeek (2007) also found evidence that high marketing fees generate spillover effects to the funds with low marketing fees within the same fund family.

The above literature review can be summed up as follows. First, most of the foreign studies report that fund flows are related to prior fund performance. Fund investors tend to chase past winners because they can obtain related fund-performance information easily. Second, related studies of Taiwan funds also support a positive fund performance-flow relationship and spillover effect, which provide the motivation for fund companies to conduct corporate-level strategies in order to increase overall profits and cash inflows.

2.3 *Studies of fund family level strategy or behavior*

A vast literature has investigated individual fund managers' strategies such as herding in portfolio holdings, commonality in trading behavior across funds (Grinblatt et al., 1995; Chevalier and Ellison, 1999; Hong et al., 2003), and marking-up or window-dressing of disclosed portfolios by fund managers (Carhart et al., 2002; Lakonishok et al., 1991). However, few studies have reported on fund family level strategies.

Massa (1998) provides a model that explains what determines the decision to set up new funds within existing categories (*fund proliferation*) and to enter new categories (*category proliferation*) in the mutual fund industry. The author showed that (1) these phenomena could be interpreted as marketing strategies used by the managing companies to exploit investors' heterogeneity, and (2) having a star fund provides a positive spillover effect to all of the funds belonging to the same family. He also identified three competing factors affecting the management of companies' choices between

fund and category proliferation: signaling externality, risk-hedging externality, and learning-by-doing externality.

Massa (2003) investigates how industry structure affects mutual-fund behavior and showed that fund families actively exploit heterogeneity among funds. The author argued that the more families are able to differentiate in terms of non-performance-related characteristics, the less competition is needed in terms of performance. It was also shown that product differentiation affects performance and fund proliferation; in particular, the degree of product differentiation negatively affects performance and positively affects fund proliferation.

Khorana and Servaes (1999) investigate the determinants of mutual fund initiations and found that they are positively related to (1) the level of assets invested and the capital gains embedded in other funds with the same objective, (2) the fund family's prior performance, (3) the fraction of funds in the family in a low-fee range, and (4) the decision by large families to open similar funds in the prior year. The authors' results also show that families with more experience in opening funds in the past are more likely to open new funds.

Nanda et al. (2004) examined whether fund families seek to generate star funds by increasing the cross-fund return variance or the number of funds in the family. They showed that a star performance results in greater cash inflow to the fund and to others within the same family. In addition, families with higher variation in investment strategies across funds were shown to be more likely to not only generate a star performance but also significantly under-perform low-variation families. Investors, meanwhile, do not seem to benefit from such strategies in terms of subsequent period returns.

Guedj and Papastaikoudi (2004) argue that performance persistence is more prevalent within big fund families. From a sample of funds belonging to large families, they find that the last year's best-performing funds outperform the last year's worst-performing funds by 58 basis points and that inside their respective families, funds' maintain their previous performance. In addition, the authors show that the better-performing funds in a family have a higher probability of attracting more managers, one of the industry's main resources. This result is consistent with the view that fund families allocate resources in proportion to fund performance rather than fund needs.

Gaspar et al. (2006) show that fund families actively pursue a direct family strategy of enhancing the performance of high-value funds, which are more likely to increase overall family profits at the expense of other, lower-value funds. The empirical results also show a positive relationship between favoritism and the opposite-sign trades among funds belonging to the same fund families.

Huij and Verbeek (2007) investigate the presence of spillover effects of marketing mutual fund families and find that funds with high marketing expenses generate spillover effects and enhance cash inflows to family members with low marketing expenses. Their study results support the subsidization hypothesis that family members with high marketing expenses directly subsidize funds with low marketing expenses. Thus, a family could pay for advertising and distribution activities of a certain fund through expenses allocated to other funds. The findings also suggest that at least part of the spillover could be attributed to favoritism.

Ferris and Yan (2007) suggest that the boards of namesake funds are ineffective and that agency conflict between shareholders and the fund is not mitigated by oversight provided by an insider-dominated board. The authors find that the average expense ratio of namesake funds was more than 20 basis points higher than those of other equity funds and that they simultaneously demonstrated greater drift in the fund's investment category. These results suggested that the arguments for greater board independence and oversight by the SEC have a basis in fact.

Lin (2007) examines whether Taiwan fund companies pursue a coordinating strategy of enhancing the performance of current well-performing funds and young funds at the expense of poorly performing funds and old funds. The results show that fund companies do not boost the performance of either young or prior well-performing funds at the cost of either old or prior

bad-performing funds. Key reasons for this finding include the insignificant convex flow-performance relationship and the insignificant spillover effect in the Taiwan mutual fund market.

Evans (2010) analyzes the family level determinants of fund-incubation decisions and found evidence that incubation is used by families to speciously enhance performance and thereby increase flows. The findings also show that families that sell through a brokered channel and have less flow to their fund offerings with the same investment objective are more likely to incubate.

Goo and Chang (2010) investigated whether Taiwan fund companies actively pursue a strategy of enhancing the performance of high-fee funds and best-performing funds at the expense of low-fee funds and worst-performing funds. A significant return difference between high-value and low-value funds within the same fund families was found—a difference that favors the high-past-performing funds. The future incremental cash inflows from these high-value funds indicate that fund companies indeed benefit from the subsidized strategy.

The foregoing literature can be summarized as follows. First, several empirical studies of the U.S. mutual fund market have supported the view that there are various kinds of preferential treatment of specific funds within fund families (Nanda et al., 2004; Guedj and Papastaikoudi, 2004; Gaspar et al., 2006; Huij and Verbeek, 2007). These results showed that fund families actively exploit some corporate-level strategies in order to maximize their overall profits. Second, studies that have focused on the corporate-level strategy of the Taiwan fund industry are relatively rare and result in different findings to some extent. Thus, through empirical analysis of the fund's corporate-level strategy, this study expands on the related academic literature and provides reference information for the authorities, the fund industry, and public investors.

3. Data

The primary data sources consist of 194 open-end, domestic equity funds and balanced funds, and 38 fund companies, with up to 24,950 fund observations from January 2001 to June 2013. The fund data were originally classified into 10 categories: (1) Common Equity Funds, (2) Medium-Small Capital Funds, (3) High-Tech Funds, (4) Value Stock Funds, (5) Theme Funds, (6) Taiwanese Enterprise Funds, (7) Index Funds, (8) OTC Equity Funds, (9) Balanced Funds-Common Stocks, and (10) Balanced Funds-Value Stocks. The index funds were deleted from the sampling data because they do not provide much flexibility to the fund company in allocating its performance. Each fund contains monthly returns, the monthly total net assets under management, and the annual fund characteristics (e.g., expense ratio and fund starting date).

All of the sampled data were collected by the Taiwan Economic Journal data bank (TEJ). To minimize the survivorship bias proposed by Brown et al. (1992), all of the funds available that existed during the sampling period are included in the data set and only the funds with less than six months of monthly data were eliminated. The resulting base sample has a total of 187 equity funds (representing over 98% of the total net assets (TNA) of Taiwanese domestic equity funds and balanced funds), 31 fund companies, 9 fund categories, and approximately 24,056 fund-month observations over the sample period.

Table 1 shows the summary statistics of fund monthly data for the testing period from January 2001 to June 2013. The average fund in the sample period has monthly total net assets worth NT\$1,762 million and is 14.64 years old. The average fund company has 4.07 funds managing monthly assets of NT\$14,155 million and is 19.44 years old. Table 2 displays the percentage of the monthly observations for each fund category in the sample data and shows that fund companies have high product concentrations in common stock funds (46.22%) and high-tech funds (17.74%).

[Insert Table 1 here]

[Insert Table 2 here]

4. Methodology

To implement our first test—to determine if a corporate-level strategy of favoritism exists between foreign fund companies and domestic fund companies—we amend the testing model previously used by Gaspar et al. (2006) as shown in Eq. (1).

The Year-to-Date return is used as a fund performance measure. Following Brown et al. (1996) and Chevalier and Ellison (1997), we adopt a Year-to-Date return (the return of the fund since January of the current year), removing the funds with less than six months of return history. A fund’s rudimentary return is used because influential fund-listing providers such as Morningstar and much of the financial press usually report and rank fund performances in terms of Year-to-Date returns.

Tests are conducted by taking fund pairs composed of one high-value fund and one low-value fund from the same company. The “actual pair” and the “matched pair” are constructed by following the methodology of Gaspar et al. (2006). In our data sample, fund companies with only one fund are eliminated from our testing sample; and hence the total number of funds managed by a fund company ranges from 2 to 14. A fund is classified as a high- (low-) value fund if the fund is above (below) the 75th (25th) percentile of the other member funds in the same company. In other words, a high- (low-) performing fund is a fund that is in the top (bottom) quartile of its member funds in terms of Year-to-Date return within the same fund company.

All of the actual and matched pairs are stacked into a column vector to test whether the actual pair and the matched pair net-return differences are significantly different. The multivariate regression model is as follows:

$$\begin{aligned}
 & Net_return_{i,t}^{High} - Net_return_{j,t}^{Low} \\
 & = \alpha_0 + \alpha_1(Same_company) + \alpha_2(Same_category) + \alpha_3FD + \alpha_4FD(Same_company) \\
 & + controls + \varepsilon_{i,s,f,t} ,
 \end{aligned} \tag{1}$$

where

$Net_return_{i,t}^{High}$: the net-of-style performance at time t of a fund i that is a “high-value” fund

$Net_return_{j,t}^{Low}$: the net-of-style performance at time t of a fund j that is a “low-value” fund

Same_company: a dummy variable that takes the value of 1 if funds i and j are members of the same fund company (i.e., an “actual pair”) and the value of 0 otherwise (i.e., a “matched pair”)

Same_category: a dummy variable that takes the value of 1 if funds i and j belong to the same investment category

FD: a dummy variable that takes the value of 1 if funds i and j are members of the foreign fund company and the value of 0 otherwise (i.e., the domestic fund company)

Controls: the control variables, which include the fund age, the total net asset of a single fund, the company’s age, and the company’s size (the sum of total net assets of domestic equity funds and balanced funds belonging to the same company).

It is hypothesized that the actual pair net-return differences are significantly greater than those of the matched pairs if a fund company has a strategy of favoritism on high-value funds at the expense of low-value funds. If this is the case, the α_1 coefficient is expected to be significantly positive. $FD(Same_company)$ is an interaction between the *FD* and the *Same_company* dummy variable. The α_4 coefficient is expected to be significantly negative if domestic fund companies are more aggressive in operating a corporate-level strategy of favoritism than foreign fund companies.

To investigate the second research question—whether the fund companies engage in opposite-sign trading among funds belonging to the same companies—we use the model that was employed by Gaspar et al. (2006) as follows:

$$\begin{aligned}
& Net_return_{i,t}^{High} - Net_return_{j,t}^{Low} \\
& = \beta_0 + \beta_1(Same_company) + \beta_2(Same_category) + \beta_3(Opposite_trades) \\
& + \beta_4(Opposite_trades|Same_company) + controls \\
& + \varepsilon_{i,s,f,t} ,
\end{aligned} \tag{2}$$

where Net_return^{high} , Net_return^{low} , and the dummy variables $Same_company$ and $same_category$ have been defined here above. $Opposite_trades$ refers to either of our two measures of opposite changes in holdings. The first measure, $opposite_trades_{SUM}$, is the sum across both funds in the pair of the dollar value of the securities for which we observe quarterly changes in the opposite direction in the number of any shares held. The second measure, $opposite_trades_{MIN}$, is the minimum across both funds in the pair of the dollar value of the changes in holdings for the securities for which we observe quarterly changes in the opposite direction. Both measures are normalized by the total portfolio value of the pair of funds. ($Opposite_trades | Same_company$) is an interaction between the $Opposite_trades$ measure and the $Same_company$ dummy variable.

It is hypothesized that the existence of any opposite trades affects the net-return differences between actual pairs and matched pairs. If such trades are a potential mechanism for a cross-fund subsidy strategy, then they should enhance the wedge between those high value and low value net-of-style returns of two funds that are members of the same company. Therefore, we examine whether the coefficient β_4 is significantly positive in Eq. (2).

To examine whether fund companies actively employ the preferential treatment of allocating underpriced IPO stocks, we collect all IPO deals that took place during our research period from TEJ Data Bank. Similarly to Gaspar et al. (2006), we identify each mutual fund's reported holdings of any IPO stock at the end of the quarter that the issue took place. We then merge this information with both our sample of mutual funds and fund holding database. It is hypothesized that the hotter an IPO is, the more these shares are allocated to high value mutual funds.

5. Empirical Results

Table 3 compares the characteristics of the resulting high- and low-value funds based on their Year-to-Date returns. The mean high-value funds yielded 12.95% per month on average since the start of the year compared with a performance of -0.93% for low-value funds.

[Insert Table 3 here]

5.1 Strategic Favoritism within a Fund Company

5.1.1 Results of Regression Tests for Strategic Favoritism

Table 4 shows the results of the multivariate regression analysis based on the criteria of Year-to-Date returns. The control variables (the undisplayed coefficients in the table) include the size of the fund, the age of the fund, the age of the fund company, and the size of the fund company (the total management assets of domestic equity funds and balanced funds belonging to the same fund companies).

[Insert Table 4 here]

The results of Table 4 report that the coefficient of the variable, $Same_company$, are positive and statistically significant when the fund performance is calculated based on the Year-to-Date returns, consistent with the results of Gaspar et al. (2006). This means that strategic favoritism within the company contributes to around 32 basis point (0.32%) of extra net-of-style performance for the

funds valued highly in terms of Year-to-Date returns (with a t-statistic of 2.92 significant at the 1% level). This effect exceeds the pre-existing difference between high- and low-value funds given by the intercept term. The coefficient of the variable, *Same_category*, is significant but negative. Notice that the coefficient of *FD* results in a significant negative of -1.4998. This means that the difference between high value and low value net-of-style returns decreases when the two funds are matched up from the foreign fund companies. The coefficient of *FD(Same_company)* results in a significant negative of -0.7948, which indicates that the difference between high value and low value net-of-style returns decreases around 0.8% when the two funds are matched up from the same foreign fund company.

From the above regression analysis, we may preliminarily estimate that there is a significant difference between high- and low-value funds within the same fund company. In other words, there is an apparent favoritism for high-value funds—i.e., high past-performing funds. In addition, the average gap between high value and low value net-of-style returns is bigger in domestic fund companies than in foreign fund companies. This implies that strategic favoritism is more prevalent in domestic fund companies than in foreign fund companies.

5.1.2 Results of Regression Tests for Each Fund Category

To probe into the differences in strategic favoritism among different fund categories, we run regression tests by sub-samples for each one. The results are displayed in Table 5.

The regression tests yield mixed results as listed in Table 5. Notice that in the category of Common Stock Funds, the coefficient of the *same_company* is positive but not significant, although we have significantly negative coefficient of *FD(Same_company)*. In the category of Balanced-Value Stock Funds, both of the coefficients of the intercept and the *same_company* are significantly positive, while the coefficient of the interaction term *FD(Same_company)* results in a none-value. We may preliminarily conjecture that there is some apparent favoritism strategy for high past-performing funds within the same fund companies, especially in the category of Balanced-Value Stock Funds, while we do not have enough supporting evidence to conclude whether the favoritism differs between foreign and domestic fund companies.

[Insert Table 5 here]

5.2 Strategic Opposite-Sign Trading within a Fund Company

The regression results of opposite-sign trading are exhibited in Table 6. Although we have positive intercept and significantly positive coefficients for the variable *Same_company* (β_1) in both model (1) and model (2), the coefficient results of β_4 do not support the testing hypothesis. We do not find apparent evidence that fund companies implement opposite trading among their funds within the same company in the testing sample data.

[Insert Table 6 here]

To probe into whether there is any difference in strategic opposite-sign trading between domestic and foreign fund companies, we add a dummy variable *FD*, with the same definition as here above into Eq. (2). The regression results, shown in Table 7, do not support the hypothesis that strategic opposite trading differs between foreign and domestic fund companies.

[Insert Table 7 here]

5.3 Allocations in IPOs

Table 8 reports results on IPO allocations across high-value and low-value funds. Panel A shows that the 503 IPO issues for which mutual funds reported holdings at quarter end of the time of the issue earned the same first-day returns on average (6.23%) with the full IPO issues during Jan. 2001 to June 2013. This is because all of the 503 IPO issues were held at quarter end by mutual funds in our testing sample. Panel B presents the examining results of preferential trade allocation. The average and median first-day returns of all IPO issues for which high-value and low-value mutual funds reported positive holdings at quarter-end are computed. A comparison of the average and median IPO first-day returns indicates that fund companies do not allocate relatively more underpriced IPOs to high performing funds (638 deals, average first-day return of 3.18%), as opposed to low performing funds (709 deals, 3.09%).

To further investigate the different IPO allocation in high-value and low-value funds, we also calculate the dollar amount of the average underpricing received by each group of funds, as well as its relative contribution to their fund returns. Table 8 shows that good past performer were allocated higher average amounts of “underpricing dollars” (NTD\$19,588), while low past performers received NTD\$14,604 during the sample period. However, the average contribution of this underpricing to boost a funds’ TNA shows no difference between high-value and low-value funds.

[Insert Table 8 here]

6. Conclusion

This study seeks to explore the question of whether a so-called corporate-level strategy exists among mutual fund companies that drives them to maximize the interests of the company at the expense of their fiduciary duties to their stakeholders (fund investors). We have found that there is a significant difference between the performances of high-value and low-value funds within the same fund companies when the high- and low-value funds are classified by their past performances. In addition, the difference is significant between domestic and foreign fund companies, with a gap of approximately 0.8%. In other words, domestic fund companies seem to be more aggressive in operating a strategy that favors the past high-performing funds than the past worst-performing funds. Most of the foreign fund companies had been domestic fund companies with higher market shares and better brand reputations that subsequently merged with foreign companies. Domestic fund companies have inferior market share and brand names to attract interest from foreign fund companies. To avoid falling victim to fund companies' strategies of favoritism, we suggest that investors choose a company that has less variation in fund performance.

Although we do not find significant evidence that fund companies operate reverse trading on funds under their management or perform preferential treatment on IPO allocations from the fund-holdings data, this does not imply that opposite trading does not exist in the asset management industry. Since the current Taiwanese government has not imposed any mandatory disclosure of fund holdings by outsourced traders, incidents such as the “Ablrex” case may indicate a lack of supervision and monitoring mechanisms by the relevant competent authorities. Furthermore, our testing result of favoritism strategy, which shows that the difference between high- and low-value funds managed by domestic fund companies is larger than foreign fund companies, deserves the investors’ attention and further research.

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Table 1. Descriptive statistics of fund monthly data for the testing period

Variable	N	Mean	Std. Dev.	Minimum	Maximum
Monthly Return (%)	24,056	0.7372	7.2679	-27.7998	42.6048
TNA (NT\$1,000)	24,056	1,762,762	2,004,917	22,681	22,522,201
Number of Funds	24,056	4.0663	2.7832	2	14.00
Age	24,056	14.6414	4.3206	0.9166	27.4166
Fund Company Age	24,056	19.4427	4.7183	2.3333	30.4166
Company TNA (NT\$1,000)	24,056	14,155,480	11,955,117	118,691	79,622,207

Table 2. The percentage of monthly observations for each fund category

Fund Category	Frequency	Percentage	Cumulative Frequency	Cumulative Percentage
(1) Common stock funds	11,531	46.22	11,531	46.22
(2) Medium-small capital funds	2,779	11.14	14,310	57.35
(3) Taiwanese enterprise funds	879	3.52	15,189	60.88
(4) High-tech funds	4,427	17.74	19,616	78.62
(5) Theme funds	150	0.60	19,766	79.22
(6) Value stocks funds	878	3.52	20,644	82.74
(7) OTC equity funds	900	3.61	21,544	86.35
(8) Balanced funds-Common stocks	2,657	10.65	24,201	97.00
(9) Balanced funds-Value stocks	749	3.00	24,950	100.00

Table 3. A comparison of the characteristics of the resulting high- and low-value funds based on their Year-to-Date returns.

	High Funds	Low Funds	p-val. Diff.
Fund Return^a	1.6568	-0.3565	<.0001
TNA^b	1,803,643	1,648,766	<.0001
Year-to-Date returns	12.9495	-0.9333	<.0001

^aMonthly returns (%).

^bMonthly fund total net asset (NT\$1,000).

Table 4. The regression coefficient estimates of Eq. (1) for strategic favoritism based on the Year-to-Date returns.

Variable	Coeff.	t-Stat.
Intercept	0.4805**	2.13
Same_company	0.3207***	2.92
Same_category	-2.3141***	-40.16
FD	-1.4998***	-25.29
FD(Same_company)	-0.7948***	-2.85
FD(Same_category)	-0.2185*	-1.74
Controls	-	-
N	305,632	
R ²	0.0286	

Note: The symbols ***, **, and * denote the significance at 1%, 5%, and 10% levels, respectively.

Table 5. Regression estimates by each fund category for the test of favoritism strategy

	(1) Common Stock		(2) Medium-Small Cap		(3) Taiwanese Enterprise Fund	
Variable	Coeff.	t-Stat.	Coeff.	t-Stat.	Coeff.	t-Stat.
Intercept	0.9304***	2.74	8.0043***	10.87	-20.0285***	-15.57
Same_company	0.1875	1.18	-0.6585**	-2.03	-0.3734	-0.56
Same_category	-1.5922***	-22.69	-3.7201***	-13.48	0.9176	1.077
FD	-2.7721***	-27.22	-2.9751***	-17.14	3.5323***	9.78
FD(Same_company)	-1.203***	-2.73	0.2835	0.34	0.1302	0.07
FD(Same_category)	1.0314***	6.65	1.3677**	2.29	3.5660	1.49
Controls	-	-	-	-	-	-
N	123,204		43,201		8590	
R ²	0.0316		0.0333		0.0925	

	(4) High-Tech Fund		(5) Theme Fund		(6) Value Stocks	
Variable	Coeff.	t-Stat.	Coeff.	(t-Stat.)	Coeff.	(t-Stat.)
Intercept	-1.7940***	-3.24	6.2302***	(3.01)	-4.2421***	(-3.52)
Same_company	0.9393***	3.18	0.9286	(1.30)	-0.8424 *	(-1.828)
Same_category	-3.6293***	-19.60	N.A.		0.1214	(0.2053)
FD	-1.4544***	-12.1	N.A.		0.5867	(1.17)
FD(Same_company)	-1.8679***	-3.17	N.A.		N.A.	
FD(Same_category)	-0.2145	-0.62	N.A.		-5.9886	(-0.60)
Controls	-	-	-		-	
N	59,379		3,241		10,869	
R ²	0.0349		0.0306		0.0256	

	(7) OTC Equity		(8) Balanced Fund _Common Stocks		(9) Balanced Fund _Value Stocks	
Variable	Coeff.	t-Stat.	Coeff.	t-Stat.	Coeff.	t-Stat.
Intercept	-1.9228	-0.97	9.4956***	18.84	2.3441***	3.01
Same_company	0.4316	0.56	0.3656	1.49	1.4295***	3.46
Same_category	-0.5515	-0.41	-5.3800***	-19.79	-7.2066***	-8.50
FD	2.2741***	5.87	-0.4468***	-3.41	-2.1674***	-6.64
FD(Same_company)	1.3409	0.82	-1.4028**	-2.52	N.A.	-
FD(Same_category)	-5.9154**	-2.32	2.6515***	4.72	-5.0608*	-1.75
Controls	-	-	-	-	-	-
N	12,738		32,132		12,278	
R ²	0.0131		0.0319		0.0399	

Note:

1. The symbols ***, **, and * denote the significance at 1%, 5%, and 10% levels, respectively.
2. The symbol N.A. denotes the absence of the variable.

Table 6. Regression results for strategic opposite trades based on the fund performances calculated in terms of Year-to-Date returns.

Variable	Model (1)		Model (2)	
	Coeff.	t-Stat.	Coeff.	t-Stat.
Intercept	0.43	0.97	0.5045	1.147
Same_company (β_1)	0.36*	1.77	0.4103**	2.045
Same_category (β_2)	-2.87***	-28.60	-2.8747***	-28.66
Opposite_trade _{SUM} (β_3)	0.1***	9.68		
Opposite_trade _{SUM} Same_company (β_4)	-0.02	0.60		
Opposite_trade _{MIN} (β_3)			0.4995***	10.65
Opposite_trade _{MIN} Same_company (β_4)			-0.3588**	-2.14
Controls	-	-	-	-
N	97,341		97,341	
R ²	0.0274		0.0276	

Note: The symbols ***, **, and * denote the significance at 1%, 5%, and 10% levels, respectively.

Table 7. Regression tests of opposite trades in foreign and domestic fund companies

Variable	Model (1)		Model (2)	
	Coeff.	t-Stat.	Coeff.	t-Stat.
Intercept	0.8884**	2.02	0.9658**	2.20
FD	-1.9311***	-18.71	-1.9348***	-18.75
Same_company	0.3676*	1.66	0.4199*	1.93
Same_category	-2.8574***	-28.53	-2.8632***	-28.59
Opposite_trade _{SUM}	0.0958***	9.72		
FD Same_company	-0.9056	-1.61		
Opposite_trade _{SUM} Same_company	-0.0154	-0.33		
FD Opposite_trade _{SUM} Same_company	-0.0157	-0.17		
Opposite_trade _{MIN}			0.5036***	10.76
FD Same_company			-0.9009	-1.61
Opposite_trade _{MIN} Same_company			-0.3294*	-1.78
FD Opposite_trade _{MIN} Same_company			-0.0481	-0.12
Controls	-	-	-	-
N	97,329		97,329	
R ²	0.0312		0.0313	

Table 8. IPO Allocations in High-Value and Low-Value Funds

Panel A				
All IPO issues form Jan. 2001 to June 2013 (\$1,000)	N=503	Value: \$191,365,738	Average 1st-day return ^a	2.234%
			Median 1st-day return	6.234%
IPOs held at quarter-end by funds in the sample (\$1,000)	N=503	Value: \$169,880,176	Average 1st-day return	2.234%
			Median 1st-day return	6.234%
Panel B				
	IPOs held by High Funds	IPOs held by Low Funds	p-Value Difference	
N	683	709		
Average 1st-day return	3.181%	3.097%		0.1599
Median 1st-day return	6.336%	6.336%		0.3190
Dollar amount of underpricing going to H or L funds ^b (\$1,000)	\$19.5884	\$14.6042		
Percentage contribution of underpricing go to returns of H or L funds (% of TNA) ^c	8.64×10^{-7}	2.07×10^{-7}		0.6776 ^d

a. The average 1st-day return is defined as the percentage price increase from the offer price to the first day closing price.

b. The dollar amount of underpricing is defined as the average first-day return times number of shares held by a fund.

c. The percentage contribution of underpricing to fund returns is defined as the average ratio between the dollar amount of underpricing and the fund's previous quarter TNA, for all funds that had positive holdings in any IPO.

d. Kruskal-Wallis test

科技部補助專題研究計畫出席國際學術會議心得報告

日期：103 年 5 月 20 日

計畫編號	MOST 102-2410-H-263-002		
計畫名稱	台灣投信公司偏袒策略之研究		
出國人員姓名	張鳳暉	服務機構及職稱	致理技術學院財金系助理教授
會議時間	103 年 1 月 9 日至 103 年 1 月 11 日	會議地點	Nanyang Technological University , Singapore
會議名稱	(中文) (英文) 12th Eurasia Business and Economics Society (EBES) Conference -Singapore		
發表題目	(中文) 本國與外資投信公司偏袒策略之研究 (英文) A Study on the Difference in Strategy of Favoritism between Domestic and Foreign Fund Companies		

一、參加會議經過

本次研討會於新加坡南洋理工大學的人文與社會科學學院舉辦，參加會議報告的學者人數非常多(約有二百多人)。此次會議本人報告國科會計劃中完成的部份論文，報告時間安排在1月10日(會議第二天)上午8:30-10:30的場次。由於南洋理工大學距離市區大約需25-30分鐘的車程，本人住在研討會主辦單位建議的 Concorde 飯店，該飯店每日早、午和傍晚提供接駁巴士搭載下榻同飯店的學者往返學校和飯店。由於經費的限制，我在研討會第一天早上搭乘七點三十分由桃園機場飛往新加坡的班機，下午一點半左右抵達新加坡樟宜機場(Changi airport)，然後搭乘市區接駁公車到 Concorde 飯店，抵達下榻飯店辦理住房手續時約下午三點三十分。第二天早上搭乘接駁巴士與下榻同飯店的學者一起到會場，主辦單位的工作人員也都住在同一飯店。南洋理工大學校園廣大，報到領取會議資料後隨即參加當日首場的論文報告，本人的報告順利地完成，會議主席隨即很感興趣地提問。與會的國際學者人數眾多，且會場有三位坐在前排的歐洲人像是論文評審和記錄，主辦單位對於報告時間調整得宜，讓大部分的與會學者能充分地交流。本人在會議與會議間的茶會時間與幾位學者分享彼此的研究心得，會後也參加了最佳論文獎的頒獎典禮，並且聆聽特邀演講(keynote speaker)。隔日早上前往機場搭機回台，至此與會行程圓滿結束。

二、與會心得

參與國際學術研討會不外乎瞭解目前研究議題的最新概況、未來發展方向以及外語的表達

訓練。特別是在會議的休息茶會中，有幸認識一些來自歐美各地的學者，除了閒話家常外，我們亦相互分享彼此的研究內容與經驗。此外，身為新進學者的我在此次旅程中也有幸認識了四位來自台灣的資深學者們，他們慷慨解囊地分享自己在學術研究領域的寶貴經驗，這些對我而言更是彌足珍貴。同時，我們也與南洋理工大學經濟系的博士班學生互相交流，我發覺雖然都同在學術研究領域，但在不同的教育體制或學院分科下彼此的研究方式也都各有專業和特色。我想對於一個學者而言某種程度的跨領域涉略是需要的；而對問題的敏感度和分析能力亦是我現階段急需養成的，愈是深入透徹地了解研究議題，才能提升研究的品質並減少錯誤的嘗試，以及增加投入研究的信心。

三、發表論文全文或摘要(如附件)

四、建議

這是本人參與過最有規模的國際學術會議，無論是硬體或是軟體上的設施都充分地展現主辦單位的用心。本人也期望未來能持續參加同等級或更高等級的國際學術研討會，以拓展國際視野。此外，也期望我國的學校也能參與類似的學會組織並爭取國際學術會議的主辦機會，讓國內的學者或學生們不用出國就能體驗國際會議的經驗。

五、攜回資料名稱及內容

1. 會議摘要集(紙本)
2. 會議議程
3. 會議論文集(conference proceeding CD)

六、其他

無



12th EBES CONFERENCE - SINGAPORE

CONFERENCE PROGRAM

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THURSDAY, JANUARY 9 (DAY 1)

REGISTRATION: 08:00 - 17:00

OPENING SPEECH: 08:50 - 09:20

Room: HSS Auditorium

Mehmet Huseyin Bilgin, EBES and Istanbul Medeniyet University, Turkey

Euston Quah, Nanyang Technological University, Singapore

Grace Fu Hai Yien, Minister, Prime Minister's Office and the Second Minister for the Environment and Water Resources and Second Minister for Foreign Affairs, Singapore

KEYNOTE SESSION: 09:20 - 10:30

GLOBAL ECONOMIC AND FINANCIAL CHALLENGES

Room: HSS Auditorium

Chair: Naoyuki Yoshino

Central Banks' Growing Challenges in the Rapidly-Changing Global Environment
Sayuri Shirai, Bank of Japan, Japan

The New Economics of Growth Markets: Opportunities, Challenges and Threats
Vedat Akgiray, Bogazici University, Turkey

The Global Economy in Transition - Debt, Mass Communication, and Resource Scarcities: The Role of Metropolises

Joergen Oerstroem Moeller, Copenhagen Business School, Denmark and Singapore Management University, Singapore

COFFEE BREAK: 10:30 - 10:40

SESSION I: 10:40 - 12:40

GROWTH & DEVELOPMENT I

Room: HSS SEMINAR ROOM 3

Chair: Anil Lal

Country-Specific Convergence Behavior in an Enlarged Europe
Gulcin Guresci Pehlivan, Dokuz Eylul University, Turkey and Utku Utkulu, Dokuz Eylul University, Turkey

Growth Story of India: Interplay of Macroeconomic Variables
Sheetal Mundra, JK Lakshmi Pat University, India

Does Low Carbon Technology Contribute Towards Low Carbon Economy? A Review
Rawshan Begum, Universiti Kebangsaan Malaysia, Malaysia; Kazi Sohag, Universiti Kebangsaan Malaysia, Malaysia; and Sharifah Mastura Syed Abdullah, Universiti Kebangsaan Malaysia, Malaysia

Does Entering WTO Really Reduce the Agricultural Output Value of Taiwan? Applying a Panel Data Evaluation Approach

Chia-Yi Cheng, National Taiwan University, Taiwan and Yu-Hui Chen, National Taiwan University, Taiwan

India's Growth Story during 1970-2010: Causes to Cheer and to Fear

Sugata Bag, Delhi School of Economics, India and Anish Gupta, University of Delhi, India

Commercial and Industrial Urban Systems in Pangasinan, Philippines

Nova Arquillano, Pangasinan State University-Lingayen Campus, Philippines

BEHAVIORAL FINANCE

Room: HSS SEMINAR ROOM 4

Chair: Michael Dowling

Do Fund Managers Herd in Frontier Markets – and Why?

Konstantinos Gavriilidis, University of Stirling, United Kingdom

The Relations between Trades of Foreign Institutional and Retail Investors and Equity Returns

Ros Zam Zam Sapian, National University of Malaysia, Malaysia

Judgmental Bias in Housing Decisions: Field Evidence from China

Helen Bao, University of Cambridge, United Kingdom; Lei Feng, Renmin University of China, China; and Nan Zhang, University of Cambridge, United Kingdom

Effect of Sentiment on the Bangladesh Stock Market Returns

Shah Saeed Chowdhury, Prince Mohammad Bin Fahd University, Saudi Arabia; Rashida Sharmin, Prince Mohammad Bin Fahd University, Saudi Arabia; and Arifur Rahman, University of Brunei Darussalam, Brunei Darussalam

Agent-based Models of Stock Exchange: Analysis via Computational Simulation

Liudmila Egorova, National Research University Higher School of Economics, Russia and Henry Penikas, National Research University Higher School of Economics, Russia

Analysis of Determinant Factors Gender Perspective Investors Behavior in Stock Investment Decision in Indonesia Stock Exchange

Henny Septiana Amalia, STIE Indonesia Banjarmasin, Indonesia; Rofiqah Wahdah, STIE Indonesia Banjarmasin, Indonesia; and Yuniar, STIE Indonesia Banjarmasin, Indonesia

HEALTH ECONOMICS

Room: HSS SEMINAR ROOM 7

Chair: Tomoki Fujii

Childcare and Women's Employment

Balasundram Maniam, Sam Houston State University, U.S.A. and November Davis, Sam Houston State University

Consumer Choice When Health Is an Endogenous Variable that Yields Utility and Affects the Income-Earning Prospect

Hiroaki Hayakawa, Chuo University, Japan

Consumption Vulnerability to Prolonged Illness

Sung Soo Lim, American University in Dubai, U.A.E.

Estimating Nutrients Elasticities in a Complete Food Demand System: The Case of Iran

Mohamad Amin Kouhbor, Khoramshahr Marine and Sciences University, Iran

Granger Causality between Total Expenditure on Health and GDP in Asian Countries and Turkey

Serap Bedir, Erzurum Technical University, Turkey and Dilek Ozdemir, Ataturk University, Turkey

Indirect Growth Rates of the Information Model for the Liabilities for Harmful Consequences for Patients

Jelena Zanic Mikulicic, Croatia; Blanka Ivancic Kacer, Faculty of Maritime Studies in Split, Croatia; Rosanda Mulic, Faculty of Maritime Studies in Split, Croatia; and Vinko Viducic, Faculty of Maritime Studies in Split, Croatia

REGIONAL STUDIES

Room: HSS SEMINAR ROOM 9

Chair: John Hicks

Analysis of Service Performance at RSUD Ulin Banjarmasin (Ulin General Hospital) Using Value for Money Concept

Wahyu Supto Rini, STIE Indonesia Banjarmasin, Indonesia; Muhammad Maladi, STIE Indonesia Banjarmasin, Indonesia; and Gemi Ruwanti, STIE Indonesia Banjarmasin, Indonesia

Matt Damon meets Gary White: The Rise of Microcredit at Water.Org

Martin Stack, Rockhurst University, U.S.A.

European Union and the Post-Soviet Regionalism in Central Asia

Agnieszka Konopelko, Bialystok University of Technology, Poland

Calculation of Hunger and Poverty Threshold at NUTS2 and Regional Mapping

Murat Atan, Gazi University, Turkey; Yucel Uyanik, Gazi University, Turkey; Hasan Ture, Gazi University, Turkey; and Yalcin Arslanturk, Gazi University, Turkey

Income Level of the Population around Protected Forest Areas in Lubuklinggau, South Sumatera, Indonesia

Taufiq Marwa, Sriwijaya University, Indonesia; Azwardi, Sriwijaya University, Indonesia; Abukosim, Sriwijaya University, Indonesia; Nazali Adnan, Sriwijaya University, Indonesia; and Subardin, Sriwijaya University, Indonesia

Present Calls: Whether the "Post-Regional" Stage of Development of the Federal Relations is Possible?

Artur M. Yusupov, Kuban State University, Russia

LUNCH: 12:40 - 13:20

SESSION II: 13:20 - 15:20

GROWTH & DEVELOPMENT II

Room: HSS SEMINAR ROOM 3

Chair: Sung Soo Lim

Tapping Funds for Development: A Case for Sukuk Financing

Abdelaziz Chazi, American University of Sharjah, U.A.E.; Narendar Rao, Northeastern, Illinois University, U.S.A.; and Lateef Syed, Robert Morris University, U.S.A.

Comparative Sources of Growth: Empirical Panel Dynamic Model of the Rich and the Poor

Paitoon Kraipornsak, Chulalongkorn University, Thailand

Managing the Economic Development of the Corporate Enterprise, Taking into Account Institutional Factors

Nadezhda Kvasha, Baltic Academy of Tourism and Business, Russia and Ilya Evgenjevich Shitikov, St. Petersburg State Polytechnical University, Russia

Poverty Decomposition by Regression Application to Tanzania and Côte d'Ivoire

Tomoki Fujii, Singapore Management University, Singapore

Economic Transformation and Social Inequality in Eurasian countries

Leonid Grigoryev, NRU - Higher School of Economics, Russia and Vera Kulpina, NRU - Higher School of Economics, Russia

Economic Growth Effect of Foreign Direct Investments for MENA Countries

Gulcin Guresci Pehlivan, Dokuz Eylul University, Turkey and Yagmur Saglam, Dokuz Eylul University, Turkey

ENTREPRENEURSHIP

Room: HSS SEMINAR ROOM 4

Chair: Raymond Sin-Kwok Wong

The Relationship Structure, Culture, and Environmental Organization of Managerial Entrepreneurship Dimensions

Saifhul Anuar Syahdan, STIE Indonesia Banjarmasin, Indonesia

SME Commitment: to Rise Scale in Banjarmasin South Borneo Indonesia

Asfida Parama Rani, STIE Indonesia Banjarmasin, Indonesia; Fadma Yulianti, STIE Indonesia Banjarmasin, Indonesia; and Zainal Arifin, STIE Indonesia Banjarmasin, Indonesia

Entrepreneurial Aptitude of Students of Obuda University with the Intention of Starting a Business

Medve Andras, Obuda University, Hungary; Maria Dudas, Obuda University, Hungary; and Kornelia Lazanyi, Obuda University, Hungary

Impact of Business Conditions Favorability as the Imperative for Youth Employment Enhancement

Rima Zitkiene, Mykolas Romeris University, Lithuania and Egle Kazlauskiene, Mykolas Romeris University, Lithuania

Insights of the Entrepreneurial Personality Trait Necessity on Youth Entrepreneurship

Egle Kazlauskiene, Mykolas Romeris University, Lithuania and Rima Zitkiene, Mykolas Romeris University, Lithuania

ACCOUNTING & AUDIT I

Room: HSS SEMINAR ROOM 7

Chair: Ashraf Khallaf

Surveillance Subjects in Society: Scholars in Particular

Assiye Aka, Canakkale Onsekiz Mart University, Turkey

Corporate Sustainability Reporting Practice for the Companies Listed in Indonesian Capital Market

Budi Rofelawaty, STIE Nasional Banjarmasin, Indonesia

The Influence of Organizational and Professional Commitments on Job Satisfaction in a Gender Context

Sri Trisnaningsih, University of National Development (UPN) "Veteran", Indonesia

Audit Procedure's Premature Sign Off in Indonesia

Golrida Purba, Universitas Siswa Bangsa Internasional, Indonesia

A Study on the Relationship on between the Audit Risk of R&D Expenditure and Audit Fees or Hours

Seong-Pyo Cho, Kyungpook National University, South Korea and Seok Tae Ha, Kyungpook National University, South Korea

CORPORATE FINANCE

Room: HSS SEMINAR ROOM 9

Chair: Michi Nishihara

Inefficient Investments under Fluctuations of Monetary Policy: Evidence from Nonfinancial Listed Firms in China

Lin Li, Shanghai University of International Business and Economics, China; Fengwei Liu, Shanghai National Accounting Institute, China; Fei Li, Shanghai University of International Business and Economics, China; and Wenbin Lu, Shanghai National Accounting Institute, China

Labor Protection Regulation and the Privatization Design: Evidence from the Choice between Public and Private Capital Markets

Mohamed Belkhir, United Arab Emirates University, U.A.E. and Hamdi Ben-Nasr, King Saud University, Saudi Arabia

The Number of Regimes in Aggregate and Individual Time Series in Markov Switching Model: A Static Model Study

Thatphong Awirothananon, Maejo University, Thailand

Political Connections, Government Subsidies and R&D Expenditure

Dongqin Zhu, Soochow University, China and Chia-Ying Ma, Soochow University, Taiwan

Rating Quality of Credit Rating Agencies: The Development of a User-based Assessment Model

Adam Y.K. Lee, Grenoble Ecole de Management, France; Kenneth K. Kwong, Hang Seng Management College, Hong Kong; and John Leung, City University of Hong Kong, Hong Kong

COFFEE BREAK: 15:20 - 15:30

SESSION III: 15:30 - 17:30

HUMAN RESOURCES I

Room: HSS SEMINAR ROOM 3

Chair: Gokhan Karabulut

Major Development Trends of Globalization of Human Resources

Ali Aga Ismayilzada, Azerbaijan State Economic University, Azerbaijan

Trainees' Motivation to Learn is Context-Sensitive: A Study of Mediated Relationships

Priya Mehla, Bharat Electronics Limited, India; Rekha Aggarwal, Bharat Electronics Limited, India; and Anish Chauhan, Bharat Electronics Limited, India

The Effect of Human Resources Development, Organization Culture and Motivation to Performance (Study at Pertamina, Ltd. Balikpapan – East Borneo, Indonesia)

Fahriansyah Hassan Basrie, STIE Indonesia Banjarmasin, Indonesia

How does the Career Path of a Returnee Influence on the Contribution after Homecoming? an Analysis of a Questionnaire Survey

Linhui Li, Osaka University, Japan and Jun Ma, University of Toyama, Japan

The Influences of Multiple-identity on Non-profit Organizations Volunteers' Job Stress and Loyalty Behavior: The Identity Gap Perspective

Chia-Wu Lin, National Dong Hwa University, Taiwan; Meng-Jung Wu, Catcher Technology Co., Ltd., Taiwan; and Wan Hsien Hu, National Dong Hwa University, Taiwan

The Secondary and the Higher Education Performance of Turkey and the Economic Consequences

Murat Cetin, Istanbul University, Turkey and Belma Sunnetci, Istanbul University, Turkey

MARKETING I

Room: HSS SEMINAR ROOM 4

Chair: Mark Speece

Social Presence and Customer Brand Engagement in Corporate Facebook

Wimmala Pongpaew, Dhurakij Pundit University, Thailand; Mark Speece, American University of Kuwait, Kuwait; and Leela Tiangsoongern, Dhurakij Pundit University International College, Thailand

A Model of Consumer Behavior and Utility Formation with a Behavior Menu Formed by Society

Vladimir Matveenکو, National Research University Higher School of Economics, Russia

Exploring the Demand of Green Restaurant: A Case Study of Food Service Industry in Jakarta, Indonesia

Morina Suparman, BINUS University International, Indonesia and Tatum Adiningrum, BINUS University International, Indonesia

Pre-Launch Marketing Activities, Word-of-Mouth and Movie Demand

Tae Ho Song, Pusan National University, South Korea

Personalized Customer Support Environments as Enabler for Positive Customer Experience

Thomas Puchleitner, University of Graz, Austria and Michael Harnisch, University of Graz, Austria

MONETARY ECONOMICS

Room: HSS SEMINAR ROOM 7

Chair: Paul Dominic McNelis

The Macroeconomic Effects of Oil Price Shocks on ASEAN-5 Economies

Mala Raghavan, University of Tasmania, Australia

Coincidental Business Cycle Indicators in India: A Time Series Analysis

Geetika, National Institute of Financial Management, India and Alok Sherry, National Institute of Financial Management, India

Dual-Stickiness and Alternative Monetary Rules: A Bayesian DSGE Approach to China's Economy

Zexi Sun, China Aerospace Industry Investment Fund, China and Nan Hu, Shantou University, China

The U.S. Phillips Curve: New Empirical Estimates

Rajarshi Mitra, Kyushu University, Japan

The Practical Management of Inflation Expectation: from Point Commitment to Discrete Zone Commitment

Nath Bunditwattanawong, Chulalongkorn University, Thailand

Fiscal Rules in a Time of Prolonged Crisis: Debt and Deficit Targeting in Japan

Paul Dominic McNelis, Fordham University, U.S.A. and Naoyuki Yoshino, Keio University, Japan

ENERGY STUDIES & EXCHANGE RATES

Room: HSS SEMINAR ROOM 9

Chair: Emilie Rutledge

FX Equity Exposure and Foreign Exchange Rate Sensitivity of Stock Prices: A Study of Exporting and Importing Firms in India

Himanshu Joshi, FORE School of Management, India

Effects of Real Exchange Rate on Export Performance in Egypt: Volatility versus Misalignment

Dina Rofael Farag, Central Bank of Egypt, Egypt

Electricity Generation and Economic Growth in Thailand
Wuttipong Arjchariyaartong, Khon Kaen University, Thailand

Feasibility of the Wind Farms: Case Study in Turkey
Adnan Corum, Bahcesehir University, Turkey and Jbid Arsenyan, Bahcesehir University, Turkey

The Grey Paradox: How Owners of Carbon-Emitting Resources Can Benefit from Carbon Taxation?
Renaud Coulomb, Ecole Centrale, Paris & LSE, France

The Dynamic Effects of Shocks in Renewable Electricity Generation on Economic Output and CO2 Emissions
Olugbenga Onafowora, Susquehanna University, U.S.A. and Oluwole Owoye, Western Connecticut State University, U.S.A.

FRIDAY, JANUARY 10 (DAY 2)

REGISTRATION: 08:15 - 17:00

SESSION I: 08:30 - 10:30

MANAGEMENT I

Room: HSS SEMINAR ROOM 3

Chair: Zheng Liu

Some Factors Influencing Post-M&A Knowledge-Sharing

Philip A. Barbonis, Windesheim University of Applied Science, Netherlands and Arjan C. de Kuijper, C1000/Jumbo, Netherlands

A Novel Bond Rating Model using GAMSVM

Hyunchul Ahn, Kookmin University, South Korea; So Yun Choi, Kookmin University, South Korea; Kyu-ha Lee, Kookmin University, South Korea; Yoonjin Hyun, Kookmin University, South Korea; Namgyu Kim, Kookmin University, South Korea; and Kee-Young Kwahk, Kookmin University, South Korea

Do Quality Antecedents of Smart Applications Affect the Object-based Belief and Attitude? - Smart Application Quality and Satisfaction

Geuna Kim, Kyungpook National University, South Korea; and Sanghyun Kim, Kyungpook National University, South Korea

An AHP-QFD Approach to Develop Design Requirements for Social Sustainability of E-Business: A 3D Approach

Mohammed Naim A. Dewan, Curtin University, Australia; Nasrin R. Biswas, Curtin University, Australia; Maruf Hossan Chowdhury, Curtin University, Australia; and Mohammed A. Quaddus, Curtin University, Australia

Research on the Emergence Formation Mechanism of Lean Construction

Lihua Jiang, People's Liberation Army Naval Engineering University, China and Kongguo Zhu, Shandong Youth University of Political Science, China

Characteristics of the Commercial Sex Market in Thailand: A Microeconomic Investigation

Peera Tangtammaruk, Chulalongkorn University, Thailand

CORPORATE GOVERNANCE

Room: HSS SEMINAR ROOM 4

Chair: Gokhan Karabulut

Factors Influencing Voluntary Disclosure of Vietnamese Listed Companies

Tien Thong Nguyen, VNU HCMC - University of Technology, Vietnam

The Sustainability of Joint Ventures between State Owned Enterprises and Global Firms for Car Making Business in China

Byung Hun Choi, Kongju National University of Korea, South Korea

The Influence of Corporate Governance for Domestic and Foreign Institutional Investors' Investment Preference

Su-Lien Lu, National Pingtung University of Science and Technology, Taiwan; Kuo-Jung Lee, National Pingtung Institute of Commerce, Taiwan; and Ying-Hui Lee, National Pingtung University of Science and Technology, Taiwan

Better Governance Matters Optimal Privatization Policy

Leonard F.S. Wang, National University of Kaohsiung, Taiwan and Jerry T.D. Han, Loughborough University, United Kingdom

Integrated Reporting, XBRL, and Corporate Governance

Ashraf Khallaf, American University of Sharjah, U.A.E. and Saeed Rohani, American University of Sharjah, U.A.E.

An Analysis of Post Financial Crisis Disclosure Practices in the UAE

Afsheen Bashir, Pakistan and Tim Rogmans, Zayed University, U.A.E.

TOURISM

Room: HSS SEMINAR ROOM 7

Chair: Ender Demir

Information Technology Use on Image Reconstruction and Rural Tourism Development

Tzu Ching Lin, TransWorld University, Taiwan and Nuntasaree Sukato, Dhurakij Pundit University, Thailand

Domestic Perceptions of International Tourism in Croatia: A Survey Analysis

Joel Deichmann, Bentley University, U.S.A.

Income and Price Elasticities of Tourists' Demand in Thailand

Malliga Sompholkrang, Chulalongkorn University, Thailand

A Review of the Tourists Visiting Antalya-Turkey

Sevda Sahilli Birdir, Mersin University, Turkey; Esra Balli, Cukurova University, Turkey; Elif Bal, Turkish Ministry, Disaster and Emergency Management Presidency, Turkey; and Kemal Birdir, Mersin University, Turkey

Tour Guide Perceptions of Traveler: Satisfaction Guaranteed?

Yalcin Arslanturk, Gazi University, Turkey and Murat Atan, Gazi University, Turkey

INVESTMENT I

Room: HSS SEMINAR ROOM 9

Chair: Emrah Sener

The Real Options Component of Company Market Value-The Evidence of Taiwan Technological Corporation

Kuo-Jung Lee, National Pingtung Institute of Commerce, Taiwan and Su-Lien Lu, National Pingtung University of Science and Technology, Taiwan

A Study on the Difference in Favoritism Strategy between the Domestic and the Foreign Fund Companies

Feng-Huei Chang, Chihlee Institute of Technology, Taiwan and Yeong-Jia Goo, National Taipei University, Taiwan

Probability-based Evaluation for Real Estate Investment

Jeng-Hsiang Lin, Hwa Hsia Institute of Technology, Taiwan

Optimal Redemption Policies for Illiquid Investments

Cenk Karahan, Bogazici University, Turkey

Comparative Cost Analysis of Paper Production: Traditional vs. Recycling

Adnan Corum, Bahcesehir University, Turkey; Huseyin Ozdemir, Bahcesehir University, Turkey; and Goksel Demir, Bahcesehir University, Turkey

Financial Liberalization in ASEAN 4: Effects on the Cost of Capital and Implications on Investment
Percival Pineda, The New School for Social Research, U.S.A.

COFFEE BREAK: 10:30 - 10:40

SESSION II: 10:40 - 12:40

MANAGEMENT II

Room: HSS SEMINAR ROOM 3

Chair: Martin Stack

The Effectiveness of Strategic Supply Chain Management A case study of Thailand Third Party Logistics Industry

Punyapon Teprasit, Sripatum University, Thailand

Building up Trust in Different National Culture Contexts

Zheng Liu, Xi'an Jiaotong-Liverpool University, China

Analytical applications and Business Intelligence: Challenge and opportunity

Bernd Heesen, Ansbach University of Applied Sciences, Germany

Developing Design Requirements for Social Sustainability of the Pharmaceutical Industry of Bangladesh: A Conceptual Approach

Nasrin R. Biswas, Curtin University, Australia; Mohammed Naim A. Dewan, Curtin University, Australia; and Mohammed A. Quaddus, Curtin University, Australia

How Corporate Sustainability and Social Responsibility Strategies influence the Product and Service Innovation – A European Perspective

Reinhard Altenburger, IMC University of Applied Sciences Krems, Austria

EXCHANGE RATES

Room: HSS SEMINAR ROOM 4

Chair: Zongxin Qian

Is Purchasing Power Parity Hold for CIS Countries?

Almila Burgac, Cukurova University, Turkey; Esra Balli, Cukurova University, Turkey; and Ciler Sigeze, Cukurova University, Turkey

Sources of Asymmetric Shocks: Exchange Rate or Other Culprits?

Lubos Komarek, The University of Finance and Administration Prague, Czech Republic and Michal Skorepa, Czech National Bank, Czech Republic

Investigation of Exchange Rate Models Using Genetic Algorithm in Iran

Mehdi Rostamzadeh, Islamic Azad University, Iran

Would a Currency Union by any other Name be as Integrated?

Gregory William Whitten, Lingnan University, Hong Kong

Parsimonuous Modeling of Volatility Smile in Emerging and Developed Markets

Vedat Akgiray, Bogazici University, Turkey; Emrah Ahi, Ozyegin University, Turkey; and Emrah Sener, Ozyegin University, Turkey

PUBLIC ECONOMICS

Room: HSS SEMINAR ROOM 7

Chair: Euston Quah

Revisit: Asymmetry in the Flypaper Effect of the National Subsidy in Korea

Sang Soo Lim, Korea Institute of Local Finance, South Korea

Cost Benefit of the Law of Encouragement of Capital Investment
Joseph Gabbay, Ariel University, Israel

Military Expenditure, Wars and Economic Growth
Kamonnat Meetaworn, Chulalongkorn University, Thailand

Sovereign Wealth Funds and Economic Policy in Small Open Economies
Erling Steigum, BI Norwegian School of Management, Norway

How to Design the Optimal Intergovernmental Transfer Scheme with Perfect Mobile Labor under Asymmetric Information?
Weiwei Song, Xi'an Jiaotong-Liverpool University, China and Yang Chen, Xi'an Jiaotong-Liverpool University, China

Conceptual Framework of Developing a Scoring Formula to Determine the Social Aid Beneficiaries in Turkey: A Social Aid Model
Erdal Karagol, Yildirim Beyazit University and TUBITAK-BILGEM-YTE, Turkey; Julide Ocal, TED University and TUBITAK-BILGEM-YTE, Turkey; Murat Atan, Gazi University, Turkey; Muberra Sungur, TUBITAK-BILGEM-YTE, Turkey; Anil Eralp, Gazi University and TUBITAK-BILGEM-YTE, Turkey; and C. Busra Uzun, TUBITAK-BILGEM-YTE, Turkey

FINANCIAL CRISIS

Room: HSS SEMINAR ROOM 9
Chair: Reinhard Altenburger

The Real Consumption Theory to Begin a New Era in Economics
Shaju Jose, India

Asset Price Volatility and Financial Contagion: Analysis using Markov Switching Vector Autoregressive (MSVAR) Framework
Chau Le, Banking University HCMC, Vietnam and Anh H. Ly, Banking University HCMC, Vietnam

Nonlinearities in Predictability of Japanese Stock Returns
Jan Podivinsky, University of Southampton, United Kingdom

Expected and Unexpected Determinants of Greek Spreads
Dionysios Chionis, Democritus University of Thrace, Greece

Liquidity and Credit Risks in the UK's Financial Crisis: How QE Changed the Relationship
Woon Kong Wong, Cardiff University, United Kingdom; Iris Biefang-Frisancho Mariscal, UWE Bristol, United Kingdom; Wanru Yao, University of the West of England, United Kingdom; and Peter Howells, UWE Bristol, United Kingdom

LUNCH: 12:40 - 13:20

BEST PAPER AWARD CEREMONY: 13:20 - 13:30

Room: HSS Auditorium

KEYNOTE SPEAKER: 13:30-14:00

Room: HSS Auditorium

Management under Conditions of Complexity and Uncertainty
Chuan-Leong Lam, Ambassador-at-Large of Singapore and Chairman of the Competition Commission of Singapore, Singapore

SESION III: 14:00 - 16:00

LABOR ECONOMICS I**Room:** HSS SEMINAR ROOM 3**Chair:** Jakob Roland Munch

Exploring the Economic Impact of Unprotected Strikes in the South African Platinum Mines
Bennie Linde, North-West University, South Africa and Andre Heymans, North-West University, South Africa

Statistical Discrimination and Earnings Inequality in Hong Kong
Raymond Sin-Kwok Wong, Hong Kong University of Science & Technology, Hong Kong

Marriage, Employment Participation and Home Production in Search Equilibrium
Roberto Bonilla, Newcastle University, United Kingdom and Alberto Trejos, INCAE, Costa Rica

FDI, Industry Heterogeneity, and Employment Elasticity in China
Yao Li, University of Electronic Science and Technology of China, China and Bo Chen, Shanghai Univ. of Finance and Economics, China

The Economic Impact of Regional Labor Movement under the ASEAN Economic Community
Danupon Ariyasajjakorn, Chulalongkorn University, Thailand and Somprawin Manprasert, Chulalongkorn University, Thailand

Labor Legislation – Labor Rights of Immigrants: Aspects of the Native Residents in the City of Rethymno
Maria Vlachadi, University of Crete, Greece; Spinos Dimitris, University of Crete, Greece; and Mitoula Roido, Harokopio University of Athens, Greece

ECONOMICS OF INNOVATION & GAME THEORY**Room:** HSS SEMINAR ROOM 4**Chair:** Ton Notermans

ICT Capital and Productivity: An Analysis on Turkish Manufacturing Firms
Yilmaz Kilicaslan, Anadolu University, Turkey; Aliye Atay Kayis, Suleyman Demirel University, Turkey; Robin Sickles, Rice University, Turkey; and Yesim Ucdogruk, Dokuz Eylül University, Turkey

The Value Creation and Governance of Regional Ecology System of Creative Culture Industry cased Taiwan
Biling Yeh, National Chengchi University, Taiwan and Sehwa Wu, National Cheng-Chi University, Taiwan

Licensing Strategies on Eco-Technology under Emission Tax
Sang-Ho Lee, Chonnam National University, South Korea and Seung Leul Kim, Chonnam National University, South Korea

Are “Obstinacy” and “Threat of Leaving the Bargaining Table” Wise Tactics in Negotiations?
Selcuk Ozyurt, Sabanci University, Turkey

Theory and Practice of International Environmental Negotiations
Helena Varkkey, University of Malaya, Malaysia and Euston Quah, Nanyang Technological University, Singapore

When Trust Fades... Can Optimal Mechanisms for Policy Decisions always be designed?
Ivan Major, Institute of Economics, H.A.S., Hungary

FINANCE I

Room: HSS SEMINAR ROOM 7

Chair: Vedat Akgiray

The Relationship between Stock Market Parameters and Interbank Lending Market: An Empirical Evidence

Magomet Yandiev, Moscow State University, Russia and Alexander Pakhalov, Moscow State University, Russia

Financing decision and Equity – Debt choice in Mergers and Acquisitions

Fatma Hamza, Université Lille 1, IAE de Lille, France and Jerome Maati, Université Lille 1, IAE de Lille, France

Preemption, Leverage, and Financing Constraints

Michi Nishihara, Osaka University, Japan and Takashi Shibata, Tokyo Metropolitan University, Japan

Determinants of Capital Structure in Omani Services Sector

Mawih Alani, Dhofar University, Oman and Maha Al Amri, Dhofar University, Oman

Birth of a New Emerging Debt Market, the Sukuk Market

Mohamed Ariff, Bond University, Australia and Meysam Safari, Segi University, Malaysia

Testing for Financing Constraints on Chinese Manufacturing Firms

Chanbora Ek, Nanyang Technological University, Singapore and Guiying Laura Wu, Nanyang Technological University, Singapore

FOREIGN DIRECT INVESTMENT

Room: HSS SEMINAR ROOM 9

Chair: Joel Deichmann

Chinese MNEs Generation Knowledge through FDI: A Patent and Citation Analysis

Philippe Gugler, University of Fribourg, Center for Competitiveness, Switzerland; Xavier Tinguely, Center for competitiveness, Switzerland; and Laura Vanoli, Center for competitiveness, Switzerland

Impact of Foreign Equity on Performance of Listed High-Tech Companies within and Outside Clusters in China

Tao Qu, Gungdong University of Finance and Economics, China; Hang Xiang, Guangdong University of Finance and Economics, China; and Xiao-hui Wu, Guangdong University of Finance and Economics, China

Foreign Direct Investment, Trade Openness and Economic Growth in China, India and Mexico

Anil Lal, Pittsburg State University, U.S.A.

Post-Socialist Capital Market: Why not the Feldstein-Horioka Puzzle?

Stepan Vinokurov, SPb State University of Economics, Russia and Medved Anna Alekseevna, Saint-Petersburg State University of Economics - S.-Petersburg, Russia

The Determinants of Geographical Location of FDI: Evidence from China

Ning Zhang, Xi'an Jiaotong-Liverpool University, China and Weixi Liu, Shanghai University of Finance and Economy, China

The Impacts of Inward and Outward FDI on Income Inequality in Turkey and Selected Turkic Republics

Hasret Balcioglu, Cyprus International University, North Cyprus

COFFEE BREAK: 16:00 - 16:10

SESSION IV: 16:10 - 18:10

RISK MANAGEMENT

Room: HSS SEMINAR ROOM 3

Chair: Cenk Karahan

Credit Risk Model with Optimal Switching

Haejun Jeon, Osaka University, Japan

Skewness and Kurtosis Ratio Tests: With Applications to a Study of Multiperiod Tail Risk

Woon Kong Wong, Cardiff University, United Kingdom

Enterprise Risk Management: Enhancing Firm Value?

Jake Ansell, University of Edinburgh, United Kingdom and Juthamon Sithipolvanichgul, University of Edinburgh, United Kingdom

Point-First Degree Stochastic Dominance Changes and Their Properties

Suyeol Ryu, Andong National University, South Korea; Iltae Kim, Chonnam National University, South Korea; Soo-Jong Kim, The Board of Audit and Inspection of Korea, South Korea; and Jihye Choi, Chonnam National University, South Korea

Sovereign Debt Structure: Evidence on Seniority Status and Impact on Default Likelihood

Nandita Y., Management Development Institute, India; Pratap Biswal, Management Development Institute, India; and Sajal Ghosh, Management Development Institute, India

Towards Enhancing the Credibility of Data Envelopment Analysis (DEA) Results

Rubayah Yakob, National University of Malaysia, Malaysia; Zulkornain Yusop, University Putra Malaysia, Malaysia; Alias Radam, University Putra Malaysia, Malaysia; and Noriszura Ismail, National University of Malaysia, Malaysia

INTERNATIONAL TRADE

Room: HSS SEMINAR ROOM 4

Chair: Mehmet Huseyin Bilgin

The Impact of Chinese Import Penetration on Danish Firms and Workers

Damoun Ashournia, University of Copenhagen, Denmark; Jakob Roland Munch, University of Copenhagen, Denmark; and Daniel Nguyen, University of Copenhagen, Denmark

Challenges and the Future Direction of the Shanghai Cooperation Organization

Stephen John Grainger, Edith Cowan University, Australia

Strategic Privatization with Tariffs and Emission Taxes in an International Mixed Duopoly

Sang-Ho Lee, Chonnam National University, South Korea and Lili Xu, Chonnam National University, South Korea

Protection of Human Health in International Trade

Kiyoun Sohn, Incheon National University, South Korea

The Economic Relations of the EurAsEC Countries with the European Union

Katarzyna Czerewacz-Filipowicz, Bialystok University of Technology, Poland

English Law and an Implied Duty of Duty of Good Faith in Pre-Contractual Negotiations: Whether Antithesis to Freedom of Negotiations?

Richa Saxena, O.P. Jindal Global University, India

POLITICAL ECONOMY

Room: HSS SEMINAR ROOM 7

Chair: Selcuk Ozyurt

The Internationalization of Malaysian Firms into Vietnam: Entry Modes and Chinese Networks
Guanie Lim, National University of Singapore, Singapore

Local Sources of China's Financial Opening: the Case of Renminbi Internationalization
Vic Li, Hong Kong Institute of Education, Hong Kong

Turkey's Relations with the Central Asian Countries may become an Alternative to the European Union?
Sadik Ridvan Karluk, Anadolu University, Turkey

Still the Convergence Machine? Why is Convergence so Slow in the EU?
Ton Notermans, Tallinn University of Technology, Estonia

A Liberal Developmental State in Georgia? The Singaporean Model in the Post-communist Region
Christian Timm, PFH Private University Goettingen, Germany

LABOR ECONOMICS II

Room: HSS SEMINAR ROOM 9

Chair: Thomas Lange

The Impact of AEC to Thai Labor Market
Autsawin Suttiwichienchot, Chulalongkorn University, Thailand

Wage Differentials and Determinants in the Haitian Labor Market
Anthony J. DeMattee, Northwestern University, U.S.A. and Roberts Waddle, Universidad Carlos III de Madrid, Spain

Estimation of the Pace and Rate of Emigration Using SETAR Models: Econometric Analysis Based on Data from Poland
Ewa Oziewicz, University of Gdansk, Poland; Piotr Zientara, University of Gdansk, Poland; and Lech Kujawski, University of Gdansk, Poland

Women Participation in Oyster Production in the Philippines
Nova Arquillano, Pangasinan State University-Lingayen Campus, Philippines

Constrained Search and its Effect in Frictional Labor and Marriage Markets
Roberto Bonilla, Newcastle University, United Kingdom and Francis Kiraly, Newcastle University, United Kingdom

SATURDAY, JAN 11 (DAY 3)

REGISTRATION: 08:15 - 14:00

SESSION I: 08:30 - 10:30

FINANCE II

Room: HSS SEMINAR ROOM 3

Chair: Woon Kong Wong

The Strange Puzzle of the Pattern of Russian Corporate Dividend Policy during its Formative Era
Nadia Vanteeva, I-Shou University, Taiwan

A Gravity Approach to Determining Drivers of Islamic Cross-Border Acquisitions
Alaoishe Luskin, Dublin City University, Ireland and Michael Dowling, Dublin City University, Ireland

The Effect of Foreign Investors on Market Information Efficiency in the Korean Equity Market
Jangkoo Kang, KAIST, South Korea; Kyungyoon Kwon, KAIST, South Korea and Hyoung-jin Park, Seoul Women's University, South Korea

Long-run Performance of U.S. Seasoned Equity Offerings after the Year 1995
Chanyoung Eom, Hanyang University Business School, South Korea

Cash Holdings, Corporate Governance and Acquirer Returns
Seoungpil Ahn, Sogang University, South Korea and Jaiho Chung, Korea University, South Korea

BANKING

Room: HSS SEMINAR ROOM 4

Chair: Gregory William Whitten

Loan Loss Provisioning In Banking Sectors Of Central Europe: Do Local Banks Really Behave In A Procyclical Way?

Jan Frait, The University of Finance and Administration Prague, Czech Republic; and Zlatuse Komarkova, Czech National Bank, Czech Republic

Contingent Capital: The Case of COERCs

George Pennacchi, University of Illinois at Urbana-Champaign, U.S.A.; Theo Vermaelen, INSEAD, France; and Christian Wolff, University of Luxembourg, Luxembourg

An Empirical Analysis of Excess Interbank Liquidity: A Case Study of Pakistan

Muhammad Omer, University of Groningen, Netherlands; Jakob de Haan, De Nederlandsche Bank, Netherlands; and Bert Scholtens, University of Saint Andrews, United Kingdom

Scale of Operation

Trong Vi Ngo, Banking University HCMC, Vietnam and Andrew Mullineux, Bournemouth University, United Kingdom

Measurement of the Economic Efficiency of Bank Branches by Means of Stochastic Frontier Functions
Jacek Barbuski, Cracow University of Economics, Poland

MANAGEMENT III

Room: HSS SEMINAR ROOM 7

Chair: Wei-Wen Chang

Study of Motivation in Kazakhstani Companies

Elmira Ibrayeva, Kazakh American University, Kazakhstan

The Effect of Job Security on Organizational Commitment on Private Universities (Field Study)
Ahmad Saleh Al Hazaymeh, Jerash University, Jordan

Trends of Research Methodologies Published in Indonesian National Journals, 2002 – 2009
Ahmad Seiichi Ramadhan, BINUS University International, Indonesia and Tatum Adiningrum, Binus University International, Indonesia

The Role of Emotional Intelligence, Emotional Labor Acting and Emotional Exhaustion among Bank Frontline Employees
Netania Emilisa, Trisakti University, Indonesia; and Ardadi Widyananda, Trisakti University, Indonesia

Features of Analysis of Investment Projects Efficiency in Imperfect Markets
Daniil Demidenko, St.Petersburg State Politechnical University, Russia; and Ekaterina Malevskaya-Malevic, St.Petersburg State Politechnical University, Russia

Concentration and Performance of Cement Industry in Indonesia
Harunnurasyid, Sriwijaya University, Indonesia; Maya Marcelina, Sriwijaya University, Indonesia; and Taufiq Marwa, Sriwijaya University, Indonesia

COFFEE BREAK: 10:30 - 10:40

SESSION II: 10:40 - 12:40

EMPIRICAL STUDIES ON EMERGING ECONOMIES

Room: HSS SEMINAR ROOM 3
Chair: Jan Podivinsky

Balancing Act: Adjustment of China's Economy to Secure Sustainable Growth
Yutian Shi, Jilin University of Finance and Economics, China; John Hicks, Charles Sturt University, Australia; Parikshit Basu, Charles Sturt University, Australia; Kishor Sharma, Charles Sturt University, Australia; Yapa Bandara, Charles Sturt University, Australia; and Tom Murphy, Charles Sturt University, Australia

Is there Jobless Recovery Phenomenon for Emerging Markets?
Selcuk Koc, Kocaeli University, Turkey

Does Credit Expansion 'Cause' Current Account Deficits? Evidence from Turkey
Aylin Soydan, Okan University, Turkey

Sustainability of Budget Deficits: The Case for Turkey
Isa Gunes, Kocaeli University, Turkey

The Effects of Macroeconomic Variables on the Household Debt in Korea
Seokchin Kim, Kyungpook National University, South Korea; Iljin Yu, Kyungpook National University, South Korea; and Jeongdae Yim, Kyungpook National University, South Korea

The Impact of Macroeconomic Factors on the REIT Index Return in Japan, Singapore and China
Hao Fang, Hwa Hsia Institute of Technology, Taiwan; Yen Hsien Lee, Chung Yuan Christian University, Taiwan; and Wei-Hao Chen, Chung Yuan Christian University, Taiwan

MARKETING II

Room: HSS SEMINAR ROOM 4

Chair: Philip A. Barbonis

University Social Responsibility and Brand Image of Private Universities in Bangkok

Jirawan Plungpongpan, Chandrakasem Rajabhat University, Thailand; Leela Tiangsoongern, Dhurakij Pundit University International College, Thailand; and Mark Speece, American University of Kuwait, Kuwait

Cultural Impact on the New Product Development Process: Extracting Principles from Examining the Thai Food Processing Industry

Mark Speece, American University of Kuwait, Kuwait

Consequences of Customer Voice: Perspective Organizations and Customers

Kurniawati Chrisjatmiko, Trisakti University, Indonesia

Analysis of Influencing Factors of GCs' Behavior Based on Stepwise Regression

Mingyue Fan, Jiangsu University, China; Wang Laiqing, Statistic Bureau of Zhenjiang, China; and Zha Mengna, Jiangsu University, China

HUMAN RESOURCES II

Room: HSS SEMINAR ROOM 7

Chair: Emilie Rutledge

Job Satisfaction and the Quality of the Social Fabric: Europe during the Economic Downturn

Thomas Lange, Middlesex University Business School, United Kingdom

Human Resources Effectiveness in the Russian Banking Industry

Elena Prosvirkina, Higher School of Economics, Russia

The Relationship of Flextime with Work-Family Conflict and Job Satisfaction – Mediating Effect of Perceived Organizational Support

Melien Wu, National Chiayi University, Taiwan and Hanyu Chuang, National Chiayi University, Taiwan

The Storage of Paddy of Farmer in the Northeastern of Thailand

Thitiwan Sricharoen, Khon Kaen University, Thailand

Use of Contingent Labor and Organizational Outcome: Ambivalence of Clear Benefits and Hidden Costs

Soon-Sik Kwon, Changwon National University, South Korea

The Impact of the Decline of Births from Immigrant Women in the Plummeting Birth Rates in Greece during Economic Recession (2008-2012)

Maria Vlachadi, University of Crete, Greece and Nikolaos Vlachadis, Second Department of Obstetrics and Gynaecology, National and Kapodistrian University of Athens, Aretaieio Hospital, Athens, Greece

ACCOUNTING & AUDIT II

Room: HSS SEMINAR ROOM 9

Chair: Ashraf Khallaf

Debt Financing and Voluntary Adoption of IFRS: Evidence from Korean Private Firms

Woon Oh Jung, Seoul National University, South Korea; Sung Ook Park, Kyung Hee University, South Korea; and Hee Sun Chung, Seoul National University, South Korea

The Effect of Intangible Investment on Firm-specific Earnings

Hyuna Kim, Kyungpook National University, South Korea and Sun-Young Park, Kyungpook National University, South Korea

Mandatory Changes in Financial Reporting and Market Efficiency in Emerging Markets (Empirical Evidence from Malaysia)

Bee Wah (Grace) Ooi, The University of Auckland, New Zealand

Understanding the Role of Deployment Information and Communication Technology (ICT) in the Taxation Systems in Jordan

Ibraheem N.M. Jodeh, Zarqa University, Jordan

The Advantages of Implementing the Accrual based Accounting in the Royal Commission Accounting System

Abdulrahman Dakhel Bin Talal, Royal Commission at Yanbu, Saudi Arabia

LUNCH: 12:40 - 13:20

KEYNOTE SPEAKER: 13:20 - 13:50

Room: HSS Auditorium

Eternal Coase and External Costs: Correcting a misinterpretation important for environmental protection

Yew-Kwang Ng, Nanyang Technological University, Singapore

SESSION III: 14:00 - 16:00

INVESTMENT II

Room: HSS SEMINAR ROOM 3

Chair: Konstantinos Gavriilidis

Regime Dependent Determinants of China's Sovereign CDS Spread

Zongxin Qian, Renmin University of China, China and Qian Luo, General Research Institute for Nonferrous Metals, China

Macro Factors in Emerging Markets Local Currency Bond Risk Premia

Vedat Akgiray, Bogazici University, Turkey; Sayad Reteos Baronyan, Ozyegin University, Turkey; Emrah Sener, Ozyegin University, Turkey; and Osman Yilmaz, HSBC Asset Management, Turkey

Redefining Short-Sales Constraints

Daniel Dupuis, Concordia University, Canada and Lawrence Kryzanowski, Concordia University, Canada

The Impact of Institutional Trading on Seasoned Equity Offerings

Meihua Liao, Asia University, Taiwan and Li-Wen Chen, Asia University, Taiwan

The Hedge Ration and Hedge Performance of Mini Gold Futures

Seokchin Kim, Kyungpook National University, South Korea; Youngjun Yun, Kyungpook National University, South Korea; and Cheolho Park, Kyungpook National University, South Korea

The Turkish Term Structure of Interest Rates: Long-run Relationship with Parameter Instability

Mehmet Cagri Gozen, Kocaeli University, Turkey and Tezcan Abasiz, Kocaeli University, Turkey

EDUCATION & HUMAN RESOURCE MANAGEMENT

Room: HSS SEMINAR ROOM 4

Chair: Melien Wu

Does Financial Literacy Promote Economic Growth?

Yutaka Kurihara, Aichi University, Japan

Measuring and Evaluating the Flow of Funds to Primary Education in a Less Developed Region in India: Developing System of Education Accounts

Sailabala Debi, KIIT University, India

Towards the Success of Cyber University in South Korea

Hee-Woong Kim, Yonsei University, South Korea; Seungjun Yang, Yonsei University, South Korea and So-Hyun Lee, Yonsei University, South Korea

Paradox of Diversity Training in Business Organizations

Wei-Wen Chang, Taiwan Normal University, Taiwan

Parental Influence on Female Vocational Decisions in the Arabian Gulf

Emilie Rutledge, United Arab Emirates University, U.A.E.

Racism Xenophobia: Research Field, City of Rethymno, Crete

Maria Vlachadi, University of Crete, Greece and Mirtollari Angela, University of Crete, Greece

SMALL AND MEDIUM-SIZED ENTERPRISES

Room: HSS SEMINAR ROOM 7

Chair: Stephen Grainger

Integrated Operation of Agencies for Sustainably Strengthening Community Enterprises in Thailand

Jamnian Bunmark, Maejo University, Thailand

Some Recommendations on Trade Secrets to become Collateral for MSMEs in Indonesia

Irawaty Irawaty, University of Canberra, Australia

Financial, Human, and Social Capital: What Matters more for Women's Microenterprises? A Case Study of Indonesia

Adwin Surja Atmadja, Griffith University, Australia; Jen Je Su, Griffith University, Australia; and Parmendra Sharma, Griffith University, Australia

SME's Clusters Competitive Effects; Sector Analysis of Marble in Afyonkarahisar Turkey

Nihat Onur Asikoglu, Afyon Kocatepe University, Turkey and Belkis Ozkara, Afyon Kocatepe University, Turkey

Strategic Business Process Management

Caner Cebeci, Meliksah University, Turkey

FINANCE III

Room: HSS SEMINAR ROOM 9

Chair: Irwan Trinugroho

Implementation Challenges of Managerial Accounting and Risk Management in Enterprises (Practice of Kazakhstan)

Alma Damerovna Bazarbekova, Kazakh Economic University Named after T. Ryskulov, Kazakhstan and Timur Bazarbekov, Kazakh Economic University Named after T. Ryskulov, Kazakhstan

Political Connections and Market Power: Some Empirical Evidence

Irwan Trinugroho, Universitas Sebelas Maret, Indonesia; Sinto Sunaryo, Universitas Sebelas Maret, Indonesia; and Atmadji, Universitas Sebelas Maret, Indonesia

Impact of Capital Structure on Manufacturing Industry Performance: A Case Study of Turkish Manufacturing Industrial Companies

Famil Samiloglu, Aksaray University, Turkey and Hasim Bagci, Aksaray University, Turkey

Underwriter's Attributes, Management Earnings Forecasts and Malaysian IPO Underpricing

Mohammed Abdullah Ezzi Ammer, University Utara Malaysia, Malaysia and Nurwati A. Ahmad-Zaluki, Universiti Utara Malaysia, Malaysia

Local Home Bias or Foreigners Information Choice? Some Evidence from A-H Shares Price Discovery

William Cheung, University of Macau, Macao

Credit Risk Factors during the Asian and Global Financial Crises

Hsiu-Yun Chang, Aletheia University, Taiwan

A Study on the Difference in Strategy of Favoritism between Domestic and Foreign Fund Companies

Feng-Huei Chang¹ and Yeong-Jia Goo²

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Abstract

By using the monthly data and stock-holding data of the open-end domestic equity funds and balanced funds from Jan. 2001 to June 2013 as the basis for the research, this study aims to explore the question of whether or not there is a so-called corporate level strategy amongst mutual fund companies, which drives them to maximize the interest of the company at the expense of their fiduciary duties to their stakeholders (fund investors). The results show that there is a significant difference between the performances of high-value and low-value funds within the same fund companies when the high- and low-value funds are classified by their past performances. In addition, the difference significantly differs between domestic and foreign fund companies, with a gap of approximately 0.8%. In other words, domestic fund companies seem to operate the strategy of favoritism, which favors the past high-performing funds than the past worse-performing funds.

JEL Classification: G23; G34

Keywords: mutual fund, fund family, favoritism strategy, cross-subsidy strategy, corporate-level strategy, corporate governance

I. Introduction

Since the government's policy of opening the capital market in 1992 and allowing the opening of new securities investment and trust companies (SITCs), the mutual-fund industry has undergone rapid development. Mutual funds also have a number of financial advantages, such as investment diversification, higher quality of research data, high liquidity, and diversified product selection, thus making them one of the most-favored asset-allocation financial tools of many investors.

In Europe, mutual funds originated in England during the mid-19th century, then spread to the United States in the early 20th century, where they gained great popularity and underwent significant development. Today, U.S. mutual funds hold the world's largest volume of assets under management (AUM) and have the most complex management system. In addition, in terms of pensions, according to statistics on 401(k)s and individual retirement accounts (IRAs), mutual funds account for up to half of total assets, and the importance of mutual funds is expected to continue to grow in the future.

However, the U.S. fund industry has experienced unprecedented shocks in recent years. Since 2003, a number of asset-management companies have been found to be allowing certain customers to conduct short-term trading for profit gaining and engaging in illegal after-hour trading, to the detriment other investors. In 2004, the U.S. Securities and Exchange Commission (SEC) prosecuted or investigated at least 25 mutual fund companies, and consequently many of the top executives were forced to step down, and the amount in fines totaled over USD3 billion. These incidents highlighted the importance of mutual funds' information disclosure and governance. In 2007, the topic of the ICI Fund's annual meeting was "Enduring Value for Investors," during which issues such as investor protection, information disclosure, product application, and industry value were included among the main topics for discussion.

Just as industry, government, and academic scholars in the U.S. were getting together to discuss the establishment of regulations and system reforms in the asset-management industry, illegal activities among SITCs in Taiwan have recently erupted. For the past twenty years, in fact, incidents in which fund managers have used dummy accounts to manipulate share prices have occurred from time to time. In November 2012, a fund manager was suspected of abnormal trading of Ablrex stock, which led to substantial losses of government-owned funds. The Financial Supervisory Commission (FSC) ordered an all-out financial examination of related SITCs to investigate whether the fund manager was illegally buying the same stocks as the fund he was managing. Fortunately, the investigation did not uncover any "profiteering" by the fund manager, and the interests of the fund under his management were not compromised.

As of the end of November 2012, the size of the Labor Insurance Fund for Taiwan's four major funds was about NTD530 billion, while the size of the Labor Pension Fund was about NTD1.44 trillion, the Public Service Pension Fund about NTD490 billion, and post office savings about NTD100 billion. The total scale of the four major funds now amounts to roughly NTD2.6 trillion. Although only small portion is commissioned to external investment companies, the amount still totals several billion NT dollars, making it very easy for rogue traders to artificially inflate the prices of small-cap shares and then dump them to gain profits. Because the proportion is low, it goes unnoticed, but when accumulated, the losses become quite significant. Last year, the Labor Insurance Fund, Labor Pension Fund, and the Public Service Pension Fund incurred aggregate losses totaling close to NTD90 billion, which indicates that commissioned investment companies should be subject to more stringent supervision. From the public's standpoint, in managing funds on behalf of the people, steady returns should be the primary consideration and management goal. In addition, the investment and management of the Labor Insurance Fund and the Public Service Pension Fund concern the security and retirement protection of civilian workers and civil servants alike. Management and utilization of the three major funds, whether they are directly invested in

mutual-fund beneficiary certificates or are managed by commissioned domestic or international asset management companies (in the future, the retirement savings of private school teachers and employees will also be invested in approved local and offshore mutual funds), self-discipline and appropriate regulations in the securities investment and trust industry not only is beneficial to the development of the asset-management industry but also helps achieve a win-win-win situation for the labor insurance and retirement plan participants, the financial services industry, and the nation's financial condition.

In the past, the academic literature regarding the financial strategies of mutual-fund companies has been mainly focused on managers' behavior, such as fund managers' herding behavior and window dressing. In recent years, foreign literature has gradually focused on studying the corporate-level strategies of fund families (Massa, 1998; Khorana & Servaes, 1999; Nanda et al., 2004; Guedj & Papastaikoudi, 2004; Gaspar, Massa & Matos, 2006; Evans, 2010). For many investors who are either too busy to deal with or are unfamiliar with financial management, fund companies have become the value provider of professional asset-management services. However, fund companies may distort the decisions or motives of the fund manager. One reason is that the managers are employed by the fund companies, so they work for the fund companies and not for the fund beneficiaries, which may cause a conflict of interest between managers and investors. Another reason is that the fund companies' profits come from fees or a certain percentage of the assets under management. Therefore, aside from the possibility of fund managers taking certain actions based on self-interest, fund companies may also want to maximize their total AUM by implementing certain corporate-level strategies to direct the activities of individual funds under management. Lowenstein (2008) argued that there is a profound conflict of interest built into the fund industry's structure because the management companies are independently owned and are separate from the funds themselves. The managers profit by maximizing the funds under management because their fees are based on assets, not performance. Therefore, in addition to the expectation that fund managers might be engaged in some behavior to benefit themselves, it is also possible that fund companies coordinate actions across funds under their control to actively pursue certain strategies in order to maximize their total management-fund assets (Lowenstein, 2008, p.2).

There are three main reasons why fund companies may implement corporate-level strategies. The first reason is that the fund company's profits come from a certain percentage (managers' rates) of the assets under management minus expenses, and therefore the size of the fund is directly related to the amount of revenue the fund company receives. The second reason is that funds that have better past performance attract more cash inflows from investors. Many foreign researchers, such as Brown, Harlow, and Starks (1996), Chevalier and Ellison (1997), and Sirri and Tufano (1998), have found that the relationship between the cash flow of U.S. mutual funds and the fund's past performance is a convex function type—i.e., funds with a better ranking attract much more new cash inflows than funds that are ranked behind. Third, Massa (2003) has pointed out that investors seem to choose a fund company first, then select the individual funds that they want from the many available from the fund company. Therefore, creating a "star fund" will have a positive spillover effect on the cash inflows of the company's other funds.

For these reasons, we may conclude the following four points. First, asset-management companies may set different expense rates on their funds so that individual funds will have different levels of contribution to the company as a whole. If the new capital flowing into the high-expense rate-funds increases or capital from low-expense-rate funds goes into funds with higher expense rates, then the overall profitability of the fund companies will go up. Second, fund companies may allow their funds to cross-subsidize each other to create superior performance of a particular fund and thereby increase the company's overall revenue by attracting more cash inflows from investors and expanding the scale of its AUM. Third, fund companies may also take advantage of the spillover effect and allocate more IPO shares or small- and medium-cap stocks to a particular fund so that its

performance is better than the company's other funds and is able to attract more cash inflows. Fourth, as in the recent “Ablerex” case, fund companies may conduct reverse-trading transactions between their funds and thus compromise the interest of investors of some of their funds.

Huang (2010), a former fund manager, has stated that the goal to be achieved by a fund manager is the “relative performance” rather than “absolute performance” of a fund. “The better the performance of a fund relative to its peer funds, the more management fees the fund is likely to obtain. The first priority for a fund manager is to preserve his or her job and salary, the second is to increase the fund company’s profits by maximizing fund assets, and the third is to raise the fund performance to benefit fund investors” (Huang, 2010, p. 76). Dr. Wen-Yu Wang, a professor at National Taiwan University, argued that in addition to the high level of competition from offshore funds, the main reason for the recent slow growth of the Taiwan fund market is the lack of trust between fund investors and fund-management companies (Wang, 2006).

Fund investors are an important interested party of fund companies, but if fund companies do not fulfill the responsibilities of a prudent administrator and instead put corporate profits or the best interests of the fund managers as the first priority—i.e., by ignoring the business ethics of treating all investors fairly—then the so-called “professional investing” under the trust structure becomes useless, and the investing members of the public who have placed their trust in professionals become the victims.

Based on the above research background, this study aims to test whether fund companies perform corporate-level strategies to pursue the best interests of the company as their primary goal and thereby treat their investors unfairly. The following two questions are examined:

- (1) Is there a difference in *corporate-level favoritism strategies* between foreign fund companies and domestic fund companies? Since domestic foreign-capital fund companies and local fund companies participate in the bidding for management of the four major funds, and since the investment portfolios of the various retirement investment plans are mainly domestic and offshore mutual funds that have already been approved, this research is designed to explore whether there is a difference in *favoritism strategies* between foreign fund companies and domestic fund companies.
- (2) Do fund companies execute opposite trading among their member funds to maximize firm value at the expense of fund investors? Is there any difference in strategic opposite trade between domestic and foreign fund companies?

The recent fund scandals in the United States have provided a warning for us. Is it possible that we will engage in the same kind of misconduct as the U.S. fund companies? This is theoretically possible because our fund business model in many ways is similar to that of the U.S. For instance, fund management companies charge management fees based on assets under management, so the performance of the fund does not necessarily have to be directly related with the fund managers' compensation. Therefore, we should conduct self-examination based on the recent problems revealed in the U.S. fund industry. The management of mutual funds and the value of the asset-management industry are built on customers' trust in the fund companies, and because many investors invest in mutual funds as a financial planning tool for their retirement preparation, it is imperative that investors are protected and that industry practitioners are held to the highest ethical standards.

Under the premise of combining both theory and practice, this research conducts an empirical study of the domestic asset-management industry in order to make up for the deficiencies in the current academic literature.

II. Literature Review

The scope of the academic literature with respect to this study can be divided into three parts: the studies of the relationship between fund performance and fund flow, the fund spillover effect, and fund corporate-level strategy.

(1) Studies of the relationship between fund performance and fund flow

Previous research has found that mutual-fund investors respond asymmetrically to past fund performance (Ippolito, 1992; Gruber, 1996; Chevalier & Ellison, 1997; Sirri & Tufano, 1998), with the relationship between inflows and past performance being convex. These studies found that past fund performance is the decisive factor for investor funding flow and that fund investors flock into a recently high-performing fund but fail to flee from past losers. Alternatively, Sirri and Tufano (1998) suggested that a marketing strategy of the fund complex that spotlights past fund performance may explain why investors disproportionately buy the winners.

The asymmetric relationship implies that the market rewards high-performing funds but does not discipline poor performers as much. Chevalier and Ellison (1997) used a semi-parametric model to estimate the shape of the flow-performance relationship for a sample of growth funds and growth and income funds over the 1982–92 period, and they found that the flow-performance relationship generally has a convex shape and that the estimated expected flows for the old funds are clearly less sensitive than the young funds.

Some scholars have examined why some investors stay with funds that consistently perform poorly. Goetzmann and Peles (1997) have presented evidence from questionnaire responses of mutual-fund investors about recollections of past performance. They find that both a cognitive dissonance and a strong endowment effect can explain why fund investors chase good past-performing funds but stay with funds that consistently perform poorly. Del Guercio and Tkac (2002) compared the relations between asset flow and performance in the retail mutual fund and fiduciary pension fund segments of the money-management industry, and they found a significant positive relation between mutual-fund manager flow and Jensen's alpha. However, mutual-fund manager flow has a strong relation with unadjusted raw-return performance compared with pension-fund investors. Their results were consistent with previous research in showing that mutual fund flow-performance is highly convex, implying that mutual fund investors disproportionately flock to recent winners but do not withdraw assets from recent losers.

Kempf and Ruenzi (2008) have indicated that fund inflows depend not only on the relative position of a fund in its market segment but also on the relative position of a fund in its company. In addition, when a fund reaches a top position within a company it leads to large inflows, with the effect being much stronger in large families than in small families. Inflows significantly increase if a fund moves into the top positions within its company from one year to another.

Related studies on non-U.S. markets are relatively few. However, the empirical findings have been broadly similar to U.S. results. Benson, Tang, and Tuticci (2008) have found some evidence in Australian open-end equity funds that the top-performing funds within a family receive greater flows. Rajeeva and Vijay (2007) also found that Canadian investors neither chase winners nor hang on to losing funds. While investors do allocate funds based on past performance, the allocations do not disproportionately favor star funds, and poor performers experience significant fund withdrawals.

Shu, Yeh, and Yamada (2002) investigated the behavior of Taiwan mutual-fund investors in terms of fund performance and fund flows. They found that investors tend to purchase past good performers but do not redeem funds with prior bad performing funds, which is consistent with the asymmetric performance-flow relation in the previous literature. In addition, small-amount investors of large funds tend to chase past winners and redeem shares once fund performance improves.

(2) Studies of the fund spillover effect

Nanda et al. (2004) found that fund flows were affected not only by the fund performance itself but also by the fund performance of other funds among the same fund family. The amount of cash inflow created by a stellar fund is far from what we expected, while the inferior funds do not cause the cash outflow of other funds within the same fund family. Khorana and Servaes (2005) also had consistent findings that the existence of a stellar fund is positively related to the market share of the fund company. Zhao (2004) showed evidence that fund closing decisions are more likely to be motivated by spillover effects—by closing a star fund, the fund family signals its superior performance and also brings investors' attention and investments to other funds in the family.

Some studies find evidence that fund companies use marketing strategies as the way to gain new cash inflows. Jain and Wu (2000) find that the funds advertised in *Barron's* and *Money* magazines absorb an apparently huge amount of cash inflows compared with other funds, even if these funds do not have superior fund performance. Sirri and Tufano (1998) found evidence that funds with high marketing fees attract more cash inflows than those with low marketing fees, and Barber et al. (2005) also found that the size of a fund's marketing fee is positively related to the subsequent cash inflows, especially when the fee is too small for investors to readily become aware of it.

Gallaher et al. (2006) show that fund families with higher levels of advertisement fees obtain more cash inflows. Khorana and Servaes (2005) found a positive relationship between the amount of advertisement fees and a fund company's market share for the smaller-sized fund companies. Huij and Verbeek (2007) also found evidence that high marketing fees generate spillover effects to the funds with low marketing fees within the same fund family.

The above literature review can be concluded as follows. First, most of the foreign studies report that fund flows are related to prior fund performance. Fund investors tend to chase past winners because they can get the related fund-performance information easily. Second, related studies of Taiwan funds also support a positive fund performance-flow relationship and spillover effect, which provide the motivation for fund companies to conduct corporate-level strategies in order to increase the overall profits and cash inflows.

(3) Studies of fund family level strategy or behavior

A vast literature has investigated individual fund managers' strategies, such as herding in portfolio holdings, commonality in trading behavior across funds (Grinblatt, Titman, & Wermers, 1995; Chevalier & Ellison, 1999; Hong, Kubik, & Stein, 2003), and marking-up or window-dressing of disclosed portfolios by fund managers (Carhart et al., 2002; Lakonishok et al., 1991). However, few studies have reported on fund family level strategies.

Massa (1998) provided a model that explains what determines the decision to set up new funds within existing categories (*fund proliferation*) and to enter new categories (*category proliferation*) in the mutual fund industry. The author showed (1) that these phenomena could be interpreted as marketing strategies used by the managing companies to exploit investors' heterogeneity, and (2) that having a star fund provides a positive spillover effect to all of the funds belonging to the same family. He also identified three competing factors affecting the management of companies' choices between fund and category proliferation: signaling externality, risk-hedging externality, and learning-by-doing externality.

Massa (2003) investigated how industry structure affects mutual-fund behavior and showed that fund families actively exploit heterogeneity among funds. The author argued that the more families are able to differentiate themselves in terms of non-performance-related characteristics, the less need they have to compete in terms of performance. It was also shown that product differentiation affects

performance and fund proliferation; in particular, the degree of product differentiation negatively affects performance and positively affects fund proliferation.

Khorana and Servaes (1999) investigated the determinants of mutual-fund initiations and found that fund initiations are positively related to (1) the level of assets invested in and the capital gains embedded in other funds with the same objective, (2) the fund family's prior performance, (3) the fraction of funds in the family in the low range of fees, and (4) the decision by large families to open similar funds in the prior year. The authors' results also showed that families that have more experience in opening funds in the past are more likely to open new funds.

Nanda et al. (2004) examined whether fund families seek to generate star funds by increasing the cross-fund return variance or the number of funds in the family. They showed that star performance results in greater cash inflow to the fund and to other funds within the same family. In addition, families with higher variation in investment strategies across funds were shown to be more likely not only to generate star performance but also to significantly under-perform low-variation families. Investors, meanwhile, do not seem to benefit from such strategies in terms of subsequent period returns.

Guedj and Papastaikoudi (2004) argued that performance persistence is more prevalent within big fund families. From a sample of funds belonging to large families, they found that last year's best-performing funds outperform last year's worst-performing funds by 58 basis points and that there exists persistence of performance of these funds inside their respective families. In addition, they show that the better-performing funds in a family have a higher probability of getting more managers, one of the main resources available. The result is consistent with the view that fund families allocate resources in proportion to fund performance rather than fund needs.

Gaspar et al. (2006) showed that fund families actively pursue a direct family strategy of enhancing the performance of high-value funds, which are more likely to increase overall family profits, at the expense of other, lower-value funds. The empirical results also showed a positive relationship between both favoritism and preferential treatment of allocating underpriced IPO deals on the one hand and the number of opposite-sign trades among funds belonging to the same fund families on the other.

Huij and Verbeek (2007) investigated the presence of spillover effects of marketing in mutual fund families, and they found that funds with high marketing expenses generate spillover effects and enhance cash inflows to family members with low marketing expenses. Their study results supported the subsidization hypothesis that funds with low marketing expenses are directly subsidized by family members with high marketing expenses. A family could pay for advertising and distribution activities of a certain fund through expenses allocated to other funds. The findings also suggested that at least part of the spillovers can be attributed to favoritism.

Ferris and Yan (2007) suggested that the boards of the namesake funds are ineffective and that agency conflict between shareholders and the fund is not mitigated by oversight provided by an insider-dominated board. They found that the average expense ratio of namesake funds was more than 20 basis points higher than those of other equity funds and that they simultaneously demonstrated greater drift in their investment category. These results suggested that the arguments for greater board independence and oversight by the SEC have a basis in fact.

Lin (2007) examined whether Taiwan fund companies pursue a coordinating strategy of enhancing the performance of current well-performing funds and young funds at the expense of poorly performing funds and old funds. The results showed that fund companies do not boost the performance of either young funds or prior well-performing funds at the cost of either old funds or prior bad-performing funds, respectively. The key reasons for this finding are the insignificant convex flow-performance relationship and the insignificant spillover effect in the Taiwan mutual-fund market.

Evans (2010) analyzed the family level determinants of fund-incubation decisions and found evidence that incubation is used by families to speciously enhance performance and thereby increase flows. The finding also showed that families that sell through a brokered channel and have less flow to their fund offerings in the same investment objective are more likely to incubate.

Goo and Chang (2010) investigated whether Taiwan fund companies actively pursue a strategy of enhancing the performance of high-fee funds and best-performing funds at the expense of low-fee funds and worst-performing funds. A significant return difference between high-value and low-value funds within the same fund families was found—a difference that favors the high-past-performing funds. The future incremental cash inflows from these high-value funds indicated that fund companies indeed benefit from the subsidized strategy.

The foregoing literature can be summarized as follows. First, several empirical studies on the U.S. mutual fund market have supported the view that there are various kinds of preferential treatment of the specific funds within the fund families (Nanda et al., 2004; Guedj & Papastaikoudi, 2004; Gaspar et al., 2006; Huij & Verbeek, 2007). These results showed that fund families actively exploit some corporate-level strategies in order to maximize their overall profits. Second, studies that have focused on the corporate-level strategy of the Taiwan fund industry are relatively rare and result in different findings to some extent. Thus, through the empirical analysis on the fund corporate-level strategy, this study expands on the related academic literature and provides reference information for the authorities, the fund industry and the public investors.

The rest contents of this research are arranged as follows. Section III describes the sampling data. Section IV builds up the examining models and the methodology for testing the company-level favoritism strategy. Section V analyzes the empirical results. Finally, Section VI contains the discussion and conclusions.

III. Data

The primary data sources consist of 194 open-end, domestic equity funds and balanced funds, and 38 fund companies, with up to 24,950 fund observations, dated for the period from January 2001 to June 2013. The fund data are originally classified into eight categories: (1) Common Equity Funds, (2) Medium-Small Capital Funds, (3) High-Tech Funds, (4) Value Stocks Funds, (5) Theme Funds, (6) Taiwanese Enterprise Funds, (7) Index Funds, and (8) OTC Equity Funds. The index funds were deleted from the fund sampling data as they do not provide much flexibility to the fund company in allocating its performances. Each fund contains monthly returns of the funds, the monthly total net assets under management and the annual fund characteristics (e.g., expense ratio and starting date of the fund).

All of the sampled data were collected by the Taiwan Economic Journal data bank (TEJ). In order to minimize the survivorship bias proposed by Brown et al. (1992), all of the funds available that existed during the sampling period are included in the data set, and only the funds with less than 6 months of monthly data were eliminated. The resulting base sample has a total of 187 equity funds (representing over 98% of the total net assets (TNA) of Taiwanese domestic equity funds and balanced funds), 31 fund companies, 9 fund categories, and approximately 24,056 fund-month observations over the sample period.

Table 1 shows the summary statistics of fund monthly data for the testing period from January 2001 to June 2013. The average fund in the sample period has monthly total net assets with a worth of NTD1,762 million, and is 14.64 years old. The average fund company has 4.07 funds managing monthly assets of NTD14,155 million and is 19.44 years old. Table 2 displays the percentage of the monthly observations for each fund category in the sample data and indicates that fund companies have high product concentrations in common stock funds (46.22%) and high-tech funds (17.74%).

Table 1: Descriptive Statistics of Data

This table shows descriptive statistics data of fund monthly data for the testing period from January 2001 to June 2013.

Variable	N	Mean	Std. Dev.	Minimum	Maximum
Monthly Return (%)	24,056	0.7372	7.2679	-27.7998	42.6048
TNA (NTD1,000)	24,056	1,762,762	2,004,917	22,681	22,522,201
Number of Fund	24,056	4.0663	2.7832	1	14.00
Age	24,056	14.6414	4.3206	0.9166	27.4166
Fund Company Age	24,056	19.4427	4.7183	2.3333	30.4166
Company TNA (NT\$1,000)	24,056	14,155,480	11,955,117	118,691	79,622,207

Table 2: The Percentage of Each Fund Category in the Sample Data

This table illustrates the percentage of monthly observations for each fund category for the test period from January 2001 to June 2013.

Fund Category	Frequency	Percentage	Cumulative Frequency	Cumulative Percentage
(1) Common stock funds	11,531	46.22	11,531	46.22
(2) Medium-small capital funds	2,779	11.14	14,310	57.35
(3) Taiwanese enterprise funds	879	3.52	15,189	60.88
(4) High-tech funds	4,427	17.74	19,616	78.62
(5) Theme funds	150	0.60	19,766	79.22
(6) Value stocks funds	878	3.52	20,644	82.74
(7) OTC equity funds	900	3.61	21,544	86.35
(8) Balanced funds-Common stocks	2,657	10.65	24,201	97.00
(9) Balanced funds-Value stocks	749	3.00	24,950	100.00

IV. Methodology

To implement our first test—whether or not there is any difference in corporate-level strategy of favoritism between foreign fund companies and domestic fund companies—we amend the testing model previously used by Gaspar et al. (2006) as the equation (1).

The Year-to-Date return is used as a fund performance measure. Following Brown et al. (1996) and Chevalier and Ellison (1997), we adopt a Year-to-Date return (the return of the fund since January of the current year), removing the funds with less than 6 months of return history. A fund's rudimentary return is used because influential fund listing providers such as Morningstar, and much of the financial press, usually report and rank fund performances in terms of Year-to-Date returns.

Tests are conducted by taking fund pairs composed of one high-value fund and one-low value fund from the same fund company. The “actual pair” and the “matched pair” were constructed by following the methodology of Gaspar et al. (2006). In our data sample, fund companies with only one fund were eliminated from our testing sample, hence the total number of funds, managed by a fund company, ranges from 2 to 11. A fund is classified as a high (low) value fund if the fund is above (below) the 75th (25th) percentile of the other member funds within the same company. In other words, a high (low) performing fund is a fund that is in the top (bottom) quartile of its member funds in terms of Year-to-Date return within the same fund company.

All of the actual and matched pairs are stacked into a column vector to test whether the actual pair and the matched pair net-return differences are significantly different. The multivariate regression model is as follows:

$$\begin{aligned}
 & Net_return_{i,t}^{High} - Net_return_{j,t}^{Low} \\
 &= \alpha_0 + \alpha_1(Same_company) + \alpha_2(Same_category) + \alpha_3FD \\
 &+ \alpha_4FD(Same_company) + controls \\
 &+ \varepsilon_{i,s,f,t}
 \end{aligned} \tag{1}$$

where

$Net_return_{i,t}^{High}$: the net-of-style performance at time t of a fund i that is a “high-value” fund

$Net_return_{j,t}^{Low}$: the net-of-style performance at time t of a fund j that is a “low-value” fund

Same_company: a dummy variable that takes the value of 1 if funds i and j are members of the same fund company (i.e., an “actual pair”) and the value of 0 otherwise (i.e., a “matched pair”)

Same_category: a dummy variable that takes the value of 1 if funds i and j belong to the same investment category

FD: a dummy variable that takes the value of 1 if funds i and j are members of the foreign fund company and the value 0 otherwise (i.e., the domestic fund company)

Controls: the control variables, which include the fund age, the total net asset of a single fund, the company’s age, and the company size (the sum of total net assets of domestic equity funds and balanced funds belonging to the same company).

It is hypothesized that the actual-pair net-return differences are significantly greater than those of matched pairs if a fund company has a strategy of favoritism on high-value funds at the expense of low-value funds. If this is the case, the α_1 coefficient is expected to be significantly positive. $FD(Same_company)$ is an interaction between the *FD* and the *Same_company* dummy variable. The α_4 coefficient is expected to be significantly negative if domestic fund companies are better at operating the corporate-level strategy of favoritism than foreign fund companies.

To investigate this second research question—whether the fund companies engage in opposite-sign trading among funds belonging to the same companies—we use the model that was employed by Gaspar et al. (2006), as follows:

$$\begin{aligned}
Net_return_{i,t}^{High} - Net_return_{j,t}^{Low} &= \beta_0 + \beta_1(Same_company) + \beta_2(Same_category) + \beta_3(Opposite_trades) \\
&+ \beta_4(Opposite_trades|Same_company) + controls \\
&+ \varepsilon_{i,s,f,t}
\end{aligned} \tag{2}$$

where Net_return^{high} , Net_return^{low} , and the dummy variables $Same_company$ and $same_category$ have been defined here above. $Opposite_trades$ refers to either of our two measures of opposite changes in holdings. The first measure, $opposite_trades_{SUM}$, is the sum, across both funds in the pair, of the dollar value of the securities for which we observe quarterly charges in the opposite direction in the number of any shares held. The second measure, $opposite_trades_{MIN}$, is the minimum, across both funds in the pair, of the dollar value of the changes in holdings for the securities for which we observe quarterly changes in the opposite direction. Both measures are normalized by the total portfolio value of the pair of funds. $(Opposite_trades | Same_company)$ is an interaction between the $Opposite_trades$ measure and the $Same_company$ dummy variable.

It is hypothesized that the existence of any opposite trades affects the net return differences differently between actual pairs and matched pairs. If such trades are a potential mechanism for cross-fund subsidy strategy, then they should enhance the wedge between those high value and low value net-of-style returns of two funds that are members of the same company. Therefore, we examine whether the coefficient β_4 is significantly positive in the equation (2).

V. Empirical Results

Table 3 compares the characteristics of the resulting high- and low-value funds based on its year-to-date return. The mean high-value funds yielded 12.95% per month in average since the start of the year, compared with a performance of -0.93% for low-value funds.

Table 3: Characteristics of High-Value and Low-Value Funds

This table compares the characteristics of the resulting high- and low- value funds based on its Year-to-Date Return.

	<u>Year-to-Date Return</u>		
	HighFunds	Low Funds	p-val.Diff.
Fund Return^a	1.6568	-0.3565	<.0001
TNA^b	1,803,643	1,648,766	<.0001
Year-to-date return	12.9495	-0.9333	<.0001

^aMonthly returns (%).

^bMonthly fund total net asset (NTD1,000).

(1) Strategic Favoritism within a Fund Company

a. Results of Regression Tests for Strategic Favoritism

Table 4 shows the results of the multi-variate regression analysis based on the criteria of Year-to-Date returns. The control variables (the undisplayed coefficients in the table) include the size

of the fund, the age of the fund, the age of the fund company, and the size of the fund company (the total management assets of domestic equity funds and balanced funds belonging to the same fund companies).

Table 4: Regression Tests of Strategy of Favoritism

This table shows the regression coefficient estimates of the equation (1) for strategic favoritism based on its year-to-date returns.

Variable	Based on Year-to-Date Return	
	Coeff.	t-Stat.
Intercept	0.4805**	2.13
Same_company	0.3207***	2.92
Same_category	-2.3141***	-40.16
FD	-1.4998***	-25.29
FD(Same_company)	-0.7948***	-2.85
FD(Same_category)	-0.2185*	-1.74
Controls	-	-
N	305,632	
R ²	0.0286	

Note: The symbols ***, **, and * denote the significance at 1%, 5%, and 10% levels, respectively.

The results of Table 4 show that the coefficient of the variable, *Same_company*, are positive and statistically significant when the fund performance is calculated based on the year-to-date returns, consistent with the results of Gaspar et al. (2006). This means that strategic favoritism within the company contributes to around 32 basis point (0.32%) of extra net-of-style performance for the funds valued highly in terms of year-to-date returns (with a t-statistic of 2.92 significant at the 1% level). This effect exceeds the pre-existing difference between high- and low-value funds given by the intercept term. The coefficient of the variable, *Same_category*, is significant but negative. Notice that the coefficient of FD results in a significant negative -1.4998. This means that the difference between high value and low value net-of-style returns of two funds decrease when these two funds are members of the same foreign company.

From the above regression analysis, we may estimate preliminarily that there is a significant difference between high- and low-value funds within the same company; that there is an apparent favoritism for high-value funds—i.e., for high past performing funds. Besides, the gap between high value and low value net-of-style returns is bigger in domestic fund companies than in any foreign fund companies. This means the strategic favoritism is more prevalent in domestic fund companies than in foreign companies.

b. Results of Regression Tests for each Fund Categories

In order to probe into the differences in strategic favoritism among different fund categories, we run regression tests for sub-samples for each fund category. The regression analysis based on each fund category is displayed in Table 5.

The regression tests yield mixed results as listed in Table 5. In the case of Common Stock Funds,

the coefficient of the *same_company* is positive but not significant, though we have significantly negative coefficient of *FD(Same_company)*. However, in the case of Balanced-Value Stock Funds, both of the coefficients of the intercept and the *same_company* are significantly positive, while the coefficient of the interaction term *FD(Same_category)* results in none value. We may preliminarily conjecture that there is some apparent strategy of favoritism for high past performing funds within the same fund companies; especially in the category of Balanced-Value Stock Funds, while we do not have enough supporting evidence to conclude whether the favoritism differs between the foreign and the domestic fund companies.

Table 5: Regression Results by Fund Categories for the Test of Favoritism Strategy

This table shows the regression coefficients for the strategy of favoritism for the criteria of year-to-date return for each fund category.

Variable	(1) Common Stock		(2) Medium-Small Cap		(3) Taiwanese Enterprise Fund		(4) High-Tech Fund	
	Coeff.	t-Stat.	Coeff.	t-Stat.	Coeff.	t-Stat.	Coeff.	t-Stat.
Intercept	0.9304***	2.74	8.0043***	10.87	-20.0285***	-15.57	-1.7940***	-3.24
Same_company	0.1875	1.18	-0.6585**	-2.03	-0.3734	-0.56	0.9393***	3.18
Same_category	-1.5922***	-22.69	-3.7201***	-13.48	0.9176	1.077	-3.6293***	-19.60
FD	-2.7721***	-27.22	-2.9751***	-17.14	3.5323***	9.78	-1.4544***	-12.1
FD(Same_company)	-1.203***	-2.73	0.2835	0.34	0.1302	0.07	-1.8679***	-3.17
FD(Same_category)	1.0314***	6.65	1.3677**	2.29	3.5660	1.49	-0.2145	-0.62
Controls	-	-	-	-	-	-	-	-
N	123,204		43,201		8590		59,379	
R ²	0.0316		0.0333		0.0925		0.0349	

Variable	(7) OTC Equity		(8) Balanced Fund _Common Stocks		(9) Balanced Fund _Value Stocks		(5) Theme Fund		(6) Value Stocks	
	Coeff.	t-Stat.	Coeff.	t-Stat.	Coeff.	t-Stat.	Coeff. (t-Stat.)	Coeff. (t-Stat.)	Coeff. (t-Stat.)	Coeff. (t-Stat.)
Intercept	-1.9228	-0.97	9.4956***	18.84	2.3441***	3.01	6.2302*** (3.01)	-4.2421*** (-3.52)		
Same_company	0.4316	0.56	0.3656	1.49	1.4295***	3.46	0.9286 (1.30)	-0.8424 *(-1.828)		
Same_category	-0.5515	-0.41	-5.3800***	-19.79	-7.2066***	-8.50	N.A.	0.1214 (0.2053)		
FD	2.2741***	5.87	-0.4468***	-3.41	-2.1674***	-6.64	N.A.	0.5867 (1.17)		
FD(Same_company)	1.3409	0.82	-1.4028**	-2.52	N.A.	-	N.A.	N.A.		
FD(Same_category)	-5.9154**	-2.32	2.6515***	4.72	-5.0608*	-1.75	N.A.	-5.9886 (-0.60)		
Controls	-	-	-	-	-	-	-	-		
N	12,738		32,132		12,278		3,241		10,869	
Adj-R ²	0.0131		0.0319		0.0399		0.0306		0.0256	

Note:

1. The symbols ***, **, and * denote the significance at 1%, 5%, and 10% levels, respectively.
2. The symbol N.A. denotes the absence of the variable.

(2) Strategic Opposite-Sign Trading within a Fund Company

The regression results of opposite-sign trading are exhibited in Table 6. Though we have positive intercept and significantly positive coefficients for the variable *Same_company* (β_1) in both model (1) and model (2), the coefficient results of β_4 do not support our testing hypothesis. We do not find any apparent evidence that fund companies implement opposite trading among their funds within the same company.

Table 6: Regression Tests of Opposite Trades

This table shows the regression results for strategic opposite trade based on the fund performances calculated in terms of year-to-date returns.

Variable	Model (1)		Model (2)	
	Coeff.	t-Stat.	Coeff.	t-Stat.
Intercept	0.43	0.97	0.5045	1.147
Same_company (β_1)	0.36*	1.77	0.4103**	2.045
Same_category (β_2)	-2.87***	-28.60	-2.8747***	-28.66
Opposite_trade _{SUM} (β_3)	0.1***	9.68		
Opposite_trade _{SUM} Same company (β_4)	-0.02	0.60		
Opposite_trade _{MIN} (β_3)			0.4995***	10.65
Opposite_trade _{MIN} Same company (β_4)			-0.3588**	-2.14
Controls	-	-	-	-
N	97,341		97,341	
R ²	0.0274		0.0276	

Note: The symbols ***, **, and * denote the significance at 1%, 5%, and 10% levels, respectively.

In order to probe into whether there is any difference in strategic opposite-sign trading between domestic and foreign fund companies, we add a dummy variable FD, with the same definition as here above, into the equation (2). The regression results are shown in Table 7. The testing results do not support the hypothesis that the strategic opposite trading differs between the foreign and the domestic fund companies.

VI. Conclusion

This study seeks to explore the question of whether or not there is a so-called corporate level strategy amongst mutual fund companies, which drives them to maximize the interest of the company at the expense of their fiduciary duties to their stakeholders (fund investors). We have found that there is a significant difference between the performances of high-value and low-value funds within the same fund companies when the high- and low-value funds are classified by their past performances. In addition, the difference significantly differs between domestic and foreign fund companies, with a gap of approximately 0.8%. In other words, domestic fund companies seem to operate the strategy of favoritism, which favors the past high-performing funds than the past worse-performing funds.

Regarding the investigation of opposite trading by using the fund holdings data, although we did not find any clear cases of fund companies reverse trading the funds under their management, however, if fund managers within the same fund company enjoy the same research resources and administrative support systems, then why is the difference between high- and low- value funds managed by domestic fund companies larger than foreign fund companies? This is a topic worthy of further in-depth-research. Furthermore, since currently the government has not imposed any mandatory disclosure of fund holdings by outsourced traders, incidents such as the “Ablerex” case may lack any supervision and monitoring mechanisms by the relevant competent authorities.

Table 7: Regression Tests of Opposite Trades in Foreign and Domestic Fund Company

Variable	Model (1)		Model (2)	
	Coeff.	t-Stat.	Coeff.	t-Stat.
Intercept	0.8884**	2.02	0.9658**	2.20
FD	-1.9311***	-18.71	-1.9348***	-18.75
Same_company	0.3676*	1.66	0.4199*	1.93
Same_category	-2.8574***	-28.53	-2.8632***	-28.59
Opposite_trade _{SUM}	0.0958***	9.72		
FD Same_company	-0.9056	-1.61		
Opposite_trade _{SUM} Same_company	-0.0154	-0.33		
FD Opposite_trade _{SUM} Same_company	-0.0157	-0.17		
Opposite_trade _{MIN}			0.5036***	10.76
FD Same_company			-0.9009	-1.61
Opposite_trade _{MIN} Same_company			-0.3294*	-1.78
FD Opposite_trade _{MIN} Same_company			-0.0481	-0.12
Controls	-	-	-	-
N	97,329		97,329	
R ²	0.0312		0.0313	

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科技部補助計畫衍生研發成果推廣資料表

日期:2014/06/03

科技部補助計畫	計畫名稱: 台灣投信公司偏袒策略之研究
	計畫主持人: 張鳳暉
	計畫編號: 102-2410-H-263-002- 學門領域: 財務
無研發成果推廣資料	

102 年度專題研究計畫研究成果彙整表

計畫主持人：張鳳暉		計畫編號：102-2410-H-263-002-					
計畫名稱：台灣投信公司偏袒策略之研究							
成果項目		量化			單位	備註（質化說明：如數個計畫共同成果、成果列為該期刊之封面故事...等）	
		實際已達成數（被接受或已發表）	預期總達成數（含實際已達成數）	本計畫實際貢獻百分比			
國內	論文著作	期刊論文	0	0	100%	篇	
		研究報告/技術報告	0	0	100%		
		研討會論文	0	0	100%		
		專書	0	0	100%		
	專利	申請中件數	0	0	100%	件	
		已獲得件數	0	0	100%		
	技術移轉	件數	0	0	100%	件	
		權利金	0	0	100%	千元	
	參與計畫人力 （本國籍）	碩士生	0	0	100%	人次	
		博士生	0	0	100%		
		博士後研究員	0	0	100%		
		專任助理	0	0	100%		
國外	論文著作	期刊論文	0	0	100%	篇	
		研究報告/技術報告	0	0	100%		
		研討會論文	1	0	100%		
		專書	0	0	100%	章/本	
	專利	申請中件數	0	0	100%	件	
		已獲得件數	0	0	100%		
	技術移轉	件數	0	0	100%	件	
		權利金	0	0	100%	千元	
	參與計畫人力 （外國籍）	碩士生	0	0	100%	人次	
		博士生	0	0	100%		
		博士後研究員	0	0	100%		
		專任助理	0	0	100%		

<p style="text-align: center;">其他成果</p> <p>(無法以量化表達之成果如辦理學術活動、獲得獎項、重要國際合作、研究成果國際影響力及其他協助產業技術發展之具體效益事項等，請以文字敘述填列。)</p>	無
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	成果項目	量化	名稱或內容性質簡述
科 教 處 計 畫 加 填 項 目	測驗工具(含質性與量性)	0	
	課程/模組	0	
	電腦及網路系統或工具	0	
	教材	0	
	舉辦之活動/競賽	0	
	研討會/工作坊	0	
	電子報、網站	0	
	計畫成果推廣之參與(閱聽)人數	0	

科技部補助專題研究計畫成果報告自評表

請就研究內容與原計畫相符程度、達成預期目標情況、研究成果之學術或應用價值（簡要敘述成果所代表之意義、價值、影響或進一步發展之可能性）、是否適合在學術期刊發表或申請專利、主要發現或其他有關價值等，作一綜合評估。

1. 請就研究內容與原計畫相符程度、達成預期目標情況作一綜合評估

達成目標

未達成目標（請說明，以 100 字為限）

實驗失敗

因故實驗中斷

其他原因

說明：

2. 研究成果在學術期刊發表或申請專利等情形：

論文： 已發表 未發表之文稿 撰寫中 無

專利： 已獲得 申請中 無

技轉： 已技轉 洽談中 無

其他：（以 100 字為限）

本計畫撰寫之論文參加國外研討會發表，會後研討會主辦單位邀稿，已投稿至 Eurasian Economic Review (EconLit)，目前論文正在審稿中。

3. 請依學術成就、技術創新、社會影響等方面，評估研究成果之學術或應用價值（簡要敘述成果所代表之意義、價值、影響或進一步發展之可能性）（以 500 字為限）

本研究探討台灣投信公司是否有為了追求公司本身利益最大化而犧牲投資人利益而採取某種公司策略。研究樣本為 2001 年 1 月至 2013 年 6 月的開放式股票型和平衡型基金的月資料、持股資料以及 IPO 股票資料。實證研究結果並未發現投信公司有反向交易和優先配置 IPO 股票的情況，但我們發現本國投信公司和外資投信公司旗下的高價值(高績效)和低價值(低績效)基金之間績效差異存在明顯的不同，亦即平均而言，外資投信公司旗下高價值和低價值基金績效的差異顯著低於本國投信公司約 0.8%。換句話說，外資投信公司旗下基金的績效表現較為平均(變異程度較低)。