

# Accepted Manuscript

Do Locals Know Better? A Comparison of the Performance of Local and Foreign Institutional Investors

Miguel A. Ferreira , Pedro Matos , João Pedro Pereira , Pedro Pires

PII: S0378-4266(17)30125-5  
DOI: [10.1016/j.jbankfin.2017.06.002](https://doi.org/10.1016/j.jbankfin.2017.06.002)  
Reference: JBF 5154



To appear in: *Journal of Banking and Finance*

Received date: 23 September 2015  
Revised date: 9 May 2017  
Accepted date: 2 June 2017

Please cite this article as: Miguel A. Ferreira , Pedro Matos , João Pedro Pereira , Pedro Pires , Do Locals Know Better? A Comparison of the Performance of Local and Foreign Institutional Investors, *Journal of Banking and Finance* (2017), doi: [10.1016/j.jbankfin.2017.06.002](https://doi.org/10.1016/j.jbankfin.2017.06.002)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

# Do Locals Know Better? A Comparison of the Performance of Local and Foreign Institutional Investors<sup>1</sup>

**Miguel A. Ferreira**

Nova School of Business and Economics

**Pedro Matos**

University of Virginia - Darden School of Business

**João Pedro Pereira<sup>2</sup>**

Nova School of Business and Economics

**Pedro Pires**

Nova School of Business and Economics

This Version: May 2017

## Abstract

We compare the performance of local versus foreign institutional investors using a comprehensive data set of equity holdings in 32 countries during the 2000-2010 period. We find that foreign institutions perform as well as local institutions on average, but only domestic institutions show a trading pattern consistent with an information advantage. Our results suggest a smart-money effect of local institutions in countries subject to higher information asymmetry, non-English speaking countries, countries with less efficient stock markets, with poor investor protection, or high levels of corruption. The local advantage is more pronounced in periods of market turmoil and in illiquid stocks.

Keywords: Mutual funds; Local and foreign; Institutional investors.

## 1. Introduction

Financial globalization and the substantial growth of the global mutual fund industry have

---

<sup>1</sup> We are grateful for the helpful comments of Wolfgang Bessler, Geraldo Cerqueiro, Hao Jiang, Ghulame Rubbaniy, Pedro Saffi, Clemens Sialm, and seminar participants at the Erasmus University Conference on Professional Asset Management, Luso-Brazilian Finance Meeting, ISCTE Business School - Nova Annual Finance Conference, Portuguese Finance Network, and Inquire UK and Inquire Europe joint spring seminar. We thank José Caldas for helping with a mutual fund name matching algorithm in an earlier version of the paper. Financial support from Inquire Europe is gratefully acknowledged. This work was funded by National Funds through FCT – Fundação para a Ciência e Tecnologia under the project Ref. UID/ECO/00124/2013 and by POR Lisboa under the project LISBOA-01-0145-FEDER-007722.

<sup>2</sup> Contact author. Email: joao.pereira@novasbe.pt. Mail: Nova SBE, Universidade Nova de Lisboa, Campus de Campolide, 1099-032 Lisboa, Portugal. Phone: (+351) 213 801 637.

Download English Version:

<https://daneshyari.com/en/article/5088016>

Download Persian Version:

<https://daneshyari.com/article/5088016>

[Daneshyari.com](https://daneshyari.com)