

Mutual Fund Fee-setting, Market Structure and Mark-ups

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Abstract

This paper develops a model to examine how mutual funds set fees charged to investors within a context of non-competitive market structure. The empirical evidence shows that the performance, age, size and cash ratio of the fund have statistically significant impacts on the mutual fund fees but, quantitatively, the majority of the fee is explained by mark-ups that funds add to the marginal cost owing to the market power possessed by the funds. Front-end load funds have the highest mark-ups, the back-end funds have the second highest, and no-load funds have the lowest mark-up.

Citing Literature



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