

Should Your Bank Invest for You? Evidence from Private Banking Accounts[☆]

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Abstract

We analyze a large data set of private banking portfolios in Switzerland of a major bank with the unique feature that parts of the portfolios were managed by the bank, parts were advisory portfolios. To correct the heterogeneity of individual investors, we apply a mixture model and a cluster analysis. Our results suggest that there is indeed a substantial group of advised individual investors that outperforms the bank managed portfolios, at least after fees. However, a simple passive strategy that invests in the MSCI World and a risk-free asset significantly outperforms both the better advisory and the bank managed portfolios.

Keywords: individual investor, portfolio management, private banking, mixture model, cluster analysis

JEL classification: C16; G11

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