

Abstract

This study investigates asset herd behavior for Dutch pension funds from 1999 to 2014 using quarterly data. We find considerable asset class herd behavior, which is more intensive for the more 'exotic' sub-asset classes, such as private equity and emerging market shares. We find higher buy herd behavior in sub-asset class markets, which are affected by the stock market and debt crises. The extent of pension fund's herd behavior is affected by financial market, macroeconomics circumstances and returns. We find destabilizing effects of herd behavior for shares and private equity on the sell side, for fixed-interest investments on the buy side and for real estate on both the buy and sell side. We find stabilizing effects of herd behavior for shares and private equity on the buy side, for fixed interest investments on the sell side and for other investments on both the buy and the sell side. For crises, we find evidence that destabilizing behavior is concentrated on the buy side, whereas sell herd behavior mostly has a stabilizing effect.