

ESSAYS ON THE PERFORMANCE OF ACTIVELY MANAGED MUTUAL FUNDS

Inaugural-Dissertation

zur Erlangung des akademischen Grades eines Doktors
der Wirtschafts- und Sozialwissenschaften

(Dr. rer. pol.)

der Friedrich-Alexander-Universität Erlangen-Nürnberg



Vorgelegt von: Dipl.-Kfm. Ulf Herrmann

Contents

| | | |
|------|--|----|
| I. | Introduction | 1 |
| 1. | Motivation and research questions | 1 |
| 2. | Research objectives | 4 |
| II. | Short-term persistence in hybrid mutual fund performance: The role of style-shifting abilities | 11 |
| 1. | Introduction and literature | 12 |
| 2. | Methodology and performance measures | 15 |
| 3. | Data and summary statistics | 19 |
| 4. | Simulation analysis | 24 |
| 5. | Empirical results | 30 |
| 5.1 | Performance of hybrid mutual funds | 30 |
| 5.2 | Performance persistence | 34 |
| 6. | Summary and conclusion | 42 |
| | Appendix A: Extended C-sector and C-maturity models | 44 |
| | Appendix B: Asset composition of hybrid mutual fund subsamples | 47 |
| | Appendix C: Performance measures based on multifactor TM models | 48 |
| | Appendix D: Performance measures based on multifactor HM models | 50 |
| | Appendix E: Changes in style exposures due to Lehman Brothers collapse | 53 |
| III. | Does style-shifting activity predict performance? Evidence from hybrid mutual funds .. | 59 |
| 1. | Introduction and literature | 60 |
| 2. | Empirical models and measures of active management | 62 |
| 3. | Empirical data | 64 |
| 4. | Fund characteristics and activity as performance predictor | 68 |
| 4.1 | Fund characteristics and determinants of style-shifting activity | 68 |
| 4.2 | Relation between current activity and future performance | 73 |

| | |
|--|-----|
| 4.3 Economic value of predicting fund performance based on activity | 79 |
| 5. Summary and Conclusion | 85 |
| Appendix A: Main results for an alternative definition of style-shifting activity | 88 |
| Appendix B: Average characteristics of fund portfolios | 90 |
| IV. Does shifting in country exposures add value? A closer look at European equity funds | 95 |
| 1. Introduction and literature | 96 |
| 2. Measures of active management | 99 |
| 3. Data and summary statistics | 101 |
| 4. Country-shifting activity as performance predictor | 105 |
| 4.1 Cross-sectional regressions | 107 |
| 4.2 Economic relevance in predicting performance based on activity | 109 |
| 5. Summary and conclusion | 115 |
| Appendix A: Logistic transformed R-squared as performance predictor | 117 |
| Appendix B: Portfolios sorted on tracking error and fund performance (alpha) | 121 |
| V. Conclusion | 127 |