



KATEDRA HOSPODÁRSKEJ POLITIKY



CENTRUM PRE EKONÓMIU A FINANČIE



NÁRODNÁ BANKA SLOVENSKA
EUROSISTÉM



BRATISLAVA ECONOMIC SEMINAR

April 27 2015

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Scale and Skill in Active Management

Abstract

We empirically analyze the nature of returns to scale in active mutual fund management. We find strong evidence of decreasing returns at the industry level: As the size of the active mutual fund industry increases, a fund's ability to outperform passive benchmarks declines. At the fund level, all methods considered indicate decreasing returns, though estimates that avoid econometric biases are insignificant. We also find that the active management industry has become more skilled over time. This upward trend in skill coincides with industry growth, which precludes the skill improvement from boosting fund performance. Finally, we find that performance deteriorates over a typical fund's lifetime. This result can also be explained by industry-level decreasing returns to scale.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2318788

Venue: FMFI UK, Mlynská dolina, Room C, Bratislava

Date: April 27 2015

Program: 16:00 Ľuboš Pástor: ***Scale and Skill in Active Management***