

Project 1

Intended Title:

What drives the inception of ETFs and how do active funds react correspondingly?

Preliminary Findings:

1. Larger flows into certain asset classes are associated with higher number of inceptions of ETFs and MFs in the corresponding categories.
2. Both fund flows and number of inceptions of ETFs and MFs are auto-correlated.
3. Fund flows are return-chasing, while inceptions of both ETFs and MFs seem to emphasize low cost.
4. The pattern of ETF fund flows seem to follow those of MFs in terms of choosing the asset classes, even controlling for the performance and cost structure for both.
5. MFs do not seem to reduce their cost in response to competition coming from ETFs in the same category.

Project 2

Title:

Competition in Sub-advised Mutual Funds

Main Findings to date:

1. The Mutual Fund advisors do not seem to possess skills in hiring and firing sub-advisors, in that the post-event performance of sub-advisors reverse back to the mean.
2. Probit regressions show that poor fund-level performance lead to turnovers of sub-advisors. And on the sub-level, outperforming subs are more likely to be hired, while underperforming subs are more likely to be fired.
3. Controlling for performance and flows, subs charging lower fees are more likely to be hired.
4. Mutual Fund performance fail to improve following the sub-advisor turnover as intended.

Neither of the papers are ready for conference submission yet.

A tentative presentation in a CERF seminar may be arranged in easter term 2019 for Project 1.