

Project Update

On 9th March 2020, I presented my solo paper titled 'Determinants on ETF Launching Decisions' at the CERF seminar. On 20 May 2020, I presented the revised version on the CERF Cavalcade. I have been invited to pitch at the Trinity Forum on 24th March 2020, unfortunately it was delayed due to the outbreak of COVID-19. On 26th December 2020, I have been invited to present at the World Finance Conference. Since then, significant changes have been made following the valuable advices I received from the participants. I recently submitted this paper to the PhD sessions on multiple major conferences, including EFA, SFA, FMA, etc.

For the co-authored chapter with David, Pedro and Julia on MF subadvisors, we have now got the main findings ready, and the first draft is expected by April 2021.

Outputs

Main Chapter (solo project)

Title: Determinants on ETF Launching Decisions

Abstract: This paper studies the decision by an asset manager to launch an exchange-traded fund (ETF). Using U.S. data, I find that fund families are concerned with profit maximization when making launching decisions through both revenue generation and cost reduction. ETF launches are more likely to be driven by investor demand, rather than based on past performance. Further, there are significant economies of scale and scope in the ETF industry, allowing larger families to benefit from specialization.

Families tend to follow the asset allocation decisions of the three largest ETF providers, unless when it comes to less liquid or highly concentrated objective markets. Finally, a time-to-event analysis shows that ETFs launched by larger and higher-fee families and whose initiation is not driven by excessive flows into the family are more likely to survive for longer.

URL: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3810120

Link to Conference presented: <https://www.world-finance-conference.com/conference.php?id=20>

Chapter 2 (co-authored with David, Pedro and Julia)

Title: Competition in Sub-advised Mutual Funds

Abstract: We hand-collect a unique database of 1,239 hiring and 809 firing decisions made by 426 sub-advised MFs during the sample period January 1995 to December 2016. Under a probit regression framework, we find that sub-advised MF families tend to make turnover decisions following poor fund performance, and they exhibit return-chasing behaviour in selecting/terminating sub-advisors. However, the hiring/firing events do not improve future fund performance, nor do they facilitate flows into the funds. The performance of hired/fired sub-advisors typically reverts to the mean.