

DOCTORAL THESIS

A study on the performance of passively-managed hedged ETFs

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ABSTRACT

This study examines the performance of recently introduced passively-managed exchange-traded hedged funds (HETFs). Using data that cover the period 2008 to 2017 of all available HETFs under global macro and long-short classifications with sufficient number of observations, the study provides the most complete and update measure and documentation of the performance of these two fund categories. Little research has been done on HETFs' performance in despite of the rapid growth and expected future expansion of their market sizes, since the introduction of HETFs expands for ordinary investors investment opportunity set that were only available to high net wealth individuals and institutions. Using a simple 3-three factor model including equity, bond and volatility factors, it shows long-short HETFs cannot closely follow the returns of their corresponding indexes as global macro HETFs. By using Fung and Hsieh's (2004) 7-factor model, and Edelman, Fung and Hsieh's (2012) revised 8-factor model, significant negative alphas are found for strategy portfolios. The relatively poor performance of the HETFs can be attributed to their high expense ratio and their failure to closely track the benchmark index.

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