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Return-based classification of absolute return funds

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Notes

1. Data source: Lipper, a Thomson Reuters Company.
2. The classification algorithm requires a complete returns time-series for each fund. A sample size of 3 years is a favorable tradeoff between the number of funds that enter the classification and the return history. Despite the relatively small time span of 36 months, the monthly returns of the various asset classes show substantial fluctuations.
3. The χ^2 test could be sensitive to departures from normality ([Brown and Goetzmann, 1997](#)). In our study, the skewness (kurtosis) of the heteroskedasticity-adjusted residuals depending on K are in the range of

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European Parliament and European Council (1985) Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS). Official Journal of the European Union 28(L 375): 3-18.

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