

The performance of Italian real estate mutual funds

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Purpose

Italian real estate mutual funds have shown enormous growth over the past few years, however, little is known about their performance. The purpose of this paper is to correct this oversight.

Design/methodology/approach

The risk-adjusted performance, as measured by the Sharpe ratio, of 17 Italian real estate funds is valued using a number of fund characteristics and monthly data over the period 2005-2008. Two models are constructed and ordinary least squares regressions are applied.

Findings

Active property management, the level of property-type diversification and the way the fund is initially setup (either by subscription or by contribution) are found to be significant factors in differentiating the performance between Italian real estate funds.

Research limitations/implications

The relatively short period of time (three years) used in the empirical analysis might represent its major drawback, also considering that data cover only the upward trend of the market cycle: a further research should be addressed when a longer time series is available.

Practical implications

Results are of interest to investors and financial planners alike in revealing which factors should be considered in selecting Italian real estate funds.

Originality/value

The main contribution of the paper is to study those characteristics of Italian real estate funds which have power in explaining their performance. The area of research is well known, the sample is new.

Keywords: [Real estate](#), [Investment funds](#), [Financial performance](#), [Property management](#), [Italy](#).

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