Applied Financial Economics ›

Volume 14, 2004 - Issue 2

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# Performance persistence and the source of returns for hedge funds

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Pages 131-141 | Published online: 21 Aug 2006

Cite this article https://doi.org/10.1080/0960310042000176407

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## Abstract

Hedge funds exhibit performance persistence if some funds have consistently higher returns than others. Several procedures are used to determine if performance persists. The results show that performance persists in hedge funds with some funds showing the greatest persistence across all procedures. The results also indicate a strong negative relation between hedge fund capitalization and returns, which is consistent with the hypothesis that hedge fund managers exploit market inefficiencies.

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