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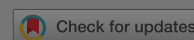
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# Mutual Fund Alpha: Is It Managerial or Emotional?

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Pages 46-55 | Published online: 25 Jan 2020

 Cite this article  <https://doi.org/10.1080/15427560.2020.1716361>



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# Notes

1 Mutual fund alpha is often used to measure manager skills. In academia, the literature with documented alphas is abundant. Many researchers have documented alpha in their studies, such as Ibbotson and Patel (2002), Avramov and Wermers (2006), Fama and French (2010), and Berk and Van Binsbergen ([2015](#)). Alpha is also used as one of the benchmarks to rank mutual funds in the industry.

2 Indro ([2004](#)) used sentiment indicators from the American Association of Individual Investors and Investors Intelligence.

3 Fund alpha is measured by a model's intercept term.

4 The BW index is multiplied by 5 to facilitate the comparison in Figure 1.

5 Brown and Cliff (2004) examined the relationship between investor sentiment and near-term stock returns. They found that sentiment measures differ from each other, though the relationship is not always significant.

6 The intercept term is the estimated alpha, which is the parameter to be estimated.

7 The unadjusted alpha is the intercept term of the regression model, and the adjusted alpha is the intercept term of the regression model adjusted for the BW index and the profit.

8 The adjusted alpha is the intercept term of the regression model adjusted for the BW index and the profit, and the unadjusted alpha is the intercept term of the regression model.

9 The out-of-sample alpha is the intercept term of the regression model adjusted for the BW index and the profit, and the in-sample alpha is the intercept term of the regression model.

10 I got the adjusted alpha from the regression model, and the unadjusted alpha is the intercept term of the regression model.

11 This figure shows the adjusted alpha and the unadjusted alpha for the regression models. The adjusted alpha is the intercept term of the regression model adjusted for the BW index and the profit, and the unadjusted alpha is the intercept term of the regression model.



13 I use CAPM as the benchmark model.

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