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Mutual Fund Alpha: Is It Managerial or Emotional?

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Abstra

This pap ... mutual fund ... nt plays an impor ... f funds rises as inves ... entiment level car ... ned by the cumulat ... s. Thus, the complet ... ating investor

Keywords

Fund alpha Investor sentiment Outperforming probability BW index

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 t ... s topic.

6 The in ... parameter
estimate

7 The ur ... index and
the profi ... nificant.

8 The ... e given t
valu ... DF is 1.

9 The ou ... alpha
statistica

10 I got

11 This ... rk models
adjusted

12 According to Bu (2019), the AAII bearish index can significantly reduce funds' underperforming probability, with a drop from 7.69% to 2.86% based on the Fama-French 3-factor model.

13 I use CAPM as the benchmark model.