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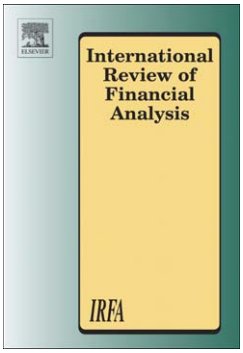

Performance and Performance Persistence of UK Closed-End Equity Funds

Don Bredin, Keith Cuthbertson, Dirk Nitzsche, Dylan C. Thomas

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Performance and Performance Persistence of UK Closed-End Equity Funds

Don Bredin*, Keith Cuthbertson, Dirk Nitzsche** and Dylan C. Thomas*****

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Abstract:

Using a comprehensive data set of almost 300 UK closed-end equity funds over the period 1990 to 2013, we use the false discovery rate to assess the alpha-performance of individual funds with both domestic and other mandates, using self-declared benchmarks and additional risk factors. We find evidence to indicate that up to 16% of the funds have truly positive alphas while around 3% have truly negative alphas. Positive post-formation alphas using fund-price returns depend on the factor model used: there is some positive-alpha performance when post-formation returns are evaluated using a one-factor global model but substantial positive-alpha performance when using a four-factor global model.

Keywords : closed-end funds, performance, false discovery rate.

JEL Classification : C15, G11, C14

* Smurfit Business School, University College, Dublin.
** Cass Business School, City University London.
*** School of Business and Management, Queen Mary, University of London.

Corresponding Author:
Professor Keith Cuthbertson, Cass Business School, 106 Bunhill Row, London, EC1Y 8TZ.
Tel. : +44-(0)-20-7040-5070
Fax : +44-(0)-20-7040-8881
E-mail : K.Cuthbertson@city.ac.uk

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