FUND PERFORMANCE AND SEEMINGLY UNRELATED ASSET: EVIDENCE IN THAILAND

ABSTRACT

This paper studies fund performance measurement by extending traditional Jensen's alpha to include more passive assets in the analysis and examine whether the additional factors can generate a more efficient fund's alpha or not. Fund's alpha is the intercept term in the regression of fund's return on passive benchmark asset which represent fund abnormal return. We apply Seemingly Unrelated Regression to measure fund performance by adding both benchmark and nonbenchmark assets into the analysis, and compare fund's alpha with the traditional method. The result shows that, during 2001 – 2010, Thai open-ended equity funds are underperformed compared to market return (benchmark asset). Moreover, including nonbenchmark assets in the fund performance measurement can generate a more efficient fund's alpha than the traditional method. The evidence show lower residual standard deviation of fund's alpha from the additional nonbenchmark assets.