

Associated File: Tables

Table 4. Performance Persistence across Investment Strategies

This table reports the performance persistence (on two-year horizons) from the first year to the second year across investment strategies. I form an equally weighted portfolio for each investment strategy, and run the following regression for each portfolio in each two-year window,

$$ExRet_{i,t} = \alpha + \beta_1 \times ExRet_{i,t-1} + \varepsilon_i$$

where ExRet is the portfolio's monthly excess return over Chinese demand deposit rate, and i and t denote Fund i and Year t (t = 1 or 2), respectively. This table lists the estimate of β_1 , (p-value in parentheses), and the average R-squared for the regression. Only the investment strategies longer than two years are considered in this analysis. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

Strategy	Performance Persistence from Previous Year to Next Year								R ² Avg.			
	from 2005 to 2006	from 2006 to 2007	from 2007 to 2008	from 2008 to 2009	from 2009 to 2010	from 2010 to 2011	from 2011 to 2012	from 2012 to 2013				
Bond							-0.06 (0.808)	-0.43 (0.020)	**	0.15		
ETF								-3.78 (0.053)	*	0.99		
Hedging Strategy							0.90 (0.260)	0.29 (0.094)	*	0.12		
Managed Futures						-0.37 (0.093)	* (0.055)	1.01 (0.456)	*	0.21		
Market Neutral							0.86 (0.000)	*** (0.146)		0.52		
NA				-0.28 (0.742)	0.64 (0.451)	-0.18 (0.567)	0.37 (0.001)	*** (0.164)		0.07		
Overseas Managed						-0.05 (0.791)	-0.42 (0.288)	0.33 (0.030)	**	0.09		
Private Placement							-0.22 (0.175)	0.23 (0.047)	**	0.08		
ToT						0.14 (0.250)	0.87 (0.267)	-0.05 (0.414)		0.03		
Traditional Stock	-2.26 (0.682)	0.08 (0.813)	0.06 (0.262)	-0.26 (0.031)	**	0.09 (0.000)	***	-0.03 (0.274)	0.30 (0.000)	***	-0.04 (0.362)	0.40
R2 Avg.	0.23	0.01	0.02	0.03		0.12	0.05	0.18		0.21		

Table 8. Logistic Analysis of Fund Dissolution and Failure

This table reports the results of cross-sectional logistic regression at fund level:

$$Dissolutrion/Failure Dummy_i = \alpha + \sum_{j=1}^k (\beta_j \times Indicator_j) + \varepsilon_i,$$

where i denotes Fund i and k is the total number of independent variables in the regression. Dissolution/Failure Dummy $_i$ equals one if the fund later disappears from the database (Panel A) or if it does so solely because of real fund failure (Panel B), and equals zero otherwise. The independent variables are the potential indicators for fund dissolution or failure. They are divided into four groups: Two for fund characteristics, one for returns, and one for fee structure. Two groups of fund characteristics exist because Group 1 is the perfect linear combination of Group 2. Daily, LongTerm, SpecialIncFee, HWM, HurdleRate equal one if the fund discloses daily, is designed to operate under unlimited duration, provides investor protection in collecting incentive fee (either high water mark provision, hurdle rate provision, or both), has high water mark provision, and has hurdle rate provision, respectively, and equal zero otherwise. Lockup, SoftLockup, and OpenFreq are number of months of the fund's lockup period, soft lockup period, and frequency of opening to investment and redemption, respectively. Duration is number of years of the fund's contract duration if it is not a long-term fund. ExRet is the mean of the fund's raw return in excess of Chinese demand deposit interest rate, and ExRetStd is its standard deviation. FF3Alpha is the alpha from the Fama-French three-factor regression for the fund. The p-values for LR Test on Model is the p-value for Likelihood Ratio test on the validity of the model are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

Panel A: Total Dissolution

Independent Variables	Univariate				Multivariate								
	Coefficient		LR Test <i>p</i> -value		Model 1		Model 2		Model 3		Model 4		
<i>Fund Characteristic Group 1</i>													
Daily	0.99	***	(0.000)	***	0.97	***					-8.96		
Longterm	-1.22	***	(0.000)	***	-1.20	***					-2.16	***	
<i>Fund Characteristic Group 2</i>													
Duration	-0.06	***	(0.000)	***					-0.10				
Lockup	0.00		(0.879)						-0.44				
SoftLock	-0.42	*	(0.036)	**					-0.40				
OpenFreq	0.03		(0.564)						-5.63				
<i>Fund Returns Group</i>													
ExRet	-66.24	***	(0.000)	***					-125.80	***		-140.70	***
ExRetStd	-5.08	*	(0.093)	*					4.26			4.46	
SharpeRatio	-0.30		(0.111)										
FF3Alpha	-37.57	***	(0.000)	***									
<i>Fund Structure Group</i>													
LoadFee	39.02		(0.289)						65.90			43.90	
RedFee	-15.57	*	(0.060)	*					-23.70	**		-24.20	**
ManFee	27.53		(0.347)						105.50	*		120.00	**
IncFee	4.28		(0.077)	*					10.95	*		9.74	*
SpecialIncFee	-0.68	***	(0.002)	***					-3.44	**		-2.30	
HWM	-0.72	**	(0.011)	**					2.59	**		1.93	
HurdleRate	-0.44		(0.174)						1.87			1.17	
<i>p</i> -value of LR Test on Model					(0.000)	***	(0.007)	***	(0.000)	***	(0.000)	***	

Panel B: Real Failure

Independent Variables	Univariate			Multivariate				
	Coefficient		LR Test <i>p</i> -value	Model 1	Model 2	Model 3	Model 4	
<i>Fund Characteristic Group 1</i>								
Daily	-0.65		(0.476)	-0.66			-6.10	
Longterm	-0.25		(0.672)	-0.26			-0.98	
<i>Fund Characteristic Group 2</i>								
Duration	-0.06	***	(0.000)		-0.39			
Lockup	-0.05		(0.343)		-0.64			
SoftLock	-0.14		(0.606)		-0.80			
OpenFreq	0.06		(0.543)		-5.70			
<i>Fund Returns Group</i>								
ExRet	-155.50	***	(0.000)	***		-218.30	***	
ExRetStd	-9.93	*	(0.205)			-28.04	-23.35	
SharpeRatio	-6.51	***	(0.000)	***				
FF3Alpha	-135.80	***	(0.000)	***				
<i>Fund Structure Group</i>								
LoadFee	-44.94		(0.526)			-251.50	***	
RedFee	0.49		(0.974)			-36.63	*	
ManFee	90.95	*	(0.095)	*		148.30	151.60	
IncFee	0.19		(0.970)			1.62	1.34	
SpecialIncFee	-0.09		(0.864)			9.50	10.21	
HWM	-0.33		(0.640)			-9.89	-10.33	
HurdleRate	0.09		(0.899)			-9.51	-9.97	
<i>p</i> -value of LR Test on Model				(0.704)	(0.007)	***	(0.000)	***

Table 10. Analyses of Funds Switching Disclosing Frequency

This table gives the results for analyses of funds switching in disclosing frequency. Panel A reports for the categorical analysis, where the monthly observations in my sample are divided into three groups based on the change in disclosing frequency: Those that switch from Weekly/Monthly to Daily, that switch from Daily to Weekly/Monthly, and that do not switch. These three groups are then formed into equal weighted portfolios. I consider the following performance measures here: ExRet (the mean of the portfolio's raw return in excess of Chinese demand deposit interest rate), ExRetStdDev (the standard deviation of ExRet), SR (the Sharpe ratio of the portfolio, calculated as ExRet / ExRetStdDev), and FF3Alpha (the portfolio's Fama-French three-factor alpha, with its corresponding p-value reported in parentheses under it). Adj.R2 is the adjusted R-squared of the portfolio's Fama-French regression. The expected ranking and the real rankings based on ExRet, SR, and FF3Alpha are highlighted in bold. Panel B reports for the logistic regression test, where the model is:

$$ToDaily_t = \alpha + \sum_{k=1} \beta_k \times Index_{t,k} + \varepsilon_t.$$

In this model, for any variable, the subscript t denotes Month t. The dependent variable, ToDaily_t, equals one if in that month more funds, percentage wise, switch from weekly/monthly frequencies to daily, and equals zero otherwise. The independent variables Index_{t,k} (k = 1,2,, ...) are Chinese economic indices, which may include ExRet Avg. (the average return of the Chinese hedge fund industry in excess of Chinese demand deposit interest rate), MKT (the return on Chinese Hushen 300 A-Share Index in excess of Chinese demand deposit interest rate), MOM (the momentum factor based on Chinese A-Share stocks), ChinaConcept (the return on the index of China-concept stocks listed in markets outside Mainland China), Bond (the return on the comprehensive index of Shanghai bond market), and COM (the return on the index for Chinese commodity futures). I use both the bivariate version and the multivariate version of this logistic model. The bivariate models consider only one economic index on the right hand side. The multivariate models consider two or more indices, where I include four combinations of these indices: Model 1 focuses on the equity markets, Model 2 focuses on bond market and futures market, Model 3 considers all of such markets, and Model 4 considers all

these markets and also includes the performance of the overall Chinese hedge fund industry. The p-values of the coefficient and of the likelihood ratio test on the model are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

Panel A: Categorical Analysis

	Expected Ranking	No. Funds	No. Months	ExRet (%)	ExRet Ranking	ExRetStdDev (%)	SR	SR Ranking	FF3Alpha (%)	FF3Alpha Ranking	Adj. R2
Switch from Weekly/Monthly to Daily	1	368	100	0.82	1	4.61	0.18	1	0.81% (0.021)	**	1 0.66
No Switching	2	1472	81	0.68	2	3.98	0.17	2	0.57% (0.019)	**	2 0.73
Switch from Daily to Weekly/Monthly	3	59	65	0.43	3	3.64	0.12	3	0.45 (0.265)		3 0.18

Panel B: Logistic Analysis

Independent Variable	Bivariate		No. Obs.	Multivariate										
	Coefficient	p-value		Model p-value	Modle 1		Modle 2		Modle 3		Modle 4			
ExRet Avg.	15.96	(0.010)	***	96	(0.007)	***						46.04	(0.007)	**
MKT	7.04	(0.007)	***	96	(0.007)	***	8.45	(0.043)			10.55	(0.027)	-2.36	(0.736)
MOM	-9.87	(0.481)		96	(0.475)		27.33	(0.164)			25.01	(0.218)	23.54	(0.327)
ChinaConcept	14.58	(0.002)	***	86	(0.000)	***	10.01	(0.048)	**		11.38	(0.032)	**	15.59 (0.011) ***
Bond	0	(0.669)		96	(1.000)					11.29	(0.690)	-2.96	(0.947)	23.57 (0.636)
COM	4.77	(0.301)		96	(0.286)					5.36	(0.264)	-10.38	(0.230)	-14.44 (0.159)
No. Obs.							86			96		86		86
Model p-value							(0.000)***			(0.523)		(0.000)***		(0.000)***

Table 12. Joint Effect of Disclosing Frequency and Fund Structure on Fund Performance

This table gives the results of the following general regression model

$$FF3Alpha_i = \alpha + \beta_1 \times Daily_i + \beta_2 \times Weekly/Monthly_i + \beta_3 \times TrustCcompGT1_i + \beta_4 \times FamilyCompGT1_i + \beta_5 \\ \times Speed0 - 60_i + \beta_6 \times SpeedGT120_i + \varepsilon_i$$

In this model, for any variable, the subscript i denotes Fund i . The dependent variable $FF3Alpha_i$ is Fund i 's Fama-French three-factor alpha (in percentage points). Two independent variables are dummy variables based on disclosing frequency: $Daily_i$ (equals one if Fund i is a daily disclosing fund, and zero otherwise) and $Weekly/Monthly_i$ (equals one if Fund i is a weekly/monthly disclosing fund, and zero otherwise). One independent variable is the dummy variable based on trust complexity: $TrustCompGT1_i$ (equals one if Fund i belongs to a trust that monitors more than one fund, and zero otherwise). One independent variable is the dummy variable based on family complexity: $FamilyCompGT1_i$ (equals one if Fund i belongs to a management company that runs more than one fund, and zero otherwise). The last two independent variables are dummy variables based on family speed: $Speed0-60_i$ (equals one if Fund i belongs to a management company that on average starts a new fund within 60 days, and zero otherwise) and $SpeedGT120_i$ (equals one if Fund i belongs to a management company that on average starts a new fund in greater than 120 days, and zero otherwise). I consider three regression models. The first is the above original model, in the second model I also control for fund's investment strategy, and in the third model I further control for fund type. The corresponding p-value is reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively. Panel A presents the results for the whole sample, and Panel B presents for the subperiod of 2010–2013.

Panel A: Whole Sample

Independent Variable	Model								
	1			2			3		
	Coefficient		<i>p</i> -value	Coefficient		<i>p</i> -value	Coefficient		<i>p</i> -value
Daily	1.23	***	(0.000)	0.82	***	(0.000)	0.81	***	(0.000)
Weekly/Monthly	0.11	**	(0.023)	0.12	**	(0.011)	0.12	**	(0.014)
TrustSizeGT1	-0.12		(0.681)	-0.18		(0.536)	-0.18		(0.537)
FamilyCompGT1	0.30	***	(0.000)	0.32	***	(0.000)	0.32	***	(0.000)
Speed0-60	-0.23	***	(0.000)	-0.28	***	(0.000)	-0.28	***	(0.000)
SpeedGT120	0.03		(0.584)	0.04		(0.467)	0.04		(0.487)
Control for Strategy	No			Yes			Yes		
Control for Type	No			No			Yes		
No. Obs.	1,201			1,201			1,201		
Adj. R2	0.07			0.10			0.09		

Panel B: 2010-2013

Independent Variable	Model					
	1		2		3	
	Coefficient	<i>p</i> -value	Coefficient	<i>p</i> -value	Coefficient	<i>p</i> -value
Daily	1.24 ***	(0.000)	0.83 ***	(0.003)	0.83 ***	(0.003)
Weekly/Monthly	0.14 **	(0.016)	0.16 ***	(0.007)	0.16 ***	(0.008)
TrustSizeGT1	0.18	(0.631)	0.12	(0.748)	0.12	(0.748)
FamilyCompGT1	0.28 ***	(0.000)	0.29 ***	(0.000)	0.29 ***	(0.000)
Speed_0-60	-0.18 ***	(0.001)	-0.21 ***	(0.003)	-0.21 ***	(0.001)
SpeedGT120	0.03	(0.644)	0.04	(0.518)	0.04	(0.533)
Control for Strategy	No		Yes		Yes	
Control for Type	No		No		Yes	
No. Obs.	1,199		1,199		1,199	
Adj. R2	0.04		0.06		0.06	