



The cross section of conditional mutual fund performance in European stock markets [☆]

Ayelen Banegas^a, Ben Gillen^b, Allan Timmermann^c, Russ Wermers^d,  

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doi:10.1016/j.jfineco.2013.01.008

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Abstract

This paper implements strategies that use macroeconomic variables to select European equity mutual funds, including Pan-European, country, and sector funds. We find that several macro-variables are useful in locating funds with future outperformance and that country-specific mutual funds provide the best opportunities for fund rotation strategies using macroeconomic information. Specifically, our baseline long-only strategies that exploit time-varying predictability provide four-factor alphas of 12–13% per year over the 1993–2008 period. Our study provides new evidence on the skills of local versus Pan-European asset managers, as well as how macroeconomic information can be used to locate and time these local fund manager skills.

JEL classification

G11; G15; G23