

# Active Fund Management: The Case of Global Asset Allocation Funds

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## Abstract

Using a unique daily data set and a modified Sharpe (1992) Return-based Style Analysis methodology to create a three and a nine index model, this paper examines the value of active fund management of global asset allocation funds over the period 1999 – 2003. Prior studies fail to consider the dynamic reapportioning of assets in measuring asset management performance. We introduce an alternative methodology derived from Sharpe (1992) Return-based Style Analysis to calculate attribution returns that serve to measure active fund management performance. We define an attribution return as the difference between the actual monthly fund return and the return that would have been generated by the apportionment of assets in the previous month. Consistent with prior studies, our results suggest that a sample of global asset allocation funds add value to their investors, as evidenced by a positive and statistically significant attribution return for fund survivors. Not surprisingly, the subgroup of surviving funds outperforms subset of non-survivors.

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