



Research Seminar Series

Thursday, November 6 2008

Time: 16:00 – 18:00, Room 013

Seminar Title

“Recovering Delisting Returns of Hedge Funds”

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Summary

Numerous hedge funds stop reporting to commercial databases each year. Some are liquidated, others are closed to further investments, but most do not provide an informative reason for delisting. This creates an issue for hedge-fund performance estimates, since we do not know what delisting return to attribute to such funds. That would be particularly problematic if delisting returns tend to be very large and negative. In this paper, we reconstruct the missing returns by working out the most likely portfolio holdings for funds of funds with reported returns. That portfolio structure is then used to back out the most likely hedge fund delisting return given the observed fund of funds return. We find that mean delisting return is small and, in some cases, close to average observed returns for hedge funds that continue reporting. These findings are robust to relaxing several underlying assumptions.

Jens Carsten Jackwerth received his PhD from the Goettingen University, Germany in 1994. In the past he taught in the London Business School and the University of Wisconsin, Madison, USA. At the moment he is a Professor of Finance at the University of Konstanz, Germany. His research interests include Asset Pricing, Derivative Pricing and Financial Engineering.