

PERFORMANCE OF SECURITIES INVESTMENT FUNDS IN CHINA

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Abstract

Using daily data from May 2000 to January 2004, this study examines the risk, return, security selection and market timing performance of China's security investment funds (SIFs), in comparison with the performance of SIFs in the U.S. Our results indicate that China investment funds show superior marketing timing performance while U.S. fund managers display stronger security selection ability. These results imply that the potential synergy for Sino-U.S. joint venture investment funds could be tremendous. Additional analysis of the trading volume of closed-end funds in China illustrates that investors' interests in SIFs are strongly and positively related to fund performance. Results also indicate that Chinese investors favor professionally managed funds more than direct investment in stocks during negative market conditions.