Abstract in English

The dissertation thesis consists of three interrelated parts that all analyze the determinants of hedge fund performance. The complexity of investment strategies implemented by hedge funds, their limited regulation, the mostly voluntary nature of the disclosure they provide, and the fragmentation of the performance data in commercial databases all constitute important challenges for hedge fund research. This doctoral thesis revisits prior empirical evidence on hedge funds and examines how various biases affect the inferences about their performance.

The first paper included in this thesis performs a meta-analysis of 1,019 estimates of hedge fund "alphas" collected from 74 research papers and examines whether the reported empirical results are affected by selective publication. We find that even though scholars have considerable discretion in choosing data samples and research methodologies to analyze hedge fund performance, there is little evidence of the presence of publication selection bias in this stream of literature. Our results demonstrate that the publication of empirical results may not be selective when there is no strong a priori theoretical prediction about the sign of the estimated coefficients.

The second paper builds on the first paper and analyzes in greater detail the individual determinants of hedge fund performance. We use the Bayesian Model Averaging (BMA) technique to examine the impact of various hedge fund strategies and research design choices for the reported results. We observe that after correcting for potential biases and adjusting for the variation in research designs, the empirical evidence indicates a steep decline in hedge fund performance over the past decades. This declining trend in hedge fund performance may result from more intensive competition in the hedge fund market or driven by stricter regulatory requirements for greater transparency that facilitates hedge fund oversight and invites imitation of successful investment strategies.

In the third paper, we examine specifically this potential determinant of hedge fund performance. We study the impact of the European Union's (EU) hedge fund regulation adopted in 2013 that substantially increased the transparency of hedge funds marketed in the EU. To isolate the impact of this regulatory change, we use the difference-in-differences and the propensity score matching methods. We observe that the requirement for greater transparency was indeed associated with the decline in hedge fund performance in the EU. The three papers included in this dissertation thesis provide novel insights into the relevance of various performance determinants that are relevant for investors, regulators, as well as for researchers who will analyze hedge fund performance in the future.