

Advisor's Report on Dissertation Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University
Opletalova 26, 110 00 Praha 1, Czech Republic
Phone: +420 222 112 330, Fax: +420 222 112 304

Author:	Fan Yang
Advisor:	Doc. Jiří Novák MS.c. Ph.D. (IES)
Title of the Thesis:	Hedge Fund Regulation, Characteristics, and Performance
Type of Defense:	DEFENSE
Date of Pre-Defense	April 24, 2024

Address the following questions in your report, please:

a) Can you recognize an original contribution of the author?

Yes, I believe that all three papers that constitute the core of the dissertation thesis make an original contribution to prior research literature.

The first paper that is already published in the Journal of Economic Surveys identifies a setting where published results are not significantly affected by publication selection bias. I believe this finding is indeed rather interesting and valuable not only for interpreting empirical evidence on hedge fund performance that has been published in academic journals but also for a more general discussion concerning what research topics may be particularly likely to be affected by selectivity in publishing results. More research will be needed in other settings to evaluate the extent to which these results generalize to other settings. However, this paper opens up some interesting avenues for future research on publication selection bias.

The second paper provides novel insights into the trends in hedge fund performance. The authors argue document a strong downward trend in reported hedge fund alphas that persists even after controlling for heterogeneity in hedge fund characteristics and research design choices in the underlying studies, which implies that the empirical evidence suggests that while hedge funds have generated positive value for investors in the past, on average, they no longer do so. This is a novel finding in research on hedge funds that certainly contributes to what we already know about their performance. In addition, the paper provides a novel approach of estimating the magnitude of the management and performance fees that hedge funds charge for managing their investors wealth.

The third paper exploits a very interesting research setting where the operations of European hedge funds were subjected to quasi-exogenous shock resulting from a new European regulation (discussed in detail in the paper). The study analyzes the impact of this regulation on hedge fund performance. I believe that it provides novel insights about the intended and unintended consequences of this regulation had. Such findings are certainly valuable both for investors who consider using the hedge funds to manage their wealth, as well as for regulators who needs to decide about optimal ways of regulating the industry.

b) Is the thesis based on relevant references?

Yes, absolutely. I believe Fan works very well with prior literature. She demonstrates that she is aware of prior research in the area, she is able to compare and contrast various results in prior studies, and she is also able to synthesize these diverse findings into a picture that depicts the current state of our understanding of the phenomenon. The first two papers are meta-analyses. Therefore, they are essentially structured reviews of prior research literature that analyze the characteristics of published results on hedge fund performance. Naturally, such studies constitute a very detailed and highly structured review of prior studies. The third paper, examines the impact of a specific policy change. Fan provides a useful overview of the regulatory environment and the changes brought about by the new legislation. She also reviews prior research on the impact of similar regulatory changes in different contexts. I consider this literature review rather comprehensive and fairly well developed. However, I believe that the author can still improve the quality of her paper by better highlighting how her work relates to the findings in prior research from different settings and better motivate what new insights relative to the prior literature we can get from her study.

c) Is the thesis defensible at your home institution or another respected institution where you gave lectures?

I believe that the thesis clearly meets the criteria for a defensible doctoral thesis at the Institute of Economic Studies of the Faculty of Social Science, Charles University, Prague (IES FSV UK). The first paper already was published in the *Journal of Economic Surveys* (JoES). JoES has the Article Influence Score (AIS) of 2,007 (based on the Web of Science (WoS) Social Sciences Citation Index (SSCI) compiled for 2002, i.e., the latest available). AIS of 2,007 places JoES on the 67th place out of 382 journals in the field of economics included in SSCI, i.e., 82nd percentile. In other words, one of the three papers in this dissertation thesis was published in a journal that belongs to the first quartile based on AIS, which is the dominant criterion for evaluating research quality by the Section for Science, Research and Innovation of the government of the Czech Republic (“Rada pro výzkum, vývoj a inovace při Úřadu vlády ČR”). Furthermore, the AIS of 2,007 places the journal firmly in category “A” in the internal system evaluating research quality applied at IES FSV UK. The other two papers that are included in this dissertation thesis are clearly completed. The second paper is ready for a submission to a research journal. Most likely the paper will have been submitted to a journal by the time of the pre-defense. The third paper is completed but not yet submitted. I expect the third paper to be submitted to research journal after further refinements before the final defense. I expect that the latter two papers to likely eventually get published at least as well as the first paper. I believe that this dissertation thesis would clearly be defensible also at Uppsala University and the University of Stockholm.

d) Do the results of the thesis allow their publication in a respected economic journal?

Yes, absolutely. The first paper already was published in JoES. See my comments above for further details about the journal. I expect that the latter two papers to likely eventually get published at least as well as the first paper.

e) Are there any additional major comments on what should be improved?

I do not have any additional major comments on what should be improved in the dissertation thesis for the purposes of its defense. I expect Fan to improve the individual papers based on the comments she receives from her referees and from the dissertation committee.

f) What is your overall assessment of the thesis?

I recommend the thesis for defense without substantial changes.

Date:	August 16, 2024
Advisor's Signature	
Advisor's Affiliation	Doc. Jiří Novák MS.c. Ph.D. (IES FSV UK)