

Abstract

Are investors rational value maximizers? The recent explosion in the field of behavioral finance led to a significant debate over the nature of portfolio creation and investment strategy of market participants. This thesis evaluates the effect of market confidence indicators on the performance of the largest actively managed ETFs available on the US market. This is done through ARIMA-GARCH modeling employed on the daily market data. Obtained results indicate that there is a significant effect of the investor confidence proxied by the VIX index and bond spreads on the performance of the ETFs evaluated; the effect differs depending on the type of the fund in question. This appears to indicate that indeed investor confidence plays a non-negligible role in the way in which fund managers operate and might significantly affect their performance.

JEL Classification G02, G11, G12, G23

Keywords investor confidence, behavioral finance, ETF market, fund performance, fund management

Title Effects of Investor Confidence on the Returns of Actively Managed ETFs