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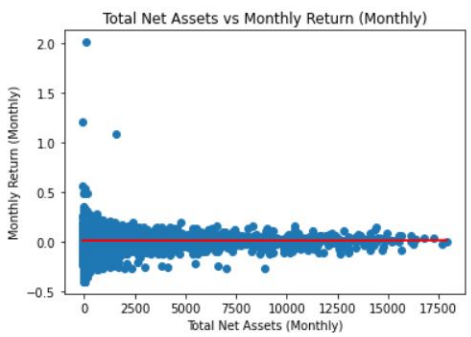
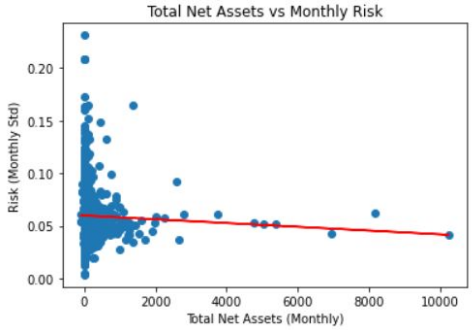
Investment Theory (Asset Management): Assignment 2

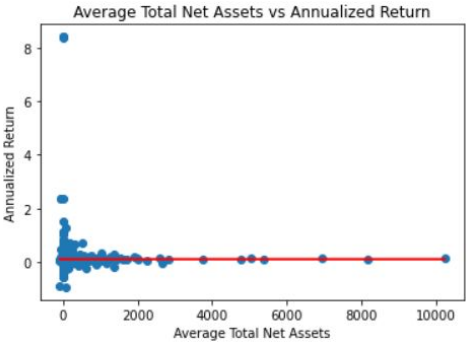
Methodology

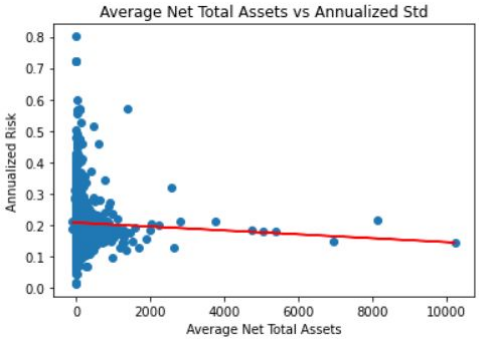
1. Pulled monthly TNA and Return Data for mutual funds from CRSP.
2. Pulled mutual fund classification based on Lipper Classification from CRSP - filtered fund strategies to only include 'SCVE' (Small Cap Value) according to instructions.
3. Monthly Analysis
    a. Reported Mutual Funds (that employed a Small Cap Value Strategy) return's relationship vs their respective Total Net Assets.
4. Aggregate Monthly (Annualized) Analysis
    a. Reported the average monthly return (annualized) for mutual funds (that employed a Small Cap Value Strategy) vs their respective Total Net Assets.

Analysis









Model	Coefficient	Standard Error	p-value	R^2
TNA vs Return (monthly)	3.537e-7	2.34e-07	0.130	2.876e-5
TNA vs Return (annual)	-3.323e-6	2.19e-05	0.879	1.657e-5
TNA vs Risk (monthly)	-1.791e-6	1.12e-06	0.109	1.869e-3
TNA vs Risk (annual)	-6.213e-6	3.87e-06	0.109	1.869e-3

Takeaway

Our group found that TNA has no statistically significant impact on Expected Return (or Risk). However, due to the limited number of large mutual funds (>$2B), our OLS regression provides limited insight. Visually we can say that on average a larger firm will decrease the risk of investment (i.e. the variance of returns decreases). Therefore, although a smaller mutual fund may potentially have higher returns, investors seeking reliable returns should seek to invest in Mutual Funds with a significant amount of assets under their control.