

Performance Stability and Predictability of Equity Styles: Evidence from Equity Style Index Funds

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This study examines performance stability and predictability of equity styles through investments in index funds that are realistically obtainable and readily available assets representing well-known equity style dimensions. Main findings are: (1) relevant parameters from full sample estimation appear unstable, so moving window estimation is also used in performance evaluation; (2) based on moving windows, almost all funds (including those with hedge strategies) significantly underperform style benchmark portfolios of the Fama-French 3-factor and Carhart 4-factor models; and (3) some evidence of performance predictability from positive and significant Jensen's alphas is detected for short-term (1-year), but not long-term (5-year) holding periods.