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## **ETFS PERFORMANCE EUROPE- A GOOD START OR NOT?**

### **Abstract:**

Under the premises that the U.S. Exchange Traded Funds (ETFs) hold over 70% of the ETFs' World market, it seems that the European ones have been either under-researched or less demanded. This study provides some insights into the performance of two ETFs hubs, holding over 80% of the European ETFs activity, namely those operating in Luxembourg and Ireland, due also to their tax similarities. Following an updated literature review on the topic, the paper compares these two ETFs hubs by using secondary data publicly available, interpreted under a framework of previously identified performance methods: Tracking Error, Jensen's alpha and Modigliani- M2 measure of performance. This methodology completes the descriptive statistics analysis, while aiming at answering two hypotheses. The first hypothesis states that the Tracking Error of ETFs compared to their benchmark or market indexes equals zero, which is confirmed by the study. The second hypothesis suggests that these particular ETFs do not present significant alphas, which is partially confirmed. Moreover, the second hypothesis is tested not only against various features of these funds 'benchmarks, but also from risk measurement perspectives, while employing correlation significance between the two countries ETFs. Overall, it appears that from the risk adjusted performance perspective, the ETFs domiciled in Luxembourg outperform the Irish ones, leading also to potential M&As in this industry.

### **Keywords:**

ETFs, Jensen's alpha, Modigliani measure M2, performance, risk adjusted performance, Tracking Error

**JEL Classification:** F37, E44, F00