

# BefinLab

THE RESEARCH LABORATORY FOR  
BEHAVIORAL FINANCE



*Press news*

## **BEFINLAB INDEX. BEHAVIORAL FINANCE FUNDS BEATING THE MARKET**

**BEFINLAB INDEX PROVED TO OUTPERFORMED S&P AND EUROSTOCK IN NOVEMBER 2011.**

BefinLab (Research Laboratory for Behavioral Finance) launched its BefinLab Index, elaborated by Alessandro Santoni and Pasquale Varrà, to track the performance of the most important Behavioral Funds active in the market versus their relative benchmark, the S&P index, the Eurostock.

We considered 25 funds, which managed a total \$12bn, that claim to apply behavioral finance in their portfolio strategy. Behavioral funds are defined in the report when the funds explicitly define themselves as behavioral in the name of the funds or in the description of the fund to the clients. In particular these funds are part of the Fuller & Thaler funds family, the JPMorgan AM funds, the Bank Degroff funds, LVS funds, Osiris funds, LGT funds. We analyzed their performance from October 21st to November 22nd. BefinLab index, in the period considered managed to outperform S&P by 23bps and the Eurostock by 476 bps. The sample is composed by 25 funds of which 72% large cap funds, 28% small cap/multi cap. Their style is for 40% value based, 12% growth and 48% blend. The region of focus is for 68% North America, 24% Europe and the rest Asia (4%) and Develop markets (4%).

Portfolio Managers that apply behavioral finance in their investment strategy implicitly accept that excess profits are possible if the inefficiency is recognized and analyzed properly because investors behave irrationally at times and the behavior is reflected in the market price. Analyst and Investors are believed to be slow to recognize new information related to earnings surprises behaving overconfidently to their prior view with a tendency to underweight evidence that disconfirms their prior views and to overweight confirming evidence. The two main biases at the base of portfolio managers theory was overconfidence and anchoring. The most common tool used to take advantage of this inefficiencies are the exploitation of the so called winner lose

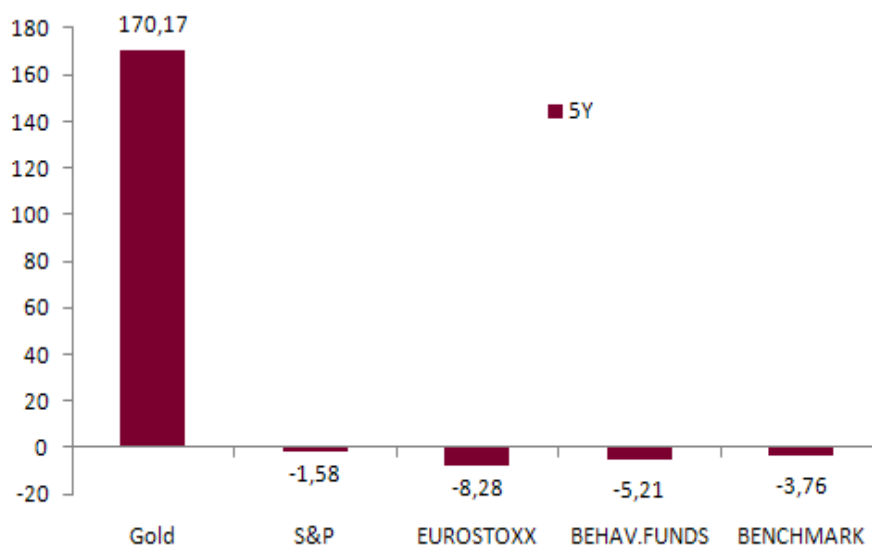
effect, the trend momentum effect, the post earning effect and the insider dealing as information signal.

The Research Laboratory for Behavioral Finance BefinLab was established in 2010, as the result of the joint effort of some professional traders and research scholars to promote common initiatives in the field of behavioral finance, which requires the interaction and the collaboration among experts of different areas of knowledge and specialization.

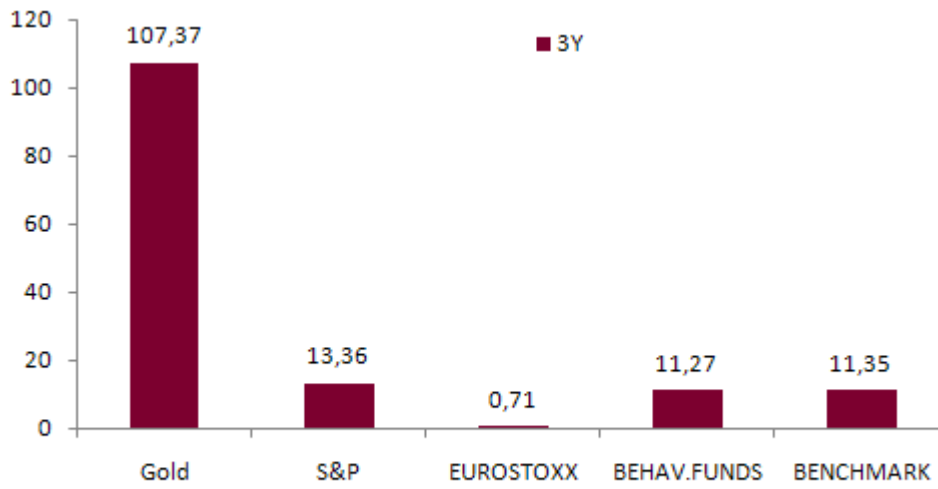
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**TAB. 1. PERFORMANCE ABSOLUTE % 5Y NOVEMBER 2011**



**TAB. 2 PERFORMANCE ABSOLUTE % 3Y NOVEMBER 2011**



**TAB. 3 PERFORMANCE ABSOLUTE % NOVEMBER 2011**

