

Establish ETF Selection and Evaluation Model by Applying Fuzzy Analytic Hierarchy Process Method

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Abstract- Exchange Trade Fund (ETF) is one of the fastest booming products in recent years with annual AUM growth rate reached 40%. Relative to active managed mutual funds, ETF has advantage in transparency, low cost and high liquidity. Therefore, the criteria of ETF selection may not only contain performance, but also degree of diversification, trading costs and liquidity. In order to find general rules or guidelines when choosing ETF, the selection model using the fuzzy analytic hierarchy process (FAHP) which considers fuzziness and uncertainty in mankind's thoughts (Buckley1985) is developed. Fuzzy analytic hierarchy process uses the concepts of fuzzy logic to describe the grade of affairs' nature in real life and to avoid portraying affairs with two values' logic of traditional sets. The research findings show that performance still plays an important role when investors making decisions than risk. This may reflect the irrational of investor behavior and we suggest the risk awareness of investors should be further enhanced to avoid the negative impact of making non-suitable investment decisions.

Keywords- Analytic Hierarchy Process, Exchange Trade Fund, investment target selection

Remarks: *The full paper may be found in www.elearningap.com*