

OLEKSANDRA LEMESHKO

Department of Finance, Faculty of Economics and Administration, Masaryk University, Czech Republic

OLDŘICH REJNUŠ

Department of Finance, Faculty of Economics and Administration, Masaryk University, Czech Republic

PERFORMANCE EVALUATION OF EQUITY MUTUAL FUNDS IN COUNTRIES WITH EMERGING ECONOMIES: EVIDENCE FROM BRIC, CEE, SEA AND MENA REGIONS

Abstract:

The fundamental principle of classical portfolio theory states that mature capital markets are nearly efficient thus offering no extra returns and low possibilities for international portfolio diversification. Thus it is not a surprise that in the recent 20 years mutual funds from emerging economies with their high growth rates, frequent abnormal returns and less than perfect positive correlation with developed economies have been attracting an increasing volume of international investment flows. In this context evaluation of emerging markets funds performance has become a frequent topic of discussion and research by modern portfolio theory and theory of capital markets equilibrium. Here it is necessary to state two things about existing studies: the one thing is that they provide quite mixed results - on average, local equity funds do not generate abnormal returns, but they still exist; and the other thing is that such evidence is structured predominantly upon country evidence, thus limiting the possibility to derive some generalized conclusions about mutual fund performance in particular groups of emerging economies or emerging economies per se. Another common drawback of existing studies is their frequent usage of data suffering with survivorship bias, which in light of short time-series of available observations, obviously do not add precision to conclusions, derived on the basis of such samples. In light of the stated above the paper aims to reevaluate absolute and relative risk-adjusted performance of open-end equity mutual funds on the sample of advanced, secondary and frontier economies from the Central and Eastern Europe, from the South Eastern Asia, from the Middle East and North Africa, and BRIC economies for the time span from Q1/2000 to Q1/2015. Following established practice, fund performance is evaluated by means of unconditional and conditional single-factor and multifactor CAPM time-series regressions under which individual fund returns are regressed over factor loadings, given by Sharpe and Treynor ratios, Jensen's alpha and M squared, Fama-French and Carhart measures, raw input data for which is collected from Bloomberg terminal and data sets of World Development Indicators and International Financial Statistics. On the basis of a large number of performance measures and attributes employed in this research as well as survivorship-bias free database, the chosen study provides a useful insight into mutual fund performance of particular groups of emerging economies or emerging economies per se, documenting important country and regional characteristics.

Keywords:

mutual funds performance, BRIC, the CEE, the SEA, the MENA

JEL Classification: G23