Abstract

Investment is the sacrifice of current consumption for future consumption whose objective is to increase future wealth. Effective organizational decision-making is the primary responsibility and the raison of management (Dearlove, 1998). There is a long standing concern that the strategy literature needs a better understanding of how organizational structure and decision-making affect organizational performance. Despite the advantages of Investment Companies, Kenyans have been wary of investing through them challenging the premise that improved market performance should attract new investments. The only entrants into these investment channels are corporates and high net worth individuals. The study sought to determine the impact of investment portfolio choice on financial performance of investment companies.

This study took a causal research design approach. The study entailed a census of all the investment companies operating in Kenya and listed in the Nairobi Securities Exchange. There are four investment companies listed in Nairobi Securities Exchange. The study covered a period of five years starting in the year 2007 to year 2011. The study used secondary data sources available at the companies’ books of account and the NSE or Capital Market Authority offices. The study used the multiple linear regression equation and the method of estimation was Ordinary Least Squares (OLS) so as to establish the impact of investment portfolio choice on profitability of investment companies.

The study revealed that investment portfolio choice affects the financial performance of investment companies listed in the Nairobi Securities Exchange. The study found that investment in bonds positively influences the financial performance of investment companies listed in the NSE. The study also found that investment in real estate and equity by investment companies positively impacted in the financial performance, it was found that size of the company positively impacted in the financial performance of investment companies. There is need for the management of investment companies to have solid organization structure, organization structure will influence their investment portfolio choice which impact on their financial performance.