

Abstract

This paper evaluates the performance persistence of equity and blended mutual funds in Kenya for the period 2006 to 2009. The objective of the study was to establish persistence of funds' performance. The target population was seven mutual funds for which net asset values were available over the period from 1st January 2006 to 31st December 2009. The data was collected from the funds database and annual reports available in the business daily newspapers and in some cases from fund managers' themselves. The data included mutual funds daily returns and annual reports for the period 2005 to 2009. The data was used to calculate the performance persistence of mutual funds in Kenya.

Performance persistence of mutual funds was analyzed using regression equation developed by Grinblatt and Titman (1993). The general finding was that for both equity and blended fund, there was evidence of performance differences which tend to persist over time. This implies that there is significant performance persistence over the research period and therefore investors can successfully use the measures of past performance as a decision tool for fund selection.