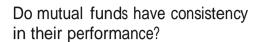
153

Do mutual funds have consistency in their performance?

Portuguese Economic Journal (2020) 19:139-153

https://doi.org/10.1007/s10258-019-00163-2

## **ORIGINAL ARTICLE**





Zia-ur-Rehman Rao<sup>1</sup> & Muhammad Zubair Tauni<sup>2</sup> & Tanveer Ahsan<sup>3</sup> & Muhammad Umar<sup>4</sup>

Received: 18 January 2016 / Accepted: 19 July 2019 / Published online: 3 August 2019 # ISEG - Instituto Superior de Economia e Gestão 2019

## Abstract

Using a comprehensive data set of 714 Chinese mutual funds from 2004 to 2015, the study investigates these funds' performance persistence by using the Capital Asset Pricing model, the Fama-French three-factor model and the Carhart Four-factor model. For persistence analysis, we categorize mutual funds into eight octiles based on their one year lagged performance and then observe their performance for the subsequent 12 months. We also apply Cross-Product Ratio technique to assess the performance persistence in these Chinese funds. The study finds no significant evidence of persistence in the performance of the mutual funds. Winner (loser) funds do not continue to be winner (loser) funds in the subsequent time period. These findings suggest that future performance of funds cannot be predicted based on their past performance.

Keywords China · Consistency · Emerging market · Mutual fund · Performance

Muhammad Zubair Tauni tauni.zgu@gmail.com

> Zia-ur-Rehman Rao ziaurrehman@fccollege.edu.pk

> Tanveer Ahsan tanveer.ahsan@rennes-sb.com

Muhammad Umar umare\_umare@yahoo.com

Forman Christian College, Lahore, Pakistan

International Business School, Zhejiang Gongshang University, 18-Xuezheng Street, Xiasha District, Hangzhou 310018, China

<sup>3</sup> Rennes School of Business, Rennes, France

East China Jiaotong University, Nanchang, China