Akaranant Kidsom : Testing mutual fund management behavior

To test the relationship of the mutual fund management's trading behavior and the unit trust holders' preference, under the circumstance of asymmetric information between unit trust holders and the fund management team. The study chose stochastic dominance and ordinary least square in testing the relationship between number of portfolio turnover and the excess return of equity closed-end funds in the period of July 1995-December 1996. The results conclude that high number of portfolio turnover cannot increase the utility among risk averse investors. In other words, by using 99% statistical significant level, increasing portfolio turnover at this period tends to decrease mutual fund's excess return in the following period. This study draws a conclusion that those mutual funds using high portfolio turnover technique at the current period does not provide efficiency to the funds because it decreases the excess return, thus lower investors' utility. The study of the relationship of the distribution moments (mean, variance and skewness of mutual fund return) at 99% statistical significant level, using quarterly returns during 1995-1996 from 58 equity closed-end funds, proves that the distribution of these mutual funds' returns are inconsistent with the preference of the risk averse investors hypothesis. Logically, the risk averse investors do not prefer to invest in these mutual funds. However, the study cannot conclude that the mutual funds investors in that period are all risk lovers because they might or might not receive adequate information on their risk exposure from mutual fund companies or unit trust sellers prior to their investment