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# Persistence of mutual fund operating characteristics: returns, turnover rates, and expense ratios

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## Abstract

This study tests persistence of mutual fund returns, turnover rates, and expense ratios over the 20-year period from 1971 to 1990. Multivariate models also are developed to examine synergies among persistence of returns, expense ratios and turnover rates. Potential long-run economies of scale are analysed by determining whether or not there is a significant relationship between asset size and these other operating characteristics. Tests are developed to contrast the decade of the 1970s with the decade of the 1980s and to examine persistence between consecutive years. The results indicate that there was no long-term persistence of returns, expenses, or turnover rates for 151 equity mutual funds that operated over the full two decades from 1971 to 1990. Tests of short-term performance persistence show strong persistence of good performance for periods of one, two and three years. For a fouryear time period, there is no significant persistence of returns. The tests for consecutive years in contrast to tests between decades show that there is short-term, but not long-term persistence for returns.

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