

**Title:** Flows and Performance of Thai Open-end Mutual Fund

**Author:** **Sunti Tirapat**, Faculty of Commerce and Accountancy,  
Chulalongkorn University

**Print Source:** Chulalongkorn Journal of Economics, January 2002, Vol.14, No.1  
pp.27-54

**Table of Content:** Abstract

1. Introduction
2. Previous studies
  - 2.1 Mutual fund performance evaluation
  - 2.2 Flows and fund performance
3. Methodology and Data
  - 3.1 Methodology
  - 3.2 Sample and Data
4. Empirical Results
  - 4.1 The relation between flows and trading activities
  - 4.2 Open-end funds performance
  - 4.3 Market-timing ability
5. Conclusions
- References

**Abstract:** This study investigates the performance of Thai open-end mutual funds. Unlike closed-end mutual funds, open-end funds provide liquidity service to investors by allowing them to buy and sell units at any time. This function incurs indirect costs which reflected in the performance of funds. And the costs should be taken into account when one measures the performance of open-end funds. In the U.S. market it has been documented by Edelen (1999) that the poor performance and the negative market-timing ability of open-end funds are attributable to the costs of liquidity-motivated trading. However, in Thailand it is unlikely that investors rely on the liquidity function of open-end funds since their main sources of liquidity are commercial banks. Whether open-end mutual funds provide such function and its effect on funds' performance in less developed capital market remains an empirical question. Using the sample of 75 equity open-end mutual funds during June 1995 to December 1999, it is found that these funds do not underperform the market returns when the liquidity effects are adjusted for. The study also finds that there are negative association between the liquidity-trading component and a fund's return. This evidence confirms that there are costs associated by flow into and out of funds. Moreover, it is found that the discretionary trading by funds does attribute positively to a fund's performance. The fund ability, however, does not come from the ability to time to the market.

JEL Classification: G23, G29

Keywords: Open-end mutual fund, Flows, Thailand

[Download Abstract Available](#)