

# The Effect Of Mutual Fund Age And Mutual Fund Size On The Performance Of Equity Mutual Funds In 2015-2019

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## ABSTRACT

*This study aims to analyze the effect of mutual fund age and mutual fund size on the performance of equity funds. Mutual fund performance is measured by using the Sharpe Ratio. The age of the mutual fund is calculated based on the effective date the mutual fund is offered and the size of the mutual fund is calculated based on the amount of funds under management and the data used are the Net Asset Value (NAV) of the stock mutual fund, 15 equity mutual funds that were sampled with the research period during 2015-2019. This research method uses multiple linear regression test. The method used in testing the hypothesis is the T test. The results of the analysis show that the age of the mutual fund and the size of the equity fund have no effect on the performance of the equity fund.*

**Keywords:** Mutual Fund Age, Mutual Fund Size, Equity Mutual Fund Performance

## INTRODUCTION

Investment is an alternative business that continues to grow to this day, ranging from investment in land and buildings to investment in securities. The capital market is an alternative, but to be able to invest here, it requires large funds and sufficient knowledge of the capital market. In other words, not everyone can invest in the capital market directly. Mutual funds are an alternative to collecting funds from people who have the desire to invest, but only have limited time and knowledge [1]. Mutual funds are also a way out in overcoming limited funds to form an optimal portfolio, complex administration and limited information to conduct various analysis, research and investment transactions to obtain optimal returns [2]. Investors in mutual funds, can buy participation in a collection of securities managed by experienced investment managers with the aim of making a profit[3].

There are four alternative mutual funds that can be owned by the public.

Money market mutual funds, namely mutual funds that invest in money market securities such as debt securities with maturities of less than one year.

Fixed income mutual funds, namely mutual funds that invest from the portfolio they manage into debt securities such as bonds.

Equity mutual funds are mutual funds that invest at least from the portfolio they manage into equity securities. Mixed mutual funds are mutual funds that invest in equity securities and debt securities whose allocations are not included in the categories of fixed income mutual funds and equity mutual funds. Investors can benefit by investing in each type of mutual fund, the desired return and low risk in each different type of mutual fund.

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Investments are made in stocks, so the risk is higher than other types of mutual funds, but produces a high rate of return. To find out the performance of a good stock mutual fund, there are several factors that investors can consider in investing. The factors that affect the performance of mutual funds are classified into two, namely internal factors and external factors. Internal factors that can affect the performance of a mutual fund are the age of the mutual fund and the size of the mutual fund. Meanwhile, external factors that can affect the performance of mutual funds are inflation and interest rates. The focus in this research is internal factors that can affect the performance of equity funds.

The age of a mutual fund indicates when a mutual fund started trading in the capital market. Mutual funds that have longer elements will have a longer track record and can provide investors with a better picture of performance [4, 5]. There are several previous studies, namely the results of research by [6, 7] which states that the age of mutual funds has no effect on mutual fund performance. While this result is different from research conducted by [8-10] which states that age has a positive influence on mutual fund performance

The size of a mutual fund or the number of assets is another important indicator to consider when assessing a mutual fund's performance. The larger the size of the assets under management, the greater flexibility the mutual fund can provide in providing the best service to its customers and facilitate the creation of economies of scale which can have an impact on reducing the costs charged to customers indirectly, such as custodial fees, transaction fees, and other costs that will have a positive impact on performance. This study aims to analyze the effect of age and size of mutual funds on the performance of equity funds. The results of research by [7] state that the size of mutual funds affects the performance of mutual funds. The results of this study while these results are different from the research conducted by [11] in his research stating that the size of equity funds does not significantly affect the performance of stock mutual funds. There are various types of financial assets that investors can choose to invest their money in. According to [2] financial assets can be divided into three types, namely debt, equity, and derivatives. These three types of financial assets can be traded in the capital market. Investors can directly invest their money into these financial assets. However, investments can also be made indirectly for investors who do not have a lot of time, knowledge, and expertise to calculate the risk of their investment [12]

## LITERATUR REVIEW

### **The Effect of Mutual Fund Age and Mutual Fund Size on Equity Mutual Fund Performance**

#### **Mutual Fund Performance**

Mutual Fund is a forum that is used to collect funds from the investor community to be further invested in Securities Portfolios by Investment Managers, referring to Law no. 8 of 1995 concerning the Capital Market. Thus, the funds contained in Mutual

Funds are joint funds with investors which are then entrusted to the investment manager to manage them. Investment profits will later be obtained through the distribution of dividends or interest which is recorded in Net Asset Value. The Investment Manager himself will get a fee from a determined percentage of the asset value. A survey conducted by the Investment Company Institute in the United States states that one of the main considerations of the American people in choosing mutual funds is the historical performance of mutual funds. More than 70% of respondents choose mutual funds based on their performance. Based on the above, standardization of performance measurement is a must so that the performance of mutual funds can be compared between one another. [1, 13] states, portfolio performance analysis is to assess how well the investment plan is meeting its goal as well as the degree to which investment managers are adding value in carrying out the investment plan. The performance of mutual funds which are portfolios are investment targets that will be achieved by the Investment Manager in order to provide added value to the investments they manage. In analyzing the performance of mutual funds the most commonly used analysis is the analysis of Sharpe, Treynor and Jensen. The results of the research by [7] stated that the size of the mutual fund has a positive and significant effect on the performance of equity funds, while the age of the mutual fund has no effect on the performance of the mutual fund. While the results of Denny Hermawan's research, [14, 15] stated that inflation has a significant negative effect on the performance of stock mutual funds. Interest rates have a significant negative effect on the performance of equity funds. The size of the stock mutual fund does not significantly affect the performance of the stock mutual fund. The age of equity mutual funds does not significantly affect the performance of equity funds.

### **Mutual Fund Age**

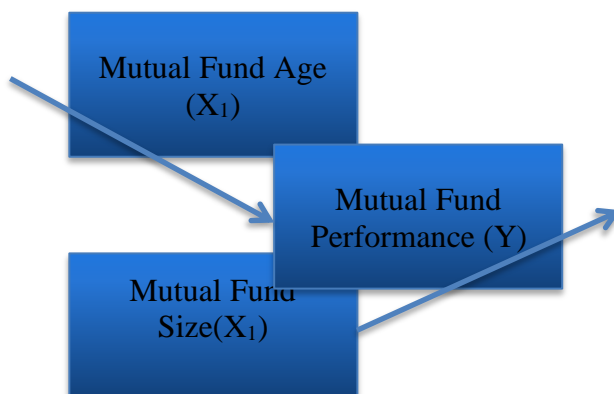
The age of a mutual fund indicates when a mutual fund started trading in the capital market. Many investors prefer longer-lived mutual funds. [1] explains that mutual funds that have a longer lifespan will have a longer track record and can provide investors with a better picture of performance. [4, 16] states that the age of a mutual fund can play a role in deciding performance, because younger mutual funds will show significantly higher costs at the beginning of the period. This is for marketing costs but also the initial cash flow will place a greater burden on mutual fund transaction costs. [6, 17] states that the age of a mutual fund can play a role in deciding performance, because younger mutual funds will show significantly higher costs at the beginning of the period. This is for marketing costs but also the initial cash flow will place a greater burden on mutual fund transaction costs. explains that the age of a mutual fund shows the operating period of the mutual fund and the ability of the investment manager to manage the mutual fund. The influence of mutual fund age on mutual fund performance can influence each other. The age of the mutual fund reflects the experience of the investment manager in managing the mutual fund. The longer the lifespan of a mutual fund, the more experienced the investment manager will be in managing the portfolio when compared to younger mutual funds. The results of the research by [4] state that the total asset and expense ratio have a positive and significant effect on the performance of mutual funds, while the fund age and portfolio turnover indicators have no effect on the performance of mutual funds. Research conducted by [6] states that the age of mutual funds has a positive and significant influence on the performance of mutual funds

### **Mutual Fund Size**

The size of a mutual fund is one of the tools to measure the size of a mutual fund based on the funds managed. Total Net Asset which describes the size of the Mutual Fund represents the total capitalization of the Mutual Fund. The larger the assets, the easier it will be to create economies of scale which can have an impact on reducing the costs charged to investors indirectly, such as management fees, custodial fees, transaction fees and other costs. Funds managed by Manager Investasi are financial. An increase in the amount of funds will increase the net return. The size of a mutual fund or the number of assets is another important indicator to consider when assessing a mutual fund's performance. The larger the size of the assets under management, the greater flexibility the mutual fund can provide in providing the best service to its customers and facilitate the creation of economies of scale which can have an impact on reducing the costs charged to customers indirectly, such as custodial fees, transaction fees. and other costs so that it will have a positive impact on performance.

The reason is that with large funds the company can make transactions with larger volumes, commissions for brokers will be smaller and overheads do not increase in proportion to the increase in the amount of in their research reveal that size has a significant positive relationship with mutual fund performance, while in their research states that fund size has no significant effect on mutual fund performance and shows a negative correlation to the beta coefficient. However, investors should also pay attention to the fact that Mutual Funds with small amounts of funds are not necessarily unattractive, because these Mutual Funds may provide performance that is no less attractive than Mutual Funds with large assets. The results of research by I[7]) state that the size of mutual funds has a positive and significant effect on the performance of equity funds.

**Figure 1. Research Paradigm**



**HYPOTHESIS**

[8] states that the hypothesis is a presumption or assumption that must be tested through data or facts obtained through research.

H<sub>1</sub> : Mutual Fund Age has an effect on mutual fund performance.

H<sub>2</sub> : Mutual Fund size affects the performance of mutual funds.

**RESEARCH METHODS**

The population used in this study were all conventional equity mutual fund companies listed on the Indonesia Stock Exchange during the 2015-2019 period. Sampling was carried out using purpose sampling in order to obtain a representative sample in accordance with the stipulated provisions.

Research Sampling Criteria:

1. Equity Mutual Funds taken are Conventional Equity Funds that are active and effective registered with OJK for the 2015-2019 period
2. Equity Mutual Funds with 2015-2019 NAV
3. Equity Mutual Funds that have published NAV & Mutual Fund prospectus for the last 5 years until the end of December 2019.

**Method of Collecting Data**

The data used and analyzed in this study is secondary data. Secondary data is data obtained by researchers indirectly through intermediary media (obtained and recorded by other parties) [11]. The secondary data used were obtained using the library method from various literatures, magazines, and websites from the internet (www.idx.co.id, www.bi.go.id, , www.ojk.go.id) all of which are data that are directly related to research. because literature is the main material in secondary data research The nature of the data is time series.

**Data Analysis Method**

The analytical method used is multiple linear regression analysis. This analysis aims to determine the relationship between two or more independent variables on one dependent variable. If there are two or more independent variables in the study, then to see the effect of the relationship between the dependent variable on the independent variable, the multiple linear regression analysis method is used.

**RESULTS AND DISCUSSION**

Descriptive statistics provide an overview or description of each variable showing the average value, standard deviation, maximum value, and minimum value. The standard deviation explains how far the data deviation is from the average value, so that the range between the minimum value and the maximum value of each variable is known. The range between the minimum value and the maximum value is said to be not too far or relatively short if the standard deviation value is not twice as large as the average value.

The results of descriptive statistical tests in this study using Eviews can be seen in the following table.

*Table 1*

**Descriptive statistics**

	Performance	Age	Size
Mean	0.017716	13.53333	1.097054
Median	-0.783000	13.00000	0.403436
Maximum	9.347900	23.00000	6.387808
Minimum	-11.15230	3.000000	0.008633
Std. Dev.	3.151232	5.561288	1.579724

Source: Data Processing Results (2021)

The results of the descriptive statistical test in table 1 show that the minimum age of the mutual fund owned by Nikko Indonesia Equity Fund is 3.0 and the maximum owned by Batavia Dana Saham is 23.0. The average age of mutual funds is 13.53 with a standard deviation of 5.56. The standard deviation value is much smaller than the average value indicating that the data variation is said to be good. The smallest variable of mutual fund size owned by Emco Growth Fund Mutual Fund is 0.008633

and the largest owned by Schroder Dana Prestasi Mutual Fund is 6.387808. The average mutual fund size is 1.097054 with a standard deviation of 1.579724. This standard deviation value is greater than the average value, meaning that the variation in data from this variable is high. The smallest mutual fund performance variable owned by Emco Growth Fund Mutual Fund is -11.15230 and the largest owned by Sucorinvest Equity Fund is 9.347900. The average performance of the mutual fund is 0.017716 with a standard deviation of 3.151232. This standard deviation value is greater than the average value, meaning that the variation in data from this variable is high. The partial test in multiple regression analysis aims to determine whether the independent variable partially (alone) has a significant effect on the dependent variable. The t-test can be done by comparing the t-count with the t-table or by looking at the level of significance in each t-count. The significance value used is 0.05. If the significance value of t count < 0.05, the independent variable has a significant effect on the dependent variable.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.517741	0.980407	0.528087	0.5991
X1	-0.038493	0.072656	-0.529797	0.5979
X2	0.019060	0.255778	0.074519	0.9408

Source: Data Processing Results (2021)

**Research Regression Model:**

$$X = 0,517741 - 0,038493X_1 + 0,019060X_2 + e.$$

The results of testing the first hypothesis show that the first hypothesis is rejected. It is known that the age variable (X<sub>1</sub>) has a value of t count (-0.529797) < t table (1.992543). The probability value of 0.5979 > 0.05 indicates that the age of the mutual fund has no effect on the performance of the equity fund, so the first hypothesis is rejected. The results of this study are in line with research conducted by and I [7] which states that the age of mutual funds does not affect the performance of mutual funds.

The results of testing the second hypothesis indicate that the second hypothesis is rejected. It is known that the variable size (X<sub>2</sub>) has a value of t count (0.019060) < t table (1.992543). The probability value of 0.9408 > 0.05 indicates that the variable size of the mutual fund has no effect on the performance of the equity fund so that the first hypothesis is rejected. The results of this study are in line with research conducted by Denny Hermawan, [8] in his research which states that the size of stock mutual funds does not affect the performance of stock mutual funds.

**CONCLUSION**

The results of this study indicate several factors that affect the performance of equity funds . From the two factors studied, including age and size of mutual funds, it is evident that these two factors have no effect on the performance of equity funds. This study has several limitations, first, the sample used as a tool to test the hypothesis is a small sample of all conventional equity mutual funds that are active in mutual funds registered with the OJK, so that the results of research that have been carried out may not necessarily represent the entire conventional equity mutual fund that there is. Second, the limitations of the complete NAV report within the time frame have resulted in the limited number of samples used, so that the research that has been conducted is not able to fully represent the condition of conventional mutual funds. The results of the analysis show that the age of the mutual fund and the size of the equity fund have no effect on the performance of the equity fund.

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