A Comparison of the Performances of Type A Mutual Funds Before and After 2008 Global Economic Crisis in Turkey

By Eşref Savaş BAŞÇI a † & Fatih MEMİŞ b

Abstract. Looking from a historical perspective, financial activities contain many crises in itself. This situation seems to be a feature inherent in the existing economic system and as long as this system continues, it becomes inevitable being faced with the crisis. Especially in recent years, with the increasing globalization, the risk of being faced with a crisis has also increased. In the financial markets, savers who wish to evaluate the accumulation by investing in different investment tools may encounter some difficulties in the face of a variety of financial products and in times of crisis. Mutual funds consist of investment tools which have increasing importance in the capital market and give professional management services to savers in accordance with certain principles. Especially in recent years, mutual funds market is rapidly evolving in Turkey, as well as in the international market. Due to these developments, consideration of growing number of investors and growing portfolios of mutual funds emerges as a necessity. The purpose of this study is to compare the performances of type A mutual funds in Turkey for the period before and after the 2008 crisis. The pre-crisis period have been determined as 2005-2007 and the post-crisis period as 2009-2011. Within the scope of application, there are 74 mutual funds of type A, which continuously operated between January 2005 - December 2007 and January 2009 - December 2011, not joined with another fund, not taken over by another fund, not being in liquidation and having complete data. These mutual funds were analyzed by using performance measurement methods.

Keywords. Crisis, 2008 Economic Crisis in Turkey, Mutual Funds, Performance Measurement Methods.

JEL. L25, G2, G17, H12.

1. Introduction

Looking from a historical perspective, financial activities contain many crises in itself. This situation seems to be a feature inherent in the existing economic system and as long as this system continues, it becomes inevitable being faced with the crisis (Arslan & Arslan, 2010). Especially in recent years, with the increasing globalization, the risk of being faced with a crisis has also increased. In the financial markets, savers who wish to evaluate the accumulation by investing in different investment tools may encounter some difficulties in the face of a variety of financial products and in times of crisis. (Petajisto, 2013).

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Mutual funds consist of investment tools which have increasing importance in
the capital market and give professional management services to savers in
accordance with certain principles (Karan, 2004). Especially in recent years, mutual
funds market is rapidly evolving in Turkey, as well as in the international market.
Due to these developments, consideration of growing number of investors and
growing portfolios of mutual funds emerges as a necessity (Yılmaz, 2009)

2. Data and Methodology
In this study, we examined to calculate performance of type A mutual Funds in
Turkey between 2005 and 2011. These Mutual Funds are totally 84 funds in that
period. Within the scope of application, there are 74 mutual funds of type A, which
continuously operated between January 2005 - December 2007 and January 2009 -
December 2011, not joined with another fund, not taken over by another fund, not
being in liquidation and having complete data. These mutual funds were analyzed
by using performance measurement methods.

We split 2 period according to crisis. It has taken into account 2008 year for
crisis year in Turkey. Therefore we used one part of time series as a before crisis
period from 2005 to 2007. We break out to 2008 year against any change during
the crisis period. After that, we used the second part of time series as an after crisis
period from 2009 to 2011 (TSPAKB).

However, we calculated monthly return, Sharpe Ratio, Treynor Ratio and
Jensen Alpha for mutual funds during to all time series. We assume that is there
any changes before and after crisis due to performance criteria. First calculation of
return has applied to mutual funds as below formula:

\[ R_p = \frac{V_t - V_{t-1}}{V_{t-1}} \]  

\( R_p \): Return of mutual fund  
\( V_t \): Return in end of period  
\( V_{t-1} \): Return in beginning of period

Sharpe Ratio is the first measurement ratio that it can be calculated as below in
this study (Sharpe, 1996).

\[ S_p = \frac{r_p - r_f}{\sigma_p} \]  

\( S_p \): Sharpe performance ratio  
\( r_p \): Mutual fund’s return in period  
\( r_f \): Risk free rate in period  
\( \sigma_p \): Standart Deviation of mutual funds returns in period

Treynor Index can be calculated as below (Treynor, 1965):

\[ \text{Treynor Index} = \frac{(r_p - r_f)}{\beta_p} \]  

\( r_p \): Return of mutual funds in this period  
\( r_f \): Risk free rate in this period  
\( \beta_p \): Beta coefficient of the mutual fund
Jensen’s Alpha can be calculated as below also (Jensen, 1968).

\[ \alpha_i = R_i - (R_f + \beta_i(R_p - R_f)) \]  \hspace{1cm} (4)

\( \alpha_i \): Jensen’s Alpha of mutual fund  
\( R_i \): return of mutual fund in this period  
\( R_f \): Risk free rate in this period  
\( \beta_i \): Beta coefficient of mutual fund  
\( R_p \): Expected market return in this period

3. Research Findings

We analysed each parameters to calculate performance during period before and after crisis. It has shown below results of descriptive statistics and results of paired sample t tests.

**TABLE 1. Descriptive Statistics for Mean Before and After Crisis Period**

<table>
<thead>
<tr>
<th>Mean_1 and Mean_2</th>
<th>Min.</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std.Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Crisis(^a)</td>
<td>-3,257500</td>
<td>5,199167</td>
<td>1,172639</td>
<td>1,188016</td>
</tr>
<tr>
<td>After Crisis(^b)</td>
<td>-3,946667</td>
<td>9,802500</td>
<td>1,327267</td>
<td>2,559488</td>
</tr>
</tbody>
</table>

\(^a\) Years between from 2005 to 2007  
\(^b\) Years between from 2009 to 2011

**TABLE 2. Results of Paired Sample t Test for Mean**

<table>
<thead>
<tr>
<th>Mean_1 – Mean_2</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Std. Err.</th>
<th>t</th>
<th>Prob.</th>
</tr>
</thead>
</table>

Table 2 shows comparing means for each period above. According to result of paired sample t Test Mean is shown that there are not statistically differences between two periods. In the other word, means of mutual funds are the same in before and after crisis.

**TABLE 3. Descriptive Statistics for Sharpe Ratio Before and After Crisis Period**

<table>
<thead>
<tr>
<th>Sharpe_1 and Sharpe_2</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Crisis(^a)</td>
<td>-119,941747</td>
<td>-1,213160</td>
<td>-5,751805</td>
<td>13,719238</td>
</tr>
<tr>
<td>After Crisis(^b)</td>
<td>-58,702956</td>
<td>-0,383010</td>
<td>-2,872903</td>
<td>6,138513</td>
</tr>
</tbody>
</table>

\(^a\) Years between from 2005 to 2007  
\(^b\) Years between from 2009 to 2011

**TABLE 4. Results of Paired Sample t Test for Sharpe Ratio**

<table>
<thead>
<tr>
<th>Sharpe_1 – Sharpe_2</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Std. Err.</th>
<th>t</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(*)Sharpe_1: Before Crisis (2005-2007) *Sharpe_2: After Crisis (2009-2011)</td>
<td>-2,878</td>
<td>8,007</td>
<td>.537</td>
<td>-5,357</td>
<td>.000</td>
</tr>
</tbody>
</table>
Table 4 shows comparing Sharpe Ratios for each period above. According to result of paired sample t Test for Sharpe Ratio is shown that there are statistically differences between two periods at 1% level (p<0.000). In the other word, Sharpe Ratios of mutual funds are difference in before and after crisis.

**TABLE 5. Descriptive Statistics for Treynor Index Before and After Crisis Period**

<table>
<thead>
<tr>
<th>Treynor_1 and Treynor_2</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Crisis(^a)</td>
<td>-663,685,497</td>
<td>2545,912,522</td>
<td>-31,068,429</td>
<td>221,962,274</td>
</tr>
<tr>
<td>After Crisis(^b)</td>
<td>-385,931,878</td>
<td>6410,082,660</td>
<td>39,497,474</td>
<td>542,898,624</td>
</tr>
</tbody>
</table>

\(^a\) Years between from 2005 to 2007  
\(^b\) Years between from 2009 to 2011

Table 6 shows comparing Treynor Index for each period above. According to result of paired sample t Test for Treynor Index is shown that there are statistically differences between two periods at 10% level (p<0.10). In the other word, Sharpe Ratios of mutual funds are difference in before and after crisis.

**TABLE 6. Results of Paired Sample t Test for Treynor Index**

<table>
<thead>
<tr>
<th>Treynor_1 – Treynor_2</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Std. Err.</th>
<th>t</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-70,565</td>
<td>599,667</td>
<td>40,247</td>
<td>-1,753</td>
<td>.081</td>
</tr>
</tbody>
</table>

\(^*\) Treynor_1: Before Crisis (2005-2007)  
\(^*\) Treynor_2: After Crisis (2009-2011)

Table 7 shows comparing Jensen’s Alpha for each period above. According to result of paired sample t Test for Jensen’s Alpha is shown that there are statistically differences between two periods at 1% level (p<0.000). In the other word, Sharpe Ratios of mutual funds are difference in before and after crisis.

**TABLE 7. Descriptive Statistics for Jensen’s Alpha Before and After Crisis Period**

<table>
<thead>
<tr>
<th>Jensen_1 and Jensen_2</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Crisis(^a)</td>
<td>-18,289,629</td>
<td>12,085,477</td>
<td>-3,469,304</td>
<td>5,902,632</td>
</tr>
<tr>
<td>After Crisis(^b)</td>
<td>-12,206,041</td>
<td>15,783,187</td>
<td>-0,725,283</td>
<td>4,409,264</td>
</tr>
</tbody>
</table>

\(^a\) Years between from 2005 to 2007  
\(^b\) Years between from 2009 to 2011

Table 8 shows comparing Jensen’s Alpha for each period above. According to result of paired sample t Test for Jensen’s Alpha is shown that there are statistically differences between two periods at 1% level (p<0.000). In the other word, Sharpe Ratios of mutual funds are difference in before and after crisis.

**TABLE 8. Results of Paired Sample t Test for Jensen’s Alpha**

<table>
<thead>
<tr>
<th>Jensen_1 – Jensen_2</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Std. Err.</th>
<th>t</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-2,744</td>
<td>3,231</td>
<td>.216</td>
<td>-12,653</td>
<td>.000</td>
</tr>
</tbody>
</table>

\(^*\) Jensen_1: Before Crisis (2005-2007)  
\(^*\) Jensen_2: After Crisis (2009-2011)
Table 9 shows comparing each of calculated and analysed performance criteria. According to these results 3 of performance measurements has statistically differences between two period at difference level, although there are not statistically differences in Means between two periods.

### 4. Results and Discussion

The purpose of this study is to compare the performances of type A mutual funds in Turkey for the period before and after the 2008 crisis. The pre-crisis period have been determined as 2005-2007 and the post-crisis period as 2009-2011. Within the scope of application, there are 74 mutual funds of type A, which continuously operated between January 2005 - December 2007 and January 2009 - December 2011, not joined with another fund, not taken over by another fund, not being in liquidation and having complete data. These mutual funds were analyzed by using performance measurement methods like as Sharpe Ratio, Treynor Index, Jensen’s Alpha. According to these results shows that means is not enough to compare two periods as a statistically aspects. These means each of performance measurements are very important to understand a mutual fund goes on. As we see in this research, just focused on means for evaluating performance between two periods is limited to understand how mutual funds must be evaluated between periods. Our aims of this study is to analyse well-known performance measurement methods for portfolio as like Sharpe Ratio, Treynor Index, Jensen’s Alpha. In accordance with these results shows that all of performance has statistically differences between before and after crisis period at accepted different level, even though means has not statistically differences at that periods.

### References


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