



Outing the Closet Indexers in the Philippine Mutual Fund Universe

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ABSTRACT

The performance of 8 actively-managed equity mutual funds in the Philippines was examined in relation to their benchmark index, the Philippine Stock Exchange Index (PSEi). Performance metrics were computed from the monthly returns of these funds and the PSEi from February 2014 to February 2020. This study found that all 8 equity mutual funds have R-squareds ranging from 85.72% to as high as 98.43%, making them closet indexers. Further, the information ratios of these funds reveal that they grossly underperformed the PSEi as most of them recorded negative information ratios. Aside from that, the performance of the same equity funds was compared to the performance of the Philequity PSE Index Fund. It was found that all equity funds are closet index funds. In terms of information ratio, all 8 underperformed the said index fund. Results from this study show that investors are just wasting their money on actively-managed equity funds.

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Keywords: Equity mutual fund performance, Closet indexers, R-squared, Information Ratio

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