

Portfolio Turnover and Mutual Fund Performance: Evidence from Indian Equity Funds

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Abstract: This paper examines whether portfolio turnover influences the performance of Indian equity mutual funds during the period 2010–2021. Using a panel of open-ended equity funds, turnover-sorted portfolios, and risk-adjusted performance measures, the analysis compares gross and net returns and tests whether portfolio turnover predicts future outcomes. The evidence indicates a clear inverse relationship between turnover and investor performance. High-turnover funds fail to deliver meaningful fund performances and significantly underperform when compared on net returns. Low-turnover funds also exhibit more stable subsequent performance, suggesting that patient investment strategies are associated with superior outcomes in the Indian mutual fund industry.

Keywords: Portfolio Turnover, Mutual Funds, Trading Costs, Emerging markets, performance persistence

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