

THE EFFECT OF ASSET ALLOCATION ON PERFORMANCE
OF ENDOWMENT FUNDS IN KENYA

BY

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ABSTRACT

This paper examines the relationship between asset allocation and performance of endowment funds in Kenya over a six year period (2006-2011). Research on the impact of asset allocation on returns by a portfolio has been an issue of debate by researchers across the world. This research was mainly useful to managers of funds highlighting the importance of asset allocation in portfolio management in an attempt to maximize on returns.

A regression model of the funds in Kenya was used and the data analysed to generate the regression output. Ratios of each fund's annual performance over the six year period were derived and the output was interpreted by taking note of specific aspects of the regression output notably: Correlation of coefficient, Coefficient of determination and F significance.

The overall findings confirmed that there is a relationship between asset allocation and the annual performance of endowment funds studied. The regression model was also significant in forecasting returns for all the endowment funds analysed. The evidence suggests that there is a possibility of other multiple variables influencing fund performance that should adequately be incorporated into the regression model to ascertain all the influential factors.