Avoid mutual funds with higher investment portfolio turnover

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Avoid mutual funds with higher investment portfolio turnover The problem with high turnover is that higher fund trading adds substantial hidden expenses that drag down returns. Because short-term trading is a zero sum game (before costs) played against other well informed traders, greater turnover is far more likely on average to result in lower fund returns instead of superior risk-adjusted performance. When trading is greater, then even higher returns are required just to break-even on the higher associated trading costs.The primary impact of higher portfolio turnover is to drive up investment trading costs, which are not directly visible to individual investors. These trading costs include brokerage commissions, the bid/ask spread, and negative market impact. Negative market impact results when a fund's high trading volume exhausts the supply of currently available trade orders in the market, which causes the market bid-ask spread itself to move against the fund trader temporarily. Please read this article on our new Best No Load Funds website for more information: The Best Noload Mutual Funds Have VERY LOW Portfolio Turnover