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## Starting on the Wrong Foot: Seasonality in Mutual Fund Performance\*

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Abstract: We document a systematic seasonal component in the aggregate underperformance of active mutual funds. At the aggregate level, active funds underperform the market and other passive benchmarks only in the first month of a quarter. This intra-quarter performance seasonality holds across fund sizes and investment styles. The pattern is consistent with short-term stock return reversal effects along with aggregate window-dressing and, to a lesser extent, NAV-inflation practices around quarter-ends. We find marginal or no evidence of microstructure biases, fund investor flows, or cash distributions as sources of this seasonality. Our findings highlight new features of the active management underperformance puzzle.

JEL classification: G23; G12; G11

Keywords: Mutual funds; performance evaluation; seasonality; benchmark index.

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