

# Performance Analysis of Select Equity Mutual Funds in India

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## ABSTRACT

In India capital market provide various investment avenues to the investors, to assist them to take a position in various industries and to make sure the profitable return. Among various financial products, open-end fund ensures the minimum risks and maximum return to the investors, Growth, and developments of varied mutual funds products has proved to be one among the foremost catalytic instruments in generating momentous investment growth within the capital market. During this context, close monitoring and evaluation of mutual funds became essential. Therefore, choosing profitable mutual funds for investment may be a vital issue. This study deals with the equity mutual funds that are offered for investment by the varied fund houses in India, this study mainly focused on the performance of selected equity (large-cap, mid-cap, small-cap) open-end fund schemes in terms of a risk-return relationship. The most objective of this research work is to analyse the financial performance of selected open-end fund schemes through statistical parameters like (Jenson's alpha, beta, standard deviation, Sharpe ratio). The researcher concluded that 10 funds out of 15 performed well in a highly volatile market. The researcher found that an investor must consider risk ratios of the fund before investing. The findings of this research study are going to be help full to investors for his future investment decisions.

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## 1. Introduction

In the recent years mutual funds have gained a lot of momentum among the investors as their preferred source of investment. However, the Mutual Fund Industry is also playing a vital role as one of the contributors in the growth and development of the Economy. Mutual Funds are a professionally managed fund which pools the savings from large number of investors and the same funds are invested in various investment avenues like Equities, Debt, and Government Securities etc. Mutual Funds have become really popular due to its distinct features like Diversification, Low transaction Cost, Liquidity, and Professional Know- How Equity Funds are very popular among the Indian investors as they provide superior returns and capital appreciation as compared to other investment options. Equity funds provide probably a higher return as compared with other funds schemes, but on other it carries higher risk also. As the investors are now much concerned about their investment made, it becomes important to do the Risk –Return analysis of the funds.

The estimation of the mutual fund organization relies upon the exhibition of the protections it chooses to purchase. Thus, when you purchase a unit or portion of a fund, you are purchasing the presentation of its portfolio or all the more correctly, a piece of the portfolio's worth. Putting resources into a portion of a fund is unique about putting resources into portions of stock. In contrast to stock, funds don't give its holders any democratic rights. A portion of mutual funds speaks to interests in various stocks (or different protections) rather than only one holding. That is the reason the cost of a mutual fund is alluded to as the NET ASSET VALUE (NAV) per unit. A mutual fund's NAV is determined by isolating the all-out estimation of the protections in the portfolio by the aggregate sum of outstanding shares. Outstanding shares are those held by all investors, institutional speculators, and friends' officials or insiders. Mutual funds can regularly be bought or recovered as

required at the reserve's present NAV, which in contrast to a stock cost doesn't change during stock market hours, however, it is settled at the end of the day.

## Types of mutual funds

Mutual funds are classified into a few sorts of classifications, speaking to the sorts of protections they have focused on their portfolios and the kind of profits they look for. There is a reserve for almost every sort of investor or speculation approach.

### 1. Equity funds

The biggest classification is that of equity funds. As the name infers, this kind of funds puts essentially in stocks. Inside this gathering is different sub-classes. Some equity funds are named for the size of the organizations they put resources into the small, mid or large-cap.

### 2. Fixed income funds

Another huge gathering is the fixed income group. A fixed income group mutual fund centers around funds that pay a set pace of return, for example, government securities, corporate securities, or other obligation instruments. The thought is that the fund portfolio creates salary, which at that point passes on to investors.

### 3. Balanced funds

Balanced funds put resources into the two stocks and bonds to decrease the danger of introduction to some advantage class. Another name for this sort of mutual fund is the "asset allocation fund." An investor may hope to discover the allotment of these assets among resource classes moderately perpetual, however, it will contrast among assets. This funds's objective is resource gratefulness with lower hazard. Be that as it may, these assets convey a similar hazard

and can be as subject to variance as different groupings of assets.

#### 4. Index funds

Another gathering, which has turned out to be incredibly famous over the most recent couple of years, falls under the category "index funds." Their venture procedure depends on the conviction that it is hard, and frequently costly, to attempt to beat the market reliably. In this way, the record subsidized the fund manager purchases stocks that relate with a noteworthy market list, for example, the Sensex and Nifty 50.

This system requires less exploration from experts and counsels, so there are fewer costs to gobble up returns before they are passed on to investors. These assets are regularly structured because of cost-touchy investors.

#### 5. Money market funds

The money market comprises of safe (chance free) transient obligation instruments, generally government Treasury bills. This is a sheltered spot to stop your cash. You won't get considerable returns, yet you won't need to stress over losing your head.

#### 6. Income funds

Income funds are named for their motivation: to give current salary on an enduring premise. These assets put essentially in government and high caliber corporate obligation, holding these securities until development to give intrigue streams. While subsidize property may acknowledge in worth, the essential target of these assets is to give unfaltering cash flow to financial specialists. All things considered, the crowd for these assets comprises of preservationist financial specialists and retirees. Since they produce ordinary pay, charge cognizant speculators might need to keep away from these assets.

## 2. Literature Reviews

**AlkaSolanki (2016)** "A Study of performance evaluation of Mutual Funds" in the study concluded that all the mutual fund schemes considered for the study have outperformed the benchmark return, except one fund i.e. Reliance Focused Large cap fund .

#### **Pinninti Sivakumar & K.Srinivas Reddy (2017)**

The said study revealed that out of selected intermediaries for the study purpose the investors can prefer investing in ICICI mutual funds as it has lowest risk as compared to other intermediaries.

#### **Poonam M Lohara (2016)**

In her concluded that returns of all the funds were more than the market index return. Reliance banking fund was found a poor performer under all three performance measures. Kotak Gold Fund and IDBI fixed maturity funds outperformed the market benchmark.

#### **M.S.Annapoorna & Pradeep Gupta (2015)**

Evaluated the mutual fund schemes which were ranked 1 by CRISIL. It was found that performance of all the schemes seemed volatile during the study period it was difficult to find 1 such scheme which outperformed consistently during the study period.

#### **Sahri et al. (2015) :**

Stated that in measuring the performance of mutual funds, it's not enough the calculation is merely based on the entire return, but it's necessary to think about the risk factors. It's supported the measurement of the performance of mutual funds that if risk factors are considered, it will provide more in-depth information to investors about the performance of the mutual funds associated with the risks taken to realize such performance.

#### **Oliver and Macro (2012) :**

Conducted a study to evaluate the risk adjusted performance of European investment grade corporate bond mutual funds. 19 investment grade corporate bond funds were evaluated for the period of 5 years. These funds were evaluated by using multi index and asset class factor models. the results revealed that corporate funds on an average unperformed the benchmark portfolio and not a single fund showed a positive return.

#### **Laxmi Narayana Nadia and Mr. Balaji Reddy Mora (2014)**

Inspected a near examination of the mutual fund's scheme. The target of the examination is to gauge the risk and return of the close fund plans and differentiated the comparable and BSE-Sensex, Examine the plans dependent on its performance differentiated and the market record whether they are outperforming or underperforming to meet expectations to meet desires the benchmark and inspect the element of improvement of picked mutual funds scheme. The resultant of the study is that a couple of plans may have higher returns and some with higher risk. Whatever the blend, investors constantly look for the blend of most outrageous returns and the least risk. Close by this, it is indispensable to review the coefficient of confirmation of those plans and the returns are by all record not by any means the only factor to take a gander at the hour of venture where the investor needs to analyse all of the components impacting the fund's performance for better results.

#### **M.S.Annapoorna & Pradeep Gupta (2015)**

Evaluated the mutual fund schemes which were ranked 1 by CRISIL. It was found that performance of all the schemes seemed volatile during the study period it was difficult to find 1 such scheme which outperformed consistently during the study period.

#### **Nimalathasan et al. (2012)**

Conducted a study to do the financial performance analysis, A comparative study on equity diversified schemes and equity mid-cap and the results found that among the Open ended – Tax Saving schemes, the Canara Robeco Equity Diversified fund was preferred and was ranked the top most, whereas among the open ended mid-cap schemes, HDFC Asset management company is the preferred and ranked top.

## 3. Methodology of the study:

The study focuses on analyzing the performance of mutual fund by using three models i.e. Sharpe, Treynor ,& Jensen. The study also aims to evaluate the performance of different selected schemes on the basis of their daily return recorded during the period from January 2011 to July 2017.

#### 4. Objectives of the study:

1. To evaluate and compare the performance of equity mutual fund schemes of selected companies.
2. To compare the performance of equity mutual fund schemes of selected companies with the market return.

#### 5. Sources of data

The present examination depends on secondary data which is gathered from different sources like factsheets of different asset management companies and historical NAV from official websites.

#### Jenson's Alpha:

Alpha essentially is the contrast between the profits a financial specialist anticipates from a fund, A positive alpha methods the fund has beaten its benchmark index. Though a negative alpha shows an underperformance of the fund. The more positive an alpha the more advantageous for an investor.

#### Beta:

Beta is a proportion of the unpredictability of a specific fund in comparison with the market, all in all, that is, the degree to which the fund's return is affected by market factors. Beta is determined to utilize a factual tool called regression analysis.' By definition, the market benchmark index of Sensex and Nifty has a beta of 1.0. Conservative speculators should concentrate on mutual funds with low beta. Aggressive financial specialists

can pick to put resources into mutual funds that have a higher beta incentive for higher returns.

#### Standard deviation:

The total risk (showcase, security-specific and portfolio) of a mutual fund is estimated by Standard Deviation' (SD). In mutual funds, the standard deviation discloses to us how much the return on a fund is going astray from the normal profits based on its historical execution. At the end of the day can be said it assesses the volatility of the fund. The standard deviation of a fund estimates this risk by estimating how much the funds fluctuate in connection to its normal return of a fund over a while. As such, it is a proportion of the consistency of a mutual fund's return. A higher SD number shows that the net asset value(NAV) of the mutual fund is progressively unstable and, it is less secure than a fund with a lower SD.

#### Sharpe ratio:

Sharpe Ratio (SR) is another significant measure that assesses the return that a fund was created for the risk taken. The risk here is estimated by SD. It is utilized for funds that have a low relationship with the benchmark index. This ratio encourages an investor to know whether it is a sure thing to park money into these funds by taking the quantum of risk. The higher the Sharpe ratio (SR), the better a fund's return to the measure of risk taken. As it were, a mutual fund with a higher SR is better since it suggests that it has created higher returns for each unit of risk that was taken. Unexpectedly, a negative Sharpe ratio demonstrates that a risk-free asset would perform superior to anything the reserve being investigated.

No.	Fund name	NAV for 2015(□)	Return for 2015(%)	NAV for 2016(□)	Return for 2016(%)	NAV for 2017(□)	Return for 2017(%)	NAV for 2018(□)	Return for 2018(%)	NAV for 2019(□)	Return for 2019(%)
1	BNP PARIBAS Large Cap Fund	65.13	0.2	65.26	0.19	81.48	25.10	86.97	33.53	92.30	41.72
2	ICICI Prudential Blue chip Fund	15.68	4.53	16.94	8.04	19.52	24.49	20.78	32.53	21.97	40.11
3	Axis Blue chip Fund	16.89	5.56	14.24	(-15.69)	15.54	(-8)	17.41	3.08	17.77	5.21
4	SBI Blue chip Fund	19.22	1.16	18.44	(-4.06)	21.54	12.07	22.33	16.18	22.97	19.51
5	NIPPON India Large Cap Fund	23.34	1.48	21.85	(-6.38)	26.71	14.44	31.13	33.38	35.08	50.30

MID CAP FUND											
No.	Fund name	NAV for 2015(□)	Return for 2015(%)	NAV for 2016(□)	Return for 2016(%)	NAV for 2017(□)	Return for 2017(%)	NAV for 2018(□)	Return for 2018(%)	NAV for 2019(□)	Return for 2019(%)
1	Nippon India Growth Fund	796.12	0.02	760.93	(-4.42)	917.71	15.27	1207.19	51.63	1050.59	31.96
2	Axis Midcap Fund	24.89	3.71	24.07	(-3.29)	26.49	6.43	33.03	32.70	36.35	46.04
3	DSP Midcap Fund	36.24	0.67	38.14	5.24	48.26	33.17	58.81	62.28	53.64	48.01
4	BNP Paribhas Mid Cap Fund	24.42	1.75	21.68	(-11.22)	32.18	31.78	38.60	58.07	31.36	28.42
5	Motilal Oswal Midcap 30 Fund	19.29	1.53	19.68	2.02	23.59	22.29	28.12	45.78	25.22	30.74

SMALL CAP FUNDS											
No.	Fund name	NAV for 2015(₹)	Return for 2015(%)	NAV for 2016(₹)	Return for 2016(%)	NAV for 2017(₹)	Return for 2017(%)	NAV for 2018(₹)	Return for 2018(%)	NAV for 2019(₹)	Return for 2019(%)
1	Axis Small cap Fund	18.37	2.06	20.26	10.29	24.33	32.45	28.39	54.55	29.40	60.04
2	Kotak Small cap fund	52.41	0.79	53.75	2.56	72.86	39.02	85.20	62.56	67.33	28.47
3	HDFC Small cap Fund	25.63	2.52	26.77	4.45	35.63	39.02	47.72	86.19	42.52	65.90
4	Nippon India Small cap Fund	23.82	3.57	24.31	2.06	33.56	40.89	49.80	109.07	39.98	67.84
5	DSP Small cap Fund	41.55	1.34	46.08	10.90	55.05	32.49	73.41	76.68	55.08	32.56

Table 2 - RISK RATIOS LARGE CAP FUND

NO.	FUND NAME	STANDARD DEVIATION	BETA	SHARPE RATIO	JENSON'S ALPHA
1	BNP PARIBHAS Large cap Fund	11.70	0.83	0.44	2.20
2	ICICI Prudential Bluechip Fund	11.73	0.87	0.21	(-0.63)
3	AXIS Bluechip Fund	11.36	0.77	0.96	08.23
4	SBI Bluechip Fund	12.67	0.94	0.14	(-0.69)
5	Nippon India Large Cap Fund	14.34	1.02	0.20	(-0.73)

## MIDCAP FUND

NO.	FUND NAME	STANDARD DEVIATION	BETA	SHARPE RATIO	JENSON'S ALPHA
1	Nippon India Growth Fund	14.84	0.95	0.24	1.13
2	Axis Midcap Fund	13.14	0.64	0.78	12.1
3	DSP Midcap Fund	14.74	0.75	0.25	5.81
4	BNP Paribhas Midcap Fund	16.00	0.81	0.13	4.41
5	Motilal Oswal Midcap 30 Fund	15.99	0.74	0.11	3.88

## SMALLCAP FUND

NO.	FUND NAME	STANDARD DEVIATION	BETA	SHARPE RATIO	JENSON'S ALPHA
1	Axis Small Cap Fund	13.83	0.53	0.66	13.44
2	Kotak Small cap Fund	16.61	0.68	0.06	6.38
3	HDFC Small cap Fund	16.78	0.69	0.11	7.33
4	Nippon India Small cap Fund	18.70	1.16	0.15	(-0.13)
5	DSP Small cap Fund	18.37	0.90	(-0.15)	0.02

## 6. Conclusions

The funds which were selected for the study purpose, none of them have shown a consistent return and performance during the study period. Birla Sun Life Equity Growth scheme

have shown good performance in all three measures, while TATA Equity performed well as per the Sharpe measure but didn't perform in other measures.

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