

PERFORMANCE EVALUATION OF MUTUAL FUND SCHEMES IN INDIA

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Abstract

This study was undertaken to know the risk and return involved in various schemes. The mutual funds, schemes are provide good returns with reasonable risk. In recent days, schemes are gaining momentum among investors and through this project this fact has been proved. In this study, I have comprehensively studied the risk, return and awareness about mutual fund and performance of the investor in various ways of investment avenues. The results have been derived out by the way of analysis and interpretation of the collected data using various criteria like purpose of investment, performance of various schemes and yield got out of the schemes.

Keywords: Mutual fund, Performance Evaluation, Schemes, Investment, Association of mutual fund in India, Risk and Return.

Introduction

A mutual fund represents a vehicle for collecting the investments. In today scenario mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. Anybody with an investible surplus of as little as a few thousand rupees can invest in mutual funds. Each mutual fund scheme has a defined investment objective and strategy.

In today's world the people are very conscious while investing their money. All the people wish to earn more by investing in best avenues. When we talk about financial investments there are plenty of avenues available for investment. Each investment avenues have its own features, objectives, but investing community is not award about money. Hence this study was under taken to know how for the Mutual fund and AUMs are performing and achieving their stated objectives in various market movements.

Literature Review

Measuring Mutual Fund Performance (S.P. Kothari, 1997), he studied the standard mutual fund performance measures, using simulation procedures combined with random and random-stratified samples of NYSE and AMEX securities. We track simulated fund portfolios over time. These portfolios' performance is ordinary, and well-specified performance measures should not indicate abnormal performance. Our main result, however, is that the performance measures are badly misspecified. Regardless of the performance measure, there are indications of abnormal fund performance, including market-timing ability, when none exists.

Evaluating Mutual Funds Styles and Performance (Kent L. Womack, 2003), mutual fund performance evaluation in its simplest form in a first-year MBA investments course can be thought of as examining the residual alpha of a fund after controlling for multiple beta risks. This empirical exercise, which may be used with the teaching note, Understanding Risk and Return, the CAPM, and the Fama-French Three-Factor Model, allows students to apply their understanding of multi-factor models to a typical real-world investment problem. The case is accessible for students that have a basic understanding of multiple regressions.

Objectives of the Study

1. To analyze the performance of top ranked mutual fund schemes in India.
2. To find out the best performing funds by the way of comparing various techniques.
3. To give suitable suggestions to the investors for selecting appropriate schemes for investment.

Research Methodology

Research Design

Research design is analytical research, analytical research is Primarily concerned with testing hypothesis and specifying and interpreting relationships, by analyzing facts information already available. Explains cause and effect relationship among the variables, analyzing how one variable control over the other by testing hypothesis. Analysis the situation and make a critical evaluation.

Size of the Data

The study concentrates on selected 2 performing funds of Mutual funds as they dominate the market. The researcher has selected 2 top performing funds in the year from April 2012-March 2013 . The sampling is selected by the based on Judgmental sampling.

1. Birla sun life frontline equity
2. HDFC midcap opportunity

Data Collection

Secondary Data

The Secondary data for this study was collected from newspapers, books, magazines, the Internet, mutual fund prospectus, offer documents, fact sheets, memorandums and other literatures.

To analyze the performing funds, the average of the daily NAV's of each month from of an year the data is collected from www.amfiindia.com and the values of the S&P CNX Nifty, CNX Midcap, were collected from nseindia.com. , BSE india.com. The average return of the 91 days T-Bill for 1 Years is used as a risk free return.

Tools used in the Study

To find out the best Performing Funds to be invested right now in India, the Funds were chosen based on their NAV's. These funds were analyzed on the following parameters:

1. Standard Deviation.
2. Beta.
3. The Sharpe ratio.
4. The Treynor measure.
5. Jensen's Alpha

Limitations of the Study

1. The study based on the past data which may not guarantee to the future performance of the market.
2. The study was conducted in a limited period with a secondary data of 1 year.

Data Analysis and Interpretation

Portfolio evaluation of Birla Sun Life Frontline Equity for the period of April 2012 to March 2013

Table No: 1

BIRLA SUNLIFE FRONTLINE EQUITY								
1st APRIL 2012 to 31st MARCH 2013								
MONTH	NAV	BI	BETA	SD	T-BILLS	TREYNOR	SHARPER	JENSEN
APRIL	-0.007	-0.011	0.578	0.030	0.080	-0.150	-2.886	-0.034
MAY	-0.054	-0.067	0.798	0.055	0.080	-0.168	-2.425	-0.016

JUNE	0.087	0.07	1.256	0.076	0.070	0.014	0.229	0.018
JULY	0.002	-0.013	-0.145	0.027	0.080	0.538	-2.916	-0.092
AUG	0.001	0.005	10.000	0.028	0.080	0.008	-2.842	-0.828
SEP	0.088	0.085	1.033	0.080	0.080	0.008	0.097	0.003
OCT	-0.007	-0.016	0.850	0.038	0.080	-0.103	-2.320	-0.006
NOV	0.058	0.05	1.159	0.063	0.080	-0.019	-0.358	0.013
DEC	0.018	0.014	0.800	0.025	0.080	-0.077	-2.478	-0.009
JAN	0.011	0.011	0.020	0.009	0.080	-3.466	-7.593	-0.068
FEB	-0.059	-0.063	1.029	0.076	0.080	-0.136	-1.832	0.008
MARCH	-0.011	-0.01	1.086	0.043	0.080	-0.084	-2.142	0.007

Inference

NAV returns are high in September about 8.8% but during that period benchmark index fetches 8.5% of returns. So, this fund has low performances during September and individual risk (standard deviation) also low in this portfolio for the period of September about 0.080(i.e 8.0% of deviation) . Beta is used to measure of systematic risk and its value is 0.80%. It infers that this portfolio is under performed in the market. This portfolio is having ability of performing of 80% of the market performances. The highest treynor in the month of August about 0.0079% . The highest sharper in the month of June about 0.022% . And the highest Jensen in the month of February about 0.0079%.

From the above study NAV returns are low in May about -5.4% But during that period benchmark index fetches - 6.7% of returns. so , this fund having lower performances during January individual risk (standard deviation) also low in this portfolio for the period of May about 0.055(i.5.5% of deviation) . Beta is used to measure of systematic risk and its value is 0.79%. It infers that this portfolio is under performed in the market. This portfolio is having ability of performing of 79% of the market performances. The highest Treynor in the month of January about -3.466% the highest sharper in the month of January about -7.59% and the highest Jensen in the month of August about -0.8277%.

Portfolio evaluation of HDFC Midcap Opportunity for the period of April 2012 to March 2013

Table No: 2

HDFC MIDCAP OPPORTUNITY (CNX MIDCAP)								
APRIL 2012-31st to MARCH 2013								
MONTH	NAV	BI	BETA	SD	T-BILLS	TREYNOR	SHARPER	JENSEN
APRIL	0.0002	-0.0312	0.069	0.01	0.08	-1.1432	-7.975	-0.07
MAY	-0.0587	-0.0768	0.804	0.05261	0.08	-0.1725	-2.636	-0.01

JUNE	0.0582	0.0657	0.836	0.05168	0.07	-0.0141	-0.227	-0.01
JULY	0.0067	-0.0251	-0.314	0.01435	0.08	0.2329	-5.11	-0.11
AUG	-0.0049	-0.0143	0.6	0.01826	0.08	-0.1414	-4.647	-0.03
SEP	0.0827	0.1095	0.728	0.06511	0.08	0.0037	0.04	-0.02
OCT	-0.0253	-0.0099	4.19	0.03529	0.08	-0.0251	-2.983	0.27
NOV	0.0326	0.0484	0.621	0.04006	0.08	-0.0762	-1.182	-0.03
DEC	0.0238	0.0447	0.489	0.0329	0.08	-0.1148	-1.708	-0.04
JAN	-0.0114	-0.0169	0.876	0.02432	0.08	-0.1043	-3.759	-0.01
FEB	-0.0639	-0.0986	0.674	0.05745	0.08	-0.2134	-2.505	-0.02
MARCH	-0.0144	-0.0188	1.179	0.02947	0.08	-0.08	-3.203	0.02

Inference

NAV returns are high in September about 8.27% but during that period benchmark index fetches 10.95% of returns. so , this fund has low performance during September individual risk (standard deviation) also low in this portfolio for the period of September about 0.065(i.e 6.5% of deviation) . Beta is used to measure of systematic risk and its value is 0.728. It infers that this portfolio is under performed in the market. This portfolio is having ability of performing of 72% of the market performances. The highest Treynor in the month of July about 0.2329% . The highest Sharper in the month of September 0.040 % . And the highest Jensen in the month of October about 0.27% .

From the above study NAV returns are low in February about -6.39% But during that period benchmark index fetches -9.86% of returns. so , this fund has low performance during February individual risk (standard deviation) also low in this portfolio for the period of February about 0.0574(i.e. 5.7% of deviation) . Beta is used to measure of systematic risk and its value is 0.67. It infers that this portfolio is under performed in the market. This portfolio is having ability of performing of 67% of the market performances. The lowest Treynor in the month of April about -1.14 % . The lowest Sharper in the month of April about -7.97 % . And the lowest Jensen in the month of July about -0.11% .

Findings of the Study

1. By considering the performance of mutual fund schemes in India. The performances of Birla Sun life Frontline Equity growth had highest monthly average return of 1.05%.
2. Performing schemes generating return more than two time of return generated by Sensex.
3. From the schemes we have taken for our study we observed that Birla Sun Life Frontline Equity, HDFC Midcap Opportunity, these schemes were performing well there is a strong portfolio management policies behind the success of the above said funds.
4. Performing schemes having positive relationship between movements of Nifty Vs NAV and another one Sensex Vs NAV return and also fluctuations in the last years.
5. Among these funds HDFC Midcap Opportunity had monthly average return poor performance.

Suggestions of the Study

1. The investor should understand the objectives of the fund i.e what type of securities the fund manager going to buy.
2. While go for long term investments the investor should consider the consistency of the fund performances the investor can find the diversity of portfolio by comparing the portfolios rank in treynor , sharper and Jensen's alpha .
3. Mutual funds costs are unavoidable but it varies from fund to fund, while selecting the fund the investor should consider the cost of the fund.
4. The percentage of funds invested by fund managers must be in balanced form to avoid high volatility.
5. It is suggested to invest in fund where the volatility is minimum. Because high volatility some time produces more gain and also more loss to the investor must carefully watch the volatility of performance of funds before investing in any mutual funds.

Conclusion

Today, the people are finding the best alternative way to invest their money in trading and the investors have confidence, which paves them to invest their money in mutual fund market to earn more return on short term and long term basis. As the level of risk is known before to the investor while trading, investors can earn good profit, with minimum risk.

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