
Performance Evaluation of Select Mutual Fund Schemes: An Analysis of Return

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ABSTRACT

A mutual fund is an investment company that creates a bridge between individual investors or retail investors & corporate giants. Mutual funds provide investment options for retail investors or individual investors those who are not aware about stock market and want to invest their funds in stock market with a small amount of money. A mutual fund is a pure intermediary which performs basic function of buying & selling security on behalf of its investors or unit holders. Investing through mutual funds has gained interest in recent years as it offers optimal risk adjusted returns to investors. The Indian markets has witnessed a multi-fold growth in mutual funds over the years. The year 2017 has been an outstanding year for equity markets with the BSE Sensex rising nearly 24 per cent (as on December 13, 2017) in last one year. However, mid and small cap funds emerged as the clear winners in the years 2017 with four out of the five best-performing mutual funds belonging to small and midcap category. Delivering a one-year return of as much as 65.20 per cent, small and midcap funds have outperformed their large cap peers.

The present paper investigates the performance of Top Ranked Mutual Funds across all categories- open-ended, growth-oriented equity schemes, balanced funds etc., for the period from April 2017 to December 2017 ranked no 1. Daily closing NAV of different schemes have been used to calculate the returns from the various fund schemes. The results will be useful to investors, and managers for taking better investment decisions.

Keywords: *Mutual Funds, Performance Evaluation, Returns, Performance, NAV etc.*

I. Introduction

A mutual fund is an investment company that creates a bridge between individual investors or retail investors & corporate giants. Mutual funds provide investment options for retail investors or individual investors those who are not aware about stock market and want to invest their funds in stock market with a small amount of money. A mutual fund is a pure intermediary which performs basic function of buying & selling security on behalf of its investors or unit holders.

A Mutual Fund pools the money of people with certain investment goals. The money invested in various securities depending on the objectives of the mutual fund scheme and the profits (or loss) are shared among investors' in proportion to their investment. Investments in securities are spread across a wide cross-section of industries and sectors. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Mutual fund issues units to the investors' in accordance with quantum of money invested by them. Investors' of mutual funds are known as unit holders. The profits or losses are shared by the investors' in proportion to their investment. The mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with Securities and Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public. Thus a Mutual Fund is the most suitable

investment to the common man as it offers an opportunity, to invest in a diversified, professionally managed basket of securities at relatively low cost.

Fund is constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882 by the Sponsor. Trustee is usually a company (corporate body) or a board of trustees (body of individuals). The main responsibility of the trustee is to safeguard the interest of the unit holders and also ensure that AMC functions in the interest of investors' and in accordance with the Securities and Exchange Board of India (Mutual Fund) Regulations 1996 the provisions of the Trust deed and the offer Document of the respective schemes. The AMC is appointed by the Trustees as the investment Manager of the Mutual Fund. The AMC is required to be approved by SEBI to act as an asset management company of the Mutual Fund. The AMC if so authorized by the Trust Deed appoints the Registrar and Transfer Agent to agent the mutual fund. The registrar processes the application form, redemption requests and dispatches account statements to the unit holders. The Registrar and Transfer agent also handles communications with investors' and updates investor records.

Mutual Funds can be categorised according to their nature as below:-

a) Equity funds: Equity mutual funds invest pooled amount in the stocks of public companies. Equity fund managers apply different styles for stock picking when they make investment decisions for their portfolios. Some fund managers use a value approach to stocks, searching for stocks that are undervalued when compared to other companies. Another approach is to look primarily at growth, trying to find stocks that are growing faster than their competitors, or the market as a whole. Some managers buy both kinds of stocks, creating a portfolio of both growth and value stocks.

b) Debt funds: Debt mutual fund is a type of mutual fund that is designed especially for the low risk investor whose main aim is capital appreciation coupled with decent returns on investment. These are for investors who prefer funds with lesser volatility and want a regular income.

Debt funds can give:

- Capital Appreciation
- Regular Income

c) Balanced funds: As the name suggest, they are mixture of both - equity and debt funds. They invest in both equities and fixed income securities, which are in line with pre-defined investment objective of the scheme. Equity part provides growth and the debt part provides stability in returns.

II. Importance of the study:

The present study can be of great help to research agencies, academicians, mutual funds investors, business school students, mutual funds companies etc. The study focuses on the present scenario in the mutual funds industry, with regards to returns which is concerned with the rapidly changes in the capital market with respect to the investors preference. For testing the performance of various mutual funds schemes different schemes from different investment companies have been considered which are ranked no 1 in terms of performance on the basis of returns according to their Net Annualised Value (NAV).

NET ASSET VALUE

The net asset value, or NAV, is the current market value of a fund's holdings, usually expressed as a per-share amount. For most funds, the NAV is determined daily, after the close of trading on some specified financial exchange, but some funds update their NAV multiple times during the trading day.

CALCULATION OF NAV : The detailed methodology for the calculation of the asset value is given below.

Net Asset value = Sum of market value of shares/debentures + Liquid assets/cash held (if any) + Dividends/interest accrued - Amount due on unpaid assets - Expenses accrued but not paid.

III. Literature Review

The present study deals with the review of literature on ‘ **PerformanceEvaluation Of Mutual Funds Schemes**, some of the studies are presented below .

Suchitashukla (2015) analyzed the financial performance in terms of risk –return relationship of selected mutual fund schemes (5 categories ×3 mutual fund= 15 schemes). The study reveals that Overall the mutual funds have given better returns than the benchmark in the above period subject to infrastructure fund in year 2013.

Sarika, (2015) However, there are differences between the two. Saving refers to funds kept for making specific purchases in the comparatively nearby future and for emergencies. Investing, on the other hand, focuses on increasing net worth and realizing long-term financial aims. Investing involves risk of loss of principal and is more concerned on the return of investment. This total risk, calculated by standard deviation, can be divided into two parts Unsystematic risk, systematic risk. Unsystematic risk is also termed diversifiable risk. Systematic risk may be called non-diversifiable risk, unavoidable risk or market risk and measured by Beta.

R.Narayanasamy, v.rathnamani, (2013) in their study evaluates the performance of selected equity large cap mutual funds schemes in terms of risk- return relationship.The study concluded that all the funds have performed well in the high volatile market movement except Reliance vision.

Shriprakashsoni, (GUPTA, 2013) Mutual fund industry has experienced a radical growth in the past two decades. Increase in the number of schemes with increased mobilization of funds in the preceding few years notes the importance of Indian mutual funds industry. To fulfil the expectations of millions of retail investors, the mutual funds are mandatory to function as successful institutional investors. Proper assessment of various fund performance and their contrast with other funds helps retail investors for making investment decisions. Considering the interest of retail investors modest statistical techniques like averages and rate of returns are used.

Rajesh Kumar, RiturajChandrakar(2012) evaluates the performance of 29 open-ended, growth-oriented equity schemes for the period from April 2005 to March 2011 (six years) of transition economy. The study revealed that 14 out of 29 (48.28 percent) sample mutual fund schemes had outperformed the benchmark return. The results also showed that some of the schemes had underperformed; these schemes were facing the diversification problem.

IV. Objectives

The objectives of this study is,

- To study and analyse the returns given by different schemes .
- To help the investors, in choosing the top mutual funds according to their needs.
- To measure and analyse the returns of various sectors fund schemes.

V. Research methodology:

This is a descriptive research wherein the source for the data is secondary. The data has been collected from published data and information with regard to this study.

Secondary Data:

The information has been collected from the various Annual reports, journals, magazines and from various websites like moneycontrol, the economic times and BSE Ltd etc.,.

Data Analysis:

a) **ALL Top Ranked Mutual Funds across various categories (Table 1)**

Top Ranked Mutual Funds				
As on : Quarter ended September 2017				
Methodology				
Large Cap	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
ABSL Top 100 (G)	Rank 1	58.92	32.0	2,480.75
ABSL Top 100 - Direct (G)	Rank 1	61.78	33.7	768.18
Invesco India Dynamic Equity (G)	Rank 1	28.94	31.4	324.9
Invesco India Dynamic Equity- DP(G)	Rank 1	31.13	33.5	12.2
Kotak Select Focus Fund - Direct (G)	Rank 1	35.24	37.5	3,206.70
Kotak Select Focus Fund - Regular (G)	Rank 1	33.58	35.9	9,867.01

Small & Mid Cap	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
ABSL Small and Midcap Fund (G)	Rank 1	44.79	57.8	892.05
ABSL Small & Midcap -Direct (G)	Rank 1	46.84	59.6	177.13
L&T Emerging Businesses Fund-DP (G)	Rank 1	29.55	68.2	258.84
L&T Emerging Businesses Fund-RP(G)	Rank 1	28.79	67.0	1,244.23
L&T Midcap Fund (G)	Rank 1	151.34	53.2	1,018.04
L&T Midcap Fund -Direct (G)	Rank 1	157.49	54.6	128.71

Diversified Equity	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
ABSL Advantage Fund (G)	Rank 1	450.33	42.7	3,664.77
ABSL Advantage Fund -Direct (G)	Rank 1	468.19	44.5	493.02
Motilal Focused Multicap 35 -DP (G)	Rank 1	28.27	45.6	3,269.73
Motilal Focused Multicap 35 -RP (G)	Rank 1	27.27	44.3	4,970.70
Principal Emerging Bluechip(G)	Rank 1	113.56	50.5	1,020.86
Principal Emer-Bluechip -Direct (G)	Rank 1	118.54	52.1	160.62
Sundaram Rural India Fund (G)	Rank 1	44.7	39.9	1,424.95
Sundaram Rural India -Direct (G)	Rank 1	45.99	41.1	108.43
Tata Equity P/E Fund - Direct (G)	Rank 1	145.67	42.1	122.36
Tata Equity P/E Fund (G)	Rank 1	140.98	40.8	1,447.59

Thematic - Infrastructure	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
JM Basic Fund -Direct (G)	Rank 1	35.68	47.2	3.78
L&T Infrastructure (G)	Rank 1	19.01	62.2	592.9

ELSS	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
IDFC Tax Adv. (ELSS) -Direct (G)	Rank 1	62.7	55.7	38.46
IDFC Tax Advantage (ELSS)-RP (G)	Rank 1	59.57	54.0	623.28
Tata India Tax Savings Fund - Direct (G)	Rank 1	19.25	48.9	398.61
Tata India Tax Savings Fund - Reg (G)	Rank 1	18.5	47.1	29.06
Index	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
Kotak Nifty ETF	Rank 1	106.52	29.9	525.52

Debt Long Term	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
ICICI Pru Long Term - Direct (G)	Rank 1	21.77	6.1	1,397.29
ICICI Pru Long Term Plan-RP (G)	Rank 1	40.48	5.4	10.16
SBI Dynamic Bond Fund (G)	Rank 1	21.21	4.0	1,916.91
UTI Bond Fund - Direct (G)	Rank 1	53.62	4.5	830.01
UTI Dynamic Bond Fund (G)	Rank 1	19.71	4.2	1,214.13
UTI Dynamic Bond Fund - Direct (G)	Rank 1	20.33	5.0	400.85

Debt Short Term	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
HDFC Medium Term Opport. (G)	Rank 1	18.98	6.6	2,629.90
IDFC SSIF - MTP - Regular (G)	Rank 1	28.68	5.2	1,974.90
IDFC SSIF - MTP - Direct (G)	Rank 1	29.68	5.9	1,639.20
Kotak Corporate Bond - Direct (G)	Rank 1	2,284.83	7.3	771.01
Kotak Corporate Bond - Standard (G)	Rank 1	2,241.82	7.0	286.08
L&T Short Term Opport. -Direct (G)	Rank 1	16.69	6.4	2,928.29

Credit Opportunities Funds	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
Franklin (I) Low Duration (G)	Rank 1	19.55	8.4	3,069.58
Franklin (I) Low Dura. -Direct (G)	Rank 1	19.85	8.7	742.95
Reliance Corporate Bond Fund (G)	Rank 1	13.78	7.1	5,257.26
Reliance Corporate Bond - DP (G)	Rank 1	14.2	8.1	1,967.11

Ultra Short Term Debt	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
DHFL Pramerica STFR-IP-DP (G)	Rank 1	19.08	7.1	743.4
DHFL Pramerica STFR-IP-RP (G)	Rank 1	18.88	6.9	58.92
DSP-BR Money Manager -Direct (G)	Rank 1	2,345.75	6.9	1,444.68
IDFC MMF - Investment -Direct (G)	Rank 1	26.74	5.9	876.3
IDFC MMF-Investment Plan A (G)	Rank 1	24.65	9.4	362.47
JM Money Manager Fund -SPP (G)	Rank 1	24.33	6.8	265.44
UTI Treasury Advantage -Direct (G)	Rank 1	2,371.10	7.3	9,037.03
UTI Treasury Advtg -Inst (G)	Rank 1	2,353.78	7.1	5,284.11

Gilt Long Term	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
Reliance Gilt Sec. - Direct (G)	Rank 1	23.73	4.8	860.24
Reliance Gilt Sec. - RP (G)	Rank 1	22.51	3.6	569.99
UTI Gilt Advantage - LTP (G)	Rank 1	37.67	4.4	348.42
UTI Gilt Advantage-LTP - Direct (G)	Rank 1	38.2	4.6	287.9

Balanced	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
Reliance RSF - Balanced (G)	Rank 1	55.57	30.06	6,015.42
Reliance RSF - Balanced -Direct (G)	Rank 1	58.7	32.6	304.59

MIP Aggressive	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)

		(Rs./Unit)	(%)	Sep-17
ABSL MIP II-Wealth 25 (G)	Rank 1	39.07	15.9	2,196.77
ICICI Prudential MIP 25 (G)	Rank 1	39.42	13.2	1,351.97
ICICI Pru MIP 25 - Direct (G)	Rank 1	40.98	14.2	73.85

Liquid	Crisil Rank	NAV	1 yr Return	AUM (R s. cr.)
		(Rs./Unit)	(%)	Sep-17
Baroda Pioneer Liquid -Direct (G)	Rank 1	1,963.22	6.8	3,986.67
Baroda Pioneer Liquid -Plan A (G)	Rank 1	1,954.08	6.7	1,510.66
Indiabulls Liquid Fund (G)	Rank 1	1,660.54	6.7	734.1
Indiabulls Liquid Fund -Direct (G)	Rank 1	1,668.56	6.8	5,927.73
JM High Liquidity (G)	Rank 1	46.56	6.7	1,572.81
JM High Liquidity Fund -Direct (G)	Rank 1	46.74	6.8	4,178.81

NAV = 30/12/2017

AUM as on 30/09/2017

AUM=Assets Under Management

Inference:

Table 1 depicts the performance of various mutual funds and various mutual fund schemes of different mutual fund houses and their returns for a period of April 2017 to December 2017. It also represents their rank on the basis of their performance (Ranked no 1) by CRISIL Rating Agency, its NAV and the AUM as on 30th September 2017. (AUM has to be reported quarterly therefore, the latest value of AUM is of 30th September 2017.)

CONCLUSION:

The present paper investigates the performance of open-ended, diversified equity schemes and all other schemes which have been ranked no 1 in terms of their returns on the basis of NAV for the period from April 2017 to December 2017. Daily closing NAV of different schemes have been used to calculate the returns from the fund schemes. S&P BSE-sensex has been used for market portfolio. The results will be useful for investors for taking better investment decisions. Results of the study showed that that some mutual fund schemes had outperformed the benchmark return. The average returns from the large cap funds was 34%, and small and medium cap funds was as high as 160%, whereas the diversified equity cap fund's returns were 44.36%, the thematic infra funds return's were 55% at the same time equity linked savings schemes returns were 51%. All other categories of funds other than the discussed above represented in the table has delivered on an average 5 to 14% except the balanced funds whose returns were 31%. From the above it can be concluded that among all the above categories of different companies mutual funds the small and midcap funds has outperformed all the other funds. At present the sensex is in a very good position and the mutual fund industry is at an all time high. Given the above conditions it can be concluded that the mutual fund industry didn't disappointed the investors and generated very good returns during the year 2017.

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