A Study on Performance Analyze Of Selected Mutual Fund Schemes

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\textbf{Abstract—} This paper analyzes the performance of open ended equity schemes using daily closing NAV of different schemes to calculate the return of the selected mutual funds schemes. The selected scheme was evaluated on the basis of Sharpe, Treynore, and Jensen measure. The result will be useful for the investor taking better investment. Mutual fund ensures the minimum risk and maximum return to the investors. The objective of this paper is to analyze the return and provide understanding towards better investment decision.

\textbf{Key words:} Mutual Fund, Performance Analyze

I. \textbf{INTRODUCTION}

Investment is the very important part of the modern economic world. Mutual fund is one of the most attractive financial investments of in India. Now a day’s mutual fund play a vital role in the economy of a country. There are many investments alternatives in India. But mutual fund provides opportunity for the investors. Mutual fund industry was introduce in India 1963 with the formation of the Unit Trust Of India (UTI). many years later in 1987 introduce non UTI mutual fund in India. SBI mutual fund is became a first non UTI mutual fund. Last few years many changes have been seen in the mutual fund industry. The information and awareness is raising more people investing the mutual fund and enjoying the benefits. The need for analyze the performance of mutual fund schemes to see the mutual fund schemes are outperforming or underperforming the benchmark. This paper analyzes the open ended equity schemes of selected mutual funds.

II. \textbf{REVIEW OF LITERATURE}

The present paper deals with the review of literature on analysis the performance of selected mutual fund schemes (Dr.R.Narayanasamy, 2013) Analyze the performance of selected equity large cap mutual fund schemes in terms of risk-return relationship. Analyze financial performance of selected mutual fund schemes through the statistical tools. The findings of this research study will be help full to investors for his future investment decisions.

(N.Bhagyasree, 2016) Analyze the performance of open ended growth oriented equity schemes. Daily closing NAV of different schemes have been used to calculate the returns of the mutual funds schemes. The result showed which mutual fund scheme is underperformed and which scheme providing return greater than risk free rate.

(Solanki, 2016) Evaluate the performance of reliance open-ended equity schemes with growth option. The period of study is 1\textsuperscript{st} April 2007 to march 2016. To evaluate the schemes monthly returns are compared with benchmark of BSE and SENSEX returns. This paper analysis the scheme is performed well in the reliance mutual fund.

(Dr.G. Brindha, 2014) Mutual fund investment has changed lot of changes last few years. The investor expectation is changing and considers the risk adjusted return they well aware about their investment risk and return. A fund track record is used for evaluates the performance of mutual fund schemes to knew the how valuable investment to the investor. The various statistical tools for used for analyze the performance and guided to the investor for make valuable investment.

(Lohana, 2013) In India the last eight years the mutual fund is growing well. The retail investor fund gathering and investing diversified into securities. The modern investor is aspires to diversify their investment from the savings „stock market is more challenging one the gain or loss is unpredictable so for some techniques used for evaluates the past track record for the fund and make investor stable income reduces the fluctuation in changes in stock prices.

III. \textbf{MUTUAL FUND}

Mutual fund is the collective investments that pools money from many investors. The collections of money invest in stocks, short-term money market instrument, and other securities. Value of the mutual fund known as net asset value (NAV). This calculates based on total value of the fund divided by the number of shares currently issued.

The securities and exchange board of India (mutual funds) regulation 1993 defines mutual fund as “a fund established in the form of a trust by a sponsor to raise moneys by the trustees through the sale of units to the public under one or more schemes for investing in securities in accordance with these regulation”. 

![Fig. 1: Working of Mutual funds](image-url)
A. Mutual fund structure

![Mutual Fund Structure Diagram]

Fig. 2:

1) Open – Ended Schemes:
Open- ended fund is a collective investment scheme. Investors are easily and conveniently buy and sell the shares at any time. This type of scheme don’t have fixed maturity period. Open – ended schemes key future is liquidity.

2) Close- Ended Schemes:
Close- ended schemes have a fixed maturity period. Investors directly invest in the scheme at the time of initial issue. In this scheme two exit options is available.

1) Investor after initial offer period close.
2) Investor can buy or sell the schemes on the stock exchange.

The market price varies from the stock exchange from the net asset value of the schemes on demand and supply, expectation of investors and other market factors. The close- ended schemes provide additional option for selling the units directly to the mutual fund through periodic repurchase at the schemes NAV.

B. Interval schemes:
Interval scheme is combines the feature of open- ended and close- ended schemes. The units are traded on the stock exchange or open for sale or redemption during the pre-determined intervals at NAV related price.

1) Types of mutual fund in India:
   1) Money market funds
   2) Fixed income funds
   3) Equity funds
   4) Balanced funds
   5) Index funds
   6) Specialty funds
   7) Fund-of-funds

2) Money Market Funds
Money market fund is investing in short term fixed income securities. Such as government bonds, treasury bills, bankers’ acceptance, commercial papers as well as certificate of deposits. This type of investment is safer investment but lower potential return compare with other type of mutual fund returns.

3) Fixed Income Funds
The fixed income a fund is will be given the fixed rate of return. Like government bonds, investment grade corporate bonds and high yield corporate bonds.

4) Equity Funds
The Equity funds invest in stocks. Equity fund is aim to grow faster than the money market and fixed income fund, so there is usually a higher risk that affect the return. There are different types of equity funds like diversified equity funds, mid-cap funds, income funds, tax saving funds.

5) Balanced Funds
Balanced fund is mix of equity and debt funds. These fund invest in a mix of equity and fixed income securities. The fund aim is achieving higher returns against the risk of losing money.

6) Index Funds
The index funds aim is to track the performance of specific index. The fund value is go up or down as the index goes up or down. The index funds typically have lower costs than actively managed mutual funds.

7) Specialty Funds
The specialty funds focus on specialized mandates. Like real estate, commodities, and socially responsible investing.

8) Fund-Of Funds
These funds invest in other type of funds. The fund-of funds similar to balanced funds they try to make asset allocation and diversification easier for the investor.

C. Common approaches to investing in mutual funds

1) Top down approach
2) Bottom-up approach
3) Combination of top down and bottom-up approaches
4) Technical analysis

1) Top Down Approach
The approach looks at the big economic picture and then finds the industries or countries that look like they are going to do well and then invest in specific companies with choose the industry or country.

2) Bottom- Up Approach
This approach focus on selecting specific companies that are doing well. Not concentrate the prospects for the industry or the economy.

3) Combination of Top down And Bottom up Approaches
This approach focus on the portfolio manager managing global portfolio and decide which countries to favour on a top down approach but build the portfolio of stocks within each country based on bottom up approach.

4) Technical Analysis
The technical analysis attempt to forecast the direction of investments prices by analyze the past market data

D. Performance Analyze Tools
Sharpe ratio: It indicates the risk-return performance of the mutual fund.

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\text{Sharpe Index} = \frac{\text{Portfolio Average Return (Rp)}}{\text{Risk Free Rate of Return (RF)}}
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Treynore ratio: It measure the returns earned in excess of the investment that has no diversifiable risk.

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\text{Treynore Index} = \frac{\text{Portfolio Average Return (Rp)}}{\text{Risk Free Rate of Return (RF)}}
\]

Beta Coefficient of portfolio
Jensen Ration: It measures the risk-adjusted performance of a security or portfolio in relation to the expected market return.
Alpha (a) = (Rx – RF) – B (Rm – RF)

IV. CONCLUSION

The mutual fund industry is the booming one and integrates the investment from the retail investor. The investment is managed by the asset professional of the mutual fund. The open ended equity diversified fund is risk adjusted return of the investment. The different kinds of investment of portfolio are well managed by the professionals. The open ended mutual fund is whenever the investor wants to invests in the schemes. Various statistical used for analyze the performance of open ended equity schemes such as (Sharpe, Jensen, Treynore) and suggest to the investor for better performance of mutual fund schemes in selected mutual fund concern

REFERENCES