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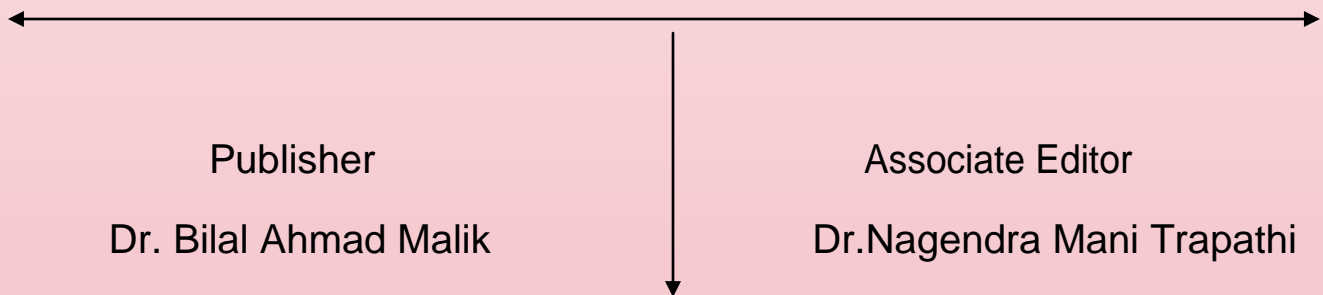
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A STUDY ON PERFORMANCE EVALUATION OF SELECTED EQUITY DIVERSIFIED MUTUAL FUND SCHEMES IN INDIA

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INTRODUCTION

Mutual Fund is a vehicle for small investors to enter into Blue chip companies. Mutual fund companies collect the savings of the investors and make a big corpus of these savings and invested in a well diversified portfolio of different companies. It is generally believed that mutual funds are able to diversify the risk. Mutual fund industry has just four decades old in India. During this short span of time it has made tremendous growth. So considering these points this paper is an attempt to study the performance evaluation of selected equity diversified schemes in terms of risk and return relationship. For this Sharpe ratio and Treyn or ratio has been used. NIFTY has been used as a benchmark to study the performance of mutual funds in India.

REVIEW OF LITERATURE

Muthappan P K and Damodharan E (2006) evaluated 40 schemes for the period April 1995 to March 2000. The study concludes that, the Indian Mutual Funds were not properly diversified.

Morningstar (2007) recognizes that investors are risk-averse and willing to give up some portion of expected return in exchange for greater certainty of return. Morningstar calculates risk-adjusted return by adjusting total return for sales loads, the risk-free rate and risk.

Sanjay Kant Khare (2007) opined that investors could purchase stocks or bonds with much lower trading costs through mutual funds and enjoy the advantages of diversification and lower risk.

Debasish (2009) evaluated the performance of selected schemes of mutual funds based on risk and return models and measures. The study revealed that Franklin Templeton and UTI were the best performers and Birla Sun Life, HDFC and LIC mutual funds showed poor performance.

Sondhi and Jain (2010) examined the market risk and investment performance of equity mutual funds in India. The study revealed that, the category, size and ownership have been significant determinants of the performance of mutual fund schemes.

Kalpesh, Mahesh (2012) evaluated the performance of Indian mutual funds through relative performance index, risk-return analysis, Treynor's measures, Sharpe's measure, Jensen's measure and Fama's measure. The results of performance measures suggest that most of the mutual fund have given positive return during 2007 to 2011.

Satya Sekhar.G.V. (2013) intended to examine the role of mutual fund organization in financial inclusiveness with reference to performance through public and private sector.

RESEARCH OBJECTIVE

The following are the objectives of the paper

- To study the performance of Selected Diversified Equity Mutual Funds in India.
- To know whether the mutual funds are able to provide reward to variability, using Sharpe ratio and reward to volatility using Treynor's ratio.

Study Period

The sample period spans over 7 years ie. From June 2009 to June 2015.

DATA AND METHODOLOGY

The data used for analysis is mainly the secondary data. Data on mutual funds is drawn from the respective websites. The sample is restricted to 93 Equity diversified funds whose data is available on a daily basis for the sample period. The daily NAVs are taken and returns are calculated. Standard deviation and betas are calculated and schemes are evaluated according to Sharpe and Treynor's ratio. The funds are ranked accordingly and results are interpreted.

SHARPE' RATIO

We then computed the Sharpe's Ratio for each scheme which takes into account not only the market performance but also the riskiness of the scheme. Sharpe's Ratio defined as under:

$$\text{Sharpe Index (Si)} \ S = \frac{SR - R_f}{\sigma_s}$$

Where

SR=Scheme Returns, Rf= Risk free returns, σ_s = Standard deviation of the returns

For computing Sharpe's ration we had taken one year -T Bill yield as the proxy or rate and ignored those schemes with-out one year of existence accordingly we are left with only twenty schemes.

Treynor's Ratio

Jack Treynor (1965) conceived an index of portfolio performance measure called as reward to volatility ratio, based on systematic risk. He assumes that the investor can eliminate unsystematic risk by holding a diversified portfolio. Hence his performance measure denoted as

$$T_p = \frac{R_p - R_f}{\beta_p}$$

Where T_p is treynors ratio, R_p is return on portfolio, R_f is riskfree rate of return, β_p is beta

RISK

As the basis of measurement of the performance of a mutual fund scheme, the risk has to be taken by the fund manager because different funds will have different levels of risk attached to them. The total risk of the mutual funds under consideration is measured by the standard deviation and Beta

EMPIRICAL RESULTS

1. It has been found that ICICI Prudential has highest mean i.e 0.27 (table-1)
2. It has been observed that HDFC equity fund has lowest mean i.e 0.0694(table-1)
3. It is found that UTI dividend yield has highest Standard deviation i.e 0.3009 (table-1)
4. It has been found that Religare has lowest Standard deviation i.e 0.195 (table-1)
5. According to Sharpe ratio, Birla Sunlife India is the best performer i.e 1.117 (table-2)
6. According to Sharpe ratio ,HDFC equity fund is the Least performer i.e -0.00909(table-2)
7. According to Treynor's ratio , Mirae opportunities fund is the best performer, i.e 0.6186(table-2)
8. According to Treynor's ratio , TATA dividend yield is the least performer i.e -0.5760(table-2)

ANNEXURES

Table-1

The following table shows mean and standard deviation of the selected equity diversified funds

FUND NAME	Mean	σ
1. ICICI Prudential Dynamic Plan	0.186518	0.2197529
2. Reliance Vision Fund Institutional	0.089649	0.0475093
3. LIC NOMURAMF	0.103062	0.1187106
4. Kotak Opportunities	0.104274	0.1356028
5. Reliance Growth Fund	0.100131	0.051557
6. Principal Dividend Yield Fund	0.117373	0.1614926
7. LIC NOMURAMF Equity Fund-Growth	0.113343	0.1154463
8. SBI Magnum Multiplier Fund	0.109438	0.1220327
9. Mirae Asset India Opportunities Fund	0.106421	0.0688589
10. SBI Magnum Multicap Fund	0.112827	0.115501
11. ICICI Prudential Indo Asia Equity Fund	0.127554	0.1103166
12. SBI CONTRA FUND	0.121406	0.0907803
13. Sundaram Rural India Fund	0.138349	0.1303451
14. Taurus Starshare	0.125721	0.13449
15. Reliance Equity OpportunitiesFund	0.122492	0.1326929
16. Principal Dividend Yield Fund-Growth Plan	0.132017	0.1756198

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17. SBI Magnum Multicap Fund	0.133214	0.1539054
18. HSBC India Opportunities Fund	0.143065	0.1907557
19. Escorts High Yield Equity Plan	0.124395	0.1332405
20. Kotak Opportunities	0.146845	0.1391058
21. ICICI Prudential Exports and Other Services Fund	0.161268	0.179088
22. Reliance Vision Fund	0.143974	0.1265994
23. Reliance Vision Fund	0.144759	0.1268155
24. ICICI Prudential Indo Asia Equity Fund	0.159096	0.1511422
25. ICICI Prudential Indo Asia Equity Fund	0.162948	0.1527929
26. UTI-Dividend Yield Fund.	0.156809	0.1658625
27. ICICI Prudential Value Discovery Fund	0.144193	0.154201
28. Escorts High Yield Equity Plan	0.145569	0.1315924
29. Escorts High Yield Equity plan	0.145488	0.1303685
30. Religare Invesco Contra Fund	0.159495	0.1959503
31. Reliance Growth Fund	0.153047	0.1523711
32. Reliance Growth Fund Bonus Option	0.153611	0.1534441

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33. ICICI Prudential Multicap Fund	0.160336	0.1572067
34. DSP BlackRock Equity Fund	0.159343	0.1646362
35. HDFC Premier Multi-Cap FUND	0.145749	0.1073663
36. Reliance Equity OpportunitiesFund	0.166912	0.2224412
37. Reliance Regular Savings Fund-EQUITY OPTION	0.165523	0.1540414
38. ICICI Prudential Dynamic	0.171069	0.2116966
39. HDFC Core and Satellite Fund	0.152495	0.136085
40. SBI Magnum Multiplier Fund	0.177574	0.1699929
41. Reliance NRI Equity Fund	0.177991	0.1196058
42. Reliance NRI Equity Fund	0.177991	0.1196058
43. Franklin India High Growth Companies Fund	0.176288	0.1682428
44. Tata Dividend Yield Fund Regular Plan	0.182967	0.1964141
45. Franklin India Flexi Cap Fund	0.188875	0.175954
46. Quantum Long-Term Equity Fund	0.196155	0.1921603
47. Quantum Long-Term Equity Fund	0.197563	0.1918252
48. ICICI Prudential Exports and Other Services Fund	0.208266	0.2154002

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49. Religare Invesco Contra Fund	0.202022	0.1915744
50. Mirae Asset India Opportunities Fund	0.212671	0.1892433
51. Franklin India High Growth Companies Fund	0.211611	0.2033966
52. UTI - MNC Fund	0.222607	0.2109418
53. Reliance Equity Opportunities Fund	0.229426	0.2350921
54. Reliance Equity Opportunities Fund	0.229426	0.2350921
55. UTI - MNC Fund	0.259868	0.1903483
56. ICICI Prudential Value Discovery Fund	0.272902	0.3000899
57. Sundaram Rural India Fund Dividend	0.085255	0.0748328
58. Escorts Opportunities Fund	0.093822	0.0874986
59. Reliance NRI Equity Fund	0.076864	0.0543593
60. Birla Sun Life International Equity Fund	0.118973	0.0931361
61. Tata Dividend Yield Fund	0.081756	0.0410137
62. HSBC Equity Fund	0.095205	0.1173176
63. IDFC Classic Equity Fund	0.102111	0.1065061
64. Principal Growth Fund	0.121262	0.2003171
65. Canara Robeco Equity Diversified	0.113521	0.1018204

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66. Tata Ethical Fund Regular Plan	0.112637	0.0979394
67. Birla Sun Life Special Situations Fund	0.114468	0.1655746
68. Sahara Growth Fund	0.126333	0.1680116
69. Principal Growth Fund	0.140288	0.1940388
70. Birla Sun Life Special Situations Fund	0.129472	0.1658143
71. Templeton India Growth Fund	0.137697	0.1395126
72. Tata Equity Opportunities Fund	0.150662	0.1356378
73. HDFC Growth Fund	0.143995	0.1662143
74. Birla Sun Life Equity Fund	0.159313	0.2047587
75. Birla Sun Life Advantage Fund	0.159026	0.1762914
76. Tata Ethical Fund Regular Plan	0.179776	0.1616218
77. Birla Sun Life India Opportunities Fund	0.183546	0.2352319
78. Canara Robeco Equity Diversified	0.179629	0.1512902
79. Tata Equity P/E Fund	0.177284	0.2228751
80. HDFC Capital Builder Fund	0.185654	0.203001
81. HDFC Equity Fund	0.192634	0.1987573
82. Birla Sun Life Dividend Yield Plus	0.201852	0.2038975
83. Birla Sun Life India Gennext Fund	0.20362	0.1290936

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84. Birla Sun Life India Gennext Fund	0.07837	0.0667862
85. HDFC Equity Fund	0.069425	0.0682552
86. Birla Sun Life Equity Fund	0.071128	0.0912415
87. JM Equity Fund	0.090657	0.1012145
88. Birla Sun Life India Opportunities Fund	0.087697	0.0979856
89. Birla Sun Life Dividend Yield Plus	0.079844	0.0436473
90. Tata Equity P/E Fund Regular Plan	0.085803	0.0625276
91. Birla Sun Life International Equity Fund	0.097789	0.1032734
92. Birla Sun Life International Equity Fund	0.097793	0.1032747
93. Sahara Growth Fund	0.078688	0.0744173

Table-2

The following table shows Treynor and Sharpe ratios of the funds

Treynor & Sharpe Ratios		
Name of the fund	Treynors ratio	Sharpe ratio
1. ICICI Prudential Dynamic Plan	.075203	.572706
2. Reliance Vision Fund Institutional	.193706	.446728
3. LIC NOMURAMF Equity Fund	.040967	.300825
4. Kotak Opportunities	.042234	.273008
5. Reliance Growth Fund	.104313	.631248
6. Principal Dividend Yield Fund	.045441	.316847
7. LIC NOMURAMF Equity Fund	.053827	.405521
8. SBI Magnum Multiplier Fund	.052619	.349065

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9. Mirae Asset India Opportunities fund	.618655	.571298
10. SBI Magnum Multicap Fund	.074115	.400499
11. ICICI Prudential Indo Asia Equity Fund	.066736	.563522
12. SBI CONTRA fund	.089264	.611642
13. Sundaram Rural India Fund	.074624	.566383
14. Taurus Starshare	.059978	.447512
15. Reliance Equity OpportunitiesFund	.064157	.427285
16. Principal Dividend Yield Fund	.051359	.381424
17. SBI Magnum Multicap Fund	.063661	.443643
18. HSBC India Opportunities Fund	.052735	.413720
19. Escorts High Yield Equity Plan	.197232	.440959
20. Kotak Opportunities	.078722	.596682
21. ICICI Prudential Exports and Other Services Fund	.070056	.550460
22. Reliance Vision Fund growth	.083028	.631132
23. Reliance Vision Fund Bonus Option	.083411	.636747
24. ICICI Prudential Indo Asia Equity Fund	.077057	.636716
25. ICICI Prudential Indo Asia Equity Fund	.079206	.657067
26. UTI-Dividend Yield Fund.-Growth	.090020	.565314
27. ICICI Prudential Value Discovery Fund	.068791	.519694
28. Escorts High Yield Equity Plan	.104225	.620277
29. Escorts High Yield Equity Plan	.105554	.625426
30. Religare Invesco Contra Fund	.072837	.493317
31. Reliance Growth Fund	.074250	.588704
32. Reliance Growth Fund Bonus Option	.074144	.588554
33. ICICI Prudential Multicap Fund	.077964	.620673
34. DSP BlackRock Equity Fund	.073693	.586147
35. HDFC Premier Multi-Cap Fund	.099854	.762046
36. Reliance Equity OpportunitiesFund	.086605	.470585
37. Reliance Regular Savings Fund	.085576	.669799
38. ICICI Prudential Dynamic	.067673	.515677
39. HDFC Core and Satellite Fund	.089005	.654773
40. SBI Magnum Multiplier Fund	.085414	.683517
41. Reliance NRI Equity Fund	.142395	.975233
42. Reliance NRI Equity Fund	.142395	.975233
43. Franklin India High Growth Companies Fund	.089263	.682372
44. Tata Dividend Yield Fund	.093659	.621227
45. Franklin India Flexi Cap Fund	.097923	.729732
46. Quantum Long-Term Equity Fund	.100030	.709113
47. Quantum Long-Term Equity Fund	.101498	.718277
48. ICICI Prudential Exports and Other Services Fund	.088289	.693334
49. Religare Invesco Contra Fund	.094756	.744358

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50. Mirae Asset India Opportunities Fund	.108497	.814309
51. Franklin India High Growth Companies Fund	.097302	.752017
52. UTI - MNC Fund (UGS 10000)-Income Option	.129711	.781420
53. Reliance Equity OpportunitiesFund Bonus Option	.103204	.732478
54. Reliance Equity OpportunitiesFund Growth Option	.103204	.732478
55. UTI - MNC Fund (UGS 10000)	.175632	1.077398
56. ICICI Prudential Value Discovery Fund	.093620	.730311
57. Sundaram Rural India Fund Dividend	.061751	.220191
58. Escorts Opportunities Fund	.074447	.294073
59. Reliance NRI Equity Fund	.032297	.136378
60. Birla Sun Life International Equity Fund	.166574	.567954
61. Tata Dividend Yield FundRegular Plan	-.576020	.309602
62. HSBC Equity Fund	.028941	.232060
63. IDFCClassic Equity Fund	.043317	.325652
64. Principal Growth Fund	.038680	.276408
65. Canara Robeco Equity Diversified	.071325	.461680
66. Tata Ethical Fund Regular Plan – Dividend	.064482	.470220
67. Birla Sun Life Special Situations Fund	.039317	.290089
68. Sahara Growth Fund	.048787	.362155
69. Principal Growth Fund	.053178	.391259
70. Birla Sun Life Special Situations Fund	.052701	.387405
71. Templeton India Growth Fund	.069886	.524122
72. Tata Equity Opportunities Fund	.076984	.642334
73. HDFC Growth Fund	.067987	.480846
74. Birla Sun Life Equity Fund	.059196	.471136
75. Birla Sun Life Advantage Fund	.075801	.545456
76. Tata Ethical Fund	.098360	.733638
77. Birla Sun Life India Opportunities Fund	.065306	.521374
78. Canara Robeco Equity Diversified	.106593	.782687
79. Tata Equity P/E Fund Regular Plan	.065817	.519933
80. HDFC Capital Builder Fund	.086254	.615367
81. HDFC Equity Fund	.090384	.666443
82. Birla Sun Life Dividend Yield Plus	.109174	.698472
83. Birla Sun Life India Gennext Fund-Growth Option	.193986	1.117997
84. Birla Sun Life India Gennext Fund-Dividend Option	.060924	.135366
85. HDFC Equity Fund	.008368	-.009092
86. Birla Sun Life Equity Fund	.002313	.013356
87. JM Equity Fund	.033835	.220447
88. Birla Sun Life India Opportunities Fund	.032014	.195078
89. Birla Sun Life Dividend Yield Plus	-.260690	.243616
90. Tata Equity P/E Fund Regular Plan	-.059227	.272986

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91. Birla Sun Life International Equity Fund	.037902	.290644
92. Birla Sun Life International Equity Fund	.037906	.290675
93. Sahara Growth Fund	.032031	.126100

CONCLUSION

The tremendous success the fund industry has enjoyed is due to the fact that, it has done more than any other financial services industry to offer investors solid products tailored to meet real financial needs, and marketed those products responsibly. But it cannot be ignored that rapid changes and market pressures are challenging. It cannot be afforded to remain by outdated thinking or antiquated business practices. If the long-term health of the industry and investor protection is maintained, the record of success can be maintained in future.

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