PERFORMANCE OF MUTUAL FUNDS- AN EMPIRICAL STUDY

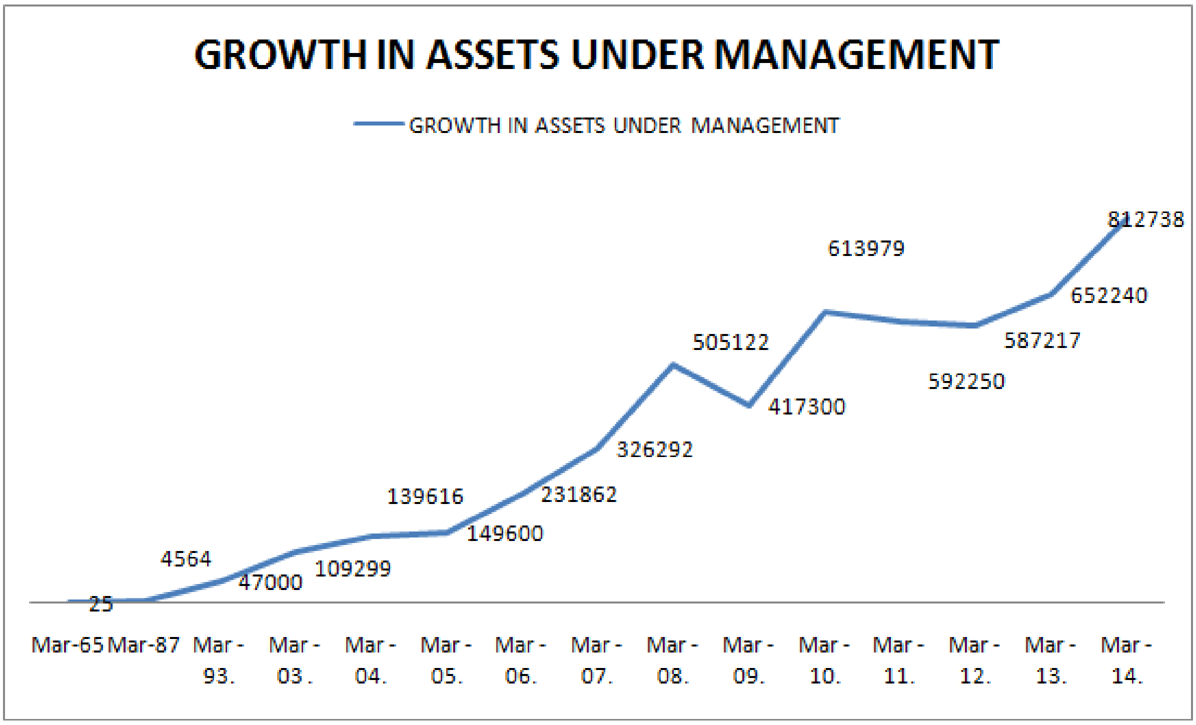
Dr M R Senapathy[1], K Mohan Krishna[2]

[1]Associate Professor (Finance), [2]PGDM TPS 2013-15 Batch

Siva Sivani Institute of Management, Secunderabad, (India)

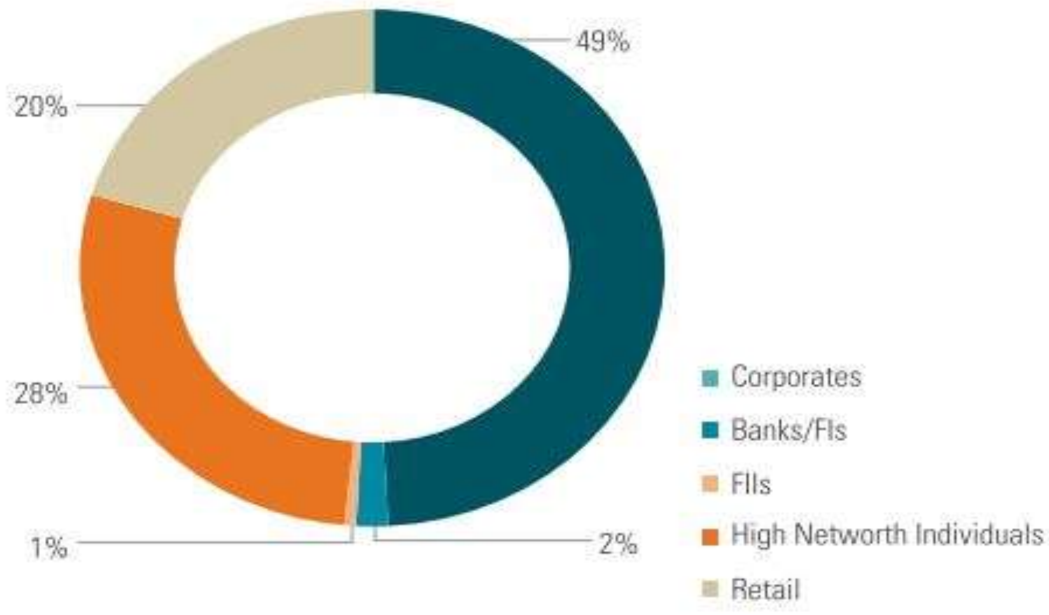
The growth of Mutual Fund industry has been significant since the beginning. Unit Trust of India (UTI) was established in 1963 by an Act of Parliament. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs. 6,700 crores of assets under management .Since then, Many AMC's has started and the industry is flourishing. Though industry has fallen in 2008, it picked up and has been rising at a significant growth rate. Presently it has about 45 AMC's and 11798 schemes with a CAGR of 22% over past three years. Though there are several investment options available today, mutual fund is an investment option that has become very attractive for retail investors who are interested in financial markets but do not have the time, expertise and experience in good stock picking.

The mutual fund industry in the country has so far been focusing on urban markets and corporate investors. The time has come for the industry top enetrateintorural markets which have been hithertolyinguntapped. There is a greater need for an analysis whether the mutual funds are carrying out the objectives for which they have been started and are performing according to the expectation of the ordinary investors. So performance appraisal of these funds is expected to help the investors in taking respective investment decisions. Moreover, there is a need to examine the perceptions of investors so that mutual funds are able to provide proper schemes suitable to investors. It is with this factin mind that the present study



Source: http://www.amfiindia.com/research-information/mf-history

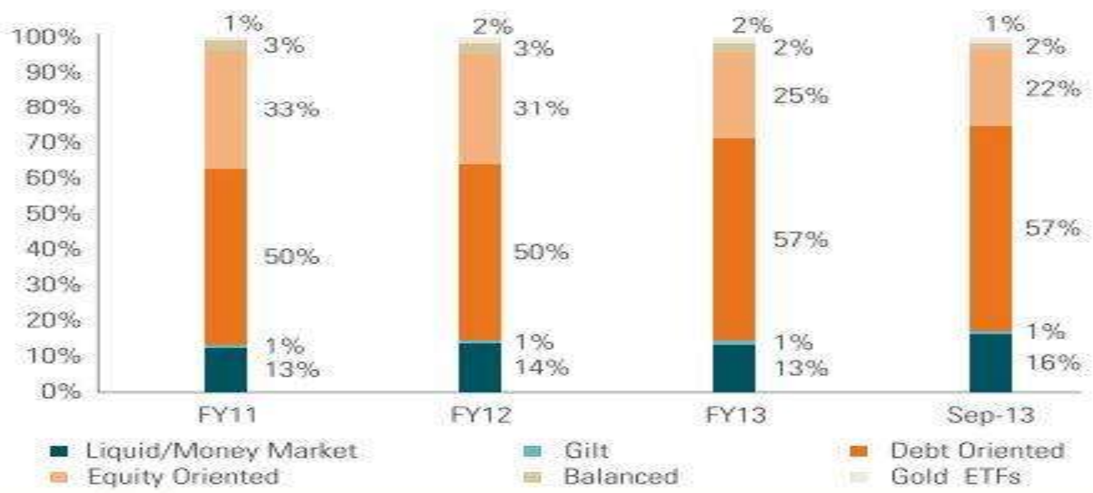
I. AUM COMPOSITION BY INVESTOR SEGMENT



Source: The Association of Mutual Funds in India (AMFI); Data as of September 2013

The Figure indicates, industry composition of AUM is driven primarily by the corporate segment.Corporate investments constitute around 49 per cent of AUM with a focus on debt/money market funds for the purpose of short term returns and liquidity management. Retail share of AUM is 20 per cent and is expected to rise driven by increased investor awareness, product penetration and greater distribution reach. High Net worth Individual (HNIs) have emerged as the fastest growing investor segment growing at a rate of ~ 20 per cent over the period of FY10- FY13 with a preference for debt oriented funds.However, AUM growth largely remains restricted to the top 5 cities in India viz. Mumbai, Delhi, Bangalore, Chennai and Kolkata (contributing ~ 74 per cent of AUM as of September 2013). The top 35 cities continue to contribute around 90-92 per cent of the industry AUM.

II. AUM COMPOSIITON BY PRODUCT CATEGORY

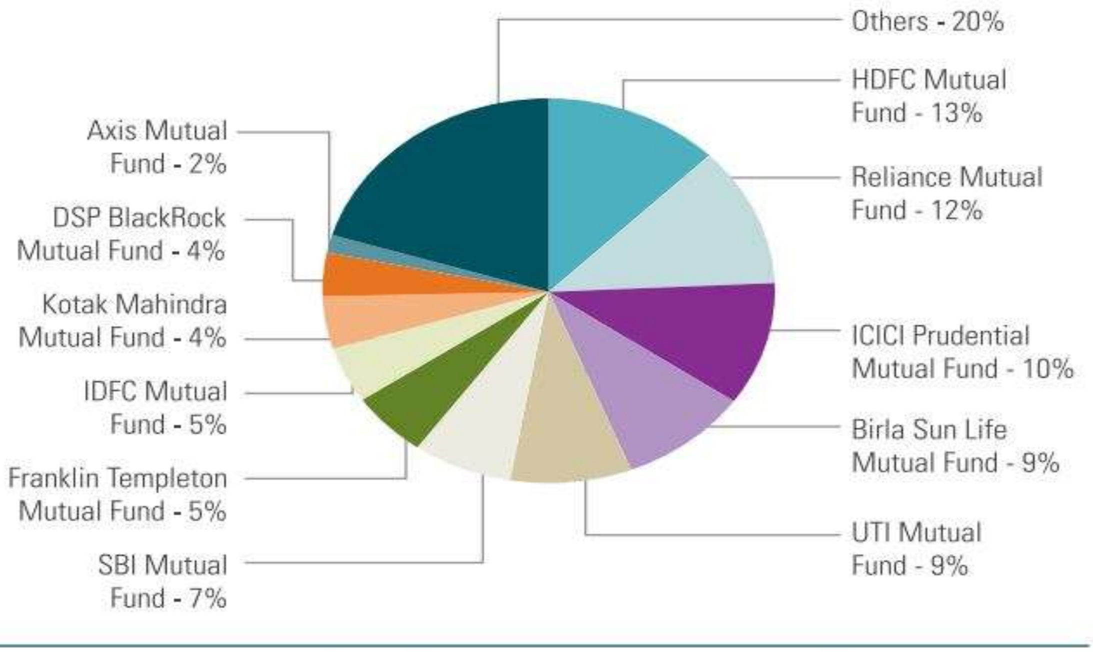


Source: The Association of Mutual Funds in India (AMFI); Data as of September 2013

Indian stock markets have experienced inconsistent returns in the recent past. Higher inflation and inconsistent economic growth has worried the retail investor who is now concerned about assured returns. In such a scenario, the investor would divert their funds from the equity market to liquid/money market and debt AUM .The equity-debt mix is determined largely by the performance of the capital markets and interest rate cycles. AUMs in debt and liquid money market funds have seen an increase in FY14 due to the anticipation of RBI rate cuts and desire for investors to seek a fixed return. Debt oriented products (investing in debt instruments with maturity > 3 months) have gained most traction in terms of absolute net new money, with an absolute increase in AUM of ~INR 1,000 billion indicating a clear shift in investor interest from equity in recent times. Gold ETF's have grown at an extremely fast pace over the last few years albeit from a much smaller base (CAGR of over 90 per cent from FY10- FY13). These have gained popularity due to the popularity of gold as an investment for Indians as well as due to the lowering of administrative charges and distribution expenses which makes it easier for the product to be distributed as well.Lackluster stock market performance, rising inflation and anticipation of a rise in interest rates has led to a tapering of growth in the Indian mutual fund industry in the recent years.

In comparison to global markets, India's AUM penetration as a per cent of GDP is between 5-6 per cent while it is around 77 per cent for the U.S., 40 per cent for Brazil and 31 per cent for South Africa. Despite the relatively low penetration of mutual funds in India, the market is highly concentrated. Though, there are 44 AMCs operating in the sector, approximately 80 per cent of the AUM is concentrated with 8 of the leading players in the market.

III. MARKET SHARE OF LEADING MUTUAL FUNDS (BASIS AUM)



Source: The Association of Mutual Funds in India (AMFI); Data as of September 2013

Review of literature

Singh(1999) "Performance of Mutual Funds in India – An Empirical Evidence in his study analyzedthe income, growth and balanced schemes of mutual funds from 1994-95 to 1997-98 by using various measures such as composite rate of return, Sharpe's performance measure and Treynor's performance measure. The study revealed that out of the various categories of mutual fund schemes the income and balanced schemes performed better where as the growth schemes did not perform well.

Singhand Singla(2000) "Evaluation of Performance of Mutual Funds using Risk-Return Relationship Model, in their study evaluated the investment performance of 12 growth oriented mutual funds on a monthly basis from 1992 to 1996 by applying mean return, Sharpe, Trey nor and Jensen measures. The BSE National Index was used as the proxy for market index.

Gupta (2000) Investment Performance of Indian Mutual Funds: An Empirical Study in his study examined the growth and development of the mutual fund industry in India during the period 1987 to September 1999. Thestudy revealed that mutual fund industry witnessed major growth in terms of investible funds, number of mutual fund schemes, investor base and range of products offered to the investors.

Singhand Chander (2000) "Performance Appraisal of Mutual Funds in India in the ir paper analyzed mutual funds on the basis of parameters like growth in net resources mobilized by mutual funds in India since their inception, trend in fund mobilization by UTI, private sector and public sector mutual funds, net resource mobilization by different mutual funds within the private sector and scheme-wise break up of resources mobilizedetc. The study showed that income/debt schemes outnumbered the growth and balanced schemes.

Chander (2000) "Performance Appraisal of Mutual Funds in India in his study analyzed investment performance of 34 mutual fund schemes from1994 to1997 in relation to three fund characteristics, nature (Openand closeended), sponsorship (UTI, banks, other financial institutions)and investment objectives(Growth, income, balanced funds) by using Sharpe, Trey nor and Jensen measures. BSE-Sensex wasused as benchmark portfolio.

Gupta (2001) "Mutual Funds in India: A Study of Investment Managementin his research paper examined the performance of 73 mutual fund schemes both from the public as well as private sector and tested market timing abilities of the mutual fund managers for a period (1994-1999) in terms of seven performance measures (a) Rate of Return (b) Sharpe ratio (c) Trey nor ratio (d) Jensen differential return measure (e) Sharpe's differential return (f) Appraisal ratio (g) Components of Investment performance measure using weekly NAV

Panda and Tripathy (2001) "Customer Orientation in Designing Mutual Fund Products examined the customer orientation in designing mutual fund products by taking 252 mutual fund schemes in cluding 103 income schemes, 94 growth schemes and 55 hybrid schemes. The study was based on a survey of 350 respondents through a question nairecovering different group of investors.

Elango (2004) "Which fund yields more Returns? in his study analyzed 30 openended mutual funds schemes comprising15 public sector and 15 private/foreign schemes from (1999-2002) to identify best sector registering highest increase in NAV and to analyses whether past performance had any influence with future NAV by using statistical tools like mean, range, regressionanalysis and t-test.

Gupta and Gupta (2004) in their pape revaluated the performance of 57 equity mutual funds (including10taxplanningfunds) from 1999 to 2003 by applying five measures i.e. Rate of Return, Sharpe's Ratio, Trey nor's Ratio, Jensen's Differential return measures and Fama's Component of investment performance. There searchers used weekly Net Asset Values (NAVs) for performance evaluation, S&PCNX Nifty as benchmark and weekly yield on 91 day Treasury bills(T-bills) as a surrogate for risk free rate of return.

Jain (2005) Financial Management of Private and Public Equity Mutual Funds in India: An Analysis of Profitability in her study analyzed the equity and balanced schemes of 12 sponsors from1993-94to2003-04. The study was based on both primary and secondary data. A sample of 200 investors was drawn from the selected cities of Punjab. The study evaluated the performance according to Sharpe, Trey nor and Jensen models.

Sondhi & Jain (2005) Financial Management of Private and Public Equity Mutual Funds in India: An Analysis of Profitability in their research paper evaluated financial performance of 36 equity mutual funds schemes (including 25 openended and 11 closeended) from twenty one asset management companies belonging to private and public sector by using monthly NAV after making adjustment for dividend, bonus and right issues.

Rajuand Rao (2009) Mutual fund performance: An analysis of index funds in their study analyzed the market timing ability of selected Indian mutual fund managers. Market timing ability of selected managers was analyzed from April1, 2000 to March 31; 2005.The study covered 60 schemes chosen both from sectors.

Vijaya kumar, Murugan and anand Rao (2012) Timing and Selection Ability of Fund of Mutual Funds in India in their study examined the relationship between fund performance and fund characteristics using 14 open-ended funds of fund from 2004 to 2008.

Gill and Arshdeep (2012) Test of Sharpe And Treynor Ratio on Selected Mutual Fuds in their study investigated the selectivity and market timing ability of mutual fund managers in India by using the Jensen, Trey nor and Mazuy and Henriksson and Merton models for the period 2002-06. Thestudy was based on a sample of 97 open-ended mutual fund schemes consisting of 56 growth schemes and 41 schemes of dividend option.

The above studies have highlighted the differences in the performance of public sector and private sector M S's.

3.1 Research Methodology

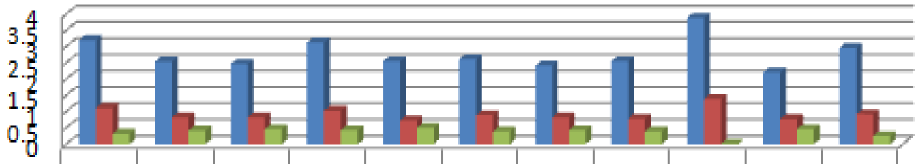
To study the performance of mutual funds operating in India, we have resorted to sampling. Out of 45 mutual funds operating, top performing funds of various categories are being selected and they are being evaluated.

Forstudying theperceptionofmutualfundinvestors,the study hasbeenrestrictedto Hyderabad.The investor's perception is being analyzed and made in to a report under the title "Customer's Perception on mutual funds as an alternative investment"

3.2 Data Analysis and Interpretation of Results

For the purpose of the study, data has been collected from secondary sources which include the Capital markets, Historical Data from www.moneycontrol.com,www.amfiindia.com,www.mutualfundindia.com.The study covers the period from 2009 – 2014. However, growth of mutual fund industry has been studied for the past one year. Data has been analyzed on the basis of risk return analysis and performance evaluation of various mutual using percentage, simple growth rate, measurement of return, measurement of risk (coefficient of variation and Beta (β), risk adjusted performance measures (Sharpe measure, Jensen measure).

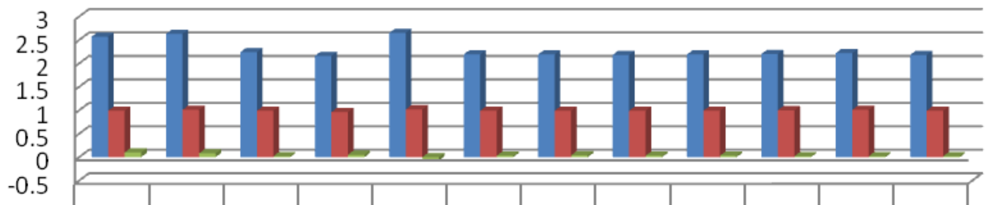
EQUITY DIVERSIFIED FUNDS



	Sundaram SMILE Fund - Reg - Growth	DSP BlackRock Micro Cap Fund - Reg - Grow...	SBI Small & Midcap Fund - Growth	Birla Sun Life Pure Value Fund - Growth	Reliance Small Cap Fund - Growth	Canara Robeco Emerging Equities - Grow...	UTI Mid Cap Fund - Growth	ICICI Prudential MidCap Fund - Growth	HSBC Progressive Themes Fund - Growth	Franklin India Smaller Companies Fund - Grow...	HSBC Midcap Equity Fund - Growth
Std. Dev	3.2	2.54	2.47	3.13	2.55	2.61	2.42	2.55	3.89	2.21	2.96
Beta	1.11	0.82	0.82	1.03	0.73	0.89	0.82	0.78	1.39	0.77	0.92
Jenson	0.32	0.42	0.46	0.43	0.5	0.39	0.43	0.39	0.01	0.46	0.25

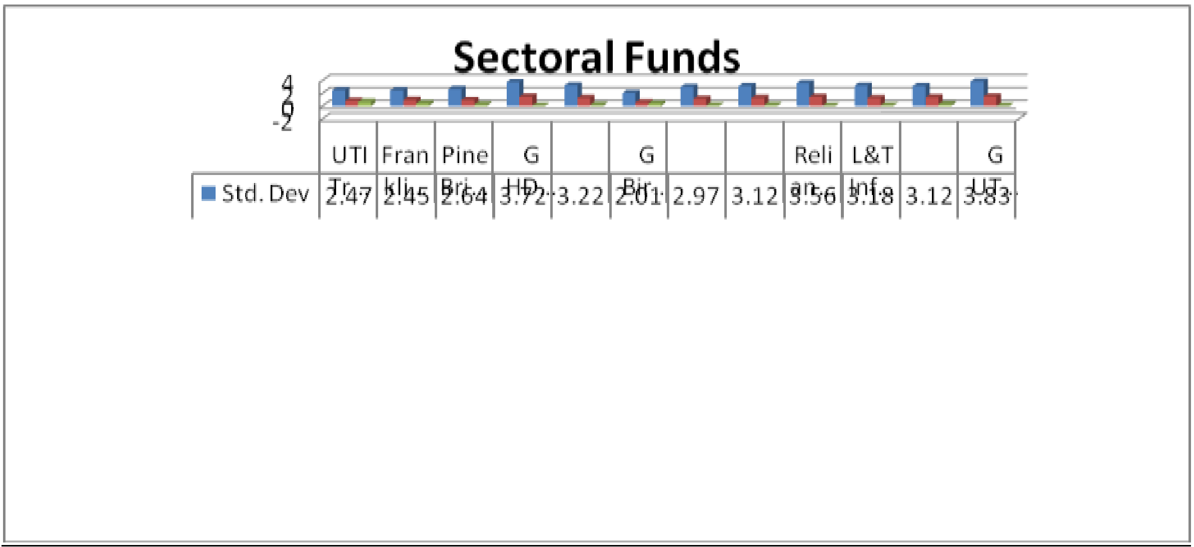
Source: http://www.smctradeonline.com/mutual-fund-updates.aspx

Index Funds



	ICICI Prudential Nifty Junior Index Fund - Gro...	IDBI Nifty Junior Index Fund - Growth	Goldman Sachs CNX 500 Fund - Growth	HDFC Index Fund - Sensex Plus Plan	IIFL Dividend Opportunities Index Fund -...	IDFC Nifty Fund - Reg - Growth	ICICI Prudential Index Fund HDFC	Index Fund - Nifty Plan	Reliance Index Fund - Nifty Plan - Growth	UTI Nifty Fund - Growth	Principal Index Fund - Nifty - Growth	Franklin India Index Fund - NSE Nifty Plan - G
Std. Dev	2.57	2.63	2.24	2.16	2.65	2.19	2.19	2.18	2.19	2.2	2.22	2.18
Beta	0.99	1.01	0.99	0.96	1.02	0.99	0.99	0.99	0.99	1	1.01	0.99
Jenson	0.1	0.08	0.02	0.05	-0.07	0.03	0.04	0.03	0.03	0.02	0.02	0.02

Source: http://www.smctradeonline.com/mutual-fund-updates.aspx



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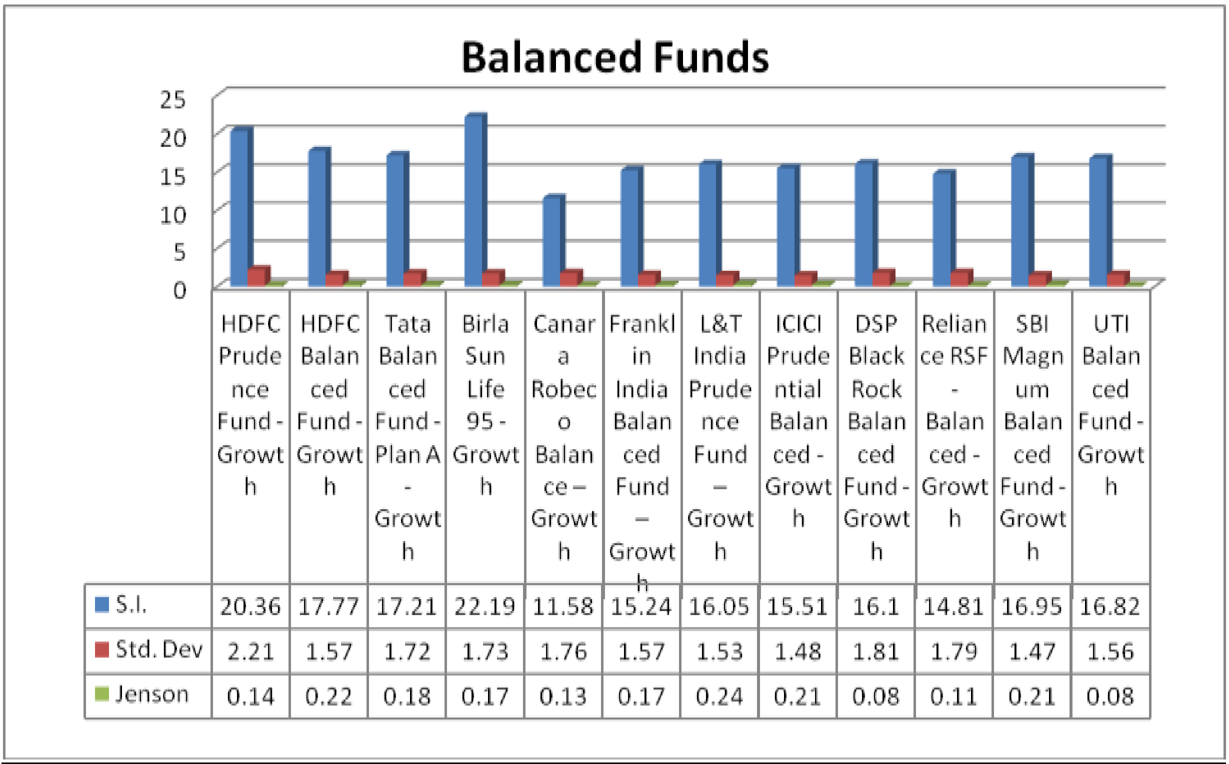

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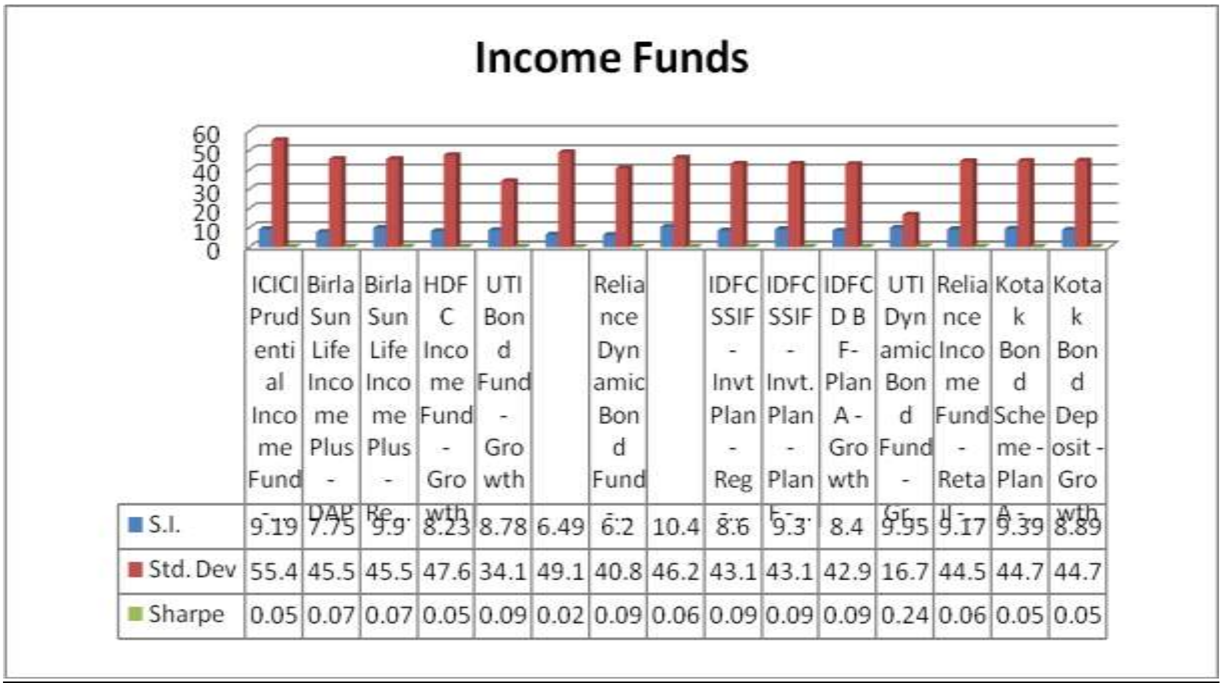

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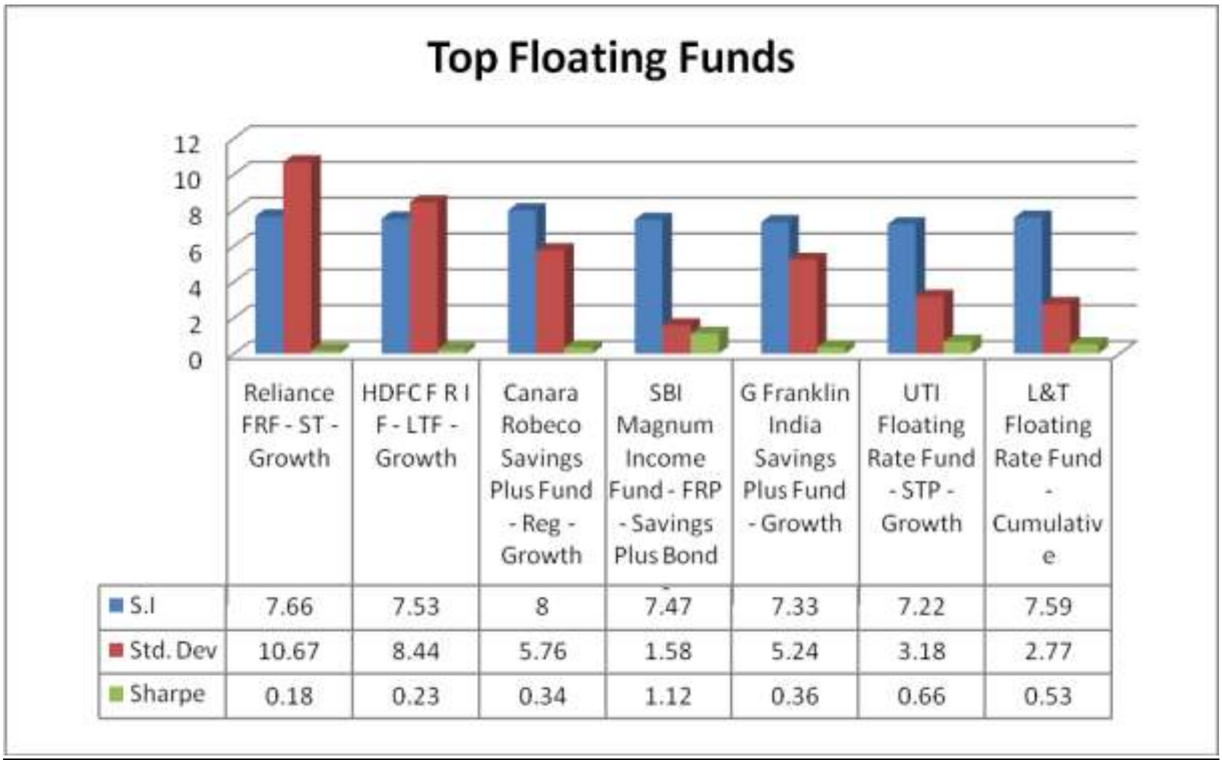

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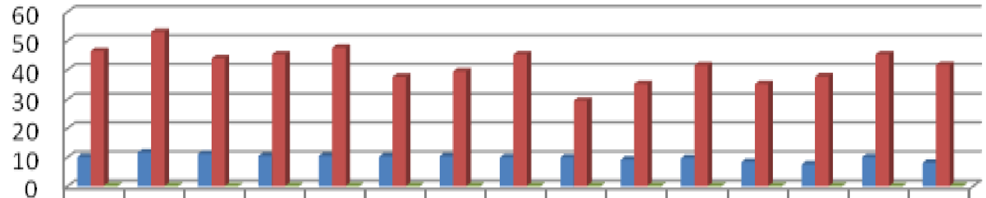
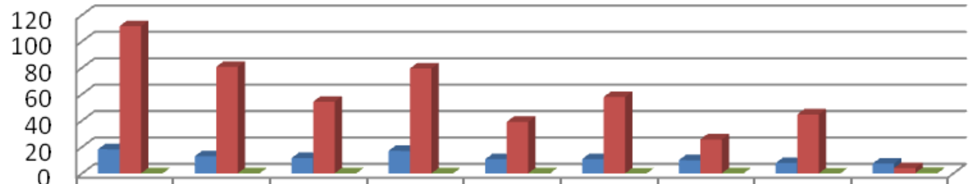
MIP Funds



	Birla Sun Life MIP II - Wealth 25 - Re...	HDFC MIP - LTP - Growth	Reliance MIP - Growth	ICICI Prudential MIP 25 - Growth	Franklin India MIP – Growth			HSBC MIP - Savings Plan - Gr...	HDFC Multiple Yield Fund - Plan 20...	Axis Income Saver Fund - Growth	ICICI Prudential MIP - Cumulati...	Canara Robeco Monthly Income Pla...	Kotak Monthly Income Plan - G...	IDFC Monthly Income Plan - Reg - Gr...	Tata MIP Plus - Plan A - Growth
S.I	10.2	11.7	11.2	10.5	10.5	10.3	10.4	10.0	10.	9.27	9.78	8.45	7.65	10.0	8.16
Std. Dev	46.5	53.1	44.0	45.3	47.7	37.7	39.4	45.3	29.5	35.3	41.6	35.3	37.8	45.4	41.7
Sharpe	0.23	0.15	0.14	0.17	0.15	0.2	0.15	0.15	0.22	0.2	0.15	0.19	0.15	0.12	0.15

Source: http://www.smctradeonline.com/mutual-fund-updates.aspx

Funds of Funds



	Kotak Asset Allocator Fund - Growth	Birla Sun Life Financial Planning FoF Aggressive – Growth	IDFC Asset Allocation FoF - Aggressive - Reg – Growth	Franklin India Dynamic PE Ratio FoF - Growth	IDFC Asset Allocation FoF - Moderate - Reg - Growth	HDFC Dynamic PE Ratio Fund of Funds - Growth	Franklin India Life Stage - 50s Plus Floating Rate Plan – G	Birla Sun Life Active Debt Multi Manager FoF Scheme - G	IDFC ASBF - Reg - Growth
S.I.	18.37	13.13	11.74	17.16	10.87	10.9	10.12	7.99	7.51
Std. Dev	111.64	80.86	54.4	79.58	39.18	57.98	25.88	44.75	4.18
Sharpe	0.13	0.17	0.15	0.13	0.17	0.09	0.19	0.06	0.47

Source: http://www.smctradeonline.com/mutual-fund-updates.aspx

3.3 Findings

The report is to analyze various funds and identify top performing funds in Mutual Fund industry. This also gives a perspective in the performance of mutual funds industry.From the Analysis it is evident that the following funds are outperforming the index.The funds are categorized in equity, debt, Balanced and funds of funds. The following are the Schemes that are performing well.

EQUITY FUNDS:

SUNDARAM SMILE FUND - REG – GROWTH

The scheme aims to achieve capital appreciation by investing at least 65 per cent of its assets in diversified stocks that are generally termed as 'small and midcaps'. Small and midcaps are defined as any equity stock whose market capitalization is equal to or lower than the market capitalization of the largest market capitalization stock in CNX Midcap 200 index.Even with a standard deviation of 3.2 and volatility of 1.11, the fund is performing 32% more than the benchmark. Investors with high risk taking capacity can invest in these funds and can get high returns.

DSP BLACKROCK MICRO CAP FUND - REG – GROWTH

The aim of the fund is to seek long-term capital appreciation by investing in a portfolio that is substantially constitutes of stocks that are not part of the top 300 companies by market capitalization.T he scheme has been giving a return of 105.87% in the past 1 year. Based on risk and return analysis, the fund has a risk of 2.54 and giving returns at 42% more than the expected benchmark.

SBI SMALL & MIDCAP FUND – GROWTH

The scheme seeks to generate income and long-term capital appreciation by investing in a diversified portfolio of predominantly equity and equity-related securities small & midcap companies.

The fund is giving a return of 104.67% though it has a Std. Dev. of 2.47, volatility of 0.82. this fund has performed with 32% return during April to July of 2014. The growth rate of the fund has decreased to 20.45% in the last month. So the investors have to rethink before investing into this scheme..

BIRLA SUN LIFE PURE VALUE FUND – GROWTH

The scheme seeks to generate consistent long-term capital appreciation by investing predominantly in equity and equity related securities by following value investing strategy i.e buying into stocks that are trading for less than their intrinsic value - stocks that the market is undervaluing. The fund has been performing at a rate of 126% for the past year and it has been giving a return of 36% in the last 6 months. This fund has outperformed the bench mark by 43%. This is one of the top performing equity funds in the industry.

RELIANCE SMALL CAP FUND – GROWTH

The scheme seeks to generate long term capital appreciation by investing predominantly in equity and equity related instruments of small cap companies. The fund has been outperformed by 50% than its benchmark. the fund has performed at a rate of 150% over the past year. And its performance has been 26.12% over the last 6 months. Due to a volatility of 0.73, the fund deemed risky and its returns has been increasing.

CANARA ROBECO EMERGING EQUITIES – GROWTH

The scheme aims to invest at least sixty-five per cent of its assets in equity and equity related instruments of companies with a market capitalization between Rs 100 crores and Rs 2500 crores. This also includes exposures in derivatives of such companies, but it shall not exceed thirty per cent of the assets.The fund has performed with 184% return over the past year and it has given a return of 109% over the first quarter of 2014. It has outperformed its benchmark by 39%.

UTI MID CAP FUND - GROWTH

An open-ended equity fund with the objective to provide 'Capital appreciation' by investing primarily in mid cap stocks. The fund's performance over the last year is about 92%. And the fund has given a return of 40.71% over the second quarter of 2014. The fund's performance has been increasing and the fund has outperformed 435 than its benchmark.

ICICI PRUDENTIAL MIDCAP FUND – GROWTH

The scheme aims to generate capital appreciation by actively investing in diversifiedmid cap stocks. It will invest primarily in companies that have a market capitalization between Rs.100 crores to Rs.2000 crores.
The fund has been giving a return of 90% over the last year and its performance has been significant since then. Considering the fund to be equity fund, the STD. Dev. of 2.55 and volatility of 0.78, the fund has outperformed its bench mark by 39%.

INDEX FUNDS

ICICI PRUDENTIAL NIFTY JUNIOR INDEX FUND – GROWTH

The objective of the fund is to invest in companies whose securities are included in Nifty Junior Index and to endeavor to achieve the returns of the above index as closely as possible. The fund has given return of 44% and it has outperformed its benchmark by 10%. The fund's growth rate has been significant since 2011 Feb. with a volatility of 0.99, the fund is performing slowly yet giving higher returns.

IDBI NIFTY JUNIOR INDEX FUND – GROWTH

The scheme seeks to invest only in and all the stocks comprising the CNX Nifty Junior Index in the same weights of these stocks as in the Index with the objective to replicate the performance of the Total Returns Index of CNX Nifty Junior Index. The fund has returns of 435 over the past one year. Considering the beta of 1.01, the scheme has outperformed its benchmark by 8%

GOLDMAN SACHS CNX 500 FUND – GROWTH

The scheme, being an open ended Index scheme, will adopt 'passive' or indexing approach while holding all the securities comprising S&P CNX 500 Index in the same proportion as the Index. At least 90% of the total assets will be invested in the stocks (or derivatives on such securities) of its underlying Index. The role of the Fund Manager will be limited to minimizing the tracking error. The fund has been performing with a return of 38% over the past year. The growth rate of the scheme has been low considering the volatility of 0.99. Investor has to be alarmed if he/she has to invest in this scheme.

HDFC INDEX FUND - SENSEX PLUS PLAN

The scheme aims to invest 80 to 90% of its assets in the companies that form the Sensex and between 10 and 20% of the assets in the companies which are not included in the Sensex. The fund has been performing at a rate of 38.22% and has outperformed its bench mark by 5%. This scheme's growth rate is at 300% over the past 6 years.

IIFL DIVIDEND OPPORTUNITIES INDEX FUND – GROWTH

The scheme aims to generate returns which closely correspond to the returns generated by securities as represented by CNX Dividend Opportunities Index The scheme has a return of 37.4% and the fund has a Std. Dev. of 2.65. due to high beta of 1.02, the scheme has underperformed by 7%.

IDFC NIFTY FUND - REG – GROWTH

The scheme seeks to replicate the S&PCNX Nifty Index by investing in securities of the CNX Nifty in the same proportion. The scheme has been giving returns at 34% over the past year. And the fund has outperformed its benchmark by 3%. The fund's volatility is of 0.99 with a risk of 2.99.

ICICI PRUDENTIAL INDEX FUND

The scheme aims to closely track the performance of S&P CNX Nifty Index by investing in almost all the stocks and in approximately the same weightage that they represent in the index. The fund has been giving returns of 34& and the scheme has outperformed 4% than its benchmark with a volatility of 0.99 and Std. Dev. of 2.18.

HDFC INDEX FUND - NIFTY PLAN

The scheme aims to generate returns that are commensurate with the performance of S&P CNX Nifty, subject to tracking errors.The fund's returns has been increasing significantly and it has given returns of 34% over the past year. The scheme has outperformed its benchmark by 3% with volatility if 0.99.

SECTORAL FUNDS

UTI TRANSPORTATION AND LOGISTICS FUND – GROWTH

An open-ended equity fund with the objective to provide Capital appreciation through investments in the stocks of the companies engaged in providing transportation services, design, manufacture, distribution or sale of transportation equipment and companies in the logistics sector.This scheme has performing at 108% returns. With low volatility of 0.81, risk of 2.47, the scheme has outperformed its benchmark by 64%. This scheme's performance has been significant and it has been performing at 75% returns over the last quarter of 2014.

FRANKLIN BUILD INDIA FUND – GROWTH

The scheme aims to generate capital appreciation by investing in companies engaged either directly or indirectly in infrastructure related activities.The fund has been performing at 93% with a volatility of 0.95 and the scheme has outperformed by 40%.

PINEBRIDGE INFRA AND ECONOMIC REFORM FUND - STD - G

The scheme aims to generate long term capital appreciation by predominantly investing in equity and equity related securities of companies which are engaged in infrastructure and unfolded economic reforms leading to economic development of India.The scheme has giving a return of 78% over the past one year with a volatility of 0.93 and the scheme has outperformed its benchmark by 19%.

HDFC INFRASTRUCTURE FUND – GROWTH

The scheme aims to invest predominantly in a diversified portfolio of equity and equity related securities of companies which are either engaged in or expected to benefit from the growth and development of infrastructure.The scheme has giving a return of 76% with a high volatility and high Std. Dev. of 3.72. Even in this high risk, the fund has outperformed its bench mark by 2%.

ICICI PRU BANKING AND FIN SERVICES F - RETAIL - G

The scheme seeks to maximize long term capital gains by investing in equity and equity related securities of banking, financial and non-banking financial companies that form a part of Banking and Financial Services Industry. A large share of the assets of the scheme will be invested in the stocks comprising the benchmark, BSE Bankex Index.

The fund has performed at an alarming rate and has given the returns of 72.6% and a volatility of 1.24, Std.

Dev. of 3.22. Even with the high risk, the fund has outperformed its benchmark by 14%.

BIRLA SUN LIFE MNC FUND – GROWTH

The scheme would invest exclusively in securities of multinational companies in order to achieve long term growth of capital at relatively moderate levels of risk.The Scheme has given a return of 71% with a Std. Dev. of 2.01, volatility of 0.56 and the scheme has outperformed its benchmark by 37%.

BIRLA SUN LIFE INFRASTRUCTURE FUND - PLAN A - G

The scheme aims to invest predominantly in a diversified portfolio of equity and equity related securities of companies that are participating in the growth and development of infrastructure in India.The fund has been performing with 71% returns, with a high Std. Dev. of 3.12, volatility of 1.25 and also outperformed its benchmark by 12%.

RELIANCE BANKING FUND – GROWTH

The scheme aims to generate continuous returns by actively investing in equity, equity related or fixed income securities of banks. The proportion of investment between equity and debt will be decided based on the view of the fund manager on anticipated movement in both debt as well as equity markets.The fund has giving a returns of 69.19% with high Std. Dev. of 3.56, 1.41 volatility and the fund has outperformed the benchmark by 1%. This fund has given return of 20% over the last quarter of 2014.

BALANCED FUNDS

HDFC PRUDENCE FUND – GROWTH

The scheme seeks periodic returns and long-term capital appreciation from a balanced portfolio of debt and equity. The fund has an equity of 74.3%, Debt of 25.17% and cash and cash eq of 0.56%.

HDFC BALANCED FUND – GROWTH

The scheme seeks to generate capital appreciation with current income from a combined portfolio of equity and debt instruments. Under normal circumstances the scheme would take 60 % exposure to equity instruments while the balance would be allocated to debt instruments. The fund keeps the equity within a fairly narrow range. According to the fund manager, the equity exposure is maintained at about 70-72% and rebalancing is ongoing, instead of being at some fixed interval. Given the emphasis on smaller companies, the stock-selection strategy is obviously bottom-up Volatility means that more than any other balanced fund, investors must use the SIP route for cost averaging and have a genuine long-term horizon.

TATA BALANCED FUND - PLAN A – GROWTH

The scheme seeks steady returns from debt along with growth from equities instruments. The likely equity to debt investment ratio is 70 to 30. Earlier known as Tata Equity Growth Fund, Tata Twin Balanced has been merged in to this fund.Tata Balanced has done this better than most of its peers. This fund has handsomely outperformed the benchmark as well as the category over the last ten years. Ten year returns have been 16.7 per cent per annum. This compares very well with the category average of 13.5 per cent and the benchmark's 10.7 per cent. The fund ranks third among balanced funds that have been around for this period.

BIRLA SUN LIFE 95 – GROWTH

The fund seeks to achieve long-term capital appreciation and current income from a balanced portfolio with a target allocation of 60% equity, 40% debt and money market securities. This fund's track record shows all the characteristics of an ideal balanced fund, with steady outperformance of the benchmark during stable periods of the markets and, at a minimum, holding on to the relative gains during sharp declines. Five year returns are 18.6 per cent, compared to the Nifty's 17.8 per cent and the category's average of 17.3 per cent..

CANARA ROBECO BALANCE - GROWTH

The scheme seeks to build a balanced portfolio, which would provide a combination of high annual return and capital appreciation. The scheme was made open-ended from March 2000. Fund has underperformed the category average only for two calendar years in the last ten. Technically, it underperformed the category in 2012 too, but that was by 26.4 per cent to 26.7 per cent. In the comparison with the benchmark, this fund comes off even better. Except for a lag of 2.3 per cent in 2013, it hasn't been beaten by the index at all.The debt-equity ratio is rebalanced not by the calendar but depending on a number of macro and micro-level variables. In terms of actual portfolio choices, a combination of top-down and bottom up strategy is followed.

FRANKLIN INDIA BALANCED FUND – GROWTH

The scheme seeks to achieve long-term capital appreciation with stability of investment and current income from a balanced portfolio of high quality equity and fixed-income securities.The fund has been giving a return of 46.34% with a Std. Dev. of 1.57 and the scheme has outperformed benchmark by 17%.

L&T INDIA PRUDENCE FUND - GROWTH

The scheme seeks to generate long-term capital appreciation from a diversified portfolio of predominantly equity and equity related securities and to generate reasonable returns through a portfolio of debt and money market instruments to help generating funds in the long term to save for the cost of children's education. The fund has been giving a return of 45.88% with a Std. Dev of 1.53 and the scheme has been outperformed by 24%.

DEBT FUNDS

INCOME FUNDS

ICICI PRUDENTIAL INCOME FUND –GROWTH

The scheme seeks to generate regular returns by putting around 75 per cent of the investments in debt instruments, and the balance in money market instruments. The plan aims to maintain the optimum balance of yield safety and liquidity.

The fund has been able to generate a returns of 16.45% over the past one year. Being a debt fund, with a Sharpe ratio of 0.05, the fund’s performance has been safe to invest with minimal risk.

BIRLA SUN LIFE INCOME PLUS – DAP

The scheme seeks to generate consistent income through superior yields on its investment at relatively moderate levels of risk through a diversified investment approach.The scheme generated a return of 15.32% over the past one year. With a Sharpe ratio of 0.07, it can be said that the risk and return is well balanced between the stocks which are in this schemes.

HDFC INCOME FUND – GROWTH

The scheme seeks to optimize returns while maintaining a balance of safety, yield and liquidity from a portfolio of debt and money market instruments.This scheme has generated return of 15.32% by maintaining a Sharpe ratio of 0.07. this fund is very safe to invest for investors who are risk averts.

UTI BOND FUND – GROWTH

The scheme aims to invest in rated corporate debt papers and government securities with relatively low risk and easy liquidity.This scheme has generated returns of 14.82% over the past one year. This fund’s performance has been increasing and the fund is able to generate returns upto 26% in the past one month. This is a good opportunity for investors to buy the units of this fund since its performance has been increasing significantly.

SUNDARAM FLEXIBLE F - FLEXIBLE INCOME - REG - G

The scheme aims to generate reasonable returns by creating a portfolio comprising substantially of fixed rate debt instruments, short term bonds and money market instruments.The fund has generated a return of 14.81% over the last one year. The fund's performance has been decreasing over last quarter of 2014. The fund has only able to generate a return of 9.75% in the month of 2014.

RELIANCE DYNAMIC BOND FUND – GROWTH

The scheme aims to generate regular income and capital appreciation through investment in debt instruments and related securities besides preservation of capital the scheme can also invest in money market instruments.

The scheme has generated a return of 14.6%. The fund has been performing at an alarming rate and the risk and return has been adjusted efficiently. This can be said by the Sharpe ratio which is at 0.09. And the returns this scheme is generating are about 29% over past 2 months.

ICICI PRUDENTIAL INCOME OPPORTUNITIES FUND – G

The scheme seeks to generate regular returns by putting around 75 per cent of the investments in debt instruments, and the balance in money market instruments. The plan aims to maintain the optimum balance of yield, safety and liquidity.

This scheme has generated returns of 14.5% over the past one year. The fund has generated only 11.59% over the last one month. This shows that the fund's performance has been decreasing.

IDFC SSIF - INVT. PLAN - PLAN F – GROWTH

The fund seeks steady returns from a portfolio of quality debt and money market instruments.

This scheme has generated returns of 14.49% and its returns have been increasing. This scheme has generated a return of 28% over the past one month.

IV. CONCLUSION

Mutual Funds are preferred financial assets from return, liquidity and tax benefit point of view. However, their ranking is much lower from safety point of view. There seems to be high concurrence of rankings among various age, occupational, savings and experience categories when these financial assets are compared from one point of view at a time. Mutual Funds are not simple investments and require a lot of awareness about capital market and related laws. This necessitate a need for investor's education through seminar, conferences etc. This can also be done through regular use of television, internet, newspapers and professional magazines/journals. Further analyzing the performance of mutual funds has been a difficult task since the beginning of the era. This challenge can be overcome only by having awareness of various tools that are used to evaluate the schemes and finding the right scheme at the right time to invest. The investors must compare their analysis with the market's performance and take necessary precautions before investing in mutual funds.

In this report, the performance of various Mutual funds is being analyzed and it shows that the funds which are analyzed are among the top performing funds. And majority of Mutual Fund schemes outperformed all the benchmark indices on the basis of Sharpe measure. Jensen measureal so highlights the similar results as majority of the schemes out performed during most period of the study.

Due to economic conditions, mutual fund industry is generating more returns than ever before. The selection of the fund will always depend on the investor's ability to take risk so that he/she can generate higher returns.

Based on this research, it is evident that the investors who are willing to take risk can invest in schemes such as Sundaram SMILE Fund – Reg – Growth, DSP Blackrock Micro cap fund, SBI Small & Midcap Fund, Birla Sun life pure value fund, reliance small cap fund and canararobecco emerging equities which are generating returns above 100%.

These schemes involve high risk and also gave higher returns compared to many other schemes which are available in the market in the present scenario.The investors who are looking for lower risk yet decent returns can prefer to invest in Debt Mutual Funds. The schemes which are advised for risk averse investors are ICICI Prudential Income fund, Birla Sun life income plus, HDFC income fund and UTI Bond fund these funds are generating returns of 25% which is significantly high in debt mutual funds.The investors who are willing to balance risk and return can opt for schemes such as HDFC Prudence Fund, Tata Balance Fund, Birla Sun life 95 and Canararobecco Balance. These funds are generating returns above 50%.

Due to various factors, the boom in mutual fund industry is expected to continue for some time. This is the right time for investors to invest in various sectors of mutual funds so as to reap the benefits form the present market conditions and continuous increase in the performance of mutual funds. This would be a perfect opportunity for the investors who have waited since this is the period where the industry is at a peak. By analyzing the requirement of an investor, one reap benefits form the rising markets.

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