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A Study on Portfolio Performance Evaluation of Index Fund of Top Index Fund Offered by SBI Mutual Fund

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Abstract: *The portfolio performance evaluation involves the determination of how a managed portfolio has performed relative to some comparison benchmark. Performance evaluation methods generally fall into two categories, namely conventional and risk-adjust method. In the investment management industry, performance evaluation broadly refers to the measurement, analysis, interpretation, assessment, and presentation of investment results. In particular, performance evaluation provides information about the return and risk of investment portfolios over specified periods. The portfolio performance evaluation involves the determination of how a managed portfolio has performed relative to some comparison benchmark. Performance evaluation methods generally fall into two categories, namely conventional and risk-adjusted methods. The most widely used conventional methods include benchmark comparison and style comparison. The risk-adjusted methods adjust returns in order to take account of differences in risk levels between the managed portfolio and the benchmark portfolio. The major methods are the Sharpe ratio, Treynor ratio, Jensen's alpha, Modigliani and Modigliani, and Treynor Squared. The risk-adjusted methods are preferred to the conventional methods.At the same period of time, SBI mutual fund came into the industry which provided the mutual fund's sector with an adequate financial support. These two schemes became so popular that attract the attention of banks as well as other financial institutions to come into the business of mutual fund industry and as a result, other public sector banks and financial institutions initiate their business.*

Keywords: Portfolio Performance

I. INTRODUCTION

A mutual fund is recognized as a financial intermediary that acts as a depository podium of the investors'savings which is carried out for collective investment through a diversified portfolio of securities (Pathak, 2006). Among all the financial instruments available in the market, a mutual fund is one of the most attractive instruments that play a major role in the development of the country (Bahil and Rani, 2012). Mutual fund schemes offer new opportunities and platform for the investors for investment. According to Securities and Exchange Board of India (SEBI) Regulation 1996 ―Mutual Fund is a fund established in the form of trust to raise money through the sale of units to the public for investing in securities including money market instruments or gold or real estate assets. A mutual fund is primarily associated with the investment that facilitates the investors to pool their resources in order to purchase stocks, bonds and other securities. These collective funds are referred to as Assets under Management or AUM (Nafees, Shah and Khan, 2011). The notion of a mutual fund connotes to the sense of allowing a group of investors to pool their money together with a predetermined goal. Investments in securities are accelerated through industries and different sectors. Risk can be reduced by diversification as all the stocks may or may not perform in equal direction. Investors can regain their units based on the amount they have invested through a mutual fund (Singh, 2012).The profits and losses must be shared by the investors in proportion to their investment. A number of different schemes having different objectives are being launched by the Mutual funds from time to time. It is mandatory for a mutual fund to be registered with SEBI which controls securities market. The money which is being collected from the investors is invested in capital market instruments such as bonds, debentures, shares and another form of securities. Hence a mutual fund is a most appropriate platform for the investors to invest their money with relatively low risk. After investing the money the investors regain

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their units as per their unit value which is known as Net Assets Value (NAV) (Maheswari, 2015).The fund manager in a mutual fund owns the responsibilities for investing the accumulated money from the investors into specific securitiesi.e. stocks or bonds. Generally, mutual funds are instituted to purchase stocks. Mutual Funds have become a podium to strengthen the finance through investment by the public. It involves a mechanism of mixing both corporate and government securities enablingin come through dividend, interest and capital gain. It is considered an effective platform to enhance economy by mobilizing savings and investing them in various securities such as debt, equity, capital market or share market etc. In the financial sector mutual fund is regarded as a gateway for the savings and investments. In the process, it pulls a large number of investors who invest with a hope to yield appropriate return.

II. LITERATURE REVIEW

Globally, a mutual fund is an accepted phenomenon for the investor's and business class of people to get a high-end return. While the investors are allured forthe adequate return, the academicians try to extract the reasons behind it through research and most of research outputs concentrate on gaining the return on funds and on compares on with the benchmark fund schemes.

Jensen (1968) substantially contributed his knowledge in developing a composite portfolio evaluation technique focusing primarily on risk-adjusted return. Based on the evaluation of115 fund managers on security issues for the period 1945-66, he inferred that the net returnsfrom 39 funds had the above average returns while76 funds down sized their return. However, gross returns indicated that, while 48 funds searched to the average results, 67 funds show below average results. The performances of 86 funds with random portfolios undertaken by Friend,

Blume, and Crockett (1970) revealed that the mutual funds are in the framework of high risk and highturnover of funds surpassed the degree of expectation in the market. They also observed thatthesizeof thefund hasno relevanceon theirperformances.

Kaplanand Garrick (1981) in their study revealed that risk postulates a factor of uncertainty and potential loss which may occur to the investors and may drop down the expected return. Based on the growth schemes,

Shome (1994) analyzed the performance of the various mutualfund between April 1993 to March 1994 with BSE SENSEX as the market portfolio and concluded that the average rate of return of 10 schemes was lower while the standard deviation was abruptly high as compared to the market. Their analysis also deduced that the size does not have any dominance in the performance.

Gupta and Sehgal (1996) through their research found out the investment performance of 80schemes which are managed by 25 mutual funds during June 1992- June 1996. Out of the 25 mutual funds, 15 were from private sectors and 10 were from public sectors. The study mainly focused on the diversification and consistency of the funds. It also deduced that mutual fundwhich portfolio is diversified across industries not only performs well but also supportsconsistencyof performance.

III. RESEARCH METHODOLOGY

RESEARCH DESIGN:

The purpose of the methodology is to design the research procedure. This includes the overall design, the sampling procedure, the data collection method and analysis procedure. Marking research is the systematic gathering recoding and analyzing of data about problem retaining to the marketing of goods and services. The essential purpose of marketing research is to provide information, which will facilitate the identification of an opportunity of problem situation and to assist manager in arriving at the best possible decisions when such situations areencountered.

Method is used

Basically there are two types of researches, which according to their applicability, strength, weaknesses, and requirements used before selecting proper type of research, their suitability must be seen with respect to a specific problem two general types of researches are exploratory andconclusive.

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Exploratory Research Design:
It is also known as qualitative research,it seeks to discover new relationships it aims a defining the main problem &inducing the identification of the relevant variables and the possible alternative solutions it can further be divided in to threeparts**.**

Conclusive Research:—
It is also known as quantitative research; it is designed to help executives of action that is to make decision When a marketing executive makes a decision are course of action is being selected from among a number of available. The alternatives may be as few as two orvirtually infinite. They may be well defined or only vaguely glimpsed. Conclusive research provides information, which helps the executives make a rational decision. In some instances, particularly if any experiment is run, the research may come close to specifying the precisealternativesto choose,intheircases especiallywith descriptive studies the research will only particularly clarify the situation and much will be left to the executive'sjudgment.

Primary data collection tools
Tools used to gather data include case studies, interviews, occasionally observation, surveys etc.

SECONDARY DATA
Tools used to gather data include Government publications, websites, books, journal articles, internal records etc. Always specific to the researcher's needs.

Data interpretation and analysis is techniques to be used:
For the representation of analysis of data, graphs and charts are used

Objective
- To evaluate the performance in terms of Returns of Index Fund scheme of SBI mutual fund in India.
- To assess the Risk associated with Index Fund scheme of SBI mutual fund in India.
- To appraise the Risk adjusted Returns coupled with Index Fund scheme of SBI mutual fund in India.
- To examine and compare the performance of Index schemes with the benchmark index and the Peer Group.
- To assess the Index Fund scheme of SBI mutual fund in India on varied factors such as AUM, Expense Ratio etc.

Hypothesis
HO: There is no significant difference between in performance of Sharpe portfolio and market
There is significs difference between in performance of Sharpe portfolio and market portfolio.

IV. FINDINGS OF THE STUDY

In 1963, Unit Trust of India was the only mutual fund in India and now it has reached to 39 which show that there is mark able growth in the number of mutual funds since1963.
A huge development has also been recorded in terms of Asset under Management with Rs.1, 36, 81,009 Cr. which was only Rs. 25 Cr in 1964.
The number of public sectors mutual funds has increased to six whereas the number of private sectors mutual funds is 33 which show that there is more number of private players rather than public in the mutual fund industry.
The number of schemes of UTI has increased from 02 to 1220.
It has been found that Standard Deviation of SBI Nifty Index Fund-Regular scheme is greater compared to its Benchmark that means the risk associated with the scheme is greater than its Benchmark also. It implies that Fluctuation in SBI Nifty Index Fund-Regularscheme is higher as compared to its Benchmark Nifty 100.Fund scheme has stronger deviation of 22%which says that it deviates around 22% around its average return.
It has been came to know that after analysis that SBI Nifty Index Fund-Regular scheme has Beta more than one; it carries a Beta of 1.2 which means that it has more fluctuation as compared to its Benchmark Nifty 100.It can also be

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found that Funds has more sensitivity as compared to its benchmark. The funds price movement is higher compare to its benchmark.

V. CONCLUSION:

The performance of the selected scheme i.e. SBI Nifty Index Fund-Regular scheme has been analyzed in terms of average return, Trailing Returns, standard deviation, beta etc. Alongwiththis, analysis has been done on the basis of risk-return relationship for which widely usedperformance measures i.e. Sharpe ratio, Treynor ratio and Sortino ratio has been considered.For calculating the average return NAV of the selected scheme has been taken for the periodof 2015-16 to 2019-20 .The fund return has been compared with the benchmark index (Nifty100) and 91-days treasury bills astherisk-free rate. The result shows that scheme haveoutperformed the market. In terms of standard deviation, scheme is less risky than its peergroup and Benchmark. SBI Nifty Index Fund-Regular scheme is performing better than themarket index in terms of Sharpe ratio, Treynor ratio and Sortino ratio. Overall Performance ofSBINiftyIndexFund-Regularscheme is up to the satisfactory level

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