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A Study on Performance Evaluation of Balanced Scheme with Reference to Top 5 Asset Management Companies

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Abstract: *Performance evaluation of balanced investment schemes is critical for investors aiming to achieve both growth and stability in their portfolios. This study analyses the performance of balanced schemes offered by selected asset management companies, which blend equity and debt instruments to provide a balanced risk-return profile. By examining key performance indicators such as risk-adjusted returns, and volatility, the research evaluates how these schemes have performed over a specified period. The study utilizes a comparative approach, analysing balanced schemes across different asset management companies, and employs financial metrics like Sharpe ratio, beta, and alpha to measure their effectiveness. The role of external factors, such as market fluctuations, economic conditions, and regulatory changes, is also considered to understand their impact on the schemes' performance. Balanced schemes generally offer moderate returns with lower risk compared to pure equity funds, the performance varies significantly across different fund managers and market conditions.*

Keywords: Balanced mutual fund scheme, Performance evaluation, Asset Management Companies (AMCs), evaluation metrics

I. INTRODUCTION

Asset management companies (AMCs) play a pivotal role in the financial markets by pooling resources from individual and institutional investors and channelling them into various investment schemes. One such investment vehicle is the balanced scheme, which aims to strike a balance between equity and debt instruments, offering both growth and stability. The balanced scheme, as the name suggests, typically provides a blend of risk and return, making it an attractive option for investors seeking diversification and moderate risk.In the rapidly evolving financial landscape, evaluating the performance of balanced schemes is crucial for investors to make informed decisions. This study focuses on the performance evaluation of balanced schemes offered by the top 5 asset management companies in the industry. By analysing key financial metrics such as returns, risk, and portfolio composition, the study aims to assess how these schemes perform in different market conditions. The evaluation will help in understanding which AMCs are most effective in delivering consistent and competitive returns to their investors while maintaining a balance between risk and reward.

Objectives of the Study

- To appraise the performance of selected mutual funds with risk adjustment.
- To compare and contrast the balanced mutual fund scheme of top 5 AMC’s using standard tools of evaluation.

Hypothesis for the study

- **H0:** There is no significant relation between risk and return.
- **H1:** There isa significant relation between risk and return.

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II. REVIEW OF LITERATURE

Dr. Bhadrappa Haralayaa (2023)in his research paper He highlights various performance measurement techniques used in mutual fund research, particularly emphasizing the Treynor and Sharpe Ratios as key metrics to assess risk-adjusted returns. **Sirish Nanduri (2022),**in his research paper, examines the factors influencing the performance of selected large-cap and small-cap equity mutual funds. His study finds significant differences in performance across the chosen mutual funds, highlighting varying success rates. **Tapan Kumar Samanta (2020)**in his research paper, " The study's goal is to examine trends and evaluate the performance of an Indian growth-oriented, broadened mutual fund scheme with regard to of returns. The researcher examined a sample of ten mutual fund schemes made up entirely of multifaceted large-cap equity funds. **Gouri Shankar Lall, (2018)**in his research paper indicate that the Sundaram Global Advantage Scheme achieved a higher Sharpe ratio compared to the other mutual fund schemes examined, suggesting that its investment managers demonstrated superior risk-adjusted performance. This highlights the effectiveness of the fund's management in navigating market fluctuations and maximizing returns for investors.**Pandow (2017**), in his research paper, indicating an underutilization of available investment options. Pandow concludes that the mutual fund sector has yet to achieve its full potential, stressing the importance of addressing these issues through enhanced investor education and the introduction of innovative products to foster greater engagement and expand market reach.**Muralidhar Prasad (June 2016),**in his research paper, investors have the flexibility to choose funds that align with their financial goals, showcasing the adaptability of Reliance Mutual Fund schemes to meet varying investment preferences. Overall, the research underscores the importance of informed investment choices in a dynamic financial landscape.**Shukla S (2015),**in his research paper, indicate a strong positive correlation between the performance of the mutual funds and the Nifty index, suggesting that as the market index performs well, the mutual funds tend to deliver favourable returns as well. This highlights the sensitivity of mutual fund performance to market movements, emphasizing the importance of market conditions in influencing fund returns.**Dr. K. Veeraiah et al., Dr. A. Kishore Kumar (Jan 2014),**in their research paper establishing them as a strong option for investors seeking viable medium- to long-term investment strategies. The results underscore the growing preference for mutual funds among investors, highlighting their potential for delivering superior returns over time while providing a diversified investment approach.

Research Gap

Based on the literature review, it has been detected that many studies are conducted in India to assess the financial performance of mutual funds.The current study is an attempt to partially close this gap by utilizing various financial metrics like the Sharpe ratio, Treynor ratio, Jensen Alpha ratio, Beta, and Standard Deviation for balanced mutual fund scheme for a period of 6 months, 1 year, 3 years, and 5 years during the period of 2019 to 2024.

Scope of the Study

This study aims to analyse the performance of specific balanced mutual fund schemes. The objective of the study was to evaluate the funds based on the selected strategy. The study primarily concentrates on the balanced funds provided by asset management companies (AMCs) and their performance over 6 months, 1 year, 3 years, and 5 years. The findings of this research can assist investors in strategizing their investments in balanced mutual fund schemes, serving as a fundamental reference for them.

Limitations of the Study

- Fluctuating returns, tied to underlying assets, influence long-term investor outcomes.
- The study is limited to only top 5 AMC's, which might not be a true representation of the entire population.
- Different market conditions and economic cycles could impact the results, and a longer timeframe might provide a more comprehensive analysis.

Type of research

The present study is quantitative in nature as it includes various numerical facts and figures, which will be helpful to draw a conclusion using statistical tools and techniques. Therefore, the type of study is descriptive. Descriptive research

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is a research method used to describe the characteristics of an observable fact being studied.To examine the mutual fund schemes' performance, top 5 AMCs were selected. NAVs (Net Asset Value) by taking their value on 6 months 1 year 3 years and 5 years basis of the selected schemes

Population & Sampling Unit

There are 44 active AMC'S in India at the moment. Balanced funds are chosen from among these businesses to fulfil the study's goal. ICICI Prudential Mutual Fund, HDFC Mutual Fund, Kotak Mutual Fund, Sundaram Mutual Fund, and Aditya Birla Sun Life Mutual Fund are the five AMCs chosen for this study.

Sampling Method

Purposive sampling is employed to choose a sample of balanced mutual funds. Purposive sampling (also known as selective or subjective sampling) is a sampling approach in which the researcher uses his or her own discretion in selecting members of the balanced mutual fund population to participate in the study.

Sample Size

This study based on NAV. In them top 5 AMCs offering balanced schemes are chosen for a duration of 6 months 1 year 3 year and 5 years to assess the effectiveness for short-term and long-term duration.

Sources of Data Collection

Secondary data: This study is purely based on secondary data. The datafor the study has been gathered from previously available research works and authorized websites. The data regarding historical NAV were collected from the factsheets of the selected companies and websites of www.mutualfundindia.com and website of www.amfiindia.com

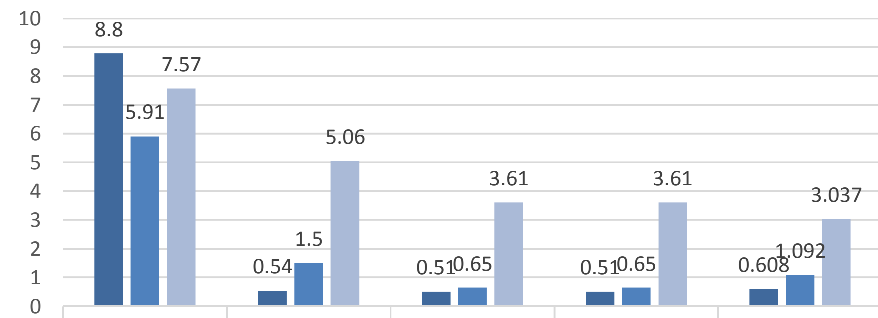
Statistical Tools and Techniques:

Tools used to analyse the performance of selected funds of top 5 AMCs are Sharpe's Ratio, Treynor's Ratio, Jensen's Ratio, Standard Deviation, and Beta.

Table showing the top 5 mutual fund schemeson the basis of Sharpe, Treynor, Jensen for 6 months

SCHEMES	SHARPE's RATIO	TREYNOR's RATIO	JENSEN's RATIO
ICICI	**8.8**	**5.91**	**7.57**
HDFC	0.54	1.5	5.06
Kotak	0.51	0.65	3.61
Sundaram	0.51	0.65	3.61
ABSL	0.608	1.092	3.037

Graph showing the top 5 mutual fund schemes on the basis of Sharpe, Treynor, Jensen for 6 months



	ICICI Balanced mutual fund	HDFC Balanced mutual fund	Kotak Balanced mutual fund	Sundaram Balanced mutual fund	Aditya Birla sun life Balanced mutual fund
SHARPE's RATIO	8.8	0.54	0.51	0.51	0.608
TREYNOR's RATIO	5.91	1.5	0.65	0.65	1.092
JENSEN's RATIO	7.57	5.06	3.61	3.61	3.037

■ SHARPE's RATIO ■ TREYNOR's RATIO ■ JENSEN's RATIO

INTERPRETATION:

Among the investment scheme offered by AMCs, ICICI has the highest values across all three performance measures: Sharpe's ratio, Treynor's ratio, and Jensen's ratio. A higher Sharpe's ratio implies the better total risk-adjusted returns, while a Treynor's ratio implies the ability to generate excess returns relative to its market risk,and. Jensen's ratio implies better predictive ability of managers, ICICI has delivered the highest excess returns above the market's expectations. Therefore, ICICI stands out as the top performer compared to the other schemes in terms of risk-adjusted and market-related performance metrics for short term period.

Table showing the top 5 mutual fund schemes on the basis of Sharpe, Treynor, Jensen for 1 year.

SCHEMES	**SHARPE's RATIO**	**TREYNOR's RATIO**	**JENSEN's RATIO**
ICICI	0.28	1.11	-0.34
HDFC	**0.29**	1.16	-0.58
Kotak	0.28	1.12	-0.38
Sundaram	0.28	**1.29**	**-0.16**
ABSL	0.28	0.28	-0.33

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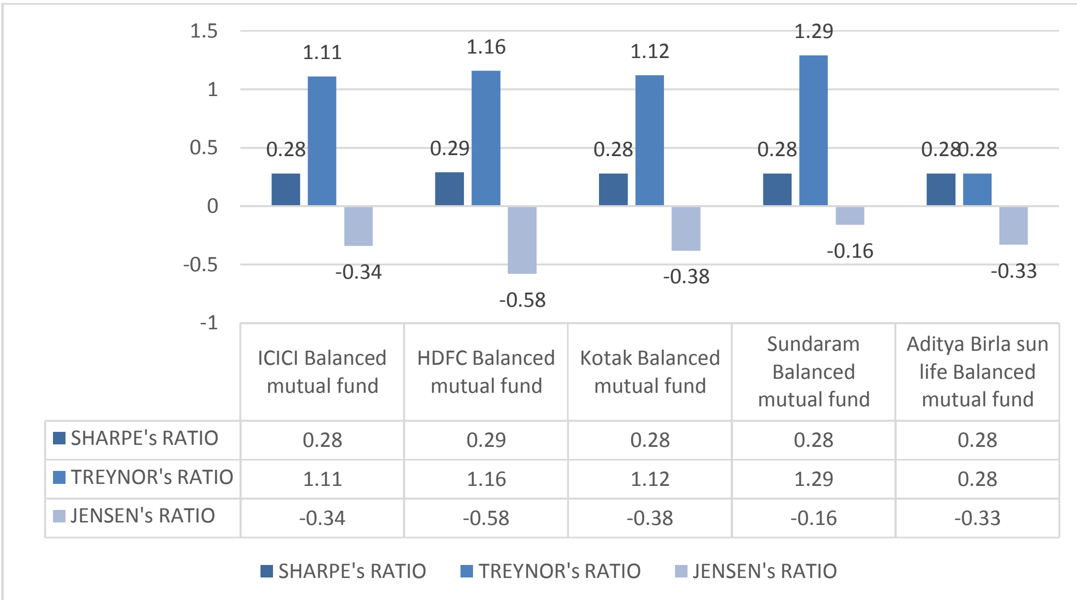
Graph showing the top 5 mutual fund schemes on the basis of Sharpe, Treynor, Jensen for 1 year.



INTERPRETATION:

Among the investment scheme considered for this study Sundaram has the highest values in terms of Treynor's ratioTreynor's ratio implies the ability to generate excess returns relative to its market risk, while aSharpe's ratio implies the better total risk-adjusted returns, and. Jensen's ratioimplies better predictive ability of managers,Sundaramimplies the ability to generate excess returns relative to its market risk. Therefore, Sundaram stands out as the top performer compared to the other schemes in terms of market risk for short term period.

Table showing the top 5 mutual fund schemes on the basis of Sharpe, Treynor, Jensen for 3 years.

SCHEMES	**SHARPE's RATIO**	**TREYNOR's RATIO**	**JENSEN's RATIO**
ICICI FUND	**1.63**	1.19	**1.98**
HDFC FUND	0.42	1.09	-0.16
Kotak FUND	0.48	1.05	-0.12
Sundaram FUND	0.44	1.06	-0.16
ABSL FUND	0.37	**8.75**	0.61

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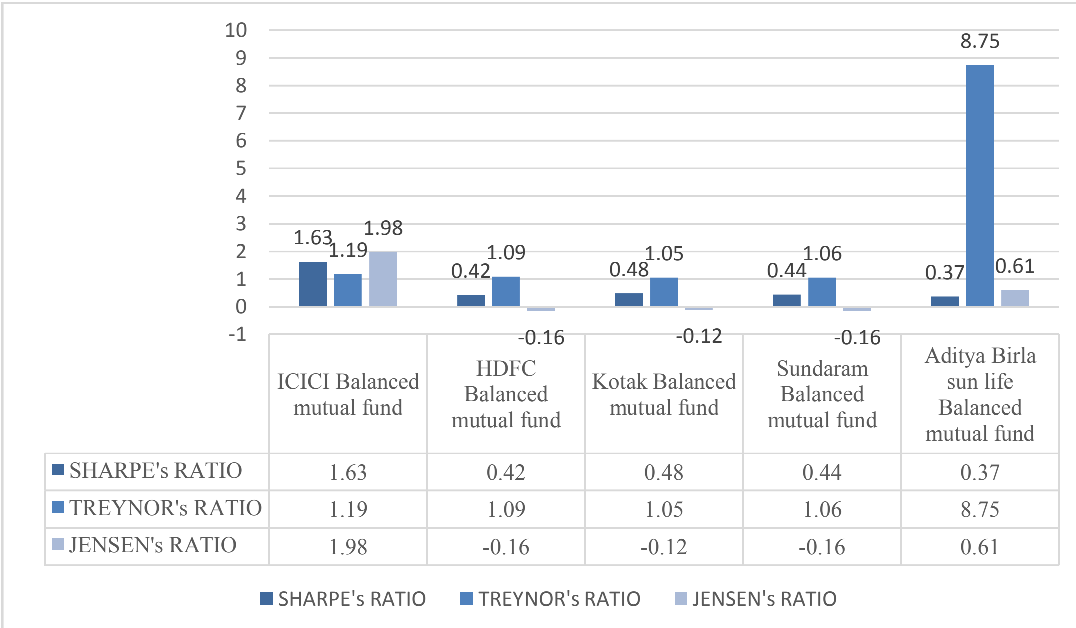
Graph showing the top 5 mutual fund schemes on the basis of Sharpe, Treynor, Jensen for 3 years.



INTERPRETATION:

Among the investment scheme considered for this study, ICICI has the highest value in terms of Sharpe's ratio and Jensen ratio, Sharpe's ratio implies the better total risk-adjusted returns, and. Jensen's ratio implies better predictive ability of managers, ABSL stands out as the top performer compared to the other schemes in terms of market risk for midrange period.

Table showing the top 5 mutual fund schemes on the basis of Sharpe, Treynor, Jensen for 5 years.

SCHEMES	SHARPE's RATIO	TREYNOR's RATIO	JENSEN 'sRATIO
ICICI FUND	0.02	0.66	0.17
HDFC FUND	0.21	1.21	2.05
Kotak FUND	0.29	0.52	**3.4**
Sundaram FUND	**0.42**	0.97	2.14
ABSLFUND	0.12	**1.34**	0.97

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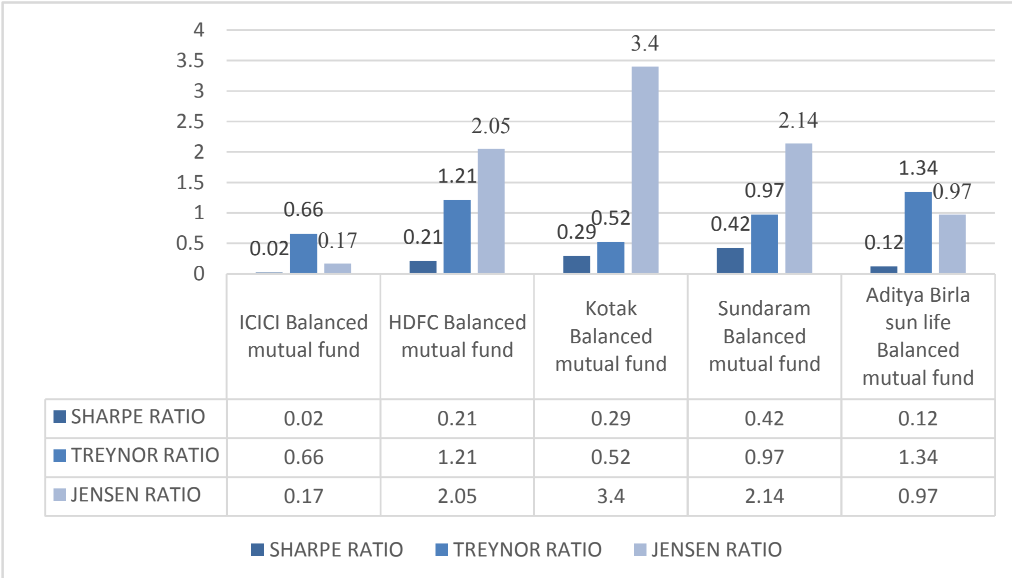
Graph showing the top 5 mutual fund schemes on the basis of Sharpe, Treynor, Jensen for 3 years.



INTERPRETATION:

Among the investment scheme considered for this study, Sundaram has the highest values in terms of Sharpe's ratio implies the better total risk-adjusted returns, ABSL has highest values in terms of Treynor's ratio implies the ability to generate excess returns relative to its market risk, Kotakimplies better predictive ability of managers,Therefore, Kotak stands out as the top performer compared to the other schemes in terms of better predictive ability of managers for long term period.

III. FINDINGS

- ICICI Balanced Mutual Fund excels in the short term (6 months) but declines over longer periods.
- HDFC Balanced Mutual Fund consistently performs well, especially over longer terms.
- Sundaram shows strong performance in both 1-year and 5-year metrics.
- Kotak shows moderate effectiveness across the board.
- Aditya Birla Sun Life shows inconsistency, performing well in Treynor but weak in Sharpe ratios, especially in longer time frames.
- Investors can start a Systematic Investment Plan (SIP) with as low as ₹100, and no brokerage charges are involved in direct mutual fund plans. This makes it accessible for small investors.

IV. SUGGESTIONS

- Investors can invest in SIP with minimum value of Rs.100 and moreover there is no brokerage charges in direct plan.
- Based on the time horizon for short term investment, the investor can invest in ICICI Prudential fund. Based on mid-term and long-term investment, the investor can invest in HDFC fund.
- Mutual fund regulatory authorities should enhance this sector of investment to attract the investors and promote the value of balanced mutual fund investment.
- Risk takers can invest in ICICI Prudential balanced advantage fund direct plan for 6 months, HDFC balanced advantage fund direct plan for 1 year, 3 years, and 5 years all of which offer high average returns.

V. CONCLUSION

One of the finest investment options for investors seeking higher returns at a lower degree of risk is mutual funds. This study will assist investors in understanding the performance of the balanced advantage mutual fund over the course of six months, 1 year, 3 year, and 5 years. The returns from the top 5 AMCs that were chosen were computed using monthly closing NAV. The market return portfolio uses NIFTY50. Treynor's, Jenson's, and Sharpe's ratios were used to analyse the performance of the funds.

After examining the various mutual fund schemes, it has been determined that risk and return factors, followed by safety and liquidity, should always be taken into account when making an investment decision. The ICICI Prudential Balanced Advantage Fund Direct Plan has occupied the top spot in both metrics for the past six months. This is the fund that has outperformed the others. For a whole year, HDFC Balanced Advantage Fund Direct Plan has ranked first in each of the three metrics. HDFC Balanced Advantage Fund Direct Plan has occupied the top spot in both metrics for the past three years. This fund has outperformed the others.

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Hypothesis testing

Company Name (6mths)	ICICI prudential	HDFC	Kotak Mahindra	Sundaram	ABSL
Risk	0.608	2.47	2.044	2.64	1.94
Return	5.93	1.41	1.18	1.25	1.07

Company Name (5yrs)	ICICI prudential	HDFC	Kotak Mahindra	Sundaram	ABSL
Risk	8.76	4.82	3.41	2.22	4.03
Return	-0.13	1.09	1.09	1.02	0.58

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Output:

		Risk (6mths)	Return (6mths)
Risk (6mths)	Pearson Correlation	1	-0.914
	Sig. (2-tailed)		0.03
	N	5	5
Return (6mths)	Pearson Correlation	-0.914	1
	Sig. (2-tailed)	0.03	
	N	5	5

INTERPRETATION:

Based on the output the corelation (r) value is -0.914 indicating that $r \neq 0$. It denotes there is a higher degree of inverse relationship between risk and returns of the fund. Hence reject null hypothesis and accept the alternative hypothesis and conclude that there is a significant relation between risk and return.

		Risk (5yrs)	Return (5yrs)
Risk (5 years)	Pearson Correlation	1	-0.866
	Sig. (2-tailed)		0.57
	N	5	5
Return (5 years)	Pearson Correlation	-0.866	1
	Sig. (2-tailed)	0.057	
	N	5	5

INTERPRETATION:

Based on the output the correlation (r) value is -0.866 indicates that $r \neq 0$. It denotes there is a higher degree of inverse relationship between risk and returns of the fund. Hence reject null hypothesis and accept the alternative hypothesis and conclude that there is a significant relation between risk and return.