

TO STUDY ON PERFORMANCE EVALUATION OF MUTUAL FUND IN WALLET WEALTH LLP

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ABSTRACT

In order to determine how effectively mutual funds are performing, a number of measures must be examined. This research focuses on the compound annual growth rate (CAGR) in conjunction with four key indicators: the profit on book ratio, profit of earning ratio, Sortino ratio, and Sharpe ratio. We go over the importance of each of these measures in assessing fund performance and provide a straightforward explanation of each one. Investors can learn more about risk-adjusted returns, profitability, growth potential, and downside risk by exploring these measures. The purpose of this study is to offer useful advice to investors who want to make well-informed choices when it comes to investing in mutual funds.

Keywords: Mutual fund performance, Performance evaluation metrics, Risk-adjusted returns.

1. INTRODUCTION

In the world of investing, mutual funds are essential because they provide investors with a diverse portfolio under the expert management of fund managers. Nonetheless, evaluating mutual fund performance is an essential duty for investors looking to maximize profits with prudent risk management. A variety of performance indicators have been created to quantify various aspects of fund performance in order to assist this evaluation process. The goal of this study is to present a thorough examination of the most important measures for assessing mutual fund performance. We pay particular attention to the compound annual growth rate (CAGR), profit on book ratio, Sortino ratio, Sharpe ratio, and profit of earning ratio. These measures provide information on a variety of aspects of fund performance, including as growth potential, profitability, risk-adjusted returns, and downside risk management.

Mutual fund managers, financial advisors, politicians, and individual investors all need to evaluate the performance of their funds. Investors can make better decisions about how to allocate their investments by comprehending and using these measures, and fund managers can evaluate and improve their fund strategies. Furthermore, these insights might be utilized by legislators to encourage accountability and transparency in the mutual fund sector. We give a summary of the significance of evaluating mutual fund performance and emphasize the role that particular criteria play in evaluating fund performance. Each measure will be thoroughly examined in the parts that follow, with an emphasis on its interpretation, calculation process, advantages, and disadvantages. Our goal is to provide investors and stakeholders with the information and resources they need to successfully navigate the

TABLE NO. 1: PARTIES INVOLVED IN MUTUAL FUND

SEBI	It is the Governing authority of stock market. Mutual fund legal framework is regulated by SEBI guidelines.
INVESTOR	Investor is Neither a speculator (who takes on high risks for high rewards) but one whose primary objectives are to safeguard the principal investment, a steady income and capital appreciation.
TRUSTEES	The mutual fund has been formed as a public trust and trustees manage the trust. They are primarily accountable for protecting the interest of mutual fund investors
ASSET MANAGEMENT COMPANY	SEBI approved Asset management company (AMC) manage the funds by making investment in various types of securities. It manages the investment portfolios of the scheme and handles various other routine activities incidental to the mutual fund business. Its income comes from the management fees it charges for the schemes it manages.
DISTRIBUTORS	They earn commission for bringing in investors into the scheme of a mutual fund. This commission is an expense for the scheme.

TAXATION OF MUTUAL FUNDS

Mutual funds, whose average equity allocation (i.e. where underlying assets are equity and equity related securities) is 65% or more, are treated as equity funds from tax perspective. These include all equity funds and also several hybrid fund categories. Short term capital gains (investment holding period of less than 12 months) in equity funds are taxed at 15%. Long term capital gains (investment holding period of more than 12 months) in equity funds are tax free up to Rs 100,000 and taxed at 10% thereafter. Short term capital gains (investment holding period of less than 36 months) in non equity funds are taxed as per the income tax rate of the investor. Long term capital gains (investment holding period of more than 36 months) in non equity funds are taxed at 20% after allowing for indexation. Investments in mutual fund Equity Linked Savings Schemes (ELSS) qualify for deductions under Section 80C.

2. LITERATURE REVIEW

Performance Evaluation Of Selected Equity Mutual Funds In India By Dr. Gurudutta P. Japee(2020)

The Indian capital market offers a range of investment opportunities to enable investors to diversify their holdings across multiple industries and ensure a lucrative return. Open-end funds are one type of financial product that guarantees investors the lowest risks and the highest possible return. The expansion and advancement of diverse mutual fund products has been demonstrated to be one of the most effective catalysts for significant investment growth in the capital market. In this situation, careful observation and assessment of mutual funds became crucial. As a result, picking profitable mutual funds to invest in could be crucial. This research examines the equities mutual funds available for purchase from various fund companies in India; it primarily focuses on the performance of particular equity (large-cap, mid cap, smallcap).

A Study On Performance Evaluation Of Equity Mutual Funds Schemes In India By T V Raman(2020)

No matter how much money is invested, mutual funds provide a platform for everyone to take part in the Indian capital market with professional fund management. Mutual funds have become the most popular financial instrument in India during the last several years. Without a question, investors' acceptance of mutual funds as a vehicle for investing has grown since so many of them are benefiting from them due to a rise in investor knowledge and awareness. Compared to buying stocks directly, investing in mutual funds carries a lower risk. To build a diversified portfolio, the fund manager must deliver returns.

Performance Evaluation Of Selected Hybrid Mutual Funds In India By Naresh Chaudhari(2020)

There are several platforms available on the Indian capital market for investors to put their money in order to increase their return. A mutual fund is among the best ways for an investor to grow their wealth in the Indian capital market, out of all the options available, including equity shares, bonds, treasury bills, corporate bonds, mutual funds, and so on. For this reason, we are conducting a study on a subset of hybrid mutual funds in India. The study's sample consists of ten hybrid mutual funds that have been divided into two categories depending on their nature: aggressive and conservative. There are five hybrid mutual funds in each category. The fund's performance is assessed using the financial ratio analysis, which takes the three-year return and NAV (net assets value) starting on July 17.

Performance Evaluation Of Equity Linked Savings Schemes (ELSS) Of Indian Mutual Funds By Vibhav Pratap(2020)

Investors, we are looking for the greatest ELSS that will save taxes while still offering a respectable return at the lowest possible risk. The main objective of this paper is to determine, based on the asset under management, which of the five best-performing mutual fund providers in India offers the best plan. We have used a number of statistical methods, including standard deviation, beta, sharpe ratio, Treynor ratio, and Jensen's alpha, to determine which plan among these companies is the best. The authors' assessment of the risk and return these schemes offered was aided by these statistical factors. According to this metric, the Birla Sunlife tax relief fund 96 outperformed the other mutual fund ELSS choices in the sample.

.Portfolio Performance Evaluation Of Mutual Funds In The Republic Of Serbia by Miljan Lekovića, Milena Jakšićband dragana Gnjatovića(2020)

The performance of open-end mutual funds in the Republic of Serbia is assessed in this article for the years 2011–2015, utilizing a variety of modeling techniques from diverse models. The purpose of this paper is to evaluate the existence of selection and timing skills among Serbian portfolio managers and to investigate the theoretical, methodological, and empirical validity of active mutual fund portfolio management. The empirical research's findings demonstrate that the Republic of Serbia's active mutual fund portfolio management hasn't been able to outperform the market. The majority of Serbian mutual fund portfolio managers are not skilled at timing the market or selecting lucrative products.

OBJECTIVE OF THE STUDY

- To investigate the previous performance techniques followed by wallet wealth LLP.
- To investigate the regulatory constraints and limitations impacting market dynamics.
- To analyze the risk-return characteristics of mutual funds
- To evaluate the level of variation offered through mutual funds
- To provide a summary of findings to assist investors in making educated decisions.

3. METHODOLOGY

A mixed-method approach is used in this study to examine mutual fund performance evaluation measures. The first step of the research is a thorough analysis of the body of knowledge on mutual fund performance evaluation, which includes reports from the industry, scholarly articles, and regulatory requirements.

Data collection entails obtaining past mutual fund performance information from reliable sources, including regulatory filings, fund prospectuses, and financial databases. The dataset guarantees data accuracy and completeness by include pertinent factors such fund returns, risk metrics, expense ratios, and benchmark indexes. Then, using exacting procedures, the chosen performance metrics—such as the compound annual growth rate (CAGR), profit of earning ratio, Sortino ratio, Sharpe ratio, and profit on book ratio—are computed for every mutual fund in the dataset.

Using statistical tests, graphical displays, and descriptive statistics, the computed metrics are empirically analyzed to find patterns, trends, and relationships in the dataset. The interpretation and discussion of the results take into account the strengths, limits, and implications of each metric within the framework of theoretical frameworks and current research. Conclusions about the usefulness and applicability of the performance metrics in assessing mutual fund performance are made in light of the research findings, and suggestions are made for investors, fund managers, and legislators on how to use them in real-world investment decision-making and regulatory supervision. This study approach adds to the corpus of knowledge in finance and investment management by enabling a thorough and systematic investigation of mutual fund performance evaluation measures.

4. DATA ANALYSIS AND INTERPRETATION

The study has been analysed based on the performance of mutual fund of wallet wealth LLP .Different ratio such as sharpe ratio, sortino ratio , profit to earning ratio have been used to evaluate various aspects of company's operation and financial performance to draw correct interpretation.

TABLE NO. 2 : SHARPE RATIO

Fund Name	Sharpe
Union Small Cap Fund (G)	0.49
Franklin India Smaller Companies Fund (G)	0.49
Invesco India Multicap Fund (G)	0.55
Kotak Emerging Equity Fund (G)	0.44
Tata Large & Mid Cap Fund - Regular (G)	0.41
Kotak Equity Opportunities (G)	0.61
Motilal Oswal Midcap Fund (G)	0.83
Nippon India Multi Cap Fund (G)	0.58
SBI BlueChip Fund (G)	0.31
ICICI Pru Bluechip Fund (G)	0.47

SHARPE INDEX = $\frac{RP - RF}{SD}$

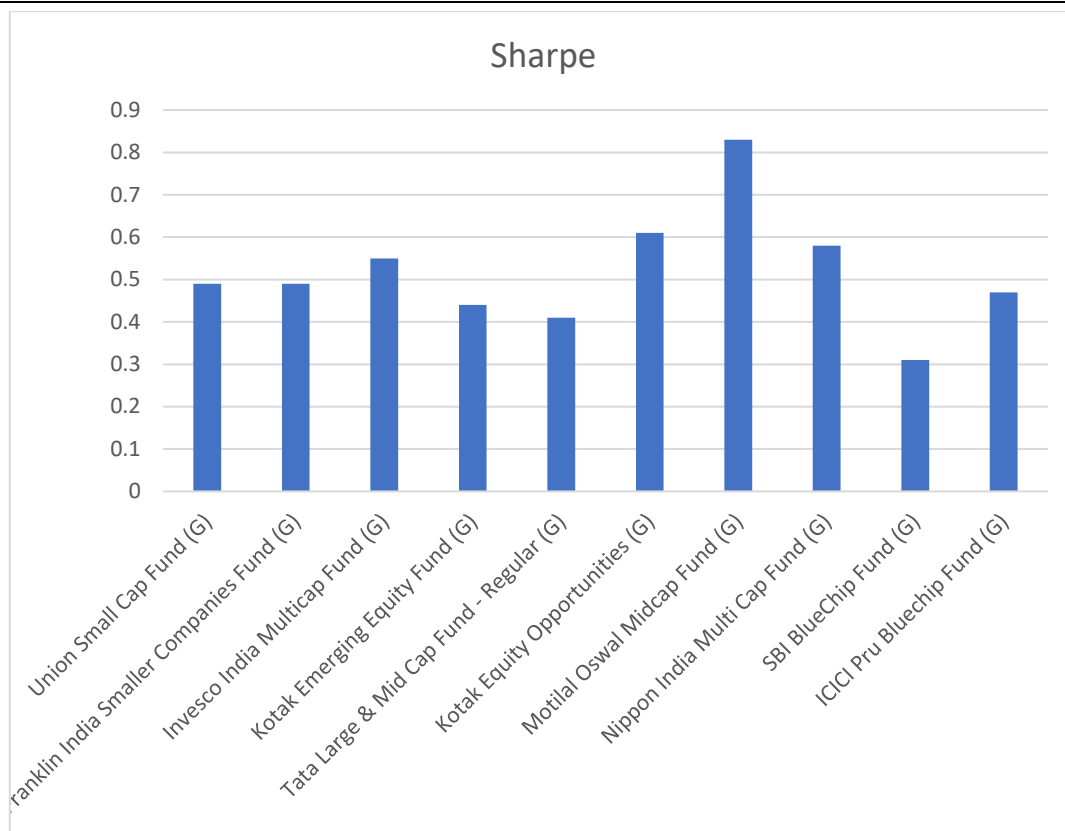


CHART 1 : SHARPE RATIO

Sharpe ratios of various mutual funds to assess their risk-adjusted performance.

Motilal Oswal Midcap Fund emerged as the top performer with a Sharpe ratio of 0.83, indicating superior returns relative to the risks taken. Kotak Equity Opportunities followed closely behind with a Sharpe ratio of 0.61, demonstrating strong risk-adjusted performance. Nippon India Multi Cap Fund and Invesco India Multicap Fund also showcased commendable performance with Sharpe ratios of 0.58 and 0.55 respectively. Conversely, SBI BlueChip Fund exhibited relatively lower risk-adjusted performance with a Sharpe ratio of 0.31. The analysis suggests that investors seeking optimal risk-adjusted returns may find the top-performing funds more appealing for inclusion in their investment portfolios.

TABLE NO. 3 : SORTINO RATIO

Fund Name	Sortino
Union Small Cap Fund (G)	0.54
Franklin India Smaller Companies Fund (G)	0.56
Invesco India Multicap Fund (G)	0.65
Kotak Emerging Equity Fund (G)	0.51
Tata Large & Mid Cap Fund - Regular (G)	0.45
Kotak Equity Opportunities (G)	0.73
Motilal Oswal Midcap Fund (G)	0.94
Nippon India Multi Cap Fund (G)	0.7
SBI BlueChip Fund (G)	0.38
ICICI Pru Bluechip Fund (G)	0.6

Sortino Ratio = $(r_p - r_f) \div \sigma_d$

r_p = Portfolio Return

r_f = Risk-Free Rate

σ_d = Downside Deviation

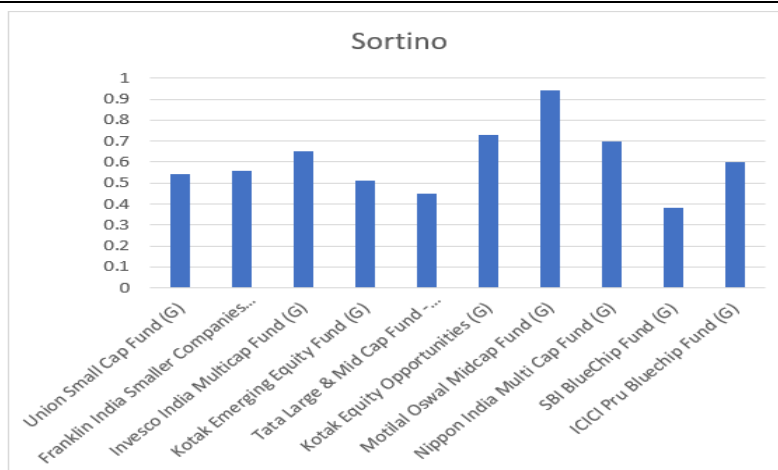


CHART NO. 3 : SORTINO RATIO

The Sortino ratios provided offer a glimpse into the risk-adjusted performance of various mutual funds, focusing particularly on downside risk. Motilal Oswal Midcap Fund leads the pack with the highest Sortino ratio of 0.94, showcasing superior risk-adjusted returns considering downside volatility. Kotak Equity Opportunities follows closely with a ratio of 0.73, indicating strong performance in managing downside risk. Nippon India Multi Cap Fund also demonstrates commendable performance with a ratio of 0.7. Conversely, SBI BlueChip Fund exhibits the lowest ratio at 0.38, suggesting relatively poorer risk-adjusted returns when considering downside risk. Overall, investors seeking funds with superior risk-adjusted returns and effective downside risk management may find the top-performing funds more appealing for their investment portfolios.

TABLE NO. 4 : PROFIT TO EARNING RATIO

Fund Name	P/E
Union Small Cap Fund (G)	30.1
Franklin India Smaller Companies Fund (G)	28.6
Invesco India Multicap Fund (G)	26.33
Kotak Emerging Equity Fund (G)	28.26
Tata Large & Mid Cap Fund - Regular (G)	25.11
Kotak Equity Opportunities (G)	22.67
Motilal Oswal Midcap Fund (G)	67.71
Nippon India Multi Cap Fund (G)	30
SBI BlueChip Fund (G)	30.04
ICICI Pru Bluechip Fund (G)	23.11

P/E RATIO = MARKET SHARE PRICE / EARNING PER SHARE

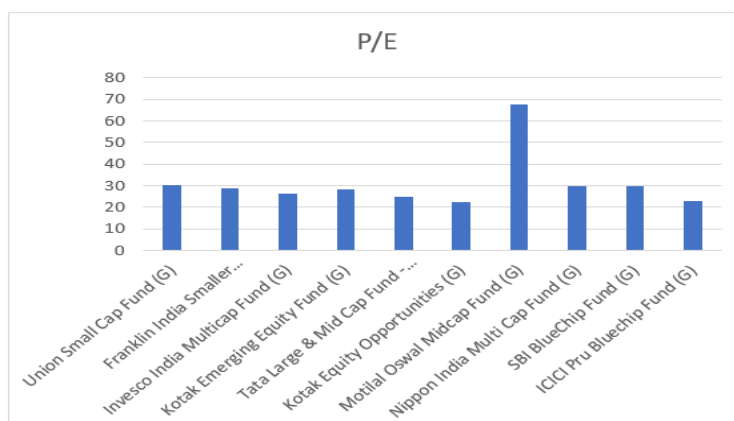


CHART NO. 4 : PROFIT TO EARNING RATIO

The Price-to-Earnings (P/E) ratios provided offer insights into the valuation of various mutual funds relative to their earnings. The P/E ratios provide a snapshot of the valuation of the funds' underlying investments relative to their earnings. A higher P/E ratio may indicate relatively higher growth expectations or premium valuations, while a lower P/E ratio may suggest more attractive valuations or potential value opportunities. Investors should consider these ratios in conjunction with other factors when making investment decisions.

Motilal Oswal Midcap Fund stands out with an exceptionally high P/E ratio of 67.71, indicating investors are paying a premium for potential growth. Funds like Union Small Cap Fund, Franklin India Smaller Companies Fund, Nippon India Multi Cap Fund, and SBI BlueChip Fund also exhibit relatively high P/E ratios, suggesting positive sentiment or growth expectations. Conversely, ICICI Pru Bluechip Fund and Kotak Equity Opportunities present lower P/E ratios, indicating potentially more attractive valuations or value opportunities. Overall, investors should consider these ratios alongside other factors to make informed investment decisions.

5. CONCLUSION

An effective investment portfolio must be carefully constructed by balancing risk and reward. Through the evaluation of several mutual fund measures, including growth potential, valuation ratios, and risk-adjusted returns, investors can make well-informed decisions that are consistent with their risk tolerance and financial objectives. The best ways to maximize investing results are to diversify across several asset classes, prioritize funds with the best risk-adjusted performance, and periodically examine holdings in the portfolio. Furthermore, consulting a professional can offer insightful advice and direction specific to one's situation. Ultimately, investors can position themselves for long-term financial success and stability by adhering to these guidelines and making adjustments in response to shifting market conditions.

6. DISCUSSION

The study's commentary emphasizes the usefulness of different performance metrics in measuring the performance of mutual funds, highlighting their importance in determining profitability, growth potential, risk-adjusted returns, and downside risk. The findings' ramifications are examined for legislators, fund managers, and investors, highlighting the significance of regulatory supervision and well-informed decision-making. Moreover, the research recognizes the constraints and difficulties linked to performance measurements, promoting a sophisticated method of assessment. All things considered, the conversation emphasizes how crucial it is to approach mutual fund performance evaluation with a thorough and contextual awareness.

7. REFERENCES

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