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A Study on Performance Evaluation of Balanced Investment Schemes Offered by Selected Asset Management Companies

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ABSTRACT: Investing in mutual funds and diversifying the investment portfolio are two critical strategies for achieving long-term financial success. Mutual funds pool money from multiple investors to invest in a diversified portfolio of stocks, bonds, or other assets. This diversification helps reduce the impact of individual stock or bond price fluctuations, thus mitigating market risk. Mutual funds are managed by experienced fund managers who conduct extensive research and analysis. These professionals make informed investment decisions, saving investors from the need to constantly monitor the market and individual securities. Diversification allows investors to balance risk and return according to their risk tolerance. By spreading investments across different asset classes and risk levels, individuals can achieve their desired risk-return profile. By harnessing the expertise of professional fund managers and diversifying across various assets, investors can navigate market fluctuations with confidence while working toward a more secure financial future. It also contributes to the field of finance by offering a comprehensive analysis of the performance of balanced mutual fund schemes, employing a range of evaluation tools, and emphasizing the critical interplay between risk and return in the investment landscape.

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

INTRODUCTION:

Mutual funds are popular investment vehicles that pool money from multiple individuals to create diversified portfolios managed by professionals or investment companies. This allows even small investors to access diversified investments and benefit from economies of scale and expertise.

Balanced mutual funds, which invest in both stocks and bonds, aim to provide a diversified portfolio that balances growth and income, making them attractive to risk-averse investors seeking reasonable returns. Fund managers must include factors like evaluating risk-adjusted returns, analysing expense ratios, assessing asset allocation strategies, and reviewing historical performance. Such performance analysis is essential for making informed investment decisions and comparing balanced mutual funds with other similar investment options, ensuring that investors can align their investments with their financial goals and risk tolerance.

NEED FOR THE STUDY:

Understanding the performance of balanced mutual funds is essential for investors and fund managers alike. By analysing the performance of balanced mutual funds, managers can identify successful strategies and best practices, allowing them to opt with understanding decisions regarding asset allocation, security selection, and portfolio rebalancing. This information can lead to improved fund management practices, better risk management, and, ultimately, more satisfied investors. This study intends to address the issue of performance evaluation, specifically for balanced mutual funds, by investigating historical returns, risk-adjusted measures, fund management techniques, asset allocation, and the effects of market changes. By conducting this research, we can better understand how investors can make more knowledgeable investing decisions and improve their understanding of how balanced mutual funds function.

OBJECTIVES OF THE STUDY:

- To assess the risk and return of leading AMCs with respect to balanced mutual fund scheme.
- To compare and contrast the balanced mutual fund scheme of selected AMC's using performance evaluation metrics.
- To suggest the best funds for investment among selected mutual funds.

HYPOTHESES FOR THE STUDY

$\boldsymbol{H_0}$**:** There is no significant association between the risk and return for the selected mutual fund. (r=0)

$\boldsymbol{H_1}$**:** There is a significant association between the risk and return for the selected mutual fund. (r≠0)

REVIEW OF LITERATURE:

Dr. Bhadrappa Haralayaa (2022) in his research paper written in 2022, attempted to examine a few diversified equities mutual funds in India. The calculation is based on secondary data and uses the Treynor Ratio as well as the Sharpe Ratio. Chi-square test and ANOVA are essential tools, and qualitative research technique is the type of research being conducted. **Sirish Nanduri (2021),** in her research paper chi-square is one of the various tools used to identify the various inputs and outputs variables affecting the performance of chosen equity large capital and small capital mutual funds as well as to study the success rate of designated mutual funds. Secondary data and convenience sampling are also used in the research methodology. **Komala B Sharma (2020),** her essay, looks at the risk and return factors for these mutual funds. Examine the connection between market portfolio return and NAV. Chi-square, ANOVA, secondary data, and qualitative research are employed as tools. The researcher has discovered that three funds exhibited strong performance, while two funds did not fare well throughout the duration of the study. **Tapan Kumar Samanta (2019)** a summary of the research's findings on the Indian Mutual Funds' Performance. 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 majority of the mutual funds chosen for the study outperformed under Sharpe and Treynor ratios in the capital market, according to the researcher's observations. **Gouri Shankar Lall, (2018)**, in her research paper, studied the goals of calculating the profits of growth-oriented mutual fund schemes, assessing the chosen mutual fund schemes, Treynor's Index and Sharpe's Index were used to analyse the data. The analysis revealed that Sundaram Global Advantage Scheme had a higher Sharpe ratio than the other schemes that were chosen, which suggests that its investment managers have more expertise.

RESEARCH GAP:

Many studies conducted in India assess the financial performance of mutual funds; however, the industry's development is in its early stages because it has not attracted the anticipated level of investor interest. The studies are conducted in India to judge the proficiency of mutual funds compared the performance of each sector (public and private), category (equity, balanced & debt), and each sub-category, and did so on a monthly, quarterly, or annual NAV basis. The current study makes an attempt to partially close this gap by utilizing various financial metrics of balanced mutual funds of selected AMCs in India like the Sharpe ratio, Treynor ratio, Jensen Alpha ratio, Beta, and Standard Deviation.

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 and 3 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

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LIMITATIONS FOR THE STUDY:

- Limited timeframe may overlook broader market trends.
- Overemphasis on past performance doesn't ensure future success.
- Fluctuating returns, tied to underlying assets, influence long-term investor outcomes.

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 is a research method used to describe the characteristics of an observable fact being studied.

POPULATION & SAMPLING UNIT:

There are 44 active asset management companies in India during 2023. Balanced funds are chosen from among these AMCs 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 top five AMCs chosen for this study.

SAMPLING METHOD:

Purposive sampling is employed to choose a sample of balanced mutual funds. The primary purpose is to evaluate the historical performance of balanced investment schemes managed by AMCs. This involves analysing returns, risk-adjusted returns, and other relevant performance metrics. Investors need this information to make informed decisions about where to allocate their investments. Performance evaluations often compare the performance of balanced schemes to relevant benchmarks, such as stock and bond indices. This benchmarking helps investors gauge whether the AMC's schemes are performing better or worse than the broader market.

SAMPLE SIZE:

From the purposive sampling method, 5 schemes of balanced funds are chosen for a duration of 6 months (January 2023-June 2023) 1 year (2022) and 3 years (2019-2021) to evaluate the effectiveness for short-term and long-term duration.

SOURCES OF DATA COLLECTION:

Secondary data: This study is purely based on secondary data. The data was collected from previously done projects, research, thesis, and authorized websites. The data regarding historical NAV were collected from the websites of the selected AMCs and AMFI website.

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.

DATA ANALYSIS AND INTERPRETATION:

1.Table – Table showing the leading AMCs based on average returns, risk, beta of balanced schemes for 6 months (JAN-JUN 2023)

SCHEME'S	FUND RETURN	FUND RISK (SD)	BETA
ICICI Balanced mutual fund	**2.11**	**2.53**	-7.90
HDFC Balanced mutual fund	0.86	1.99	0.17
Kotak Balanced mutual fund	0.886	1.08	-1.19
Sundaram mutual fund	0.54	1.74	**0.94**
Aditya Birla Sun life Balanced Mutual fund	1.008	1.56	-0.75

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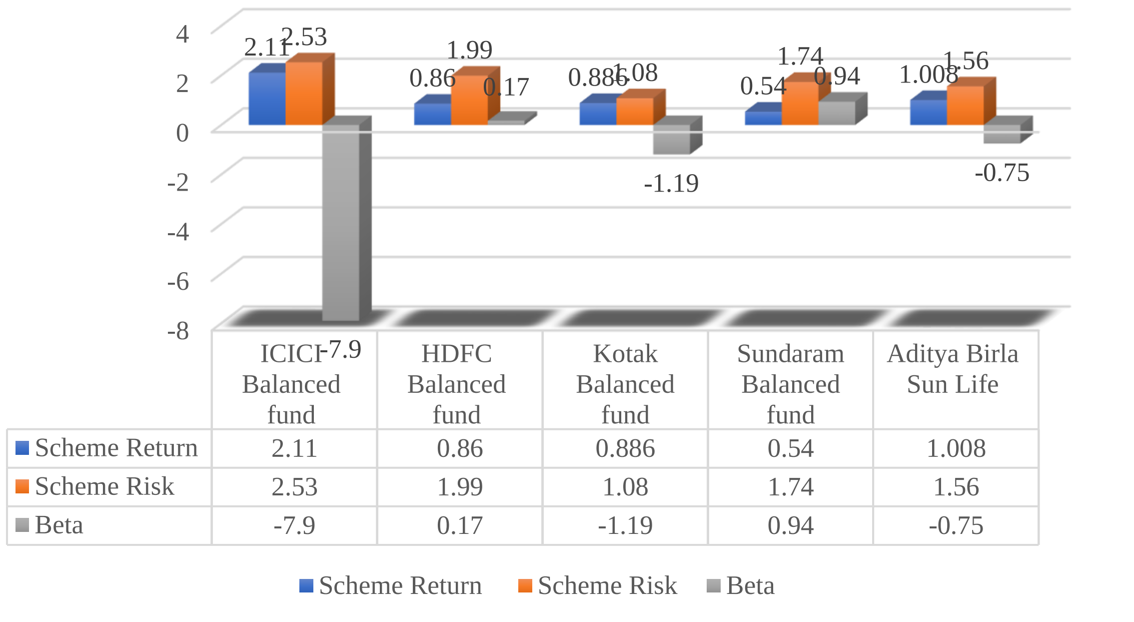
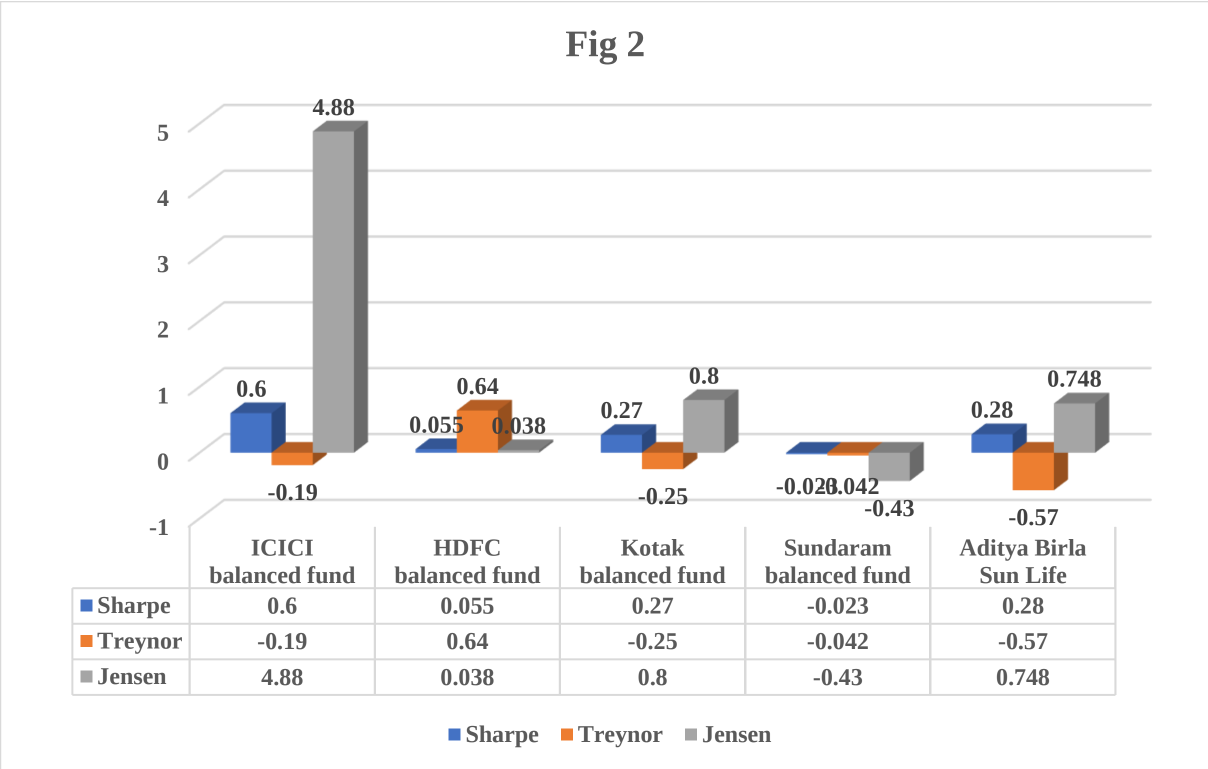


Fig 1

INFERENCE: Among the listed AMCs and their balanced mutual fund schemes, ICICI fund delivered the highest returns of 2.11 has highest risk of 2.53 and strong negative correlation with market. On the other hand, Sundaram's scheme has been the most sensitive to market movements as reflected by its high beta value of 0.94 and delivered the least returns of 0.54. These insights can be valuable for investors looking to make informed decisions about their investments based on their risk tolerance and return expectations.

2.Table - Ranking of Balanced schemes on the basis of Sharpe, Treynor, Jensen measure (JAN-JUN 2023)

SCHEME'S	SHARPE	RANK	TREYNOR	RANK	JENSEN	RANK
ICICI Balanced scheme	**0.60**	1	-0.19	3	**4.88**	1
HDFC Balanced scheme	0.055	4	**0.64**	1	0.038	4
Kotak Balanced scheme	0.27	2	-0.25	4	0.80	2
Sundaram Balanced scheme	-0.023	5	-0.042	2	-0.43	5
Aditya Birla Sun life Balanced Mutual fund	0.28	3	-0.57	5	0.748	3

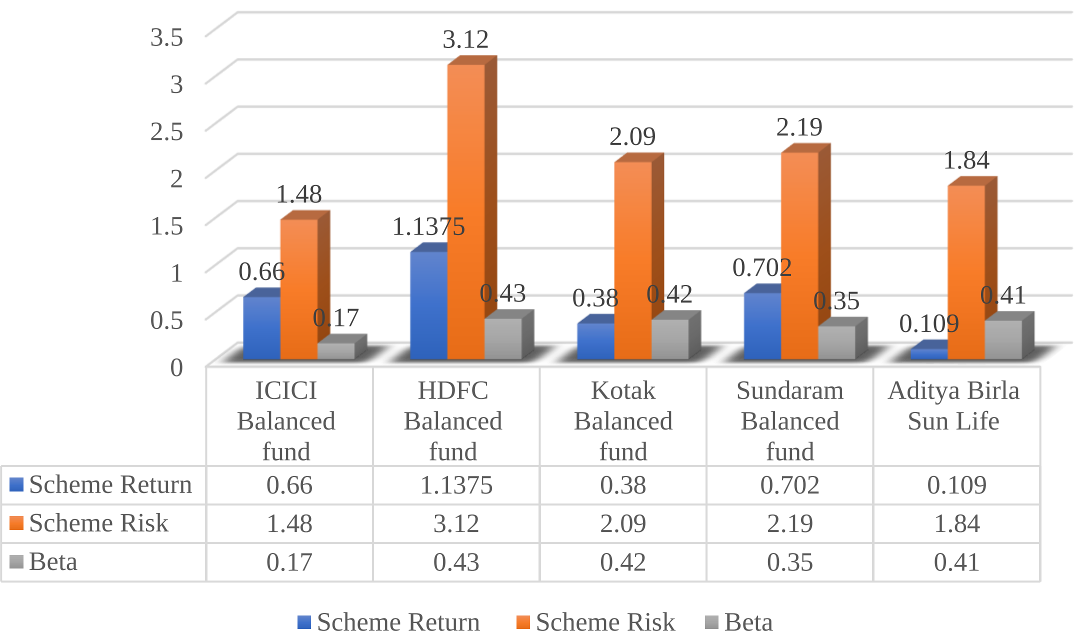


INFERENCE: The ICICI Balanced Scheme stands out with the top rank and highest Sharpe ratio of value 0.60, indicating strong risk-adjusted returns. On the other hand, the HDFC Balanced Scheme performs best and tops in terms of the Treynor ratio with value of 0.64, implying efficient management of systematic risk. Each scheme has its strengths and weaknesses, and investors should consider both risk-adjusted return (Sharpe) and systematic risk management (Treynor) when making investment decisions.

3.Table – Table showing the leading AMCs based on schemes returns, risk, beta of balanced schemes for 1 year (2022)

SCHEME'S	**FUND RETURN**	**FUND RISK (SD)**	**BETA**
ICICI Balanced mutual fund	0.66	1.48	0.17
HDFC Balanced mutual fund	**1.1375**	**3.12**	**0.43**
Kotak Balanced mutual fund	0.38	2.09	0.42
Sundaram mutual fund	0.702	2.19	0.35
Aditya Birla Sun life Balanced Mutual fund	0.109	1.84	0.41

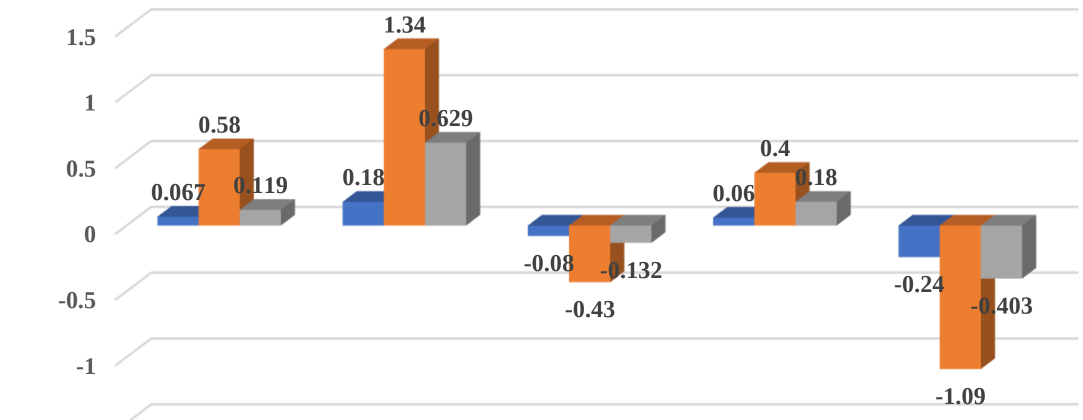
Fig 3



INFERENCE: HDFC scheme offered the highest returns of 1.1375 but also came with highest risk of 3.12 and moderate positive correlation with the market. ICICI scheme had more balanced risk-return profile with a lower positive correlation with the market. Kotak and Sundaram had moderate returns and risks, while Aditya Birla Sun Life scheme had the lowest returns of 0.109 among the listed funds. Investors should consider these factors along with their investment objectives and risk tolerance when choosing a fund.

4.Table - Ranking of Balanced schemes on the basis of Sharpe, Treynor, Jensen measure for 1 year (2022)

SCHEME'S	SHARPE	RANK	TREYNOR	RANK	JENSEN	RANK
ICICI Balanced scheme	0.067	2	0.58	2	0.119	3
HDFC Balanced scheme	**0.18**	1	**1.34**	1	**0.629**	1
Kotak Balanced scheme	-0.08	4	-0.43	4	-0.132	4
Sundaram Balanced scheme	0.06	3	0.40	3	0.18	2
Aditya Birla Sun life Balanced Mutual fund	-0.24	5	-1.09	5	-0.403	5

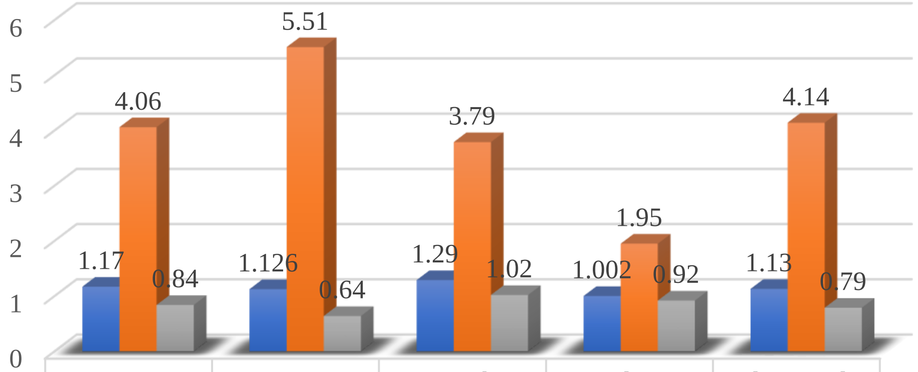


	ICICI balanced fund	HDFC balanced fund	Kotak balanced fund	Sundaram balanced fund	Aditya Birla Sun Life
Sharpe	0.067	0.18	-0.08	0.06	-0.24
Treynor	0.58	1.34	-0.43	0.4	-1.09
Jensen	0.119	0.629	-0.132	0.18	-0.403

INFERENCE: The HDFC Balanced Scheme stands out with the highest ranks in both Sharpe and Treynor metrics with value of 0.18 and 1.34 respectively, indicating strong risk-adjusted returns and efficient management of systematic risk. The ICICI Balanced Scheme also performs well, ranking 2nd in both measures. The Kotak Balanced Scheme lags behind in both measures, while the Sundaram Balanced Scheme falls in the middle. The Aditya Birla Sun Life Balanced Mutual Fund ranks lowest in both metrics, suggesting poorer performance in terms of risk-adjusted return and systematic risk management.

5.Table – Table showing the leading AMCs based on schemes returns, risk, beta of balanced schemes for 3 years (2019-2021)

SCHEME'S	FUND RETURN	FUND RISK (SD)	BETA
ICICI Balanced mutual fund	1.17	4.06	0.84
HDFC Balanced mutual fund	1.126	**5.51**	0.64
Kotak Balanced mutual fund	**1.29**	3.79	**1.02**
Sundaram mutual fund	1.002	1.95	0.92
Aditya Birla Sun life Balanced Mutual fund	1.13	4.14	0.79



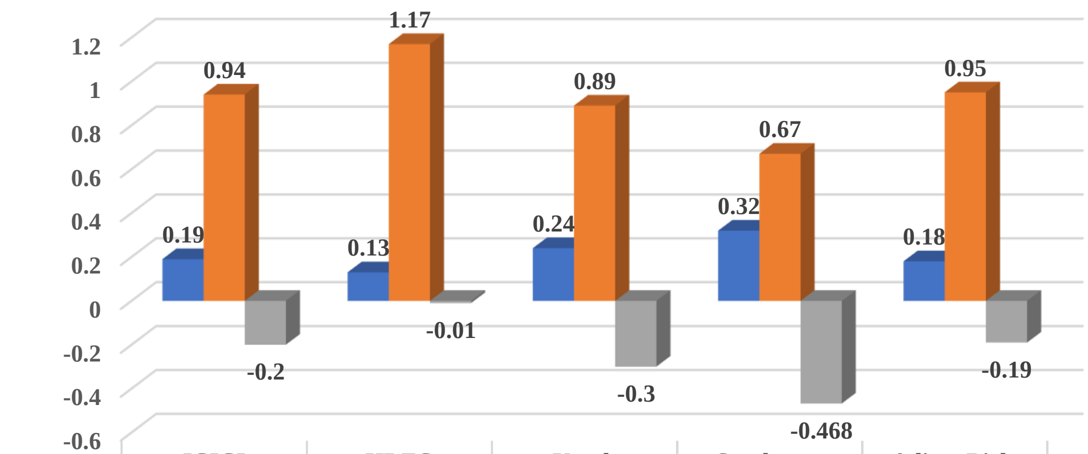
	ICICI Balanced fund	HDFC Balanced fund	Kotak Balanced fund	Sundaram Balanced fund	Aditya Birla Sun Life
Scheme Return	1.17	1.126	1.29	1.002	1.13
Scheme Risk	4.06	5.51	3.79	1.95	4.14
Beta	0.84	0.64	1.02	0.92	0.79

INFERENCE: Kotak scheme provided highest returns of 1.29 but also had relatively high scheme risk of 3.79 and 1.02 value of sensitivity to market movements. HDFC scheme had the highest scheme risk of 5.51 and was the riskiest option. Sundaram scheme had moderate returns of 1.002 and risk of 1.95. ICICI scheme had moderate return of 1.17 and high risk of 4.06. Aditya Birla Sun Life scheme had moderate returns 1.13 and relatively high risk of 4.14. Investors should consider these factors, along with their investment goals and risk tolerance, when choosing a mutual fund scheme.

6.Table - Ranking of Balanced schemes on the basis of Sharpe, Treynor, Jensen measure 3 years (2019-2021)

SCHEME'S	SHARPE	RANK	TREYNOR	RANK	JENSEN	RANK
ICICI Balanced scheme	0.19	3	0.94	3	-0.20	3
HDFC Balanced scheme	0.13	5	**1.17**	1	**-0.01**	1
Kotak Balanced scheme	0.24	2	0.89	4	-0.30	4
Sundaram Balanced scheme	**0.32**	1	0.67	5	-0.468	5
Aditya Birla Sun life Balanced Mutual fund	0.18	4	0.95	2	-0.19	2

Fig 6



	ICICI balanced fund	HDFC balanced fund	Kotak balanced fund	Sundaram balanced fund	Aditya Birla Sun Life
Sharpe	0.19	0.13	0.24	0.32	0.18
Treynor	0.94	1.17	0.89	0.67	0.95
Jensen	-0.2	-0.01	-0.3	-0.468	-0.19

Sharpe Treynor Jensen

INFERENCE: The Sundaram Balanced Scheme stands out with the highest average rank in Sharpe ratio with value of 0.32, indicating strong risk-adjusted returns. However, it ranks lowest in Treynor, suggesting potential inefficiencies in managing systematic risk. The HDFC Balanced Scheme has the highest rank in Treynor ratio with value 1.17 but the lowest average rank in Sharpe ratio with value of 0.13, indicating that it efficiently manages systematic risk but offers a relatively poorer risk-adjusted return. The Kotak Balanced Scheme provides a good risk-adjusted return (2nd in Sharpe) but ranks lower in Treynor.

FINDINGS:

- ICICI Prudential fund has the highest mean returns for 6 months, HDFC fund has the greater mean returns for 1 year and Kotak has the highest mean returns for 3 years.
- During the period i.e., January 2023 to June 2023, Sharpe's ratio and Jenson's ratio are positive for ICICI Prudential balanced advantage fund direct plan.
- Over a year, or 2022, HDFC fund is top performer and has ranked top in all the 3 metrics i.e., Sharpe's ratio, Treynor's ratio and Jenson's ratio.
- From 2019 to 2021 all Sharpe's ratios and Treynor's ratios are positive, indicating that funds delivered returns higher than the risk-free rate, however Jenson's ratio is negative for all of the funds.
- The main objective of investors is to preserve their income and get higher returns than the investment made by them.
- Long term investments outperform short term investments as it yields higher risk-free rate of return than the expected rate of return.

SUGGESTIONS:

- The investors with a high risk apatite can invest in ICICI Prudential balanced advantage fund direct plan for 6 months, HDFC balanced advantage fund direct plan for 1 year and 3 years, all of which offer high average returns.
- It is preferable to get from financial advisor guidance prior to investing in their investment objectives and taking on high risk in order to generate profits.
- 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.
- Investors are investing on those schemes which provides greater returns with less risk compared to market risk and return.
- Investors can invest in SIP with minimum value of Rs.100 and moreover there is no brokerage charges in direct plan.

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, a year, and three years. The returns from the selected AMCs that were chosen were computed using monthly closing NAV. Treynor's, Jenson's, and Sharpe's ratios were used to analyse the performance of the funds.

Investors should choose funds with a better rank in the Treynor measure if they seek a lower risk investment. Investors seeking to diversify their funds and get a higher rate of return should search for a higher Sharpe rank. Therefore, it is crucial for investors and potential investors to consider the parameters such as Sharpe ratio, Treynor ratio, and Jenson ratio along with beta and standard deviation have given specific performance evaluations from various dimensions instead of considering NAV and total return to ensure consistent performance of mutual funds. These parameters, along with beta and standard deviation, have also given performance evaluations from various dimensions. Financial advisors can use these criteria to assess investors and assist them in selecting the best diversified fund so that the rewards balance the risks.

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