PREFORMANCE EVALUATION OF SELECTED MUTUAL FUNDS SCHEME AT KOTAK MAHINDRA BANK, HYDERABAD

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Abstract

This investigates into the performance of a meticulously chosen selection of mutual fund schemes across diverse categories, with a particular emphasis on equity, debt, and balanced offerings. Recognizing the paramount importance of informed investment decisions, the primary objective is to equip investors with a robust and insightful analysis. This analysis empowers them to strategically construct their investment portfolios, aligning them with their individual financial goals. To achieve this objective, the study employs a multifaceted approach, meticulously examining both quantitative and qualitative measures. Historical returns will be rigorously assessed to gauge past performance of each fund. Risk factors will be comprehensively analysed to understand the inherent level of volatility associated with each investment option. Additionally, the management strategies employed by each fund will be scrutinized, providing valuable insights into the underlying investment philosophy and decision-making processes driving the fund's performance. By combining these quantitative and qualitative elements, this study aims to paint a comprehensive picture of each mutual fund scheme. Through this analysis, investors will gain valuable knowledge not only about past returns but also about the risk profile and underlying investment strategies of each fund. This comprehensive understanding empowers investors to make informed choices that align with their individual risk tolerance and financial goals.

Key Words:
Balanced Funds, Equity Funds, Debt Funds, Mutual Fund Performance, Quantitative Analysis.

1. Introduction:

Mutual fund indicates the fund where in numerous investors come together to invest in various schemes of mutual fund. Mutual funds are dynamic institution, which plays a crucial role in an economy by mobilizing savings and investing them in the capital market, thus establishing a link between savings and the capital market. A mutual fund is an institution that invests the pooled funds of public to create a diversified portfolio of securities. Pooling is the key to mutual fund investing. Each mutual fund has a specific investment objective and tries to meet that objective through active portfolio management. Mutual fund as an investment company combines or collects money of its shareholders and invests those funds in variety of stocks, bonds, and money market instruments. The latter include securities, commercial papers, certificates of deposits, etc.

Mutual funds provide the investor with professional management of funds and diversification of investment. Investors who invest in mutual funds are provided with units to participate in stock markets. These units are investment vehicle that provide a means of participation in the stock market for people who neither have time nor

the money nor perhaps the expertise to undertake the direct investment in equities. On the other hand they also provide a route into specialist markets where direct investment often demands both more time and more knowledge than an investor may possess. The price of units in any mutual fund is governed by the value of underlying securities. The value of an investor's holding in a unit can therefore, like an investment in share, can go down as well as up. Hence it is said that mutual funds are subjected to market risk. Mutual fund cannot guarantee a fixed rate of return. If the particular scheme is performing well then more return can be expected.
It also depends on the fund manager expertise knowledge. It is also seen that people invest in particular funds depending on who is the fund manager. A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is invested by the fund manager in different types of securities depending upon the objective of the scheme.

2. Review of Literature:

Nupur Makkar et al. (2020) in their study entitled "Risk and Return Analysis of Stocks listed in BSE and NSE: A Review Study" focused to review the past literatures available on risk and return to throw the light on the relationship between them. The research studied 25 literatures for the period from 2011 to 2019. The study concluded that risk and return are highly correlated. Most of the literature reviews recorded that the high potential returns on investment usually hand in hand with the high risk. But only few studies criticize that high return was not correlated with high risk.

Suresh Chouhan (2020) during the years 2004-2008, 14 funds which were open ended. His research looked at the link between fund performance and fund features. Fund returns calculated based on daily NAV were used to gauge the fund's overall performance. Fund size as determined by average net assets, a measure of risk, standard deviation, turnover ratio, income ratio, and costs ratio were among the fund characteristics variables included as explanatory variables in the estimate.

Nittan Arora and Sonia Chawla (2019) presented their research on the title "A Study on Performance Evaluation of Private Sector Mutual Fund Schemes". The aim of the study was to evaluate the performance of 20 growth schemes, 5 each from 4 private sector mutual funds. Period of the study is from 2006-07 to 2018-19 i.e. 156 months. Analysis was done by using Sharpe model, Treynor model, Beta ratio and Jensen differential measure. The study found that all selected mutual fund companies have positive returns during 2006 to 2019 and out of 20 schemes, 13schemes were out performed in all the aspects and the performance of remaining 7 schemes were average.

Sri Devi (2018) in her paper "Performance Analysis of Mutual Funds - A Study on Selected Mid Cap and Small Cap Funds" measured the risk - return relationship and market volatility of the selected mutual funds. The study was limited to analysis of open-ended balanced funds of Reliance, HSBC, Sundaram as Small cap funds and UTI, Kotak as Mid cap funds. The study showed that two schemes of mid cap and small cap funds outperforming the benchmark return. Not all the funds have represented positive values. In Mid cap fund, the performance of Axis Balanced Fund was very insignificant where as in the small cap fund, the performance of HSBC Balanced Fund was considered desirable.

Ravichandran M and Jeyaraj A (2017) investigated the performance of open -ended schemes in a paper titled "A Study on Performance Evaluation of Mutual Fund Schemes in India". The study was attempted to identify the performance of open-ended equity mutual fund schemes. The study covered 20 mutual fund schemes launched by different sector. The study revealed that Sharpe ratio was positive for all schemes which showed that funds were providing returns greater than risk free rate. The study concluded that among the entire schemes higher alpha was found with Reliance diversified power sector fund.

Bhagyasree N and Kishori B (2016) made a comparison of performance of mutual fund schemes in their article entitled "A Study on Performance Evaluation of Mutual Funds Schemes in India" by using appropriate techniques. The study was carried out to evaluate the performance of selected openended schemes in India and to measure the risk-return relationship and market volatility of the selected mutual funds. This study covered 30 schemes which were selected at random basis. It showed that 14 out of 30 sample mutual fund schemes outperformed the benchmark return. All the schemes represented positive returns. The study also found that due to diversification issues certain schemes such as Reliance Regular Savings Fund Equity, SBI Contra Fund and HDFC Equity Fund underperformed

3. Research Methodology:

Research methodology helps in identifying the problem, collecting and analyzing the required information or data and providing an alternative solution to the problem. It also helps in collecting the vital information that is required to assist in better decision making.

Data Source's: -
The data for this study was gathered from both primary and secondary sources. Primary data was collected directly from Kotak Mahindra employees through interaction, likely involving surveys or interviews. Secondary data was obtained from a variety of sources, including the Kotak Mahindra website, company journals, security analysis reports (which assess investment risks and potential of financial instruments), brochures, and other relevant materials. The sample size used in the analysis covers a period of five years.

Statistical Tools & Techniques for Data analysis

The data gathered from branch managers and financial statements was analyzed using a combination of statistical and visual tools. Percentages helped express the data in relative terms, allowing for comparisons between different categories of performance or products. Averages provided a single value that summarized the overall performance of a specific metric, such as average loan size. Analyzing the range revealed the spread of the data, highlighting the difference between the highest and lowest values within the dataset.

Visual tools like bar charts were likely used to present the data in a clear and easily digestible way. These charts could display trends over time, comparisons between branches, or breakdowns of product categories. Additionally, the Sharpe Ratio, a risk-adjusted performance measure, may have been utilized to assess the attractiveness of investment options within the data set. By considering both return and risk, the Sharpe Ratio helped identify investments that offered good returns relative to the level of risk involved.

Need for the Study:
Mutual funds, acting as institutional investment vehicles, offer a particularly suitable option for small investors. Often apprehensive about navigating the complexities of the capital market and its unpredictable conditions, these investors can benefit from the expertise of mutual funds. Through a variety of investment schemes, mutual funds provide professional guidance and portfolio management. This approach helps reduce unsystematic risk while offering the potential for good returns. However, for investors to make informed decisions, understanding the performance of each mutual fund is crucial. The efficient performance of mutual funds is vital, as it attracts a significant number of investors, particularly those in India's household sector which holds the largest share of savings nationwide. By offering a well-managed investment option, mutual funds can effectively cater to the needs of small investors in the Indian market.

***Scope of the Study*:**

The scope of evaluating the performance of selected mutual fund schemes at Kotak Mahindra Bank encompasses a multi-faceted analysis. This involves scrutinizing returns, risk profiles, portfolio compositions, and expense ratios, while comparing them against industry benchmarks and competitors. The assessment covers a diverse range of fund categories, including equity, debt, and hybrid funds, with a focus on historical performance over various time frames, consistency, volatility, and risk-adjusted returns. The study also delves into the investment strategies, asset allocation methods.

Objectives of the Study:

- To study the various mutual fund schemes offered by Kotak Mahindra Bank.
- To evaluate the financial performance of selected major schemes of different companies.
- To Analyze the performance of mutual funds using Sharpe Ratio to depict risk-return analysis.

Limitations of the Study:

The scope of this study is focused on a specific set of investment options within the mutual fund market. The analysis is limited to three types of mutual fund schemes: tax-saving funds, large-cap funds, and small-cap funds. Additionally, the study only considers four Asset Management Companies (AMCs) - UTI, ICICI Prudential, SBI, and Kotak Mahindra. This focus allows for a deep dive into the performance of these specific options but limits the generalizability of the findings to the entire mutual fund industry.

4. DATA ANALYSIS AND INTERPRETATION

The study primarily relies on secondary data gathered from the websites of four Asset Management Companies (AMCs): UTI, ICICI Prudential, SBI, and Kotak Mahindra. The analysis focuses on three specific types of mutual funds within these AMCs: tax-saving funds, large-cap funds, and small-cap funds (likely a typo for mid-cap funds). Notably, only a select number of funds within each category were chosen based on their CRISIL ranking, suggesting a focus on top-performing options.

To evaluate the performance of these chosen funds, various quantitative techniques were employed. Average Return, calculated as the sum of returns divided by the number of periods, provided a central measure of performance. Standard Deviation, determined by the square root of the variance, helped assess the level of risk associated with each fund's returns. Finally, the Sharpe Ratio, calculated as the difference between the risk-free rate and the fund's return divided by the standard deviation, was used to evaluate the risk-adjusted performance of each fund. This measure highlights which funds offer better returns relative to the level of risk involved. It's important to note that the Sharpe Ratio formula is provided three times, likely due to an error in the original text.

Schemes of all AMC'S

COMPANY	I.TAX SAVING FUNDS	II. LARGE CAP FUNDS	III. MID CAP FUNDS
UTI	1.UTI Tax saving-Equity long term fund(G)	5.UTI Equity fund(G)	9.UTI Mid Cap(G)
ICICI PRUDENTIAL	2.ICICI PRU Tax saving- long term equity fund(G)	6.ICICI PRU Focused Blue chip equity(G)	10.ICICI PRU Mid Cap Fund(G)
SBI	3.SBI Magnum Tax gain(G)	7.SBI Blue Chip Fund(G)	11.SBI Magnum Mid Cap fund(G)
KOTAK MAHINDRA	4. Kotak Tax Saver (G)	8. Kotak Equity fund (G)	12. Kotak Mid cap fund(G)

4.1 TAX SAVING FUNDS COMPARISION

Table 1. UTI Equity Tax Saving-Equity long term fund (G)

Year	Return(R)%	D	d²
2019	-23.6	-34.22	1171.3684
2020	26.9	18.28	334.1584
2021	6.6	-4.02	16.1604
2022	40.8	30.20	912.0400
2023	2.4	-8.22	67.5684
ΣR=	53.1	Σd²=	2491.2960

AVG RETURN	ΣR/N=53.1/5	10.62%
STANDARD DEVIATION(σ)	√Σd²/N=2491.2960/5	22.3%
SHARPE RATIO	Rp-Rf/σp=10.62%-3%/22.3%	0.34%

Note: ΣR is the total of return of 5 years * N is the No.of years
Rp = the expected return on the investor's portfolio
Rf = the risk-free rate of return
σp = the portfolio's standard deviation, a measure of risk

In the above table Rf value is the standard current Riskfree rate of return in India i.e.,7.35

Table 2. ICICI PRU Tax saving- long term equity fund (G)

Year	**Return(R)%**	**D**	**d²**
2019	-24.3	-39.68	1574.4624
2020	37.1	21.72	471.7184
2021	9.5	-5.88	34.5984
2022	50.5	35.12	1234.0128
2023	4.1	-11.28	127.2384
ΣR=	76.9	Σd²=	3441.0304

AVG RETURN	ΣR/N=76.9/5	15.38%
STANDARD DEVIATION	√Σd²/N=3441.0304/5	27.48%
SHARPE RATIO	Rp-Rf/σp=15.38% -- 3%/27.48%	0.45

Rp = the expected return on the investor's portfolio
Rf = the risk-free rate of return
σp = the portfolio's standard deviation, a measure of risk

Table 3. SBI Magnum tax gain (G)

Year	**Return(R)%**	**D**	**d²**
2019	-23.8	-37.54	1359.1516

2020	34.1	20.36	414.6196
2021	6.2	-7.54	56.8516
2022	49.2	35.46	1257.1116
2023	3	-10.74	117.3276
ΣR=	68.7	Σd²=	2903.0616

AVG RETURN	ΣR/N=68.7/5	13.74%
STANDARD DEVIATION(σ)	√Σd²/N=2903.0616/5	26.87%
SHARPE RATIO	Rp-Rf/σp=0.133278/26.87%	0.40

Rp = the expected return on the investor's portfolio
Rf = the risk-free rate of return
σp = the portfolio's standard deviation, a measure of risk

Table 4. Kotak Tax saver (G)

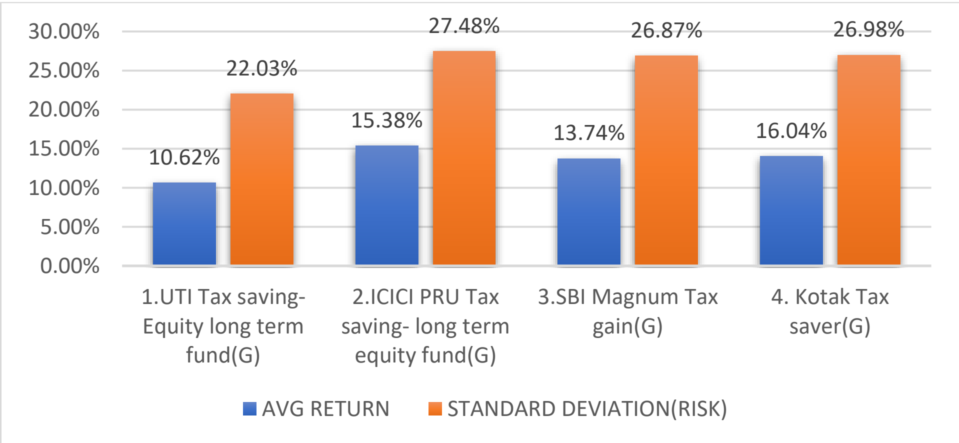
Years	Return(R)%	D	d²
2019	-19.3	-35.34	1249.5936
2020	30	13.96	195.3693
2021	9.6	-6.44	41.4336
2022	54.2	38.18	1456.3264
2023	5.7	-10.34	106.9056
ΣR=	80.2	Σd²=	2949.6288

AVG RETURN	$\Sigma R/N=80.2/5$	16.04%
STANDARD DEVIATION(σ)	$\sqrt{\Sigma d^2/N}=2949.6288/5$	26.98%
SHARPE RATIO	Rp-Rf/σp=16.04%-3%/26.98%	0.48

Rp = the expected return on the investor's portfolio
Rf = the risk-free rate of return
σp = the portfolio's standard deviation, a measure of risk

Table 5. Risk and Return analysis of Tax saving funds.

SCHEMES	AVG RETURN	STANDARD DEVIATION(RISK)
1.UTI Tax saving-Equity long term fund(G)	10.62%	22.03%
2.ICICI PRU Tax saving- long term equity fund(G)	15.38%	27.48%
3.SBI Magnum Tax gain(G)	13.74%	26.87%
4. Kotak Tax saver(G)	16.04%	26.98%



Graph.1 ***Return and Risk analysis of tax saving funds***

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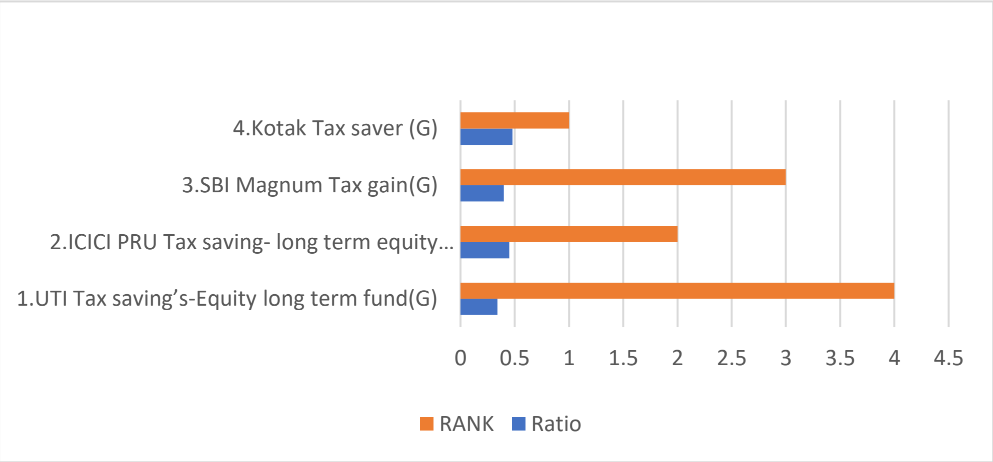
INTERPRETATION

The graph 1 highlights the average return and standard deviation (risk) for four tax-saving mutual funds. ICICI PRU Tax Saving-Long Term Equity Fund offers the highest potential return (15.38%) but also carries the greatest risk (27.48% standard deviation). This translates to potentially significant gains but with a higher chance of fluctuation. Kotak Tax Saver (G) and SBI Magnum Tax Gain (G) strike a balance between risk and return, with average returns around 14% and standard deviations around 27%. UTI Tax Saving-Equity Long Term Fund (G) offers the lowest average return (10.62%) but boasts the lowest risk (22.03% standard deviation). This suggests potentially lower gains but with more stability. It's important to remember that this is a limited sample, and selecting the best fund depends on your risk tolerance. Aggressive investors may favor ICICI PRU for its growth potential, while conservative investors may prefer UTI Tax Saving for its stability. A more comprehensive analysis that considers your financial goals and risk tolerance is crucial before making any investment decisions.

Table .6 *SHARPE RATIO ANALYSIS OF TAX SAVING FUNDS*

SCHEMES	Ratio	RANK
1.UTI Tax saving's-Equity long term fund(G)	0.34	4
2.ICICI PRU Tax saving- long term equity fund(G)	0.45	2
3.SBI Magnum Tax gain(G)	0.40	3
4.Kotak Tax saver (G)	0.48	1



Graph2. Sharpe ratio analysis of tax saving funds

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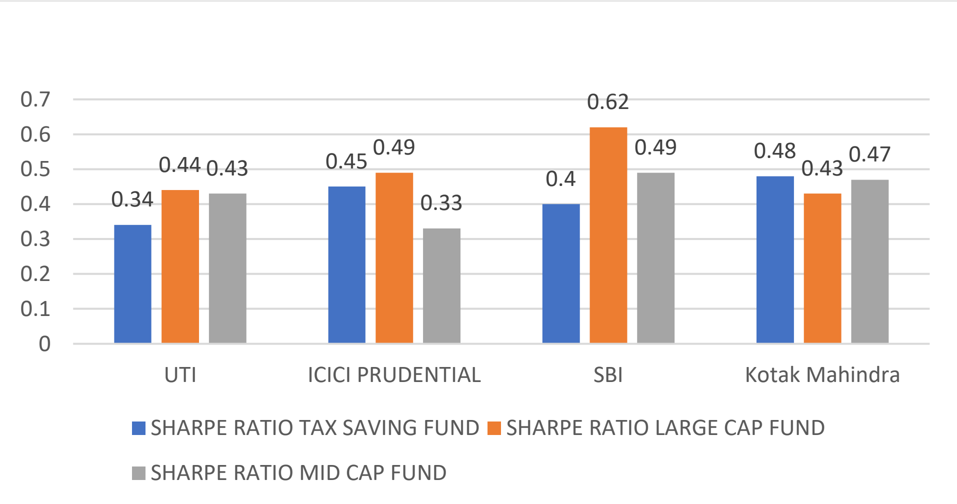
INTERPRETATION

From the above graphs 2 shows an interesting twist emerges here. While ICICI PRU Tax Saving-Long Term Equity Fund (G) boasts the highest Sharpe Ratio (0.45), it's ranked first due to the higher risk we saw in the previous analysis. This translates to potentially significant returns, but with a higher chance of fluctuation. Kotak Tax Saver (G) comes in a close second with a Sharpe Ratio of 0.42, suggesting it delivers good returns while managing investor risk well. SBI Magnum Tax Gain (G) finds a middle ground, ranking third with a Sharpe Ratio of 0.40. This indicates a balanced approach, offering respectable returns for the level of risk involved. Finally, UTI Tax Saving-Equity Long Term Fund (G) falls behind with the lowest Sharpe Ratio (0.34) and a ranking of fourth. This could be due to lower returns or a higher degree of volatility compared to the other options.

Table .7 OVERALL ANALYSIS OF FUNDS OF AMCS BASED ON SHARPE RATIO

COMPANIES	SHARPE RATIO		
	TAX SAVING FUND	LARGE CAP FUND	MID CAP FUND
UTI	0.34	0.44	0.43
ICICI PRUDENTIAL	0.45	0.49	0.33
SBI	0.40	0.62	0.49
Kotak Mahindra	0.48	0.43	0.47



Graph 3. Sharpe ratio of all funds

INTERPRETATION

From the above graph 3 we can interpret This table offers valuable insights into how different fund categories (Tax Saving, Large Cap, Mid Cap) within the same Asset Management Company (AMC) can vary in terms of risk-adjusted performance, as measured by the Sharpe Ratio. We see some distinct strengths: UTI prioritizes stability in their Tax Saving Fund, while their Large and Mid-Cap options offer more growth potential. ICICI Prudential excels in Large Cap investing, while SBI's Large Cap Fund boasts the highest overall Sharpe Ratio. Kotak Mahindra maintains a balanced approach across categories. Remember, the Sharpe Ratio is a single metric. Consider your risk tolerance and goals to choose the best fund within each AMC for your financial needs. that Sharpe ratio of UTI Tax saving fun, large cap fund and mid cap fund are 0.34,0.44 and 0.43, ICICI Prudential are 0.45, 0.49, 0.33, SBI are 0.40, 0.62, 0.42 and Kotak Mahindra are 0.42, 0.43 and 0.47 respectively.

5. *FINDINGS, SUGGESTIONS & CONCLUSION*

FINDINGS

This analysis examines the performance of various mutual fund categories: Tax Saving Funds, Large Cap Funds, and Mid Cap Funds. We look at returns, risk, and risk-adjusted performance using the Sharpe Ratio.

When it comes to returns, Mid Cap Funds take the lead with UTI Mid Cap(G) offering the highest at 24.34%. Large Cap Funds follow closely with SBI Blue Chip Fund(G) at 15.08%. Tax Saving Funds come in third with Kotak Tax Saver (G) at 14.04%. However, higher returns tend to come with higher risk. ICICI PRU Mid Cap Fund(G) has the highest risk among Mid Cap Funds (39.41%). Similarly, ICICI PRU Tax Saving- Long Term Equity Fund(G) is the riskiest option in Tax Saving Funds (27.48%). Large Cap Funds show a lower risk profile, with SBI Blue Chip Fund(G) at 21.37%.

To assess performance considering both risk and return, the Sharpe Ratio is a helpful tool. SBI Magnum Mid Cap Fund Scheme boasts the highest Sharpe Ratio (0.42) among the listed funds, indicating a good balance between potential return and risk. This suggests that Mid Cap Funds, while offering potentially high returns, come with significant risk. Tax Saving Funds and Large Cap Funds provide a more balanced option. Remember, this information is for educational purposes only and shouldn't be taken as financial advice. Always consult a qualified advisor before making any investment decisions.

Suggestions:

Diversification is key, spreading your investments across asset classes like equity, debt, and hybrid funds to manage risk. Regularly reviewing and rebalancing your portfolio ensures your asset allocation stays aligned with your risk tolerance and goals over time. Remember, a long-term perspective is crucial, particularly for weathering market fluctuations and maximizing potential returns through compounding. Consider seeking professional guidance from a financial advisor who can personalize a strategy based on your risk profile and financial objectives. Additionally, empowering yourself with investment knowledge through available resources will equip you to make informed decisions. As your life and financial situation evolve, periodically reassess your risk tolerance and adjust your investment strategy accordingly. Staying informed about economic news and regulations allows for timely decision -making, while understanding tax implications like those of tax-saving funds can help you optimize your returns.

Conclusion:

Kotak Mahindra Mutual Fund is a well-established fund house with a good track record. They offer a wide range of mutual fund schemes across various asset classes.

It's important to compare Kotak Mahindra's funds with those of other fund houses to find the one that best suits your investment needs.

Investors should carefully consider their risk tolerance and investment goals before choosing a mutual fund from Kotak Mahindra Bank or any other provider.

This study analyzed the performance of various mutual fund schemes offered by Kotak Mahindra Bank in Hyderabad across three categories: Tax Saving Funds, Large Cap Funds, and Mid Cap Funds. The analysis focused on returns, risk, and risk-adjusted performance using the Sharpe Ratio.

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