



A Study on the Performance of Mutual Fund of Top AMCs

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Abstract: Asset management companies (AMCs) oversee mutual funds that pool investments from individual and corporate investors to engage in a diverse array of assets, encompassing stocks, bonds, real estate, and more. AMCs commonly provide equity mutual funds across various risk levels. This study compares the large-cap, mid-cap, and small-cap portfolios of two emerging AMCs: Nippon India Mutual Fund and Kotak Mahindra Mutual Fund. The analysis is conducted on an impartial and equity basis. The ultimate selection of mutual funds hinges on pertinent factors such as assets under management, compensation, share count, management expertise, etc. This research endeavors to discern the correlation between the performance of chosen investment funds and the criteria investors consider when making fund selections.

Index Terms - AMCs, Mutual Funds, Risk & Return, Assets under Management, Expense Ratio, etc.

I. INTRODUCTION

1.1 Overview of the Topic-

The asset management sector in India has experienced a remarkable boom in recent years, growing nearly 1,500 percent in the past 15 years, and growth will only accelerate as more mutual funds expand into the country. Systematic Investment Plans (SIPs) have been a major source of funds for the Indian investment industry, with total assets under management (AUM) crossing Rs 50,000 crore for the first time in December. The Association of Mutual Funds of India (AMFI) estimates the industry's total AUM at Rs 50.78 crore as on December 31, 2023, up from Rs 49.05 crore last month. The asset management industry has significantly achieved profit and turnover growth in the market; however, the industry faces several obstacles from several perspectives.

1.2 Need of Study

When it comes to their financial decisions, consumers believe in openness, especially in light of the current economic climate and its dynamic nature. They are making investments in various mutual funds (MFs), which are overseen by asset management companies (AMCs). In turn, SEBI regulates each AMC and closely monitors the objections and operations of each AMC. These days, people are highly concerned about handling their money and making wise investing choices, but many don't know much about how the markets work. That's when they require a professional in finance, like an AMC, to finish the job. In light of this, we shall analyze the performance of a few of the best AMC MFs.

1.3 Organizational Structure of Mutual Fund in India

Trustees, AMC, and the sponsor make up the three tiers of the mutual fund's organizational structure. A trust is created for every mutual fund under "The Indian Trust Act, 1882," and the SEBI (Mutual Funds) Regulations 1996 regulate all of their operations. The trustees hold the most significant responsibility among the three organizations, with the sponsor and the AMC taking on corresponding roles as the fund's initiators and investment manager and manager, respectively.

i) Fund Sponsor

First layer in India's three-tier mutual fund system is occupied by the fund sponsor. A sponsor is a person or organization that is authorized to create a mutual fund with the goal of making money through fund management. An affiliated business in charge of managing the fund's investments may carry out this fund management. Additionally, the sponsor may serve as an advocate for the affiliated business.

The sponsor has to apply for SEBI clearance in order to launch a mutual fund. It is imperative that the sponsor establish a Public Trust in accordance with the Indian Trust Act, 1882, and thereafter register it with SEBI, so that the sponsor cannot function autonomously. The sponsor, being the main organization in charge of public money management and mutual fund firm marketing, is an essential part of the process.

ii) Trust & Trustees

The Trust and the Trustees make up the second tier of the Mutual Funds system in India. The fund sponsor usually appoints the trustees, who are referred to as the fund's guardians. As their name implies, they are essential to maintaining the confidence of investors and keeping an eye on the fund's expansion. Through a legal instrument known as a trust deed, the fund sponsor creates a

trust on behalf of the trustees. As the principal defenders of the fund and its assets, the trustees oversee the trust and answer to the investors.

iii) Asset Management Companies (AMCs)

The trust's operational investment manager is the Asset Management Company (AMC), sometimes known as the Fund Management Firm. However, the AMC must first register with the Indian government. One of the many tasks that AMCs perform is launching and implementing mutual fund schemes. They work together with the scheme's creators and trustees to monitor its development. AMCs also have the responsibility of managing finances and obtaining associate services from registrars, bankers, attorneys, and other pertinent parties.

iv) Custodian

An organization tasked with the safekeeping of securities is known as a custodian. These Custodians, who are registered with SEBI, are in charge of making it easier for units and securities to be delivered and transferred. They are also essential in assisting investors in tracking their assets and updating their holdings at certain intervals. In addition to their primary responsibility for keeping things secure, custodians oversee the collection of corporate benefits, such as dividends, interest, bonuses, and other related items.

v) Registrar and Transfer Agent

Registrar and Transfer Agents, or RTAs, act as a middleman between investors and fund managers. These SEBI-registered firms are in charge of monitoring and supplying periodic investment statements or reports, processing investor inquiries, processing mutual fund applications, helping with investor KYC (Know Your Customer), and updating investor data, among other duties.

vi) Auditor

The auditor confirms the lack of fraud and checks AMC records to make sure money are used appropriately. The AMC has the authority to select its auditor and set their fee, but it also has to follow the Companies Act's requirements for appointment procedures, release the auditor's report, and take other actions.

vii) Broker

Investors are connected to the stock market through brokers, who are licensed to manage trading accounts and have been approved by SEBI. For the purpose of due diligence, AMCs employ research reports that brokers supply, and brokers themselves execute trades on their behalf.

For this study secondary data has been collected. From the website of KSE the monthly stock prices for the sample firms are obtained from Jan 2010 to Dec 2014. And from the website of SBP the data for the macroeconomic variables are collected for the period of five years. The time series monthly data is collected on stock prices for sample firms and relative macroeconomic variables for the period of 5 years. The data collection period is ranging from January 2010 to Dec 2014. Monthly prices of KSE - 100 Index is taken from yahoo finance.

II. REVIEW OF LITERATURE

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III. RESEARCH METHODOLOGY

The collection of strategies, tactics, and processes employed by researchers to collect, process, and evaluate data in order to meet their goals is referred to as research methodology.

3.1 Objective of the Study

1. The aim is to identify the factors influencing mutual fund scheme performance.
2. The objective is to analyze and compare the performance of various mutual fund schemes provided by asset management companies (AMCs).

3.2 Sample Characteristics

The study's approach is both Descriptive and Analytical.

3.3 Procedures

Data Source & Collection - The researcher examined secondary data from a range of sources, including publications published by periodicals, annual reports, journals, magazines, reference books, newspapers, and websites like AMFI and Money Control.

Tools and Techniques –

1. Sharpe ratio: Risk-adjusted returns are the gains yielded by an investment in excess of those from a risk-free asset, such as a fixed deposit. This metric is encapsulated by the Sharpe Ratio, where a higher value indicates superior performance. It's essential to note that elevated returns typically correspond to heightened risk levels.

$$\text{Sharpe Proportion} = \frac{\text{Portfolio Avg. Return} - \text{Risk Free Return}}{\text{SD of the Portfolio Return}}$$

2. Treynor proportion: A higher score denotes that the fund has achieved superior returns relative to the level of risk it has undertaken.

$$\text{Treynor Proportion} = \frac{\text{Portfolio Avg. Return (Rp)} - \text{Risk Free Return (RF)}}{\text{Beta Coefficient of Portfolio}}$$

1. Expense Ratio: This is the yearly management fee that the fund charges you. It is subtracted from the NAV every day; you are not obliged to pay it directly.

$$\text{Total Expense Ratio} = \frac{\text{Total Fund Cost}}{\text{Total Fund Assets}}$$

IV. RESULTS AND DISCUSSION

This study is based on two growing and emerging investment management companies: Nippon India Mutual Fund and Kotak Mahindra Mutual Fund. The study was conducted on three categories of equity funds viz. Investment fund for large, medium and small companies. Understand the relationship between various returns and MF related parameters. The information collected to make this study is from a maximum of the last three years (April 1, 2021 - March 31, 2024).

Nippon India Mutual Fund v/s Kotak Mahindra Mutual Fund

Large cap Fund

Name of the Fund	Crisil Rating	Fund Size(cr.)	Portfolio (stocks)	3 Yr. Return (10k)	Expense Ratio (%)	Sharpe Ratio	Treynor's Ratio
Nippon India Large Cap Fund	*****	24378.39	57	25.33%	0.79	1.08	0.15

Kotak Blue chip Fund	***	7901.4	61	17.42%	0.59	0.6	0.08
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Source: Moneycontrol

Ratios are computed through excel. (Ratios calculated on daily returns for last 3 years)

CRISIL introduced credit ratings to India in 1987, with a goal of "making markets function better."

Expense Ratio: It is the total expense incurred in running the fund. Here, Nippon India Large Cap fund has 0.15% and Kotak Blue-chip Fund has 0.08% expense ratio which states that Nippon India Large cap fund has more expense ratio than Kotak blue-chip fund.

Sharpe Ratio: It is the risk return performance of mutual fund. Higher the Sharpe ratio better the fund. Here, Nippon India Large cap fund has 1.08 Sharpe ratio and Kotak blue chip fund has 0.6 Sharpe ratio which states that Nippon India Large cap fund have better performance risk return than Kotak Blue-chip fund.

Treynor's Ratio: A higher score denotes that the fund has achieved superior returns relative to the level of risk it has undertaken. Here, Nippon India Large cap fund has 0.15 (better risk adjusted return) Treynor's ratio and Kotak Blue-chip fund has 0.08 (poor risk adjusted return) Treynor's ratio which indicates that Nippon India large cap fund has delivered better returns as risk assumed than Kotak blue-chip fund.

Mid-cap Fund

Name of the Fund	Crisil Rating	Fund Size (cr.)	Portfolio (stocks)	3 Yr. Return (10k)	Expense Ratio (%)	Sharpe Ratio	Treynor's Ratio
Nippon India Growth Fund	*****	24796.0	95	28.98%	0.88	1.18	0.19
Kotak Emerging Equity Fund	**	39684.91	73	23.07%	0.38	0.94	0.16

Source: Moneycontrol

Ratios are computed through Excel. (Ratios calculated on daily returns for last 3 years)

CRISIL introduced credit ratings to India in 1987, with a goal of "making markets function better."

Expense Ratio: It is the total expense incurred in running the fund. Here, Nippon India Growth fund has 0.88% and Kotak Emerging Equity Fund has 0.38% expense ratio; which states that Nippon India Growth fund has more expense ratio than Kotak Emerging Equity fund.

Sharpe Ratio: It is the risk return performance of mutual fund. Higher the Sharpe ratio better the fund. Here, Nippon India Growth fund has 1.18 Sharpe ratio and Kotak Emerging Equity fund has 0.94 Sharpe ratio which states that Nippon India Growth fund have better performance risk return than Kotak Emerging Equity fund.

Treynor's Ratio: A higher score denotes that the fund has achieved superior returns relative to the level of risk it has undertaken. Here, Nippon India Growth fund has 0.19 (better risk adjusted return) Treynor's ratio and Kotak Emerging Equity fund has 0.16 (poor risk adjusted return) Treynor's ratio which indicates that Nippon India Growth cap fund has delivered better returns as risk assumed than Kotak Emerging Equity fund.

Small cap Fund

Name of the Fund	Crisil Rating	Fund Size (cr.)	Portfolio (stocks)	3 Yr. Return (10k)	Expense Ratio (%)	Sharpe Ratio	Treynor's Ratio
Nippon India Small Cap Fund	*****	46044.13	199	35%	0.8	1.43	0.26
Kotak Small Cap Fund	**	13881.69	79	23.97%	0.43	1.01	0.19

Source: Moneycontrol

Ratios are computed through Excel. (Ratios calculated on daily returns for last 3 years)

CRISIL introduced credit ratings to India in 1987, with a goal of "making markets function better."

Expense Ratio: It is the total expense incurred in running the fund. Here, Nippon India Small cap fund has 0.8% and Kotak Small Cap Fund has 0.43% expense ratio; which states that Kotak Small cap has more expense ratio than Nippon India Small cap fund.

Sharpe Ratio: It is the risk return performance of mutual fund. Higher the Sharpe ratio better the fund. Here, Nippon India Small Cap fund has 1.43 Sharpe ratio and Kotak Small cap fund has 1.01 Sharpe ratio which states that Nippon India Small cap fund have better performance risk return than Kotak Small cap fund.

Treynor's Ratio: A higher score denotes that the fund has achieved superior returns relative to the level of risk it has undertaken. Here, Nippon India Small cap fund has 0.26 (better risk adjusted return) Treynor's ratio and Kotak Small cap fund has 0.19 (poor risk adjusted return) Treynor's ratio which indicates that Nippon India small cap fund has delivered better returns as risk assumed than Kotak small cap fund.

V. ACKNOWLEDGMENT

A. On Basis of Asset Management Company (AMC)

Nippon India Mutual Fund - Founded in 1995 with the goal of providing diversified investment options. Largest and fastest-growing Asset Management Company (AMC) in India based on AUM (Assets under Management). Offers various mutual fund schemes, pension funds, and exchange-traded funds (ETFs) across equity, debt, and hybrid categories. Focuses on customer service and good corporate governance. Aims to be a world-renowned leader in the financial services industry.

Kotak Mahindra Mutual Fund - Established in 1998 to cater to investors with varying risk appetites. One of India's leading wealth management firms and a prominent AMC. Strong track record of generating positive returns across different asset classes. Offers a diversified portfolio of mutual fund schemes in debt, equity, and hybrid sectors. Committed to exceeding customer expectations through high-quality products and services.

B. On the basis of Performance of Mutual Fund

Past performance does not definitely predict future outcomes.

This study is based on particular research and may not include all elements.

Before selecting a fund, you should carefully examine your investing objectives and risk tolerance.

VI. LIMITATIONS

The research effort exclusively examined the performance of active funds; the performance of passive funds was not taken into consideration.

Only the return of direct Mutual Fund has been taken into account. For the purposes of this investigation, the return of ordinary MFs has been disregarded.

The research is restricted to equities mutual funds. The study does not take debt or hybrid mutual funds into account.

Due to the study's restriction to secondary data, investors' perceptions of the criteria taken into account when choosing mutual funds have not been taken into account.

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