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A Study of the Top Performing Funds in Specified Equity and Debt Schemes in India

*Alfrine Antony Gonsalves, Jnaneshwar Pai Maroor**
Justice K.S. Hegde Institute of Management, Nitte, India

ABSTRACT
There are a lot of investment choices on hand at present within the fiscal market for individuals who have surplus investible earnings. So, persons started to pick out educated recommendation of portfolio managers to speculate on behalf of them. But their funding recommendation used to be too highly-priced for small traders so these traders found a good shelter with the mutual money.

Keywords: *Debt, equity, financial, funds*

Corresponding Author
E-mail: jnan_pai@yahoo.com

INTRODUCTION

Mutual money are professionally managed investment cash gathered from many traders for the motive of investing in securities similar to stocks, bonds, cash market devices and identical property. Mutual dollars not most effective make investment easy but also make an interesting investment alternative. Each investment has danger and reward related to it. Mutual money are trusts, which accept savings from buyers and make investments the equal in different economic instruments in phrases of targets set out within the trusts deed with the view to shrink hazard and maximize the revenue and capital appreciation for distribution for the individuals [1].

Mutual funds have become popular investment vehicles which offer different kinds of schemes with different investment objectives. Funds are well diversified in order to offset potential losses. Mutual funds offer many benefits:

- Professional management of funds
- Diversification of the portfolio
- Low cost of investment
- Highly liquid in nature
- Well regulated

Need for the Study

Mutual funds are the safe and less risky when compared to investment in individual shares. The present study tries to understand top performing funds in mutual funds. In mutual funds there are many categories of which present study is based on Diversified Equity funds as well as Income scheme under Debt mutual funds. The study is based on average return of Debt and Equity mutual funds which determines performance of these funds for the past 5 years i.e. 2012–2017 [2].

Objectives of the Study

- To understand the different schemes in mutual funds.
- To study the top performing funds in specified Equity and Debt schemes on the basis of average return of 5 years.
- To compare and analyze the performance of the selected funds on the basis of risk and return relationship of those funds [3].

METHODOLOGY

The data required for the present study is collected purely from secondary sources of data, which includes, information collected from internet, magazines and books. It includes

- Magazines
- Books
- Internet

Assumptions

- For the current study it is assumed that Risk free rate of return is fixed at 5% for the relevant period.
- Nifty 50 is taken as market index for calculation of ratios.

Limitations of the Study

The present study has the following limitations

- Use of only few Equity and Debt schemes.
- Data analyzed for limited period of 5 years.

INTRODUCTION TO THE TOPIC

For the purpose of present study, I have chosen 09 equity funds and 10 debt mutual funds. In equity as well as debt mutual funds there are many categories, among them I have selected diversified equity mutual fund schemes which belong to small and Midcap category because In Debt funds I have chosen income schemes. Debt funds are suited for those investors who prefer regular income and safety.

Average Returns of top equity (1–9) and debt mutual funds (1–10) as on 6-4-2016 are as follows [4].

Top 9 equity mutual funds [5].

Fund name	Category	AUM (In Crs)	5Y	SI
Mirae Asset Emerging Blue-chip Fund (G)	Equity-Diversified	1137.93	21.76	20.86
SBI Small & Midcap Fund(G)	Equity-Diversified	653.41	21.28	18.96
DSP BlackRock Micro Cap Fund(G)	Equity-Diversified	2004.13	21.22	17.32
SBI Magnum Midcap Fund (G)	Equity-Diversified	1403.63	20.58	17.17
BNP Paribas Mid cap fund (G)	Equity-Diversified	445.31	20.02	8.88
Canara Robeco Emerging Equities (G)	Equity-Diversified	804.38	19.78	17.01
Reliance Small cap fund (G)	Equity-Diversified	1651.53	19.77	17.35
UTI Mid Cap Fund (G)	Equity-Diversified	755.72	18.80	18.76
Franklin India Prima Fund (G)	Equity-Diversified	3362.48	18.73	20.14

1) Mirae asset emerging bluechip fund

Fund type	Open ended	Fund manager Neelesh Surana
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	1054.32	
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load within 6 months 2% Within 1 year 1%
Launch Date	09-07-2010	

2) SBI small & midcap fund

Fund type	Open ended	Fund manager Rama Iyer Srinivasan
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	706.33	
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load Within 1 year 1%
Launch Date	09-09-2009	

3) DSP black rock microcap fund

Fund type	Open ended	Fund manager Vinit Sambre, Jay Kothari
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	2233.01	Benchmark
Investment Plan	Growth	
Minimum Investment (Rs.)	1000	Exit Load Within 1 year 1%
Launch Date	6-6-2007	

4) SBI magnum midcap fund

Entry load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	1326.02	
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load Within 1 year 1%
Launch Date	29-03-2005	

5) BNP Paribas mid-cap fund

Fund type	Open ended	Fund manager Shreyas Devalkar
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	1326.02	Benchmark
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load Within 1 year 1%
Launch Date	02-05-2006	

6) Canara Robeco emerging equities

Fund type	Open ended	Fund Manager Ravi Gopalakrishnan, Krishna Sanghvi
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	869.34	
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load Within 1 year 1%
Launch Date	11-03-2005	

7) Reliance small cap fund

Fund type	Open ended	Fund manager
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	1831.89	Benchmark S&P BSE Small CAP
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load Within 1 year 1%
Launch Date	16-09-2010	

8) UTI mid-cap fund

Fund type	Open ended	Fund manager
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	2827	
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load Within 1 year 1%
Launch Date	07-04-2004	

9) Franklin India prima fund

Fund type	Open ended	Fund manager R Janakiraman, Roshi Jain, Neeraj Gaurh
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	3592.52	
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load Within 1 year 1%
Launch Date	01-12-1993	

Top 10 debt mutual funds

Fund name	Category	AUM (In crs)	5Y	SI
ICICI Prudential Long Term Plan	Debt-Income	807.79	11.07	9.86
Escorts Income Plan	Debt-Income	10.66	10.48	9.65
SBI Corporate Bond Fund	Debt-Income	600.03	10.06	9.25
Franklin India Income Builder Account	Debt-Income	1386.19	9.9	9.50
UTI Dynamic Bond Fund	Debt-Income	922.17	9.85	9.12
IDFC Dynamic Bond Fund	Debt-Income	6571.34	9.81	7.98
Reliance Dynamic Bond Fund	Debt-Income	5444.44	9.55	6.15
DSP BlackRock Strategic Bond Fund	Debt-Income	2902.3	9.51	7.81
UTI Bond Fund	Debt-Income	2670.62	9.46	7.07
Canara Robeco Dynamic Bond Fund	Debt-Income	147.95	9.33	7.45

1) ICICI prudential plan

Fund type	Open ended	Fund manager
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	846.77	
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load Within 1 year 0.25%
Launch Date	20-05-2009	

2) Escorts income plan

Fund type	Open ended	Fund manager
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	10.02	
Investment PlanGrowth	Growth	
Minimum Investment (Rs.)	1000	Exit Load Within 1 year 1%
Launch Date	22-05-1998	

3) SBI corporate bond fund

Fund type	Open ended	Fund manager
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	580.92	
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load Within 1 year 3% Within 2 years 1.55 Within 3 years 0.75%
Launch Date	19-07-2004	

4) Franklin India income builder account

Fund type	Open ended	Fund manager Santhosh Kamath, Sumit Gupta
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	1406.77	
Investment Plan	Growth	
Minimum Investment (Rs.)	10000	Exit Load Within 1 year 2% Within 2 years 1%
Launch Date	23-06-1997	

5) UTI dynamic bond fund

Fund type	Open ended	Fund manager
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	925.34	Benchmark Crisil Composite Bond Fund Index.
Investment Plan	Growth	.
Minimum Investment (Rs.)	10000	Exit Load Within 1 year 1%
Launch Date	23-06-2010	

6) IDFC dynamic bond fund

Fund type	Open ended	Fund manager Suyash Choudhary
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	6302.47	
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load Within 3 months 0.5%
Launch Date	03-12-2008	

7) Reliance Dynamic Bond Fund

Fund type	Open ended	Fund manager Prashant R. Pimple
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	5468.55	
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load Within 1 year 1%
Launch Date	15-11-2004	

8) DSP BlackRock strategic bond fund

Fund type	Open ended	Fund manager Dhawal Dalal
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	2916.55	
Investment Plan	Growth	
Minimum Investment (Rs.)	1000	Exit Load Nil
Launch Date	12-05-2007	

9) UTI bond fund

Fund type	Open ended	Fund manager
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	2679.85	
Investment Plan	Growth	
Minimum Investment (Rs.)	1000	Exit Load Nil
Launch Date	04-05-1998	

10) Canara Robeco dynamic bond fund

Fund type	**Open ended**	**Fund manager Girish Hisaria**
Entry Load	Nil	Last Dividend 0.00
Average Asset Size (Rs cr.)	147.13	
Investment Plan	Growth	
Minimum Investment (Rs.)	5000	Exit Load If redeemed within 6 months 0.5%
Launch Date	29-05-2009	

DATA ANALYSIS AND INTERPRETATION

For the analysis of performance of the mutual funds schemes I have used Sharpe ratio, Treynor ratio and Jensen measure. These funds are giving good returns in their respective category so to know their risk adjusted return I have calculated these ratios [1].

Tools of analysis:

- Standard Deviation:
- Sharpe Ratio St = (Rp – Rf)/σp
- Sharpe ratio characterizes how well the return of an asset compensates the investors for the risk taken.
- Beta:

If an asset has beta is more than one, its return should be greater than the average return. If an asset has beat less than one, its expected return should be less than the average market return.

- Treynor Ratio Tt = (Rm-Rf)/βp

It takes into account only systematic risk of a fund. Higher the ratio, better the performance under analysis.

- Jensen's measure:αt = Rp-[Rf + β*(Rm-Rf)

The Capital Asset Pricing Model (CAPM) is a financial model used to calculate the expected return of an asset based on its beta, the average market return and the risk-free interest rate. Alpha in the stock market is a measurement of how the returns of an investment portfolio compare against overall market or a benchmark on a risk adjusted basis.

Rp = Average return of the Scheme
Rf = Risk free rate of return
Rm = Average return of the Market
σp = Standard deviation of Scheme's return
σm = standard deviation of market return
βp = Systematic risk of the scheme [6].

From Table 1, it is observed that DSP Black Rock Micro cap fund is more volatile followed by SBI Small and Midcap Fund, UTI Mid cap fund, Reliance Small Cap fund, because standard deviation of these funds is more. Canara Robeco Emerging Equities fund is less volatile with less standard deviation.

Table 1. *Calculation of standard deviation and average 5 year return of top 10 equity mutual fund.*

Sl. no	**Fund name**	**Average return**	**Standard deviation**
1	Mirae Asset Emerging Blue-chip Fund (G)	21.76	27.7717
2	SBI Small & Midcap Fund(G)	21.28	34.7028
3	DSP BlackRock Micro Cap Fund(G)	21.22	39.7834
4	Franklin India Smaller Companies Fund (G)	21.16	31.1627
5	SBI Magnum Midcap Fund (G)	20.58	28.3328
6	BNP Paribas Mid cap fund (G)	20.02	26.1463
7	Canara Robeco Emerging Equities (G)	19.78	11.8561
8	Reliance Small cap fund (G)	19.77	33.5473
9	UTI Mid Cap Fund (G)	18.80	33.6125
10	Franklin India Prima Fund (G)	18.73	27.3151

It is observed from the Table 2, that higher positive value of Sharpe measure was found in Canara Robeco Emerging Equities followed by Mirae Asset Emerging Blue-chip Fund and BNP Paribas Mid cap fund. In the study, the Sharpe ratio was positive for all schemes which show that funds were providing returns greater than risk free rate.

Table 2. *Calculation of sharpe ratio for equity mutual funds.*

Sl. no	Fund name	Average return	Standard deviation	Sharpe ratio	Rank
1	Mirae Asset Emerging Blue-chip Fund (G)	21.76	27.7717	0.5134	2
2	SBI Small & Midcap Fund(G)	21.28	34.7028	0.3971	7
3	DSP BlackRock Micro Cap Fund(G)	21.22	39.7834	0.3448	9
4	Franklin India Smaller Companies Fund (G)	21.16	31.1627	0.4383	5
5	SBI Magnum Midcap Fund (G)	20.58	28.3328	0.4616	4
6	BNP Paribas Mid cap fund (G)	20.02	26.1463	0.4788	3
7	Canara Robeco Emerging Equities (G)	19.78	11.8561	1.0357	1
8	Reliance Small cap fund (G)	19.77	33.5473	0.3657	8
9	UTI Mid Cap Fund (G)	18.80	33.6125	0.3361	10
10	Franklin India Prima Fund (G)	18.73	27.3151	0.4111	6
11	Market index	8.0622067	13.05409	0.2345784	11

But when we compare these schemes with market index all the schemes have outperformed the market. Which means risk adjusted return of these schemes is more than market risks adjusted return.
From Table 3, we may observe that all the schemes have outperformed the market. This means that they have generated superior returns over and above the market returns. Among these schemes SBI Small & Midcap Fund have highest ratio followed by SBI Magnum Midcap Fund and Franklin India Prima Fund have lowest ratio.

Table 3. *Calculation of Treynor ratio for equity mutual funds.*

Sl. no	Fund name	Average return	Beta	Treynor ratio	Rank
1	Mirae Asset Emerging Blue-chip Fund (G)	21.76	1.23	13.62602	5
2	SBI Small & Midcap Fund(G)	21.28	0.87	18.71264	1
3	DSP BlackRock Micro Cap Fund(G)	21.22	1.10	14.74545	4
4	Franklin India Smaller Companies Fund (G)	21.16	1.28	12.625	6
5	SBI Magnum Midcap Fund (G)	20.58	1.00	15.58	2
6	BNP Paribas Mid cap fund (G)	20.02	1.01	14.87129	3
7	Canara Robeco Emerging Equities (G)	19.78	1.57	9.414013	9
8	Reliance Small cap fund (G)	19.77	1.21	12.20661	7
9	UTI Mid Cap Fund (G)	18.80	1.43	9.65035	8
10	Franklin India Prima Fund (G)	18.73	1.56	8.801282	10
11	Market Index	8.0622067	1.00	3.062206	11

From Table 4, it is observed that all the schemes have positive values. This means that these funds are giving excess return over expected return. SBI Small and Midcap fund have highest alpha value whereas franklin India prima fund have lowest alpha.

From Table 5, it is observed that UTI Bond fund has high standard deviation in the particular category which means that it is more volatile when compared to other schemes. And SBI Corporate bond fund has very low volatility.

Table 4. *Calculation of Jansen's alpha measure for equity mutual funds.*

Sl. no	Fund name	Average return	Jensen's measure	Rank
1	Mirae Asset Emerging Blue-chip Fund (G)	21.76	14.45006	2
2	SBI Small & Midcap Fund(G)	21.28	14.64614	1
3	DSP BlackRock Micro Cap Fund(G)	21.22	14.1542	3
4	Franklin India Smaller Companies Fund (G)	21.16	13.75616	5
5	SBI Magnum Midcap Fund (G)	20.58	13.702	4
6	BNP Paribas Mid cap fund (G)	20.02	13.12322	6
7	Canara Robeco Emerging Equities (G)	19.78	11.83154	8
8	Reliance Small cap fund (G)	19.77	12.49762	7
9	UTI Mid Cap Fund (G)	18.80	11.11446	9
10	Franklin India Prima Fund (G)	18.73	10.80032	10

Table 5. *Calculation of standard deviation for top 10 debt mutual funds.*

Sl. no	Fund name	Average return	Standard deviation
1	ICICI Prudential Long Term Plan	11.07	4.5895
2	Escorts Income Plan	10.48	2.2192
3	SBI Corporate Bond Fund	10.06	0.7074
4	Franklin India Income Builder Account	9.9	2.8905
5	UTI Dynamic Bond Fund	9.85	2.9370
6	IDFC Dynamic Bond Fund	9.81	5.02955
7	Reliance Dynamic Bond Fund	9.55	4.5173
8	DSP BlackRock Strategic Bond Fund	9.51	3.6350
9	UTI Bond Fund	9.46	5.3009
10	Canara Robeco Dynamic Bond Fund	9.33	4.0658

Table 6. *Showing calculation of sharpe ratio for debt mutual funds.*

Sl. no	Fund name	Average return	Standard deviation	Sharpe ratio	Rank
1	ICICI Prudential Long Term Plan	11.07	4.5895	1.3225	5
2	Escorts Income Plan	10.48	2.2192	2.4693	2
3	SBI Corporate Bond Fund	10.06	0.7074	7.1529	1
4	Franklin India Income Builder Account	9.9	2.8905	1.6952	3
5	UTI Dynamic Bond Fund	9.85	2.9370	1.6513	4
6	IDFC Dynamic Bond Fund	9.81	5.02955	0.9563	9
7	Reliance Dynamic Bond Fund	9.55	4.5173	1.0072	8
8	DSP BlackRock Strategic Bond Fund	9.51	3.6350	1.2407	6
9	UTI Bond Fund	9.46	5.3009	0.8413	10
10	Canara Robeco Dynamic Bond Fund	9.33	4.0658	1.0649	7

In Table 6, SBI corporate bond fund has high ratio because it has very less volatility. But its return is low when compared to top fund that is, ICICI Prudential Long Term Plan and Escorts Income Plan.

And UTI bond fund has low ratio which means this fund is more volatile when compared to other schemes.

FINDINGS

- Equity mutual funds are more volatile. Debt mutual fund schemes are less volatile because their return is fixed so risk is also less. Therefore, standard deviation of these schemes is low when compared to equity funds

- The Sharpe's ratio of Canara Robeco Emerging equities is more followed by SBI Small and Mid-cap fund suggesting that after taking the total risk into consideration the fund is giving good return over and above the risk-free returns.
- When we calculated the Sharpe ratio, for these top 10 funds, the top performing fund i.e. Mirae asset emerging Bluechip fund even though its 5 year average return is high, but the risk adjusted return is low when compared to Canara Robeco Emerging equities which also falls in the same category but with less return.
- Treynor ratio analyses a fund's performance on the basis of market risk. Here SBI small and Mid-cap fund has given highest. It also has beta of 0.87 which means less sensitive to the market when compared to other funds.
- To know how well the fund manager is performing I have calculated alpha for these schemes. SBI small and Mid-cap fund has given excess return over the market return.
- So, in all the ratio calculation SBI small and Mid-cap fund has highest ratio. So, this fund is consistently performing well from the past 5 years.
- Among Debt mutual funds SBI corporate bond fund is giving good return with less volatility. It is giving risk adjusted return of 7.5%.
- Investors with low or moderate risk appetite can go for Debt mutual funds.
- To compare Treynor and Sharpe Ratio, Sharpe ratio is exactly same as Treynor ratio, except that the risk measure is standard deviation. Treynor ratio uses beta. Standard deviation is more appropriate for well diversified portfolios, Treynor measure is for individual assets. So, Sharpe measure is suitable for an individual with a portfolio that is not well diversified. The Treynor measure is suitable for an individual with a well-diversified portfolio [3].

SUGGESTIONS

- Investors can choose SBI small and Mid-cap fund as the fund is showing consistent performance.
- Mutual fund is best suited for long term investment. So those who want take advantage of long term fluctuations can go for Equity mutual funds.
- More diversified portfolio can help to lessen the risk so the fund managers need to concentrate on diversification of portfolio of their funds.
- Debt mutual funds are suitable when our investment goals are for short period (less than 5 years) and when growth objective is met with return of 8–9%.

CONCLUSION

When we use fund performance measures SBI small and Mid-cap fund have better performance than top ranked fund. In case of Debt funds SBI Corporate Bond Fund is showing consistent performance over the 5 years.

When we compare Equity schemes with market index all the schemes have outperformed the market. So, the fund managers are managing their fund's portfolio well.

If we compare Returns from Debt mutual funds with 5 year Bank Fixed deposit rate, debt funds are giving 9–11% return whereas 5 year fixed deposit rate of SBI is 7%p.a. but debt mutual funds are riskier than bank fixed deposit rates.

To conclude Even though some of the funds are top funds in terms of their average return but the risk adjusted return can be low. Return can be only part of story. In the same way return may be high but risk of a fund also very important. So, investors should take into consideration various factors such as risk appetite, expenses of the fund, credit rating, tenure of investment etc. while investing in mutual funds.

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