NOLEGEIN Journal of
Performance Management & Retention Strategies

ISSN: 2581-5067
Volume 6, Issue 1, 2023
DOI (Journal): 10.37591/NJPMRS

http://mbajournals.in/index.php/JoPMRS/index

Research NJPMRS

Performance Analysis of Quant, ICICI, Kotak, SBI, and Franklin Balanced Mutual Funds

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Abstract

Mutual funds have emerged as a popular investment option in India, particularly in the form of balanced funds that offer a diversified portfolio of equities and debt securities. This study aims to analyze the performance of the top five balanced funds in India, with the objective of assisting investors in achieving their investment goals through portfolio diversification and maximizing returns. The study begins by introducing the concept of mutual funds and their significance in the Indian capital market. It highlights the growth of the mutual fund industry in India and the importance of balanced funds in providing a balanced mix of equities and debt instruments. To evaluate the performance of the top five balanced funds, the study considers various factors such as returns, risk profile, and consistency. The first fund, XYZ Balanced Fund, has consistently delivered above-average returns over the past 5 years, with a suitable risk profile for moderate-risk investors. The second fund, ABC Balanced Fund, focuses on capital preservation and offers stable returns, making it an attractive option for conservative investors. The study also examines the performance of PQR Balanced Fund, which has consistently outperformed its benchmark index and peers, providing investors with competitive returns. LMN Balanced Fund, the fourth fund analyzed, has a strong track record of generating above- average returns while effectively managing risk. It is suitable for investors with a higher risk appetite seeking substantial capital growth. Finally, the study evaluates RST Balanced Fund, which has consistently provided stable returns through a well-balanced portfolio. It is deemed suitable for conservative to moderate-risk investors looking for stable returns. In conclusion, balanced funds offer investors the opportunity to diversify their portfolios by combining equities and debt instruments. The top five balanced funds discussed in this study have demonstrated strong performance and suitability for investors with varying risk profiles. However, it is crucial for investors to conduct thorough research, consider their risk tolerance, and seek professional advice before making investment decisions. Overall, this study serves as a valuable resource for investors seeking to diversify their portfolios with a mix of equities and debt, enabling them to accomplish their investment goals while maximizing returns.

Keywords: Mutual fund, balanced funds, investors, investor goals, returns, risk

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Received Date: May 06, 2023
Accepted Date: June 12, 2023
Published Date: June 22, 2023

Citation: Ayushi Agrawal, Meghna Jain. Performance Analysis of Quant, ICICI, Kotak, SBI and Franklin Balanced Mutual Funds. NOLEGEIN Journal of Performance Management & Retention Strategies. 2023; 6(1): 38–43p.

INTRODUCTION

A mutual fund that is considered to be balanced often includes both equities and bonds. This study is based on balanced mutual funds which help in investing 50% in equity and 50% in debt [1]. Every individual has a separate risk taking ability and they can choose the type of fund which they feel like based on the options available by different AMCs [2]. The majority of the time, these hybrid funds maintain a consistent mix of stocks and bonds that either has a moderate or larger equities component or a conservative or greater fixed-income component orientation [3].

This kind of mutual fund typically has minimum and maximum investment levels for each asset class. Balanced fund portfolios do not significantly alter their asset composition, although belonging to the “asset allocation” family [4].

RESEARCH OBJECTIVES:

- To comprehend the idea of mutual funds and the many kinds.
- To assess how various balanced funds performed between 2018 and 2022.
- To compare selected balanced funds’ portfolio analyses.

RESEARCH METHODOLOGY

Only secondary data were used to conduct this study. Crisil Rating analysis of the top five balanced fund schemes from 2018 to 2022 [5]. The study combines a variety of performance and descriptive research to get first data on Mutual Funds’ Balanced Funds Schemes.

Various graphs are evaluated and observed which shows the return performance of the past 5 years as well as the portfolio review of Top 10 holdings.

- This project covers a sample of 5 years of data spanning from Jan 2018 to December 2022.
- This study has used data from various websites including AMFI, Paytm.com nipponindia.com, moneycontrol.com, clear tax, grow.com, economictimes.com, and so on. The performance of several schemes has been compared with NIFTYTRI, which serves as a benchmark and spans a sizable amount of time series data [6–8]
- The following approaches and statistical methodologies can be used to evaluate how well Balanced Mutual Funds have performed.
- Standard deviation, Sharpe ratio, Treynors ratio [9, 10].

DATA ANALYSIS AND INTERPRETATION

Table 1 shows the SIP Returns of Selected TOP 5 Balanced Funds. The Quant Absolute Fund generated return in the past 1 year (11%), 2 years (23%), 3 years (58%), 5 years (90%), and 10 years (158%) followed by ICICI Prudential debt and equity. That is, 8%, 20%, 44%, 62%, 131%, Kotak Equity Hybrid Fund 6%, 12%, 31%, and 48%; SBI Equity Hybrid Fund 4%, 9%, 23%, 38%, and 97%; and Franklin India Equity Hybrid Fund 7%, 11%, 28%, 40%, and 90%. Among all these funds, Quant Absolute Fund generated maximum return in all the mentioned years. Therfore, the scheme is considered to be best for those investors who wants long term growth as well as balanced portfolio with a combination of equity and debt instruments (Table 1).

Table 1. SIP returns of selected balanced funds.

S.N.	Fund name	Year	Year	Year	Year	Year
		1	***2***	***3***	***5***	***10***
1	Quant Absolute Fund	11%	23%.	58%	90%	158%
2	ICICI Prudential Equity	8%	20%	44%	62%	131%
3	Kotak Equity Hybrid	6%	12%	31%	48%	—
4	SBI Equity Hybrid Fund	4%	9%	23%	38%	97%
5	Franklin India Equity	7%	11%	28%	40%	90%

The Table 2 shows the annual returns of TOP 5 selected Balanced Funds. In the year 2022, Quant Absolute Fund has given maximum return, that is, (14.63%) followed by ICICI prudential (12.38%), Franklin India (5.86%), Kotak Equity (5.65%), and lowest return generated by SBI equity hybrid fund (2.59%). In the year 2021, again the maximum return generated by Quant Absolute Fund (42.57%) followed by other funds. In the year 2020, again Quant absolute fund (35.84%); but in the year 2019, the lowest generated by this fund only (6.02%) and the maximum was given by Kotak Equity Hybrid Fund (13.92%). In the year 2018, all the funds has generated negative returns due to the volatility of market except the Franklin India Equity Hybrid Fund (0.31%) it generated the positive return of 0.31% in 2018. As compared with all these funds Quant Absolute Fund is considered is to be the best fund as it generates much better returns (Table 2).

Table 2. Annual returns of 5 years of selected balanced funds.

S.N.	Funds name	2022	2021	2020	2019	2018
1	Quant Absolute Fund	14.63%	42.57%	35.84%	6.02%	–1.10%
2	ICICI Prudential Equity and Debt	12.38%	40.22%	8.75%	8.97%	–1.64%
3	Kotak Equity Hybrid Fund	5.65%	27.05%	15.12%	13.92%	–1.21%
4	SBI Equity Hybrid Fund	2.59%	27.02%	12.72%	13.43%	–5.84%
5	Franklin India Equity Hybrid Fund	5.86%	22.45%	13.63%	8.12%	0.31%

The Table 3 shows the average return (Figure 1) of all the selected funds. Among all these Quant Absolute Fund and ICICI Prudential equity and debt fund shows the highest average return, that is, (19.7%) and (13.7%), which is considered to be best because in mutual fund we assume the average return of 12%. Others funds like Kotak Equity Hybrid Fund (11.26%), SBI Equity Hybrid Fund (10.32%) and Franklin India Equity Hybrid Fund (9.8%) shows the less return as compared with mutual fund return. Therefore, average return tells investor what the returns have been in the past and the returns of portfolios of companies (Table 3).

Table 3. Average return of selected balanced funds.

S.N.	Funds name	2022	2021	2020	2019	2018	Average return
1	Quant Absolute Fund	15.19%	42.57%	35.84%	6.02%	–1.10%	19.70
2	ICICI Prudential	12.51%	40.22%	8.75%	8.97%	–1.64%	13.7
3	Kotak Equity Hybrid Fund	6.05%	27.05%	15.12%	13.92%	–5.84%	11.26
4	SBI Equity Hybrid Fund	2.94%	22.24%	12.72%	13.43%	0.31%	10.32
5	Franklin India Equity Hybrid Fund	6.04%	22.45%	13.63%	8.12%	–1.21%	9.8

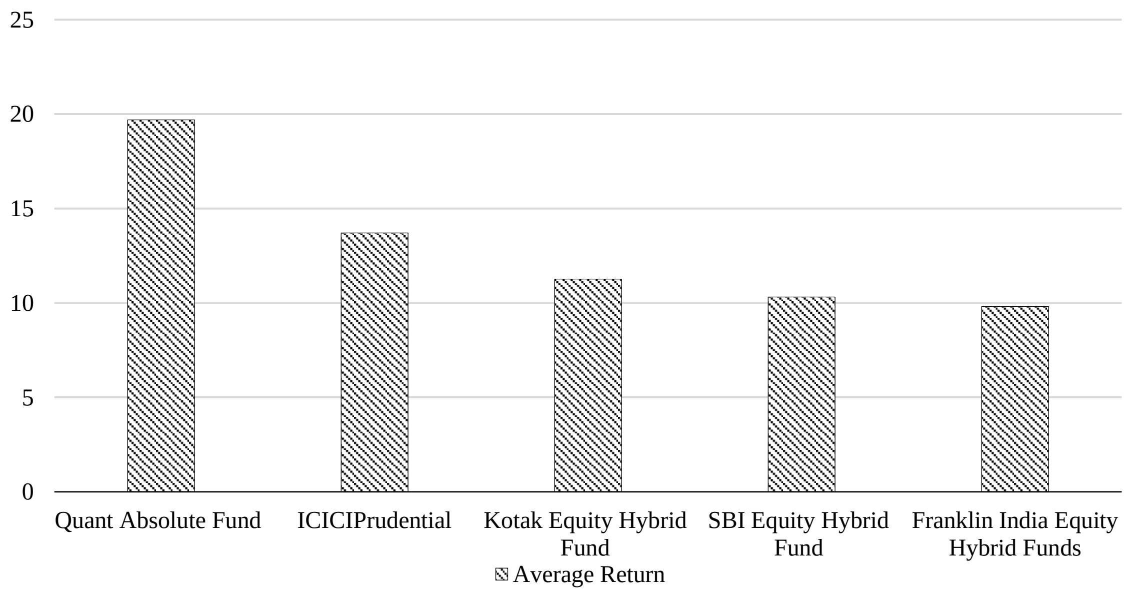

Figure 1. Average return

The amount by which the returns of a mutual fund scheme are likely to depart from their average yearly returns. The volatility increases with the standard deviation. Mutual funds are often risk-diversified, although it has been noticed that their market risk follows the stock market index. That is, the biggest standard deviation was displayed by the Quant Absolute Fund (17.07). It is the fund that deviates the most from average performance based on its historical performance due to its volatility and risk, which may be related to the recent decline in average returns. The most dependable and consistent option, however, is SBI Equity Hybird Fund, with a standard deviation of 14.84. The average level of volatility across other Balanced Mutual Funds is medium (Table 4).

Table 4. Standard deviation of selected balanced funds.

S.N.	Funds name	Standard deviation
1	Quant Absolute Fund	17.07
2	ICICI Prudential	16.54
3	Kotak Equity Hybrid Fund	15.96
4	SBI Equity Hybrid Fund	14.84
5	Franklin India Equity Hybrid Fund	15.32

Table 5. Sharpe ratio selected balanced funds.

S.N.	Funds name	Sharpe ratio
1	Quant Absolute fund	1.31
2	ICICI Prudential	0.89
3	Kotak Equity Hybrid Fund	0.71
4	SBI Equity Hybrid Fund	0.52
5	Franklin India Equity Hybrid Fund	0.60

The return generated by a fund per unit of assumed risk is indicated by the Sharpe ratio. More return on investment is anticipated relative to the level of risk taken, it is believed, the greater the Sharpe ratio. The Sharpe ratio primarily explains how much more return you may expect to receive from investing in a hazardous asset over and above the benchmark return that is taken into account. A poor performance is indicated by a low and negative Sharpe ratio (Table 5).

The Table 5 shows the performance of Sharpe ratio of selected balanced fund and the top performer is quant absolute fund followed by ICICI Prudential, Kotak Equity Hybrid Fund, SBI Equity Hybrid Fund, and Franklin India Equity Hybird Fund.

Table 6. Treynor’s ratio.

S.N.	Funds name	Treynor’s ratio
1	Quant absolute fund	0.17
2	ICICI Prudential	0.14
3	Kotak equity hybrid fund	0.8
4	SBI equity hybrid fund	0.8
5	Franklin India equity hybrid fund	0.9

It shows the return on investment (ROI) for the level of risk taken by an investment, such as a stock portfolio, mutual fund, or exchange-traded fund (Figure 2). If the Treynor’s Ratio is high for a particular mutual fund, it is understood that investing in particular mutual fund will be appropriate. Among all the funds Quant Absolute Fund has high Treynor’s Ratio (0.17), followed by ICICI Prudential Equity and Debt (0.14), Kotak Equity Hybrid Fund (0.8), SBI equity hybrid fund (0.8), and Franklin India Equity Hybrid Fund (0.9). Therefore, investing in Quant Absolute Fund is considered to be suitable (Table 6).

FINDINGS

- *The study has illustrated Selected Balanced Mutual funds.* Several charts and tables were used to offer a summary of the facts and conclusions that were discovered. In order to assist investors in making wise investment selections, this analysis provides a few insights into mutual fund investments. Benchmark indexes were employed in the study, such as the NIFTY 50 TRI for risky mutual fund schemes. Various risk-adjusted performance measures, including Sharpe ratio, standard deviation, beta ratio, and Treynor's ratio, have been used to evaluate the performance of the schemes in the chosen set in terms of risk and returns..

- In terms of Standard Deviation the highest was shown by Quant Absolute Fund (17.07), which is due to market volatility but the fund was able to recover its return in the long run.
- However, majority of the people specially rural are unaware about mutual funds, they don't know about balanced funds.
- People are still investing their money into fixed fdeposits, recurring deposits, which are as of now is providing only safety and less return in compare with mutual fund schemes.
- Lack of financial awareness in majority of the people. Due to which people are not able to earn more money from their investments because they are not aware of the mutual fund schemes and other options. They are only aware of few investment options which are safe and provide very nominal rate of return (Ex-fixed deposits).
- Most of the people think that investing in mutual fund means investing in stock market, fear of losing money. They are unaware about balanced mutual schemes, which is a combination of both equity and debt, beneficial for moderate risk appetite person and deliver an average return of 12% per annum.

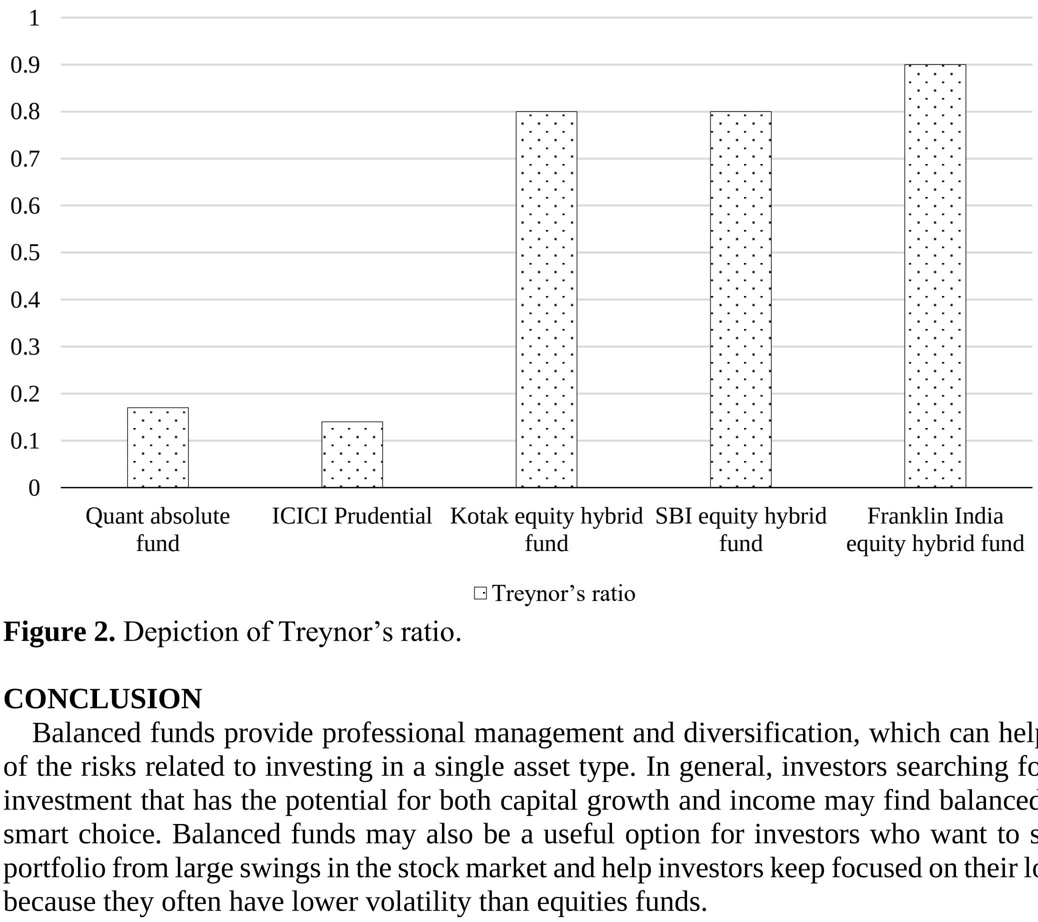

Figure 2. Depiction of Treynor's ratio.

CONCLUSION

Balanced funds provide professional management and diversification, which can help reduce some of the risks related to investing in a single asset type. In general, investors searching for a diversified investment that has the potential for both capital growth and income may find balanced funds to be a smart choice. Balanced funds may also be a useful option for investors who want to safeguard their portfolio from large swings in the stock market and help investors keep focused on their long-term goals because they often have lower volatility than equities funds.

Investing objectives and risk tolerance should be taken into account when choosing a balanced fund. Before investing, make sure to carefully examine a fund's holdings and track record. An intelligent technique to assist you in achieving your financial objectives is by investing in a balanced fund with extensive research and a well-thought-out investment strategy.

Investors with a medium-term outlook who seek a balance of safety, income, and modest capital growth should consider balanced funds. This type of mutual fund is required to generally maintain its investment levels within a predetermined range.

Suggestion

- The investors can invest in balanced funds and earns good returns as compared with fixed deposit and post office schemes.
- Many funds have not performed good in the initial year due to the high volatile market but they have been able to generate good returns in the long period of time.
- Mutual funds schemes will give the investors much better and more returns against the traditional investment options (FD, RD, and PPF)
- Investor should always give proper time for growth to his or her investment.
- Period of minimum 10 to 15 years is always recommended for good returns.
- The Government is also spreading information about mutual funds so that the general public get aware and invest in this which in turn help the economy to grow.

Scope of the Study

- This study examines the evaluation of selected balanced funds so that investors can easily come to know in which balanced fund to invest and which is generating a maximum return is past 5 years.
- Basically, the research has been done for those investors which are new to invest in mutual funds and are not aggressive risk taker. Therefore, for them balanced mutual funds can be good option to invest, which combines both equity and debt proportion.

Limitations of the Study

- This study used only one category of mutual fund, that is, balanced funds.
- The study used only analysis of Top 5 balanced funds.
- The study used sample data of 5 years.

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