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A STUDY ON EVALUATION OF PERFORMANCE IN NIPPON INDIA MUTUAL FUND LTD.

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ABSTRACT

This study evaluates the performance of Nippon India Mutual Fund Ltd., focusing on risk-adjusted returns, portfolio efficiency, and investment strategies. It aims to provide a comprehensive understanding of how mutual fund categories like Aggressive Hybrid, Arbitrage, and Multi-Asset Allocation contribute to financial growth. Employing advanced analytical models such as Sharpe, Treynor, and Jensen's indexes, the study examines key metrics to assess the effectiveness of diversification, risk management, and strategic allocation. Findings reveal that funds with balanced portfolios and dynamic asset rebalancing outperform in terms of risk-adjusted metrics. The research underscores the importance of regular evaluations and ESG-compliant investments to meet evolving investor demands. Recommendations include leveraging emerging technologies for improved fund analysis and adopting cost-effective strategies to maximize returns. By aligning investment strategies with market conditions and investor objectives, the study offers actionable insights for investors and fund managers. This detailed analysis highlights the transformative potential of professional fund management in achieving financial stability and growth.

KEYWORDS: Mutual Funds, Risk-adjusted Returns, Investment Strategies, performance, financial growth.

INTRODUCTION OF THE STUDY

The financial sector in India has undergone significant transformation over the past few decades, characterized by rapid globalization, technological advancements, and evolving investor preferences. Mutual funds have emerged as one of the most dynamic financial instruments, offering an avenue for investors to achieve portfolio diversification and risk mitigation. They pool resources from various investors and allocate them across a diversified portfolio of assets, including equities, debt securities, and other financial instruments. Nippon India Mutual Fund Ltd., a leading player in the mutual fund industry, has consistently provided innovative schemes to cater to the diverse needs of investors. The company's strategic focus on delivering optimal returns while managing associated risks has solidified its position as a trusted investment partner. This study aims to evaluate the performance of selected mutual fund schemes offered by Nippon India Mutual Fund Ltd., focusing on their risk-return dynamics and the effectiveness of professional fund management. The increasing volatility in global and domestic markets necessitates a robust understanding of mutual fund performance. Investors seek reliable instruments that not only promise consistent returns but also align with their financial goals and risk tolerance. Mutual funds bridge this gap by offering professionally managed portfolios that can adapt to changing market conditions. This research delves into the critical aspects of mutual fund performance, employing established analytical models such as Sharpe, Treynor, and Jensen's indexes. These metrics provide a comprehensive evaluation of risk-adjusted returns, fund manager efficiency, and overall portfolio effectiveness. By analyzing categories like Aggressive Hybrid, Arbitrage, and Multi-Asset Allocation funds, this study aims to uncover insights that can guide both investors and fund managers in making informed decisions. Furthermore, the study underscores the importance of ESG-compliant funds and dynamic asset allocation strategies. As sustainability becomes a key consideration for investors, integrating environmental, social, and governance (ESG) factors into investment decisions has gained prominence. Nippon India Mutual Fund Ltd. has shown commitment to these principles, reflecting its adaptability to emerging trends. Through this comprehensive analysis, the study contributes to a deeper understanding of mutual fund dynamics, highlighting their role in fostering financial growth and stability. It emphasizes the importance of aligning investment strategies with market conditions and individual investor goals, ensuring sustainable wealth creation.

OBJECTIVES

1. To select the certain mutual funds schemes from Nippon India mutual fund ltd based on performance.
2. To analyse the risk and return of selected schemes from Nippon India mutual fund ltd.
3. To compare the schemes and select the best schemes.

REVIEW OF LITERATURE

- **Nisha Chalshi. A & Vidya. R (2022).** This study aims to find the blue-chip schemes, which are essentially equities funds, are recognized to be the best mutual fund schemes and the safest to invest in since they regularly yield high profits over an extended period of time and have a risk return. The study is descriptive in nature, and the data source is secondary data that was gathered over a five-year period from the sample of the top five blue chip funds in India. The Jensen's ratio, Treynor's, and Sharpe's ratio statistical tool used in this study. The study shows that positive returns will result from positive market performance and vice versa.
- **Krishna Prasanna Vaitla (2022).** This study focused on small caps mutual funds, of which eight were taken into consideration for the analysis since they are sector-specific funds that cater to investors who are more interested in returns during their peak earning phase. The eight were compared in this way and divided into two groups: one was entirely pre- pandemic, and the other was via pandemic circumstances. The findings demonstrated that there is relatively little risk associated with pandemics, which is encouraging since it suggests that investors are envisioning long-term investment plans on small-cap mutual funds.
- **Siddhi Shah (2022).** The purpose of this research is to help mutual fund investors choose better funds as investment outlets by identifying the risk and returns associated with equity funds and comparing them to peers' results. to assess the growth of the mutual fund sector in India as well as the performance of the chosen Equity/Growth schemes offered by SBI Mutual Fund. To rank and assess mutual funds, they use the Treynor, Sharpe, and Jensen ratio. According to the study, speculating with mutual funds is secure. Using mutual funds is sometimes the only way for investors to invest in a portfolio that is intellectually varied.
- **Chaitra K S (2022).** Understanding the mutual fund market is the goal of this study. researching the small cap mutual fund industry's performance rating. to understand some specific small cap mutual fund products' risk and return.To evaluate the plans that yield the highest return during the duration of the study. should be aware of the relationship between risk and return on the plan.
- **Kavitha (2023)** found that the strategy was selected after considering both historical performance and future expansion. Investors in mutual funds often hoped for access to a buyback market, speedy service, and comprehensive reporting. Mutual funds were evaluated based on their performance, the quality of their portfolio, and their net asset value (NAV). This article uses ANOVA, and the

findings show that neither age nor occupation significantl affected which option was selected. Investors in the salaried and retired brackets of mutual funds gave more weight to performance history and security.

- **Tripathi and Japee (2020)** focused on the risk-return relationship in large, mid, and small-cap mutual funds, emphasizing the importance of considering risk ratios when making investment decisions.
- **Goyal (2021)** utilized Sharpe, Treynor, and Jensen ratios to evaluate the performance of equity-based mutual funds, highlighting that funds with lower risk profiles often outperform those with higher volatility.
- **Abdulkader Derbali et al., (2020)**, attempted a comparative study of prominent multi capital and Large capital funds. The main objective of the study was to analyse the performance of prominent multi-cap and large cap mutual fund and to compare against that of BSE 200 and Nifty 500. They evaluated the performance of selected mutual fund schemes analysis of risk and return using t-test and ANOVA. The study was an attempt to evaluate various mutual fund schemes with respect to 5 years (January 2013 to December 2018).
- **Alagappan (2019)** studied the performance evaluation of mutual funds in India. He evaluated the performance of twelve mutual funds schemes across nine fund houses which were selected on the basis of their average annual return over the time period of January 2018 to December 2018. It was concluded that most equity mutual fund categories have given negative returns for high end volatility.
- **Sharma (2020)**, tried to analyse the performance and risk and return element of selected five debt mutual fund schemes from Jan. 2017- Dec. 2019. The study resulted that out of five selected companies except 2 companies rest performed well during selected period. The steep decline in NIFTY throughout the year in 2019. Except Axis Corporate Debt fund & HSBC Debt Fund rest can perform well in highly volatile markets.

RESEARCH METHODOLOGY Sampling Plan:

Sample:

- **Population:** Mutual funds offered by Nippon India Mutual Fund Ltd.

Sample Size & Period:

- **Sample Size:** Six schemes across categories such as Aggressive Hybrid and Multi-Asset Allocation funds.

4. DATA ANALYSIS AND INTERPRETATION:

Key Metrics for Analysis

1. **Sharpe Ratio:** Measures risk-adjusted returns.
2. **Treynor's Ratio:** Focuses on systematic risk.
3. **Jensen's Alpha:** Evaluates fund manager performance beyond market returns.

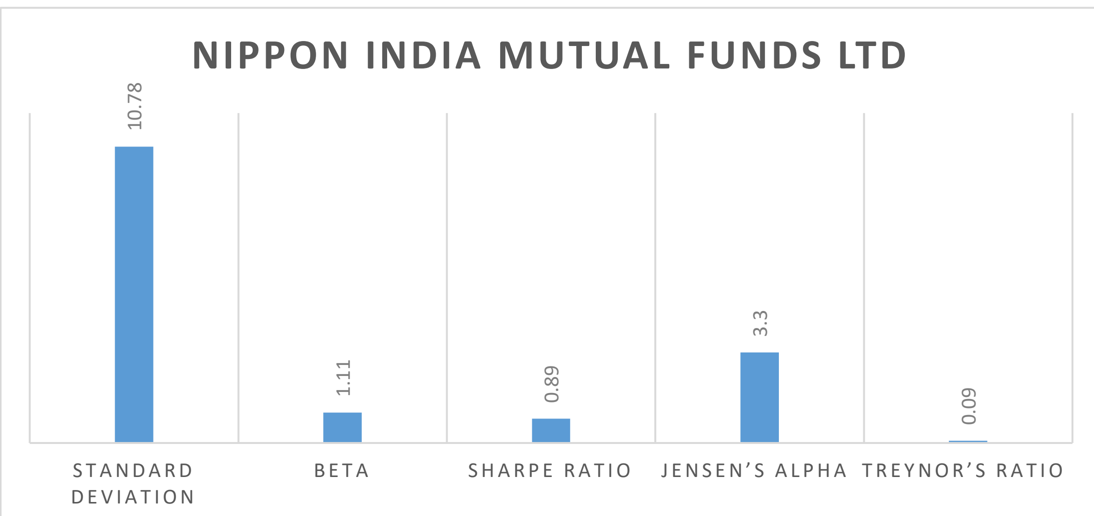
TABLE 4.1 RISK ANALYSIS FOR AGGRESSIVE HYBRID FUND

AGGRESSIVE HYBRID FUND **(**in percentage)

S.NO	KEY FEATURES	NIPPON INDIA MUTUAL FUNDS LTD
1	STANDARD DEVIATION	10.78
2	BETA	1.11
3	SHARPE RATIO	0.89
4	JENSEN'S ALPHA	3.30
5	TREYNOR'S RATIO	0.09

Source: *Secondary data*

CHART 4.1 RISK ANALYSIS FOR AGGRESSIVE HYBRID FUND



INTERPRETATION:

The Aggressive Hybrid Fund demonstrates a high Standard Deviation of 10.78 and a Beta of 1.11, indicating significant market risk and volatility. However, the fund delivers a favorable risk-adjusted return, as reflected by the Sharpe Ratio of 0.89. The Jensen's Alpha of 3.30 highlights the strong performance of the fund manager in generating returns above the expected benchmark. Additionally, the Treynor's Ratio of 0.09 suggests a moderate return per unit of systematic risk, showcasing the fund's ability to balance risk and reward effectively.

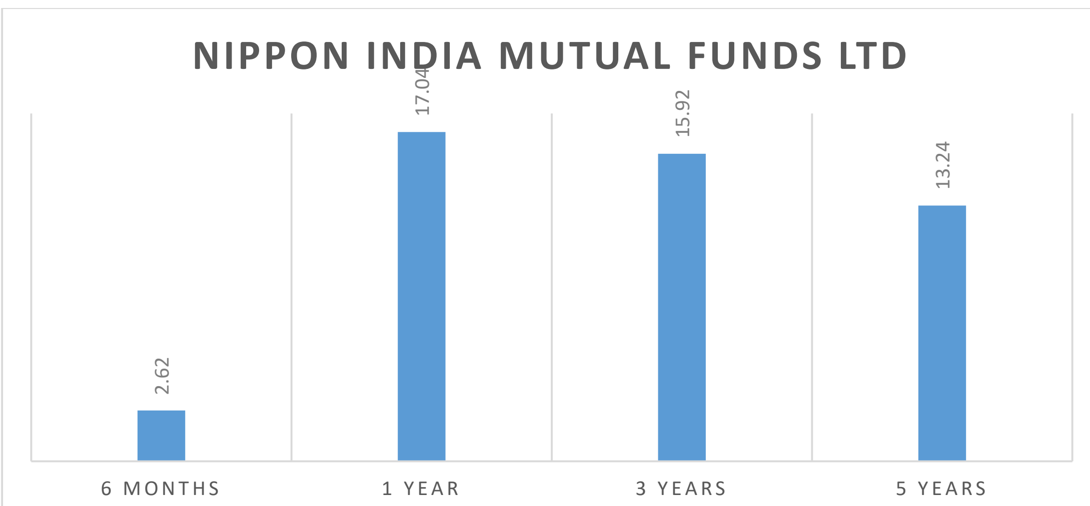
TABLE 4.1.1 RETURN ANALYSIS FOR AGGRESSIVE HYBRID FUND

AGGRESSIVE HYBRID FUND (in percentage)

S.NO	FUND RETUNRS	NIPPON INDIA MUTUAL FUNDS LTD
1	6 MONTHS	2.62
2	1 YEAR	17.04
3	3 YEARS	15.92
4	5 YEARS	13.24

Source: *Secondary data*

CHART 4.1.1 RETURN ANALYSIS FOR AGGRESSIVE HYBRID FUND



INTERPRETATION:

The Aggressive Hybrid Fund exhibits improving returns over time, with a notable 1-Year return of 17.04% and a 3-Year return of 15.92%, reflecting strong and consistent performance. These figures highlight the fund's ability to generate sustained growth, making it a reliable option for investors seeking long-term gains.

TABLE 4.2 RISK ANALYSIS FOR CONSERVATIVE HYBRID FUND

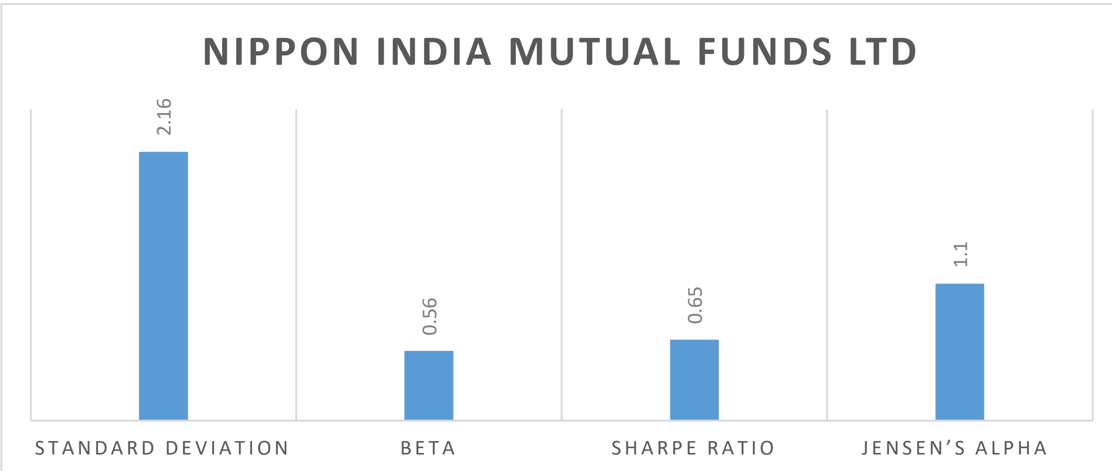
CONSERVATIVE HYBRID FUND (in percentage)

S.NO	KEY FEATURES	NIPPON INDIA MUTUAL FUNDS LTD
1	STANDARD DEVIATION	2.16

2	BETA	0.56
3	SHARPE RATIO	0.65
4	JENSEN'S ALPHA	1.10
5	TREYNOR'S RATIO	0.02

Source: *Secondary data*

CHART 4.2 RISK ANALYSIS FOR CONSERVATIVE HYBRID FUND



INTERPRETATION:

The Conservative Hybrid Fund is characterized by a low Standard Deviation of 2.16 and a Beta of 0.56, indicating reduced volatility and lower sensitivity to market fluctuations. The Sharpe Ratio of 0.65 and Jensen's Alpha of 1.10 reflect moderate risk-adjusted returns and reasonable fund performance. However, the Treynor's Ratio of 0.02 suggests minimal returns per unit of systematic risk, aligning with the fund's low-risk profile.

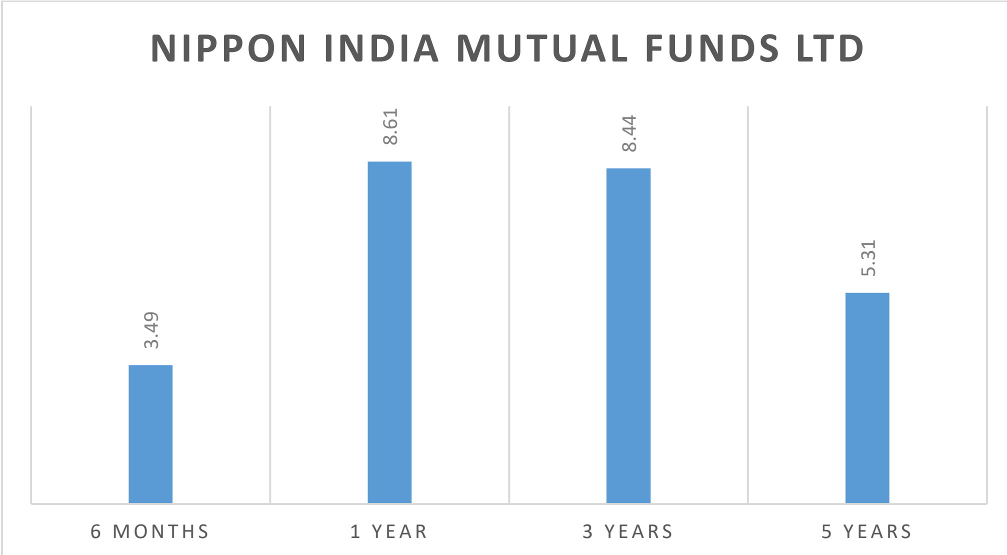
TABLE 4.2.1 RETURN ANALYSIS FOR CONSERVATIVE HYBRID FUND

CONSERVATIVE HYBRID FUND **(**in percentage)

S.NO	FUND RETUNRS	NIPPON INDIA MUTUAL FUNDS LTD
1	6 MONTHS	3.49
2	1 YEAR	8.61
3	3 YEARS	8.44
4	5 YEARS	5.31

Source: *Secondary data*

CHART 4.2 RETURN ANALYSIS FOR CONSERVATIVE HYBRID FUND



INTERPRETATION:

The Conservative Hybrid Fund delivers modest returns, with a 1-Year return of 8.61% and a 5-Year return of 5.31%. These figures align with the fund's low-risk nature, making it a suitable choice for investors prioritizing stability and capital preservation over high returns.

5. FINDINGS

- Aggressive funds often allocate a higher proportion to high-growth sectors like technology, finance, and infrastructure.
- Conservative funds prefer stable sectors like FMCG, utilities, and healthcare.
- Aggressive funds show strong positive correlation with market upswings, amplifying gains during bull markets.
- Conservative funds are resilient during market downturns, preserving capital better in bearish phases.
- Funds with lower expense ratios tend to deliver better net returns over the long term, especially in conservative categories.
- High-expense aggressive funds require exceptional performance to offset management costs.
- Multi-asset allocation funds benefit from blending equities, debt, and other assets, reducing overall portfolio risk.

CONCLUSION

The study underscores the critical role of tailored investment strategies in optimizing portfolio performance while effectively managing associated risks. Investors need to align their portfolios with specific financial goals and risk tolerances to achieve long-term success. By leveraging advanced analytical models like Sharpe, Treynor, and Jensen's indexes, the assessment of risk-adjusted returns becomes more precise, enabling better decision-making. Diversification remains a cornerstone of sound portfolio management, as it mitigates risks associated with overexposure to any single asset class or sector. Dynamic portfolio rebalancing further enhances performance by adjusting allocations in response to market conditions, ensuring that portfolios remain aligned with the investor's objectives. Technological tools, such as machine learning and real-time analytics, provide valuable insights into market trends and potential risks, empowering investors to act proactively. Incorporating international securities and alternative assets adds an additional layer of diversification, reducing reliance on domestic markets and enhancing portfolio resilience. For aggressive investors, portfolios with high-growth potential are suited to capitalize on market opportunities, albeit with increased volatility. In contrast, conservative investors benefit from stable, low-risk portfolios that prioritize capital preservation. Hybrid and multi-asset funds strike a balance, offering moderate risk with consistent returns. The study also emphasizes the importance of continuous performance evaluation. Monitoring risk-adjusted metrics, benchmarking against peers, and conducting stress tests are vital to maintaining a robust investment strategy. As market dynamics evolve, regular reviews and adjustments are necessary to ensure sustained performance. In conclusion, achieving financial objectives requires a disciplined approach to portfolio management. By combining diversification, risk management, technological advancements, and periodic reviews, investors can navigate complex market environments effectively. The findings of this study highlight that well-informed and adaptive strategies are indispensable for optimizing returns and managing risks in today's dynamic financial landscape.

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