

Performance Evaluation of Mutual Funds: A Study of Selected Flexi Cap Equity Mutual Funds in India

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Abstract- *The present study evaluates the performance of selected Flexi Cap Equity Mutual Funds in India using measures of performance evaluation, namely average return, standard deviation, beta, sharp Ratio, Jensen's Alpha Ratio, and Treynor's Ratio, for a sample of 14 Flexi Cap mutual funds with regular growth options selected on the basis of the availability of consecutive data during the period 1st April 2013 to 31st March 2023. The data has been taken from various websites of mutual fund schemes and from amfiindia.com. The analysis shows that the majority of funds selected for study have outperformed under the Sharp Ratio as well as the Treynor's Ratio. In the present research, the lowest risk and best return flexi Cap Fund is Parag Parikh Flexi Cap Fund and JM Flexi Cap Fund, while the highest risk and highest return is Quant Fund. LIC Flexi Cap fund underperformed other Flexi Cap funds. Most of the funds' returns were similar to other Flexi Cap funds. (Flexi Cap Mutual Funds, Performance Evaluation, Risk and Return Analysis, Sharpe Ratio, Treynor's Ratio)*

of investments across companies of varying market capitalizations.

Flexi Cap funds are equity-oriented schemes that have the liberty to invest across large-cap, mid-cap, and small-cap stocks based on the fund manager's outlook on market dynamics and growth opportunities. Unlike other equity funds that restrict investment within specific market-cap segments, Flexi Cap funds enjoy the advantage of diversification and adaptability to changing market conditions. This flexibility enables fund managers to rebalance the portfolio in response to shifts in the economic cycle, thereby optimizing risk-adjusted returns. Consequently, the performance evaluation of Flexi Cap funds becomes crucial not only for investors and fund managers but also for policymakers and academicians interested in understanding the efficiency of fund management and market behavior.

I. INTRODUCTION

In the modern era of investment and financial planning, mutual funds have emerged as one of the most preferred and dynamic avenues for investors seeking to achieve optimal returns with diversified risk exposure. A mutual fund, by pooling resources from a large number of investors and investing in a diversified portfolio of securities, provides individuals access to professional fund management, liquidity, and the opportunity to participate in capital markets even with relatively small investments. The increasing awareness about financial instruments, rising disposable income, and technological advancements in digital investing platforms have collectively contributed to the growing popularity of mutual funds in India. Among the various categories of mutual funds, Flexi Cap Equity Mutual Funds occupy a distinct position due to their inherent flexibility and strategic allocation

The Indian mutual fund industry has witnessed remarkable growth over the past decade, supported by regulatory reforms, investor education initiatives, and the adoption of systematic investment plans (SIPs). According to data from the Association of Mutual Funds in India (AMFI), the total assets under management (AUM) of the Indian mutual fund industry have shown a consistent upward trend, reflecting growing investor confidence and participation. However, with the rapid expansion of the industry, assessing the performance of mutual funds has become increasingly important to ensure that investors are adequately rewarded for the risks undertaken. Performance evaluation helps in identifying the most efficient fund managers, assessing portfolio quality, and guiding investors in selecting funds that align with their financial objectives.

Various models and ratios have been developed to evaluate mutual fund performance, among which the Sharpe Ratio, Treynor's Ratio, and Jensen's Alpha are the most widely used. These measures consider both return and risk to assess how effectively a fund manager has utilized available opportunities to generate superior performance. The Sharpe Ratio evaluates excess returns per unit of total risk, the Treynor's Ratio measures returns per unit of systematic risk (beta), while Jensen's Alpha indicates the fund's ability to generate returns above the expected market benchmark. Together, these indicators provide a comprehensive view of a fund's performance in relation to its risk profile and market behavior.

In the context of Flexi Cap funds, performance evaluation holds special significance due to their dynamic investment strategy. The fund manager's ability to identify opportunities across market capitalizations directly impacts the risk and return trade-off. Over the last decade (2013–2023), the Indian equity market has experienced several phases of volatility, economic reforms, and policy changes—including demonetization, the introduction of the Goods and Services Tax (GST), and the impact of global economic fluctuations. These macroeconomic developments have influenced fund performance, making it essential to conduct a detailed comparative analysis of Flexi Cap mutual funds to assess their resilience and effectiveness in generating returns under varying market conditions.

This article guides a stepwise walkthrough by Experts for writing a successful journal or a research paper starting from inception of ideas till their publications. Research papers are highly recognized in scholar fraternity and form a core part of PhD curriculum. Research scholars publish their research work in leading journals to complete their grades. In addition, the published research work also provides a big weight-age to get admissions in reputed varsity. Now, here we enlist the proven Steps to publish the research paper in a journal.

II. LITERATURE REVIEW

Ghosh, (2023) focusing on the performance of Mid Cap Mutual Funds in India from 2014 to 2023. Employing Sharpe's, Treynor's, and Jensen's ratios, the study evaluates five carefully selected Mid Cap

funds against the Nifty Mid Cap 150 Index. The analysis spans 10 financial years, encompassing bearish, bullish, and consolidation phases. Findings indicate SBI Magnum Mid Cap Fund as the standout performer, showcasing superior risk-adjusted returns over the study period. Punj (2022) This research paper employs an analytical approach to assess the risk and return of prominent Flexi Cap Mutual Funds, selected based on criteria outlined in an Economic Times article. Utilizing parameters such as Mean Rolling Returns, Consistency, Downside Risk, Outperformance, and Asset Size, the study evaluates five funds: Parag Parikh, UTI, PGIM India, Aditya Birla Sun Life, and SBI Flexi Cap. Examination of historical, monthly, quarterly, annual, and SIP returns reveals distinctive fund performances. Parag Parikh Flexi Cap emerges as the standout choice, displaying superior risk-adjusted metrics. Gujrati (2022) evaluates systematically the popularity, performance, and efficiency of selected equity mutual fund schemes in India. Conducted between April 2019 and March 2022, the study utilizes statistical and financial approaches, employing Sharpe and Treynor measures. The research findings indicate that, despite market volatility, the selected mutual fund schemes have demonstrated exceptional performance. Investors prioritize risk and return, with the Treynor measure highlighting lower-risk investments, while the Sharpe measure signifies dynamic investments with higher returns, providing valuable insights for investors seeking optimal investment strategies. Adhav, (2020) Focuses to assess the risk of ten selected Flexi Cap Equity Mutual Funds through a comparative analysis using Standard Deviation and Annual Return over the period of 2015-2019. The study utilizes secondary data revealing an average annual return of 10.28%. JM Flexi Cap Fund demonstrates the highest return at 12.99%, while Union Flexi Cap Fund exhibits the lowest at 6.60%. Furthermore, the analysis indicates Edelweiss Flexi Cap Fund as the riskiest, with a standard deviation of 21.23%, while UTI Flexi Cap Fund emerges as the least risky at 12.40%. Daita (2020) evaluates the performance of ten selected large-cap mutual fund growth schemes in India from 2010-11 to 2017-18. Employing analytical tools such as Sharpe, Treynor, and Jensen measures, the research investigates risk and return relationships in comparison with the benchmark index, S & P BSE Sensex. The findings reveal significant differences among the performance evaluation measures,

highlighting the varied success of individual schemes in navigating market dynamics and optimizing risk-adjusted returns. Kishori (2016) evaluate the performance of 30 randomly selected open-ended mutual fund schemes in India over a five-year period (April 2011 to March 2015). Utilizing statistical tools such as Sharpe, Treynor, and Jensen ratios, the research examines the risk-return relationship and market volatility. Results reveal that 14 out of 30 schemes outperformed the benchmark return, indicating positive returns for all schemes. The study provides valuable insights for investors seeking informed investment decisions based on risk-adjusted performance metrics. Vikas Choudhary (2014) evaluates the performance of eight selected diversified equity mutual funds in India over an eight-year period (2005-2013). Utilizing statistical tools such as standard deviation, beta, Sharpe ratio, and Treynor ratio, the research compares average returns and risk-adjusted performance against the benchmark BSE Sensex. Findings indicate that a majority of the funds demonstrate superior returns and lower risk compared to the market, providing valuable insights for rational investment decisions.

Research Gap:

Very few study has been done on special flexi cap mutual funds; the majority of studies so far have focused on large cap, mid cap, small cap, Multi Cap, ELSS Fund and diversified mutual fund schemes. It was discovered that no such research has been done on data from April 2013 to March 2023, which is the last ten years of data. Therefore, the researcher has chosen to focus on the Flexi Cap Mutual Funds' financial performance in this study.

III. RESEARCH METHODOLOGY

Need for Study

One of the most important financial instruments in the capital market is mutual funds. Investing money into the stock market directly is riskier; the best method to lower risk is to use a mutual fund. The best fund in a flexi Cap fund can be selected by the investor from among the many mutual fund plans available today. Small investors will find great value in this research.

Objectives of the Study

- To study the performance of Selected Flexi Cap Equity Mutual Funds in India.

- To compare the performance of Selected Flexi Cap Equity Mutual Funds in India

Sampling Size and Sampling Method

In the present research, 16 Flexi Cap mutual funds were selected, and the method of selection was the convenience method.

Data source

Secondary Data: For the present study, secondary information was collected from www.amfi.com, Moneycontrol.com, and the Variance AMC website.

Tools and Technique

To analyze whether mutual funds under-perform or over-perform the market index, the following statistical methods and techniques have been used:

(a) Return

Return may be defined to include changes in the value of the portfolio over the holding period plus any income earned over the period. In the case of mutual funds, during the holding period, cash inflows into the fund and withdrawals from the fund may occur. This element of return is the difference between the purchase price and the price.

$$R_p = \frac{(NAV_t - NAV_{t-1})}{NAV_{t-1}}$$

(b) Standard deviation

The significance of it stems from the fact that the sample is devoid of sampling flaws and that it reflects absolute dispersion—the higher the SD, the larger the magnitude of the values' divergence from the mean. A series with a small standard deviation is highly homogeneous and uniform. The standard deviation is used to measure all risk.

(c) Beta

Beta is a statistical measure of systematic risk that illustrates how stock prices react to changes in the market. It is computed by comparing a security's return to the market's return. The market will typically have beta 1.0. It is said that mutual funds are volatile, more volatile, or less volatile. A stock is considered riskier than the market if its beta value is greater than 1. A beta value of less than one suggests that a stock is less risky than the market. The risk is the same as the market's if beta is zero. It is uncommon to have a negative beta.

$$\beta = \text{cov}(\text{FR}, \text{BM}) / \text{var}(\text{BM})$$

Where, FR = Fund Return, BM = Bench Mark

(d) Sharp Ratio

It is dependent on the portfolio's overall risk rate. Return on investment is about the risk-free rate of return; any extra return is regarded as a premium or incentive for the investor. Comparing the portfolio risk rate yields the premium's risk. The Sharpe index displays a negative value (-) in the absence of a premium. The portfolio isn't considered an efficient portfolio in this situation.

Sharpe's ratio = $(R_p - R_f)/SD$ Where, S_p = Sharpe measure, R_p = return of the portfolio, R_f = risk free rate of return, S_d = portfolio standard deviation.

(e) Jensen's Alpha Ratio

Proposes an additional risk-adjusted performance measure. Originally known as the Differential Return Method, this metric was created by Michael Jensen. This metric compares the returns the fund has produced to what was reasonably expected of it in light of its level of systemic risk. When a fund's performance is compared to its actual returns over a given period, the difference between the two returns is called its alpha.

can be calculated as: $RI = R_f + (R_m - R_f) \cdot \beta$

Where R_m is average market return during the given period

(f) Treynor's Ratio

This performance metric, created by Jack Treynor, assesses funds using Treynor's Index. This index represents the ratio of return produced by the fund over a specified period of time over and above the risk-free rate of return, which is typically understood to be the return on government-backed securities because there is no credit risk involved, and the systematic risk associated with it (beta). It can be represented symbolically as

Treynor's Ratio = $(R_p - R_f)/\beta$

Where, R_p represents return of fund, R_f is risk free rate and β is beta of the fund. All risk-averse investors would like to maximize this value. While a high and positive Treynor's Index shows a superior risk-adjusted performance of a fund, low and negative Treynor's Index is an indication of unfavorable performance.

Limitations of The Study

Due to the general limits of a research effort, including time, availability of resources, and duration of the study, only Flexi Cap Funds were chosen for the purpose of the study. Since it is difficult to evaluate all types of mutual fund schemes, only equity growth regular schemes have been selected for the purpose of the study. The secondary data has been collected from various websites, journals, and books. There could be some variations from the original data. Due to time constraints, the study's time period has been limited to only 10 years. In general, a ten-year timeframe is thought sufficient for evaluating long-term mutual fund performance.

IV. DATA ANALYSIS**(A) Performance in terms of Average Returns, Standard Deviation and Beta**

An Analysis of Table 1.1 and Chart 1.1: Comparing Flexi cap Mutual Funds with Benchmark Nifty 500 TRI, based on last-year returns, 10 out of 16 funds outperformed the benchmark, and the best outperformer was the JM Flexi Cap fund. and four mutual funds also yielded less than the bench route. The lowest return was from the UTI Flexi Cap fund. Four mutual funds beat the benchmark in terms of last two year returns; the remaining 12 mutual funds underperformed; seven mutual funds outperformed returns in three-year and five-year terms; nine mutual funds underperformed; and nine mutual funds over a 10-year period. The fund beat the benchmark and underperformed seven mutual fund benchmark. The best-performing mutual funds during the last ten-year period were JM Flexi Cap Fund, Quant Flexi Cap Fund, and Parag Parikh Flexi Cap Fund, while UTI Flexi Cap Fund and LIC MF Flexi Cap Fund underperformed. In terms of standard deviation and beta, the highest standard deviation and beta are found in the Quant Flexi Cap Fund, which can be said to be the riskiest compared to other funds. While the lowest standard deviation and Beta Parag Parekh Flexi Cap belong to, which can be said to be the least risky fund.

Table-1.1 Return and Risk of Flexi Cap Mutual Funds

Scheme Name	Return in %					Standard deviation	Beta
	1Y	2Y	3Y	5Y	10Y		
Quant Flexi Cap Fund	36.43	20.96	32.21	27.76	24.23	16.98	1.02
JM Flexi Cap Fund	43.5	21.6	25.2	22.0	19.79	14.97	1.00
Parag Parikh Flexi Cap Fund	34.88	12.70	22.40	22.61	19.57	12.67	0.70

HDFC Flexi Cap Fund	31.22	21.56	25.99	19.16	17.72	14.51	0.95
Franklin India Flexi Cap Fund	33.34	15.95	22.14	18.6	17.70	14.30	0.96
Aditya Birla Sun Life Flexi Cap Fund	27.73	11.17	16.27	15.81	17.38	14.14	0.96
Kotak Flexi Cap Fund	23.87	12.09	16.11	15.57	17.24	14.41	0.98
DSP Flexi Cap Fund	32.89	11.13	17.19	18.63	17.20	13.89	0.92
SBI Flexi Cap Fund	23.53	9.30	16.20	15.28	17.09	13.07	0.88
HSBC Flexi Cap Fund	33.33	11.10	18.16	16.16	15.73	15.08	1.02
Canara Robeco Flexi Cap Fund	23.77	8.87	16.08	17.08	15.63	13.65	0.93
Bandhan Flexi Cap Fund	25.82	9.43	16.38	14.14	15.17	13.54	0.91
UTI Flexi Cap Fund	19.08	0.52	9.66	14.86	14.97	13.88	0.90
Union Flexi Cap Fund	29.99	11.99	19.15	18.73	14.35	13.26	0.90
Taurus Flexi Cap Fund	28.93	13.81	16.95	12.85	12.07	15.10	1.00
LIC MF Flexi Cap Fund	30.36	10.54	13.89	13.46	11.67	13.30	0.88
NIFTY 500 TRI (Benchmark)	28.90%	14.16	28.90%	17.93%	16.72%	14.10	1.00

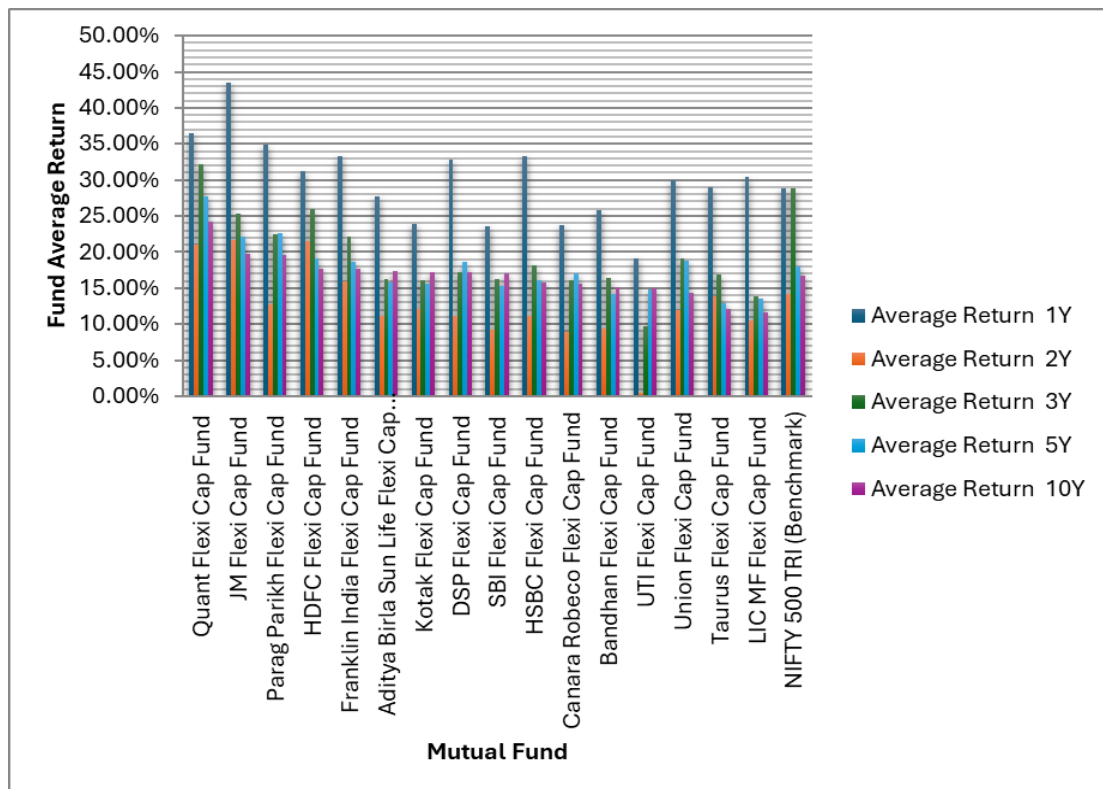


Figure:01 Flexy Cap Mutual Funds Average Returns

(B) Performance in terms of Sharp Ratio, Jenson's Alpha and Treynor's Ratio

Table - 1.2 Sharp Ratio, Jenson's Alpha and Treynor's Ratio

Scheme Name	Sharpe Ratio	Jenson's Alpha	Treynor's Ratio
Quant Flexi Cap Fund	1.30	9.10	0.22
JM Flexi Cap Fund	1.17	6.06	0.18
Parag Parikh Flexi Cap Fund	1.13	5.50	0.21
HDFC Flexi Cap Fund	1.31	6.98	0.20
Franklin India Flexi Cap Fund	1.13	5.00	0.17
Aditya Birla Sun Life Flexi Cap Fund	0.73	-1.84	0.11

Kotak Flexi Cap Fund	0.73	-1.81	0.11
DSP Flexi Cap Fund	0.81	-0.43	0.12
SBI Flexi Cap Fund	0.77	-1.23	0.11
HSBC Flexi Cap Fund	0.77	-1.26	0.11
Canara Robeco Flexi Cap Fund	0.72	-2.10	0.10
Bandhan Flexi Cap Fund	0.75	-1.33	0.11
UTI Flexi Cap Fund	0.36	-5.34	0.06
Union Flexi Cap Fund	0.92	0.80	0.14
Taurus Flexi Cap Fund	0.69	-2.24	0.10
LIC MF Flexi Cap Fund	0.58	-3.46	0.09
NIFTY 500 TRI (Benchmark)	0.82	-0.04	0.12

(Source: www.moneycontrol.com)

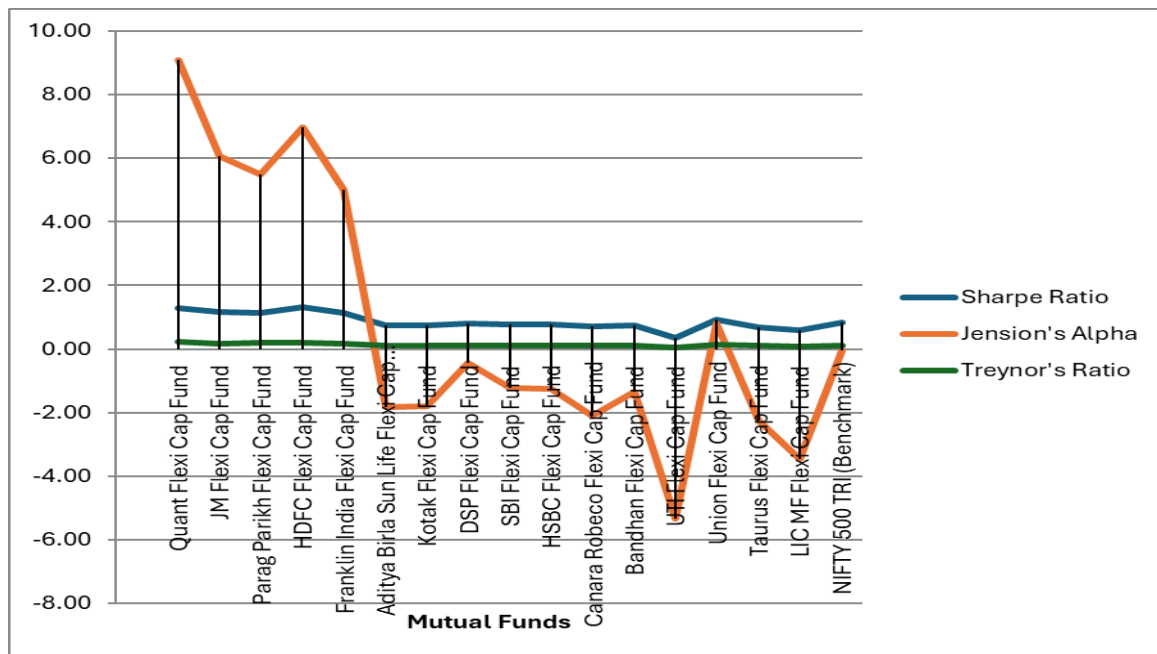


Chart 1.1 Sharp Ratio, Jenson's Alpha and Treynor's Rario of Flexi Cap Mutual Funds

Interpretation

An analysis of Table 1.2 shows that the sharp ratio of HDFC Flexi Cap, Quant Flexi Cap Fund, JM Flexi Cap Fund, Parag Parikh Flexi Cap Fund, Franklin India Flexi Cap Fund, and Union Flexi Cap Fund is more than the bench mark, while the sharp ratio of the rest of the funds is found to be less than the bench mark. The highest sharp ratio belongs to the HDFC Flexi Cap fund, which offers low-risk returns. Quant Flexi Cap Fund has the highest Jenson's Alpha and Treynor's Ratio of JM Flexi Cap Fund, Parag Parikh Flexi Cap Fund, HDFC Flexi Cap Fund, and Franklin India Flexi Cap Fund compared to the benchmark, while UTI Flexi Cap Fund has the lowest Jenson's Alpha and Treynor's Ratio.

V. CONCLUSION

The various equities Flexi Cap mutual funds have been compared in the study. A variety of tables and charts provide an overview of the findings. General investors in India have access to many mutual fund schemes, which typically makes it difficult for them to choose the best one. To help regular investors make informed investment decisions and allocate their funds to the appropriate mutual fund scheme, this study offers some insights on mutual fund performance. The study used monthly net asset values (NAVs) for open-ended schemes as its data source. Risk-adjusted performance indicators like Treynor, Jenson's alpha, and Sharpe ratio have been used to assess the performance of sample mutual fund schemes in addition to return and risk analysis. The Quant Flexi Cap Fund is more suitable for risky

investors as its average return is higher as compared to other flexi cap funds, but also because its standard deviation and beta are high, which suggest a bit too much risk. Jensen's Alpha and Treynor's Ratio of this fund are also higher, as they indicate that higher returns can be obtained by taking more risk. The two funds with the lowest returns are the Taurus Flexi Cap Fund and the LIC MF Flexi Cap Fund. Parag Parekh Flexi Cap Fund and JM Flexi Cap Fund are the lowest-risk and best-return funds.

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