

Performance Evaluation of Selected Mutual Fund Schemes: A Study on Motilal Oswal Mutual Fund, Davangere

DR. SUJITH KUMAR S.H¹, PUNITH GOWDA G R²

¹Professor and HOD, MBA Programme - Bapuji Institute of Engineering and Technology, Davangere, (An autonomous institute affiliated to Visvesvaraya Technological, University -Belagavi Karnataka – India

²Student, MBA Programme - Bapuji Institute of Engineering and Technology, Davangere, (An autonomous institute affiliated to Visvesvaraya Technological University – Belagavi Karnataka – India

Abstract- Mutual funds have emerged as one of the most widely used routes for channelling household savings into the capital market, allowing investors of modest means to access professional fund management, diversification and market exposure that would otherwise be difficult to achieve individually. This paper reports on a performance assessment of five schemes offered by Motilal Oswal Mutual Fund (MOMF), namely the Flexi Cap Fund, the Nifty Next 50 Index Fund, the Nifty Midcap 150 Index Fund, the Nifty Small Cap 250 Index Fund, and the Large and Mid-Cap Fund. Monthly net asset value data for the three-year period from April 2022 to March 2025 were compared against the corresponding benchmark indices, and risk and return were examined through standard deviation, beta, alpha, and the Sharpe, Treynor and Jensen performance ratios. The results show that the Large and Mid-Cap Fund produced the highest return and the strongest alpha, though at the cost of greater volatility, while the Flexi Cap Fund offered a more balanced combination of moderate risk and steady return. The index-linked schemes tracked their benchmarks closely and added comparatively little value beyond what the market itself delivered. The paper concludes that fund selection should be guided by an investor's individual risk appetite and investment horizon rather than by return figures in isolation.

Keywords - Mutual Funds, Performance Evaluation, Risk-Return Analysis, Sharpe Ratio, Treynor Ratio, Jensen Alpha, Motilal Oswal Mutual Fund, Net Asset Value.

I. INTRODUCTION

A mutual fund operates as a pooling mechanism through which money contributed by a large number of investors with broadly similar financial objectives

is invested across a chosen mix of asset classes. Each scheme is launched with a stated investment objective, which serves as a guiding reference for the fund manager and gives investors a basis on which to judge whether their money is being deployed consistently with their expectations.

The day-to-day investment decisions are entrusted to a professional fund manager, who draws on research, market judgement and portfolio-construction experience to pursue returns that an individual investor would find difficult to replicate alone. Investors benefit either through capital appreciation or through periodic distributions, both of which are apportioned according to the number of units they hold; owning units in a scheme is, in effect, owning a proportionate share of its underlying assets.

Portfolios may be built from equities, debt instruments, government securities, or a blend of several asset classes, and many fund houses also offer open-ended structures that allow continuous purchase and redemption of units. This flexibility, combined with professional management and diversification, has made mutual funds an increasingly attractive avenue for investors seeking long-term wealth creation, steady income, or a combination of both.

II. EVOLUTION OF THE MUTUAL FUND INDUSTRY

The idea of pooled investment can be traced to nineteenth-century Britain, where the Foreign and Colonial Investment Trust was established in 1868 to

give investors, particularly in Scotland, access to a diversified basket of securities under single management. The model was later adopted widely in the United States, and in March 1924 the Massachusetts Investors Trust introduced the open-ended structure that allowed continuous buying and selling of units. Growth slowed during the Great Depression and the Second World War but resumed thereafter, with successive decades bringing tax-exempt bond funds, money-market funds, international bond funds and asset-allocation funds, each broadening the choices available to investors. By the mid-1990s, assets held through pooled investment vehicles in the United States had overtaken bank deposits, underlining the sector's growing importance.

In India, the industry traces its origin to the Unit Trust of India, established by an Act of Parliament in 1963 and initially regulated by the Reserve Bank of India before oversight passed to IDBI in 1978. Public-sector banks and insurers such as SBI, LIC and GIC entered the market from 1987, followed by private and foreign joint-venture players from 1993 onward. The introduction of SEBI regulation between 1996 and 2004 brought uniform investor-protection standards, and the period since 2004 has been marked by consolidation, mergers and the entry of further international participants, expanding both the number of schemes on offer and the depth of the market.

III. PROFILE OF MOTILAL OSWAL ASSET MANAGEMENT COMPANY

Motilal Oswal Mutual Fund is managed by Motilal Oswal Asset Management Company Limited (MOAMC), incorporated on 14 November 2008. The company follows a disciplined "Buy Right, Sit Tight" investment philosophy, operationalised through its QGLP framework, which screens investments on the basis of Quality, Growth, Longevity and Price. As of July 2025, MOAMC managed more than ₹84,300 crore in active schemes and around ₹33,600 crore in passive schemes, serving close to 79 lakh investors across roughly 95 lakh folios through a network exceeding 2,500 business locations in over 550 cities. The organisation's stated vision is "Think Equity Think Motilal Oswal", and its mission is framed

around safeguarding investor interests. Its leadership is drawn from the following individuals:

Name	Designation
Mr. Motilal Oswal	Managing Director & CEO
Mr. Raamdeo Agarwal	Non-Executive Chairman
Mr. Navin Agarwal	Managing Director
Mr. Ajay Menon	Whole Time Director
Mr. C. N. Murthy	Independent Director

MOAMC's product range spans equity schemes (including flexi-cap, large-cap, mid-cap, small-cap, multi-cap, focused and several index and sectoral funds), debt schemes such as a liquid fund and a five-year G-Sec fund of funds, hybrid offerings including passive asset-allocation and arbitrage funds, and a commodities-linked gold-and-silver ETF fund of funds. Its principal competitors in the Indian asset-management space include ICICI Prudential, Nippon India, HDFC, Aditya Birla Sun Life, LIC and SBI Mutual Fund. A brief SWOT review points to a strong brand, experienced leadership and a wide distribution footprint as key strengths, set against the risks inherent in a highly competitive, market-linked business and an evolving regulatory environment; rising household wealth and improving regulatory support are seen as the principal opportunities ahead.

IV. THEORETICAL FRAMEWORK FOR PERFORMANCE EVALUATION

Three risk-adjusted measures are commonly used to judge how well a fund has performed relative to the risk it has taken. The Sharpe ratio, developed by William F. Sharpe, expresses excess return (return above the risk-free rate) per unit of total risk, measured by standard deviation; a higher value indicates that a fund is earning its returns efficiently rather than simply through greater risk-taking. The Treynor ratio, attributed to Jack L. Treynor, follows a similar logic but scales excess return by beta, the fund's sensitivity to market movements, and is therefore most meaningful for a well-diversified portfolio in which unsystematic risk has largely been eliminated. The Jensen measure, introduced by Michael C. Jensen, estimates the alpha of a portfolio — the return earned in excess of what the Capital Asset Pricing Model would predict given the fund's

beta — with a positive alpha signalling that the manager has added value beyond what market exposure alone would explain.

Beta captures how a fund's returns move relative to the broader market: a beta above one implies greater volatility than the market and a beta below one implies lower volatility. Standard deviation, by contrast, measures the total dispersion of a fund's own returns around its average, capturing overall risk irrespective of the market. Together, these measures allow returns to be interpreted in the light of the risk taken to generate them, rather than in isolation.

V. REVIEW OF LITERATURE

A body of prior research provides the analytical foundation for this study. Sharpe (1966) proposed evaluating fund performance through simple average-return and risk measures grounded in capital-market theory, while Jensen (1967) extended this by developing a risk-adjusted measure that could isolate a manager's forecasting skill. Lehmann and Modest (1987) demonstrated that fund rankings can shift considerably depending on the benchmark chosen, underscoring the need for careful methodological choices, and Ippolito (1989) found that fund performance broadly conforms to efficient-market expectations, implying that heavy research spending does not necessarily translate into superior returns. Grinblatt and Titman (1994) reported that performance rankings tend to be stable when funds are compared against a single benchmark but vary once the benchmark changes.

Several Indian studies have examined specific segments of the market. Sindhu and Kumar (2008) observed that equities generally outperform other asset classes and examined how investment duration and periodic investing affect outcomes; Debashish (2009) studied a large sample of schemes over an extended period and found that funds tend to perform best during volatile market phases; and Singhal and Goel (2011) found that systematic investment plans generally outperform lump-sum investing. Later studies by Prajapati and Patel (2012), Batra (2012), Burlakanti and Chiruvuori (2013), Narayanasamy and Rathnamani (2013), Ashraf and Sharma (2014),

and Shukla (2015) applied risk-return and ratio-based techniques to different fund categories, generally finding that returns and manager skill vary considerably by segment and time period. More recent work by Khan, Jamil and Uddin (2016), Bhagyasree and Kishori (2016), Krishnan (2017), Kanodia and Khinchi (2017), Rani and Hooda (2017), and Manoharan and Nair (2018) extended these techniques to newer markets and fund categories, and consistently found that systematic investment plans and disciplined, long-horizon investing tend to outperform ad hoc lump-sum approaches.

VI. RESEARCH GAP

Although the performance of large-cap, mid-cap, small-cap and tax-saving schemes has been examined extensively in the literature, comparative evaluations focused specifically on Motilal Oswal Mutual Fund schemes remain scarce. This gap motivates the present study, which applies established risk-adjusted performance measures to a defined set of MOMF schemes over a recent three-year window.

VII. STATEMENT OF THE PROBLEM

Mutual funds are among the fastest-growing investment vehicles available to Indian savers, and every investor seeks the combination of return and risk that best matches their objectives. Against this backdrop, the present study sets out to determine which of a selected set of Motilal Oswal Mutual Fund schemes has delivered superior risk-adjusted performance over the study period.

VIII. NEED FOR THE STUDY

- To evaluate how selected MOMF schemes have performed relative to one another.
- To assist investors in making better-informed decisions when choosing among mutual fund schemes.
- To assess whether the selected schemes have delivered returns that justify their risk profile over the long term.

IX. OBJECTIVES OF THE STUDY

- To examine the investment process and characteristics of the selected mutual fund schemes.
- To evaluate the performance of the selected schemes using appropriate risk-return measures.
- To identify the best-performing scheme(s) among those selected from MOMF's offerings.

X. SCOPE OF THE STUDY

The study draws on secondary data obtained from the company's published records, official websites and market data providers such as NSE, and is confined to an assessment of the identified MOMF schemes over the study period, with the aim of helping investors identify schemes that best match their goals.

XI. RESEARCH METHODOLOGY

The study follows a descriptive research design based on secondary data drawn from company annual reports, the NSE website, MOAMC's official website and other published sources. Monthly net asset values were collected for five MOMF schemes and their corresponding benchmark indices over the thirty-six-month period from 1 April 2022 to 31 March 2025.

Sample: Schemes and Benchmarks

Mutual Fund Scheme	Benchmark
Flexi Cap Fund	Nifty 500
Nifty Next 50 Index Fund	Nifty Next 50
Nifty Midcap 150 Index Fund	Nifty Midcap 150
Nifty Small Cap 250 Index Fund	Nifty Small Cap 250
Large and Mid-Cap Fund	Nifty Large Midcap 250

The following measures were computed for each scheme and its benchmark:

- Monthly return: $R = (P_1 - P_0) / P_0 \times 100$, where P_1 and P_0 are the current and previous month's NAV/index values.
- Average return: mean of the monthly returns over the study period.

- Standard deviation: the root-mean-square deviation of monthly returns from their average, used as a measure of total risk.
- Beta: the covariance of a scheme's returns with market returns divided by the variance of market returns, indicating sensitivity to market movements.
- Alpha: the return earned above what the Capital Asset Pricing Model would predict given the scheme's beta and the market's risk premium.
- Sharpe, Treynor and Jensen ratios: risk-adjusted performance measures as described in Section IV, using a risk-free rate benchmark of 0.5211 per cent for the period.

XII. LIMITATIONS OF THE STUDY

- The analysis is confined to the net asset values of five MOMF schemes over a three-year window (April 2022–March 2025) and does not extend to the fund house's full scheme range.
- Only a limited set of statistical tools was applied; a wider toolkit could yield additional insight.
- Historical return patterns are not necessarily indicative of how the schemes will behave in future market conditions.

XIII. DATA ANALYSIS AND INTERPRETATION

Table 1 summarises the average monthly return, risk (standard deviation) and variance computed for each of the five schemes over the study period.

Table 1: Return, Risk and Variance of Selected Schemes (per cent)

Scheme	Return	Risk (SD)	Variance
Flexi Cap Fund	1.72	5.08	25.81
Nifty Next 50 Index Fund	1.30	6.16	37.95
Nifty Midcap 150 Index Fund	1.63	5.37	28.84
Nifty Small Cap 250 Index Fund	1.43	6.37	40.58
Large and Mid-Cap Fund	1.92	5.99	35.88

The Large and Mid-Cap Fund recorded the highest average return of the five schemes, followed by the Flexi Cap Fund, while the Nifty Next 50 Index Fund produced the lowest return despite carrying one of the higher risk levels. The Flexi Cap Fund combined a comparatively strong return with the lowest standard deviation in the sample, pointing to a favourable balance between growth and stability; the small-cap and Next 50 schemes, in contrast, carried elevated volatility without a commensurate increase in return.

Table 2: Beta and Alpha of Selected Schemes (per cent)

Scheme	Beta	Alpha
Flexi Cap Fund	1.04	0.0659
Nifty Next 50 Index Fund	0.99	0.0375
Nifty Midcap 150 Index Fund	0.99	0.0408
Nifty Small Cap 250 Index Fund	0.99	0.0189
Large and Mid-Cap Fund	1.19	0.5315

The Large and Mid-Cap Fund displayed the highest beta of the group, indicating greater sensitivity to broad market swings, while the Flexi Cap Fund was only marginally more volatile than the market. The remaining three schemes tracked the market almost one-for-one, which limits their scope for outperformance but also makes their behaviour comparatively predictable. On alpha, the Large and Mid-Cap Fund again led by a wide margin, suggesting notably stronger stock selection and portfolio construction than the other schemes, whose alpha values, while positive, were comparatively modest.

Table 3: Sharpe's, Treynor's and Jensen's Performance Measures

Scheme	Sharpe (Si)	Rank	Treynor (Ti)	Rank	Jensen (Ji)	Rank
Flexi Cap Fund	0.236	1	1.153	2	0.0659	2
Nifty Next 50 Index Fund	0.126	5	0.787	5	0.0375	4
Nifty Midcap 150 Index Fund	0.207	3	1.120	3	0.0408	3
Nifty Small	0.143	4	0.918	4	0.0189	5

Cap 250 Index Fund						
Large and Mid-Cap Fund	0.234	2	1.176	1	0.5315	1

On the Sharpe ratio, which weighs return against total risk, the Flexi Cap Fund ranked first, narrowly ahead of the Large and Mid-Cap Fund, indicating that it delivered the most efficient risk-adjusted return of the group. When risk is measured purely in terms of market (systematic) exposure through the Treynor ratio, the Large and Mid-Cap Fund moved into the top position, suggesting it converts market risk into return more efficiently than the other schemes. On the Jensen measure, the Large and Mid-Cap Fund's alpha of 0.5315 far exceeded that of any other scheme, reinforcing the picture of a fund whose manager has added substantial value beyond what its market exposure alone would predict. The Nifty Next 50 Index Fund and the Nifty Small Cap 250 Index Fund consistently occupied the lower ranks across all three measures.

XIV. FINDINGS

- The Large and Mid-Cap Fund delivered the strongest return and the highest alpha among the five schemes, indicating clear outperformance relative to its benchmark, though this came with greater volatility as reflected in its higher beta.
- The Flexi Cap Fund combined lower risk, a positive alpha and dependable returns, making it the most balanced option in the sample.
- The Nifty Midcap 150 Index Fund produced moderate, market-tracking performance, with a beta close to one and only a small positive alpha.
- The Nifty Next 50 Index Fund showed limited outperformance, reflected in the lowest Sharpe ratio and a modest alpha, despite only moderate risk.
- The Nifty Small Cap 250 Index Fund carried the highest risk (standard deviation and variance) in the sample but generated the lowest alpha, implying that its additional risk was not matched by additional reward.
- Across the sample, funds accepting greater volatility tended to offer higher potential returns,

while lower-risk funds delivered steadier but more modest gains.

- All five schemes produced positive alpha over the period, indicating that each somewhat exceeded its benchmark, though the degree of outperformance varied considerably.
- Beta values show that most of the schemes moved closely in line with the market, with the Large and Mid-Cap Fund standing out as the most market-sensitive.

XV. SUGGESTIONS

- Investors comfortable with higher volatility in pursuit of higher potential returns may find the Large and Mid-Cap Fund an appropriate choice, particularly in favourable market conditions.
- Investors seeking a more moderate risk-return profile may find the Flexi Cap Fund better suited to their needs.
- The Nifty Midcap 150 Index Fund may suit investors wanting exposure to mid-sized companies without taking on very high risk.
- The Nifty Next 50 Index Fund may appeal to more conservative investors content with tracking the market rather than seeking to beat it.
- The Nifty Small Cap 250 Index Fund is better suited to investors with a high risk tolerance and a long investment horizon, given its volatility and inconsistent excess returns.
- Given that fund performance can shift with changing market conditions, periodic review of scheme performance is advisable for all investors.

XVI. CONCLUSION

This comparative evaluation of Motilal Oswal Mutual Fund schemes illustrates the range of risk-return combinations available to investors within a single fund house. The Large and Mid-Cap Fund stood out for its strong alpha and high potential return, offset by greater sensitivity to market movements, while the Flexi Cap Fund offered a more measured path combining reasonable returns with lower risk. The index-linked midcap and Next 50 funds delivered moderate, closely market-tracking outcomes, and the small-cap scheme, while offering

exposure to smaller companies, showed the weakest risk-adjusted performance of the group.

No single scheme suits every investor; the appropriate choice depends on an individual's risk tolerance, financial objectives and investment horizon. Aggressive investors may lean toward the large-and-mid-cap or small-cap options, while those seeking steadier, more balanced growth may prefer the flexi-cap route. Ultimately, aligning fund selection with personal circumstances and prevailing market conditions remains the key to sound long-term investment outcomes.

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