



## A Study on Selected Equity Midcap Mutual Funds in India

Dr. Rupinder Kaur

Assistant Professor, Govt. College for Women, Sirsa.

[rupindertinna@gmail.com](mailto:rupindertinna@gmail.com)

Khushi Kalra

Student MA Economics Gokhale Institute of Politics and Economics Pune.

[Khushikalra00@gmail.com](mailto:Khushikalra00@gmail.com)

### Abstract

This study tries to offer a thorough examination of a few Indian equities midcap mutual funds. Equity midcap funds are renowned for their ability to increase returns by making investments in mid-sized businesses with promising growth prospects. In-depth examination of these funds' performance, risk profile, investment approach, and investor preferences is conducted in this study. The data has been taken from various websites of mutual fund schemes. The information for the analysis is gathered from a number of sources, including credible financial databases, yearly reports, and money control (websites). In this research paper an attempt is made to analyse the performance of the growth-oriented equity midcap schemes from 2020 to 2022 on the basis of return and risk evaluation. Treynor Ratio, Beta, Standard deviation, Sharpe ratio, and Jensen's Alpha are performance metrics that are used to assess the historical returns and risk-adjusted performance of funds. It also examines how these funds fare during bear markets and assesses how well they can control volatility and limit investor losses. Finally, equity SBI Magnum Midcap Fund - Direct Plan – Growth is found to be good performer among the selected schemes.

**Keywords:** Mutual funds, performance analysis, risk profile, equities midcap funds.

## **INTRODUCTION:**

An investment in a mutual fund can be made in shares, debt, equity, money market instruments, or a mix of these. A mutual fund is a trust that pools the savings of a group of participants who have similar financial goals. For the benefit of the unit holders, those securities are managed by professionals. And every investor owns a pro-rata part of the portfolio, making them eligible for both earnings and losses. The capital appreciation and income generated by these investments are distributed among unit owners in proportion to the number of units they own. The best investment option for regular people is a mutual fund since it gives them the chance to invest at a relatively lower cost in a diversified, expertly managed basket of securities.

Mutual funds have become a popular means of securing one's financial security. Mutual funds have allowed families benefit from the success of the Indian tale as well as contribute to India's growth story. Nine out of ten Indians with incomes are unaware that mutual funds still exist, which is the fundamental reason why there are still few retail investors in mutual funds. Due to the role that mutual funds have played in the evolution of the Indian economy, it is crucial to consider their services as more than just financial intermediaries.

## **REVIEW OF LITERATURE**

Jack Treynor(1965) developed a methodology for performance evaluation of a mutual fund that is referred to as reward to volatility measures, which is defined as excess returns on the portfolio. This is followed by Sharpe (1966) reward to variability measures, which is average excess return on the portfolio dividend by the standard deviation of the portfolio.

Jenson (1968) developed a tool for the study. He developed an absolute measure of performance based on CAPM and he concluded that Mutual Fund did not appear to earn abnormal return when transaction costs were taken into consideration.

D. Jain and R. Jain (2003) have prepared a paper identify the relationship between Assets under Management mobilized by mutual funds and GDP growth of the India. Intention of the study the get idea about role of mutual fund in financial system as a key Resource mobiliser.

S.K. Miglani (2007) has done research work on risk and timing performance of mutual fund. The study was based on Sharpe Ratio, Treynor Ratio, Jenson differential return model and Morten Model. The study has positive conclusion. The study showed that majority of the selected mutual funds showed positive returns. Not only that some schemes have shown superior result.

Dr. Ashok Khurana and Kavita Panjwai (Nov 2010), have analyzed hybrid mutual funds, mutual funds returns can be compared using arithmetic mean and compounded annual growth rate. Risk can be analyzed by finding out standard deviation beta while, performance analysis is based on risk return adjustments. Based on the quantitative study conducted company a fund is chosen as the best fund in the balanced growth fund schemes.

Dr. K Vernia and Dr. A. Kishore Kumar ( Jan 2014), conducted research on comparative performance analysis of selected Indian mutual funds schemes. This study analysis the performance of Indian owned mutual funds and compares their performance. The performance of these funds was analyzed using a five year NAV's and portfolio allocation. Findings of the study reveal that mutual funds outperformed naïve investment. Mutual funds as a medium to long term investment options are preferred as a suitable investment options by investor.

On the basis of the result Rank was given to the various schemes and comparison is also made between results drawn from different schemes and normally the different are insignificant.

#### **STATEMENT OF PROBLEM**

Midcap mutual funds are usually invested in mid-sized companies generally to keep up with moderate risk against the investment or an addition in diversified portfolio. Further, there is a need to compare the average returns and performance of the selected top 4 midcap equity funds and also to analyze the risk and returns risk of the schemes. Therefore the study is conducted to understand the comparative performance analysis of the midcap equity funds (Edelweiss Mid Cap Fund - Direct Plan – Growth, PGIM India Midcap Opportunities Fund-Direct Plan –Growth, SBI Magnum Midcap Fund - Direct Plan – Growth) in the market over the period 3 years.

#### **Objectives of the Study**

1. To study the performance of selected equity mutual funds in terms of their return and risk from various fund schemes in India.
2. To know mutual fund performance of selected equity mutual funds by using Sharpe, Alpha and Treynor.

## **Methodology**

This paper makes an attempt to study and analyze the performance of 8 Indian equity mutual funds. The mutual funds were analyzed in detail from April 2020 to March 2022 and this study is based on the secondary data obtained from the various sources like websites, journals, magazines etc. For the performance of these mutual fund schemes, different statistical and financial tools are to be used. The tools and techniques are Sharpe, Treynor measure, Jensen's Alpha.

### **Bench Mark:**

Category average, Motilal Oswal Nifty Midcap 150 Index Fund) Direct Plan – Growth.

## **RESEARCH METHODOLOGY**

To examine the mutual funds schemes performance, 4 schemes were selected as a random basis. Some commonly used measures include:

**Return:--** Return is the primary measure used to evaluate the performance of mutual funds. It indicates the gain or loss generated by the fund over a given period. Returns can be calculated as a percentage change in net asset value (NAV) or total return including dividends or interest income.

**Risk-adjusted return:-** Risk-adjusted return measures assess the return generated by a mutual fund relative to the level of risk taken. Popular risk-adjusted measures include the Sharpe ratio, Treynor ratio, and Jensen's alpha. These measures consider the fund's volatility or systematic risk and provide a comparison of the fund's performance to a benchmark or market index.

**Standard-deviation:-** Standard deviation is a measure of the dispersion of returns around the average return. It quantifies the volatility or riskiness of a mutual fund scheme. Higher standard deviation indicates greater volatility and higher risk.

**Beta: -** Beta measures the sensitivity of a mutual fund's returns to changes in the market or benchmark index. A beta of 1 implies that the fund's returns move in line with the market, while a beta greater than 1 indicates the fund is more volatile than the market, and a beta less than 1 implies the fund is less volatile.

**Alpha:-** Alpha measures the excess return of a mutual fund compared to its expected return based on its beta. It indicates the fund manager's ability to generate additional returns beyond what would be expected based on the fund's level of risk. Positive alpha suggests outperformance, while negative alpha indicates underperformance.

These measures can be used individually or in combination to evaluate the performance and risk of mutual fund schemes over a specific period.

**SOURCES OF DATA:**

The sources of data comprise a secondary data. Secondary data was collected from various sources such as: the websites, books and journals.

**STATISTICAL TOOLS USED:**

The simple statistical tools and techniques used in this study are NAV (Trend Analysis), Standard Deviation, Beta, Sharpe’s measures and Treynor’s measures.

**Data Analysis and Interpretation**

**The return of equity mid cap opportunity fund**

<b>NAME OF THE FUND</b>	<b>years</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Edelweiss Mid Cap Fund - Direct Plan - Growth</b>	Returns	25.10%	15.80%	36.41%
<b>Kotak Emerging Equity Fund - Direct Plan - Growth</b>	Returns	22.93%	15.20%	34.77%
<b>PGIM India Midcap Opportunities Fund - Direct Plan - Growth</b>	Returns	15.58%	14.66%	39.07%
<b>SBI Magnum Midcap Fund - Direct Plan - Growth</b>	Returns	26.88%	19.60%	39.54%

Data Sources: Compiled from various data

**Edelweiss midcap opportunity fund inference:**

The table and chart reflects the returns of Edelweiss Midcap Opportunities Fund. The returns of the fund are high during the period 2020 to 2022. It indicates in the year of 2020, the returns were 25.10% or in the year 2021, it dropped to 15.80% and in 2022 it drastically rise up to 36.41%.

**Kotak Emerging Equity Fund - Direct Plan – Growth:**

In the year 2020, the returns have been 22.93% and in the year 2022, or in the year 2021, it dropped to 15.20%, whereas in 2022 it drastically rise up to 34.77%.

**PGIM India Midcap Opportunities Fund - Direct Plan – Growth:**

It indicates in the year 2020, the returns have been 15.58% and in the year 2021, it have dropped to 14.66%. However, the year 2022 it's reflected an improvement in the returns i.e. 39.07%.

**SBI Magnum Midcap Fund - Direct Plan – Growth:**

It indicates in the year 2020, the returns have been 26.88% and in the year 2021, it have dropped to 19.60% However, the year 2022 its reflected an improvement in the returns i.e. 39.54%.

**Results:**

Based on the data provided, it appears that the SBI Magnum Midcap Fund Consistently performed well across all three years, delivering the highest returns in both 2020 and 2022. However, its important t note that past performance does not guarantee future results and investment decisions should consider other factors such as risk tolerance, investment goals, and fund management expertise. It is recommended to thoroughly research and analyze various factors before making any investment decisions.

**Performance Evaluation of the selected Mid Cap Equity Mutual Fund on the Basis of Returns & using Risk Adjusted Measures as Suggested by Sharpe, Treynor and Jenson. And Comparison with Bench Marks.**

Table2. A table showing Returns and Bench Marks of the selected Mutual Fund Schemes.

<b>Parameters</b>	<b>Edelweiss Mid Cap Fund - Direct Plan - Growth</b>	<b>Kotak Emerging Equity Fund - Direct Plan - Growth</b>	<b>PGIM India Midcap Opportunities Fund - Direct Plan - Growth</b>	<b>SBI Magnum Midcap Fund - Direct Plan - Growth</b>	<b>Banch-Mark (Motilal Oswal Nifty Midcap 150 Index Fund) Direct Plan – Growth)</b>
3-year Returns	36.2	34.31%	39.11%	38.58%	33.38%
Std. Deviation	16.94	14.64	16.38	15.55	16.9
Beta	0.96	0.82	0.91	0.85	0.99
Treynor's Ratio	0.26	0.3	0.31	0.33	0.25
Sharpe Ratio	1.49	1.68	1.72	1.81	1.47
Jension's Alpha	0.62	2.91	4.04	5.73	-1.28

**Source:** Compiled from various data

**ANALYSIS:**

Based on the provided data, here are some observations:

**Treynor's Ratio** measures risk-adjusted returns relative to systematic risk. Higher values indicate better risk-adjusted performance. SBI Magnum Midcap Fund has the highest Treynor's ratio.

**The Sharpe Ratio** measures risk-adjusted returns relative to total risk. Higher values indicate better risk-adjusted performance. SBI Magnum Midcap Fund has the highest Sharpe Ratio.

**Jensions's Alpha** measures the fund's excess returns over its benchmark. SBI Magnum Midcap Fund had the greatest Jension's Alpha in this instance, indicating higher performance in comparison to the benchmark. returns,

In the terms of **3-years returns**, PGIM india Midcap Opportunities Fund and SBI Magnum Midcap Fund have the highest returns, followed closely by Edelweiss Mid Cap Fund and Kotak Emerging Equity funds.

When considering risk as measured by **Standard Deviation**, Kotak Emerging Equity Fund has the lowest, followed by SBI Magnum Midcap Fund and Edelweiss Mid Cap Fund.

**Beta** measures the sensitivity of the fund's returns to the market movements. All the funds have beta close to 1, indicating a moderate correlation with market.

Based on the provided data and the comparison, SBI Magnum Midcap Fund-Direct Plan-Growth seems to perform well across various parameters and could be considered as a potentially good option for investment. However, it's important to note that investment decision should not be made based solely on past performance and other factors such as your investment.

### **Conclusion:**

Based on these metrics, here are some conclusions: All the Mid-Cap schemes have delivered positive returns over the past three years. The PGIM India Midcap Opportunities fund and SBI Magnum Midcap Fund have the highest 3-years returns. Kotak Emerging Equity Fund and SBI Magnum Midcap Fund have relatively lower standard deviation, indicating lower volatility. The Jensen's Alpha measures the fund manager's ability to outperform the benchmark. In these cases, the SBI Magnum Midcap Fund has the highest Jensen's Alpha, indicating superior performance compared to the benchmark. The Sharpe Ratio measures risk-adjusted returns, and all schemes have relatively high Sharpe Ratios, with the SBI Magnum Midcap Fund having the highest. Overall, based on the provided data, the SBI Magnum Midcap Fund—Direct Plan-Growth appears to be a strong performer among the midcap schemes, with high returns, low volatility, and the highest Jensen's Alpha and Sharpe Ratio. However, it's important to conduct further research and consider other factors before making any investment decisions.



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