THE STUDY ON PERFORMANCE EVALUATION OF SELECTED LARGE CAP EQUITY MUTUAL FUNDS

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Abstract
This study conducts a comprehensive performance evaluation of selected large-cap equity mutual funds to assist investors in making informed investment decisions. By analyzing a sample of prominent large-cap mutual funds over the past five years, the research employs various performance metrics, including the Sharpe ratio, Treynor ratio, and Jensen's alpha, to assess risk-adjusted returns. Additionally, the study compares fund performance against benchmark indices to evaluate consistency and effectiveness in capital appreciation. The analysis reveals significant variations in fund performance, emphasizing the impact of fund management strategies and market conditions. This research contributes valuable insights into the dynamics of large-cap equity mutual funds and offers recommendations for investors seeking optimal portfolio strategies. Future research directions are also suggested to further explore the relationship between fund characteristics and performance.

Keywords- *CAGR-Compound Annual Growth Rate, SEBI-Security and Exchange board of India*

Introduction

Conducting a study on the performance evaluation of selected large-cap equity mutual funds involves several steps by Branti Ray and Richa Tivari. It includes Return Analysis, Risk Management, Expense Ratio, Consistency, Manager Performance, Asset Allocation, Fund Flow Analysis and Market Condition. By analyzing these factors, investors can gain a comprehensive understanding of a mutual fund's performance and make informed investment decisions.

Based on the study done by Praveen Kumar and Shivani Shah (2023) key findings suggest that ICICI Prudential funds generally offer higher returns but with increased risk, while Axis funds demonstrate better risk-adjusted performance. Overall, the literature indicates that while some mutual funds can outperform the market, many do not, particularly after accounting for fees and risks. Investors are encouraged to conduct thorough research and consider both quantitative metrics and qualitative factors when evaluating mutual funds.

The performance evaluation of large-cap equity mutual funds is critical for investors seeking to make informed investment decisions. Despite the proliferation of mutual funds in the market, there is considerable variation in their performance due to factors such as management style, fee structures, market conditions, and investor behavior. By addressing these problems, the study aims to contribute to the existing body of knowledge and assist investors in making more informed choices in the mutual fund market.

Objectives of the Study

To evaluate any research, their needs to design the objectives of the study, and for this study we design the following objectives which on the basis study is to be done,

- To analyze the risk associated with the selected large cap mutual funds.
- To measure the returns of the selected large cap mutual funds.
- To determine the correlation between selected large cap mutual fund's return and their benchmark's return.

Review of Literature

Pawan Kumar and Shivani Shah (2023): The study examines the performance of mutual funds offered by Axis Mutual Fund and ICICI Prudential Mutual Fund. Key findings suggest that ICICI Prudential funds generally offer higher returns but with increased risk, while Axis funds demonstrate better risk-adjusted performance.

Miss Nisha Chalshi and Mrs. Vidya R (2022): The study evaluates the performance of the top five blue-chip mutual fund schemes in India using data from 2017 to 2021. Findings reveal that Axis Blue Chip had the highest market risk premium, while ICICI Prudential excelled in predictive ability as per Jensen's ratio.

Bhuva and Bantwa (2012) analyzed the performance of large and mid-cap mutual funds in the Indian market from 2007 to 2011, They found 60% of schemes outperformed the market due to superior stock selection by fund managers, though large-cap funds underperformed in certain years.

Kabirdoss Devi et al. (2013) focused on evaluating open-ended large-cap funds using multiple performance measures, including Sortino and Information ratios. Their findings demonstrated a strong correlation between fund size and performance.

Definition of the Problem

The performance of large-cap equity mutual funds is a critical area of interest for investors, fund managers, and financial analysts. These funds predominantly invest in well-established, high-market-cap companies, which are often considered stable and less volatile. However, their performance varies based on factors such as market conditions, fund management strategies, expense ratios, and benchmark indices.

The key issue lies in evaluating whether these funds consistently outperform their benchmarks and deliver superior risk-adjusted returns compared to other investment alternatives. Additionally, there is a need to assess the impact of external factors, such as macroeconomic changes and market trends, on their performance. This study seeks to address the gap in understanding the determinants of large-cap equity mutual fund performance, focusing on metrics like alpha, beta, Sharpe ratio, and expense efficiency, and how these metrics influence investors' decisions.

By identifying strengths and weaknesses in fund performance, the research will provide valuable insights to stakeholders and contribute to more informed investment strategies.

Scope of the Study

The scope of this study on the performance evaluation of selected large-cap equity mutual funds encompasses various aspects aimed at providing a comprehensive analysis of fund performance. The key areas of focus include: Selection of Mutual Funds, Performance Evaluation Metrics, Risk Assessment, Benchmark Comparison, Time Frame, Macroeconomic Factors, Manager Analysis and Investor Implication.

Secondary Data

Secondary data sources can be use as the data for this study and it could be Fund Fact Sheets Published by mutual fund companies, Annual Reports of Mutual fund companies' annual reports provide insights into fund strategies and performance.

Research Methodology

Research Design: In this study descriptive and analytical research design will use where to identify the company performance.

Sample Size: The study covers the 2-year period starting from 2021-2022 to 2023-2024 of two company ICICI Prudential mutual fund and Axis mutual fund.

Sample Unit: The primary sampling units are the individual mutual fund schemes offered by Axis Bluechip Fund and ICICI Prudential Bluechip fund.

Tools and Techniques

Following statistical tools should be used to evaluation the research through systematic research study

- Risk Analysis: Standard deviation, beta, and Sharpe ratio.
- Return Analysis: Compound Annual Growth Rate (CAGR) and average returns.
- Correlation Analysis: To determine the relationship between fund returns and benchmark returns.
- Visualization: Graphs, tables, and charts for better presentation of findings.)

Data Collection

The study here is conducted with the use of secondary data. The data collected from websites off respective fund as well as other websites such as money control and SEBI.gov.in. Other necessary data for the study has been collected from various sources such as books, magazines, etc.

Data Analysis and Interpretation

Formula:

$$\text{Mean} = \frac{\sum_{i=1}^{n} x_i}{n}$$

Mean-

$$\text{Standard Deviation} = \sqrt{\frac{\sum_{i=1}^{n} (x_i - \overline{x})^2}{n-1}}$$

where:

x_i = Value of the i^{th} point in the data set

$\overline{x}$ = The mean value of the data set

n = The number of data points in the data set

Standard Deviation-

Alpha = (Mutual fund return - risk-free return) - [(Benchmark return - risk-free return) x Beta]

Alpha-

Beta = (Fund Return - Risk-Free Rate) / (Benchmark Return - Risk-Free Rate)

Beta-

Sharp Ratio = (Average Portfolio Return - Risk-Free Rate) / Standard Deviation

Sharp Ratio-

Treynor Ratio = (Portfolio Return - Risk-Free Rate) / Portfolio Beta

Treynor Ratio

Jenson Alpha = Portfolio Return - [Risk-Free Rate + Beta * (Market Return - Risk-Free Rate].

Jenson Alpha

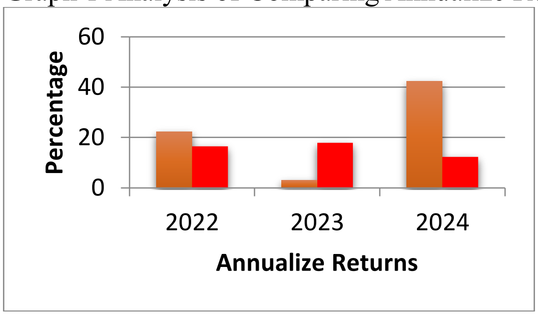
1.Analysis of Comparing Annualize Returns

Table 1 Analysis of Comparing Annualize Returns

Year	ICICI Fund Return	AXIS Fund Return
2022	22.28	16.49
2023	2.97	17.82
2024	42.23	12.25

(Source: Secondary Data)

Graph 1 Analysis of Comparing Annualize Returns



(Source: Secondary Data)

Interpretation

In above table and graphs shows that, while comparing the both fund to each other in annualize return percentage, ICICI performance was better than Axis where fall in 2023 again rise in 2024, axis in 2022 and in 2024.

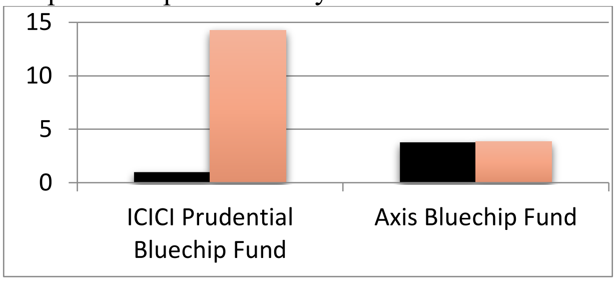
2.Financial Ratios

Table 2 Comparative analysis of Risk factor of Selected Fund

Fund	Sharp Ratio	Treynor Ratio
ICICI	1.00	14.28
Axis	3.78	3.87

(Source: Secondary Data)

Graph 2 Comparative analysis of Risk factor of Selected Fund



(Source: Secondary Data)

Interpretation

From the above table and chart we analyses the financial ratio through which we can result out to invest in this fund or not. According to Sharpe ratio we can find out of ICICI has shown equal to 1 (1.00) which indicates a reasonable risk-adjusted return. The investment is providing a return equal to the risk taken. In other hand Axis fund has shown more than 1 (3.78) generally considered suboptimal. This suggests that the investment is not providing enough return for the risk taken. According to Trey nor ratio we find out both the selected funds has shown greater than 0 Indicates that the investment has underperformed compared to the risk-free rate after adjusting for market risk.

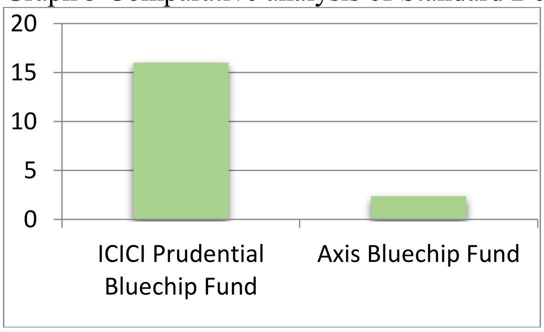
3.Standard Deviation

Table 3 Comparative analysis of Standard Deviation

Fund	SD
ICICI	16.02
Axis	2.38

(Source: Secondary Data)

Graph 3 Comparative analysis of Standard Deviation



(Source: Secondary Data)

Interpretation

From the above table and analysis a **Standard Deviation** of around 15-20% might be considered normal for established companies, while higher volatility stocks can exceed 30%. In above table, ICICI funds given contextual evaluation by giving 16.02% standard deviation. Whereas, Axis fund shown low variability which shown in Standard deviation, i.e. 2.38%.

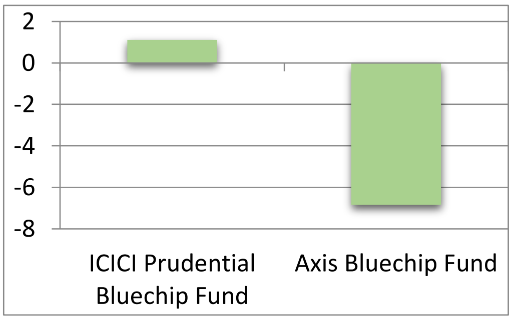
4.Beta

Table 4 Comparative analysis of Beta

Fund	Beta
ICICI	1.125
Axis	-6.83

(Source: Secondary Data)

Graph 4 Comparative analysis of Beta



(Source: Secondary Data)

Interpretation

The risk of the fund can be examined from the above table using the security's beta value. The ICICI Prudential Blue-chip Funds are moderate riskier and offer higher returns, as can be seen in the diagram, where they have a beta value of 1.125% compared to the Axis Blue chip Fund's beta value of -6.83%. Overall ICICI has shown moderate risk in the investment.

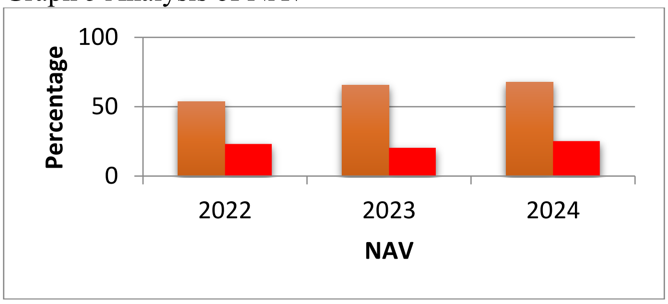
5.Net Asset Value (NAV)

Table 5 Analysis of NAV

Year	ICICI NAV	AXIS NAV
2022	53.63	22.92
2023	65.58	20.35
2024	67.53	25.11

(Source: Secondary Data)

Graph 5 Analysis of NAV



(Source: Secondary Data)

Interpretation

In above table and graphs shows that, while comparing the both fund to each other in annualize return percentage, ICICI performance was better than Axis where fall in 2023 again rise in 2024, axis in 2022 and in 2024.

Findings

1. ICICI Prudential is gives more return in comparison to Axis Blue Chip Fund with less risk.
2. According to Trey nor ratio we find out both the selected funds has shown risk-free rate after adjusting for market risk.

3. According to Beta, ICICI has shown moderate risk in the investment in comparison to Axis fund.
4. ICICI performance was better than Axis where fall in 2023 again rise in 2024.

Conclusions

In this study, we studied three-year data of Large cap equity mutual fund of ICICI and Axis which evaluated by using various tools. Overall, the result was droped that, ICICI prudential mutual fund's Bluechip fund performed well as compared to Axis asset Management companies Bluechip fund. ICICI companies fund is having moderate risk and give more return than Axis.

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