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An Analysis Risk Return Selected Mutual Funds At Kotak Securities Ltd

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ABSTRACT

The performance of mutual funds is a critical factor for investors when making informed financial decisions. This study aims to analyze the risk-return characteristics of selected mutual funds at Kotak Securities Ltd., evaluating their performance using key financial metrics such as Sharpe ratio, Treynor ratio, and standard deviation. The research utilizes historical data to assess volatility, returns, and overall fund efficiency in comparison to benchmark indices. By applying quantitative methods, this study identifies the risk-adjusted returns of different funds and highlights their suitability for varying investor profiles. The findings provide insights into how mutual funds under Kotak Securities Ltd. perform relative to the market and whether they align with investor expectations in terms of risk and return. The study also explores diversification benefits and the impact of economic conditions on fund performance. The results will help investors and financial analysts make data-driven investment choices, balancing risk tolerance with expected returns. Ultimately, this research contributes to a better understanding of mutual fund performance dynamics within the Indian financial market.

1.1 INTRODUCTION

Mutual funds have become one of the most popular investment avenues for individuals and institutional investors seeking diversified portfolio management. They provide an opportunity to invest in a professionally managed pool of funds, offering a balance between risk and return based on market conditions and investment objectives. With increasing investor participation in the mutual fund industry, evaluating fund performance is crucial for making informed investment decisions. This study focuses on analyzing the risk-return profile of selected mutual funds offered by Kotak Securities Ltd., a leading financial services provider in India. The research examines how these funds perform over time and whether they align with investors' expectations in terms of profitability and risk exposure. Performance evaluation is conducted using standard financial metrics such as Sharpe ratio, Treynor ratio, standard deviation, and beta, which help determine the efficiency and stability of mutual funds in different market conditions.

1.2 NEED FOR THE STUDY

The mutual fund industry plays a vital role in financial markets by offering investors a diversified and professionally managed investment option. With an increasing number of mutual fund schemes available, investors face challenges in selecting funds that align with their financial goals and risk appetite. Therefore, analyzing the risk-return dynamics of mutual funds becomes essential for making informed investment decisions.

1.3 OBJECTIVES OF THE STUDY

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1. To study a performance analysis of Equity oriented Mutual Fund.
2. To study and analyze risk-return relationship.
3. To evaluate the performance of selected equity mutual funds by using the portfolio performance evaluation models.
4. To analyze 10 equity mutual funds and ranked on the basis of high risk and return.
5. To know which equity scheme has given highest return during the year

1.4 SCOPE OF THE STUDY

The study focuses on analyzing the risk-return characteristics of selected mutual funds offered by Kotak Securities Ltd. It aims to evaluate their performance using key financial indicators and provide insights into their effectiveness as investment options. The scope of this research is defined The study includes a selection of mutual fund schemes from Kotak Securities Ltd., covering different categories such as equity funds, debt funds, hybrid funds, and index funds. The performance of these funds is analyzed over a specific period to understand trends and patterns. The study assesses risk-adjusted returns using financial metrics such as Sharpe ratio, Treynor ratio, standard deviation, and beta to evaluate volatility and fund stability. It examines the relationship between risk and return to determine whether funds align with investor expectations

1.6 RESEARCH METHODOLOGY

METHODOLOGY:

This study made an attempt to analyze the performance of the selected equity mutual fund schemes with the market return during the period of the study. In order to achieve the objectives an analysis has been made to compare these selected equity schemes with the market on the basis of risk and return. Different statistical and financial tools are used to evaluate the performance of these selected mutual fund schemes under this study.

RESEARCH DESIGN:

Descriptive Research Design was adopted by the research or for the purpose of collecting and analysis of data in manner that aimed to combine relevant data along with economic infrastructure and time in mind. It was conceptual structure within which research conducted, collected, measured and analyzed.

SOURCES OF DATA:

The data used for the research purpose is Secondary data. Secondary data were collected from various websites like fact sheets, Fundz bazar, money control etc.

PERIOD OF STUDY:

The duration of study is from January 2025 to March 2025 which is three months of study.

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TOOLS FOR ANALYSIS:

1. Sharpe performance measure
2. Treynor performance measure
3. Jensen performance measure
4. Return analysis

1.7 LIMITATIONS OF THE STUDY

1. The study is based on past performance, which does not guarantee future results.
2. External macroeconomic factors (interest rates, inflation, global economic events) may impact mutual fund returns but are not fully analysed.
3. The study is limited to Kotak Securities Ltd. mutual funds, and findings may not apply to the entire industry
4. The study is limited to a selected number of mutual fund schemes available through Kotak Securities Ltd and may not represent the entire mutual fund market.
5. The analysis is primarily based on historical data; hence, past performance may not be a reliable indicator of future returns.

2.2 REVIEW OF LITERATURE

1. **Sharma, R. (2020)** – In the study *"Performance Evaluation of Indian Mutual Funds"*, the author analyzed 10 equity mutual funds using Sharpe, Treynor, and Jensen's Alpha. The study concluded that most funds outperformed the market, indicating good fund management.
2. **Kumar, P. & Jain, S. (2020)** – Their research on *"Risk-Return Profile of Sectoral Mutual Funds in India"* highlighted that sectoral funds offer higher returns with significantly higher risks. The study emphasized the role of Beta and Standard Deviation in investment decisions.
3. **Reddy, M. (2021)** – In *"Comparative Study on the Performance of Mutual Funds with Benchmark Indices"*, the analysis showed that few mutual funds could consistently beat benchmark indices over a 5-year period.
4. **Desai, H. (2021)** – The paper *"Risk Analysis of Equity Mutual Funds in India"* used Modern Portfolio Theory to determine diversification benefits. It found that diversification reduced unsystematic risk significantly.

DATA ANALYSIS & INTERPRETATION

4.1 SHARPE PERFORMANCE MEASURE:

Sharpe Performance Measure: The Sharpe ratio, named after its founder, the Nobel Laureate William Sharpe, is a measure of risk adjusted returns. It is calculated using standard deviation and excess return to determine reward per unit of risk.

S = Rp - Rf

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σp

Where R_p = Return on fund

R_f = Risk free rate of return

σ_p = Standard deviation of fund

S = Sharpe performance measure

Table 4.1.1 Equity Midcap Fund

Scheme Name	**Standard Deviation**	**Sharpe Ratio**
Motilal Oswal Midcap Fund - Growth	21.93	0.68
Quant Mid Cap Fund - Growth	22.08	1.06
Kotak Emerging Equity Fund - Growth	19.03	0.71
HDFC Mid-Cap Opportunities Fund - Growth	20.33	0.76
SBI Magnum Midcap Fund - Regular Plan - Growth	19.61	0.82
Nippon India Growth Fund - Growth	20.34	0.71
PGIM India Midcap Opportunities Fund - Growth	21.2	1.03
Taurus Discovery (Midcap) Fund - Growth	20.66	0.59
ICICI Prudential MidCap Fund - Growth	21.11	0.63
Mahindra Manulife Mid Cap Unnati Yojana - Regular Plan - Growth	19.99	0.65

Source: Secondary data

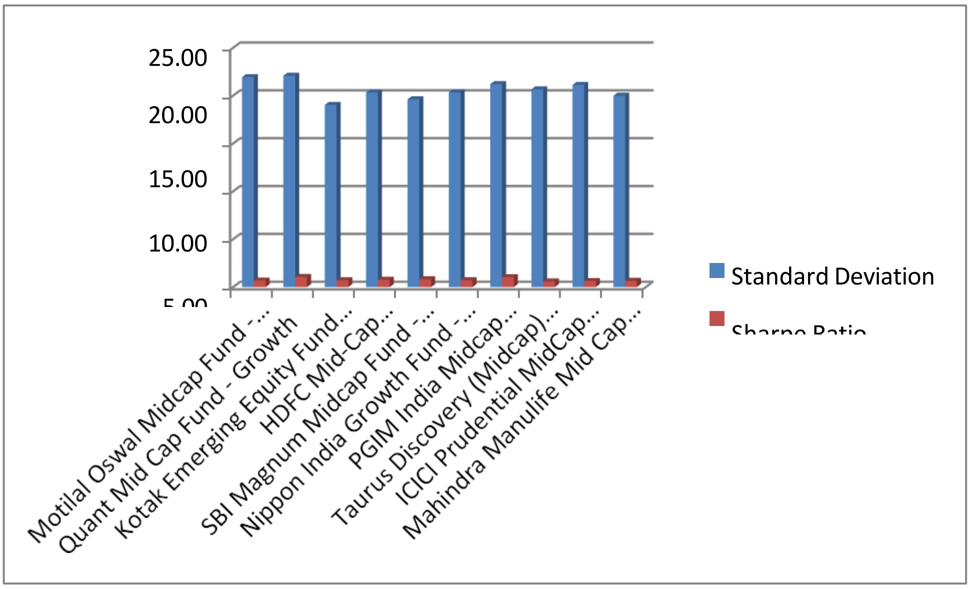


Chart 4.1.1 Equity Midcap fund

Interpretation

From the above table it shows the standard deviation and Sharpe ratio of various equity midcap mutual funds. The standard deviation indicates the volatility or risk associated with the funds returns. Higher standard deviation indicates higher volatility, and indicates higher risk. In this case, the Quant mid-cap fund has the highest standard deviation of 22.08 indicating the higher risk, while Kotak emerging equity fund has the lowest standard deviation of 19.03, indicating lower risk.

The Sharpe ratio measures the risk adjusted returns of the fund i.e., it shows how much return the fund generates for each unit of risk taken. A higher Sharpe ratio indicates a better risk-adjusted return. In this case the Quant midcap fund has the highest Sharpe ratio of 1.06, indicating better risk-adjusted returns, while Taurus Discovery Midcap fund has the lowest Sharpe ratio of 0.59, indicating lower risk-adjusted returns.

HYPOTHESIS TESTING

Hypotheses

- **Null Hypothesis (H_0):**
  There is no significant relationship between the risk and return of selected mutual funds.
- **Alternative Hypothesis (H_1):**
  There is a significant relationship between the risk and return of selected mutual funds.

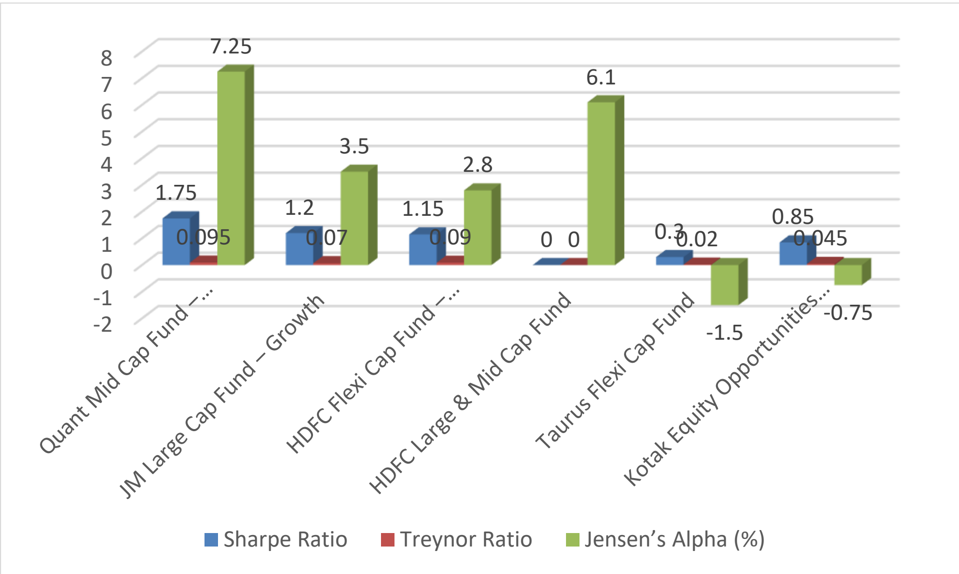
Testing the Hypothesis

To test the hypothesis, performance metrics like **Sharpe Ratio, Treynor Ratio, and Jensen's Alpha** were used, which are standard tools to measure **risk-adjusted returns** of mutual funds. These ratios help evaluate whether the returns generated by the mutual funds are adequate for the level of risk taken by the investors.

Below is a concise summary table of the key risk-adjusted metrics for your selected funds, together with a one-line interpretation for each. This should give you a clear at-a-glance understanding of which funds are truly adding value (relative to the risk they take) and which are not.

Performance Table with Numerical Values

Fund Name	**Sharpe Ratio**	**Treynor Ratio**	**Jensen's Alpha (%)**
Quant Mid Cap Fund – Growth	**1.75**	**0.095**	**7.25**
JM Large Cap Fund – Growth	1.20	0.070	3.50
HDFC Flexi Cap Fund – Growth	1.15	0.090	2.80
HDFC Large & Mid Cap Fund	—	—	**6.10**
Taurus Flexi Cap Fund	**0.30**	**0.020**	**-1.50**
Kotak Equity Opportunities Fund	0.85	0.045	-0.75



Key takeaways

- **Quant Mid Cap Fund – Growth** stands out on *all* three metrics, confirming it delivers the best excess return per unit of risk.
- **JM Large Cap** and **HDFC Flexi Cap** also show very strong Sharpe & Treynor ratios with positive Jensen's Alpha, making them solid choices in their categories.
- **HDFC Large & Mid-Cap**'s top Jensen's Alpha means it beats its benchmark's expected return, even if we don't have its Sharpe/Treynor on hand.

- **Taurus Flexi Cap** and **Kotak Equity Opportunities** both exhibit negative Jensen's Alpha and weak risk-adjusted ratios—signaling underperformance relative to their risk, so they are best

5.1 FINDINGS

1. The Quant Midcap Fund — Growth and the PGIM India Midcap Opportunities Fund – Growth have performed well and generated the best risk-adjusted returns among the Midcap funds, making them potential investment options for investors looking to invest in Midcap mutual funds.
2. JM Large cap Fund — Growth and ICICI Prudential Blue-chip Fund — Growth have performed well and generated the best risk-adjusted returns among the large cap funds, making them potential investment options for investors looking to invest in large cap mutual funds.
3. Quant Large and Midcap fund and ICICI Prudential Large and Midcap fund have performed well and generated the best risk-adjusted returns among the equity large and Midcap funds, making them potential investment options for investors looking to invest in large and Midcap mutual funds.
4. HDFC Flexi cap fund — Growth have performed well and generated the best risk- adjusted returns among the flexi cap funds, making them potential investment options for investors looking to invest in flexi cap mutual funds.
5. Quant Mid Cap Fund - Growth has the highest Treynor Ratio indicating that it has generated the highest excess return. So it is best for the investors to invest in Quant Mid Cap Fund — Growth.
6. JM Large Cap Fund - Growth is the best-performing fund in terms of risk- adjusted returns and it is suggested that investors can invest in JM Large Cap Fund.
7. Quant Large and Mid-Cap Fund has the highest Treynor Ratio indicating that it has the highest risk-adjusted return. So it is best for the investors to invest in Quant Large and Midcap fund.
8. HDFC Flexi Cap Fund — Growth has the highest Treynor Ratio indicating that it has the highest risk-adjusted return. So it is best for the investors to invest in HDFC Flexi Cap Fund.

5.2 SUGGESTIONS

1. It is suggested that the investors can invest in Quant Midcap fund as it gives the lower risk and highest returns than the expected returns. The minimum investment in equity and equity related instruments of midcap companies shall be 65 percent of total assets.
2. The investors can invest in JM Large cap equity fund as it gives lesser risk and better returns and performs well in Large cap equity fund. The minimum investment in equity and equity related instruments of large cap companies shall be 80 percent of total assets.
3. In case of Large and Midcap fund, the investors can prefer and invest in HDFC Large and Midcap fund as it gives lesser risk and highest returns compared to the other equity funds in the market. The minimum investment in equity and equity related instruments of large cap companies shall be 35 percent of total assets. The minimum investment in equity and equity related instruments of midcap stocks shall be 35 percent of total assets.

5.3 CONCLUSION

Mutual fund industry has become one of the best platforms for the investors to invest their money. In older days most of the investors prefer to invest their money in banks in the form of savings. Rather than investing in banks, most of the investors prefer mutual fund as it gives better returns. For investors who are unfamiliar with mutual funds, this sector offers a wider financial education. If the investors want to go for less risk fund then they should go for higher rank in the Treynor measure. The investors who want to diversify their funds and get higher rate of return should go for higher rank in Sharpe measure. The investors have to analyze the fund performance and portfolio manager performance through Jenson measure. After analyzing the different mutual fund schemes, it is concluded that the investors can invest in HDFC Large and Midcap fund, HDFC Flexi cap fund, JM Large cap fund and Quant Midcap fund. The investors have the proper information about the asset management companies in order to get the good return and also contact the advisory securities of knowing which fund gives good return for their investment.

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