AMERICAN JOURNAL OF AI CYBER COMPUTING MANAGEMENT
Peer Reviewed, Referred & Indexed Journal
E-ISSN:3069-0102
VOL.6, NO. 2(2) (2026)

A COMPARATIVE PERFORMANCE ANALYSIS OF EQUITY MUTUAL FUNDS: EVALUATING RISK-ADJUSTED RETURNS AT HDFC

[1] N. Shwetha, [2] Kontham Ashwitha
[1] Associate Professor, [2] MBA Student
Department of MBA
Sree Chaitanya College of Engineering, Karimnagar

ABSTRACT

This study aims to conduct a comparative investment analysis of selected mutual funds to evaluate their performance, risk levels, and return potential. Mutual funds are a preferred investment vehicle for both retail and institutional investors due to their diversification, professional management, and flexibility. The research compares multiple mutual fund schemes—such as equity, debt, and hybrid funds—based on key performance indicators like Net Asset Value (NAV), returns, expense ratio, risk-adjusted return (Sharpe Ratio, Treynor Ratio), and fund volatility. By analyzing historical data over a specific time frame, the study identifies which funds have consistently outperformed others in similar categories. The comparison also takes into account fund manager strategy, market conditions, and investor risk appetite. The objective is to help investors make informed decisions by highlighting the strengths and weaknesses of different mutual fund schemes. The findings emphasize that proper analysis of fund performance is crucial for selecting the most suitable investment options based on individual financial goals.

I. INTRODUCTION

Sectoral funds, which were a hit with mutual fund investors during the last Bull Run, are back in vogue and are being marketed as sector exchange traded funds or sector ETFs this year.

Several asset management companies are in the process of launching ETFs with sectors such as power & infrastructure, automobile, services, FMCG, metals and pharma as the underlying theme.

Those marketing these funds are hoping to raise a fair amount of funds through these schemes. Regular sectoral mutual funds have generated decent returns on their portfolios with banking funds, as a category, having generated 58% returns in one year. Pharma, FMCG and technology categories of sectoral mutual funds have yielded 50%, 46% and 36%, respectively, over a one-year period. On a wider scale, flexi-cap equity funds have returned 31% over the past one year.

“Sectoral ETFs deliver benefits in line with the performance of the un-derlying sector. It gives investors a cost-effective means to participate in sectors he or she is bullish on,” said Lakshmi Iyer, head, fixed income & products, Kotak Mutual Fund, which has plans to launch metals and some market cap-based ETFs in the coming months.

According to Ms Iyer, sectoral ETFs provide investors an easy way to transact on the exchange and avail themselves of the benefits of knowing the near real-time prices of their fund investments.

Benchmark Mutual Fund has sought Sebi approvals to launch six ETFs with IT, FMCG, services, energy, pharma and realty as the base themes. The ETFs will be marked against CNX IT, CNX FMCG, CNX Services Sector , CNX Energy, CNX Pharma and CNX Realty indices. The minimum investment for these schemes is Rs 10,000 and in mul-tiples of Re 1 thereafter. Apart from Benchmark, UTI, Edelweiss MF, Reliance Mutual and Religare Mutual have plans to launch sector ETFs in the near term.

According to senior officials at Benchmark, sectoral ETFs allow cost-effective portfolio diversification at one shot thereby reducing scrip-specific risk. It allows foreign

portfolio investors and institutional investors to have wide sectoral exposure.

Being listed on the exchanges — and in dematerialised format, ETFs can be traded without much of a hassle. Unlike sector-based mutual funds, there are no exit charges or loads on ETFs.

"ETFs are going to get larger in times to come. We're also open to the idea of sector ETFs and we're working on plans along the same lines," said Jaideep Bhattacharya, CMO, UTI Asset Management.

According to Mr Bhattacharya, the coming months will see fund houses launching ETFs with specific regions or markets as the underlying theme.

While the industry is more or less gung-ho about launching sector ETFs, voices of dissent are being heard from wealth managers and in-vestment advisors.

"ETFs follow a passive investment strategy. There are several diversified equity funds that can generate better returns than ETFs. Only ac-tive fund management can add value to investor portfolios," said a Mumbai-based wealth manager on condition of anonymity. According to investment experts, exposure to a few sectors could in-crease risk on overall fund portfolios. Investors in sector-based funds and ETFs could suffer losses when outlook turns bleak or negative.

NEED OF THE STUDY

1. Mutual funds are dynamic financial intuitions which play crucial role in an economy by mobilizing savings and investing them in the capital market.
2. The activities of Mutual funds have both short and long term impact on the savings in the capital market and the national economy.
3. Mutual funds, trust, assist the process of financial deepening & intermediation.
4. To banking at the same time they also compete with banks and other financial intuitions.
5. India is one of the few countries to day maintain a study growth rate is domestic savings.

SCOPE OF THE STUDY:

The study is limited to the analysis made on two major types of schemes offered by banks. Each scheme is calculated in term of their risk and return using different performance measurement theories. The reasons for such performance in immediately analyzed in the commentary. Column charts are used to reflect the portfolio risk and return.

OBJECTIVES OF THE STUDY:

- To understand what Mutual fund companies.
- To understand Mutual fund companies viz. As Sectoral funds
- To understand each company performance basing on weekly wise data starting from Monday.
- To understand the investment strategies followed by each company.

HYPOTHESIS

The Market data that has been used to see whether the risk and return calculated can be used has an indicator to the investor to minimize the risk and maximize the returns on its investment.

II. RESEARCH METHODOLOGY:

For, the purpose of the study, the data collected from primary and Secondary has sanitized edited and presented in the form of tables and statements. The analysis of the data has been made with the help of certain mathematical techniques lie percentages etc. Where ever feasible and opportiate graphs and diagrams are used.

The collection of data is done through two principles sources viz

1. Primary Data
2. Secondary Data

PRIMARY DATA

It is the information collected directly without any reference. In the study, it mainly interviews with concerned officers and staff either individually or collectively. Some of the information had been verified or supplemented with personal observation, the data collected through conducting personal interview with the officer of the India bulls.

SECONDARY DATA:

The data that is used in this project is of secondary nature. The data has been collected from secondary sources such as various websites, journals, newspapers, books, etc.

METHOD OF STUDY:

The data collected for the two sectors are of three months data. The data for study purpose is taken on weekly basis .The data taken into consideration is every Monday.

LIMITATIONS OF THE STUDY:

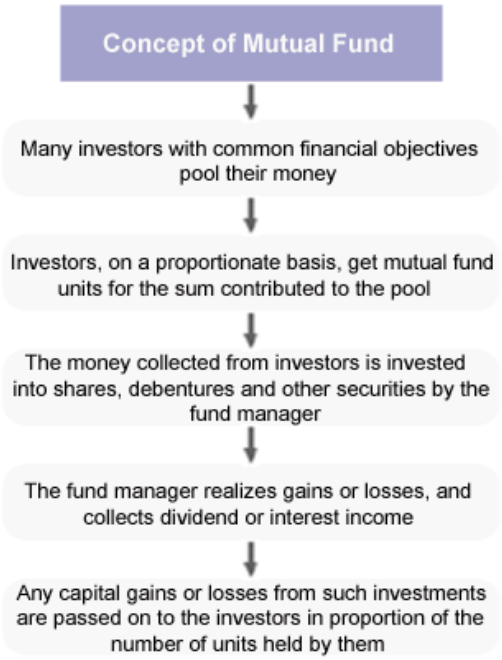
- The study is conducted in short period, due to which the study may not be detailed in all aspects.
- The study is limited only to the analysis of different schemes and its suitability to different investors according to their risk-taking ability.
- The study is based on secondary data available from monthly fact sheets, web sites, offer documents, magazines and newspapers etc. as primary data was not accessible.
- The study is limited by the detailed study of various schemes.

III. LITERATURE REVIEW

MUTUAL FUND

Mutual fund is a trust that pools money from a group of investors (sharing common financial goals) and invest the money thus collected into asset classes that match the stated investment objectives of the scheme. Since the stated investment objective of a mutual fund scheme generally forms the basis for an investor's decision to contribute money to the pool, a mutual fund can not deviate from its stated objectives at any point of time.

Every Mutual Fund is managed by a fund manager, who using his investment management skills and necessary research works ensures much better return than what an investor can manage on his own. The capital appreciation and other incomes earned from these investments are passed on to the investors (also known as unit holders) in proportion of the number of units they own.



When an investor subscribes for the units of a mutual fund, he becomes part owner of the assets of the fund in the same proportion as his contribution amount put up with the corpus (the total amount of the fund). Mutual Fund investor is also known as a mutual fund shareholder or a unit holder.

Any change in the value of the investments made into capital market instruments (such as shares, debentures etc) is reflected in the Net Asset Value (NAV) of the scheme. NAV is defined as the market value of the Mutual Fund scheme's assets net of its liabilities. NAV of a scheme is calculated by dividing the market value of scheme's assets by the total number of units issued to the investors.

ADVANTAGES OF MUTUAL FUND

1. Portfolio Diversification Mutual Funds invest in a well-diversified portfolio of securities which enables investor to hold a diversified investment portfolio (whether the amount of investment is big or small).

2. Professional Management Fund manager undergoes through various research works and has better investment management skills which ensure higher returns to the investor than what he can manage on his own.

3. Less Risk Investors acquire a diversified portfolio of securities even with a

small investment in a Mutual Fund. The risk in a diversified portfolio is lesser than investing in merely 2 or 3 securities.

4. Low Transaction Costs Due to the economies of scale (benefits of larger volumes), mutual funds pay lesser transaction costs. These benefits are passed on to the investors.

5. Liquidity An investor may not be able to sell some of the shares held by him very easily and quickly, whereas units of a mutual fund are far more liquid.

6. Choice of Schemes Mutual funds provide investors with various schemes with different investment objectives. Investors have the option of investing in a scheme having a correlation between its investment objectives and their own financial goals. These schemes further have different plans/options

7. Transparency Funds provide investors with updated information pertaining to the markets and the schemes. All material facts are disclosed to investors as required by the regulator.

8. Flexibility Investors also benefit from the convenience and flexibility offered by Mutual Funds. Investors can switch their holdings from a debt scheme to an equity scheme and vice-versa. Option of systematic (at regular intervals) investment and withdrawal is also offered to the investors in most open-end schemes.

9. Safety Mutual Fund industry is part of a well-regulated investment environment where the interests of the investors are protected by the regulator. All funds are registered with SEBI and complete transparency is forced.

DISADVANTAGES OF MUTUAL FUND

1.Costs Control Not in the Hands of an Investor Investor has to pay investment management fees and fund distribution costs as a percentage of the value of his investments (as long as he holds the units), irrespective of the performance of the fund.

2. No Customized Portfolios The portfolio of securities in which a fund invests is a decision taken by the fund manager. Investors have no right to interfere in the decision making process of a fund manager, which some investors find as a constraint in achieving their financial objectives.

3. Difficulty in Selecting a Suitable Fund Scheme Many investors find it difficult to select one option from the plethora of funds/schemes/plans available. For this, they may have to take advice from financial planners in order to invest in the right fund to achieve their objectives.

TYPES OF MUTUAL FUNDS

General Classification of Mutual Funds

Open-end Funds / Closed-end Funds

Open-end Funds

Funds that can sell and purchase units at any point in time are classified as Open-end Funds. The fund size (corpus) of an open-end fund is variable (keeps changing) because of continuous selling (to investors) and repurchases (from the investors) by the fund. An open-end fund is not required to keep selling new units to the investors at all times but is required to always repurchase, when an investor wants to sell his units. The NAV of an open-end fund is calculated every day.

Closed-end Funds

Funds that can sell a fixed number of units only during the New Fund Offer (NFO) period are known as Closed-end Funds. The corpus of a Closed-end Fund remains unchanged at all times. After the closure of the offer, buying and redemption of units by the investors directly from the Funds is not allowed. However, to protect the interests of the investors, SEBI provides investors with two avenues to liquidate their positions:

1. Closed-end Funds are listed on the stock exchanges where investors can buy/sell units from/to each other. The trading is generally done at a discount to the NAV of the scheme. The NAV of a closed-end fund is computed on a weekly basis (updated every Thursday)
2. Closed-end Funds may also offer "buy-back of units" to the unit holders. In this case, the corpus of the Fund and its outstanding units do get changed.

Load Funds/no-load funds

Load Funds

Mutual Funds incur various expenses on marketing, distribution, advertising, portfolio churning, fund manager's salary etc. Many funds recover these expenses from the investors in the form of load. These funds are known as Load Funds. A load fund may impose following types of loads on the investors:

- **Entry Load –** Also known as Front-end load, it refers to the load charged to an investor at the time of his entry into a scheme. Entry load is deducted from the investor's contribution amount to the fund.
- **Exit Load –** Also known as Back-end load, these charges are imposed on an investor when he redeems his units (exits from the scheme). Exit load is deducted from the redemption proceeds to an outgoing investor.
- **Deferred Load –** Deferred load is charged to the scheme over a period of time.
- **Contingent Deferred Sales Charge (CDSS) –** In some schemes, the percentage of exit load reduces as the investor stays longer with the fund. This type of load is known as Contingent Deferred Sales Charge.

No-load Funds

All those funds that do not charge any of the above mentioned loads are known as No-load Funds.

Tax-exempt Funds/ Non-Tax-exempt Funds

Tax-exempt Funds

Funds that invest in securities free from tax are known as Tax-exempt Funds. All open-end equity oriented funds are exempt from distribution tax (tax for distributing income to investors). Long term capital gains and dividend income in the hands of investors are tax-free.

Non-Tax-exempt Funds

Funds that invest in taxable securities are known as Non-Tax-exempt Funds. In India, all funds, except open-end equity oriented funds are liable to pay tax on distribution income. Profits arising out of sale of units by an investor within 12 months of purchase are categorized as short-term capital gains, which are taxable. Sale of units of an equity oriented fund is subject to Securities Transaction Tax (STT). STT is deducted from the redemption proceeds to an investor.

IV. FINDINGS

- Based on the comparative performance analysis of equity mutual funds at HDFC, the following findings were observed:
- Equity mutual funds generated higher returns over the long term compared to traditional investment avenues such as fixed deposits and savings accounts.
- Risk-adjusted performance measures such as Sharpe Ratio, Treynor Ratio, and Jensen's Alpha provided a more accurate assessment of fund performance than absolute returns alone.
- Large-cap equity mutual funds exhibited relatively stable returns with lower risk compared to mid-cap and small-cap funds.
- Mid-cap and small-cap funds delivered higher returns during bullish market conditions but were associated with greater volatility and risk.
- Diversification across sectors and securities helped reduce unsystematic risk and improved portfolio performance.
- HDFC equity mutual funds demonstrated consistent performance due to professional fund management and disciplined investment strategies.
- The Net Asset Value (NAV) of most selected funds showed a positive growth trend over the study period.
- Market fluctuations, economic conditions, interest rates, and government policies significantly influenced mutual fund performance.
- Investors with longer investment horizons benefited more from equity mutual funds through the power of compounding.

- Systematic Investment Plans (SIPs) helped investors mitigate market timing risk and accumulate wealth steadily.
- Funds with lower expense ratios generally provided better net returns to investors over time.

V. SUGGESTIONS

- Investors should evaluate mutual funds based on risk-adjusted returns rather than relying solely on past performance.
- HDFC should continue focusing on strong research and portfolio diversification to maintain consistent fund performance.
- Investors should select funds according to their risk tolerance, financial goals, and investment horizon.
- Long-term investment through SIPs should be encouraged as it reduces the impact of market volatility.
- Regular monitoring and review of fund performance should be undertaken to ensure alignment with investment objectives.
- Investors should diversify their investments across different categories of mutual funds to minimize risk.
- HDFC should increase investor awareness programs regarding mutual fund risks, returns, and portfolio management strategies.
- Fund managers should continuously review sector allocations to capitalize on emerging market opportunities.
- Investors should compare expense ratios and fund management efficiency before selecting mutual fund schemes.
- Greater emphasis should be placed on financial planning and asset allocation rather than short-term market movements.
- HDFC should strengthen digital investment platforms to provide better accessibility and transparency for investors.

VI. CONCLUSIONS

Finally we conclude the reveals that equity mutual funds are an effective investment avenue for wealth creation and portfolio diversification. The analysis indicates that while different mutual fund schemes generate varying levels of returns and risk, risk-adjusted performance measures provide a comprehensive evaluation of fund efficiency. HDFC equity mutual funds have generally demonstrated satisfactory performance through professional management, diversified portfolios, and consistent investment strategies.

The study further concludes that investors should not focus solely on return generation but should also consider the level of risk undertaken to achieve those returns. Long-term investment, disciplined savings through SIPs, and proper fund selection based on financial objectives are critical for maximizing investment outcomes. Overall, equity mutual funds offered by HDFC remain a suitable investment option for investors seeking balanced growth, professional management, and long-term capital appreciation while managing investment risks effectively.

REFERENCES

- Alexander, G. J., Sharpe, W. F., & Bailey, J. V. (2013). *Fundamentals of Investments*. Pearson Education.
- Bodie, Z., Kane, A., & Marcus, A. J. (2021). *Investments* (12th Edition). McGraw-Hill Education.
- Chandra, P. (2022). *Investment Analysis and Portfolio Management* (6th Edition). McGraw-Hill Education.
- Fischer, D. E., & Jordan, R. J. (2018). *Security Analysis and Portfolio Management*. Pearson Education.
- Kothari, C. R. (2019). *Research Methodology: Methods and Techniques*. New Age International Publishers.

- Prasanna Chandra. (2021). *Investment Management*. Tata McGraw-Hill Publishing Company.
- Rustagi, R. P. (2020). *Financial Management: Theory, Concepts and Problems*. Taxmann Publications.
- Singh, P. (2018). *Investment Management: Security Analysis and Portfolio Management*. Himalaya Publishing House.
- Sharpe, W. F. (1966). "Mutual Fund Performance." *The Journal of Business*, 39(1), 119–138.
- Treynor, J. L. (1965). "How to Rate Management of Investment Funds." *Harvard Business Review*, 43(1), 63–75.

WEB SITES

www.amfiindia.com

www.hdfc.com

www.bseindia.com

www.nseinda.com

www.bluechipinda.co.in