ABSTRACT

Performance of Select Large Cap Mutual Fund Schemes during Bear and Bull Phases of Indian Securities Markets. An Empirical Study

The AUM of Indian mutual fund industry has more than doubled in last 4 years. Maintaining the same level of performance across both bear and bull market phases is an indispensable deliverable for the fund managers. Else, the investors need to switch their holdings when markets shift from one phase to another.

This research work attempts to identify whether there is any significant difference in risk adjusted returns, fund managers’ decision making abilities and price co-movement of fund & benchmark between consecutive bear and bull phases. The measures used for evaluation were Sharpe and Treynor ratios, Jensen’s alpha, Eugene Fama model and Information ratio.

Top 10 large cap equity mutual fund schemes (ranked as per AAUM) were studied with NIFTY as benchmark. Analytical models used in the work were ANOVA, Independent Samples T Test, Mann Whitney U & Kolmogorov–Smirnov Tests, Cointegration and Error Correction Model.

The findings revealed that majority of the funds had not generated higher Risk Premium than NIFTY in either of the two phases. For the rest of the funds, the amount of higher risk premium generated was equal in both the phases. Also, none of the fund managers had been able to generate positive risk return tradeoff from active portfolio management in either of the two phases signifying no distinct change in fund managers’ decision making abilities in case of change in market phases. Finally it was found that although majority of the funds had exhibited a long run equilibrium relationship with NIFTY in either of the two phases, the nature of the short term relationship varied distinctively between the two phases. Most of the fund managers maintained a higher beta value in the bull phase than the bear phase but a higher intercept value in the bear phase than the bull phase. This highlighted that the fund managers were replicating NIFTY at a much higher pace in the bull period than the bear period.

For the selected funds, the research work demonstrated that investors' could have negated the risks associated with market swings by simply holding on to their portfolio.

INDRANIL SARKER