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A STUDY ON EVALUATING MUTUAL FUNDS PORTFOLIO PERFORMANCE AT HDFC BANK PVT.LTD, HYDERABAD

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ABSTRACT

This study focuses on evaluating the performance of selected mutual fund schemes offered by HDFC Mutual Fund. The objective of the study is to analyze the return, risk, and risk-adjusted performance of equity, debt, and hybrid mutual fund schemes and assess their effectiveness as investment avenues. The study uses secondary data collected from sources such as HDFC Mutual Fund, AMFI, SEBI, Value Research, and other financial databases. Various financial tools such as Average Return, Standard Deviation, Beta, Sharpe Ratio, Treynor Ratio, and Jensen's Alpha have been applied to measure and compare scheme performance.

The findings reveal that HDFC equity schemes generated higher returns but were associated with greater risk, while debt schemes provided stable and consistent returns with lower risk. Hybrid schemes offered a balanced combination of growth and stability. Risk-adjusted performance analysis indicates that most selected schemes performed efficiently and delivered positive returns relative to the risks undertaken. The study also highlights the steady growth of HDFC AMC's Assets Under Management (AUM), reflecting increasing investor confidence and the strong market position of the company.

The study concludes that HDFC Mutual Fund provides diversified investment opportunities suitable for different investor categories. Investors should consider both risk and return while selecting schemes rather than relying solely on past performance. The findings may be useful for investors, financial advisors, and future researchers in understanding mutual fund portfolio performance and making informed investment decisions.

Keywords: Mutual Funds, HDFC Mutual Fund, Portfolio Performance, Risk-Return Analysis, Sharpe Ratio, Treynor Ratio, Jensen's Alpha, Equity Funds, Debt Funds, Hybrid Funds, Investment Performance.

Introduction

Mutual funds have emerged as one of the most popular investment options in India, offering investors the benefits of professional fund management, diversification, liquidity, and potential wealth creation. They enable individuals to invest in a diversified portfolio of securities without requiring extensive market knowledge. With increasing financial awareness and digital investment platforms, mutual funds have gained significant acceptance among retail investors. HDFC Mutual Fund is one of India's leading asset management companies, offering a wide range of equity, debt, and hybrid schemes to meet diverse investor needs. Evaluating the performance of these schemes is important for understanding their return-generating ability and risk management effectiveness.

This study aims to evaluate the portfolio performance of selected HDFC Mutual Fund schemes using various risk and return measures such as Standard Deviation, Beta, Sharpe Ratio, Treynor Ratio, and Jensen's Alpha. The analysis helps investors assess the efficiency of fund management and make informed investment decisions.

Review of Literature

The mutual fund industry has attracted significant attention from researchers due to its importance in investment management and wealth creation. Various studies have examined the relationship between risk, return, diversification, and fund performance.

William F. Sharpe (1966) developed the Sharpe Ratio, one of the most widely used risk-adjusted performance measures. His study emphasized that mutual fund performance should be evaluated not only on the basis of returns but also considering the risk undertaken to generate those returns. The Sharpe Ratio measures excess return per unit of total risk and remains a standard tool for evaluating mutual fund efficiency.

Jack L. Treynor (1965) introduced the Treynor Ratio, which measures returns earned above the risk-free rate relative to systematic risk (Beta). His research highlighted that investors should assess mutual fund performance based on market-related risk rather than total risk. The Treynor Ratio continues to be an important measure for comparing mutual fund schemes.

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Michael C. Jensen (1968) developed Jensen's Alpha model to evaluate the ability of fund managers to generate returns beyond those expected based on market risk. A positive Jensen's Alpha indicates superior fund management and successful stock selection. Jensen's work remains highly influential in mutual fund performance evaluation studies.

Harry Markowitz (1952) introduced the Modern Portfolio Theory (MPT), which emphasized diversification as a method for reducing investment risk. According to the theory, investors can achieve optimal returns by combining different assets in a portfolio. Mutual funds are considered practical applications of this theory because they provide diversified investment opportunities to investors.

Summary of Literature Review

The review of literature indicates that mutual fund performance should be assessed using both return and risk measures. Studies by Sharpe, Treynor, Jensen, and Markowitz provide the theoretical foundation for performance evaluation, while Indian researchers have emphasized the practical significance of mutual funds in wealth creation and investment planning. The literature also highlights the importance of diversification, professional fund management, and risk-adjusted performance analysis in determining the success of mutual fund schemes. These studies provide a strong basis for evaluating the performance of selected HDFC Mutual Fund schemes in the present research.

Objectives of the Study

1. To study the growth and performance of HDFC Mutual Fund.
2. To evaluate the returns of selected equity, debt, and hybrid schemes.
3. To analyses the risk associated with selected mutual fund schemes.
4. To measure risk-adjusted performance using Sharpe Ratio, Treynor Ratio, and Jensen's Alpha.
5. To compare scheme performance with benchmark indices.
6. To provide suggestions for investors based on the findings.

Need for the Study

- To understand the performance of HDFC Mutual Fund schemes.
- To analyse the relationship between risk and return.
- To help investors make informed investment decisions.
- To compare different categories of mutual funds.
- To evaluate the effectiveness of fund management.

Scope of the Study

- Covers selected HDFC Mutual Fund schemes.
- Includes Equity, Debt, and Hybrid funds.
- Based on secondary data collected from reliable sources.
- Evaluates returns, risk, and risk-adjusted performance.
- Compares scheme performance with benchmark indices.
- Study period covers FY 2020–2025.

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- To provide suggestions for investors and future researchers.

DATA ANALYSIS AND INTERPRETATION

1. Performance Analysis of HDFC Equity Schemes

Equity schemes are a major category of HDFC Mutual Fund, offering investors the opportunity for higher long-term returns despite short-term market fluctuations. This study analysis selected large-cap, mid-cap, small-cap, flexi-cap, and diversified equity funds based on their 1-year, 3-year, and 5-year returns.

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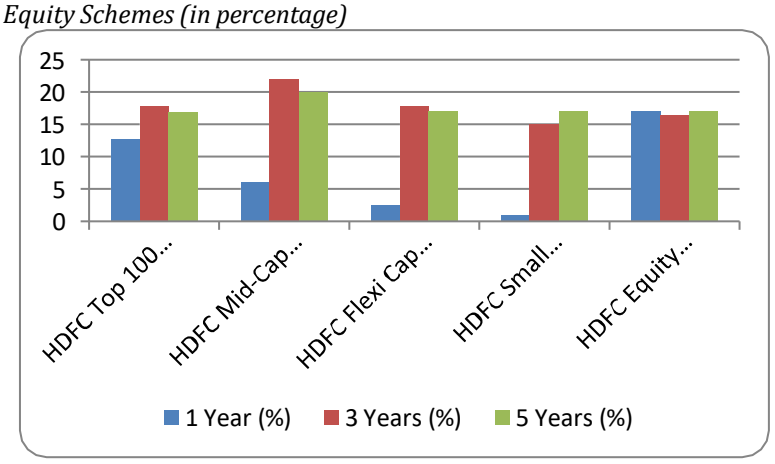
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Scheme Name	1 Year (%)	3 Years (%)	5 Years (%)
HDFC Top 100 Fund	12.7	17.8	16.9
HDFC Mid-Cap Opportunities Fund	5-7	21-23	20
HDFC Flexi Cap Fund	2-3	17.8	17
HDFC Small Cap Fund	2-0	15	17
HDFC Equity Fund	Similar range, varies by the plan	15-18	15-19

Table 1: Returns of HDFC Equity Schemes (in percentage)



Interpretation

The analysis shows that **HDFC Small Cap Fund** delivered the highest returns among the selected equity schemes, followed by the **Mid-Cap Opportunities Fund**. **Flexi Cap** and **Equity Funds** generated moderate returns, while **HDFC Top 100 Fund** offered relatively stable but lower returns. Overall, HDFC equity schemes outperformed their benchmark returns, indicating effective fund management and strong long-term growth potential. Small-cap funds provided higher returns but involved greater risk and volatility.

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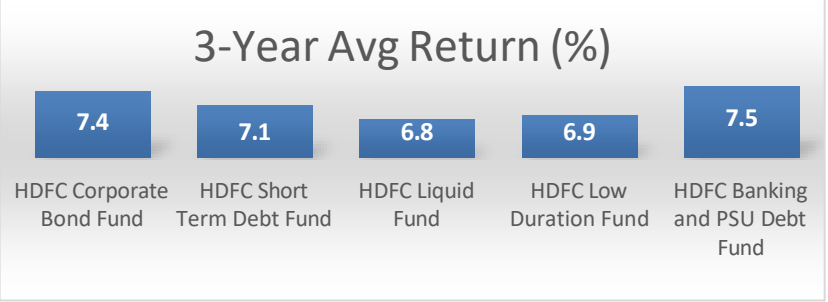
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2. Performance Analysis of HDFC Debt Schemes.

Debt schemes are designed for investors seeking capital protection and stable income rather than high returns. The selected HDFC debt funds include corporate bond, short-term debt, liquid, low-duration, and banking & PSU debt funds. Their performance is evaluated based on three-year average annualized returns.

Scheme Name	3-Year Avg Return (%)
HDFC Corporate Bond Fund	7.4
HDFC Short Term Debt Fund	7.1
HDFC Liquid Fund	6.8
HDFC Low Duration Fund	6.9
HDFC Banking and PSU Debt Fund	7.5

Table 4.2: Returns of HDFC Debt Schemes



Interpretation

Debt funds provided stable and predictable returns compared to equity funds. HDFC Corporate Bond Fund generated the highest return, while HDFC Liquid Fund offered the lowest but most stable return. The small difference in returns among debt schemes indicates that investors should choose funds based on their investment horizon, liquidity needs, and risk preference rather than focusing only on returns.

3. Performance Analysis of HDFC Hybrid Schemes.

Hybrid schemes combine the growth potential of equity with the stability of debt, making them suitable for moderate-risk investors. The selected HDFC hybrid funds are evaluated based on their three-year average annualized returns to assess their balanced performance.

Scheme Name	3-Year Avg Return (%)
HDFC Balanced Advantage Fund	14.7
HDFC Hybrid Equity Fund	13.5
HDFC Hybrid Debt Fund	7.2
HDFC Multi-Asset Fund	12.8

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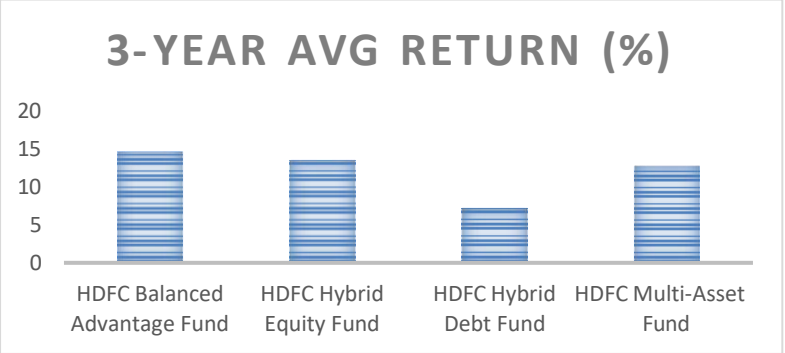
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Table.3: Returns of HDFC Hybrid Schemes



Interpretation

Among the hybrid schemes, **HDFC Balanced Advantage Fund** delivered the highest return, followed by **HDFC Hybrid Equity Fund** and **HDFC Multi-Asset Fund**. **HDFC Hybrid Debt Fund** generated comparatively lower returns due to its conservative approach. Overall, hybrid funds provide a balanced mix of growth and stability, making them suitable for moderate-risk and first-time investors.

4. Risk and Risk-Adjusted Performance Analysis

Returns alone do not provide a complete picture of mutual fund performance, as higher returns may involve higher risk. Therefore, the study evaluates the selected schemes using risk and risk-adjusted performance measures such as Standard Deviation, Beta, Sharpe Ratio, Treynor Ratio, and Jensen's Alpha.

Scheme	Std. Dev.	Beta	Sharpe	Treynor	Alpha
HDFC Top 100	14.0	0.95	0.38	0.11	1.50
HDFC Mid-Cap Opp.	13.7	0.83	1.07	0.19	2.18
HDFC Flexi Cap	15.2	0.92	0.98	0.17	4.33
HDFC Small Cap	18.5	1.05	1.12	0.22	5.20
HDFC Hybrid Equity	11.5	0.80	0.90	0.15	2.40

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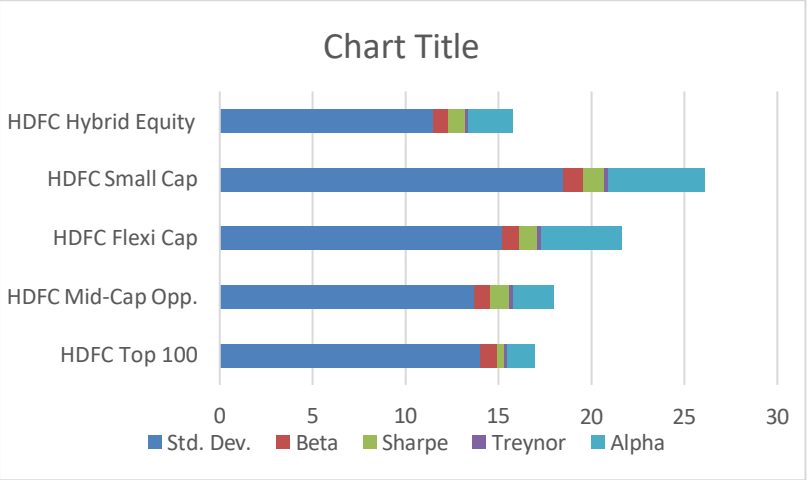
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Table 4: Risk and Risk-Adjusted Ratios of Selected Schemes



Interpretation

The HDFC Small Cap Fund achieved the highest risk-adjusted return, reflected by its strong Sharpe Ratio, but it also carried the highest volatility. In contrast, the HDFC Hybrid Equity Fund offered a balanced combination of good returns and lower risk. Positive Jensen's Alpha values across all schemes indicate that HDFC fund managers successfully generated returns above market expectations, demonstrating effective portfolio management.

Findings

- HDFC equity funds generated higher long-term returns compared to debt and hybrid funds.
- HDFC Small Cap Fund showed the highest return but also carried higher risk.
- Debt funds provided stable and consistent returns.
- Hybrid funds offered a balanced combination of growth and stability.
- Positive Jensen's Alpha values indicate effective fund management and benchmark outperformance.

Suggestions

- Investors should evaluate both risk and return before investing.
- Long-term investors may prefer equity funds for wealth creation.
- Conservative investors can choose debt funds for stable returns.
- Hybrid funds are suitable for moderate-risk investors.
- Investors should regularly review portfolio performance and benchmark comparisons.

Conclusion

The study concludes that HDFC Mutual Fund schemes have demonstrated strong performance across different categories. Risk-adjusted measures indicate that the selected schemes have generated satisfactory returns while effectively managing risk. HDFC AMC continues to maintain a strong market position and remains a reliable choice for investors.

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