PERFORMANCE EVALUATION OF BALANCED FUND SCHEMES IN INDIA

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ABSTRACT

Mutual Funds over the years have gained immensely in their popularity and a fast growing sector of Indian capital and financial markets. It has become a major vehicle for mobilization of savings, especially from the small and house hold savers for investment in the capital market. The objective of this paper is to evaluate the performance of balanced fund schemes in terms of risk and return and compare with market Benchmark. The results have been foundusing benchmark portfolio during the period April 7, 2010 to March 30, 2011. Performance measures used are, Sharpe ratio, Treynor ratio, Jensen'salpha, M^2measure and coefficient values. The studydirectsthat majority of the schemes have positive return and less systematic risk than the market portfolio. However, some of the schemes are not conformity with their stated objective and require more diversification.In overall, 14 balanced schemes have performed outstanding in market in terms of Sharpe &M^2 measure besides 15 schemes have outperformed under Treynor measure. Best performances have been found under; HDFC Children Gift Fund, HDFC Prudence Fund, HDFC Balanced Fund and ICICI Prudential Child Care Plan-SP whereas, Birla Sun life Freedom Fund,Tata Young Citizen Fund, UTI Retirement Benefit Pension Fund and UTI Mahila Unit scheme were found more volatile and worst performers among all.

Keywords: Performance of Balanced Fund Schemes.

INTRODUCTION:

A mutual fund is a trust that pools the saving of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through their investments and the capital appreciation realized, are shared by its unit holders in proportion to the number of units owned by them. Therefore, a mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

Mutual fund are the best and hassle free avenue for investment now a days for each class of investor whether big or small under any risk profile, via- low, moderate or high. The future of mutual funds is bright as it has seen a great upward trend in its first phase of operation and is set to grow manifold in near future. The investors are looking at the trend and finding it, the most beneficial avenue considering liquidity, safety and return aspects. Presently in India, there is a greater scope of development of mutual fund investment programmes and also there are wide variety of mutual fund schemes that cater to the needs of various classes of investors according to their age, risk tolerance, return expectations which aim to provide both capital appreciation income by periodical distribution of dividend as per the choice of investor. Therefore, the need arises to study the performance of mutual funds in India.

REVIEW OF LITERATURE:

The concept mutual fund is a fairly new one to the Indian capital market but not to the international capital world. By the 1930's a large number of close-ended mutual funds have been formed in the United States of Americaconsequently, more studies have been conducted in other countries.

The study by Mc Donald (1974) examined the performance of 123 mutual funds in relation to the stated objectives of each fund. The results showed positive relationship between fund objectives and risk measures. This implied that a funds risk increases when it becomes more aggressive. Salvi (1991) evaluated money market mutual funds and found the average rate of return provided by MMMF's in the United States,which was in the range of 8 percent to 9 percent.Brown, Stephen (1992) analyzed the relationship between volatility and returns in a sample that was truncated by survivorship and showed that this relationship gave rise to the appearance of predictability. Further, Madhu (1996) examined why mutual funds had prospered in the last few years, what was the extent of growth and whether the regulatory framework for their operation reflected the changing environment.Jayadev (1998) examined the performance of 62 mutual funds schemes using monthly NAV data for the period of April 1987 to March 1995. He explored superior performance of bulk (30 out of 44) of the sample schemes when total risk was considered. Only 24 out of 44 schemes outperformed the benchmark portfolio. Gupta (2000) evaluated 73 mutual fund schemes based on weekly NAV data for the five year period i.e. from April 1, 1994 to March 31, 1999. The empirical results reported a mixed performance of sample schemes during the study period. No conclusive evidence scheme was available which warranted their performance to be superior to the relevant benchmark.Smith (2001)examined the degree of performance persistency between the two classes to discern if closed end funds are able to maximize their liquidity advantages and thereby display a greater performance persistency than that of open end funds. The empirical analysis included the spearman rank correlation coefficient to examine relative performance persistency.Singh and Vanita (2002) conducted a study, based on a survey of 150 respondents in Delhi. Their results showed that investor in general, did not perceive the risk inherent in mutual fund investment and used it primarily as a task saving instrument. However, open ended schemes and balanced funds were most preferred by the investor. Alexander (2003) found a significant and negative relationship between the volatility of daily fund flows and cross-sectional differences in performance. Monthly analysis indicated that this relationship applies only to current monthly returns and that flow volatility does not influence the returns of future months. Similarly, Mehru. (2004) observed that mutual funds failed to provide safety, liquidity and returns on investments to the small investors, which were facing several problems in our country like the structural, investors related and performance related. He concluded that the greater transparency, increased innovations, better services to the investor, liquidity and higher returns will make mutual fund schemes more popular and investor friendly.Henri and Peter (2005) studied the size of mutual fund industry in 56 countries. It was larger in countries with stronger rules, laws, and regulations and specifically where mutual fund investors' rights were better protected. The industry was smaller in countries where barriers to entry were higher. Thus, the results indicated that laws and regulations, supply-side and demand-side factors simultaneously affected the size of the fund industry.Muthappan and Damodharan (2006)evaluated the performance of Indian mutual fund schemes in the framework of risk and return during the period (1995-2000). The results indicated that the risk and return of mutual fund schemes were not in conformity with their stated investment objectives. Further, Acharya and

Gajendra (2007)attempted a study to classify hundred mutual funds employing cluster analysis by usinga criteria like the 1 year total return, 2 year annualized return, 3 year annualized return, 5 year annualized return, alpha, beta, R-squared, Sharpe's ratio, mean and standard deviation etc. Their study found evidences of inconsistencies between the investment style/objective classification and the return obtained by the fund.Jaksa and Wang (2008) studied the effects of Sharpe ratio which demonstrated that if manager's focus on the short horizon it will be detrimental to the long-horizon investor. When the returns were low, the performance drop its significant, even when horizons were not very different. When the returns were mean reverting, the performance was exacerbated. This showed that the manager's strategy tended to increase (decrease) the risk in the latter part of the optimization period after a bad (good) performance in the earlier part of the period, in agreement with empirical observations.Anshuman (2009)found that top-performing funds receive net inflow of new money. However, funds that perform unwell did not lose many assets. A high correlation between the rating and the subsequent cash inflow into the fund was one such standard that investors consider while making investments. The study also compared the funds' performance in the out-of-sample period (different period) with the in-the-sample period (sample data period) ratings.Ravi and Aditi (2010)examined the performance of mutual funds which was a great deal of attention from both practitioners and academics. Their idea behind evaluation was to find the returns provided by the individual schemes especially growth funds and the risk levels at which they were delivered in comparison with the market and the risk free rates.

SCOPE AND OBJECTIVES OF THE STUDY:

Mutual funds play an important role in the growth of Indian capital market. A proper evaluation measure may help the small investors to decide about the level of investment in various mutual fund schemes, so as to maximize their returns. The present study is an attempt to evaluate the performance of 30 open-ended balanced fund schemes floated by the different institutionson the basis of weekly returns compared with risk free security returns and BSE index during the period April2010 to March2011.

OBJECTIVES:

On the basis of the relevance and scope of the study, following objectives are framed:

1. To evaluate the investment performance of selected balanced fund schemes in terms of risk and returns.
2. To study the impact of stock market fluctuations on selected mutual fund schemes in India by applying various performance measures.

DATA COVERAGE:

The sample consists of 30 different open-ended mutual fund schemes from public sector financial institutions, banks, private sector organizations and unit trust of India for the period of 52 weeks. Under this study leading schemes for at least three years have been considered and broad 100 share based BSE national index has been used as proxy to find out the performance of the schemes in market.

The collection of information is based upon the primary and secondary method. The primary data have been collected through discussions with mutual fund institute's officials and secondary information has been collected through various books, studies, annual reports of various institutions and websites. In addition, various Journals, magazines, articles, books, published and unpublished document have also been considered.

METHODOLOGY:

The analysis and interpretation is based upon following methodology as under:

Portfolio return:

$$R_p = \frac{NAV_t - NAV_{t-1}}{NAV_{t-1}}$$

Where,$R_p$is a difference between net asset values for two consecutive days divided by the NAV of preceding week.

Market Return:

$$R_m = \frac{M.\ Ind_t - M.Ind_{t-1}}{M.Ind_{t-1}}$$

Where,R_m is the difference between Market Indexes(M.Ind) of two consecutive days, divided by the market index for the preceding week.

Average return:

$$AR_P = \sum_{t=1}^{n} \frac{R_P}{T}$$

Where, AR_P is Average return on portfolio

$$AR_m = \sum_{t=1}^{n} \frac{R_m}{T}$$

AR_m = Market Average Return

MEASURING RISK RETURN RELATIONSHIP:

To measure the relationship between risk and return precisely, following tools have been used.

STANDARD DEVIATION (σ):

It is used to measure variation in the individual returns from the average expected return over a certain period. Lower the investors risk tolerance, less likely it is that he or she will hold the risky fund long enough to achieve its ultimate return.

$$\sigma_p = \sum_{t=1}^{n} \left[\frac{(Rp - ARp)^2}{t-1} \right]^{1/2}$$

Where,

σ_p is total risk of the scheme portfolio. The total risk on the market portfolio is computed as follows:

$$\sigma_m = \sum_{t=1}^{n} \left[\frac{(Rm - ARm)^2}{t-1} \right]^{1/2}$$

Where, σ_m is Total risk of the market portfolio and σ_p is Total risk of the scheme portfolio.

BETA (β):

Beta coefficient compares the variability of funds return to the market as a whole. It is a relative measure unlike absolute measure. By conversion, market will have beta 1. Mutual fund can be said as volatile, more volatile or less volatile. In order to obtain the systematic risk beta of the portfolio, Capital Asset Pricing Model (CAPM) version of market model is applied. The estimable form of CAPM is:

$R_P = a + \beta p\, R_M + e_p$

Where,

R_P is Return on the mutual fund scheme

R_M is Return on the market index

a is the Constant term

e_p is the Error term

β is the Systematic risk

RISK FREE RATE:

Risk free rate of return refers to that minimum return on investment that has no risk of losing the investment over which it is earned. In the present study, 91-day Treasury bills (T-bills) has been used as proxy for risk free rate which is the standard practice under empirical research in finance world over.

MEASURES OF PERFORMANCE EVALUATION:

The performance of selected mutual fund schemes has been evaluated by using following measures. A brief description of these measures is given below.

SHARPE RATIO:

Sharpe index measure the risk premium of the portfolio relative to total amount of risk in the portfolio. This ratio is referred as reward to variability ratio. The Sharpe ratio for different mutual fund schemes as well as benchmark portfolio has been computed by using following equation:

$$Sr = \frac{ARp - AR_f}{\sigma p}$$

Where,

Sr is Sharpe's Ratio
ARp is Average return on portfolio
AR_f is Average risk free return
σp is Standard deviation of return on portfolio

TREYNOR INDEX :

The volatility ratio indicates the relationship between additional return and systematic risk. A comparison can be made with the benchmark taking systematic risk of market portfolio.

$$Tr = \frac{AR_p - AR_f}{\beta_p}$$

Where,

Tr is Treynor's Ratio
ARp is Average return on portfolio
ARf is Average risk-free rate of return
β_p is Sensitivity of fund return to market return

It measure portfolio risk in terms of beta, and the ratio is relevant to the investors. The higher the ratio better is the performance.

JENSEN'S MEASURE:

The Jensen measure suggests explicit account of the effects of risk on returns of the portfolio. It is regression of excess fund return with excess market return. The intercept of the equation provides Jensen's measure performance. It is expressed as:

$R_p-R_f = \alpha+\beta (R_m-R_f) + ei$

Where:

Alpha (α) is the intercept term
β is Systematic risk
R_m is Market return
R_p is Return on portfolio
R_f is Return on risk-free asset

COEFFICIENT VALUES:

Coefficient of variation is applied to measure the variability of return in terms of risk. Higher value shows greater variability in returns of a particular scheme. Coefficient of correlation has also been applied to amount the degree of relationship between balanced schemes and market portfolio. The values under *r* provide an indication of how closely the excess return on scheme portfolio is associated with the excess return on the BSE index (Benchmark). The coefficient of determination represents the proportion of variation in the excess return on scheme that is related to the variation in the excess return on the market index. R^2 indicates the degree of diversification as well. Coefficient of non-determination represents the proportion of movement in the excess return on scheme which is not due to the market.

RESULTS AND DISCUSSION:

An attempt has been made to evaluate the performance of selected balanced schemes in India. Table 1 categorized the performance of sample schemes in terms of risk and return. The results indicate that all schemes earned positive return exceptTata Young Citizen Fund, UTI Mahila Unit Scheme and UTI Retirement Benefit Pension Fund.

Out of total sample, 16 schemes have generated more return than risk free rate and only11schemes have earned higher return in comparison to the market. In terms of return the top performers are HDFC Children Gift Fund, HDFC Prudence Fund and HDFC Balanced Fund. The average return earned by the all sample schemes is .0995 whereas average risk free return for the same period works out to be .1431. This implies that the sample

schemes on an average, failed to perform better than the risk free asset and the Benchmark (.1719) as well.
Out of total sample, 26 schemes have generated short risk than market and 4 schemes namely UTI Mahila Unit Scheme, Tata Young Citizen Fund, UTI Retirement Benefit Pension fund and ICICI Prudential Child Care Plan-GP have acquired high risk than market portfolio. The average risk of all balanced schemes is 1.7271 which is lower than the benchmark of 2.3088. Hence, the analysis reveals that maximum balanced schemes are in conformity with their stated objectives of moderate risk.
All balanced fund schemes have positive Beta which statestheir direct relationship with the market changes. In overall, 29 schemes have Beta less than one which predicts that these are defensive in nature and less sensitive to the market forces whereas, 1scheme namely Tata Young Citizen Fund (1.0159) is more volatile in nature and can change aggressively than the market portfolio.Principal balanced fund, ICICI prudential child care plan- GP and JM Balanced Fund have high value of beta whereas UTI Mahila Unit Scheme, ICICI Prudential Child Care Plan-SP and Templeton India Pension Plan have lowest beta among all sample schemes. It is also noted that, all balanced schemes have low average beta (.5565) which depicts moderate risk and it ranges from .1137 of UTI Mahila Unit Scheme to maximum of1.0159 for Tata Young Citizen Fund.

TABLE 1: PERFORMANCE EVALUATION OF BALANCED FUND SCHEMES

Name of Schemes	Average Return	Total Risk(σ)	Beta (β)	Alpha (α)	Sr	Tr	M^2
Baroda Pioneer Balanced Fund	0.2612	1.5481	0.6095	0.1005	0.0763	0.1938	0.3192
Birla Sunlife 95 Fund	0.246	1.4619	0.5551	0.0869	0.0704	0.1854	0.3056
Birla Sunlife Freedom Fund	0.0115	1.4099	0.6344	-0.1499	-0.0933	-0.2074	-0.0724
CanaraRobeco Balance	0.1873	1.4075	0.5515	0.0283	0.0314	0.0801	0.2156
DSP BlackRock Balanced Fund	0.1896	1.5023	0.5839	0.0297	0.0310	0.0796	0.2146
Escort Balanced Fund	0.0875	1.8371	0.6469	-0.0742	-0.0303	-0.0859	0.0732
FT India Balanced Fund	0.1708	1.4129	0.5972	0.0105	0.0196	0.0464	0.1884
HDFC Balanced Fund	0.2885	1.3893	0.4905	0.1313	0.1047	0.2964	0.3847
HDFC Children Gift Fund	0.4021	1.5991	0.5646	0.2427	0.1620	0.4587	0.5170
HDFC Children Gift Fund-SP	0.1822	0.4545	0.1476	0.0348	0.0860	0.2649	0.3417
HDFC Prudence Fund	0.3178	1.5856	0.5766	0.1581	0.1102	0.3030	0.3975
ICICI Prudential Balanced Plan	0.2256	1.5183	0.6166	0.0647	0.0543	0.1338	0.2686
ICICI Prudential Child Care Plan-GP	0.0521	2.3292	0.8572	-0.1157	-0.0391	-0.1062	0.0529
ICICI Prudential Child Care Plan-SP	0.1991	0.6449	0.2104	0.0499	0.0868	0.2662	0.3436
ING Balanced Fund	0.1589	1.5357	0.6399	-0.0026	0.0103	0.0247	0.1669
JM Balanced Fund-G	0.1314	1.978	0.7893	-0.0344	-0.0059	-0.0148	0.1294
Kotak Balanced Fund	0.0518	1.6004	0.6258	-0.1093	-0.0570	-0.1459	0.0114
LIC MF Balanced	0.0529	1.631	0.6652	-0.1094	-0.0553	-0.1356	0.0154
Principal Balanced Fund	0.0492	1.6932	0.735	-0.1151	-0.0555	-0.1278	0.0151
Reliance Regular Saving Fund	0.1357	1.7709	0.6538	-0.0262	-0.0042	-0.0113	0.1335
SBI Magnum Balanced Fund	0.0869	1.6206	0.7052	-0.0765	-0.0347	-0.0797	0.0630
Sundaram Balanced Fund	0.2085	1.6573	0.6286	0.0473	0.0395	0.1040	0.2342
Tata Balanced Fund	0.1631	1.6552	0.6563	0.0011	0.0121	0.0305	0.1710
Tata Young Citizen Fund	-0.3669	3.7891	1.0159	-0.5393	-0.1346	-0.5020	-0.1677
Templeton India Children's Asset Plan	0.0971	0.3682	0.1709	-0.0509	-0.1249	-0.2692	-0.1453
Templeton India Pension Plan	0.1298	0.7257	0.3115	-0.0223	-0.0183	-0.0427	0.1008
UTI Balanced Fund-G	0.1687	1.6276	0.6754	0.0061	0.0157	0.0379	0.1794
UTI Mahila Unit Scheme	-0.8491	6.9202	0.1137	-0.9955	-0.1434	-8.7265	-0.1879
UTI Retirement Benefit Pension Fund	-0.2171	2.3216	0.3306	-0.3697	-0.1552	-1.0895	-0.2151
UTI Unit Linked Insurance Plan	0.1613	0.8188	0.3315	0.0087	0.0222	0.0549	0.1944
Market Index(Benchmark)	0.1719	2.3088	1	-	0.0125	0.0288	0.1719

Note: Sr, Tr and M^2 are performance measures.
Source: compiled from website www.mutualfundsindia.com.

It is clear from Table 1 that,16 schemes have positive Sharpe ratio andrest have negative values.While comparing the value of Sharpe index with market it is found that, 14 schemes have outperformed whereas 2 schemes namely ING balanced fund and Tata Balanced fund failed to perform well due to low return in market.The top performers under this measure are- HDFC Children Gift Fund, HDFC Prudence Fund and HDFC Balanced Fund. It can also be seen that, 16 schemes have attained positive values under Treynor measure and also outperformed in the market except one scheme namelyING Balanced fund. In overall, 15 balanced fund schemes performed sound in market. Top performers under this measure are-HDFC Children Gift Fund-GP, ICICI Prudential Child Care Plan-SP, HDFC Prudence Fund and HDFC Balanced Fund.

Further, M^2 measure depicts positive values of all schemes except 5 namely,Birla Sun Life Freedom Fund, Tata Young Citizen Fund, Templeton India Children Asset Plan, UTI Retirement Benefit Pension Fund and UTI Mahila Unit Scheme. Out of positive 25 schemes under this measure only 14 schemes have attained satisfactory results in market. The best performers' are-: HDFC Children Gift Fund, HDFC Prudence Fund, HDFC Balanced Fund and ICICI Prudential Child Care Plan whereas Kotak Balanced Fund, Principal Balanced Fund, LIC MF Balanced, ICICI Prudential Child Care Plan-GP, SBI Magnum Balanced Fund and Escort Balanced Fund are the worst performers under this measure.

As per Jensen measure, fifty per centsample schemes have negative alpha value which indicates that their fund managers are not fairly successful in predicting market movements. Fund manager of HDFC Children Gift Fund, HDFC Prudence Fund, HDFC Balanced Fund and Birla Sun life 95 Fund are efficient to forecast future security prices in time whereas they are failed under UTI Mahila unit scheme, Tata Young Citizen Fund, Birla Sun life Freedom fund and UTI Retirement Benefit Pension Fund. Thus, the sample schemes need more efficiency by fund managers to expect future prices in time. Thus, in selected balanced schemes superior performance is noticeable in HDFC fund.

The value under correlation Coefficient in Table 2 provides an indication that FT India Balanced Fund, SBI Magnum Balanced Fund, Birla Sun Life Freedom Fund and Templeton India Pension Plan are largely associated with the market. However, it ranges from .2260 of UTI Retirement Benefit Pension Plan to.9790 of FT India Balanced Fund. This analysis also depicts that 29 schemes have positive value except UTI Mahila Unit scheme which is negatively correlated to the market.

The value of R^2 represents that proportion of variation in the excess return of FT India Balanced Fund, SBI Magnum Balanced Fund and Birla sun life Freedom fundis highly linked with the excess return of the market.UTI Mahila Unit scheme and UTI Retirement Benefit Pension fund are indicating comparatively low value of R^2, therefore require more diversification.

TABLE 2: COEFFICIENT VALUE'S UNDER BALANCED FUND SCHEMES

Name of Schemes	Coefficient of Correlation	Coefficient of Determination	Coefficient of Non Determination	Coefficient of Variation
Baroda Pioneer Balanced Fund	0.9501	0.9027	0.0973	5.9269
Birla Sunlife 95 Fund	0.914	0.8354	0.1646	5.9427
Birla Sunlife Freedom Fund	0.9685	0.9380	0.0620	122.6000
CanaraRobeco Balance	0.9182	0.8431	0.1569	7.5147
DSP Blackrock Balanced Fund	0.909	0.8263	0.1737	7.9235
Escort Balanced Fund	0.7876	0.6203	0.3797	20.9954
FT India Balanced Fund	0.979	0.9584	0.0416	8.2722
HDFC Balanced Fund	0.8752	0.7660	0.2340	4.8156
HDFC Children Gift Fund	0.9121	0.8319	0.1681	3.9769
HDFC Children Gift Fund-SP	0.7876	0.6203	0.3797	2.4945
HDFC Prudence Fund	0.9039	0.8170	0.1830	4.9893
ICICI Prudential Balanced Plan	0.9637	0.9287	0.0713	6.7301
ICICI Prudential Child Care Plan-GP	0.8185	0.6699	0.3301	44.7063
ICICI Prudential Child Care Plan-SP	0.801	0.6416	0.3584	3.2391
ING Balanced Fund	0.96	0.9216	0.0784	9.6646
JM Balanced Fund-G	0.9103	0.8286	0.1714	15.0533
Kotak Balanced	0.8589	0.7377	0.2623	30.8958
LIC MF Balanced	0.898	0.8064	0.1936	30.8318

PRINCIPAL Balanced Fund	0.9583	0.9183	0.0817	34.4146
Reliance Regular Saving Fund	0.8431	0.7108	0.2892	13.0501
SBI magnum Balanced Fund	0.9737	0.9481	0.0519	18.6490
Sundaram Balanced Fund	0.8944	0.8000	0.2000	7.9487
Tata Balanced Fund	0.9149	0.8370	0.1630	10.1484
Tata Young Citizen Fund	0.5285	0.2793	0.7207	-10.3273
Templeton India Children's Asset Plan	0.9683	0.9376	0.0624	3.7920
Templeton India Pension Plan	0.9655	0.9322	0.0678	5.5909
UTI Balanced Fund-G	0.9597	0.9210	0.0790	9.6479
UTI Mahila Unit Scheme	-0.0549	0.0030	0.9970	-8.1500
UTI Retirement Benefit Pension Fund	0.226	0.0511	0.9489	-10.6937
UTI Unit Linked Insurance Plan	0.9376	0.8791	0.1209	5.0763

Source: Compiled from website www.mutualfundsindia.com.

High degree of correlation depicts low value of non-determination as per rule. Table 2presents the complete picture of the movements in excess return of market and balanced schemes. In terms of non-determination it can be conclude that movement arises in returns ofUTI Retirement Benefit Pension Plan, Tata Young Citizen Fund and UTI Mahila Unit Scheme are not due to the movements in market return.Further, the coefficient of variation is calculated to verify the consistency among returns of various balanced fund schemes. This measure revealsthat BirlaSun life Freedom Fund, ICICI Prudential Child Care Plan –GP and Principal Balanced Fund are more volatile schemes and did not out perform in market due to more variations in returns. On the other hand, ICICI Prudential Child Care Plan-SP, HDFC Children Gift Fund-SP, Birla Sun Life 95 fund, HDFC Children Gift Fund, HDFC Balanced Fund and HDFC Prudence Fund are less erratic schemes and outperformed in market due to more consistency in returns.

CONCLUSION AND SUGGESTIONS:

Majority of the balanced schemes showed positive return.Out of selectedschemes, 16 have acquired high return than risk free asset and 11 schemes attained additional return in market.However, some of the schemes could not get desirable results due to negative return namely, Tata Young Citizen Fund, UTI Mahila Unit scheme and UTI Retirement Benefit Pension Fund.In terms of total risk, 26 schemeshave less risk than market which represents the availability of moderate risk among sample schemes. All balancedfund schemes acquired less systematic risk than the marketexcept Tata Young Citizen Fundwhich is found more volatile in nature. On the basis of alpha,fifty per cent schemes failed to get desirable results due to the inefficiency of fund managers. In terms of Sharpe &M^2 measure, 14balanced fund schemes outperformed in market.While in terms of Treynor ratio, 15 schemes performed sound in market.

In overall, FT India Balanced Fund and SBI Magnum Balanced Fund werelargely associated with market Index whereasUTI Mahila unit scheme, Tata Young Citizen Fund and UTI Retirement benefit Pension Fund required more diversification.It can be concluded that Birla Sun life Freedom Fund, ICICI Prudential Child Care Plan-GP and Principal BalancedFund are extremely risky schemes with less consistency in returnand they also performed poor in market. On the other hand, ICICI Prudential Child Care Plan-SP, HDFC Children Gift Fund-SP, Birla Sun life 95 Fund, HDFC Balanced Fund and HDFC prudence Fund are foundless volatileand attained superlative results in market.Thus, some of the schemes are not conformity with their stated objective and require more diversification.Investors have to make self-analysisof one's needs, risk-bearing capacity, and expected returns so as to develop a prudent investment ideology.

Some investors prefer low risk with low and steady returns while some desire a scheme with high return whatever risk is engaged with it. Longer time horizon allows investor to take greater risk, with a greater potential to earn by investing across different market environments. If investors prefer to invest in balanced fund, a closer look is must at other balancedfund schemes of the same mutual fund. This can be useful for the investors, when changes have to be made either due to non-performance or in view of revised investment objective/s as well as time horizon.

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