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Risk-Adjusted Performance of Equity Mutual Funds: An Empirical Analysis using Alternative Asset Pricing Models

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Abstract: This research examines a performance evaluation of equity mutual fund schemes from the Asset Management Companies (AMCs) in the market. The primary objective is to assess the risk-adjusted returns and the performance of these schemes using various financial metrics and models. Specifically, the study applies the Jensen Measure, Three-Moment and Four-Moment Asset Pricing, Fama-French three-factor and Carhart models to determine the impact of market risk, size, value, profitability, and investment patterns on the returns of these funds. Data for the analysis are collected over a ten-year period, allowing for a comprehensive evaluation of both short-term and long-term performance. The findings reveal significant differences in performance across the selected mutual fund schemes, highlighting the influence of the fund manager's strategy and market conditions on returns. The study also explores the implications of these differences for investors, offering insights into the potential for achieving superior returns through strategic fund selection. There are 80 equity mutual fund schemes across AMCs. Overall, this research contributes to the literature on mutual fund performance by providing empirical evidence from the top ten AMCs, offering practical implications for both investors and fund managers aiming to optimize their investment strategies.

Keywords: Mutual Fund, Performance Evaluation

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