

# Risk-Return Analysis of Equity Mutual Fund Schemes: A Comparative Study of 27 Top-Ranked Funds

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**Abstract**—This research paper presents a comprehensive analysis of 27 top-ranked mutual fund schemes based on their risk-adjusted performance metrics. The study evaluates five critical risk ratios: Standard Deviation, Beta, Sharpe Ratio, Jensen's Alpha, and Treynor's Ratio to provide investors with data-driven insights for optimal fund selection. Using data from CRISIL ratings (as on June 30, 2025) with NAV calculations as of September 15, 2025, the analysis encompasses ten distinct fund categories including ELSS, Flexi Cap, Focused Funds, Large Cap, Mid Cap, Small Cap, Multi Cap, Large & Mid Cap, Sectoral/Thematic, and Value Funds. The findings reveal that HDFC Focused Fund achieves the highest Sharpe ratio of 1.42, while DSP Value Fund demonstrates the lowest risk with a standard deviation of 9.95%. The study concludes that focused investment strategies and value-oriented approaches deliver superior risk-adjusted returns, providing practical guidance for portfolio construction and investment decision-making.

**Index Terms**—Mutual Funds, Risk Ratios, Sharpe Ratio, Jensen's Alpha, Treynor's Ratio, Beta, Standard Deviation

## I. INTRODUCTION

The mutual fund industry has evolved into a cornerstone of modern investment management, offering retail and institutional investors diversified exposure to financial markets with professional management oversight. In an increasingly complex financial landscape, the ability to evaluate mutual fund performance through sophisticated risk-adjusted metrics has become essential for making informed investment decisions. Traditional return-focused analysis, while important, fails to capture the complete picture of fund performance, particularly regarding the risk undertaken to achieve those returns.

Risk-adjusted performance evaluation has gained significant prominence following the development of

Modern Portfolio Theory and the Capital Asset Pricing Model, which established the theoretical foundation for understanding the risk-return relationship in investment portfolios. The application of risk ratios such as Sharpe Ratio, Jensen's Alpha, Treynor's Ratio, Beta, and Standard Deviation provides investors with quantitative tools to assess fund performance beyond simple return comparisons.

The Indian mutual fund industry, representing one of the world's fastest-growing asset management sectors, has witnessed unprecedented growth in Assets under Management (AUM) and investor participation. With over 40 Asset Management Companies (AMCs) offering hundreds of schemes across various categories, the need for systematic performance evaluation has become paramount for both individual and institutional investors.

This study addresses the critical gap in comprehensive risk-adjusted performance analysis by examining 27 top-ranked mutual fund schemes across multiple categories. The research employs a quantitative methodology to evaluate five key risk ratios, providing insights into the relative performance of different investment strategies and fund categories. The findings contribute to the existing literature on mutual fund performance evaluation while offering practical guidance for investment decision-making.

### 1.1 Review of literature

Duggimpudi, Absou and Zaki (2010) evaluate the performance of Indian equity diversified mutual funds in period from 2000 to 2009. The financial tools like Treynor, Sharpe and Jensen models are used in this study. The results indicate a positive relation between risk and return of these mutual funds. Bahl and Rani (2012) investigate the performance of 29 open-ended, growth-oriented equity schemes for during the period

from April 2005 to March 2011. The study reveals that 14 out of 29 sample mutual fund schemes have outperformed the benchmark return. The result also shows that some of the schemes have underperformed, these schemes are facing the diversification problem. Prajapati and Patel (2012) evaluated comparative performance of five top Asset Management Companies using Treynor's Ratio, Sharpe Ratio, Jensen's Ratio, and Fama's measure. Their findings indicated that HDFC and Reliance Mutual Funds outperformed benchmark returns, while ICICI Prudential and UTI Mutual Funds demonstrated lower risk levels. The study found beta coefficients less than one for all selected mutual fund companies, suggesting lower systematic risk than market benchmarks. Annapoorna and Gupta (2013) analyze the performance of mutual fund schemes ranked 1 by CRISIL and compare these returns with SBI domestic term deposit rates. The result obtained from the study clearly depicts that, in most of the cases the mutual fund schemes have failed even to provide the return of SBI domestic term deposits. Ranjan and Gupta (2014) examine the top five assets management companies selected on the basis of AUM as on September 2014. The study brings out that out of all selected companies, HDFC equity fund is the best performer and give positive results. Kaur (2014) studies the performance of 23 open-ended debt mutual funds by comparing weekly returns of selected schemes with the benchmark returns. It is found that none of the schemes has performed better according to Sharpe and Jensen measures whereas twenty six percent schemes have outperformed the market according to Treynor measure. Chaudhary and Chawla (2014) analyze performance of the growth-oriented equity diversified schemes on the basis of return and risk evolution. The analysis depicts that majority of funds selected for study have outperformed under Sharpe ratio as well as Treynor ratio. Qamruzzaman (2014) evaluates the performance of 32 growth-oriented mutual funds on the basis of monthly returns compared with benchmark returns. This study finds that, over the research period, selected mutual funds show positive monthly return and upward trend in comparison to market return. Ramanujam and Bhuvaneshwari (2015) analyze the growth of mutual funds during March 2000 to March 2011. In this study, the growth of Indian mutual funds is presented by the parameters: growth of assets under management, assets under

management institution wise, sector wise mutual fund sales, sector wise mutual fund redemption, scheme wise resource mobilization by mutual fund and total number of schemes. The study exhibits that AUM of all the sectors, mutual fund sales, mutual fund redemption, scheme wise resource mobilization and number of schemes has been increased during the period of study. Sharma and Tripathi (2023) comparing Small Cap, Mid Cap, and Large Cap funds have found significant variations in risk-return profiles across market capitalization categories, with mid-cap funds showing optimal risk-adjusted performance.

The literature review reveals several gaps in existing research like limited comprehensive studies analyzing multiple risk ratios simultaneously across diverse fund categories; insufficient focus on category-wise performance comparisons using standardized metrics; and lack of recent studies incorporating latest market conditions and regulatory changes. The present study addresses these gaps by providing a comprehensive analysis of 27 top-ranked funds across multiple categories using five key risk ratios.

## 1.2 Objective of the study

The primary objective of present study is to conduct a comparative analysis of 27 top-ranked mutual fund schemes based on risk-adjusted performance metrics, providing data-driven insights for optimal investment decision-making.

The specific objectives of the study are:

- ❖ To evaluate the risk characteristics of mutual fund schemes across different categories using Standard Deviation and Beta coefficients to understand volatility patterns and market sensitivity.
- ❖ To analyze risk-adjusted returns through Sharpe Ratio calculations to identify funds that deliver superior returns per unit of total risk undertaken.
- ❖ To Assess Jensen's Alpha across all funds to determine the value-addition capabilities of fund managers beyond market-driven returns.
- ❖ To examine Treynor's Ratio to evaluate how effectively each fund utilizes systematic risk to generate returns.
- ❖ To provide comprehensive category-wise performance rankings to assist investors in understanding relative performance within specific investment strategies.

### 1.3 Database and Methodology

The present study is based on secondary data that have been collected from websites of Association of Mutual Funds in India (AMFI) and moneycontrol.com. The study utilizes a carefully curated dataset of 27 top-ranked mutual fund schemes, sourced from CRISIL ratings and performance data. The selection criteria ensured representation across multiple fund categories while focusing on high-performing schemes to provide meaningful comparative analysis. The five key risk ratios namely, Standard Deviation, Beta, Sharpe Ratio, Jensen’s Alpha and Treynor’s Ratio have been used in the study to evaluate the performance of selected mutual fund schemes.

#### Data Specifications:

- NAV data as of September 15, 2025
- CRISIL ratings as of June 30, 2025
- Risk ratios calculated on daily returns for the last 3 years
- All selected schemes carry CRISIL rating of 5 (highest rating)

Sample Composition: The sample includes 27 equity mutual fund schemes distributed across 10 categories. The sample composition is exhibited in Table 1.

Table 1: Sample Composition

Category	Number of Schemes
ELSS Funds	3
Flexi Cap Funds	3
Focused Funds	3
Large & Mid Cap Funds	3
Large Cap Funds	3
Mid Cap Funds	3
Sectoral/Thematic Funds	4
Small Cap Funds	2
Value Funds	2
Multi Cap Funds	1

Table 2: Category-wise Average Risk Ratios

Category	Standard Deviation (%)	Beta	Sharpe Ratio	Jensen's Alpha (%)	Treynor’s Ratio
ELSS	13.62	0.94	1.16	7.13	0.17
Flexi Cap Fund	13.02	0.87	1.14	6.82	0.17
Focused Fund	12.19	0.86	1.25	7.42	0.18
Large & Mid Cap	14.25	0.95	1.15	5.84	0.17
Large Cap Fund	11.78	0.90	0.96	4.49	0.13
Mid Cap Fund	15.51	0.88	1.19	5.37	0.21
Multi Cap Fund	13.48	0.91	1.07	4.05	0.16
Sectoral/Thematic	15.74	0.98	0.90	5.24	0.15
Small Cap Fund	16.89	0.92	1.16	5.10	0.21
Value Fund	11.64	0.78	1.11	5.86	0.17

Source: Computed from data available on website: www.moneycontrol.com

## II. RISK-RETURN ANALYSIS OF 27 TOP-RANKED MUTUAL FUND SCHEMES

### 2.1 Overall Performance Statistics

The comprehensive analysis of 27 top-ranked mutual fund schemes reveals significant variation in risk-return characteristics across different categories and individual funds. The overall sample statistics provide the foundation for understanding performance distribution patterns.

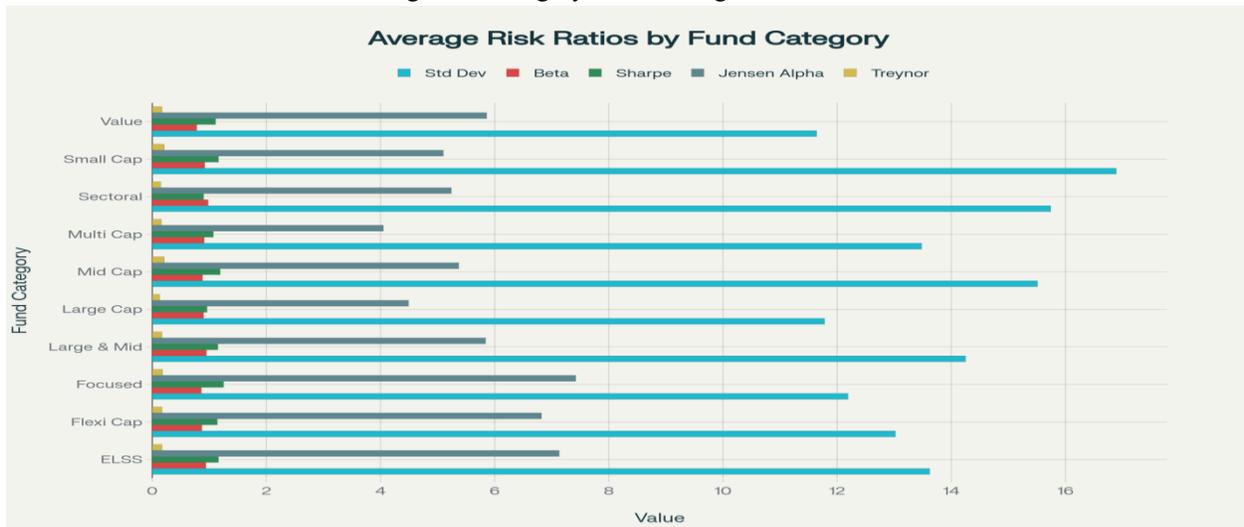
#### Aggregate Statistics Summary:

- Mean Sharpe Ratio: 1.10 (indicating generally strong risk-adjusted performance)
- Average Standard Deviation: 13.87% (moderate volatility levels)
- Mean Beta: 0.90 (slightly lower systematic risk than market)
- Average Jensen's Alpha: 5.85 (positive value addition across funds)
- Mean Treynor's Ratio: 0.17 (consistent systematic risk-adjusted returns)

The risk spectrum spans from DSP Value Fund's conservative 9.95% standard deviation to ITI Small Cap Fund's aggressive 17.63% volatility, demonstrating the diverse risk profiles available to investors with varying risk tolerances. Similarly, Sharpe ratios range from 0.73 (DSP Natural Resources and New Energy Fund) to 1.42 (HDFC Focused Fund), indicating substantial differences in risk-adjusted performance efficiency.

The category-wise average risk ratios of funds are presented in Table 2 and the graphical representation of the same is depicted in Figure 1.

Figure 1: Category-wise Average Risk Ratios



Source: Computed from data available on website: [www.moneycontrol.com](http://www.moneycontrol.com)

The category-wise analysis reveals distinct risk-return patterns across different investment strategies. Focused Funds demonstrate the highest average Sharpe ratio of 1.25, indicating superior risk-adjusted performance. Value Funds show the lowest average volatility at 11.64%, making them suitable for conservative investors. Mid Cap and Small Cap Funds achieve the highest average Treynor ratios of 0.21, indicating efficient systematic risk utilization.

### 2.2 Standard Deviation Analysis

Standard deviation analysis reveals distinct volatility patterns across fund categories, providing crucial insights for risk assessment and portfolio construction. Table 3 reveals the category-wise volatility ranking of funds.

Table 3: Category-wise Volatility Ranking

Rank	Category	Standard Deviation (%)
1	Value Funds	11.64 (Lowest Average Volatility)
2	Large Cap Funds	11.78
3	Focused Funds	12.19
4	Flexi Cap Funds	13.02
5	Multi Cap Funds	13.48
6	ELSS Funds	13.62
7	Large & Mid Cap Funds	14.25
8	Mid Cap Funds	15.51
9	Sectoral/Thematic Funds	15.74
10	Small Cap Funds	16.89 (Highest Average Volatility)

Source: Computed from data available on website: [www.moneycontrol.com](http://www.moneycontrol.com)

The category-wise volatility analysis reveals that Value Funds and Large Cap Funds consistently maintain lower risk profiles, with standard deviations below 12%, making them appropriate for risk-averse investors. Small Cap, Sectoral/Thematic and Mid Cap Funds demonstrate significantly higher volatility, exceeding 15% average standard deviation, indicating their suitability for aggressive investors seeking higher return potential.

The volatility ranking of individual mutual fund schemes is presented in Table 4. DSP Value Fund demonstrates exceptional risk management with the lowest standard deviation of 9.95%, making it highly suitable for conservative investors seeking capital preservation with modest growth. Conversely, ITI Small Cap Fund exhibits the highest volatility at 17.63%, reflecting the inherent risk associated with small-capitalization investments. On the basis of standard deviation, the five top performers are DSP Value Fund, Parag Parikh Flexi Cap Fund, HDFC Focused Fund, DSP Large Cap Fund and HDFC ELSS Tax Saver Fund respectively and the five least performers are ITI Small Cap Fund, DSP Natural Resources and New Energy Fund, Invesco India Infrastructure Fund and Motilal Oswal Large and Midcap Fund respectively.

Table 4: Volatility Ranking of Selected Mutual Fund Schemes

Rank	Scheme Name	Standard Deviation (%)
1	DSP Value Fund - Growth	9.95
2	Parag Parikh Flexi Cap Fund - Growth	10.05
3	HDFC Focused Fund - Growth	10.41
4	DSP Large Cap Fund - Regular Plan - Growth	11.22
5	HDFC ELSS Tax saver - Growth	11.40
6	ICICI Prudential Large Cap Fund - Growth	11.51
7	ICICI Prudential Large & Mid Cap Fund- Growth	11.55
8	Sundaram Consumption Fund - Growth	11.57
9	ICICI Prudential Focused Equity Fund - Regular Plan - Growth	11.88
10	SBI ELSS Tax Saver Fund - Regular Plan - Growth	12.32
11	Nippon India Large Cap Fund - Growth	12.60
12	Axis Value Fund - Regular Plan - Growth	13.32
13	Axis Multicap Fund - Regular Plan - Growth	13.48
14	Invesco India Flexi Cap Fund - Regular Plan - Growth	13.62
15	Invesco India Focused Fund - Growth	14.28
16	Invesco India Large & Mid Cap Fund - Growth	14.39
17	Invesco India Mid Cap Fund - Growth	15.17
18	Motilal Oswal Flexi Cap Fund - Growth	15.40
19	Edelweiss Mid Cap Fund - Regular Plan - Growth	15.61
20	Motilal Oswal Midcap Fund - Growth	15.76
21	Bandhan Small Cap Fund - Regular Plan - Growth	16.14
22	Bank of India Manufacturing & Infrastructure Fund - Growth	16.40
23	Motilal Oswal Large and Midcap Fund - Regular Plan - Growth	16.82
24	Motilal Oswal ELSS Tax Saver Fund - Growth	17.14
25	Invesco India Infrastructure Fund - Growth	17.46
26	DSP Natural Resources and New Energy Fund - Regular Plan - Growth	17.54
27	ITI Small Cap Fund - Regular Plan - Growth	17.63

Source: Compiled from data available on website: [www.moneycontrol.com](http://www.moneycontrol.com)

### 2.3 Beta Coefficient Analysis

Beta coefficient analysis provides insights into systematic risk exposure and market sensitivity across different fund categories and individual schemes.

#### Systematic Risk Distribution:

- Highest Beta: Invesco India Infrastructure Fund (1.12)
- Lowest Beta: DSP Value Fund (0.60)
- Category with Highest Average Beta: Sectoral/Thematic (0.98)
- Category with Lowest Average Beta: Value Funds (0.78)

The Market Sensitivity Analysis reveals that most funds cluster around Beta values between 0.80 and 1.00, indicating systematic risk levels comparable to or slightly below market averages. Sectoral/Thematic funds show the highest average Beta of 0.98, suggesting strong correlation with market movements, which is expected given their exposure to specific economic sectors. Value Funds demonstrate the lowest average Beta of 0.78, indicating significantly lower systematic risk than market benchmarks. This characteristic makes value funds particularly attractive during market downturns, as they tend to decline less than the broader market.

The individual fund analysis based on Beta coefficient shows that funds with Beta above 1.0, including Invesco India Infrastructure Fund (1.12), Motilal Oswal ELSS Tax Saver Fund (1.11), Motilal Oswal Large and Midcap Fund (1.08) and DSP Natural Resources and New Energy Fund (1.05), indicate higher volatility than market benchmarks, suggesting potential for amplified returns during bull markets but increased downside risk during market corrections. On the contrary, DSP Value Fund with the lowest Beta value (0.60) signifies the low volatility than market benchmarks and provides a cushion to the investors during market corrections with limited downside risk.

### 2.4 Sharpe Ratio Analysis

Sharpe Ratio analysis serves as the primary metric for risk-adjusted performance evaluation, comparing excess returns to total risk undertaken by each fund. Table 5 shows the category-wise Sharpe Ratio ranking of funds. The category-wise ranking analysis exhibits that Focused Funds as a category demonstrate the highest average Sharpe ratio of 1.25, indicating that concentrated investment strategies, when executed

skillfully, can deliver superior risk-adjusted returns. Large Cap Funds show the most conservative Sharpe ratio of 0.96, reflecting their stability-focused approach with modest risk-adjusted returns.

Table 5: Category-wise Ranking of Funds based on Sharpe Ratio

Rank	Category	Sharpe Ratio
1	Focused Funds	1.25 (Highest Average)
2	Mid Cap Funds	1.19
3	ELSS Funds	1.16
4	Small Cap Funds	1.16
5	Large & Mid Cap Funds	1.15
6	Flexi Cap Funds	1.14
7	Value Funds	1.11
8	Multi Cap Funds	1.07
9	Large Cap funds	0.96
10	Sectoral/Thematic Funds	0.90 (Lowest Average)

Source: Computed from data available on website: [www.moneycontrol.com](http://www.moneycontrol.com)

The ranking of selected mutual fund schemes based on Sharpe Ratio has been depicted in Table 6. The individual scheme-wise ranking analysis reveals that HDFC Focused Fund achieves the top rank with the exceptional Sharpe ratio of 1.42, indicating outstanding risk-adjusted performance that significantly exceeds risk-free returns relative to the risk undertaken. This performance suggests highly effective portfolio management and security selection within the focused investment strategy. However, DSP Natural Resources & New Energy Fund has the lowest rank with Sharpe ratio of 0.73 among all the selected schemes.

Table 6: Ranking of Selected Mutual Fund Schemes based on Sharpe Ratio

Rank	Scheme Name	Sharpe Ratio
1	HDFC Focused Fund - Growth	1.42
2	Parag Parikh Flexi Cap Fund - Growth	1.33
3	SBI ELSS Tax Saver Fund - Regular Plan	1.27
4	Bandhan Small Cap Fund - Regular Plan	1.27
5	Motilal Oswal Midcap Fund - Growth	1.26
6	Invesco India Mid Cap Fund - Growth	1.25
7	HDFC ELSS Tax saver - Growth	1.24

8	ICICI Prudential Focused Equity Fund	1.22
9	ICICI Prudential Large & Mid Cap Fund	1.18
10	Invesco India Large & Mid Cap Fund	1.16
11	DSP Value Fund - Growth	1.15
12	Motilal Oswal Large and Midcap Fund	1.12
13	Invesco India Flexi Cap Fund	1.10
14	Invesco India Focused Fund - Growth	1.10
15	Axis Multicap Fund - Regular Plan	1.07
16	Axis Value Fund - Regular Plan	1.07
17	Edelweiss Mid Cap Fund - Regular Plan	1.05
18	ITI Small Cap Fund - Regular Plan	1.04
19	Invesco India Infrastructure Fund	1.02
20	Motilal Oswal Flexi Cap Fund - Growth	1.00
21	Nippon India Large Cap Fund	0.99
22	Bank of India Manufacturing Fund	0.99
23	Motilal Oswal ELSS Tax Saver Fund	0.98
24	ICICI Prudential Large Cap Fund	0.96
25	DSP Large Cap Fund - Regular Plan	0.93
26	Sundaram Consumption Fund - Growth	0.84
27	DSP Natural Resources and New Energy Fund	0.73

Source: Compiled from data available on website: [www.moneycontrol.com](http://www.moneycontrol.com)

### 2.5 Jensen’s Alpha Analysis

Jensen's Alpha measures the value-addition capability of fund managers beyond what market models predict, indicating active management effectiveness. The category-wise ranking of funds based on Jensen’s Alpha is shown in Table 7.

Table 7: Category-wise Ranking of Funds based on Jensen’s Alpha

Rank	Category	Jensen’s Alpha (%)
1	ELSS Funds	7.13 (Highest Average)
2	Focused Funds	7.42
3	Flexi Cap Funds	6.82
4	Large & Mid Cap Funds	5.84
5	Value Funds	5.86
6	Mid Cap Funds	5.37
7	Sectoral/Thematic Funds	5.24
8	Large Cap funds	4.49
9	Small Cap Funds	5.10
10	Multi Cap Funds	4.05 (Lowest Average)

Source: Computed from data available on website: [www.moneycontrol.com](http://www.moneycontrol.com)

The analysis of category-wise ranking of funds shows that ELSS Funds demonstrate strong average alpha of 7.13%, indicating consistent outperformance in the tax-saving category. This performance suggests that the three-year lock-in period allows fund managers to implement longer-term strategies that generate superior risk-adjusted returns. Among the different categories, the Multi Cap Funds category has the lowest average alpha of 4.05%.

Table 8 reflects the ranking of selected mutual fund schemes based on Jensen's Alpha. It is revealed that Invesco India Infrastructure Fund leads with outstanding alpha of 10.08%, demonstrating exceptional active management value creation beyond market expectations. This substantial positive alpha indicates the fund manager's superior ability to identify undervalued securities and time market movements effectively. The positive Jensen's Alpha across most funds validates the effectiveness of active fund management in the Indian market context, justifying management fees through consistent value addition beyond passive market exposure.

Table 8: Ranking of Selected Mutual Fund Schemes based on Jensen's Alpha

Rank	Scheme Name	Jensen's Alpha (%)
1	Invesco India Infrastructure Fund	10.08
2	HDFC Focused Fund - Growth	8.12
3	SBI ELSS Tax Saver Fund - Regular Plan	7.75
4	Parag Parikh Flexi Cap Fund - Growth	7.53
5	Motilal Oswal Midcap Fund - Growth	7.33
6	Invesco India Focused Fund - Growth	7.13
7	ICICI Prudential Focused Equity Fund	7.00
8	Bandhan Small Cap Fund - Regular Plan	6.96
9	HDFC ELSS Tax saver - Growth	6.86
10	Motilal Oswal Large and Midcap Fund	6.84
11	Motilal Oswal ELSS Tax Saver Fund	6.77
12	Motilal Oswal Flexi Cap Fund - Growth	6.51
13	Invesco India Mid Cap Fund - Growth	6.44
14	Invesco India Flexi Cap Fund	6.42
15	DSP Value Fund - Growth	6.05

16	Invesco India Large & Mid Cap Fund	5.91
17	DSP Natural Resources and New Energy Fund	5.84
18	Axis Value Fund - Regular Plan	5.66
19	ICICI Prudential Large Cap Fund	4.85
20	Nippon India Large Cap Fund	4.85
21	ICICI Prudential Large & Mid Cap Fund	4.76
22	Axis Multicap Fund - Regular Plan	4.05
23	Bank of India Manufacturing Fund	3.82
24	DSP Large Cap Fund - Regular Plan	3.76
25	ITI Small Cap Fund - Regular Plan	3.23
26	Edelweiss Mid Cap Fund - Regular Plan	2.34
27	Sundaram Consumption Fund - Growth	1.20

Source: Compiled from data available on website: [www.moneycontrol.com](http://www.moneycontrol.com)

### 2.6 Treynor's Ratio Analysis

Treynor's Ratio evaluates risk-adjusted returns per unit of systematic risk, focusing specifically on Beta-related performance. The performance of category-wise funds on the basis of Treynor's ratio is exhibited in Table 9.

Table 9: Category-wise Ranking of Funds based on Treynor's Ratio

Rank	Category	Treynor's Ratio
1	Mid Cap Funds	0.21 (Highest Average)
1	Small Cap Funds	0.21 (Highest Average)
3	Focused Funds	0.18
4	Flexi Cap Funds	0.17
5	ELSS Funds	0.17
6	Large & Mid Cap Funds	0.17
7	Value Funds	0.17
8	Multi Cap Funds	0.16
9	Sectoral/Thematic Funds	0.15
10	Large Cap funds	0.13 (Lowest Average)

Source: Computed from data available on website: [www.moneycontrol.com](http://www.moneycontrol.com)

This analysis reveals that Mid Cap and Small Cap Fund categories show the highest average Treynor's ratio of 0.21, suggesting these categories effectively compensate investors for systematic risk exposure. This finding indicates that mid and small-cap focused

strategies can efficiently utilize market volatility to generate returns.

The ranking of selected individual mutual fund schemes based on Treynor’s Ratio is presented in Table 10. The analysis clearly shows that Motilal Oswal Midcap Fund achieves the top rank with the highest Treynor’s ratio of 0.24, indicating exceptional efficiency in converting systematic risk into returns. This performance suggests that the fund manager effectively utilizes market risk exposure to generate superior risk-adjusted returns.

Table 10: Ranking of Selected Mutual Fund Schemes based on Treynor’s Ratio

Rank	Scheme Name	Treynor’s Ratio
1	Motilal Oswal Midcap Fund - Growth	0.24
2	Bandhan Small Cap Fund - Regular Plan	0.23
3	Invesco India Mid Cap Fund - Growth	0.22
4	Parag Parikh Flexi Cap Fund - Growth	0.21
5	HDFC Focused Fund - Growth	0.20
6	ITI Small Cap Fund - Regular Plan	0.19
7	DSP Value Fund - Growth	0.19
8	HDFC ELSS Tax saver - Growth	0.18
9	Bank of India Manufacturing Fund	0.18
10	SBI ELSS Tax Saver Fund - Regular Plan	0.17
11	ICICI Prudential Focused Equity Fund	0.17
12	ICICI Prudential Large & Mid Cap Fund	0.17
13	Invesco India Large & Mid Cap Fund	0.17
14	Motilal Oswal Large and Midcap Fund	0.17
15	Edelweiss Mid Cap Fund - Regular Plan	0.17
16	Motilal Oswal Flexi Cap Fund - Growth	0.16
17	Invesco India Focused Fund - Growth	0.16
18	Axis Multicap Fund - Regular Plan	0.16
19	Invesco India Infrastructure Fund	0.16
20	Motilal Oswal ELSS Tax Saver Fund	0.15
21	Invesco India Flexi Cap Fund	0.15
22	Axis Value Fund - Regular Plan	0.15
23	ICICI Prudential Large Cap Fund	0.13
24	Nippon India Large Cap Fund	0.13

25	DSP Large Cap Fund - Regular Plan	0.12
26	DSP Natural Resources and New Energy Fund	0.12
27	Sundaram Consumption Fund - Growth	0.12

Source: Compiled from data available on website: [www.moneycontrol.com](http://www.moneycontrol.com)

### III. KEY FINDINGS

- ❖ Superior Risk-Adjusted Performance Leaders: HDFC Focused Fund emerges as the clear performance leader with the highest Sharpe ratio of 1.42, demonstrating exceptional risk-adjusted returns. Parag Paragh Flexi Cap Fund follows closely with a Sharpe ratio of 1.33 and the lowest standard deviation of 10.05%, representing an ideal combination of strong returns and controlled risk.
- ❖ Category-Wise Excellence: Focused Funds demonstrate the highest average Sharpe ratio of 1.25, validating the effectiveness of concentrated investment strategies when executed by skilled fund managers. ELSS Funds show the strongest average Jensen's Alpha of 7.13%, indicating consistent value creation in the tax-saving category.
- ❖ Risk Management Insights: Value Funds exhibit the lowest average volatility at 11.64%, making them suitable for conservative investors, while Small Cap Funds show the highest average standard deviation of 16.89%, reflecting their growth-oriented but riskier nature. The systematic risk analysis reveals that most funds maintain Beta values below 1.0, suggesting lower market sensitivity than benchmarks.
- ❖ Active Management Validation: The positive Jensen's Alpha across most funds, led by Invesco India Infrastructure Fund at 10.08%, confirms that active fund management adds substantial value beyond passive market exposure in the Indian context. This finding supports the case for active management despite higher fees.

### IV. INVESTMENT IMPLICATIONS

- ❖ Portfolio Construction Guidance: The study provides clear guidance for portfolio construction based on investor risk profiles. Conservative

investors should consider DSP Value Fund (9.95% standard deviation) and HDFC Focused Fund (Sharpe ratio 1.42), while growth-oriented investors may benefit from Motilal Oswal Midcap Fund (Treynor ratio 0.24) and Bandhan Small Cap Fund (Sharpe ratio 1.27).

- ❖ Category Selection Strategy: Focused Funds and ELSS categories consistently demonstrate superior risk-adjusted performance across multiple metrics, making them attractive core holdings for diversified portfolios. Large Cap Funds, while offering stability, show modest risk-adjusted returns and may serve better as portfolio stabilizers rather than growth drivers.
- ❖ Risk-Return Optimization: The analysis reveals that higher risk does not automatically translate to better risk-adjusted returns. Mid Cap Funds achieve the highest average Treynor ratio (0.21), indicating efficient systematic risk utilization, while Sectoral/Thematic Funds show the lowest average Sharpe ratio (0.90), suggesting less efficient risk management.

## V. CONCLUSION

This comprehensive analysis of 27 top-ranked mutual fund schemes provides crucial insights into risk-adjusted performance patterns across different investment categories and strategies. The study's findings contribute significantly to the understanding of mutual fund performance evaluation while offering practical guidance for investment decision-making. The findings support the continued relevance of active fund management in generating value for investors while emphasizing the critical importance of comprehensive performance evaluation in fund selection processes.

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## WEBSITES

- [1] <https://www.amfindia.com/>
- [2] <https://www.moneycontrol.com/>

APPENDIX I: All Risk Ratios of 27 Top Ranked Mutual Fund Schemes

Fund Name	Category	Standard Deviation	Beta	Sharpe Ratio	Jensen's Alpha	Treynor's Ratio
HDFC ELSS Tax saver - Growth	ELSS	11.4	0.81	1.24	6.86	0.18
SBI ELSS Tax Saver Fund - Regular Plan	ELSS	12.32	0.90	1.27	7.75	0.17
Motilal Oswal ELSS Tax Saver Fund	ELSS	17.14	1.11	0.98	6.77	0.15
Invesco India Flexi Cap Fund	Flexi Cap	13.62	0.97	1.10	6.42	0.15
Motilal Oswal Flexi Cap Fund - Growth	Flexi Cap	15.4	0.99	1.00	6.51	0.16
Parag Parikh Flexi Cap Fund - Growth	Flexi Cap	10.05	0.64	1.33	7.53	0.21
ICICI Prudential Focused Equity Fund	Focused	11.88	0.86	1.22	7.00	0.17
HDFC Focused Fund - Growth	Focused	10.41	0.73	1.42	8.12	0.20
Invesco India Focused Fund - Growth	Focused	14.28	0.98	1.10	7.13	0.16
ICICI Prudential Large & Mid Cap Fund	Large & Mid Cap	11.55	0.80	1.18	4.76	0.17
Invesco India Large & Mid Cap Fund	Large & Mid Cap	14.39	0.98	1.16	5.91	0.17
Motilal Oswal Large and Midcap Fund	Large & Mid Cap	16.82	1.08	1.12	6.84	0.17
ICICI Prudential Large Cap Fund	Large Cap	11.51	0.88	0.96	4.85	0.13
Nippon India Large Cap Fund	Large Cap	12.60	0.97	0.99	4.85	0.13
DSP Large Cap Fund - Regular Plan	Large Cap	11.22	0.85	0.93	3.76	0.12
Motilal Oswal Midcap Fund - Growth	Mid Cap	15.76	0.84	1.26	7.33	0.24
Invesco India Mid Cap Fund - Growth	Mid Cap	15.17	0.86	1.25	6.44	0.22
Edelweiss Mid Cap Fund - Regular Plan	Mid Cap	15.61	0.94	1.05	2.34	0.17
Axis Multicap Fund - Regular Plan	Multi Cap	13.48	0.91	1.07	4.05	0.16
Invesco India Infrastructure Fund	Sectoral	17.46	1.12	1.02	10.08	0.16
DSP Natural Resources and New Energy Fund	Sectoral	17.54	1.05	0.73	5.84	0.12
Bank of India Manufacturing Fund	Sectoral	16.40	0.88	0.99	3.82	0.18
Sundaram Consumption Fund - Growth	Sectoral	11.57	0.85	0.84	1.20	0.12
ITI Small Cap Fund - Regular Plan	Small Cap	17.63	0.94	1.04	3.23	0.19
Bandhan Small Cap Fund - Regular Plan	Small Cap	16.14	0.90	1.27	6.96	0.23
DSP Value Fund - Growth	Value	9.95	0.60	1.15	6.05	0.19
Axis Value Fund - Regular Plan	Value	13.32	0.95	1.07	5.66	0.15

Source: Compiled from data available on website: [www.moneycontrol.com](http://www.moneycontrol.com)