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JOHNTOMER**

Abstract
The appraisal of fund managers' skills is of great importance to both investors and researchers across the world. In the present study, we employ the selected models like Jensen's alpha and Treynor-Mazuy's unconditional and conditional forms to evaluate and compare the fund managers' performance across the chosen mutual funds. For this, a sample of 30 open-ended equity growth mutual fund schemes from 1st January 2013 to 31st December 2019 is preferred for analysis. The market and risk-free asset proxies used in the study are BSE-100 and T-Bills 91 days, respectively. The sample size and selected time period are considered enough to reveal the fund managers' performance in terms of market timing and stock selection abilities based on Jensen's alpha and Treynor-Mazuy's unconditional, conditional models. It was observed from the results that the majority of Indian mutual fund managers exhibit a lack of stock selection and market timing ability.

JEL Code: G10, G11, G12, G23
Keywords: Conditional Model; Jensen's Alpha; Mutual funds; Market Timing; Stock; Treynor-Mazuy; India

I. Introduction
THE MF INDUSTRY is turning out to be the fastest-growing and the most competitive segment of India's financial sector, offering operational flexibility and attractive returns to investors (RBL 2017). With the increasing formalisation and financialisation of the Indian economy, there is a shift in household savings from physical assets to financial assets and from bank deposits to securities (RBL, 2018). Mutual funds as an investment vehicle provide an opportunity at low cost to investors to invest in market, but lack the knowledge of stock selection, portfolio construction and timing of markets. Not surprisingly, therefore, the preference of investors for

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30 open-ended equity growth mutual funds schemes using Jensen’s alpha and TM unconditional & conditional models. We found that under the conditional model performance decrease with the inclusion of macroeconomic variables as they seem to raise the bar of performance evaluation. During our period of study, we also found that market timing and selectivity are virtually absent in the majority of our schemes.

The future scope of our study is very wide apart from understanding the market timing and selectivity of mutual fund managers. There are other factors also that affect the return of the funds. Thus, future research could be conducted by incorporating all those factors such as expense ratio, cash flow, size of the fund, turnover ratio, etc. which will give more detailed results. Second, the present study is based on monthly data of seven years. For more reliable results, future work can analyze the long-term persistence of actively managed funds using daily observations and can increase the time span of the study. Third, a broader picture of fund performance can be visualized by increasing the sample size and incorporating other macroeconomic variables like interest rate of benchmark and volatility of the oil price etc. Fourth, the study of risk-adjusted performance techniques like Treynor and Sharpe Ratio along with market timing and selectivity models will give an aggregate picture of the performance of funds and their managers.

References


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Peter & Tomer; Selectivity and Market Timing of Indian Mutual Fund....


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### Annexure

**Table A1**

List of Sample Schemes under study

<table>
<thead>
<tr>
<th>No.</th>
<th>Scheme Description</th>
<th>Code</th>
<th>Sector</th>
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<tr>
<td>1.</td>
<td>Aditya Birla Sun Life Focused Equity Fund - Growth - Direct Plan</td>
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<td>HDFC Equity Fund - Direct Plan - Growth Option</td>
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<td>HDFC Equity Fund - Growth Option</td>
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<td>HDFC Capital Builder Fund - Growth</td>
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<td>LIC MF Equity Hybrid Fund-Regular Plan-Growth</td>
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<td>UTI - Core Equity Fund - Regular Plan-Growth</td>
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<td>UTI - Hybrid Equity Fund - Regular Plan-Growth</td>
<td>UTI-HEF RP G</td>
<td>Public Sector</td>
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</table>

**Source:** Self Compiled