PERFORMANCE OF MUTUAL FUND IN NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirement for the Master

by:

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Certificate of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**PERFORMANCE OF MUTUAL FUND IN NEPAL**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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Sushmita Bhandari

December,2024

REPORT OF RESEARCH COMMITTEE

Ms. **Sushmita Bhandari** has defended research proposal entitled **"PERFORMANCE OF MUTUAL FUND IN NEPAL"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidance of supervisor Mr. Rishi Raj Gautam and submit the dissertation for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled "**PERFORMANCE OF MUTUAL FUND IN NEPAL"** presented by Sushmita Bhandari, a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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Abbreviation

Beta	=	Beta Coefficient
CAPM	=	Capital Asset Pricing Model
CMF-1	=	Citizens Mutual Fund-1
FY	=	Fiscal Year
HPR	=	Holding Period Return
MF	=	Mutual Fund
NAV	=	Net Assets Value
NBF-2	=	Nabil Balanced Fund - 2
NEPSE	=	Nepal Stock Exchange
NICGF	=	NIC Asia Growth Fund
NRB	=	Nepal Rastra Bank
PDMO	=	Public Debt Management Office
SAEF	=	Sanima Equity Fund
SD	=	Standard Deviation
SEBON	=	Securities Board of Nepal
SEF	=	Siddhartha Equity Fund
SFMF	=	Sunrise First Mutual Fund

Abstracts

This dissertation studies the performance of mutual fund schemes in Nepal issued by unique fund managers and has performed over four consecutive years and aims to identify the best-performing funds among seven selected schemes. The study also analyzes the influence of the NEPSE Index's movements on the financial performance of these selected mutual funds. To assess the performance, various statistical and financial tools have been implemented, including the Sharpe ratio, Treynor's ratio, Jensen Alpha, holding period return, Net Asset Value (NAV), and correlation coefficient. The findings of this research study will provide valuable intuition into the factors influencing mutual fund performance in Nepal, particularly in relation to the impact of market fluctuations, as reflected by the NEPSE Index. Additionally, the study intends to provide useful information for investors, fund managers, and policymakers, contributing to improved decision-making and optimizing mutual fund performance within the context of Nepal's evolving capital markets.

Keywords: *Mutual Fund, Sharpe Ratio, Net Asset Value, Nepal Stock Exchange, Treynor's Rati*

Chapter I

Introduction

1.1 Background of the Study

A mutual fund is a professionally managed investment vehicle that pools money from multiple investors to buy a diverse range of securities, such as stocks, bonds, and other assets, on behalf of the investors. Each unit of the fund scheme held by the mutual fund holder represents a proportional share of the mutual fund's holdings. These funds are professionally managed by fund managers who oversees portfolios based on specific investment objectives. In Nepal, mutual funds are administered by the Securities Board of Nepal (SEBON) under the Mutual Fund Regulations, 2010& The Mutual Fund Directive, 2012. There are primarily two types of mutual funds which are close-ended and open-ended mutual fund. As of Mangshir 2081, there are 36 close-ended mutual funds (excluding 11 matured funds) and 7 open-ended mutual funds operated by different fund managers registered with SEBON.

The Nepal Stock Exchange (NEPSE), established in 1993 under the Companies Act, 2006, and operating under the Securities Act, 2007, is the only platform for trading various securities in Nepal. Its primarily functions to provide platform to facilitate buying and selling of corporate and government securities through brokers and stock dealers. NEPSE screens the performance of listed stocks through its NEPSE Index, which measures the market movements of securities traded on the exchange. Currently, more than 300 securities, including shares of companies, debentures, and mutual funds, are listed on NEPSE.

Close-ended mutual funds in Nepal are listed and traded on the NEPSE, and their Net Asset Value (NAV) is calculated from the market trading value. The NAV is initially present at NPR 10 per unit at the time of issuance and is calculated according to the guidelines specified in Section 23 of the Mutual Fund Guidelines, 2012, issued by SEBON.

The performance of mutual funds relies on a variety of factors, including market conditions, the skill depicted by fund managers, the investment strategies employed, management fees, other associated costs, asset allocation, and investor behavior. These various factors often interact in complex ways, and past performance may not necessarily predict future results of the fund's performance. Therefore, it is essential for investors to conduct thorough research

before investing in any mutual funds, considering their investment goals, risk appetite, and, if needed, seeking advice from a financial analyst or advisors.

1.2 Problem Statement

Mutual funds in Nepal are directed by regulations set forth by the Securities Board of Nepal (SEBON), which outline the types of investments in which mutual funds can make their investment. According to these regulations, mutual funds can invest in securities registered with the Nepal Stock Exchange (NEPSE), securities called for public offerings, securities registered with SEBON, debentures, treasury bills, bank deposits, money market instruments and several preferential areas prescribed by SEBON. Additionally, mutual funds are required to invest at least 20% of their total fund size in ordinary shares listed on NEPSE throughout the fund's tenure, maximum of 20% of preference shares or debentures issued by organized entity, fixed deposit limited to 15% of NAV of its own scheme. As a result, mutual funds in Nepal primarily focus on stocks enlisted on NEPSE, and their performance is closely tied to the price growth and dividends of these stocks.

However, the performance of mutual funds may not always align with the fluctuations of the NEPSE Index. This discrepancy arises because mutual funds have a fixed fund size, which limits their ability to invest in all prevailing stocks, thus preventing them from fully enjoying the benefits from the overall market growth. Furthermore, the stock selection investment plan made by fund managers play a significant role in determining the fund's performance, influencing its own Net Asset Value (NAV).

One strategy deployed by some mutual fund managers is market timing, which involves predicting stock market fluctuations or movements and adjusting the fund's portfolio accordingly. The goal is to maximize the portfolio return by buying assets when their prices are low and sell them when prices are high. However, market timing is a challenging strategy to implement consistently, due to difficulty in accurate predictions of market volatility. Moreover, frequent trading based on market timing can lead to higher transaction costs, such as brokerage fees and commissions, which can lead to less returns. A 2015 study by Fidelity Investments in the U.S. found that investors who sold their mutual funds during periods of market volatility generally experienced lesser returns than those who held their investments during the period.

Stock selectivity is one of the essential factor that impacts the performance of mutual fund.

Professional fund managers who are highly qualified in the related field are expected to have superior stock-selecting skills, which can lead to higher returns for investors. However, even experienced managers may struggle to sustain strong performance over the long term due to the fluctuating nature of financial markets. Additional factors, such as management fees, asset allocation strategies, and market timing decisions, also contribute to the financial performance of any mutual fund.

The portfolio turnover ratio is another important metrics of mutual fund performance. It indicates how frequently a fund buys and sells its securities over a given period, usually one year by the fund manager. A high portfolio turnover ratio often results in higher transactional costs, which can reduce the fund's overall investment returns. Research by Cremers. & Petajisto (2009) found that funds with high portfolio turnover ratio tend to have lower risk-adjusted returns, as the costs associated with frequent trading often outweigh the benefits generated by the portfolio.

Liquidity is another important factor that can impact the performance of mutual funds, especially for close-ended mutual funds with a fixed fund size. A fund with high liquidity is better in capitalizing on market opportunities and manage risks, while a fund with low liquidity may be forced to sell assets at unreasonable prices or hold on to assets that it would prefer to sell. While high levels of liquidity can sometimes reduce expected returns, as cash or cash-equivalent assets typically generate lower returns than stocks or other investments, but it can also help mitigate probable market risk. Research by Pastor and Stambaugh (2003) found that mutual funds with higher liquidity tend to have higher risk-adjusted returns, lower risk, and are more likely to survive over the long run.

Macroeconomic factors such as inflation, interest rates, and GDP growth can also significantly affect the financial performance of mutual funds. These variables can influence overall economic activity, as during the period of robust growth, stock price tend to increase benefitting equity mutual funds but adverse economic downturn leads to lower corporate benefit and stock market decline which affects the relative performance of different investment classes, which in turn impacts the performance of mutual funds. A study by Stevenson and Paterson (2007) found that in the UK, these macroeconomic factors had a significant trace on the performance of mutual funds.

In Nepal, mutual funds issued had an initial NAV of NPR 10 per unit. Over the years, these funds have paid dividends and experienced changes in their NAV, reflecting the performance of their respective issuing fund managers. By comparing the NAV position of these mutual funds with the performance of the NEPSE Index, it is possible to evaluate how efficiently the fund managers have performed.

This research aims to address the following key questions based on the issues outlined as:

1. How do the selected closed end mutual funds in Nepal perform in terms of return, risk, and risk-adjusted performance measures basis (Sharpe Ratio, Jensen Alpha, and Treynor Ratio)?
2. What is the correlation between the NEPSE index fluctuations and the performance of mutual funds, and to what degree are these funds dependent on market fluctuations?
3. Which mutual fund can be determined as the best-performing one, based on the analysis of return, risk, and risk-adjusted measures?

1.3 Objectives of the Study

This research aims to provide insights into the financial performance of sample mutual funds within Nepal's financial markets. The primary objective is to assess the effectiveness of the performance of mutual fund schemes available in Nepal. To achieve this, the study has outlined the following specific objectives:

a) To assess the financial performance of selected mutual funds in Nepal based on various financial performance metrics such as returns, risk, and risk-adjusted measures.

b) To examine the inter relationship between NEPSE Index movements and the performance of mutual funds, identifying their market dependency.

c) To analyze the best-performing mutual fund scheme among the selected funds during the study sample period.

1.4 Rationale of the Study

Despite some prevailing research studies, research on mutual fund schemes in Nepal remains limited. This study addresses this gap by evaluating the performance of selected mutual funds in relation to the market movement and analyzing the connection between stock market movements and the financial performance of these funds.

As mutual funds are gaining popularity for their professionally managed and efficient services, merchant bankers and fund managers play an important role in advancing Nepal's mutual fund industry. Understanding how fund managers' strategies are determined with changes in the stock market index provides valuable insights for various stakeholders, including SEBON, NEPSE, investors, policymakers, unit holders, government bodies, financial institutions, finance professionals, and researchers.

The significance of this study can be summarized as follows:

1. The study focuses on unique mutual fund managers who outperform others in terms of returns and consistency, providing a benchmark for evaluating fund management strategies.
2. It explores the impact of NEPSE Index movement on the financial performance of mutual funds, highlighting their market sensitivity.
3. The findings provide insights for investors to make informed decisions and optimize portfolio strategies based on the ratios.
4. By bridging the research gap on mutual funds in Nepal, this study adds up on existing literature and serves as a valuable resource for fund managers, and future researchers.

1.5 Limitations of the Study

The major limitations of this research study is pointed as follows:

a) The study focuses on only seven out of the thirty-six active closed-ended mutual fund schemes approved by SEBON, limiting its broader representation. Further, the findings may not be applicable to all closed-ended mutual funds in Nepal, potentially missing variations between different fund strategies.

b) The analysis period of 52 months does not cover the entire life span of the selected funds, which may miss important performance trends and fluctuations over a longer term.

c) The research is based on monthly Net Asset Value (NAV) and historical dividends to assess performance, neglecting other key factors like the market price of mutual funds in the secondary market, which could offer additional insights.

d) The study uses secondary data exclusively, relying on reports, journals, and online sources, which may be subject to reporting biases or may not be as up-to-date as real-time information

which limits the accuracy and reliability of the data.

e) The analysis has not covered external factors, such as changes in government policy, economic conditions, or global market events, which may significantly influence mutual fund performance.

f) The research does not investigate potential differences in performance based on the asset allocation strategies of the selected funds, which could have provided more insights into performance variation.

g) While the study focuses on quantitative analysis (returns, standard deviation, etc.), qualitative factors such as fund managers' strategies, investor sentiment, or market behavior are not considered, which could provide a deeper understanding of performance.

CHAPTER II

LITERATURE REVIEW

This chapter highlights the study's conceptual framework by observing previous research on mutual fund performance and stock market index trends. Through this literature review, fundamental ideas, theories, and empirical comprehensions are explored, offering a clearer understanding of the research context. Additionally, it provides a basis for scrutinizing and interpreting findings in the subsequent chapters.

2.1 Theoretical Review

This section evaluates previous studies on mutual fund schemes, their financial outcomes, and their correlation with stock market indices. It offers an extensive overview of fundamental concepts, theoretical frameworks, and significant observations from previous research.

Mutual Fund

A mutual fund is a financial instrument that accumulates funds from various investors to invest in a well-diversified range of assets, including stocks, bonds, and other securities. Managed by professional fund managers, these funds are classified into two main types: open-ended and closed-ended mutual funds.

1. Closed-End Mutual Fund Schemes

Closed-ended mutual funds administers with a fixed number of units and a defined maturity date. These funds generate capital through a New Fund Offer (NFO), after which the units are enlisted on the Nepal Stock Exchange (NEPSE). Investors can trade these units in the secondary market at market prices, which may vary from the Net Asset Value (NAV) due to various factors such as supply and demand, market inefficiencies, or investor risk appetite. Compared to open-ended funds, closed-ended funds commonly have a fixed size and lower liquidity.

2. Open-End Mutual Fund Schemes

Open-ended mutual funds perform without a fixed number of units or a maturity date. These funds are continuously issued and redeemed directly with investors, based on the Net Asset Value (NAV) calculated daily. Unlike closed-ended funds, they are not transacted on

secondary markets like NEPSE, offering higher liquidity and flexibility for investors. This design of open-ended funds particularly appears attractive to retail investors. However, an exit load may be charged if units are redeemed within a specified timeframe.

Regulation of Mutual Funds in Nepal

In Nepal, mutual funds are regulated by the Securities Board of Nepal (SEBON) under the Mutual Fund Regulations, 2067 (2010), which establish the legal basis for their implementation. To enhance transparency and simplicity, SEBON issued the Mutual Fund Directive, 2069 (2012), guiding the roles, responsibilities, and operational manuals for all parties involved in handling mutual funds.

Role of Asset Management Companies (AMCs) and Fund Managers

In Nepal, Asset Management Companies (AMCs), also recognized as merchant bankers, are accountable for issuing and administering mutual fund schemes. They supervise the fund's administration and investment strategic policies, often supporting seed capital to introduce the fund. Fund managers, appointed by the sponsor, oversees the portfolio in accordance with the fund's set objective and regulatory standards directed. To secure investors' interests, an autonomous fund supervisor handles the fund manager’s activities for regulatory adherence.

Importance of Mutual Funds for Retail Investors

Mutual funds provide investment opportunities for individual investors who may lack the expertise or funds to handle a diversified portfolio on their own. These funds are expertly handled, organized and they typically maintain diverse portfolio of assets such as stocks, bonds, debentures, treasury bills, and other financial instruments. By gathering resources from diverse investors, mutual funds enable smaller investors to approach a variety of investment opportunities that may otherwise be inaccessible. Investors possess units in the fund, which demonstrates their proportional share of the overall assets, with the value of their investment diverging based on the performance of the base assets.

Before investing, it is critical for investors to thoroughly review the brochure, understand the associated market risks, and consider key variable factors such as management fees, historical performance, and the fund manager's expertise.

Financial Performance of Mutual Funds

The financial performance of mutual funds is typically measured using several factors, including Net Asset Value (NAV), total return, dividends, and the consistency of returns over time. Mutual funds are analyzed based on their expertise to meet the designed investment goals and deliver adjusted returns that synchronize with the investor's risk appetite. An influential area of study is the relationship between mutual fund performance with the broader market indicators, such as stock exchange indices. In particular, the correlation between mutual funds and stock market indices, such as the NEPSE Index, helps investors estimate the relative performance of mutual funds in comparison to the overall market scenario.

Fund Sponsor

A fund sponsor plays a vital role in the issuance of mutual fund schemes as well as for its promotion. In Nepal, financial institutions, insurance companies, and non-banking financial institutions are authorized to act as fund sponsors. To qualify, these institutions must meet the guideline as set by the Securities Board of Nepal (SEBON). Once SEBON provides approval, the fund sponsor is responsible for appointing expert personnel, such as the fund supervisor, fund manager, and depository, who oversee and handles the fund's operations.

Fund Supervisor

The fund supervisor is appointed by the fund sponsor and is key personnel for administering the mutual fund's operations to ensure the interest of unit holders. In Nepal, the fund supervisor must consist of five competent personnel as mandated by SEBON regulations. Their primary role is to safeguard the interest of unit holders and certify that the mutual fund is managed in accordance with legal and regulatory guidelines, safeguarding the rights of investors and ensuring transparency in fund management.

Fund Manager

The fund manager, or asset manager, is accountable for administering the mutual fund scheme's portfolio. In Nepal, fund managers are typically licensed merchant bankers affiliated with SEBON. Their key obligation is to strategically allocate the mutual fund's assets to enhance returns for the benefit of unit holders. Additionally, the fund manager is obligated to

invest at least 15% of the initial size of the fund scheme as seed capital. If the fund manager is not able to comply with the requirement, the fund sponsor must invest the seed capital, subject to SEBON approval. Fund managers are provided management fees, which are paid from the mutual fund's assets.

Depository

The depository is assigned by the fund manager with approval from the fund supervisor. In Nepal, the fund manager commonly serves as the depository. The depository's primary functions include facilitating the managing securities between unit holders, safeguarding the securities, and maintaining accurate bookkeeping of unit ownership. Both depository and fund management fees are commissioned to the mutual fund and are typically calculated as a percentage of the Net Asset Value (NAV). Currently, fund management fees can range up to 1.5% of the NAV, while depository fees can reach up to 0.2% of the NAV.

Nepal Stock Exchange Limited (NEPSE)

The Nepal Stock Exchange (NEPSE) is the only prevailing securities exchange in Nepal, where investors can buy and sell shares through securities brokers. The NEPSE Index provides insight of the performance of stocks listed on the exchange and acts as the key benchmark for the stock market in Nepal. In the case of mutual funds, a significant proportion of their investments is typically allocated to stocks listed on NEPSE. This allows for the comparison basis of mutual fund performance with the NEPSE Index movement, providing clarity into whether mutual funds are excelling or struggling in the broader market. Such analysis help investors assess the performance of mutual fund management and their relative operation in relation to the overall market.

2.2 Empirical Review

This section presents a thorough review of journals and dissertations highlights on mutual fund operations, their financial performance, and their connection. It also provides key outcomes taken by previous researchers, scholars, and institutions in the field of mutual fund research.

In their 1966 study, Treynor & Mazuy discovered a model to measure mutual fund performance by estimating returns. Application of this discovered models to 57 open-ended funds over a 10-year period, they found no statistical discoveries that fund managers could

detect market movements in advance. The study suggested that mutual fund investors are affected by overall market fluctuations, with excess returns primarily credited to managers' skill in selecting undervalued securities.

Jensen (1968) used the Capital Asset Pricing Model (CAPM) to define performance measure based on the excess returns of the market with the excess returns of the fund. His study found that 115 mutual funds could not succeed to forecast security prices accurately enough to cover research costs and fees, concluding that most mutual fund managers could not generate excess returns.

Blake & Timmermann (1998) concluded that mutual fund performance predominantly decreased as the funds' approached its maturity dates. However, in certain cases, funds performed better in the first year of operation following their issuance.

Dahlquist et al. (2000) analyzed the interrelation between fund performance and characteristics of the Swedish market. Their regression model determined that small equity funds, low-fee funds, funds with high trading activity, and, in some cases, funds with strong past performance, performed better.

Stevenson & Paterson (2007) scrutinized the impact of macroeconomic factors such as interest rates, inflation, monetary policy and GDP growth on mutual fund performance in the UK. They concluded that these factors majorly influenced mutual fund returns.

Aryal (2012) explored the challenges and potentials of mutual funds in Nepal. He recommended implementing flexible investment strategies and portfolio management practices, and suggested that most mutual funds should allocate its fund into primary shares of banks and financial institutions for capital growth. Aryal also summarized that mutual fund generates low returns and high risks compared to the market which make mutual funds less attractive to investors.

Ratnarajun and Madhav (2016) analyze the performance of 30 open-ended mutual fund schemes in India from 2012 to 2016, using performance measures such as Sharpe, Treynor, and Jensen ratios. The study concluded that 14 out of 30 funds outperformed the benchmark, with all funds showing positive returns and suggests improving diversification strategies and enhancing investor relations to enhance performance and confidence.

Bajracharya (2016) determined the performance of Nepalese mutual funds and analyzed its monthly return, and suggested that while many underperformed in terms of volatility, some funds outperformed their benchmarks in terms of systematic risk.

Gyimah, Addai, & Asamoah (2017) concluded the effect of macroeconomic factors affecting mutual fund performance in Ghana from 2007 to 2016. They found that macroeconomic factors like exchange rates, inflation, T-Bill rates, and GDP growth had both positive and negative short-term effects on mutual funds' performance.

Champagne, Karoui & Patel (2017) resulted the relationship link between portfolio turnover and mutual fund performance in the U.S. from 2011 to 2016. They resulted that underperforming funds tended to have higher portfolio turnover, suggesting that managers of these funds changed portfolios in a frequent ratio. The research indicated that mutual fund performance could be estimated using modified turnover over periods of one to five years.

Rani & Hooda (2017) determined mutual fund performance using the Sharpe, Jensen, and Treynor's ratios. The study concluded that the mutual fund with the highest returns also had the highest Sharpe, Jensen, and Treynor ratios.

Sharma (2018) determined mutual fund performance using the Sharpe ratio, finding that two funds outperformed while one underperformed. The study resulted that some funds had negative correlations with market returns, while others had positive correlations.

Singh (2019) used secondary data from mutual fund fact sheets, journals, and websites, determined the performance of five equity mutual funds from 2014 to 2019 and compared their returns and risk using mean return and standard deviation. It resulted that L&T Emerging Businesses Fund performed better than others in terms of mean return and risk-adjusted performance, while DSP and Reliance Funds showed high returns but with greater risk. The study empowers the need for greater financial literacy to get better mutual fund investment awareness.

Upadhyaya & Chhetri (2019) concluded that the expertise of fund managers significantly influenced mutual fund performance, with older funds typically outperforming newer ones.

Thapa (2019) found that most mutual fund schemes distributed higher returns, except for two. The fund with the highest Sharpe, Treynor, and Jensen ratios stood as the best performer.

Maharjan (2021) determined the returns of four Nepalese closed-end mutual funds, considering factors like portfolio turnover ratio, net asset value, Sharpe and Jensen measures, and expenditure ratios. He suggested that performance assessment tools, along with other fund-related factors, impacts investment decisions.

Ghimire & Pant (2022) determined the relationship between mutual fund financial performance and market index returns. A positive correlation between the Sharpe ratio, beta coefficients, and market returns was found, indicating that mutual funds outperform better in bullish markets.

Kazmi (2022) highlighted that mutual fund performance depends on the expertise of fund managers. Experienced one tends to offer consistency and outperform benchmarks, while newer managers carry hold risk and uncertainty. The study summarized that investor should choose fund managers based on their risk appetite and investment objectives.

Farid & Wahba (2022) analyzed the effect of fund size on mutual fund performance in Egypt. They suggested that fund size alone does not guarantee superior performance, and investors should emphasize funds with strong historical performance over size.

Adhikari (2023) evaluated mutual fund performance in Nepal using the Sharpe measure, disclosing the significant roles of systematic risk, past returns, liquidity, and portfolio turnover, while diversification and expense ratios had shown limited influence.

Subedi (2024) determined the performance of four sample having similar issue date. The study revealed a strong positive correlation between mutual fund schemes and the NEPSE Index, highlighting the impact of market movements on fund performance.

This review delivers a thorough framework of research within the mutual fund sector, focusing on critical conclusion on performance evaluation, fund attributes, and the influence of macroeconomic variables. The studies convey essential perspectives on mutual fund dynamics, equipping investors with the required knowledge and skill to make sensible and informed investment choices.

Table 2.1 Summary of Empirical Review

S. No.	Author (Year)	Findings
1	Treynor & Mazuy (1966)	Fund managers lacked the ability to predict market movements early, and excess returns were due to manager's skill in identifying undervalued securities.
2	Jensen (1968)	Most mutual funds were unsuccessful to predict security prices well enough to cover research costs.
3	Blake & Timmermann (1998)	Fund performance diminishes near maturity, though some mutual funds outperform in the first year.
4	Dahlquist et al (2000)	Small equity funds, low-fee funds, and funds with large trading movements or good past performance tend to perform better.
5	Stevenson & Paterson (2007)	Macroeconomic factors such as interest rates, inflation, and GDP growth markedly affect mutual fund performance.
6	Aryal (2012)	Flexible investment techniques and improved decision-making are suggested for mutual funds.
7	Bajracharya (2016)	Many Nepalese mutual funds executed poorly regarding volatility, but some outperformed benchmarks in systematic risk.
8	Ratnarajun and Madhav (2016)	The study summarizes that while most mutual fund schemes showed positive returns, improved diversification strategies and better investor engagement are needed for enhanced performance.
9	Gyimah, Addai & Asamoah (2017)	Macroeconomic factors such as exchange rates, inflation, and GDP growth significantly impact mutual funds' performance.
10	Champagne, Karoui, & Patel (2017)	Underperforming managers fluctuates portfolios more frequently, with historical performance negatively related to turnover.
11	Rani & Hooda (2017)	Funds with the highest returns had highest Sharpe,

		Jensen, and Treynor ratios.
12	Sharma (2018)	Some funds achieved better result, while others underperformed based on Sharpe measure, with varying correlations to market returns.
13	Singh (2019)	Returns of all the selected funds outperformed the market & indicated better risk adjusted performance
14	Upadhyaya & Chhetri (2019)	Experienced fund managers notably impact mutual fund performance, with older schemes outperforming newer ones.
15	Thapa (2019)	Many schemes delivered higher returns, with the top performer having the highest Sharpe, Treynor, and Jensen ratios.
16	Maharjan (2021)	Performance measures should be supported by other factors when making investment decisions for Nepalese closed-end mutual funds.
17	Ghimire & Pant (2022)	Mutual fund performance is positively correlated with market returns, as measured by Sharpe ratio and beta coefficients.
18	Kazmi (2022)	Expert managers tend to outperform benchmarks and provide more stability, while new managers carry more uncertainty.
19	Farid &Wahba (2022)	Only Fund size doesn't guarantee better fund performance; investors should focus on funds with strong historical performance.
20	Adhikari (2023)	Systematic risk, past returns, liquidity, and portfolio turnover had significant role on Mutual fund performance but diversification and expense ratios showed limited influence.
21	Subedi (2024)	Mutual Fund shows strong positive correlation with the NEPSE Index, highlighting the influence of market movements on fund performance.

2.3 Research Gap

This dissertation acknowledges a notable gap in the existing body of research by focusing on the comparison between mutual fund performance, specifically in the perspective of Nepal's financial market. While there is extensive literature on mutual funds, various aspects such as their structure, management, and general performance, there has been relatively limited investigation of how mutual funds perform in relation to broader market indices. This gap is specifically typical in the context of Nepal, where the performance of mutual fund issued by several fund managers and the impact of NEPSE Index has not been thoroughly studied.

To fill this gap, the research focuses on mutual funds issued by unique fund managers and which has completed over four years of operation has been analyzed and their performance has been analyzed based on NEPSE Index. By applying appropriate data analysis techniques and performance measurement tools, the study evaluates how well these mutual funds have performed financially in comparison to the broader market trends reflected by the NEPSE Index.

The study findings of this research aim to provide crucial understanding for various stakeholders, including mutual fund managers, investors, policymakers, academic researchers, students, and government officials. This clarity will not only boost the understanding of mutual fund performance in the Nepali market but will also contribute to the broader evaluation of investment strategies and market dynamics in emerging economies. Furthermore, the research results will grant both theoretical support to academic knowledge and practical policy suggestions that can support the development of Nepal's capital markets.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology refers to the process used to solve a research problem, and it provides a systematic approach to scientific solutions. It includes the reasoning behind the methods adopted for the study, outlining why particular techniques are used and how they will be applied. A well-defined methodology is essential to ensure the credibility, accuracy, and relevance of the research study findings. Without a clear technique, the conclusions resulted from the study may not be reliable or accurate.

This chapter deals with the research design, data collection methods, sampling procedure and analytical methodologies adopted for this study. The primary focus is to assess the financial performance of mutual fund schemes and analysis of its movement along with NEPSE index, and to identify the top-notch mutual fund scheme among them.

To achieve these objectives, a statistical research method will be employed. This method is suitable for studying the relationships between variables with the help of secondary data. The study will also explore the effect of movements in the NEPSE Index on the overall performance of the selected mutual fund schemes. By examining the data, the research will evaluate the performance of these funds in comparison to the broader market scenario, with the objective of determining trends, correlations, and the relative performance of the selected mutual funds.

3.1 Research Design

The study's research structure is based on a quantitative approach to analyze the performance of different mutual fund schemes, its fluctuations with the movement in market condition as well as to identify the top-notch mutual fund scheme. This approach enables insight on how changes in the NEPSE Index influence the performance of sample mutual fund schemes.

The study employs a combination of research designs such as descriptive approach and comparative research. Descriptive approach uses statistical measures such as returns, risk measures, and other relevant performance indicators to describe and summarize the performance of closed-end mutual funds over the period of time. It defines the characteristic of fluctuations without any casual relations such as with the calculation of average return or NAV

growth. Using comparative research, performance of sample mutual funds is measured by detecting the changes in performance of each MF with the changes in market conditions. This helps identify comparing the performance of different mutual fund schemes and determining on how changes in the NEPSE Index impact their returns. With detailed analysis of the trends in mutual fund performance as compare to the movements in the NEPSE Index, the study aims to determine if there are any significant relations between the two variables. Data is collected to analyze the relationship between various variables, such as the movement of the NEPSE Index and broader market conditions, and their correlation with mutual fund performance. Statistical techniques, such as correlation analysis, are used to evaluate the relation such as how closely MF follows the changes in market movements.

For the analysis, a sample of seven mutual fund schemes of unique fund manager which has already performed for more than four consecutive years has been selected. The study uses secondary source of data, including the monthly Net Asset Value (NAV) and historical dividend data of the selected mutual funds, which are obtained from either fund managers' official websites or other online platforms namely financial portals such as merolagani, nepse alpha and so on. Data for the NEPSE closing index is sourced from the official Nepal Stock Exchange website and other investment platforms.

The financial performance of the mutual funds is estimated with monthly returns based on the NAV values, adjusted for any dividend distributions. The NEPSE Index, which is a market value weighted average of listed companies, serves as a parameter for comparing the performance of mutual funds. The return of the NEPSE Index is calculated using the closing index value for the last trading day of each Nepalese calendar month during the analysis period.

In summary, this research framework combines descriptive and comparative approaches to thoroughly analyze the performance of mutual funds and their relationship with the NEPSE Index, using statistical tools to draw meaningful conclusions.

3.2 Population and Sample

The population for this study includes all mutual fund schemes issued in Nepal, comprising a total of 36 closed-end schemes and 7 open-end schemes. However, for the purposes of this research study, the sample is limited to seven closed-end mutual fund schemes which have already performed for more than four consecutive years. These schemes are Sanima Equity Fund (SAEF), Siddhartha Equity Fund (SEF), Citizen Mutual Fund-1 (CMF-1). Nic Asia growth fund (NICGF), Nabil Balanced fund-2 (NBF-2), NMB 50 and Sunrise first Mutual fund (SFMF).

Out of 36 closed ended mutual fund, ten mutual fund have already shown their performance for four consecutive years. However, only seven mutual funds were selected because schemes managed by single fund manager has been used for study purpose, allowing for a more accurate and comparable analysis of their performance. For fund manager issuing more than one scheme with four consecutive years of performance, the scheme with larger fund size has been taken. A sample refers to a representation of a larger population that is studied to draw conclusions about the entire population. In this case, the sample size of seven mutual funds is chosen to ensure a reasonable comparison of performance among funds issued during the same period. The study examines various performance indicators, namely holding period returns, net asset value (NAV), descriptive statistics and overall fund performance. This sampling method was employed because the study aimed to focus specifically on the performance of closed-end mutual funds with more years of operation and having unique fund manager, for which secondary data was readily available. By choosing these funds, the study more consistent analysis.

Following closed end mutual funds of Nepal are taken for this research study:

1. Siddhartha Equity Fund (SEF)
2. Sanima Equity Fund (SAEF)
3. Citizen Mutual Fund-1 (CMF-1)
4. NIC Asia Growth Fund (NICGF)
5. Nabil Balanced Fund -2 (NBF2)
6. NMB50

7. Sunrise First Mutual Fund (SFMF)

This approach allows for a detailed investigation into the performance of these specific mutual funds, providing insights that are directly pertinent to the study's objectives.

3.3 Nature and Sources of Data

This study is based on purely secondary data, which has been collected from a variety of sources to examine the performance of the sample mutual fund schemes. The primary data taken for the study includes Net Asset Value (NAV) and dividend distributions for the seven mutual funds and Monthly closing Nepse Index from Asadh 2077 to Kartik 2081.

The essential data for this research was gathered from the sources such as:

1. Monthly NAV Statements provided by the respective fund managers published on newspaper and available on their respective fund manager’s official websites.
2. Nepal Stock Exchange (NEPSE) website and other online investment platforms such as Sharesansar, merolagani, nepsealpha and so on.
3. NEPSE Index Data: The monthly closing values of the NEPSE index were sourced from NEPSE's website and additional financial investment platforms.

The data thus collected was then recorded in an Excel spreadsheet in a defined format for ratio and trend analysis. These datasets were used to calculate the defined variables that formed the basis of the study's model, such as monthly returns, NAV growth, and dividend payouts. The study fully focuses on secondary data from credible sources, including respective fund manager reports, NEPSE data, and other online platforms, to gather essential information on NAV, dividends, and market index values for the study period.

3.4 Instrument of Data Collection

The data for this study has been gathered from various online platforms and published sources. Secondary data, including information on net asset value (NAV), dividend distributions history with book closure date, and NEPSE index values, was collected and organized into a structured Excel format and defined format for SPSS software for ease of analysis. This structured study approach eases the efficient compilation and analysis of prepared data for further examination.

3.5 Research Framework

The research framework assists as the platform for the study, outlining the design that supports the scrutiny of the research problem. This study draws on various Conceptual viewpoints to explore why the problem exists and how it can be fully understood. The aim is to scrutinize the performance of selected closed-end mutual funds in comparison to a standard benchmark, while taking consideration of several key factors that may affect mutual fund financial performance. These factors include the expense ratio, market volatility, portfolio turnover ratio, fund size, dividend distribution history, interest rate, liquidity in secondary market, manager specialization, the growth of the NEPSE index, macroeconomic variables, and the stock selectivity skills of fund managers. The design builds upon prevailing models that evaluate mutual fund performance, focusing on how independent variables such as market factors, fund specific variables, macroeconomic factor, policy factors and stock selectivity affect the dependent variable of mutual fund returns. These models aim to establish the relationships between the various factors influencing mutual fund performance.

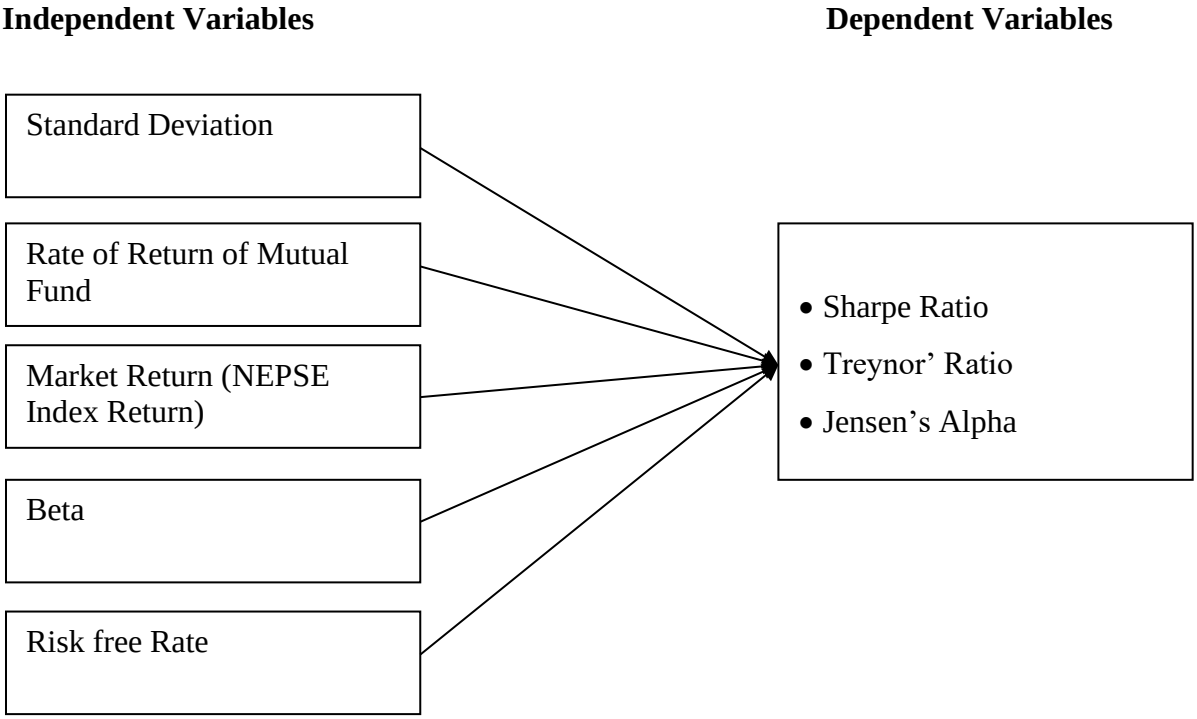

Figure 3.1: Research Framework

3.6 Methods of Analysis

The research applies a mix of descriptive, comparative, correlation, and analytical approach to scrutinize the data. The data is organized in tabular format for clearness, and charts and diagrams are utilized to graphically present the findings. A range of financial and statistical tools are utilized to study the relationship between the NEPSE Index and the financial performance of mutual fund schemes, with a focus on assessing the performance and profitability of the selected mutual funds. The objective is to ease the data visualization and interpretation process for better understanding.

The organized and collected data undergoes a thorough assessment and explanation to derive meaningful conclusion. The raw data is edited, categorized, tabulated, graphed systematically to make it more informative. Descriptive analysis is applied to provide a detailed insight of the mutual funds' performance, particularly in relation to the growth of the NEPSE Index and the broader economic perspective of Nepal. Analytical analysis tools such as financial and statistical tools are applied to conduct further evaluation and draw conclusions about the performance dynamics of the sample mutual funds.

3.7 Research Framework and Definition of Variables

Various financial and statistical tools are utilized to assess sample mutual fund performance analysis and the relationship between stock market indices and mutual fund returns. The tools used in this study include

Net Asset Value (NAV) Per Unit

The Net Asset Value (NAV) of a mutual fund is computed using the formula outlined in Mutual Fund Guidelines, 2012, issued by the Securities Board of Nepal. The NAV per unit is determined using following formulae:

NAV Formula:

$$\frac{\text{Fund Asset (Market Value of Investments+ Return from Investments + Other Income)} - \text{Fund Liabilities (Deferred and other Asset not written off)}}{\text{Number of Units}}$$

Holding Period Return (HPR)

Holding Period Return (HPR) is the total return gained on an investment over a specified time period, taking into account both the income generated and the capital gains or losses.

For a closed end mutual fund, HPR measures the total return on an investment over a specific time period, considering both changes in the Net Asset Value (NAV) and any income received from dividends or distributions by the fund scheme. This assessment provides an overall measure of the mutual fund's performance, reflecting both capital gains and income received during the investment period. The formula is:

$$HPR = \frac{(NAV2 - NAV1) + D2}{NAV1}$$

Where, NAV_2= Net Asset Value at the end of the period, NAV_1= Net Asset Value at the beginning of the period, D_2= Dividend earned or returns distributed by fund during the period.

Sharpe Ratio

The Sharpe Ratio is a risk-adjusted performance measurement ratio, which helps evaluate how well the return of an investment compensates for the risk taken. A higher Sharpe Ratio indicates that the investment has provided better return per unit of risk. Sharpe ratio also introduced as reward variability ratio identifies the premium over per unit of risk taken. Sharpe Ratio can be calculated as follows:

$$Sp = \frac{E(Rp) - Rf}{\sigma p}$$

where, SP=Sharpe Ratio, $E(R_P)$ = Expected rate of return for a mutual fund, R_f= risk-free rate of return and σ_P= Standard deviation of the fund.

Treynor Ratio

Treynor Ratio is another measure of risk-adjusted return, similar to that of Sharpe Ratio, but it specifically uses systematic risk (beta) rather than total risk (standard deviation) to evaluate performance of an investment. It is helpful in comparing the returns of mutual funds or portfolios which are exposed to different levels of market risk. Ratio measures the premium earned over the volatility of return measured using portfolio systematic risk beta.The Treynor Ratio assumes that unsystematic risk that is specific to individual assets can be mitigated through diversification, leaving systematic risk or the market risk as the primary interest for investors. It is computed as follows:

$$TP = \frac{E(Rp) - Rf}{\beta P}$$

where, T_P= Treynor Ratio, E(R_P) = Expected rate of return of a fund, R_f= risk-free rate of return, β_P= Portfolio beta

Jensen's Alpha

Jensen's Alpha, propounded by Michael Jensen, is a performance metrics that calculates the difference between a portfolio's actual return and its expected return, given the level of systematic risk (beta). It is based on the hypothesis of the Capital Asset Pricing Model (CAPM) and helps assess how much a portfolio return surpasses or lags the market after adjustment of the risk. It is computed as follows:

$$\alpha = (\text{Expected return} - \text{Required rate of Return})$$

Where, Required rate of return $= Rf + [E(Rm) - Rf]\beta m$

Rf = Risk free Return, Rm = Expected Market Return βm= Beta of the asset

A positive Jensen's alpha (α) indicates that a fund has surpassed its benchmark, suggesting superior stock selection and effective fund management. It indicates higher-than-expected returns based on the fund's exposure to the level of market risk. In contrast, a negative alpha (α) signifies its poor performance, with returns falling short of expectations, indicating poor stock-selecting skills and ineffective fund management. Jensen's alpha in general, measures a fund manager's expertise to generate expected returns beyond what is explained by market fluctuations.

Average Rate of Return

The average rate of return is calculated by summing the returns over each period and dividing the total by the number of periods considered. This metric reflects the overall performance of an investment across sample time frame. It is calculated as:

$$E(R) = \frac{\Sigma R}{N}$$

Where E(R) =Average rate of return, ΣR=sum of periodic returns, N =No. of periods

Standard Deviation

Standard Deviation (SD) measures the degree of variation or spread of returns around the mean. It helps in determining the overall risk of a fund by displaying how steadily the returns deviate from the average over a given period. The formula is:

$$\sigma_A = \sqrt{\left[\frac{\Sigma[R_A - E(R_A)]^2}{N}\right]}$$

where, σ_A=SD of security A, E(RA)= Expected return of security A,RA=Return of security A, N= No. of periods.

Correlation

Correlation analysis is a tool used to measure the strength and direction of the relationship between two variables. In this study, it helps to determine how changes in the Net Asset Value (NAV) of mutual funds relate to divergence in the NEPSE index. Pearson's Correlation Coefficient, symbolized as "r", is the most commonly used method where the value of r ranges from -1 to +1, where +1 represents a perfect positive relationship, 0 indicates no relationship, and -1 shows a perfect negative relationship between the various variables. The formula for evaluating the correlation between two variables, x and y, is given by:

$$r = \frac{n\Sigma xy - \Sigma x.\ \Sigma y}{\sqrt{[n\Sigma x^2 - (\Sigma x)^2]}\ \sqrt{[n\Sigma y^2 - (\Sigma y)^2]}}.$$

Where n=No. of Information

Σx = Total of the First Variable Value “x”, Σy=Total of the Second Variable Value “y”

Σxy= Sum of the Product of first &Second Value Σx^2=Sum of the Squares of the First Value

Σy^2 =Sum of the Squares of the Second Value

Coefficient of Determination (R^2)

The coefficient of determination (r^2) is a tool used in regression analysis to compute the portion of variance in the dependent variable that can be explained by the independent variable. In the context of mutual funds, it helps scrutinize how fluctuation in the NEPSE index influence the performance of the mutual funds. The value of r^2 ranges from 0 to 1, with

higher values indicating a intense relationship. The coefficient of determination is always positive with higher r^2 value implies that the independent variable explains a significant amount of the variability in the dependent variable.

Systematic Risk (Beta)

Beta (β) measures a fund's market risk by analyzing how its price responds to overall market movements. A beta of 1.0 means the fund's price tends to move in line with the market. A beta below 1.0 suggests that the fund is less unstable than the market, while a beta above 1.0 indicates greater responsiveness to market fluctuations. The formula for calculating beta is:

$$\text{Systematic risk } (\beta) = \frac{\text{Covariance between security and market}}{\text{Variance of market}}$$

Unsystematic Risk

Unsystematic risk, or specific risk, refers to the risk associated with individual assets or sectors in which the fund is invested. This type of risk can be reduced through diversification of the portfolio.

Risk-Free Rate

The risk-free rate suggests the return on an investment with no risk of financial loss, typically based on government securities such as treasury bills. In Nepal, the issuance of treasury bills is currently handled by the Public Debt Management Office (PDMO), a responsibility previously managed by Nepal Rastra Bank (NRB). For this study, the risk-free rate is taken from the 28-day Treasury bill's weighted average rate per month, as published on the websites of NRB and PDMO. The risk-free rate is taken for the period from Shrawan 2079 to Kartik 2081 based on monthly weighted average discount rate of treasury bill. However, in the fiscal year 2078/79, the 28-day treasury bill was issued only twice, so the average of the rate available has been used for the same. In the fiscal year 2077/78, only treasury bills with tenures of 91 days, 182 days, and 364 days were issued, and the average weighted rate of all issued treasury bills has been used as the risk-free rate.

Market Return / NEPSE Index Return

The NEPSE Index signifies the market value of companies listed on the Nepal Stock Exchange. Changes in stock prices fluctuates the NEPSE Index, which serves as a reference for comparing the performance of mutual funds in Nepal. Together, these tools help identify how mutual funds perform against market benchmarks and signify the factors that contribute to variations in mutual fund returns. Market return refers to the return generated by a broad market index or any relevant stock market index that signifies the general performance of the overall market. It reflects the overall change in the value of the market, by considering both price changes and dividends received during the measurement period.

$$Market\ Return/NEPSE\ Index\ Return = \frac{(Closing\ Market\ Index - Opening\ Market\ Index)}{Opening\ Market\ Index}$$

Rate of Return of Mutual Fund

Mutual Fund Return signifies the return earned by an investor in a mutual fund over a specific period of time, considering both the increase in the fund's net asset value (NAV) and any income distributions (such as dividends or interest payments). The return can be positive or negative, depending on the performance of the assets in the fund's portfolio. The formula is:

$$Rate\ of\ Return\ of\ Mutual\ Fund = \frac{(NAV2 - NAV1) + D2}{NAV1}$$

Where, NAV2= Net Asset Value at the end of the period, NAV1= Net Asset Value at the beginning of the period, D2= Dividend earned or returns distributed by fund during the period.

CHAPTER IV

RESULTS AND DISCUSSION

This chapter provides the conclusion of the study and interprets them in light of the research objectives. It focuses on interpreting the data collected and highlights the key results derived from the performance analysis of sampled close-ended mutual funds. The chapter focuses on detailed discussion on the performance analysis of mutual funds against the NEPSE Index, using various financial tools and ratios. The analysis includes various indicators such as risk-return measures, performance analysis tools such as Sharpe ratio, Treynor ratio, and Jensen's alpha. The discussion depicts how mutual funds align with the market index and evaluates their ability to generate value for portfolio holders. The findings are presented in a structured manner, backed by tables, graphs, and figures for clarity and better comprehension. The chapter provides results to the research questions and offering interpretations towards study's objectives.

4.1 Result

4.1.1 Analysis of sample Mutual Funds based on Net Assets Value (NAV)

The Net Asset Value (NAV) per share of mutual funds represents the value of an investment fund, calculated as the total market value of its holdings, investment returns, other income, and assets, less its liabilities for the outstanding units available at the calculation time. the NAV of close-ended mutual funds is updated weekly on the website of its respective fund manager. The monthly NAV, with investment details, NAV calculations, and an income statement of mutual fund, is published in a national newspaper within 15 days of Nepali calendar month-end.

Net Assets Value of seven sample mutual fund schemes i.e. Sanima Equity Fund(SAEF), Siddhartha Equity Fund(SEF),Citizen Mutual Fund -1 (CMF-1),NIC Asia Growth Fund (NICGF), Nabil Balanced Fund 2 (NBF-2),NMB 50,Sunrise First Mutual Fund (SFMF) from is presented in Appendix-I. NAV as published on the official website of its respective fund manager, different share analysis financial portals such as Sharesansar, Nepsealpha, Merolagani, chukul, Smartwealth and others has been tabulated in the appendix.

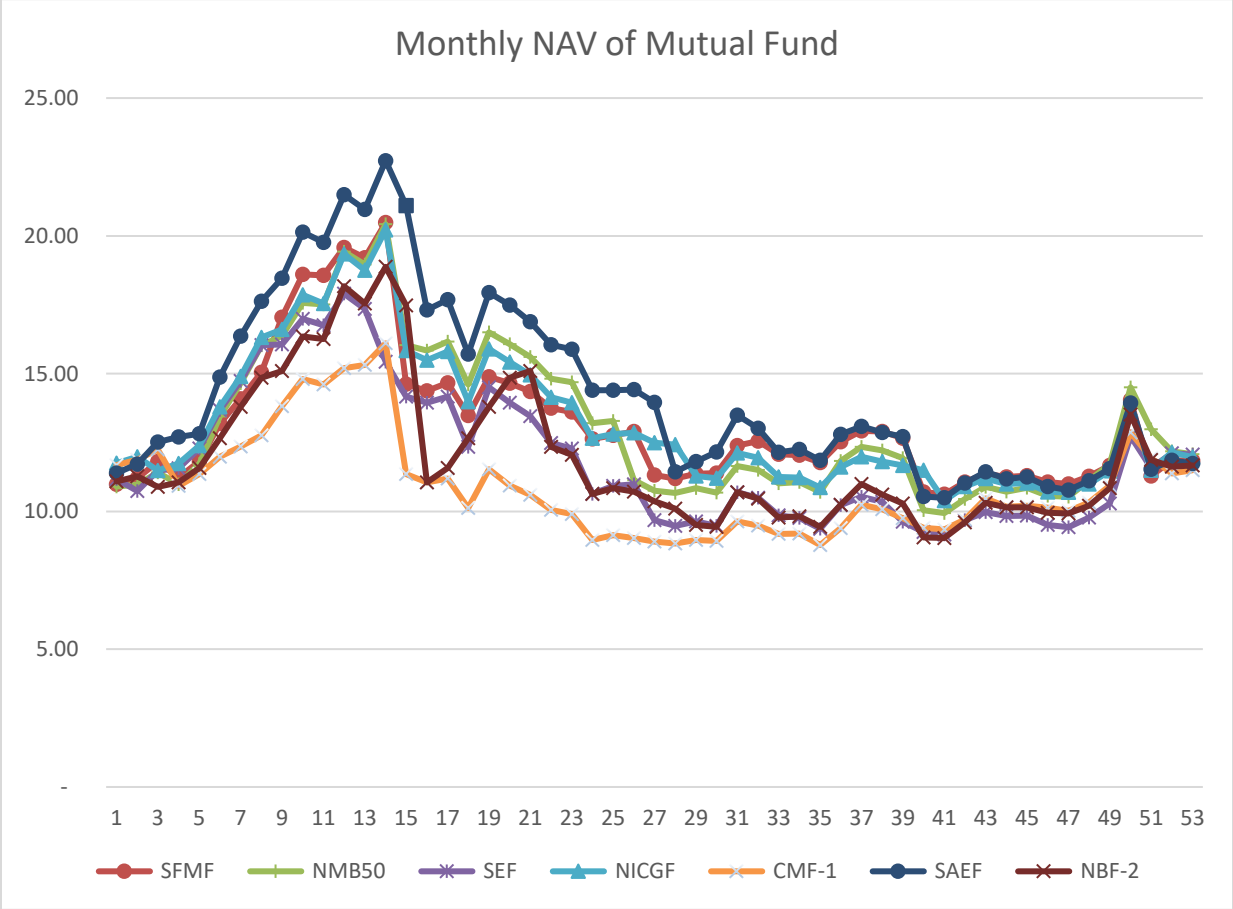

Figure 4.1 Monthly Net Assets Value of sample Mutual Fund Schemes

The Figure 4.1 shows the NAV trends of seven mutual funds (SFMF, NMB50, SEF, NICGF, CMF-1, SAEF, and NBF-2) over the period of time Asadh 2077 (represented at time period 1 in Figure 4.1) to Kartik 2081 (represented as time period 53), showing their performance fluctuations. SFMF and SAEF recorded the highest NAV, with SFMF reaching 20.48 and SAEF reaching to 22.73 in Shrawan 2078, indicating noticeable growth during this period. NICGF and NBF-2 also showed increasing trend during that point, though their peaks were lower compared to SAEF. However, most mutual funds experienced a downfall in late 2079

and 2080, with NMB50 dropping to its lowest NAV of 9.94 in Kartik 2080. CMF-1has more stable performance with only slight changes over the period of time. These trends reveal ups and downs in the market, reflecting varying market conditions and risk-return patterns possessed by mutual funds. While some mutual funds showed strong growth, others- maintained consistency but lower performances or faced significant declines during sample period.

4.1.2 Analysis of NEPSE Index movement during the period

Appendix-I NEPSE Index from Shrawan 2077 to Kartik 2081 has been graphically presented in the figure below

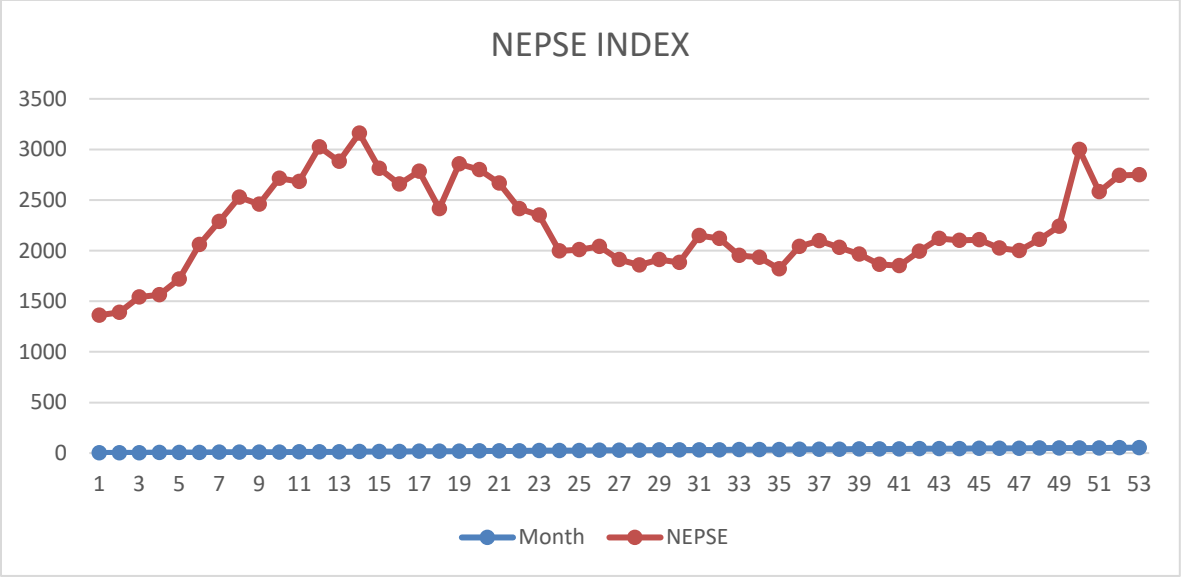

Figure 4.2 Month wise NEPSE Index during period of study

The NEPSE index has shown significant changes over time (Asadh 2077- period 1 in the Figure 4.2 to Kartik 2081-period 53 in the Figure 4.2), reflecting changes in market scenario. Starting at 1,362.35 in Asadh 2077, it experienced consistent growth, with the highest index of 3,160.06 in Shrawan 2078 during a strong bull cycle. However, the index dropped sharply, reaching 1,858.33 by Ashoj 2079, likely due to market corrections or any external challenges. From Mangshir 2079, the market gradually increased to 2,120.62 by Poush 2080 and continuing upward to 3,000.81 in Shrawan 2081, driven by improved economic conditions. It then stabilized around the 2,700 indices, demonstrating resilience and

consistent investor activity. Overall, the index has reflected the phases of growth, correction, and recovery in a dynamic market situation.

4.1.3 Comparative study of Return of MF based on NAV and returns of NEPSE Index

The returns of mutual funds are calculated based on their Net Asset Value (NAV) at the end of each Nepalese calendar month. Similarly, the monthly NEPSE Index returns are calculated using the closing index values at the end of each Nepalese month end. These calculations provide valuable intuitions into whether the NEPSE Index, representing stock market returns, has outperformed over mutual fund performance or vice versa. This comparison signifies which class of asset has delivered better performance over time. In additions to it, it allows us to explore the relationship between NEPSE Index or market returns and the returns of sampled mutual fund schemes. For analysis purpose, any distributed dividend or distributions have been incorporated into the mutual fund return calculations which ensures that NAV reflects the actual performance.

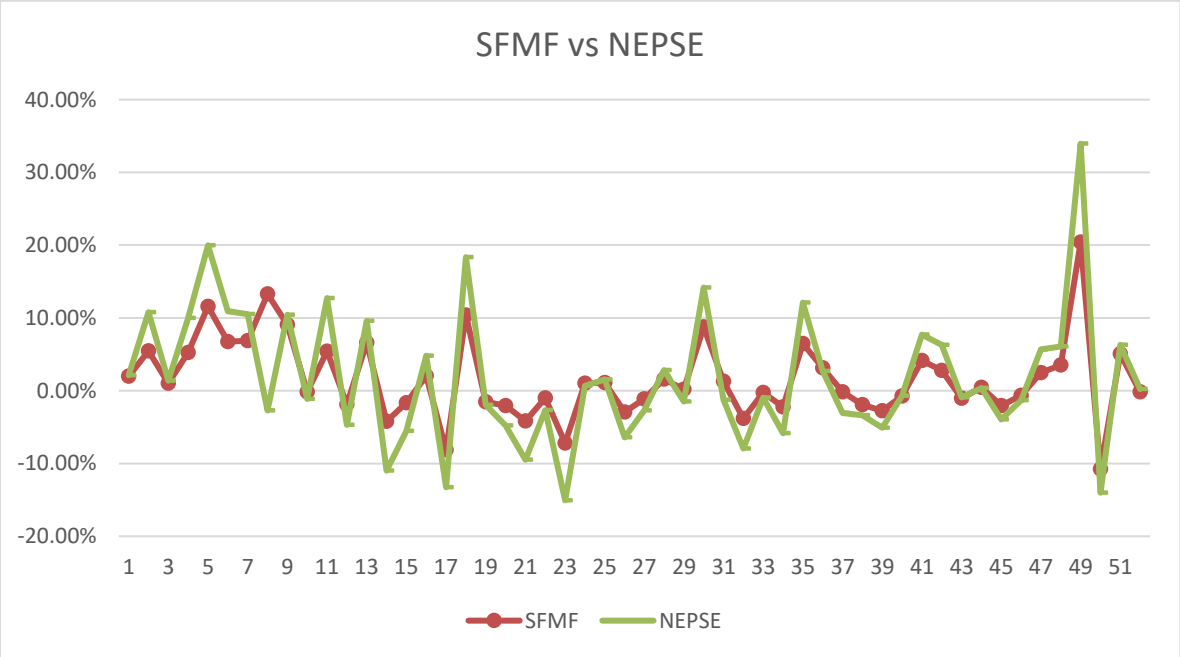

Figure 4.3 Monthly returns comparison of SFMF and NEPSE return

The comparison between monthly mutual fund returns of SFMF and NEPSE Index returns from Shrawan 2077 (Month 1 in Figure 4.3) to Kartik 2081 (Month 52 in Figure 4.3)

indicates key trends. SFMF tends to be more stable, while NEPSE shows higher fluctuations. During Shrawan 2081, NEPSE increased by 33.94%, significantly in comparison to SFMF's 20.39%. Both returns often move linearly, as seen in Mangshir 2077, where HPR and NEPSE increased by 11.59% and 19.95%, respectively. However, reverse has been observed in Falgun 2077, when MF return rose by 13.29%, while NEPSE declined by -2.71%. NEPSE returns are often found to be higher in bullish months, like Poush 2078 with an 18.35% increase in comparison to SFMF's 10.39%, but also faces downtrends, such as in Bhadra 2078, where NEPSE fell by -11.00%, while SFMF declined only by -4.20%. This summarizes that mutual fund provide more consistent returns with lower risk, whereas NEPSE offers higher growth potential but with greater fluctuations.

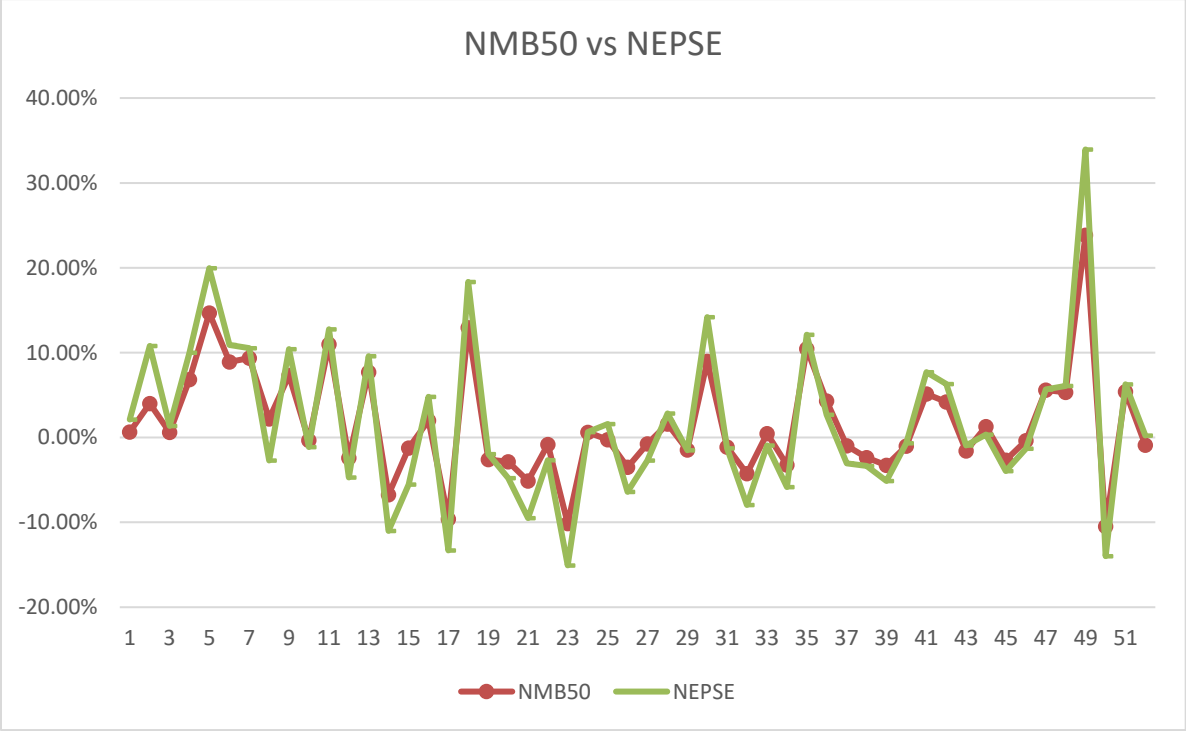

Figure 4.4 Monthly return comparison of NMB 50 and NEPSE return

The comparison of return of mutual fund-NMB-50 and the NEPSE Index from Shrawan 2077 (Period 1 in the Figure 4.4) to Kartik 2081(Period 52 in the Figure 4.4) shows that NMB-50 offers more consistent returns, while NEPSE exhibits greater volatility. During bull market, NEPSE often outperforms, such as in Shrawan 2081 with a 33.94% rise compared to NMB-50's 23.83%. However, NMB-50 tends to perform better in bearish market, as seen in

Bhadra 2078, where it fell by only -6.76% compared to NEPSE's -11.00%. In some cases, NMB-50 outperformed NEPSE, such as in Falgun 2080 (1.31% vs. 0.36%). Overall, NMB-50 provides consistent returns, while NEPSE offers higher returns in bullish markets with increased risk.

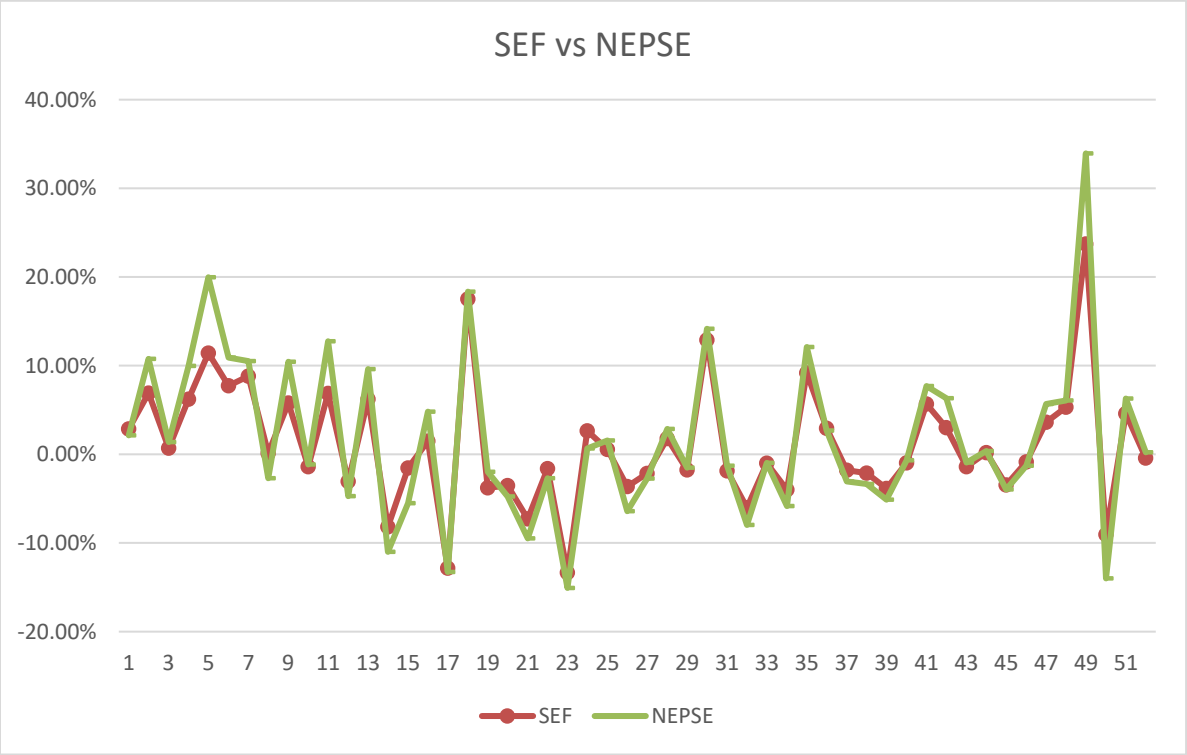

Figure 4.5 Monthly returns of SEF and NEPSE return

The performance of SEF as compared to the NEPSE Index from Shrawan 2077 (Period 1 in the Figure 4.5) to Kartik 2081 (Period 52 in the Figure 4.5) highlights notable variations in trends. SEF showed more consistency in bearish periods but underperformed in comparison to NEPSE in strong bullish phases. For instance, in Shrawan 2081, NEPSE increased by 33.94%, while SEF by 23.71%. Similarly, in Mangshir 2078, SEF decreased by -12.85% compared to NEPSE's -13.29%, showcasing better support. However, during Jestha 2078, SEF (6.87%) lagged behind NEPSE (12.74%). In moderate scenarios, SEF often moved parallelly closely with NEPSE, such as in Asadh 2080, where it recorded 2.93% against NEPSE's 2.69%. Overall, SEF consistently provided consistent returns than NEPSE during bearish period but found to be sluggish during market booms, suggesting it serves as a relatively lower-risk alternative to the index.

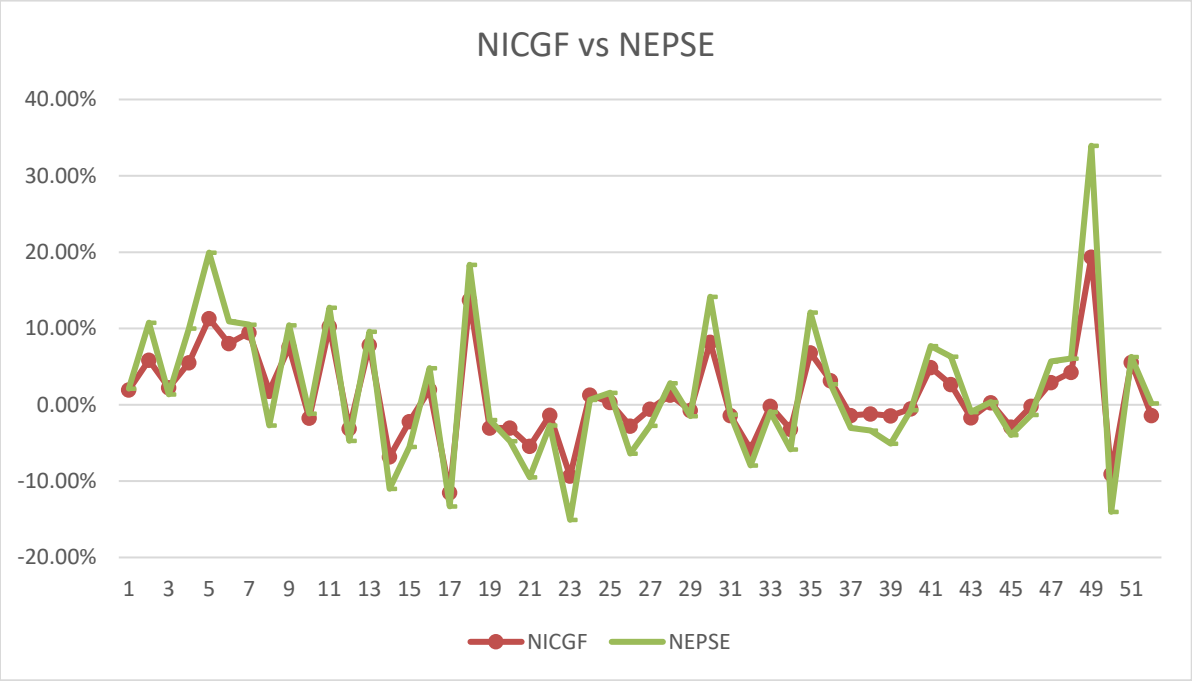

Figure 4.6 Monthly Return of NICGF and NEPSE return

The analysis of NICGF as compared to the NEPSE Index from Shrawan 2077 (Month 1 in the Figure 4.6) to Kartik 2081(Month 52 in the Figure 4.6) reveals a chart of stability in downturns and moderate growth during bullish phases. NEPSE's significantly rose in Shrawan 2081 (33.94%) while NICGF recorded a more modest 19.35%, indicating relative underperformance in strong market trend. During bearish months like Mangshir 2078, NICGF's dropped to -11.52% which was slightly less severe than NEPSE's -13.29%, reflecting better stability. NICGF often aligned closely with NEPSE in periods like Asadh 2080, where NICGF gained 3.19% compared to NEPSE's 2.69%. However, during bearish period like Bhadra 2078, NICGF's decline to -6.82% which was notably less severe than NEPSE's -11.00%. This trend illustrates NICGF's ability to provide consistent returns during market volatility, although it lags behind the market during growth phases. Overall, NICGF serves as a relatively safer investment plan compared to NEPSE.

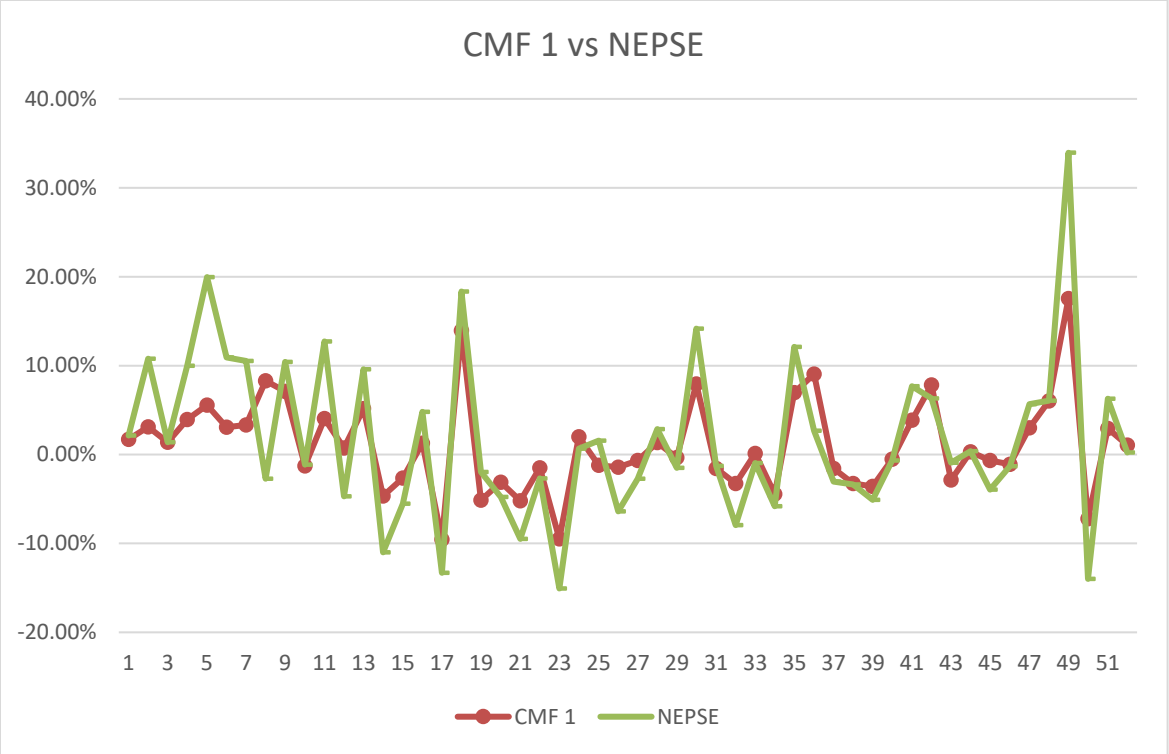

Figure 4.7 Monthly Return of CMF and NEPSE return

The performance of CMF compared to the NEPSE Index from Shrawan 2077(Month 1) to Kartik 2081(Month 52) as shown in Figure 4.7 reflects a mixed but generally consistent trend, with CMF showing resilience during market downturns and more moderate growth in bullish period. Bullish period like Shrawan 2081 (33.94% for NEPSE), CMF's performance at 17.55% was comparatively lower, indicating a slower growth. During bearish phase, CMF often outperforms the NEPSE Index. During Mangshir 2078, CMF's decline to -9.56% which was less severe compared to NEPSE's -13.29%, showing that CMF tends to be less volatile. Similarly, in Chaitra 2078, CMF's loss of -5.19% was better than the downturn in NEPSE's to -9.48%. Overall, CMF has provided more consistent returns with lower volatility, particularly during market declines, but it lags in periods of high market growth compared to the NEPSE Index.

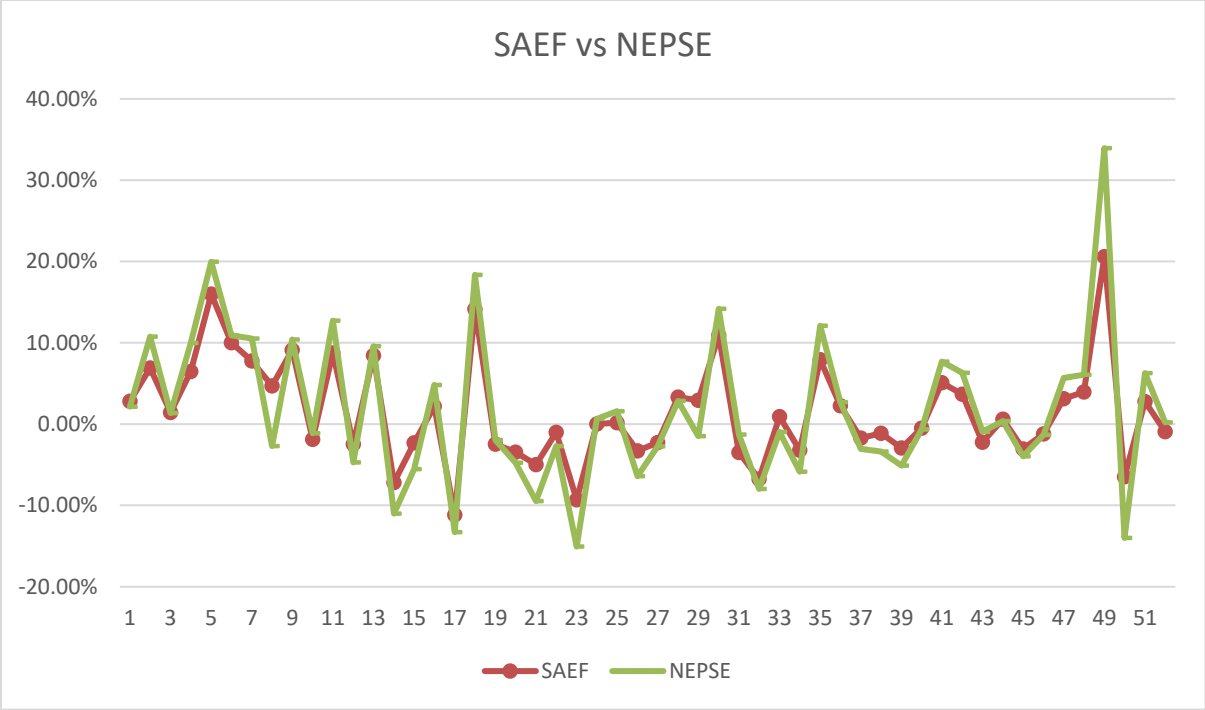

Figure 4.8 Monthly Return of SAEF and NEPSE return

The performance of SAEF was found to be relative to the NEPSE Index from Shrawan 2077 (Period 1) to Kartik 2081 (Period 52) as shown in Figure 4.8 and reflects notable ups and downs, with SAEF often showing more fluctuations. During bullish phase, SAEF tends to surpass NEPSE Index, such as in Shrawan 2077, where SAEF posted a 2.81% return compared to NEPSE's 2.14%, and in Mangshir 2077, SAEF increased to 15.99% while NEPSE by 19.95%. SAEF generally performs better than the NEPSE Index in bearish movement, as seen in Mangshir 2078, where SAEF's loss of -11.16% was lower than NEPSE's -13.29%. However, during downfall, SAEF can experience steeper losses, as demonstrated in Jestha 2079, where SAEF dropped by -9.30%, while NEPSE fell by -15.07%. Overall, SAEF shows better returns in strong markets but tends to be more volatile, with larger fluctuations in both gains and losses compared to the NEPSE Index.

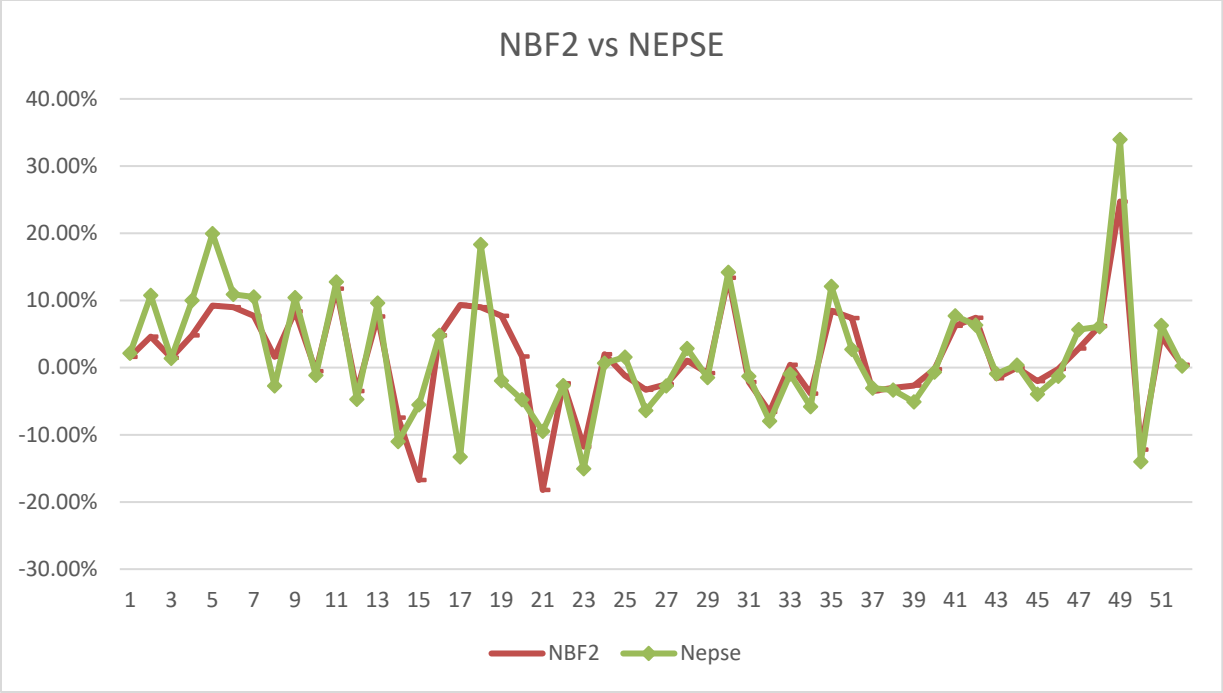

Figure 4.9 Monthly Return of NBF2 and NEPSE return

NBF2's performance from Shrawan 2077 (Period 1) to Kartik 2081(Period 52) as shown in Figure 4.9, shows periods of alignment and fluctuations with NEPSE. NBF2 showed a performance pattern that aligns with NEPSE during growth phases, achieving notable growth, such as 24.72% in Shrawan 2081 compared to NEPSE's 33.94%. However, during downtrend periods, it experienced steeper declines, like a drop of 12.20% in Bhadra 2081 against NEPSE's 14.00% fall. These trends highlight its tendency to intensify both gains and losses, making it a high-risk, high-reward investment plan. This poses its potential for high returns during uptrends while necessitating cautious observations in downturns.

4.1.4 Analysis of Mutual Funds and NPESE Index based on descriptive statistics

The performance of sample mutual fund schemes and the NEPSE Index is analyzed using various indicators such as monthly average return, standard deviation, correlation coefficient, coefficient of determination, and systematic risk (β). A mutual fund's performance should be analyzed not only based on returns but also by considering the level of risk undertaken by fund managers, as different mutual schemes operate at different level of risk. Greater fluctuations in the return indicate higher risk and vice versa.

To further understand the relationship, the correlation between sample mutual fund schemes

and the NEPSE Index, coefficient of determination has been calculated, which shows influence of NEPSE movements on fund returns. The coefficient of determination measures the extent to which a mutual fund's performance is dependent on the NEPSE Index. The table and figure provide detailed observations into the calculated ratios.

Table 4.1 Correlation between MF and NEPSE Return, Coefficient of determination

Particulars	**Correlation between MF and NEPSE (r)**	**Coefficient of Determination (r^2)**	**Significance (p-value)**
SFMF	0.91	0.83	< 0.001
NMB50	0.981	0.96	< 0.001
SEF	0.976	0.95	< 0.001
NICGF	0.972	0.94	< 0.001
CMF	0.878	0.77	< 0.001
SAEF	0.965	0.93	< 0.001
NBF2	0.827	0.68	< 0.001

The Table 4.1 compares the correlation between various mutual funds and the NEPSE index, highlighting strong positive relationships across all funds, with statistical significance at $p < 0.001$. Among the sample mutual funds, NMB50 exhibits the highest correlation with NEPSE (r = 0.981), with a coefficient of determination of 0.96, indicating that 96% of its performance variance can be associated to NEPSE trends. Similarly, SEF (r = 0.976, r^2 = 0.95), NICGF (r = 0.972, r^2 = 0.94), and SAEF (r = 0.965, r^2= 0.93) also show strong movement with the NEPSE index. SFMF (r = 0.910, r^2= 0.83) and CMF (r = 0.878, r^2= 0.77) portrays slightly weaker correlations but remain significantly affected by NEPSE trends. NBF2, with the lowest correlation (r = 0.827, r^2= 0.68), shows relatively less dependence on NEPSE compared in comparison to other sample mutual fund. Overall, the ratios highlight that the performance of all sample mutual funds is heavily influenced by movements in the NEPSE index, with NMB50 showing the strongest lineup.

Table 4.2 Average Return, Standard deviation of Mutual Fund & NEPSE

Particulars	Maximum	Minimum	Average Mean	Standard Deviation
SFMF	20.39%	-10.75%	1.64%	0.0550
NMB50	23.83%	-10.48%	1.64%	0.0642
SEF	23.71%	-13.36%	1.11%	0.0681
NICGF	19.35%	-11.52%	1.28%	0.0589
CMF	17.55%	-9.56%	1.08%	0.0528
SAEF	20.61%	-11.16%	1.57%	0.0631
NBF2	24.72%	-18.22%	1.52%	0.0747
NEPSE	33.94%	-15.07%	1.75%	0.0914

The descriptive statistics provide an insight of the distribution, central tendency, and variability of the mutual fund index return and NEPSE index for the observations. The mean values of the sample mutual funds and NEPSE indicate average returns generated, while the standard deviation reflects the variations observed in these returns. From the above Table 4.2, we can observe that NMB50 and SAEF show the highest mean return 1.64%, while CMF has the lowest mean return 1.08%. NEPSE has the highest mean return 1.75% among the data. In terms of standard deviations, NBF2 has the highest standard deviation (0.0747), indicating the highest ups and downs in returns, whereas CMF exhibits the lowest variability (0.0528), suggesting more stable returns among other sample MFs. The minimum and maximum values of each sample highlight the range of returns for each variable. NBF2 has the widest range, with a minimum range of -18.22% and a maximum of 24.72%, while CMF has nominal range from -9.56% to 17.55%. NEPSE also shows a wide range, with returns varying from -15.07% to 33.94%, reflecting its variations to market fluctuations. Overall, the statistics displays that mutual fund generally shows lower mean returns and less variability compared to that of NEPSE, except in case of NBF2, which shows the highest variability among the funds. This variability highlights the diverse risk and return profiles across the funds.

4.1.5 Performance Analysis based on Holding Period Return

An investor investing in mutual funds generally is an investor who has limited knowledge of investment in securities market or who do not have time to analyze stocks and wants to get benefit of professional management of mutual fund managers. Such investors seek returns higher than that of fixed deposits and similar or higher than market return or NEPSE. The

following table and figure show the holding period return during the period of research provided by selected mutual fund schemes and NEPSE index.

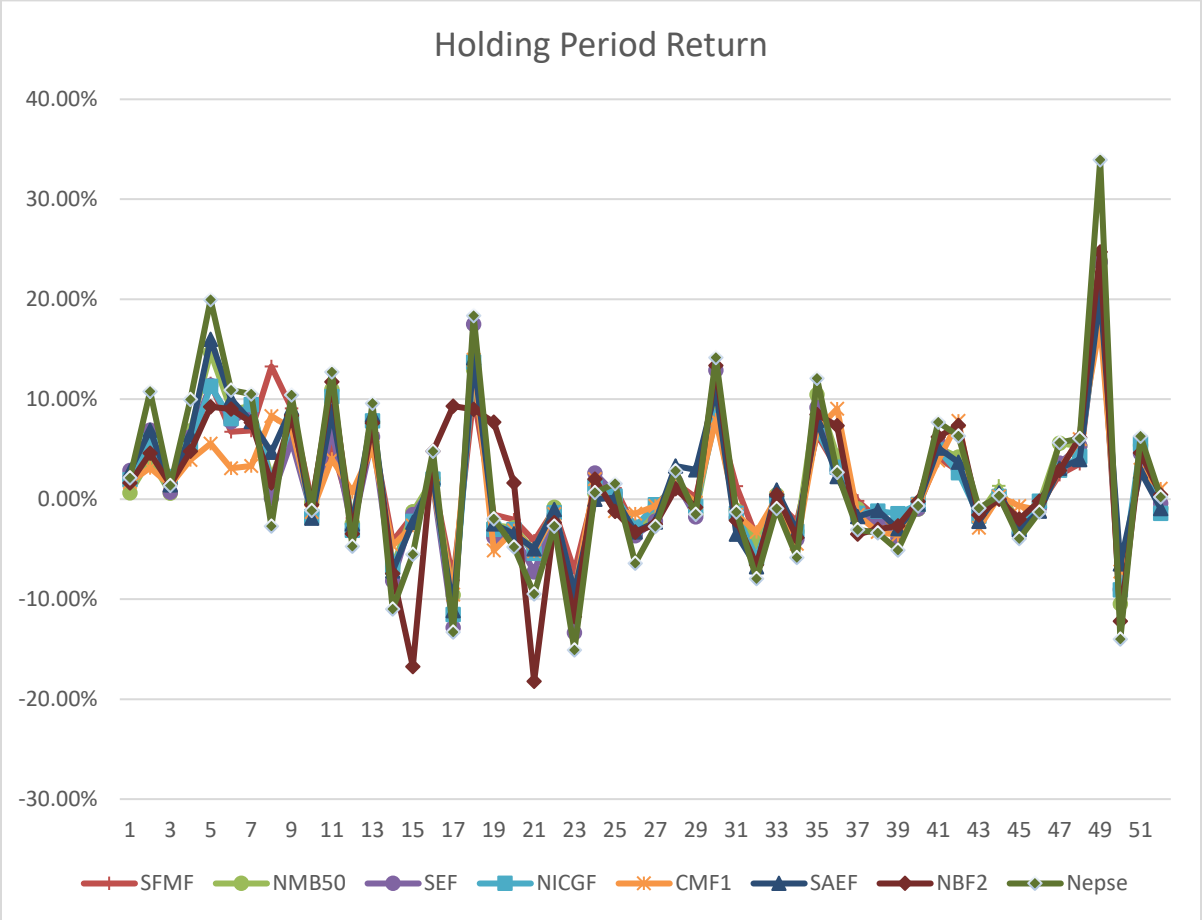

Figure 4.10 Holding Period Return of Mutual Funds and NEPSE Index

Figure 4.10 represent the monthly returns for sample mutual funds (SFMF, NMB50, SEF, NICGF, CMF-1, SAEF, NBF2) and the NEPSE index from Shrawan 2077 (Period 1) to Kartik 2081 (Period 52). Returns has shown mixed performance with some months showing high profits and others showing losses. The best month was Shrawan 2081, where all mutual funds and NEPSE had strongly inclined upward, such as SFMF at 20% and NEPSE at 34%. On the other side, Bhadra 2080 was a difficult month, with most returns dropping downward, including NEPSE at -14%. SFMF often out-performed well, with its highest return in Shrawan 2081, though it also had some losses, like in Bhadra 2078 (-4%). Overall, the returns fluctuated over time, showing both opportunities and risks for the investors.

4.1.6 Performance Measures of selected Mutual Fund Schemes and NEPSE Index on the basis of Sharpe Ratio

Sharpe ratio measures the excess of portfolio return over the risk-free rate (treasury bill rate- in this study) relative to its standard deviation.

Table 4.3 Sharpe Ratio of Selected Mutual Funds and NEPSE

Particulars	Sharpe Ratio	Rank
SFMF	0.2251	1st
NMB50	0.1920	2nd
SEF	0.1035	7th
NICGF	0.1482	5th
CMF-1	0.1280	6th
SAEF	0.1845	3rd
NBF-2	0.1490	4th
Nepse	0.1467	

The Sharpe Ratio identified the risk-adjusted return of mutual funds, helping to measure their performance relative to risk-free investments. Among the selected funds based on Table 4.3, SFMF has the highest Sharpe Ratio (0.2251), indicating it delivers the best return for the risk taken. However, SEF has the lowest Sharpe Ratio (0.1035), suggesting lower capacity in managing risk relative to its returns. Most mutual funds, including NMB50, NICGF, CMF-1, and SAEF, executed better than the NEPSE Index's Sharpe Ratio (0.1467), indicating they provide comparatively favorable risk-adjusted returns in comparison to the market index.

4.1.7 Performance Analysis of sample Mutual Fund Schemes and NEPSE Index on the basis of Treynor Ratio

The Treynor Ratio measures the fund’s portfolio return over the risk-free return per unit of the market risk (beta factor). Higher ratio indicates higher performance. The following chart shows the Treynor ratio of selected mutual fund schemes and NEPSE Index.

Table 4.4 Treynor ratio of selected Mutual Funds and NEPSE

Particulars	Treynor Ratio	Rank
SFMF	0.0224	1st
NMB50	0.0178	2nd
SEF	0.0097	7th
NICGF	0.0138	5th
CMF-1	0.0132	6th
SAEF	0.0174	3rd
NBF-2	0.0165	4th
NEPSE	0.0134	

The Treynor Ratio calculates the returns generated per unit of systematic risk (beta), offering intuition into a fund's performance relative to market risk. Among the sample mutual funds from Table 4.4, SFMF has the highest Treynor Ratio (0.0224), indicating exceptional performance in generating returns for its level of market risk. On the other hand, SEF has the lowest Treynor Ratio (0.0097), suggesting less effective management of systematic risk. Funds like NMB50, SAEF, and NBF-2 show better Treynor Ratios than the benchmark that is NEPSE Index (0.0134), highlighting their competence in managing market risk to generate returns, while others, such as NICGF and CMF-1, perform closer to the market benchmark.

4.1.8 Performance Analysis based on Jensen Alpha

Jensen alpha measures the extra return generated by the fund over the expected return based on market. This ratio analyzes if a portfolio is getting the right return for its level of risk taken. This ratio analyzes how much value a fund manager adds through their investment decisions, beyond what the market's systematic risk (beta) would justify. A positive Jensen Alpha indicates that the fund has outperformed its expected return, while a negative alpha suggests underperformance as compare to expected return

Table 4.5 Jensen Alpha of selected Mutual Funds

Particulars	Jensen Alpha	Rank
SFMF	0.0050	1st
NMB50	0.0031	2nd
SEF	(0.0027)	7th
NICGF	0.0003	5th
CMF-1	(0.0001)	6th
SAEF	0.0027	3rd
NBF-2	0.0021	4th

The Jensen Alpha analyzes a mutual fund's capacity to generate returns above what is expected based on its systematic risk (beta), providing insight into the fund manager's skill. Among the funds sampled as per Table 4.5, SFMF has the highest Jensen Alpha (0.0050), indicating better productivity in delivering excess returns beyond the expected market return. Conversely, SEF and CMF-1 have negative Jensen Alphas (-0.0027 and -0.0001, respectively), suggesting lagging performance relative to their risk profiles. Other funds, such as NMB50, SAEF, and NBF-2, show positive but adequate Jensen Alpha values, reflecting a reasonable ability to outperform the benchmark, while NICGF has near neutral performance with a minimal positive alpha (0.0003).

Table 4.6 Sharpe, Treynor and Jensen Ratios of all Mutual Fund

Particulars	**Sharpe Ratio**	**Treynor Ratio**	**Jensen Alpha**	**Rank**
SFMF	0.2251	0.0224	0.005	1st
NMB50	0.1920	0.0178	0.0031	2nd
SAEF	0.1845	0.0174	0.0027	3rd
NBF-2	0.1490	0.0165	0.0021	4th
NICGF	0.1482	0.0138	0.0003	5th
CMF-1	0.1280	0.0132	-0.0001	6th
SEF	0.1035	0.0097	-0.0027	7th
NEPSE	0.1467	0.0134		

The relative analysis of Sharpe Ratio, Treynor Ratio, and Jensen Alpha based on Table 4.6 suggests SFMF as the best-performing mutual fund, securing the top rank across all three metrics, which reflects its efficient risk return ratio, proficient market risk management, and capability to generate excess returns. Following SFMF, NMB50, SAEF, and NBF-2 rank second, third, and fourth, respectively, revealing strong but comparably lower performance.

NICGF stands the fifth position with modest results, while CMF-1 and SEF rank sixth and seventh, respectively, with SEF indicating the weakest performance, indicating poor return generation relative to market risk. In comparison to NEPSE, SFMF and NMB50 have outperformed notably, showcasing better result and efficient fund management strategies.

4.2 Discussions

The study analyzes the NAV of mutual fund, any incomes distributed as dividend by the mutual fund, its relation with the NEPSE index. The major findings of the study are discussed below.

The correlation between the mutual funds and the NEPSE index suggests the strength of their relationship. Among the funds, NMB50 exhibits the highest correlation ($r = 0.981$), indicating that its performance closely aligns with the market movements, making it highly sensitive to NEPSE fluctuations. Conversely, NBF2 has the lowest correlation ($r = 0.827$), suggesting a weaker relationship with the market fluctuation. The other funds fall within this range, showing strong but varying levels of market alignment. Sharma (2018) also concluded the variability in correlation between different mutual fund's return and market return. The coefficient of determination (r^2) explains the variation in the mutual fund's returns in relation to NEPSE index. NMB50 has the highest r^2 (0.96), meaning 96% of its performance is driven by market movements, reflecting highest predictability and market alignment. On the other hand, NBF2 has the lowest r^2 (0.68), implying that a significant portion (32%) of its returns is influenced by other factors. The other funds demonstrate high r^2 values (0.77 to 0.95), showcasing their strong but slightly lower market dependence compared to NMB50.The Beta values of the mutual funds reflect their reaction to market movements, with SEF having the highest beta of 0.7300, indicating greater volatility and higher sensitivity to market fluctuations compared to other funds. On the other hand, CMF-1 has the lowest beta of 0.5105, suggesting that it is less reactive to market changes and possess lower systematic risk. NEPSE serves as the standard with a beta of 1.000. Funds like SFMF (0.5523) and NICGF (0.6310) exhibit lower sensitivity than the market, while SEF and NMB50 with higher betas provides better exposure to market movements, which could lead to higher returns in suitable market conditions. The SAEF fund stands out as the highest performer in terms of NAV, showing increasing trend of growth from 11.39 in Asadh 2077 to 13.93 by

Shrawan 2081, indicating a strong market performance and effective fund manager's strategies. However, CMF has the lowest NAV growth, starting at 11.68 in Asadh 2077 and reaching only 11.74 by Shrawan 2081, reflecting a comparatively low performance with minimal increase, suggesting that the fund struggled to capitalize on market opportunities during the study period. Kazmi (2022) focused that mutual fund managers' expertise has vital role in mutual fund performance which supports Sanima Capital as experienced fund manager. SFMF emerged as the best-performing mutual fund among others, with its highest return of 0.20 in Shrawan 2081 based on its holding period return. This fund consistently demonstrated solid growth, with positive returns across study months. On the other side, NBF2 showed the weakest performance, with its lowest return of -0.17 in Ashoj 2078, experiencing several periods of negative returns. This lines up with Bajracharya (2016) which concludes some mutual fund outperforms while some underperforms in comparison to benchmark. Comparing SFMF's overall performance over the 52-month period to NEPSE, SFMF generally performed good. For example, SFMF showed more steady positive returns, while NEPSE experienced more significant ups and downs, including some negative returns. SFMF had a better overall return compared to marker, particularly in terms of consistency and lower volatility.

Over the 52-month period, SFMF and NMB50 emerged as the top performers, each with an average return of 1.64%, while SAEF has an average return of 1.57%. Other funds such as NBF-2 and NICGF have an average return of 1.52% and 1.28%, respectively, while SEF lagged behind at 1.11%. CMF-1 performed the least with an average return of 1.08%. Comparing SFMF with NEPSE, SFMF generally outperformed NEPSE, as it displayed a consistent trajectory, while NEPSE experienced higher fluctuations, including periods of negative returns.CMF-1 had the lowest standard deviation at 5.28%, indicating the least volatility and the most stable performance among the mutual funds. On the other hand, NBF-2 recorded the highest standard deviation at 7.47%, reflecting greater fluctuations in returns. Compared to NEPSE, the mutual funds generally demonstrated lower volatility, with CMF-1 standing out as the least risky investment option over the 52-month period.

The Sharpe ratio analyses the risk-adjusted return of a mutual fund by taking account of both the return and the risk involved. Among the selected mutual funds, SFMF stands out with the highest Sharpe ratio of 0.2251, reflecting that it contributes the best return per unit of risk.

This discussion is in line up with Ghimire B. & Pant R. (2022), suggesting higher market return results higher Sharpe's ratio This ratio is effectively better than the NEPSE index, which has a Sharpe ratio of 0.1467, reflecting that SFMF contributes higher risk-adjusted performance against the broader market. On the other hand, SEF has the lowest Sharpe ratio (0.1035), indicating that it offers the least return for the level of risk it assumes. The Treynor ratio measures the returns of a mutual fund in relation to its systematic risk, measured by beta. SFMF has the highest Treynor ratio at 0.0224, signifying that it delivers the best return per unit of market risk, outshining the NEPSE index's ratio of 0.0134. This suggests that SFMF delivers higher returns for each unit of systematic risk compared to the market, which tallies with the conclusion drawn by Rani & Hooda (2017) which also suggests higher return mutual fund have higher Treynor's ratio. Conversely, SEF again surfaces as the least favorable, with a Treynor ratio of 0.0097, highlighting a weaker return relative to its market risk exposure. Jensen Alpha calculates the excess return of a mutual fund compared to its expected return, for a given level of systematic risk. SFMF has the highest positive Jensen Alpha of 0.0050, reflecting that the fund manager has yielded returns beyond what is predicted by the market's movements. SFMF shows superior management skill in excelling the market. In contrast, SEF shows a negative Jensen Alpha of -0.0027, indicating low performance relative to what would be expected based on its level of market risk.

CHAPTER V

SUMMARYAND CONCLUSION

This chapter provides a concise summary of the study, emphasizing the major findings regarding the analysis of the financial performance and ratios of mutual fund schemes. It also identifies the best-performing mutual fund scheme among the selected schemes. Furthermore, the chapter outlines the detailed conclusions derived from the study and discusses their implications in a separate section.

5.1 Summary

The study has been completed as a part of the Master of Business Studies (MBS) program. The research aims to analyze the performance of sampled mutual fund schemes which has already performed for more than four consecutive years. The study also compares the fluctuations of monthly NAV return of mutual fund with the change in market index. Out of 36 closed end mutual fund in Nepal, only ten mutual funds have performed for more than four consecutive years. Only one mutual fund with comparatively larger fund size has been chosen from single fund manager issuing multiple schemes. Monthly Net Assets Value has been taken along with the dividend distributed by each scheme from either their fund manager's official website or financial portals. NEPSE Index has been taken from each Nepalese calendar month's last trading day's data. Risk Free Return has been calculated based on monthly average of 28-days treasury bill issued by either NRB or PDMO. The analysis has been based on secondary data, collected from different sources such as websites of respective fund manager, Nepal Stock Exchange Limited, online web financial portals like share sansar, merolagani, nepsealpha and other investment related sites. The mutual fund's monthly NAV, dividend history, NEPSE Index have been taken from the period Asadh 2077 to Kartik 2081 for study analysis purpose.

To evaluate financial performance of mutual fund, several ratios and data analysis techniques were utilized, including Net Asset Value per unit, average return, standard deviation, correlation coefficient, coefficient of determination, beta factor, holding period return, Sharpe ratio, Treynor ratio, and Jensen Alpha. The study employed research methodologies namely descriptive and comparative research designs. Data taken from various sources are analyzed using Excel software and SPSS software and the findings are then presented

through tables, figures, and calculated ratios. The analysis provided significant insights into mutual fund performance, which helps to identify the best-performing mutual fund scheme from the selected option schemes. The study revealed a positive relationship between the NEPSE Index and the financial performance of mutual funds. These findings contribute to existing literature, though further research is recommended to address study limitations and resolve potential inconsistencies with previous studies.

5.2 Conclusion

This study examines the performance of mutual fund schemes in Nepal and also studies the fluctuations in their relationship with the NEPSE Index over a 53-month period from Asadh 2077 to Kartik 2081. The research focuses to identify the best-performing mutual fund scheme, analyze risk-adjusted returns, and explore the extent to which market movements influence individual mutual fund performance. Using financial ratios such as average return, standard deviation, correlation analysis, Sharpe Ratio, Treynor Ratio, Jensen Alpha, and other metrics, the study provides a comprehensive evaluation of the selected mutual funds.

Based on return metrics, key findings reveal that SFMF and NMB50 were the top performers with highest average return and holding period return. With risk measure, CMF-1 exhibited the least volatility while NBF-2 showed the highest volatility. The correlation and coefficient of determination analysis resulted that NMB50 had the strongest relationship with NEPSE, whereas NBF-2 demonstrated a weaker relation with market fluctuations. SFMF has the lowest Beta, indicating less sensitivity comparative to market sensitivity and volatility, while SEF has the highest Beta reflecting higher market. Risk-adjusted return measures resulted SFMF as the best-performing fund which achieved the highest Sharpe Ratio, Treynor's Ratio and Jensen alpha, indicating superior returns relative to its risk exposure and reflecting its ability to consistently generate excess returns beyond market expectations. In contrast, SEF underperformed comparatively in these metrics, highlighting weaker risk-return efficiency.

On Comparisons with the NEPSE Index, mutual funds generally outperformed NEPSE in terms of stability and risk-adjusted returns. NEPSE had a higher average return, but experienced greater volatility and fluctuations, which the mutual funds managed to mitigate effectively. SFMF excels in comparison to NEPSE in terms of Sharpe and Treynor ratios, as well as Beta, which shows lower risk exposure.

This study summarizes that SFMF stands out as the best-performing mutual fund due to its consistent returns, lower volatility, and superior risk-adjusted performance. Having high average return based on return metrics, balanced risk due to moderate standard deviation and best risk adjusted measures such as Sharpe, Treynor's ratio and Jensen alpha. These judgements contribute to understanding the fluctuations between mutual funds and market performance, offering valuable implications for investors, fund managers, and policymakers. Further research is suggested to address limitations and deepen the understanding of mutual fund performance in Nepal.

5.3 Implications

This research serves as a valuable source for further studies, offering visions into the performance of mutual funds and their relationship with the NEPSE Index. The implications of this study are divided into two sections namely general implications and implications for future researchers**,** which are presented as follows:

5.3.1. General Implications

Based on the study, researcher has found the following general implications:

1. Investors can use this research study to make more informed and strategic decisions regarding mutual fund investments and develop action plans to deploy in order to generate optimal returns on their investments.
2. This report supports fund managers identify their strengths and weaknesses, offering insights to improve their fund management strategies.
3. The study provides details of impact of NEPSE Index on the performance of mutual funds, serving as a useful reference for fund managers and offers comparative understanding into different closed-end mutual funds, guiding both investors and fund managers in making better decisions.
4. The research summarizes the common lack of knowledge about mutual funds and can be used to educate investors on their benefits and returns.
5. The study signifies the importance of professional portfolio management, helping fund managers enhance their decision-making to improve fund performance.

5.3.2. Implication for future researchers

Based on the research study, following implications are suggested for future researchers:

1. Future researchers can expand the study by analyzing large number of mutual funds, providing a more detailed and comprehensive analysis of their performance.
2. The study could focus on funds managed by a single fund manager across multiple fiscal years, allowing for an analysis of the competitive and progressive performance of these funds over time.
3. Although this study involved various tools for performance evaluation, future researchers can explore additional tools and methods to assess the relationship between NEPSE Index and mutual fund performance.
4. The study covered a specific time period (Asadh 2077 to Kartik 2081) and did not consider the full tenure of the mutual funds. Future research could extend the analysis with entire duration of the funds to assess their performance until maturity.

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APPENDICES

Appendix -I

Monthly NAV of Selected Mutual Fund and NEPSE Index

Month	Year	SFMF	NMB50	SEF	NICGF	CMF-1	SAEF	NBF-2	NEPSE
Asadh	2077	10.98	10.9	11.17	11.75	11.68	11.39	11.09	1,362.35
Shrawan	2077	11.20	10.97	10.74	11.98	11.88	11.71	11.27	1,391.46
Bhadra	2077	11.81	11.41	11.48	11.48	12.25	12.52	10.89	1,541.40
Ashoj	2077	11.23	10.98	11.56	11.74	10.92	12.70	11.05	1,562.46
Kartik	2077	11.82	11.73	12.28	12.39	11.35	12.82	11.58	1,718.50
Mangshir	2077	13.19	13.45	13.68	13.79	11.98	14.87	12.65	2,061.42
Poush	2077	14.08	14.65	14.74	14.90	12.35	16.36	13.79	2,286.55
Magh	2077	15.05	16.02	16.04	16.31	12.76	17.63	14.85	2,526.92
Falgun	2077	17.05	16.37	16.06	16.60	13.82	18.46	15.09	2,458.49
Chaitra	2077	18.60	17.57	16.99	17.86	14.80	20.14	16.35	2,714.79
Baisakh	2078	18.57	17.51	16.75	17.55	14.61	19.76	16.26	2,684.01
Jestha	2078	19.58	19.43	17.9	19.35	15.20	21.49	18.17	3,025.83
Asadh	2078	19.21	18.96	17.35	18.75	15.31	20.96	17.54	2,883.38
Shrawan	2078	20.48	20.42	15.43	20.22	16.10	22.73	18.87	3,160.06
Bhadra	2078	14.62	16.04	14.17	15.84	11.35	21.10	17.47	2,812.39
Ashoj	2078	14.38	15.84	13.95	15.49	11.05	17.31	11.05	2,656.97
Kartik	2078	14.67	16.16	14.16	15.80	11.19	17.68	11.58	2,784.58
Mangshir	2078	13.48	14.61	12.34	13.98	10.12	15.71	12.65	2,414.62
Poush	2078		16.5	14.5					2,857.75

		14.88			15.90	11.53	17.93	13.79	
Magh	2078	14.65	16.07	13.95	15.42	10.94	17.49	14.85	2,801.56
Falgun	2078	14.35	15.61	13.46	14.95	10.60	16.88	15.09	2,668.11
Chaitra	2078	13.75	14.81	12.48	14.14	10.05	16.04	12.34	2,415.24
Baisakh	2079	13.61	14.69	12.28	13.95	9.90	15.88	12.06	2,350.42
Jestha	2079	12.63	13.2	10.64	12.65	8.96	14.40	10.64	1,996.26
Asadh	2079	12.76	13.28	10.92	12.81	9.14	14.40	10.85	2,009.46
Shrawan	2079	12.90	11.14	10.98	12.85	9.03	14.43	10.72	2,041.06
Bhadra	2079	11.32	10.75	9.68	12.49	8.90	13.95	10.36	1,910.38
Ashoj	2079	11.19	10.67	9.47	12.42	8.84	11.43	10.10	1,858.33
Kartik	2079	11.37	10.84	9.64	11.28	8.96	11.81	9.51	1,911.26
Mangshir	2079	11.39	10.68	9.47	11.20	8.93	12.16	9.43	1,882.60
Poush	2079	12.39	11.64	10.69	12.12	9.64	13.49	10.69	2,149.39
Magh	2079	12.55	11.51	10.49	11.95	9.49	13.02	10.47	2,121.86
Falgun	2079	12.07	11.02	9.86	11.25	9.18	12.14	9.78	1,953.06
Chaitra	2079	12.04	11.07	9.76	11.23	9.19	12.25	9.82	1,934.47
Baisakh	2080	11.77	10.71	9.37	10.87	8.78	11.86	9.44	1,821.64
Jestha	2080	12.53	11.83	10.23	11.61	9.39	12.80	10.24	2,042.07
Asadh	2080	12.92	12.34	10.53	11.98	10.24	13.09	10.99	2,097.09
Shrawan	2080	12.90	12.22	10.34	11.81	10.08	12.86	10.61	2,033.13
Bhadra	2080	12.65	11.93	9.62	11.67	9.75	12.72	10.29	1,964.91
Ashoj	2080	10.70	10.04	9.25	11.50	9.40	10.54	9.06	1,864.62
Kartik	2080	10.62	9.94	9.16	10.39	9.35	10.49	9.04	1,852.08

Mangshir	2080	11.06	10.45	9.68	10.90	9.71	11.02	9.60	1,994.60
Poush	2080	11.37	10.89	9.97	11.19	10.47	11.43	10.31	2,120.62
Magh	2080	11.25	10.72	9.83	11.00	10.17	11.18	10.15	2,101.16
Falgun	2080	11.30	10.86	9.85	11.03	10.20	11.25	10.15	2,108.72
Chaitra	2080	11.07	10.57	9.51	10.71	10.13	10.91	9.94	2,025.30
Baisakh	2081	11.00	10.53	9.43	10.69	10.02	10.78	9.93	1,998.89
Jestha	2081	11.27	11.12	9.77	11.00	10.32	11.11	10.21	2,112.29
Asadh	2081	11.67	11.71	10.29	11.47	10.94	11.55	10.84	2,240.41
Shrawan	2081	14.05	14.5	12.73	13.69	12.86	13.93	13.52	3,000.81
Bhadra	2081	11.29	12.98	11.58	11.50	11.93	11.53	11.87	2,580.76
Ashoj	2081	11.86	12.18	12.11	12.14	11.38	11.85	11.62	2,742.88
KArtik	2081	11.84	12.07	12.06	11.97	11.50	11.74	11.67	2,748.78

Appendix II

Dividend Distribution History of Mutual Fund

Symbol	Company	Cash (%)	Total (%)	Book Closure Date	Fiscal Year
CMF1	Citizens Mutual Fund-1	9%	9%	09/10/2024	2080/2081
		40%	40%	09/09/2021	2077/2078
		15%	15%	01/10/2020	2076/2077
NBF2	Nabil Balanced Fund - 2	8%	8%	27/09/2024	2080/2081
		9.60%	9.60%	13/10/2023	2079/2080
		7%	7%	04/11/2022	2078/2079
		35%	35%	27/09/2021	2077/2078
		9%	9%	10/09/2020	2076/2077
NICGF	NIC Asia Growth Fund	9.50%	9.50%	13/09/2024	2080/2081
		10.50%	10.50%	08/11/2023	2079/2080
		13%	13%	01/11/2022	2078/2079
		30%	30%	12/09/2021	2077/2078
		12%	12%	10/09/2020	2076/2077
NMB50	NMB 50	15%	15%	27/09/2024	2080/2081
		15%	15%	29/09/2023	2079/2080
		21.05%	21.05%	16/08/2022	2078/2079
		30%	30%	03/09/2021	2077/2078
		5%	5%	02/10/2020	2076/2077
SAEF	Sanima Equity Fund	15%	15%	11/09/2024	2080/2081
		18%	18%	01/10/2023	2079/2080
		22%	22%	25/09/2022	2078/2079
		33%	33%	17/09/2021	2077/2078
		7%	7%	30/10/2020	2076/2077
SEF	Siddhartha Equity Fund	5%	5%	30/08/2023	2079/2080
		9%	9%	23/08/2022	2078/2079
		30%	30%	16/08/2021	2077/2078
		7.50%	7.50%	16/08/2020	2076/2077
SFMF	Sunrise First Mutual Fund	12.50%	12.50%	23/08/2024	2080/2081
		16%	16%	01/10/2023	2079/2080
		12%	12%	14/09/2022	2078/2079
		50%	50%	01/09/2021	2077/2078
		7%	7%	27/09/2020	2076/2077

Source: Sharesansar (https://www.sharesansar.com/proposed-dividend)

Appendix -III

Holding Period Return (Rate of Return) of Mutual Fund in Nepal

Date	NAV SFMF	HPR - SFMF	NAV NMB 50	HPR NMB50	NAV SEF	HPR SEF	NAV NICGF	HPR NICGF
Asadh 2077	10.98		10.9		11.17		11.75	
Shrawan 2077	11.20	2.00%	10.97	0.64%	10.74	2.86%	11.98	1.96%
Bhadra 2077	11.81	5.45%	11.41	4.01%	11.48	6.89%	11.48	5.84%
Ashoj 2077	11.23	1.02%	10.98	0.61%	11.56	0.70%	11.74	2.26%
Kartik 2077	11.82	5.25%	11.73	6.83%	12.28	6.23%	12.39	5.54%
Mangshir 2077	13.19	11.59%	13.45	14.66%	13.68	11.40%	13.79	11.30%
Poush 2077	14.08	6.75%	14.65	8.92%	14.74	7.75%	14.90	8.05%
Magh 2077	15.05	6.89%	16.02	9.35%	16.04	8.82%	16.31	9.46%
Falgun 2077	17.05	13.29%	16.37	2.18%	16.06	0.12%	16.60	1.78%
Chaitra 2077	18.60	9.09%	17.57	7.33%	16.99	5.79%	17.86	7.59%
Baisakh 2078	18.57	-0.16%	17.51	-0.34%	16.75	-1.41%	17.55	-1.74%
Jestha 2078	19.58	5.44%	19.43	10.97%	17.9	6.87%	19.35	10.26%
Asadh 2078	19.21	-1.89%	18.96	-2.42%	17.35	-3.07%	18.75	-3.10%
Shrawan 2078	20.48	6.61%	20.42	7.70%	15.43	6.22%	20.22	7.84%
Bhadra 2078	14.62	-4.20%	16.04	-6.76%	14.17	-8.17%	15.84	-6.82%
Ashoj 2078	14.38	-1.64%	15.84	-1.25%	13.95	-1.55%	15.49	-2.21%
Kartik 2078	14.67	2.02%	16.16	2.02%	14.16	1.51%	15.80	2.00%
Mangshir 2078	13.48	-8.11%	14.61	-9.59%	12.34	-12.85%	13.98	-11.52%
Poush 2078	14.88	10.39%	16.5	12.94%	14.5	17.50%	15.90	13.73%
Magh 2078		-1.55%	16.07	-2.61%	13.95	-3.79%	15.42	-3.02%

	14.65							
Falgun 2078	14.35	-2.05%	15.61	-2.86%	13.46	-3.51%	14.95	-3.05%
Chaitra 2078	13.75	-4.18%	14.81	-5.12%	12.48	-7.28%	14.14	-5.42%
Baisakh 2079	13.61	-1.02%	14.69	-0.81%	12.28	-1.60%	13.95	-1.34%
Jestha 2079	12.63	-7.20%	13.2	-10.14%	10.64	-13.36%	12.65	-9.32%
Asadh 2079	12.76	1.03%	13.28	0.61%	10.92	2.63%	12.81	1.26%
Shrawan 2079	12.90	1.10%	11.14	-0.26%	10.98	0.55%	12.85	0.31%
Bhadra 2079	11.32	-2.95%	10.75	-3.50%	9.68	-3.64%	12.49	-2.80%
Ashoj 2079	11.19	-1.15%	10.67	-0.74%	9.47	-2.17%	12.42	-0.56%
Kartik 2079	11.37	1.61%	10.84	1.59%	9.64	1.80%	11.28	1.29%
Mangshir 2079	11.39	0.18%	10.68	-1.48%	9.47	-1.76%	11.20	-0.71%
Poush 2079	12.39	8.78%	11.64	8.99%	10.69	12.88%	12.12	8.21%
Magh 2079	12.55	1.29%	11.51	-1.12%	10.49	-1.87%	11.95	-1.40%
Falgun 2079	12.07	-3.82%	11.02	-4.26%	9.86	-6.01%	11.25	-5.86%
Chaitra 2079	12.04	-0.25%	11.07	0.45%	9.76	-1.01%	11.23	-0.18%
Baisakh 2080	11.77	-2.24%	10.71	-3.25%	9.37	-4.00%	10.87	-3.21%
Jestha 2080	12.53	6.46%	11.83	10.46%	10.23	9.18%	11.61	6.81%
Asadh 2080	12.92	3.11%	12.34	4.31%	10.53	2.93%	11.98	3.19%
Shrawan 2080	12.90	-0.15%	12.22	-0.97%	10.34	-1.80%	11.81	-1.42%
Bhadra 2080	12.65	-1.94%	11.93	-2.37%	9.62	-2.13%	11.67	-1.19%
Ashoj 2080	10.70	-2.77%	10.04	-3.27%	9.25	-3.85%	11.50	-1.46%
Kartik 2080	10.62	-0.75%	9.94	-1.00%	9.16	-0.97%	10.39	-0.52%
Mangshir 2080	11.06	4.14%	10.45	5.13%	9.68	5.68%	10.90	4.91%

Poush 2080	11.37	2.80%	10.89	4.21%	9.97	3.00%	11.19	2.66%
Magh 2080	11.25	-1.06%	10.72	-1.56%	9.83	-1.40%	11.00	-1.70%
Falgun 2080	11.30	0.44%	10.86	1.31%	9.85	0.20%	11.03	0.27%
Chaitra 2080	11.07	-2.04%	10.57	-2.67%	9.51	-3.45%	10.71	-2.90%
Baisakh 2081	11.00	-0.63%	10.53	-0.38%	9.43	-0.84%	10.69	-0.19%
Jestha 2081	11.27	2.45%	11.12	5.60%	9.77	3.61%	11.00	2.90%
Asadh 2081	11.67	3.55%	11.71	5.31%	10.29	5.32%	11.47	4.27%
Shrawan 2081	14.05	20.39%	14.5	23.83%	12.73	23.71%	13.69	19.35%
Bhadra 2081	11.29	-10.75%	12.98	-10.48%	11.58	-9.03%	11.50	-9.06%
Ashoj 2081	11.86	5.05%	12.18	5.39%	12.11	4.58%	12.14	5.57%
Kartik 2081	11.84	-0.17%	12.07	-0.90%	12.06	-0.41%	11.97	-1.40%
Average Return		1.64%		1.64%		1.11%		1.28%
SD		0.055		0.064		0.068		0.059
Correlation		0.91		0.98		0.98		0.98
Maximum		20.39%		23.83%		23.71%		19.35%
Minimum		-10.75%		-10.48%		-13.36%		-11.52%

Holding Period Return (Rate of Return) of Mutual Fund in Nepal

Date	**NAV**	**HPR**	**NAV**	**HPR**	**NAV**	**HPR**	**NEPSE**	**HPR**

	CMF-1	CMF1	SAEF	SAEF	NBF-2	NBF2	Index	Nepse
Asadh 2077	11.68		11.39		11.09		1,362.35	
Shrawan 2077	11.88	1.71%	11.71	2.81%	11.27	1.62%	1,391.46	2.14%
Bhadra 2077	12.25	3.11%	12.52	6.92%	10.89	4.61%	1,541.40	10.78%
Ashoj 2077	10.92	1.39%	12.70	1.44%	11.05	1.47%	1,562.46	1.37%
Kartik 2077	11.35	3.94%	12.82	6.46%	11.58	4.80%	1,718.50	9.99%
Mangshir 2077	11.98	5.55%	14.87	15.99%	12.65	9.24%	2,061.42	19.95%
Poush 2077	12.35	3.09%	16.36	10.02%	13.79	9.01%	2,286.55	10.92%
Magh 2077	12.76	3.32%	17.63	7.76%	14.85	7.69%	2,526.92	10.51%
Falgun 2077	13.82	8.31%	18.46	4.71%	15.09	1.62%	2,458.49	-2.71%
Chaitra 2077	14.80	7.09%	20.14	9.10%	16.35	8.35%	2,714.79	10.43%
Baisakh 2078	14.61	-1.28%	19.76	-1.89%	16.26	-0.55%	2,684.01	-1.13%
Jestha 2078	15.20	4.04%	21.49	8.76%	18.17	11.75%	3,025.83	12.74%
Asadh 2078	15.31	0.72%	20.96	-2.47%	17.54	-3.47%	2,883.38	-4.71%
Shrawan 2078	16.10	5.16%	22.73	8.44%	18.87	7.61%	3,160.06	9.60%
Bhadra 2078	11.35	-4.66%	21.10	-7.18%	17.47	-7.42%	2,812.39	-11.00%
Ashoj 2078	11.05	-2.64%	17.31	-2.32%	11.05	-16.74%	2,656.97	-5.53%
Kartik 2078	11.19	1.27%	17.68	2.17%	11.58	4.78%	2,784.58	4.80%
Mangshir 2078	10.12	-9.56%	15.71	-11.16%	12.65	9.31%	2,414.62	-13.29%
Poush 2078	11.53	13.93%	17.93	14.15%	13.79	8.97%	2,857.75	18.35%
Magh 2078	10.94	-5.12%	17.49	-2.48%	14.85	7.70%	2,801.56	-1.97%
Falgun 2078	10.60	-3.11%	16.88	-3.46%	15.09	1.64%	2,668.11	-4.76%
Chaitra 2078		-5.19%		-4.98%	12.34	-	2,415.24	-9.48%

	10.05		16.04			18.22%		
Baisakh 2079	9.90	-1.49%	15.88	-1.02%	12.06	-2.34%	2,350.42	-2.68%
Jestha 2079	8.96	-9.49%	14.40	-9.30%	10.64	-11.77%	1,996.26	-15.07%
Asadh 2079	9.14	2.01%	14.40	0.00%	10.85	1.99%	2,009.46	0.66%
Shrawan 2079	9.03	-1.20%	14.43	0.16%	10.72	-1.22%	2,041.06	1.57%
Bhadra 2079	8.90	-1.44%	13.95	-3.29%	10.36	-3.29%	1,910.38	-6.40%
Ashoj 2079	8.84	-0.67%	11.43	-2.28%	10.10	-2.49%	1,858.33	-2.72%
Kartik 2079	8.96	1.36%	11.81	3.32%	9.51	1.06%	1,911.26	2.85%
Mangshir 2079	8.93	-0.33%	12.16	2.93%	9.43	-0.81%	1,882.60	-1.50%
Poush 2079	9.64	7.95%	13.49	10.93%	10.69	13.36%	2,149.39	14.17%
Magh 2079	9.49	-1.56%	13.02	-3.49%	10.47	-2.14%	2,121.86	-1.28%
Falgun 2079	9.18	-3.27%	12.14	-6.75%	9.78	-6.58%	1,953.06	-7.96%
Chaitra 2079	9.19	0.11%	12.25	0.92%	9.82	0.44%	1,934.47	-0.95%
Baisakh 2080	8.78	-4.46%	11.86	-3.20%	9.44	-3.85%	1,821.64	-5.83%
Jestha 2080	9.39	6.95%	12.80	7.91%	10.24	8.46%	2,042.07	12.10%
Asadh 2080	10.24	9.05%	13.09	2.27%	10.99	7.36%	2,097.09	2.69%
Shrawan 2080	10.08	-1.56%	12.86	-1.73%	10.61	-3.49%	2,033.13	-3.05%
Bhadra 2080	9.75	-3.27%	12.72	-1.13%	10.29	-3.01%	1,964.91	-3.36%
Ashoj 2080	9.40	-3.59%	10.54	-2.94%	9.06	-2.66%	1,864.62	-5.10%
Kartik 2080	9.35	-0.53%	10.49	-0.49%	9.04	-0.24%	1,852.08	-0.67%
Mangshir 2080	9.71	3.85%	11.02	5.10%	9.60	6.25%	1,994.60	7.70%
Poush 2080	10.47	7.83%	11.43	3.69%	10.31	7.40%	2,120.62	6.32%
Magh 2080	10.17	-2.87%	11.18	-2.22%	10.15	-1.58%	2,101.16	-0.92%

Falgun 2080	10.20	0.29%	11.25	0.62%	10.15	-0.01%	2,108.72	0.36%
Chaitra 2080	10.13	-0.69%	10.91	-3.04%	9.94	-1.99%	2,025.30	-3.96%
Baisakh 2081	10.02	-1.09%	10.78	-1.19%	9.93	-0.19%	1,998.89	-1.30%
Jestha 2081	10.32	2.99%	11.11	3.11%	10.21	2.87%	2,112.29	5.67%
Asadh 2081	10.94	6.01%	11.55	3.96%	10.84	6.17%	2,240.41	6.07%
Shrawan 2081	12.86	17.55%	13.93	20.61%	13.52	24.72%	3,000.81	33.94%
Bhadra 2081	11.93	-7.23%	11.53	-6.46%	11.87	-12.20%	2,580.76	-14.00%
Ashoj 2081	11.38	2.93%	11.85	2.78%	11.62	4.63%	2,742.88	6.28%
Kartik 2081	11.50	1.05%	11.74	-0.93%	11.67	0.43%	2,748.78	0.22%
Average Return		1.08%		1.57%		1.52%		1.75%
SD		0.053		0.063		0.075		0.091
Correlation		0.88		0.97		0.83		1.00
Maximum		17.55%		20.61%		24.72%		33.94%
Minimum		-9.56%		-11.16%		-18.22%		-15.07%

Appendix -IV

List of 28-days Treasury Bill Issued during 2079/80, 2080/81 and 2081/2082

T Bills	**Issue Date**	**Date**	**Maturity Date**	**Lowest**	**Highest**	**Average**

28 Days	2079/04/03	Shrawan 2079	2079/04/31	7.0581	10.3491	9.3830
28 Days	2079/04/10	Shrawan 2079	2079/05/07	9.3356	12.2406	11.3418
28 Days	2079/04/31	Shrawan 2079	2079/05/28	8.9994	8.9994	8.9994
28 Days	2079/05/07	Bhadra 2079	2079/06/04	7.9958	8.7503	8.7055
28-Days	2079/05/28	Bhadra 2079	2079/06/25	8.6989	8.9401	8.7859
28 Days	2079/06/04	Ashoj 2079	2079/07/01	8.7806	9.1997	8.9335
28 Days	2079/06/25	Ashoj 2079	2079/07/22	8.9994	10.9702	9.5479
28 Days	2079/07/01	Kartik 2079	2079/07/29	8.5501	8.9994	8.6159
28 Days	2079/07/22	Kartik 2079	2079/08/20	8.8597	10.0494	9.1866
28 Days	2079/07/29	Kartik 2079	2079/08/27	8.5106	8.5395	8.5224
28 Days	2079/08/20	Mangshir 2079	2079/09/19	8.3999	11.9704	9.5334
28 Days	2079/08/27	Mangshir 2079	2079/09/26	8.5211	10.1233	9.2459
28 Days	2079/09/19	Poush 2079	2079/10/17	8.5290	10.4799	9.1852
28 Days	2079/09/26	Poush 2079	2079/10/24	7.5248	8.3999	7.9339
28 Days	2079/10/17	Magh 2079	2079/11/13	5.3703	7.4498	5.9001
28 Days	2079/10/24	Magh 2079	2079/11/23			5.9001
28 Days	2079/11/10	Falgun 2079	2079/12/07	6.5023	7.4299	7.2555
28 Days	2079/11/16	Falgun 2079	2079/12/16	5.2222	7.4801	7.2145
28 Days	2079/11/23	Falgun 2079	2079/12/21	7.0699	7.2303	7.2211
28 Days	2079/11/30	Falgun 2079	2080/12/28	7.0897	10.7402	8.0024
28 Days	2079/12/08	Chaitra 2079	2080/01/05	6.7746	9.4995	8.6837
28 Days	2079/12/14	Chaitra 2079	2080/01/12	8.5185	9.4912	9.0271
28 Days	2079/12/21	Chaitra 2079	2080/01/19	8.4895	9.4701	8.9493
28 Days	2079/12/28	Chaitra 2079	2080/01/26	7.7866	8.8900	8.5487
28 Days	2080/01/05	Baisakh 2080	2080/02/02	7.7103	8.6199	8.3380
28 Days	2080/01/12	Baisakh 2080	2080/02/09	7.4519	8.9796	8.5487
28 Days	2080/01/19	Baisakh 2080	2080/02/16	8.1406	8.6699	8.5264
28 Days	2080/01/26	Baisakh 2080	2080/02/23	7.9905	8.3696	8.1827
28 Days	2080/02/02	Jestha 2080	2080/02/30	7.7497	8.2604	8.0892
28 Days	2080/02/09	Jestha 2080	2080/03/05	7.4696	8.1998	7.9102
28 Days	2080/02/16	Jestha 2080	2080/03/12	7.3986	7.6695	7.5458
28 Days	2080/02/23	Jestha 2080	2080/03/19	6.9701	7.6103	7.3578
28 Days	2080/02/30	Jestha 2080	2080/03/26	6.0995	7.0003	6.6837
28 Days	2080/03/05	Asadh 2080	2080/04/02	3.5705	5.6902	4.2964
28 Days	2080/03/12	Asadh 2080	2080/04/09	3.6764	6.3200	5.6128
28 Days	2080/03/19	Asadh 2080	2080/04/16	3.9876	4.9995	4.7388
28 Days	2080/03/26	Asadh 2080	2080/04/23	2.4904	3.3000	3.0230
28 Days	2080/04/02	Shrawan 2080	2080/04/30	2.9708	5.2405	4.1629
28 Days	2080/04/16	Shrawan 2080	2080/05/12	4.6183	5.8699	5.3231
28 Days	2080/04/23	Shrawan 2080	2080/05/19	4.8279	5.3703	5.1776
28 Days	2080/05/12	Bhadra 2080	2080/06/09	4.8279	6.4933	6.2084
28 Days	2080/05/19	Bhadra 2080	2080/06/16	5.5001	6.2294	6.1231
28 Days	2080/06/09	Ashoj 2080	2080/07/07	2.9904	3.7300	3.4411
28 Days	2080/06/16	Ashoj 2080	2080/07/14	2.6901	3.1406	2.9029

28 Days	2080/07/10	Kartik 2080	2080/08/05	2.6197	3.2995	2.8711
28 Days	2080/07/14	Kartik 2080	2080/08/12	2.7501	3.6894	3.2725
28 Days	2080/08/05	Mangshir 2080	2080/09/03	2.2503	2.5895	2.4773
28 Days	2080/08/12	Mangshir 2080	2080/09/10	1.6427	1.9503	1.7535
28 Days	2080/09/03	Poush 2080	2080/10/02	2.0899	2.7592	2.4956
28 Days	2080/09/11	Poush 2080	2080/10/09	2.2511	2.5298	2.3580
28 Days	2080/10/02	Magh 2080	2080/11/01	2.3560	3.4594	3.2059
28 Days	2080/10/09	Magh 2080	2080/11/08	2.8493	3.1105	3.0269
28 Days	2080/11/01	Falgun 2080	2080/11/29	2.6548	3.1001	3.0322
28 Days	2080/11/08	Falgun 2080	2080/12/06	2.6405	2.9904	2.9068
28 Days	2080/11/29	Falgun 2080	2080/12/27	2.6052	2.7788	2.6940
28 Days	2080/12/06	Chaitra 2080	2081/01/04	2.4486	2.4904	2.4891
28 Days	2080/12/13	Chaitra 2080	2081/01/11	2.3873	2.5935	2.5034
28 Days	2080/12/27	Chaitra 2080	2081/01/25	2.4880	3.0785	2.9776
28 Days	2080/01/04	Baisakh 2081	2081/02/01	2.4946	3.0077	2.9606
28 Days	2081/01/11	Baisakh 2081	2081/02/08	2.5178	2.9590	2.8715
28 Days	2081/01/25	Baisakh 2081	2081/02/22	2.4003	2.9003	2.8193
28 Days	2081/02/01	Jestha 2081	2081/02/29	2.5139	2.7997	2.6940
28 Days	2081/02/08	Jestha 2081	2081/03/05	2.5530	2.9695	2.7984
28 Days	2081/02/22	Jestha 2081	2081/03/18	2.6052	2.9394	2.8376
28 Days	2081-02-29	Jestha 2081	2081/03/25	2.6444	2.9185	2.8376
28 Days	2081/03/04	Asadh 2081	2081/04/01	2.7501	3.0896	2.9603
28 Days	2081/03/18	Asadh 2081	2081/04/15	2.6183	2.9995	2.9851
28 Days	2081/03/25	Asadh 2081	2081/04/22	2.6065	2.9799	2.9499
28 Days	2081/04/01	Shrawan 2081	2081/04/29	2.7397	2.9577	2.9081
28 Days	2081/04/15	Shrawan 2081	2081/05/11	0.0273	2.9995	2.9499
28 Days	2081/04/22	Shrawan 2081	2081/05/18	2.6065	2.9956	2.9760
28 Days	2081/05/18	Bhadra 2081	2081/06/15	2.6653	2.9891	2.9642
28 Days	2081/05/25	Bhadra 2081	2081/06/22	2.8258	2.9734	2.9590
28 Days	2081/06/15	Ashoj 2081	2081/07/13	2.7357	2.9891	2.9629
28 Days	2081/06/21	Ashoj 2081	2081/07/20	2.6352	2.7997	2.7619
28 Days	2081/07/06	Kartik 2081	2081/08/04	2.4904	2.4904	2.4904
28 Days	2081/07/13	Kartik 2081	2081/08/11	2.0103	2.3494	2.2581
28 Days	2081/07/20	Kartik 2081	2081/08/18	2.2281	2.7488	2.6887

Appendix V

Calculation of Sharpe Ratio, Treynor Ratio and Jensen Alpha

Date	**SFMF-Rf.**	**NMB 50-Rf**	**SEF-Rf**	**NICGF-Rf**	**CMF1-Rf**	**SAEF-Rf**	NBF2-Rf	**Nepse-Rf**

Asadh 2077								
Shrawan 2077	1.71%	0.34%	2.57%	1.66%	1.41%	2.51%	1.32%	1.84%
Bhadra 2077	5.15%	3.71%	6.59%	5.54%	2.82%	6.62%	4.32%	10.48%
Ashoj 2077	0.72%	0.32%	0.40%	1.97%	1.09%	1.14%	1.17%	1.07%
Kartik 2077	4.96%	6.53%	5.93%	5.24%	3.64%	6.16%	4.50%	9.69%
Mangshir 2077	11.29%	14.37%	11.10%	11.00%	5.25%	15.69%	8.94%	19.66%
Poush 2077	6.45%	8.62%	7.45%	7.75%	2.79%	9.72%	8.71%	10.62%
Magh 2077	6.59%	9.05%	8.52%	9.16%	3.02%	7.46%	7.39%	10.21%
Falgun 2077	12.99%	1.89%	-0.17%	1.48%	8.01%	4.41%	1.32%	-3.01%
Chaitra 2077	8.79%	7.03%	5.49%	7.29%	6.79%	8.80%	8.05%	10.13%
Baisakh 2078	-0.46%	-0.64%	-1.71%	-2.03%	-1.58%	-2.18%	-0.85%	-1.43%
Jestha 2078	5.14%	10.67%	6.57%	9.96%	3.74%	8.46%	11.45%	12.44%
Asadh 2078	-2.19%	-2.72%	-3.37%	-3.40%	0.43%	-2.76%	-3.77%	-5.01%
Shrawan 2078	6.17%	7.26%	5.79%	7.40%	4.72%	8.00%	7.17%	9.16%
Bhadra 2078	-4.64%	-7.20%	-8.60%	-7.26%	-5.10%	-7.62%	-7.86%	-11.44%
Ashoj 2078	-2.08%	-1.69%	-1.99%	-2.65%	-3.08%	-2.76%	-17.18%	-5.96%
Kartik 2078	1.58%	1.58%	1.07%	1.56%	0.83%	1.74%	4.34%	4.36%
Mangshir 2078	-8.55%	-10.03%	-13.29%	-11.96%	-10.00%	-11.60%	8.87%	-13.72%
Poush 2078	9.95%	12.50%	17.07%	13.30%	13.49%	13.71%	8.53%	17.91%
Magh 2078	-1.98%	-3.04%	-4.23%	-3.46%	-5.56%	-2.92%	7.26%	-2.40%
Falgun 2078	-2.49%	-3.30%	-3.95%	-3.49%	-3.55%	-3.90%	1.20%	-5.20%
Chaitra 2078	-4.62%	-5.56%	-7.72%	-5.86%	-5.63%	-5.42%	-18.66%	-9.92%
Baisakh 2079	-1.46%	-1.25%	-2.04%	-1.78%	-1.93%	-1.46%	-2.78%	-3.12%
Jestha 2079	-7.64%	-10.58%	-13.79%	-9.76%	-9.93%	-9.74%	-12.21%	-15.51%
Asadh 2079	0.59%	0.17%	2.19%	0.83%	1.57%	-0.44%	1.55%	0.22%
Shrawan 2079	0.27%	-1.09%	-0.28%	-0.51%	-2.03%	-0.66%	-2.05%	0.75%
Bhadra 2079	-3.67%	-4.23%	-4.37%	-3.53%	-2.17%	-4.02%	-4.02%	-7.13%
Ashoj 2079	-1.92%	-1.51%	-2.94%	-1.33%	-1.44%	-3.05%	-3.26%	-3.49%
Kartik 2079	0.88%	0.86%	1.06%	0.56%	0.63%	2.59%	0.32%	2.12%
Mangshir 2079	-0.61%	-2.26%	-2.55%	-1.49%	-1.12%	2.15%	-1.60%	-2.28%
Poush 2079	8.07%	8.28%	12.17%	7.50%	7.24%	10.21%	12.64%	13.46%
Magh 2079	0.80%	-1.61%	-2.36%	-1.89%	-2.05%	-3.98%	-2.63%	-1.77%
Falgun 2079	-4.44%	-4.88%	-6.62%	-6.48%	-3.89%	-7.37%	-7.20%	-8.57%
Chaitra 2079	-0.98%	-0.28%	-1.75%	-0.91%	-0.62%	0.19%	-0.30%	-1.69%
Baisakh 2080	-2.94%	-3.95%	-4.70%	-3.91%	-5.16%	-3.90%	-4.55%	-6.53%
Jestha 2080	5.83%	9.83%	8.55%	6.18%	6.32%	7.28%	7.84%	11.47%
Asadh 2080	2.74%	3.94%	2.56%	2.82%	8.68%	1.90%	6.99%	2.33%
Shrawan 2080	-0.56%	-1.38%	-2.21%	-1.83%	-1.97%	-2.13%	-3.89%	-3.46%
Bhadra 2080	-2.45%	-2.89%	-2.64%	-1.70%	-3.79%	-1.64%	-3.53%	-3.87%
Ashoj 2080	-3.03%	-3.53%	-4.11%	-1.72%	-3.85%	-3.21%	-2.92%	-5.37%

Kartik 2080	-1.00%	-1.25%	-1.23%	-0.78%	-0.79%	-0.74%	-0.49%	-0.93%
Mangshir 2080	3.97%	4.95%	5.50%	4.73%	3.67%	4.92%	6.07%	7.52%
Poush 2080	2.60%	4.01%	2.79%	2.46%	7.62%	3.49%	7.19%	6.12%
Magh 2080	-1.32%	-1.82%	-1.66%	-1.96%	-3.13%	-2.48%	-1.84%	-1.18%
Falgun 2080	0.20%	1.07%	-0.04%	0.03%	0.06%	0.38%	-0.25%	0.12%
Chaitra 2080	-2.26%	-2.89%	-3.67%	-3.12%	-0.91%	-3.27%	-2.22%	-4.18%
Baisakh 2081	-0.87%	-0.62%	-1.08%	-0.43%	-1.33%	-1.43%	-0.43%	-1.54%
Jestha 2081	2.22%	5.37%	3.37%	2.67%	2.76%	2.87%	2.64%	5.44%
Asadh 2081	3.30%	5.06%	5.08%	4.03%	5.76%	3.71%	5.92%	5.82%
Shrawan 2081	20.15%	23.58%	23.47%	19.11%	17.30%	20.36%	24.48%	33.69%
Bhadra 2081	-10.99%	-10.73%	-9.28%	-9.30%	-7.48%	-6.71%	-12.45%	-14.24%
Ashoj 2081	4.81%	5.15%	4.34%	5.33%	2.70%	2.54%	4.39%	6.04%
KArtik 2081	-0.38%	-1.11%	-0.62%	-1.61%	0.85%	-1.13%	0.22%	0.01%
Average Return	1.24%	1.23%	0.70%	0.87%	0.68%	1.16%	1.11%	1.34%
SD	0.055	0.065	0.068	0.059	0.053	0.063	0.075	0.092
Sharpe Ratio	22.51%	19.20%	10.35%	14.82%	12.80%	18.45%	14.90%	14.67%
Covariance	0.47%	0.58%	0.61%	0.53%	0.43%	0.56%	0.57%	0.84%
Variance	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%
Beta	0.55	0.69	0.73	0.63	0.51	0.67	0.68	1.00
Treynor ratio	0.0224	0.0178	0.0097	0.0138	0.0132	0.0174	0.0165	0.0134
Jensen Alpha	0.498%	0.307%	-0.274%	0.028%	-0.009%	0.268%	0.207%	

PERFORMANCE OF MUTUAL FUND IN NEPAL

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Abstracts This dissertation studies the performance of mutual fund schemes in Nepal issued by unique fund managers and has performed over four consecutive years and aims to identify the best- performing funds among seven selected schemes. The study also analyzes the influence of the NEPSE Index's movements on the financial performance of these selected mutual funds. To assess the performance, various statistical and financial tools have been implemented, including the Sharpe ratio, Treynor's ratio, Jensen Alpha, holding period return, Net Asset Value (NAV), and correlation coefficient. The findings of this research study will provide valuable intuition into the factors influencing mutual fund performance in Nepal, particularly in relation to the impact of market fluctuations, as reflected by the NEPSE Index. Additionally, the study intends to provide useful information for investors, fund managers, and policymakers, contributing to improved decision-making and optimizing mutual fund performance within the context of Nepal's evolving capital markets. Keywords: Mutual Fund, Sharpe Ratio, Net Asset Value, Nepal Stock Exchange, Treynor's Ratio ii Chapter I Introduction 1.1 Background of the Study A mutual fund is a professionally managed investment vehicle that pools money from multiple investors to buy a diverse range of securities, such as stocks, bonds, and other assets, on behalf of the investors. Each unit of the fund scheme held by the mutual fund holder represents a proportional share of the mutual fund's holdings. These funds are professionally managed by fund managers who oversees portfolios based on specific investment objectives. In Nepal, mutual funds are administered by the Securities Board of Nepal (SEBON) under the Mutual Fund Regulations, 2010& The Mutual Fund Directive, 2012. There are primarily two types of mutual funds which are close-ended and open-ended mutual fund. As of Mangshir 2081, there are 36 close-ended mutual funds (excluding 11 matured funds) and 7 open-ended mutual funds operated by different fund managers registered with SEBON. The Nepal Stock Exchange (NEPSE), established in 1993 under the Companies Act, 2006, and operating under the Securities Act, 2007, is the only platform for trading various securities in Nepal. Its primarily functions to provide platform to facilitate buying and selling of corporate and government securities through brokers and