

Financial Performance Analysis of Mutual Funds in Nepal

A Thesis

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RECOMMENDATION LETTER

It is certified that thesis entitled FINANCIAL PERFORMANCE ANALYSIS OF MUTUAL FUNDS IN NEPAL submitted by Rupraj Sharma is an original piece of research work carried out by candidate under my supervision. literary presentation is satisfactory and the thesis is form suitable for publication. Work evide3nces the capacity of candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "Financial Performance Analysis of mutual fund in Nepal" presented by Rupraj Sharma, a candidate for the degree of **Master of Business Studies** (MBS) and conducted viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Certificate of Authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as a part of requirement for the a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have taken received in my research work and preparation of thesis itself has been acknowledged. In addition , I certify that all information sources and literature used are indicated in reference section of this thesis.

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ABSTRACT

Financial System comprises financial institutions, services, financial instruments and their applications. Mutual funds are one of the components of financial system of nation. The project aims at finding out financial performance of mutual funds in Nepalese financial market. The study aims at analyzing the performance of closed ended mutual fund schemes in Nepal, which are primarily equity based. The study is based on the sample of four mutual fund schemes out of 11 mutual funds using descriptive and analytical research design. Simple random sampling method has been used for selecting four samples.

Results are obtained through use of widely used risk-adjusted measures: Sharpe Measure, Treynor measure and Jensen Measure. Secondary data are backbone of the study. According to the result, two mutual funds (SEOS and NMBSF) performed better as per Sharpe Measure. Three mutual fund schemes (SEOS, NIBLSF and NMBSF) outperformed the market on the basis of Treynor index. Likewise two schemes (SEOS and NMBSF) outperformed as per Jensen index. One scheme (LVF) has under performed as per all the three measures.

Common stocks and bank deposits are the two key source of investment that the funds have invested their funds. Bank deposit is another source of their investment. About more than half of their fund is invested in common stocks and bank deposit. SEOS has highest expense ratio among all.

NEPSE return is taken as benchmark return in order to make comparison. There exist negative correlation between return of Laxmi Value Fund and market return. On the other hand, high degree of positive correlation between returns of NIBL Samridhi Fund and NMB Sulav Fund and that of market.

Key words: Mutual fund, Net asset value, Nepal stock Exchange, Sharpe, Treynor, Jensen

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ABBREVIATIONS

B.S.	= BikramSambat
CIT	= Citizen Investment Trust
CUS	= Citizen Unit Scheme
NCM	= NIDC Capital Market
CAPM	= Capital Asset Pricing Model
EMH	= Efficient Market Hypothesis
HPR	= Holding Period Return
NAV	= Net Asset Value
NEPSE	= Nepal Stock Exchange
NMBSF	= NMB Sulav Fund
NIBLSF	= NIBL Samridi Fund
NRB	= Nepal Rastra Bank
SEBON	= Security Board of Nepal
SEOS	= Siddartha Equity Oriented Scheme
TU	= TribhuvanUuniversity