

NUMBERS THAT MATTER: KEY METRICS FOR MUTUAL FUND SELECTION



Standard Deviation (SD)

Standard Deviation (SD): A lower SD indicates lower volatility and risk.

For example, Scheme A and Scheme B have Standard Deviation of 13.36 and 14.79, respectively. Despite this, Scheme A is recommended due to its lower standard deviation.

Beta

Beta: A lower beta indicates lower risk.

For example, Scheme A and Scheme B have Betas of 0.89 and 0.95, respectively. Scheme A is recommended because it has a lower Beta.



Sharpe Ratio

The Sharpe ratio measures a fund's excess return over the risk-free rate, relative to its volatility. A higher Sharpe ratio indicates better risk-adjusted returns.

For example Scheme A and B have Sharpe Ratio of 0.41 and 0.15 respectively. Scheme A is recommended since it has a higher sharpe ratio.

Alpha

It is a measure of a mutual fund's performance relative to its benchmark index. It represents the excess return generated by the fund over and above the return of the benchmark index.

For example, Scheme A and Scheme B have Alphas of 0.69 and -0.34, respectively. Scheme A is recommended because it has a higher Alpha.



Down Capture Ratio

It is used to evaluate a mutual fund's performance during market downturns. A lower Down Capture Ratio is generally considered desirable, as it indicates that the fund has protected investor's capital during market downturns.

For instance, Scheme A and Scheme B have Down Capture Ratios of 64.48 and 103.86, respectively. Scheme A is preferred due to its lower Down Capture Ratio.

Treynor Ratio

It's a risk-adjusted performance metric that helps evaluate a fund's return potential while considering its level of risk. A higher Treynor Ratio indicates that the fund has generated excess returns relative to its risk level.

For example: Scheme A and B have Treynor ratios of 1.81 and 0.67 respectively. Scheme A is recommended since it has a higher treynor ratio.

Liquidity Ratio

Liquidity ratio measures the fund's ability to meet redemption requests without significantly impacting the fund's net asset value (NAV). It is vital in case of small and micro cap funds.

Example: Scheme A and B have liquidity ratios of 1.75 and 1.95 days respectively. Scheme A is recommended since it has a lower liquidity ratio.



To bring it to a close

Understanding key mutual fund metrics can help you make informed investment decisions. By evaluating factors like risk, return, and volatility, you can choose funds that align with your financial goals and risk appetite.

Securities are subject to market risks. Please read all scheme-related documents carefully before investing.



To begin your investment journey,
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