

# PERFORMANCE EVALUATION OF MUTUAL FUNDS IN PAKISTAN

By

MUHAMMAD UMAIR KHAN

36724

A thesis presented to the Department of Management Sciences, Bahria University Karachi Campus, in partial fulfillment of the requirements of the MBA degree



SPRING, 2017

Bahria University Karachi Campus



**MBA thesis**  
**2<sup>nd</sup> Half –Semester Progress Report & Thesis Approval Statement**

Name of student	MUHAMMAD UMAIR KHAN
Registration no.	36724
Thesis title	Performance Evaluation Of Mutual Funds In Pakistan

**Supervisor – Student Meeting Record**

S.No.	Date	Place of meeting	Topic of discussion	Signature of student
5	25-04-17	Faculty-1	Analysis of data gathered and discussed chapter four.	
6	09-05-17	Faculty-1	Discussion on chapter five and discussion over how to link research with existing literature.	
7	23-05-17	Faculty-1	Final review of thesis, discussion on formatting and plagiarism checked.	

**APPROVAL FOR EXAMINATION**

Candidate's Name: MUHAMMAD UMAIR KHAN

Registration No. 36724

Thesis Title Performance Evaluation Of Mutual Funds In Pakistan

I hereby certify that the above candidate's thesis has been completed to my satisfaction and , to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at 13% that is within the permissible limit set by HEC for MBA thesis. I have also found that the thesis is in a format recognized by the Department of Management Sciences.

Supervisor's signature:  Date: 21.06.2017

Name : KALEEM AHMED GHIAS

HoD's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## TABLE OF CONTENTS

2 <sup>nd</sup> Half –Semester Progress Report & Thesis Approval Statement .....	i
Declaration of Authentication .....	ii
TABLE OF CONTENTS .....	iii
LIST OF TABLES.....	v
LIST OF FIGURES.....	vi
LIST OF ABBREVIATIONS .....	vii
ABSTRACT .....	ix
<b>CHAPTER 1: INTRODUCTION .....</b>	<b>11</b>
1.1 Problem Background .....	11
1.2 Research Aim.....	12
1.3 Problem Statement.....	12
1.4 Introduction to Mutual Fund.....	13
1.5 Research Objectives.....	15
1.6 Hypotheses.....	15
1.7 Conceptual Framework.....	17
<b>CHAPTER 2: LITERATURE REVIEW .....</b>	<b>18</b>
2.1.Literature Review.....	18
<b>CHAPTER 3: RESEARCH METHODOLOGY .....</b>	<b>28</b>
3.1. Nature of Research.....	28
3.2. Research Design.....	28
3.3. Sample Size.....	28
3.4. Source of Data.....	28
3.5. Data Collection Method.....	28
3.6. Variables .....	29
3.7. Data Analysis Techiques.....	29
<b>CHAPTER 4: DATA ANALYSIS.....</b>	<b>32</b>
4.1. ABL Asset Management Limited.....	32
4.1.1. Model Summary.....	32

4.1.2. Anova.....	32
4.1.3. Coefficient.....	33
4.2 Al-Meezan Investment Group.....	34
4.2.1. Model Summary.....	34
4.2.2. Anova.....	34
4.2.3 Coefficient.....	35
4.3 Askari Investment Management .....	36
4.3.1. Model Summary.....	36
4.3.2. Anova.....	36
4.3.3. Coefficient.....	37
4.4 Atlas Asset Management Limited.....	38
4.4.1. Model Summary.....	38
4.4.2. Anova.....	39
4.4.3. Coefficient.....	39
4.5 Habib Asset Management Limited .....	40
4.5.1. Model Summary.....	40
4.5.2. Anova.....	41
4.5.3. Coefficient.....	42
4.6 Combine Effect .....	43
4.6.1. Model Summary.....	43
4.6.2. Anova.....	43
4.6.3. Coefficient.....	44
4.7 Performance Evaluation of Mutual Funds Through Ratios .....	46
<b>CHAPTER 5: CRITICAL DEBATE.....</b>	<b>54</b>
5.1 Critical Debate .....	54
<b>CHAPTER 6: CONSLUSION AND RECOMMENDATIONS .....</b>	<b>56</b>
6.1 Conclusion .....	56
6.2 Recommendations.....	56
7.0 REFERENCES .....	58
APPENDIX.....	64

## ABSTRACT

### **Purpose:**

The aim of the research is to assess the efficiency of mutual funds in Pakistan. This study is conducted to inspect the efficiency evaluation of mutual funds in Pakistani Market in terms of risk and return relationship. Karachi Stock Index-100, used as a standard to assess the mutual funds comparative performance in Pakistan. This research is to provide an understanding of performance evaluation of mutual funds in Pakistan. This Research measures and analyze the performance, effect of profitability on KSE-100, Turnover, Trade Volume and Trades.

### **Methodology:**

This research is cross-sectional, for evaluating the performance of mutual funds researcher used secondary data, data gathered from annual reports of Asset Management Company's and Stock Exchange of Pakistan. The Data consist of dependent and independent variable, where dependent variable is Profitability and independent variables are KSE-100 index, Turnover, Trade Volume and Trades from year 2007 to 2015.

### **Findings:**

Result of this research shows that R square 0.943 which is 94.3%, explain the variation of dependent variable by the change in independent variable like KSE-100 index, Turnover, Trade Volume, Trades and All the test conducted for this research at significant level of 0.05, the p value of overall model which is 0.009 which shows the significance of the model. Since the p value of all independent variables are lower than 0.05, therefore all the alternative hypotheses are acceptable. This means that the profitability is affected by all four variables like KSE-100 Index, Trade Volume, Turnover and Trades. Result of this research also shows that average return is 0.025 which is 2.5%, it's standard deviation that range of upper and lower return is 0.12 which is 12% above or below to the average return. Sharpe ratio measures portfolio return and overall Sharpe ratio of asset management companies is in negative which is -0.0810 and less than 1.0 which indicates that return did not justify the risk taken. Beta of overall asset management company's also shows in negative which is -0.0721, indicates that the investment progress is less than KSE-100 index progress, while Treynor ratio is in positive due to the excess return and riskiness which is beta is in negative, therefore having both in negative the ratio shows positive

value, since Alpha is in negative which is  $-0.0218$ , indicates that a security which has underperform to the standard.

**Practical Implications:**

Result of this research will help different investors to fulfill the purpose of investing in different assets like Securities. Investors always looking for investment in efficient market. This research will be helpful for small investors who like to use mutual fund as an appliance to invest in Blue-Chip companies or in Asset Management Company's. Mutual fund is a growing sector in Pakistan as many private sector companies are doing business in the market while very few public-sector companies are doing business in the market.

**Keywords:** Mutual fund, risk free rate, KSE-100, Sharpe ratio, Treynor ratio, Jensen alpha.